



China Sourcing Furniture Case Study

Sourcing Furniture in Low Cost Countries

UK consumers have bought record numbers of homes over the last ten years but furniture manufacturers who have traditionally benefited from rising home sales instead find themselves struggling against a wave of imports. According to UNECE figures Chinese furniture exports are growing at 33% annually. These cheap imports impact on margins across the furniture market and manufacturers must adjust and re-think long term business strategies in order to remain competitive.

Background

A major manufacturer of sofas with a strong brand identity and a heritage of quality production had already taken a number of steps to reduce costs by sourcing specific elements of their product offshore.

Modern manufacturing premises and a strong distribution network meant that their position in the UK market was enviable. Nevertheless they were feeling the impact of lower cost imports. A loyal distribution network was increasingly aware of competition at the cheaper end of the market and the impact of this was being felt in retailers' expectations regarding pricing and margins. The leather sofa market in particular is subject to increasing competition from overseas (the number of SKU's is far less than for upholstered sofas) and is dominated by a few major high street outlets.

The Challenge

The higher end of the market has inevitably begun to feel this cost pressure. As a result, our client decided to research the potential for importing a selected range of sofas - not to replace existing product ranges made in the UK - but to complement these and enable the company to offer a line of well designed and substantially engineered products which could be priced more aggressively to meet their distribution channel's needs for a product at lower price points.

The Consultancy Company was commissioned to identify appropriate vendors who could become strategic partners and meet the exacting needs of the client in terms of build construction, adherence to design criteria and workmanship. Specifications were agreed so that potential vendors would fully understand the positioning and importance of the exercise. Our objective was to deliver at least two companies which could satisfy the client's supply chain objectives and produce samples for evaluation in time for a critical UK trade show.

Our Approach

Our consultants were aware, from previous experience, that there would be hundreds of potential Asian factories of various sizes and capacity. A thorough evaluation of major players – primarily in China - was carried out; and attendance at a major furniture show in Shanghai helped identify potential partners.



“Cheap low cost country imports impact on consumer price perception across the whole market, threatening margins on even top-range lines. Furniture manufacturers need to have strategies in place to manage this competition. Importing components or a limited selection of quality-approved furniture from Low Cost Countries can make the difference between a healthy profit and a slow decline.”

Graham Barker
Global Sourcing Specialist
The Consultancy Company



“We knew that if we were importing finished product it was essential the workmanship met our design and quality criteria exactly. The Consultancy Company worked at lightning speed to meet a very tight deadline and we are very happy with the partners that were found with their help.”

Client Chief Executive

Key factors affecting the project

The project required rapid results with imported products ready for display in the UK within four months of the initial briefing. Intensive desk research identified around a hundred potential vendors. This number was reduced by the application of an agreed selection criteria and finally with the trade show information a short list was drawn up.

Our team of sourcing consultants attended the Shanghai Fair together with a team of senior managers from the client company. The Fair enabled our client to view a range of product in one location which facilitated decision making and final short-listing for the planned factory visits. Appointments were then made to visit ten factories in north and south China, by splitting the team into two groups.

While on this visit our China sourcing specialists also evaluated the 'hidden' strata of vendors who were identified from a network of personal contacts.

Results and benefits

Finally, after visiting ten factories two vendors were identified in final selection. It is noteworthy that one of these was from the 'hidden' strata, which would not have been identified by attending the show and which did not appear in conventional search.

Our consultants developed a negotiation strategy based on proven techniques in China which resulted in the selected products appearing at the UK launch on time, in January 2008.

Additional benefits:

- The client's existing workload on other projects was unaffected, as our consultants worked independently; reporting regularly on progress and contacts generated via regular review meetings.
- A far wider range of options were covered as a result of the extra resources applied to the challenge, enabling valuable data to be generated quickly so that decision making was fact based.
- Research uncovered suppliers which would not have been identified using internal resources. Our consultants were able to use their networks in the sector to identify 'hidden' suppliers.
- The client was presented to each vendor and established as a major player in the UK market, thus gaining strong awareness in the supply chain as a potential client, strengthening their bargaining position as a relatively new entrant to the Chinese industry.
- Consultants were able to initiate and plan the visits so as to maximise the 'face-to-face' time of the management team, using local knowledge and contacts to good effect. This entailed scheduling visits, transport, itineraries, and follow up.
- Negotiation strategy was developed based on a sound understanding of China and the suppliers' cost base.



“Working with TCC ‘s consultants ensured that we moved from the trade show in China directly to targeted factory visits and this was critical to the achievement of a successful, on-time launch in the UK”.

Client Design Director

- The Consultancy Company was able to advise on appropriate 3rd party providers to supply essential input in terms of logistics and quality control, and was also able to facilitate introductions to key materials suppliers which is always an essential component of manufacturing offshore, in order to verify the overall supply chain and ensure costs were related to the standards desired.
- Significant data was generated over and above the brief of the project, on the dynamics of the industry and trends globally in the sector. One example was on technical standards and the huge variances which exist between similar looking factories. Significantly better understanding was gained of competitors’ strategies in terms of offshore sourcing, as suppliers were keen to talk to the client.

The Consultancy Company were able to work closely with the client to deliver a supplier base which could meet their needs. The processes used were logical, proven and measurable, the results rapid and on target, upholding the brand equity of the client.

Can we help source for you?

To arrange an initial meeting call:

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