

labor costs. American furniture workers receive an average hourly wage of about \$12, while Chinese workers receive less than \$4. Employment in the industry peaked in 2006 and has declined steadily since.<sup>6</sup> Conversely, new jobs in the industry are beginning to be beginning to appear. Average annual revenue per worker in the industry is \$35,000 to \$45,000 per worker, while turnover for domestic manufacturers, are in high demand. Average annual revenue per worker in the industry is \$120,000, dropping to only \$10,000 in the household furniture segment.

The upholstered furniture product segment is largely unaffected by the competitive forces in the furniture industry. Almost half of all upholstered items are custom ordered. The extreme customization involved in foreign manufacturing can often satisfy consumers who want their furniture sooner rather than later. Competitors in this segment that can efficiently produce and quickly deliver high quality custom furniture at attractive (and profitable) price points will have a sustainable competitive advantage that will be difficult for overseas producers to overcome.<sup>8</sup>

To control costs and stay profitable, U.S. furniture manufacturers have adopted the lean manufacturing methods of Toyota Motor Corporation's production system. This system focuses on continuous improvement in production processes, elimination of waste, inventory reduction, and speed of delivery.<sup>9</sup> Another challenge for the household furniture industry is the urgent necessity for a radical restructuring of traditional supply and distribution channels to further lower costs as overseas producers continue to improve their product quality and distribution efficiencies. Developing strong brands to sell in branded retail stores will help shield some competitors from direct competitive imports; others will fall victim to the rising industry trend of ever fewer supply chain intermediaries between overseas manufacturers and domestic big-box and specialty retailers. An accompanying trend is the spreading use of the Internet by furniture consumers, furniture distributors, and manufacturers, and the use of e-procurement between manufacturers and suppliers.<sup>10</sup>

The household furniture industry is headed for difficult times as the U.S. residential housing market's boom appears to have run its course. Consumers, when faced with higher mortgage payments as interest rates rise, will likely delay household furniture purchases, and those who do purchase will have become much more price sensitive. Until better economic times return, home furniture retailers are expected to tighten inventories and to narrow product selections to focus on higher margin, higher quality goods. These actions and the threat of office furniture manufacturers diversifying into home office products will create increased competition in the industry's value/activity chain of vendors, suppliers, and manufacturers. A deteriorating economy and continued increases in better quality imports will put additional pressure on all industry competitors to reduce prices to maintain sales and market shares while simultaneously keeping up capacity utilization of manufacturing assets. As the economy improves, then consumers will once again begin to furnish their homes.

## THE QFM COMPANY AND THE UNION

QFM Company began in 1820 in Laconia, New Hampshire, as a family-owned and operated furniture manufacturer. It was headed by Herman Sweeny, one of the early settlers in Laconia. The company grew to 30 employees by 1920, but at that time, Ben Franklin Sweeny, Herman's son, decided to move the firm to

St. Louis, Missouri—a location more central to the firm's market. Barely surviving the 1930s depression, QFM was one of the first companies to convert its manufacturing processes to the production of war materials. The company prospered during the war, and afterward, Sweeny decided to expand, sell stock publicly, and focus on producing metal and plastic-laminated furniture. With the production experience it had gained during the war and with its location some distance from the predominantly wood-furniture manufacturers, QFM Company launched a new era for itself in 1946.

By 1970 the St. Louis plant of QFM Company had 1,300 employees and was producing 450 dinette sets, 200 sets of lawn tables and chairs, and 300 bar stools and miscellaneous furniture daily. During the 1971–1973 furniture boom with its expectations of continuous growth, QFM's new president, Gerald Brooks, decided that a new, modern plant and more diversity in the product line were necessary to meet the expected demand. Taking into consideration location, material supply, transportation, markets, labor costs, and other factors, Brooks decided to build the new plant in Dallas, Texas. This plant was to specialize in the new product lines, and the St. Louis plant was to concentrate only on dinette sets. In 1972, 200 employees were transferred from St. Louis, and another 200 were hired from the Dallas–Fort Worth area. The Dallas plant started with no union and 400 employees. In 1993 the founder's granddaughter, Bethany Sweeny, became plant manager, and the plant size grew to the current 894-employee non-union workforce.

The company pays its Dallas employees at least \$1 less per hour than it pays the St. Louis employees in comparable jobs which the company has always attributed to the lower cost of living in the Dallas–Ft. Worth area. The St. Louis plant continues to produce 450 dinette sets per day, mostly for chain retailers (e.g., Wal-Mart, Babcock Home Furnishing, Home Depot), and employs about 1,000 employees in the bargaining unit represented by the IWU. During the past year the St. Louis plant has begun producing high-end custom wood entertainment centers designed to cater to consumer demand fueled by high definition, flat panel televisions and home theater sound systems. Initial customer reaction to the new product line has been positive. Employment levels at the St. Louis plant have remained relatively stable over the past 30 years.

The company has invested in modernizing plant equipment and production methods at both the St. Louis and Dallas plants since the mid-1980s. The Dallas plant has started producing a new high-end product line—dinettes under the Eagle brand name aimed at capturing higher income consumer demand. Consumer response has been positive, and the Dallas plant's future looks very promising. With increasing import competition, the company is investigating the possibility of locating a production facility in China or Mexico, but no final decision has been reached yet on whether to initiate such an expansion. Throughout its history, QFM Company has prided itself on being a progressive employer.

The Industrial Workers United (IWU) first sought to represent QFM employees at the St. Louis, MO plant in 1975. The building of the Dallas plant, increasing employment at the Dallas plant rather than at the St. Louis plant, and employee complaints about lower than average area wage rates were all issues in the 1975 representation election campaign at the St. Louis plant. After a heated campaign by both management and the Union, NLRB investigations of unfair labor practices, and challenged ballots, the union lost the election by a vote of 497 to 481. Two years later, the union returned and won an NLRB-supervised representation election by a vote of 611 to 375. The election campaign was bitter, and the negotiations that followed were even more contentious. After a

six-week strike, the company and union reached agreement on their first labor contract. There have been nine subsequent contracts negotiated between the parties without the occurrence of a work stoppage. The current labor agreement covering the St. Louis plant is close to its expiration date, prompting the union to notify management requesting the company renegotiate the terms of the existing contract. Although company officials have expressed a desire to return to the era when management and labor trusted each other, worked cooperatively, and shared mutual goals and benefits, the union's leaders are taking a wait-and-see attitude, believing that actions speak louder than words.

The company's insurance carrier recently announced a 15 percent increase in the annual health insurance policy premium cost covering bargaining unit members to take effect on April 15, 2008. The current (about to expire) contract calls for health insurance policy premium costs to be split, with the employer paying 90 percent and the employee the remaining ten percent of the total premium cost. Currently, 75 percent of bargaining unit members are covered under a family health care plan at an annual premium cost per employee of \$2,970. Twenty-five percent of bargaining unit members have single employee coverage at a total annual premium cost of \$1,412 per employee. Union members believe the company could easily afford to absorb the announced 15 percent health insurance premium cost increase without having to pass any of the increase along to bargaining unit members.

The upcoming negotiations will determine the company's commitment to improving labor relations at the plant. The union believes it is entering negotiations in a strong bargaining position with 95 percent of the bargaining unit now enrolled as union members.

---

## References

1. Fast Facts 2007, [http://www.exportvirginia.org/FastFacts/FastFacts\\_2007/FI\\_Issues\\_Furniture\\_Lumber\\_07.pdf](http://www.exportvirginia.org/FastFacts/FastFacts_2007/FI_Issues_Furniture_Lumber_07.pdf)
2. Bryson, Lanzillotti, Myerberg, Miller, and Tian, "The Furniture Industry (Case Goods), The Future of the Industry, United States versus China," *Industry Economics*: March 7, 2003.
3. Vlosky, Richard, "Dynamics and Trends in US Furniture Markets," Louisiana State University Agricultural Center, School of Renewable Natural Resources, June 7, 2005.
4. Al Schuler and Steve Lawser, "The U.S. Furniture Industry: Yesterday and Today Will There Be a Tomorrow?" *Wood Digest*, June 2007.
5. Schmid, John and Romell, Rick, "Furniture, China, and the End of an Era," *The Morning Journal*, February 1, 2004.
6. *Industry Overview: Furniture Manufacturing*, [http://www.hoovers.com/furniture-manufacturing/-ID\\_49-free-ind-fc-profile-basic.xhtml](http://www.hoovers.com/furniture-manufacturing/-ID_49-free-ind-fc-profile-basic.xhtml), last accessed January 01, 2007.
7. *Current Trends in Furniture Production and Sales*, AKTRIN Furniture Information Center, January 2006.
8. [www.duke.edu/web/nms190/furniture/dimensions.html](http://www.duke.edu/web/nms190/furniture/dimensions.html).
9. *The Impact of Globalization on NC's Furniture Industries*, (Buehlmann, Urs; Schuler, Al; Nwagbara, Ucheoma) 2002.
10. Jon Chavez, "Overseas Competition Challenges Furniture Industry," *Toledo Blade*, Thursday, March 22, 2007.