

FRANKLIN
FURNITURE

INSTITUTE HIGHLIGHTS

MISSISSIPPI STATE UNIVERSITY



FURNITURE impacts MISSISSIPPI

A new study by scientists in the Forest and Wildlife Research Center has revealed that the Mississippi furniture industry is still a major component of the state's economy. Based on 2006 data, furniture and related industries directly account for nearly 30,000 jobs, more than \$1 billion in wages and salaries, over \$3.5 billion in production value, and nearly \$1.5 billion in value-added.

However, the economic importance of the Mississippi furniture industry is far greater, as many other sectors of the state's economy benefit from the activities of the furniture industry, resulting in an even greater economic impact.

The importance of the Mississippi furniture industry can be appreciated by examining the economic impacts resulting from direct, indirect and induced impacts. The furniture industry impacts the economy directly by its own employment, payment of wages and salaries, production value, and value-added. The industry's production activity creates an indirect impact on the state's economy as a result of the industry's purchasing of goods and services necessary for furniture production from other sectors. There is also an induced impact resulting from furniture industry employees and suppliers spending their wages and salaries on goods and services.

Forestry professor and economist Ian Munn and assistant professor James Henderson measured the economic impact of the Mississippi furniture industry by utilizing an input-output analysis to trace commodity flows through the economy from producers to consumers. This form of economic analysis involves a model that represents inter-industry relations in the economy to trace how the output of one industry is affected by other industries where it serves as an input of production. Thus, a number of industries can be dependent on one industry as a supplier of inputs and a purchaser of outputs. Through this form of model analysis, linkages between inter-related industries and the importance of an industry on a regional economy can be quantified.

Economic impacts of the Mississippi furniture industry were estimated using the Impact Analysis for Planning model originally developed by the U.S. Department of Agriculture Forest Service and now maintained by the Minnesota IMPLAN Group Inc. The IMPLAN model database for 2006 was constructed using information from sources such as the U.S. Census Bureau, Department of Commerce and Bureau of Economic Analysis.

Scientists found that when the full scope of the furniture industry and its interrelationships with other sectors of the economy were considered, furniture and related industries provided the Mississippi economy with 47,546 jobs, nearly \$1.7 billion in employee compensation, \$5.7 billion in total output, and more than \$2.5 billion in value-added. When considered as a percentage of the state economy, the economic impact of the Mississippi furniture industry accounts for 3.18 percent of employment, 3.54 percent of employee compensation, 3.28 percent of total output, and 3.33 percent of value-added.

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director's corner

Exceeding Expectations

Bill Martin, Director



In the last few months, I have spent a great deal of time contacting furniture manufacturers to gain a better understanding of the industry's needs. My goal is for the Franklin Furniture Institute to have a more effective impact. It has been like drinking through a fire hose! I have learned that, while some people think the domestic furniture industry is a dying breed, the industry is, in fact, alive and doing well even in a less than robust economy. This can be somewhat validated from the positive reports following the High Point Market and my personal observations.

As a first-time market attendee, I was not sure what to expect. Rumors abounded about potential low attendance, competition between market venues geographically segmenting manufacturers and distributors, imports continuing to decimate the industry and so on—all negative connotations. Let me say that my experience exceeded my expectations. What I experienced was a vibrant, confident and busy market where an "Industry" nametag had trouble making appointments to discuss FFI initiatives. Thank you to those who took their valuable time to meet with us. I saw excitement in the eyes of sales personnel, determination in the eyes of executives, and readiness for change in the eyes of buyers. While reports indicate that attendance was lower than previous markets, order placement increased. It was an exciting time for a first-time attendee! Participating in this market validated to me why I took this job and renewed my commitment to our mission of sustaining and increasing the competitiveness of the furniture and related industries in Mississippi and beyond. Working together, we can make it happen!

In our first letter we talked about the institute's vision, mission and values. During this first 90 days, we have assembled your input on issues and/or problems that need to be addressed. There have been many, and a couple of common themes are beginning to emerge; however, I do believe we must collect more diverse input to create long-term objectives. To that end, we will continue communicating with you, our customers, on long-range initiatives for the institute. Meanwhile, we will continue working on individual company needs and requests. So, let us hear from you about your company's concerns and needs, and share with us your long-term ideas for sustaining the industry and your business.

E-VERIFY WEBINAR AVAILABLE

Understand the Mississippi Job Protection Act signed in March by Gov. Haley Barbour by viewing the E-Verify webinar on the institute's Web site (www.ffi.msstate.edu). Tim Lindsey of the Ogletree/Deakins law firm discusses the responsibilities and liabilities associated with this new law.

On the cover: Slink is a retro chair from American Leather that begs to "scoop" you up in hammock-style comfort. Button tufting in a diamond-stitching pattern adds to the luxurious appeal of this lounge chair in "Wine-n-Roses" Ultrasuede.

Start Out Small and Reap the Rewards of Diversified Sales

Matt Pickle, Vice President of SunTrust Global Chain Solutions

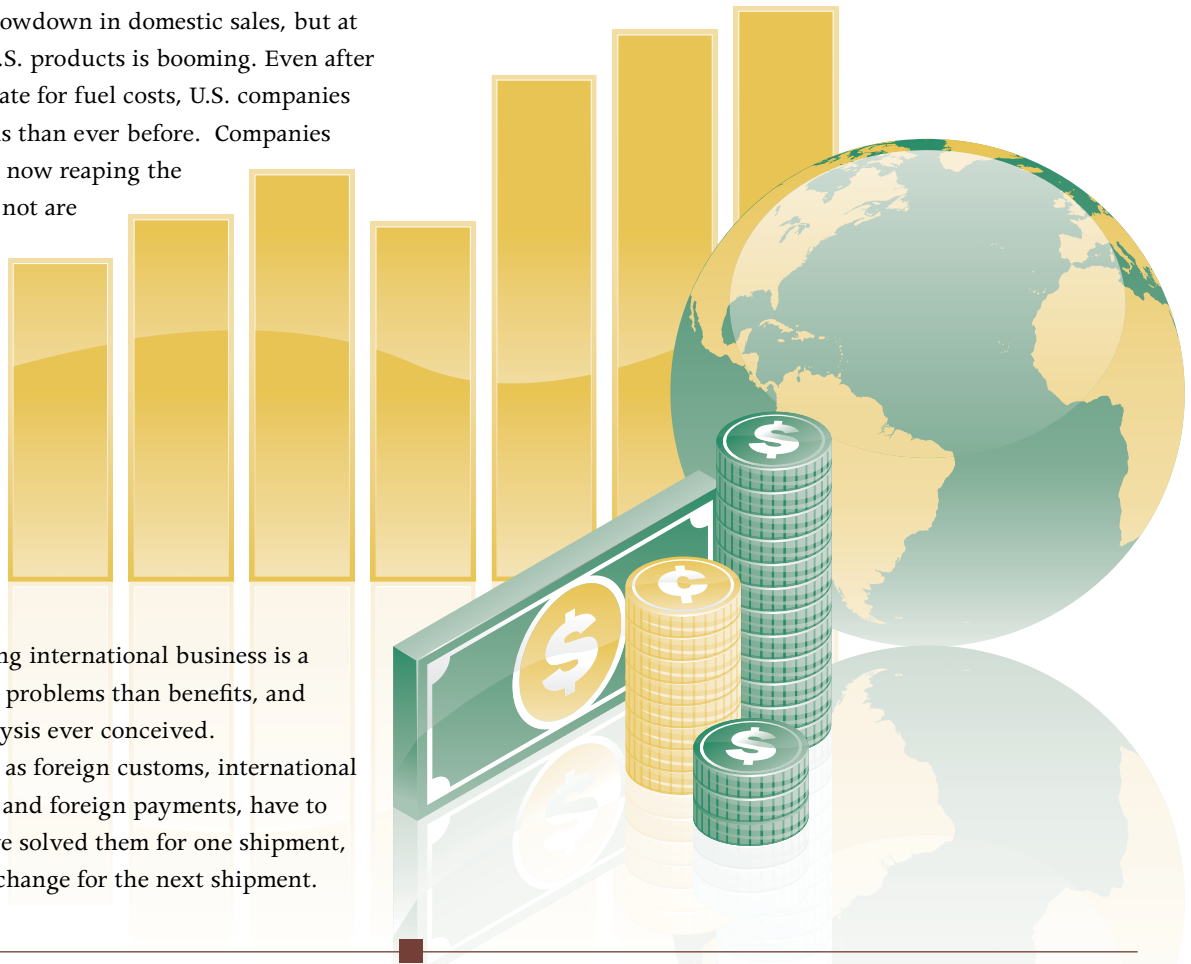
“The Global Supply Chain” and “The World is Flat” are terms we hear over and over again.

It’s interesting to look in the rearview mirror of yesterday and see what’s changed and how we got here, but knowing what you call it or what shape it is doesn’t help you make your sales numbers today. Today, you can’t turn on the TV without hearing about how the economy is weakening and recession is coming. In a market where one sees the value of the dollar declining, fuel costs increasing and sales slowing, we often forget that there is a silver lining in every cloud. Yes, most manufacturers are seeing a slowdown in domestic sales, but at the same time, demand for U.S. products is booming. Even after adjusting prices, to compensate for fuel costs, U.S. companies continue to sell more overseas than ever before. Companies that have been exporting are now reaping the rewards and those who have not are now looking to get in the game. Yet, U.S. companies hesitate when it comes to sales opportunities overseas. The fear of payment problems, limited export knowledge, combined with a lack of resources, and the difficulty of identifying overseas opportunities creates a perception that doing international business is a process that will create more problems than benefits, and flunk every cost-benefit analysis ever conceived.

Complicated issues such as foreign customs, international logistics, foreign collections, and foreign payments, have to be dealt with and once you’ve solved them for one shipment, chances are everything will change for the next shipment.

The challenge of international business is overwhelming and for some, it’s easier to avoid the opportunity and continue to focus on what we know, what got us here, good ole sales in the USA.

Others see the challenge and look to overcome the obstacles. They look for ways to lessen risk. They ask everyone they know in the “Global Supply Chain” lots of questions and they start out small. Understanding the process, persistence in the strategy and getting the rewards to outweigh the risks is essential to any transaction. One transaction, one sale, one dollar gets you one step closer to your goals.



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JTB Furniture: Past, Present and Future

Amy Garrard, Outreach Coordinator

JTB Furniture Manufacturing is one of the largest remaining domestic manufacturers of case goods in the U.S. Founded in 1932 by Russell B. Johnston in the basement of his furniture retail store in downtown Columbus, Johnston-Tombigbee Manufacturing Co. originally produced wooden bedroom chests and armoires. The product line was later expanded and complete bedroom suites were added to the residential product mix.

Johnston began his career in the sawmill and timber business. He later expanded his interests to include two manufacturing plants supplying more than 40 retail outlets. The furniture manufacturing company, which came to be known as JTB, was endowed to his four grandsons at the time of his death in 1958. Under the helm of Charles E. Berry, the company experienced steady and consistent growth, which required expansions and additions in sales and manufacturing.

Current owner and son of Charles Berry, J. Reau Berry grew up in the plant, as did the other grandsons. Berry's first job at the plant was mowing grass and picking up bottle caps. He advanced to managing the lumber yard and at age 19 was given responsibility for more than 300 sales accounts in the Southeast covering seven states. Charles Berry believed that it was important for the younger family members to learn about every facet of the business from the ground up and this tradition has continued with Reau's son Brooks, who is now actively involved with the management of the company. Reau's wife Kelli is also an integral part of the JTB team. Charles Berry still serves the

company in an advisory capacity.

JTB added commercial furniture to its product offerings in 1981. By 1996, the business was approximately 15 percent contract. When the domestic residential industry began to decline, the company began to focus on the hotel division and its business is now 100 percent contract furnishings. The company supplies case goods to leading national chains including Hampton Inn, Holiday Inn Express, La Quinta, and Hilton properties. In fact, JTB is providing quality all-wood case goods products to major national chains in the U.S., Canada and Mexico.

The Columbus plant is housed in a 300,000-square-foot complex and employs 320 people. During the past two years, JTB has invested more than \$3 million in capital improvements, including state-of-the-art cutting and processing equipment. The new equipment, coupled with the implementation of lean manufacturing systems, has allowed the company to produce quality furniture in the most efficient manner possible.

Lean implementation was led by Steve Hunter, associate professor in Mississippi State University's Department of Forest Products. Since the implementation of lean manufacturing, the company can offer what Berry calls the "Baskin-Robbins" theory of satisfying customers, which is, "offering products in whatever flavor they prefer." Berry estimates that the move to lean manufacturing systems saves the company several hundred thousand dollars annually.

According to Berry, the employees at JTB are a critical part of the success of the company. The average employee tenure is 15-20 years and there is very little turnover. The company has been a union shop since 1973. Both sides are sensitive to the company's well-being and make adjustments, as needed, to changing conditions. Berry views his plant as a community and has open communication lines with his employees. The knowledge and expertise of his employees is highly valued by Berry.

The unique skill set and talents of so many in the furniture industry have been dispersed and often lost by consolidations and changes in the industry and the shift toward manufacturing in low-wage countries. JTB decided to concentrate on keeping their knowledge base and skill set intact and to concentrate on domestic production and sourcing.



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“Employees have developed a mind-set to embrace change, to work together and to trust management and each other to move the company forward,” Berry said.

The company is about to launch a 20,000-square-foot expansion to increase capacity and service to its customers. It is also considering implementing RFID technologies to better track inventory and increase warehouse efficiencies. However, expansion at JTB will be controlled.

“Manufacturers can become so large that flexibility and ability to service customers is compromised and JTB wants to avoid this,” Berry said. “Our goals are to take care of customers and employees while making a decent profit from the business.”

He feels that it is an obligation of companies to give back to their communities and he takes this goal very seriously. Berry attributes his personal success, and that of his company, to 1) his faith; 2) his customers—who he says “are always the boss”; and 3) his employees—“If you take care of your employees, they will take care of you.”

This philosophy has worked for JTB for more than 75 years through four generations and has positioned the company to continue to prosper and grow well into the future.

feature

International Business Program Interns Ready to Assist

Amy Garrard, Outreach Coordinator



The U.S. Department of Commerce’s Mississippi Export Assistance Center, along with MSU’s Franklin Furniture Institute and the International Business Program in the College of Business, held a one-day training workshop for student interns. The 12 interns, all in the International Business Program, will work for 10 weeks with Mississippi companies interested in exploring trade opportunities and expanding international business. Many will be working for furniture manufacturers interested in increasing export business.

Carol Moore, director of the Export Assistance Center, provided an overview of the Department of Commerce and assistance available through this federal program. International

trade specialist Jessica Gordon provided an interactive workshop on conducting international marketing research. Glenn Ferreri, international trade specialist, instructed the students on building a dialog with foreign buyers. Amy Garrard, outreach coordinator for the Franklin Furniture Institute, provided the students with an introduction and history of the Mississippi furniture industry. Brian Watkins, director of the international business program, closed the program after a question-and-answer session with all speakers.

If you are interested in employing an international business intern, please contact Brian Watkins at 662.325.7005.

kudos

A furniture workforce training program recently was honored with the Multi-Community/Regional Award from Business Retention and Expansion International. The award recognizes the Workforce Training and Development project funded by the U.S. Department of Labor. Some 20 companies participated, sending more than 1,000 workers through the programs. Training topics included ergonomics, leadership development, health and safety, problem solving, and computer skills training. Congratulations to Mississippi State University team members Amy Garrard, Liam Leightley, Craig Boden, Barry Hunt, and Leah Poole; Tupelo-based Community Development Foundation’s Todd Beadles; and Denise Gillespie and Tze Waters, Itawamba Community College.

staff profile

John Moore

John Moore is a project manager with Mississippi State University's Industrial Outreach Service. He works with manufacturers to improve profitability and competitiveness and to increase and/or retain manufacturing jobs.

After 27 years in the automotive industry, first with GM and later with Delphi, Moore has expansive lean manufacturing systems expertise. He has provided assessments, training and assistance in implementation of Lean and Six Sigma systems to Mississippi manufacturers, including Nissan, Viking Range, Hood Packaging, Ecowater, and Sheldon Lab Systems.

Moore has participated in numerous training classes, workshops and consulting sessions with recognized lean experts. His professional skills include self-managed team development, lean manufacturing and six sigma black belt. He received his bachelor's degree in industrial engineering from Mississippi State and his master's degree in manufacturing management from Kettering University (formerly GMI).

Moore has implemented lean systems throughout the furniture industry. This past year he worked with a large manufacturer of motion furniture. The company started with lean leadership training for top management, followed by four months of training for operations managers. The managers were trained in a comprehensive training program leading to lean certification. In the second half of the year, the managers learned to apply what they had learned through plant floor implementation.

When asked about how lean manufacturing systems can help Mississippi furniture companies compete in today's intensely competitive environment, Moore replied, "All manufacturers worldwide are under tremendous competitive pressures. A company's survival depends on their ability to provide the customer with exactly what they want, when they

want it, at a price that is lower than their competitor's price. Lean manufacturing philosophy helps manufacturers focus on these three critically important things and eliminate everything else."

Lean principles, tools and concepts can be applied to any product or service industry. Lean was formed in the auto industry but the philosophies are easy to see in a wide variety of companies. McDonald's hamburgers, Dell computers and the United States Air Force have all implemented lean. The thing to remember about lean is that it is not a box of tools that can be learned and applied independently. It requires the successful implementation of three elements: first, leadership understanding and commitment, second, a knowledgeable operations management implementation team, and third, a solid steady plant floor program of continuous improvement events.

Challenges associated with implementing lean manufacturing have to do with the natural resistance to change that many people have. In all companies, people become comfortable with the way that they have done their job for years. Everyone should look at business the way that an athlete looks at his or her performance. It takes a lot of work to be the best, and more to stay on top.

If you would like to schedule an appointment with Moore to discuss lean in your company, contact him directly at 662.325.0513 or jpm186@msstate.edu.



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