

FRANKLIN  
**FURNITURE**  
INSTITUTE HIGHLIGHTS

MISSISSIPPI STATE UNIVERSITY



## Enhancing Furniture's Environmental Culture

Green is in—even during difficult economic times. That is the conclusion of a recent survey by Boston Consulting Group of 9,000 consumers world-wide. According to this study, more consumers purchased green products in 2008 than in 2007, despite the economic downturn in business activity. Furthermore, most consumers are willing to pay more for green products if they are considered to be of high quality. The report concludes, "The green movement is about reducing waste and minimizing our impact on the environment. Companies that translate these goals into a holistic approach to offering differentiated green products, bringing down costs across the entire value chain, have been rewarded with higher margins and market share." Almost 75% of consumers surveyed said that it is important for companies to have a good environmental record and 50% of respondents said that they would be willing to pay 5% or more for green products.

### Why Green? \_\_\_\_\_

The trend is affecting the furniture industry too. Bill Perdue, vice president of environmental affairs, safety/health and standards at the American Home Furnishings Alliance says "Consumers' attitude toward 'green' products has moved from 'tell me' to 'show me' to now, 'prove it to me'. It is no longer satisfactory to just market a product as 'green'. It must be demonstrated." Other evidence of the industry's embracing of a green culture is evidenced by Furniture

Today's launching of an online Green supplement and newsletters focusing on green initiatives, the growth of the Sustainable Furnishings Council to over 300 members in three years, and the success of the AHFA's Sustainable by Design Program. This program provides member companies with the education and resources needed to develop sustainable business practices. The first step to completing the Sustainable by Design Program is a management system called Enhancing Furniture's Environmental Culture (EFEC).

### What Is EFEC? \_\_\_\_\_

Enhancing Furniture's Environmental Culture is a voluntary management system with the purpose of developing and maintaining a strong, proactive environmental program. It is designed to help furniture manufacturers move beyond regulatory compliance to environmental stewardship. Membership in the American Home Furnishings Alliance is required. Registration for EFEC is earned at each individual manufacturing facility and requires each facility to analyze and better understand the environmental impact of its operations, raw materials and finished products. Implementation of EFEC leads to better management of resources and raw materials, reduced energy and water consumption, reduced waste disposal and associated costs, and improvements in overall operational performance and efficiency. EFEC is designed to take the furniture industry

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The Franklin Furniture Institute is an institute of the Forest and Wildlife Research Center, Mississippi State University. The Institute is a collaborative effort involving the College of Forest Resources; College of Business; Bagley College of Engineering; and the College of Architecture, Art and Design. George M. Hopper is Director of the Forest and Wildlife Research Center.

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# director's corner

## Furniture Highlights

Bill Martin, Director



Well, it is now January 2010 and it appears we have survived another very trying year for our industry, our state, and our country. According to industry media releases, the fourth quarter of 2009 was a bit stronger than previous quarters and according to Reuter/University of Michigan ([www.market-harmonics.com/free-charts/sentiment/consumer\\_sentiment.htm](http://www.market-harmonics.com/free-charts/sentiment/consumer_sentiment.htm)), consumer sentiment was at 73.4 on December 9, 2009, up 6 points from the previous month. Here in Mississippi, the industry is reporting good capacity utilization and recently there were two new manufacturers announcing market entrance. Several companies have reported working overtime and hiring new employees to meet demand. If this upward spike can be sustained, we should see a healthier 2010. That's the good news!

This positive situation could change, however, based on federal and state economic policy decisions and government regulation and/or edicts. As we all know, the health of our industry depends on consumer's discretionary spending. If there is uncertainty in decision making at the federal or state level on issues affecting individuals or the economy, the consumer will hold on to what extra resources they may have. As of October 2009, consumer savings has declined from a high of 6.4% in May to 4.4%. This antidotal drop correlates with increased consumer confidence. Job creation depends on consumer confidence to drive sales and business decision makers to have confidence in public policy decisions that sustain economic growth. Without either one of these, we could be in for a rough 2010. Fasten your seat belts!

The Institute staff want to help the industry value chain navigate the waves of 2010. By utilizing available resources, we can assist in calming the waters for individual companies. One of the programs that will help reduce cost, reduce your environment footprint, and enhance your position as a good industry citizen is the Enhancing Furniture Environmental Culture (EFEC) management system offered through our partnership with American Home Furnishings Alliance (AHFA). This issue features a description of the EFEC system which is one part of the Sustainable by Design program. This program has great benefits for companies, the environment and society. We would encourage you to contact us or AHFA to learn more. Also this issue features David Jones, forest products Extension specialist. David is dedicated to supporting the wood products and furniture industry. If you need assistance with wood identification, wood properties, moisture control, or other problems associated with wood components, we highly recommend you give David a call.

We hope each of you had a Happy Holiday, a Merry Christmas, and we wish you a prosperous 2010! We look forward to working with you in the coming year.

Remember, Working Together, WE Can Make it Happen!

# Enhancing Furniture's Environmental Culture

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to the next level in environmental performance, manufacturing efficiency, customer satisfaction and public image. It allows companies to utilize their current resources and existing programs to realize the full benefits of improving their environmental stewardship. According to the EFEC mission statement, the "AHFA members are committed to leading member companies in ways that benefit society, the economy and the environment while maintaining a strong commitment to consumers, the community, employees and shareholders."

## How It Works

EFEC is implemented through the use of a company's internal staff. There are no negative impacts on production and no fees to AHFA for program materials and instruction. The only costs associated with the program are the time costs for team members. These costs are estimated to be about \$15,000 for a typical implementation or about 582 hours. Typical program implementation times vary from about 8 to 18 months. One key to the success of the program is that top management must be committed to the process and program. A diverse and talented team with a charismatic team champion also increases the odds of success of EFEC. Company size is not an issue—EFEC provides measurable benefits to companies of all sizes. For example, a large upholstered furniture manufacturer reduced electrical use by 9%, natural gas use by 25%, water usage by 23%, landfill use by 14.7%, and generated 1.9 million dollars in revenue thru recycling 50 million pounds of waste material. A medium sized company reduced natural gas consumption by 50% and realized \$250,000 savings in reduced use of energy and water. A very small, family owned company reduced energy consumption by 8%, water use by

5%, landfill use by 20% and realized a savings of \$350,000, which allowed them to retain all of their employees during the recent recession. This savings is substantial for a company with sales of \$10 million a year.

An AHFA certified auditor audits the facility and submits the registration application to the EFEC board of examiners after all requirements are completed. Pending board approval, EFEC registration is valid for three years.

As mentioned previously, EFEC is merely the first step in becoming a certified Sustainable by Design manufacturer. The next three phases include sustainable supply chain management, calculation of a corporate environmental footprint, and assessment of social performance. Sustainable by Design provides a road map for home furnishings companies to create a corporate culture of conservation and environmental stewardship by integrating sustainable business practices into the manufacturing operations and sourcing strategies. It is a corporate program that provides a broad umbrella leading to a sustainable culture throughout the entire corporation and supply chain.

**Companies interested in becoming EFEC certified must complete specific requirements as detailed in the guidance document. The requirements include:**

1. Develop a written environmental policy signed by a responsible company official
2. Conduct an evaluation of the environmental aspects of your facility
3. Develop written environmental goals
4. Conduct EFEC awareness training for your workers
5. Ensure all emergency and contingency plans are current and in place
6. Develop a communications plan/approach for internal and external audiences
7. Inform suppliers of the program
8. Inform regulators of the program
9. Allow AHFA to share your experiences
10. Measure and monitor the program
11. Develop a corrective action plan for any program deficiencies.

For more information on the Sustainable by Design program contact Bill Perdue, at 336.884.5000, ext. 117, bperdue@ahfa.us.

## Specific Benefits of EFEC

- \* Improved environmental performance
- \* Enhanced company image as environmental leader
- \* Increased environmental awareness among company executives
- \* Reduced liability
- \* Improved regulatory compliance and relationships
- \* Improved operational performance and efficiency
- \* Ability to better track environmental costs
- \* Financial savings from managing resources and raw materials
- \* Lower insurance and borrowing costs
- \* Increased shareholder value
- \* Better image in community
- \* Green branding opportunities
- \* Fewer accidents
- \* Heightened customer satisfaction
- \* Fewer delays in responding to environmental emergencies

## Sources

<http://www.bcg.com>  
<http://sustainablebydesign.us/>  
<http://www.ahfa.us/resources/efec/section1/section1.htm>

## Townhouse Home Furnishings: Another Furniture Success Story

It's a familiar story in North Mississippi. Young entrepreneur with a background in furniture starts a company in a small metal building and enjoys exponential growth, expands into larger facilities several times, and becomes a major employer within their community. This is the story of Townhouse Home Furnishings in Smithville.

Company president, Jeremy Lafayette grew up in furniture plants, like so many others in the furniture industry. Jeremy learned the furniture business from the ground up from his father, Eddie. He owes his success to his father, who he worked for after school and summer. After graduating from MSU, his father gave him his first job as plant manager of his motion company. After eight years with various positions in the company, he was approached about starting a new stationary furniture company. Townhouse began in a 12,000 square foot building in Amory. Jeremy says without his father's relentlessness in teaching him the business, there was no way he would have been the president of a company at such a young age.

Townhouse Home Furnishings began with five employees in 2002 and has grown to employ 120 full time people with another 45 part time workers in peak season. In a town with a population of 868 people, Townhouse is very important to the economy of the local community. In just seven years, the original plant has expanded several times and now includes 3 buildings in Smithville and an additional warehouse facility in Amory. Total manufacturing and warehouse space totals about 250,000 square feet. Sales have increased every year for this aggressive company in spite of the difficult U.S. economy. In fact, sales for 2009 were up 13% and orders continue to climb.

Townhouse manufactures promotional upholstered furniture including sofas, loveseats, chairs, ottomans, and sectionals. The company sells through independent representatives. Townhouse has a presence at the Las Vegas market and showrooms in High Point and Tupelo as well. Townhouse currently services many of the top 100 retail stores, as well as many Mom & Pop stores across the nation.

This small company is not afraid to compete head on with much larger companies. Lafayette says "Three of our largest competitors are probably 5-10 times bigger than we are." He continues, "Sometimes large retailers are hesitant about giving a small company a chance but once they've

given us a shot, they've all come back again." Townhouse delivers for retailers on quality of product, reliability, dependability, and quick delivery, and they are proving that they can handle the volume for large retailers.

Townhouse is different from many companies today who are moving toward just-in-time manufacturing and no warehousing of product. This company aims toward just-in-time delivery of product but their goal is to build for their warehouse stocking program to be able to ship truckload quantities within two days of the order. Delivery goal is 7 days from order to store. Although this strategy does require warehouse space, Lafayette believes the ability to deliver truckloads faster more than compensates for the inventory carrying costs.

When asked about his management philosophy, Lafayette replied, "lean and mean". This means little middle management and everyone doing multiple tasks. CFO Tony Watson manages the finance and human resources duties. According to Watson, "Our employees pretty much manage themselves, they've been here long enough and they know their job well enough that they don't need a lot of supervision. We have about 3-4 supervisors throughout the entire plant and they are really more like leaders than supervisors." Jeremy works on the plant floor with their employees and will do whatever needs to be done to get quality products out the door quickly. Jeremy's mother, Beth, and sister, Lindsey, also work at the company, but Jeremy stresses that everyone in the plant feels like family to him. Turnover is not a problem at Townhouse because loyalty is very strong there. Many of the Townhouse employees followed the Lafayettes from other companies, helped launch the company, and have worked with them for more than fifteen years.

Another difference between Townhouse and many other furniture manufacturers is in their cut-and-sew operation. Townhouse employs about 40 cut-and-sew employees and does not import any kits at all. Every facet of production is kept in-house. Lafayette says that he looked into the option of purchasing from China and other countries but feels that the small amount of savings that might accrue from outsourcing is not worth the loss of control over quality and timing. "I'd rather provide jobs for people here in this community if I can, rather than risk the uncertainty and having to deal with the headaches of outsourcing."

Maintaining their own cut-and-sew operation helps Townhouse meet their quick ship goals and maintain quality.

So, a familiar story in many ways, yet different in other ways, Townhouse is a small company growing at a fast pace. This company's furniture is similar to much of the promotional furniture that is made in northeast Mississippi, the upholstered furniture capital of the world. They provide good furniture for a good value. And although furniture production is still a labor intensive process, it has become much more efficient through the use of technology, manufacturing systems and techniques, and high speed communications. Townhouse hopes to continue to improve production efficiencies while providing great quality products at a reasonable price, personal service, and lightning speed delivery. The company plans to embrace new technologies to continually improve their processes and products. A new web site is being developed to reach new customers, expand their brand, and make it easier for sales representatives to service accounts. The company is planning for yet another expansion and reorganization that will allow for up to 12 upholstery lines. They are currently re-locating parking facilities for employees to allow for easier shipping and raw material deliveries. This forward-looking approach, along with the determination and dedication of the owners, management and staff, should help this aggressive young company continue to grow at double digit rates well into the future.



## Making The Most of U.S. Free Trade Agreements

While there is much controversy on whether “free trade” limits the United States’ ability to be independent and compete in the global community, free trade agreements have been a major aspect of recent U.S. trade policy. These agreements reduce or eliminate duties for goods that cross the borders of participating countries. Export growth was one of the few highlights in the U.S. economic performance during 2008 and, according to the International Trade Administration, year-to-date as of August 2009, U.S. manufactured goods exports have accounted for 81.8% of all U.S. exports of goods. The various free trade agreements (FTAs) and free trade zones (FTZs) available offer the potential of reaching previously untapped markets for U.S. manufacturers of goods.

The United States is one of the most open economies in the world. Manufacturing exports have increased more than 128% in the last decade. Free Trade Agreements lead to the expansion of import and export markets and an elimination of barriers. FTAs also provide a boundless stream of goods and contribute to the improvement of a competitive environment. In addition, FTAs present opportunities for small and medium businesses to improve their market access. The U.S. currently has FTAs in 17 countries, with three additional agreements pending. For furniture manufacturers to capitalize on the low- or no-tariff provision of FTAs, the entire supply chain must be evaluated—starting with where raw materials and components are being purchased to where the final products are being sold.

The U.S. is able to take advantage of a large percentage of goods that become duty-free almost immediately through FTAs. For example, in a report from the U.S. Government Accountability Office published in July 2009, in the Morocco FTA, duties on more than 95% of consumer and industrial products were eliminated when it went into effect. In Chile, the FTA allowed for immediate duty-free market access for about 85% of all U.S. consumer and industrial goods. Increases in total U.S. exports ranged from 72% for Singapore to 365% for Chile upon implementation of FTAs with those countries. The U.S.-Australia FTA has helped the two countries to expand trade and increase investments. While Australia exports aluminum, copper, and dairy products, they import much of their clothing, electronics and furniture. Since this FTA went into effect in

2005, trade between the U.S. and Australia has increased by 51%, reaching \$32.8 billion in 2008. The pending U.S. Free Trade Agreements with Panama, South Korea, and Columbia are also expected to improve the flow of goods and should further benefit the U.S. furniture industry.

Consumers and manufacturers are the biggest winners in FTAs. While the domestic housing market continues to be depressed, real estate investments in other countries are booming. This has created a need for furniture in large-scale, residential and commercial developments. Jordan is one example where new developments have resulted in a significant demand for all types of furnishings and the Jordanian market is very positive toward U.S. imports. The current U.S.-Jordan FTA eliminates most duties and barriers to bilateral trade in all goods. Since the United States, Mexico, and Canada launched the North American Free Trade Agreement (NAFTA) 15 years ago, trade has increased, investment has grown, and the economies of the three countries have become more competitive. The Office of the U.S. Trade Representative reported that from 1993 to 2008, trade among the NAFTA countries more than tripled, from \$297 billion to \$946.1 billion. It’s easy to see why Canada is the U.S.’s leading trade partner—it’s convenient for purposes of shipping and for meeting buyers, the population speaks English, and buyers have a preference for many of the products manufactured in the U.S., including furniture.

Perhaps not as important as it once was as other nations develop products, but “Made in America” still means innovation, high quality, safety and reliability in many countries today. Business processes can be improved by bringing providers, shippers, consumers and goods closer together and strengthening the U.S. furniture industry’s global commerce. A well-run supply chain can be a competitive advantage that improves the exporting success and free trade agreements can provide both direct and indirect benefits. Some of these benefits include tariff cuts, favorable trade and investment trends, and an improved framework for market access. Furniture manufacturers and suppliers should be encouraged to try exporting. Free trade offers opportunities to utilize creative and efficient ways to further open markets.

# services

## Don't Forget..... FFI Can Help With:

- \* Web site Development
- \* Logo Development/Branding
- \* Supervisory Training
- \* Export Assistance
- \* International Intern placement
- \* Value Stream Mapping
- \* Lean Manufacturing
- \* Enhancing Furniture's Environmental Culture Certification
- \* Furniture Testing
- \* Fabric Testing
- \* MBA Team Projects
- \* Lacey Act Requirements



Photos from Townhouse Home Furnishings



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Discrimination based upon sexual orientation or group affiliation is a violation of MSU policy and will not be tolerated.

## David Jones

## staff profile

The furniture industry now has someone to call on with questions about wood properties, wood quality, and wood identification. David Jones has joined the Mississippi State University Extension Service as a forest products specialist. Jones serves the four primary wood product sectors in the state which include pulp and paper, wood furniture manufacturing, composite wood products, and solid wood products.

A native of Hampton, Georgia, Jones received his bachelor's degree in forest resources from Clemson University, a master's degree in forestry from Stephen F. Austin State University and a doctoral degree in forestry from the University of Georgia. Prior to joining the Extension service, Jones conducted research at Virginia Polytechnic Institute as a post-doctoral associate. He has taught Wood Anatomy and Lumber Manufacturing.

Jones is a wood quality expert with research interests in wood quality and rapid assessment techniques of wood properties, wood identification, and solving emerging problems in the forest products industry. In his current position, Jones works with the forest products industry to increase production and reduce costs. By working with industry, landowners, schools, and organizations, his goal is to help educate people about wood and its many uses

and the importance of the forest products industry in Mississippi. Short courses, pamphlets, brochures, publications, and web sites tailored to the needs of individuals and the industry, as well as on-site consultations are used to provide this educational service.

Jones coordinates the Wood Magic Science Fair<sup>TM</sup>, a program aimed at the elementary school level to educate students about the tremendous importance of wood and wood products. During one-week in October, the Forest Products Department hosts more than 160 fourth grade classes (about 4000 students) for a 12-event program focusing on wood. Students make paper, plywood, and particleboard, learn about home construction, wood preservation, furniture testing, and get to blow bubbles through oak.

Jones enjoys riding mountain bikes, fishing, and spending time with his family.

For help with any wood related issue, contact David Jones at 662-325-8454 or email, [pdjones@cfr.msstate.edu](mailto:pdjones@cfr.msstate.edu).

