



1 A Lot Of Brasil at the Milan fair: European showcase

2 Piece by the Campana brothers: differential in design

Taking the different road

FABIO GAMBINA

Furniture exporters are trying to move up the productive chain by using design and product differentiation

ARMANDO MENDES

It is an old story, repeated whenever discussions are held on the Brazilian economy and its international role: Brazil is a country that exports its abundant resources such as wood, coffee, ore, grains and many others at low prices instead of using them to create products that can win world markets. By neglecting this opportunity, Brazil gives up the benefits it would have if it improved the position of its companies in the global productive chains.

However, a group of exporting companies in the furniture indus-

try is challenging this script. They are certainly using the great advantage they have at their hand in the enormous variety of quality wood from the Brazilian forests, native or planted. However, they aim to add to this a list of attributes that make the difference when it comes to disputing the international market of products that are well positioned at the top of the productive chain and leaving behind the role of being a mere supplier of raw material and cheap labor for the buyer countries.

One of the companies that is determined to follow this more

ambitious international route is Butzke, a family-owned company from the small town of Timbó, in Vale do Itajaí in Santa Catarina state. It was founded in 1899 to produce window frames and carts and now manufactures furniture for verandahs, swimming pools and open air areas. During a discussion on the company strategy in the middle of last decade, the family decided it needed to have products with their own identity and brand to ensure its place on the world market. "We took a very important step in 2009 when we began a work with Bra-

zilian designers," said Michel Otte, who runs Butzke along with his father Guido. "This really put us in another product level."

Butzke — which exports 18% of its production, mainly to the United States and Mexico — now has parts on its line by top level names such as Carlos Motta, Paulo Alves and Zanini de Zanine Caldas. They also reedited a collection of garden furniture by Sergio Rodrigues, the patriarch of Brazilian design who died last year. (See box on page 37.) But it was not always like this. Until last decade the company manufactured and exported "generic" furniture to international retail chains. "The value was in the price and the product did not have our own brand. We produced it as if it was almost a

commodity," said Otte.

This was a common business model for a large part of the Brazilian furniture industry. However, it began to fall apart with the entry

on the market of Asian countries such as Vietnam which produced at much lower prices. The situation worsened with the appreciation of the Real from the middle of the decade 2000 which ended the industry's competitiveness. Brazil's share of the global furniture market fell from 1% to 0.5%. Furniture exported came to almost US\$ 1 billion in 2004, a figure that fell to US\$ 500 million in less than 10 years. (See graph on page 43.)

"That export model died," said Marcelo Prado, industrial consultant and director of the IEMI Intelligência de Mercado institute. Even with the depreciation of the Real, it is still no longer possible to gain money just asking the retail chains abroad what they want to buy and





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1, 3 and 4: Linha Tajá line of Sergio Rodrigues: reedited in colors

2 Butzke's Guido and Michel: betting on designers

offering low prices. “This is no longer a sustainable recipe. It leaves the producer dependent on the volatility of the exchange rate to be competitive,” Prado added. “Brazil is not a cheap country,” said Butzke’s Otte. “We may really want this to happen but it won’t. We have to be competitive in other ways.” The alternative model is one that takes into consider-

ation some essential attributes to win a market that is not only looking at price. “This is the market where the attraction of the product, the differential and added value count,” said Prado.

A series of attributes needs to be cultivated to win this market. These include: tech-

nological advances in manufacturing ; careful design and own personality; strict product quality; the construction and promotion of the image of the country and its brands; and permanent attention to the sustainability of the industrial process and supply of wood used in the production — a factor that is very impor-

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tant in a sector that exploits natural resources.

Pedro Franco, the CEO of A Lot of Brasil from São Paulo, believes the way to this market is through technology and industrial production. Franco is a designer and producer himself — and A Lot of Brasil aims to produce the creations of Brazilian and foreign designers such as

the Campana brothers and the Slovenian Nika Zupanc in Brazil. He created the term “industrial Brazilianness” as a way for the Brazilian furniture industry to return to the global market. The term means harnessing the country’s differentials to the most advanced technology available and not just the handicrafts tradition. “Exporting craftsmanship

will keep our share at 1% on the global market. What will make it grow is industrial production, using new materials, sustainability and technology,” he claimed.

Brazil needs to repeat what Italy did in the 1970s, he believes. That was when the furniture producers looked to other industries for the technologies to renew the tradition

INDUSTRY AND CRAFTSMANSHIP

SOMETIMES IN order to go forward, it is worth looking backwards. This is a lesson that Butzke, an outdoor furniture maker from Timbó (Santa Catarina state), decided to follow when it made its production more sophisticated and looked at more demanding markets. On the way, it restored furniture-making techniques that had been put to one side by manufacturers as the activity had become a large-scale industrial undertaking.

One of the practices that were rescued — according to Michel Otte, the company director — was the use of a blade mold to make pieces of

furniture, obtained through a cold press in a mold of wood blades interleaved with glue. “These are manufacturing processes that were no longer being used by industrial producers because of their higher costs and were only maintained in woodworkers,” said Otte.

However, rescuing traditional techniques is not incompatible with using state-of-the-art technology work. Otte says that combining the two things is one of Butzke’s hallmarks. It uses modern machinery, including robots, to make parts on an industrial scale with precision



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and high productivity but had not lost the craftsman’s touch — the “hand of the carpenter on the part,” as he says. For certain procedures, it cannot be done any other way. “It is interesting because I manage to maintain the warmth of the craftsmanship, this beautiful thing that Brazil can exploit so well, mixed with the high technology of the robots.”

Another example is the Tajá line of garden furniture, created in the 1970s by Sergio Rodrigues, one of the most important names among the first generation of Brazilian designers to gain international fame. The benches, chairs and tables of this collection have been redone by Butzke and they go from the industrial production line to the handicraft finishing during their manufacturing process.

“Some components will be handled by robots in the machine centers to receive cuts and holes at an angle, which are extremely difficult to do with precision. During



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the sequence of the process, all the finishing and the rounding of the furniture parts has to be done manually. The grinding is also done by hand in order to ensure the quality that is needed and the whole assembly is done manually,” Otte said.

The marriage of craftsmanship

and industry allows the company to produce large lots, even of sophisticated parts. “Butzke is a company, not a carpentry that produces parts one by one or two by two. When I develop a design line I start producing with one hundred pieces but I can produce lots of 1,500 pieces in some cases,” Otte said. The idea is to have designs that will last, he says, and not create parts that will be out of fashion in one or two years. That is why he is concerned not only with the esthetics side but also with comfort and durability. “We have a manufacturing concept of timeless furniture,” he added. ■



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GUILHERME JORDANI



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ROQUE FRIZZO

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1 and 4
Noronha
line: for
outdoor use

2 Saccaro
stand in
Milan...

3on the
path of
Brazilianness,
said João

of Italian craftsmanship. One example was the foam injection used in the car industry to produce seats for cars that started being used to produce sofas and armchairs. “We need to map the technologies we have available,” he said. He believes the suppliers of Embraer in São José dos Campos for example, have the machinery and capacity that could help introduce innovation to the furniture industry.

He gives an example a product from A Lot of Brasil - a piece he has designed himself called the Skeleton Chair — which was the result of a partnership with the Federal University of São Carlos (UFSCar). The seat of the chair is produced by injecting “liquid wood,” a material developed from the remains of wood from a carpentry shop and an ecopolymer obtained from recycling plastic packaging. “This is innovative, sustainable and conveys a story at the same time,” said Franco. “We could do the same with the stone from the açai fruit or the left overs of the

ipê-roxo tree used in industry.” By doing so, the work would be carried out with unique products and add technology to the history of Brazil.

Another company in this team



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is Saccaro from Caxias do Sul (Rio Grande do Sul state). The power of attraction and differentiation of its products has to do with the traces of Brazil’s lifestyle and international image. The company was founded in 1946 and made woven wicker baskets. It used to supply the covering for the traditional wine bottles found in the Italian communities of the Serra Gaúcha region. Saccaro began to produce design furniture 30 years ago. “All our pieces today

are signed and we explore the Brazilian aspect,” João Saccaro, the brand sales director, told participants at a recent seminar on exports promoted by the Federation of Industries of São Paulo State by the Brazilian Association of the Furniture Industry (Associação Brasileira das Indústrias do Mobiliário - Abimóvel). “We are always aiming to export design, brand and concept. It was never our aim to export labor or raw material,” he said.

Saccaro works with Brazilian designers and materials, such as woven wicker which the company used when it originated. “We try to associate our products with an image of light and happiness that the country has in the world,” he stressed. One example is the Cobogó chair by the designer Roque Frizzo that copies in its sides the drawing of architectural elements that gives its name. This refers to the small blocs of hollow concrete, created in Pernambuco state and often used in modern

Brazilian architecture as an alternative to a blind wall, creating “laced” effects of light and shade.

Saccaro started an effort to go international just over a decade ago and now takes its products to more than 15 countries. The brand has 26 sales points abroad, including exclusive franchising and art galleries — its own areas in department and multi-brand stores. The United States and Mexico are the most important markets but the company is also present in other countries in the Americas, Africa and the Middle East. To win these markets, João Saccaro said it was essential to show the brand and its products at international trade fairs and events in order to win the confidence of the buyers and the respect for the national product. This was lacking when the Brazilian furniture started to go international with its own face and identity.

“The clients abroad did not see us as a supplier of added value furniture,” said Saccaro. “Credibility was very low.” This image has been improving since then, partly due

to the information and exploration work on the foreign market that has been done in partnership with the Brazilian Trade and Investment Promotion Agency (ApexBrasil) and by Abimóvel, through sector projects to promote exports of furniture and its

Saccaro created 26 sales points in 15 countries in around 10 years

components. (Read more on page 43.) One of these projects called Brazilian Furniture supported the participation in April of last year of the Brazilian industry in the Salone del Mobile di Milano event in Italy, the most important international trade fair for the furniture industry.

Four of the exporting companies — Butzke, Saccaro, A Lot Of Brasil and Artefama, from São Bento do Sul (Santa Catarina state) — made up the Brazilian representation at the Salone, as the Milan fair is known.

Butzke’s Michel Otte has no doubt that this participation is the result of the decision taken by these companies and others to distance themselves from the commodity type of market where competition is based on price to move up the productive chain and enter the area where competition is by quality. It is very difficult to arrive at the Milan’s Salone which is a world benchmark, according to Otte. To win room, a company has to go through a strict selection and curatorship process. “We entered because we already had our history together with designers. We believe this is the way Brazil should go. We have many differentials to be exploited and design is one of them”, he said.

This is something similar to what is happening with the work of ApexBrasil to promote Brazilian furniture on the global market. “Our effort is to differentiate the Brazilian product and increase the added value in such a way as to make our com-

panies increasingly more developed in their global productive chains,” said André Limp, supervisor of the ApexBrasil’s Home and Construction, Creative Economy and Technology areas. Limp draws attention to what this development involves. It does not mean that the producing

exporting products with differentiation, quality and innovation at a cost that does not need to be very high,” he said. “These are companies that can take a product with a mass use and put fashion and innovation into it, as Alpagatas has done with the open-toed sandal. The furniture

it produced products for children’s bedrooms and then, after acquiring a competitor, it made multi-use wardrobes and bunk beds.

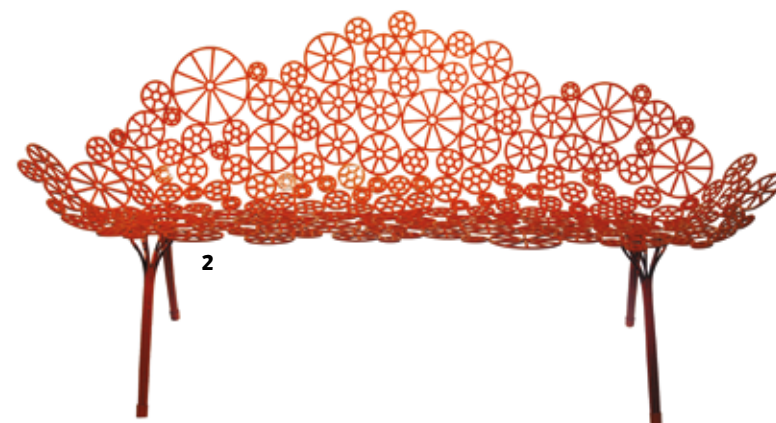
Around six years ago, in a bid to diversify markets and take better advantage of its machinery and productive structure, the company be-

plans for the Eko brand which currently accounts for 14% of the company’s production. Multimóveis started an initiative to export its planned furniture to two important markets this year: the United States and Colombia. This is a new learning experience for the company’s export

well as the planned furniture,” said André, of ApexBrasil. “It has taken a strategic decision to increase its competitiveness on both fronts.” In doing so, the company puts into practice one of the guidelines of ApexBrasil which believes that what matters is to help develop the com-

going international”. To be able to export, the company that is supported goes through a cycle in which it develops its competitiveness more so than that it would if it had been

- 1 Skeleton Chair by Pedro Franco...
- 2 ...Estrela sofa by the Campana brothers...
- 3 ...Renda chair by Jum Nakao...
- 4 ...and Bird Bench by Henrique Serbena:



companies should necessarily move to the high-end markets of exclusive and expensive furniture for high-income clients. “We have companies supported by sector projects that are directed at producing components and furniture sold in large retail chains in scale,” he said. “One market is not better than the other and it is a strategic decision by the company on which one it chooses.”

Marcelo Prado, a consultant with IEMI Inteligência de Mercado, makes a comparison with the fashion and footwear market to explain how it is possible to differentiate products and also win higher added value markets with mass products. “In Brazil we have players with medium and high standard production and this is an important and interesting market that can work in

Mass products demand style and innovation to appeal to the market

people can also do this.”

Multimoveis, from Bento Gonçalves (Rio Grande do Sul state), is a company that is undergoing a transition. It was founded in 1995 and almost half of its revenues came from exports by 2004. (After the storm arising from the appreciated Real, this figure is now around 30% although the prospect points to it increasing once again.) It currently exports to 40 countries and grew by exploring the market for furniture sold in kits in retail chains. At first,

gan to extend its range and launched a brand of planned furniture called Eko Ambiente, with exclusive stores directed at the A and B+ consumer classes. Three years ago, it bet

on the so-called new C class and began to offer a line of bedrooms and kitchens module of modern design, more accessible prices and good for smaller areas, called Multipla. “We wanted to give these clients the opportunity to personalize their furniture,” said Maristela Cusin Longhi, a director of the company. “These are modules that can be built according to the need”.

Only some parts of the Multipla line is exported, she said. However, there are ambitious international

group which consists of three people dedicated to the foreign market. She said at least two of them were always travelling.

She believes that working with planned furniture is very different from selling ready-made furniture to retail chains. “What we offer is a service that is ended by the execution of a project, particularly for the corporate market which we are looking at,” she said. This market demands a long-term work directed at architectural firms in the target countries which will, in turn, recommend the Multimóveis services to their clients.

The company works this way to compete better in different market ranges. “It has been involved for a long time in the Project [Brazilian Furniture] and received support both for the high consumption as

After selling to the US, it becomes easier to export to other countries

petitiveness of each company no matter the area in which it operates.

Limp also points to another positive effect of the entry of a company into the international arena. In preparing itself to dispute markets in more developed countries, with a higher degree of demand and a stricter regulation than it had domestically, the exporting company also improves its domestic performance and in other foreign markets. In the managerial jargon, this is called “organizational learning through

acting on the domestic market, Limp said. It is difficult to quantify this effect, he said, but it can be seen after two or three years of preparation when a company begins exporting to the United States — a highly regulated and difficult market. “When it begins to increase its sales to the US, even although they are small, the company is also much better prepared to enter Colombia or Saudi Arabia,” he added.

An unusual example cited by Maristela Longhi, from Multimoveis shows how companies can even end up competing better in Brazil. She says the American market’s very demanding requirement in relation to the packaging of the parts that

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are exported led the company to improve its packaging in Brazil as well. “Attention is made to ensure that the product did not move about in the package, angle brackets made of polystyrene and high shrinkage microfilm to seal the packaging.

There were many things we started to adopt here as well. You bring all the requirements demanded by the global market to the domestic market. It is not child’s play. We have to handle everything very seriously,” she said.

Transformations like these are still just getting underway for most of the Brazilian furniture companies. “We are returning to the export market,” said consultant Marcelo Prado. The Brazilian producer began to react two years ago and is

1 Marcelo Zortéa of Multimóveis: client in Dubai

2 Marcelo Prado of IMEI: transition of markets

3 and 4 Arraia and Cobogó of Saccaro: foot in craftsmanship and in architecture

5 Orchestra Brasil stand: accessories and components



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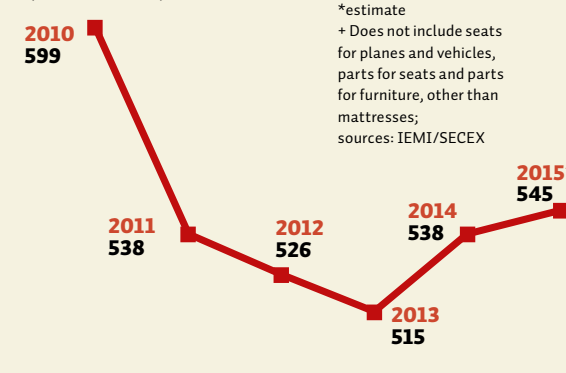
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winning back some of the area it had lost over the previous decade. (See graph on this page.) To consolidate this recovery, advances will need to be made in transforming the business model crystalized in the first wave of international expansion by Brazil’s furniture makers.

Butzke’s Otte believes in the change but also sees the difficulties. He said that developing a new standard of design meant that pro-

BOUNCING BACK

Brazilian furniture exports (US\$ million)



duction methods had to be changed. “You have to develop techniques which you were not used to, introduce new material... it is an investment that is not necessarily large in terms of financial resources but in terms of time, dedication to a new product and a new way of working,” he said. The effort will be worth it in the long run. “The exporter will have a structure that is a bit more expensive but this new model will allow the company to have a sustainable competitive advantage in the long term and be much less vulnerable to the swings in the exchange rate,” Prado concluded. ■

PLATFORM TO COMPETE

TWO OF the 76 sector projects ApexBrasil is supervising in a number of areas are directed at the furniture industry: Brazilian Furniture, which is being undertaken in partnership with the Brazilian Furniture Industry Association (Abimóvel), and Orchestra Brasil, where the counterparty is the Furniture Industry Association of Bento Gonçalves (Sindmoveis). While Brazilian Furniture promotes the presence of finished furniture makers on the global market, the Orchestra Brasil project is aimed at exporting accessories and components to the furniture industry.

“Brazilian Furniture is more than just a schedule of trade fairs and trade missions abroad,” said André Limp, the supervisor of ApexBrasil’s Home and Construction area. “The project aims to provide a platform for the group of participant companies to increase their international competitiveness.” Missions and fairs are important tools but some of the resources and efforts organized for the project go to commercial intelligence and strategic planning activities, he added.

Seventy companies are currently taking part in the sector project. Many of them are based in Brazil’s

main furniture manufacturing centers: Bento Gonçalves (Rio Grande do Sul), Arapongas (Paraná), Chapecó (Santa Catarina), São Bento do Sul (Santa Catarina), Mirassol (São Paulo) and Ubá (Minas Gerais). The Brazilian Furniture project was launched in 2005 and mobilizes resources of just over R\$ 12 million over a period of 24 months, of which around 70% are injected by ApexBrasil and 30% by private industry. (The project is structured as a technical-financial cooperation agreement between ApexBrasil and Abimóvel and can be renewed every two years.)

The Orchestra Brasil program has been around for slightly longer than Brazilian Furniture. It got underway in 2003 and currently brings together 128 producers of accessories and components for furniture manufacturing. It was created in the same cooperative way between the agency and the private sector with an injection of R\$ 10 million split in the same ratio of 70/30. However, the markets targeted are different. The United States, Mexico, Peru and Colombia are common targets in both projects but the Orchestra Brasil has some additional specific markets, such as South Africa, Guatemala, Argentina and Turkey. ■



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