

Furniture



June 2009

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FURNITURE

Supplier capability in China

EXECUTIVE SUMMARY

Furniture suppliers in China are carrying out various cost-cutting measures and market repositioning strategies to salvage sluggish exports. These steps, which include adjustments in material sourcing, product construction and manufacturing processes, are also being undertaken to keep price increases at bay amid buyers' diminishing purchasing power.

Shipments between January and April 2009 showed a significant slowdown compared with the corresponding 2008 levels. The descending trend is observed in both volume and value terms of key categories such as bedroom, dining, office, outdoor and living room furniture.

Nevertheless, most makers in China are optimistic that overseas sales will recover from the recession in six to 12 months. In fact, the majority of companies in this report anticipate a revenue growth of more than 20 percent.

The following are some of the key trends we see in the industry:

- Because furniture is a highly aesthetic-driven segment, many China suppliers plan to increase their R&D outlay despite overall budget cutbacks. Collaboration with foreign designers will continue to be prevalent in order to stay on top of the latest global trends.

- Sourcing wood from North America and Russia will be a common practice as the cost of domestic wood remains on the upswing. Currently, about 40 percent of the timber used in the country's furniture production is purchased abroad.

- More makers will explore alternative export destinations such as Russia, the Middle East, South America and Southeast Asia to bolster sales.

- Current prices are likely to stay the same through the rest of 2009, as most companies adopt a wait-and-see approach on the business

climate in coming months.

- Better ergonomics and the use of environment-friendly materials will be the top R&D concerns of most suppliers. Office chairs featuring more adjustable settings and children's furniture with water-based paint and finishes are examples of these.

This report covers the major categories produced in and exported from China: living room, bedroom, dining, children's, office and outdoor furniture.

For each product, the report describes the latest designs, materials and finishes employed by makers. It also highlights key factors that influence the price and quality of low-end, midrange and high-end releases. The industry composition and main export hubs of each segment are likewise discussed.

Projections for the next 12 months for prices, overseas sales, capacity expansion plans and R&D focus are detailed in the Supplier Survey.

The Industry Overview section looks into the key issues surrounding furniture companies, and their means of coping with these challenges. The latest figures from China customs are included here as well.

Reflecting the industry structure, more than 80 percent of the enterprises interviewed for this report are mainland-China owned. The rest is backed by Hong Kong and Western investors. Most are OEM-focused manufacturers with direct export rights, and have been in the industry for more than 10 years.

The provinces of Guangdong, Zhejiang and Fujian are the key furniture manufacturing centers in China. Nearly half of the country's shipments originate in Guangdong, while Zhejiang contributes approximately one-fifth. Eighty percent of the featured suppliers are based in these hubs.

In this report

- 21 in-depth company profiles
- 16 additional suppliers
- 62 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For each company profile, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in-person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capabilities of each supplier.

All suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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INDUSTRY OVERVIEW

Most furniture makers in China will either maintain quotes or implement markdowns through the rest of 2009 as markets become more price-sensitive. Many companies find the step vital for enduring the effects of the global economic slowdown, one major implication of which is the weaker purchasing capability of buyers.

To afford reductions without operating at a loss, manufacturers are negotiating with material suppliers in hopes of getting better deals. Wood costs, however, continue to be high due to forest depletion and consequent efforts to protect the environment. As a result, most makers in the line were forced to decrease their own profits instead. Some, in fact, have slashed margins by as much as 5 percent.

Moreover, an increasing number of furniture companies in China are investing in R&D, believing this will help them come out ahead when the economic tide turns. Many suppliers said they would only experience more difficulty if innovation capability were not to be strengthened. In fact, the China National Furniture Association encourages makers to become more design-driven via a series of seminars instead of being manufacturing-oriented.

In line with this, midsize and large companies have generally increased R&D spending from 2 to more than 5 percent in 2009. Most are cooperating with specialists, with some even employing Western designers to help create styles more attractive to key markets. Top-tier suppliers boast talents from Italy, Germany, France and Japan, and can come up with up to 50 new concepts daily.

More China makers are also hiring skilled engineers and technicians to assist in R&D-related concerns such as developing standard product components, more-advanced machines and software.

Cost-cutting plans

China companies are implementing various ways to keep their business running amid depleting margins. These mainly entail using alternative materials and improving production efficiency.

Numerous manufacturers have started importing wood to control material expenditure. The move is largely a result of the rising cost of domestic timber due to dwindling supply. Oak, for example, has increased by 10 percent over the past two years.

At present, approximately 40 percent of the industry's wood requirement comes from abroad. Sourcing from North America is becoming a common practice. Because of abundant resources and capability for large volume processing, the region can offer lumber that is 10 percent less expensive than locally procured materials.

Raw materials are also purchased in Russia, where hardwood varieties grow in abundance. In fact, some China companies are considering transferring factories there to take advantage of the rich timber supply.

Reducing material wastage is another means to trim production

Supplier summary

Suppliers surveyed	21
Export sales	\$289.7mn
Export ratio	92%
OEM business	58%
Capacity utilized	74%
Annual R&D spending	\$38.3mn
Full-time employees	20,124

Data: All surveyed suppliers

outlay. To illustrate, scrap wood planks used in console and coffee tables are being reprocessed and glued together to create panels for the tabletops and legs.

Further, product construction is being streamlined to rein in assembly costs. Several bedroom furniture makers that offer upscale solid wood furniture, for example, are now releasing models in lumber and MDF combination to meet demand for more-affordable pieces. Mixing materials can reduce costs by as much as 40 percent.

Sideboards for the dining room are also designed with compartments featuring slide slots on the edge. This allows them to fasten onto the main body without the need for screws or other mounting hardware.

Further, a few companies are

Major customers

Company	
Anhui Light	Target (US)
Anji Pingan	Office Depot (US)
Foshan Nanhai Jinxianhua	Ikea (Sweden); Carrefour (France); Otto (Germany)
Foshan Shunde Yatn	Resol, Otto (Germany)
Guangdong Sunteam	Ameriwest (US); Inter Link (Brazil)
Hongkong DingFeng	Radenkovic (Serbia); Buyers Tap (US); Fashions by Zil (Australia)
Jiangmen Yulan	Sears, Target (US)
Long Sheng	Staples (US); Office Depot (Mexico)
Sinomax	Wal-Mart, Target, Sam's Club (US)
Tradewinds	Disney, Drexel, Hammery, Hekman, Stanley, ThreeSixty Sourcing (US)

Anji Pingan Furniture Mfy

Anji Pingan generates \$8 million annually from exports of living room, dining and office furniture. Products go to North America, Europe, the Asia-Pacific region and the Middle East.

OEM orders make up 30 percent of overseas shipments, with the balance comprising ODM and OBM at 30 and 40 percent, respectively. The EU will be the company's target market in coming months.

ISO-compliant processes are conducted in a 20,000sqm factory with 200 workers. The production facility operates at a 65 percent capacity

utilization rate. Average monthly output reaches 13,000 pieces.

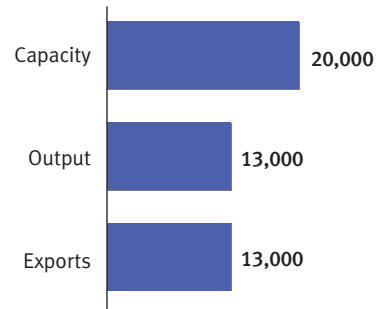
The supplier has 10 R&D members and 12 QC inspectors. Its headquarters is located in Zhejiang province.

Prices are expected to increase between 5 and 10 percent in the next half year. Currently, the company can manufacture up to 20,000 pieces of furniture per month.

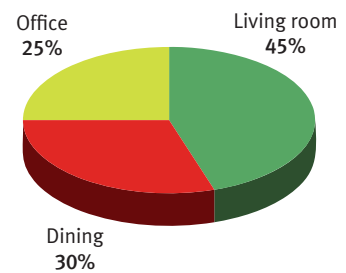
Anji Pingan is holding capital expenditure at current levels. Overseas shipments are forecast to grow by more than 20 percent in the months ahead.

Profile

Production pieces/mth



Products made



Contact details

Business contact

TAN Tony

Phone

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Fax

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URL

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www.globalsources.com/

zjhaosheng.co

Address

Sunshine Industrial Zone, Anji,
Huzhou, Zhejiang, China

Company facts

Year established	1991
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Hangzhou (Zhejiang)
Number of factories	1
Factory location(s)	Hangzhou (Zhejiang)
Total factory area	20,000sqm
No. of full-time employees	206
No. of R&D/design staff	10
No. of QC staff	12
Annual sales (all products)	\$8.0mn
Annual R&D spending	\$640,000
ISO certification	Yes

Sales & output: Furniture

Annual sales	\$8.0mn
Share of total sales	100%
Annual export sales	\$8.0mn
Total monthly capacity	20,000 pieces
Average monthly output	13,000 pieces
Capacity utilized	65%
Average monthly exports	13,000 pieces
Export ratio	100%
OEM % of exports	30%
ODM % of exports	30%
OBM % of exports	40%
Major customers	Office Depot (US)

Capability

Production checklist

Air-filtration system	Yes
Painting lines	3
Cutting machines	1
CNC routers	1
Drilling machines	2
Edge-banding machines	1
Tube-bending machines	1
Tempered-glass processing in-house	No

Exports by product

Living room	45%
Dining	30%
Children's	—
Outdoor	—
Office	25%
Bedroom	—

Exports by market

North America	30%
European Union	20%
Europe (non-EU)	20%
Asia-Pacific	5%
Middle East	15%
Other	10%

Survey

- **Export prices**
Increase
- **Export price increase**
5-10%
- **Export sales**
Increase more than 20%
- **Target market**
European Union
- **Capital expenditure**
No increase
- **Major challenge**
Stricter overseas standards
- **Export capability**
Improve operating efficiency
- **R&D focus**
Environment-friendly materials

Popular export models



Living room furniture

Model	PA-HS 901
Minimum order	208 sets
Packaging type	Carton
Delivery time	30 days
Indicated price	\$82.98

Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x89/104x95/102cm chair; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE



Living room furniture

Model	PA-HS 952
Minimum order	208 sets
Packaging type	Carton
Delivery time	30 days
Indicated price	\$86.98

Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x104x95cm chair with height adjustable to 102cm; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE



Living room furniture

Model	PA-HS 954
Minimum order	208 sets
Packaging type	Carton
Delivery time	30 days
Indicated price	\$66.54

Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x89/104x95/102cm chair; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE

PRODUCT GALLERY

Living room furniture



Anji Pingan
(profile page 34)
Model: PA-HS 901
Minimum order: 208 sets
Packaging type: Carton
Delivery time: 30 days
Indicated price: \$82.98
Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x89/104x95/102cm chair; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE



Anji Pingan
(profile page 34)
Model: PA-HS 952
Minimum order: 208 sets
Packaging type: Carton
Delivery time: 30 days
Indicated price: \$86.98
Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x104x95cm chair with height adjustable to 102cm; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE



Anji Pingan
(profile page 34)
Model: PA-HS 954
Minimum order: 208 sets
Packaging type: Carton
Delivery time: 30 days
Indicated price: \$66.54
Description: Chair with footrest; bentwood and iron frame; cow split leather exterior; 78x89/104x95/102cm chair; 46x44x35cm footrest; 22kg net, 25kg gross weight; UL, CE



Ator
(profile page 36)
Model: AC-3311B
Minimum order: 50 pieces
Packaging type: Carton
Delivery time: 25 to 30 days
Indicated price: \$40.60
Description: Coffee table; chromed steel frame; 10mm tempered-glass top; 600x600x450mm; 10.8kg; various designs and sizes available



Foshan Nanhai Jinxianhua
(profile page 38)
Model: TV033
Minimum order: 250 pieces
Packaging type: Carton
Delivery time: 35 days
Indicated price: \$66.00
Description: TV stand; iron frame; 8mm tempered glass top; black or shiny silver powder-coated surface; 1070x520x1250mm; 28kg



Foshan Shunde Yatn
(profile page 42)
Model: YT016-1
Minimum order: 10 sets
Packaging type: Kraft
Delivery time: 30 days
Indicated price: •
Description: Set of 96x90x64cm sofa; 140x90x64cm left and right sofas with armrest; 90x90x64cm corner sofa; two middle 75x90x64cm sofas; 125x75x30cm and 43x43x43cm tables; powder-coated aluminum frame; PE rattan exterior; 8mm tempered glass, 13 water-resistant cotton and sponge cushions; painted surface

• Information not disclosed

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