Executive Brief

Achieving the new production norm

The furniture and fixtures industry

Highlights

To seize emerging opportunities, furniture and fixtures companies need to focus on:

- Faster customer delivery
- More innovation and faster product releases
- More product configuration and customization options

The challenge: Keeping pace in a fast moving market

Increasing consolidation in the furniture and fixtures industry means that the largest companies in the segment are becoming even more dominant over the broad consumer market. As a result, other firms face stiffer competition than ever in specialized segments such as office furniture, juvenile furniture, and ready-to-assemble.

To stay successful, furniture and fixture manufacturers need to maximize operational effectiveness at every level. In more specialized niche markets, small operational inefficiencies that were once considered an acceptable part of doing business can now become crippling competitive disadvantages. Stock-outs, quality problems, or production delays can quickly lead to problems that can't be easily solved.

The solution: Combine tradition with technology

The furniture and fixtures industry has roots in handcrafted workmanship and made-to-order products, but its customers live in a retail environment dominated by Ikea, Target, and Amazon. The challenge, then, is to combine the traditional sensibilities of furniture makers with modern technologies that give mass-market retailers an edge. By following the example of leading consumer product manufacturers, furniture and fixtures manufacturers can stay agile, responsive, and efficient enough to satisfy volatile consumer tastes in a fast-moving marketplace.

Although today's environment presents formidable challenges, it brings new opportunities as well. The recent upswing in housing starts, increased business investments in office facilities, and other demographic developments all contribute to trends that should benefit furniture and fixtures manufacturers over the next few years.

To seize these emerging opportunities, companies need to develop a strong framework for satisfying the industry's most pressing new demands, which include:

- Faster customer delivery
- More innovation and faster product releases
- More product configuration and customization options

To meet changing customer demands, manufacturers need to:

- Optimize the supply chain.
- Optimize resources and inventory.
- Commit to quality controls and operational excellence.

The new demands

As markets evolve, manufacturers must evolve as well. In fact, successful firms learn to anticipate changing markets to achieve first-mover advantage. Some of the most important emerging demands include:

Faster customer delivery

Customers today expect fast delivery, attentive service, and prompt action; and successful manufacturers have long known that ERP technology is essential for automating repetitive tasks and increasing operational speed.

However, as ERP systems age and as innovation in the manufacturing arena continues apace, best-in-class manufacturers are looking for new ways that technology can make them faster and more responsive. One key strategy is integration. Historically a challenge but increasingly achievable thanks to advancing technology, connecting systems across the enterprise saves time by eliminating redundant data entry and reducing errors. Integrated processes also eliminate gaps in communication and reduce the chance that customer expectations will be lost in the shuffle.

A second area of focus when it comes to speed is known as workflow. ERP solutions that offer prescribed workflows (or automated routing of tasks) and the ability to deliver automated alerts can help companies expedite critical orders by pushing relevant data to end-users quickly enough to support prompt decision-making and short reaction times. Quicker responses to unexpected events can prevent delays in delivery.

More innovation and faster product releases

There's no denying it: Rapid innovation drives new sales. New designs excite customers, which creates buzz and fuels demand.

To customers, furniture is often a personal statement, similar to one's choice of clothing, housing, or automobile. Innovation and a sense of individuality drive purchase decisions to an equal or greater degree than features, functionality, or price. In that context, a furniture company's most important asset is its ability to generate innovative designs, execute those designs, and repeat the process *ad infinitum*.

Because so many different goals drive product innovation, new product development demands serious research and engineering. Software solutions can make that process easier by streamlining the product lifecycle process, tracking design stages, supporting collaborative efforts, and managing overall product development. By providing a platform to support the process from inception through research, testing, and launch, software solutions can help manage the complexity of configurations, components, and regulatory compliance, tracking details to the unit and part level.

Because advanced technology can manage product specifications more easily and in greater detail, the creative-thinking designers and engineers have more time to focus on the bigger issues and develop high impact solutions. As a result, manufacturers can bring a far greater number of product releases to market each year, to captivate customers and capture a new audience.

More product configuration and customization options

The ability to offer a customized product is rapidly becoming a key differentiator for innovative companies. It entices customers, who can see what they're ordering and specify changes before production begins or raw materials are ordered. By integrating sophisticated configuration software with advanced ERP and CAD systems, manufacturers can support customers' desire to specify custom configurations in a way that increases sales and maintains profitability.

Some furniture manufacturers now guarantee 10 to 14 day turnaround on custom orders, timeframes that were once unimaginable for the furniture industry, where the traditional wait for a special order could easily exceed 9 to 12 weeks.

This sort of rapid configuration is only possible with software that's dedicated to the task. Product configuration software allows dealers and customers to see simulated 3D models of any desired configuration, including designs, colors, finishes, and features.

This not only takes the guesswork out of configuring customized pieces, it drastically reduces the chances of errors—and disappointment.

How to meet new customer demands

To meet new customer demands furniture and fixtures manufacturers should consider four key improvements:

1) Optimize the supply chain

Today's manufacturers must manage their supply chains with greater speed, scope, agility, traceability, and depth than anyone could have imagined a decade ago. As global economic volatility drives greater need for geographic flexibility and the ability to manage a global network of resources, your supply chain strategy now must be able to support multiple languages, currencies, and compliance requirements, while maintaining visibility over a wide network of suppliers, contractors, and distributors. With compliance, accountability, and traceability issues bringing high risk and steep fines, it is more critical than ever that you track suppliers and resources with great detail.

The only way to efficiently track and manage such a complex network and keep a watchful eye on schedules and performance is with advanced manufacturing solutions. Not only should you be able to monitor current status conditions, you need to anticipate issues and take preventive actions to avert potential roadblocks. Industry-specific supply chain management solutions provide the deep domain expertise you can count on to deliver real-time status alerts and ensure accuracy of availability, delivery, and pending shipment information. By mastering the complex task of delivering goods to customers for optimal profitability, you can expand your network, while maintaining tight control and gaining visibility into critical details.

2) Optimize resources and inventory

A warehouse full of unsold merchandise is an expensive and risky investment for a manufacturer. It's essential that

you strike a balance between having enough merchandise in stock to satisfy last minute orders, but not so much that you create an unnecessary drain on cash flow. You can strike that balance successfully by taking advantage of business intelligence solutions that help you quickly and accurately analyze what you have, forecast what you'll need, and do it all efficiently.

A suitably sophisticated business intelligence solution can do a lot more than just help forecast product demand. It can also help you understand the optimal product mix and see how the profitability of one product compares with that of another. A surprising number of manufacturers have no idea whether an order they filled was profitable until after they've shipped the order—much too late to make a difference. Business intelligence solutions can help you keep customers satisfied while keeping inventory at just the right level to remain profitable.

3) Commit to quality controls and operational excellence

The benefits of manufacturers' quality initiatives extend far beyond an interest in reducing product defects, although that's a highly desirable result. An ongoing commitment to quality has an immediate positive impact on profitability, efficiency, customer loyalty, and a range of inherent performance benefits.

Quality management is particularly important in the furniture and fixture industry where quality issues can be so costly to remedy.

To ensure consistent quality, you need the ability to monitor your entire operation to ensure that all processes remain consistently efficient and reliable. You also need to oversee contract obligations to customers, manage warranties, comply with industry regulations, and meet goals for machine throughput.

Sophisticated manufacturing solutions can simplify your efforts to collect, store, and analyze data, then make that data easy to use. In addition, you can also employ highly flexible solutions that allow machines to connect with each other. This approach, known as telematics, allows machines to use smart sensors to relay critical information back to the manufacturing system. Experts agree that machine-to-machine technologies will have increasing influence on manufacturing in the very near future. That's why it's important to have ERP systems today that can support those capabilities so that your company can implement them for maximum advantage.

Taking the next steps

Escalating market pressures will no doubt continue to drive manufacturers like you to apply new technologies to overcome challenges. The manufacturing landscape will continue to evolve and new challenges will emerge. But manufacturers that build a responsive, agile organization with the right tools and technologies face excellent prospects for success in the years ahead.

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