

Attitudes of U.S. Retailers Toward China, Canada, and the United States as Manufacturing Sources for Furniture: An Assessment of Competitive Priorities

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ABSTRACT. While much has been written regarding the declining global competitiveness of U.S. furniture manufacturing and the subsequent loss of domestic market share and jobs, less is known about the role of retailers in furniture importing. This study investigated the attitudes of U.S. furniture retailers toward China, Canada, and the United States as manufacturing sources for residential furniture and their perceptions of consumer interest in country of origin for furniture manufacturing. The study was based on a nationwide survey in 2005 of the membership of a large U.S. home furnishings trade association. Over half of the retailers surveyed indicated that they did not always know where the products they sold were made; but many consumers were asking about the country of origin of furniture products. The “halo effect” associated with preference for home country described in previous country or origin studies was confirmed in this study, but in a situation where the domestic source had already lost much of its market share. Low price was the only attribute for which China was rated higher than the U.S. or Canada, reinforcing the “China price” phenomenon discussed in the literature. Adjusting for the halo revealed several opportunities for U.S. and Canadian firms to compete in the U.S. wood furniture market on non-price factors. Those retailers sourcing furniture from China were found to have more favorable perceptions of Chinese goods than those not sourcing from China; although both groups had equally favorable perceptions of the U.S. as a furniture source. Priorities for competitive strategies for manufacturers in each source country are noted based on the findings. doi:10.1300/J042v20n01_05

KEYWORDS. Country of origin, wood household furniture, low-cost production, retailer attitudes

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INTRODUCTION

The inroads achieved by Chinese manufacturing into the U.S. wood residential furniture industry have been dramatic. In 2004, imports represented approximately 54 percent of all wood furniture sold in the U.S. (Epperson, 2004), and the U.S. furniture trade deficit reached a record \$14.5 billion with China accounting for 43 percent of imports (Christianson, 2005). China's share of imports was near zero in 1990 (Schuler and Buehlmann, 2003). Given the increasing influence of the Chinese economy on global manufacturing in this and many other product categories, recent media interest in "made in" topics has not unexpectedly focused on China. A recent article in the *Wall Street Journal*, for example, highlighted a study finding that Chinese consumers rated Japan as the best country for producing computers, electronic goods and automobiles, ahead of the U.S. and China (Brown, 2004). The article noted that other countries such as the United Kingdom, South Korea, and countries of the European Union are perceived less favorably as producers of these goods by Chinese consumers and thus face a barrier in China's developing markets. It also was recently noted in *Furniture/Today* that Canadian retailers view China as a competitive source for moderately priced furniture goods while United States manufacturers' strength lies in the higher-priced niches (Knell, 2004).

A relatively unexplored research dimension of the rising importation of residential furniture into the U.S. market is the perspective of the retailer. Retailers play a critical role in the supply chain in part because they are in direct contact with consumers and understand consumer knowledge of and demand for domestically produced furniture. They also have experienced the relative strengths and weaknesses of suppliers in different source countries. An international procurement officer for a major retailer recently stated, "The reason practically all home furnishings are now made in China factories is that they simply are better suppliers. American manufacturers aren't even in the same game" (Engardio and Roberts, 2004). While such statements are sure to generate discussion, it is useful to look deeper into the specific reasons why Chinese manu-

facturers continue to capture an increasing share of the United States furniture market. What attributes of Chinese manufacturers put them in a "different game"?

EMERGENCE OF THE "CHINA PRICE"

A recent article described the emergence of the "China price" across a number of traditional U.S. manufacturing industries: 30% to 50% less than the lowest production costs possible in the U.S.; for wood bedroom furniture, the price gap can reach 40% (Engardio and Roberts, 2004). It is widely recognized that, for nearly all product categories, U.S. manufacturing of wood household furniture is no longer price competitive in the global economy. This is due in large part to comparatively high labor rates and production costs, unfavorable exchange rates, and outdated manufacturing and distribution systems (Schuler and Buehlmann, 2003). Furthermore, low-cost offshore producers, particularly those in China, have capitalized on the labor-intensive structure of the U.S. wood furniture industry.

Research has identified several potential actions that domestic furniture manufacturers can take to maintain a viable manufacturing presence in the U.S. without competing directly on price. Schuler and Buehlmann (2003) suggest a new paradigm whereby wood household furniture becomes more customized to consumer specifications through changes in manufacturing and distribution, taking advantage of proximity to markets. Bumgardner et al. (2004) identified product quality, timeliness from order to delivery, and innovation in product design as factors important to maintaining domestic competitiveness. Schuler et al. (2001) suggest it is important for domestic manufacturers to identify niches with customers whose needs match the company's advantages; for example, while imports may be cheaper, importing generally requires longer lead times, the need to carry larger inventories, and fewer product choices.

Wood furniture imports from Canada, the second largest importer to the U.S., rose steadily until 2000 but have remained flat since, according to U.S. Census Bureau figures. However, the success of Canadian manu-

facturers in the U.S. market has stemmed from different factors. Although Canada has relatively high wage rates, favorable exchange rates have helped make exporting to the U.S. attractive. Other factors include stronger industry investment than in the U.S., and an industry structure of smaller companies that for the most part are not publicly traded. Without shareholder pressures, more strategic investments are possible (Schuler and Buehlmann, 2003).

COUNTRY OF ORIGIN AND PRODUCT EVALUATIONS

Studies of the impact of country of origin on attitudes toward products have received considerable research attention. In some cases, specific countries are perceived to be good at producing specific products, such as automobiles made in Germany (e.g., Halfhill, 1980; Bilkey and Nes, 1982). In other instances, when a specific country is perceived to be superior across product and/or service attributes, a halo effect is evident (e.g., Chasin and Jaffe, 1979). The halo is often related to other factors, such as the degree of economic development present in the countries involved in analysis (Bilkey and Nes, 1982). A home country bias also is prevalent in the literature. Cattin, Jolibert and Lohnes (1982) found a tendency for purchasing managers to rate their own countries highly in a cross-cultural study of industrial products. Similarly, Ahmed and d'Astous (2003) found that cultural differences affected the importance of home country to consumers in product evaluations.

Verlegh and Steenkamp (1999) conducted an extensive review and meta-analysis of country-of-origin research. Prominent in their discussion was the role of a normative mechanism for country of origins effects whereby buying domestic products is perceived as the right thing to do since it supports the domestic economy. Also discussed is an affective mechanism whereby national pride is one kind of emotive benefit sought in products. Thus it would not be surprising if U.S. retailers generally rated U.S. furniture companies more favorably than their Chinese and Canadian counterparts. Furthermore, given Canada's sta-

tus as an economically developed nation, it could be expected that Canada would generally be rated more favorably than China as a manufacturing source for furniture.

Verlegh and Steenkamp (1999) found in their meta-analysis that country of origin had a greater effect on perceived quality than on attitude toward the product or actual purchase intention. Bilkey and Nes (1982) also concluded from a literature review that country of origin has considerable influence on perceptions of quality. Thus one area where U.S. firms might be expected to perform especially well compared to China and Canada would be in perceived product quality. Jo (1996) found that perceptions of product quality could be affected by sourcing from less developed countries of origin, but brand reputation could help mitigate this influence.

Country of origin data has been analyzed after removing halo effects to determine attributes of relative strength for consistently low-rated countries (Chasin and Jaffe, 1979). Others argue that overall attitudes often are not as important as analysis of the specific attributes that contribute to or detract from attitudes (Engel, Blackwell and Miniard, 1990). Furthermore, it has been noted that attitude, when defined as a measure of favorableness toward an object, does not necessarily predict behavior (Cooper and Kalafatis, 1984). Favorable perceptions of U.S. firms by U.S. retailers, if found, apparently are not translating into sourcing of U.S. products. Thus a closer look at the specific attributes contributing to retailers' attitudes toward source countries for wood furniture could be useful to domestic companies. For example, Burns (1986) provides a framework, to be used in the present study, for determining marketing strategy priorities based on relative competitive position across attributes. Termed *Simultaneous Importance-Performance* analysis, the procedure assesses competitive position by focusing attention on competitors' positions and selectively pursuing or defending market territory.

INTEREST IN COUNTRY OF ORIGIN

Given the impacts of imported furniture in the U.S., the merits of requiring manufacturers

and retailers to more prominently label where furniture is made have recently been debated in the U.S. Congress (Russell 2004). This suggests that country of origin information is important to consumers' purchase decisions. Ahmed and d'Astous (2003), for example, found that consumers put more emphasis on the country of origin of consumer products than on brand name. Ettensen, Wagner and Gaeth (1988), however, found little evidence to support the effectiveness of made-in U.S.A. campaigns for textiles. Research by Papadopoulos, Heslop and Bamossy (1990) suggests that generic "buy domestic" campaigns are not as likely to be effective as campaigns that stress specific strengths of domestic producers. While products from home countries were generally rated higher in terms of wide availability and recognition, they often were rated lower than products from other countries on items related to product integrity and value. Research from Rawwas, Rajendran and Wuehrer (1996) suggests that made-in campaigns would appeal to only a subset of consumers and might actually be detrimental to more "worldminded" consumers.

In one study, wood household furniture manufacturers in the U.S. indicated that a "made in America" theme held potential as a focus for an industry-wide promotion campaign (Bumgardner et al., 2004). However, little is known of the importance of country of origin as it relates to consumer perceptions of household furniture, or for what specific attributes domestic manufacturers are perceived to be good (to form the basis for a "made in" campaign). Bruning (1997) found that most air travelers indicated loyalty toward domestic carriers, but would readily switch to foreign carriers given service or price advantages.

Research Objectives

The primary objective of this research was to determine the competitive position of U.S. furniture manufacturers relative to the two largest furniture importers into the U.S., China and Canada. Prior studies suggest that U.S. firms will have to compete on factors other than price if they are to maintain market share in the U.S. in this specific product category. Previous research also suggests that U.S. re-

tailers will rate domestic firms favorably relative to other sources, especially if they have little experience sourcing outside the U.S., although a question exists as to whether this will hold given substantial lost domestic market share. Therefore, information on salient non-price competitive attributes is needed by U.S. furniture firms and others wishing to develop strategies to help maintain a manufacturing presence in the U.S.

A secondary objective was to assess retailer perceptions of consumer interest in country of origin for furniture manufacturing. Given findings from other studies that consumers tend to prefer their home country, at least in an affective sense, the striking success of imported furniture in the U.S. seems to indicate that country of origin is not a major factor in purchase decisions. It is less clear whether this is a result of cognitive considerations overriding affective ones, or of a lack of information and/or indifference toward country of origin for furniture products. Rawwas, Rajendran and Wuehrer (1996), for example, suggest that consumers indifferent to country of origin are good prospects for foreign-made products. Retailers are in a position to provide insights into these issues. Such information is important to decisions regarding labeling programs and other point-of-purchase promotion.

METHODS

Questionnaire Development and Format

A questionnaire directed at U.S. retailers was developed with assistance from several persons familiar with furniture retailing and manufacturing in the U.S. and Canada. It was seven pages long and contained the following sections: *General Information*, *Your Customers*, *Your Sourcing Decisions*, and *Background Information*. The 18 attributes chosen for measurement of attitudes (located in the *Your Sourcing Decisions* section) were those deemed important to retailers' decision-making and those that could be altered by manufacturers to enhance competitive position.

Attitudes toward the manufacturing sources for residential furniture were measured using a multiattribute approach similar to the Fishbein

model, whereby attitudes are based on the summed set of beliefs about the sources' attributes weighted by the evaluation of those attributes (Engel, Blackwell and Miniard, 1990; Boyd, Walker and Larreche, 1995). For beliefs about the manufacturing sources (b_i), respondents were asked to indicate the degree to which they perceived each source to possess each attribute using a 5-point scale (1-5) anchored by *possess to a small extent* and *possess to a great extent*. Respondents were instructed to indicate their beliefs for each source country across the attributes separately (Jaffe and Nebenzahl 1984), i.e., complete their responses for China for each attribute, then proceed to Canada, and lastly to the United States (Europe was originally included in the questionnaire between Canada and the U.S., but as noted below, was removed after the pretest). In addition, as a form of evaluation (e_i), respondents were asked to indicate the importance of each attribute to furniture sources in general using a 5-point scale (1-5) anchored by *not important* and *critically important*. Attitudes for each source were then given by $\sum b_i e_i$.

Other questions related to retailers' source locations and knowledge of source locations, as well as perceived consumer willingness-to-pay and interest in country of origin, were included with categorical response options. Demographic information also was collected.

In early 2005, a pretest was conducted by randomly selecting 98 companies from the sampling frame (membership directory of the Home Furnishings International Association) and sending them the questionnaire. Fourteen usable questionnaires were returned after approximately three weeks (one unusable questionnaire also was returned; the respondent was not a retailer of residential furniture). Two modifications were made to the original questionnaire as a result of the pretest. First, Europe was removed as a source of interest due to its strong association with Canada on perceived attribute possession, the large number of times attribute data for Europe was left blank (6/14 times), and the fact that only 5% of the furniture sourced by respondents came from Europe. Second, two attributes were removed from consideration due to high correla-

tion with other attributes. The attributes removed included *overall product quality* (correlated with *consistency of product quality* at $r = 1.0$) and *consistently available product* (correlated with *on-time delivery of orders* at $r = 0.87$). While there were some other moderately high correlations between attributes (29 out of the 153 correlations among the 18 original attributes were 0.60 or greater), these were not removed because it was not intuitively clear that the attributes were measuring similar things.

Sample Description

The sampling frame list contained 2563 firms provided by the Home Furnishings International Association (HFIA), which was the entire membership. The initial mailing of a cover letter, questionnaire, and postage-paid return envelope was sent on February 16, 2005. A follow-up mailing with the same components was sent to all nonrespondents on April 11, 2005. A total of 655 usable responses were received; 59 unusable responses were received (respondents were not retailers of residential furniture) for an adjusted response rate of just over 26 percent. Due to occasional missing values, the number of respondents answering any given question did not always sum to 655. As the sampling frame consisted exclusively of the HFIA membership, results are directly representative only of this population and caution is warranted in generalizing to the broader furniture retailing community.

The average respondent had been in business for nearly 42 years. Over 89% of respondents had yearly sales of \$5 million or less (46% had sales of \$1 million or less) and nearly 80% were single location retail stores.¹ The average respondent sold merchandise at a medium to medium-to-high price-point. Nearly 50% indicated having seven or more manufacturers represented on their showroom floor; another 27% had 5 to 6 manufacturers represented. Nearly 47% of respondents indicated that they were the president or CEO of the company, another 33% indicated that they were the store owner. Respondents came from 47 different states, the majority from Texas (19%), Pennsylvania (6%), New York (6%), Ohio (5%), Florida (4%), California (4%), and

Illinois (4%). In the sampling frame, over 13% of the members were from Texas and the other major states listed above combined accounted for an additional 31%. Over 90% of respondents reported selling wood bedroom, wood dining room, and upholstered furniture, and a large majority reported selling wood living room furniture (80%). Fewer respondents sold wood juvenile furniture (62%) and metal residential furniture (52%).

Checks for nonresponse bias were made by comparing early respondents (i.e., first mailing respondents) to late respondents (i.e., second mailing respondents) on three variables. The variables and associated p-values were: mean establishment age ($p = 0.53$ based on a t test), annual sales category ($p = 0.55$ based on a Chi-Square test) and a categorical response question asking if imports had increased for the company in the last five years ($p = 0.51$ based on a Chi-Square test). Nonresponse bias therefore was not considered to be a significant problem.

RESULTS AND DISCUSSION

Sourcing Behaviors

Respondents indicated that they sourced products from a variety of locations (Table 1). Approximately 52% was imported on a value basis and China was the leading import source. This overall figure compares favorably with the import figure (54%) cited previously (Epperson, 2004).

Respondents were apparently familiar with issues surrounding global sourcing, as 81% indicated that they had increased the proportion (on a value basis) of imported products in their product lines over the past five years.² However, only 47% indicated that they always knew where the products they sold were manufactured; another 52% knew the locations of the companies they bought from, but not necessarily from where these suppliers sourced the products, and 1% knew neither the company location nor the source (Table 2).

Consumer Interest in Product Origins

Respondents were asked how often their customers asked where (i.e., what country) the

TABLE 1. Known Manufacturing Sources as Percent Value of Total Furniture Purchased for Merchandise by Respondents

| Source | Percent of Total Value |
|---------------|------------------------|
| United States | 48.5 |
| China | 29.6 |
| Other Asia | 9.9 |
| Canada | 5.2 |
| Europe | 4.3 |
| Other | 2.5 |

TABLE 2. Which of the following categories best describe your knowledge of where (in what country) the products you sell are manufactured?*

| Category | Count | Percent |
|--|-------|---------|
| I almost always know where the products were made | 304 | 46.8 |
| I know the location of companies we buy from, but I'm not always sure where they sourced the products | 255 | 39.2 |
| I know the location of companies we buy from, but I usually don't know where they sourced the products | 82 | 12.6 |
| I usually do not know the location of the companies we buy from nor where they sourced the products | 9 | 1.4 |

*Question wording as it appeared on the questionnaire.

furniture they were interested in purchasing was made. About 54% indicated this occurred either "sometimes" or "often" (Table 3). Respondents were then asked the more salient question of whether there was a segment of their customers that took country of origin into account when making furniture purchase decisions. Nearly 63% of respondents said there was such a segment (Table 4). Of those 410 companies that indicated such a segment exists, only 74 (18%) indicated that the segment was any more than 30% of their customer base (Table 4). In addition, nearly 59% indicated that customers in this segment spanned their entire price-point and couldn't be classified as being lower- or higher-end product customers; 36% said the segment was generally at their higher price-points.

The 410 respondents who indicated that there was a segment that took country of origin into

TABLE 3. How often do your customers ask where (i.e., from what country) the furniture they are interested in purchasing was made?*

| Category | Count | Percent |
|-----------|-------|---------|
| Never | 39 | 6.0 |
| Rarely | 262 | 40.1 |
| Sometimes | 262 | 40.1 |
| Often | 91 | 13.9 |

*Question wording as it appeared on the questionnaire.

TABLE 4. Is there a segment of your customers that takes country of origin into account when making furniture purchase decisions? If so, how big is this segment?

| Category | Count | Percent |
|----------|-------|---------|
| Yes | 410 | 62.9 |
| No | 242 | 37.1 |

For those answering "yes," the segment size is:

| | | |
|------------------|-----|------|
| less than 10% | 173 | 42.5 |
| 10-20% | 112 | 27.5 |
| 21-30% | 48 | 11.8 |
| 31-40% | 27 | 6.6 |
| 41-50% | 18 | 4.4 |
| greater than 50% | 29 | 7.1 |

*Question wording as it appeared on the questionnaire.

account when making purchase decisions were asked the following question: "If two bedroom groups were of similar style and look, and one group was labeled as being made in Asia and the other as made in North America, what price premium do you think these customers would pay to buy the domestically made group?" Respondents were asked to provide answers for their lowest price-point and highest price-point. Results are shown in Table 5. At their lowest price-point, a majority of respondents (67%) indicated that customers would not pay more than a 10% premium, with a substantial number of these respondents saying there would be no price premium. At their highest price-point, most respondents (59%) again indicated that customers would not pay more than a 10% premium, but 14% indicated it would be greater than 20%. It thus appears to be of some benefit to promote a North American manufacturing source (especially at higher

TABLE 5. Premiums Possible by Promoting North American-Made Residential Furniture to Segment Taking Country of Origin into Account (for respondents indicating that such a segment exists, n = 410)

| Category | Count | Percent |
|--------------------------------|-------|---------|
| <i>At lowest price-point:</i> | | |
| none | 78 | 19.4 |
| 1-5% | 85 | 21.1 |
| 6-10% | 106 | 26.3 |
| 11-15% | 64 | 15.9 |
| 16-20% | 35 | 8.7 |
| greater than 20% | 35 | 8.7 |
| <i>At highest price-point:</i> | | |
| none | 46 | 11.8 |
| 1-5% | 66 | 16.9 |
| 6-10% | 118 | 30.3 |
| 11-15% | 60 | 15.4 |
| 16-20% | 47 | 12.1 |
| greater than 20% | 53 | 13.6 |

price-points); but anything more than a 10% differential in price between North American- and Asian-made goods seems to give imports the advantage.

Attitudes Toward the Sources

The results of the multiattribute attitude analysis are shown in Table 6. It is clear that the United States was viewed most favorably as a furniture source (score of 242.1), followed by Canada (score of 207.9) and then China (score of 156.3).³ The United States was rated as possessing every attribute to a relatively large degree (note the highest average for possession of every attribute except low price). The gap between the U.S. and the other sources was especially large for *flexibility in order quantities, easy to return damaged or defective goods, broad range of style options, strength of brand names, and replacement parts readily available*. While these results seem initially encouraging for U.S. and even Canadian producers, they do not seem consistent with what was happening in the marketplace, i.e., a loss of market share to Chinese products, and suggest a halo effect.

When the importance means for the attributes were ranked and compared with the ranks for each source's attribute possession means,

TABLE 6. Attribute Means and Within-Source Ranks, Importance and Possession. Attributes with a Rank of "8" or Higher Were Considered as "More Important Attributes"

| Attribute | Importance mean, e_j (rank) | Possession means, b_j (ranks) | | |
|---|----------------------------------|------------------------------------|---------------------|-------------------|
| | | China ¹ | Canada ² | U.S. ³ |
| <i>More Important Attributes</i> | | | | |
| Consistency of product quality | 4.6 (1) | 2.8 (5.5) | 3.9 (1) | 4.0 (5.5) |
| Quality of finishing | 4.4 (2.5) | 2.9 (4) | 3.8 (2) | 4.0 (5.5) |
| Accuracy of delivery | 4.4 (2.5) | 2.8 (5.5) | 3.6 (3) | 3.9 (9) |
| On-time delivery of orders | 4.3 (4) | 2.4 (9) | 3.3 (11) | 3.8 (13) |
| Replacement parts readily available | 4.2 (5.5) | 2.0 (13) | 3.4 (7) | 4.1 (3) |
| Easy to return damaged or defective goods | 4.2 (5.5) | 1.8 (15) | 2.9 (14) | 3.8 (13) |
| Flexibility in order quantities | 4.0 (7) | 2.1 (11.5) | 3.4 (7) | 4.1 (3) |
| <i>Less Important Attributes</i> | | | | |
| Short lead times after order | 3.9 (8.5) | 2.1 (11.5) | 3.3 (11) | 3.9 (9) |
| Knowledgeable sales force | 3.9 (8.5) | 2.6 (7.5) | 3.4 (7) | 3.9 (9) |
| Design acumen | 3.8 (10.5) | 3.0 (3) | 3.4 (7) | 3.9 (9) |
| Low delivered wholesale price of product | 3.8 (10.5) | 3.9 (1) | 2.9 (14) | 3.1 (16) |
| Broad range of style options | 3.7 (12) | 3.1 (2) | 3.4 (7) | 4.2 (1) |
| Favorable payment terms and conditions | 3.5 (13) | 2.6 (7.5) | 3.3 (11) | 3.8 (13) |
| Broad range of finishing options | 3.4 (14) | 2.2 (10) | 3.5 (4) | 3.9 (9) |
| Provision of promotional material | 3.2 (15) | 1.9 (14) | 2.9 (14) | 3.5 (15) |
| Strength of brand names | 3.1 (16) | 1.6 (16) | 2.5 (16) | 4.1 (3) |
| Overall attitude score ($\Sigma b_j e_j$) | | 156.3 | 207.9 | 242.1 |
| r_s with Importance⁴ | | 0.22 | 0.57 | 0.13 |

¹Standard deviations for the *China* means ranged from 0.9 to 1.2.

²Standard deviations for the *Canada* means ranged from 0.8 to 1.2.

³Standard deviations for the *U.S.* means ranged from 0.8 to 1.1.

⁴Spearman's rank correlation with *Importance*. Although the attribute data does not constitute independent observations from a bivariate distribution, the correlation algorithm was used as a relative measure of association between the sources and importance attributes.

i.e., within source ranking to determine what each source does well relative to itself to remove the halo, Canada emerged as the source most highly correlated with important attributes (Table 6). Based on the within-source attribute rank analysis, China and the United States demonstrated lower correlation with important attributes. So it appears that some deficiencies of the U.S.-based industry are perhaps masked if only the mean attribute scores are considered. By observing Table 6 it is possible to see the areas where the different sources are perceived to perform well, and conversely, where they fall short relative to the most important attributes. If it is assumed that a ranking of 8.0 or higher would constitute a "more important" attribute (since there were 16 attributes), then the source countries can be analyzed as follows with the assistance of Burns'

(1986) *Simultaneous Importance-Performance* diagnostic grid.

United States: One glaring problem with the U.S. position involves *on-time delivery of orders*. No source ranked particularly well on this important attribute, but this was especially true for U.S. manufacturers. This is an interesting finding given the focus on "home field advantage" as a source of advantage for U.S. manufacturers (Buehlmann and Schuler, 2002). Another interesting problem occurred with *easy to return damaged or defective goods*. Again, no source ranked well on this important attribute; but this could be an opportunity for the "home field" country if U.S. manufacturers committed to improvement in this area. These two attributes represent "neglected opportunities" according to Burns (1986). See Table 7 for a complete classification of the U.S. position relative to China.

TABLE 7. Burns' (1986) Simultaneous Importance-Performance Diagnostic Grid Applied to the U.S. Versus China Rank Positions*

| Attribute Importance | U.S. Performance | China Performance | Simultaneous Result | Study Attributes |
|----------------------|------------------|-------------------|--------------------------|---|
| High | Poor | Poor | Neglected opportunity | <ul style="list-style-type: none"> on-time delivery of orders easy to return damaged or def. goods |
| | | Good | Competitive Disadvantage | <ul style="list-style-type: none"> accuracy of delivery |
| | Good | Poor | Competitive Advantage | <ul style="list-style-type: none"> replacement parts readily available flexibility in order quantities |
| | | Good | Head-to-Head Competition | <ul style="list-style-type: none"> consistency of product quality quality of finishing |
| Low | Poor | Poor | Null Opportunity | <ul style="list-style-type: none"> short lead times after order broad range of finishing options provision of promotional material |
| | | Good | False Alarm | <ul style="list-style-type: none"> knowledgeable sales force design acumen low delivered wholesale price favorable payment terms and conditions |
| | Good | Poor | False Advantage | <ul style="list-style-type: none"> strength of brand names |
| | | Good | False Competition | <ul style="list-style-type: none"> broad range of style options |

*Note that based on average scores (not within-source ranks), the U.S. was rated higher than China on all possession attributes except *low delivered wholesale price of product*.

U.S. manufacturers were perceived to do some things particularly well. Two of those, *broad range of style options* and *strength of brand names*, were not perceived to be important attributes, thus they were classified as “false competition” and a “false advantage,” respectively. The strongest aspects of the U.S. position was *flexibility in order quantities* and *replacement parts readily available*, as the U.S. was perceived to do well on these important attributes; the advantages over their Chinese and Canadian counterparts also were relatively large making these “competitive advantages” for U.S. firms (Burns, 1986).

Canada: Canada was aligned closely with the important attributes of *consistency of product quality*, *quality of finishing*, and *accuracy of delivery*. Other than the problems with *on-time delivery of orders* and *easy to return damaged or defective goods* (problems shared by all sources), it appears Canada could improve on *replacement parts readily available* to be more consistently aligned with the most important attributes and to catch up with the U.S. in this regard.

Canadian manufacturers also were perceived to perform fairly well in the areas of *broad range of style options* and *broad range of finishing options*. With the emphasis on custom-

ization as a possible source of competitive advantage in the global economy, these would seem like good areas to focus resources. However, these were not perceived to be important attributes by the retailers surveyed in this study. It is interesting that all sources were perceived to do relatively well on broad style options; since this was not deemed an important attribute, these positions could be classified as “false competition” (Burns, 1986).

China: The position of China among the source countries investigated as the low cost source for wood household furniture was confirmed by the results. Not only was low price China's highest ranked attribute, but it also was the only attribute for which China was rated highest among the sources in an absolute sense (Table 6). However, *low delivered wholesale price of product* was not perceived to be an important attribute. In fact, according to Burns (1986), this position would be called a “false alarm” for the U.S. and Canada! This leads to two possibilities; either the respondents underreported the importance of price as an attribute, or China's advantages stem from more than low price alone. China's second- and third-highest ranked attributes, *broad range of style options* and *design acumen*, also were considered unimportant attributes, but *design*

acumen less so. China's best positioning with important attributes came with *quality of finishing, consistency of product quality, and accuracy of delivery*.

Does Experience with China Influence Perceptions?

Given that respondents tend to rate their home countries highly, do U.S. retailers that actually source from China perceive of this manufacturing source differently than do retailers without such experience? To answer this question, respondents were placed into two groups; those that *did not* source substantially from China (less than 20% of the total value of their purchases) and those that *did* source substantially from China (20% or more of their total purchasing value). Using this criterion, 183 firms did not source from China and 413 firms did source from China (59 firms did not provide this information). These groups were compared on the importance and possession attributes shown in Table 6 using MANOVA and univariate t tests. The results are shown in Table 8. It seems that low price is the single variable distinguishing between the groups in terms of attribute importance. In other words, retailers who source from China view low price as more important than those retailers who do not source from China.

Perhaps more important from a strategic perspective is the fact that those retailers sourcing from China have better perceptions of

Chinese goods than do their counterparts, particularly in terms of *quality of finishing, consistency of product quality, design acumen, broad range of style options, and accuracy of delivery* (Table 8). These could be areas where Chinese sources have made significant inroads from the perspective of those actually sourcing product there, versus the general perception of Chinese goods held by those with less experience. It is less clear whether these mark genuine inroads, or whether lowered expectations associated with the low price importers receive from China result in "pleasant surprises" in some areas.

Interestingly, there was no difference between the groups on the possession attributes for the U.S. as a manufacturing source ($T^2 = 15.5$, $p = 0.53$), suggesting that companies sourcing from China generally have favorable perceptions of the U.S. as well. These favorable perceptions of home country seemingly run contrary to behavior for importing companies.

SUMMARY AND CONCLUSIONS

This study found a halo for U.S. wood household furniture manufacturers, which scored highest on every attribute except for low price. This halo was found in spite of widespread knowledge among retailers of the loss of U.S. market share to imported products. While this finding was likely due to the normative and af-

TABLE 8. Comparisons on Attribute Importance and Attribute Possession (by Chinese Manufacturers) Between Those Companies That *Do* and *Do Not* Import Substantially from China, MANOVA Results and Significant Univariate T-Tests

| Vector | Hotelling's T^2 | Significant Variable(s) ¹ | Import from China | Do not import from China | t-stat. | p-value |
|---------------------------------|-------------------------|--------------------------------------|-------------------|--------------------------|---------|---------|
| Attribute Importance | 51.4 ($p < 0.001$) | Low delivered wholesale price | 3.9 | 3.6 | 4.18 | < 0.001 |
| Attribute Possession (by China) | 37.8 ($p = 0.003$) | Quality of finish | 3.1 | 2.5 | 5.04 | < 0.001 |
| | | Consistency of product quality | 3.0 | 2.5 | 4.96 | < 0.001 |
| | | Design acumen | 3.1 | 2.7 | 3.82 | < 0.001 |
| | | Broad range of style options | 3.2 | 2.8 | 3.70 | < 0.001 |
| | | Accuracy of delivery | 3.0 | 2.6 | 3.43 | 0.001 |

¹Based on Bonferroni adjustment, significant p-value = $.05/16 = 0.003$.

fective mechanisms discussed by Verlegh and Steenkamp (1999), i.e., buying U.S. products is the right thing to do and a source of national pride, and perceived economic development as discussed by Bilkey and Nes (1982), most other country of origin studies have not involved industry sectors already so substantially impacted by imported products. Canada also was consistently rated more favorable than China, possibly due to perceived degree of economic development, or perhaps affective mechanisms related to concern over manufacturing in North America in general. The halo effect was further evidenced by the finding that those retailers substantially sourcing from China had more favorable perceptions of Chinese goods than did their counterparts, although both groups had equally favorable perceptions of U.S. sources. This suggests that companies sourcing from foreign companies overcome some level of normative affect for home country. Future research could identify the factors and situations that persuade importing firms to break with this affective component.

Low price was the only attribute for which China scored highest in an absolute sense, reinforcing the “China price” phenomenon (Engardio and Roberts, 2004) that has helped Chinese manufacturers carve out a large portion of the U.S. wood household furniture market. This finding suggests it is possible to overcome country of origin halos and reflects how strongly low price is attributable to China. Interestingly, low price was not considered an important attribute in this study, which reinforces the notion that opportunities exist for firms seeking to compete on non-price attributes (Schuler and Buehlmann, 2003). With halo effects removed, specific priorities emerged for each source as a means to develop competitive strategies in the global market for wood household furniture. Canada’s ranked attributes as a manufacturing source were the most closely aligned with the ranked importance attributes; thus it is perhaps concerning from a strategy standpoint that imports from Canada to the U.S. have not shown an increase since 2000 while imports from China have surged. This could reflect the importance of external influences, such as exchange rates, which individual firms can do little to control.

It was interesting that those companies sourcing from China rated Chinese product quality higher than did those not sourcing from China. While often cited as a source of advantage for U.S. firms (Bumgardner et al., 2004), perhaps the quality gap is narrowing. However, combined with the perceived weakness in Chinese brand names identified in this study, there could be little to offset a perceived association between low price and low quality/service for Chinese goods. So why has Chinese manufacturing been so effective in the U.S. market? Clearly low price has played a role, probably larger (in terms of importance) than what was indicated in this study. Future research could investigate the potential role of *value* in furniture purchasing by retailers, whereby low price might be desirable given a minimum acceptable level of quality, delivery, and conformance to popular style. It is also important to note that, to date, most imported furniture is still sold under brand names with which U.S. consumers are familiar, which can offset negative country of origin images (Gaedeke, 1973; Jo, 1996).

There is a good chance that U.S. furniture retailers do not know where the products they are selling were made. This makes it more difficult for consumers to consider the origin of products in their purchasing decisions. However, a majority of customers are inquiring at least some of the time about the manufacturing origins of furniture. Taken together, this would lend some support for labeling programs for U.S.-based manufacturers. Moving a step closer to behavior, responding retailers indicated that there was a small segment of consumers that take country of origin into account when buying furniture and that this segment was willing to pay a small premium for furniture made in North America. This seems consistent with other studies that indicate small consumer segments loyal to domestic providers (Bruning 1997). Again, reaching this segment seemingly would be easier, in part, with some sort of labeling program (although this study offers little indication of the buying or demographic characteristics of this segment, other than evidence that it is geared slightly toward customers at higher price-points). While some research suggests that labeling campaigns often have limited effectiveness, other studies have shown that attribute-specific campaigns

might be more effective than more general campaigns (Papadopoulos, Heslop & Bamossy, 1990). This study highlighted several potential actions (and thus promotional themes) for managers to consider, as outlined below.

Managerial Implications

On what should each manufacturing source focus as they continue to compete in the global marketplace and vie for the business of U.S. retailers? If they play to their competitive advantages, U.S. manufacturers should focus on replacement part availability and order flexibility. For Canadian manufacturers, the focus should be on overall product quality and accurate delivery. For both the U.S. and Canada, possession of these attributes must be seen as worth the relatively high delivered wholesale price of products. For China, the focus should continue to be on low price, but with an understanding that product quality, design, and delivery accuracy is not necessarily compromised by low price, at least according to those retailers who source from China. The source countries performed relatively well across the board in terms of product quality, creating head-to-head competition and thus limiting opportunities for differentiation. Therefore, quality is not necessarily something North American companies should exclusively promote as an advantage; but such head-to-head competition necessitates a continued focus on quality.

For some attributes, all sources seemed to perform relatively poorly. Examples included *easy to return damaged or defective goods* and *on-time delivery of orders* (important attributes) and *provision of promotional material* (an unimportant attribute). For both U.S. and Canadian companies, the former would seem to be neglected opportunities given the relative closeness to U.S. markets compared to Chinese manufacturers.

It was interesting that *on-time delivery of orders* was considered quite important as a manufacturing source attribute, but *short lead times after order* was less important. This would suggest that lead times themselves are not as important as uncertainty about lead times; retailers do not want to make the call to their customers informing them that their

scheduled deliveries have been delayed. While consumers often are unhappy about the wait for their furniture after order placement, it seems manufacturers are closely aligned with retailers' expectations for lead times. It also seems that manufacturers in the U.S., Canada, and China all could do a better job of delivering on-time to secure a source of competitive advantage.

Limitations

Readers are reminded that the sampling frame for this study was member companies of the HFIA. Respondents tended to be single location stores with yearly sales less than \$5 million per year, with a relatively long tenure, and that sold products at a middle- to upper-middle price-point. Results may be less applicable to larger national chain stores and/or to stores at lower price-points. Additionally, a relatively large proportion of respondents were from Texas, corresponding to the association population. Furthermore, as with most mail surveys, responses were from a single contact within the company. The vast majority was from company presidents and store owners, so it is likely that the perceptions of the primary decision-maker were captured in the survey. However, the opinions of the respondents might not necessarily reflect the opinions of other decision-makers within their respective companies.

NOTES

1. This proportion was 90% for small firms (\$1 million or less in yearly sales) and 70% for large firms (greater than \$1 million in yearly sales).

2. For small firms, this proportion was 74%; for large firms, this proportion was 88%. So the data thus suggests that the increasing emphasis on importing spans firm size.

3. These scores were similar for small and large firms when analyzed separately. Scores for small and large firms, respectively, were as follows: U.S. (248.5, 238.1), Canada (211.4, 207.9), and China (164.1, 151.8).

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