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08113



Distr.
LIMITED
ID/WG.256/13
24 November 1977
ENGLISH

United Nations Industrial Development Organization

Seminar on Furniture and Joinery Industries
Lahti, Finland, 1 - 20 August 1977

THE FURNITURE INDUSTRY IN INDONESIA*

by

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id.77-8415

Preface: Before 1975, only a few furniture firms produced furniture on a serial production basis. Fixo in Semarang, P.T. ALY (Relax brand) in Jakarta etc. The need for coordinating the furniture industries was seriously considered at the beginning of 1975 and 3 persons took the initiative to form an Association, namely J. Mintahir from Handicraft Village, M.D. Kamal from C.J. Kamal/Macrowood and Hermanto T. from C.V. Hermanto. This resulted in A.P.H.K.I. (Asosiasi Produsen Hasil Kayu Indonesia-Indonesian Woodwork Manufacturers' Association) being formed on 16 July 1975 at a general meeting in Jakarta.

Some administrative work and preparations has taken place and the first furniture fair was organized and officially opened in February 1976. The first target of this fair was to push the industries to go to serial production, since the market for this kind of furniture is bright. Before 1975, furniture industries in Indonesia based the production mainly on a job order basis. Because the world recession was felt also in Indonesia, the Pertamina affair etc., many industries practically stopped producing.

SITUATION OF THE FURNITURE INDUSTRIES IN INDONESIA:

Many industries were established in a hurry, because of their contacts and had contracts mostly in the building contractor industry. Machines were purchased usually one by one, considering the urgent momentan needs and only few industries were built with a certain production target, planned by specialists etc. Many furniture industries used many brands of machines available on the market, the need was also based on the orders coming in, so that the machines were not purchased for an eventual production line. In 1975 with the serious recession in the contracting field, the furniture industry was the first to get the shock. The fact that it was established with no serious planning, the maintenance of different kinds of machines and their unsuitability for a production line, lack of production for the market etc., caused many difficulties in this field and some industries declared themselves bankrupt.

In these difficult times A.P.H.K.I. was born, the first target for it is to push the sales and we are proud to mention, that we have reached our target to get more and more sponsors from the consumers, industries etc.

Many furniture plants have 5 to 10 brands of machines, unsuitable for forming a production line, lack of orders, few contacts with the common market requirements, etc. This caused them to stop working temporary or slow down to the very minimum. Of course there are some industries that get regular orders from their principals, but the quantity is still small.

The author has seen some industries give the orders to their workers working by hand, rather than running their machines, because if the machines were operated the available generator set was too big and to run it too costly. (Many industries in Indonesia have their own operator sets, because the electricity tariff is considered to be too high). The set up of the machines is also not adequate. Plants lack skills, have financial difficulties etc.

Protection of designs is also nil, small scale distributors/home industries copy everybody's designs and sell their products at lower prices, because their overhead expenses are smaller. Many industries based their production on copying foreign furniture books or magazines with minor changes.

B.P.A.N. (Badan Pengembangan Ekspor Nasional-National Agency for Export Development) push us to export our products, participate on fairs in Europe, the United States and Arab countries is open for us, but we still have to overcome difficulties before we can export our products. Because of all this we have organized our first Seminar on the Furniture Industries in Indonesia in February 1976 and published the proceedings. The main difficulties are:

1. The high inter-insular freight expenses from Sumatra/Kalimantan to Java;
2. Many unforeseen expenses have to be paid;
3. No duty free facilities are available for the import of hardware, spares, materials for the furniture to be later exported;

4. High price of Teak monopolized by the government's company (Perhutani), also other materials like plywood, particle board etc;
5. High freight expenses from Indonesia to Europe, Australia, U.S.A. unavailability of freighters sailing from Indonesia to the Arab countries; unavailability of containers for the above mentioned countries or very few for some countries only, etc.;
6. High interest for credits from the local bankers and high extra commissions for getting the needed money;
7. Inefficient working methods in the furniture industries themselves and slow working of our labors;
8. Lack of available skills.

A.P.H.K.I. is still busy to follow up all of this Seminar's findings and we feel the results of our efforts are also very slow.

To push the designers to work together and create better designs, our organization (A.P.H.K.I.) also organized a Design Contest at our 2nd Furniture Fair in October /November 1976. We engaged a very good consultant and active management official to help us since then and the results have been much more encouraging.

We are now planning our 3rd Furniture Fair and 2nd Sponsored Design Contest in November 1977 to help us overcome the marketing, designs and serial production problems. The first Furniture Fair in Bandung has been organized at the beginning of June 1977. It lasted for 7 days, this was also a successful event and we are going to organize a Fair in Sourabaya and further a Floating Fair to the different islands of Indonesia.

Our marketing effort is successful. In our programme we have still the project for A.P.H.K.I. for a Training Centre and for this purpose the author is looking for assistance from organizations in this field. This is our next programme coming and we need machines, skilled assistance etc. from our partners abroad, because of the weak situation of our industries.

In 1976 we had a few industries working on a serial production basis; two worked especially for export and about 3 to 5 for the local market. This year we expect to have about 2 to 3 more in the furniture industry and about 3 in the joinery field. Most or practically all who are going on to serial production are members of A.P.H.K.I. and, although response is very slow, we feel we are going in the right direction.

PROBLEMS :

Many of the industries interested in the serial production projects consider the problem of marketing of their product to be a major problem. The appointment of agents in the different cities in Indonesia, is probably the best way to market their products. The copying of designs still in production can be minimized because furniture produced in series, is much cheaper and quicker to get on the market in large quantities. A new and active marketing body has to be organized as a new department within the industry. Fear of financial difficulties with agents, low profits with serial production, etc. has impeded planning and adopting serial production. The problem at this moment is: how to tackle the marketing problems of serial products. Whether a special marketing body has to be built outside the industry. (Department stores sell furniture abroad: this is not yet the case in Indonesia).

The distributors appointed of locally made furniture may buy unfinished furniture from local small home industries; raising the risk of copying sellable products. (In smaller cities of Indonesia the labour cost is lower than in Jakarta/Java in general, also price of wood materials are cheaper than in Sumatra/Kalimantan).

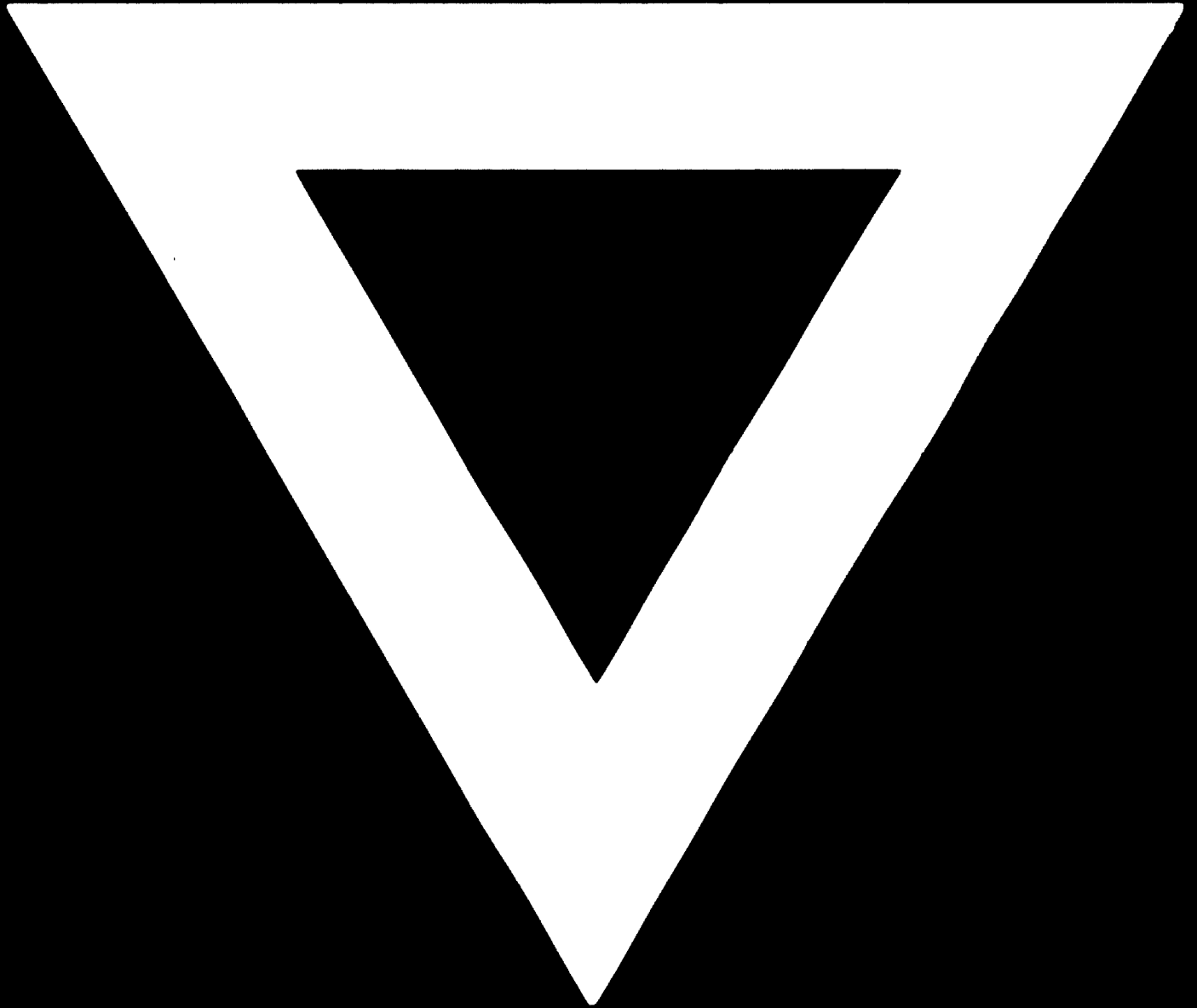
Are the export markets open to Indonesian furniture sooner or later, the problems of unforeseen expenses - serial production, freight, shipping products in containers, increased productivity - have been solved.

The buying power in Indonesia is increasing rapidly, the fastest growth being the middle class. They can afford serial production furniture. The three furniture fairs (2 in Jakarta and 1 in Bandung) have highlighted the problems. The high income class can afford to buy specially ordered furniture, but they are also import minded and imported furniture is sellable now.

The lower class can't afford to buy even the serially produced furniture available now.

Stealing each other's skilled labour is common in Indonesia. A.P.H.K.I. is preparing a Training Centre to train skilled labour, promote the skill available etc., but because of the Association's financial problems this plan cannot be realized without foreign aid and government intervention.

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