

A. G. RAYMOND & COMPANY
Incorporated

Management and Technical
Solutions for the Woodworking Industry

Lessons Learned:
*The U.S. Furniture & Cabinet
Universe*



KCMA Management Conference

**Greensboro, NC
28 October 2006**

Heeding The Lessons of The Past

“Those who cannot remember the past are condemned to repeat it.”

- George Santayana

Today's Objective

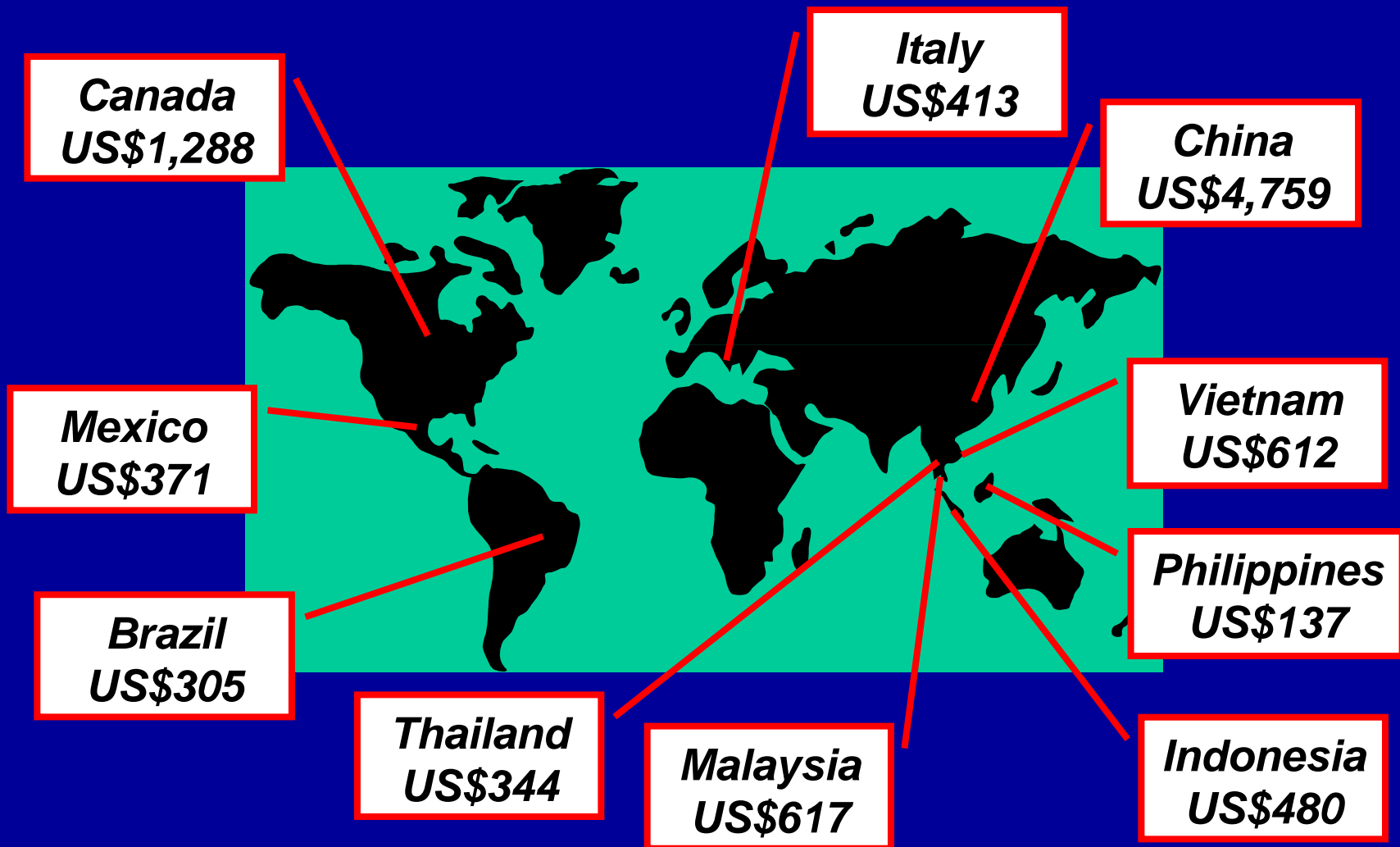
- Decline of the U.S. wood furniture industry
- The state of the U.S. cabinet industry
- Lessons learned from this history

Furniture History Since 2002

The key industry issues in 2002 were:

- Retail Chaos
- Imports

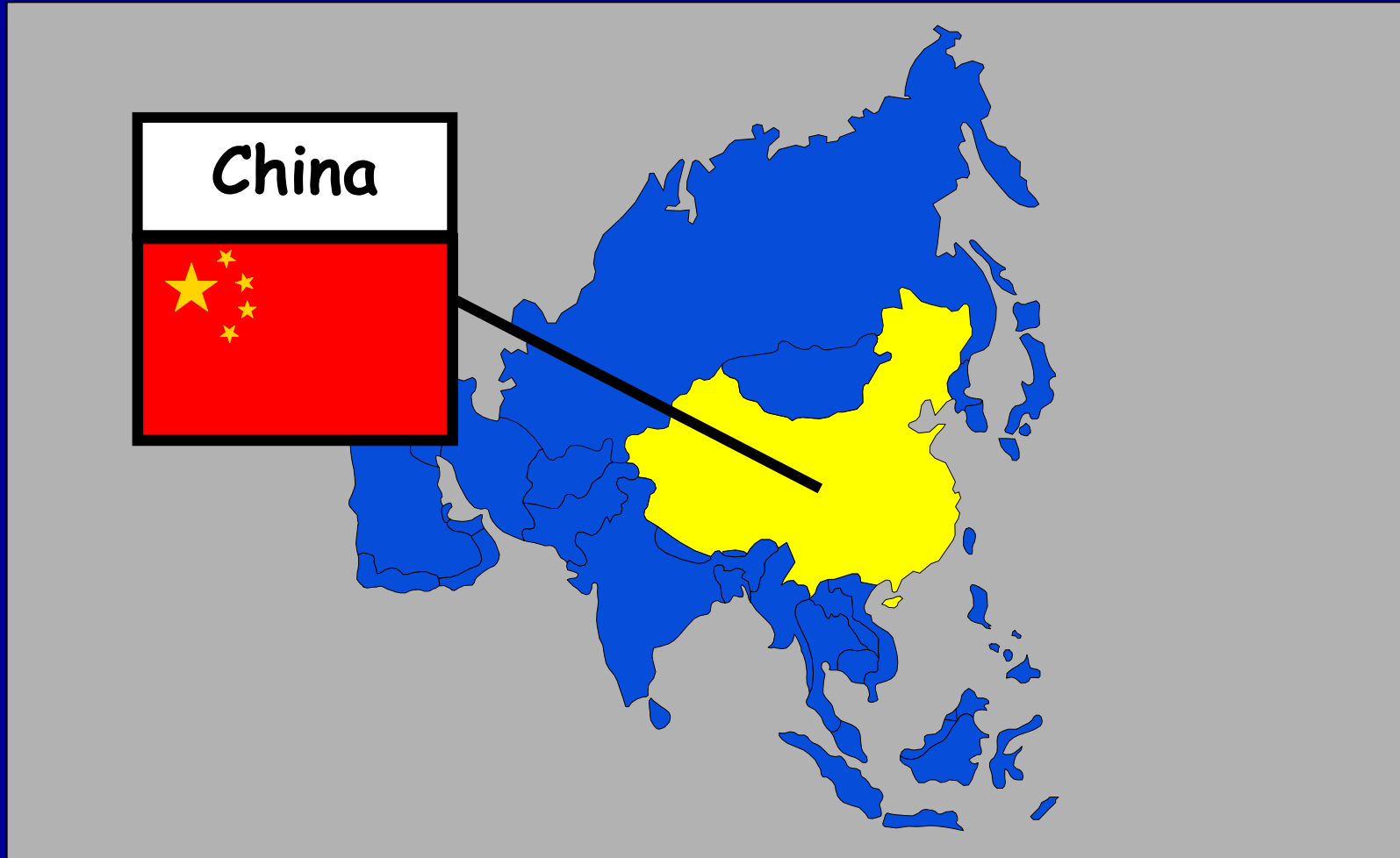
Wood Furniture Source Countries



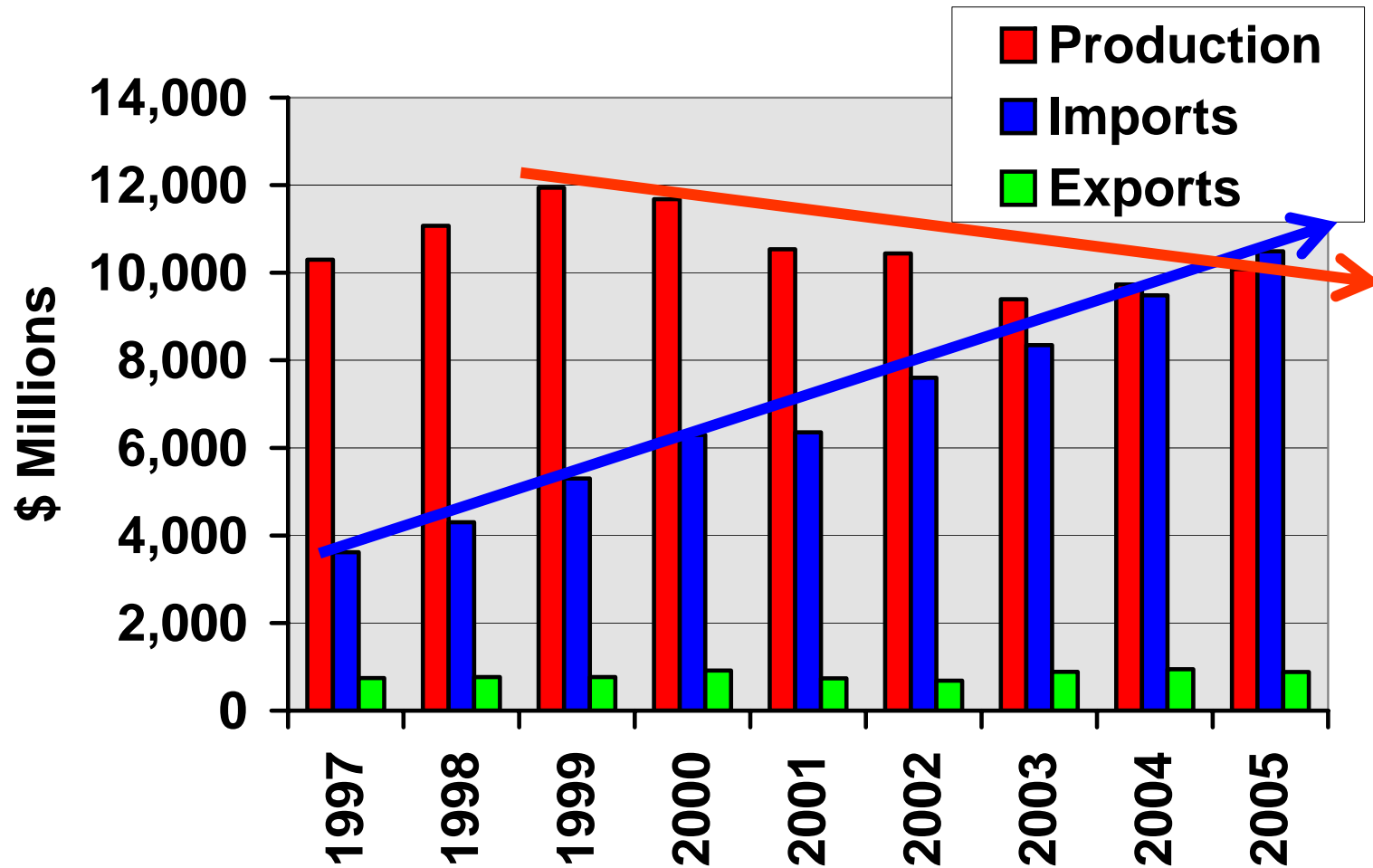
Source: U.S. ITA

US\$ values in millions for 2005

New Center of the Furniture Universe



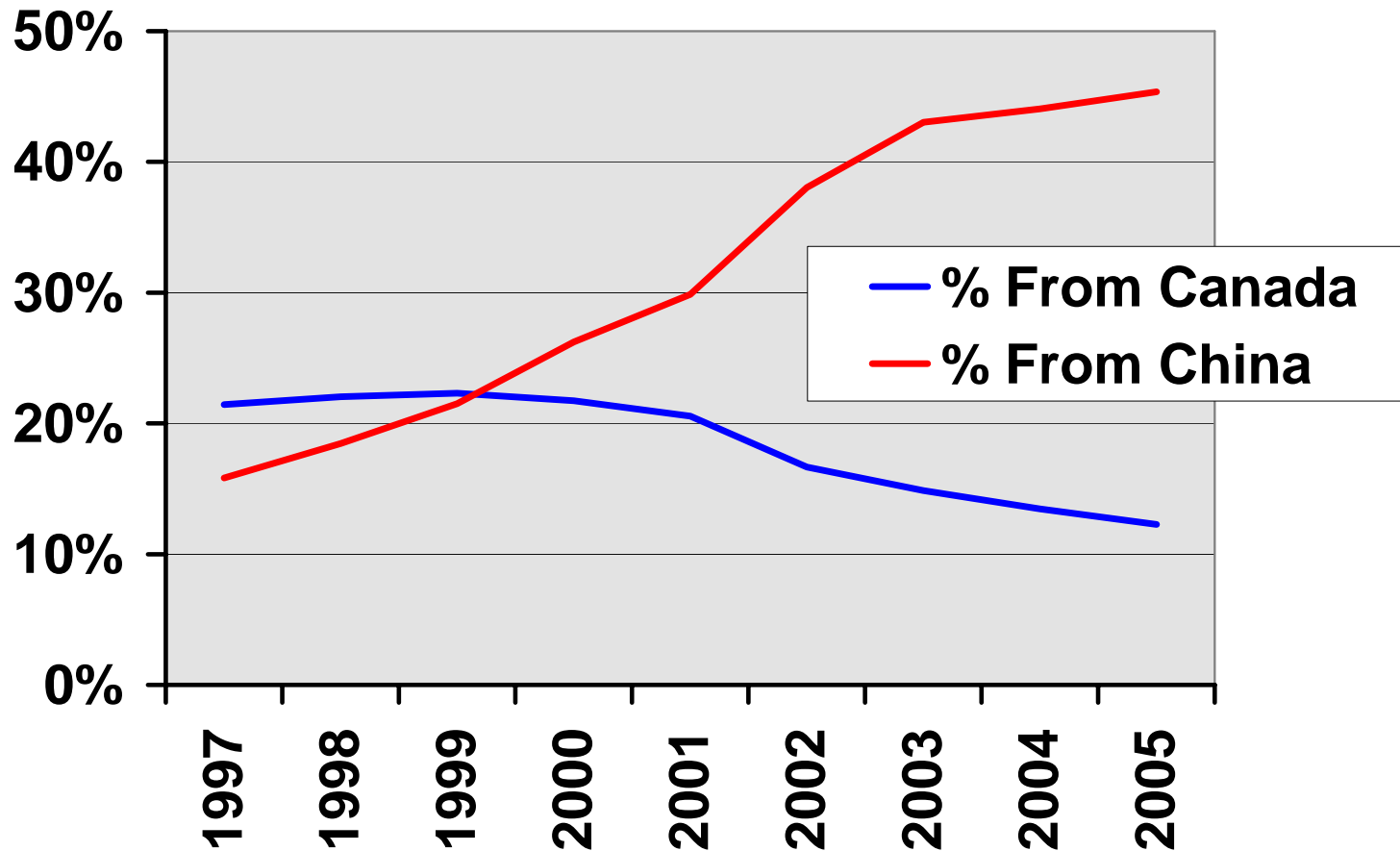
U.S. Wood Home Furniture



Source: US Census Bureau, US ITC

Canada vs. China

% of Wood Home Furniture Imports



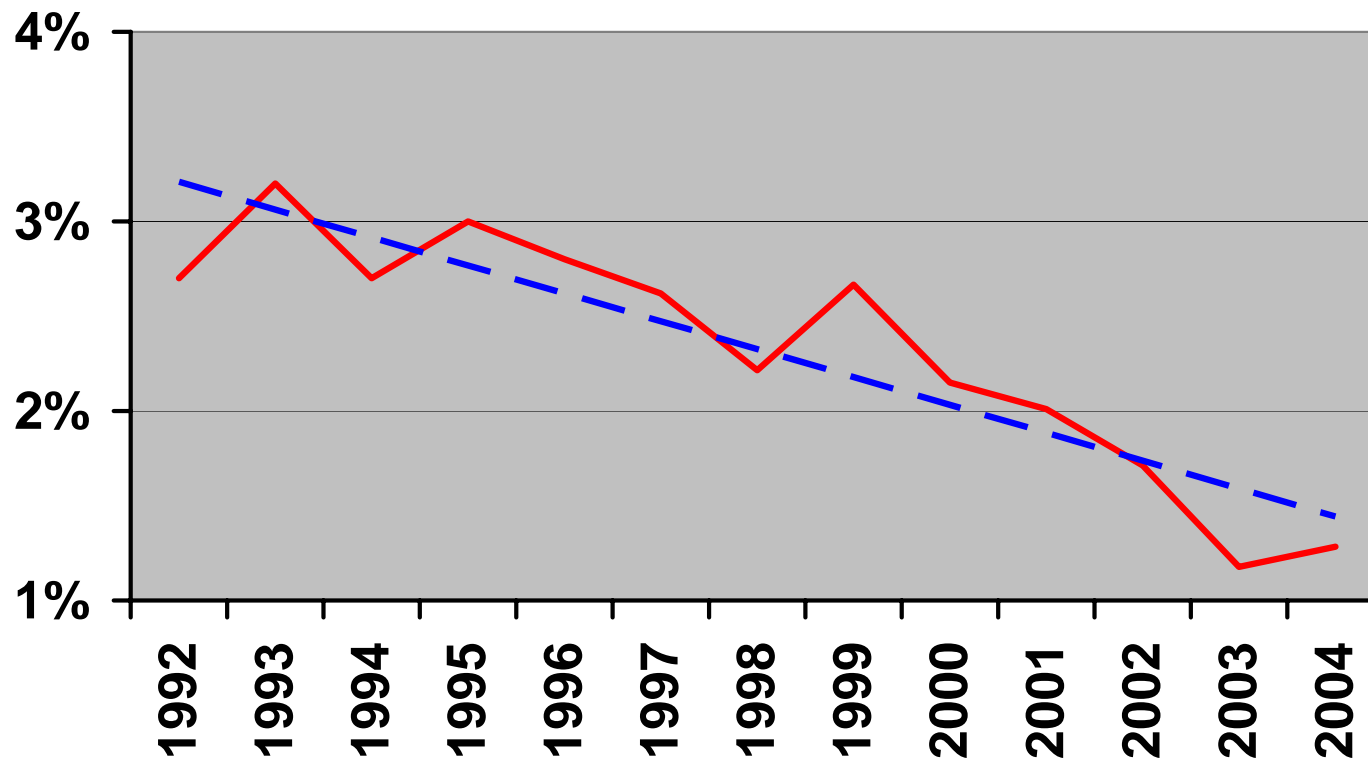
Source: USITC

Wood Furniture No-Profit Zone

- Too Many Low Volume Products
- Too Much Labor
- Price Deflation
- Inadequate Profits
- Low Capital Investment
- Minimal Engineering

Wood Furniture CapEx

Household Wood Furniture Capital Investment % of Annual Revenues



Source: US Census Bureau

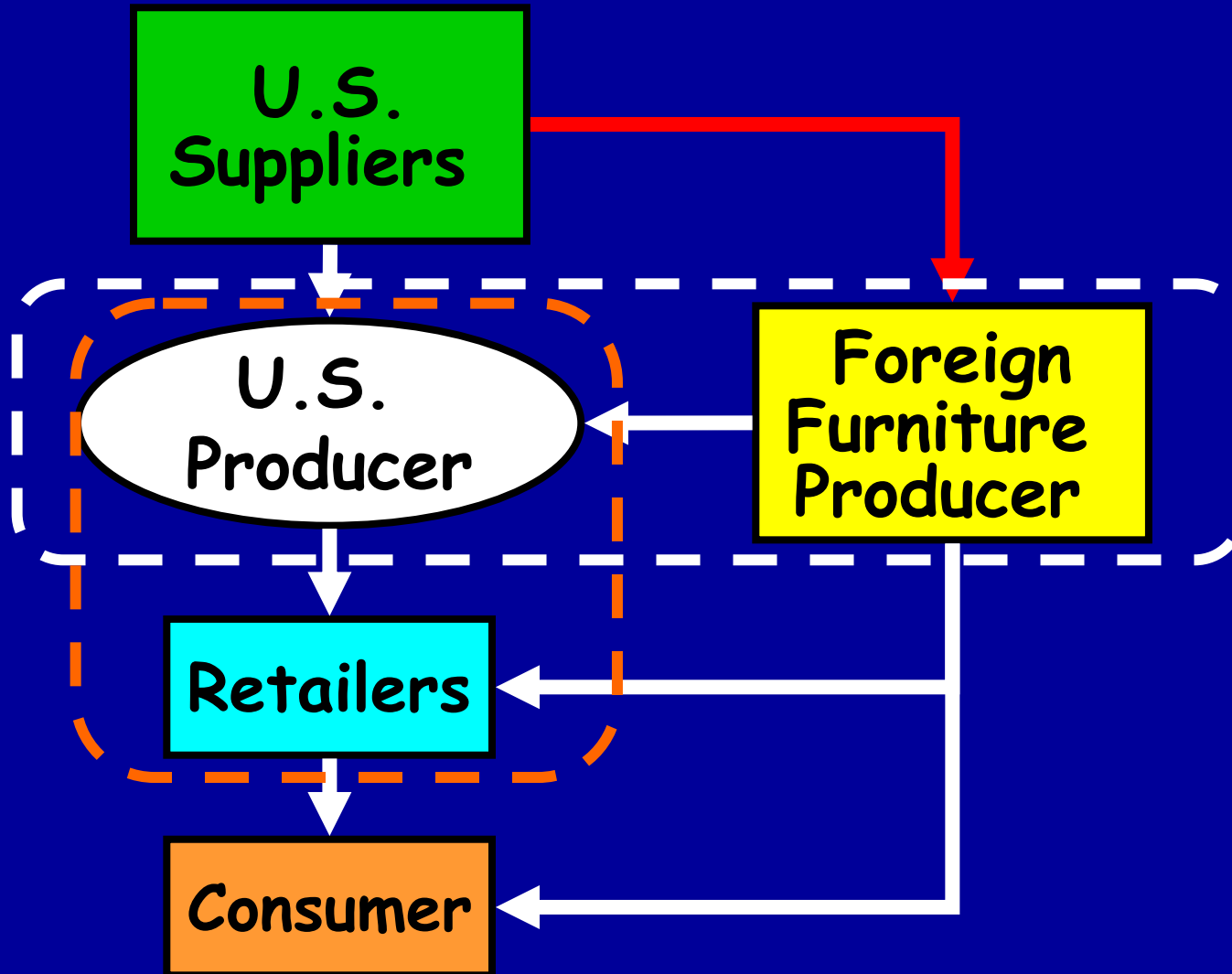
Plant Closures

168 plants closed since January 2002...



38,000 jobs lost

Trends In The Value Chain



Against The Tide

2007 **IKEA**®
ALL CATALOG PRICES ARE VALID UNTIL JUNE 30, 2007

LACK coffee table
\$39⁹⁹ /ea

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KITCHEN LIVING
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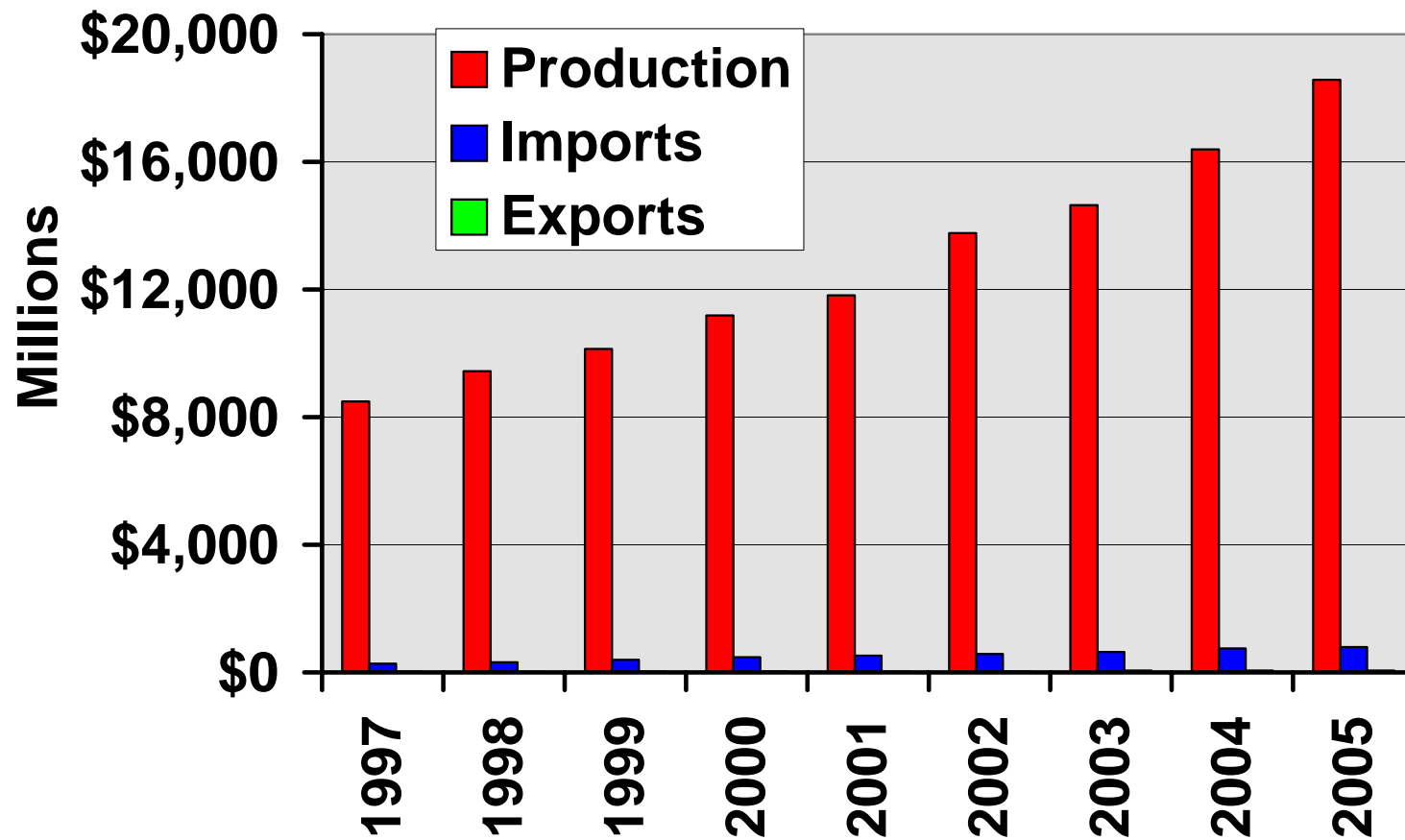
AKURUM/TIDAHOLM kitchen
\$1975
What's in the price? See page 54.

KITCHEN LIVING 19

What About The Cabinet Industry?



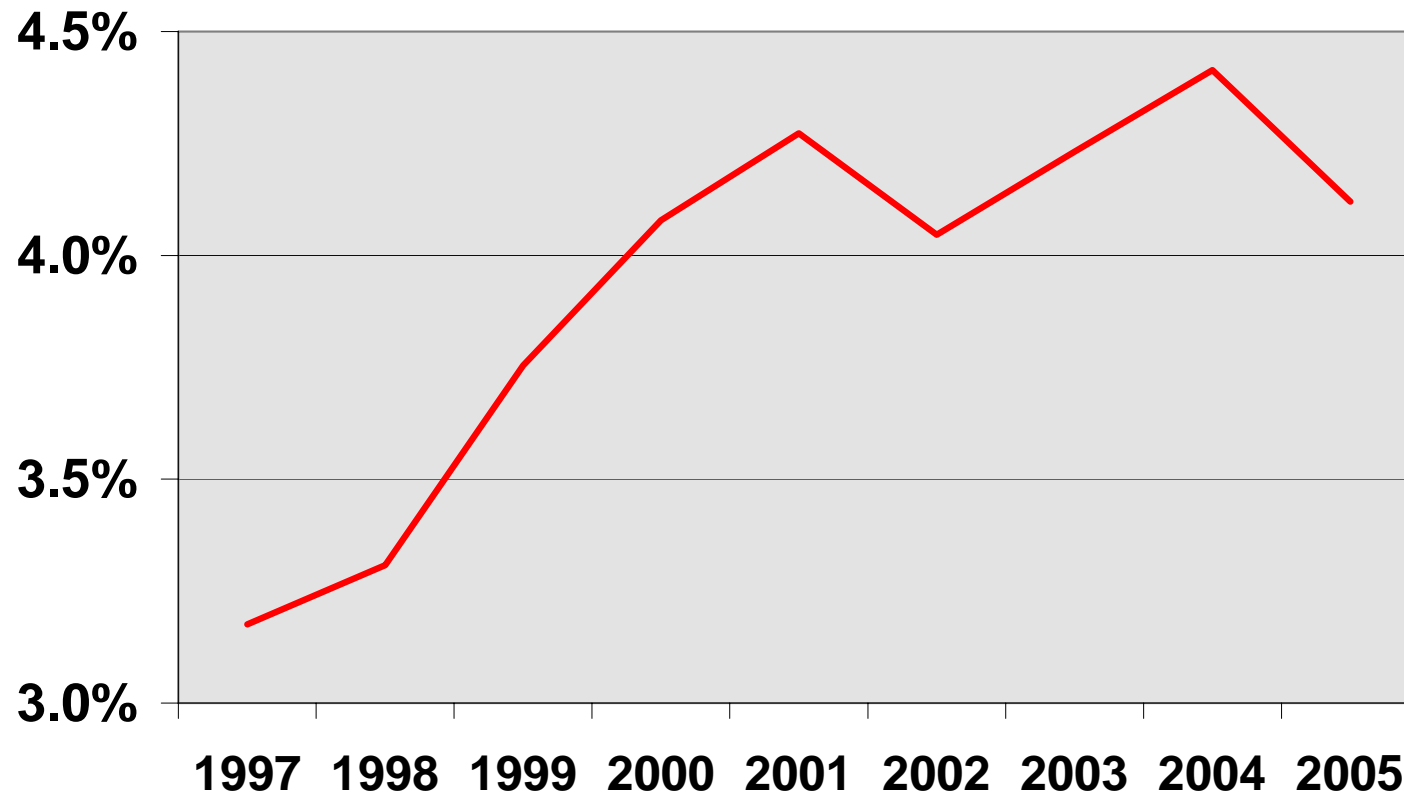
U.S. Cabinet Consumption



Source: US Census Bureau, US ITC

Import Share

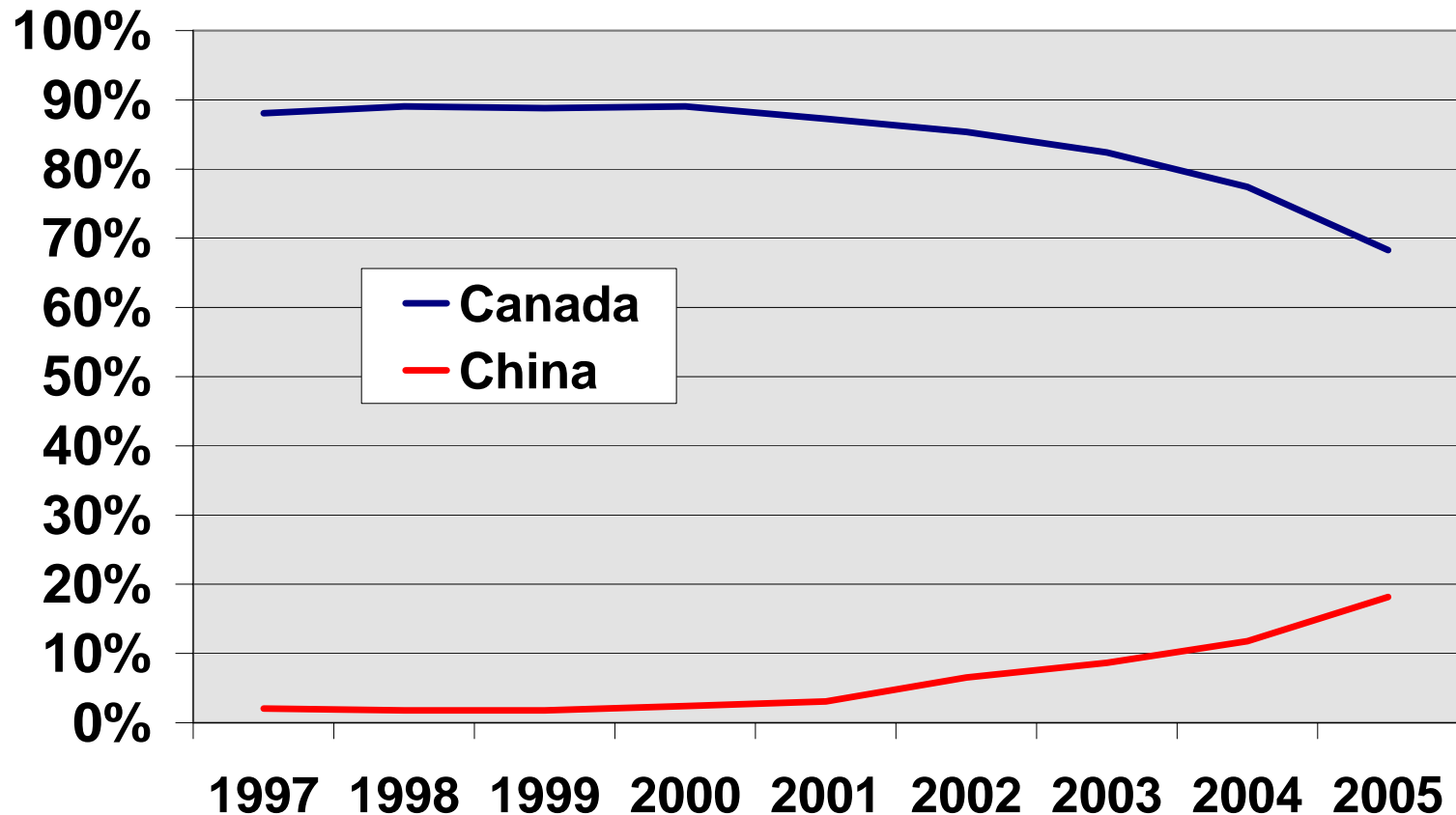
Cabinet Imports Share U.S. Market



Source: US Census Bureau, US ITC

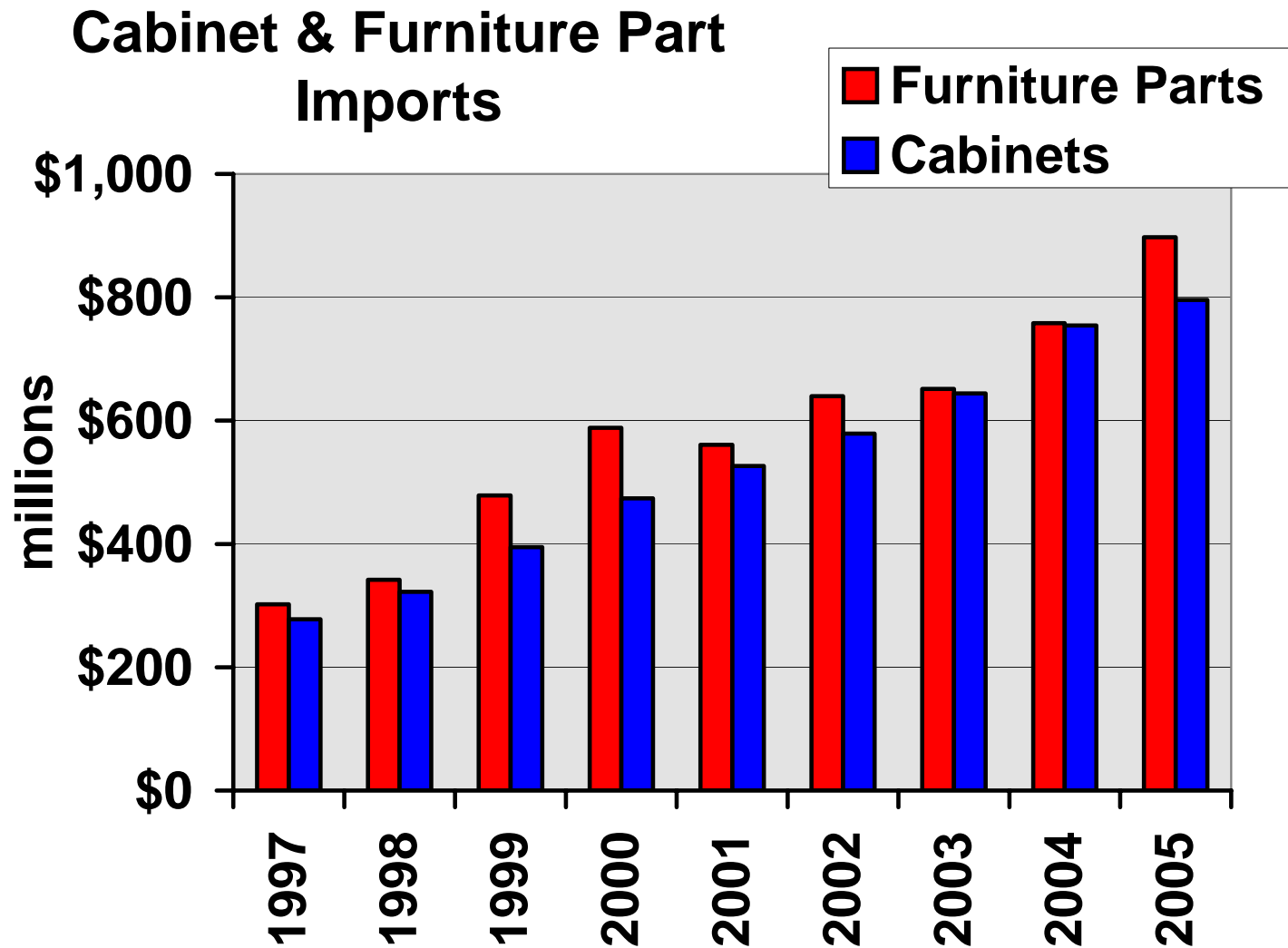
Cabinet Source Countries

Primary Source Countries Kitchen Cabinet Imports



Source: US ITC

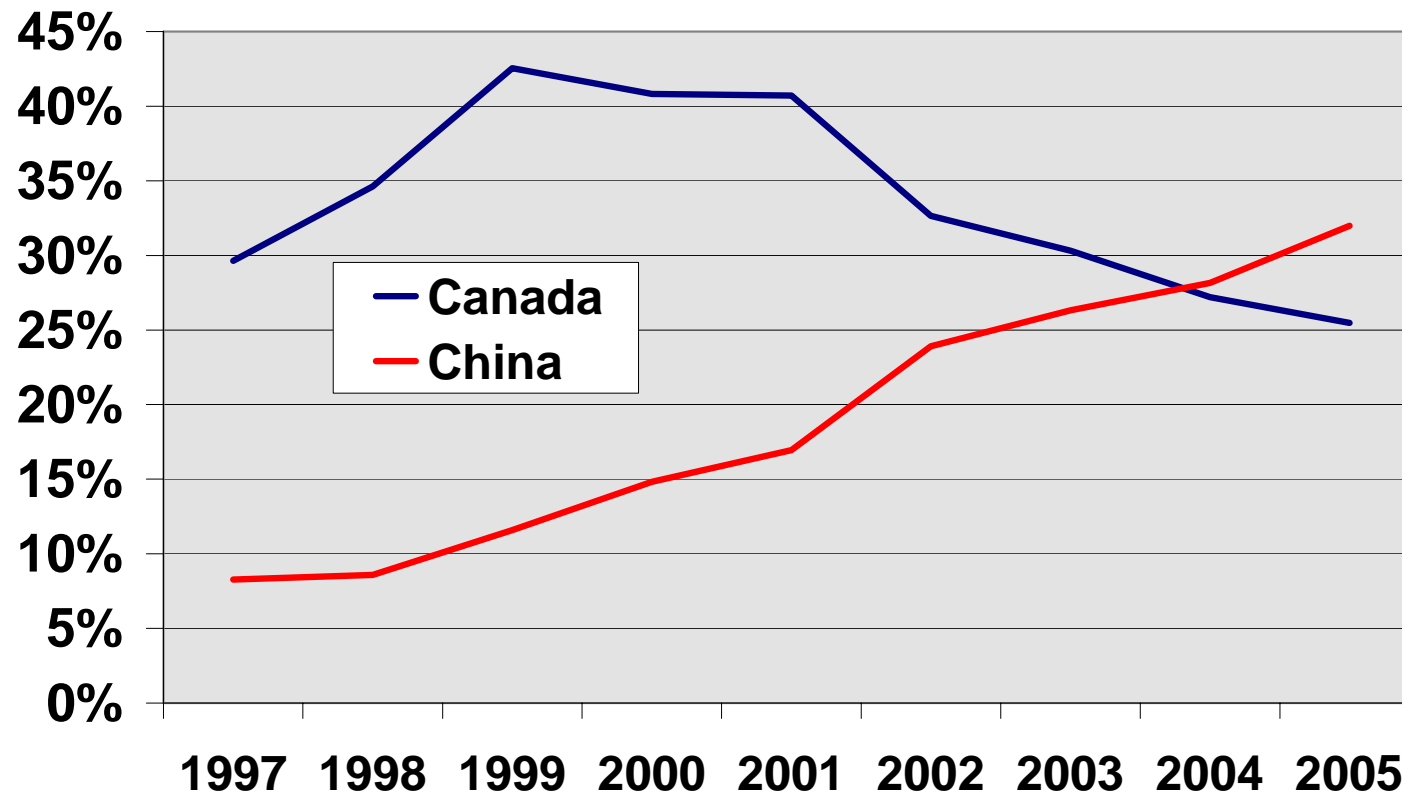
Component Imports



Source: US ITC

Component Source Countries

Primary Source Countries Furniture Parts



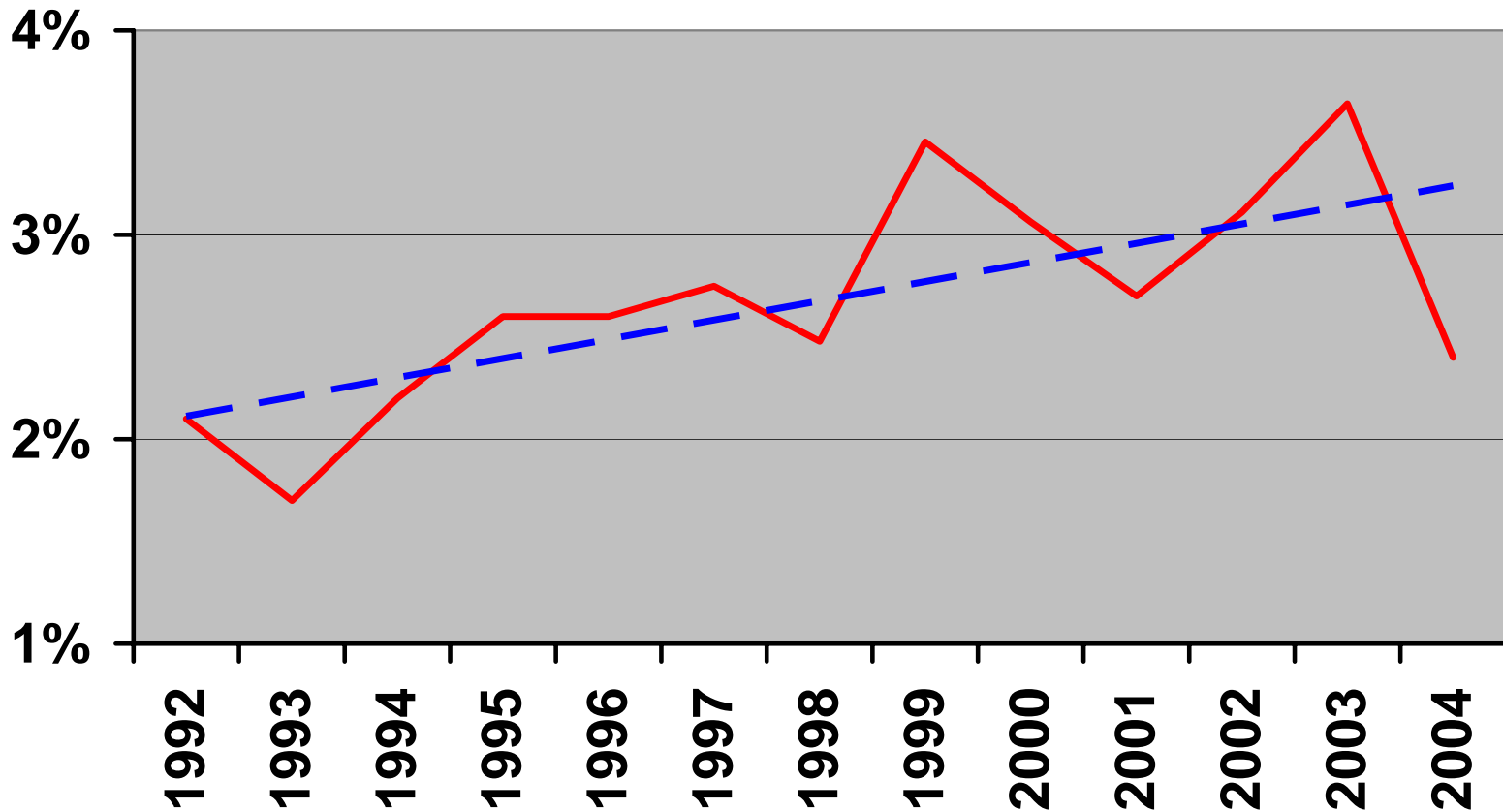
Source: US ITC

Cabinet Makers Respond

- Bias for Change
- Product Rationalization & Modularity
- Reliance on Supply Chain Support
- Capital Investment

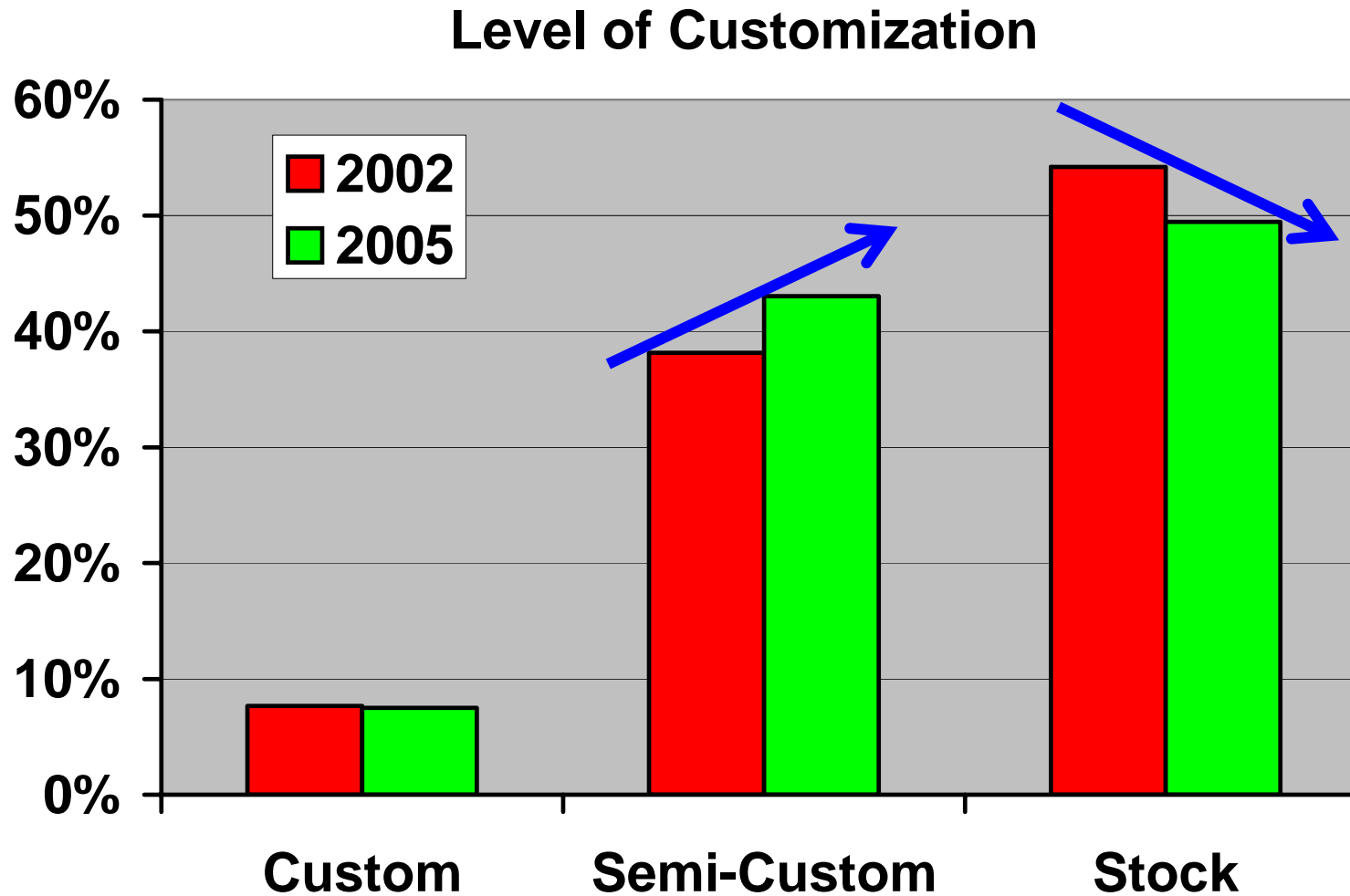
Cabinet Capital Investment

% of Annual Revenues



Source: US Census Bureau

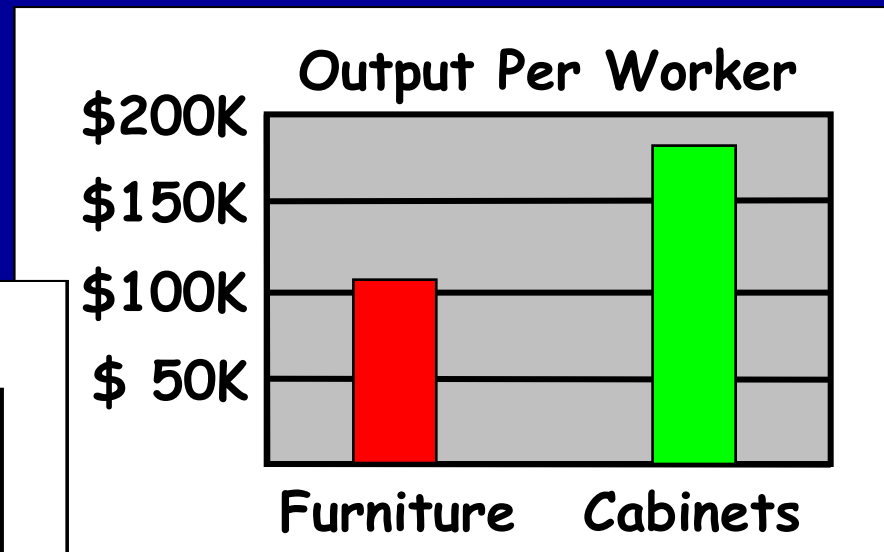
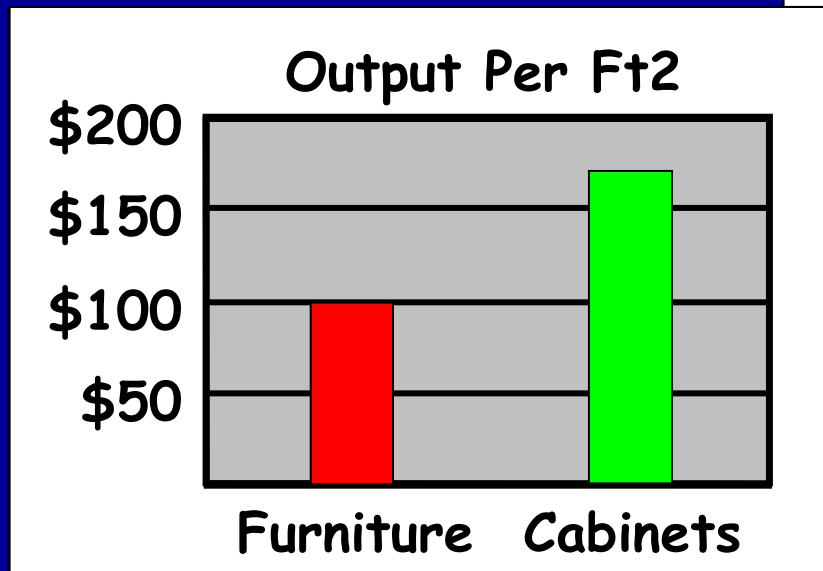
Cabinet Customization



Source: KCMA

Higher ROI

These investments have yielded higher operating performance...



Rx For Cabinetmakers

- Watch China
- Manage your import supply chain intensively
- Invest in engineering
- Refine, refine, refine your processes

Heeding The Lessons of The Past

In closing...

"We can draw lessons from the past,
but we cannot live in it."

- *Lyndon Johnson*

Keep up your bias for change!