

21/11/1998

Furniture makers told to think value (HL)

THE Malaysian furniture industry is headed for record export earnings this year but its long-term prospects continue to hinge on how well the industry's players rise to the challenge posed by their foreign lower-cost rivals.

And an obvious way to do so is to start making a name for themselves as Original Design Manufacturers (ODM), instead of remaining mere Original Equipment Manufacturers (OEM), Prime Minister Datuk Seri Dr Mahathir Mohamad said.

They can achieve the new status by undertaking an aggressive strategy to develop Malaysian brand names through building up their own furniture-designing skills or by way of "networking" and forming strategic alliances with foreign partners, he said when opening the Malaysian Furniture Design Centre in Kuala Lumpur yesterday.

Malaysia earned RM1.97 billion from furniture exports during the first half of 1998, compared with RM2.6 billion for the whole of 1997, and a mere RM269.5 million in 1990.

While the industry has remained vibrant despite the economic downturn, this is partly due to the ringgit's depreciation, the Prime Minister noted.

By continuing to depend on OEM operations, manufacturers will find that the prices of their products will come under increasing downward pressure as more and more low-cost manufacturers enter the market, he said.

As OEMs, Malaysian companies work under the dictates, in terms of both prices and designs, of foreign buyers who because of the regional financial turbulence have found their bargaining power substantially strengthened.

"I've been made to understand that the foreign buyers have been asking for discounts from Malaysian exporters, using the weaker ringgit as an excuse.

"Because they need to maintain market share and short-term profits, our manufacturers and exporters had to agree," Dr Mahathir said.

One worry is that Malaysian exporters may not be able to command the old prices again, even after the ringgit has rebounded. This will mean dwindling profit margins as production costs continue to escalate.

Ultimately, the local furniture industry will find itself no longer competitive and will be in all sorts of problems, he added.

Therefore, Malaysian furniture manufacturers must respond by going on the offensive, and adopt an aggressive strategy to achieve ODM status through the promotion of their own designs and brand names.

"They must create a sustainable Malaysian furniture industry which thrives on originality," Dr Mahathir said.

By doing so, not only will a truly Malaysian furniture industry be established but substantial spin-offs will also accrue to the country.

Value is the key, not volume, he reminded manufacturers. As such their operations should be accordingly realigned to secure maximum value-added.

In this regard, Dr Mahathir said the industry must place high priority on quality and consistency in their products, while continually improving on the designs in terms of function as well as aesthetics.

The Government hopes the RM2 million Malaysian Furniture Design Centre will serve as a platform for manufacturers to come up with original products that appeal to a broad spectrum of customers at home and abroad.

The centre was set up by the Malaysian Timber Council (MTC) and managed by Semangat Kurnia Sdn Bhd, a joint venture company between MTC and the Malaysian Furniture Industry Council.

According to Dr Mahathir, the centre is expected to work on establishing an intellectual property protection register which will provide an added push for furniture designing activities in the country.

Hopefully, on the knowledge that their original ideas will be protected, manufacturers will be encouraged to be more innovative.

The Prime Minister also said the centre should tap the potential of information technology when promoting Malaysia's best and latest products, for example via the Internet.

The Malaysian Furniture Design Centre's website is [www.furnituremfdc.com](http://www.furnituremfdc.com).

(END)