



InterTradeIreland

TRADE & BUSINESS DEVELOPMENT BODY

CONTRACT OFFICE FURNITURE

NOVEMBER 2000

An Ireland perspective



Expansion of contract office furniture creates IR£71m/Stg£56.8m market.

Expanding market driven by demand from growth sectors.

Dramatic growth in Belfast due to call centre development.

Five local manufacturers account for approximately 27% of the market.

Opportunities to expand overseas.

67% of contract office furniture imported from Britain.

Scope of Report

In this Report, contract office furniture is defined as new furniture, primarily wood based, that is supplied by either a manufacturer directly or through an agent or distributor as part of the fitting out contract for a new office development or a major rebuild and refurbishment. It does not include one-off purchases and furniture for office expansions.

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InterTradelreland,
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Topline Summary

The market for contract office furniture on the island of Ireland is estimated at IR£71m/Stg£56.8m in 1999 (at wholesale prices). 91.5% of sales are in the Republic, IR£65m/Stg£52m. Northern Ireland accounts for the remaining 8.5% or IR£6m/Stg£4.8m.

It is an expanding market, driven by demand from growth sectors such as financial services, computer technical support centres and software development, as well as knock-on expansion in support services. Dublin accounts for two thirds (approximately IR£47m/Stg£37.6m) of the island's market. There had been dramatic growth in Belfast due to call centre development.

Expenditure per employee on furniture averages from IR£600-IR£700 for an open plan office or call centre to IR£1,500 – IR£2,000 for a software development office.

Five Irish manufacturers, with combined output of about IR£22m/Stg£17.6m, account for about 27% of the market.

Irish contract furniture manufacturers offer the important advantages of ease of access and contact during manufacturing.

Ireland imports about 67% (IR£50m) of its contract office furniture, principally from Britain.

The route to market is either direct from manufacturer or through a building contractor. Architects have an important role in specifying furniture.

Wave-tops and slide-back tops are emerging trends in table design. Irish buyers favour natural woods and Melamine Faced Chipboard is also popular.

There is very little advertising in this market. Promotional activity is usually direct contact by sales representatives with buyers and specifiers.

International manufacturers have advantages such as larger domestic markets, lower prices and more extensive ranges.

The office furniture market is buoyant and offers excellent opportunities for existing manufacturers to expand their product range to match those of overseas competitors. There is scope for companies that have similar skills e.g. shopfitting, to move into contract furniture.



Market Size

Republic of Ireland

The market for office furniture in the Republic was worth an estimated IR£65 million/Stg£52 million in 1999 – this was a 40% increase by value over 1997.

The Dublin office market accounts for two-thirds of the total Ireland market. It is driven by the growth in international financial services, computer technical support centres, international call centres and software development companies. These, in turn, have stimulated expansion in support services such as legal, accountancy and taxation.

Approximately IR£47 million,/Stg£37.6 million worth of contract office furniture was purchased in Dublin in 1999 for new office developments. About IR£30 million, Stg£24 million of this was in the higher end of the market, with the remaining IR£17 million, Stg£13.6 million in the lower end.

Northern Ireland

The Northern Ireland market was worth an estimated IR£6 million, Stg£4.8 million in 1999.

The Belfast office market grew dramatically in 1999, largely due to unprecedented speculative development, reflecting, in the main, a buoyant call centre market that is taking advantage of Northern Ireland's highly skilled workforce and advanced IT and telecommunications networks. The city centre market has been noticeably quieter in comparison to the activity within the nearby Laganside designated areas.

Some of the larger recent developments in the Belfast office market are:

Company	Size in square feet	Estimated furniture value IR£000	Estimated furniture value Stg£000
Halifax Direct	150,000	2,400	1,920
Abbey National	57,000	907	726
Prudential	52,000	827	662
Regus	23,000	366	293
Eircom	15,000	239	191

Accurate figures for spend per employee on contract office furniture are not available. On the basis of figures obtained from ROI interviews we estimate the spend at IR£700 per employee. We assume a space allocation of approximately 44sq ft per person.

British companies, such as Prudential and Abbey National, have a centralised buying policy for contract office furniture and do not have a local buying presence. They would regard a NI office as a project to be furnished by their existing suppliers.

A recent trend is the development of contingency call centres which are ready made to relocate companies in the event of a disaster. A Dublin based company, BPSL, has two such centres in Dublin and also rented office space in Belfast. Further centres are planned.

Market Characteristics

In an open plan office or call centre environment, which is now the norm, the company usually has a set furniture budget per workstation, including a chair. The office furniture market can be segmented into:

- Highly knowledge intensive, high added value, high salary occupations such as software development, banking, etc. where the spend is IR£1,500 to IR£2,000 per workstation. These will have a personal space surrounded by full height, floor to shoulder, padded or glass screens, adequate file storage facilities and a good quality finish. They are engineered modular metal systems with special cable management, which can only be economically produced by large manufacturers and are outside the present capability of the Irish industry.
- Operational activities such as call centres and back office activities where there is an emphasis on cost and overhead minimisation, where salaries are lower and employees are often part-time or on contract. The spend is IR£600 to IR£700 per station. Staff will likely share a common circular module with up to four positions facing into the centre, divided by relatively low basic unpadding screens.
- Meeting rooms, where the trend is for modular solutions which can be arranged in different ways from a single large table to a U-shaped conference arrangement.
- Reception areas where the furniture is usually high quality with custom made desks.

There is a market for smaller follow-on contracts when a company expands within its existing premises. However, there is a growing trend towards sharing workstations and towards homeworking to avoid the overhead associated with unoccupied desks.

Manufacturers in Ireland

Local manufacturers' total output is about IR£22 million/Stg £17.6 million of which 10-15% is exported, primarily to Britain. The Irish industry is concentrated around a half dozen manufacturers, plus smaller firms such as Klimmeck which specialise in bespoke boardroom and reception furniture.

Principal Local Manufacturers	
Republic of Ireland	Northern Ireland
Farrell Bros. (Ardee) Castle T. Furniture Stanley & Ferguson T. O'Higgins	SOS Group

Many purchasers will use an Irish contract furniture manufacturer rather than an overseas one because of the importance of ease of access and communication during manufacturing.

Other important factors are reliability of service, flexibility in the variation of product range, longevity of product, a back up service and a showroom – purchasers like to be able to view office furniture before buying.

Irish manufacturers are perceived to have a competitive disadvantage on

- price,
- delivery times,
- limited ranges, and
- new designs.

Irish office furniture is seen to be more expensive than the overseas equivalent. There is a particular difficulty for Northern Ireland manufacturers. Due to the current strength of Sterling, it is difficult for them to sell in the Republic, and they must keep their costs to a minimum in order to be competitive.

Irish contract furniture manufacturers have problems in meeting delivery dates agreed with customers. Because the market is small, they do not generally hold furniture in stock, unlike manufacturers in other European countries. This adds to the difficulty in keeping to delivery dates. Distributors have stated that it takes as long for Irish manufacturers to manufacture and deliver products (usually two weeks) as it does to order and receive delivery of goods from abroad.

Distributors believe that Irish manufacturers have limited product ranges and various items have to be imported in order to complete a range of furniture for a particular project. European manufacturers, on the other hand, can put together a complete package quickly and at a more competitive price. In response, Irish manufacturers import products to augment their own ranges.

Irish manufacturers are regarded as weak in new designs and product development, Furniture distributors indicate that Irish manufacturers wait for foreign manufacturers to introduce new designs into Ireland and then produce similar designs rather than developing original ideas.

The feedback from Irish manufacturers indicates that they are satisfied with their current position of one-third share of the Irish market. They recognise that there is ongoing competition from cheaper imported furniture but do not see this as a major threat. They are maintaining their market share but are not aggressively seeking to increase it. They are very dependent on the home market for their business and are reluctant to over increase capacity, on the basis that the market will not remain this buoyant forever.

Imports

Approximately 73% of the Irish office furniture market is supplied from outside , principally from Britain. Other leading import sources are Italy and USA. These estimates are based on import figures for the ROI as NI figures are incorporated into general UK statistics.

The main exporters into Ireland include Project Office Furniture (UK), Della Rovere (Italy), Steelcase (USA) and Herman Miller (USA). There is, in particular, a high level of imports of office chairs and few local contract furniture manufacturers make chairs anymore because of cheap imports.

Imports by product type are:

Product type	1998 imports IR£ '000	1999 imports IR£ '000
Drawing tables for offices, with metal frames (CN code 94031010)	110	1,744
Office desks, with metal frames (CN code 94031051)	3,271	2,996
Metal furniture for offices, excluding desks and drawing tables (CN code 94031059)	8,775	10,233
Metal cupboards with doors, shutters or flaps, for offices (CN code 94031091)	1,505	1,830
Metal filing, card-index and other cabinets, for offices (CN code 94031093)	2,258	2,766
Metal furniture for offices, excluding drawing tables, cupboards with doors, shutters or flaps, and seats (CN code 94031099)	3,993	5,758
Desks for offices with wooden frames (CN code 94033011)	3,243	4,641
Wooden furniture for offices, excluding desks and seats (CN code 94033019)	4,257	4,298
Wooden cupboards for offices (CN code 94033091)	872	1,118
Wooden furniture for offices, excluding cupboards (CN code 94033099)	12,301	10,404
Total	40,585	45,788

Source: Central Statistics Office. A detailed breakdown of the origin of imports can be obtained from the CSO by quoting the relevant CN product code given at the back of this report.

Route to Market

For large contracts the route to market for local firms is from the manufacturer to the customer, either directly or through a building contractor.

In some cases the customer may have its own purchasing department. Architects generally play a central role in the tendering process and advising on furniture. The decision-making process can be complex, involving the end user, the architect and the building contractor to degrees that vary from project to project. Manufacturers need to target all of these; winning approval from one does not necessarily ensure the support of all.

As noted earlier, many large overseas companies with subsidiary call centres in Ireland have a corporate buying policy for furniture and the purchasing decision is made centrally at the head office rather than locally. These companies often require standardised offices worldwide right down to the type of carpet used. This creates challenges for an Irish furniture manufacturer in competing against existing suppliers.

Distribution

Delivery is usually direct from the factory to the end customer's premises. Overseas manufacturers are represented in Ireland by local agents. The main importers and distributors are:

Main Importers / Distributors

Republic of Ireland	Northern Ireland
Bob Bushell	CPC Office Supplies
Corporate Interiors	Down Office Equipment
Fastform Business Forms Ltd.	Desk City Office Furniture Ltd.
CA Parsons	
Midland Office Equipment Ltd.	
Byrne & McCrea Ltd.	
Alpha Office Furniture Ltd.	
Capco Office Interiors	
Troscan/Winroy Ltd.	
Interior Dimensions	
Milner Office Furniture Ltd. (also manufacture)	
OFIS Ireland	

¹ A comprehensive list of suppliers can be found in the Golden Pages/Yellow Pages and also on the Kompass website at www.kompass.ie www.kompass.co.uk

Some of these companies, in addition to servicing importers, manufacture or assemble their own furniture and may carry furniture from Irish manufacturers.

European manufacturers identify projects in Ireland either through their agent or distributor here or through contacts with existing customers in their own country. When these companies locate branches in Ireland, they are encouraged to use their existing supplier base.

Product and Buyer Trends

A number of emerging trends in office furniture are information technology led. Screens for workstations are becoming smaller. In table tops there are two new trends:

- Wave-tops: one side of the table is wider to hold the computer and the narrower side is free for other purposes.
- Slide-back tops: the table top slides back for easy access to power points or cables located behind the table.

Irish buyers favour natural woods, particularly cherry finish, – especially for conference room and executive furniture. Cherry finish is available in veneers and solids. Melamine Faced Chipboard (MFC) is popular as it is made to a high standard and is considerably cheaper than solid wood.

Distributors report that the European office furniture manufacturers produce more user-friendly office furniture which is easier and quicker to install than Irish made furniture. Certain features are more sophisticated such as non-visible bolts and hinges.

Marketing and Promotion

Irish furniture manufacturers spend little on marketing, other than on occasion support advertising in the trade press for a new development. Promotion in the main involves direct contact by sales representatives and importers/distributors with prospective buyers and specifiers such as architects, developers and tenants.

eBusiness

Electronic Commerce affects all industries. Local manufacturers should note the development of new online construction industry marketplaces such as www.build-online.com. These marketplaces are likely to become the information exchange and transaction platforms in the future. Suppliers will make their catalogues available online. Buyers will issue their specifications and requirements directly from their computers and they will be directed to relevant suppliers either by name or automatically using search engines. Some marketplaces will facilitate reverse auctions whereby software will automatically favour the lowest bid.

Exhibitions

The leading European office furniture exhibitions provide a marketplace where manufacturers can monitor design trends. They include:

- **Orgatec:** The largest interiors exhibition in Europe is held every two years in Cologne, Germany, and will take place next in October 2002. It is generally dominated by the biggest European and American manufacturers. New designs and colour schemes on show at Orgatec tend to filter into the Irish market about two years later. It is an excellent source for Irish manufacturers to get new ideas and insights into future trends.

- **Salone Ufficio/Eimu:** This is an international office furniture exhibition held every April in Milan, Italy.
- **Workplace:** This takes place every two years in London. The next exhibition is in November 2001.
- **Call Centre Expo:** Held in February at the National Exhibition Centre in Birmingham.

Competitor Assessment

International competitors enjoy a number of advantages over Irish manufacturers.

- They have home markets that are multiples of the Irish market, which allows them to achieve greater economies of scale, and more competitive prices.
- They can build to stock, which ensures immediate delivery.
- They can afford to design and market a greater number of ranges and options within ranges.
- They have more resources to increase their exposure through advertising and exhibiting.

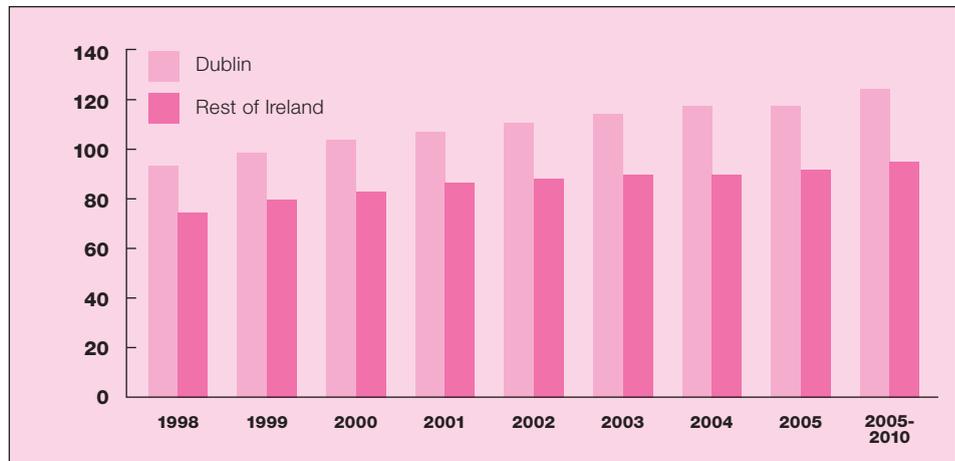
Their big disadvantage is the distance for ongoing discussions during the selling and technical negotiation period. For this reason, buyers prefer to deal with a local manufacturer, all things being equal.

Demand for Italian furniture is high in Northern Ireland. It is perceived as being of high quality and very reasonably priced. However, Italian manufacturers generally change the design of their furniture every two years; therefore if customers, particularly call centres, require additional identical furniture after a couple of years it is almost impossible if they purchased Italian furniture initially. UK office furniture manufacturers generally guarantee continuity of product for at least five years.

Future Opportunities

The shift from a traditional manufacturing economy to a knowledge-based and service economy in Ireland, North and South, will stimulate strong demand for all types of office furniture. Even regions such as Donegal, which previously would not have been considered for office developments and service based industries, are now winning overseas software and call centre projects due to the availability of good telecommunications, a quality labour pool and low overheads. In the Republic, it is official policy to direct new projects to regions outside Dublin, especially to the Border, Midlands and West (BMW) regions.

Employment Projections for Financial and Other Business Services ('000s)



Employment figures for financial and other business services are set to continue in the Republic and are detailed in the above graph.

There is a serious shortage of office space in Dublin which the current high level of output is not able to satisfy. Traditionally office developments were speculative, which led to a boom and bust cycle of over - and under-supply. However, the recession of the 1990s made developers cautious and most new developments are now built with a prospective tenant lined up.

A survey on the Belfast office market by the Valuation and Lands Agency showed that a high level of office development is forecast over the next five years. During 2000, much attention will continue to focus on the call centre market. Confidence in the future of the call centre market is so great that local developers McAleer & Rushe are currently constructing Louisville House in the Northern Foreshore, a speculative call centre which will provide approximately 2,787 sq metres (30,000 sq ft) of accommodation.¹

New technology companies often produce software rather than physical products and require office space rather than factory space. A number of industrial estates have been rezoned to allow them to include offices, and it is increasingly common to see modern factory buildings in these estates being demolished and replaced by large office blocks.

Increasing efforts to direct overseas investment outside of Dublin has already had significant impact on the office markets in Galway, Cork and Limerick. Many call centres have already been set up in smaller towns and it is likely that, over the next eighteen months, further activity will be seen in centres such as Navan, Mullingar, Athlone, Waterford and Sligo.

This provides an opportunity for local manufacturers to seek business that previously would not have been available. This applies particularly to call centre furniture, which is relatively simple in terms of design and construction, and is within the capability of good joinery shops.

The office furniture market is buoyant at the moment and this is an excellent opportunity for existing manufacturers to build their businesses by expanding their product range to match the high demand that is evident from the import statistics. It may also be an opportunity for companies that have similar skills, such as shopfitting, to move into contract furniture.

¹ Source: "Belfast Office Market Experience Dramatic Increase in Activity" Hamilton Osborne King, 1999

To take full advantage of these opportunities, Irish office furniture manufacturers need to be proactive in their marketing. Potential new business can be identified by systematically monitoring the resources that are easily available such as the property sections in the national media, property publications, local estate agents, architects and development agencies.

Manufacturers should target the centralised buying departments of large foreign companies locating in Ireland. A booklet/website detailing the competitive merits of Irish furniture manufacturers and their products would be a useful marketing tool.

Irish manufacturers might consider the competitive benefits of forming a licensing agreement or other strategic relationship with an overseas manufacturer. For example, an Irish manufacturer might import chairs and upholster them in Ireland to suit tastes in the Irish office furniture market. Similarly, an Irish company could import the steel frames for workstations and add their own wood in Ireland.

Appendix 1: Import Statistics

Import data are available only for ROI and then only for certain product categories. One major category, chairs, is not separately broken out for office chairs. The statistics show that Britain is the main import source of office furniture.

Identifiable imports of office furniture into ROI in 1998 and 1999 were as follows¹

Country of origin	Value of 1998 imports IR	Value of 1999 imports IR
Drawing tables for offices, with metal frames (CN code 94031010)		
Great Britain	44,498	1,143,799
Italy	29,613	7,449
USA	28,849	20,002
Mexico	0	43,867
Malaysia	4,949	56,032
Other	2,094	472,492
Total	110,003	1,743,641
Office desks, with metal frames (CN code 94031051)		
Great Britain	2,459,922	2,136,729
Belgium and Luxembourg	344,040	291,589
Italy	308,780	108,639
Germany	87,477	156,225
Denmark	1,908	122,248
Other	69,242	180,376
Total	3,271,369	2,995,806
Metal furniture for offices, excluding desks and drawing tables (CN code 94031059)		
Great Britain	6,943,276	8,107,068
Italy	1,444,173	1,500,346
France	120,517	66,911
USA	116,553	45,013
Germany	36,267	297,315
Other	114,075	216,845
Total	8,774,861	10,233,498
Metal cupboards with doors, shutters or flaps, for offices (CN code 94031091)		
Great Britain	1,203,181	1,530,589
France	133,913	49,946
Italy	21,977	78,255
Other	146,203	171,664
Total	1,505,274	1,830,454
Metal filing, card-index and other cabinets, for offices (CN code 94031093)		
Great Britain	1,744,504	2,126,482
Italy	270,151	430,552
USA	150,219	122,098
Germany	71,508	3,208
Other	21,374	83,699
Total	2,257,756	2,766,039

¹ Source: Central Statistics Office, External Trade Statistics.

Identifiable imports of office furniture into ROI in 1998 and 1999 were as follows¹

Country of origin	Value of 1998 imports IR	Value of 1999 imports IR
Metal furniture for offices, excluding drawing tables, cupboards with doors, shutters or flaps, and seats (CN code 94031099)		
Italy	1,158,057	1,247,941
Great Britain	1,109,101	2,293,842
Germany	453,533	428,603
Israel	433,228	256,494
USA	326,867	728,227
Other	511,847	803,188
Total	3,992,633	5,758,295
Desks for offices with wooden frames (CN code 94033011)		
Great Britain	2,119,813	3,181,782
USA	267,119	30,162
Italy	193,269	167,882
Norway	136,150	81,118
Indonesia	104,032	179,639
Other	422,420	1,000,720
Total	3,242,803	4,641,303
Wooden furniture for offices, excluding desks and seats (CN code 94033019)		
Great Britain	3,171,115	2,879,364
Norway	331,497	69,024
Netherlands	242,098	9,404
USA	182,140	188,136
Northern Ireland	83,522	21,447
Other	246,715	1,131,061
Total	4,257,087	4,298,436
Wooden cupboards for offices (CN code 94033091)		
Great Britain	772,973	788,456
Denmark	34,245	102,925
Other	64,813	227,053
Total	872,031	1,118,434
Wooden furniture for offices, excluding cupboards (CN code 94033099)		
Great Britain	10,625,860	9,369,872
Italy	947,873	833,382
China	144,885	47,240
Germany	115,682	35,968
Other	467,317	117,753
Total	12,301,617	10,404,215

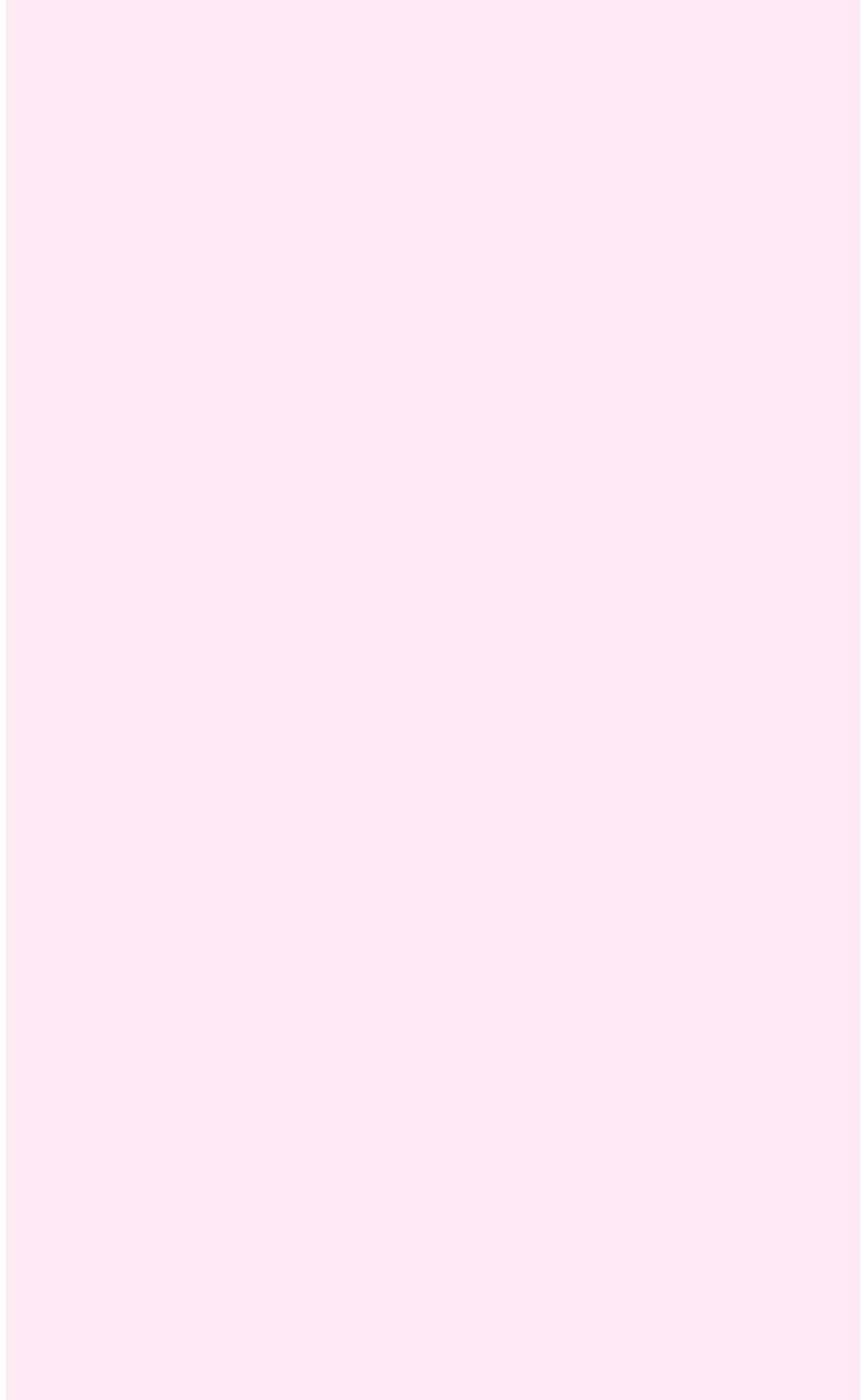
Appendix 2: Reports and Other Publications

"The furniture industry in the European Union"	Marketing Intelligence Market Research Reports, September 1998.
"The UK market for office furniture," February 1999,	Business and Research Associates.
"The Dublin Office Market; Medium Term Forecast,"	by Indecon and Jones Lang LaSalle on behalf of Dunloe Ewart plc, September, 1999.
Weekly Commercial Property Supplements in ROI and NI national newspapers	
"Construction Information Services Report,"	Newmarket Information Publications Limited.
Hamilton Osborne King	Property Outlook published quarterly

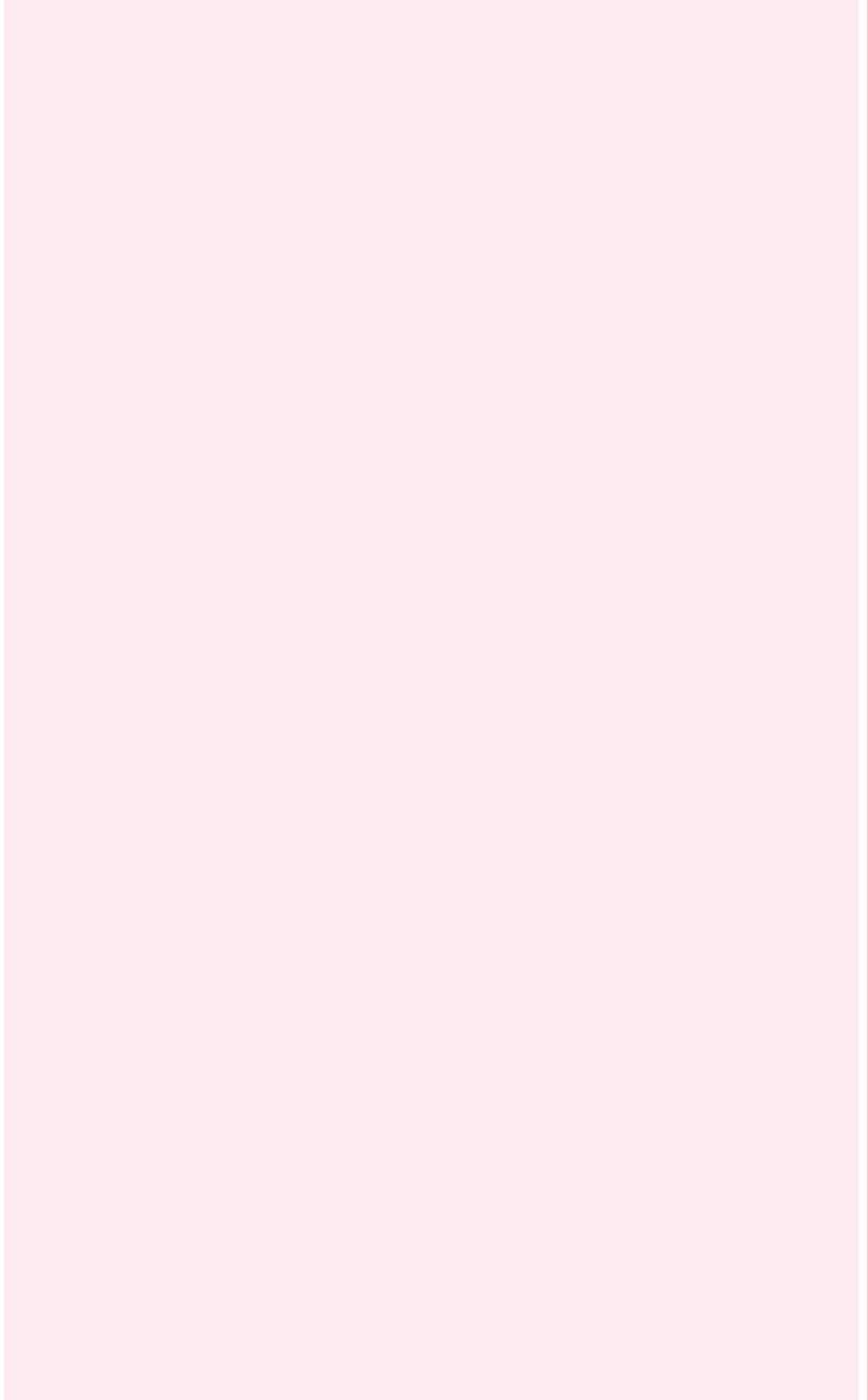
Appendix 3: Useful Web Sites

Enterprise Ireland:	www.enterprise-ireland.com
Industrial Development Board for Northern Ireland:	www.idbni.co.uk
LEDU:	www.ledu-ni.gov.uk
Irish Business and Employers Confederation:	www.ibec.ie
Dept of Environment spatial strategy:	www.environ.ie/planning/spatintro.htm
Department of the Environment for Northern Ireland:	www.doeni.gov.uk
CSO:	www.cso.ie
Construction Industry Federation:	www.cif.ie

Notes



Notes





InterTradelreland – Trade & Business Development Body is committed to enhancing the economies of the island of Ireland through facilitating cross-border and all-island programmes in partnership with key agencies and the business sector at all levels.



Enterprise Ireland (EI) is the Government organisation with responsibility for supporting the growth of the competitiveness, sales, exports and employment of local industry in the Republic of Ireland.



The Industrial Development Board for Northern Ireland (IDB) is responsible for stimulating growth within companies in Northern Ireland and attracting overseas investment.



LEDU, the Small Business Agency for Northern Ireland, supports local economic development and promotes the establishment and expansion of small local enterprises, primarily in the manufacturing and tradeable services sectors, whose employment is generally less than 50.

InterTradelreland, Enterprise Ireland, the Industrial Development Board for Northern Ireland and LEDU would like to thank all those buyers, distributors and industry experts who contributed their time and expertise during the course of this study. It was most appreciated.

Report Series

This market profile is accompanied by a number of similar reports giving an all Ireland retail perspective on a range of consumer product areas.

The sectors covered are

- 1 Domestic Furniture
- 2 Contract Office Furniture
- 3 Hotel Furniture
- 4 Contract Fitted Furniture
- 5 Housewares and Soft Furnishings
- 6 Giftware and Jewellery
- 7 Clothing and Footwear
- 8 Small Kitchen Appliances (2001 Release)

An additional document giving an all Ireland analysis of retail trends entitled "Ireland, A £20 billion+ Retail Market" is also part of the series.

Note

This report was researched for InterTradelreland, Enterprise Ireland, the Industrial Development Board for Northern Ireland and LEDU by Quaestus. While every effort has been made to ensure the accuracy of information provided in this report, neither Quaestus nor InterTradelreland, EI/IDB/LEDU can accept responsibility for possible errors or omissions.

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