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Domestic Market for Jepara Wooden Furniture

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Abstract

Jepara regency is the center for wooden furniture industries in Indonesia, and the products are generally marketed through a number of channels. Observed from the artisan to the last consumers, there were 5 common patterns of marketing channels in Jepara regency. The structure of the furniture market in Jepara is segmented based on product, quality, and price, therefore this condition has resulted in the monopolistic competition market structure at artisan level and showroom (furniture shops). Artisans of furniture in Jepara usually get the most orders in July, September, and December. The increase in furniture production was influenced by the religious celebrations of Idul Fitri and Christmas. The survey of furniture shops revealed that most raw materials used by the shops were half-done or unfinished furniture bought from the artisan. The best selling furniture design was elegant design with carved ornaments. In the meantime, the survey result of the households in Jepara which envolved households with permanent, semi-permanent, and non-permanent houses as respondents showed that each type had a different value in the process of searching for information concerning furniture models and places to buy furniture.

Keywords: wooden furniture, teak, Jepara, market structure

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Introduction

Timber industries play an important role in increasing foreign exchange and developing the country's economy. The development of timber industries in Indonesia was begun in the 1970s by the export of logs. In the early 1980s, timber industries developed into saw mill industries. Further, in mid-1980s the government prohibited the export of logs and sawn wood. This prohibition incerased the number of plywood industries. However, the economic crisis in 1998 made plywood industries fall in sluggish situation, not only because they gave a low added value but also because there was a shortage of raw materials.

As the decrease in the availability of raw materals for industries and the increase in labor cost of wood-based industries, wooden furniture became a small industry which had a good chance to develop not only to earn foreign exchange but also to stimulate the growth of national economy due to its high added value, strong backward lingkage, job creation potential, market growth, and the competition in the international market. According to the statistics of 2000-2005, the furniture industries contributed to the country's income by 17%. In 2005 the furniture export reached US$ 1.78 billion comprising 75% wooden furniture, 20% rattan furniture, and 5% metal/plastic furniture.

Jepara wooden furniture is very potential for domestic market while the export opportunity still depends on the fluctuation of rupiah exchange rate against the US dollar. According to the Head of Association of Indonesian Furniture Industry and Artisan (ASMINDO) of Jepara Region Commission, Akhmad Fauzi, in 2006 the sale for domestic market increased by 6-8% and it was expected that by the end of 2007, the growth of domestic sales could reach by 10%. Domestic market potential can be observed through the people's appreciation level for Jepara furniture. Nowadays the composition between the furniture for export and domestic market is still around 60% for export and the rest is for local market. The production of Jepara wooden furniture in 2007 was 2,589.872 sets/unit worth Rp1,165,443,323 (*BPS Jepara* 2007). The increase in raw material prices and production cost made furniture demand from Jepara went down both for export and for domestic market. However, the prospect of Jepara furniture in domestic market is still bright regarding to the fact that Jepara wooden furniture is still one of the favorite furniture types among the Indonesian people and since teak wook has been an insperable part of the people's culture.

To boost domestic market segments for Jepara wooden furniture, it is necessary to create an appropriate market plan by learning marketing channels and market structures for Jepara wooden furniture. In addition, it is important to find out the furniture designs or models which customers like. The tighter the competition in the furniture industry sector, the more important the customer satisfaction is. To win the competition, the producers should be able to fulfill the customer needs. In this research, period within a year could be considered as the peak production activity of wooden furniture was also observed. After learning about the aspects related to the furniture marketing, a good plan would be made to increase the profit in line with the growth of furniture product markets.

Method

The data collection was carried out by surveys. The data used in this research consisted of primary and secondary data. The primary data in this study was collected by means of direct interviews with the respondents. The secondary data was gathered from Central Bureau of Statistics, ASMINDO, and governmental agencies or other related institutions.

The number of respondents (based in Jepara) observed in this study was 30 artisans, 3 brokers or half finished collectors, 22 shops or showrooms, 1 exporter, and 30 households (10 households with houses of permanent types, 10 households with houses of semi-permanent types, and 10 households with houses of non-permanent types).

The steps taken in data collecting depended on respondent groups, which included:

1 Determining the first sample was conducted using the stratified sampling towards the subdistricts which be come the industrial center for Jepara wooden furniture such as Kecamatan Jepara, Kecamatan Tahunan, Kecamatan Mlonggo, Kecamatan Bangsri, Kecamatan Batealit, Kecamatan Kedung, Kecamatan Pakis Aji, and Kecamatan Pecangaan.

2 Determining the number of samples for industry or artisan was done using the purposive sampling towards the population of industries and craftsmen in the subdistrics which were considered as the center for furniture industry.

3 Determining the respondents using the purposive sampling, and tracing the marketing chains to find out the marketing cannels.

4 Taking samples of shops and showrooms was carried out using the purposive sampling.

5 Determining the location for collecting samples of house holds was conducted using stratified sampling in three subdistricts (Kecamatan Tahunan, Kecamatan Jepara, and Kecamatan Batealit). Collecting samples of house holds was also conducted using the stratified sampling, which included the households with houses of permanent type, semi-permanent type, and non-permanent type. Taking household samples which used Jepara wooden furniture was conducted in random.

Result and Discussions

Marketing channel A marketing channel is a set of interdependent organizations which are involved in the preparation process of products and services so that the furnitures are ready to be used and consumed. A marketing channel has the duty of moving goods from producers to consumers. This is done to overcome the gap in time, place and ownership which separates goods and services from the people who need them (Kotler and Kevin 2007). The chart of identified common marketing channels of Jepara wooden furniture is shown in Figure 1.

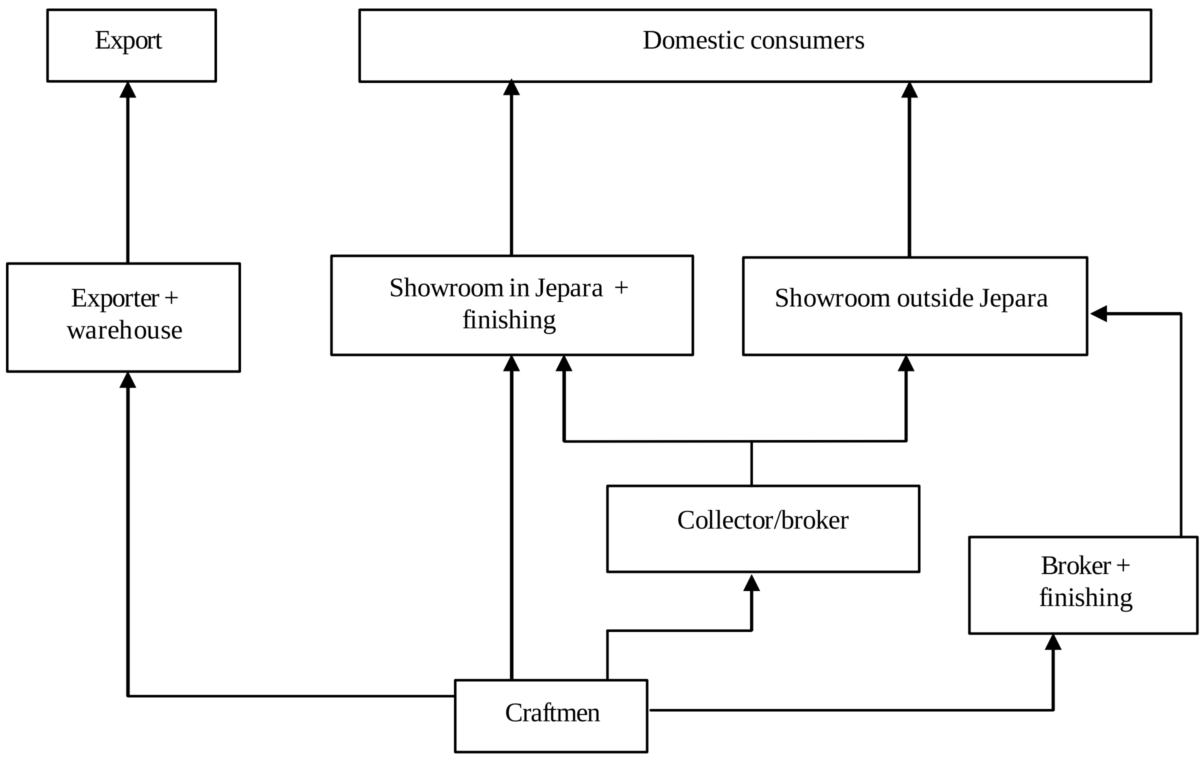

Figure 1 Chart of jepara furniture marketing channels.

Jepara wooden furniture marketing channels as described in the chart above consist of several channels, among others:
1 Artisan - exporter + warehouse - export.
2 Artisan - showroom + finishing - consumer.
3 Artisan - collector/broker - showroom + finishing - consumer.
4 Artisan - collector/broker - showroom outside Jepara - consumer.
5 Artisan - broker + finishing - showroom ouside Jepara - consumer.

Limbong dan Sitorus (1985) stated that a marketing channel could be charaterized by looking at the number of its channel levels. One-level marketing channel, two-level marketing channel, and three-level marketing channel are actually the marketing channels with one, two or three brokers. According to this definition, it was determined as following discussion.

Marketing channel 1: In this marketing channel, raw furniture made by an artisan was sold to an exporter who then did the finishing process before then exported it. Marketing channel 1 is actually a two-level marketing channel with an exporter as the broker.

Marketing channel 2: In marketing channel 2, raw furniture or half-finished furniture made by artisan was bought by a showroom in Jepara. Then, the showroom did the finishing process and sold it to consumer. This is actually a one-level marketing channel with a showroom as the broker.

Marketing channel 3: Different from marketing channels 1 and 2, the artisan in marketing channel 3 sold unfinished furniture to a collector or broker. Then the broker sold the furniture to a showroom. Similar to channel 2, the showroom did the finishing process of the furniture before selling it to consumers. Marketing channel 2 is a two-level marketing channel with a broker and showroom as the middle party. The middle party of marketing channel 3 was a broker and showroom.

Marketing channel 4: Marketing channel 4 is similar to marketing channel 3 in that a broker bought furniture from an artisan. The broker sold the furniture to a showroom outside Jepara. Marketing channel 4 was a two-level marketing channel with a broker and showroom as the middle party.

Marketing channel 5: In marketing channel 5, unfinished furniture was bought and finished by the collector. Then the furniture was sent to a showroom outside Jepara. This marketing channel is a two-level marketing channel with a broker + finishing and a showroom outside Jepara as the middle party.

In the above-mentioned marketing channels, generally the furniture which was made by an artisan was bought by a households and an industry. Households bought furniture only for use while industries bought furniture to be further processed and sold to showrooms outside Jepara or to be exported after the finishing process. The furniture which was bought by an industry was generally raw furniture or half-finished furniture.

From a number of patterns of the wooden furniture marketing channels above, it was identified that the most popular pattern was marketing channel 1 (artisan - exporter + warehouse - export) and marketing channel 4 (artisan - collector/broker - showroom outside Jepara - consumer). Marketing cannel 1 was preferred by artisans due to the continuous order and artisan's pride because the furniture they produced could be exported.

The fact that marketing channel 2 was often found in the field was caused by a number of factors, i.e. the artisan found it easy to market their products. The artisan did not have to spend any additional cost to market their furniture because a collector would come to their place to buy their furniture. In addition, the artisan would feel secure in producing furniture since there was a regular collector/buyer. Another factor was that the access to market information of furniture buyers was closed. The collectors or brokers were very closed concerning the market information and the broker did this on purpose to lessen competition so that the artisan only sold their furniture to the collectors.

Market structure Jepara regency which is a cluster center has different characteristics in terms of market. The market of Jepara furniture has been segmented based on price, quality, and location. The structure of Jepara wooden furniture can be classified into the furniture market at artisan level and the furniture market at shop or showroom level. Classifying Jepara artisan based on types of furniture product will make consumers lead to a certain location when they want to buy furniture. The consumer who wants to buy chairs or a cupboard will go directly to Tahunan Tendok Village or Kecapi Village.

There are many furniture artisans in Jepara with segmented products. Index value of Herfindahl for artisan (30 respondents) was 0.052 (close to zero), which means that the market structure was monopolistic seen from the seller's point of view (Annex 1). At showroom/shop/outlet level, there were product segmentation: high quality products and low quality products. For the consumers who wanted to buy high quality products, Sukodono Village is the place. However if consumers wanted to buy products of medium quality, they could buy them in Tahunan and Senenan.

The quality-based segmentation resulted in price-based segmentation. Herfindahl index value of shops/outlets was 0.15 (Annex 2). This index value is close to zero, meaning that the market was getting competitive. The market structure at showroom or shop level was classified into a monopolistic market (viewed from the seller's point of view) with a segmentation in the furniture price and quality of each location of showrooms/shops/outlets.

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Prediction of the artisan's peak season of wood furniture production Based on the interview on production rate during year 2008 conducted to 22 respondents, it was revealed that in general, furniture production tend to increase before Idul Fitri and Christmas as is shown in Figure 2. The increasing rate of furniture production is occured in July, September, and December. In July, furniture production was 16%, while in September and December it was 13%. According to the respondents, increasing production rate in July and September was related to the consumer preparation in celebrating Idul Fitri. Similarly, when welcoming Christmas, consumers tried to complete their furniture. Figure 2 shows that January until April, the furniture production was relatively constant. Even in February, the furniture production was not on the increase since most parents are focusing their expenditure for their children's education and preparation for going to the pilgrimage to Mecca.

In general, artisan produced furniture based on order. In Figure 2, the increase in order received by the artisan occured in the months of July, September, and December. However, in the other months, the artisan did not get additional orders both from collectors/brokers, shops/ outlets or households. In other words, the craftsmen's production levelled off.

Furniture shop/showroom

Source of raw materials for shops/outlets/showrooms The raw furniture obtained by furniture shops/showrooms in Jepara were obtained from two sources: self-made (24%) and small furniture industries (76%). The shops which made furniture by themselves usually bought logs, sawed the logs into planks, made the furniture, and did the finishing. The other source was half finished or unfinished furniture which was bought directly from artisan or from brokers. Based on Table 1, it can be determined that most of raw furniture were obtained from small furniture industries. The relationship between shops and source of raw furniture certainly showed that furniture shops had backward linkages (strongly connected with supporting industries) and high added value.

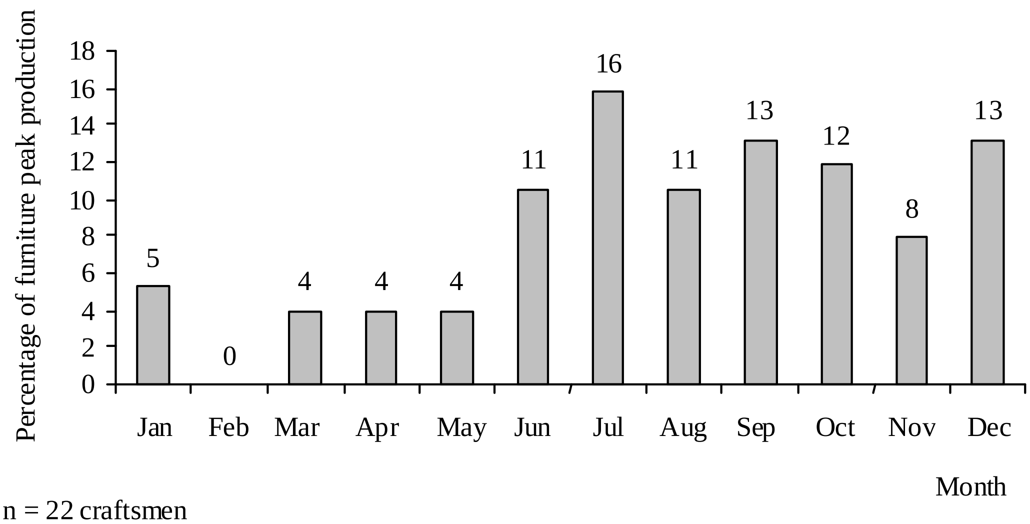
Structure of consumers The consumers who bought furniture from a shop were identified as households (57%), showrooms (36%), and companies (7%). Furniture consumers from households and companies were from Jepara and outside Jepara, while showroom consumers were mostly from outside Jepara. The percentage of consumers who bought furniture in a shop/outlet is shown in Figure 3.

Furniture design The furniture design is one of the important aspect attracting consumers to buy a particular furniture product. Furniture designs can be classified as elegant design, simple (minimalistic) design, oriental design, futuristic design, and classic design. Figure 4 shows the percentage of the designs which were chosen by consumers. Interview regarding to Jepara customer's most preferable design showed that the most favorite furniture

Table 1 Source of raw materials for furniture shops/showrooms in Jepara District

Made by the industry itself	Other furniture (craftsmen)
24%	76%

n = 23 furniture shops/outlets



n = 22 craftsmen

Figure 2 Estimation of the peak production of wooden furniture in a year.

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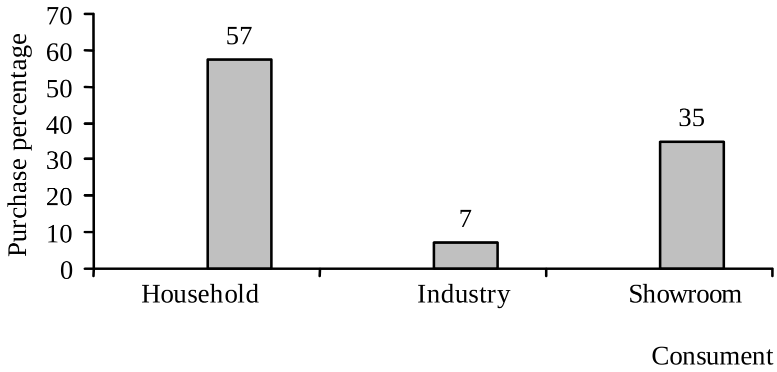
design has been elegant design (49%). Elegant design becomes the consumer's choice since the design gives the impression that it is particularly beautiful, especially in terms of carved ornaments. In the other side, approximately 34% consumers liked simple design. This design was generally chosen by household consumers who did not like the shapes of carved ornaments. Oriental and classic designs were not so popular among household consumers (13% and 5%, respectively). These designs were only chosen by certain households.

Household consumers

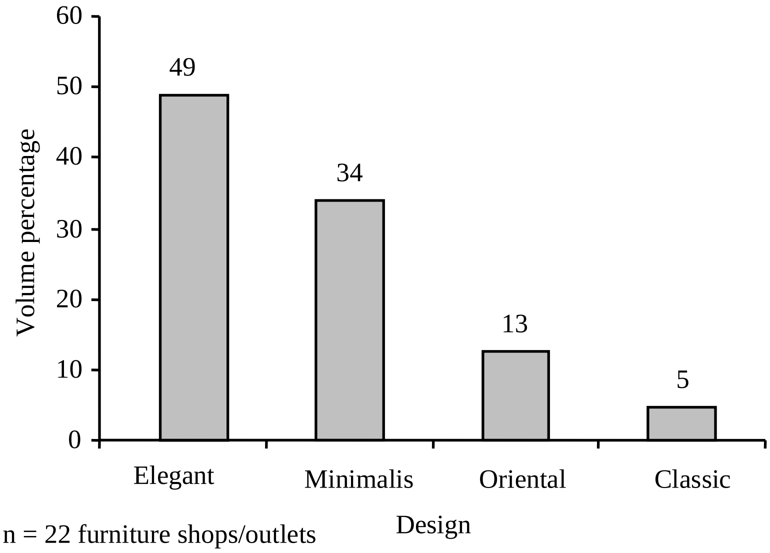
Places to buy furniture The household consumers in Jepara have a number of choices in buying furniture. They can buy furniture in a shop/outlet or directly order from an artisan. In fact, many households with different types of houses (permanent, semi-permanent, and non-permanent) prefer to make a direct order to an artisan. Approximately 60% of the households with permanent type of house, 78% of the households with semi-permanent house, and 90% of the household with non-permanent house, preferred to make a direct order to a craftsman when buying furniture. The consumers of the households with permanent type of house made more shopping in a shop compared to the other types of households since the households with a permanent house have a higher income (>Rp2,000,000) compared to the other two types of households. Buying furniture in a shop was considered more practical, and additionally, a shop offered a variety of choices. The households with semi-permenent and non-permanent houses preferred to buy furniture directly from an artisan because the prices were relatively lower than the prices of furniture in the shop. The furniture they bought from an artisan was usually still half finished or unfinished furniture in the hope that they could do the finishing process step by step depending on their financial condition. In this case, we considered that the income rate of consumers influenced the buying place of furniture. Figure 5 shows the distribution of buying place channels of wooden furniture by the households.

Source of furniture purchasing information Before making a purchase there are several steps taken by consumers such as searching for information of furniture models and



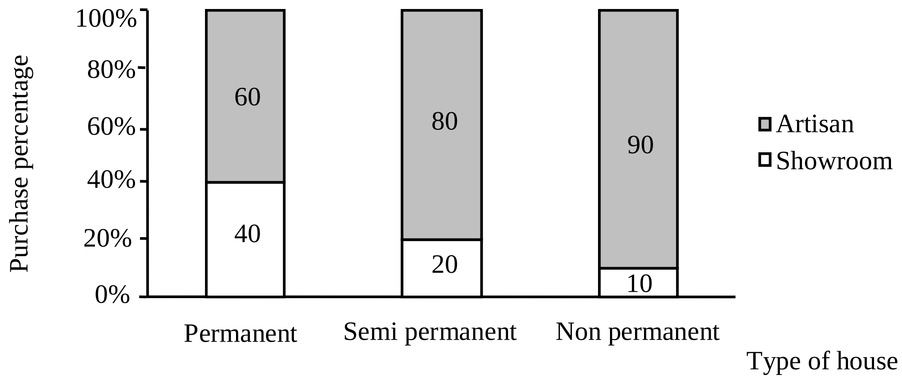
n = 23 furniture shops/outlets

Figure 3 Structure of Jepara wooden furniture consumers.



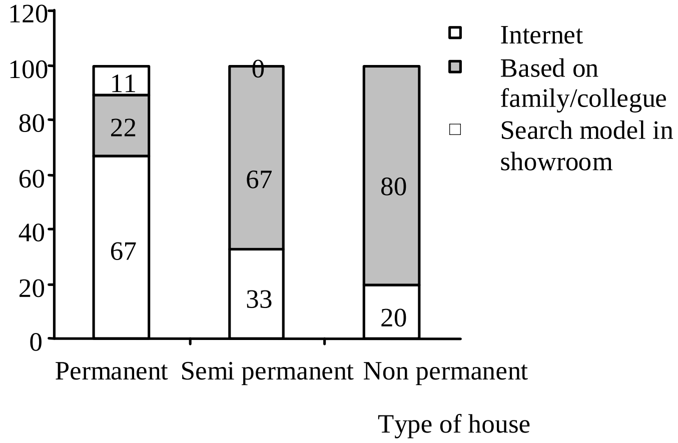
n = 22 furniture shops/outlets

Figure 4 The consumer`s preferable furniture designs.



n = 30 households

Figure 5 Distribution of wooden furniture buying place channels by households.



n = 30 households

Figure 6 Source of information on furniture models for each type consumers.

furniture designs. The way to choose furniture which would be bought by households in Jepara in principal was almost the same for each type of houses: by looking at models owned by relatives or colleagues and in showrooms (Figure 6) As much as 67% household consumers with a permanent type of house was looking at a model in a showroom, 22% looking at a model from relatives or colleagues, and 11% looking at a model on the internet. In case of consumers with semi-pemanent type of house, as much as 33% looking at a model in a showroom, and 67% from relatives/ colleagues. In the other side, 80% consumers with non-permanent type of house preferred to see furniture models from relatives and the rest of 20% from showrooms. According to consumers with semi-permanent and permanent houses, they saw models when visiting their relatives or friends.

Conclusion

Based on the research, it was revealed that the marketing channels of Jepara wooden furniture can be divided into five marketing channels. The market structure was monopolistic at the levels of artisan and furniture shops. The raw furnitures mostly used by furniture shops were un-finished or half-finished furniture bought from artisan. In terms of production, the peak season was in July, September, and December where there was a great increase in production rate due to the coming of Idul Fitri and Christmas. The analysis also showed that consumers (households) which were classified according to types of their houses as permanent, semi-permanent, and non-permanent have a significantly different information channels in getting information on design and type of the furniture they were going to buy, and the place to buy furniture. The survey of sales analysis in Jepara furniture shops showed that consumer's favorite furniture design was elegant design.

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Annex 1 Index value of Herfindahl for artisan

No	Artisan	Production volume per month (m^3)	Market segment	H^2
1	Wahib Ulin Nuha	2	0.028	0.0008
2	Sumarlin	2	0.028	0.0008
3	Ayik	3	0.042	0.0017
4	Jamaluddin	2	0.028	0.0008
5	Hadi Mulyono	4	0.056	0.0031
6	Nur Faizin	2	0.028	0.0008
7	Suratman	4	0.056	0.0031
8	Uung Rusmiyanto	3	0.042	0.0017
9	Ali Mahmudi	1	0.014	0.0002
10	Hardi	1	0.014	0.0002
11	Ahmad Naim	1	0.014	0.0002
12	Sutoyo	1	0.014	0.0002
13	Supiadi	1	0.014	0.0002
14	Sriyono	3	0.042	0.0017
15	Dedik	1	0.014	0.0002
16	Abdul Rozak	2	0.028	0.0008
17	Didik Purwadi	3	0.042	0.0017
18	Bambang	2	0.028	0.0008
19	Suhadi	2	0.028	0.0008
20	Hendro	1	0.014	0.0002
21	Miftah A /H. Sumarlan	1.8	0.025	0.0006
22	Abdul Wahib	8	0.111	0.0124
23	Rahman	1	0.014	0.0002
24	Mulyadi	1	0.014	0.0002
25	Mashari	1	0.014	0.0002
26	Marsono	2	0.028	0.0008
27	Solikul	2	0.028	0.0008
28	Naryo	8	0.111	0.0124
29	Firin	2	0.028	0.0008
30	Zaenal	4	0.056	0.0031
	Total production (m^3)	71.8		
	Herfindahl Index			0.0515

Annex 2 Index value of Herfindahl for showroom/shop/outlet

No	Shop name	Volume (m^3)	Market segment	H^2
1	Dwi Jati	12.42	0.16755	0.02807
2	Ahsin Noor	9.02	0.12168	0.01481
3	Putra Jepara	7.08	0.09551	0.00912
4	Banyu Art Gallery	3.30	0.04452	0.00198
5	Jati Syp Jepara	3.55	0.04789	0.00229
6	Istana Jati Meubel	4.74	0.06389	0.00408
7	Jati Nugroho	7.92	0.10685	0.01142
8	Amili Jati 2	19.00	0.25632	0.06570
9	Putra Mekar Jati	7.10	0.09578	0.00917
	Total volume	74.13		
	Herfindahl Index			0.14665