

LUXURY MANUFACTURING

A recipe to beat low-cost rivals

The Boffi chief, who expanded the Italian furniture maker from kitchens to bathrooms, tells Peter Marsh its strength is in the high-end market

Roberto Gavazzi looks admiringly at a large vertical tube that resembles pipework from a chemical plant but is in fact a shower. "It looks crazy, doesn't it?" he says of the product, which sells for about \$4,500 and is made by his company.

"What we've done is to transfer the industrial sensation to the bathroom, so that people have a real feeling of power when they are in the shower," he says.

Such sentiments might seem wacky to some. But a combination of new ideas in design and manufacturing strategies from other industries has paid off in the past few years for Boffi, the Italian maker of upmarket kitchen and bathroom fittings and furniture.

Annual sales for Boffi, of which Mr Gavazzi is chief executive and main owner, have increased 50 per cent since 2003 to €2m (£41m) last year. And the company is profitable, in spite of increased competition in the furniture business from low-cost regions including China and eastern Europe, and the impact of the high euro.

Mr Gavazzi's experiences point to possibilities for other small, entrepreneurial manufacturers in high-cost countries as they try to expand in a more competitive world where new technologies and markets also mean new opportunities.

"Italian manufacturers with a tradition in design and quality still have a good future," says Mr Gavazzi, 53. "It's possible to visualise a company with some of our characteristics being set up in China. But it's hard to imagine they would sell products based on high technical skills and a link to top-class customers."

Boffi was set up as a family-owned furniture maker in 1934 and Mr Gavazzi joined as chief executive 18 years ago. With a background in finance and business management, Mr Gavazzi had been invited by Paolo Boffi, then head of the company, to bring in new thinking from his previous jobs at large corporations, including Italian electronics supplier Olivetti and Saint Gobain, the French glassmaker.

"It was a fantastic chance," he says. "Paolo was very creative and product centred. He wanted someone with a broader business approach - and who might complement his own skills - to be his partner."

Mr Gavazzi spent the next

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few years learning about the business, and bought out some of the shareholdings of the Boffi family to take a controlling 64 per cent stake.

The first prong of his strategy has been to keep Boffi's focus at the top end of the sector. Home fittings and furniture is a section of a vast "luxury goods" business that encompasses high-end watches and power boats. It is expanding fast, thanks to the growing number of rich people, not just in the west but in emerging economies such as Russia as well.

A fitted kitchen using Boffi cabinets, shelving units, worktops and so on, plus the necessary appliances that Boffi buys from established electrical goods manufacturers, can cost the customer up to €200,000.

Mr Gavazzi enthuses over a Japanese-designed bathtub made by Boffi that sells for €9,000: "Look at the waterfall feature - it's fantastically soothing."

An even more upmarket Boffi bath made of stone is priced at €22,000.

"There is a large market for selling high-quality goods at high prices and we will restrict ourselves to this area," he says.

Boffi sells its products mainly through specialist, top-end stores around the world (in 15 cities including London, Madrid, Los Angeles and Paris), which it either owns or has a share in. Nearly two-thirds of Boffi's sales last year came from outside Italy, mainly from the rest of western Europe and the US.

Second, Mr Gavazzi has extended Boffi's links with big-name outside designers. Indeed, one of his main jobs is to liaise with about 20 designers round the world who work part-time for Boffi. They include Marcel Wanders, a Dutch design guru who came up with the idea for the "industrial shower", and Japan's Naoto Fukasawa, who devised the "waterfall" bathtub.

"I did not have any previous expertise in design," Mr Gavazzi says, but interacting with designers "is something I found I really enjoyed".

He meets the designers to discuss basic ideas. The job of translating their thoughts into products is left to a staff of eight at Boffi who act as the "mediators" between the

external designers and the company's manufacturing workforce.

A third focus has been the concentrating of manufacturing in areas where Mr Gavazzi feels the company has something innovative to offer. Other parts of the production are outsourced to businesses, mainly in Italy, that can do the same job more cheaply.

"We have skills in working in plastics moulding and lacquering of wood to make special finishes. So for components that require these skills we do these jobs in-house. In fields such as production of fairly basic woodwork we are happy to buy components from others," Mr Gavazzi says.

That strategy has kept Boffi's manufacturing workforce small, at about 100 (another 70 work in the retail side). Most of the manufacturing staff concentrate on the final assembly. Products that involve special design (such as an individually shaped bathroom cabi-

net or the use of some novel kind of wood) account for 40 per cent of sales.

Mr Gavazzi is also interested in extending Boffi's range of products to areas that fit with the company's

expertise in high-end consumer fittings and in which technical detail and quality are important. In 1995 he was the main instigator of the kitchen company's move into bathroom fittings - an

area in which it previously had little interest but that now accounts for a quarter of its sales.

Another new idea is to form joint ventures with other Italian design and

technology companies where doing so makes sense. One example is a link with Elica, an Italian maker of specialist cooker hoods for getting rid of kitchen smells. The two businesses collaborate in some areas of design, manufacturing and sales.

"One idea I am considering is to use our brand to link up with another company in the field of living-room furniture and fittings. This is a more difficult area [than bathrooms and kitchens] because it is a much bigger market and so more competitive. But there could be an opportunity for us in combining in a specific field with a furnishings or equipment company who shares some of our values."

Mr Gavazzi rules out any move into lower-cost parts of the furnishings and fittings market. "Our strength is at the high end. We would not be any good if we had to start making products at high volumes and worry unduly about how much things cost."



Quality brand: Roberto Gavazzi is interested in extending Boffi's range of products to areas that fit with its expertise in high-end consumer fittings

Italian success comes in clusters

Italy remains a strong force in the specialist engineering required in high-end furniture and fittings, according to Roberto Gavazzi, chief executive of Boffi, the Italian maker of kitchen and bathroom furniture.

Of the €20m a year Boffi spends on purchases of materials and components for its products (including electric appliances), about 85 per cent comes from Italy. Three-quarters of this comes from the mainly small companies that comprise a "cluster" of expertise in furniture and fittings in the Brianza area just north of Milan

where Boffi is based.

Such clusters of skills in discrete manufacturing fields have been a well-known feature of Italy for 40 years. Although many clusters have come under pressure from the high euro and competition from emerging economies, Mr Gavazzi says it is too soon to write off the Brianza furniture cluster.

"For us it is a little Silicon Valley," he says. "There are hundreds of companies in this region that are not only furniture makers in their own right but can act as suppliers to companies such as Boffi of specialist parts and

knowhow. While the cluster is probably not as strong as it was, we gain a lot from being surrounded by these businesses."

Other well-known furniture makers in the cluster are Cassina and Cappellini, part of Poltrona Frau, a larger Italian business, together with B&B, Tecno and Flou. The cluster also includes some machine tool makers that specialise in woodworking, including Brema and SCM. "The key to a lot of these companies is technical skills that to some degree they can use to offset the disadvantage of high wage costs," says Mr Gavazzi.