

UK MARKET

Research for Furniture

A Collaboration between

MTC and **MFC**

12-16
JANUARY 2015



'Preview'

Living Dining and Bedroom collections designed for East West launched into their main collection 2014



'Willow'

Bedroom collection designed for Willis and Gambier launched into their main book Jan 2014

CONTENTS

- 03 Export of Malaysian Furniture to UK & Forecast
- 04 UK Furniture Import
- 05 Current and Future Trends for Furniture Products in the UK
- 08 Changing Business Models and Practices in the UK Furniture Market
- 09 Regaining UK Market Share by the Malaysian Furniture Industry
- 11 A Special Thanks to: Paul Stott Design

INTRODUCTION

With the support and assistance from MTC Headquarters and its regional office based in London, UK, the Malaysian Furniture Council (MFC) undertook a market research visit to London and Birmingham, UK from 12-16 January 2015.

The objectives of the visit are:

To gather first-hand market information on:

- Reasons for the decline of Malaysian wooden furniture exports to the UK;
- Current and future trends for furniture products in the UK;
- Changing business models and practices in the UK furniture market.
- To explore opportunities for possible business joint ventures, investment and/or cooperation with UK companies.

The Market Development Team which was led by Sunny Ter comprised seven members from MFC to research on the following products in the UK market. They are Chua Chun Chai, Cha Hoo Peng, Andy Ng, Nelson Tan, Richard Ko and Candice Lim.



Group arrival at January Furniture Show, Birmingham.

CHAPTER 1:

EXPORT OF MALAYSIAN FURNITURE TO UK & FORECAST

Malaysia's export of furniture to the UK declined considerably in the last five years, with the largest decline in 2013 but it must be stressed that UK's overall furniture imports have also declined for the same period. Nevertheless, this downward trend in 2013 has been reversed in 2014.

Among the factors which might have contributed to the decline of Malaysian furniture in the UK in 2013 were:

- Low consumer confidence after the 2007/8 global financial crisis;
- Uncertainties arising from the enforcement of the European Timber Regulations (EUTR) which came into effect in March 2013;
- The abundant availability of cheaper furniture products imported from strong competitor manufacturers such as China, Vietnam, Poland, and Romania; and
- Malaysian furniture are:
 - ✓ Lacking in innovative design;
 - ✓ Lacking in creativity in the materials; and
 - ✓ Generally, Malaysian furniture imported into the UK are not price competitive.

Despite the above, Malaysia is forecast to regain some of its lost share following signs of recovery in the UK. The latest statistics from the Malaysian Timber Industry Board (MTIB) has shown a positive trend of furniture exports to the UK. In the first 10 months of 2014, Malaysia's export of wooden furniture has grown by 19.4%, valued at RM257.8 million over the same period last year. This positive trend is expected to continue into 2015 with rising consumer confidence and increasing household spending, low inflation and completion of more affordable housing under the UK's £400-million Housing Zone Programme in the next few years.

CHAPTER 2: UK FURNITURE IMPORT

In 2013, UK imported approximately Euro 5.04 billion worth of furniture, mainly from China, Italy, Germany and Poland. These four countries accounted for 63% or Euro 3,208 million worth of furniture imports. While Malaysia was the 10th largest supplier of furniture to the UK with total imports valued at Euro 87 million as shown below.

UK'S IMPORT OF FURNITURE BY COUNTRY AND BY REGION FROM 2008-2013

BY COUNTRY	EURO MILLION						% SHARE		ANNUAL % CHANGE	
	2008	2009	2010	2011	2012	2013	2008	2013	2013/12	2008-13
CHINA	1595.0	1389.5	1714.8	1560.2	1794.1	1681.6	28.9%	33.4%	-6.3%	1.1%
ITALY	795.1	522.7	546.3	528.7	570.2	589.7	14.4%	11.7%	3.4%	-5.8%
GERMANY	580.1	414.4	427.3	439.9	483.1	474.0	10.5%	9.4%	-1.9%	-4.0%
POLAND	273.9	237.3	306.4	360.1	407.6	461.7	5.0%	9.2%	13.3%	11.0%
VIETNAM	179.3	146.8	173.9	161.9	193.9	206.9	3.2%	4.1%	6.7%	2.9%
FRANCE	180.4	127.2	131.1	126.5	130.8	127.6	3.3%	2.5%	-2.5%	-6.7%
CZECH REPUBLIC	118.1	75.1	112.9	89.4	116.8	104.9	2.1%	2.1%	-10.2%	-2.3%
ROMANIA	51.7	45.2	52.4	70.9	76.6	96.0	0.9%	1.9%	25.3%	13.2%
LITHUANIA	63.8	64.5	66.3	72.3	86.6	89.6	1.2%	1.8%	3.5%	7.0%
MALAYSIA	132.6	138.4	145.8	116.5	123.5	87.2	2.4%	1.7%	-29.4%	-8.0%
TOP 10 TOTAL	3970.0	3161.2	3677.2	3526.5	3983.2	3919.1	71.9%	77.8%	-1.6%	-0.3%
OTHERS	1552.4	1127.3	1274.1	1150.4	1186.6	1116.7	28.1%	22.2%	-5.9%	-6.4%
TOTAL	5522.4	4288.4	4951.3	4676.9	5169.8	5035.8	100.0%	100.0%	-2.6%	-1.8%

From 2008-2013, furniture imports from China and Vietnam grew by an average 1.1% and 2.9% respectively while imports from Malaysia declined by 8% for the same period as shown above. Despite this, imports from traditional suppliers such as Italy (-5.8%), Germany (-4.0%) and France (-6.7%) were also on a declining trend. These reductions were quickly substituted with furniture from low-cost producing countries in the EU such as Poland (11.0%) and Romania (25.3%).

The above falling trend in 2013 has reversed in 2014. In the first 6 months of 2014, the EU imported Euro 2.45 billion of wooden furniture, 3% more than the same period in 2013. These trends were broadly in line with those across the EU market for wooden furniture, which declined in 2013 but was showing signs of recovery in 2014.



Briefing by Ms Sheam at MTC London Office

DO YOU KNOW?

UK is Malaysia's 5th largest export destination for furniture in 2014 with total value of RM360.8mil.

CHAPTER 3:

CURRENT AND FUTURE TRENDS FOR FURNITURE PRODUCTS IN THE UK

3.1 BEDROOM FURNITURE

Majority of the designs for bedroom furniture on display at the showrooms visited along the high street in London are:

- very traditional and
- cater to the middle-aged group.

However, there were a selected few which displayed furniture with more contemporary or modern designs, which target the youngsters who prefer online purchases.

Almost all of the bedroom sets on sale in the UK are made from solid White Oak timber, small percentage which uses Oak veneer. These solid White Oak furniture are mostly imported from China and Vietnam. As such, it will be a challenge for Malaysian companies to compete because solid White Oak is not commonly used for furniture production in Malaysia.

Furniture displayed at the January Furniture Show in Birmingham showed a change toward using mixed materials and colours. For example, solid Oak timber is used for certain parts of the furniture and mixed with other materials, which are painted over in soft solid colours, e.g., white, cream, light toffee, grey and even green. These are the type of products which might be suitable for Malaysian furniture manufacturers as it is more cost effective and economical to mix materials used instead of fully made from solid White Oak timber. Therefore, it is proposed for Malaysian furniture manufacturers to focus on this type of product for the UK market.

Wooden furniture made from American White Oak timber is still the most popular in the UK. However today, it is getting extremely competitive and the general consumers are getting bored with Oak.

As such, it is a very good timing for Malaysian manufacturers to improve on the design for Rubberwood furniture for the UK market. Several buyers commented that they are still buying Rubberwood furniture from Malaysia and that they would want to buy more provided that Malaysia has more innovative and better designed furniture, which might suit the British home.



DO YOU KNOW?

It would not be advisable to manufacture based on sizes for the American or Australian market. It is important to adhere to the product requirement such as sizes and dimensions because most UK houses are small.

3.2 DINING ROOM FURNITURE

The UK market for dining room furniture is divided into medium-low, medium-high and high-end.

It was estimated that 20% of the dining room furniture in the UK market are medium-low range. The characteristics of medium-low dining room furniture are:

- Normal design or promotion item;
- Seats made from PU or fire retardant fabric;
- Colour is natural;
- Must be sturdy to provide enough support.

The medium-high range that takes up approximately 45-55% share of the UK market for dining room furniture had the following characteristics:

- Contemporary design, e.g., more towards Scandinavian style;
- Seat must be made from fire retardant fabric;
- Most of the colour are clean and natural;
- Good finishing.

There were some traditional-styled dining sets made from solid Oak timber or Oak veneers but in two tone colours, i.e., either white and white wash or beige and walnut on display at the January Furniture Show in Birmingham. These are the type of products which might be suitable for Malaysian manufacturers to produce for the UK market. Besides that, distressed look for dining sets are also gaining in popularity.

It is advisable for Malaysian companies to pack their products in 3 layers because the UK buyers who are within the medium-high category would be selling their products online and delivery will be handled by courier services within the UK. It is also advisable for them to learn from the packaging done for Furniture Village, i.e., to include product posters into their packaging.

As for the high-end category, its market share is approximately 25-35%. There are many innovative products within this category of dining room furniture.



'Ripple' Occasional collection
designed for Greenapple and featured in
John Lewis last year

DO YOU KNOW?

Twenty Twenty One is selling high-end modern furniture which are designed by established furniture designers from Italy, Denmark and Japan. A designer chair made from solid White Oak or Teak is retailed above £1,000 per piece.

3.3 CHILDREN FURNITURE

Children furniture displayed in most of the furniture showrooms visited are within the middle range segment of the market. Children bunk beds are mostly white lacquer or white Oak finishing imported from China and Vietnam.

It is important that children furniture meets the General Product Safety Regulation in the EU and UK.

3.4 OCCASIONAL FURNITURE

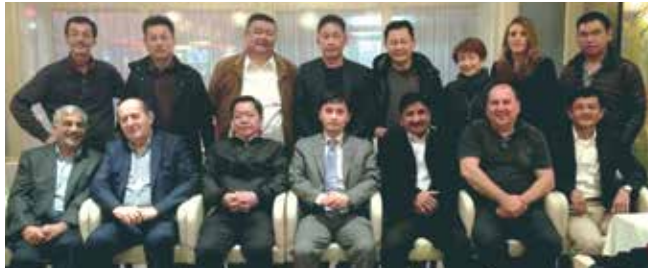
About 80% of the UK consumers prefer lighter coloured furniture. Oak remains the most popular species but has become too competitive as more and more Oak furniture floods into the market. Furniture made from other species such as Mango, Acacia, Shesham and Beech are also available in the UK.

There are not many occasional furniture made from Rubberwood displayed in the furniture showrooms visited. Rubberwood furniture are confined to promotional items sold at DIY chain stores such as HomeBase. Rubberwood is very versatile and can be used to manufacture high-end traditional and contemporary furniture provided that the manufacturer has a good design, concept, finishing and quality control. It is a pity that Rubberwood is not well known in the UK as it is commonly referred to as “solidwood”.

It was observed that majority of the high-end furniture are imported from Italy and Germany while the low-end furniture are imported from China, Vietnam and Malaysia.

3.5 SOFA/UPHOLSTERY FURNITURE

UK used to be one of Malaysia's major markets for upholstery but Malaysia has lost its share of the market due to strong competition from China, Vietnam, Poland and Turkey. Malaysian upholstery manufacturers are unable to react to market changes as fast as the Chinese and Vietnamese in terms of designs, product varieties, material used and price competitiveness. It was found during the visit that Chinese upholstery is being retailed 15-20% lower than those made from Malaysia.



The characteristics of upholstery in the UK are:

- Sofa seat is quite soft;
- Most sofa sizes: seat width around 60 cm; and seat depth ranged from 57– 60 cm;
- Most backrests are made from polyester stapled fibre cushion;
- It is compulsory to use Fire Retardant (FR) Foam and FR-Fabric;
- The popular cover materials are full leather, cow/split, cow/PVC and/or fabric.

The logistic cost is very expensive nowadays. As such, it is better to ensure that the products undergo high quality controls to prevent defects and service repair problems. Efficiency in packing and loading would also be one of the major factors for consideration.

DO YOU KNOW?

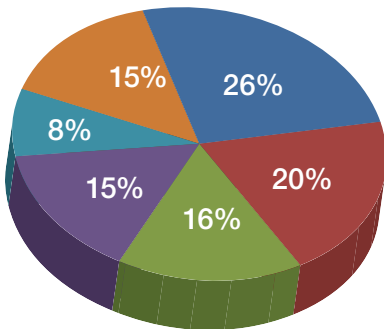
Below some UK Major Sofa Retailers and Importers Website:

- www.wrenliving.com
- www.collinsandhayes.co.uk
- www.ultra-furniture.com
- www.hendersonrussell.co.uk
- www.dfs.co.uk
- www.gfa.uk.com
- www.sofaworks.co.uk
- www.gplan.co.uk
- www.lebus.co.uk
- www.cfdsofa.co.uk
- www.xyzagencies.co.uk
- www.furniturevillage.co.uk
- www.ligne.co.uk
- www.made.co.uk
- www.cousinsfurniture.co.uk
- www.leelonglands.co.uk
- www.johnlewis.com
- www.multyork.co.uk
- www.harveysfurniture.co.uk
- www.boconcept.com

CHAPTER 4:

CHANGING BUSINESS MODELS AND PRACTICES IN THE UK FURNITURE MARKET

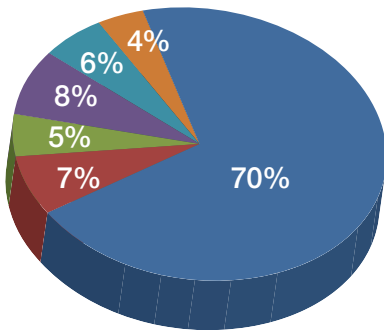
In general, the UK retail furniture market is set to grow exponentially from 2015 and particularly to the benefit of fewer and larger businesses, which are able to invest increasingly into their online shopping websites, marketing and branding. As more major furniture retailers manufacture a high percentage of their merchandise in their own factories and/or to outsource the majority of their furniture directly from suppliers, e.g., China, Vietnam and even Malaysia, cutting supply-chain cost, this is likely to lead them to further develop their own exclusive brands in order to offer affordable and more sophisticated ranges to the UK consumers. Likewise, more furniture manufacturers will make furniture for private UK labels, and consequently, a growing market share for private labels in the UK.



Source: Mintel

CONSUMER SPENDING ON FURNITURE AND FURNISHINGS BY CATEGORY IN 2013

- Upholstery **26%**
- Beds and Bedrooms Furniture **20%**
- Kitchen Cabinets **16%**
- Other living and dining room furniture **15%**
- Bathroom **8%**
- Others **15%**



Source: Mintel

DISTRIBUTION CHANNELS OF FURNITURE AND FURNISHINGS IN THE UK IN 2014 (EST)

- Specialists **70%**
- Department **7%**
- Argos UK **5%**
- DIY Stores **8%**
- Home Shopping **6%**
- Others **4%**

Gromwell Living Dining collection designed for TCH and now exclusive to AIS under the STAG brand



CHAPTER 5:

REGAINING UK MARKET SHARE BY THE MALAYSIAN FURNITURE INDUSTRY

Below is a SWOT analysis for the Malaysian furniture industry to help regain the UK market share.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Lower labour cost (compare with China and the UK). • Better exchange rate. • Various local hardwoods are being used, e.g., Acacia, Sepetir, etc. (local materials are not affected by exchange rate). • Well experienced manufacturers are able to upgrade Rubberwood to “premium” grade. • Able to mix solid wood with imported wood, e.g., Oak. • Reliable. 	<ul style="list-style-type: none"> • Lack of good design. • Rely too much on easily accessible Rubberwood. • Standard Fire Retardant (FR) fabric from the UK has to be imported.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Color variations: rustic and distress effects are acceptable and welcomed, this is good for grade BC wood. • The UK is looking for green furniture and eco-friendly materials, so there is demand for solid wood (natural materials) furniture. • Rubberwood is a plantation timber and is eco-friendly. • Increasing demand for other wood species, e.g., Mango, Acacia and Shesham to replace Oak. • Rental and living cost in the UK are increasing. • Online markets are growing and there are opportunities for DIY and small items which can fit into smaller homes. 	<ul style="list-style-type: none"> • Lower labour cost from Vietnam and Indonesia. • Currency fluctuation influence the competitors directly. • More wood choices from Indonesia. • Indonesia’s processing skills are improving.



1 Drawer Gents Robe
H 1945 x W 1060 x D 600




7 Drawer Wide Chest
H 825 x W 1400 x D 500

Willow

Retro yet classic styling with Soft lines and profiles. The pieces feature gentle bow fronts and soft hewn out handles accentuating the workmanship in the solid timbers. Artisan features such as dovetail drawer boxes and solid lipping's prevail to give a simple yet superior feel.

In view of the above SWOT analysis, the following recommendations are made:

IMMEDIATE RECOMMENDATIONS	MID-TERM RECOMMENDATIONS	LONG-TERM RECOMMENDATIONS
<ol style="list-style-type: none"> 1. To create awareness and publicity in order to inform the UK buyers about Malaysian furniture coming back into the market, e.g., placement of advertisements and/or articles in furniture trade magazines and journals; 2. To organise a “UK Export Pavilion” at EFE 2015; 3. To engage 4-5 UK designers to research and develop a unique range of Malaysian furniture to be manufactured by Malaysian companies in the next few years; 4. To participate in January Furniture Show, Birmingham in 2016; 5. To organise a bigger “UK Export Pavilion” at EFE 2016; 6. To engage a marketing representative who will be based in the UK to help promote Malaysian furniture; and 7. To advise Industry players to be honest in their declaration under the EUTR. 8. Malaysian furniture manufacturers to react quickly to market changes in order to stay ahead of competitors from China, Vietnam, Indonesia, Poland and Romania. 	<ol style="list-style-type: none"> 1. To organise more furniture programmes for industry players, e.g., group participation in the January Furniture Show, incoming buyers mission from the UK, etc; 2. To advise industry members to enhance existing cooperation with FRIM on product testing, e.g., fire retardant (FR), strength, safety, etc; 3. To advise industry players to experiment with local species, e.g., Acacia, Sepetir, Kembang Semangkuk, etc to help create excitement for Malaysian furniture and to satisfy the differences in consumers’ taste and preferences; and 4. To advise industry players to improve on the design and quality of finishing for Rubberwood furniture 	<ol style="list-style-type: none"> 1. To educate industry players to stop copying from one another as this will only create conflict and price competition among Malaysians as well as hinders the development of new designs among Malaysian furniture designers; 2. To advise industry players to support proposals for furniture design schools, scholarships and/or industrial internship programmes to help train the next generation of Malaysian furniture designers in order to sustain the furniture industry; 3. To recommend the setting up a Furniture Material Hub so that industry players will have confidence to move away from Rubberwood to other timber species, e.g., Acacia, Sepetir, Kembang Semangkuk, etc; 4. To advise industry players to develop their own exclusive brands/private labels in order to offer affordable and more sophisticated ranges to the UK consumers; 5. To advise industry players to invest into packaging, e.g., in 3 layers as the UK buyers will be selling their products online and delivery will be handled by courier companies within the UK and to include product posters into their packaging; and 6. In the event there was a shortage of raw materials, e.g., Acacia, Kembang Semangkuk, Sepetir, etc for the furniture industry, it would be recommended for the regulatory body to consider restricting the exports of these timber species.
<div style="display: flex; align-items: center;">  <div style="margin-left: 20px;"> <p><i>Niche</i> Av Unit designed for Greenapple and features on John Lewis website alongside other pieces in the range including ‘Cliff’.</p> </div> </div>		

A special thanks to:

PAUL STOTT DESIGN



-Taking a realistic approach to design I try study how people live and work within our modern lifestyle and employ simplicity with proportion to create functional, aesthetically pleasing furniture.

To me the greatest challenge is about blending the demands of a global economy within a commercial enterprise and creating good design that is accessible to the biggest of market.

Paul Stott BA (Hons)

With 28 years of Furniture Design experience working for some of the top names in the industry I have worked in all aspects of the domestic Living, Dining and Bedroom furniture markets, from flat pack to assembled foil, veneered and solid products and I have won 6 Furniture Industry Design awards voted for by retailers

Since starting Paul Stott Design in 2003 I have worked closely with most of the top U.K. retailers Including John Lewis , BHS, House of Fraser , ScS, Bensons, Harvey's, Furniture Village and all the major home shopping groups and high street chains all of which have featured products designed by me and in some cases can still be seen.

Over these past 12 years I have a gained a strong knowledge of the imported sector and have made numerous Far Eastern and Eastern European visits working with factories throughout the world.

I have clients and successful products in Italy, Denmark, Holland, Germany ,France, Spain as well as the UK.

In this booklet I have shown a small selection of my more recent products that have been launched into the market successfully.

ABOUT THE UK

- **TOTAL AREA :**
243, 610 km2
- **CAPITAL :**
London
- **LANGUAGE(S) :**
English
- **CURRENCY :**
Pound Sterling £
- **CHIER OF STATE :**
Queen Elizabeth II
- **HEAD OF GOVEMMENT :**
Prime Minister David Cameron
(since 11 May 2010)
- **MAJOR CLTIES :**
London, Birmingham, Manchester,
West Yorkshire, Glasgow, Newcastle
- **MAJOR SEAPORT :**
Felixstowe, London, Southampton
- **POPULATION :**
63,742,977 trillion (est. July 2014)*
- **GDP (PPP) :**
US\$2,387 trillion (est. 2013)*
- **GDP PER CAPITA (PPP) :**
US\$37,300 (est. 2013)*
- **MAJOR IMPORT COUTRIES :**
Germany China, Netherlands, US, France,
Belgium, Norway (2012)*
- **MAJOR EXPORT COUNTRIES :**
Germany, US, Netheriands, France,
Ireland, Belgium (2012)*

**FOR COMPLETE REPORT OF
UK MARKET RESEARCH, PLEASE VISIT:**

<http://www.mfc.my/media-center/2015-03-24-04-30-18.html>



Malaysian Furniture Council (MFC)

Lot 19A, 19th Floor, Menara PGRM 8, Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia
Tel: +603 9282 2333 **Fax:** +603 9282 2296 **Email:** council@mfc.my **Website:** www.mfc.my



Malaysian Timber Council (MTC)

18th Floor Menara PGRM, 8 Jalan Pudu Ulu, Cheras, 56100, Kuala Lumpur, Malaysia
Tel: +603-9281 1999 **Fax:** +603-9282 8999 **Email:** council@mtc.com.my **Website:** www.mtc.com.my