Furnishing a Globalized World: Local Distinctiveness in the International Furniture Industry

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# Contents

Illustrations ........................................................................................................................................ iii

Acknowledgements .......................................................................................................................... v

Glossary ........................................................................................................................................ vi

Abstract ......................................................................................................................................... vii

Introduction .................................................................................................................................... 1

Chapter One: A Global Transformation of the Furniture Industry .................................................. 15
   The Growth of International Production ....................................................................................... 15
   Global Value Chains ....................................................................................................................... 17
      The Furniture Value Chain ........................................................................................................ 22
      Upgrading in the Furniture GVC .............................................................................................. 24
   Dynamic Trends in International Trade ......................................................................................... 28

Chapter Two: Industry Specialization and Branded National Identities -
A Tale of Three Countries .................................................................................................................. 34
   Italy: Traditions of Luxury and Design Master ............................................................................. 47
   Sweden: Marketing the Scandinavian Way of Life ..................................................................... 58

Chapter Three: Interpretations of “Made in America” amid Global Competition ...................... 70
   The US in the Global Furniture Industry: A Story of Outsourcing ............................................. 71
   The Diversity of Companies in the American Market .................................................................. 76
      Appeals Based on Proximity ........................................................................................................ 81
   The Spread of “Made in America” Branding .............................................................................. 85
   American Perceptions of “Made in the USA” ............................................................................. 92
      Appeals Based on Patriotism ...................................................................................................... 94
      Appeals Based on Quality ......................................................................................................... 98
   Global Perceptions of “Made in the USA” ................................................................................ 100
      Appeals Based on the American Lifestyle .............................................................................. 102

Conclusion ....................................................................................................................................... 108

Appendix ......................................................................................................................................... 113

Bibliography .................................................................................................................................... 116
Illustrations

Figures

1.1 The basic value chain of production ......................................................... 18
1.2 The Smiling Curve: Value added along the GVC ........................................ 20
1.3 The furniture value chain, with corresponding NAICS codes .......................... 23
1.4 Exports of furniture to the world: Trade value by segment, 1990-2013 ............... 29
1.5 Exports of furniture to the world: Average market share, 1990-2003 vs. 2004-2013 ...... 31
1.6 Exports of household furniture to the world: Unit value, 1990-2013 ....................... 32
2.1 Positioning Italy, Sweden, and China on the Smiling Curve .............................. 35
2.2 Exports of furniture to the world: China, Italy, Sweden, 1990-2013 ...................... 37
2.3 The Canton Fair in Guangzhou, the site of the China International Furniture Fair ...... 43
2.4 Four easy steps to sourcing on Made-in-China.com .......................................... 44
2.5 Average unit value of total exports from Italy, Sweden, and China, 1990-2013 .......... 49
2.6 Word cloud of B&B Italia’s most commonly used words on its website ................. 54
2.7 B&B Italia print advertisement “Charles,” 2008 ............................................. 56
2.8 Ferrari FF with leather interior by Poltrona Frau ............................................. 57
2.9 Online listing for the HARRY chair by IKEA .................................................. 63
2.10 Evolution of the IKEA logo from 1951 to today ............................................. 64
2.11 Excerpt from step-by-step assembly instructions for the HARRY chair ............... 67
2.12 Store map distributed to customers at the IKEA in College Park, MD ................... 67
2.13 IKEA print advertisement “You Can Get More,” 2012 ...................................... 68
3.1 Total US sales of household furniture and share of imports, 1990-2013 ................ 73
3.2 Local-global spectrum of furniture companies in the US market ......................... 79
3.3 Importance of furniture products made in the US: 2011 consumer survey

3.4 Seals provided by organizations to certify “Made in USA” claims

3.5 Patriotic appeals of “Made in America” branding

3.6 Quality appeals of “Made in America” branding

3.7 Four types of appeals of “Made in America” branding

A.1 Value of US-made household furniture versus imports sold in the US, 1992-2013

Tables

2.1 China’s top export partners: Share of total household furniture exports

2.2 Italy’s top export partners: Share of total household furniture exports

2.3 Sweden’s top export partners: Share of total household furniture exports

3.1 US top import partners: Share of total US household furniture imports

3.2 Top sources for the US furniture market in 2005 and 2013

3.3 Appeals of “Made in America” branding: Percentage of company reps

A.1 NAICS-SITC concordance guide by furniture type

A.2 Complete list of company representatives interviewed
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Glossary

**Domestic**: Within a particular country’s borders (not international or foreign).

**Downstream**: Production activities that take place after the manufacturing stage.

**Global Value Chain (GVC) Analysis**: A framework used to analyze value chains that considers not only the production process itself but also the geographical structures, governance, and institutional contexts that affect international trade.

**High-Value Activities**: Production activities that contribute more value to the final product than is added in the manufacturing process itself, including design, marketing, and services.

**Industry Player**: A country or company that plays an integral role in the industry in some way, such as by manufacturing a large volume of furniture or trading extensively.

**Market Share**: The share of the market accounted for by a particular country, or the country’s trade value divided by the global trade value for a given time period.

**Offshoring**: Relocation of a set of production activities, often manufacturing, to a foreign country.

**Outsourcing**: Subcontracting production activities to an outside company, either within the country of origin or a different country.

**Production Activities**: The different steps involved in producing a product, including design, research and development, logistics, manufacturing, distribution, marketing, and services.

**Trade Value**: The total worth of a particular country’s imports or exports of a product, usually in US dollars.

**Unit Value**: The average value per kilogram of products imported or exported by a particular country, measured by dividing total trade value ($US) by total weight of products (kg).

**Upgrading**: A country or company’s movement into production activities that are higher-value and therefore more beneficial to overall success and profitability (i.e. moving from manufacturing to designing and branding products).

**Upstream**: Production activities that take place before the manufacturing stage.

**Value Chain**: A series of steps performed in order to bring a product or service to the market, flowing from pre-production activities to manufacturing to post-production activities; each step in the chain contributes value to the final good sold to consumers.
Abstract

Advances in technology, communication, and transportation over the past thirty years have led to tighter linkages and enhanced collaboration across traditional borders between nations, institutions, and cultures. This thesis uses the furniture industry as a lens to examine the impacts of globalization on individual countries and companies as they interact on an international scale. Using global value chain analysis and international trade data, I break down the furniture production process and explore how countries have specialized in particular stages of production to differentiate themselves from competitors and maximize the benefits of global involvement. Through interviews with company representatives and evaluation of branding strategies such as advertisements, webpages, and partnerships, I investigate across four country cases how furniture companies construct strong brands in an effort to stand out as unique to consumers with access to products made around the globe. Branding often serves to highlight distinctiveness and associate companies with national identities, thus revealing that in today’s globalized and interconnected society, local differences and diversity are more significant than ever.
INTRODUCTION

On the surface, it is a brand new sofa you purchased with the help of a knowledgeable salesperson at that furniture store down the street. You picked it out as an upgrade from the stained and sagging sack of stuffing that used to sit in the corner. Your eyes haphazardly skimmed over a crooked “Made in the USA” stamp as your hands tugged against masses of clear tape, struggling to free the sofa from its packaging and situate it in its new home in your living room; but, as you ease into its welcoming cushions, you don’t even think about the long journey that brought it there. Oak harvested in Mexico, cloth woven in Indonesia, foam padding produced in China, steel coils fashioned in Vietnam, leather tanned in Italy, and motion mechanisms engineered in Germany were all intricately coordinated and shipped to the United States, where the finished product was constructed and assembled by craftsmen. In today’s globalized society, the “Made in” label only tells a small fraction of the story. My goal is to explore stories such as these in the furniture industry, contemplating the impacts of amplified global competition on countries and companies.

Globalization forces have drastically transformed nearly every industry. Thirty years ago, industries were focused within national borders, with countries producing to meet the demand of domestic consumers and trading only when necessary. Companies operated locally and were vertically integrated, meaning they controlled the whole process of production from research and design through manufacturing and selling. However, with major advances in technology, transportation, and communication, the world has become more connected and countries increasingly interdependent. The large majority of today’s products are the result of a coordinated global effort, hopping between countries as they move through the production chain. Companies have had to differentiate and brand themselves in unique ways to survive in the new global order.
Diverse Perspectives on Globalization

Economist Theodore Levitt is credited with popularizing the term “globalization” in 1983, claiming that advanced technology is linking the world and thus bringing about “a new commercial reality—the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude.”\(^1\) He differentiates between multinational corporations, which recognize and adapt to unique national differences, and global corporations, which instead accept that “to be competitive on a worldwide basis as well as nationally” they must “[treat] the world as composed of few standardized markets rather than many customized markets.” He argues that in order for a company to succeed, it must focus on offering a uniform product of high quality and at a low price, rather than fighting to accommodate superficial national preferences. Many of the companies I will discuss seek to become global corporations. The body of global consumers is converging, and Levitt asserts that “no one is exempt” from this process. Following from Levitt’s view of globalization as an irreversible force, in 1998 Daniel Yergin, an economist and Pulitzer Prize-winning author, writes about the movement of globalization—the process—towards “globality”—the end condition “in which traditional and familiar boundaries are being surmounted or made irrelevant.”\(^2\) He argues that as the world nears a state of globality, technological connectivity and global brands become increasingly important.

As one of today’s leading globalization theorists and popularizers, journalist Thomas Friedman sees globalization as the sole dominant force that governs the modern world. In his first book on the subject in 1999, he argues that “globalization is not simply a trend or a fad but is, rather, an international system. It is the system that has now replaced the old Cold War system, and…it has its own rules and logic that today directly or indirectly influence the politics,

environment, geopolitics and economics of virtually every country in the world.”\(^3\) The world has become more unified because of globalization, such that, in a subsequent 2005 book, Friedman positions globalization as a “flattening” of the world.\(^4\) With technology, “it is now possible for more people than ever to collaborate and compete in real time with more other people on more different kinds of work from more different corners of the planet and on a more equal footing than at any previous time in the history of the world.”\(^5\) Within this modernized and increasingly leveled—though not yet completely level—playing field, all countries have more of an opportunity to compete internationally; using India as his key example, Friedman sees globalization as a force that has broken down barriers and somewhat leveled the playing field, thus allowing countries, companies, and individuals that were previously excluded to also participate globally.\(^6\)

The process of globalization and movement towards a state of globality are inarguably leading to tighter linkages and collaboration between nations, institutions, and people from all corners of the earth. However, the question still stands as to how each individual player is affected by being a part of the interconnected, smaller, and flatter global whole. Does globalization lead to widespread sameness or highlight and foster differences? Some theorists lean on the side of convergence, claiming that strengthened international connections are causing cultural homogenization.

Often this argument takes the form of “Americanization,” a term first coined back in 1900 by British journalist William Stead in reference to American economic and social ideas impacting or even transforming the way of life in other countries.\(^7\) In 2010 historian Volker Berghahn

\(^3\) Thomas L. Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Straus & Giroux, 1999), ix.
\(^5\) Ibid., 8.
\(^6\) Ibid., 10-11.
chronicles three waves of academic discourse about Americanization, the most relevant to my research being the third wave after 1945 when, “by virtue of their technological—military and industrial—commercial prowess, [America] had so clearly emerged from the Second World War as a superpower” prepared to take on reconstruction in Europe and face communism in the East.8 This American dominance is seen in the spreading influence of American ideals and culture—such as democracy, individualism, Hollywood, US media and news outlets, and strong American brands—to the point that they overshadow and eliminate the individualities of other nations. Global studies scholar Manfred Steger explains that “as evidence for their interpretation, these commenters point to Amazonian Indians wearing Nike training shoes; denizens of the Southern Sahara purchasing Yankees baseball caps; and Palestinian youths proudly displaying their Chicago Bulls sweatshirts in downtown Ramallah.”9 Facets of Americanization have also been expressed with terms such as McDonaldization,10 Coca-Colonization,11 and Disneyization.12

However, the view that globalization causes convergence and homogenization does not fully take into account the complex economic, political, social, and cultural undercurrents coming into play between countries that can now interact across the globe, especially those countries previously overlooked in the global order that now have dynamic new roles. Rather than inducing widespread sameness, many argue that globalization instead causes a degree of divergence and leads to heterogeneity, which considers these many layers.

Social-cultural anthropologist Arjun Appadurai agrees that “the central problem of today’s

global interactions is the tension between cultural homogenization and cultural heterogenization. In a 1990 article, he uses the term “-scape” to identify five dimensions of global cultural flow, which describe the interwoven dynamics that play into globalization.

Ethnoscapes describes constantly shifting landscapes of people and their effects on politics and relationships between different countries. With more competitive laborer populations in emerging economies, manufacturing capabilities are shifting away from the west through offshoring and changing the power dynamics between East and West, North and South. The global configuration of technology, or Appadurai’s dimension of technoscpes, has forged swifter connections between nations, especially across “previously impervious boundaries.”

The Information Revolution has not only strengthened communication across the globe but also has increased the capacity to produce efficiently with various types of machinery. Finanscapes, or the global balance of capital, are being stratified as some countries participate in higher-value production activities and even exploit other economies for cheap labor. Finally, in Appadurai’s analysis, both mediascapes, describing the flow of information and media, and ideoscapes, the flow of ideas and power ideologies, work to perpetuate the balance created by the other three dimensions, such as the concentration of power in and attention paid to the West. Each dimension of global cultural flow works to highlight the nuances of difference of every place and how each contributes to the “complex, overlapping, disjunctive order” that characterizes the modern global economy.

Sociologist Roland Robertson also acknowledges the importance of global flows, such as those described by Appadurai, and their impacts on individual countries and populations. He argues in 1992 that regional and national differences are more important than ever in the

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14 Ibid., 296-300.
15 Ibid., 297.
16 Ibid., 296.
globalization era because they represent the site of a unique mixing between the local and the
global.\textsuperscript{17} Robertson is credited with popularizing the term “glocalization,” which, as he describes
in a 1997 speech, embodies the “simultaneity—the co-presence—of both universalizing and
particularizing tendencies.”\textsuperscript{18} The result of glocalization is a cultural manifestation and hybrid
perspective that is different from both the global and local but only made possible by the unique
combination of both. Following along a similar thread as glocalization is “indigenization,” which
also acknowledges globalization as heterogenization. As noted by several scholars in different
specific situations, when outside ideas or forces are brought to new populations—such as
American ideals to outside nations—through indigenization they are transformed from their
original form to suit local contexts.\textsuperscript{19}

My research follows the rationale of heterogeneity as described by Appadurai and
Robertson, recognizing that most often globalization supports complex international diversity
rather than wiping it out. With indisputable economic, political, social, environmental, and
cultural linkages and exchanges between countries, it is impossible to ignore the distinctiveness
that each player brings to and highlights in any industry.

\textbf{The Furniture Industry and the Importance of Deliberate Brands}

I chose the furniture industry as the ideal opportunity to explore these widespread
globalization trends and their effects on individual countries and companies. Furniture is a
traditional and necessary good that has been manufactured, bought, and sold for centuries. In a
pre-globalized society, powerhouse furniture producers made an impact because of the strength of

\begin{footnotes}
\footnote{18} Roland Robertson, "Comments on the "Global Triad" and "Glocalization"
\footnote{19} For specific examples, see: Karin Barber, "Popular Arts in Africa," \textit{African Studies Review} 30, no. 3 (1987); Ulf
\end{footnotes}
their manufacturing capabilities and worker skills, and companies operated within country borders and sold to consumers within a limited domestic reach. Now, the furniture industry is becoming increasingly complex. Goods are manufactured in intricate international chains of production, and the efforts of each country and company blur and intersect; sometimes it is difficult to track the process of how furniture is produced from an idea and design through to a finished good sold to a customer.

Global Value Chains (GVCs) serve as an analytic tool to systematically break down the various steps of production, where and how they are coordinated across the globe, and how they fit into greater existing structures. With research stemming back to 1994, sociologist Gary Gereffi is the leading scholar today of the GVC methodology. Global value chains explore industries in four dimensions, namely the production value chain, geographic scope, governance structure, and institutional context of an industry. Using GVCs, industries can be viewed from the top down—analyzing how lead companies guide and influence the industry—or the bottom up—looking at how countries can improve and maximize their global involvement by “upgrading,” or participating in the GVC in a more valuable way.

Uniting GVCs and the furniture industry, the Duke Center on Globalization, Governance, and Competitiveness (Duke CGGC) investigated the furniture industry in North Carolina, chronicling in 2013 the furniture value chain and employment, wage, and trade trends for NC

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both in relation to other US states and internationally.\textsuperscript{23} Also in 2013, a research group spearheaded by marketing and management scholar Guilio Buciuni used the GVC approach to compare the furniture industries in northeastern Italy and North Carolina and found that firms maintaining control over manufacturing were more innovative.\textsuperscript{24} These two sources provide a solid basis with which to analyze the breakdown of the furniture industry at an international scale, while periodicals, industry reports, company interviews, and marketing materials help to better understand the industry narratives.

Rather than coercing a widespread sameness, globalization has led to an increasing need for furniture industry players to make strategies that emphasize differences; companies have been pushed to make deliberate choices about how to represent themselves in unique ways in order to stand out in the international GVC. In analyzing these choices, I found the formative work of cultural theorist Stuart Hall helpful. He discusses representation and how it plays into society’s understanding and interpretation of ideas. In his 1997 lecture “Representation and the Media,” he claims that a representation goes beyond a word or image standing in for an idea: representation even gives additional meaning to the concept. Ideas are not fixed entities, and the representation is “constitutive” because an idea cannot exist meaningfully until it has been represented.\textsuperscript{25} Further, Hall asserts that culture, as a type of representation, serves as the primary way through which people make sense of their worlds.

These concepts can help explain the activities of companies as they seek to represent themselves in ways that are attractive to consumers. Branding and advertising efforts allow companies to construct their own outward identities, drawing on cultural associations and themes

\textsuperscript{23} Lukas Brun et al., \textit{The Furniture Value Chain in North Carolina}, (Durham, NC: Center on Globalization, Governance, and Competitiveness, Duke University, 2013).
\textsuperscript{25} Stuart Hall, "Representation and the Media," (lecture, The Open University, Buckinghamshire, UK, 1997).
that global consumers will connect with and thus be influenced to buy products. As described in 2004 by branding and innovation expert Douglas Holt, brands become powerful icons by working to represent much more than the physical products they sell. Strong brands narrate “identity myths,” relatable stories that consumers connect with and want to share and be a part of; through “cultural branding,” identity brands are the most powerful when they become cultural icons: lifestyle symbols such as Apple, Budweiser, and Nike which are virtually akin to celebrities in that they are “considered worthy of admiration or respect.”

Often companies highlight the locations where their products are made, and in doing so they associate their products with certain qualities and influence how their products are seen by consumers. Country of origin branding highlights where a good comes from and where it was produced, manufactured, grown, or assembled. Marketing scholars Güliz Ger, Søren Askegaard, and Anja Christensen argue in 1999 that products tell stories about and have unique links with their origins; thus, customers’ perceptions of a given country affect their views of products that come from that country, with, as relates back to Hall, the companies’ representations adding meanings to the products and the countries themselves. Companies use country of origin branding to differentiate their products because consumers rely on their perceptions of each country to “reduce [the] perceived risk [of buying a particular product] and assess the social ability of their purchases,” as described by marketing scholars Nicholas Papadopoulos and Louise Heslop in 2002. As stated in 1993, Papadopoulos also reveals that companies may highlight a particular country in which a product was only assembled, as opposed to the country in which it was produced.

27 Ibid., 5, 11.
manufactured, in order to capitalize on certain country associations over others; further, when a customer is not familiar with a brand, he may instead put faith in the reputation of the country of origin in order to make informed buying decisions.\(^{30}\) Public relations expert Olga Zatepilina-Monacell explores country of origin branding within the US furniture industry in 2014, using a case study of Hickory Chair Furniture to show how American companies utilize Made-in-America messages and rely on “America’s reputation for status” to stand out globally.\(^{31}\)

I have woven these themes of globalization, representation, and national branding into my research. The furniture industry has become truly globalized, with furniture being produced through dispersed GVCs and countries across the world participating in different ways. As each country becomes entwined and collaborates within this transformed international landscape, tradeoffs between the global scope of the industry and the local aspects of each individual country inevitably take place. I argue that global involvement does not occlude local distinctiveness but, rather, transforms and brings it to the forefront. In order to stand out to global consumers with access to furniture from every country, companies are asserting their national identities and local distinctiveness through branding; the “local” aspects that they highlight are not necessarily mirrored representations of traditional culture and national symbols but, instead, are new manifestations that are coproduced with globalization to stand out in the global era.

**Research Methodology**

I analyzed the changing landscape of the global furniture industry from both quantitative and qualitative angles. In order to understand the complex and evolving roles of the major

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countries involved in various aspects of furniture production, I evaluated data chronicling trade between countries and utilized GVC analysis to help break it down. I focused on the total volume of furniture traded (in $US) each year between 1990 and 2013. When commodities are traded across country borders, they are classified using different coding systems in order to track imports and exports. I primarily analyzed the trade of finished furniture using the SITC system, which I chose because it is used internationally and allows comparison among all countries on a level front. In order to maintain a focus on household furniture, I categorized SITC codes by furniture function using an industry concordance guide from the US Census Bureau; I grouped furniture SITC codes into the categories of household, institutional, office, and furniture-related products by matching them with the NAICS method, a regional classification system which groups the furniture industry more clearly into the four delineated categories. See Table A.1 in the Appendix for a breakdown of corresponding SITC and NAICS codes by furniture function.

To garner a deeper and more nuanced understanding of the industry beyond trade data analysis, I conducted a total of sixteen interviews with three furniture industry experts and thirteen representatives of different companies. During the spring of 2014, three interviews were conducted in a classroom setting by students as part of the Duke University Bass Connections

32 The Standard International Trade Classification (SITC) is maintained by the United Nations. SITC Revision 3 was used for analysis. SITC classifies furniture based on use and composition, with the broad group SITC 821 signifying “Furniture and Parts Thereof.” The major 4-digit codes are grouped into wood furniture, metal furniture, furniture of other materials, seats, mattresses and bedding, and furniture parts, many which include more specific 5-digit codes.

33 United States Census Bureau, "Imports Concordance," U.S. Department of Commerce, accessed September 23, 2014, http://censtats.census.gov/cgi-bin/concordance/concordance.pl?Year=Current&IMEX=IM. SITC codes included in all furniture analysis: 69916, 69919, 69979, 74149, 82113, 82114, 82115, 82116, 82117, 82118, 82119, 82121, 82123, 82125, 82131, 82139, 82151, 82153, 82155, 82157, 82159, 82171, 82179, 82180, 87240, 87425, 89329 (SITC 82116 and SITC 82139 are repeated in more than one segment, as the code categories cross furniture types). SITC codes included for household furniture analysis: 82113, 82115, 82116, 82139, 82153, 82179. See Appendix Table A.1 for NAICS-SITC concordance.

34 The North American Industry Classification System (NAICS) was developed by the Economic Classification Policy Committee (ECPC) of the United States Office of Management and Budget (OMB), Statistics Canada, and Mexico’s Instituto Nacional de Estadística y Geografía. NAICS primarily classifies furniture based on function. NAICS 337 is the broad classification for “Furniture and Related Products Manufacturing,” which is further broken down into 4-digit NAICS codes that classify household, institutional, and office furniture as well as furniture-related products. 5-digit and 6-digit NAICS codes represent increasing product specificity.
program, an undergraduate research initiative that analyzed North Carolina’s top industries, including furniture. These interviewees were chosen based on expertise and breadth of knowledge about the furniture industry of North Carolina. I conducted thirteen additional interviews at the High Point Market home furnishings industry trade shows in April and October 2014. In April I selected two interviewees, one based on his knowledge of the industry and the High Point Market and the other based on his industry experience as leader of a company with US production. The eleven I interviewed in October were representatives of companies with exhibits portraying overt American identities. See Appendix Table A.2 for all sixteen interviewees and their affiliations.

The diversity of my research is one of its main strengths because, with numerous qualitative and quantitative sources, it allows for a comparative and multifaceted view of the international furniture industry. Beyond these two dimensions, my use of longitudinal data to understand changes over time adds the invaluable element of analyzing trends. Rounding out this comprehensive data analysis is my focus on companies—made possible by interviews conducted in the field with representatives—and my use of web-based research—including investigation of branding strategies. My approach using these mixed methods makes my research relevant across a wide range of applications, such as for countries looking to understand the changed global landscape of the industry and for companies seeking to stand out to global consumers despite harsh competition.

While attempting to be as inclusive and objective as possible, my research is not without limitations. My qualitative primary research is predominately US-focused, with my own experience stemming from North Carolina’s position in the furniture industry and all sixteen interviewees largely coming from an American perspective. Thus, my examinations of other countries rely more heavily on data and secondary sources and do not contain the same narrative depth as is possible for the American industry. Secondly, the group of industry experts and
company representatives I interviewed constitute only a small portion of the total industry; because each experience and perspective is unique, it is possible that I over or under-state various phenomena and trends.

**Thesis Overview**

This thesis gradually narrows in focus from global to national to local, comparing four country cases and examining several companies as the key actors within each country’s role in the industry. Chapter One presents the international furniture industry as a whole and examines how it has transformed over the past twenty years. I explore how the industry has evolved from a collection of isolated national industries with a heavy focus on manufacturing into an interconnected global picture in which each country plays a differentiated role in production. I explain and then utilize GVC analysis to describe the production process as it takes place step-by-step, spans the globe, and plays a unique role in each country. I break down the input-output structure of furniture and how value is added at each stage of production. Finally, the chapter investigates the changing roles that leading countries play in the international furniture industry, most notably the effect that mass outsourcing of manufacturing to Asia has had on the global order. This analysis relies heavily on international import and export data.

Chapter Two compares three leading countries in the global industry: Italy, Sweden, and China. With globalization, each country has effectively specialized in a different segment of the GVC in order to stand out from widespread competition. Further, all three brand themselves by emphasizing distinctive local aspects; China portrays its efficient large-scale manufacturing, Italy its rich design traditions, and Sweden a democratic and effortlessly modern image through its marketing. I showcase several company and industry examples to illustrate each country’s general
strategy. These assertions of local qualities are coproduced with globalization and are presented to appeal strongly to global consumers.

Chapter Three focuses on the United States as American companies seek to compete for the attention of both domestic and global consumers. US manufacturing has dwindled in the past twenty years as imports have skyrocketed, due especially to outsourcing of manufacturing. However, several companies have been able to maintain some degree of US manufacturing, and many are emphasizing their US involvement regardless of where they produce. I explore the “Made in the USA” branding trend that has taken hold of the furniture industry and consumers’ growing interest in buying US-made goods. Drawing primarily from interviews with company representatives, I explore how local “Americanness” is portrayed as well as lay out four major appeals of American branding—proximity advantages, patriotism, quality, and lifestyle—that work together to define this “Americanness” on local and global stages.

Finally, the Conclusion highlights how emphases on local distinctions have become exceptionally important in the globalized age of the furniture industry. I compare the furniture industry to other industries, broadening the implications of my argument about global-local relationships. Further, I suggest avenues for future research, especially highlighting the typology of the appeals of the “Made in” brand and how it can be widely applied to help understand the role of branding in boosting competitiveness on the global stage.
CHAPTER ONE
A Global Transformation of the Furniture Industry

The furniture industry represents an ideal example through which to explore the effects of globalization on countries, companies, and industries. While previously created by companies that operated within country borders, controlled the entire production process, and reached out to consumers in limited geographic scopes, furniture is now produced in a collaborative global effort. This chapter serves to break down the process of furniture production and tell the story of the globalization of the industry. In order to best describe the industry makeup, I first introduce the basics of GVC analysis and how it can be applied to better understand the furniture industry. Then, utilizing international trade data, I chronicle the dynamic transformation of the furniture industry since 1990 and highlight the changing roles of leading countries. To compete in the globalization era, countries must pay special attention to how they seek to participate in the furniture industry, and many have developed differentiated niches by producing specific types of furniture or operating within narrow portions of the GVC. Understanding the nuances of the industry and how it has become global is crucial before exploring the role that the “local” plays in this picture.

The Growth of International Production

The current global picture of juxtaposed collaboration and competition in industry stems from movement away from production solely within country borders. The 1960s brought with it the foundations of a “new international division of labor” between transnational corporations and developing economies.35 The US formed a close relationship with Mexico and began to relocate assembly portions of the supply chain to outside Mexican suppliers, known as the “Twin Plant”

program; around the same time, Germany transferred its apparel assembly activities to “export processing zones” in Central and Eastern Europe.\(^{36}\) The next two decades brought a shift towards more direct coordination between companies and manufacturers to find low-cost and qualified outside suppliers, moving the phenomenon into the global arena. International connections exploded in the 1990s and 2000s and grew to include all segments of production. Companies were looking towards all corners of the globe to find partners to participate in not only product assembly but also in services and manufacturing intermediate goods. Rather than a “trade in goods,” global industry had evolved into a “trade in value-added” and a “trade in tasks.”\(^{37}\)

The BRIC\(^{38}\) countries—Brazil with a “wealth of agricultural commodities,” Russia with “enormous reserves of natural resources plus…military technologies,” India as “the world’s ‘back office,’” and China as “the ‘factory of the world,’” as described by Gereffi\(^{39}\)—were some of the first major emerging economies to participate in global production in the early 1990s. The growth of the BRICs indicates some shifts in power away from the G7 “developed” economies; the “Group of 7,” considered by the International Monetary Fund to be the seven wealthiest developed nations by national net wealth, includes representatives from Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Since, other economies have grown and increased their involvement as markets, producers, and exporters in the global production landscape. This category of countries that are considered “growth economies” has expanded exponentially into an alphabet soup, with the expansion of BRIC into BRIMCS (adding Mexico and South Africa) and the creation of groups such as N-11 and MIST.\(^{40}\)

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\(^{36}\) Ibid.


\(^{38}\) The original “BRIC” economies include Brazil, Russia, India, and China. Jim O’Neill, a British economist and former Chief Economist at Goldman Sachs, coined the term in 2001.


\(^{40}\) The “next eleven” countries include Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam. The “MIST” nations include Mexico, Indonesia, South Korea, and Turkey. Like
countries as important players on the global stage is proof of the breakdown of barriers to opportunity for developing economies and Friedman’s “flattening” of the world.

The mid-2000s marked the decline of the “Washington Consensus,” or “Export-Oriented Industrialization” era, in which institutions such as the International Monetary Fund, the World Bank, and the US Treasury Department spearheaded notions of development, emphasizing exports and participation in global markets. Declining US influence and the growing sway of large emerging economies both had huge effects on the global landscape of production, and the 2008 economic recession “ended all prospects of a return to the old order.” Today, the global economy is at a crossroads characterized particularly by the changing roles of emerging economies in global industries.

Global Value Chains

Global value chains provide a unique framework with which to comprehend these international connections and patterns in production and trade. They allow a nuanced understanding of the breakdown of industries by combining a systematic look at the production process, with an understanding of where these activities take place in a geographic sense and how they play into the local environments within each country. The landscape of production has evolved from showing heavy concentrations of involvement in a limited number of geographic areas to highlighting international ties and more universal participation across borders. As outlined by Gereffi, GVCs explore four key dimensions to understand an industry: value chain, 

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41 The term “Washington Consensus” was coined in 1989 by English economist John Williamson, senior fellow at the Peterson Institute for International Economics in Washington, DC. Williamson’s original concept included ten policy recommendations that comprised a standard “reform” package for developing countries, but the term has been used more widely to describe a market and export-based technique to development.


43 Ibid., 15.
geographical scope, governance structure, and institutional context. It is important to spell out the basics of GVC analysis before proceeding to explain how they connect with the furniture industry.

On a surface level, GVCs first examine the input-output structure or “value chain” of an industry, which essentially involves following the production structure from the raw materials stage to the finished products stage and examining how each step contributes to the final result. While manufacturing itself makes up the heart of this process, the value chain structure also takes into account other activities such as research and development, design, distribution, marketing, sales, and supporting industries and services, which all contribute to the final product. These activities are considered in a linear progression, as seen in Figure 1.1. All the individual steps that transform a product from an idea and scattered raw materials into a finished product sold to the consumer contribute a small bit of additional value to the product. Each hand or machine that acts to design, construct, assemble, package, promote, transport, or sell the good improves the final product in a unique way.

![Figure 1.1. The basic Value Chain of production](source: Adapted from Brun et al. 2013, figure 1.)

Thus, the final value of a product represents the sum of the values of each phase that helped create the final product sold to the end customer. While each step in the value chain adds

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The value creation is not equally distributed across the various segments of the GVC. The activities and services leading up to the physical manufacturing process, which are considered “upstream” activities, and the activities and services involved after the manufacturing process, known as “downstream” activities, add more value for a country or firm than the actual manufacturing process itself. Therefore, stages of the value chain such as research, engineering, design, marketing, distribution, branding, retail, and services can be considered “high-value” activities because they contribute additional worth and appeal to the products. Around 1992, Stan Shih, founder of the Taiwanese IT company Acer, described this notion with the “Smiling Curve,” which lays out the various value chain activities and the value added in each step.

As is shown in Figure 1.2, the discrepancy between the value added in production compared to in upstream and downstream activities has grown since the 1970s. Most companies used to be vertically integrated, and consequently they controlled every step in the process of designing, producing, and circulating their products, which contributed to a more balanced creation of value across production activities. However, today value creation is being polarized with globalization. While it used to be the focus and differentiator between companies, manufacturing has become more standardized and therefore is seen as a step that can be passed off to other countries and companies. Offshoring and outsourcing have become hugely prevalent with increased recognition of the higher value-added in upstream and downstream activities rather than in manufacturing. These methods allow companies to both manufacture their products at a fraction of the cost as well as focus their efforts on the activities that will contribute more to the bottom-lines for their products, because what differentiates products today are the ways they are designed, distributed, sold, and serviced. This transformation has caused a dynamic shift in the

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way countries and firms participate in the GVC, especially as they seek to upgrade their positions to capture more value in the process, as is described later in this chapter.

Figure 1.2. The Smiling Curve: Value added along the GVC

Source: Organisation for Economic Co-operation and Development 2013, figure 7.2.

To truly understand the input-output structure of an industry, one must also consider its geographical scope, which represents the second dimension of GVC analysis. Depending on the industry, this geographic reach could be contained within a limited local area or extend regionally, nationally, continentally, and even globally. With globalization of industries, most GVCs consider a global scale because of the wide breadth of modern production. Technology growth as a result of the Information Revolution over the past several decades has created closer global connections and the exponential spread of information. Further, more countries have joined the World Trade Organization and increased their participation in international trading. Trade agreements, such as

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the North American Free Trade Agreement (NAFTA), and tariff reduction initiatives, such as the United State’s Generalized System of Preferences (GSP),47 have encouraged trade and reduced barriers to entry into the international market.48 Industries now have international audiences and consumers as well as the capabilities to transport goods across borders. Global value chains analyze how different countries are linked by their participation in production processes and how each is positioned in the input-output structure.

Thirdly, the GVC framework helps to explain how international relationships are governed and coordinated. Companies and countries with the most power drive industries as well as the relationships between the various players that constitute the value chains. Lead firms, which have the most power over a particular chain, can have different degrees of influence over the production process and their suppliers. The GVC structure can be producer-driven, in which the power is held by the manufacturers of the final products, or buyer-driven, in which the power is held by retailers who shape buyer perceptions and can demand supplier adherence to production standards.49

The final dimension of the GVC analysis situates production processes inside the institutional contexts in which they operate. While globalization has stretched across borders and brought different parts of the world to the same production front, these value chains play into existing dynamics. This aspect of the GVC helps to examine “how local, national, and international conditions and policies shape the globalization in each stage of the value chain.”50 Regulations, labor availability and skills, existing infrastructure, access to resources, and

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47 The GSP program provides duty-free trade with the US for a set group of developing countries, with the goal of promoting overall economic growth.
49 Gereffi and Fernandez-Stark, Global Value Chain Analysis: A Primer, 8.
50 Ibid., 11.
education all affect—and are affected by—GVC interactions. Because every place is unique, each is touched differently by globalization and therefore the GVC manifests itself differently.

**The Furniture Value Chain**

The furniture industry represents an ideal opportunity to explore how industries have been transformed by globalization. Breaking down the value chain of production serves as the first step to understanding the industry as a whole. As described, the value chain can be constructed by analyzing the processes involved in providing a good or service and the value that is integrated into the final product along each step of the chain. This input-output organization is then incorporated into the GVC framework by considering additional dimensions such as the geographical landscape of the industry, governance structures, and institutional contexts. The value chain for furniture—a traditional manufactured good—is fairly straightforward, though the industry’s growth with globalization has contributed to a more complex GVC structure.

The furniture value chain begins and ends with pre- and post-production services that surround and support the core manufacturing processes that make up the middle of the chain. As shown in Figure 1.3, the design and engineering segment of production initiates the furniture value chain, in which plans for new furniture pieces are created and tested for their viability and success in the market. The manufacturing process then begins with raw materials, which vary based on the type of furniture but include wood, plastic, metal, rattan (wicker), and textiles. These materials are handled through sawing, framing, and upholstering processes to produce intermediate and component products, which are further manufactured and assembled to produce finished furniture pieces. After the main production segments, the furniture value chain continues with the distribution of goods through various channels, primarily wholesalers and warehouse

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establishments. Finally, the pieces reach furniture retailers where they are sold to the end consumers. The entire furniture production process is supported by other related industries such as upholstery, mechanical parts, chemicals, and showrooms. Each contributor and step in the value chain contributes more value to the final product.

![Diagram of the furniture value chain with corresponding NAICS codes](Figure 1.3. The furniture value chain, with corresponding NAICS codes)

Source: Brun et al. 2013, figure 1.

In the pre-globalization era, furniture companies were involved in every step of the value chain and guided the creation of products from the design stage through the retail stage, all within a generally limited geographic scope. In the globalized age, this foundation is fracturing. Furniture production now spans the globe in segmented international chains, and production activities can all be completed within a single country and firm or split and coordinated across a wide variety of countries and firms. Despite differences in strategy, trade volume, product offerings, and furniture type and quality, companies have had to redefine their roles and—rather

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than controlling the whole production chain—make deliberate choices about how they are going
to participate in the changed globalized industry.

*Upgrading in the Furniture GVC*

International connections in the furniture industry are constantly evolving, causing shifts
in each dimension of the GVC. Each year new industry players are introduced, countries become
involved in different stages of the value chain, and relationships between companies change. With
so many dynamic shifts in the furniture industry over the past twenty years, countries and
companies have more freedom as to how they participate in the GVC. Leaving behind an
emphasis on manufacturing, many of today’s powerhouse companies, most of which are
headquartered in North America and Europe, are instead focusing on pre- and post-production
activities; meanwhile, physical manufacturing is more often concentrated in emerging economies,
especially in Asia, where it can be done more cheaply. Outsourcing—in which production
activities are subcontracted to other companies—and offshoring—in which production activities
are completed within other countries—have become the furniture industry norm. These strategies
allow leading companies to capture more value in the production process and stand out through
excellence in product design, streamlined distribution, strong brand names, and memorable
marketing rather than manufacturing.

When a country or company seeks to maximize the benefits of involvement in an
international industry, it can migrate into segments of the GVC that generate more value. This
process is known as upgrading. Upgrading can take a variety of forms depending on the starting
position and the positions of competitors. Emerging economies and new players in the furniture
industry might upgrade in the GVC by expanding beyond low-cost manufacturing and taking
control of one or two more high-value activities, such as by distributing their own products;
already having offshored manufacturing, powerhouse countries in the GVC might seek to upgrade by strengthening high-value production activities such as product research and retail.

Gereffi and Fernandez-Stark categorize four different types of upgrading. Process upgrading involves improving the input-output structure using better technology or more efficient production. In the furniture industry, this change might take the form of investing in manufacturing technology, such as cutting machines, rough mills, or computer numerically controlled (CNC) machines, to create more standardized production lines. The best example of this type of upgrading in today’s industry is China, which over the past fifteen years has built up highly industrialized zones with hundreds of factories containing advanced machines, thus enabling them to produce huge volumes of standardized furniture. China’s role in the industry will be discussed in more detail in Chapter 2. The second type of upgrading, known as product upgrading, involves moving towards manufacturing more advanced or complex goods. A company that participates in product upgrading might transition from producing plain upholstered chairs to more high-tech pieces, such as La-Z-Boy did when it moved beyond producing simple recliners and expanded to motion and motorized chairs and sofas that could “rock, swivel, glide, and lift.” These first two types of upgrading are typically simplest for firms to achieve because they involve improving and upgrading existing processes and systems.

The other two types of upgrading require a company to make more changes and develop more knowledge to be successful in new ways. In functional upgrading, a firm expands its production capabilities into other functions, such as a household furniture company that develops to also produce for the office furniture end market. Cleveland-based Rustbelt Reclamation started out producing commercial cabinetry especially for restaurant and hospitality end markets, but

recently it has also expanded into the retail space and is producing more household furniture, thus exhibiting functional upgrading. Finally, *inter-sectoral upgrading* is characterized by movement into a new industry altogether, often one that is complementary to the original industry but that has richer opportunities for value creation. A textile company might expand its horizons into the furniture industry, applying its workers’ existing textile knowledge to new uses by making cushions, mattresses, or upholstered furniture pieces.

The four types of upgrading often build upon each other, and theoretically each successive type provides more benefits for the company than the last. When upgrading, a company might move linearly along the upgrade path, first process upgrading, then product upgrading, and so on; however, with today’s globalization trends, companies often skip around and zigzag through the upgrading process to maximize the benefits and minimize the costs, such as by outsourcing low-value manufacturing processes and focusing on high-value activities like marketing.

As the GVC framework develops and continues to describe more industries in increasingly interconnected relationships across the globe, it is being expanded and applied beyond economics. A country’s competitiveness in an industry and its movement within GVCs—especially when it comes to upgrading—have huge effects. Global value chain methodologies can be used to explore social and labor upgrading that occur alongside economic development. While often economic upgrading can lead to social upgrading, including job creation and improved labor standards and conditions, often times the opposite occurs; countries and companies become myopic in focusing on the economic bottom line and look past the humanity that makes up an industry and keeps it running. This reality can be seen in the furniture industry with companies moving manufacturing to emerging economies in order to benefit from lower labor costs, cheaper factories, and fewer environmental regulations.

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55 Founder and Principal of Rustbelt Reclamation, interview by author, High Point, October 21, 2014.
However, GVCs can be used to better understand ways in which economic upgrading can reinforce social upgrading and maximize the relationship between the two. Economic upgrading can also have huge positive implications for upgrading the human capital of a country, or the body of skills, knowledge, and abilities of workers, which contributes positively to competitiveness. For example, the movement of a large portion of the furniture industry to China has contributed to a growing “brain trust,” a body of workers in the country with specialized skills in technology-dominated manufacturing methods. This brain trust is spreading to other countries, especially Vietnam, with the evolution of the industry. Further, these manufacturing skills are widely applicable and beneficial beyond the sphere of the furniture industry, especially as many workers and companies move on into higher-tech and higher-value industries such as biotechnology and mobile devices. These advantages also apply beyond manufacturing, such as with design, marketing, or distribution skills. In order to create more opportunities in especially developing and emerging economies and enhance the value of internal workforce development initiatives, the GVC framework can be applied to better understand the connections between workforce development issues and economic upgrading.

All in all, GVCs are revolutionizing the way we look at economic, social, and even political and environmental connectivity on local, regional, domestic, and international levels. Based around “[tracing] the shifting patterns of global production, [linking] geographically dispersed activities and actors of a single industry, and [determining] the roles they play in developed and developing countries alike,” the GVC perspective allows for a nuanced analysis of the changing dynamics of global connections. As Gereffi further describes, to contribute to an

57 Vice President of Operations of Samuel Lawrence Hospitality, interview by author and Duke University Bass Connections students, Durham, April 7, 2014.
industry in a way that allows a country to “gainfully participate” in the GVC is the primary way to benefit from international involvement.

Dynamic Trends in International Trade

By comparing trade data using national and international product classification systems, as described earlier in the methods section, one can better understand the role of each country in the global furniture landscape. Strengths in the industry can manifest themselves in a variety of ways, including total trade value of exports, market share, value of exports as compared to imports, unit value (usually representing higher quality), or changes in these values over time. Relationships and interactions between top country players are very telling in determining the trends of the industry and those who are gaining and losing prominence on a global scale.

Allowing for a more granular analysis of the industry and the role each country plays, finished furniture can broken into categories based around two dimensions: function and composition. In the first dimension, furniture is differentiated based on whether it is intended as household furniture, which includes bedroom, dining room, living room, and kitchen pieces; institutional furniture, which goes into schools, hospitals, government buildings, churches, and hotels; office furniture, which incorporates pieces such as desks, cabinets, office chairs, tables, and shelving units; or furniture-related products, such as mattresses and window blinds and shades. These functional groups are sometimes referred to as furniture segments. Across these four segments, furniture can be further categorized by composition, which is most often wood, upholstery, metal, or plastic. These two dimensions allow for categorization of the leading players and a more nuanced understanding of competition in the industry. Often throughout this thesis, I use household furniture (of all different types of compositions) as a more focused frame of
reference because it allows me to draw a clear line from the producers—a somewhat defined set of companies—to the end consumers—homeowners across the world.

Furniture exports have grown significantly in recent years due to the increasingly global nature of the industry and the fact that companies are no longer producing solely for domestic use, thereby making exports an important lens through which to analyze the industry and the role of each country. Figure 1.4 demonstrates the total trade value of furniture exports from all countries exporting furniture, broken out by segment. The value of furniture exports in 2013 totaled almost six times the value of exports in 1990, when most companies were vertically integrated and manufactured and distributed their products within their own country borders without outsourcing.

Figure 1.4. Exports of furniture to the world: Trade value by segment, 1990-2013

Source: Created by author with data from UN Commodity Trade Statistics Division 2014.

Two SITC codes are repeated across furniture segments: 82116 (household and institutional) and 82139 (household, institutional, and office).
or offshoring. Sustained growth from 2001 to 2008 was interrupted by the global financial crisis, which had a huge impact on furniture trade, as illustrated by the sharp dip from 2008 to 2009. However, the past four years have revealed increased growth in furniture exports and a full recovery beyond pre-recession levels.

Each furniture segment has remained relatively constant in its market share of the global industry (as shown by the colored bands), household furniture with an average market share of 20% of the total industry, institutional furniture with 46%, office furniture with 21%, and furniture-related products with 13% in 2013. Despite the constancy of the four primary furniture segments, there have been extreme shifts in the geographic makeup of the industry in terms of which countries are exporting furniture. As presented in Figure 1.5, few countries have maintained constant market shares in past ten years as compared to the ten-year period from 1994-2003. Market share (%) was calculated by dividing the total value of exports of a particular country by the total value of exports by all exporting countries for that year. Thus, market share represents the importance of a country’s exports within the international industry landscape.

The growth of China’s prominence in the furniture industry is unmistakable when these two time periods are compared. In 2013, China’s exports accounted for an average of 31% of total international exports and 43% of total household furniture international exports. Of the top country players, Germany is the only that has maintained a constant market share. In contrast, Italy’s and the United States’ market shares in the industry have decreased significantly in the same time period; Italy’s average market share fell from a high of 17% in 1990 to 7% in 2013, and the United States’ fell from a high of 11% in 1997 to 6% in 2013. This trend is to some extent mirrored in Canada, France, Belgium, the UK, and Sweden. One major reason for decreasing exports in these countries is the growing prominence of imports, driven by increased offshoring of
manufacturing by companies that in previous years manufactured their own products within their own country borders; while exports have fallen, imports have grown.

Figure 1.5. Exports of furniture to the world: Average market share of top twelve countries, 1994-2003 vs. 2004-2013.\textsuperscript{60}

Source: Created by author with data from UN Commodity Trade Statistics Division 2014.

However, exporting high volumes of furniture is not the only way a country can compete in the industry. Rather than large quantities of low-cost furniture, some countries take the strategy of producing higher-cost furniture, each piece representing higher value and presumably the result of more careful production methods and craftsmanship and higher quality materials. Figure 1.6 illustrates the unit value of household furniture exports for several leading countries. Unit value is

\textsuperscript{60} UN Comtrade only has data available for Vietnam starting in 2000. Market shares were calculated by averaging each country’s market share within each furniture segment and averaging again over the time period indicated. In averaging across furniture segments, two SITC codes were repeated: 82116 (household and institutional) and 82139 (household, institutional, and office). While constant for every country, this could slightly overstate market share.
calculated by dividing the total value of exports of the country ($US) by the total weight of that country’s exports (kilograms), thus approximating a measure of the quality of products exported.  

Figure 1.6. Exports of household furniture to world: Unit value ($US/kg), 1990-2013  
*Source:* Created by author with data from UN Commodity Trade Statistics Division 2014.  

Notably, Italy’s unit value increasingly outpaces all other countries, topping out at 9.24 $/kg in 2013. While the country’s export volume to the world has dropped over the past twenty years, Italy has remained competitive by producing and selling higher-quality furniture pieces. Many western countries use this strategy in competing against low-cost producers in Asia, who have the contrasting tactic of selling low-cost furniture in large quantities, as seen with China and Vietnam and their unit values of 3.4 and 4.1 $/kg in 2012. The contrasts between Italy, China, and Vietnam’s strategies in the furniture industry will be discussed in more detail in Chapter 2.
Globalization of the furniture industry has without a doubt led to fundamental changes in how furniture is produced and the relationships between countries that play a part in production. With the segmentation of the industry into dispersed GVCs, the explosion in trade between countries, and the emergence of new countries onto the global industry stage—especially with widespread offshoring of manufacturing to Asia—the furniture industry is unrecognizable today compared to in 1990. More countries are trading and collaborating across national boundaries, and global competition is also fiercer than ever before. However, economic trade data does not fully explain the industry; it only lays the groundwork for the deeper story characterized by the interplay between the global and the local.
CHAPTER TWO

Industry Specialization and Branded National Identities – A Tale of Three Countries

While a holistic global analysis like that in Chapter One is useful to examine trends, a closer look at the roles of individual countries and how they have adapted to increased international competition is imperative to understanding the new global order. Looking at the industry from a national rather than global lens allows for a more granular analysis of the forces at play. Countries have specialized within certain aspects of the furniture GVC to remain afloat, and many are emphasizing these unique marks they make on the industry in order to stand out from the competition. Further, individual companies, each with a unique strategy, are the drivers behind these country stories. Companies that take on national identities and assert local distinctiveness represent ideal cases to understand how the global generates notions of the local. Building up strong brands—using advertising campaigns, company websites, social media, public relations, product packaging, and partnerships, to name a few—is the primary means through which these local identities are constructed and portrayed to consumers across the world. Distinct local brands drive success in the industry today, and countries and companies must rise to this challenge to survive.

Italy, Sweden, and China stand out as key country players in the changed global landscape of furniture production. All three have consistently been among the top ten exporters of furniture—particularly household furniture—over the past ten years, Italy and Sweden as established competitors and China as a more recent powerhouse since the early 2000s. Despite this commonality, the three countries have remained competitive by specifically focusing their efforts on unique segments of the value chain rather than by trying to hold onto the vertically integrated production strategies of past decades. Thus, while all three countries play a significant
part in the industry, they do so in distinct ways. This chapter details and compares Italy, Sweden, and China’s unique niches in the globalized furniture industry, exploring how national companies brand themselves as local in order to appeal to a global audience.

Italy, Sweden, and China’s strategies in the furniture value chain represent three portions of Stan Shih’s Smiling Curve (based on Figure 1.2, see Figure 2.1). Italy, with its strong traditions of elegant design and heavy involvement in product research and engineering, remains relevant in the industry by focusing on pre-production activities, making up the left branch of the Smiling Curve. Sweden differentiates itself by focusing on the post-production activities on the right branch of the Smiling Curve, especially marketing, wide scale distribution, and efficient retailing to end consumers. China’s involvement in the furniture industry is primarily characterized by large-scale manufacturing and the physical creation of goods from raw materials to finished furniture pieces. This emphasis positions China primarily on the bottom of the Smiling Curve in the production stage, with less value added than the other activities.

![Value Chain Activities](image.png)

Figure 2.1. Positioning Italy, Sweden, and China on the Smiling Curve
Source: Adapted from Shih’s Smiling Curve, as represented by OECD 2013, figure 7.2.
I will discuss China first because it is involved most dominantly in manufacturing, the way countries have historically been involved in the furniture industry. Then, I move to Italy and Sweden, each of which seeks to stand out in the new globalized industry landscape in non-traditional ways by utilizing strengths in other aspects of production beyond manufacturing.

**China: ‘The Factory of the World’**

The growth of the furniture manufacturing industry in China represents a microcosm of the industrialization and growth of manufacturing in China in general. Rather than resulting from changes in global dynamics, China’s entrance onto the international stage primarily came about due to the “[removal] of self-imposed barriers”; most notably, the relaxation of Maoist economic policies in the late 1970s and early 1980s allowed the country and private companies to interact more freely with foreign markets. These changes in combination with revolutionized workplace management tactics and efforts to improve productivity and education led to an explosion in Chinese manufacturing.

Today, many of China’s cities can be considered “supply chain cities,” areas that at one time were only involved in the final assembly stages of manufacturing but that now act as one-stop-shop manufacturing clusters, with intermediate parts manufacturers and everything necessary for creating finished goods from raw materials at extremely large scales. Though the term was originally coined within the apparel industry, similar supply chain cities exist for furniture.

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63 Ibid., 34-39.
Guangzhou, the capital of the Guangdong province located 120 kilometers northwest of Hong Kong, is known as one of China’s major furniture manufacturing hubs.

Figure 2.2. Exports of furniture to the world: China, Italy, Sweden, 1990-2013  
*Source:* Created by author with data from UN Commodity Trade Statistics Division 2014.

China, as the standout large-scale manufacturer of furniture in the international industry landscape, outpaces its competitors through the sheer volume of furniture that it produces and supplies to the rest of the world. The value of products made in China and exported to the rest of the world is shown in comparison with Italy and Sweden’s exports in Figure 2.2. China’s exports have doubled in four years and reached a value nearly 24 times higher than that of their exports fifteen years ago. To compare these numbers in context, Italy’s exports have grown 47% and Sweden’s 85% overall in the same time frame. In 2013 China captured 43% of the market share of total household furniture exports to the world. China’s huge export volumes in combination
with its low unit values, as shown later in Figure 2.5, typify volume production of cheap standardized furniture.

A major driver of Chinese exports has been the explosion of outsourced and offshored manufacturing from firms in other countries, especially the United States. Starting in the 1990s in the furniture industry, industry leaders in the United States began “chasing cheap labor” to other countries and especially to China, where labor made up about 10% of furniture production costs as compared to 28% in the United States. This significant cost advantage in combination with workers willing to labor longer hours and every day of the month and live in dorms adjacent to the factories drew more than half of America’s furniture manufacturers to become importers and form manufacturing partnerships with factories in China rather than producing their own products.

The dominance of the United States as a major export market for China can be seen in Table 2.1, showing the top markets to which China exports household furniture. China has consistently shipped more household furniture to the US than any other country, with America’s share making up at least triple the share of other top markets each year shown. Despite this reality, one other important trend is also clear: the US’s share of China’s exports has shrunk substantially over the past decade, which is linked to the fact that China’s exports are becoming increasingly differentiated and spread in smaller percentages across more recipient countries. The relationship between China and the US will be discussed further in Chapter 3.

China overwhelmingly represents “the factory of the world” for furniture, especially to the global audience. China has turned the production of furniture from raw materials to finished products ready for retail into a well-oiled machine, to the point that countries halfway around the world have found it more profitable to offshore the manufacturing segments of the GVC and to

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65 Executive Vice President of Vaughan-Bassett Furniture, interview by author and Duke University Bass Connections students, Durham, February 24, 2014.
pay for these finished products to be shipped back home rather than to manufacture the furniture domestically. While every type of furniture is being offshored and manufactured in China to some extent, a large majority of what is being offshored are casegoods; these pieces are generally wooden chairs, cabinets, desks, bed frames, and dressers that are easily produced in factories, packed, and shipped across the world. They are standardized. They are produced thousands at a time. There is nothing unique about each individual furniture piece. Despite being offshored less frequently, the upholstered furniture produced in China has similar characteristics. Though such offshored products may symbolize China’s efficiency, mass industrialization, and standardization of manufacturing processes, these furniture pieces do not necessarily assert any aspect of China or Chinese culture. Any product characteristics tying products to China and Chinese culture are deemphasized, and deliberately so, as the products are most often produced for companies and retailers in other countries that control their own branding to consumers. Thus, since 2000 “Made in China” has come to represent these standardized and cheaply made products.

Table 2.1. China’s top export partners: Share of total household furniture exports from China, 2000, 2007, 2013

<table>
<thead>
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<th>2000</th>
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<th>2007</th>
<th>Share</th>
<th>2013</th>
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<tr>
<td>United Kingdom</td>
<td>2%</td>
<td>Japan</td>
<td>2%</td>
<td>Malaysia</td>
<td>2%</td>
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<tr>
<td>Germany</td>
<td>1%</td>
<td>Canada</td>
<td>2%</td>
<td>Australia</td>
<td>2%</td>
</tr>
<tr>
<td>All Others</td>
<td>59%</td>
<td>All Others</td>
<td>67%</td>
<td>All Others</td>
<td>75%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2.9 B</td>
<td>TOTAL</td>
<td>$20.7 B</td>
<td>TOTAL</td>
<td>$43.9 B</td>
</tr>
</tbody>
</table>

Source: Created by author with data from UN Commodity Trade Statistics Division 2014.

However, in the past five years the Chinese government and Chinese manufacturers have become increasingly unsatisfied with this one-dimensional representation. By taking part in only
the manufacturing steps of production—and, beyond that, taking over manufacturing for a huge percentage of the world’s companies—China misses out on capturing a large part of value in production, which emerges in pre- and post-production activities. A large portion of low-cost furniture manufacturing, especially of bedroom furniture, has recently moved to Vietnam. Chinese exports of wooden bedroom furniture rose from $0.4 billion to $1.4 billion between 2000 and 2007, when China’s share peaked at 44% of exports in the category, then falling to $0.5 billion and 16% in 2013; meanwhile, Vietnam skyrocketed from roughly $100,000 in exports in 2000 to $0.7 billion in 2007 and $1.2 billion in 2013, topping out at dominating 42% of the market that year.\(^6\) Vietnam has effectively taken China’s place on the world stage for wooden bedroom furniture exports.

Companies that outsource manufacturing to China are doing so for cost advantages, and, if another cheaper alternative presents itself, they will switch without hesitation. There is no doubt that China is losing its cost advantage. China’s labor costs have been consistently increasing, and Vietnam offers wages of around 30 to 40 cents an hour while China’s have now gone up over a dollar.\(^6\) According to a Boston Consulting Group study, labor costs have increased 187% in China over the past ten years, as compared to 27% in the United States, for example. Further, Chinese electricity prices have increased 66% in the same period.\(^6\) China has also been accused of dumping: “the act of a manufacturer in one country exporting a product to another country at a price which is either below the price it charges in its home market or is below its costs of production,” as described by the US Department of Commerce.\(^7\) Dumping leads to an unfair advantage when competing internationally, and countries such as the US have imposed anti-

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\(^6\) Code analyzed was SITC 82155: “Furniture, not elsewhere specified, of wood, of a kind used in bedrooms.”

\(^6\) Executive Vice President of Vaughan-Bassett Furniture, interview.


\(^7\) US Department of Commerce, Furniture and Related Products NAICS Code 337.
dumping duties on trade, which has raised China’s overall prices. Thus, Vietnam is becoming yesterday’s China and taking its place as the low-cost furniture producer.

Meanwhile, in the view of one American furniture executive, China’s attention is turning to “cleaner” industries rather than the furniture industry “because it’s dirty, you've got smokestacks, you've got spills in creeks and rivers and all of that, and it’s relatively low wage…They’ve taken away a lot of the subsidies to the furniture industry and now that they've gotten most of [America’s] market share they've moved on to…maybe iPhones or TVs or cars or whatever, something that is higher paid, higher tech, cleaner.”71 Thus, the Chinese government is changing its priorities in how it seeks to participate in the market. China is juggling its existing overall image as “the factory of the world” while seeking to capture more value in the GVC, both by manufacturing “cleaner” products and participating in more high-value segments of production.

While “‘Made in China’ became synonymous with cheap, mass-produced, low-quality goods” in recent years, Chinese companies looks to examples such as Japan, Korea, and Germany in overcoming such negative associations, according to Jessica Vaughn of JWT Intelligence:

> It was once seen as down-market to “buy Japanese,” but today few shoppers consider “Made in Japan” a negative. And in our hyper-connected, globalized, fast-moving world, the journey from negative to positive perceptions can be significantly shorter than it once was. Millennials already have a very different image of China than the outdated associations that may linger among older consumers. And the youngest consumers, Gen Z, have only known China as a rapidly modernizing economic giant.72

Thus, while Chinese companies may have little experience building brands and may face negative perceptions among global consumers to some extent, China has the potential to become a major player in the furniture industry for its own brands by working on its international image. Chinese manufacturers are acting to facilitate this transformation.

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71 Executive Vice President of Vaughan-Bassett Furniture, interview.
In the transition of its role in the furniture industry, manufacturers want to make “China” synonymous with high-tech and sophisticated production. Rather than choosing China to cut costs, companies should choose to manufacture there because it offers the most refined, streamlined, and efficient manufacturing available, with the capacity to produce any product with any specifications. One current facet of this image is represented in China’s enormous yearly trade shows, which draw furniture company representatives from all parts of the globe seeking to make industry connections, especially with Chinese producers. A second channel of representation flows through the Internet; entire websites are dedicated to facilitating connections electronically between Chinese suppliers and international buyers, providing a foolproof path for companies to follow to easily outsource and offshore manufacturing to China. These two channels have global audiences, coloring how the world views China and its role in the industry.

Figure 2.3 shows the China Import and Export Fair Pazhou Complex (also known as the Canton Fair) in Guangzhou, the site which each year hosts the China International Furniture Fair (CIFF). The building’s massive size and streamlined, high-tech appearance speak to China’s evolving image as a furniture producer able not only to manufacture large quantities but also to manufacture them efficiently. In September 2014, the CIFF drew over 40,000 buyers, and the 2015 event took place in late March, marking 35 years of the fair. The 200,000 square meters of space is broken up into sections based on furniture type, including modern, classical, outdoor, and office furniture as well as furniture machinery, raw materials, and home décor. Chinese manufacturers are invited to showcase their furniture and participate in the CIFF primarily in order to “build the one-stop outstanding platform to attract more domestic and overseas buyers

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73 In comparison, North Carolina’s High Point Market draws 75,000 attendees each year.
and create opportunity for the participating enterprises to explore a worldwide market.”

This image represents an opportunity for global industry buyers with many needs to connect with all types of Chinese furniture suppliers.

Figure 2.3. The Canton Fair in Guangzhou, site of the China International Furniture Fair


The image of China as representative of an efficient and high-tech mass-manufacturer is bolstered through websites that essentially supplant the trade show process such as described above by expediting completely online connections between Chinese manufacturers and international buyers. One such site is Made-in-China.com, which breaks the process into four succinct steps, presented in Figure 2.4 as illustrated by the website: Search Products, Screen Results, Contact Suppliers, and Trade Safely. A simple search of “furniture” brings up 30,010 suppliers and 558,178 products categorized by region of China—all possible trade connections

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77 Search conducted on Tuesday, January 27, 2015.
and products of potential interest to a furniture company selling anywhere in the world and looking to outsource its manufacturing capabilities.

Figure 2.4. Four easy steps to sourcing on Made-in-China.com


Global perceptions of what it means for furniture to be China-made are increasingly shaped as consumers all over the world interact with products on which “Made in China” is written in tiny print. The country has used the online mediums described above to present itself and its connections with suppliers as fast, efficient, inexpensive, and as painless as possible. Further, both the Canton Fair and Made-in-China.com associate themselves with the image of a bridge; the CIFF complex brands itself as “A Road to Friendship & a Bridge to Trade,”78 while Made-in-China.com describes its mission as “specializing in bridging the gap between global buyers and quality Chinese suppliers.”79 As manufacturing takes place in more locations and with more steps in global GVCs, China is a more frequent common denominator between any two given pieces of furniture produced. Chinese manufacturers see their high-tech and streamlined

production capabilities as a unifying force among all countries involved in international furniture production. Thus, China’s furniture manufacturers are seeking to move a step beyond just being the world’s factory and instead being the most efficient and sophisticated factory of the world.

In addition to making its manufacturing capabilities attractive on more grounds than just price, China is also transitioning into other segments in the left and right wings of the Smiling Curve in order to capture more value. One strategy is for companies to focus on more deliberate branding strategies. “The shift from China as the world’s factory to China as a brand creator and marketer…is well underway,” according to advertising expert David Roth.\(^80\) While Chinese companies have often operated as original equipment manufacturers, which produce goods to be sold by different companies under other brand names, capturing more value in the furniture production process involves building out stronger brand names that can be recognized by the global consumer. Consumer and business trend publication Trendwatching.com describes this phenomenon: “Forget the ‘Made in China’ stigma…Ambitious and confident Chinese brands are already catering to demanding consumers, both at home and increasingly abroad. Including yours.”\(^81\) The new Chinese focus on branding presents a challenge for existing dominant global brands that sell to Chinese consumers.

Many Chinese furniture companies are branding themselves more aggressively in the United States, as one of the world’s largest markets. Man Wah Holdings Ltd. and Samson Holding Ltd., two companies headquartered in Hong Kong and China, have branded themselves as Cheers and Universal Furniture in the US market.\(^82\) Universal Furniture offers collections named after California and several other US cities, including Cordevalle, Villa Cortina, and

\(^{80}\) Vaughn, *Remaking 'Made in China,'* 4. David Roth is the CEO of Europe, the Middle East, Africa, and Asia for “The Store,” the retail branch of WPP, a British advertising and public relations company.  
\(^{82}\) Zatepilina-Monacell, "Communicating a Made-in-America Brand," 164.
Castella, and the company has even partnered with Paula Deen, further naturalizing itself among an American audience. Some other Chinese manufacturers have established US-based marketing departments named with a similar approach. These Americanized names make the products less recognizable as Chinese and make them blend into the sea of American brands, brands that are both imported and US-made. Other manufacturers have gone one step farther by purchasing existing American companies. In 2012 Chinese buyers invested nearly $11.5 billion in strategic efforts to acquire 49 US companies, according to Dealogic, and Chinese furniture companies Lacquer Craft and Markor are both following this path. In doing so, the Chinese firms can take advantage of existing “key services ranging from product design and development to sales, marketing and logistics” from the original companies as well as benefit from established brand credibility among US consumers. These efforts represent ways in which China is upgrading in the furniture GVC and seeking to capture more value than is available through sheer manufacturing—especially manufacturing of low-cost furniture.

Though it has dominated the global furniture industry since roughly 2005, China’s identity is still in the process of dynamic change. Aligning with its movement into cleaner technologies and the subsequent transition of some large-scale and low-cost furniture manufacturing to Vietnam, China is representing itself as the efficient manufacturer of the world. Thus, one facet of the Chinese identity is reminiscent of advanced technology and modern manufacturing processes. In addition, China is also moving into doing some of its own research, design, marketing, and distribution rather than simply completing the manufacturing stages of furniture production for other countries, who would then go on to capture the value through pre- and post-production

activities. This evolution is in the process of rapidly redefining what it means for furniture to be “Made in China,” or, as coined by Trendwatching.com, “Made Better in China.” \(^86\)

**Italy: Traditions of Luxury and Design Mastery**

Italy’s northeastern region is considered to be one of Europe’s centers for industry and a central hub for the furniture industry, making up 43% of the country’s furniture exports in 2011 as calculated by Buciuni et al. in their comparison of the region with North Carolina. \(^87\) While it was once divided by four major sub-regions and five furniture district clusters, “traditional boundaries have...been progressively eroded,” and northeast Italy has become a “macro-industrial area” for the furniture industry that actively and openly participates in the global competitive landscape. \(^88\) In recent years Italian furniture companies operating in these areas have felt pressure to increase exports and play larger roles in the international market, driven by a surplus of product that exceeds domestic demand and widespread international interest in Italian furniture.

Though Italy’s exports only make up a fraction of the volume seen with China, for example, the country is a leading player in Europe. In 2012, Italy made up 13.2% of the total market value of furniture and floor coverings in Europe, only trailing behind Germany. \(^89\) Over half of Italy’s furniture production is furniture for living rooms, aligning with a focus on the household furniture industry as a point of comparison. \(^90\) Italy’s exports are, for the most part, regional, as shown in Table 2.2. The United States used to play a bigger role as an export market for Italy, receiving 11% of Italy’s household furniture exports in 2000; however, in recent years the US’s influence has waned and a larger portion of Italy’s exports have remained closer to home.

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86 Trendwatching.com, "Made Better in China: Brands and Innovations from China Are Going Global. You Ain't Seen Nothing Yet!"
87 Buciuni, Coro, and Micelli, "Rethinking the Role of Manufacturing in Global Value Chains," 13.
88 Ibid., 12-13.
90 Ibid., 9.
in France, Germany, and the United Kingdom. The demand for domestic Italian-made furniture has also been growing among Russia’s middle class,\(^{91}\) making Russia the second largest export partner for Italy in 2013.

Table 2.2. Italy’s top export partners: Share of total household furniture exports from Italy, 2000, 2007, 2013

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2007</th>
<th>2013</th>
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<tr>
<td>Export Partner</td>
<td>Share</td>
<td>Export Partner</td>
<td>Share</td>
</tr>
<tr>
<td>USA</td>
<td>11%</td>
<td>France</td>
<td>9%</td>
</tr>
<tr>
<td>Germany</td>
<td>7%</td>
<td>United Kingdom</td>
<td>6%</td>
</tr>
<tr>
<td>France</td>
<td>7%</td>
<td>USA</td>
<td>4%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5%</td>
<td>Germany</td>
<td>4%</td>
</tr>
<tr>
<td>Belgium</td>
<td>2%</td>
<td>Russian Federation</td>
<td>3%</td>
</tr>
<tr>
<td>All Others</td>
<td>69%</td>
<td>All Others</td>
<td>74%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7.3 B</td>
<td>TOTAL</td>
<td>$10.0 B</td>
</tr>
</tbody>
</table>

*Source:* Created by author with data from UN Commodity Trade Statistics Division 2014.

The majority of Italian firms are small and medium-sized. While having a large number of companies typically creates a higher degree of rivalry, most firms are specialized into distinct niches in the industry. Each company’s manufacturing efforts remain at a much smaller scale than most of their global corporation competitors such as the American company Ashley Furniture, and manufacturing is largely maintained locally within the region. Outsourcing is not very prevalent due to an emphasis on customization and meeting the unique needs of customers.\(^{92}\)

With less attention paid to large-scale manufacturing—as seen with China’s supply chain cities—and maximizing retail potential through massive branded furniture stores—as seen with Sweden’s IKEA, described later—Italy’s focus lies in the pre-production activities that contribute high values to finished products.

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\(^{91}\) Buciuni, Coro, and Micelli, “Rethinking the Role of Manufacturing in Global Value Chains,” 13.

\(^{92}\) Ibid.
Design, research and development, engineering, and other pre-production activities add considerably more value than the physical manufacturing process itself because these activities lead to finished furniture that overall is more durable, attractive, and desirable to consumers. While Italy may not export as much as a country like China, its emphasis on pre-production activities is highlighted through a higher unit value of the furniture it exports. As detailed in Chapter One, unit value compares the value of a country’s exports with the total weight of the exported goods, thus approximating a measure of the quality of the products. Italy’s exports of household furniture have consistently had an average unit value that far overshadows those of Sweden and China, as seen in Figure 2.5. This higher unit value indicates that each kilogram of furniture is worth more money, thus illustrating Italy’s attention to quality in the early stages prior to being exported and sold.

![Average Unit Value ($/kg) of Household Furniture Exports to the World](image)

Figure 2.5. Average unit value ($US/kg) of total exports of household furniture from Italy, Sweden, and China, 1990-2013\(^{93}\)

*Source:* Created by author with data from UN Commodity Trade Statistics Division 2014.

\(^{93}\) Unit values were calculated by dividing total export volume ($US) by total weight of exports (kilograms). Unit values were averaged over each six-year period shown. The China 1990-1995 unit value represents the average of the years 1992, 1994, and 1995 due to lack of data.
The unit values of each country have varied significantly since 1990; further, the same
trends have been mirrored in all three countries, with decreases between the first and second
periods and then increases (or staying constant in the case of Sweden) throughout the 2000s.
Italy’s unit value peaked at 9.2 $/kg in 2013 while—despite consistent increases—Sweden and
China’s lagged at 4.5 $/kg and 3.7 $/kg the same year. Taken as an average from 1990 to 2013,
Italy’s unit value of household furniture measured over 2 times Sweden’s average unit value and
nearly 3 times China’s average unit value.

One contributor to providing higher quality and more attractive furniture is having a high
degree of innovation. Innovation can be manifested in a variety of ways, all contributing to a
cutting-edge final product that is most likely traded and sold at a higher unit value than mass-
produced and standardized furniture pieces. One American furniture company executive
emphasized the importance of operating with innovative equipment: “If you’re not a state-of-the-
art factory, then you’re probably going to close, or you’re going to be so small that you might as
well not be in business at all—it’s almost a hobby out of your garage instead of a real factory.”94
A lot of this innovation, he cites, has stemmed from Western Europe over the past ten years, and
his company “now [has] a factory full of Italian machines. There’s always been the Germans but
there is a lot [of machines] now from Italy in particular.”95 This reputation and success would be
impossible without an extensive investment in research and development on Italy’s part.

While Italy’s dedication to research and engineering continues to grow and gain
prominence in the furniture industry, the country’s real passions lie in design and innovative
thinking. Italy is known for its traditions of superior design, seen with its Ferrari sports cars from
Maranello and Valentino fashions from Milan. Industrial design scholar Stefan Lengyel explains

94 Executive Vice President of Vaughan-Bassett Furniture, interview.
95 Germany, another furniture industry leader, is especially known for its high performance innovative machinery.
that “a good design is always the optimal adaptation of the technical, economic and social elements to an objective reality, [and] since the design influences the forms of use, it also influences human relationships. In other words, the design is a socio-cultural phenomenon of great significance.”\textsuperscript{96} To an Italian, design is more than an effort to make something structurally sound and visually appealing; good design is a crucial part of the human experience, meant to blend seamlessly into and enhance all aspects of everyday life. Design and fashion are also considered to be of equal caliber and cultural significance in Italy and are closely linked—both “invaluable to a better understanding of the world in which we live.”\textsuperscript{97}

What became known as the \textit{Italian miracle}, a period of economic growth after World War II that lasted into the 1960s, began with fashion in 1951; “fashion was dreaming about a quite different reality” than the common post-war image of “a country on its knees,” which had perpetuated a poor image of Italy internationally. Revived Italian fashion that was “fresh, modern, colourful, and accessible”—in contrast to French couture which was seen as “classical, stiff, and too expensive”—was first displayed on the runway at the Sala Bianca of Palazzo Pitti in February of that year, sparking the fame of designers Valentino, Capucci, and Armani.\textsuperscript{98} Esteemed for their quality and style, Italian products grew in popularity and spread to stores in America and Northern Europe. Furnishings followed suit in 1961 with the first Salone Internazionale del Mobile in Milan,\textsuperscript{99} “the highest Italian expression of the culture of furnishing” and the “chief launching pad for the planetwide success of \textit{made in Italy} design.”\textsuperscript{100} Over the past sixty years, “Made in Italy” has come to symbolize distinguished quality and glamour expressed through

\textsuperscript{97} Ibid., 23-25.
\textsuperscript{98} Ibid., 15.
\textsuperscript{99} The Salone Internazionale del Mobile is known as the “International Furniture Fair” and is organized by COSMIT, an acronym for the Comitato Organizzatore del Salone del Mobile Italiano.
\textsuperscript{100} Settembrini, \textit{1951-2001: Made in Italy?}, 18.
design expertise, an image that is continually asserted today especially with the country’s brands of clothing, cars, and furniture.

It is this national identity of Italian-made furniture that makes it so popular around the world and that substantiates Italy’s prominence in the international furniture industry, especially its focus on the pre-production activities of the GVC. Above all, most Italian furniture companies assert this national “Made in Italy” identity and the distinct qualities that it symbolizes; this image is portrayed outward to consumers through branding as a company seeks to depict itself to consumers in a specific light. On the global stage of the furniture industry, “Italianness” represents an established set of positive qualities, those emphasized repeatedly by companies since the reinvention of Italian design in the mid-twentieth century. What Italianness isn’t meant to represent in a product, on the other hand, is the country’s broken economy, high unemployment rates, national debt, right-wing xenophobic politics, or widespread organized crime. Thus, the Made in Italy image that is dispersed across the globe along with the country’s increased involvement in international markets provides only a partial representation. It represents the Italy that is most resonant among a global audience. Today, “in many homes in every country there is a piece of Italian furniture, recognised as such; rather, often acquired precisely for that reason.”\(^{101}\)

B&B Italia, founded outside of Milan in 1966 soon after the first International Furniture Fair, is one of the most well-known and respected Italian brands in the furniture industry today. In the years since its founding, according to the company’s corporate website, B&B Italia’s “products have contributed to writing the history of Italian design, the adventurous history of the success of taste, technologies and creativity that have made Italy famous throughout the world

\(^{101}\) Ibid., 7.
and distributed the ‘made in Italy’ brand on international markets.”\textsuperscript{102} Further, with a website available in English, French, German, Spanish, and Russian, beyond the original Italian, it is clear that B&B Italia looks to present itself to both national and global audiences.\textsuperscript{103} B&B Italia stresses the value of devoting attention to pre-production activities, as the company’s strategy represents the perfect marriage of investment in research and development, prestigious design, and innovation. The company has its internal Research and Development Centre which fuels B&B Italia’s focus on developing quality products from innovative designs using topnotch materials and technologies. The center also boasts an experienced internal design team of celebrated designers, who “make the most of corporate know-how…[and] creative expressions to mirror the unique nature and personality of the B&B Italia brand.”\textsuperscript{104}

B&B Italia’s values are illustrated graphically in Figure 2.6. The word cloud displays the most commonly used words on the company’s online corporate profile, thus providing a measure of how B&B Italia portrays itself and its values as a company. The size of each word represents its frequency on the site, with larger words presumably of higher importance to the company's image and brand because they are used more often. As a company that claims to represent the notion of “Made in Italy,” B&B Italia’s assertion of its own qualities represents how Italy and the attributes of Italian furniture are depicted to the global audience.

Flanking “Italia,” which as part of the company name was used most often, “Design” (used 33 times) and “Quality” (used 31 times) are the next two most prominent words in the cloud. Other words can be grouped around these two primary themes to dig deeper into the appeal of the Italian image. Describing Italian “Design,” here B&B Italia uses words such as Contemporary, Original, Creativity, Aesthetic, New, and Unique. This usage reveals that the company most

\textsuperscript{103} “Home Page,” B&B Italia SPA, accessed April 1, 2015. \url{http://www.bebitalia.com/}.
\textsuperscript{104} “Welcome to B&B Italia.”
values design that is fresh and innovative, representing Italy’s image at the forefront of furniture design. Within the second theme, excellence in product construction—illustrated with the words Durability, Industrial, Innovative, and Natural—in combination with the materials used to create the furniture—such as Oak, Upholstered, Wood, Fabric, Leather, and Finishes—operate to make up the “Quality” branch of the Italian image. Quality works hand in hand with Design because the materials and the way they are incorporated into the design plan ultimately have a huge impact on the final product. It is important that high quality supplies are used by skilled craftsmen to produce something worthy of the Italian brand. Each individual word represented in the cloud acts as a quick snapshot into how Italianness is asserted in Italian furniture through branding.

Figure 2.6. Word cloud of B&B Italia’s most commonly used words on its website.\textsuperscript{105}


Advertisements serve as another crucial medium that reflect furniture companies’ efforts to brand themselves as authentically Italian, especially revealing the importance of design. Figure 2.7 is a print advertisement for B&B Italia created by the agency Saatchi & Saatchi of Milan and

\textsuperscript{105} The word cloud was constructed using all words on the B&B Italia Corporate Profile web page, and the 75 top-used words from the page are shown. Wordle.net was used as a tool to create the word cloud. Common English words were automatically removed.
circulated in 2008. The ad features a sophisticated living room scene with a woman, a large painting, and the overlain words “Beauty is not something you can turn on and off.” Titled “Charles,” after the B&B Italia collection designed by Antonio Cittero, the ad most prominently features a luxury L-shaped sofa and large footrest bathed in the light from a large window, producing a halo effect.

Dominating the background of the image is a larger-than-life painting—over 6 feet tall—by Sir Anthony van Dyck, created around 1623 and titled *Marchesa Balbi*. The Dutch Baroque artist Van Dyck was famous primarily for his portraits of distinguished individuals and elite families across Europe, especially in England and Italy. *Marchesa Balbi* was commissioned by the prominent Balbi family of Genoa and emphasizes the woman’s beauty and the grandeur of her elegant attire. The painting exudes an aura of sophistication and elegance. It symbolizes Italy’s deep artistic traditions, bound up with social class, by demonstrating that the illustrious Balbi family commissioned a renowned artist to immortalize their family member with a painting.

Further, the painting serves another purpose by providing an interesting contrast in the advertisement; while van Dyck’s rendition of the marchesa Balbi dominates the wall space in front of the woman in the room, she instead looks down and to her right at the B&B Italia sofa. The combination of all these elements showcases the furniture in the advertisement as attention-grabbing, sophisticated, and distinguished. The caption adds to the meanings by implying the permanence of a crucial aspect of all the ad’s elements: the Charles sofa, the painting, and the woman all demonstrate that “beauty is not something you can turn on and off.” The ad, serving as a direct line between the company and its consumer base, rehearses all the qualities of Italian furniture and specifically of B&B Italia furniture.

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106 “Sir Anthony Van Dyck: Marchesa Balbi,” National Gallery of Art, accessed January 26, 2015, https://www.nga.gov/collection/gallery/gg4243/gg4243-56.html. A “marchesa” is the wife of a distinguished Italian nobleman, a “marchese.” The rank of a marchesa is below that of a prince but above a count. Genoa is the sixth-largest city in Italy and capital of the region of Liguria.
Another Italian furniture company, Poltrona Frau, has represented elegant and high quality design for the over 100 years of its operation. The company is especially known for its leather products, using hides meticulously processed and tested to meet high standards. On its website, the firm describes itself as “an international brand name representing design, elegance and perfection of Italian-made products,” simultaneously speaking to and reproducing the global renown of the Poltrona Frau name.\textsuperscript{107} Further, the website emphasizes both the established nature of the company and its elite Italian connections; Poltrona Frau furnished the Royal House of Savoy in 1926 and the Italian Parliament in 1932.

The connection between Italy and exceptional design is illustrated through Poltrona Frau’s close relationships with other globally esteemed brands. 1982 marked the beginning of Poltrona

Frau’s longstanding ties to the luxury automobile industry when the company designed and
finished the interior of the Lancia Thema 8:32. It moved on to do the same for Ferrari’s models
456M and 550 Maranello, eventually providing leather interiors for Fiat, Maserati, Alfa Romeo,
BMW, Mercedes, Jaguar, Land Rover, and Bugatti (once Connolly Leather shut its doors) and
also later for Volkswagen and Audi. All of today’s Ferraris are finished with Poltrona Frau
leather interiors (see Figure 2.8), giving personality and individual character to the cars through
the customers’ choices of leather, tanning process, and color; “even the stitch density of the seams
can be specified in Poltrona Frau's individualisation department ‘Interiors in Motion’ – and, if you
still fail to find something you like, you can (as one Japanese customer did) order a leather
interior tailor-made to match your beloved crocodile-leather slippers.”

Figure 2.8. Ferrari FF with leather interior by Poltrona Frau
Source: Baedeker 2013, image 26.

109 Connolly Leather was an esteemed British leather company that supplied many car manufacturers. It went out of business in 2002 after failing to break into the American market.
111 Ibid.
The mutually dependent bond Poltrona Frau has forged with Ferrari enhances both as revered Italian brands. With this multifaceted approach to branding, Poltrona Frau has built out its image beyond just a producer of genuine leather, sofas, chairs, and tables; the Poltrona Frau brand is one that represents quality, design, luxury, and Italy itself. Swedish journalist Jan Baedeker sums up the appeal: “Ah, the deep, cognac-coloured brown; the impression of natural warmth when you slide your fingers over the surfaces and seams; the strong, spicy scent. This is leather of particular sensuality, the sort that is only found in Italy…and all the world desires it.”

In contrast with China’s mass-produced and standardized furniture pieces, Italy’s furniture today can be traced back to centuries of both design tradition and innovation. These features of product design in combination with emphases on small-scale and primarily domestic production, state-of-the-art equipment, and high unit values of exports illustrate the country’s focus on pre-production activities in order to create quality furniture that lives up to its high standards. In the era of globalization, this role is increasingly important. Companies such as B&B Italia, Poltrona Frau, Natuzzi, Maestro, and Lacus stand at the forefront of modern Italian design and support the image of Italian furniture as glamorous and superior. The assertion of this local Italianness and the implied inherent quality of the furniture make the country’s products stand out to consumers throughout the world despite increased competition and fragmented value chains.

**Sweden: Marketing the Scandinavian Way of Life**

In the past fifteen years, Sweden has made a smaller mark on the global furniture industry than China or Italy in terms of trade volume, with an average overall market share of 1.8% for exports of furniture to the world between 2000 and 2013. Yet, this lower impact can be contextualized with the fact that the country’s population density measures to around 24 people

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112 Ibid.
per square kilometer as compared to 203 for Italy and 145 for China in 2013. Further, offshoring of production is common among Swedish firms, due in part to the country’s high tax rates used to provide a comprehensive public service system—with tax revenues totaling over 50% of Sweden’s GDP in 2001. An estimated 500 billion Swedish Krona (or about $65 billion) is kept overseas to avoid taxation. In 2000, companies that offshored production made up 22% of firms, 58% of employment, and 68% of value-added for Swedish firms in general, and in the furniture sector 15% of companies offshored production. These numbers have likely grown in the years since. This widespread outsourcing of production implies an underestimation of Sweden’s involvement in the international furniture industry as demonstrated with trade data.

As can be seen in Table 2.3, Sweden is very much a regional player in the furniture industry, with one fifth of its exports of household furniture going to its next-door neighbor Norway in 2013. Unlike the diversifying trends seen with Italy and China, Sweden’s export partners have become more concentrated since 2000, with the top five export markets making up a larger percentage of the country’s total exports in 2013 (38%) than in 2000 (33%). The US has also become a dominant market for Sweden’s household furniture exports, perhaps due to the growing popularity of IKEA among Americans. Sweden’s exports make up a small percentage of all international furniture trade each year, its unit value is modest—less than half of Italy’s in 2013—and, with the exception of the US, it generally trades with countries in its own region of Western Europe. Yet, Swedish styles, and Scandinavian styles more broadly, are widely known and well respected all across the world.

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115 Ibid.
widespread appreciation reflects Sweden’s focus on post-production activities, particularly attention to marketing, distribution, and retail, which projects a clean, effortless, functional, and modern image of Swedish furniture and its place in the home of every consumer. Swedish furniture is inexorably linked to the national identity from which it was born. This sense of the “local” is represented as it is sold internationally.

Table 2.3. Sweden’s top export partners: Share of total household furniture exports from Sweden, 2000, 2007, 2013

<table>
<thead>
<tr>
<th>Export Partner</th>
<th>2000</th>
<th>2007</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>16%</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Germany</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Denmark</td>
<td>5%</td>
<td>United Kingdom</td>
<td>4%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3%</td>
<td>Finland</td>
<td>4%</td>
</tr>
<tr>
<td>USA</td>
<td>3%</td>
<td>USA</td>
<td>4%</td>
</tr>
<tr>
<td>All Others</td>
<td>67%</td>
<td>All Others</td>
<td>64%</td>
</tr>
</tbody>
</table>

Source: Created by author with data from UN Commodity Trade Statistics Division 2014.

IKEA, a global furniture retailer born out of rural southern Sweden in 1943, has become one of the world’s best-known brands. The company ranked 26th on Interbrand’s list of the top 100 global brands both in 2013 and 2014, beating out powerhouses such as Facebook, Starbucks, Sony, and Visa. There is no Italian furniture brand that proclaims “Italy!” the same way that IKEA communicates “Sweden” and “Scandinavia.” As journalist Elen Lewis explains, “internationally, it feels as if there is a great clarity about Sweden and Swedishness because of all its international brands. It would be much harder for an American to define Norway, for

IKEA has positioned itself as an iconic brand on the global stage, and thus the connection between the company and its Swedish nationality is at top-of-mind awareness for consumers worldwide. IKEA’s prominence in the international furniture industry as a strong brand typifies Sweden’s primary emphasis on post-production activities rather than on design, craftsmanship, or manufacturing.

IKEA furniture is pervasive in Sweden; IKEA “is part of the furniture” of the country and Swedes “barely notice it.” Ingvar Kamprad, the company's founder, asserts:

In Scandinavia, people should perceive our basic range as typically IKEA. Elsewhere, they should perceive it as typically Swedish. Alongside the basic product range, we may have a smaller range in a more traditional style that appeals to most people and which may be combined with our basic range. This part of the range must be strictly limited outside Scandinavia.

Thus, in contrast with the Swedish perception of IKEA furniture as commonplace and unremarkable, IKEA seeks to serve as a representation of Sweden to the rest of the world. “IKEA has become part of the social fabric” in Scandinavia, but outside the region it is something fresh and different. By marketing itself in very deliberate ways, IKEA can paint a picture of Sweden and the Swedish way of life as to draw the global consumer into “the intoxicating promise that the addition of an Ektorp armchair, a Tuvull travel rug, and a carefully positioned Tajt vase and Issjo lamp can transform [his] dowdy home into a vision of Swedish stylishness.”

Historically, IKEA’s roots are in the Gustavian styles typical of Sweden, which trace back to the late 1700s when King Gustav III created his own “pared back version of French

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119 Ibid., 79.
121 Lewis, Great IKEA!, 79.
122 Ibid., 14.
In 1995, IKEA introduced a line of furniture certified by the Swedish Board of National Antiquities and crafted to replicate these Gustavian styles; the “18th Century Swedish Furniture from IKEA” collection served to link IKEA with its heritage and make traditional styles internationally available, especially with Sweden’s restrictive export policy for original pieces. Beyond this exceptional collection, however, as noted by design scholar Viviana Narotsky, “in terms of classic, modernist, Scandinavian design, there’s not much left aside from modernism” in IKEA’s typical furniture designs.

Instead of the curving silhouettes, ornately carved legs, neutral airy colors, and floral and checkered patterns seen with the Gustavian style, IKEA furniture is widely known for its functional and practical construction and effortlessly modern vibe. Figure 2.9 shows the Harry IKEA chair, an all-purpose upholstered chair that exemplifies the IKEA style; the chair is simple in design, but it is the way it is branded and distributed that makes IKEA unique. Rather than evoking Swedishness through Gustavian furniture design, as seen with Italy and its deep-rooted aesthetic traditions, an image of local “Swedishness” is instead portrayed to global consumers through IKEA’s stores, company culture, distribution strategy, and especially its strong brand.

Obvious symbols of Sweden emblazon the details that evoke IKEA’s image. The blue and yellow of the Swedish flag, seen flying outside the customer entrance, are also mirrored in the colors of the giant store itself. As they stream through the doors, visitors are greeted by an overhead sign exclaiming, “Hej! [hâ] That’s how we say hello in Swedish. Hope you enjoy your

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125 Watson-Smyth, "The Trend for Gustavian."
126 Lewis, Great IKEA!, 78. As introduced by Lewis, Dr. Viviana Narotsky is a design history professor at the Royal College of Art in London.
127 Descriptions are based on the author’s visit to the IKEA store in College Park, MD, USA. The IKEA experience inevitably varies based on the location of the store, but the overall idea of “Swedishness” asserted in IKEA stores is more universal.
From the moment that customers step into the store, they are introduced to a unique Swedish shopping experience designed for the global consumer, usually someone with limited knowledge of Sweden and its language, design traditions, food, and overall way of life. IKEA is equipped and ready to present all of these things through strong assertions of its Swedish identity.

![HARRY chair](image)

**Figure 2.9. Online listing for the HARRY chair by IKEA**

Throughout the shopping experience, visitors are met with bookshelves brimming with volumes written in Swedish and products with Swedish names. This naming process—which takes place exclusively in Älmhult, a small town in the Småland province where IKEA was born—is shrouded in mystery. English journalist Job Henley notes that Swedish places serve as the namesakes for sofas, bookshelves, coffee tables, doorknobs, and media storage furniture; lakes and rivers for bathroom products; grammatical terms for kitchen goods; male Swedish
names for chairs and desks; and female Swedish names for curtains and materials. Following suit, the Harry chair in Figure 2.9 has a male name and the color is even “Blekinge white,” named after the Blekinge province in southern Sweden. The IKEA restaurants, one of the stores’ main attractions, all serve the iconic Swedish meatball meal with mashed potatoes, cream sauce, lingonberries, and ten meatballs complete with a tiny Swedish flag on a toothpick. As customers near the cash registers to check out, they are even encouraged to “Bring a taste of Sweden home!” by purchasing a variety of packaged meals and frozen meatballs or picking up several IKEA-branded recipe cards to prepare Swedish dishes.

Figure 2.10. Evolution in the IKEA logo from 1951 to today
Source: Inter IKEA Systems B.V., "Blue and Yellow" 2013.

Over the years of its existence, IKEA has further emphasized its Swedish identity as illustrated by changes in its logo, shown in Figure 2.10. After evolving through several dramatic stylistic changes since the first logo in 1951, by 1967 IKEA’s marketers settled on the iconic block letters inside an oval inside a rectangle. The black and white was switched to red and white in 1981, colors that symbolize low prices in Sweden; these were the colors used throughout stores and for worker uniforms when IKEA operated primarily within Swedish borders. Yet, as

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130 Lewis, Great IKEA!, 69.
IKEA’s influence spread throughout the world and more retail locations opened in different countries, the logo changed for good to the yellow and blue of the Swedish flag.

As IKEA has grown in its global influence—with 315 stores in 27 countries throughout the world as of August 2013—131—the company has been faced with weighing its strong ties to its humble origins against its rapidly developing international presence. IKEA has without a doubt become identified as “global,” with its founder living in Switzerland, ownership by a Dutch foundation, headquarters in the Netherlands, and less than 10% of its employees and 7% of its sales coming out of Sweden.132 Hand in hand with this growth, IKEA has made it its mission to present its local roots and cultivate the image of a modest furniture operation that rose from honest hard work and dedication in “the barren soil of Småland,” meant to fascinate and capture a global audience.133

This local identity of rural Sweden is what represents the IKEA difference on a global scale. While it “might have been an easy option to introduce new products from heavy German furniture to British frills…each deviation from the established identity could have brought about a weakening of the company profile…[IKEA’s strategy is] without a doubt an extremely dangerous route for a newcomer from the faraway mould of Småland to take in a foreign land.”134 Yet, IKEA’s carefully crafted Swedish branding allows the company to, as confirmed by IKEA’s president Anders Dahlvig in 2001, avoid becoming “just another retailer in that region or city. The whole idea is to be unique—uniquely Scandinavian and uniquely IKEA.”135 Thus, asserting regional differences through the ways that products are marketed and the company is portrayed—

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134 ibid., 152.
135 As quoted in: Lewis, Great IKEA!, 157.
rather than through the physical products themselves—is what sets IKEA apart as Swedish to the global consumer and exemplifies Sweden’s eminence in post-production activities.

A large part of IKEA’s appeal comes from its modern, practical, and efficient image that stems from its local no-nonsense values: “cost consciousness, team spirit, informality, egalitarian relationships, and making do with what you’ve got are Småland values.” Based on the Scandinavian model of social democracy and the importance it places on community, equality, and shared prosperity, IKEA’s goal is “to create a better everyday life for the many people by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.” Beyond being accessible to a greater body of customers than with traditional furniture retailers, the IKEA model offers furniture that is “disposable and transient” rather than designed to last for years and be passed down through the generations; this approach gives customers more design freedom and the capability to furnish based on trends, just as they might with clothing.

In order to keep prices low and levels of efficiency high, IKEA asks a lot of its customers. Tying back to democratic Scandinavian values, IKEA has engineered an ingenious distribution system—first tested at the original store in Älmhult, Sweden—that can be reproduced at large scales across the world. “Internally, IKEA likes to talk of the Vikings when joking of its own flat pack empire,” and each store takes customers “on a roundabout, winding voyage past every single product.” IKEA’s iconic flat pack furniture, also known as ready-to-assemble or knockdown furniture, comes in pieces in a box and requires assembly by the final customer based on instructions, as illustrated in Figure 2.11.

136 Ibid., 63.
138 Lewis, Great IKEA!, 15.
139 Ibid., 101-05.
140 Ibid., 156-57.
Unlike traditional furniture stores, in which customers are bombarded by salespeople to help them navigate the store, select the perfect furniture pieces, and arrange home delivery of purchases, IKEA places all three of these tasks on the customer; armed with maps, pencils, and paper rulers provided by IKEA, they meander independently along winding pathways through the living room and kitchen departments, write down codes for desired items, match these codes to the flat-packed items in the self-serve warehouse, carry their own boxes through the checkout line, and ultimately use the provided instructions to assemble the furniture at home. Figure 2.12 shows a map of the College Park, MD store and the carefully designed path that snakes customers through each department.
IKEA has become a global distribution innovator, adding yet another layer to its branding strategy that embodies an overall modern yet practical image. Intended to promote IKEA’s annual sale in Italy, the bed featured in the print ad in Figure 2.13 unassumingly showcases the iconic logo, cardboard boxes, and labels that characterize IKEA’s consumer-driven distribution system. There were two additional versions of the ad featuring a chair and a lamp. Because the IKEA brand is so strong globally, it is assumed that customers worldwide will understand the references to the flat pack furniture and be attracted to the ad based on IKEA’s simple do-it-yourself nature. This vibe is especially appealing for fairly young audiences looking to be fashionable and trendy.

Figure 2.13. IKEA print advertisement “You Can Get More,” 2012
Source: Freshome 2012, image 1.

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Globalization presents a challenge for countries and companies that are heavily involved in the furniture industry because it is becoming harder to stand out from the competition. Rather than attempting to control the entire production process, as countries have done in the past, China, Italy, and Sweden have positioned themselves in different segments of the furniture GVC; in doing so, they have focused on particular production activities to the point that they have been able to gain expertise and excel above competitors. These strengths serve as the basis for the ways these countries brand themselves to appeal to global consumers. China is working to solidify its identity as the efficient and high-tech manufacturer of the world and build up some of its own brands; Italy seeks to stand out through its sophisticated design capabilities; and Sweden has constructed a modern yet practical image with its strengths in marketing and distribution. Trade shows, websites, designs, logos, advertisements, partnerships, and company strategies all work together to form these national brands. While each brand might appeal to a different segment of global consumers, local distinctiveness is essential to remaining competitive. In the global furniture industry, local identities matter more than ever.
CHAPTER THREE
Interpretations of “Made in America” amid Global Competition

The ever-stronger importance of local identities as industries become progressively globalized represents an interesting challenge for the United States. With its large domestic market and traditional strength in manufacturing, the US started out manufacturing for a national audience, eventually rising to be a superpower producer on the world stage. However, in an era of GVCs and internationalized production and consumption, more producers worldwide seek also to capitalize on the US’s large population of consumers. In 2013 15% of China’s, 3% of Italy’s, and 6% of Sweden’s household furniture exports went to the United States, the largest common partner between the three countries. In order to appeal to an American—or more broadly a global—audience, leading countries in the furniture industry emphasize distinctive regional, national, and local qualities that set them apart. The US is faced with asserting its own uniqueness in order to compete. As a whole, local “Americanness” has no uniform manifestation.

What makes the furniture industry different from many others is that many American manufacturers do not brand or sell directly to the end consumers, instead producing for branded retailers or selling their products at big-box stores. According to one US company executive, “our industry has only about 50% of products that are consumer-branded. …The rest of our products are not anything that average consumers have heard about.” Thus, American furniture manufacturers have a hard time constructing brand identities and differentiating themselves from domestic and international competition. He continues, suggesting that while Americans “don't get a Chevrolet mixed up with a Cadillac…if you were to ask an average American who makes better

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142 See Tables 2.1 (China), 2.2 (Italy), and 2.3 (Sweden) in Chapter Two.
143 Zatepilina-Monacell, "Communicating a Made-in-America Brand," 164. While branding is important for companies from all countries involved in the furniture industry, China stands at one end of the spectrum with very few consumer-branded products, Sweden at the other end with most of its products branded for the end consumer (especially in the case of IKEA), and the US and Italy somewhere in the middle.
furniture, Bassett, Ethan Allen, or Thomasville, they would say ‘Gee, I don't know.’ They've heard of all those brands but they can’t tell you who makes the great stuff and who makes the cheap stuff.” Other industries have built iconic American brands, as cited for the automotive industry and also seen with Disney, Google, and McDonalds, for example; yet, the segmented and internationalized structure of the furniture industry and the limited range of physical variety among furniture pieces have precluded the emergence of iconic American furniture companies.

American furniture companies rely heavily on branding to stand out from the growing competition coming from all angles. Furniture that is American—and especially authentically American-made—has come into the spotlight since the early 2000s with increased industry and consumer attention. In combination with each furniture company’s individual branding efforts, which are unmistakably still important, the “Made in the USA” country brand has become a strategy that American firms can apply to attract customers. Many US furniture companies are adjusting their branding strategies to emphasize that they are “Made in America,” wherever applicable, to associate themselves with the diverse body of benefits that American-made can imply. I have categorized the appeals of this “Made in the USA” image around four major themes to help unpack the brand: proximity advantages, patriotism, quality, and lifestyle. The American brand is well defined and successful among local audiences, yet harsh global competition has to some extent occluded the international success of American furniture. To be globally sustainable, furniture companies need to collaborate to support Made in America branding with superior product quality and unite it with the American lifestyle.

The US in the Global Furniture Industry: A Story of Outsourcing

In the past twenty years, the furniture industry story in the US has been a tale of extensive outsourcing. As described in Chapter Two, since the 1990s low production costs in Asia have
lured many American companies to forge overseas connections and outsource the manufacturing stages of the supply chain to companies and factories initially in China; in the past ten years, other countries such as Vietnam, Malaysia, and Indonesia have also stepped in, offering low-cost furniture production as many of China’s manufacturers have turned to cleaner and higher-tech industries. The result of this movement is a transformed industry landscape in the US. While in the 1990s 75-80% of casegoods and 90% of upholstered furniture were manufactured on American soil, today only 20% of casegoods and 45% of upholstered furniture are produced domestically while the rest are imported.\(^{144}\) As the vice president of one US company joked,

Now, to be a [furniture] manufacturer there is a very high barrier to entry. You’ve gotta have a lot of money, you’ve gotta buy a lot of fancy equipment, you’ve gotta know how to run that equipment, you’ve gotta run the factory, and you’ve literally gotta turn green lumber into a dresser or a chest or a bed that our dealers are going to be able to successfully deliver and have it stick in a customer’s home. That’s a pretty good skill set. To be an importer, there’s no barrier to entry at all. You need a fax machine, you need a furniture designer—and there are plenty of people who know how to draw, how to do that—and that’s about it. You probably need a secretary and a plane ticket to China, and hey! I’m an importer.\(^{145}\)

Becoming an importer represented the path of least resistance in an industry that was becoming increasingly competitive on a global scale, and thus manufacturing in the US became the exception rather than the rule.

The dominance of furniture imports is illustrated in Figure 3.1, which compares the total sales of household furniture in the US with the total value of US household furniture imports and imports particularly from China. While in 1992 imports made up less than 20% of all US sales, they peaked at over 60% in 2010. Further, rising imports from China, as the dominant supplier to the US market, closely mirror the growth in total imports since the early 2000s.

\(^{144}\) Executive Vice President of Vaughan-Bassett Furniture, interview.
\(^{145}\) Ibid.
Figure 3.1. Total US sales of household furniture and share made up by imports, 1992-2013\textsuperscript{146}

Source: Created by the author with sales data from US Census Bureau, “Home Furnishings Store Sales” 2015 and import data from UN Commodity Trade Statistics Division 2014.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Asia\textsuperscript{147}</td>
<td>12%</td>
<td>China</td>
<td>14%</td>
<td>China</td>
</tr>
<tr>
<td>Canada</td>
<td>7%</td>
<td>Canada</td>
<td>11%</td>
<td>Canada</td>
</tr>
<tr>
<td>Italy</td>
<td>7%</td>
<td>Italy</td>
<td>7%</td>
<td>Vietnam</td>
</tr>
<tr>
<td>China</td>
<td>4%</td>
<td>Mexico</td>
<td>4%</td>
<td>Mexico</td>
</tr>
<tr>
<td>Mexico</td>
<td>3%</td>
<td>Other Asia</td>
<td>2%</td>
<td>Malaysia</td>
</tr>
<tr>
<td>All Others</td>
<td>66%</td>
<td>All Others</td>
<td>69%</td>
<td>All Others</td>
</tr>
</tbody>
</table>

TOTAL \$4.6 B TOTAL \$14.2 B TOTAL \$26.9 B TOTAL \$28.7 B

Source: Created by author with data from UN Commodity Trade Statistics Division 2014.

\textsuperscript{146} See Appendix Figure A.1 for a comparison of the value of furniture imports with the value of US-made furniture.

\textsuperscript{147} “Other Asia, n.e.s. (not elsewhere specified)” is a grouping by UN Comtrade that includes Taiwan and other smaller countries and provinces that did not individually report trade values in that particular year.
Supplementary to Figure 3.1 in describing American imports is Table 3.1, which shows the top five countries from which the US imported household furniture at four points in time. In addition to presenting China’s dominance, the table also shows the growing importance of imports from Vietnam, which increased nearly 20 times in ten years and overtook Canada as America’s second-place trade partner. Finally, the US is becoming more reliant on its major trade partners, with a larger share of imports coming from the top concentrated group of countries and a smaller share from countries considered as “all others.”

Noteworthy to this picture is the immense effect that the economic recession had on the US household furniture market. This downturn was primarily responsible for the sharp drop in total sales and imports between 2007 and 2009, as seen in Figure 3.1. After the housing bubble burst in mid-2007, a depressed housing market meant that fewer people were buying and furnishing homes. As described by one major executive of a furniture company that has held onto its domestic manufacturing capabilities,

In the crash of ’07, the furniture industry got hit as hard or harder than any industry in the country. We were devastated. The sales across our industry…fell by right at 40% from 2006 to 2008...Since then we’ve been coming back as an industry 5 or 6% a year since ‘08. So we’re still not back to where we were in ‘06, but we’re getting close…Furniture is tough.148

“Falling household wealth…rising unemployment…[and] economic uncertainty” led to a halt in spending and decreased demand for furniture.149 It was not uncommon to find rooms in a “McMansion”—an epithet coined for pretentious and oversized but shoddily constructed homes, many of which were built throughout the expansion of the US housing bubble150—unfurnished

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148 Executive Vice President of Vaughan-Bassett Furniture, interview.
due to the strain of high-interest mortgages and living costs. As described by one American furniture company owner, these homeowners were “house poor,” living in half-million dollar homes with Mercedes sedans out front but “eating at card tables”; living beyond their means meant that families could not afford furniture to match their extravagant homes, so instead they chose cheap imports and low-cost items from stores such as Rooms to Go or IKEA.\textsuperscript{151}

Because the American market is so large, most companies that produce in the US do so for American consumers. However, a key aspect of the American furniture trade narrative is the portion of products that are made in the US and distributed worldwide. US exports have been steadily increasing despite the explosion of imports, growing at an average of 8% a year since 1990 and with only five years in that period in which exports decreased. Nevertheless, exporting is not particularly common among American companies. In 2013 the country’s imports of household furniture outweighed its exports over 14 times, with exports reaching a value similar to US imports solely from Vietnam. The majority of American exports of household furniture go to nearby neighbors Canada and Mexico, which have consistently been the top two export partners for the US since 2000; this relationship can be primarily attributed to NAFTA and ease of trade between proximate countries in a time of expensive shipping and fuel costs.

The depressed domestic market and growing demand for imports are key reasons for the shrinking volume of furniture manufactured in the United States. The value of household furniture produced in America is illustrated by the visible dark blue section in Figure 3.1, which shows the difference between total US sales and total US imports. As imports have grown, this share has dwindled. Appendix Figure A.1 also directly compares the share of US-made furniture out of total US sales with the share of imports out of total US sales. While in 1992 US-made furniture outweighed imported furniture four to one, the value of imports had roughly doubled by

\textsuperscript{151} Founder of Younger Furniture, interview by author and Connor Gordon, High Point, April 9, 2014.
2000 and again by 2005, when imports equaled US-made furniture at an approximately one to one ratio that lasted until about 2007. When the recession hit, US-made furniture was affected more drastically than imported furniture. While the value of domestically produced furniture topped out at $27 billion in 2001 and hit an all-time low of about $16 billion in 2010, imported furniture was at its lowest point of $4 billion in 1992 and, despite slight decreases due to the recession, had skyrocketing growth and hit a high point of $29 billion in 2013. Thus, by 2013, imports far overshadowed US-made furniture and represented nearly 60% of total sales. Of these imports, about half are low-cost products sold by US companies that outsource and the other half are higher-quality and higher-cost products sold by foreign companies, such as those from Italy. The US-made pieces are produced by both American companies with domestic manufacturing capabilities and foreign-owned companies that operate factories in the US.

The Diversity of Companies in the American Market

With these massive changes in the American furniture industry in the last twenty years, spurred both by domestic conditions and changing pressures from global industry players, very few leading American furniture producers from the 1990s remain unaffected today. Many former leading companies in the US picture “previously lulled into complacency by decades of the status quo…were not able to successfully embrace the change necessary to compete, and simply closed shop.” The majority switched to outsourcing a large portion of their manufacturing, especially to Asian countries; others still found ways to alter their strategies and maintain a strong domestic presence. Today, the furniture industry is fairly concentrated: the top 100 furniture stores made up

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75% of total furniture sales in the US in 2013, a 6% increase from 2012.\textsuperscript{153}

Table 3.2 displays the top ten sources of furniture for the American market in 2005 and 2013, ranked based on the value of estimated shipments to the US. The shipment numbers indicate the total value of the products any given furniture manufacturer sends to the US in a year, representing something similar to sales but viewed from the production perspective of the value chain rather than from the retail perspective.

Table 3.2. Top sources for the US furniture market in 2005 and 2013\textsuperscript{154}

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Headquarters</th>
<th>2005 Shipments</th>
<th>2013 Shipments</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ashley Furniture Industries</strong></td>
<td>Arcadia, WI</td>
<td>$2,580 M</td>
<td>$3,660 M</td>
<td>42%</td>
</tr>
<tr>
<td><strong>La-Z-Boy</strong></td>
<td>Monroe, MI</td>
<td>$1,680 M</td>
<td>$1,090 M</td>
<td>-35%</td>
</tr>
<tr>
<td><strong>Furniture Brands International</strong></td>
<td>High Point, NC</td>
<td>$2,270 M</td>
<td>$650 M</td>
<td>-71%</td>
</tr>
<tr>
<td><strong>Klaussner Furniture Industries</strong></td>
<td>Asheboro, NC</td>
<td>$910 M</td>
<td>$520 M</td>
<td>-43%</td>
</tr>
<tr>
<td><strong>Dorel</strong></td>
<td>Westmount, Canada</td>
<td>$570 M</td>
<td>$480 M</td>
<td>-16%</td>
</tr>
<tr>
<td><strong>Sauder Woodworking</strong></td>
<td>Archbold, OH</td>
<td>$700 M</td>
<td>$470 M</td>
<td>-33%</td>
</tr>
<tr>
<td><strong>Flexsteel Industries</strong></td>
<td>Dubuque, IA</td>
<td>$330 M</td>
<td>$380 M</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Lacquer Craft</strong></td>
<td>Dongguan, China</td>
<td>$410 M</td>
<td>$370 M</td>
<td>-10%</td>
</tr>
<tr>
<td><strong>Man Wah Holdings</strong></td>
<td>Fotan, Hong Kong</td>
<td>-</td>
<td>$370 M</td>
<td>-</td>
</tr>
<tr>
<td><strong>Ethan Allen</strong></td>
<td>Danbury, CT</td>
<td>$580 M</td>
<td>$340 M</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>TOTAL US SALES</strong></td>
<td><strong>$50,400 M</strong></td>
<td><strong>$49,400 M</strong></td>
<td>-2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the author with data from “Top 25 Furniture Sources for the U.S. Market” 2007; “Key Sources for the U.S. Furniture Market” 2014.

Overall, the top ten company sources to the US market in 2005 and 2013, most of which overlap, are extremely globalized companies. Though seven are headquartered in America, all ten producers are involved internationally in some way through offshore manufacturing, showrooms,


\textsuperscript{154} Shipments were estimated and ranked based on Furniture/Today market research in 2007 and 2012 and rounded to the nearest $10 million by the author. The top 20-25 sources for the US furniture market were ranked each year; Man Wah Holdings only appeared in the listings for 2013.

\textsuperscript{155} Shipments in 2013 represent value through August. In September, Furniture Brands International declared Chapter 11 bankruptcy and was purchased by Heritage Home Group. The headquarters was moved from MO to NC in 2014.

distribution centers, or retail. Of this list of the top furniture sources, Ashley Furniture HomeStores, La-Z-Boy Furniture Galleries, Ethan Allen, and Thomasville Home Furnishings (owned by Heritage Home Group) are also featured in Furniture/Today’s list of the top 100 furniture stores in 2014. This linkage indicates that in addition to manufacturing their own products, these companies are heavily involved in the retail sector and are some of the most recognized brands in the furniture industry.

There are three major categories of companies that sell furniture in the US: locally focused American companies, globally focused American companies, and foreign companies. The first group is made up of firms that physically manufacture in the United States, making up most of the blue section of US-made furniture from Figure 3.1. Secondly, American companies that are based in the US but primarily offshore the manufacturing segments of the Smiling Curve make up another group; because China acts as a platform for US companies seeking low-cost manufacturing, these companies account for a large portion of the Chinese imports in Figure 3.1. Finally, the third category of companies includes foreign firms taking advantage of the large American market, typically by selling higher quality products; some of these firms operate US factories, making up a small portion of the blue US-made section of Figure 3.1, but the majority produce outside the US and are represented in the red section of US imports.

All three of these types of companies are competing for the loyalty of American consumers. Chapter Two examined how foreign companies such as those from Italy and Sweden appeal to global and US consumers by highlighting local distinctiveness in branding, product design, and marketing. This chapter focuses on how the two categories of American companies—those that have maintained US production and those that outsource—are remaining relevant among American and global consumers.

With so much variety within these three categories of companies, each company that
operates in the United States also lies somewhere along a spectrum characterized by the relationship between local and global ties for production and sales. Figure 3.2 illustrates this range and positions on the spectrum several companies from the top US market sources in Table 3.2 and the author’s interviews. Closer to the Local end of the range are companies that are based in America and have maintained all aspects of production in the US, as epitomized by Vaughan-Bassett and Gat Creek (to be discussed later). They run domestic factories, do not export, and market their products within the country—often utilizing “Made in the USA” branding. They also tend to be small and medium-sized companies and craft furniture makers. Out of the top sources for the US market (Table 3.2), Sauder Woodworking falls closest to the Local end of the spectrum, with 90% of furniture manufactured in Ohio and the rest globally sourced.\textsuperscript{157}

Figure 3.2. Local-global spectrum of furniture companies in the US market\textsuperscript{158}

\textit{Source}: Created by author with 2014 sales data from “OneSource” 2015.

On the Global end of the spectrum are companies whose Smiling Curve activities take place all across the globe. This category includes American companies that have offshored nearly


\textsuperscript{158} Example companies were placed along the spectrum as benchmarks. Company position was determined by the location of production and target audience for sales, with 2014 sales listed. Sales numbers were gathered from the “OneSource” business database on March 2, 2015 and rounded to the nearest $10 million.
all manufacturing, such as Ashley, as well as foreign-based companies that are involved in the US market by selling to American audiences and potentially running factories or subsidiary offices in the US, such as Man Wah Holdings. In addition to marketing their products to Americans, these companies often export and maintain wider scopes in their marketing and retail efforts to appeal to global audiences. IKEA and Italian companies that sell in the United States would be considered very global companies.

Most firms that are involved in the American market fall somewhere in the middle of the range. In between these two sides are companies that exhibit a mix of the Local and the Global in their production activities and sales, which can be manifested in a variety of ways. These companies might offshore manufacturing to cut costs and sell to primarily national audiences, or they might maintain domestic manufacturing but export products to global audiences; other mid-range companies might be involved in both global production and exports to some extent, though at a smaller scale than the Global companies. Klaussner Furniture represents a key example, with offshored production for nearly 100% of casegoods and 20% of upholstery products but US-focused marketing efforts.\footnote{Regional Vice President of Sales of Klaussner Furniture, interview by author, High Point, October 21, 2014.} In addition to companies that retail their own furniture such as Klaussner, this middle range also contains the majority of original equipment manufacturers (OEMs), who produce furniture to be sold under other brand names.

In analyzing how the United States seeks to remain competitive against the changing global furniture industry, it is important to focus on the companies that position themselves as the faces of US furniture. Recall that Chinese companies highlight their low-cost and streamlined high-tech production processes; Italian companies emphasize traditions of sophisticated design; and IKEA features its rural Swedish identity through its widespread marketing, democratic company values, and efficient distribution strategy. In competition with these strong brands, US
companies are in the process of defining their niche in the international furniture industry and molding how the American brand can appeal to consumers.

*Appeals Based on Proximity*

In spite of the dynamic transformation of the industry, some US manufacturers have still found ways to keep either some or all of their local factories open and stay competitive against the importers and rising global competition. There was no doubt that China had cheaper labor costs and an overall cost advantage when it came to manufacturing through the early 2000s; however, keen US companies figured out how to compensate to overcome that benefit, primarily by making the most of advantages made possible by being physically near their consumers. I consider these advantages to be “proximity advantages.” For example, the executive vice president of Vaughan-Bassett describes his company’s strategy that benefits from proximity advantages:

> We looked at the industry—we’re not crazy—and we said, “Most of this is going to Asia. But we don’t think all of it is going to go.” They have advantages…but they have some disadvantages. Literally the furniture gets here on a slow boat from China. They are not close to their market, so if we, as the low cost producer, could be close to the price out of Asia…[we could be successful]. We looked at our labor costs. The [US] industry average was about 27-28%, so a $1000 bedroom suite had $280 labor in it. Out of China we were estimating it was more like 10% labor, so they’re 18 points ahead of us not counting all the other stuff. But, our advantage was we could deliver furniture one suite at a time from New York to Atlanta to St. Louis to Chicago for 10% or less, while for it to come from Asia, the freight would cost somewhere around 30%. So, we overcame—or we could overcome—their labor advantage—or offset it—with our freight advantage.¹⁶⁰

Vaughan-Bassett leveraged its close proximity to American consumers—one of the major advantages it has over its importing competitors—in order to counterbalance the low wages and cheap manufacturing capabilities that made offshoring to China so attractive and successful.

¹⁶⁰ Executive Vice President of Vaughan-Bassett Furniture, interview. Vaughan-Bassett is a wood bedroom furniture manufacturer that produces exclusively in the US. The company is a wholesaler, meaning it does not sell to directly to the end consumer with its own branded stores but rather through furniture dealers across the country. While stemming from the same family line, it is separate from Bassett Furniture.
was able to capitalize on other proximity advantages to be able to offer prices similar to the prices of imported furniture and thus be competitive:

We could deliver to the customer one bedroom suite at a time, while that’s not the way you’d order it from Asia; you order it in container loads, which is 15 bedroom suites, 20 bedroom suites, 25 bedroom suites at a time. And you order it on January 1 and you get it in May…We stayed right in the middle of the market where we thought the volume was, doubled our finished goods inventory, and we offered seven-day delivery. So, if our customer ordered one bedroom suite or one truckload or even one nightstand, we’d get it loaded in 24 hours and we’d give the trucker 6 days to move it…As long as our price is roughly equal to Asia, then we’re selling product.161

All in all, Vaughan-Bassett essentially equalized China’s cheap labor costs by valuing flexibility and fast delivery, two advantages that are nearly impossible for Asian manufacturers to offer. The company also relied heavily on its extremely experienced and motivated workforce, with “fifteen or twenty people…in [a Chinese] factory for every one” Vaughan-Bassett worker. Rather than “[taking] a $72 million haircut” off of the company’s $80 million invested in factories to become an importer, Vaughan-Bassett found a combination of ways to keep true to being a low-cost, American-made wood furniture producer, something very rare in the industry in the US today.162

At a significantly smaller scale than Vaughan-Bassett, Cleveland-based manufacturer Rustbelt Reclamation maintains completely domestic production with a locally sourced model. The company repurposes lumber from old structures before they are destroyed, a process known as “upcycling” or reusing materials to create items of higher value. Though manufacturing takes place in Cleveland, materials are sourced and upcycled from locations near the customer; when a customer in North Carolina buys a Rustbelt Reclamation table, for example, wood from North Carolina will be incorporated into the construction. Then, on the finished table itself, the producers will include a laser-etched coin with the address or name of the location where the

161 Ibid.
162 Ibid.
materials were salvaged. This locally sourced model is environmentally sustainable, attractive to American customers interested in buying US-made products, and allows Rustbelt Reclamation to succeed in a unique way when faced with competition from imports.

The majority of US companies were unable to maintain entirely domestic production like Vaughan-Bassett or Rustbelt Reclamation, especially with the paucity of cheap US-made component parts (such as textiles) compared to those made in Asia. However, some American companies have still managed to capitalize on taking advantage of production in the US as much as possible. La-Z-Boy operates five American assembly plants that use US-made and imported component parts to produce finished products, such as recliners and sofas. In their Dayton, OH plant, the company has implemented cellular production, in which small teams work to produce an entire product from start to finish, thus streamlining product flow and reducing movement around the plant. These lean manufacturing techniques have increased productivity by 42% and cycle times by over 600% while reducing costs by $50 million a year and waste by 71%. Faster and more efficient local production means that La-Z-Boy is able to produce customized furniture to order. This improvement speaks to the advantages provided by producing in the US—where companies can have more control over and involvement in the production process—rather than sourcing everything from Asia.

Despite facing several workforce development challenges—including a dearth of workers with advanced technological skills, a declining perception of manufacturing as a career, the

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163 Founder and Principal of Rustbelt Reclamation, interview.
165 President and CEO of the High Point Market Authority, interview by author and Duke University Bass Connections students, Durham, February 24, 2014.
166 Vice President of Operations of Samuel Lawrence Hospitality, interview.
aging of the overall workforce, and a dwindling number of training programs paired with higher education requirements in order to be successful—the US still has a lot to offer companies. With strong furniture manufacturing traditions, the United States and especially North Carolina still hold the furniture “brain trust” of the world, characterized by a concentration of knowledgeable industry experts, designers, engineers, and factory workers. High Point, NC, with its nickname of “The Furniture Capital of the World,” since 1909 has been the site of the biannual High Point Furniture Market, drawing more than 75,000 attendees and over two thousand exhibitors from over 100 countries to its 11.5 million square feet of show space. According to one industry expert, “everyone around the world knows the words ‘High Point’ and ‘North Carolina,’ and being in the state brings some credibility to a furniture company.” This status also applies beyond North Carolina to the greater United States and is crucial for American companies looking to make their marks on the global industry, especially with US-made products.

American companies have been able to combine proximity advantages—including streamlined delivery, flexibility and customization, local sourcing, and greater control over manufacturing processes—with the immediate credibility a company gains by being associated with the American furniture industry and its strong traditions of manufacturing, experienced workforce, wealth of industry knowledge, and globally renowned market. The mixture of rising labor and logistics costs in Asia with a greater understanding of the advantages of American

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167 Executive Vice President of Vaughan-Bassett Furniture, interview. The aging of the workforce has been nicknamed the “greying of the workforce” or the “silver tsunami.”

168 Ibid. A national survey of education levels required in different occupations found that 30% of Computer Numerical Control (CNC) Machine Programmers in NC are required to have a relevant post-secondary certificate and 36% an associate’s degree, while only 6% call for just a high school diploma; in contrast, 55% of traditional Upholsterer jobs require just a high school diploma, 26% a post-secondary certificate, and only 5% an associate’s degree (US Department of Labor 2014).

169 Vice President of Operations of Samuel Lawrence Hospitality, interview.

170 This title has been threatened and challenged by both Las Vegas, NV, which also holds a large furniture trade show every year, and Grand Rapids, MI, which is America’s leader for office furniture production.


172 Vice President of Operations of Samuel Lawrence Hospitality, interview.
manufacturing have led some companies that were once importers to move some or all aspects of production back to US soil, a trend known as “reshoring.” For example, Hickory Chair Furniture, owned by Heritage Home Group, joined most American furniture companies by outsourcing a large share of production in the 1990s. However, “while working with the imported products, Hickory Chair had to order large quantities once a year, thus alienating its traditional customers who were expecting faster delivery.” The company gradually brought 90% of manufacturing back to the US—to Hickory, NC specifically—throughout the 2000s, which allowed it to “[reduce] time between the purchase and delivery [and] …[offer] customization options,” qualities that American customers value over slightly cheaper products. ¹⁷³ Local production in the United States also allows companies to be closer to an abundant supply of raw materials, such as wood, as well as many suppliers that make frames, foam, and mattress components.

In many cases, companies that operate out of the US are emphasizing their American involvement, which can range from complete domestic manufacturing to solely having a US headquarters, in order to associate themselves with the American image and identity. Recognizing this, it is important to distinguish between an American brand and an American-made brand. As described, there is a wide variety among the origins of products sold in the US, and “the majority of US furniture brands are designed or assembled, rather than made, in America.”¹⁷⁴ In branding, however, both types of companies are increasingly asserting an American identity to project certain qualities on their products and portray a trustworthy image to consumers.

The Spread of “Made in America” Branding

The growth of Made in the USA branding has been especially strong in the furniture

¹⁷⁴ Ibid., 166.
industry in recent years, among both companies that are completely US-made and local and companies that heavily stress their US involvement to consumers while continuing to outsource a large portion of their manufacturing. According to a survey done by Furniture/Today and HGTV in 2012, as shown in Figure 3.3, 61% of US consumers express a commitment to buying American-made furniture by stating that it is either “very important” or “important” to them.

2012 Survey: Are Furniture Products that are Made in the United States Important to Consumers?

![Figure 3.3. Importance of furniture Made in the US: 2012 consumer survey Source: Created by the author with data from Allegrezza 2012.](image)

Further, in the same survey the previous year, “Made in the USA” ranked among American consumers as fifth among twenty total features considered when buying upholstered furniture, following comfort, durability, stain-resistant fabric, and warranty.\(^\text{175}\) Though some dedicated customers undoubtedly do in-depth research on the origins of various furniture pieces

and brands, the majority of consumers rely on how companies present themselves and what they see in furniture stores and online when making buying decisions. As American-made furniture becomes more important to customers, more furniture companies—ranging from those that manufacture in the US to those that assemble there or are even just headquartered there—are emphasizing an American identity in their company branding.

The statement that a product is “Made in the USA” or “Made in America” is an example of a country of origin claim, as described in the Introduction, which declares where a particular good comes from and where it was produced, manufactured, or grown. Based on the country selling the particular product, there are varying rules as to how the country of origin claim is expressed. In the United States, the majority of imports are required to show labels that specify their country of origin. Products that are made in the US also have strict labeling requirements, known as the “Made in USA” policy dictated by the Federal Trade Commission. While it is not required that marketers get FTC approval for their claims, any good sold with an American country of origin claim must abide by these rules or face harsh penalties for noncompliance.

American country of origin claims can be openly expressed in words or implied through symbols and references such as maps or flags. According to the FTC, any product “advertised as Made in USA [must] be ‘all or virtually all’ made in the US…[and] should contain no—or negligible—foreign content,” and the claim must be backed by “a ‘reasonable basis’ to support the claim at the time it is made.”\textsuperscript{176} Any product that meets this standard can be called “Made in USA” without further qualification. Products that contain some US-made and some foreign-made components or that were processed in the US can be marketed through qualified Made in USA claims, such as “Made in USA of US and Imported Parts” or “70% US Content.” Finally,

companies can brand using “Assembled in USA” as long as the US performed the “last ‘substantial transformation’” and played a strong part in the assembly process overall; this label does not apply to products that are assembled in the US of all foreign components. While the wording is subject to significant interpretation—such as with the phrases “all or virtually all,” “reasonable basis,” and “substantial transformation”—these strict stipulations placed on marketing claims work to assure that consumers get reliable information about the origins of the products they purchase.

With the wide variety in company claims and the growing consumer attention to where products are made, organizations have been established to verify Made in USA claims. Because country of origin statements are largely unregulated, the organizations intend to serve as enforcement mechanisms to separate the truly Made in America companies from those who make embellished or outright fraudulent claims. Figure 3.4 shows several of the logos used to indicate “authorized” US-made companies.

Figure 3.4. Seals provided by organizations to certify “Made in USA” claims
Sources: Made in America Movement 2014; American Certified 2015; Made in the USA Brand 2015; Certified Inc. 2015.

Some companies, such as American Certified and Made in America Movement, run websites that list only US-made companies and products to facilitate online research and shopping for those interested in buying American. Manufacturers and retailers can apply to be featured in

\[^{177}\text{Ibid., 12.}\]
the online directories and marketplaces, thus validating their roles as true American companies if approved. Other organizations, such as Made in the USA Brand and Certified Inc., act as third-party certifiers of company branding strategies featuring Made in USA claims. Companies can apply to be certified and, after confirmation that production takes place in the United States, they are given the rights to use specified certification logos and seals. In return, the company must pay a licensing fee to the third-party organization.

In theory, in stamping a certified logo on their marketing materials, hangtags, and websites, companies enter a group of authentic American leaders who are committed to domestic production. As they are willing to seek out and pay significant sums for the rights to use these logos—up to $2,000 annually for the Made in USA Brand certification and likely more for others—companies clearly believe that their customers value verification. In sorting through thousands of Made in USA claims, customers could ideally distinguish the universal certified logos and trust that the product is authentically US-made; however, the fact that there are several different certifying organizations, each of which uses its own logos and symbols and approves companies with varying degrees of rigidity based on different sets of standards, makes a uniformly-recognized and respected certification system impossible at this point. This variety makes the certification systems hardly different from unregulated company self-branding based loosely on FTC guidelines. Further, with convoluted and cryptic application processes and blatant appeals to patriotism through the use of colors, flags, and imagery, the organizations come across as attempts to capitalize on government regulation at the expense of American consumers.

Closer attention to Made in USA claims have come to the forefront since the mid-2000s, when more and more companies began to use branding strategies that emphasize American-made

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179 In 2014, Made in the USA Brand, LLC was charged by the FTC for deceptive claims (Weisbaum 2014). The company was not independently evaluating products before certifying them as “Made in USA” and had never rejected an application. Now the website claims that they rely on applying companies to self-certify their products.
aspects in order to differentiate their images from importers and foreign companies. Today, “Made in America” is trendy. Beyond making progressively more financial sense for companies as the costs of manufacturing in Asia rise, manufacturing in America is also something that US consumers are starting to care more about. According to a 2013 Gallop survey, 45% of American adults agreed that they made a special effort to buy US-made products over the past several months; these buying habits are also much more prevalent among older—61% of adults ages 65 and older as compared to only 20% ages 18-29—and rural—55% of adults who lived in towns or rural areas as compared to 37% who lived in cities—audiences. Further, the majority of Americans are also willing to pay higher prices for products made in the US as compared to similar products from other countries, with 64% stating that they were willing to pay more. This combination of an increased willingness of consumers to seek out as well as pay more for American-made products represents the ideal marketing opportunity for companies that are even marginally involved in US production.

Moving beyond a narrow group of consumers, manufacturers, and industry experts, the Made in America trend has sparked the attention of a wider audience and brought it to center stage among lifestyle brands and popular culture. Martha Stewart runs a website called American Made that spotlights American producers and created the American Made Market on eBay to “celebrate the people and the products that bring the essence of the American story to life.” Countless blogs and websites promote US-made products and champion US innovation, entrepreneurship, and the Do-It-Yourself “maker” culture that characterizes many small-scale American operations. The USA Love List blog catalogues items sold in big retailers that are made

in the USA, and a feature by retailer STORY showcases many faces of the Made in America movement. The movement has even reached the music industry, exemplified by the Budweiser Made in America Festival founded in 2012 by rapper Jay-Z. On its three stages, the Rocky Stage, Liberty Stage, and Freedom Tent, the festival features acts that “embody the American spirit,” as described on the tour’s Facebook page. Dave Schiff, founder of the ad agency Made Movement, reflects that “Made in America will succeed the for the same reason organic has succeeded…Just like people don't want to eat food that was poisoning them, they want to live in a better economic climate,” which speaks to the trendiness of Made in America branding.

The furniture industry has not been immune to the movement. With the prevalence of Made in America messaging in the market, many customers and retailers who sell furniture made by other companies are starting to look specifically for American-made products. “Furniture store owners and consumers want American-made products if they can get them. And if there’s an American-made sofa versus an import sofa, all things being equal they’ll always go ‘Made in America.’” Some customers and stores exclusively buy American-made furniture. Thus, to some, being American-made acts as an immediate differentiator and sets products a step above foreign imports. The founder of Rustbelt Reclamation claims that his company’s story is what “really seals the deal”; “in that story is the fact that [products are] sourced in America, made in America, and so I think that that is—if there’s a tipping point at all, or something that’s going to really make somebody buy our products—that’s sort of the differentiating factor.”

In order to showcase these aspects, in 2011 the High Point Market introduced its Made in

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186 Regional Vice President of Sales of Klaussner Furniture, interview.
187 Founder and Principal of Rustbelt Reclamation, interview.
America Pavilion, featuring only US-made home furnishings and accessories. The Pavilion featured sixty exhibitors and 25,000 square feet of exhibition space in the October 2013 fair.\textsuperscript{188} Brian Bunch, the vice president of leasing for the building’s management company, explains: “As we saw more and more domestic and international buyers coming to High Point Market in search of American-made products, we realized there was an opportunity to assist the buyers by creating a single destination for domestically produced home furnishings.” Speaking to its success, he affirms, “This initiative has absolutely taken off from inception. There is more interest than we even imagined.”\textsuperscript{189} Beyond the Made in America Pavilion, the industry is drawing attention to US-made companies at the Market through small American flags printed on company name placards and designated areas for company marketing, which often feature Made in USA themes.

\textbf{American Perceptions of “Made in the USA”}

The United States still plays a significant role in the global furniture industry despite outsourcing, and with some re-shoring of manufacturing this role is continually being strengthened. Important segments of the value chain of production take place in the US, and companies are making sure consumers know this through Made in USA branding strategies and emphasis on proximity advantages, such as quick shipping, local sourcing, customization, and increased control over manufacturing as discussed with Vaughan-Bassett, Rustbelt Reclamation, La-Z-Boy, Hickory Chair’s strategies. However, associating a product or company with an American identity suggests much more than mere geographic involvement and the local advantages made possible by being located physically near consumers.

Both consciously and unconsciously, American consumers associate American products


\textsuperscript{189} “Made in America Pavilion a Big Draw in High Point,” \textit{Furniture/Today}, October 22, 2011.
with a personal and dynamic group of qualities and ideas that undoubtedly play a role in their
decisions to buy US products, as opposed to those from Italy, China, Sweden, or any other
country that participates in the large US market. Likewise, global consumers buy American
products because of what they represent and imply, and these associations vary based on the
audience. US furniture companies are up against the challenge of selling American distinctiveness,
for which there is no universal definition.

To get a better understanding of how this broad American identity is constructed and how
company representatives believe it affects consumers’ opinions of their products, I visited the
High Point Market in October 2014 and talked primarily with marketing and sales representatives
from companies that overtly represented their furniture as American. I chose companies based on
availability of representatives and the existence of obvious US-symbols, imagery, color schemes,
and language in their exhibits, company names, and logos. I conducted a total of ten interviews
with different companies on these topics. Responses are amassed in Table 3.3.

All ten representatives interviewed agreed that Made in USA marketing is becoming
increasingly important and also affirmed that they were planning to continue or strengthen the
branding strategy. In order to break down the appeals of Made in America branding among
American consumers, I organized the various qualities mentioned by company representatives
throughout the interviews into thematic groups. Beyond proximity advantages, two more major
themes arise: patriotism and superior quality. After discussing in the next subsections these two
primary appeals for American consumers, I move on to discuss the slightly different appeals of
Made in America furniture for global audiences.
Table 3.3. Appeals of “Made in America” branding: Percentage of company representatives who identified each appeal

<table>
<thead>
<tr>
<th>Appeals of “Made in America” Branding</th>
<th>Companies Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pride and Support of the US Economy and Jobs</td>
<td>70%</td>
</tr>
<tr>
<td>High Quality Products</td>
<td>70%</td>
</tr>
<tr>
<td>Reliable Construction and Durability</td>
<td>60%</td>
</tr>
<tr>
<td>History, Tradition, and Family Ties</td>
<td>30%</td>
</tr>
<tr>
<td>Local Sourcing of Materials</td>
<td>30%</td>
</tr>
<tr>
<td>Craftsmanship and Artisanal Qualities</td>
<td>30%</td>
</tr>
<tr>
<td>Design and Product Uniqueness</td>
<td>30%</td>
</tr>
<tr>
<td>Flexibility and Customization Capabilities</td>
<td>20%</td>
</tr>
<tr>
<td>A Powerful Company Story</td>
<td>20%</td>
</tr>
<tr>
<td>Superior Service</td>
<td>20%</td>
</tr>
<tr>
<td>Quick Delivery and Streamlined Logistics</td>
<td>20%</td>
</tr>
<tr>
<td>Sustainability and Environmental Consciousness</td>
<td>10%</td>
</tr>
<tr>
<td>Fair Prices</td>
<td>10%</td>
</tr>
<tr>
<td>Attention to Detail</td>
<td>10%</td>
</tr>
<tr>
<td>State-of-the-Art Technology</td>
<td>10%</td>
</tr>
<tr>
<td>Accessibility</td>
<td>10%</td>
</tr>
<tr>
<td>Adherence to High Standards</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Source: Created by the author based on ten High Point Market interviews.*

**Appeals Based on Patriotism**

Eighty percent of companies interviewed at the High Point Market agreed that Made in USA branding appeals to American consumers’ senses of patriotism in some way (see Figure 3.5). Most companies observed that Made in America branding instills in consumers thoughts of supporting the US economy and jobs. Smaller percentages of company representatives referred to thoughts of American traditions of manufacturing and company heritages and stories that might appeal to consumers’ empathy and affinity for American companies.

This patriotic appeal follows two primary threads—one born out of idealistic, anti-globalization, and pro-American sentiments, and the other born out of a concern for the US economy and jobs for local workers. Appeals along this first patriotic thread often make overt references to the US flag and frequently use red, white, and blue in advertising efforts, as already
seen in the certification logos for US-made products presented in Figure 3.4. Plastered across company websites, catalogs, signs, and furniture hangtags are flags and the words “Made in the USA” proudly displayed. Exemplifying this trend, Ohio furniture retailer Sedlak Interiors held its first Made in America sale over the Fourth of July holiday in 2004, complete with thirty small flags planted around the parking lot, salesmen wearing patriotic ties and scarves, product hangtags resembling flags, and commercials showcasing US-made furniture with the “Battle Hymn of the Republic” playing in the background. For American furniture company Vaughan-Bassett, it’s also all about “[wrapping themselves] in the flag”; the company vice president elaborates: “our branding is not Vaughan-Bassett—it’s ‘Made in the USA.’ That is what we sell.” For the companies that have been able to maintain a strong US presence, the flag and an American identity have come to supersede all other branding and symbols. Companies are branding themselves as American over all else, and they are using the most universally recognized American symbols to make their brands known.

Figure 3.5. Patriotic appeals of “Made in America” branding: Percentage of company representatives who identified each appeal

Source: Created by the author based on High Point Market interviews.

191 Executive Vice President of Vaughan-Bassett Furniture, interview.
192 Percentages do not add up to 100% because company representatives were encouraged to discuss as many appeals as they believed applied. Thus, percentages represent the number of reps who mentioned each individual appeal.
Patriotic branding also appeals to consumers who have an interest in supporting the local economy and retaining jobs for the American factory workers and craftsmen who drive the success of US furniture companies. Based on research by the US Bureau of Labor Statistics, the number of furniture manufacturing employees decreased 36.8% between 2000 and 2011; this drop can be attributed to widespread outsourcing as well as increased reliance on technology for manufacturing. According to the vice president of sales at one major American furniture company, “we’re all interested in keeping the jobs here versus sending them overseas.” He considers this job argument to be “the number one factor” in drawing customers to choose an American-made product. Beyond providing manufacturing positions in furniture factories, locally made furniture pieces also provide a “trickle-out effect” to domestic suppliers of fabrics, wood, and other intermediate parts and materials, whenever available. For all these reasons, companies that have maintained and even created US jobs emphasize these impacts in their branding because local jobs are important to domestic consumers.

Consumer opinions seem to underline the increased attention furniture companies are paying to patriotic branding. Many American consumers see buying American-made goods as “personal [acts] of patriotism that intensified after the September 11, 2001, attacks.” Further, the recession of 2007-2009 and the mass unemployment associated with it represented even more of an incentive for Americans to buy US-produced furniture in order to directly support their own economy and sustain local jobs. Out of US consumers who claimed to have made a special effort to buy American-made products in the past few months, 83% made these choices in order

194 Regional Vice President of Sales of Klaussner Furniture, interview.
195 Vice President of Independent Retail Business Development and Marketing of Bassett Furniture, interview by author, High Point, October 21, 2014.
196 Evans, "Patriotism Drives Demand for Made-in-USA Product."
to support the US economy and citizenry in some way;\textsuperscript{198} according to the 2013 Gallup survey, respondents sought out American goods to “Support the US/Buy American/Be Patriotic” (32%), to “Keep/Create jobs in the US” (31%), or because it is “Good for the US economy” (20%).

However, while a major focus over the past fifteen years, especially as the US economy and jobs stabilize from the recession, these patriotic appeals to consumers will probably become less effective and eventually die down. While companies have been “capitalizing on the mindset within the United States that links patriotism and jobs,” Figure 3.1 showed that the volume of imports sold to the US market has continued to grow.\textsuperscript{199} The American audience is simply buying more furniture, partly due to the availability of furniture at cheaper prices and the mindset that furnishings can be temporary and changeable rather than relying on heirloom pieces passed down from generation to generation. In this trend, the US-made portion has been fairly static, growing an average of 1% each year since 1992 and -2% since 2000 as compared to 8% and 6% for imports. Thus, industry experts claim “messaging strategies for domestic consumption will eventually shift the accent from the made-in-the-USA aspect to other brand features.”\textsuperscript{200} With each passing day, imports are becoming more established in the US market. Some retailers are even starting to conceal or remove country of origin labels “because they are afraid of making consumers feel guilty about buying an imported product” based on more reasonable prices.\textsuperscript{201} Simply asserting “Made in USA” and appealing to citizens’ patriotic obligations will not be enough. This split is where other meanings of “Made in America” will play a larger role.

\textsuperscript{198} Jones, "Patriotism, Jobs Primary Motivations for 'Buying American.'"
\textsuperscript{199} Zatepilina-Monacell, "Communicating a Made-in-America Brand," 162.
\textsuperscript{200} Ibid., 164.
\textsuperscript{201} Ibid., 163.
Appeals Based on Quality

According to company responses at the High Point Market, with mentions by 80% of companies interviewed, the second major pillar of the “Made in America” brand is a high standard of quality (Figure 3.6). With local production, companies have much more control over the way furniture is manufactured than if they are sourcing from a collection of factories overseas. US producers can closely monitor the sourcing of raw materials and trace the processes through which they are turned into finished furniture pieces. Companies that manufacture domestically also have direct involvement in assuring that the factories are meeting environmental regulations and that finished products are meeting the company’s quality standards rather than relying on a third party for inspections.

Figure 3.6. Quality appeals of “Made in America” branding: Percentage of company representatives who identified each appeal
Source: Created by the author based on High Point Market interviews.
Consider the quality control emphasis of furniture builders at Gat Creek, based in Berkeley Springs, WV:

Every single individual in the organization from the president down to the newest employee has the power to stop a piece in production and say ‘It’s not up to our quality.’ There are no repercussions if a warehouse person bangs an edge of a corner and puts a dent in it [or] if [a worker doing] order entry orders the wrong finish on a chest. We want to make sure quality is number one, pieces are stopped, that the right products at the highest quality are sent out to our customer base. And our customers know that.202

This increased control and dedication to quality places US-produced furniture a step ahead of many imports in the eyes of domestic consumers. In this regard, many US manufacturers position themselves in contrast to Asian manufacturers. As one company founder puts it, “[Chinese manufacturers] can build what looks like a sofa until you sit on it.”203 This also speaks to enhanced durability and comfort of American products, another important facet of the quality implied in Made in USA branding.

A crucial facet of the American quality story that companies showcase in their branding is the value of craftsmanship and artisanal excellence backed by traditional and honest values. This appeal to consumers is two-fold, as Americans can connect more personally with the craftsmen making their furniture pieces as well as be assured that the furniture is well made. Hickory Chair has built “a reputation of the heirloom brand” by emphasizing craftsmanship, calling its factory the “workroom” and employees “artisans.”204 Executives believe that this image garners the trust and respect of customers. Similarly, Gat Creek started out doing antique reproductions over 100 years ago and built a close relationship with communities of Amish and Mennonite workers; today, the company still “[relies] heavily on them for much of [their] casegoods” and “[considers] them part of [the] family,” spending holidays with them and allowing them to use their traditional

203 Founder of Younger Furniture, interview.
manufacturing techniques.\textsuperscript{205} Gat Creek customers get a taste of this dedication to craftsmanship through customer experience cards sent to their homes with notes from the builders once they begin building their table or bedroom set. Each finished furniture piece is signed by the builder, creating a lasting touch-point between consumers and company artisans. Gat Creek customers can also “meet the builders” on Gat Creek’s website, further emphasizing this association.\textsuperscript{206} These quality aspects implied in the Made in the USA brand will become increasingly important as patriotic appeals play a lesser role (as discussed above), which means that American companies will be held to high quality standards to compete with imports and foreign competitors. Made in America brands will be expected to offer advantages beyond those offered by the competition in order to make it worthwhile to pay slight premiums for domestically produced furniture. While US consumers claim that they pay attention to products’ countries of origin and prefer American-made goods, American products also need to be more competitive in their own right, not just because company branding \textit{asserts} that they are US-made and therefore should be purchased. “Notwithstanding the declared willingness to buy domestic, most consumers choose domestic over imported goods only if the former offer superior quality at a comparable price.”\textsuperscript{207} American manufacturers are on the track to making this goal a widespread reality, with the re-shoring of some production and domestic companies offering unique services to US customers.

\textbf{Global Perceptions of “Made in the USA”}

As described in the previous sections, Made in the USA branding appeals to American consumers on three distinct fronts: proximity, patriotism, and quality. Each group of factors builds on the last. The physical proximity advantages of US production make up the core benefits

\begin{footnotesize}
\textsuperscript{205} Customer Service and Business Development Representative of Gat Creek, interview.
\textsuperscript{207} Zatepilina-Monacell, “Communicating a Made-in-America Brand,” 166.
\end{footnotesize}
of a company’s Made in America image because domestic customers directly reap the benefits of better and faster service. Building on that, patriotism represents another layer of value within the American identity because consumers feel they are participating in the greater economy and supporting their country. Finally, these two factors must be surmounted by an overall standard of quality to make the Made in USA brand sustainable.

However, on the global stage, the Made in America brand appeals to consumers somewhat differently. International audiences do not benefit from local sourcing or streamlined distribution and, further, are usually uninterested in appeals to patriotism, helping the US economy, or homegrown values. Thus, the proximity advantages and patriotic appeals important for American audiences do not hold weight globally. Because the US market is so large, most American companies concentrate their efforts in the US and focus only a small portion of their sales efforts internationally; none of the companies I interviewed at the High Point Market concentrate on global sales, and from the top ten sources for the US market in 2013, an average of 89% of company shipments went to the American market. However, American brands are still in reasonable demand among some international audiences, who generally “value American-made furniture for quality (i.e., US exports tend to include quality merchandise), scale (i.e., US furniture is designed for large houses) and image (i.e., US furniture implies status).”

Figure 3.7 illustrates four clear categories of qualities reflected in Made in America branding and the consumers attracted by each. Local American consumers benefit from the three core appeals featured; global consumers share an interest in the enhanced quality offered by American furniture but also are attracted to American brands because they serve to represent American culture, lifestyle, and status—values that domestic customers do not necessarily seek

out or appreciate because they experience them every day.

Figure 3.7. Four types of appeals of “Made in America” branding

**Appeal Based on the American Lifestyle**

In the global context, Made in America furniture brands often represent the brand of America itself more than each individual company’s brand. The image of America and everything it represents around the world are inherently reflected on all products that associate themselves with an American image. As Papadopoulos discusses, when customers have little knowledge about a particular company’s brand, they will rely on the reputation and their perception of the country that produced the product in order to make decisions; thus, they are able to “reduce [the] perceived risk and assess the social ability” of buying. Often, global consumers are drawn to US-made furniture because they have a favorable view of America.

For Hickory Chair Furniture, which exports 10% of its products primarily to China, the

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Philippines, the Middle East, and Europe, “international business comes from referrals of people saying [Hickory Chair] is one of the few American companies that still [makes] the majority of [its] products [in the US].” The company does not modify its marketing for such a small portion of its sales; instead the foreign retailers that ultimately sell the products are in charge of advertising. Interestingly, however, Hickory Chair has found that foreign companies explicitly ask for Made in America branding, sometimes more than would be included for products sold domestically. Hickory Chair invested in a “monogramming machine to engrave on the [shipment container] door ‘Made for Jamila in Lebanon by the craftsmen of HC’” for one specific retailer, in addition to attaching Made in USA hangtags to the products. It is obvious that the American aspect of Hickory Chair products is important to these global consumers.

Demand for US-made products is particularly taking off in China. One Boston Consulting Group survey measured international perceptions and buying behavior when it came to products labeled “Made in USA” versus those labeled “Made in China.” While German and French respondents preferred neither and would rather buy products manufactured in their own countries, nearly half of Chinese consumers declared they would buy US-made products over Chinese-made items, even if price and quality were equal. Further, over sixty percent claimed they would be willing to pay up to almost eighty percent more for American-made items, compared with eighty percent of American consumers who were willing to pay premiums.

These trends among Chinese buyers apply particularly in the furniture industry. Chinese government officials were first attracted to high-end Western styles in the early 2000s but, after negative public scrutiny for superfluous personal spending, began buying from more mid-priced products.

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213 Ibid., 162.
American companies to stand out less to the public. Interest can also be attributed to a growing Chinese middle class, which was projected by the Chinese Academy of Social Sciences to double over fifteen years and account for 40% of the population by 2020. Chinese consumers have increased knowledge of and access to global markets as well as improved wages and buying power. For companies interested in stretching beyond domestic borders and asserting themselves globally, China represents an opportunity for medium and higher-end producers. Industry leaders such as Ashley and Ethan Allen are already actively taking advantage by exhibiting at the China International Furniture Fair in Guangzhou.

Chinese customers are interested in American furniture pieces especially because of the lifestyle they represent and enhanced status they can provide. According to Juricka Chu, the overseas marketing director for the International Furniture and Decoration Association headquarterd in Hong Kong, consumers “in China are very concerned about brand...[and] are eager not just for good quality but also for an improved lifestyle.” Eighty to ninety percent of beds sold in China are king size, matching the large size of the many new homes built by middle class families. American furniture is known for being larger than furniture produced by companies from other countries, and many times it is even too big for Chinese homes, meaning that companies planning to stay in the Chinese market might have to consider scaling down the sizes of products to be sold globally.

In 2005, Thomasville Furniture’s Ernest Hemingway and Bogart collections, with displays that showed strong ties to the celebrity figures with posters and even movie clips, were wild successes in China. Phil Nifong, the company’s sales representative for Asia, avows that “they

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215 Vice President of Operations of Samuel Lawrence Hospitality, interview.  
220 Russell, "China Is Brand Aware."
[told] the story wonderfully in their galleries and stores—better than they do (in the United States)”; he attributes a large portion of Thomasville’s success in the region to ties such as these to American popular culture.\(^\text{221}\) Not only is Thomasville an extremely strong brand internationally, but also this branding strategy allowed Chinese customers to feel a part of the American way of life. Ethan Allen’s CEO and chairman, Farooq Kathwari, believes that “more people aspire to have a beautiful home…[as they] are exposed to television and movies”—many of which are produced in the United States.\(^\text{222}\) Most often, US companies “[rely] on America’s reputation for status” abroad rather than the aspects they emphasize in branding that support their reputations among US audiences.\(^\text{223}\)

As described, the “Made in America” brand as representative of the American lifestyle is an appeal being used by several companies that market furniture to global audiences. However, if American companies seek to distinguish themselves as unique around the globe, as Chinese, Italian, and Swedish brands have effectively done, they should focus on emphasizing these ties even more. Some of America’s most successful brands from other industries can attribute their global status to links with the American lifestyle. A brand cannot get much more classically “American” than Levi blue jeans; Coca-Cola, Apple, and Nike are also iconic brands that are strongly associated with the American way of life. There are no global furniture brands that portray this image at the same scale, which represents an opportunity for American furniture companies to outshine international competition when appealing to consumers around the world.

Some of the furniture pieces sold by these US companies to global audiences are manufactured in Asia. However, to these consumers, this detail is less significant; the fact that the brand is American is what adds value and appeal. This reality speaks to the image of the United

\(^\text{221}\) Russell, “U.S. Brand Names Appeal to Growing Chinese Market.”
\(^\text{222}\) Ibid.
States abroad and global impressions of goods made in the US and sold by American companies. One Hickory Chair executive even went as far as to argue that “the US furniture industry has the opportunity to take the place previously held by US-made automobiles and electronics and restore the status symbol of American-made products.” He explains, “Given that those industries have become global, I don't know whether US automobiles or electronics still carry the status that American furniture carries.”

American-made furniture and the way it is branded by companies have the potential to shape global opinions of the US.

Up to this point, American companies’ approaches to Made in USA branding have been largely reactive, emphasizing patriotism and employment and shaped in response to economic downturns, consumer interests, competitors’ actions, and published industry trends. This approach is essentially only effective among domestic audiences. The only way to make the American brand more sustainable through time on a global scale is to brand more proactively. Just as Italian furniture has become aligned in consumers’ minds with luxurious design, American furniture brands need to signify something tangible and attractive in order to distinguish themselves and especially to appeal to global audiences.

Some American companies are building the foundation by standing for high standards of quality, craftsmanship, and innovation as compared to competitors. One service and sales representative asserted that if “you pick something that’s Asian, it’s usually a cheap copy,” implying that an American product is inherently one of higher quality and durability. In recent

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225 Service and Sales Representative of Furniture Traditions, interview by author, High Point, October 21, 2014.
years, especially high-end American brands have come up against cheap foreign-produced imitations of their products. According to a High Point Market executive, “imitation in China is really a sincere form of flattery…If I copy you I’m actually honoring you.”226 To producers and consumers alike, American brands are beginning to stand out as synonymous with superior and authentic quality that is difficult to find when produced elsewhere, thus making them vulnerable to replication attempts abroad by producers seeking to capitalize on these associations.

In order to maintain healthy competition with foreign brands in both the US and international markets, US companies need to continue building up viable and competitive values to stand behind the American-made brand. At this point, “Made in the USA” is much more effective among American audiences. However, through a united effort of all American furniture companies to back branding claims with quality products and to tap into the American lifestyle brand, Made in America furniture can grow to differentiate itself with prestige and high standards of quality, craftsmanship, and innovation across the globe.

226 President and CEO of the High Point Market Authority, interview.
CONCLUSION

In order to survive in the modern furniture industry, industry players must think on a global scale. Countries can no longer manage the entire furniture production process within their borders and expect to maintain the strict loyalty of domestic customers. Likewise, companies cannot limit their sights to only regional competitors and seek to meet the tastes and demands of nearby consumers. The furniture industry spans international borders, with production taking place in many stages across the globe and consumers having access to products coming from all countries. Global production for the global consumer is the reality of the industry today.

As discussed with four country and several company examples, the furniture industry demonstrates the effects of globalization on the relationship between global and local. However, this link is not at all limited to one industry case; if anything, furniture as an industry is more resistant to globalization than others. The furniture industry is highly dependent on raw materials and its products are generally large and heavy, making it logistically difficult to produce and trade across borders. Further, it has a low average unit value, meaning that each kilogram of furniture is worth little compared with other goods such as watches, cell phones, and other electronics that can be traded more easily and have very high unit values per kilogram of weight; industries involving these high-tech products were rapidly globalized and today rely almost exclusively on outsourcing for low-cost manufacturing. In a way, the furniture industry represents a limiting case of globalization because even though furniture is less valuable and harder to trade than other goods, it has still become globalized and was fundamentally transformed in the process. If the furniture industry, despite its challenges, was able to become global and foster competition among individual players through highlighted local distinctions, other industries undoubtedly exhibit similar characteristics.
Countries and companies involved in the furniture industry have had to, and must continue to, adjust in order to stay relevant and play a part in this new global reality. Branding—with a wide variety of methods ranging from websites and advertisements to company partnerships and product design—dynamically influences how countries are seen on the global scale and represents an opportunity for companies to become more internationally competitive. China and Chinese manufacturers have perhaps acted most dynamically to maintain an edge. The country burst onto the international stage around 2000, becoming the primary destination for other countries around the world seeking low-cost offshored manufacturing. With a huge market share in hand, China is currently in the process of moving up in the industry by upgrading its core manufacturing capabilities to be streamlined and high-tech and also by moving beyond manufacturing to design, brand, and sell some of its own products. As a result of China’s transformation, much of the low-cost manufacturing market, especially for the production of casegoods, has been bumped to countries such as Vietnam. Meanwhile, “Made in China” is becoming increasingly defined as its own global brand and symbolic of sophistication and efficiency, rather than a label deemphasized by foreign brands that outsource manufacturing.

In ways different from China’s, Italy and Sweden have also had to adapt their strategies to stay afloat in the new global order and appeal to international consumers. Italy has never been heavily involved in outsourcing because of the generally small scale of its companies and the close ties between design and manufacturing; thus, in the globalized industry Italy has used these qualities to its advantage by emphasizing its traditions of sophisticated design and luxurious craftsmanship to make the Italian name, and any company associated with authentic “Italianness,” stand out to furniture buyers. Focusing in on the other side of the GVC as Italy, Sweden has turned to marketing and distribution activities as its niche in the global industry. Swedish companies today are highlighting the country’s humble, democratic values and modern flair
through strong brands and innovative distribution and retail strategies. “Made in Italy” and “Made in Sweden” have unique and diverging connotations for modern global consumers because of deliberate branding efforts by companies in each country.

As a final example, American furniture companies have been pushed to take on a wider scope as the industry has expanded to a global scale and powerhouse companies from foreign countries have acted to capitalize on America’s large market of impressionable consumers. While traditionally a manufacturing powerhouse, in the early 2000s America began to use offshoring to China as a crutch to cut manufacturing costs. As these cost advantages largely dispersed, America was left with the task of redefining itself and its strengths in the furniture industry along all aspects of the GVC. Manufacturing is moving back to US soil and more than ever companies are emphasizing US-made aspects of products.

The “Made in America” brand is evocative of a diverse array of advantages and appeals, which fit best into a typology of four basic categories (as seen in Figure 3.7): proximity advantages, patriotism, quality, and lifestyle. Domestic audiences benefit from the proximity advantages of being physically located near where products are manufactured, which allows for efficient distribution, customization of products, and enhanced services. Further, buying American-made products appeals to Americans’ senses of patriotism and their desires to support the local economy. These two benefits are supported by a higher standard of quality found in US-made products. For the American brand to be more sustainable among global audiences, however, this high quality appeal should be branded in combination with strong ties to the American lifestyle. Through deliberate and aggressive branding, these appeals will become increasingly important in order to differentiate US-made furniture as distinctly valuable when compared with Chinese-made, Italian-made, or Swedish-made pieces, each country with its own valid pulls for American and global consumers alike.
My conclusions about the furniture industry and the relationship between global expansion and local branding stem from analysis of a number of case examples. Given more time and resources, I would have studied the China, Italy, and Sweden cases more granularly through company interviews, historical research, and strategy analysis, as I did with the United States case. The four appeals of the “Made in America” brand could be applied to analyze the role that national “Made in” branding plays in any country that seeks to compete globally. Italian furniture companies have placed a huge emphasis on the quality appeal of the “Made in Italy” label, and, meanwhile, much of IKEA’s marketing efforts portray the lifestyle in Sweden and especially in rural Småland. Finally, ten years ago Chinese companies did not often promote “Made in China” as a national brand, instead positioning themselves around clear-cut cost advantages and deemphasizing Chinese aspects; however, Chinese furniture companies have recently began to enhance product quality and also pull from patriotic and lifestyle themes to strengthen the global perception of Chinese brands. The US faces these three distinct national brands as it strengthens its role in the global industry and seeks to play up associations with quality and the American lifestyle; otherwise, US national branding will continue to appeal predominantly to domestic audiences.

The typology of the appeals of national branding could serve as a valuable framework and jumping-off point for future investigation because it considers economic, cultural, and social dimensions of international competitiveness. Further, more research could be done analyzing other important countries in the furniture industry, such as Germany, France, Vietnam, and Indonesia, in order to gain a more nuanced understanding of global-local ties in the furniture industry as a whole. An international survey of furniture buyers gauging global perceptions of goods produced in various countries across the world would also provide an invaluable dimension.
to this research. Finally, analysis of the industry from other perspectives beyond GVCs and branding, such as from a workforce development perspective, could build off my conclusions.

The furniture industry represents a dynamic glimpse into the effects of globalization on industries, countries, and companies and how they have reacted to an international stage that is flatter and more interconnected than in the past. Rather than producing sameness, this increased global competition has led each individual player in the industry to work to distinguish itself by specializing in distinct segments of the GVC, offering unique advantages, and building up deliberate and exceptional brands, thus creating an industry that is extremely diverse. Global consumers effectively have knowledge of and access to furniture from every possible producer and from every country involved in the industry. For this reason, the local differences, particularities, strengths, and identities highlighted by each producer matter more than ever in shaping consumer decisions in globalized industries.
### Table A.1. NAICS-SITC concordance guide by furniture type

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<th>Furniture Type</th>
<th>NAICS Description</th>
<th>NAICS</th>
<th>SITC</th>
<th>SITC Description</th>
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<td>FURNITURE, N.E.S., OF PLASTICS</td>
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<td>Office Furniture</td>
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<td>Wood Office Furniture</td>
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<td>Office Furniture (Except Wood)</td>
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<td>82131</td>
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<td>Showcases, Partitions, Shelvings &amp; Lockers</td>
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<td>82180</td>
<td>PARTS OF FURNITURE, N.E.S., OF METAL, WOOD AND OTHER MATERIALS</td>
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<td>PARTS OF SEATS, N.E.S.</td>
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<td>82139*</td>
<td>FURNITURE, N.E.S., OF METAL, OTHER THAN OF A KIND USED IN OFFICES</td>
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<tr>
<td>Furniture-Related Products</td>
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<td>Mattresses</td>
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<td>MATTRESS SUPPORTS</td>
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<td>MATTRESSES OF CELLULAR RUBBER OR PLASTICS</td>
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<td>82125</td>
<td>MATTRESSES OF MATERIALS OTHER THAN CELLULAR RUBBER OR PLASTICS</td>
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<td>ARTICLES OF ALUMINIUM, N.E.S.</td>
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<td>MOUNTINGS, FITTINGS AND SIMILAR ARTICLES FOR BUILDINGS, N.E.S. OF BASE METAL</td>
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**Source:** Adapted from US Census Bureau, “Imports Concordance” 2014.

**Note:** * signifies an SITC code repeated in more than one segment.
Figure A.1. Value of US-made household furniture versus imported household furniture sold to the US market, 1992-2013

Source: Created by author based on Figure 3.1 with sales data from US Census Bureau, “Home Furnishings Store Sales” 2015 and import data from UN Commodity Trade Statistics Division 2014.
Table A.2. Complete list of company representatives interviewed

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<thead>
<tr>
<th>Date</th>
<th>Company Name</th>
<th>Interviewee Role</th>
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<tr>
<td>February 24, 2014</td>
<td>Vaughan-Bassett Furniture</td>
<td>Executive Vice President</td>
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<tr>
<td>February 24, 2014</td>
<td>High Point Market Authority</td>
<td>President and Chief Operating Officer</td>
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<tr>
<td>April 7, 2014</td>
<td>Samuel Lawrence Hospitality</td>
<td>Vice President of Operations</td>
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<tr>
<td>April 9, 2014</td>
<td>220 Elm (High Point Market showroom)</td>
<td>Chief Operating Officer</td>
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<tr>
<td>April 9, 2014</td>
<td>Younger Furniture</td>
<td>Founder</td>
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<tr>
<td>October 21, 2014</td>
<td>Rustbelt Reclamation</td>
<td>Founder and Principal</td>
</tr>
<tr>
<td>October 21, 2014</td>
<td>American Rug Craftsmen</td>
<td>Regional Vice President and Territory Manager</td>
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<tr>
<td>October 21, 2014</td>
<td>Urban Collections by Yutzy Woodworking</td>
<td>Owner</td>
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<tr>
<td>October 21, 2014</td>
<td>Anthony California</td>
<td>Sales Manager</td>
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<tr>
<td>October 21, 2014</td>
<td>AAmerica</td>
<td>Senior Vice President of Sales, Merchandising, and Marketing</td>
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<td>October 21, 2014</td>
<td>Gat Creek Furniture</td>
<td>Customer Service and Business Development Representative</td>
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<td>October 21, 2014</td>
<td>Furniture Traditions</td>
<td>Service and Sales Representative</td>
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<td>October 21, 2014</td>
<td>Borkholder Furniture</td>
<td>Vice President</td>
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<td>Bassett Furniture</td>
<td>Vice President of Independent Retail Business Development and Marketing</td>
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<td>Klaussner Furniture</td>
<td>Regional Vice President of Sales</td>
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<td>October 21, 2014</td>
<td>Furniture of America</td>
<td>Vice President of Operations</td>
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</table>
Bibliography


117


