



# Global Office Furniture Industry Trends

**8<sup>th</sup> Annual Supply Chain Conference**  
**Grand Rapids, MI**  
**March 16, 2011**





## Global Office Furniture Industry Trends

# A Global View of an Industry at a Cross Roads

“From Where / Sit”™



# Global Office Furniture Industry Trends

## Michael A. Dunlap



- Principal of Michael A. Dunlap & Associates, LLC
- Over 40 years experience as a Tier 1 Supplier
- Over 30 years experience as an OFM Supplier
- Columnist MiBiz – “From Where I Sit”
- Monthly “The Morning Show” with Shelley Irwin on WGVU-FM
- Former VP Chair Components Group, SUSPA, Inc.



# Global Office Furniture Industry Trends

## Michael A. Dunlap & Associates, LLC

Primary focus:

- Office Furniture Manufacturers, Suppliers, Dealers
- Domestic and International
- Investment Community, M & A, Banking



# Global Office Furniture Industry Trends

## Consulting Services

- Furniture Industry Trends  
Products, Markets, & Services
- International Partnerships & Collaboration  
Develop worldwide business ***relationships!***



# Global Office Furniture Industry Trends

## Consulting Services

### ➤ Strategic Market Planning

Strategic Business Planning, S.W.O.T.,  
“Wants, Needs, & Likes”

Competitor Assessment & Evaluation

Activity Based Performance Studies for  
Products & Customers

Product Positioning & Life Cycle Management

Customer Satisfaction Programs



# Global Office Furniture Industry Trends

## Consulting Services

- Products Liability Program Management
  - Conduct product examination and incident analysis
  - Expert Witness Services
    - ( specialize in swivel office chairs)
- Act as corporate representative



# Global Office Furniture Industry Trends

## Industry Profile

### ➤ North American Centers of Manufacturing

**USA:** Western Michigan, Southern California, North Carolina, Texas, Southern Indiana, New England

**Canada:** Toronto, Montreal, Vancouver, Calgary

**Mexico:** Mexico City, Monterrey, Border Cities



# Global Office Furniture Industry Trends

## Global Industry Profile

### ➤ Global Centers of Manufacturing

**Europe:** Germany, Italy, UK, Scandinavia, Spain, Portugal, and Poland

**South America:** Argentina, Brazil, Chile, Columbia, Ecuador

**Africa:** Egypt, South Africa

**Australia:** Australia, New Zealand

**Asia:** Taiwan, Japan, Korea, Malaysia

Of course, **INDIA** and **CHINA!**



# Global Office Furniture Industry Trends

## North American Industry Profile – 2010

### ➤ 5 “Mega” Firms (Over \$1.0 Billion)

Steelcase, Inc. – \$2.37 Billion

Herman Miller- \$1.44 Billion

HNI Corp. - \$1.40 Billion

Haworth, Inc.- \$1.21 Billion

Global Group - \$1.1 Billion (est.)



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## North American Industry Profile

### ➤ 4 Large Firms

Knoll - \$809.5 Million

KI - \$600.0 Million (est.)

Teknion - \$500.0 Million (est.)

Kimball International - \$442.3 Million



# Global Office Furniture Industry Trends

## Industry Profile

➤ More than 120 others!

### **Locally - Known Names Like**

American Seating, Amneon, Bold Furniture, Compatico, Enwork, Irwin Seating, izzyplus, Jeup, Markant, Montisa, Nucraft, Taylor / Kindel, and Trendway Corporation



# Global Office Furniture Industry Trends

## Supplier Profile

- A Few Large Suppliers:  
Leggett & Platt, Knape & Vogt, and some  
300 + West Michigan Suppliers



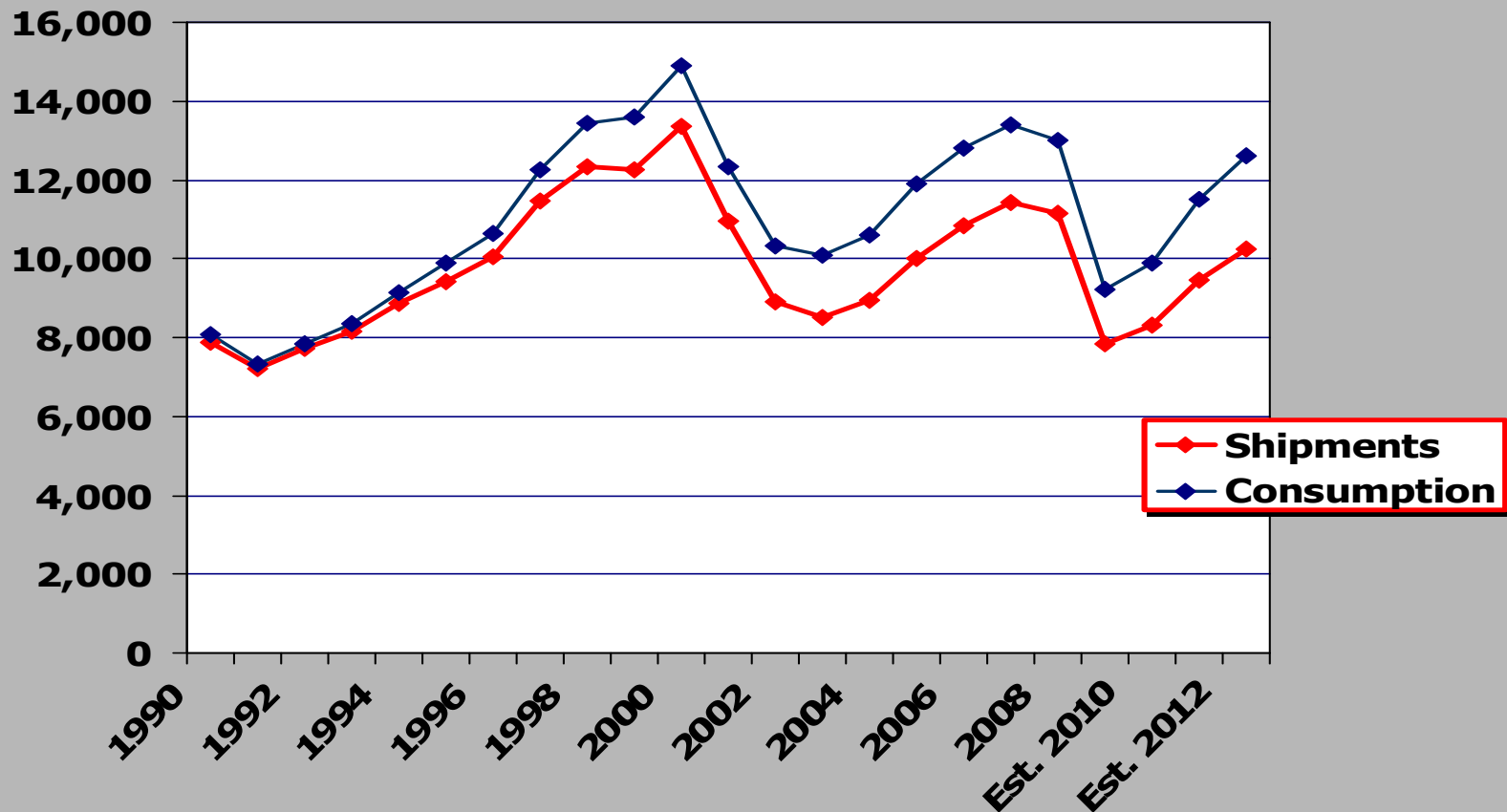
# Global Office Furniture Industry Trends

## A Little Perspective

- U.S. Furniture Industry (\$9.8 Billion) consumption would rank #241 in the Fortune 500 and is nearly equal to the size of Starbucks (\$9.77 Billion) and slightly larger than the NFL!
- \$6.1 Billion (68%) Comes from West Michigan Companies!
- Over 30,000 jobs (including suppliers) and more than \$1.0 Billion in Payroll.
- Global Furniture Industry (\$55 Billion) nearly equal to Microsoft (\$58.4 Billion) United Technologies (\$52.9 Billion), and Dell (\$52.8 Billion).
- 14% of the World's Office Furniture Comes from West Michigan companies!

# Global Office Furniture Industry Trends

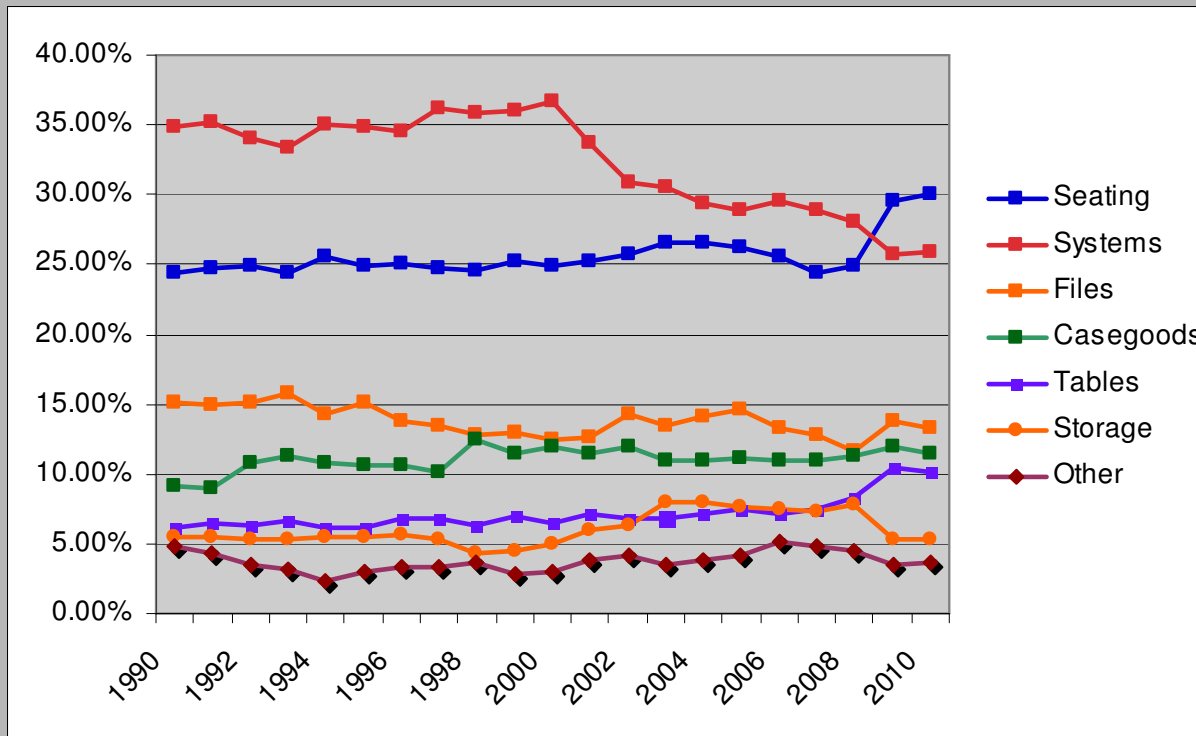
## USA Industry Sales (BIFMA International Statistics)



# Global Office Furniture Industry Trends

## USA Industry By Product Percentage

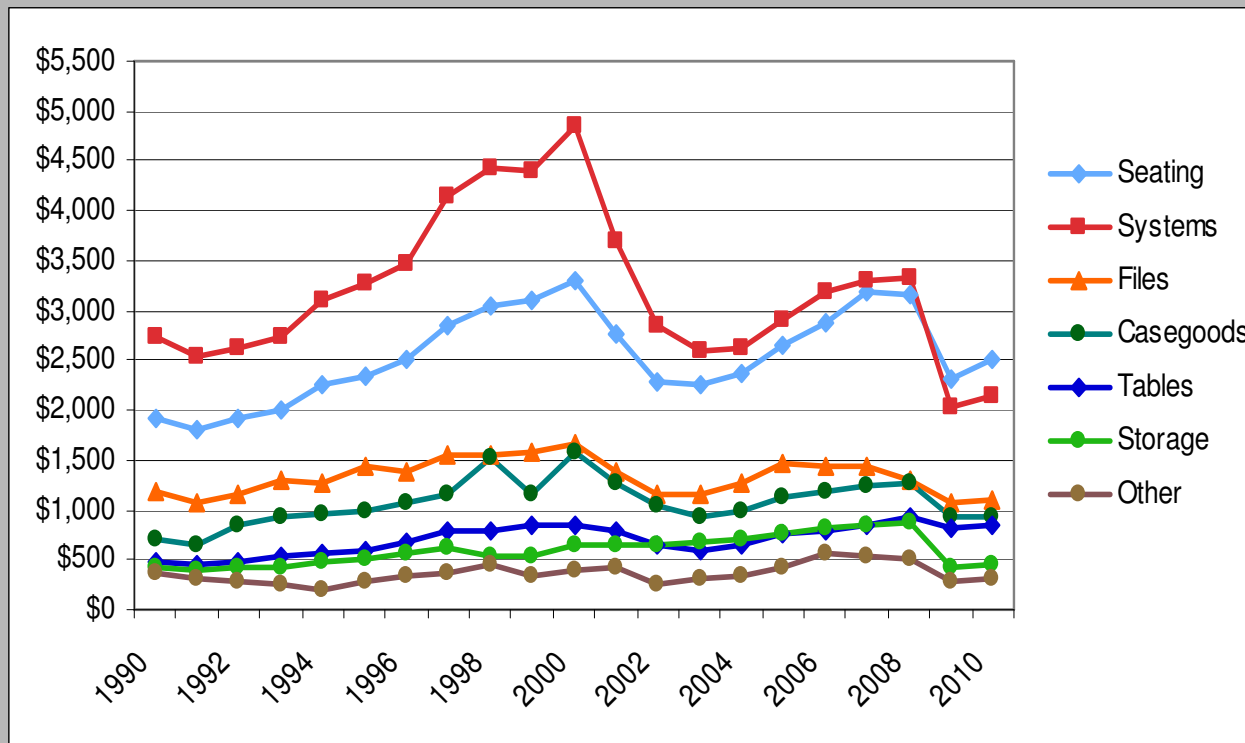
(BIFMA International Statistics)



# Global Office Furniture Industry Trends

## USA Industry By Product Sales \$ Billion

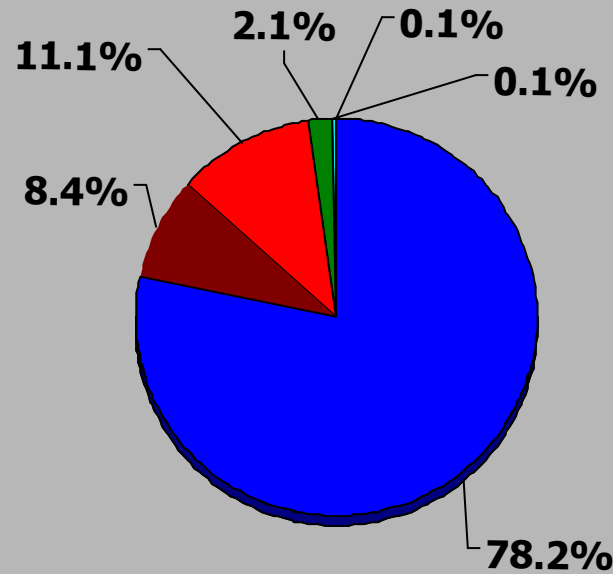
(BIFMA International Statistics)



# Global Office Furniture Industry Trends

## USA Market Shares 2000

Based on  
\$14.8 Billion  
Consumption  
(MADA Estimates)

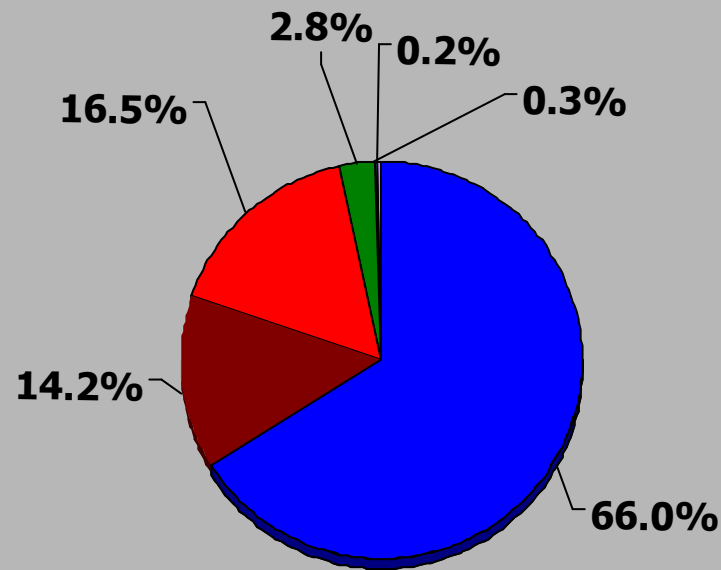


- Office
- Healthcare
- Education
- Hospitality
- Home Office
- Other

# Global Office Furniture Industry Trends

## USA Market Shares 2010

Based on  
\$9.8 Billion  
Consumption  
(MADA Statistics)

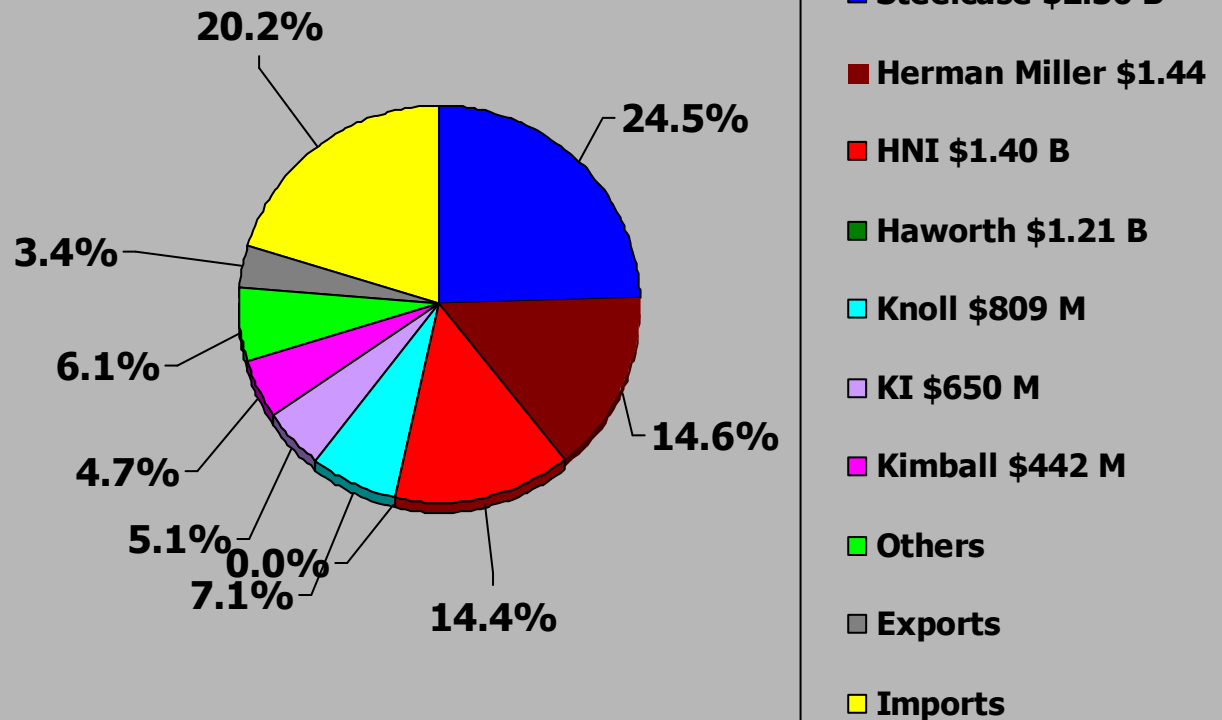


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- Healthcare
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# Global Office Furniture Industry Trends

## USA Market Shares 2010

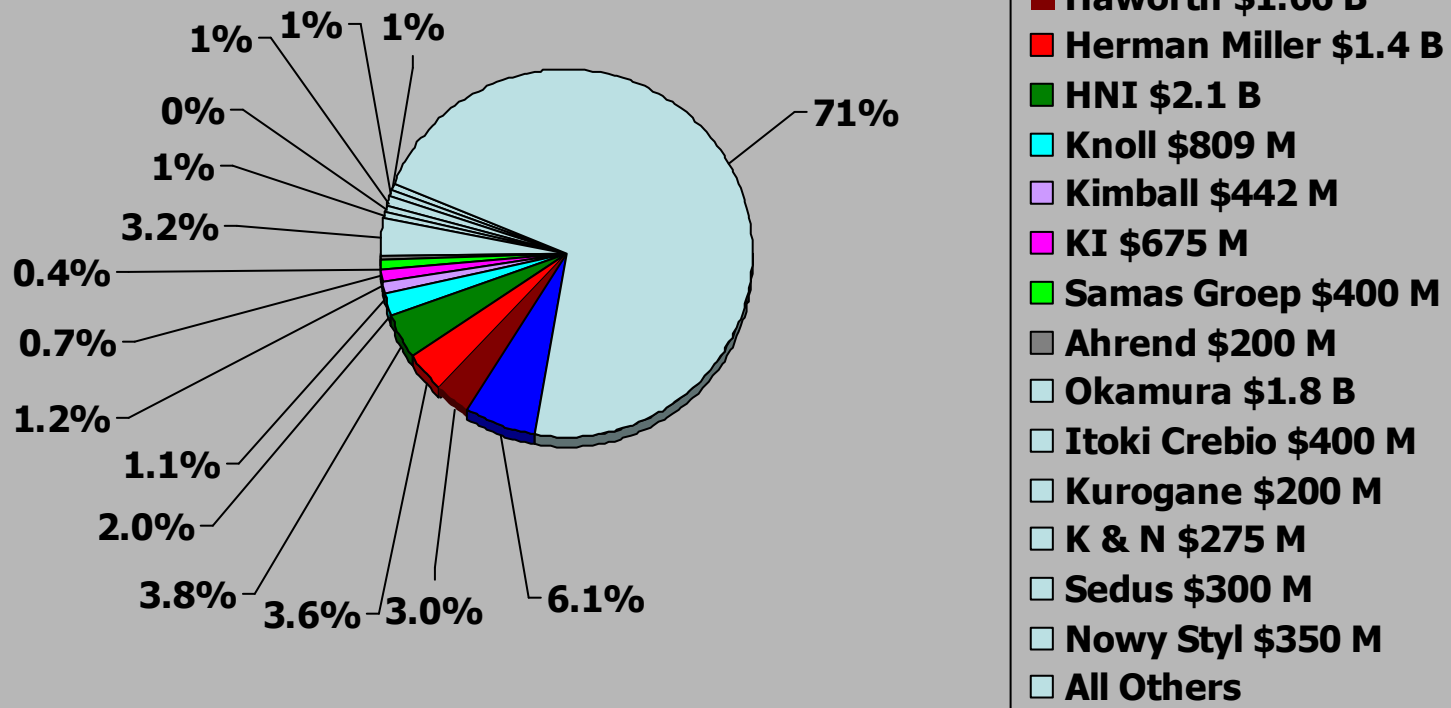
Based on  
\$9.8 Billion  
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# Global Office Furniture Industry Trends

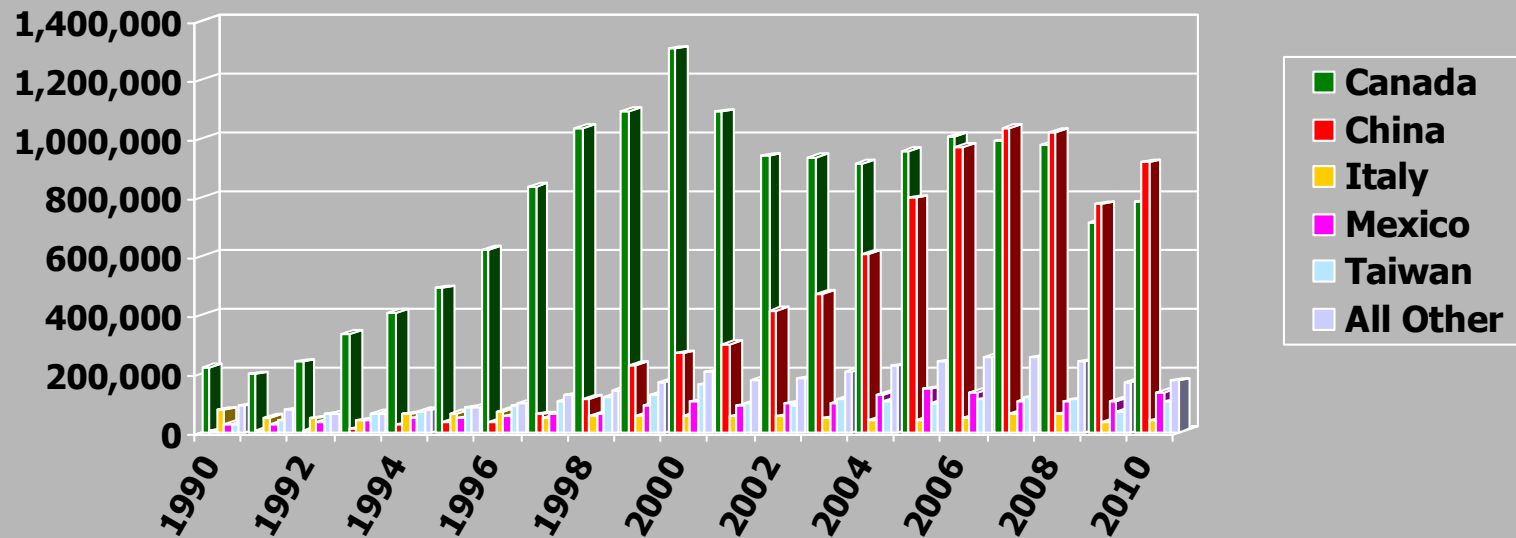
## Global Market Shares 2010

Based on \$55.0 Billion Sales  
(MADA Estimate)



# Global Office Furniture Industry Trends

- Imports Combined (BIFMA International Statistics)





# Global Office Furniture Industry Trends

## MADA / OFI Trends

### Quarterly Survey & Reports via Internet

#### ➤ More than 600 Recipients

15% to 18% Response Rate/5 continents

48% OFM's – 33% Suppliers

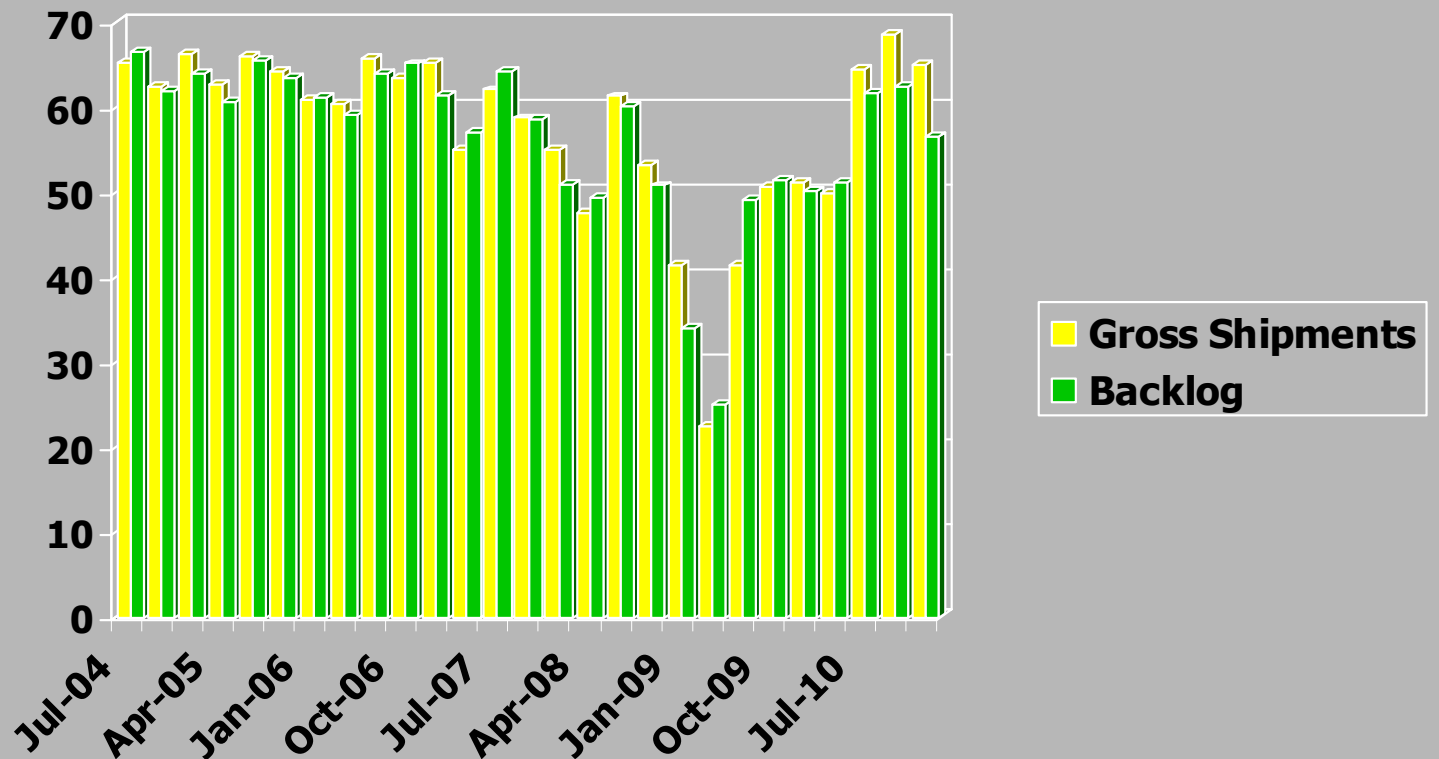
49% are Chair/CEO/President /COO

Over 50% Report Sales Under \$25 Million

45% have 100 or fewer employees

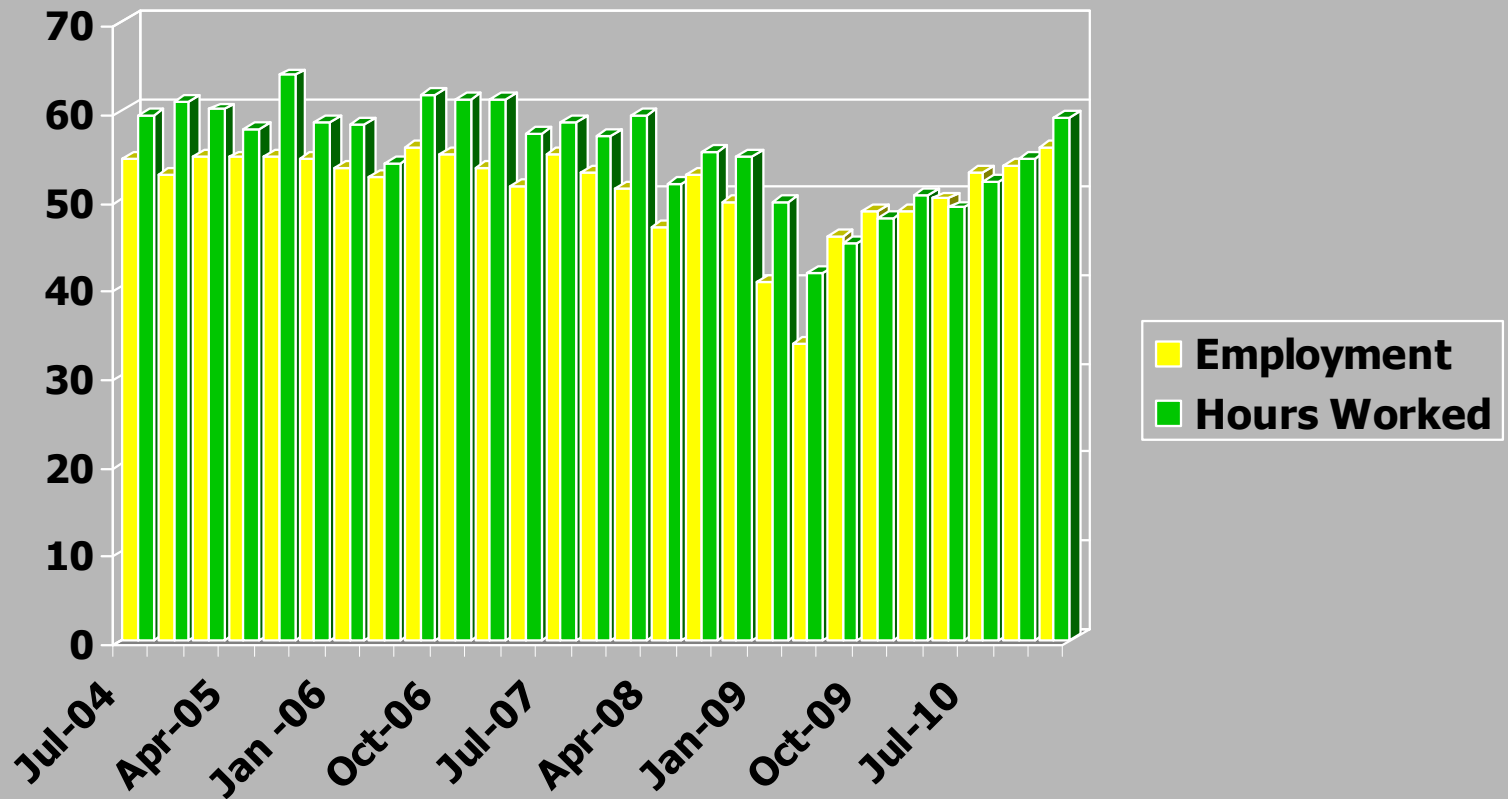
# Global Office Furniture Industry Trends

## Gross Shipments / Backlog



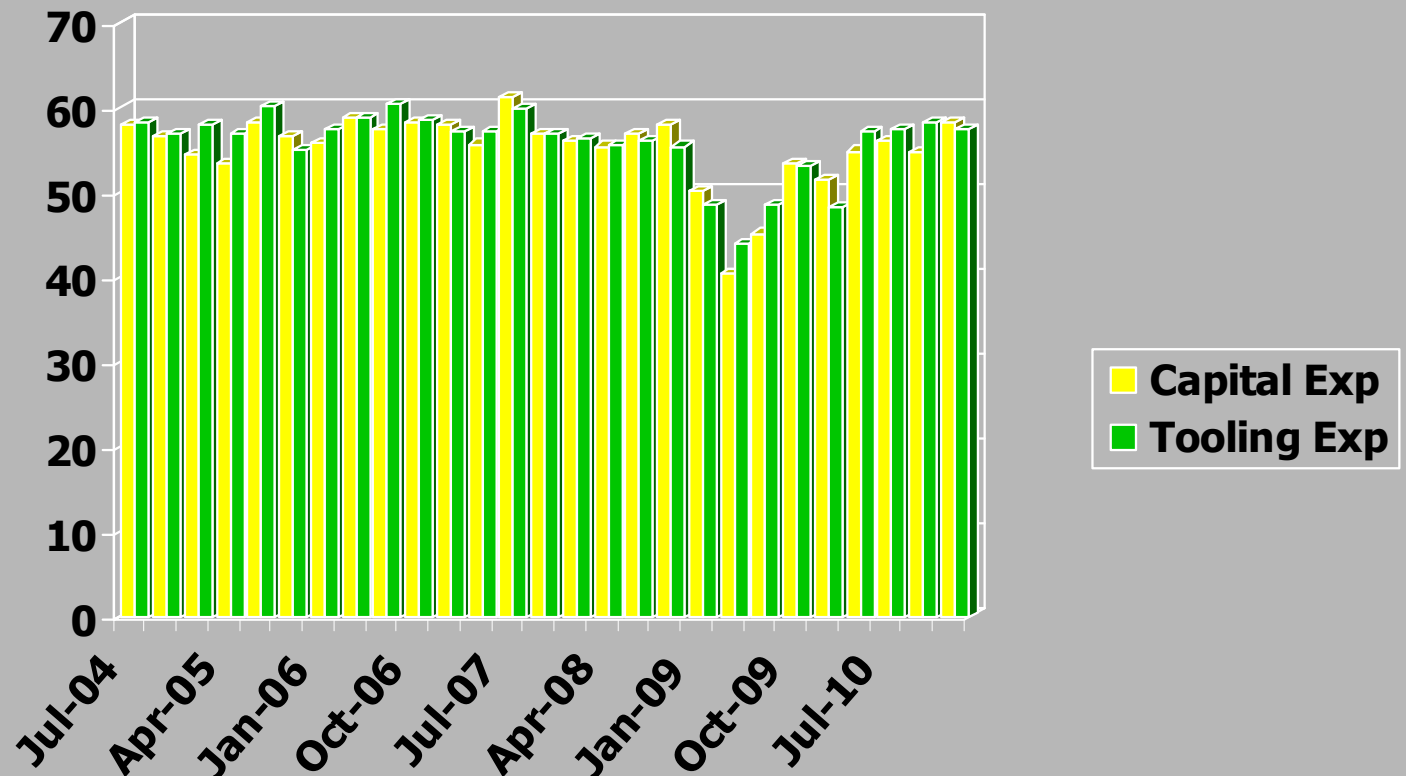
# Global Office Furniture Industry Trends

## Employment / Hours Worked



# Global Office Furniture Industry Trends

## Capital Expenditures / Tooling Expenses



# Global Office Furniture Industry Trends

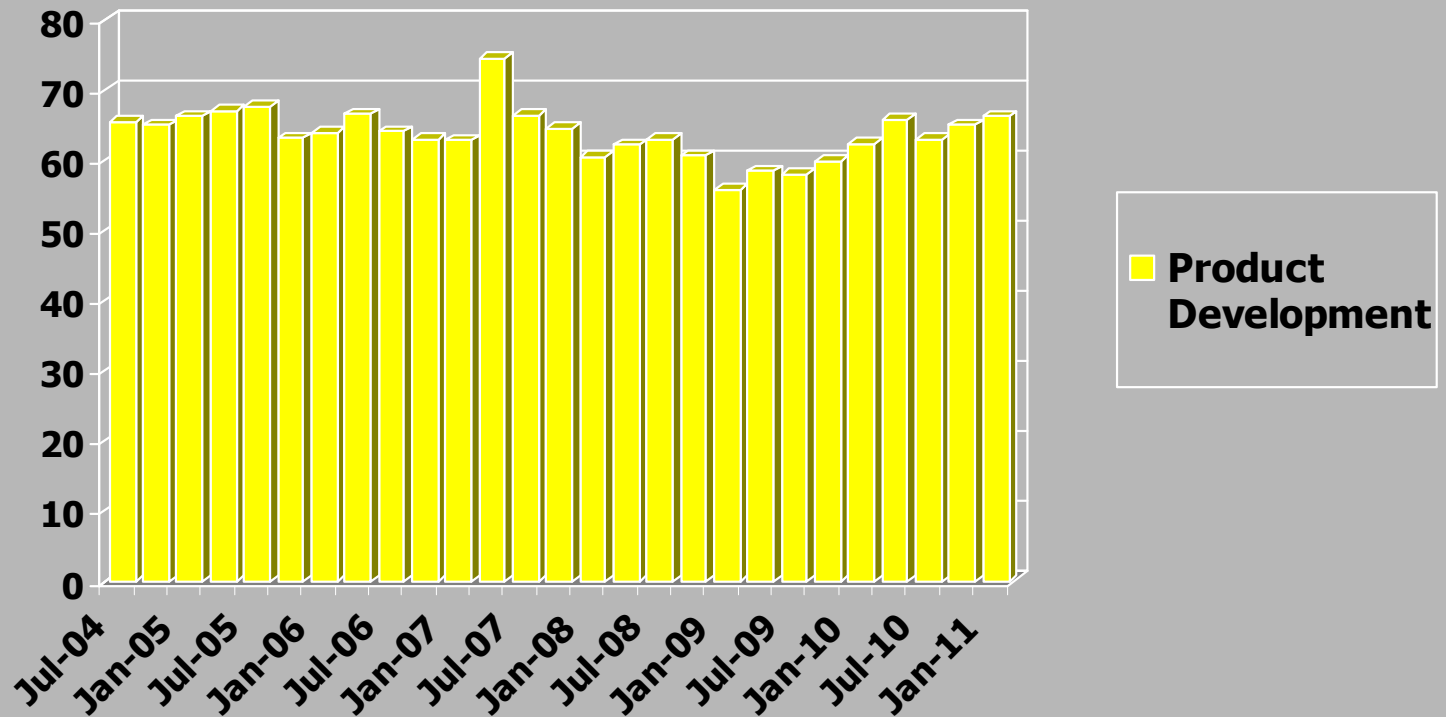
## Raw Material Costs / Employee Costs

(Higher Number is Better!)



# Global Office Furniture Industry Trends

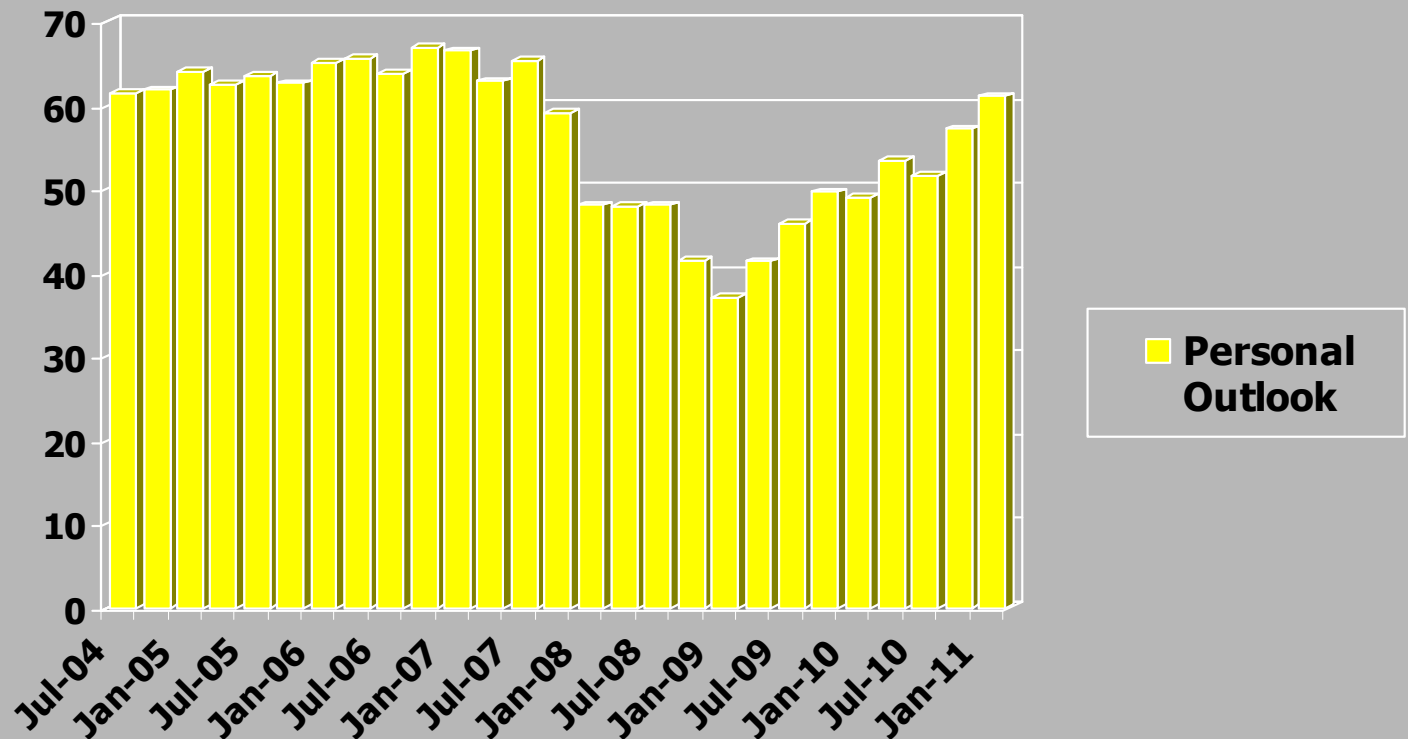
## Product Development





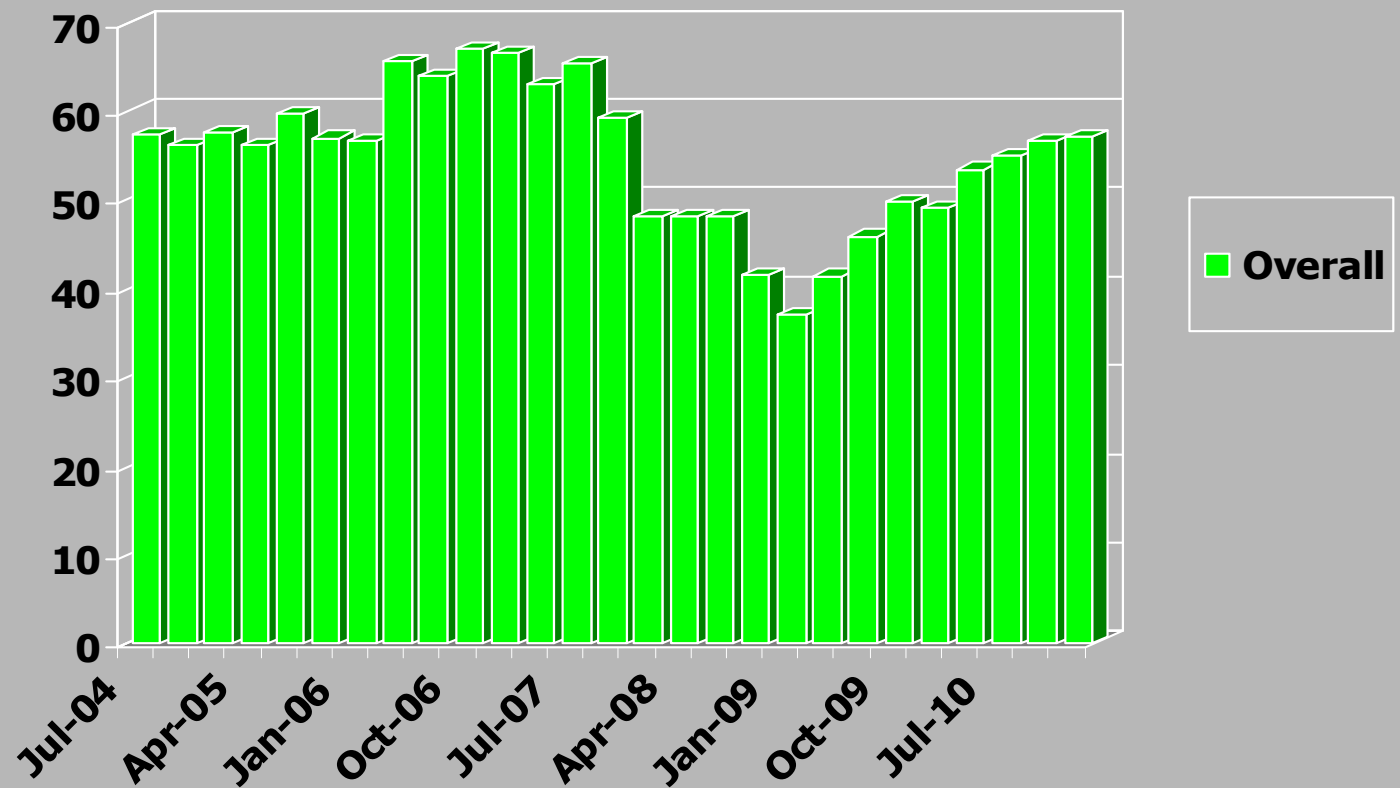
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## Personal Outlook



# Global Office Furniture Industry Trends

## Overall Results





# Global Office Furniture Industry Trends

## What Does it Mean?

- Industry is aggressive into new markets
- Higher Education and Healthcare leads
- Global business model is working
- Still seeing a shift to low cost locations



# Global Office Furniture Industry Trends

Is Office Furniture Like Automotive?

Good News is No!

Bad News is Yes!!

- Both are “design” focused
- Both have a dealer-based distribution
- Both are increasingly vulnerable to imports



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## Office Furniture Industry

- *NOT* Consumer Focused - It's B2
- Antiquated Distribution System
- Does Not Utilize the Internet to its advantage
- Still “Lowest price” (imported components)



# Global Office Furniture Industry Trends

## OFI is slow to Innovate

- Lateral File Cabinets 1959
- “Systems” Furniture 1968
- Pneumatic Lift for Chairs -1969
- Plastic Chair Bases 1982
- Height Adjustable Chair Arms 1989
- “Mesh” Chairs introduced in 1994 – HMI Aeron®

# Global Office Furniture Industry Trends

## My Grandfather's Office Chair – Circa 1912



# Global Office Furniture Industry Trends

The Telegraph Key - “Click” to Send!





# Global Office Furniture Industry Trends

## What's Right?

- Very Good Product Quality
- Entrepreneurial Spirit
- Enduring Business Strength
- Design Leadership
- Legacy Products
- Good Places to Work



# Global Office Furniture Industry Trends

## What's Wrong?

- Legacy Products
- Doesn't Understand Changes in Demand
- Lengthy Product Cycles
- Too Many Products
- Lack of Technology Interface & Partnerships
- Dealer / Distribution Model is Antiquated



# Global Office Furniture Industry Trends

## What's Changed?

- Since 1986 – 25 years! Fax machine!
- Since 1991 – 20 years! Cell phone!
- Since 1996 – 15 years! Internet!
- Since 2001 – 10 years! Skype!
- Since 2006 – 5 years! Facebook, LinkedIn



# Global Office Furniture Industry Trends

## S.W.O.T.

- Strength: General Economic Recovery
- Weakness: NA still needs Long Term Strategy
- Opportunity: China and India threats or partners?
- Threats : Global Economy, Oil Prices, Terrorism, More Recession, Weather / Earthquakes / Volcanoes



# Global Office Furniture Industry Trends

## Summary

- First Decline began in Autumn 2000
- Recovery started in April 2004
- Began to “level off” in 2007 into 2008
- The Bottom Fell Out in 2009
- The Slow Recovery has begun
- Consolidation is imminent
- Some OFM’s may be take-over targets



## Global Office Furniture Industry Trends

Words of advice from Yogi Berra

“The future ain’t what it used to be.”

“You’ve got to be careful if you don’t know where you’re goin’ cause you might not get there!”