

Furniture Firms Eke Out Gains

BY BETTY JOYCE NASH

In the heart of North Carolina's furniture cluster sits a chair, originally installed in 1922, and replaced in 1951. The chair measures 18 feet high, and sits on a 12-foot-tall base. Its presence speaks volumes about the industry's legacy in Thomasville, aka Chair City.

But people don't buy furniture in a recession. It's a purchase that can be put off. The resulting sales slump has accelerated the industry's long-term decline as furniture makers farm out production overseas.

Lately, though, furniture sales are showing a pulse. Nationwide, sales of furniture and accessories, including rugs, rose 2 percent over the first half of 2010. That was good news. In 2008, sales fell by 9 percent; in 2009, the decline was 11 percent, according to the U.S. Department of Commerce.

The blip in business has emerged from the residential, not the commercial, market. Sales of office furniture fell by 30 percent in 2009, but are expected to increase modestly, by 1.5 percent, in 2010, and by 9 percent in 2011, according to the Business and Institutional Furniture Manufacturer's Association.

The recession hammered manufacturing employment. North Carolina had more than 90,000 people working in furniture and related products in 1990; now there are fewer than 32,000. That's because today 72 percent of the wood furniture sold in the United States is made elsewhere, mostly in Asia. Taiwan started manufacturing furniture in the 1980s, and the industry developed in China in the 1990s. Today Vietnam is the growing center of production, according to Richmond, Va.-based furniture analyst Jerry Epperson, of Mann Armistead & Epperson, an investment banking firm.

The growth of container shipping facilitated the trend, but as higher gasoline prices and other factors drive up shipping costs, supply chains may change. In fact, some Chinese firms have located plants in the United States. The upholstered-furniture firm Craftmaster of Taylorsville, N.C., is part of China-based Samson Holding.

Domestic manufacturers still retain an edge in bulky, hard-to-transport goods. The United States dominates mattress making, for instance. The product is sold first, then delivered, to avoid retail storage problems. Custom, high-end upholstered furniture is also a domestic strength, according to Andy Counts of the American Home Furnishings Alliance. "If you're someone like Bernhardt [Furniture Co.] using a high-end, detailed fabric where the pattern has to match, it takes a lot of skill to make that happen."

Every sofa that costs more than \$1,000 is sold before it's made, Epperson says. "Yes, they can make it overseas," he says. "Are they going to be able to make it in long production runs? No." For instance, Chinese firms make leather sofas, but mostly in standard black or brown. For now, 37 percent of upholstered furniture comes from abroad. Upholstered production is strong in North Carolina and Mississippi.

As the industry continues to re-vamp, more manufacturing jobs disappear. Stanley Furniture is letting 530 people go at its Virginia plant as the firm relocates production of its adult furniture product line offshore. The firm will keep its Robbinsville, N.C.,

factory, from which 350 people were cut in 2008. Stanley reported its second quarter 2010 sales fell by 10.5 percent over the same quarter in 2009. But that was 3.8 percent better than first quarter 2010. Second quarter's \$11.5 million net loss reflected accelerated charges related to the firm's restructuring.

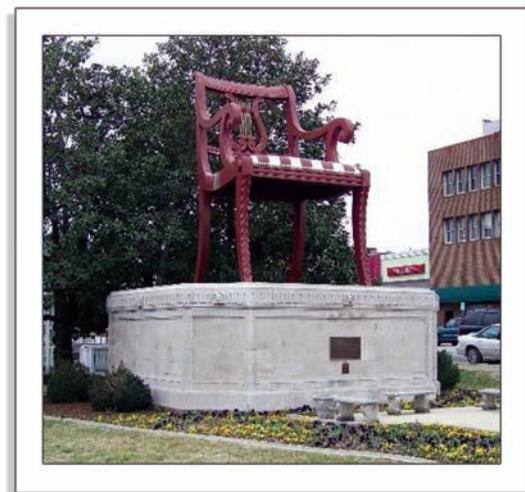
"Business conditions in the second quarter remained sluggish with a downturn in sales for June showing that today's consumer continues to take a cautious approach toward the purchase of wood furniture in our price segment," according to Glenn Prillaman, president and chief executive officer.

But amid the layoffs, some firms plan modest expansions. A furniture assembly plant owned by United Furniture, with 150 workers, will open in High Point, N.C., in a distribution center vacated by Stanley. A Canadian office furniture manufacturer also plans a High Point facility that will employ about 75.

Another hopeful sign: More buyers showed up at the semi-annual International Home Furnishings Market in High Point last spring. The market is the most prominent furniture exposition worldwide, with 12 million square feet of space; the event promotes many permanent retail showrooms in the area. Buyer attendance at the fall market remained flat from 2009 to 2010, but there was growth in the number of new buyers attending, says Brian Casey, president and chief executive officer.

The recovery is slow. Bassett Furniture reported a 1.5 percent sales increase, including a 17 percent sales increase in its upholstery division, at the end of its traditionally slow third quarter, which ended Aug. 28, 2010. The firm still lost \$2.4 million for the quarter, but that was an improvement over the previous year's loss of \$3.4 million in the same quarter.

While the furniture industry has shrunk, the collection of businesses that cater to furniture in the High Point area remains strong, Casey says. The region is nevertheless a significant cluster, and positions North Carolina to build on existing businesses in design, marketing, logistics, distribution centers, and component manufacturers. **RF**



This steel-skeleton "Big Chair" went up in 1951 to commemorate the city's reputation as The Chair Town or Chair City. It is a reproduction Duncan Phyfe armchair and overlooks the town square.