Furniture industry clusters in Italy

Dott. Paolo Gardino Consulting Company

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Assistance to ➡

Sawmills
Re-man plants
Veneer mills
Wood panels producers
Associations

30 years experience
A large and experienced professional team in Southern and Central Europe, Mediterranean and Middle East countries

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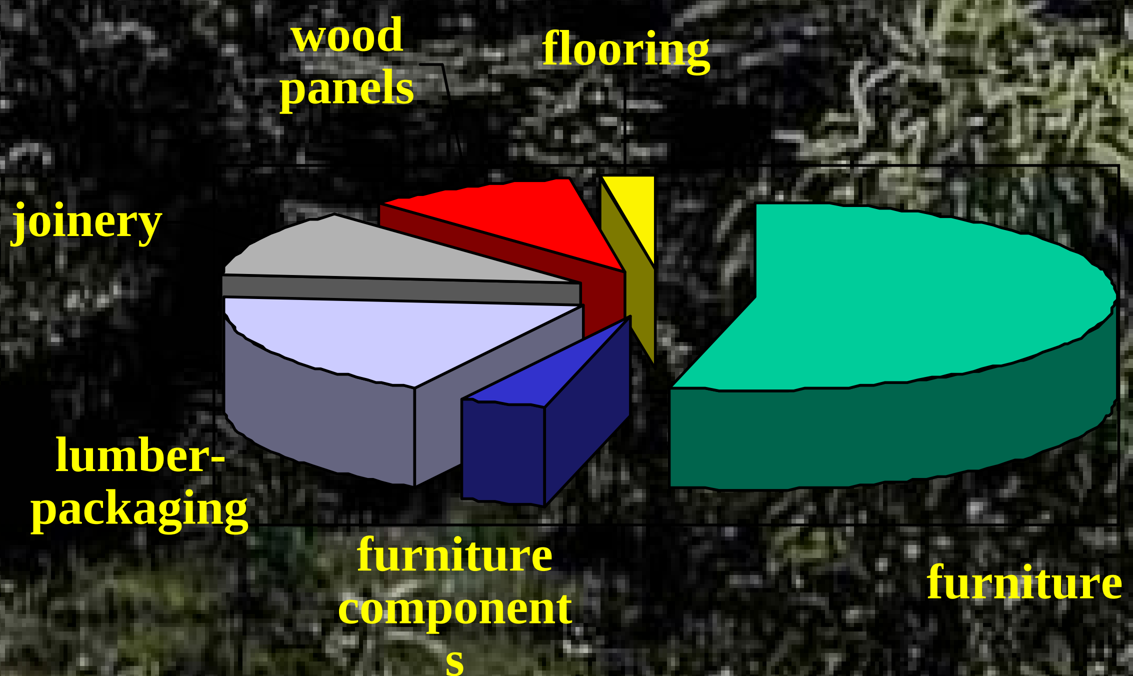
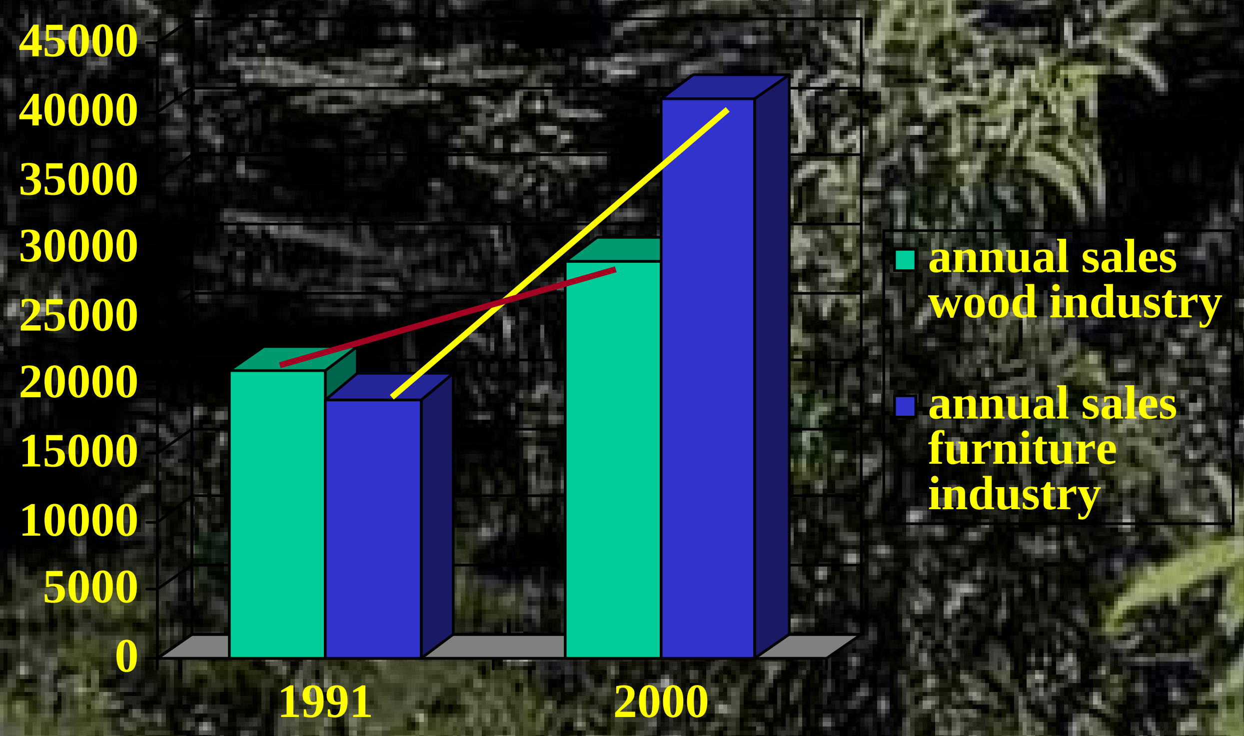
Market research
New product development
Strategic planning

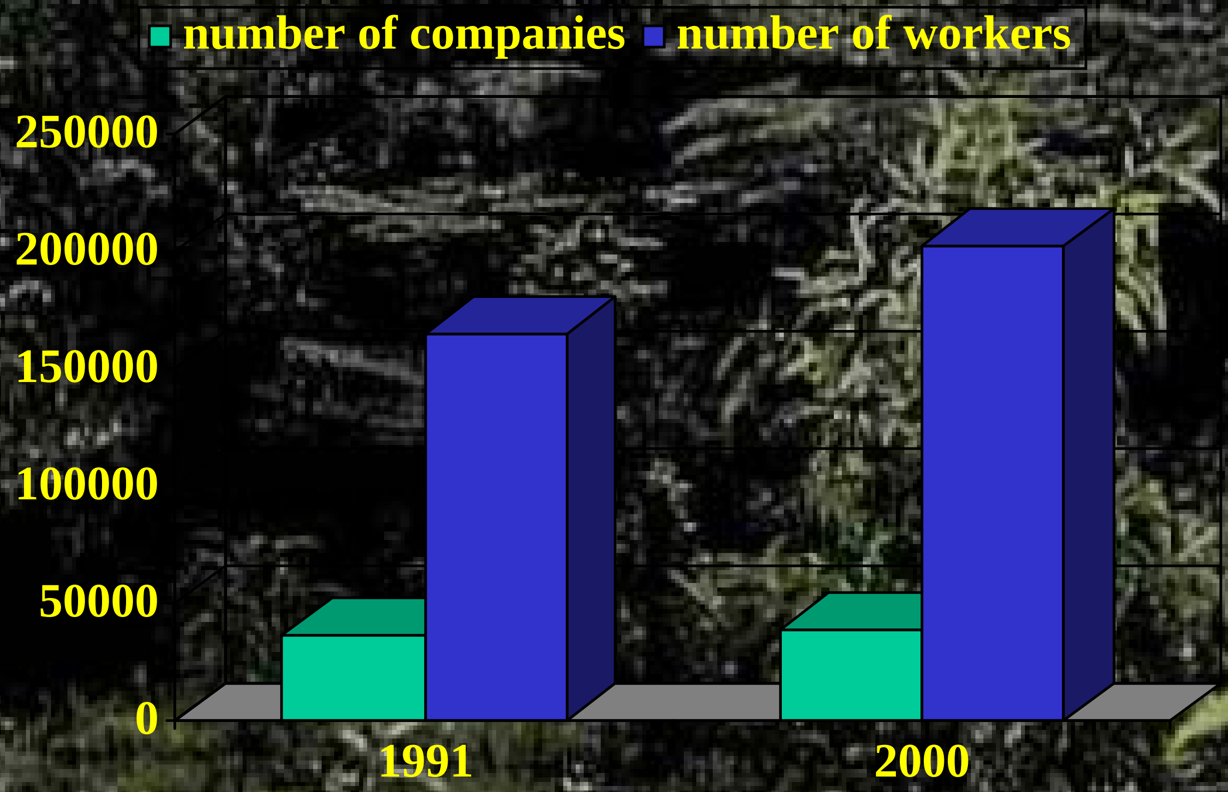
Italian wood industry: its main sectors (BN lira)



Italian wood industry (BN lira)

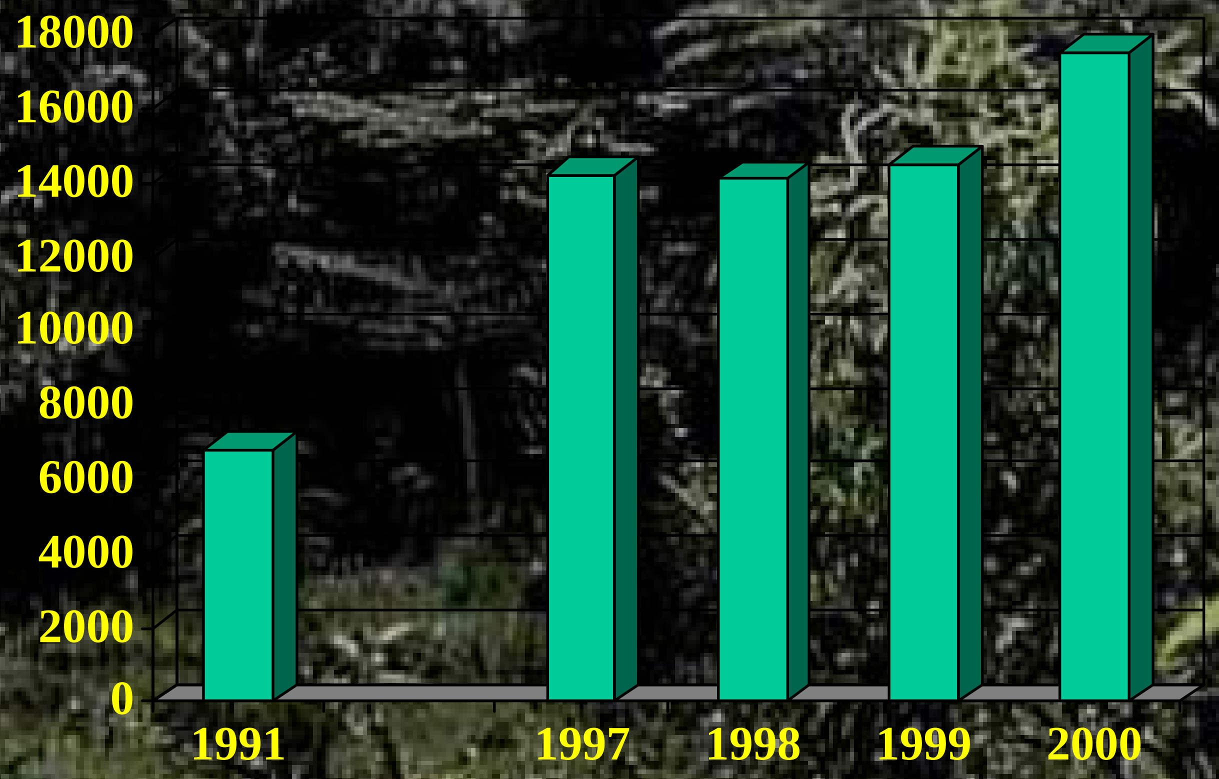


Number of furniture industries

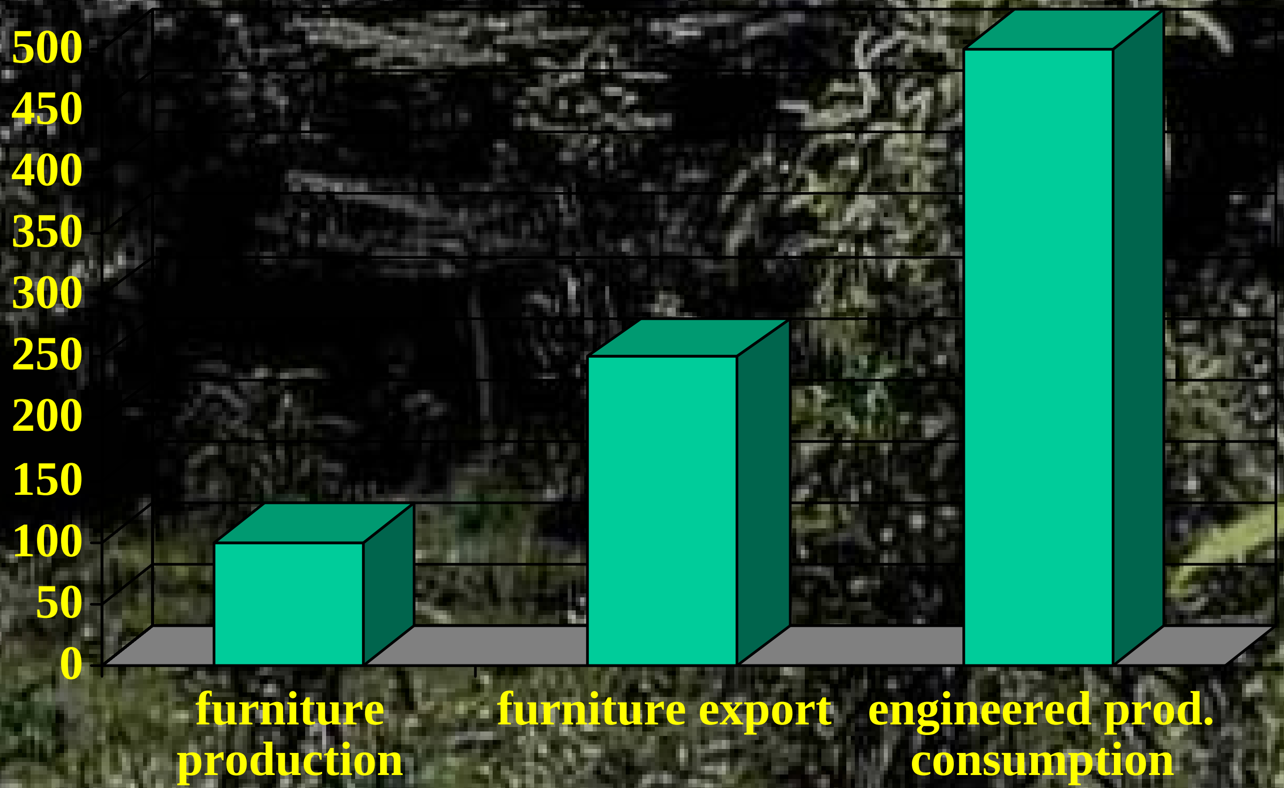


Number of companies with more than 20 workers: about 4%, stable

Furniture export (BN lira)



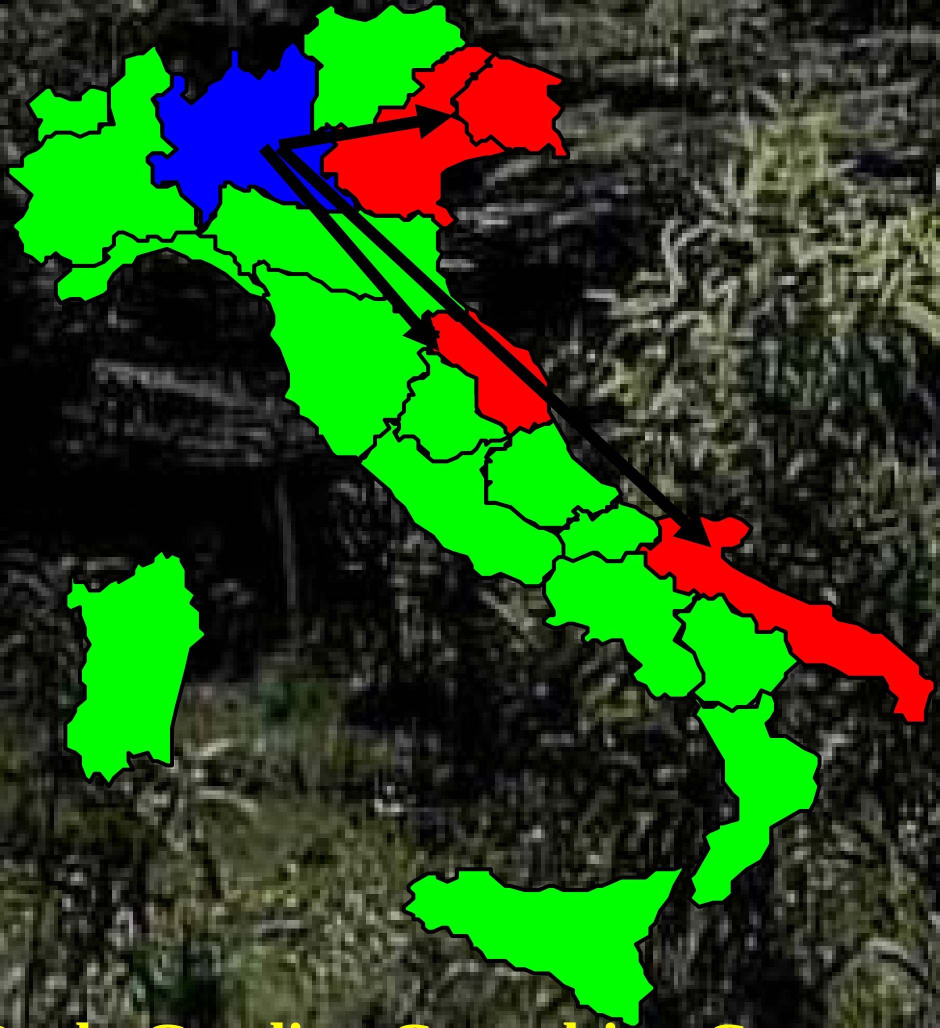
Production or consumption of some sectors grow more than others (1991-2000 % growth)



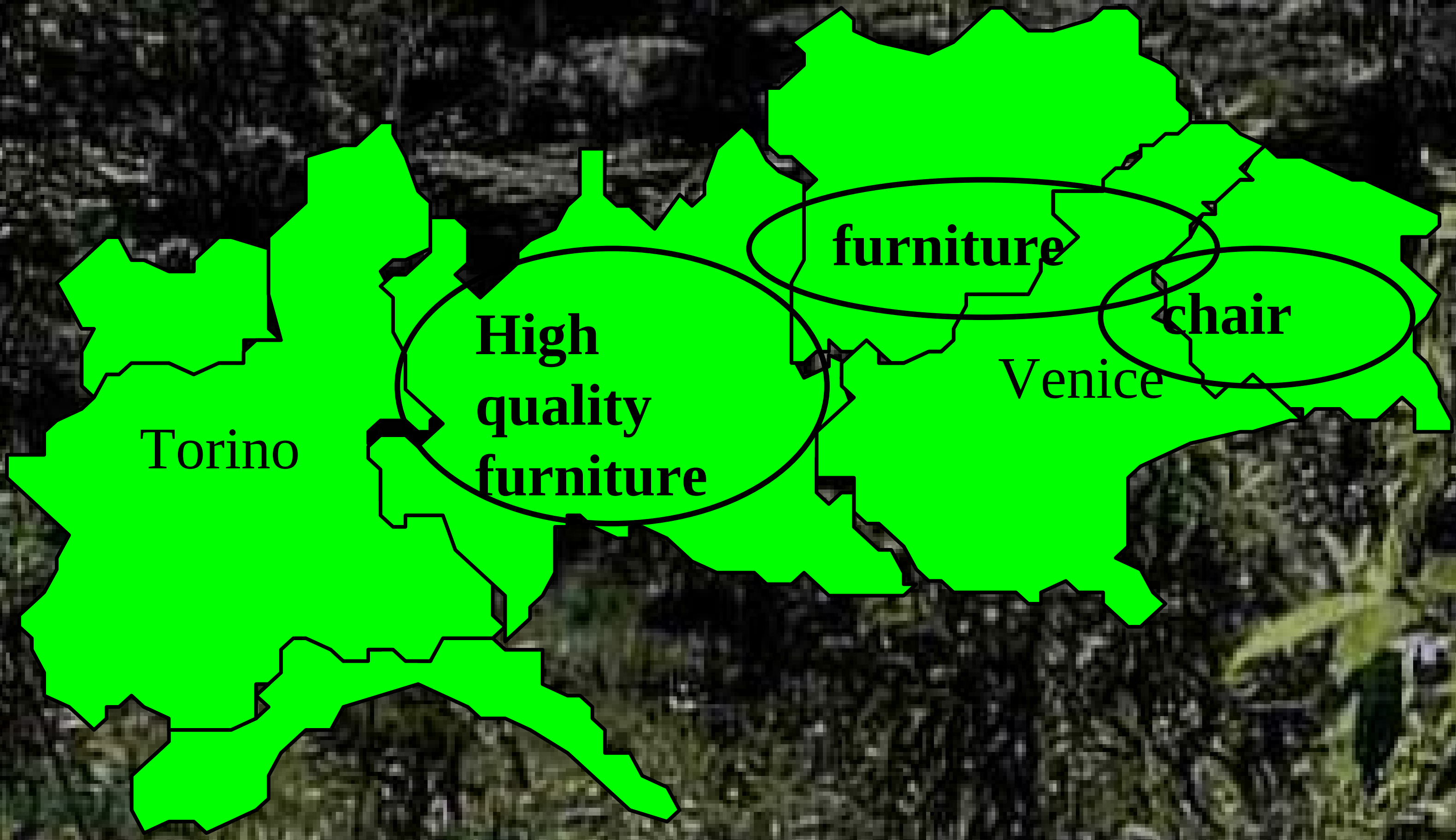
The importance of furniture industries on Italian economy

- 6% of added value of industry
- 30% of Italian trade surplus
- 32% of European furniture export
- Innovation-oriented: 51% of companies introduced technological innovation in last 3 years

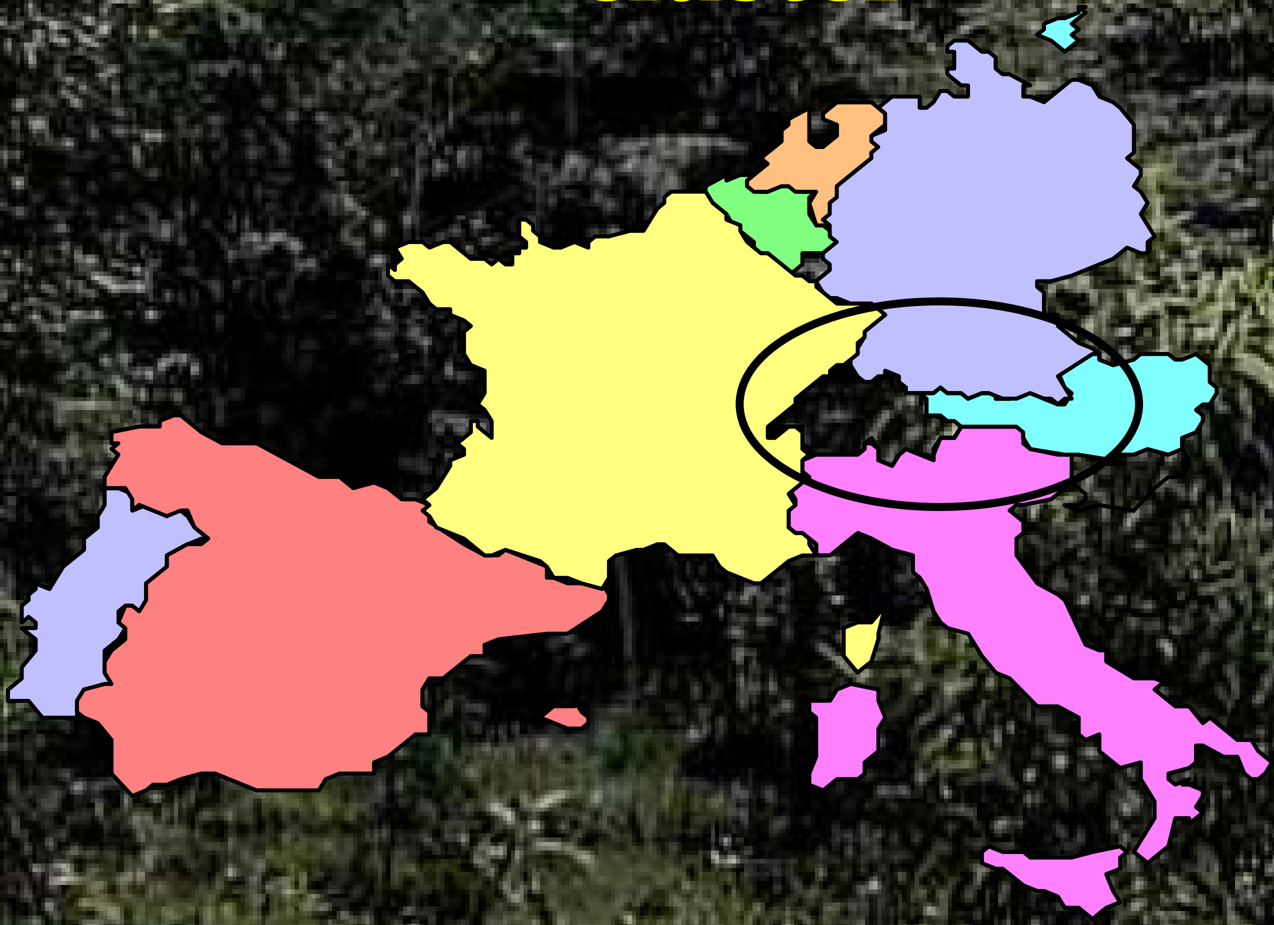
Italian furniture industry relocation



Furniture industries clusters



Engineered products alpine cluster



Austria: + 100% - Italy: + 150% - Germany: + 200%

Drivers of furniture cluster

All required services

Chain of wood supply

Entrepreneur

Production decentralisation

Wood machines

Entrepreneurs

- Small size favours direct knowledge of production and market
- High competition
- High interchange
- Large exchange of information
- High mortality of companies
- Companies are always “young”

Chain of wood supply

- Extreme specialisation
- Just in time deliveries
- Stock reduction

Wood machines

- Machines are made in the same district
- No distance
- Machines expressly made for each individual company
- High flexibility
- Low cost

Production verticalization

- High quality components
- Great specialisation
- Extreme flexibility
- Product innovation
- Process innovation
- Small size of companies is equivalent to bigger size

All required services

- Local authorities extremely sensitive to problems of industries
- Architects in the same district
- Banks are ready to finance innovative companies
- Professional schools
- Unions have a personalised approach

Other characteristics of furniture cluster

- An initial driver can be availability of cheap handwork
- There can be other drivers (earthquake, fiscal exemption)
- Black economy ???

Example: chair industry (area 20 x 30 km)

20 machines producers
hi-tech & ad hoc

Beech sawmills
Croatia (50 Km)

100 wood traders

600 chair producers

300 manufacturers of chair parts

50 million chair - 50% of European prod
30% of world prod

Chair cluster strengths

- Low cost
- High productivity (pro-capita sales almost double than Italian average)
- Innovation
- Design
- Export all over the world
- Flexibility
- Capacity to react to changes (200 companies have invested in East Europe)

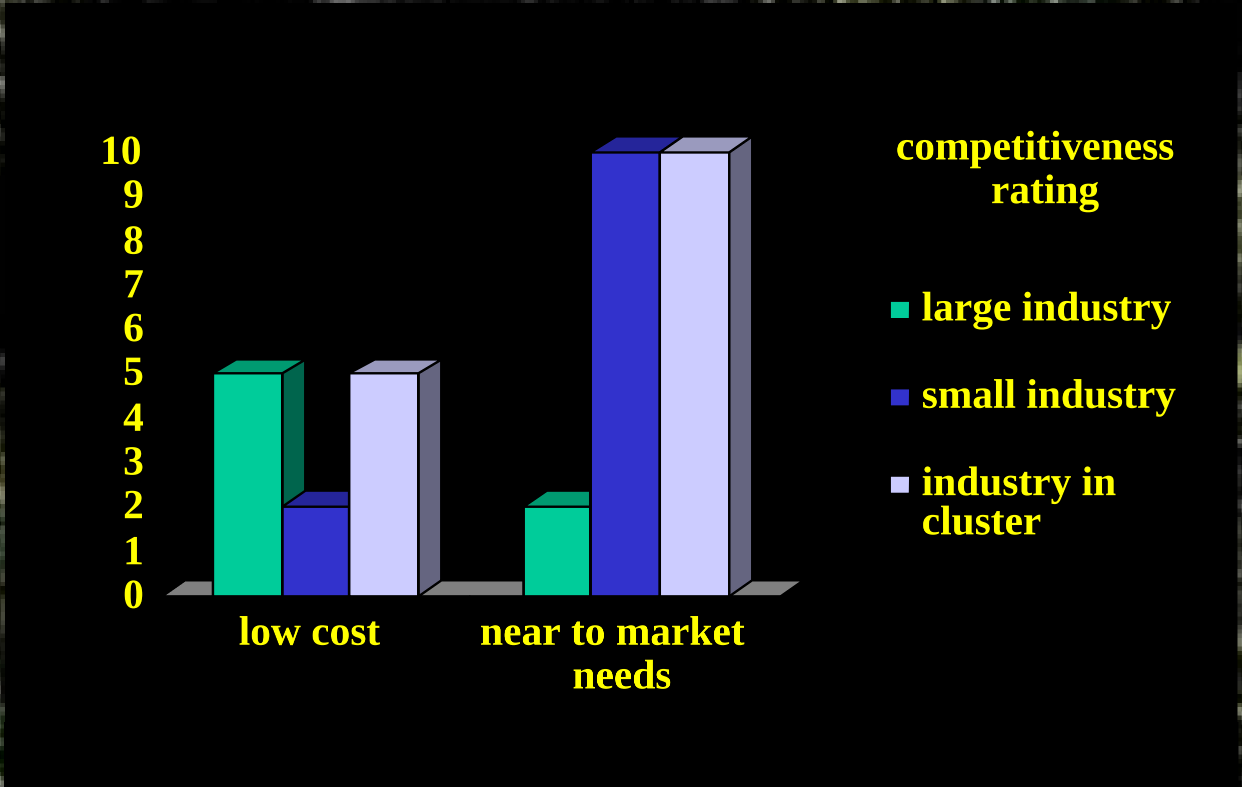
Chair cluster weaknesses

- **Small size of companies**
- **Low profit due to competition**
- **Difficult access to markets too far away**

Are Italian clusters positive for the industries of the segment?

- **Yes**

- **Industries are not forced to grow in size**



Cluster leads to other advantages

- Small companies know all elements of their costs and of selling prices
- Favourable quality/price ratio
- Continuous improvement of design

Possible future dangers

- Competition from Eastern Europe
- Competition from South East Asia
- Currency fluctuations (production is too large for domestic market and must be exported)
- Lack of handwork

Is there a way of assisting wood industry to create clusters?

- Very difficult
- Are there the first requisites in the analysed location?
  - <u>Entrepreneurs</u>
  - Relatively cheap handwork
  - A first inducement
- Favour companies' interchange

Is there a way of assisting wood industry to create clusters?

- (Assistance) to technical and design innovation - schools - export
- Favour aggregation and exchange of communication (anti-trust local legislation)

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Thank you !