



In the second installment of a two-part series about his June visit to Malaysia, Associate Editor Thomas Russell outlines the challenges and opportunities facing the Malaysian furniture industry, including the availability of foreign labor and its reliance on rubberwood as a key material.

Malaysian producers continue to rely on foreign labor

BY THOMAS RUSSELL

KUALA LUMPUR, Malaysia — In a country of more than 30 million people with a median age of about 28, Malaysia would appear to have plenty



Dining room manufacturer Wegmans Furniture uses workers from Nepal, Bangladesh, India and Vietnam. Here, some of those workers are seen on the production line.



Production workers at Yeo Aik Wood come from countries such as Nepal, Myanmar, Vietnam and Bangladesh. Some 90% of its production staff comes from countries outside Malaysia.



Case goods manufacturer Techcentral uses large signs like these to communicate safety issues.

of young people to work in its furniture industry.

In fact the opposite is true, as many Malay youth turn away from jobs in the industry, preferring jobs in more service-oriented businesses rather than manufacturing environments.

This presents both opportunities and challenges to furniture manufacturers here, who for years have drawn their labor pool from nearby countries such as Nepal, Bangladesh, Myanmar (Burma), Vietnam and Indonesia.

The opportunity lies in the fact that drawing labor from other countries keeps labor rates fairly low in relation to other countries in the region. While Malaysian furniture factory wages are higher than Vietnam, they are lower than China, where standards of living have risen in recent years, particularly in the larger cities and coastal areas.

The challenges have to do with both worker turnover and communication on the factory floor.

Turnover was said to be a bigger issue in years past as workers' employment was based on short-term visas.

Manufacturers have said that after two or three years, the expiration of these short-term visas required many workers to leave the country and reapply for another visa before they could return.

That, in turn, created the need to recruit more workers from abroad, many of whom had to be trained or retrained. For importers and retailers alike, this type of turnover could pose significant quality-control issues.

In recent years, manufacturers have said the Malaysia government has eased up on visa requirements, allowing workers to either stay longer periods of time or reapply for extensions without having to leave their jobs. This, they say, has created more stability in the workforce as the average length of service has increased, allowing workers to get better at their current jobs or be

trained for more advanced responsibilities, including management positions.

Still, the labor situation continues to pose communication issues, particularly between local line managers who speak Malay and production workers who speak a host of other languages.

"Labor is an issue as we rely on foreign labor," said Lim Poh Teot, a director at Jaycorp, the parent company of case goods producer Yeo Aik Wood Sdn. Bhd., where officials estimate that 90% of the production force is made up of foreign workers.

One way that factories get around this problem is by posting pictures along different areas of the production line that communicate both safety and quality.

"We use a lot of pictures to describe processes and safety," said Muaz Jema, sales director at Yeo Aik. "It is easier to communicate with pictures and it's quite effective for us. It is a challenge sometimes, but it's something we continually try to improve."

The turnover can still be a challenge, particularly when workers leave and have to be replaced with new workers that must be retrained, Muaz said.

But Yeo Aik and others have said that many workers end up reapplying for visa extensions and will often stay with the factory, particularly if they have the opportunity for a raise and a promotion. Many factories interviewed by Furniture/Today said they provide performance-based incentives to keep good employees and also raise the local standard of living.

They also said that a number of their foreign workers have been employed with their factories 10 years or more. Some have even been promoted to line management positions.

Foreign workers with more experience also tend to speak the local language, which allows them to communicate on two different levels, officials said.

"Some workers with long-time p62



Subcontractors play vital role behind the scenes

JOHOR, Malaysia — In a strategy that resembles some American manufacturing models, Malaysian furniture makers have remained competitive by keeping the tasks they do best in-house and leaving the rest to outside resources.

More specifically, the industry remains largely dependent on subcontractors, many of which produce whitewood parts and components.

This cuts down on the amount of work that needs to be done in-house, allowing the manufacturers to focus on areas such as final assembly and finishing to packaging and quality control.

For example, bedroom and occasional furniture producer Hup Chong Furniture Sdn. Bhd. uses several subcontractors to perform tasks such as veneer layup and wood turnings. This

“We try to keep the prices stable and look through the factory to find ways to control our costs.”

— JACKY LIM

allows the company to focus on tasks such as whitewood processing, assembly and finishing.

Bedroom manufacturer Ly Furniture said it uses about 15 subcontractors, up from two 10 years ago. This includes some assembly, which cuts down on the amount of in-house labor and equipment devoted to such processes.

“We outsource some assembly and have been doing that since the first day,” noted Tan Kwee. “But we still control the materials, and we still control the finishing and are always proud of the quality we have here.”

Even Lii Hen, a vertically integrated operation that manages its own forests, uses about 30 subcontractors across divisions that include four manufacturers of finished product in Muar.

“We have to stay price competitive, and there are a lot of supporting industries around this area,” said Joey Tok, group marketing manager, noting that subcontractors perform tasks such as whitewood processing and some as-

sembly of those parts. However, major assembly and finishing remain in Lii Hen’s own factories.

Deep Furniture Sdn. Bhd., which specializes in the production of KD dining, occasional, entertainment and home office furniture, said it uses about 30 subcontractors to perform tasks such as the shaping of whitewood parts to the production of finished goods in whitewood form. That leaves Deep to handle product design, including the development of functional features such as storage and other space-saving attributes. The company also uses a number of colorful finishes that add depth to its solid wood offerings.

“Our strengths are finishing, function and design,” said Yvonne Ler, marketing manager during a tour of the company’s showroom in Johor. “100% of this (product mix) is our own design.”

Bedroom, dining and occasional specialist Step Furniture does a lot of processing on its whitewood parts, but uses subcontractors for upholstered seats and upholstered headboards. It also gets some chairs that are fully finished and packaged from a nearby upholstery resource that produces its own line under the Hugo brand.

Indeed, some factories limit the amount they outsource. This includes Yeo Aik Wood Sdn. Bhd., a division of publicly traded Jaycorp Berhad.

The Melaka-based manufacturer produces some bedroom, but the majority of its line is promotional wood dining sets that retail from roughly \$249 to \$399 for a table and four chairs. Its biggest competitor in this arena is Vietnam, where large factories can produce similar quality goods in high volume.

With nearly half its sales to the U.S. market, the company tries to remain price competitive in a number of ways, including managing its own costs. While it uses subcontractors for some table bases and the lamination of table tops, it keeps this to less than 15% of its production. It keeps in house processes ranging from the pressure treating, kiln drying and processing of rubberwood grown in Indonesia to the assembly and finishing of components into finished goods.

“We are all in-house within the



A worker sorts through components that are produced in mass quantities for the dining line of Value Plus Industries.



These dining sets and occasional tables are on display at the showroom of Deep Furniture, which uses a number of subcontractors in its manufacturing process.

group,” said Lim Poh Teot, a director at Jaycorp. “We control costs better by being vertical.”

Bedroom producer Seng Yip Furniture Sdn. Bhd. and sister company Tomisho Sdn. Bhd. also do a lot of their wood processing in house, leaving little work to subcontractors. Officials said this allows the company to control its costs and create better efficiencies with finished product, which includes

five-piece bedrooms that would retail in the U.S. from roughly \$899 to about \$1,799.

“We have to cut costs because labor and everything goes up,” said Jacky Lim, marketing manager. “We try to keep the prices stable and look through the factory to find ways to control our costs.”

— Thomas Russell



Home-grown rubberwood drives furniture production

BY THOMAS RUSSELL

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experience speak the local language, so we can communicate with them and they can also speak in their native language,” said Wynce Keh, marketing manager of dining specialist Wegmans Furniture, where some 80% of the production workers are from other countries.

Having foreign workers in supervisory roles has also been a plus at bedroom manufacturer Techcentral Sdn. Bhd.

“Newcomer workers we have to train, and experienced workers help with the training and presentation,” said Wilson Tay, vice president of marketing, noting that it takes one to three months to get newcomers up to speed on the key elements of the manufacturing process.

He said communication was a bigger issue in years past, but has improved due to the increased skill levels gained by experienced workers. In addition, those more experienced workers can teach others on the production line, particularly those from their own countries.

At dining, entertainment and occasional specialist Deep Furniture, 70% of the workforce is foreign, coming from places like Nepal and Myanmar, said Yvonne Ter, marketing manager. Like other manufacturers, she said, the company uses photos to help illustrate quality standards. But with more foreigners occupying management positions, supervisors also have an easier time communicating those standards to production workers.

“The supervisors, they can teach,” she said of both the local and foreign management.

Administrative areas — outside the noisy and sometimes dirty factory floors — tend to attract more local workers who like the clean and potentially less stressful environment. But officials say they don’t see a bigger percentage of that local work force — beyond the current supervisory level management — migrating to the factory floor anytime soon.

How well manufacturers continue to manage that process, could determine their long-term competitiveness in years to come.

KUALA LUMPUR, Malaysia — Much like the Virginia and North Carolina furniture industry that developed due to the availability of woods in the Appalachian region of the United States, Malaysia’s wood furniture industry owes a debt of gratitude to a species called *Hevea brasiliensis*.

It’s a species more commonly known to the furniture industry throughout the U.S. and other parts of the world as rubberwood. As the name implies, rubberwood offers a natural liquid latex-type material used in rubber production that is extracted from the tree similar to the way maple is extracted from maple trees in Vermont.

Although sometimes ambiguously classified as an “Asian hardwood,” rubberwood is indigenous to the Amazon region of Brazil. According to the *Notulae Botanicae* journal of forestry and agricultural products, it was introduced to Singapore around 1877, where nine rubber tree seeds were germinated in the Botanical Garden and shipped to a plantation in Kuala Kangsar about two years later.

Since then, the largely plantation-grown species has been one of the most important resources to the Malaysian economy, initially for its latex, and later for its use in furniture.

Latex is typically extracted from the time the tree is nine years old up to the time it is 25 years old. After that, the wood was once typically burned as fuel. But in the 1980s, it became used increasingly in furniture production, primarily as a solid, but also as a veneer and in particleboard, medium density fiberboard and in moldings. It also has seen use in Malaysia’s cabinet industry.

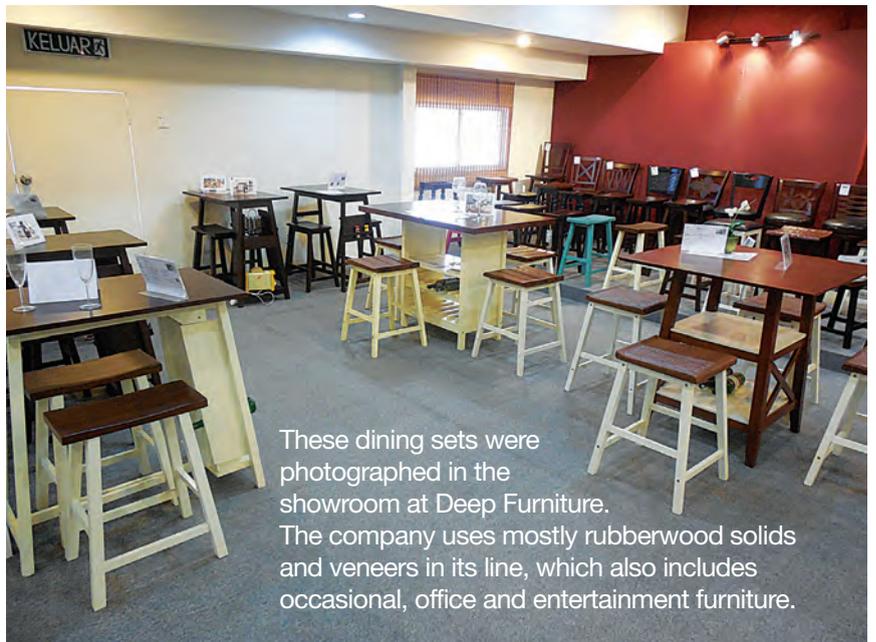
The wood is acceptable for use in furniture primarily because of its texture and density — which make it relatively easy to machine. But it also has found favor due to its light coloration — similar in hue to poplar and pine — which makes it suitable for a variety of finishes.

By around 1990, rubberwood became a major ingredient in wood furniture, accounting for some 80% of the total export value of wooden furniture from Malaysia, according to *Notulae Botanicae*.

The wood remains a staple of the industry today where it is used in



This rubberwood plantation was photographed in the Melaka area of Malaysia. The trees, which are believed to be about nine years old, are being tapped for latex as seen in the black, small bowl-like units collecting the liquid.



These dining sets were photographed in the showroom at Deep Furniture. The company uses mostly rubberwood solids and veneers in its line, which also includes occasional, office and entertainment furniture.

products from bedroom and dining to occasional, entertainment and accent furniture. Of the roughly 16 furniture plants Furniture/Today visited on its June trip to Malaysia, all identified the species as a major material in wood production, either as a solid or veneer, or a combination of both.

“The manufacturers in Malaysia still use solid wood as their main material,” said Chua Chun Chai, president of the Malaysia Furniture Council and managing director of bedroom manufacturer Hup Chong Furniture Sdn. Bhd.

This makes the species one of the

most important and sustainable natural resources to Malaysia, which was once the top producer of rubberwood in Asia, but is now estimated to be in third place, just behind Indonesia and Thailand, according to *Notulae Botanicae*.

As a plantation grown hardwood, Chua said, rubberwood is grown throughout Malaysia. It is also believed to be in relatively strong supply, which observers believe provides the industry years of access to a stable resource.

In addition, clone rubberwood species known to increase the supply of latex from individual trees could p64



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increase the supply over the short and long term.

According to a 2014 white paper titled “Forest Plantation in Malaysia: An Overview,” there were about 204,459 acres of forest plantations in Malaysia with about 115,700 acres devoted to rubberwood and the rest devoted to other well-known species such as acacia, African mahogany and teak, which also are used in furniture production.

In addition to what appears to be an ample supply, the industry is benefiting from lower cost of the commodity, said Chua, of the Malaysian Furniture Council. With materials costs being at least 30% to 40% of the cost of finished goods, having access to a locally grown material helps control the costs of finished goods for importers and their retail customers.

“We have a lot of plantations and the demand is low and the inventory is strong so there is an excess of the trees,” Chua said, noting that the price at which furniture producers can buy the raw material has dropped in the past 5 to 10 years.

He pointed out that Malaysia is also a resource for plantation grown acacia. However, he said, due to the longer times it takes to kiln dry the wood, most of it is shipped to Vietnam,



Dining and occasional specialist Holzern Furniture also uses rubberwood solids and veneers, including on some of these sets, which were on display at its showroom.

Lumber is stacked and ready to be processed at Value Plus Inds. in Selangor. The company uses solid rubberwood and solid acacia in its casual dining line. Both wood species are grown in Malaysia.

which also is a major Asian furniture producer.

The benefit of acacia, he said, is that it is harvested in six to 10 years versus the typical 25 years it takes before the rubberwood trees are finished being tapped for latex and are cut down for furniture and other wood product manufacturing.

Still, Chua considers the availability of rubberwood one of the Malaysian furniture industry’s strengths. He also believes it will serve wood producers well into the future as they continue to grow and produce higher and higher quality product that potentially moves them into even higher price points than their traditional promotional to lower-middle-priced goods.

Other wood manufacturers agree rubberwood has been, and will remain, an important resource for years to come.

“We feel the supply of materials in Malaysia is stable,” said Nelson Khoo, director of dining and occasional manufacturer Holzern Furniture Sdn. Bhd. which primarily uses solid rubberwood components for its dining sets. “Because the supply is stable it makes us more competitive and the quality can be controlled.”

Imported materials also play role

KUALA LUMPUR, Malaysia — While many manufacturers benefit from the availability and relatively stable pricing of rubberwood, they also must rely on parts and materials imported from other countries, including China.

Manufacturers say items such as hardware, drawer guides and other metal components are primarily imported from China. Meanwhile, some wood species such as oak and poplar, the latter of which can be a substitute for rubberwood, come from the United States.

This makes such materials susceptible not just to price increases, but also shifts in currency valuation. That shift could work in manufacturers’ favor — depending on the strength of the ringgit to other global currencies.

But manufacturers said they try to control the prices of such imported materials by working with suppliers with whom they have established long-term relationships. They also say they keep a close eye on the amount of goods they purchase and keep in stock.

“For us, the materials are OK because we buy in bulk and manage our inventory,” said Suzanne S.Y. Lei, regional manager for bedroom, dining and occasional manufacturer Step Furniture Manufacturer Sdn. Bhd.

She added that the company also does a lot of its own processing of whitewood parts, which also helps control the quality of those components.

Upholstery manufacturer Yew Hwoong Sofa, which produces its line under the Hugo brand,

imports a lot of its raw materials, noted Joan Hiew, marketing manager.

This includes oak from the U.S. and leather — 80% of which comes from Brazil and the rest from Thailand, Vietnam and India, Hiew said. She also noted that 100% of the fabrics used in the line come from China, but the foam used in its upholstery is locally sourced.

She said long-standing relationships with suppliers help keep prices in check.

“We have worked with suppliers for many years, and we work together to get a fair price,” she said. “We also don’t change suppliers often, so we work together.”

— Thomas Russell