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## **FACTORS INFLUENCING OPERATIONS OF SMALL-SCALE WOODEN FURNITURE ENTERPRISE IN ILORIN, KWARA STATE, NIGERIA**

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### **ABSTRACT**

Small-scale enterprises play an important role in the processing and marketing of wooden furniture. However, information on the marketing channel, factors contributing to patronage, and financial returns to operators of this enterprise are not known. The survey covered small-scale wooden furniture producers in Ilorin metropolis located in Kwara State, Nigeria. Multi-stage sampling technique was adopted for the study. Structured questionnaire was the tool used for data collection. All of the sampled small-scale furniture operators were male (100%), married (73.6%) and within the age category of 31- 50 years (65.3%). Most of the furniture producers had been into the furniture production for over 11 years (31.9%), had average of 5 labour (72.2%) and raised their start-up funding through personal savings (61.1%). About 75.0% of the furniture makers produced the furniture and displayed in workshop for sale or on demand by individual customers, while only 25.0% produced on contract basis. Set of chair had the highest average profit of ₦59, 909.10 (USD171.17) followed by dining set with ₦34,850 (USD99.57) as percentage of profit over average cost price. Cost of materials used in production of furniture is the major factor that the producers first considered before fixing the selling price. The small-scale furniture enterprise in the study area is a profitable venture. However, to further increase the potential of the enterprise, the operators need to improve quality the furniture produced. The producers also need to improve their skills and experience through engaging in further training and exposure on the current technique of furniture production.

**Keywords:** Cost price, Customer, Furniture, Marketing, Profit



## INTRODUCTION

Small-scale enterprises are organizations that employ between 5 and 50 workers. Small-scale enterprises certainly continue to play an important role in the production of goods and services and in the generation of substantial employment and income in almost all countries, both developing and developed (Arnold, 1994). Although, income generated in small scale enterprises would depend largely on the nature of local demand and the overall state of the local economy (Moodley, 2003). In addition, the large number of start-ups reflects the dynamism in small-scale production epitomizing individual initiative, since the investments are low and entry is relatively easy.

In wood industry sector, small-scale enterprises play an important role in the processing and marketing of wood products (Purnomo *et al.*, 2011). According to FAO (1987), furniture is largely produced by small and medium size enterprises using simple technical know-how and technology coupled with low capital input. Small and medium scale furniture production alone provides employment up to 2,500,000 persons (FAO, 2005). They also constitute a reasonably big percentage of downstream wood users consuming approximately 245,000m<sup>3</sup> of wood (Odokonyero, 2005). The World Bank (2003) has estimated that small-scale joinery, furniture manufacture and other small-scale based firm employ about 33 million people all over the world. Alao and Kuje (2012) discovered in their study that the furniture enterprise is characterized by a limited number of stages between production, processing, trade, and end use. In addition, small-scale furniture production is easy to establish by would-be entrepreneurs. Small - scale furniture enterprises therefore make significant economic contributions to the livelihoods and well-being of a significant number of the operators.

The economics of small-scale furniture production enterprises dominate all spheres of economic activities until the beginning of the industrial revolution when technology advancements, especially in the manufacturing and transportation, enabled some of the sectors to scale up production (Government of India, 2003). In other words, the economics of small-scale enterprises, including those in the forest sector largely depend on the overall socio-economic and technological changes.

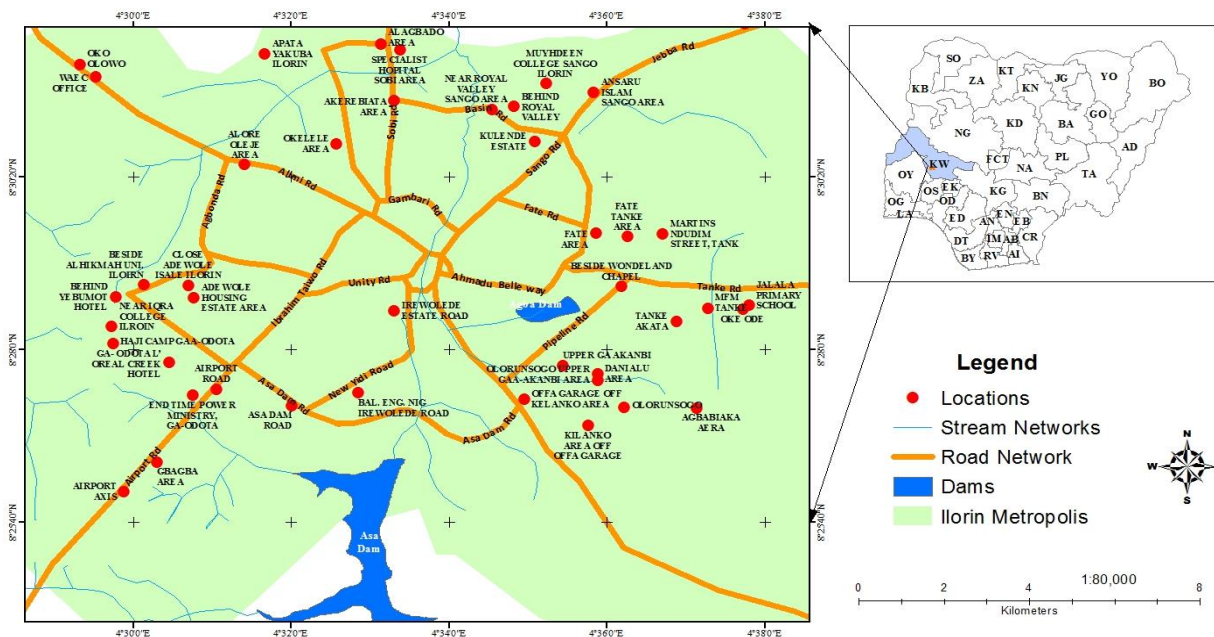
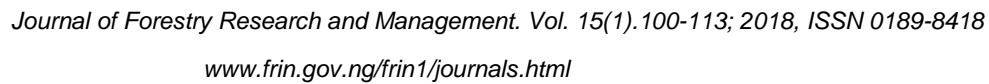


A number of factors and challenges affect production and sale of wooden furniture produced by small-scale furniture enterprise. For instance, Arowosoge and Tee (2010) reported that durability, design/finishing, colour/grain, wood species, and wood grade are the determinant of consumers' choice for wooden dining furniture in southwest Nigeria. On the other hand, Aroso *et al.* (2016) reported that poor funding, expensive tools, epileptic power supply, low valuation of furniture products and poor patronage, amongst others are the constraint faced in furniture production.

Recently, there is increase in the number and operators of small-scale furniture enterprise in Ilorin metropolis. Concentration of the enterprise is observed along major roads and other strategic locations in the city. The operators produce different types of furniture for domestic and other uses. However, information on the marketing channel, factors contributing to patronage, and financial returns to operators of this enterprise are not known. Getting information on the financial return will help in determining the level of viability of the business. It will also provide basic information to those that want to venture into the business. The study therefore assessed small-scale furniture enterprises in Ilorin, Kwara State, Nigeria base on afore listed information.

## **METHODOLOGY**

The survey covered small-scale wooden furniture producers in Ilorin metropolis (Figure 1). Ilorin is the capital of Kwara State, Nigeria. Multi-stage sampling technique was adopted for the study. The first stage was purposive selection of three Local Government Areas (LGAs) within the city of Ilorin. The LGAs include Ilorin East, West and South. The LGAs were later divided into zones using major streets within the city. In each of the LGAs, 8 zones were randomly selected. Within each of the zones, 3 furniture producers were sampled giving a total of 72 furniture small-scale enterprises



Structured questionnaire was used for data collection. Data collected include demographic information such as age, educational qualification, year of experience in furniture production, production and selling price, information on cost benefit analysis, size of workforce, level of patronage, and other social benefit of the enterprise.

Both descriptive statistic and cost benefit analysis were used in analyzing the primary data generated through the questionnaire. Descriptive statistics (percentage and frequency distribution) were used to analyse the socio economic characteristics of the operators. On the other hand, Cost - Benefit analysis involved the calculation of costs and returns of the sampled small-scale furniture enterprises.

## RESULTS AND DISCUSSION

### Demographic information of the furniture producers

The information obtained on the small-scale furniture producers in Ilorin reveals that all of the operators were male (100%) with majority married (73.6%) and within the age category of 31-50 years (65.3%). Similar finding on gender and age of small-scale furniture operators have been obtained elsewhere. According to Alao and Kuje (2012), all the sampled small-scale furniture



makers in Lafia Nigeria were male with majority married. Likewise, Aiyeloja *et al.* (2014) discovered the age category of small-scale furniture makers in Port Harcourt, Nigeria to fall between 31 and 50 years. On the educational status of the furniture producers, majority (36.1%) attended secondary school followed by those that had primary school education (22.2%). Those that had technical education were 12.5% while tertiary education was only 6.9%. Despite these levels of formal education among the producers, those that did not have formal education were about a quarter of the population (22.2%).

The results on work experience revealed that most of the small scale furniture producers had been into the furniture production for over 11 years (31.9%) followed by those that started the enterprise between 4 and 7 years (29.2%). This means quite a number of the furniture makers have been in business for over a decade. Having longer years in a profession has been discovered to contribute to the level of experience and skill put into quality of production (Ajayi and Ojutiku, 2008). Holzer (1988) stated that the higher the experience and length of training, the better skills on the job and better chances of higher return on investment.

On the years of establishment, majority (76.4%) of the furniture enterprises were established between 2001 and 2015. The size of workforce of the furniture enterprises show that 72.2% of the enterprises had 5 labour while 25.0% had 6 to 11 labour. According to FAO (1987), furniture are largely produced by small and medium size enterprise using simple technology and technical know-how coupled with low capital input. In addition, Ogunwusi and Olife (2012) observed that some of the major characteristics of small-scale furniture industry in Nigeria are that they operate at cottage level with three to five men workforce and rely mostly on crude and old implements. Moreover, Arnold (1994) reported that small-scale enterprise employs a minimum of 5 workers and a maximum of 50 workers. As the business is growing, they gradually move from small-scale to medium and large scale.

More than half of the sampled furniture enterprises in this study raised their start-up funding from personal savings (61.1%). As reported, furniture makers operate with limited funds for expansion (FAO, 1987; Ogunwusi and Olife, 2012). Initial source of funding is an essential factor for any enterprise to take off and be successful. None of the sampled furniture producers



had access to funding or loan from bank, financial institution or government agency that provides financial assistance to small and medium enterprises.

Most of the furniture makers engaged in furniture production as their primary occupation. However, few of the furniture producers have other secondary occupations which include carpentry, house roofing, motor cycle transport popularly known as “Okada”, trading, among others. The secondary occupations are embarked upon by the producers that do not have much work to do in their workshop thereby supplementing income.

**Table 1: Demographic characteristic of small-scale wooden furniture producers in Ilorin, Kwara State Nigeria**

Demographic information	Freq (N=72)	Percent	Demographic information	Freq (N=72)	Percent
Gender			Years of work Experience		
Male	72	100	Less than a year	3	4.2
Female	0	0	1-3 years	10	13.9
Marital Status			4-7 years	21	29.2
Single	17	23.6	8-10 years	15	20.8
Married	53	73.6	Over 11 years	23	31.9
Divorced	1	1.4	Age of the furniture producers (Years)		
Widower	1	1.4	Below 20	3	4.2
Years of establishment			21-30	12	16.7
1980-1990	4	5.6	31-40	22	30.6
1991-2000	13	18.1	41-50	25	34.7
2001-2015	55	76.4	51 and above	10	13.9
Number of workforce			Initial capital to start the business		
5	52	72.2	Personal savings	44	61.1
6-11	18	25.0	Family source	11	15.4
12-18	2	2.8	Cooperative loan	3	4.2
			Others	14	19.4



## Marketing of the furniture

Small-scale furniture producers in the study area mainly produce furniture for individual customers and formal establishments. After production, the finished furniture are either displayed in personal workshop or showroom for customer to purchase or produced base on demand by the customer. About 75.0% of the furniture makers produced the furniture and displayed in workshop for sale or on demand by individual customers, while only 25.0% produced on contract basis (Table 2). The following are therefore the three general categories of production and sale of furniture identified in Ilorin:

***Produced and display for sale:*** the furniture producer used his personal money to buy the materials and then produce the furniture which is displayed for sale in the workshop or showroom. However, before the furniture is produced, the producer normally makes survey on the type of furniture that is/are in demand before committing his money to production.

***Production base on demand:*** The furniture producers usually have catalogue and pictures of which the customers are requested to make their choices of design and size. However, customers are also allowed to bring their design and size for the type of furniture to be produced.

***Production base on Contract:*** Bid for contract award for furniture production is sometimes solicited by formal establishments such as government organisations, private and public companies, academic institutions, among others. The procedures for the submission of bid are usually set by the establishment. In some cases, the furniture producers are expected to register with the establishment, while some do not require registration. The quoted prices submitted by the contractor, in addition to meeting other conditions, are then considered and contract award to the best bidder.

It could be deduced from the above that majority of the sampled furniture producers produced for direct sale rather than on contract basis. Similar trend was observed by Alao and Kuje (2012) in Lafia, Nigeria where most of the small-scale furniture makers produce furniture for direct sale. The small-scale furniture makers produced the furniture base on either prevailing market for particular furniture or on request by consumer. For those that are produced base on prevailing market had furniture they made and ready for purchase in their workshop or showroom. In



addition to generation of income, the displayed ready-made furniture also serves as advertisement to the passersby for the business enterprise.

**Table 2: Marketing of wooden furniture by small-scale producers in Ilorin metropolis**

Marketing variables	Freq (N=72)	Percent
Target market for the furniture		
Individual customers	54	75.0
Contract	18	25.0
Level of marketing of the furniture		
Wholesale	7	9.7
Retail	48	66.7
Both	17	23.6
Mode of transportation		
Personal Vehicle	16	22.2
Hired Vehicle	47	65.3
Buyers Vehicle	9	12.5

As mentioned, it is also possible for small-scale furniture enterprise to get contract for furniture production. Further interviews reveal that winning of contracts by furniture enterprise commands more money than direct sale. However, the processes of getting the competing contracts from formal public and private establishments are not easy for majority of the small-scale enterprises. Most of the contracts are awarded to big and registered furniture companies. Sometimes, most of the formal establishments prefer to buy imported furniture than those produced locally. Sellers of imported furniture as well as big furniture companies have financial backing and connections to lobby for the juicy contracts thereby leaving the small-scale enterprises out of the show. Be as it may, some of the small-scale furniture enterprises were able to scale through the processes and competition of contract bidding, hence good financial return.

Level of marketing of the small scale furniture enterprise revealed that 66.7% of the furniture producers sold at retail level while only 9.7% sold their furniture on wholesale (Table 2). In other



words, few of the producers were able to obtain contract from formal establishments such as academic institution, offices, trading centres (shop, supermarkets, among others) and other enterprises. Some of the furniture manufacture by the furniture makers include settee (sofa and couch) with centre table and stool for private seating room and offices, dinning chair and table, bed of various design and sizes, wardrobe, chair and table for schools, offices, among others.

Marketing channel for the furniture enterprises follows two major routes from the producers to the consumers. The routes are mainly for the retailers and the wholesalers. The channel for retailers is direct with movement of the furniture from the producer to the final consumers. For the furniture makers that sell in wholesale, the furniture moves in different directions such as movement from the producer to the first middlemen; or to the second middlemen, or to the final consumers. Majority of the furniture producers (65.3%) delivered the furniture to their customer through hired vehicle while only 22.2% delivered through personal vehicle. The remaining 12.5% indicated that the buyer transport the furniture themselves.

### **Cost and profit analysis for selected wooden furniture**

Table 3 presents results on cost and profit analysis for selected wooden furniture produced and marketed in Ilorin. Set of chair had the highest average profit of ₦59, 909.10 (USD 171.17) followed by dining set with ₦34,850 (USD 99.57) as percentage of profit over average cost price. The profit made on this single furniture set is higher than the ₦18,000 (USD 51.43) national minimum wage paid by the federal government to civil servant in the country. This means that the business of small-scale furniture is a profitable venture for outlets with constant sale.



**Table 3: Cost and profit analysis for selected wooden furniture produced by small-scale furniture enterprises in Ilorin**

Furniture		Average cost price	Average selling price	Average profit (₦)	Percentage of profit over cost price (%)
Set of chair	Naira (₦)	105,909.10	165,818.18	59,909.10	56.6
	USD	307.93	473.77	171.17	
Dinning set	Naira (₦)	76,206.52	111,056.49	34,850.00	45.7
	USD	217.73	317.30	99.57	
Bed stand	Naira (₦)	36,147.00	50,470.00	14,320.00	39.6
	USD	103.28	144.20	40.91	
Office chair	Naira (₦)	10,775.00	14,450.00	3,675.00	34.1
	USD	30.79	41.29	10.50	
Door	Naira (₦)	10,758.07	14,266.14	3,508.07	32.6
	USD	30.74	40.76	10.02	
Wardrobe	Naira (₦)	50,283.33	65,321.67	15,038.33	29.9
	USD	143.67	186.63	43.00	

**Note: USD 1 = ₦350**

### Factors that influence selling price by the small-scale furniture enterprises

As identified in other countries, a number of challenges impede competitiveness of the wooden furniture manufacturing industry (Ngui *et al.*, 2011). In the present study, cost of materials used in production of furniture is the major factor that the producers first considered before fixing the selling price (Figure 2). According to the producers, the selling price of furniture is fixed based on neither the prevailing state of economy nor cost of transportation. The cost of wood used and other accessories constitute bulk of the cost of production. One of the reasons why cost of wood could affect final selling prices of furniture is that the price of wood varies depending on the quality of wood used and this is directly linked with the species of indigenous tree from which the wood is obtained. Different trees produced wood of different qualities. Some of the trees

indicated by the furniture enterprises as having good wood quality and command good selling price for furniture include Masonia (*Masonia altissima*), Mahogany (*Khaya senegalensis*), Apa (*Alfezia africana*), White afara (*Terminalia superba*), Iya (*Daniellia oliveri*), Black afara (*Terminalia ivorensis*), Iroko (*Milicia excelsa*), Pine (*Pinus carribean*), Sapele (*Entandrophragma cylindricum*) and Teak (*Tectonia grandis*). In short, the quantity of wood used in producing particular furniture will influence the final selling prices of such furniture. This finding is also discovered by Arowosoge and Tee (2010) in their survey of southwest states of Nigeria.

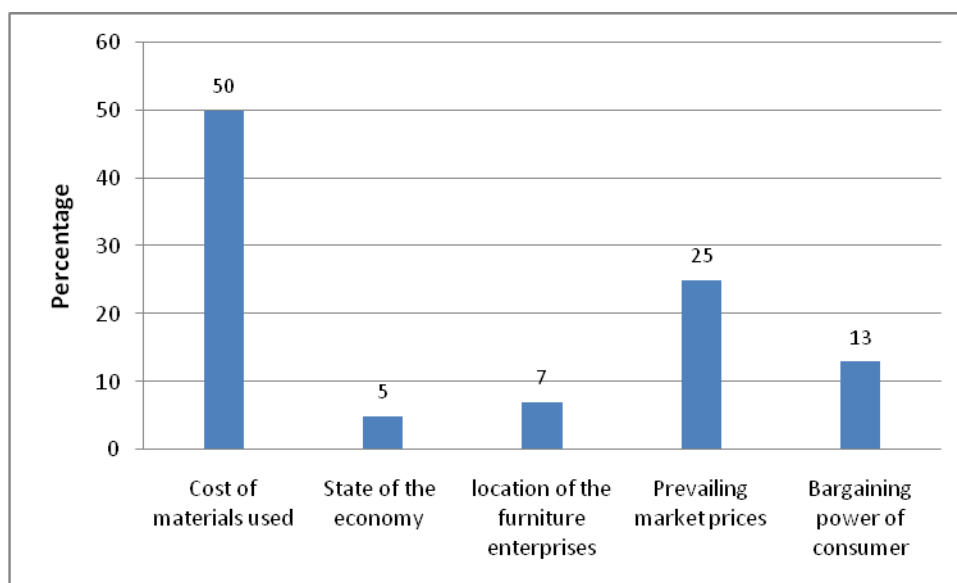


Fig. 2: Factors that influence selling price of furniture by small-scale producers at Ilorin

Other factors that sometimes affect final selling prices of furniture produced by the small-scale enterprises include competitive prices of imported furniture, preference of consumers on design and size of furniture, location of the furniture enterprises, bargaining power of the consumer, and prevailing market prices of furniture. The country is currently experiencing influx of fabricated imported furniture that resembles wooden furniture. The imported furniture is influencing customers' choices and preferences over the locally produced furniture. Although, some of the imported furniture are not as durable as the furniture made from hard indigenous or properly seasoned wood. However, people sometimes prefer to buy the imported products because they appear more beautiful with better finishing unlike the locally produced furniture. On influence of



location of the furniture enterprises on selling prices, those enterprises located in remote areas attract lower prices of furniture when compare with those established in city centre. Preference or choice of furniture base on size and design also has influence on the price that the producer will charge to produce such furniture. For instance, production of a bed or table of the design but different size will differ in the materials to be used, hence increase in cost of production and ultimately selling price. In the same line, simple furniture design may take less time (and sometime materials) to produce unlike complex furniture design, hence affect the production cost and final selling price.

Another important factor that influence final selling price of furniture produced by small-scale is bargaining power or negotiation between the producer and the consumer. As the practice in the study area, the consumer still has the right to negotiate and bargain the price to bring it down either before the production or after. In most cases, if the producer is to produce the furniture, negotiation or bargain ensued to reach the final selling price, and if the furniture has been produced and displayed for sale, the consumer also bargain on the selling price. All the furniture producers know this practice as they were taught during their apprenticeship, hence would have added some extra amount of money on the initial selling price to cover for the amount “cut-off” by consumer during the process of negotiation. Ultimately, in addition to the cost of materials used in producing the furniture, bargaining power between the producer and the consumer has a lot of influence on the final selling price.

## **CONCLUSION AND RECOMMENDATIONS**

The small-scale furniture enterprise in the study area is a profitable venture. The enterprise has been providing jobs for the operators as well as meets the furniture needs of households and business establishments. However, to further increase the potential of the enterprise, the operators need to improve the quality of furniture produced with good finishing and use of quality wood. This is very important to compete favourably with the imported furniture.

The small-scale furniture producers also need to improve their skills and experience through engaging in further training and exposure on the current technique of furniture production. They need to frequently visit other established medium and big furniture companies to learn



production techniques. Finally, there is need for financial institutions saddled with the responsibilities of providing funds to small-scale enterprises to provide adequate funding to small-scale furniture enterprises so as to further boost the sector as well as diversify the economy.

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