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END-MARKET STUDY FOR INDONESIAN HOME ACCESSORIES



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PREFACE

This paper was written as part of the Accelerated Microenterprise Advancement Project (AMAP) Business Development Services Knowledge and Practice (BDS K&P) research initiative. The AMAP BDS initiative’s major objective is “integrating micro and small enterprises into productive value chains to create wealth in poor communities.”

The research draws on experience and insights from:

- Interviews with leading buyers of handicrafts and home accessories in the United States and the European Union, including importers and retailers currently sourcing from Indonesia, those who have done so in the past, and those who source handmade products from other countries;
- Interviews with market experts, such as product development consultants, designers, enterprise development consultants, specialists in natural resource management and sustainable manufacturing, and marketing specialists who work with handicraft producers in developing countries;
- Discussions with SENADA (the Indonesia Competitiveness Program) staff and consultants;
- Discussions with Indonesian micro, small, and medium-size enterprise owners and employees;
- Existing literature on the home furnishings market, product trends, and sustainable products and manufacturing.

This report provides an overview and analysis of the global market for handcrafted home accessories and the key trends that affect producers in Indonesia; its ultimate objective is to provide practical recommendations for the Indonesian home accessories industry and SENADA.

Chapter I provides an introduction to this study, including a summary of SENADA. Chapter II covers the global market for home accessories with a focus on Indonesian exports. Chapter III offers a review of key trends that impact the home accessories industry, including a closer look at the growing trend in sustainable (or “green”) products. Chapter IV summarizes, from the viewpoint of buyers and industry experts, the strengths, weaknesses, opportunities, and threats of the Indonesian home furnishings sector. It also provides competitor benchmarking and a review of buyer requirements. Chapter V presents recommendations for developing a strategy to increase the sector’s global competitiveness, implementing upgrades to address prioritized constraints and capitalize on key opportunities, and sustaining industry competitiveness over time.

This paper benefited from the intellectual guidance of Jeanne Downing at the U.S. Agency for International Development and was prepared under the technical supervision of Marina Krivoshlykova of DAI. Appendix K lists the many experts and buyers who shared their time with the authors. In addition, Susan Inglis of the Sustainable Furniture Council and Patrick Kadian of the SENADA program provided invaluable guidance and information. Tim Sparkman of DAI contributed with research and trade data analysis.

ACRONYMS

AHFA	American Home Furnishings Alliance
AMAP	Accelerated Microenterprise Advancement Program (USAID-funded)
ATO	alternative trade organization
CSR	corporate social responsibility
FSC	Forest Stewardship Council
HS	Harmonized Commodity Description and Coding System
LEED	Leadership in Energy and Environmental Design
MSME	micro, small, and medium-sized enterprise
SENADA	Indonesia Competitiveness Program (USAID-funded)
SFC	Sustainable Furniture Council
USGBC	U.S. Green Building Council
USAID	United States Agency for International Development
VOC	volatile organic compound
WATH	West Africa Trade Hub (USAID-funded)

EXECUTIVE SUMMARY

The objective of SENADA, the U.S. Agency for International Development’s (USAID) Indonesia Competitiveness Program, is to generate growth, jobs, and income by increasing the competitiveness of Indonesia’s major labor-intensive light manufacturing industries. Recently, the program began working to strengthen export-oriented value chains in the home accessories industry. This end-market study contributes to the program’s overall understanding of the global market for home accessory products and offers a strategy and recommendations for improving the competitiveness of the sector.

Worldwide market for home accessories is estimated by market experts to be at least \$100 billion, with the U.S. market alone estimated at \$71 billion in 2006. Developed nations accounted for the vast majority of imports, but consumption in emerging Asian and European economies is growing rapidly, presenting promising opportunities. Indonesia exported nearly \$653 million worth of home accessories in 2006; the United States was by far the largest buyer, followed by Western Europe, Japan, and Canada. China leads all competitors with \$6.6 billion in exports of the home accessory products examined in this study, followed by Italy (\$2.8 billion) and France (\$1.7 billion).

This study focused on the U.S. and European Union markets. While there are notable differences between them, many trends start in Western Europe and migrate to the United States and Canada. A number of these trends are highly relevant to Indonesian producers of home accessories, including handcrafted instead of manufactured goods, indigenous yet not ethnic design, natural materials, botanical shapes and colors, reclaimed/recycled/repurposed products and materials, wall décor of all sorts (especially from natural materials), and storage items designed for specific purposes.

In general, low- and high-end retailers are growing, while the middle continues to struggle; there is further homogenization among large retail chains, yet consumers seek products that reflect greater individuality; market channels are continuing to flatten, though boutique retailers still depend on wholesale importers; internet sales are growing exponentially; and consumers expect ever greater environmental stewardship and social accountability from businesses. The demand for sustainable products is growing, with a consensus among buyers that “green” is here to stay. However, sustainable means more than eco-friendly—it seeks a balance between the environment, profits, and social equity.

Interviewees appraised the competitive position of Indonesian home accessory producers in the U.S. and European markets and addressed buyer requirements. They noted the following Indonesian characteristics:

- Strengths – A wealth of natural resources (including recyclable and rapidly renewable resources), talented craftspeople, a large workforce at competitive wages, flexible village-based production, a pleasant atmosphere, and a marketable mystique.
- Weaknesses – Unreliable quality, late delivery, difficulty producing to specification, poor customer service, lack of innovation in design, below-grade packaging and labeling, poor infrastructure, insufficient financing for micro, small, and medium-sized enterprises, and limited knowledge about export markets.
- Opportunities – Sustainable products (including home accessories made from recycled and rapidly renewable materials), demand for natural materials and handcrafted products with indigenous designs,

niche markets seeking distinctive goods, handcrafted component parts for other manufacturers, “green” building trend in offices and hotel chains, cost advantage over the Philippines, and growing safety concerns over Chinese products.

- Threats – A widespread reputation for poor quality and delivery, political and social unrest (real and perceived), pervasive corruption (particularly with regard to illegal logging), export of first-quality raw materials to competitors, the consequences of diminished tourism, and the long-term impact of natural resource exploitation.
- Competitor benchmarking – Many buyers have left Indonesia for China, Vietnam, India, the Philippines, and so on in search of more reliable quality and delivery, cheaper prices, better service, less corrupt raw material sourcing, more innovative designs, and greater stability. However, Indonesia is still regarded as having great potential if it can leverage its strengths, address its weaknesses, and capitalize on market opportunities.
- Buyer requirements – The marketplace is increasingly demanding, with a focus on innovative design, consistent quality, meeting of product specifications, competitive pricing, on-time delivery, responsive communications, good packaging, and the capacity to increase production quantities without a decline in quality or deliverability.

Strategy recommendations for the Indonesian home accessories sector focus on increasing and sustaining both firm- and industry-level competitiveness. Upgrades seek to address prioritized constraints and capitalize on identified market opportunities. Broadly, the sector should leverage recognized strengths, highly differentiate its product offerings, target specific market segments, and address widespread buyers’ concerns about sourcing from Indonesia. More specifically, recommendations include:

- Increase access to trend and end-market information that supports greater innovation by establishing a design center in partnership with the larger home furnishings sector as well as Indonesian universities and design professionals.
- Host design competitions to foster an environment of continuous product development and healthy competition between companies, as well as to attract greater interest from international buyers.
- Secure sources for first-quality raw materials and other inputs, research and implement improvements in production techniques and quality control, improve packaging, and lobby government and industry leaders to improve shipping infrastructure and performance.
- Improve communication and customer service skills (as well as general business skills at the small and medium-sized enterprise level), and upgrade websites to meet specific buyer needs.
- Educate the sector in the growing demand for sustainable products, develop a roadmap for “greening” a supply chain, create a guide to more sustainable inputs, target both residential and commercial end-markets for sustainable products, promote the sector’s vision and progress to buyers, and join international organizations that support greater sustainability in manufacturing and the management of natural resources.
- Improve interfirm cooperation, seek greater balance in vertical relationships (such as with contractual agreements between exporting firms and subcontractors), lobby the government to modify regulations that support exports (such as increased access to long-term loans and a more simple application for import duty exemption), and strengthen the learning mechanisms throughout the sector’s value chains to continuously improve design, quality, efficiency, and other factors that are critical to sustaining competitiveness.

I. INTRODUCTION

SENADA AND TARGET ENTERPRISES

SENADA, the Indonesia Competitiveness Program, is a four-year effort financed by the United States Agency for International Development (USAID). Its objective is to generate growth, jobs, and income by increasing the competitiveness of Indonesia's major labor-intensive light manufacturing industries. SENADA works to increase competitiveness by strengthening industry value chains, among them those in the home accessories sector.

SENADA's principal strategies are to develop and promote new industry-based standards to improve product quality and access to markets; improve linkages between raw material suppliers, producers, and potential buyers; identify and analyze regulatory constraints, followed by advocacy to alleviate these constraints; improve functional business skills in areas such as export readiness, productivity enhancement, and marketing; and increase and improve access to critical services such as finance and information and communication technologies.



Moenia Design

OBJECTIVE OF END MARKET STUDY

This end-market study was funded by the Accelerated Microenterprise Advancement Program (AMAP) Business Development Services Knowledge and Practice task order and has been designed to supplement the work of the SENADA program. Its objective is to provide a strategy and recommendations for improving the Indonesian home accessory industry's competitiveness in the global marketplace in both the short and longer terms. This study has drawn on the value chain analyses and activities conducted by SENADA and has been implemented in close coordination with SENADA staff working in the home accessories value chain.

II. THE GLOBAL MARKET FOR INDONESIAN HOME ACCESSORIES

DEFINITION OF HOME ACCESSORIES AND CHALLENGES ASSOCIATED WITH DATA COLLECTION

The global market for home accessories (also referred to as the home décor or home accents market) is estimated by market experts to be at least \$100 billion. The term *home accessories* is used to describe a variety of functional and decorative items designed for use in consumer residences. It encompasses a broad product grouping that often overlaps with other categories such as furniture, tabletop, garden, and art. Although a small occasional table might be considered an accessory, dining and coffee tables are referred to as furniture items. Wooden kitchen utensils may be an accessory, but formal place settings fall under the tabletop category. A large, one-of-a-kind sculpture is typically sold in an art gallery setting, whereas a small, handcrafted figurine can be found at many types of gift and home furnishing stores.

This diversity and sometimes nuanced delineation among products makes it a challenge to assess the home accessory market. Yet it is important to do so because handcrafted production of these items is a major source of employment in many developing countries. In some locales, it constitutes a significant part of the export economy. On a global

scale, home accessories are a part of the much larger home (and office) furnishings market that includes semi-handcrafted and machine-made goods as well.

Collection and analysis of trade data for home accessory production in developing countries such as Indonesia, or for home accessory imports by developed countries, are complicated by the lack of a commonly accepted definition that would distinguish handmade and semi-handmade home accessory products from their machine-made counterparts. Handmade products are not identified separately in the main international system for trade statistics, the Harmonized Commodity Description and Coding System (HS); therefore, reliable trade data at an international level do not exist. Thus, it is difficult to accurately assess the size of the global market for handmade or semi-handmade home accessory products.



Despite the above limitations, researchers use the market data for the global home accessory industry and its largest markets—the United States and Europe—to understand the market dynamics, style trends, and growth patterns of particular product categories. They also use these data to determine potential market opportunities for developing-country producers.

GLOBAL MARKET FOR HOME ACCESSORIES AND MARKET SEGMENTS

To illustrate the trends in products and distribution channels in global home accessory markets, this study uses the market data for the U.S. home accessory market—the largest market for Indonesian home accessory exports. These trends are similar to those in other major markets, such as the European Union, although differences exist at the level of individual countries and markets.

The U.S. market for home accessories was estimated at \$71.8 billion in 2006, up 4.1 percent from 2005, and was projected to grow an additional 3.3 percent in 2007 to \$74.2 billion, according to *Home Accents Today*.¹ U.S. consumers are spending their disposable income on home accessories in record numbers and are projected to continue to fuel market growth in the coming years. Table 1 presents the current snapshot of the U.S. home accessory market, including key market segments and distribution channels. It illustrates how each product that originates with producers is based on one or a combination of several raw materials, as classified by the International Trade Center (column one). Column two shows some illustrative examples of home accessory products; column three illustrates the home accessory market segments into which these products flow, as defined by the industry; and column four lists the key distribution channels and retail outlets for each market segment, including their sales volumes and growth patterns.

TABLE 1. U.S. HOME ACCESSORY MARKET SEGMENTS²

Raw Material (as classified by the International Trade Center)	Examples of Home Accessory Products	U.S. Home Accessory Market Segment (2006 estimated market share and total sales in billions)	Top U.S. Retail Channels (2006 sales in \$ millions and % change from 2005)
<ul style="list-style-type: none"> • Basket, wicker and vegetable fibers • Metal • Leather • Paper • Pottery • Wood • Soap • Textiles • Stone 	<ul style="list-style-type: none"> • Baskets • Handbags • Picture frames (of wood and metal) • Wall décor items • Boxes • Decorative accessories • Ornaments • Vases • Candles 	<p>Decorative accessories (31%) \$22.6 (4.1% growth projection for 2007)</p>	<ul style="list-style-type: none"> • Home accent/gift stores (\$8,840; up 4.0%) • Direct-to-consumer channel (\$4,335; up 6.4%) • Discount stores/off-price retailers (\$4,145; up 6.8%) • Lifestyle stores (\$2,555; up 5.1%) • Department stores (\$670; down 0.7%) • Craft/fabric stores/chain (\$585; up 2.6%) • Interior designers (\$445; up 3.5%) • Traditional furniture stores/chain (\$362; up 3.4%) • Home improvement centers and warehouse clubs (\$207; up 6.2%)

¹ *Home Accents Today Universe Study*, December 2006.

² *Home Accents Today Universe Study*, December 2006, pp. 2–4.

Raw Material (as classified by the International Trade Center)	Examples of Home Accessory Products	U.S. Home Accessory Market Segment (2006 estimated market share and total sales in billions)	Top U.S. Retail Channels (2006 sales in \$ millions and % change from 2005)
<ul style="list-style-type: none"> • Glass • Bone • Horn • Shells • Combination of different materials and techniques 	<ul style="list-style-type: none"> • Candleholders • Ceramics • Sculptures • Masks • Bowls and dishes • Furniture • Embroidered and sewn textiles • Papier mâché • Jewelry • Musical instruments • Toys 	<p>Accent furniture (20%) \$14.5 (3.6% growth projection for 2007)</p>	<ul style="list-style-type: none"> • Traditional furniture stores/chains (\$3,930; up 3.4%) • Discount stores/off-price retailers (\$2,735; up 7.3%) • Home accent/gift stores (\$2,235; up 2.8%) • Lifestyle stores (\$1,880; up 4.4%) • Interior designers (\$1,200; up 4.3%) • Home improvement centers and warehouse clubs (\$645; up 4.9%) • Department stores (\$560; up 2.8%) • Direct-to-consumer channel (\$558; up 7.3%) • Craft/fabric stores (\$125, up 4.2%)
		<p>Portable lamps (11%) \$7.7 (3.3% growth projection for 2007)</p>	<ul style="list-style-type: none"> • Discount stores/off-price retailers (\$1,890; up 5.0%) • Home improvement centers and warehouse clubs (\$1,520; up 7.4%) • Home accent/gift stores (\$920; down 0.5%) • Lamp and lighting stores/chains (\$900; no change) • Traditional furniture stores/chain (\$669; up 2.9%) • Interior designers (\$470, up 2.2%) • Direct-to-consumer channel (\$425; up 6.3%) • Lifestyle stores (\$308; up 2.7%) • Department stores (\$295; no change) • Craft/fabric stores/chain (\$90; no change)
		<p>Wall décor (9%) \$6.1 (3.4% growth projection for 2007)</p>	<ul style="list-style-type: none"> • Discount stores/off-price retailers (\$1,780; up 4.7%) • Direct-to-consumer channel (\$840; up 5.0%) • Home accent/gift stores (\$755; up 0.7%) • Lifestyle stores (\$666; up 2.5%) • Traditional furniture stores (\$433; up 1.9%) • Craft/fabric stores/chain (\$380; up 2.7%) • Home improvement centers and warehouse clubs (\$380; up 4.1%) • Interior designers (\$165; up 3.1%) • Lamp and lighting stores (\$66; up 1.5%)

Raw Material (as classified by the International Trade Center)	Examples of Home Accessory Products	U.S. Home Accessory Market Segment (2006 estimated market share and total sales in billions)	Top U.S. Retail Channels (2006 sales in \$ millions and % change from 2005)
		Area rugs (8%) \$5.4 (1.2% growth projection for 2007)	<ul style="list-style-type: none"> • Discount stores/off-price retailers (\$1,870; up 6.9%) • Home improvement centers and warehouse clubs (\$685; up 7.0%) • Direct-to-consumer channel (\$506; up 3.3%) • Traditional furniture stores/chains (\$455; up 1.1%) • Floor covering stores (\$445; down 1.1%) • Lifestyle stores (\$428; up 0.7%) • Home accent/gift stores (\$358; down 0.6%) • Department stores (\$275; down 1.8%)
		Lighting fixtures (6%) \$4.7 (3.0% growth projection for 2007)	<ul style="list-style-type: none"> • Home improvement centers and warehouse clubs (\$2,145; up 5.9%) • Lamp and lighting stores (\$1,575; up 1.3%) • Discount stores/off-price retailers (\$285; up 1.8%) • Interior designers (\$162; up 4.5%) • Home accent/gift stores (\$158; down 1.3%) • Direct-to-consumer channel (\$137; up 1.5%) • Traditional furniture stores/chains (\$82; up 2.5%)
		Tabletop and tabletop accessories (6%) \$4.4 (2.8% growth projection for 2007)	<ul style="list-style-type: none"> • Discount stores/off-price retailers (\$1,405, up 5.6%) • Home accent/gift stores (\$820; no change) • Direct-to-consumer channel (\$700; up 7.7%) • Department stores (\$665; up 2.3%) • Lifestyle stores (\$340; up 4.6%)
		Soft goods (5%) \$3.5 (2.4% growth projection for 2007)	<ul style="list-style-type: none"> • Discount stores/off-price retailers (\$1,260; up 5.0%) • Home accent/gift stores (\$635; down 0.8%) • Lifestyle stores (\$475; up 3.3%) • Direct-to-consumer channel (\$460; up 7.0%) • Department stores (\$320; up 1.6%)
		Permanent botanicals (4%) \$2.9 (2.9% growth projection for 2007)	<ul style="list-style-type: none"> • Craft/fabric stores/chain (\$970; up 3.7%) • Discount stores/off-price retailers (\$510; up 6.3%) • Home accent/gift stores (\$445; down 1.1%) • Home improvement centers and warehouse

Raw Material (as classified by the International Trade Center)	Examples of Home Accessory Products	U.S. Home Accessory Market Segment (2006 estimated market share and total sales in billions)	Top U.S. Retail Channels (2006 sales in \$ millions and % change from 2005)
			clubs (\$405; up 6.6%) <ul style="list-style-type: none"> • Direct-to-consumer channel (\$210; up 5.0%) • Interior designers (\$93; up 3.3%) • Department stores (\$87; up 2.4%) • Lifestyle stores (\$82; up 2.5%)

- **Decorative accessories** is the largest market segment, with a projected 4.1 percent growth in sales for 2007. This segment contains a variety of products—from baskets and boxes to photo frames, bookends, candles, and garden accessories—and is the driving force of the home accessories market. Its products are present in almost every type of retail store that sells home accessories. Independent retailers (described in detail below) in particular carry decorative accessories as the key product category in their stores.
- **Accent furniture** is the second largest market segment, with a 2007 projected growth rate of 3.6 percent. It offers opportunities for products made of various materials, including metal, wood, natural fibers, glass, and combinations. Accent furniture most often refers to the smaller, less expensive “personality” pieces in a room that consumers purchase, often on impulse, to add a distinctive flair to their furnishings. In addition to its inclusion in home accessory market statistics, accent furniture is captured in furniture data, which refer to these items as “occasional.” Traditional furniture stores are the largest retail distribution channel for this product category.
- The **portable lamps** segment is projected to grow 3.3 percent in 2007. Some buyers believe this category presents opportunities for developing-country producers to produce unique lamps using a combination of local materials, such as metal, ceramics, paper, wood, woven fibers, or textiles. Discount department stores/off-price retailers hold the largest share of sales of this product category.
- **Wall décor**, with a growth projection of 3.4 percent for 2007, is one of the most popular product categories, according to buyers and industry resources. This segment includes many decorative and functional items such as wall art, mirrors, picture frames, and coat hooks. According to *Home Accents Today*, “wall décor is perhaps the most pervasive of home accent categories with every channel carrying the product. It is easy to display and is available at every price point and margins are generally high in this category.”³ This product category also includes original art, generally purchased at art galleries, art shows, and auctions. The wall décor segment is likely to continue to be very popular and offers many opportunities for developing-country producers.



Crate and Barrel Pinatubo Wall Art

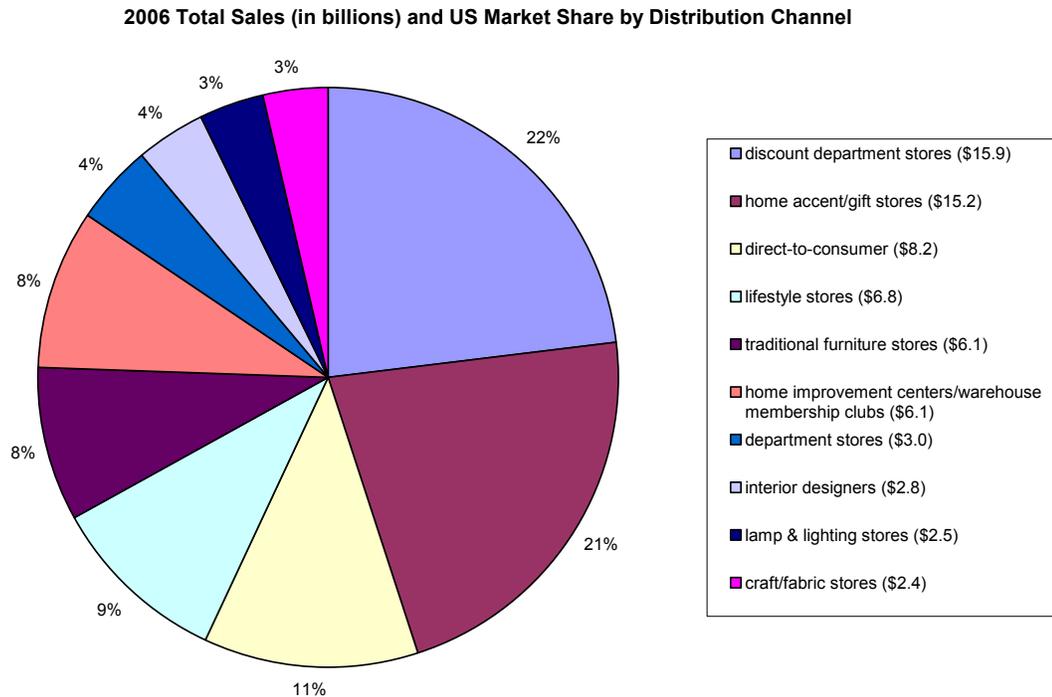
³ *Home Accents Today Universe Study*, December 2006, p. 12.

- The **area rugs** segment is projected to grow at 1.2 percent in 2007 and will continue to remain strong as the popularity of hardwood (and imitation hardwood) floors persists among consumers. According to *Home Accents Today*, “Americans’ love affair with hardwood and tile floors continues, and the area rug market fuels the romance with attractive designs at the high and low ends of the market.” Retail stores with large floor space to display the products, such as discount department stores/off-price retailers and home improvement centers/warehouse membership clubs, dominate the sales in this product category.
- **Lighting fixtures** (non-portable lights such as wall sconces) were projected to grow 3.0 percent in 2007. Home improvement centers, warehouse clubs, and specialty lamp and lighting stores hold the largest share of the sales in this category because of the importance of space and wiring infrastructure for product display.
- The **Tabletop** segment was projected to grow 2.8 percent in 2007. Tabletop and tabletop accessories have transitioned from formal to casual style, which opens up new opportunities for developing-country producers who can sell unusual tabletop accessories and serving pieces.
- **Soft goods** include home accessory textiles such as throws, decorative pillows, and top-of-bed items, which are very strong product categories at the higher end of the market and were projected to grow 2.4 percent in 2007.
- **Permanent botanicals**, more commonly known as artificial flowers and plants—sometimes handmade from silk—is the smallest product category of the home accessories market and was projected to grow 2.9 percent in 2007. Demand in this product category is driven by consumers’ love of flowers combined with busy lifestyles that leave little time for indoor plants.

KEY PLAYERS AND DISTRIBUTION CHANNELS

As illustrated in Table 1 above, distribution channels for the U.S. home accessory market consist of various types of retail outlets. Although the names of each outlet may vary in different countries and markets, the key retailer types and their characteristics remain the same throughout the developed countries. These include discount department stores (many of which are referred to as mass-merchants or “big box” stores), home accent/gift stores, direct-to-consumer retailers (such as catalogs, internet, and TV sales), lifestyle (or specialty) stores, traditional furniture stores, home improvement centers/warehouse membership clubs, department stores, interior designers, lamp and lighting stores, and craft/fabric stores. Figure 1 illustrates the key distribution channels in the U.S. home accessory market. Their characteristics and growth trends are described in detail later in this chapter.

FIGURE 1: END-MARKET DISTRIBUTION CHANNELS – WHERE ARE HOME ACCESSORIES SOLD?

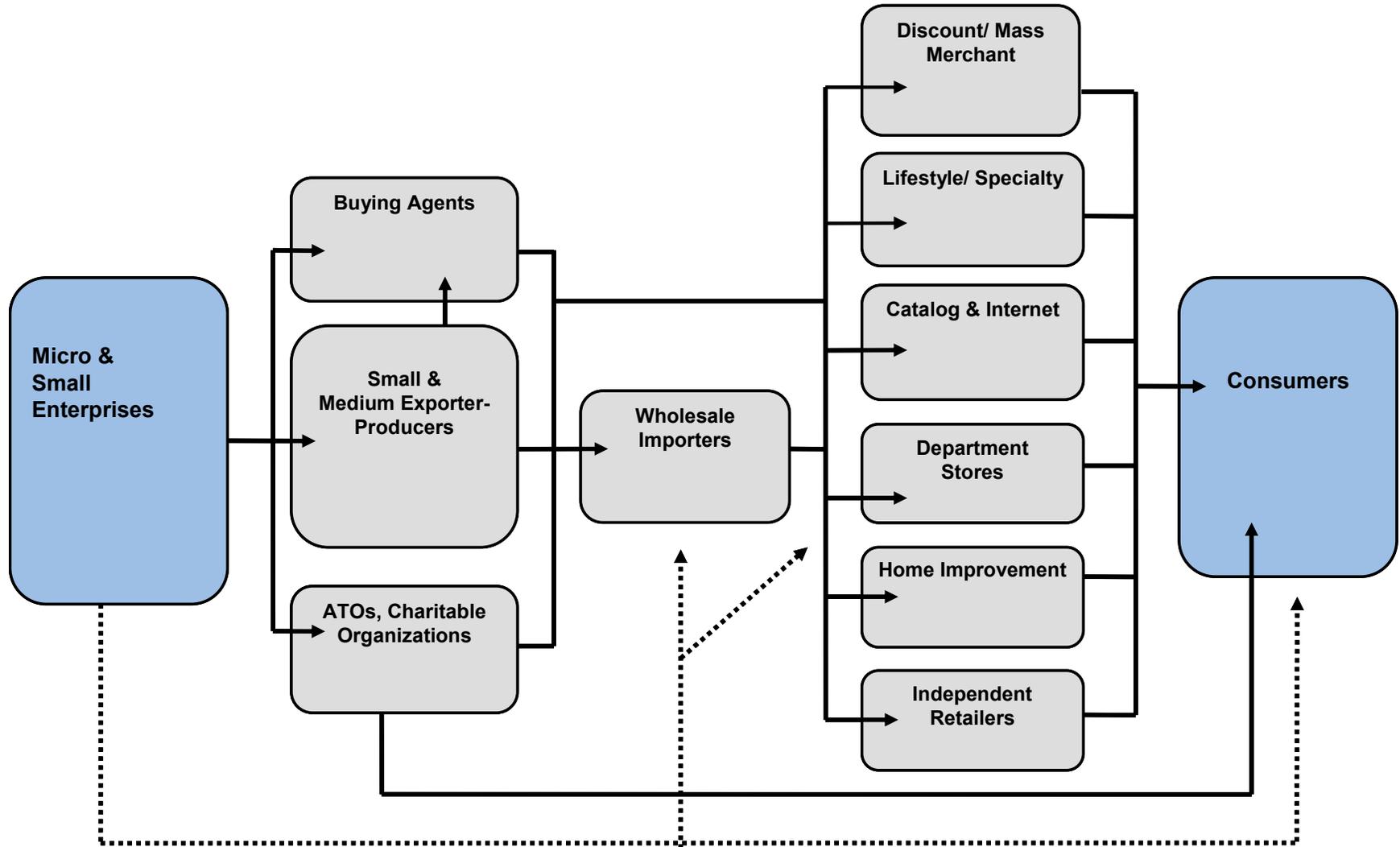


To illustrate the landscape of players and channels involved in the global home accessory market from the perspective of a developing-country exporter, Figure 2 demonstrates in very general terms how the export market channels are organized from producer to consumer. This scheme is applicable to most home accessory products produced in developing countries and sold in the United States and Western Europe.

- *MSMEs* are production workshops and individual craftspeople working independently or in groups as subcontractors to larger exporter-producers. They also sell their goods directly to consumers or through shops in local markets, and sometimes to foreign buyers either directly or through buying agents.
- A *buying agent* is an individual or company, usually based in the producing country or region, responsible for all interaction with the producers on behalf of an importer: communication, samples and ordering, production oversight, quality control, labeling, packing, inland freight, payments, and so on. An agent typically works for a commission paid by the buyer or producer and is viewed by wholesalers and retailers as essential to the success of their imports.

Exporter-producers are businesses located in the producing country that manufacture, consolidate, and export products in large quantities. They may hire individual artisans to work in-house, or outsource much of the production to MSMEs, completing the final tasks in-house (such as assembly, finishing, quality control, labeling, and packaging). Typically these companies require significant production financing and are more experienced with export procedures and requirements than individual artisans. Many work through buying agents to access distant markets and communicate with foreign buyers.

FIGURE 2: HOME ACCESSORY MARKET CHANNELS FOR DEVELOPING-COUNTRY PRODUCERS



- *Charitable organizations* are largely nonprofit groups, in either the production country or the destination market, that perform a few or many of the functions of an exporter, importer, buying agent, and retailer. They may receive private or public funding, and are often guided by a mission such as poverty alleviation or improved healthcare. Some are faith-based. *Alternative trade organizations* (ATOs, also known as fair trade organizations) typically work directly with artisans to better serve their goal of ensuring fair wages, safe and ethical employment practices, and environmentally sustainable production. In addition to acting as local intermediaries, ATOs may also act as importers, wholesalers, agents, and retailers. They sell through all types of retailers and directly to consumers through their own stores, websites, or catalogs. Although both charitable organizations and ATOs are often very important to the artisan groups they work with, they represent a small portion of the total flow of home accessory products in western markets.
- *Wholesale importers* range from small “mom and pop” operations to very large, well-established companies with their own production and distribution facilities. They purchase, import, and wholesale products to all types of retailers. Some also function as buying agents working on commission when profit margins are too thin.

The right side of Figure 2 shows a number of different types of *retail outlets* most relevant to developing-country producers. The salient characteristics of each are described below, including a description of how they tend to operate, examples, data on sales trends,⁴ and an assessment of their potential from the point of view of developing-country producers.

- *Discounters/mass-merchants* are high-volume, fast-turnover “big box” stores that sell a variety of merchandise at lower than conventional prices; this group includes Wal-Mart, Target, and TJX Companies. These retailers import the majority of their merchandise directly through their own sourcing agents and sometimes from exclusive overseas production facilities. This channel is the largest in the U.S. home accessory market, with \$15.9 billion in sales in 2006, a 22 percent market share, and a projected 6.4 percent growth rate for 2007. Despite the large market share and high sale volumes offered by this channel, opportunities for developing-country producers to profitably sell to these retailers are limited. Due to high-volume sales, big box stores typically do not order less than a 40-foot container from a producer and require thousands—or tens of thousands—of nearly identical units. They have strict requirements for timely delivery, quality, and packing specifications, and may apply charge-backs (deductions from the payment) if their requirements are not met. In addition, these merchants demand delayed payment terms of 30 to 90 days. All of these present high-risk and often insurmountable challenges to most developing-country producers.
- *Lifestyle (specialty) stores* are a new fast-growing group of retailers that target a specific consumer profile and market a “style image” along with their goods. These include such retailers as Crate and Barrel, Pottery Barn, Bed Bath and Beyond, Anthropologie, and Restoration Hardware, which are focused on either a single category of merchandise or a few closely related categories and vary in their target audience, having segmented the market in terms of not only product type but also demographics. According to *Home Accents Today*, this group of stores tends to attract the urban, younger shopper, as well as the more affluent. In 2006, lifestyle stores constituted the fourth largest home accessory sales channel in the United States, with total sales to \$6.8 billion and a projected growth rate of 1.7 percent for 2007. Lifestyle stores can include large chains as well as smaller independent retailers. While many

⁴ U.S. market sales data are used unless otherwise specified.

continue to purchase some products from wholesale importers, most have significantly increased their direct purchases. Stores in this category look for unique products that are not available at mass retailers; thus, they are often interested in sourcing from developing countries and new suppliers. However, their volume and delivery requirements can be similar to those of the discounters/mass retailers.

- *Catalog and internet retailers* are representatives of the direct-to-consumer channel—the third largest and the fastest-growing home accessory sales channel in the United States, which also includes TV sales. In 2006, \$8.2 billion worth of home accessory products were sold through this channel, which is projected to grow 8.8 percent in 2007. Companies selling primarily through catalogs or the internet include Sundance Catalog, Smith & Hawken, and L.L. Bean. While some of these retailers sell large volumes in various categories, others are not big enough to support container-size orders; thus, product is sourced both directly and through wholesale importers. While nearly all catalogs also sell over the internet, a minority of internet retailers also sell through mail-order catalogs. Direct sales are also growing for other types for retailers; for example, JCPenney, classified in the department store category, has reported that 15 percent of its sales were direct (catalog and internet) in 2005 and direct sales increased 28 percent in 2005.⁵ Although most chain and department stores also sell through the internet and mail-order catalogs, retailers that sell primarily through these two channels differ because they do not need to spread inventory across numerous retail locations, allowing them, among other advantages, greater flexibility in the quantities they order. The internet has changed the way consumers make buying decisions and Jupiter Research forecasts that U.S. total online retail spending will increase to \$144 billion by 2010.⁶
- *Department stores* are large retailers such as Macy's, Bloomingdales, and Sears that operate nationally or regionally and focus primarily on apparel, shoes, and accessories. Although they have traditionally purchased through wholesale importers, many import an increasing percentage of their merchandise directly (through agents) from overseas producers. Department stores have been losing ground in competition with discount stores. Their total home accessory sales were \$3 billion in 2006 and were projected to go down to \$2.9 billion in 2007. Overall, department stores are not a promising channel for developing-country producers; home accessory sales represent a small and declining share of their overall business.
- *Home improvement stores* include Home Depot and Lowe's. This channel continues to grow, with an estimated \$6 billion in sales in 2006 and projected growth of 5.4 percent to \$6.4 billion in 2007. Both Home Depot and Lowe's have reported an increase in sales in 2006, with Lowe's planning to open an additional 150 stores in 2008. Home improvement stores sell an increasing assortment of home accessories, particularly in their garden/patio departments, where many handcrafted products can be found.
- *Independent retailers* constitute a broad category intended to capture all of the following: smaller retailers with one or only a few stores, tourist shops, art galleries, museum and zoo stores, flower shops, coffee shops that sell handicrafts, garden stores, alternative trade outlets, and other relatively small retailers with sales volumes too small to support container-size orders. These retailers may focus on any number of categories, from gifts and home accents (accessories) to clothing, garden products,

⁵ *Home Accents Today Universe Study*, December 2006, p. 4.

⁶ www.jupitermedia.com/corporate/releases/06.02.06-newjupresearch.html.

and holiday items. Relatively few import products themselves; the majority purchase merchandise from wholesale importers and receive shipments from domestic warehouses. Although these businesses are facing intense competition from the big box stores, many have been able to successfully differentiate themselves from larger retailers by the more distinctive and handmade nature of their product lines.

Key examples of independent retailers include:

- *Home accent and gift stores* comprise the largest independent retail outlet category for home accessories. In 2006, this was the second largest sales channel in the United States, with total sales of \$15.2 billion. This channel is projected to grow slightly—at 0.6 percent in 2007. Many of these stores are local or regional and carry gift items, accent furniture, tabletop, and decorative pillows, among other products. This channel presents opportunities for developing-country producers because the retailers typically carry a more distinctive product mix, require smaller unit quantities, and have fewer production requirements. According to *Home Accents Today*, “because most of these stores are small independent stores, they open and close with little notice. However, much of the innovation in retail comes from this group, with higher levels of customer service and ways to draw customer attention and loyalty.”
- A number of *small lifestyle stores* also fit the independent retailer category. Examples include Auto and Room & Board in New York.
- *Traditional furniture stores* are responsible primarily for the accent furniture segment of the home accessory market sales. Accent furniture is often categorized as “occasional” furniture by traditional furniture stores, which mainly specialize in large furniture pieces. However, these stores comprise an important sales channel for developing-country exporters of accent furniture and wooden decorative accessories. Although, many traditional furniture stores fall in the independent retailer category, there are also national chains such as Ethan Allen, Restoration Hardware, Room & Board, and Hendrick’s Furniture Group.
- *Alternative trade organizations* and fair trade retailers also represent the independent retailer category. They purchase primarily from artisans (typically through development projects or agents), fair trade importers and exporters, charitable organizations, and other ATOs. In addition, certain specialty shops, while not dedicated fair trade retailers, may be interested in a particular culture or cause and purchase small amounts of fairly traded handicrafts as a way to support artisans and raise consumer awareness. In the United States and Canada, Ten Thousand Villages is perhaps the ATO most widely recognized by consumers, with more than 160 retail locations and sales of \$22.8 million in 2005 (about half of which was wholesale).⁷ This channel has the potential to grow as consumer interest in environmental sustainability, fair wages, and worker conditions increases; however, the size of the ATO/fair trade retail and wholesale market is currently relatively small.

KEY TRENDS IN DISTRIBUTION CHANNELS

The landscape of players and channels that operate in the global home accessory market, described above, can be characterized by the following trends in the way distribution channels work:

⁷ Ten Thousand Villages, *Annual Report (April 1, 2004–March 31, 2005)*.
www.tenthousandvillages.com/pdf/Annual%20Report%200405.pdf

- *Distribution channels are getting shorter* as more large retailers are opting to source directly, bypassing U.S.-based importers, and layers of intermediaries are being eliminated. When Pottery Barn was purchased by Williams-Sonoma in 1986, 95 percent of its products were purchased through wholesale importers. Today, 80 percent is directly developed and imported via in-country agents working with producers. Global production has become commonplace for larger retailers as increased competitive pressure drives them to reduce costs, and many see the trend extending to smaller retailers as well. However, from the perspective of developing-country producers, direct sourcing rarely eliminates the role of the buying agent or exporter. There nearly always is a third party responsible for overseeing production. Even very large retailers prefer to work with an intermediary in the country of origin.
- *The role of market intermediaries remains strong*—most developing-country home accessory products pass through one or more intermediaries before reaching wholesale importers, retailers, or consumers. While there certainly are direct purchases from the artisans, as indicated by the dotted lines in Figure 2, the relative volume of these transactions is negligible.
- *The trend toward multi-channel businesses is growing.* Nearly all discounters, department stores, and specialty stores—as well as more and more independent retailers—have retail websites, and some have mail-order catalogs as well. In addition, catalog and internet retailers are opening “brick and mortar” locations as well as operating wholesale divisions, and wholesale importers are launching websites and/or opening retail locations to offset a decrease in sales to large retailers.

PRICE SEGMENTS AND KEY TRENDS

Price segments and ranges for home accessories can vary widely with individual products. However the key product characteristics described in Table 2 can be distinguished for the three main price segments: luxury/high-end, middle, and low-end segments.

TABLE 2. PRICE SEGMENTS FOR HOME ACCESSORIES

Segment	Price Range Example	Key Product Characteristics	Examples of U.S. Retail Stores
Luxury/High-end (terms used interchangeably)	\$200–\$1,000 retail and up for a wall décor item	<ul style="list-style-type: none"> • Very high quality • Product looks like artwork that belongs in a wealthy setting • Innovative design • High-quality packaging, labeling, and marketing materials • Purchasing priorities are design and quality 	<ul style="list-style-type: none"> • Neiman Marcus • Saks Fifth Avenue • Expensive independent stores
Middle	\$75–\$200 retail for a wall décor item	<ul style="list-style-type: none"> • Product must have value and be affordable • Purchasing priorities are: <ol style="list-style-type: none"> 1. design 2. price 3. quality, which must match the price⁸ 	<ul style="list-style-type: none"> • Pier 1 Imports • Crate and Barrel • Cost Plus World Market • Sears
Low-end	Under \$75 retail for a wall décor	<ul style="list-style-type: none"> • Lower-end, cheap, and readily available • Might have a good look, but quality is lacking 	<ul style="list-style-type: none"> • Target • Wal-Mart

⁸ Quality, according to buyers, is related to the quality of finish and materials used, level of craftsmanship, consistency among units, and packing for efficiency and damage control.

Segment	Price Range Example	Key Product Characteristics	Examples of U.S. Retail Stores
	item	<ul style="list-style-type: none"> • Cheaper materials (e.g., iron instead of brass) • Lower-quality finishes • Purchasing priorities are: <ol style="list-style-type: none"> 1. price 2. design 	<ul style="list-style-type: none"> • Kmart • Home Goods

Several key trends in price segments for the home accessory products today in both the United States and Europe include:

- Increased polarization of the market as low-end and luxury market segments are growing while middle markets are stagnating or shrinking. At the low end, cheap imports are driving down average retail prices, leading to consumer expectations of better quality at a lower price.⁹ In the United States, with the exceptional growth of discount stores, home accessory products are becoming increasingly disposable. Improved quality and delivery combined with lower costs through cheaper labor and more efficient production remain the key competitive requirements for producers worldwide.
- Shifting consumer purchasing patterns, described above, affect the changes taking place in distribution channels: discount chains are growing while many mid-level department stores and independent retailers are struggling to maintain revenues.
- Expanding luxury market leads to the growth of high-end retail chains such as Neiman Marcus and Saks Fifth Avenue. Many consumers are purchasing unique accent pieces in luxury stores to adorn the cheaper, larger items they have purchased at a mass-merchandiser. According to a study by Unity Marketing, “the future of retail is serving the luxury market through 2010–2015.”¹⁰
- In Europe, consumers of home accessory products also increasingly favor more uncommon, high-end items, though they tend to have smaller homes and are more minimalist in their furnishings. According to market experts, this leads to greater selectivity with a focus on quality over quantity, a direction the U.S. market may be moving in over the next decade as high real estate prices trigger a trend toward smaller homes. With greater selectivity in purchases of home décor items, American consumers are expected to spend more on gifts, opening up opportunities for both high-end home accessories and new, creative gift products.

KEY EXPORT COUNTRIES AND IMPORT MARKETS FOR HOME ACCESSORIES WORLDWIDE

GLOBAL TRADE IN HOME ACCESSORIES¹¹

In 2006, Indonesia sold almost \$653 million worth of home accessories under the product categories detailed in Table 3.

⁹ Becky Boswell Smith, 2004 Universe Study, *Home Accents Today*, December 2004, p. 3.

¹⁰ As referenced in 2004 Universe Study, *Home Accents Today*, December 2004, p. 4.

¹¹ World Trade Atlas, data accessed in November 2007. All trade data contained in this chapter is from the World Trade Atlas website, and all data used in this analysis was reported by importing countries.

TABLE 3: INDONESIAN HOME ACCESSORIES

Type	Material	HS Codes
Trays	Paper	482360
Tableware	Ceramics	701339, 701310, 691200, 701399
Serving Utensils	Wood, with precious metals, all others	441900, 821520, 821599
Sculptures	Wood, with precious metals, ceramics, original of any material, all others	442010, 830621, 691390, 970300, 830629
Office Sets	Paper	481960
Mats	Vegetable plaiting material	460120
Handbags	Leather	420221
Furniture	Bamboo	940380
Frames	Wood, metal	441400, 830630
Cases and Caskets	Wood	442090
Baskets	Vegetable plaiting material, other plaited materials	460210, 460290

World imports of these home accessories in 2006 were worth more than \$22 billion. Developed nations accounted for the vast majority of imports, but consumption in emerging Asian and European markets is growing rapidly, presenting promising alternatives to conventional target markets, many of which seem to be stagnating or declining.

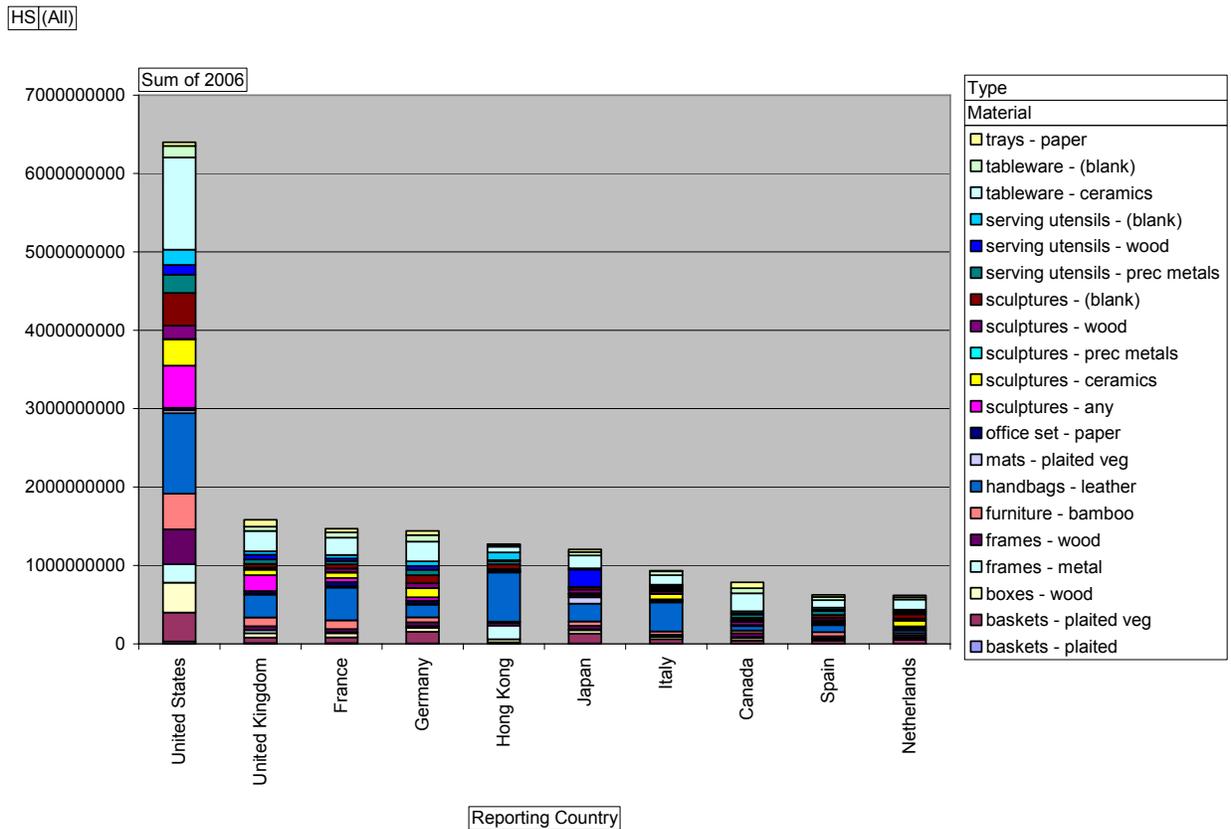
Buyers of Indonesian home accessories spanned the range of income levels, from high-income countries such as the United States—with \$150 million in Indonesian imports—to low-income, low-growth nations such as Paraguay, which purchased less than \$10,000 worth of goods from Indonesian producers in 2006. Between those two nations are a wide variety of buyers trending in several directions. Asian consumers include Japan, Taiwan, South Korea, and Malaysia—Japan and Taiwan are purchasing less each year, while Malaysian and South Korean purchases of Indonesian home accessories are booming. Likewise, among European buyers, established markets such as France and Italy are stagnating while emerging economies—for example, Russia, Croatia, and Ukraine—show promising growth in purchase of products in which Indonesia specializes, such as bamboo furniture.

Exporters included 69 countries, from China to Kazakhstan. Among world exporters, Indonesia ranked eighth in terms of export dollar value, a position it has held for the past three years.

IMPORT MARKETS FOR HOME ACCESSORIES PRODUCED IN ANY COUNTRY

In 2006, the top 10 buyers of home accessories produced in any country were, beginning with the biggest importer, the United States, the United Kingdom, France, Germany, Hong Kong, Japan, Italy, Canada, Spain, and the Netherlands. The United States, as with other imports, far surpassed all other nations in its home accessories purchases, taking in almost \$6.4 billion in these products that year. A distant second place, the United Kingdom purchased almost \$1.6 billion (see Figure 3)

FIGURE 3: TOP 10 IMPORTERS OF HOME ACCESSORIES PRODUCED WORLDWIDE



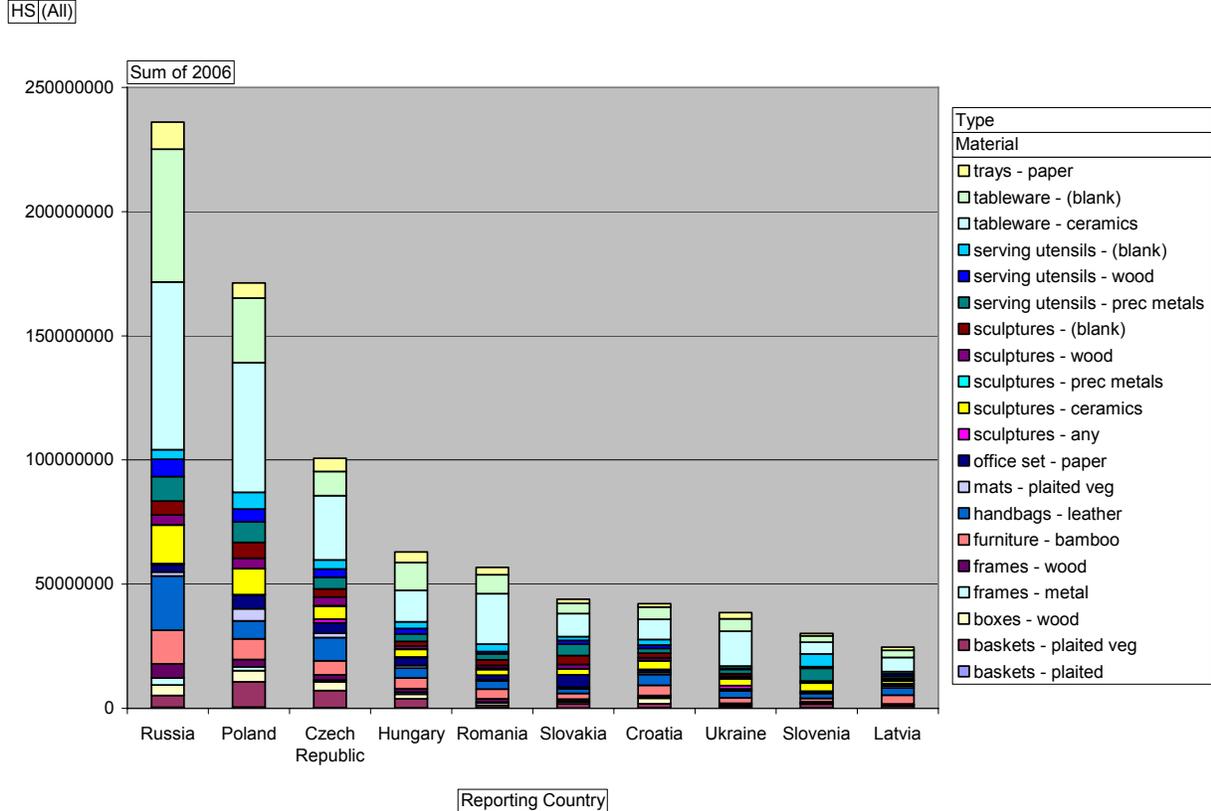
Most of the major buyers are also growth markets, as illustrated in Table 4. The United States, the United Kingdom, Italy, and Canada show the strongest consistent growth in consumption of home accessories produced worldwide, while most of the others show at least moderate growth.

TABLE 4: TOP IMPORTERS OF HOME ACCESSORIES WORLDWIDE

Country	2004–2005	2005–2006
United States	8.51%	6.99%
United Kingdom	5.33%	13.61%
France	2.61%	6.30%
Germany	3.62%	0.01%
Hong Kong	-1.91%	1.30%
Japan	7.14%	2.94%
Italy	9.03%	17.28%
Canada	10.14%	12.09%
Spain	10.86%	0.03%
Netherlands	6.02%	4.42%

Other markets include large Asian importers and, increasingly, emerging European nations with ever-larger consumer incomes. Among emerging European nations, Russia imported the most home accessories in 2006, with \$236 million in imports (see Figure 4).

FIGURE 4: TOP EMERGING EUROPEAN IMPORTERS OF WORLD HOME ACCESSORIES



Significantly, many of these countries are high-growth markets, with huge annual increases in consumption of home accessories. As shown in Table 5, Russia’s annual consumption increased by almost 35 percent from 2005 to 2006; the Czech Republic, Romania, Croatia, Ukraine, Slovenia, and Latvia likewise recorded double-digit increases in imports.

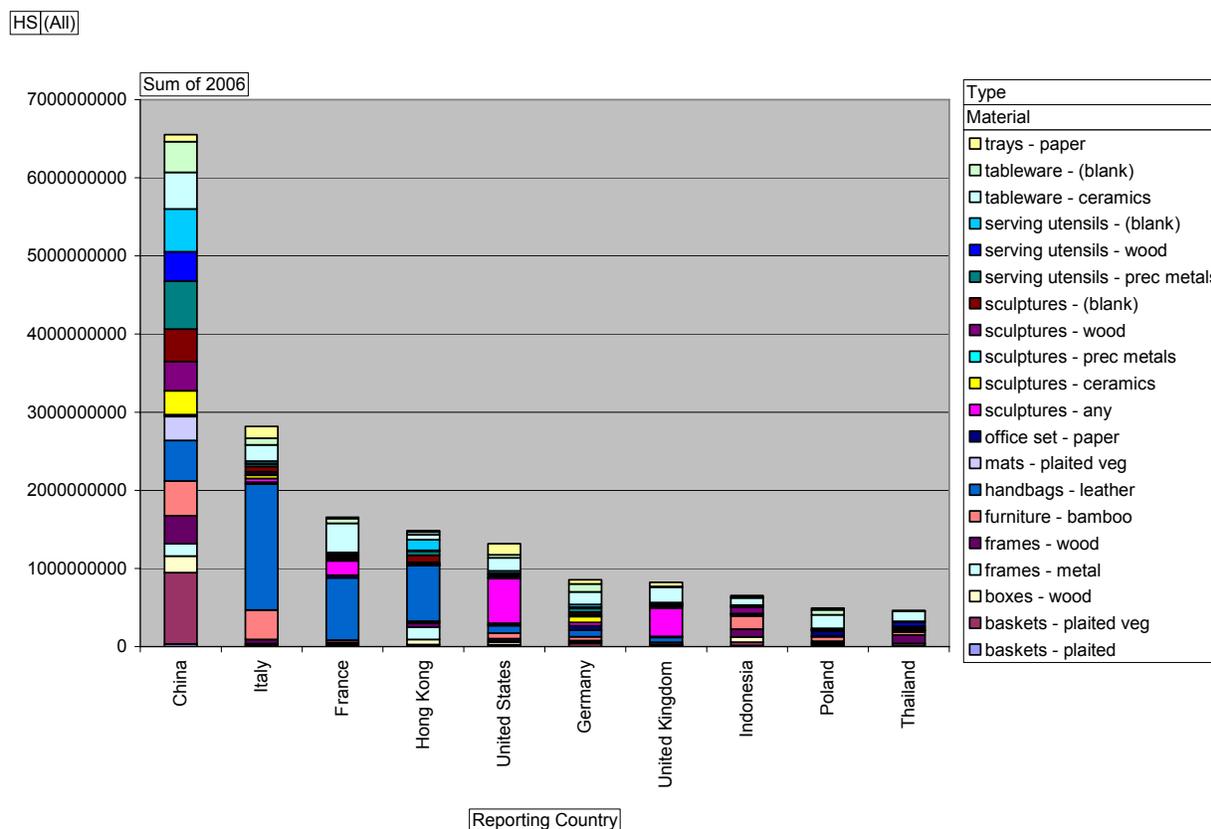
TABLE 5: TOP EMERGING EUROPEAN IMPORTERS OF WORLD HOME ACCESSORIES

Country	2004–2005	2005–2006
Russia	12.68%	34.61%
Poland	18.59%	9.55%
Czech Republic	15.04%	11.13%
Hungary	-0.13%	1.27%
Romania	80.08%	37.53%
Slovakia	25.66%	-22.18%
Croatia	9.41%	22.53%
Ukraine	64.69%	54.07%
Slovenia	25.05%	27.00%
Latvia	37.38%	44.52%

COMPETITION IN HOME ACCESSORIES

In 2006, China led in exports of the home accessory products examined in this study, dwarfing all competitors with \$6.6 billion worth of goods landed in buyer countries (see Figure 5). The second largest exporter was Italy, with \$2.8 billion, followed by France, with \$1.7 billion in exports of home accessories. In 2006, Indonesia exported \$653 million, less than one-tenth of China's export value but enough to make it the eighth largest exporter of home accessories products, worldwide, for the third straight year. Furthermore, among emerging market exporters, Indonesia trails only China and Hong Kong in dollar value of home accessories sold abroad.

FIGURE 5: TOP 10 WORLD EXPORTERS OF HOME ACCESSORIES



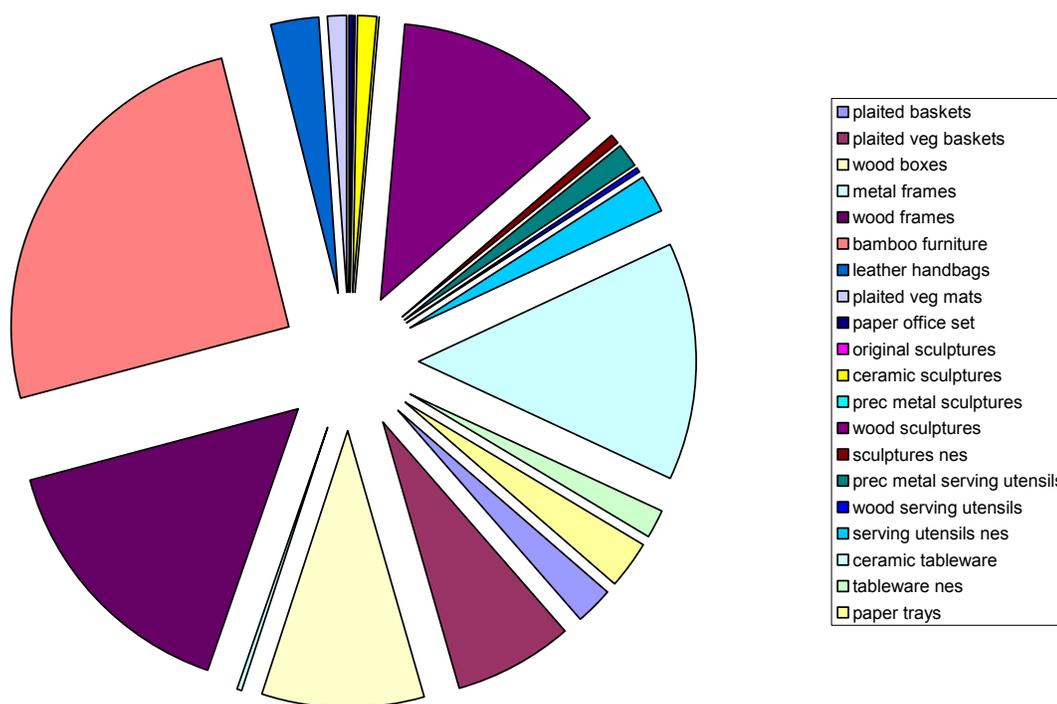
Most of the major exporters also exhibit strong growth in home accessories exports, as shown in Table 6. However, not all of them are direct competitors with Indonesia. Most of these countries export large amounts of ceramic tableware, like Indonesia (which sold almost \$91 million worth in 2006), but other exports in which other nations specialize, such as wooden serving utensils and original sculptures, are not key exports for Indonesia

Rather, aside from ceramic tableware, Indonesia's largest exports consist of bamboo furniture, wooden frames and sculptures, mats of plaited vegetable matter, and wooden cases (see Figure 6), putting Indonesia in a product class of its own among top producers.

TABLE 6: TOP EXPORTERS OF HOME ACCESSORIES

Country	2004–2005	2005–2006
China	18.32%	15.95%
Italy	2.44%	17.06%
France	7.73%	13.40%
Hong Kong	-1.79%	1.43%
United States	10.04%	21.86%
Germany	-5.32%	7.07%
United Kingdom	16.48%	9.30%
Indonesia	15.01%	6.34%
Poland	10.03%	8.72%
Thailand	-5.90%	2.06%

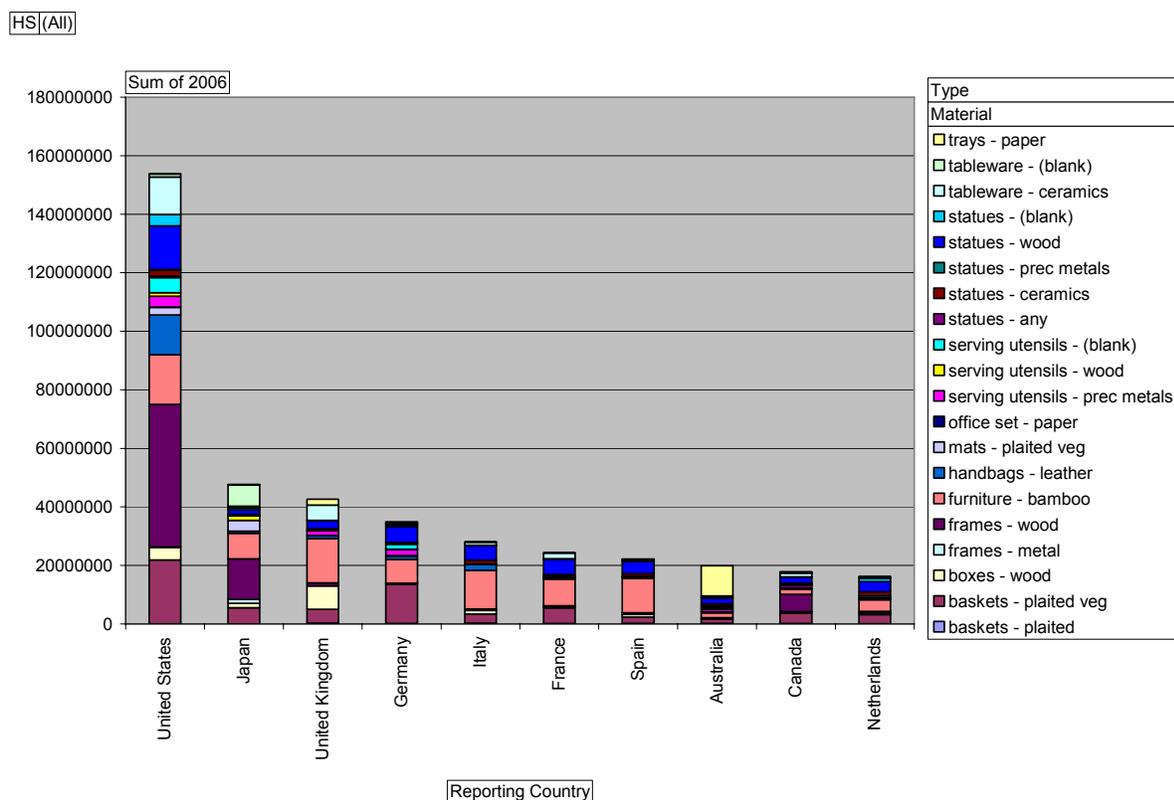
FIGURE 6: 2006 COMPOSITION OF IMPORTS FROM INDONESIA



IMPORTERS OF INDONESIAN HOME ACCESSORIES

A snapshot of the major buyers of Indonesian home accessories (Figure 7) closely parallels the above picture of importers of all home accessories. The United States is by far the biggest purchaser of Indonesian products, followed by Japan and much of Western Europe.

FIGURE 7: TOP 10 IMPORTERS OF INDONESIA HOME ACCESSORIES



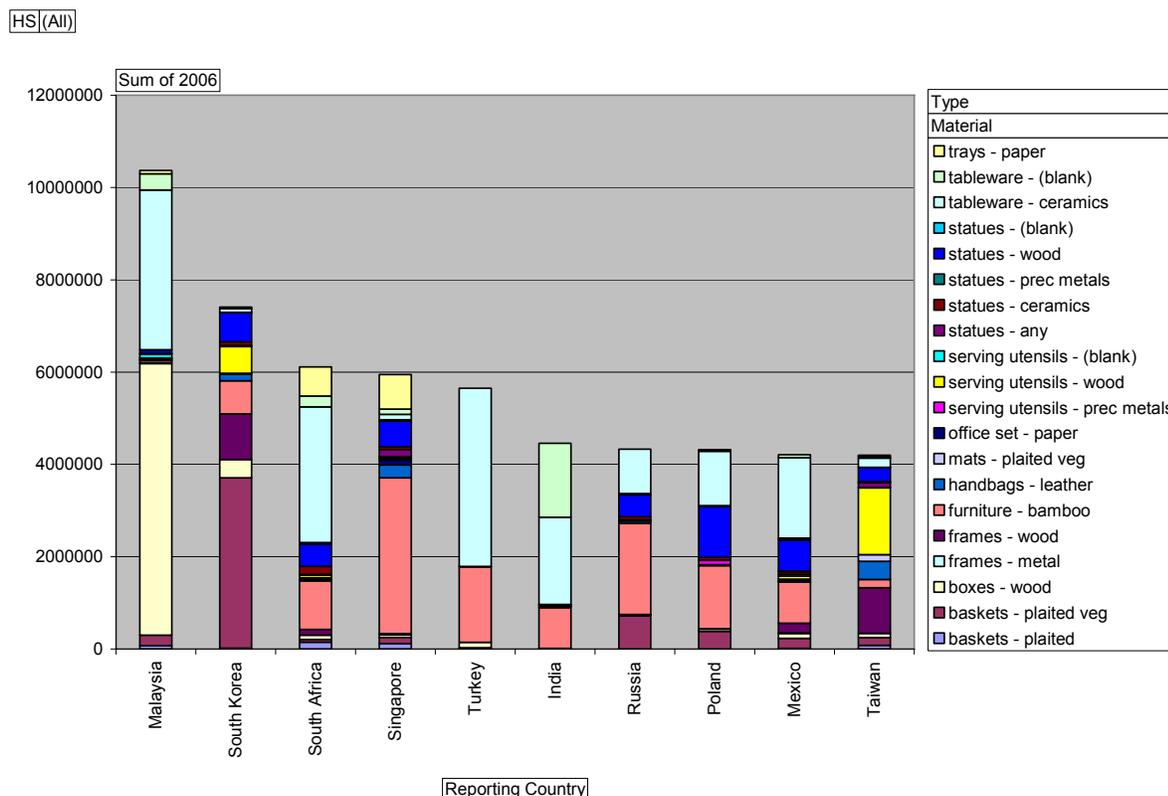
As mentioned above and shown in Table 7, the major importers of goods produced worldwide are also generally the biggest buyers of Indonesian products. Established eastern markets for Indonesian goods, Japan and Australia, are tapering off or diminishing steadily, while North American markets, the United Kingdom, and Spain show strong growth.

TABLE 7: TOP IMPORTERS OF INDONESIA HOME ACCESSORIES

Country	2004–2005	2005–2006
United States	6.16%	11.75%
Japan	-3.92%	-4.81%
United Kingdom	-9.51%	18.57%
Germany	-5.93%	0.66%
Italy	-9.31%	4.05%
France	3.64%	-8.25%
Spain	5.13%	7.03%
Australia	6.15%	0.19%
Canada	-7.06%	5.50%
Netherlands	-16.00%	-1.95%

Figure 8 displays the top 10 emerging-market buyers of Indonesian products, starting with Malaysia and followed by South Korea and South Africa. The highest value of trade was in ceramic tableware and bamboo furniture.

FIGURE 8: TOP EMERGING-MARKET IMPORTERS OF INDONESIAN HOME ACCESSORIES



Malaysia, South Korea, Russia, Poland, and Mexico evince a steady acceleration in purchases of Indonesian goods, while Taiwan's purchases decline during the three-year period. Growth rates for Singapore and Turkey are so varied that one should question the validity of reported figures. Table 8 shows growth rates in the purchase of Indonesian home accessories between 2004 and 2006.

TABLE 8: GROWTH RATES IN PURCHASE OF INDONESIAN HOME ACCESSORIES

Country	2004–2005	2005–2006
Malaysia	50.36%	27.80%
South Korea	30.04%	37.03%
South Africa	-0.95%	21.78%
Singapore	14.89%	-38.60%
Turkey	194.52%	-75.06%
India	63.66%	8.91%
Russia	69.78%	49.62%
Poland	16.36%	9.19%
Mexico	45.33%	18.70%
Taiwan	-13.83%	-2.23%

III. TRENDS

This study focused on trends in the United States and Western Europe, which were identified as key export markets for Indonesian home accessories. Although there are notable differences between these markets (such as a general demand for larger pieces in the United States) as well as within each market (for example, southern U.S. states tend to prefer brighter colors than do northern states; Dutch consumers tend to have a more modern aesthetic than Spanish consumers; eco-friendly products are more in vogue in Germany than France), the key trends for handcrafted home accessories are very similar.

For any given product category, there are dozens of trends and localized “micro-trends” that coexist in the marketplace, often in conflict with one another. Glitzy, metallic finishes might appear alongside natural and rustic. Mark Phillips, owner of the Phillips Collection, was recently surprised to see highly decorated vases in Milan given the general trend toward more simple, organic designs—and wondered aloud if this is a trend unique to certain segments of the Italian market. The key is for an enterprise to concentrate on those trends that correlate best with its particular strengths, product categories, and target markets.

Another important characteristic of home accessory trends is that many tend to follow fashion trends (clothing and personal accessories) in terms of color and design. While large furniture pieces represent a long-term purchase for consumers, smaller accessories are more frequently replaced as styles change. This places an emphasis on keeping abreast of emerging trends for producers of home accessories. Savvy buyers and manufacturers closely monitor trade fairs in Europe, particularly in Milan, Paris, and Frankfurt, to identify market developments in both fashion and home accessories that will likely spread across Europe and migrate to the United States within six to 12 months.

Monitoring trends, sifting through the often-confusing market information, and singling out the pertinent changes in product designs early enough to capitalize on the initial surge in demand is one of the biggest challenges for micro, small, and medium-size enterprises (MSMEs) in any country.¹² Successfully applying that knowledge to product development is another challenge, one that often requires a degree of familiarity with a target market’s consumers and culture. The shortened life cycle of most trends adds to the difficulty: 20 years ago a trend could last several years, but today the trend curve is much shorter. “We talk of seasons instead of years, so producers can’t identify a trend and then take a year to bring it to market—they have at most six months.”¹³ And the more successful a new product is, the shorter its lifespan.

The home furnishings category is crowded in most developed markets, as evidenced by large trade fairs where many suppliers and products are competing for orders—overall supply exceeds demand. At the same time, there has been a convergence in design with notably limited differentiation at the retail level,

Find a Match

There are always many trends out there, both across the U.S. and Canada, and in Europe where many start ... you have to match up, or it's too confusing. If you're good with natural materials, focus on that.

—Jenny Heinzen-York,
Editor-in-Chief, *Home Accents Today*

¹² See Appendix B for buyer suggestions on ways to keep abreast of trends.

¹³ Michelle Lam, The Trend Curve (www.trendcurve.com).

especially in the United States. Industry experts point to the downturn in housing markets for explanation, along with decreased consumer confidence, tighter margins, and risk-averse buying decisions by major retailers. Thus, although the market is crowded with competitors, interviewees emphasized that there remain numerous opportunities to stand out with distinctive products and exceptional service.

GENERAL TRENDS

The following trends affect many industries, including producers of home accessories.

- **Low-end and high-end merchants thrive while the middle continues to struggle.**¹⁴ In the United States, sales at discounters such as Target, Wal-Mart, and TJMaxx are strong, and high-end retailers (for example, Nordstrom’s and Saks Fifth Avenue) are also doing well. However, the mass merchants have taken business from midrange retailers, particularly independent stores that cannot compete on price.
- **There is further homogenization among large retail chains,** yet consumers are hungry for products that are unique and speak to their desire for individuality. As a result, high-end retailers are performing well with innovative, distinctive, high-quality products.
- **Market channels are continuing to flatten,** with fewer intermediaries playing a role in transactions.¹⁵ In their perpetual drive to expand margins, large retailers seek to import directly from overseas producers, though rarely without a commissioned agent involved. Independent “boutique” retailers, however, continue to depend largely on wholesale importers because their orders are typically too small to import or export efficiently.
- **Quality requirements have increased dramatically** in the United States over the past decade, driven in part by the significant rise in quality from Chinese suppliers, thus raising expectations everywhere. Buyers have developed a limited tolerance for delivered quality that does not match the approved product sample. Even at discount retailers, “the bar has been raised” as consumers demand “better, lasting quality.”¹⁶ Overall, Europeans still tend to look more at the construction of a product, whereas Americans focus more on appearance and price.
- **Internet sales are growing exponentially.** “Gen-X” consumers (individuals born in the 1960s and 1970s) are “tech-friendly” and will continue to buy and remodel homes over the next few decades, increasingly researching and purchasing home furnishings online. “Gen-Y” (individuals under the age of 30) is the most web-savvy consumer group and will be three to five times larger in number than Gen-X (projected to be 50–70 million Americans), with the largest disposable income in U.S. history.

Disappearing Middle

People tend to be looking for only two kinds of household items ... super affordable and luxury. The middle is disappearing. With the advent of super affordable shops like Target, Wal-Mart, and IKEA, shoppers are looking for high style with really low prices and saving their money for a few luxury purchases with what they've got left over.

—“AT Interview: Marta Calle, Product Manager at CB2,” Apartment Therapy, 10/27/05

I have to admit that's how I currently shop for home furnishings and accessories—affordable goods with a smattering of high-end.

—[posted comment]

¹⁴ In terms of design, quality, and price.

¹⁵ Thomas Friedman, “World Is ‘Flatter’ than Ever,” Talk of the Nation, National Public Radio, August 14, 2007. [www.npr.org/templates/story/story.php?storyId=12779679].

¹⁶ Johnny West, Maku.

“Thanks to technology, consumers today have the ability to tune out irrelevant messages, research corporate behavior, choose among a number of reputable brands in nearly every category, and even cut out the middlemen (brick-and-mortar retailers) when it helps them save on purchases.”¹⁷

- **Consumers expect greater corporate social responsibility (CSR).** A company’s behavior with regard to the environment, its workers, and its community increasingly influences purchase decisions (see “The Green Trend” below). A recent McKinsey study noted that 95 percent of the corporate executives surveyed believe that society has a higher expectation than it did five years ago.

KEY TRENDS IN HOME ACCESSORIES

The trends listed below are current or on the horizon in the United States and Europe, selected for their relevance to Indonesian producers of home accessories. However, no such list is static. Trends are moving targets, and new fashions are constantly introduced. Markets are constantly evolving and, thus, producers must actively research and continually adapt their designs—a task that is more easily said than done.

- **Handcrafted items:** Products with details that are clearly hand painted, carved, etched, woven, hammered, and so on. Consumers are moving away from a manufactured look, preferring instead the warmth of an artisan’s touch.
- **Indigenous, yet not ethnic, design:** Often referred to as world or global style, this trend is a move toward worldly products that suggest travel to exotic places, but not traditional crafts and ornate, full-coverage decoration. The goal is to add unique, cultural accents to clean, contemporary designs. The origin of the indigenous detail is often not obvious without explanation.
- **Minimalism:** In the United States, simple, contemporary design began in the marketplace in the past decade and has become increasingly popular. Even traditional settings are becoming cleaner and less cluttered. In Europe, the marketplace has long favored contemporary design, though there may be a move away from pure minimalism. Some designers are combining contemporary style with a single ornate accent item.
- **Natural materials:** These include wood, rattan, bamboo, stone, and cotton—replacing plastics and polyester. Metals, however, continue to be on-trend either as a base material or as an accent element. Natural finishes such as rubbed oil are also increasingly popular. Several companies at the High Point Furniture Market were exhibiting furnishings made from petrified wood from Indonesia.

Design Gone Global

The 1990s interest in local artisans has gone away, which is more difficult for developing countries. The really traditional pieces from Indonesia have a very small market ... the market for really ethnic pieces is gone. Design has become global—world style, integrating elements. It’s less and less important where a product comes from. The emphasis is on design and trend.

—Ton Haas, designer



Interlude Home

¹⁷ “Using brands to Drive Business Results: The Third Annual Breakaway Brands Valuation Study,” Landor, 2007 [www.landor.com/one/?do=thinking.bbvs2007&r=2006_2007]

- **Botanic designs:** Nature’s floral and leaf shapes, patterns, colors, and imagery are applied to any number of home accessory products, from vases and containers to lamp shades and wall décor. Squared, industrial edges are giving way to rounded corners, subdued olive greens and muted yellows and oranges, and circles in randomly occurring patterns. Even in resins, the shapes and colors are more botanical and natural. Bio-mimicry (the development of products that mimic nature’s designs) is on the rise.
- **Lighter stains:** Though there continues to be an established market for dark-colored wood products, the general trend is toward more natural tints and clear, matte finishes. Europeans have for some time had “a more natural aesthetic” where “they don’t stain or paint wood as much as Americans do,”¹⁸ but the United States is beginning to follow suit. This can negatively impact producers because imperfections can be hidden with dark stains and paints, whereas more natural finishes require higher-quality raw materials and result in a higher rejection rate during quality control.
- **Stressed, worn, rubbed finishes:** New furnishings are given a “weathered” look.
- **Reclaimed/recycled/repurposed materials:** Wood with divots from a previous application and products made from recycled metal, glass, plastic, and paper comprise a fast-growing trend. At the recent Maison & Objet trade fair in Paris, innovations from recycled materials were on display. In the United States, the aged, rustic look has always been in demand, but it is particularly on-trend at present. This trend is related, but separate from, the eco-friendly/green trend; the focus is on the recycled look more than sustainably manufactured goods.
- **Combinations of materials:** This continues to be on-trend, from mixing different types of woods or finishes to combining metal, wood, glass, ceramic, natural woven fibers, coconut shell, leather, and other materials in various combinations. Similarly, there is a trend toward mixing textures, such as finely finished wood or metal with a rough-hewn edge.
- **Larger and pricier or urban chic items:** Overall, the trend in both the United States and Europe is toward larger, pricier, and more distinctive home accessories, particularly among specialty retailers that cannot compete at lower price points with discount chains. “People are tending to buy fewer larger, more important accessory pieces, for example larger pottery, artwork, and mirrors. Larger pieces make more of a statement than smaller ones.”¹⁹ Though European dimensions are generally smaller than in the United States, the “spec-up” trend was evident this year in Milan as well. At the same time, retailers are targeting urban consumers who typically live in smaller spaces (witness the rise of West Elm and CB2 in the United States). Young, fashion-conscious consumers with a more modern aesthetic—“too young and hip for Crate and Barrel”²⁰—currently dominate this market.



Klaussner Leaf Hurricane Wall Sconce

¹⁸ Caroline Shibata, Jeffan Industries.

¹⁹ Mark Steward, Boyles Furniture.

²⁰ “AT Interview: Marta Calle, Product Manager at CB2,” Apartment Therapy, October 27, 2005.

- **Décor:** The market for décor continues to experience tremendous growth, not just in framed items but increasingly in architectural and textured pieces such as compositions of metal, wood, grasses, and textiles. Multi-panel wall art with prints and hand carvings are on display throughout major trade fairs. Overall, the themes are increasingly organic in material and botanical in design.
- **Storage:** This is a very large and continually expanding category, from baskets and boxes to accessory furniture. The trend in storage is design for a specific purpose rather than for simple decoration. Exact dimensions are more important than in years past.
- **Multi-functional items:** Furniture and accessories that surprise and delight the consumer are increasingly popular, such as a bed tray that converts to a book stand or a shelf with an integrated cell phone-charging station.



Crate and Barrel Rattan Log Basket

THE GREEN TREND

In research conducted prior to this end-market study, the SENADA team identified “sustainable products” as a fast-growing trend that represents a high-priority opportunity for Indonesian producers of home accessories. The program recently organized a competition in sustainable design for home furnishings,²¹ and sponsored exhibition space at the 2007 Jogja Furniture Show. At the request of USAID, this study included considerable research on the topic of home furnishings produced in sustainable (also referred to as green, eco-chic, ecological, eco-friendly, and earth-friendly) ways.²² Though useful information was gathered on raw materials, production processes, and international organizations, research focused on market response and future demand.

What does sustainable mean?

Given the wide range of interpretations, it is helpful to answer this basic question first. For many in the home furnishings industry, including a number of the buyers interviewed, sustainability is synonymous with environmentally friendly, a trend that has grown out of the “green” movement and recently gained momentum with increasing concern over global warming. While experts discuss a range of interrelated aspects of sustainability, the spotlight has been on renewable resources and in particular the issue of deforestation and illegally harvested trees. With FSC (Forest Stewardship Council) certification of Perum Perhutani’s teak plantations suspended by the Rainforest Alliance in 2001,²³ Indonesia’s reputation for forest management is one of the poorest in the world. As a result, the home furnishings industry (as well as construction and

Sustainable

Do no harm to people, plants, animals, or minerals; actions and products that meet current needs without sacrificing the ability of future generations to meet their needs; a triple bottom line; balancing people, planet, and profits.

²¹ www.senada.or.id/homefurnishingcompetition.

²² In this report, we have opted to use the various terms as interchangeably as the media and our interviewees have. There are, however, some differences in meaning, as noted in the following section.

²³ www.rainforest-alliance.org/news/2001/perhutani.html.

other wood-dependent industries) in Europe and the United States has focused on sustainable sources of Indonesian woods.

More broadly, however, the concept of sustainability goes beyond wood certification and purely environmental concerns. “Sustainability means finding a balance between the environment, profit, and social equity,”²⁴ otherwise known as balancing the “3 P’s” of a triple bottom line: people, planet, and profit. It includes issues more often associated with CSR, such as healthy workplaces, fair wages, prevention of child labor, and investment in local communities. Even in the environmental arena, sustainability encompasses far more than the problem of deforestation; it involves issues related to air and water pollution, energy consumption, solid waste disposal, recycled content, indoor air quality, toxic adhesives and finishes, biodegradability, cradle-to-cradle design, and overall carbon footprint (including inbound and outbound freight). In an article entitled “Around the Eco World in 180 Days,” *Home Accents Today* included perhaps the broadest possible definition: sustainability means “actions and products that meet current needs without sacrificing the ability of future generations to meet their needs.”²⁵

Consumers, who are perhaps more familiar with the nomenclature of *green* and *organic*, tend to be as concerned about replacing harmful substances with healthier alternatives as they are about conserving energy, reducing pollution and waste, and minimizing the use of non-renewable resources. Lead-free paints and low VOC (volatile organic compound)²⁶ materials and finishes that do not outgas harmful fumes are growing concerns in the United States, particularly among families with young children. According to a 2007 study by the Hartman Group, consumers define sustainability as a healthier, local, socially responsible, environmental, and more simple lifestyle.²⁷ At the upcoming January 2008 California Gift Show (which includes home accessories), organizers will be introducing “Eco-Earth Conscious Options” as a classification that includes products considered green, sustainable, biodegradable, organic, recycled/reclaimed, and/or fairly traded.

This broader definition is important to the SENADA program and to Indonesian MSMEs seeking greater access to European and U.S. markets because it expands the path to sustainability to include steps an enterprise can take immediately with little expense and risk, while still working toward the longer-term goal of FSC and other certifications. Simply replacing a solvent-based finish with a suitable water-based alternative is viewed by the marketplace as more sustainable. While wood origin is the most pressing issue in the home furnishings industry, there is an array of product attributes that resonate with the “green” consumer.

How big is the trend, and is it here to stay?

This was the central question asked of interviewees and, although there are skeptics who view the interest in sustainable products as short-lived media and marketing hype, the general consensus among retailers, wholesalers, and industry experts is that the green trend will both grow and endure. Many believe that this movement has already gained a sufficiently strong foothold to be regarded more as a product category

²⁴ David Mahood, Olive Designs.

²⁵ Susan Dickenson, “Around the Eco World in 180 Days,” *Home Accents Today*, September 1, 2007.

²⁶ Volatile organic compounds are organic chemical compounds that vaporize. Considered a factor in indoor air quality issues, such as sick building syndrome, VOCs are generated by some products used in making home accessories, including adhesives, binders, paints, and varnishes.

²⁷ *The Hartman Report on Sustainability: Understanding the Consumer Perspective, Summer 2007*, as cited by Ray Allegrezza, Editor-in-Chief, *Furniture Today*, in “The Greening of America – What It Means to You,” a presentation at the Seattle Market Week, August 2007.

than a trend, and will eventually become an integral part of all products and manufacturing processes. In recent years, several leading home furnishing companies have placed sustainability at the heart of their corporate vision, including ABC Home, Palecek and Herman Miller—the \$1.74 billion furniture manufacturer cited by both *Forbes* and *Business Ethics* as a “most admired” company for its pursuit of a triple bottom line:

...the future quality of human life is dependent on both economic vitality and a healthy, sustainable natural environment. We do not see these goals as mutually exclusive, but inextricably linked.... We will develop strategies that enable us to move toward sustainability while enhancing the value offered to customers. We will measure and monitor progress toward our environmental goals as a key metric of our business success.²⁸

In addition, many smaller wholesalers and retailers have built their business models around sustainable practices; the most notable of these is South Cone, whose owner, Gerry Cooklin, is the founder of the Sustainable Furniture Council (SFC), a nonprofit industry association established in 2006 to promote sustainable practices among manufacturers, retailers, and consumers.²⁹ Beyond home furnishings, a quick scan of the investment landscape emphasizes the market’s strong belief in a greener future. Certainly green technology start-ups have received the most attention, but even the concept of sustainable outdoor clothing has won backers, as evidenced by the launch of Nau—“the balance of beauty, performance, and sustainability.”³⁰ These companies are not only taking an ethical stance, but they also believe that green credentials in the marketplace will result in more competitive and profitable businesses. They are betting that future consumer behavior will mirror responses in market research that identifies “conscientious consumption”³¹ as a trend gaining significant international momentum, and that governments will enact increasingly strict “green” legislation that combines incentives with severe penalties. In the United States, individual states are considering legislation that will require manufactures to replace toxic chemicals with “greener, safer products.”³² Many European countries have already enacted similar laws.



²⁸ www.hermanmiller.com/CDA/SSA/Category/0,1564,a10-c604,00.html.

²⁹ SFC’s growing member list is available at www.sustainablefurniturecouncil.com/#. See Appendix E for general information about the SFC.

³⁰ www.nau.com, and Polly LaBarre, “Leap of Faith,” *Fast Company*, June 2007, (www.fastcompany.com/magazine/116/features-leap-of-faith.html). Many other national retailers such as REI and Home Depot are featuring new “eco-friendly” product categories.

³¹ Consuming with a conscience, according to Meredith Schwartz in “Playing Fair” (*Gifts & Decorative Accessories*, September 1, 2007), is a growing movement that merges two previously independent concerns—how manufacturers treat workers and stewardship of the environment—with the aim of maximizing the good done by shopping dollars. It is also referred to as meaningful or ethical consumption.

³² “Legislation to Curb Toxic Chemicals Sent to Senate Bill Will Prevent Illnesses by Calling for Safer Alternatives,” Alliance for a Healthy Tomorrow, November 5, 2007, www.healthytomorrow.org/pr20071105.html.

With pledges by retail giants IKEA and Home Depot to move aggressively toward buying wood only from sustainably managed forests; Wal-Mart's zero waste plan and initiative to reduce greenhouse gas emissions throughout its supply chain; a proposed Legal Timber Protection Act before Congress; and the U.S. Justice Department's recent \$4.6 billion settlement with American Electric Power Company to curb pollution, many in the home furnishings industry are convinced that the green trend is here to stay. "Green can't go away, it's here ... consumer fatigue will result from the intense marketing around it, but long-term, green is here to stay."³³

Buyers Paying Attention

Driven partly by the success of the green building movement, U.S.-based furniture manufacturers, designers and buyers are beginning to pay attention to the heightened environmental consciousness that has spread from Europe to America.

—Cinde W. Ingram, "Industry focusing on GREEN," *Casual Living*, November 1, 2007

Estimates on the size of the market for sustainable products vary dramatically by study because each uses different criteria. In an August 2007 presentation, Ray Allegranza, Editor-in-Chief of *Furniture Today*, cited research that placed 2005 purchases of green products by Americans at \$200–\$500 billion, with an estimated annual growth rate of 10 percent.³⁴ These figures include a variety of products, from energy-saving lightbulbs to household cleaners, so the exact size of the market for sustainable home accessories is not yet discernable. However, GFK Roper, in its 2007 Green Gauge Survey, reports that the consumer segment it describes as the most environmentally aware ("true blue greens") is not only the largest segment at 30 percent, but also the fastest-growing. Having conducted the survey since 1992, Roper further notes that the segment least concerned about the environment ("apathetics") has exhibited the greatest decline in recent years.³⁵

Another indicator of the perceived sales potential of sustainable products is the rise of "eco-pavilions" at U.S. trade shows. From Las Vegas to New York, High Point and Atlanta, markets are going green. In San Francisco, the first trade fair dedicated to eco-friendly home furnishings and design—Live Green, Live Well—debuted in September 2007. While the percentage of participating companies remains relatively small in comparison with the total number of exhibitors, the growth of these pavilions and record new product launches³⁶ is an indication of the direction the market is taking. Interviewees report that the promotion of sustainable products and companies is far more subdued at European and Asian trade fairs, but most expect that to change as more and more buyers begin asking questions about sustainable practices.

Here to Stay

Green will become the new normal. Trends come and go, but this one will leap off the bell curve and become permanent within 4–5 years.

—Michelle Lam,
The Trend Curve

³³ Michelle Lam, The Trend Curve.

³⁴ Ray Allegranza, Editor-in-Chief, *Furniture Today*, "The Greening of America – What It Means to You," a presentation at the Seattle Market Week, August 2007.

³⁵ "Survey Shows Environmental Awareness Up," *Furniture Today-Green*, August 2007, p. 10.

³⁶ Adrienne W. Fawcett, "Conscientious Consumerism Drives Record New Product Launches in 2006," *Media Post Publications*, January 24, 2007.

The most convincing argument for the potential growth and staying power of the green trend was articulated by Johnny West, founder of Maku Furnishings, which imports furniture and accessories from Indonesia. His attention is on the generation of American consumers who are under the age of 30, often referred to as Gen-Y. “People are still talking about the baby boomers, but they aren’t buying homes and decorating—they are downsizing and spending money on grandchildren.”³⁷ The next generation, Gen-X, is now settling down and, in terms of dollars spent, is driving the growth in sales of green products. But over the next decade, the focus will shift to Gen-Y as these consumers start buying, remodeling, and decorating homes. Anticipated to be more than four times the size of Gen-X, Gen-Y has grown up “steeped in environmental concern ... they are well-educated and completely believe in the impact our lifestyles are having on the planet—they are more green than anyone.”³⁸ They are also the most cynical and web-savvy when it comes to researching products and determining the truth behind advertising. Most importantly, they are projected to have the most disposable income of any generation in U.S. history. Jason Phillips of the Phillips Collection, himself a member of Gen-Y, agrees: consumers will no longer purchase blindly. They will demand greater sustainability and accountability, and have the purchasing power to force change in the marketplace.

Greening for Gen-Y Consumers

Gen-Y will be front and center in the coming years, and will be asking why are you trying to sell me a non-green product? To be where the consumer is in the next 3–10 years, prudent companies will begin greening step by step.

—Christina Nicholson,
Williams-Sonoma Inc.

Can green command a premium?

This is an essential question for any MSME that plans to invest in developing more sustainable products and manufacturing processes. As one would expect, there are consumers whose commitment to fair trade, healthy lifestyles, and protecting the environment allow for price premiums of more than 20 percent, and even as high as 50 percent according to some retailers. However, surveys and interviewees confirm that the vast majority of consumers will not pay more than an average 10 percent surcharge—perhaps slightly more on items priced well under \$100, but notably less as an item’s price tag crosses the \$500 mark. “The premium is generally 6–8 percent with a 10 percent ceiling in most studies, but *Furniture Today* found it to be only 2–4 percent, especially for higher priced items. At 20 percent, people shut down.”³⁹ Eventually, industry experts predict, consumers will simply expect companies to offer only responsibly sourced goods rather than a premium option, as has been the trend in Europe.

Thus, buyers generally agreed that the current marketplace will respond to suppliers that promote (and validate) green credentials as long as the premium requested is under 10 percent, but they emphasize that design and quality remain the dominant criteria in evaluating home accessory products. “Product development is very, very important to getting a premium price, more important than being green.”⁴⁰ Steve Freeman at Room & Board aptly described a buyer’s perspective on sustainable product: green credentials are a good calling card that can open a door, but design and quality are what enable a supplier

³⁷ Johnny West, Maku Furnishings.

³⁸ Johnny West, Maku Furnishings.

³⁹ Ray Allegrezza, Editor-in-Chief, *Furniture Today*.

⁴⁰ Jenny Heizen-York, Editor-in-Chief, *Home Accents Today*.

to walk through that door. John Olech at Crate and Barrel was more succinct: “It complements a sale, but does not drive it.”⁴¹ The fundamentals of product development will always come first.

Interestingly, the West African Trade Hub (WATH, a USAID-funded project with centers in Ghana and Senegal) has provided support to EcoCraft, a Ghanaian business project founded in 2002 to produce sustainable wood furnishings.⁴² Its parent company, Samartex, a Ghanaian timber concern, is on track to obtain FSC certification in 2008 after more than four years of investment in the process. The designs of EcoCraft’s products are intriguing, and all finishes are natural, using imported materials from Germany. Already exporting to clients in Germany and Australia, EcoCraft exhibited this year at the California Gift Show and the High Point Furniture Market, sponsored in part by WATH.⁴³ In a conversation in High Point, production manager Isaac Tuffour noted that EcoCraft’s premium was likely above 20 percent, and so far the response from the U.S. market has been limited. It has yet to be determined if low buyer interest stems from price points, design, a first-time showing (it is often said that a company must exhibit at least three times before buyers will take it seriously), or other factors. However, EcoCraft’s experience to date is worth investigating and can inform how the SENADA team advises Indonesian MSMEs to approach export opportunities for sustainable products.

CONCLUSION

With the momentum and accompanying zeal of a resurging green movement, it is important to acknowledge the skeptics and potential pitfalls. A number of buyers interviewed believe that the current “buzz” about sustainability has been created by the media and by retailers desperate to combat a downturn in sales. The practice of “green-washing” (the unjustified appropriation of environmental virtue to create a pro-environmental image, most often characterized by exaggeration of green credentials in order to sell a product) is cited as a predictable response to the market situation. Even retailers committed to the principles of sustainability observe that while dedicated green consumers will often pay a premium for sustainable products, more often than not, even those who express commitment in surveys will ultimately opt for a cheaper alternative. Others note that the carbon footprint of shipping products from Asia likely offsets any possible gains in product sustainability.

But as Michelle Lam of The Trend Curve noted, for every trend that results in a paradigm shift, there will be people who dig in their heels. She and many industry experts firmly believe that the greening of products and supply chains is an inescapable reality that will be driven in part by government regulation, financial markets, and competition in the marketplace, but mostly by heightened consumer awareness. “Customers are conscious of their health and climate conditions. We’ve hit a tipping point, and it’s going to go fast and furious from here. The appetite is there, and supply chains need to catch up.”⁴⁴ Producers that can deliver sustainable products to meet the growing demand will have a competitive advantage in the marketplace. The key is to take riskable steps toward sustainability that include health and fair wages, replace unsustainable components of a product, focus heavily on design and quality, minimize the premium sought, tell the producer’s sustainable story, and deliver exception service. As for concerns about the carbon footprint of long-distance shipping, market consultant Randy Eller suggests that

⁴¹ John Olech, Crate and Barrel.

⁴² www.ecocraft.org.

⁴³ Leah Quin, “West African Crafts a Natural for Green Consumers,” *The WATH Factor*, November 2007 www.watradehub.com/index.php?option=com_content&task=view&id=812.

⁴⁴ Alex Bates, West Elm.

companies make sure products shipped to the United States “are either of a design or base component that is not available in America... The ‘green movement’ is definitely here to stay.”⁴⁵

Consumers and buyers are increasingly aware of the issues surrounding sustainability, and many are beginning to ask questions. Gen-X is currently driving sales of green home furnishings, but Gen-Y is on the horizon and will simply expect greater sustainability and accountability. Already, in the time between researching and writing this report, many more media stories about sustainability and companies launching greener products have appeared. The consensus is that green and sustainable production, once a niche market, is going mainstream and is here to stay.

“Ten years from now if a company does not have sustainability and environmental stewardship as a core ethic, it will be irrelevant.”

—David Mahood,
Olive Designs

⁴⁵ Randy Eller, Eller Enterprises.

IV. VIEW FROM THE MARKETPLACE: INDONESIAN HOME ACCESSORIES

This section assesses the competitive position of Indonesian home accessory producers in the U.S. and European markets. Specific experiences as well as general perceptions were examined to understand how buyers view Indonesia, particularly in relation to other producer countries. This research is based on interviews with retail and wholesale buyers, international designers, purchasing agents, Indonesian producers, and industry experts. Their responses, in combination with value chain data from SENADA, comprise the knowledge base from which the subsequent strategy recommendations are drawn.

Questions focused on four areas: strengths, weaknesses, opportunities, and threats. Interviewees were also asked to compare sourcing from China, India, Indonesia, Malaysia, Philippines, Thailand, and Vietnam, and discuss buyer requirements for products and suppliers. In addition, they offered recommendations for steps MSMEs can take to improve firm and industry competitiveness, which can be reviewed in Appendix C. Several noted that their comments on weaknesses do not to apply to the more sophisticated Indonesian companies that supply large U.S. retailers such as Target, Pottery Barn, and Crate and Barrel.

STRENGTHS

- **A wealth of natural resources:** Indonesia possesses the raw materials that U.S. and European consumers seek, particular in teak and other tropical woods, but also in rapidly renewable materials that count toward LEED (Leadership in Energy and Environmental Design) points⁴⁶ such as bamboo, rattan, sea grass, and other natural fibers. The variety and quality of these raw materials is highly valued by buyers who note that Indonesia’s rattan, for example, is the “strongest, most durable”⁴⁷ available. This “is certainly an advantage. There are some very unique looks that can be developed in Indonesia.”⁴⁸ There is also an abundance of clay, coconut, stone, shells, and other natural materials, as well as recyclables such as aluminum, other metals, paper, glass, and reclaimed wood.
- **Talented carvers and general craftspeople:** The artisans are highly skilled and take great pride in their work. Among the many notable crafts, importers of home furnishings most often cited carving and solid wood furniture as particular Indonesian strengths. Several also noted the beauty of batik on wood, though acknowledged being perplexed about how to incorporate it into products for mainstream consumers.



Rizki Ayu

⁴⁶ The Leadership in Energy and Environmental Design rating system was created by the U.S. Green Building Council (USGBC) to establish a standard for “green” buildings and help define sustainability for the industry. For more information, visit www.usgbc.org.

⁴⁷ Allan Palecek, Palecek Furnishings.

⁴⁸ Darren York, Klaussner Home Furnishings.

- **Expertise in combining materials:** This is an ongoing global trend and Indonesians are considered very skilled at mixing various elements, including wood, natural fibers, metals, textiles, glass, ceramics, and shells.
- **Large, available workforce at competitive wages:** There are many unemployed and underemployed craftspeople, and low wages mean that a high degree of handicraft (joinery, carving, painting, and so on) can be a competitive advantage. “A lot of artistic detail doesn’t add much cost.”⁴⁹
- **Flexible capacity with village-based production:** Subcontracting arrangements are common among MSMEs, making it possible to expand and contract capacity with the flow of orders. In addition to enabling an exporter to rapidly increase production without significant investment in equipment, training, and facilities, these arrangements allow the exporter to accept low quantity orders—a significant constraint for small and midsize importers attempting to source product in China, where minimums are generally high. Village-based production can also contribute to achieving a company’s CSR goals.
- **Reliable volume production:** Suppliers for high-volume clients such as Williams-Sonoma Inc. (Pottery Barn, West End) and Crate and Barrel have proven reliable sources of product, indicating that high-quality production and sophisticated business skills exist.
- **Ease of negotiation, amiability of producers:** Buyers note that, relative to other countries, working in Indonesia is surprisingly relaxing. While not always reliable, producers are generally not attempting to “sting” inexperienced foreigners. In business, Indonesians are “easier to deal with than the Chinese,”⁵⁰ and overall the country is a wonderful, peaceful place to visit, contrary to western perceptions.
- **Mystique, which is highly marketable:** As one interviewee commented, Java is still mysterious in the public’s imagination, Bali is beautiful, and there are 17,000 islands and many cultures to explore and write about.

WEAKNESSES

- **Reliable quality:** Whether the problem is poorly conditioned wood that arrives warped and moldy or large variances in dimensions and finishes, inconsistent quality is considered the greatest weakness of Indonesian suppliers. As noted by Susan Inglis, a consultant to the SENADA program, the issue of reliable quality is an ongoing, serious constraint to doing business. Bauer International, a leading home furnishings wholesaler in the United States, moved to Vietnam and Philippines after 10 years in Indonesia, primarily because of problems with consistency and the cost of refinishing goods following quality control. One interviewee speculated that there appears to be a cultural barrier with regard to quality; even with training, his suppliers have difficulty recognizing what constitutes a defect or taking a “close enough” approach to quality control. This results in lost business—it is easier for buyers to just switch suppliers. Although it provides for flexible production, subcontracting to village-based MSMEs can make quality control

Searching for Quality

A lot of U.S. companies have left Indonesia because they make a great floor sample, then ship poor quality goods.

—Bill Perdue,
American Home Furnishings Alliance
(AFHA)

⁴⁹ Johnny West, Maku.

⁵⁰ Joanne Shoemaker, Sayan Collection.

problematic. Large retailers often order multiple containers and demand minimal variation across batches, a requirement that is more challenging when production is subcontracted instead of done in-house. “Cottage, village-based industry has much more variance in quality and specifications.”⁵¹

- **On-time delivery:** Next to consistent quality, buyers consider production and shipping delays to be the greatest constraint to sourcing products from Indonesian companies, which “cannot be trusted” to deliver on time. It is a serious and constant problem. “Overall, they are worse than other countries when it comes to delivery.”⁵² Deadlines have become increasingly strict in recent years because companies manage inventory and product promotion on precise schedules. Seasonal products in particular are a problem for producers who have difficulty meeting delivery dates, and late shipments must be either canceled or heavily discounted after the selling window has passed. Buyers noted that with smaller Indonesian suppliers, there often appears to be an “island time” work culture where production occurs on an unpredictable timetable and ceremonies and holidays often take precedence, making business difficult to conduct.
- **Producing to specifications:** In addition to having difficulty interpreting design information from buyers, Indonesian artisans often express a reluctance to modify products, or insist on adding their own details to a client’s design. Many see these actions as stemming from a deep pride in their culture and artistic traditions.
- **Customer service:** Buyers cited responsiveness and foreign language skills as areas in which Indonesian suppliers are notably weak. “It takes a long time to get a response, and if they don’t know the answer [such as to questions about finishes used], they just don’t answer.”⁵³ Having left Indonesia after many years of producing home furnishings under his own label, an interviewee noted simply that success there requires too much oversight because of the general lack of business skills—a problem that may be due as much to cultural differences as to insufficient western-style expertise.
- **Design and innovation:** Indonesian companies often produce what most recently sold best rather than making creative modifications or developing new products. They typically fail to incorporate current and emerging trends into their designs. “They know what they know, can tweak a design such as alter dimensions or color, but not change the shape or create entirely new forms.”⁵⁴ Having sourced products from Indonesia for more than 20 years, Mark Phillips of the Phillips Collection laments that he is frequently disappointed in Indonesian designs. “People know how to produce what they want to produce. If you want to do something really new, you go to the Philippines.”⁵⁵ A number of interviewees also noted the problem of copying designs rather than adapting and innovating, which only serves to discredit producers with buyers.
- **Packaging and labeling:** The packaging from most suppliers is below competitor standards, and few can offer “one-stop” services where buyers can easily



⁵¹ Mark Steward, Boyles Furniture.

⁵² Darren York, Klaussner Home Furnishings.

⁵³ Tonie Cox, Moenia Design.

⁵⁴ Neil Gehani, Moenia Design.

⁵⁵ Mark Phillips, Phillips Collection.

coordinate production with high-quality packaging, labels, and other materials. Many importers decide to source products from China “because it’s just easier—everything is there, all in one place.”⁵⁶

- **Agents:** For importers that do not (or cannot) contract with the leading agents,⁵⁷ identifying qualified, reliable agents with the requisite experience and skills is very difficult. The quality of an agent has a tremendous impact on the success of an import/export relationship. “Agents are legion in Indonesia partly because anyone can say they are an agent and it takes very little talent or money to start ... the qualification is usually just knowing someone.”⁵⁸
- **Infrastructure:** Inter-island, intra-island, and export logistics are expensive and slow, largely because of inadequate or inefficient roads, ports, and freight options. Most sea shipments from Indonesia to the United States are transshipped through Singapore on feeder vessels, which can be a significant drawback. Containers traveling directly from Vietnam and China can reach California in half the time it takes a container from Java to travel to the same destination.
- **Financing:** Many producers lack access to capital, particularly longer-term loans for equipment upgrades. Although many wholesale importers can provide cash advances to pay for raw material purchases and production overhead, few are willing to provide more than a deposit on a current purchase order. Large, direct-import retailers rarely provide production financing.
- **Knowledge base:** Many MSMEs (and less-experienced agents) lack important knowledge about U.S. and European market requirements, import regulations, and recent advances in technology. Few are knowledgeable about sustainable products and manufacturing processes and, thus, cannot answer questions posed by buyers. Even larger producers such as Jeffan Industries, which is currently investigating natural dyes, are not sure what they should be looking for in terms of sustainable materials, or whether such inputs can be located in Indonesia.
- **Importing components:** Several producers interviewed noted that some components, particularly UL-approved electrical parts for the U.S. market, are not readily available in Indonesia. Companies that import these components, often from China, must pay tariffs of 20 percent or more, which negatively affects price competitiveness.

Agents – Traders

A handful of [furnishings] traders often receive complaints from foreign buyers, which in turn carries negative impact on the image of Indonesia.... [They] usually seek short-term profits and neglect the quality of their furniture [and] can simply close their companies if their reputations are ruined, and open new ones. This affects the overall long-term development of the Indonesian furniture industry.

—Sae Tanangga Karim,
Executive Director, ASMINDO
(from Trade Planners Archive,
www.apsmediagroup.com)

OPPORTUNITIES

- **Sustainable products:** There is more demand than supply and buyers are searching for authentic sources of sustainable products. With growing media coverage of global warming, organic and

⁵⁶ Peter Kowtowski, Barnstorm.

⁵⁷ Such as William E. Connor and Target’s subsidiary Associated Merchandising Corp.

⁵⁸ Tim O’Brien, Tropical Salvage.

conscientious consumption, and product recalls (many linked to Chinese producers),⁵⁹ as well as tougher regulations and eco-friendly Gen-Y consumers on the horizon, companies are embracing this trend. Some are actively promoting their green credentials in marketing campaigns, but many more are quietly making changes in supply chains both to avoid negative press and to position themselves in the marketplace. It is interesting to note that a number of buyers, at the conclusion of an interview, asked for referrals for sourcing sustainable home furnishings. “There aren’t enough green producers that can do volume at the price points needed, and we’re wary of green-washing ... the appetite is there, but supply chains need to catch up.”⁶⁰ Because there are few “stars” in Asia with regard to sustainable product, Indonesia has the opportunity to get on buyers’ radars. “U.S. designers are starting to gear up to specify alternative materials”⁶¹; however, Indonesian producers should move quickly—the window of opportunity will shrink as other regional players jump aboard, particularly China with the resources it can invest in greening industry.

Seize the Day

If Indonesian companies can produce western-designed, good quality, certifiable product, they will beat China to the punch. It’s going to happen, just a matter of who seizes the day.

—Michele Fitzpatrick and Garry Huebner,
Verde Design

- **Natural materials:** The trend toward more natural materials (wood, stone, grasses, and so forth) is strong and growing across Europe and the United States. Indonesia has the raw materials that consumers want and, thus, can capitalize on this trend quickly and cost-effectively. Some people complain, however, that the best-quality materials are being exported, and that Indonesian industry must work to reclaim value-added production.
- **Rapidly renewable materials:** In addition to tropical woods such as teak, an abundance of rapidly renewable resources gives Indonesia a competitive advantage over many other countries. Buyers note that Indonesian rattan is the best available.
- **Reclaimed, recycled materials:** Indonesia has an abundance of the materials that are at the heart of the reclaimed/recycled product trend: wood, metal, glass, and paper. In particular, the rustic look of “repurposed wood” was evident throughout the High Point Furniture Market. Indonesia possesses large quantities of used wood from buildings being replaced with concrete, and from trees downed by natural events. This material is currently less expensive to obtain and need not be certified, yet carries the same market cachet. It also tends to be difficult to duplicate elsewhere because of the naturally aged, salvaged appearance. “Wherever people like rustic antiques, they like reclaimed wood products because it is similarly old and expressive.”⁶²
- **Handcrafted items with indigenous accents:** This trend, which integrates cultural-based details with contemporary design, represents an opportunity for all producers of handcrafted products. With their strong carving and other skills, Indonesians can create the unique “touched by an artisan’s hand”

⁵⁹ Justly or not, Chinese producers are increasingly perceived by the public to be cutting corners, using toxic materials, polluting the environment, and paying low wages—in other words, China is not seen an ideal source for sustainable products. Though still a relatively minor trend compared with the total volume of Chinese imports, consumers and buyers are increasingly seeking alternatives to “made in China,” opening windows of opportunity for producers in other countries that can offer competitive products.

⁶⁰ Alex Bates, West Elm.

⁶¹ Christina Nicholson, Williams-Sonoma Inc.

⁶² Tim O'Brien, Tropical Salvage.

products that many consumers in Europe and the United States are seeking. Batik on wood, a traditional craft most often associated with Java (Yogyakarta is referred to as the batik capital of Indonesia), has been imported by Neiman Marcus, among others, and is viewed by many as an opportunity yet to be fully explored. “This could be huge [for Indonesia] ... accents on contemporary furnishings, not busy or too complicated, simplified ... people want more soul, poetry, sincerity.”⁶³ Additionally, the U.S. indoor/outdoor casual furniture industry is growing rapidly; Indonesian materials and home accessory products correspond well with this product category, as observed at the 2007 Jogja Furniture Show.



Pier 1 Balinese Hand-Carved Nightstand

- **Niche markets:** Major retailers and wholesalers must source from large producers to obtain the volumes and consistency they require. The opportunity for Indonesian MSMEs is to produce for smaller importers seeking distinctive products from unusual places. Many of these companies are trying to distinguish themselves from mass retailers in both design and quality and often target boutique, specialty markets. In addition, some major retailers seek to complement their lines with a few, limited edition niche products that carry a compelling story.⁶⁴
- **Component parts:** Bill Perdue of the AFHA highlighted artistic, handcrafted components as an opportunity for Indonesian producers. Components parts, such as drawer fronts or insets for tables, offer a number of advantages over complete products: they require less labor, focus output on a firm’s specific value-added where it is most competitive, are more easily “greened,” and typically face fewer specifications. In addition, producing and marketing finished products tends to narrow a customer base, whereas component production can be offered to many different clients in different markets. Indonesia’s proximity to major exporting countries is an advantage over producers in other regions.
- **Hospitality industry:** The commercial building industry, particularly for hotel chains, is far ahead of the residential sector and consumers in general with regard to sustainability. The LEED rating system was created by the USGBC to establish a standard for green buildings and help define sustainability for industry. Architects, interior designers, and contractors can earn LEED points for certification by including green furnishings, and hotels in particular are beginning to ask suppliers to source more sustainable products. To access this opportunity, industry experts suggest that Indonesian producers develop cross-over products that would appeal equally to commercial and residential buyers.
- **Cost competitiveness with the Philippines:** Indonesia tends to be cheaper than the Philippines by as much as 25 percent. For buyers who have moved production out of the country in recent years, improvements in design, quality, and deliverability can lure them back. Many argue that corruption, wood certification, and issues related to social unrest would also need to be addressed, though several interviewees acknowledged that they are already making inquiries into returning to Indonesia.
- **Children’s products:** Interest in safe, natural, wood toys is growing. Parents today understand the health implications of plastics, chemicals, paints, and fumes. The increase in organic baby/toddler products at Gaiam and Pottery Barn, both of which charge a premium, is evidence of the growth

⁶³ Keith Recker, Independent Thought Consulting.

⁶⁴ As noted by Christina Nicholson, Williams-Sonoma Inc., referring to the Pottery Barn Kids collection.

opportunities in this segment. “Customers are requesting low VOC finishes, etc., especially in children’s items ... so someone needs to educate the producers.”⁶⁵

- **Diversification:** Companies are expressing concern about too much exposure in a single product source, particularly China. As a result, importers “are definitely looking for more diversification between countries,”⁶⁶ creating opportunities for manufacturers throughout the region.

THREATS

- **Reputation and competition:** In interview after interview, buyers cited Indonesia’s reputation for late delivery, inconsistent quality, moldy wood, and poor performance in producing to specification as their reasons for sourcing products elsewhere, regardless of whether they personally had recent experience there. This perception, accurate or not, combined with increasing competition from countries such as Vietnam, is a significant threat to the ability of Indonesian MSMEs to expand access to U.S. and European markets. As Darren York of Klaussner Home Furnishings noted, Indonesia ranks near last in many buyers’ minds with regard to negotiations, delivery, reliability, and responsiveness:

We have had many issues with Indonesian plants over the last 10 years. The problems include riots, price increases, quality issues, and inconsistent deliveries. In the last year, I have noticed more efficient factories with better equipment starting to emerge in Indonesia. However, they are late to the game.... We are currently very pleased with the service and production from Vietnam and have no reason to develop major collections in Indonesia. I think you will find this philosophy to be true with many importers of our size.⁶⁷

- **Political and social unrest:** The perception of ongoing unrest, anti-Americanism, and personal risk hangs over Indonesia. Despite few recent incidences, there remain travel warnings linked to global terrorism and past events; when asked if he would travel there, one buyer referred first to a U.S. Department of State website, then stated that he would not. In addition, several interviewees told of past experiences in which they felt threatened, and thus have little interest in returning to Indonesia, particularly without compelling products they cannot source elsewhere. There is “a feeling it’s a very dangerous country to do business in now because of the high Muslim population.”⁶⁸

Compromising in Indonesia

When you do the analysis, it’s always better to produce in China or Vietnam because you’re not compromising anything like in Indonesia.

—Mark Phillips,
Phillips Collection

⁶⁵ Christina Nicholson, Williams-Sonoma Inc.

⁶⁶ Randy Eller, Eller Enterprises.

⁶⁷ Darren York, Klaussner Home Furnishings.

⁶⁸ Randy Eller, Eller Enterprises.

- Corruption, illegal logging, and pollution:** In the current climate of concern over global warming, deforestation in tropical regions, and business relationships with corrupt officials, many buyers are actively avoiding Indonesia for fear of scrutiny by the media and public watchdog groups. “When companies go to Indonesia, they realize that sourcing there can be a PR nightmare if things are bad behind the scenes.”⁶⁹ Many interviewees acknowledge that any type of certification provided by Indonesian suppliers is highly suspect, and legitimate documentation for chain of custody is near impossible. “The Indonesian government is encouraging buyers to purchase its plantation wood, but many are not comfortable because it’s too hard to tell if the wood is really sustainably harvested.”⁷⁰ After more than 10 years producing in Indonesia, leading furniture wholesaler Bauer International left for Vietnam and the Philippines, in part because the problems of illegal wood and corruption were not worth the trouble. While the demand for unofficial payments is a factor in many countries, buyers note that the problem is significant enough in Indonesia, in combination with other hassles and poor performance from suppliers, to prompt many to look elsewhere for product.
- Export of raw materials:** According to several interviewees, and supported by conversations with producers and SENADA personnel, China is purchasing first-quality raw materials in such large quantities, often with advance contracts, that many Indonesian producers can access only second-quality inputs, sometimes at higher prices due to limited supply. The combination of lower-quality materials and higher prices is a significant threat to industry competitiveness.
- Diminished tourism:** Many village-based producers serve tourist markets as well. With tourism depressed because of safety concerns, some craftspeople will be forced to seek out other sources of income, resulting in their skills becoming unavailable to MSMEs seeking to subcontract production.
- Pan-Asian perspective:** Wholesale importers, buyers for large direct-import retailers, and industry professionals recognize the diversity of product sources throughout Asia. Some independent “boutique” retailers in the United States, however, perceive little difference between Asian countries in terms of quality and sustainability. Problems arising with the safety of products from China, for example, weaken their confidence in products from other countries in the region, including Indonesia. Thus, as one store owner noted, if there is concern about wood products, the easy solution is to source from Europe and explain to the customer why paying a higher price is justified.
- Long-term sustainability:** In the short term, Indonesia can continue to exploit its natural resources for economic gain. However, in the long term, uncontrolled harvesting of trees and poor management of other sources of raw materials (rattan can be harvested sustainably or unsustainably depending on how it is cut) will have severe consequences economically as well as environmentally. “Whatever Indonesia, Philippines, Malaysia, and other countries have left in terms of natural resources, they have to manage sustainably, or they will have nothing left to make products out of.”⁷¹

Wood Must be Sustainable

Wood comprises the majority of material in a lot of home furnishings. Its use must become sustainable, must be certified, or the suppliers will lose market share.

—David Mahood,
Olive Designs

⁶⁹ Johnny West, Maku.

⁷⁰ Josh Dorfman, Vivavi.

⁷¹ David Mahood, Olive Designs.

COMPETITOR BENCHMARKING

The following benchmarking is based solely on the comments of interviewees, that is, the viewpoint of the marketplace. This section provides a summary of the comparisons made; see Appendix B for individual comments. Neither this summary nor the annex is comprehensive or supported by secondary research; instead, they are intended to emphasize key constraints buyers identify to sourcing home accessory products from Indonesia.

Many buyers have left Indonesia for Vietnam, India, and China... seeking a fresh look, cheap prices, and reliable suppliers.
—Tim O'Brien,
Tropical Salvage

In comparison to Indonesia:

- **China:** Cheaper, more reliable quality and delivery, easiest to charge-back and address problems, more responsive, far better infrastructure, great “one-stop” services, best at ramping up production, higher minimums, limited handiwork especially in finishing, less artistry, poorer reputation for polluting and producing sustainable product, not as pleasant to work with, greater support from government, still “the place to go” because it is easy, cheap, and reliable. Nobody beats China.
- **India:** Similarly skilled artisans, better quality and pricing, similar production and delivery problems, worse corruption and “kick-back” culture, equally poor infrastructure depending on where you import from, higher production capacity, equally flexible with order quantities, better packaging and labeling, reputation for selling designs “out the back door,” similarly poor reputation for polluting and producing sustainable product.
- **Malaysia:** Similarly poor record in natural resource stewardship, less-developed forest management, similar in terms of quality and delivery problems. Few interviewees had experience sourcing product in Malaysia.
- **Philippines:** Far better designs with greater innovation, more attuned to trends and demands of foreign markets, better general business skills, better weavers of natural fibers, better English, more expensive, fewer problems with moldy product, better infrastructure, better reputation for honoring exclusives. The “place to go” for design.
- **Thailand:** Easier to work with, better English, better at interpreting and meeting specifications, better infrastructure, equally talented artisans, require less oversight, safer and more pleasant to visit.
- **Vietnam:** Cheaper, equally artistic and skilled with crafts, low minimums, better and more consistent quality and delivery, better reputation for developing sustainable resources, more responsive businesses and government, stronger work ethic, more flexible and capable in modifying designs, better infrastructure. “The next China.”

BUYER REQUIREMENTS

Design, quality, and price are the three key product attributes by which buying decisions are made, for both companies and consumers. Other important product attributes include packaging (a unique and attractive presentation), packing (ease and efficiency of shipping, low risk of damage), and a story—compelling information about a product’s design, the way it is crafted, or the artisans who made it. Buyers often put together collections of products with a specific scheme of price points and presentation in mind. They look to match some items, differentiate others, and achieve a color palette that may follow a market trend or is particular to their region or customers. Products offered in multiple sizes, prices, colors, and other options help buyers to envision and assemble their collections; a producer can enhance its value by

offering an assortment large enough to leverage ordering, shipping, and marketing efficiencies. Ultimately, the most important attribute of a product is the profit it generates.

Communication and the ability to deliver on time, as ordered, are the two most important supplier attributes. This means producing per design specifications, ensuring consistent quality within the tolerances provided, following instructions for labeling and packaging, and consigning the order to a freight forwarder by the agreed date. For many MSMEs, these can be difficult conditions to meet. A commitment to exclusivity is also valued. Overall, buyers have little patience for under-performing suppliers. Whether a relationship is based on years of ongoing orders or short-lived “open-to-buy dollars,” a buyer will think carefully before pledging resources to companies that have disappointed in the past or instill little confidence in the future.

Home furnishings wholesaler Allan Palecek, who has decades of experience importing home accessories from Asian countries including Indonesia, summarized his company’s requirements during an interview at the High Point Market in October 2007. Suppliers should:

No Time for Mistakes
We move on if the product and service aren’t perfect.
—Allan Palecek,
Palecek Furnishings

- Be responsive and speak English well;
- Offer unique products that are well-designed, well produced, and distinctive enough to catch someone’s attention;
- Have strict quality control and finish products correctly—shipments match samples and do not require refinishing;
- Know where their materials come from and what chemicals they contain;
- Be capable of proper packaging and labeling;
- Offer competitive prices;
- Provide quantities needed without loss of quality;
- Reliably deliver on time;
- Provide excellent customer service and operate with a degree of professionalism;
- Maintain exclusivity; and
- Have a computer, internet access, email, the capability to send and receive attachments, and skills to take high-quality digital images.

Interviewees for this and previous end-market studies have been abundantly clear: no matter how appealing a sample might be, a producer cannot expect to receive orders unless the product can be delivered on time, as ordered, and with good customer service.

V. STRATEGY RECOMMENDATIONS

The following recommendations are submitted to help develop an industry strategy for Indonesian producers of home accessory products. Recognizing that, in globalized markets, industry-level competitiveness is as important as firm-level competitiveness, the objective of these recommendations is to improve the ability of the entire sector to develop and maintain an edge over its rivals in the region. To the extent possible within the scope of the assignment, this study has considered various factors affecting competitiveness, including interfirm relationships, supporting markets, the enabling environment, incentives for upgrading, value chain governance, and access to end markets. It endeavors to provide practical and specific advice with riskable steps that can increase the potential for quick market response.

These recommendations are based largely on end-market research that is supported by additional research in Indonesia, other experience, and value chain information provided by the SENADA program (Appendix C provides a summation of buyer suggestions offered during interviews). They are divided into three areas: competing in a global marketplace, upgrading to address prioritized constraints and capitalize on key opportunities, and sustaining industry competitiveness over time.

COMPETING IN A GLOBAL MARKETPLACE

The U.S. and European demand for home accessories, including décor, casual furnishings, and garden products, is vast and growing, presenting extensive opportunities for Indonesian producers. Yet with the exception of leading firms, Indonesian MSMEs are considered uncompetitive in the global marketplace because of their uninspired design, inconsistent quality, poor service, and prices, which are higher than those of regional rivals. Additionally, many buyers are hesitant to develop resources in Indonesia because of perceived risk (business and personal) and a desire to not associate with illegal logging practices. The recommended strategy for increasing the competitiveness of the home accessories industry is to leverage Indonesian strengths, differentiate the country's products, target new and less price-competitive market segments, and address the key buyer concerns that are limiting market access.

- **Leverage Indonesian strengths:** Buyers recognize the abundance of natural resources (including reclaimed wood, recyclables, and rapidly renewables), the highly skilled artisans, and the wealth of cultural design elements as Indonesian strengths that correspond to emerging trends in the home furnishings market. Combined with a large and competitively priced workforce, flexible production capacity through subcontracting, and low minimum orders, these competitive advantages can be leveraged to design and deliver on-trend products to a broad range of clients in target markets.

Competitiveness

Competitiveness is the ability of a firm or industry to develop and maintain an edge over market rivals. This can be achieved through a combination of three strategies: producing and delivering goods and services more efficiently, differentiating products or services through quality standards and branding, and/or exploiting new market demand.

—*Value Chain Approach to Economic Growth with Poverty Reduction*,
USAID Briefing Paper

- Differentiate the product offering:** Indonesia often cannot compete directly with lower-priced rivals. Therefore, it should offer the marketplace products that are more distinctive and sophisticated in design, and higher in quality. By integrating design elements from their cultural heritage with contemporary style and functionality, companies can capitalize on the current trend in “world style”—contemporary products with indigenous accents. Current trends toward a more handcrafted appearance and natural, sustainable, and recycled materials enable Indonesians to further differentiate their products with attributes to which the marketplace will respond.
- Target specific market segments:** If a company cannot compete in a price-driven market segment, it should develop products for different markets where competition is driven by other attributes. Higher-end “boutique” retailers and wholesalers that seek unique products and higher quality represent a market where Indonesian companies can be competitive. Quantities are more manageable and prices are generally higher. The growing demand for sustainable green products offers a significant opportunity for producers in any country, and Indonesian companies are well-positioned because of the availability of rapidly renewable raw materials, including tropical woods that are perceived by the marketplace as desirable alternatives to teak.⁷² A window of opportunity exists for Indonesia to leap ahead of its rivals in this market segment and take advantage of the media hype. A number of potential niches can be explored as well, such as supplying component parts that focus production on a company’s specific value-added, or contemporary items with distinctive Indonesian batik-on-wood accents.
- Address buyer concerns:** The perception of inconsistent quality, late delivery, and poor customer service must be countered in the marketplace. Buyers have become accustomed to the service and reliability of Chinese manufacturers, and their reluctance to transact with Indonesian MSMEs, as expressed by many interviewees, is an industry-wide challenge. Companies should raise export quality and consistency to match or exceed that of the competition, work to improve on-time delivery of orders, and offer exceptional service in terms of responsiveness, communications in the language of the buyer, clear and precise product details and production information (such as materials used and handling of waste), available labeling and packaging services, and digital images. The home accessories industry, or a subset of committed businesses, can then promote these improvements in performance in combination with innovative, on-trend designs and the perspective that Indonesia as a desirable, safe destination. In essence, the sector needs to repackage itself as “the new place to go” for home accessories.

Ethiopian Luxury Leather

We chose not to compete on price and mass production, but in markets where we would have a competitive advantage. Our marketing concept is based on understanding the importance of the origin of a given fashion product for a certain kind of new consumer.

—Simone Cipriani
ITC Market Development Officer,
UNIDO’s “Made in Ethiopia” Project,
International Trade Forum, March 2006

⁷² Retailers such as Crate and Barrel, Williams-Sonoma, Pier 1, and Gaiam are promoting alternative tropical woods such as mango, meranti, and acacia.

UPGRADING STRATEGY

SENADA's focus group research and value chain overview have prioritized constraints and opportunities that mirror those identified in the end-market study.⁷³ The following upgrading recommendations are intended to help implement the strategy outlined above and turn Indonesia's comparative advantages into greater competitiveness; they address the constraints and help the sector capitalize on the opportunities.

Upgrading

The investments made by firms to achieve higher levels of efficiency, increase product differentiation, or reach new markets result in greater benefits.

—*Value Chain Approach to Economic Growth with Poverty Reduction*,
USAID Briefing Paper

PRODUCT DESIGN

If buyers are asked whether they would purchase the same product in Indonesia, China, or Vietnam, the Indonesian home accessories industry offers the marketplace a losing proposition. The keys to competitiveness in design are either mimicking rivals at a lower price point or developing innovative designs and product improvements not available elsewhere. Currently, Indonesia is perceived by many as offering few such advantages. Because buyers believe it is very difficult, if not impossible, for Indonesians MSMEs to compete on price alone, product development—and the ability to accurately interpret design information from clients—must be upgraded. Constant innovation is required to appeal to potential customers who are searching for new, creative suppliers. Specific recommendations:

- **Access current trend and end-market information** (primarily via high-speed internet): This is essential, as emphasized in Chapter III. Most trend reports are available for purchase and download, as are subscriptions to industry and other informative publications. The home accessories industry, perhaps in partnership with the larger home furnishings sector as well as Indonesian universities and design professionals, should establish a design center where these resources are available to members. For individual MSMEs, the reports and publications are often prohibitively expensive and, therefore, inaccessible. Thus, collaboration through industry associations is essential for sustained, up-to-date access to critical trend information.
- **Build in-house capacity:** Upgrading MSME skills to research, identify, interpret, and integrate trends into product design for an export market is very challenging, as past projects have shown. However, such training is important to help producers understand the need to constantly innovate, as well as to demonstrate the process for interpreting design information from buyers and responding to requests for modifications. Two recommended approaches are 1) arranging for mentoring by professional designers and 2) launching a student internship program. SENADA has initiated conversations with Indonesian and international schools of design, as well as with a leading firm in the Indonesian home accessories industry.
- **Host design competitions:** When judged by buyers who offer concrete opportunities for orders, product design competitions spur innovation within the industry. Buyers walking trade fairs are more often than not searching for new ideas and creative, on-trend product updates, especially from new

Seeking Innovation

One singular drive powers buyers to market: the never-ending, unquenchable desire for new creative ideas.

—George Little Management,
Trade Fair Organizer

⁷³ See Appendix J for a value chain map and list of constraints for the Indonesian home accessories industry, courtesy of the SENADA program team.

vendors. It is often said that 10–20 percent of the products displayed by an exhibitor at a trade fair should be fresh designs that integrate new trends. Other products may generate the majority of sales, but innovation sets a company apart in what is often a vast sea of sameness. Regular design competitions, such as the recent event hosted by the SENADA program in Yogyakarta, foster an environment of continuous product development and healthy competition among companies that can help improve industry performance. Competitions receive the greatest interest from buyers when they are linked to an international trade fair.

- **Develop sustainable products:** Defined as products that deliver a triple bottom line, the sustainable (green, eco-chic, ecological, eco-friendly, earth-friendly, and so on) category exhibits growing demand with, as yet, a limited supply. Across the global marketplace for home furnishings, consumers and buyers are increasingly asking about a product’s green credentials: origin and sustainability of the raw materials, recycled and recyclable content, use of adhesives and finishes containing toxins, pollution and handling of waste. Consumers are more and more aware of global environmental, labor, and health issues as the media continues to focus on these topics, and market studies have seen a trend in “conscientious consumerism” emerge and gain momentum in Europe, the United States, Canada, Japan, Australia, and other markets. Thus, “going green” can be a key point of product differentiation. The design upgrading strategy for the Indonesian home accessories industry should include developing more sustainable products (see specific going green recommendations below).
- **Mix and match materials:** Combining different materials, textures, and crafts is very important in home accessories. The marketplace views Indonesian materials and artisanship as a competitive advantage; thus, companies should seek to incorporate these strengths into their designs, including the variety of natural (and rapidly renewable) materials and distinctive crafts such as wood carving, batik, and various textile handiwork. In addition, offering an assortment of styles, sizes, and price points—from everyday products to luxury items—helps buyers to complete a purchase order, particularly for boutique importers that favor variety over quantity. Combining various materials and handiwork also increases the difficulty of producing lower-cost knock-offs.
- **Watch market leaders:** According to research for this end-market study, Italy and France are the top two exporters of home accessories (after China). Their key competitive advantages are in design and quality. Indonesian companies should monitor producers in these markets to gain inspiration for innovations in product design, function, materials, and other attributes. Interviewees emphasized the importance of attending trade fairs in Paris and Milan to identify emerging trends and observe where the market leaders are headed.

Knocked-Off

Successful products will likely be copied elsewhere and offered on the marketplace at cheaper prices. This is an unfortunate and unavoidable reality. The only way to remain competitive is to constantly innovate and offer truly unique designs. If a product is good, it will be knocked off ... deal with it and keep innovating.

—Keith Recker,
Independent Thought Consulting

QUALITY

The quality of a product depends on the contributions of an entire supply chain, from raw materials to production, service providers, inspection, packaging, and shipping. An assessment of each of these contributions should reveal specific constraints and priority upgrades to raise overall quality. A few identified by the end-market study:

- **Inputs:** The claim that first-quality raw materials, such as wood and rattan, are exported to China and Vietnam while Indonesian MSMEs must pay similar or higher prices for second quality should be investigated, along with possible solutions that might include aggregated bulk purchases, improved chain-of-custody procedures, and facilitation of relationships and contracts with suppliers. Because a number of interviewees also complained about the quality of glues and finishes, the importance of using high-quality materials should be communicated by industry leaders that are already serving customers demanding high quality, particularly to encourage subcontractors to source the inputs. The SENADA program can help identify resources for improved inputs, provide access to information that compares quality and performance of materials, disseminate market requirements, and help provide explanations when a buyer rejects a shipment or sample.
- **Production:** Techniques and equipment for upgrading product quality are often unknown to producers of handcrafted products. The home accessories industry should pursue opportunities to learn about new developments, particularly in the area of sustainable products where modifications are sometimes required to work effectively with new materials. Interviewees noted that in Indonesia and elsewhere, quality problems most often arise with finishes that are poorly applied. It is possible that focused training at various levels of production can significantly increase the quality and consistency of finishes, a product attribute that is critical to success in export markets. Interviewees also commented that the best quality tends to come from suppliers that encourage specialization among subcontractors, provide all inputs, require a production sample from each production unit that is approved and then used as a guide, and, most critically, visit each production site daily for oversight, payments, and material/product transport. MSMEs that are not employing these methods should observe the production systems established by the industry's leading firms and incorporate those elements that will improve the quality and consistency of their own output.
- **Service providers:** The only services referenced in the market study were financial (for long-term loans), transportation (to ship orders), and fumigation (to eliminate mold problems); however, there are others noted in SENADA's value chain overview: external product design, equipment repair, export market access and logistics, education and training, marketing, and other business development services. The quality of these services affects the quality of goods a company can produce and sell. For example, a lack of access to long-term loans impedes efforts to upgrade equipment; slow and expensive shipping contributes to problems with on-time delivery and price competitiveness; and poorly applied, low-quality fumigation sprays can result in containers shipped that, when opened, present the customer with issues as problematic as the mold that may or may not have been controlled. Poor performance in services can easily negate successful upgrades to other parts of a value chain. The quality and accessibility of services to the home accessories industry should be assessed, then firms should collaborate to persuade providers to upgrade these services using their combined leverage.
- **Quality control:** As noted, quality across all market segments has risen in the past decade, placing ever-greater emphasis on quality control—one of the most common complaints about shipments from Indonesia. Both buyers and producers noted that even with repeated training in how to evaluate a product's quality, many individuals continue to approve units that they view as satisfactory, believing a customer's specifications are too stringent for handmade products (or exaggerated based on their experiences with tourists). One buyer found that the best quality control he had encountered was provided by a buying agent who had been trained in western business practices. This suggests that continued training and exposure to quality standards of target markets are needed at all levels of the supply chain. It was also noted that while an MSME might be penalized by its customer for quality

problems, subcontracting arrangements with village-based producers present a challenge to sharing the financial impact of poor performance. As one Indonesian home accessory producer acknowledged, the key is to upgrade in-house quality control measures so that defects are detected before subcontractors are paid. The sector should recognize that this is a critical issue that determines the potential for increased exports and requires continual training and investments to overcome the existing market perception of Indonesian quality.

- **Packaging:** The ability to provide high-quality packaging, labels, bar coding, hang tags, and so on is highly valued by buyers, even in the most basic format. Low quality or lack of these materials, as well as inadequate or unclean packing materials, is a significant disincentive for markets where ever-greater efficiencies in inventory handling are sought.⁷⁴ Either by outsourcing packaging services or developing in-house capacity, Indonesian companies should work toward matching the capability of its regional competitors, notably China.
- **Shipping:** Slow shipping routes, delays, and high freight costs all affect a buyer's decision to place ongoing orders with a supplier. Individually, Indonesian MSMEs may have little influence on logistics, port management, fees, customs, routes, infrastructure, and other areas that affect shipping. As an industry, however, furniture and home accessory producers can wield more influence to make improvements, such as the inland port and local availability of containers that Yogyakarta manufacturers are lobbying for currently.⁷⁵

CUSTOMER SERVICE

Competition continues to increase as more producers enter the global marketplace. In addition to offering good designs and high quality at an attractive price, companies must offer exceptional customer service. As numerous buyers remarked, for every supplier that is slow to respond to an email, hundreds more are waiting to take its place. “We are not going to spend a lot of time on a supplier if they don't have a degree of professionalism.”⁷⁶ To better compete, producers should learn and implement the business practices that U.S. and European buyers seek and are accustomed to from highly competitive countries.

- **Communication:** Buyers want to correspond by email and exchange attached documents and images, in their own language, on a timely basis. Indonesian MSMEs seeking to increase exports to the United States and Europe must be computer literate⁷⁷ and competent with a digital camera and must possess or have access to foreign language skills. More importantly, the practice of acknowledging receipt of a communiqué and responding promptly should be followed—this was a noted frustration among interviewees, especially importers working with smaller Indonesian producers. Companies should hire individuals with these skills, invest in training current employees, or work with highly qualified agents.
- **General business skills:** Possessing competent skills in accounting, management, finances, client relations, business planning, and so forth affects the level of customer service a company provides. A

⁷⁴ Several interviewees commented on the prohibitive expense of labeling and cleaning shipments in the United States, which greatly influences buying decisions.

⁷⁵ During a meeting with SENADA, industry representatives referenced several logistics-related constraints their group is working to address, as well as a list of local regulations and other issues related to an enabling business environment that they believe are encumbering their companies.

⁷⁶ Allan Palacek, Palacek Furnishings.

⁷⁷ Microsoft Office is the most common software package used. Several buyers commented that they prefer to receive product offers in Excel; one offered to provide a simple template if needed.

buyer who imports from Latin America as well as Indonesia lamented that despite the commitment and honesty a Bolivian producer has displayed, he would soon be replaced by someone better at invoicing and responding to accounting questions. MSMEs in need of improvement should seek out training programs or hire an individual with the requisite skills.

MARKET ACCESS

- **Trade fairs:** If attending a trade fair to sell product, producers should be well prepared to answer buyer questions quickly and accurately. A few inquiries at the Jogjakarta Furniture Show revealed that many companies in the home furnishings industry are experienced exhibitors and can competently answer questions regarding container capacities, discounts, and shipping times. MSMEs that do not have this experience and plan to exhibit in the near future should seek advice and training, or hire an individual with the requisite skills. Collective experience suggests that a company must exhibit at least three times at a trade fair before the marketplace recognizes it as an established source of product. An alternative and less expensive approach is to walk key international wholesale shows to identify prospective clients (exhibitors), provide a brief presentation, and offer a brochure and catalog. As always, selecting the most appropriate show and following up afterwards are essential to success. Where appropriate, Indonesian MSMEs can collaborate to participate in, prepare for, and promote at international trade fairs.
- **Websites:** Like consumers, buyers are going online to review and evaluate a company and its products. Many MSMEs interviewed by the SENADA team have websites—some are useful, others not. Those sites that have poor images and limited information (and do not function well) project a weak image. A website should be considered both a marketing instrument and a customer service tool that efficiently provides the information sought. Professional web designers should be engaged to create and upgrade sites to meet the needs of foreign buyers.
- **Catalogs and brochures:** For trade fairs and mailings, high-quality CD catalogs and printed materials are essential. While buyers may not spend time evaluating a new vendor's product at a show, many are willing to review materials at another time and place. A professionally designed postcard with a web address or attractively packaged CD catalog can be slipped into a bag and will stand out later in a collection of such materials.
- **Agents:** As most buyers and producers know well, there is a wide range of competence among agents worldwide. Often essential to the success of transactions and building relationships, agents can also be a barrier to market access because of lack of experience, skills, contacts, and integrity. While large importers often have exclusive regional contracts with established agents, smaller importers tend to seek assistance in locating an intermediary. A registry of qualified (or at least authenticated) agents, accessible to both producers and buyers, can greatly facilitate market access.
- **Story:** Particularly in niche markets, the story sells the product, and buyers are always in search of a story to tell. Currently, artisan-crafted items, natural materials, cultural accents, and sustainability are key trends in home accessories. Indonesian MSMEs should devote time and resources to telling their product, company, and cultural stories, emphasizing the attributes that are on-trend and complementing with images suitable for promotional materials. It is worth reiterating that a number of interviewees asserted that regardless of the robust demand for sustainable products, a product's "green story" can give one producer a competitive advantage over another, all other attributes being equal. Several buyers also noted that their companies take note of opportunities to bolster their CSR image, so producers

supporting village-based production, working in remote and/or low-income regions, or providing jobs in areas devastated by a natural disaster should include this information in their promotional materials.

GOING GREEN

Developing sustainable products entails not only “greening” product designs and supply chains, but improving general manufacturing processes and business practices as well. To take full advantage of the opportunity that the trend in conscientious consumerism represents, companies should address the broad spectrum of concerns and promote their vision and progress in addressing those concerns.

However, it is not necessary become highly sustainable overnight. Although there are several hot-button issues, such as illegal wood from old-growth rainforests and dumping of toxic waste, consumers and buyers generally want to see that companies are on a clear, persistent path and are honest about their progress. “People are less concerned about percentage than telling the truth. They don’t expect manufacturers to go from zero to 100%, but they will not tolerate green-washing.”⁷⁸ Or, as Jil Zilligen, Vice President of Sustainability at Nau, puts it, “Sustainability isn’t a milepost, it’s a process.”⁷⁹

Although some steps, such as FSC or fair trade certification, can be lengthy and expensive, others can be implemented quickly with relatively small investments. Interviews with several Yogyakarta-based MSMEs (as well as the authors’ experience with internationally recognized certifications) highlight the cost and procedural concerns held by business owners. Companies using various woods should learn about requirements for FSC certification (and other beneficial certifications) and begin adapting operations to meet those requirements. The sector should also take steps that can more immediately address buyer and consumer concerns:

- **Understand the demand:** Consumers and buyers often differ from industry experts in their knowledge and priorities with regard to sustainability. This general end-market study should be followed by research that focuses on a single question: what do consumers and buyers want in terms of sustainable credentials? Or, in other words, what are the key success factors? Specifically, what materials, products, practices, and verifications are needed to quickly capitalize on the current situation in which there is more demand than supply, and where buyers are unsure where to turn for sustainable home accessories?⁸⁰ The concern is that while industry leaders and associations are concentrating on major (and critical) issues such as deforestation and corrupt resource management, there is a significant portion of the marketplace that is equally concerned with other issues (such as toxic materials and finishes) and largely unfamiliar with certification labels and agencies. Indonesian MSMEs seeking to swiftly introduce sustainable product lines should begin by identifying what attributes currently matter most in their targeted market segments, and then prioritize investments in upgrading to meet these

Incremental Process

Adopting a sustainable ethos is an incremental process ... because in many ways [the furniture industry] is at odds with living in a balanced and sustainable way.

—Janet Holt-Johnstone,
“Are Your Customers Ready for
Sustainable Furniture?”
Furniture World, March 6, 2007

⁷⁸ Ray Allegrezza, *Furniture Today*.

⁷⁹ Jil Zilligen, Nau, as quoted in *Leap of Faith* by Polly LaBarre, *Fast Company*, June 2007.

⁸⁰ Additional input from consultants to the SENADA program (including Susan Inglis and David Mahood), combined with the supplementary research conducted for this end-market study and, perhaps, several follow-up interviews for verification, would likely be sufficient to answer these questions.

requirements first. For example, can buyer trepidations about purchasing teak accessories from Indonesia be allayed by using alternative woods not restricted in international markets?⁸¹ The home furnishings industry should endeavor to determine the “buyer wish list” (as SENADA textile consultant Zulian Siregar aptly called it) and identify the ways Indonesian companies can adapt to meet these specific demands.

- **Create a guide:** Companies in Indonesia (and elsewhere) are largely unclear about what sustainability means and which materials and practices are “greener” than others. Buyers note that producers often do not understand requests for information about adhesives and finishes, or inquiries about waste disposal. Certainly the awareness-raising effort initiated by SENADA is needed and should continue—to both explain the concept of sustainability and highlight market opportunities. In addition, a standardized sustainability factsheet that answers key buyer questions about home accessory production in Indonesia should be developed.⁸² However, a survey of exhibitors at the Jogjakarta Furniture Show revealed that a reference guide on inputs and processes is needed. While all interviewed understand why teak should be plantation-grown and sustainably managed, there are other woods and natural fibers that are believed to be rapidly renewable, but no one is sure. Similar to the Environmental Defense’s buying guide for eco-friendly fish (which helps consumers understand “best and worst choices” in terms of health and sustainable harvesting),⁸³ the home furnishings industry should develop a reference guide for inputs that helps companies make informed choices based on how quickly a natural material grows, how sustainably it is harvested, what chain-of-custody documentation is needed, and how it should be prepared for use—criteria for the ideal materials as well as a restricted substances list. This guide should include information on adhesives, stains, paints, lacquers, and other materials to facilitate the selection of healthier, more eco-friendly products. It should be distributed throughout the sector to all value chain levels.
- **Assess return on investment:** It is not yet evident that expensive, long-term investments in product and manufacturing upgrades will yield reasonable returns.⁸⁴ With SENADA’s support, Indonesian MSMEs should evaluate the cost/benefit of proposed expenditures to ensure that the anticipated market response will justify each investment, particularly if a price premium is necessary. “The premium assumption is very dependent on the market you’re in and supply and demand—you can’t assume that consumers will pay a premium. Everyone is recommending that companies start out slow, make incremental changes ... pick products with high profitability, and don’t sacrifice quality.”⁸⁵ Companies

Educate Producers and Buyers

Anything you can do in terms of education about green products is valuable to both the buyers and the producers.

—Christina Nicholson,
Williams-Sonoma Inc.

⁸¹ For example, mindi wood is believed to be more sustainable than teak because the tree grows quickly and is viewed as an invasive species. The Indonesian company Kayu Manis recently sold mindi wood items to a U.S. client that values both the appearance and reassurance this non-teak wood offers.

⁸² This concept was conceived with input from Neil Gehani of Moenia Design who, along with other buyers, expressed frustration with attempts to obtain basic information on production inputs. It is similar to the “sustainability profile” proposed by the SENADA team.

⁸³ The referenced guide can be viewed at www.oceansalive.org/eat.cfm?subnav=bestandworst. Interestingly, an email exchange with Environmental Defense indicated that, to the best of its knowledge, no such guide exists for woods and natural fibers, despite an acknowledged need for one. The Tropical Forest Trust has published a document titled *Good Wood, Good Business*; however, this focuses on procedures rather than specific materials. Further research should be conducted to determine if an existing guide can be adapted.

⁸⁴ Based on buyer interviews as well as discussions with EcoCraft, a Ghanaian business project pursuing markets for sustainable wood furnishings and receiving support from USAID’s WATH project.

⁸⁵ Mike Italiano, Institute for Market Transformation to Sustainability.

should move quickly to capitalize on this opportunity, but in riskable steps where each increase in investment is supported by a positive response from the marketplace.

- **Develop a roadmap:** Efforts are underway to help companies source sustainably harvested wood with verification that is less stringent than FSC criteria—an important SENADA activity given the timeline for recertification by the Rain Forest Alliance. In addition to confirming wood sources, there are many steps an enterprise can take to become more sustainable that have yet to be explored and explained. To clarify and promote these steps, a simple “roadmap to sustainability” should be developed for Indonesian MSMEs.⁸⁶ This guide can provide information and suggestions for reducing air and water pollution, handling solid waste, replacing toxic materials, recycling scrap material, conserving energy, improving safety, and determining fair compensation for employees and subcontractors. Ideally, the roadmap would help companies understand the full scope of sustainable production, evaluate their operations and identify areas for improvement, invest wisely in upgrades, direct and support the greening of their entire supply chains, and communicate accurately and knowledgeably with buyers.
- **Promote:** As yet, there are few “stars” in Asia with regard to sustainable production of home furnishings (and there is ample negative press), and buyers are searching for sources. Thus “making it easy to find well designed, well-made green product is high value to buyers,”⁸⁷ and Indonesian MSMEs have an opportunity to register on buyers’ radars by promoting the greening of their products and supply chains. However, the reach and impact of marketing efforts will be limited by the resources and contacts of individual companies. If, as SENADA’s Year-3 Workplan suggests, “like-minded, capable producers committed to sustainable production and facilitation of joint promotional activities” can organize to develop and fund a strategy,⁸⁸ the likelihood of registering on buyer radars increases significantly. The goal is to position Indonesia in target markets as a reliable source for sustainable home furnishings, an objective that would be well served by independent verification to build buyer confidence and maintain commitment and transparency. “Companies who make being green easier and more affordable will be rewarded.”⁸⁹ Membership in international organizations (such as the SFC), participation in eco-pavilions at international trade fairs, high-quality websites and promotional materials, and a well-articulated strategy for ongoing improvement—including working toward FSC certification of wood products—are all key elements to successful promotion.⁹⁰ As several buyers noted, Indonesian companies offering sustainable products need to tell their “green story”—let the marketplace know they exist and give it a narrative to sell.
- **Target both residential and commercial customers:** In terms of sustainable design and products, the commercial sector (notably the hotel industry) is far ahead of the residential market, including in accessories. These buyers are searching for products that will contribute LEED points, and many

⁸⁶ This idea was proposed to several organizations including the AHFA, Rainforest Alliance, and the Institute for Market Transformation to Sustainability. All are interested in collaborating with SENADA to produce simplified roadmaps for both projects and SMEs. The AHFA launched its Sustainable by Design program in November 2007. In addition, interviews with WATH project personnel suggest that a similar effort will be undertaken in Accra.

⁸⁷ Christina Nicholson, Williams-Sonoma Inc.

⁸⁸ Susan Inglis, in her draft *SENADA Report* dated September 2007, suggested that the sector could promote itself under the simple and effective banner of “Sustainable Indonesia.”

⁸⁹ Kathy Sheehan, GfK Roper Consulting (from “Americans Reach Environmental Turning Point... Companies Need to Catch Up According to GfK Roper Green Gauge Study.” *CSR Wire*, August 21, 2007).

⁹⁰ Promotional efforts should include descriptions of alternative woods and materials, including a history of applications and what makes their use more sustainable. Conversations with consumers and retail store managers suggest that people may hesitate to purchase products made from unfamiliar materials.

continue to be uncertain of where to go. Thus, in designing home accessories for U.S. and European markets, Indonesian MSMEs should consider cross-over products that can be marketed for hotels and office buildings as well as for residential use.

SUSTAINING COMPETITIVENESS

In home furnishings, Indonesia competes against many countries in the region. This study has identified a number of product trends that represent opportunities for MSMEs to capitalize on Indonesia’s recognized strengths, and the recommendations above suggest ways both individual firms and the industry as a whole can become more competitive in the global marketplace. But markets are dynamic; trends change, current opportunities fade while new ones emerge, and the competitive landscape will inevitably shift. It is likely that going green will eventually become a standard product requirement for all suppliers, obliging companies to invest further to maintain its value as a competitive advantage.

Continuous learning, adapting, innovating, and improving productivity are essential for sustaining competitiveness. As markets and competitors evolve, firms and industries must respond in order to remain competitive. The following recommendations seek to address the systemic constraints that impede the ability of the home accessories industry in Indonesia to effectively respond to market changes.

- **Strengthen learning mechanisms:** Currently, new information about design, market opportunities, and customer requirements appears to enter the value chain primarily through buyers and copying rivals. However, to compete for new clients with, for example, the Philippines’ reputation for innovation, the Indonesian home accessories industry must continuously develop its capacity to integrate trend and other market information into its product development. Ensuring ongoing funding for the proposed design center—supported by individual firms, universities, and design professionals, as well as the broader home furnishings industry—will strengthen the sector’s long-term ability to learn and adapt to changes in the marketplace. Ultimately, a significant amount of product development will still be driven by buyers and international designers, but Indonesia must demonstrate an ongoing internal capacity to innovate in order to capture the attention of the marketplace. In addition, continuing to develop a reference guide on sustainable materials and processes, and the “roadmap” for companies to assess their operations and invest in riskable steps toward greater sustainability, will be essential to maintaining a competitive edge in this market. In both cases, exporting firms must transfer this learning throughout their supply chains, from subcontractors to service providers to input suppliers. Without buy-in and regular upgrades from all actors, the industry as a whole will struggle to achieve and sustain competitiveness.
- **Continuously improve fundamentals:** An individual enterprise and the industry can experience success with investments in upgrades, but sustained competitiveness requires a long-term commitment to improvements not only in design but also in quality, delivery, pricing, and customer service. Without a constant focus on these fundamentals, rivals will lure buyers away, as interviewees noted was often the case with Indonesian suppliers they had abandoned. Thus, it is important for the MSMEs to make continuous improvements and provide regular training, including to subcontractors (ideally as an embedded service to increase participation and buy-in). Upgrading throughout a supply chain—

Commitment to Learning

The most competitive industries are those that institutionalize learning mechanisms.

—*Value Chain Approach to Economic Growth with Poverty Reduction*,
USAID Briefing Paper

essential to sustaining competitiveness—will depend largely on the incentives offered, such as increased orders and/or profit margins (or, as a negative incentive, loss of an end-market). It is also necessary to address the systemic constraint of over-priced, second-rate raw materials (if, as interviewees have suggested, this is a problem) because this is critical to competitiveness in quality and price.

- **Strive for greater efficiency:** Although product differentiation and niche markets can reduce competition that is based largely on price, Indonesian companies must nonetheless work to improve efficiency to counter the cost advantages of sourcing product from other countries. Some improvements can occur within an individual firm or supply chain, such as an equipment upgrade that reduces quality control rejection rates. Others, such as better transport logistics or bulk purchasing of inputs, involves horizontal cooperation among firms. Remaining competitive in the global marketplace requires an enduring commitment to increase overall productivity at all levels of a supply chain, including those that are shared across an industry.
- **Increase interfirm cooperation:** Many companies in the sector are facing shared constraints and opportunities that are difficult to act upon individually—the cost of maintaining up-to-date trend information being only one of the constraints. By bringing home accessory producers together to determine where collaboration and collective action will benefit everyone, as has apparently already occurred on various levels in Yogyakarta, the entire industry is better able to improve and sustain its competitiveness. Group purchases to secure higher-quality and lower-cost inputs, lobbying efforts to effect change in regulations and improve access to long-term financing, establishment of standards for sustainable production, and collective marketing efforts are a few of the advantages greater cooperation can bring.
- **Seek greater balance in vertical relationships:** SENADA personnel and several Yogyakarta MSMEs provided helpful information on the relationships between some firms and export agencies (perceived, in this case, as a vertical relationship), as well as between those firms and their subcontractors, that appear to negatively affect the current and long-term competitiveness of the industry. For example, unbeknownst to a major client, an agency providing exclusive access to that client has been charging a commission to the producer. When added to the commission from the client, the total is higher than average, thus reducing the price competitiveness of the MSME. Another anecdote indicates that some subcontractors are hesitant to share new product ideas because of a history of firms using rival subcontractors to produce the new design. This serves to stifle innovation at subcontractor level. In addition, tensions arise over the amounts and schedules of advance payments for inputs and production, flow of orders, and other issues. A comprehensive assessment of the vertical relationships within the sector would likely reveal a number of imbalances that might be addressed through greater transparency throughout the value chains, more MSME options for agent services, and improved contractual agreements between exporting firms and subcontractors.
- **Improve the enabling environment:** A supportive enabling environment that includes regulations, policies, and procedures that promote exports (such as a simple process for duty exemption and/or reimbursement on imported components) and MSME growth affects an industry's long-term competitiveness, particularly with countries where such regimes are more favorable. While it appears some local governments are responsive to business needs, there are a number national tax, customs, and financial sector policies that producers of furniture and home accessories believe are impeding their businesses. In addition, there exist infrastructure deficiencies that significantly increase the cost of shipping from many regions. In Yogyakarta, business leaders have compiled a list of regulatory

burdens they want changed and are lobbying to create an inland port to reduce freight costs. Such group action is critical to improving the enabling environment, and should include disseminating information among (and seeking support from) not only home furnishings enterprises, but firms in other affected industries as well. In some cases, it may also be possible to enlist the support of international buyers.

- **Link to international organizations:** The sustained competitiveness of the home furnishings sector will greatly depend on the availability of high-quality, affordable Indonesian raw materials. There are many organizations that are dedicated to preserving natural resources, developing best practices for growing and harvesting materials, and supporting the general greening of supply chains. These organizations have expertise (and sometimes funding) to support efforts in developing and emerging economies. By joining and/or collaborating with them, Indonesian MSMEs are more likely to continue to make improvements than will help sustain both firm-level and industry-level competitiveness in global markets.⁹¹
- **Target multiple markets:** Focusing on a single end-market significantly increases the impact of a sudden downturn in sales to that end-market. The industry should pursue opportunities in other markets that import large quantities of home accessories, such as Japan and Canada, as well as emerging economies that indicate potential, such as Poland, Russia, and South Africa. Australia and other countries in the region are among the top importers of Indonesian furnishings. In addition, there may be opportunities in markets that are underserved by Indonesia’s competitors. In a number of countries, the Indonesian government has established export offices that can provide data, support, and, as in the case of Hungary, exhibition space.
- **Promote the industry:** A long-term, strategic plan to promote Indonesia’s home accessories industry will support other efforts to sustain its competitiveness. Buyers typically do not spend as much time researching as they do responding to inquiries, sending samples, and marketing. Ideally, firms can cooperate to design and fund a promotional campaign that positions Indonesia in target markets, then update and support that campaign over time. In pursuing opportunities in sustainable products, for example, the industry can develop a brand (such as “Sustainable Indonesia”) to draw interest from buyers who are currently unsure of where to source these goods. Industry branding, if adaptable to changes in the marketplace and supported by strong products and companies and a healthy marketing budget, will be essential to re-inventing the image of Indonesian home furnishings in the global marketplace and to positioning the industry for long-term growth.

⁹¹ The Ghanaian business project EcoCraft, referenced earlier in this report, cited examples of receiving support from several such international organizations.

APPENDIX A: SOURCES FOR TREND INFORMATION

TRADE FAIRS

- New York International Gift Fair (www.nyigf.com)
- International Home Furnishings Show, High Point (www.highpointmarket.org)
- Atlanta International Gift and Home Furnishings Market (www.americasmart.com)
- Las Vegas Market (www.lasvegasmarket.com)
- Maison & Objet, Paris (www.maison-objet.com)
- International Home Show, Milan (www.macef.it/eng/visitare_milano.asp)
- Ambiente and Tendance Lifestyle Shows, Frankfurt (www.messefrankfurt.com)
- IMM Cologne (www.imm-cologne.com)
- 100% Design London – also Tokyo, Netherlands, Paris... (www.100percentdesign.co.uk)
- Home furnishing shows in Bangkok, Hong Kong, Shanghai, and Singapore

PUBLICATIONS

- *Casual Living* (www.casualliving.com)
- *Elle Décor* (www.elledecor.com)
- *Furniture Style* (www.furniturestyle.com)
- *Furniture Today* (www.furnituretoday.com)
- *Home Accents Today* (www.homeaccentstoday.com)
- *Home Décor Buyer* (www.homedecorbuyer.com)
- *House and Garden* (www.houseandgarden.com)

SUBSCRIPTION SITES

- Trend Curve (www.trendcurve.com)
- Trendease International (www.trendease.com)

REPORTS

- Trend Curve's *Maison & Objet September 2007* and *Color Curve 2009* (www.trendcurve.com)
- *Pantone Color Trends* (www.pantone.com)
- *Home Accents Today* (www.reedbusinessstore.com/hat.html)
- *Reed Business Store* (www.reedbusinessstore.com)
- *The Hartman Report on Sustainability: Understanding the Consumer Perspective, Summer 2007*
- *Green Gauge Survey*, GFK Roper (July 2007)

RETAIL SITES

- Crate and Barrel (www.crateandbarrel.com)
- Pier 1 Imports (www.pier1.com)
- Pottery Barn (www.potterybarn.com)

- Room and Board (www.roomandboard.com)
- West Elm (www.westelm.com)
- Williams-Sonoma Home (www.wshome.com)

MORE

- See *Useful Websites for Seeing Home Furnishings Trends – 2007*, provided to the SENADA program by consultant Susan Inglis.

APPENDIX B: COMPETITOR BENCHMARKING – COMMENTS FROM INTERVIEWEES

The following benchmarking is based solely on the comments of interviewees, that is, the viewpoint of the marketplace.

CHINA

- Nobody beats China on price ... they are tough competition for everyone.
- Many producers prefer sourcing in China because it is easier and more reliable than elsewhere. Everything you need is available through the producer: product, labeling, packaging, hang tags, etc. This is a tremendous benefit to buyers.
- Chinese companies often receive subsidies that are not available to Indonesian companies, such as loans with favorable terms to invest in new technologies. The government plays a very supportive role.
- High minimum orders that often exclude customers seeking to place smaller orders.
- “China can’t do hand finishing – don’t want to hand carve.”⁹² Indonesian and Vietnamese are better at carving.
- Can charge-back Chinese producers if a shipment has problems, whereas elsewhere it is far more difficult to penalize or obtain credit from a supplier.
- Chinese producers can ramp up production with fairly consistent quality, and still maintain reliable delivery. This combined with very competitive pricing is hard to beat.
- Great infrastructure – ports, roads, rail, air, communications... all under constant improvement funded by the government. Infrastructure is better than anywhere else.
- There are some issues with kickbacks and corruption, but it rarely hinders business as it does in, for example, India.
- China’s leaders are easily embarrassed, and recent product recalls and negative press could lead to drastic measures to “save face.” It is important to keep in mind that China can apply considerable resources and authoritarian control to solve a problem, particularly one that threatens exports. “If India tried that, there would simply be massive fraud with no consequences.”⁹³
- In Europe and the U.S., China is generally viewed as the worst country in terms of polluting and using toxic materials in its manufacturing processes. Increasingly there is the “China question” – consumers are asking whether a product is made in China, and accepting a positive

⁹² Peter Kowtowski, Barnstorm.

⁹³ Alan Cousins, Alan Cousins Art Acquisitions.

reply less and less. Concern is growing over the safety of products and impact on the environment. “You can get anything in China but they are huge global polluters.”⁹⁴

- There is growing concern among businesses about too much exposure in China. Companies are looking to diversify their product sources.
- China is adept at veneers, but for solid wood products, Thailand and Indonesia are better.
- China is not the place to go for exclusive, higher-end products. Its strength is large volume, mass market product.
- Among the best at combining materials in one product, such as wood, metal and glass.

INDIA

- Not as consistent as China, but more flexible in their minimum order quantities.
- Not as capable as China in ramping up production.
- The “kickback culture” is so pervasive it hampers business in India.
- Though fascinating, not an easy place to travel because of congestion, pollution, etc.
- Main production areas have reasonable infrastructure, but more remote villages are accessed only by poor roads and communications... often can only ship 20ft containers.
- Selling designs “out the back door” by employees is very common, and the culture in general looks at all of this as part of doing business.
- Stressful because you never know if what is shipped is the same as the sample.
- “I find India to be somewhere between Indonesia and China in most cases. Production capacity and packaging in India is better than that of Indonesia... I find quality and pricing to be better in India for comparable goods. Reliability I find to be about the same. I appreciate the fact that a lot of the work in Indonesia is still hand done.”⁹⁵
- Great diminishing natural resources, but no regulation on pollution and harvesting trees.

INDONESIA

- Indonesia was once a great “cost haven,” but has difficulty scaling up production and now cannot compete in price, or produce consistent quality. “They’ve been eclipsed by China.”⁹⁶
- Very difficult to confirm the source of any raw material, especially wood. Perum Perhutani (originally a public management company with a social mission, and now a state-owned private company that manages tree plantations) is no longer considered reliable. When its FSC certification was suspended, it issued its own documentation, but no one relies on it.
- Producers seem to be less interested in adapting to market changes than elsewhere – will only make changes if forced by a buyer. They are more traditional than elsewhere and prefer to stick to what they know. They tend to be less flexible than the Chinese in terms of design because they take greater pride in their work.
- Indonesia is known for producing well-made, solid wood products at a good price point. Other countries do more veneer.
- “Nothing new, boring product selection... Vietnam and Philippines have current designs.”⁹⁷

⁹⁴ Trevor Webb, Urban Woods.

⁹⁵ Buck Jones, Natural Selections.

⁹⁶ Mark Phillips, Phillips Collection.

⁹⁷ Susanne Schulman, Home Goods.

- Very nice place to work, very pleasant and relaxed – much more appealing destination than China for many buyers.
- As other countries improve, Indonesia seems to get “more and more sloppy with uncompetitive pricing... When you do the analysis, it’s always better to produce in China or Vietnam because you’re not compromising anything like in Indonesia.”⁹⁸
- The work culture is notably different than in China, Vietnam and elsewhere. People do not want to work long hours, which affects their competitiveness.
- Because it is an island nation, transportation and shipping is more expensive and causes more production problems compared to most other countries.
- Indonesians can be very traditional, and sometimes it is easier for female buyers to communicate through other men to the male producers.

MALAYSIA

- Similarly poor record in natural resource stewardship with a less developed forest management system.
- Viewed as similar to Indonesia in many ways (problems with quality, delivery, etc).
- Significant pollution.
- Few interviewees had experience sourcing product in Malaysia.

PHILIPPINES

- Greater innovation, more creativity in Philippines than in Indonesia. “Right now, if we want to do a new design, we go to the Philippines.”⁹⁹ Indonesians know what they know, can tweak a design such as alter dimensions or color, but not change the shape or create entirely new forms. “If you want to do something really new, you go to the Philippines.”¹⁰⁰
- Most creative weavers – no one in Indonesia can beat them in design and quality of woven pieces.
- “Most [Philippine] suppliers seem to have new designs far more regularly than suppliers in Indonesia. The quality has always been consistent. On average I find the Philippines to be more expensive [than Indonesia].”¹⁰¹ More expensive than Indonesia, but higher quality.
- Philippine companies are typically better in business; more likely to deliver on-time.
- There is less of a problem in Philippines of male producers taking instructions from female buyers than in Indonesia.
- English is a big advantage in the Philippines. They understand documents and conversations, and buyers feel more confident that their specifications and concerns have been understood.
- Mold and fumigation is not as big a problem as with product from Indonesia.
- Philippine companies are better at honoring exclusives compared to elsewhere.

THAILAND

- Easy to deal with, good design, infrastructure and language skills; overall a pleasant place to visit compared to other countries in the region.

⁹⁸ Mark Phillips, Phillips Collection.

⁹⁹ Allan Palecek, Palecek Furniture.

¹⁰⁰ Tonie Cox, Moenia Design.

¹⁰¹ Buck Jones, Natural Selections.

- More trustworthy than India; less oversight required. You can work remotely with more confidence than elsewhere.
- Good quality wood products, though some of the wood is sourced illegally from Myanmar.
- Great natural resources, great workmanship.

VIETNAM

- The “new China” – the place to go for product sourcing. Everyone is looking into production there.
- More artistic than China; better at producing products by hand.
- More flexible in modifying designs than Indonesian producers, and overall, more capable at interpreting design information from clients.
- Hard workers, like the Chinese – stronger work ethic than Indonesians.
- Lower-priced than Indonesia or Philippines, more reliable, and willing to accept small orders compared to China. However, quality is lower than Indonesia’s best manufacturers.
- Better infrastructure than Indonesia; more direct shipping routes to the U.S.
- Consistency in quality is much better than from manufacturers in Indonesia; fewer quality control and refinishers are required when producing in Vietnam instead of Indonesia, though not as good as China.
- There is a fair amount of certified wood furniture production in Vietnam because of demand by European buyers. When Indonesia’s FSC certification was suspended, several European companies moved to Vietnam where the producers and government were receptive to making necessary changes. “Within a year there were 70 certified manufacturers.”¹⁰² Indonesia lost these producers to Vietnam.

¹⁰² Daphne Dewitt, Rain Forest Alliance

APPENDIX C: BUYERS' SUGGESTIONS

The following represents a summation of the suggestions made by buyers (and industry experts). The authors of this report hope their inclusion is useful to the reader.

TRENDS

Interviewees offered the following suggestions for keeping abreast of evolving trends:

- **Subscribe to industry publications** such as Home Accessories Today, most of which have online versions. In addition to providing valuable market information, many track various trends and publish both articles and periodic reports available for purchase in an easy, downloadable format. See Appendix A for a suggested list.
- **Subscribe to the magazines that buyers peruse** for trend information, such as Elle Décor. These are also typically available online. Appendix A identifies several.
- **Visit regularly the websites of leading home accessory retailers** such as Crate and Barrel, Gump's and Pottery Barn in the U.S., and Habitat in the U.K. Although the color and design information on display in retail catalogs is representative of trends that are already well into their lifespans (and is therefore less valuable to producers seeking to develop new products), these sites help orient the viewer in a distant market and provide ideas for the types of products consumers are purchasing. Functions, dimensions, pricing, and other useful information can be gleaned. Some suggestions are included in Appendix A.
- **Walk at least one key trade fair each year.** While there are numerous fairs around the world that include home accessories, Appendix A lists those in Europe and the United States that are considered the most valuable for observing trends. As well, there are a number of fairs in Asia that are considered essential for buyers, including in China, Thailand, India, and the Philippines.
- **Keep tabs on high-end French and Italian fashion designers** whose concepts are often translated into home accessories. The latest color and design trends were once exclusive to high-end stores in Europe and the U.S. with some trickle down over time to mainstream market segments. But today the same trends are often appearing at every level of retail nearly at the same time.
- While some items are timeless with only minor modifications, **be mindful of the increasing attention to fashions** in home accessories, which have become the most on-trend products in home furnishings. "Color is especially important in accessories – look to fabrics and paints to see what is coming."¹⁰³ While markets exist for a broad range of styles from indigenous

¹⁰³ Mark Steward, Boyles Furniture

(ethnic) to modern, by far the largest is for world (or global) style: clean, contemporary designs with indigenous accents.

- **Innovate instead of copy.** Buyers travel to find new products, not replicas of what is already in the marketplace. Producers who keep abreast of emerging trends and can differentiate their offerings with innovative designs are more likely to catch the attention of buyers, particularly at trade fairs. While in the past a company’s capability was as important as the actual products on display, today the focus is on the design of the items exhibited—hether they are “on-trend.”

COMPETITIVENESS

The following are suggestions on steps Indonesian MSMEs can take to improve firm and industry level competitiveness, and access new markets.

- **Competitive advantages:** First and foremost, producers should recognize and leverage what the market identifies as their key competitive advantages:
 - Abundance, diversity and quality of raw materials, particularly renewable resources
 - Highly skilled artisans in carving, joinery, batik, weaving and other crafts
 - Large, available and competitively priced workforce
 - Flexible production capacity, low minimum orders
 - Wealth of cultural and natural design elements that are on-trend
- **Fix the basics:** Few buyers are interested in developing a relationship with producers that consistently fail to deliver on-time and as ordered. Persistent quality problems, failure to produce to specifications, late shipments, and slow and/or incomplete responses encourage clients to switch to any number of eager alternative suppliers. Indonesian companies need to focus on the fundamentals of good business.
- **Focus on design and quality:** Create unique products that are high quality and on-trend. “Can’t start where China was 10 years ago... products have to look high quality with smooth, satin finishes.”¹⁰⁴ Limit purely ethnic designs, avoid copying, and allow clients to modify your designs. Rather than selling what you make, try to develop products for specific markets based on skills and raw materials. Differentiate; stand out in the marketplace.
- **Can’t compete with China, so don’t try:** Make products that are a “cut above” in design and quality. Leverage local skills, unique designs, natural resources. Cannot compete on price, so need a niche.
- **Stay handmade and target boutique retailers/wholesalers:** Emphasize 100% handmade, add unique cultural accents, maintain low minimum orders, help buyers to consolidate orders with other producers. These clients are searching for product to differentiate themselves from the mass retailers, and that product must be warrant higher prices.
- **Target upper-middle and high price points** where there are more “face to face sales” (customer and knowledgeable sales person) and consumers tend to be more concerned about fair trade and environmental issues. The Target and Wal-Mart customer is not a consumer who

¹⁰⁴ Mark Steward, Boyles Furniture

cares about these issues. Low-end (priority on low prices) and high-end (priority on high quality) markets are expanding rapidly while the middle (moderate quality at moderate prices) is stagnant. Competition at the low-end is fierce with few opportunities to compete with producers in China, Vietnam and India. The high-end “luxury” market focuses on more unique designs and higher quality, and offers greater flexibility in pricing.

- **Attend trade fairs:** “It sounds archaic, but it’s necessary to go to an accessories show, rent a space, and show your stuff.”¹⁰⁵ The home furnishings industry is supplied by accessory wholesalers of all types with sale representatives that call on furniture stores, especially the boutique retailers where artisan products from Indonesia are most competitive. These are the companies they want to market to through trade fairs, pre-show mailings, press releases, and advertising in industry publications.
- **Learn to interpret design boards:** When designs are driven by clients, they send specifications, often in the form of creative “boards” with drawings, images, color swatches, dimensions and descriptions. Too often MSMEs lack the skills to properly translate this information to a product.
- **Go green, but maintain basics:** Develop sustainable products and green supply chains, but remember that design, quality and price remain the key drivers. “Start with good design and quality, avoid bad glues and finishes, then ‘up the ante’ with a green story.”¹⁰⁶ “If green is all you’ve got, it’s not enough – great for PR, but not enough of a differentiator.”¹⁰⁷
- **Green supply chain in achievable steps:** Sustainable product gives Indonesia an edge even if growth in the market is not as robust as some predictions. It offers a strong comparative advantage, and can be done in steps. Start on the ladder by asking where wood comes from; use responsible suppliers; use non-toxic glues and finishes. It’s a gradual, step-by-step process rather than a leap. “The approach has to be let’s get into the game, get started, don’t have to be 100%.”¹⁰⁸ Work green into product line, but don’t put all your eggs in one basket. If 25% of your product line is green, that’s good. But diversify to reduce risk. Ask for help and guidance from organizations; join an organization; source locally as much as possible; use recycled materials (50% recycled content is considered very good), use water-based finishes.
- **Invest wisely in upgrades:** Currently the marketplace is saying it will not necessarily pay a premium for sustainable products. It is important to take baby steps. “The premium assumption is very dependent on the market you’re in and supply and demand – you can’t assume that consumers will pay a premium. Everyone is recommending that companies start out slow, make incremental changes... pick products with high profitability, and don’t sacrifice quality.”¹⁰⁹
- **No green-washing:** The market for sustainable products is more skeptical than other consumer segments, and less tolerant of exaggeration and falsification. Indonesia’s reputation for

¹⁰⁵ Doug Wolf, Wolf Furniture.

¹⁰⁶ Johnny West, Maku.

¹⁰⁷ Josh Dorfman, Vivavi.

¹⁰⁸ Bill Perdue, AHFA.

¹⁰⁹ Mike Italiano, Institute for Market Transformation to Sustainability.

corruption and bogus certification is an obstacle than must be overcome. “A document that states ‘plantation-grown wood’ doesn’t fly anymore. You have to have certification by a 3rd party like FSC that documents the chain of custody.”¹¹⁰ Subcontracting arrangements can be a problem because it increases the chance of cost-cutting substitutions... “watering down the mosquito spray.” It is a problem, especially with paints and varnish. Materials are expensive, so people cut corners.

- **Tell your story:** Village-based artisans, handmade products, cultural tradition, sustainable product, reclaimed/recycled materials, etc. Give buyers a great, well articulated story to tell.
- **Vary materials; mix and match:** This is very important in home accessories. Offer an assortment of styles, sizes and price points, from every day products to luxury items, to give buyers a broad selection. When producers have few items to offer, smaller clients have difficulty filling a purchase order.
- **Ship only goods that meet the customers’ specifications:** Substitutions and/or relaxed quality control results in frustration, exchanges, charge-backs, missed deadlines, liquidated merchandise, loss of profits, extra staff time, and needless paperwork. Know what level, square and dry means, and that you cannot substitute cheap glues that cannot be stained or painted.
- **Be sure wood and natural fibers are properly dried and treated for mold:** Even more accommodating clients like Ten Thousand Villages have stopped buying from Indonesian producers because of this problem.
- **Offer customers a “one-stop” services:** For many buyers, a supplier’s ability to design, produce, label, tag, and package their products is a considerable competitive advantage. “Our customers demand hang tags, item labels, marketing materials, packaging, etc... we end up going to China because it’s less of a headache there. Even in India it’s a pain to find everything, and there is a learning curve... people have become spoiled with China’s services – buyers want less work receiving product.”¹¹¹ Good packaging with smaller producer groups, which should seek to partner with a provider of this service.
- **Carefully evaluate any agents you engage:** Many agents do not have the requisite experience or skills to approach foreign buyers, are interested only in large transactions, and are dishonest. Buyers quickly sense when an agent is inept and cannot be trusted to wire payments to, “which is a deal killer... agents are our filter. They look for new sources, innovative producers, and filter through them to save buyers time. They bring only the best candidates to our attention. Small producers should make themselves known to good agents. They are our eyes and ears—we pay for them, but it’s worth it—they are critical, especially with smaller producers. They work with vendors on problems and execute orders. They make sure delivery is on-time. The model works.”¹¹² Buyers also note that while inspections by agents to ensure certain standards of production are being met, such as safe working conditions and no child labor, can be challenging, businesses today must be attentive to CSR (Corporate Social Responsibility) issues and will contract only with agents capable of providing reliable assessments.

¹¹⁰ Johnny West, Maku.

¹¹¹ Peter Kowtowski, Barnstorm.

¹¹² John Olech, Crate and Barrel.

- **Provide high quality digital imagery:**¹¹³ Companies often use these photos in advance of studio quality images of delivered product in their marketing and on a website. This enables your client to start selling before product arrives, gauge demand, and prepare re-orders more quickly. Images should be emailed separately in their original format and file size, not modified or embedded in other documents.
- **Consider components, such as detailed carved or inlaid handles for designer handbags** (saw at NYIGF in Accent on Design area... check with Mark Phillips? Do design houses source cheapest, or go for handmade by artisans?).
- **Tourists versus export markets:** These customers are very different, a point that is sometimes missed by producers. What a tourist buys while in Indonesia is typically different from what he/she will purchase in a U.S. or European store. An article acquired during travels becomes an “artificial artifact” in a western store. In addition, export quality is usually much higher than local quality. “Tourists skew their understanding.”¹¹⁴
- **Subcontractors:** If subcontracting to village-based production, the ideal situation is to have an employee visit each subcontractor every day to bring raw materials, inspect production, and take away finished product. This is how Crate and Barrel’s best vendor in Indonesia operates.¹¹⁵ When workshops specialize in a particular craft or skill set, quality improves dramatically.
- **Channels:** Large, direct-import retailers typically operate in ways that present barriers to MSMEs. They purchase large quantities, but cut tough deals. Producers must comply with detailed requirements for labeling and packaging, and deliver on-time or there are charge-backs that can wipe out already tight profit margins. Big clients often strain cash flow because they typically do not make advance payments and want delayed payment terms. In general, smaller clients are a better match for MSMEs relying on village-based production, with agents in-between you can trust. A strong target market is the high-end “boutique” retailers. In boutique shops, sales personnel are typically more familiar with a product’s story, and often the owner of a store can communicate directly with customers and all of his/her employees. In large chain retailers, information is passed on as a memo or limited product description, and products are thus less likely command a premium because the full story has not been communicated to the customers. Boutique shops, however, rarely import directly, purchasing most of their inventory through wholesale importers. “If you’re looking at the boutique channel, direct-to-retail is very challenging because they still don’t import directly very much, and it’s hard for overseas producers to service a lot of small accounts.”¹¹⁶ Producers should focus their marketing efforts on the wholesale importers.

¹¹³ Buyers note that the requirements for a suitable image are not demanding: high resolution from a standard digital camera, good lighting that minimizes reflections and accurately captures patterns and colors, a white background with nothing else in view, and multiple angles.

¹¹⁴ Tonie Cox, Moenia Design.

¹¹⁵ 180 workers in a central location performing finishing, quality inspection, packing, etc.; 12 subcontractors, each with 30-50 artisan producers; visits each subcontractor every day.

¹¹⁶ Jenny Heizen-York, Editor-in-Chief, *Home Accents Today*.

- **Hospitality industry:** The sector is far ahead of the residential/retail sector. Suppliers are scrambling to find sources for green products (FSC-certified, non-toxic finishes, etc.), but no one knows where to go. It is a very large market, but there are limited manufactures that can meet the price points, which require the products to be imported rather than domestically made. “No one is lining up with the quality and certifications needed.”¹¹⁷ Also keep in mind that many hotel chains are international... it is a global industry. While retailers will be slow to pick up on the trend, hotels across the world will be sourcing ever more green furnishings.
- **Commercial sector in general:** Commercial building industry is far ahead of residential building industry. Chicago’s mayor wants all new commercial buildings to be green, and the number of architects seeking LEED certification is skyrocketing. “If you want a building permit, you need to go green ... the potential is there for those who want to seize the opportunity.”¹¹⁸

¹¹⁷ Michele Fitzpatrick & Garry Huebner, Verde Design.

¹¹⁸ Michele Fitzpatrick & Garry Huebner, Verde Design.

APPENDIX D: PALECEK'S ECO COMMITMENT

Palecek is a California-based company founded in 1975 by Allan Palecek to produce and wholesale distinctive furniture, accessories, lighting and textiles. It has decades of experience importing from Asian countries, including Indonesia.

PALECEK IS “ECO-CHIC”; FOCUS ON SUSTAINABLE ORGANIC DESIGN

Richmond, Calif., April 21, 2006 -- “Eco-chic” is a buzzword being applied to almost every industry, ranging from fashion to food. While the “eco-chic” label is relatively new, the design trend has been around for many years, even before it was cool to be green. Long before dolphin-safe tuna and hemp clothing, before canvas shopping bags and bio-diesel engines, people recognized the need to conserve. One company on the leading edge of furniture design and conservation is Palecek, which has used eco-friendly design elements throughout its 30 years in business.

Renowned for natural, hand-woven home furnishings, Palecek has always relied on quickly renewable resources like rattan, abaca, and bamboo in its designs. “Organic, sustainable natural materials are very strong style elements right now, but Palecek has always recognized the importance of conservation,” says owner and president, Allan Palecek. “And now, buyers as well as end consumers are looking for products from companies committed to preserving the earth’s resources.”

As trends in fashion and home décor lean toward an organic aesthetic, Palecek is perfectly positioned to meet the trend with a vast offering of eco-friendly and eco-fashionable products. For the High Point market, Palecek will continue to enrich its line with natural, hand-crafted organic elements that embody both the artistry of the human touch, and the imperfect beauty inherent in pure, authentic natural materials.

Palecek’s newest introductions this High Point focus on furniture pieces with the signature, hand-crafted natural elements that have made Palecek a mainstay in American furniture design. The result is a modern, architectural aesthetic with clean lines and an organic sensibility. New home accessory offerings showcase weathered wood and similar organic “found” pieces, symbolizing the earth’s natural abundance, without depleting the environment.

In order to offset its consumption, Palecek utilizes quickly renewable natural fibers, as well as plantation-grown woods that do not deplete forests. And while conservation is vital, giving back to the source is just as important. That’s why Palecek is a major contributor to the reforestation project in the Philippines, which is in the process of planting more than a million trees. In



addition to environmental conservation, Palecek strives to preserve the cultural heritage of craftspeople that help make their products by investing in schools and local arts programs in the Philippines, Indonesia, and other countries.

Palecek acknowledges that home furnishings is a resource-intensive industry, but understands that there is no room to compromise on quality. Inherent in all of Palecek's collections is a careful balance of beautiful and durable products that are thoughtfully designed and eco-conscious.

The culture of environmental responsibility hasn't changed much at Palecek throughout the company's history, but it has grown in resolve and encouraged more companies and consumers to follow suit. Being eco-friendly may have become "eco-chic," but the choice to be responsible is as simple as ever. "I think most people today have some level of concern for the environment," says Palecek. "If you give them the knowledge and the choice, they'll make a more informed and eco-conscious decision."

Source: www.palecek.com

APPENDIX E: SUSTAINABLE FURNITURE COUNCIL

The Sustainable Furniture Council (SFC) is an independent non-profit industry association, 501c6. Our mission is to promote sustainable practices within the home furnishings industry and raise awareness among manufacturers, retailers, and consumers. It is our belief that sustainable practices are those that promote a healthy balance between the environment, local economies and social equity.

The Sustainable Furniture Council recognizes the overwhelming scientific consensus that our world is experiencing dangerous global climate change. In acknowledgment of the tremendous urgency to take action, SFC members take immediate steps to minimize carbon emissions and waste stream pollutants. SFC members also work to eliminate un-recyclable content and primary materials from unsustainable sources from any product platform under our control.

SFC members utilize Life Cycle Assessment as the best method for analyzing the environmental impact of their products, and a verifiable chain of custody as the only acceptable method for tracking wood flow.

SFC members support the triple bottom line of PEOPLE -PLANET-PROFITS and lead the industry in developing awareness of best practices throughout their supply chains. Members accomplish this goal by increasing their purchases from suppliers that show continual improvement toward meeting our high standards.

Our goals are as follows:

- To raise awareness of the sustainability issue
- To assist companies in adopting good practices
- To serve as an information clearing house
- To create a symbol of assurance for consumers

GOOD BUSINESS THAT IS GOOD FOR BUSINESS

Importantly, we believe that sustainability has become a mandate among the buying public. As consumers become more educated, they seek out acceptable choices that meet their needs for style, value, and eco-responsibility. Our organization is known for its rigorous compliance with established sustainability standards as a safeguard to ensure that all members are in good standing and demonstrably committed to ongoing improvement.

In 2008, we will be launching a public advertising and in-store tagging program for consumers to identify retailers and products which exceed our threshold sustainability standards. Our Standards Committee is currently reviewing all legitimate, independent certification schemes to establish eligibility requirements. All 2007 Applicants who become members in good standing will be

considered Founding Members, with a 12-month grace period in 2008 to come into compliance with our standards for Basic or Exemplary membership.

We are currently over 100 members and growing strong, with a presence at all major furniture trade shows throughout the country.

Source: www.sustainablefurniturecouncil.org.

APPENDIX F: GREEN GLOSSARY

The following definitions were drawn from multiple sources including the American Home Furnishings Alliance, the Institute for Market Transformation to Sustainability, Herman Miller Company, and Baltix Furniture. This glossary was compiled by consultant Ted Barber as part of this end-market study of Indonesian home accessory products.

Abatement: Reducing the degree or intensity of, or eliminating, pollution.

Agrifiber: Any fibrous material made from agricultural/bio-based products. Can be used with binders to create agriboard. Examples include wheat stalk/chaff, sunflower husks, hemp, bagasse (sugar cane), sorghum, and other crop residues that are often sent to landfill or plowed back under the field. Generally wood is not included in this definition.

Air Quality Standards: The level of pollutants prescribed by regulations that are not to be exceeded during a given time in a defined area.

Antimony: A metal used as a catalyst in the polyester manufacturing process. Antimony is a suspected carcinogen, and industry efforts are now underway to perfect and expand the process of producing antimony-free polyester.

Binder: The material used to hold a material like wood particles or agrifiber together in a cohesive piece. Traditional binders contain added formaldehyde and off-gas VOCs. The binder used in Baltix materials is a polyurethane resin that does not contain added formaldehyde and does not off-gas dangerous VOCs.

Biobased: Any product comprised mainly of plant or animal materials that are renewable and contain no synthetics or environmentally damaging substances. The 2002 Farm Bill requires preferential purchasing of these materials to help the environment, the U.S. agricultural economy, and reduce dependence on petroleum.

Biodegradable: A material that is capable of decomposing in nature within a relatively short period of time.

Compost: The relatively stable humus material that is produced from a composting process in which bacteria in soil mixed with garbage and degradable trash break down the mixture into organic fertilizer.

Cradle-to-Cradle (also known as closed loop): A design protocol that advocates the elimination of waste by recycling a material or product into a new or similar product at the end of its intended life, rather than disposing of it. It is the concept that the entire life cycle of a process or material must be considered when talking about the sustainability of this process or material. We not only have to look at where things come from and how they are made, but we must also consider what happens to them during their useful life and what happens to the material at the end of its useful life.

Cradle-to-Grave: A manufacturing model, dating to the onset of the Industrial Revolution, which describes the process of disposing of a material or product via landfill, incineration, etc., at the end of its presumed useful life.

Design for the Environment (DfE): A design concept that focuses on reducing environmental and human health impacts through thoughtful design strategies and careful materials selection.

EcoPaper: A board material made from waste paper.

Ecosystem: The interacting system of a biological community and its non-living environmental surroundings.

EFEC: This is the acronym for the voluntary environmental management system developed for furniture manufacturers by the American Home Furnishings Alliance in 1999. EFEC stands for Enhancing Furniture's Environmental Culture. EFEC was designed to help companies develop and maintain strong, proactive environmental programs. It provides a systematic approach for reviewing and improving a company's operations for better environmental performance and improved profitability.

Embodied Energy: Refers to both the energy required to make a product and the molecular energy that exists in a product's material content.

Emission: The release of any gas, particle, or vapor into the environment from a commercial, industrial, or residential source including smokestacks, chimneys, and motor vehicles.

Energy Recovery: Obtaining energy from waste through a variety of processes (e.g. combustion). Since 1981, Herman Miller's Energy Center has burned waste to generate both electrical and steam power to run the million-square-foot Main Site manufacturing facility.

Environmental Aspect: An element of an industry's or manufacturer's activities, products, or services that can interact positively or negatively with the environment.

Environmental Audit: An independent assessment of the current status of a party's compliance with applicable environmental requirements or of a party's environmental compliance policies, practices, and controls.

Environmental Impact: Any change to the environment, good or bad, that wholly or partially results from industrial/manufacturing activities, products or services.

Environmental Impact Statement: A document required of federal agencies by the National Environmental Policy Act for major projects or legislative proposals significantly affecting the environment. A tool for decision making, it describes the positive and negative effects of the undertaking and cites alternative actions.

Environmental Management System (EMS): A series of activities designed to monitor and manage the environmental impacts of manufacturing activities.

EPA: The acronym for the U.S. Environmental Protection Agency, the Federal Government organization charged with setting and enforcing environmental regulations nationwide.

Fire Rating or Flame Spread: A test protocol to determine how easily a material burns. Ratings range from Class 1 (or A) to Class 3 (or C). Class 1 materials do not readily burn (e.g., metal) and Class 3 materials (wood and the majority of Baltix materials) do burn readily.

Fluorocarbon: A non-flammable, heat-stable hydrocarbon liquid or gas. Traditionally used as propellants, notably in spray cans, fluorocarbons are classified as ozone-depleting substances. Many industries are seeking to reduce, and even eliminate, the use of fluorocarbons in the manufacture and operation of their products.

Formaldehyde: A chemical used in various binders and adhesives, also found occurring naturally in the environment in materials like wood and some agrifiber. Urea formaldehyde (UF) is traditionally used in wood products intended for indoor use (e.g., MDF – medium density fiberboard, hardwood plywood, and particleboard), while phenol formaldehyde (PF) is used in products intended for outdoor applications (e.g., OSB – oriented-strand board, softwood plywood). This chemical causes respiratory problems and is identified as a cancer-causing agent.

FSC: Forest Stewardship Council (see below under Organizations).

HDPE: High Density Polyethylene is the type of plastic used to manufacture milk and juice containers.

Green Energy: Refers to the use of environmentally friendly power and energy that comes from renewable and non-polluting energy sources. Primary green energy sources include solar, wind, geothermal, hydropower, and biomass (wood and animal waste, landfill mass).

GREENGUARD: A product certification program, overseen by the GREENGUARD Environmental Institute, that presently provides the world's only guide to third-party certified low emitting interior products and building materials. All GREENGUARD certified products undergo quarterly indoor quality performance testing according to stringent environmental testing protocols and meet current indoor air quality standards.

Greenhouse Effect: The warming of the Earth's atmosphere attributed to a buildup of carbon dioxide or other gases.

Greenhouse Gas: Any gas that contributes to the greenhouse effect, including carbon dioxide, methane, and nitrous oxide.

Indoor Air Quality (IAQ): Indoor pollution sources that release gases or particles into the air are the primary cause of indoor air quality problems in buildings. Inadequate ventilation can increase indoor pollutant levels by not bringing in enough outdoor air to dilute emissions from indoor sources and by not carrying indoor air pollutants out of the home. High temperature and humidity levels can also increase concentrations of some pollutants. IAQ is used to describe the relative health of the air in an indoor environment, which can be negatively impacted by off-gassing of VOCs, including formaldehyde from carpet, paints, ceiling tiles, adhesives, and furnishings.

Industrial Waste: Unwanted materials from an industrial operation; may be liquid, sludge, solid, or hazardous waste.

ISO 14001: An internationally accepted specification for an Environmental Management System (EMS). It specifies requirements for establishing an environmental policy, determining environmental aspects and impacts of products/activities/services, planning environmental

objectives and measurable targets, implementation and operation of programs to meet objectives and targets, checking and corrective action, and management review. All of Herman Miller's West Michigan manufacturing sites and its Midwest Distribution Center are ISO 14001 certified. ISO is an acronym for International Organization for Standardization.

LEED: Acronym for the Leadership in Energy and Environmental Design Green Building Rating System, a voluntary, consensus-based national standard for developing high-performance, sustainable buildings. Members of the U.S. Green Building Council representing all segments of the building industry developed LEED and continue to contribute to its evolution. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality. Visit the U.S. Green Building Council for more information at www.usgbc.org.

LEED for Homes: LEED for Homes is a voluntary rating system that promotes the design and construction of high performance “green” homes. A green home uses less energy, water and natural resources, creates less waste, and is healthier and more comfortable for occupants. The U.S. Green Building Council began a pilot test of LEED for Homes in August 2005. USGBC reports that more than 200 builders, representing 1,600 homes, across the United States are participating in the pilot program. As of December 2006, 26 homes had been LEED-certified. After a public comment period, the LEED for Homes rating system is to be officially launched later in 2007.

Life Cycle Assessment (LCA): The process of analyzing a product's entire life, from raw materials extraction through manufacturing, delivery, use, and disposal or reuse. Life cycle analysis is the scientific evaluation of the impact of a process or material on the environment. LCA takes into account all steps of the production of a material, including extraction, transportation, processing, manufacturing, and any affiliated impact on the environment and people involved in producing a material.

MDF: Medium density fiberboard.

NIOSH: Acronym for the National Institute for Occupational Safety and Health, the federal agency responsible for conducting research and making recommendations for the prevention of work-related injury and illness. NIOSH is part of the Centers for Disease Control and Prevention (CDC) in the Department of Health and Human Services.

Polyols: Polyols are an essential ingredient in flexible foam cushioning for the upholstered furniture and bedding industries. Traditional polyols are derived from petroleum-based products. Recently, polyols were developed using soybean oil in place of petroleum. In 2006, Cargill Inc. trademarked its soybean oil-based polyol under the name BiOH, although commercial sales of the product had been underway since mid 2005. Cargill reports that the process to manufacture BiOH polyols results in less global warming emissions than traditional petrol-based polyols.

Post-Consumer Recycled (PCR) Content: Material that has been recovered after its use as a consumer product. Examples include fleece clothing made from pop bottles and reclaimed carpet tiles used for new tile backing. It is a term used for recycled content derived from the waste stream of products that have already served their initial intent. This is the most valuable of

recycled materials as material is being diverted from the traditional waste stream (i.e., landfills, incinerators) and being used to create a new useful material.

Post-Industrial or Pre-Consumer: A term used for recycled content that derives from waste in manufacturing processes being used for producing a useful material. This material has not been used for anything at a consumer level.

Powder Coating: An environmentally preferred method of applying a finish that avoids traditional solvent-based paints. Powdered paint in a wide variety of colors is electrostatically adhered to a base material and then baked to a final finish. It eliminates off-gassing and overspray waste as the unused powder can be collected and reused.

Rapidly renewable: Any material that can be naturally replenished in a short amount of time. For LEED credits, this is anything that takes less than 10 years to replenish. Most agrifiber boards are renewed in one year or less since that is the growing cycle for the crops. For comparison some other renew rates are: pulpwood 10-15 years, hardwoods 50-100 years, petroleum based materials take thousands of years.

Reclaimed: Material that has been recovered from its previous or existing use (such as wood from an old building) and modified for a new use or product. Same as repurposed.

Recyclable Content: Materials that can potentially be recovered from a product, or be diverted from the waste stream for recycling/reuse. It is often a nebulous term as most everything is "recyclable" in some sense. It is important to look at whether a product is actually being recycled and if there is a market for the recycled material.

Recycled Content: Refers to the percentage of recycled materials (from a an earlier product or process) in a product, generally determined by weight.

Regulation vs. Law: A Federal agency imposes a regulation; Congress enacts a law.

Repurposed: Material that has been recovered from its previous or existing use (such as wood from an old building) and modified for a new use or product. Same as reclaimed.

Sick Building Syndrome: A situation in which a building's occupants experience acute health and/or comfort effects that appear to be linked to time spent there, but where no specific illness or cause can be identified. Complaints may be localized to a particular room or zone, or may spread throughout the building.

Sustainability: "Meeting the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development). Sustainability refers to the attempt to provide the best outcomes for the human and natural environments both now and into the indefinite future. It relates to the continuity of economic, social, institutional and environmental aspects of human society, as well as the non-human environment. Sustainable practices are intended to be a means of configuring civilization and human activity so that society, its members and its economies are able to meet their needs and express their greatest potential in the present, while preserving biodiversity and natural ecosystems, and planning and acting for the ability to maintain these ideals long term.

Sustainable products: Those products providing environmental, social and economic benefits while protecting public health, welfare and environment over their full commercial cycle, from

the extraction of raw materials to final disposition, providing for the needs of future generations. Sustainable products increase business profits while enhancing society as a whole because they are cheaper to make, have fewer regulatory constraints, less liability, can be introduced to the market quicker, and are preferred by the public.

Sustainably harvested wood: Wood products that have been cultivated and harvested in a manner to minimize negative environmental impacts. Several groups have programs to monitor and verify these practices, such as the FSC, CSA (Canadian Standards Association), ATFS (American Tree Farm System) and SFI (Sustainable Forestry Initiative). Currently LEED only recognizes FSC certification, but this is a point of contention with some members.

Toxic: Any material or waste product that can produce injury and/or loss of life if inhaled, swallowed, or absorbed through the skin.

UV Cured Finish: Traditional coatings are over 50% solvents that must off-gas or cure in some other fashion; UV coating has no VOC-based solvent and is inert as soon as it is cured under UV lights.

Volatile Organic Compounds (VOCs): Any of various chemicals that are used as solvents and carriers for finishes, adhesives, and binders. These chemicals are a main component of indoor air pollution and include aldehydes (including formaldehyde), benzene, toluene, heptane, MEK and many other compounds. VOCs evaporate, either through use or during storage, from many household and industrial products made with organic chemicals. In sufficient quantities, VOCs are suspected of causing or exacerbating acute and chronic illnesses. Their effects may range from lung, skin, or eye irritation to releasing potentially cancer-causing properties.

Waste-to-Energy: The practice of incinerating waste products to generate steam, heat, or electricity.

Wind Turbine: A mechanical device consisting primarily of rotor blades mounted on a tower in order to "capture" prevailing winds to generate electrical power. The growing interest in wind energy in recent years is largely due to the efforts of some industries and industrialized nations to reduce greenhouse gas emissions.

APPENDIX G: ORGANIZATIONS

The following organizations serve as resources in developing sustainable products and “greening” operations and supply chains.

Forest Stewardship Council (FSC): The Forest Stewardship Council is an international, non-profit association that has established a rigorous set of standards for forest management and wood harvesting. FSC certification assures consumers that the wood products they purchase come from forests that are well-managed and support local communities. FSC members include environmental and social groups, as well as progressive forestry and wood retail companies working in partnership to improve forest management worldwide. www.fsc.org

Rainforest Alliance: The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior. The Rainforest Alliance works with people whose livelihoods depend on the land, helping them transform the way they grow food, harvest wood and host travelers. From large multinational corporations to small, community-based cooperatives, the Rainforest Alliance involves businesses and consumers worldwide in efforts to bring responsibly produced goods and services to a global marketplace where the demand for sustainability is growing steadily. More information is available at www.rainforest-alliance.org.

SmartWood Forest Management: SmartWood Forest Management Certification was established in 1989 by the Rainforest Alliance. It was the world’s first global timber certification program. It is based on a pragmatic, scientific model that comprehensively evaluates forests on operational, environmental, social and economic levels. It was among the first certification programs to be accredited by the Forest Stewardship Council. www.rainforest-alliance.org/programs/forestry/smartwood/index.html

Sustainable Furniture Council (SFC): The Sustainable Furniture Council is a non-profit, industry association committed to promoting sustainable practices within the home furnishings industry and raising awareness among consumers and buyers. Members are manufacturers, importers and retailers of residential furnishings. www.sustainablefurniturecouncil.org

Tropical Forest Foundation (TFF): A non-profit, educational institution dedicated to the conservation of tropical forests through sustainable forestry. TFF has become widely recognized for establishing demonstration models and training schools to show the advantages and teach the principles of sustainable forest management and reduced-impact logging. www.tropicalforestfoundation.org

U.S. Green Building Council (USGBC): A national organization, founded in 1993, whose mission is to accelerate the adoption of green building practices, technologies, policies, and standards. USGBC established the LEED (Leadership in Energy and Environmental Design) Certification guidelines. USGBC is the nation’s foremost coalition of leaders from every sector of the building industry working to promote buildings that are environmentally responsible, profitable and

healthy places to live and work. More than 7,500 member organizations and a network of 75 regional chapters are united to advance USGBC's mission of transforming the building industry to sustainability. www.usgbc.org

APPENDIX H: SFC RESOURCES LIST

Below are more organizations and companies that provide information, assistance and materials to assist in sustainability efforts. The list was compiled by David Mahood of Olive Designs for the Sustainable Furniture Council. Source: www.sustainablefurniturecouncil.org.

ATFS- American Tree Farm System

www.treefarmssystem.org

Certification program promoting the growth of renewable forest resources on private lands.

CERTIFIED ORGANIC

www.ams.usda.gov/nop/indexNet.htm

The US Department of Agriculture has set standards which farmers are required to meet in order to label their food with the green USDA organic seal. Organic farming focuses on ecologically sound ways to grow food, without the use of synthetic chemicals, hormones, or antibiotics.

Clean Car Standard

www.cleancarcampaign.org

A national campaign coordinated by state, regional and national environmental organizations promoting a clean revolution in the motor vehicle industry. In particular, the campaign seeks to promote the development and sale of advanced technology vehicles that meet a high standard of environmental performance.

CNN - Climate Neutral Network

www.climateneutralnetwork.org

An alliance of companies and organizations committed to developing products, services, and enterprises that have a net-zero impact on global warming.

CSA-SFM- Canadian Standards Association- Sustainable Forest Management

www.csa.ca

Canadian standards employing principles of sustainable forest management with certification and chain of custody tracking.

CRI- Green Label Plus -The Carpet and Rug Institute- Green Label Plus

www.carpet-rug.org

Indoor air quality certification for low emissions for carpeting, adhesives and foam.

Cradle-to-Cradle Certification

www.mbdc.com

Intensive product certification for environmentally-intelligent design that serves as a nutrient for the earth or a technological nutrient at the end of the product life.

Energy Star

www.energystar.gov

U.S. federally monitored standard for energy efficient products and services.

EU Eco-label

http://ec.europa.eu/environment/ecolabel/whats_eco/scheme_en.htm

The EU Eco-label identifies products that have been judged by independent third parties ("the national and regional Eco-label Competent Bodies") to have the lowest environmental impact for a product range. It is valid throughout the EU.

Fair Trade Certification

www.fairtrade.net

A Certification system that provides a guarantee to consumers of Fair Trade Certified products that they are assisting in the Social-Economic Development of people through their purchases.

GEN- Global Ecolabelling Network

www.gen.gr.jp

A non-profit association of third-party, environmental performance labelling organizations founded in 1994 to improve, promote, and develop the "ecolabelling" of products and services.

GRI- Global Reporting Initiative

www.globalreporting.org

Providing guidance for organizations to use as the basis for disclosure about their sustainability performance, and also provides stakeholders a universally-applicable, comparable framework in which to understand disclosed information.

GREENGUARD Environmental Institute

www.greenguard.org

Improving public health and quality of life through programs that improve indoor air. In accordance with that mission, GEI currently has three third-party certification programs.

GREENHOUSE GAS PROTOCOL

www.ghgprotocol.org

The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. Used by the ISO and the EU Emissions Trading Scheme, among others.

Green e-Power

www.green-e.org

An independent renewable energy certification and verification program allowing consumers to quickly identify environmentally superior energy options, also used by businesses to communicate the purchase and/or generation of certified renewable energy.

Green Seal

www.greenseal.org

Identifies a product as environmentally preferable, provides third-party corroboration of environmental claims, and distinguishes a product from competitors that can't support their environmental assertions.

GREENSPEC

www.greenspec.co.uk

GreenSpec is the UK construction industry's definitive guide to 'green' building design, products, specification and construction.

IFAT

www.ifat.org

The global network of Fair Trade Organizations. Our mission is to improve the livelihoods and well being of disadvantaged producers by linking and promoting Fair Trade Organizations

ISO 14001

<http://www.iso.org/iso/en/iso9000-14000/understand/inbrief.html>

ISO (International Standard Organization) 14001 gives the requirements for an environmental management system (EMS), which is a tool for helping organizations to implement good environmental practice and to aim for continual improvement of their environmental performance. For example, the ISO 14000 family of standards addresses areas like greenhouse gas accounting and life cycle analysis.

LCA - Life Cycle Analysis or Assessment

[ExecutiveSummaryLCAandSustainableProductStandards.pdf](#)

A systematic set of procedures for compiling and examining the inputs and outputs of materials and energy and the associated environmental impacts directly attributable to the functioning of a product or service system throughout its life cycle.

NATIONAL SANITATION FOUNDATION

www.nsf.org

NSF International, The Public Health and Safety Company, a not-for-profit, non-governmental organization, is the world leader in standards development, product certification, education, and risk-management for public health and safety. NSF develops national standards and provides third-party conformity assessment services while representing the interests of all stakeholders, [which include] industry, the regulatory community, and the public at large. NSF focuses on food, water, indoor air, and the environment

Nordic Swan Label

www.ecolabel.no

Official Nordic ecolabel, introduced by the Nordic Council of Ministers, demonstrating that a product is a good environmental choice. The Swan checks that products fulfill certain criteria using methods such as samples from independent laboratories, certificates and control visits.

OEKOTEX

www.oeko-tex.com

Sets globally uniform test criteria for safe use of chemicals in textiles, tests textiles during and after manufacturing process, certifies textiles as ecologically safe for humans.

PEFC - Programme for the Endorsement of Forest Certification

www.pefc.org

The PEFC is a global umbrella organization committed to promoting sustainable forest management through independent third party forest certification. Sustainable forest management

is based on environmentally, socially beneficial and economically viable management of forests for present and future generations.

Rugmark Foundation

www.rugmark.com

A global nonprofit organization working to end child labor and offer educational opportunities for children in India, Nepal and Pakistan

Skal

www.skal.com

Is the inspection body for the organic production in the Netherlands. Provides info for the following: agricultural production, processing of agricultural products, import of products from outside the EU, trade and storage companies.

SCS Scientific Certification Systems

www.scscertified.com

A leading third-party provider of certification, auditing and testing services, and standards. Our goal is to recognize the highest levels of performance in food safety and quality, environmental protection and social responsibility in the private and public sectors, and to stimulate continuous improvement in sustainable development. Certifications included SCS Indoor Advantage, Preferable Products and Independent.

Smart Certification Systems

www.mts.sustainableproducts.com

Comprehensive Sustainable standards established for materials (textiles) and products including social impact.

SFI- Sustainable Forestry Initiative

www.sfiprogram.org

The Sustainable Forestry Initiative (SFI) program is a comprehensive system of principles, objectives and performance measures developed by professional foresters, conservationists and scientists, among others that combines the perpetual growing and harvesting of trees with the long-term protection of wildlife, plants, soil and water quality.

APPENDIX I: PRESENTATION SLIDES FOR USAID/JAKARTA BRIEFING (OCTOBER 30, 2007)

USAID SENADA

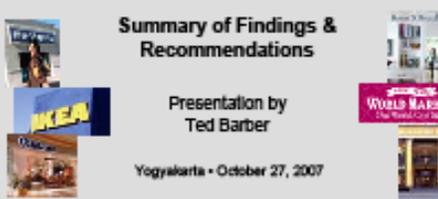
End-Market Study for Indonesian Home Accessories

Summary of Findings & Recommendations

Presentation by Ted Barber

Yogyakarta • October 27, 2007

USAID Peace and Prosperity Program Implemented by DAI

USAID SENADA

Introduction

- Markets are crowded with new products from around the world
- Competition is high for a buyer's attention
- Combination of trends in U.S. & Europe creates opportunities for Indonesian producers of home accessories




USAID SENADA

Trends

- Constantly changing, last less than 18 months
- Many at once, some conflicting
- Choose trends that match your strengths and target markets
- Home accessories tend to follow fashion trends... they are the "spice" in home furnishings




USAID SENADA

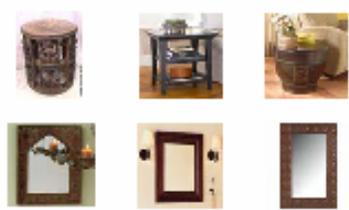
A Few Style Trends...

- Natural materials, shapes & colors
- Botanical images & forms
- Combining materials & finishes
- Used, recycled, reclaimed
- Handmade – artisan crafted
- Contemporary with "global style" accents




USAID SENADA

What is global style?



Traditional Contemporary Global



USAID SENADA

A Few Product Trends...

- High-end & low-end are growing
- Décor & multi-panel wall art
- Storage – containers, baskets, boxes, & shelves *designed for a specific purpose*
- Larger & pricier vs. urban chic
- Multi-function – integrated features






USAID **SENADA**

Sustainable Products

- Sustainable, "green", eco/earth-friendly
- A fast growing trend
- The media's constant "buzz"
- Consumers are responding... Gen-X, Gen-Y
- Opportunity for Indonesian producers



USAID **SENADA**

Headlines

- "Survey says homeowners are ready to go green"
- "Interest in sustainable furniture on the rise"
- "Vegas Pavilion puts spotlight on green"
- "San Francisco presents green home furnishings"
- "Conscientious consumerism drives record new product launches in 2006"
- "Wal-Mart maps out grand plan to go greener"



USAID **SENADA**

Market Size (U.S.)

- 36 million consumers – fastest growing segment
- 66% likely to choose green products if available and meets needs
- \$230-\$500 billion spent in 2005 on sustainable products & services
- Market estimated to grow to \$845 billion by 2015

USAID **SENADA**

Market's View: Strengths

Indonesia's Competitive Advantages

- Natural, renewable raw materials
- Highly skilled artisans
- Large, available & competitively priced workforce
- Flexible production, low minimum orders
- Cultural design accents for global style

USAID **SENADA**

Market's View: Weaknesses

Areas to Address

- Innovation & following trends
- Delivering reliable quality
- Customer service
- Infrastructure
- Financing
- Corruption & social unrest





Strategy for Industry

- Upgrade product development capability, capacity to interpret buyer specifications
- Target higher-end, niche markets
- "Green" your products & supply chains – promote industry's green credentials
- Improve quality & customer service
 - ✓ Consistent high quality (especially finishes)
 - ✓ Great communication, quick responses
 - ✓ Reliable, on-time delivery
 - ✓ Willingness to make modifications



Strategy for SENADA

"Making it easy for buyers to find well-designed, well-made green product is high value to buyers... a project needs to put that together."
- Buyer at Williams-Sonoma, Inc.

- Develop a sustainability roadmap for SMEs that focuses on riskable steps & ROI
- Provide training in sustainable production
- Facilitate certification process
- Facilitate development & promotion of association of green suppliers



Strategy for SENADA

- Support creation of a design center in collaboration with Yogyakarta universities & international schools of design
- Emphasize fundamentals as essential to competitiveness – quality, consistency, delivery, communication, etc.
- Investigate financing and import/export constraints



Change Perceptions

- "If you want to do something really new, you go to the Philippines"
- "A lot of U.S. companies have left Indonesia because they make a great floor sample, then ship poor quality goods"
- "When you do the analysis, it's always better to produce in China or Vietnam because you're not compromising anything like in Indonesia."



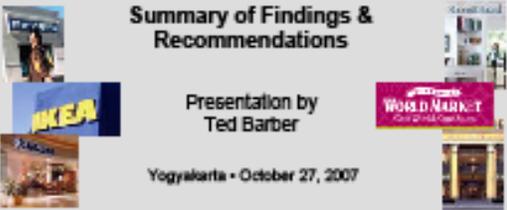
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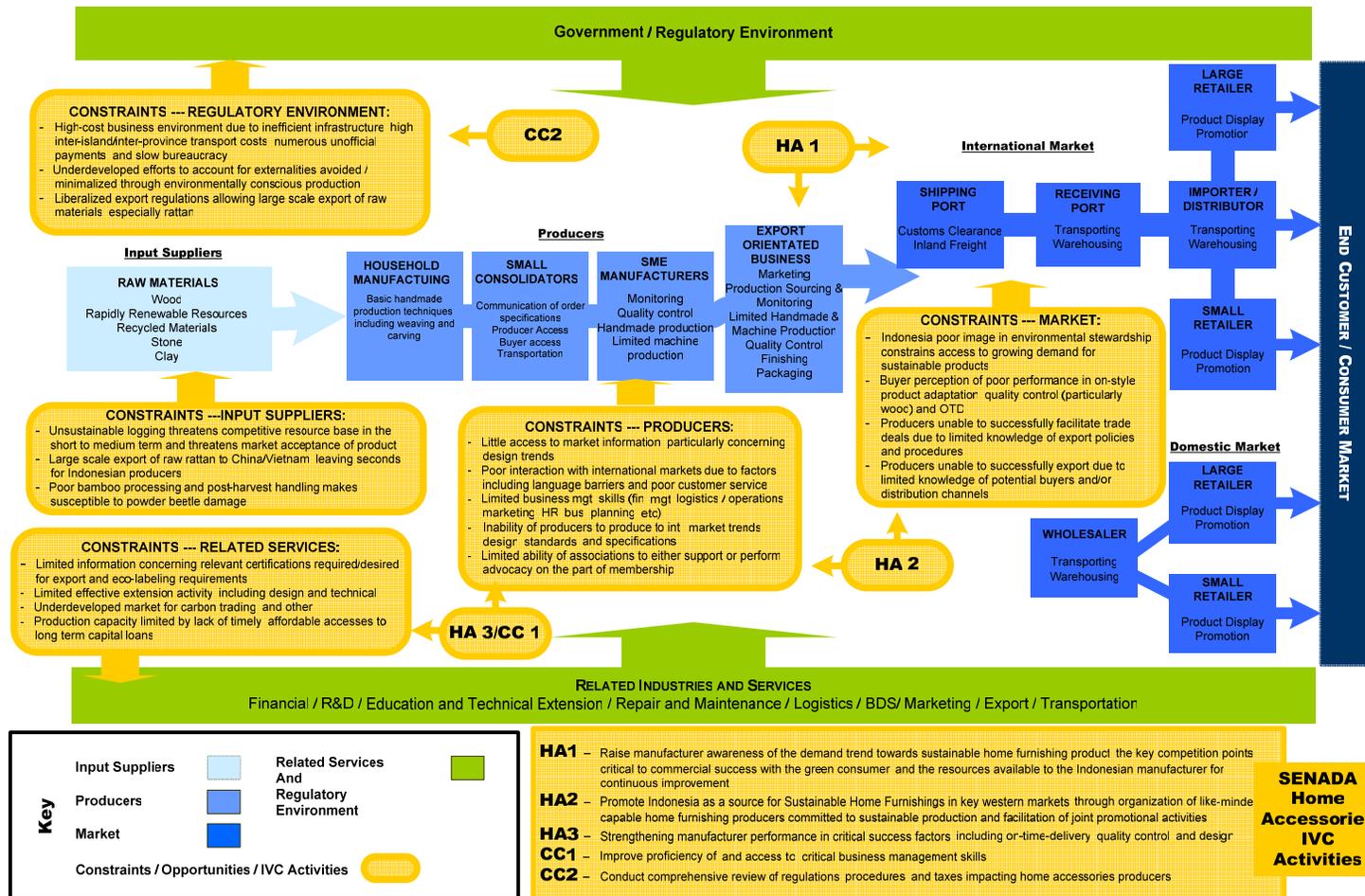
Yogyakarta • October 27, 2007

USAID Peace and Prosperity Program Implemented by DAI



APPENDIX J: HOME ACCESSORIES VALUE CHAIN OVERVIEW

HOME ACCESSORIES VALUE CHAIN OVERVIEW: CONSTRAINTS IDENTIFIED AND SENADA IVC ACTIVITIES



(Source: SENADA Year-3 Workplan)

ANNEX K: INTERVIEWEES, BIBLIOGRAPHY, AND WEBSITES REVIEWED

INTERVIEWEES

Organization	Interviewee	Date	Website
Alan Cousins Art Acquisitions Inc.	Alan Cousins, Owner	10/2/07	http://alancousins.com
(consultant, Europe)	Geraldine Hurez	9/19/07	-
(Consultant, U.S)	Carol Campbell	9/10/07	-
(Designer)	Ton Haas, Designer	9/18/07	www.tonhaas.com
Aid to Artisans	Karen Gibbs, Senior Director-Marketing	9/10/07	www.aidtoartisans.org
American Home Furnishings Alliance (AHFA)	Bill Perdue, VP	10/1/07	www.ahfa.us
Avery Imports	Gary Harris	9/20/07	www.willowgroup ltd.com
Barnstorm	Peter Kotowski, Buyer	9/20/07	www.barnstormonline.com
Boyle's Furniture	Mark Stewart, Buyer	9/11/07	www.boyles.com
Crate & Barrel	John Olech, Buyer	9/20/07	www.crateandbarrel.com
Down Island Enterprises	Paul Cowan, Owner	8/13/07	www.godownisland.com
Dunia Furniture	Arfiani R, Sales	10/26/07	www.dunia-teak-furniture.com
EcoCraft	Isaac Tuffour, Manager of Production	10/3/07	www.ecocraft.org
Elegant Furniture	Yossy Ananta Wojaya, Owner	10/26/07	www.antipodes-web.com
Eller Enterprises	Randy Eller, President	9/25/07	www.ellerent.com
Furniture Today	Kay Anderson, Director of Market Research	9/21/07	www.furnituretoday.com
Furniture Today	Ray Allegrezza, Editor-in-Chief	9/20/07	www.furnituretoday.com
Hendrick's Furniture Group	Randy Good, Manager of Merchandising	9/11/07	www.boyles.com
Home Accents Today	Jenny Heinzen York, Editor-in-Chief	9/10/07	www.homeaccentstoday.com
Home Goods	Susanne Schulman, Buyer	9/10/07	www.homegoods.com
Independent Thought Consulting	Keith Recker, Designer	9/19/07	-
Institute for Market Transformation to Sustainability (MTS)	Mike Italiano, President & CEO	9/21/07	www.sustainableproducts.com

Organization	Interviewee	Date	Website
Jeffan International	Caroline Shibata, CEO	10/3/07	www.jeffan.com
Kayu Manis	Alex Kurniawan	10/26/07	www.kayu-manis.com
Klaussner Home Furnishings	Darren York, VP Merchandising	10/12/07	www.klaussner.com
Lunar	Pak Budi Virgono, Owner	10/25/07	-
Maku Furnishings	Johnny West, Founder	9/24/07	www.makufurniture.com
Maria Yee, Inc.	Peter Yee	9/19/07	www.mariayee.com
Moenia Design	Neil Gehani, Owner	10/4/07	www.MoeniaDesign.com
Moenia Design	Tonie Cox, Buyer	10/4/07	www.MoeniaDesign.com
Natural Selections	Buck Jones, Owner	9/6/07	www.ShopNaturalSelections.com
Out of Asia	Melvin Rarune	10/26/07	www.ooa-indonesia.com
Out of Asia	Rismilliana Wojayanti	10/26/07	www.ooa-indonesia.com
Palecek	Allan Palecek, President	9/6/07	http://palecek.com/
Phillips Collection	Jason Phillips, Designer	9/6/07	www.phillipscollection.com
Phillips Collection	Mark Phillips, President	9/6/07	www.phillipscollection.com
Present Time (Netherlands)	Wiebe Teertstra, Founder	9/25/07	www.presenttime.com
Rainforest Alliance	Daphne Hewitt, Senior Projects Manager	9/21/07	www.rainforest-alliance.org
Rizki Ayu	Ibu Indah Rahayu Murnihati, Owner	10/25/07	www.rizki-ayu.com
Room & Board	Steve Freeman, Buyer	9/6/07	www.roomandboard.com
Sayan Collection	Joanne Shoemaker, President	9/6/07	www.sayancollection.com
Ten Thousand Villages	Susan Shu, Buyer	9/10/07	www.tenthousandvillages.com
The Trend Curve	Michelle Lamb	9/18/07	www.trendcurve.com
TJX Companies	Jeff Segal, Manager	9/25/07	www.tjx.com
Tropical Salvage	Tim O'Brien, President	9/18/07	www.tropicalsavvage.com
Urban Woods	Trevor Webb, Owner	9/12/07	www.urbanwoods.net
Verde	Garry Huebner, Owner	9/20/07	www.verdedesignstudio.net
Verde	Michele Fitzpatrick, Owner	9/20/07	www.verdedesignstudio.net
Vivavi	Josh Dorfman, Founder	9/21/07	www.vivavi.com
West Africa Trade Hub	Gustav Adu, Trade Specialist	10/3/07	www.watradehub.com
West Elm	Alex Bates, Senior Vice President, Product Development	9/20/07	www.westelm.com
Williams-Sonoma, Inc.	Christina Nicholson	9/24/07	www.williams-sonomainc.com
Wolf Furniture	Doug Wolf, President	9/21/07	www.wolffurniture.com

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WEBSITES REVIEWED

Type	Organization	Website
Consultancy	Cone Inc.	www.coneinc.com
Consultancy	PRE - Life Cycle Assessment	www.pre.nl/life_cycle_assessment/default.htm
Government	Life Cycle Assessment Research (EPA)	www.epa.gov/ORD/NRMRL/lcaccess/lca101.html
Government	USAID MicroLinks	www.microlinks.org
Industry	American Home Furnishings Alliance (AHFA)	www.ahfa.us
Industry	American Society of Interior Designers	www.asid.org
Industry	Casual Living	www.casualiving.com
Industry	Casual Living Reports	www.reedbusinessstore.com/cl.html
Industry	Channel Logic	www.SustainableFurnitureGurus.com
Industry	Environmental Leader	www.environmentalleader.com
Industry	Furniture Style	www.furniturestyle.com
Industry	Furniture Today	www.furnituretoday.com
Industry	Furniture Today - Green	http://redigitaleditions.com/ActiveMagazine/getBook.asp?Path=HTT/2007/08/27&BookCollection=HTT&ReaderStyle=WithPDF
Industry	Furniture Today - Research	www.reedbusinessstore.com/ft.html
Industry	Furniture World	www.furninfo.com
Industry	George Little Management	www.glmshows.com
Industry	GfK Roper	www.gfkamerica.com
Industry	Gifts & Decorative Accessories	www.giftsanddec.com
Industry	GreenBiz.com	www.greenbiz.com
Industry	Home Accents Today	www.homeaccentstoday.com
Industry	Home Furnishings Business	www.hfbusiness.com
Industry	House & Garden Magazine	www.houseandgarden.com/magazine
Industry	Institute for Market Transformation to Sustainability (MTS)	www.sustainableproducts.com
Industry	Interior Design	www.interiordesign.net
Industry	LOHAS Weekly Newsletter	www.lohas.com
Industry	NEWH - Hospitality Industry Network	www.newh.org
Industry	San Francisco Mart - Live Green Live Well	www.sfmart.com/livegreen
Industry	Small Business Trends	www.smallbiztrends.com
Industry	The Green Building Council	www.usgbc.org/DisplayPage.aspx?CategoryID=19
Industry	The Trend Curve	www.trendcurve.com
Industry	Trendease	www.trendease.com
Organization	100% Design	www.100percentdesign.co.uk/

Type	Organization	Website
Organization	CarbonFund.org	www.carbonfund.org
Organization	Center for Social Innovation	www.reedbusinessstore.com/cl.html
Organization	Crafts Center (CHF)	www.craftscenter.org
Organization	Forest Stewardship Council	www.fscus.org
Organization	Green Seal	www.greenseal.org
Organization	Illegal Logging Info	www.illegal-logging.info
Organization	Rainforest Alliance	www.rainforest-alliance.org
Organization	SENADA Project	www.senada.or.id
Organization	Sustainable Furniture Council	www.sustainablefurniturecouncil.com
Organization	The Lazy Environmentalist	www.lazyenvironmentalist.com
Organization	The Lazy Environmentalist - Directory of Eco Fashion Retailers	www.lazyenvironmentalist.com/pages/2007/04/directory_of_ec.php#more
Producer	Aninda	www.aninda.co.id
Producer	Harpa Inti Mandiri	www.harpagroup.com
Producer	Kajeng	www.kajeng.com
Producer	Lumi Craft	www.lumicrafts.com
Producer	Lunar Mulia Kreasi	www.lunargrahautama.com
Producer	Nine Square Indonesia	www.ninesquare.co.id
Producer	Out of Asia	www.oa-indonesia.com
Producer	Palem Craft Jogja	www.palemcraft.com
Producer	Palmae Square	www.palmaesquare.com
Producer	Pandanus Internusa	www.pandanus-craft.com
Producer	Rumah Tropika Abadi	www.tropicalhome.biz
Producer	Suwastama	www.suwastama.com
Producer	Tashinda Putraprima	www.tashinda.com
Retailer	CB2	www.cb2.com
Retailer	Cost Plus World Market	www.worldmarket.com
Retailer	Crate & Barrel - Trends	www.crateandbarrel.com/trends/default.aspx
Retailer	Gaiam	www.gaiam.com
Retailer	Home Depot - Eco Options	http://www6.homedepot.com/ecoptions/index.html?cm_mmc=Thd_marketing- -Eco_Options_Site_07- -Vanity- -Home
Retailer	Pottery Barn	www.potterybarn.com
Retailer	Saks Fifth Avenue	www.saksfifthavenue.com
Retailer	Target	www.target.com
Retailer	West Elm	www.westelm.com
Retailer	Boyle's Furniture	www.boyles.com
Retailer	Crate & Barrel	www.crateandbarrel.com
Retailer	Home Goods	www.homegoods.com
Retailer	Room & Board	www.roomandboard.com
Retailer	TJX Companies	www.tjx.com
Retailer	Vivavi	www.vivavi.com
Retailer	Williams-Sonoma, Inc.	www.williams-sonomainc.com
Retailer	Wolf Furniture	www.wolffurniture.com

Type	Organization	Website
Wholesaler	Baltix Furniture	www.baltix.com
Wholesaler	Herman Miller Inc.	www.hermanmiller.com
Wholesaler	Maku Furnishings	www.makufurniture.com
Wholesaler	Palecek Furnishings	www.palecek.com
Wholesaler	Southcone Trading Company	www.southcone.com
Wholesaler	Tesoros	www.tesoros.com
Wholesaler	Tropical Salvage	www.tropicalsalvage.com
Wholesaler	World of Good	www.worldofgood.com
Wholesaler	Alan Cousins Art Acquisitions Inc.	http://alancousins.com
Wholesaler	Down Island Enterprises	www.godownisland.com
Wholesaler	Jeffan International	www.jeffan.com
Wholesaler	Klaussner Home Furnishings	www.klaussner.com
Wholesaler	Moenia Design	www.MoeniaDesign.com
Wholesaler	Phillips Collection	www.phillipscollection.com
Wholesaler	Urban Woods	www.urbanwoods.net