4. Distribution, Consumption, and Evaluation of Thai Products

(1) Main Thai Products Distributed in U.S.

First, the following three key products made by Thailand and distributed in the U.S. market were selected and then a look was taken at their price competitiveness with products of other Asian nations in the U.S. import market:

(a) Tables, NSPF (#727.3535)
(b) Other chairs (#727.2900)
(c) Dining tables (#727.3530)

By determining superiority or inferiority in price competition, it is possible to obtain a proportional evaluation even in the low and medium price consumption market. If superior in price, the import growth index may be forecast to increase in its rise in the future (Tables 28 to 30). The three products are advantageous to Thailand and an expansion in imports is being shown.

1) Tables, NSPF (#727.3535)

Table 28(a) Unit Price ($/No.)

	1984	1985	1986	1987	1988
Taiwan	$19.0	$26.0	$29.0	$34.1	$33.9
Singapore	79.2	68.3	65.5	77.2	81.9
Thailand	32.2	19.7	11.1	17.0	16.2

Table 28(b) Import Growth Index (1984=100)

	1984	1985	1986	1987	1988
Taiwan	100.0	175.0	270.8	360.0	254.3
Singapore	100.0	222.2	260.8	302.8	266.4
Thailand	100.0	242.1	476.9	1,585.1	1,760.7

This product is the most important in U.S. imports from Thailand in terms of value (US$14.6 million) and is one of the most promising markets.

In particular, Thai products have the lowest unit prices among imports from Asia and prices of Taiwanese and Singaporean products are increasingly rising.

Therefore, insofar as we view tables, NSPF, Thai products are superior in price compared with products of other Asian countries. Reflecting this, while products of other countries (Taiwan and Singapore) have been experiencing low growth in their import growth indexes, Thai products have continued to experience high growth and should enjoy a strong market in the future as well.

2) Other chairs (#727.2900)

Table 29(a) Unit Price ($/No.)

	1984	1985	1986	1987	1988
Taiwan	$19.1	$17.4	$16.5	$19.9	$17.6
Thailand	13.0	17.4	20.9	13.4	13.3
Singapore	22.7	25.0	23.6	25.9	23.7
Korea	39.9	41.9	38.8	35.9	44.6

Table 29(b) Import Growth Index (1984=100)

	1984	1985	1986	1987	1988
Taiwan	100.0	87.0	127.4	199.9	138.8
Thailand	100.0	168.2	280.9	723.4	1,192.0
Singapore	100.0	108.2	75.3	92.7	92.3
Korea	100.0	117.0	176.6	258.7	243.5

This product (other chairs) is the second most important in U.S. imports from Thailand in terms of value (US$5.8 million) and is another of the most promising markets.

Thai products had a unit price of US$20.9 in 1986, higher than Taiwanese products, but the unit price dropped from 1987 and now stands at the lowest position among products imported from Asia. Starting from that point in time, the import growth index grew at an overwhelmingly fast rate compared with those of other countries. Further growth may be expected in the future.

3) Dining tables (#727.3530)

Table 30(a) Unit Price ($/No.)

	1984	1985	1986	1987	1988
Thailand	$118.3	$80.7	$44.6	$54.7	$45.7
Taiwan	90.3	77.7	56.5	61.8	56.7
Singapore	118.0	108.2	87.8	118.0	114.1
Korea	64.1	70.8	68.7	100.5	94.8
Hong Kong	343.3	409.7	303.7	309.8	394.3

Table 30(b) Import Growth Index (1984=100)

	1984	1985	1986	1987	1988
Thailand	100.0	227.3	200.8	754.4	2,059.2
Taiwan	100.0	189.8	362.4	431.6	329.0
Singapore	100.0	128.8	113.4	130.9	131.2
Korea	100.0	133.5	83.9	189.6	115.8
Hong Kong	100.0	119.3	117.9	150.4	114.9

This product (dining tables) is the seventh most important in U.S. imports from Thailand in terms of value (US$2.7 million) and is yet another of the most promising markets.

These Thai products have the lowest unit price (US$54.7) among products of the Asian nations.

The rival countries of South Korea and Singapore are in general trying to raise their prices.

Therefore, these Thai products are the most superior among products of the Asian nations in terms of price.

Reflecting these low price levels, the import growth index has been rapidly rising. The market prospects for these Thai products are therefore bright.

(2) Distribution System

Interviews were used to throw light on the distribution routes of Thai products. These routes are diverse in nature.

Regarding retail sales channels, Sears, Roebuck & Co., a major mass merchandiser, has a purchasing office in Thailand and therefore buys directly in Thailand.

On the other hand, Nigel Import Inc., a San Francisco based concern, operates seven stores in California and purchases quality wooden furniture directly from Thailand to supply those stores.

Pilliod Cabinet Co. (High Point, NC) imports directly to the U.S. through a joint venture with Thai, Taiwanese, and Mexican companies and wholesales to furniture outlets.

In addition, discount stores, department stores, home centers, and the like are considered able to import directly. A direct approach to them will be important in the future.

(3) Evaluation of Thai Products

An attempt was made to interview large numbers of businesses to obtain an evaluation of Thai products, but most businesses were importing from places other than Thailand.

Further, among these businesses, many stated they were not familiar with products from Thailand. At the same time, however, the majority of the businesses answered "yes" to the question "Would you consider Thai products if you were sent catalogs and lists of manufacturers?"

In other words, the businesses are interested, but have not had the chance to do business with Thailand in the past or don't know where to inquire in Thailand to obtain such materials.

Businesses handling Thai products evaluated Thai furniture highly.

Quality presents no problems and thus is satisfactory. Prices are considered competitive and should allow continued business in the future, so are also satisfactory. Deliveries are not a problem either.

Designs are flexible, altered depending on application and purpose. For example, furniture is manufactured based on designs presented from the U.S. or designs from the Thai side.

Regarding terms of payment, L/C's (letters of credit) are used in the case of Sears, but sometimes purchases are made at the factories inside Thailand. The terms differ depending on the company.

(4) Case Study of Businesses Importing Wooden Furniture

A selection was made, from as wide a region as possible, of several businesses importing wooden furniture and interviews held with the same. The regions covered were California, New York, North Carolina, Massachusetts, Georgia, and Mississippi.

1) Sears, Roebuck & Co.

Sears Tower, Chicago, IL

Tel.: (312) 875-1037

Interviewed: Mr. Dick Smith, Import Manager (Dining Tables)

a) Comment

Sears, Roebuck is the largest retailer in the U.S. and in its product purchasing uses individual managers for individual items, even in furniture. Mr. Dick Smith, the interviewee, is the import manager in charge of dining tables.

b) Imports from Thailand

At the present time, Sears imports dining tables and chairs from Thailand. Sears has an office in Thailand, so business is conducted through that agent. Purchases are made from various select manufacturers.

c) Evaluation of Thai furniture

Quality: The quality is very good and Sears is satisfied with it.

Price: The price is competitive and Sears will continue doing business with Thailand in the future.

Delivery: Products are delivered as promised and thus there are no problems.

d) Competitiveness with other Asian nations

Sears is doing business with Taiwan as well, but the products differ from those of Thailand. There is no competition between the two countries and thus no problem with competitiveness.

e) Terms of trade

The terms differ with each transaction. For example, payment may be made by L/C (letter of credit) or at the FOB stage.

f) Imported products

Dining tables and chairs are imported as finished products and differ from RTA (ready to assemble) furniture. RTA furniture is handled by a separate division.

g) Designs

In 50 percent of the cases, Sears designates the designs to be used for production when ordering furniture and in the other 50 percent of the cases uses Thai designs.

h) Future business

Sears is doing business with select manufacturers in Thailand at the present time, but plans to expand its business ties in the future.

2) Milpar, Inc.

P.O. Box 4181

Macon, GA 31208

Tel.: (912) 745-2389

Interviewed: President

a) Comment

This company both manufactures and imports furniture. About three years ago, it visited Southeast Asia together with West European manufacturers to investigate the situation there.

It investigated Thai furniture and met with commercial and industrial officials of the Thai government and the mayor and exchanged visiting cards with the same.

As a result of this, it entered into a business relationship with a Thai company, but suspended business due to a certain incident. If introduced to a good Thai company, however, it would be pleased to consider doing business with it.

3) Torben Frederiksen Enterprises Co.

1281 Andersen Drive

San Rafael, CA 94901

Tel.: (415) 457-4141

Interviewed: Mr. Hans Rix, Executive Vice President

a) Comment

The interview was held with Mr. Hans Rix, vice president of the company.

b) Imports

The company is an import wholesaler and does business with Western Europe and Southeast Asia - Indonesia, Singapore, and Taiwan.

The company did business with Thailand in the past, but does not do business with it at the present time. The reason is that the company it dealt with was closed down. If there is a good company in Thailand, it would like to do business with that country again.

c) Requests to Thailand

The company would like to do business with Thailand in wooden furniture, but first would like to be able to obtain the following materials:

(1) List of names and addresses of wooden furniture manufacturers

(2) List of product specifications, catalogs, and other material enabling understanding of the actual products

(3) Address of Thai Wood Furniture Association. If there is an agent or office of the same in the U.S., the address of the same.

d) Products handled

The company gave for reference the following products as those it was importing:

Dining chairs of teakwood

Wall systems of teakwood

e) Sales price range

The company handles wood furniture of the good quality, medium price range. Most of the furniture is of the RTA (ready to assemble) type.

f) Distribution and sales channels

The company primarily wholesales its furniture to furniture outlets and mass merchandisers handling medium price range products.

4) Chatham County Furniture Industries, Inc. Division of U.S. Furniture Industries

P.O. Box 2127

High Point, NC 27261

Tel.: (919) 431-2153

Interviewed: Ms. Becky Chlodfelter, Import Manager

a) Comment

The company manufactures and imports furniture. The interview was held with Ms. Chlodfelter, the import manager.

b) State of imports

At the present time, the company does business with Taiwan, Malaysia, and Singapore. It imports furniture parts and assembles them in the U.S. In addition, the company imports from Yugoslavia, but unfortunately it does not do business with Thailand.

c) Distribution

The company has six assembly plants around the country. Imported parts are sent there for storage. The furniture is wholesaled to wholesalers.

d) Terms of trade

The company does business with Taiwan on the basis of L/C's (letters of credit) and would use the same terms if dealing with Thai businesses.

e) Interest in Thailand

At the present time, the company does not have an account in Thailand, so does not know the furniture situation in Thailand. If it received catalogs etc., it would study them fully.

f) Price range handled

The wooden furniture the company handles is of the low to moderate price range.

g) Products handled

The company does not handle RTA furniture. It handles dining tables and chairs, living room sets, and all other furniture.

(5) Procurement and Evaluation of Thai Products by U.S. Manufacturers

Direct interviews were held with large U.S. furniture manufacturers to obtain comments on Thai products.

First, the thing learned through the interviews as a whole was that U.S. companies have a strong desire to learn more about Thai furniture.

For example, the companies would ask if the Thai furniture association had an office in the U.S. or if the interviewers knew where the companies could inquire further. In other words, most U.S. manufacturers were not handling Thai products, but the majority of them had insufficient information about Thai furniture.

As seen earlier, Thai products are in the best position among Asian products in terms of price as well, so there is a need for concentrated PR activities for Thai furniture.

1) LADD Furniture Inc.

One Plaza Center

High Point, NC 27261

Tel.: (919) 889-0333

Interviewed: Mr. Oliver Etheridge, Import Manager

a) Comment

The company is a large manufacturer of wooden furniture and handles a variety of furniture in the low, moderate, and high price ranges. The interview was held with Mr. Etheridge, the import manager.

b) Imports from Thailand

The company has been importing wooden furniture directly from Thailand through Bangkok for three or four years now.

The main products imported from Thailand are as follows:

(1) Dining tables

(2) Dining chairs

(3) Dining furniture parts

c) Evaluation of Thai products

Quality: The company is satisfied with the quality of the Thai furniture currently being handled and finds no problems with it.

Price: At the present stage, the company finds no problems with Thai prices. These are in a range allowing continued business in the future.

However, the price of Thai furniture is continuing to rise due to fluctuations in the dollar exchange rate countries in terms of products. Prices have risen 20 to 30 percent in the past three or four years. Even so, the prices are lower than U.S. made furniture, so the company is continuing to purchase the products.

If the Thai side cannot adjust its prices accordingly, however, the company may find itself having to switch over to U.S. made furniture in the future.

At the present time, however, Thai prices are still lower than U.S. ones, so the company will continue to import Thai products.

Delivery: Thailand is somewhat late in deliveries. The reasons are that the scale of production is still small, the manufacturers do not yet have a sufficient production capacity to handle various types of furniture, and the production capacity of furniture parts is low. For these reasons, the company has partially withdrawn from production in Thailand and shifted to production in Taiwan.

d) Future apprehensions and requests regarding production in Thailand

At the present time, the company is importing from various Southeast Asian countries. The quality and price of Thai furniture are competitive, so there are no problems regarding competition.

As mentioned above, however, the company suspended part of its production in Thailand and shifted it to Taiwan. This was due to the poor state of production of furniture parts etc. in Thailand.

Therefore, the company would like Thailand to resolve this problem and establish a system enabling expansion of its production capacity.

The company produces and handles all sorts of furniture, so once this problem is resolved would increase its orders to Thailand. It looks forward to resolution of the problem.

e) Terms of trade with Thailand

The company uses ordinary L/C's (letters of credit) for transactions and payment with Thailand.

f) Retail price range of Thai products

The retail price range of Thai furniture is of the low to moderate range.

g) Design of Thai furniture

The company finds no problem with designs since it presents its own designs to the Thai manufacturer and has it produce the furniture based on the same. The Thai side does not have its own designs.

h) Distribution and sales channels

The company wholesales to the furniture outlet "Levitz" and the mass merchandisers Sears and J.C. Penney.

2) INTERCO Inc.

101 South Hanley Road
St. Louis, Missouri 63105
Tel.: (314) 863-1100
Interviewed: Mr. Dan H. Tucker, Executive Vice President (Lane Co., VA, (804) 369-5641)

a) Comment

The interview was held with Mr. Tucker, executive vice president of Lane Co., a subsidiary of INTERCO, one of the top five furniture manufacturers in the U.S.

b) State of imports

The company manufactures wooden furniture of the low and moderate price range. At the present time, it imports from the Philippines and Taiwan. It does not import from Thailand.

c) Plans for overseas investment

The company owns and operates 17 factories in the U.S. (Virginia, Mississippi, North Carolina, etc.), but does not have any factories overseas and as of the moment has no plans for overseas investment.

d) Interest in Thailand

The company presently does not import furniture from Thailand, but would pass on any reference materials sent to it (product catalogs etc.) to the suitable manager.

The company produces all types of furniture, so would like to know in detail what the Thai side would like to offer.

e) Method of import

The company purchases and imports parts for assembly in the U.S., but mostly imports finished products.

f) Distribution and sales channels

The company wholesales its wooden furniture products to wholesalers and distributors which then resell the products to dealers.

3) Broyhill Co.

Subsidiary of INTERCO Inc.

101 South Hanley Road

St. Louis, MO 63105

Interviewed: Mr. Lee Goble, International Purchasing Executive (Broyhill Co., NC, (704) 758-3475)

a) Comment

The interview was held with Mr. Goble, international purchasing executive of Broyhill Co. (North Carolina), a subsidiary of INTERCO Inc., one of the top five U.S. furniture manufacturers.

b) Imports from Thailand

The company currently imports wicker parts from Thailand for assembly at its U.S. factories. However, the volume of the imports is small, so the company is not in a position to make any evaluations or comments.

c) Interest in Thailand

The company is presently doing business with a Thai company called Hawaii Thai.

It would welcome very much any catalogs on Thai wooden furniture, manufacturer lists, or specific examples showing that production of such products is possible. It would immediately study the same.

The materials of the furniture offered by Thailand could be wood produced in Thailand.

The company handles the following types of wooden furniture, so would appreciate offers on Thai furniture of these types:

Bedroom furniture

Dining room furniture

Occasional tables

Wall units

4) MASCO Corp.

21001 Van Born Road

Taylor, Michigan 48180

Tel.: (313) 274-7400

Interviewed: Mr. Thomas Reaume, Executive, International Division

a) The company is one of the top five furniture manufacturers in the U.S. and produces wooden furniture of the low and moderate price range. The interview was held with Mr. Reaume, an executive of the International Division.

b) State of imports

The company has a very large number of subsidiaries. Therefore, it could not give an immediate response, but believed that it was not importing from Thailand. Mr. Reaume had never heard anything about such imports.

The role of the International Division was primarily to export furniture manufactured by the company.

c) Business outline

The company manufactures a complete line of high-end traditional, transitional, and contemporary wood and upholstered furniture that is sold under the HENREDON trademark through galleries, designer showrooms, and furniture and department stores.

Medium high-end DREXEL and upscale HERITAGE wood and upholstered furniture are marketed through DREXEL HERITAGE galleries located in furniture and department stores and through showcase stores and independent furniture outlets.

The company also manufactures and sells designer upholstered products and upholstered furniture under private label to furniture stores and other retailers.

In addition, certain of the company's furniture is sold to contract accounts primarily for use in commercial and government buildings.

The company's home furnishing products also include high-fashion mirrors, decorative lighting, art objects, and decorative accessories.

5) Armstrong World Industries Inc.

Park 80 Plaza West

Saddle Brook, NJ

Tel.: (201) 843-0300

Interviewed: Purchasing Manager, Furniture Division

a) Comment

The company is one of the top furniture manufacturers in the U.S. In particular, the company is emphasizing RTA (ready to assemble) furniture. Recently, it opened a showroom and MDC (marketing development center) in Pennsylvania and thus is working positively to increase sales. The interview was held with the purchasing manager of the furniture division.

b) State of imports

The furniture division of the company is a large operation which produces RTA furniture under the "Armstrong" brand. It wholesales these to mass merchandisers such as "Caldor" and "Target".

However, this wooden furnitures is all of U.S. make, produced at the company's factories. At the present time, the company does not rely on imports from overseas and has no OEM arrangements.

6) Regency House Inc.

Fairgrow Church Road
P.O. Box 2544
Hickory, NC 28603
Tel.: (704) 322-5870

Interviewed: Mr. Edward A. Arditti, President

a) Comment

The company manufactures furniture, but also imports from the Far East. The interview was held with Mr. Arditti, president of the company.

b) Imports from Thailand

The company does business with Taiwan in Asia. It does not do business with Thailand, but would consider such business if sent materials.

Though the company deals in all types of furniture, it would be interested in offers from Thailand on the following items:

Occasional tables (coffee tables etc.)
Dining tables

7) Universal Furniture Industries, Inc.

2690 Pellissier Place
Whittier, CA 90601
Tel.: (213) 699-0373

Interviewed: Import Manager

a) Comment

The company has furniture production factories in Taiwan and Singapore and established this U.S. office about five years ago.

It produces wooden furniture and KD furniture. It also handles furniture components.

However, the owner of the company is Chinese, so probably would not be interested in importing from Thailand.

5. Future Outlook

Numerous businesses were interviewed on Thai furniture (wooden furniture). As a result, it was found that the following could help increase sales in the future.

(1) Importance of PR and Sales Promotion

As can be understood from viewing the state of imports of wooden furniture by the U.S., Taiwanese products account for an overwhelmingly large share of those imports. In the industry interviews too, most businesses indicated they were importing from Taiwan, but at the same time similarly large numbers of businesses stated that they had no connections with Thai companies and were not familiar with the situation there.

Most of these businesses, whether U.S. manufacturers, retailers, or importers, were interested in negotiating with Thailand over imports of potentially large amounts of products.

First, it is necessary to devise some means for informing the U.S. market about Thai furniture.

The simplest method would be to establish an industry channel for providing information about Thai furniture in the U.S., which would make it easier for U.S. businesses to make inquiries.

A Thai industrial association could exhibit products in a U.S. trade show.

Catalogs of Thai products could be prepared and direct mailed to U.S. companies, but it would be more effective to designate someone to be in charge (association), contact the managers or presidents of individual companies directly, and hand them the catalogs.

Further, now is a good time for Thailand to enter the U.S. market. The reason is that it is now superior to other Asian countries in terms of price. The U.S. is now entering the era of the "home" and "home furnishings" and the market can be expected to expand.

(2) Quality and Design

The quality of Thai products was reported as excellent by all businesses. The designs include those ordered from the U.S. and traditional Thai designs.

(3) Price

The growth in Thai products reflects in major part the price factor. Thai products have increased in imports into the U.S. due to their low prices.

Even so, fluctuations in exchange rates have resulted in a 20 to 30 percent dollar-based price rise in the past, so it will be important in the future to consider maintaining the low prices by rationalization and price adjustments.

(4) Productivity

The factory facilities in Thailand cannot handle mass production of furniture parts etc., so some companies have switched over to Taiwan. It will be important in the future to establish a production system sufficient to handle exports to the U.S.

The reason is that the volumes of products assigned to Thailand may be expected to increase in the future.

THE FURNITURE MARKET IN FRANCE

CONTENTS

Introduction and Conclusion

The objective of this research as specified by JETRO was to assess Thai furniture imports, to seek out professional opinion on them (from importers and distributors) and to identify future prospects and ways to promote Thai furniture sales on the French market.

The study of Thai furniture on the French market must first of all be put in the context of the overall French furniture market (trends in production, imports, demand) which is the object of the first part of this research. In this first part, we concentrated more on changes and trends than on a description of the structure of the furniture trade. We therefore carried-out inquires in two directions:

- interviews specialists in the trade;
- gathering and analysis of available statistics from 1983 to 1987 (more recent ones being either nonexistant or incomplete).

The latter direction deals with the Thai furniture market in France: it is the core of this research. We have given it a very qualitative orientation based on:

- many interviews with importers specialized in Asian furniture and with all sorts of distributors;
- gathering and analysis of articles and interviews published in the press, sometimes complemented by an interview with the journalist.

We have thus reached the following conclusions:

- For almost all the professionals, Thai furniture is synonymous with rattan furniture, which is not surprising when one considers that 90% of imported Thai furniture is rattan. Other wooden Thai furniture like teak is little known and does not seem to offer any special particularities compared to similar products from other Asian countries. As for Thai furniture made with fabric, all agree that it represents an insignificant part of Thai imports.

- The French rattan furniture market is a little-known, under-exploited market especially when compared with the US rattan market. The French market itself is concentrated in the Paris area and the South of France alone.

- Rattan accounts for only a tiny share of French furniture purchases: 2.5% in 1988. However, all seem to indicate that this share will increase because of a large unexploited potential demand. The only doubt is whether this demand is a fashion trend or not; the answer could be that the exoticism appeal dates back to the 70s in France and is therefore a deeply rooted trend.

- The European leaders on the French market are Spain and Italy. The Asian leaders which are in fact competing with them are the Philippines, Taiwan and recently Indonesia. Up until now, European and Asian products have been totally different and belonged to different range levels: the exoticism of Asian products differed from the more traditional European products. But with the higher standards of Asian products, this trend is fading.

-Much more than in quantity, it is in quality that the rattan market is about to increase: the lower-range will stagnate in favour of a general increase in range and an increase in medium-upper-range sales.

In this context, where does Thai furniture stand?

The Thai rattan furniture is deeply implanted in the French market: it represents 40% of imports in this sector. Furthermore, it has strongly increased since 1986. But Thai furniture is exclusively a lower-range product and suffers from a poor image. It is criticized for insufficient quality which often leads to after-sales difficulties and disappointed customers. Its recent successes can only be explained by its very low prices, even compared with other Asian products.

But the general range upheaval is likely to weaken Thai furniture sales. In 1987 already, Philippine furniture items' growth was stronger than that of Thai products. Competition is intensifying and Asian manufacturers (Indonesian, Philippine, Taiwanese) appear to be taking into account the evolution of the market, modifying their structures and implementing quality policies in cooperation with their French partners.

Consequently, their is a risk that Thai producers will see their market shares decrease and be relegated to subcontracting work since most French importers already have to finish Thai products in their own workshops in order to adapt them to French standards. This would represent a loss of added value for the Thai manufacturers.

This is why French professionals' advice to the Thai manufacturers is as follows:

- Use better quality raw materials and improve products' finish.
- Improve products' design in order to aim at the "leisure", "art de vivre" furniture markets.
- Offer complete ranges of products in order to encourage purchases of suites.
- Improve collaboration with French counterparts, in particular at the design level.

1. Summary of Industry

(1) Production

The sector of "furniture and seats production and related industries" is a heterogeneous group with a mixed, dispersed structure, except for bedding.

As far as furniture is concerned, the precise appreciation of growth figures is difficult statistically speaking. Nevertheless, we observe that real production volumes grew on an average annual basis of +8%, in line with an increase in productivity due to the change from handcraftsmanship to industrialization. The production capacity of the average production unit has increased and technical innovations have led to higher equipment standards.

While the overall production is increasing in value, because of the increase in French customers' buying power, figures vary depending on the type of product.

The following have lost shares in 1985, 86, 87:

- Chairs:	–7%
- Bedroom furniture:	–8.7%

In the mean time others have gained shares:

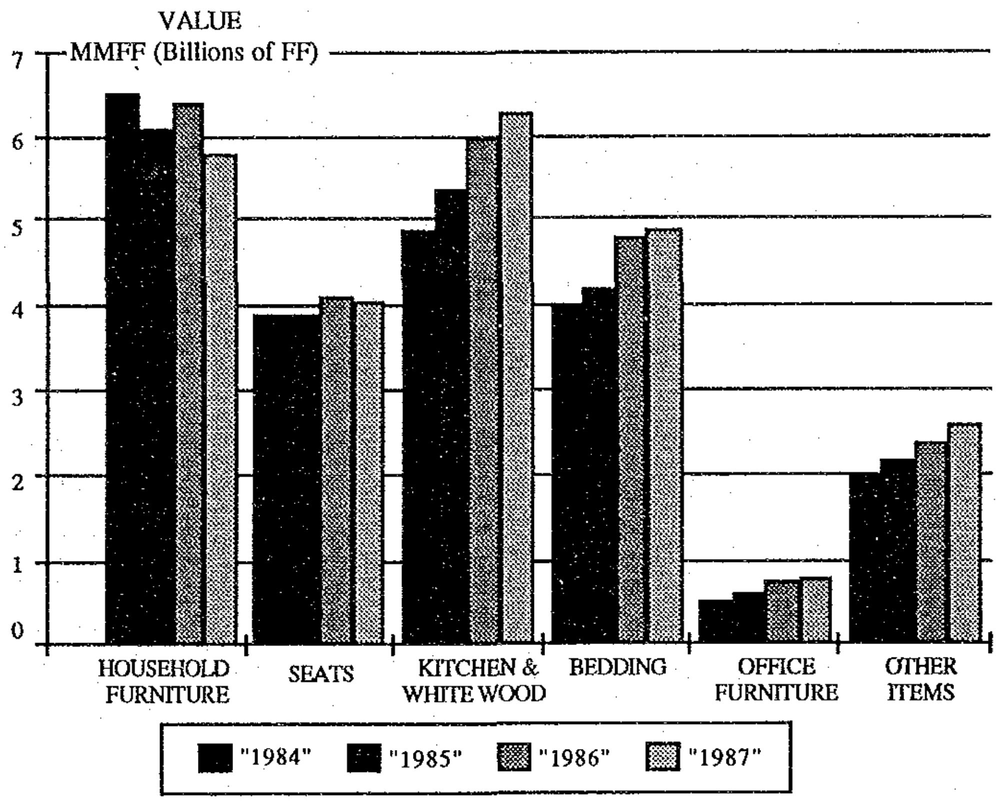
- Kitchen tables and chairs:	+61% from 85 to 87.
- Office furniture:	+30% 85/87
- Garden furniture:	+28% "
- White wood furniture:	+26% "
- Rattan furniture and seats:	+24% "

Table 1. Production of Furniture

(Value: FF million)

	1984	1985	1986	1987
HOUSEHOLD FURNITURE	6,428	6,189	6,397	5,887
Dining room furniture	2,922	2,948	3,034	2,579
Bedroom furniture	2,665	2,385	2,432	2,213
Accessory furniture	841	855	930	1094
SEATS	3,967	3,957	4,106	4,098
Sofas, armchairs	3,080	3,178	3,289	3,290
Chairs	887	779	817	808
KITCHEN & WHITE WOOD	4,913	5,357	5,985	6,338
White wood furniture	139	139	166	172
Kitchen furniture units	3,093	3,386	3,780	4,044
Kitchen tables and chairs	209	338	351	360
Wooden bathroom furniture	326	329	359	383
Garden furniture	966	1,008	1,179	1,232
BEDDING	4,057	4,248	4,765	4,860
OFFICE FURNITURE	463	527	590	614
OTHER ITEMS	2,072	2,232	2,484	2,628
Rattan furniture	117	119	136	144
Other furniture and seats	1,955	2,114	2,348	2,484
TOTAL	21,901	21,135	24,327	24,424

Fig. 1. Production of Furniture



(2) Changes in Companies' Strategies

The furniture production sector is very fragmented: companies of over 200 workers only account for 33% of total production and no single company produces more than 10% of the whole market. In fact, large companies meet more difficulties than smaller ones. This is related to the fact that products have to be more specific all the time and manufacturers have to specialize in small niches in order to remain competitive in their unique field which demands specific skills and technologies. It is therefore very difficult to group different production lines under the same roof.

There are two types of companies:

- The leaders of the lower-range: Parisot, Dumeste, Gautier, Capelle, Walle France. Their strategy is to mass produce series in order to sell at the lowest possible price. — Parisot, for instance, is characterized by a large-scale integration with the "Compagnie française des panneaux", which produces its boards, and with its two commercial subsidiaries, "Culi France" and "Mob Press". With 2900 workers, Parisot made an export turnover in 1987 of MFF 254. — These companies are willing to closely cooperate with the leaders of the mass discount distribution network like Conforama, But and Mobis. Product policies are now worked out in common.

- The leaders of the upper-range: Except for Grange and Moreux which employ more than 500 workers, in this sector there are mainly small companies with less than 200 workers. They have an innovation and marketing policy turned towards foreign markets. These medium-upper-range furniture manufacturers have an original distribution policy: the number of retailers is voluntarily limited, they have an upper-range image, and they concentrate on providing customers with services, advice, assistance, etc.

In the kitchen sector, Mobalpa is a good example of this new trend. Mobalpa now has 380 workers for a turnover of MFF 420, manufacturing 1800 furniture items a day. When the market rose by 6%, the brand saw its share grow by 13%. When 42% of the kitchen market depends of kitchen specialist fitters, 70% of Mobalpa's sales rely on 520 of them (1038 in 1985: tightening-up of the network). The first 200 of them make 80% of the turnover and exclusive dealers 42%, the objective being to reach 100% with exclusive dealers within 5 years.

(3) Trends in Distribution

(3.1) General Ideas

The task of the distributors is to bring producers and consumers together. Its function is subdivided in two: a buying function carried out by the wholesalers and the importers and a selling function performed by the retailers. On top of that, there are services like interior decoration advice given by upper-range specialists or fitting done by kitchen suppliers.

The distribution networks in the furniture trade are very different: furniture can be sold by generalists as well as superstores, department stores or by mail order.

(3.2) Classification of Distribution Networks.

We can classify them into 9 types:

- Non-specialist:	-	Mail-order (LA REDOUTE, LES 3 SUISSES)
(not only furniture)	-	Hypermarkets (CARREFOUR, AUCHAN)

	-	Department stores (BHV, LE PRINTEMPS)
- Multi-specialist:	-	Discount stores (CONFORAMA, BUT, MOBIS)
(furniture+houseware)	-	Traditional stores: (GLOVAL, ATLAS, LOGIAL)
	-	Unclassified: (HABITAT, PRISM)
- Specialist:	-	Independents
(furniture only)	-	Generalists (GALERIES BARBES, LEVITAN)
	-	Over-specialists (CUIR CENTER, TOUSALON) (Specialized in particular furniture items)

Note: the 1987 research carried out for JETRO on the French furniture market contains a more detailed description of the main networks.

(3.3) Evolution

The main evolution factors are the surge of large multispecialized superstores together with large bulk-buying associations and the decline of traditional general furniture stores.

The distribution company is either totally independent or related to other economic units. We can identify the following relations:

- Professional association
- Financial integration
- Franchise, brand concession (either the manufacturer's brand or the distributor's)
- International integration
- Bulk-buying corporations in many juridic forms.

The appearance of bulk-buying corporations is a major phenomenon that recently arose in the furniture market. They even lead to the making of international brands like Musterring or Global which have important publicity purposes. Such corporations now offer management assistance through the computerization of affiliated stores.

There are three types of corporations:

- "Discount" type, lower-range oriented like But International
- "All for the house" type, made up of stores selling furniture but also houseware equipment like Le Monbilier European.

- Federations of all sorts of stores offering all range levels like "L'Entente Nationale de l'Ameublement (ENA), created in 1962 with the brand Meublena).

The connections between the members of such corporations concern the buying policy, the marketing or advertising policy and other management aspects (logistics).

Because the industry is so spread out among small manufacturers, bulk-buyers benefit from the intense competition on the market and get the best possible prices. And because of their size and their skill in purchasing, they can even optimize their costs by comparing prices in different countries.

Table 2. Market Share (%)

Traditional stores	1984	1987
Generalists < 1200M2	28.6%	32.0
Generalists > 1200M2	23.4	21.5
Drawing-room specialists	15.4	12.5
Kitchen specialists	8.1	7.0
Department stores	5.9	4.8
Others	19.0	22.2

2. Trends in Imports

In 1987, France represented 6% of the international furniture market, way behind Italy and W. Germany.

In general, the French furniture trade is structurally in deficit and the situation is worsening. According to the Annual bulletin of the Banque de France, the growth of the French furniture market (+7% in 1987) mainly benefited foreign producers and the deficit of the trade balance grew by 14.8% (+33% in 1986) to reach MFF7,700. Imports rose by 12.2% in 1987 compared to 17.5% in 1986.

(1) Changes in Imports by Exporting Country and Type of Product

The main suppliers are still Italy, Belgium and W. Germany which supply three quarters of the furniture imports. It is worth noting that except for Yugoslavia and Rumania, all imports are increasing, whatever the country.

In general, foreign products' success is due to their low prices and these are due to low labour costs and mass series production. But they also made important efforts towards improved creativity. According to the agency "Art Budget Conseil Développement", 80% of contemporary furniture sold in France comes from Italy. Another success factor is the correct judgment of consumer needs. The success of IKEA on the functional furniture market and the success of Pier Import in the exoticism niche are significant. Finally, foreign manufacturers do not hesitate to grant supply exclusivity to distribution networks.

Table 3. Evolution of Imports

(Value: FF million)

	1984	(Δ%)	1985	(Δ%)	1986	(Δ%)	1987	(Δ%)
SEATS	3,725	+10.7	4,172	+12	4,847	+16	5,403	+11.5
HOUSEHOLD FURNITURE	5,304	+3	5,561	+4.9	6,547	+17.7	7,322	+11.8
BEDDING	351	+30	421	+20	547	+30	625	+14.3
TOTAL	9,466	+7	10,253	+8.3	12,052	+17.6	13,527	+12.2

Source: French Customs

Table 4. Imports by Country

(Value: FF million)

Country	1984	%	1985	%	1986	%	1987	%
Italy	3,818	40.71	3,978	39.18	4,786	40.08	5,249	39.18
Belg-Luxbg	1,695	18.07	1,829	18.01	2,023	16.94	2,102	15.69
W.Germany	1,408	15.01	1,602	15.78	1,997	16.73	2,336	17.44
Spain	538	5.74	669	6.59	728	6.10	874	6.52
Rumania	356	3.80	368	3.62	436	3.65	421	3.14
Sweden	190	2.03	185	1.82	260	2.18	287	2.14
UK	171	1.82	169	1.66	225	1.88	231	1.72
E.Germany	162	1.73	157	1.55	191	1.60	193	1.44
Netherlands	155	1.65	131	1.29	248	2.08	301	2.25
Yugoslavia	136	1.45	152	1.50	150	1.26	148	1.10
Denmark	110	1.17	108	1.06	171	1.43	219	1.63
Thailand	108	1.15	100	0.98	129	1.08	153	1.14
Others	532	5.67	805	7.93	596	4.99	884	6.60
TOTAL	9,379	100	10,153	100	11,940	100	13,378	100

Source: French Customs

Table 5. Seats Imports

(Value: FF million)

Country	1984	%	1985	%	1986	%	1987	%
Italy	2,010	53.97	2,073	49.70	2,488	51.33	2,703	50.03
Belg-Luxbg	575	15.44	667	15.99	739	15.25	748	13.84
W.Germany	480	12.89	594	14.24	766	15.80	899	16.64
Spain	196	5.26	198	4.75	261	5.38	271	5.02
Rumania	82	2.20	73	1.75	82	1.69	83	1.54
TOTAL	3,724	100	4,171	100	4,847	100	5,403	100

Source: French Customs

Table 6. Household Furniture Imports

(Value: FF million)

Country	1984	%	1985	%	1986	%	1987	%
Italy	1,782	33.60	1,880	33.81	2,269	34.66	2,516	34.37
Belg-Luxbg	910	17.16	928	16.69	1,017	15.54	1,047	14.30
W.Germany	893	16.84	951	17.10	1,143	17.46	1,296	17.70
Spain	335	6.32	359	6.46	424	6.48	505	6.90
Rumania	275	5.19	294	5.29	354	5.41	337	4.60
TOTAL	5,303	100	5,561	100	6,546	100	7,321	100

Source: French Customs

W.Germany and Belgium manufacturers benefit from recently modernized production on better industrialized bases than that existing in France. The implantation on the French market of their products, made in mass-series and consequently lower-range, was facilitated by their very competitive prices because of higher productivity.

Nevertheless, the Italians remain the biggest competitors of French products on the home market. Bedding excepted, Italian products represent at least 35% in all furniture categories of products imported in France. It is a very peculiar phenomenon when we consider that the Italian trade is far less industrialized than the French one. Italian commercial policies benefit from the weakness of their currency which allows them to propose lower than average prices. They can thus offer copies of French traditional products which are much more competitive than the originals made in France. Such copies represent 75% of Italian exports to France.

The change which is worrying the French professionals most is the strong progress of Spanish furniture sales, especially as far as household furniture is concerned. Spain's entry into the EC seems to have already greatly benefitted its furniture industry and this trend will reach its climax in 1992. The development of the Spanish industry relies on the same two assets which we found in Italy: low costs and creativity. Therefore, according to Mrs Durand, who is in charge of this sector at the Industry Ministry, we must expect Spanish products to make a real breakthrough in France.

In all, as Mr Erich Naumann, general manager of VDM (Verband der Deutschen Möbelindustrie German equivalent of the French UNIFA) believes, along with the IPEA, each European furniture industry is progressively specializing in particular styles and in particular products. On the French market, this fact takes the following form:

- Italy: seats, chairs, tables and small furniture, contemporary furniture
- W.Germany: integrated kitchens, office furniture, computer, TV, HIFI furniture, ready-made drawing-room units, bedrooms.

- Belgium and Luxembourg: bed-settees, softs-beds, large furniture like wardrobes, dressing tables and kitchen dressers, often in oak, with a dominant old-fashioned Flemish style.
- Netherlands: modern and contemporary furniture, plastic furniture.
- Spain: contemporary furniture seats in plastic materials, rattan furniture.
- Sweden: kit-form furniture mainly.
- Denmark: seats, tables, white wood furniture, teak furniture, kit-form furniture.

(2) Changes in Imports from Asia

Eastern-Asian countries account for only a tiny part of furniture imports in France with a total of approximately 2.3% for seats and 2.4% for household furniture in imported value in 1987.

But nevertheless, imports from these countries have increased a lot since 1985, partly because most of their products are light and freight costs are thus smaller.

According to the professionals, and the figures confirm this, the leaders among Asian producers are:

- Thailand
- Taiwan
- the Philippines

Imports from South-Korea are not very significant and concern only household furniture items. S. Korea is especially well-known for its furniture made of plastic materials(MFF3.274 in 1987 = 42% of Korean furniture imported in France) and since 1987 metal furniture items. Wooden furniture represents 50% of S. Korean furniture imported in 1987 (in value).

Up until 1985, there had been practically no Indonesian furniture imports. But since 1986, according to specialists, a real economic boom has been taking place in Indonesia, leading in particular to a rapid development of furniture production, mainly rattan furniture. According to Mrs A Ragairay, journalist specialized in exotic furniture at the "Revue de l'Ameublement", there are two explanations for this. First, the Indonesian decision to forbid rattan exports was meant to encourage the local furniture industry and increase finished product exportation. Second, Indonesia benefits from a very cheap labour force, and it has a real will to adapt to European standards, notably by encouraging technical cooperation with those countries.

It is important to note that most furniture imports coming from Eastern-Asia are rattan furniture. Taiwan is the only exception with only 9% of its furniture exports in rattan. Since the beginning of the 1980s, Taiwan carried out a diversification policy in the furniture trade. As far as Taiwanese products sold in France are concerned, this diversification is shown by the large number of raw materials used, from plain wood to plastic including rattan and metal, as well as the diversity of offered ranges.

On that matter, the case of metal furniture is significant. Following the strengthening of their currency (Taiwanese $) and the increase in labour costs (salaries) many companies decided to start producing upper-range furniture. With innovations like the "stackable leisure chair" and an increased effort on the products' finish - for instance use of powder coating and chrome-plating to create a wide variety of colours - Taiwanese furniture is now able to compete with Italian furniture on the French contemporary furniture market.

Philippine furniture sold on the French market is very specific. First, it is exclusively in rattan. Then it is meant for the upper-range and is mainly distributed by over-specialists like Roche-Bobois or Un Jardin En Plus. They benefit from a good image based on the quality of raw products used (Buri) and the great care taken for the finish. French professionals are of the opinion that the Philippines manufacturers have been able to implement a proper quality policy in collaboration with their clients, the importers. As Mr Sia of the Philippines' embassy in Paris says, this policy was meant to increase exportation of higher added value products by giving them a positive image, notably different from the image of Thai products. Still, Philippine furniture sometimes suffers from the fact that it can be too exotic and out of place. Nowadays, the Philippine manufacturers competitors are still the Thai makers much more than the Spanish or Italian rattan furniture manufacturers which make more traditional, less "foreign" products.

Thai products which can be quite traditional as well as more exotic will be analyzed in detail in the second section.

Table 7. Seats Imports from Asia

(Value: FF thousand)

	1983	1984	(Δ%)	1985	(Δ%)	1986	(Δ%)	1987	(Δ%)
Thailand	43,932	45,880	4.4	44,387	-3.2	56,612	27.5	70,540	24.6
Philippines	12,249	10,161	-17	10,639	4.7	8,482	-20.3	14,630	72.5
Taiwan	8,478	16,072	89.6	9,545	-40.6	17,021	78	27,711	62.8
Hong Kong	2,250	2,025	-1.2	1,613	-20.3	1,607	-0.4	1,614	0.4
Indonesia	534	524	0	0		664		5,237	282

Source: French Customs

Table 8. Household Furniture Imports from Asia

(Value: FF thousand)

	1983	1984	(Δ%)	1985	(Δ%)	1986	(Δ%)	1987	(Δ%)
Taiwan	85,043	62,384	-26.6	56,087	-10	50,928	-9.2	79,293	56
Thailand	39,400	40,517	2.84	39,410	-2.7	48,972	24	58,639	20
Philippines	12,623	11,028	-12.6	12,098	9.7	13,409	11	21,565	61
Indonesia	0	696	-	1,735	149.3	2,693	55	6,116	90
S.Korea	1,082	429	-60.3	435	1.4	7,851	1700	7,884	0.5

Source: French Customs

3. Trends in Demand

(1) General Points

Household purchases represent 85% of furniture purchases, only 15% being purchased by companies. Furniture's main purpose is house furnishing. Therefore, demand is closely linked with trends in the housing trade, both quantitative and qualitative.

The market for home furniture has been rather stagnant at around FF28 billion for 1984-1987. In 1987, it represented FF28.2 billion and French production which represents FF24 billions obviously cannot satisfy the demand.

Nevertheless, furniture consumption is less favorable than other durable products. French consumers seem to have spent their money on other goods like the automobiles and leisure activities (TVs, HI-FIs, Holidays). In fact it is a proven fact that when car sales grow, furniture sales decline. This is partly due to a new conception of furniture and its function.

(2) Market Shares

In spite of the increase in French production, the penetration rate of foreign products remains high: foreign products are either more competitive or better adapted to demand.

Table 9. Penetration of Imports

(Value: FF million)

Furniture		1984	1985	1986	1987
Production	(a)	23,737	23,122	23,273	23,571
Imports	(b)	7,459	7,368	7,478	7,702
Exports	(c)	2,683	2,801	2,924	3,056
Home Market	(a)+(b)–(c)=(d)	28,513	27,689	27,827	28,217
Penetration Rate	(b)/(d)	26.2%	26.6%	26.9%	27.3%

French supply's competitiveness:

- Household furniture: French manufactures are dominated in the lower and medium-range (modern and rustic styles) by German, Italian and Belgian products.

- Seats : the French supply is insufficient for some products like leather sofas - imported from Italy - and not very competitive on others like lower-range chairs - imported from Spain.
- Bedding: foreign products are starting to penetrate the market which is still controlled by French companies with high-quality products. But a breakthrough for foreign products is likely to occur in lower-range bedding where the French supply is not very competitive.
- Wooden office furniture: the market is dominated by Italian products.

(3) Segmentation of the Market by Style

The market share of the different styles is stabilizing in favour of antique styles for household furniture (44% of sales in value) and the contemporary style for seats (53% of sales).

Rustic styles dominate in the kitchen.

Antique styles dominate in the parents' bedroom, and the dining-room.

Contemporary styles are found in the drawing-room, the children's bedroom, and the bathroom.

Modern styles' share is in minority in all types of products.

Table 10. Style Shares (% in 1987)

	Furniture	Seats
Antique	44	13
Rustic	18	13
Modern	13	21
Contemporary	25	53
TOTAL	100	100

(4) Segmentation of the Market by Product

The Table 11 comes from research carried-out by the BIPE in 1986. It shows that demand for household furniture is declining, despite the relative increase in demand for accessory furniture (low tables, TV furniture), the share of which reached 10% in 1988 versus 9% in 1987. Products which have declined most since 1986 are those made for dining rooms with 10.2% in 1988 and for children's bedrooms, mainly because of the decline in births.

Table 11. Furniture Demand (%)

HOUSEHOLD FURNITURE	32.1%
- Dining room	10.2
- Storage and accessory	10.5
- Bedroom	11.4
SEATS	22.6%
Arm chairs & sofas	16.7
- Chairs	4.6
- Others	1.3
KITCHEN FURNITURE	24.5%
- By unit	19.2
- Garden furniture	1.0
- Others	4.3
BEDDING	14.5%
- Base (spring)	2.5
- Mattress	6.0
- Others	5.9
OFFICE FURNITURE	6.3%
- Desks	3.5
- Others	2.8

4. Thai Furniture Market in France

(1) Changes in Thai Furniture Imports

If we examine the latest French Customs' detailed nomenclature (1987) we can see that Thai furniture imported in France is classified under the following references:

• 9401	All seats, incl. convertibles, except medical equipment, and corresponding parts.
• 9401319	Other seats with steel frame, unupholstered.
• 9401410	Seats with wooden frame, uncarved wood, others.
• 9401493	Seats with wooden frame, upholstered, convertible, leather-covered, others.
• 9401497	Other seats with wooden frame, upholstered, leather-covered.
• 9401600	Rattan seats, cane, osier or similar materials, others.
• 9403	Other furniture and corresponding parts.
• 9403551	Wooden tables min. 70 cm high, max. 80 cm for dining or drawing-rooms.
• 9403552	Wooden dresser, cupboard and similar furniture like secretaire, bookcase for dining or drawing rooms.
• 9403559	Other wooden furniture for dining or drawing-rooms.
• 9403699	Other wooden furniture, others.
• 9403821	Other rattan furniture, cane, osier or similar materials furniture.
• 9404	Mattresses, bedding items, and similar items comprising springs or upholstered furniture or furniture stuffed with any materials etc.
• 9404990	Various bedding items.

The great number of categories in the absence of detailed figures could lead us to think that there are many raw products used for furniture imports. In fact, rattan furniture constitutes the great majority of Thai furniture sold in France.

France is Thailand's third trading customer for furniture behind the USA and Japan, but it is also the top importing country for rattan Thai furniture.

The other raw products used in Thai furniture are mainly teak-honeywood and rosewood. The term "rosewood", which is prestigious in France and used in particular for marquetry, should not be confused with rosewood in Thailand which is in fact mostly rubber-wood. Fabric is used only marginally in Thai furniture. It is used for stuffing, covering and decorating furniture items like armchairs or sofas.

There is a marked diversification trend in Thai products sold on the French market. The figures indicate that the share of rattan, cane and similar raw products (rattan mainly in fact) in imported Thai furniture is decreasing. On the other hand, new Thai products have appeared in the customs' figures for still limited amounts:

- Seats with metal frame upholstered: 61 T (Tons)
  0.700 MF
- Seats with wooden frame, upholstered, convertible into beds, leather-covered (bed-settee): 19T
  0.900 MF
- Other seats with wooden-frame, upholstered, leather-covered:
  55 T
  2.500 MF
- Low wooden tables for dining or drawing-rooms:
  10 T
  0.430 MF
- Cupboards, dressers and similar items: 33T
  1.150 MF

Fig. 2. Distribution Rattan/Other Materials for Thai Furniture Imports

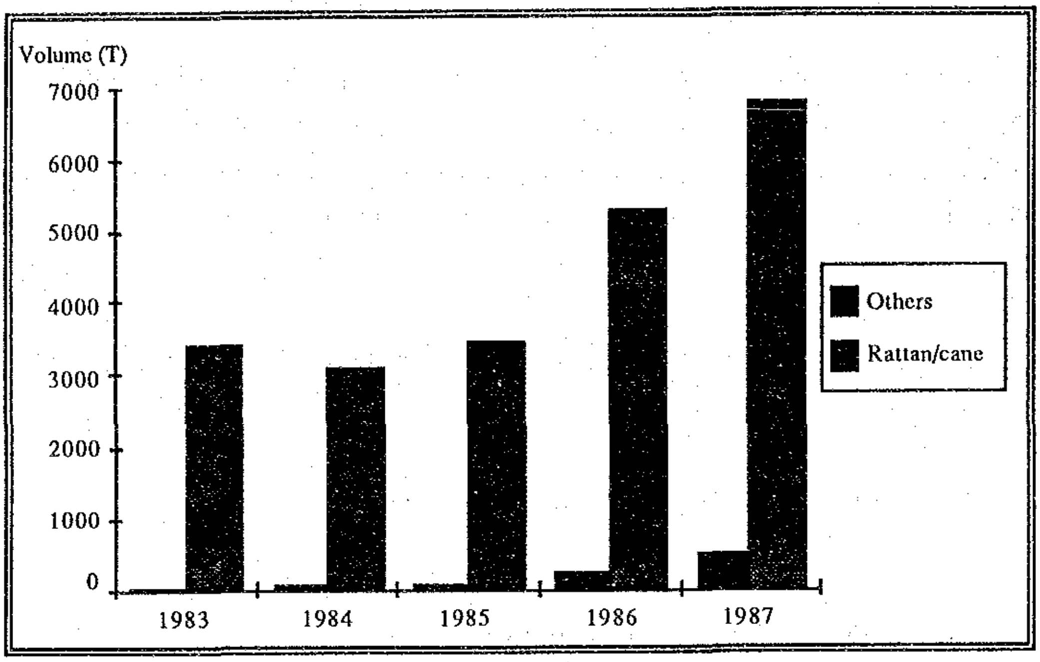


Table 12. Shares in Rattan Furniture Imports (%)

	1983	1987
Spain	10.60	13.20
Italy	10.60	6.40
Belgium	0.60	1.32
Philippines	10.84	12.40
Taiwan	8.08	3.40
China	6.32	3.40
Indonesia	0.00	2.70
Hong Kong	2.00	1.3
Thailand	45.6	53
Total volume (T)	7,546	12,950

Source: French Customs

The figures concerning the evolution of Thai furniture imports can be explained mainly by looking at the changes in the figures concerning rattan furniture. Ever since 1984 and especially since the end of 85, rattan furniture imports from all countries have been constantly rising.

This growth has much favoured Thai furniture, the share of which in French rattan imports has increased from 45.6% in 1983 to 53% in 1987 (+7.4), whereas its direct competitors - Spain and the Philippines - have only increased from 2.6 and 1.56 points respectively during the same period.

Already strongly implanted in France, Thai rattan furniture has thus noticeably strengthened its position.

(2) Situation of Thai Furniture in the French Market

(2.1) Demand Trends

The appeal of exotic styles certainly played a key role in the sales increase of Asian furniture in France in recent years. It first appeared in France in the 70s together with specialists like "La Decouverte" or multi-specialists like "Pier Import", the slogan of which is "made elsewhere"; these distributors deliberately chose at the time to favour those products and bank on their exotic style. Now, the "colonial trend", the escape and the journey still represent an important niche in the French demand.The department store "Le Printemps" organized an exhibition in February 1988 based on the "Oriental" theme ; the Trends Office of the UNIFA which identifies the current trends for French furniture manufacturers has noted the "colonial trend" as one of the major trends on the market.

This "colonial" trend's characteristics are very similar to those offered by Asian furniture in general and Thai products in particular, whether they be rattan or other wooden furniture. Note that this trend also favours small artistic objects in wood or bronze (statues, puppets) which are very much liked in France.

Still, while this trend is fashionable, it is worth remembering that it is only a small part of the French demand, which is generally rather traditional and sober unlike, for example, the American. This is why some Philippine furniture which is too typically exotic, some rattan armchairs which are too complicated and some furniture with garish colours have difficulties on the French market.

According to an opinion poll realized in November 1988 for the Paris Furniture Exhibition, 80% of the French people believe that furniture is above all a way of life, a lifestyle ("art de vivre"). This survey reaches the same conclusions as those already noted by the UNIFA, according to which the main functions that consumers attribute to furniture are not utilitarian or functional but aesthetic or decorative. Of course, this varies according to the type of furniture and its destination inside the house. It is less true of the kitchen or the bathroom than the drawing-room. Nevertheless, this indicates that the French furniture demand has reached a mature level, probably because of the current high equipment level. According to an INSEE survey published in December 1988, the average number of furniture items in main houses is now 36.

Such a trend can only benefit products like Thai or Philippine furniture, which are in general light and closer to the "leisure" type of furniture than the utilitarian type of furniture. One buys a rattan furniture item not because it is very functional, but because one wants to give a personal touch to his or her interior at low costs. This is true of low tables and the rattan "Emmanuelle" chair.

(2.2) The Rattan Furniture Market

In spite of the depressed overall furniture market, everyone, from the professional organizations (IPEA, UNIFA) to the importers (J. Pergay, Maugrion) and the distributors (Pier Import, Roche Bobois) agrees that there is a strong demand both currently and potentially for rattan furniture. No research has yet been carried-out on this market which represents a turnover of MFF 1,175, with 60% chairs and 10% armchairs. But the IPEA, which gives estimated figures with reserve because it has no specialists on its panel, believes this market-gap represents 2.5% of the overall French furniture market, "probably an underestimated figure according to Mrs Regairay, specialized journalist at the "Revue de l'ameublement". According to the UNIFA, French manufacturers sold MFF 135.7 of rattan furniture in 1986, an increase of 15% over the 1985 figure and proof that the demand is important and growing.

Table 13. Evolution of the Furniture Market (var. in turnover)

	84-85	85-86	86-87	87-88
RATTAN FURNITURE	+1.1%	+14.4%	+6.0%	+6.5%
GENERAL	+2.8%	+8.1%	+4.0%	+5.2%

Source: IPEA

Up until now, the rattan furniture market has been a lower-range, first equipment market. But recently we have witnessed the development of the medium-upper range and the stagnation of the lower-range.

The consumers of rattan furniture are varied, although young people play an important part in the demand for it.

One of the characteristics of rattan furniture, other than its exotic style is the fact that it is "natural", it is an "ecological" product which can be used as an interior or exterior furniture item. Rattan has a sort of fresh, natural image which makes if well-suited for a second house or a garden. It is worth noting that there are 12.5 million gardens in France, which means that nearly 60% of French families have one. It is also worth noting that French people spend a lot of time in their gardens and spend some MFF 17,000 (FF1460 per household) on them, 14% (MFF 2380) of which is spent on furniture.

(2.3) Evaluation and Characteristics of Thai Furniture

First of all, it must be stressed that according to practically all the interviewed professionals, Thai furniture, whether it be in rattan or plain wood or with fabric, suffers from a poor reputation. "When you say you sell rattan furniture, then you've said it all," says a department manager of Pacific Company which is specialized in rattan. Not only is this poor reputation true in comparison with European products (Spanish, Italian or French), it is also true when compared with Philippine products. It is due to two factors:

- The low quality of the raw materials used. There are in fact 40 different types of cane. According to all the importers, cane used by Thai manufacturers is one of the poorest types. Philippine cane, for instance, is finer and more beautiful. The Philippines use more Buri and rattan marrow is worked more delicately than in Thailand. This is why an importer like Maugrion only imports from the Philippines.
- The low quality of the finish. There again, most criticize the Thai manufacturers for poor standards. The varnish and the colours used could be better adapted to French tastes and more varied. The dark brown colour typical of Thai furniture is little liked by French consumers. Lies made of rattan marrow are not resistant and should be replaced by leather straps (which they often are once arrived in France). Finally, the finished product could easily be improved with added details much prized by French consumers like castors.

In the words of the furniture department manager at the Galeries Lafayettes, "the difference between a Thai armchair and a Philippine armchair is obvious: erratic weaving, no varnish, poor quality of the rattan compared to a perfect finish.".

Consequently, the Thai rattan furniture is a lower-range product exclusively and important distributors specialized in the upper-range like Rocke Bobois prefer Philippine products although they are more expensive. Independents like Lerotin D'Aujourd'hui hesitate to sell Thai furniture because of its standing and buy some only from time to time when the prices are very interesting. They use the furniture as promotional articles in order to attract customers with advertised low prices. Nevertheless, those products have two major inconveniences: they are 5 to 6 times less expensive than its self-manufactured products (unfair competition for its own products) and require extensive after-sales service.

In any case, the main criticism came from upper-range specialists, whereas Thai furniture is undeniably a popular product. The main motivations of a rattan furniture purchaser are its price and its function: a rattan chair is above all a cheap chair. Nine-tenths of those distributors interviewed say that rattan furniture is very cheap, seven-tenths believe that the lightness and small size are a major advantage because people can "buy and carry".

In fact, 75% of Thai furniture consumers are young people (i.e young newly-wed couples) aged 20—30 who are furnishing their first home. The second major group of consumers is made up of older people (40—50) who now want to furnish their garden or their second home at low cost.

(2.4) The Distribution Network

Because the IPEA, the organization which centralizes all of the data concerning the furniture market, has no figures concerning rattan in particular, it is impossible to know precisely the market share of each distribution network. Nevertheless, our interviews allow us to give the following estimates:

- Because of their low range, 70% of Thai furniture is distributed by non-specialists or multi-specialists.
- Specialists account for only a minor share in the distribution of Thai furniture. The independents are reluctant to sell it and do it only on a spot basis, whereas very specialized shops like Roche-Bobois prefer selling Philippine products, except when then deliberately choose to have their products manufactured in Thailand for cost reasons and finish them by themselves in France like Un Jardin En Plus does.

Table 14 illustrates the way Thai furniture is evaluated by professionals according to six criteria from price to the importance of the range, marked from 1 to 5.

Table 14. Evaluation of Thai Furniture (1=expensive/unsturdy to 5=cheap/sturdy)

	Price	Sturdiness	Beauty	Comfort	Function	Range
CONFORAMA	5	3	3	1	2	4
PIER IMPORT 1	5	1	3	3	3	4
PIER IMPORT 2	5	2	4	3	4	4
LE ROTIN D'AUJOURD'	5	2	3	2	4	2
PACIFIC COMPANY	3	2	3	1	4	1
DECOUVERTE	3	2	3	1	4	1
GALERIES LAFAYETTE	5	1	2	3	3	4
PRINTEMPS	5	1	1	3	4	1
Average	4.75	1.63	2.63	2.5	3.38	2.75

Source: IPEA

Currently, the distribution trade is changing. The price-advantage is not as prevailing as before and people also care about service. Some advise a wide choice of properly displayed items. These changes are unfavorable to Thai furniture, the low price of which compensates ever less for its poor quality.

Display is all the more important for Thai furniture which is essentially decorative, but such products are sold in large superstores which often worry little about such matters. Consequently, Thai furniture will be sold less and less by non-specialist retailers like the hypermarkets or the large department stores. Either it does not fit their calling or they have too little selling space to commercialize a whole range and therefore cannot properly bring out their decorative aspect. Even the mail-order distributor Les Trois Suisses has stopped selling Thai furniture.

At another level, the gap between distributors which buy on the spot and import themselves and distributors which buy only from importers is bound to widen and will play a key role in the evolution of the Thai furniture market. Distributors which import themselves benefit from two advantages:

- By ruling out intermediaries they increase their margins. The comparison of Pier Import to Conforama on the subject is indicative: Conforama, which is supplied by Parisot, makes a 30% commercial margin while Pier Import has a commercial margin of 50%.

- By working with the Thai manufacturers, one can instantaneously check the quality standards or even have one's own factory and finish off the products, thus supplying the market with better-quality products, better adapted to the home demand.

As a conclusion, three points are essential:

- Non-specialists'share of the Thai furniture market will become marginal.
- Among the multi-specialists, those which have a fully integrated network (import themselves) gain a higher margin, offer a marketing concept clearly adapted to Thai products (the exoticism for Pier Import) and will see their share increase.
- The specialists will have to be very strict with their suppliers on quality standards and then adapt their products to the French demand by finishing them in their own workshops in order to fill the medium-upper range slot.

(3) Procurement of Thai Products by French Companies.

(3.1) The Importer's Role

French Customs duties amount 5.6% of the value of imported wooden furniture. But the GSP certificate (General System of Preference) allows Thai products to enter France duty-free.

There are three types of importers:

- Integrated networks like Pier Import which not only take care of the importation but also finish the products in their own factories and distribute them.
- Independents like Paul Rouille International or Comme Des Fous which can be manufacturers, importers and wholesalers all at the same time.

The most sensible trend in this sector is probably the repatriation of tasks between the different partners. Higher quality standards and the necessity to adapt furniture to the French taste encourages importers to finish the products themselves, at least partly, especially as far as rattan furniture is concerned.

Pier Import's case in this matter is very significant. It has been working on the exotic style furniture market for a long time and now has one of the most successful networks on the market. In order to supply its 45 shops, Pier Import imports 8 to 10 40-ft. containers each week with an average value of $81000. The network makes 60% of its furniture turnover with Thai products. Pier Import has moved into Thailand and now employs 3500 people there for buying, inspection, varnishing, painting Thai furniture. But PI is not the only importer to work that way. Many are doing this, like Maugrion which systematically has its products finished in France, revarnishing Thai furniture and redyeing Philippine furniture. Moreover, Maugrion started last year to have furniture items manufactured in the Philippines according to its own designs.

It should be noted that according to Mr Ducru, supply manager at Roche-Bobois, the Philippine manufacturers are far more flexible on that matter than the Thai manufacturers.

(3.2) Choosing Suppliers

Importers which have been in Thailand for a long time, like Pier Import, tend to have closer technical cooperation with their suppliers. They rarely have to break contracts and insist on having business relations with Thai partners based on trust and loyalty. In general, no written contracts are signed, oral agreements are enough.

Criteria most used to choose suppliers are the following:

- the aesthetic beauty
- the harmony with the rest of the distributor's range
- the size (small size is preferred because of freight costs)
- the price
- the delivery delays

The relative importance of each criterium depends on the range level sought by the distributor. But the fact is that among the interviewed importers, most seemed to insist above all on the qualitative aspects of the products. Paul Rouillé for instance says he's prepared to pay more in order to have better finished products. The same goes for Roche Bobois - price has little weight as long as the product looks good. Only Mr Novosselof of Nouvelles Galeries says he worries more about the price. But it seems Nouvelles Galeries, which sell lower-range furniture regularly, have little demand for their Thai furniture.

The selection of suppliers is made mostly through on-the-spot inspection. Mr Rouillé spends 3 to 4 months a year in Asia in order to meet potential suppliers. But suppliers and importers can also meet at exhibitions or trade fairs like the ones in Manila or Taiwan. In particular, the Manila furniture show has had great success since its creation in 1984. In February 1984, there were four French importers there. There were 25 in 1985 and 38 in 1988. Such trade shows greatly benefit the whole industry. Before them, importers who had found a successful item could keep the identity of his supplier confidential and thus restrain the market. This is now much more difficult and the supply can freely meet the demand.

(3.3) Evaluation and criticism

The main criticisms made concerning Thai suppliers are the following:

- Lack of flexibility as far as manufacturing French designs is concerned.
- Product standards are too low in the range and are not fully adapted to the demand for higher quality (even if prices are also higher). Mr Rouillé even believes that the Thai manufacturers make no differentiation between the tourist demand and the European professional demand.
- Lack of creativity in the designs.
- Lack of diversity in the colours as well as in the shapes. For instance, more items like rocking chairs and bars would very much be appreciated instead of the usual rattan armchairs.
- Too many hazards. Natural catastrophes or religious holidays disrupt production too easily. Supplies of raw materials are unstable (tense foreign relations with Burma and Laos which are teak suppliers and cane-smuggling at the frontiers upset prices).
- Badly organized market. Thai manufacturers on the lookout for quick profit suffer from a lack of specialization which leads to poor skills. All manufacturers seem willing to sell anything to anyone as long as they make a profit. When a product sells well, all manufacturers start making it. This makes the first importers unhappy because they lose the exclusivity and the French market for that product becomes saturated. Moreover, such situations have a negative effect on Thai products' image in general.

This lack of organization also explains why there are no joint ventures between Thai manufacturers and Europeans. There's the suspicion and skepticism of the Europeans on one side and the will of the Thai manufacturers to remain completely independent on the other. Still such contrasts can exist, according to our sources, between the Australians and the Thai and the Philippines.

Nevertheless, the current state of demand will force the Thai supply to change, to organize itself and to cooperate with the occidentals ready to offer technical assistance to reach maturity. Then joint ventures will become commonplace. This will certainly occur soon, but not before two to four years have passed. Otherwise, Thai production will automatically be marginalized in favour of its Philippine, Indonesian or even European competition. The Philippines, with the Manila exhibition, Taiwan, with better-adapted products, and Indonesia are encouraging collaboration with the French and seem to have a serious edge over Thailand in this field.

(4) General Outlook

Because of their relative lack of significance, it is difficult to identify a specific trend concerning Thai furniture imports in France.

- Thai furniture will go on benefitting from the low competitiveness of French products in the lower-range because of its extremely low prices.
- Its market share will depend on the networks chosen to distribute it and on the ability of Thai manufacturers to develop consistent range policies and make products adapted to the French demand.

Other Thai artistic objects should benefit from a strong demand in the next couple of years, providing they abide by two conditions: creativity and quality. The maison des Internationaux Créateurs (MIC) illustrates the persistence of the exoticism trend in the decoration and furniture sectors. According to specialized journalists, this trend was introduced in the 70s and has become permanent or even 'traditional'. Lifestyle studies still point out the important part that traditional objects from remote countries play. (The MIC, literally the International Creators' House, is an annual exhibition created by Paul Rouillé in Paris. It gathers importers which can display their products originating from throughout the World. Furniture items and artistic objects coming from Asia are particularly well represented.)

As far as the rattan market is concerned, the situation is more complex, more unpromising for Thai imports.

While up until now the French rattan furniture market has essentially been a lower range and first equipment market very appropriate for Thai products, everything now appears to point toward a general upheaval of the range accompanied by innovations in designs, shapes, colours and dyes. Even more than in volume, it's in quality that the market is bound to increase. This is why Mr. Ducru from Pier Import thinks that if they do nothing about it, the Thai manufacturers will see their products marginalized.

This trend is strengthened by the fact that European rattan-based products themselves follow the same trend. According to an article in Nov. 1987 in the specialized magazine, "la revue de l'ameublement", the quality of European products sold is undeniably increasing. Colours, more refined and more subtle, are playing a key role in this. Furthermore, the price of some varieties has doubled in five years or even one single year. The Indonesian law of November 1986 which forbids export of all raw or semifinished rattan products has had such consequences, as has the rise of the US Dollar ($) in the recent years (1986), the Malaysian tax of 300 to 1000% according to the varieties which will lead to an increase of 30 to 40% of end-prices. Rattan is now more expensive than the most expensive woods, more expensive than ebony for instance (FF12,000 to 16,000 per M^3).

Knowing the cost of French labour, it is no wonder French manufacturers turn to design and interior decorating and concentrate on the top of the range, leaving the rest to their real competitors, the Spanish and the Italians.

Drucker, the oldest French rattan furniture manufacturer, is a good example of adaptation. For them, the labour cost constitutes 60% of the product cost, which means they insist on perfect quality and are not very sensitive to raw material price increases. Their original products, made to order (shape, colours), are made to last 10 years, whereas average rattan furniture would only last two. However, of course, their customers are willing to pay the price.

This example remains an exception because most rattan furniture purchasers are still young people looking for "natural" products. This is why most French rattan furniture manufacturers have great difficulties in terms of competitiveness and many have to move into another area, at the least become importers.

There are in France some 30 craftsmen specialized in rattan furniture (few compared with Spain and Italy with dense industrial regions like Valencia or Trevisi). Most of them are very concerned about raw material shortages which make it even more difficult for them to remain competitive. The only solution would be to have most of the work done in raw material producing countries and to only do the finish themselves as La Decouverte and Un Jardin en Plus do.

Consequently, Thai manufacturers shouldn't worry too much about their French competitors, but should watch the Italian and Spanish manufacturers. CERDA, a Spanish manufacturer, is an interesting example. With 15000M^2, 270 workers plus the equivalent of 80 working at home (caning, typing), CERDA is the top European rattan furniture manufacturer. Its largest market is France, but CERDA also exports a great amount to England, Portugal, W. Germany, Italy and the USA. For the time being, CERDA has no supply problem because it has a one-year stock of cane. It even sells raw materials to neighboring workshops. But since 80% of cane comes from Indonesia, Philippine cane having a poorer quality, CERDA is also worried by attitudes in Indonesia.

Labour costs for CERDA are still high at 22%, because there are at least 10 operations from the selection of cane to the assembling of the furniture piece: straightening, steaming, cutting, shaping, drying, polishing, dying, varnishing. Quality control is implemented throughout the entire process and reduces rejects to 3/1000. Low salaries compared with France at least partly explain their competitiveness (FF700 to 1200 instead of at least FF1200 in France). An integrated upholstery workshop provides very fine-looking cover fabrics at low costs and this has allowed CERDA to make a very prized collection of medium-upper range drawing room sofas. The actual collection has 150 references, but since the company was created 115 years ago, old catalogues are a real goldmine of ideas.

When one thinks about rattan, one thinks about seats. But CERDA has developed a whole range of real furniture items conceived with very innovative machines. The "291" for instance, made famous by President Kennedy and manufactured here for 20 years, is a world-wide best-seller. New items are offered all the time, with a new collection of beds, canopies, and very attractive old-fashioned items. The Mahogany tint remains the one preferred by the French customers (85%) and cabled finish, wicker work and rattan marrow weavings are also coming into great demand. CERDA is willing to diversify its range by offering more dyes and colours in order to respond to an ever increasing demand.

CERDA is a typical example, and Thai manufacturers should try to advance in the same way. There at at least two reasons why they should not ignore this trend:

- The Italians and the Spanish can now produce higher quality products and still offer competitive prices.
- Consumers, including young people, who look for light and "natural" products are becoming ever more demanding regarding quality. Thai furniture's relative price-edge cannot compensate for low quality any more. This is all the more true because when the rattan distribution becomes better organized, marketing policies will put the emphasis on quality and aesthetics rather than price.

The first sign of this evolution is the fact that in the last few years, Philippine furniture imports have increased much faster than those of Thai furniture. And competition is about to become even stronger with the intensification of Indonesian and Taiwanese efforts.

Overall, the Thai manufacturers will have to improve in many respects:

- The quality of raw materials and of the finish
- Aesthetics
- Diversity of range in order to reach a wider clientèle
- Originality by trying to develop style and innovation in design in accordance with the French taste.
- Range policy in order to encourage large purchases.

For this to be done, it seems urgent to increase cooperation with French importers, to organize and to modernize production through increased specialization of each unit.

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