

Navigating Global Markets: Strategies for Rubber Wood Furniture Expansion

Muhamad Sabri Abu Zaidi¹, Farah Akmar Anor Salim², Mazuwin Haja Maideen³

^{1,2,3}Azman Hashim International Business School, Universiti Teknologi Malaysia

Email: ¹muhamadsabri@graduate.utm.my, ³mazuwin@utm.my

Corresponding Author Email: farahakmar@utm.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i12/24202> DOI:10.6007/IJARBSS/v14-i12/24202

Published Date: 18 December 2024

Abstract

The Malaysian rubber wood furniture industry has established itself as a prominent player in the global market, renowned for its high-quality craftsmanship, sustainable practices, and innovative products. Leveraging the abundant supply of rubber wood from the *Hevea brasiliensis* tree, this industry has evolved significantly since the early 20th century, with major production hubs in Johor, Selangor, and Penang. The industry's commitment to environmental responsibility and product excellence has attracted global consumers, contributing significantly to Malaysia's economy. This paper provides an in-depth analysis of the industry's historical development, highlighting its transformation from utilizing rubber wood as a by-product of the latex industry to becoming a primary material in furniture manufacturing. A SWOT analysis reveals the industry's strengths, including an abundant raw material supply and a skilled workforce, alongside challenges such as fluctuating raw material prices and competition from other wood-based furniture industries. Key strategies for successful global market expansion are explored, emphasizing the importance of product diversification, establishing a robust e-commerce presence, and forming strategic partnerships. The findings also address the need to comply with regulatory requirements for exporting rubber wood furniture and the role of government support in enhancing the industry's growth. This study concludes that Malaysia's rubber wood furniture industry, by leveraging its strengths and addressing its weaknesses, is well-positioned to expand its global footprint. The study provides significant contributions in embracing national e-commerce, fostering strategic alliances, and continuously innovating will be crucial in navigating international markets and meeting the growing demand for eco-friendly and high-quality furniture.

Keywords: Rubber Wood, Global Market, E-commerce, SWOT, Strategic Alliances

Introduction

The Malaysian rubber wood furniture industry is a prominent player in the global market, renowned for its exceptional craftsmanship, sustainable practices, and high-quality products. Leveraging the abundant supply of rubber wood harvested from the *Hevea brasiliensis* tree, this industry has flourished over the years, showcasing a deep-rooted commitment to environmental responsibility and innovation. With a rich history dating back to the early 20th century, Malaysia has established itself as a key production hub for rubber wood furniture, with significant centres in Johor, Selangor, and Penang (MIFF, 2023). Embracing the principles of sustainable production and eco-friendly materials, Malaysian manufacturers have captured the attention of consumers worldwide, offering furniture that not only exudes elegance and durability but also aligns with the growing demand for environmentally conscious products. The Malaysian rubber wood furniture industry continues to thrive through a blend of quality craftsmanship, product innovation, and robust export networks, contributing significantly to the nation's economy and setting a benchmark for sustainable practices in the global furniture market.

Industry Background

The history of rubber cultivation in South and Southeast Asia stretches back to over a century ago when the rubber tree, *Hevea brasiliensis*, was first introduced from its South American homeland. This tree, indigenous to Brazil, is extensively cultivated for its latex across Southeast Asia, predominantly in Indonesia, Malaysia, and Thailand. Together, these nations account for about 75% of the global rubber plantation area, which spans 6.65 million hectares. When rubber trees reach 25 to 30 years of age, their latex yield drops to the point where it is no longer economically viable to harvest them, leading to their removal and replacement with new trees (Hong et al., 1995). In the region, rubber plantations have become an integral part of the rural scenery in several countries, including Indonesia, Thailand, Malaysia, China, India, Vietnam, and Sri Lanka, covering roughly 9 million hectares worldwide, with Asia making up 95% of this area. The rubber industry is vital to the local economies, offering job opportunities and boosting export earnings.

Malaysia has seen a consistent rise in the international sale of rubberwood items, notably in the furniture sector. Ratnasingam and colleagues (2008) indicate that rubberwood furniture commands a substantial share of the country's wooden furniture export market, representing 80% of its total wooden furniture exports. The preference for rubberwood in furniture manufacturing and its strong presence in the global market are attributed to its superior machinability, satisfactory durability, aesthetic appeal, and the simplicity with which it can be finished.

Rubber trees are predominantly grown on large estates or smallholdings, with smallholders accounting for a significant portion of rubber cultivation in Thailand, Malaysia, and Indonesia. These smallholdings often operate within rubber-based agroforestry systems, showcasing the versatility of rubber cultivation in diverse agricultural practices. However, challenges such as susceptibility to insect and fungal attacks have highlighted the need for efficient rubberwood processing soon after tree cutting. The industry has seen advancements in technology and processing methods to maximise the utilisation of rubberwood and enhance the overall sustainability of rubber plantations.

According to the International Trade Centre's comprehensive study in the early 1990s, the consumption of rubberwood logs in 1991 was estimated to be around 4.6 million cubic meters, with a significant portion used by sawmills. The market for rubberwood products, including sawn wood and furniture, was estimated to be around 240,000 cubic meters during the same period, with projections indicating growth to 350,000 cubic meters by 1996 (FAO). The trade-in rubberwood products were primarily finished furniture and furniture parts, with small volumes of sawn wood exported to markets like Taiwan Province of China and Japan.

The rubberwood industry has faced challenges such as low recovery rates and underutilisation of available resources in countries like Indonesia, Malaysia, and Thailand. However, advancements in processing technology and the increasing demand for sustainable wood products have positioned rubberwood as a popular substitute for traditional tropical woods in furniture and wood-based panel manufacturing. The industry's future growth is expected to be driven by environmental concerns, plantation certification, and the availability of rubberwood supplies from effective planting programs.

Determinants of Successful Global Market Expansion

Introduction to Global Market Expansion

Malaysia has become a significant player in the global market for wooden furniture, particularly by leveraging its rubber wood resources. The country ranks among the top ten largest furniture exporters globally, with a significant portion of its furniture production exported to countries like the United States, Japan, Australia and emerging markets such as Algeria and Greece. Rubberwood, once a by-product of the rubber industry, has been transformed into a critical raw material for furniture manufacturing, making up about 80% of all wooden furniture produced in Malaysia. This shift was mainly due to efforts by the Forest Research Institute of Malaysia in 1978, which promoted rubber wood's use, boosting the furniture sector significantly (MIFF, 2023).

The Malaysian government has been actively supporting the growth of the furniture industry through initiatives aimed at enhancing design and product quality. This includes tax incentives and investment allowances that attract domestic and foreign investments (MIFF, 2023) (MIDA, 2022). In 2022 alone, the export value of wooden furniture from Malaysia was estimated at RM11.147 billion (MIFF, 2023). Exporting rubber wood furniture from Malaysia involves specific regulations and procedures. Exporters must comply with the Malaysian Timber Industry Board (MTIB) requirements, which include obtaining necessary export permits for certain timber products and adhering to packaging standards that ensure furniture safety during transit (DHL, 2023).

SWOT Analysis

Global expansion strategies are essential for businesses looking to tap into new markets, increase their customer base, and drive revenue growth on an international scale. These strategies involve a systematic approach to entering and establishing a presence in foreign markets, leveraging opportunities, and overcoming challenges inherent in global business operations. Below is the SWOT analysis for the global expansion of rubber wood furniture:

Table 1

SWOT Analysis for the Global Expansion of Rubber Wood Furniture

Strengths	Weakness
Abundant raw material supply, skilled workforce, recognized quality and craftsmanship, sustainable production practices.	Potential fluctuations in raw material prices, competition from other wood-based furniture industries, and limited brand recognition in some markets.
Opportunities	Threats
Growing global demand for eco-friendly furniture, increasing preference for natural materials, e-commerce expansion, and potential for product diversification.	Rising labour costs, competition from other Southeast Asian furniture producers, potential trade barriers or tariffs, and the impact of global economic conditions on consumer demand.

The rubber wood furniture industry possesses several strengths underpinning its competitive advantage in domestic and global markets. Firstly, the industry benefits from an abundant supply of raw materials and a skilled labour force, providing a solid foundation for production and innovation. Additionally, the industry is renowned for its commitment to quality and craftsmanship, which enhances its reputation among consumers. Moreover, adopting sustainable production practices reflects the industry's dedication to environmental responsibility, further bolstering its appeal to eco-conscious consumers. These strengths collectively contribute to the industry's resilience and capacity for continued growth (MIFF, 2023).

Fluctuations in raw material prices pose a risk to cost management and profitability, potentially impacting the industry's financial performance. Furthermore, competition from other wood-based furniture industries presents a significant challenge, particularly in highly competitive markets. Additionally, the limited brand recognition in specific international markets hinders the industry's ability to expand its global footprint effectively (MIFF, 2023).

The increasing global demand for eco-friendly furniture and natural materials creates a favourable market environment for the industry. Moreover, expanding e-commerce platforms offers new avenues for reaching consumers and expanding market reach. Furthermore, there is potential for product diversification to cater to consumers' diverse preferences and needs, further enhancing market penetration and competitiveness (MIFF, 2023).

Despite these opportunities, the industry faces several threats that could impede its growth trajectory. Rising labour costs challenge maintaining price competitiveness, potentially impacting consumer demand and market share. Additionally, competition from other Southeast Asian furniture producers presents a formidable challenge, particularly in the context of globalisation and regional economic integration. Moreover, potential trade barriers, tariffs, and the unpredictable impact of global economic conditions on consumer demand pose significant threats to the industry's revenue and profitability (MIFF, 2023)

Factors to be Consider for Global Market Expansion*a) Product Diversification*

Over the last ten years, emerging market economies, particularly in Asia, have significantly bolstered their share of global exports, suggesting that goods imported from advanced and emerging markets may be interchangeably demanded to a certain degree (Petlonen et al., 2008). Investments in frontier markets are advisable for investors comfortable with higher risks. Thomas and colleagues (2020) state that emerging markets in the Asia-Pacific region outperform frontier markets in terms of portfolio enhancement. However, the performance of European frontier markets was negatively impacted by the COVID-19 pandemic, leading to the conclusion that Asia-Pacific equity markets offer more significant diversification potential than their European counterparts.

Penetrating new international markets is pivotal for businesses aiming to achieve global expansion. By spreading their market presence across different geographical areas, companies can lessen their reliance on any single market and shield themselves from risks tied to economic swings or political upheavals while seizing nascent opportunities in varied market segments. Diversification of markets enables organisations to adapt to different consumer tastes, regulatory frameworks, and competitive dynamics, thereby broadening their product ranges and reaching an expanded customer demographic.

b) E-commerce Presence

In the modern era of connectivity, carving out a robust e-commerce strategy has become essential for businesses aiming to scale globally. E-commerce platforms offer a streamlined, cost-effective gateway for companies to present their offerings to a worldwide audience and conduct transactions effortlessly across borders. Modley Sagren (2003) highlights the shift towards digital methods among international wood furniture purchasers, who rely on the Internet to revamp their commercial activities and forge knowledge-intensive relationships with suppliers. E-commerce has become pivotal for South African enterprises, facilitating the transcendence of physical boundaries, augmenting the ease of purchase for customers, and capitalising on the escalating preference for online shopping. Businesses can significantly extend their international footprint and sharpen their competitive edge by investing in digital sales infrastructure, targeted online marketing, and intuitive customer interfaces.

c) Strategic Partnership

Forming strategic partnerships and alliances with international entities is a strategic approach to expanding global market presence. Businesses can access established networks, distribution channels, market insights, and customer relationships in foreign markets by collaborating with local distributors, retailers, design firms, or industry partners. Strategic partnerships enable companies to leverage their partners' expertise, resources, and market knowledge, accelerate market entry, and enhance brand visibility and credibility. Joint ventures, licensing agreements, co-branding initiatives, and distribution partnerships are common strategic alliances facilitating global expansion and market penetration.

Adapting products or services to meet target markets' specific needs, preferences, and cultural nuances is essential for successful global expansion. Product localisation involves customising offerings in design, features, packaging, pricing, and marketing messages to resonate with local consumers and align with market trends. By understanding the unique requirements of different markets and tailoring products accordingly, businesses can enhance customer satisfaction, increase brand relevance, and gain a competitive edge in global markets. Localisation also involves compliance with regulatory standards, language translations, and cultural sensitivities to ensure product acceptance and market success.

Acquiring or merging with established companies in foreign markets is a strategic growth strategy for expanding global footprint and market share. Mergers and acquisitions enable businesses to gain immediate access to new markets, technologies, distribution channels, and customer bases, accelerating market entry and growth. By acquiring companies with complementary capabilities or market presence, businesses can strengthen their competitive position, achieve economies of scale, and drive synergies that enhance operational efficiency and profitability. Mergers and acquisitions also offer opportunities for diversification, innovation, and strategic expansion into new product categories or geographic regions.

Successful Factors for Global Market Expansion

Expanding into international markets is a strategic move for businesses seeking growth, increased revenue, and global presence. Successful global market expansion requires careful consideration of various factors that can influence the outcome of such endeavours.

The European furniture sector is the second biggest market and production centre after Asia. It has upgraded its policy to an export-oriented structure and has focused on innovative use of materials, quality, and design in the last decade. These changes include restructuring, technological advances, and business model innovations. Although the Asian furniture market is the leader of the global furniture industry, the European furniture industry is the pioneer of new designs, environmental approaches, sustainable natural materials, high-value-added furniture production and high technology (Oblak et al., 2020).

Factor 1: Market Research and Analysis

Market research and analysis involve systematically gathering, recording, and analysing data related to target markets, customers, competitors, and industry trends. They aim to provide valuable insights that guide decision-making processes when entering new markets. Furniture changes occur infrequently, but people are now more and more carefully approaching the selection of furniture. They want to see practical, high-quality furniture in their house and furniture made according to the latest fashion trends in modern design (Efimova et al., 2020).

Thorough market research and analysis are crucial for understanding the dynamics of foreign markets, identifying opportunities, assessing risks, and developing effective market entry strategies. They help businesses tailor their products or services to meet target customers' specific needs and preferences, increasing their chances of success in new markets.

One of the primary challenges in market research and analysis for global expansion is the availability and accuracy of data. Obtaining reliable information about foreign markets, consumer behaviour, regulatory environments, and competitive landscapes can be complex and time-consuming. Cultural differences, language barriers, and varying business practices also pose challenges in interpreting market data accurately.

Effective market research and analysis significantly impact the success of global market expansion initiatives. By gaining insights into market demand, competition, pricing strategies, and distribution channels, businesses can make informed decisions that minimise risks and maximise opportunities in new markets. A comprehensive understanding of target markets enables companies to develop tailored marketing campaigns, product offerings, and market entry strategies that resonate with local consumers, leading to sustainable growth and competitive advantage.

Factor 2: Strategic Partnerships and Alliances

Strategic partnerships and alliances involve collaborations between businesses, organisations, or entities with complementary capabilities, resources, or market presence to achieve mutual goals and enhance competitive advantages in global markets. Virtual organisational forms of enterprises (strategic alliances, partnerships, networks, outsourcing connections, virtual teams, and enterprises) have become dominant in the modern global business world. Virtual organisations with unique hierarchy structures can provide the rationalisation of business costs, more effective use of the existing capacities and flexibility in responding to market demands (Grladinović et al., 2006).

Strategic partnerships and alliances are essential for accessing new markets, leveraging local expertise, sharing risks and resources, and accelerating market penetration. By partnering with established entities in foreign markets, companies can benefit from their networks, distribution channels, brand reputation, and market knowledge, facilitating smoother market entry and expansion.

Establishing and maintaining successful partnerships and alliances across borders presents cultural differences, diverging business practices, communication barriers, and conflicting interests. Ensuring alignment in strategic objectives, managing expectations, resolving conflicts, and building trust is critical to nurturing effective partnerships for global market expansion.

Strategic partnerships and alliances play a pivotal role in the success of global market expansion strategies. By collaborating with local partners, businesses can overcome entry barriers, navigate regulatory complexities, and gain insights into consumer preferences and market trends. Joint ventures, distribution agreements, licensing arrangements, and co-branding initiatives can enhance market reach, brand visibility, and competitive positioning in foreign markets, leading to accelerated growth and sustainable market presence.

Conclusion

In the dynamic world of global market expansion, Malaysia's rubber wood furniture industry stands as a testament to the potential for strategic growth and adaptation. The synthesis of strengths such as abundant raw materials and skilled craftsmanship with the

forward momentum of eco-friendly demands and digital commerce presents a compelling narrative of progress and potential. It is a narrative without challenges, as rising costs and international competition demand ingenuity and adaptability.

The key to flourishing in such an environment lies in the industry's ability to remain agile by leveraging its advantages, embracing e-commerce, forging strategic alliances, and continuously innovating. As the industry looks to the future, incorporating cutting-edge design and adherence to sustainable practices positions it favourably within the international arena.

In conclusion, Malaysia's rubber wood furniture sector, characterised by its quality and resilience, is poised to navigate the complex tapestry of global trade with deftness. Embracing digital transformation, tapping into emerging markets, and cultivating strategic partnerships are the beacons that will guide its journey. With careful stewardship, the sector will likely meet and exceed the expectations of a marketplace that increasingly values sustainability, quality, and innovative design.

Reflection

Reflecting on this assignment regarding the Malaysian rubber wood furniture industry, I have garnered numerous insights. I have examined the historical development of the industry, witnessing Malaysia's growth into a critical player in the global market, propelled by its ample rubber wood resources and skilled craftsmanship to satisfy international demands for both quality and sustainable furniture. This examination encompassed the industry's evolution, highlighting the strategic transition of rubber wood from a latex by-product to a central furniture material and how Malaysia adeptly positioned itself as a leading exporter.

The SWOT analysis offered an in-depth look at the industry's strengths and weaknesses, as well as its opportunities and threats. I learned about the internal dynamics and external pressures, realising how crucial it is to align strengths such as high-quality production and sustainable practices with opportunities like the demand for eco-friendly products while simultaneously navigating challenges like fluctuating raw material costs and competition.

Discussing market expansion strategies, I understood the significance of product diversification, an online presence, and forging strategic partnerships. These elements are crucial for any industry looking to penetrate the global market. Embracing digital transformation and strategic alliances is vital in overcoming market entry challenges, adapting to consumer needs, and complying with various regulations.

This assignment taught me that global market success is multi-dimensional, involving comprehensive strategic planning and sensitivity to broad and specific economic factors that influence an industry. The case study of the Malaysian furniture industry has been illustrative, demonstrating how a sector can thrive globally by innovating, committing to sustainability, and implementing strategic growth plans.

Acknowledgment

The authors would like to express their appreciation to the Azman Hashim International Business School (AHIBS), Universiti Teknologi Malaysia, for realizing and supporting this

research work. This work was supported/funded by the Yayasan Tan Sri Azman Hashim (R.K130000.7355.4B907)

References

- Hong, L. T. (1995). Rubberwood Utilization: A Success Story. In Rubberwood Utilization: A Success Story (pp. 6–12). Tampere, Finland: XX International Union of Forestry Research Organizations (IUFRO) World Congress.
- Grladinović, T., Poršinsky, T., & Motik, D. (2006). Contribution to research on virtual production in wood processing and furniture manufacturing. 57(4), 171–178.
- Efimova T. V., Ishchenko T. L., Pikalov L. D. (2020). MODERN FURNITURE MARKET TRENDS 2019. Actual directions of scientific research of the XXI century: theory and practice. (1), pp. 198–202. DOI: <https://doi.org/10.34220/2308-8877-2020-8-1-198-202>.
- Oblak, L., Kitek Kuzman, M., & Ayrilmis, N. (2020). The European furniture industry: Market, design and trends. In Sustainability of Forest-Based Industries in the Global Economy - Proceedings of Scientific Papers (pp. 113–116).
- Thomas, N. M., Kashiramka, S., Yadav, S. S., Paul, J. (2022). Role of emerging markets vis-à-vis frontier markets in improving portfolio diversification benefits, *International Review of Economics & Finance*, Volume 78, Pages 95–121, ISSN 1059-0560, <https://doi.org/10.1016/j.iref.2021.11.012>.
- Peltonen, T. A., Skala, M., Santos Rivera, A., & Pula, G. (2008). Imports and profitability in the euro area manufacturing sector: The role of emerging market economies. European Central Bank.
- Ratnasingam, J., Macpherson, T. H., Ioraş, F., & Abrudan, I. V. (2008). Chain of Custody Certification among Malaysian wooden furniture manufacturers: status and challenges. *International Forestry Review*, 10(1), 23–28.
- Malaysian Furniture Industry. (2023). From rubber trees to global dominance: Malaysia's furniture industry.
- DHL Express Malaysia. (2023). Exporting wood overseas: Procedures and regulations.
- Malaysian Investment Development Authority. (2022). Malaysia's wooden furniture exports will surpass RM13b in 2021: Ministry.
- Food and Agriculture Organization of the United Nations. (n.d.). Rubberwood processing and utilisation. FAO. <https://www.fao.org/3/Y0153E/Y0153E02.htm>