The European Union's INSPIRED Program for Bangladesh

Technical Assistance to Stimulate Applications for the SME Competitiveness Grant Scheme

Technical Report: Furniture Sector

Includes

Value Chain Analysis

and

Proposed Action Plans

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In the Development of SME Competitiveness Grant Applications

Bangladesh INSPIRED

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1. Acronyms

APPLICANT:	Grant Applicant for SCGS
BDT:	Bangladesh Taka
BDS:	Business Development Service
BFIOA:	Bangladesh Furniture Industries Owners' Association, the central BIO of the sector.
BFEA:	Bangladesh Furniture Exporters' Association, the BIO for large manufacturers capable in exporting
BFIDE:	Bangladesh Furniture & Interior Décor Expo
BIO:	Business Intermediary Organisation
CLUSTER BIO:	Main BIO Committee for a specific region
DITF:	Dhaka International Trade Fairs
DTC:	Centre for Design & Technology Ltd.
EU:	European Union
EPB:	Export Promotion Bureau
GIZ:	German Technical Cooperation (Development Organization)
GSP:	Generalized System of Preferences
LDC:	Least Developed Countries
MoI:	Ministry of Industries
NBR:	National Board of Revenue
PARTNER:	Proposed partner of the Grant Applicant
RMG:	Ready Made Garments
SCGS:	SME Competitiveness Grant Scheme
SMEs:	Small and Medium Enterprises
SMEF:	SME Foundation
SWOT:	Strengths, Weaknesses, Opportunities & Threats
VCA:	Value Chain Analysis

2. Executive Summary

This technical report is intended for the BIOs and partners who must process s.

Based on the findings derived from meetings with BIOs, entrepreneurs from different clusters, cluster leaders, input suppliers, relevant Government bodies, visits to different training institutes and prior surveys, reports, policy papers, etc., this technical report was prepared. There was no VCA analysis undertaken for the sector hence the prime initiative within the limited contracted period was to formulate the VCA. A good number of data required for VCA has been used after updating from the study namely “Furniture Sector Base Paper” undertaken jointly by Export Promotion Bureau (EPB) of the Ministry of Commerce, KATALYST, a multi donor funded development entity and Centre for Industrial Studies (CSIL), an International research centre. Based on the VCA and extensive consultations with different stakeholders SWOT analysis was undertaken.

The recommendations offered were based on the major constraints in the sector, which can be addressed through the Inspired Programme. They focus on targeted clusters and BIOs, which will be positively affected by the recommended actions. The report elaborates Action Plans, which will help the BIOs in preparing quality Grant Application for the SCGS.

2.1 Major Findings

- Furniture manufacturers are spread across different regions of Bangladesh, but there are certain clusters with sizeable number of manufacturers, which can be considered as industrial clusters.
- Main concentration of furniture manufacturing is mostly in the city centres of different urban, semi urban and peri urban areas. Some of the areas with a sizeable number of furniture companies are: Dhaka, Chittagong, Sylhet, Comilla, Tangail, Gazipur, Narayanganj, Jessore, Faridpur and Bogra. But, Dhaka and Chittagong has the biggest concentration of industrial manufacturing in the whole country.
- Except 3 or 4 manufacturers, all other furniture manufacturers of the country actually fall under SME definition of the Ministry of Industries.
- The main BIO of the sector is BFIOA (Bangladesh Furniture Industries Owners’ Association), which has started it’s operation in 1976 and is quite organized and operational but lacking with capacity and resources to deliver support in technical, marketing and managerial skills development for its over 1,300 listed

members from different parts of the country. Under BFIOA, there are regional Committees elected by the producers of that region, for almost every major divisional districts acting as cluster BIOs, which are the direct beneficial of BFIOA activities. Regional cluster BIOs are the implementing bodies of the action plans produced by BFIOA. Under the umbrella of main BIO, an independent association, BFEA (Bangladesh Furniture Exporters' Association) has been registered in 2011 with 16 members of the Main BIO, who have export potentials.

- Four cluster/regional BIOs (Regional Committees of BFIOA) are active, organized and more functional within the respective clusters namely, Sutrapur region-Dhaka, Gulshan region-Dhaka, Mirpur region-Dhaka and Chittagong region-Dhaka. The others are less active, not organized and hardly operational towards the development of respective clusters namely, Rajshahi region, Sylhet region, Khulna region, Bogra region, Barishal region, Noakhali region etc.
- The main BIO (BFIOA) severely lacking in cooperation linkages with foreign trade bodies, similar BIOs and relevant institutes, requires formulating efficient action plans for the development of export business.
- The financial sustainability of the main BIO (BFIOA) is purely dependent on the income from the yearly membership fees of its members, which is very insignificant in total value as the financial ability of the members is very low. The regional cluster BIOs are also dependent on the income of the membership fees from its region. This hinders the BIO to grow with the effective BDS service portfolio demanded by the regional BIOs as well as the members.
- Domestic market is quite big (Estimated 67 Billion BDT sales yearly) and growing at a rate of 19% yearly.
- Country's total furniture export was only 4.3 Million USD in the last fiscal year (2011-2012), which is very insignificant.
- There is a significant knowledge lacking on the export market demand and trend, among the manufacturers.
- Most raw materials required for this sector is imported hence, the availability of desired raw materials is not ensured.
- Import duties for raw materials are quite high ranging from 10.72 to 92.30%, which makes product price high.
- Properly seasoned timber/wood is not available for furniture manufacturers as there is no existence of service provider for seasoning, which resulted in poor quality assurance.

- There is no sustainable supply of skilled manpower to the sector and most are trained on job, as there is no efficient training facility in operation, which increases production lead-time, reduce product quality and increase the cost of training.
- Working conditions in manufacturing plants are poor, which stimulates a permanent drain of skilled workers.
- Labour cost in furniture manufacturing is comparatively low than those of competitor countries exporting furniture. In all the other contemporary Asian furniture exporting nations (China, Vietnam, Thailand, Malaysia), the cost of labour is either equal to or more than USD 120 per month whereas in Bangladesh it ranges from USD 37-120 per month.
- Most furniture manufacturers are lacking with adequate knowledge on up to date technologies needed for high productivity and quality.
- Woodcarving is the prime unique technique of the local carpenters working in the micro and small-scale factories/workshops.
- Most of the factories are lacking in efficient layout and material flow, which affect productivity, lead-time and overall quality. Due to lack of well-integrated production process furniture manufacturers are not capable of achieving optimum production efficiency.
- Overall quality of produced furniture by micro and small-scale manufacturers are far behind than the requirements of the export market.
- Almost all manufacturers are severely lacking with Accounting, Management and marketing skills.
- Awareness and application of Environment and Safety compliances are absolutely absent in majority of the manufacturers.
- All the furniture producers of Bangladesh produce very wide range of products in their production facilities, which is a big hindrance in achieving high productivity and optimum quality.
- Micro and small-scale manufacturers do not have the access to the formal sources of finance at all.
- Due to high duties of imported raw materials and low productivity resulted from low labour skills, inability of affording machineries, the most small-scale manufacturers are finding difficulties to survive in the business.

- There is a visible future demand of ship furniture as Shipbuilding Industry in Bangladesh is growing rapidly but no linkages have been tried to establish to tap this market.
- There are no capable design professionals available to provide design solutions to the manufacturers, as there is no design training centre or formal education on design operational in the country. The manufacturers don't undertake RND activities at any form.
- Majority of Micro and Small-scale manufacturer's productive employee number is limited to 15 persons and it is not business wise viable to procure certain basic but necessary machineries alone, required to enhance productivity and quality.
- There are no visible effective export marketing initiatives in the sector. The world furniture buyers even don't recognize Bangladesh as a possible source for furniture. With the initiative of Bangladesh Furniture Exporters' Association and Export Promotion Bureau, an event named Bangladesh Furniture & Interior Décor Expo (BFIDT) has been organized in 2012, where no turnout of foreign buyers was noticed as the project was lacking with financial capacity to spend for the promotional activities internationally for the event.
- Most of the enterprises are lacking with branding and marketing activities as well as the tools like PR materials required creating customers attention. Most SMEs do not have a website, which is an effective tool through which international buyers can know about the product line they can offer.
- A month-long event namely Dhaka International Trade Fair (DITF) is organized every year in the center of Dhaka city by Export Promotion Bureau, which attracts nearly 4 million local visitors. This is likely to be the most important event to promote product in the national market but no presentation of the micro and small-scale manufacturers are seen here due to the financial constraints of the SMEs in participation.

2.2 Proposed Action Plans

Followed by undertaking a VCA for furniture sector and SWOT analysis derived from extensive discussions with main BIO and regional cluster BIOs and other stake holders, Government bodies etc. two viable and essential action plans have been proposed in this report. These are:

Proposed Action Plan 1: Capacity building of main BIO (BFIOA) in Business Development Services (BDS): The role and capacity of main BIO (BFIOA) of the sector is extremely important for the growth of all other cluster BIOs. It is also important for the BIOs to be self-sustained financially through generating income from BDS (Business Development Services). This Action is to provide technical and financial support to the main BIO in developing training service portfolio and developing institutional skills in training service providing to its members under cluster BIOs. Through implementation of this Action Plan, the target group i.e. the furniture SMEs would be able to improve its technical skills on production, marketing accounting and overall management through availing skills development services from the main BIO.

Proposed Action Plan #2: Development of International Linkages of the main BIO (BFIOA) and enhancement of BIO understanding on export market requirements: The main BIO is lacking in and needed to develop active linkages with international organizations of similar kind and with the foreign trade bodies to foster the matchmaking process incase of technology transfer, joint venture and establishing of export deals. The main BIO is also lacking with understanding on export markets and required quality standards, required to formulate export strategy. Through this action, the main BIO will be able to establish linkages with likewise BIOs and trade bodies in other countries and foster matchmaking of buyers, machine manufacturers, and prospective investors with local member SME producers. This will facilitate of the generation of technology transfer, access to finance through joint venture projects and export businesses. Through the action of visiting different leading international furniture fairs, BIO policy makers would understand more on export market requirements in terms of design trend, quality and other standards and can formulate more effective strategy for tapping export market by the furniture SMEs.

Proposed Action Plan #3: Capacity building of main BIO in advocacy and lobbying: This Action Plan would enhance the capacity of the main BIO to deal and negotiate with the relevant Governmental bodies on the issues like implementation of export friendly import duty structure on raw materials, improvement of infrastructural support, policy improvements in favor of better access to formal financing, introduction of bonded warehouse facilities for duty free raw material import on exporting commodity or cash incentives on export etc. Achieving these will help furniture sector towards strengthening the comparative advantages further and thus will make the sector more viable and competitive in export market. The main BIO would also be able to organize roundtable discussions between stakeholders and Government policy makers and avail media support to generate general consensus on the issues, which will help them to generate attention of the relevant Government bodies.

Proposed Action Plan #4: Development of web based tools for export linkages: Most of the SMEs don't have website, which is now a day the most effective web-based tool to communicate about the own product lines as well as the technical capability to the foreign buyers. Through implementing this Action Plan, the central BIO will be able to develop a web portal cum database where all its members portfolio is listed, which will play an important role in future development of export linkages.

Proposed Action Plan #5: Establishment of a Furniture Institute cum Training Center for SMEs technical skills development and run demand-led training programs on technical skills and compliance issues: The biggest hindrance of the growth of the sector is scarcity of properly trained workforce in furniture manufacturing as there is no efficient training institute in operation. Besides, the furniture SMEs are not compliant in terms of environmental and working condition issues required to get acceptance in sensitive export markets. There is also no awareness as well as application on standards and certification issues towards achieving compliances with international standard. Through implementation of this Action Plan, the furniture SMEs will get access to the skilled workforce, will get to know about up-to-date technologies through this skilled workforce and eventually will be able to achieve high productivity and enhanced product quality. The Furniture institute will also offer trainings on compliance implementation and will undertake awareness campaigns on environmental and working condition related compliance issues, which will eventually make the furniture SMEs compliant in terms of international standards.

Proposed Action Plan #6: Establishment of a self-sustained timber seasoning service centre for SMEs: Properly seasoned timber/wood is not available for furniture manufacturers and there is no existence of service provider for seasoning, which resulted in poor quality assurance and will surely hinder the possibility of export business enhancement. Through implementation of this Action Plan, there will be a self-sustained timber seasoning facility as well as service centre established under proposed Furniture Institute, which will enhance the access to processed/seasoned wood for the furniture SMEs and eventually the furniture SMEs will be able to fulfill the requirement of the core raw material standard by the export market.

Proposed Action Plan #7: Facilitate furniture designers creation process and assistance to SMEs to develop new exportable furniture line, branding cum PR materials and local and export marketing: Due to the absence of product design education and lack in capacity of design service providers in the country, SMEs are not capable to develop products for international market. There is existence of one product design centre in Bangladesh (only one of its kind) called DTC (Centre for Design and Technology) established by GIZ (Development Organization) in 2004, but due to the change of concentration related to intervention, GIZ has stopped supporting it but the centre is still running as self-sustaining non profit company. Despite having the understanding on the design training technical issues, linkages with design universities in EU countries and a good number of expensive equipments required to run a design centre, the center at present is unable to offer design support and training programs to create furniture designers due to human resource, technical and equipment lacking. Through the implementation of this Action Plan, where this design centre can be considered as a project partner and can turn into operational as a designer's training and RND centre dedicated for the furniture sector. This will ensure the supply of designers to the market capable of working for the furniture SMEs.

There are also no visible effective export marketing initiatives in the sector. The world furniture buyers even don't recognize Bangladesh as a possible source for their needs. A group of medium-scale enterprises have participated in very few international fairs in the past with the support of EPB (Export Promotion Bureau) but no result was possible to attain as there were no understanding on the export market, design trend, quality requirements and no product was developed newly involving qualified designers in the process targeting the fairs. This Action will also implement an activity of developing products for international market involving foreign design professionals through the supported product design centre DTC and these products will be offered to the international buyers by participating in at least three leading international fairs in buyer's countries.

There is an international trade fair for furniture sector organized recently by BFEA (Bangladesh Furniture Exporter's Association) and EPB (Export Promotion Bureau) but have produced no result due to the lack of adequate and efficient promotional activities of the fair internationally. Since a plan of executing this fair at least for consecutive five years has been taken, this Action Plan would provide technical and financial support for the promotional activities for this fair internationally, such as, having booths in leading international furniture fairs to get the interested visitor's registered for the fair and advertisement on few international furniture fair publications etc. This will help this fair to get known among the international furniture buyers.

Effective branding and PR materials are very important tools for the marketing. Most of the enterprises are hugely lacking with branding, effective PR materials and marketing activities requires creating customers attention. This Action will help technically and financially to develop branding and PR materials of a good number of furniture SMEs, taking part in product development for export market under this Action Plan.

Furniture SMEs cannot afford participating in the largest month-long trade fair of the country DITF (Dhaka International Trade Fair), takes place once in a year, where an estimated number of 4 million people visit. This is a very good platform to promote products and brands in local market. The fair is organized by EPB (Export Promotion Bureau) and due to the high demand; the bare exhibition place is very expensive where the participant has to build the structure for exhibiting at own cost. Through the implementation of this action plan, a good number of SMEs, those who have participated in product development process will get a scope to exhibit their products and earn through businesses in two consecutive years, which will eventually make them capable participating in the fair by their own in future issues.

3. Background

3.1 Background of the study

In the context of Bangladesh, the development of Small and Medium Enterprises (SMEs) can be considered as a vital instrument for poverty alleviation and ensure the rapid industrialization. The performance of SMEs of Bangladesh especially in terms of employee turnover rate, quality assurance, allocation of funds, marketing activities have been found significantly below the international standard. In several studies, it is found that SMEs play a significant role for the development of the economy by creating employment opportunity and producing important alternative machines and machinery parts for saving huge foreign currency for Bangladesh. So as a part of our development strategy, we should intensify our efforts to develop this sector to grow industrial base and volume of foreign trade. As we know that in this age of globalization, it is impossible to stop the flow of foreign goods to any country. Only quality products can meet the challenges in global market. For meeting this situation SMEs need to upgrade their technological capabilities and production facilities in order to produce quality products at a competitive price. The evidence for the re-emphasis on the SMEs is manifest in the Government's own policy intent, in any reasonable survey of the literature, and in any compilation of economic statistics regarding the industrial sector. Though the SME sector is becoming gradually a rising industrial sector of our country and contributing more and more to our export, this sector faces several common problems like- lack of technical know-how, shortage of long-term financial support, lack of skilled workers, marketing link, R & D, knowledge on safety measures, hygiene, environmental pollution, etc. We need to acquire proper institutional knowledge in the fields of technological and managerial education for the sector's rapid development.

Through Ministry of Industries, the Government of Bangladesh has identified number of sectors which has marked higher growth rates in the recent years and can therefore make a significant contribution to the economy in future in terms of value addition, foreign currency earning, employment generation, import substitution and technological enhancement. The identified sectors are: agro-processing, natural fibres, leather, plastics, light engineering, electronics, furniture and home textiles.

INSPIRED (Integrated Support to Poverty and Inequality Reduction through Enterprise Development) is a programme, funded by the Government of the People's Republic of Bangladesh and the European Union to reduced poverty in Bangladesh by supporting the development of SMEs through clusters and value chain development projects, so as the skills development and capacity building of related Business Intermediary Organizations (BIOs).

The project under the SME Competitiveness Grant Scheme (SCGS) is responsible for technical assistance to the Ministry of Industries of the Government of Bangladesh and the SME Foundation, aimed at supporting clusters, sector business associations and other business organizations to submit high quality applications. With this view, this study was carried out on Bangladesh furniture sector to draw the present scenario, identify the present development needs, the constraints and credible actions to enhance overall performance of SMEs involved in the sector.

3.2 Scope of the Study

The furniture industry of Bangladesh is mostly cluster based. Although not all clusters are equally efficient, these are usually self sufficient in terms of having their supporting actors in close proximity. Due to the nonexistence of Value Chain Analysis (VCA) of the sector, the preliminary task of the consultant was to extract data through extensive visits to the clusters and meetings with the relevant BIOs to produce a VCA. The technical report will emphasize the existing constraints, formulate recommendations and produce Action Plans for both Clusters and BIOs to stimulate Grant Application under the SCGS.

3.3 Methodology

- Following the consultations and guidance of the Chief Technical Advisor, the Team Leader and the Senior Consultant for VCA, meeting with BIOs representative of the sector in order to identify the common constraints and opportunities.
- Availing the support from the Senior Consultant for VCA, produce VCA for the furniture sector of Bangladesh.
- With the assistance of the BIOs, realize clusters and firm-level visits.
- Undertake a brainstorming session with all the cluster representatives to identify constraints.
- Submit a draft technical report, which conforms to the table of contents agreed upon with Team Leader/Chief Technical Advisor.
- Provide a briefing on findings and recommendations.
- Produce proposed Action Plans for both selected clusters and BIOs to support preparing Grant Application for the project.

3.4 Sources of Information

The study develops its contents from local and international sources of information, accessed prior to or during the mission, in either hard or soft copy or consultations.

List of consulted sources of information is as follows:

- Board of Bangladesh Furniture Industries Owners' Association (BFIOA)
- Board of Bangladesh Furniture Exporters' Association (BFEA)
- Bangladesh Furniture Industries Owners' Association- Mirpur (Regional Committee)
- Bangladesh Furniture Industries Owners' Association- Gulshan (Regional Committee)
- Bangladesh Furniture Industries Owners' Association- Sutrapur (Regional Committee)
- Bangladesh Furniture Industries Owners' Association- Chittagong (Regional Committee)
- Bangladesh Furniture Industries Owners' Association- Bogra (Regional Committee)
- Export Promotion Bureau (EPB), Bangladesh
- Bangladesh-Sweden Polytechnic Institute (A training Institute under Ministry of Education, GoB)
- INDUSTRY & RURAL SECTORS GROUP, KATALYST Bangladesh.
- "Export Market Entry Strategy for Bangladeshi Furniture Manufacturers" a study conducted by CSIL (Centre for Industrial Studies), Milan, Italy.
- Furniture Sector Base paper prepared jointly by Export Promotion Bureau, Bangladesh Furniture Industries Owners' Association & KATALYST.

3.5 Approach

Some information and data were available as there were few studies undertaken before on the sector especially a study based paper named 'Furniture Sector Base Paper' jointly done by Export Promotion Bureau and Bangladesh Furniture Industries Owners' Association & KATALYST. But most of the data were needed to be updated, which was done by the consultant through discussions with BIOs, cluster leaders, major input suppliers, few training institutes, the Export Promotion Bureau and through applying perceptions derived from the consultant's long experience working in the sector. The VCA (Value Chain Analysis) was not available and was formulated first by the consultant from the extracted data. A SWOT analysis for the overall sector was also carried out. The contracted period was not sufficient to undertake an in-depth VCA but it was finally possible to formulate with extensive support from the representatives of the major stakeholders of the sector, the VCA consultant, the Team Leader and the Chief Technical Advisor of the project.

Through these exercises, some areas were figured out for the consequent action plans under the SCGS. The consultant met or talked to persons responsible in various organisations that were thought to be of importance as partners in the proposed projects. List of meetings are given in Appendix B.

4. Action Plans for proposed Grant Application

The objective of this segment of the report is to illustrate how our clients, BIOs and partners, can interpret the information of this report, and can consider our findings into their Grant Application. Since the objective of this report is to assist probable applicants with realistic information, we have added an Activity Plan, which expresses the various steps required from the submission of their Grant Application. This Chart takes into account the EU Guidelines, which is an essential road map in this last step.

4.1 Background

In Bangladesh, micro and small and medium enterprises (SME) play a significant role in the development of the economy, primarily by creating employment opportunities and producing important alternative mechanisms for accumulating foreign currency through exports. The ability of SMEs to grow the industrial base and increase the volume of foreign trade has made them a national developmental priority, especially in terms of moving Bangladesh to a more sophisticated manufacturing and service base than currently exists. Given the pre-eminence of SMEs in terms of creating jobs in the country, there is an emphasis on selecting booster sectors, which have high promise for growth and, within these, identifying sub-sectors, which provide an overall impetus for economic growth.

Furniture has been rightly regarded as one of the booster sectors, which has employed 1.8 Million people in the country already. The sector has a growth rate of 19% per year, which demonstrate the enormous promise. There are about 70,000 SMEs in operation in different parts of the country having an average of 15 people working in a single enterprise. With no exception to the other SMEs of the country, furniture enterprises are male-owned, family run enterprises with a sole proprietorship.

The problems identified in the Guidelines of the SME Competitiveness Grant Scheme to grow for SMEs of Bangladesh also apply rightly for the furniture sector. There problems can be grouped as the resource scarcity for both, the raw materials and the human resources in the sector, huge shortage of skilled workers, absent of the usage of modern technology, poor physical infrastructure, financial constraints, lack of entrepreneurship skills, lack of best practices, limited access to market information & branding, lack of quality assurance, lack of Commitment from Large Enterprises to Support SMEs to Grow and limited Opportunities for Female Entrepreneurs.

As cluster approach is prioritized in the guideline of the Grant Scheme, furniture manufacturers also spread across different regions of Bangladesh, but there are certain clusters with sizeable number of manufacturers, which can be considered as industrial clusters.

Considering the global demand and supply trend of furniture, the local market size as well as strong track records on production and comparative advantages the sector possess, furniture as a sector has immense potential to become one of the important foreign currency earning sources of the country. To achieve so, certain constraints and problems have to be addressed and solved which are also similar to the identified problems for SMEs in the guideline of the Grant Scheme. The Action Plans are therefore suggested with the same objective so that the applicants can prepare their SCGS Grant Application using it as a guideline.

4.2 Role(s) of BMOs/BIOs/NGOs in this sector:

The organizations or institutes involved in the Furniture sector are BFIOA, BFIOA Regional Committees, BFEA, KATALYST, Innovision and DTC.

BFIOA (Bangladesh Furniture Industries Owners' Association) represents about 1,300 SMEs, active in operation under its several Committees for different regions of the country acting as cluster BIOs namely Mirpur region, Gulshan region, Sutraput region, Chittagong region, Rajshahi region, Sylhet region, Bogra region, Khulna region, Barishal region, Noakhali region etc. These cluster based Committees act as regional BIOs and implement development activities for the sectors planned and supported by BFIOA. BFIOA is the prime association and all cluster BIOs of the sector are actually the regional committees of BFIOA and linked with it constitutionally. The prime BIO's (BFIOA) Executive Committee is formed having representations from all cluster based committees and they play active role in formulation of activities and policies of the prime Association, BFIOA.

BFEA (Bangladesh Furniture Exporter's Association) has been active since two years and legally formed in 2012 under the umbrella of BFIOA with 16 manufacturers assumed as having high export potentials. BFEA's objective is to support its members to help achieving export readiness. To be more precise, the BIOs of furniture sector can be defined as below:

Prime/Central BIO:

- BFIOA (Bangladesh Furniture Industries Owner's Association): BFIOA is the main BIO of furniture SMEs in the country started its operation in 1976. At present having about 1,300 members from all over the country. It has several cluster based independent Committees as member in its board, members of which are automatically gain the membership status of the main BIO.

Regional/clusters BIOs:

All regional/cluster BIOs mentioned below possess the legal entity as the Committee of central BIO (BFIOA) but elected by the regional producers, having own bank account and earnings, an office, own activities and independent management to run the operation.

- Following regional/cluster BIOs are active, organized and more functional within the respective clusters:

  - BFIOA-Sutrapur Region: The oldest cluster BIO of the country covering the older part of Dhaka region (Southern part of Dhaka city), started operation in 1985 and having at present about 500 members located within its region.
  - BFIOA-Gulshan Region: Has started operation in 1986 and covering the Gulshan and Badda region of Dhaka city (Eastern part of the city). It has about 400 members.
  - BFIOA-Mirpur Region: Has started operation in 1991 and located at the western part of the Dhaka city namely Mirpur. They have about 150 members.
  - BFIOA-Chittagong: Since starting the operation in 1990 this regional/cluster BIO has about 250 members located at Chittagong region of the southeastern part of the country.

- Following regional/cluster BIOs are less active, not organized and hardly operational within the respective clusters:

  - BFIOA-Rajshahi Region: Has started operation in 2001 and located at the Rajshahi region of the country. They have about 30 members from Rajshahi region, which is northwestern part of the country.
  - BFIOA-Sylhet Region: Has started operation in 2003 and located at the

Sylhet region of the country. They have about 40 members from Sylhet region, which is northeastern part of the country.

- BFIOA-Khulna Region: Has started operation in 2003 and located at the Khulna region of the country. They have about 30 members from Khulna region, which is southwestern part of the country.
- BFIOA-Bogra Region: Has started operation in 2003 and located at the Bogra region of the country. They have about 25 members from Bogra region located at northwestern part of the country but have the potential to have many more in future.
- BFIOA-Barishal Region: Has started operation in 2003 and located at the Barishal region of the country. They have about 20 members from Barishal region located at southwestern part of the country but have the potential to have more in future.
- BFIOA-Noakhali Region: Has started operation in 2003 and located at the Noakhali region of the country. They have about 12 members from Noakhali region, which is at south of the country but have the potential to have more in future.

NGO/Development Organization:

KATALYST is a multi-donor funded project, have implemented a project for the development of furniture sector for about 6 years but has limited its inputs recently.

Research/Consulting Firm:

Innovision is a consulting firm mainly active in facilitating development projects and have been involved in carrying out different studies for furniture sector being contracted by KATALYST. They have also facilitated a number of skills training programs for the sector.

BDS provider:

DTC (Centre for Design & Technology Ltd.) is the only visible service provider in the field of product design in the country, involved many years in rendering services to the furniture sector and organizing skills trainings. It was a result of GIZ (Development Organization) private sector promotion activities and running as a self-sustained not for profit service company.

4.3 The existing state of data and firms on the ground:

- In the recent studies undertaken by KATALYST (A multi donor funded Development Organization) and EPB (Export Promotion Bureau), the total number of SMEs in furniture sector is mentioned as over 70,000. There is no other data available in past studies on the issue. It is logically determined through collection of information from the cluster leaders that the total number may slightly increase in last two years. A slight increment therefore has been applied to the previous data. There are about 70,953 enterprises that fall under micro and small-scale character. These enterprises have 5 to 40 employees involved in production. The medium-scale enterprises have 150 to 600 employees working in the production. The medium-scale enterprises face high competition as their market base is mostly in and around Dhaka and Chittagong city where the demand of quality products is high and design trend changes frequently. The production cycle is more complex among these medium enterprises, the establishment and marketing cost is very high. Key information on the firms in different sizes is illustrated below:

Firm size classes	Micro & Small	Medium	Total
No. Of Enterprises	70,953	81	71,034
Local market share at sales price (Billion BDT)	42.20	24.45	66.65
Manpower involvement (Million)	1.77	0.03	1.8

- In the same study, the total turnover of the sector was mentioned as 112 Billion BDT, which is found exaggerated after having impressions of the sector leaders and representatives from clusters. Also the total number of the enterprises does not validate this figure. The access to the data of the turnover of Medium-scale enterprises wasn't very difficult as they are mostly based around Dhaka and only 81 in total numbers. Besides, their share on annual turnover is around 1/3rd.Through a brainstorm session in the BIO office, where owners of 50% of these enterprises were present, data was collected and then applying practical and thoughtful logics, total turnover of the medium enterprises were compiled. The cluster leaders have provided logical information based on their experience and thus the micro & small-scale enterprises average annual turnover have been compiled and the total figure was determined. Finally the total yearly sales turnover was determined was 66.65 Billion BDT.

- The data on total export in the last fiscal year was collected from the database of EPB (Export Promotion Bureau), who collects their data from authentic Government sources, therefore can be treated as authentic. Following is the data table collected from EPB on furniture export in the last fiscal year:

Export Promotion Bureau

HS Code 8 Digit Wise Export Report

Period: 2011-2012 (July-June)

Particulars with HS Code			Value US$
94031000: Metal Furniture Of A Kind Used In Offices			**16,686.47**
	IN: INDIA		16,686.47
94032000: Metal Furniture, Nes (Excl. Seats)			**849,449.22**
	BE: BELGIUM		3,822.65
	BL: SAINT BARTHÉLEMY		569,271.56
	IN: INDIA		2,224.13
	JP: JAPAN		23,910.28
	SA: SAUDI ARABIA		15,962.02
	US: UNITED STATES		230,511.49
	VN: VIET NAM		3,747.08
94033000: Wooden Furniture Of A Kind Used In Offices			**8,346.30**
	BE: BELGIUM		86.89
	IN: INDIA		8,259.41
94034000: Wooden Furniture Of A Kind Used In The			**14,069.19**
	IN: INDIA		14,069.19
94035000: Wooden Furniture Of A Kind Used In The Bed			**428,909.76**
	GB: UNITED KINGDOM		69.53
	IN: INDIA		428,191.78
	QA: QATAR		208.17
	SA: SAUDI ARABIA		283.72
	SG: SINGAPORE		156.56

94036000: Wooden Furniture, Nes			**2,836,278.19**
	AE: UNITED ARAB EMIRATES		2,669.85
	AR: ARGENTINA		379.27
	AT: AUSTRIA		1,600.94
	AU: AUSTRALIA		10,209.34
	BE: BELGIUM		49,442.82
	BL: SAINT BARTHÉLEMY		947.30
	BR: BRAZIL		23,891.75
	CA: CANADA		276,994.20
	CH: SWITZERLAND		2,368.25
	CN: CHINA		1,387,523.96
	CS: !!! Not Defined		1,896.33
	CY: CYPRUS		12,642.23
	DE: GERMANY		73,964.93
	DK: DENMARK		12,472.47
	EG: EGYPT		442.48
	ES: SPAIN		12,017.48
	FJ: FIJI		632.11
	FR: FRANCE		13,274.34
	GB: UNITED KINGDOM		30,213.22
	GH: GHANA		12,196.07
	GR: GREECE		632.11
	HK: HONG KONG		8,604.10
	ID: INDONESIA		20,637.90
	IN: INDIA		16,203.57
	IT: ITALY		20,276.37
	JO: JORDAN		3,310.05
	JP: JAPAN		189.63
	KE: KENYA		12,996.94
	KR: KOREA, REPUBLIC OF		9,218.63
	LK: SRI LANKA		18,583.65
	LR: LIBERIA		41,649.43
	MM: MYANMAR		1,881.64
	MN: MONGOLIA		632.11

	MU: MAURITIUS		2,528.45
	MW: MALAWI		1,448.09
	MX: MEXICO		632.11
	MY: MALAYSIA		6,857.95
	NG: NIGERIA		9,246.90
	NL: NETHERLANDS		31,547.64
	NO: NORWAY		189.63
	NZ: NEW ZEALAND		14,895.07
	OM: OMAN		915.34
	PE: PERU		101,886.18
	PH: PHILIPPINES		7,491.54
	PK: PAKISTAN		23,520.54
	PL: POLAND		15,597.35
	RU: RUSSIAN FEDERATION		13,587.09
	RW: RWANDA		6,238.94
	SA: SAUDI ARABIA		1,418.59
	SE: SWEDEN		2,085.97
	SG: SINGAPORE		1,694.06
	SL: SIERRA LEONE		379.27
	TH: THAILAND		9,150.92
	TR: TURKEY		5,561.83
	TW: TAIWAN, PROVINCE OF CHINA		1,881.64
	TZ: TANZANIA, UNITED REPUBLIC OF		11,858.09
	UG: UGANDA		5,199.12
	US: UNITED STATES		171,136.38
	VN: VIET NAM		1,795.20
	ZA: SOUTH AFRICA		306,938.85
94038100: Furniture of Other materials			**27,194.62**
	AU: AUSTRALIA		195.49
	BH: BAHRAIN		5,115.42
	HK: HONG KONG		21,178.09
	PH: PHILIPPINES		705.62
94039000: Parts of furniture, Nes.			**151,810.62**
	CN: CHINA		16,381.26

	IN: INDIA		1,896.33
	TH: THAILAND		44,755.59
	US: UNITED STATES		88,777.44
	GRAND TOTAL		**4,332,744.37**

- The growth rate of the sector has been considered as 19% per year, which has been referred in the recent studies.
- In the previous studies, it was mentioned that 1.7 million people is employed in this sector. Consulting with the cluster and sector leaders, it was determined that there were certain increase and logically the figure was raised to 1.8 million.
- The data on import duties of raw materials are collected from the recent tax guide published by the Government therefore, authentic.
- The sector and cluster leaders validated the data on the labour cost. Labour cost in furniture manufacturing is comparatively low than those of competitor countries exporting furniture. In all the other contemporary Asian furniture exporting nations (China, Vietnam, Thailand, Malaysia), the cost of labor is either equal to or more than USD 120 per month whereas in Bangladesh it ranges from USD 37-120 per month. The average salary structure in a furniture factory in Bangladesh is as below:

<table>
<tr><th rowspan="2">Firm Size</th><th colspan="5">Monthly Salary (BDT)</th></tr>
<tr><th>Leader</th><th>Sr. Operator/
Carpenter</th><th>Operator/
Carpenter</th><th>Assistant Operator/
Carpenter</th><th>Helper</th></tr>
<tr><td>Medium 1</td><td colspan="2">10000</td><td>6000</td><td>3000</td><td>3500</td></tr>
<tr><td>Medium 2</td><td colspan="2">6000-9000</td><td colspan="2">4000</td><td>2500</td></tr>
<tr><td>Small</td><td colspan="3">4000-8000</td><td>3000</td><td>2000</td></tr>
</table>

4.4 Issues relating to EU Guideline:

Issues related to the EU guideline do not have any adverse impact on the furniture sector. There no rules or regulations noticed, which may hinder the growth of the sector.

4.5 Proposed Action Plans from the Technical Study

Proposed Action Plan #1: Capacity building of main BIO in Business Development Services (BDS)

Background: The role and capacity of main BIO of the sector is extremely important for the growth of all other cluster BIOs. It is also important for the BIOs to be self-sustained financially through generating income from BDS (Business Development Services).

Objectives:
- To improve capacity of the central BIO in delivering income generating BDS (Business Development Services) to its members.

Key stakeholders group:
- BIO (Applicant): The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committees of BIO (Cluster BIOs) and their SME members.

Type of activities:
- Implement technical and training capacity building support to the main and central BIO related to the development of demand-led technical skills, marketing, management, accounting, environmental and safety compliance and process management training for cluster BIO members.

Specification of related outputs and results:
- Target group improves its technical skills on production, marketing, accounting, and overall management and in achieving environment and safety compliances significantly.

Description of linkages/relationships between activity clusters:
All cluster BIOs of the sector are constitutionally linked with the Applicant as well as the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs and they play active role in formulation of central BIO action plan and policies. However, the cluster/regional BIOs are the regional committees of the central BIO. Therefore building capacity of the central BIO is building capacities of all cluster BIOs

Timeframe: 18 months

Estimated cost: € 100,000

Proposed Action Plan #2: enhancement of BIO understanding on export market requirements

Background: The main BIO is lacking in and needed to develop active linkages with international organizations of similar kind and with the foreign trade bodies to foster the matchmaking process in case of technology transfer, joint venture and establishing of export deals. The main BIO is lacking with understanding on export markets and required quality standards, required to formulate export strategy.

Objectives:
- To improve linkages with international likewise BIOs, trade bodies etc.
- To enhance understanding of BIO on export market trend and quality standards required.

Key stakeholders group:
- BIO (Applicant): The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committees of BIOs (Cluster BIOs) and their SME members.

Type of activities:
- Visits of the central and main BIO policy makers to different relevant BIOs and trade bodies in leading furniture producing and importing countries.
- Visits of the main BIO policy makers to different leading international fairs.

Specification of related outputs and results:
- Main and central BIO establishes linkages with international relevant BIOs and trade bodies and plays an active role in the matchmaking for joint ventures, foreign investment, expedite technology transfer and stimulate export deals of local SMEs with foreign buyers.
- Main BIO can formulate export strategies by enhancing it's understandings on export market design trend, quality and other required standards in order to be successful in export business by furniture SMEs.

Description of linkages/relationships between activity clusters:
All cluster BIOs of the sector are the regional committees of the central BIO.

Timeframe: 12 months

Estimated cost: € 150,000

Proposed Action Plan #3: Capacity building of main BIO in advocacy and lobbying.

Background: To deal and negotiate with the relevant Governmental bodies on the issues like implementation of export friendly import duty structure on raw materials, improvement of infrastructural support, policy improvements in favor of better access to formal financing, introduction of bonded warehouse facilities for duty free raw material import on exporting commodity or cash incentives on export etc., central BIO does not have quality and skilled human resources in advocacy and lobbying and also the efficient technical tools like newsletter, roundtable discussion, media coverage initiatives etc.

Objectives:

- To improve advocacy and lobbying capacity and tools of the central BIO.
- To enhance advocacy and lobbying supportive activities.

Key stakeholders group:

- BIO (Bangladesh Furniture Industries Owner's Association): The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committee of BIOs (Cluster BIOs) and their SME members.
- BIO: The Association for the manufactures having high exports potentials.

Type of activities:

- Procurement of human resources and provide training to enhance advocacy and lobbying skills of main and central BIO.
- Develop/update newsletter and media coverage initiatives for main/central BIO.
- Arrangement of roundtable discussions among sector stakeholders and Government policy makers and the media coverage of such arrangements.

Specification of related outputs and results:

- Main and central BIO influence implementation of Government policies in favour of the export and overall growth of the sector.

Description of linkages/relationships between activity clusters:

All cluster BIOs of the sector are constitutionally linked with the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs, who are the regional committees of the central BIO.

Timeframe: 30 months

Estimated cost: € 40,000

Proposed Action Plan #4: Development of web based tools for export linkages

Background: The central BIO need to develop a web portal cum database where all its members' portfolio is listed, which will play an important role in future development of export linkages.

Objectives:
- To develop web based tools for enhance export linkage possibilities.

Key stakeholders group:
- BIO: The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committee of BIOs (Cluster BIOs) and their SME members.

Type of activities:
- Financial and technical assistance to main and central BIO in developing/updating web portal cum member's profile database.

Specification of related outputs and results:
- Enable SMEs to disseminate own information to the foreign buyers.

Description of linkages/relationships between activity clusters:

All cluster BIOs of the sector are constitutionally linked with the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs, who are the regional committees of the central BIO.

Timeframe: 30 months

Estimated cost: € 20,000

Proposed Action Plan #5: Establishment of a Furniture Institute cum Training Center for SMEs technical skills development and run demand-led training programs on technical skills and compliance issues.

Background:

The biggest hindrance of the growth of the sector is scarcity of properly trained workforce in furniture manufacturing as there is no efficient training institute in operation. Besides, the furniture SMEs are not compliant in terms of environmental and working condition issues required to get acceptance in sensitive export markets. There is also no awareness as well as application on standards and certification issues towards achieving compliances with international standard.

Objectives:

- To facilitate and ensure supply of trained workforce to the manufacturers.
- To facilitate and ensure supply of trained production management personnel's specific for the sector.
- To create awareness on necessary technologies required enhancing quality and productivity and facilitate their applications.

Key stakeholders group:

- BIO: The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committee of BIO (Cluster BIOs) and their SME members.

Type of activities:

- Establishment of a self-sustained & well-equipped Furniture Institute cum training centre.
- Training of trainers.
- Curriculum development.

Specification of related outputs and results:

- Target group get access to trained workforce in furniture manufacturing and production management and get trained workforce.
- Target group is aware on the modern technologies of furniture manufacturing and start using them and their productivity and quality is enhanced.
- Target group is aware on the environment and working condition compliance issues, standards and certification issues and get assistance to apply them and gain acceptance in the export market.

Description of linkages/relationships between activity clusters:

All cluster BIOs of the sector are constitutionally linked with the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs, who are the regional committees of the central BIO.

BIOs will provide the land and shaded ready space required for the proposed training centre and it will be a separate self-sustained non-profit service company entity, managed by a board composed with the representatives from all cluster BIOs.

Timeframe: 8 months

Estimated cost: € 700,000

Proposed Action Plan #6: Establishment of a timber seasoning self-sustained service centre for SMEs

Background:
Properly seasoned timber/wood is not available for furniture manufacturers and there is no existence of service provider for seasoning, which resulted in poor quality assurance and will surely hinder the possibility of export business enhancement.

Objectives:

- To provide facility for wood treatment prior using in furniture manufacturing and thus meet the core material standard demanded by the export market.

Key stakeholders group:

- BIO: The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committee of BIO (Cluster BIOs) and their SME members.

Type of activities:

- Set up of a wood processing (seasoning) service plant within the established training centre.

Specification of related outputs and results:

- Target group gets access to the wood processing facilities and use processed wood in production, achieve quality and fulfil export requirements on material quality.

Description of linkages/relationships between activity clusters:

All cluster BIOs of the sector are constitutionally linked with the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs, who are the regional committees of the central BIO.

BIO will provide the land and shaded ready space required for the proposed wood processing plat and it will operate as a service wing of the Furniture Institute.

Timeframe: 8 months

Estimated cost: € 100,000

Proposed Action Plan #7: Facilitate furniture designers creation process and assistance to SMEs to develop new exportable furniture line, branding cum PR materials and local and export marketing

Due to the absence of product design education and lack in capacity of design service providers in the country, SMEs are not able to develop products for international market. There are also no visible effective export marketing initiatives in the sector. The world furniture buyers even don't recognize Bangladesh as a possible source for their needs. There is an international trade fair for furniture sector organized recently by BIOs but have produced no result due to the lack of adequate and efficient promotional activities of the fair internationally.

Most of the enterprises are hugely lacking with branding, effective PR materials and marketing activities requires creating customers attention.

Furniture SMEs cannot afford participating in the largest month long trade fair of the country DITF (Dhaka International Trade Fair), takes place once in a year, where an estimated number of 4 million people visit. This is a very good platform to promote products and brands in local market.

Objectives:

- To have supply of furniture designers dedicated to work for furniture SMEs by strengthening and enhancing the technical, managerial skills and RND facility of a relevant design training centre.
- To provide technical and financial support to furniture SMEs in exportable product development.
- To provide technical and financial support to furniture SMEs in export marketing.
- To promote Bangladesh Furniture & Interior Décor Expo among international buyers.
- To provide technical and financial supports in branding and effective PR materials development to the SMEs.
- To provide technical and financial support to furniture SMEs in local marketing.

Key stakeholders group:

- BIO: The central and main Association of Furniture sector having 1,300 members countrywide.
- All the Regional Committee of BIOs (Cluster BIOs) and their SME members.
- BIO: BIO is an associate Association of medium-scale manufacturers having high export potentials.
- DTC (Centre for Design and Technology): a result of GIZ (Development Organization) intervention and currently a non-profit training service provider in the field of product design and product development.

Type of activities:

- Technical and financial support to a relevant design centre towards building capacity in providing training to create furniture designers and offer RND support to furniture SMEs and support in organizing a good number of training programs in furniture designing.
- Technical support to furniture SMEs in developing exportable furniture.
- Financial and technical support to participate in three leading international furniture fairs in buyer's countries with the developed products.
- Technical and financial support to develop PR materials and brand identity of a good number of furniture SMEs developing products for export market under INSPIRED project activity.
- Technical and financial Support to at least 50 SMEs to participate in the month-long leading trade event, DITF takes place in Dhaka, Bangladesh for two consecutive years.
- Technical and financial support to promote Bangladesh Furniture & Interior Décor Expo among international buyers.

Specification of related outputs and results:

- A design training and RND centre specific for furniture sector is operating self-sustainably and a good number of furniture designers are available to the furniture SMEs.
- A good number of SMEs achieve export readiness and developed products fulfilling export requirements.
- International buyers are aware about Bangladesh as possible furniture manufacturing source, can see their products in international trade fairs and considerable number of linkages established among producers and buyers.
- A good number of SMEs have their efficient PR tools ready to use for marketing.
- A good number of SMEs get access to the local clients and increase income through generating more businesses by participating in the leading trade event of the country.
- Bangladesh Furniture & Interior Décor Expo takes place every year and foreign buyers visits the Expo in increasing numbers every year.

Description of linkages/relationships between activity clusters:

All cluster BIOs of the sector are constitutionally linked with the central and main BIO. The central BIO's Executive Committee is formed with representations from all cluster BIOs, who are the regional committees of the central BIO.

BIO will provide the land and shaded ready space required for the proposed wood processing plat and it will operate as a service wing of the Furniture Institute.

DTC (Centre for Design & Technology Ltd. Ltd.) a result of GIZ (Development Organization) intervention and currently a non-profit training service provider in the field of product design and product development.

Timeframe: 30 months

Estimated cost: € 100,000

5. Key Recommendations

- Building capacity of the central BIO of the sector in different aspects would eventually be the capacity building of the cluster BIOs, as they are actually regional committees of the central BIO involved in implementing the action plans of central BIO. Besides, the cluster BIOs play the active role in formulating the action plan as they are a part of the Executive Committee of the prime BIO. It is highly recommended to provide support to the central BIO instead of individual supports to cluster BIOs, as they are severely lacking with infrastructural, financial, managerial and intellectual capacity required planning and executing the project activities independently. It is impossible to make them capable in all these aspects within the limited project phase. However, the capacity of the cluster BIOs would anyhow be improved, as they will be involved in all process of the project planning and implementation.
- The biggest hindrance of the growth of the sector is scarcity of properly trained workforce in furniture manufacturing, as there is no efficient training service provider or training centre in operation. Establishing a proper well equipped and self-sustained furniture institute cum training centre will not only solve the problem of scarcity of trained labour, but also will stimulate and enhance the use of proper technology as well as the good and efficient practices in the production units, enhance the understanding on quality parameters, environment and safety compliance issues and so forth. If the planned furniture institute can be established and can run self-sustainably, this would be surely the turning point of the furniture sector of Bangladesh. However, the utmost importance should be given in self-sustainability of the centre through developing a realistic business plan while designing the project, otherwise it may become non functional. For the viability sake, the institute can be given scope to run as a profitable furniture manufacturer, offering job works for the small manufacturers.
- For Action 2 of Lot 1(b), the applicant should process the realistic plan of establishing the training centre within not more than 8 months from the project starting date. Otherwise outcome and impact during the final evaluation may not be available.
- It would be highly recommended to plan for a separate cell to deal the standard and certification issues within the furniture institute cum training centre.

Appendix A:

Technical Report on the Value chain Analysis for the Furniture Sector

Furniture is one of the most rapidly growing sectors of Bangladesh constituting approximately 70,000 enterprises all over the country. The annual growth in terms of turnover is around 19% per annum. This industry is currently employing about 1.80 million people directly.

The total local sales volume estimated in the last fiscal year (2011-1012) was 273 Million USD (66.65 Billion BDT) whereas the export earning of the furniture sector during 2011-12 (July-June) was USD 4.30 million and contribution to GDP was 0.40% during the same period. It has not been long since Bangladesh started exploring the export market, but within a very short span of time local manufacturers have started exporting to the USA, Japan, European countries, various provinces in India and other South East Asian countries. In the export market, the average export growth of the furniture industry has been slightly above 20% annually.

Different category/segment of furniture in Bangladesh context:

Based on material used to produce furniture by the SMEs in Bangladesh can be categorized as below:

Solid wood furniture: Majority of the Micro and Small-scale furniture manufacturers use solid wood to produce furniture for home usage. Due to the absence of timber seasoning facilities, they have to rely on traditional sun drying methods. Majority of the wood is imported from Myanmar, Ghana, Ivory Coast, Malaysia, USA, Canada and from few European countries. The import duty on wood is 10.72%.

Processed wood furniture: Medium-scale manufacturers who have access to better lacquer/coating facilities, uses processed wood such as Medium density fibre board (MDF), plywood, melamine laminated board, veneered particleboard etc. Furthermore, to manufacture office furniture (tables, cabinets etc.), processed wood is mostly used. Except particleboard and melamine laminated board, all other processed wood is imported from different sources like, China, Malaysia and India. The import duty on processed wood is 92.30%.

Metal furniture: The market size of metal furniture is also significant where imported steel pipes are mostly used. Besides, metal is significantly used in producing chairs for office use.

Cane & Rattan furniture: Cane and rattan furniture is also holding a small market share where cane is obtained from both the local sources and imported sources (Myanmar and Indonesia).

Based on the types/usage of furniture the following categories can be drawn:

Home furniture: Home furniture produced by the SMEs in Bangladesh can be defined in following segments:

Bed: Bed as a single item holds the majority of the market share among all home furniture. Solid wood is the main raw material used to produce bed frames. Among other alternative materials, processed wood, metal and cane are also used.

Sofa: The major raw materials used to produce sofas are solid wood (sometimes processed wood, cane or metal), upholstery fabrics and sponge-foams.

Cabinet: There are different types of cabinets used in a home scenario like, kitchen cabinet, show cabinet, dinner cabinet, cabinet for clothes, storage cabinet etc. The major raw materials used to produce cabinets are processed wood (sometimes solid wood), glass etc.

Table: In a home scenario, there are different types of tables like, dining tables, side tables, centre tables, study tables, dressing tables etc. The major raw materials used in table production are solid wood (sometimes processed wood), glass, mirrors, metal pipes etc.

Chair: Chairs used in home scenario are mostly to use along with the dining table and study table. The major raw materials used to produce chairs are solid wood (sometimes processed wood and metal pipes), padding materials (sponge-foams etc.), upholstery fabrics etc.

Accessories: There are hundreds of furniture accessories used in home scenario like stools, hangers, wall shelves, shoe racks, mirror frames, bowls, showpieces etc. Solid and processed wood, metal pipes, mirrors, glasses etc. are the main raw materials for production of such items.

Office furniture: Office furniture produced in Bangladesh by SMEs can be outlined as follows:

Tables: Office tables can be defined as different types like executive tables, working tables, work stations, conference tables, Computer tables etc. which are mostly produced using processed wood (sometimes solid wood), glass, locks etc.

Chairs: Office chairs are mostly made out of metal pipes (sometimes solid and processed wood), padding materials (sponge-foams etc.), plastic, upholstery fabric (sometimes PU), mechanical adjusting device, etc. among which a large portion of solid and processed wood, metal pipes, plastic shells, mechanical adjusting devices and upholstery fabrics or PU are imported. Plastic shells for chair with mechanical devices are imported by the traders from China, Taiwan, and India etc. and sold to furniture manufacturers by retailer's shops.

Shelves and cabinets: Shelves and cabinets used in office space are produced out of processed wood (rarely solid wood and metal pipes), glass etc.

Waiting lounge Sofas: Office sofas are made out of processed wood (sometimes solid wood and metal pipes), upholstery fabric or PU etc.

Hotel and restaurant furniture: Furniture for Hotel and restaurants can be again outlined as the ones used in home scenario and dining tables and chairs. The materials use to produce these is identical to those mentioned under home furniture.

Hospital furniture: Hospital furniture manufactured by the SMEs of Bangladesh can be named as hospital beds and trolleys, which requires mostly imported metal pipes to get manufactured.

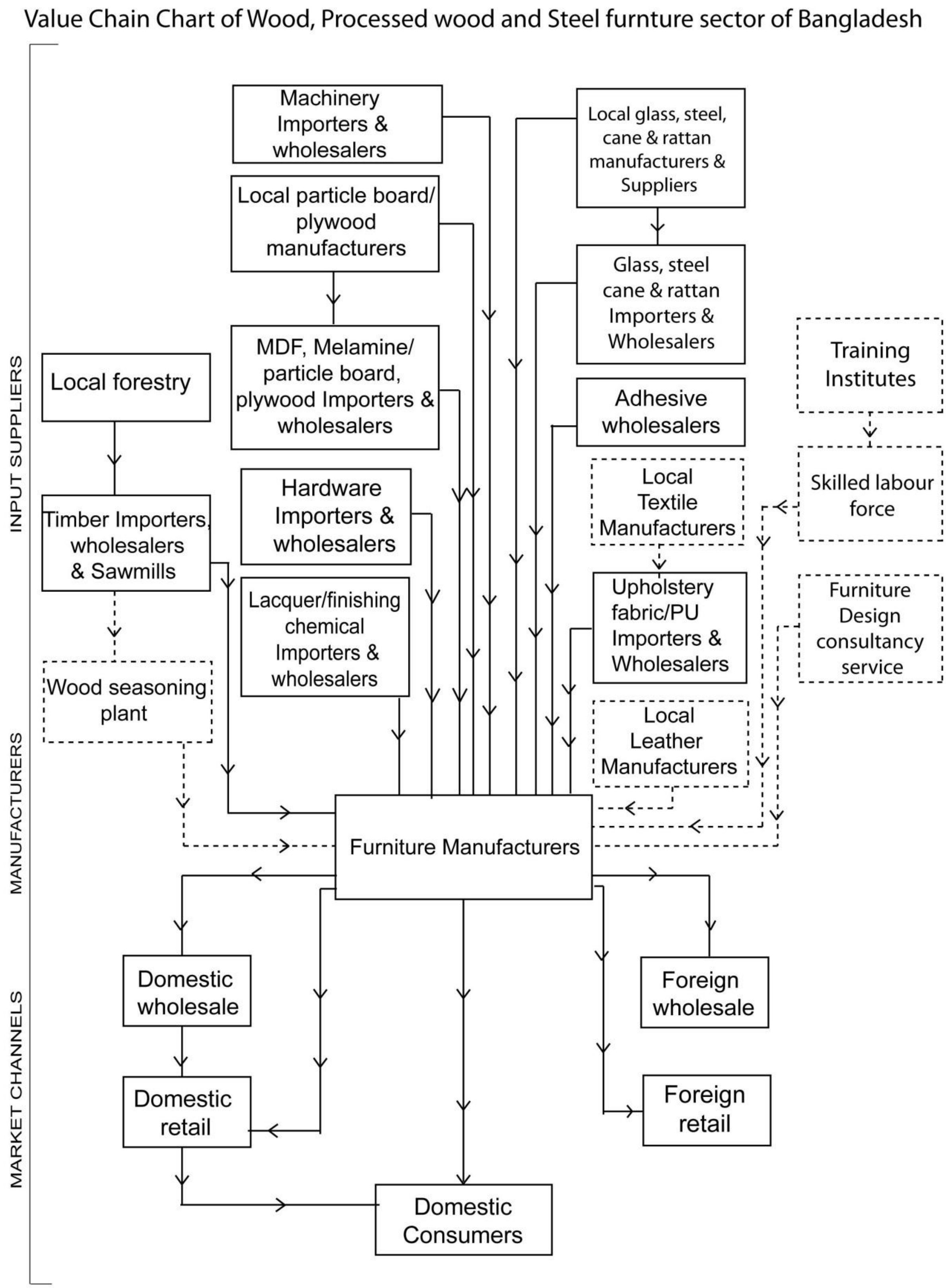
School furniture: School furniture is limited to student benches and desk and chairs, production of which involves solid wood and metal pipes.

Factory furniture: In Bangladesh scenario, majority of factory furniture consists of working tables, trolleys and adjustable high stools. The tops of the tables are produced out of processed wood while the framing of trolleys and tables are done using metal bars or pipes. High stools are made out of metal and padding for seats and upholstery PU materials.

Outdoor furniture: Outdoor furniture is holding a very nominal market share in the local context and they are made out of metal mostly.

Children furniture: Children furniture used in home scenario are also very identical to those listed under home furniture segment.

Ship furniture: Recently the ship building industry has been growing in Bangladesh which will also require huge supply of furniture and this can be in the formed of deemed export. With the present momentum, entrepreneurs believe that Bangladesh could easily export USD 4.00 billion worth of ships, which is 1% of present global demand of almost USD 400 billion, by 2014. In an average ship usually 0.15-0.20% of the cost goes in to furniture and therefore we are looking at an existing market of over USD 25 million and a potential deemed export market of around USD 80 million annually by 2014. So, this could be another potential area of export market expansion for Bangladesh, which has not been tapped yet by the local manufacturers.



Input Suppliers

Timber: Timber used in the furniture sector is mostly obtained from local forestry and import sources. Usage of timber from local forestry is assumed as less than 20% of the total usage. The percentage of usage of imported timber is growing every year as the availability of timbers locally is getting reduced due to lack of reforestation process. Moreover, the import duty on timber is just 10.72%, which makes the imported timber more accepted in the market.

The timbers are mostly imported or procured from local forestry through large timber trading companies cum sawmills. The import sources are Myanmar, Ghana, Ivory cost, Malaysia, USA, Canada and few European countries. Timbers are imported in both, log and sized formats. The logs are sawed in the sawmills and offered to the furniture manufacturers for buying. In most cases there is no proper seasoning process undertaken before it is used in the furniture.

In very few cases, the medium-scale furniture manufacturers import timbers directly for own use.

Wood seasoning: None of the sawmills are having a proper seasoning plant but relying on traditional sun drying methods for seasoning. There is also no service provider for this. In very few cases, the medium-scale manufacturers are having own seasoning plant built within the factory.

Hardware: Furniture Industries require a good amount of metal hardware like hinges, locks, joinery screws, wheels, hooks, handles etc. Majority portion of the hardware is imported from China and India through the hardware traders. The small shops procure these from the importers and sells in the local market from where the furniture manufacturers buy for own use. The big and medium manufacturers procure it directly from the importers. A small number of hardware used by the micro and small-scale enterprise namely hinges, handles and screws are however produced by the local hardware manufacturers. The import duties on screw, hinges etc. & locks are 55.86% & 86.44% respectively.

Processed wood: Use of processed wood, such as Medium Density Board (MDF), Melamine laminated particleboard, veneered particleboard, chipboard and plywood is significantly increasing in furniture manufacturing locally. There are few local manufacturers of particleboard, plywood and melamine laminated board but MDF supply is mostly dependent on the import sources like China, Malaysia and India. Import duty on these items is 92.30%.

Adhesive: Adhesive used in the furniture is mostly supplied from import sources. Importers procure it mostly from India, China and Egypt and sells locally through retailers. The import duty on Adhesive is 55.86%.

Lacquer/coating chemicals: Surface finishing is a very important issue for the furniture. Finishing chemicals are purely imported and the sources are Italy, India, Malaysia and China. The import duties on relevant chemicals are ranging from 26.46 to 34.70%. Lacquering is a newer technology in the context of Bangladesh and it requires mechanized machineries to achieve optimum result. Mostly the medium-scale manufacturers availing this but most micro and small-scale manufacturers are still applying the traditional hand polishing technique. Few finishing types like oil-finished surface, hasn't yet been introduced in Bangladesh while such finishes are quite popular in European countries. However, the overall sector is lacking with proper knowledge on different finishes and the techniques to apply them.

Glass, Steel, and Cane & Rattan: Glass and mirrors are used in both, home and office furniture in good numbers, which are mostly supplied from the local glass manufacturing enterprises through retailers.

Steel pipes used in office furniture are purely imported from China and India. Few are from local manufacturers who obtain raw materials from ship breaking industry.
Cane & Rattan for furniture manufacturing is imported from Indonesia and Myanmar while a very small quantity is supplied from the local forestry.

Machineries & tools: In a furniture factory a good number of machines are required like Planner, Molder, Panel & Band Saw, Mortiser, Sander, Borer, Router, Grinder, Lathe, Edge bender etc., which are imported from China and Taiwan by the large importers and sold directly or through retailers to the furniture manufacturers. A good number of hand tools and spare parts are also imported from the same sources namely, Hand saw, Chisels, Files, Planes, Cutter and drills, Sharpening tools etc. The duty on the capital machineries is within 5% but due to the monopoly of importers, the manufacturers have to pay often the high prices. It is estimated that about 7 million US Dollars worth furniture machineries is imported per year in Bangladesh. Almost all micro and small-scale manufacturers cannot afford machines needed to accelerate production as well as to enhance the product quality. Most micro and small-scale manufacturers don't even know about such technologies.

Upholstery fabric: Upholstery fabric is used for living room and dining room furniture, more specifically for sofa and in dining chairs. Upholstery fabric supply is largely dependent on import sources. Large importers import upholstery fabrics from China, India and Indonesia and sells to the furniture manufacturers through retailers. Even though the textile industry is quite strong in Bangladesh, due to the limited market size of upholstery heavy-duty fabrics and domination of imported upholstery fabrics in the local market, the local textile industries don't produce upholstery fabric yet.

Upholstery leather: No furniture uses upholstery leather in furniture due to high cost and not having visible demand in local market. There is a certain demand of leather-upholstered furniture in export market and Bangladesh has advantage as the local leather industry is quite big and the quality of leather is accepted worldwide.

Design Consultancy Service: There is no product design education offered by the educational institutes in Bangladesh hence there is no qualified furniture design services available for the manufacturers.

Skilled Labor Force: The major problem for the furniture manufacturers is they don't get skilled manpower trained in different aspects of furniture manufacturing as there is no efficient training institute in operation in the country to train manpower for the furniture sector. Most of the people working in the sector have been trained on job. Lack of properly trained manpower is hugely affecting the productivity and the quality of the overall sector.

Manufacturers:

Furniture manufacturers are spread across different regions of Bangladesh, but there are certain clusters with sizeable number of manufacturers, which can be considered as industrial clusters. Main concentration of furniture manufacturing is mostly in the city centres of different urban, semi urban and peri urban areas. Some of the areas with a sizeable number of furniture companies are: Dhaka, Chittagong, Sylhet, Comilla, Tangail, Gazipur, Narayanganj, Jessore, Faridpur and Bogra. But, Dhaka and Chittagong has the biggest concentration of industrial manufacturing in the whole country.

Except 3 or 4 manufacturers, all other furniture manufacturers of the country actually fall within SME definition of the Ministry of Industries. Although not all clusters are equally efficient, these are usually self-sufficient in terms of having their supporting actors in close proximity. Currently most of the clusters are comprised of small to medium manufacturers, the larger companies are gradually moving out of the clusters due to space limitation and independent production planning.

Furniture sector constitutes approximately 70,000 enterprises all over the country. The annual growth in terms of turnover is around 19% per annum. This industry is currently employing about 1.80 million people directly. Key information on the firms in different sizes is illustrated below:

Firm size classes	Micro & Small	Medium	Total
No. Of Enterprises	70,953	81	71,034
Local market share at sales price (Billion BDT)	42.20	24.45	66.65
Manpower involvement (Million)	1.77	0.03	1.8

Market Channels:

Domestic Wholesale: Domestic wholesalers in local market are tagged with medium scale manufacturers and they supply to institutional clients (Government and private offices) based on specific work order earned through organizational bidding process. In many cases, the wholesalers are the medium scale manufacturers. Micro and Small-scale manufacturers hardly can supply to these Wholesalers.

Domestic Retail: In the case of Micro and small-scale manufacturers, they mostly depend on Domestic retail chain where there are thousands of retail shops (some are owned by the manufacturers themselves and some are by the retail shop owners) located in all major cities. Nevertheless the most retail shops are located in Dhaka and Chittagong Metropolitan cities and they cater the majority of the total market share. Among retailers in major cities, a god number who are noticeably big in size are franchise owners of medium-scale manufacturers having brand identity. The rest acquire their merchandise from different small-scale manufacturers and sell under own brand/shop name. In the suburb and villages, the most retailers cum manufacturers are micro and small in sizes and having their shops/showrooms together with their furniture making workshops where they take orders on customized designs besides offering their displayed furniture lines. They produce mostly the traditional and classic designs applying hand techniques both in manufacturing and finishing.

Furniture Retailers in Dhaka and Chittagong cities are placed in specific zones. In Dhaka city, the major zones for furniture retailers can be named as, Mirpur zone, Gulshan and Badda zone, Sutrapur zone etc. In Chittagong city the major zones for retailers are located at Agrabad, Boddarhath etc.

In recent years it has been noticed that a good number of large sized retailers are rising who sell under own brand names but do not have the production facilities of their own. They get their merchandize manufactured from different small-scale manufacturers and sells through their shops.

A good number of medium-scale manufacturers have established own retail stores and sells under own brand names. Often their production units are unable to supply according to the demand hence they also have to use other small-scale manufacturers production facilities to produce and acquire.

Foreign Wholesale: Furniture export is still in primary stage in the context of Bangladesh. The export documented by the Export Promotion Bureau of Bangladesh in the last fiscal year (2011-2012) was 4.3 Million USD, which is just 0.6 % of total estimated yearly furniture sales (819 Million USD) of the country. However, the major share of furniture export is hold by very small number of medium-scale enterprises. In very few cases they export them to the foreign wholesale companies (USA, China & South Africa) who buy based, warehouse and sell through the retailers.

Foreign Retail: The majority portion of the total furniture export has been to foreign retailers. The volume of each shipment event is therefore very insignificant. The furniture was exported to different parts of the world, to USA, EU countries, Africa, Far eastern countries and Middle Eastern countries but none was in significant quantities/volumes.

Comments on VCA: There was no Value Chain Analysis available for the sector hence the task of the Analysis was done fresh based on available studies on the sector and extensive field visits, discussions with the sector stakeholders, the BIO leaders etc.

It was found that majority of the raw materials used in the sector are import based and the import duties are quite high on processed wood (92.30%), which is becoming the main raw material to produce furniture in the world furniture Industry. The duty on Solid wood is 10.72%, which is low but due to the cost and environmental reasons, use of solid wood in furniture is getting reduced in all over the world in recent years and processed wood is taking place of solid wood gradually. Therefore, the high import duties on major raw materials may hinder to achieve competitiveness in export market.

It was seen that the most timbers used in furniture manufacturing are not seasoned through mechanized process due to absence of seasoning facilities. Only very few medium scale manufacturers are having own seasoning plant built within their factories.

Use of naturally dried wood in the furniture causes certain quality problems. Access to properly treated wood is a prerequisite to achieve exportability.

It is also found that almost all micro and small-scale manufacturers can't afford buying the machineries required to accelerate the productivity as well as to enhance product quality. Besides they are not aware of such technologies.

Finishing is a very important quality parameter for furniture. It is seen that almost all micro and small-scale manufacturers are not aware or don't have the access to the modern techniques of surface finishing of wooden or wood like furniture. It is also seen that few finishing types or the techniques haven't been introduced in Bangladesh yet.

Another finding in VCA was that there is no formal education offered by the local educational institutes on product design hence there are no professional and qualified designers available who can offer design and product development services to the manufacturers. Therefore the manufacturers only practice trial and error methods and driven highly by the attitude of copying products.

SWOT ANALYSIS:

STRENGTHS:

1. Labor cost in furniture manufacturing is comparatively low than those of competitor countries exporting furniture. In all the other contemporary Asian furniture exporting nations (China, Vietnam, Thailand, Malaysia), the cost of labor is either equal to or more than USD 120 per month whereas in Bangladesh it ranges from USD 37-120 per month. This gives exporters an opportunity to produce at lower cost. Low labor cost will keep the product cost low specially the ones, which are produced through labor-intensive process. It is assumed that Bangladeshi hand carved furniture has more potential in export market than other furniture and such products require high labor hour involvement. The average salary structure in a furniture factory in Bangladesh is as below:

<table>
<tr><th rowspan="2">Firm Size</th><th colspan="5">Monthly Salary (BDT)</th></tr>
<tr><th>Leader</th><th>Sr. Operator/
Carpenter</th><th>Operator/
Carpenter</th><th>Assistant Operator/
Carpenter</th><th>Helper</th></tr>
<tr><td>Medium 1</td><td colspan="2">10000</td><td>6000</td><td>3000</td><td>3500</td></tr>
<tr><td>Medium 2</td><td colspan="2">6000-9000</td><td colspan="2">4000</td><td>2500</td></tr>
<tr><td>Small</td><td colspan="3">4000-8000</td><td>3000</td><td>2000</td></tr>
</table>

2. Bangladesh has a long-standing tradition of woodcarving; so skilled carving designers are easily available all over the country. But in most other countries, this skill is very scarce so producing this type of furniture is very expensive due to the high labor cost. So, Bangladesh has the opportunity to offer hand carved furniture at a much lower price compared to other countries. In the markets like USA, UK, Middle East hand carved furniture has high demand. Therefore, if the quality and price can be matched, Bangladeshi SMEs can boost the earnings through tapping the export markets.
3. Bangladesh has at present estimated 66.65 Billion BDT worth of domestic market with a growth rate of 19% yearly. This does not shows only the large volume export potentials for future but also contributes to the economy by saving lot of foreign currencies as an import substitute.
4. Workers are easy to train. Even uneducated or little educated workers can produce high quality products given necessary environment, facilities and incentives.
5. Textile as a backward linkage industry of Ready Made Garments (RMG) sector is quite strong in Bangladesh. Even though the present scenario is Upholstery heavy-duty fabric used by local furniture manufacturers are from imported sources, as the local textile industries do not produce such fabric currently, but they are capable of and with the increase of demand there is a high possibility that the textile industries will soon be into this business.
6. Upholstery leather is used in high value added furniture in world market and Bangladeshi leather industry is quite strong and regularly exporting to the world market. Even though at present due to lack of demand, the industries do not produce upholstery leather but they are capable of and with the possible increasing demand in future it can be assumed that they would be into this business.
7. Bangladesh has a huge pool of unemployed and underemployed workforce so when needed, furniture industry can easily avail the required workforce.
8. In Bangladesh, the range of furniture is widely varied both in terms of materials and design. There is furniture from wood, bamboo, rattan, cane, metal and also combination of these materials. Also in terms of design, there are Transitional, Amish, Contemporary, Traditional, Eclectic, Art Deco and Colonial varieties. Due to this variety, Bangladesh can cater to different buyer segment in a particular country and also reduces risk of sole dependency on a single type of product.
9. In spite of various economic and political turbulences Bangladeshi entrepreneurs have had huge success due to their persevering entrepreneurial skill and this is a notable strength in growth potential and pursuing export market.

10. Compared to most other competing Asian economies, Bangladeshi people are known to be better in communicating and understanding English. This is definitely an added benefit in terms of ease of doing business.

WEAKNESSES:

1. Majority of the raw materials used in furniture manufacturing are imported like timber, processed wood, hardware, upholstery fabric, fixtures, finishing chemicals etc. and the import duty other than the timber is quite high (10.72 – 92.30%). It is expected that with the acknowledgement of furniture sector as export thrust sector, Government would restructure its import duty policy; otherwise there is a high scope that manufacturers would find their prices not very competitive in export market despite of enjoying the Global Export Facilities as LDC.
2. Bangladeshi furniture factories are facing problem of layout and material flow, which affect productivity, lead-time and overall quality. Due to lack of well-integrated production process furniture industry of Bangladesh is not capable of achieving maximum production efficiency.
3. Timber is a natural product and requires processing (often called as seasoning) before it can be used to produce furniture. If the moisture and starch contents of the timber is not limited to the acceptable level through seasoning process, there would be insect attacks on the furniture and would cause contraction or expansion within the furniture as a reaction of weather change. Surface finishing quality would be poor if it is not seasoned properly. Therefore, proper seasoning of timber would be a prerequisite of export for such commodities. There is no independent seasoning plant provide such seasoning services to the furniture producers and the sawmills or timber wholesalers also don’t carry out the process before selling woods.
4. Professional and qualified designers’ inputs are also very demanded for furniture industries worldwide not only to have new designs in the line but also for production process management up gradation. Bangladeshi manufacturers are heavily lacking with the efficient joinery systems and the knowledge of ergonomics, which is the involvement of utilizing proper posture and equipment for people who must usually sit, lie or perform daily tasks for a longer period of time. Such knowledge or practices in production process are usually performed or delivered by the qualified designers trained on product design. Due to the absence of product design education in the country, they are simply not available for the producers. There is existence of one product design centre called DTC (Centre for Design and Technology) established by GIZ (Development Organization) in 2004 but due to the change of concentration related to intervention, GIZ has stopped supporting it but the centre is still running as self-sustaining nonprofit company. Despite having the understanding on the design

training technical issues, linkages with design universities in EU countries and a good number of expensive equipment required to run a design centre, the center at present is unable to offer design support and training programs to create furniture designers due to human resource, technical and equipment lacking.

5. In Bangladesh capital cost is very high compared to other competitors, which become the cause of high production cost.
6. Customer service quality, be it in the factory end or retail end, is generally very low which hinders the growth in repeat sales. It is equally important in local and export market to accommodate logical and efficient after sales service policy with the trained group of people for implementation if a company want to be successful.
7. Marketing skill is generally low of Bangladeshi companies especially for export market. Furniture is no exception. To be successful in export market, qualified and efficient marketing force would be prerequisite.

   Accounting and management skills are also very low within micro and small-scale furniture manufacturers as the most are not educated at all. This is also a very significant weakness of the sector, which requires be identifying and solving through training programs.
8. Quality issues would be the main hindrance of enhancing export performance for the overall sector. The whole sector is severely lacking with quality assurance issue. The problem lies in skills of workers, production process management, and awareness on quality parameters, technology and so forth. Without solving these, regular export would be almost impossible.
9. Environment and safety related compliance issues are affecting even the growth of export-successful sectors of Bangladesh. The recent RMG safety related occurrences have brought this burning issue again on the limelight. However, the issues should be identified properly giving utmost priority related to the furniture sector and addressed. In certain markets the furniture won’t be able to penetrate without fulfilling environment related pre conditions like, use of FSC certified wood/material, use of azo dye free finishing chemicals, use of formaldehyde free adhesive compound and so on. Considering the furniture sector, a lot needed to be done to become compliant in different aspect.
10. All the furniture producers of Bangladesh produce very wide range of products in their production facilities, which is a big hindrance in achieving high productivity and optimum quality. World furniture market is a very competitive place and without achieving high productivity and quality, it would be extremely difficult to become successful for Bangladeshi furniture producers.
11. Most furniture manufacturers especially those fall under micro and small-scale practices traditional methods of furniture manufacturing, as they are not aware of

the modern methods, which is not only affecting the quality of the end product but also affecting the productivity.

12. Surface finishing is an important quality aspect in furniture market. Apart from the medium-scale manufacturers all others are using traditional hand polish technique, which is affecting greatly the outcome. The proper knowledge on modern finishing methods is simply absent in case of micro and small-scale manufacturers are concerned.
13. Micro and small-scale manufacturers do not at all have the access to the formal sources of finance. Even in many cases the medium-scale manufacturers also find difficulties to get access to the finance. This is a big hindrance of the development of whole sector as in this transition phase when the micro and small-scale manufacturers need to upgrade production process by acquiring minimum technologies; they can’t due to the difficulties in availing the access to finance.
14. The biggest weakness of the sector is there is no supply of properly trained manpower in furniture manufacturing, as there is no efficient training service provider or training center. There are of course few training service providers existing as per the studies and papers, but the fact is none have the effective resources to train people for the overall sector. In most of the cases, the people are trained on job, which often affect into the quality and the cost of training turns into a big expenditure for the manufacturers.
15. There is a certain lack in awareness on technology and high volume production machineries generally used in the efficient factories worldwide within Bangladeshi micro and small-scale producers namely Planner machine, Molder machine, Panel & Band Saw machine, Mortiser, Sanding machine, Boring machine, Router, Grinding machine, Lathe, Edge bending machine etc. This is often because of lack of capital and lack in awareness in available technology. This has adverse impact on quality as well as the productivity.
16. BFIOA (Bangladesh Furniture Industries Owners’ Association), the prime association for all the manufacturers of the country has limited capacity in terms of export promotion, coordination and management and technical skills development.
17. There are no visible effective export marketing initiatives in the sector. No planned participation has been noticed in the leading International trade fairs, except few supported by EPB (Export Promotion Bureau) but not regularly. The world furniture buyers even don’t recognize Bangladesh as a possible source for their needs. With the initiative of Bangladesh Furniture Exporters’ Association and Export Promotion Bureau, an event named Bangladesh Furniture & Interior Décor Expo has been organized in 2012 where naturally no turn out of foreign

buyers was noticed as the project was lacking with financial capacity to spend for the promotional activities internationally required to promote such event.

18. Most of the enterprises are lacking with branding and marketing activities as well as tools like PR materials and website requires creating customers attention. A month long event namely Dhaka International Trade Fairs (DITF) is organized every year in the center of the major market, Dhaka city by Export Promotion Bureau, which attracts nearly 4 million local visitors is likely to be the most important event to promote product in the national market, where no presentation is seen from the micro and small-scale manufacturers due to the financial constraints in paying participation fees.
19. Four cluster/regional BIOs (Regional Committees of BFIOA) are active, organized and more functional within the respective clusters namely, Sutrapur region-Dhaka, Gulshan region-Dhaka, Mirpur region-Dhaka and Chittagong region-Dhaka. The others are found less active, not organized and hardly operational towards the development of respective clusters namely, Rajshahi region, Sylhet region, Khulna region, Bogra region, Barishal region, Noakhali region etc. A large number of SMEs are operating businesses in these clusters and if the efficiency and activities of the BIOs cannot be enhanced, the growth of these SMEs will be insignificant and will have an adverse impact on overall growth of the sector.

OPPORTUNITIES:

1. The GDP growth of economy of the country in recent years was quite stable (around 6.3%) despite worldwide recessions and it is still expected to grow likewise. Therefore the purchasing ability is growing steady which is indeed a good opportunity for the furniture sector to grow further. Strong local market base always complements the export potentials.
2. In recent years Asia has become the second largest furniture exporters, which shows that furniture buyers of Europe ad USA are shifting their sources to Asia for enjoying various comparative advantages. Developing countries like China, Poland, Mexico etc. and regions like Southeast Asia have built upon their respective competitive advantages and gradually have covered almost 30% of the world market. The furniture industry in such countries is developing strongly and showing great potentials. In this changing scenario, if Bangladesh can improve the product quality keeping the production costs low utilizing its cheap labor, a large export market can be tapped.
3. Backward linkage factories for furniture like processed wood factories, glass factories, foam industries, upholstery fabric manufacturers, leather industries are

growing, which will be an added advantage for Bangladesh furniture sector to grow further and tap into the global market.

4. Government has declared furniture sector as an emerging trust sector for export, which will most likely the first step to enjoy exemption on import duties for exportable commodities. This will certainly help furniture sector to get more competitive in world market.
5. If quality can be matched with the global market requirements, Bangladesh would be able to enjoy Global Export Facilities as LDC in different countries in furniture under present bilateral treaties, which allows the importers from respective countries import furniture from Bangladesh paying zero or reduced import duty in their country. This certainly enhances price competitiveness of Bangladeshi furniture in those countries. Following are the present arrangements in this context:

    - **EU** Provides duty-free access to all LDC including Bangladesh if,
        - Value of all the materials used in production that is of undetermined origin does not exceed 40% of the ex-works price of the product. Or,
        - It is manufactured from materials from any heading, except that of the product.
    - **Australia:** The allowable factory Cost of the Goods is not less than 50% of the total factory Cost of the good. The total value of materials originating in DCs that are not LDCs that can be included in allowable expenditure on materials is limited t0 25% of the total factory cost of the goods.
    - **USA** provides GSP facilities if the sum of the cost or value of materials produced in the beneficiary country plus the direct costs must equal at least 35% of the appraised value of the product at the time of entry into the United States.
    - **Japan** provides duty free access to LDCs if it is manufactured from products of different tariff heading as the products obtained.
    - **Turkey** provides duty free access to LDCs if all the materials used are classified within a heading other than that of the product.
6. Bangladesh has a significant edge in hand carving so if this can be integrated with contemporary designs, which would create new market opportunities.
7. Interior decoration, decorative lighting, accessories, specialized/home textiles, decorative items industries are very well established in Bangladesh which provide a good scope of forward linkage.
8. Shipbuilding Industry in Bangladesh is moving towards exports in a large scale and with each ship at least USD 100,000 worth furniture and furnishing material can be included as deemed export by the local manufacturers.

9. High labor cost is the main reason for shifting furniture industry from developed countries to developing countries, especially Asia. Recent trend is many of the established Asian exporters (China, Taiwan, Vietnam) are again shifting their factories to even low cost destinations like Bangladesh.

THREATS:

1. Frequent disruptions in electricity supply is severely affecting to the furniture manufacturers especially to those who are in a transition phase of moving to mechanized process to hand process. If this doesn't get solved in near future, the growth of the sector would be affected.
2. Political instability, violence etc. have severe adverse impact on country image and finally affect the export potentials. Besides, excessive number of strikes affects the productivity, causes failing to keep export shipment commitments to buyers, which finally hinders export growth.
3. Recent negative working condition issues in RMG sector or likewise events distort image of Bangladeshi manufacturers and hinders the growth of export business.
4. Furniture export from Bangladesh is heavily dependent on imported raw materials, which have an extremely high import duty (solid wood-10.72%, MDF board-92.30%, hardware materials-55.86% to 86.44% and coating materials-26.46% to 86.44%). But the present system is so difficult and time consuming that in maximum cases there's no way to get the duty drawback. With this duty structure and drawback system, the furniture exporters of Bangladesh can hardly be competitive in export market.
5. Through the hands of medium-scale producer, industrial approach involving mechanized machineries is overtaking traditional carpentry, which may cause loosing of carving skill, which is regarded, as the unique technical skills of Bangladeshi carpenters may help to achieve fast export growth in future.

STRENGTH	WEAKNESS
○ Low Labor Costs ○ Hand Carving Skills ○ Large domestic market with high growth rate ○ Workers are easy to train ○ Existence of strong textile Industry ○ Existence of strong leather industry ○ High quantity of available workforce ○ Capacity of product differentiation ○ Entrepreneurial skill ○ English language	○ Majority raw materials are imported, not easy to get ○ Problem with working and manufacturing process ○ Absence of raw material processing service provider ○ Absence of design service providers ○ High cost of capital ○ Low Marketing, Accounting and Management skills ○ Lack of quality assurance ○ Lack in abiding environment and safety compliances ○ Practice of wide range product manufacturing ○ Knowledge on modern furniture making is low ○ Knowledge on surface finishing is low ○ Low access to finance for manufacturers ○ Lack of skilled labor in furniture making ○ Lack of awareness on technology and high volume production machines ○ Limited capacity of BIO (Association) ○ No export marketing initiatives by the producers ○ Lack of proper branding and marketing initiatives as well as effective PR tools including website ○ A large number of cluster/regional BIOs (Regional committees of central BIO) are less active, not organized and not operational towards the development of their clusters.

OPPORTUNITIES	THREAT
○ High growth in purchase ability of domestic consumers due to high GDP growth of the country ○ With quality improvements, a large export market can be tapped ○ Backward linkage factories are growing ○ Government has listed Furniture sector as a thrust sector for high export potentials, which may enables the sector to enjoy duty exemption on raw material import of exporting furniture. ○ Global Export Facilities for Bangladesh as LDC ○ Contemporary Hand Carving ○ Existence of forward linkage industry ○ Growth of ship building industry locally ○ Migration of furniture industry	○ Frequently disrupting electricity ○ Political instability ○ Image distortion due to recent negative working condition issues in RMG sector ○ Unfavorable tax and import duty policy ○ Industry is overtaking carpentry which may result in loosing of hand carving skill

Appendix B:

List of meetings

- Abdur Rouf , Deputy Director (Com), Export Promotion Bureau
- Mr. Selim. H. Rahman, Chairman, Bangladesh Furniture Industries Owners' Association.
- Mr. Eleais Sarker, General Secretary, Bangladesh Furniture Industries Owners' Association.
- Mr. A. Karim Majumder, Organizing Secretary, Bangladesh Furniture Industries Owners' Association.
- Mr. Al-Hai Sheikh Abdul Awal, President, Bangladesh Furniture Industries Owners' Association-Mirpur Region.
- Mr. Animesh Kundu, Chief Adviser, Bangladesh Furniture Industries Owners' Association.
- Sayed A.S.M. Noor Uddin, President, Bangladesh Furniture Industries Owners' Association-Chittagong Region.
- Md. Abu Yousuf, Vice Chairman-3, Bangladesh Furniture Industries Owners' Association.
- Mr. Al-Haj Mohammad Ullah, President, Bangladesh Furniture Industries Owners' Association-Gulshan Region.
- Md. Ahsan Habib, President, Bangladesh Furniture Industries Owners' Association-Sutrapur Region.
- EU Experts and Team Leaders.

Appendix C:

References

- **Guidelines**

  The Ministry of Industries of the People's Republic of Bangladesh (2012), SME Competitiveness Grant Scheme, guidelines for grant applicants.

- **Furniture Sector Base Paper**

  Export Promotion Bureau, KATALYST

- **Export markets entry strategy for selected Bangladeshi furniture manufacturers**

  CSIL, Centre for Industrial Studies, Milan, Italy