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# BOF



## 9to5 Seating Exemplifies Reshoring Success Story







**O**n July 26, 2016, a shipping container arrived in a furniture plant, filled with components that would be used to make an office chair. That's nothing new. Components from China arrive daily at North American office furniture plants to make finished products sold

What makes this story astonishing is the direction the shipping container traveled. It was the first shipping container filled with seating components made at 9to5 Seating's sparkling new Union City, Tennessee, plant and shipped to its facility in China, where the parts would be made into chairs to be sold into the Asian market.

There's no way to tell for sure, but it could very well be the first shipping container filled with components to travel from the U.S. east into the Chinese market. It is a remarkable story on many levels. It is the tale of immigrants to the U.S. tirelessly working to create jobs for a country that opened its arms to them. It is about creating unbelievable efficiencies in a U.S. plant. It is a story about what's possible when a company cares about "Made in America" so much that it is willing to invest everything in its belief in the American dream. Mostly, it is about determination — the belief in doing what's

right not only for its customers, but for one's country.

To make your way to that lone shipping container that bobbed across the Pacific Ocean from West to East, it is best to start decades earlier when an Iranian immigrant and his wife, Susan, left their homeland for a better life. He would find his way to the office furniture industry by importing early ergonomic seating products from Italy, becoming one of the first ergonomic seating distributors in the U.S. in the early 1980s.

It was a successful business, but by the mid-1980s, the first warehouse and big box retailers were coming on the scene, like Office Club, Office Depot and Price Club. The company focused on those big box retailers the first 20 years of its existence. It has always been a business where the owners, the Mir family, plowed money back into it, investing nearly everything it could to make it better.





Darius and Dara Mir

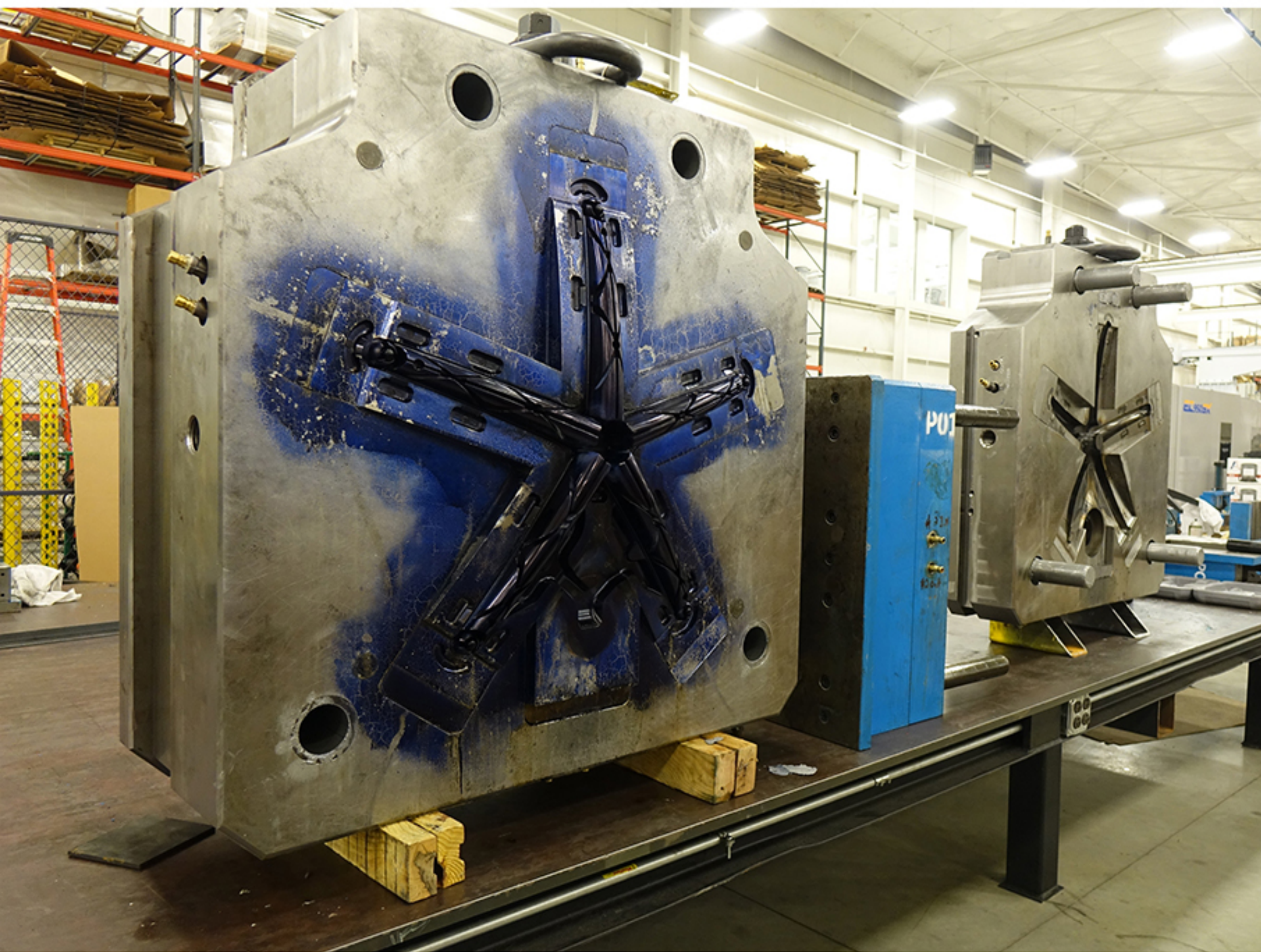
The Mirs set up shop in Long Beach, California, and became a vertically integrated manufacturer, using the latest high-tech tools, like CNC routers and plastic injection molders, to make seating. Some of the parts were coming from Italy, which was still a cottage industry. Quality, delivery and pricing became an issue. The Mirs learned a valuable lesson: If you are efficient with manufacturing, the labor aspect of the business does not add that much to the cost of a chair.

The company didn't turn to vertical integration because it necessarily wanted to, but because it had to control its own destiny, says Dara Mir, Founder. In those days, competition from China did not exist. Taiwanese companies were just beginning to get into the industry. Since they were efficient vertically integrated, the Mir's company began to grow quickly.

In the early 2000s, they began losing a lot of big box retail business to Chinese manufacturers. At about the same time, Dara Mir started with the company, and immediately began shifting the business from the mass market to the made-to-order contract market, and 9to5 Seating was born. As the Chinese influence in the lower- and mid-market furniture sectors grew, Darius Mir packed a suitcase and went to China with the strategy that if they couldn't beat them, they would join them. The company wanted to control what it did there, so it







set up a company in China it would control. Since they really didn't know how to do business there, it was initially a pilot project. Darius Mir literally chased a truck down the road in China that was hauling plywood, asking the driver where it came from.

Again, Darius Mir learned from his experience. He saw what worked and what didn't in China. He figured out how to do his own tooling. And in 2004, the first phase of 9to5 for contract was in place. "We wanted to get away from mass market and move to made-to-order — a model with much smaller runs that were fully customized," Dara Mir says.

The company knew a few dealers, but did not understand how reps could help them. So they brought on industry veteran Mike Heazlitt as vice president of sales.

The company's plan was to make components in China and assemble them in California to serve the mass merchandisers. It's connection into the contract seating market became 9to5. "We found out that we were wrong about the mass merchandise market very quickly," Dara Mir says.

The mass merchandise market is dominated by price. A retailer would scrap a long-term relationship for a few pennies of cost savings. Creating a contract channel with a variety of products was the right way to go. As 9to5 started to grow, its two factories began working well with each other — China supplying the parts and the Hawthorne, California, facility (it had long outgrown Long Beach and moved into its LEED certified headquarters in 2011) building products. Things were going so well, they got rid of mass market completely.

"It enabled the best of all the worlds," Darius Mir says. "Our products needed to have quality, value, variety and good pricing. This combination — hav-









ing a plant here and owning our plant in California — became unique in our industry.”

The operation in China became more and more sophisticated. To get the right quality at the right price, it started controlling its own tooling, manufacturing process and shipping. That enabled the company to provide value to its customers, despite the recession that hit in the late 2000s.

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With a lot of manufacturing knowledge and experience under his belt, Darius Mir began thinking maybe it was possible to look at a formula that would bring manufacturing back to the U.S. For that to work, the Mirs needed to excel at several elements of the business. The company had to be close to the market. It had to use the latest high-tech equipment. It had to be vertically integrated. And they had to jump back into the mass market for office furniture.

As it got serious about reshoring, it started looking for a new plant. They settled on Union City, Tennessee, a community that was rocked by a number of high profile plant closings, but with a large pool of highly skilled workers eager to get back on the job. Tennessee was eager to have 9to5 as well. The site in Union City — about halfway between Nashville and Memphis — would provide quick one- to two-day shipping to anywhere in the country and was between the valuable UPS and FedEx hubs there.

By moving production to Tennessee, the company found it was reducing lead times from eight to 12 weeks to one to two weeks. After successfully piloting some manufacturing in Tennessee, the company believed it could compete again in the mass merchandising arena. So it created a unique product, very aggressively priced that relied on a sophisticated management system to run.

The Made in America Seating brand was born. The big box retailers who had resorted to pinching pennies on every deal were finding long lead times and inconsistent products coming from their Asian suppliers. All warm and fuzzy feelings aside, the company knew making it in America wouldn't be enough. It couldn't cost a penny more than its Asian competitors. Made in America Seating had a two-month trial on one of its products and became the second-best selling item in the office category for the customer.

So 9to5 and Made in America started sinking even more money into the Tennessee manufacturing plant — \$40 million. It was a spec building in Union City, proof the community desperately wanted manufacturing. It had no office space attached to it, so the company added on 32,000 square feet to the front, more than enough to serve its customers. It is a 23-acre lot, and the company already has plans to add 200,000 more square feet of manufacturing space to the site. When the factory is fully functional, it will have a capacity of 12,000 chairs a day. “No other company manufacturing office seating in the U.S. has the capabilities we have today,” Darius Mir says.

All component manufacturing is shifting from China to the Tennessee plant. By “all,” the company means “all.” What other office seating manufacturer casts and polishes its own aluminum five-star chair bases? What seating maker is creating its own tools and dies on site? The brands will continue to use the Hawthorne site for value-added work.

Darius Mir is not trying to hide the company's success in reshoring. He welcomes his friends and competitors in the office furniture industry to study his model. If you want to visit the plant in Tennessee to see how it works, he is happy to host you. Seriously. Ultimately, he hopes all office furniture in the North American market is made in it. “My wife and I are first generation immigrants,” he says. “We felt an obligation to pursue reshoring if it could be done. Our goal is to reverse the model.”

Creating new products is important as well. Five new models from 9to5 will be at NeoCon. It is also branching out into other sectors, such as health care and soft seating. “This company is positioned





well in the market,” Heazlett says. “For an aligned dealer, we can provide a quality product at a lower price point.”

The brands are also adding the right talent. It recently hired Matt Prochaska, a veteran of Neutral Posture, to a high-level sales position, and Su Pak as director of marketing. Tony Allan was brought on as chief operating officer. Perhaps most importantly, they are bringing on the workers of Union City as true partners in the process. The city that was devastated when a major Goodyear Tire factory moved out is welcoming 9to5 with open arms. “For all of that, we feel even more of an obligation,” Darius Mir says. “We want to make sure people look forward to going to work and take pride in what they do.”

The Mirs have committed to more than 500 jobs in the community, but if the plan runs as expected, Union City could see many more than that.

It is obvious the Mir family is more than just an employer to those who work there. Darius and Dara know everyone’s names and ask about family members and other personal things as they walk around

the plant. They’ve gained the respect of everyone who works there.

Usually, when you walk around a factory with the owners of the company, the executive hands off explaining the details of manufacturing and assembly to the workers on the line. Not at the 9to5 plant in Union City. Darius Mir researched and purchased every machine in the sprawling factory — everything from the die-cutting machines used to make the dies that cast the aluminum bases in house to the welding and wire-bending machines that create the frames of the company’s chairs. Darius Mir quite possibly could be the only top level executive of a major office furniture company who could literally run every machine in his own plant.

And that is building on the company’s success. Made in America Seating has developed a basic chair for Wal-Mart, which will be rolled out in 900 stores. It is part of the retailer’s effort to source more from American companies. If it works, the chairs will be placed into 4,500 Wal-Mart locations.

That is the beginning of an All-American success story. **BoF**