

The Big Picture

MMMA Newsletter for PF Asia Nov/Dec 2017 By Peter Fitch

In the last issue I highlighted the growing trend in the development and uses of 'Light Weight' engineered wood panels and how IKEA had used this to their advantage to create a truly global furniture retailing concept. As we come to the end of 2017 and look forward to 2018 I thought it an interesting exercise to look at future trends.

We must first acknowledge that the demand for Wood Panels is driven from the creation of new housing and the subsequent sales of furniture. Fortunately for the industry all the current data looks promising. With regards housing starts the IMF reports that more than 40 countries have an annualised growth of greater than 5% and these countries include the USA, China, India, and most of South East Asia. This is good news as this is where the population and wealth growth is centred. It is difficult to get reliable data specifically on China and India but the US Census Bureau reported a 8.3% increase in the application for Housing Permits on an annualised basis for 2017 compared to 2016 (up to August 2017 the last figures available). The Indian Government has said that the housing market will become the next economic driver for India and be worth USD1.3 trillion annually, Bloomberg have quoted that the Indian housing market will grow by a compound 8% annually over the next ten years. In China the construction of new housing is expected to grow by only 7% this year which is still commendable in comparison to the heady double figure growth rates in previous years.

When it comes to furniture in 2016 the Global value of furniture sales was estimated to be worth USD392 billion annually with the USA taking an approximate 23% market share. Economists are predicting that the annual growth rate in the demand for furniture will be 4.2% meaning that the estimate forecast for 2017 is approximately USD408 billion. Separately Alibaba has valued the Chinese Furniture market to be worth USD130 billion this year, if these estimates are true then China will account for 32% of the market share for furniture sales thus surpassing the USA.

Having visited the recent Shanghai Furniture Fairs, I am beginning to see some trends which may well strengthen and become amplified in the future, they are as follows;

- Bold and Beautiful Asian Designs – European and Western designs still dominate the market but I can see some very bold, beautiful and practical Asian designs drawing from the local culture and probably catering more for the young and sophisticated Asian markets.
- Online Retail Channels – IKEA has a strong e-platform to showcase its goods and to enable customers to research designs and concepts before going to the showroom. This has probably also helped it achieve annual sales of USD45 billion and profits of USD16 billion. Very soon we will see the other e-commerce giants entering this market with both Amazon and Alibaba both giving notice of their intention to enter the furniture retail market in a Big Way! On a separate note it is interesting how far advanced e-commerce is in China, you cannot buy anything without Wechat or Alipay on your telephone!
- Fast Fashion – the move to the greater variety of choice. Just as fashion retailers such as Zara, Uniglo and H&M have globalised and disrupted the clothing retail market, so will IKEA, Amazon and Alibaba for furniture retailing. The new equation for retail success will be Choice (Design) + Price + Logistics.
- Smaller Living Spaces – as the world moves to greater Urbanisation so the price for space will become more of a premium. The result is that the greatest growth will be in the classification of 'Multi-family' housing which means high and low density apartments and condominiums. One of the fastest growing subsectors of furniture is for Home Office Furniture, again this is a result of urbanisation and people working from home.

- Green Credentials – this will become a hot topic and one in which the timber and furniture industry must handle carefully.

Furniture made from timber and wood composite materials should prove to be the most environmentally sustainable method of construction. We already know that the Carbon Foot Print of Timber Materials including MDF is many times smaller than for Plastics, Steel, Aluminium, Cement and Glass, so we should presume wood should be the preferred material of choice. Unfortunately, so often misinformed environmentalists decry the timber industry as the destroyer of forests and the cause of global warming when in fact the opposite is true. By using timber we place an intrinsic value on this resource and this value will actually promote reforestation and sustainability.

Probably the largest sector responsible for land and forest degradation would be the conversion of land for the farming of Grazing Livestock. For example in the United Kingdom, sheep (mutton) provides only one percent of the calorific intake of its population yet grazing land occupies almost 2.5 times the total urban built up area. Similar statistics are just as shocking for the rest of Europe, the Americas and increasingly in Africa and Asia. If we look beyond the issues of the sheer size of the land areas involved we also find that grazing farm animals; produce huge amounts of methane which is the most potent 'greenhouse gas'. Grazing simplifies complex ecosystems and the environmental damage is totally out of proportion to the nutrition generated. For example the amount of protein generated by one acre of Soya Bean will require 97 acres of grazing pasture to generate the same amount of protein from cattle.

I am not saying we should all become vegetarians (though many of us may be forced too) but I am saying that protecting our environment is much more complex than calling for the ban on logging. We should study our complete ecosystem and have an open debate as to what is the best uses of our finite land mass to generate the most value for the human race as a whole. ☉