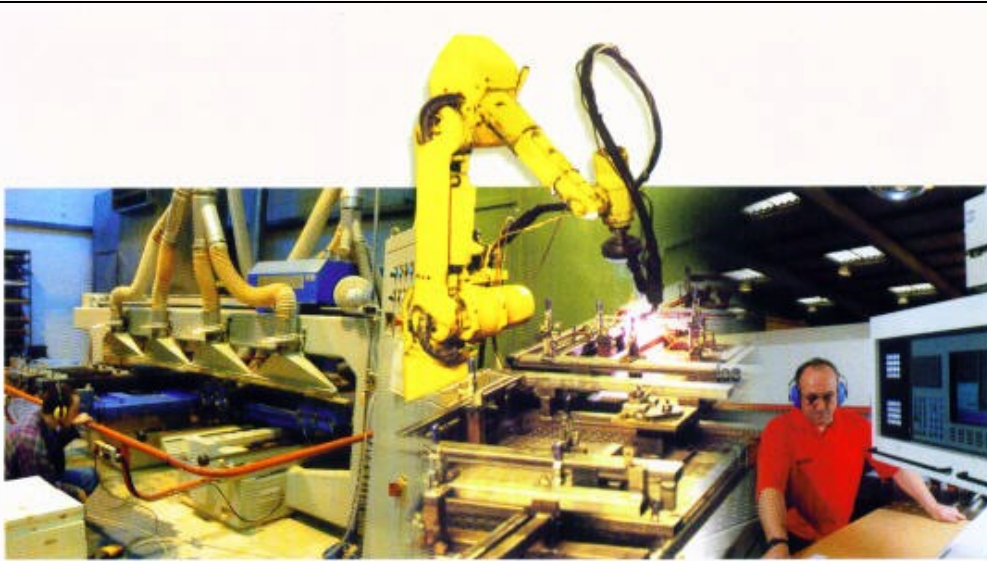


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# The UK furniture manufacturing industry

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### **The British Furniture Confederation**

*The British Furniture Confederation (BFC) is the single voice for the UK furniture and bed making industries. Formed in May 2006, the BFC brings together the key trade associations and other representative bodies, together with the GMB union, in order to raise the profile of the industry, particularly with government.*

*The BFC will meet four times a year and will be represented by the chief executives of the associations involved, together with senior figures from industry, under the chairmanship of Martin Jourdan.*

# The UK Furniture Manufacturing Industry in Context

## Size and shape

UK furniture manufacturing is often perceived as skilled craftspeople making traditional bespoke offerings. However beneath this veneer is a large and dynamic industry.

Annual output from UK furniture manufacturing is currently worth nearly £10 billion at factory gate prices. The industry directly employs around 124,000 people within 7,500 enterprises and makes a significant, but often unsung, contribution to the UK economy. In addition the industry supports (and is supported by) a large supply chain (with its associated wealth and employment creation) comprising materials suppliers, component manufacturers, designers, distributors, contractors and retailers.

The industry is divided between small companies and relatively large concerns. It is estimated that 67% of all furniture manufacturing concerns employ less than 9 people, but also that the largest 300 companies account for 45% of the total employment.

Although there are some pockets of activity, such as in South Wales and the Long Eaton area of the East Midlands, the industry has no distinct geographical base, with companies and employment spread nation-wide.

The UK furniture industry is often segmented into three primary groups, based around the end market, although in practice the divisions between such groups is often blurred.

- Domestic: serving the public, mainly through retail outlets and for household use. (approx. 58% of output by value)
- Office: desking, seating, tables, cabinets and other items for the office environment. (approx. 13%)
- Contract: furniture for public areas such as hotels, schools, residential accommodation and airports (approx. 29%)

## Current trends

UK furniture manufacturing is not immune from global forces and, as with other manufacturing industries, it has witnessed a strong growth in imports over recent years, particularly from China and Poland.

The transport of furniture can be inefficient, often entailing the movement of large volumes of fresh air. Until ten years ago international trade was relatively small and imports accounted for just 15% of sales. However, over the last ten years this figure has grown significantly and now imports account for 42% of the end market.

The UK is the world's fourth largest consumer of furniture. On a global scale furniture manufacturing is big business: it is estimated to be worth around US\$240bn at factory gate prices. At the macro level there are three major trends affecting global furniture production:

1. Consumption is growing *in real terms* in all major markets and is expected to continue to grow into the future. This is primarily due to improvements in standards of living in emerging countries and increased disposable income in developed. The markets exhibiting the highest growth rates are the new EU members and much of Asia (including China).
2. Globalisation is increasing and an international trade emerging. On a global scale, measuring imports as a percentage of consumption shows a doubling from a fairly low 15% in 1995 to 31% today.
3. Production is shifting from major industrial economies to emerging nations. Even more dramatic is the fall in the proportion of exports that emanate from developed countries, with a consequent rise from emerging countries – particularly Poland and China which have seen significant investment in new plants designed specifically for exports.

China is now produces 9% of all furniture and 12% of exports and will soon overtake Italy as the leading exporter. It has witnessed an annual average growth rate of 23% since 1978 – driven by both internal consumption and exports. Domestic consumption is 75% of the output and has doubled in 5 years – driven by a growth in the size of urban housing. Main export market is US (50% of exports) (UK 4<sup>th</sup>).

## Opportunities for UK furniture manufacturers

Furniture manufacturing is relatively labour intensive. It is estimated that a Chinese factory producing like for like products will enjoy a 20-25% cost advantage over its UK counterpart at factory gate prices. However, there are a number of additional cost factors, sometimes hidden, which need to be considered:

- The transport of furniture over long distances is costly, inefficient and environmentally damaging. In addition to the costs for transport and logistics consideration needs to be given to below the line costs such as sourcing, middle men and support services.
- The goal of a low price all too often means a loss of quality and consistency. Imported furniture is notorious for having high failure rates, with consequent wastage and a resulting poor environmental performance.

Nevertheless, it is the unique nature of furniture that provides opportunities for UK manufacturers. In particular, UK manufacturers' closeness to market, both emotionally and geographically, provides a real strength from which to compete with low cost imports.

- Design – UK manufacturers have first hand knowledge of buyers and end users and can react rapidly to and reflect national tastes and trends. Overseas producers are not only more remote but the market is of less importance.
- Choice – furniture purchasing is typically driven by aesthetics – the product needs to be sympathetic to the overall design concept, whether in the home, the workplace or other public spaces. Choice and customisation are key factors that can often only be satisfied by a make to order approach – with UK manufacturers best placed to respond to such a need.

- Lead times – an area of increasing importance in today's instant gratification society, lead times have long been a bone of contention with purchasers. UK manufacturers by their very definition start with an advantage of 4-6 weeks in terms of lead times compared to their far-east counterparts.

Although a typical Chinese manufacturer may start with a 20-25% factory gate advantage there is a number of other factors which mean that the UK furniture manufacturing industry should not be written off. Put together with an understanding of users and their changing needs and the case for the UK starts to look more compelling. However, such a case needs to be built upon the foundation of an industry that can claim to be world class – and that's where the industry and its supply chains still have work to do.

## **Current assistance and support**

At present, despite being a major source of employment and wealth creation, the assistance and support enjoyed by the UK furniture manufacturing industry is limited. The funds available from Government have reduced considerably in recent times and the limited amount that is currently available is typically provided in a piecemeal fashion, usually as part of another initiative rather than aimed specifically at the furniture industry.

The biggest government funded project currently underway is UKfirst, an industry forum for furniture manufacturing, supported by £1.74m from DTI. UKfirst is a five year programme, launched in 2003, which aims to improve the competitiveness of the UK furniture industry by helping it to achieve world class performance in quality, cost and delivery. It has achieved widespread recognition and support from manufacturers across all sectors of the industry and has a track record of delivering measurable successes.

Support from the regions is notable for its absence. Despite furniture manufacturing being a major industry, its geographical spread means that most Regional Development Agencies do not regard it as a priority sector. The only exception is Advantage West Midlands which has established Furniture West Midlands. However, even here the support is limited.

## **Summary**

UK furniture manufacturing is a large and often unsung industry that employs a significant amount of people and makes a considerable contribution to the UK economy. It has typically been a traditional and rather static industry, but is now undergoing dramatic change driven by a growth in low cost imports.

Nevertheless, it would be rash to dismiss UK furniture manufacturing as a twilight industry that cannot compete with the products from emerging economies. A UK furniture manufacturing base provides many advantages that simply cannot be replicated in a remote location. However, although UK industry needs to change and develop if it is to compete, there is a persuasive argument that furniture manufacturing can and should be encouraged to rise to the challenge.

The industry needs targeted support and assistance at the macro level in order to bring it up to world class levels of performance. The current regional approach to funding favoured by DTI is simply not working, because not only is the industry geographically spread, but so is the entire supply chain. However, if competitiveness is to be raised it is not just manufacturing issues that need to be addressed but an improved performance throughout the supply chain. Ukfirst has demonstrated that the industry is willing to support and embrace change, but it needs targeted support to encourage such change and provide the framework for some of the collective actions that are essential for future success.