## *Design: a Global Door of Milan*

### *The emblematic case of the furniture industry*

*Mino Politi*

*The analysis has been divided in two parts. In the first one the actors that are operational in Milan, in the furniture sector, have been identified and – once that the attention on the furniture design has been circumscribed, as an emblematic case – we tried to offer an idea of the economic dimension of the phenomenon in relation to the Milanese, the Italian and world economy. In the second part we looked at the design segment of the furniture industry in its meaning of Door of Milan and we have recognized and measured actors and flows, giving prominence to the relationships with other doors, in order to offer elements for a "governance" strategy.*

*Milan the Design District*

Milan has a strong concentration of companies and institutions that have as a common denominator Design, as main business or as a competitive advantage in order to stay in the market. A cluster emerges populated by production companies, independent designers, shops, editors and communication agencies, fair companies and exhibition spaces, schools, universities and cultural institutions.

The majority of these businesses are concentrated into three specializations: fashion system, house and furniture and the graphic-advertising sector. If this last one has mainly a national projection, the other two are distinguished for their striking international vocation. The fashion and furniture production companies have a percentage of exported turnover of at least 50% and, even if the first one more that the second, following an increasing internationalization strategy of production and distribution (trade integration on international scale), supported by strong investments in communication, for the assertion of their "brand".

*Design in the furniture sector as an emblematic case*

Ultimately, if fashion inclined towards the internalization of most of the design activities, on the other hand furniture industry integrates internal design departments with innumerable external independent designers: about half of the almost 600 independent designers operative in Milan mainly work for the furniture industry and for the house industry in general.

For the economy of the research management the analysis of the furniture sector has been chosen. Even if for dimension of turnover, exports and medium dimension of the leader companies, it is the minor brother of the fashion sector, it has nevertheless the characteristic to function as an excellent Design's emblematic case as Door of Milan.

Before analysing the role played in Milan from the Door-Design, we recon it's useful to give some figures on the role of the Italian furniture industry in the world market. This gives the opportunity to value more precisely the importance of this Door for Milan, also in a national and global perspective.

*The Italian furniture industry on the world market and the Milan's role*

As a first observation we notice that the Italian furniture industry is second only to China and United States for production value (Italian production has the 10% of the world total, in 2005) and after China for exports (13%). Although these market share records are threatened by the strong growth of new competitors, Italy has shown a discrete holding capability of its exports, both in values and quantities. In particular, as we will better see later, clearer signs are emerging of a decisive market replacement from the economical and medium segments towards the top segments.

Leadership positions and market replacement process towards the top range of the market, on the other hand, are a consequence of what has been defined "the Italian anomaly", with reference to its competitive advantage in the world furniture market. Italy, already 15 years ago, when it had on its own 20% of exportation, represented an anomalous competitor: it was – and it still is - the only country with a high cost of labour and devoid of raw materials, with a strong external surplus (over 8 billion Euro).

The reason for this peculiarity has been explained by a production model based on industrial districts gifted with great flexibility and extreme attitude for product innovation (investment in industrial design), with the result of being able to supply a great variety of models and better design quality. This has revealed itself as a winning competitive advantage in a strongly fragmentised market like the furniture one, especially in the medium-top segments, and can now afford to keep an important market share in the higher segments, leaving the emerging countries the rest of the market.

In this position, of the Italian furniture industry on the world market, Milan unwinds a central role, for two reasons. Its territory still hosts nowadays the most important district in Italy, for numbers of companies and employees. Historically it is the most ancient one, the one from which – for culture, ideas, projects and innovation – the rest of the Italian furniture industry is based on, with over 70% of the turnover placed on the North-East axis of the country: Milan, Venice , Udine.

*A global Door of Milan: Design in the furniture sector*

We have been observing up to now that:

- Milan is a Design district,
- In this district the furniture sector is a fundamental column also with fashion
- Milan plays a key role in the Italian furniture industry
- Finally Design has emerged as a primary competitive advantage of this industry.

What we ask to ourselves now is:

- In what way, and in which dimensions the sector represents a Door capable of activating flows of goods, services, people from and towards the outside?
- What trend we should – or would - expect in the future?

These questions, refer to the main actors of the door: manufacturers, independent designers, retailers, exhibition companies and locations, professional training schools and universities.

*The Design manufacturers*

In Italy there are 36,000 manufacturing companies operating in the furniture industry. It is mainly small artisan companies specialising in phases, production component or single product that work for leader companies located in the main industrial districts. The companies that are directly operational on the market, with their own catalogue, are the ones that are showing at the Milan fair, a little more than 1500. If from these ones we exclude the artisan firms, we are left with about 500 industrial companies, also in the main part, medium small dimension. Finally, various sources show that the active Italian industrial companies in the Design segment are a little bit more than 140.

In the Milan territory more that 80 of those companies are settled. And since between them there are almost all the Italian leader, the polarisation around Milan in economic terms is a lot superior. The 80 Milanese companies are estimated to have the 80% of the total Italian Design furniture production.

The Milan polarising ability stands out also in the relation to the international market of the Design segment, as almost half the number of the active companies in Europe are located in Italy. The Europeans – Italian excluded - are spread out in various European regions (Germany, Scandinavian Countries, Belgium, Netherlands, Switzerland, Spain, France…), while, as we have noticed, the Italians are strongly concentrated in Milan.

The manufacturing companies are obviously the decisive motor of the in and out flows of the Milan Door of Design:

- goods, first of all; exports explain on average half of the turnover and various sources have shown that a direct relation exists between the exported turnover percentage and the investments in industrial design percentage on the turnover;
- people, stepping in and out, linked to the traditional commercial activity, meaning commercial personnel towards and from various world markets, for direct negotiation; nowadays also new flows bound to the development of mono-brand shops networks (trade integration), that require a continuous technical assistance, management advice and training; concerning this subject it has emerged that Italian companies have developed a network from 400 to over 1000 mono-brand shops in the world, depending on a restricted definition on the Design segment;
- people again – sector operators - from all over the world, the Milan furniture exposition holds for a long time the record for number of total visitors and, especially for number of foreigners. These last ones have exceeded 130,000 in the 2006 edition of the Furniture Fair, against less than one fifth of foreigner visitors to the other most visited exposition all over the world, after Milan;
- exiting communication services; referring to specialised press, is about modest dimension flows, but relatively dominant compared to the competition: from 20% of few years ago to the actual over 40%, the space purchased by Italian companies on a leader magazines sample of USA, United Kingdom, Germany and France;
- finally, entering designer services; various sources have pointed out that the 140 Italian companies are activating about 900 exterior independent designers, against the 850 of the others European companies, and that about one third of designers activated by Italian companies are foreigners.

*The designers*

Milan has also a strong polarization ability regarding independent designers. In Italy, there are 1000 designers, operating in all sectors, enrolled to ADI (Industrial Design Association). Almost 600 have offices located in Milan.

Referring specifically to the furniture industry, we have already seen that in Italy more than 600 designers specialising in furniture products are operative. Of them 280 are operational in Milan, 40 are foreigners, and almost all of them are known internationally.

Even though Milan has a strong polarization ability of independent designer, it also shows a greater ability of exportation of design services: only 10% of the over 600 Italian designers (including the Milan ones) works also for foreign companies, but in the specific case of the Milan designers the percentage rises up to the 30%. This means that having an office located in Milan creates the condition to export design services. On the other hand, a certain number of Italian designers of international reputation have open design offices in other foreign countries, including USA and the Far East.

*A world Design shop window*

The design furniture manufacturers represent the motor that activates and gives strength to the whole cluster activities. Among these, the ones that promote and communicates design on international scale, characterise Milan, the urban structure, its social life, in a way that they also acquire a strong identity, to the point of appearing almost an autonomous phenomenon compared to the industry from which they draw origin.

These promotional, communication and cultural activities, can be divided into two groups:

- The ones linked to the Furniture Fair week
- The permanent ones.

Even if the first ones have a major visibility, the second ones are not less important, especially if we relate them to the other “competing” metropolis all over the world

The Milan Furniture Fair is the most visited in the world by operators, set stop to view design innovation, independently from strictly commercial aspects. What makes it different is also the fact that it gives a unique opportunity to take part in collateral events. Both cultural events of institutional matter, or other ones spontaneously promoted by the market. We refer to, in particular, the exhibitions organised in alternative spaces and to events organised by the over 200 design shops in the town centre.

Finally, during the whole year, the activities that create continuous flows with the outside and reinforce the Milan role as a “World window on Design” are:

- the international projection of the multilingual editorial heading magazines (Interni, Abitare, Ottagono, Casabella, Domus, DDN…);
- cultural shows, conferences, events organised by the Triennale, the Industrial Design Association and other institutions;
- the less considered and known case, that does not find a comparison in the other major world towns, represented by the over 200 design shops, located in the city centre, with over 80 mono-brand showrooms belonging to design manufacturing companies.

It is important to underline that even the Furniture Fair Exhibitions, the cultural shows and the shops events see the growing tendency to be exported in others countries, by the initiative of who organises them in Italy. In particular, the Design Furniture Fair in New York and Moscow. The shops events in New York, Paris, Valencia and Stockholm. The “Museum of Italian Design”, by the Industrial Design Association, in many countries all over the World.

*Schools and Universities*

It is less easier to represent the Schools and Universities roles as Design Cluster actors, for lack of statistic and research sources, capable of showing in its real dimensions of the flows activated, internal to the Cluster itself (training, innovation, planning…) and with the rest of the world, as an "exporter" and "importer of training services " (students and teachers).

We shall limit underlining the good equipment of independent Schools and Universities that have emerged from the Milan Design map, where are performing teaching activities famous Italian and some foreign designers and where the percentage of foreign students, also coming from western countries, results strictly superior to the others Italian and Milanese athenaeum. Is this another reflective element of the importance recognised by the market to the Italian Design and to the flows generated by it with references to this Door of Milan.

*The Design Door and its competitive perspective*

The design excellence in the furniture industry is important for Milan on three different levels:

- For the direct impact on the local economy
- For its leadership in the world market
- Because it contributes to reinforce others Doors (Fair, University and Schools, Logistic).

This importance has already largely emerged analysing the multitude of actors involved, their relationships, the geographic width and the importance of the flows generated by them. The impact on the local economy has emerged also by observing turnover dimension and employment of the leader companies: if design of top segment represents a rather exiguous percentage of the furniture market, the strong concentration of these companies on the Milanese territory, makes it a vital sector.

Its importance for the local economy takes an even more important role if we consider that the investments in design from the most innovative companies, localised mainly in the Milanese territory, represent an external economy for the rest of the Italian furniture industry. This sector in its whole gets benefits even in terms of total qualification of its supply, for design contents and even in terms of the all *Made in Italy* furniture image.

The success of the design leader furniture companies carry out an analogue role on the others house industries. The quality of design contents, into the high and medium segments, has also brought in sectors close to the furniture one: hydro sanitary, household appliance, household goods and gift articles, pavements and covering, doors and windows, textiles for the house. Today, when we look at the Italian furniture Design, in reality we must consider everything that enters in to the family houses, in commercial buildings such as hotels, bar, restaurants and shops, in pleasure boat and big cruising ships and finally in offices, theatres and conference rooms.

Therefore when we think about Milan as an Italian centre of industrial design innovation, we have to take in to consideration something a lot more greater than the restricted segment of the design furniture market of top market segment.

In front of a Door of this magnitude, it becomes vital for Milan the competitive opportunity of this sector. The market evolution of the last 10 years, with the world commerce share losses, caused by the Lira entry into Euro and by the simultaneous development of new competitors with low cost of labor, are risking in fact to reshape the market geography.

It is obviously very risky to make medium and long term forecasts in a period characterized by huge structural market changes, like the present one. We can anyway note that:

- as already underlined in this synthesis, data about the all Italian furniture industry show a strong replacement of exports towards higher market segments (growing average prices of exports), and this has helped to maintain the level of exports in values, if not in quantities;
- this has been confirmed and strengthened by the trend of turnover and exports of a sample of Italian leader companies of the design top segment; during the most difficult years of Italian furniture industry, 2000-2005, they increased much more than the European competitors and the rest of Italian companies; this is also the result of the increasing investments in trade integration in the foreign markets, that took to open many mono brand shops in the foreign markets.