

**FACTORS LEADING IMPORTED FURNITURE TO BE  
PREFERRED OVER LOCALLY PRODUCED ONES  
A CASE OF ILALA AND TEMEKE MUNICIPAL COUNCILS IN  
DAR ES SALAAM-TANZANIA**

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OVER LOCALLY PRODUCED ONES  
A CASE OF ILALA AND TEMEKE MUNICIPAL COUNCILS IN  
DAR ES SALAAM-TANZANIA**

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**A Dissertation Submitted in Partial Fulfillment of the Requirements for the  
Award of the Degree of Master of Business Administration (MBA - CM) of  
Mzumbe University**

**2013**

**CERTIFICATION**

We the undersigned, certify that we have read the dissertation and found it to be in a form acceptable for the final Submission for the award of a Master Degree in Business Administration, a dissertation entitled **Factors Leading Imported Furniture to be Preferred Over Locally Produced Ones: A Case of Ilala and Temeke Municipal Councils in Dar es Salaam-Tanzania**, in partial fulfillment of the degree of Master of Business Administration of the Mzumbe University.

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## **DEDICATION**

This dissertation is dedicated to my lovely family who inspired me very much in my academic pursuit and tolerated my absence till accomplishment of my studies. Indeed all the family members contributed immeasurably and untiringly in destining support and encouragement in my entire period of course study.

## **ABBREVIATIONS AND ACRONYMS**

BRELA	-	Business Registrations and Licensing Agency
BRIIC	-	Brazil, Russia, India, Indonesia and China
EU	-	Europeans Unions
ISO	-	International Standard Organization
MNCS	-	Multinational Corporations
R&D	-	Research and Development
SIDO	-	Small Industry Development Organization
SMEs	-	Small and Medium Enterprises
TBS	-	Tanzania Bureau of Standards
US	-	United States
WFP	-	Wood Furniture Products

## **ABSTRACT**

The study to assess Factors Leading Imported Furniture to be Preferred Over Locally Produced Ones was conducted at Ilala and Temeke Municipal Councils in Dar Es Salaam-Tanzania. The objectives were to; compare the prices of locally produced furniture to imported ones; identify the quality in terms of durability and varieties of the local furniture and that one of imported; examine promotion and advertisement on local furniture compared to that one of imported furniture; find out the cost of timber, manufacturing power, transportation and other factors of producing furniture locally compared to the cost of importing them; explore the reasons as to why people prefer imported furniture compared to locally produced ones. A sample of 150 respondents were used, in collecting data the study used questionnaires, interview guide and observation, secondary data were also used.

The study found that the high price of local furniture make them to be less preferred compared to imported ones. The cause of that high price is the high cost of raw materials such as the price of buying timber is considerably higher despite of timber to be available in Tanzania. More over it found that high manufacturing cost which lead to high price of the local furniture is not only caused by high cost of raw materials but also poor power supply, poor technology, poor infrastructure and unfavorable tax and levy. It also found that the quality in terms of durability of the local furniture is high compared to imported furniture, but low preference of the local furniture is due to high price, less varieties, less promotion and advertisement, unpleasant appearance and long waiting time from ordering to deliverance of the local furniture.

The study recommended that; Tanzania furniture manufacturers should not seek to compete at low price while the costs of production including the cost of timber, electric power, transportation are high, they should focus on means of reducing such kind of production costs. The controlling measures/way forward and recommendations on the high local production cost (high price), less varieties, less promotion and advertisement and others are evidently exposed on the study.

## TABLE OF CONTENTS

	<b>Pages</b>
<b>Certification</b> .....	i
<b>Declaration and Copyright</b> .....	ii
<b>Acknowledgement</b> .....	iii
<b>Dedication</b> .....	iv
<b>Abbreviations and Acronyms</b> .....	v
<b>Abstract</b> .....	vi
<b>Table of Contents</b> .....	vii
<b>List of Tables</b> .....	ix
<b>List of Figures</b> .....	x
<b>List of Appendices</b> .....	xi
<b>Chapter One</b> .....	1
<b>Introduction</b> .....	1
1.1 Background Information.....	1
1.2 Statement of the Problem.....	4
1.3 Objective of the Study .....	5
1.3.1 General Objective .....	5
1.3.2 Specific Objectives .....	5
1.4 Research Questions.....	5
1.4.1 General Research Question.....	5
1.4.2 Specific Research Questions.....	6
1.5 Significance of the Study.....	6
1.6 Scope and Limitations of the Study.....	7
<b>Chapter Two</b> .....	8
<b>Literature Review</b> .....	8
2.1 Introduction.....	8
2.2 Definition of the Key Terms .....	8
2.2.1 Import.....	8
2.2.2 Furniture.....	9
2.2.3 Local .....	9
2.2.4 Locally Produced Furniture .....	10
2.2.5 Imported Furniture .....	10
2.3 Features of the Furniture Industry .....	10
2.4 The Global Furniture Sector .....	13
2.5 Global Trends in Furniture Production and Trade.....	15
2.6 The Global Competitiveness of the Chinese Wooden Furniture Industry.....	18
2.7 Furniture Sector in Tanzania.....	19

2.8	Locally Produced Furniture and Imported Furniture in TanzaniaMarket.....	20
2.9	Impacts of Imported Furniture on Demand of Tanzania Local Furniture	24
2.10	Challenges Facing the Tanzanian Furniture Industry .....	26
2.11	Measures for Locally Produced Furniture to Eliminate Challenges .....	27
2.12	The Local Furniture Enjoy Less Popularity than the Imported Furniture	29
2.13	Quality and Price of the Locally Produced Furniture .....	30
2.14	Promotion and Advertisement of the Furniture .....	32
2.15	Varieties of Locally Produced Furniture .....	35
2.16	Role of Technology and Expertise on Furniture Industry .....	35
2.17	Conceptual Framework.....	37
<b>Chapter Three</b> .....		<b>38</b>
<b>Research Methodology</b> .....		<b>38</b>
3.1	Introduction.....	38
3.2	Study Area .....	38
3.3	Research Design .....	38
3.4	Population of the Study.....	39
3.5	Sample Size and Sampling Procedures.....	40
3.6	Data Collection Methods .....	40
3.6.1	Primary Data .....	40
3.6.1.1	Questionnaire .....	41
3.6.1.2	Interview .....	41
3.6.1.3	Observation .....	42
3.6.2	Secondary Data .....	42
3.7	Data process and Analysis.....	42
<b>Chapter Four</b> .....		<b>44</b>
<b>Result and Discussion</b> .....		<b>44</b>
4.1	Introduction.....	44
4.2	Background Characteristics of Respondents .....	44
4.2.1	Age.....	44
4.2.2	Marital Status .....	45
4.2.3	Level of Education.....	47
4.3	Causes of High Price for Locally Produced Furniture.....	48
4.4	The Quality and Varieties of the Locally Produced Furniture.....	51
4.5	Promotion and Advertisement on Local Furniture .....	53
4.7	Factors for High Manufacturing Cost of the Local Furniture.....	54
4.8	Reasons for High Preference on Imported Furniture in Tanzania .....	56
<b>Chapter Five</b> .....		<b>59</b>
<b>Conclusion and Recommendations</b> .....		<b>59</b>
5.1	Conclusion .....	59
5.2	Recommendations.....	59
<b>References</b> .....		<b>62</b>
<b>Appendices</b> .....		<b>67</b>

## LIST OF TABLES

	<b>Pages</b>
Table 4.0: The Sample Size of the Study .....	40
Table 4.1: Age of Respondents .....	44
Table 4.2: Marital Status .....	46
Table 4.3: Level of Education .....	47
Table 4.4: The Prices of Locally Produced Furniture .....	49
Table 4.4.1: Causes of High Price for Locally Produced Furniture .....	49
Table 4.5: The Quality (Durability) and Varieties of Locally Produced Furniture.....	51
Table 4.6: Promotion and Advertisement on Local Furniture .....	53
Table 4.7: Factors for High Manufacturing Cost of the Local Furniture.....	55
Table 4.8: Reasons for High Preference on Imported Furniture in Tanzania ...	57

## LIST OF FIGURES

	<b>Pages</b>
Figure 2.1: Conceptual Framework .....	37
Figure 4. 1: Age of Respondents.....	45
Figure 4. 2: Marital Status .....	46
Figure 4.3: Level of Education .....	48
Figure 4.4: Causes of High Price For Local Produced Furniture.....	50
Figure 4.5: Quality of Locally Produced Furniture .....	52
Figure 4.6: Promotion And Advertisement on Local Furniture.....	54
Figure 4.7: Factors For High Manufacturing Cost of the Local Furniture .....	56
Figure 4.8: Reasons For Preference of Imported Furniture In Tanzania .....	58

## **LIST OF APPENDICES**

	Pages
Appendices 1: Questionnaire .....	67
Appendices 2: Interview Guide .....	69

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background Information**

The concept of imported products is not a new idea at all (Hansemark, 2003 and Murphy, 2006). Since 1978, the St. John, New Brunswick brewery has been the font of America's fastest growing imported beer. The New Brunswick brewery was among more than 225 breweries imports beer to U.S. (Wiley, 1988). According to Geneva (2005), the estimated apparent consumption of all furniture (at trade prices) in the United States of America reached \$64.1 billion in 2001, about a third of that (\$23 billion) consisted of domestic factory shipments; The American market for wooden furniture was valued at \$22 billion the European Union (EU) was responsible for half of the world furniture output (\$73.6 billion) and consumption (\$74.5 billion), it encompasses some of the largest consumer markets (Germany, the United Kingdom, France) and the world's leading exporters (Italy, Germany); Germany remains the leading EU consumer (at \$28.7 billion), producer and organized distribution power, however, imports and consumption have recently been negatively affected by an economic slowdown. Italy's retail furniture market is estimated at \$10.1 billion; however, the country's furniture industry has an output valued at \$17.6 billion, making Italy a large net exporter; Japan's apparent consumption of wooden furniture is estimated at between \$13 billion and \$14 billion.

Currently, situation in international market foster countries to focus on developing and facilitating growth of local market since domestic market is seen as a root for economic growth, this can be explained by changing competitive structure coupled with shifts in demand characteristics in markets throughout the world, within the increasing globalization of markets, companies find they are unavoidably enmeshed with foreign, competitors and suppliers since even on their own borders they face competition on all from domestic firms and foreign firms (Cateora, 2002).

As the domestic output appears to be shrinking further, imports will play a more prominent role in consumption, helped by the infusion of 'foreign' styles into Japanese homes; China is a major emerging player in the world furniture industry, furniture is now one of the country's fastest growing export sectors, production of furniture of all types and materials is estimated at \$14.5 billion which, with net exports of \$3.8 billion, suggests that apparent consumption is around \$10.7 billion, so that means Chinese prefer their home made furniture rather than the imported ones (You,2007).

The economic development of any countries is determined by the gross domestic product. According to Hallberg (2009), locally produced products are the primary indicators used to gauge the health of a country's economy because it represents the total dollar value of all goods and services produced over a specific time period. Despite of the fact that locally produced products determines the health of the economy, but this is seen different in third world countries like Tanzania where the locally produced furniture fail to compete well with the foreign imported furniture, which at the end lead to less utilization of domestic resources as well as more unemployment to Tanzania.

Researches done by Colantone and Crinò (2012) shows that China and Malaysia furniture is of much quantity in domestic market of most African countries and others in the world. In Tanzania imported furniture as mostly from China and Malaysia dominate locally produced furniture market where local Tanzania prefers imported furniture than local made. According to Kaplinsky (2003), in most African countries Furniture has traditionally been a resource and labor-intensive industry that includes both local craft-based firms and large volume producers. On another hand developed country which import furniture to Tanzania are machinery oriented and quality technology as well.

The research done by TIRDO (2009) in industrial sector highlighted that locally produced products as including furniture fail to compete well with those imported due to quality issues and innovativeness.

Giving simple example about King Furniture and Life Mate furniture centre in Tanzania, the furniture imported from China and Dubai by those centre are highly preferred than the furniture made locally in Tanzania. From this factor the locally produced furniture manufacturer fail to perform well as a result it affects Tanzania national economy and other social wellbeing since the locally produced furniture enterprises can employ huge number of Tanzanians if it wins much number of local customers. As one can imagine, economic production and growth, has a large impact on nearly everyone within that economy. For example, when the economy is healthy, low unemployment and wage increases will be seen as businesses demand labor to meet the growing economy.

Seeing the importance's of local enterprises activities including furniture manufacturing, in development of countries economy particularly in Tanzania, the Government of Tanzania should consistently facilitate by supporting locally produced furniture enterprises to raise domestic revenue and provide supportive and guidance for sustained long-term socioeconomic development and poverty reduction, which is important in increasing domestic resource mobilization and utilization in reduction of external dependence (The Tanzania Long-Term Perspective Plan (LTTPP), 2011/12-2025/26).

To facilitate high capacity of local revenue to enhance effective dominance of local market for Tanzania furniture products to keep the economic healthy and alive, which can be easily done by Tanzania government by providing incentives to locally produced furniture enterprises to enhance level of quality and innovativeness which is seen as a barrier which affect competence of locally produced furniture compared to foreign imported ones in Tanzania. Therefore Tanzania government has to promote locally produced furniture to have a wider market at home than those imported ones.

In Tanzania context, the competition between imported furniture and locally produced furniture is very high, where locally produced furniture are less preferred comparing to imported ones, considering the fact that Tanzania is rich in timber and

other resources for furniture manufacturing but still the locally produced furniture cannot compete with imported furniture. Research done by Tanzania Industrial Research and Development Organisation (TIRDO, 2008) highlighted that, imported products including furniture from different parts of the world highly compete with Tanzanians local manufacturers, such as most of imported furniture in Tanzania are from China which are found in large furniture enterprises such as King Furniture and Life Mate Furniture of Tanzania, other furniture also imported from Congo, Dubai, USA, Thailand and other more countries.

According to BREELA (2007), registered domestic companies in Tanzania are many in number but their survival is inevitable since they fail to compete well with imported products. Today in Tanzania locally produced furniture and its respective enterprises face challenges on their growth and survival since they face high competition from imported furniture, as result the country economic situation is at stake whereas level of unemployment increases and poverty becomes unavoidable. From the study researches such as (Mjunguli et, 2004) indicated that to eliminate these challenges factors such as, quality, innovations, varieties and reliability/availability of locally produced products should be highly considered in overcoming the problem on hand.

## **1.2 Statement of the Problem**

In Dar es Salaam City which is the main commercial city in the country, there are a lot of informal activities done by people who are not in the formal sector. The city population is growing very fast and demand for furniture is very high. Local furniture entrepreneurs have opened various centres to manufacture and trade their goods which are of high quality. Due to trade liberalization, furniture is also imported by various traders.

However demand for locally produced furniture is much less compared to imported ones. Those who manufactured locally produced furniture buy timber and other raw materials needed for production from the local market, thus benefiting the Tanzania's economy in general. They are also employing their fellow Tanzanians which reduce

the rate of unemployment among youth. One would therefore expect that all rational Tanzanians would buy products such as furniture which are locally produced to make the economy of the country grow and to create employments. To the contrary, majority of the city dwellers seem to prefer imported furniture compared to locally produced ones. The reason which is leading them to prefer imported furniture over locally produced ones is not well established. The study thus intended to assess factors leading imported furniture to be preferred over locally produced ones. Ilala and Temeke Municipal in Dar es Salaam City were taken as a case study.

### **1.3 Objective of the Study**

#### **1.3.1 General Objective**

Generally the study intended to assess factors leading imported furniture to be preferred over locally produced ones.

#### **1.3.2 Specific Objectives**

Specifically the study intended:-

- (i) To compare the prices of locally produced furniture to imported ones.
- (ii) To identify the quality in terms of durability and varieties of the local furniture and that one of imported.
- (iii) To examine promotion and advertisement on local furniture compared to that one of imported furniture.
- (iv) To find out the cost of timber, manufacturing power, transportation and other factors of producing furniture locally compared to the cost of importing them.
- (v) To explore the reasons as to why people prefer imported furniture compared to locally produced ones.

### **1.4 Research Questions**

#### **1.4.1 General Research Question**

The general research question is what factors are leading imported furniture to be preferred over locally produced ones.

### **1.4.2 Specific Research Questions**

- (i) How do you compare the prices of locally produced furniture to that one of imported?
- (ii) Is the locally produced furniture in low quality(less durable) and (or) less varieties that leads to be preferred less than imported ones?
- (iii) Are there enough promotion and advertisement on local furniture compared to that one of imported furniture?
- (iv) Are the costs of timber, manufacturing power, transportation and other factors of producing furniture locally high comparing to that one of importing them; what make the local production costs high while raw materials such as timber and electric power are all available within the country?
- (v) Why people prefer imported furniture compared to locally produced ones?

### **1.5 Significance of the Study**

The study will identify the reason(s) for people to prefer imported furniture over locally produced ones; hence it will enable to establish clear means of enhancing domestic furniture to sell more than those imported. More sells will lead to more production as well as more purchasing of local raw materials needed for production from the local market, thus benefiting the Tanzania's economy in general.

It will facilitate more utilization of Tanzanian resources as well as more employment of Tanzanians on furniture manufacturing centre or enterprises. This is for a reason that production on furniture will increase as the sales increase and so then much human/ personnel and materials resources will be needed.

Since means for the locally produced furniture to be preferred over imported ones will be clear to locally produced furniture manufacturers, the study will help those manufacturers to be more creative and successful than on the previous time so as the locally produced furniture to be preferred more than the imported ones

The study will harmonize and facilitate Tanzanians including young graduates to employ themselves in furniture manufacturing enterprises. Locally produced

furniture manufacturers and those who wish to be furniture manufacturers will have the best techniques on how they can defeat imported furniture by winning their local/domestic markets.

### **1.6 Scope and Limitations of the Study**

This particular study is limited at the city of Dar es salaam since it is the major city in Tanzania as also it involves a large number of small, medium and large furniture shops. The finding of the study may not be generalized to other areas not visited.

The study faced a number of limitations, these include insufficient time, fund, lack of response from some of the respondents and some time difficult on accessing important documents.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The Chapter focuses on literature review for gaining more understanding on the factors leading imported furniture to be preferred over locally produced ones. It explains how the study sited different data from other researchers and writers/authors. The first part of this Chapter describes the definition of the key terms those include import, furniture, local, locally produced furniture and imported furniture. The second part characterizes the features of the furniture industry, the third part clarifies the global furniture sector, the fourth part describes the global trends in furniture production and trade, the fifth part explains the global competitiveness of the Chinese wooden furniture industry, the sixth part illustrates furniture sector in Tanzania, the seventh part clarifies the locally produced furniture and imported furniture in Tanzania Market, the eighth part describes impacts of imported furniture on demand of Tanzania local furniture, the ninth part explains the challenges facing the Tanzanian furniture Industry, the tenth part point out the measures for locally produced furniture to eliminate challenges, the eleventh part describes on the local furniture to enjoy less popularity than the imported furniture, the twelfth part describe on quality and price of the locally produced furniture, the thirteenth part discusses on promotion and advertisement of the furniture, the fourteenth part points on varieties of locally produced furniture, the fifteenth part describes the role of technology and expertise on furniture industry, also this Chapter involves conceptual framework as at the last part.

#### **2.2 Definition of the Key Terms**

##### **2.2.1 Import**

Import means to bring or carry in from an outside source, especially to bring in (goods or materials) from a foreign country for trade or sale (Chi and Kilduff, 2006; Wang, 2006). An import of goods occurs when there is a change of ownership from a non resident to a resident; this does not necessarily imply that the goods in question

physically crosses the frontier. Imports consist of transactions in goods and services (sales, barter, gifts or grants) from non-residents it's a good thing that residents to residents (Hansemark, 2003).

### **2.2.2 Furniture**

Furniture is the mass noun for the movable objects intended to support various human activities such as seating and sleeping (Dunne, 2009; You, 2007). Furniture is also used to hold objects at a convenient height for work (as horizontal surfaces above the ground), or to store things (IDC 2008). It can be made from many materials, including metal, plastic, and wood. Furniture can be made using a variety of woodworking joints which often reflect the local culture (Murphy, 2006; Fakude, 2000).

The furniture industry is divided into different product groups, each of which has distinct market segments. The Harmonized System of product classification distinguishes four wood product groups, namely office furniture, kitchen furniture, bedroom furniture, and dining/living and shop furniture as well as metal and plastic furniture and furniture parts. These product groupings do not differentiate between craft and mass-produced items or between low- and high-priced market items. Total furniture imports accounted for 1 per cent of all extra-EU imports in 2000 and amounted to US\$4,890 million. The wood furniture products (WFP) accounted for the largest share of furniture imports (62 per cent) with extra EU wood furniture imports total US\$3,038 million in 2000 (Hansemark, 2003).

Wood furniture is becoming increasingly competitive, with more producers entering the market and prices falling. A detailed analysis of the data by product sub-group and countries of origin highlights a number of other points (IDC, 2008).

### **2.2.3 Local**

Local usually refers to something nearby, or in the immediate area (Goedhuys and Sleuwaegen, 2010). There is no single definition of local. But defining 'local' based

on marketing arrangements, such as farmers selling directly to consumers at regional farmers' markets or to schools, is well recognized (Temu and Due, 2000).

#### **2.2.4 Locally Produced Furniture**

General concept of local produced furniture comprises of timber products produced within a country to be used at homes and offices, Wang (1990). On this research paper locally produced furniture is mainly concerned with those furniture which are manufactured in Tanzania by using local or domestic resources including Tanzania's timber, personnel and other materials for furniture productions. In addition Local Enterprises means the enterprises (furniture enterprises) within Dar-es-Salaam-Tanzania.

According to Weinstein (2006) locally produced products are those products produced within a country by the local enterprises, added that local products/activities are the key and backbone to the national economic development, which intends to create employment opportunities income generation and poverty reduction.

#### **2.2.5 Imported Furniture**

In this study the imported furniture include all those furniture traded in from other countries outside Tanzania. According to Geneva (2005), imported furniture to developing countries such as Tanzania are from China, Malaysia, Indonesia, Thailand, Srilanka; They include Home Furniture such as Dining Table, Sofa Set, TV Unit, Center Table, Wardrobe, Book Case, Bar Unit, Beds, Dressing Table, Shoe Rack, Telephone Stand, Wall Unit; Office Furniture such as Office Table, Office Cube, Computer Table , Office Chair; and other products such as art Gallery and Coffee Table.

### **2.3 Features of the Furniture Industry**

As a mature industry, furniture manufacturing is characterized as having low profit margins, low entry costs, limited market growth and intense competition between firms for market share (Naliotela and Elias, 2003). The industry is highly fragmented

in nearly all countries with the majority of firms in the small to medium sized category and labor costs as a percentage of overall costs are high (Fakude, 2000).

The industry is traditionally viewed as being supplier-dominated therefore, not inherently innovative, structural and institutional features such as low R&D expenditure and the absence of patent protection are often used to support such an assertion, On the one hand, the absence of patent protection and the consequent widespread imitation of successful designs simultaneously reduce the life cycle of product innovations and the appropriability of innovation-based rents (Hallberg, 2009). Actually brand names of local furniture manufacturers as well as patent right is concerned, is so vital for any effective and competitive furniture manufacturer. The brand also identify the exactly furniture products that from which manufacturer the customer would like to buy.

However, there is evidence that for some design leaders in the Dutch and Italian furniture industries private regulation in the form of reputational sanctions reduces the incentive to copy competitor's products and instead helps maintain adequate incentives to invest in innovative design (Nalioetela and Elias, 2003). These features are important as quality dimensions especially design and quality innovation, product improvement are strongly related to business performance in the furniture industry (Temu and Due, 2000). Furniture designs improvement is also recommended in local furniture manufacturers since customers needs on furniture designs and varieties change day after day. The imported furniture usually have different designs which are newly improved every day, so the local furniture manufacturers have to be more creative on furniture designs. This will absolutely assist local furniture to be preferred over imported ones.

The sector is price-sensitive and labor-intensive (Wang, 2006). Furniture has traditionally been a resource and labor-intensive industry that includes both local craft-based firms and large volume producers (Goedhuys and Sleuwaegen, 2010). The industry has experienced rapid globalization in recent years and in many European countries and the United States is subject to increasing competition in

some market segments from intense low-cost competition to newly industrializing countries (Masurel, and Van Montfort, 2006). Nevertheless, some European furniture manufactures are highly competitive in world markets due to their expertise in logistics, marketing, design, and product, process and organizational innovation, therefore somewhat paradoxically the furniture industry is resilient in many high-cost European economies and countries like Italy and Germany consistently rank among the largest producers in Europe and are among the leading exporters of furniture on world markets (Manning, 2006).

In terms of possible strategic responses for furniture manufacturers in an increasingly competitive and globalised market place, Li (2007) argue that a strategy of cost competitiveness is either impossible or not sufficient. Li argue, non-quantitative factors such as managerial ability and entrepreneurial spirit may be more important to secure global competitiveness and point to the fact that in the U.S., some progressive furniture manufacturers are seeking improved efficiencies through componentization and supply-chain management systems to support efficient assembly processes Li added that furniture will need to be built to order in contrast to the current dominant model of building – warehousing selling, so as to satisfy demand for customization.

Hansemark (2003) outlines many of the trends/challenges that are particularly pertinent for the Irish furniture manufacturing industry, first, Irish furniture manufacturers have lost out to imports in a growing furniture market since the mid 1990s, second, there is little cooperation on production or marketing among manufacturers and most enterprises are slow to adopt new designs and technology, third, although many companies are slow to react to market information, other more successful companies have specialized in office furniture or other lucrative niches such as contract work for hotels, fourth, even with middle to top range furniture items, price is still a deciding factor for buyers; a feature that is likely to encourage the trend towards outsourcing by manufacturers to maintain a competitive edge Fifth, marketing and lack of scale are seen as big weaknesses resulting in a passive

dependence on the home and UK markets and absence of branding, and inability to compete on price and compete in mass markets respectively.

#### **2.4 The Global Furniture Sector**

Furniture is big business (Li, 2007 and Wang, 2006). Between 1995 and 2000 trade in furniture worldwide grew by 36 per cent, faster than world merchandise trade as a whole (26.5 per cent), apparel (32 per cent) and footwear (1 per cent) (Chi and Kilduff, 2006). By 2000 it was the largest low-tech sector, with total global trade worth US\$57.4 billion, exceeding apparel (US\$51 billion) and footwear (US\$36.5 billion). In the European Union (EU), extra-intra furniture imports grew by 20 per cent from 1995 to 2000 compared with 17 per cent for total extra-intra EU imports (Fakude, 2000).

Worldwide, high-volume furniture manufacturing strategy has been pursued by most developed and developing countries. The breakthrough in ready-to-assemble designed furniture has encouraged innovation and new designs for exporting manufacturers. Between 1995 and 2000 worldwide trade in furniture grew by 36% and it was by 2000 the largest low-tech sector, developed countries led by Italy, Germany and Canada have traditionally been the main producers, and exporters of furniture, only in the last ten years have they faced fierce competition from other countries especially China (and to a lesser degree Malaysia, Vietnam and Indonesia) (You, 2007).

In 2006 the value of global furniture exports in the sector amounted to over US\$135 billion, the trend seems set to continue at current growth rate, China is the leading exporter of almost 20% of global furniture exports, worth US\$28 billion, the Chinese furniture industry has gone through a period of tremendous growth as in 1990 it did not feature in the top ten exporters, while in 2000 was the world's 9th largest exporter and 1st in 2006 (Weinstein, 2006).

Out of the 15 major exporters, six are developing countries (Brazil, China, Indonesia, Malaysia, Mexico and Thailand) and four transition economies (Czech Republic,

Poland, Romania and Slovenia). These 10 countries tend to be large-volume exporters and low-volume importers of furniture (thereby being large net exporters) (Hallberg, 2009). Industrialized countries on the whole export and import large volumes of furniture with Italy by far the largest net exporter, with Canada, Denmark, Spain and Sweden in third, seventh, tenth and fourteenth places respectively (Dunne, 2009).

The European Union (EU) is the leading importer of furniture, importing more than 50% of total global furniture exports, the majority of the imports are however intra-EU, but statistics suggest that imports from developing countries are increasing and likely to continue to do so (Dunne, 2009). In 2001, imports from developing countries constituted 16% of total EU imports, which grew to 28% in 2005. China is by far the biggest exporter of furniture to the EU followed by Indonesia, Malaysia and more recently Thailand (Hallberg, 2009). At number 43, South Africa is down from being ranked 34 in 2005, evidently South Africa has not kept up with global growth trends and is consequently losing market share (Murphy, 2006).

The US demand for furniture is increasing; in particular, imports from China have been on the increase. In 2006, 47% of all US furniture imports were from China (You, 2007). The impact of this has been devastating for the US furniture industry, where a large number of especially small manufacturers were forced to close down (Wang, 2006). That is similar to Tanzania manufacturer, that's imported furniture from China and other developed countries may lead to close down to a number of local furniture industries if no immediate action taken.

An important feature of EU furniture consumption and production is evidence of polarization between low quality/price and high quality/price, particularly in the old EU (Jin, 2007). Traditional solid wood, highly specialized, furniture products have retained important niche market segments particularly for high-end, expensive, design-led products. Ready to assemble products that can be manufactured and shipped in large quantities occupy the other end of the spectrum. These mass produced products have dominated the global markets and have become a major

source of exports to developing countries, where one sees that once again, China is leading other Asian countries (Nalietela and Elias, 2003).

## **2.5 Global Trends in Furniture Production and Trade**

A major change has been emerging during the past decade in the traditional location patterns of furniture and woodworking industries throughout the world, due to changes in global demand (Weinstein, 2006). These changes have been caused by the globalization of modern urban lifestyle, the growth of a mass urban middle classes in developing countries, and modernization of product distribution systems (Goedhuys and Sleuwaegen, 2010). It is also becoming difficult in recent years to distinguish between furniture designs of different countries when they are exhibited side by side, for example at the 'Milano Salone' International Furniture Trade Show or the International Furniture Fair Tokyo (Ishengoma, 2005).

Along with the expanding distribution of modular furniture, production and exports have been dramatically increasing in China and East European countries where supplier companies are concentrated (Jin, 2007). South Africa, being rich in forest resources, has been partly incorporated into the furniture value chain developed by the global woodworking industry, as components processed in South Africa are moved on to further processing outside the region. In terms of the trade volume of African countries, distribution has been increasing in East African countries such as Tanzania, Malawi, Uganda, and Kenya (Olomi, 2006; Temu and Due, 2000).

The reality in the African countries is that small, medium, and micro enterprises in the woodworking sector generate the majority of the industry's production; however, they have been excluded from the healthy trend of global production growth and have in fact been facing a severe struggle for survival in a less dynamic domestic consumer market in recent years (Murphy, 2006). Small, medium, and micro enterprises (SMEs) involved in woodworking, as in many developing countries, form spatial concentrations or agglomerations, even in poor countries like Uganda, however between SMEs and large firms in Uganda's woodworking sector, there exists not only a spatial division but market segregation as well, with the upper

market reserved for large firms and the rest for SMEs, export markets are hardly accessible to SMEs, which were accustomed to shipping their handcrafted products to neighbouring Sudan, Rwanda, and Congo before regional conflicts disrupted regional trade routes (Nalietela and Elias, 2003).

The shift in the international trade of furniture and woodworking products has two primary causes. The first of these is a change on the consumer side (global urbanization), and the other is a change on the supplier side (logistical system development). Due to the worldwide trend toward urbanization, along with the information diffusion through globalized media like satellites, television, and the Internet that typifies modern urban lifestyle, furniture consumers have become more familiar with modern design styles that are simple and minimalist as well as lightweight (Weinstein, 2006).

The urbanized consumers have less residential space than their predecessors, and their household units are of a wider variety, including not only those who are unmarried and married-with-children, but also those who are single, living with younger and older generations, single mothers, pensioners both single and couples, divorced, and widowed. This wide variety of households leads to different lifestyles such as multi-habitation, co-habitation, connected housing, collective housing, same-sex habitation, and so on. The demand for household space and furniture has thus become more complex, demanding flexibility on the producer side (Dunne, 2009).

Modular furniture has also enabled the globalization of distribution. Modular furniture (assembled by consumers) distributed through mass merchandise chain stores such as IKEA, as well as sales through online catalogues such as Belle Maison in Japan, have succeeded in entrusting the task of assembly to consumers. This has reduced the bulkiness of furniture transportation, leading to significant cost reduction in furniture production and distribution. This situation has promoted the globalization of supply management, which in turn has promoted the globalization of the supply chain network (Li, 2007).

Consumers, mainly those in the urban middle class in developing countries, have also begun to show strong preferences for global, modern designs over traditional, heavy, extravagant styles, the traditional industries of furniture, woodworking, and woodcraft even in the developing world have been influenced by these changes, also due to the above-mentioned systematization of production and globalization of distribution, distribution costs for modular furniture were reduced, thereby enabling transactions with distant lumber sources and woodworking production centre (Goedhuys and Sleuwaegen, 2010).

The number of single-person households has increased rapidly in the major European markets. This is partly due to longevity, the decline in the number and postponing of marriages, and the rise in separation and divorce rates. Single-person homes are smaller than family homes, and may not have separate rooms for dining and other purposes. They therefore have different furniture needs, requiring multifunctional and space-efficient furniture (Geneva, 2004). The situation on major European market look the same as on local Tanzania market, that's married people are the most buyers of furniture comparing to single (unmarried) people.

Some non-western home where products played a role in this; witness how East Asian furniture, including "futons" (Japanese sleeping mattresses), was modified and adopted into the modern western lifestyle in the 1980s and 1990s (IDC, 2008). With this development, influenced by the so-called "ethnic boom," traditional design models were applied to meet the demands of modern western lifestyle. In Japan, demand increased for Balinese furniture, Vietnamese furniture, and wood products to fit into an ordinary Japanese room size. These various furniture products were increasingly exported through a number of different channels (Hansemark, 2003).

Nevertheless, the furniture and woodworking sector in East Africa also showed solid development. Annual economic growth in the 1990s exceeded six percent in Uganda, and industrial production in Uganda exceeded the average growth rate for all manufacturing industries in Sub-Saharan Africa, except communications equipment (Murphy, 2006). The growth of furniture production maintained a similar level.

Similarly, the increase in production in the furniture and woodworking sector in Kenya was 2.5 times greater than the African average. Although manufacturing businesses stagnated in Kenya during this period, the furniture and woodworking industry showed the largest increase in production volume among all industries, with a 6.5 percent growth rate (Goedhuys and Sleuwaegen, 2010).

In terms of trade volume, African countries in general are not in the top tier in worldwide exports, and South Africa ranks the highest, at 28th. However, these statistics include only a very limited number of business types. In the Ugandan Industrial Production Index, for example, data on the nation's furniture sector was sourced from only seven companies, and so the data does not cover numerous SMEs that belong to Uganda's aforementioned industrial agglomerations (Olomi, 2006).

## **2.6 The Global Competitiveness of the Chinese Wooden Furniture Industry**

During the past two decades, the Chinese wooden furniture industry has witnessed high-speed growth, making China a leading furniture exporter (You, 2007). The Chinese furniture is of many different designs (varieties) with also pleasant appearance. Given the intensification of global competition, it is crucial to assess the present status and competitiveness of the Chinese wooden furniture industry, as well as the changes and challenges China will face in competing with other principal trading nations (Li, 2007). Actually China is facing competition from other developed countries but the strengths which make China successes on furniture industry are the low price and pleasant appearance of its furniture.

Global trade in furniture has grown rapidly in the past decades because of packing and shipping innovations such as ready to assemble and knock-down furniture as well as decreasing world trade barriers. The increased openness in the furniture markets has caused the international trade of furniture to grow faster than furniture production and the international trade of manufactures (IDC, 2008). The world trade of furniture has increased from US\$42 billion in 1997 to US\$97 billion in 2007 (You, 2007). There has also been a dramatic shift in the supply and flow of furniture in the global market.

China has made remarkable progress in furniture production and export in the global supply and flow shift. The Chinese furniture industry has now become a huge integrated industry, with more than five million employees and US \$55.26 billion in output, accounting for 18% of total world production (Hallberg, 2009). Additionally, the combination of plentiful skilled labor and low costs enabled China to provide wooden furniture to the international market at highly competitive prices. China has emerged as one of the major suppliers in the world furniture market; from 1997 to 2006, China's share increased from 4% to 19% (Wang, 2006).

The wooden furniture industry has retained an important niche in Chinese furniture manufacturing, and it has experienced rapid expansion in recent years. Although its share of total production declined from 80% to 53%, it is still at the top in terms of production and export value among all furniture categories, and accounts for over one-third of China's total timber product exports each year (Manning, 2006).

In the past two decades, the Chinese furniture industry has witnessed accelerated growth, and China is quickly becoming the world's furniture manufacturing center and biggest exporter. The international competitiveness of China's wooden furniture industry has improved dramatically, and China is now a major exporter of wooden furniture although China's wooden furniture exports rose almost ten times in value, with a double-digit annual growth rate since the 1990s, higher than the world average rate (Jin, 2007).

## **2.7 Furniture Sector in Tanzania**

The furniture sector is part of the manufacturing industry, mainly processing forest products and processing may also include materials such as lather, sponges, cotton covers and others. The forest, therefore, primarily acts as a source of raw materials used in the furniture sector all over the country. The furniture sector in Tanzania has also changed hands several times in the last century. For instance, during the socialist era most of the furniture sector was under public ownership and was owned by the state. Again, due to the failure of the African socialism era in the late 1990s, most of

the nationalized industries collapsed. Responding to this, the government then began privatization of state enterprises, including the furniture sector (Temu and Due, 2000).

To date, the furniture sector in Tanzania mostly consists of SMEs, maintaining low levels of production aimed at serving local markets (Olomi, 2006). The majority of these SMEs have few permanent employees and little working capital, beyond working tools and small premises (Kristiansen et al. 2005). For instance, it is estimated that only 3.0% of all permanent employees are employed in this sector. Furthermore, most of these firms are located in urban areas and only few can be found in a rural setting. Additionally, most of these firms are run by entrepreneurs who have low levels of education, and who rely on simple hand tools to make furniture (Nalietela and Elias, 2003).

The furniture sector is one of the significant contributors to national GDP and employs about 17.0 percent of the total workforce in the manufacturing industry (Murphy, 2006). Furthermore, this sector is not particularly import-dependent because most of the raw materials used are locally sourced in Tanzanian forests, local manufacturers should utilize that advantage (Ishengoma, 2005).

## **2.8 Locally Produced Furniture and Imported Furniture in Tanzania Market**

Locally produced products as furniture products, play central role in economic and social development of a particularly country like Tanzania. Tanzania locally produced furniture are less preferred/demanded by local citizen which affect its supply to the local market. According to Weinstein (2006) availability of local and imported products in a country is importance in meeting peoples demand, but for the case of Tanzania this has great effect on the locally produced furniture since imported furniture such as Chinese furniture dominate almost the whole local markets. Based on this factor the government of Tanzania must embrace on long term plan of supporting and enabling local furniture enterprises to produce quality furniture which is acceptable by both local Tanzania and foreigners also local

furniture manufacturers have to work on increasing the demand of the locally produced furniture through the stated means such as promotion, reliability and others so as to stimulate their supply on the locally produced furniture.

According to Colantone (2012), for locally produced products to dominate local market, Promotion and locally produced products reliability is vital as to facilitate more consumption of those locally produced products, since local people are not aware of the products available in their local markets and the health significance of using those fresh products like fresh fruits hence they ignore those local products by consuming packaged imported products. The locally produced products such as locally produced furniture should also be well reliable on the local markets so as the consumers to get them easily.

With increasing costs of production and the anticipated growth in economic sector in Tanzania, it discourage the sector of local/domestic activities since despite the cost of production which local enterprises inquire during the production process, but still their development is still poor since they produce but they sell less due to less demand of locally produced products compared to the demand of imported product. Colantone and Crinò (2012) explain that imported goods stimulate the introduction of new local products hence increase both new varieties of local products and their demand as well, but this has been seen different in Tanzania since imported furniture decline the demand of the locally produced furniture more as day after day.

In overcoming these problems joint efforts of local enterprise's projects in the promotion of locally produced furniture as it is necessary to increase awareness among people in the country and influence them to prefer locally produced furniture more than imported ones. According to Envirocare (2003), locally produced products including agricultural products require market link to expose its products to domestic customers and also need quality control so as to wide and improve its market. Mjunguli (2004) advised Tanzania to try and establish the situation of the local market, which will help to stimulate more sales of the local goods so as to sustain the situation of Tanzania economy.

Moreover Weinstein (2006) described that most of the suppliers of the locally produced products in the local market are non-certified as they manufacture on informal business industries, due to non certified of locally produced products, many of these products are produced with less quality and Weinstein added that the locally produced products requires promotion so as to compete successful against imported products. The development of the local market highly depend on local productions as locally produced furniture manufacturing, therefore the government should have to go a long way in creating an outlet for small-scale furniture manufacturers, giving Tanzanians an opportunity to benefit from the local furniture market which will be the benefit for the government to gain revenue, also to strengthen national economy.

Poor personnel management on manufacturing industry also result to poor quality and less quantity of the locally produced products as according to Mjunguli (2004), he experienced this at Irete farm based in Lushoto Tanga-Tanzania. The farm processes rye flour (German bread), wheat flour, passion juice and plums juice, vegetables, cheese and sunflower oil. Irete farm is one of the first and well-established sources of natural products in Tanzania, but change in management personnel has resulted in fluctuating quality and quantities of the products supplied from Irete. This also had effects on locally produced furniture, as proper management is vital for the positive growing of furniture enterprises.

The research done by Deaton (1990) on Growth of domestic organic Market in Tanzania discovered that at large supermarkets in Dar-es-Salaam including Shoprite, there are few locally produced products, this factor is discouraging local production since entrepreneurs produce but ending up with less profit due to less demand of the locally goods. The research done by Mjunguli (2004) on opportunities for domestic organic Market in Tanzania at Shoppers plaza supermarket situated along old Bagamoyo road- Dar-es-Salaam found an amazing situation, where only vegetables from Tanzania are in good quantity, while other locally produced products are in less quantity most of them are imported. The lesson learnt from both Deaton and Mjunguli is that the locally produced furniture should also be well reliable in local markets so as to stimulate their demand.

Roca (2010) researched on changes in the demand for agricultural products (including timber that its processing result to furniture) arising from economic growth in BRIIC (Brazil, Russia, India, Indonesia and China) group of countries, examines structural changes in the demand for agricultural products arising from economic growth in a number of large developing and emerging economies comprising primarily the BRIIC group of countries, the study draw out the possible implications for agricultural commodity demand, commodity prices, and possible price volatility to influence demand of locally produced products in local market to strengthen their economic growth as advised to insure high quality and reduction of production costs.

Muellbauer (2004) research in Tanzania market discovered that some local enterprises have no intention to sell their locally produced products to local markets as they only focus on exporting the products. Such enterprises include Quality Food Products Ltd. based in Njiro-Arusha region and deals with safflower oil production, all quantities locally produced are destined for the export market. The company has no future intentions to go for the local market. Few consumers who had tested oil from this factory mentioned that if this product was available in shops they would buy it for home consumption. Meaning that also those local furniture enterprises which tend to export all their furniture produced are the mainly cause of unreliability of local furniture in the local market and while they would have high demand domestically since the absence of these locally produced furniture make the domestic customers to opt or desire for the substitute from imported furniture.

Muellbauer (2004) conducted research on locally produced products versus imported/ foreign products in Tanzania and discovered that local products are perceived expensive and this partly affects the size of the local market. Muellbauer added that the price of locally produced products including furniture is high and they are of low quality of meaning when the price of the local furniture is too high then demand on local market will be too low as local customers will go to the substitute imported furniture with good quality and less price. This also supported by the law of

demand and supply states that the high the price the low the demand and vice versa is also true (Arnold, 2013).

Muellbauer (2004) also discovered that Tanzanians are not aware of the availability and quality of local products, and advised that the foundation of making Tanzanians aware and interesting with their locally produced products should start by providing education to young Tanzania in all levels of education and training institution using so as to build culture and preference of using locally produced products such as locally produced furniture than imported furniture to enhance Tanzania economic growth.

## **2.9 Impacts of Imported Furniture on Demand of Tanzania Local Furniture**

As no doubt that imported furniture is the first preference to huge number of Tanzanians, as the result they sell more than locally produced ones. On other words the presence of imported furniture on local markets reduces the demand of local furniture. Those imported furniture is processed on other countries with laborers who are not Tanzanians and materials which are from the countries produced (not Tanzania), this result to underutilization of local materials and resources such as timber and high rate of unemployment to Tanzanians that also result to less revenue to the government of Tanzania (Ishengoma, 2005).

According to Mjunguli (2004), there is high availability of locally produced products in Tanzania market, but it is surprising that the demand for such products is very less compared to imported products which in turn affect the economic development in Tanzania. Mjunguli added that there are potentials to develop Tanzania market but there is need for deliberate promotional efforts by raising awareness among the local people to increase understanding in the importance of using locally made products and to make the locally made products easily accessible to them, where the challenge therefore remains on increasing production and local consumption in order to broaden the market base of Tanzanian products which will contribute to poverty alleviation and healthy economy.

According to the theory of supply by Boyes and Melvin (2012), the higher the supply the higher the demand and the vice versa. This theory is seen different in Tanzania locally produced furniture market where the supply for those furniture is high but the demand is very low, which implies that the local furniture enterprises produce for loss since the supply is high but the demand is less, this factor affects locally produced furniture enterprises as well as the national economy. Under the theory of demand of products such as locally produced furniture is also affected by price as the higher the price lower the demand and vice versa, the price considers quality, innovativeness and substitute of varieties of furniture, Arnold (2013).

According to Geneva (2005), the demand is rising for imported occasional furniture (small tables, wall stands and accent pieces, etc.) since they have new and unique looks, the local market is dominated by imports as the imported of furniture is easy to ship in volume and can be made rapidly available in new designs, as the result local furniture manufacturers copy exactly those new designs of the imported ones while it would be better if they become creative on their own designs or improve the designs from the copied ones.

To some up the imported furniture have great effect to the Tanzanians employed on furniture sector, local furniture enterprises and the whole national economy. When local produced furniture enterprises fail to perform better then the economy of Tanzania is in danger as those furniture enterprises employ a huge number of Tanzanians, also the government earn great amount of revenue from both furniture enterprises and Tanzanians employed on this sector as through the employment income they pay both direct and indirect tax to the government . Therefore both the Tanzania local/domestic and foreign affair ministry must set vision and plans to support locally produced furniture that local furniture enterprises have to perform better in terms of making more sales lather than favoring imported furniture, because this will enable the growth local furniture enterprises to be high and so Tanzania economy will be stabilized.

## **2.10 Challenges Facing the Tanzanian Furniture Industry**

Despite of the opportunities in the furniture industry, the industry faces a number of challenges that have led to reduced profit margins and in extreme cases, closure of some companies. These include declining competitiveness which is expressed by worsening trade balance (this is caused by a number of factors), and access to retail market (Ishengoma, 2005).

Trade balance is an important measure of the industry's (or country) competitiveness. The Tanzania Shilling was at its weakest level to the US dollar in 2002, this was followed by a sharp increase in imports of furniture, Tanzania mainly exports to African countries such as Comoro, the last few years have seen a decline in the competitiveness of the industry, Tanzania is not alone on this, other countries like Taiwan, Canada and USA have also experienced declines in competitiveness (Murphy, 2006).

Low competitiveness of the local furniture industry in Tanzania is mainly due to the following factors:

Technological innovation in the local industries has lagged behind competing countries and the industry consequently struggles to be competitive against countries that have made sufficient investments in their technology, this is shown by declining rate of investment in the furniture sector and the age of machinery (Olomi, 2006). The poor furniture manufacturing technology lead to less qualities of the produced furniture and much power/energy consumption which results to increase on the costs of production.

Shortage of skills (technical capabilities) is an important constraint in competitiveness as a problem that cuts across most of Tanzania's sectors including furniture sector as well. This is in terms of quality manufacturing and design capabilities are so vital for the furniture enterprises to win the competition from high technical capabilities countries which export furniture to Tanzania (Nalietela and Elias, 2003).

Tanzanians also lack sufficient training on furniture design specifically geared towards creativeness on designing varieties and quality furniture. The furniture industry accordingly lags behind most major furniture manufacturers in design education (Olomi, 2006). Urgent steps need to be taken to address this matter since Tanzania furniture needs to compete on quality with top global furniture manufacturers. On another hand Research and development that is needed to support a growing industry is almost non-existent, competing countries have constantly improved their research capacity (Murphy, 2006).

The local taxing policies do not favor farmer prosperity also distribution and transportation costs very much which affect the consumer prices. Muellbauer (2004) noted that the price local products such as organic tea (certified) is 77% jam 70% and brown bread 100%, as high local taxes involved on a product until it reach a domestic consumer lead to increase in price of locally produced product. Then obviously local produced products such as furniture may fail to compete with imported products due to high price and low quality of furniture meaning when the price of the local furniture is too high then its demand on local market will be too low as local customers will go to the substitute imported furniture with low price and good quality as well.

### **2.11 Measures for Locally Produced Furniture to Eliminate Challenges**

Although Tanzania has a large population, estimated at about 44,929,002 million people, the level of effective demand remains low with per capital income of approximately USD270 and half of the population living in poverty (National Census, 2012). Clearly, the local/domestic market does not constitute adequate demand to stimulate the high rates of growth that are the prerequisite for poverty reduction. Local furniture enterprises should take advantage on the available large number of Tanzanians, so as to have more sales by winning the desire of those Tanzanians to be the customers of their locally produced furniture.

For any country to have healthy economy locally produced products such as local furniture must be given first priority. Example country like Malaysia, they favor

domestic product, they provide incentives and privileges to about 90% to locally produced furniture enterprises where by any citizen who need to buy locally produced furniture pays very less tax to facilitate the demand for locally produced furniture, where's any imported furniture gets high tax about 50% of the original price of such furniture to discourage people from importing furniture to Malaysia, as a result the economic situation of Malaysia is becoming more strong and strong due to effective and strong domestic market, this factor has been successful since the producer focused on quality, price issue and innovativeness which in some countries it is observed as a barrier of competition between locally produced furniture and imported furniture (Dunne, 2009).

Essentially the development of trade within the local market depends on three factors: enhanced economic efficiency based on wider participation; improved market access based on development of physical marketing infrastructure; and access to market information, these aspects highlight the need for the development of modern market-place facilities and dissemination of information on trends in the market. Simultaneous with these actions is the need to remove intra-district trade barriers and encourage cross-border official trade particularly in furniture products, the emerging area of product competitiveness for many African countries, to remove the underlying cause for Intra-district trade barriers hence then this will help to strengthen the domestic market and locally produced furniture (Koeshendrajana, 2008).

Tanzania furniture sector should invest on training and manufacturing technology so as to compete successful over imported furniture. Moreover trade development measures to stimulate and expand locally produced products as furniture demand through product and market diversification; one consequence of liberalization is the de facto merger of domestic and international markets into a single market and the necessity for domestic/local firms to become locally competitive even in international markets. The impact of globalization is the accessibility to local firms, of resources that can facilitate enhanced productivity and efficiency necessary for competitiveness, however developing countries like Tanzania are a source of

production resources such as timber for furniture manufacturing and very little resources are imported for local industries (Taylor, 2005). So then that is advantage to local furniture enter

### **2.12 The Local Furniture Enjoy Less Popularity than the Imported Furniture**

The first reason contributes to the weak position of the locally produced furniture is the inferiority of technology or poor technology; it is well-known that Tanzania starts much later than many Africa countries in industrialization, Gould (2007). Thus, it has to be admitted that the technology with which to produce the locally produced furniture is far left behind. As the technology is poorer, thus the quality of the locally produced furniture is less guaranteed than the foreign imported products as from the perspective of technology.

The second reason is that developed country companies as those which import furniture to Tanzania pay more attention on building the brand image than the Tanzania local furniture enterprises, they have a complete system in offering the furniture products, from the very beginning of marketing strategies, and they will begin to explore their market with the innovated products instead of producing products for making single sales with no future of such products while domestic enterprises as local furniture enterprises do not implement that, also in many cases, the imported furniture are offered with more quality products, varieties and affordable price than the local furniture (Deaton, 1990).

The third reason is frequent quality issue involved local enterprises in which people's trust in them come to the lowest point due to bad history of that product such as less durability which affects its demand, (Chern, 2005). Without doubt, there are always problems with certain imported furniture, but it seems that the influence is less serious because after all, Tanzanian people consume more imported furniture than locally produced ones, since it is difficult for a number of local furniture enterprises to set up its own brand, so consumers will have more hope and thus the disappointment turns out to be greater, in some way, the more disappointment the

consumers have, the more the trust becomes less and likewise the demand of local furniture becomes less.

On the one hand, many consumers want to purchase the locally produced products to support the development of local enterprises and then to promote the national economy indirectly, on the other hand they hold that their rights as consumers can be less guaranteed compared to the case in which they buy the imported products which meets their requirements (Deaton, 1990). As such being the case, some time it has become a dilemma for the Tanzanians to choose between the locally produced furniture and the imported ones, but normally customers decision end up on purchasing that seems to be high guaranteed furniture that is imported ones.

To make locally produced furniture to be preferred over imported ones, Geneva (2005) recommended the government to identify the development of the furniture industry (entry into further processing activities and export expansion) as a major policy goal wherever the preconditions for such development exist, development will bring about economic, social and resource valuation benefits (high value added, high employment, and possibilities for locating parts of the industry in disadvantaged areas).

Geneva (2005) also advised the government concerned to prepare and implement strategies to enable existing furniture industries to respond to emerging issues, such as the use of substitutes for tropical natural wood (plantation woods, and non-wood materials including bamboo and rattan), certification and labeling requirements, and non-tariff barriers to trade integrate the needs of furniture industry's labor force into the country's technical education and training programs.

### **2.13 Quality and Price of the Locally Produced Furniture**

According to Steele (2007) quality is the measurement and determinant of price and value exchanged in terms of goods or services, the secretary-general of ISO in Tanzania address a press conference in the nation's commercial capital, Dar es Salaam, highlighted on inadequate handling of substandard products(furniture) by

the relevant authorities in the country, including the Government in general, and the national Tanzania Bureau of Standards (TBS) in particular in which local producers produce products which does not meet the standards and this has been an impact to the demand of locally manufactured products as well as the locally manufactured furniture is concerned.

Specifically Steel (2007) pointed that the Government in Tanzania has not done enough to strengthen its quality standards verification schemes. Unless and until the country bolsters the current system, it would find it extremely difficult to effectively fight the dumping of substandard goods in the local market. In that regard, he not only called upon the Government to substantially strengthen its Standards Bureau in terms of human and financial resources, but also it also ensures that it fully and regularly participates in international efforts at eliminating the problem of substandard locally produced products as well as local furniture is concerned. On another hand substandard furniture are sometime imported into Tanzania but due to good standard/quality background on imported furniture then Tanzanians buy those furniture without knowing they are substandard.

From the above regards the research done by Muellbauer (2008) on opportunities for locally produced products market in Tanzania at Deli Supermarket- Dar-es-Salaam, discovered that also Deli requested suppliers of locally produced products to be of high quality standards such as those accepted by Tanzania Bureau of Standards (TBS), well packed and properly labeled. Deli is quite aware that the expected customers will come from both local the expatriate community. Provided that locally produced furniture must have quality standards, meaning the enterprises management has to insist the local furniture to look neat and physically attractive; otherwise local customers would rather go for imported furniture. The locally produced furniture should carry a certificate and if possibly carry the logos of outlets to ensure quality which customers expect to get, ISO has to strengthen TBS in the areas of human (and financial) resource, quality control and management to overcome the problem of less demand due to poor quality of local product.

Firms to supply furniture for the low- to medium-price markets as well as varieties of design is enhanced by mass producing furniture manufacturing strategy with the advent of flat-pack or ready-to-assemble designed furniture, this product innovation also paved the way for manufacture and ship products in large quantities. Solid wood furniture manufacturers have retained important niche market segments primarily for high-end, expensive and design-led products. These specialized products tend to be purchased locally while mass produced, large-volume products are sold locally and for export (Jin, 2007).

In all sub-sectors (viz. office, kitchen, bedroom and dining/living and shop furniture) the unit prices of imports from the four categories of country (using the World Bank's distinction between low-income, lower-middle, upper-middle and high-income countries) tended to converge, that is, a world price was developing. The unit price of EU imports decreased, except in the bedroom category where they remained broadly stable. Nevertheless, in 1995-1997 the unit price of imports from high-income countries remained significantly higher than those from upper-middle income countries, by 144 per cent, 73 per cent, 72 per cent and 94 per cent respectively in the four sub-sectors (Jin, 2007).

Those results show an industry in the throes of intense global competition, and therefore moving towards a common and falling global price. This suggests either lower barriers to entry and new entrants, or increasing efficiency and falling costs (or both). Countries can participate in the global market in market segments with sustained price declines, as in furniture, but in this scenario rising exports will not necessarily result in profitable production or in national income growth, for this to happen, the ability to upgrade is critical (Masurel and Van Montfort, 2006).

#### **2.14 Promotion and Advertisement of the Furniture**

Promotion is an intricate part of market mix while others include product, price and place, with promotional activities, a firm communicates directly with potential customers, promotion is an attempt to influence, promotional activities are designed to inform, persuade, or remind the market of the firm and its products and ultimately

to influence consumers feelings, beliefs and behavior (Wen-fei, 2004). The absence of promotion and advertisements on local furniture lead to less influence on customer's feelings, beliefs and behavior on preferring local furniture instead of imported ones.

The Chartered Institute of Marketing (2009) described promotion mix as a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers, the tools of the promotion mix include advertising, public relations, sales promotions, direct marketing and direct sales. The Chartered Institute of Marketing added that once the plan for the promotion mix have been completed then plan and undertake a certain promotion activities to make sure they meet objectives. The local furniture enterprises should consider promotion objectives that will lead to win local market so as to sell more than imported furniture.

For the local furniture to be preferred over imported ones, the local enterprises should choose the right promotion mix. The Chartered Institute of Marketing (2009) clarify the promotion mix that, advertising programs can be expensive and need to be planned ahead in order to meet publishing deadlines; public relation, a campaign will only be success if it has been planned, coordinated and measured against a desired set of results; sales promotion, these needs to be effectively managed by setting objectives for each promotion and evaluating the results after the event; direct marketing, weigh up the benefits of using enterprises own list against a bought-in list and whatever choice made the enterprise has to be prepared to follow up the activity to create sale; sales representative, a sales force needs to be motivated and managed to achieve sales targets. So the local furniture has to dedicate enough time and resources for training, motivation and personal development before the promotion and advertisements as well become full effective.

On the production side, evidence of this global trend can be observed in the growth of exports from transitional economies, in terms of production volume and added value in the overall manufacturing industry, starting from 1993. This growth was

strongly displayed in the furniture and woodworking sector. Growth of manufacturing in developing areas, excluding transitional economies, was powered by production of radios, televisions, communications equipment, and automobiles (You, 2007).

Actually the challenge is to choose the right mix for promotion activities to suit a particular business (furniture business) at a particular time and to then use it correctly to achieve a result. The combination of tools to be used depend on the targeted audience (customers), the message that furniture enterprise (sellers) wish to communicate and available budget for promotion (Wen-fei, 2004). If customers don't know of what varieties, quality, price, appearance and availability of furniture the enterprise/business provides, then the business won't survive in today's competitive furniture market. Effective communication with customers is vital to ensure furniture business generates sales and profits.

In mature markets, the growth of the furniture trade relies on shortening replacement cycles by stimulating consumers to buy new furniture before their existing furniture is worn out. According to Geneva (2004) the media and television in particular, are playing a strong role as stimulator to furniture customers, TV specials are used, particularly in Europe, to prepare the market for new products by raising interest in home interior design and prompting more consumers to buy new furniture purely for design or fashion reasons. This has also increased demand for a wider variety of products than in the past. Actually the performance of the household furniture market is dependent on the general economy as a whole, the level of house building, household formation, and moving/renovation activity. Moving to a new house often triggers the purchase of replacement furniture, even from consumers who are not first-time buyers. Consumers setting up a home for the first time will usually purchase a wider range of household furniture than will movers.

Spanish furniture manufacturers spend the biggest part of their promotional funds on participating in trade shows (about 50% of their budgets). Of the remaining amount, the largest expenses are for publicity in specialized magazines (about 30% of the

total), followed by minor expenses (direct promotion, publicity in non-specialized magazines) (Geneva, 2004). The problem with local furniture enterprises is they don't set budget for promotions and advertisements. There is opportunity for local furniture manufacturers to do even Internet based marketing such as through websites which seems to be less expensive than other means of advertisements such as Televisions and advantageous of this is the number of Tanzanians using internet services is large and it increase more day after day.

### **2.15 Varieties of Locally Produced Furniture**

Availability of products in the market is supported by the law of supply, whereby according to Boyes and Melvin (2012) the higher the supply the higher the demand and the vice versa. In Tanzania the demand of locally produced furniture is high and the varieties of furniture such as dining Table, Sofa Set, T V Unit, Center Table and others is high too, the matter is the locally produced furniture are less preferred/demanded due to the presence of the substitute imported furniture.

Products varieties lead customers to have unlimited number of preferences, that's why furniture with more varieties is more preferred than those with less varieties. Not only local furniture but also other local products as identified by Mjunguli (2004), that Tanzania domestic textile, the available clothes for women like Kanga, are limited in design colors and quality which limits the varieties of choice to the customers hence Tanzania prefers kanga imported from Congo which comes with varieties of choice in design colors and quality. Hallberg (2009) considered this factor as he noted that customer prefer more imported furniture with many varieties compared with the local furniture which lacks varieties so this affects demand for such product. Actually availability of many varieties of local furniture is vital to make that furniture to be preferred over imported ones.

### **2.16 Role of Technology and Expertise on Furniture Industry**

According to Geneva (2005), advanced technology on globally imported furniture is seen as important factor in availability of varieties of furniture, where technology plays a central role in the process of economic development, in contrast to the

traditional economic growth of countries where technological level is very less, also the economic growth is less and dynamic, technology brought furniture easy, quickly and at acceptable quality and innovativeness, the review highlighted the dependence of growth rates on the state of local furniture enterprise's technology relative to that of the rest of the world. Thus, growth rates in developing countries like Tanzania are, in part, explained by 'catch-up' process in the level of technology, the rate of economic growth of a backward country depends on the extent of adoption and implementation of new technologies that are already in use in leading countries.

Considering foreign direct investment by multinational corporations (MNCs) on the access to advanced technologies by developing countries, they are among the most technologically advanced firms accounting for a substantial part of the world's research and development investment where recent work on economic growth has highlighted the role of foreign direct investment in the technological progress of developing countries. Foreign direct investment increases the rate of technical progress in the host country through a 'contagion' effect from the more advanced technology (Dunne, 2009).

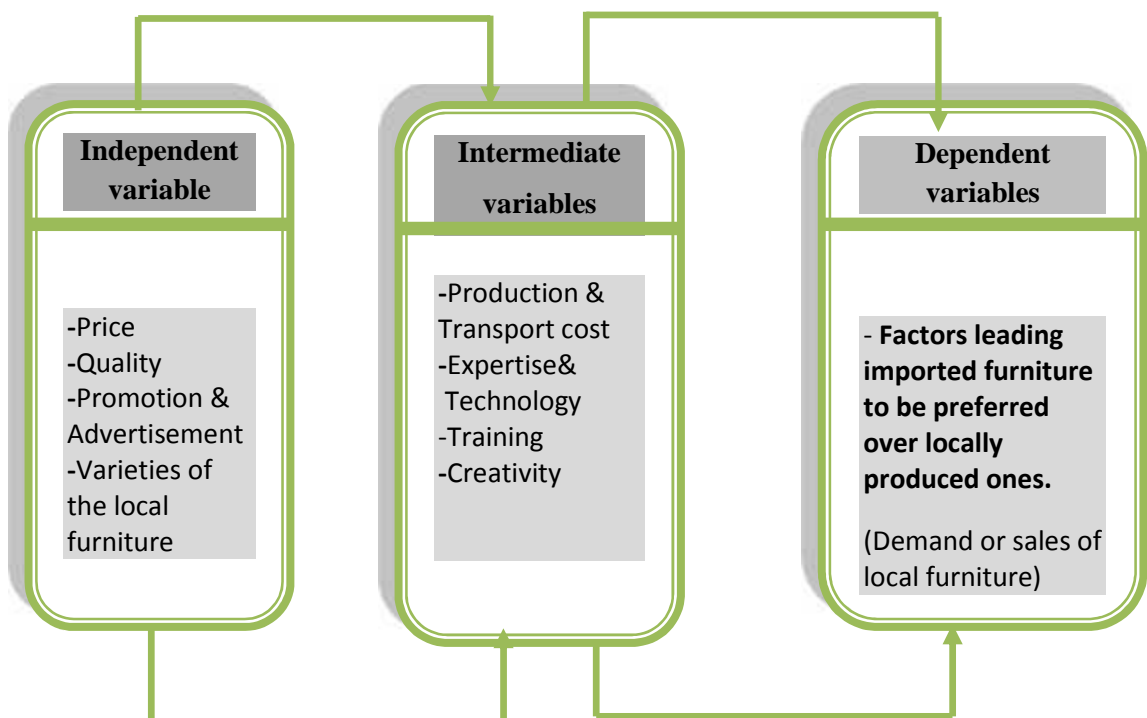
Imported products and foreign activities in host country is an important vehicle for the transfer of technology and contributing to economic growth of the host country. Moreover there is a strong complementary effect between foreign products in host country on the contribution to economic growth enhanced by its interaction with the level of human capital in the host country (You, 2007). However what is imported or transferred to Tanzania is furniture only but there is no technology transfer since the manufacturing process of that foreign/imported furniture is done at foreign country. Despite the fact that foreign furniture plays a cretin role in technology improvement at host country, but availability of imported furniture in Tanzania market have great negative impact on Tanzania economy and other sectors, since the demand of local furniture becomes very less compared to the imported ones.

## 2.17 Conceptual Framework

The study assumed that the link between sales or demand of the locally produced furniture includes dependent and independent variable. Dependent variable is derived from the general objective, this is factors leading imported furniture to be preferred over locally produced ones which influenced by independent variables include price, quality, promotion and advertisements, varieties of the locally produced furniture.

It also assumed there should be factors which assist the independent variables to occur, these are intermediate factors. The intermediate factors include production cost (raw materials, labor cost) and transport cost which influence on price of the product; expertise, technology and training have influence on quality, price and varieties of the furniture. In addition, creativity of the expertise also influences quality as well as varieties of the furniture. The assumptions are well summarized in Figure 1.

**Figure 1: Conceptual Framework**



**Source:** Author's Own Construct, 2013.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Under this Chapter various aspect have been addressed on the methods that applied in carrying out the research study, including ways on how data was collected as well as general conduction of the study. The organized parts in this Chapter include the first part which describe the study area, the second part explains the research design, the third section clarify the population of the study, the fourth part illustrates sample size and sampling procedures, the fifth part point up data collection methods and the last part clarifies data process and analysis.

#### **3.2 Study Area**

The study was conducted at Ilala and Temeke Municipal Councils in Dar-es-Salaam City. Dar es Salaam had been chosen since it is a major business oriented city in Tanzania also the Ilala and Temeke Munipal Councils involves huge number of manufacturers, sellers and buyers of furniture where the sellers and buyers (customers) are of both locally produced furniture and imported ones. The study covered sites which include:-

- (i) Keko furniture Centre at Temeke-Dar es Salaam. This centre deals with varieties of local furniture manufacturing and it comprises of various workshops and sells centre.
- (ii) Kings Furniture Centre at Ilala-Dar-es-Salaam. The centre sells imported furniture.
- (iii) Life Mate Furniture Centre at Ilala-Dar-es-Salaam. The centre sales imported furniture.
- (iv) Small Industries Development Organization (SIDO) at Ilala- Dar es salaam.

#### **3.3 Research Design**

Research design is well understood as a logic plan of how to conduct a research (Kothari, 2004). This study used both a qualitative and quantitative research

approaches. Both approaches were used so as to integrate the two and overcome the weaknesses of a single design, therefore enhance more validity outcomes on the study.

Qualitative research approach refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies, while Quantitative approach involves collection of quantifiable data which are normally in-terms of numbers, Tables, Charts and Figures, also it is the approach which produces findings arrived at by means of statistical procedures or other means of quantification (Saunders and Thornhill, 2009). One disadvantage of quantitative research is that the more structured data collecting approach may cause stress to the participants, thus not showing an accurate reflection of the true results, this disadvantage will therefore be overcome by using qualitative data collection which allows much flexibility to participants.

Consequently, a case study research design was used in this study because the study intends to achieve a deep and systematic understanding of the phenomena and because of its flexibility of the data collection methods. A case study design was used because participants come from a single case, also an experimental study design is not appropriate because there will be no random assignment of participants into control and treatment groups. Also case study is mostly associated to qualitative research method and also it is cheaper and less time consuming due to limited of resources.

### **3.4 Population of the Study**

The population of the study included furniture manufacturers, buyers or customers and sellers of Keko Furniture Centre at Temeke-Dar es Salaam, King Furniture Centre at Ilala-Dar-es-Salaam, Life Mate Furniture Centre at Ilala-Dar-es-Salaam and the experienced staffs and local furniture manufacturers under Small Industries Development Organizations (SIDO) Ilala-Dar-es-Salaam as well as the customers of the furniture products from those manufacturers.

### 3.5 Sample Size and Sampling Procedures

Sample size refers to exact numbers of respondents selected from a population to constitute a sample (Kamuzora and Adam, 2008). Sampling is choice of a population that if worked upon can provide information that would be representative of the totality or aggregate of the whole population (Kothari, 2004).

The study included 50 respondents from Keko Furniture Centre, 40 respondents from King Furniture Centre, 40 respondents from Life Mate Furniture Centre and 20 respondents from SIDO. The total of 150 respondents were considered to be the sample of the study. The sample size was managed easily and was well enough to provide valid data toward accurate findings. The respondents were both males and females aged from 20 years and above. Table 4.0 describes the sample size of the study.

**Table 4.0: The Sample Size of the Study**

<b>Study Area</b>	<b>Population of the Study (Respondents)</b>
Keko Furniture Centre	50
King Furniture Centre	40
Life Mate Furniture Centre	40
SIDO	20
<b>Total Population of the Study</b>	150

**Source:** Study Findings, 2013

Table 4.0 summarizes the sample size of the study.

### 3.6 Data Collection Methods

Both primary and secondary were employed for data collection in this study.

#### 3.6.1 Primary Data

For the primary data collection, the instruments used included questionnaires and interviews methods.

### **3.6.1.1 Questionnaire**

A questionnaire consists of a number of printed questions printed in a definite order on a form or set of forms; the respondents have to answer the questions on their own (Kothari, 2004). The study involved questionnaires, structured and unstructured questionnaires. Structured questionnaires are those questionnaires in which there are definite, concrete and pre-determined questions. When characteristics are not present in a questionnaire, it can be termed as unstructured (Saunders and Thornhill, 2009). This technique is chosen because it will not put difficulty to the respondents; this meant they will be free and comfortable. On the other hand the questionnaires include open and close ended questions. The questionnaires are attached on Appendices 1.

### **3.6.1.2 Interview**

The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2004), this involves verbal interaction between the researcher and respondent. The study involved the interview guide questions in connection to research questions. The technique was used since it assist to obtain detailed information about personal feelings, perceptions and opinions, they allow more detailed questions to be asked, they usually achieve a high response rate, ambiguities can be clarified and incomplete answers can be followed up on time.

According to Saunders and Thornhill, (2009), interview helps to get reliable and valid information relevant to the research as it allows participants to provide rich, contextual descriptions of events. The interview conducted face to face and recorded to allow greater interaction between the interviewer and respondents. Interviewees had been advised how their confidentiality/anonymity is respected, also was informed how the study intends to use the results. The interview guide is attached on Appendices 2.

### **3.6.1.3 Observation**

The researcher participated to observe the availability of the Tanzania the locally produced furniture in relation to the imported furniture at the areas of the study described in Chapter 3.2. He also observed on varieties, reliability, and quality standard of furniture. Promotion and advertisement of furniture on different Medias was also observed by the researcher. The method was used since the researcher observed and record events, hence was not be necessary to rely on the willingness and ability of respondents to report accurately. On another hand the biasing effect of interviewers is either eliminated or reduced. Data collected by observation are more objective and generally more accurate.

### **3.6.2 Secondary Data**

Secondary data collected from documented sources/materials such as books, journals and related researches done by other researchers as found from literature review as described in Chapter 2.

## **3.7 Data process and Analysis**

Data were analyzed in accordance with the objectives of the study. Data processing involved editing, coding, tabulation which were used as a key factor in whole process of research. This was done in the area in order to make the research be accurate and effective as follows;

Editing; this was done immediately after receiving questionnaire from respondents. It involved correction of errors that might have appeared in the whole process of research writing. Also to help the researcher to translate and look for clarification on what respondents wrote about.

Coding; this was done in order to ensure whether the response categories were appropriately classified and exhausted to the problem under the study and arrange data collected according to group or classes they base on the basis of their common characteristics.

Tabulation; this was done to assemble data into concise and logical order. The researcher analyzed data collected qualitatively where words were used to explain findings and quantitative analysis where the data used numbers, computation of total and percentages, data analysis was based on research objectives.

The related primary data results/findings from was grouped together. Those groups of findings were graded as from the most frequent to the lowest frequent findings. The most frequent findings were regarded as the most valid results. The primary data results were compared with the secondary data from the literature reviewed so as to come out with the most valid conclusion and recommendations.

The instrument used for data analysis so as to get accurate data included Microsoft office excels, word and Microsoft Visio. Tables, Percentages, Charts and Graphs were also used on the data analysis.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

The first part of this Chapter describes background/characteristics of respondents in terms of their age, marital status and level of education. The second part characterizes on the prices of locally produced furniture compared to imported ones. The third part explains on the quality and varieties of the domestic furniture and that one of imported. The fourth part describes findings on promotion and advertisement of local furniture compared to that one of imported furniture. The fifth part represents the findings on the cost of manufacturing furniture locally compared to importing them. The sixth section/part describes the reasons as to why people prefer imported furniture compared to locally produced ones.

#### 4.2 Background Characteristics of Respondents

##### 4.2.1 Age

The age of the respondents was asked in order to discover the age group in which majority are the furniture sellers, buyer and manufactures. The age of respondents is as presented in Table 4.1.

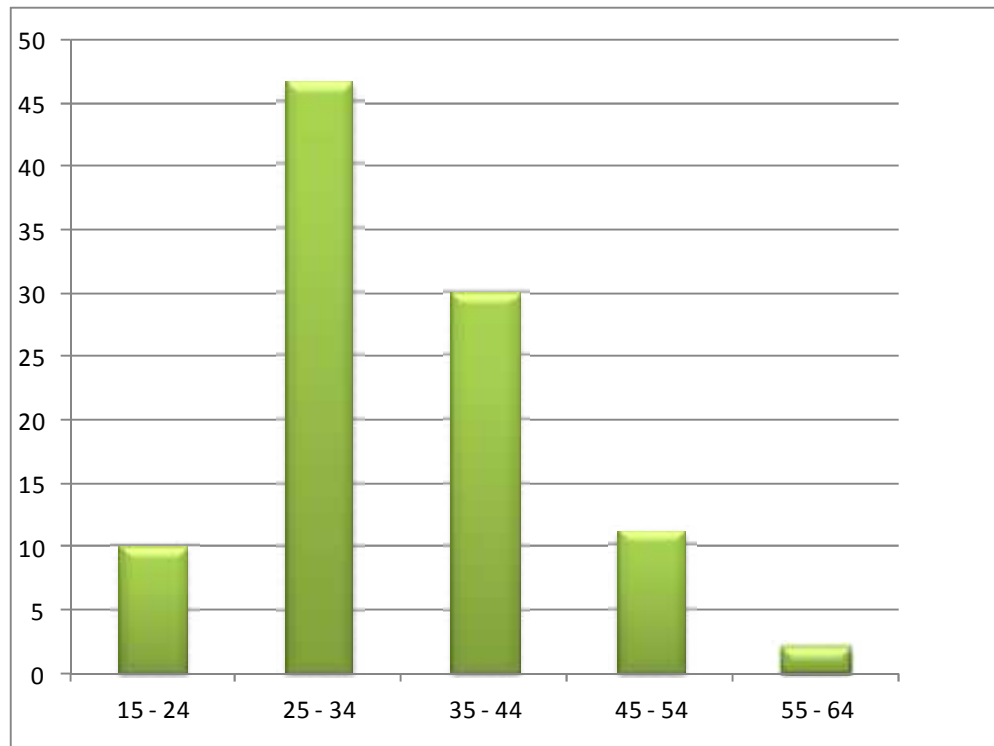
**Table 4. 1: Age of Respondents**

Age (Years)	Frequency	Percentage
15 – 24	15	10.0
25 – 34	70	46.7
35 – 44	45	30.0
45 – 54	17	11.3
55 – 64	3	2.0
65 +	-	-
Total	150	100.0

**Source:** Study Findings, 2013

Table 1 Shows majority of the respondents were aged below 45 years old (86.7%) as presented in Table 4.1, this implies that furniture sellers, buyer and manufactures most of them are in age below 45 years. This is also well presented on Figure 2.

**Figure 2: Age of Respondents**



**Source:** Study Findings, 2013

Figure 2 summarizes responses obtained from the respondents, as presented in Table 1

#### **4.2.2 Marital Status**

Marital status of the respondents was asked in order to establish if it has any influence on the rate of manufacturing, buying and selling of locally produced furniture.

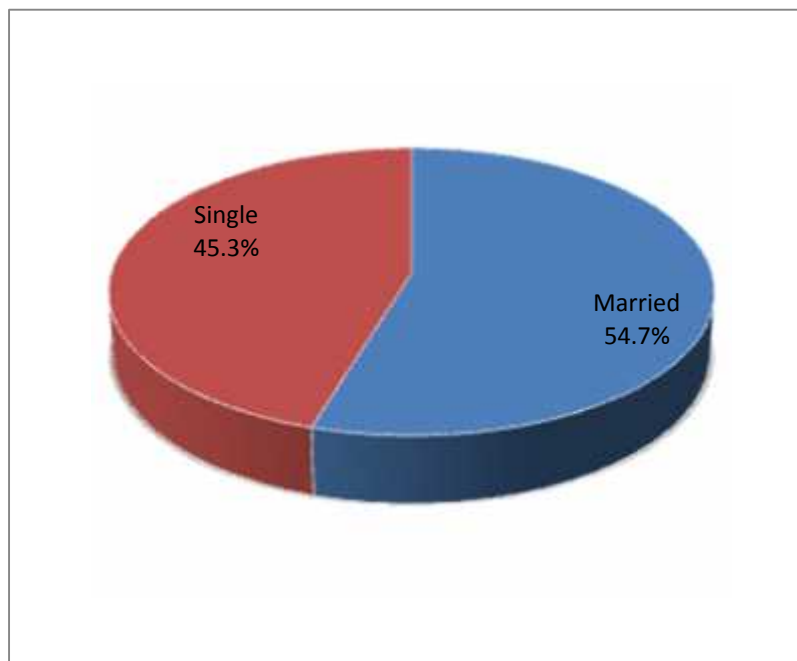
**Table 4. 2: Marital Status**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Married	82	54.7
Single	68	45.3
<b>Total</b>	150	100.0

**Source:** Study Findings, 2013

Table 4.2 show marital statuses of the respondents, majority of the respondents (54.7%) were married, this implies that married people participate more in manufacturing, buying and selling of the furniture products in Tanzania. Single respondents were 45.3%, this is also summarized in Figure 3.

**Figure 3: Marital Status**



**Source:** Study Findings, 2013

Figure 3 present marital status of the respondents. Most of the respondents (54.7%) were married while single respondents were 45.3%, as also as presented in a Table 4.2.

### 4.2.3 Level of Education

The study was interested to find out the level of education of the respondents so as to know how good enough can the respondents interact with the research questions, all the respondents were educated. The level of education of the respondents is presented in a Table 4.3

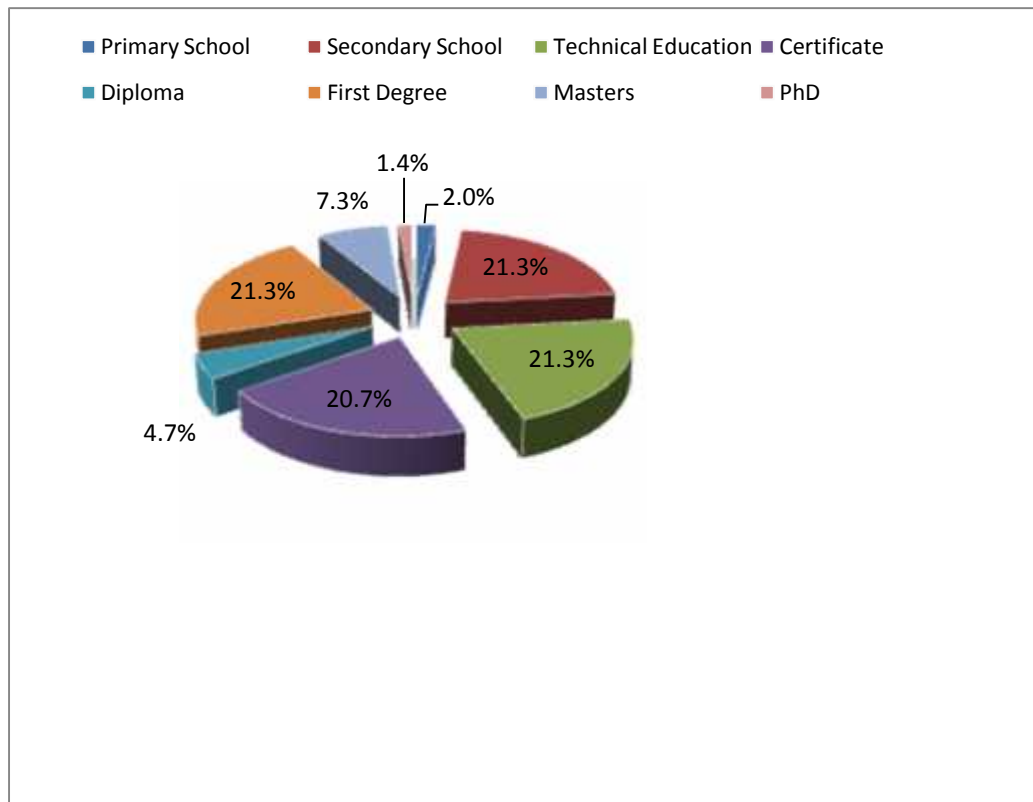
**Table 4. 3: Level of Education**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Primary school	3	2.0
Secondary school	32	21.3
Technical education	32	21.3
Certificate	31	20.7
Diploma	7	4.7
First degree	32	21.3
Masters	11	7.3
PhD	2	1.4
<b>Total</b>	150	100.0

**Source:** Study Findings, 2013

Table 4.3 shows the level of education of the respondents, majority of the respondents (84.6%) were the secondary school certificate, Technical Education, First degree and Certificate holders. This implies that the respondents were competent to answer questionnaires as they are educated. The minority respondents (15.4%) were Masters, Diploma, Primary and PHD holders. Pie Chart is drawn as Figure 4 to summarize Table 4.3.

**Figure 4: Level of Education**



**Source:** Study Findings, 2013

Figure 4 presents the level of education of the respondents as presented in Table 4.3. As the percentage of respondents also represents the degree of furniture sellers, buyer and manufactures thus almost all levels of education had been included on the study so as to assist to achieve most valid answers or findings.

### **4.3 The Prices of locally Produced Furniture on Comparison to the Imported ones**

The study was interested to compare the prices of locally produced furniture to the imported ones. Furniture manufacturer, sellers and buyers were assessed to identify whether the price of the local furniture is higher or lower than those imported, Table 4.4 represent that assessment. The price of the local furniture were noted to be higher than the price of the imported ones. The root causes of high price for local produced furniture were also stated by the respondents as represented on Table 4.5.

**Table 4.4: The Prices of Locally Produced Furniture**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Higher than imported furniture	139	92.7
Lower than imported furniture	11	7.3
Total	150	100.0

**Source:** Study Findings, 2013

Table 4.4 shows the majority of the respondents (92.7%), stated that the price of locally produced furniture is higher than the price of the imported furniture, which leads to imported furniture to be preferred over locally produced ones. Moreover the respondent clarified the causes of high price for locally produced furniture as represented on Table 4.4.1

**Table 4.4.1: Causes of High Price for Locally Produced Furniture**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
High Cost of Raw materials	87	58.0
Poor Power Supply	28	18.7
Transportation Problems	20	13.3
High Government Tax	15	10.0
<b>Total</b>	150	100.0

**Source:** Study Findings, 2013

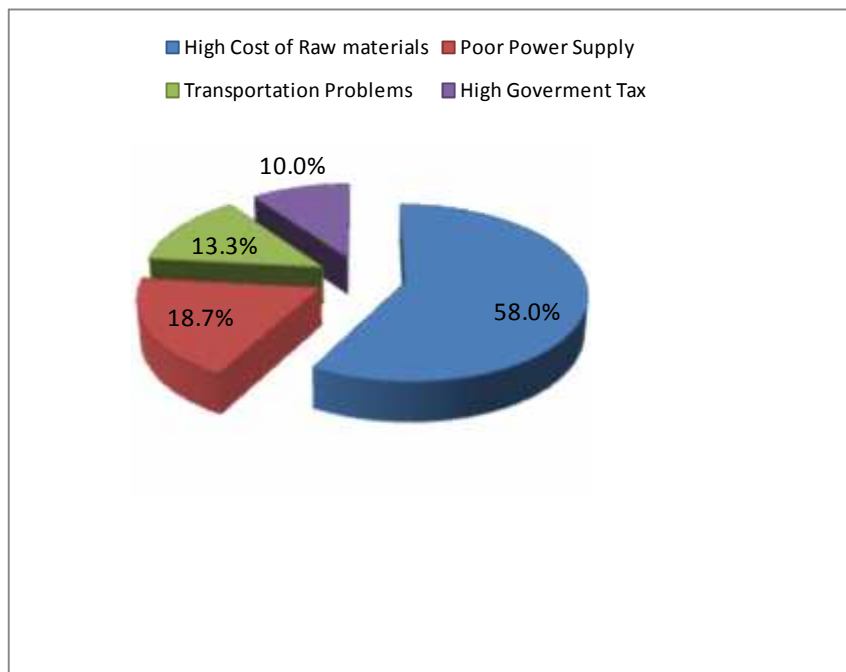
Table 4.4.1 show that majority of the respondents (58%), stated that high price for local furniture is caused by high cost of raw materials such as timber since they are so demanded thus their price is high. This was also supported by the law of demand states that the higher the demand the higher the price and vice versa also true (Boyes and Melvin, 2012). To resolve this Boyes and Melvin advised to increase the supply of timber that will lead to fall of timber price, the law of supply states that the higher the supply the lower the price of the products (timber) (Arnold, 2013). Minority of the respondents (42%) stated that, high cost of the local produced furniture is caused by poor power supply, transportation problems, and unfavorable government tax .

This implies that the cost of raw materials for manufacturing furniture is high in Tanzania. This is similar to the responses obtained during interview as the furniture manufactures revealed that:

*In Tanzania local furniture manufactures face high cost on buying raw materials, as time goes this cost still rises. The cost of buying wood for manufacturing of simple table range from 100,000 – 150,000 Tshs, this is almost the cost of buying imported table from China. Also transportation of raw materials and equipments is a grate challenges for us, these cause our products to have high price compared to imported furniture.*

Pie Chart is drawn as Figure 5 to summarize Table 4.4.1

**Figure 5: Causes of High Price for Local Produced Furniture**



**Source:** Study Findings, 2013

Figure 5 shows causes of high price for locally produced furniture. Majority of the respondents (58%), stated that high price for local furniture is caused by high cost of raw materials hence local furniture enterprises fail to compete with low price imported furniture. Other causes of high price of local produced furniture as stated

by the minority (42%) include poor power supply, transportation problems, and unfavorable government tax as also described more on Table 4.4.

#### **4.4 The Quality (Durability) and Varieties of the Locally Produced Furniture**

The study was interested to identify the quality in terms of durability and varieties of the local furniture and that one of imported. The response of the respondents on that is presented in Table 4.5

**Table 4.5: The Quality (Durability) and Varieties of Locally Produced Furniture**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
High Quality/ More Durable	50	33.3
Low Quality/ Less Durable	12	8.0
Many Varieties	10	6.7
Less Varieties	78	52.0
<b>Total</b>	150	100.0

**Source:** Study Findings, 2013

Table 4.5 shows responses on the quality (durability) and varieties of the local produced furniture compared to imported ones. The study found that majority of the respondents (85.3%) revealed that local furniture has less number of varieties although they are more durable. Lacking varieties of local furniture led for customers to opt on imported furniture with many varieties. This is similar to the responses obtained during interview, furniture buyers/customers revealed that:

*There is no different and enough designs of dining table, Sofa Set, T V Unit, Center Table and others on our local furniture products. But on imported furniture you will find even dressing tables of ten different designs.*

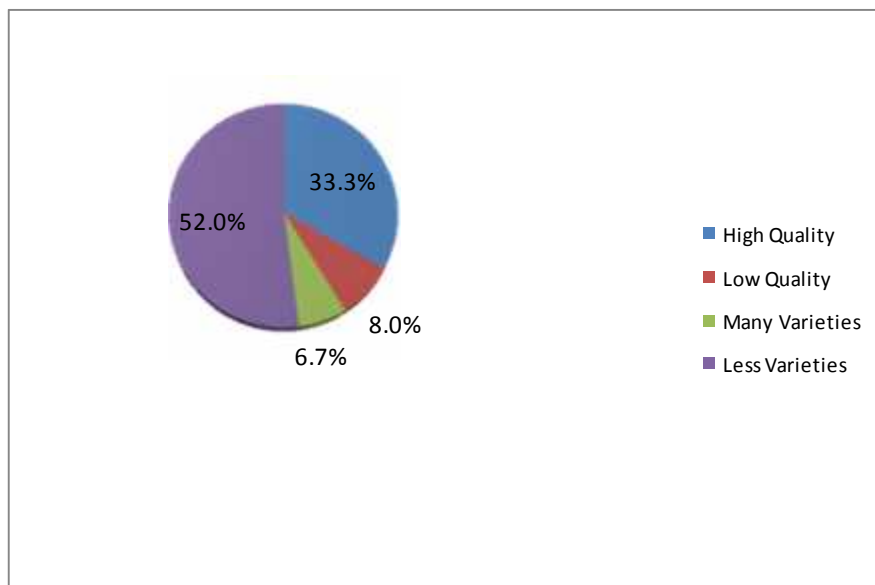
As the majority (85.3%) of the respondents also stated that local furniture possess high durability quality compared to those imported. This imply that the more

durability of the local furniture is the strength for the locally produced furniture although other factors like less varieties and others let the local furniture down on preference to customers.

Hallberg (2009) noted that customer prefer more imported furniture with many varieties compared with the local furniture which comes with good quality but yet lack varieties so this affects demand for such product. Actually availability of many varieties of local furniture is vital to make that furniture to be preferred over imported ones.

The minority of the respondents (14.7%) stated that local furniture has many varieties which are also less durable. Figure 6 summarize on the quality in terms of durability and varieties of the locally produced furniture.

**Figure 6: Quality (Durability) and Varieties of Locally Produced Furniture**



**Source:** Study Findings, 2013

Figure 6 present responses on quality and varieties of the locally produced furniture as presented in Table 4.5.

#### 4.5 Promotion and Advertisement on Local Furniture

The study was interested to examine promotion and advertisement on local furniture compared to that one of imported furniture. Questionnaires and interview questions were administered to respondents, Table 4.6 represent their reply.

**Table 4.6: Promotion and Advertisement on Local Furniture**

Responses	Frequency	Percentage
Not or Less Implemented on Local Furniture	135	90.0
Highly Implemented on Local Furniture	15	10.0
<b>Total</b>	150	100.0

**Source:** Study Findings, 2013

Table 4.6 shows responses on promotion and advertisement on local furniture compared to that one of imported furniture. The study found majority of the respondents (90.00%) state that promotion and advertisement are not or less implemented on local furniture. This is similar to the responses obtained during interview, the respondents exposed that:

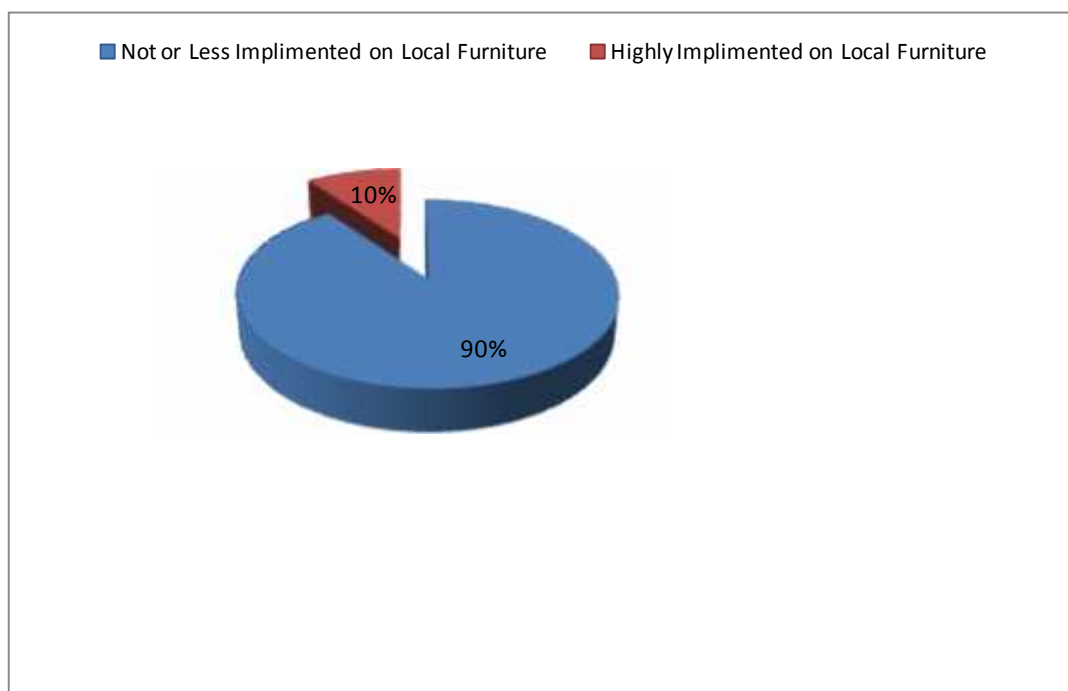
*Always on Tanzania Broadcasts Chanel (TBC) there are advertisements on imported furniture such as Life Mate Furniture which advertise its imported furniture on TBC as they also use popular Tanzanian artists on advertisement so that they can win attention to customers.*

Geneva (2004) exposed that problem with developing (local) countries furniture enterprises is they do not set budget for promotions and advertisements, Spanish furniture manufacturers spend the biggest part of their promotional funds on participating in trade shows (about 50% of their budgets). Of the remaining amount, the largest expenses are for publicity in specialized magazines (about 30% of the total), followed by minor expenses (direct promotion, publicity in non-specialized magazines).

The media and television in particular, are playing a strong role as stimulator to furniture customers. The absence of promotion and advertisements on local products including furniture lead to less influence on customer's feelings, beliefs and behavior on preferring local furniture instead of imported ones (Wen-fei, 2004).

The Pie Chart in Figure 7 summarizes Table 4.6

**Figure 7: Promotion and Advertisement on Local Furniture**



**Source:** Study Findings, 2013

Figure 7 shows promotion and advertisement on local furniture compared to that one of imported furniture as presented in Table 4.6

#### **4.7 Factors for High Manufacturing Cost of the Local Furniture**

The study was interested to find out the cost of manufacturing furniture locally compared to importing them. The manufacturing costs include the cost of timber, manufacturing power, transportation and other factors of producing furniture. Respondents were questioned and interviewed, in their reply the study findings is presented in Table 4.7

**Table 4.7: Factors for High Manufacturing Cost of the Local Furniture**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
High Cost of Raw Materials	49	32.7
Poor Technology	25	16.7
Poor Power Supply	29	19.3
Poor Infrastructure	24	16.0
Unfavorable Tax and Levy	23	15.3
Total	150	100.00

**Source:** Study Findings, 2013

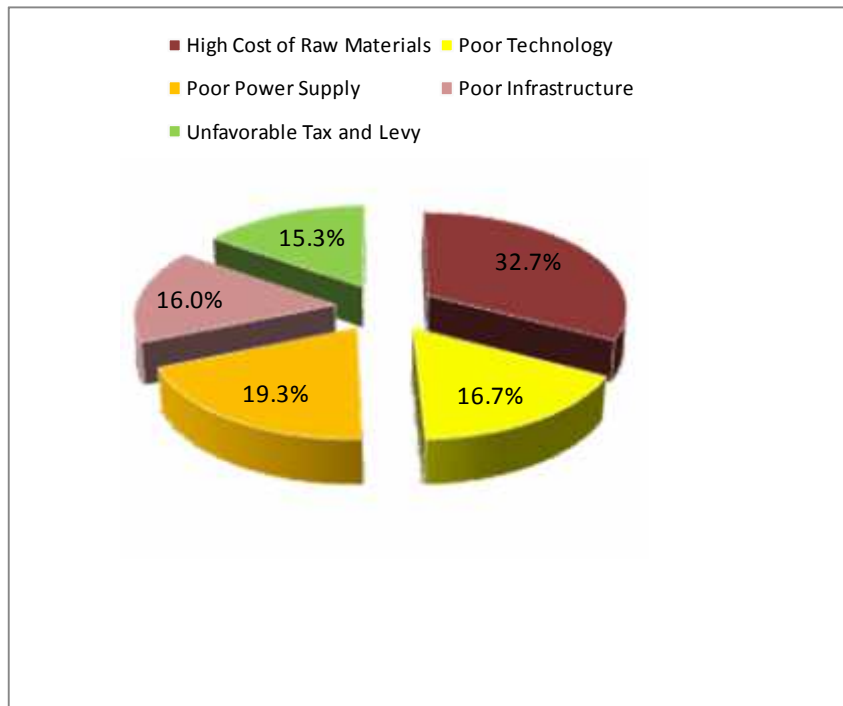
Table 4.7 shows factors for high manufacturing cost of the local furniture. Majority of the respondents (68.7%) reveal that high cost of raw materials, poor power supply and poor technology are the causes for high manufacturing cost of the local furniture compared to importing them. This implies that raw materials such as timber for furniture production are of high cost that leads to high local furniture manufacturing cost as comparing to importing them. The high cost on raw materials for furniture manufacturing was also noted on Table 4.4.1 as the causes of high price for local produced furniture. Within the majority some respondents stated that poor power supply cause high manufacturing cost of the local furniture, this was also exposed during interview as the respondents revealed that:

*Some time it is mandatory to work with generator on furniture manufacturing industry due to unreliability ( frequent cut off) of the Tanzania electric power supply. Generator are very cost full as they consume too much fuel (petrol or diesel) while the price of fuel is so high as it rise more day after day. So thus poor power supply lead to high local furniture manufacturing cost.*

Part of the majority also stated that poor technology on local furniture manufacturing industry lead to the increase on the costs of production of local furniture as it consumes much time and raw materials of production such as timber to manufacture furniture with poor level of technology.

The minority of the respondents (31.3%) stated that poor infrastructure and unfavorable tax and levy on both raw materials and ready furniture are also the causes of high manufacturing costs of local furniture. Figure 8 explains Table 4.7.

**Figure 8: Factors for High Manufacturing Cost of the Local Furniture**



**Source:** Study Findings, 2013

Figure 8 clarifies the factors for high manufacturing cost of the local furniture as compared to importing them, as also presented in Table 4.7

#### **4.8 Reasons for High Preference on Imported Furniture in Tanzania**

The study was interested to determine the reasons as to why people prefer imported furniture compared to locally produced ones. Therefore questionnaire were administered to furniture manufactures, sellers and buyers, also interview was conducted to some respondents. Table 4.8 represents the respondents reply.

**Table 4.8: Reasons for High Preference on Imported Furniture in Tanzania**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Low Price	62	41.3
Pleasant Appearance	30	20.0
No need to Place Order	24	16.0
High Quality (Durability)	9	6.0
Many Varieties	25	16.7
<b>Total</b>	<b>150</b>	<b>100.00</b>

**Source:** Study Findings, 2013

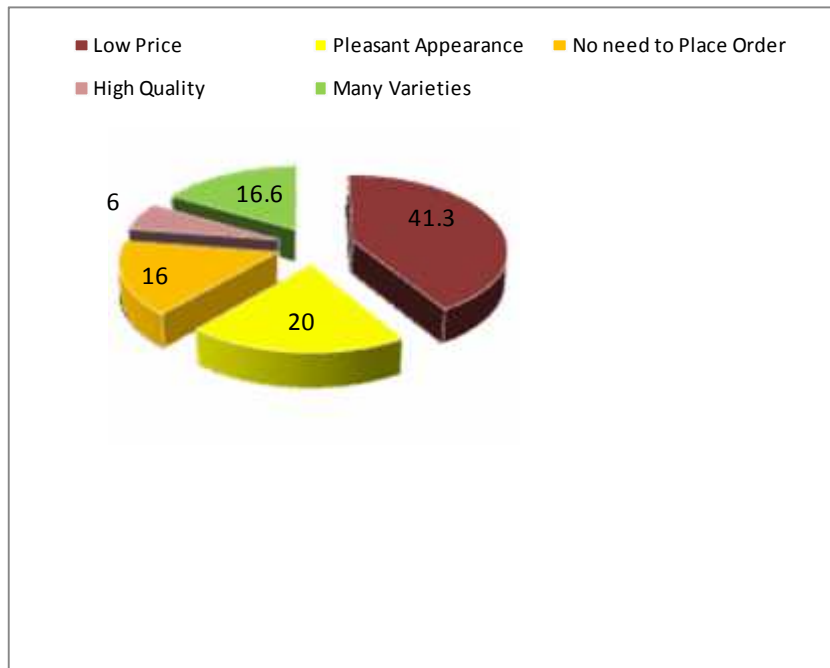
Table 4.8 show majority of the respondents (94.0%) prefers imported furniture due to their low price (this implies that local furniture are available at the higher price compared to the imported ones), pleasant appearance, different/many varieties and no need to place order and waiting furniture to be ready. As the imported furniture are complete and readymade hence there is no need to place order and to wait for imported furniture, this make the imported ones to be preferred over local furniture. This is similar to the responses obtained during interview, as the respondents exposed that:

*Sometime you place furniture order on local manufacturers on agreement to deliver within two weeks but it may take a number of months to get it completely. Local manufacturers make less ready furniture as they say materials are so expensive so they have to rely on money advance provided by customers.*

The minority of the respondents (6.0%, very few respondents) prefer imported furniture due to high quality (durability) that means the imported furniture has less durable. The local furniture are more durable but the local customers do not prefer them due to other factors like high price, unpleasant appearance, lack of varieties and long waiting time from ordering to deliverance. Even the respondents had been proved local furniture to have higher quality (durability) than the imported ones on Table 4.5: Quality (Durability) and Varieties of Locally Produced Furniture.

Reasons for high preference on imported furniture in Tanzania is also well summarized in Figure 9.

**Figure 9: Reasons for Preference of Imported Furniture in Tanzania**



**Source:** Study Findings, 2013

Figure 9 summarizes the reasons for preference of imported furniture in Tanzania, as presented in Table 4.8

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Conclusion**

The study concludes that the high price of local furniture make them to be less preferred compared to imported ones. The cause of high price for local produced furniture is the high cost of raw materials as the price of buying raw materials are considerably higher despite of those raw materials such as timber are all available in Tanzania. It also concluded that high manufacturing cost which lead to high price of the local furniture is not only caused by high cost of raw materials but also poor power supply, poor technology, poor infrastructure and unfavorable tax and levy.

Moreover it concluded that the quality in terms of durability of the locally produced furniture is high compared to the imported furniture, but low preference of the local produced furniture is due to high price, less varieties, unpleasant appearance, long waiting time from ordering to deliverance of the local produced furniture. Finally the study conclude that imported furniture are more preferred compare to local produced furniture due to less promotion and advertisement on the local furniture.

#### **5.2 Recommendations**

Base on the findings of the study the following recommendations are made:-

- (i) Tanzania furniture manufacturers should not seek to compete at low price while the cost of local raw materials is high, but they should join their hands together to convince the government to keep favorable tax and levy on raw materials such as timber for manufacturing furniture since the fall on manufacturing cost lead to fall in price in profitable way to manufacturers. The government should introduce laws to favor local furniture manufacturing and also unfavorable furniture importation laws so as to encourage local furniture to be more preferred than imported ones, since this will have very big positive impact to the Tanzania economy.

- (ii) The formation of furniture associations is an important step towards creating a basis for cooperation and partnership between Government and the furniture industry. Furniture associations will have to advise and influence both the government and private institutions to provide cooperation with all their capabilities on assuring reliable power supply on local furniture industrial areas such as at Keko furniture Centre at Temeke-Dar es Salaam.
- (iii) Infrastructure including roads, railways should be good enough as from sources of raw materials to the furniture manufacturers, this will assure reliability of the means of transports as well as decrease on the transport costs. Probably this will also reduce furniture manufacturing costs and their price as well, this will attract more customers. The government of Tanzania, SIDO, private institutions in collaboration with furniture manufacturers should work together on facilitating proper infrastructure on the areas within the business.
- (iv) Promotion and advertisement is vital for the local furniture to win the customers preference over the imported furniture. There are a number of media that the local furniture enterprises can advertise furniture on them, these include Televisions, Radio, Websites, Newspapers and Brochures. The promotion on local furniture will increase awareness, preference and confidence to customers on local furniture hence the local furniture to be more preferred than imported ones.
- (v) Technological innovation in the local furniture industry has lagged behind competing countries and the industry consequently struggles to be competitive against countries that have made sufficient investments in their technology and expertise as well. This is shown by declining rate of investment in the sector and the age of machinery. So the Tanzania government, private institutions and furniture enterprises should facilitate on providing competent technologies and training that will also assure competent expertise on local furniture industries. The high and quality technology

influence more quality in terms of durability and pleasant appearance of the furniture and also the more varieties of local furniture that influence more sales than the imported furniture. Obviously this lead to more profit to local furniture enterprise and the whole Tanzania economy.

- (vi) Research and development that is needed to support growing furniture industries is almost non-existent while it is vital for penetration into competitive market and industries growth as well. Local furniture enterprises have to establish and constantly improve their research capacity so as they can scan the weakness and threats to overcome in order to influence customers to prefer local furniture over imported ones. The researches will also help to determine strength of the local furniture such as quality that the local manufacturers should keep it up and opportunities existing on the local market so that local furniture manufacturers can utilize them.

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## APPENDICES

### Appendices 1: Questionnaire

Good morning/ afternoon. My name is Mr. Clement Chanjarika. I am a researcher for MBA Research program. All the information you provide will be treated in the strictest of confidence and will not share the data with any third party or use information for any purpose except on assisting making decision on local enterprises matters.

Please tick appropriate answer:

- 1 How do you compare the price of locally produced furniture to that of imported ones?
  - (i) Low ( )
  - (ii) High ( )
  
2. Is your answer above, a reason for the imported furniture to be preferred over locally produced furniture?
  - (iii) Yes ( )
  - (iv) No ( )
  
3. How do you view the cost of timber, manufacturing power, transportation and other factors of producing furniture locally compared to the cost of importing them.?
  - (i) Low ( )
  - (ii) High ( )

4. What make the local furniture production costs high while raw materials necessary for furniture production such as timber are obtained within local area (Tanzania)?

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.....  
.....  
.....

5. What makes imported furniture to be preferred over locally produced ones?

- (i) Less quality of locally produced furniture ( )
- (ii) Less creativity on locally produced furniture ( )
- (iii) Both A and B ( )
- (iv) None of the mentioned ( )

6. Why people prefer imported furniture compared to locally produced ones?

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## Appendices 2: Interview Guide

Good morning/ afternoon. My name is Mr. Clement Chanjarika. I am an interviewer for MBA Research program. All the information you provide will be treated in the strictest of confidence and will not share the data with any third party or use information for any purpose except on assisting making decision on domestic enterprises matters.

1. Why people prefer imported furniture compared to locally produced ones?

.....  
.....

2. How do you compare price of the locally produced furniture to that of imported ones, how that price impact on the demand of the locally produced furniture?

.....  
.....

3. Is the locally produced furniture in low quality and (or) less varieties that leads to be preferred less than imported ones?

.....  
.....

4. Are there enough promotion and advertisement on local furniture compared to that one of imported furniture?

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5. Are the costs of timber, manufacturing power, transportation and other factors of producing furniture locally high comparing to that one of importing them; what make the local production costs high while raw materials such as timber and electric power are all available within the country?

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