



STATEWIDE ASSISTANCE FOR ENTREPRENEURS AND SMALL BUSINESS OWNERS


MI-SBTDC provides
no-cost counseling, low-cost training and market research

Partially supported through a cooperative agreement with the U.S. Small Business Administration




[Home](#)[Log Out](#)[Search](#)[Article Archive](#)[Subscribe Now](#)[Editorial Topics](#)[Change Ups](#)[Quarterly Publications](#)[Book Of Lists](#)[Gemini Publications](#)[Contact Us](#)

**SUBSCRIBE
NOW»**



The Business Newspaper of
Metro Grand Rapids, Holland,
Muskegon & West Michigan

The upside to a downturn in the furniture industry

Jake Himmelspach

Published: March 29, 2009

During a drought, a dying plant seeds the soil to survive in the future; the furniture industry could be going through a similar occurrence. Even as top-tier furniture companies cut back on production and lay off employees on all levels, some believe West Michigan will benefit from a future crop of entrepreneurial efforts.

Brian Bascom, founder of Velocity Partners, a Holland-based market research and strategy firm, said that suppliers to the industry, for instance, may benefit from these difficult economic times. In their efforts to find other revenue streams, some may launch their own line of products.

"Suppliers, instead of continuing to play the 100 percent supply role in the industry, are starting to look for opportunities to launch small brands of furniture that, basically, they can sell and market underneath the radar screen," he said. "Each product that goes out the door doubles their profitability. There are some changes going on in the industry that just aren't readily apparent."

And laid-off workers in the industry, Bascom believes, may provide the seeds for new job growth.

"The Steelcases, Herman Millers and Haworths are certainly in cutting-back mode," said "Instead of waiting as long as they did in 2001, you're seeing a lot of preemptive strikes with letting people go. The challenge with that is, with some of these cuts, you're not just cutting solid production staff. You're talking about, in some cases, white-collar management with a lot of industry knowledge and a lot of expertise."

As larger companies are forced to shed talent, Bascom sees smaller companies reaping the benefits.

"I really think that, near-term, you're going to see job growth created more so by some of the smaller, more nimble players. I've had two smaller companies tell me this is a great opportunity to pick up some additional talent," said Bascom.

"Hypothetically, let's say someone moves from a Herman Miller or a Steelcase to a smaller firm, takes a 20 percent pay cut, but within a couple of years makes that back. Then, all of a sudden, you've got a smaller firm with Fortune 500 firepower."

Further, Bascom said, some of the laid-off talent may take the opportunity to start their own companies.

"Take a look at Silicon Valley. You originally had large companies out there. ... There's an awful lot of innovation. Someone inside one of these big companies gets a great idea and says, 'I want to go outside and do it myself.' Or somebody gets kicked out, and sitting across their kitchen table, decides, 'OK, well, I'm going to do something a little bit different,'" he said. "The next thing you know, you've got another quarter or half a billion dollar technology company.

"My real question is, if we actually live in the center of the office furnishings universe, why aren't there more small to mid-sized startup companies that can take on the big behemoths?"

The main problem Bascom sees is in the region's venture capital.

"You have venture capital here. The problem is that the mindset of the folks that

have venture capital here is 180 degrees of the mindset of venture capital on the West Coast. On the West Coast, people will write checks for millions of dollars to build distribution and for sales and marketing," said Bascom.

"Here, you talk to people about venture capital and they say, 'Well, you're going to use the money to buy a building or equipment, right?' And the first moment you say, 'No, I'm going to use it to build distribution, build our brand and do some advertising' — at that point, the conversation is over."

Bascom sees West Michigan investors focusing too much on hard assets, which has led to investors from cities like Chicago, New York and Miami fishing in the West Michigan region for small business opportunities.

"It's creating opportunities for people in other parts of the country to come in and fund these things," he said.

Design talent and manufacturing are not in short supply here, said Bascom. When combined with readily available Internet opportunities in distribution and marketing, Bascom hypothesizes there will soon be an influx of \$1 million to \$3 million furniture companies.

"It would be really interesting to see entrepreneurs of all ages going out and doing their own thing," said Bascom.

Bascom's vision coincides with the vision of Design West Michigan, a nonprofit organization supporting design as an economic building block for the West Michigan region, as well as branding the region as design centric. John Berry, a consultant with Greystone Global and director of DWM, noted the loss of jobs in the furniture world and DWM's role in supporting that talent.

"One is a continued awareness that design adds value to business strategy, decision making, and in reconfiguring your business. The design component can be hugely useful in figuring out how to take existing capabilities and readjust them into a new market," said Berry. "The second is to try and connect designers who are capable and available to those who have interest in getting to them."

Berry said that could take the form of finding design positions within companies, but what he sees more of is designers taking on freelance work. While he believes the rise in freelance work is, in part, due to layoffs, designers are still in demand.

"I am aware that there are several small design firms doing very well. They are very busy with companies who have recognized the value of design, and so on a project-to-project basis, they're busy," said Berry. "Connecting capable individuals to design firms that are doing that sort of work becomes almost an upside to having available designers in the area. It's the linkage and connecting we hope Design West Michigan can help with."

DWM provides connections to design talent through events it holds as well as through its Web site, www.designwestmichigan.com. Berry believes that DWM can help West Michigan retain creative talent that has been laid off and, as the economy picks up, attract outside talent and business to the area.

"We have to go through a curve. I think creative, talented people — because they are always working toward the upside, it's always about making something better — their capability is, regardless of the design discipline, to not only see and meet needs and problems organizations already have, but oftentimes anticipate problems they may not see," said Berry.

"That's where a designer can come in and provide a whole new insight to an organization. That doesn't require being on staff. It does require the ability for that company to recognize that design brings value."