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D03120

Distr.
LIMITED

ID/WG.105/5
5 August 1971

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Seminar on Furniture and other
Secondary Wood Processing Industries

Finland, 16 August - 11 September 1971

THE WOOD FURNITURE AND WOOD PROCESSING INDUSTRY IN THE PHILIPPINES, ITS STAGE OF DEVELOPMENT, PROBLEMS AND FUTURE TRENDS [1]

Country paper submitted by

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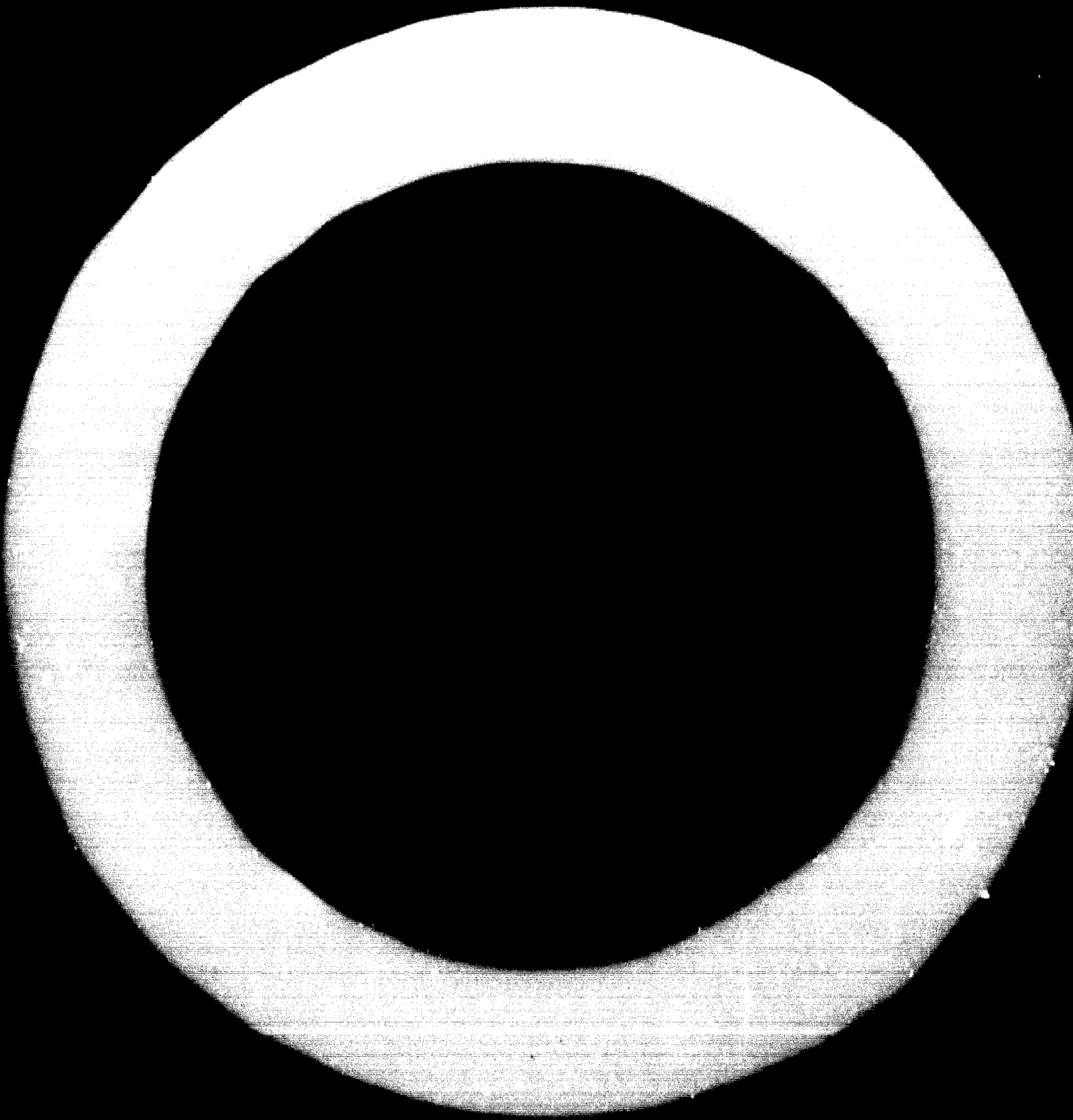


General information

The furniture industry (wood and rattan) in the Philippines consists for the greater part of many comparatively small manufacturing firms. These enterprises are very often family businesses. A statistical survey of registered furniture manufacturing operations in the Philippines showed that in 1970 there were only an approximate number of ten large manufacturing operations employing over 200 workers in the individual factory. The largest of these factories employ a total of 600 workers in the factory. A second group of furniture manufacturing companies consists of about 60 operations employing less than 150 workers in the shops. The greatest bulk of registered furniture manufacturers consists of very small cottage industry type shops located in basements or ground floor spaces in houses of the owners who are very often carpenters themselves. There were about 1,600 such registered small operations in which only 2 to 10 workers comprised the manufacturing unit. It is important to state herein that there are very many other small units operated on a family basis (possibly about 2,500) which were not registered operations and these are mostly located in provincial areas far from urban population centers.

The statistical survey shows further that the ten large companies comprising what we may call Group A companies and which are fully mechanized in operation accounted for about 30 per cent of total production of the industry. The medium size operation or Group B companies which were also mechanized to some extent accounted for about another 30 per cent of total output of the industry, while the very small cottage industry type operations which comprise the bigger number of enterprise, both registered and unregistered, accounted for the balance of the production of the industry. The cottage industry type enterprises normally were making the cheaper kinds of furniture accounting for a lower monetary value on a bigger volume of production.

The statistical survey also shows that approximately 21,000 workers were directly employed in factory operations by the registered enterprises mentioned above. The same survey also showed that the larger companies which were fully mechanized only required a total labour content on its production of 16 per cent, the partially mechanized operations required a labour content of 25 per cent on its end product and the handicraft type cottage industry size operations required over 35 per cent of its low priced end product value in terms of labour.

Ancient Filipinos, under the Spaniards from 1500 to 1900, fashioned natural raw materials into articles of furniture, and as civilized Filipinos and Malays began to build houses in different parts of the country, the demand for furniture increased with the fast growth of community life. It was not until the Americans came, in early 1970, however, that the industry progressed even faster. At the present time modern buildings, hotels, offices and houses in the urban areas specifically in Manila and suburbs have contributed to the greater demand for furniture. This is the reason why there are now larger companies who have improved their products through the years with the employment of skilled workers and the mechanization of operations.

Factory organizations, management practises and marketing channels

The natural geographical configuration of the Philippine Islands as can be seen from the map attached herewith, has prevented furniture manufacturers from developing a large market for their products. It has also resulted in very small cottage type industry operations which cater to the needs of the locality where it is established. It is what we may, therefore, call a highly fragmented industry, which is not capital intensive for the smaller-size operation, but which requires very large capital when operated as a large manufacturing operation.

The industry lacks marketing outlets primarily due to the fact that factories operate under the guidance and leadership of the owner. More often than not the owner manages the business without the help of professional men both in production and in marketing, which is the characteristic of a family corporation in the Philippines. A furniture manufacturing corporation, therefore, operates under a very simple organizational set-up where the manager or owner of the enterprise has a direct line of command to his workers.

There are very few manufacturers interested in marketing their products through regular distribution outlets. Except for these few, the only channel of distribution employed by most of the manufacturers is direct sales from its factory to the consumer. It then becomes important that the manufacturers earn a name for itself to draw a wider patronage of its products from just within the area where the factory may be situated. Except for only a very few, all factories producing wooden furniture make a virtually complete range of products. Factories accept orders for a single piece of a specially designed furniture item or orders for equipping all and different types of furniture for a single customer if necessary.

The probability of overproduction in Philippine furniture factories is held very remote at this time, as the industry only keeps producing on a made-to-order or contract basis. Unless the industry can create a wider market in the Philippines and abroad with some government assistance, all furniture manufacturers in the Philippines will have to keep operating at its present levels. To the Philippine manufacturer, it is wiser to produce on a contract basis than to produce a big volume of standard items without a clear hope of return of his investment due to uncertain marketing problems.

To describe the Philippine furniture market, it can be said that the furniture market though no fault of the manufacturers and distributors is one of the most disorganized if not unorganized markets. The very nature of the product and the supply and demand characteristics make for such a situation. In the first place it is impossible to figure the real size of the market since the definition of furniture in the Philippines can vary from one extreme to another so that may include all types of items used in the home from the high priced custom-made items to the very lowly plain benches of the masses. So far as "demand" for furniture is concerned, demand is equally difficult to estimate because of the fragmentation of the market with no clear cut lines when it comes to styles, quality preferences, geographic delineations, and other factors that are generally used to define and refine demand characteristics for any product. There is equally a fragmentation of the producers/suppliers' side arising from the fact that a furniture manufacturer can be anyone from a mass producing specialized maker of quality furniture to a small house cottage industry operation.

Raw materials

For raw materials, the Philippines theoretically has unlimited supply of forest products suitable for furniture, like hardwood, rattan and bamboo. However, there is very little that the government has done to assure that the required amount of raw materials to make the industry progress is made available to the industry. The Philippine Government allows the exportation of raw logs and rattan and bamboo poles, instead of requiring and encouraging the processing of these raw materials into finished products for export. It is a fact that foreign buyers have indicated that Philippine logs are better than Indonesian or Malaysian logs in terms of wood working characteristics, yet over 70 per cent of timber harvested in the Philippines is exported as logs instead of being processed first before export.

The principal problem in raw materials is lumber supply. Except for a few very large factories, all furniture manufacturers depend entirely on existing retail lumber trade sources for their lumber requirements. The quality and quantity of lumber presently available from these retail sources do not meet the quality standards (as regards moisture content and quarter sawn) and quantity levels demanded by a mass-production operation. The sizes of lumber cuts are mainly suitable for the building construction industry and thus leads to high material wastage, and ultimately high production costs when used in production of furniture or furniture parts.

The Philippines is a great producer of plywood and veneer which is also a major raw material for wood furniture production. However, almost all good plywood is exported and what is left for Philippine consumption are the lower grades.

Adhesives are already made in the Philippines by some companies although the adhesives available now do not meet the highest standard of adhesives required in furniture manufacturing. Other raw materials used in furniture manufacturing operations are either formulated or manufactured in the Philippines such as paints and varnishes, nails, coil springs, upholstery materials and covers, etc. Very few items for furniture are still imported, and these are specialized hardware such as chair fixtures, mechanisms and casters, drawer pulls, locks and hinges, etc.

<u>Technology</u>

The Class A and B factories are sufficiently equipped with woodworking machinery which can be classified as modern. The larger factories have automatic machinery of recent vintage. Filipino labour is noted for being easily trained and adapted to mechanization procedures and cost of skilled labour is relatively cheap compared to developed countries and even most of the Asian countries. Therefore, it is apparent that full or efficient utilisation of machinery capability is not being reached in view of the methods of manufacturing being followed. Technical expertise on tooling, proper use of mechanized equipment, and work flow is therefore, necessary.

One of the main problems of Philippine furniture manufacturers is the apparent lack of technology in wood processing in order to assure wood stability. This problem is common due to differences in humidity and climatic factors when wooden furniture is shipped to different countries.

It is also imperative that know how is made available also on the means of improving techniques to intensify maximum utilization of wood and other forest products.

Design

Speaking of designs of furniture in the Philippines, there is no really exclusive design. All kinds of designs from classic to modern and any variations in between is made by almost every furniture manufacturer, with purchasers ranging from the highly influential interior decorator, the architects, the building or homeowners and others dictating what kind of furniture should get into what kind of house or building or office.

Every small manufacturing operation employs some kind of "designer" whose job it is to interpret photographs or drawings of furniture from magazines, etc. for production. The larger manufacturers have a "designing staff" who perform more detailed perspectives, working plans and specifications for items for production, but it is apparent that there is no "real designing" for mass-production. Furniture designing or industrial designing as a profession does not exist in the Philippines as yet and interior decorators try their hand on furniture designing only to fill a need in their interior designing contracts, but invariably they miss out on important aspects of good design, such as structural soundness, applicability of manufacturing processes, ease of production and resultant cost of production, and use of raw materials available in the country.

This situation has aggravated the production problems of factories since they cannot gear themselves to produce any really original and well-designed furniture pieces for mass production.

Future prospects for the industry

There is a very bright future for the Philippine furniture industry, provided the industry and market can be disciplined, production standards improved by a firm and determined effort to encourage improved designing and better technology, and if the Philippine Government will recognize the problems of the industry with regard to raw materials natural to the country. Domestically, there is a sufficient volume demand for furniture. However, the manufacturers would like to expand production and export, and exporting prospects are good if the above problems can be solved.

The ideal pattern for the industry would be large and medium sized factories each concentrating production on a few standard and exclusive models, so that in the long run the smaller shops would be forced to merge into larger production groups.

In conclusion, it is the observation of the writer that the following remedial steps should be taken to help the Philippine furniture industry progress and keep up with modern trends in other countries:

1. The system of selling furniture by the manufacturing themselves on a custom-made basis tend to retard efficient production. The Philippine should start establishing enterprises to handle marketing and distribution of furniture for them and only then will the manufacturers be free to concentrate on their manufacturing problems and in reducing costs by economizing size lot orders. The marketing enterprise for furniture should offer a variety of ready-made furniture pieces and sell furniture products of several manufacturers. The consuming public must be educated at buying standard furniture pieces from recognized furniture outlets before the system of producing custom built furniture can be changed to that of mass-production of ready-made or standard furniture, and manufacturing factories can then each specialize in only a few furniture items.

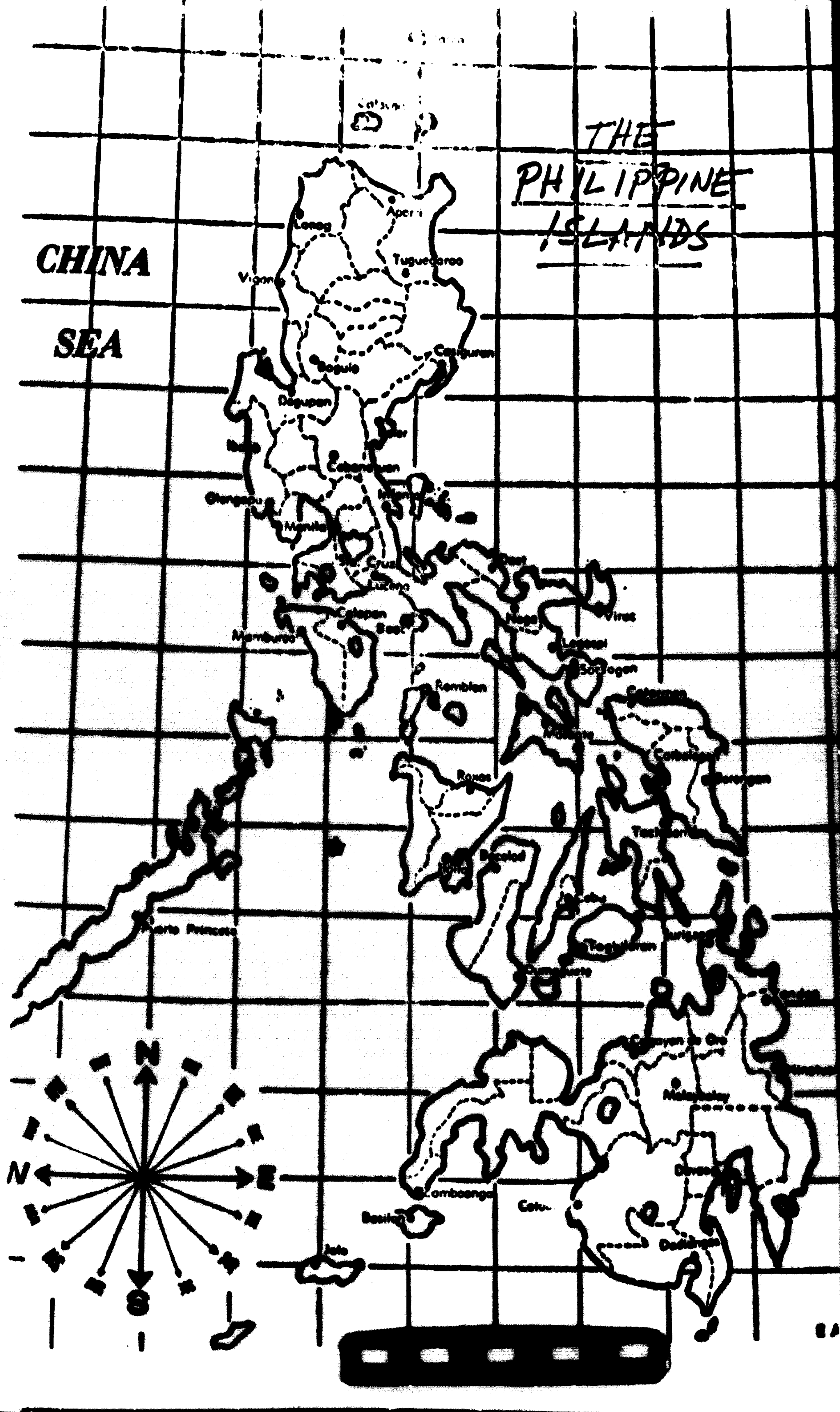
2. Only a stable and continuous lumber supply of the quality and quantity demanded by export trade markets will help solve most of the present production problems. A specialized lumber supplier to the industry operating its own saw milling and kiln-drying facilities exclusively to service the furniture manufacturers' lumber requirements need to be established.

Correct lumber processing techniques should be restudied to produce pre-finished, ready-to-use dimension lumber for furniture factories, as well as for retail to stimulate the Philippine lumber market. It is important that retention for domestic processing or manufacturing, rather than export, of some of the high quality logs should be a policy adopted by the Philippine Government.

3. Outmoded technology results in low productivity, high costs and low quality of products. There is a dearth of qualified personnel in technical

positions and managerial levels. This can be remedied by the establishment of a training and advisory center for wood industry personnel. Such a centre could provide advisory and training services to small plants who cannot employ individual experts for each management and manufacturing function, which usually are all performed by the owner and manager who can not possibly be an expert in everything. Such a centre, therefore, could make available to the furniture industry a full time team of professional experts in all areas of furniture manufacturing.

4. The importance of good and original designs should be emphasized. This is even more important in terms of design of products for export. Perhaps a designing institute could be sponsored by the Philippine Government to improve the design image of Philippine products especially those for export markets, including not only furniture but also handicrafts, etc. Of course, a training and advisory centre could also provide design know-how as part of its service to the industry.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