



Funes

**Report of Intellectual
Output O2, Activity O1:**
Defining scenarios for the future

FURNITURE NEW EUROPEAN SKILLS 2020
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Introduction

In order to define new scenarios for the future, considering the furniture sector in Europe, it will be considered, in this Report, the current globalization phenomena and some possible scenarios to define the scenario that will be worked in FUNES Project. This scenario should be the basis to define the emergent skills for the furniture sector regarding 2020.

In recent years the furniture sector has been found itself in various situations, mainly due to globalisation, which affects the business model, in each and every of the areas that form companies.

These various situations are given in a generic way by some aspects as: trade liberalization in emerging countries; China as a world power in the manufacture of furniture; evolution of consumer demand; and changes in the distribution of furniture. All these situations affect directly the markets, the companies, the workers and the furniture sector in general.

1. Globalization effects in the furniture sector

As a result of globalization, integrated production systems appear, there is an increase in trade and foreign direct investment flows and there is a growing role of Transnational Corporations (TNCs) that are directly affecting the business model of companies in the sector. With all of this, lower costs of production are demanded or products highly differentiated to compete in this global market.

The companies have technological possibilities that allow a real time management and the connection with any part of the world, giving rise to a geographical relocation of business processes not only productive but also design, research, sales service and management, with all companies can take different solutions, such as:

- a) Adapt to local markets ;
- b) Add to obtain economies of scale;
- c) Arbitrate or break down the processes of the company making them in different parts of the world.

Before all of these possible changes, companies should consider, in the case of globalization and development of the productive work in other countries, aspects as production cost, environmental issues and energy efficiency.

In addition to above mentioned, which affects all productive enterprises in general, in the specific case of the furniture, the sector faces other factors which should be taken into account:

- Increase in the production of furniture in emerging countries;
- Family business where it is not detected that the benefits are reinvested in the same companies.

2. Manufacturer, supplier and distributor: possible relationships in a globalized environment

MANUFACTURER vs. SUPPLIER

Furniture manufacturer is located in front of markets of raw materials (panels, varnishes, etc.) with performance close to the oligopoly, in detriment of the bargaining power of the furniture manufacturer.

It appears an increase in prices of raw materials around the world to increase their demand from emerging countries, impacting on the cost of the furniture manufacturer.

Along with the above, there is a vertical integration forward of some raw material suppliers, suppliers who sometimes acquire the role of manufacturers (manufacturers of boards that make self-assembled kit furniture).

On the other hand, there is a great dependence on the furniture manufacturer to the supplier as to what is material innovation to obtain a final product of higher quality.

MANUFACTURER vs. DISTRIBUTOR

There is an increase of the bargaining power of distribution while the concentration of channels grows (supermarkets specializing in furniture from home, buying groups, chains, franchises, etc.).

There is an imbalance between the increasing size of the distribution and the furniture manufacturer, which continues to perform individually.

There is a glut of furniture makers, struggling to offer differentiated products to distributors.

It is being noted an increase in competitive pressure to reduce prices to the growing import of furniture produced in countries with low-cost distribution.

Many companies conduct a developing product that is fundamentally based on the expectations of customers (distribution), without orientation to the consumer.

The know-how of the market is in the hands of the distribution (marketing and advertising), with consistent brand image of the distribution, to the detriment of the mark of the manufacturer. Consumers do not know the brands of manufacturers.

Collaboration between manufacturer and distributor to boost sales points is minimal or very small.

Final delivery logistics is in the hands of the distributor, which is giving problems of coordination with manufacturer and finally generates dissatisfaction of consumers.

3. What identity should have the furniture manufacturer in the coming years?

There are several possibilities observed from the point of a furniture manufacturer:

- Manufacturers who become distributors.
- Importing-marketing companies.
- Vertically integrated undertakings.
- Distributors vertically integrated backwards, taking design processes, development of product and even control of the production process.

4. Areas considered at a furniture company

It is considered one company type which are all possible activities, regardless of types of products or materials to be used, and from them shall be determined in each one of the competencies required for the future.

About this company type we will define competencies that must own workers in each of the areas identified in each of the defined scenarios.

- Direction or management
- Commercial or marketing
- Administration
- Technical office:
 - Design
 - Organization / planning / work orders
 - Quality
 - Environment
- Manufacturing:
 - Cut
 - Machining
 - Fitting
 - Finish

- Assembly
- Packing and storage
- Logistics and distribution

5. Types of scenarios

A scenario is a combination of variables that set up a future reality. The scenarios proposed are based on the CEFFOR®

(<http://www.ceffor.es/index.asp?Idioma=en&IdIdioma=2>) based on key variables that will define the competitiveness of companies of furniture manufacturing in the coming years.

A. Trend-based scenario, “Business as Usual”. That scenario that ensures the continuity of the trends so far in the sector, with only variations of the variables and the actors. It is an extension of the present, but incorporates the consequences of current behaviour. For example, companies only focus on reducing costs to compete on an international scale.

In this kind of scenario aspects to consider are:

- Decrease in the size of homes
- Issues of sustainability of resources
- Global awareness about caring for the environment
- Moderate employment growth
- Relocation in multinational companies
- Ageing of the population

B. Contrast with favourable foreign exchange scenario. Moderate and beneficial change for example the costs of production in emerging countries grew slightly in the coming years due to some regulation of the international agencies.

- Different lifestyles that coexist
- Advancement of alternative energy technologies

- Emerging countries lead global growth
- Increases in the global entrepreneurship, new business
- Technological advancement.
- Relocation in a balanced way, looking for efficiency without negative impact.
- Creation of renewable alternatives
- Advancement of communication and information technologies
- Delay in retirement age

C. Contrast with unfavourable change scenario. Moderate changes by the appearance for example regulations that do not alter the structure of the company, but that affects the conditions of production, by axis, regulating CO₂ emissions.

In this kind of scenario aspects to consider are:

- Strong migratory tensions
- Differences in lifestyles, multiracial divergence
- Advance infrastructure at the expense of the environment, ecological problems
- Kickback of the markets
- Rising rates of unemployment
- Reverse the benefits of enterprises
- Exacerbated relocation
- Do not look for efficient energy alternatives
- Ageing of the population

D. Rupture scenario. It involves a structural change, due to technological revolutions, emergence of new actors, e.g... Years ago nobody thought about the emergence of China in the global economy.

E. Normative scenario. Intense structural change, increase the competitiveness of the company's manufacturing furniture and its levels of profitability, due to effective industrial policies oriented to differentiation or

the penetration of new markets. Application of standards.

In addition to the variables that appear in each of the scenarios considered, it should be considered a number of issues that will affect directly to each of these scenarios, such as:

- Evolution of consumers;
- Distribution, increasing the concentration of distribution, increase of size;
- Improvement in the efficiency of emerging countries, increased competition and low prices;
- Selective offshoring in emerging countries.

6. Possible scenarios for the furniture sector

Next to the scenarios previously appointed in the case of furniture industry should be considered:

6.1. RETAIL BRAND SCENARIO

In this case, it will be considered two distinct possibilities:

- Large chains of distribution, consumer-dependent manufacturer know the brand of the distributor, not the brand of the manufacturer;
- Manufacturer range middle and high, creates their own centres of distribution with own stores or franchises.

In both cases the keys to consider for this scenario are:

- High hope of life or young immigration;
- Difficulties creating young households;
- Proliferation one-person households;
- Inflation cost raw material;
- Wage moderation and slow job progress;
- Stagnation in consumption of furniture;
- Conventional housing with rigidity of benefits;
- Home as shelter and energy recharge;
- Search for advanced solutions in housing;
- Point of sale as a key figure;
- Conventional furniture purchase;
- High competitiveness of countries with low production costs.

In this scenario the **refactorer** is considered, distributors who take on the

role of manufacturer. **Importailer**, trade which offer imported product and **manutailer**, furniture manufacturer assumed distribution functions.

6.2. LOW CONSUMPTION SCENARIO

It refers to those cases in which there is an advanced relocation of the furniture industry, from advanced to emerging countries.

In this case, the furniture meets only a basic need, which is not a priority, with radical aging of advanced societies and inability to renew the partnerships with qualified and organized immigration.

Being the keys to consider in this case:

- Ageing of the population;
- Difficulty of immigration control;
- Slow recovery after a recession;
- High inflation for raw materials costs increased;
- Stagnation of jobs and wages;
- Low rotation of product;
- Decline in consumption of furniture;
- Prevalence of housing and conventional lifestyle;
- Difficulty in incorporating sustainable elements;
- Purchase of furniture based on lowest price;
- Strong positioning of the company from the manufacturer;
- Low cost countries reach furniture manufacturing leadership;
- Furniture consumption is performed when the impairment is greater.

6.3. SMART SOLUTIONS

It is the case that part of the industry remains in advanced countries with a degree of offshoring in the emerging minimum and controlled. The keys to consider in this case are:

- Rejuvenation of the population;
- Incorporation of smuggled control;
- Growth of life expectancy;
- Full employment and delay the retirement age;
- Use of information and communication technologies;
- Flexible and intelligent homes with multi-use spaces.

The prevailing values will be related to environmental, cultural interbreeding, health and wellness, interactive technology, advanced life, flexibility, generalized eco-consumption, innovative consumer, renewable materials, and the consumer can act as leader and designer of your own furniture and purchase of furniture through multiple channels.

RETAIL BRAND	LOW CONSUMPTION	SMART SOLUTIONS
High life expectancy and immigration young. →	Ageing of the population. →	Rejuvenation of the population
Difficulties creating young households.	Difficulty of immigration control →	Growth of life expectancy
Proliferation one-person households.	Slow recovery after a recession	Control of immigrant incorporation
Raw material cost inflation. →	High inflation for the increased costs of raw materials	Flexible and intelligent homes with multi-use spaces
Progress slow employment and wage moderation.	Stagnation of jobs and wages	Generalization of alternative and renewable materials
Stagnation in consumption of furniture. →	Furniture consumption is performed when the impairment is greater	Full employment and delay in retirement age
Conventional housing with rigidity of benefits.	Prevalence of housing and conventional lifestyle	Purchase of furniture through multiple channels.
Home as refuge and recharge of energy. →	Decrease consumption of furniture	Houses that evolve with sustainable technology furniture components
Search for advanced solutions in housing.	Low rotation of product	Innovative consumer
Point of sale as a key figure.	Strong positioning of the company from the manufacturer	The consumer can act as leader and designer of his/her own furniture → Customization
Conventional furniture purchase.	Purchase of furniture based on lowest price	Stores aimed at the generation of experiences
High competitiveness of countries with low production costs. →	Low-cost countries achieve leadership in the manufacture of furniture	Generalized eco-consumption
	Difficult to incorporate sustainable elements	Predominant environmental aspects of health and wellness
		Other predominant aspects <ul style="list-style-type: none"> • Cultural interbreeding • Interactive technology • Flexibility and advanced lifestyles
		Use of information and communication technologies

7. FUNES future scenario for furniture sector

Considering the evolution of the sector in each of the participating countries in FUNES Project and the world crisis that is affecting us, FUNES project has to lead with aspects of an unfavourable scenario, with variables as:

- Strong migratory tensions;
- Differences in lifestyles, multiracial divergence;
- Infrastructure at the expense of the environment, ecological problems;
- Decline in the markets;
- Rising rates of unemployment;
- Kickback in the profits of the companies;
- Relocation exacerbated;
- Do not look for energy efficient alternatives;
- Ageing of the population.

Considering the analyses of the globalization factors and of the pointed scenarios for furniture industry, FUNES partners decide to define one possible scenario integrating aspects from the three pointed scenarios and a set of different dimensions (social, demographic, economical, and technological and others). This FUNES Scenario 2020 will be the framework for analyzing what it is expectable to identify in terms of future and emerging skills.

From all the information and documents analyzed and from the direct knowledge of furniture reality in all partners' countries, it was possible to define the following aspects that will be take into account for defining the emerging Furniture New European Skills 2020.

A. Population and society

1. Ageing of the population: increase of life expectancy, retirement age increases;
2. Difficulties creating young households;
3. Stagnation in consumption of furniture;
4. Stagnation of jobs and salaries;
5. Purchase of furniture based on lowest price.

B. Raw material and production

6. High inflation for the increased costs of raw materials;
7. High competitiveness of countries with low production costs.

C. Products, trends for living, environment and technologies

8. Generalization of alternative and renewable materials, generalized eco-consumption;
9. Generalization of alternative and renewable materials. Generalized eco-consumption. Houses with sustainable technology, furniture components;
10. Interactive technology;
11. Flexibility and advanced lifestyles;
12. Predominant environmental aspects of health and wellness.

D. Consumer interaction behaviour

13. Innovative consumer. The consumer can act as leader and designer of his/her own furniture;

14. Sale and purchase. Point of sale as a key figure, Purchase of furniture through multiple channels, Stores aimed at the generation of experiences, Use of information and communication technologies.

Conclusion

The Funes future scenario for furniture sector regarding 2020 was made after a detail characterization of the furniture industry existent in the partners' country. These analyses of the current situation and the possible scenario for the sector in Europe are the basis for defining the emerging skills.

There will be big challenges for furniture industry and for their workers. The globalization phenomenon brings much more flexibility and unpredictability to the markets and to the consumption. The demographic dimension is crucial and aspects like ageing, new families' models and new concepts of homes and public spaces will be determinant for furniture consumption.

Regarding the scenario defined for furniture industry, it will be necessary to make a very rigorous characterization of the companies in the different countries to understand exactly what companies have to do to answer the future scenario needs.



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