A Brief Overview of the U.S. Furniture Industry

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The furniture manufacturing industry in the U.S. has evolved since the first settlers arrived in America from small family-owned shops to multi-national public corporations (Cater, 2005). During the late 1800s, the furniture industry, which was concentrated in the East coast, moved westward and later between 1800 and 1910, the forests of Michigan helped Grand Rapids become a major furniture manufacturing center. Before and after World War II there was a shortage of wood products creating a difficult time for the furniture industry. In 1950s the industry began a slow recovery (Gale Encyclopedia of U.S. Economic History, 1999). Today, the U.S. furniture industry has developed clusters in North Carolina and North Mississippi.

Housing starts, home resale, and home repair & remodel are demand drivers for the U.S. furniture sector. Housing starts in 1997 were 1.5 million, rising steadily until peaking in 2005 at 2.1 million and then declining 12.9 percent in 2007 and 24.7 percent in 2008 (Harris, 2009). According to the National Association of Home Builders (NAHB 2009) cited by Buehlman and Schuler (2009), single-family housing starts in May, 2009 dropped 41 percent compared to May 2008. Home re-sales have also declined with the mortgage crisis associated with the current recession. Homeowner purchases to repair/remodel their home have also been impacted but not at the dramatic declines seen in new home construction.

In the early 1970s, U.S. imports of furniture were relatively insignificant in comparison to 1986 over which period furniture imports increased nearly 350 percent (Luppold, 1988). According to Luppold (1988), imports from Asia have shown consistent growth since 1975 and have dominated the U.S. market in the 1980s due to relatively low priced furniture directly tied to low-cost labor forces. The biggest long-term challenge facing the U.S. furniture industry is increasing imports of furniture (Harris, 2009) while furniture exports remains nearly flat (Bullard and West, 2002) (**Figure 1).**

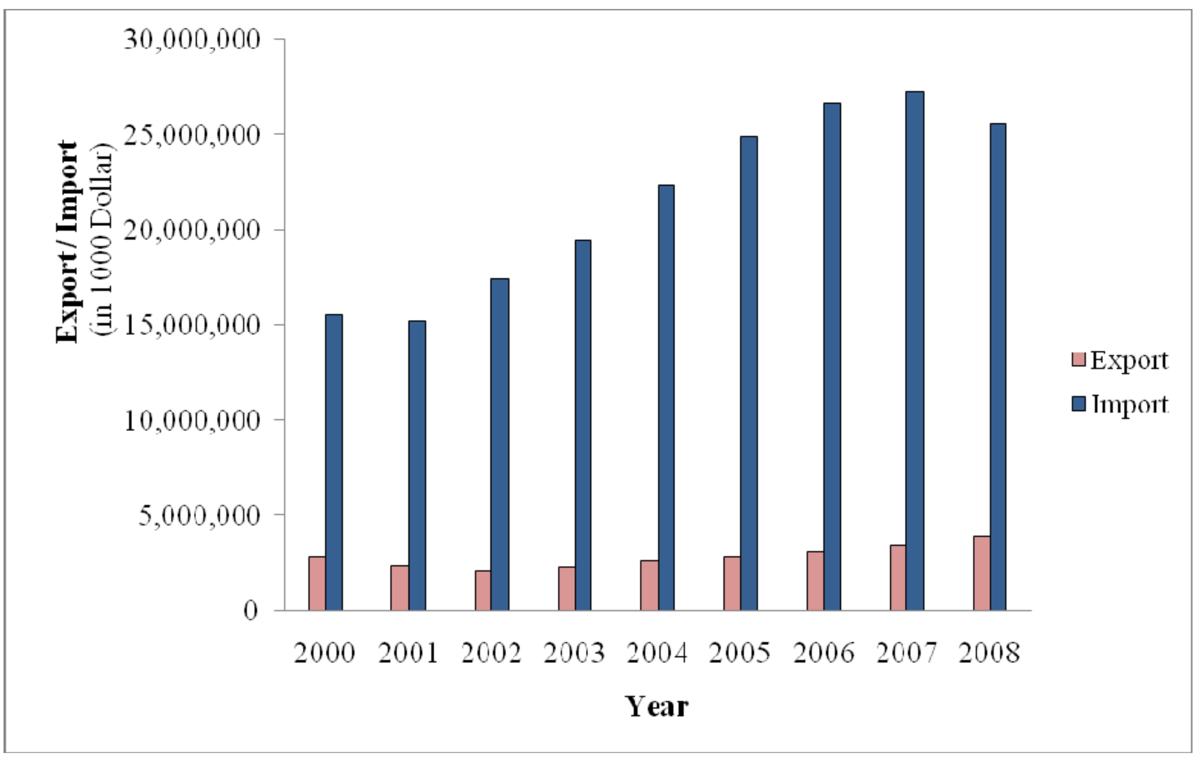

Figure 1: U.S. furniture exports and imports from 2000 to 2008
Source: Department of Commerce and the U.S. International Trade Commission

U.S. export shipments of furniture grew by 75 percent from 756 million in 1990 to over 1.3 million in 1995 and leading export destinations for furniture industry in 1995 were Canada, Japan, Mexico, Saudi Arabia and the United Kingdom (Davis, 1997). Department of Commerce and U.S. International Trade Commission (2009) data indicate that Canada has been the major importer of the U.S. furniture from 2000 to 2008 (**Figure 2**). Mexico and the United Kingdom (U.K.) were also major export destinations for the U.S. furniture over this period.

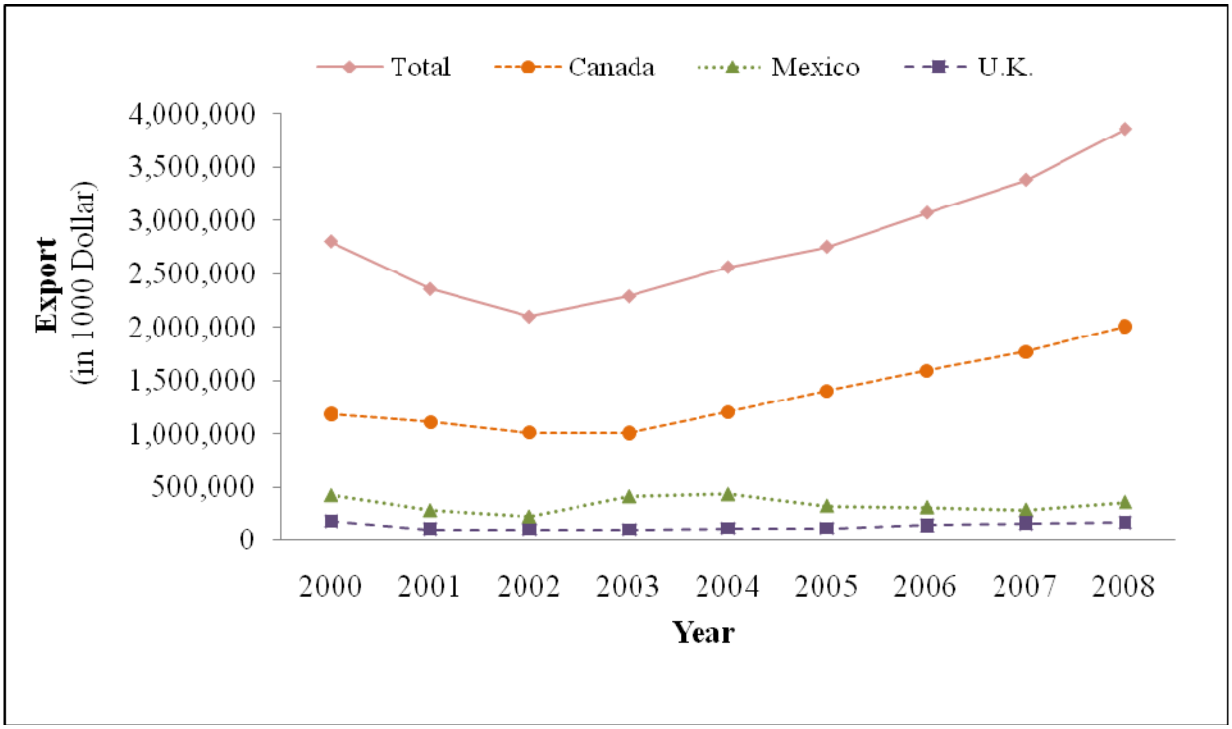

Figure 2: U.S. furniture export destinations from 2000 to 2008
Source: Department of Commerce and the U.S. International Trade Commission

Furniture imports to the U.S. grew by 62 percent between 1990 and 1995 (Davis, 1997) and Murillo (2007) states that that the imported part of furniture consumption increased from 13 percent in 1992 to 26 percent in 2000. Harris (2009) estimated that between 1999 and 2007, the value of furniture imports increased 107.7 percent to 3.4 billion dollars, while exports from the U.S. increased 40.1 percent to 27.2 billion dollars. It is well-known that China's presence in the world furniture has grown significantly over the years and is the biggest U.S. furniture importer since 2000 follows by Canada and Vietnam (**Figure 3**).

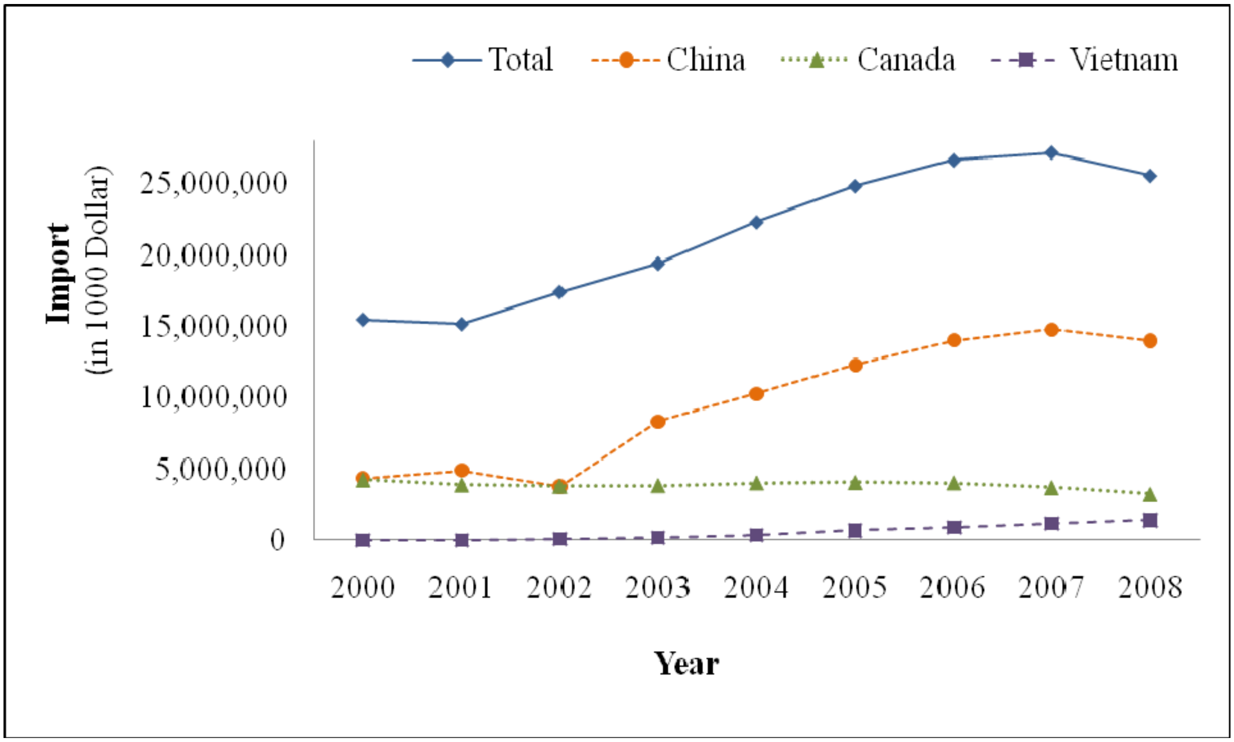

Figure 3: Furniture import countries to U.S. from 2000 to 2008
Source: Department of Commerce and the U.S. International Trade Commission

According to Bullard (2002), this competition from foreign producers has caused U.S. furniture firms to either decrease production or close facilities. This downsizing of the industry is shown in **Figure 4** indicating the steady decline in employment in furniture manufacturing since 2000.

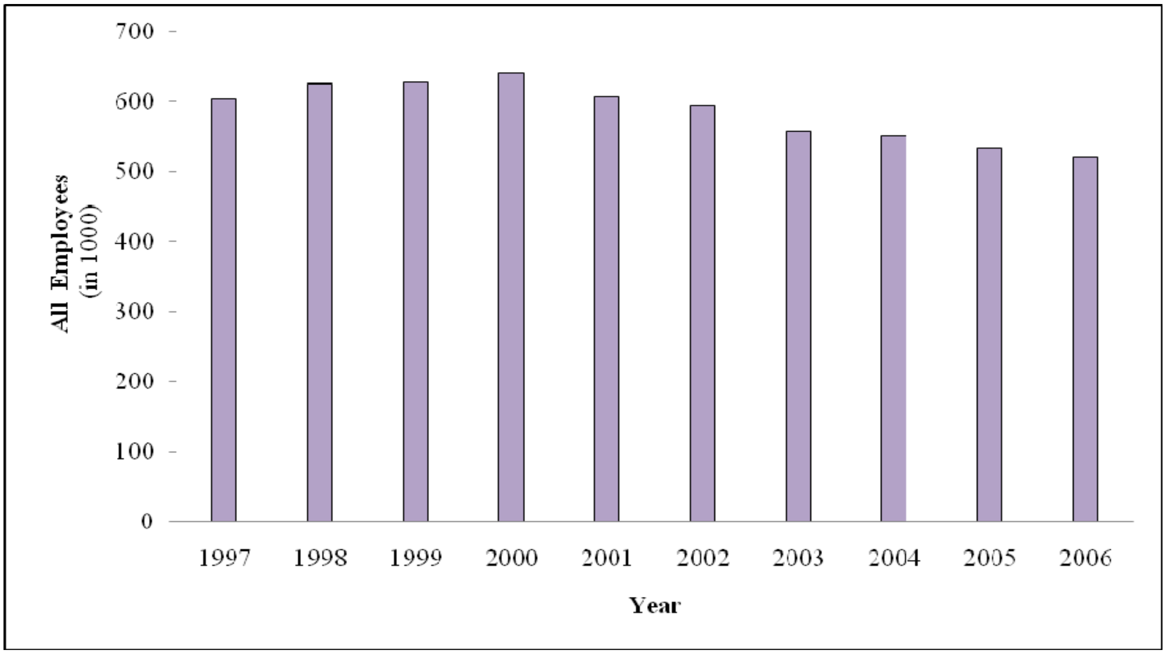

Figure 4: Employment levels of U.S. furniture industry from 1997 to 2006
Source: Department of Commerce and the U.S. International Trade Commission

Lower cost structures, improved quality and efficient distribution from overseas are forcing U.S. firms to source goods offshore from countries like China and Vietnam (Schuler and Lawser, 2007). According to the Virginia Economic Development Partnership (2007), from 1997 to 2004, over 40 percent of China's furniture was exported to the U.S and according to Bryson et al.(2003), in 2001 30 percent of total U.S. furniture imports were from China. In order to ensure that Chinese companies are manufacturing products to U.S. consumer specifications, U.S. furniture companies are teaching Chinese companies their manufacturing methods (Susnjara, 2002). There is a risk is that Chinese companies may curtail relationships with U.S. manufacturers and exacerbate the competition for furniture market share in the U.S. Consumers are interested in furniture that looks good and appears to be a good value rather than as a long-term investment or country of origin. As a result, consumers are spending less of their disposable income on furniture and are indifferent to product origin (Schuler and Lawser, 2007).

What to do?

Smith and West (1994) noted that in the past U.S. furniture companies have been relatively insulated from international competition and according to Susnjara (2002) competitive advantage often was correlated to lower costs of production. Today, in addition to being a low cost producer, competition in the furniture sector is based on specialized inputs such as highly skilled workers, specific applied technologies of manufacturing, and innovation (Susnjara, 2002; Bullard and West, 2002). Grushecky et al. (2006) noted that some companies have initiated strategies to maintain or increase competitiveness in this rapidly changing market environment. They suggest that continued exploration of new markets, adding more value to current product offerings and continued exploration of export market opportunities are essential for U.S. furniture manufacturing success in the future.

According to UNECE Timber Committee (2008), efficiency in distribution has become an important competitive advantage for furniture producers. Similar conclusions were made by Buehlman and Schuler (2009), who noted that in the future, furniture manufacturers will outsource more work to specialized entities, allowing themselves to focus on managing an efficient supply chain, building and improving efficient distribution operations and putting more resources into their report with customers and also export markets shows promise as well.

Summary

The U.S. furniture industry has played an important role in the world furniture industry over decades. Today, although having a long and often illustrious history, U.S. furniture manufacturing is in decline, losing considerable market share and competitiveness. The primary reason is imports of lower-priced furniture from Asian countries, particularly China. Over the past decade, over 40 percent of China's furniture production has been exported to the U.S. Competition from China and other foreign producers has caused the U.S. furniture firms to either decrease production or close facilities leading to a decline in sector employment. Although the present situation in the U.S. furniture industry appears dire, opportunities for the furniture industry exist. Continued exploration of new markets, adding value to current products, highly skilled workers, specific applied technologies of manufacturing, and innovation are essential for those opportunities and success in the future.

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