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PROMOTION AND DEVELOPMENT OF SMALL AND MEDIUM INDUSTRIES

DP/BAH/85/002/11-51

BAHRAIN

Technical report: Marketing of furniture\*

Prepared for the Government of Bahrain  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

Based on the work of Flemming Kilander, expert in  
the marketing of furniture

Backstopping officers: V. Gregor/C. Antonio, Institutional Infrastructure Branch

United Nations Industrial Development Organization  
Vienna

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I. EXPLANATORY NOTES

1 Bahrair. Dinar(BD)	= US \$ 2,60
BLICO	= Bahrain Light Industries Co. B.S.C.
GCC	= Gulf Corporation Council: Bahrain - Kuwait - Oman - Qatar - Saudi Arabia and United Arab Emirates (UAE)
ADL	= Arthur D. Little International
UNIDO TEAM	= attached to the Directorate of Industry, Ministry of Development and Industry
Showroom	= denotes in GCC countries a retail shop selling furniture and household articles. Showroom in Europe denotes a permanent exhibition of the products of one manufacturer; open only to wholesale buyers. Hence the names retail show- room and wholesale showroom
Collection	= denotes in the furniture trade one or more ranges from one manufacturer

## II. ABSTRACT

Project DP/BAH/85/002/11-51/J12103

"Support to Small and Medium Industries  
through Strengthening of Ministry of  
Development and Industry."

The Marketing Consultant has analysed and evaluated the current marketing strategy of Bahrain Light Industries Company in a six weeks period from 12 July to 22 August 1987.

The company is owned partly by the Government partly by influential business circles. Since capital is available the company may be able to survive. Severe changes in the management and in the production have to be made. When these obstacles have been removed an export effort must be started and maintained in order to increase the annual turnover to two million BD within four years.

The company may be able to achieve this goal by procuring better sales force, better designs, better products. Also a knowledge of furniture, which at present does not exist within the company, would have to be produced.

The specific method to achieve these objects is a strong leadership enjoying full confidence of the Board of Directors, a reorganization of the production management and an intensive sales orientated travel activity within the GCC countries.

A reorganization of the company with loss of capital and influence is likely to happen within the next 24 months should these objectives not be realized.

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## INTRODUCTION

The purpose of the project was to strengthen the Ministry of Development and Industry and to provide direct support to existing small and medium-scale industries, as well as promote new industries.

Specifically advice should be provided to the Bahrain Light Industries Company in their marketing problems.

The Marketing Consultant was a member of the UNIDO team attached to the Directorate of Industry over a period of six weeks commencing 12 July 1987.

The original objective of the mission was to work closely with the company's sales manager and in cooperation with him analyse and evaluate the current marketing strategy.

Between the time of deciding the activity, December 1986, and its start the sales manager had left the company and no reappointment had taken place. An assistant marketing manager had been appointed and took up his post 20 July. Since he had no knowledge of furniture it was impossible for him to analyse and evaluate the current marketing strategy compared with that of the competing companies.

Therefore, the travels planned within the GCC region were postponed until the ass. marketing manager had had the opportunity to make himself acquainted with the products of Blico.

All information requested by the consultant and necessary to assess the company's export potential to the GCC countries was offered inclusive of already existing reports. The most important reports were the report of September 1986 by the UNIDO team and the Arthur D. Little report of March 1987.

INTRODUCTION (continued)

The consultant has advised the managers and the executive officers on activities which the company may use to reach the goal.

In order to increase the goodwill of the company locally the consultant made proposals for advertising in the local papers and to retain a public relations company.

Also, the use of the showroom was examined and proposals for change were made. The purpose was to increase the public awareness of the company through frequent press meetings etc. on the premises of the showroom.

The participation in furniture fairs in other Gulf countries was stressed. It was found advisable to propose the company to appoint experienced architects to draw the stands of the company at furniture exhibitions abroad.

RECOMMENDATIONS

01. The Managing Director to delegate more power to the Acting General Manager.
02. The Acting General Manager to abide by the organization chart drawn by ADL (page 50).
03. The Acting General Manager and other managers and executives to reduce the number of Internal Memos by 90%.
04. The Acting General Manager and other managers to hold meetings once a week during which to make decisions.
05. Application be made for UNIDO expert to analyse and evaluate the Production Department.
06. The Production Department to be reorganized.
07. The Acting General Manager and the Assistant Marketing Manager to visit the Italian Furniture Fair.
08. The HOUSE-PACK collection to be put into production.
09. Saudi Arabia and Kuwait to be visited to identify future customers for BLICO.
10. Distributors - not agents - to be appointed after the field research.
11. Sales literature, illustrations, price lists etc. to be made.
12. Licence arrangement with European manufacturer of modern office furniture to be made.



RECOMMENDATIONS (continued)

13. The film produced by Eagle Studio for BLICO dealing with the company to be shown to the staff once a month during the next 12 months.
14. The International Furniture Fair in Cologne to be visited by minimum two employees.
15. To insert advertisement in "Resident of Bahrain"
16. To appoint public relation agency.
17. The showroom to be changed to wholesale only.
18. An experienced architect to be appointed to draw up exhibition stands.
19. To participate at Gulf International Furniture Fair.
20. To be admitted to European furniture factories for study visits.
21. Free-lance designers to be attached to BLICO.
22. The BLICO office furniture to be redesigned.
23. The BLICO kitchen programme to be redesigned.
24. New collections of upholstered furniture to be designed.
25. Abstain from planning and installation of kitchen furniture.
26. Explore possibilities for cooperation with Balexo.
27. Utilize the membership of the Chamber of Commerce.
28. Set up a library of reference books .
29. Encourage the foundation of "The Association of Furnishers in the GCC countries."

#### IV. ACTIVITIES AND OUTPUT

##### A. Terms of reference

In order to strengthen the Ministry of Development and Industry in its efforts to make Bahrain economy more diversified and less dependant on foreign supplies with the ultimate goal to achieve self-sustained economy and national self-reliance, it has been decided to advise Bahrain Light Industries Company in their marketing problems.

In cooperation with the company's sales manager the following tasks will be performed

- 1) Analyse and evaluate the current marketing strategy
- 2) Make recommendations on how the strategy and its implementation might be improved
- 3) Asses the company's export potential to the GCC countries and make recommendations on how this may be achieved. This will require travel within the GCC region to examine export potential and identify suitable outlets.

To prepare a final report, setting out the findings of his mission and giving recommendations to the Government/BLICO on further action which might be taken.

##### B. Findings and recommendations

###### 1. Mismanagement

Blico is still harassed by the same lack of management which prevailed in September 1986, and the company is suffering from lack of decisions on all levels.

Emergency meetings are being held daily to deal with an everlasting stream of complaints from dissatisfied customers.

1. Mismanagement (continued)

Some customers even come in person to stress their dissatisfaction, and it occurs that BLICO is being threatened with unfavourable publicity in the local press.

Complaints from abroad are received on teleprinters and Fax. Substitute deliveries are rushed through the plant. The substance of the complaints are lack of delivery, wrong delivery, faulty delivery. The complaints are concentrated on the departments Production Management, Purchasing and Materials' Control, Purchasing Department and Production Planning.

2. Internal Office Memos

The cause of the mismanagement is lack of ability to make decisions by the management. From the desk of the Acting General Manager a number of 415 memos were written from January 1 to July 28. The majority to the Managing Director asking for notification or power of attorney.

In reply to these memos more than 408 memos were received from the other managers. This confusion in management is reflected in a bad working climate and distrust of co-managers.

A break down of memos from the AGM to:

Managing Director	153 =	36,9 %
Sales Executive	70 =	16,9 %
Production departments	52 =	12,5 %
Administration & Finance	81 =	19,5 %
Heads of departments	37 =	8,9 %
Others	22 =	5,3 %
	<u>415 =</u>	<u>100,0 %</u>

A break down of memos to the AGM from:

Sales Executive	more than	169
Designer	more than	71
Administration/Finance'	more than	133
Accounts Executive	more than	<u>35</u>
	<u>more than</u>	<u>408</u>

## 2. Internal Office Memos ( continued)

The big production of memos should be cut drastically down. Weekly meetings of the Acting General Manager and the other managers should be introduced. Minutes of decisions should be made from these meetings.

Before the mismanagement has been changed BLICO will not be able to perform its activities properly.

The top management should refrain from overruling instructions of managers and executives.

## 3. Production Departments

The mess in the Production Departments ought to be changed immediately. This is the reason why the UNIDO team attached to the Directorate of Industry has decided to apply for an expert in furniture production to analyse the following functions at BLICO: the production on the floors from the Production Manager via Superintendents to Foremen and to the workers. Where are the bottlenecks and how to remove them. How to detect faulty products. What changes to be made so that shortage of veneer, glue, fittings etc are being reported in due time to replenish from suppliers.

Once the Production Departments have been reorganized, their integrity must be protected. No more overruling of managers and superintendents because some orders by devious means must be given priority to the standard production. It may be a good solution for a company like BLICO to maintain a workshop which is able to do the one off pieces which so often are being brought into the factory by influential directors. ADL (page 50) deals in details with the Factory Organisation. All concerned should be compelled to stick to this.

## 4. The Showroom at Exhibition Road

BLICO opened a showroom in March 1987 at a good location downtown

4. The Showroom ( continued)

Manama. The showroom was intended to be a retail outlet for the products of BLICO. Office furniture, kitchen, dining room furniture, bed room and upholstered furniture is on show together with doors. The showroom is open during normal business hours and is manned with two sales people.

In order to judge its possibility to attract retail customers six of the leading retail showrooms in Manama were visited. All of them offered a wide range of furniture from various suppliers, most of which of course were foreign. Their displays were professional; some of them were of an international standard. The attendants were knowledgeable. They also carried lamps, rugs, accessories, childrens' furniture, furniture for country houses and gardens etc. Together they presented a highly competitive furniture supply. It is hard to believe that the BLICO showroom will have any possibility to attract customers against this competition. It is therefore suggested that the showroom is being transformed into a wholesale showroom without attendance. Major factories in other parts of the world operate such showrooms. They are relatively inexpensive in operation, and there are many occasions in the course of one year, when they are able to improve the company's prestige or even sales. Showrooms are suitable for presentation of special models to big contract buyers; they are suitable for presentation of models for a foreign buyer visiting the city; they are suitable for showing the press - or even the public - which furniture BLICO intends to show at the next furniture fair abroad; showrooms are suitable for showing new models. They are suitable whenever a press meeting is being called where BLICO want to tell the public about new developments, big orders etc. The detailed utilization of a showroom has been laid down in a paper for the management.

## 5. Sales literature

The existing sales literature of BLICO is of a proper design and quality. Nevertheless, the future sales efforts in competition with international furniture manufacturers in Saudi Arabia and Kuwait calls for a new edition of sales literature. This should be both for the salesmen on the road, to be used when they visit their customers abroad. It should also be bright brochures meant for the distributors to hand out to their customers (the retail customers). It should include price lists on separate sheets; it should be precise in both photos and drawings. In Europe many specialised producers of this kind of material are accustomed to produce for use in the Middle East; BLICO is encourage to explore such companies and their quotations.

Probably a company like BLICO would not benefit much from producing huge amounts of sales literature meant for end users. Common as it is in television and similar products, many furniture manufacturers are tempted to try it. They spend lots of money without getting value for their money. Rather some good sales literature meant for the salesman and his retail customers.

## 6. Training of sales staff

As a part of a seminar for the sales department the consultant had the opportunity to teach the participants the techniques used by their competitors from Europe. The biggest suppliers of furntirue to the GCC region are Italy, West Germany, Denmark and Spain. These countries are amongst the biggest furniture exporters in the world. Their salesmen have over the years adapted a refined sales technique; their manufacturers have refined the construction of furniture to almost perfection both with regards to design and with regards to transportation.

## 6. Training of sales staff

In order to compete with his European colleague the BLICO salesman ought to know a lot about his product. Its materials, construction and design. Also how to maintain it - possibly repair minor faults. How to match colours. Also, he should be aware that the furniture retailer puts much confidence in the information he receives from the salesman. Delivery time, mode of transportation, sole rights for a certain district, a city, a country or whatever.

The BLICO salesman is handicapped because his competitors from Europe visit the most important furniture fairs abroad. On these occasions they see new designs and observe new trends, which they bring back to their manufacturers. Also, they meet much more often than the BLICO salesman other sales representatives with whom customers, markets, hotels etc. may be discussed. Salesmen in isolated markets ought to try and get into communication with fellow salesmen. This may be possible through Chambers of Commerce. Also they may benefit from the existence of a common association for all furnishers in the GCC region. From international books and magazines many ideas come to salesmen and designers.

More than 80% of all furniture sold in the GCC region comes from Europe, America and Asia. To be acquainted with the supply from these markets is essential for BLICO and its salesmen. Visits to the important furniture fairs abroad may be encouraged as premiums to the best salesmen.

## 7. The Waiko connection

A licence agreement between the West German office furniture factory Waiko, Stuttgart and BLICO was never signed by BLICO in due time and is no longer negotiable according to Waiko. This will have severe consequences for BLICO. The sales forecast 1987-1991 for BLICO as contained in the ADL financial

7. The Waiko connection (continued)

analysis (page 66) assumes a sale of office furniture to an amount of BD 750.000 in 1991 as against BD 20.000 in 1987. The forecast was made upon the assumption that the licence agreement would be signed. Under the licence agreement BLICO could have hoped to win time at a lesser risk than if developing own product range. Also they hoped to be able to use the existing Waiko contacts in Saudi Arabia and KUwait.

Office furniture is supposed to be the biggest segment of the BLICO collection in 1991 accounting to BD 750.000 or 35% of the total forecast of BD 2.000.000. Therefore, it is paramount that BLICO finds another office furniture manufacturer for a licence agreement. It is not likely that BLICO's present office furniture range will be able to obtain anything like the Waiko expectations.

If and when BLICO shall reach the final stage of negotiation with another manufacturer it is advisable to realize that European/ American furniture manufacturers have had experiences with licence agreements. In most cases it has turned out that the furniture produced under licence was never able to reach the sales goals hoped for. Therefore, a lumpsum of a considerable size is now the main thing. The philosophy being: let us make a licence agreement, receive a handsom lumpsum and then we do not have to worry whether the sales expectations come through or not. Waiko asked 140.000 Deutsch Mark and the licence fee was 5%. Waiko knew that they would probably never sell furniture worth 2,8 million Deutsch Mark in the GCC region. Therefore the high lumpsum and the cut in negotiations when it was not paid. The next company will do the same.

8. The building of goodwill

BLICO has a mixed reputation in Bahrain and is virtually unknown outside Bahrain.



8. The building of goodwill (continued)

Blico has negotiated with an advertising agency about advertising and has expressed the possibility of an annual budget of BD 40.000. At the present time and in a foreseeable future this will not be a relevant disposition. BLICO may for much less money obtain more good will when applying the public relations technique. BLICO has been unfavourably published in the local press because of the big losses the company has suffered. What has to be done is to create the impression amongst the public that BLICO is a sound company which will eventually be a prosperous furniture industry for the benefit of its shareholders and the nation.

Goodwill is created through true and optimistic publicity. The first opportunity to build up goodwill is the magazine "Resident in Bahrain" which will be published in September by Gulf Daily News. The next opportunities are participation in the two fairs in Saudi Arabia and Dubain at the beginning of 1988. Then will come - hopefully - new models, new customers which will contribute to give a favourable and new true portrait of BLICO. This may be achieved by appointing a well reputed public relation company based in Bahrain and preferably linked to some international parent company. Enquiries made inform that a retainer of BD 800 per month will place BLICO as a middle sized client. Such clients are not being handled by the senior consultants. Therefore, BLICO may find it useful to appoint one person amongst it's managers to be responsible for the contact with the public relation company.

Imaginative persons and companies find no borders in the field of public relations. Some examples: appointments, new models, new markets, refurbishing of showroom, new Government orders, awards to employees. The literature about public relations is abundant and easy available.

9. The participation in exhibitions

The most common sales activity in the furniture trade is

9. The participation in exhibitions (continued)

participation in exhibitions and fairs. Blico has been participant in one GCC Fair and will participate also next year in Saudi Arabia. It is advised that BLICO also participates in The Gulf International Furniture Fair to be held at Dubai next February. This fair has many European and Far East manufacturers as exhibitors and is visited by more than one thousand buyers from the region. BLICO as a GCC based company would be so welcome as exhibitor that most advantageous conditions may be negotiated. As a public relation feature it may be highly interesting casting spotlight not only on BLICO but on Bahrain. Blico is also advised to appoint a professional well reputed internationally known architect to draw its stands both in Saudi Arabia and Dubai.

V. BLICO'S EXPORT POTENTIAL

1. Sales forecast 1987 - 1991

According to ADL (page 60) Blico may reach the following result in 1991

<u>Segment</u>	(BD 000's)	
	<u>1987</u>	<u>1991</u>
Office	20	750
Kitchen	50	350
Household	20	600
Doors	50	-
Ongoing Contract	100	300
One-off Contract	<u>260</u>	<u>-</u>
	<u>500</u>	<u>2000</u>

2. Achievement

The forecast for office furniture may be impossible to reach without a licence agreement and a new office range of Blico's to replace the present obsolete range.

The kitchen may be obtained only if BLICO is able to become the main supplier of "sink units" to a majority of new built houses and apartments at the domestic market together with

2. Achievement (continued)

a considerable export to Saudi Arabia.

The close survey of the supply of imported kitchens in the showrooms of Bahrain leaves no realistic hope of BLICO as an equal partner to the imported kitchen. BLICO is years behind in design, function and appearance.

The present situation at BLICO does not encourage to an investment in planning and installation services for kitchen. Neither to an attempt through new design to become competitive. The best hope for BLICO seems to be to try to be a main supplier of the sink unit. If a few details are added to this unit it may be accepted by the builders as the unit to be installed. The tenant will undoubtedly choose one of the imported kitchen as addition to the sink unit. Blico is warned against entering deeper into the production and distribution of kitchen. BLICO may sell subject the price is sufficient low, the clumsy unit sink and definitely leave the market for additional units in new apartments to the free choice of future tenants.

In view of the above BLICO seems left with no choice but to concentrate all efforts on the household furniture in order to achieve the sales goal of two million BD in 1991.

This calls for a very rapid development of the sales organization especially in Saudi Arabia and Kuwait.

It also calls for an adaptation of internationally known sales methods. The GCC region is highly competitive with products from the international market competing successfully with locally produced products.

The sales methods adapted should be the same as those used by the successful European furniture exporters. A change in attitude of the sales force at BLICO is necessary. Their skills must be

## 2. Achievement ( continued)

greatly improved. It also calls for an adaption of the design policy of European furniture in the medium price bracket. Design must be changed every second year in details and every fourth year substantially. No designs should be ahead of the average and no design lack behind the average.

The adaption makes an immediate start of the production of the BLICO HOUSEPACK collection. The housepack collection may serve to introduce BLICO to the markets abroad for about one year from the start. The housepack collection may not last longer then 18-24 months.

BLICO may use a number of free-lance designers to renew part of their collection. Designers are hit by the reduced furniture production in Europe. Even capable designers may be obtained for lumpsum prices. It should not be necessary to accept royalty payment.

Because of the decline in sale of European furniture in Europe as well as in the United States the competition within the GCC region may be even keener than it is to-day.

## VI. CONCLUSIONS

BLICO is a well planned and well built furniture factory. The capital is at hand; the workforce is available. There is no reason at all, why BLICO should not be able to be a successfull producer of furniture. Furniture is being produced all over the world - also where all raw materials have to be imported. The markets are at hand with the causeway to Saudi Arabia, Kuwait, U.A.E. and eventually Yemen and other Arabic States.

Most furniture sold in the GCC region is imported from Europe. More than 80% of all furniture sold in the GCC region is imported. In selling this furniture at the GCC region the intruders use the same methods as they use when selling in Europe, the United States or the Far East.

Anyone, who wishes to compete with them, will have to use their methods in sale, production and management.

BLICO may not survive if it fails to avail itself of internationally used principles. The potential customers are accustomed to delivery on time, delivery of the proper products, frequent visits by the salesmen etc. Internationally standards are prevailing also in the GCC region. Airlines and television & communication companies run their business in the international way. In order to become a successful supplier of furniture to the region one has to follow international standards.

If it is the object of the owners of BLICO to stay in business harsh changes on all levels may be necessary. It is even likely that in order to survive Bahrain Light Industries Company may be forced to seek a joint venture with foreign participation.

Despite Bahrainisation it may be necessary that another change of key persons have to be made.

BLICO has many possibilities to become a center for modern Arabic furniture industry, once the present obstacles have been dealt with.

List of persons met

UNDP	Mr. Wali-Shah Wali Mr. Mohammed Al Sharif	Resident Representative Programme Assistant
UNIDO	Mr. Brian K. Cogan Mr. Michael P. Kelly	Industrial Economist Industrial Engineer
BLICO	Mr. Moh. R. Alwazzan Mr. Abdul Wahab Nagi Mr. Yousif A. Al-Sharaf Mr. Tarek Tajdeen Mr. Eric Wilbraham Mr. Hassan Al Maleh Mr. Seena R. Jaberi	Managing Director Acting General Manager Admn. & Finance Manager Assistant Marketing Man. Production Manager Accounts Executive Sales Executive
Bahrain Chamber of Commerce & Industry	Mr. Jassim M. Al Shatti	Secretary General
Management Development Centre	Mr. Yousif Saeed	General Manager
KUFUMA	Mr. Mohie El-Deen	Project Division Exc.
Cowiconsult	Mr. Sven Bagge Mr. Henrik Svane	General Manager Resident Engineer

Also visited were a number of individual retail showrooms

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