

The Australian Furnishing Industry Action Agenda Plan

Meeting the Challenge

December 1999

Introduction

The Australian furnishing industry, in conjunction with the Federal Government, has developed a plan of action to take the industry through a substantial transformation over the next decade. At present, the industry is being challenged by rising levels of imports and low levels of exports. Left unchecked, the industry could well see its domestic base eroded, with no compensating benefit to firms through exports.

The plan has been developed through the Federal Government's Action Agenda process following a request by the industry in July 1998. A Steering Committee comprising industry, government and supplier and retailer representatives has overseen the development of the plan through the work of five working parties covering:

- Workplace Management
- Supply Chain Management
- Innovation
- Regional Development and
- Market Development

In the course of the development of the plan, a number of expert reports were commissioned and received. These reports will be made available.

The detail of the plan was substantially approved by a Summit of industry leaders on 4 November 1999 and through consultation with interested parties during November 1999.

The plan provides: a vision for the industry; identifies its challenges and targets; and the actions it must take. The plan also sets out what the industry seeks from government in order to remain a strong industry over the next decade. The plan will be put to the Minister for Industry, Science and Resources, the Hon Nick Minchin MP, and a response by the Government will be released early in 2000.

The Australian Furnishing Industry Action Agenda

Vision, Challenges and Commitments

Vision

“The furnishing industry will develop as a competitive and innovative supplier of goods, providing substantial employment and benefiting Australia’s terms of trade.”

Challenges

We see our major **challenges** as being:

- Improving **management skills** in a largely craft based industry
- Improving **capabilities** such as communications throughout the supply chain aimed at:
 - improving workforce productivity and economies of scale
 - lowering unit costs
 - improving planning, and
 - developing perceptions that Australian furnishings are quality furnishings
- Developing the **capacity** to export furnishing to key destinations and to meet domestic needs
- To **adjust** to an environment with zero tariffs on imports

Consequences

If we **meet** these challenges, the Australian furnishing industry will provide increased competition against imported furnishings and will take on the challenge of supplying world demand for furnishings.

If we **do not meet** these challenges, we recognise that growth of imports will continue, at the expense of the local industry, and that the industry will continue to under-perform in the export sector. The impact on the community will be increased levels of unemployment.

Targets

By 2010, the Australian furnishing industry should be:

- **Profitable**, with good prospects for growth
- Recognised as internationally **competitive** and with a reputation for quality
- Substantially **reorganised**, with more larger firms, and smaller firms commonly operating in networks with competitors or in specialised production fields and areas
- Willing to initiate change, to be more **innovative** in use of **technology, design** and in production processes and to be more oriented to providing services by focusing on **customer needs**
- Leading the Australian furnishing market and trade, where its increased competitiveness has capped the level of imports to \$2billion dollars per year and where its level of exports is at least \$500million per year* .

* In 1996-7 dollars, encompassing the present ANZSIC 292 classification.

The Australian Furnishing Industry

The furnishing industry is a significant manufacturing industry providing employment for over 70,000 people directly and many more indirectly. The Australian industry has a history dating back to 1788 and manufactures products that are used every day in many different environments. The furnishing industry in Australia is capable of and seeks to match the sophistication of furniture style, design and production evident in countries leading this field worldwide.

Furnishing products are classified into 3 broad groups:

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|-------------------------|---|--|
| Commercial Furnishings | - | furnishing used in offices and workplaces
These include height adjustable swivel chairs, computer desks, workstations, and airport seating |
| Hospitality Furnishings | - | furnishing used in hotels, meeting halls and tourist locations
These include hotel bedding, conference room seating, restaurant dining furniture, and bar furniture |
| Domestic Furnishings | - | furnishings used in the home
These range from timber dining and sofas beds to mattresses, kitchens, blinds and awnings |

Benefits

The industry believes it benefits the Australian community in the following ways:

- Growth in the industry translates strongly into increased employment in Australia (conversely shrinkage in the industry translates strongly to shrinkage in employment)
- Significant value-adding to Australian resources
- Utilisation of unique Australian materials
- Developing strong Australian regional contacts with a strong capacity to expand
- Strong potential to encourage development of sustainable materials and products

Strengths

The industry sees its **strengths** as being:

- Its commitment to change
- A stable political and financial environment relative to our competitors
- Flexibility in anticipating and meeting changes in taste in Australia
- Availability of local materials including unique Australian timbers
- A strong history and a strong domestic base

Commitments

The pace of change required to maintain the industry's position calls for an ongoing commitment to developing the industry by both industry and government.

In order to fulfil our vision, we **commit as an industry** to:

- Substantially improving the levels of expertise at the management level in the industry.
- Establish and improve networks of producers in order to:
 - Achieve efficient scale economies through specialisation of production amongst like producers
 - Utilise the scale achieved to improve competitiveness at the national or export level
 - Create a culture which values co-operation between participants, while still recognising participants can be competitors.
- Raise perceptions of quality, design and value with consumers both in Australia and in export markets.
- Develop innovative approaches to production aimed at enhancing the competitiveness of the industry, including raising awareness of and use of key technologies.

We seek **commitment from Governments** in:

- Sharing the vision of our industry in a strong future.
- Encouraging the availability and take-up of management education and of skills training.
- Educating the industry on export markets and promoting strategies for becoming successful in export.
- Focusing the industry towards improving supply chain flows and relationships and facilitating networking between industry participants.
- Enhancing the value of local concentrations of industry towards interactive clusters.

Industry Commitments to the Furnishing Industry Action Agenda

The furnishing industry in Australia has a long and important history. Today it plays a significant role in Australia's manufacturing sector and provides employment for over 70,000 people directly and many more indirectly. However it is facing a new and difficult environment, with rapidly growing imports and stagnant exports, and to survive into the next century the industry has to grow and organise in new ways.

The furnishing industry recognises the challenges it faces. Nevertheless the industry is confident it has a strong future and consequently its vision is as follows:

“The furnishing industry will develop as a competitive and innovative supplier of goods, providing substantial employment and benefiting Australia's terms of trade.”

The industry seeks acknowledgment from Government that it shares this vision of a strong future for the furnishing industry.

To achieve this vision there are a number of priority areas the industry has identified which require attention. These areas are as follows:

- Building capability
- Building capacity (including regional development)
- Innovation
- Market access and development
- Information Technology
- The environment

To monitor how well the industry is meeting its vision a number of targets have been set. These are that by 2010 the industry will be:

- Profitable
- Internationally competitive
- Reorganised
- Innovative
- Import replacing (with imports capped at \$2billion per year)
- Exporting at least \$500m a year

The industry has committed to strategies and actions under each of the priority areas to develop the industry and take it forward to meet the challenges it faces. The industry also sees a role for Government in helping the industry adjust to the pace required to compete. The industry has identified a number of areas in which government may play a facilitative role and has also identified select areas in which government may have a more direct role. The strategies, industry commitments and the roles for Government are listed in the next section.

However, the industry has identified an overarching action which is required to take the whole action agenda process forward. This is the need for the formation of a committee to oversight the action agenda implementation process and which will be charged with identifying and monitoring milestones. The committee (the Furnishing Industry Advisory Forum) would draw its membership from manufacturers, suppliers and distributors.

Industry proposes that the Forum have an independent chair appointed by the Minister for Industry, Science and Resources, as appropriate under the Commonwealth Government's Action Agenda Strategy. Such a Forum should be serviced by the Department of Industry, Science and Resources in keeping with the partnership arrangement with Government.

Industry suggests that the Forum meets no later than three months after the finalisation of the Action Agenda development process, and that there be an annual Industry Summit in November

during the implementation phase of the process, to review the process and to track the progress on meeting targets.

Action Agenda Key Priority Areas and Commitments

Priority Area - Building Capability
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The furnishing market is very competitive, and will become more competitive with globalisation and the growth of imports. Firms will have to improve the way they operate both internally and externally to meet the challenges of increased competition. This requires an increased focus on management development and trade skills development which in turn will lead to increased productivity. A strong national association is required to represent the interests of the industry and to underpin the performance of individual firms. The national association should provide information and training on a wide range of issues, and should promote the industry and its products.

Strategies

- Address management and trade skill deficiencies in the industry
- Develop a national focus through supporting an effective National Association

Industry Commitments

The furnishing industry commits to the following actions to build industry capability:

- Greater profile for a National Association and increased resources to engage in activities under the Action Agenda
- Moving the FIAA Headquarters to Canberra
- Appointing a National Training Coordinator to the FIAA
- Cooperation across States
- Provision of education in management skills
- Industry assessment of the extent and adequacy of training provided, on a State by State basis.
- Increasing the number of apprenticeships and traineeships in the industry
- Examining sourcing skills from overseas in areas of under supply
- Improving communication with retailers and encouraging greater involvement of retailers in industry operations including retail sponsorship of manufacturing development.
- Provision of modern machinery in training bodies
- Use and update of standard industry contracts
- Providing information to the Australian Bureau of Statistics to compile statistics for at least three years covering dollar value and numbers sold
- Exploring alternative sources of statistics including through private collection of retail information

Industry- identified role for Government

The industry seeks reciprocal commitment from governments to:

- Identify areas for activities undertaken under the Action Agenda where specific support is appropriate

- Ensure education and training are adequate and appropriate at both craft and management levels, including where necessary, to support distance education and provision of training and management education by electronic means
- Provide information on the recognition of overseas skills
- Develop and collect statistics on the use and take-up of training which are comparable across states.
- Substantial encouragement for firms undertaking appropriate management training.
- Disseminate information on the use of the Government's Business Entry Point website and information on programs of specific interest to the furnishing industry.
- Seed funding for the collection of specific statistics by the Australian Bureau of Statistics (ABS).
- Seek improvements by ABS in the treatment of furniture in the ANZSIC system.
- Facilitate the establishment of strong links with local education institutions.

Priority Area - Building Capacity (including regional development)

The furnishing industry is fragmented and cooperation is not common. However, there are a number of locations in which furnishing firms are concentrated. This provides an opportunity to develop networks and relationships which can lead to: specialisation; economies of scale; increased productivity; joint marketing approaches; and better managed supply chains. A number of other industries have undertaken networking and supply chain partnerships and the furnishing industry can learn from these pilots and models. The major retailers are working with supply chain partnerships in other industries and can be key drivers for implementing these partnerships in the furnishing industry.

Strategies

- Encourage the development of networks throughout the industry
- Ensure the adoption of supply chain partnerships
- Capture the benefits of industry concentrations in regions

Industry Commitments

The furnishing industry commits to the following actions to build industry capacity:

- Demonstrating to industry the benefits of increasing capacity
- Identifying government-imposed impediments to growth and encouraging consistent enforcement of existing legislation
- Promotion of networking to assist firms to achieve efficient levels of output.
- Encouraging the adoption of supply chain partnerships and seeking the support of major retailers as key drivers in the household sector, and builders and architects in the commercial sector
- Disseminating information on how to develop supply chain partnerships
- Engaging production engineers to examine process efficiencies and to recommend new or improved processes.
- Developing the benefits of industry concentrations, including improved relationships with suppliers, specialisation of production and better use of capital equipment through outsourcing between firms.
- Encouraging the creation of buying groups to provide continuity of orders to suppliers and to give greater purchasing power.
- Publicising those firms which exhibit best practice, so as to encourage emulation by other firms.

- Developing case studies of the best places around Australia that might integrate supply with manufacturing.

Industry- identified role for Government

The industry seeks reciprocal commitment from governments to:

- Consider industry-identified government imposed impediments to growth and consistent enforcement of existing legislation
- Directly encourage the development of networks within the industry which encourage better use of plant and skills.
- Facilitate the identification and development of clusters in areas of industry concentration
- Support adoption of supply chain management, including through promotion of selected strategic alliances in both commercial and domestic sectors to provide successful case studies
- Disseminate information on networks, supply chain partnerships and clusters
- Examine further the potential of particular regions to provide self-sustaining growth from use of timber and furniture production
- Assist in the identification of opportunities to develop regional growth involving furnishing
- Consider provision of pilot projects which encourage regional sawmillers and nearby furniture suppliers to better integrate their operations
- Explore means of encouraging the provision of regional infrastructure which improves distribution logistics and infrastructure limitations faced by regional manufacturers.
- Facilitate the establishment of strong links with agencies concerned with regional development.

Priority Area - Innovation

Innovation in processes and products is a key requirement for the long term success of the industry. Innovation requires managers who understand and value the key role of innovation in driving growth. In order to compete with imports, firms have to take advantage of technology which will increase productivity to levels achieved overseas. Innovative design is an important factor in developing and maintaining demand for Australian products.

Strategies

- Increase the quantity and quality of research and development activities and encourage uptake of new technologies
- Ensure product design is leading edge and meets customers' expectations

Industry Commitments

The furnishing industry commits to the following actions to improve innovation:

- Raising awareness within the industry of the need for and benefits of research, development and technology.
- Raising awareness of the need for innovation in processes as well as in product
- Improved access to technological information including through focus groups, case studies and overseas missions
- Examining issues relating to intellectual property rights
- Promotion of innovation, product design and quality, including through the Australian Design Awards with a focus on reaching retailers and consumers
- Development of a design program
- Visits by overseas designers
- Promotion of feature grade woods and other innovative uses of materials
- Single system of National Awards

Industry- identified role for Government

The industry seeks reciprocal commitment from governments to:

- Seek greater focus on furnishing for CSIRO Manufacturing Technologies Division
- Examine means of improving the furnishing industry's access to R&D grants
- Explore ways of better applying the Technology Transfer Program to the furnishing industry
- Consider issues raised by industry on intellectual property rights
- Support initiatives which recognise innovation excellence and which demonstrate the importance of innovation as a driver of improvements in productivity and growth.
- Assist the furnishing industry to focus on elements of innovation relevant to the furnishing industry, particularly in relation to innovation in management, manufacturing and marketing.
- Facilitate the dissemination by the industry of information which encourages the take-up of technology by industry participants
- Facilitate the establishment of strong links with local Research and Development institutions.

Priority Area - Market Access and Development

The industry is facing increased competition for local demand by imports. To win back local consumers, the industry will have to undertake a range of activities to increase demand for the Australian product and further develop the local market. The industry is also concerned that the standards and safety of furniture (particularly commercial furniture) are being compromised by the change in government procurement processes and increasing imports. The industry is keen to work with government to ensure that standards and safety are maintained.

The industry has little present tariff protection from imports and there is a strong prospect that the present level of tariffs will be removed within several years. While this may provide an increased level of competition from imported products, there are opportunities for Australian furniture manufacturers to export, and by developing export markets, overall demand for a firm's products can be increased. An exporting firm can take advantage of economies of scale (which are limited by local demand), improve overall quality and can even out production during down turns in the domestic market.

Strategies

- Service and develop the domestic market to meet the challenge of competition from imports
- Identify and develop export markets and ensure firms considering export have products and processes which are appropriate

Industry Commitments

The furnishing industry commits to the following actions to assist with market access and development:

- Foster the export capability of firms with a track record in exports
- Identify and develop new export-ready firms
- Development of a generic brand to promote the unique features and advantages of Australian furniture
- Development of a proposal for an industry levy to fund the generic brand
- Examine using the Australian-made slogan, legislation and promotions
- Promotion of 'industry champions' in export
- Promotion of the Furnishing Quality Program

- Promotion of the Retailer Training Package including selling furniture as a 'lifestyle' product
- Promotion of Buysafe to improve quality and safety of commercial furniture
- Training sellers – re: Buysafe Guide to promote the purchase of commercial furnishings to acceptable standards and qualities.
- Participation in the development of public sector furniture procurement guidelines
- Promotion of awareness of product safety and information standards that apply to furnishings
- Develop and apply a coherent national strategy for exhibitions that provides value to the industry
- Conduct a Furniture Festival and promote the concept to all States
- Participation in overseas fairs, (but conditional on business and distribution plans)
- Gallery publication of furniture producers (export-ready only)

Industry-identified role for Government

The industry seeks reciprocal commitment from governments to:

- Recognise that further tariff reduction will have a negative impact on the industry and that substantial provision is needed to enable the industry to adjust successfully to any change
- Acknowledge that if furniture tariffs are eliminated while TCF tariff protection persists, there will be a substantial element of negative assistance operating against the industry
- Facilitate export readiness including assistance with obtaining good market intelligence
- Assist the research phase of the development of a generic brand
- Support Government procurement competencies
- Develop Government procurement guidelines for furniture
- Cooperate in the development of Australian industry-wide standards for product design and user safety.
- Undertake research into data on workplace injuries attributable to furniture
- Support attendance at overseas furniture fairs
- Provide seed funding for development of a gallery publication for export ready firms

Priority Area - Information Technology

Information Technology (IT) is increasingly used to educate and disseminate information to a wide range of audiences. The industry sees a range of potential uses for IT including: business management in the firm; providing industry specific information to firms; and educating consumers on the features of Australian furniture. To take advantage of these uses the industry has to increase its use of IT and also keep track of changes.

Strategies

- Encourage better use of IT by firms
- Develop on-line systems for educating consumers and retailers

Industry Commitments

The furnishing industry commits to the following actions to encourage the greater use of Information Technology:

- Development of FIAA website for training and promotion and as site for a national magazine
- Encourage standardised software particularly for use in supply chain partnerships

- Provide training on: benefits of IT; use of Internet and Intranet; benefits of on-line training; and demand forecasting
- Development of on-line benchmarks to assist industry to measure its performance and improvements in performance
- Promotion of on-line communication between suppliers, producers and distributors
- Training retailers – re: Furnishing Quality Program Guide information on a website
- Distance training and management development
- Educate consumers about what to look for in furniture on the Internet

Industry-identified role for Government

The industry seeks reciprocal commitment from governments to:

- Support the development of the FIAA website
- Support the development of a benchmarks site
- Contribute to the provision of on-line consumer education about furnishing and consumer rights and remedies.

Priority Area - The Environment

The community is increasingly calling for industry to minimise its impact on the environment. This is reflected in an increased demand by consumers for information on industry's processes and for products which are 'green'. There are also direct financial benefits to the industry from waste minimisation and the better use of sustainable resources.

Strategies

- Develop a focus on sustainability in the industry
- Ensure consumers are aware of the industry's commitment to the environment

Industry Commitments

The furnishing industry commits to the following actions to provide a greater focus on the environment:

- Development of a sustainable consumption strategy, including a possible internationally-based labelling scheme
- Promotion of waste minimisation in furniture manufacturing including benchmarking for acceptable levels
- Research into the potential for use of recyclable materials
- Encouragement of recycling in the industry including designing for recycling

Role for Government

The industry seeks reciprocal commitment from governments to:

- Support research and development into sustainability in the industry
- Encourage the industry to continue waste minimisation awareness
- Support the industry in developing environmental labelling, particularly with regard to the use of sustainably-harvested timbers