Testimony of Bill Allen
President and Chief Operating Officer, Showplace Cabinetry

Wooden Cabinets and Vanities ITC Hearing
February 20, 2020

Good morning. My name is Bill Allen. I am the President and Chief Operating Officer of Showplace Cabinetry. Thank you for giving me the opportunity to appear before you today.

Since its founding in 1999, Showplace has grown from a small operation – producing 50 cabinets per day – to a widely known national brand that sells in all 50 states. Showplace has a national reach, but at its core it is a small-town company. We are located in Harrisburg, South Dakota, where I grew up – a small town of 6300 near Sioux Falls. With over 600 employees, Showplace is one of the largest employers in our community. This is why this case is so important for our company, our employees and the community I've lived in my entire life.

Showplace more than cares about its employees – Showplace is its employees. When we had the opportunity to sell the company to private equity investors, we instead sold it back to our own employees in 2006. I am incredibly proud of the fact that today, we are 100% employee owned. We have long tenured workers, and people who started making relatively low hourly wages, who now have considerable retirement savings built up in our company. Unfortunately, because of unfairly priced Chinese imports, those jobs are now at risk.

Chinese imports have had a substantial negative impact on our company. The effect of Chinese imports can be seen the moment you walk into a cabinet showroom. Showplace sells cabinets and vanities to designers and dealers that display and sell our products in their showrooms. Over the past decade, and at an accelerated rate in the last three years, we have lost showroom space to Chinese cabinet lines. Ten years ago, it was rare to find one of our dealers who sold Chinese cabinets and vanities. However, as subject imports began entering the United States at drastically low prices, our dealers felt they had no choice but to sell Chinese products or lose substantial business; now many of those same dealers display and sell Chinese cabinets.

In many cases the Chinese products compete head-to-head, and the pricing pressure is enormous. The dumped and subsidized prices of Chinese imports have fundamentally changed consumer perceptions regarding prices. This shift in customer perception has forced us to heavily discount our products and to include as standard, options we were once able to charge a premium for – like modified sizing and design, and soft-closing drawers and doors. Chinese prices for cabinetry are so low they have shifted customers' expectations to significantly lower priced cabinets, regardless of the quality or the features provided.

Similarly, prior to 2016 we did not offer promotional pricing on our products, but now we have to offer discounts year-round. Our promotional discounting costs

have grown each year. We also had to begin offering bonuses to our dealers and designers in order to incentivize them to promote our products. In addition, since 2016, our manufacturing costs have continued to increase annually, but because of Chinese imports, we have not been able to fully cover our increased costs. This has significantly eroded our profitability.

The profits we lose to Chinese imports affects our ability to grow our business in a strong U.S. market. Showplace should be expanding its production capabilities. In 2018, we paid $50,000 to develop architectural plans for a significant expansion to our facilities in Harrisburg. By the end of 2018, due to slowing sales and significantly reduced profits, we decided not to proceed. To be clear, if not for Chinese imports, we would have continued with that project and significantly expanded our production operations.

We cannot escape the pressure of Chinese imports. Showplace sells cabinets in all 50 states. Unfairly priced Chinese imports are also sold throughout the country, so we cannot escape them. We have tried developing new products and entering different parts of the market. But each time that we enter a new market point, the Chinese are right behind us. There are no new areas to move into. Even the high-end custom cabinet business is less profitable now because of Chinese imports. The Chinese producers are rapidly moving up the value chain, if left unchecked, the market will continue to deteriorate. Our performance began to be

harmed in 2018, and the first three quarters of 2019 were terrible. We need sustained relief from unfairly traded imports from China.

To conclude, I would like to once again stress that the South Dakotans employed by Showplace are at the greatest risk in this case. Those are the people that will be hurt if this industry cannot get relief from unfairly priced cabinet and vanity imports from China.

Thank you for your time.