Wood-Based Furniture Market and Manufacturing: Trends and Outlook

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Furniture Brand International: August 2013

* Price chart for FURNITURE BRANDS INTL INC. Click flags for important stories.
Consumer Trends in 2013 and Beyond

1. Presumers & Custowners
2. Emerging^2
3. Mobile Moments
4. New Life Inside
5. Appscriptions
6. Celebration Nation
7. Data Mining
8. Again Made Here
9. Full Frontal
10. Demanding Brands
11. More-ism

(Source: Trendwatching, 2013)
US Sales of Home Furniture 2006-2015 (inflation adjusted prices)

“The home furniture market is expected to reach $79.6 billion in 2016”

(Source: Anderson Bowman Consulting, 2014; Mintel 2012)
US Furniture Manufacturing: Expectations in the Future

• IMPORTS: China not the most cost effective option anymore
  – Labor costs rising
  – Shipping costs
  – Currency challenges

“US firms – furniture manufacturing – will see a tipping point in off-shore manufacturing by 2015”
(Source: BCG manufacturing report 2013)
US Furniture Manufacturing: Expectations in the Future

- Offer Domestically Made Products
US Furniture Manufacturing: Expectations in the Future

• US Housing Market: Furniture?

“Since 2012, furniture stocks are up an average of 29.1%”
(Source: Furniture Today, 2013)
US Furniture Manufacturing: Expectations in the Future

- Consumer trends drive design and manufacturing
  - *Baby boomers purchased large homes but not fine furniture*
  - *5.7 million of 25-34 year olds lived with parents in 2011 vs. 4.7 million before recession*
  - *New home floor plans changing*
  - *Minimize me: Younger generation prefer smaller living spaces and increased function and storage*

  *“In 2013, the average-sized apartment is 982 sq feet”*
  *(Source: Multifamily Executive, 2013)*

- *Power of one*
US Furniture Manufacturing: Expectations in the Future

- Increased functions and storage

Source: www.design-milk.com
US Furniture Manufacturing: Expectations in the Future

• Consumer trends drive design and manufacturing
  – Concern for environment
    • Interest in Used Furniture,
    • Trade-in and buy-back
    • Reclaimed, recycled, environmentally safe
US Furniture Manufacturing: Expectations in the Future

- Offer sustainable products
- Be transparent about green behavior
US Furniture Manufacturing: Expectations in the Future

• Encourage Loyalty from Younger Consumers
  – Target younger markets (furniture collection designed by college student - Groovystuff)

  – Focus on long term customer relationship
US Furniture Manufacturing: Expectations in the Future

• Consumer dictating distribution channels
  – Few furniture manufacturers have been successful in creating retail networks
  – Big box retailers have tried but unsuccessful
  – Upper-end stores have disappeared, interior designers remain a factor
  – Hybrids capture so called “life style” category
  – Internet is a great resource but there is still resistance in that channel

“Online furniture sales up by 11.2% in 2012 vs. 2011”
Retail online furniture sales: $186.2 billion in 2012
US Furniture Manufacturing: Expectations in the Future

• Product driving sales….
  – *Support services still important*

  “Consumers very rarely seek out Ethan Allen or Ashley furniture for their styling- key differentiator is customer service”

  *(Source: Anderson Bowman Consulting, 2014)*

  – *New product development process in need to streamlining*
  – *Design piracy and copying is a problem: confuses consumers*
US Furniture Manufacturing: Expectations in the Future

• Exports: New Frontier
  – *Export business more appealing for rising middle class in China, India, UK, Japan, Mexico and Canada*
US Furniture Manufacturing: Expectations in the Future

- Marketing and Branding should be USED
  - Traditional: Catalogs, direct mail, TV ads, Trade Shows
  - Non-traditional: Mobile device advertising, highly targeted web advertising, guerilla marketing tactics, social media network integration to generate word of mouth promotion
US Furniture Manufacturing: Expectations in the Future

- Marketing and Branding: Generate Interest in Stores
US Furniture Manufacturing: Expectations in the Future

• Online initiatives and social media presence

• Partnerships and sponsorships
Conclusion

- Leverage opportunities: export, consumer lifestyles
- Differentiate
- Be transparent
- Move toward offerings in newer channels
- Service support
EU Wood Furniture Sector

• Consumption: 87% from domestic manufacturers and 13% imports (in 2011)

• Reasons for domestic domination:
  – *Investment in machinery and product development*
  – *Perceived high value of European-made furniture*
  – *Sophisticated marketing and promotional campaigns*
  – *Supply quickly on-demand*
  – *Increased support services*
  – *Relocation to EU countries in Central and Eastern Europe*
EU Imports of Wood Furniture Products (Value)

Source: Oliver, (December 2013)
EU: Competitive Strategies

- Innovation: Product design, 3D modeling tools, use of internet and e-business to target new market segments, introducing new materials (recycled materials, environmentally-friendly design, etc.)
- Environmental approach for competitive advantage (ecolabel as differentiator)
- Reduce lead times
- Export into emerging markets
- Communication strategy beyond advertising
EU: Competitive Strategies

• Based on Consumer Behavior:
  – *Different in various countries*
  – *Furniture quality, price and appearance major factors driving sales*
  – *Target environmental conscious consumer*
    • Furniture produced with low CO2 emissions
    • Sustainable origin of wood
    • Use of recycled materials and recyclable products
    • Environmentally responsible manufacturing