Wood-Based Furniture Market and Manufacturing: Trends and Outlook

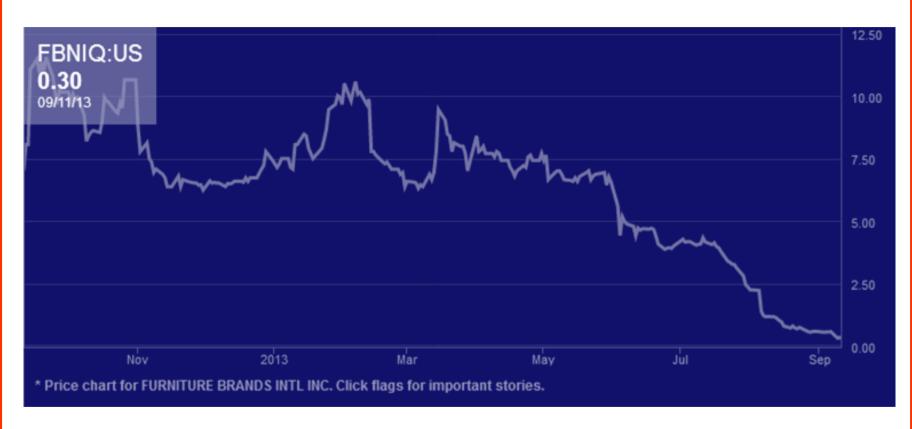
(SWST Annual Convention)

Zvolen, Slovakia

June 22-27, 2014

Sudipta Dasmohapatra
North Carolina State University
Raleigh, NC 27695

Furniture Brand International: August 2013



Consumer Trends in 2013 and Beyond



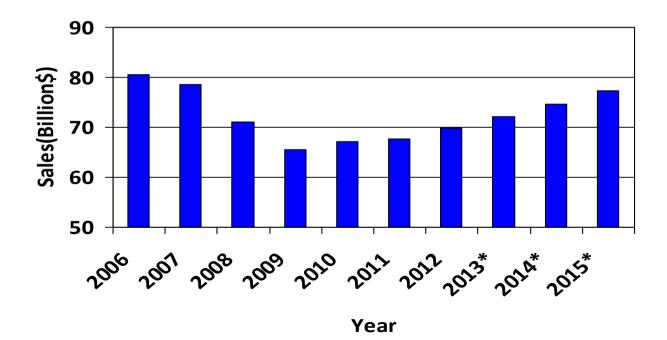




(Source: Trendwatching, 2013)

US Sales of Home Furniture 2006-2015 (inflation adjusted prices)

"The home furniture market is expected to reach \$79.6 billion in 2016"



- 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)

Offer Domestically Made Products







ABC News: Made in America Challenge

US Housing Market: Furniture?

"Since 2012, furniture stocks are up an average of 29.1%"

(Source: Furniture Today, 2013)



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

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

Power of one

Increased functions and storage



Source: www.design-milk.com

- Consumer trends drive design and manufacturing
 - Concern for environment
 - Interest in Used Furniture,
 - Trade-in and buy-back
 - Reclaimed, recycled, environmentally safe





- Offer sustainable products
- Be transparent about green behavior





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





Focus on long term customer relationship

- 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

- 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

- Exports: New Frontier
 - Export business more appealing for rising middle class in China, India, UK, Japan, Mexico and Canada



- 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







Marketing and Branding: Generate Interest in Stores





- Online initiatives and social media presence
- Partnerships and sponsorships





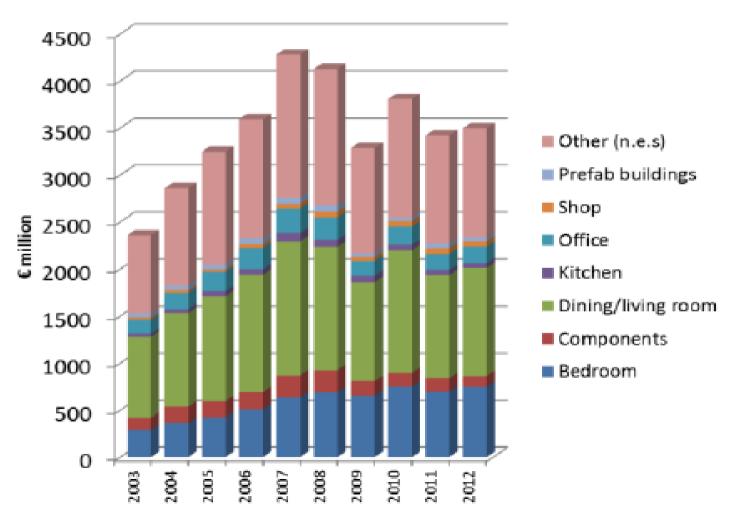
Conclusion

- 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 <u>appearance</u> 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