

In and Out

---New Changes in China's Furniture Industry

From 1985 to 2005, the annual growth rate of China's furniture output averaged 15%. In 2006, the exports of furniture from China reached USD17.4billion, ranking first in the world. The figures continued to increase to USD23.268 billion in 2007 while the total production value of the furniture industry in China amounted to over USD77 billion. The export is expected to reach US\$48 billion in 2010, according to the China Building Decoration Association.

China is not only the biggest furniture exporter, but the largest importer of the furniture manufacturing equipment. The rapid development of China's furniture industry depends on a low-price labor force consisting of five million skilled workers. Though the cost of labor in Indonesia, Vietnam, and Pakistan is far lower than in China, the competency and work efficiency of workers in these countries lag much behind China. As investment capital is apt to flow to places with high quality and efficiency and low costs, China naturally draws the furniture capital from all around the world. There are more American companies setting up manufacturing facilities in China, or importing OEM products from China and then re-exporting them to other countries.

Challenges facing China's furniture industry and Solutions

The US is the largest export destination for China's furniture. In 2007, China exported 43.5% to US and 22.1% to EU. However, due to the recent anti-dumping and more stringent environment regulations in US, the downturn in the US housing market as well as the appreciation of RMB and the reduced export tax refund in China, some large Chinese export-oriented companies are switching their attention back to the domestic market and are eager to expand the market share in other markets, such as Middle East, Africa and Japan. Japan's furniture imports have been surging since 2004. In 2006, Japan's total furniture imports hit USD4.26 billion, USD1.94billion or 46.1% of which were from China. At present, the market share of Chinese furniture has accounted for 16% in Japan.

Ashley, one of the largest US furniture companies that integrates furniture manufacturing, import & export and brand development has established a factory in Kunshan county, Jiangsu Province in China. Ashley has hired Chinese workers to produce large quantities of sofa covers and then shipping them to the US. Furniture made in China's facilities is priced at 50% or even less of that of European furniture. They are tapping into China's retail markets as well as American and global market.

For the moment, many export-oriented Chinese furniture manufacturers are attempting to expand their domestic sales and have their production and distribution patterns transformed in accordance with the characteristics of the market for furniture to be sold to Chinese consumers while stabilizing their exportation business.

Kasen International Holdings Limited is the largest leather furniture producer in China and the largest upholstered furniture maker. They provide their products to The Brick, Argos, Berhardt, Amercian Signature, IKEA, Thomasville, LazBoy, Ashley, Furniture Brands, Berkline, Lane, Rooms To Go etc. They have recently opened their flagship retail store in Shanghai with the area of 6000sq. meters.

Taiwan's Samson Group, the 3rd largest furniture manufacturer in the world, has established two new production bases in China. The Group, which has 6,000 employees and 9 branch factories, produces 200 million pieces of furniture annually for the export markets. Its products are made of high-grade US panels, such as cherry and maple. In order to enlarge the market for its domestic sales, Samson Group had opened the first professional marketplace in Hangzhou in last August and it forecasted that by 2020, over 100 outlets would be opened in China.

Other companies such as Markor, Alexandre Furniture, Dare Global, are busy expanding their local awareness through setting up the franchise stores in the domestic market because the total domestic sales of furniture was USD53.86 billion, taking almost 70% of the total output in 2007.

As more and more manufacturers enter the market for domestic sales, the shift of China's furniture industry from low-end OEM processing to creating high added values with new designs is very important. Furniture manufacturers in Guangdong are building up their brand image, expanding their domestic sales, streamlining their management, getting listed in order to respond to the shuffling in the furniture industry.

A glimpse of Canadian Furniture industry

The Canadian furniture industry is 97% Canadian owned and consists mainly of small or medium-sized family-owned and -operated firms. It is an important contributor to the Canadian economy, employing more than 100 000 people in total across all levels. Annual sales exceed \$11 billion. The Canadian furniture industry comprises household furniture, including office and institutional furniture, mattresses, wood kitchen cabinets and counter tops, and blinds and shades.

As the 5th largest exporter of furniture in the world, Canada ships 53% of production outside of Canada and 95% of exports to US.

However, the Canadian furniture industry often finds it difficult to compete with other countries. The labour costs are much higher than in most competing countries. Canadian companies also have high transportation costs. Finally, Canada's mostly small- and medium-sized companies have difficulty competing with American firms that have a much larger production capacity and thus can achieve economies of scale.