

MEXICO SPECIAL REPORT

"The looks are great for our market here in the West...The line has evolved over the years, and their finishes have gotten better and better."

**— TONY MITCHELL,
AMERICAN FURNITURE
WAREHOUSE**



A worker uses a hand chisel to carve a space for butterfly joints on a dining table top.



A worker cuts boards in the lumberyard outside the plant in Zapopan.

International Furniture Direct wins with rustic designs, fast service

BY THOMAS RUSSELL

ZAPOPAN, Mexico — During a recent tour of his factory here, Carlos Ochoa takes visitors straight to one of the grittiest parts of the operation — the lumberyard that dries and processes the raw material that eventually will be sold as finished solid-wood tables, chairs, beds, chests and consoles.

The sound of saws fills the morning air as workers cut the wood into smaller pieces that will flow into International Furniture Direct LLC's factory less than 100 feet away.

At the three kiln dry units on site, Ochoa explains how various woods, nearly all of which are grown in Mexico, are dried for varying periods, depending on the species. This includes wood from a mango plantation in Mexico, in which he has an ownership stake, where the trees are grown and harvested.

With every step of the tour, the company's identity takes shape as the vertically integrated wood furniture manufacturing operation Ochoa has built over the years with business partner Jorge Barragan.

As with any furniture plant, the sound of machinery — ranging from saws and planers to sanders — also fills the air inside the facility. But much of the work is also done by hand, which gives the line much of its rustic and industrial design flair.

Inside the plant, Ochoa stops and talks about the process involving butterfly joints, just one of the factory's many bench-made capabilities. At another station, a worker is seen piecing together tongue-and-groove joints with glue and a mallet.



International Furniture Direct co-owner Carlos Ochoa stands by the company's new logo in the lobby area of its new corporate offices in Zapopan, Mexico.

But wood processing is just one facet of the operation. The company also has its own metal production facilities, including a foundry that heats and shapes metal accents used in case pieces, dining and occasional table bases and bar stools.

Metal processing has long been one of Mexico's strengths, as middle, upper-middle and high-end resources have flocked to various OEM suppliers for such components. IFD, once an OEM supplier of finished goods itself, now is a recognized and respected mid-priced resource that sells directly to the marketplace, thanks to its diverse capabilities.

At the Zapopan plant, the company devotes roughly 15,000 square feet to metal processing now. Responding to increased demand within the line — sales were up more than 70% in 2014 and up 100% through June of this year — the company is doubling the size of this facility. This expansion was well under way during the July tour, in which the company invited Furniture/Today and three IFD sales reps from New York, Canada, and North and South Carolina.

Today, the company has three factories — the Zapopan facility just outside central Guadalajara and two others in Puebla, which is farther southeast, outside Mexico City. Combined, these plants feature about 150,000 square feet of production space and 100,000 square feet of warehousing.

They also produce the same categories — which include bedroom, dining room, occasional and entertainment

— said Diana Zaldivar, vice president of sales and merchandising. The main difference, she said, is that the two facilities in Puebla primarily use pine, while the Zapopan plant uses more exotic species, including mango, parota and guamuchil.

IFD was created in January 2008 by Ochoa and Barragan, who were also owners of Epoka Muebles, the woodworking shop that Ochoa started in 1998 with three workers. His prior 15 years of experience working in his grandfather's workshop gave him a solid foundation to start the business, which originally produced armoires and tables.

In its early years, Epoka produced largely for the hospitality arena, serving well-known Mexico hotels. This helped the company grow and invest in new equipment and facility expansions, including finishing lines that today produce 7- to 9-step finishes.

By 2001, the company expanded its line to include bedroom and occasional tables and it became an OEM supplier to several U.S. distributors. This allowed the company to learn product specifications as well as other export requirements for the U.S. market.

Over the next several years, its reputation for quality goods grew with whole-home wood collections, including its popular Lodge collection.

Then in 2007, just as the company was hitting its stride as an exporter, a fire burned down its Epoka factory in Zapopan. The factory was rebuilt a couple of months later. But that same year, one of

its major accounts went bankrupt, leaving it with the financial burden of unpaid product.

Together, these calamities caused the company owners to rethink their strategy and determine how best to move forward.

In January 2008, Ochoa and Barragan created International Furniture Direct, which they would market as a dedicated, direct source of Mexican-made furniture for the U.S. and Canadian markets.

To support that vision, the company not only expanded its manufacturing facilities, but also its warehouse presence. Today, it has a combined 65,000 square feet of domestic warehouse space in Phoenix, Houston and Chicago.

It also established a factory-direct shipping program that has the ability to mix various categories on a less-than-full-truckload basis for multiple customers.

From its meager beginnings, the company has grown to employ about 1,000 production workers between its three plants.

IFD currently has about 1,200 active accounts in the United States, up from about 400 four years ago. It also ships about 35 full truckloads a week of finished product, which includes four-piece bedrooms that retail from \$2,299 to \$2,499 and five-piece dining sets (table and four) that retail at an average of \$1,399.

Over the years, thanks to its cheap labor, Asia has remained a major competitor. Still, the company appears to have many advantages in the marketplace, particularly as labor costs in China have gotten closer in line with Mexico.

In addition to its bench-made capabilities with solid wood and metal, the company is also competitive from a logistics standpoint.

As a North American producer, IFD not only saves money on shipping expenses. It also can ship product more

quickly to customers in the U.S. and Canada compared to its Asian counterparts.

Lead times on direct truck shipments from the factory are about five weeks. From the domestic warehouses, lead times average about three weeks.

The company also spends aggressively on new equipment and its facilities, having invested about \$5 million over the past five years.

"I need to invest all the time," Ochoa said. "If we stop, the company is done."

By paying a bonus to workers based on their productivity, versus large incremental increases in overall wages, the company also has maintained labor expenses at about 13% of the cost of finished goods. It also controls costs by producing all finished goods in-house, with the exception of upholstered dining chairs.

With a solid foundation of customers in the West Coast, the Southwest and the Southeast, the company now is looking to grow in the Northeast and Mid-Atlantic states, Ochoa said.

Through its showrooms at the High Point and Las Vegas markets, the company has an opportunity to attract new customers multiple times during the year.



This is the steel frame of the expanded metal-working operations at the Zapopan plant.

It also has reps firmly placed in various regions, including the Northeast.

Corey Decker, who represents the company in New York and New England, believes strongly in the line and continues pitching it to new and existing customers.

"They are not just pulling something off the shelf and putting it in a box with someone else's name on it," he said of the commodity nature of some goods from overseas. "That is a key for our success, too. It is all about the merchandising."

"It's not just cookie-cutter," added Barry Baxendale, the rep covering North

and South Carolina.

Top 100 furniture store American Furniture Warehouse has been buying the line for about 15 years, said Tony Mitchell, a rustic furniture buyer and specialist.

"The looks are great for our market here in the West," he said, in reference to collections such as Lodge, which he said really took off and "put them on the map. They are good at rustic and now vintage-type industrial. The line has evolved over the years, and their finishes have gotten better and better."

He added that other collections, including the Antique collection and Urban Gold, also have done well.

Just as importantly, he said, the company does what it says it will do.

"They deliver when they say they will, and you don't have the headaches with ocean freight," he said, adding that American typically buys full truckloads of the product from Guadalajara.

In addition, he likes the vertical nature of the business.

"The materials are local and they are casting their own hardware," he pointed out. "They are not as subject to supply chain disruptions as some guys are."



A worker guides a board through a planer in the machine area.



Final assembly is taking place on TV stands after they have been on the finishing line.



A worker is shown shaping a metal component. The barstool in the foreground shows how the company mixes wood and metal in a single piece.