

Ikea's Swedwood gears up in Virginia

Swedish furniture giant's first U.S. factory starts production.

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Swedwood is ready to assemble a big business in Virginia. The Ikea manufacturing subsidiary's new plant has started production and plans an official opening soon. This is Swedwood's first furniture production factory in the United States.

Jorgen Lindquist, vice president of Swedwood North America (it's pronounced Swede-wood) said that production has started at the plant gradually in stages in recent weeks.

The Danville site, about 50 miles from Greensboro, N.C., was chosen over a location in Lexington, N.C. Danville had existing permits from an earlier plant project that was not completed, and this helped steer Swedwood to Danville, says Mike Sexton of the Virginia Economic Development Partnership.

A recent visit to the new plant was part of the Virginia Wood Products Media Tour, which also included visits to several cabinet, millwork and flooring companies. According to the VEDP, Virginia has attracted some 40 major expansion announcements related to wood products manufacturing in the 2002-2006 period, with a total investment of more than a billion dollars.

Swedwood acquired 209 acres in the Pittsylvania County community of Ringgold, just northeast of Danville City. The company has an option to purchase 69 more acres.

The first 930,000-square-foot building is complete, and was operational only 12 months after construction



began.

Jerry Mayo, engineer for A.G. Raymond & Co., says that Ikea's requirements were combined with U.S. standards to produce a building that is flexible and meets both American and EU standards.

"It was a design-build process," he says. "The layout was evolving at the same time the building was coming out of the ground. We helped them

Swedwood North American goals

- ▶ Reduce Ikea sourcing cost
- ▶ Secure supply for growing demand
- ▶ Reduce overall lead time
- ▶ Reduce currency exposure
- ▶ Reduce environmental and transportation costs

New Swedwood plant in Danville, Va., is ramping up into full production.

with the long-range development of the site layout."

Mayo was especially involved in the material handling between the machine lines and infrastructure issues

with heating, ventilating and cooling, the air compressor system and dust collection. The dust collection

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system is the most advanced Mayo has seen. The system will be able to save electricity by varying loads and motor speeds. Air Systems Mfg. of Lenoir was the system integrator.

“Ikea is very product engineering oriented,” A.G. Raymond & Co. president Art Raymond says. “They will engineer and re-engineer product

continually to try to drive cost down. They have a corporate goal of taking 3 to 5 percent of costs out of their total product line every year.

“It’s a completely different strategy than you’re seeing at American companies that are trying to go a kitchen at a time, cabinet at a time, as opposed to making thousands of the same thing. Swedwood is employing a manufacturing philosophy that goes back to

Henry Ford. For Swedwood, volume drives everything.”

Lindquist says that Swedwood plans to add three similar buildings at the same site, but there’s no timeline on when these buildings will be built or which products will be made. The first building will make Lack coffee and side tables from lightweight honeycomb panels, Expedit particleboard bookshelves and Besta furniture.

In Virginia, Swedwood currently employs more than 100, with 260 employees planned by the end of this year. Total employment could top 700. A second supplier to Ikea, a Polish textiles manufacturer, has announced

What will Ikea make in Virginia?

- Products with high freight costs compared to price
- Products with global supply constraints
- Products with low labor content
- High volume products



plans to locate in the area.

This isn't the first RTA plant in Southside Virginia. In an interesting twist, two RTA plants recently closed in nearby South Boston. O'Sullivan Industries and d-Scan, a Masco subsidiary, both closed their doors within the past two years.

The biggest box

There are 270 Ikea retail stores worldwide, mostly in Europe, with annual sales of about \$28 billion in 2007. North America, with 40 retail stores, accounts for about 15 percent of sales. Lindquist says that Ikea stores carry 9,500 SKUs, and 3,000 of these change annually. The company has 1,350 suppliers from 50 countries, and uses 31 distribution centers. About two-thirds of products are sourced from Europe and one-third from Asia.

Swedwood itself had sales of about \$1.7 billion in 2007, which would put it in the top 10 of North American wood products manufacturers. It produces about 15 percent of Ikea's total purchases. It has 38 factories (including the Virginia plant and another new operation in Portugal), mostly

Expedit shelves, left, are being made in high volume, a key to Swedwood's efficiency.

Besta RTA furniture, below, will be made at the new Virginia plant.

Lack tables, below left, are made of lightweight panels produced in the Swedwood factory.



in eastern Europe. More than half of the division's employees are now in Poland.

Overall, Swedwood aims to achieve high production efficiency in large process-oriented factories using modern technology and focusing on optimum use of equipment and raw materials. Each Swedwood factory is intended to concentrate on one produc-
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Jorgen Lindquist, vice president of Swedwood North America, met with press and Virginia officials during a recent tour.



tion technique, one base raw material and a limited product range.

In Danville, Lindquist says that wood product flow begins at the sawmill, then goes to either component or board production. From there, material goes into solid wood furniture, board and frame products, or composite panel furniture. Then on to a distributor and the Ikea store.

“By using cost-effective constructions, Ikea has been able to produce affordable products,” he says.

Lindquist explains that Ikea’s *over-tag*, or advantages, include strength in sandwich construction, kitchen cabinets and wardrobes, kitchen fronts, solid wood products and veneered furniture.

First plant and four lines

In the operation itself, major equipment suppliers include Homag and Stiles Machinery Inc., Burkle, Schelling, Biesse, Cefla, and Akzo Nobel finishes.

For the press line, Schelling supplied a large panel saw to cut panels.

Burkle supplied the whole layout and pressing lines for the HDF, particle-board stiles and honeycomb for making lightweight panels. A Paul saw is ripping particleboard strips into rails. Honeycomb core material is brought from Europe in a collapsed condition.

Lightweight panels are taken from press line and moved to the edgebanding area, which includes Homag edgebanding equipment, Holzma Powerline and Weeke machining center, along with Bargstadt handling equipment.

The Cefla print line includes surface treatment, Biesse RBO panel handling machine, Costa & Grissom sander with Sorbini ovens, and Costa & Grissom Serie S sander.

A woodgrain finish is applied in several steps using Akzo Nobel finishes. White, birch, black-brown and solid black can be applied.

The packaging line was assembled by Ligmatech and includes Ligmatech Profiline VRF 120 machines and Kalfass shrink wrap line. Products are packed flat in boxes.

In addition, a foil line is being completed that includes a Profiline

Site selection: Why Danville won

- ▶ **Distance to Ikea retail stores**
- ▶ **Availability of labor**
- ▶ **Sustainable supply of raw materials**
- ▶ **Availability of industry infrastructure**

KAL620 and Friz equipment. Foil would be applied on some items instead of finishing. Lindquist says that another print line and press line could also be added. (A new line for Besta products includes a Schelling saw, press line, and then foil.)

“Swedwood is willing and able to tear out a perfectly good machine line, and put in a new better version of that machine line to drive cost out of the product,” Raymond says.

Ikea’s time horizon is generally a long one.

“They have very long-range goals,” Mayo says. “They’re not afraid to do some things that may not have a quick payback.” ●