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## FURNITURE: HOMES TO DRIVE GROWTH

The concept of good living is catching up with the middle-class Indians too. They do not mind spending an extra buck in decorating their new homes. This has resulted in a boom in the décor market.

**T**he furniture industry has changed over the years. It is no longer restricted to production of a chair, table or bed but today it includes manufacturing of a range of furniture and home furnishings and designed interiors that spell class and elegance. The industry is witnessing a boom

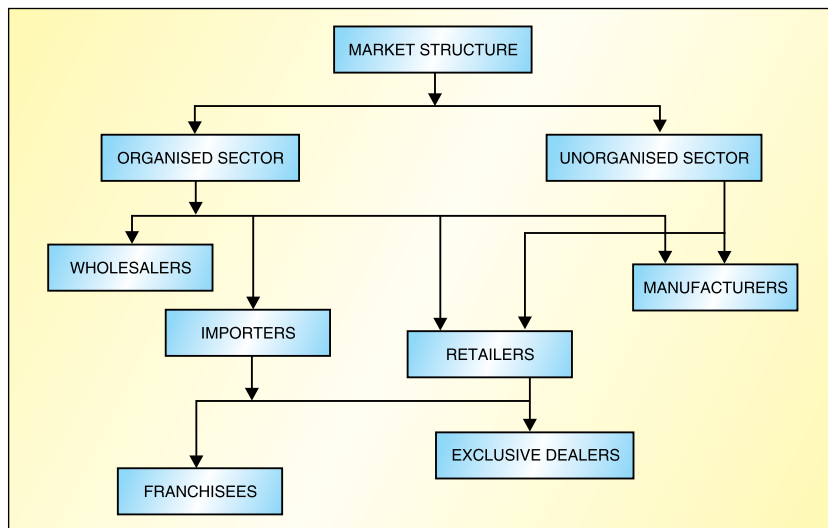
time. Every country sports a string of furniture showrooms of all kinds and sizes. Changing lifestyle, disposable incomes, economy growth and increasing migration to urban areas have all contributed to the demand for furniture and, in turn, growth of the furniture industry as a whole.

The furniture industry comprises not only products related

to offices, living rooms, bedrooms, kitchens, gardens and schools but also mattresses, furnishings, upholstery, etc. A wide variety of raw materials are used in production of furniture, including wood, rattan, plastic and metal and more recently silver. Using various varieties of wood, wooden furniture accounts for most of the production and exports

## Furniture by definition

Furniture is a collective term for those movable objects which may support the human body (seating furniture and beds), provide storage or hold objects on horizontal surfaces above the ground. Storage furniture (which often makes use of doors, drawers and shelves) is used to hold or contain smaller objects such as clothes, tools, books and household goods. Furniture can be a product of artistic design and is considered a form of decorative art. In addition to the functional role of furniture, it can serve a symbolic or religious purpose. Domestic furniture works to create, in conjunction with furnishings such as clocks and lighting, comfortable and convenient interior spaces. Furniture can be made from many materials, including metal, plastic and wood.



Market structure of furniture industry

of the furniture industry in almost all countries.

### Characteristics

1. Furniture manufacturing worldwide forms a regionally centralised competition pattern under the clustering effect.
2. The furniture industry is both an organised and non-organised sector.
3. Utilisation of skilled and unskilled workers.
4. Utilisation of handcrafted tools, machines and CAD/CAM for manufacturing and designing.
5. Source of employment for rural workers.
6. Employment is spread across many sectors, which shows the di-

verse nature of the industry and a broad product range.

7. Consumer expectations and purchasing behaviours have marked regional variations.

### World furniture industry

The world home furniture market is worth Rs 200 billion. During the past three years, it grew by 20 per cent a year.

Talking of the overall furniture industry, traditional furniture-making countries continue to take up over 70 per cent of the global market. This is possible because of their long established production capacity, advancement in science and technology, solid funds and rich management experience. Meanwhile, developing

countries and regions like China, Southeast Asia, Poland and Mexico, with China taking the lead, have built upon their respective competitive advantages and gradually covered almost 30 per cent of the world market. The furniture industry in these countries is developing strongly and showing great potentials.

The European Union furniture industry accounts for about half of the world's furniture production. The production value of the furniture industry in this region is around €82 billion. Considered to be a labour-intensive industry, it provides employment to around one million people. Among the European countries, Germany takes the lead as the largest furniture producing country, accounting for about 27 per cent of total EU production. This is followed by Italy (21.6 per cent), France (13.5 per cent) and the UK (10.4 per cent). Canada is the fifth largest exporter of furniture in the world.

Major furniture-producing countries in South East Asia are the Philippines, Indonesia, Malaysia, Singapore, Thailand, Korea, Taiwan and India.

In global furniture trade, Asia is showing signs of growth compared to other international competitors. Asian furniture has always been popular in developed countries like USA, Europe and Australia.

With over 20 years of fast growth, China has been able to bring unlimited business opportunities and vitality to the global furniture industry. It has today emerged as a furniture production centre, a circulation centre as

**Home furniture is the largest segment in the Indian furniture market, accounting for about 65 per cent of furniture sales.**

well as an exhibition centre in the world. The rise of China's furniture industry has brought about a new round of restructuring of the global furniture industry and trade pattern.

### Furniture market in India

India is a land of marvelous artistic work of wood. The rich handicraft and beautiful traditional attributes of art and design have established reputation of the Indian furniture industry worldwide. Exceptional designs, rich, compact, and luxurious trends, and supreme quality impart elegance to the Indian furniture in traditional as well as modern aspects.

The Indian furniture industry is estimated at Rs 350 billion. Eighty-five per cent of it falls in the unorganised sector. The remaining 15 per cent is organised and made up of manufacturers and import-

ers catering to various segments of the industry. The share of the wooden furniture market is around Rs 600 million.

Many of the world's leading home fashion brands are available in India through domestic retail outlets. According to a study by the World Bank, the organised furniture industry is expected to grow by 20 per cent a year and India, Brazil and Russia will witness a boom.

The furniture industry in India makes a marginal contribution to the GDP, representing about 0.5 per cent of the total GDP.

Major segments in the furniture industry are residential, office, contract and institutional. There are other segments also based on the

application (kitchen, bathroom, bedroom, etc) or raw material (wooden, plastic, metal, bamboo, etc). These industry segments include big players from the organised sector, such as Godrej & Boyce Manufacturing Co., BP Ergo, Featherlite, Haworth, Style Spa, Yantra, Renaissance, Millenium Lifestyles, Durian, Kian, Tangent, Furniture Concepts, Furniturewala, Zuari, Truzo, N R Jasani & Company, V3 Engineers and PSL Modular Furniture.

India manufactures and exports high-quality furniture in terms of design, fashion and technology. Indian furniture has a strong image all across the world. However, a large portion of furniture is imported from various foreign countries as

well. Manufacturers in India generally use a three-tier selling and distribution structure, comprising the distributor, wholesaler and retailer.

The furniture market in India is mainly concentrated in Class A, B and C cities (the top 589 cities). It is estimated that the top 784 urban centres contribute 41 per cent to the total consumer furniture market. Class A and B cities together contribute 33 per cent of the total market.

The entry of international brands and changing consumer preference have led to the emergence of furniture retailing in India. The size of the furniture retail market is increasing. In fact, CSIL Milano has classified India as one of the 14 large furniture markets in the world. This

Table I  
**Furniture Export from India to Italy**

S.No.	Details	2003-04	2004-05	2005-06	2006-07	2007-08
1	Values in US\$ million	7.44	16.49	15.78	19.43	22.10
2	Per cent growth	—	121.72	-4.34	23.14	13.75
3	Total export of commodity	109.97	216.57	217.17	286.52	351.51
4	Per cent growth	—	96.93	0.28	31.93	22.68
5	Per cent share of country (1 of 3)	6.76	7.61	7.26	6.78	6.29
6	Total export to country	1,729.40	2,285.99	2,519.04	3,580.10	3,913.45
7	Per cent growth	—	32.18	10.19	42.12	9.31
8	Per cent share of commodity (1 of 6)	0.43	0.72	0.63	0.54	0.56
	Exchange rate (1US\$ = Rs)	45.9516	44.9315	44.2735	45.2849	40.241

Source: [www.commerce.nic.in](http://www.commerce.nic.in)

Table II  
**Furniture Import from Italy to India**

S.No.	Details	2003-04	2004-05	2005-06	2006-07	2007-08
1	Values in US\$ million	4.32	6.24	9.71	14.73	27.99
2	Per cent growth	—	44.36	55.55	51.67	90.01
3	Total import of commodity	58	92.79	152.43	251.71	357.73
4	Per cent growth	—	60	64.27	65.13	42.12
5	Per cent share of country (1 of 3)	7.46	6.73	6.37	5.85	7.82
6	Total import to country	1,071.03	1,373.10	1,855.63	2,672.35	3,900.11
7	Per cent growth	—	28.2	35.14	44.01	45.94
8	Per cent share of commodity (1 of 6)	0.4	0.45	0.52	0.55	0.72
	Exchange rate (1US\$ = Rs)	45.9516	44.9315	44.2735	45.2849	40.241

Source: [www.commerce.nic.in](http://www.commerce.nic.in)

is in view of the fact that India has a middle-class population of over 400 million, with its purchasing power on the upswing.

### Imports and exports

India is the world's top furniture importer accounting for 17 per cent of the total imports worldwide in 2004 and up to mid 2005. Organised sector accounts for Rs 8 billion worth of imports, with the furniture market growing by 12-15 per cent per annum.

With the lowering of tariffs this year, the government has enabled importers to enter the furniture market and spoil the Indian consumer for choice. With rationalisation of the import duty at 38 per cent from a high of 300 per cent, a large number of foreign players have forayed to tap the huge potential.

The size of the imported furniture market in India was \$152.43 million in the year 2005-06 and \$251.01 million in 2006-07. The main source of these imports are China, Malaysia, Italy, Germany and Singapore. While China and Malaysia cater predominantly to the middle class, Italy and Germany provide upper-end furniture for home, office and commercial spaces.

Indian furniture is exported to countries like China, Malaysia, Italy, Germany, Singapore, South Korea, Japan, France and Brazil.

### Buying trends

Interior design for homes is no longer the preserve of the rich and wealthy. The concept of good living is catching up with the middle-class Indians. They do not mind spending an extra buck in decorating their new homes. This has resulted in a boom in the décor market. 'Imported' and 'designer' seem to be the key words when it comes to buying furniture for homes. It's hardly surprising,



Children room furniture

considering that more and more foreign furniture manufacturers and traders have been finding their way into the country of late.

While upwardly mobile Indians increasingly buy differently styled foreign furniture, they need to guard against poor stuff.

When decorating a new residence, buying decision is left to the builder, architect, interior decorator or the owner. When renovating a residence, buying decision is made by an interior designer or the owner. When furnishing a commercial complex, buying decision is made by the builder, architect or interior designer.

Exposure, coupled with easy availability of funds, has made more and more urban middle-class couples

to look for interior decorators while doing up their houses. In short, it is important to target architects, builders and interior designers.

### The future outlook

Organised and unorganised retail are likely to reach the size of \$440 billion by 2010. Out of a \$300-billion retail industry, the organised retail segment is less than 5 per cent, which works out to be slightly more than \$16 billion. With the growth of the organised retail segment, the retail furniture sector is also going to see a good boom.

The Indian furniture industry is estimated to grow to Rs 750 billion by 2010 with the organised sector contributing around Rs 200 billion. As with the global market, home furniture is the largest segment in the Indian furniture market, accounting for about 65 per cent of furniture sales. So we can say that homes will drive growth of the furniture industry in India. ■

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Year	Total imports (US\$)
2001-02	15.67
2002-03	24.66
2003-04	43.44
2004-05	69.49
2005-06	152.43
2006-07	251.01