



The Association exhibited Jepara products at Trade Expo Indonesia in November 2009 (photo by Melati)

Jepara small-scale furniture producers association participated in furniture exhibitions

Editorial

We present to you the third edition of the Furniture Value Chain (FVC) newsletter; it is part of a research project funded by the Australian Centre for International Agricultural Research (ACIAR). The project, running from 2008 to 2013 and titled 'Mahogany and teak furniture: Action research to improve value chain efficiency and enhance livelihoods', aims to improve small-scale furniture enterprises in Jepara, Central Java, Indonesia, by enhancing the structure and function of its furniture industry.

This edition presents a number of project updates, including the results of the value chain and social networking surveys, as well as outcomes of marketing action research at exhibitions involving the Association of Jepara Small-scale Furniture Producers (APKJ) and the domestic market survey conducted by the team from IPB, the Bogor Agricultural Institute. Upcoming events include APKJ's next exhibition, the project's stakeholder workshop and a business to business meeting. Please enjoy!

Annual Meeting

The Furniture Value Chain Project Annual Meeting took place 10–11 June 2009. We communicated the results of project surveys and research to the project advisory group and other stakeholders in Jepara, including local government, state forestry company Perhutani, furniture multistakeholder forum Forum Rembug Klaster and local furniture producers.



The Association prepares its booth at CIFOR's Annual Meeting, June 2009 (photo by Melati)

The first day focussed on first year project activities, while the agenda for the second day involved planning for second year activities and a half-day field trip to furniture workshops around Jepara.

Members of the project's advisory group pointed out the importance of the project and its impact on Jepara. It provided substantial input for improving next year's project activities, and suggested establishing strategies for ensuring producer association sustainability and securing stakeholder feedback.

Value chain survey of APKJ local champions

As explained in the previous edition, the project had conducted a value chain survey to determine governance mechanisms between links in the value chain and the added value secured by each of actors along the chain. More recently, the project team carried out a second value chain survey of selected respondents considered local champions of APKJ. The purpose of the survey was to determine the types of relationships between the producers and other actors in the furniture industry, identify the problems they face and develop intervention scenarios.

The survey revealed that 60% of respondents (small-scale furniture producers) sell their products to exporters under directed network relationships, indicated by main customers taking at least 50% of output, defining products and providing technical assistance, and an information imbalance. The main problems facing producers in such relationships are marketing and prices. Marketing problems arise

from producers having few options for selling their products, waiting passively for buyers to approach them and neglecting to seek new buyers. As a consequence of their limited market access, these producers get low prices for their products and frequently have problems with buyers delaying payments through post-dated cheques.

Some producers sell their products directly to showrooms and end consumers in balanced network relationships, as indicated by a balanced flow of information in both directions. These producers can negotiate prices and determine product quality.

The relationship type between producers and log traders, and between log traders and wood brokers, is commonly competitive and market-based, as indicated by many producers and consumers, and transactions following a competitive market mechanism. This type was also found in relations between furniture producers who sell their products directly to end users: a rare occurrence in Jepara.

During the survey, we also tried to develop scenarios that might be implemented by small-scale furniture producers. The results were presented at an international seminar held by IPB in November 2009.

Social networking survey

Social networks have positive effects as they encourage collective action and enable access to market information, thereby functioning as safety nets for small-scale furniture producers. The social networking survey was conducted alongside the value chain survey and involved the same respondents. It

describes the social networking of small-scale furniture producers in the APKJ.

Survey findings revealed that inconsistencies between structural relations and personal social networks can be a challenge to organisational management in the small-scale furniture producers' association. Trust among members must be encouraged to ensure active information flow and feedback, to connect everyone and shape better collaboration. Key persons within the association can also play an active role in mediation processes and disseminating information to all its members. Scenarios for improvement include team building and leadership training for association members, as well as a reward and punishment system obliging members to maintain positive collaboration in return for donor assistance. With a strong network and hard work, in the long run the association could achieve independence from donors. These findings were also presented at the international seminar held by IPB in November 2009.

Domestic market survey

The IPB team's domestic market survey unearthed some interesting findings on furniture consumer behaviour. Conducted in furniture shops around the Jakarta and Bogor area, the survey showed that most furniture consumers are women who are highly influential in any decisions to buy furniture. Most buyers are between 31 and 40 years old, are relatively well established and can afford to buy furniture for their homes.

Survey results also suggest that word of mouth is the most effective form of marketing, with buyers promoting shops or producers to their friends, family members and colleagues. Hence, trust is an important consideration for customers. Researchers found that specific furniture items have specific markets. Marketing carved furniture in shopping malls, for instance, is ineffective as shoppers there



Visitors in furniture exhibition at Jakarta Convention Center (photo by Taufik Istiqlal)



Jepera district head signs the Declaration of APKJ, June 2009 (photo by Kasmito)

prefer minimalist or futuristic products. Consumer preference is influenced by many factors, including time and space, so a product may only be suitable for a particular market segment at a particular time.

Furniture and people: a photo journey from market to forest

The Furniture Value Chain team has published an illustrated book, 'Furniture and People: A photo journey from market to forest'. This book takes the reader on a pictorial journey from the market to the forest.

APKJ activities

APKJ held its regional meeting and declaration on 9 June 2009. At the meeting it formalised the association, voted on board members, and declared its four main programmes: marketing, raw materials, human resources and capital.

To help APKJ meet buyers directly and access new markets to alleviate the marketing problems facing many small-scale furniture producers, CIFOR facilitated APKJ's participation in an exhibition at the CIFOR Annual Meeting in October 2009.

After the first exhibition, APKJ had the opportunity to participate in the Indonesia Trade Expo on 28 October – 1 November 2009 in the Pekan Raya Jakarta arena in Kemayoran. APKJ put time and effort into preparing for this event, and sent five representatives to promote its products. This event attracted a much broader cross section of visitors including local and international buyers.

A third exhibition was held in Botani Square in Bogor at the IPB Career and Development Small-scale Enterprise Exhibition on 7–8 November 2009. The two-day event was aimed at securing local buyers and introducing APKJ products. Unfortunately, the

exhibition was ineffective as most visitors to the Job Fair were recently graduated students who had not come to buy furniture.

Workshop on adapting to furniture market demands in Jepara

CIFOR conducted a workshop on improving capacity and policies for adapting to furniture market demand on 8–9 December 2009 in the JTTC Building in Jepara. Participants included furniture industry stakeholders in Jepara: APKJ members, the Jepara Forestry Office, Perhutani, ASMINDO and FRK. CIFOR and its partners, IPB and FORDA presented research outcomes, and there were presentations from Perhutani and the forestry office.

There are many problems facing not only small-scale but also large-scale businesses in the furniture industry. The most common of these are market access and timber supply. Small-scale businesses also have problems with capital and human resources, not to mention product quality and imbalanced distribution of added value. With these problems in mind, we invited Perhutani and the forestry office to discuss wood scarcity and annual price hikes.

APKJ also gave a presentation on its experiences from the three exhibitions facilitated by CIFOR. Members

have developed negotiation and communication skills needed when interacting directly with buyers, and learned that commitment to production and quality is an asset in adapting to markets. At the end of the workshop, APKJ members wrote down their hopes and expectations from the association and the project.

Personal story writing workshop

On 2 February 2010, CIFOR conducted a writing workshop for selected individuals from the furniture industry and local communities to help them develop their skills in writing full-length personal accounts of their experiences within the industry and forest. The men and women who attended came from a range of backgrounds and included a wood carver, a community forestry practitioner, a furniture businesswoman, a woodcarving artist, a small-scale furniture producer and a policy maker. Their stories are planned for publication this year and will reflect problems and potential solutions for the industry.

Events

Three events are planned in the next quarter:

- A workshop on strengthening the structure of the furniture industry, 7–8 April 2010
- Training for APKJ members, 9–10 April 2010
- Business to Business meeting, May 2010



A ship laden with furniture prepares for the 2 days trip to Belitung Island in Sumatra, June 2009 (photo by Rika Harini Irawati)



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Center for International Forestry Research

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