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Government
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Gouvernement
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Regional Industrial
Expansion

Expansion industrielle
régionale

Ottawa, Canada
K1A 0H5

COMPETITIVENESS OF THE FURNITURE INDUSTRY

WHAT IS NEEDED?

SEPTEMBER 1988

Canada



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régionale

Ottawa, Canada
K1A 0H5

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Foreword

This study was commissioned by the Service Industries and Consumer Goods Branch of the Department of Regional Industrial Expansion, to provide factual information that could be used in the development of plans or strategies designed to enable the Canadian furniture industry to adapt to changing business environment and become more internationally competitive.

It was not intended that the results of the study would by themselves lead to specific recommendations or actions on the part of the government but rather to tabulate and report the responses to a questionnaire that was sent to a large number of manufacturers representative of all sub-sectors of the furniture industry and of a number of indepth personal interviews with manufacturers. It will be noted in the report that the study which reported entirely on information provided by manufacturers, emphasized the current status of the industry in a number of manufacturing, management and marketing areas and sought opinions on the future of the industry.

The quantitative elements of the responses were consistent with the results of the interviews and the overall characteristics of the responding companies were representative of the industry when compared to Statistics Canada data. The qualitative responses and the forecasting elements, while subjective individually, reflect the general situation in the industry and must also be regarded as quite pertinent.

We consider that Price Waterhouse has successfully completed its mandate and that this report is a worthwhile tool for companies to recognize their needs for industrial adjustment in all the areas identified and to develop appropriate action plans.

The Department will make extensive use of the findings of this study in the light of other existing information and studies to examine, in cooperation with industry associations and other government bodies, the most appropriate courses of action that could lead to an internationally competitive industry.

The Furniture Division
Service Industries and Consumer Goods Branch
Industry, Science and Technology Canada
October, 1988

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DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION
SURVEY OF THE FURNITURE INDUSTRY

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EXECUTIVE SUMMARY

Price Waterhouse was contracted by the Department of Regional Industrial Expansion to conduct a survey of the furniture industry in Canada that would provide information required in the furniture industry to make it internationally competitive. Specifically the study was to provide information on the following:

- the status of existing manufacturing technology relating to equipment, buildings and manufacturing practices in the furniture industry;
- information on recent capital investment;
- the nature, status and impact of labour-management relations;
- the type and amount of training;
- trends in industry management in such areas as productivity improvement, plant modernization, product specialization and internal marketing;
- anticipated costs and planned capital investment;
- the factors affecting the rate of introduction of state-of-the art technology;
- impact of new technology for small, medium and large companies;
- product and design, standardization and adaption required in the industry;
- planned investment in marketing activities; and
- projection of international trade movement likely to affect or influence the Canadian industry or market.

The study's primary data collection method was a mail survey to 700 furniture manufacturers representing the household, office, bedspring and mattress and institutional and other commercial sectors. The mailing list, obtained by the Department of Regional Industrial Expansion, was believed to



include the major furniture manufacturers in Canada. Other data collection methods included:

- a literature review;
- 20 in-depth interviews with officials and representatives from government, industry associations and the industry;
- 200 qualitative follow-up telephone interviews with manufacturers responding to the survey; and
- three focus groups which included representatives from the industry.

The response rate of the survey was 48 percent. However, the respondents to the survey represent a more significant percentage of the industry in terms of sales. The 1987 sales reported by the responding firms are 72 percent of the industry's entire sales (based on data available from Statistics Canada for 1985). We are, therefore, confident that the survey findings provide a good understanding of what is happening in the industry.

The findings of the study revealed a positive attitude by most manufacturers concerning their firm's future. However, it was also indicated that several initiatives were needed in order for the growth to be realized.

Approximately half of the firms were expecting their domestic and international sales to increase by over 20 percent during the next three years. Overall, sales were predicted to increase by 17 percent from 1987 to 1988. Moreover, over half of the firms indicated that their growth potential was good or excellent.

With some variation, the positive outlook was expressed by firms in the household, office, bedspring and mattress and institutional and other commercial sectors. Predictions for sales growth were highest for the office sector, followed by the bedspring and mattress and the household



sectors. Also, a larger number of office manufacturers stated that the growth potential of their firms was good or excellent compared to firms in other sectors.

However, findings from the survey and the qualitative interviews indicated that firms felt that serious and immediate action was needed in many areas for their optimistic predictions to be realized. Major areas mentioned by firms as impediments for them to be internationally competitive were marketing, productivity, computerization, production employees, and availability of financing.

Marketing was the main area where action was felt to be required by all firms. It was ranked as the major impediment by the office, institutional and other commercial sectors and third by household and bedspring and mattress. Almost half of the firms surveyed were not using market research for important areas, such as market segmentation, market share analysis, measurement of domestic and export market potential and promotion/advertising. Interviewees mentioned several areas where action was needed in marketing.

- increased expenditures on marketing;
- more use of existing market research information;
- increased training of management staff for marketing/sales;
- focus advertising on the quality or style of products rather than price; and
- increased effort on entering foreign markets.

Productivity was another area that firms identified as a major impediment in becoming internationally competitive. It was the main impediment to household manufacturers and fifth to manufacturers of office furniture. A large percentage of firms stated that their international competitors were more productive. Firms felt several actions were needed to improve their



productivity, such as increasing their automation, improving their production facilities, and improving the layout of their plants. Firms also indicated a need to develop market niches and rationalize product lines over the next five years.

Over half of the firms surveyed were making very little use of numeric/computer controlled equipment for production, packaging, warehousing, inventory control, shipping and testing. The major reason given for not being automated in production was the cost of the equipment. Moreover, firms also revealed some uncertainty over the type of computers to adopt.

Another area that was a concern for firms in their efforts to become internationally competitive was the lack of skilled production employees. A large number of firms surveyed felt that their need for skilled labour was half met or not met at all. Approximately half of the firms felt that more skills-related training was needed.

Firms which indicated they needed to increase their expenditures over the next three years to be internationally competitive stated that an additional \$265 million was required over current expenditures. The breakdown of the additional investment required by sector is indicated on the following page.



Investment Area	Household	Office	Miscellaneous
■ Modernizing/building plants	\$70	\$13	\$8
■ Obtaining new equipment	\$48	\$29	\$8
■ Advertising/promotion	\$21	\$ 7	\$6
■ R&D (design related studies)	\$13	\$ 5	\$2
■ Market research	\$ 6	\$ 1	\$1
■ Training for new technology	\$ 5	\$ 1	\$1
■ Management training	\$ 3	\$ 1	--
■ Other (sales staff, consultants)	\$ 2	\$ 1	--

In conclusion, there was some optimism expressed by firms concerning their future; however, there were also several areas (such as marketing, productivity, automation, skilled employees) where action was believed to be required in order for them to become internationally competitive.



INTRODUCTION

This report presents the findings from a study/survey of furniture manufacturers in Canada. The survey was conducted by Price Waterhouse on behalf of the Department of Regional Industrial Expansion.

1. Background

The Canadian furniture industry is predominantly Canadian-owned. Foreign firms control less than one-tenth of the industry's total sales and less than one-tenth of the industry's assets. The industry is also largely based in Ontario and Quebec. Only twenty percent of the firms are located in other provinces.

The industry experienced a dramatic decline in sales in 1982 but recovered as consumers' disposable incomes rose. In 1987, over 50,000 Canadians helped to produce over \$4 billion worth of goods for the industry.

The industry is a net exporter of goods notwithstanding variations between sub-sectors. Exports in 1987 exceeded imports for the same period by over \$250 million. The household sub-sector, however, tends to be a net importer of goods. In 1987, imports of household furniture were over \$150 million more than exports. Over forty percent of these imports (44%) were produced in European countries, thirty percent came from the United States (U.S.) and twenty-three percent from Asia.

The Canadian furniture industry is quite dependent on the U.S. market for sales of Canadian furniture. American manufacturers sold \$256 million of furniture to Canada in 1987 while Canadian manufacturers shipped \$821 to American markets. Lower tariffs in the United States and a decline in the value of the Canadian dollar contributed to the difference in export activity noted above.



Canadian furniture manufacturers have been protected against imported products by tariffs that are up to five times higher than duties imposed in the United States. Traditionally, the tariffs have contributed to protecting the industry from massive imports which reduced the need for Canadian manufacturers to accelerate improvements in their productivity.

Imports from Asian countries have also been increasing. Between 1986 and 1987, imports of household furniture from the Far East increased 4 percent and imports of office increased 2 percent.

The introduction of free trade between Canada and the United States as well as the increased imports from Asian countries will cause Canadian industry to face a new environment. Canadian furniture manufacturers will be forced to reconsider their businesses. In order to compete, either domestically or internationally, the Canadian firms will be required to become more competitive through such measures as adopting state-of-the-art technology or increasing productivity.

The length of time required for the furniture industry in Canada to adjust to new market characteristics and become competitive internationally will naturally vary because of several factors such as sector, region and size of firm. Such an issue is an extremely important one for all firms and particularly for governments that are interested in the impact that the new environment would have on the industry.

2. Purpose

Price Waterhouse was contracted by the Department to conduct a study/survey of the furniture industry in Canada in March, 1988. The objective of the study, as stated by the Department of Regional Industrial Expansion, was to determine the amount and type of adjustment the industry requires, with or



without government assistance, to become competitive in international markets.

The results of the study are intended to provide the necessary information to guide companies, trade associations and the Government, in the development of individual or collective action plans suitable to render the Canadian furniture industry internationally competitive, and capable of adjusting to constantly changing markets. Price Waterhouse was asked to report its research findings but not to recommend any policy prescription for government action or government investment.

The study was to provide information on the following topics:

- the status of existing manufacturing technology relating to equipment, buildings and manufacturing practices in the furniture industry;
- information on recent capital investment;
- the nature, status and impact of labour-management relations;
- the type and amount of management training;
- trends in industry management in such areas as productivity improvement, plant modernization, product specialization and international marketing;
- anticipated costs and planned capital investment;
- the factors affecting the rate of introduction of state-of-the art technology;
- impact of new technology for small, medium and large companies;
- product and design, standardization and adaptation required in the industry;
- planned investment in marketing activities; and
- projection of international trade movement likely to affect or influence the Canadian industry or market.



Firms that were surveyed included those manufacturing wooden, upholstered and metal furniture for the office, household, bedspring and mattress, and institutional and other commercial sectors. The survey included firms in Canada believed to have ten or more employees.

3. Approach

The approach to the study of the furniture industry included the following:

- a review of the current literature for the furniture industry in Canada which included studies and documents produced by other departments, associations and consultants;
- a mail survey of furniture manufacturers in Canada;
- in-depth interviews with officials and representatives from government, industry associations and the industry; and
- three focus groups which included representatives from the industry.

4. Organization of the Report

This report presents the findings of the study/survey of the furniture industry in Canada. Chapter II presents a detailed discussion of the methodology for the study. The detailed findings, organized around the major sectors of the industry, are presented in Chapters III to VI. A summary of the major findings are included in Chapter VII.



METHODOLOGY

1. Introduction

This chapter presents the methodology that was used for the study/survey of the furniture industry. It includes a discussion on each of the five data collection methods, namely:

- literature search;
- mail survey;
- in-person and telephone surveys;
- qualitative interviews with selected respondents; and
- focus groups.

In addition, this chapter includes a discussion of our approach to the analysis of the data that was collected.

2. Literature Search

We reviewed the literature, studies, documents and available statistics on the furniture industry. The relevant information was obtained from DRIE, a literature search, furniture associations, provincial government officials, Statistics Canada and Price Waterhouse consultants.

The data collected in the literature search was useful for two reasons. It was essential that the development of the questionnaire be preceded by a sound review of the industry and the issues that confront it today. The literature review helped to achieve that objective. Moreover, it was also helpful for the interpretation of the findings of our study.



3. Mail Survey

The primary data collection instrument was the mail survey of furniture manufacturers. There were 700 manufacturers who were sent the questionnaire. These manufacturers and their addresses were obtained from the DRIE's Furniture Division's mailing list. The Department felt that the list was fairly comprehensive and reflective of the industry.

The survey included firms in the office, household, bedspring and mattress, hotel and institutional sectors of the industry. It also consisted of manufacturers using upholstered, wood, metal, and other materials in production.

Questionnaire Development - Following the review of the literature a questionnaire was developed to address the study objectives discussed in the first chapter. A critical component of this development process was to obtain input from members of the industry, the associations and the government. The following groups reviewed the questionnaire:

- representatives from the Furniture Division at DRIE;
- nine senior managers from furniture firms who attended a focus group in Toronto; and
- the Federal Information Collection Group of Statistics Canada and the contracting group within DRIE.

This process was particularly useful for ascertaining whether all of the key issues were addressed for each sector, whether questions needed to be added or deleted and whether the questions were clear and logical.

Pre-test - Questionnaires were pre-tested with 10 furniture manufacturing firms in order to ensure that the questions were clear and concise and achieved the desired objectives. The findings of the pre-test were



reviewed and modifications were made to the questionnaires following this pre-test. A french version of the questionnaire was then developed and all copies were checked for consistency.

A copy of the questionnaire is presented in Appendix A.

Data Collection Procedures - Questionnaires were mailed to every individual business in the sample. For firms known to be involved in many sectors a questionnaire was sent to every division. A covering letter was attached to the questionnaire explaining the purpose of the study and encouraging survey recipients to respond. A return-addressed, postage paid envelope was included within this package as well.

The questionnaire was mailed with an identifying code in order to track respondents as well as keep the identity of the firms confidential. All firms were advised that the information they provided would be strictly confidential between themselves and Price Waterhouse.

The Furniture Division of DRIE, as well as the associations, sent a letter to all firms in the sample encouraging them to complete the questionnaire. Price Waterhouse also sent two reminder letters to firms that had not yet responded to the survey. The first letter was sent two weeks after the questionnaires were mailed. The second follow-up letter was sent four weeks after the initial mailout.

Staff from Price Waterhouse contacted 245 firms by telephone to remind firms that had not yet responded to complete the questionnaire and mail it in. In addition, for those firms that indicated they would not complete the questionnaire, information was collected on their size and sector in order to check for non-response bias. Firms indicating that the survey was not applicable to them (i.e., they were not a furniture manufacturer) were recorded. In addition, for those firms that indicated they had not received



a questionnaire or misplaced it, the address of the firm was verified and another questionnaire was sent to them.

Price Waterhouse staff also contacted another 100 firms by telephone in an attempt to secure an interview over the telephone. This helped to increase the response rate to the questionnaire and also allowed us to probe some issues in more depth.

Responses to the survey were closely monitored as the questionnaires were returned in order to uncover any problem areas prior to data coding and entry. Responses were tracked and accepted until July 11, 1988.

Survey Response - By July 11, 1988, 265 surveys were returned by mail or obtained by telephone producing a survey response rate of 38 percent. However, of the 700 questionnaires mailed, 49 firms were not applicable, 79 had moved, closed or had no listing, and 24 were returned unanswered from divisional offices when it was indicated that the firm wanted to complete only one questionnaire for all of its operations. Discounting these 152, the response rate was 48%, as indicated below.

	Number	Percentage
Completed	265	48%
Refused	46	8%
No Response	237	43%
	-----	-----
Total Applicable	548	100%
* does not add up due to rounding.		



The 265 firms responding to the survey had total sales of \$2456.7 million in 1987. Statistics Canada reported sales of \$3,398.6 million for firms in the furniture industry in 1985. Based on this figure our survey would represent 72 percent of the industry. Projecting the 1985 Statistics Canada number to 1987, based on the industry's average annual growth rate of 13.8 percent between 1982 and 1985, the respondents to the survey would represent 56 percent.

4. In-Person/Telephone Surveys

An additional 20 interviews were conducted either in-person or over the telephone with individuals from the federal government, the provincial governments, industry associations and firms. These interviews allowed us to obtain an industry-wide perspective on issues addressed through the survey of firms and the literature review. Interview guides were developed for all interviews. These guides included a set of common questions that were asked of each interviewee but allowed enough flexibility to probe respondents in their particular areas of expertise and interest.

A list of interviewees is included in Appendix B.

5. Qualitative Interviews with Selected Respondents

Part of our methodology also included follow-up qualitative interviews with 200 manufacturers who responded to the survey. These qualitative interviews allowed us to explore issues that were not fully captured by the mail survey. These interviews were also used to verify and discuss issues related to the survey and to fill in any gaps left by incomplete responses in the mail survey such as sales or other financial data. As indicated earlier, 100 firms were contacted in an attempt to secure an interview over the telephone. Additional qualitative interviews were conducted with these firms after the questionnaire was completed.



Specific issues that were raised included:

- the impact of a Free Trade Agreement with the United States;
- barriers affecting the introduction of new technology;
- the types of skills that the industry is lacking related to finance, marketing and general management;
- changes needed in the industry; and
- industry plans/intentions with respect to these changes.

Interview guides were also developed for the qualitative interviews with firms.

6. Focus Groups

Three focus groups were also held throughout the study. The first focus group was held in Toronto and was used to review the survey instrument which was developed. The draft version of the questionnaire was reviewed by industry members and changes were made to the questionnaire based upon this discussion.

Two additional focus groups were held in Toronto and Montreal for the purpose of reviewing the findings of the research. These two focus groups were particularly useful for:

- verifying and explaining the survey findings;
- discussing problems facing the industry; and
- discussing what action might be taken by the industry for it to become internationally competitive.

Each group consisted of 8 to 12 participants with the exception of the Montreal focus group in which fewer industry representatives were able to



attend. A clearly defined agenda was developed for each focus group in order to ensure that key topic areas were covered. Participants were sent a copy of the point form findings prior to the actual meeting date.

7. Analysis Approach

The methodology for this study was based on using multiple lines of evidence. Each of the methods used to collect data served to provide a different perspective to the study issues, which, in turn, contributed to the accomplishment of the study objectives.

Data from the mail surveys and telephone surveys was coded and entered on Price Waterhouse's Compaq Deskpro 286 micro computer. A computerized data base was prepared for use with SPSSPC+ (Statistical Package for the Social Sciences) software. Specific procedures that were followed to ensure the proper development of the database included:

- verification of coding and data input;
- range checks to ensure that all the values on each variable fell within the expected range; and
- consistency edits to ensure that responses to questions were logically consistent with those of other questions.

Data from the surveys was analyzed separately as well as with information from the review of the literature that was conducted. Our Analysis Plan is included in Appendix C.

The information collected in the qualitative interviews with manufacturers, the associations and government representatives was summarized and, where relevant, has been included in the findings section of this report.



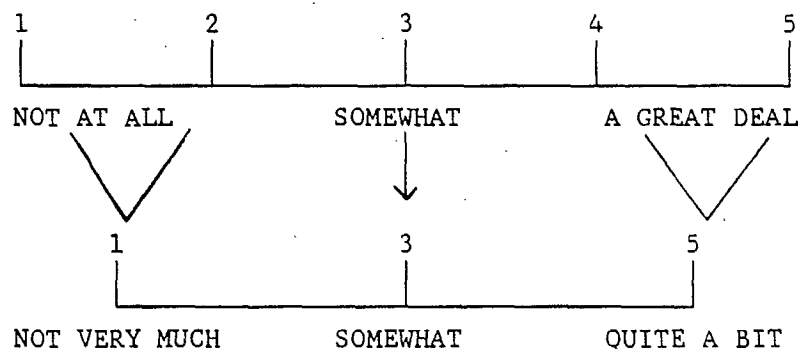
All of the data collection methods provided information on each of the study objectives to a greater or lesser extent. Our findings, which are presented in the following four chapters, are organized by sector primarily to facilitate the logical division in the industry and to highlight the unique nature of each sector of the furniture industry.

The next chapter presents an overview of all firms in the furniture industry and the remaining three chapters focus on household, office and remaining miscellaneous sectors (bedspring and mattress, institutional and other commercial).

For ease in reading the findings, we have sometimes substituted the following words for the actual percentages:

very few	1 - 10%
a minority	11 - 40%
about half	41 - 60%
a large number	61 - 80%
most	81 - 100%

In addition, the 5-point Likert scales used in the questionnaire were collapsed into 3-point scales. This was done in order to conduct analyses that would provide meaningful and statistically significant results. The following diagram displays the way in which the scales were collapsed:



With the exception of financial information, firms were asked to restrict their answers to the sector where they have the highest percentage of their sales. For example, a firm with 70 percent of their sales in office case goods and 30 percent in household metal would answer from the point of view of office case goods.



OVERVIEW OF THE FURNITURE INDUSTRY

This chapter presents an overview of the survey findings of the furniture industry. It includes the following:

- a profile of responding firms;
- discussion of the outlook of the industry;
- similarities between sectors; and
- differences between sectors.

1. Profile of Responding Firms

The distribution of respondent firms by the sector of their highest sales is presented in Exhibit 3.1.1. The household sector made up over half of the survey respondents.

EXHIBIT 3.1.1

Sector	Number	Percentage of Responding Firms
Office	61	23%
- Upholstered	18	
- Case Goods	34	
- Other	9	
Household	153	59%
- Upholstered	38	
- Wood	79	
- Metal	18	
- Other	18	
Bed Spring and Mattress	17	7%
Other (i.e., institutional, other commercial)	29	11%
	-----	-----
	260*	100%

* 5 firms did not indicate their major sector.



Respondents to the survey were from firms located in every region in Canada, with over fifty percent from Ontario. Exhibit 3.1.2. presents the breakdown of respondents by region.

EXHIBIT 3.1.2

Region	Number	Percentage of Responding Firms*
Atlantic	4	2%
Quebec	87	33%
Ontario	137	52%
Prairies and B.C.	37	14%

* does not add up due to rounding

The total sales of the responding firms in 1987 was \$2.5 billion. Twenty firms did not provide sales data. The breakdown of sales between sectors is presented in Exhibit 3.1.3.

EXHIBIT 3.1.3

Sector	Sales*	Percentage of Responding Firms*
■ household	\$ 1.3 billion	54%
■ office	0.8 billion	33%
■ bedspring and mattress	.2 billion	8%
■ institutional and other commercial	.1 billion	4%

* does not add up due to rounding

The responding firms' average expenditures as a percentage of sales are presented in Exhibit 3.1.4., on the following page, broken down according to



the firms' sales. It indicates firms with sales under \$2 million spent the most in all areas in terms of their sales.

EXHIBIT 3.1.4

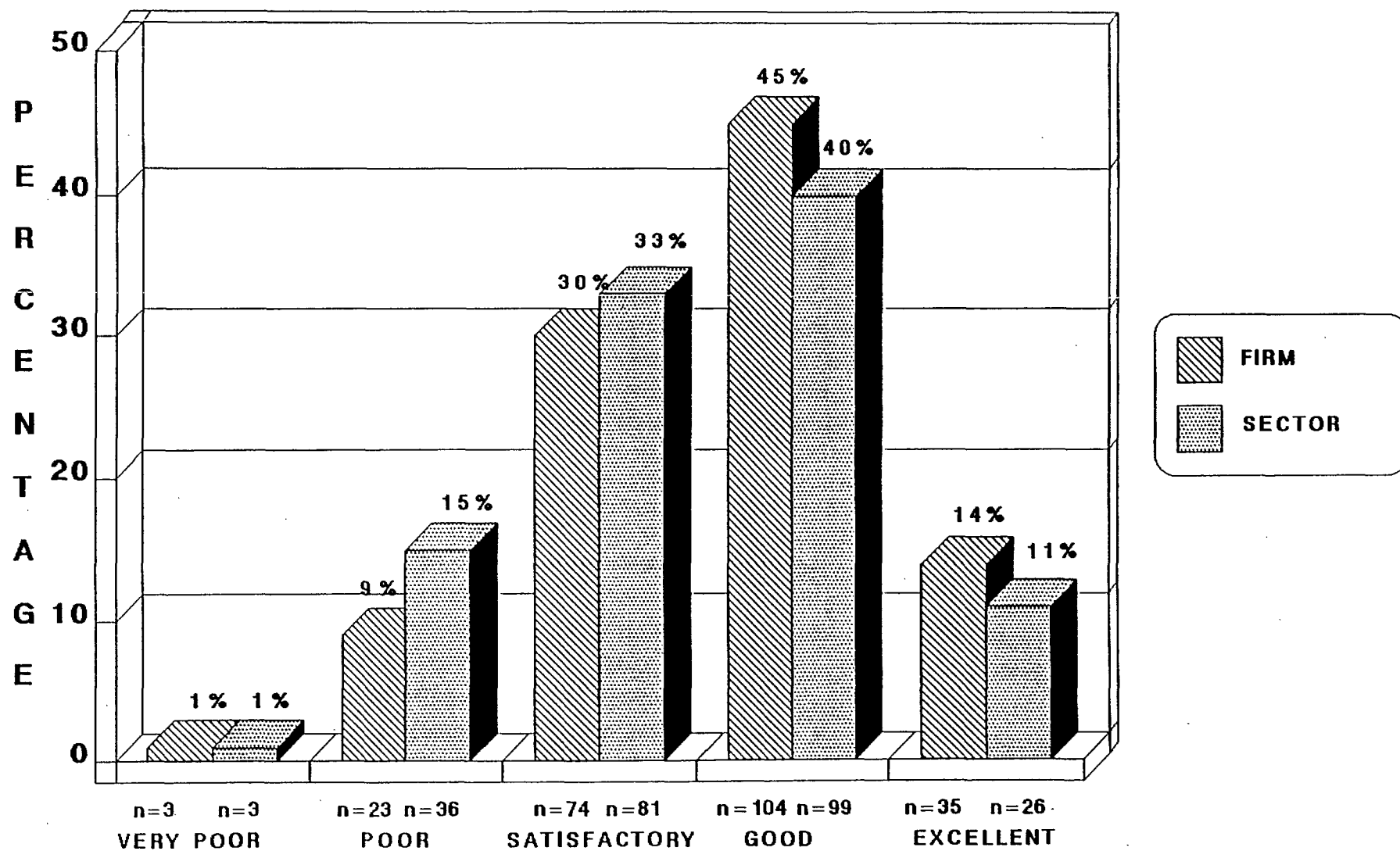
Expenditure Area	Average Expenditures As A Percentage Of Sales For Firms With The Following 1987 Sales			
	Under \$2 Million	\$2.1-7.0 Million	\$7.1-20.0 Million	Over \$20 Million
Computer As Management Tools	1.8%	1.1%	0.7%	0.6%
Numeric/Computer Controlled Equipment	4.8%	1.8%	1.5%	2.9%
Other Production Equipment	4.4%	3.5%	2.4%	2.8%
Buildings (Interior and Exterior)	5.1%	3.4%	1.2%	1.8%
R & D (Design)	3.6%	1.4%	1.3%	0.9%
Advertising & Promotion	3.6%	2.1%	2.1%	2.5%
Market Research	2.3%	0.6%	0.6%	0.5%

2. General Outlook

A large number of the firms surveyed were predicting positive increases in their domestic and international markets over the next three years. Forty percent were anticipating their domestic sales to increase by over 20 percent. Moreover, over fifty percent were predicting a similar increase for their international markets. 12 and 14 percent of the firms felt their



RESPONDENT'S COMPARISON OF MARKET GROWTH POTENTIAL



Data based on the survey of 700 furniture manufacturers

domestic and international markets would decrease or have no growth over the next three years.

Firms with sales under \$2 million were more likely to predict positive increases for their domestic sales than larger firms (61 percent predicted sales over 20 percent compared to 29 to 36 percent for all firms).

The predictions for the growth of firms over the next three years were consistent with the firms' ratings of the market growth potential of their firm and their sector. Approximately half of the firms indicated that the market growth potential of their sector was either good or excellent. As indicated by Exhibit 3.2.1, on the opposite page, firms were a bit more optimistic with the potential of their own firm with 59 percent stating the potential was good or excellent. There was no relationship between size of firm and outlook for market growth potential. Firms with sales under \$2 million and over \$20 million were the most optimistic (66 and 60 percent ranked their outlook as excellent compared to 59 percent for all firms).

The major impediments identified by firms for them to be internationally competitive were:

▪ marketing	114/576 mentions
▪ productivity	107/576 mentions
▪ availability of financing	96/576 mentions
▪ acquisition of technology	88/576 mentions
▪ availability of production employees	82/576 mentions

Firms with sales under \$7 million were more inclined to identify the availability of financing as a impediment to be internationally competitive than firms with sales over \$7 million.



Between 55 and 74 percent of the firms stated that they needed to increase their expenditures in various areas to be internationally competitive. The total additional investment required by firms over the next three years in order to be competitive is \$265 million. A half dozen firms stated that they needed additional investments of over \$1 million in some of the major areas over the next three years.

The expenditures required by investment areas are listed in Exhibit 3.2.2.

EXHIBIT 3.2.2

Expenditures Needed to be Internationally Competitive	Total Required Over Next 3 Years (\$ Million)	Average/Firm (\$000's)
Modernizing/building plants	\$94	\$945
Obtaining new equipment	\$90	\$672
Advertising/promotion	\$36	\$276
R&D (design)	\$21	\$192
Market research	\$ 9	\$ 89
Training for new technology	\$ 7	\$ 77
Management training	\$ 5	\$ 50
Other (sales staff, investmens, consultants).	\$ 3	--

For obtaining new equipment and modernizing/building plants approximately 50 percent of the firms needed expenditures between \$100,000 and \$1 million.



Generally, for all expenditure areas, the largest number of firms with sales under \$2 million required expenditures under \$50,000. Firms with sales over \$20 million required the largest amount of expenditures.

Exhibit 3.2.3 indicates the percentage that the required investment represents of the firms 1987 sales and average predicted percentage sales for 1988-1990 as well as, the increase over the current expenditures in 1987 and planned expenditures for 1988-1990.

EXHIBIT 3.2.3

Expenditure Area	Investment Required As A Percentage of Sales		Percentage Increase Over Current Expenditures	
	Sales 1987	Average Sales 1988-90	Sales 1987	Average Sales 1988-90
Modernizing/building plants	3.0%	2.0%	398%	113%
Obtaining new equipment	2.2%	2.0%	101%	54%
Advertising/promotion	1.0%	0.8%	50%	36%
R & D (design)	0.6%	0.4%	81%	48%
Market Research	0.3%	0.2%	155%	85%

3. Similarities Between Sectors

The three remaining sections of this chapter present separate findings for the sectors of the furniture industry: household, office and the remaining miscellaneous sectors. The analysis revealed several similarities between



the sectors. A few of the more important areas where similar responses were recorded are discussed below.

The sectors were similar in their use of market research information. Only 13 to 17 percent of office and household manufacturers conducted or used market research information a great deal in most of the marketing areas, such as, measuring domestic and export market potential, conducting market share analysis and market segmentation. The only areas where there was some distinction between the sectors were product research and competitive market studies (household conducted these types of market research approximately 10 to 15 percent more than office).

The use of computers by firms in the various sectors was similar. Computers as management tools was used somewhat or a great deal by 83 percent of the remaining miscellaneous sectors (bedspring and mattress, institutional and other commercial), 80 percent by office manufacturers and 72 percent by household manufacturers. Numeric/computer controlled equipment for production purposes was not being used by between 55 and 65 percent of the firms in the three sectors.

A large number of firms in all the sectors indicated a need for more training for their management staff. Marketing/sales and production were identified by all as the areas where training was needed most. Between 68 and 78 percent of the firms in the three sectors indicated that training was needed in production. While the responses were similar, firms in the miscellaneous sector generally indicated a higher need for training than firms in the household sector, which was typically higher than the office sector.



4. Differences Between Sectors

The analysis also revealed several areas where the responses differed by sector. A few of the more important differences between sectors are discussed below.

The sectors varied in terms of their predictions for their domestic market growth over the next three years. Sales growth of 20 percent or more were expected by 53% of office manufacturers, 41% of bedspring and mattress manufacturers, 37% of household manufacturers and 27% of manufacturers in the institutional and other commercial.

The two major impediments of becoming internationally competitive listed by the office, bedspring and mattress, and institutional and other commercial sectors were marketing and availability of financing. The household sector identified productivity and acquisition of technology.

The number of firms that indicated their expenditures should be increased in order for them to be internationally competitive varied by 25-31 percent between sectors. In the area of management training, 71 percent of firms in the institutional and other commercial sector felt more expenditures were necessary compared to 40 percent in bedspring and mattress, 46 percent in office and 58 percent in household.

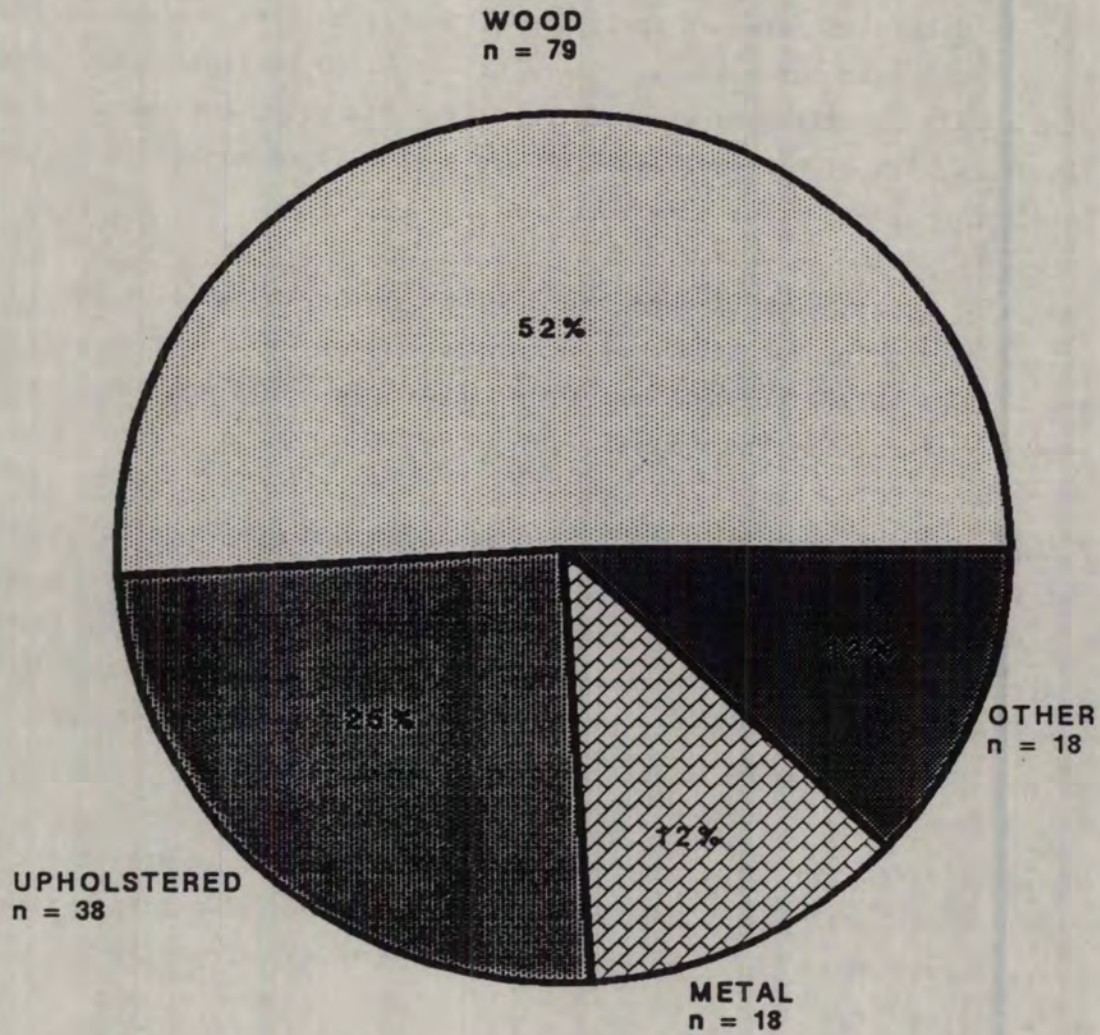
Sectors also varied in terms of the degree of training being provided to their production employees. Most of the office sector (97 percent) reported they were providing on the job training compared to 69 percent in the household sector.

Household manufacturers were also more inclined to feel their need for skilled production employees was half met or not met at all (61 percent) than office (49 percent).



EXHIBIT 4.1.1

**DISTRIBUTION OF HOUSEHOLD FIRMS
RESPONDING TO THE SURVEY BY SECTOR**



Data based on the survey of 700 furniture manufacturers

HOUSEHOLD SECTOR

The topics covered in this chapter include the following:

- profile of responding firms;
- general outlook;
- marketing;
- technology\productivity;
- training; and
- actions identified by firms to be competitive.

1. Profile of Responding Firms

The distribution of household firms responding to the survey by the sector of their highest sales is presented in Exhibit 4.1.1, on the opposite page. Approximately half (51 percent) of the household firms were wood manufacturers.

The survey had representation from firms with small, medium and large number of employees, as illustrated in Exhibit 4.1.2.

EXHIBIT 4.1.2

Number of Employees	Number* (n=143)	Percentage of Responding Firms
Small (< 30)	43	30%
Medium (31-100)	59	41%
Large (100 +)	41	29%

* 10 firms did not indicate their size

The largest number of firms (41 percent) had between 31 and 100 employees, which were classified as medium-sized.



As expected, firms with under 30 employees had the lowest sales and firms with over 100 employees had the highest sales.

Most of the firms responding to the survey were located in Ontario and Quebec, 44 percent and 42 percent respectively. This is indicated in Exhibit 4.1.3.

EXHIBIT 4.1.3

Region	Number (n=143)	Percentage of Responding Firms*
Atlantic	1	1%
Quebec	64	42%
Ontario	67	44%
Prairies and B.C.	21	14%

* does not add up due to rounding

Comparing the regional breakdown of the survey respondents with Statistics Canada data on the number of establishments, in 1985, similar proportions were shown, as indicated in Exhibit 4.1.4.

EXHIBIT 4.1.4

Region	Percentages from Survey*	Statistics Canada Percentages*
Atlantic	1%	3%
Quebec	42%	45%
Ontario	44%	35%
Prairies & B.C.	14%	18%

*does not add up due to rounding



The sales figures reported by the respondents for 1987 are indicated in Exhibit 4.1.5. Most firms (92 percent) had sales figures of \$20 million or less. There were thirteen household manufacturers responding to the survey that did not release their sales figures.

EXHIBIT 4.1.5

Sales (in million \$s)	Sales in 1987	
	Number (n=140)	Percentage of Responding Firms*
under 2	38	27%
2.1 to 7.0	53	38%
7.1 to 20	38	27%
20.1 to 100	9	6%
100 +	2	1%

* does not add up due to rounding

The distribution of 1987 sales' figures by type of household manufacturer is presented in Exhibit 4.1.6. A larger percentage of wooden and upholstered manufacturers had sales in excess of \$7 million as compared to metal manufacturers.

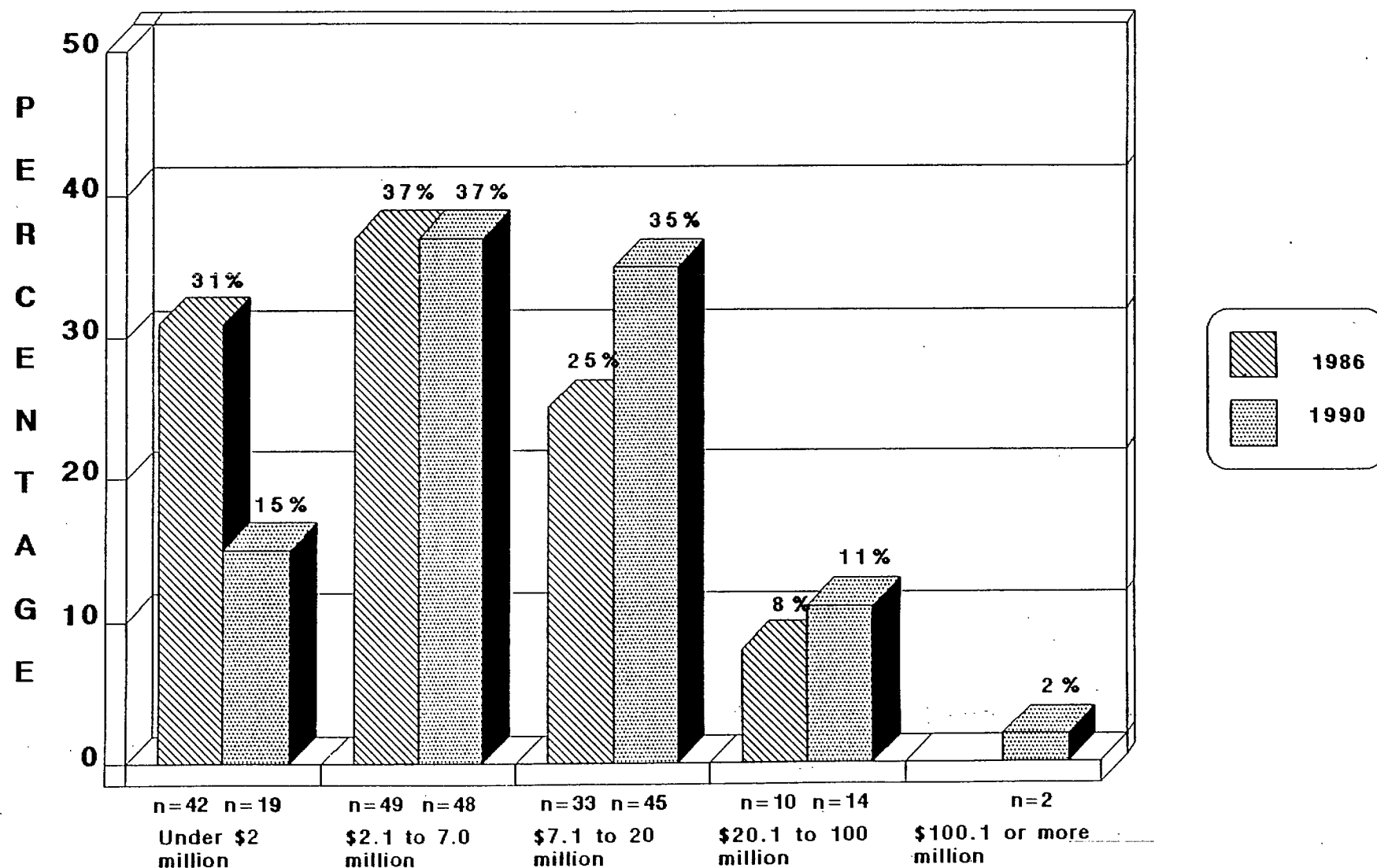
EXHIBIT 4.1.6

Sales (in million \$)	Percentage by Sector			
	Wooden* n=73	Upholstered* n=35	Metal n=16	Other n=16
under 2	26%	29%	25%	31%
2.1 to 7.0	37%	34%	62%	25%
7.1 to 20	27%	26%	13%	44%
20.1 to 100	8%	9%		
100+	1%	3%		

* does not add up due to rounding



PERCENTAGE OF SALES REPORTED BY HOUSEHOLD RESPONDENTS FOR
1986 AND ANTICIPATED FOR 1990



Ontario and the western provinces had a greater percentage of firms (34% and 32% respectively) with under \$2 million in sales than Quebec (19%).

Similarly, Quebec had the highest percentage of firms with sales greater than \$7 million (39%).

The average sales per employee for 1987 was \$63,587. This compares to an average of \$60,520 reported by Statistics Canada in 1985. Projecting the 1985 Statistics Canada number based on the sector's average annual growth between 1982 and 1985, the 1987 estimate for average sales per employee would be \$71,932.

The average sales per employee for wood, upholstered and metal are indicated below.

Sector	Average Sales Per Employee
Wood	\$67,110
Upholstered	70,282
Metal	36,462
Other	51,627

There was some growth in the sales figures reported by respondents for 1986 and anticipated for 1990, as indicated in Exhibit 4.1.7, on the opposite page. A smaller percentage expect sales under \$2 million and a large percentage expect sales over \$7 million.

Most of the firms (84 percent) surveyed had the majority of their sales (76 to 100 percent) in the domestic market. Only six percent had domestic sales of 50 percent or less.

Upholsterers (95 percent) were more likely to have their sales in the



domestic market than other manufacturers, as illustrated in Exhibit 4.1.8, as shown below.

Approximately 10 percent of metal and wood household furniture manufacturers had 50 percent or less of their sales in the domestic market.

EXHIBIT 4.1.8

Percentage of Domestic Sales	Percent of Responding Firms			
	Wood (n=78)	Upholstered (n=38)	Metal (n=18)	Other (n=18)
1 to 25%	3%	--	--	--
26 to 50%	5%	--	11%	6%
51 to 75%	10%	5%	17%	17%
76 to 100%	82%	95%	72%	78%

missing - 1
not statistically significant

There was no distinction between firms' location and percentage of sales in the domestic market. Although it was not statistically significant, firms with a small number of employees (95 percent) were more likely to have a greater percentage of their sales in the domestic market than large (78 percent) and medium (78 percent) firms.

There were 51 firms in the household sector that were not exporting abroad. The major reasons listed by these firms for not exporting are presented in Exhibit 4.1.9, on the following page.



Expenditure Area	Average Expenditures As A Percentage Of Household Sales Based on Firms' 1987 Sales			
	Under \$2 Million	\$2.1-7.0 Million	\$7.1-20.0 Million	Over \$20 Million
CAPITAL EXPENDITURES				
Computers as Management Tools				
Total	2.3%	0.7%	0.8%	0.6%
Wood	1.5	0.6	0.5	0.4
Upholstered	0.1	0.7	0.7	0.9
Metal	6.0	1.0	1.0	--
Other	2.2	0.3	1.6	--
Numeric\Computer Controlled Equipment				
Total	5.0%	2.4%	1.8%	4.5%
Wood	5.0	1.4	1.2	4.6
Upholstered	--	1.0	1.0	--
Metal	--	5.0	2.0	--
Other	5.0	--	8.0	--
Other Production Equipment				
Total	4.5%	3.1%	2.4%	3.2%
Wood	4.9%	3.5	2.7%	2.9
Upholstered	2.0%	2.2	1.1	3.7
Metal	1.0	4.2	1.0	--
Other	6.7	1.4	3.2	--
Buildings (Interior & Exterior)				
Total	2.5	3.2%	0.2%	2.0%
Wood	2.7	2.9	1.5	2.4
Upholstered	2.0	2.0	1.2	1.0
Metal	--	4.8	0.2	--
Other	3.0	2.9	--	--
OPERATING EXPENDITURES				
R & D (i.e design related studies)				
Total	2.3%	1.4	1.2%	0.9%
Wood	1.3	1.0	1.4	0.9
Upholstered	1.7	2.5	1.0	1.0
Metal	5.0	1.5	--	--
Other	3.8	1.3	0.8	--
Advertising & Promotion				
Total	3.5%	2.1%	1.8%	2.5%
Wood	3.4	1.9	1.9	2.5
Upholstered	2.8	2.2	1.1	2.5
Metal	2.5	2.2	1.0	--
Other	5.7	2.5	2.5	--
Market Research				
Total	2.9%	0.8%	0.6%	0.5%
Wood	2.7	0.8	0.4	0.9
Upholstered	--	0.7	0.7	0.9
Metal	1.0	0.2	--	1.0
Other	4.3	2.0	0.9	--

EXHIBIT 4.1.9

Major Reasons For Not Currently Exporting Abroad	Number (n=51)	Percentage of Responding Firms*
Not competitive enough to compete in foreign markets scale	19	37%
At full production capacity in Canadian market	12	24
Unsure how to enter foreign markets	9	18
Not sure of nature of foreign markets	5	10
Other	6	12%

* does not add up due to rounding

Exhibits 4.1.10, on the opposite page, presents average expenditures as a percentage of sales based on firms' sales. Exhibit 4.1.11 on the following page indicates firms' total expenditures in different operations of their business by the total sales of the firms.

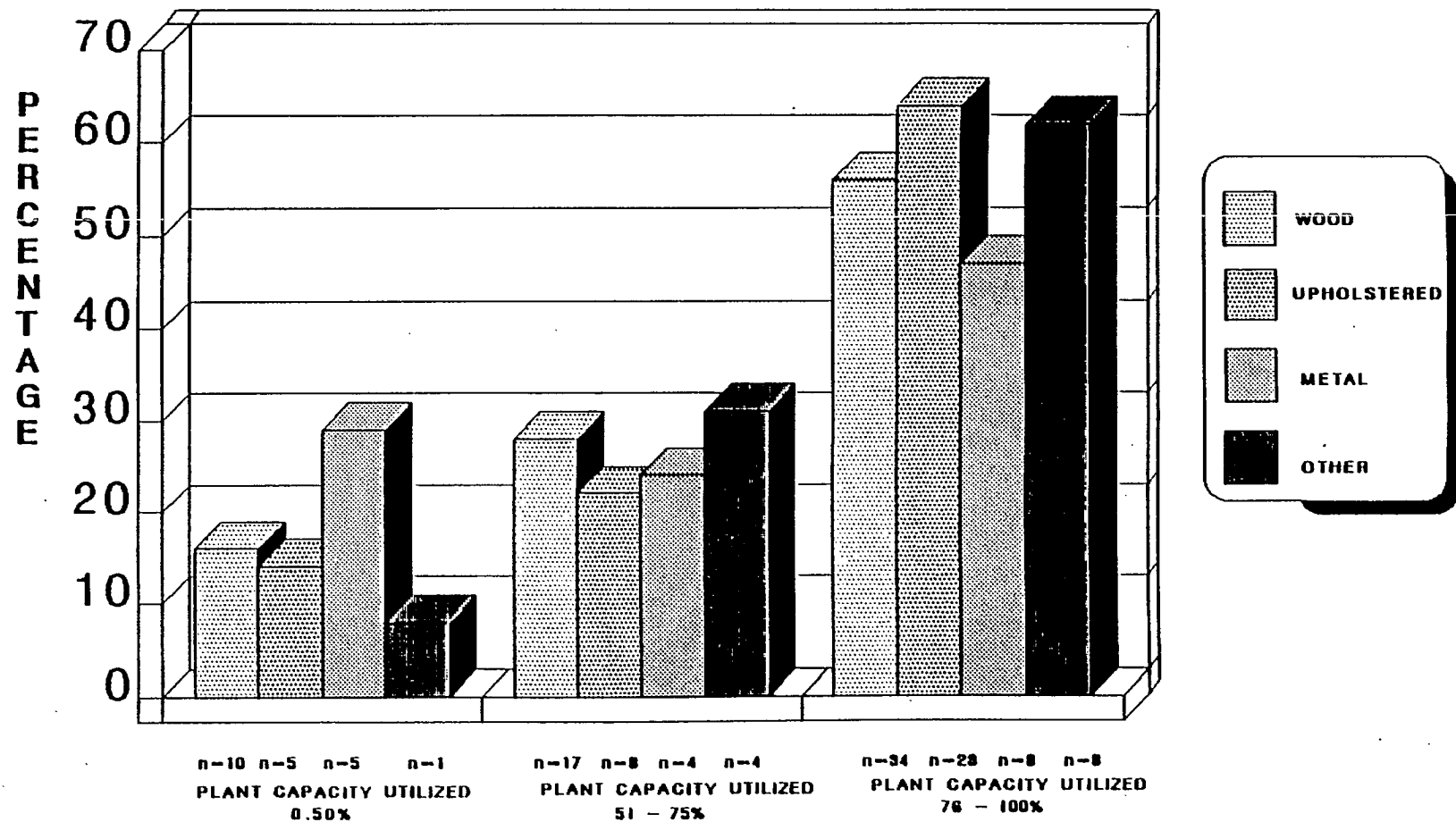


Expenditure Area	Total Expenditures of Firms Classified By 1987 Sales Distribution (In Million \$'s)							
	Under \$2 Million	# of Firms	\$2.1-7.0 Million	# of Firms	\$7.1-20.0 Million	# of Firms	Over \$20 Million	# of Firms
CAPITAL EXPENDITURES								
Computers as Management Tools	\$0.25	13	\$0.66	22	\$1.71	20	\$2.08	8
Numeric\Computer Controlled Equipment	0.10	2	0.73	7	2.64	12	12.80	4
Other Production Equipment	0.70	18	2.98	27	6.24	25	12.53	8
Buildings (Inter- ior & Exterior)	0.15	6	2.43	19	1.52	10	2.71	4
OPERATING EXPENDITURES								
R & D (i.e., design related studies)	0.20	13	1.43	28	2.60	19	3.32	6
Advertising & Promotion	0.77	27	2.74	34	6.01	31	12.67	7
Market Research	0.09	8	0.32	13	0.84	13	1.04	6

With respect to operating capacity of firms, of the firms responding to the survey, 85 percent were operating one shift. Nineteen firms (13%) were operating two shifts. Approximately half of the firms operating one shift utilized over 75 percent capacity.



PLANT CAPACITY UTILIZED BY HOUSEHOLD FIRMS OPERATING ONE SHIFT IN THE PREVIOUS YEAR



Manufacturers of metal household products operating one shift utilized less plant capacity than upholstered or wooden manufacturers, as illustrated in Exhibit 4.1.12, on the opposite page.

Fifty percent of the firms surveyed obtained 76 to 100 percent of their supplies in Canada. A large number of respondents (71 percent) indicated that they were not anticipating any difficulty with their suppliers. Of the 38 firms that expressed concerns about their suppliers, the major problems listed when the firms were asked to indicate all problems were:

▪ price of materials	25\87 mentions
▪ availability	18\87 mentions
▪ reliable delivery	17\87 mentions
▪ quality of materials	11\87 mentions

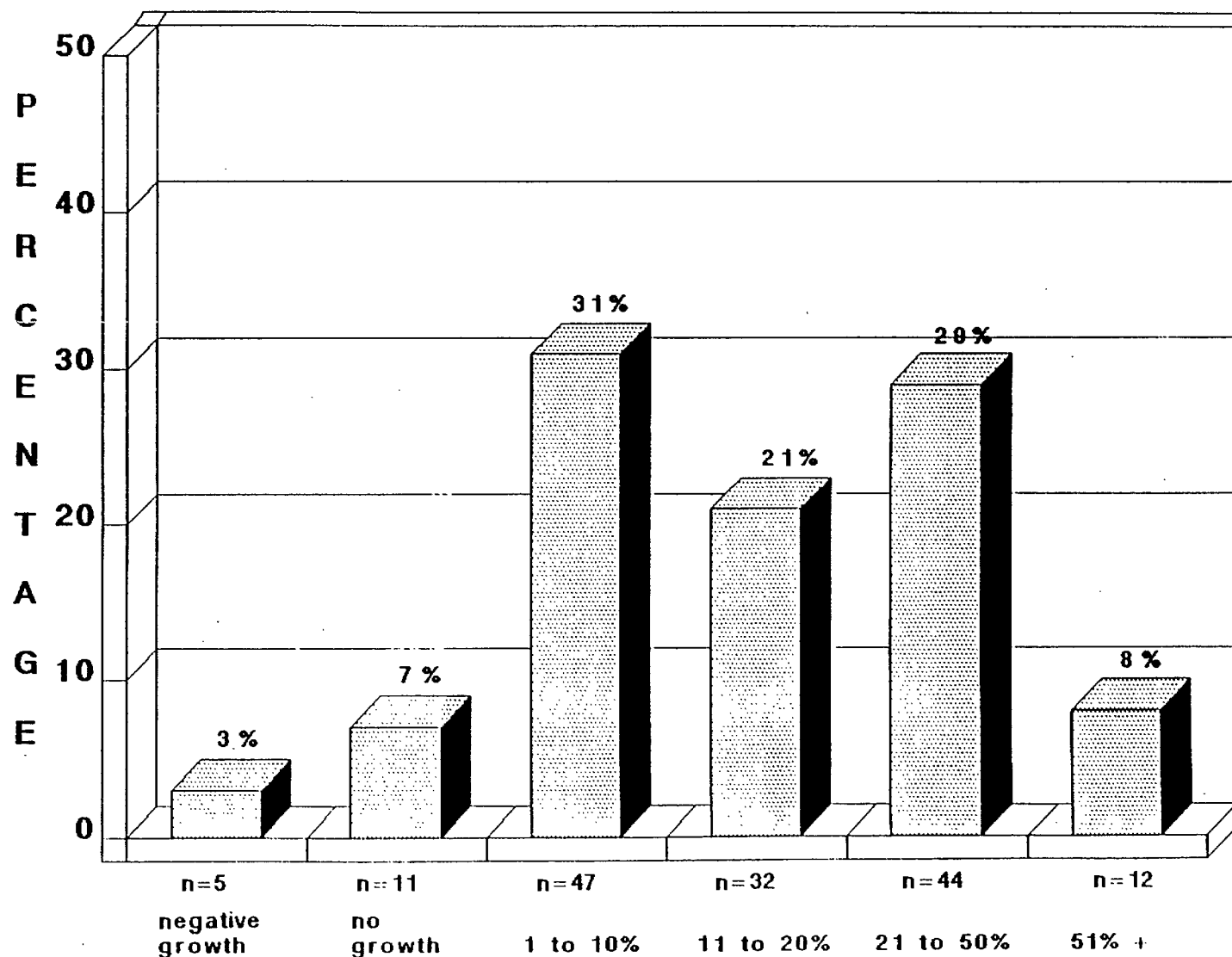
The survey results indicated that upholsterers were slightly more inclined to predict future problems with their suppliers. Pursuing this in the qualitative interviews, upholsterers and the associations indicated a deep concern with the Free Trade Agreement with the United States, which would see tariffs on imported textiles for ten years but the elimination of tariffs on imported furniture products in five years. Several interviewees felt that action should be taken to remedy this situation, which they stated was extremely detrimental to the future of their businesses.

2. General Outlook

There was considerable variance in the sales growth firms were predicting for their domestic markets. As illustrated, in Exhibit 4.2.1, opposite page 30, 37 percent of the household manufacturers were expecting their domestic sales to increase by over 20 percent over the next three years. Eleven percent were predicting stable or negative growth and 31 percent were expecting 1 to 10 percent in growth.



**PREDICTIONS BY HOUSEHOLD MANUFACTURERS FOR GROWTH IN
DOMESTIC SALES OVER THE NEXT THREE YEARS**



Data based on the survey of 700 furniture manufacturers

The major reasons listed by firms that predicted negative or stable growth are listed in Exhibit 4.2.2.

EXHIBIT 4.2.2

Major Factors Affecting Domestic Growth	Number of Times Mentioned
Market size prohibits economies of scale	10
High labour costs	5
Cost of materials\supplies	4

The breakdown between type of household manufacturer is presented in Exhibit 4.2.3.

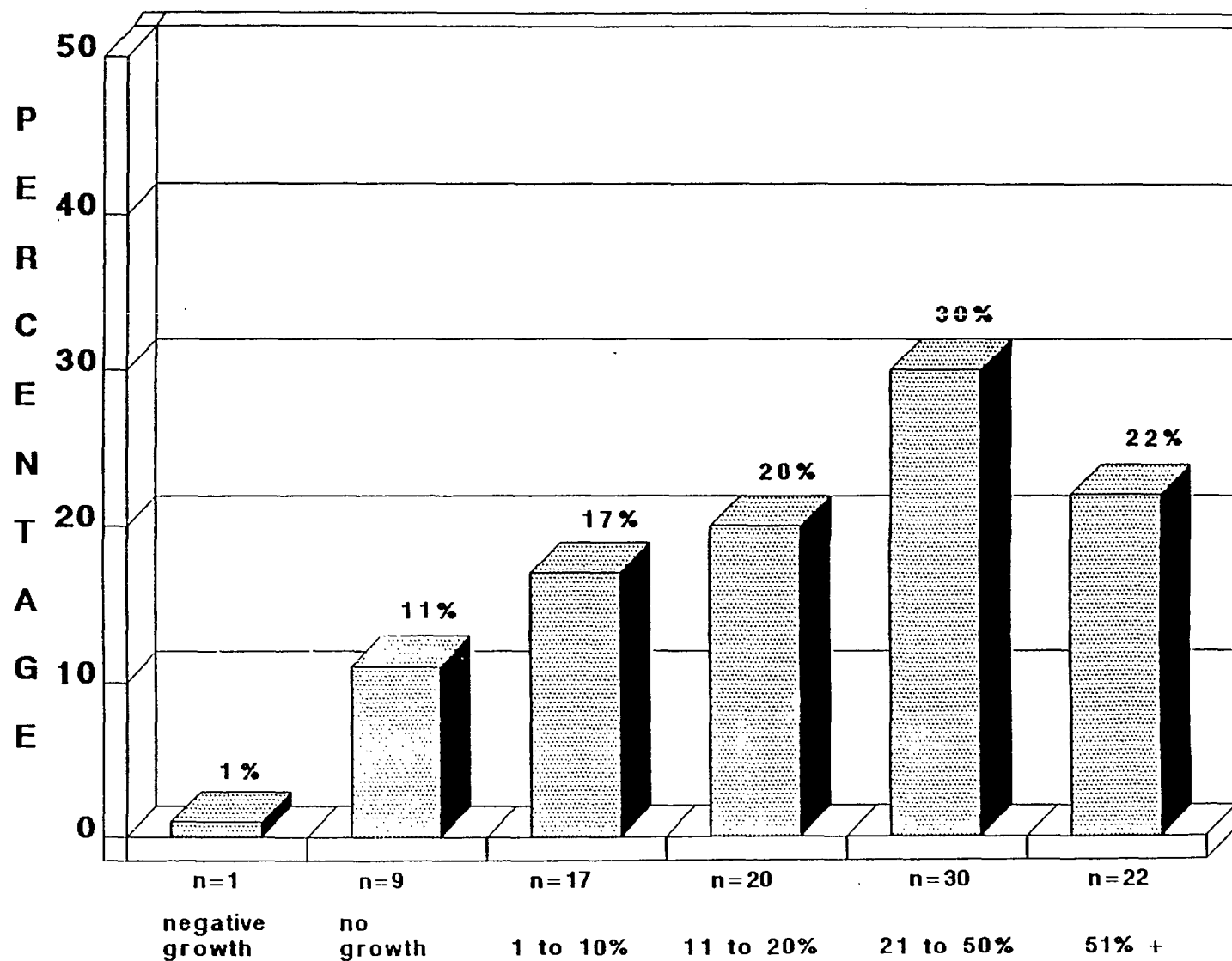
EXHIBIT 4.2.3

Estimates for Domestic Sales	Percent for Wood n=78	Percent for Firms in Upholstered n=38*	Percent for Firms in Metal n=18	Percent for Firms in Other n=17*
Negative growth	3%	3%	--	12%
No growth	6	11	6%	6
1 to 10%	35	24	44	18
11 to 20%	15	29	11	41
21 to 50%	33	32	22	12
51 +	8	3	17	12

*does not add up due to rounding
not statistically significant
missing = 2



**HOUSEHOLD FIRMS' PREDICTIONS FOR GROWTH IN INTERNATIONAL SALES
OVER THE NEXT THREE YEARS**



Data based on the survey of 700 furniture manufacturers

There was no significant relationship between a firm's domestic growth prediction and location. Between 38 and 40 percent of the firms in the western provinces and Ontario predicted sales greater than 20 percent compared to 32 percent in Quebec.

Firms with sales under \$2 million were more likely (63 percent) to predict their domestic sales would increase by 20 percent or more than firms with sales between \$2 and \$7 million (36 percent), firms with sales between \$7 and \$20 million (19 percent) or over \$20 million in sales (27 percent).

Firms' predictions for their international markets over the next three years were slightly more optimistic than for their domestic sales. However, since international sales represented only a small percentage of firms' total sales, the differences are not very significant. Exhibit 4.2.4, on the opposite page, indicates the growth rates predicted by firms. Approximately half (52 percent) of the household manufacturers were expecting their sales to increase by over 20 percent.

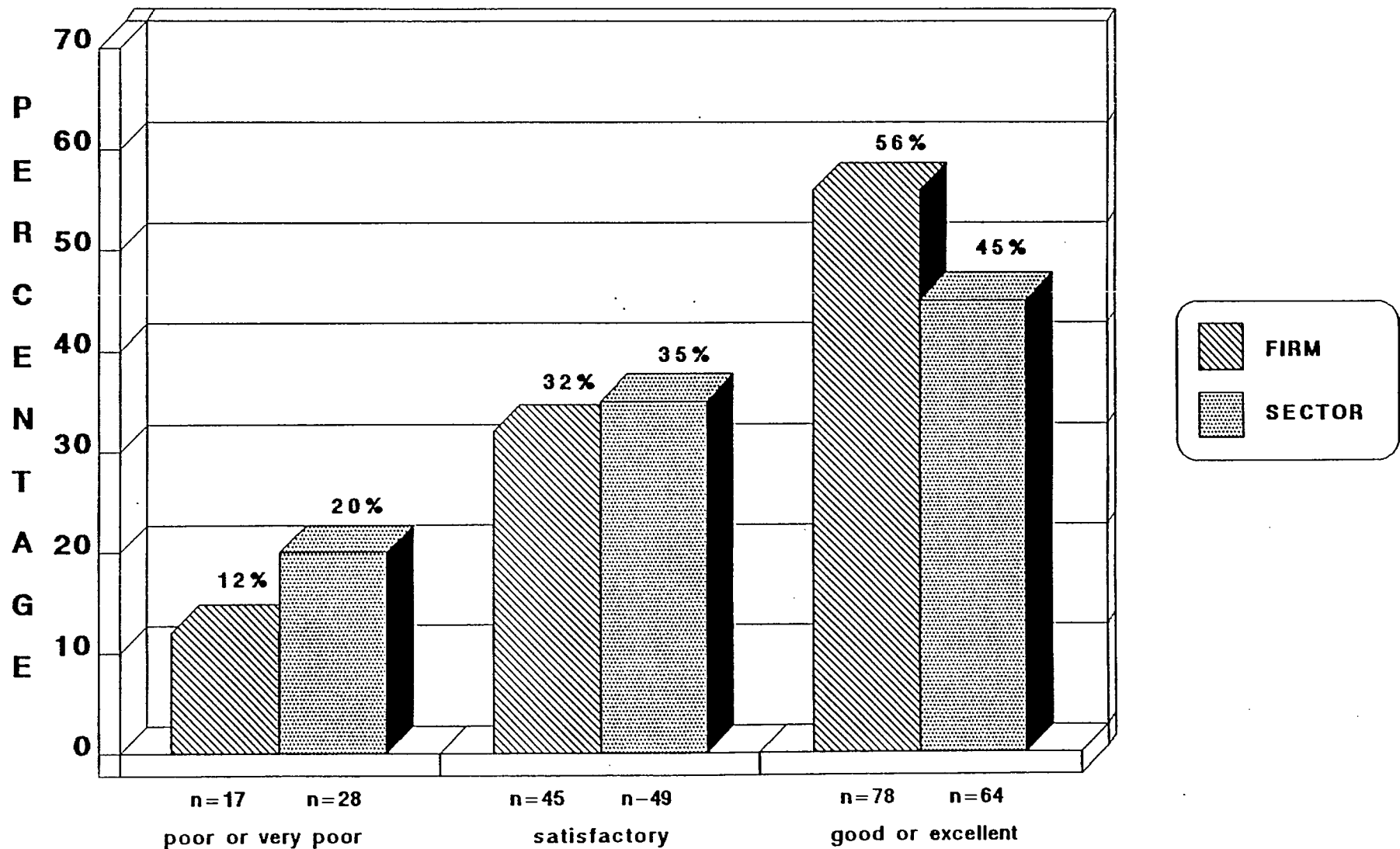
Among the firms expecting negative or stable international growth, 6 firms mentioned exchange rates and five firms referred to high labour costs.

Approximately half (56 percent) of the household manufacturers indicated the market growth potential of their firm was good or excellent. Twelve percent of the firms, however, felt their firm's potential was poor or very poor.

The in-depth interviews revealed that firms' forecasts for their market growth were optimistic but based on the realization that they needed to make several changes in order to compete effectively. Moreover, with respect to increases in international sales, firms stated their predictions were based on the current Canadian dollar vis-a-vis the American dollar. Many expressed concerns if the dollar continued to increase in value.



COMPARISON OF HOUSEHOLD MARKET GROWTH POTENTIAL



Data based on the survey of 700 furniture manufacturers

Firms tended to view their own firm's market growth potential as slightly better than the potential for the industry. As indicated by Exhibit 4.2.5, 20 percent felt the sector's potential was poor or very poor compared to 12 percent for their firm's market potential.

Interestingly, firms in the metal household sector were more inclined to see the market potential of their sector as good or excellent (72 percent) than their own firm (65 percent), as indicated in Exhibit 4.2.6.

EXHIBIT 4.2.6

Household Sector	Percentage of Firms Ranking Their Market Growth Potential as "Good or Excellent"	
	Sector	Firm
Wood	44%	55%
Upholstered	40%	44%
Metal	72%	65%

There was no relationship between size of firm and outlook for the firms' market growth potential. Firms with sales between \$7 and \$20 million were the least optimistic about their market growth potential (39 percent stated it was excellent compared to the survey average of 55 percent).

The major strengths indicated by firms for themselves and their sector are listed in Exhibit 4.2.7., on the following page.



EXHIBIT 4.2.7

Major Strengths	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Product Design	78	88
Quality	69	55
Price	58	60
Production		
Facilities	38	54
Marketing/Sales	39	22
Service	16	24
Flexibility	12	5
Delivery System	10	13

The major weaknesses of firms and the household sector are indicated in Exhibit 4.2.8.

EXHIBIT 4.2.8

Major Weaknesses	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Production	49	30
Cost of Materials/ Production	31	5
Cost of Labour	27	11
Product Design	27	10
Marketing/Sales	20	16
Product Price	20	7
Lack of Skills	14	31
Delivery System	10	13
Lack of Capital	8	20



3. Marketing

As indicated in Exhibit 4.3.1, firms are conducting or using market research information more for competitive products' studies or product research than market segmentation or market share analysis.

EXHIBIT 4.3.1

Market Research Areas	Extent of Use		
	Not at All	Somewhat/ Occasionally	A Great Deal
Market segmentation*	51%	37%	13%
Market share analysis	49%	38%	13%
Measurement of export market potential	48%	40%	12%
Promotion/advertising research	37%	48%	15%
Measurement of domestic market potential	34%	52%	14%
Market characteristics	30%	53%	17%
Product research	29%	44%	27%
Competitive products' studies*	25%	50%	26%

* does not add up due to rounding



Not surprisingly, the survey revealed that smaller firms conduct or use market research information much less than medium or large firms. For measuring domestic and export market potential, conducting market share analysis and conducting market segmentation, between 65 and 83 percent of small sized firms indicated they did not use market research information at all, compared to 0 to 7 percent of large firms.

For those firms not conducting or using market research information in these areas, the reasons stated in the survey were generally split between not needed, not available and insufficient funds. The qualitative interviews revealed a tendency by firms, especially smaller ones, not to see the importance of market research and a hesitancy, in the past, to spend scarce dollars in this area. Several firms indicated they had no time to conduct market research.

There was, however, an indication by firms that more attention was needed on marketing in the future. Several interviewees expressed an interest for more market research information and on entering the United States market. A few interviewees stated that advertising by firms needed to move away from featuring the cost of the product and focus more on its design or quality.

Sales representatives and retailers were identified as the most important sources of market research information, as indicated in Exhibit 4.3.2., on the following page.



EXHIBIT 4.3.2

Sources	Number of Times Mentioned (total mentions = 381)
Sales representatives	107
Retailers	102
Trade magazines	61
Associations	38
Internal marketing groups	37
Other	36

4. Technology/Productivity

Computers as management tools (e.g., for budgeting, sales forecasting, billing, finances) were used somewhat or quite a bit by 72 percent of the household manufacturers.

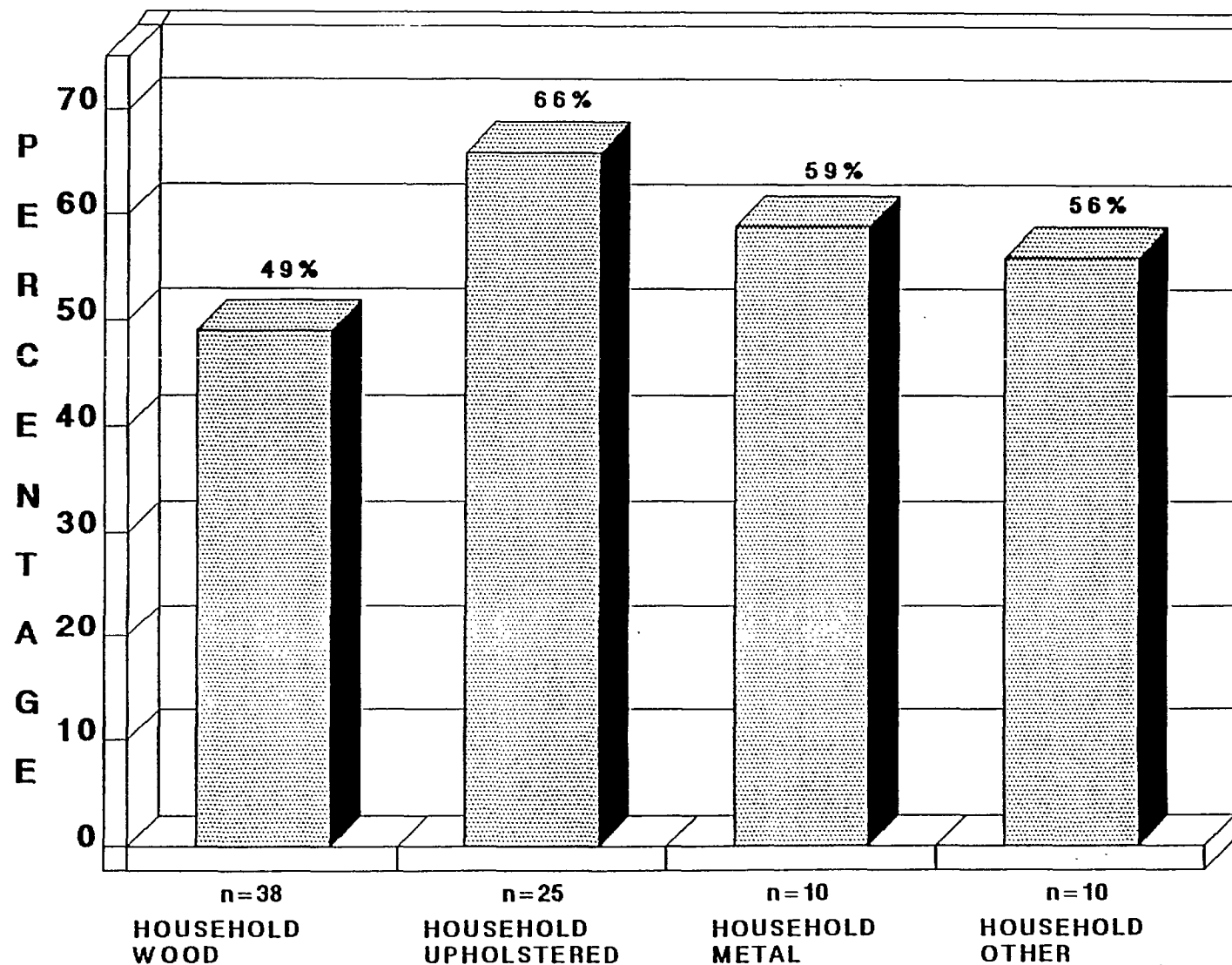
Of the 42 firms not using computers very much as management tools, the major reasons given in order of frequency of mention are listed in Exhibit 4.4.1.

EXHIBIT 4.4.1

Major Reasons Given for Not Using Computers as Management Tools	Number of Times Mentioned (Total mentions = 39)
Not a priority area	15
Capital cost	9
Uncertainty over technology	8
Other	7



PERCENTAGE OF HOUSEHOLD FIRMS NOT USING
COMPUTERS VERY MUCH FOR PRODUCTION



MISSING = 3

NOT STATISTICALLY SIGNIFICANT

Data based on the survey of 700 furniture manufacturers

Large firms were more inclined to use computers as management tools than small or medium sized firms (75% of large firms used computers quite a bit compared to 36% for small and 52% for medium sized firms).

Approximately half of the household manufacturers surveyed were not using numeric/computer controlled equipment for production, packaging, warehousing, inventory control, shipping or testing. The qualitative interviews indicated that firms using computers were mostly using them for inventory control and not production. Exhibit 4.4.2, on the opposite page, indicates the percentage of firms not using computers very much for production by type of household manufacturer. Upholstered manufacturers use computers less for production than metal or wooden manufacturers.

The major reason cited by the 83 firms not using computers very much in production was capital cost. Exhibit 4.4.3 indicates the major responses by firms.

EXHIBIT 4.4.3

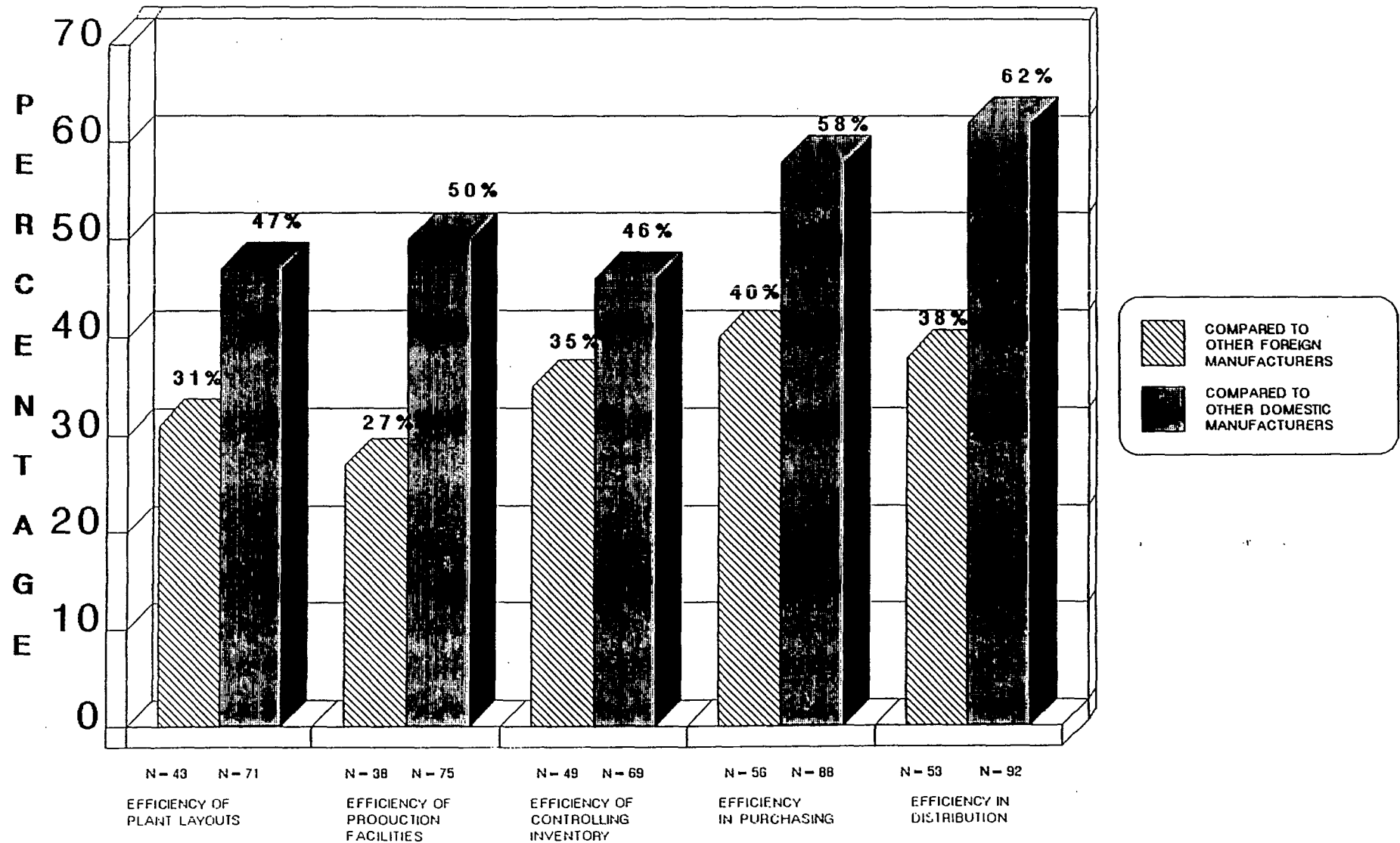
Major Factors Given for Not Using Computers for Production	Number of Times Mentioned (Total Mentions - 78)
Capital cost	30
Not needed	17
Uncertainty over technology	11
Not a priority area	10
Other	10

The qualitative interviews revealed that many firms not currently using computers were planning to increase their use significantly over the next few years.



PERCENTAGE OF HOUSEHOLD FIRMS STATING
THEY WERE 'QUITE A BIT' EFFICIENT

EXHIBIT 4.4.4.



Firms generally rated the productivity of their workers and their equipment as comparable or better than other Canadian producers. However, they viewed their workers and equipment as less productive than their international competitors.

The qualitative interviews revealed that firms felt their equipment was less productive, opposite to the U.S., primarily because of their degree of computerization, plant layout and the scale of production. The firms indicated that the lower productivity of their workers was somewhat influenced by their scale of operations but, for the most part, they alleged that high wage rates and fringe benefits, which are available to Canadian workers but not furniture workers in the southern United States, were the principal reason.

Firms also tended to rate their efficiency lower in the international market than the domestic market. Exhibit 4.4.4, on the opposite page, indicates the percentage of firms that felt they were quite efficient compared to other Canadian and foreign manufacturers.

Although not statistically significant, household upholstered manufacturers rated themselves as less efficient than metal or wooden manufacturers in all areas.

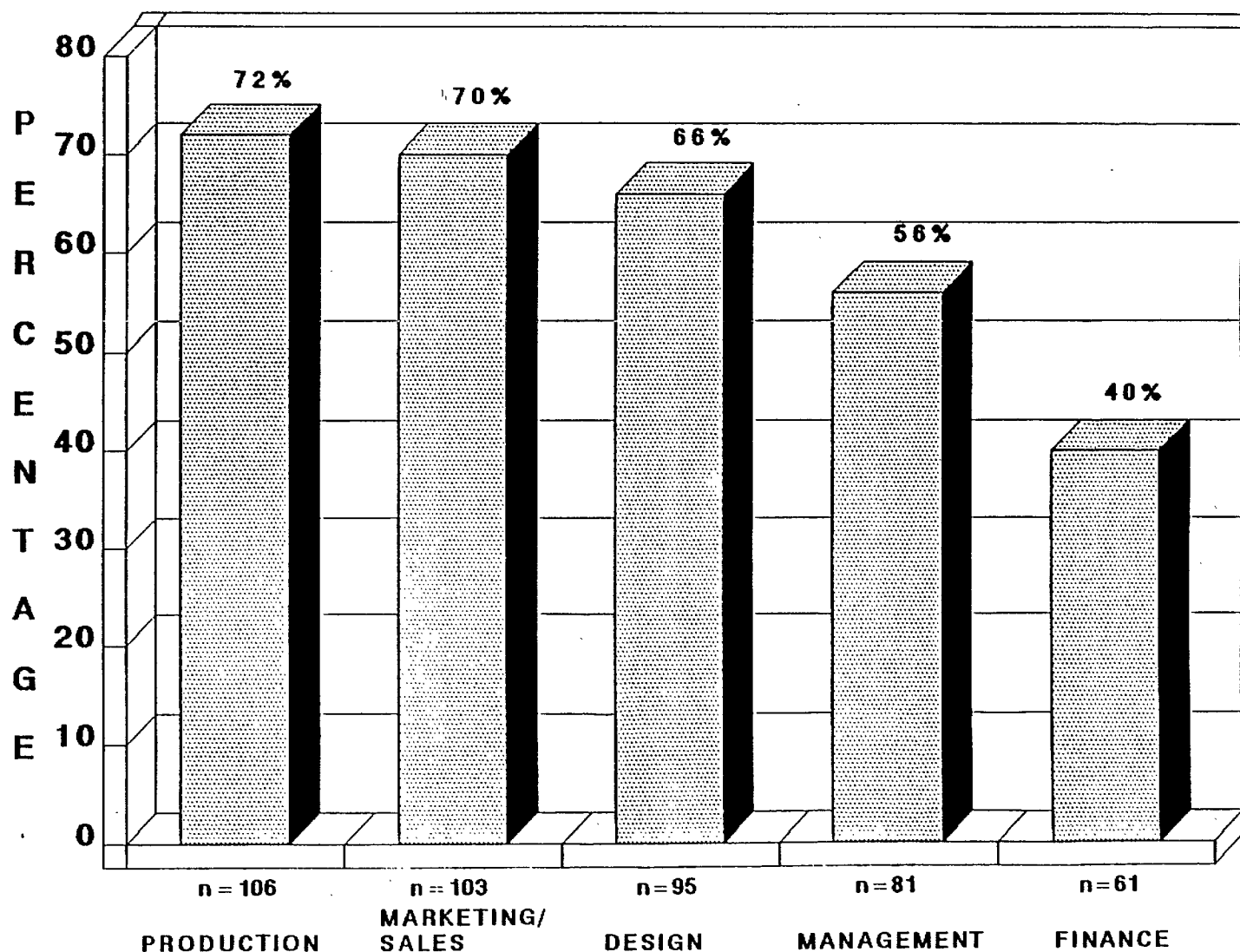
5. Training

A large number of household manufacturers indicated that their management staff currently receive no training in the areas of design (85%), finance (84%), general management (79%), marketing/sales (72%), or production (68%).

A large number of firms indicated their management staff required more training, as illustrated in Exhibit 4.5.1, opposite page 39. The



**PERCENTAGE OF HOUSEHOLD FIRMS INDICATING MORE TRAINING WAS REQUIRED
FOR THEIR MANAGEMENT**



Data based on the survey of 700 furniture manufacturers

largest percentage of firms felt training for their managers was required in the areas of production (72 percent) and marketing/sales (70 percent). Firms in household upholstered tended to indicate their management needed training, followed by metal and then wood. For example, 84 percent of firms in upholstered stated their managers needed training in marketing/sales compared to 71 percent in metal and 65 percent in wood.

Despite indications that their management needed training, the respondents, who were in a management position, generally felt that their management skills (utilizing both internal and external resources) were adequate. Exhibit 4.5.2 presents the degree to which firms felt they had adequate management skills.

EXHIBIT 4.5.2

Management Areas	Degree of Skills		
	Not Very Adequate	Somewhat Adequate	Quite Adequate
General Mgmt.	5%	27%	68%
Finance*	7%	26%	66%
Production	8%	32%	60%
Marketing/Sales	10%	39%	51%
Design*	16%	35%	48%

* does not add up due to rounding

Firms that manufactured household wood products were more inclined to feel they did not have adequate skills in design (25 percent) than firms that manufactured metal (12 percent) and upholstered (6 percent) products.

With respect to training of production employees, approximately half (47 percent) of the firms indicated that their employees needed additional skills-related training.

Skilled labour comprised at least half of all production employees for 47 percent of the firms. More than half (61 percent) of the firms indicated that their need for skilled production workers was between half met and not met at all. There was no distinction between upholstered, wood or metal in this area.

The major reasons listed by firms for why their need for skilled production employees is not being met were:

- cannot find qualified workers 55\87 mentions
- qualified workers too expensive 16\87 mentions
- insufficient number of unskilled people to train 10\87 mentions

The qualitative interviews revealed a large concern with the availability of skilled labour in the Toronto area. Manufacturers stated they were competing with the automotive and other industries to obtain scarce labour. None of the qualitative interviews indicated any problem with labour-management relations. A few indicated the unionization had led to increased salary levels but others attributed this to competing with other industries for source labour and others mentioned benefits given to Canadian workers.

A large number of firms (69 percent) indicated their production employees were receiving quite a bit of on the job training. Formal in-house training and institutional training were offered less often to workers.

6. Actions Required by Firms to be Competitive

The major impediments mentioned by firms in order for them to be internationally competitive over the next five years are listed in Exhibit 4.6.1., on the following page. Productivity was mentioned the most often by



firms (69 mentions), followed by acquisition of technology (60 mentions) and marketing (59 mentions).

EXHIBIT 4.6.1

Major Impediments of to be Internationally Competitive	Number of Times Mentioned (Total Mentions - 336)
Productivity	69
Acquisition of Technology	60
Marketing	59
Availability of Financing	54
Availability of Production Employees	44
General Management	20
Other	30

Firms with sales under \$7 million were more likely to state that financing was a major impediment than larger firms.

Between 58 and 74 percent of the firms felt they needed to increase their expenditures in various areas in order to be internationally competitive. Exhibit 4.6.2, on the following page, indicates that 74 percent of the firms felt they needed to increase their expenditures in advertising/promotion to be competitive.



EXHIBIT 4.6.2

Expenditure Area	Percentage of Firms that Indicated They Need To Increase Expenditures To Be Competitive	
	No	Yes
Advertising\ Promotion	26%	74%
Obtaining New Equipment*	29%	72%
R&D (design)	32%	68%
Modernizing Building\ Plants	32%	68%
Training for New Technology	33%	67%
Market Research	33%	67%
Management Training	42%	58%

* does not add up due to rounding

Firms responding that they needed to increase their expenditure in a particular area to be internationally competitive were asked how much they felt was needed. The total investment required by household manufacturers, above what they are spending now, totals \$168 million. The incremental amounts required by the firms in each expenditure area are listed in Exhibit 4.6.3, on the following page.



EXHIBIT 4.6.3

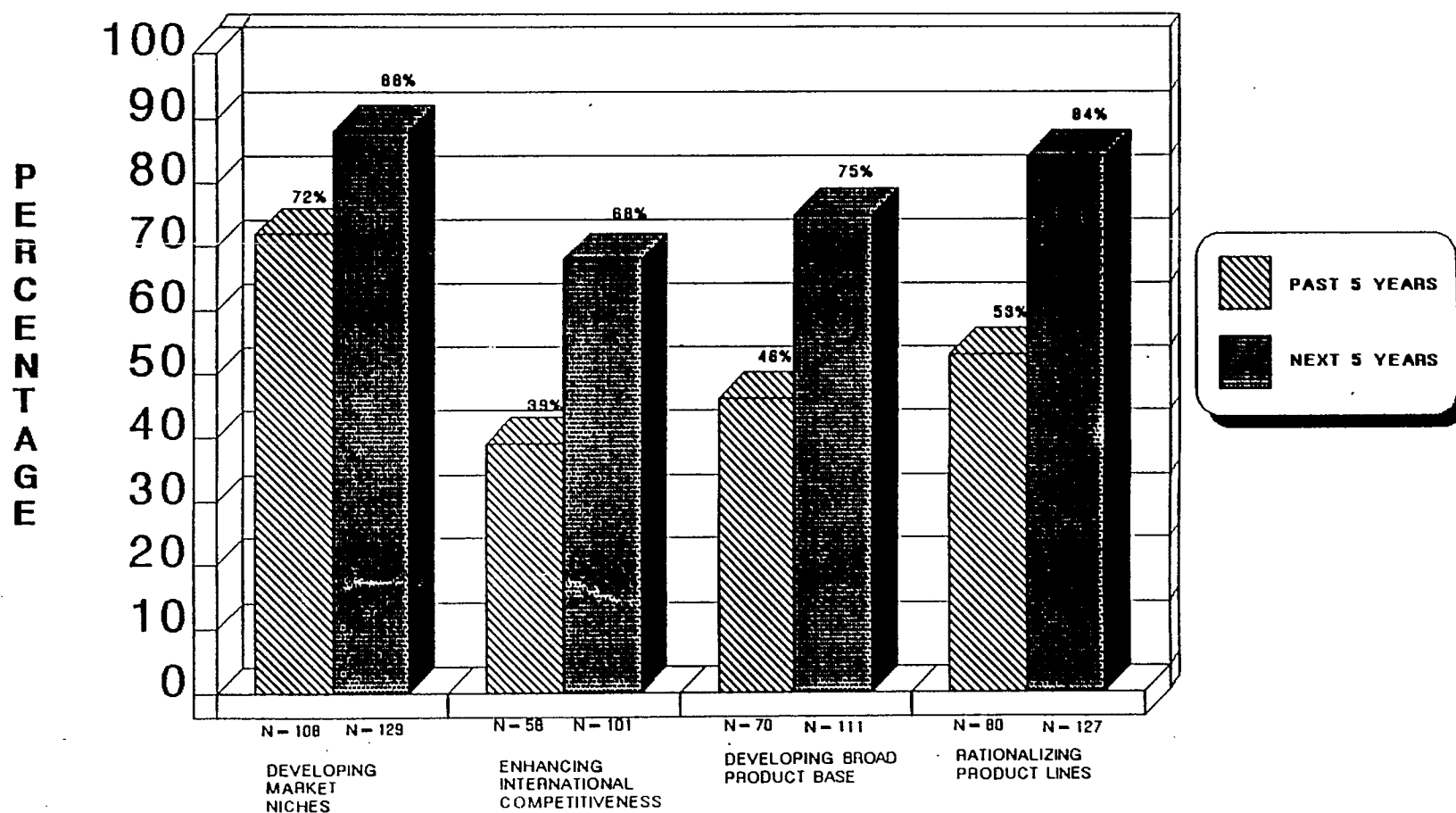
Expenditure Area	Total Required Over Next 3 Years (\$ Millions)	Average/Firm \$000's
Modernizing/building plants	\$70.3	\$1,034
Obtaining new equipment	\$48.3	\$ 722
Advertising/promotion	\$20.9	\$ 290
R&D (design)	\$12.6	\$ 214
Market research	\$ 5.5	\$ 87
Training for new technology	\$ 4.7	\$ 95
Management training	\$ 3.3	\$ 64
Other	\$ 2.2	--

Exhibit 4.6.4, on the following page, indicates the percentage that the required investment represents of the household firms 1987 sales, and average predicted sales for 1988-1990, as well as the percentage increase over the percent expenditures in 1987, and the planned expenditures for 1988-1990.

Approximately half of the firms surveyed needed between \$100,000 and \$1 million for obtaining new equipment and modernizing/building plants. Generally, firms with sales over \$20 million required expenditures over \$100,000 to be internationally competitive.



**PERCENTAGE OF HOUSEHOLD FIRMS PLACING 'QUITE A BIT OF
EFFORT' ON VARIOUS STRATEGIES
OVER PAST FIVE YEARS AND OVER THE NEXT FIVE YEARS**



Data based on the survey of 700 furniture manufacturers

EXHIBIT 4.6.4

**Additional Expenditures Required To Be Competitive
As A Percentage of Sales and As A
Percentage Increase of Current Expenditures**

Expenditure Area	Investment Required As A Percentage of Sales		Percentage Increase Over Current Expenditures	
	Sales 1987	Average Sales 1988-90	Sales 1987	Average Sales 1988-90
Modernizing/building plants	3.5%	3.0%	642%	111%
Obtaining new equipment	2.5%	2.0%	80%	46%
Advertising/promotion	0.9%	0.7%	62%	41%
R & D (design)	0.8%	0.6%	107%	65%
Market Research	0.3%	0.2%	107%	65%

Firms indicated that they were planning to put more emphasis on enhancing their international competitiveness, rationalizing their product lines, developing market niches and developing a broad product base over the next five years. Exhibit 4.6.5, on the opposite page, shows the percentage of firms that placed quite a bit of effort on these areas over the last five years and the percentage that plan to place emphasis over the next five years. The qualitative interviews indicated that several firms were planning to rationalize their product base but broaden their lines within a particular area.

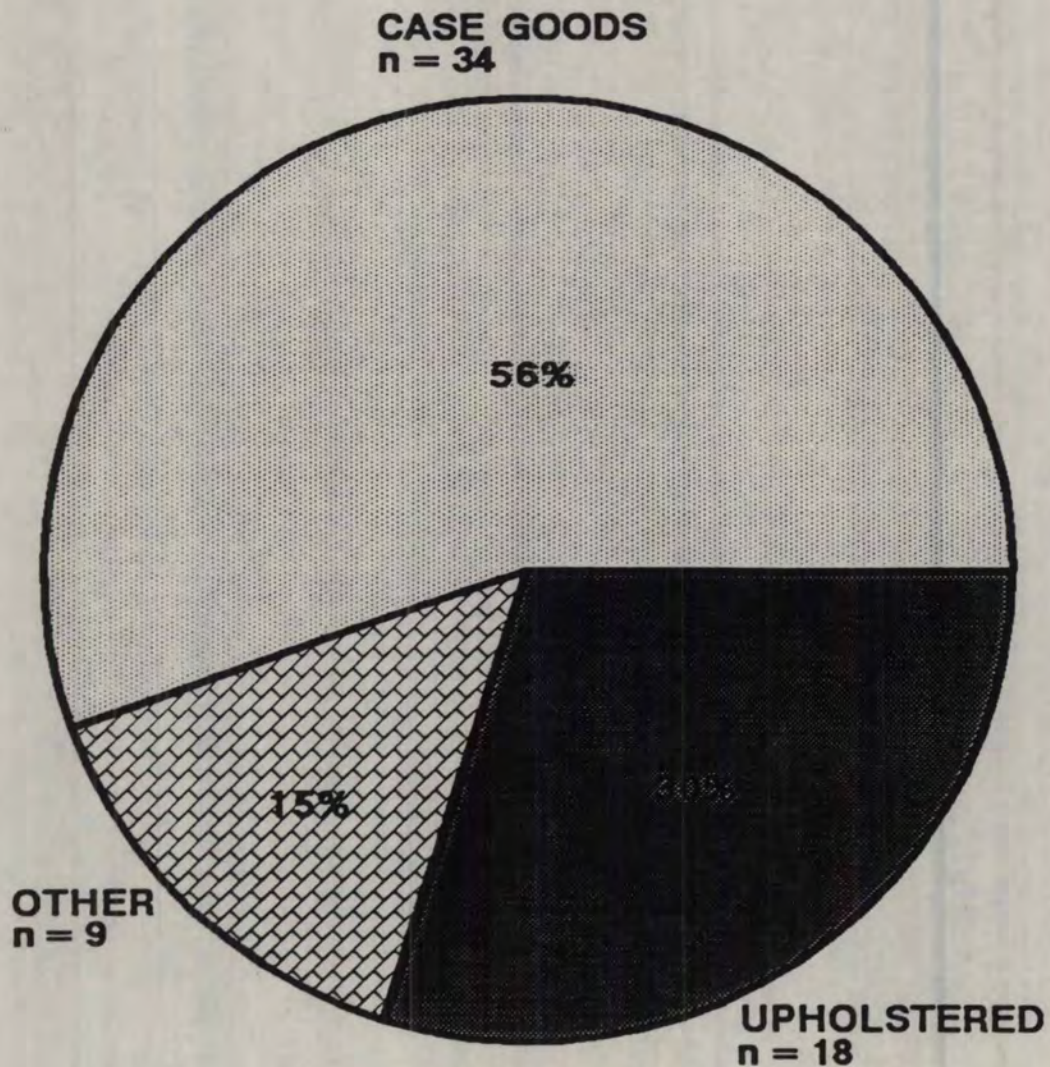
A higher percentage of wood manufacturers (75 percent) indicated they would place quite a bit of effort on enhancing their international competitiveness than metal (56 percent) or upholstered (51 percent).



While most firms indicated that they had not previously been involved in joint ventures (88%), export financing (86%), export licensing (94%) or mergers/acquisitions (81%), a large number (between 68 and 78 percent) indicated they would consider using them. The in-depth interviews indicated that firms, especially smaller ones, were expressing high levels of interest in learning more about these areas.



**DISTRIBUTION OF OFFICE FIRMS RESPONDING
TO THE SURVEY BY SECTOR**



DOES NOT ADD UP DUE TO ROUNDING

Data based on the survey of 700 furniture manufacturers

OFFICE SECTOR

1. Profile of Responding Firms

The distribution of firms in the office sector responding to the survey is presented in Exhibit 5.1.1, on the opposite page. More than half (56 percent) of the office firms were manufacturers of case goods (wood, metal).

The largest number of firms (44 percent) responding to the survey were small firms with thirty or less employees. The breakdown of the responding firms by number of employees is indicated in Exhibit 5.1.2.

EXHIBIT 5.1.2

Number of Employees	Number (n=57)	Percentage of Responding Firms
Small (< 30)	25	44%
Medium (31-100)	17	30%
Large (100 +)	15	26%

missing - 4

Over 80 percent of the firms with under 30 employees had sales under \$2 million, and over 80 percent of the firms with over 100 employees had sales over 7 million.

A large number of responding firms were located in Ontario (62 percent). Thirteen firms were in Quebec (21 percent) and ten in the western provinces (16 percent). The distribution was very close to the regional breakdown of the number of office establishments reported by Statistics Canada in 1985.



The 1987 sales figures reported by the firms is indicated in Exhibit 5.1.3. A large number of firms (68 percent) had sales figures of \$7 million or less. There were two firms that responded to the questionnaire but did not release their sales figures.

EXHIBIT 5.1.3

Sales (in million \$s)	Sales in 1987	
	Number	Percentage of Responding Firms*
under 2	22	37%
2.1 to 7.0	18	31%
7.1 to 20	11	19%
20.1 to 100	7	12%
100 +	1	2%

* does not add due to rounding

Sales for manufacturers of office upholstered goods tended to be lower than case goods (78 percent had sales of \$7 million or less compared to 63 percent for case goods). This is largely due to the fact that 71 percent of the upholstered manufacturers are small firms with 30 or less employees.

Ontario and the west provinces had a greater percentage of firms (67% and 100% respectively) with sales under \$7 million than Quebec (46 percent).

The average sales per employee for 1987 was \$89,701. This compares to Statistics Canada's 1985 figure of \$80,543. Projecting this 1985 number to 1987 based on the sector average annual growth rates between 1982 and 1985, the average sales per employee would be \$95,562.



The 1987 average sales per employee for case goods, upholstered, and other manufacturers according to the survey results are:

Sector	Average Sales Per Employee
Case Goods	\$ 90,820
Upholstered	104,609
Other	69,862

Most of the firms surveyed (77 percent) had at least 50 percent of their sales in the domestic market, as illustrated by Exhibit 5.1.4. However, 17 percent of the firms had 50 percent or more of their sales in the international market.

EXHIBIT 5.1.4

Percentage of Domestic Sales	Number (n=61)	Percentage of Responding Firms
1 to 25%	3	5%
26 to 50%	11	18%
51 to 75%	13	21%
76 to 100%	34	56%

Although not statistically significant, Ontario firms had less sales in the domestic market than firms in Quebec or the West. Large firms also had less sales in the domestic market than medium or small-sized firms (40% had less than fifty percent of their sales domestically compared to 18% and 16% for medium and small firms).

Firms with sales under \$7 million were more likely (64% and 59% for firms with sales under \$2 million or between \$2 and 7 million) to predict their



Expenditure Area	Total Expenditures of Firms Classified By 1987 Sales Distribution (In Million \$'s)							
	Under \$2 Million	# of Firms	\$2.1-7.0 Million	# of Firms	\$7.1-20 Million	# of Firms	Over \$20 Million	# of Firms
CAPITAL EXPENDITURES								
Computers as Management Tools	\$0.08	8	\$0.23	6	\$0.45	6	\$1.80	5
Numeric\Computer Controlled Equipment	0.01	1	0.43	5	0.50	3	2.71	3
Other Production Equipment	0.66	14	1.76	12	2.99	7	8.30	5
Buildings (Inter- ior & Exterior)	0.24	3	0.34	2	0.31	3	4.70	4
OPERATING EXPENDITURES								
R & D (i.e., design related studies)	0.28	8	0.49	6	1.92	8	2.34	5
Advertising & Promotion	0.49	15	0.95	12	3.08	8	5.42	6
Market Research	0.04	4	0.01	3	0.24	3	1.03	3

Data based on the survey of 700 furniture manufacturers

domestic sales would increase by 20 percent or more than firms with sales between \$7 and 20 million (36 percent) or sales over \$20 million (25 percent).

There were only 8 firms in the office sector that were not currently exporting abroad. The major reasons stated by these firms were lack of knowledge of the nature of foreign markets or how to enter these markets.

Expenditures by office firms as a percentage of total sales in 1987 are listed in Exhibit 5.1.5, on the following page, based on the breakdown of firms' sales. Exhibit 5.1.6, on the opposite page, indicates the total expenditures of firms according to their sales.

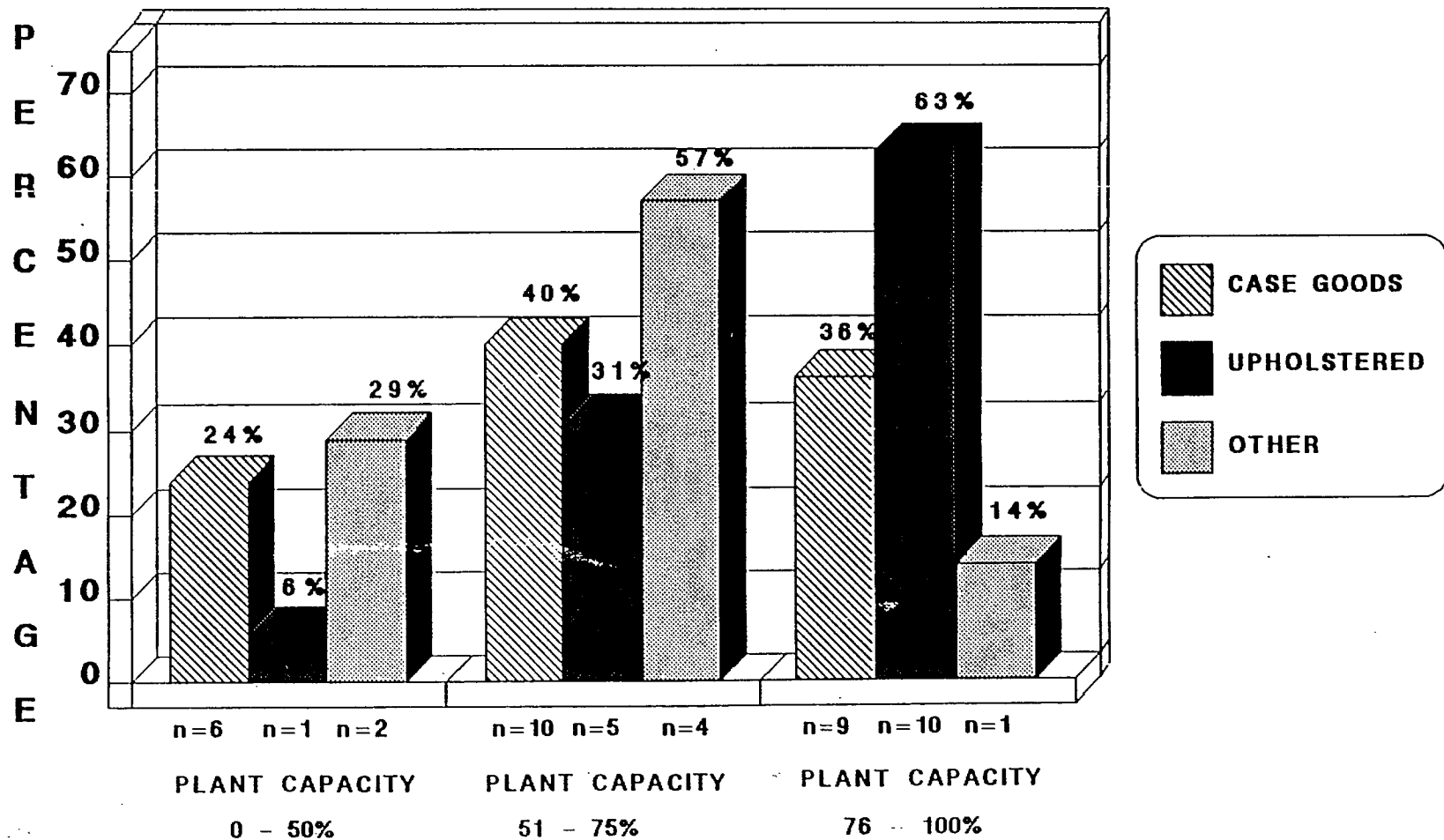


EXHIBIT 5.1.5

Expenditure Area	Average Expenditures As A Percentage Of Sales Based on Firms' 1987 Sales			
	Under \$2 Million	\$2.1-7.0 Million	\$7.1-20.0 Million	Over \$20 Million
Computers as Management Tools				
Total	1.4%	0.7%	0.8%	0.6%
Upholstered	1.5	1.0	0.6	--
Case Goods	1.3	0.6	0.9	0.7
Other	1.0	1.0	1.0	0.5
Numeric\Computer Controlled Equipment				
Total	1.0%	2.0%	1.9%	1.3%
Upholstered	1.0	--	--	--
Case Goods	--	2.0	1.9	1.3
Other	--	--	--	--
Other Production Equipment				
Total	4.8%	3.7%	3.5%	2.8%
Upholstered	5.1	6.0	3.9	--
Case Goods	4.4	3.5	1.7	2.8
Other	5.0	1.0	--	--
Buildings Interior				
Total	5.4%	5.0%	1.2%	1.9%
Upholstered	5.0	--	2.0	--
Case Goods	6.0	9.0	0.8	1.9
Other	--	1.0	--	--
R & D (design)				
Total	5.3%	1.8%	2.1%	1.0%
Upholstered	4.5	3.0	1.7	--
Case Goods	7.5	1.4	1.8	1.1
Other	--	2.0	3.0	0.5
Advertising & Promotion				
Total	3.6%	1.8%	2.9%	2.3%
Upholstered	3.8	2.5	4.0	--
Case Goods	3.4	1.7	1.8	2.2
Other	3.0	2.0	4.0	2.5
Market Research				
Total	1.0%	0.5%	0.8%	0.5%
Upholstered	1.0	0.5	--	--
Case Goods	1.0	0.1	0.8	0.5
Other	1.0	1.0	1.0	--



**PLANT CAPACITY UTILIZED BY FIRMS IN THE OFFICE SECTOR OPERATING
ONE SHIFT IN THE PREVIOUS YEAR**



Data based on the survey of 700 furniture manufacturers

With respect to plant capacity, most of the firms (80 percent) responding to the survey were operating one shift. Less than half of the firms (42 percent) operating one shift utilized most of their plant's capacity (over 75 percent).

Manufacturers of upholstered office furniture products operating one shift utilized more plant capacity than case goods or other manufacturers, as indicated in Exhibit 5.1.7., on the opposite page.

A large number of firms (77 percent) indicated that they obtained 76 to 100 percent of their supplies in Canada. Approximately 30 percent of the firms stated that they were anticipating problems with their suppliers. Of the 16 firms that expressed concern, the major problems listed were:

▪ price of materials	10/43 mentions
▪ availability	8/43 mentions
▪ reliable delivery	8/43 mentions
▪ quality of materials	5/43 mentions

2. General Outlook

Office manufacturers largely had a positive outlook for their growth. Over half (53 percent) of the firms were expecting their domestic sales to grow by over 20 percent during the next three years. There were, however, 8 percent who were expecting negative or stable domestic growth.

The major reasons listed by the 5 firms who were predicting negative or stable growth were cost of resources and poor productivity.

Office upholstered manufacturers were predicting the most growth in their domestic sales, as indicated in Exhibit 5.2.1, on the following page.



EXHIBIT 5.2.1

Estimates for Domestic Sales	Percent for Case Goods* (n=34)	Percent for Firms in Upholstered (n=17)	Percent for Firms in Other* (n=9)
Negative growth	--	6%	11%
No growth	--	3%	11%
1 to 10%	12%	12%	22%
11 to 20%	18%	29%	33%
21 to 50%	59%	35%	22%
51 +	12%	15%	--

*does not add up due to rounding
not statistically significant
missing = 1

As indicated in Exhibit 5.2.2., firms in the West and Ontario were more inclined to predict a positive future for their domestic sales than firms in Quebec.

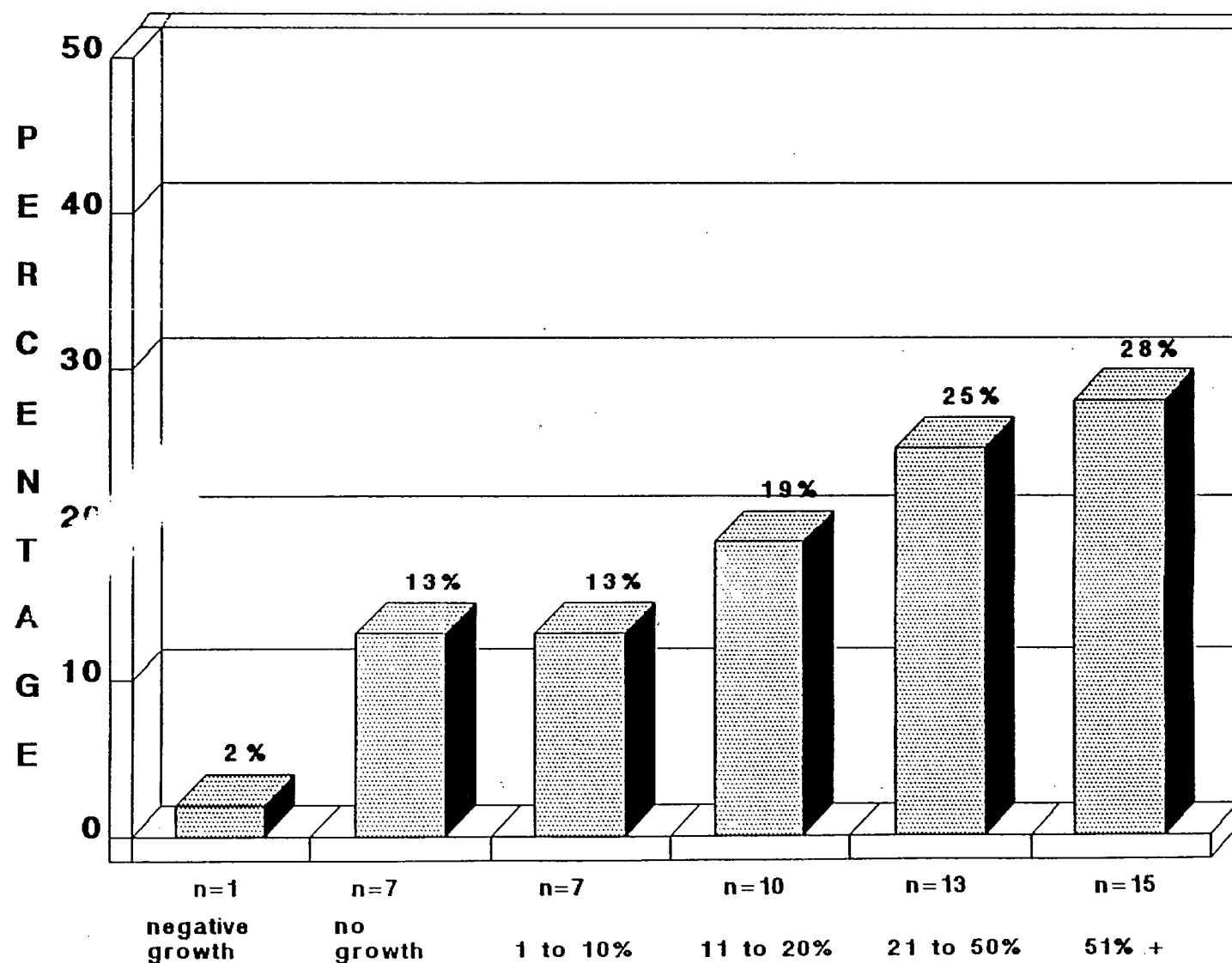
EXHIBIT 5.2.2

Estimates for Domestic Sales	Percent for Quebec (n=13)	Percent for Firms in Ontario* (n=37)	Percent for Firms in West (n=10)
Negative growth	17%	3%	--
No growth	--	3%	10%
1 to 10%	25%	13%	--
11 to 20%	42%	24%	20%
21 to 50%	8%	45%	60%
51 +	8%	13%	10%

*does not add up due to rounding
statistically significant
missing cases = 1



**PREDICTIONS FOR GROWTH IN INTERNATIONAL SALES FOR THE OFFICE
SECTOR OVER THE NEXT THREE YEARS**



Data based on the survey of 700 furniture manufacturers

Firms' predictions for their sales in international markets were similar to their expectations for their domestic sales. Over half (53 percent) of the firms were expecting their international sales to grow by over 20 percent during the next three years. Fifteen percent of the firms were expecting negative or stable growth. Exhibit 5.2.3, on the opposite page, indicates the growth rates predicted by firms.

Among the 8 firms expecting negative or stable growth in the international market, 4 firms mentioned exchange rates and 4 referred to insufficient promotion/advertising by their firm.

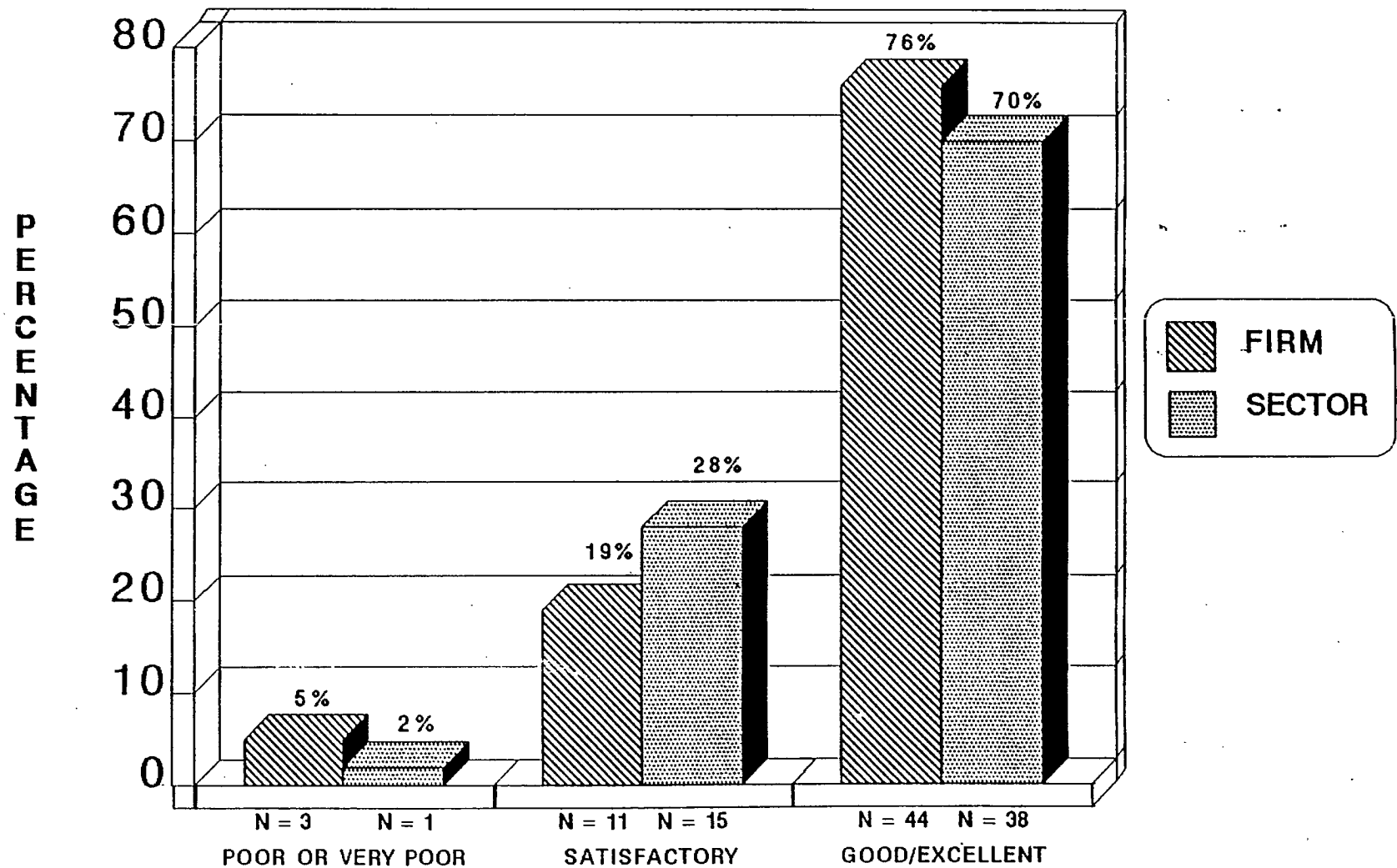
A large number (76 percent) of the office manufacturers stated that the outlook for their firm was good or excellent. This compares to 70 percent of the firms who indicated that the market growth potential of their sector was good or excellent. Firms tended to view their firm's potential more favorably than their sector, as illustrated in Exhibit 5.2.4, on the following page.

There was no relationship between a firms sales and their outlook for market growth potential.



COMPARISON OF MARKET GROWTH POTENTIAL OF OFFICE MANUFACTURERS

EXHIBIT 5.2.4



Data based on the survey of 700 furniture manufacturers

The major strengths indicated by firms for themselves and their sector are listed in Exhibit 5.2.5.

EXHIBIT 5.2.5

Major Strengths	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Product Design	32	35
Price	30	27
Quality	24	19
Production		
Facilities	14	18
Service	9	13
Value of Dollar	5	1
Location	5	4
Delivery System	6	9

The major weaknesses of firms and the office sector are indicated in Exhibit 5.2.6.

EXHIBIT 5.2.6

Major Weaknesses	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Lack of Skills	13	7
Suppliers	8	1
Cost of Labour	6	3
Transportation		
Costs	5	1
Production	5	7
Facilities	5	7
Product Design	5	0
Marketing	4	11
Lack of Capital	4	12



3. Marketing

As indicated in Exhibit 5.3.1, firms are less inclined to conduct or use market research information for market segmentation or market share analysis than competitive products' studies or product research. Between 12 and 17 percent of the firms indicated that they conduct or use any of the market research areas a great deal.

EXHIBIT 5.3.1

Market Research Areas	Extent of Use		
	Not at All	Somewhat/ Occasionally	A Great Deal
Segmentation	50%	35%	15%
Market Share Analysis*	47%	37%	17%
Measurement of domestic market Potential	42%	41%	17%
Promotion/advertising research	40%	48%	12%
Measurement of export market potential	39%	46%	15%
Market characteristics	38%	45%	17%
Product research*	33%	53%	13%
Competitive products' studies*	22%	62%	17%

* does not add up due to rounding



With the exception of product research, the major reason listed by firms for not conducting or using market research information was that it was not needed (mentioned by between 36 and 63 percent of the firms responding to this question). Insufficient funds was the major reason given for why product research was not conducted or used (40 percent).

Office upholstered manufacturers were less likely to conduct or use market research information to determine domestic market potential to determine export market potential to conduct market share analysis and to conduct market segmentation than case goods or other manufacturers. For example, 67 percent of upholstered manufacturers do not use market research information to determine their export market potential compared to 27 percent of case goods manufacturers.

The survey results also indicated that smaller firms conduct or use market research information much less than medium or large sized firms. Between 33 and 83 percent of small firms indicated that they did not conduct or use market research information at all compared to 0 to 13 percent of large firms.

Sales representatives were identified as the most important source of market research information, as indicated in Exhibit 5.3.2, on the following page.



EXHIBIT 5.3.2

Sources	Number of Times Mentioned (n = 151)
Sales Representatives	46
Retailers	24
Trade Magazines	24
Internal Marketing Groups	1

4. Technology/Productivity

Most firms (80 percent) used computers somewhat or quite a bit as management tools, i.e., for budgeting, sales forecasting, billing, finances.

Approximately half (53 percent) used computers quite a bit and 27 percent used them somewhat for management purposes.

Of the 13 firms not using computers at all as management tools, five indicated that computers for this purpose were not a priority area, and three stated it was because of the capital cost.

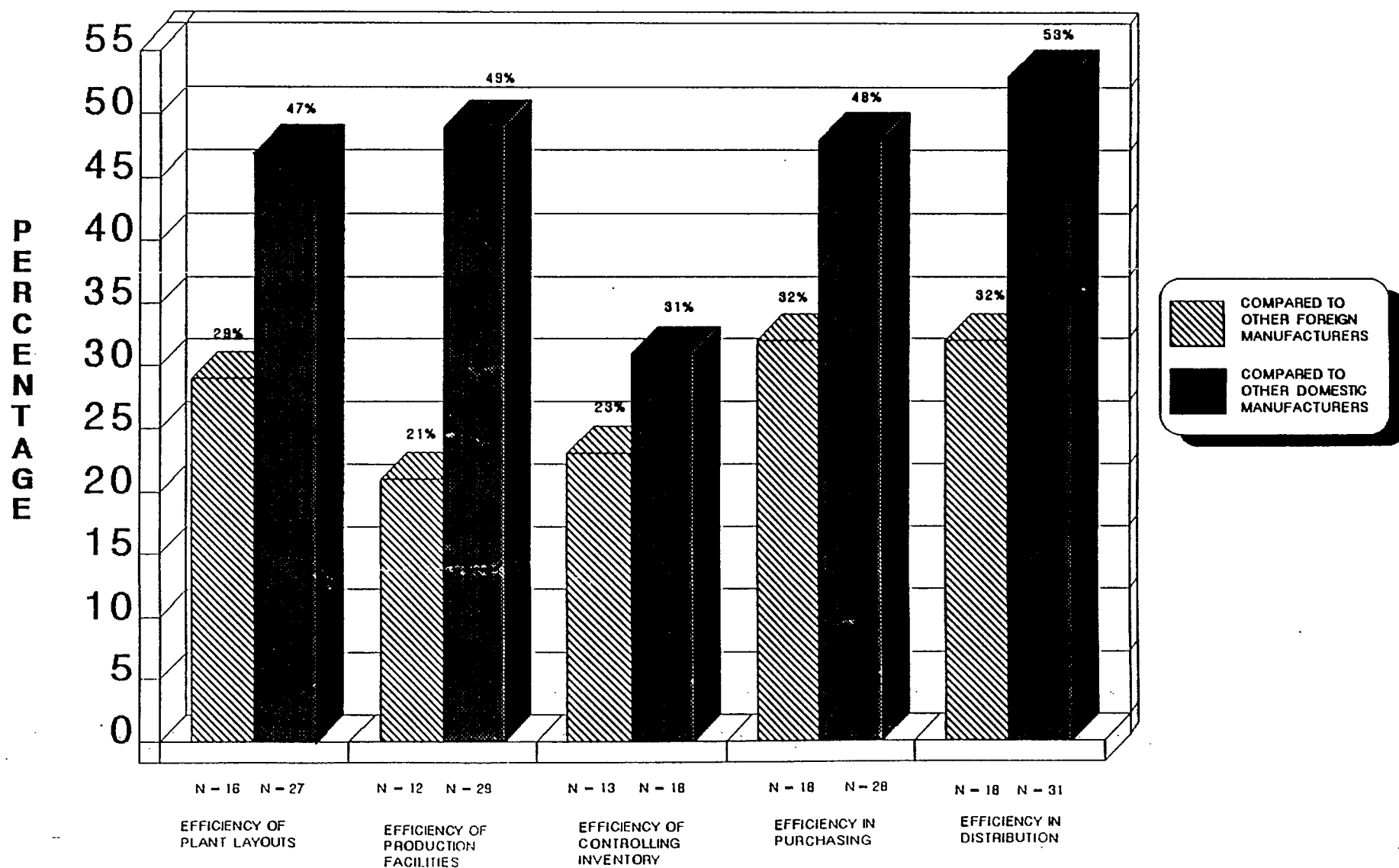
Although it was not statistically significant, the survey results indicated that manufacturers of case goods used computers more than upholstered manufacturers (85% used it somewhat or quite a bit compared to 71%).

Large firms were more inclined to use computers as management tools than small or medium sized firms (73% of large firms used computers in this area quite a bit compared to 59% for medium-sized firms and 33% for small firms).

Approximately half of the office manufacturers (56 percent) were not using numeric/computer controlled equipment at all for production, packaging,



PERCENTAGE OF FIRMS IN THE OFFICE SECTOR STATING THEY WERE 'QUITE A BIT' EFFICIENT



Data based on the survey of 700 furniture manufacturers

warehousing, inventory control, shipping or testing. A higher percentage of upholstered manufacturers (72 percent) were not using computers at all for these purposes than case goods (47 percent).

The major reason listed by the 33 firms not using computers very much in production was that it was not needed. Exhibit 5.4.1, indicates the major responses by firms.

EXHIBIT 5.4.1

Major Factors Given for Not Using Computers for Production	Number of Times Mentioned (n=33)
Not needed	12
Capital cost	9
Uncertainty over technology	5
Not a priority area	5

Most firms felt their workers and their equipment were as productive or more productive than other Canadian manufacturers (93% and 83% respectively). In comparison to their international competitors, firms indicated somewhat lower productivity rankings (82% and 64% stated their workers and equipment were somewhat or extremely productive. This can be compared to the ratings of 93% and 83% for domestic productivity).

Firms also tended to rate their efficiency lower in the international market than the domestic market. Exhibit 5.4.2, on the opposite page, indicates the percentage of firms that felt they were more efficient than other Canadian and foreign manufacturers.



5. Training

Between 66 and 92 percent of the firms reported that they were not providing training to their managers in such areas as design, finance, general management, marketing/sales or production.

Over half of the firms indicated that their management staff required more training, as illustrated in Exhibit 5.5.1, on the following page. The largest percentage of firms stated that training was required in production (68 percent). A larger percentage of case goods manufacturers (74 percent) indicated that their management staff needed training in production than upholstered manufacturers (59 percent) (not significant).

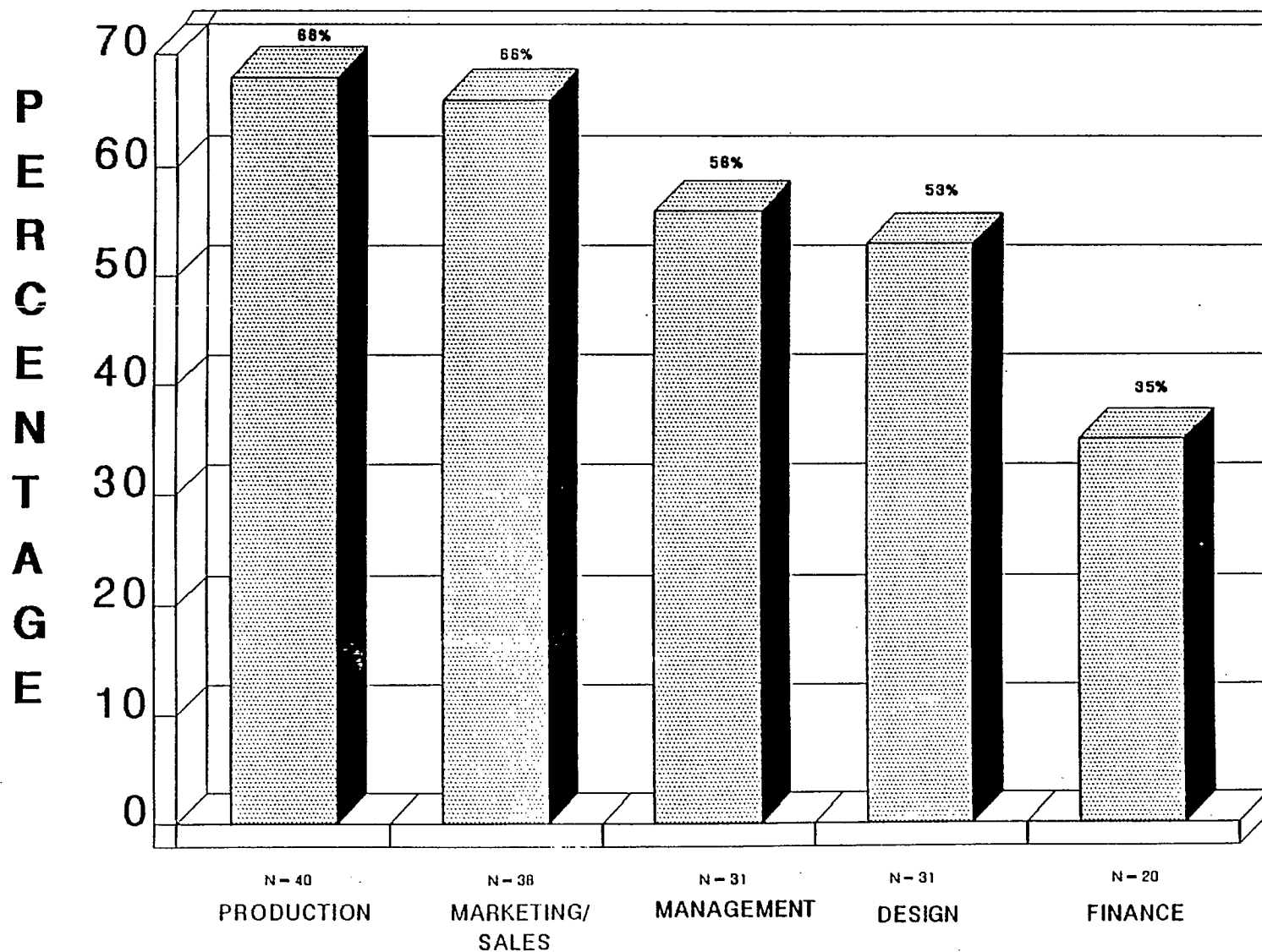
The qualitative interviews revealed that the need for training expressed by firms was not because managers had inadequate skills but was due to an effort to improve manager's existing skills. The survey results supported this perception since firms generally felt that their management skills (utilizing both internal and external resources) were adequate. Exhibit 5.5.2, presents the degree to which felt they had adequate management skills.

EXHIBIT 5.5.2

Management Areas	Degree of Skills		
	Not Very Adequate	Somewhat Adequate	Quite Adequate
Finance	3%	27%	70%
General Mgmt.	12%	27%	61%
Production	12%	28%	60%
Marketing/Sales	13%	37%	50%
Design	12%	38%	50%



**PERCENTAGE OF FIRMS IN THE OFFICE SECTOR
INDICATING MORE TRAINING WAS REQUIRED
FOR MANAGEMENT**



Data based on the survey of 700 furniture manufacturers

About half of the firms (43 percent) indicated that their production employees needed additional skills-related training.

Office manufacturers were generally providing training. Most firms (97 percent) stated they were providing some or a great deal of on the job training. A smaller number of firms were providing formal in-house training (33 percent) and institutional (15 percent).

The manufacturers were requesting additional training primarily because they did not feel their needs were met in terms of skilled labour. Approximately half (49 percent) of the manufacturers stated that their needs were half met or not met at all.

The major reasons given by firms for why their need for skilled production employees was not being met were:

- cannot find qualified workers 22/30 mentions
- qualified workers too expensive 7/30 mentions

A larger percentage of case goods manufacturers felt their needs for skilled labour were not being met than upholstered (50% compared to 39%).

6. Actions Firms Identified as Needed in Order to be Internationally Competitive

The major impediments mentioned by firms in order for them to be internationally competitive over the next five years is presented in Exhibit 5.6.1, on the following page. Marketing was viewed by firms to be the major impediment to their being competitive.



EXHIBIT 5.6.1

Major Impediments of to be Internationally Competitive	Number of Times Mentioned (Total Mentions - 133)
Marketing	31
Availability of Financing	22
Acquisition of Technology	20
Availability of Production Employees	19
Productivity	18

Firms with sales under \$2 million were more inclined to see the availability of financing as a major impediments to becoming internationally competitive than larger firms (55 percent compared to an average of 38 percent for all firms)

Between 42 and 73 percent of the firms felt they needed to increase their expenditures in various areas in order to be internationally competitive. Exhibit 5.6.2, on the following page, indicates that 73 percent of the firms felt they needed to increase their expenditures in obtaining new equipment.



EXHIBIT 5.6.2

Expenditure Area	Percentage of Firms Indicating They Need to Increase Expenditures to be Competitive	
	No	Yes
Obtaining new equipment	27%	73%
Advertising/promotion	29%	71%
R&D (design)	35%	65%
Modernizing/building plants	49%	51%
Training for new technology	49%	51%
Management training	54%	46%
Marketing	58%	42%

Firms indicating a need to increase their expenditures in a particular area to be internationally competitive were asked how much they felt was needed. Firms indicated that there would need to be additional investments of \$57 million to be competitive. The total amount required by the firms in each area is presented in Exhibit 5.6.3, on the following page.



EXHIBIT 5.6.3

Expenditure Area	Total Investment Required Over Next 3 Years* \$ Million	Average/Firm 000's
Obtaining new equipment	\$28.6	\$818
Modernizing/building plants	\$13.3	\$665
Advertising/promotion	\$ 7.0	\$233
R&D (design)	\$ 4.8	\$178
Training for new technology	\$ 1.4	\$ 78
Market research	\$ 1.3	\$ 75
Management training	\$.6	\$ 32
Other	\$.5	--

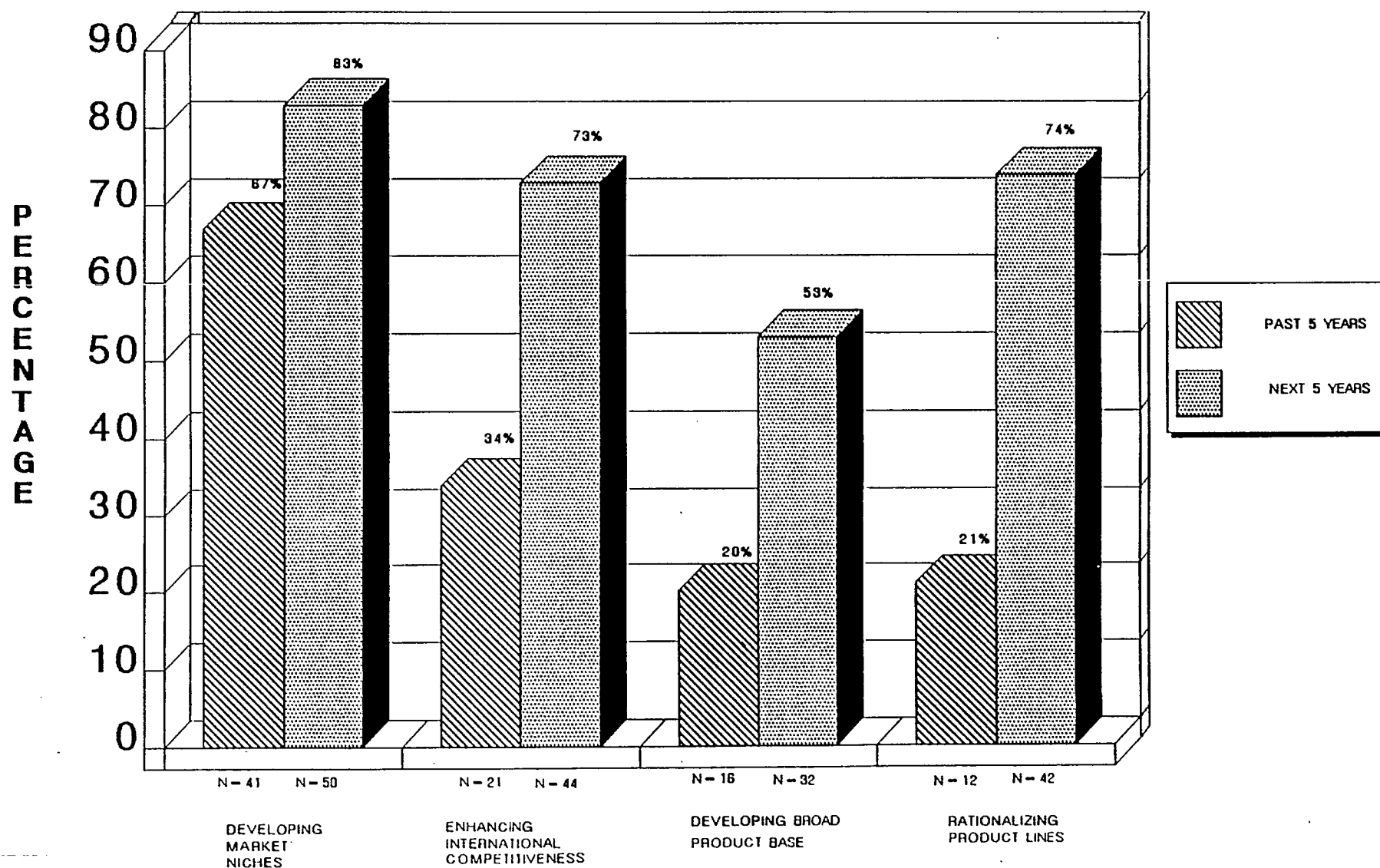
* does not add up due to rounding

Exhibit 5.6.4, on the following page, indicates the percentage that the required investment represents of office firms sales in 1987 and the average predicted sales for 1988-1990. The exhibit also reveals the percentage increase between expenditures in 1987 and those planned in 1988-1990 with the expenditures required to be internationally competitive.

There was a direct relationship between a firm's sales and the amount of investment required to be internationally competitive. The majority of firms with sales under \$2 million required under \$50,000 while firms with sales of \$20 million required additional investment of \$100,000.



**PERCENTAGE OF FIRMS IN THE OFFICE SECTOR PLACING
'QUITE A BIT OF EFFORT' ON VARIOUS STRATEGIES
OVER THE PAST FIVE YEARS AND OVER THE NEXT FIVE YEARS**



Data based on the survey of 700 furniture manufacturers

EXHIBIT 5.6.4

**Additional Expenditures Required To Be Competitive
As A Percentage of Sales and As A
Percentage Increase of Current Expenditures**

Expenditure Area	Investment Required As A Percentage of Sales		Percentage Increase Over Current	
	Sales 1987	Average Sales 1988-90	Sales 1987	Average Sales 1988-90
Modernizing/building plants	1.3%	1.0%	208%	120%
Obtaining new equipment	2.2%	1.7%	153%	62%
Advertising/promotion	1.4%	1.0%	59%	40%
R & D (design)	0.4%	0.3%	61%	37%
Market Research	0.2%	0.1%	660%	126%

Firms indicated that they were planning to put more emphasis on enhancing their international competitiveness, rationalizing their product lines, developing market niches and developing a broad product base over the next five years. Exhibit 5.6.5, on the opposite page, shows the percentage of firms that placed quite a bit of effort on these areas over the last five years and the percentage that plan to place emphasis over the next five years.

A higher percentage of case good manufacturers placed a great deal of emphasis in these areas over the past five years and a higher percentage of upholsterers planned to place more emphasis over the next five years.



While most firms indicated that they had not previously been involved in joint ventures (86%), export financing (86%), export licensing (86%) or mergers/acquisitions (76%), a large number (between 71 and 85 percent) indicated they would consider using them.



MISCELLANEOUS SECTORS IN THE FURNITURE INDUSTRY

The topics included in this chapter are:

- profile of responding firms;
- general outlook;
- marketing;
- technology\productivity;
- training, and
- actions identified by firms to be competitive.

1. Profile of Responding Firms

Firms included in this chapter include those in the bedspring and mattress sector, and the institutional and other commercial furniture sectors. Given the fact that these are quite distinct sectors, the findings will be reported separately for both.

There were 17 firms that responded to the survey from the bedspring and mattress sector and 29 firms from institutional and other commercial sector.

The size breakdown of these firms according to number of employees is presented in Exhibit, 6.1.1.

EXHIBIT 6.1.1

Number of Employees	Percent for Bedspring and Mattress* n=17	Percent for Institutional and Other Commercial n=29
Small (< 30)	44%	37%
Medium (31-100)	38%	52%
Large (100 +)	19%	11%

* does not add up due to rounding



All of the firms in the bedspring and mattress and miscellaneous sectors with under 30 employees had sales under \$7 million and all firms with over 100 employees had sales over \$7 million.

Most firms responding to the survey were located in Ontario. This is indicated in Exhibit 6.1.2.

EXHIBIT 6.1.2

Region	Percentage for Bedspring and Mattress (n=17)	Percentage For Institutional and Other Commercial (n=29)
Atlantic	6%	7%
Quebec	29%	17%
Ontario	59%	69%
Prairies and B.C.	6%	7%

The sales figures reported by the respondents for 1987 are indicated in Exhibit 6.1.3. Most firms had sales figures of \$20 million or less. There were three firms (1 bedspring and mattress and 2 other) that did not release their sales.

EXHIBIT 6.1.3

Sales (in million \$s)	Sales in 1987	
	% Bedspring and Mattress (n=16)	% Institutional and Other Commercial (n=27)
under 2	13%	33%
2.1 to 7.0	50%	52%
7.1 to 20	31%	15%
20.1 to 100	6%	--

missing cases = 1 missing cases = 2



Expenditure Area	Total Expenditures of Firms Classified By 1987 Sales Distribution (In Million \$'s)							
	Under \$2 Million	# of Firms	\$2.1-7.0 Million	# of Firms	\$7.1-20 Million	# of Firms	Over \$20 Million	# of Firms
CAPITAL EXPENDITURES								
Computers as Management Tools	\$0.10	6	\$0.76	8	\$0.18	4	\$0.78	1
Numeric\Computer Controlled Equipment	0.20	2	0.37	7	0.06	3	0.78	1
Other Production Equipment	0.32	7	2.33	14	1.06	6	0.78	1
Buildings (Inter- ior & Exterior)	0.36	1	1.51	11	0.10	2	0.78	1
OPERATING EXPENDITURES								
R & D (i.e., design related studies)	0.15	6	0.47	10	0.62	6	0.78	1
Advertising & Promotion	0.28	8	1.94	19	3.11	9	4.68	1
Market Research	0.09	2	0.14	8	0.16	3	--	--

Data based on the survey of 700 furniture manufacturers

The average sales per employee for the bedspring and mattress sector was \$89,402, and for institutional and other commercial sector was \$75,514. This compares to data compiled by Statistics Canada in 1985 which was \$95,555 per employee for bedspring and mattress and \$70,247 for hotel and restaurants. Extrapolating these numbers to 1987, based on the sectors average annual growth between 1982 and 1985, the average annual sales would be \$123,217 for bedspring and mattress and \$81,172 for hotel and restaurant.

Most of the bedspring and mattress sector (88 percent) and a large number of the institutional and other commercial sector (69 percent) had 76 to 100 percent of their sales in the domestic market, as indicated in Exhibit 6.1.4.

EXHIBIT 6.1.4

Percentage of Domestic Sales	Percentage of Respondents	
	Bedspring and Mattress (n=17)	Institutional and Other Commercial* (n=29)
1 to 25%	--	3%
26 to 50%	6%	14%
51 to 75%	6%	14%
76 to 100%	88%	69%

* does not add up due to rounding

There were five firms not currently exporting abroad: four in bedspring and mattress and one in the institutional and other commercial sector.

Expenditures by firms on various areas of the business as a percentage of 1988 sales are reported in Exhibit 6.1.5, on the following page. Exhibit 6.1.6, on the opposite page, indicates the firm's total expenditure in various areas by sales.



EXHIBIT 6.1.5

Expenditure Area	Average Expenditures As A Percentage Of Sales Based on Firms' 1987 Sales For Miscellaneous			
	Under \$2 Million	\$2.1-7.0 Million	\$7.1-20.0 Million	Over \$20 Million
Computers as Management Tool	1.8%	2.5%	0.4%	1.0%
Numeric\Computer Controlled Equipment	6.5	1.2	0.2	1.0
Other Production Equipment	3.6	3.9	1.4	1.0
Buildings Interior	10.0	3.4	0.4	1.0
R & D (design)	4.2	1.2	0.4	1.0
Advertising & Promotion	3.5	2.4	2.6	6.0
Market Research	2.8	0.4	0.5	—

Firms responding to the survey from the bedspring and mattress sector were largely operating one shift (94 percent). Of the responding firms in the institutional and commercial sector, 79 percent were operating one shift.

A large number of respondents (bedspring and mattress - 69% and institutional and commercial - 89%) stated they obtain 76-100 percent of their supplies in Canada. With respect to future supplies, 65% of bedspring and mattress and 54% of institutional and commercial did not anticipate any problems. Of the 17 firms that expressed concerns about their supplies, the major problems listed were:



- price materials 10\39 mentions
- reliable delivery 10\39 mentions
- availability 8\39 mentions

2. General Outlook

Firms in the bedspring and mattress sector were expecting a more positive outlook for their domestic sales than firms in the institutional and other commercial sectors, as indicated in Exhibit 6.2.1.

EXHIBIT 6.2.1

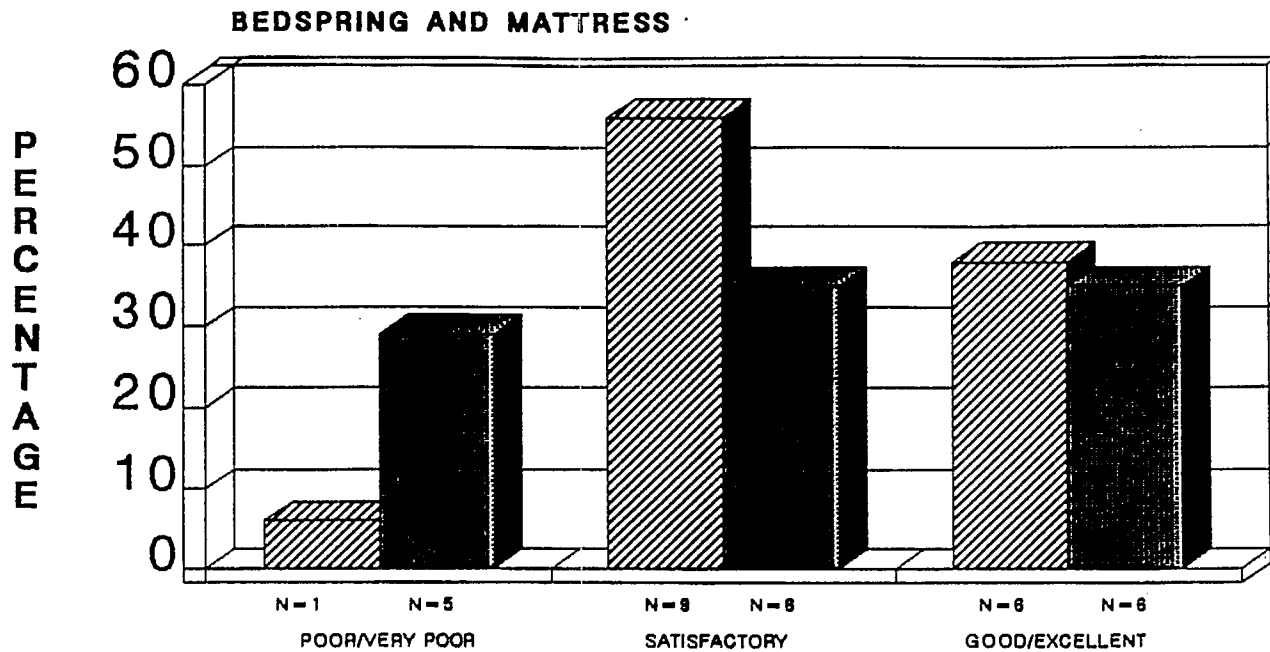
Estimates for Domestic Sales	Percent For Bedspring* (n=17)	Percent For Institutional and other Commercial* (n=29)
Negative growth	6%	10%
No growth	6%	17%
1 to 10%	24%	31%
11 to 20%	24%	14%
21 to 50%	35%	17%
51 +	6%	10%

*does not add up due to rounding

Of the 10 firms (8 from institutional and commercial and 2 from bedspring and mattress) that predicted negative or stable growth, the major reasons given were that their market size prohibits economies of scale (6 mentions) and the marketing efforts of other firms (4 mentions).

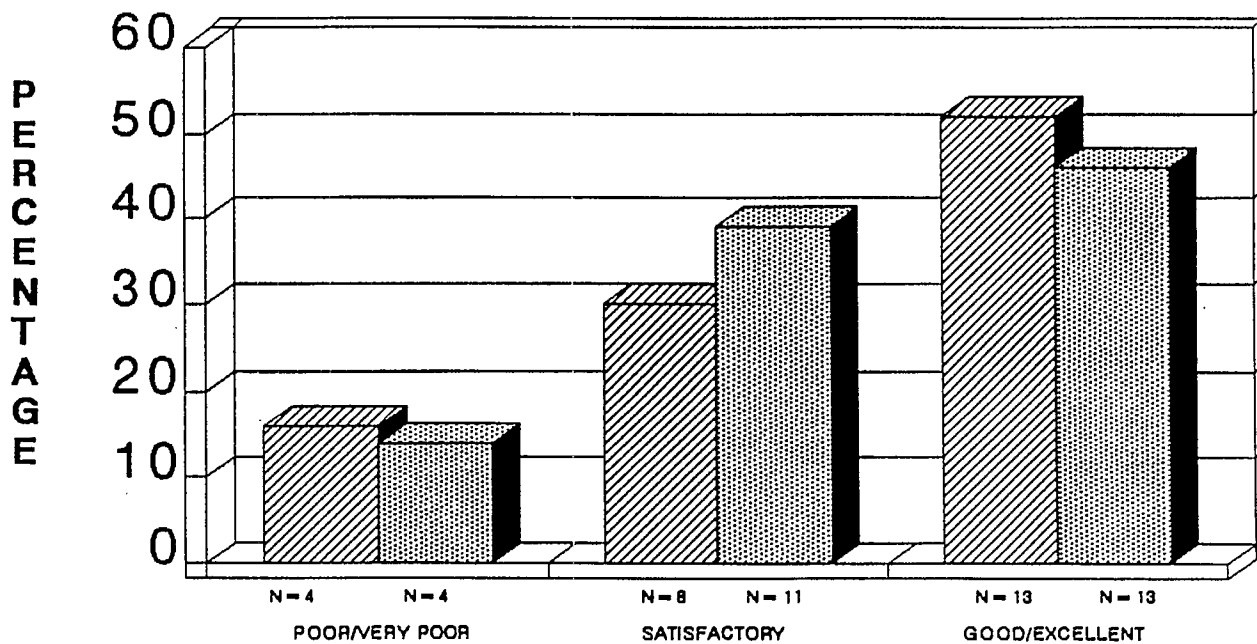


COMPARISON OF MARKET GROWTH POTENTIAL



INSTITUTIONAL AND
OTHER COMMERCIAL

 FIRM
 SECTOR



Data based on the survey of 700 furniture manufacturers

Firms' predictions were slightly optimistic for their international markets over the next three years than for their domestic sales, as indicated in Exhibit 6.2.2.

EXHIBIT 6.2.2

Estimates for International Sales	Percent for Bedspring* (n=8)	Percent For Institutional and Other Commercial (n=26)
Negative growth	13%	4%
No growth	---	27%
1 to 10%	25%	15%
11 to 20%	13%	8%
21 to 50%	---	27%
51 +	50%	19%

*does not add up due to rounding

In current dollars, bedspring and mattress manufacturers predicted their total sales would increase by 15 percent between 1987 and 1988 while institutional and other commercial manufacturers expected an increase of 8 percent.

Almost half (46 percent) of the firms indicated that the market growth potential of their firm was good or excellent. Five firms (12 percent), however, felt their firm's market growth potential was poor or excellent. The majority of firms in the bedspring and mattress sector (56 percent) felt their firm's growth potential was satisfactory, while responses from firms in the institution or other commercial sector tended to be higher at both ends of the scale.

Respondents tended to view their firm's market growth potential as slightly better than the potential of their sector, as indicated in Exhibit 6.2.3., on the opposite page.



The major strengths indicated by firms in both sectors are listed in Exhibit 6.2.4.

EXHIBIT 6.2.4

Major Strengths	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Quality	20	24
Product Design	19	23
Production Facilities	13	16
Price	16	14
Service	7	8
Marketing	5	7
Reputation	6	4
Flexibility	6	3

The major weaknesses of firms and the sector for both bedspring and mattress and other are indicated in Exhibit 6.2.5, on the following page.



EXHIBIT 6.2.5

Major Weaknesses	Number of Times Mentioned For Sector	Number of Times Mentioned For Firm
Lack of Skills	2	9
Price	7	5
Marketing	4	5
Lack of Capital	3	5
Cost of Labour	6	4
Lack of Labour	2	2
Production Facilities	9	2
Product Design	6	1
Delivery	4	2

3. Marketing

As indicated in Exhibit 6.3.1, on the following page, between 24 and 47 percent of the firms were not conducting or using market research information for market segmentation, market share analysis and measurement of export or domestic market potential.



EXHIBIT 6.3.1

Market Research Area	Percentage Not Using Market Research Information At All	
	Bedspring & Mattress	Institutional and Other Commercial
Market Segmentation*	47%	43%
Market Share Analysis	41%	39%
Measurement of Export Market Potential	35%	31%
Measurement of Domestic Market Potential	24%	28%
Market Characteristics	24%	28%
Product Research	18%	35%
Competitive Product's Studies	17%	25%
Promotion/Advertising Research	12%	52%

Sales representatives and retailers were identified as the most important sources of market research information, as illustrated in Exhibit 6.3.2, on the following page.



EXHIBIT 6.3.2

Sources	Number of Times Times Mentioned by Bedspring and Mattress	Number of Times Mentioned by Institutional and Other Commercial
Sales Representatives	11	20
Retailers	9	8
Associations	7	7
Trade Magazines	5	10

4. Technology/Productivity

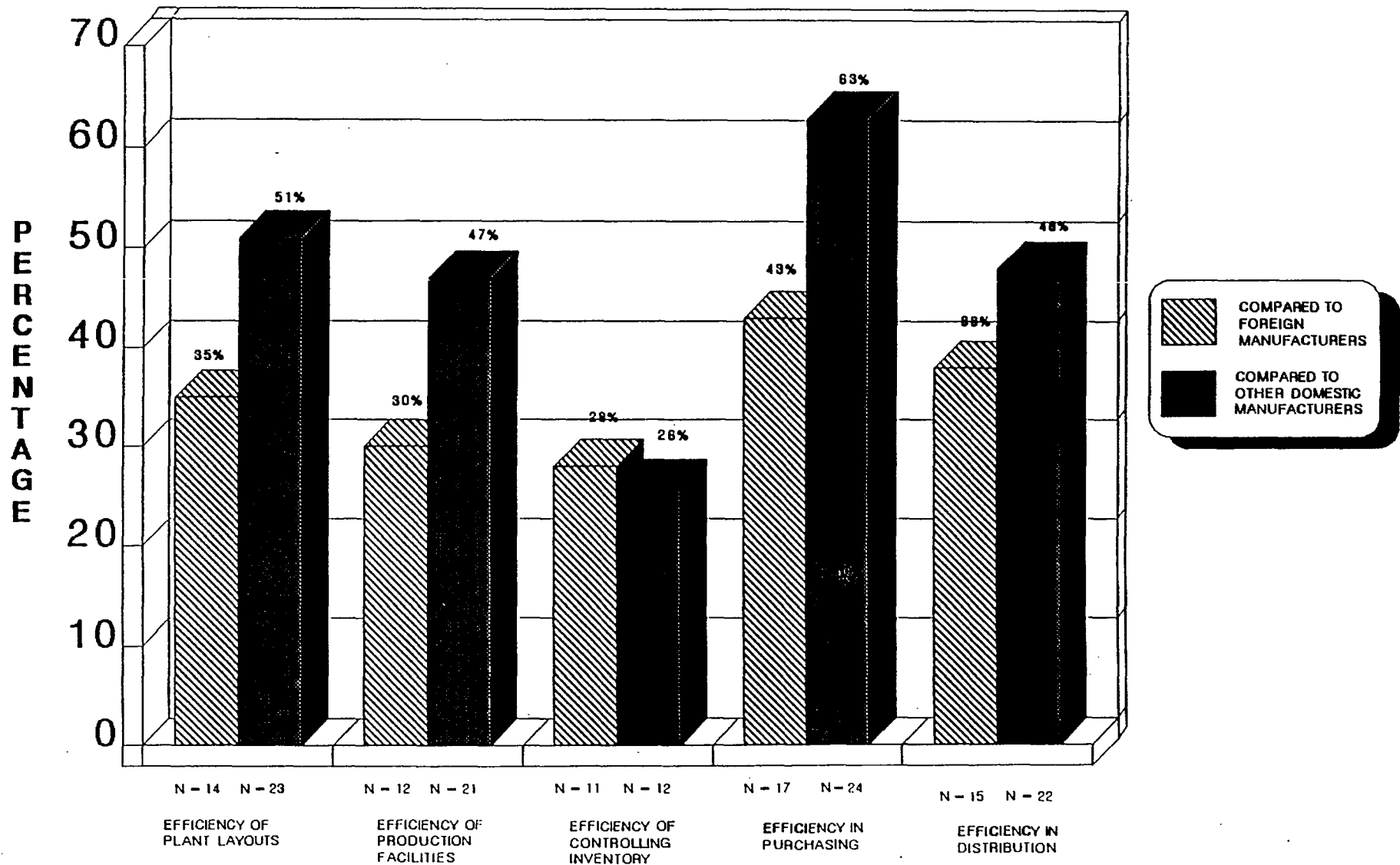
Computers as management tools (e.g., for budgeting, sales forecasting, billing, finances) were used somewhat or quite a bit by 83 percent of the responding firms: Firms in the bedspring and mattress sector were more inclined to use computers "a great deal" for this purpose than firms in the institutional and commercial sector (82% compared to 52%).

The major reason cited by the 8 firms not using computers as management tools was the capital cost (3 mentions).

A large number of firms (65 percent) surveyed were not using numeric\computer controlled equipment for production, packaging, warehousing, inventory control, shipping or testing. A larger percentage of firms in the institutional and commercial sector were not using computers (76 percent) than firms in the bedspring and mattress sector (47 percent).



**PERCENTAGE OF FIRMS IN OTHER FURNITURE SECTORS
STATING THEY WERE 'QUITE A BIT' EFFICIENT**



Data based on the survey of 700 furniture manufacturers

The major reasons listed by the 30 firms not using computers at all for production were capital costs and not needed.

Firms generally rated the productivity of their workers and their equipment as comparable or better than other Canadian producers. In terms of international competitors, firms viewed themselves as less competitive. This was especially true of firms in the institutional and commercial furniture sector. Of the firms responding in this sector, 37 and 41 percent stated they were "not very" productive compared to their international competitors.

Firms also tended to rate their efficiency lower in the international market than in the domestic market. Exhibit 6.4.1 on the opposite page, indicates the percentage of firms that felt they were more efficient than other Canadian and foreign manufacturers. Firms grouped in the institutional and commercial furniture sector rated their efficiency lower than firms in the bedspring and mattress sector.

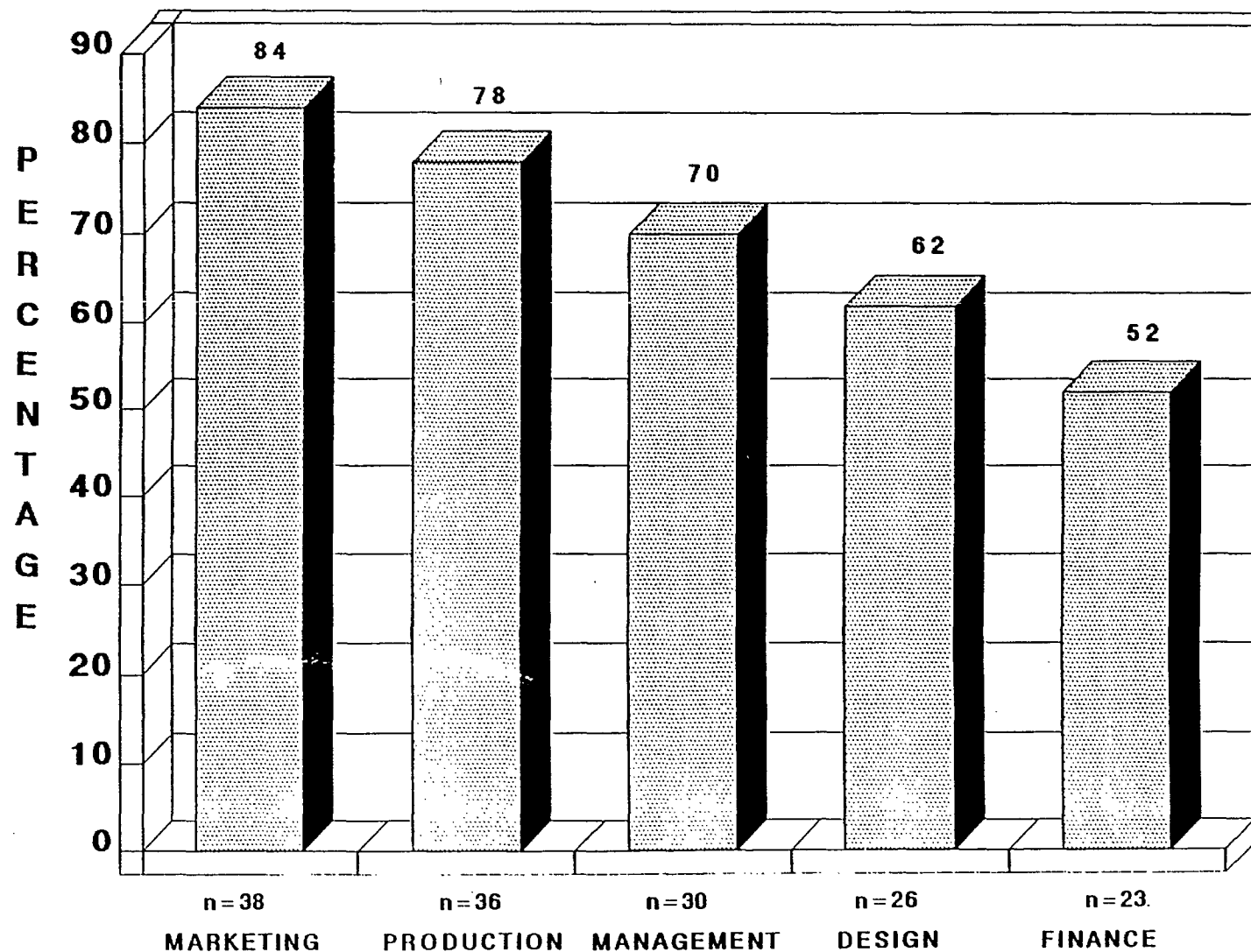
5. Training

A large number of firms indicated that their management staff receive no training in the areas of design (84%), finance (73%), general management (71%), marketing/sales (62%) and production (53%). Firms in the bedspring and mattress sector were more likely to receive training than the firms in the institutional and commercial sector.

A large number of firms indicated that their management staff required more training, as indicated in Exhibit 6.5.1., on the opposite of the following page. The largest percentage of firms felt training was required in the areas of marketing/sales (84 percent) and production (78 percent).



**PERCENTAGE OF FIRMS IN THE OTHER FURNITURE SECTOR INDICATING
MORE TRAINING WAS REQUIRED FOR MANAGEMENT**



Data based on the survey of 700 furniture manufacturers

Despite indications that their management needed training, firms generally felt that their management skills (utilizing both internal and external resources) were adequate. Exhibit 6.5.2. presents the degree to which firms felt they had adequate management skills.

EXHIBIT 6.5.2

Management Areas	Degree of Skills		
	Not Very Adequate	Somewhat Adequate	Quite Adequate
Finance		26%	74%
General Mgmt.*	4%	28%	67%
Production	13%	33%	54%
Design	23%	25%	52%
Marketing/Sales	4%	46%	50%

With respect to training of production employees, 65 percent of the firms in the institutional and commercial sector indicated that their employees needed additional skills-related training. Only 29 percent of firms in the bedspring and mattress sector felt more training was needed.

A large number of firms (66 percent) indicated that their need for skilled production workers was between half met and not met at all. There was no distinction between sectors.

Of the 26 firms that did not feel their needs were being met, the major reasons listed by firms were:

- cannot find qualified workers 14\26 mentions
- insufficient number of people to train 6\26 mentions



A large number of firms (77 percent for bedspring and mattress, 59 percent for other) indicated their production employees were receiving quite a bit of on the job training.

6. Actions Firms Identified as Need in Order to be Internationally Competitive

The major impediments mentioned by firms in order for them to be internationally competitive over the next five years are listed in Exhibit 6.6.1.

EXHIBIT 6.6.1

Major Impediments of to be Internationally Competitive	Number of Times Mentioned	
	Bedspring & Mattress (n=16)	Institutional and Other Commercial (n=26)
Marketing	6	15
Availability of Financing	6	13
Acquisition of Technology	3	5
Availability of Production Employees	8	10
Productivity	4	14

(missing cases=1) (missing cases=3)

A sizeable number of firms felt they needed to increase their expenditures in various areas in order to be internationally competitive. Exhibit 6.6.2, on the following page indicates the number and percentage of firms that felt they needed to increase their expenditures.



EXHIBIT 6.6.2

Expenditure Area	Percentage of Firms Indicating They Need to Increase Expenditures to be Competitive	
	No	Yes
Obtaining New Equipment	60%	85%
Advertising/Promotion	60%	88%
R&D (design)	47%	75%
Modernizing/Building Plants	53%	78%
Training for New Technology	44%	78%
Management Training	40%	71%
Marketing	60%	69%

Firms responding that they needed to increase their expenditures in a particular area to be internationally competitive were asked how much was needed. The total amount required by the firms in each area is listed in Exhibit 6.6.3, on the following page.



EXHIBIT 6.6.3

Investment Area	Total Expenditures Required To Be Competitive Over Next 3 Years			
	Bedspring & Mattress		Other	
	Total Million (\$'s)	Average\Firm (\$000's)	Total Million (\$'s)	Average\Firm (\$000's)
Modernizing/Building Plants	\$1.2	\$232	\$6.7	\$420
Obtaining New Equipment	\$2.2	249	\$5.6	267
Advertising/Promotion	\$4.2	698	\$2.0	94
R & D (design)	\$0.4	61	\$2.1	138
Market Research	\$0.2	35	\$.7	44
Training for New Technology	\$0.2	40	\$.5	31
Management Training	\$0.2	33	\$.4	25

Exhibit 6.6.4, on the following page, indicates the percentage that the required investment represents of the firm's sales in 1987 and the average predicted sales for 1988-1990. The exhibit also reveals the percentage increase between expenditures in 1987 and those planned in 1988-1990 with the additional investment required to be internationally competitive.



EXHIBIT 6.6.4

**Additional Investment Required To Be Competitive Over
The Next Three Years As A Percentage of Sales And
As A Percentage Increase of Current Expenditures**

Expenditure Area	Investment Required As A Percentage of Sales		Percentage Increase Over Current Expenditures	
	Sales 1987	Average Sales 1988-90	Sales 1987	Average Sales 1988-90
Modernizing/building plants	1.7%	1.3%	121%	86%
Obtaining new equipment	1.3%	1.0%	77%	51%
Advertising/promotion	1.2%	0.9%	26%	21%
R & D (design)	0.5%	0.4%	65%	51%
Market Research	0.2%	0.1%	140%	67%

Firms indicated that they were planning to put more emphasis on enhancing their international competitiveness, rationalizing their product lines, developing market niches and developing a broad product base over the next five years.

Moreover, firms stated they would consider joint ventures (79 percent), export financing (77 percent), export licensing (74 percent) and mergers/acquisitions (74 percent). A large number of firms had previously not been involved in these areas.



SUMMARY OF KEY FINDINGS

The previous sections presented detailed findings for each sector (household, office and miscellaneous) and by area, such as marketing, technology and training. This chapter summarizes the key findings of the study.

The outlook presented by the firms was generally positive. Forty percent of the firms were predicting increases of over 20 percent in their domestic sales over three years. While this varied by sectors, it was still sizeable for all. Moreover, only five percent of the firms were expecting their domestic growth to be negative and seven percent were predicting stable growth.

A higher percentage of firms (52 percent) were predicting increases of over 20 percent for their international sales. It should be noted, however, that international sales only accounted for a small percentage of firms sales. Three-quarters of all firm received 76-100 percent of their revenue from domestic sales.

A positive outlook was also evident in respondents' ratings of their firms and their sectors growth potential. Over fifty percent of the firms indicated that the growth potential would be good or excellent. Only 11 and 16 percent of the firms rated their own growth potential and their sectors as poor or very poor.

Despite the positive indications from the survey, our discussions with firms during the focus group sessions and the qualitative interviews indicated that several initiatives were necessary for such growth to be realized. Firms generally felt they could be competitive but that they needed to first "tighten their belts". Moreover, some firms also expressed concerns on



external factors such as the stability of the Canadian dollar vis-a-vis the American dollar.

When firms were asked what they felt were the major impediments facing them in order to be internationally competitive, the major responses in order of importance to the sector, are listed below.

Major Impediment	Order of Ranking				
	Overall	Household	Office	Bedspring & Mattress	Institutional and Other Commercial
Marketing	1st	3rd	1st	3rd	1st
Productivity	2nd	1st	5th	5th	2nd
Availability of financing	3rd	4th	2nd	3rd	3rd
Acquisition of technology	4th	2nd	3rd	4th	5th
Availability of production employees	5th	5th	4th	1st	4th

Marketing was the main area where action was required by firms in order for them to be internationally competitive. The survey indicated that a large number of firms were not using marketing very much in the past. Between 35 and 50 percent of the firms were not conducting or using market research for market segmentation, market share analysis, measurement of export market potential, promotion/advertising or measurement of domestic market potential. Smaller firms, in particular, were not conducting market research activities. The qualitative interviews revealed that smaller firms were often too busy or did not have the resources to conduct marketing.



In pursuing the importance of marketing and the areas where actions were required, the qualitative interviews revealed that many firms plan to put emphasis on marketing. Areas singled out as problems by interviewees were the availability of useful market data, expertise in entering the U.S. market and more emphasis on quality or design of products in advertising rather than price.

The survey results indicated that many firms, from all sectors, felt they were less productive than their international competitors. Indeed, productivity was placed second by firms as the major impediment facing them in order to become internationally competitive.

A large number of firms in all sectors indicated that they felt their equipment and workers were less productive than their international competitors. The qualitative interviews revealed that firms attributed this to their degree of computerization, the layout of the plant and their scale of production. Many felt that increased expenditures in computers, equipment and buildings would help improve productivity. Firms expressed less ability to increase the productivity of their workers. A number of interviewees alleged that wage rates and fringe benefits were much higher for Canadian workers than employees in the southern United States and that this affected their productivity.

To also increase their productivity, firms indicated that they planned to put more emphasis over the next five years on enhancing their international competitiveness, developing market niches and rationalizing product lines.

A large number of firms in all sectors indicated that they felt they needed to increase their expenditures in particular areas to be competitive. In total, firms from all sectors indicated they need to increase their expenditures by \$265 million. In household, the total amount listed as



required was \$168 million. The breakdown for all sectors is presented below.

Investment Area	Expenditures Required (Million \$'s)				
	Overall*	Household	Office	Bedspring & Mattress	Institutional and Other Commercial
Modernizing building/plants	\$94*	\$70	\$13	\$1	\$7
Obtaining new equipment	\$90*	\$48	\$29	\$2	\$6
Advertising/promotion	\$36*	\$21	\$ 7	\$4	\$2
R&D (design related studies)	\$21*	\$13	\$ 5	--	\$2
Market research	\$ 9*	\$ 6	\$ 1	--	\$1
Training for new technology	\$ 7	\$ 5	\$ 1	--	\$1
Management training	\$ 5*	\$ 3	\$ 1	--	--
Other (sales staff, investments, consultants)	\$ 3	\$ 2	\$ 1	--	--

* does not add up because (1) there were some respondents who did not indicate their sector and (2) due to rounding.

The source for these extra expenditures may be a difficulty for firms. Currently, the major sources of firms' financing are banks or other financial institutions, and internal financing. However, the third highest impediment that firms felt they faced to be internationally competitive was the availability of financing.



Firms were not using computers very much in the area of production. Numeric/computer controlled equipment for production, packaging, warehousing, inventory control, shipping and testing was not being used by 57 percent of the firms. The qualitative interviews indicated that several firms, somewhat computerized, usually had computers for inventory control rather than production. The major reason given for not being automated in production was the cost of equipment. The qualitative interviews and the survey revealed some uncertainty by firms over the type of computers to adopt for their firm. The in-depth interviews also indicated that firms are aware of the need for computerizing their operations in order to be internationally competitive and are planning or considering becoming more computerized in the near future.

Training, of management and production employees, was identified as a problem area for the industry. A large number of firms in all sectors indicated a need for more training for their management staff. Two areas, in particular, where training was felt to be needed were marketing/sales and production.

A large number of firms surveyed felt that their need for skilled labour was half met or not met at all. Approximately half of the firms felt that more skills-related training was needed. The qualitative interviews revealed several points-of-view on the type of training needed. While many supported the need for institutional training, similar to what is currently available in Ontario and Quebec, other felt more on-the-job training was needed.

In conclusion, this study revealed some positive indications for the future of the furniture industry from the analysis of the survey findings as well as from interviews with firms, associations and government officials. There were several areas such as marketing, productivity, increased expenditures,



computerization and training that require attention in order for the industry to be internationally competitive.



APPENDIX A
SURVEY INSTRUMENT



SURVEY OF THE FURNITURE INDUSTRY

Price Waterhouse is conducting a study of the furniture industry on behalf of the Department of Regional Industrial Expansion. This is your opportunity to play a role in identifying the adjustment needed for the industry to be internationally competitive.

While participation in this study is voluntary, we ask your cooperation in completing the questionnaire and returning it in the enclosed envelope. Most of the questions are simple to complete. Please ensure all applicable questions are answered.

Sensitive third party information is protected under the provision of section 20 of the Access to Information Act. Any information contained in this survey, which cannot be disclosed because of the provisions of section 20 of the Access to Information Act, will be treated as strictly confidential.

We appreciate the time you will spend in completing this form and thank you in advance for helping the study to be a success. If you have any questions concerning this questionnaire, please contact Ms. Carol Blackie or Ms. Pat Wudwud at Price Waterhouse:

180 Elgin Street,
Suite 1100
Ottawa, Ontario
K2P 2K3
(613) 238-8200.



SURVEY OF THE FURNITURE INDUSTRY

INTRODUCTION

This questionnaire focusses on issues related to management, human resources, technology, marketing and financial information. Questions at the beginning and end of the questionnaire refer to your total firm's operation, while most questions refer only to the sector in which you have the highest percentage of sales.

Due to the nature of the following questions, we would appreciate the survey being completed by a senior manager in the firm.

1. Total number of employees in your firm? _____
2. Total number of furniture establishments
your firm has in Canada? _____
3. Please indicate the percentage of total sales that you receive from
each of the following sectors. Please ensure your answer(s) add to
100%.

Percentage of total
sales from each sector

Office

- Upholstered _____
- Case Goods _____
- Other (please specify) _____

Household

- Wood _____
- Upholstered _____
- Metal _____
- Other (please specify) _____

Bed Spring and Mattress Industry _____

Other (please specify) _____

Total 100%



PROTECTED
WHEN COMPLETED NO: _____

IMPORTANT NOTE - Please confine your comments to the sector in which your firm has the highest proportion of its sales (as indicated in Question 3). This will assist us in attributing comments to particular sectors. If you would like to make comments on other sectors, please feel free to photocopy this questionnaire and respond as many times as necessary. The eight questions at the end of the questionnaire are to be answered for your entire firm.

* * * *

The following questions refer to the sector where your firm receives the highest percentage of its sales.

4. Indicate the sector your comments pertain to.

5. Total number of your firm's employees working in this sector? _____

6. Indicate the location of each of your establishments in this sector?

Location (Province)	% of Total Sales in <u>this Sector</u> Only
Establishment 1. _____	_____
Establishment 2. _____	_____
Establishment 3. _____	_____
Establishment 4. _____	_____
Establishment 5. _____	_____
Total	<u>100%</u>

7. Please indicate the percentage of total sales that you receive in the following markets for this sector only. Please ensure that your answer(s) add to 100%.

Percentage of Total Sales from
Each Relevant Market

household	_____
office	_____
hotel	_____
institutional	_____
other (please specify)	_____

Total	<u>100%</u>

OVERVIEW OF THIS SECTOR

ON THIS AND SUBSEQUENT SCALES
PLEASE CIRCLE THE APPROPRIATE NUMBER

8. How would you describe the market growth potential of your sector over the next five years considering both the domestic and international markets?

1	2	3	4	5	—
<hr/>					Do Not
very poor	poor	satisfactory	good	excellent	Know

9. Please identify three strengths of Canadian manufacturers in your sector? (e.g. price, product design, sales, production facilities etc.).

1. _____

2. _____

3. _____

10. Please identify, if applicable, three weaknesses of Canadian manufacturers in your sector.

1. _____

2. _____

3. _____



MANAGEMENT

The following seven questions refer to the management of your firm (e.g. staff in managerial positions in the following areas: finance, marketing, production, general management). By management, we mean senior and middle managers.

11. Please estimate the number of management staff that spend the majority of their time in one of the following categories?

of management staff

finance	_____
design	_____
marketing/sales	_____
production	_____
general management	_____
other (please specify)	_____

12. In the last five years, have you used outside consultants in the following areas?

	YES	NO
■ finance	<input type="checkbox"/>	<input type="checkbox"/>
■ design	<input type="checkbox"/>	<input type="checkbox"/>
■ marketing/sales	<input type="checkbox"/>	<input type="checkbox"/>
■ production	<input type="checkbox"/>	<input type="checkbox"/>
■ general management	<input type="checkbox"/>	<input type="checkbox"/>
■ other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>

13. To what degree does your firm (either through its utilization of internal or external resources) have adequate skills in the following categories?

Please circle the appropriate number between 1 and 5

	NOT AT ALL ADEQUATE		SOMEWHAT ADEQUATE		EXTREMELY ADEQUATE
■ finance	1	2	3	4	5
■ design	1	2	3	4	5
■ marketing/sales	1	2	3	4	5
■ production	1	2	3	4	5
■ general management	1	2	3	4	5
■ other (please specify)	1	2	3	4	5

14. Does your management staff currently receive training in the following areas?

	YES	NO
■ finance	<input type="checkbox"/>	<input type="checkbox"/>
■ design	<input type="checkbox"/>	<input type="checkbox"/>
■ marketing/sales	<input type="checkbox"/>	<input type="checkbox"/>
■ production	<input type="checkbox"/>	<input type="checkbox"/>
■ general management	<input type="checkbox"/>	<input type="checkbox"/>
■ other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>



15. Do you think more training is required for your management staff in the following areas?

	YES	NO
■ finance	<input type="checkbox"/>	<input type="checkbox"/>
■ design	<input type="checkbox"/>	<input type="checkbox"/>
■ marketing/sales	<input type="checkbox"/>	<input type="checkbox"/>
■ production	<input type="checkbox"/>	<input type="checkbox"/>
■ management	<input type="checkbox"/>	<input type="checkbox"/>
■ other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>

16. Does your firm regularly prepare formal written plans for finance, production, marketing and management. By a plan, we mean a document that generally includes an analysis of the status of your business, forecasts, goals and objectives, and strategies and tactics, etc.

	YES	NO
■ finance	<input type="checkbox"/>	<input type="checkbox"/>
■ marketing/sales	<input type="checkbox"/>	<input type="checkbox"/>
■ production	<input type="checkbox"/>	<input type="checkbox"/>
■ management	<input type="checkbox"/>	<input type="checkbox"/>
■ other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>

17. Did you respond yes to all categories in Question 16?

YES ☐

NO ☐ → Go to Question 19

18. To what extent do you utilize your plans?

1	2	3	4	5
not at all		somewhat		a great deal

Go to Question 20

19. If plans are not currently prepared, what is the major reason why not?
Please check one box only.

not needed

☐

not a priority area

☐

insufficient resources

☐

staff not trained to prepare plans

☐

other (please specify)

☐

PRODUCTION EMPLOYEES

20. What proportion of your production employees are skilled and unskilled?

% of Production Employees

skilled
unskilled

Total

100%

21. To what degree is your need for skilled production employees being met?
Please check one box only.

1. not at all met

☐

2. slightly met

☐

3. half met

☐

4. nearly met

☐

5. completely met

☐☐

→ Go to Question #23



22. Please indicate the major reason why your need for skilled production employees is not fully met. Please check one box only.

cannot find qualified workers

☐

insufficient number of unskilled people
to train

☐

qualified workers too expensive

☐

other (please specify)

☐

23. To what extent are your production employees receiving the following types of skills-related training?

	NOT AT ALL		SOMEWHAT		A GREAT DEAL
■ on the job training	1	2	3	4	5
■ formal in-house training	1	2	3	4	5
■ formal institutional training	1	2	3	4	5

24. Do your production employees require additional skills-related training?

YES

☐

NO

☐

→ Go to Question #26

25. If yes, identify problem areas related to skills-related training?

1. _____

2. _____

TECHNOLOGY

26. To what extent do you use computers, as management tools (e.g. for budgeting, sales forecasting, billing, finances, etc.)?

1	2	3	4	5
-----		-----		
not at		somewhat		a great
all				deal

↓				

Go to Question 28

27. Please indicate the main factor affecting the introduction of computers as management tools. Please check one box only.

not needed

☐

not a priority area

☐

capital cost

☐

uncertainty over technology (e.g., what type is available, potential suppliers, potential products, potential benefits, etc).

☐

other (please specify)

☐

28. To what extent do you use numeric/computer controlled equipment (e.g., production, packaging, warehousing, inventory control, shipping, testing)?

1	2	3	4	5
-----		-----		
not at		somewhat		a great
all				deal

↓				

Go to Question 30



29. Please indicate the main factor affecting the introduction of numeric/computer controlled equipment for production? Please check one box only.

not needed

☐

not a priority area

☐

capital cost

☐

uncertainty over technology (e.g., what type is available, potential suppliers, potential products, potential benefits, etc).

☐

other (please specify)

☐

EFFICIENCY/PRODUCTIVITY

30. How would you rate the efficiency of your firm in the domestic market in the following areas?

	NOT AT ALL EFFICIENT		SOMEWHAT EFFICIENT		EXTREMELY EFFICIENT
■ efficiency of plant(s) layout(s)	1	2	3	4	5
■ efficiency of production facilities	1	2	3	4	5
■ efficiency in controlling inventory	1	2	3	4	5
■ efficiency in purchasing	1	2	3	4	5
■ efficiency in distribution	1	2	3	4	5

31. How would you rate your productivity in the following areas vis-a-vis other Canadian producers?

	NOT AT ALL PRODUCTIVE		SOMEWHAT PRODUCTIVE		EXTREMELY PRODUCTIVE
■ productivity of workers	1	2	3	4	5
■ productivity of equipment	1	2	3	4	5

32. How would you rate the efficiency of your firm in the international market.

	NOT AT ALL EFFICIENT		SOMEWHAT EFFICIENT		EXTREMELY EFFICIENT
■ efficiency of plant(s) layout(s)	1	2	3	4	5
■ efficiency of production facilities	1	2	3	4	5
■ efficiency in controlling inventory	1	2	3	4	5
■ efficiency in purchasing	1	2	3	4	5
■ efficiency in distribution	1	2	3	4	5

33. How would you rate your productivity compared to your international competitors in the following areas?

	NOT AT ALL PRODUCTIVE		SOMEWHAT PRODUCTIVE		EXTREMELY PRODUCTIVE
■ productivity of workers	1	2	3	4	5
■ productivity of equipment	1	2	3	4	5



MARKETING	
-----------	--

34. To what extent do you conduct or use market research information in the following areas?

[illegible]

35. Please identify the three most important sources of your market research information? Please rank order your responses 1 for the major source, 2 for the second major source, 3 for the third major source.

sales representatives

☐

retailers

☐

associations

☐

trade magazines

☐

government (e.g., Statistics Canada)

☐

consultants

☐

internal marketing group

☐

other (please specify)

☐

36. Over the past five years, to what extent have you focussed efforts on achieving the following?

	NOT AT ALL		SOMEWHAT		A GREAT DEAL
■ developing market niches	1	2	3	4	5
■ enhancing inter- national competi- tiveness	1	2	3	4	5
■ developing broad product base	1	2	3	4	5
■ rationalizing your product line(s)	1	2	3	4	5



37. Over the next five years, to what extent do you plan to focus on achieving the following?

	NOT AT ALL		SOMEWHAT		A GREAT DEAL
■ developing market niches	1	2	3	4	5
■ enhancing inter- national competi- tiveness	1	2	3	4	5
■ developing broad product base	1	2	3	4	5
■ rationalizing your product line(s)	1	2	3	4	5

38. Please indicate the percentage of your annual sales in this sector in the following areas.

domestic _____

international _____

Total 100%

39. Estimate the percentage increase/decrease in sales that you are predicting for your firm in the Canadian market over the next three years? Please fill in the average annual percentage.

an increase of _____% → Go to Question #41

a decrease of _____%

no change ☐

40. Please indicate the main factors why you expect your domestic growth rate to decrease or remain stable. Please indicate no more than 3 major factors.

at full capacity	<input type="checkbox"/>
domestic market size prohibits economies of scale	<input type="checkbox"/>
increased marketing efforts by other firms	<input type="checkbox"/>
insufficient promotion/advertising by my firm	<input type="checkbox"/>
exchange rates	<input type="checkbox"/>
productivity level poor	<input type="checkbox"/>
cost of resources	<input type="checkbox"/>
dated technology	<input type="checkbox"/>
high labour costs	<input type="checkbox"/>
lack essential management skills	<input type="checkbox"/>
other (please specify)	<input type="checkbox"/>

41. Estimate the percentage increase/decrease in sales that you are predicting for your firm in the international market over the next three years? Please fill in the average annual percentage.

an increase of	_____ %	→ Go to Question #44
a decrease of	_____ %	
no change	<input type="checkbox"/>	
not currently exporting abroad	<input type="checkbox"/>	→ Go to Question #43



42. Please indicate the main factors why you expect your growth rate in the international market to be negative or stable? Please only indicate up to 3 major factors.

at full capacity

☐

insufficient economies of scale

☐

increased marketing efforts by other firms

☐

insufficient promotion/advertising by my firm

☐

exchange rates

☐

productivity level poor

☐

cost of resources

☐

dated technology

☐

high labour costs

☐

lack essential management skills

☐

other (please specify)

☐

→ Go to
Question
44

43. If you are not currently exporting abroad, what is the main reason? Please check one box only.

at full production capacity with Canadian market

☐

unsure of how to enter foreign markets

☐

not sure of nature of foreign markets

☐

not manufacture product(s) for foreign markets

☐

not competitive enough to compete in foreign markets

☐

not interested in entering foreign markets

☐

other (please specify)

☐
☐

44. Estimate the percentage of your input materials that are sourced from the following locations?

Canada _____ %

United States _____ %

Other Foreign Countries _____ %

45. Are you anticipating problems with your suppliers over the next five years?

Yes ☐

No ☐

Do Not Know ☐

→ Go to Question 47

46. Please identify supply-related problems you are anticipating. Please only identify the major problems.

reliable delivery ☐

availability ☐

quality of materials ☐

price of materials ☐

cost of transportation ☐

size of order inadequate
for bulk discounts ☐

other (please specify) ☐

GENERAL QUESTIONS ON YOUR FIRM IN THIS SECTOR

47. How would you rate your firm's market growth potential in this sector over the next five years considering both the domestic and international markets?

1 2 3 4 5
|-----|-----|-----|-----|
very poor poor satisfactory good excellent

☐
Do Not
Know

48. Please identify three strengths of your firm (e.g. price, product design, sales, production facilities, etc.)

1. _____

2. _____

3. _____



49. If applicable, please identify three weaknesses of your firm.

1. _____
2. _____
3. _____

50. What do you believe, if any, are the major impediments for you to be internationally competitive over the next five years? Please check only three.

- availability of financing ☐
- marketing ☐
- general management ☐
- availability of production employees ☐
- acquisition of technology ☐
- productivity ☐
- other (please specify) ☐

PROTECTED
WHEN COMPLETED NO: _____

FINANCIAL INFORMATION

THE REMAINING QUESTIONS REFER TO
YOUR ENTIRE FIRMS OPERATION

51. Please provide total and expected sales revenue for the following years.

<u>Year End</u>	<u>Sales</u> (\$000s)
1986	_____
1987	_____
1988(est)	_____
1989(est)	_____
1990(est)	_____

52. Please provide expenditures as a percentage of total sales in the following areas for the past two years and the anticipated expenditures for the next three years.

Expenditures (As a percentage of total sales)

CAPITAL EXPENDITURES	1986	1987	1988-1990(est)
Computers as management tools	____%	____%	____%
Numeric/computer controlled equipment	____%	____%	____%
Other production equipment	____%	____%	____%
Buildings (interior and exterior)	____%	____%	____%
OPERATING EXPENDITURES			
R&D (i.e., design related studies)	____%	____%	____%
Advertising and promotion	____%	____%	____%
Market research	____%	____%	____%

53. What percentage of plant capacity has been utilized in the last twelve months?

0 - 50%

☐

51- 75%

☐

76- 85%

☐

86- 95%

☐

96-100%

☐

54. How many shifts did you regularly run during the last twelve months?

one

☐

two

☐

three

☐

55. Have you been involved with or obtained the following?

joint ventures

YES

☐

NO

☐

export financing

☐☐

export licensing

☐☐

mergers or acquisitions

☐☐

If no, would you consider the following?

YES

☐

NO

☐

DO NOT KNOW

☐☐☐☐☐☐☐☐☐☐

56. To what extent do you feel you need to increase your expenditures in any of the following areas for your firm to be internationally competitive?

	No	Yes	
market research	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
advertising/promotion	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
management training	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
training for new technology	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
obtaining new equipment	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
modernizing plant(s)	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
R&D (i.e. design related studies)	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____
other (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____

If yes, please indicate the level of investment required over the next 3 years

57. What sources do you typically use to obtain financing for expenditures? Please check all that are applicable in their order of importance. For example 1 as the most important, 2 next important, etc.

- internal ☐
- equity financing ☐
- bank or other financial institution ☐
- business associates ☐
- government programs ☐
- other (please specify) _____ ☐



58. Please use the following space for any additional comments.

Thank you for assisting us in completing this questionnaire.
Please return your completed questionnaire in the next three
weeks in the enclosed, self-addressed envelope.

APPENDIX B
LIST OF INTERVIEWEES



LIST OF INTERVIEWEES

Ms. Julie Radwonsky
Ministry of Industry Trade
and Technology

M. Marcel Bureau
Direction générale de l'équipement
et des biens de consommation
Ministère de l'Industrie et commerce

Mr. G. Kostyrsky
Investment Promotion
Investment Development Division
Investment Canada

Mr. J.A. Doyle
Executive Vice-President
Canadian Council of Furniture
Manufacturers

Mr. G. Sinclair
Executive Vice-President
Ontario Furniture Manufacturers'
Association

Claude Jutras
Executive Vice-President
Quebec Furniture Manufacturers'
Association Inc.,

Mr. Joe Malko
General Manager
Furniture West

Mr. Joanne Legault
United States Trade and Investment
Development Division
External Affairs Canada



Mr. J.R.R. Leduc
Head, Household Services
Material Procurement and
Transportation Division
External Affairs

Mr. Brian Johnson
Alberta Office Furniture
Manufacturers' Association

Roger Rougier
President, R. Rougier Inc.,

Mr. L. Blundell
Vice President Sales Division
Sunar Hauserman Ltd.,

Ms. Lorna Rennet
President
Guildhaer Cabinet Shops

Mr. Bruce Maisel
Evrocrafft of Canada Corporation

Ms. Simone Lauziere
Industrial Program Officer
Quebec Regional Office
Department of Regional Industrial Expansion

Mr. Sheila Henry
Industrial Program Officer
Ontario Regional Office
Department of Regional Industrial Expansion

Mr. Garry Kress
Senior Industry and Trade Officer
Manitoba Regional Office
Department of Regional Industrial Expansion

Mr. Syamal Balabyal
Industrial Program Officer
Alberta Regional Officer
Department of Regional Industrial Expansion

Mr. Gene Smith
Industrial Program Officer
British Columbia Regional Office
Department of Regional Industrial Expansion



APPENDIX C
ANALYSIS PLAN



STUDY OF THE FURNITURE INDUSTRY

ANALYSIS PLAN

The analysis of responses to this survey will include the frequencies and cross-tabulations listed below:

1. OVERVIEW OF RESPONDING FIRMS

Q1 to 7, PROV
Q4 by 5, 4 by 6,
4 by 7, 4 by 2,
5 by 1, 5/1 by 4,
5 by 7

2. TECHNOLOGY

- Expenditures over the past two years and over the next 3 years

Q52, 52 by 4
52 by 51

- Expenditures compared to sales

Q52 by
51 (49)
51/52 by 4,
51/52 by 1
51/52 by 57

- Extent of firms computerization

Q26, 26 by ,
26 by 5,
28, 28 by 4,
28 by 5

- Effect of computer use on rating of firm's mark growth potential

Q47 by 26, 47 by 28,
47 by 26 by 4, 47 by
28 by 4, 47 by 26 by
5, 47 by 28 by 4

- Factors affecting introduction of new technology

Q27, 27 by 4, 27
by 5, 29, 29 by 4,
29 by 5



2. PRODUCTIVITY AND EFFICIENCY

- Rating on efficiency of firm domestically Q30, 30 by 5, 30 by 4, 30 by 26, 30 by 28, 47 by 30
- Rating on efficiency of firm internationally Q32, 32 by 5, 32 by 4, 32 by 26, 32 by 28, 47 by 32
- Rating on productivity of firms domestically Q31, 31 by 5, 31 by 4, 31 by 26, 31 by 28, 47 by 31
- Rating on productivity of firms internationally Q33, 33 by 5, 33 by 4, 33 by 28, 33 by 26, 47 by 33
- Efficiency, productivity of firms compared with expected sales increase, planned expenditures, need expenditures Q33, 30 by 39, 31 by 39, 32 by 41, 33 by 41, 30 by 52, 31 by 52, 32 by 52, 33 by 52, 30 by 56, 31 by 56, 32 by 56, 33 by 56

MARKETING

- Expenditures over past 3 years Q52, 52 by 4, 52 by 1
- Expenditures compared to sales Q52 by 51, 52/51 by 4, 52/51 by 1, 52/51 by 56, 52/51 by 57
- Do firms conduct formal market research Q34, 34 by 52/51, 34 by 4, 34 by 5
- Sources of market research Q35, 35 by 52/51, 35 by 5, 35 by 4, 35 by 56
- Effect of marketing on rating of firms market growth potential Q47 by 4, 47 by 34, 47 by 5
- Factors affecting use of formal market research Q34, 34 by 4, 34 by 5, 34 by 57



- Extent focussed on achieving market niches, developing broad product base, rationalizing product lines, achieving international competitiveness Q36, 36 by 4, 36 by 5, 36 by 55
- Plans to focus on market niches Q37, 37 by 4, 37 by 5, 37 by 57, 37 by 52/51, 47 by 37, 37 by 36
- Plans to focus on achieving international competitiveness Q37 by 4, 37 by 5, 37 by 57, 37 by 52/51, 47 by 37, 37 by 36, 37 by 55
- Percentage of sales domestic/international Q38, 38 by 4, 38 by 5, 38 by 55, 38 by 57
- Expected expenditures over the next 3 years Q52, 52 by 4, 52 by 5, 47 by 52, 56
- Predictions for domestic/international market Q39, 41, 39 by 4, 39 by 5, 41 by 4, 41 by 5, 39 by 51/52, 41 by 51/52, 41 by 57 39 by 57
- Main factors affecting domestic/international market Q40, 40 by 4, 40 by 5, 42, 42 by 4, 42 by 5
- Reason not exporting abroad Q43, 43 by 4, 43 by 5, 43 by 50, 43 by 55
- Percentage of foreign inputs Q44, 44 by 4, 44 by 5, 44 by 45, 46

MANAGEMENT

- Size of management staff Q11, 11 by 4, 11 by 5, 11 by 12, 11 by 26, 11 by 28, 11 by 52



- Degree to which have adequate management skills

Q13, 13 by 4, 13 by 5, 13 by 11/5, 47 by 13

- Training of staff

Q14, 14 by 4, 14 by 5, 15, 15 by 4, 15 by 5, 14 by 15, 47 by 14, 47 by 15, verification of 14 - 56c

- Are plans prepared?

Q16, 16 by 4, 16 by 5, 16 by 11/5, 47 by 16, 19, 19 by 4, 19 by 5, 16 by 18

- Are consultants used?

Q12, Q12 by 5, Q12 by 4, Q12 by 13, Q12 by 15, Q12 by 11, Q12 by 11/5, Q12 by 14, Q12 by 16

HUMAN RESOURCES

- Proportion of skilled staff

Q20, 20 by 4, 20 by 5

- Degree to which need for skilled workers being met

Q21, 21 by 4, 21 by 5, 20 by 21, 47 by 21, 22

- Training for workers

Q23, 23 by 4, 23 by 5, 24, 24 by 4, 24 by 5, 24 by 23, 47 by 24, 25

FINANCE

- Total and planned expenditures as a percentage of sales

Q52, 52 by 4, 52 by 5, 52 by 51, 51 by 4, 51 by 5, 47 by 52/51, 56, 56 by 4, 56 by 5, 47 by 56

- Plant capacity

Q53, 53 by 4, 53 by 5, 54 by 53



- Use of joint ventures, export financing,
export licensing, mergers or acquisitions Q55 by 4, 55 by 5,
47 by 55
- Sources of financing Q57, 57 by 4, 57 by
5, 47 by 57

GENERAL

- Firm's expected growth compared to sector Q47 by 7, 47 by 7 by
4, 47 by 7 by 5
- Most competitive factors Q48, 9, 48 by 9
- Least competitive factors Q49, 10, 49 by 10



HD97737.C22/C6
Price Waterhouse.
Competitiveness of the
furniture industry : what
BWDD c. 1 aa ISTC

DATE DUE - DATE DE RETOUR

[illegible]

ISTC 1551 (2/90)

INDUSTRY CANADA/INDUSTRIE CANADA



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