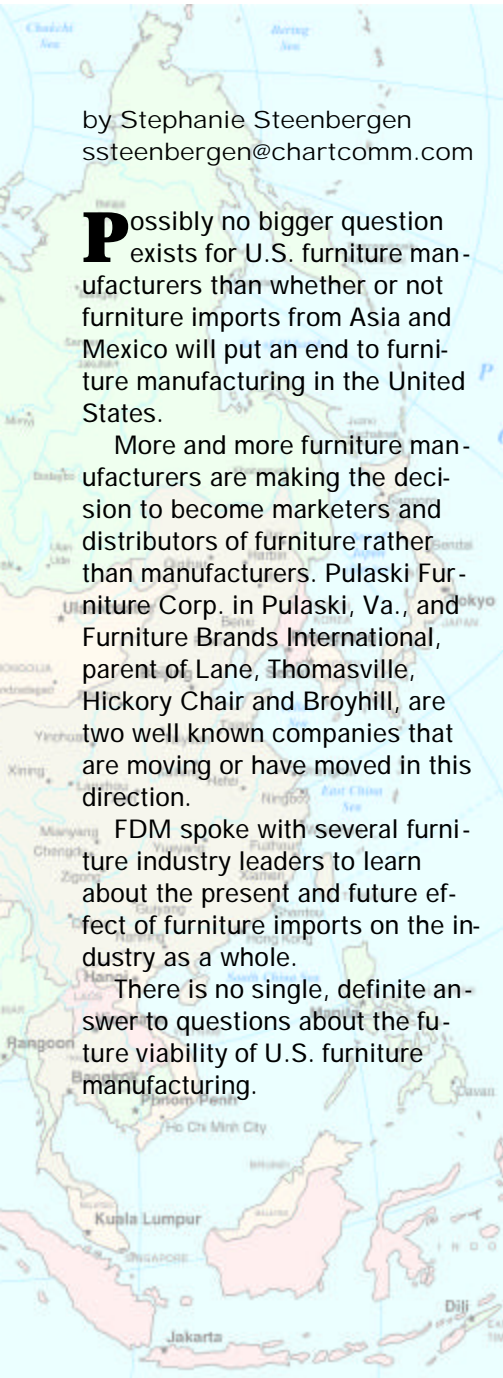


# Imports encroach

Industry leaders outline present and future effects of



by Stephanie Steenberg  
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**P**ossibly no bigger question exists for U.S. furniture manufacturers than whether or not furniture imports from Asia and Mexico will put an end to furniture manufacturing in the United States.

More and more furniture manufacturers are making the decision to become marketers and distributors of furniture rather than manufacturers. Pulaski Furniture Corp. in Pulaski, Va., and Furniture Brands International, parent of Lane, Thomasville, Hickory Chair and Broyhill, are two well known companies that are moving or have moved in this direction.

FDM spoke with several furniture industry leaders to learn about the present and future effect of furniture imports on the industry as a whole.

There is no single, definite answer to questions about the future viability of U.S. furniture manufacturing.

## Competing directly with imports

**A**s executive vice president of Vaughan-Bassett Furniture Co., Wyatt Bassett has watched Asian imports become an increasing part of the manufacturing pie. He works with Asian companies to bring furniture imports into the country, and he also spends much of his day working on ways to compete with Asian imports in other segments of his family's business.

Vaughan-Bassett predominantly makes bedroom furniture in the low to middle price range. Bedroom furniture manufacturing has gone offshore within the last five years, says Bassett. That was when his company first began to feel the effects of imports.

According to Bassett, quality was one area where U.S. manufacturers had a leg up over Asian manufacturers. The furniture being produced in Asia was mediocre, and some furniture always incurred damage on the boat trip to the United States. That has changed.

"Their quality has gotten good

enough that the Chinese are selling furniture that competes with a lot of the higher-end U.S. manufacturers," says Bassett. "At the same time they've become more efficient, so they're able to compete with some lower-end guys. I'd say the manufacturers who felt it the hardest were the guys who were priced right in the middle of the wood bedroom range. The Chinese are getting more efficient, and they're also getting more competitive."

### How to compete?

Bassett says those who do business in China use an agent. "You need to have someone there who has people who speak Chinese, and have people in the plants 365 days per year watching quality and keeping up with what's going on. We buy through agents," he says.

Some of the agents are setting up their own shops. They're hiring salespeople and investing in their own warehouses. What the agents and factories in China lack is something Vaughan-Bassett has to its advantage.

"We have over 5,000 accounts," says Bassett. "It takes a long time to get over 5,000 accounts. Also, the Chinese can ship furniture direct to an account that can buy a container load at a time. Most of the accounts in the country can't buy that much furniture."

Most accounts buy a suite or two of furniture at a time. Bassett says they depend on somebody who sells to



Wyatt Bassett has found ways to compete with Asian imports with his VBX, Vaughan-Bassett Express, program that ensures speedy delivery of products to the customer.

# on furniture market

Asian imports on the furniture manufacturing industry.



Vaughan-Bassett works with Asian companies to bring furniture imports into the country, but also works on ways to compete with Asian imports in other segments of the family business.

those 5,000 accounts, has a warehouse to store furniture and trucks going in and out every day that can ship one suite at a time.

## Speedy delivery

Another area where Vaughan-Bassett competes is its two-year-old Vaughan-Bassett Express or VBX program. Typically, from the time an order is placed to China, it takes 9 to 11 weeks for the goods to be produced, and they are on the water another five or six weeks by the time they clear customs.

"We have roughly 33 to 40 percent of our line in stock all the time. We work with our truckers so we guarantee two-week delivery anywhere in the eastern two-thirds of the United States and three-week delivery anywhere in the western third," says Bassett

Bassett plans to reduce the delivery time even further in the coming months.

## Supply problems impact both sides

**D**efinite supply side problems exist in the Pacific Rim, but Art Raymond says the industry faces equally daunting demand side problems in the United States.

Raymond has been involved in the furniture industry for 32 years and serves as a consultant to the wood and forest products industry as president of A.G. Raymond and Co. Inc.

Although imports from Asia are an issue, he says the bigger problems for manufacturers are occurring in the United States. It's often easier for a furniture executive to get on an airplane and fly to China to buy furniture than it is to fix his company's own problems.

The first major issue for furniture manufacturers to consider is that they may be marketing themselves into a hole, says Raymond. "A lot of the problems we've got as an industry are directly related to the proliferation of products most companies have."

It's not uncommon for a typical U.S. factory to be making 350 to 400 stocked items.

## It's not rocket science

"We have a statement around here that furniture manufacturing is not rocket science. It's more complicated than rocket science," says Raymond.

"A lot of that is because of the lack of standardization, the lack of modularity and the lack of common compo-

nent parts that we have in our product lines. Every product tends to be a new invention that requires almost 100 percent product engineering."

Raymond also feels the industry has woefully under-invested in capital equipment in terms of furniture manufacturing facilities and machinery.

## The chicken or the egg

"Most furniture executives will tell you, the biggest problem is that there's not enough profit in the business to be able to invest in it. Well, it's kind of a chicken or an egg thing," says Raymond. "If you go for 10 years without investing in your business, you can't expect it to run efficiently."

Boiled down, Raymond's advice to manufacturers is to have a smart marketing mind; limit your product line; do the things your facility is capable of doing; don't force your factories to give up what efficiencies they may have; rely on more modularity and standard-

*continued*

With respect to consumers, Art Raymond encourages manufacturers to find a demographic niche and go after it full force.



ization of parts; offer fewer SKUs; invest in information technology for better forecasting; and consider more outsourcing of product parts.

The second major issue manufacturers should focus on, says Raymond, is the real point of attack for the industry — the salesperson in a furniture store who helps consumers make decisions.

“All we do as an industry is totally complicate them and confuse them with different products,” Raymond says.

Raymond recently helped a company that was reexamining its youth furniture line. He visited a retail store where the product was offered and learned that the company offered five different drawer constructions. So

every time a consumer or salesperson would look inside the drawer, they’d find something different, even though it was the same company’s product.

“Many people will tell you that looking in a drawer is about the second thing someone on the retail shop floor will do after they think, ‘Well, I like the look of that product,’” says Raymond. “Well, if the salespeople can’t explain why one drawer is different from another, they’re probably not going to sell your product.”

The key, says Raymond, is not to confuse salespeople or consumers. He cites Ethan Allen as an example of a furniture retailer that offers a product that is not confusing. He says Ethan Allen salespeople are also better trained than most.

### Find the niche

“Nothing starts in any business until the end user takes the money out of her pocket and spends it,” says Raymond. “That point of attack is where we’re losing a big battle. We’re making things too complicated and not pleasant enough for people to understand.”

Raymond encourages manufacturers to find a demographic niche and go after it full force. “We need to look at the fact that this is a country of 280 million people, all of whom need furniture, each of whom is an individual with different tastes, financial resources, marital status, age brackets and different needs for furniture in their homes.

“If I was a furniture executive I’d be wanting to ask, ‘Who are the customers I really want to sell to, the ones where I can make money? What are their priorities that will make them a little bit different from everybody else’s out there? And how can I go about satisfying those priorities?’”

On the retail side, Raymond cites Ikea, a company that has gone after the 21- to 28-year-old individual who is furnishing his or her first apartment and can’t afford to spend a lot. He also cites Crate and Barrel, a company that has targeted urban sophisticates with above-average incomes. He says manufacturers can similarly pick and go after a target consumer.

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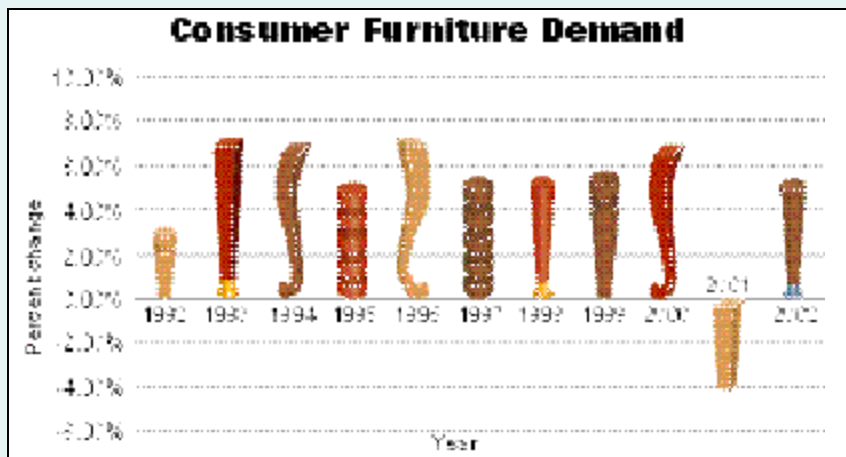
## A turnaround is expected by AFMA

In the aftermath of September 11th and the current recession, the American Furniture Manufacturing Association has revisited its forecast for furniture manufacturing. Using the information provided by the Research Seminar in quantitative economics at the University of Michigan, the AFMA is predicting a short, mild recession with a recovery occurring early next year.

After weathering an industry recession for nearly a year, it is expected that tax cuts and other fiscal stimuli will punch up real disposable income by 3.8 percent for all of 2001 and 3.4 percent in 2002. With consumer prices only expected to rise by 1.9 percent for 2001 and 1.3 percent in 2002, the belief is that a strong turnaround will occur in mid-2002, boosting furniture consumption by 3.0 percent for 2002.

The figures for 2001 are expected to show declines in all areas of the furniture industry for four consecutive

quarters, though projections for 2002 are all positive. Consumer demand is expected to grow by 3 percent, manufacturers’ shipments by 7.2 percent, wood furniture shipments by 7.3 percent and the upholstered segment by 6.6 percent. Expectations are high for the industry to be back on track in 2002 despite this year’s decline.



Source: AFMA

Illustrations by JAM Graphics

# If you can't beat them, join them

**A**s director of ChosnFriends, Roy Briggs views Asian imports in a wholly positive light. His company offers import administration and consulting services to Asian com-

panies looking to sell their goods in the United States. ChosnFriends also oversees all shipment of containers, from factory to container yard to US shipment, up to the retailer's receiving dock.

After working in the furniture industry for 65 years, Briggs offers an historical perspective unlike most.

With the exception of custom upholstery, he says, 80 to 90 percent of all furniture manufacturing is going to go overseas in five years.

### That sucking sound

"Remember what Ross Perot said

Roy Briggs says companies like Sleigh will never go away because there is a hand-craft story behind its product.



## Will the industry survive?

**S**teve Lambert looks at the industry from the perspective of whether or not he's going to have U.S. customers to sell machines to in the coming decades. He is president of Norment and Lambert Inc., a company specializing in woodworking machinery sales.

"I've noticed that at the top end everybody is optimistic; at the bottom everybody's depressed," says Lambert. "And there's a point in the in-between range where some people are doing great and some people are suffering. So depending on who you talk to, you'll get a different feel for it."

Lambert says he's still selling equipment, but he experienced a small but noticeable slowdown roughly two years ago.

### Evidence of good health

Lambert says that in spite of all the gloom and doom consumers hear on the news, he has plenty of evidence that many furniture manufacturers are experiencing good health. "As I dig in and talk to customers I find out that during the slow time a lot of them moan and bemoan the fact that things are so slow. Then I find out they're running a second shift or a partial second shift."

### Ouch, that hurts

But given the size of the world economy, the bite that Asian imports is taking out of the U.S. furniture industry shouldn't be so painful, says Lambert. "I hear customers say that about 20-30 percent of the stuff that's being sold is imported now. There ought to be enough room in the world economy for that to happen, so why all the gloom and doom and terror if those are even close to being real numbers?"

Many manufacturers are realizing they *can* compete against Asian imports, says Lambert. They're upgrading machinery and changing manufacturing techniques for the better in order to compete. The major advantage U.S. manufacturers have over Asian manufacturers is the quality of their products and their dedication to making quality products.

When asked to paint a picture of the future, Lambert says, "I have no idea in 10 years. If you had asked me in 1990 to predict where we would be in 2000, I couldn't have predicted. My optimistic hope for the future is that there's more money in fundamentals, there's more money in the marketplace right now than there ever has been. There are a lot of people that still want to produce furniture in the United States."



With the exception of custom upholstery, says Roy Briggs, 80 to 90 percent of all furniture manufacturing is going to go overseas in five years.

when he started out on the NAFTA kick — he said that loud sucking sound you hear is the American jobs being pulled out of the country — and it did,” says Briggs. “But there’s nothing you or I can do to change it. It’s going to happen. Everybody seems to acknowledge that.”

Briggs says that most major furniture manufacturers will become large distributors. He expects this to occur

For more information on these viewpoints visit [fdmonline.com](http://fdmonline.com) or contact the individual directly.

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because he doesn’t see a way for U.S. manufacturers to compete in terms of worker wages. “There’s just such an enormous price difference,” he says. “There’s no way you can overcome the difference between \$6.50 per day in China and \$125 paid per day in the United States.”

Briggs says there is one segment of

the U.S. furniture market that will likely never go away. The upper echelons of the market, such as Baker Furniture, Stickley, Sleight and Henkle-Harris will remain. “Those who have a hand-craft story behind their product will survive, but those are the only ones who will.”


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### Losing workers

**F**rom August 2000 to August 2001, U.S. furniture manufacturers lost 40,000 workers, according to Richard Bennington, a professor of business and the director of the university's home furnishings programs at High Point University.

"Furniture is a commodity and the consumer really doesn't care whether

it's made here or made some place that's cheaper," says Bennington. "The only way, in the short term, that a manufacturer can compete probably is to import."

He thinks that if manufacturers had lots of money they could modernize plants to cut some of the costs and keep production in the U.S. "There are companies that have done that, but most of them just don't have the proper margin and the plants are old, the machinery is old."

#### The human side

Bennington laments the socioeconomic impact of Asian imports on the small towns in Virginia and North Carolina that depend on furniture manufacturing for their livelihood. It's often the case that one furniture manufacturer will employ the majority of the citizens in a small town. If the manufacturer folds its operations, the individuals are left with a struggle for income.

Bennington has also visited manu-

facturing facilities in China. He has seen the positive impact that manufacturing jobs have had on local economies there.

What's interesting, says Bennington, is that U.S. manufacturers and Asian importers are faced with opposite conundrums. For example, when U.S. manufacturers look at the total cost of producing a dining room set, roughly 20 percent of the cost is labor and roughly 5 percent of the cost is transportation of the finished product. For Asian imports the percentages are reversed. If U.S. manufacturers can find a way to shrink costs such as transportation, they might gain some advantage.

"What manufacturers have to do is try to figure out what they can do," says Bennington. "This might be custom things — small production runs, which is doing things for the customer quickly. But you have to figure out how much more the customer is willing to pay for that."



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## Concentrate on strengths

"I think a lot of manufacturers are saying, 'Okay, I can make this and I can make this properly and I can add these imports to fill out my line, so by making this here and bringing in this, then I can offer a complete package at a comparable price.'"

Bennington says manufacturers should build on their current strengths. "Manufacturers should look and see what their strengths are — see how they can do it the most — and look at what they can do to compete," he says.

Whether or not furniture manufacturing will remain in the United States is an unknown to Bennington. "Marketing will always be here. I don't know about the manufacturing," he says. "There are too many people in the world that are willing to work for less money and too many people who are putting in good plants."

## Don't panic

As current vice president, secretary and treasurer of the American Furniture Manufacturers Association, Andy Counts spends his days working to promote the growth of the home furnishings industry and improving the effectiveness and efficiencies of U.S. furniture manufacturers.

"Manufacturers realize that there are tough business decisions to be made out there," says Counts. "They realize that there is some value to be found in the import sector, but they also realize that they can do a lot of things domestically to take advantage of the infrastructure that's already in place here."

Counts says manufacturers need to find some efficiencies to reduce cost in technology and turnaround. "If you have a piece of furniture in a warehouse in China, it's going to be eight

*'Focus on domestic manufacturing to get efficiency and utilization.'*

weeks, if you order it today, before it makes it over here to the United States. So the important thing is to focus on certain segments here in the United States — focus on turnaround, plus satisfaction and quality," he says.

When asked for suggestions about how furniture manufacturers can compete or deal with imports, Counts says, "I think the important thing is not to

*continued*



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# FDM

## imports

panic.”

Counts encourages manufacturers to be patient, take a close look at their domestic operations and say to themselves, “Okay, we’ve been doing this for many years, how can we do it a little differently, a little better.”

Counts encourages manufacturers to take a close look at their bottom



Andy Counts encourages manufacturers not to behave as a deer in the headlights in the face of imports, but rather to improve what they’re currently doing and ask

themselves if some things ought to be done differently.

line. “Take a close look at what the influence is on what you’re doing as far as cost effect value from an import standpoint,” he says. “You’ll find that certain price points, certain styles, imports may be the way to go.”

### Deer in the headlights

There will always be a place for furniture manufacturers in the United States, says Counts. “Those companies that stand still, like a deer in the headlights, and panic over this import situation, they’re not going to be anywhere.”

Manufacturers should focus on how they can improve what they’re currently doing and ask themselves if some things ought to be done differently. “Take a look at the import situation, use it to your advantage where you can, but focus on your domestic manufacturing to get efficiency and utilization,” says Counts.

Although Asian imports have been steadily increasing in recent years, Counts sees a point where they may level off. “There could be a longshoreman’s strike or there could be another type of incident with a U.S. naval plane or something, where it could hurt the U.S. relationship with China.”

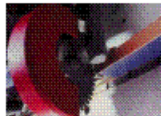
If manufacturers put too many eggs in one basket, they could get burned very easily, says Counts. “I think a lot of manufacturers realize that you can’t just rely totally on the import situation for survival, so that’s where I think you’ll see it leveling off — especially with the current situation with the terrorists and so forth — manufacturers want to make sure they have a backup. Make sure they have domestic plants where they can produce furniture.” ▲



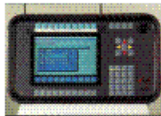
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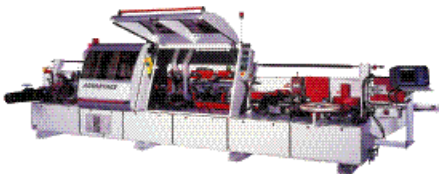
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