



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMÉRICA

**EXPRO** El Salvador  
Programa de Promoción de Exportaciones  
para las Micro, Pequeñas y Medianas Empresas

# HARDWOOD, RATTAN & WROUGHT-IRON FURNITURE MARKET STUDY

**NOTA:** San Salvador 7 de Julio de 2005. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza. Este documento es propietario únicamente de quien lo organiza.

## **Export Promotion for Micro, Small and Medium Enterprises El Salvador (USAID/EXPRO)**

Contract No.: PCE-I-00-98-00016-00 T/O 833

Project Period: July 2003 – March 2006

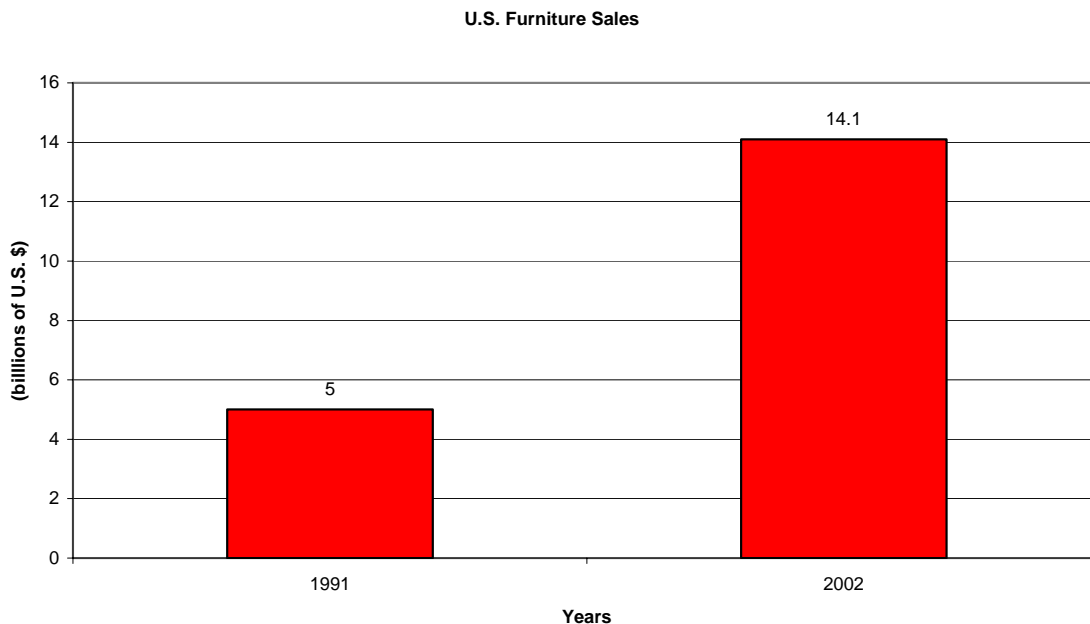
USAID Mission: USAID El Salvador Office of Economic Growth

Project Contractor: Nathan Associates Inc.

**Project Summary:** USAID/EXPRO aims to reactivate the economy of El Salvador by increasing income generated from exports of micro, small, and medium enterprises (MSMEs). Project objectives include (1) strengthening the Ministry of Economy's institutional export and trade policy capacity; (2) improving access to trade and export information; (3) increasing the competitiveness of Salvadoran businesses; (4) expanding business contracts and sales; (5) strengthening the Salvadoran export services sector; and (6) establishing strategic business alliances. Nathan Associates, in collaboration with AG International, DAI, and JE Austin, is providing technical, commercial assistance, and training to support government and private sector export promotion efforts; improving the productive capacities of MSMEs striving to access international markets; and assisting Salvadoran companies in developing and increasing export sales by at least \$20 million at project completion on March 31, 2006. USAID/EXPRO is also providing technical assistance and training to make export promotion initiatives more effective and to improve product development, operational efficiency, business development services, and the production scale of Salvadoran MSMEs so they can enter international markets, enjoy market continuity, maximize profitability, and face less risk of failure.

Date of Publication: December 2004

U.S. Furniture Market Study: Opportunities for Salvadoran Exporters  
December 12, 2004  
Mary Louise Sayles  
USAID/EXPRO Consultant



Graph 1 - U.S. Furniture Imports in 1991 and 2002

In 1991, as shown in the above graph, furniture imports into the United States totaled \$5 billion. In 2002, imports totaled \$14.1 billion<sup>1</sup> which amounted to a 180% increase in just 13 years. Imports have dramatically changed the nature of the furniture industry. China has certainly had a major impact on the furniture market. However, as dramatic as China's dominance is with 2002 furniture exports of \$5.7 billion<sup>2</sup>, the actual "sea change" in the furniture industry in recent years is the shift of power from the manufacturer to the consumer. This shift would not have taken place if not for the record-breaking rise in imports. Imports have created a highly competitive, oversupplied marketplace. Knowing who is changing the market and how the market is changing is important, but understanding the fundamental paradigm shift from a manufacturer-centered to a consumer-centered market is the essential information countries need in order to enter the U.S. market and favorably position themselves for the future. On the surface, the U.S. furniture industry looks like an incredible opportunity but the old adage, "look before you leap", is as true in today's furniture market as it ever was.

<sup>1</sup> Department of Commerce, AFMA, Furniture/Today market research

<sup>2</sup> U.S. Customs Service, U.S. Census Bureau, U.S. International Trade Commission

Distribution channels have grown from 19 in 1979 to 58 in 2003<sup>3</sup>. Consumers now have more furniture choices, better prices, and more places to buy furniture. Ten years ago, who would have imagined that people would buy a \$2,000 sofa from a catalog? Catalog furniture sales are only one of the alternative distribution channels that have changed the industry. Ten years ago, Banana Republic and Eddie Bauer were essentially places to buy khakis. Today they dress entire homes.

As mentioned above, the big story in the furniture industry is that residential furniture is no longer product and manufacturer driven. Instead it is customer driven. The consumer's choice of the specialty store ("lifestyle retailer") over the traditional furniture store has shaken manufacturers and traditional retailers alike. Traditional retailers and manufacturers distracted by the worries of imports and profit margins have lost market share to the lifestyle retailer. Traditional retailers are forecasted to lose 30% market share to sales that take place outside the traditional furniture store channels.<sup>4</sup> To a large extent, furniture imports account for the success of the lifestyle retailer. Understanding the lifestyle retailer's marketing and buying patterns is important to furniture exporting countries.

What are the opportunities for El Salvador in the \$68 billion U.S. furniture industry? In an increasingly complex industry how does El Salvador build a competitive advantage? Many would say El Salvador is a small developing country that should follow the typical path of entry into the furniture export industry i.e., anonymously supplying cheap labor. However, can El Salvador compete with China in supplying cheap labor? And, is that the only way? This report argues that there are better alternatives. But first, a review of the current market for imports and how they developed.

### **Import markets for household furniture and principal products**

The United States furniture import market consists of two major segments: 1) U.S. furniture manufacturers that produce all or a portion of their product lines offshore; and, 2) U.S. furniture retailers that import products that are designed exclusively for their stores. U.S. furniture manufacturers account for approximately two-thirds of furniture imports and U.S. furniture retailers account for approximately one-third of imports. Within the industry, furniture retailers are classified as either traditional retailers or "specialty/lifestyle" retailers.

In the decades of the 60's, 70's and 80's, U.S. furniture manufacturers envisioned brands and distribution channels similar to those found in the automotive industry. The furniture manufacturers' brands, such as Thomasville, Lane and Henredon, were considered to be equivalent to Ford, Chevrolet or Chrysler in the automotive industry. Furniture retailers, analogous to car dealerships, were awarded quantities of product lines on the basis of written contracts and performance criteria agreed upon by both the manufacturers and the retailers. However, selling furniture proved to be unlike selling automobiles. The

---

<sup>3</sup> Furniture/Today "How to Import Furniture" market research study

<sup>4</sup> Furniture/Today columnist Jerry Epperson, February 9, 2004

furniture brand was important to the manufacturer and the retailer but furniture brands never had a strong impact on the consumer. Even though manufacturers continue to spend large amounts of advertising dollars to promote their brands to American consumers, surveys show that consumers rarely make a furniture purchase due to the brand label on a piece of furniture.

Most domestic manufacturers have long avoided providing traditional furniture stores their own brand because no chain was large enough to make it profitable to create a number of individual furniture lines. At the same time, furniture manufacturers were (and are still) trying to establish their own brands. In the last few years, traditional furniture retailers that want their own brand have turned to Asia, where companies are not only willing to design and sell special product lines, they are willing to do so at a low price. The brand wars continue today in the traditional furniture store market. While furniture manufacturers and retailers both look to establish brands within the same store it is not clear at this time which entity is winning the war. As both furniture manufacturers and retailers continue to look for an advantage, it appears that there is an opportunity for furniture exporters who can provide excellent design, competitive pricing and quick delivery. Traditional retail stores are still looking for manufacturers, either domestic or offshore who will supply furniture under the store's own label. Also, as brands become stronger and stronger in the global arena, those who can create unique products and connections to consumers should thrive.

The specialty/lifestyle furniture store began when entrepreneurs saw lucrative opportunities in the home furnishings market. Thirty years ago, gross sales of small furniture stores were \$1-2 million and with 50% profit margins. Denied access to furniture produced by U.S. furniture manufacturers due to tightly controlled distribution channels with traditional furniture stores these entrepreneurs looked to furniture imports as a source for their products.

Some specialty-store giants started as small single-store home furnishing importers and then grew tremendously. For example, Crate & Barrel began with one store in Cambridge Massachusetts and now has estimated annual sales of \$371 million through 106 retail outlets.<sup>5</sup> The success of companies like Pier 1 (the No. 2 U.S. furniture retailer), Pottery Barn (No. 15), The Bombay Company (No. 13) and newcomer Restoration Hardware (No. 26) has caught the attention of furniture industry analysts. Specialty furniture stores are leading the industry in sales per square foot of space and annual sales increases. Moreover, specialty stores have experience and knowledge in how to import furniture and home furnishings.

### **Principal products**

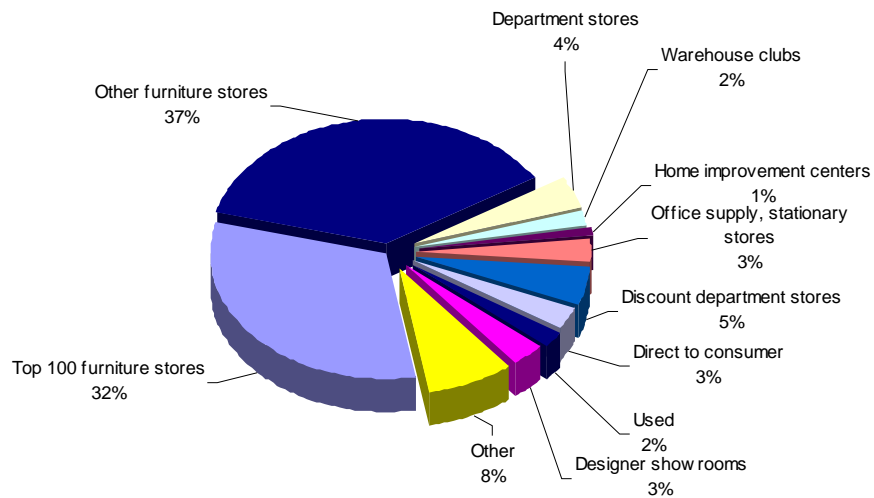
Almost all segments of household furniture are impacted by imports. Furniture imports are tracked by category by the U.S. Customs Service, U.S. Census Bureau and the U.S. International Trade Commission. The categories are: 1) wood products, which includes bentwood, teak, bedroom, chairs, dining, kitchen, living room furniture; 2) component

---

<sup>5</sup> Furniture/Today "Top 100 Furniture Retailers" market research study, 2003

parts which includes cut and sewn covers, leather, and furniture parts; 3) plastic and rubber furniture which includes seats and parts; 4) metal which includes furniture parts, furniture, outdoor furniture, and metal seats; 5) upholstery which includes convertible furniture, chairs, teak, chairs and wood frames; 6) rattan/cane furniture; 7) the "other" classification is furniture made of other materials and household swivel seats. Imports of principal products in order of dollar volume are: wood \$7 million; components \$2.2 million; metal \$2.2 million; upholstery \$2 million; rubber and plastic \$250,000; other \$243,000; rattan/cane \$212,000; and, other \$242,000.

### Estimates of furniture sales through different distribution channels



Furniture Distribution Channels

This above pie chart illustrates the "big picture" in furniture distribution channels. Consumer spending for furniture and bedding has risen steadily, if slowly, since 1997 and in 2002 was \$66.7 billion.<sup>6</sup> But, in that period, furniture stores have lost five market share points, garnering 69% of furniture and bedding sales in 2002, compared with 74% in 1997 and 1992 according to Furniture/Today research.<sup>7</sup> That 5 market share point loss would be even greater if lifestyle specialists such as IKEA, Pier 1, Pottery Barn and Restoration Hardware weren't included in the furniture industry. These lifestyle retail stores could arguably be just as readily called home textile stores, home accent stores or

<sup>6</sup> Furniture/Today "Distribution Channels" market research study, 2003

<sup>7</sup> Furniture/Today "Distribution Channels" market research study, 2003

even housewares stores. These stores have had better than industry-average sales increases.

In fact these companies make Home Textiles Today's ranking of the Top 50 home textiles retailers and Home Accents Today's ranking of the Top 50 home accents retailers.

The important data here is that more and more of the Top 100 furniture retailers are lifestyle specialists. And also illustrated by this pie chart is The Top 100 Furniture Stores control 32% of the market.

### **The Lifestyle Retailer**

The furniture industry has coined the term "lifestyle retailer" to capture the spirit of specialty furniture store retailers. The concept and success of a "lifestyle retailer" is personified in Ralph Lauren. Lauren's gift was his clear-sighted ability to capture what is best about America. He started with the aesthetic history of the U.S. and reinterpreted it for today's consumers. He showed us beauty in our lives that had heretofore been overlooked. For example, he saw poetry in a beat-up 1939 red Ford pickup where others only say peeling paint. No other designer had a greater influence on America. He created an all-American ecology and he is the source of the term "lifestyle retailer".<sup>8</sup> It took the convergence of several dynamics including cheaper manufacturing, mass communication, and a visually sophisticated young professional class for Ralph Lauren to create the "lifestyle" retailer.

Pottery Barn along and its major competitors (Pier 1 Imports, Crate & Barrel, IKEA, and newcomer Restoration Hardware) are all lifestyle retailers and are making a mark in the nascent specialty store furniture industry. These 5 retailers alone have total estimated annual furniture sales of \$3 billion.<sup>9</sup> They are all in the Top 100 Furniture retailers and also in the Top 50 Home Textile retailers.

---

<sup>8</sup> Home and Garden Magazine, September, 2000

<sup>9</sup> Furniture/Today, "Top 100 Retailers", market research study, 2003

Why is this an important trend? The lifestyle retailer combines design, branding, and imports into a powerful engine for home furnishing mass marketing thus making design available to everyone in America. Mass marketing has been transformed from a business that depends on sheer volume into one driven by image. Lifestyle retailers may be characterized as an assembly line of esthetics producing furniture, furnishings and textiles that appeal to people with sophisticated taste but that are priced within the reach of a huge segment of the population.

In a consumer driven market, becoming a lifestyle retailer represents the biggest opportunity for market entry and competitive advantage for new manufacturers with marketing savvy.

### **Consumer demographics**

Consumer demographics in the furniture industry are often analyzed by dividing the U.S. population into population groups: Generation Y, Generation X, Younger Baby Boomers, Older Baby Boomers, Empty Nesters, and Senior Seniors.<sup>10</sup> This is an interesting tool to use for product and market development. Although the specific furniture purchases are general and only highlight the top purchases for each generation, the information is useful in developing marketing strategies.

Generation Y, born between 1976-1985, is the most ethnically diverse generation in American history. These children of the Baby Boomers are just hitting their household formation years. By 2010, there will be 78 million of them. The most popular furniture choices of this generation in 2002 were mattresses and box springs, master bedroom furniture, entertainment centers and armoires.

Generation X, born between 1965-1975, is sandwiched between the baby boom and the echo boom. This smaller group of consumers presents lucrative opportunities for furniture sales. They've bought houses much sooner than their parents did. Two thirds of Generation X have bought their own homes. Now they're marrying, having children and buying furniture. In 2002, the most popular furniture choice of this generation was mattresses and box springs, master bedroom furniture, and youth/teen bedrooms.

Young Baby Boomers, born between 1956-1964 at the tail end of the baby boom are busy raising children. Over two thirds of Younger Baby Boomers are parents. One third have children between the ages of 6 and 12. Another third have children between the ages of 13 and 18. Their relatively higher incomes allow them to spend more on furniture purchases. But, other commitments temper their spending exuberance. In 2002, their most popular furniture choices were mattresses and box springs, master bedroom furniture, sofas, and loveseats.

---

<sup>10</sup> Furniture/Today "Buying Trends" market research study, 2003



Older baby boomers, born between 1946-1955, are just starting to empty their nests. One third still have children living at home. They are in their peak earning years. Older boomers have more money to spend and have allocated more for their furniture purchases. In 2002, the most popular furniture choices of this generation were mattresses and box springs, sofas, loveseats, and reclining chairs.

Empty Nesters, born between 1936-1945, are mostly in replacement mode when they shop for furniture. The oldest are entering their retirement years but over two fifths of the men and over one third of the women are still working full-time. In 2002, the most popular furniture choices of this generation were mattresses and box springs, reclining chairs, sofa, and loveseats.

Senior Seniors were born in 1935 or earlier. The youngest in this group turns 68 this year. Mostly retired, three fifths of the seniors have incomes under \$40,000. Fifteen percent have incomes of \$75,000 or more. In 2002, the most popular furniture choices for this generation, were mattresses and box springs, reclining chairs, sofa, and loveseats

The most important demographic for manufacturers and retailers to keep in mind in women. Women make the overwhelming majority of furniture and home furnishings decisions. The furniture store buying experience has been an unpleasant experience for women.

### Consumers buying patterns in 2002 and 2003

<i>Furniture Type</i>	<i>Median Price (\$)</i>	<i>% of U.S. households that bought furniture in 2002</i>	<i>% of households that plan to buy in 2003</i>
<i>Master Bedroom</i>	1,000	3.9	5.2
<i>Other adult bedroom</i>	300	1.5	1.7
<i>Youth/teen bedroom</i>	300	2.7	3.2
<i>Entertainment Centers</i>	250	3.9	4.4
<i>Sofas</i>	1,000	4.6	5
<i>Chairs</i>	400	1.3	1.6
<i>Cocktail/end coffee tables</i>	275	3.7	4
<i>Kitchen/chairs</i>	400	3	3.8
<i>Dining room</i>	1,000	2.2	2.8
<i>Desks</i>	180	4.7	3.7
<i>Mattresses/box springs</i>	400	10.8	10.8
<i>Swivel/glide chairs</i>	400	2	2.2
<i>Curios</i>	250	1.8	2.5
<i>Motion sofas</i>	900	1.8	3
<i>Reclining chairs</i>	500	3.9	4.9
<i>Lamps</i>	100	7.7	5.3
<i>Area rugs</i>	100	7.1	6.1
<i>Sleep sofas, futons</i>	200	1.3	2.2
<i>Decorative pillows</i>	75	7.6	3.9

Table 1 Source: Furniture/Today "Buying Trends" 2003

<i>Furniture Type</i>	<i>Percentage, by age group, of household members that bought furniture in 2002,</i>					
	<i>Under 25</i>	<i>25-34</i>	<i>35-44</i>	<i>45-54</i>	<i>55-64</i>	<i>65+</i>
<i>Master Bedroom</i>	3	24	24	23	16	10
<i>Other adult bedroom</i>	3	9	16	32	23	17
<i>Youth/teen bedroom</i>	4	32	39	17	5	3
<i>Entertainment Centers</i>	5	22	26	25	12	10
<i>Sofas</i>	4	19	25	24	16	12
<i>Chairs</i>	2	11	25	29	16	17
<i>Cocktail/end coffee tables</i>	4	21	26	25	13	11
<i>Kitchen/chairs</i>	4	19	24	24	17	12
<i>Dining room</i>	5	21	23	25	14	12
<i>Desks</i>	6	23	28	23	12	8
<i>Mattresses/box springs</i>	3	17	24	25	15	16
<i>Swivel/glide chairs</i>	3	13	16	24	19	25
<i>Curios</i>	2	14	23	30	17	14
<i>Motion sofas</i>	2	16	24	30	16	12
<i>Reclining chairs</i>	1	9	17	24	22	27
<i>Lamps</i>	5	22	26	23	14	10
<i>Area rugs</i>	2	15	24	26	18	15
<i>Sleep sofas, futons</i>	3	15	25	25	16	16
<i>Decorative pillows</i>	?	?	?	?	?	?

Table 2 Source: Furniture/Today "Buying Trends" 2003

### Key trends

The overarching trend among furniture importers is the increasing attention paid to branding. In today's oversupplied competitive furniture market, branding is the hot-button buzz word in all marketing department discussions. The largest U.S. furniture manufacturer, Furniture Brands International, Inc., based in St. Louis, Missouri, states in its annual report that, "The transition in the furniture industry from domestic manufacturing to offshore sourcing - a transition being led aggressively by Furniture Brands International - will increase the importance of our strong brand names. As we continue to become more of a marketing company and less of a manufacturer, our brands will become an irreplaceable asset, an asset that no other furniture company has and that none can copy." While Furniture Brands International has good brands such as Lane, Broyhill, Thomasville, Henredon, Drexel Heritage and Maitland-Smith, the latest surveys show that these brands may be important to the retailer but not to the consumer. Customers tend to remember the furniture store name not the wholesale brand.

As manufacturers and retailers explore the "New Brand World"<sup>11</sup>, national image influences consumers, in some cases more so than individual brands. The perception of a nation can be an important determinant of purchasing decisions. These perceptions partly determine a brand's marketability, whether in the form of exports or as a place to establish a subsidiary. The era of nationalism may be over, but national images are still powerful influences on our imaginations. Many studies have shown that a nation's image

<sup>11</sup> A New Brand World, Scott Bradbury

influences consumer evaluation of products made in that nation, in some cases more so than individual brands. “Made in Japan” connotes a very different image for a Sony VCR than does “Made in Malaysia.”<sup>12</sup> In this modern era of globalization, international marketing strategists must consider the effect of a nation’s image as an important factor in consumer buying decisions.

The idea that countries have a brand or image is not new. In 1896, Ernest Williams posited that the ‘Made in German,’ logo advanced the sale of German made goods. This has been supported by hundreds of studies linking a country’s image with the success (or lack of success) of its products in international markets.<sup>13</sup> Today, countries such as Scotland, Great Britain, New Zealand, Germany and Taiwan have developed national image campaigns with the advice of image consultants.<sup>14</sup>

### **Current market forces**

The U.S. furniture manufacturer is currently in a state of transition. With imports at an all time high where furniture comes from has changed. Canada has been a longtime source, Mexico is rapidly growing as a source and in recent years Malaysia, Thailand, and now China and Vietnam have burst on the scene. Most manufacturers in the U.S. are closing factories and partnering or building factories offshore. The U.S. manufacturer is becoming less of a conventional manufacturer and more of a marketing and distribution company. As marketing becomes a larger and larger part of the equation for success in the U.S. market, U. S. manufacturers and exporting countries will have their marketing skills tested.

The entry of China into the World Trade Organization paved the way for the rapid growth of furniture exports from China. Just 10 years ago, the southern provinces of China were mainly farmland and dirt roads. Now 6000 furniture factories dot the horizon. Jammed six-lane highways connect the rapidly growing cities sporting five-star hotels catering to Western business people. China sought entry to a specific category in the U.S. furniture market. They now dominate wood imports. China’s strength is in veneers and laminates but they have also entered the solid wood market. Not only are they learning to compete in the solid wood category but they have also driven prices down on all wood furniture. China’s success is breathtaking. U.S. manufacturers of wood furniture are closing plants in the U.S. and partnering with China in manufacturing. China is so successful they are outsourcing to Vietnam. And now China is turning to other furniture categories: upholstery is their next target. Upholstery only represents 15% of current imports into the U.S. It will be interesting to watch China's impact on this furniture category. China now exports \$5.7 billion of furniture, in all categories, to the U.S. This is 39% of the total, \$14.1 billion, in imports to the U.S. worldwide.<sup>15</sup> Similarly, the Caribbean Basin Initiative and the recently signed Central American Trade Agreement, CAFTA, will create opportunities for Central American furniture exports.

---

<sup>12</sup> Financial Times, "Mastering Management", 2001

<sup>13</sup> Financial Times, "Mastering Management", 2001

<sup>14</sup> Financial Times, "Mastering Management", 2001

<sup>15</sup> U.S. Customs Service, U.S. Census Bureau, U.S. International Trade Commission

## **Design trends**

Despite the increased competition, new products are hard to find. Most manufacturers appear to have mainly tweaked and extended their best sellers, or adjusted their product prices, in response to the increased competition. However, design trends in the furniture industry include larger furniture for bigger homes, lightened woods for less formal looks, and contemporary and European country designs targeted to younger consumers.

With globalization and a shortened design-to-manufacture-to-showroom cycle, the furniture industry increasingly resembles the fashion industry products moving quickly from trendy to out of fashion. Multicultural, classic, Asian, relaxed traditional and contemporary trends can rapidly replace modern, country, heirloom and European designs as the most sought after design styles. And most importantly marketing will drive consumer's choices.

## **Summary**

The first question, and this is the 800 pound gorilla in the room, is "Can new entrants to the offshore furniture manufacturing industry, all vying for a share of the U.S furniture market, compete with China, Canada and the other 8 top furniture producing countries?" The second question is "Will new entrants be relegated to producing furniture parts like Vietnam thereby taking advantage of cheap labor yet remaining anonymous participants in the furniture supply world?"

First, a country that wishes to compete must create an environment in which people and businesses can seize opportunities created by economic and technological change. In El Salvador, a stable macro-economic environment has been achieved by the signing of the CBI and CAFTA agreements. These two agreements consolidate the removal of trade barriers for the Salvadoran furniture industry. However, market economies do not exist in a vacuum. Countries must partner with each other to create stable and fair frameworks for trade, environmental problems, and worker rights. CAFTA opens the borders to investors and partners by establishing a secure, predictable legal framework for U.S. investors operating in the Central American countries and limits all duties on furniture imports.<sup>16</sup>

Second, build the "soft" infrastructure, the marketing, design and image platform. This platform coupled with strong partnerships can enable a small developing country to gain a competitive advantage. This platform is a national challenge as well as an essential entry-level requirement.

Third, government support is needed to provide the necessary infrastructure and policy environment that will help furniture manufacturers be most productive.

---

<sup>16</sup> Trade Facts, Office of the United States Trade Representative, December 17, 2003

## **Hardwood, rattan and wrought-iron products: U.S. Market Study**

### **Hardwood**

The solid/hardwood segment of the import furniture market is approximately \$500 million of the total \$7 billion of all wood furniture products imported into the U.S. in 2002. Solid/Hardwood is not a specific category tracked by U.S. Custom Services, U.S. Census Bureau and U.S. International Trade Commission.

The U.S. Government tracks the following kinds of furniture: 1) bentwood furniture, 2) miscellaneous wood furniture, 3) teak chairs, non-upholstered; 4) wood bedroom furniture, 5) wood beds, 6) wood chairs, 7) wood dining tables, 8) wood kitchen dining tables, 9) wood kitchen furniture, and, 10) non-upholstered wood seats.

In these categories the top importers in wood furniture are China, Canada, Italy, Mexico, Taiwan, Indonesia, Thailand, Brazil and the Philippines. Each country specializes in the kind of wood product and wood manufacturing processes that they do best. For instance, China's strength is veneers, laminates, turnings, hand carving and hand painting. Excellent reproductions of traditional European and American furniture at low cost is part of the reason for China's rapid dominance of the wood furniture market. Italy's strength is design and unique finishes.

Canada is the leading exporter of solid/hardwood furniture to the U.S. The Canadians are vertically-integrated manufacturers. Canada's strength in the solid wood market is its control of the wood from the forest, to the sawmill, to the showroom.

Canada's solid wood products are cleaner, simpler more modern designs that lend themselves to more automation and machine-driven manufacturing processes. The categories of furniture that use hardwood/solid wood most successfully are kitchen dining tables and chairs, and modern bedroom furniture. These are also the leading furniture exports from Canada to the U.S.

Although China and Canada may not compete directly due to each positioning products at opposite ends of the design spectrum, traditional vs. modern, there is a more complex effect in the marketplace where customers substitute less-expensive imported furniture. The result is a downward pressure on all prices, and thus the consumer expectations of what they want to pay for solid/hardwood furniture continues to fall. The U.S. consumers has been spoiled with beautiful mahogany and cherry veneer beds with hand cravings and turnings sold at the same price that some manufacturers produce a solid cherry wood bed with no veneers, no cravings or turnings. To the consumer they are the same beds. Only one is more beautiful and costs less. It is hard to make the argument that a simple hardwood bed is a better investment.

The consistent picture that emerges is that furniture manufacturers that are successful are those who are export-oriented and thus used to thinking about finding the most efficient source for any production inputs, whether that is wood, labor or design.

## **Rattan**

The U.S. imported \$212 million of rattan in 2002. The top exporting countries in rattan are China, Philippines, Indonesia, Vietnam, Malaysia, Thailand and Honduras.

Teak and synthetic weather resistant rattan/cane has eliminated most of the outdoor market for natural rattan and cane.

Rattan and cane imports are broken into 3 categories by the U.S. Customs Service: 1) cane furniture and seats, 2) rattan furniture and 3) rattan seats.

Cane furniture and seats imports to the U.S. in 2002 were \$40 million. The top exporting countries were China, \$20 million; Philippines \$10 million; Indonesia \$5.4 million; Vietnam \$854 thousand; and Thailand \$741 thousand. Vietnam increased cane furniture/seats exports by 161%. Indonesia increased exports by 72% and China decreased exports in cane furniture/seats by 26%.

Rattan furniture imports to the U.S in 2002 were \$91 million. The top exporting countries were China, \$51 million; Philippines, \$20 million; Indonesia, \$15 million; Hong Kong, \$1.9 million and Italy \$885 thousand. Italy increased rattan furniture exports by 27%, Indonesia increased exports by 19%, China increased exports by 14% and Philippines decreased exports in rattan furniture by 21%.

Rattan seats imports to the U.S. in 2002 were \$79.8 million. The top exporting countries were China, \$28 million; Indonesia, \$21 million; Philippines, \$20 million; Malaysia, \$6.8 million and Honduras \$696 thousand. Honduras increased rattan seats exports by 1238%, Malaysia increased exports by 35%, China increased exports by 25% and Philippines decreased exports of rattan seats by 11%.

In the U.S., McGuire Furniture dominates the high-end rattan furniture market. McGuire combines rattan, woven peel, solid teak, bamboo, Oriental hardwoods, laced rawhide and aluminum into elegant designs recognized by connoisseurs and fine furniture collectors. McGuire's furniture is sold exclusively through architects and interior designers. Single chair prices start at \$600. Prices average \$6,000-\$7,000 for a table and 4 chairs.

## **Wrought-iron**

Wrought-iron is a segment of the \$2.2 million metal import category.

Metal categories tracked are metal furniture and parts, \$454,000; metal household furniture, \$903,000; metal outdoor seats, \$171,000; and metal seats, non-upholstered, \$243,000.

The wrought-iron market is so small it is not even tracked by the Customs Service. The largest markets for wrought-iron are garden accessories, drapery rods, and lighting.

## Challenges for El Salvador

Most countries use indigenous products and/or cheap labor to gain entry to the US furniture market and then use designers and buyers to assist with the design of products.

Globalization has brought stiffer competition for those countries who have already invested in infrastructure, machinery and technology. Due to earthquakes and war El Salvador is 10-15 years behind these countries in upgrading factory systems for furniture production. China, Malaysia, Philippines, Vietnam, Canada have made substantial investments in the infrastructure needed to support furniture as a "target" industry.

To add to the challenge, research and development, and marketing skills are also not developed in El Salvador. However, there is design talent and there is an opportunity to enter the U.S. market with a unique service and/or product(s). Capture people's hearts, design products, build partnerships, stimulate investment, and create a competitive advantage.

Cynics will decry the entire notion of marketing, image campaigns and branding. But, branding is not simply the tool of the corporation. Branding and image creation can also be a conduit to an intimate emotional connection that can become a unique way to close the gap between cultures, people and societies.<sup>17</sup>

Countries have images. It may be outdated, but the image of El Salvador and Central America is rebels, revolutionaries, carnivals and contras. Rather than leaving it to the slow passage of time to change those images, governments, trade organizations and companies should join forces in forging, promoting and maintaining country images that yield competitive advantage.

The challenge and opportunity for El Salvador in the furniture industry is to seize this unique moment in time to rethink what Salvadorans do best, what Salvadorans have to offer and to create a marketing platform for entrepreneurs to develop new products and new businesses.

---

<sup>17</sup> Citizen Brand, Marc Globe