



Obstacles in Asia may mean opportunities for American manufacturers

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The changing dynamics now impacting China's manufacturing base is forcing furniture suppliers and hoteliers seeking new products to alter their thinking about where they make and source items such as case goods. Today, rising labor costs in China combined with the higher cost of shipping between Asia and the United States is leading to higher prices of products manufactured overseas and beginning to level the playing field between products made in the two countries, when looking at total cost.

During HOTEL BUSINESS DESIGN®'s recent FF&E Sourcing Roundtable (see story on p. 14), panelists covering the areas of ownership, architecture and design, purchasing and product development spoke of the increase in conversation in recent months about the pros and cons of sourcing products made in the U.S. or in China.

While the sustainability and short lead time angles mentioned by some suppliers is a topic that was discussed at the HOTEL BUSINESS DESIGN® Roundtable, panelists felt that quality issue was not as much a factor in choosing where to source products as domestic suppliers indicated, with most speaking highly of the products made in China and Vietnam. And some vendors say the conversation regarding furniture has not significantly changed.

Following the Roundtable, held during the 2010 HD Conference & Expo in Las Vegas, HOTEL BUSINESS DESIGN® spoke with furniture suppliers at the show seeking their input on the issue of sourcing case goods in the U.S. versus China and why it is more prevalent in conversations with hoteliers and designers today. While suppliers said the item-to-item cost of products produced domestically versus those made in China still heavily favors the latter, the jump in shipping costs through the first half of 2010 have brought the total cost more in balance, although they still favor China slightly.

"When you look at the upfront cost for products, there can be a 30% to 40% savings on first cost," said Kevin Crahan, vp, sales & marketing for Flexsteel Hospitality. "But what they are overlooking is shipping and how much it now costs to bring items in the United States."

According to reports from product suppliers, the cost of a container has nearly doubled over the past year and no one expects the costs will retreat.

While the more recent rise in shipping costs have forced many to recalculate the total cost of sourcing products from overseas, those suppliers that have stayed true to their American manufacturing roots have seen this pay dividends over the past two years. "We've seen a jump in interest in our products because we manufacture domestically," said Jeff Lazar, CEO of JLF Lone Meadow. "We still hear a great deal of concern about the quality of products made overseas."

Lazar feels the continued growing interest from hoteliers in products made in the U.S. show a shift in a cycle that for the past several years has largely favored Chinese made products with pricing being the driving force.

Domestic suppliers noted that they have also seen added concerns about quality of products sourced from overseas, with some U.S.-based suppliers believing the ability for designers to oversee quality control efforts as having a great impact on deciding what vendors to work with. "And that is something we are not shy about telling people about," said Bruce Prock, vp of sales & marketing for Bertolini, referring to highlighting what he feels are the higher quality control standards of products made in the U.S.

Beyond what he said are more questions about the quality of products made overseas, Prock commented that other factors such as sustainability and carbon footprint as it relates to the shipping distance of furniture to a job site have also impacted the increased attention on products made in the U.S.

In addition to sustainability issues, companies with domestic manufacturing capabilities noted that some designers

and hoteliers are attracted to having products suppliers close to home to shorten shipping lead times. "We have warehousing in Florida and our ability to have offer custom upholstery in the U.S. is attractive to some looking for a quick turn-around with their order," said Theresa Swett, president of David Francis Furniture.

Overall, the real key when it comes to product will remain what offers the best value. "It's not a complicated issue; it's about offering products that are a compelling value," said Edward Tashjian, chief marketing officer with Home Meridian International, parent company of brands including Pulaski and Samuel Lawrence. "While costs are going up in China, we're also sourcing products from other Asian countries such as Vietnam and Malaysia that don't have the same cost increase issues."

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