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the Off beaten Path

A strong work ethic, creative marketing and savvy management have made Smith Brothers of Berne one of the Midwest's leading upholstery manufacturers

■ George Lausch
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Taking a road less traveled, Smith Brothers of Berne Inc. has built a reputation for quality craftsmanship and customer loyalty. Rural Indiana may not be the heart of upholstery manufacturing territory, but it's proven to be the perfect site for this innovative company to carve its profitable niche.

The company's success is rooted in a local heritage that values hard work and quality products. Swiss immigrants fleeing religious persecution established Berne, named after the capital of Switzerland, in 1871. Its residents, who are primarily Mennonites and Amish, later started three furniture companies: Dunbar, Berne Furniture and Smith Brothers of Berne.

"A strong work ethic pervades the community," says Steve Lehman, Smith Brothers president. "We're just responsible, dedicated, conscientious people who put in a day's work for a day's wages. Ultimately, that's really what it's all about."

Dunbar, a high-end producer, closed in the early 1990s, but the town still supports the two remaining manufacturers and three furniture retailers. "For a town of 3,500 out here in the Midwest, that is most unusual," Lehman says. "In a unique little way we have a real furniture presence and awareness in this small community."

Smith Brothers began in 1926, when Les Smith; his brother Orv, a grocery store owner; and other

Dunbar employees decided to produce medium-priced upholstery. They and subsequent investors ran the company until 1970, when Fred Lehman took over as president and co-owner. His brother Steve joined him as vice-president and part owner in 1975. The brothers switched roles in 1986.

Success brings growth

Smith Brothers has flourished under the Lehmans' leadership. "We have broadened the product line, improved the facilities, improved



our balance sheets," says Steve Lehman. In 1992-1993, the company tripled its plant size; in 1998, it added another 50,000 square feet to bring the total to 165,000. It also purchased 27 acres of nearby land, seven for a cleaning facility for its 19-truck fleet and 20 as a site for expansion.

The company produces built-to-order, mid- to high-end sofas, stationary and press-back chairs, love seats, sectionals and sleepers for more than 300 independent

retailers within a 700-mile radius. It offers 450 frames in traditional, transitional, country and contemporary styles that retail from \$999 to \$1,499. For the covers, there are 800 fabrics and 50 leather choices. Of the company's 175 employees, 145 work in production. They produce more than 40,000 pieces annually.

Until a few years ago, the company targeted consumers age 50 and older who could afford better quality furniture. "More recently, as transitional [styles] have come

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We're not just about boxes."

— Steve Lehman



into our industry, we have introduced products that are targeted for young professionals who are 35 years old and make good incomes, but want something different from just a Cadillac sofa," says Lehman.

The ability to balance the needs of both types of customers is one of the company's strengths. "The folks who brought us to the dance and paid for the buildings originally are conservative mid-western people," he says. "The people who have given us the growth are those people, along with a younger, more discriminating crowd who are likely to have a BMW in their driveway and a big-screen TV.

"We have lived on both sides

continued

Company profile

Smith Brothers of Berne Inc.
Berne, Ind.

Plant size: 165,000 square feet

Total employees: 175;
production: 145

Products: residential upholstered furniture

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(Upper left) Chair and ottoman from the 342 leather group feature graceful curves, comfortable cushions and a soft leather cover. The 331 sofa (center) is a two-cushion, loose pillow back, transitional-style sofa with a gently curved front edge that features architectural-style wood legs. Chair and ottoman (above) are part of the gracious 336 sofa group.

of that fence, and we've done it pretty well," Lehman says. "As we seek to attract a more sophisticated and discriminating clientele, we have not abandoned our conservative customer base."

Alternate markets

Thirty years ago Smith Brothers began producing its own furniture markets in places such as Chicago, St. Louis and Pittsburgh. With a regional customer base and limited financial resources, it felt exhibiting in High Point didn't make sense. "Even today we feel we don't have a need to go to High Point because we'd be paying a premium to have exposure to a lot of buyers we are unable to service geographically," Lehman says.

Smith Brothers puts on three markets one month before each High Point market. "We go to the same fabric fairs [as High Point exhibitors]. . . but we just move quicker and we're all set, put to bed, 30 days in front of the market," he says. For each market, the company rents a hotel ballroom and fills it with two truckloads, about 100 pieces, of its furniture. Roughly 90 percent is carryover frame styles with new fabrics and 10 percent is new frames.

The company invites its dealers, puts them up overnight and pays for their meals. "It's a wonderful way to do business because we have a captive audience," says Lehman. "The challenge is getting people to come because they only see Smith Brothers products. Nevertheless, the attendance has been rewarding." The low-pressure atmosphere is geared more toward establishing relationships than writing orders. "They get to



The 341 sofa is sophisticated, yet inviting and casual. It is shown here with a fabric collage application.

meet our management team," he says. "We share our interests and visions, and ask for dealer input."

The markets emphasize fun and family. "[Dealers] bring their spouses and children," Lehman says. "They can swim in the pool, have some fun. Mom and Dad can do some shopping. We combine business and recreation, and it's a wonderful, family spirited way to do business."

As Smith Brothers expands, additional markets for new territories will be a challenge. "This kind of a trade show effort is effective," says Lehman, "but it is very labor intensive and it takes a lot of dedication."

Team chemistry

Eleven sales representatives handle territories from Pennsylvania to Minnesota. "We have a wonderful camaraderie with our reps," says Lehman, who is also the sales manager. "I talk to them daily. We're constantly thinking, planning and discussing alternative solutions to challenges we encounter. There is a chemistry that is hard to put your finger on. We've been very fortunate. We've accumulated a wonderful group of folks and I honestly think they enjoy working for this company."

Communication with reps and dealers also helps direct product development. "We get feedback on what's successful in the marketplace," Lehman says. The company refines its products or creates interpretations of what it sees in the marketplace. Management and the merchandising department collaborate on the process. "We are team-oriented in that respect," he says. "We don't pretend to know it all."

No products are sold online, but the Web site, www.smith-brosfurn.com, provides information about its history, styles and construction, and serves as a vehicle to locate dealers. By year's end, the company hopes to be able to give dealers 24/7 access, via the Internet, to order status and fabric inventory.

Last fall Smith Brothers entered the leather seating market with the introduction of eight sofas and four chairs. "The program has worked so well so quickly that it's gratifying," says Lehman. Success is due in large part to its track record with dealers. "We've developed a lot of confidence with our stores on

Lean processes improve efficiency

Two years ago, Smith Brothers began to implement widespread changes in its manufacturing processes. That date coincides with the arrival of Bill Reiman, who joined the company as general manager.

"The purpose of any manufacturing endeavor is to serve your customers, to provide the highest quality product at the lowest possible cost in the best possible time. That's why a factory exists," says Reiman, who was trained in world class manufacturing techniques in the aerospace industry. "If you're going to work with materials and equipment and people, you've got a further obligation to keep your people safe and, to the best of your ability, provide an environment where they can work and be happy."

Within those parameters are methods that translate to the bottom line, such as continuous material flow, partnering with suppliers, processes that prevent defects, and people who enjoy their jobs and strive for improvement, he says.



Bill Reiman says manufacturing changes have improved service to customers.

Gradual changes

The company has taken an evolutionary approach, where it implements changes gradually with employee input and training. "We've focused on cycle time reduction, increased throughput, increasing the velocity or the flow of manufacturing through the plant to get products to our customers faster," says Reiman.

All pieces are pulled through the plant, which has a daily capacity of about 180 pieces, based on customer orders. Raw materials arrive at the dock on one end and exit as a finished product loaded into a truck trailer at the other. Lumber, which comes cut to a predetermined thickness, is delivered twice weekly and ripped to width. Foam arrives every morning fabricat-

ed or cut to the desired shape and size.

About half the fabric is cut on a Lectra system, which handles mostly single-ply match cuts and runs three shifts daily; the company is considering buying another. "That's something that may enable us to speed up our cycle times even faster than they are right now," says Reiman. CAD systems have been upgraded to include auto-nesting capability.

Other changes include combining processes, such as cutting and sewing, to eliminate work in process and buffer inventory. "Without all the buffers between departments, we're able to eliminate that waste and cause product to flow a lot faster," says Reiman. Group incentives in departments such as upholstery promote teamwork and improve flow and quality. Digital counters located throughout the plant and a variety of kanban systems enable employees to determine if material is flowing properly and being pulled through at the correct rate. Color-coded cards are used as pull signals for component reorders from suppliers such as Leggett & Platt (sleeper mechanisms) and Barber Mfg. (seat springs).

Efforts pay off

The results have been significant. Delivery times have been reduced from eight weeks to four, direct labor has been reduced more than 15 percent, and raw material and WIP inventories have been reduced dramatically. "We've seen a lot of results directly attributable to some of the changes we've implemented," says Reiman.

"We honestly feel the day will come when we're going to deliver special order upholstery in about two-and-a-half weeks," says Steve Lehman, president. "That's going to be another two-year culture process change, with additional innovations."

how we've handled our business . . . how we respond to a problem. I think they were ready for this; we've earned their trust."

The company is aware that inexpensive leather imports pose a problem. "You see ads today for leather at \$999 retail," Lehman says. "I don't understand how they do it. More important-

ly, I don't understand why they do it. Leather is a premium product. It's like a Lexus. Why do you want to give it away for the price of a Ford?"

"That is one of the things I consider a problem with our industry," he says. "We have this fixation on price. It's unnecessary. It confuses the consumers; it confuses

me. And it erodes credibility."

The company inventories fabric, but buys leather just in time. All leather and about half the fabric is cut by hand; the remaining fabric is cut on an automated computerized cutter. Customers can put any fabric on any frame.

Lehman is involved in select-

continued

ing and buying fabrics. "I really enjoy the fabric game because fabric is the pulse of this business," he says. "We're not just about boxes." The challenge, he says, is projecting fabric needs. "Using computer forecasting models, fabric demand is calculated and inventory levels maintained with a 90 percent in-stock ratio on the fabric," he says.

Quality is standard

Smith Brothers builds all frames from 5/4 kiln-dried hard maple; they're glued, screwed and corner blocked. It also understands the merits — and image problems — of engineered wood. "[It] is very much a part of the business model of world class manufacturing — that's a good thing," says Lehman. "The bad thing is the perception in the marketplace . . . [that] it's cheap and you're cutting corners.

"We have to figure how to balance those two because we feel the need to be progressive and innovative and hold down our costs against import threats," he says. "That means we've got to look at engineered parts."

The company uses patented Weblin coil spring units for seats and sinuous wire springs for



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— Steve Lehman



backs. All foam seat cores are Qualux from Carpenter Co.; seat and back cushions are hand-wrapped in polyester fiber batting. Seat decks are upholstered in the same fabric as the rest of the piece. "We don't use a cheaper, compromised material underneath our cushions just because it isn't seen," Lehman says.

Finished products are shipped, in company-owned trucks, four weeks after order receipt. The trailers have three tiers of shelving. "The furniture rides in the truck on its feet, with the skirts down. . . the way it sits in the home," says Lehman. "We don't get as many pieces in a truck, but we also don't get the damage."

Good employees are always in demand. A respectful work atmosphere and family activities make Smith Brothers attractive to job hunters. The company sponsors events such as Easter egg hunts and Christmas bowl-a-thons. "We have a real sense of family here," says Lehman. "That has been helpful in attracting employees. It hasn't solved the problem by any means, but it's a fun place to work and that helps."

What's next?

Smith Brothers is driven by the bottom line, he explains. Looking to increase profitability, the company plans to build its leather business, add product lines, expand geographically and reduce

delivery times to three weeks or less. A blend of financial savvy and creativity is crucial in this industry, says Lehman, because you have to evaluate whether to sell a product you know how to build or learn how to build what people want to buy.

For Smith Brothers, the answer is balance. "We are an unusual kind of conservative," Lehman says. "We're conservative to a point where we earn it first, spend it second, but we're not so conservative that we don't have our fingers on the pulse of the marketplace. In terms of a general business model, we are cautious, calculated risk takers. We just don't shoot from the hip.

"We've been able to have a real strong balance sheet," he adds. "Ultimately, as we go forward, we're operating from a position of strength rather than from a position of weakness." ■

For more information about products mentioned in this article, contact the following:

Barber Mfg. Co., seat springs,
765/643-6905

Carpenter Co., Qualux foam,
804/359-0800

Lectra, automated fabric cutter,
770/422-8050

Leggett & Platt, sleeper mechanisms, 800/888-4569