Future of furniture is shifting

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With sales and employment still dropping, the furniture industry is an uncomfortable place to be right now whether in the executive chair or the factory floor.

Heading into the fall High Point Market, which began Saturday, orders and shipments for new furniture nationwide are at dismal levels.

- The number of factory and warehouse workers is down 20 percent in July 2009 compared with July 2008, according to the Furniture Insights newsletter.
- New orders for furniture were down 16 percent in July 2009 compared with July 2008, according to the newsletter, produced by Smith Leonard PLLC in High Point.

In the Triad, the furniture industry has lost more than 13,000 jobs since 1998, 45 percent of which were largely replaced by inexpensive Asian labor, according to a High Point University report.

And although few of those lower-skill manufacturing jobs are likely to return, local businesses and researchers think they’ve pinpointed ways to bring back hundreds of better paying and more stable furniture jobs in the coming years.

They have already begun to:
- take inventory of the best furniture businesses and resources in the region;
- raise millions of dollars to promote and develop the industry;
- find ways to educate workers in design, management and other high-skill related furniture fields.

But the trends they battle are enormous and global in nature.

Spurred by furniture imported from international companies, local manufacturers have moved their plants to China and other nations with cheap labor so they can offer the prices Americans have come to expect.

As a result, Guilford, Forsyth, Davidson and Randolph counties have watched not only a loss of workers but an overall decline in the monetary value of manufacturing output in the past 10 years. That figure has dropped from about $1 billion a year to about $650 million, according to a report by Gerald Fox, associate professor of economics at High Point University.

Furniture wholesaling, a business whose products can be built anywhere in the world, is making more money for the Triad, however, according to the report. It has grown from $140 million a year to about $800 million annually over the past decade.

But it’s not enough to replace the huge employment loss. Warehouses and distributors use fewer workers and pay less than manufacturers.
Because of this issue, regional economic policymakers and industry leaders are attempting some new strategies and policies to bolster furniture-related industries, with furniture manufacturing being a major consideration, Fox writes in the report.

Major leaders from across the region, including Kelly King the CEO of Winston-Salem’s BB&T, have come together to raise money to develop and recruit a new kind of furniture industry.

King is leading a group that wants to raise $5 million to be spent in $1 million annual increments. The money would fund a full-time executive to run programs encouraging home furnishings, logistics/transportation and biotechnology/nanotechnology under one umbrella.

The programs would be operated by the Piedmont Triad Partnership, the regional economic development group that believes these three sectors can provide jobs and spur homegrown companies to pull the region out of its manufacturing recession, said Don Kirkman, the group’s president and CEO.

The program will almost certainly encourage companies that use a lot of technology in their manufacturing processes.

Companies here are not likely to regain the labor cost advantage found in Asia, Fox said in an interview.

“They’re relying on cheaper labor … that’s one of the big advantages,” he said. “If the U.S. and the Triad is going to become more competitive, they’re going to have to turn to technology.”

Ikea, a Swedish company, brought that philosophy to Danville, Va., last year when it opened a massive factory there.

“Those workers are better paid and trained,” Kirkman said. “They have to be much more technically trained not only in the furniture industry but in the technology that runs the manufacturing line.”

Although it’s unclear what the best-trained workers there earn — starting pay is $12 an hour, according to The Roanoke Times — some training was intense.

Workers traveled to Poland to train on the computerized machines at a plant there, the newspaper reported, and workers from Poland also came to Danville. The machines come from Austria, Italy and Germany, the news report says.

Kirkman believes that sort of education, whether from companies themselves or from local community colleges and universities, will encourage industry to stay in this region, where workers will be more versatile.

In many ways, furniture is a commodity — a mass-produced item sold in bulk. And that’s the kind of simple, cheap, high-volume work likely never to return to the Triad.

Companies are finding, however, that it’s better to build some types of high-end furniture, customized sofas, for example, in the United States. They can more easily and quickly correct mistakes from a nearby factory than from one in China.

But another, larger part of the industry could flourish in America and the Triad, Kirkman and Fox say: Furniture built for big contract purchases and institutions.

Delivering large orders of furniture to universities, big offices and hospitals, for example, on time and intact is something U.S. industry does well for U.S. customers, experts say.

Any stumble in such an order could delay the opening of a dormitory or a hospital ward, and dealing with the complications of a Chinese factory would be disastrous. For that reason, Kirkman said, economic developers will be looking to recruit such companies.

In the Triad, they would find a region rich in industries closely allied to furniture manufacturers — catalog photography companies, designers, supply management and other specialized experts.

These are all part of a furniture “cluster” or business sector that can not only bring more secure and well-paying
jobs to the region, but can continue to strengthen the ongoing High Point Market in the face of such challengers as World Market Center in Las Vegas.

Such diversity, Kirkman said, could help this region become more attractive to executive offices of companies that own manufacturers around the world. VF Corp. a Greensboro-based apparel company, is a multinational company with successful brands but it makes very few of its goods in North Carolina.

With diverse, furniture-related industries, the region can build a new kind of furniture sector, Fox said.

“You just get closer to where the action is. That's referred to as competitive advantage," he said. “Furniture, wholesale, retail, manufacturing, design, photography and the trade magazines ... just all kinds of side industries that overlap one with another. You have a lot of the brain power in one place. It has to shift out of the manufacturing."

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