



U.S. Competitiveness Study:

How Furniture and Cabinet Manufacturers Compare

A finer look at the numbers obtained in this benchmark study.

BY URS BUEHLMANN, MATTHEW BUMGARDNER,
AL SCHULER & RICH CHRISTIANSON

Editor's note: *Wood & Wood Products* published initial results of the U.S. Wood Products Competitiveness study in its January 2003 issue. The study sought to obtain industry perspectives of trends in domestic manufacturing and importing, and to identify factors that might enhance domestic competitiveness.

The January article summarized the responses of the 341 executives that participated in the study. This second article takes a more micro approach in comparing and contrasting responses from the three groups of manufacturers that were surveyed: home furniture, office and hospitality furniture, and kitchen and bath cabinets. The responses from each of the groups are further broken out based on those with 20 to 99 employees and those with 100 or more employees.

The January 2003 article can be referenced at www.iswonline.com.

A disturbing 37.2 % of the 341 manufacturing executives participating in the U.S. Wood Competitiveness Survey either strongly agreed or agreed "that by the end of the decade, little will remain of domestic wood furniture and other wood products manufacturing in the United States."

In particular, 61 % of large home furniture manufacturers agreed with this statement, followed by nearly 47% of small home furniture firms. (See Table 1, page 50.)

While none of the large kitchen and bath cabinet manufacturer executives "strongly agreed," fully one-third of them "agreed" with the notion that the U.S. cabinet industry is on the decline. In sharp contrast, representatives of small cabinet firms, 17%, were the least likely to agree that their industry faces imminent demise.

Increased Use of Wood Imports

In recent years, *Wood & Wood Products* and other industrial wood

About the Survey

The U.S. Wood Products Competitiveness survey was mailed out late last summer to representatives of 2,100 firms randomly drawn from the *Wood & Wood Products* mailing list. Stratified sampling was employed, with the mailing list being split between home furniture, kitchen and bath cabinets, and office and hospitality furniture manufacturers. The sample was further stratified by size to include those firms with 20-99 employees, termed "small firms" and those with 100 or more employees, termed "large firms."

U.S. Competitiveness Survey

WILL THE INDUSTRY SURVIVE? Level of agreement (%) that little will remain of wood furniture and other wood products manufacturing in the United States by the end of the decade.

	Small HF	Large HF	Small OHF	Large OHF	Small KBC	Large KBC	All Groups
Strongly Agree	26.5	24.1	14.7	14.3	6.8	0.0	15.3
Agree	20.4	37.0	20.0	18.4	10.2	33.3	21.9
Disagree	28.6	16.7	26.3	36.7	42.4	40.8	30.6
Strongly Disagree	14.3	14.8	24.3	16.3	23.7	18.5	19.5
Not Sure	10.2	7.4	14.7	14.3	16.9	7.4	12.6

Table 1.

LEGEND

HF = Home Furniture

OHF = Office & Hospitality Furniture KBC = Kitchen & Bath Contract Furniture

DO YOU IMPORT? Responses (%) to whether companies have increased use of wood imports in their product lines over the last five years.

	Small HF	Large HF	Small OHF	Large OHF	Small KBC	Large KBC	All Groups
Imported finished product	7.7	14.6	5.1	4.1	6.7	3.7	7.0
Imported components	19.2	3.6	11.2	20.4	11.6	29.6	14.1
Both	13.5	41.8	9.2	20.4	6.7	7.4	30.6
No	59.6	40.0	74.5	55.1	75.0	59.3	62.8

Table 2.

working news sources have duly noted that much of the imported wood products and components are being sourced by domestic manufacturers.

To get a better handle on the state of domestic producers' import programs, respondents were asked, "Over the last five years, have you increased the use of wood imports in your product line?" There were differences among the firm categories.

First, with the exception of small home furniture firms, small companies were more likely to have not increased their use of imports over the last five years. Second, the increased use of imported finished products alone was generally low across all firm categories, less than 15% of respondents. (See Table 2.)

In addition, large home furniture manufacturers were the only firm category to exhibit a high proportion of imported finished product compared to imported components. This could reflect that home furniture products often do not require any

customization and thus can be imported from the lowest cost supplier. An implication of this is that, when importing finished products, firms become channel intermediaries that could lose relevance if foreign manufacturers develop adequate marketing and distribution systems to bypass domestic business partners.

Lost Business Due to Imports

Respondents were also asked, "Over the last five years, have you lost significant business due to imports?" Kitchen and bath cabinet companies, both small and large, were most likely to respond with "no" (73.4% and 84.6% respectively). In comparison, large home furniture firms were most likely to indicate that they had lost significant business to imports, with more than 65% answering "yes" and another 16.4% indicating that they were "not sure."

Meanwhile, small home furniture

companies, as well as small and large office and hospitality furniture manufacturers were very similar in their responses, with approximately one-half indicating that they had not lost significant business to imports.

Large home furniture manufacturers were the only firm category to exhibit a high proportion of imported finished product compared to imported components.

Commitment to Domestic Manufacturing

In spite of harboring a high degree of concern for the future, the manufacturing executives were pretty much in lock-step agreement in demonstrating a strong commitment for their companies to maintain a domestic manufacturing presence. Given the opportunity to rank their commitment to domestic manufacturing on a 7-point scale, with 1 equaling "not at all committed" and 7 equaling "very committed," responses were generally quite high, with an overall mean of 6.1

This suggests an overall general desire to keep at least a portion of manufacturing in the U.S. However, as the responses to the questions above demonstrate, different industry sectors achieve this desire with mixed success.

Sales from Domestic Sources

Table 3 (page 51) demonstrates that there was a difference among the firm categories concerning the percentage of sales expected to come from domestically produced and/or sourced products in three years. Large home furniture firms were substantially less likely than the others to expect more than 80% of sales to be generated from domestically produced and/or sourced parts.

The results suggest that kitchen and bath cabinet manufacturers, especially small firms, are less certain about the future in this regard than are home furniture and office and hospitality furniture manufacturers, but still predict

DOMESTIC PRODUCT SALES Estimates (%) of the percent of sales' that will come from domestically produced and/or sourced products in three years.

	Small HF	Large HF	Small OHC	Large OHC	Small KBC	Large KBC
0-40%	13.5	10.9	4.1	12.5	1.7	0.0
41-80%	11.5	29.1	23.5	18.8	10.3	14.8
80%+	63.5	45.5	60.2	60.4	69.0	70.4
Don't Know	11.5	14.5	12.2	8.3	19.0	14.8

Table 3.

CAPITAL INVESTMENT PLANS Planned spending (%) on capital improvements over the next three years, small firms and large firms.

	HF	KBC	OHC
Small Firms			
< \$500 K	80.8	64.4	63.8
\$500 K - \$1 M	15.4	28.8	23.4
> \$1 M	3.8	6.8	12.8
Large Firms			
< \$1 M	42.0	37.0	64.6
\$1 M - \$5 M	38.0	44.5	22.9
> \$5 M	20.0	18.5	12.5

Table 4.

the largest proportion of domestic sales in three years of the categories surveyed.

followed by kitchen cabinet firms, 18.5%, and office and hospitality furniture makers at 12.5%.

Capital Investment

Another question that attempted to gauge U.S. wood product manufacturers' commitment to future domestic production asked how much money they planned to spend on capital improvements at their U.S. plants over the next three years.

Table 4 shows there some minor, though not statistically significant, differences among small firms and large firms (using separate response categories) across firm type.

Among small firms, home furniture manufacturers showed some tendency to plan for less domestic capital spending than did small kitchen cabinet or office and hospitality furniture makers. Nearly 13% of small office and hospitality furniture manufacturers said they plan to spend more than \$1 million on capital improvements in the next three years compared to 3.8% of small furniture makers.

Conversely, among large firms, home furniture, at 20%, ranked the highest in planned investments of \$5 million or more,

Factors to Improve Competitiveness

Quality, timeliness and innovation in manufacturing and design were recurrent themes that emerged as especially important to domestic competitiveness.

Several interesting differences were found among firm types concerning factors to enhance competitiveness. Home furniture firms rated control over manufacturing as more important than did office and hospitality and kitchen and bath cabinet firms. This may be an indication that they have enough experience with importing to know that at least some control over manufacturing is lost when imported products and/or components are incorporated into the product mix. Home furniture firms would also put more emphasis on the tradition of American manufacturing than would office firms, perhaps because household furniture is generally a more mature product type than are office products.

Home furniture firms did not see the potential in customized products that cabinet and office furniture firms did. This may indicate that home furniture firms recognize the ability of foreign competitors to mimic "customized" products. It could also reflect a commodity mentality on the part of home furniture manufacturers, or that home furniture manufacturing facilities are not set up to expedite changes in product designs and materials. It may also be that cabinet firms are already further down the customization road than home furniture firms, as evidenced by the variety of styles, species and finishes consumers can now choose from at big box retailers to build their cabinets.

Cabinet firms see the greatest potential in workforce training and education. This may reflect a higher level of automation and computerized processes in cabinet facilities compared to home furniture plants, and more customized products compared to office products. Office firms saw more potential in outsourcing labor than did cabinet firms. This might coincide with KEC firms' higher rating for the potential of workforce training.

Office firms also indicated the highest potential in promotion of environmentally certified wood, which might reflect their primarily corporate customer base and interaction with architects and designers, who have jumped on the "green" product bandwagon.

Small firms of all types rated use of outsourced labor as having a higher potential to enhance competitiveness than did large firms, suggesting that smaller firms struggle to recruit, hire and retain qualified workers. Large firms see more potential in reducing lead times as a means to enhance competitiveness than do small firms.

Urs Buehlmann is Assistant Professor and Extension Specialist for North Carolina State University's Department of Wood and Paper Science. Matthew Bumgardner is Forest Products Technologist, USDA Forest Service. Al Schuler is Research Economist, USDA Forest Service. Rich Christianson is Editorial Director of Wood & Wood Products and Custom Woodworking Business magazine.