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Component D1 Service Delivery

D1.01 Development of Special Projects

Trabzon Wood and Forestry Products - Cluster Initiative Workshop

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1. The global furniture market

The Global furniture industry has grown significantly over the past decade. Despite the economic crisis of 2008/2009, the outlook for the industry on a global scale is positive. The Centre for Industrial Studies estimates that total furniture production in 2009 reached 376 billion dollars indicating the potential for this industry for Turkish exports.

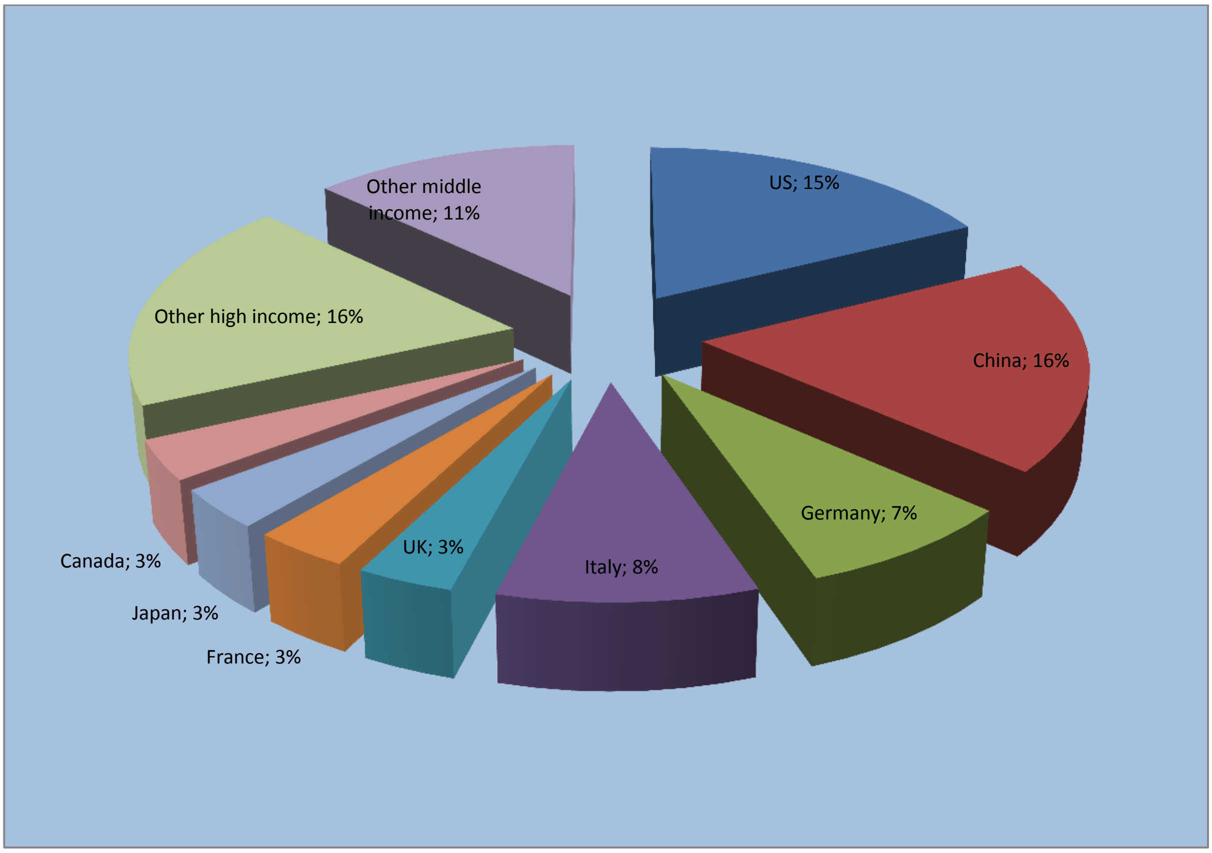
The major players have changed in the past few years with middle income countries becoming an important player in the market. As an example, China's exports in 1999 were almost 3 billion dollars while in 2007, this figure has jumped to over 26 billion dollars, an incredible growth in this industry.

1.1 International Furniture Trade

This however has not meant a dislocation of the major industrial countries from the furniture industry. Figures in 2009 indicate that the G7 countries alone produce 47% of total world furniture, while the developed countries as a whole produce 61% and the developing countries the remaining 39%. However, this is no small amount as the total value of developing world production is almost 147 billion dollars per year. And using Chinese export figures as an example, it is plain that the role of developing countries in this industry is significantly increasing.

The majority of world production is described in the chart below.

Figure 1: Selected estimates of world furniture production

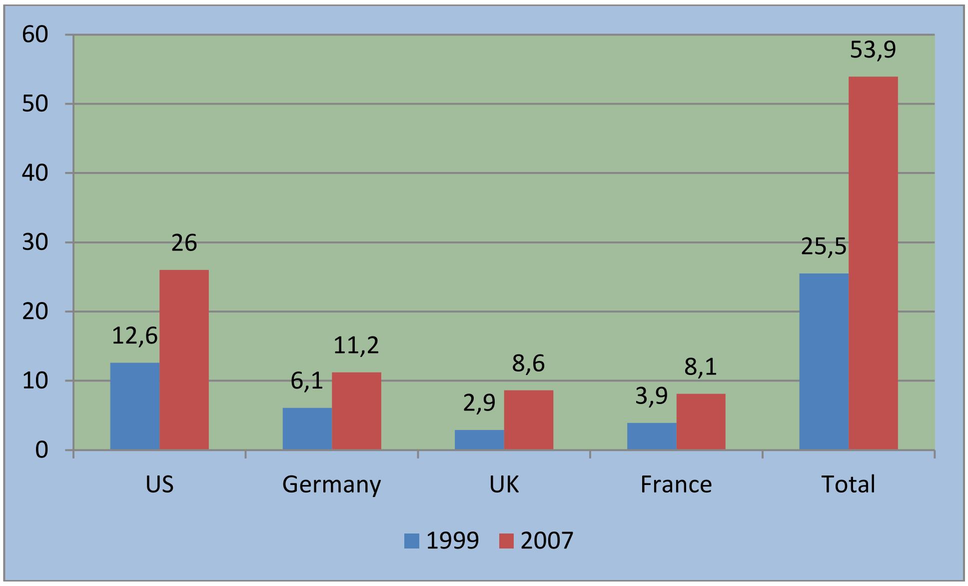


Source: based on figures provided by Centre for Industrial Study "world furniture outlook 2010"

The largest furniture producer is China followed closely by the US however China is a less important player in terms of imports and the growth of world furniture market. The engines of growth for the furniture market is mainly in the developed countries were consumption increases have meant a healthy trade business in this sector.

The largest importer by far is the US with an annual import bill exceeding 26 billion dollars. This is a significant increase over 1999 where US imports amounted to 12.6 billion dollars. The same pattern repeats itself among major importers of furniture.

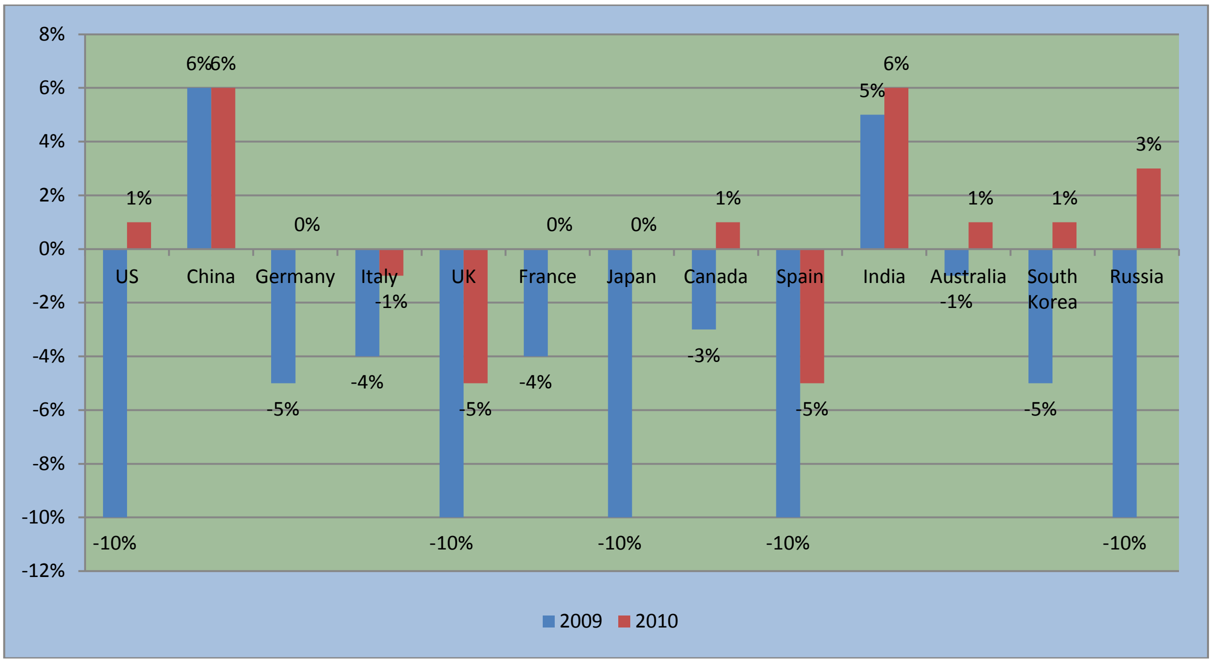
Figure 2: Furniture Imports



Source: based on figures provided by Centre for Industrial Study "world furniture outlook 2010"

The import figures of the four countries above are significant. Between 1999 and 2007, these countries increased their imports by more than 111%, amounting to an annual average of 13.9% growth rate in imports. This certainly has helped to fuel the international trade in furniture. This trade reached in 2009 92 billion dollars, and is expected to increase to 94 billion in 2010 and 98 billion in 2011. This is despite the 2008/09 crisis that hit consumption in the major importing countries. This reinforces the importance of the top world economies in terms of furniture trade. The four countries above alone account for nearly 60% of total furniture imports and are thus the real engine behind the international growth in this industry. Therefore, the impact of the crisis on these economies has international relevance. World consumption decreased in 2009 but is expected to stabilize in 2010 and return to growth in 2011.

Figure 3: expected growth rate in consumption for selected countries

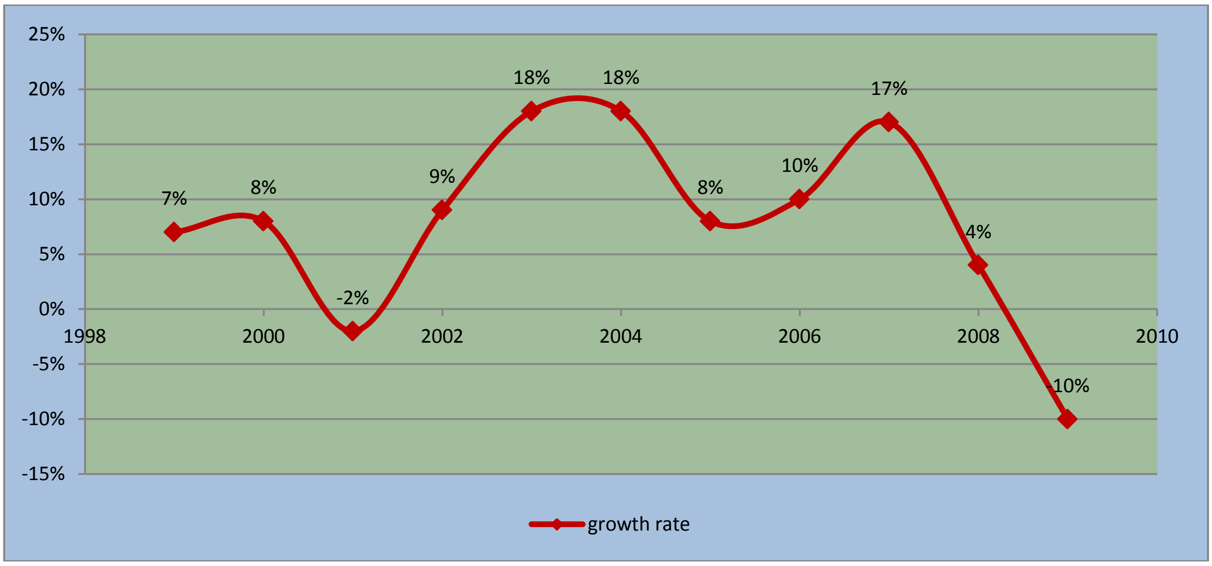


Source: based on figures provided by Centre for Industrial Study "world furniture outlook 2010"

The figure above illustrates that growth rate will be negative for nearly all countries studied except for China and India in 2009, however, this trend will begin to slowly change in 2010 with the US swinging back to growth in 2010 justifying the claim for an increase in furniture trade for 2010 and 2011.

The historical trend thus far for trade in furniture has been very positive since 1999 with the average growth rate for furniture trade from 1999 until 2009 being 8% annually. This is despite the crisis of 2008/2009

Figure 4: historical growth rate in furniture trade



Source: based on figures provided by Centre for Industrial Study "world furniture outlook 2010"

However, the growth was not steady, but world furniture trade continued to grow year after year until 2009 where it dropped by 10%. During the peak in 2003 and 2004, trade increased by an annual rate of 18%, and growth continued afterwards. After the sharp decline in 2010, growth is expected to resume again in 2010

1.2 Changes in international markets for Furniture industry

The increase in international trade is significant. This increase came about as a result of changing trade regimes in favour of freer trade and also as a result of globalization of production. In addition to these macro changes, entrepreneurial innovations within the industry in many countries, and the existence of favourable environment allowed many producers to upgrade their skills and competitiveness within the international market.

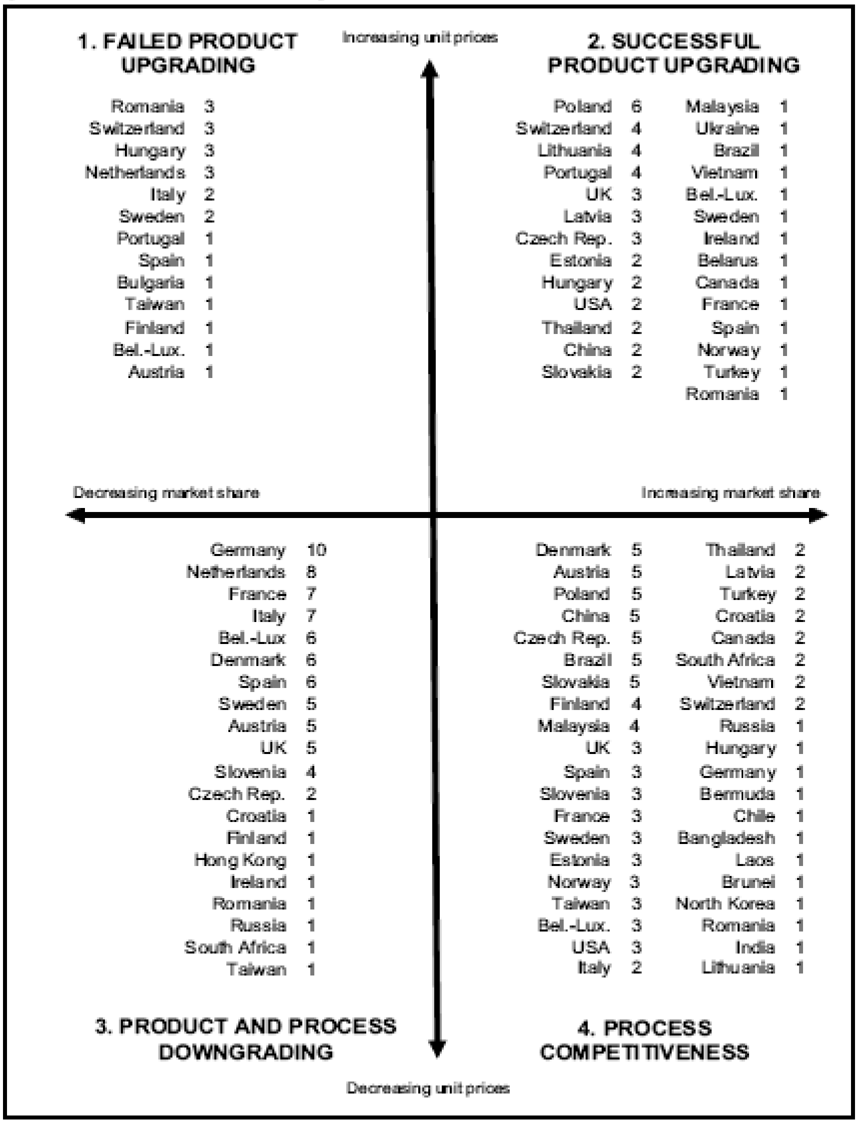
Several international factors linked to globalization have helped developing countries increase their share of the furniture trade and allow them to continue to be active players within this market. Some of the technological and organizational developments that assisted in this metamorphosis are:

1. The wide spread development and use of Computer-numerically-controlled (CNC) woodworking machines that enhance productivity, reduce costs, and improve delivery time to market
2. Computer aided design and manufacturing machines (CAD and CAM) makes the transfer of detailed designs, and the upgrading of such designs very easy allowing for higher quality of product
3. Flat pack and ready to assemble (RTA) furniture cutting the costs associated with production and with transportation allowing for large scale orders to be made and transported cheaply.
4. Advances in available materials such as MDF which allows maximum efficiency in utilizing the raw materials and enhances the value added of the product and reduces waste
5. Flexible manufacturing system and factory lay out allowing for optimal movement of furniture parts within the factory enhancing efficiency, quality and reducing inventories and costs
6. Made to order and just in time distribution network made possible by the diffusion of the above technologies and techniques throughout the world.

Thus, the above non exclusive factors have allowed companies to operate on a global scale reducing investment requirements and reducing entry barriers to many would be players within the furniture industry. However, maintaining productivity is a matter of innovation and integration of the factors of production, on both the micro enterprise level and the macro supportive environment level, in an efficient matter that helps enterprise level performance. In this, not everyone is equally successful although some countries have and continue to demonstrate competitiveness within the international furniture industry.

Countries that have managed to lower the price of their furniture products and increased their market share appear to be improving in industry specific competitiveness.

Figure 5: Improved innovative performance



Note: The number following a country indicates the number of product/ sectors in this performance category.
Source: Calculated from Eurostat COMEXT database.

Source: Upgrading Strategies in Global Furniture Value Chain – UNIDO – 2008

The above quadrant analysis illustrates the competitiveness position of a select number of countries according to the above study. What is important is that the number of successful innovators seems large, indicating an industry still in flux where no one has a clear competitive advantage vis-à-vis other players.

Thus the international furniture market is a growing market which has suffered a set back in 2008/09. The market which has grown at an annual rate of 8% over the past ten years is expected to resume growth with the US, the largest single buyer re-entering growth in terms of furniture consumption in 2010. Moreover the international regime of accumulation has changed in ways that are favourable for developing countries to enter and remain within the market gaining competitiveness of appropriate enterprise and economy level policies are adopted.

2. Turkish Furniture Market

The Turkish furniture market has seen tremendous changes over the past ten years that have been reflected domestically within the furniture industry and internationally through trade figures. To put things into perspective, Turkey exported 178 million $ in 2000 in furniture products while the figure for 2009 was 1.18 billion $, a massive change of more than 560% in a short period of time translating into an average annual growth rate of 23%.

Much of the growth has been due to the success of Turkish entrepreneurs to transform their companies to international standards and increase efficiency in production. The case of Istikbal illustrates the success of local entrepreneurs in expanding their production within an outside of Turkey. Its not only the large companies that are causing the change in the furniture industry. Micro and small companies make up the vast majority of companies operating in the sector with around 99% of the companies having less than 50 employees.

In 2009, TOBB reported that there were 40 enterprises in Turkey working in the furniture industry with more than 250 employees, another 155 companies having more than 100 employees. Thus, the sector has been successful in generating medium and large size companies and a large number of companies having between 50 and 100 employees and this is important because it allows the industry to face international competition within and outside of Turkey and to provide impetus for change and for linkages with many companies operating in the sector.

It is estimated that 29,346 companies are working in the furniture industry in Turkey employing 92,567 individuals making the average size per company of 3 employees. But if carpenters and single individual companies are included, this figure jumps to nearly 70,000 establishments.

Figure 6: distribution of the furniture companies registered with the Ministry of industry

Province	No. Of firms	Percentage	Employment	Share of employment
İstanbul	6.458	22.0	23.633	25,5
Ankara	5.361	18.3	14.622	15.8
Bursa	2.130	7.3	8.996	9,7
Kayseri	740	2.5	8.492	9.2
İzmir	2.379	8.1	6.328	6,8
Adana	900	3.1	2.369	2.6
Antalya	823	2.8	1.905	2,1
Samsun	640	2.2	1.757	1.9
Konya	757	2.6	1.746	1,9
Çanakkale	91	0.3	1.856	2.0
Diğerleri	9.067	30.8	20.863	22,5
Toplam	29.346	100.0	92.567	100.0

Source: TUIK – Ministry of Industry report

Thus, most furniture companies are established in Istanbul followed by Ankara and Bursa and Kayseri. However, most exports are generated by kayseri, home of the two largest firms in furniture industry in Turkey.

Figure 7: Distribution of furniture exports by province in 1000$

Province	No. Of companies	Export value	% share
Kayseri	219	149.495	33
İstanbul	2.331	111.479	24
Bursa	394	65.256	14
Ankara	417	36.833	08
İzmir	340	22.613	05
Kocaeli	53	13.826	03
Diğerleri	984	245.538	13
Toplam	**4.778**	**645.040**	**100**

Kaynak: DTM 2006

Thus, although Istanbul is the largest concentration of furniture companies, Kayseri is a better export performer and only 4778 companies out of the registered 29346 export.

These figures are also below the export figures of the sector as a whole and thus only capture part of the sector activity and not all. But they serve as a good indicator of the sector's performance.

In 2006, the furniture industry in Turkey produced furniture valued at 5.2 billion Lira, however, since the export for that year alone were 788 million dollars, the it is possible that the number of furniture production understates true production, especially if carpenters are taking into account as well.

Suffice to say that the Turkish furniture sector is substantial and has been going under tremendous changes due to its successful globalization. This transformation in the sector, and in the economy in general, is creating problems on many levels for traditional enterprises requiring new solutions as the type of products and their customer base is changing. Selling directly to home buyers might not longer be a realistic option for many of the smaller companies and subsequent business will rely on subcontracting relationship with larger producers, but only if quality and quantity of production can be proven satisfactory.

A survey conducted in 2008 indicated that most problematic areas for furniture producers in Turkey where finance, followed by inadequacy of demand and labour quality.

The above findings are interesting since as has been mentioned, the industry has been growing substantially, at least in terms of export success. The answers above indicate that many companies have no tapped into this success neither directly or through a surrogate. That is, companies are losing traditional ways of business based on individual customer ordering from individual seller, to a more dynamic business model where companies have to produce for different buyers and who have to sell differently. To be able to successfully outsource their services, smaller companies need to assure larger ones that they can meet demand quickly with the same quality produced in the larger firm or better. This requires investment in machinery and in labour. Thus, labour and finance are two of the three major problems identified.

In addition, the supporting environment is also a cause for concern. In the Survey mentioned earlier, the number problem within finance was "difficulties in providing credit". This illustrates that companies are making financial facilities to clients but from their own accounts, not utilizing banks and financial intermediaries for this function. This places additional burden on the companies and lowers sales by making sales more expensive than they should be, and limited by the amount of credit the company can supply rather by the amount of demand the company can satisfy. In addition, difficulties in accessing finance and the high cost of finance limits the potential for investment. From anecdotal evidence, companies indicate that banks are willing to lend small amounts quickly but are more reluctant when it comes to amount needed to finance investment in new machinery and the like.

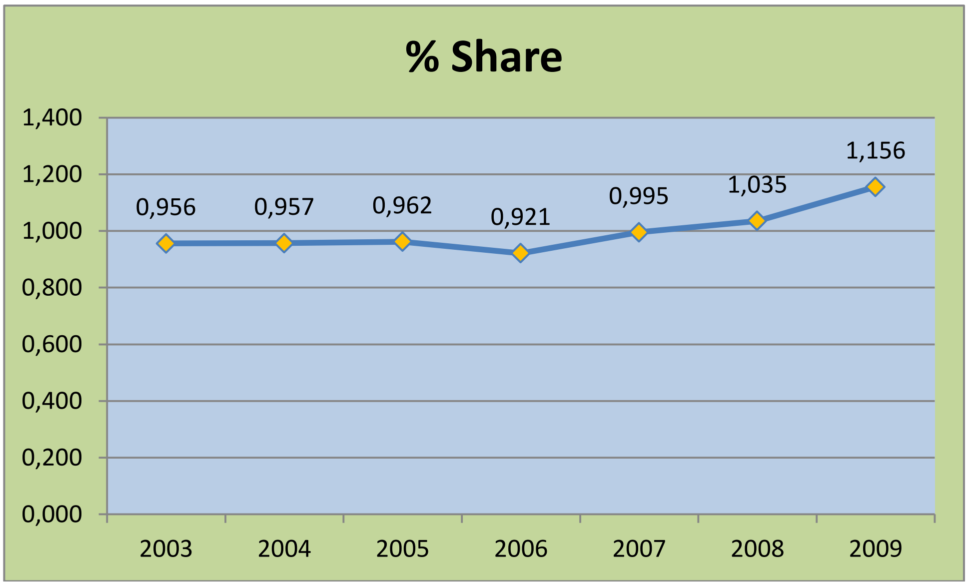
Moreover, problems in the quality of labour are usually not expressed in traditional craft industries. Thus, this indicates that many companies have changed production methods and machinery and are thus requiring new sets of skills different from traditional woodworking such as machine operating and maintenance.

Thus, the industry is undergoing some changes and this was also relevant in the analysis done within Trabzon as will be illustrated later

2.1 Turkish Furniture Exports

As has been mentioned above, Turkish furniture exports have witnessed tremendous growth rates over the years, remaining above average performers most of the time looked at.

Figure 8: share of furniture in total exports



Source: calculations based on Turkstat export figures

The share of furniture in the total export basket has increased over the years increasing from 0.96% in 2003 to 1.16% in 2009, a 21% change over the indicated period. Thus, exports have not only grown in terms of actual dollar terms, but have also increased in terms of importance within exports in general.

The increasing importance of furniture in exports is collaborated by the increased amounts associated with furniture exports (as has been mentioned, the figure jumped from 178 million $ in 2000 to 1.18 billion $ in 2009) and by the growth rate of this item vis-à-vis exports in general.

Figure 9: export growth rate of furniture vis-a-vis total export growth rate

Source: calculations based on Turkstat export figures

Thus, it is discernable from above that growth rate for furniture industry was equal or outpaced general export growth rates in most years. Moreover, the decline in 2009 was less severe in furniture than in other exports.

Thus, and despite the decline in exports, furniture exports have made impressive strides. However, the slow down in the furniture market worldwide, and the slow recovery expected as has been mentioned earlier, will pose problems for exports to traditional furniture markets such as Europe and the US. Diversification within export markets for the furniture industry is something that is needed.

Currently, the top ten markets for Turkish furniture are somewhat stable with the same names appearing over and over with different ranking.

Figure 10: Top ten markets for Furniture exports

2006	2007	2008	2009
Germany	Germany	Germany	U.A.E
Iraq	Iraq	Iraq	Germany
France	France	Russia	Iraq

Netherlands	Iran	France	USA
United Kingdom	Romania	Romania	Azerbaijan
Greece	Russia	Azerbaijan	France
Romania	United Kingdom	U.A.E	United Kingdom
Russia	Greece	Iran	Russia
Kazakhstan	Netherlands	United Kingdom	Iran
Iran	Kazakhstan	Greece	Libya

Source: Turkstat – trade Databank

The green highlights indicate countries that with repeat appearance in all five years studied. In all cases, 6 of the top ten countries repeat themselves, and in many other countries appear three or four times indicating that Turkish furniture products have established solid presence in these markets. What is of interest is that the US which is the largest market appeared only once on the top ten list, indicating some problems or potential within this market. If the US market can be entered into solidly, then the furniture industry will have a strong presence in the largest furniture market in the world.

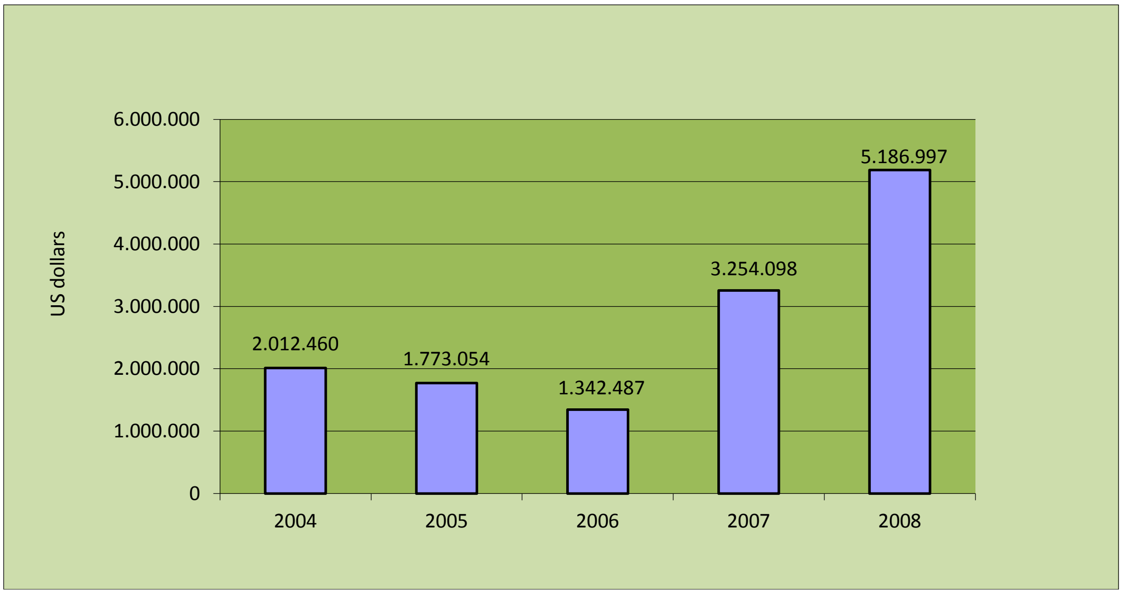
3. Furniture Industry in Trabzon

The furniture industry in Trabzon is facing some difficulties but nevertheless, has a potential to benefit greatly from positive developments within the region and the surrounding environment. The industry has been traditionally inward looking and continues to be so, with export activities being limited with most companies to individual customers ordering or buying individual items from show rooms in the city. A systematic approach to line up some industrial units to export will result in significant benefit for participating enterprises and for the sector in general.

3.1 A look at Trabzon exports and Furniture exports

Trabzon's export have seen an impressive growth from nearly 330 million dollars in 2003 to 816 million $ in 2009. This accounts for a 147% change over the period with an average growth rate of 22% annually.

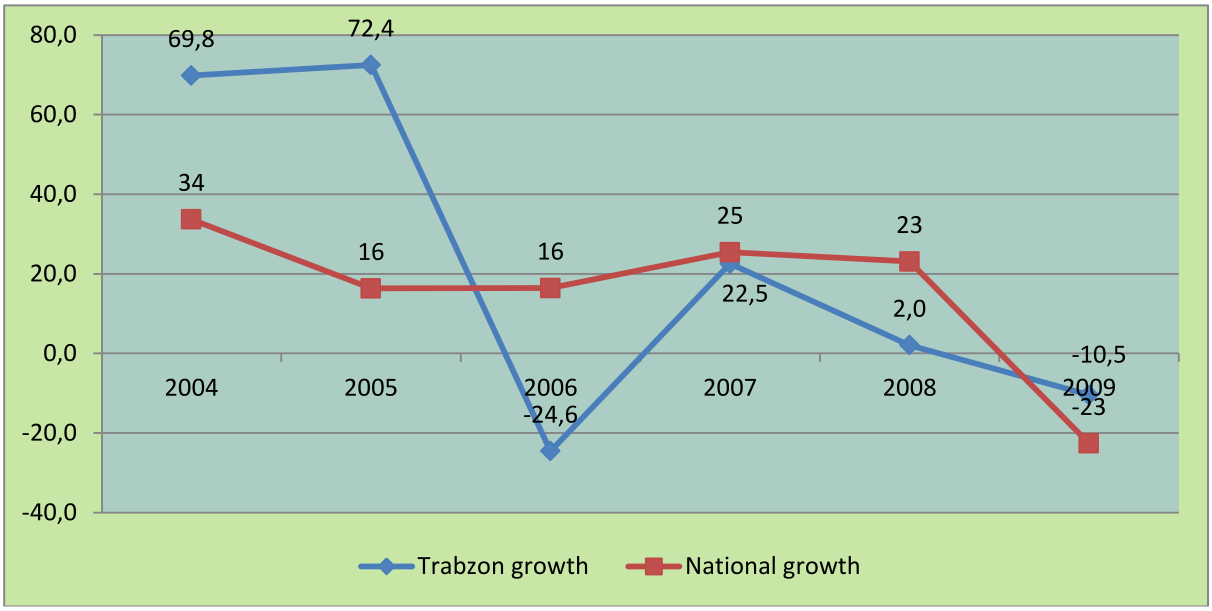
Figure 11: Trabzon exports



Source: Turkstat export figures

However, impressive as this achievement is, the movement of Trabzon exports is hectic with deep and stark variations on yearly basis.

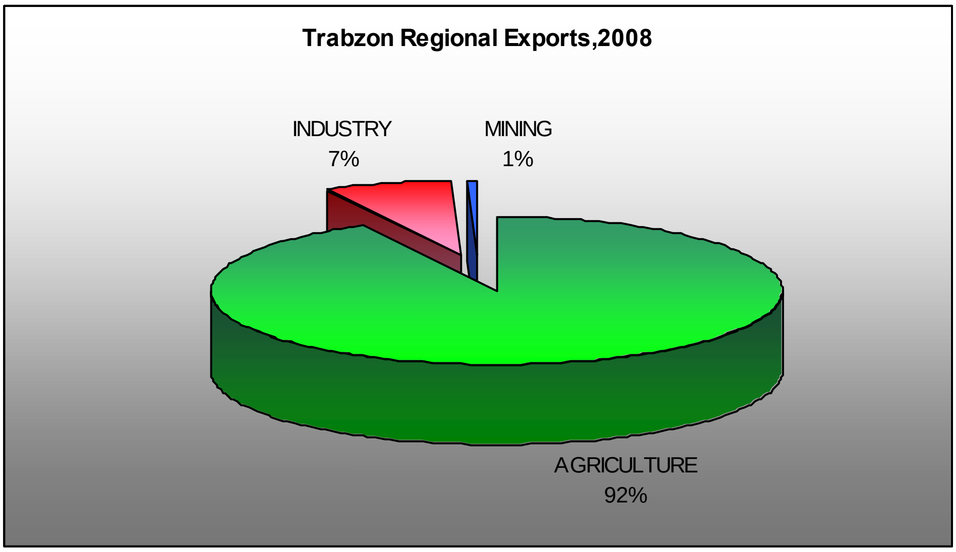
Figure 12: growth rate of Trabzon exports vs. National exports 2004-2009



Source: calculations based on Turkstat export figures

Thus, the growth rate which rose significantly in 2004 and 2005 witnessed a deep drop in 2006 and continued to decline throughout the years whereas the national growth rate had a much more level movement. This is due to the fact that Trabzon exports are commodity intensive with Agriculture making up 92% of the province's exports in 2008.

Figure 13: composition of Trabzon exports in 2008



Source: Eastern Black sea Exporters Association

Thus, the exports of the province are highly sensitive to movements in Agriculture prices especially of haze nuts which make up 63% of total provincial exports in 2008 according to the Black sea exporters association.

Wooden products exports, which includes furniture account on average for less than 1% of total provincial exports. Moreover, this sector has also witnessed dramatic changes in its growth rate over the past few years.

Figure 14: Exports of wooden products in Trabzon in relation to total provincial exports

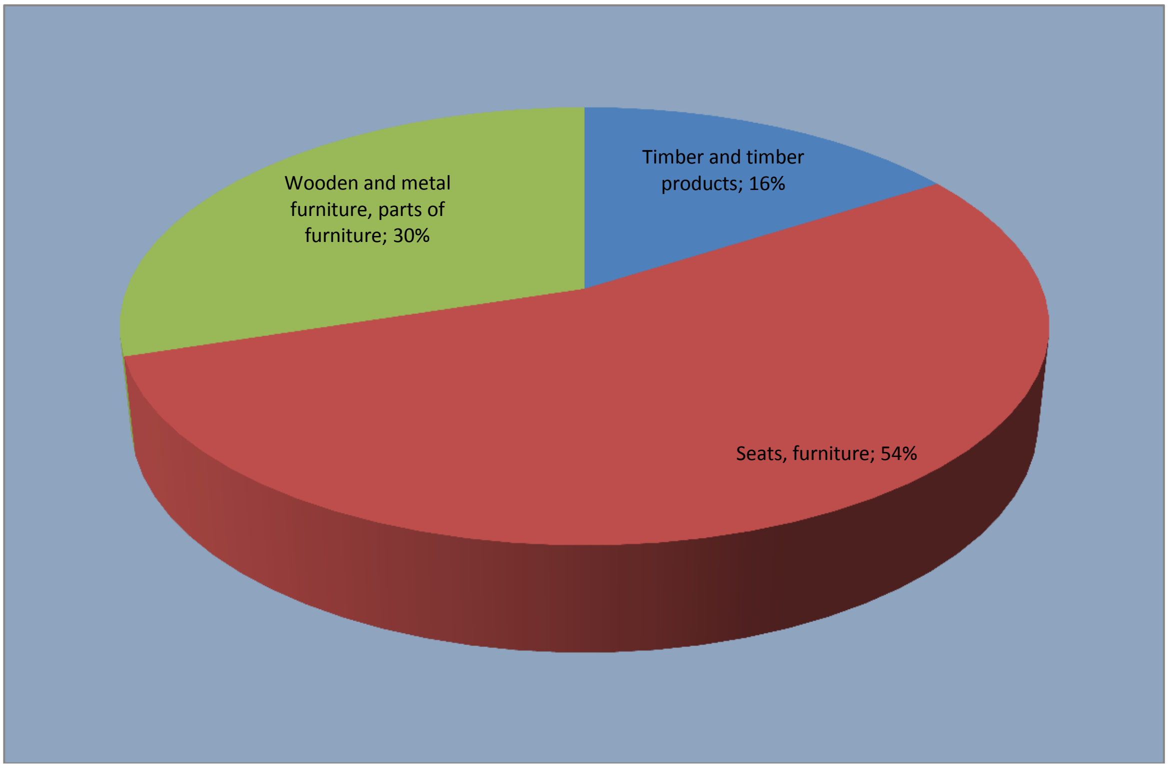
	2004	2005	2006	2007	2008
Share	0.36	0.18	0.18	0.36	0.57
Growth rate		(11.90)	(24.28)	142.39	59.40
Amount ($000)	$ 2,012.46	$ 1,773.05	$ 1,342.49	$ 3,254.10	$ 5,187.00

Source: calculations based on Black Sea Association export figures

Thus, the percentage share of wooden products out of total exports remains less than 1%, while the growth rate has fluctuated from -12% in 2005 to positive 59% in 2008. However, the net amounts in question are somewhat small with exports in 2008 equaling 5.19 million dollars.

Furniture proper makes up a smaller share than this figure also since furniture accounts for 84% of wood and wooden product composition with the remainder being timber and timber products.

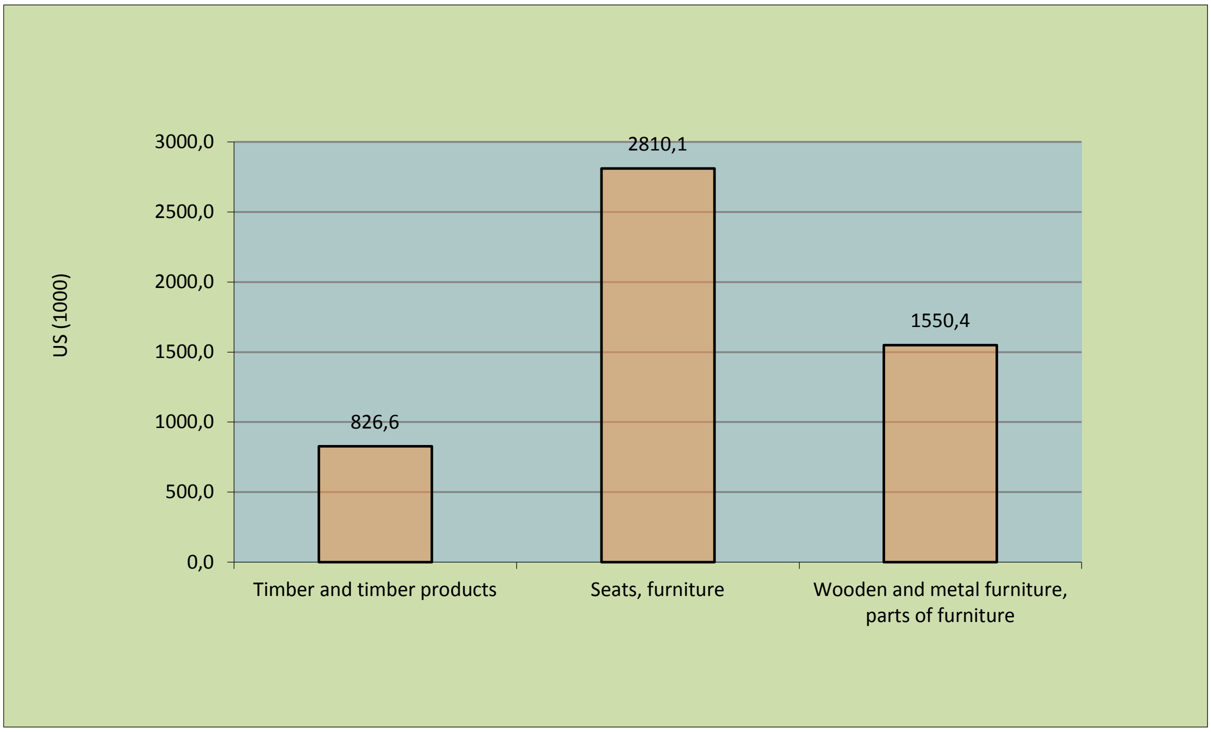
Figure 15: composition of wood and wooden product exports in Trabzon in 2008



Source: Eastern Black sea Exporters Association

Thus, furniture exports in Trabzon for 2008 equaled only 4.36 million dollars.

Figure 16: Total amount of furniture and furniture product exports in 2008



Source: Eastern Black sea Exporters Association

Thus, furniture makes up the vast majority of wooden exports from the province. Having such small export figures means that growth rates and percentage shares and usually volatile with extreme changes observed as has been indicated before since small changes in orders can manifest itself in extreme changes within growth rates. This is truer of Trabzon where the number of exporting companies in these two domains are small and export orders are thus concentrated in few players.

In the seats and furniture category, which is the largest single category in question, only 29 firms reported exports in 2008, out of those 29 firm, one firm accounted for 83% of all exports. The second largest exporter in this category exported 2.6% of the total.

In the wooden and metal furniture section the distribution is much more fairly divided with the top exporter accounting for only 12.5% of exports and top ten exporters accounting for 72% of all exports. A total of 39 companies exported in this category in 2008.

Thus, the sector has few players that are engaged in the foreign market and is characterized by a plethora of small producers, some able to export while most cant. Those who do export do so on an irregular basis and to small individual customers with the vast majority of companies exporting less than 30,000$ per year.

3.2 Mission outcomes in Trabzon

A mission was undertaken in Trabzon between the 31st of March and the 9th of April that focused on meeting stakeholders and companies in order to qualitatively assess the status of the sector and explore new possibilities for helping to improve sector's performance especially in relation to exports.

Meetings with 21 stakeholders were held and information gathered for the purpose of this report. A subsequent workshop was held on the 27th of April at the Chambers' premises to discuss findings of initial mission and agree next step.

The conference included several speakers including a representative from the board of directors at the chambers, the director of the furniture sector syndicate in the city, and a presentation by the international expert.

Following the presentations, a full workshop that lasted from 13.00 until 17.00 in the afternoon took place with stakeholders and companies from the furniture industry. The conference discussed topics pertaining to the following areas:

Figure 17: Topics of discussion at workshop

Each topic was broken further to sub topics to facilitate discussions and the participants engaged in heated debate most of the time.

Figure 18: breakdown of the topics of discussions

Productivity

- costs of labour,
- land and rental costs,
- evaluation of physical industrial clustering,
- quality of labour, role of vocational and training institutions,
- design and material considerations,
- raw material costs, joint production or purchase of machinery…etc
- Joint production facilities

Marketing and sales

- how to improve the cash flow situation in the short and long term?
- Marketing and finance skills
- joint ventures such as sales outlets, internationalization missions, setting up export companies or associations,
- turning Trabzon into a regional furniture centre
- the feasibility of virtual clusters in Trabzon in marketing especially with regard to joint marketing or opening exhibition and show rooms within Trabzon or outside of the city,
- better incorporation into new construction whether TOKI or tourism based…etc

Supporting environment

- the role of the industry association in helping insure that the industry is better integrated into the region’s economy.
- Industry-vocational training links,
- possibility of opening up new industrial zones for the sector,
- taxes and social security issues…etc

The above topics were discussed in the workshop and specific problems identified and recommendations made that have been incorporated into the SWOT analysis. The participants have agreed to meet again to try to formulate concrete actions.

3.3 SWOT analysis of the furniture sector in Trabzon

The SWOT analysis was done after interviews with companies and stakeholders and doing desk research, it has been amended so as to also reflect the outcomes of the meetings that took place on the 27th of April 2010.

3.3.1 Strengths of the sector

1. Close to raw materials: lots of wood around Trabzon, and imported wood is easily obtained from Russia across the black sea

2. Close to important potential export markets (Iran, Georgia, Armenia, Russia, Iraq...etc) these markets are very important for the region since they account for a large share of furniture exports as is illustrated below.

Figure 19: top ten destination of Turkish furniture exports

2006	2007	2008	2009
Germany	Germany	Germany	U.A.E
Iraq (115)	Iraq (115)	Iraq (172)	Germany
France	France	Russia (105)	Iraq (192)
Netherlands	Iran (70)	France	USA
United Kingdom	Romania	Romania	Azerbaijan (105)
Greece	Russia (69)	Azerbaijan (84)	France
Romania	United Kingdom	U.A.E	United Kingdom
Russia (43)	Greece	Iran (79)	Russia (84)
Kazakhstan	Netherlands	United Kingdom	Iran (79)
Iran (39)	Kazakhstan	Greece	Libya

Source: calculations based on Turkstat export figures

This shows that in each year, many of Trabzon's partners came in first in terms of furniture imports from Turkey. The figures are also impressive and keeping in mind that Trabzon exported less than 5 million dollars of furniture in 2008, this demonstrates the potential for increased sales.

3. Long history of wood industry: wood working skills are present

4. Presence of skilled carpenters and wooden furniture producers

5. Increasing consciousness and awareness of the importance of new technology in upgrading production and saving money: in many of the interviews, many companies had already upgraded their production plants with new machinery and many others were planning to do so shortly. There was a realization that investments in machinery contributed to increased production and enhanced quality leading to hire sales and lower cost per unit.

6. Increasing awareness of the importance of providing large choices of furniture for differing and changing tastes: many companies were using large producers from Inegol in Ankara because they could supply more variety to customers, in addition, many other companies have resorted to dealing with national franchises that have lots of styles on display

7. Availability of strong national suppliers that can serve the area: the availability of such suppliers have allowed many of the furniture outlets to expand their product range with minimal costs and the industrial infrastructure allows them to fulfil potential large orders once these appear.

8. Many companies are highly conscious of the importance of quality and standards and accreditation issues and are themselves certified: even small companies give their own guarantees of 2 to 3 years, and are able to deliver on it. These companies realize that the way to compete is offer a good quality service. Many of the larger producers had ISO certification and Turkish quality institute certification

9. Family businesses also mean quick decision making and low cost structure in many instances

10. Quick dissemination of changes in production and design through extensive links to national production centres: due to linkages of local companies to furniture centres around Turkey, they are kept up to date on developments in the industry.

11. Tourism industry provides opportunities for growth and an impetus for exports: there is large potential for significant developments in real state/tourism projects in the city. There is also a potential of trickle down affect on to the local furniture industry. However, better preparation by the industry is essential to be aware of the opportunities and able to benefit from it.

3.3.2 Weaknesses of the sector

1. Low production capacity for most production units: most production units are micro enterprises that are hindered by their small size in terms of their capacity to produce large orders and do some of the higher end work such as pressing and proper polishing and finishing of items

2. Low turnover for most production units: the association of furniture producers estimates that the average micro company has a turnover of around 80 to 100 thousands lira per year, equivalent o roughly 40 to 50 thousand Euros per year, after discounting production costs and living expenses, not much is left over for investment

3. Little marketing activities and no collaborative work in expanding sales (show rooms, exhibition participation...etc): the participants added to this that sales are done on ad hoc basis and companies do little to attract sales. There is no emphasis on product positioning and active participation in the market to generate additional sales

4. Little diversification of products (most companies either deal with home or office furniture, few do both)

5. Problems in terms of finding qualified labourers to operate full modern production lines: this again was reinforced by companies who indicated that qualified labour often leave the city to go to Istanbul or Ankara where opportunities are more available than in Trabzon, and some sort of cooperation with vocational training institutes is needed to rectify the situation

6. High costs of finance

7. Low access to finance

8. Lack of knowledge of other support mechanisms (KOSGEB, IGEME...etc): this was again reinforced by the participants as something that needs to be better organized and companies subjected to information and training sessions on available instruments

9. Insistence that cooperation would never work in Trabzon...etc, a sentiment which was echoed in the workshop.

10. Stiff competition at the micro level in terms of production and sales, and this competition is likely to increase. This again was reinforced by participants indicating that this type of cut throat competition causes additional problems in cash flow.

11. Low and irregular exports

12. Little outsourcing between medium producers and sellers and small and micro production facilities

13. Lack of cluster makes finding suppliers and producers more difficult for customers and for other companies wanting to outsource: even sales outlet are difficult to come by as rental rates in downtown Trabzon makes it unfeasible for a single company to undertake

14. Geographical conditions posses additional cost burden as Trabzon is difficult to access

15. There is a problem related to the quality and creativity of designs being produced and offered in the city.

3.3.4 Opportunities in the sector

1. Potential to becoming regional production centre serving areas such as Erzurum

2. Significant leverage potential linked to joint or supporting programmes. (i.e. clustering or joint marketing activities): as has been mentioned, amount of exports is small, and thus, any interventions designed to increase exports such as enhanced export participation might lead to significant increase in orders for the sector

3. Close to significant export markets: there is a huge market around Trabzon that is geographically difficult to get to for other producers giving the region a competitive advantage if it is well utilized

4. Potential for significant local market development linked to future development of Trabzon as a tourist spot and possible black sea centre for economic activities

5. Taste convergence between city producers and local tastes in export markets

6. Significant potential to expand into new products since the producers of both office and home furniture are limited

7. Potential for enhanced specialization of simple products: producing single items at large quantities

8. Potential for complex specialized products centred on certain life style choices and geographical attributes of Trabzon such as camp furniture, bungalows, and cabins and cottages

3.3.5 Threats to the sector

1. Lack of production capacity (too many companies remaining very small)

2. Lack of institutional support

3. Lack of lobbying power and sector vision: this was heavily emphasized during the workshop, companies are not well aware of city and development plans and more seriously they do not have a clear vision of their own for future development

4. Potential to be driven out of market by larger national production centres (Inegol,Samsun...etc)

5. Inability to link the sector's development into the region's and city development

6. Slow advancement in furniture design in terms of material use and design as an aesthetic quality

7. Potential for losing tenuous hold on export markets to local producers in these markets

The above SWOT analysis highlights some of the problems and potentials identified in the sector. The sum of the analysis is that the sector faces many challenges, but has a tremendous opportunity to grow and benefit from regional developments.

4. Recommendations for enhancing performance and export potential

A set of recommendations was produced during the initial SWOT and has been updated with the results of the workshop. The recommendations are listed below:

1. Better planning on behalf of the associations (working committee within the chambers and the independent furniture association) to be better able to lobby for sector interests

2. Establishment of a programme to enhance capacity at the sector through: enhancing planning and lobbying capacity at the institutions, and through enhancing skills within the companies for business planning

3. Marketing strategy to enhance sales is a priority

4. A working group should be formed to follow up with intended plans

5. Trademark needs to be produced to create an image for the industry since consumers tend to prefer trademarks

6. A system of information sharing should be developed to look into international standards, especially with regards to exports

7. A joint outlet should be established downtown to increase sales, the outlet can also have home appliances and electrical fixtures in order to increase sales and provide a one stop shop for clients

8. Related to the above, setting up an exhibition area for the sector for commercial purchases and large scale exports

9. More training on machine maintenance and operating skills is needed

10. A consortium for raw material purchase should be set up to reduce costs

11. Dissemination and training on benefiting from government support mechanisms

12. Employing common staff to try and enhance presence in international market, so sharing the cost of internationalization

13. Establishment of specific cluster zone for the industry