



The Business of Furniture Making

How to Survive in a Crowded Marketplace

Richard H. Oedel
Fort Point Cabinetmakers
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Let's ask some questions

- ◆ How many view what they are doing as a business? How many have employees?
- ◆ How many people depend on this for a living (i.e. You'd really have trouble if you stopped making furniture?)
- ◆ How many people only make furniture? (no built-ins, no kitchens, no renovation)

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Current Climate

- ◆ Current US statistics: NAICS 337
 - ◆ Furniture and Related Product Manufacturing
 - ◆ 20,657 businesses, employing 543,000
 - ◆ 67% have fewer than 10 employees
 - ◆ 92% fewer than 50 employees
 - ◆ SBA office of Advocacy (2009)
 - ◆ Company births and deaths:
 - ◆ 1995 - 594,000 startups, 497,000 failures
 - ◆ Worst Year 2002 - 550,000 startups, 585,000 failures
 - ◆ Worse now than 2002
 - ◆ SBA office of Advocacy (2009)

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Start at the end

- ◆ For all new businesses:
 - ◆ 30% to 40% will survive past 5 years
 - SBA office of Advocacy (2000) and Micromomics, Inc. study (1998)
 - ◆ The more you plan before launch, the longer you survive
 - ◆ 20% five-year survival if planning process less than 6 months long
 - ◆ 70+% five-year survival if planning process > 6 months
 - HBS Study 1998
 - ◆ Most of the rest end up in Purgatory

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Today's news

- ◆ Tax rebate cuts price of Chinese furniture imports
- ◆ Furniture sources Shermag, Jaymar up for sale
- ◆ Oil fell on Friday, dragged from eight-month highs
- ◆ U.S. consumer confidence rose to a nine-month high in June
- ◆ Signs of recovery in Florida's housing market

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How is this market?

- ◆ Annualized private home starts
 - ◆ Jan 2006 - 2,065,000
 - ◆ Jan 2007 - 1,148,000
 - ◆ Jan 2008 - 1,064,000
 - ◆ Jan 2009 - 477,000 23% of Jan 06
 - ◆ Apr 2009 - 458,000

U.S. Dept of Commerce - May 17, 2009

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Most of our work goes into a home somewhere:

Directly tied to housing

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What do I want from this business?

- ◆ Means to make a living
- ◆ Creative outlet
- ◆ Designs and pieces of lasting value
- ◆ Something to pass along to the kids
- ◆ Being your own boss
- ◆ To do it better than "the other guy"
- ◆ Don't know what else to do...

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Skillsets Differ

- | | |
|---|--|
| <ul style="list-style-type: none"> ◆ Master Craftsman <ul style="list-style-type: none"> ◆ Problem solving skills ◆ Hand skills ◆ Technical skills ◆ Detail level skills ◆ Tactical skills | <ul style="list-style-type: none"> ◆ Business Owner <ul style="list-style-type: none"> ◆ Financing skills ◆ People skills ◆ Marketing skills ◆ Organization skills ◆ Strategic skills ◆ Negotiation skills ◆ Risk Management skills |
|---|--|

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Old habits die hard

- ◆ Everyone gets satisfaction from doing what they are good at
- ◆ If you are not good at something, you tend not to do it as often
- ◆ As a result, you do not get better at it

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Evaluating your experiences

- ◆ Do I wake up every morning excited?
- ◆ Is a large part of my day spent on trivia?
- ◆ Do I enjoy talking with my clients?
- ◆ Do I relish the planning and finances?
- ◆ Do I spend most of my time on the hands-on aspects?

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Outcomes - 10 year time horizon

- ◆ What am I doing in 10 years?
 - ◆ Sold business to a third party
 - ◆ Passed it along to family
 - ◆ Continue working in the business
 - ◆ For how long?

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Outcomes - 10 year time horizon

- ◆ What am I doing in 10 years?
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Disclaimer page

- ◆ I'm not a lawyer
- ◆ I'm not a banker

- ◆ I just want to pass along what has worked for me

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Business Basics

- ◆ Federal, State and local requirements
- ◆ Tax collectors want to get paid
- ◆ Life is too short not to pay them
- ◆ Keep it simple
 - ◆ Unless you have need for it, no LLC's Corporations, or fancy corporate forms
 - ◆ You need to keep good records

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Business records

- ◆ Accountant pays bills - \$150 /month
- ◆ Quickbooks - \$300 + 4 hours per month
- ◆ Quicken - \$39 + 4 hours per month

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Setting up the business

Locality requires a business license -
 DBA form - almost always \$50
 State usually requires resale certificate -
 often free and online
 Feds and State use EIN's - free and online
 Just because you have an EIN does not mean you have to file a
 separate tax return for the business

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Other options

- ◆ LLP - Limited Liability Partnership
- ◆ LLC - Limited Liability Corporation
- ◆ C Corporation
- ◆ S Corporation
 - ◆ All of them cost \$\$
 - ◆ \$1500 setup cost
 - ◆ \$500 per year minimum

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Insurance

Liability
 Fire/Theft
 Health
 Disability?
 Workers Comp for employees

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Taxes

Fed and State: file on personal schedule C
 Sales Tax: Submit as required to state

◆ If you have employees:

USE A PAYROLL SERVICE

- ◆ Withholding
- ◆ FICA
- ◆ Unemployment
- ◆ Don't forget that W-9

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The numbers

50 weeks x 40 hours per week = 2000 hours
 x \$65 per hour \$130,000 /yr

BUT WE DON'T WORK 40 HOURS

Finances	Marketing	Client calls
Lag time	Maintenance	Design time
Callbacks	Travel time	Down time
Personal projects	Rework	

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The numbers

50 weeks x 25 hours per week = 1250 hours
x \$65 per hour \$81,250 /yr

BUT WE DON'T ALWAYS GET \$65

50 weeks x 25 hours per week = 1250 hours
x \$55 per hour \$68,750 /yr

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Planning The not-so-secret weapon

- Planning your piece
- Planning your finances
- Planning your marketing
- Planning your downtime

Planning = Success

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Takeaway's so far

- ◆ If you work really hard you can make \$135k per year working by yourself
- ◆ Very few of us are organized enough or can work hard enough to do that
- ◆ Keep the business details simple, and minimize your time on them
- ◆ Don't forget insurance!

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Division of efforts

- ◆ Yields for different work vary
 - ◆ Kitchens, "box work" - \$75-90 /hour yield
 - ◆ Architectural millwork - \$80-100 /hour yield
 - ◆ Stand alone furniture - \$50-70/hour
 - ◆ Teaching - \$25-35/hour (except workshops)
- ◆ Very different marketing and skills

PLAN YOUR MIX

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How to pick - "Boxwork"

Pros	Cons
High \$\$ Yield	Takes up space
Easy to have employee do most of the work	Confuses market message
Large single jobs	Repetitive and boring
Simple work, if you are organized (lots of jigs and fixtures)	Often requires site work and 2 people
	Callbacks
	Deadlines
	Competitive

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How to pick - Architectural Millwork

Pros	Cons
High \$\$ yield	Requires specialized equipment
Takes up little space	Noisy and boring
Smaller jobs	Not easy to pass off to employee
Fast turnaround	Competitive
Repeat business	

A Williams and Hussey molder is the most profitable machine in the shop

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How to pick - Furniture

Pros	Cons
Highly satisfying	Lowest \$\$ yield
High design content	Challenge to market
Low machinery cost	Lots of handholding
Lots of "WOW" factor	Lower \$\$ per sale
One person	

A good mix is essential to your mental and physical wellbeing.

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My Ideal Mix

- ◆ 3 x per year education/teaching (30 hours)
 - ◆ Giving back to the community
 - ◆ Selection adds to marketing viability
 - ◆ Keeps connections strong
- ◆ 25% Boxwork (300 hrs/yr or 2 jobs per year)
 - ◆ Pick and choose jobs, high end, customers who might be interested in furniture as well. I do it with another person in the shop.
- ◆ 75% Furniture (900 hrs/yr or about 20 hrs/wk)
 - ◆ What I want to do most of all

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My Ideal Mix - Revenue

- ◆ Teaching - \$1,000
- ◆ Boxwork - \$25k to \$35k
- ◆ Furniture - \$35k - \$45k

Total: \$60k to \$80k per year

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The Mix - How to...

- ◆ Many people react better to a goal
 - ◆ Written goals stay with you longer
 - ◆ They MUST be specific and measurable
 - ◆ Create short term goals that have immediate results
 - ◆ Build a pattern of success
 - ◆ Goal after goal, the objective is met
 - ◆ Don't carry over - either reformulate or just buckle down and complete it
 - ◆ Intersperse goals that are difficult
 - ◆ Don't ignore the ones you hate doing

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The Mix - How to...

- ◆ Goals for "boxwork" segment
 - ◆ 2 jobs per year
 - ◆ The funnel: Need 40 good contacts > 10 quotes > 2 jobs
 - ◆ Each quote takes 4 hours = 40 hours
 - ◆ Each contact takes 8 touches before allowed to quote
 - ◆ Have high custom content
 - ◆ Not installing Ikea
 - ◆ Within 1 hour driving distance
 - ◆ Like the customers
 - ◆ Life's too short to deal with people I don't like

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The Mix - How to...

Executing the goal is all about the marketing

And marketing is all about planning

Planning = Success

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The Mix - How to...

Each of the mix takes a separate plan
Plan it a year in advance
Review it quarterly (not more often)

Write it down
Post it on the wall
Read it every day

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The Mix - How to...

Keep it Simple

Measurable

Actionable - no fancy words or ideas

Dedicate the time to execute it

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The Mix - How to...

- ◆ Plan, plan, plan, plan and plan some more.
- ◆ Very few people like to do this, but you need to...
- ◆ For plans to be good, they have to be realistic and measurable
- ◆ In times like these, have a plan for LOWER sales than you expect - but don't use it - keep it in your back pocket
- ◆ Involve other people - they have insights you lack
- ◆ When you are satisfied - LEAVE IT ALONE

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The Mix - How to...

- ◆ Marketing to support goals - Boxwork
 - ◆ Subcontract or end user?
 - ◆ Identification of potential clients
 - ◆ Local resources - need list of 60 to get to 40
 - ◆ Each contact planned out
 - ◆ Intro phone call, letter, email, invitation to open house or design event, thank you note for showing up, e-newsletter, announcement of latest publication, etc.
 - ◆ Ask for the opportunity to quote

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The Mix - Blocking and tackling

◆ Break it down into its components	Hours
◆ Get 60 names of people who will install kitchens this year (realtors, deeds, yellow pages for contractors)	3
◆ Call all 60 to confirm info and email - yield 40	6
◆ Write letter	1
◆ Customize, print and mail letter	2
	===
	12 hrs

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The Mix - Blocking and tackling

- ◆ Do this for each part of your marketing plan, and put dates on it - ignore it until that date!
- ◆ On that date - DO IT. All at once.
- ◆ Then reward yourself. Lunch out, visit a friend's shop, go fishing for a morning
 - ◆ Don't forget to add hours to your plan for the reward!

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The Mix - Blocking and tackling

This is a lot of work!!!!!!!!!!!!

- ◆ Yes, but you asked for what works, not what is easy
- ◆ It requires discipline and planning
- ◆ It also gets results - and is one of the reasons you only yield 25 hours a week in the shop cutting wood.
- ◆ It is easier year 2, since you have done a lot of the spade work.

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The Mix - Blocking and tackling

◆ What I do

- ◆ Open house every year at the shop tied to a new piece
- ◆ Go to design meetings
- ◆ Write articles so I can email them to my clients
- ◆ Get written up so I can do the same - 500 series books
- ◆ Send out postcards to my clients for contact and as thank-yous
- ◆ Exhibit wherever I can - but not shows unless with group
- ◆ Donate pieces to places where my clients visit
 - ◆ Museum of Fine Art, SAC, Charity events
- ◆ Contribute to Woodweb and blogs as a visitor or guest

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The Mix - Blocking and tackling

◆ What I DON'T do

- ◆ Take out print ads
- ◆ Advertise in trade publications
- ◆ Advertise in places woodworkers go!
- ◆ Blog myself
- ◆ Pay for web search terms (Google ad words)

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The Mix - Blocking and tackling

- ◆ But what about a website?
 - ◆ Need one- yes, of course - update regularly
 - ◆ Does it need to be fancy? No
 - ◆ Does it need to cost a lot? No
 - ◆ What is it's purpose?
 - ◆ Mine - two purposes -
 - ◆ To serve as my portfolio and eliminate questions of competence
 - ◆ To serve as a place where other people can get info

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The Mix - Blocking and tackling

- ◆ How about joining groups?
 - ◆ The Guild - good if you have a line
 - ◆ 1stDibs - ok - depending on type of furniture
 - ◆ Bond and Bowery - same as above
 - ◆ Custom made - good general resource
- ◆ Galleries?
 - ◆ Expensive, but worth it for a certain segment
- ◆ Groups?
 - ◆ NHFMA, SAC

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Web resources - what I use

- ◆ For my webpage - I did it myself using Nvu - it's free
 - ◆ www.net2.com/nvu
- ◆ For my Web Hosting - Hostgator
 - ◆ www.hostgator.com - \$9.95 per month
- ◆ For my email contacts - Constant Contact - inexpensive
 - ◆ www.constantcontact.com
- ◆ For my regular contacts
 - ◆ Microsoft Excel and Microsoft Word (also Star Office)
 - ◆ For Mac - Contactizer

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Web resources - what others use

- ◆ Website -
 - ◆ Otherpeoplespixels.com - good, simple and \$16/mo (Brian Gladwell)
 - ◆ Earthlink.com - 19.95 per month (I also use this)
 - ◆ Yahoo! (stay away from them)
- ◆ Software
 - ◆ Quickbooks, Quicken both good
 - ◆ Act! - often used - I find it too complex and powerful
 - ◆ Goldmine - see above

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The Mix - How to

- ◆ NOW EXECUTE THE PLAN
- ◆ NO EXCUSES
- ◆ NO COMPLAINING
- ◆ YOU KNOW YOU NEED TO DO IT

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What to do in this economy

- ◆ Beef up your outreach to clients
- ◆ Increase the value your client receives
 - ◆ Now is the time to visit old clients and polish their furniture
- ◆ Rethink your client base and mix
- ◆ Increase your visibility in the community
 - ◆ Donate to select charity auction or functions
- ◆ Resist the temptation to reduce prices
 - ◆ Always ask for the last look
 - ◆ Flexible quoting - 3 different plans, choice, samples

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What to do in this economy (cont)

- ◆ Get Inc Magazine and read Brodsky's columns
 - ◆ Source of good info in tough times
- ◆ Spend time searching out new offerings that your competitors omit
- ◆ Your plan included marketing, right?

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Takeaways so far

- ◆ If you work really hard you can make \$135k per year working by yourself
- ◆ Very few of us are organized enough or can work hard enough to do that
- ◆ Keep the business details simple, and minimize your time on them
- ◆ Don't forget insurance!

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More takeaways

- ◆ For most people, a mix of work is best
 - ◆ You can pick that mix
- ◆ You are not planning enough
- ◆ You are avoiding some of the tough work
- ◆ The tough work you are avoiding will reward you in the long run. **Planning = Success**
- ◆ Use other peoples ideas and work - don't reinvent the wheel
- ◆ The web is important. Use it, don't let it use you

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What do you have to do?

- ◆ Master Craftsman
 - ◆ Develop new techniques
 - ◆ Create new designs
 - ◆ Improve existing designs
 - ◆ Apply techniques to solve difficult problems
- ◆ Business Owner
 - ◆ Sell product to clients
 - ◆ Handle finances
 - ◆ Solve problems
 - ◆ Market yourself
 - ◆ Plan for the future

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Dream no small dreams, for they have
no power to move the hearts of men.

-Goethe

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The way to get started
is to quit talking
and begin doing.

-Walt Disney

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Resources posted on Monday
at
www.finefurnituremaster.com

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Richard H. Oedel
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www.finefurnituremaster.com

roedel@finefurnituremaster.com

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