

2019

## Cluster Profile

### Wooden Furniture, Gujrat



#### ***Turn Potential Into Profit***

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# 1 Description of Cluster

## 1.1 History & Background of Cluster

Furniture carries a significant value in everyone's life as it is one of the items that are widely used in every household and organization. Furniture items include Bedroom Furniture, Dining Room Furniture, Drawing Room Furniture, Kitchen Furniture and Office Furniture. Though, furniture can be made of plastic, wood and metal. However, wooden furniture is the most popular furniture in existence.

Furniture industry in Pakistan is predominantly scattered in the cities of Chiniot, Peshawar, Gujrat, Karachi and Lahore. Each city has its own identity and the products that come from it hold true to their personality and reputation. Chiniot is known for its intricate carvings, Peshawar for its sturdy domestic furniture, Gujrat for its bulky solid wood furniture, Karachi for its contemporary designs and Lahore for its highly mechanized office and domestic furniture set-ups.

Gujrat is well known for the production of its top quality furniture all over Pakistan and was famous for its furniture manufacturing even before the independence because of the availability of cheap skilled labor. The estimated overall furniture sale from Gujrat is about Rs. 4,500<sup>1</sup> million per annum. Majority of the wooden manufacturers in Gujrat are operating on traditional methods with minimal use of advance technology or machines. The industry is heavily reliant on semi-automated or hand operated tools and equipment that makes the industry labor intensive and less productive. Primarily, manufactures are more focused to produce traditional design of furniture instead of adopting modern furniture manufacturing and designing practices.

Presently, Gujrat furniture cluster is comprising of around 450<sup>2</sup> manufacturing units. Majority of the units are of small and medium sizes with exception of few large ones. The cluster is providing direct employment opportunities to around 15,000 people.

## 1.2 Defining the Products

The wooden furniture manufacturers of Gujrat are involved in manufacturing of very diverse range of products mainly divided into broad categories of Household Furniture, Office Furniture, and Industrial Furniture. These three broad categories mainly include the following items.

| Household Furniture   | Office Furniture  | Industrial Furniture   |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Bed Sets</li> <li>• Sofa Sets</li> <li>• Tables</li> <li>• Chairs</li> <li>• Dining Table Set</li> <li>• Cupboards etc.</li> </ul> | <ul style="list-style-type: none"> <li>• Office Tables</li> <li>• Chairs</li> <li>• Computer Tables</li> <li>• Cabinets etc.</li> </ul> | <ul style="list-style-type: none"> <li>• School Furniture</li> <li>• Laboratory Furniture</li> <li>• Factory Furniture Etc.</li> </ul> |

<sup>1</sup> Gujrat Chamber of Commerce & Industry

<sup>2</sup> Wooden Furniture Manufacturers Association, Gujrat

The household furniture products are produced on mass level and comprise of 80% of all wooden furniture items manufactured in Gujrat, where as office furniture comprises of 15% and industrial furniture 5%.

### 1.3 Core Cluster Actors

According to industry sources, Gujrat furniture cluster is comprised of more than 450 manufacturing units, with majority of the units are of small and cottage sizes. The key industry statistics are as follows:

**Table 1: Wooden Furniture Cluster, Gujrat**

|                               |  |
|-------------------------------|--|
| Number of Units               | Total Units: Approximately 450 <ul style="list-style-type: none"> <li>• Large Size Units: 03 – 04</li> <li>• Medium Size Units: Around 15</li> <li>• Small Size Units: Approximately 50 – 60 Units</li> <li>• Micro Units: Around 350 – 375</li> </ul> Majority of the small and micro size units are present in the unorganized sector. |
| Employment Generated (Direct) | Around 15,000 People   |
| Revenue to Govt.              | Approximately Rs. 800 Million  |
| Total Investment              | Approximately Rs. 4,500 Million  |
| Capacity Utilization          | 70% to 80%   |

*Source: Wooden Furniture Manufacturers Association, Gujrat and Gujrat Chamber of Commerce and Industry (GtCCI)*

### 1.4 Other Cluster Actors

Since majority of the manufacturers are involved in traditional wooden furniture making that involves use of a variety of conventional and semi automated tools and equipment. Particularly for shaping, cutting, surface grinding and carving of raw wood. The tools widely used by the manufactures mainly include, saw, cutter, shaper, spindle, and other related machines and equipment, which are quite easily available in the local market. A number of machinery suppliers are operating in the cluster and producing the required machinery. Whereas, semi automatic machines are available from Gujranwala and Lahore.

In addition to the machinery suppliers, different type of chemicals, paints and wood traders are the other prominent actors who support the manufactures for timely availability of required items.

### 1.5 Geographical Location

There are three main furniture markets in Gujrat, namely Railway Road Market, New Furniture Market and G. T. Road Furniture Market. Railway Road Furniture Market is the biggest and almost

50% showrooms are present there. New Furniture Market is small one and mostly low and medium quality furniture is available there. G. T. Road Furniture Market is higher end market and comprised of very authentically built display show rooms and sale points for customers.

## 1.6 Current Cluster Scenario

Micro size units are involved in the different stages of furniture manufacturing. Some of these units have also organized themselves in specialized products manufacturing and they only focus to produce only one kind of products. These furniture manufacturers sell their products in semi finished and finished form in Gujarat as well in the other cities. Small size units manufacture the furniture themselves as well as depend on the micro sized units for their manufacturing requirements.

In the second case these units buy the semi finished furniture from micro sized units and then finish these products. These units have their own show rooms to display their finished products. Most of their sales are domestic but a few of them are also involved in the exports. The Large and Medium size units can be called as the market leaders because of their level of achievement. Most of these units are operating at least for the last 30 to 40 years and have developed a lot during this time period.

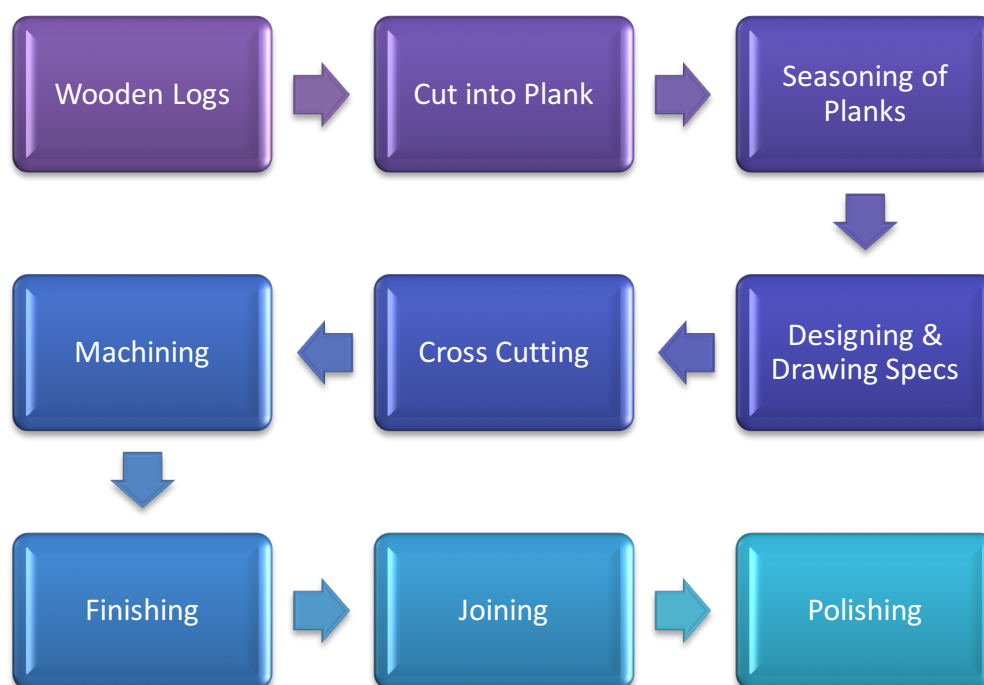
The industry has worked in isolation for a very long time and has been constantly experiencing a low growth rate in exports and an increase in imports. The designs do not adequately reflect the market needs and the production processes are outdated. There is a lack of skilled manpower and raw material sources are fast depleting. Furniture quality of small and micro units is usually below minimum requirements due to the use of poorly seasoned wood, absence of updated technology, a lack of specialization and the absence of a cohesive effort. Imported furniture has also found a niche in the local market. Furniture from Malaysia and China which is relatively cheap is sold at many showrooms.

## 2 Analysis of Business Operation

### 2.1 Production Operations

As already stated, wooden furniture manufacturers of Gujarat are involved in manufacturing of very diverse range of products of Household, Office and Industrial furniture. Generally, articles are based on the different type of designs that include Traditional Pakistani, Victorian, Italian, French and American designs. In most of the cases, manufacturers just copy the designs from different international furniture catalogues. Mostly, production process of different types of furniture comprises of following broader steps.

**Figure 1: Production Process Flow**



**Table 2: Description of Production Process**

| Sr. No | Description  | Machinery / Used   |
|--------|--|--|
| 1      | Wooden logs are purchased from timber merchants                          |  |
| 2      | Logs are cut into Planks   | Band Saw and Circular Saw  |
| 3      | Planks are seasoned either naturally or in the seasoning plant           | Natural seasoning requires 6 months to year, while artificial seasoning takes 8-20 days. |
| 4      | Drawings and the specification of the furniture item have to be drafted. | Large units are using AutoCAD while others are using manual drawings.                    |

|   |   |  |
|---|---|--|
| 5 | Cross cutting of planks according to the specification / drawings | Circular Saw   |
| 6 | Machining of the cross cut planks into the required sizes         | <ul style="list-style-type: none"> <li>• Jointer Planner</li> <li>• Thickness Planner</li> <li>• Tenoning Machine</li> <li>• Mortising Machine</li> <li>• Sanding Machine</li> </ul> |
| 7 | Joining of the different parts to assemble the article            | <ul style="list-style-type: none"> <li>• Glue is used for joining of small parts</li> <li>• Hydraulic Press is used for extra strength of joints</li> </ul>                          |
| 8 | Finishing the item polishing / painting etc.                      | Air compressor and sprayers etc.   |

## 2.2 Raw Materials

The detail of raw materials required for manufacturing of wooden furniture items is provided in the table below:

| Material                                 | Usage | Products                       | Availability  |
|--|-------|--------------------------------|---|
| <b>Wood</b>                              | 50%   | All furniture items            | Local timber merchants, while Oak Wood and Ash Wood is imported |
| <b>Hard Board, Plywood and Chipboard</b> | 10%   | All furniture items            | Hardware stores / plywood factories in the area                 |
| <b>Steel / Metal Frames</b>              | 5%    | Chairs and Tables              | Locally produced by metal works                                 |
| <b>Foam</b>                              | 10%   | Chairs, Sofa Sets and Bed Sets | Agents in local markets   |
| <b>Cloth</b>                             | 5%    | Upholstery of sofas, chairs    | Agents in local markets   |
| <b>Glue</b>                              | 1%    | All furniture items            | Hardware stores   |
| <b>Nails / Screws</b>                    | 1%    | All furniture items            | Hardware stores   |
| <b>Polish, Paint and Other Material</b>  | 15%   | All furniture items            | Hardware stores and company agents                              |
| <b>Accessories</b>                       | 3%    | All furniture items            | Hardware Stores   |

## 2.3 Technology Status

The furniture manufacturers are using only four basic machines to cater the machining requirements. These machines include circular saw, thicknesses planner, spindle molder and the mortising machine. Although these machines can be used to fulfill the machining requirements

but excellent quality cannot be achieved without the appropriate machines and the latest machining techniques. Most of the manufacturers do not have the sanding machines that also affect the furniture quality.

The second problem related to machinery is that most of the machinery used in manufacturing is Pakistan made. The final quality of products manufactured on these machines cannot be compared with the products made through foreign machines. Hence, there is a need to improve the design and the working of Pakistani machinery according to the requirements. By improving the local machinery, a huge quantity of foreign exchange can be saved and this will also help the light engineering sector. Non-availability of seasoning plants is another problem.

## 2.4 Marketing & Sales

There are different sales distribution channels of furniture industry of Gujrat. The majority of organized sector units have their showrooms on the G.T Road, Sargodha Road, Railway Road and Gujrat Bypass. The micro size manufacturers do not have their own showrooms, so they are dependent on the other two categories for their furniture sales.

Most of the furniture manufactured in Gujrat is consumed in the domestic market. Around 10% of the total furniture manufactured is sold in Gujrat and the rest 90% is sold in other cities like Lahore, Sialkot, Gujranwala, Rawalpindi, Islamabad, Peshawar, Karachi, Quetta etc. Top manufacturers have also their showrooms in other major cities of Pakistan. These manufacturers are also fulfilling small export orders. Due to limited production capacity these firms are not able to fulfill the large export orders and hence can not compete vigorously in international markets. However, the past years the imports and exports of wooden furniture have increased both in volume and value.

## 2.5 Global Trade

The detail of major exporting and importing countries of the wooden furniture is provided in the following tables:

**Table 3: Major Exporters of Wooden Furniture (Value in Thousand US \$)**

| Exporters                | 2014       | 2015       | 2016       | 2017       |
|--------------------------|------------|------------|------------|------------|
| World                    | 85,289,712 | 81,503,516 | 79,358,377 | 82,878,746 |
| China                    | 28,434,953 | 29,134,833 | 25,912,278 | 26,560,182 |
| Germany                  | 7,912,098  | 6,984,465  | 7,228,267  | 7,462,489  |
| Italy                    | 7,918,879  | 7,017,429  | 6,910,139  | 7,223,066  |
| Poland                   | 4,234,346  | 3,602,451  | 3,985,559  | 4,313,820  |
| Viet Nam                 | 3,430,547  | 3,746,713  | 3,901,331  | 4,277,077  |
| United States of America | 3,233,536  | 3,067,545  | 2,893,288  | 2,946,420  |
| Canada                   | 2,272,703  | 2,483,325  | 2,757,893  | 2,818,094  |
| Malaysia                 | 1,870,152  | 1,823,915  | 1,783,459  | 1,849,659  |

|         |           |           |           |           |
|---------|-----------|-----------|-----------|-----------|
| Spain   | 1,413,165 | 1,331,541 | 1,445,437 | 1,505,592 |
| Denmark | 1,491,873 | 1,349,884 | 1,384,627 | 1,450,415 |

Source: Trade Map

**Table 4: Major Importers of Wooden Furniture (Value in Thousand US \$)**

| Importers                | 2014       | 2015       | 2016       | 2017       |
|--------------------------|------------|------------|------------|------------|
| World                    | 76,836,431 | 74,591,307 | 74,757,613 | 80,708,706 |
| United States of America | 20,063,500 | 22,240,421 | 23,235,346 | 25,386,296 |
| Germany                  | 5,985,994  | 5,438,823  | 5,537,561  | 5,727,907  |
| United Kingdom           | 4,547,372  | 4,616,378  | 4,394,190  | 4,835,789  |
| France                   | 4,175,020  | 3,735,799  | 3,879,142  | 4,222,359  |
| Canada                   | 2,841,096  | 2,687,618  | 2,638,341  | 2,874,139  |
| Japan                    | 2,880,650  | 2,538,619  | 2,524,553  | 2,562,316  |
| Netherlands              | 1,814,294  | 1,908,354  | 2,033,623  | 2,417,882  |
| Switzerland              | 2,245,778  | 2,058,400  | 2,051,777  | 2,052,530  |
| Australia                | 1,613,858  | 1,586,442  | 1,565,418  | 1,626,632  |
| Austria                  | 1,534,661  | 1,298,089  | 1,398,370  | 1,457,291  |

Source: Trade Map

## 2.6 Financing

All the major financial institutions have their branches in the cluster and offering loan. At present, none of the financial institutions has developed / offered any particular lending scheme for the cluster. The financial products available in the market are not geared to cater the requirements of the cluster. Access to equity finance is the most malicious constraint to cluster growth and development. Commercial banks apply conservative policies while lending. Most of the time entrepreneurs rely on their own investment.

High transaction costs, collateral requirement, non availability of customized financial products are the major issues pertaining to finances of local manufacturers. Resultantly, entrepreneur look for informal financing channels to meet their financial requirement. The markup in the informal sector financing is very high i.e. up to 30% annually.

## 2.7 Human Resource Management

Industry is facing shortage of skilled labor, due to which manufacturers mostly hire unskilled labor and train them over a period of time. Due to shortage of skilled labor in the cluster, employee turn over is high. Therefore, manufacturers have to engage unskilled labor to meet the requirement that results in high production wastage and low product standardization. Some institutions of TEVTA and PVTC do offer few training courses related to furniture manufacturing, but there is a huge gap in demand and supply of skilled labor.

### 3 Institutional Setup

#### 3.1 Entrepreneur's Associations

##### All Pakistan Furniture Manufacturers Association (APFMA)

Address: 2<sup>nd</sup> Floor, Gujrat Chamber of Commerce & Industry (GtCCI) Building, G.T. Road, Gujrat  
 Tel: (+92) 345 4726 872  
 Email: [info.apfma@gmail.com](mailto:info.apfma@gmail.com)

##### Gujrat Chamber of Commerce and Industry (GtCCI)

Address: G.T. Road, Gujrat  
 Tel: (+92) 55 3706 113-4  
 Web: [www.gtcci.org.pk](http://www.gtcci.org.pk)

#### 3.2 Support Institutions

##### Regional Business Center (RBC) Small & Medium Enterprises Development Authority (SMEDA)

Address: GtCCI Building, G.T. Road, Gujrat  
 Tel: (+92) 55 111 111 456  
 Web: [www.smeda.org.pk](http://www.smeda.org.pk)  
 Email: [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

##### Punjab Small Industries Corporation (PSIC) – Regional Office

Address: Small Industrial Estate, G.T. Road, Gujrat  
 Web: [www.psic.gop.pk](http://www.psic.gop.pk)

##### Trade Development Authority of Pakistan (TDAP)

Address: 20-E, Satellite Town, Pasroor Road, Gujranwala  
 Web: [www.tdap.org.pk](http://www.tdap.org.pk)

##### Wood Working Service Center, Gujrat

Address: Small Industrial Estate, G.T. Road, Gujrat  
 Ph: (+92) 53 3520 250

#### 3.3 Banks and Financial Institutions

Almost all the registered financial institutions of Pakistan have their branches in the cluster and provide the financing at competitive rates.

## 4 Major Issues and Problems

**Financial:** Provision of Soft and long-term loans are required to build cost saving automated furniture manufacturing units. Banks are hesitant to finance the start-ups, which is a massive hurdle for access to finance.

**Technology:** The majority of the furniture industries in the cluster uses conventional manufacturing techniques such as saw and spindle machines. With the increase in the market size, it is becoming difficult for these units to achieve the desired production and quality using conventional technologies.

**Marketing:** Lack of modern marketing and branding techniques is an issue restricting the growth and development of this cluster, as there is not any specialized marketing department even in medium level units. Despite potential for exports in Middle East, Africa and Central Asia, only a few manufacturers are involved in global trade. The main reason for not achieving the significant breakthrough in export is lack of modern manufacturing machines and techniques, quality standards, raw material testing facilities and the high tariff rates on imported raw material.

**Energy:** Wooden furniture manufacturing is an energy intensive sector. Provision of continuous energy from Govt. is a must for cost effective products manufacturing. Alternate energy sources are very expensive. Similarly, the price of electricity is very high and uncompetitive. For survival of this cluster the Government should take necessary steps to resolve the energy issues.

**Human Resources:** Unavailability of Skilled labor for the cluster is one of the major issues. Govt. Technical Institutes are providing vocational and technical trainings but there is still a huge gap in Demand and Supply of skilled labor. Govt. should take measures to improve this situation.

## 5 Investment Opportunities in Cluster

Keeping in view the strong presence of Furniture Industry and traditional craftsman skills of Gujrat area, there is an ample opportunity of investment in the cluster. Some of the potential projects for investment are as follows:

- Winboard Manufacturing
- MDF / Plywood Manufacturing Unit
- Particle / Veneer Board Manufacturing
- Small Wood Seasoning Plant
- Trading (especially Oak and Ash Wood)

Besides that SMEDA has developed pre-feasibility studies for the following potential projects related to furniture manufacturing, which may downloaded from [www.smeda.org.pk](http://www.smeda.org.pk)

- Wooden Furniture Manufacturing Unit
- Chipboard Plant
- Furniture Showroom
- CAD for Furniture Design