



Natuzzi



spreads the word for Italian quality

One way to make sure that people look closely at your company is to get it mentioned prominently in the Annual Reports of other major international retailers and businesses. Natuzzi is already recognised as the world's largest furniture maker, and its importance is underscored by being in the Annual Reports of both Sears and Richina Pacific Ltd. For Sears, the giant American retailer, Natuzzi's CEO and Chairman Pasquale Natuzzi was present to launch the Sears Natuzzi Gallery in Canada. Richina Pacific owns 95% of Shanghai Richina Leather (SRL), one of the world's fastest growing tannery organisations. SRL has been in the furniture business for just three years and already counts Natuzzi as a leading customer in its Annual Report.

The amazing business of Natuzzi was founded in 1959 by Pasquale Natuzzi (64) as a small workshop producing sofas and armchairs in what is known as Italy's "sofa triangle". This is an area of three small towns—Altamura, Santeramo and Matera. Initially Natuzzi worked only for the domestic market, but after some partially successful experiments selling in Germany in the 1970s he decided to focus on the United States. In the early eighties he made a deal with Macy's, one of the major department stores in the US. According to industry researcher Andrea Morrison, Natuzzi's initial research was based on price penetration through offering a leather sofa at \$699 against the then average US price of \$1,999. Natuzzi's growth then became explosive.

In 1980 he had 98 employees, 1990 saw 1,200, and today there are 5,140. The company has been quoted on the US stock exchange (NYSE: NTZ) for some years.

Natuzzi exports to over 123 countries, manufactures in Italy, China, Brazil, and Romania, owns more than 100 stores around the world, has an additional franchising network, and sells in the US via major departmental stores and furniture retailers. In Italy it has a chain of 137 Divani and Divani by Natuzzi stores and almost every month new stores are opened in places as far afield as New Zealand and Copenhagen.

For Natuzzi the high value of the euro has not been easy in the last two years and it has responded by "investing in marketing to increase brand awareness and reduce costs to increase efficiency". Twenty-five million euros is being spent to increase production capacity, mostly outside Western Europe. This is planned, according to Natuzzi, "to lower manufacturing costs and place Natuzzi closer to key raw material suppliers".

In addition to tanning in Italy, a plant in Brazil was announced in 2003, along with its relationships with approved tanners such as SRL. Natuzzi is also willing to work with synthetic materials such as its velvety washable microfibre, Dreamfibres.

Impressively, Natuzzi has 130 dedicated R&D personnel who have the task of producing 100 new models annually. There are nine grades of leather and over 170 colours. Supporting this Natuzzi has a complex intranet system connecting its worldwide agents. The design process has been speeded up by using virtual prototyping on computer, allowing changes to be made in real time. This allows Mr Natuzzi to personally remain in touch with the design process. Once the prototype is made it is 'deconstructed' and analysed for efficient manufacture using the intranet to transfer and share full data directly with machine operators and to external subcontractors.

Where skills are scarce or training costs are high jobs have been automated. For example, leather cutting by hand has in large part been replaced by water-jet cutting.

In 2004 despite rising oil prices and reduced family saving beginning to hit US retail spending as well as the euro remaining strong Natuzzi has just announced an increase in profits of 6.7% on flat income.

Thus, while much of Italian—if not European—industry ponders on its future Natuzzi's multidivisional, international approach demonstrates the power to keep evolving and adapting for growth in a changing world. ●

Pasquale Natuzzi photographed in 1994 when the company's net sales were \$413 million and above inset in 2004 by which time net sales had grown to \$870.9 million.

