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Domestic manufacturers can still compete, analysts say

By [DUNCAN ADAMS](#)

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Though battered and bruised in recent years, domestic manufacturers of furniture can launch a strategic comeback, according to furniture industry analysts.

"U.S. furniture manufacturers have lost game one in our competition with foreign producers," said Art Raymond of A.G. Raymond & Co. "Some manufacturers have already left the playing field, believing that the game is over."

The game isn't over, Raymond said, but a rally will require creativity, consumer research, savvy marketing and capital investment to upgrade production.

And price isn't everything, he said, citing Starbucks Chairman Howard Schultz's ability to persuade consumers to pay \$3 and more for a cup of coffee.

"You can learn from others who have built businesses that satisfy their customers on some attribute other than price," Raymond told domestic manufacturers during a recent forum about the industry's future.

"Are you going to be the next Howard Schultz or just a frequent flier to the Far East?" asked Raymond.

He estimates more than 100,000 jobs have been lost in domestic furniture manufacturing since December 1999. And those numbers don't include workers at companies that are suppliers to U.S. furniture factories, Raymond said.

Domestic producers can't compete with imports on price, he said. But American consumers shopping for furniture can be swayed by customer service, availability, quality, delivery and other influences independent of price, Raymond said.

Jerry Epperson, a furniture industry analyst with Mann, Armistead & Epperson, said plant closures and cost-cutting measures might allow surviving domestic furniture producers to operate efficiently enough to endure until the economy recovers and industry conditions improve.

With just incremental increases in demand and sales volume, "the U.S. furniture industry will be healthy," Epperson said.

And furniture imports alone cannot be blamed for the woes of domestic manufacturers, Epperson said. Recession has hit the industry hard, he said. And government regulation of manufacturers, especially those building furniture in aging plants, has required producers to allocate capital to comply with environmental and occupational health and safety laws, he said.

For decades, "most of the spending done in wood plants was to meet government regulations," Epperson said.

"Some of the things that have put us in a noncompetitive position were done by us," he said.