TECHNICAL SERIES

47

A TABLING OF VIEWS

Scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade

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INTERNATIONAL TROPICAL TIMBER ORGANIZATION

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Scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade

by George White

ITTO TECHNICAL SERIES #47

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Scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade

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The International Tropical Timber Organization (ITTO) is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its members represent the bulk of the world's tropical forests and of the global tropical timber trade. ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. In addition, ITTO collects, analyzes and disseminates data on the production and trade of tropical timber and funds projects and other actions aimed at developing sustainable forest industries at both the community and industrial scales. Since it became operational in 1987, ITTO has funded more than 1000 projects, pre-projects and activities valued at more than US$400 million. All projects are funded by voluntary contributions, the major donors to date being the governments of Japan and the United States of America.

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Front-cover photo: A chess table made of tropical timber harvested in Guatemala. © *Instituto Nacional de Bosques, Guatemala*

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CONTENTS

Tables

Figures

FOREWORD

The Independent Market Monitoring (IMM) mechanism was established under a European Union (EU)-funded ITTO project to support the implementation of bilateral voluntary partnership agreements (VPAs) between the EU and timber-supplying countries and to analyze their market impacts. VPAs are a key element of the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, which defines the EU's policy for promoting legal logging and the trade of legal timber. A VPA specifies commitments and actions by both signatory parties, with the aim of developing a legality assurance system to license timber and timber products for export to the EU.

IMM analysis of international trade statistics has identified wood furniture as a key product sourced by EU traders from tropical countries: finished wood furniture consistently accounts for nearly 40% of the total value of EU imports of timber and timber products from VPA countries. The EU furniture-manufacturing sector is also an important user of wood supplied in the form of logs, sawnwood, mouldings, veneer and plywood from VPA countries.

This report, which is based on a comprehensive survey of the private sector conducted by a network of experienced European market analysts, constitutes an excellent source of information for stakeholders interested in EU furniture market trends. It describes and explains the current market conditions and distribution channels for wood furniture exported by VPA countries to the EU; identifies important furniture-trading companies, market influencers and fashion trends; examines the competitiveness of furniture from VPA countries compared with other sources; and provides a preliminary assessment of the current and potential role of FLEGT licensing in improving market access in the EU for wood furniture from VPA countries.

Supporting the IMM mechanism is firmly within ITTO's mandate. We believe that a strong, verified-legal trade in tropical timber is crucial for backing the efforts of tropical timber producers to achieve sustainable forest management and contribute to sustainable development. ITTO is working, therefore, to encourage "green" supply chains, including verified legality, in partnership with governments, tropical timber producers and consumers, and other stakeholders. This report makes an important contribution to transparency in the trade between EU companies and VPA countries, and it forms part of a comprehensive baseline for the IMM's long-term monitoring of trends in the wood-furniture sector. I fully expect it to constitute an important reference document in years to come as the trade of tropical timber to the EU continues to evolve.

I thank the author and the IMM's network of market analysts for their efforts in producing this report, and all participating companies for their willingness to respond to the IMM survey. I also thank the European Commission for funding the IMM project.

Gerhard Dieterle
ITTO Executive Director

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ACRONYMS AND ABBREVIATIONS

DRC	Democratic Republic of the Congo
EU	European Union
€	euro(s)
EUTR	European Union Timber Regulation
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
HS	Harmonized System
IMM	Independent Market Monitor
ITTO	International Tropical Timber Organization
Lao PDR	Lao People's Democratic Republic
UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America
VPA	voluntary partnership agreement

EXECUTIVE SUMMARY

The furniture industry in the European Union (EU) is one of the main sectors involved in the trade of forest products originating in countries that have signed or are negotiating voluntary partnership agreements (VPAs) with the EU. Assembled wood furniture consistently accounts for nearly 40% of the total value of EU imports of timber and timber products from VPA partner countries, which also supply EU furniture manufacturers with a range of wood raw materials, including logs, sawnwood, mouldings, veneer and plywood. The distribution channels and factors affecting competitiveness in this industry are distinct from those in the traditional wood-importing sector.

An earlier report by the International Tropical Timber Organization (ITTO) and the Independent Market Monitor (IMM)[1] concluded that, "there is a need to significantly increase coverage in other sectors, notably furniture manufacturing and retailing, and joinery and engineered wood products". The study reported here, therefore, was conducted to provide a more comprehensive baseline as well as to provide a structure for the IMM's long-term monitoring of trends in the wood-furniture sector.

The study involved a series of semi-structured interviews—conducted by IMM's network of national correspondents in April and May 2018—with representatives of 47 companies based in the seven major European markets: Belgium, France, Germany, Italy, the Netherlands, Spain and the United Kingdom of Great Britain and Northern Ireland. Combined, these countries account for 83% of the furniture imported to the EU from VPA countries. It is estimated that there are 130 000 furniture companies in the EU, and approximately 90% of the furniture consumed in the EU is manufactured in Europe. Exporters based in the VPA countries, therefore, are entering a crowded and fiercely competitive market.

The companies that participated in the study represented a broad sample of the value chain across the seven countries, from very large retailers through to medium-sized furniture manufacturers and distributors. The range of furniture products covered includes indoor furniture of all types and outdoor furniture; in addition, a number of companies import raw materials such as sawnwood and panels, as well as furniture components, for furniture manufacturing within the EU.

The companies interviewed currently source—or have sourced in the past—from nine of the 14 VPA countries. Indonesia is the most popular VPA country (in terms of trading relationships), followed by Viet Nam and Malaysia. Overall, China is the origin of the majority of wood furniture purchased by the companies interviewed.

With a total of more than 850 suppliers of furniture from outside the EU, the companies were asked about their perceptions of quality, price, lead times from order to delivery, logistics (the ease of moving products) and the range of products available from various countries and regions. When asked to compare these variables on a country-by-country basis, it was clear that both western and eastern European EU countries were perceived as most competitive across the range of factors considered. The third-most competitive region identified was that of non-EU countries in eastern Europe. Viet Nam, Indonesia and China were perceived to be the next-most competitive.

The survey included questions on purchasing policies. Around one-quarter (11 of 47) of the companies interviewed did not have written environmental purchasing policies. For those that did have policies, the dominant feature was a requirement for "legality" or legal compliance regarding wood origin or trading (20 companies); the remainder (16 companies) were pro-certification, with a preference for the Programme for the Endorsement of Forest Certification and/or the Forest Stewardship Council.

Products licensed under the EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative were valued by 45% of those interviewed (typically those sourcing from Indonesia). An additional 19% of those interviewed stated that FLEGT licensing could play a role in their purchasing decisions if it were available in other countries. Overall, the companies interviewed were positive towards the FLEGT process, although the

1 ITTO & IMM 2017. *FLEGT VPA partners in EU timber trade 2014 to 2016: main report.* ITTO, Yokohama, Japan, and Independent Market Monitor (IMM).

lack of availability of licensed products from countries other than Indonesia was a common concern. Some respondents expressed doubt that the FLEGT process had led to on-the-ground improvements in forest governance. The chief benefit identified for those favourably disposed towards FLEGT licensing centred on the linkage with the EU Timber Regulation and the simplified due-diligence process.

The study asked interviewees for their views on the outlook for tropical timber in the European furniture trade. Forty-three percent considered that the market for tropical wood furniture would grow or stabilize in the next decade, and 32% thought demand and volume would shrink (25% expressed no opinion). The wide range of alternative materials and consumer and specifier attitudes towards tropical timber were seen as the main negative drivers.

Fashion largely drives the style and design of wood furniture, with end consumers destined to buy 80% of production. A complex web of interconnected drivers determines the choice of wood and accompanying colours and features. Consumers, retailers and manufacturers have a huge range of options for materials, and the choice of wood in furniture *per se* is no longer guaranteed. Retailers and manufacturers are promoting certified wood and certified tropical wood to varying degrees; FLEGT-licensed timber has a role to play—but only at a business-to-business level.

The report makes the following recommendations:

- Minimize the bureaucracy involved in the process of importing FLEGT-licensed timber to maximize the business benefits for operators.
- Encourage those companies not yet using FLEGT-licensed timber to do so.
- Demonstrate the benefits of the FLEGT-licensing scheme in Indonesia to build trust.
- Clarify within the trade the impacts and achievements of FLEGT-licensed timber and timber legality assurance schemes.
- Speed up the introduction of FLEGT-licensed timber supplies from other VPA countries.

1 INTRODUCTION

The study reported in this publication contributes to the primary role of the Independent Market Monitor (IMM), which is to use trade-flow analysis and market research to independently assess the trade and market impacts of Forest Law Enforcement, Governance and Trade (FLEGT) voluntary partnership agreements (VPAs) between the European Union (EU[2]) and partner countries.[3] The purpose of the study was to provide a comprehensive baseline and to generate recommendations for the IMM's long-term monitoring of trends in the wood-furniture sector.

Background

The study was developed bearing in mind the following background information:

- Finished wood furniture consistently accounts for nearly 40% of the total value of EU imports of timber and timber products from VPA partner countries and therefore is worthy of further study.
- The EU furniture-manufacturing sector is an important user of wood supplied by VPA countries in the form of logs, sawnwood, mouldings, veneer and plywood. Distribution channels and factors affecting competitiveness in the furniture sector are distinct from the traditional wood-importing sector and would benefit from specialist knowledge and analysis (accepting that there are some overlaps among operators).
- Large retailers, many operating in more than one EU country, distribute a significant but unknown proportion of the wood furniture imported into the EU. An EU-wide study of this sector would help in coordinating and avoiding the potential duplication of survey activities by the IMM team, which is organized along national lines within the EU.
- The furniture sector is of particular interest in assessing the impacts of the EU Timber Regulation (EUTR) because it comprises both products not covered by the EUTR (i.e. seating) and products that are covered (all other types of wood furniture).

Aims

The overall aims of the study were to:

- Describe and explain current market conditions and distribution channels for
  - finished wood furniture exported by VPA countries to the EU
  - timber supplied to the EU furniture-manufacturing sector by VPA countries.
- Identify EU-based furniture companies (retailers, importers, wholesalers and agents) with significant potential to influence market demand for products from VPA countries and which should be prioritized for future IMM monitoring.
- Better understand the types of wood furniture imported by the EU from VPA countries.
- Understand and prioritize the factors determining the relative competitiveness of VPA countries in relevant EU furniture-market segments, including (but not necessarily limited to)
  - fashion trends
  - commitment to branding, marketing, research and development
  - ability to comply with the EUTR and other EU technical and environmental standards
  - freight and other logistical factors
  - costs of labour and other manufacturing inputs in supply countries
  - exchange rates and other macroeconomic factors
  - consumer perceptions.
- Provide a preliminary assessment of the current and potential role of FLEGT licensing to improve market access for wood furniture from VPA countries in the EU.

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2 As of May 2018, the 28 EU member countries were Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom of Great Britain and Northern Ireland (UK).

3 As of May 2018, the VPA countries were: Cameroon, the Central African Republic, the Congo, the Democratic Republic of the Congo (DRC), Gabon, Ghana, Guyana, Honduras, Indonesia, the Lao People's Democratic Republic (Lao PDR), Liberia, Malaysia, Thailand and Viet Nam.

- Recommend a strategy for optimizing the benefits of FLEGT licensing in the development of the EU market for wood furniture from VPA countries.
- Recommend a strategy for ongoing IMM monitoring of FLEGT-related market impacts in the EU furniture sector.

Product scope

The study covered:

- imports of finished furniture products from VPA countries specifically identified as containing wood in Chapter 94 ("furniture") of the EU's Combined Nomenclature; and
- the wood imports of EU wood-furniture manufacturers from VPA countries in the form of logs, sawnwood, mouldings, veneer and plywood.

Geographic scope

Technically, the geographic scope of the study included all VPA countries and all EU countries (as defined in 2018). In practice, however, the high degree of concentration in the furniture sector and trade meant that certain countries could be prioritized.

Four of the 14 VPA countries—Viet Nam, Indonesia, Malaysia and Thailand (in descending order, by value)—are significantly engaged in the supply of wood furniture to the EU (tables 1 and 2). Seven countries— the UK, Germany, France, the Netherlands, Belgium, Italy and Spain (in descending order, by value)—account for 83% of all EU wood-furniture imports from outside the EU (Table 3). These seven countries also account for 86% of all EU wood-furniture imports from VPA countries. Six EU countries—Italy, Germany, Poland, the UK, France and Spain—account for 75% of all wood furniture manufactured in the EU (Table 4). Thus, the study focused on the markets of the following seven EU countries: Belgium, France, Germany, Italy, the Netherlands, Spain and the UK.

Questionnaire

A questionnaire (see annex) was developed to guide the interview process: it was designed to allow statistical analysis where possible as well as significant narrative answers.

Interviews

The IMM correspondents in the seven main market countries were involved in both the selection of companies and the interviews of them.

With input from the study's coordinator, the correspondents were tasked with identifying key

Table 1: Top 15 external suppliers of wood furniture to the EU, by value, 2014–2017

Country	Annual value (€ million)			Value Jan–Aug (€ million)		% of total EU imports	
	2014	2015	2016	2016	2017	2014–2016	2017
China	2811.8	3153.1	3036.8	2029.4	2132	54.0	49.8
Viet Nam	596.3	725.0	717.8	506.4	521.9	12.2	12.2
Indonesia	296.5	316.1	299.5	218.4	225.4	5.5	5.3
Malaysia	171.7	191.4	183.8	125.3	138.9	3.3	3.2
Turkey	151.7	182.7	203.9	133.8	130.5	3.2	3.1
Bosnia and Herzegovina	149.3	157.4	189.8	121	142.4	3.0	3.3
India	132.0	162.5	180.1	119.4	137.3	2.8	3.2
Switzerland	117.1	116.8	117.8	79.6	82.6	2.1	1.9
Brazil	105.9	122.4	118.7	83.2	75.5	2.1	1.8
Norway	104.2	104.7	106.8	69.6	63.5	1.9	1.5
Serbia	83.9	91.1	111.9	69.7	79.9	1.7	1.9
USA	49.2	66.7	61.6	43.2	97.7	1.1	2.3
Thailand	74.4	77.0	63.3	43	39.9	1.0	0.9
Ukraine	34.3	47.4	79.5	46.8	83.6	1.0	2.0
Belarus	32.5	39.5	69.8	43.2	59.9	0.9	1.4
Other	205.7	227.7	237.2	155.8	266.5	4.0	6.2
Total extra-EU imports	**5116.5**	**5781.5**	**5778.3**	**3887.9**	**4277.4**	**100.0**	**100.0**

Note: VPA countries are shaded.
Source: ITTO/IMM analysis of Global Trade Atlas data.

Table 2: Value of EU wood-furniture imports from VPA countries, 2014–2017

Country	Annual value (€ million)			Value Jan–Aug (€ million)		% total VPA	
	2014	2015	2016	2016	2017	2014–2016	2017
Viet Nam	596.3	725.0	717.8	506.4	521.9	54.8	56.2
Indonesia	296.5	316.1	299.5	218.4	225.4	24.5	24.3
Malaysia	171.7	191.4	183.8	125.4	138.9	14.7	15.0
Thailand	74.4	77.0	63.3	43.0	39.9	5.8	4.3
Myanmar	1.3	2.2	2.5	1.9	1.7	0.2	0.2
Other	0.3	0.3	0.4	0.2	0.6	0.0	0.1
Total imports (VPA countries)	**1140.5**	**1312.0**	**1267.3**	**895.3**	**928.4**	**100**	**100**
VPA share of total EU trade (%)	6.0	6.5	6.1	6.5	6.4		
VPA share of extra-EU imports (%)	22.3	22.7	21.9	23.0	21.7		

Source: ITTO/IMM analysis of Global Trade Atlas data.

Table 3: Value of wood-furniture imports from outside the EU by the EU's seven largest importers, 2014–2017

Country	Annual value (€ million)			Value Jan–Aug (€ million)		% total VPA	
	2014	2015	2016	2016	2017	2014–2016	2017
UK	1692.5	2062.7	2000.8	1355.7	1489.5	34.5	34.8
Germany	922.7	960.2	947.3	628.6	692	17.0	16.2
France	709.5	755.9	774	526.7	544.4	13.4	12.7
Netherlands	350.3	396.2	420.4	284.2	330.9	7.0	7.7
Belgium	231.6	247.6	230.6	160.8	166.7	4.3	3.9
Italy	182.4	201.2	207.7	146.3	155.5	3.5	3.6
Spain	149.1	180.5	188.7	127.3	151.5	3.1	3.5
Other	878.3	977.1	1008.8	658.4	746.9	17.2	17.5
Total extra-EU imports	**5116.4**	**5781.4**	**5778.3**	**3888.0**	**4277.4**	**100**	**100**

Source: ITTO/IMM analysis of Global Trade Atlas data.

Table 4: Value of wood-furniture imports from VPA countries by the EU's seven largest importers, 2014–2017

Country	Annual value (€ million)			Value Jan–Aug (€ million)		% total VPA	
	2014	2015	2016	2016	2017	2014–2016	2017
UK	396.9	492.6	491.2	340.0	326.3	37.1	35.1
France	183.4	196.3	186.2	130.9	129.5	15.2	13.9
Germany	168.6	180.2	164.4	118.1	122.3	13.8	13.2
Netherlands	95.3	105.3	106.4	76.7	89.4	8.3	9.6
Belgium	62.3	71.0	63.2	46.2	45.4	5.3	4.9
Spain	38.0	42.3	43.3	31.2	40.3	3.3	4.3
Italy	42.3	45.5	46.9	35.8	34.7	3.6	3.7
Other	153.6	178.6	165.8	116.1	140.4	13.4	15.1
Total imports from VPA countries	**1140.4**	**1311.8**	**1267.4**	**895.0**	**928.3**	**100**	**100**

Source: ITTO/IMM analysis of Global Trade Atlas data.

companies involved in the furniture trade in a given country—retailers, importers, wholesalers, and others with significant potential to influence market demand for furniture from VPA countries. Correspondents were encouraged to select a range of companies in terms of size (sales turnover) and a representative sample of the major elements of the sector.

The interviews sought to:

- describe and explain current market conditions and distribution channels for finished wood furniture exported by VPA countries into the EU and for timber supplied to the EU furniture-manufacturing sector by VPA countries;

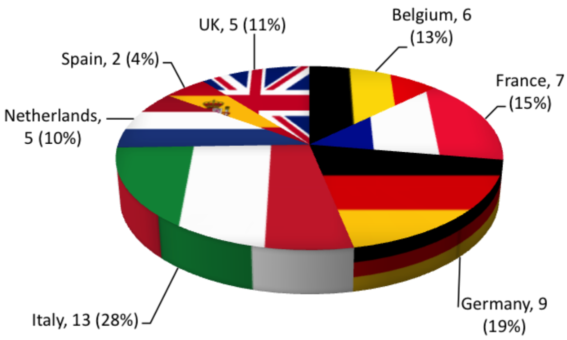
- identify, describe and prioritize the factors determining the relative competitiveness of relevant EU furniture market segments, including a comparison with the four major VPA countries engaged in the supply of wood furniture to the EU (Indonesia, Malaysia, Thailand and Viet Nam) as well as China, Africa and non-EU European states; and
- obtain information on the current and potential role of FLEGT licensing to improve market access in these market segments while investigating the extent of compliance with the EUTR by the furniture sector in the given EU member country.

The interviews took place in April and May 2018 and typically lasted 30–90 minutes.

The sample

This report is based on the information obtained from interviews with a total of 47 companies based in Belgium, France, Germany, Italy, the Netherlands, Spain or the UK (Figure 1) (note, however, that some of the companies also operate outside their base countries).

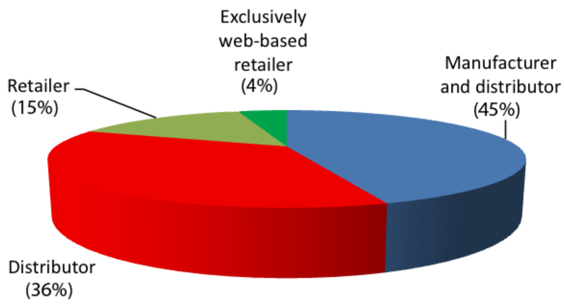
Figure 1: Number of companies interviewed for the study, by country in which they are based



Sectors represented

The 47 companies represented diverse positions in the value chain, from manufacturer to retailer. Forty-five percent were manufacturers, some of which were also distributors. Thirty-six percent were involved only in distribution (i.e. acting between manufacturers and retailers). Nineteen percent of the sample comprised multichannel retailers, and 4% were retail companies that trade exclusively online (Figure 2).

Figure 2: Position of interviewed companies in the value chain

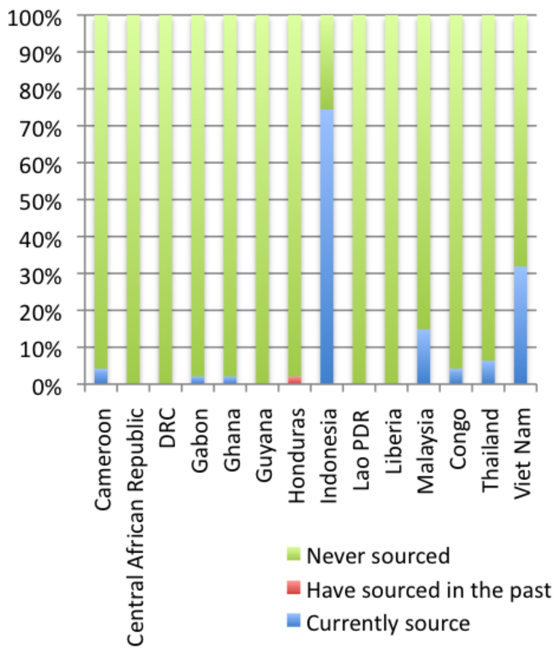


Relationship with producers in VPA countries

The participating companies indicated that they sourced furniture or raw materials to manufacture furniture from eight of the countries engaged in VPA processes. One company had previously sourced from an additional country engaged in the process.

The dominant country in terms of trading relationships was Indonesia, with more than 30 of the 47 companies purchasing from that country. The second-largest relationship was with Viet Nam, followed by Malaysia (Figure 3).

Figure 3: Percentage of interviewed companies sourcing materials from VPA countries



Study limitations

Sample size. A sample of fewer than 50 companies across several countries is tiny compared with the total number of companies involved in wood-furniture value chains in the EU, estimated at more than 130 000 in 2010 (Centre for European Policy Studies 2014). The results, therefore, should be extrapolated with caution.

Limited number of countries included. Only seven of the 28 EU member states were included in the interviews, and conditions and attitudes may vary widely in countries not featured. Note, however, that the seven countries are responsible for 83% of the EU's furniture imports by value.

Not all sectors represented. The furniture market in the EU comprises a series of specialist markets, ranging from consumer-facing (with its own market segments) to specialist markets (such as contract furniture for hotels and conference venues). The sector also includes companies that supply manufacturers with basic materials (such as sawnwood) and machined components. The sample of interviewees was biased towards downstream participants (i.e. those dealing with furniture) compared with upstream actors (i.e. those dealing with components or raw materials).

Self-identification of participants. Participation in the survey was voluntary, and companies were able to specify whether their data were confidential; most opted for anonymity. About one-quarter of companies approached for interviews were able to participate, with "lack of time" cited as the main reason for non-participation. Thus, the study comprises a sample of companies with "something to say". Their representativeness might therefore be questioned, given that the majority of companies approached chose not participate.

Representativeness of participants. The study involved companies primarily involved in sales to end consumers or in supply chains that feed into retailers. Although retail sales account for the majority of the volume of furniture sales in the EU, the sample did not include companies that supply to contract markets (such as hotels). The sample also did not include specialist kitchen furniture companies, although some retailers interviewed did sell kitchens as a part of their wider ranges.

2 THE EU FURNITURE MARKET IN 2018

As noted in a previous report (ITTO & IMM 2017),[4] demand for wood furniture in the EU is rising but competition is intensifying. EU manufacturers, particularly in eastern Europe, are producing more at a time when domestic consumption is growing only slowly and exports to other parts of the world are weakening.

Eurostat indices and trade data analysis suggest that EU consumption of wood furniture was around €36.1 billion in 2016, a gain of 1% compared with 2015. Consumption in 2016 was relatively steady in the larger markets of France, Germany, Italy and the UK but increased slightly in the Netherlands, Poland, Spain and Sweden.

External suppliers to the EU made significant gains in 2014 and 2015 but struggled to maintain momentum in 2016. Tropical wood-furniture suppliers face significant competition from manufacturers in EU countries as well as those in eastern European countries outside the EU and in China.

China is the dominant external supplier of wood furniture to the EU, and it gained market share in 2013–2015. EU imports from China increased by 27% in this period, from €2.49 billion to €3.16 billion, and China's share of total imports increased from 54% to 55%. EU imports from China fell by 5% in 2016, however, to €3.01 billion. China's share of total imports dropped to 53% in 2016, losing share to Viet Nam and several non-tropical suppliers, including Belarus, Serbia, Turkey and Ukraine. China continued to dominate EU imports in 2017 with a value of more than €2.1 billion, but its share of the total fell further, to 49.8%.

Viet Nam's EU wood-furniture imports amounted to €522 million in 2017, which was 12.2% of the total value of the non-EU imports market; Viet Nam maintained this share over the period 2014–2017. EU import value from non-EU temperate countries other than China increased by 14% in 2016, to €1.07 billion.

EU imports of wood furniture from Indonesia increased from €218 million in 2016 to €225 million in 2017; this was well below the value in 2015 of €319 million. EU wood-furniture imports from all VPA countries increased from €895 million in 2016 to €928 million in 2017, which was well down, however, from the value in 2013 (€1.14 billion).

The value of EU imports of wood furniture from non-EU countries decreased from €5.1 billion in 2015 to €4.27 billion in 2017 (Table 1). The import volume was about 1.95 million tonnes in 2015.

The value of EU imports of wood furniture from all tropical countries increased from €1.31 billion in 2013 to €1.69 billion in 2015, a rise of 29%. The value fell by nearly 3% in 2016, however, to €1.64 billion.

VPA countries accounted for 77% of EU tropical wood-furniture imports in 2016, down from 79% in 2013. The decline was due to an increase in imports from several non-VPA countries, including Brazil, India and the Philippines.

The total share of tropical countries in EU wood-furniture import value was steady at 28–29% in the period 2013–2017. During this time, however, Viet Nam's share increased at the expense of Indonesia and Malaysia.

The EU's domestic manufacturers continue to dominate the European wood-furniture market. In 2016, domestic manufacturers accounted for about 87% of the total value of wood furniture supplied to the EU market, the same proportion as in 2015 and little changed since 2007.[5] The market share of imported furniture has been static for the last decade.

The value of EU wood-furniture production was around €39.6 billion in 2016, up by 1% from 2015 but still 20% below the level prevailing before the 2008 global financial crisis. A slight slowdown in production in Italy and Germany—the EU's two largest wood-furniture-manufacturing countries—offset gains in Lithuania, Poland, Romania, Spain and the UK.

The value of the internal EU trade of wood furniture was €16.2 billion in 2016, up by 4% over

4 The data presented in this section are from this source, or Eurostat, unless otherwise specified.

5 The Center for European Policy Studies (2014) indicated that non-EU imports accounted for 15% of the market in 2012.

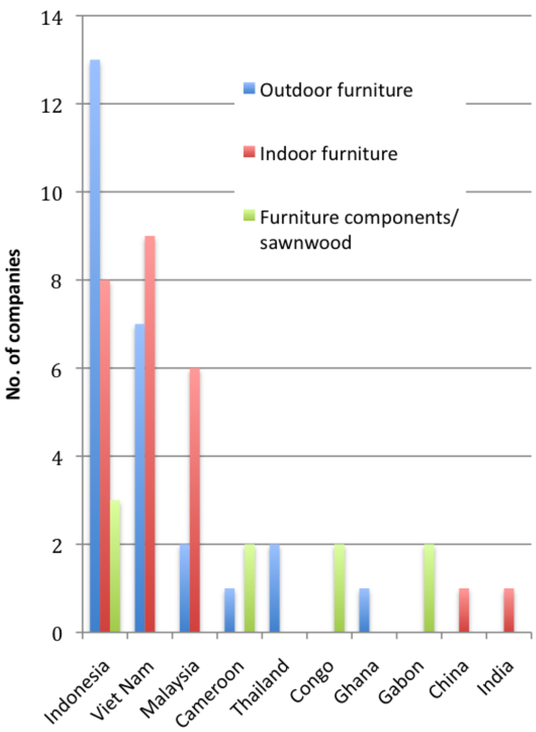
2015 and continuing a rising trend since 2013. The trend is being driven both by a slow rise in EU consumption and by the growing dependence of the EU market on manufacturers in lower-cost member countries in eastern Europe, particularly Lithuania, Poland and Romania.

Sourcing by the interviewed companies

Companies participating in the study were asked questions on their sourcing profiles pertaining to product type, the country of manufacture and the reasoning behind these choices.

More than half the interviewed companies sourced some material—primarily outdoor furniture—from Indonesia (Figure 4). The second most popular supply country was Viet Nam, followed by Malaysia. A number of other countries were also mentioned.

Figure 4: Number of interviewed companies obtaining materials from non-EU countries, by type of material

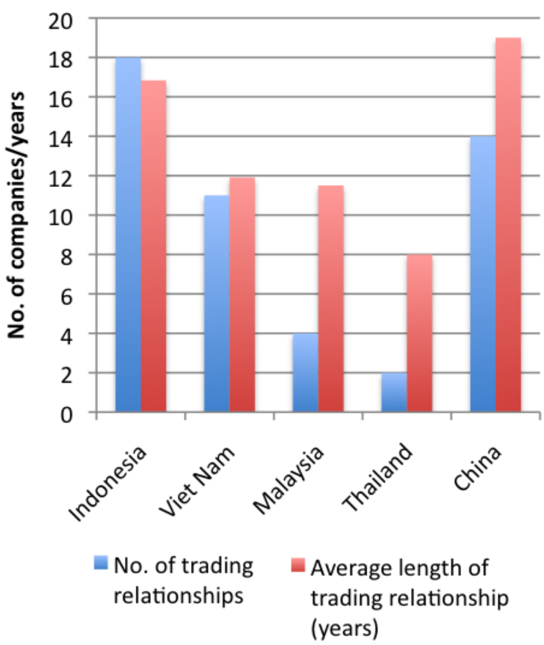


Duration of trading relationships

Thirty-six of the interviewed companies provided information on the duration of their relationships with suppliers (Figure 5). On average, the longest trading relationships (19.0 years) were with furniture manufacturers in China. The average length of trading relationships with Indonesian suppliers was 16.8 years, which was higher than the average for Viet Nam (11.9 years) and Malaysia (11.5 years).

Notably, the smaller buyers and importers interviewed indicated that they relied on long-lasting purchasing relationships and aimed to establish long-term relationships because shifting suppliers required substantial work and involved economic risk. In contrast, the larger retailers said they mostly selected their suppliers on a yearly or seasonal basis.

Figure 5: Number of interviewed companies with trading relationships with non-EU suppliers, and average duration of those relationships in years



Number of suppliers

Thirty-three of the 47 interviewed companies indicated the number of furniture suppliers they currently had per country. In total, these 33 companies had 847 suppliers across an average of about 11 countries. China was the dominant country, with more than 480 suppliers. The leading VPA countries were Indonesia (162 suppliers), Viet Nam (122) and Malaysia (46) (Figure 6).

Timber species used

The 33 companies that provided information indicated that they used a wide range of timber species (Figure 7). Teak (*Tectona grandis*) was by far the most popular species, sourced primarily from Indonesia. Acacia and pine species were the equal-second most commonly sourced species groups. Few companies indicated that they used species from natural tropical forests.

Figure 6: Number of suppliers in non-EU countries used by 33 importing companies

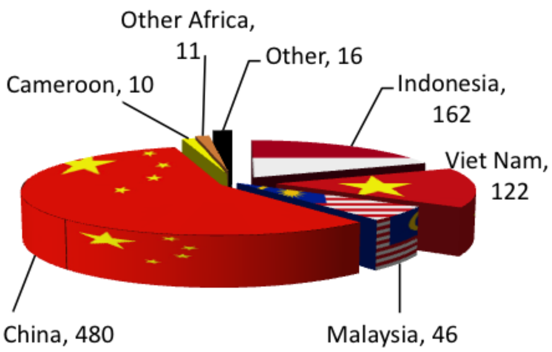
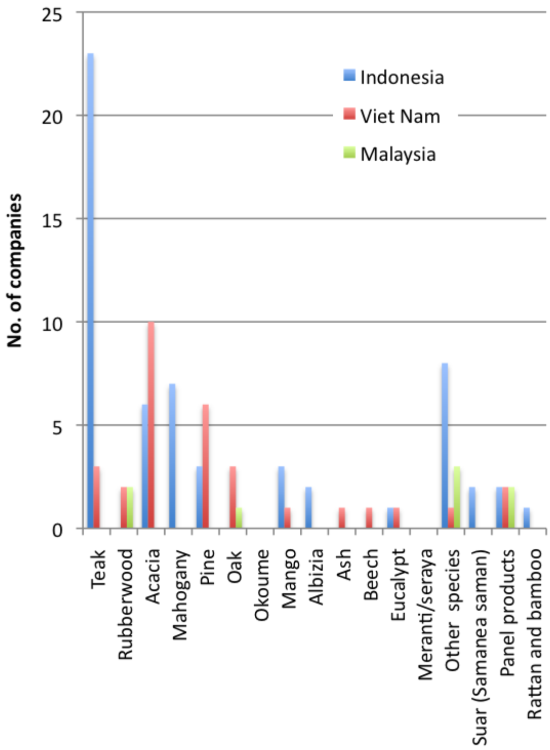


Figure 7: Number of companies importing certain species or species groups, by non-EU source country



Note: The total number of companies reporting this information = 33.

Distribution channels for furniture in Europe

About 170 000 companies were engaged in furniture retailing in the EU in 2010 (Centre for European Policy Studies 2014). The furniture sector, which encompasses a diverse range of products and markets, comprises three broad segments according to their associated purchasing characteristics (Centre for European Policy Studies 2014):

1) domestic furniture—serving the general public, mainly through retail stores and intended for household use (accounting for approximately 80% of furniture sales);
2) office furniture—covering furniture items destined for the office environment (accounting for about 10% of total furniture sales); and
3) contract furniture—including furniture for public areas such as hotels, restaurants, schools, hospitals, stadia, offices and airports. This segment, which accounts for about 10% of total furniture sales, also overlaps with both the domestic and office segments.

Some of the distribution models used in Europe are described below. Note that there is a huge range of models, and the descriptions here are not intended to be comprehensive.

Furniture production and distribution are usually carried out as separate tasks by separate companies. Some manufacturers have their own distribution networks (this is an increasing trend, especially among larger companies) or sell directly to consumers. The majority of manufacturers, however, sell their products to retailers (whether furniture specialists or general retailers). The relationship between retailers and manufacturers varies widely between countries, segments and market ranges (e.g. “mass market” or “high end”), and even within retailing channels.

Note that the role of agents is not included in figures 8–12. With the exception of the fully integrated model, agents are potentially involved at all stages of the value chain.

Fully integrated

This model, which is used by IKEA, the world’s largest furniture retailer, involves owning the retail, distribution, importing, design, manufacturing and raw-material sourcing stages of the value chain; it may include ownership of the forest resource (Figure 8). Fully integrated approaches require huge financial and human resources to manage effectively but give a high level of control over costs, quality and product integrity. The model encompasses independent manufacturers that supply products or components to retailers. In IKEA's case, close control is extended beyond the immediate company through trading agreements and supplier rating systems. IKEA's code of conduct, IWAY, first introduced in 2000, specifies the requirements placed on the suppliers of products and services and what suppliers can expect in return from IKEA. In addition to a main document, IWAY includes several industry-specific supplements and a special code of conduct for child labour. IKEA suppliers are responsible for communicating the content of IWAY to their employees and subsuppliers (IWAY Council 2016).

IKEA is the largest example of a company using a fully integrated model, but it is not the only one. It has been estimated that one-third of Europe's furniture manufacturers carry out retailing activities alongside their manufacturing (Centre for European Policy Studies 2014). This includes:

- selling only their own brands in their own stores;
- making direct sales through showrooms and other outlets;
- operating through licensed stores;
- controlling a franchised network; and
- direct internet sales.

Other furniture manufacturers carrying out retailing activities include:

- Swedish kitchen specialist Nobia, which sells directly to consumers through a network of more than 600 owned or franchised stores, plus sales to professional customers; and
- the UK's DFS, which operates a national retail network of nearly 100 furniture stores.

Partially integrated

Not all retailers have the resources, appetite or ambitions of IKEA and seek to control only some aspects of their supply chains (Figure 9). This may involve sourcing directly from manufacturers (i.e. not using distributors) and arranging delivery direct from manufacturers.

Figure 8: Fully integrated furniture production and distribution model

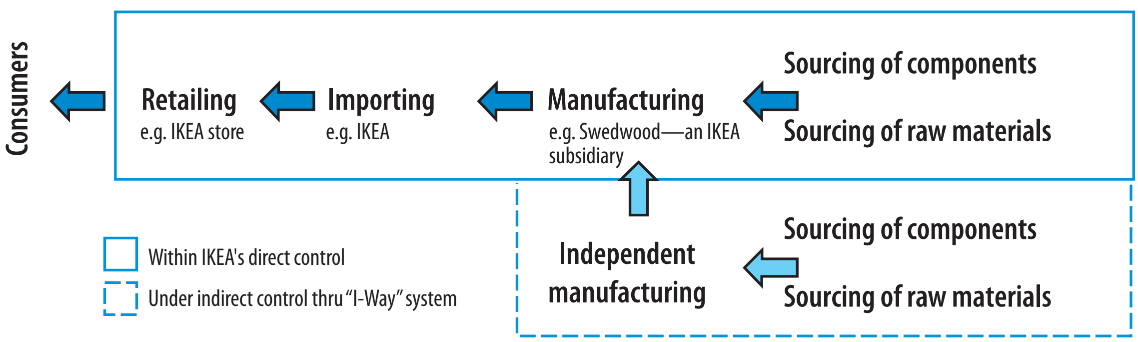
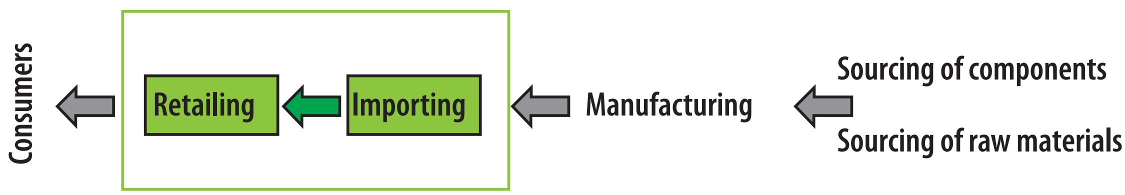


Figure 9: Partially integrated furniture production and distribution model



The use of buying groups, typically based in Asia, is a preferred model for many large and medium-sized retailers (Figure 10). The combined purchasing power of buying groups provides economies of scale.

Non-integrated

In more "traditional", non-integrated approaches, each component in a supply chain acts independently, with minimal direct control over the activities of others (Figure 11). Distributors typically have a key role in holding stock and arranging shipments and other logistics.

Contract and office

Contract and office products comprise furniture destined for offices, hotels and conference centres, and the end consumers are professional specifiers (Figure 12).

Retailing formats

The nature of furniture retailing varies between countries. A broad distinction can be drawn between specialized and non-specialized retailers, as described below.

Specialized retailers

Independent chains (large-scale distribution). Typically, these are chains under the same ownership specializing mainly in the sale of furniture, accessories and products for homes. Independent chains may be own-brand (e.g. IKEA and Boconcept), or they may sell proprietary brands (e.g. XXXLutz).

Franchises (large-scale distribution). The franchise model comprises a system of collaboration between independent companies, bound by contracts, under which one company (the franchisor) grants the other (the franchisee) the

Figure 10: Partially integrated furniture production and distribution model involving buying groups

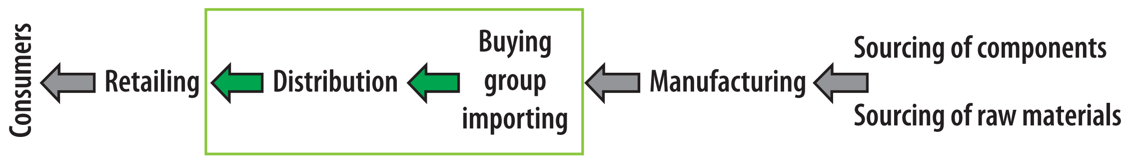


Figure 11: Non-integrated furniture production and distribution model

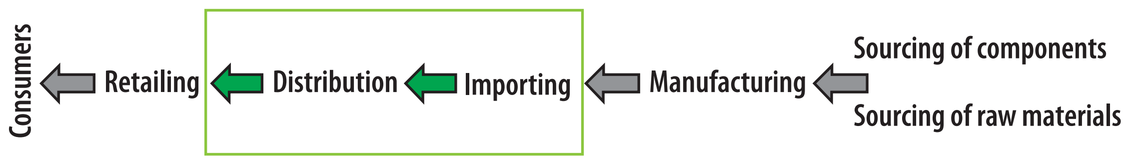
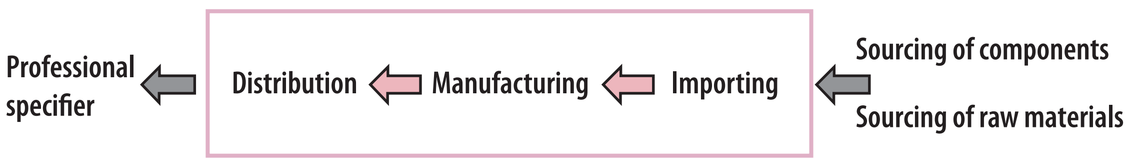


Figure 12: Contract and office furniture production and distribution model



right to use a brand name and a commercial formula, including a logo, under certain conditions. The franchisor guarantees assistance and support services. Own-brand franchising stores mainly use this distribution model; multi-brand/proprietary-brand franchises are less common.

Buying groups (large-scale distribution). Buying groups are associations between retailers (each retaining its own legal status and financial independence) in which the main objective is to jointly purchase and provide sales, technical and financial services. Buying groups typically involve multiple brands, although some have their own brands.

Small-scale independent retailers (small-scale distribution). Small-scale independent retailers constitute a more "traditional" distribution model in which small, independent sales outlets do not form organized structures of any kind. Own-brand stores (e.g. those owned by a furniture manufacturer) and multi-brand stores (those trading products of more than one furniture manufacturer) may use this model.

> "Online furniture distribution is growing all the time and is attracting more and more players. There are some very large players but also hundreds of smaller players who are raising funds on the equity market."
> ***UK company***

Non-specialized retailers

Supermarkets and hypermarkets. These are retail sales outlets divided into departments (food and non-food) with the characteristics of both supermarkets and department stores.

Department stores. These are retail sales outlets operating in the non-food field dedicated to the sale of articles belonging to different sectors.

Do-it-yourself stores. "DIY" stores are retail sales outlets for articles used in home improvement.

Mail order and e-commerce. These are retail sales entities for various products that sell via catalogues or the internet.

Office furniture

Sales of office furniture also involve large-scale chains specializing in office supplies and other large-scale dealers that also operate in the home-furniture segments.

Structural changes in the market

The wood-furniture sector has undergone important structural changes in the last decade, with the various retail formats performing unevenly. The specialist channel has become dominant, accounting for around 84% of home-furniture sales in western Europe in 2010 (Centre for European Policy Studies 2014). This figure includes upholstery specialists, kitchen and bathroom specialists, bedroom specialists, discount stores, and specialists in ready-to-assemble furniture.

Among the specialist furniture retailers, traditional independent retailers are losing share and furniture chains are becoming more important.

Buying groups, chains and franchised businesses accounted for over 50% of home-furniture sales in western Europe in 2010 (Centre for European Policy Studies 2014).

Retailers worldwide are having to adapt rapidly to a changing environment in which consumers are increasingly less concerned about which sales channels they use: from a consumer perspective, shopping is not about "bricks versus clicks" or one shopping channel versus another. Shopping journeys and pre-shopping research constitute a fluid process whereby consumers bounce between online and offline sources along the road to making their purchases. According to Deloitte (2018), digital interactions globally influenced 56 cents of every dollar spent in bricks-and-mortar stores in 2017, up from 36 cents in 2013. Moreover, consumers who shopped using a variety of methods, such as online, mobile and visits to physical stores, spent more than double the amount of consumers who shopped only in bricks-and-mortar stores.

It is estimated that the online furniture market in Germany (and very likely the rest of Europe) will continue to grow at approximately 10% per year for the foreseeable future (eCommerce Marktanalyse and Fallstudie ikea.com 2016). The growth of global retailers, and investments in online platforms, technologies and logistics by players such as IKEA, made.com and Amazon, will ensure the growing importance of this channel.

Market characteristics, by country

Belgium

The Belgian outdoor-furniture market is characterized by many small importers. Belgium's solid-wood middle-range market is made up of several small importers and manufacturers rather than by large buying groups (as found in Germany). Most Belgian furniture importers are small or medium-sized enterprises, but the larger of these have developed their own sales outlets.

France

It is estimated that, in 2014, specialist retailers controlled more than 86% of the French furniture distribution market (Centre for European Policy Studies 2014). Buying groups and franchises (e.g. UCEM, Mobilier Européen, MDF, Pem, Gram and Maxiam) distributed an estimated 37% of this specialist retail market.

Independent furniture chains (e.g. Alinéa, Conforama and IKEA) were estimated to account for 32% of the specialist market. Online operators and do-it-yourself chains held about 4% of the total market. Growth in the market was attributed to online operators such as CAFOM, Quelle and Redoute, plus increased online sales by traditional specialists.

> "The French furniture market is dominated by three specialized mass retailers: IKEA 19%, Conforama 16.1% and BUT with 13.4% market share."
> ***French company***

> "Furniture distribution in France is very concentrated in the hands of a few large groups. Outside of those large players, the market is very narrow."
> ***French company***

Germany

The unique German market is dominated by buying groups. Unusually large chains and much smaller individual shops may be organized formally within such buying groups. Major buying groups include Begros, working with very large retailers (e.g. XXXLutz, Porta Möbel and Schaffrath), Union, with 29 associates, EMV Europa Mobel Verbund, with 585 associates, and Einrichtungs-parntnerringVME, with 176 members and about 350 stores (Centre for European Policy Studies 2014).

German buying groups also include a number of kitchen and bathroom specialists, such as MHK, Der Kreis (which includes several chains and franchises), Küchen Treff, Küchen Partner, and Der Küchenring.

Buying groups have a greater presence in Germany than in other parts of Europe, comprising almost 65% of furniture sales (in Italy and the UK, for example, this channel represents only about 10% of the market).

Franchise retailers are not a major force in the German furniture market, and sales through independent retailers are limited to specialists. Of the independent chains, IKEA is a leading player, along with Höffner/Krieger Gruppe and Finke. Compared with the rest of western Europe, Germany has the lowest number of independent specialists.

Significant online retailers include Wayfair, Westwing, Home24, Lampenwelt and Schlafwelt (eCommerce Marktanalyse und Fallstudie ikea.com 2016).

> "Most of the larger retailers use the buying associations."
> ***German company***

> "Some retailers even have their own purchasing team in Asia that makes quality control much easier."
> ***German company***

Italy

Specialist channels dominate home-furniture sales in Italy. They comprised 90% of the market in 2010, while non-specialist distributors—mainly the do-it-yourself retailers and other distribution channels such as online sales—made up 10% (Centre for European Policy Studies 2014).

> "The Italian furniture sector is characterized by a large number of small and medium-sized actors."
> ***Italian company***

Independent retailers handle the largest share of sales made through the furniture specialist channel, with 65% of sales. The Italian retailing sector is fragmented and has many smaller companies. New operators have found the market difficult because selling into it requires local knowledge and a large network of contacts, thus favouring domestic producers.

> "The import of semi-finished products made of tropical species is dominated by some big importers."
> ***Italian company***

Buying groups have less market share in Italy than in any other country in Europe, at about 9% of sales in 2010.

The Italian furniture-manufacturing sector is characterized by a large number of typically small to medium-sized actors. For logistical reasons, imports from southern and eastern Europe are straightforward; thus, there is a large number of Italian importers.

> "Imports from Africa and Southeast Asia are dominated by a small number of importers."
> ***Italian company***

Netherlands

The Dutch furniture sector is traditionally characterized by its openness, favoured by the Netherlands' key geographical location as the gateway to Europe. The Netherlands has the second-highest imports-to-consumption ratio in western Europe (after Switzerland). A peculiarity of the Dutch distribution system is the presence of a specific format for certain categories of goods called "boulevards": those dealing in furniture and home furnishings are called "woonboulevards". Furniture retailers in the Netherlands have made substantial investments in online activities in recent years (Centre for Industrial Studies 2018a).

Some of the larger furniture companies are BeddenREUS, Beter Bed, De Mandemakers Groep and Leen Bakker.

Spain

The Spanish retailing sector is quite fragmented, with many smaller companies operating nationally and regionally. Furniture manufacturers selling in Spain require local knowledge and a large network of contacts, thus favouring domestic producers. For this reason, independent retailers dominate the furniture market, although their share is under pressure from larger retailers (Centre for Industrial Studies 2018b).

Some of the larger furniture companies are Dormitienda, El Corte Inglés, Habitat Spain, Noctalia and Rey Corporacion.

UK

In the UK, specialist retailers account for 66% of the furniture retail market, non-specialist retailers for 32% and direct sales for about 2% (Centre for European Policy Studies 2014). Non-specialist retailers (including online sales, mail-order catalogues sales and general department stores) have the highest market share of furniture distribution in Europe.

Leading kitchen and upholstery specialists include Magnet, In-Toto and Wren for kitchens and DFS, KA International and Thomas Lloyd for upholstered furniture.

Among the non-specialist retailers, general department stores have a 22% market share. Non-specialists include Homebase, B&Q (Kingfisher Group), Wickes, Marks & Spencer, and the John Lewis Partnership.

The leading specialist furniture distributors in the UK are IKEA and the Home Retail Group, which includes the department stores Argos and Habitat, plus the Hygiena and Schreiber kitchen brands.

About 6% of furniture sales in the UK in 2010 were through mail order and online sales. This share continues to grow, with a wide range of specialist and non-specialist retailers all offering online furniture sales. Buying groups account for less than 10% of UK furniture sales (compared with 65% in Germany).

The outdoor furniture market is dominated in sales terms by the non-specialist retailers, especially do-it-yourself stores (e.g. B&Q, Homebase and Wickes). The high-end market is dominated by small and medium-sized operators selling via traditional stores and increasingly online.

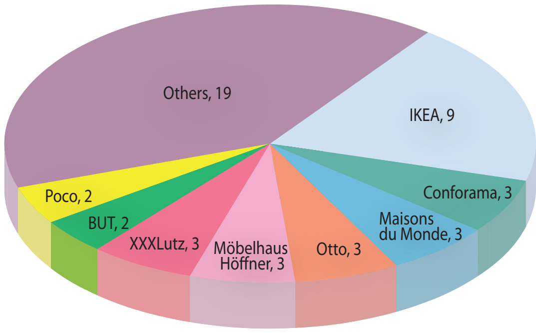
> "The outdoor furniture sector is led by medium and large importers."
> ***UK company***

Market leadership

Interviewees were asked whom they regarded as "leaders within their sector". The question was open-ended, and respondents were encouraged to offer a rationale. In total, 28 companies were mentioned, of which ten were cited more than once (Figure 13).

Perhaps unsurprisingly, IKEA was the most frequently cited, followed by other large retailers. Most respondents equated leadership with sales volume and the associated impact on the market. No respondents ascribed leadership to marketing, advertising or ethical stance.

Figure 13: Companies cited as leaders in the EU furniture sector



Note: Numbers indicate the number of specific mentions among the 47 companies interviewed.

Who decides what is fashionable?

More than ever, consumers and manufacturers have a huge range of choices when it comes to materials and finishes for their furniture products. Timber and wood-panel products have traditionally been the first choice for furniture but, in the last 50 years, a range of other materials (e.g. metals and plastics) has emerged with advantages in price, availability, finish, durability or design options (Oliver and Donker 2010). Wood markets in general have suffered at the hands of substitute materials, but none more so than the furniture sector.

Despite the competition, however, the market for wood-based furniture market is thriving, with the sector evolving in light of its challenges. In addition to competition with other materials, the tropical timber sector has had to contend with its own peculiarities and find its place. Wood previously ticked three boxes as a choice for furniture: it was plentiful and relatively cheap; it could be engineered at an affordable cost; and it was aesthetically pleasing. This applied equally to tropical timber: as long as a given species is plentiful, cheap (or relatively cheap) and capable of being machined to suit an end use, it will be competitive. On the other hand, wood—and tropical wood in particular—is at the mercy of fashion and the choices of consumers and those supplying their needs.

The topic of consumer choice and how this can be influenced is beyond the scope of this paper and is addressed elsewhere (e.g. Picquenot et al. 2011; ATIBT 2012). Nevertheless, it is worth looking at the range of forces at work in influencing consumer choices in materials for furniture.

The value proposition for furniture depends entirely on what consumers are prepared to buy and the price they are prepared to pay. The range of influences potentially affecting consumer choice is huge. To some extent, retailers can direct consumers through advertising and marketing—although the challenge for retailers is to listen to their customers and anticipate their needs. The consumer–retailer dynamic is perhaps the key aspect, but other forces are also at play. A huge range of opinion-formers influences consumer attitudes, some overt, such as campaigning non-governmental organizations and the media, and some less obvious, such as legislation. Retailers are influenced by their stakeholders, such as legislators and shareholders, and by the factors affecting their customers. Collectively, the role of "society" has a huge bearing on what is considered fashionable. Tropical timber products are especially vulnerable to changes in consumer views and fashions; this applies to those long-lived products prominent in homes, such as furniture and kitchens. It has been estimated that the cabinets in a fitted kitchen should remain functional for up to 50 years (InterNACHI undated), suggesting that a new kitchen would be a once-in-a-lifetime decision. But the longevity of many furniture items is probably significantly shorter now than in the past: for example, the average life of a kitchen in the UK could be as little as 10–15 years, with strong linkage to the frequency of home moving (on average, eight times in a lifetime in the UK). Therefore, it is not need that drives replacement—it is changes in fashion.

Many of the companies interviewed stated that they aspired to lead design trends and to therefore dictate fashion in furniture. Only giant retailers such as IKEA, which has a long-held policy of not trading in tropical timber species sourced from natural forests, would have such influence, however. Although difficult to prove, there is almost certainly a link, for example, between IKEA's huge-volume purchases of species such as acacia and the general fashion for lighter-coloured plantation species. IKEA argues that it sources materials that are available at a reasonable cost and are fit for purpose, and acacia species (as well as pine, spruce and birch) fulfil its needs. Responses to the interview question on this topic appear to support the view that, if any segment of furniture distribution can lead the market and set the fashions, it is the larger retailers.

The survey also revealed that some larger companies—both retailers and manufacturers—use outside organizations to advise on fashion and trends. Such organizations clearly play a role in influencing the purchasing decisions of retailers and manufacturers and probably those of buying groups as well.

Placing new furniture products in the market is risky, and the implications of misjudging what consumers will buy can be profound. The interviews revealed that manufacturers and retailers use various strategies to manage this risk. Unique, in-house-designed products offer a certain competitive advantage through the ability to differentiate companies at a business-to-business and consumer level. Around 50% of the manufacturers and retailers interviewed claimed to play a role in design, often with in-house or brought-in design skills. The remaining 50% claimed to be "followers": that is, they observed what was selling well and sought to develop similar products. Such an unadventurous strategy may be the safest approach to ensuring survival and may suit many business models. Success in the sector relies on being able to identify, modify and sometimes predict trends and to successfully place furniture on the market at the right time and price.

Views of interviewees

Among interviewees, there were four main groups of opinion on who sets furniture trends:

1) Own designers

2) Furniture fashion media

3) Largest retailers

4) Specialist advisors.

"Most of the large retail groups resort to 'trend consulting agencies' that influence our marketing and purchasing policies."
French company

"Lifestyle TV and magazines help set the trend."
German company

"The large retailers set the trend."
German company

"Mostly the retailers and also the producers set the trends. We as a retailer collect requests from clients and then experiment and place orders accordingly. Some retailers tried to set a trend but this proved difficult and not very successful."
German company

"We have both our own in-house design director and we call on famous designers to expand our collections. We also consult experts on fashion and colour trends."
Belgian company

Understanding who sets the fashions for colours, finishes and choice of wood species is not just an academic challenge. For the companies interviewed, such understanding is key to business success: getting it wrong can lead to unsold stock and price-cutting. A complex mix of forces is at play in setting trends: successful operators at all scales observe the trends and adjust their designs and material choices accordingly.

Harmonized System codes

The Harmonized System (HS) is an international nomenclature for the classification of products that allows participating countries to classify traded goods on a common basis for customs purposes; it involves a six-digit code. The HS was introduced in 1988 and has been adopted by most countries worldwide.

In theory, customs organizations understand the HS codes and apply their knowledge equally at the points of export and import, resulting in clear trade statistics and no ambiguity. In reality, different countries apply different codes to the same products, and industries have varying degrees of understanding of the system. There tends to be greater focus where HS codes carry varying degrees of tariff, especially among those liable to pay. Variability in the application of HS codes is not the topic of this study, but it is relevant because such codes form part of the descriptions of FLEGT-licensed shipments.

The interviews revealed that a number of companies are frustrated with the variability in the application of HS codes. As one interviewee put it:

> "HS codes are not the same in origin as in destination. This problem occurs especially in mixed-material furniture. For example, for a piece of furniture made of wood, there is no difficulty in classifying it, in origin and in destination, according to the same HS code. In mixed furniture, for example, aluminium legs and wooden top, in origin they will give you a different HS code than the HS code assigned at the destination."

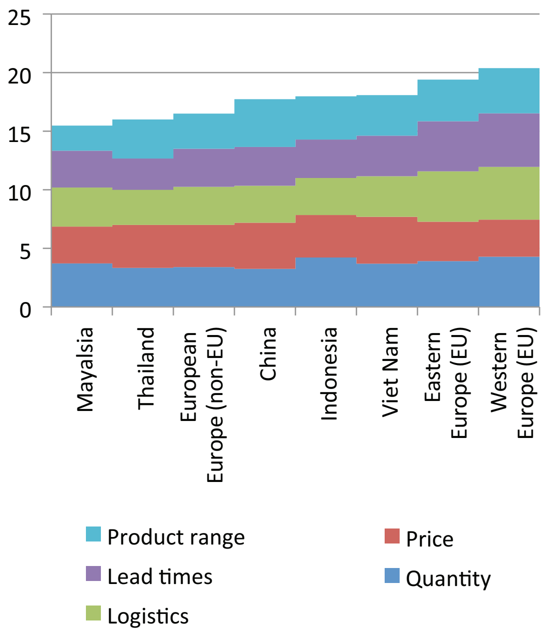
Overall it was observed that:

> "If the HS codes coincide in origin and destination, then the products arrived at port can be dispatched in two days. But if the HS codes do not match, it can take about ten days to solve the problem."

3 RELATIVE COMPETITIVENESS OF VPA COUNTRIES

The interviews examined the relative competitiveness of the furniture industries in the VPA countries compared with those of non-EU producer countries and producers in the EU (Figure 14). Note that the sample is modest and not fully representative of the overall trade between the EU, VPA countries, and others.

Figure 14: Overview of relative competitiveness of furniture industries in VPA countries and others



The perceptions of companies were tested across a range of indicators that affect the choice of supplier or supplying country.

Specifically, interviewees were asked:

> "How do you perceive the competitiveness in terms of [product range/lead times/logistics/price/quality] of the VPA countries, both in competition with each other and with China and eastern Europe? Please rate on a scale of 1 (very low) to 5 (very high)"

To visualize the responses, they were weighted with a value of 0–5, where 5 is "most competitive" (Table 5).

Based on the responses, the analysis calculated the average perception value for each country and region. The following sections break down perceptions by category and provide quotes from interviewees.

Product range

China was perceived to have the widest range of available products (Figure 15). Western and eastern European EU countries were also perceived to offer a broad range of products. Malaysia was perceived to have the smallest range of product types.

Figure 15: Perception of interviewees on product range

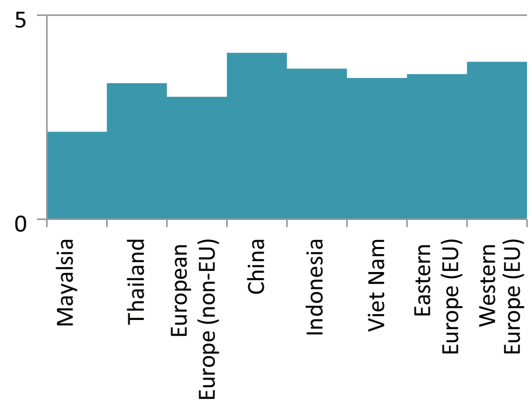


Table 5: Weightings used for competitive perception analysis

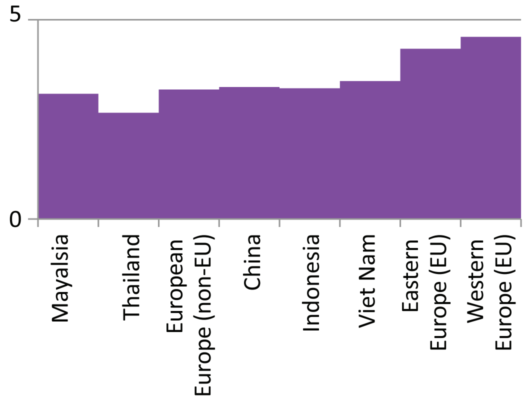
	Least competitive country/region				Most competitive country/region
Value used for analysis	0	2	3	4	5
Value given by respondent	1	2	3	4	5

Note: The value "1" was omitted from the analysis to weight the answers.

Lead times

Western EU countries, followed by eastern EU countries, were perceived to have the shortest lead times (Figure 16), aided by the ease of communication and shorter travelling distances.

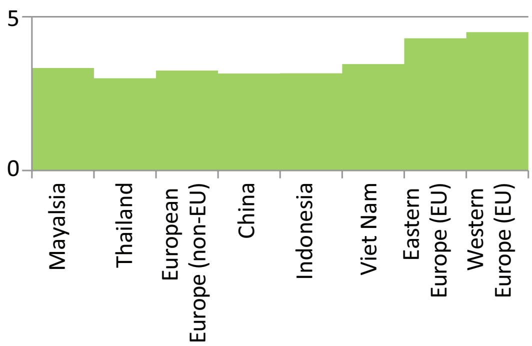
Figure 16: Perceptions of interviewees on lead times



Logistics

Logistically, western Europe, followed by eastern European EU countries, was perceived to have the best logistics (Figure 17). Viet Nam and Malaysia were perceived to lead Asian producer countries in logistics.

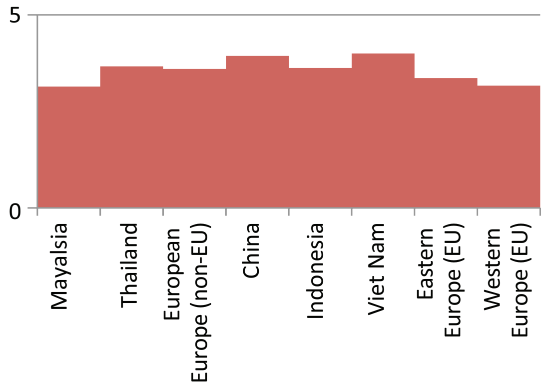
Figure 17: Perceptions of interviewees on logistics



Price

Price perceptions varied widely. Viet Nam was perceived to offer the lowest prices, followed closely by China, Thailand and Indonesia (Figure 18). Western and eastern European EU countries and Malaysia were perceived to be least-competitive on price. The competitiveness of non-EU eastern European countries was perceived to be similar to that of many of the Asian producers.

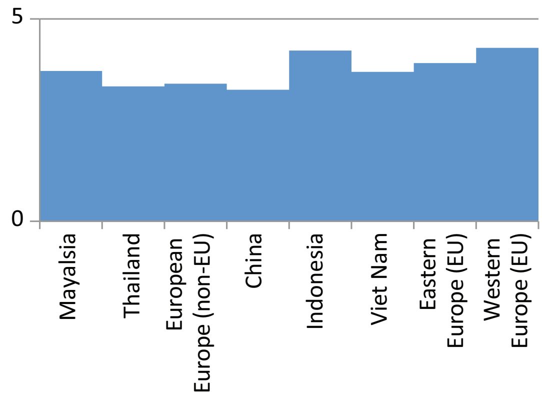
Figure 18: Perceptions of interviewees on price



Quality

Western European EU countries and Indonesia came out on top in perceptions of product quality, followed by eastern European EU producers, Viet Nam and Malaysia (Figure 19). China was perceived to offer the lowest product quality.

Figure 19: Perceptions of interviewees on quality



Specific comments

Most interviewees offered general comments on each country. Several pointed out that the choice of supplier in a given country reflected the fact that the supplier was able to meet the company's specific criteria; the companies, therefore, were unable to make broad generalizations. This did not inhibit their general comments, however; Table 6 presents a sample of comments from interviewees, by source country.

Table 6: Country-specific comments by interviewees

Indonesia

Price

- Good quality–price relationship
- Indonesia offers good quality and good prices
- Products from Indonesia are more expensive than products from Viet Nam or China
- Indonesian furniture is made in certified wood, which increases their cost

Lead time

- They are a disaster!
- We have to work with them closely to get this right

Quality

- Indonesian manufacturers are of a very high quality level. When manufacturing, they pay attention to the small details
- Manufacturers in Indonesia are very experienced in producing high-quality furniture
- In Indonesia, finishing quality is higher than in Viet Nam or China
- We do sometimes meet problems linked to the difference in wood moisture levels between Indonesia and Europe
- Indonesian products suffer from wood moisture content issues; it is difficult to find wood that is properly dried
- The best teak comes from Indonesia
- Air conditioning regularly breaks down, which can affect gluing and paint finishes. On the other hand, our Indonesian suppliers will willingly work overtime to meet delivery deadlines
- Indonesia has high-quality furniture, which is therefore somewhat more expensive (than India for example)

Logistics

- Indonesian infrastructure is not keeping up with the demographic growth of their cities. As a result—longer delays in transport
- The level of infrastructure development is poorer in Indonesia
- Transportation in Indonesia should be improved
- We can trust them to meet our delivery deadlines

Range of products offered

- We can import semi-finished products from Indonesia and finish them in our own plant
- Teak supply in Indonesia is competitive and abundant, which is important to our product
- Indonesia offers a wide range of outdoor furniture products
- We only find in Indonesia the hand-made furniture products which correspond to our customers and our positioning
- Indonesia has the product manufacturing know-how, available wood species, fair prices, low transport costs, and flexibility we require
- Indonesian suppliers don't renew regularly their product offer (unlike the Chinese)
- Indonesian know-how in upholstery is very poor

Viet Nam

Quality

- They use very good raw materials
- Production in Viet Nam is also growing in terms of quality and consistency thanks to US funding and technical supervision
- The Vietnamese furniture industry is technically much more evolved than other Asian producer countries
- Vietnamese furniture quality is almost at European standards: i.e. in terms of machinery and processes, as well as the resulting quality [of product]

Price

- They are very competitive
- There is a very good quality–price relation

China

Quality

- China [is] more advanced in terms of mechanization but requires close follow-up because there can be drastic drops in quality
- China offers good value for money but the overall quality is inferior

Price

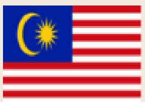
- The price is too high for the poor quality of the product they offer
- New environmental laws are making prices rise fast in China
- Chinese manufacturers have the best prices; however, the environmental and legality issues related to China products remain as big problems

Product range

- *Any furniture that has metal parts or glass attached to it originates from China*
- China is good manufacturing with aluminium, plastic, but in wood manufacturing it is still far from being able to provide good-quality products

Lead times

- *Chinese suppliers are more reliable*



Malaysia

Price

- Furniture plants in Malaysia have products that are top-notch at competitive prices

Range of products offered

- Malaysian offer is more limited

Quality

- Malaysian suppliers offer a well-mechanized production process
- Their production is catching up with EU standards


EU eastern Europe
• Wood furniture from Poland can be of good quality • They do not respect product developers and importers like LDK • They are countries that are too close and they try to do business with our clients directly
Non-EU eastern Europe
• Wood furniture from Belarus can be of good quality • They do not respect product developers and importers like ourselves • They are countries that are too close and they try to do business with our clients directly • Corruption leads to hiccups in production and transport—sometimes leading to payments at the border, which causes unforeseen delays

India
• India meets current customer trends • Indian producers are very good value for money

Note: All comments are direct quotes except those in italics.

Most of the companies interviewed do not approach product supply by choosing a country and then a supplier within that. The longest-established companies sourced locally or domestically at some point in their existence, expanding their supply base over time and in many cases becoming global in outlook. The choice of one supplier over another involves a wide range of considerations. Factors such as long-established personal relationships between key staff, and trust among peers, should not be discounted.

It is clear from the interviews that price and quality remain high on the agenda. Many interviewees see a close relationship between these two variables, and most commercial decisions strike a balance between them.

> "All our suppliers, whether they are in China, Viet Nam or Poland, are capable of producing good-quality products within a given timeframe which meet EU industrial standards. The only difference is that if you lower the product cost too much, a European supplier will not accept to produce it, whereas a Chinese supplier will supply you with a crap product."
>
> ***French company***

Interviewees generally expressed little concern about the range of products available in a given country. For some, it made sense to purchase a wide range of products from a single country or region within a country. For others, there was no merit in having multiple suppliers in one geographical location.

Attitudes varied towards lead times. The larger companies interviewed saw it as their role to manage suppliers to ensure that there was no commercial impact.

Similarly, with logistics, many interviewees saw it as their role to manage and allow for difficulties with logistics. It was generally noted that Indonesia has out-developed its infrastructure and that this is a burden. Many furniture products have become commoditized, with very little differentiation beyond price.

As one interviewee put it, "the choice of country depends on available timber species and not on where the country is situated". A steady, predictable and affordable raw material that is suitable for purpose is clearly a prerequisite for a successful furniture business.

African furniture

None of the 47 interviewed companies imports furniture from African VPA countries. One German company reported that it had previously sourced furniture in South Africa but had stopped purchases there due to a shift in fashion trends. According to interviewees, it is highly unlikely that producers in the African VPA countries will evolve into suppliers for the furniture market due to the species available and especially a lack of the required technical capacity.

Sheet materials

The manufacturers of semi-finished products source sheet materials in Europe, mostly from the same producers (i.e. Egger, Pfleiderer and Kronospan). Manufacturers report that the homogeneity of particleboard is extremely important for finishing, and the furniture industry therefore relies on European producers for their consistent quality, volume and availability. Some furniture manufacturers are importing Chinese particleboard and medium-density fibreboard made of poplar because of its light weight and robustness (compared with European softwood products).

4 PRELIMINARY ASSESSMENT OF THE CURRENT AND POTENTIAL ROLE OF FLEGT LICENSING IN IMPROVING MARKET ACCESS

Company purchasing policies

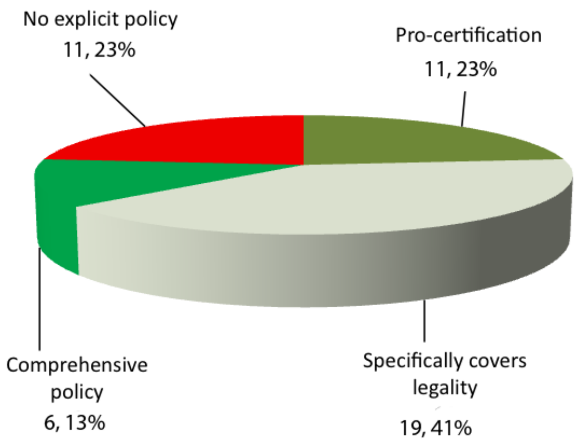
Since the early 1990s, companies have been taking steps to exclude unsustainable and illegal wood from their supply chains. Corporate procurement policies are increasingly prominent, especially in developed countries and among companies with global reach. Such purchasing practices are being integrated into corporate business practices, and they often form part of larger sustainability or corporate responsibility policies (Noguerón & Cheung 2015).

Comprehensive responsible-sourcing policies and programmes will end the purchase of products that contain timber or fibre from sources that do not comply with stated company policies. Such programmes should also continuously increase the proportion of forest products purchased that contain timber from credibly certified forests (WWF GFTN undated).

The interviewed companies were asked if they had policies giving preference to legally harvested or third-party-certified materials. All 47 responded, and many gave additional information. Responses generally fell into one of four categories (Figure 20). The company:

1) does not have a formal policy (23% of interviewees);
2) has a policy that makes reference to legal timber/legally harvested material (41%);
3) has a policy that makes reference to third-party certification (such as the Forest Stewardship Council—FSC—or the Programme for the Endorsement of Forest Certification) (23%); or
4) has a comprehensive policy that covers both legality and sustainability and often a variety of other environmental, social or ethical factors (13%).

Figure 20: Number of interviewed companies with purchasing policies, and percent of total, by policy category



Large retailers are exposed to reputational risk, and most have purchasing policies to help minimize this. For example, interviewed larger German retailers indicated that they had policies that wood products purchased outside the EU must be FSC-certified. Most of these interviewees indicated that FLEGT licences made it easier to comply with the EUTR but were insufficient to satisfy their own purchasing policies. Smaller importers mostly lacked purchasing policies but aimed to source FSC-certified products when buying from non-EU countries to minimize the effort needed to comply with the EUTR. Some interviewees indicated that implementing an "FSC-only" policy among European suppliers was much more difficult due to a shortage of FSC-certified particleboard.

Selected quotes from interviewed companies on purchasing policies

- "For our clients, it is very important to know that the wood is legal wood and imported from plantations that respect the environment."
- "One of our pledges to our customers is that all the wood used in our furniture products must be legally harvested."
- "We put in place a social and environmental responsibility policy with a range of environmental objectives such as increasing the share of certified wood used in our products."
- "We have also put in place a sustainable design policy with a LCA [life-cycle analysis] of our products."
- "We have recently obtained FSC certification and our due-diligence system is regularly updated."

Role of FLEGT licences in purchasing policies

Interviewees were asked about the role that FLEGT-licensed timber plays (or might play, in the future) in their purchasing policies or decisions.

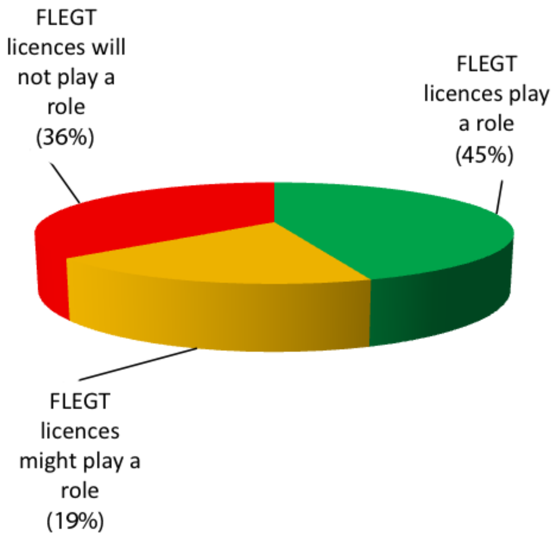
Forty-five percent of interviewees said they were already trading in FLEGT-licensed products or that their purchasing was geared towards such licensed material, where available. Nineteen percent reported that they would view licensed material favourably if it was available, but 36% stated that FLEGT-licensed timber did not and would not feature in their purchasing decisions (Figure 21).

Generally, interviewees were positive in their outlook towards FLEGT-licensed materials. The following quotes represent typical points of view.

Positive

- "FLEGT will make our legality pledge all the more concrete but does not correspond to a strong demand from our customers today."
- "We are completely in favour of a system that prevents the illegal extraction of forest resources."
- "FLEGT brings us added value by demonstrating the legality of the wood we use."
- "FLEGT licensing simplifies our trade relations with our Indonesian suppliers."

Figure 21: The role of FLEGT in the purchasing policies and decisions of interviewed companies



- "It makes it simpler in terms of exempting products from EUTR due diligence."
- "It is a means of reducing time and money spent on EUTR due diligence."
- "FLEGT guarantees us a green lane, which makes it easier to work with our Indonesian suppliers."
- "The system appears efficient with clear rules."
- "FLEGT licences are an important tool to guarantee legal wood and save money in the context of EUTR."
- "FLEGT licences have brought more transparency in the import from Indonesia."
- "EUTR creates an enormous workload and requires much more manpower for every import. The FLEGT licence of course makes things a lot easier."

Qualified

- "It would play a role if there would be not just one country supplying FLEGT products."
- "Choice for Indonesia is based on the available product, not on the fact that Indonesia is FLEGT-licensed."
- "FLEGT licensing simplifies our trade relations with our Indonesian suppliers but it is not a selection criteria."
- "I wish to see licensing applied to all imports from all supplier countries to the EU so that we and our suppliers are all on a level playing field and competing fairly."

- “Proof of legality is a basic customer requirement. It does not give us a competitive advantage.”
- “All our wood products need to be legally verified—it’s a basic requirement.”
- “We need licensed material from a range of other countries.”

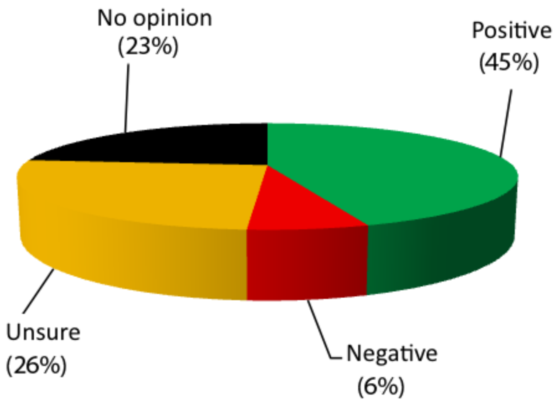
Negative

- “FLEGT only demonstrates legality—what adds value is the certification that resources are sustainably managed.”
- “No we do not use it and will not. We have an FSC-only policy.”
- “A big actor like China is not properly controlled by the FLEGT regulation and this brings unfair competition.”
- “There are FLEGT system problems.”
- “The system is very poorly developed.”
- “HS codes are not the same in origin as in destination.”
- “FLEGT licences appear only an extra cost.”
- “The online procedures are not effective or well structured.”
- “No real impact for our customers.”
- “There is a low level of experience of competent Italian institutions in these issues.”
- We do not see the added value of FLEGT yet.”
- “The registration system for licences is not efficient and very repetitive (and therefore costs money).”
- “The system is bureaucratic and of doubtful use to us.”
- “FLEGT licences from Indonesia are very disorganized and chaotic. I am not convinced anything has improved in Indonesia. Is it really worth the effort?”

General views on FLEGT licences

Overall, 45% of those interviewed were positive towards FLEGT licensing, 26% were unsure of its merits, 23% offered no opinion and 6% could be classified as negative (Figure 22).

Figure 22: Views of 47 interviewed companies on FLEGT licences



A number of interviewees expressed dismay at the apparent variation in understanding and enforcement by EUTR Competent Authorities, reflecting the points raised in a 2018 report by the United Nations Environment Programme (UNEP)-World Conservation Monitoring Centre (WCMC) on EUTR enforcement (UNEP-WCMC 2018).

5 OUTLOOK FOR TROPICAL TIMBER IN EUROPEAN FURNITURE MARKETS

Tropical wood-furniture outlook

Views were sought on the role of tropical timber in the European furniture market over the next decade: 75% of the 47 interviewees offered a perspective (Figure 23). Of those 35, 20 indicated that the market would remain stable or grow in the next ten years. Almost all (34 of 35) indicated a belief that tropical timber would continue to play a role in Europe's furniture sector (Figure 24).

Figure 23: Views of 47 interviewed companies on the role of tropical timber in European furniture markets in ten years

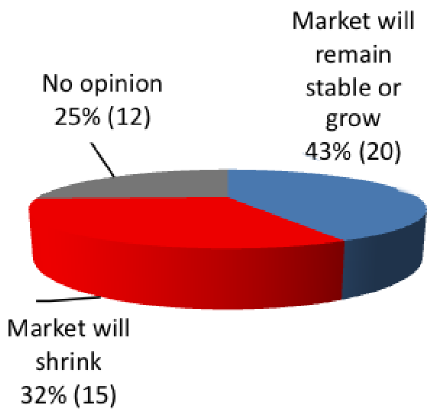
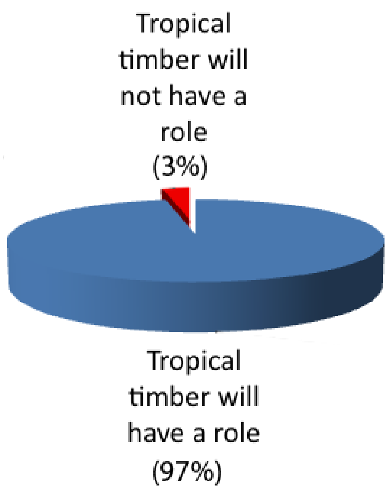


Figure 24: The outlook of 35 companies on the role of tropical timber in European furniture markets in the next ten years



The following quotes represent typical points of view.

Positive

- "Tropical timbers are very suited for outdoor furniture and they offer a lower carbon footprint compared to other materials (metal or plastic)."
- "Tropical timber could remain relevant for outdoor furniture. More difficult with indoor furniture where specifying a tropical hardwood can only be done for aesthetic reasons. Plus there are substitute products such as US walnut."
- "The market for tropical species will remain good also in the future due to the mechanical and physical characteristics of the tropical timber. In fact, there are no European species with the same features."
- "Tropical timber will continue to have an important role in luxury market."
- "Yes for its aesthetic appeal in indoor furniture and for its natural properties in outdoor furniture."
- "Probably, but rising prices for teak could lead designers to switch to cheaper African wood species that are becoming more trendy."
- "Yes, as tropical timber offers more diversity than common timbers."
- "As long as it can meet ever-higher standards of legality and sustainability assurance then it can have a role as it offers unique performance and aesthetic."

Negative

- "For internal furniture the role of tropical timber will remain marginal."
- "Yes, but less than now. Garden furniture industry is looking for other materials than teak, because consumers ask for furniture that needs less to no maintenance. Materials like ceramics and high-pressure-laminated timber grow more popular."
- "Aluminium has become the dominant material but wood will always have a role to play."

- "95% of consumers are not capable of appreciating fine-quality products—they are happy to buy pinewood products. In fact, certain Indonesian competitors are already manufacturing furniture made with pinewood re-imported from China."
- "In the luxury sector (interior), the role of tropical timber, in near future, will decrease."
- "The demand of tropical timber species in interior design (furniture) will decrease."
- "French consumers are turning away from things that look too exotic."

Interviewees reported that the volumes of tropical wood veneer are marginal and decreasing. This is due largely to the technical capabilities of the manufacturers of decor panels (mostly Italian companies), which are approaching a level where general buyers would notice no difference between real and artificial wood surfaces. The price of artificial decor panels is one-tenth that of panels with real wood veneer.

General wood-furniture trends

Interviewees were asked about the outlook for wood furniture in general. Recurring themes included the following:

- Dark woods are becoming preferred (Kelly 2018).
- Textured finishes on wood are becoming more popular.
- Wood–metal combinations will grow.
- There is increasing demand for oak, ash and elm.
- There is increasing demand for certified products.
- Demand is growing for real wood veneers.
- Online-only retailers (without showrooms) will drive down quality.
- Ready-to-assemble/flatpack furniture has peaked.
- Customers are ready for solid assembled furniture again.
- Plantation wood at low cost and with consistency will be able to compete with other materials.
- With techniques such as brushing and varnishing, species such as acacia are very adaptable to consumer trends and (colour) fashion. Therefore, presumably those species will remain the key species used for solid-wood products from Asian VPA countries.

6 CONCLUSIONS AND RECOMMENDATIONS

The finished-wood furniture sector consistently accounts for nearly 40% of the total value of EU imports of timber and timber products from VPA countries. It is a significant factor, therefore, in evaluating the impact of FLEGT-licensed timber.

Unlike the timber and sheet-material sectors in Europe, furniture is distributed by complex and heterogeneous networks of retailers, importers, agents, buying groups, manufacturers, component suppliers and primary producers that vary between countries. Distribution channels and other factors affecting competitiveness in the furniture sector are distinct from those in the traditional wood-importing sector.

The modest sample of 47 companies in Belgium, France, Germany, Italy, the Netherlands, Spain and the UK covering internal and external furniture, retail, distribution and manufacturing offers insight into perceptions in the private sector about the VPA countries and their furniture industries and attitudes towards FLEGT licensing.

The acceptance and use of FLEGT-licensed timber in the furniture sector is tied to the overall acceptance and use of tropical timber. Fashions in design, colour and texture dictate what will sell and what is therefore offered for sale. Furniture made from tropical timber is the result of a long and complex set of interactions that lead to design and procurement decisions. It is clear from the interviews that there is strong support for the use of wood in general; moreover, some interviewees were very supportive of tropical timber for certain applications. Despite this, many of the forces at play in decisions on wood use are beyond the control of single actors, and there is an overall declining trend in the use of tropical timber in the European market.

The interviews revealed: a generally positive outlook towards FLEGT-licensed timber and a reasonable to good level of understanding of FLEGT licensing; overall strong recognition of the business benefits of EUTR compliance; and the lack of choice in sources of FLEGT-licensed timber. From the perspective of the furniture industry, a successful FLEGT-licensing scheme would involve multiple countries offering FLEGT-licensed timber and strong awareness within Competent Authorities and at a business-to-business level. The interviews did not reveal any desire to promote FLEGT-licensed timber at the retail level, with interviewees seeing no merit in trying to sell the "legal timber" message to consumers.

FLEGT licensing alone will not reverse the negative trends in tropical timber use in Europe: it is only one tool in the wider process needed to maintain market share for tropical timber involving major retailers, trade associations, national governments, non-governmental organizations, architects and other opinion-formers. FLEGT-licensed timber is the physical manifestation of "something good" happening in a faraway producer country. It can help build confidence in tropical timber, even though it lacks the "glamour" of forest certification (where sustainability is the main focus). FLEGT licensing is not a consumer-facing activity: it is about offering assurance to business-to-business buyers operating at the base level of responsible purchasing.

Recommendations for optimizing the market benefits of FLEGT licensing

The study's findings give rise to the following recommendations for optimizing the benefits of FLEGT licensing in the marketplace.

- **Minimize the bureaucracy involved in the process of importing FLEGT-licensed timber to maximize the business benefits for operators.** Efforts are needed to increase ease of entry into markets for FLEGT-licensed timber products.
- **Encourage those companies not yet using FLEGT-licensed timber to do so.** Awareness of EUTR varies among furniture businesses. Some potential buyers of FLEGT-licensed timber are almost certainly unaware of it, what it stands for and what the benefits are for their businesses. Increased awareness at the business-to-business level would add value to the "brand" of FLEGT-licensed timber.
- **Demonstrate the benefits of the FLEGT-licensing scheme in Indonesia to build trust.** Indonesia has long been demonized for its forest practices and the legality of its timber products.

Many companies are wary of both the EU and the Indonesian government, and there is a degree of mistrust and cynicism around the impact and benefits of the FLEGT-licensing system. Demonstrating the impacts and integrity of the system (as a whole or solely for Indonesia) is important for building trust in the wider system.

- **Clarify within the trade the impacts and achievements of FLEGT-licensed timber and timber legality assurance schemes.** The interviews conducted for this study revealed a range of understandings, some accurate and some inaccurate, on the attributes of FLEGT-licensed timber and timber legality assurance schemes. Some interviewees perceived FLEGT-licensed timber as an indicator of sustainable forest management, while others doubted it even equated to legal compliance. It is positive that there is a good level of awareness of FLEGT-licensed timber and that furniture businesses are well disposed towards it; nevertheless, it is important that such awareness is based on a clear, unambiguous and accurate understanding of what FLEGT licensing represents in terms of legal compliance and social and environmental performance.
- **Speed up the introduction of FLEGT-licensed timber supplies from other VPA countries.** The study identified a clear message from the European furniture sector that FLEGT-licensed timber from a single country is insufficient. Some companies exclusively sourcing furniture from Indonesia have benefited from the introduction of FLEGT-licensed timber. Nevertheless, very few medium-sized or large companies source solely from Indonesia, and the key roles of China and Viet Nam as suppliers is clear. The wider availability of FLEGT-licensed timber would build the commercial proposition and offer choice in the marketplace.

ANNEX

Questionnaire for scoping study for assessing the impacts of timber legality on the European Union's wood-furniture sector and the associated tropical timber trade

1. Which country is your company based in?
☐ Belgium ☐ France ☐ Italy ☐ Netherlands ☐ Spain ☐ UK ☐ Germany

2. Company name:

3. Brief description of the business:

4. Is this information confidential? (If no, the company name may be used in reports)
☐ No ☐ Yes

5. Do you import wood furniture from one of the VPA partner countries?			
	Yes	No	In the past
(a) Cameroon	☐	☐	☐
(b) Central African Republic	☐	☐	☐
(c) DRC	☐	☐	☐
(d) Gabon	☐	☐	☐
(e) Ghana	☐	☐	☐
(f) Guyana	☐	☐	☐
(g) Honduras	☐	☐	☐
(h) Indonesia	☐	☐	☐
(i) Lao PDR	☐	☐	☐
(j) Liberia	☐	☐	☐
(k) Malaysia	☐	☐	☐
(l) Congo	☐	☐	☐
(m) Thailand	☐	☐	☐
(n) Viet Nam	☐	☐	☐

6. If you chose "In the past" in question 5, please explain.

7. Indicate main product categories for each country using one box per country (e.g. Indonesia: garden furniture, chairs....).
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

8. Why are purchases limited to the types of furniture specified in question 7? (e.g. why do you buy ready to assemble furniture but not outdoor furniture from a certain country?) Please give separate answers and use one box per country.
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

9. How long have you been trading with the countries listed in question 7? (One box per country, e.g. Indonesia: 10 years)
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

10. How many suppliers do you have in the countries listed in question 7? (One box per country, e.g. Indonesia: 25 suppliers)
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

11. Which wood species are used in your furniture imported from the countries in question 10? (One box per country, e.g. Indonesia: meranti, bangkirai, balau)
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

12. Do you think you will source from the countries in question 11 five years from now? (One box per country and please explain your answers)
(a)
(b)
(c)
(d)
(e)
(f)
(g)
(h)
(i)
(j)

13. Do you purchase wood furniture from China?
☐ Yes ☐ No

14. If yes in question 13, what types of furniture?

15. Why are purchases limited to the types of furniture specified in question 14?

16. How long have you been purchasing wood furniture from China?

17. How many suppliers do you have in China?

18. Which wood species are used in the furniture imported from China and where was the wood harvested?

19. Can you describe the experience of purchasing wood furniture in China and compare it to other countries?

20. Have you ever bought wood furniture from Africa?
☐ Yes ☐ No

21. If yes to question 20, which countries?

22. What type of furniture have you bought in Africa?

23. Which wood species are used in your furniture imported from African countries?

24. Why are purchases in Africa limited to these types of furniture?

25. How long have you been trading with the African countries (answer per country)?

26. How many suppliers do you have in the African countries (answer per country)?

27. Can you describe the experience of purchasing wood furniture in Africa and compare it to other countries?

28. How do you perceive the competitiveness in terms of quality of the VPA partners below both in competition with each other and with China and eastern Europe? (Rate on a scale of 1 (very low) to 5 (very high))

	Lowest 1	2	Middle 3	4	Highest 5
(a) Indonesia (Select one option)	○	○	○	○	○
(b) Malaysia (Select one option)	○	○	○	○	○
(c) Thailand (Select one option)	○	○	○	○	○
(d) Viet Nam (Select one option)	○	○	○	○	○
(e) China (Select one option)	○	○	○	○	○
(f) Eastern Europe (EU) (Select one option)	○	○	○	○	○
(g) Eastern Europe (non-EU) (Select one option)	○	○	○	○	○
(h) Western Europe (EU) (Select one option)	○	○	○	○	○

29. How do you perceive the competitiveness in terms of price of the VPA partners below both in competition with each other and with China and eastern Europe? (Rate on a scale of 1 (very low) to 5 (very high))

	Lowest 1	2	Middle 3	4	Highest 5
(a) Indonesia (Select one option)	○	○	○	○	○
(b) Malaysia (Select one option)	○	○	○	○	○
(c) Thailand (Select one option)	○	○	○	○	○
(d) Viet Nam (Select one option)	○	○	○	○	○
(e) China (Select one option)	○	○	○	○	○
(f) Eastern Europe (EU) (Select one option)	○	○	○	○	○
(g) Eastern Europe (non-EU) (Select one option)	○	○	○	○	○
(h) Western Europe (EU) (Select one option)	○	○	○	○	○

30. How do you perceive the competitiveness in terms of logistics of the VPA partners below both in competition with each other and with China and eastern Europe? (Rate on a scale of 1 (very low) to 5 (very high))					
	Lowest 1	2	Middle 3	4	Highest 5
(a) Indonesia (Select one option)	○	○	○	○	○
(b) Malaysia (Select one option)	○	○	○	○	○
(c) Thailand (Select one option)	○	○	○	○	○
(d) Viet Nam (Select one option)	○	○	○	○	○
(e) China (Select one option)	○	○	○	○	○
(f) Eastern Europe (EU) (Select one option)	○	○	○	○	○
(g) Eastern Europe (non-EU) (Select one option)	○	○	○	○	○
(h) Western Europe (EU) (Select one option)	○	○	○	○	○

31. How do you perceive the competitiveness in terms of lead times of the VPA partners below both in competition with each other and with China and eastern Europe? (Rate on a scale of 1 (very low) to 5 (very high))					
	Lowest 1	2	Middle 3	4	Highest 5
(a) Indonesia (Select one option)	○	○	○	○	○
(b) Malaysia (Select one option)	○	○	○	○	○
(c) Thailand (Select one option)	○	○	○	○	○
(d) Viet Nam (Select one option)	○	○	○	○	○
(e) China (Select one option)	○	○	○	○	○
(f) Eastern Europe (EU) (Select one option)	○	○	○	○	○
(g) Eastern Europe (non-EU) (Select one option)	○	○	○	○	○
(h) Western Europe (EU) (Select one option)	○	○	○	○	○

32. How do you perceive the competitiveness in terms of product range of the VPA partners below both in competition with each other and with China and eastern Europe? (Rate on a scale of 1 (very low) to 5 (very high))					
	Lowest 1	2	Middle 3	4	Highest 5
(a) Indonesia (Select one option)	○	○	○	○	○
(b) Malaysia (Select one option)	○	○	○	○	○
(c) Thailand (Select one option)	○	○	○	○	○
(d) Viet Nam (Select one option)	○	○	○	○	○
(e) China (Select one option)	○	○	○	○	○
(f) Eastern Europe (EU) (Select one option)	○	○	○	○	○
(g) Eastern Europe (non-EU) (Select one option)	○	○	○	○	○
(h) Western Europe (EU) (Select one option)	○	○	○	○	○

33. If you have additional comments on the competitiveness of the above countries, please add.

34. How is wood furniture imported and distributed in your country of operation? (For example, there may be many small importers or the trade maybe dominated by large buying groups). This question applies to all countries where timber is imported from (not just VPA countries).

35. Which companies would you regard as the leaders in your country and why do they think this? [A "leader" may not always be the biggest!]

36. Does your company have a purchasing policy that gives preference to legally harvested or third-party-certified products? If yes – please summarize

37. Does FLEGT-licensing is playing a role in your purchasing policy and purchasing decisions? Please explain your answer.

38. What are your opinions of FLEGT licenses? [For example: Are they relevant? Do they mean anything? Are they the same as certified materials?]

39. What are the future trends in your markets for wood based products?

40. Who sets the fashions for colors, finishes and choice of wood species?

41. Will tropical timber have a role in the European furniture market 10 years from now? Please explain your answer.

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The Independent Market Monitoring mechanism was established under an ITTO project to support the implementation of voluntary partnership agreements (VPAs) between the European Union (EU) and timber-supplying countries and to analyze their market impacts. VPAs are a key element of the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, which defines the EU's policy for promoting legal logging and the trade of legal timber.

This report, which is based on a comprehensive survey of the private sector, constitutes an excellent source of information for stakeholders interested in EU furniture market trends. It addresses current market conditions and distribution channels for wood furniture exported by VPA countries to the EU; important furniture-trading companies, market influencers and fashion trends; the competitiveness of furniture from VPA countries compared with other sources; and the current and potential role of FLEGT licensing in improving market access in the EU for wood furniture from VPA countries.

The report makes an important contribution to transparency in the timber trade between EU companies and VPA countries, and it forms part of a comprehensive baseline for the long-term monitoring of trends. It complements other work by ITTO and its partners to encourage green supply chains in the tropical timber sector.

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