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THE FURNITURE AND CABINETMAKING INDUSTRY IN VENEZUELA 1/

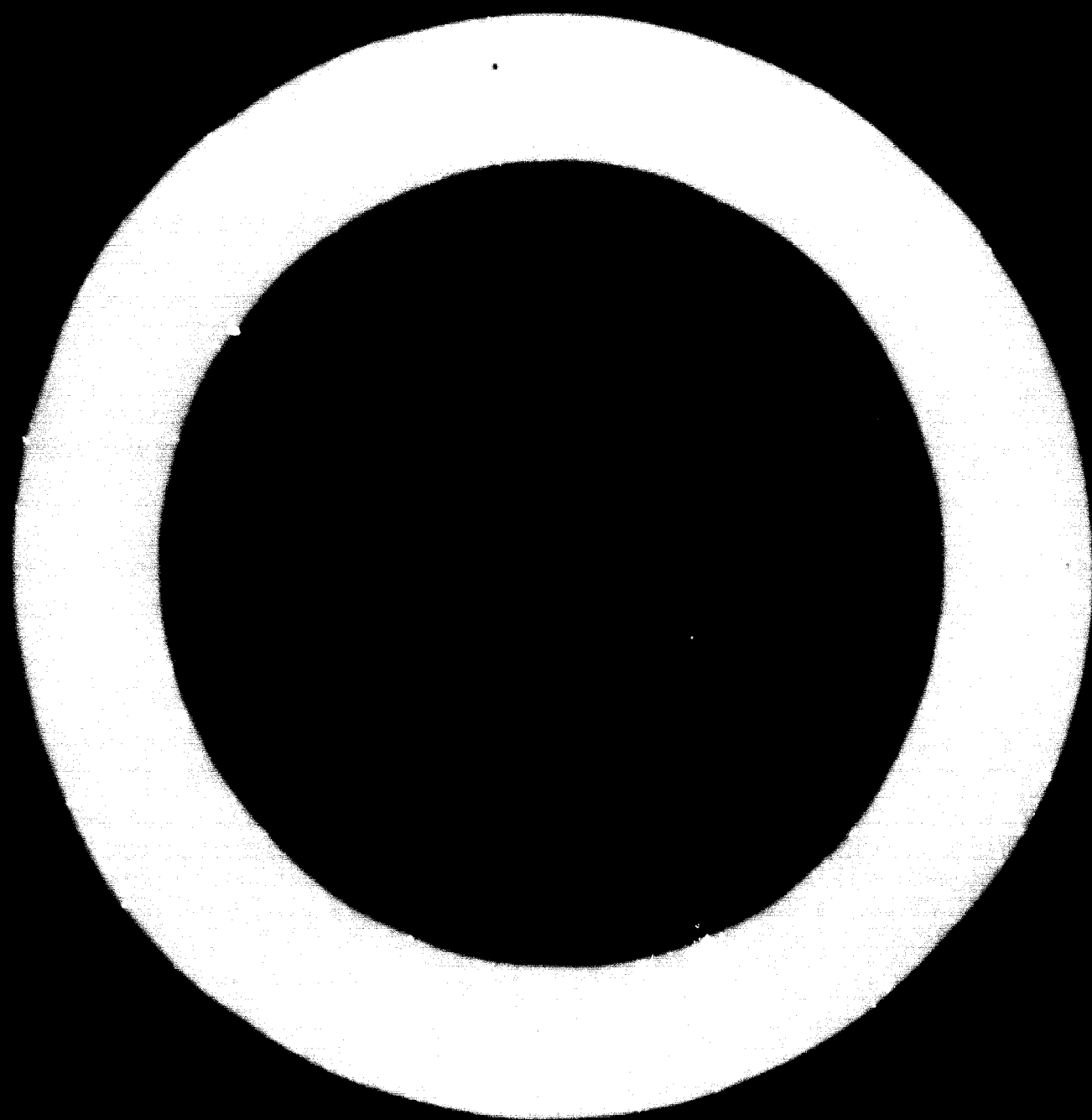
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Furniture is a basic consumption item. The capacity and growth of the industry are determined by the average income of the people as well as a series of cultural factors.

In our country, the furniture industry is a growing one, connected with the construction industry, the rising national income level, and historical and political factors.

More than 1900 companies operate in Venezuela with an output volume of around 125 million dollars. The following figures show the market growth.

<u>Year</u>	<u>Sales in US\$* (000 omitted)</u>
1960	45.465
1962	49.117
1964	53.356
1965	57.581
1966	74.791
1968	89.814
1970	95.349
1971	105.814

The estimated 1972 market participation of the companies were as follows:

<u>Index</u>	<u>Number of companies</u>	<u>Company's average annual sale</u>	<u>Total sales US\$(1000)</u>	<u>Share of total sales %</u>
100 workers	4	3.000	12.000	9.6
50-99 workers	30	900	27.000	22.0
10-49 workers	70	450	31.500	25.2
0-9 workers	1.800	30	54.000	43.2
<b>Total</b>	<b>1.904</b>		<b>124.500</b>	<b>100.0%</b>

The furniture industry uses around 97% local materials, spending more than 7 million dollars on nationally made cloths and draperies and 2.0 million dollars on imported ones. They use 1.5 million dollars worth of chemical products including lacquers, oils, thinners, gums, etc., and 0.5 million dollars

\*B<sup>3</sup> 4.30 per US\$ 1.00

worth of hardware products such as nails, screws, and hinges. It is also estimated that the furniture industry uses 10.0 million dollars worth of glass, mirrors, marble and mattresses and 1.2 million dollars in electrical power. In salaries, wages and fringe benefits, the furniture industry pays more than 30.2 million dollars every years.

Besides the limited market, the structure of the industry itself makes mass production output difficult. Most factories sell their products through distributors instead of directly to the consumer. The distributors buy under "comfortable monthly installment plans" which require additional capital unavailable to the industry to finance the sales. The distributors sell what the customers request necessitating a large variety of models, lines and styles. They are not interested in developing a determined line or style, they only transfer the customers' request to the manufacturers without trying to direct the sales. This is an educational problem. Often it is not the quality but the external appearance that sells the product.

Today the Venezuelan buyer is quite particular, wanting to improve his home as amply as his buying power permits him. Therefore, the industry must manufacture many small lines creating a competitive and divided market with many styles and models and imposing on the industry daily changes in production schedules, production inefficiency and the high cost of a diversified line of models.

With the exception of certain products such as sewing machine tables, radios, radio record players, televisions and some kitchen furniture, we find it too difficult to mass produce furniture products.

Venezuelan production cannot be considered artisan since factories use advanced machinery and technology but they are unable to utilize modern manufacturing methods and concepts because of the structure of the market.

The lumber shortage is a world problem which becomes greater every day. We need, therefore, to search for substitutes.

Particle board is one of them and will be substituted in the future. We know that some furniture cars are already made of plastic materials and covered with veneer sheets. However, it is most improbable that wood will be completely substituted by other materials especially in furniture frames.

Furniture is closely related to the housing problem. Unfortunately in Venezuela low income families represent a high percentage of the home owners demonstrating the educational problem. The tendency is to first obtain the T.V. set, refrigerator and washing machine before changing or improving the home furniture.

This necessitates even more the development of a low-cost furniture line within the price range of the majority of the market.

It is difficult to introduce a functional line of furniture. Nevertheless, the Furniture Manufacturing Association "ANINA" recommended to the government that the Banco Obrero (the government branch in charge of housing projects) sell the apartments already furnished, including the furniture cost in the monthly housing payments.

The Association maintains that the low income family can hardly buy new furniture besides paying its monthly housing quota.

Therefore, the new home usually retains the cheerless atmosphere of the old. There is no doubt that a comfortable home environment helps to create a happier, more unified family life. Unfortunately, up until now our suggestions have not been accepted and remain in the planning stages.

This would create an opportunity to develop low-cost, mass-produced furniture lines with different models and styles since the country already has the technological knowledge and manufacturing capacity.

Another burden to our industry is the lack of government incentives for furniture exportation and local production costs higher than other ALALC and Andean pact members.

The Venezuelan furniture industry faces a challenge with the Andean pact, for to compete within the area requires the development of completely new low-cost furniture lines which permit mass production and take advantage of the ample market.







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