

POLITECNICO DI MILANO

Scuola di Ingegneria dei Sistemi



POLO TERRITORIALE DI COMO

Master of Science in

Management, Economics and Industrial Engineering

**STUDY ON CURRENT SITUATION, CHALLENGES AND
FEASIBLE MARKETING STRATEGIES OF CHINA'S MASS
FURNITURE MARKET**

Supervisor: Prof. Lucio Lamberti

Coordinator: Eng. Shan Chen, Eng. Weiyu Wang

Master Graduation Thesis by:

Yang Zhenghui

Matricola: 780026

Li Zhi

Matricola: 780020

Academic Year 2012/2013

Abstract

From 1979 the opening towards the outside world to 2001 joining the World Trade Organization, China has fully developed its market economy and its industries. Especially the furniture industry's revenue had reached about 19.5 billion euro in 2012. Vast numbers of furniture producers in China emerge with their various furniture products covers multifarious functions. However, while expending its productivity, a lot of practitioners couldn't have a comprehensive view of the whole situation and confused on design, production and marketing.

Therefore, this paper aims at comprehensive studying on the China's furniture market and discovering the problems and challenges for the benefit of better and further development of mass furniture industry. In the content we focus on:

1. Studying the current situation and outline of China's furniture industry and then using the knowledge and techniques of general marketing research to do a comprehensive analysis on the environment of the furniture market.
2. Identifying the main primary problems and challenges on the furniture products, producers, distribution channels and any other domains.
3. Base on the particular market environment and the problems have been figured out, feasible strategies are proposed for the mass furniture products and the small to middle-sized furniture producers. And at last the possible trends are identified for reference.

Keywords: furniture industry, Chinese market, marketing strategy, marketing trends

Astratto

Dal 1979 l'apertura verso tutto il mondo al 2001 l'adesione all'OMC, Cina ha sviluppato la sua economia di mercato e le sue industrie tanto. In particolare, il reddito del settore di mobile ha raggiunto circa 19,5 miliardi Euro nel 2012. Un gran numero di produttori di mobili in Cina emergono con i vari prodotti mobili che copre molteplici funzioni. Tuttavia, mentre spendendo la sua produttività, un sacco di lavoratori non hanno una visione completa di tutta la situazione e confuso del disegno, la produzione e il marketing.

Quindi, il presente documento mira al studio sul mercato del mobile della Cina e scopre i problemi e le sfide per migliore e ulteriore sviluppo del settore del mobile industria. Nel contenuto concentriamo su:

1. Studiare la situazione attuale e il contorno del settore del mobile in Cina e poi utilizzando le conoscenze e le tecniche della ricerca generale del mercato a fare un'analisi completa sull'ambiente del mercato del mobile in Cina.
2. Identificare i problemi e le sfide principali dei prodotti mobili, i produttori, i canali di distribuzione e gli altri domini.
3. Base sull'ambiente del mercato particolare ed i problemi quale sono stati capito, strategie fattibili sono proposti per i prodotti mobili e i produttori del dimensione piccole o medie. Finalmente, identificare le possibili tendenze di riferimento.

Parole chiavi: industria del mobile, mercato cinese, strategia di marketing, la tendenze di marketing.

Content

1.	Introduction	1
1.1.	Study Background Content.....	1
1.2.	Research Status of Furniture Industry	1
1.2.1.	Research Status of Worldwide Furniture Industry Marketing Strategy	1
1.2.2.	Research Status of Chinese Furniture Industry Marketing Strategy.....	2
1.3.	Purpose and Significance	3
1.3.1.	Objectives	3
1.3.2.	Significance	3
2.	Current Furniture Market in China.....	4
2.1.	China's Furniture Market Overview.....	4
2.2.	Segmentation	5
2.2.1.	Product Categories According to Usage.....	5
2.2.2.	Product Category According to Material.....	5
2.2.3.	Segmentation of Consumer	7
2.3.	Supply and Demand in Chinese Furniture Market	8
2.3.1.	Supply.....	8
2.3.2.	Demand	11
2.3.3.	Balance of Supply and Demand	12
2.4.	Sales Channel	13
2.5.	Import and Export Situation in China.....	14
2.5.1.	China Import.....	14
2.5.2.	China Export Situation	17
3.	Marketing Analysis of China's Furniture Market	19
3.1.	Macro environment (PEST analysis).....	19
3.1.1.	Policies and role of government	21
3.1.2.	Economic impacts	22
3.1.3.	Social Factors	23
3.1.4.	Technological Influences.....	25
3.2.	Micro Environment	25
3.2.1.	Demand analysis.....	25
3.2.2.	Competitive Analysis	28

3.3.	Offering analysis (5-forces).....	32
3.3.1.	Intensity of internal rivalry.....	32
3.3.2.	Threat of new entrants.....	34
3.3.3.	Threat of substitutes.....	35
3.3.4.	Bargaining power of suppliers.....	36
3.3.5.	Bargaining power of buyers.....	37
3.4.	Conclusion.....	38
4.	Existing Problems in China’s Mass Furniture Market.....	39
4.1.	Problems on Low to Mid-end Furniture Products.....	39
4.1.1.	Variation on Product Style.....	39
4.1.2.	Plagiarism and Counterfeit.....	40
4.1.3.	Less Prominent of the Mainstream.....	41
4.1.4.	Diversification Level of Quality.....	42
4.2.	Problems on China’s Low to Mid-end Furniture Enterprise.....	43
4.2.1.	Branding.....	43
4.2.2.	Increasing Cost of Production.....	44
4.2.3.	Design and Innovation Management Level.....	45
4.2.4.	Defective Workmanship.....	45
4.3.	Other Problems and Challenges of China’s Low to Mid-end Furniture Industry.....	47
4.3.1.	Challenges on Low to Mid-end Furniture Sales Channel in China.....	47
4.3.2.	Faultiness of Industrial Standard.....	48
4.3.3.	Absence of Furniture Maintaining Service.....	49
4.3.4.	Deteriorating terms of trade.....	49
5.	Marketing Strategies and Trends of China’s Furniture Market.....	50
5.1.	Products strategies.....	50
5.1.1.	Segmentation and targeting.....	50
5.1.2.	Products Development.....	55
5.1.3.	Techniques Innovation and Talent Cultivating.....	57
5.1.4.	Quality Control.....	58
5.2.	Services Strategies.....	59
5.2.1.	Service Refinement.....	59
5.2.2.	Promotion Strategy.....	61
5.2.3.	Loyalty Maintenance.....	65

5.2.4.	A case on product and service improvement strategies in practice	66
5.3.	Corporation Strategies	68
5.3.1.	Co-brand Strategy for Small to Middle-Sized Furniture Corporation.....	68
5.3.2.	Corporate Cultural Marketing Strategy	70
5.3.3.	Cost Leadership Strategy	73
5.4.	Information Technologies in Distribution Channels	79
5.4.1.	Selection of Distribution Channel Management Software	79
5.4.2.	Insure the successful functioning of software	80
5.4.3.	Performance Evaluation	81
5.5.	Foreseeable Trends.....	82
5.5.1.	Whole Industry Chain Integration	82
5.5.2.	Mass Customization	83
5.5.3.	Green Marketing.....	83
5.5.4.	Online Advertising	85
6.	Conclusion.....	88
6.1.	Market review and analysis	88
6.2.	Existing problems	88
6.3.	Marketing strategies	89
	Bibliography	90

List of Figures

Figure 2.1 China furniture industry output value distributions in 2012	7
Figure 2.2 Segments of customers' age.....	8
Figure 2.3 Porportion of different kinds of economic form according to the record of registration of enterprise in 2010.....	9
Figure 2.4 Proportion of China import from different countries in 2011	15
Figure 2.5 Proportion of China import from different countries in 2012.....	15
Figure 2.6 China import from Italy (millions of dollars)	16
Figure 2.7 Top three furniture categories imported from Italy in China in 2011	17
Figure 3.1 PEST model	19
Figure 3.2 Porter's 5-force model	32
Figure 5.1 Geographical distribution of China's furniture market	52
Figure 5.2 The credibility of different form of advetising	63
Figure 5.3 Most attractive sales furniture promotion measures in customers' mind (343 samples)	64
Figure 5.4 TOYOTA's logo	71
Figure 5.5 Interaction between corporate identity formation, reputation, improvement and organizational performance	73
Figure 5.6 IKEA's distribution center in Perryville, MD.....	77
Figure 5.7 China Environmental Labeling	84
Figure 5.8 Process of Blog Marketing (Resource from baidu.com).....	87

List of Tables

Table 2.1 China's furniture industry production value (\$ billion).....	4
Table 2.2 Supply situation of furniture industry in different area of China in 2010	9
Table 2.3 China import by products in 2011 (millions of dollars)	16
Table 2.4 China import by products	17
Table 3.1 PEST analysis on China's situation.....	20
Table 3.2 PEST analysis on the perspective of furniture industry	20
Table 3.3 Selected furniture exhibitions to be held in China in 2013	21
Table 3.4 Directory of 10 famous enterprises of furniture industry	29
Table 4.1 Average labor productivity of furniture industry in different countries (thousand US dollar/person, year).....	46
Table 5.1 Seven big geographical areas	54

1. Introduction

1.1. Study Background Content

Demand of furniture in China has risen dramatically started its market-oriented economic reform and opening towards the outside world in 1978s and it will continue to increase at a rate of 10% to 15% according to prediction. The value of China's furniture industry production (including non-wooden furniture) in 1978 was just \$157 million but by 2000, after more than 20 years of development, it had reached \$12.7 billion^[1].

Since China untried to the World Trade Organization (WTO) in 2001 then with the reduction of tariffs and elimination of trade barriers, foreign investment in the furniture industry is expected to maintain its fast growth and play a bigger role in development. The foreign enterprises that entered into Chinese market set up local production and local marketing network would defiantly impact the furniture industry of China. With advanced method of management and fashionable designed products, together with the new approach of OEM and direct sale, the foreign furniture enterprises have gained much initiative than the local manufactures. But recently, while the consumption of furniture is getting mature and the competition is getting fierce, the space of economic benefits of furniture industry in China has shrunk.

From the latter half of 20 century, the globalization, the development of experience economy and deep strengthen of the environmental awareness have brought the contemporary companies great market challenges. In Chinese market, other than the challenges above, enterprises are facing additional challenges such as: how to survive in buyer's market under overall surplus economies; the resident income of China has grown but in most conditions the expensive import furniture is not affordable; local furniture manufactures in China come to realize the quality of products and service as well as the effort to remain the customer by branding; local and international trade regulations and regional market protection etc.^[2].

In such an environment, both the local and international enterprises should get hold of the opportunity and clearly grasp state of Chinese market.

1.2. Research Status of Furniture Industry

1.2.1. Research Status of Worldwide Furniture Industry Marketing Strategy

Affected by the rapidly developed information technology and network technique in the recent 20 years, the marketing strategy of furniture industry has changed dramatically, and the marketing philosophy aimed at satisfy the need of customer has been carried forward.

1) Sales function has been reformed. There is automation system in the sales process, call center in the aftersales department and supply chain management in marketing logistics. The traditional sales, service and marketing function have been integrated into a customer relationship management system which has transformed the work mode of traditional marketing, thus the productivity is improved and the process is simplified. Furthermore, the furniture network

marketing will impact the traditional marketing pattern. It is the most innovative marketing activity by using the existing global network platform.

2) Emerge of the mainstream model of marketing. According to the 10th edition of *Marketing Management* of Philip Kotler, the mainstream marketing model that is able to adapt to the development of 21st century are relationship marketing, differentiated marketing, integrated marketing, direct selling and online marketing etc. All these marketing model combined with the latest marketing theories reflect the interaction between marketing operation strategy and change of marketing environment^[3].

3) Transition of marketing organization. While the old marketing approach and model change, it is inevitable that the marketing process and marketing organization, which are the facilitators of the marketing function, have to transform themselves. The impact of technology, change of marketing environment and new marketing tasks affect the trend of marketing organization transition^[4].

Traditional function framework focus on the department's own performance, it is no longer fit for building and maintaining the customer loyalty which is the key marketing objective in these years. In the 1990s theories such as organizational development and process reengineering which prevailed in enterprise reform are inspirational to the marketing department reformation. In *Marketing Management*, Kotler had mentioned many reformations refer to procurement, production, organizing of R&D department and process which would affect the reformation of marketing department directly. He also put forward that every department of market oriented enterprise can communicate with customers. Break the boundaries of marketing, sales service and so on, integrate activities with focusing on customers. Cross-functional teams play important roles in the organization and are responsible for the value creation for the customer. The marketing function is no longer confined to the original marketing department while it is the responsibility of every staff in the organization.

1.2.2. Research Status of Chinese Furniture Industry Marketing Strategy

There are quite a lot of professional literatures related to Chinese furniture market such as situation of Chinese furniture industry, report of analyze and study of industrial market, furniture market and other marketing related monograph and professional journal which facilitate the deep study of the overall characteristic, condition of consumption, market needs, market circulation, sales channel and situation of import and export of current China's furniture market. For example, the Furniture Market in China composed by the Italian Trade Commissions introduced the overall characteristic of the furniture industry in China, the export and import situation, key segments, distribution system, industry trends, regulations and taxation and analysis of customers; *Marketing* edited by Hou Shusen introduced marketing strategies, production strategies, sales strategies, pricing strategies, channel strategies and many other basic marketing knowledge^[5].

1.3. Purpose and Significance

1.3.1. Objectives

This paper proceeds from general situation and product categories of China's furniture market, research from the segmentation, supply and demand situation, main sales channels to import and export situation, and base on what we bring about our systematic macro environment, micro environment and offering analysis according to what we have learned in the course. According to what have been concluded from the detailed analysis of the China's mass (low to mid-end) furniture market, problems and challenges need to be identified and then to be solved. So at last solutions or feasible business strategies would be proposed for the improvement of China's furniture industry and in addition probable trends needs to be forecasted to provide further development.

1.3.2. Significance

Each furniture product is designed and produced base on a certain functional objective and finally satisfies the needs of customer. Nowadays vast numbers of furniture producers in China emerge with their various furniture products covers multifarious functions. Consequently, the consuming attitude is getting mature, and the completion within the industry is getting harsher. However, while expending its productivity, a lot of practitioners couldn't have a comprehensive view of the whole situation and confused on design, production and marketing. And in addition, the foreign furniture producers have occupied most of the high-end market. So the topic of this paper is to discuss about China's low to mid-end furniture producers and do a pilot study on the China's mass furniture market by using the marketing theories. By providing a clear China's mass furniture market outline and suggestions, we hope our work would elicit the practitioners' own thought and light their ideas.

2. Current Furniture Market in China

China's furniture industry is quite complicated. On one hand it has thousands of furniture manufactures that located in a few regions, and on the other hand they produce manifold categories of furniture products that various in quality and services. In this chapter we aim at exploring the holistic situation and outline of China's furniture market and provide data and information on market size, product categories, supply and demand situation, channels and import and export situation.

2.1. China's Furniture Market Overview

In China, as living conditions continue to improve, people are more willing to invest in home decoration. People's increasing purchasing power has driven the furniture market to develop in leaps and bounds. From 2004 to 2012, the revenue of wholesalers and retailers above a certain scale in the industry grew at an annual average rate of 29%. In January-November 2012, the growth slowed down somewhat to 25.2%, with revenue reaching \$24.45 billion^[6].

China's furniture market has vast room for expansion. Take the furniture replacement market as an example. According to statistics of the sixth population census, there were about 401.52 million households in all provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. Based on the assumption that people would replace their home furniture once every 10 years, around 40 million households would replace their furniture each year. If each household were to spend \$200 on average, total value of the furniture replacement market would amount to \$5 billion a year. Moreover, urbanization, as China's leading policy of stimulating domestic demand in the years to come, is bound to bolster the development of the furniture market.

According to the data from China National Furniture Association, the production value of China furniture industry in 2012 was \$102.66 billion, increased 23.13% compared with year 2011. In particular, the market share of high-end furniture products has increased almost 20% and reaches about 50%. The total import value for furniture industry was \$2.45 billion, decreased 10.51% compared with year 2011. As to the export value of China furniture industry, the total export value is \$59.37 billion in 2012.

Table 2.1 China's furniture industry production value (\$ billion)

	2010	2011	2012
Production value	\$66.38	\$83.16	\$102.66
Growth rate	-----	25.28%	23.13%

2.2. Segmentation

2.2.1. Product Categories According to Usage

At present, a wide range of products are available on China's furniture market and they can mainly be classified into home furniture, hotel and guesthouse furniture, office furniture, and institutional furniture.

- 1) Home furniture: This refers to furniture used in the homes of urban residents, including sofas, TV cabinets, tables and chairs, kitchen furniture, and bedroom furniture.
- 2) Hotel and guesthouse furniture: This refers to dining tables and chairs, sofas as well as guestroom furniture for hotels and guesthouses.
- 3) Office furniture: This refers to desks, chairs, bookshelves and cabinets for use in the office.
- 4) Institutional furniture: This refers to furniture for use in public organizations such as medical, sports, cultural and educational institutions.

2.2.2. Product Category According to Material

The furniture products in China mainly divided into five categories by materials: wood, upholstered, rattan/bamboo, metal and plastic.

1) Wood furniture

According to China National Furniture Association, in 2010 wood furniture production makes up around 58% of total furniture manufacturing revenue; in 2011 it occupies 60% of total furniture production revenue, generated revenue of RMB 314.43 billion in 2011, up 31.10% from 2010.

Wood furniture can be classified into solid wood furniture and panel furniture according to the material of its board. Additionally, solid wood can be divided into hardwood and cork wood. To differentiate them, a relative easier way is to press the surface of the wood with the nail, the one with the scratch of nail is cork wood, otherwise it is hardwood. Generally considering dense and dark color hard wood furniture is costly furniture^[7].

Nearly 80% household products are made of wood. In recent years, customers focus more on the texture of the furniture other than the appearance of it, a large amount of new products win out because of their original design and high-quality raw materials. Because of the clearness, freshness and the comfort that the natural and archaic texture bring with, whether the wooden furniture or the wooden decorations can always win the favor of customer.

2) Upholstered Furniture

The increasing resident income brings a great development opportunity of upholstered furniture, a costly and comfort leather sofa is always the ideal component of a living room. In these days, the accelerating growth of need of upholstered furniture causes fierce competition which contributes

much to the maturity of brand awareness. The competitors are not only from the domestic furniture producers but also from Europe, especially from Italy.

In 2008, the cumulative production of upholstered furniture is 32.5million units, and from then on, the increasing rate of upholstered furniture production has maintained above 20%.

3) Rattan/Bamboo Furniture

Rattan furniture is one of the most important segments of Chinese furniture market. With the development of the entire furniture industry, the sales of rattan/bamboo furniture tend to rise dramatically since 2003.

The tendency of preservation of forest resources is inevitable in the whole world. Consequently China has carried out conservation works for the natural forest, and that makes the hardwood resource even insufficient for the furniture production. While in China the rattan/bamboo resource is abundant, especially the proportion of the bamboo grove as well as the bamboo production output tops the world. Bamboo grows fast and has a short cycle time, so it can provide high production volume and once be grown properly it can be used sustainably. Therefore, bamboo/rattan could be one of the best choices in the future furniture market under the circumstance of growing shortage of timber resource.

The bamboo/rattan furniture prevails in Tianjin, Shanghai, Chongqing and many of the big cities in China, the development prospect of bamboo/rattan furniture in Chinese market is quite considerable.

4) Metal Furniture

The Metal Furniture Manufacturing Industry in China has developed rapidly in recent years. However, industry revenue decreased in 2009 due to the negative influences of global financial crisis and weaker household and commercial spending levels. Growth has been driven by strong domestic and foreign demand, with exports increasing rapidly in the first few years of the current performance period. Exports accounted for 36.9% of industry revenue in 2008, peaking at \$4.53 billion for the year. However, exports slumped 26% in 2009, accounting for 29% of industry revenue. Exports remain flat in 2010. Competing imports have only made up less than 1% of domestic demand in recent years.

Consumers' demand for furniture is influenced by the price of the products. Although wood furniture still dominates the furniture market, the increasing price of timber and wood products has a positive impact on metal furniture demand. In contrast, metal furniture is typically less expensive than wood furniture. In addition, with design and color improvements of metal furniture, demand for these products is on the rise.

The development of Metal Furniture Manufacturing Industry in China is also sensitive to some regular furniture trade events. The organization of regular furniture exhibitions also plays an important part in promoting the industry. These display the most fashionable furniture from other countries to meet the demand of those who desire imported furniture. Exhibitions also stimulate

the development of new furniture products from China. Trade fairs are also helpful in establishing brand names, promoting exports, and forging international co-operation.

5) Plastic Furniture

Compare to the traditional furniture that made of other materials, plastic furniture has several advantages: varieties of colors, diverse modeling, compact and light weight, widely applicable and facilitating cleaning.

Although plastic furniture is not a mainstream in China, but with the foreign furniture enterprise such as IKEA flooding into the Chinese market, the prospect is quite promising¹.

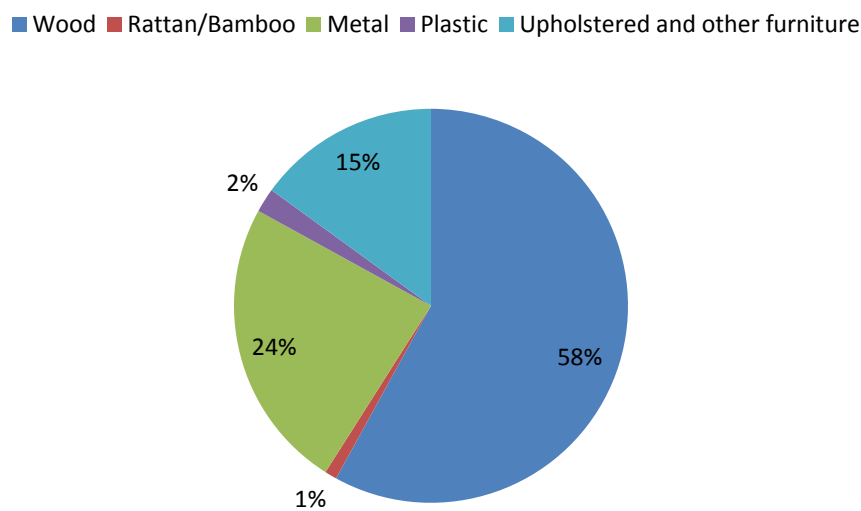


Figure 2.1 China furniture industry output value distributions in 2012

2.2.3. Segmentation of Consumer

Therefore, young people made up the majority of the industry's final customers. It is expected that the number of young adults (20 to 34 years) will increase by 77 million between 2005 and 2015. The change in age composition of the population will bring in more opportunities for this industry.

Consumer personal income levels directly affect furniture demand. Those with a monthly household income ranging between \$120 and \$360 accounted for 26% of the furniture market; households earning \$360 to \$480 accounted for 43%; and those with an income above \$480 accounted for 31%.

¹ Resource from China National Light Industry Information Center

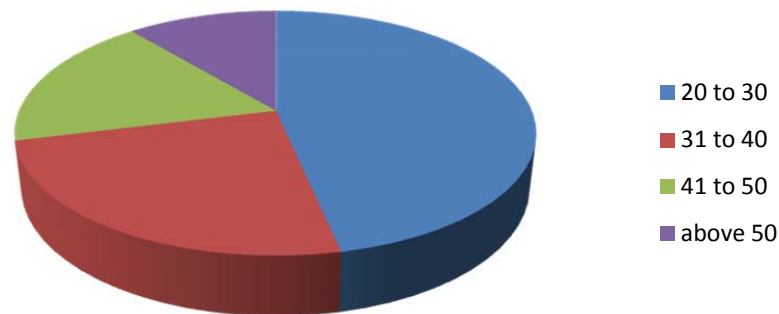


Figure 2.2 Segments of customers' age

The type of houses and the living space available offers different opportunities for furniture manufacturers. Those who possessed 60 to 80 square meters of living space accounted for 30% of the market; 80 to 100 square meters accounted for 20%; over 100 square meters accounted for 38%^[8].

2.3. Supply and Demand in Chinese Furniture Market

In this section the supply and demand of furniture product in China are studied separately, based on which we conclude the supply-demand balance status.

2.3.1. Supply

On the supply side in China, thousands of furniture manufactures are providing varieties of furniture to the Chinese consumer. Here we classify the supply mode base on enterprise economic form and geographic position respectively, and then the suppliers' levels and supply centralization are analyzed.

2.3.1.1. Supply Mode Classification

1) Supply Mode Classified by Enterprise Economic Form

According to the furniture enterprises' economic form, the Chinese market supply mode can be classified into:

- Domestic-funded Furniture Enterprise

Domestic-funded furniture enterprise includes state-owned furniture enterprise, collective furniture enterprise, joint stock partnership furniture enterprise, joint operation furniture enterprise, limited liability company type furniture enterprise, private-owned furniture enterprise and other domestic-funded furniture enterprise. Chinese mainland furniture manufacture is comprised mainly of the domestic-funded furniture enterprises.

- Hong Kong, Macao and Taiwan Funded Furniture Enterprise

It includes joint ventures furniture enterprise, joint business operation furniture enterprise, sole proprietorship furniture enterprise and limited liability company type furniture enterprise.

- Foreign Funded Furniture Enterprise

It includes Sino-foreign joint ventures furniture enterprise, Sino-foreign joint business operation furniture enterprise, foreign-funded furniture enterprise and foreign-funded shareholding furniture enterprise^[9].

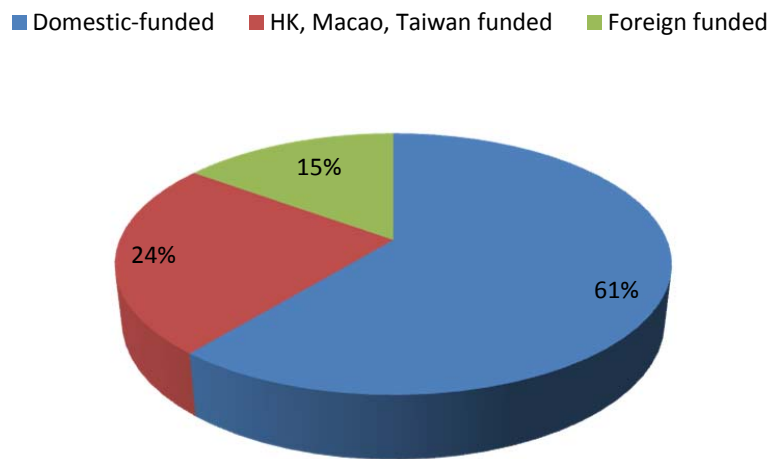


Figure 2.3 Porportion of different kinds of economic form according to the record of registration of enterprise in 2010

Before 2000, domestic-funded furniture enterprise accounts for over 70% of the Chinese furniture market. Since China joined the WTO, the foreign capital has flooded into Chinese market at an accelerating speed.

2) Supply Mode Classified by the Geographic Distribution of Furniture Manufacture

China's coastal cities develop faster than the inland cities, the unbalanced economic situation leads to different development of furniture manufactures in different geographic areas. Classification of supply mode according to the geographic distribution of furniture manufacture is as the form below:

Table 2.2 Supply situation of furniture industry in different area of China in 2010

Regional distribution of furniture manufacture	Regional characteristics
North East: Heilongjiang Jilin Liaoning	387 enterprises in total; \$48.70 billion of industrial sales, accounts for 9.3% of the gross industrial sales of the country; \$0.84 billion of export value, accounts for 0.53% of the gross export value of the country. Mainly produces the solid wood furniture, mostly produced in Liaoning province.

North China: Beijing Tianjin Hebei Shanxi Inner Mongolia	392 enterprises in total; \$28.35 billion of industrial sales, accounts for 5.43% of the gross industrial sales of the country; \$5.05 billion of export value, accounts for 3.19% of the gross export value of the country. Mainly produces the board type wood furniture, Beijing, Tianjin and Hebei are with great development strength.
East China: Shandong Shanghai Jiangsu Anhui Zhejiang Jiangxi Fujian	2537 enterprises in total; \$236.99 billion of industrial sales, accounts for 45.43% of the gross industrial sales of the country; \$90.20 billion of export value, accounts for 57.28% of the gross export value of the country. Furniture industries in Shandong, Shanghai, Zhejiang and Fujian are highly developed; Shandong is famous for producing chairs and desks; Zhejiang mainly produces upholstered furniture such as mattress and sofa.
South China: Henan Hubei Hunan Guangdong Guangxi Hainan	1847 enterprises in total; \$175.25 billion of industrial sales, accounts for 33.59% of the gross industrial sales of the country; \$53.08 billion of export value, accounts for 33.71% of the gross export value of the country. Guangdong is the most important province in China that produces furniture and it also owns 1398 large scale furniture enterprises.
South West: Chongqing Sichuan Guizhou Yunnan Tibet	246 enterprises in total; \$30.11 billion of industrial sales, accounts for 5.78% of the gross industrial sales of the country; \$21.88 million of export value, accounts for 0.014% of the gross export value of the country. This region is mainly for domestic market, export little. Sichuan is concentrated which has an industrial sales of \$25.64 billion. Oriented towards secondary and third market.
North West: Shaanxi Ningxia Gansu Qinghai Xinjiang	32 enterprises in total; \$2.30 billion of industrial sales, accounts for 0.44% of the gross industrial sales of the country; \$0.77 billion of export value, accounts for 0.49% of the gross export value of the country. Shaanxi and Xinjiang contribute the most for the furniture industry in this region

Source from Chinese Year Book of light industry in 2010

As the original area that modernized the furniture industry, Guangdong stands out in south China with its well-developed management pattern. While the furniture industries located in the east China are developing the fastest just like the booming economy in this area. However, the quality of the furniture production as well as its branding level is still very limited, the R&D capability is no in a good condition.

2.3.1.2. Levels of Suppliers

According to the Chinese government Notification about the Small and Medium-sized Enterprises Standard and Regulation Temporary Provisions and the matter of fact, there are three levels of suppliers:

1) Large-size furniture producer: refers to the furniture manufacture with more than 2000 employees, over \$5 billion annual sales and over \$6 billion total assets according to the previous year's statistics.

2) Medium-size furniture producer: refers to the furniture manufacture with 300-2000 employees, \$0.5-\$5 billion annual sales and \$0.6-\$6 billion total assets according to the previous year's statistics.

3) Small-size furniture producer: refers to the furniture manufacture with less than 300 employees, less than \$0.5 billion annual sales and below \$0.6 billion total assets according to the statistics of previous year.

2.3.1.3. Degree of Centralization of Supply

Although the furniture manufactures are located in limited regions, the centralization degree of furniture industry is quite low. From the point of view of enterprise structure, Chinese furniture industry is composed of small and medium-size enterprises mostly. For example, over 90% of wood and furniture industry production is from small and medium-size enterprises. There are large amount of furniture enterprises in China, most of which are not in large scale and have limited market share as well. For instance in 2003, the top 10 furniture enterprises' income in total is \$9.05 billion, contributes about 4% of the \$224.06 billion sales volume of the domestic market².

2.3.2. Demand

Here we classify the demand mode by target customer and production categories, and the customers' demand levels are identified separately.

2.3.2.1. Demand Mode Classification

1) Demand Mode Classified by Target Customer

Regarding the target customer of furniture industry and according to the purpose of the buyer, the domestic demand can be classified into:

- Consumer market demand: consists of individual demand and family demand in order to satisfy the need of consuming personal furniture product. Regarding the consumption scale and pattern, China has a large amount of consumers but the purchase quantity is fragmented; On the basis of Chinese consumer's buying behavior, almost all of the consumers purchase furniture in an unprofessional way, so that advertising of furniture enterprise is especially influential; Regarding the market dynamics, the liquidity of purchasing power of consumer is high, the contradiction of demand and supply is obvious and frequent.
- Producer market demand: consists of individual demand and enterprise demand in order to satisfy the need of furniture manufacturer of gaining profit.
- Reseller market demand: consists of wholesaler demand and retailer demand in order to satisfy the need of gaining profit through reselling. Purchasers in Chinese furniture reseller market are relatively more concentrated and professional, while they purchase large quantity of furniture and have high request of the selling profit.

² Resource from China's Furniture Industry Market Research Report 2003

- Government market demand: consists of government demand at different levels in order to purchase to satisfy the need while executing its duty. Purchasers in government market are rare whereas the purchasing quantity is very large. For example the 2008 Olympic Games had driven up the demand of furniture demand.

2) Demand Mode Classified by the Categories of Furniture Production

According to the location and condition of using, the market demand of furniture can be classified into:

- Home furniture market demand: refers to the furniture that satisfies the daily life use. The demand of this kind of furniture is highest, the variety of style and types are influenced by trends. It includes bedroom furniture demand, living room furniture demand, studio furniture demand, dining room furniture demand and kitchen furniture demand.
- Institutional furniture market demand: refers to the furniture demand that satisfies the indoor use in public buildings. The demand pattern in this category depends on the content of the social activity, professional furniture with limited variety but large quantity. Institutional furniture is almost as same as the daily used furniture, whereas the requirements of modeling, function and space using are relatively higher. Institutional furniture market demand consists of office furniture demand, shop furniture demand, catering furniture demand, theater furniture demand and school furniture demand etc.
- Outdoor furniture market demand: refers to the demand of furniture in order to satisfy the user's outdoor activity. This pattern of demand coincides with the style and function of external environment; the furniture is required to resist climate condition.

2.3.2.2. Customers' Demand Levels

The demand of Chinese domestic furniture market can be divided into three levels based on the purchasing power of the customer:

- 1) Top grade furniture: with high added value and artistic value, targeting at high-consumption crowd.
- 2) Mid-range furniture: suitable for ordinary consumers and accepted by the broad masses of the people. The price of it is intermediate and the consumption is the largest.
- 3) Low-end furniture: satisfy the basic requirement of people and focus on the practical applicability. Material selection and modeling are lower positioned. In fact, the low-end furniture has very large development space since the average furniture consumption in China is still inadequate^[10].

2.3.3. Balance of Supply and Demand

Chinese furniture industry is booming steadily. The sales-output ratio reached 98.34% in 2012 which is quite outstanding and demonstrates the big potential of this market. The product backlog rate is less than 10%, and the Sales-output ratio of large scale furniture enterprise maintains above 95%. Overall, the supply and demand of furniture market in China is balanced^[11].

2.4. Sales Channel

The major sales channel in China includes: chain store, supermarket, specialized furniture district, independent retailer, direct-sale store, department store, group purchase, joining stores and online sales.

On the retail side, chain stores and supermarkets are the most popular sales channels in China. Imported furniture is mainly sold in specialty stores and high-class furniture shopping malls. In these matured markets, buyers increasingly source furniture directly from manufacturers, while some still purchase through agents and distributors.

Specialized furniture districts are popular on the Chinese mainland for both retail and wholesale business. Shanghai and Beijing have been the important sales places for all furniture companies. This sales model is particularly popular with foreign furniture enterprises, with IKEA of Sweden being the first mover.

Independent retailers usually retail one or several different types of furniture. Generally, sales representatives from manufacturers contact independent retailers and sell products to them, or independent retailers attend furniture exhibitions and negotiate with manufacturers. In China, independent retailers are the most competitive in providing specialized guidance and service to clients, particularly for medium and high-end products.

In the direct sales channel furniture is sold to end users in exhibition halls, manufacturers' outlets and the internet. In China, office furniture is commonly sold via direct sales, in contrast to household furniture, which is more commonly purchased in retail and wholesale outlets. Franchised stores are a relatively new concept in China for furniture sales.

Most of the furniture sold in department stores is aimed at high-income consumers. Warehouse clubs and mass merchandisers are the largest distributors for the low-end segment. Many manufacturers produce on an OEM/ODM basis for major foreign brands. Some establish their own retail outlets particularly on the mainland and hold subsidiaries, branch offices and showrooms in major Chinese cities to facilitate domestic sales. Low to medium-end products are often sold in furniture hypermarkets. Many factories are built near the hypermarkets In order to reduce costs^[12].

Manufacturers specialized in the production of replicas of Chinese antique furniture rely on their established network with overseas agents, wholesalers and retailers. In order to meet the taste of the local shoppers, some overseas retailers design their "modified Chinese furniture" and engage agents for production in the mainland.

Online group buy is gaining popularity in the furniture market. There are mainly two forms of group buying: one is led by a home center with the participation of a large number of brands; the other is the offer of a single furniture brand. The two share something in common, that is, both have physical stores but choose to cooperate with online shopping sites. Group buy members, who are recruited online, can go to the physical store to view the furniture products before going online to place their order. The greater the number of group buyers, the higher is the discount

offered. Not only can these physical stores market and promote their brands by making use of the online group buying format, they can also boost product sales within a short time, which can in turn quicken the rate of cash flow and lower the pressure on inventory. Online group buy has now become a marketing method adopted by many companies.

2.5. Import and Export Situation in China

Since China entered the WTO for several years, and implemented the related regulations, China has replaced Italy as the largest furniture export country in the world. Obviously, it will incur more competition for furniture industry.

In the Chinese furniture market, the total value of importation was much smaller than the total value of exportation. In 2011, the importation value was \$2,784.16 million while the exportation value reached \$59,372.56 million. The imported furniture products are mainly mid-high class furniture and special furniture whose price is triple or even higher compared with that of domestic furniture. For those foreign furniture companies want to enter the Chinese market, they must provide the good products satisfied by local customers, also with suitable price^[13].

2.5.1. China Import

2.5.1.1. Import Volume

For the last decade, China witnessed a quick growth on furnishing importation. The total value of furnishing importation got an annual growth of 18.07% in 2008, up from \$1.3 billion in 2007 to \$1.53 billion.

When it came to 2009, the world financial crisis led to a significant decline in the world trade and economic activities. However, it seems that there is no influence to the Chinese furniture importation market. The total importation value in 2009 is \$1.85 billion, with a year-on-year increase of 20.55%. And the total importation value in 2010 is \$3.12 billion, with a year-on-year increase of 68.65%. In 2011, the total importation value is \$2.78 billion. In the first half year of 2012, the total importation value is \$1.33 billion^[14].

2.5.1.2. Countries That Import From

Germany, Japan, United States, Italy, South Korea and France are the top six countries in the imported furniture market by importation value in the first decade of 21st century. Germany and Japan are usually Top 2 regarding importation value, the total importation value from these two countries usually accounted over 1/3 of the total importation value (34.08% in 2011)^[11].

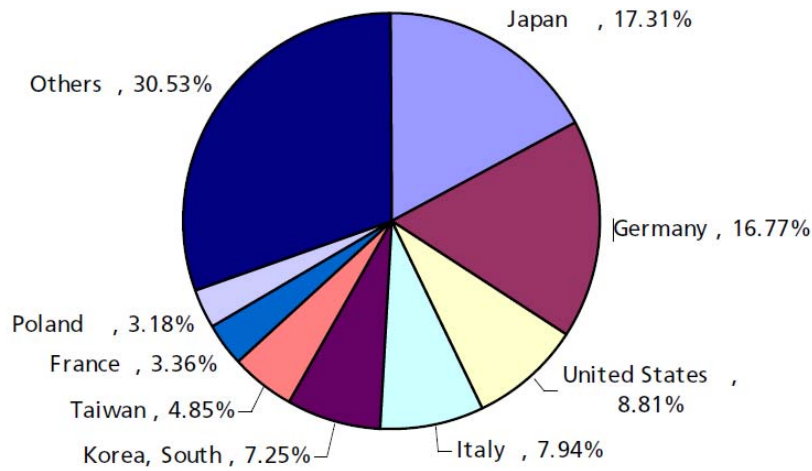


Figure 2.4 Proportion of China import from different countries in 2011

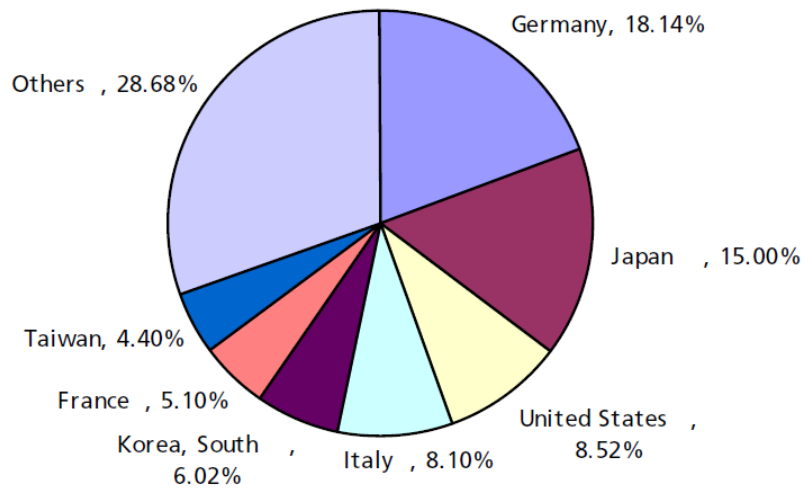


Figure 2.5 Proportion of China import from different countries in 2012

2.5.1.3. Import Product Category

Regarding the importation value of different categories of furniture in the recent 3 years, the top three categories were always HS 9401 (Seats, other than those of HS 9402), HS 9403 (metal and wooden furniture used in the office, kitchen and bedroom) and HS 9405 (lamps, lighting and fitting).

In 2011, the total importation value of these three categories accounted by 92.02% of total furniture importation in China, in which 53.27% by category HS 9401 with an amount of \$1,483.17 million, 21.78 % by category HS 9403 with an amount of US\$ 606.36 million and 16.97% by category HS 9405 with an amount of \$472.51 million respectively^[11].

Table 2.3 China import by products in 2011 (millions of dollars)

HS	Description	2009	2010	2011	2009	2010	2011	11/10
		Millions of US Dollars			% Share			% Change
	--World--	1,003,892.75	1,393,909.27	1,741,429.81	100.00	100.00	100.00	24.93
94	Furniture And Bedding	1,848.06	3,118.05	2,784.16	0.18	0.22	0.16	-10.71
9401	Seat (Not Dental,Etc)	809.16	1,160.56	1,483.17	43.78	37.22	53.27	27.80
9403	Other Furnit,Not Seat	369.96	426.42	606.36	20.02	13.68	21.78	42.20
9405	Lamps,Lightng,Fitting	511.21	1,227.63	472.51	27.66	39.37	16.97	-61.51
9402	Med/Surg/Den/Vet/Etc.	68.04	88.07	101.32	3.68	2.83	3.64	15.04
9404	Articles Of Bedding	44.45	53.20	63.69	2.41	1.71	2.29	19.72
9406	Prefabricated Building	45.23	162.18	57.12	2.45	5.20	2.05	-64.78

2.5.1.4. Import From Italy

Italy is always one of the main players in the Chinese imported furniture market. In 2010, Italy was No.6, with the importation value of \$151.40 million. In 2011, Italy was No.4 in the Chinese imported furniture market with the importation value of \$221.10 million, which increased by 46.03% compare to 2010. And the marketing share of Italian furniture increased from 4.86% to 7.94%.

China Import from Italy - Furniture Sector

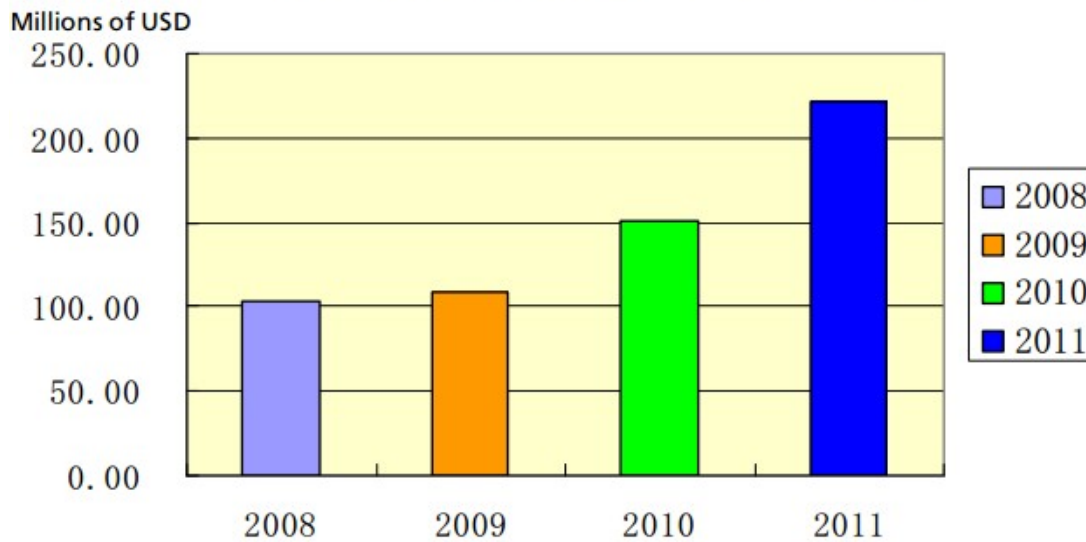


Figure 2.6 China import from Italy (millions of dollars)

Table 2.4 China import by products

HS	Description	2009	2010	2011	2009	2010	2011	11/10
		Millions of US Dollars			% Share			% Change
	Italy	11,026.60	13,993.69	17,573.18	1.10	1.00	1.01	25.58
94	Furniture And Bedding	109.32	151.40	221.10	5.92	4.86	7.94	46.03
9403	Other Furnit,Not Seat	59.27	75.17	125.43	16.02	17.63	56.73	66.86
9401	Seat (Not Dental,Etc)	25.99	44.52	63.66	3.21	3.84	28.79	43.00
9405	Lamps,Lightng,Fitting	16.27	22.22	20.15	3.18	1.81	9.11	-9.33
9404	Articles Of Bedding	3.17	5.90	8.24	7.13	11.09	3.73	39.61
9406	Prefabricated Buildng	2.23	2.23	1.44	4.93	1.38	0.65	-35.44
9402	Med/Surg/Den/Vet/Etc.	2.40	1.36	2.19	3.52	1.55	0.99	60.79

As to the imported furniture products from Italy, the top one category by importation value was always HS 9403 (metal and wooden furniture used in the office, kitchen and bedroom), followed by HS 9401 (Seats, other than those of HS 9402) and HS 9405 (lamps, lighting and fitting).

In 2011, the importation value of these 3 categories covered 94.63% of total importation value, in which 56.73% by category HS 9403 with an amount of \$125.43 million, 28.79% by category HS 9401 with \$ 63.66 million and 9.11% by category HS 9405 with \$20.15 million^[11].

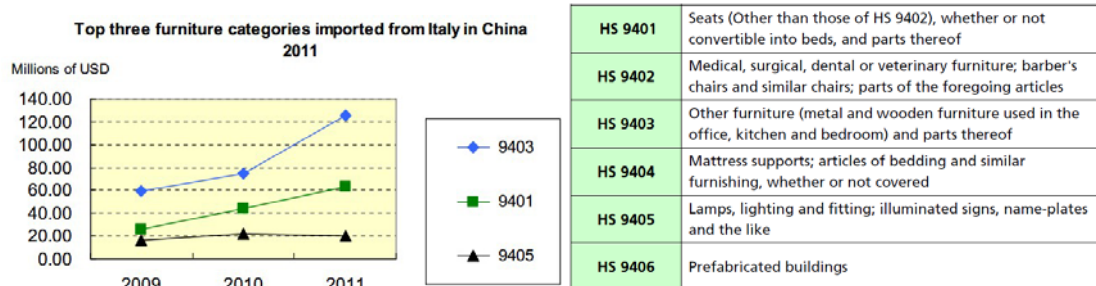


Figure 2.7 Top three furniture categories imported from Italy in China in 2011

2.5.2. China Export Situation

OEM1 orders currently account for more than 80% of China's furniture exports, and there are few well-known Chinese furniture brands. However, large Chinese manufacturers are moving towards higher value-added production and spending more on design and branding instead of focusing purely on price competition. This is especially to serve the export market as well as mid-high domestic market.

In 2011, Chinese furniture was exported to over 100 countries (regions), most of which are from Asia, North America and Europe. The top 5 exportation countries were: United States, Japan, Germany, United Kingdom, Australia and Canada.

The exportation value of Chinese furniture has grown rapidly in the first decade of 21st century. In 2008, it reached its peak point at \$42.79 billion. Yet, the total value of Chinese furniture export dropped to \$38.96 billion, fell by 8.95% in 2009 due to the world financial crisis compared with 2008. As the worldwide economic recovery proceeds in 2010, the global demand for furniture is growing rapidly. In 2010, the total exportation value of Chinese furniture accounts by \$50.61 billion, with a 29.91% increase compared with 2009.

On the contrary to its important position in the imported furniture market, Italy was only the No.15 among all the countries to which China export its furniture product in 2011, accounted by \$972.44 million. In 2010, however, there is significant increase on the Chinese furniture which rose up to No. 10 among all the countries to which China export its furniture product with an exportation value of \$910.07 million and with a 33.67% increase compared with 2009^[15].

3. Marketing Analysis of China's Furniture Market

In this chapter we focused on the Chinese domestic furniture market, based on the relevant market data we've searched, made a differentiated analysis mainly focusing on mass market. From political, economic, social and technical aspects we depicted the macro environment across the nation regarding the whole-end furniture sectors, then narrowed down the scope we analyzed how 4 factors could have impacts on the mass market oriented enterprises. And went deep inside, we analyzed the demand situation from mass customer's point of view, in a micro-scope view. In the market there are competitions, thus we thought it's necessary to talk about competitive situation as supplementary for market depiction. At last, we performed a 5-force analysis of the non-high-end furniture industry for the enterprises who want to enter into the market.

Even though the package of analyses are involving low, middle and high-end market, but based on the Chinese domestic enterprises' situation in the market, we tend to focus on the non-high-end oriented group, it is mass market oriented, which comprises the absolute majority of players, targeting on mass customers in Chinese market. And also in the analyses which were done in the following, we naturally emphasized more the non-high end ones, so to lay the foundations for the upcoming chapters' analyses.

3.1. Macro environment (PEST analysis)

PEST analysis method is always best used to describe the framework of macro-environmental factors of the market. Here we do both PEST on country-perspective and industry-perspective to understand more specifically about the macro-environment.

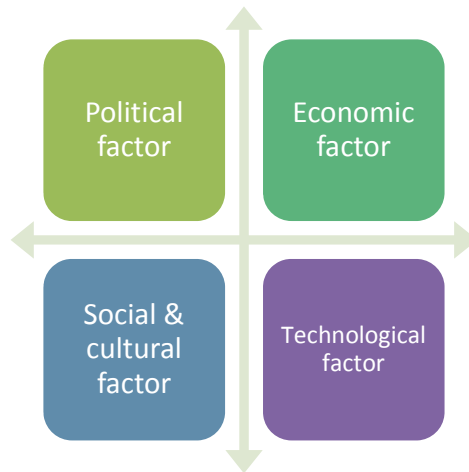


Figure 3.1 PEST model

For country-perspective we just conclude some general tips below which outline the basic situation in China:

Table 3.1 PEST analysis on China's situation

<p>Political factor</p> <ul style="list-style-type: none"> • Political environment is stable • Tax is increasing steadily and tax policy is quite foreign investment preference • Complete trade policy and a more and more important place in the world trade-related organizations • Social welfare is comparatively poor, but continuously Chinese government is trying to increase the investment and improve the situation 	<p>Economic factor</p> <ul style="list-style-type: none"> • Increasing fixed asset investment • High foreign exchange reserves, the biggest dollar holder as the foreign exchange reserves • unstable interest rate • Increasing money supply from central bank for supporting economic activities • Comparatively high inflation rate • Relatively low residence disposable income , but gradually increasing • Greatly growth of GDP(rank NO. 2 all over the world)
<p>Social & cultural factor</p> <ul style="list-style-type: none"> • The largest population in the world (Rich labor resource) • High Engel's coefficient (around 40%) • Life style modernized and life quality improved gradually • Big income gap between the rich and the poor • High coverage rate of internet and television • Heavy work pressure, less leisure time • Increasing high level of education and social mobility 	<p>Technological factor</p> <ul style="list-style-type: none"> • Biggest amount of trademark application and registration all over the world • Highly spending of government in Research (NO.2 all over the world) • Improving technology transfer • Growing awareness and scale of intellectual property • Domestic companies are relatively lack of advanced core technologies

Table 3.2 PEST analysis on the perspective of furniture industry

<p>Political factor</p> <ul style="list-style-type: none"> • Free market economy policy in furniture industry, practitioners are non-state-owned enterprises • Economic policy preference for joint ventures or multinational corporations • Complete legislations for company operating • Zero tariff levy on imported furniture 	<p>Economic factor</p> <ul style="list-style-type: none"> • Growing purchase power of the populace • Industry market size increase occurs along with the GDP growing • More different channels to sell products • Limited brand awareness of domestic products • Imported furniture takes the high-end market, domestic furniture takes the middle and low-end market
<p>Social & cultural factor</p> <ul style="list-style-type: none"> • Growing awareness of stylish and famous-brands • Growing awareness of eco-friendly • Majority customers are buying low-to-mid-end products • Young people and successful firms have more interaction and involvement with e-business 	<p>Technological factor</p> <ul style="list-style-type: none"> • Craftsmanship is growing among all furniture categories • High ability of plagiarism and copy • More intensive of intellectual property protection • Higher competition of tech-level on production

With a general understanding of the national macro-environment, it's more important to figure out what the focused industrial macro-environment is of the country. In the following we are going to discuss in detail of each factor amongst the China's mass furniture market.

3.1.1. Policies and role of government

In year 2012, the production value of China furniture industry was \$102.66 billion, increased 23.13% compared with previous year. Nowadays furniture producing industry has already become the top fourth industry of national economy which comes after food, clothing and household appliances. China's furniture export has been in the first place among the world for years, with a total export value of \$59.37 billion in 2012. It's easy to see that the furniture industry is in an indispensable place of Chinese economy, so the government will certainly emphasize a lot to serve and boost the domestic industry developing.

In furniture sector the policy is totally free market economy, government step aside to let the non-state owned enterprises to dominate. Even though government as an external variable to the market, because of the incompleteness of market at this stage, the fragility of main market players and limits of industrial develop level, the ability to allocate the resources and develop industry of market is relatively low. The importance of government could be high under these circumstances. In China, government has always been the mightiest factor to guide and lead the industry by macro-control, policy guidance and government involvement.

The government affects the industry market mainly in the following aspects:

1) Arouse market demand. Most of the furniture-making firms in China are small and medium sized, they are lack of scale economies and successful marketing measures, mostly local region oriented and cutthroat competing with each other. Meanwhile the furniture industry production value has a higher growth rate than that of GDP and disposable income, there is an oversupply domestically. What does government do in the situation are: Help creating "market" for these producers. For instance, holding furniture exhibitions or furniture involved cultural festivals for local enterprises to boost the publicity of the products and brands. Reward the best performed enterprises in sales value or technics improving. Facilitate bulk orders among different regions or invite bids itself. Make polices favor to the enterprises which export the surplus production to expand the abroad market.

Table 3.3 Selected furniture exhibitions to be held in China in 2013

Date	Exhibition	Venue
16-20 March 2013	International Famous Furniture Fair (Dongguan)	Guangdong Modern International Exhibition Centre
18-21 March 2013	China International Furniture Fair (Guangzhou)	China Import & Export Fair Pazhou Complex
21-24 March 2013	Outdoor Lifestyle Hangzhou 2013	Hangzhou Peace International Exhibition Center
10-12 May 2013	Zhengzhou China International Furniture Exhibition	Zhengzhou International Convention & Exhibition Centre
11-15 September 2013	China International Furniture Expo	Shanghai New International Expo Centre
18-21 October 2013	Xi'an International Furniture Fair	Xi'an Qujiang International Conference & Exhibition Center

Source: Chinese furniture network (www.zgjj.cn)

2) Attract foreign investment and business. Even though this will invite more hard competitors into the domestic market, most of the invited players are aiming at high-end segment and with different market targeting compared to most domestic middle and small size players. Most importantly mass furniture enterprises could learn a lot of advanced management and marketing experiences from the foreign ones, not to copy their products, but to refer their business ideas. And by introducing them could complete the levels of product supply, make the market much sounder, and at the same time increase the tax income for the government.

3) Support related industries. Chinese governments are good at guiding some certain industries to blooming by making special attending policies, so this could be used in supporting the furniture related industries to thriving so to pull the furniture industry to grow itself. Industries like real estate, hospitality, general logistics, and aesthetics are positive to influence the furniture market. These also contribute a lot to the overall economy, and government has the ability and wishes to support them, and hence promoting the furniture market potential.

4) Help improving firm's competitiveness. The government could set policies to attract talents to the furniture enterprise, set awards for the prominent, set new industrial standards for them to achieve, this will encourage the firms to improve their business management ability and production capability, by improving the players' quality, could they provide the high-quality products, and hence could improve the market potential in future^[22].

3.1.2. Economic impacts

Healthy growing economy coupled with rising residents income is providing impetus to the growth of furniture market. Firstly, China's GDP is expected to grow at a CAGR of 11.68% during 2010-2015. Secondly, under a certain extent of control by the government but still booming real estate sector will lead to increasing demand for products from the furniture industry. Real estate market in China, comprising of residential, commercial and office building sales, had grown at a CAGR of 18.2% in year of 2011. And thirdly, accelerating urbanization & modernization and changing consumer lifestyle will allow the players to increase their customer base. Furniture exhibitions along with strong distribution network provide sales opportunity for the furniture market. In year of 2011 the furniture retail sales had grown at a CAGR of 25%³. And lastly, changing demographics and rising tourism among the country, which will propel the hospitality industry, provide the opportunities for the players to capitalize on. All these factors pave a promising way for furniture industry in China.

The real estate market as the most important downstream market of furniture industry, its degree of prosperity influences the furniture market vitally. While in China the real estate industry is still thriving, but the unreachable price level and ultrahigh price growing speed draw a big problem to the civilian and government. So in recent years central government had carried out lots of policies to suppress the market from growing too fast, such as Housing restriction policy. And as a supplement of the commercial housing, government introduced the more solo-type, economical house and tenement house to mass resident. As a consequence the new popular housing style will have certain impact on mass furniture market. Firstly these kinds of security housing's floor space

³ Source: China Market Research Report.com (www.askci.com)

prohibits the sets of high-end furniture from entering and be “compatible” to the room; and secondly the mass customers who are in need of these houses cannot afford too high price, therefore they tend to mass market products with reasonable price. Then enterprises should cater the customer by putting much emphasis on the mass-end products.

Nowadays the sales channels of furniture products are quite diversified: online stores and physical stores like hypermarket, specialized store, furniture mall etc. For physical channels the industry is just performing better and better as the logistics system industry is getting more competitive and complete. The online channel is with a great potential: in past decade from year 2003, the e-commerce market in China had grown in an astonishing speed, with CAGR of 120%. In 2012, the transaction scale of e-commerce market was \$1.27 trillion, with growth rate of 31.7%, 4.1 times of the growth speed of GDP in the same year. Among which the online retail market scale surpassed \$0.16 trillion, it’s easy to see that furniture online sale can have tremendous prospect⁴.

And still according to relative research in 2010 Chinese average spend on furniture purchase was \$30 per person per year, compared to developed countries as USA, Germany and Japan which around \$300, it was in a very undeveloped level^[20]. But it is also a very huge consuming space to grow. As impacts existing described above, the market will be fully stimulated.

3.1.3. Social Factors

To satisfy the customers well is the ultimate goal for every player in the market. What affects the customer’s decision and current value orientations of the market are tightly correlated with current social factors.

The biggest society feature of China is the most population and relatively very low spends on furniture per person, and this leads most of the customers tend to middle and low-end products. In low-end section, it is dominated by numerous of domestic small-size local enterprises, which according to the data, offers the majority of customers by the majority furniture producers. In year 2011, the total population is 1.35 billion, among which the rural resident takes 48.73%. Customers of this segment are mainly for low-end products, with the select scope inside mass market furniture; Take yearly disposable income reaches \$100 thousand as a standard, China has approximately 3 million rich families. For the 51.27% urban resident, every family has 3.1 people in average, so the non-rich families are almost 220 million. They are also customers of mass market furniture, face products of low-to-mid-end.⁵ And apart from the family end, the furniture still has market in office end, hospitality end, public institution end etc., which are all population base correlated. Under this large population scenario, these markets offer huge potential for the mass furniture products as well. As a conclusion the mass market products has the absolute customer base in the country.

But as the whole economic condition continuously improving in China, especially in cities, people have more money, and stronger sense of stylish life, they are willing to spend more portion of income on home style-fit furniture, and also when picking furniture they emphasis

⁴ Source: China Finance Information (www.cfi.net.cn)

⁵ Source: National Bureau of Statistics of China (www.stats.gov.cn/tjsj/nds)

more on the inner value (value added) and design ideas. It means cheap furniture will shrink in market, but more delicate-made, from middle to upper class furniture will prevail.

China is large in geography, and also area diversified a lot. Customers in different area or regions are marked with the characters of the local culture and customs, and also influenced by the level of economic development; therefore their preferences and affordability on products are quite different. Mass market oriented furniture is targeted for customers across the nation, but companies cannot target without differentiation, or offer one-set-for-all. Northern people are more bold and frank, they would fancy products more solemn and generous; southern people are more exquisite and attentive, they would favor products that are fashionable and gorgeous. East areas are more economic developed, customers will have more purchasing power and sense of trends, and they would more like to buy high-ranking products; while west areas are less developed, people may choose products more conservatively, and price factor will be more concerned. Meanwhile China is a multinational country, products with classical elements or traditional design ideas will be more popular in areas where minority nations are dwelling. These social factors may seem too vague, but if companies fail to consider the slight differences or segment and target improperly, they will fail to catch the right market.

Meanwhile, customer as a group is diversified among different segments. Enterprises play in the market should figure out what the situation and act to pander cater them correspondingly.

- According previous data, young people aged from 20 to30 accounted 42% of the market customer, as expected young population is growing, the market could expand. Now young are more sensitive to fashion and style, care more about life quality, they will tend to fancy the furniture with quality and style.
- According to a survey conducted in Shanghai, intellectual structure and life attitude of consumer group is changing. About 78% of them who usually go to furniture market are have a bachelor degree or more, they are not merely satisfied by the function need, but seek a new life style to fit their cultural level and taste⁶.
- The level of incoming just directly reflects the desire and ability of purchasing. Families with a monthly income more than \$360 account for 74% of total that go to furniture market. It's easy to see that when most customers who would like to go to spend some money in the store, they do have some purchase power^[26].

As society and tech developing, environmental protection is becoming a common sense of human being. Not just confined in pollution control or animal saving, the sense is infiltrating into daily life, into human's health care already. In new century the claim of eco-friendly for products is just on the desk, in furniture industry it is also a very important indicator for modern enterprises. As construction pollution, decoration pollution and furniture pollution becoming the top 3 pollution of interior of family and office, today people have the awareness of health-friendly on furniture. People consider the factor more and more, and have the trend to pay more for healthy life. "Green" label may gradually become the sellable guarantee for furniture products, especially mid-to-high-end products targeting for the sense-aroused customers. To be honest it's a good sign for the

⁶ Source: SOHU home furnishing (home.sohu.com)

sustainable development of society; even though draws some challenges on the mass producers, but also lays opportunities to whom following the irresistible trend.

3.1.4. Technological Influences

As analyzed before the first technology that influences the furniture market is the cyber tech. with doing business online, the practitioners could do better marketing, which comprises advertising, promoting, market research etc., could save the physical store rental so to save the cost, could eliminate the geographical barriers to communicate. If furniture selling could integrate into the big blossoming e-commerce environment in China well, there could be some synergy for this traditional industry.

Techniques in researching and producing processes, digitization is also very crucial. As relevant techniques like 3D print becomes popular, producers could make the processes much easier, more efficient, and make the products more exquisite. The techniques and skill gaps between foreign and domestic big players are not that obvious, but between big and small players, it could be assignable, and this makes the difference in terms of product quality and idea realization.

Technologies in material really matter a lot with respect to the “green” level of products. Customers want furniture materials have enduring performance while give no harms to life, then companies will try to satisfy. Materials of main body and paint require very strong research capability, which is now most Chinese companies are lacking of. When domestic enterprises claim that their products are green and healthy, they never forget to say they use some kind of imported painting materials, and then the customers generally buy this. That’s quite obvious that material technology plays a big role in today’s furniture industry.

Even though Chinese government now cares more on intellectual property protection, plagiarism and counterfeits are still very popular among the players. One hand is domestic companies are really lack of inspiration and fall behind in design level, they can only copy the leaders’ to catch the trends then to survive; the other hand is as furniture piece is made out, its outline cannot be attributed into protection scale and also very easy to be duplicated. The phenomenon is quite severe and put tremendous barriers in benign competition.

3.2. Micro Environment

After analyzing the macro environment of Chinese furniture market, we need to go deeper into the market demand and competitive analysis to figure out a better understanding of the customers’ level and enterprises’ level.

3.2.1. Demand analysis

3.2.1.1. General description on market demand

For many years, the mainstream design of furniture has been embracing elements of culture, nature, environmental protection, and trendiness. In the choice of furniture materials, nowadays consumers tend to go after the back-to-basics trend such as solid wood furniture with concise design or wood veneer furniture showing the wood grain. While plywood furniture is the

mainstream of wooden furniture, solid wood furniture is gaining increasing popularity. More and more consumers with certain economic strength now opt for solid wood furniture, and hence made solid wood products sense of higher rank. Meanwhile plywood furniture which targeted in mass market is moving towards imitation solid wood to catch the sense of wooden-favor trend.

As for product style, Chinese classical style furniture and Western classical style furniture are the two in the top rank. These two types furniture have big inner value and are mainly the first choices of high-end products, thus gradually made such an impression on customers.^[24] Modern style furniture combining Chinese and Western elements is emerging as new hot picks in all-end furniture market. In mass market the main type is still the panel and upholstered products in a modern fashion and concise design. The beauty is easy to be understood, and convenient to transport and deploy, with good utility performance, thus fit the massive customers' tastes. In low to mid-end market, they take almost 85% of total furniture types that been sold.^[21]

Furniture categories as sofas and beds are the top two furniture items bought. Sofas and beds are also furniture products which the customers are most willing to pay more for higher grade or better quality. From customers' perspective it's mainly because the upholstered furniture is most frequently contact with people, for the sake of physical comfort and mental enjoyment, customers care very much on it.

Demand for both children's furniture and children's bedroom decoration service is on rise. According to the sixth population census, the number of children aged 0-14 reached 220 million, accounting for 16.6% of the total population. As more and more parents become aware of the importance of furniture to child development, prospects for the children's furniture market are becoming promising.^[29] Outdoor furniture is gradually rising in Chinese market also. Increasing variety outdoor furniture mainly falls on the following categories: beach beds, leisure chairs, rattan chairs, bamboo chairs. Demand in the outdoor furniture market has been extending from specialized sectors such as star-grade hotels, restaurants, exclusive clubs, private gardens, also including rooftops and terraces.

3.2.1.2. Customer's buying behaviors and analysis

The market today is no longer seller's market but buyer's market already. Companies knowing nothing on buyers are doomed to fail. They especially retailer should figure out the customer buying behaviors and psychologies behind them, then make use of these minds or take measures to guide them, to maximize the possibility of reaching the deals.

The mass market comprises diversified customers, and hence their demand emphases and purchasing behaviors could be different. In low-end sector, customers are with limited buying power; to them whether the choice is economical is the first concern. They care most of products' price-performance ratio, the brand identity is less relevant, and the style is also not so concerned. Under these very circumstances, a lot of Chinese furniture enterprises which don't have strong brand image, less advanced in producing techniques and always being the style follower, get the space to live---offering cheap furniture. These firms do satisfy the economical demand on the customer group, therefore they get survived.

While in a higher end market, things can be a little different. Nowadays in China mainland, middle-class consumers are more taste refined, more consumable, and placing more and more emphasis on home decoration. According to findings of a consumer survey on furniture conducted by the Hong Kong Trade Development Council (HKTDC) earlier, with 73% of the respondents saying that they are more willing than before to spend money on purchasing or replacing home decorative items. Also, trends have a strong influence on their buying decision. In choosing furniture, the respondents attach most importance to “quality” and “style”, both of which account for more or less the same degree of importance^[25]. This means that consumers pay great attention to trends and designs. By comparison, “price” is less important than “quality” and “style”. Therefore for firms who oriented in mid-end products, they can’t just simple play “price” card but without any contents in “design” to deal the more mature customers. If cannot satisfy buyer’s style and quality tastes, companies will certainly lose margin in this market.

According to the survey by HKTDC, on the interval of replacing furniture, the average period mentioned is 7.6 years. Among all of the responding customers, 13% mentioned 3-5 years, 22% mentioned 5-7 years, 26% mentioned 7-10 years, 11% mentioned 10-15 years, and 24% point out that they would only replace their furniture when it is broken^[25]. 7.6 years interval is easy to be understood: furniture is bulk product for certain family or organization, it’s a big expenditure for every single purchase; during using period, furniture is less easy to wear and tear, it doesn’t need to replace very frequently. But for companies they can consider to lower the periodic time for repurchasing so to increase sales. They can reduce price to make customer have less feeling about “big expenditure”, so to stimulate the buying desire; they can create the sense of trendiness or fast consuming through promotion, inspire customer to replace the old ones; they can offer old-for-new service, exploit customer’s mind of “love new and loathe old”, reduce the old possessing time, accelerate the replacing process.

In terms of degree of consumer interest, after-sales service, use of green materials, use of new materials, product warranty, and provision of flexible services are mainly the customers’ prior focuses, which accounting about 80%. Among these factors, the degree of interest in both after-sales service which involves repair and maintenance, and use of green materials exceed 80%, and these are basically the most important factors that consumers care when they make their buying decisions, and worth the enterprises to pay attention to and improve. Today customers buy furniture not only on products, but also willing to pay to expect the proper service. Services could add value on products, a considerate add-on service could differentiate the product, meet the customer’s pay-for-enjoy expectation. To make customer more satisfied, companies shall not only offer basic terms like repair and maintenance, but more synthesizing and human-based services from pre-buy to after-sale procedures.

An increasing number of consumers, in particular mid-to-high end consumers, choose to embrace new living concepts, the “eco-home” and healthy life are certainly the most prevailing. These consumers have a strong preference for “eco” and “environment-friendly” furniture, despite the fact that the price of such furniture is higher than like-products. Whether the product is “green” or not will affect the purchasing choice of most customers. It means unhealthy material used or non-eco-friendly produced furniture will be despised by customers who have this awareness. According to HKTDC’s consumer survey, over 90% of the responding consumers are interested

in using green, eco-friendly materials and are willing to pay a premium of 14% on average in purchasing products made of green materials. In view of this, many furniture and building materials brands have added the idea of “eco-friendliness” in their brand concept to acquire mass customer’s approval. It has already become an irresistible trend in today. Examples in market include furniture incorporating indoor air purification function, no harmful gas emission painting, and light-weight honeycomb board etc.⁷

3.2.2. Competitive Analysis

3.2.2.1. General description

After almost 20 years of rapid growth in its furniture industry, China has now become the world’s largest furniture production base and exporter. According to information released by the China National Furniture Association, among all regions in China, the Pearl River Delta has the highest concentration of the furniture industry with the highest production output and strongest integrated support capability. Next come 5-province eastern China area, which has an advantage in product quality and operations management. In the Yangtze River Delta region the furniture industry is developing with the highest average growth rate in the country. The north and northeast regions with Beijing as the center have a sound furniture industry base and rich wood resources. As for the center and west regions, the furniture industry is still at its nascent stage. These regions are the main battle fields of furniture producing and sales, big player are competing across the regions up to the whole market of the country, while small players which are local market oriented are mainly competing insider the belonging regions^[32].

As China has opened its market to the world and joined WTO in 2001, more and more foreign companies noticed this huge promising market and came to China successively. Foreign furniture industry players mainly enter the Chinese market in three forms: operating specialized stores, setting up processing bases, and procuring enterprises in the mainland. The general distribution channel of imported furniture is mainly specialty stores and high-class furniture shopping malls. To be noticed that most of the foreign competitors are operating in high-end sector, for mass market sector we don’t pay too much attention on them, but only IKEA as the most excellent one.

To illustrate the competitive situation, we take 3 big cities as example: Beijing furniture brand such as Tiantan, QM, Posh have certain popularity in Beijing market. Tiantan has 12% usage rate, which follows closely after IKEA, and together with IKEA they form the leading group in Beijing furniture market. In Guangzhou, brand power is quite balanced: Red Apple with 87% acknowledgement rate, IKEA with 85%, Royal with 82%, Landbond with 78%, Jinhaima with 76%. The awareness of those 5 brands is quite similar, which forms the first class brand group. Rely on the mature sales network, Jinhaima holds a 19% usage rate which makes itself the most popular furniture brand in Guangzhou. Other brands like Red Apple, Royal and Landbond also show their local advantage, whose usage rate reaches 12%, 10% and 7% respectively. While Chengdu is still occupied by domestic brand: the awareness rate of Bayi Furniture is 98%, Qingtian with 88% and Quanyou with 65%, the usage rates are 11%, 9% and 6%, all play big

⁷ Hong Kong Suppliers and Hong Kong Manufacturers (www.HKTDC.com/en-buyer)

roles in this market. But still, IKEA's business entering these two markets is believed to be the cause of another fierce competition.

Table 3.4 Directory of 10 famous enterprises of furniture industry⁸

Brand name	Specialized area	company
Quanyou	Board type furniture/Solid wood furniture/Sofa/Mattress/Soft bed/Chest/Dinning table and chair	Chengdu Quanyou Furniture Co. Ltd.
QM	Sofa/Board type furniture/Solid wood furniture/Study furniture/Lounge furniture/Bedroom furniture	Beijing Qumei Furniture Group Corp.
Red Apple	Lounge furniture/Bedroom furniture/Sofa/Mattress/Board type furniture/Baby's crib/Solid wood bed	Red Apple Furniture Co. Ltd.
Landbond	Solid wood furniture/Elm furniture/Sofa/Kitchen furniture/Overall wardrobe/Mattress	Landbond Furniture Group Co. Ltd.
IKEA	Bedroom furniture/Lounge furniture/Kitchen furniture/Children furniture/Bedclothes/Home decor	IKEA Group (Sweden)
AURORA	Copying machine/Shredder/Projector/Office furniture series	Aurora Group
LAMEX	Office furniture/Folding screen furniture series/Office desk/File storage system/Chair	Lamex Trading Co. Ltd.
Steelcase-Ultra	Office furniture/Conference table/Office table/Office chair/File storage tank	Steelcase Inc. (Shanghai)
ROYAL	Board type furniture series/Home decor/Bedclothes/Sofa/Mattress/Soft bed/Leisure chair	Hong Kong Royal Furniture Holding CO. LTD.
FZD	Board type furniture/Solid wood furniture/Lounge furniture/Hotel furniture/Study furniture	FZD Inc. (Shenzhen)

The brands listed above are some big and famous players in the market, while still there are thousands of smaller-size players. In 2011, big-size enterprises only account for 0.63% of all the furniture enterprises in China, middle-size account for 13.43%, and small-size account for 85.94%, which is the majority of all. For small players, they may not be prominent in some products categories, but they do play great role in this fully differentiated market. They compete with each other fiercely, striving to respond the most of low-end customer's demands⁹. As data demonstrated above in those 3 big cities, there are still considerable numbers of consumer don't have a habit or tendency to consume brand furniture. At the same time, there is a low retention rate that 22% customers do not remember the brand they used to buy^[30]. This gives us tow tips: one is furniture enterprises have much work to do to improve customers' brand consciousness, foster their habit of consuming brand furniture to consolidate their shares; other one is it gives numerous of small-size producers the opportunity to survive in low-end market, allocates them the customer bases to earn money from, to let them develop when they don't have any brand impacts yet.

⁸ Source: SOHU home furnishing (home.sohu.com)

⁹ Source: China Market Research Report.com (www.askci.com)

3.2.2.2. Analysis on competition

- From low-end to mid-end

Low-end sector has the majority enterprises and massive customers, the intensity of competition is high, and the environment is quite chaos and in disorder. First of all, customers have limited purchasing power, generally they don't care about the product brands or cannot afford to care too much on the brand; as long as products are functional fitting the expectation, they care about price the most. Secondly, since there is no brand concept, there is no strong brand loyalty on products, what affects the customers motivation to buy, could be the price factor—price/performance ratio and convenience factor—easiness to get the furniture. This incurs thirdly, producers capture the customer's mentality and emphasize on the short-term interests: don't put energy on brand image building; don't care about customers feeling in-sale or after-sale, only care about how to make immediate deal; don't foster the long-term loyalty, but strive to take advantage of customers and make every deal as non-recurring; don't put enough emphasis on improve the products, but going the short-cut by coping or counterfeiting others. And fourthly, local orientation prohibits the competition scope from expanding, constrains firms only inside the base with common cultural features and preferences, blocks the interactive among different elements, make the homogeneity even worse.

So in the sector even though the competition is fierce, though there are good examples but mostly it's more like lose-lose competition. The customers don't get good products; the enterprises don't get developed and refined through the market experience. Companies have to jump out this cutthroat competition model, learn from higher end and prominent practitioners to make the competition towards on track, and win out from the competition.

Mid-end sector also has a very intense competition, and faces the most mature customer in the country. Unlike the lower one, its competition environment is healthier and orderly. Customers inside are picky and more offensive, they tend to make purchasing choices by what they feel and get from the retailers. They consider the brand images; pay attention on products' value; emphasize the shopping experience etc. Enterprises have to show their core competences to win the customers and invest more energy on keeping the customer bases. We don't say the competitors are doing perfectly, actually most of them still have lots of problems such as plagiarizing or deceiving; but generally they just know the marketing rules better. If companies differentiate themselves by having cost or value advantage, then customers will buy for it; otherwise they will fall into mediocre or be kicked out. In this section, long-term interest gaining seems to be more suitable and widely adopted. The winners are always those provide good quality and style products, offer considerate services, with positive brand images and ask for a "worthy" price.

Here we want to emphasize the "brand" problem. Brand is the carrier of firm's competitiveness, and always the Chinese enterprise's weakness. It is mainly about building up the brand image and then making the image be reached. The first step rely on hard-ability, that is how good products and services that a company can give to customers. This is the competition center, embodies the core competence. A solid quality is always the foundation of brand building for enterprises. According to an industry survey, 86% consumers would evaluate furniture brand image by

product quality, while only 13% consumers would evaluate by number of ads. Besides, customers begin to pay close attention to product design, 51% customers would evaluate a brand image by its design, and that put forward higher request to furniture original design ability¹⁰. Second step, how to let the brand fully reached to customers is also a part of competition. Generally in China furniture mart and word-of-mouth are the most effective ways for furniture brand publicity. Hence, building and managing furniture mart and establishing a good reputation are extremely important for furniture firms.

Here is an example of reaching strategy: comparing two high-profile brands IKEA and Red Apple, it is found that IKEA's newspaper, magazine and outdoor advertising are quite successful, 25% customers of IKEA get to know IKEA by such ways. While less than 10% of Red Apple's customers are informed by such advertising. However, Red Apple achieves more through word of mouth effect. Therefore, each firm shall discover the best brand advertising channel according to its own situation^[18]. For IKEA, sending product brochure to certain consumer group is relatively cheaper and more effective.

- From producer to retailer

Company in furniture industry mainly engage in two roles: being producing or doing retailing, or the combination of the two. Each sector requires different efforts and specializes in different abilities; hence incur different competitive scenarios

Producers lay core competitiveness on products. Only excellent reflection of designing idea and performance of the products could lead the producer win out from the competition. In this section Chinese players are lack of experience, less developed in techniques, design ideas and fashion trends retarded, so the domestic average level is far behind the international prominent ones. Though there is the gap, but in mass market sector, the difference is not very big. Today a lot of excellent enterprises have grown up (some are listed in the table above); their R&D abilities are better enhanced, ideas are more closing to leading edge among the world, and now they are superstars and leaders of the industry. For the massive followers, as those who is keeping self-improving, they can keep their market continuously and expand little by little, they grow in the competition; as those who only focus on short-term interest and are settled to be superficial plagiarists, they will lose their return rate and finally be weeded out by the competition.

Retailers lay core competitiveness on services. They are the bridge builder of producers and customers, and offer the sales service. To serve the customer well and convince them to buy is their priority, thus they put the emphasis on dealing people but not no products. Only the ones could attract the most customers into the stores, persuade them to reach the deals and keep them from coming back could win out from the competition. In this sector domestic enterprises can perform no differently as best ones among the world. The core points are about whether companies have the idea of customer as always first, whether they can adopt advanced managerial measures to improve the logistic efficiency and the service level. The competition is more fierce and fair, as long as enterprises could put effort to take measures, the service level

¹⁰ Source: Shenzhen Furniture Association-gateway to Chinese furniture market (www.szfa.com)

could be improved, and everyone has the potential to be the winner. Those who promote properly and consider people wholeheartedly will finally be approved by customers.

3.3. Offering analysis (5-forces)

It is necessary to analyze the current situation and potential of market of furniture industry in which companies are operating so to define the possible limitations, competitive threats and sources of opportunities. We use Porter's Five Forces model to perform the analysis. The model consists of two marketing systems: basic marketing system which includes the supplier, company, intermediary, buyer chain and broader competitive system which includes potential entrants, current competitors and potential competitors.



Figure 3.2 Porter's 5-force model

3.3.1. Intensity of internal rivalry

- Concentration and balance

Furniture production enterprises in China are mainly small and medium-sized. Concentration of the industry is lower than other industries. As a result of the low industry concentration, there are hardly any brands with strong influence in the market. However, after years of competition, a number of branded enterprises of a certain scale and possessing considerable strength have emerged.

Following the move taken by China to lower tariff on furniture imports to zero on 1 January 2005, the barrier to furniture imports was lifted and import prices dropped. In view of this, the furniture industry in various countries turned to China and in the last few years quite a lot of foreign furniture enterprises have made their way into China, causing competition to intensify. Foreign players mainly compete in the hypermarket, specialized store and shopping center sectors.

Competition among industry players in China's furniture market shows that rivalry in this market has come of age. Today, furniture brands are no longer fighting for first-tier cities but are gradually shifting their focus to the furniture market in second- and third-tier cities.

- Diversity of competitors

In 2011 the number of scale-enterprises which had production value above \$3.125 million per year was 4400; along with numerous of small-size companies, foreign-funded enterprises, the players in the industry are competing fiercely¹¹. More than 90% of the small and middle-size companies are geographically local oriented. Besides because of lack of innovation in designs and techniques, the products homogeneity is very high. Some domestic big players want to compete in the high-end market with foreign enterprises, but lack of brand power and added value on products, there is still big gap between the two groups. So the situation ends up as: foreign ones take the high-end market, domestic big-scale ones take the middle class market, and enormous small ones take the low-end market. As a consequence the competition diversity is low.

- Industry growth

According to the data from China National Furniture Association, the production value of China furniture industry in 2011 was \$83.16 billion, increased 25.28% compared with year 2010. The total import value for furniture industry was \$2.78 billion, decreased 10.71% compared with year 2010. As to the export value of China furniture industry, the total export value is \$59.37 billion in 2011. It's easy to draw the conclusion that the industry has a very considerable growth rate, and China is a very big market with potentials¹².

According to Frost & Sullivan consultant research report in 2011, based on increase of average income, real-estate develop and pull, increase rate of urbanization, the furniture retail industry could have a CAGR of 20% in the coming 5-year-period. In this trend all from low-to-high-end sectors will keep growing due to the existing massive public spaces, commercial residences, security housing, and renewal of second-hand houses condition^[30].

- Product differentiations

Furniture has a lot of categories, and products belonging to different categories are fully different. But within a certain category products of different enterprises or brands are hard to differentiate, especially among Chinese companies we say the products are highly homogeneous. In high-end competition different brands will stick to their style and strive to be different with others, but mass market sectors it's always like big or famous players lead the trend and then other players copy and follow. So generally the differentiation level could be low.

- Switching costs

For customers they don't have to pay extra to change the products between brands, as long as the furniture style fits customers certain needs, so the switching costs are very low. But as customers' sense of brand is growing, after the brand loyalty is established, customers would choose to stick on what they've chosen before. And as old-for-new promotion strategy is more and more popular

¹¹ Source: China National Furniture Association

¹² Source: China National Light-Industry Yearbook

in furniture retailers, customers may tend to take the benefits by sacrifice the chance to switch to others. These trends have gradually raised the switching costs.

- Fixed costs impact

Actually the industry requires a lot of fix costs investment. The fixed plant for producing and costs for sales which including marketing, store rental, staff payment etc. generally the impact on fixed costs is really high.

- Storage costs

Normally longer time of storage means lower the value of product. Though furniture has a long time of quality guarantee period, huge input costs for production requires continuous cash flow thus cannot bear too long storage. Meanwhile, modern furniture styles are more and more fashion trend sensitive, too long storage may lead the furniture out of date thus affect the normal sales. So in summary the storage costs are a little bit high.

- Exit barriers which include:

- ✓ Specialized assets

The assets specialized for producing the furniture is quite costly, once the enterprises invested into it, it's hard to switch to another usage. The assets comprise the most unique ones: designer and craftsman. They are very specialized, hard to swap, crucial and indispensable for the enterprises.

- ✓ Strategic interrelationship

The strategy of launching the furniture product is unique for every company because they must devote big resources into it, the rule is the more firms dedicate and accumulate in, the more they will be prominent among the industry. Almost all the companies have to specialize in, so the strategic interrelationship with other industrial sector could be low.

- ✓ Emotional barriers

For every furniture firm, the emotional barriers are really very big. As analyzed before, firm has to dedicate into the industry fully, and the specialized intellectual asset can be emotionally fixed. As companies continuously operating, the emotional inertia is also getting bigger.

- ✓ Government and social restrictions

China has the free market policy in this industry and meanwhile Chinese government emphasize a lot in it and aspire to support its developing, so the restrictions are quite low.

3.3.2. Threat of new entrants

- Economies of scale

In 2012, scale-enterprises accounted the industry value of \$87.48 billion, the economy of scale in China is huge¹³.

- Exclusive product difference

In the high-end sector, the products are with high exclusivity because of value added by the exclusive brand image; while in the lower sector, products are more homogeneous among

¹³ Source: China Building Material Link (www.bmlink.com)

companies. The products' outline can be similar or identical because of copy or imitation, but difference may be embodied in materials, quality and add-values. The inner value could be very exclusively different because that's endowed by the culture idea and brand image of the enterprises. New entrants will be in a very disadvantageous position with respect to this problem due to the lack of culture and design experience accumulation.

- Financial requirements

To launch a plan of producing furniture, a lot of fixed investments are required, the financial requirement is really high; a small scale enterprise could be very risky and troublesome to play.

- Product/brand loyalty

Only limited amount of customers are quite loyal to their favorite products, and most of them focus on middle and high-end brands. For high-end products, because of the superb quality and people-oriented service that sale stores offer, and buyers' less sensitivity of price, customers will have a strong brand loyalty. But also because of the long period of repurchasing time and consumers' more picky opinions, the loyalty impact is impaired. But for middle class products, especially for big players, the loyalty impact is really high. Considerable good product design and performance, increasing service quality, proper price to customer, relatively short repurchasing time, the loyalty is much easier to establish compared to high or low-end products. Take IKEA in Shanghai as example, 95% of the new customers are willing to come back to buy again. In the area who gets the most loyalty, who takes the most margin. But for the low-end section, customer cares price the most, the brand images are feeble, let along the brand loyalties.

- Exclusive access to distribution channels

All competitors in Chinese market almost share the same access to distribution channel, for logistic area is totally market economy and free to compete. But the service level is quite heterogeneous among different geographical areas, so the distribution costs could be different along with the locations.

- Cost advantage regardless of product volume

Furniture industry is a traditional manufacturing industry, it does have cost advantage regard of product volume. Generally the more product volume, the less proportion of fixed cost and overhead it is in the whole costs. Big enterprises with mass producing and R&D abilities will take good position in the competition.

- Institutional limitations

There are no quite obvious institutional limitations for the industry.

3.3.3. Threat of substitutes

- Performance/price ratio of substitute products

Furniture as a whole category of daily use is irreplaceable and indispensable. We cannot say furniture has substitutes, but among different sub-categories of furniture, this situation exists. For example, modern industrial material furniture like metal or glass or plastic furniture can be substitutes of traditional wooden furniture. Speaking the performance/price ratio, the former ones can be better than latter one, but furniture product is unique for its intrinsic value added by the producers, that hard to be replaced or copied. As the demands exist, no categories are substitutive.

- User's knowledge of substitutes

The users generally know the categories and brands of different furniture, but seldom concern about the knowledge of the product itself. And as high-end product for mass market product, because totally different customer targeting and products positioning, there are very few overlaps of market between them; high-end is not mass product's substitute.

- Customer's inclination to change

The change inclination is strong related to specific demands and realistic needs. Two main factors that influence are: the need to make the furniture fit the overall environment and the requirement of "green". The first one should be satisfied by different product categories which is inevitable; the second one is gradually becomes a general requirement when customers making choices, which should be satisfied as an industry standard.

3.3.4. Bargaining power of suppliers

- Market concentration

As we analyzed before in midstream area which includes producing and sale, market is less concentrated. In upstream area which is the raw material market, it could be more concentrated. China imports the most amount of timber in the world, mainly from a few of countries; and as the timber price and metal price growing up, down-stream enterprises as a whole interest entity will lose some bargaining power.

- Intensity of competition within the supply system

The main material of furniture is natural resource, and as timber relates to environmental issues, so the supply is more or less regulated. Supply source is divided into domestic and imported, both of which are offering specific categories, the supply system is highly concentrated. So the competition intensity is considered as low.

- Nature of relationship between suppliers and buyers which are:

- Importance of supply

The importance of supplying is vital to all players in the industry. For example, if one kind of lumber' price increases, the furniture as a whole which uses this lumber as main material, will also have to response with an increase in price. What's more, if that certain kind of lumber is exclusively supplied by an exporting country or a certain area, when the price changes it's impossible for other players to allocate the change impact. And the timber supply could be more or less affected by the transportation price, climate of source land, administrative policies etc.

- Complexity of supply

The degree of complexity is not high, mainly market bargaining.

- Specific nature of the product

What the material is will incarnate in the output of final product, the quality of the supply will definitely affect the quality of the products. And as described before most of the materials is natural resources and is more or less interfered by the government regulations, this gives some uncertainties uncontrolled by market disciplines. The specific nature defining is a crucial factor for the supplier, which is in a high level.

3.3.5. Bargaining power of buyers

- Price sensitivity

In the high-end market, customer group is with high income, values the aesthetics and spirit of furniture, they are less sensitive to the price; in the low-end market, customer care very less about the brand or intrinsic value, but price and performance. They are not rich people, they are very sensitive to the price; in the middle-end market, the customer group has a relatively high price sensitivity, they want to get the whole value of the products, but don't want to pay or cannot pay too much for them. They are in the middle situation.

- Volume of purchases and incidence of costs

The purchase volume can range from one piece of furniture to a bulk to deploy a whole building, but generally every purchase could be a big volume to a family, because they usually buy a suit to fit the house decoration. According to a survey, 74.6% of the buyer tend to buy a suit for at least for a room, 54% are willing to buy once for the whole house, only 23% don't mind to buy piece by piece separately. That is to say for individual customer the volume is high, for business customer the volume is very high, for both the incidence of costs is obvious¹⁴.

- Product differentiation

For a certain kind of product, take chair as example, the material could be different (wooden, metal, plastic, bamboo etc.), the style could be diversified (modern, classical, conceptual etc.), so to say among the industry we have high level of differentiation. But we have to admit that certain products of competitors could be similar or copied, homogeneity is still a big problem yet to be solved.

- Switching costs

As analyzed the switching costs is very low.

- Threat to upstream integration

Customers are always in individual, they are diversified in demands, and there could hardly be coalition among them. So they have no ability to draw any threats to upstream.

- Possession of product information

Nowadays customer can get access to the product information through numerous of ways. To some of them the information possession degree is relatively high, but most of them tend to care about techniques or processes not very much. What important to customers are the origin materials and healthy level. Even they concern, they don't owe too much information on these, that's why there are still a lot of case that consumers are fully deceived by the retailers. In general, the possession level is relatively low.

¹⁴ Source: China consulting network (www.china-consulting.cn)

3.4. Conclusion

The mass market consists of low and mid-end sectors, Based on the item by item discussion, we can get the general conclusion as following:

- For non-high-end market, because the concentration level is average, enormous amount of not diversified competitors and homogeneous competition, the intensity of internal rivalry is higher.
- Even though the market margin is highly potential for all section, threat of new entrants can be different. In low-end market, there are no exclusive differences and no brand loyalty, threat of new entrants could be big. While in middle-end market, it is more like the medium situation between the high-end and low-end polar. But consider the other factors like financial requirement and economy of scale are all in favor of existing players, so threat of new entrants is relatively small.
- Threat of substitution only exists inside the industry, furniture products as a product category cannot be substituted. Products of different ends don't position in same range, so they don't have the substitution relations. In all-end market, the threat to them is very small.
- Because the supply is so crucial for the whole furniture industry, upstream market is more concentrated and the specific nature of products, the bargaining power of suppliers is strong to all the furniture enterprises.
- For middle-end market, because the customer's sensitivity to price is relatively low, and switching cost is relatively high, comparatively great performance of the products, the bargaining power of buyers is not strong. But in low-end market, the situation is just the opposite, plus the general homogeneity of products, the bargaining power of buyers is strong.

The 5-force analysis helps us having a better understanding on the attractiveness of the mass furniture market. From the results on 5 factors we can easily see that the current market is in a tough-competition situation. The industry takes the pressure from both upstream and downstream, and leaves very limited space for new comers or outsider competitors to share the big cake.

At an enterprise's who focus its business on the mass furniture market point of view, the attractiveness for it to enter in is not high, at least currently with passive prospect. For players who are already in the market, because the market does grow, and threats from outsider are not big, based on their vested advantages they could find opportunities to develop well. The competition is notable, to succeed the enterprises should try to be differentiated: using cost competitive advantage, works on reducing costs to low the price, increase the price-performance ratio of products; using value competitive advantage, makes product or service be "unique" and worthy, let customer be willing to pay for really "good" products.

4. Existing Problems in China's Mass Furniture Market

China's mass furniture market is big and profitable, yet there are plenty of problems existing across the players inside. These problems affect the healthy development and stability of the whole market, occurring from producers to retailers and in products as well. They are almost emerging in non-high-end sectors, in which the majority of Chinese companies are operating. From the causes and effects of these problems we can attribute them a Chinese-characterized phenomenon, and deeply they are impeding the industry growth. In this chapter we analyzed the most conspicuous ones, to reveal the assignable reality to most enterprises, and sound the alarm for the domestic practitioners, to help them clear out which to correct and improve. And as a consequence, we will give out our improvement suggestions for these mass market oriented players in the following chapter according to the listed problems.

4.1. Problems on Low to Mid-end Furniture Products

4.1.1. Variation on Product Style

In Chinese market there are numerous of furniture styles, range from western to traditional Chinese, from classic design to surreal concept. It all seems that the mass market is so diversified to feast customers' eyes and satisfy different tastes, but inside the industry there are still a lot of problems.

Big and successful enterprises always in the leading position, they have their standards and orientation, their product styles depict their ideas well. But for the rest following enterprises, the product styles just play a role as trend follower. What style gets popular at a certain time, then products of this style will emerge in large numbers. The following enterprises don't stick to the product style as the embodiment of their design ideas or core traditions, but a quick way to catch eyeball and get the fast returns. The vast style imitating doesn't help the enterprises to target well and add with inner value, but misconstrue the style boundaries, make customers hard to evaluate the value and make the right choices. Meanwhile the producers gradually lose their orientation and originals and become more dependent on short trends. The real diversification of styles should be based on the accumulation of practitioners' diversified orientations, which is more like specialization, tradition interpretation and technique refinement, but not to seek what trend is profitable and then can't wait to be the inferior follower.

The variation on the product styles also draws a compatible problem across the industry. A lot of products from different producers or even products of different periods from the same producer have diversities. They generally mismatch from one patch to another, cannot be aligned with each other, lack of compatibility. Products from one producer and products of the whole market that appear in different time, styles vary too much, lack the sense of succession. The frequent and meaningless changes on product details, don't differentiate the products, but make troubles for retailers and after sale services^[23].

Now in diversified styles market, only Chinese classical style is dominated by domestic players; and on other modern styles sectors, only a few of big domestic players like Qumei corp. are in the pioneer position. The Chinese enterprises do have capability to success, but they just strive on the wrong way. In general they should expand the domains on style study and interpretation, to change from clumsy follower to an in-style co-creator.

4.1.2. Plagiarism and Counterfeit

There are a lot of features of Chinese furniture market, plagiarizing may be the most notable one especially in the mass furniture market. Comparing with big foreign furniture producers, Chinese enterprises are all behind in terms of new products development. For a long time, plagiarism has become a popular and difficult-to-solve phenomenon.

Plagiarism and counterfeit are more occurring in products design stage, and this stage most reflects the soft power and intellectual property of a company. Because most domestic companies are recently founded, their ability of innovation and creation are relatively poor, and are very lack of talents for industrial designing. When they see the shortcut to catch up with others, which is by copying other predecessors' output or counterfeiting others' products, they are more tending to use it.

Among the whole domestic industry, copy with each other is like: small players copy big players, big players copy foreign players, same level players copy reciprocally. Furniture product is a structural being product, and its structure represents features like the beauty, function, materials and decorations. These are things that when you see then you know, if being unprotected, it's impossible to prevent plagiarizing. Even though now the government pushed some intellectual property protecting regulations, copying the structure or "outline", is hard to measure, thus very hard to protect. Furthermore, domestic furniture producing is mainly wooden products, and it requests no high producing techniques, as a consequence it quickens the speed of copying or counterfeiting. And by doing so, many producers decrease the costs, short-termly gain the interest. But as an impact for the whole, it just deteriorates the homogeneity of products in the market. In the end customers find numbers of product types look very similar in a furniture mall; most of the counterfeits look exact the same exteriorly but fail to catch the soul interiorly, and the only advantage is a lower price than original versions^{[17][31]}.

It's very common to see that when a new product is launched in the market or on a furniture exhibition by a leading company, the product can be the only one and will draw a lot of attention. But after a while, similar products will emerge in large numbers, or even counterfeits with everything the same but produced by some anonymous companies. Customer will be puzzled or misled, the interest of the original producer will also be damaged, and no progress is made for the industry during this unhealthy competition.

The reasons for this are quite many, the most important ones may be: firstly, Chinese furniture industry commenced very late compared to others, so the design talents can't be accumulated, their ability is not qualified enough to make their work competitive. Secondly, education system doesn't emphasize cultivating the talents on furniture design, most colleges don't even open relevant courses for this. Many practitioners are swapping from other careers, the lack of specific

knowledge narrows their originals. Thirdly, the producers only focus on short-term interest, neglect the long-term plans. Plagiarizing surely could save R&D costs, make output more responsive to the market and cut the length of launching time. But companies doing this accumulate nothing good for them, they just get more independent to the real leader, they sacrifice the future leading abilities. Fourthly, it's more related to the specific national culture, which is all players want to do a great-leap-forward development, they focus too much on the shortcut, but give away their future. Lastly, lack of brand identity for most of the Chinese products, it's hard to correlate the soft power with the brand, so to establish the brand image with specific designs. Thus to design in the first place is unnecessary, no more motivation for them, and to design will abdicate for to copy^[32].

4.1.3. Less Prominent of the Mainstream

In observing the whole Chinese furniture in the market, it's not hard to tell that there is no highlighting mainstream on furniture style. In China, the market used to be the seller's market, as long as the products were produced, no matter what type they were, they could always find the market. And as a consequence, the market didn't ask for purposely designing, and to save the costs and to simplify the matters, producers also didn't answering according to the real market needs. Thus lead an average lower level of design among Chinese furniture enterprises, there are seldom sparkling points in their design abilities. Besides Chinese furniture producers are geographically scattered, get diversified accordingly. Some areas in favor of western style, while some have the preferences of classic Chinese style, there never been a common standard to regulate which style they should stick to. Among the industry players cannot form a specific mainstream of design which could prevail and widely acknowledged by the customers, or foster some of them who did prominently to create a mainstream.

Furniture is the industry with attribute of fashion, it is always led by the foreign players who have mature product designing ability and fashion trends sensitivity. While Chinese players started much later, to catch up is never an easy thing. Lack of original design, plagiarizing and imitation are so popular, it just suppresses the development of forming its own mainstream on furniture style. This mainstream should be the combination of cultural legacy, designer's creativity and accumulation on designing practice. Comparing to the conciseness style of IKEA, the surrealism style in Milano, the elegance style in Britain, to form a real mainstream that marks the style of China design, there is still a long way to go.

And nowadays most of domestic produced furniture lay their competitive advantage in the prices; those players that rely on brands and style creation to seize the market are very few. As a consequence, in mid-to-low-end market, foreign products will have less impact on; but in high-end market, domestic products are surely in disadvantageous position. So the domestic players would know to always follow tightly with the international styles, but customer couldn't see a single fashion style that belongs to them.

Take Northern Europe as an example, they developed the panel furniture into a modern panel furniture design, and then combine the Scandinavian traditions, they created the Northern European furniture style and it prevailed for more than 70years around the world. Nowadays in Chinese market the panel furniture takes the most part of market share, and seems having the

potential to be a mainstream on the market. However, even there are a number of this prominent panel furniture designs in the market, they haven't been wide acknowledged inside, to become a mainstream products. This also question the enterprises, while pursuing the interest from the producing business, they should pay attention on the possible future trends, focus on certain kinds of products to develop them into a mainstream, at the same time guide and cultivate customers accordingly^[32].

4.1.4. Diversification Level of Quality

Quality problems always bother Chinese customers, and these problems including furniture products as well. Recently Chinese General Administration of Quality Supervision (AQSIQ) and province watchdogs continuously launched the inspection on furniture products, and the results showed that rate of pass is merely around 70%. The disqualified content mainly focus on formaldehyde emission and heavy metal composition, which are tightly influencing customers' health condition and should be controlled rigorously, but very disappointingly so many enterprises have failed to fulfill. In 2011 Guangzhou Bureau of Quality Supervision also released a test report that showed the chemical emission surpassing mainly on wooden furniture, especially panel furniture, and the disqualified rate exceeded 30%¹⁵.

It's undeniable that Chinese enterprises perform very poorly in products quality control, and some of them even break the limits on purpose just to pursue the little short interest. The happening quality defects that includes unhealthy chemical emission and heavy metal surpass, mostly come from Chinese domestic middle and small producers. The worst performed kind of furniture is the wooden one, which involves aspects that can be dirty-tricked like interior materials, surface materials and outside paintings.

In Beijing, the furniture has risen to the second place on numbers of product complaints, situation may seem worsen. Today furniture quality problem has become a dark mental impression among consumers, and make them intimidated and no way to go when choosing furniture. And the hot spots of complaints on furniture quality are not limited in formaldehyde surpass, others like pungent smells, out of shape, collapses, peeling, cracks, losing colors, unstable and short time duration are the problems that customers are complaining for¹⁶. These draw a crisis of confidence on customers, and a detrimental impact on the whole industry. While most of the domestic products got so many problems, rich buyers could resort to high-end or foreign products, but the most number of less rich buyers will get no way to dodge.

But what are the causing factors for the situation? Mainly could be attributed to these: first of all the enterprises tend to pursue short-term interest without concerning long-term return, some even without the conscience of doing business. To cut the input costs, they replace the proper materials with bad materials, to sell seconds at best quality prices. They think deceiving customer means taking the advantage of them, and by doing this could maximize the interest. Most producers without strong brand identities don't have advanced business operating ideas, in the unhealthy competition environment, what they can see is only the immediate benefits. Secondly there is a

¹⁵ Source: SOHU home furnishing (home.sohu.com)

¹⁶ Source: China Market Research Report.com (www.askci.com)

big lack of industrial standards to regulate the companies inside, thus some conscienceless players could exploit an advantage. In 2009 the government finally published a basic standard *General Specification for Wooden Furniture*, as we see today there are still a lot of loopholes in it, let alone to think how chaos the situation could be before the publishing. And about other kinds of furniture, the standards are still in vacancy, all diversified-standard products flood in the market. And lastly, the less advanced hardware of the small-to-middle size enterprises and the less efficient productivity (1/10 of British, 1/15 of Italian) are limiting the product quality level to meet the standard^[20]. One side the companies are eager to make money, the other side their efficiency and techniques are incapable of achieving the qualified output, so the products quality problems are arising.

4.2. Problems on China's Low to Mid-end Furniture Enterprise

4.2.1. Branding

1) Brand Awareness and Management

In general, the Chinese low to mid-end furniture industry is developing aimlessly. Indifference to the market development maintains the completion in a low level. Most Chinese small to medium-sized furniture producers take little effort on market researching, consumption guidance, brand building and heighten the consumption awareness of consumer. Short term production and sales behavior are quite common.

Numerous furniture producers target the potential profit margin of furniture industry, developing furniture products driven by interests, and that creates a disordered and aimless market. Together with the fierce competition, firms are prompted to take improper means which make no grantees to the quality.

As a result, the domestic brands cannot dominant the Chinese furniture market yet regardless the large brand base number. There is no doubt that the survivors must be the firms with clear brand positioning and good quality.

2) Industrial Alliance

Just like some dominant countries of furniture production in the world, most of Chinese furniture producers are in small scale. It is often not easy for a small business to build a high-profile brand. In Chinese furniture industry there is no strategic alliance between manufacturers and merchants but some massive separated and independent brands which can only open ways for distribution, which cannot guide consumption anyway. While many of the oversea manufacturers and merchants are developing sales chain and production chain together, numerous manufacturers share and pertain to the same brand, thus mutual benefits are provided.

3) Brand Popularization

There are thousands of different furniture manufactures in China, but seldom of them can be remembered refer to their brand. Even if only a few popular domestic brands are known by the

public, the customers still do not have a certain perceptual image of them. IKEA for example, whose brand means its products have the lowest price and best quality among the same class products, which realize the popularization of a brand. And yet the Chinese furniture manufacturers still haven't pay enough attention to a popularized branding approach with their own proprietary intellectual property in the production and marketing process.

All most all the outstanding corporations around the world are pursuing popularized brands whereas brand stands for top grade and high price in Chinese furniture market. Chinese furniture manufacturers should make great efforts in brand popularization. It needs for internal cost reduction, rationally organized production and continuous communication with the customer in order to transform from gentrification to popularization.

4.2.2. Increasing Cost of Production

1) Increasing cost of resource

Resource supply is the relative upper stream of the whole furniture industrial chain, which determines the development speed of an industry. Take the wooden furniture industry as an example, the Chinese wooden furniture industry has seen its margins shrink owing to increasing cost. Wooden furniture is a resource-based industry and wood accounts for almost half of its total cost. However, China is a forest resource-scarce country on a per capita basis. In addition, the rapid manufacturing growth and China's natural forest protection has increased wood products' demand and supply gap. Its dependence on timber imports, raw material supplies, and price trends could be the most uncertain factors for sustained development.

According to the result of "7th National Forest Resources Inventory" published by the State Forestry Administration of P.R.China, in addition to Taiwan, Hong Kong and Macao, there is 193.33 million hectare of forest in total, including 13.6 billion stere of living wood growing stock, 13.4 billion stere of forest stock; 119.7 million hectare of natural forest, 11.4 billion stere of natural forest stock; 61.7 million hectare of artificial forest, 2.0 billion stere of artificial forest stock, which is the highest level in the world. Despite the result seems to be promising, the fact is there are still problems refer to protection and development of China forest resource such as: insufficient of the gross resource inventory; lack of recoverable resource; contradiction between demand and supply pricks up, the growth of the forest resource can never satisfy the needs of the development of economic society¹⁷.

In addition, China has carried out a natural forest protection project that prohibits and limits the lumbering, which reduce the supply of wood resource in producing furniture and leads to severer balance problem between demand and supply. As a result, the cost of furniture manufacturing increases year by year and that transform the furniture industry from excessive profit industry into a meager profit industry.

However, there is a fact that plenty of furniture manufacturers especially the medium to small-sized companies with outmoded technologies are wasting resources and ignore production planning that aims at cost reduction. Once receive the order form the production process starts

¹⁷ Source: State Forestry Administration, P. R. China (www.forestry.gov.cn)

without calculating the production cost. The only aim is to earn the process fee which couldn't change the development of enterprise at bottom.

Not only the price of wood resource increases, but also the price of adhesive, paint and other chemical materials has increased as well.

2) Increasing cost of labor

On the other hand, the structural change of rural population decreases the number of employees in the furniture industry and the cost of labor increases. Per capita wage in China is also rising at an average rate of 12% in the last four years.

Additionally, the Chinese government's introduction of minimum wage legislation on 1 January 2008 means that firms are now legally responsible for increasing wages, further pushing up labor cost. China cannot have an inexhaustible supply of cheap labor forever. Moreover, soaring fuel prices have pushed up freight cost, which may further hamper the future growth of the industry^[30].

4.2.3. Design and Innovation Management Level

To secure competitive advantage, Chinese firms should not be exclusively concerned with cost-competitiveness, especially when facing increasing cost. There are still gaps in the productivity of labor, management, and technical levels compared with developed countries such as Germany and Italy.

In China, homogenization is heavily overflowed especially for the domestic low-end furniture industries. With its large contract manufacturing base, numerous small to medium-sized firms with limited investment for the majority of Chinese wooden furniture industry, have not developed their original designs and innovative capabilities. The lack of their own brand and updated technology has hampered their efforts to move upward along the value chain and thus they cannot sustain a more competitive industry in the long run. At the same time, the brand positioning is confused, fuzzy and lack of innovation, brand advantage is never in the list of Chinese furniture enterprise.

In addition, most of the low-end furniture manufacturers have only one manager. That manager is in charge of financial management, production management, inventory management, procurement management, salary management etc. Lacking of related management control and measures, the boss can be the manager and designer at the same time. As a result, the management style is simple and extensive, management personnel are scarce and outdated, patriarch-based, experience-based management and administration-based management are common.

An industry can never have its vitality until it works in a healthy market mechanism. And at last, the final pattern is the design, production and sales are separated completely.

4.2.4. Defective Workmanship

Compare to the other industries, whether the enterprise owner or the basic employee of the Chinese furniture industry are less qualified, which would inevitably make the business decisions,

fundamental policies, operating management, marketing strategy and many other perspectives fall behind as a whole.

The average labor productivity is calculated according to the furniture industry gross output and the number of employees of different countries:

Table 4.1 Average labor productivity of furniture industry in different countries (thousand US dollar/person, year)

Italy	45
Japan	108
UK	30
Canada	92
China	3

Source: China Market Research Report.com (www.askci.com)

Obviously, the average labor productivity of furniture industry in China is extremely low, counts for only 1/10 of UK and 1/15 of Italy, and that gap is even wider when compare to Japan and Canada. On one hand, it is because the lower salary of Chinese workers. Average wages for furniture production workers in China are only 5% of that of their US counterparts (i.e., 9978 RMB per year (National Bureau of Statistics of China) versus \$11.76/h (US Census Bureau, 2002)). On the other hand Chinese workers are less educated and specialized. Thus the products made in China are cheaper. But once the productivity cannot be improved, the price advantage can never become the core competitiveness.

For such a big country with billions of population, only the furniture industry is lack of qualified personnel. There are three reasons:

1) Poor working conditions

Most of the functions of Chinese low-end furniture enterprise are integrated in a single furniture factory located in the countryside, where is full of dusts, noise and dirty instrument, together with low income, a small or middle-sized furniture enterprise could never be in the employer list of a college graduate. Some other Asian countries also have the similar situation.

2) Weak impetus of innovation and low social needs

There is no doubt original design would bring advantage for the large amount of small and medium-sized enterprises. However once big investment in R&D has been made without acquiring relevant commercial value, the strike could be deadly. Therefore little investment in design is reasonable somehow. What is more, design is not yet an independent intellectual property in China, considering cost saving, rather than taking risk by hiring designer with high salary it is always more economical to duplicate the model in the foreign store. Hence there is seldom original design in the Chinese furniture industry in the past several years, whereas the so called designer is just a draftsman at most. In such condition without any space of development, even an ambitious and talented designer is restrained.

3) Lack of government support for scientific research of furniture

Wood science and technology is the national secondary discipline of China, there are a lot national major projects every year such as 863 Project, 973 Program, NSFC (National Natural Science Foundation of China) and many provincial natural science fund. But none of them is about furniture or even has the key word “furniture” and there is no way to declare. Since the 50s when the PR China is established, there is already furniture design course. Nevertheless, there is never a professor has taken the NSFC project in furniture industry. There is neither a first level academic journal nor a core journal about furniture industry^[22].

4.3. Other Problems and Challenges of China’s Low to Mid-end Furniture Industry

4.3.1. Challenges on Low to Mid-end Furniture Sales Channel in China

Considerable attention is currently being placed on the rapid evolution in operations and supply chains in China, with the recent appearance of numerous consulting reports, special issues, commentaries, and typologies. The efficiency of supply chains in China is relatively low, with logistics and transportation costs comprising some 20% of GDP—twice that of the US. Distribution is hampered by inadequate infrastructure and a fragmented logistics industry, as well as geographical barriers, uneven economic development, and state-related operators privileged by monopolistic regulations at both national and regional levels^[29].

Notwithstanding these challenges, the industry is poised for considerable expansion, with trading restrictions having been removed subsequent to China’s WTO admission, and the emergence of hypermarkets and large retailers. A survey of 29 logistics companies in China confirms this view, but also notes the constraints of regulatory issues, undeveloped warehousing, and the low penetration of logistics outsourcing among state-owned firms.

1) Immaturity of channel principle

As part of the 4Ps, position has shown its growing importance in such a market oriented economy, while the other Ps is no longer the key factors to gain competitive advantages and market share. The marketing method of most of the Chinese furniture enterprises are still in the “Product” stage. Rather than calling such market behavior as marketing it is better to call it sale instead. In most of the conditions, Chinese furniture enterprises attach much importance to “product”, “price” and “promotion” but never consider “position” as a competitive strategy to develop, plan or manage.

2) Distribution industry lags behind

Despite there are multiple sales models of furniture industry in China, but the aggregate market with original large-scale rental system is still a mainstream for the low to mid-end furniture products. With the increasingly improved market mechanism, such kind of sales model appears to be expensive and slow in distribution although it has contributed a lot to the furniture sailing and producing in a long period. Compared to the luxury or high-end furniture, the mass furniture’s margin is squeezed a few times more. Nevertheless, most of the Chinese aggregate markets are only for canvassing business orders, seldom involves in the operation of producers or merchant,

which imposes restrictions on the management and sales of the producers, and then influence the further development of the furniture market.

3) Monotonous distribution structure, difficulty in forming sales network

Most of the Chinese furniture producers, especially those small to middle-sized enterprises, choose reseller as the primary channel then rent a place of the reseller to run their business. On one hand, some small to middle-sized corporations are able to build their own selling place, but the cost of that is relative higher and the location is restricted to some strategic market spot. On the other hand, furniture manufacturer usually supplies a single reseller in one city in order to avoid bidding among its own products which would block the development of market network. Therefore, monotonous distribution structure and limitation of market expending make it difficult to form a sales network^[29].

4) Low loyalty of the reseller, lack of synergy

In recent years, the competition is no longer among different enterprises, but between different marketing chains. And the basic condition of that is the synergy between the upstream and downstream in the marketing chain. While the trade between furniture manufacturers and resellers is realized by cash and spot goods without constrained contract mostly, this leads to low loyalty of the reseller. Together with the monotonous distribution structure, sales network and synergy is difficult to form.

5) Neglect of the POS (Point-of-Sale) terminal management

Majority of the furniture enterprises care about the expansion in number, the more stores opened the better. They think mission is accomplished once furniture reaches reseller and forget the real buyer is the customer. The customer would never go for the product no matter how many stores or market spots are settled until the terminal service is managed properly. For instance, because of the particularity, there is great importance on the positioning and setting of the furniture. However the exhibit and positioning of products are messy and crowd in most of the furniture POS terminal, which is unable to provide the customer a prospect or sight when using and decrease the attraction of the store. And that needs for professional training on the shop clerk and innovation on the service^[27].

4.3.2. Faultiness of Industrial Standard

Compare to the high speed development of furniture industry, the relevant government standard for it is relatively lagging in China. For instance the definitions of solid wood furniture and green furniture are quite fuzzy.

Solid wood furniture is quite popular recently because of its noble value and environmental friendly benefit. However there is no unified standard for the so called solid wood furniture in China's market for quite a long period. Some producers take advantage of that and take wooden veneer work as expensive solid wood between which an ordinary consumer could never

distinguish. Against to such condition, in Wooden Furniture General Technical Specification carried out since May 2009 has clarified the solid wood furniture as furniture made of converted solid timber or solid wood panel without coated surface treatment, any other small parts could be made of artificial material. That could be an entry condition of the solid wood furniture which protects consumers' rights at a certain extent. However there is still no standard to define the timber category used in the solid wood furniture.

As for the green furniture, it has been hyped since it comes to the Chinese market. But again there is no standard or clear definition for it. In China green product is defined as environmental friendly products along its life cycle and can be reused. And there is a special certification for the green products in which the furniture products are included. However, differs from other kinds of products, a certified green furniture could be not green in the design process or production process. In a long time, furniture merchants have attracted plenty of customers with a "green" title on their products. But it is nothing but a marketing gimmick until an articulated standard being introduced.

4.3.3. Absence of Furniture Maintaining Service

It is difficult to find repairing or maintenance service on time once the furniture product of Chinese customer encounters quality problem. The after-sale service in the Chinese furniture industry is not sound enough which confused the vast furniture consumers. Maintenance service for top grade furniture could be on time sometimes but for many of the low-end furniture the after-sale service is seldom guaranteed. For instance, some furniture products need to be assembled in the customer's home after leaving the factory, whereas problems such as poor assembling quality and arbitrary charge could happen.

4.3.4. Deteriorating terms of trade

A measure of relative export prices, the commodity terms of trade (TOT) equals the price index of exports divided by the price index of imports (Nafziger, 2006). Compared to the base year 1997, the overall terms of trade are deteriorating, which illustrates that China has imported middle- to high-end wooden furniture with higher prices, and exported low-priced products. The increase in export price was not commensurate with the increase in export growth, which indicates that Chinese wooden furniture is still positioned at the medium- to low-end of the market^[32].

Additionally, according to the commitments to the WTO (ITA, 2001), China has cut down its tariff gradually to zero on furniture while Italian, German, Swedish, and US firms are all striving to increase their furniture exports to China, intensifying the competition in China's domestic market, and further lowering the profit margin of Chinese manufacturers.

5. Marketing Strategies and Trends of China's Furniture Market

To solve the existing problems as depicted in last chapter, and to lead the Chinese furniture enterprises that struggle in mass market into a brighter future, a set of general strategic measures should be taken among these firms in areas of products, services, corporation interior and distribution channels. Here we provide several strategy proposals on the basis of our previous research and studies of general market strategies in the other fields. Moreover for a further development, trends in furniture industry are forecasted.

5.1. Products strategies

In this section, due to the existing problems on furniture products in China, we focus on the segmentation and targeting strategies, products development strategies, technique innovation strategies, workforce training and quality control.

5.1.1. Segmentation and targeting

5.1.1.1. Segmentation

Segmentation is to divide a broad target market into subsets of consumers who have needs and characteristics in common, and then design and implement strategies to target their needs and desires using proper approaches and reachable touch-points. To implement the products strategy well the first and crucial step is to segment and target the market correctly, then provide the products accordingly to seize the market.

For a long time a lot of domestic enterprises, especially focused on low-end market or local-market oriented ones couldn't find where their customer bases are laying so couldn't target and offer precisely. With a proper segmentation strategy, companies can know where their possible customers are and what they really need, it helps them save extra energy and evitable costs, figure out the market correctly and then do work selectively on their future customers. There are different methods to do the segmentation, here we segment the market based on difference of customer characteristics and geographical areas, which are considered as the most proper ways for the Chinese enterprises that orienting the mass market domestically.

According to customers' characteristics, segmentation could be:

1) Group furniture consuming market.

The market consists of furniture necessary to new built factories, office buildings, hotels, marketplaces and other public facilities, as well as the inevitable upgrading furniture for these groups every year. Based on the market data in 2011, the consume scale of group furniture is about \$7.81 billion. This market demand mainly on high and middle-end products, which use solid wood and MDF as main materials, and with complement by steel and glass made categories.

2) Rural furniture consuming market.

Nowadays the average furniture consuming per person in rural area is still less than 20% of this of urban area in China. For year 2010, the yearly average furniture expense per person was \$30, among which the urban expenditure was \$50 and rural was \$5. And according to this fact the yearly rural consumption scale could be \$3.25 billion. And as living condition continues to improve and life level increases in rural area, the peasants will turn to purchase furniture rather than home make, and the rural market's demand for furniture will grow with rate of 30% annually. This market mainly demands attractively designed low and middle-end products which are made by all kinds of materials^[30].

3) Middle income class consuming market in urban area.

Today middle-income people takes 70% of the whole population in cities, the yearly average furniture expense per person could reach \$75. The leading products of this market are middle-end oriented, a good combination of well design and utility, and furniture categories are mainly panel and steel-wooden ones^[28].

4) High-earned class consuming market.

With the emerging numbers of riches, the high-end furniture market is thriving year by year. By year 2011 number of families with yearly income reaches \$100 thousand is 3 million, and their average furniture expense exceeds \$150 per person per year. This level of consumers pay attention to taste, they like to follow fashion, prefer luxury. The main consumption focuses on imported high-end products^[26].

5) New-married couple consuming market.

In China there are more than 10 million youth couples getting married, and their indispensable requirement of purchasing new furniture is not negligible. These new formed families will spend \$1000-3000 in average, generally they are purchasing not a piece but a set of furniture in one time. Because they are formed by young people, the market emphasizes new-fashioned and distinguishing features.

6) Children furniture market.

China has children populace more than 200 million, 16.6% of the total population. As the living condition changes better and better, children are more tending to live in a single room, and this arouses the need of children's furniture. The market comprises products such as single bed, table, chair, bookcase etc., and they are mostly teenagers' theme oriented. The products are generally not high-end positioned, but the healthy level and durability are strongly considered^[26].

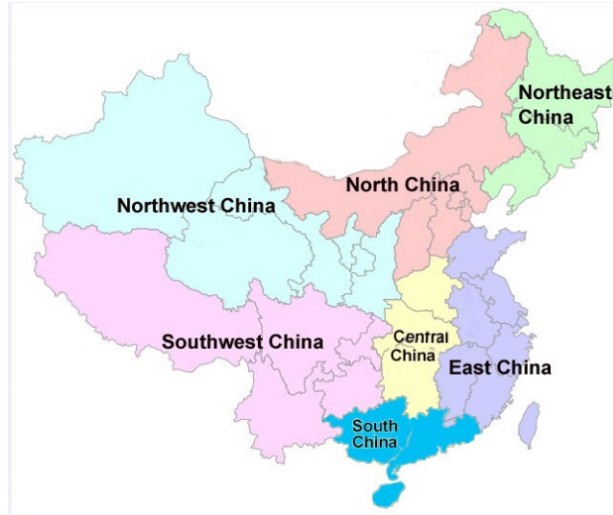


Figure 5.1 Geographical distribution of China's furniture market

According to difference of geographical areas, the segmentation could be 7 as following¹⁸:

1) East China market as Shanghai being the center.

This area used to be the most abundant area in the history, and also is the most development and richest area now. It has been the pioneer of reform and openness for decades, and is made to be the hot market of commodity sales. The center city Shanghai is now a metropolis which could be the first window of foreign firms and capitals to enter into China, also the biggest sale and distribution point of commodities, and the most complete and mature market in China. Shanghai's GDP and disposable income per person level is the highest among China, and the population is about 23.5 million. Shanghai now has the most domestic and foreign companies and administrative entities, more than 200 high-end hotels, and in the foreseeable future the expecting number of houses and offices is considerable.

Now furniture consuming in this area is office furniture accounts for 30%, custom furniture accounts for 15%, and habitable furniture accounts for 55%. The growth rate of furniture consuming is more than 20%, high than national average. Of all the product sectors imported consumption takes 8%-10%, domestic consumption takes 90%-92%¹⁹. In a word this region has become the indicative market of high-end furniture sales, also the hottest spot for all big players to compete.

2) South China market as Guangzhou being the center.

There are 3 provinces belong to this region, has population of 160 million, but with a very huge diversity of income level. This area is also known as Pearl River Delta, as leading edge of reforming, one of the richest regions in China. These years the region took the big advantage of policy favor and geographical position, had been leading the Chinese furniture market trend and

¹⁸ All financial and social data resourced from: National Bureau of Statistics of China (www.stats.gov.cn/tjsj/ndsj)

¹⁹ Source: China National Furniture Association (www.cnfa.com.cn)

took most share of the total market. Especially for Guangdong province, which has the population more than 100 million, and highest GDP level, its market has developed successfully. It got the most spectacular and biggest “furniture city”, the concentration and specialization as well as the relatively low rental costs make the industry boosting inside the region. Now Dongguan and Shenzhen have become the biggest produce, sales and export bases of Chinese furniture, have launched all kinds of furniture industry zones, and have the famous furniture exhibitions which have a distinct influence among the nation^[28].

Meanwhile in the “furniture city” the enterprises groups are more likely to producing and sales combined together in one place, because of no other middle phases which is like workshops operating, they got a big advantage of low costs and low prices. Enterprises like this have a huge competitiveness in the market and make a huge impact on bigger players. And just because of the successful pattern, these small and local oriented enterprises could spread to all over the country, and makeup the majority proportion. The main product category in this area is panel furniture, products range from low to high-end classes.

3) Center China market as Wuhan and Zhengzhou being the center.

In this region people’s income level is relatively even, residents in big cities like Wuhan, Zhengzhou and Changsha, have income level in between coastal area and inland area. These cities are the most important transportation pivots in China, and lie in a crucial position for businesses. The region locates in the heart of the country, can easily distribute to other regions. But the secondary and tertiary industries here are less developed, consuming level is still mediocre, high-end market is immature enough to boost, but mid and low-end furniture is massively demanded.

4) Northeast China market as Harbin being the center.

This area’s 3 provinces in total have population more than 100 million, citizens’ income level ranks in the middle among the country. The region was and still is the heavy industry center base of the nation, but has poor production ability of light industry like furniture. Thus local producers are low in numbers, but big amount of furniture demands exist. People here are more forthright in character, will to pay big money for what they want; they pay attention to dressing and home decoration and advocate fashion a lot. All these factors have created the big chance and market potential for southern furniture goes north.

5) North China market as Beijing being the center.

This area has total population of 170 million, and very densely populated. People’s income level diversified a lot, the consuming in high, middle and low-end sectors is also irregular. The center city Beijing, has higher income and expense level than most of the coastal cities, and being the political and cultural center of China, has the most powerful influence to other regions. Beijing is the front door to open the country to the world, has the most population of foreign people, administrative and top 500 companies’ offices. Besides the city has about 10 million meter square civil buildings completed, 80 thousand new married couples and 130 thousand upgrading families

per year. As a consequence no matter high-end or middle-end home or office furniture has a huge market potential. But the surrounding areas just mainly focus on middle or low-end products.

6) Southwest China market as Chengdu and Chongqing being the center.

The population in this region is around 200 million, the disposable income level is relatively low, in big cities situation could change a little better. The Tibet is big in land but small in populace, and life habit is different than other regions, the total demand for furniture is not high. Relatively the profitable market in this region should firstly account for the abundant area Chongqing, Chengdu and the surroundings, then Kunming and Guiyang surrounding regions.

Amongst the third-tier cities of this region, the heavy industry is well developed but light industry like furniture is lack of prospect. The inner supply ability cannot feed the demands, so extraneous supply could have big opportunities. Because of less rich factor, people mostly tend to buy middle and low-end products, and practical utility is always the first concern. To deploy the regional market, it's better to focus on main big cities and spread out to surroundings.

7) Northwest China market as Xi'an being the center.

The population of this area is about 100 million, and the region's economy is less developed. It's in shortage of light industry products, furniture included. Only the center city Xi'an has a higher consumption level of all commodities, and people there are straightforward in character. For most of the area products demand is low and middle-end, not very high classes, but in big amount.

Table 5.1 Seven big geographical areas

Area	Centre
East China	Shanghai/Hangzhou/Suzhou
South China	Guangzhou/Shenzhen
Central China	Wuhan/Zhengzhou
Northeast China	Shenyang/Harbin
North China	Beijing
Southwest China	Chongqing/Chengdu
Northwest China	Xi'an

5.1.1.2. Targeting

Targeting market is the specific segment that is chosen by company based on the segmentation and company's real capability with the destination to satisfy the segmented customers' current or potential needs. By targeting the market, companies are capable to fulfill the demands and establish the competitiveness, at the same time earn the benefit from the targeted market. Before choosing the targeted market, companies have 4 patterns to designate the market scope: product specialized, market specialized, selective specialized and complete coverage. Then companies can adopt undifferentiated, differentiated and concentrated strategies to target the market.

The possible segments have been divided; the mass market oriented companies should choose some segments to target on according to their positions. Based on the segmentation done above, we get some tips for these companies to consider when targeting:

- For growing firms it's better to do product specialized. Because they are mainly small to medium sized, the resources and abilities are very limited, to narrow down the investment scope can let them focus on an area and accumulate specialization advantages quickly. If a company could perform to excellent in one detail or a special area, that will be a huge profit, and a movement from low-end to high-end. For most small sized firms, market specialized is also very suitable, especially for whom very geographically local-oriented, focus on a special market ensures a stable revenue and growth opportunity. When companies grow to a maturity level, they can gradually expand the products or market aspects, based on their visions and advantages to implement selective specialized or complete coverage targeting patterns.
- It's undeniable that Chinese furniture market has regional characters, different consuming customs in different areas vary in products styles, materials and market positioning. For example, northern area is colder than south, people may like big volume and solid wood furniture; while southern people may like exquisite panel or steel-wooden furniture. Northern customer emphasize materials and decoration; eastern customer value elegance, design idea of products, and a sense of modern; southern customer stress utility and a good price-performance ratio, also like a fashion and artful design; northwestern customer also emphasize function and performance, and brightly designed products with good texture and weight are preferred^[26]. Companies should make their products' characteristics in accordance with the specific "needs" of the about-to-target customer segments. To do this they could whether changing their products to adapt the customers' taste and wish, or selecting the very group of customers that may like their products style; finally to increase the probability of popularity of their products among the customer, so is to target successfully.
- In all regions there are certain amounts of affluent, middle-class and low-incoming consumers, for a certain brand product, no matter it is high-end or low-to-mid-end, it will get the corresponding buyers for sure. But which group takes the majority in that area means most benefits lay inside, and companies must choose the profitable ones and cater for the majority groups.
- The smaller the cities, the more they will be local oriented in terms of consuming or marketing. This is because of less openness in ideas and less disposable income level. And if income level becomes relatively high, most of customers will pick the furniture following the trends in big cities.

5.1.2. Products Development

Every product has its life time, and every producer wants to develop continuously, keep launching new products is the only way out. To keep the considerable benefit the furniture enterprises also have to launch a new product or refine the existing design in a certain period to maintain the products life in growth and maturity phases. Chinese mass furniture producers generally did poorly in products developing, or most of the time fell one pace behind the leaders. To improve we suggest the following products strategies:

1) First mover strategy.

Company must develop a new product, make sure it proceeds ahead of the competitors when they are still not aware to develop or haven't succeeded yet; or company must launch the new product

into market before other competitors publish theirs into market. In brief the player must be the first one to make its product appear in the market. The producers who take this strategy generally should have a strong R&D and small-lot producing ability, enough human and physical resources, sufficient capital and of course the determination to take risks. This strategy is much more suitable for large companies or certain products specialized enterprises which focus on middle-to-high-end products.

2) Tight-follower strategy.

When a producer found a very competitive product or an emerging selling product in the market, imitate or learn the idea immediately, and then launch the “likewise” or similar positioned product into the market, be the early entrants to take a piece of market share. The furniture industry has a relatively low threshold to enter, doesn’t require too much high-tech investment, proper scale of capital and staff can be sufficient to launch a small company. And the majority of Chinese furniture producer’s pattern, private-owed, small or workshop scale, not too much experience accumulation and always in the developing stage. They don’t have enough ability to do the first innovation, so when they adopt the tight-following strategy, things could be a lot easier to survive. To do this way, two conditions are necessary: firstly quick information gathering, proceeding and reaction to market, certain ability to tackle the changing situation; secondly a high efficient organization to carry out the products. Only meeting these conditions can producers learn the innovation and then develop the similar one and put it into the market. It’s learning and accumulating phase, and it’s very suitable for the most Chinese companies that are struggling in the mass furniture market. Once the enterprises accumulated enough experiences, talents and capital, they could march forward to be the first-developers.

3) Product function digging strategy.

For most of the time to innovate a new product is quite hard, companies may tend to focus on develop the innovative aspects of existing products, that is to dig inside the products, to find the new functional meanings of it. Furniture products as said before are not intelligence intensive, so digging the new functions or artistic ideas is not an unrealistic endeavor. Endowing the new functions, new usages of existing products that people never found before, can give rejuvenation on old products among customers.

4) Customer demand digging strategy.

Generally product digging can satisfy the current demands of customer, but as provisional firms they should be able to see the potential needs in the market. If focusing too much on the present products to satisfy the current needs, the now hot-in-demand products may become oversupplied in a short period, thus incur a big loss in stock. So when companies doing product development, it’s a good way to dig the customer demands, to put the attention in catching and researching foreseeable and possible potential needs in the market. Once targeted the needs, arouse the needs and then push the corresponding products to meet the needs. In furniture industry, to do this is more likely to study the possible aesthetical standards of targeted customers, dig the hidden functions that could be combined with the beauty of structural design, then create the trends, seize the future market.

5) Uniting strategy.

If the R&D ability for a producer is not powerful enough, uniting strategy could be a very good choice. It means the producing enterprises unite or cooperate with research institutions and designing institutions, or collaboration between enterprises inside the industry or collaboration between enterprises from different industries. By uniting, each part could make the most of its advantages, save the unnecessary energy to focus on its domain, so to promote the new product come out. And this strategy is most used by Chinese furniture producers who are in rapid growing phase and mainly mass market oriented^[28].

5.1.3. Techniques Innovation and Talent Cultivating

To carry out innovation, producers should introduce new furniture producing technologies, improve the handicraft quality and technological content, and develop the “green” healthy furniture. Without the support of techniques, products innovation cannot become truth. For the big successful foreign production companies, normally their expense on techniques innovation could account 10% of the turnover, which is a big guarantee for being prominent. Relevant technologies are prevailing in a leading edge nowadays such as macromolecule tech, composite materials, chemical painting, 3D print, ICT etc.

For the certain group of Chinese furniture producers, technique innovation strategies are mainly in 3 categories:

1) Develop independently.

To adopt this strategy companies have to estimate the market demand and technology develop trends based on relevant market research. And at the same time establish R&D department of their own, carry out researches about basic theories and new techs and materials, discuss and experiment new products structures, and finally manufacture the brand new or renewal version products of their own. Only the industrial leading enterprises can have such power to implement the whole procedures, it's not suitable for the majority of mass market oriented firms in China.

2) Introduce technologies from outside.

Companies that are less capable of developing on their own can buy in techniques during the tech-transfer processes, including specialized technologies, technique trainings, paying for experts' guidance and introducing advanced management ideas. If a certain product has already got a mature producing technique, then taking this strategy can help companies handle this core technique, and consequently shorten the launching period to market, increase the return rate of investment. This strategy is more suitable and most adopted by Chinese firms, but still it has a vital disadvantage, which is lack of autonomous intellectual property, easy to be controlled by the tech suppliers.

3) Develop cooperatively.

The Chinese non-big players can cooperate with other foreign companies which are good at R&D, or with research institutions or universities and colleges to develop new techniques, make the most of outside resources. This strategy could be a very good choice for firms in a developing stage. Since the outputs are not totally market responding oriented, it cannot make the firms be in

the leading position to catch the high-end market, but is a very efficient way to take a share in the mass-end market.

Innovation can never be implemented without the talented staff, especially furniture designers. Companies want to be the pioneer in innovation, they must establish a complete mechanism to cultivate and keep the core human resources. To do this firstly companies have to establish the awareness of talents fostering, respect the value of talents, and reward them correspondingly to their contributions. Secondly, based on the fact that Chinese furniture designing education is in a very poor level, basically there are few colleges open the specific courses, the practitioners mainly switch from forestry or art domains. So companies could collaborate with colleges to sponsor cultivating the specialized students, and recruit them into companies. Fostering talents is a long journey, companies should be patient to accumulate the tradition and experience. Thirdly companies should get rid of the crappy workshop model and create attractive working environment to attract industrial design talents to work for them. Lastly modern enterprises should separate management and production, each side just has to be responsible for their works, thus giving the initiative to every specialize domain to make maximum of their capacity.

5.1.4. Quality Control

Quality problem is vital to all products, including products like furniture which have a very long-term performing duration. Chinese domestic furniture industry has been suffering in dilemma of quality problems for long time, and as a consequence draws an impression of always stuck in non-high-end products situation. To make up this shortage we suggest firms to implement these measures:

- Establish the awareness of products quality management. Producers must get rid of the out-of-date thought that selling poor products in a good price is the gain of company; in fact that is a long-term loss. Only products with good quality can win the customers, and the quality level is corresponding tightly to the product positioning level, which means if it is high-end product, the quality should be with absolute guarantee. Managers should know that product has no value when it with defective quality. And if producers want to upgrade their products level, improve quality and make it controlled is an indispensable premise. Every time take the quality control for every single piece of product, should be widely acknowledged among every staff.
- Satisfy every national standard and industrial standard. Nowadays people are more aware of setting necessary standards for industries to make sure the quality to keep the interest of customers around the country. For furniture industry there are more and more regulations have been effected, so every player ranges from small workshop to super-large conglomeration shall obey the regulations compulsorily. For example a standard says solid-wooden furniture must be made by certain kinds of woods, then producers must use specified wood materials into the products and then label the products solid-wooden; producers want to label their products “green”, then regulated level of healthy paintings must be used. Producers should not treat this as a burden but to take conscientious responsibility towards society. To do this will not only help companies controlling quality variation but also make good impression to public^[16].

- Introduce advanced production and control plants. To implement every quality control measure, hardware support is indispensable. For most occasions companies have to introduce certain number of advanced plants from specialized suppliers externally. As standards level evolving, they must upgrade the plants accordingly to keep the capability of keeping performance stable and quality requirements met. It is a huge fixed assets investment, companies should do this according to their capital capacities, and naturally the bigger the enterprise, the more investment on it, and the better quality control is performed.
- Adopt all kinds of quality control methods. Nowadays theories and practices on quality control have been adopted by a lot of successful companies around the world, and the knowledge is widely shared by all firms and institutions. Chinese furniture enterprises should follow the trend, adopting the relevant methods to perform quality controlling. Effective methods like cause-and-effect diagram analysis, control chart analysis, failure mode and effect (FMEA) analysis etc. for large-size companies, 6 sigma approach is quite suitable and effective to improve quality control and save costs. Implementing these measures is small-costs input, but very considerable output gain. Enterprises just need to appoint competent personnel to take charge, and collaborate internally, it won't be too hard to see the positive results ^[19].

5.2. Services Strategies

5.2.1. Service Refinement

Furniture enterprises should change old thoughts on service offering, make a revolution on furniture sales service patterns, to really make customers satisfied both in using and buying procedures. Generally Chinese furniture retailers more tend to attract and keep customers by cutting price promotion. But lowering price got a lower limit, next movement should rely on services for products to capture the market and make differentiations. Firms have to increase the service level, to let the buyers receive more systematic and comprehensive services. The modern service comprises not only simply as delivery, assembling or repairing, but also most importantly cares throughout the whole business activities, including pre-sale, in-sale and after-sale services.

5.2.1.1. Pre-sale service

Due to the lack of professional knowledge on furniture and relatively poor recognition capability of general customers, the furniture retailers need to understand their real purposes and needs during the communication process. Sellers must demonstrate the products well and answer all kinds of doubts on them, to transform into the role of consultant to help buyers achieve the purchasing behaviors.

Retailers must pay very much attention on pre-sale environment refining. Companies used to do nothing on pre-sale environment building during furniture sale processes in past years. While nowadays a very good display environment in stores can help positively on transaction dealing rates, so more and more seller are now paying a lot of attention on it. A very unique and welcoming shop environment could firstly attract curious customers; and then make them feel at ease or enjoyed when customers are in the environment; themed decoration can let customers get

the furniture products value more easily, make resonance of inner feelings, and arouse the buying desires. Shops should have well customized display environment in accordance with the products' inner value, highlight the themes to promote for the products and keep comfortable and enjoyable feeling on customers. For example, a store decorated as home-like atmosphere can make customer feel relaxed and familiar, can emphasize the products features of putting them into a real home, and can make customers to image the effect picture when buying. Under these circumstances, potential buyers could become real buyers.

5.2.1.2. In-sale service

When doing the in-sale procedures, retailers need to improve shopping guide and technical services. Most generally when customers enter into a shop, they may be dazzled and confused in face of different kinds of products and don't know how to choose completely. To solve this, sellers can offer shopping guiding service, which includes accompany the customers during whole journey, recommend appropriate furniture to customers based on their appetites and requests, give suggestions on furniture color and style collocation. Basically sellers can offer whatever customers are in need of to make the final buying choices, and it can also draw the relation much closer between buyer and seller, creating a sense of trusting and friendliness.

Others like free delivery and assembling are essential, retailers could also offer home furnishing assists for customers. With the help of IT and expertizing opinions, sellers can give out guidance on home decoration and deployment, and suggest possible furniture pieces for certain houses, and serve them door-to-door. This approach could enormously win customers' favor and satisfaction.

5.2.1.3. After-sale service

Once the products are sold, they are no longer none of sellers' business, but on the contrary it's just the beginning of the follow-up services. Today retailers strive to seize the opportunities in after sales service to differentiate themselves, and to keep customer loyalties. It's basic to install the furniture and put them in place, after satisfying customers' basic needs firms need to ponder over the breadth and depth of the service while since meticulous service is advocated and added-value plays critical role. Customers' willingness of paying for a service demonstrates the value of it--the top three services that customers are willing to pay for their furniture are furniture renovation, regular maintenance service and regular overhaul after warranty, which could be the entry point for furniture companies to provide added value since for now such services are not provided. In case of quality problems arise, they should fulfill the exchanging or repairing clauses unconditionally.

Companies should establish an after-sale customer service center, to follow up the products that been sold, make a data base of customer information, and file the buyers' data to manage them correctly. With the data they can pay a return visit on the buyers periodically to follow the products condition and customers feeling, and then update the data. When they find any maintaining service is needed, they will offer actively; with the data they can also analyze the demand forecasting and factors to improve, which will help companies make marketing choices, meanwhile strengthen the competitive ability in the succeeding operations ^[19].

5.2.1.4. Old-for-new policy

With the government's guidance and subsidies, customers can go to retailers to buy new furniture using some old ones to offset a part of the payment, just like using old furniture as discount coupons. From last year there were some big furniture retailers in Beijing had adopted the old-for-new service for customers²⁰. By doing this, huge amount of old furniture could be disposed by recycling back to producers or redistributed; customers get tangible benefits from the offset, while motivation of buying new furniture is stimulated; the furniture retailers passingly implement a successful promotion and extend the level of customer loyalty; at the same time government is propelling an environmental preservation activity and force enterprises take their social responsibilities.

According to the practice carried out in Beijing, even there were some technical problems that yet to be solved, customers responded positively and were satisfied on this movement, while enterprises were also willing to carry out continuously. As trend goes by, government will try to refine the relevant policies to sustain this activity, to make the transaction more feasible. So retailer should participate in actively, facilitate this policy into a customer favoring service. Firstly make sure customers can exchange with the same type of furniture, by the same brand and from the same store; secondly keep the promises of discount degree, if old counterpart meets the change conditions, then customer can certainly get specified percentage or an upper limit discount from that; thirdly offer proper new counterparts to customers, guarantee customer s are well served at the whole repurchasing phases; and lastly dispose the old furniture as ordered, resell them to producers for dismantle and then reuse the material or to organizations to distribute in second-hand market^[30]. The old-for-new is another market, retailers should take it seriously and make the most of it. If things can be done well, it will not only expand market size for enterprises, but also establish good impressions among customers.

5.2.2. Promotion Strategy

As one of the market mix elements, promotion is to send messages to customers about products, services and brands in order to let the customers be interested in and trust the products or services of the company and eventually to form a brand loyalty. Promotion also offers a platform for the company to interact with the customer. All in all promotion is essential in today's competition.

Generally companies can adopt push strategy or pull strategy to do promotion. Push strategy is sales promote by personnel, from producer to distributors and finally to customers, promoting level by level from upstream to downstream to expand the sales. Pull strategy is advertising directly to final customers by producer, arousing customers' buying desire and then force them resort to purchase from retailers. Then distributors from downstream to upstream ask for products, so to meet sales goal. Practically successful firms are doing a combination strategy of push and pull: one hand sales department promotes the products positively to distributors; other hand marketing department does advertising and wide publicity to downstream buyers, the combination of these two forces can make the single strategy more effective.

5.2.2.1. Furniture advertising

²⁰ Relevant information source: SOHU home furnishing (home.sohu.com)

To advertise is a company uses all kinds of resources to let other people, not matter they are current customers or potential ones, know about the company's products. Companies including producers or retailers, no matter growing or mature, want to sell their goods, advertising is crucial. The key matter lies on three levels: let people know your products existing, let people be familiar with your products, make people believe that your products do be good. For nowadays Chinese furniture producers and retailers, we suggest some ideas for effective advertising:

- Develop a theme for targeted print advertising to make potential customers to really notice your products. Companies can reach furniture shoppers in magazines that focus on home improvement, decorating and real estate etc. Use these highly targeted media vehicles to promote discounts, specialties and services. For example a retailer can provide free delivery or interior designer assistance, make the services published on the media. One premise is that make sure that readers of your ads know about what the services are.
- Add more interactions with customers in the shops to increase their favorable impression on both the seller and products. For example let customers vote on the furniture lines. Retailers can invite shoppers to select items to create a fully furnished room and offer discounts or furniture for the best design. At last feature shopper recommended winning designs in the store windows^[19].
- Expand cooperative relationships with approachable and interest-correlated partners. A first endeavor should be developing relationships with homebuilders, apartment managers and real estate agents to showcase the furniture in model homes and apartments. Maximize the opportunity by providing business cards and brochures on kitchen counters and in various rooms. Offer a discount to all models home and apartment viewers that is not dependent on them buying a home or renting an apartment. However, companies should develop special, higher discounts and incentives for those who do buy or rent to solidify their relationship with the homebuilders and apartment owners and managers. Besides they can extend this idea further by advertising a home makeover contest to model home and apartment visitors and customers on companies' website and inside stores with certain prizes^[19].
- Always make positive public impression, and insist on partnership and sponsorship advertising. Producers shall explore partnerships with those in the real estate, mortgage financing and media, to make sure get enough exposure rates of their products or brands. Specific trying could like: structure a program for real estate agents to provide a discount on furniture as a gift to homebuyers; develop an incentive program with mortgage companies to provide a discount coupon for those who make timely mortgage payments; talk to advertising directors at newspapers, radio and television stations about offering products in exchange for free advertising, or offer free furniture to use to design the sets for local television talk shows in exchange for a "sponsored by" tag at the close of the show.
- Make human resource departments to implement an employee discount program, because inner employees can still be potential customers of the companies, they could internally discuss opportunities for employee incentives. For example, seek companies that have a sizeable sales team like a car dealership. Structure a program to provide the year's top seller with new living room, dining room or bedroom furniture as the prize for achieving the most sales.

- Do online advertising and promoting. It's now the era of internet, furniture industry enterprises should follow the trend. Firstly companies have to make presence on internet, that is to own a website to provide all necessary information about products, brands and helpful knowledge; Secondly companies can add advertising information through social networks, or develop mobile apps to introduce furniture, strive to cover the most crowded "area"; Thirdly to develop e-commerce model, let information change and transaction more simple and efficient. This will be more specified in details in other parts.

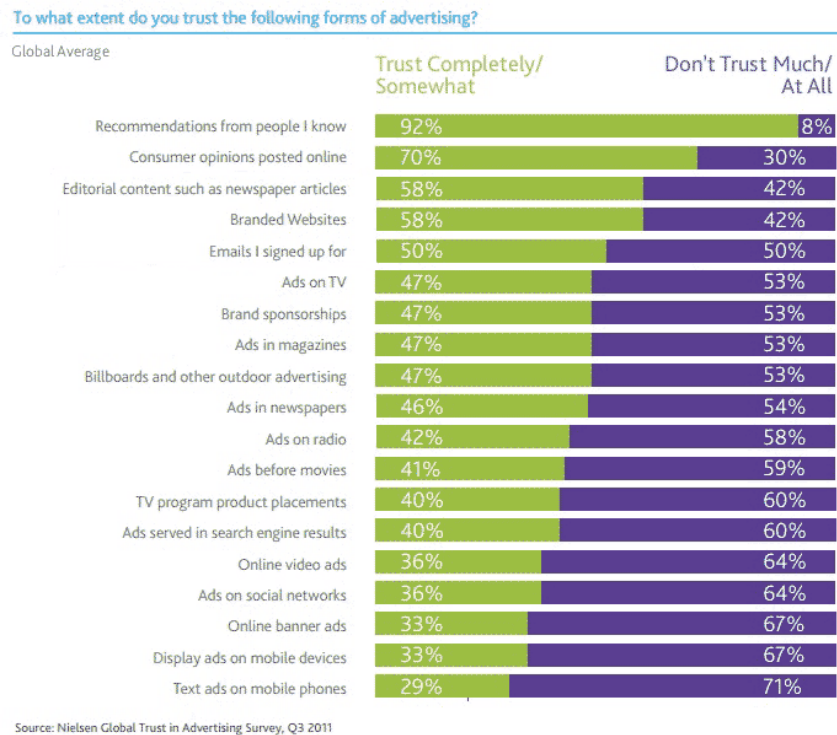


Figure 5.2 The credibility of different form of advertising

Companies can use lots of way to do advertising, but in fact the best advertising is the product itself. Only products with good design, reliable quality and rational price, could win the heart of customer and be widely acknowledged. The best propaganda comes from customer's mouth, and the satisfied customer is the best advertisement. If a furniture brand can win the world-of-mouth, that's a success on marketing endeavor. Also a relevant research proved the standpoint, according to the result, the top two efficient advertising tricks show the power of customers world-of-mouth^[32]. So if enterprises want to advertise well, they should try their best to guarantee the prominent performances of their products.

5.2.2.2. Furniture sales promotion

Now neoteric promotion method is in need to attract more customers. Furniture producers and sellers have sales promotion activities during peak season or public holidays (National Day of China in October and International Labor Day in May) at the moment, and the main sales promotion method is discount. In according with the survey in Chinese market, status seen as

chart below, it tells that money reduction is still the most effective way of promoting. discount and cash refund are the most attractive ways which have 11% to 30% impact on the customer decisions. Nonetheless, notice that 34% consumers have not encountered any sales promotion activities²¹.

For most Chinese buyers who are low-to-middle-end products followers, their purchase power is limited, prices may be very sensitive to them compared to other products factors. Once the perceived money costs difference is observed, it may influence the buying mentality easily and thus impel the buying actions. So for all enterprises targeting on the majority customers, promotion on price issue is always a priority to catch. But to what extent they may handle it well, decides the effectiveness---it is not price war, but to make maximum of perceived price difference for customers.

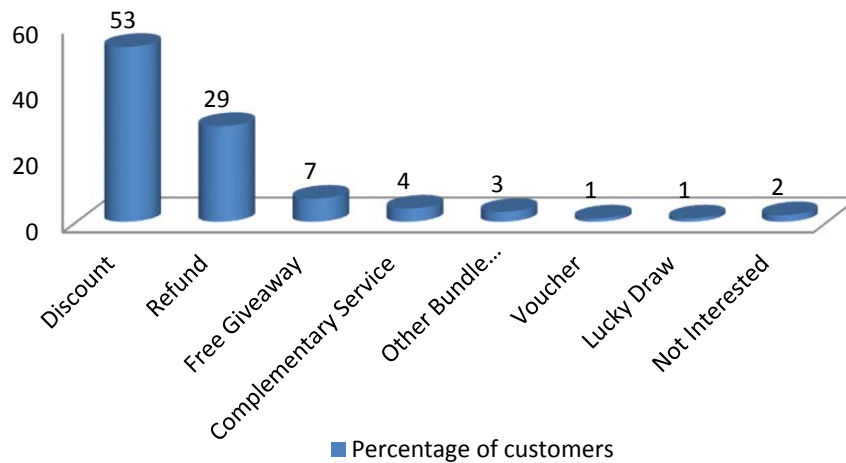


Figure 5.3 Most attractive sales furniture promotion measures in customers' mind (343 samples)

Sales promotion means of discount is effective, but is just too easy to come up with. In order to differentiate themselves and be profitable, furniture producers and stores need to explore new ways to attract more customer. For example, organizing group purchasing activities in newly-built district and applying joint sales promotion with the building material business are both considerable. Other than taking action on price issue, the furniture producers and stores can also make use of the culture complex of the customer. For example the Meiju Centre in Guangzhou had held a "HOUSE Festival" themed by "New Furniture, New Culture, New Taste" which attracted a lot of customers. The Meiju Centre had presented furniture in different cultural theme to the customer during the event, let the customer experience different furniture cultural atmosphere. As long as it can make customers gain extral value or save extral costs from the purchasing processes, enterprises could adopt it to promote. And as a consequence, it may mostly proven to be effective to help sellers and suppliers to increase the benefits.

²¹ Source: China consulting network (www.china-consulting.cn)

5.2.3. Loyalty Maintenance

Customer loyalty is an important indicator for marketing activities, as a measurement of customer's emotion on products' brand, it reflects the degree of possibility of customer to swap from one brand to another. According to a research result, in today's modern retailing business, 1/10 of a seller's profit comes from ordinary customers; 3/10 profit comes from satisfied customers; 6/10 profit comes from loyal customers. The degree of brand loyalty affect the turnover and profit of an enterprise directly, more importantly it is also the foundation for a firm to grow bigger in the future.

As it is so important, most Chinese enterprises should know how to create and maintain the customer's brand loyalty. The shopping today is no longer more about saving for one purchase, but about happy shopping or enjoying shopping, experiencing shopping, especially in middle-to-high-end sectors. From customers entering into the shop, they are asking a qualified service and satisfaction from the retailer every single minute. Purely by offering variety of products, by price comparing, by discount and giving, or by membership points cannot meet customer's expectation any more. Because of this we suggest firms to implement as following:

- Improve the furniture product value. Companies should continuously research, develop and produce the products that customers want and satisfy most according to market information. The value of products lies in style, function, quality, aesthetics etc., producers have to invest and pay attention to them. No product can be permanently perfect, as market condition changes, customer will demand more on products. So producers have to improve and innovate unceasingly, make the products ahead of the customers, leading the customer consuming.
- Cultivate the staff loyalty. High staff loyalty in accordance with high customer loyalty, if a company has very high mobility rate on personnel, it's impossible to maintain a high customer loyalty. All customers get the products and services from the staff, staff is the bridge connect company idea and customer end. Serve and satisfy the personnel well, then can companies serve and satisfy the customers.
- Resolve the customer complaints. One unsatisfied experience comes from every four purchasing behaviors, and only very few unsatisfied customers complain to companies. The ones who don't complain may turn to switch to other sellers, and then the customers are lost. So dealing the customers dissatisfactions matters a lot for loyalty maintenance. Firstly company should give opportunities to customers for expressing their unhappiness and dissatisfaction, take every complaint sincerely; and secondly emphasize the feedbacks and take measures to solve them, try the best to compensate these customers. Let customer know that we care about you, we respect your every experience a lot, so to establish an emotion loyalty among customers.
- Make customers feel compatible. Only to keep a stable consumer source, can firms win a big profit for a furniture brand. Simply buy discounts and promotion cannot improve the customer loyalty, they just win occasional or general customers. To foster the loyal customer clusters they not only offer good price, but also let customer feel it is worthy. So firms have to do segmentation and targeting clearly, find out the value orientation and consumption ability of customer; and then position products correctly, operate in differentiated. To let

customers really feel that products are compatible with their orientation, thus win the approval from them.

- Always put service first, sales second. In today's customer being the lord time, a favorable service approach is the best way to build the customer loyalty, and the service approach includes serving attitude, responding efficiency, transparency of the service clauses and ways to enjoy the service contents etc. by implementing these approaches when the interaction happens, customers can get enough joyfulness and cut down troubles. When they get a good shopping experience from sellers they will perform a second-purchasing behavior, and form a word-of-mouth to help enlarge the customer base. So to make the service to consummation, accomplish the real product sales.

Here we would like to emphasize a very important concept: humane sales. It is a communication process with tender feelings and love between the seller and buyer. It offers an overall high-quality service embodies humanistic cares, emphasizes building long-term trustworthy relationship with buyers, so to cultivate the brand loyalty. In this area IKEA did very remarkably: they don't have salesman, but only serviceman; they don't let staff keep talking to customers to introduce or convince them to buy their products, but respect buyer's opinions and every choice; they make viewer feel free to contact their products, to feel them personally, to fill the gap between customer and product, to try everything satisfying customer's curiosities; the atmosphere is relaxing and free, every demonstration is elaborately designed; the shopping guidance is complete and clear, plus there is always the return and exchange promise that make customer released from unexpected incidents. IKEA wins in the humane sales endeavor, and thus it wins the customer loyalty, wins in the turbulent market^[19].

5.2.4. A case on product and service improvement strategies in practice

One Chinese domestic enterprise---Sunon, had realized a self-growth from a small-size player to the absolute leader among the furniture industry. Sunon Group Co. Ltd. was established in 1991 in Hangzhou China; it is an enterprise group specialized in office furniture, home furniture and real estate investment. Recently with totally 2,500 employees and \$0.23 billion of revenues, net assets of \$0.38 billion in 2009, the group had already reached the industry peak. From its life experience, we can see its success owes to the idea of self-developed, and the proper operating strategies:

1) Product innovation strategy

When last two decades foreign furniture came into Chinese market, many domestic producers imitated immediately on designing and functions of these exotic products, gradually they tended to gain short interests by plagiarizing and counterfeiting. But when Sunon absorbed these advanced design ideas and culture, it didn't forget to initiate and innovate. The company proposed "self-developed furniture" at the very beginning, and then cooperated with famous design companies in Europe, introduced the prevailing ideas, and gradually formed "serialization, intelligence, personalization, batch sizing" product systems.

In 2001 Sunon established the R&D department, initialized the development of own furniture; in 2005 it optimized the tech-innovation system, thus founded the R&D center. The center

comprises 6 sectors which are Veneer R&D, Melamine R&D, Partition R&D, Chair R&D, Sofa R&D and Civil R&D, mainly specialized in new materials, new products launching and new techniques developing. And the devoted staff had increased from 8 to now more than 100. Since the center was founded, the self-developed products won many prizes in lots of international fairs, just in year 2006 the center had more than 100 independent patents, far ahead of competitors.

2) Brand innovation strategy

In 1999 Sunon expanded its sales channel by adopting direct selling; and at the same time spent millions of RMB to ask professional ad firms to refine the corporate image, and made many publicity media to help propagandize. In 2002 the brand strategy began to merge, the Sunon brand appeared all over the country via multi-channels like TV station, internet, outdoor ad carriers etc. In 2003 the company made this year as brand-year, popularized the brand mainly by demonstrating the unique and charming office furniture as an upstart in furniture fairs held in Guangzhou, Shanghai and Beijing. Meanwhile they put the ads on guideboards along roadside, demonstrated the brand and culture through hot websites like 365furniture and CNFA. In 2005 Sunon cooperated with big airline magazines like *GATEWAY* and *VIEW*, so to put its ads into the airplane. And then invested RMB10 million to put media ads on CCTV, well explained the products and brand to the business customers. Up to then, they achieved the brand promotion strategy in a multi-panel and multi-channel way.

3) Collaboration with colleges and among international

In Nov. 2006 the post-doctoral research center of Nanjing Forestry University settled inside Sunon; in Mar. 2007 the group co-founded a R&D center with Zhejiang Forestry Academy. By doing the two movements they combined learning and developing successfully, increased the research and develop ability of the enterprise.

In 2007 company and Nanjing Forestry University co-founded the Sunon Furniture Management School, initiated the industry-university-research cooperation pattern among industry. At the same time they launched the “Sunon-class” in Zhejiang A&F University, Nanjing Forestry University and Central South University of Forestry & Technology, to accelerate the combination of theory and practice. Today the company has more than 170 patents with proprietary intellectual rights, many of which won national prizes, and they improved tremendously on products performance.

In 2008 as the only Chinese company attended the top-level furniture fairs in Dubai and Cologne, thus pace into the top-end sector to compete with foreign firms. In Jul. 2008, Sunon successfully introduced JIT management model, optimized the production process and improved the efficiency. In Nov. of the same year, Sunon established the strategic partnership with furniture R&D organization of Polimi, pushed forward the international develop and manage system.^[27]

4) Complete service system

Pre-sale: professional consultants will help customer understand the furniture design idea; and give out the most appropriate advises for buying based on cutomers’ real needs and expenditure budgets; and advise tips for building the best official business environment.

In-sale: the company is responsible for doorstep delivery service, and assembling for free, help to deploy the inner decoration.

After-sale: always be responsive to deal every bundled request on sold products for customers; carry out the “three guarantees” regulation severely, fix the guarantee period in one year; and offer instructive service for dismantling furniture pieces along the product life.

5.3. Corporation Strategies

As we have figured in chapter 3 and chapter 4, China’s furniture market has a very particular environment which enforces limitations for the development of mass furniture producers. Here according to the results we have achieved we propose 3 basic developing directions for the small to medium-sized furniture enterprises.

5.3.1. Co-brand Strategy for Small to Middle-Sized Furniture Corporation

Larry Light, the CEO of Arcature LLC said “It will be more important to own markets than to own factories. The only way to own markets is to own market-dominant brands”. A company would never get high level competitive advantage until its branding strategy, innovation of marketing and corporation strategy come to a certain overall scale.

The brand promotion strategy needs for adaption to the consumer psychology. Successfully building a brand in China for a furniture corporation means: First, the brand positioning strategy should be set according to the situation of the target market and the corporation itself, and then the characteristic of the brand is locked in order to bring out products that suit the target market; Second, technology innovation is critical to branding because the technology content such as craft quality and design level of a brand do help furniture brand stands out among thousands of furniture producers in China; Last but not least, promote brand by integration of culture innovation and technology innovation since the glamour of furniture is about the content and taste of its culture.

However, not only in China but also most of the furniture producers in the western countries are small to middle-sized corporations, whose sales could be only several millions euro per year, and for whom building a well-known brand could be never easy. Based on the analysis of the western furniture brands, unlike the Chinese counterparts which undertake the all the operations of their own brands, the western furniture enterprises form specialty division system which enables them obtaining profit from one single brand. In this case, building co-brand is also feasible for China’s furniture industry. The formation of co-brand facilitates the brand advertising and maintenance by gathering fund from multitudinous firms, and moreover through the sales channels of the firms all together it enlarges the touch point between the brand and customer. Such collaboration could be multi-win^[33].

Three ways to build co-brand:

1) Multiple small-sized corporations come to set up a cooperative branding institution. Under such pattern, the members in the institution share the same basis is that they are all small-sized corporations without prominent brands, so they are equal in status which is the basis of

cooperation. The cooperative institution established funded by multitudinous small-sized corporations is responsible for the brand building and maintenance, so the brand can be shared. What's more, the coordination and division of work among these corporations allow the specialized production which on one hand booms their own brand advantage. On the other hand those subdivisions can provide specialized component production, which would enrich their competitiveness and facilitate their specialization in the future.

2) Several furniture firms establish a brand alliance initiate by a large-scale furniture enterprise. Large enterprise has professional furniture brand which could bring down the expenses of brand development whereas the relationship processing could be complicated and the small furniture brands would be in passive state. But it is a preferable approach as long as the brand is able to bring profit for everyone. Small-sized firms get competitive advantage by making use of the brand advantage of the large enterprise and the characteristics of agility and flexibility of themselves. And again, it would be better if the small-sized firms are able to specialize their works and provide component production for the big company. Surly it depends on the strength of the specific furniture producer, some substantial manufacturers could develop a complete set of furniture product by integrating the resource of the brand alliance.

3) Merchant integrates multitudinous furniture producers with its own brand. The furniture merchant brands are revealed and have relatively higher brand awareness in the context of China's furniture market. And that makes integration by merchant's brand beneficial for the furniture producers. The merchant is in charge of commercial and the manufacturers are in charge of furniture production. The brand of merchant is also the brand of products at the same time, which boosts the brand development of both the merchant and the furniture products. Additionally, the products under the specific brand can be sold in other furniture mart as well. Thus, the brands of products are promoted because of the superiority of the merchant and also the brand of the merchant is popularized because of the extensive sales network^{[34] [35]}.

The difficulty in building co-brand is handling the relationship and coordination among all parties since the multitudinous companies are different in management principles and products quality as well. Once a single party goes wrong the entire brand would probably involve in big trouble. Building internal standard inside the cooperative institute is a must. Therefore, the coordination of behavior of each party is critical to the co-brand. In some circumstances brand damage caused by the failure of individual party could be avoided if specialization and mutually independent are realized.

Formation of co-brand alliance can not only gather all the funds from numerous parties but also share its reputable brand advantages. In addition, other kinds of cooperation mechanisms such as product development alliance are possible to be built on the basis of co-brand gradually. It is an irresistible trend for furniture industry to evolve from independence development towards cooperative development and implement co-brand strategy to run the operation at scale.

5.3.2. Corporate Cultural Marketing Strategy

Based on certain operational philosophy and value, corporate cultural marketing achieves its marketing target by exchanging and communicating values with society. Corporate cultural marketing pays attention to symbol design and image dissemination but the core value is value discovery and cultivation which is embodied not only in the extrinsic symbol but also in the daily operations, regulations and management mode of corporation. Corporate cultural marketing includes two issues: construction of corporate culture and marketing of corporate culture^[36].

5.3.2.1. Construction of Corporate Culture

In the modern corporate culture theory, corporate culture can be divided into four levels: the first level is superficial physical culture; the second level is superficial behavioral culture; the third level is intermediate institution level; the fourth level is the core spiritual culture.

As resident income rises and living condition improves, consumers' needs on furniture are getting increasingly rigorous. Furniture is no longer a decoration with simple use value for the youth of the period of China, but it is becoming a work of art that reflects the identification, personality, cultivation, aesthetic and taste of its owner. Therefore, with the incoming cultural consumption times, the "cultural marketing" will be a hot spot of the furniture market in the future. In order to fit the needs of "global marketing", furniture producers especially those western ones should take culture communication into consideration. Cultural marketing can be promoted in these levels:

1) Product and service level.

Cultural marketing in this level is about bringing out products or services that are able to improve the living quality and push forward the development of material civilization and guiding an innovative and healthy consuming pattern. For example, the products and services provided by McDonalds represent an innovative catering culture.

2) Brand culture level

The competitiveness of a brand doesn't entirely depend on the technical or physical differences, but mainly depends on whether the brand has rich cultural connotation. For example, the core value of a Prada handbag is never the technology or material used in producing it, but the Prada logo itself. Owning a Prada handbag doesn't mean owning its function at all, but the status or high living quality.

3) Corporate culture level

In the process of marketing, in order to build a good corporate image, a corporation conveys its excellent ideational culture, behavioral culture, material culture and institutional culture to the society effectively through integration. And that also benefits the well-off implement of every sales means and technique. Ideational culture is the core, which includes the value, the enterprise spirit, and the business ethics of an enterprise.

In the practical operation, the more united these three culture levels are the more effective of operation will be. At the same time, culture should have an identical position that reflects its own

characteristic. Moreover the positioning of culture is a dynamic process with the transition of society's dominant culture.

5.3.2.2. Marketing Strategy of Corporate Culture

According to the levels of corporate culture the implementation of corporate cultural marketing can be divided into overt cultural marketing (material culture marketing), behavioral cultural marketing, institutional cultural marketing and spiritual cultural marketing in an outside-in approach.

1) Overt cultural marketing strategy

Overt cultural marketing strategy achieves the objective of integration and communication of corporation's image and spiritual connotation through the design and spreading of visual elements. Overt culture can be split into two parts: design of the basic elements such as the company name, symbol, trademark, brand, logotype and logo color; design of the application elements, means the way of applying the basic elements into every item of corporate operation such as product, advertising, packaging and so on. The design of overt culture must reflect the spiritual culture of the enterprise and attention should be paid to whether the design is complied with the operation principle and value spirit. For example The Toyota logo contains three ellipses, which represent the heart of the customer, the heart of the product and the heart of technological progress and limitless opportunities of the future. In Japanese, "Toyo" signifies abundance, and "ta" means rice. In some Asian cultures, the rice represents wealth²².



Figure 5.4 TOYOTA's logo

2) Behavioral cultural marketing strategy

Different with the straightforward and vivid overt cultural marketing strategy that conveys the enterprise's cultural spirit by means of designing symbol with strong visual impact, behavioral cultural marketing strategy is an indirect and timely approach that embody the enterprise's cultural spirit by the operative activities.

3) Institutional cultural marketing strategy

²² <http://mokokoma.co.za/the-meaning-behind-12-famous-logo-designs-you-will-see-today/>

Institutional cultural marketing strategy is a way to achieve the objectives of reflecting and spreading the corporate operation principle and spiritual connotation through setting up effective rules and regulations and implementing management mode with certain manner. Regulations and rules of an enterprise can be established in 4 steps: planning, setup of institution, training and performance and target control.

4) Spiritual cultural marketing strategy

The objectives of spiritual cultural marketing are confirming, highlighting and presenting enterprise's management principle and value concept and let them be the foundation of the entire corporate culture. Spiritual cultural marketing is the key point of corporate cultural marketing which is rather important for the furniture industry. Whether a special and outstanding corporate image can be built through corporate cultural marketing depends on the positioning, concentration and presentation of the corporate spiritual culture.

5.3.2.3. On Behalf of China's Mass Furniture Enterprises

1) Improve "peopleware" on both manager and employee

Most of China's mass furniture enterprises' leaders build up their business from small workshops and some of them may not have been higher educated, while a leader of an enterprise is the designer, advocate and constructor, who plays a critical role in building corporate culture. So the leaders or the managers of furniture enterprises need to improve their competency through continuous studying improve their scientific management ability and deep notice the importance of corporate culture. On the other hand, employees in mass furniture enterprises should be highly involved in corporate culture building. Appropriate investment in employee training, educating and enterprise culture propaganda would pay back.

2) Corporate Identity Management

Recently, some domestic furniture enterprises have introduced CIS (Corporate Identity System) design to summarize and improve their corporate culture. CIS is a system to identify and standardize the corporate culture internally and a system to identify the corporate image externally. It almost includes everything of corporate culture: MI (Mind Identity) stands for the strategy objectives, corporate spirit, management principle and other core value; BI (Behavior Identity) stands for etiquette norms, rules and regulations and any other behavioral specifications; VI (Visual Identity) stands for visual image.

Mass furniture enterprises are able to set up a range of their own special corporate culture through CIS building in order to acquire a favorable corporate reputation which results in improved organizational performance. Reputation and performance are also influenced by developments in the external environment such as changes in the behavior of competitors, as well as by corporate stakeholders such as customers, personnel and government. Schematically, this is shown in Figure 5.5²³.

²³ Source: van Reil Balmer (nd)

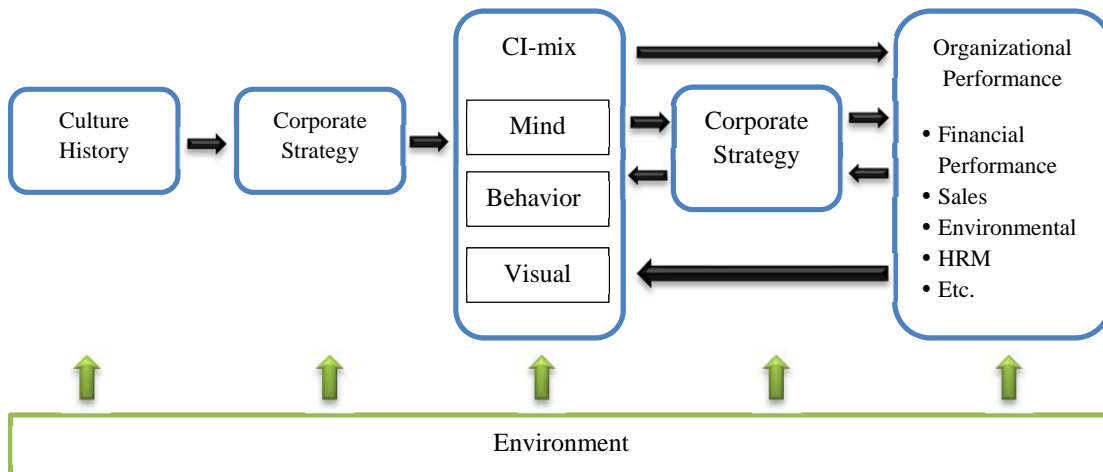


Figure 5.5 Interaction between corporate identity formation, reputation, improvement and organizational performance

3) Notion on SMEs' corporate culture development

Most of China's mass furniture enterprises are small to medium-sized enterprises and for which it seems to be harder to build their own corporate culture since they focus on survival more and lack of financial support on doing research on culture development etc. and etc. However, research has reject the notion that small organizations can only be successful by imitating large organizations and has shown that SMEs has their natural advantage in building organizational culture.

Anecdotal evidence reported by Alvesson (2002) suggests that once the organizational size exceeds 300 employees, the quality of work deteriorates. There is greater uncertainty, more bureaucracy, and a reduction in levels of trust. Small organizations benefit from having less formal structures which means that employees in small organizations rely on personal contact networks to a greater extent than in large organizations. The comments imply that SMEs may provide a more supportive environment than in large organizations. The more informal, flatter, and highly centralized structures of SMEs may assist in the rapid introduction of change programs. In addition, the close interaction of management with employees in small businesses provides an opportunity for direct leadership which may facilitate the permeation of a strong culture.

On the whole, small size could never be the excuse of not building an effective corporate culture for SMEs. On the contrary, furniture SMEs should perceive and take their advantages in culture to proceed to getting competitive advantage.

5.3.3. Cost Leadership Strategy

Cost leadership is a type of approach that is used by many businesses to enhance their positions within the marketplace. The basic idea is to become a cost leader within that market by closely monitoring and controlling costs or expenses associated with the ongoing operation of the business enterprise. Doing so helps the business to be in a secure position in the event that a price

war should erupt among competitors, while also increasing the chances of being able to maintain an equitable profit margin even when no type of pricing war is taking place.

Cost leadership strategy is no longer a dominant strategy in days to come since competition in furniture industry focus more on satisfaction of the customer needs, but at the moment low price is still attractive to the customer and low cost has great strategic significance in the competition. Cost leadership strategy can be implemented in these ways^{[37] [38]}:

5.3.3.1. Furniture Producer Cost Leadership Strategy

1) Innovative manufacture and automation

The mechanization, automation and computer programming of China's furniture industry are still in relatively low level, the production is mainly in traditional manual operation. Compare to the other furniture producing countries, the labor production rate of China's furniture industry is extremely low which is below 1000 euro/month/ person which is 1/14 of Japan's production rate, 1/3.8 of Taiwan and 1/4.1 of Singapore. The domestic labor production rate of China's furniture industry has a considerable improvement space.

Base on survey, in producing a set of bedroom furniture an average Chinese furniture manufacture needs 1.33 times working hours than the other furniture producing countries in East Asia (not include Japan), which means a Chinese furniture manufacture needs 1/3 more labor resource to produce every set of furniture than the other Asian countries let alone the European furniture producers who adopt modern advanced production techniques. Automated production is imperative under such a circumstance.

2) Increase the utilization rate of material

Other than low labor production rate, the waste of material is rather serious because of low productivity and outdated production mode. Take timber as example, an average Chinese furniture producer takes 3.8 times timber than Japan and 4.2 times than Germany in producing the same furniture.

Cost of material takes large proportion in furniture production, for instance leather takes around 50% the cost of production of a sofa and timber takes about 20% the cost of production of a cabinet. If so, the Chinese manufacturers could decrease the cost by 15% in producing wooden furniture from the improvement of material using efficiency.

3) Disassembly and assembly design

The principal benefit of disassembly and assembly design is cost saving in transport even though most of the transportation expense is paid by merchant. Whoever pays for the transportation expenses, it will be added to the selling price. Besides, the merchant will force the down the price offers by the producer by all means while purchasing if the transportation cost is high.

5.3.3.2. Sale Cost Leadership Strategy

Furniture merchant can implement sale cost leadership strategy by adopting chain operation and group purchasing which could increase the purchase quantity and bargaining power. The factory price of furniture produced in China is usually more than 1.5 times of the production cost, some factory price maintained around 2 times of the production cost. So it is possible to make a cut for mass purchasing especially in case of group purchasing and chain operation. Compare to the other furniture producing countries whose profit margin is only between 2% and 5%, the much higher profit margin of Chinese furniture producers is because the sales concentration degree of China's furniture industry is low and the market lacks of leading furniture merchant, and also the group purchasing mode is immature whereas ordinary furniture producers develop sales channel on their own.

In addition, chain operation and purchasing group facilitate mass logistics. Logistics cost reduction is one of the advantages of chain operation and group purchasing since furniture products are usually large in volume. According to the quotation of a logistics company in China, the price of transporting 1 square meter product is \$19 while the price of leasing one truck (10 tons, 75 square meters) is \$1200 which is around \$12 per square meter, 7 euro less. Together with inventory cost reduction, the cost reduction in logistics could be more than 5%.

Wal-Mart Stores Inc. has been successful using its strategy of everyday low prices to attract customers. The idea of everyday low prices is to offer products at a cheaper rate than competitors on a consistent basis, rather than relying on sales. Wal-Mart is able to achieve this due to its large scale and efficient supply chain. They source products from cheap domestic suppliers and from low-wage foreign markets. This allows the company to sell their items at low prices and to profit off thin margins at a high volume.

5.3.3.3. Case of IKEA's Cost Leadership Strategy

The Swedish furniture retailer IKEA revolutionized the furniture industry by offering cheap but stylish furniture. Young buyers in search of fashionable and household accessories with low price are IKEA's target market segment. IKEA is able to keep its prices low by adopting these cost leadership strategies:

1) Outsourcing to low-wage countries with vigorous quality control and OEM management

Although all the design work is done by IKEA's engineer themselves, IKEA sources its products in low-wage countries all around the world In order to minimize the production cost. There are over 2000 suppliers compete intensely for this every year, only those who have the lowest cost and guarantee good quality are able to get wholesale orders. While that doesn't mean the suppliers are safe after receiving orders because IKEA will make continuous investigation during the production.

Not only so, IKEA reappraises its suppliers' performance every year. China's suppliers which have even cheaper work force would keep presenting in the suppliers list.

In addition, every year IKEA fixes indicators for its suppliers to keep the cost low in order to form a virtuous cycle for a persistent production cost reduction^[39].

2) Module oriented design and R&D system

With its unique R&D system IKEA achieves low cost and high efficiency simultaneously. The design method of modular furniture could on one hand reduce the cost of design by avoiding wasting of large amount of designing scheme since almost all of them are able to implement in the production. On the other hand modular design brings about massive production and logistics which can reduce the production cost.

IKEA safeguards their basic business idea, “Democratic Design” that means “to create a better everyday life for people”. That is evident in their product’s design and low prices. Thus IKEA’s designers always involve in argument such as whether use an iron bar to replace a screw which would probably reduce cost and generate creative ideas.

IKEA is one of the very few companies that know “simple is beauty” principle which maximizes the customer delivered value^[40].

3) We do our part, you do yours – together we save money

IKEA’s engineers design modular furniture to allow customers themselves collect the furniture in the warehouse and assemble at home themselves instead of third party workers. While this is less convenient than traditional retailers, it allows Ikea to offer lower prices that attract customers.

IKEA’s distribution channel strategy is direct selling and never accepts promotion for wholesaler. In order to guarantee its control of the products price, sales record, patent right and the entire sales system, IKEA refuses wholesaling or promotion for bulk buying customers. In addition, IKEA never lease any of its counters to third party and even restaurants in the store are operated by itself.

As a leader of low cost manufacturer, IKEA attach great importance to the fixed price on the sales terminal by adopting the “Soft Sell” approach.

Experiential oriented selling approach. IKEA’s shop assistance is never allowed to promote sales to the customer but let the customers to experience by themselves, unless the customers consult on their own initiatives. In addition, IKEA designs show flats in different styles. Customers can view different furniture combinations (complete with sofas, chairs, tables, and so forth) in a single setting, which eliminates the need for sales associates or decorators to help the customer imagine how a furniture arrangement would look when placed in the customer’s home. This approach requires fewer sales personnel, allowing IKEA to keep its costs low.

Full information is provided beforehand. IKEA elaborates the shopping guide with price, function and rules of use for each product, and all of the information can be browsed on the computer for the customer inside the store, the free and exquisite printed product brochure and now even in the IKEA’s app on your iPhone or iPad. Moreover, IKEA even formulated the buying process for the customer by providing maps of IKEA store and even drawing tracks on the floor to show the viewing sequence^{[41][42]}.

4) Well-designed logistics system

As mentioned before, logistics cost is a big part of the furniture products cost. Again the modular design or “flat packaging” do improves the transport efficiency and reduce the cost of logistics at the same time.

In order to further decrease the logistics cost, IKEA locates its nearly 20 distribution centers and central warehouses near the vital communication line and key position for distribution to facilitate the logistics connection with IKEA stores.

With the aid of information technologies, the whole logistics chain (from the feedback of the real time sales record provided by the IKEA stores to OEM, logistics company, central warehouse and back to the store again) is operated smoothly^[43].



Figure 5.6 IKEA's distribution center in Perryville, MD

The cost leadership strategies that IKEA has carried out are the result of long time groping and are guaranteed by systematic planning and implementation. Firms' competitive advantages can be known clearly and systematically with the aid of value chain. By going deep into each sector of the value chain and aligning with suppliers and customers IKEA has achieved win-win or even multi-win which is the key point that the Chinese low to mid-end furniture producers should get^[44].

5.3.3.4. Guidance for Chinese Mass Furniture Product Retailer:

Throughout the marketing of IKEA and China's traditional mass furniture retail business, the essential difference is in marketing orientation. IKEA targets at customer's needs and starts from the convenience of a person. No matter the layout of stores, product categories or after-sale service is on the principle of the convenience and efficient of customer, and whether the customer consumes or not he or she could enjoy the whole process of purchasing. On the contrary, most of China's mass furniture producers and retailers are product oriented, whether their products can be sold or not depend on the experience and salesmanship of the stall holder, and the after-sale service is not guaranteed. What's more, bargaining and transporting of the products are time and energy consuming which can be implicit costs.

However, IKEA's costly rigorous management system and advanced service training system is not possible to be imitated by China's small-sized mass furniture producer. What the China's furniture industry should learn is not the superficial outcome of IKEA, but the internal customer needs oriented marketing principle, differentiated marketing strategy, accurate market targeting and experiential sales service.

1) Customer needs oriented marketing principle.

Transform marketing idea thoroughly towards customer needs requires the innovation of mass furniture producers and reasonable integration of resources. A low to mid-end furniture enterprise should focus on the details of marketing management and customer needs to minimize the search cost for customer. Paying effort to purchasing process and individuation of products show can make customer feel the enjoyment and easiness of purchasing.

2) Differentiated marketing strategy

Current furniture retail firms are selling miscellaneous products from low-end to high-end, and it is time for reorganization and implements differentiated marketing strategy. Low to mid-end furniture retailers should concentrate on distinctive selling points on the basis of offering cheap products. Additionally, to avoid unordered competition low to mid-end furniture firm can offer differentiated product combinations according to different consuming groups, provides customer more different choices.

3) Accurate market targeting

Under the direction of differentiated marketing strategy, retailers need to segment the customer and choose the target market base on the market situation, customer characteristics and SWOT of themselves.

4) Experiential sales service

In China, consumption of furniture products is in the period of added value would influence the customer's purchasing decision. Product's own value has decreased and added value is becoming the reason of purchasing: the overall enjoyable purchasing experience, convenient delivery and installation service, in-sale and after-sale service and environmental friendly trends. Traditional mass furniture retailers should adopt humanized detail management and experiential service strategy including consumer trial, one-stop shopping, facilities improvement, membership customization service, convenient changing and returning mechanism and regular sales promotion events etc.

In addition, IKEA's price advantage in China is not as good as it is in western market. In facing thousands of China's cheap furniture producers, IKEA's products are always copied by its Chinese counterparts which would indirectly lead to its setback of its cost leadership strategy. Thus low price is still a basic chance for China's low to mid-end furniture producers to get competitive advance in front of their foreign competitors.

5.4. Information Technologies in Distribution Channels

As the fierce competition goes on in China's low-end furniture market, the profit margin is shrinking year by year, which makes efficiency management of distribution channel extremely important for the furniture companies to get competitive advantage. Under such condition, application of information technology is the simplest and feasible way. Here we offer some basic guidance of building an effective distribution channel management system.

5.4.1. Selection of Distribution Channel Management Software

The production method and business operation manner of furniture industry are different from the ones of other, so is the distribution channel management. Thus selection of the proper distribution channel management software should in accordance with different conditions^[44]:

1) When multiple distribution channels coexist, the furniture producer usually has directly operated exclusive stores or franchisees operated by the third parties. Different channels have different management emphasis, directly operated stores need for full control of billing, receipt, pay in, shipment and enquiry and so on; the franchisees only need to control billing, shipment and enquiry. The available data is also different in each way. So the software selected should be able to manage both the directly operated stores and the franchisees flexibly.

2) Order system and stock up system coexist. The distribution channel of furniture industry usually has two inventory control methods. Stock up system is for the products that sell well while order system is for the products whose sales are poor. Besides sometimes there could be orders for goods because of its special material for instance, in this condition feasible distribution channel management system is needed to track the order of goods in order system and to manage the inventory of goods in stock up system. Thus the trading process could be operated smoothly since the store is able to follow the situation of inventory timely.

3) Goods are kept in warehouse. Different from any other industries' storage, furniture industry only keep one sample product in store for each model, all the products are located in the warehouse. After the store confirms the order with customer, furniture product will be delivered directly from warehouse. Therefore, the distribution channel system is must able to incorporate the store and warehouse together.

4) Robust capital flow security. To prevent loss, capital must be controlled and managed rigidly by Headquarter. At present the business receipts of exclusive store are in these forms: first, cash. This needs the clerk in charge to turn over payments or to deposit payments to the company's account in time; second, the customer deposits payment into the account of sub branch of the company or the store. This needs real-time reconciliation; third, the shopping mall collects the payment for the seller, which needs the shopping mall offer transaction data and reconciliation statement within the reconciliation cycle time; last, swipe card in the branch store, similar to payment collection by the store. All of them mentioned above need to be set up and presented in the distribution channel system, or there may be financial gap of the seller.

Cash flow management also includes the management of sales refund and cash coupon of the store, while sales refund and cash coupon can involves the apportionment and reconciliation with

the shopping mall, and that needs to be managed in the system to ensure integrity of cash flow data.

5) Full integration with the factory's management software. If the factory already has an ERP system, full integration between distribution channel system and ERP system is necessary. If not there will be an information gap between the distribution data and ERP system, as a result, information cannot be provided for production and store is not able to consult the situation of production ordered. What's more, the switch between the two systems would increase the merchandizer, inventory clerk and financial clerk's work load in headquarter. Therefore the integration of ERP system and distribution channel system realize the automation of information sharing.

6) Software selection with consideration of the service offered by software vendor. Because of the characteristics such as vast territory, decentralization of human resource and intense training, software vendor needs to provide training and process analysis services and get hold of the operational state timely or the distribution channel management system couldn't be ran successfully.

7) The system should be agile enough to calculate the performance and commission charge of the shopping guide.

5.4.2. Insure the successful functioning of software

When the choice has been made, in order to run the software online successfully, several points should be taken into consideration ^[45].

1) Preparatory works before running the system:

Head quarter should standardize the channel management process and regulations for logistics, cash flow and document flow in order to let the employee develop normative working habit to guarantee the smooth operation of logistics, cash flow and information flow.

Set up holistic price structure and strategy. Headquarter needs to set up consolidated standard prices and sales discount in different regions to avoid different prices in the same region. Such is to improve the brand reputation and pave the way for the successful running of price control in the system.

Headquarter requires to mobilize the employees that involve in distribution works before the system comes to running to declare the determination of the company. In addition to states the benefit and convenience that the system has brought with, get the employees a preliminary understand of the system to decrease the resistance of initiating work.

2) Process integration, training and initiating progress tracking while running the system:

Build incentive mechanism for running the system. The distribution system involves franchisers and directly operated stores, besides the purchasing and practicing of distribution system is implemented by headquarter, therefore it is very important for the external employees to track the progress of running process. Plus the business personnel works randomly that makes the task

even harder. An effective incentive system that encourages and awards the stores that runs the system well and takes punitive actions for the ineffective ones is quite necessary in such condition. In addition, try to quantify the clauses of the incentive system.

Combine various training methods. The vast territory of distribution channel determines the chance of unitive training to be rare, in order to run the distribution channel management system successfully in stores, warehouses, financial departments and franchisers the employees have to be trained in different ways. In general centralized training is not an effective way to let the employees to comprehend the specific operation process of a system. Basically, each region could send their representative to headquarter to be trained on the software operation, and then the representatives come back to their regions to train the shopping guides, shop managers and warehouse clerks. While the training process can be video recorded and uploaded to the distribution system platform to share with the other staffs. Another way is to build up remote education on line.

The system should compare with the manual process before it runs on line officially to select the feasible work flow in the system. Thereafter date test run is manipulated to check the difference between system operation and manual operation and its causes, and then together with managerial measures, the differences are neutralized to ensure the continuity of the data flow.

After the system runs on line, the schedule should be examined and reviewed weekly to find the causes that affect the progress. If the software itself has defect, personnel in charge should call for adjustment service of the software house; if the sales channels have problem, the working mode should be adjusted on time to avoid schedule delays.

Find problems of distribution channels by running the system and standardize the management process.

5.4.3. Performance Evaluation

After the system successfully operated online, the performance should be evaluated as above:

- 1) Headquarter is able to inquire the payment collection and cash flow intuitively to avoid capital loss because of corruption.
- 2) Each sales section is clearly and intuitively presented, and effectively under the control of headquarter. Instead of tracking after the business event, try to control during the event to avoid delay and Instead of tracking after the business event, try to control during the event to avoid delay and error of manual work.
- 3) Analysis on the sales of each chain store and franchiser is able to provide rapid and timely decision basis for headquarter to increase the factory's production reaction speed in headquarter.
- 4) In order to reduce the cost of inventory and increase the veracity of stock, the inventory level and stock mix should be proper managed.
- 5) Build a through after sale service system. Improve the quality of both products and service by analyzing customers' feedback to enhance the brand reputation and brand competitiveness.

6) Realization of B2B ecommerce management between headquarter and subdivisions; Realization of B2C ecommerce management between stores and terminal customers.

7) Intuitively evaluate the performance and efficiently calculate the commission charge of the shopping guide according to the delivery data.

5.5. Foreseeable Trends

5.5.1. Whole Industry Chain Integration

The whole industry chain of furniture production, which includes product designing, raw material purchasing, production, storage and logistics, order handling, wholesale and retail six phases in total. Traditionally Chinese enterprises, especially small-size and OEMs for foreign companies, they mainly participate in production phase, lots of them just take over one or two phases. While the logo “Made in China” has prevailed around the world, the companies could earn very slender profit from that, because they never get the key points of taking control on the industry chain. For instance, a regular producer in Guangdong produced a chair with the cost of \$9, then he sold it to a dealer of Hong Kong for \$10; the dealer resold it to Wal-Mart in US for \$20, and finally Wal-Mart priced this chair for \$40 to domestic customers. During this chain, the Chinese producer only earned \$1 from the chair, but the final retailer earned \$20; he produced the chair, but he didn’t share the return. Without controlling the key point in industry chain, enterprises can’t be the winner^[46].

For today’s competition among the industry, it is not simply just on production, or purely on products, it is competition on the industry chain. Only companies are with highly integrated industry chain, can they transform and upgrade the furniture industry, and then win the market. It’s estimated that in 5-10 years Chinese furniture industry will have a large-scale integration, a lot of small and mid-size companies will be eliminated, only a few depend on brand and have functioning industrial chain could survive. Not only companies should create added value on products by improving and innovating, but also companies should earn the added value through the whole industry chain; so they can gain favorable return, firms can survive and have more money to invest and improve, and the whole industry could thrive.

Enterprises should follow the trend, the earlier the arrangement, the more advantages could get. Firstly they should take over the core stages in the chain. Production earns the least profit but it is the base of the industry, furniture producers should undisputedly grasp it; designing is highly profiting and most crucial to other stages, producers who want to be the leader shall strive to master it, put R&D and design job as the prior tasks; retailing is also with huge profit and requires not too professional skills, producers if have extra energy shall also operate this stage personally; while full retailers should passingly control the logistics stage, because the combination of distribution and terminal control will bring firms into a monopoly-like advantageous position. All in all, not all stages in the chain could be taken over by a company, but every company shall have the ambition to take them, the more been taken, the more profit and prospects.

5.5.2. Mass Customization

Mass customization is massive producing or offering the customized products and services, under the premise of keeping the firm's interest, to satisfy the demands from every single customer. It has been raised for more than 20 years, and from the current developing situation it will certainly prevail and become rules in the coming future for production industries. Customers now are much harder to please, they are always seeking what they truly want, to satisfy more personalized demands. If companies fail to meet the more personalized requests, they will lose customers. Furniture companies want to success, they should follow this operating trend^[47].

While we have to notice that mass customizations is not multi-kind offering. When companies produced variety kinds of products to let customers to select, they just offered more choices to them, customers have to spend more energy to choose the ones most close to their intentions from enormous pieces. It just complicates the buying experience, but not satisfies their very desires and individualized needs.

The key points to realize the mass customizations are production line restructuring and order handling. Company will handle the customer's specific order individually, and then collect them together to assort which parts are massively common, which parts should proceed uniquely. And company should have the ability to produce common parts like backbones and components in batches, then fabricate the customized parts accordingly. Both phases should have immediate responding capabilities, so to complete the deal in time. Building the network and information management system inside the company is indispensable to achieve it^[48]. During this revolution, a lot of modern management theories and techniques shall be implanted in, such as concurrent engineering, lean production, group technology, EPR and ICT apps etc. to achieve this is not easy, especially for small-size enterprises. But this should be treated as a goal to accomplished, middle and big-size firms should gradually introduce relevant techs and ideas to switch the roles and capabilities of the production department. It can act as an outside force to promote the reorganization of operating processes, impel companies implement hardware and managerial methods upgrade, help the industry adapt to new challenge from the buyer's market.

5.5.3. Green Marketing

So-called "green furniture" includes "green design", "green material", "green manufacturing", "green packing" and "green marketing" which are known as "G-DMMPM". And green marketing is the marketing of products that are presumed to be environmentally safe. Thus green marketing for furniture products incorporates a broad range of activities^[49]:

5.5.3.1. Green Promotion

Green marketing has requirements on the furniture corporations to change their promotion strategy from pure profit oriented to harmonious development of both economy and environment. Therefore cost of environment must be considered while gaining profit.

At present, the trend of "Green" has swept the globe and green consuming awareness has been identified all around the world. According to a study, over 75% American, 67% Dutch and 80% German will take environmental issues into account, and about 40% European are willing to buy

green food. Therefore, furniture industry has to implement green marketing from the points of both the requirements of sustainable development and pressure from customer. For example, the Monsanto Company in Missouri of America once was one of the “World’s Top Five Hundred” companies. However it had been criticized by the public because of wasting of resources, the corporation’s image had been damaged. Robert B. Shapiro the CEO of Monsanto had realized the green marketing “Far from being a soft issue grounded in emotion and ethics, sustainable development involves cold, rational business logic” and then transformed the strategy to develop environmental friendly technology and products.

5.5.3.2. Green Label

Adopting green logo is an important characteristic of green marketing, it comes from the “environmental friendly” concept which is raised by the western countries. Environmentalists advocate environmental friendly consuming from for example the waste battery recycle to reusable purchasing bags. At first it was just proposals to limit the consuming behavior, and then people realized the vast production nodes need to be monitored. As a result, the “green label” becomes the standard to assess enterprises’ environmental friendly level during production.

The current environmental certification and green label in China is “China Environmental Labeling” which is officially authorized by the Ministry of Environmental Protection of China. It ensures product’s environmental performance and production process and shows the consumer the product is qualified for the environmental requirements in form of image. In addition, the staff in furniture guild would remind the customer to check the factory quality inspection report which tells the material, size and formaldehyde content information if the customer doesn’t understand the environmental credential.

In the international market, whether consumers or furniture producers have realized the new trends and new propositions of “green” or environmental friendly concept. Since the living standard is increasing day by day, customers’ selection criteria is not only focus on style and price but also the environmental friendly requirements.



Figure 5.7 China Environmental Labeling

5.5.3.3. Green Culture Strategy

The development of green marketing has motivated green culture establishment, green culture supports the green marketing at the same time. The green culture has shown several characteristics: green culture has become the central content of corporate culture; corporate objective starts to integrate with environmental objective while establishing green culture; the integration reflects the management philosophy especially the new progress of modern marketing philosophy; lay a solid ecological foundation and raise clear ecological requirement for the development of online advertising concept.

5.5.4. Online Advertising

According to iResearch, internet advertising revenues in first three quarters of 2011 was \$1.35 billion, \$1.80 billion and \$2.15 billion respectively, an almost 50% increase over the same period of 2010. And that surpassed those of cable television and nearly exceeded those of broadcast television. Online advertising is widely used across virtually all industry sectors. At present, new trends of online advertising are E-zine and blog advertising^[50].

5.5.4.1. E-zine

E-zine is a digital publication which can be downloaded or emailed periodically to the subscriber's mailbox. It is getting easier to be accessed especially after the popularization of smart phone and tablet. There are two kinds of E-zines, one is electronic edition of printed magazines such as Rayli House electronic edition and another one is regularly published e-zine such as IKEA Family Live Magazine. At the moment, E-zine has these characteristics compared to the other online advertising:

Personalized interface provides a perfect platform for furniture advertisement. Sometimes the layout of an E-zine is just as same as the printed magazine, the image, information and any other detailed data is presented on each page. Readers can either turn the page of E-zine on an electronic device just like on a printed newspaper or flip through it by dragging the navigation bar, and zoom in and out are allowed too.

Multimedia such as video and audio can be added into E-zine other than traditional static page. Furniture producers can present the company philosophy and product in way of video advertisement to play in the page of an E-zine, and extensive use of flash animation could bring sensory stimuli.

Interaction is allowed while reading. Some E-zines publishers try to make netizens interact with the content, for instance readers could take part in online story game in which readers is able to pick and match furniture themselves.

Virtual exhibition is realized by network plugins. In order to let make customers better acknowledged of the products' texture or craft, the furniture producers present their products in multiple angles in the virtual space of E-zines. The virtual 3D presentation could on one hand allow the reader have a visual view of the product in different angles, and on the other hand

facilitates customer to change different colors or accessories for one product which would bring much enjoyment and interactivity.

In order to attract substantial customers, E-zine provides highly condensed, professional and specific information through classification of region, sex and topic. At the same time, it is able to elaborate a clearly targeted new media base on E-zine's powerful informational feedback function.

5.5.4.2. Blog Marketing

Blog marketing is any process that publicizes or advertises a website, business, brand or service via the medium of blogs. This includes, but is not limited to marketing via ads placed on blogs, recommendations and reviews by the blogger, promotion via entries on third party blogs and cross-syndication of information across multiple blogs. And recently as the "Chinese twitter" Weibo popularized across the Chinese-speaking regions, which tends to take the blog's place. Strength of Blog marketing:

1) Diversification of subject matter

Normal content on a furniture company's website is about serious introduction of the company and information of products, while subject of blog article can be various and easy to be accessed by potential customers. Content of blog advertising is the supplement of the company's homepage, and it normally tries to introduce relative matters of a company in different level from individual's point of view.

2) High degree of segmentation, precise targeting of advertising

Blog is a web publication with attribute of personalized classification, that makes each blog has its own target group and its segmentation degree is much higher than other form of media. The higher the segmentation is, the more accurate the targeting is.

3) High interactivity and communication ability, well performance of word-of-mouth effect

"Blog" plays two roles in advertising at the same time, one is blog and one is blogger, it is both a broadcast channel and target group. Besides, blog marketing combines media communication and interpersonal communication then broadcasts through the web of bloggers to amplify the effect of communication.

Each blogger has his/her own blog group in which the bloggers share the same interests and hobby, and the bloggers inside mutually affect, trust and interact with each other, which provide a consolidated foundation for word-of-mouth effect. Although the absolute flow of a single blogger may be low, because of clearly targeted group, the value of advertising could be high and the brand value created is not what a traditional advertisement could reach.

4) Cost reduction of advertising

The cost of word-of-mouth advertising only focus on educating and stimulating the few sample advertising group, which is also known as education and exploring of public opinion leaders. Therefore the cost of blog advertising is much lower than other forms of advertising.

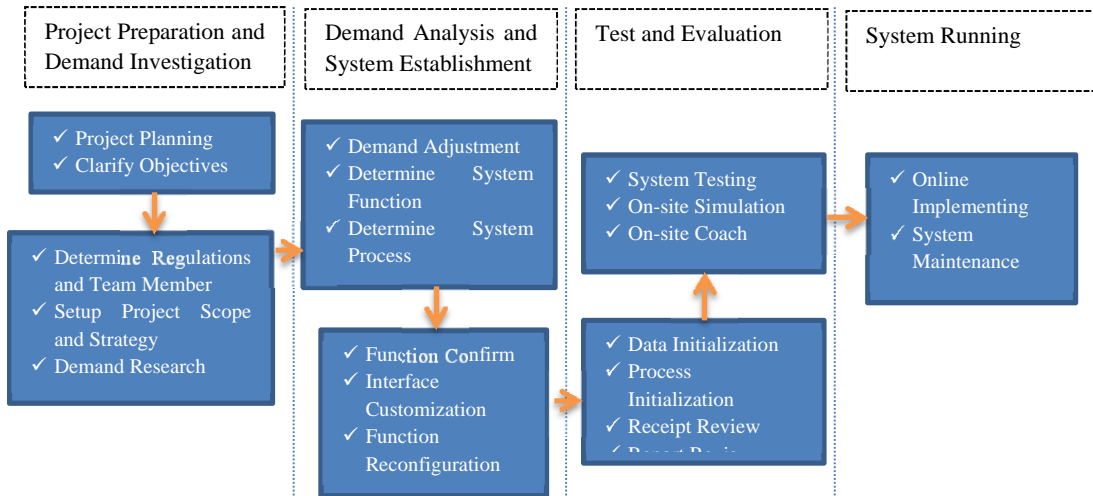


Figure 5.8 Process of Blog Marketing (Resource from baidu.com)

6. Conclusion

This thesis covers mainly three aspects: the overall furniture market review and analysis, existing problems of the domestic industry, feasible marketing strategies for enterprises to improve performance. Each aspect is in sequential correlated; from doing the market research to finally proposing possible improving methods and strategies, we are trying to base on the most relevant realities to give out the most proper solutions for Chinese furniture enterprises.

6.1. Market review and analysis

As the living condition continuously improving, and production capacity growing, Chinese furniture market is with huge profit potential and has vast room for expansion. Among the products categories, wooden furniture is still the mainstream product and it takes more than half of the market share, followed by the metal and upholstered ones. The main customers lie in the young (age 20-40) and relatively high-earned groups, and those with bigger living spaces.

For the enterprises in the market, most are domestic funded, while foreign funded take the least proportion. The furniture manufactures are located in limited regions, mainly gather in six geographical centers and form the natural regional markets. The Chinese furniture industry is mainly composed by small and medium-size enterprises, most of which are not in large scale and have limited market share as well, the industry's centralization degree is quite low.

The industry output and market sales are high-extent corresponding, so the supply and demand of furniture market in China is balanced. With regard to the distribution channel in China, office furniture is commonly by direct sales; while household furniture is more commonly through in retail and wholesale outlet.

At the same time customer's purchasing behavior is tending to be more mature, the demands are diversified with different customer characteristics, but still got some trends to guide: in favor of eco-friendly products, emphasize products' quality and style, or have common expectations on service clauses etc. the industry competition is fierce and will be more in the future, especially in mass market sectors. This is because companies are becoming more excellent, customers are harder to trick, plus the market concentration is low. To prevail will be more challenging.

The macro environment in China is highly in favor of furniture enterprises. The economic and social development promotes the industry to grow, and proposing challenges as well; while government also support vigorously. According to the analysis of current situation and potential of market in which companies are operating, we defined the possible limitations, competitive threats and sources of opportunities. For mass market oriented enterprises, the attractiveness for them to enter in is not high, at least currently with passive prospect. For players who are already in the market, they could still find opportunities to develop well.

6.2. Existing problems

According to the analysis and characters of the issues, mainly the problems occur in furniture producers. These problems are quite Chinese-style characterized, because the causes are strongly

correlated with the market situation and social factors. Though the problems are not vitally deteriorating, firms can still survive and struggle ignoring them; but that will never be a way of modern management, companies with this kind of issues will never go up to the leading position, industry shall never be upgraded. We always say that Chinese firm cannot operate in high-end sector, until they can face these wrong-going issues and take measures to overcome them. The market is still promising, but enterprises should consider the problems and moving forward before the whole industry is impeded too far behind.

6.3. Marketing strategies

Based on the previous analyses, we give out possible solutions for companies to implement to tackle the problems and improve competitiveness in the market. To achieve the goals both producers and retailers have different priorities to take, and for those who control whole industry chain will have more to meliorate. The product strategies are mainly for contents of producers, while service strategies are mainly for occupations of retailers.

A precise segmentation and targeting could help companies focus on the right objectives without further ado, so to put least resources and get maximum outputs as possible. Products development strategies are mainly to tackle the lack of initiation and plagiarism phenomena among Chinese vast enterprises. To get rid of always-follower title, and to establish advantages in intense competition, companies should strengthen their technical innovation ability, and emphasize fostering talents. Companies want to build brand influence, firstly must guarantee the products quality, and then cultivate the positive corporate culture, implement brand strategies to develop with brand as pivotal. The sales market is turbulent, retailer must keep a high service level to keep the customer base, and do promotion well to expand the market share; maintain the customer loyalty could guarantee companies grow as market grows. Even though market is huge, to survive in the market is not easy, especially when the profit space is shrunk due to raising costs. So a good cost reduction strategy and improvement on distribution system will help tremendously on dealing the difficulties.

Market is always in changing and developing, so are the marketing strategies. No single strategy is perfectly suitable for dealing a problem or always remaining true, companies shall be able to learn the core ideas of them and make a combination of strategies or tactics which is most suitable to their own situation. All in all, the market is always with positive prospect, but companies may fail or succeed; what matters to win in this big market is the correct understanding of it, as well as the right strategies to follow.

Bibliography

- [1] Jairo Castaño. The Booming Furniture Industry in China. Bois et Forêts des Tropiques. 2002. Yokohama, Japan: ITTO. 1~2
- [2] CSIL. International furniture trade in 2002. World furniture: International Markets Review. 2002. Milan, Italy, CSIL, p. 10-11.
- [3] PJ Kotler. Marketing Management. 1999. London, UK: Prentice Hall
- [4] C Homburg, JP Workman, O Jensen. Fundamental Changes in Marketing Organization: the Movement Toward a Customer-focused Organizational Structure. Journal of the Academy of Marketin Science. 2000. Germany: Springer. 87~90
- [5] Shusen Hou. Marketing. 2001. Beijing: Democracy and Construction Press
- [6] Meiqi Xu. 2013 Outlook of China's Furniture Industry. Furniture and Interior Decoration. 2013. Hunan, China: CSUFT. 2~3
- [7] General Administration of Quality Supervision, Inspection and Quarantine of the PRC, Standardization Administration of the PRC. Wood Furniture General Technical Conditions, GB/T3324-2008. 2009
- [8] Beijing Normal University. China Minsheng Development Report (2012). 2012. Beijing, China: BNU Press
- [9] Xia Feng. A Brief Discussion on the Competiveness of China's Furniture Enterprises. Science and Technology Innovation Herald. 2010. Beijing, China: China Astronautic Publishing House
- [10] Bennington RR. Furniture Marketing, 2nd printing. 1996. New York, US: Fair-child Publications
- [11] Italian Trade Commission. Furniture Market in China. 2012. Italy
- [12] CH Chen, KH Lan. Strategic Study of Knowledge Management Which Led into Furniture Design Industry—Taking Example by Taiwan Furniture Industry. Human Interface and the Management of Information. 2013. Taiwan: Springer
- [13] Shuihe Chen. Summary of Import and Export of Timber and Its Processed Products in 2012. International Wood Industry. 2013. Beijing
- [14] Baoguang Chen. Review of the Chinese Furniture Industry in 201. China Wood Industry. 2012. Beijing
- [15] Xuanhe Zhang, Kuiyou Huang. Brief Analysis on the International Competiveness of China's Furniture Export. Modern Economic Information. 2010. Heilongjiang, China
- [16] T. J. Pakarinen, A. T. Asikainen. Consumer segments for wooden household furniture. Holz als Roh-und Werkstoff, 59(2001): 217-227
- [17] Jing Zhang, Yanling Duan. The impact of different types of market orientation on product innovation performance—Evidence from Chinese manufacturers. Management decision, 2010, vol. 48 No.6: 849-867
- [18] Katrin Besch. Product-service systems for office furniture: barriers and opportunities on the European market. Journal of Cleaner Production, 13(2005): 1083-1094
- [19] Luisa Andreu, Cristina Mele. Value co-creation among retailers and customers: new insights into the furniture market. Journal of retailing and consumer services, 17(2010): 241-250

- [20] Shuo Wang, Chao Wang. Analysis on issues of current Chinese furniture market. *China wood-based panels*, 6(2011): 7-9
- [21] Yong Li. Analysis and forecast of furniture market in domestic and international scale. *Forest Engineering*, 2004, vol. 20 No.3: 35-3
- [22] Ran Li, Weiming Song. Thinking of the role of the government in the process of furniture industry competitiveness formation. *China forestry economy*, 6(2008): 30-37
- [23] Zhihui Wu. The present status and prospect of Chinese furniture industry development. *Journal of Nanjing forestry university (Natural science edition)*, 2002, vol. 26 No. 5: 87-92
- [24] Bo Wang, Chunxia Zhang, Yongwu Dai. Study of international competitiveness of China's furniture industry. *Chinese agricultural science bulletin*, 2008, vol. 24 No. 9: 176-182
- [25] Chang Liu, Gang Tian. Current analysis and development measure of Chinese furniture market. *Commercial research*, 12(2006): 89-91
- [26] Xiaojie Wang. Study on influence factors and demand forecasting of domestic furniture market. Master dissertation. Harbin, China: Northeast Forestry University, 2011
- [27] Ming Wang. The research on China mainland office furniture market. Master dissertation. Changsha, China: Central South University of Forestry and Technology, 2010
- [28] Chao Zhen. Analysis on Chinese furniture market and research on marketing strategies. Master dissertation. Tianjin, China: Tianjin University, 2006
- [29] Wenping Shi, Paul M. Smith. Overview of Chinese furniture market. Penn State-Forest products marketing program, 2011
- [30] Zhenya Zhong, Shaoming Zhang. An analysis on Chinese furniture market status and the development of furniture industry. *China forest products industry*, 2012, vol. 39 No. 2: 8-16
- [31] David J. Robb, Bin Xie, Tiru Arthanari. Supply chain and operations practice and performance in Chinese furniture manufacturing. *Int. Journal production economics*, 112(2008): 683-699
- [32] Xiao Han, Yali Wen, Shashi Kant. The global competitiveness of the Chinese wooden furniture industry. *Forest policy and economics*, 11(2009): 561-569
- [33] DS Jeon, JP Choi. A Leverage Theory of Reputation Building with Co-branding: Complementarity in Reputation Building. 2013. recercat.net
- [34] B Lienland, A Baumgartner, E Knubben. The Undervaluation of Corporate Reputation as a Supplier Selection Factor: An Analysis of Ingredient Branding of Complex Products in the Manufacturing Industry. *Journal of Purchasing and Supply Management*. 2013. Erlangen, Germany: Elsevier. 84~97
- [35] Taihong Lu, Zhimin Zhou. Branding Theory Based on Band Relations: A Research Model and Prospects. *Business Economics and Administration*. 2003. Guangzhou, China
- [36] KE Goodpaster. *The International Encyclopedia of Ethics*. 2013. Wiley Online Library
- [37] FT Rothaermel. *Strategic Management: Concepts & Cases*. 2013. McGraw-Hill Irwin
- [38] L Teeratansirikool, S Siengthai, Y Badir. Competitive Strategies and Firm Performance: the Mediating Role of Performance Measurement. *International Journal of Productivity and Performance Management*. 2013. UK: Emerald Group Publishing Limited
- [39] Honghui Chen, Xiayang Wang, Zhe Cai. *IWAY-IKEA's Road*. Caijinjie. 2011. Beijing
- [40] Osama Albarrak. *Strategic Management: Case Study & Analysis of IKEA*. 2011
- [41] Fabian Suarez. *International Business Strategy IKEA*. 2006

- [42] Ajit Kambil, G. Bruce Friesen, Arul Sundaram. Co-creation: A New Source of Value. 1999
- [43] Yuhui Röhstö Hou & Ji Liu. Taime-based Strategy in Distribution Logistics: Gaining Competitive Advantages in IKEA. 2011
- [44] Tianyi Zhu. Analysis of IKEA's Cost Leadership Strategy on The Basis of Value Chain Analysis. Modern Business. 2008
- [45] M Chen, J Lv. Research on Advanced Manufacturing Technology Foresight of Chinese Furniture Industry. Informatics and Management Science I, 2013. Germany. Springer
- [46] Ali Tafti, Sunil Mithas, M. S. Krishnan. The Effect of Information Technology-Enabled Flexibility on Formation and Market Value of Alliances. Management Science. 2013: mansci.journal.informs.org
- [47] Ruiying Feng. Enterprises should emphasize industry chain integration. Economic tribune, 8(2004)
- [48] Giovanni Da silveira, Denis Borenstein. Mass customization: Literature review and research directions. International journal of production economics, 2001, vol. 72 issue 1: 1-13
- [49] Xiaofeng Shao, Peiqing Huang, Jianhua Ji. The prevailing production model of the 21 century-mass customization. Soft science, 2000, vol. 14 No. 4
- [50] Yongming Yao. China's Furniture Market Green Marketing Strategy Research. 2006. Harbin: Harbin Engineering University
- [51] Yanyun Ren. Discussion on the Online Advertising Model of Furniture Industry. Shangqing. 2010. Hebei, China