CARON FURNITURE LTÉE. (REVISED)

Anthony Goerzen revised this case, originally written by Jonathan Calof, under the supervision of Professor Paul Beamish solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

On May 20, 1997, Mr. Yves Richard, president of Caron Furniture Ltée. (Caron) of St. Jean, Quebec, assessed his firm's export strategy for the U.S. market. Caron, one of Canada's larger producers of wooden office furniture, exported its products to the U.S. via eight company salespeople and nine manufacturers' representatives who, in turn, serviced 1,700 dealers. Two options for the U.S. market were considered: status quo or increased direct investment in showrooms and company sales staff. If the second option were chosen, Richard would have to decide on both the level of investment and the geographic focus. The larger question that loomed, however, was the role the U.S. market should play in Caron's future.

THE NORTH AMERICAN OFFICE FURNITURE INDUSTRY

The office furniture industry manufactured a wide variety of products including tables, desks, chairs, panels, storage devices, bookcases, and cabinets. While these products came in a variety of materials and styles, the industry was generally classified into two segments: metal and wood. Metal office furniture accounted for approximately 75 per cent of the North American market and wooden products made up the balance.

Traditionally, the rate of growth in demand for office furniture had been closely tied to the overall growth in the economy; when business expanded, office furniture was in demand. The largest buyers of office furniture had been corporations and governments, driven by the need to furnish new office space or upgrade existing furniture. However, beginning in the late 1980s and continuing in the 1990s, several other factors had begun to impact the market. By 1997, many corporations had become leaner in a process labelled by some economists as "jobless economic growth." In fact, even as the economy regained strength, it was common for the managements of many large corporations to continue to focus on streamlining their organizations, reducing white-collar workers wherever possible. A further development during this time period was that most buyers had become increasingly sensitive to price in an effort to retain control over costs. Another important trend that was beginning to impact the office furniture industry was related to improved communication technology that allowed greater numbers of people to work at home. In addition, the increasing use of electronic messaging and information storage led to a reduction in the need for paper that, in turn, decreased the requirement for office storage equipment such as filing cabinets.

Notwithstanding the impact of these various factors on the office furniture market, overall demand was healthy (see Exhibit 1) and was projected to continue to increase by eight to ten per cent annually to the year 2000. In total, 1996 sales of office furniture in North America reached almost Cdn$16 billion. More specifically, in Canada the market for office furniture had shown strong growth through the 1990s, increasing from Cdn$871 million in 1991 to more than Cdn$1 billion in 1996. Canadian exports also expanded significantly, growing from Cdn$197 million in 1991 to almost Cdn$675 million in 1996.

The U.S. was the largest single market in the world for office furniture and was the destination for more than 95 per cent of Canada's exports. Canadian producers had expanded their collective share of the U.S. market from Cdn$335 million in 1993 to over Cdn$927 million in 1997. The next largest market for Canadian furniture exports was the U.K.; although sales to this destination had almost tripled between 1993 to 1997, they reached only Cdn$11 million by the end of that period. One of the key reasons for this dramatic increase in export sales (increasing by almost Cdn$300 million to Cdn$970 million between 1996 and 1997 alone) was that the depreciating Canadian dollar was making Canadian products more price-competitive. Given this increased competitiveness, Canadian exporters were successful in achieving sales in all regions of the U.S., with 37.5 per cent of export shipments being made to the Northeastern U.S., 23.7 per cent to the Midwest, and 32.3 per cent to the Southwest.

Although the trade balance was overwhelmingly in Canada's favor, Canada was also the largest export destination for U.S. producers. In 1996, out of a total of Cdn$166 million in imports to Canada, Cdn$151 million were from the U.S. By 1997, total Canadian imports were Cdn$198 million of which Cdn$180 million originated in the U.S. The next largest importer to Canada was Taiwan which exported Cdn$4 million in 1996 and almost Cdn$6 million in 1997.

The largest producer of office furniture in North America was Steelcase Inc., followed by Herman Miller, Haworth, Knoll, and Meridian. In 1996, Steelcase's worldwide sales were US$2.408 billion and growing, with cost of goods sold of US$1.552 billion, gross profit of US$857 million, SG&A expenses of US$630 million, yielding an operating income of US$142 million. However, it should be noted that this operating income was depleted by a one-time expense of US$111 million due to patent litigation fees. Steelcase dominated the market not only in market share but also in customer approval ratings, as measured semi-annually by an industry magazine survey.

Given the generally bulky nature of furniture, transportation costs were a significant component of the delivered cost and, therefore, it was difficult for firms outside of North America to compete for U.S. or Canadian sales. As a result, offshore firms had not yet been successful in gaining significant share in the office furniture market. However, offshore firms had begun to make clear inroads into related markets such as the U.S. residential furniture market. As early as 1992 (the latest data available), almost 12.3 per cent of the wooden residential furnishings purchased in the U.S. were imported from Taiwan, 6.7 per cent from East Asia (excluding China, Japan, and Taiwan), 7.6 per cent from the E.E.C., 4.5 per cent from Canada, 2.8 per cent from Mexico, and 4.3 per cent from elsewhere. It seemed unlikely, therefore, that the lucrative office furniture market would escape the attention of offshore firms indefinitely.

The majority of office furniture sales were done through a tender process. Typically, architects or interior designers, acting on behalf of the buyer, played an important role in the selection process. Most large furniture producers employed their own sales force to reach important clients and distribution was done through furniture dealers that were aligned with the particular producer (see Exhibit 2). In contrast, smaller firms used intermediaries such as independent distributors and retail stores to access their markets. Both large and small operations made extensive use of trade magazine advertisements and trade shows. Increasingly, Internet homepages were also being used to showcase products and facilitate customer contact regardless of location.

The production of office furniture could be considered a traditional industry in North America since it had been an important part of the industrial base for decades. Since the required technology and the start-up investment were modest, barriers to entry were low. The typical office furniture manufacturer in Canada was a small, family-owned enterprise that employed fewer than 50 people and shipped just over Cdn$12 million annually (see Exhibit 3). However, this industry profile was beginning to change as new technologies, such as computer-aided design and computer-numerically controlled equipment, were elevating both operational sophistication and capital investment requirements. The net effect of these trends was that medium-sized firms were being squeezed out in favor of large volume factories and smaller, specialty operations. Already, a few large firms that controlled the lion's share of the market dominated the industry. Even these large Canadian manufacturers, however, were relatively small by international standards.

COMPANY HISTORY

Founded in St. Jean in 1935 by André Caron to produce and sell wooden residential furniture, Caron was still a privately owned company in the wooden furniture business, now for over 60 years. During World War II, Caron dropped its residential furniture line and concentrated on producing wooden office furniture for the war effort. Sales volumes increased until the mid-1950s when metal office furniture was introduced; within a few years, metal office furniture captured 75 per cent of the market. Caron's sales dropped by half and profits virtually disappeared. In an effort to turn the company around, a piecework incentive program was introduced in 1966 that significantly increased labor productivity. Prior to this program, it took workers 360 minutes to upholster a particular executive chair; after piecework was introduced, it took only 86 minutes.

Caron's second major crisis came in 1968 when its single most important customer, the Canadian government, switched to metal furniture. Caron responded by redirecting its marketing and design focus towards the corporate market. This successful reorientation led to an improvement in sales volumes from Cdn$1.2 million in 1970 to almost Cdn$19 million by 1990. During this period, Caron also began exporting to the U.S.

MANAGING GROWTH

The increased demand for the firm's products became too great for Caron's 100-person work force in its plant on Lavalle St. in St. Jean, Quebec. This led to the purchase of another furniture plant in neighboring St. Therese, Quebec in 1990. Caron also leased production space on Outremont Drive in St. Jean in 1994 and, six months later, the entire facility was bought outright. This latter facility became Caron's new headquarters as well as the firm's central shipping facility.

Increased marketing efforts and a broader product line led to more than the doubling of sales between 1990 and 1995, expanding from almost Cdn$14 million to over Cdn$29 million. In 1992, the product line increased beyond just chairs and tables when, at the suggestion of some of its U.S. salespeople, Caron entered the desk market. Caron's managers felt that office desks were a natural extension to their existing product line both in terms of markets and production skills. Within four years, Caron had one of the largest shares in the Canadian wooden office desk market. Further, in order to provide a more complete line of office products, Caron began to produce desks with matching cabinetry, conference tables, and panels.

Given that there were now three plants instead of one, and that sales to the U.S. now accounted for over 40 per cent of the firm's volume, the increased complexity of rapid growth during this period made it difficult for the senior managers to operate as they had in the past. Sometimes products were shipped late and customer complaints began to increase. In the U.S., Caron began to develop a reputation for poor delivery. Further, inventory accounting errors resulted in production bottlenecks that led, in turn, to masses of partially finished products that not only cluttered up production areas but also decreased cash flow.

Management realized that these problems of management control had to be addressed. In response, Caron changed plant layouts, altered production processes, and modified the organizational structure. Caron maintained its functional form but, during this growth period, added several new positions. At the senior level, for example, Caron created a vice president — production position. This executive was responsible not only for plant operations, but also for the newly formed engineering and quality control departments. In addition, under the treasurer, several new departments were formed including inventory control, purchasing, and scheduling. Prior to these organizational changes, many administrative activities were handled informally by Richard and the plant managers. The new organizational structure resulted in a tripling of staff positions.

Delivery and production problems were addressed by an investment in a computerized manufacturing planning system (MPS) which was fully integrated by mid-1996. Once delivery systems were improved, Caron developed a "quick shipment" program that promised a two-week turnaround for 25 per cent of Caron's product line given limited product options. For example, although a total of over 2000 types of upholstery material was available, only 30 fabric choices were offered under the quick shipment program. By early 1997, 40 per cent of all chairs and 60 per cent of all desks were sold through the quick shipment system. With MPS and an improved inventory system in place, inventory accounting accuracy increased to 95 per cent and production lead times were reduced for most products. In addition, on-time deliveries increased from 40 per cent to 75 per cent for regular shipments and to 98 per cent for quick shipments.

By the end of 1996, many of Caron's problems had either been solved or were in the process of being addressed. Customer complaints had decreased dramatically, delivery time had been reduced, and sales were at record levels — almost Cdn$33 million. For 1997, Caron's 500+ employees were expected to generate Cdn$39 million in sales, making Caron one of the largest wooden office furniture firms in Canada. Productivity had also improved due to a combination of increased automation, the success of the quality circle program, and improved in-house training programs. However, fixed costs also increased dramatically following the adoption of a more complex organizational structure, the purchase of new plants, the establishment and maintenance of the MPS system, and the high marketing costs incurred in the U.S. In the five years ending 1997, fixed costs were estimated to have increased to Cdn$15.1 million from Cdn$4.8 million (see Exhibit 4). This increased the break-even point and contributed to a decline in the returns on sales and on investment. In addition, new organizational problems were emerging; coordination of the desk, chair, and systems lines, in particular, was becoming increasingly difficult.

INVOLVEMENT IN THE U.S.

In 1986, as the Canadian market flourished, consultants were retained to prepare a study on the U.S. wooden office furniture market and suggest the appropriate distribution strategy. They reported that the U.S. market had excellent export potential for Caron, and that the most viable form of distribution was through independent representatives. These consultants provided Caron with a list of representatives in the U.S. and Caron appointed many of them throughout the U.S. Caron entered the market with its existing product line and utilized the same pricing structure that it had established in Canada given that these prices were comparable to those charged by other U.S. furniture manufacturers.

In 1992, Caron increased its U.S. exposure by leasing a showroom facility in Chicago and hiring a regional manager and a salesperson for Chicago. At the same time, it introduced its new desk line to the U.S. market. By 1994, U.S. sales increased to Cdn$11.1 million — 44 per cent of total company sales (see Exhibit 4). Caron reevaluated its U.S. distribution strategy and decided to increase its investment in the U.S. by hiring sales managers in New York and Atlanta. By 1995, the increased volume in both Canada and the United States had placed a great strain on Caron's resources. Several problems emerged within the U.S.; there were spotty delivery schedules and product complaints, difficulties in being able to manage the independent agents, and problems in agent reliability. To address the problem of agent reliability, Caron continued to replace weaker agents with either new agents or company sales representatives.

By the end of 1996, U.S. sales had reached Cdn$13.8 million. At this level of sales and with continued growth appearing likely, Caron modified its structure to recognize the importance of the U.S. Caron split marketing into Canadian and U.S. divisions and, in early 1997, appointed Gerard Thompson as the new U.S. national sales manager, to spearhead future initiatives in the U.S. Within a short period, Thompson tabled his perceptions of the three major weaknesses in Caron's U.S. sales position:

Too many dealers

By the end of 1996, Caron was servicing over 2,700 dealers in the U.S. In comparison, one of the largest furniture manufacturers in the U.S. had 225 dealers throughout the entire country. The large number of dealers strained delivery systems and spread both sales representatives and agents too thinly. In addition, Caron was able to attract only the “B” level dealers in the U.S., despite the fact that, in Canada, Caron dealt with only the “A” dealers.

Geographical focus was too broad

The current organization could not effectively cope with a national operation.

Deficient desk design

Although Caron products were competitive on price and quality, some additional elements such as line enlarging and additional finishes were demanded in the U.S. market.

Caron dealt quickly with Thompson’s concerns. The total number of dealers was promptly reduced from 2,700 to 1,700 (see Exhibit 5). Further, involvement in West Coast markets was substantially decreased by eliminating unproductive agents and company sales representatives were added in Florida, Minnesota, and New York. Caron also began considering the possibility of adding more sales representatives to its Chicago office. Reactions to concerns over desk design, however, were slower to materialize as Caron tried to determine the most suitable product characteristics.

CARON ORGANIZATION AND MANAGEMENT PHILOSOPHY

Caron ownership rested in the hands of a holding company owned by Yves Richard and assorted trusts held by members of the Caron family. The firm was controlled by Richard and three other senior executives: Claude Raymond, vice president — production; Gilles Samson, vice president — marketing; and Guy Paterson — secretary/treasurer. All on the top management team were chartered accountants and none had experience in the office furniture industry prior to joining Caron; now, however, together they had over 50 years’ service with Caron. In fact, Richard considered that having a background in the furniture business was often less important than having good management skills. Most of the key strategic decisions were made personally by Richard. Further, most administrative functions were controlled by head office including purchasing, engineering, quality control, customer relations, and scheduling. However, the plants were beginning to expand their operating autonomy.

One of Richard's primary concerns was for the welfare of Caron's employees as shown by Caron's "no layoff" policy. To enable this policy, Caron cross-trained employees and had, in the past, kept workers employed at various non-essential activities such as painting the factory or landscaping the grounds rather than laying them off when demand was too low to keep the plants operating fully. Caron had also instituted both profit-sharing and stock ownership plans. These personnel practices helped create an informal work atmosphere at Caron and were, in part, responsible for good employee morale and a comparatively low turnover rate.

PRODUCTION

Caron was known in Canada as a producer of good quality, medium to high-priced office furniture. The importance of product quality led Caron to minimize dependence on outside suppliers for important inputs; 67 per cent of all Caron inputs, such as veneer, lumber milling, and wood bending were produced internally. Besides ensuring consistent quality, this provided Caron with the additional benefit of guaranteed continuity of supply. Few firms in the Canadian industry had integrated to this degree.

Caron's management were proud of their ability to offer a wide variety of products. Their product line included about 60 series of chairs, most of which were upholstered, a dozen series of lounge chairs and sofas, eight types of small tables, conference tables, five series of desks, and an assortment of office panels. For example, each desk series had 25 to 30 different basic models and customers could choose between two types of wood and eight finishes leading to over 2,000 different table configurations.

The production of high-quality wood furniture was a difficult business. It required experienced craftsmen and consistently high quality inputs that were both hard to obtain. However, Caron's excellent working conditions attracted the best applicants. In addition, in-house training programs were designed to ensure that skill levels were maintained even if fully qualified entry-level applicants could not be found. Training ran from six months to over a year depending on the employees' expertise and the firm's required skills.

Difficulty in securing high-quality wood arose from the "living" nature of the inputs. For example, wood could shrink or grow during processing and there could also be significant color variations when comparing the same type of wood from different lots. Given this variability, no industry-level quality standards existed. As a result, input quality was based on the supplier's quality standards. The importance of final product quality led Caron to establish its own quality standards.

The production system was built around making the maximum use of piecework methods. For example, batches of chairs or small tables were produced for "white inventory," i.e., storage as completely assembled but unfinished frames. In this way, lots of 50 to 600 units could be scheduled through the plant independent of the order book. These batches of parts were moved from station to station on trolleys. Employees worked on batches in efficient, repetitive patterns and were paid on the basis of pieces completed. When an order was received that called for the specific frame style, the unfinished frames were moved through the finishing operation, the upholstery shop (if required), and finally to the shipping department where they would be sent to the Outremont plant where the client's entire order was gathered.

Caron's management control process, including the piecework system, workflow layout, and the complementary product mix allowed Caron to enjoy one of the lowest rates of labor and material costs as a percentage of total direct costs of any Canadian furniture manufacturer, and rates that were competitive with U.S. firms. Despite this success, problems still remained. A recent plant inspection, for example, discovered orders that were one to three months behind promised delivery dates. As well, stock-outs of raw materials had occurred on several occasions.

THE CURRENT SITUATION

On May 20, Richard convened a management group meeting to discuss U.S. market options.

> **Yves Richard:** As impressive as our past growth has been, it has recently been below our growth objective of 26 per cent annually. If we are to maintain our objectives and improve profitability, we might have to make changes in our products, prices, distribution arrangements, and markets. The issue that I would like to discuss today is the role of the U.S. market in Caron's future.
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> **Gerard Thompson:** The U.S. market is our best source for future growth. We already have a large market share in Canada, so continued growth in Canada may be difficult. In the U.S., however, we are barely scratching the surface. If we are to gain a meaningful market share, we will have to commit additional resources. At a minimum, we will need to replace certain agents with our own sales force. Although some agents have inside connections with dealers, many of our agents are not committed to our products and we cannot manage their efforts.

Gilles Samson: I agree with Gerard. Our experience has been that when agents are replaced with Caron employees, sales increase. For example, over the past five years, two sales representatives were added in Chicago and additional showroom space was purchased; during that time, U.S. sales increased by 177 per cent. Although part of the increase may have arisen from other factors such as better personnel, more marketing support, or even improved economic environments, some of it can definitely be attributed to the change in our sales approach.

Richard: But what's this going to cost us?

Samson: Our best guess is that a U.S. sales rep will cost us US$30,000 to 50,000 a year plus three per cent commission. Showroom costs are hard to estimate, but for New York it would probably be US$250,000 per year, while in Chicago it would be US$200,000 per year. Add in another US$200,000 for leasehold improvements, US$150,000 for showroom furniture, US$30,000 for administration and another US$20,000 to 30,000 for sales representatives related expenses.

Richard: That's rather steep. Depending on the extent of our commitment to the U.S., the costs could run well into the millions. We have increased our investment in the U.S. and sales have increased by 201 per cent over the past five years; over the same time period, however, Canadian sales have increased by 213 per cent — this might indicate that there is, in fact, more room for growth in Canada. Shouldn't we consider putting more resources into Canada and leave the U.S. market as it is?

Thompson: The cost might seem steep, but if we use our own sales force we will save the eight per cent commission that the agents charge us. Last year alone this amounted to US$875,000.

Samson: As for the total cost, if we increase our investment in the U.S., I would not recommend blanketing the entire country with sales reps and showrooms. Any investment should be limited to the largest potential markets. In fact, over the past two years, we have been reducing our geographic scope to the point that by next year I hope our efforts are limited to the Northeastern and North Central U.S. In line with this focus, showrooms would only be required in what we feel are our major markets. As well, replacing unproductive agents with our own sales representatives is the direction we have been heading over the past year, and I would like to speed up this process.

Thompson: My current focus is on Chicago and New York City as they are two of the top markets in North America. I would like large showrooms in each.

Richard: There is another issue that we should look at. Assuming that the increased growth in the U.S. market materializes for us, do we have the production capacity to cope with the increased volume? It's taken us three years to develop systems for coping with our current volume.

Claude Raymond: We are hitting capacity constraints in all our plants. But I think that with a change in plant layouts, shifting plant product mixes and improving some of the production processes, we can add about 30 per cent capacity to the Lavalle Street plant and 50 per cent to the St. Therese plant. Additional equipment requirements would be minor, but we would need more personnel. As well, I would like to see the Outremont plant's role expanded to include panel and work-wall production. The cost for this would be approximately Cdn$3 million over four years. The net effect of all these changes would be to increase our capacity to over Cdn$60 million in sales. Alternatively, if volume increased dramatically, we could subcontract out some of the less important work or purchase another facility. As for getting more skilled labor, the St. Jean College is expanding its wood-working program, so within the next year we will have access to trained entry-level craftsmen.

Richard: What can we expect by way of competitive reaction if we start capturing more market share in the U.S.?

Samson: Although the U.S. market is significantly more competitive than the Canadian market, I don't expect much reaction from major competitors as we are not looking to take away much of their business. We are going to go through "B" dealers, not the "A" dealers used by the largest producers, and we are only trying to skim a bit of the market, so we are not going to be a major threat to anyone, yet.

Richard: Is there anything else that any of you would like to add, before I make my decision?

Samson: The U.S. is our most profitable market. While we charge the same price in all markets, in the U.S. we invoice in US$ and our only incremental cost is U.S. marketing expenses. As a result, our 1996 gross profit as a percentage of sales was about 40 per cent higher for U.S. versus Canadian sales. Most of the incremental profit arose from the exchange rate differential. When you consider that our total gross profit last year was 38 per cent of sales, you can see how much of an impact the U.S. has on our operations. Only an improvement of the Canadian dollar vis-à-vis the American dollar can change this. Meanwhile our Canadian market is secured by our excellent reputation with both dealers and interior designers who appear to be committed to Caron.

Richard: Exchange rate fluctuations concern me. If the rate had not changed at all over the past five years, we would have lost Cdn$1.5 million from our pretax profits. For each Cdn$0.01 increase in the value of the Canadian dollar, we lose Cdn$100,000 from our bottom line.

Raymond: Exchange rate fluctuations are only part of the competitive threat. The Canadian market is also going to become more competitive within the next few years as some of our U.S. competitors are starting up operations in Canada.

Thompson: I don't know if we really have a choice. The U.S. market is getting more and more competitive, with many firms offering dealers and designers a lot of service support. In my view, having your own showrooms and sales force is the price of being in the game — without them our growth will be limited.

Richard: I think that I have all the information I need. Unless I hear from any of you with additional information in the interim, I will get back to you next week with my recommendation.

Exhibit 1

NORTH AMERICAN MARKET FOR OFFICE FURNITURE (CDN$ BILLION)

	1992	1993	1994	1995	1996
Canada					
Shipments	$0.89	$0.89	$1.08	$1.29	$1.51
Less: Exports	0.26	0.36	0.46	0.53	0.67
Add: Imports	0.13	0.14	0.16	0.17	0.17
Canadian Market	$0.76	$0.68	$0.79	$0.93	$1.00
United States					
Shipments	$11.01	$11.66	$12.64	$13.48	$14.34
Less: Exports	0.28	0.32	0.32	0.30	0.32
Add: Imports	0.44	0.55	0.68	0.80	0.97
U.S. Market	$11.17	$11.89	$13.00	$13.98	$14.99
Total North America	$11.93	$12.57	$13.79	$14.91	$15.99

Sources: Industry Canada Business and Institutional Furniture Manufacturers Association

Exhibit 2

OFFICE FURNITURE DISTRIBUTION CHANNELS TRENDS

	1995	1996
"Aligned" Dealers	53.30%	52.90%
Independent Dealers	16.0	16.1
Office Products "Mega" Dealers	8.0	8.4
Superstores, Warehouse Clubs, etc.	5.9	6.3
Wholesalers	5.9	5.9
Federal Government	3.9	3.6
Mail Order, Direct, Other	7.0	6.8

Sources: Business and Institutional Furniture Manufacturers Association; Business Products Industry Association

Exhibit 3

1995 CANADIAN OFFICE FURNITURE MANUFACTURER STATISTICS

Average Number Of Employees	Number of Establishments	Total Employment	Total Shipments (Cdn$ million)
0-4	29 (16.9%)	62 (0.6%)	$ 4.5 (0.3%)
5-9	19 (11.0%)	128 (1.1%)	$ 7.0 (0.5%)
10-19	25 (14.5%)	360 (3.2%)	$ 29.0 (2.2%)
20-49	45 (26.2%)	1,437 (12.8%)	$ 100.1 (7.8%)
50-99	30 (17.4%)	2,125 (18.9%)	$ 194.9 (15.1%)
100-199	15 (8.7%)	2,010 (17.9%)	$ 209.9 (16.3%)
200-999	9 (5.2%)	5,123 (45.6%)	$ 742.8 (57.7%)
Total	172 (100%)	11,245 (100%)	$1,288.2 (100%)

Source: Statistics Canada

Exhibit 4

CARON FURNITURE LTÉE. SELECTED FINANCIAL INFORMATION (CDN$ MILLION)

	1993	1994	1995	1996	1997(e)
Canadian Sales	10.83	14.20	16.23	19.02	23.09
U.S. Sales	7.81	11.06	13.00	13.82	15.73
Total	18.64	25.26	29.23	32.84	38.73
Fixed Expenses	4.75	7.12	9.71	12.20	15.07
Sales Growth	31.3%	35.5%	15.7%	12.4%	17.9%
Current Ratio	3.7	1.9	2.2	1.9	1.8
Assets: Liabilities	4.4	2.3	2.8	2.6	2.7
Debt: Equity	0.05	0.27	0.21	0.17	0.13
Employees	321	473	484	505	529

Source: Company Records

Exhibit 5

CARON FURNITURE LTÉE. DISTRIBUTION ARRANGEMENTS

	1993	**1994**	**1995**	**1996**	**1997**
Canadian Agents	7	7	7	7	7
U.S. Agents	16	15	16	11	9
Canadian Salespeople	7	7	8	8	9
U.S. Salespeople	2	4	6	6	8
Canadian Dealers	400	400	375	350	325
U.S. Dealers	3,500	4,000	3,500	2,700	1,700

Source: Company Records