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FURNITURE BUSINESS IN^{1/}

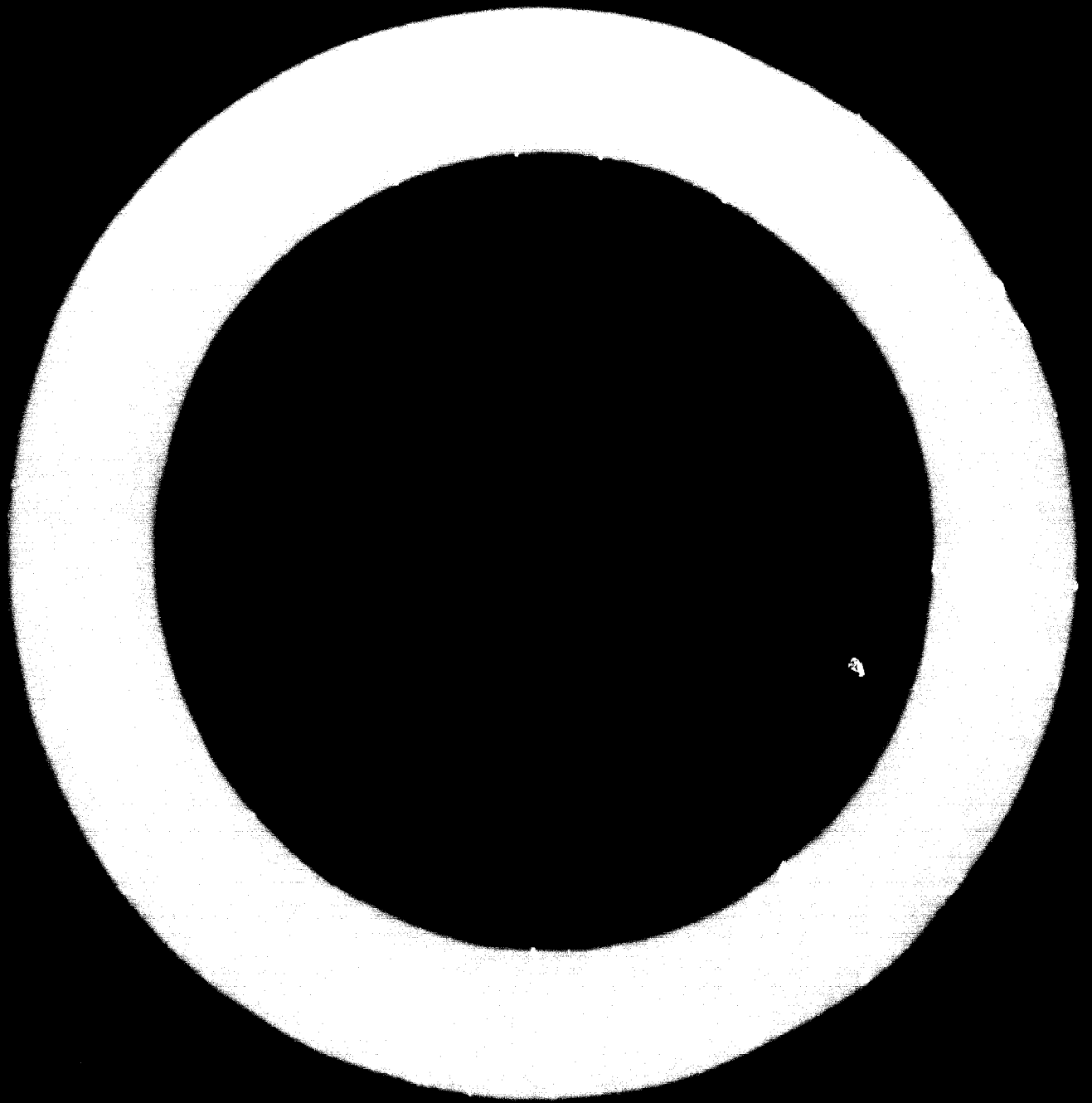
INDONESIA

by

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Furniture Business in Indonesia

The furniture business in Indonesia has shown quite tremendous progress in the last 10 years in comparison with 20 years ago.

Progress has been achieved not only in manufacture but also in design, construction and finishing.

But most astonishing of all is that at least 75% of this business is in the hands of Indonesians, whereas before World War II and shortly thereafter, it was monopolised by the Chinese inhabitants of Indonesia, even though the carpenters were Indonesians.

The really significant factor is that handicrafts and carpentry skills are an art inherent to the Indonesian, especially the Sundanese - Javanese and the Balinese people.

Pre-war furniture was an art in itself because besides Western Antique styles such as Queen Anne, Raffles and Old Dutch, Eastern Antiques, such as Chinese Javanese (Jepara), Balinese and Southern Sumatra (Jambi) were popular furniture at that time.

Rattan furniture has retained its popularity until today and are the most accessible in terms of price to medium-income groups.

After 1950 modern influences from the West entered Indonesia and Indonesia began to accept modern furnishings. Books - brochures and pamphlets freely found their entrance into Indonesia and the re-settling of Western people in many big cities encouraged the modern furniture business in Indonesia. By the late 1950s antique furniture began to lose its market following the acceptance of modern furniture, especially in big cities in Indonesia, where real estate development had started to take place.

New home and office buildings began to rise everywhere at the same speed as the flourishing import and export businesses, so that new and modern furniture became a MUST for well-to-do people. Yet even then the furniture

business grew to meet demands, style and model chosen from what books and pamphlets could offer.

But since the beginning of 1969, when more buildings were erected in a new more progressive architectural style, people have started to demand furniture with a more select design, and greater attention is also paid to interior decoration. Interior decoration and furniture design have developed into a competition between designers in general. But for the average Indonesian, modern furniture is still a luxury; however, there is also mass-produced furniture of a lower grade, made of poor quality material and aimed at the average consumer.

Furniture Industry

Progress in the manufacture of furniture in Indonesia has taken another turn, in the last three years especially in terms of volume and production speed. Design is somewhat common in general, because most attention is paid to speed and volume of product. Buildings that have arisen everywhere, particularly in large towns such as Jakarta, Bandung, Surabaya and Ujung Pandang and other smaller towns are all being completed at the same time while some large hotels, hospitals and Government office buildings are already in operation.

Furniture imports last year dropped quite a bit because local production has increased compared with statistics in the years 1965 - 1970.

The old way of making furniture of solid teak is now somewhat out of fashion because of certain unavoidable reasons, such as:

- 1) More time is needed to dry the teak panels to prevent shrinking, bending and twisting - this is normally done by a seasonal drying system since there are no drying kilns.
- 2) Since furniture-making in Indonesia is generally 75% handicraft and 25% mechanised operation, production is slow.

3) Shellac finish was very popular but it takes more time to finish the product.

Today more practical ways are used to overcome the above handicaps and to ascertain product quality as follows:

- 1) The use of teak plywood, especially multiplex for large panels such as table-tops or sideboards;
- 2) The use of better quality glue;
- 3) The use of teak oil or wax to guarantee faster finish.

Only special de-luxe, antique or carved furniture is still 100% hand-made in solid teak (jati).

Some furniture manufacturers now have mechanised workshops and even dry-kilns, but automation for low-cost production is still far off, because the furniture market is not really competitive yet.

The real competitive market demands good quality at a lower price and with fast delivery, which has not been the case so far.

Boards of Quality Examiners

Another means of assuring good product quality, especially in a non-competitive market such as exists in Indonesia at present, is the organization of a "Board of Quality Examiners".

If this Board is not set up as soon as possible, the situation will deteriorate to the disadvantage of the country because opportunism, corruption and mental degradation will increase. The Indonesians will still be import-minded people while Indonesia as a Jati teak producing country should in fact start exporting their furniture instead of their lumber.

A Board of Quality Examiners will save the Government and the population a lot of money and generate a lot of foreign exchange from finished stocks export.

Present Furniture Market

If we look over the general situation in Indonesia, taking into consideration that economic stabilisation now is a fact, and the speed of development in most parts of Indonesia is very promising, we come to the following analysis.

- a) The furniture market at present is very good and will be good for some time to come,
- b) The results of the Government's Five Year Development Plan, which started in late 1967, are now to be seen everywhere. In the city of Jakarta alone one can see office buildings, hotels and other buildings, four to twenty storeys high, some already in operation and many still under construction, while many other buildings such as universities, hospitals and private houses are now under construction. Other parts of Indonesia are also following in the steps of Jakarta in development though not as fast. Worth mentioning are the areas: West-Mid and East Java, North and South Sumatra, North and South Sulawesi and East Kalimantan. These are just present activities resulting from the first five year plan initiated by the Government, while the second and third five year plans will soon follow.

Sales Promotion : Advertisement and Displays

There are not many big furniture shops, because this kind of business takes a lot of space in terms of display and sales areas.

Furniture workshops are scattered everywhere from town to village, most of them are primitive sheds where a few carpenters work. Because the furniture business is profitable, many people are interested in this business - even though they do not know anything about furniture.

Thus, shops and showrooms are full of furniture, heaped-up or scattered around without any kind of display or sales promotion.

Advertising the product seems to be considered tantamount to throwing away money, so they prefer to wait for custom to come by and have a look: this is really bad sales promotion. This lack of sales promotion stems from the fact that there are more furniture workshops depending on orders from the Government than furniture shops and showrooms. Only a few furniture companies are well organized and operate their own design-room, workshop, showrooms and sales advertising system. Most furniture shops are only shops who take merchandise in from small workshops to sell: they do not promote a particular style/design or quality. Maybe if the market turns out more competitive and customers demand guaranteed quality, and if the Board of Quality Examiners becomes a reality, then more attention will be paid to Advertisements, Displays and Sales Promotion. Besides, modern advertising costs a lot of money and this lack of capital is the Indonesian businessmen's weakness.

Future Furniture Market

Considering the present demand and the future possibilities of banning furniture imports for good, we believe that the existence of a large mechanised furniture factory is exactly what Indonesia needs now, but a set-up on this scale requires major investment.

The Government of Indonesia in determining its economic policy will welcome any foreign investment in Indonesia, especially investments based on co-operation or joint ventures with local enterprises.

With the existence of such a furniture factory we can be certain of a wide-spread market for at least the coming 10 to 25 years.

a. Production

Two types of furniture must be produced:

1. Middle-class household furniture;
 2. Standard office and hotel furniture.
- a 1. Middle-class household furniture will certainly enjoy a large market among fair and even low-income people, especially when its design is simple but attractive; even the use of lower-class wood, non-solid wood, plywood or other low-priced materials will not hinder market potential as long as prices are within the reach of lower-income groups.
- a 2. Standard office and hotel furniture will always have a market as there are thousands of items needed today and for years to come.

b. Market

1. Since the Government of Indonesia is intent on saving money in all lines of expenditure - a certain market will be the Government itself and its present purchasing policy on a tender basis will be stopped if there is assurance of low-priced factory-quality furniture.
2. There will be more foreign enterprises, factories as well as offices, hotels, universities and other buildings which will be a market for this furniture, not forgetting the real estate/housing business enterprises offering low-priced homes.
3. The present local market will be the most widespread market for both middle-class or standard factory-made furniture.
4. Almost all schools and universities are now using pre-war or post-war furniture which in time will need to be replaced.

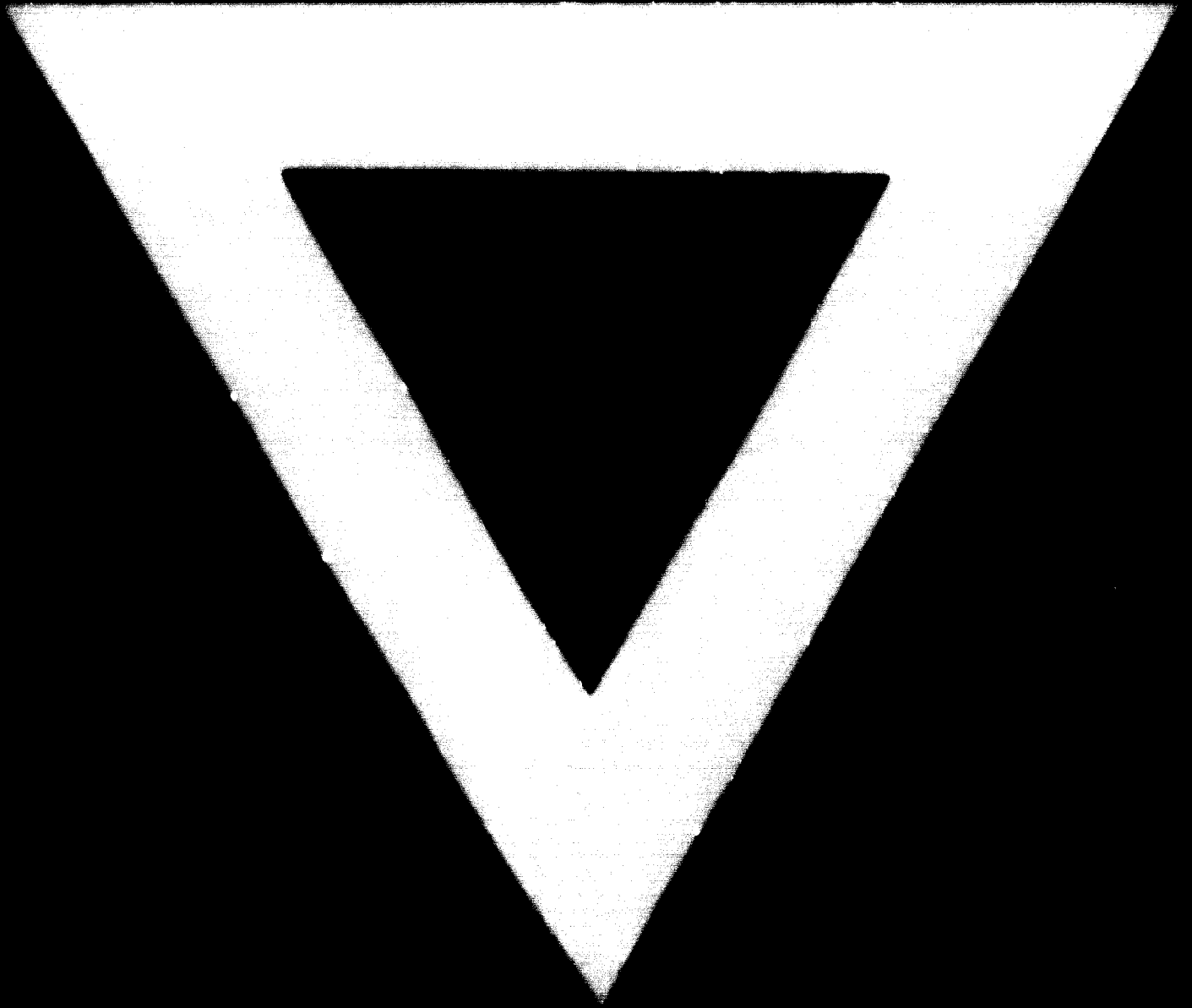
c. Advertising

The most common advertisements are:

- a) Advertisements in newspapers and magazines;
- b) Television shows and movie-theatre ads.;
- c) Neon lights;
- d) Pamphlets/brochures and booklets.

Advertising has started to make an impact in the last few years and for good quality exclusive products there surely will be no difficulties in obtaining this impact through any kind of furniture advertising.





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