Chapter-IV examines the marketing of steel furniture in the industry, market orientation among the owners, impact of market orientation on net profit, marketing problems encountered in the industry, product, price, place and promotion strategy orientation among the three group of firms, the impact of strategy orientation on net profit of the units and the discriminant market strategy orientation among the three group of firms.

Chapter-V explains the consumer behaviour in the steel furniture industry, store choice behaviour among the three groups of customers, variables influencing to consume steel furniture and also their store choice behaviour, brand preference customers expectation and perception on various aspects related to steel furniture and furniture units and the switching behaviour among the units.

Chapter VI covers the summary of findings, conclusions and policy implications.

CHAPTER-II
FURNITURE INDUSTRY–AN OVERVIEW

INTRODUCTION

Furniture market in India has been witnessing upswings in both office-furniture and household furniture sale for the past few years. It has been estimated that the growth rate of 15 per cent is being achieved every year in the office furniture market.

India presents a favourable outlook to sell furniture, with the total Indian furniture industry being estimated at amount Rs.35,000 crores.
India has a middle class population of over 40 crores, whole purchasing power is on the upsurge. With the upper class and upper middle class population also being put together, the furniture market should have to present a rosy picture all along. Their life styles got changed thanks to the impact of foreign culture after being exposed to the foreign media. The great access to modern dwellings in foreign countries through mass media makes Indian consumers being aware of latest models of household furniture and they have started expecting them to be for displays, only to be bought later.
Pattern of India’s Furniture Industry

The furniture industry in India is considered as a “non-organised sector” as many units with a few lakhs as capital started working in large cities and turns. The steel furniture, with conventional models has steady demand all throughout the year. With big companies like Godrej concentrating on office furniture to a great extent, these small units cater to the needs of middle class and lower middle class population. Godrej has a sale of less than 27 per cent of its turnover from home furniture. In the words of the chief operating officer, Mr. S. Mathur of Godrej, “the company is expecting a higher demand for office furniture thanks to booming of IT industries”, while planning for setting up a manufacturing plant in Kolkatta.

Furniture Industry-an Outline

The Indian furniture market is estimated to be worth U.S. 7 billion dollars. With a healthy economy and increased household and institutional spending, the market is growing steadily. There are as many as 12,000 companies listed in the on line furniture directory in India. The core product categories include

- brass furniture
- metal furniture
- Glass/Fibre glass furniture
- Care furniture
- Plastic furniture
- Rattan furniture
The total production of furniture in 2001-02 was 3580 million U.S. dollars. According to the data on index of industrial production, around 14 out of the 17 two digit industry groups have shown positive growth in 2005. However, wood products: furniture and fixtures have shown a negative growth of 16.7 per cent, wood and wood products, furniture and fixtures carry a weight of 27.01 per cent in the total manufacturing sector. However, this category has shown a decline in recent some years.

According to a World Bank study, the original furniture industry is expected to grow by 20 per cent a year. It further emphases that India, Russia and Brazil will witness a boom.

**Distribution Pattern of Furniture**

The range of indigenous furniture available in India includes both residential and contract system furniture, with an increased concentration in office and kitchen furniture. Furniture belongs to shopping goods which the consumer usually wish to purchase only after carefully comparing quality, price, suitability and style in a number of stores. The consumers want a variety of prices, qualities and styles from which to select.

The furniture manufacturers in India generally use a three tiers selling and distribution structure, comprising the distributor, wholesaler and retailer. This structure is prevalent among the manufacturers of furniture in the organised sector. They need not have numerous outlets for the sale of furniture and can adopt select outlets.

In the unorganised sector, the manufacturers generally make direct sale to customers. They set up their manufacturing units on a small scale and receive orders from local customers. Their level of business is very small in size, as they do not employ sophisticated machines for manufacturing furniture. As their customers, are mostly price conscious, the quality of furniture item, does not in any way match the quality of items offered by big companies. The small units at the most open a few retail outlets in the nearby towns and supplies are made only on orders. They manufacture only conventional items of wood and steel furniture.

Big companies (listed below) on the other hand have ‘established conventional three tier distribution channel for marketing their items. These
include Nilkamal Plastics Ltd., Sunshine Products, BTM Plastic and others in plastic furniture (manufacturing plastic moulded products like baby chair, centre table, dining table, buckets, chair, inverter to others etc.

Among the manufacturers of steel furniture, Rahul industries, Maximaa Systems Ltd., Karuna furnitures, Onkar furnitures and others dominate the Indian market.

The Godrej Interio range offers furniture in wood, metal, composite materials etc. and is available across India through 42 companies managed by Godrej Life Space stores and a network of 80 Godrej Interio Channel partners. The Godrej Company launched ‘Godrej Interio’ in India with the intention to unify its time, office and special profiles business lives to offer all types of furniture under one not.

Retailing

Organised furniture retailing is gunning more space in India, thanks to the entry of international brands. Everything from furniture, lines, mirrors and lights to other decorating items are offered to the consumers much to their delight by the larger brands.

The furniture industry in India employs an estimated 3,00,000 workers. India ranked 48th among furniture exporters and 49th among importers. Gautier India, known as style spa world furniture is the pioneer in the organised furniture market with a large network of exclusive stores all over India. The company had a single store presence in 1998 and blossomed into 56 outlets across India after having technical collaboration with Group Seribo of France. To cater to the needs of IT industry, modern furniture with the state of the art technology is the need of the hour. This has been modified by all in the organised sector which Asia’s largest and most modern furniture plant coming from none other then style spa world furniture.

Worries of the Furniture Industry

The furniture industry is also confronted with problems. The furniture sector makes a marginal contribution to India’s Gross Domestic Product. It is roughly about 0.5 per cent. The furniture market is mainly concentrated in A, B and C cities (the top 589 cities). The consumers in such cities have the much needed affordability than their counterparts in other places. This has led to the lopsided growth of furniture market.

It has been estimated that the top 784 urban centres contribute 41 per cent to the total consumer furniture market. A and B type cities together contribute 33 per cent of the total market. This has necessitated the need of opening out
of this sector in less populated towns, to make it available at the prices affordable to the residents of these towns.

Another cause of worry is that our country has not developed the state of the art of technology in manufacturing furniture. Most of the units even in organised sector are contended with the manufacture and supply of traditional models of furniture, using the outdated machinery and equipment. The companies which have observed ISO certification in furniture industry do not amount large in number, thus necessitating the focus on improvement in technology. Thanks to liberalization, India has become the biggest furniture importer in 2004-2005, with a 17 per cent share in furniture imports worldwide. A total of 10476 importers shipped furniture to India during this period. The imports mainly come from Italy, harmony, Spain, China, Korea, Malaysia, Indonesia, the Philippines and Japan.

**Furniture Industry’s Role is Economic Development**

No one doubts the potential of the Indian market. The size of the Indian furniture retail market is estimated at around Rs.30,000 crores. As 85 per cent of furniture manufacturers come under the unorganised sector, branded furniture has no big role to play. However one cannot deny the fact that there is mushroom growth of furniture industry in India. The organised sector caters to the needs of sophisticated customer in the IT field which has blossomed leaps and bounds in the recent years thanks to the phenomenal growth in number of many MNCs entering into Indian market. This has led to innovation in furniture industry and today’s consumers especially those in big cities make the relatively costlier furniture items as cheaper ones with the increased purchasing power. This has made the growth of furniture industry a possible one, giving employment to about 3 lakhs people in India.

The consumers in the middle and lower middle classes prefer conventional furniture items, leading to the growth of small scale units in a large number. Self employed youth are found round the corner, making lesser investments in the manufacture of steel furniture. The price sensitive lower middle class population finds itself in the safe bet when steel cupboards, are available at one-fourth of the price of leading companies. The furniture industry in the unorganised sector does not require the services of skilled workers. Even persons with no formal education can carry out tinkering work (the main job in steel furniture) with a little bit of training. Except those employed in organised sector, many others who find placements in unorganised furniture manufacturing units eke out their living by physical work. Apart from those who are directly employed, there are lakhs of others who have indirectly found employed in the manufacture of furniture fitness/ upholstery like hinges and
handles drawer slides and brackets, TV racks, leather care and repair products, folding screens, ceramic vases, chair accessories, fabric materials, mattresses, moisture absorbers, carpets, rugs, bathroom accessories and the like.

Furniture industry has tremendous export potential. With a large workforce, India can dictate terms by offering stiff competition to countries like Malaysia and China, two big furniture exporting countries in the world. The world home market is worth Rs.20,000 crores. During the past three years it grew by 20 per cent a year, an encouraging sign indeed. By giving relevant training in the manufacture of modern furniture, Indian workforce can enhance their skills and manufacture furniture of proven quality to meet the tastes of foreign buyers.

According to a World Bank study, the organized furniture industry is expected to grow by 20 per cent a year. The study in its concluding remarks struck positive note that India, along with Russia and Brazil will witness a boom. The disturbing trend here is that 85 per cent of furniture manufacturing units belong to non-organised sector which precludes from going for innovations. The furniture industry in non-organised sector is mostly concentrated in the outskirts of cities require not a big investment. As the traditional furniture items do not require many skills, small units with a few lakhs as capital get spruced up. The manufacturers get self employed, thus augmenting their share in economic development of the nation.

Preferences of Customers–Present Trend of Furniture Market in Tamil Nadu

In Tamil Nadu, there has been a mushrooming of furniture retailers. A customer can get all kinds of furniture in big cities. The present trend in the market is the demand for readymade furniture. The dealers offer everything from furniture, linen, motors and lights. In the readymade furniture range customers want style, elegance, finish and utility, at a reasonable price. There are plenty of manufacturers who are ready to meet the above requirements of customers.

The customers in Tamil Nadu belong to diverse groups and hence their requirements are totally different. As the furniture plays an important role in front office, the image of an organisation hinges on it. The manner in which the right choice of furniture is made is the major determining factor. For instance, the furniture items required by a hospital for the patients to wait are entirely different from the one which is found in a modern office. Further the furniture required by middle class population is much contrary to what is desired by upper class people. This is very much clear as dealers in Tamil
Nadu offer wardrobes to cotes, entertainment centres to computer tables across a range of prices and varieties. The general trend in furniture market has witnessed sea changes in the recent years. Indian tasks have started to be more retired and the people are looking for more western furniture style thanks to exposure of the people to various TV channels and access to foreign life styles.

The prospect of furniture sector seems positive in the sense that several agreements have been signed between local producers looking for technology and European companies trying to reach a market or to reduce their costs. In Chennai, one can find furniture being imported from Italy and Scandinavian countries apart from Malaysia. Malaysia furniture has flooded the market, thus offering varieties of furniture at reduced prices.

**Preference towards Readymade Furniture**

Gone are the days when the people placed orders for the furniture of their choice. In those days, there were skilled carpenters who with their immaculate and artistic skill really mesmerized the customers. They brought out exquisite furniture, which was dreamt by the customers. Their flair for excellence was rewarded well, as the rich could manage to keep the carpenters, live up to their expectations.

The present trend has been preference to readymade furniture. As the furniture belongs to shopping goods, the customers use the occasion to go out to the units with their families to see for themselves and buy the furniture which meets their desires. Further, they can ill afford to wait for long period to place orders with the local carpenters and get the view finished. There is death of skill among the carpenters, which makes the customers prefer readymade furniture. It was found that only about 10 per cent of the public still have their furniture made by local carpenters. One more reason for the choice of readymade furniture is that there is no guarantee of after sales service when one is local carpenter. And no matter how skilled the carpenter is, he cannot equal the finish the readymade that imported furniture can give.

When a customer prefers the furniture made by a carpenter, the possibilities of customizing the piece have high prospects. This option is not usually available regarding readymade furniture. However, there is a possibility that a carpenter may charge exorbitant rates or a customer has to settle himself with the cheapest material.

The demand for readymade furniture in Tamil Nadu is growing with the real estate market which also comes out of its slump in 97 and 98. With the peaking up of real estate market and the disbursement of housing loans on the
rise, the need for quality furniture is also increasing. With employees getting increased salaries and perks, people tend to go in for more quality with style.

The emphasis in today’s furniture industry is quality. The average salary of a middle management executive today is around Rs.25000 per month. He wants to spend more on furnishing home. Gone are the days, when the people lived in confected houses. With the housing finance very much for the asking, the need for independent houses is expanding among the middle class people. As the interest rates for housing finance started dwindling in 1990s and after, the construction industry witnessed boom. The trend is continuing now, as more and more offices are coming up. This has caused the need for quality furniture going up both at home and office. This has ultimately resulted in increase in the demand and the market is getting to be more and more competitive. This means that the furniture manufacturer cannot afford to compromise on his quality and lose his market share.

The furniture industry’s major strength is the growth and the possibilities of expansion. The market is growing bigger and bigger. Though this means less market share for the players in the market, it makes the customer the king. From a sellers’ market, today it is definitely a buyers market. In major cities, there are exclusive show rooms for furniture of different types with bedroom furniture, office furniture, kitchen furniture to name a few. Thanks to the growth of IT industries in Chennai, the demand for office furniture and computer furniture has realized dizzy heights. Originally, the computer furniture was manufactured based on customer orders, but of late they are available readymade. The major weakness for the furniture market in Chennai is that if modular or contemporary furniture were to be produced locally, it would find no takers in the local market or abroad. The access to western lifestyles and globalisation has led the people to prefer imported furniture to locally made furniture.

Wood and wood products, furniture and fixtures carry a weight of 27.01 per cent in the total manufacturing sector. This category has however shown a decline in recent years. This is mainly attributed to the growth in demand for plastic furniture, brass furniture, fibre glass furniture, apart from metal furniture. It has been estimated that in India the top 784 urban centres contribute 41 per cent to its total consumer furniture market. Of these A and B type cities together contribute 33 per cent of the total market. Tamil Nadu is no exception, with urban centres contributing more than 50 per cent to the total consumer furniture market.

The present market which is already quite big is only growing with the entry of one major player at least every two months. This is clear from the fact
that India was the biggest furniture importer in 2004-05 with a 17 per cent share in furniture imports worldwide. A total of 10476 importers shipped furniture to India during this period. This explains that the dealers in India feel the impact of growth in furniture market. The conservative attitude of the people has dropped in the sense that people are prepared to pay a little more for the quality and finish offered by branded imported furniture. The companies which bring in the modern furniture with the state of the art technology have been using the vernacular magazines and hoardings to popularize their brands. Further, the traders have their show rooms at the heart of the cities, which have facilitated the customers to roam around and make the purchase.

**Major Threat**

A major threat to Indian furniture manufacturers is from the Malaysia firms, Malaysian furniture manufacturers are able to lessen production costs as they are involved in the trade for several decades. Further, they cater to a large international market, which justifies their huge investments in infrastructure and advanced technology, with such a strong backing, they are able to dictate terms and compete with Indian firms both on price and quality. The economics of scale are to their advantage and it is high time for the Indian firms to concentrate on the production process to make them economical with proven quality to stay put in the market.

**Furniture Industry in Madurai**

Furniture industry in Madurai is characterised by a large number of units operating in small scale. Nearly 85 per cent of total furniture units in Madurai employ women in their units. There are many forums in which the furniture manufacturers have registered themselves as members. These include the Chamber of Commerce, MADITSSIA, apart from the associations for manufacturers of furniture. However, many of them are not covered under TNGST net, as they have eluded themselves from getting registered. As a result, they are not able to get the benefits in the form of loan assistance, subsidies and tax concessions.

Madurai furniture market is characterised by a large chunk of middle class population. They dominate in the consumption of both steel and wooden furniture items. With several villages around Madurai, the furniture market also caters to the requirements of village consumers who throng Madurai city on regular visits if not for the purchase of furniture alone. The demand for modern furniture as witnessed in Chennai markets has not been visible in Madurai city so far. This has made the manufacturers to concentrate on the production of traditional home furniture like steel cupboards, dining tables,
chairs, steel tables, cots, etc. Only those units which could afford to invert heaving (above Rs.20 lakhs range) have ventured out into modern furniture desired by a small percentage of upper class people. Thanks to the booming of IT industry, Madurai has also unstressed a sizeable number of computer centres, BPO centres, and the like, which have necessitated the production of modern furniture. Of late, the banks both in the public sector and private sector have gone for modernization and have started realising that the business is not any more mere accepting deposits and granting loans across the counters. Now, any person making a casual visit to the bank branches see for himself that there are several sections, enclosed by cabins with hitherto unknown finesse. The sophisticated artistry at the front office has added to the glory, which a common man was generally caught unaware of in the past. Every firm, in a bid to woo the customers has started spending a few lakhs on elegant looking furniture items. The booming construction industry is no exception. With the banks and LIC vying with each other in order to capitalize the people’s desires to own houses at moderate prices, the lifestyles of people in the middle class have witnessed remarkable changes in late 1990s and in the present decade. Many people opt for constructing a house at a cost below Rs.10 lakhs. Their next choice is to go for the furniture which suits their tasks. They are prepared to spend around Rs.10,000 towards furniture for a new house. For the families in which both the husbands and wives are working, this is not a matter of concern.

The demand for furniture has also escalated due to mushroom growth of matriculation schools in Madurai. As the Government passed orders for strict adherence to rules by the schools, many school management authorities started getting recognition to their schools. With a view to attract parents, many schools have been providing independent chairs for the children, by placing orders in bulk with the local manufacturers. Added to this, there are many self-financing colleges operating in Madurai city, leading to the growth in demand for furniture requirements.

**Technology**

The technology used for the manufacture of furniture in Madurai is primitive in general as many (nearly 85%) cannot afford to spend a lot on the machinery and equipment. With poor capital resources, many units have not ventured out to large scale production which has ultimately resulted in poor profitability. They are not in a position to reap the benefits of economics of scale since their capacities are much limited. Big units which constitute 7 per cent of the total are able to create niche for their items as they bring out the products to suit the dreams of customers. They spend several lakhs every year
on advertising and sales promotion. Almost all of them have show rooms near Meenakshi Amman Temple, at the heart of Madurai city. They have several branches too. They also keep furniture fittings and upholstery, to make customers not to make a move to the nearby rival firms. They also send the items to neighbouring states, particularly to Kerala, where only wooden furniture items dominate the market.

**Labour Requirement**

Furniture industry mostly requires semi skilled labour. The production processes for steel furniture require the labour with skills in metal cutting, metal joining and painting work. Big firms normally go for I.T.I. certificate holders for sheet metal cutting, pipe cutting, forging and welding processes. They are very particular in maintaining quality next to the reputed national brands. Hence, they go for modern metal cutting machinery, whereas the small firms cannot invest too much on fixed assets like power press for forging the material. They generally prefer those who do not have much formal education as they cannot afford to spend much on labour cost, which on an average amounts to Rs.150/- per day. In small units, normally 10 workers are employed whereas in larger units, they exceed 30. The wages for skilled labour in big units go beyond Rs.500/- per day as for instance, a carpenter making sofa sets get more then Rs.600 per day; the labourers who have artistic skills used to get Rs.200/- every day in large firms.

There is a practice among many firms to employ contract labour. It has also been witnessed that sub-contracting is the order of the day in furniture making units. For instance, welding work may be subcontracted to obviate the necessity of making investment on welding machinery and payment of huge wages to the skilled labour.

Furniture industry in Madurai is characterised by both production to order and production to stock. During festival season, there used to be huge demand for furniture items and labour requirements used to be very high. Such a trend is also witnessed during marriage seasons. To cater to the requirements of customers, the firms work three shifts a day during this period and ensure that the deliveries are made on time.

As far as industrial relations are concerned, generally they appear to be cordial as the workers used to get bonus during festival seasons and incentives for increased number of units produced. Industrial relations mainly depend on the monetary considerations and proper treatment of employees in furniture industry. Except few units, all are able to foster team spirit among the employees and promote harmonious relations with them.
Purchase of Raw Materials

The requirements of furniture industry related to materials depend on the type of items they produce and the volume of items produced. The common items of furniture found in a unit include sofa sets, chairs of different types, TV stands, teapots, dining tables, office furniture and the like.

The steel items are generally procured from Salem and Trichy apart from local dealers in Madurai. The clinical items like acid and sodium nitroxide are purchased from local dealers. Big firms in general make direct purchasers from the manufacturers of steel sheets & pipes whereas small firms follow hand to mouth buying. At prices of steel items are on the increase. Small firms mostly thrive on credit purchases.

The tools and equipments are procured from Chennai and Coimbatore. Many of the steel manufacturing units are located in Jaihindpuram area of Madurai city, though big firms have their units in the outskirts of Madurai city. The lead time for the items depends on the volume and the places where the suppliers are having their units. Generally, it does not exceed a few days except for those items, which have to be procured from Chennai, Salem, Coimbatore and Bangalore. For instance, epoxy powder has to be bought from Chennai and Bangalore.

Marketing of Furniture in Madurai

Furniture industry has its own ups and downs as far as the market is concerned. As it is not an essential item for consumption, people tend to postpone their purchase, when the prices are ruling high. In Madurai demand for furniture both wooden and steel items reaches peak during festival seasons only to decline in the rest of the year. Big firms make festival offers as a measure of sales promotion on the sale of dining tables and chairs. With plastic furniture being added to the glory, the competition has become severe these days and the local furniture manufacturer has to face onslaught of competition from National brands like Godrej, Nilkamal and the like. However, the competition is limited to a particular type of items. Big units, though having economics of large scale production to their advantage, cannot dictate terms, as small units, making compromise in quality, offer items at low prices.

The sofa sets are available from Rs.6000/- whereas dining tables are priced at Rs.2,500 onwards in the case of medium fixed firm. Steel cupboards, on an average are sold at Rs.6,000/- for 6’ size, by big firm whereas they are available at less than Rs.5,000/- from small firms. Madurai market has middle class population ruling the roost with lower middle class coming next. Upper middle class people generally prefer branded furniture items. They prefer
items from big firms as the latter keep varieties of each item to woo the former. Lower middle class people feel the need for furniture generally during marriage ceremonies and they are fully satisfied with the products offered by small units, as the prices are affordable. The major chunk of the market is constituted by middle class population, which makes festival purchases and also alters the construction of their own houses thanks to the financial assistance provided by commercial banks and LIC. This is the fertile market, which firms of all scales aim at to exploit. Even big firms accept orders from the people to stay put in the market and grow.

On the whole, Madurai offers considerable employment opportunities to thousands of people in the furniture industry.
TABLE 2.1
Furniture Units in Madurai

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Nature of furniture unit</th>
<th>Number of units</th>
<th>Percentage to the Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Only trading unit</td>
<td>76</td>
<td>23.97</td>
</tr>
<tr>
<td>2.</td>
<td>Both production and trading</td>
<td>198</td>
<td>62.47</td>
</tr>
<tr>
<td>3.</td>
<td>Agents</td>
<td>43</td>
<td>13.56</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>317</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Sources: Primary data.

TABLE 2.2
Number of Furniture Units in Madurai

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Type of units</th>
<th>Number of units</th>
<th>Percentage to the Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Registered under TNGST only</td>
<td>23</td>
<td>7.25</td>
</tr>
<tr>
<td>2.</td>
<td>Registered only as a member of steel furniture association</td>
<td>34</td>
<td>10.73</td>
</tr>
<tr>
<td>3.</td>
<td>Registered only as a member in chamber of commerce</td>
<td>9</td>
<td>2.84</td>
</tr>
<tr>
<td>4.</td>
<td>Registered in any two</td>
<td>68</td>
<td>21.45</td>
</tr>
<tr>
<td>5.</td>
<td>Registered in all three</td>
<td>86</td>
<td>27.13</td>
</tr>
<tr>
<td>6.</td>
<td>Registered in small traders association</td>
<td>45</td>
<td>14.19</td>
</tr>
<tr>
<td>7.</td>
<td>Totally unregistered</td>
<td>52</td>
<td>16.41</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>317</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Sources: Record of the Government Office, various associations.

CHAPTER III