

China's Furniture Industry Today

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Description: Update of production, wood consumption, global market development, and relations to U.S. industries.

Methods: Interviews, field trips in China.

Data Source: Industry reports, official census data in both China and U.S.

Key Findings:

1. The industry is growing quickly with an increasingly important global presence;
2. Chinese furniture companies are using imported wood materials for high-end markets, presenting opportunities for U.S. suppliers.
3. Forming strategic alliances with Chinese companies may be an opportunity for U.S. companies.

Chinese furniture exports are a controversial topic within U.S. wood and furniture industries. For over two decades, especially since the mid-1990s, the Chinese furniture industry has achieved an average 15% annual growth in gross production and 30% increase in exports annually (Figure 1). Most production comes from four regions distributed from south to north along the coastline (Figure 2). The southern region (centered in Guangdong Province) accounts for over half of the country's total production and exports. Guangdong is the most important area with concentrations of state-of-the-art furniture companies and well-developed industry infrastructure, including supplying facilities and distribution centers.

Figure 1. Chinese Furniture Production and Exports 1997-2003 (CNFA)

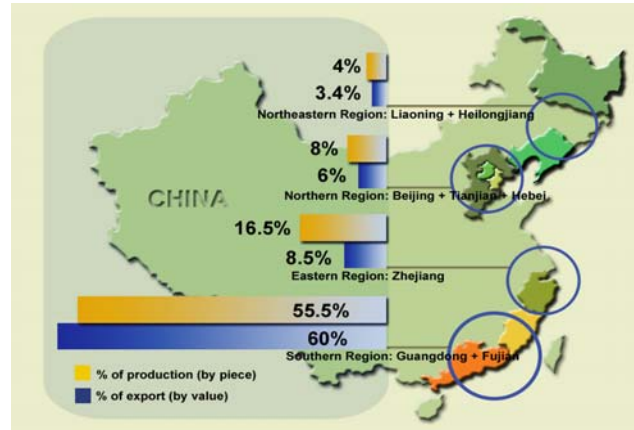
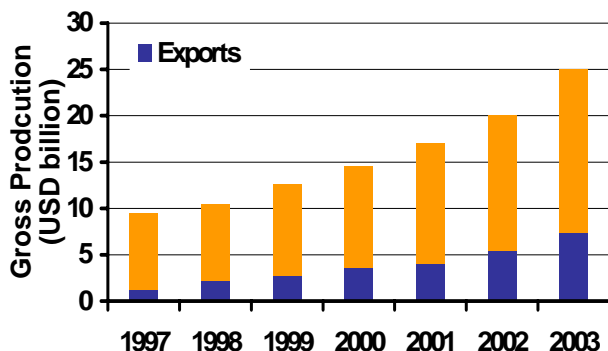


Figure 2. Top Chinese Furniture Production Regions (CNFA)

Recent developments suggest that the industry is remodeling itself to incorporate automation and innovation as new strengths to compete globally. On one hand, a new manufacturing approach termed “tech-labor intensive” is found to be widely adopted by large Chinese companies¹. The approach features a combination of automation and sophisticated hand working in furniture making. With this, manufacturers are able to capitalize on both production efficiency and labor skills. On the other hand, new product development and marketing are increasingly pursued as key competencies by Chinese companies. Industry clustering is seen in the Peal River delta (South China) and the Yangtze River delta (East China), which is believed to provide new sources of innovation, such as novel types of buyer-supplier relations, to boost the industry's future development.

China is supplying one-third of U.S. furniture imports¹¹ while the U.S. is the largest buyer of Chinese exports (Figure 3)¹¹. Close trade ties between the two countries present several opportunities for U.S. companies:

First, increasing demands in the domestic Chinese market, which are boosted by housing starts and a growing middle-class, have helped increase U.S. sales in China. Some U.S. companies are already operating in China either as joint venture or as wholly owned business. Recent examples include co-marketing efforts between Ethan Allen, a U.S. furniture company, and its Chinese supplier Markor Group, by opening home accent stores in major Chinese cities.

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Second, China is a net importer of forest products. Volumes of log, lumber and veneer imports are large and increasing. It is estimated that by 2010, China will import 140-160 million cubic meters of wood products. Its furniture-making sector will account for one-fifth of the total wood consumption.^{IV} U.S. wood exports to China are growing steadily. Suppliers being able to provide local warehousing, local sales services, and consistent quality would be highly preferred by Chinese industrial customers.

Third, global outsourcing is strategic in increasing core competencies of international companies. Low production costs and high quality have been widely recognized as major advantages of Chinese-made furniture products. By working with Chinese companies, U.S. companies can better focus on their own strengths in marketing and new product development to grow stronger.

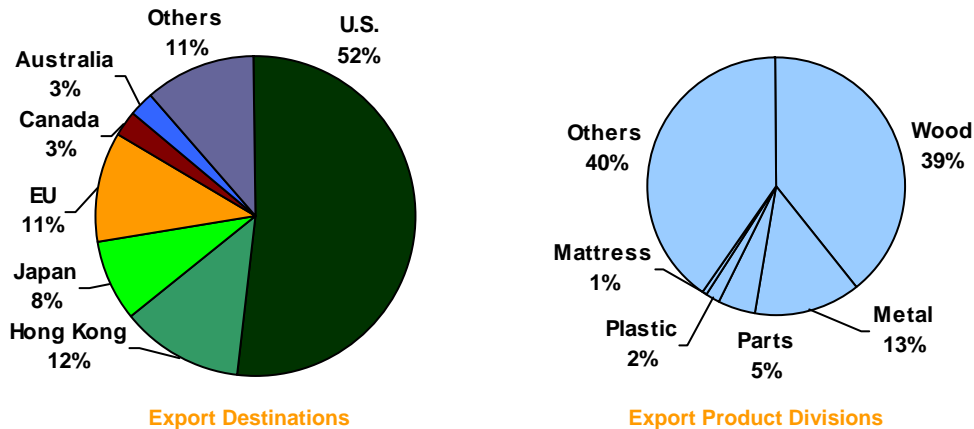
CONCLUSIONS

The Chinese furniture industry is likely to maintain the current growth momentum into the next decade backed by the country's booming domestic market and growing global competitiveness. The industry's new strengths are gained through intensive investments in automation and innovation by both Chinese and overseas investors.

The tremendous demands from the Chinese industrial customers and end consumers will present opportunities for U.S. wood and furniture companies. Teaming up with Chinese companies with on-time performance and reliability might be the way to prosperity for U.S. industries.

Future work by OSU will be focused on measuring the industry's innovativeness in terms of product innovation, process innovation and business systems innovation. ●

Figure 3. Export Destinations and Production Divisions 2003 (CNFA)



^I Lei, S. and M. McGowin. 2002. If We Can't Beat Them, Let's Work Together, Wood & Wood Products Oct.: 63-67.

^{II} Schuler, A. and Buehlmann, U. 2003. Identifying future competitive business strategies for the U.S. residential wood furniture industry: benchmarking and paradigm shifts. General Technical Report NE-304. USDA Forest Service. 15pp.

^{III} China National Furniture Association (CNFA) Annual Reports, 2002 and 2003. China National Furniture Association. Beijing, China. (in Chinese)

^{IV} Xu, M. 2003. Chinese furniture industry in the beginning of the 21st century: overview and forecast. www.365f.com (Everyday Furniture Web), Beijing. <http://www.365f.com/hylt/ltnr.asp?name=511> (in Chinese) (Dec 30, 2003 viewed).