

BRITISH FURNITURE MANUFACTURING

# SENTIMENT OF THE SECTOR & THE ROAD TO NET ZERO

REPORT - SPRING 2021



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## FOREWORD

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**Nick Garratt,**  
**Director, BFM**

Nick Garratt is the Managing Director of the Association of British Furniture Manufacturers (BFM), the trade association supporting the furniture sector.

Prior to joining BFM, Nick has operated at board level in a number of furniture manufacturing businesses, most recently as MD of Ercol Furniture.

**I was delighted to partner with our associate member Businesswise Solutions to facilitate these fascinating and informative round tables.**

The furniture industry has been through a roller coaster period driven by COVID19 disruption. Throughout these difficult times it has been good to see how flexible and adaptable our manufacturers have been, many switching their production capacity to making PPE and helping with other COVID19 crisis needs.

The shining light through the pandemic has been the shift in priority towards people improving their homes. Stores are now open for business and we look forward to continued strong demand for furniture.

As these round tables have shown we still face many challenges in meeting this demand.

I would like to thank Businesswise Solutions for facilitating this project.

Please get in touch with me at [nick.garratt@bfm.org.uk](mailto:nick.garratt@bfm.org.uk) for more information about how BFM helps the sector.



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## METHODOLOGY



**FRAZER DURRIS**  
Chief Executive Officer,  
Businesswise Solutions

Frazer Durriss is founder and CEO of Businesswise Solutions.

Businesswise Solutions are passionate about supporting businesses with their transition towards a more sustainable future.

Businesswise Solutions provide energy management services to medium and large businesses. They wanted to find out if any of the key challenges and themes being experienced by clients were also being experienced across the wider furniture manufacturing industry.

A series of virtual round table events were held during the month of March 2021 with the aim of understanding how companies in the Furniture Manufacturing Industry were feeling about the sector now, and into the future, how they were dealing with the challenges ahead, and what they felt needed to happen to overcome future challenges.

Participants were selected and recruited to represent a variety of industries, business size, role function and seniority. Prior to the round tables, every participant completed a short questionnaire asking them to indicate positively, negatively or neutrally on a range of topics and issues.

## INTRODUCING THE ROUND TABLE HOST

I've hosted around 600 events in the last decade and they're all different - and that was certainly the case with these round tables.

I didn't know much about the British furniture manufacturing sector at the start of the process but having listened to so many brilliant companies I was much more educated by the end.

I had no idea the sector was worth £9bn to the UK economy and employed more than 90,000 people.

Needless to say COVID19 and BREXIT were discussed and their combined impact on supply chains and the cost of raw materials but the industry has proven itself to be resilient, agile and versatile.

What interested me was how the conversation has moved on to include challenges around recruitment and the importance of ESG.

In terms of ESG, even companies that didn't think they were doing much around sustainability were able to reel off a number of environmental measures they'd already taken or planned to take.

Based on the sample of companies that took part in the discussions, the future of the British furniture manufacturing industry is in safe hands.



**Chris Maguire,**  
Executive Editor,  
Business Cloud

Chris Maguire is the executive editor of business tech magazine BusinessCloud and has been a journalist for nearly 30 years.

He founded his own boutique PR agency iMeg Partnership in 2019 and has hosted more than 600 events.

## COMPANIES REPRESENTED

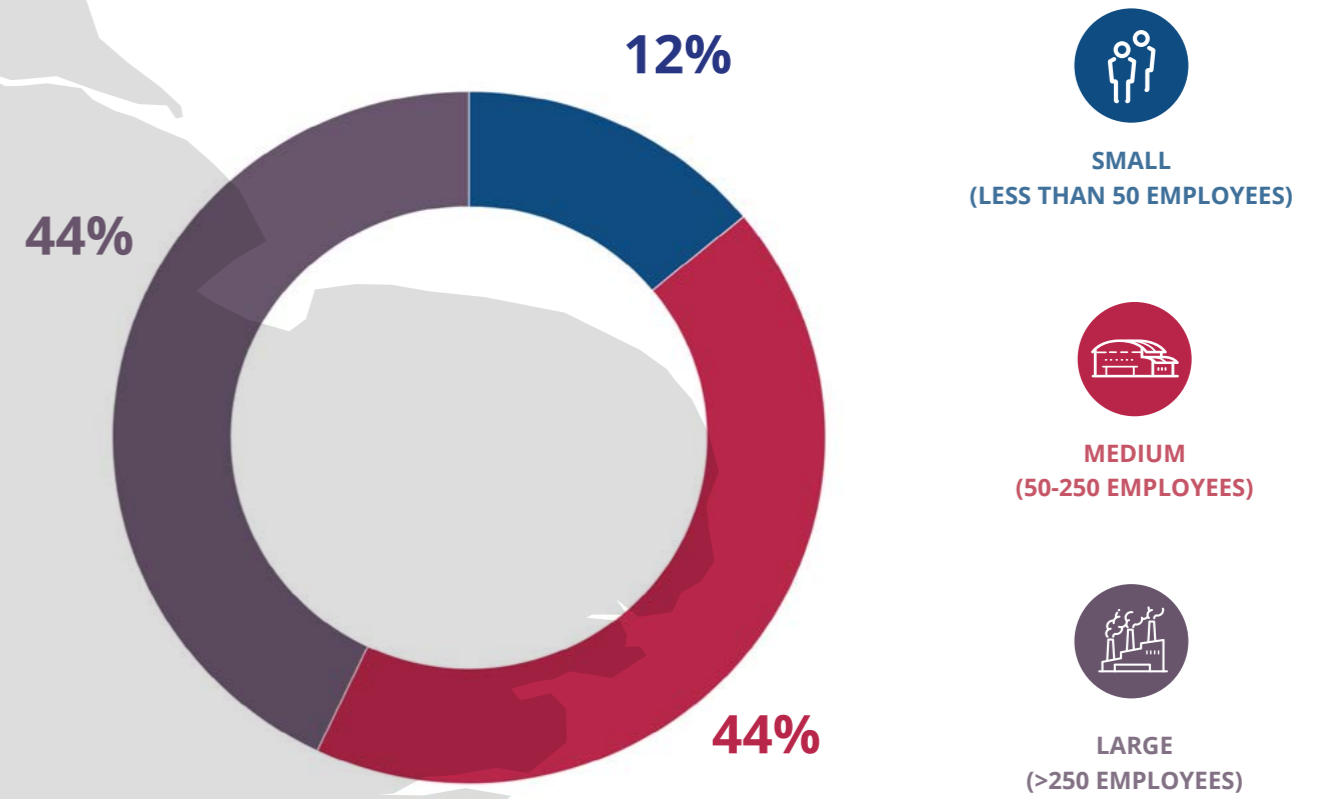


## COMPANY FIRMOGRAPHICS

### INDUSTRY



### COMPANY SIZE



## REPORT PARTICIPANTS



**Charlotte Floate,**  
Director,  
Alpha Designs Upholstery

A British Upholstery Manufacturer with a 'Can Do Attitude'. Since conception in 2009 Alpha Designs has grown extensively to supply retailers across the UK keeping their family values at the heart of the business. We believe a business is built on great people providing an outstanding quality product and service.



**James Harris,**  
Chief Operating Officer,  
BA Kitchen Components

Established in 1990 and operating from Cookstown in Co.

Tyrone and Doncaster in Yorkshire, BA has grown steadily to become a major manufacturer of kitchen and bedroom doors and accessories in the UK and Irish furniture components industry.



**Gary Lasham,**  
Group CEO,  
Belfield Group

As a 'white label' and branded manufacturer, Belfield make many of the sofas, armchairs, mattresses and bedding systems sold by the UK's largest retailers, both in-store and online. Also big in the leisure market, making soft furnishings, curtains and beds for caravans, motorhomes and lodges.



**James Taylor,**  
Managing Director,  
James Robinson Fibres / Textfelt

JR Fibres are the principal suppliers of polyester fibre fillings and feather, for the furniture fillings industry.

Textfelt are world leading manufacturers of highly sustainable eco-engineered PU foam replacements, and a group company to the world-renowned JR Group UK and James Robinson Fibres.



**John Brewster,**  
Operations Director,  
Lebus Upholstery

Lebus Upholstery, which was established in 1840, has become one of the largest furniture manufacturers of UK produced upholstery, based in North Lincolnshire.

We have a modern purpose-built 250,000 square foot factory supplying a wide range of furniture retailers across the UK and Ireland.



**Fiona Fennell,**  
Finance Director,  
Millbrook UK

Millbrook was formed in 1946 and based on the South Coast, employs over 120 people mainly in the manufacturing of a wide range of high quality handmade beds and mattresses for retail, internet and marine customers.



**Joel Rosenblatt,**  
Chairman,  
Buoyant Upholstery

Since 1909, Buoyant has led the way in the manufacture of upholstered furniture, producing high quality, design-led products with an emphasis on comfort. We never stray from the guiding principles that have helped us get to where we are today, making the best products, offering outstanding service and maintaining the keenest prices.



**Ian Peers,**  
Operations Director,  
Ercol

Ercol have been manufacturing high quality furniture for residential and commercial markets since 1920.

They are still a family owned, private company that continue their beliefs into the 21st century.



**Steve Bruce,**  
Operations Director,  
G Plan Upholstery

G Plan are one of the UK's biggest upholstery manufacturers.

Since the day that Ebenezer Gomme set up his first furniture factory in 1898, G Plan has always had the same aim: to create stylish sofas and chairs that offer the highest levels of comfort and quality.



**Andrew Walkington,**  
Finance Director,  
Posturite

Posturite is a leading UK-based ergonomics company that specialises in employee health and wellbeing.

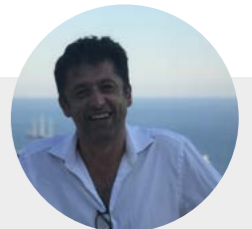
Today their growing team is spread nationwide, helping thousands of clients improve the health, happiness and productivity of their employees through a range of solutions.



**Angela Moran,**  
Product Strategy Director,  
Silentnight

Trading for over 70 years, Silentnight is one of the UK's most well known bed manufacturers.

Their products are handmade in Lancashire, and are recognised as a UK 'superbrand' for their quality, comfort and knowledge of the product.



**Jason Chadda,**  
Director,  
Silverlining Furniture

Established over 35 years, Silverlining Furniture's 70-strong team of designers, makers, project managers and other specialists are based in Wrexham in North Wales. They create museum-quality furniture that's found in palaces, galleries, corporate headquarters, homes, yachts and private jets around the world.

## REPORT PARTICIPANTS



**Paul Blunden,**  
CFO,  
Simba Sleep

Created in 1979, Simba Sleep has become a major force in the world of bedroom furniture manufacturing.

Their signature thread has been used in over 50 million mattresses across 35 countries, and Simba Sleep continues to grow into a leading brand.



**Paul Chamberlain,**  
Owner and Managing  
Director, Sixteen3

sixteen3 are a specialist designer and manufacturer of stylish, high quality, upholstered seating which is perfectly suited to enhancing any environment. Located in Warrington, Cheshire, we are well situated to serve clients throughout the UK and also have considerable experience and expertise in delivering solutions globally.



**Jim Gerety,**  
Managing Director,  
Vispring

Using the finest British craftsmanship and materials, Vispring creates the best mattresses that last the test of time.

Vispring beds are handmade using only natural materials such as wool, cotton and horsehair, rather than synthetic materials and foam.



**Richard Page,**  
UK Managing Director Vita  
Comfort Division,  
Vita Group

The Vita Group is a leading provider of value added and differentiated flexible polyurethane ("PU") foam products. Vita develops, manufactures and markets a wide range of flexible polyurethane foam, Talalay latex and flooring products to create comfort, quality and functional solutions for our customers.



**Nick Garratt,**  
Managing Director,  
BFM

The British Furniture Manufacturers (BFM) has been representing the British furniture manufacturing industry and the people behind it for more than 65 years.

As a proud trade association, we are run by members for members and the wider industry. Membership of the BFM is open to manufacturing companies in all sectors including upholstery, cabinet, bathroom, kitchen, office, mattress and beds.

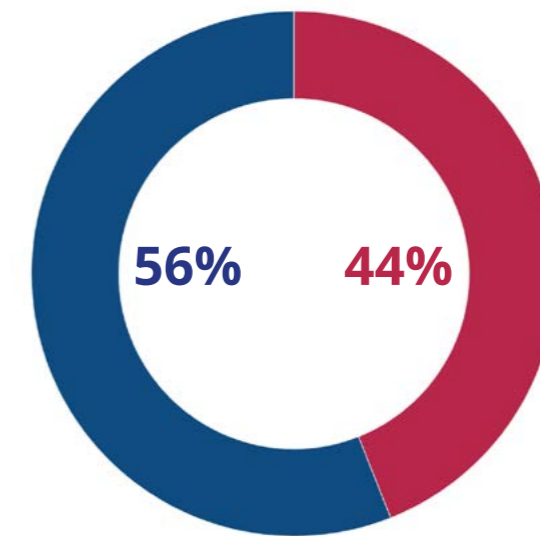


**Mike Dimond,**  
Employment & Membership  
Affairs Director, BFM

## JOB FUNCTIONS



LEADERSHIP/  
OWNERSHIP



OTHER



FINANCE



OPERATIONS



COMMERCIAL



PRODUCT  
DEVELOPMENT

## KEY FINDINGS

The British Furniture Manufacturing Sector contributes around £9bn to the UK economy annually and employs over 90,000 people, but the last 12 months have been amongst the most challenging the sector has ever faced.

The **Impact of COVID19** has undoubtedly tested the resilience of the sector and the businesses operating within it. Whilst **Demand** for some has been hitting and surpassing previous peaks, for others the orders have simply stopped. There have been major challenges around **Raw Materials & Logistics** which have been amongst the worst we have ever experienced.

Add to this, the **Labour Challenges** that the industry is facing with less and less young people choosing a career in manufacturing and the scene is set for sustainability targets within the **Environmental, Social, and Corporate Governance (ESG)** framework to have difficulty getting the focus required that is being driven by investors, consumers and employees.

### MAIN DISCUSSION TOPICS



ESG



COVID



DEMAND



RAW MATERIALS



LABOUR

# ENVIRONMENT, SOCIAL & CORPORATE GOVERNANCE (ESG)

## OVERVIEW

**ESG as a discussion topic is ramping up, particularly gathering speed over the last 3 years. It has changed the way businesses are measured and judged.**

**Rather than simply looking at financial performance, businesses are now having to measure, report and improve their environmental footprint, their social impact, and how they govern themselves. These areas are now under the scrutiny of an investor, stakeholder, and consumer population which is demanding better businesses.**

### ESG AT BOARD LEVEL

Whether ESG has a place in the boardroom was mixed for the groups that we spoke to. Some have a full time ESG director while others have the topic as an agenda at board level. Those that didn't necessarily have it as an agenda item were still carrying out work towards improvements in the main areas but without the work counting towards an overall ESG strategy.

Mandatory reporting will begin to force this issue up to the boardroom, firstly with the introduction of the Streamlined Energy and Carbon Reporting (SECR) where large organisations have to disclose their scope 1 & 2 emissions along with specific projects delivered within their annual directors report. The next piece of mandatory reporting will be the Climate-related Financial Disclosures (TCFD) which is expected to come into force between now and 2025.

### REDUCE REUSE RECYCLE

Most of the businesses were able to recall specific projects or ways of working that fit with the mantra of reduce, reuse and recycle, but few were done as part of an ESG or wider sustainability strategy. Common projects such as LED lighting and solar panels generating electricity, zero to landfill, separating

waste, recycling card, wood, and plastic, and projects to reduce packaging were all referenced with multiple companies.

### CARBON NET ZERO

Whilst the majority of participants admitted that meeting environmental concerns was a priority for their own business, none of the participants felt the sector had a clear strategy to achieve Carbon Net Zero, with most unaware of what Carbon Net Zero targets would mean for the sector. At an individual business level, some have been on a journey for over a decade whilst others may have completed some projects that would contribute, but not as part of a joined up strategy.

### COMPETING PRIORITIES

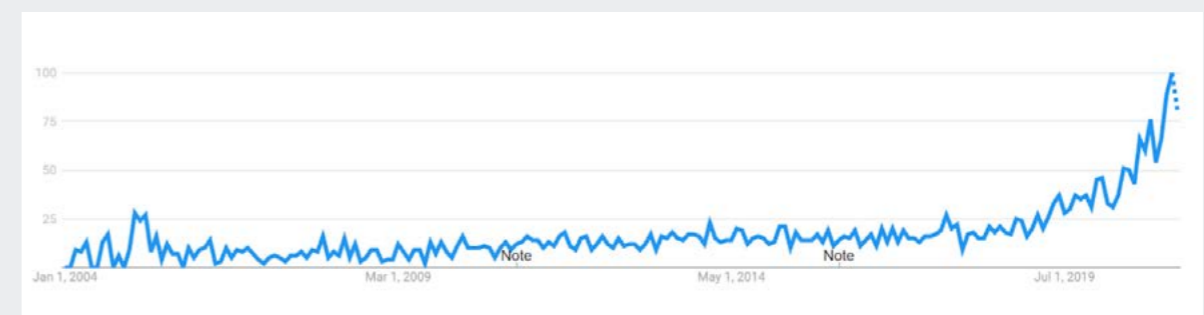
With everything above said, the current challenges around unpredictable demand, COVID19 restrictions and problematic supply chains all act as barriers to making progress with any of the issues within the ESG framework. Unless making improvements become mandatory or consumers place sustainability above cost in their decision making there will always be a reason why ESG is not a priority.

### SUMMARY

The way in which the furniture manufacturing industry is operating shows a lot of the best practice has been shared and distributed, but it feels as though some of the good work that is being done is not being joined up within the wider ESG framework to maximise the opportunities that present themselves when ESG is given a focus.

If the sector and the businesses within it are to achieve sustainability targets, they need to find the headroom to make this a priority. This means providing them with a stable, predictable economy, for a smooth demand curve, simplification of supply chain challenges, and good availability and quality of labour. Only then, will the sector be able to focus on making ESG a priority.

## INTEREST OVER TIME



Source: ESG Search Term Trend for the UK, 2004-2021, Google Trends

## KEY STATS & COMMENTS

# 94%

FEEL THE SECTOR IS AWARE THAT CHANGE NEEDS TO HAPPEN

# 75%

CLAIM THAT MEETING ENVIRONMENTAL CHALLENGES IS A PRIORITY FOR THEIR BUSINESS RIGHT NOW

# 50%

ADMITTED TO NOT KNOWING WHAT WAS REQUIRED TO ACHIEVE NET ZERO AS A SECTOR, WHILE ANOTHER 44% WERE NOT SURE

# 100%

FEEL THE SECTOR IS LACKING CLEAR STRATEGY TO ACHIEVE NET ZERO

## ESG PRIORITY

“ ESG is definitely on our agenda. It's more about direction of travel as opposed to a specific ESG target for us. We're having to report on it this year.

“ We're passionate about sustainability, we're conscious of all materials we use and design better to reduce materials used.

“ We're still in the process of aligning ourselves with this goal (ESG), but it's a clear topic of discussion on our board. We have already introduced some measures, and we're bringing in more soon.

“ We started off around 10 years ago, it forces us to look at waste and utilities and cut down on them.

“ A lot of the major retailers are making an eco-friendly supply chain a priority, so we are being asked to comply with this. We are trying to do the right thing.

“ We have around 30 ESG trackers, and it's very high up the agenda.

“ This is a major one for us, we want to do the right thing and the market is going to move this direction. Our product is 100% recyclable, it's within our top 5 agendas right now.

“ A lot of our ESG changes are going to be driven by the clients.

“ I wouldn't say ESG is top of our agenda at the moment, but we've definitely made it a priority with our new factory opening.

“ It's not an agenda item, although we do recycle our cardboard and wood waste, and we use quite a lot of recycled fibres.

“ We have a full time ESG director, and I chair the ESG council.

## REDUCE REUSE RECYCLE

“ All of our industrial waste is consumed internally within the group.

“ We're introducing an eco friendly product this year, adding to one we added this year. We are also moving to LED lighting.

“ We're a scope 1+2 carbon neutral organisation, we're now looking to make that scope 3 as well. We're also zero to landfill, and we have dedicated workers doing it.

“ All of our card and plastic waste is recycled, we've invested heavily in variable speed drives so we only use the optimum amount of electricity, we separate most of our waste.

“ We offer a recycling facility for our clients, which we use to break our products down for components for repairs. If it can't be reused we break them down into secondary items and donate to charity.

“ We've put LEDs in the factory, we're putting solar panels on the roof. Most of what we use are natural materials, so they're sustainable - but we also have a zero to landfill policy.

“ We've reviewed the heating, lighting, layout of the factory and waste disposal. We're also reviewing the same in our existing site.

## BARRIERS

“ Consumers don't want to pay a premium at the moment for our more sustainable products.

“ A big thing we've noticed is that sustainability has been on the agenda for lots of businesses, but more recently has gone off the agenda due to bigger issues.

# CORONAVIRUS

## OVERVIEW

**There is little doubt that COVID19 has had a huge impact on almost every sector and industry and the furniture manufacturing sector in the UK has been no different.**

### POLARISING IMPACT

BFM's Nick Garratt explained that COVID19 had hit different businesses in different ways. The polarising impact was driven largely by sectors being supplied, but the routes to market that were being used was also key contributing factor to how the pandemic impacted individual businesses.

Those supplying product into the domestic furniture market would have generally had quite a good year, as the home became the focus for a lot of people, albeit littered with challenges along the way. On the other side, those supplying into the commercial furniture markets or hospitality industries will have found trading much more of a challenge.

### PHYSICAL STORE CLOSURES

Furniture had previously been somewhat protected against the surge in online shopping in many other sectors and maintained a strong presence on the high street, in shopping centres, and on retail parks. COVID19 really forced the hand here as physical stores were forced to close. In 2020 33% of retail furniture sales were made online, compared to just 13% in 2019. Those without an online route to market 'took a bit of a knock' to their sales forecasts whilst those with an established route to market using online sales channels will have reaped the rewards with some achieving record sales years.

### KEEPING UP WITH DEMAND

With demand being so unpredictable during the entire period many businesses have found it challenging to keep labour, raw materials and plant at the required levels. Those that were able to maintain facilities during the lowest demand periods whilst serving niche industries and sectors, saw a benefit as they were able to ramp back up to full production and beyond as the economy opened back up.

### ACHIEVING 'COVID-SAFE'

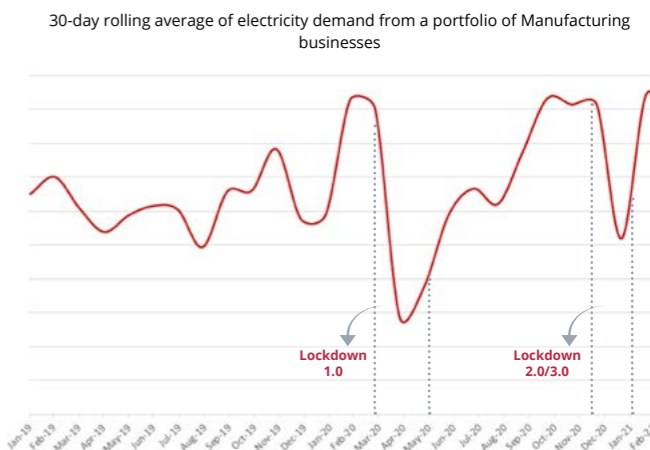
Many furniture manufacturing businesses have had to make significant changes to the way that they operate as a result of COVID19 regulations. Unlike other manufacturing industries that already operate in a way that prevents the kind of risks presented by COVID19, these organisations have had to make changes to shift patterns, how group working can operate, social distancing in walkways, and mask wearing. During this time some have also had vital staff isolating due to contact tracing, making the overall challenge that bit more difficult.

### EXPORT

Businesses that rely on export markets have experienced some of the most challenging trading conditions, with the perfect storm of COVID19 and BREXIT making it almost impossible to fulfil contract obligations in full.

### ENERGY

Energy demand is a useful proxy to help visualise the impact on the sector, when manufacturing businesses are active, they tend to use significantly more energy. The graph shown here shows a 30-day rolling average of electricity demand from a portfolio of Manufacturing businesses from 2019, through 2020, and into 2021. The drop off and climb back up just shows how much the sector was impacted.



Those businesses that buy energy flexibly have been able to take advantage and make considerable savings whilst those in fixed supply contracts will certainly find that they have breached contractual obligations in terms of the amount of energy they have consumed and could face penalty charges as a result.

The other major impact that COVID19 has had on the sector from an energy perspective is that obtaining credit has become more challenging, with more than 75% of contract offers requiring security deposits now compared to just 15% pre COVID19.

### SUMMARY

The sentiment of the group was that whilst COVID19 has been a massive challenge, it has been important to remain positive and to protect the jobs of the 90,000 people employed by the UK furniture manufacturing industry.

With the feeling that the worst is now behind us and as we look forward to the opening up of the economy, physical stores, hospitality, and commercial buildings being occupied again, the furniture industry has reasons to be proud of how it has handled the challenge so far and optimistic as it looks forward to some further 'pent up demand', in particular for those within the hospitality and commercial sectors.

## KEY STATS & COMMENTS

86%

OF PARTICIPANTS HAD TO MAKE PHYSICAL CHANGES TO SITE

4 OUT OF 5

PARTICIPANTS HAD TO CHANGE SHIFT PATTERNS

94%

HAVE CHANGED THE WAY MANAGEMENT COMMUNICATES WITH STAFF

### GENERAL STATE



Initially in 2020, there was quite a bit of confusion as to whether we could be open and manufacture or not.



Fulfilling COVID guidelines was tough to start with, we've had people isolating due to track and trace.



We've reordered shift patterns and walkways, and implemented distancing and masks at all times.



A lot of our sales were to independent retailers who were closed, so we diversified our output into gowns for hospitals, which we're well suited for.

### PEAKY DEMAND



Summer brought positivity, but then everything dropped off again.



We kept two of our manufacturing sites open, which turned out to be a blessing because it allowed us to keep up with demand when everything opened up.

### ONLINE



The move to online sales helped us massively, as we had the framework ready. It's brought a year of sales we actually weren't expecting.



We saw big losses as some of our biggest buyers didn't have an online presence.



Our product suffers when you don't have the ability to go in and test it.



Shopping online has been the direction of consumers for a long time, but furniture hadn't really experienced this. So, shops closing was a big knock to sales.

### POLARISING IMPACT



We had record months in July, August, September, October and November.



We're in line to finish the year as well as we did last year, which is a miracle.



Our export and contract business has really suffered as a result of COVID.



It started off with absolute pandemonium, with lots of closures killing our demand.



We went into lockdown with a good orderbook, but many of our projects fell apart quite quickly.



# PREDICTING DEMAND

## OVERVIEW

**Being able to predict demand is critical for furniture manufacturers as it enables them to plan production accordingly, have adequate labour resources and raw materials to fulfil orders in a timely manner in line with their customer's expectations.**

### CURRENT DEMAND

BFM's Nick Garratt suggested that 'spring into summer' would normally be a very busy time for furniture manufacturers, but demand at the moment is down because the stores are closed. It will be interesting to track activity as stores begin to open, as well as monitoring or trends that could be contributing to the current demand.

### CONSUMER CONFIDENCE

During periods of economic uncertainty, consumer confidence is always a critical driver of demand for furniture products, along with many other medium to large purchase decisions (cars, holidays etc). Right now we're seeing a slightly cautious approach, but as things begin to open up and physical retail stores reopen, there is no reason to doubt this confidence to spend money will return.

Those supplying into the contract market are currently experiencing some of their contracts just choosing to hit the 'pause button' while they see how things play out. This was very much described as projects being paused, rather than cancelled, with every confidence that these projects would be picked back up again in the future.

### PENT UP DEMAND

Lots of manufacturers talked about 'pent up demand' with the expectation of independent retailers coming back with a bang when they are allowed to reopen. However, this optimism was matched with equal uncertainty of how long the purple patch during the summer might last.

### AVAILABLE ALTERNATIVES

Whilst the last year has made leisure activities challenging, and while most have drastically underused their vehicles, many families will have opted for home improvements over holidays or new cars as a way of spending disposable income, which has been a huge boost for those furniture manufacturers that supply into the domestic furniture market.

The fear for the sector is that as leisure activities return, this disposable income will go back to being spent elsewhere and the home improvements will play second fiddle for some time whilst people 'catch up' on what they have missed in terms of holidays and social events.

### DIVERSIFICATION & PERSONALISATION

Some manufacturers found that using their assets and skill sets to produce a more diverse product range has helped them thrive over the last year. Being able to pivot and react to changing demand could play a more significant role in the future of furniture manufacturing, particularly as consumer habits change to demand more unique and personalised products.

### SUMMARY

The groups of manufacturers we spoke to all agreed that spikey demand is not helpful when it comes to planning, but the consensus was it could be some time before demand patterns return to a 'new normal', so getting used to being able to cope with the peaks and troughs would become critical over the foreseeable future.

“**The fear for the sector is that as leisure activities return, this disposable income will go back to being spent elsewhere and the home improvements will play second fiddle for some time whilst people 'catch up' on what they have missed...**”

## KEY STATS & COMMENTS

# 63%

HAD SIGNIFICANT  
IMPACTS ON SALES  
FORECASTS IN 2020

### LOOKING BACK



Demand has been through the roof, so much so that we have struggled to keep up. Our output numbers last year were up around 10% from the year before.



Right now [March] would usually be a very busy time for furniture manufacturers, but demand has been less than usual.



We deal internationally, and some of these markets have been doing very well especially in Asia.



Our orderbook increased massively, and we actually struggled to keep up with the demand we saw.



There's probably more nervousness about the end of the year, as holidays, social events, etc. start resuming again, a lot of people are worried this may have a negative impact on furniture demand.



Our projects have been suspended rather than cancelled, so we're fairly confident sales will pick up again in the future.

### LOOKING FORWARD



Pent up demand [post pandemic] is something we're definitely expecting.



I believe there is a lot of pent up demand, with a preference to buy British, which helps us.



We're positive about the future, we also predict a lot of pent up demand to come, when independent retailers open up.



We're predicting a big spike in demand, but what will be interesting to see is how long it lasts towards the end of the year.



We're expecting strong demand once shops are open again.



Demand from July onwards will be very interesting to see, where will disposable income be spent and how will the supply chain respond. Predicting demand has been very challenging.

# RAW MATERIALS & LOGISTICS

## OVERVIEW

**With the challenges in predicting demand came an almost universal struggle to source raw materials at predictable prices, with all participants citing concerns over the availability and costs of raw materials.**

**Demand seems to be outstripping supply with some participants citing the current situation as the 'worst period of their careers', others raised 'genuine concerns over the cost of raw materials and pricing' and most raising supply chain as their 'biggest current challenge'.**

### RAW MATERIAL AVAILABILITY

The availability of raw materials is fundamental to the successful operation of all the participants involved in the discussion. The challenges appear to span most raw materials and has and is continuing to affect both domestically produced and imported raw materials. Some cited European raw materials providers reducing their supply into the UK while others were experiencing challenges getting goods imported from the far east due to logistics challenges. Overall this has made meeting the demand challenging.

### RAW MATERIAL PRICING ANALYSIS

The British Furniture Manufacturers Association create a monthly report showing the latest pricing trends with a selection of raw materials typically used in furniture manufacturing. The graph below shows the spread of year-on-year changes as at 1st April 2021. Only 9 out

of the 72 indices being tracked showed lower prices compared to a year ago, and most raw material indices showed between 10% and 96% increases year-on-year with an average unweighted YOY increase of over 25%.

### FREIGHT & LOGISTICS

The cost of freight has been another challenge for the furniture manufacturing industry to deal with, but has offered some upside for UK based furniture manufacturers. One example cited was the cost of a container from the Far East increasing from a fairly standard \$2,000 to a massive \$12,000, a 6-fold increase. This has made importing raw materials or finished goods from the Far East hugely uncompetitive. Many participants revealed that they were using all available alternatives to avoid this increased container cost, whilst accepting that this did make imported finished goods uncompetitive compared to furniture manufactured in the UK.

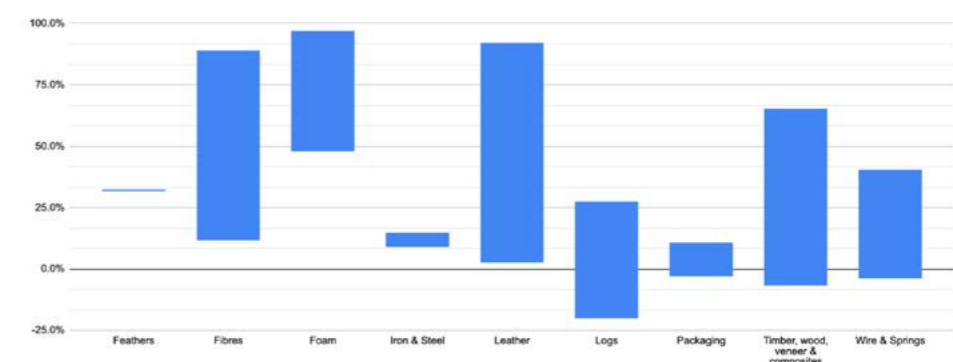
### THE ROLE OF BREXIT

The handling of BREXIT by the UK Government was largely accepted as being a key influence to how it was now impacting supply chains. The unpreparedness of businesses to handle the administration has had the knock on effect of creating delays, with some referencing 72 hour services now taking 1-2 weeks, and others having difficulty importing from or exporting to Europe. Whilst BREXIT could be a cause of delays for raw materials it was not considered to be a major contributing factor to the increases in raw material costs.

### SUMMARY

The supply chain challenges that the sector is currently facing is by far the biggest right now, with every single participant having plenty to contribute to this topic. In order for calm to be restored, many other circumstances will need to be resolved and it looks as though this is one challenge that will be with furniture manufacturers for some time to come.

Raw Materials Pricing - YOY Changes (Min/Max)



Source: [http://bfm.org.uk/images/bfmfeb21/prices/Prices\\_report\\_April\\_21.pdf](http://bfm.org.uk/images/bfmfeb21/prices/Prices_report_April_21.pdf)

## KEY STATS & COMMENTS

# 88%

HAVE EXPERIENCED INCREASED ISSUES WITH RAW MATERIAL AVAILABILITY

# 69%

HAVE BEEN IMPACTED BY INCREASED FREIGHT COSTS

### AVAILABILITY

“ Over the last 12 months materials supply became a real challenge. Like many businesses our supply struggled to keep up with demand.

“ Our biggest challenge is probably supply chain related, foam has been incredibly difficult to get hold of.

“ A few key suppliers to the materials market for furniture are experiencing issues so they're going to cause major disruption again.

“ Raw materials manufacturers across Europe dropped their volume levels drastically.

“ Price and availability was a massive issue for us. Physically closing plants because you couldn't get hold of foam is pretty dire.

“ In my entire career, supply right now is at its worst.

“ Lack of supply and price of raw materials has been a big challenge for us. The unpredictability has been very damaging.

### RAW MATERIALS PRICING

“ Suppliers have pushed their prices up & demand has been massive, so they've been allocating resources.

“ Across the board, leather, MDF and panel boards prices are up 25% according to official government figures.

“ The price of foam increased by around 46% over the last 12 months, and with exchange rates it's nearly 55%.

“ Cotton is up 29%, polyester 16%, feathers 30%, wood panels 26%.

### FREIGHT

“ A lot of our supply chain is in the far east, and the freight costs from those areas has increased massively.

“ We were assured freight costs would decrease in 2021, but we've been informed by our contacts in Asia that this isn't going to be the case.

“ There has been lots of container displacement due to delays.

“ Our freight costs have gone from C\$1,500 to \$10,000-\$11,000.

“ Big increases in freight costs means consumers will see increases in furniture prices. However it does make UK furniture manufacturing businesses more competitive, with finished products manufactured abroad costing significantly more.

“ Buying from China is probably prohibited for us, because of the cost of freight.

### BREXIT

“ Our supply chain is international, so importing supplies was affected by BREXIT largely.

“ It (BREXIT) threw the logistics industry into turmoil. I don't know of a single courier that has got the UK to Ireland piece right yet.

“ It's causing more problems and admin costs, many have had to hire outside expertise to help with extra paperwork.

“ I don't think BREXIT is the main cause of the price increases of materials.

“ The government left the BREXIT deal too late and many businesses were unprepared for its outcomes.

“ BREXIT has had a big impact on us, and the government left everything until the last minute. It's caused delays and price increases in transport.

“ A quarter of our business goes to Europe, and we get raw materials from there too - that has been painful for us.

“ New BREXIT shipping has made it harder to get our products out of the country.



# LABOUR CHALLENGES

## OVERVIEW

**The availability of labour is a key component to a successful operation in the furniture manufacturing sector and a sentiment that was shared across the groups was how challenging this had been throughout 2020 and into 2021.**

**The current challenge appears to be a result of the perfect storm that is BREXIT, COVID19 and the economy combined with a generation that don't see manufacturing as a career.**

### COVID19 IMPACT ON LABOUR

The confusion early on as to whether manufacturing sites could remain open during the pandemic only added to the challenges faced by the sector when it came to managing their workforce throughout.

The guidelines have made working as 'normal' impossible for many within the sector with 4 out of 5 we spoke to having to make some changes to how shift patterns were structured in order to accommodate the working guidelines. Some manufacturers had staff shielding and others with children that meant key staff were unavailable for months at a time and replacements with the right skills were hard to find.

### IMPACT OF THE ECONOMY ON LABOUR

The Coronavirus Job Retention Scheme was universally accepted as a fantastic life saving instrument for the sector and the wider economy, but it has caused an unintended consequence where some skilled labour is 'caught up' in the furlough scheme where in normal circumstances those skills would have been available to hire. As the furlough scheme ends there are predictions that suggest labour will be available, but as many of those we spoke to reiterated, getting the 'right labour' is always the challenge.

**Workforce surveys conducted by the BFM has, in the past found that some companies labour originating from Eastern Europe was an average of 33% and in some cases as high as 70%, but their 2019 survey found this figure was down at 25% on average...**

### BREXIT IMPACT ON LABOUR

Workforce surveys conducted by the BFM has, in the past found that some companies labour originating from Eastern Europe was an average of 33% and in some cases as high as 70%, but their 2019 survey found this figure was down at 25% on average, demonstrating how BREXIT will change the workforce within this industry on a scale that will be challenging to keep up with.

The manufacturers we spoke with that referenced this risk have now put stronger HR in place to combat this and focus on retention, and right now, they seem to be winning the battle.

### MILLENNIAL/GEN Z CAREER PATHS

One of the manufacturers we spoke with referenced the difficulty in recruiting younger workers. The discussion was picked up by others as a broader challenge within manufacturing in that recent generations, such as Millennials and Generation Z, simply don't see manufacturing as an industry that they want to work in.

Reasons for this could be down to the lack of relevant skills being practiced during their education or alternative career paths being promoted in a better light. Add this to the challenges caused by some of the other areas and there is a real future challenge for the sector brewing.

### AUTOMATION

There were two opposing sentiments here, with some looking at automation as a way to solve the challenges being faced on the labour front, whilst others felt they were in industries where this wasn't an option. For those where automation is an option, they saw it as 'helping them through' rather than replacing labour, whilst those where automation isn't an option suggesting for example that "you can't automate upholstery, so we need trained workers". Either way, these sentiments seemed to agree that there will still be a huge reliance on labour within furniture manufacturing, regardless of the potential for automation to bear some of the load.

### SUMMARY

The sector is facing some serious challenges with labour right now and these challenges will only continue to increase as the availability of skilled labour continues to decline. Whilst some are looking to automation to solve some of these challenges, it is not a universal fix, and more will need to be done at grass roots level to ensure the future labour market can service the UK furniture manufacturing sector.

## KEY STATS & COMMENTS

38%

HAVE HAD CHALLENGES HIRING LABOUR IN THE LAST 12 MONTHS

25%

OF LABOUR ORIGINATES FROM EASTERN EUROPE DOWN FROM 33% IN 2018

### CHALLENGES

“

Getting labour isn't the issue, getting the right labour is always the challenge.

“

You can't automate upholstery, so we need trained workers.

“

In the furniture manufacturing business labour turnover is very high.

“

It's proving very difficult to recruit youngsters to our sites.

“

We've struggled to recruit in the shipping import and export department in the last 5 months.

“

One of our long term employees left the business, and we've been struggling to find a long term replacement.

### OVERSEAS WORKERS

“

A lot of our labour historically was from Eastern Europe, so labour turnover was high.

“

33% industry workforce were from Eastern Europe, some companies as high as 70%. In 2019 that had dropped to 25%.

“

Access to the right qualified employees is also a challenge for us. 10-15% of our workforce is from Eastern Europe, which could be a challenge going forward.

“

We recruit from all over the world which has been difficult to do.

“

We were trying to bring in a sales director from overseas, but with BREXIT and new settling laws, we were unable to hire them.

### WORKING WITH COVID19

“

We had people who were shielding, people with children and moving into PPE meant we had to go out and find workers with the right skillset.

“

We furloughed half the workforce but we brought everyone back by the end of June - we then had a record July, & a great August to November.

“

We had to recruit and train an entirely new team, on a second shift within a 6 week period.

“

Government support, I'd say the furlough scheme has been amazing.

### FINDING SOLUTIONS

“

We've definitely seen a big labour shortage, luckily we were in areas where other competitors weren't doing well, so we picked up staff from them.

“

We've improved our HR for employees, and our labour retention has gone up massively.

“

Training employees takes time, so we've switched to a system of staff retention focus which has helped.

“

Skilled labour has always been a challenge for us, so we go down the teaching route.

**FINALLY, WE ASKED...**

**IF YOU HAD TO GIVE A SCORE OUT OF 10 ON YOUR CONFIDENCE IN THE FUTURE FOR THE INDUSTRY, WHAT SCORE WOULD YOU GIVE & WHY?**



I'm reasonably optimistic, between 7-8/10 - There is a concern that money will be spent in other areas and we really need to get together on the sustainability front, you have to really engage the supply chain.



Up to Christmas we were probably a 9 or 10/10, but I think people's focus will go onto other products and not furniture. Labour is the major issue for me, we need more local labour.



We're at a 8-9/10 in terms of confidence, the market demand is definitely there. The market is there for sustainable products, so we need to come together for that to be fulfilled.



For this year we're optimistic, the longer term is a bit of an unknown. We're fairly optimistic short term, we've got a strong order book now. The big issue is labour for us going forward.



My main focus is the ESG subject, I think we're going to put more resources into that, but we're fairly optimistic.



My confidence in the market is 8/10 - we've got a good orderbook at the minute with pent up demand.



I'm confident there's pent up demand in the short-medium term, I'd say 8.5/10. I think labour is going to be a problem, and we need to keep investing in homegrown staff.



I'm confident about the future, demand will come back, I'm at an 8-9/10. We're over a lot of the humps of BREXIT and labour, raw materials cost and supply is going to be an issue in the future.



Long term we're still in a good position, I don't think the Government will give us any special treatment. I'll go with a 7/10.



Pent up demand for things that aren't furniture are far greater than they are for furniture - so when we get more freedom, the amount spent on things that aren't furniture will increase massively.

# CLOSING REMARKS

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**FRAZER DURRIS**  
Chief Executive Officer,  
Businesswise Solutions

**As a key manufacturing sector in the UK, the Furniture Manufacturing Industry is one that we feel proud to serve. There is a diverse range of organisations working under extreme pressure to provide stable employment for thousands of skilled workers directly, and millions indirectly. We feed off the passion for their craft and are committed to helping the sector achieve its goals so they can focus on creating fantastic British made products.**

What we have learnt from this insight project is that businesses in the furniture manufacturing industry are passionate about doing the right thing, whilst putting innovation and agility at the centre of how they operate, Both of which really resonated with our own philosophy and approach.

Many of the participants echoed the sentiments that our clients have been talking to us about recently, with issues around ESG topics being pushed up the agenda, but having difficulty finding the headroom to focus on how they can achieve progress in these areas.

That's why creating this report was important to us, to amplify the voices from across the entire market spectrum and truly understand how they are taking on the biggest challenges they are facing.

Projects like this serve as a constant reminder to me of our purpose, which is to allow businesses of all sizes to seriously contemplate de-carbonisation and Net Zero projects. Our solutions level the playing field and provide businesses of all sizes to access the kind of solutions that large corporations take advantage of, without the need for in-house teams or upfront investment.