



## Cost fluctuations, sustainability changing import vs. domestic sourcing paradigm

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The issue of sourcing furnishings for guest rooms and public spaces at times can be an overlooked aspect of a new build or reconstruction project across the world of hotel design and development. But today, the topic of where products are manufactured is talked about with greater frequency with several factors driving the discussion.

Atop the list in the conversation about country of origin for FF&E is cost. While China for many years has been the low price source for furniture, lighting and other in-room accoutrements, there has been a change in the prevailing winds in recent years particularly with case goods as increases in labor costs, a jump in shipping prices and a diminishing factory base have combined to push pricing up.

While product-to-product pricing when comparing items made in China and the United States still favors the Asian nation, when combining shipping costs and other factors, there is far less difference in overall price today than in past years.

"In the last couple of months, the shipping rates have increased and the overall situation is in constant flux," Mark Friesen, principal with Beyer Brown, said during HOTEL BUSINESS DESIGN's® recent Roundtable focused on the issue of sourcing products either domestically or overseas. "Budget has always been the big argument against buying products domestically, but it seems as if we are revisiting the issue more often."

The other big issue having an impact on a product's country of origin is the growing desire for hotel owners to tap into the sustainability movement and seek LEED certification for a property. One factor in gaining points toward a hotel becoming LEED certified is having FF&E manufactured 500 miles or less from a given property.

"Many owners today want to be LEED certified or at least want to be able to have a sustainable story to tell," said Jeffrey Jensen, principal, design director for HKS Hill Glazier.

"Our clients are looking for quality products and we like to give them what they want," added. Giancarlo Giacchi, senior designer, interiors, WATG. "But today we are dealing with rising transportation costs and also a greater focus on lead times. As a result, we are seeking more information from domestic sources."

But while rising transportation costs, growing uncertainty with the Chinese manufacturing bases, and perhaps even the issue of patriotism is leading to many hoteliers to at least consider using U.S.-made products in their properties, availability and even product quality is an issue, roundtable panelists said.

Igor Krnajski, senior vice president, design & construction for Denihan Hospitality Group, noted that his company recently wanted to source case goods domestically for a five-star project but ran into two obstacles. "The first challenge we found was that domestic manufacturers could not compete on price," he said. "The second was that we had some concerns about the craftsmanship of the products."

Other panelists agreed with Krnajski, noting that American furniture manufacturers are challenged to produce products that have the design and quality needed for properties at the five-star level. "Many of them think they have the capability to do that, but they don't," added Ted Carroll, president of The Carroll Adams Group. "We also don't get many questions from [the manufacturers] on what they need to do to make furniture for the upscale properties. They do ask about pricing the most."

Added Jennifer Ramsey, president of Ramsey Purchasing, "There are manufacturers that do some excellent work for us. But when we put their products in a model room next to products from a company manufacturing overseas, the quality is at a bit higher level in terms of detail and finish than those made domestically."

A point of frustration raised by other panelists who are looking to utilize American-based suppliers, is what they said

is the slow turn around time in responding to bids. "We did a 400-room property and reached out to two manufacturers in the U.S. and two from off-shore, and the off-shore sources got back to us in 48 hours while the U.S. companies took seven to 10 days," said Sean Hatch, president of Hatch Purchasing Corporation. "And with U.S. companies, we had to do four or five follow up calls to get more information. From my standpoint, this is a huge issue and something some companies need to address."

While panelists said American manufacturers are challenged to produce product for use in upscale establishments, they are seen as viable sources for furniture to be used in properties that are classified below the high-end levels. "There is a three-star project we are working on currently and are strongly looking at a source based in Pennsylvania that is very price competitive," noted Krnajski.

While the discussion on product sourcing has largely been focused on the U.S. versus China, some panelists noted that, when possible, are looking for manufacturers located near the project. "In some cases we are also looking at South America for product," said Ricardo Moreno, FF&E designer with Kay Lang & Associates. "And it's all about getting the most bang for the buck without any extra drama."

Jensen noted the effort to source product from suppliers located close to a given project is something he sees as a growing trend in the marketplace. "We work on projects all over the world and in one case with work we were doing a small boutique hotel in Nicaragua, we were able to get many things made by local artisans," he said. "It is a positive for a current job, but also builds relationships and could lead to work for other jobs down the road."

While the U.S. and China are both viewed as providing numerous resources for case goods, panelists noted the U.S. is still the preferred source for upholstered goods. But beyond these furniture categories, there are few remaining domestic sources for accessory items such as lighting, wall décor and other materials, which can be a point of frustration for some.

"The lead times on lighting can be as much as 16 weeks," noted Hatch. "Lamps are pretty basic items and it should not take that long to get them."

Cory Thomas, vp of business development for Monolith Companies, pointed to granite as something that companies are unable to secure in the United States. "The cost of Granite from overseas is much lower," he commented.

And the other big issue facing the manufacture of some products domestically is the tighter environmental rules enforced in the U.S. by the Environmental Protection Agency. "California's new VOC [Volatile Organic Compounds] law is now in effect and likely to go nationwide. That will have a long term impact on how and where products are made," Moreno said.

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