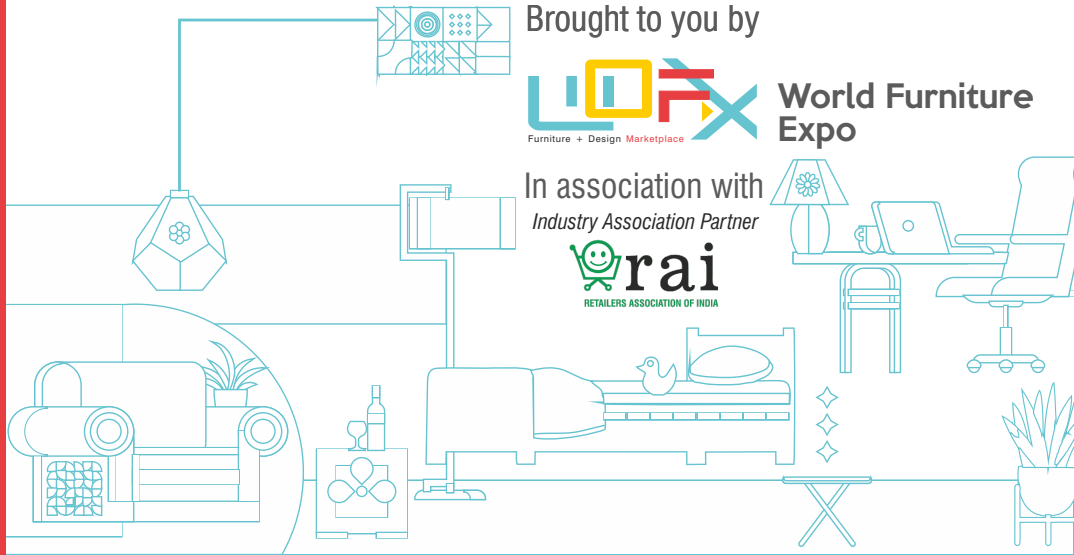




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GROWING ECONOMY SPURS SURGING DEMAND FOR FURNITURE

India is experiencing a positive economic surge, driven by a combination of favourable factors.

The world's fastest-growing major economy, India's \$3.7 trillion economy reached 7.2% GDP in FY23 and is expected to grow 7% in 2024-25. This positive economic growth is fuelling a consumer boom, positioning India to become the world's third-largest consumer market by 2027. With disposable income rising 14.6% per annum and household spending exceeding \$3 trillion, India's middle class is driving increased spending across various sectors. At the same time, the proportion of nuclear families who spend 30% more than joint families is expected to reach 74% by 2025. With rapid urbanization, urban population is expected to reach 40% by 2036.

A thriving retail sector, poised to touch \$1 trillion by 2025, including a projected \$350 billion online retail market, are

transforming India into a global economic powerhouse.

D2C sales are predicted to increase at 36% CAGR to reach \$17 billion by 2030. Younger consumers with shifting preferences (modern, useful, and versatile modular designs) are driving demand for the furniture industry in India.

Furthermore, the appeal of traditional handicraft design furniture with added modern functions is leading to a unique line of possibilities creating a growing range of offerings for consumers. These factors have created a very successful decade for the Indian furniture industry which saw a further boost due to a strengthening tourism and hospitality industry. Other than a blip due to Covid, this growth is expected to continue into the near and middle future supported by a growing economy, real estate & hospitality, service sectors and increasing affluence in urban & rural areas.





ORGANISED RETAIL : WAY FORWARD FOR THE FURNITURE INDUSTRY



**Q&A with Dr. Hitesh Bhatt, Director - Marketing & Communications;
Editorial Director – STOrai Magazine, Retailers Association of India (RAI)**

Dr. Hitesh Bhatt (HB) - an expert in the retail industry - offers his insights into the Indian furniture market in this interview with F+D. In the following excerpts, he discusses key trends, challenges and opportunities shaping the industry.

F+D: The Indian furniture industry is witnessing significant growth. What factors are driving this expansion?

HB: India has a strong tradition of furniture going back centuries. By merging our traditional crafts with modern manufacturing processes, we can give a very strong and sustained push to the Indian furniture industry. The key drivers currently driving the furniture industry expansion are the rising middle class, increasing urbanization, growing demand by tier 2 & tier 3 cities and changing consumer preferences aided by mass media and online exposure, which can be at par with international markets.

The growing demand for high-quality, functional furniture, coupled with the increasing disposable income of Indian consumers, has also created a favourable long term market for the industry.

F+D: Can you give an overview of the current global scenario?

HB: The global furniture market was valued at \$537 billion in 2022 and is projected to reach \$692 billion by 2027. While the Asia-Pacific region, particularly China, currently dominates the market, global dynamics such

as the US-China trade war have created new opportunities. However, India's current contribution to the global market is modest, underscoring the urgent need for strategic overhauling to enhance our global standing.

F+D: What is the current status of the Indian furniture industry and where does it stand in terms of exports.

HB: The Indian furniture market was valued at approximately \$23 billion in 2022 and is projected to grow to roughly \$32.7 billion by 2026. As you know, the sector remains largely unorganised with local carpenters & artisans and small-scale manufacturers accounting for 80-90% of market share. Being unorganised, there is lack of standardisation, including spotty quality of products.

Geographically, the furniture industry is concentrated in regional clusters across states like Gujarat, Punjab and Kerala, each known for a specific type of furniture. Despite this apparent specialisation, the fragmented nature of the marketplaces brings about severe limitations on economies of scale and hurts India's competitiveness on the global stage. The country's furniture

exports, although growing at 20% annually, stand at just \$2.86 billion and rank 16th in the global export market.

F+D: In this scenario, what then are the current trends and opportunities for the industry?

HB: Here I would like to state that, yes, despite the seeming issues, the domestic market is a treasure trove of opportunities. With a population of 1.4 billion, a growing middle class and increasing awareness of design and function, there is a surge in demand for furniture across the country and across retail formats.

The advent of online retail has further democratized access to a variety of furniture products, catering to India's diverse tastes and preferences. Changing lifestyles post-COVID19 have fuelled demand for home and office furnishings, with a noticeable preference for premium category products. The growing demand for sustainable, eco-friendly furniture, supported by the rise of e-commerce, presents exciting opportunities for the industry. Additionally, the increasing focus on home decor and the need for functional, space-saving furniture in urban environments are driving growth.

F+D: What are the government initiatives to support growth of the Indian furniture industry?

HB: The government has implemented various measures to promote the industry, including increased import duties on furniture, regulatory reforms to improve product quality and safety standards as well as taking forward discussions on furniture focused PLI scheme. The BIS standards aim to encourage manufacturers to develop innovative processes to meet new requirements, making the industry more competitive domestically and globally.

F+D: What is the role of organised retail in supporting growth of the Indian furniture industry?

HB: Organised retail is one of the best bets for Indian furniture manufacturers to scale up because the industry, by its very nature is small-scale and characterised by unorganised operations with local markets dominating the contours of the industry. Only organised retail can empower these manufacturers to reach a pan-Indian audience and access

economies of scale. By partnering with organised retail channels, such as large-format stores, established retail chains and branded showrooms these manufacturers can gain access to a wider customer base.

F+D: What are the other advantages for manufacturers connecting to organised retail?

HB: Organized retail offers streamlined supply chains, improved inventory management and enhanced customer service, crucial for building strong brands. By entering this space, manufacturers can access a wider customer base. Leveraging branded retail spaces through partnerships or their own outlets increases visibility and export potential. To address supply chain inefficiencies and global demand, a managed cross-border B2B marketplace is essential. By standardizing processes & improving quality control by utilizing technology, Indian manufacturers can reduce costs and become more competitive in the local & international markets.

The development of online furniture retailing, at an estimated 39% growth rate by 2026, further provides Indian manufacturers an excellent opportunity to reach more customers.

F+D: What do you think is the way forward for the industry?

HB: India can leverage its rich cultural heritage to create high-end, unique products that would make a difference in world markets. To solidify its position as a global leader in furniture manufacturing, India must prioritize investment in design innovation, new materials and intelligent solutions.

By embracing modernization and leveraging current technology, the industry can effectively meet the growing domestic demand and also establish itself as a leading exporter of high-quality, culturally distinctive furniture. While the future of the Indian furniture industry is undoubtedly promising, realizing this potential requires a concerted effort from the government, industry players and technology providers alike.

India's Only Dedicated International B2B Furniture + Design Marketplace

INDIA FURNITURE MARKET BUZZ:

TRENDS & CONSUMER INSIGHTS

Furniture Imports: India imports furniture from over 44 countries around the world with total furniture imports expected to cross \$1 billion by 2023-24.

Industry Growth: World Bank states that India's organised furniture industry is expected to grow 20% p.a.

Residential Furniture Market: Home furniture comprises 60% of the total furniture market, accounting for ~\$22.92 billion (2024) and expected to grow at 10.6% CAGR over 2024-2029

Online Furniture Market: The online furniture sector is expected to witness a three-fold increase in shoppers by 2026, with an expected 1.8-fold increase in yearly expenditure per customer. The online furniture business is predicted to expand at 27% CAGR and estimated to reach \$1.92 billion by 2025 while India's overall online furniture and home market share is expected to reach \$40 billion by 2026.

India Market Size: In 2022, the furniture market touched \$23.12 billion and is expected to reach \$37.72 billion by

2026-end growing at 13.37% CAGR from 2020-2026. India is the 4th largest furniture consuming country and 14th largest furniture market in the world.

Shorter Replacement Cycles: Furniture replacement cycle are expected to come down to 5-7 years from the current 8-10 years as the time frame of home renovations have also decreased over the years.

Home Furniture Analysis: In the overall Home Décor category, furniture comprises 40-50%. Larger items like sofa, beds, etc., comprise 25% and the rest are small furniture items like bar tables, coffee tables, chairs, stools, etc.

Office Furniture Analysis: The Indian office furniture market was valued at \$4 billion in 2023 with office chairs and desks, comprising 60% of sales, driven by demand for comfort and adaptability, especially with ergonomic and height-adjustable options. Consumers are prioritizing comfort, durability and eco-friendliness, favouring sustainable materials, reflecting a growing trend of increasingly environmentally conscious businesses.

Sunrise Industry: India's \$2 billion furniture rental industry has surged, occupying ~4.9% of market share and expected to increase by 26% CAGR between 2020 and 2025.

Work from Home: Work from home coupled with media exposure have opened the Indian mind in furniture designs. The booming work from home furniture market is expected to touch \$3.49 billion by 2026.

Huge Untapped Potential: A low per capita furniture spend of \$5 signifies a vast market waiting to be explored.

The Indian furniture market is in a transformative phase, adapting to global trends and the shifting consumer preferences. Growth of E-commerce, sustainability considerations, prominence of minimalist designs and the rise of smart furniture are reshaping the industry. To thrive in this dynamic environment, Indian furniture manufacturers and retailers must adapt to global trends, prioritize innovation, and align strategies with the changing demands of the Indian consumer base.

