

Washington operates in fast lane

American's sales already \$94M

By Gary Evans

PONTOTOC, Miss. — Although he's an owner of one of the industry's fastest-growing manufacturers, Gerald Washington is not one to base his business on an intricate, long-range plan.

"I get up every morning with a new system," says Washington, founder and president of American Furniture, a promotional upholstery producer. "I like to react fast and turn things around fast."

That strategy has served Washington well. By 2001, American had soared to \$94 million in sales since its 1998 launch, and the company says it can't grow fast enough to keep up with demand.

With 700 employees, American has 1.35 million square feet of manufacturing and warehouse space and expects to top 1.5 million by year's end, expanding through new construction and acquisition of facilities sold off by other manufacturers.

Ironically, one of the company's plants, bought in federal bankruptcy court, is a 500,000-square-foot facility once owned by Kensington Furniture.

Kensington was formerly Washington Furniture, which Gerald and his wife Ruby started over two decades ago, and later sold. Not only did American get the plant, but as Kensington floundered, American was at the right place with the right price points to pick up a good portion of Kensington's business and some of its old sales force.

Washington had built his namesake company to \$23 million in sales in 1986, when he sold it to Caraway Furniture, owned by New York investor George McFadden. Washington continued to run the company until he left in 1997, ending a 19-year relationship. By then, sales had grown to \$100 million.

Gentleman farming and other hobbies weren't enough to keep Washington engaged, so after a short "retirement" he introduced American at the April 1998 High Point market. A year later, Washington and McFadden were in talks about merging their two companies, but the talks fell through and Washington began looking elsewhere for an infusion of capital.

He found it last year in Clearview Capital, a Connecticut firm that specializes in the acquisition and development of mid-sized companies with operating profits of \$4 million to \$20 mil-

lion.

With Washington at the helm, it has been a good match, said James G. Andersen, managing partner at Clearview.

"He under-promises but over-delivers," said Andersen. "We as investors haven't been disappointed and we don't expect to be."

In addition to its focus on expansion, American Furniture has "a single-minded pursuit" to reach an eight-hour turnaround on orders, said Andersen — an ambitious goal in an industry that thinks a month is pretty quick delivery. To reach the eight-hour standard by the end of this year, the company plans to have \$12 million to \$15 million on its warehouse floor ready to ship.

"If you have price and quality and can deliver that fast, it's a home run in this industry," said Andersen. He said those factors were attractive to Clearview, and added that American is providing solid dividends and "does quite well" compared with public company profit margins.

"We also noticed that most companies didn't seem to be able to make money at the low end," he said. "We do make money and we believe we can dominate what is arguably the largest segment of the furniture industry, promotional upholstery."

Delivery is key to the strategy that allows American's 800 retailer accounts to promote, sell from floor models, and still have the product in the consumer's home within a short time.

Washington is proud that most of his dealers are small, with none accounting for large chunks of American's sales.

"Nobody's over 10%," he said. "That's the way it was planned. Look at how many people were destroyed by Heilig-Meyers and Montgomery Ward."

In keeping with its name, another part of the company's strategy is sticking with its own U.S.-made products.

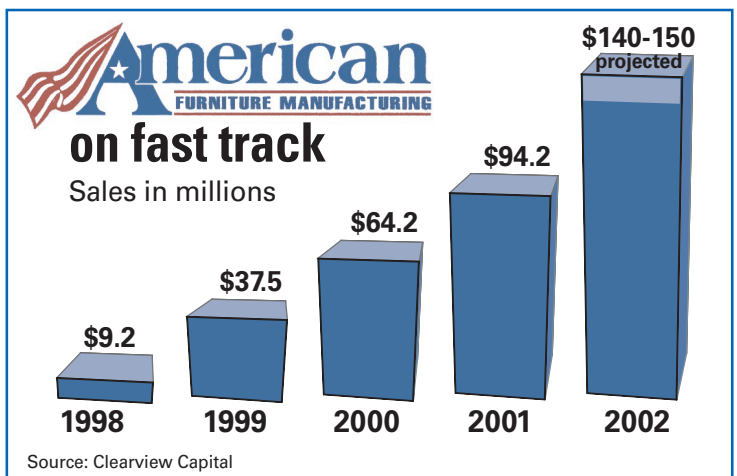
"We don't plan to import anything," Washington said. "I've seen too much trouble with importing. We just refuse to say it can be done over there (off-shore) cheaper."

He added that he sees strength in the \$299 to \$499 retail price points, a category supplied by fewer and fewer manufacturers.

"To go to \$599, you have to have a better selection of fabric," he said. "We want to go into the dirty window store with \$299 and sell him. Havertys' low end is



Gerald Washington, seated, and Jim Andersen in American Furniture's High Point showroom.



\$499, so we have a shot there too....

"American's customers look for value and delivery," he added. "They expect that. They want me to look at what's in the marketplace that's selling and replicate it. They expect me to do it better and a little bit cheaper."

Satisfying customers has helped American grow rapidly, including a 30%-plus sales gain during last year's recession. But the company is far from reaching its potential, according to Washington.

"We still have states without reps," he said. "We can grow with new territories, new product."

He also laments that the quick-ship program wasn't at full speed during the last tax refund season but vows it will be ready for the next. The company also plans to have an expanded recliner program going by 2003 tax refund time.

Although his education stopped at the fifth grade, Washington has an intuitive feel for the business that competitors say borders on the uncanny. And his early experience in cutting frames and working for other manufacturers gives him insight into running a business.

"I don't measure success on financial statements. I measure it off the number of pieces per man and the cost per piece," he said.

Andersen adds that Washington has built a good management team at American "and knows how to make furniture better than anyone, anywhere. He is also a shrewd businessman who has a very clear vision of what American Furniture can become."

"Unlike most company managers he insists on sticking to a few key principles and to keeping things simple whenever possible. I wish I had investments with more people just like him."