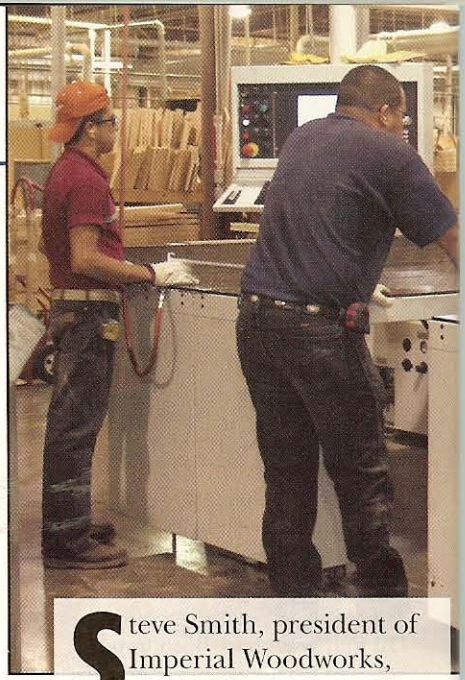

Four initiatives for growth

Despite a shrinking market, Imperial Woodworks is increasing its revenues by focusing energy on four specific areas.

by Ken Jennison,
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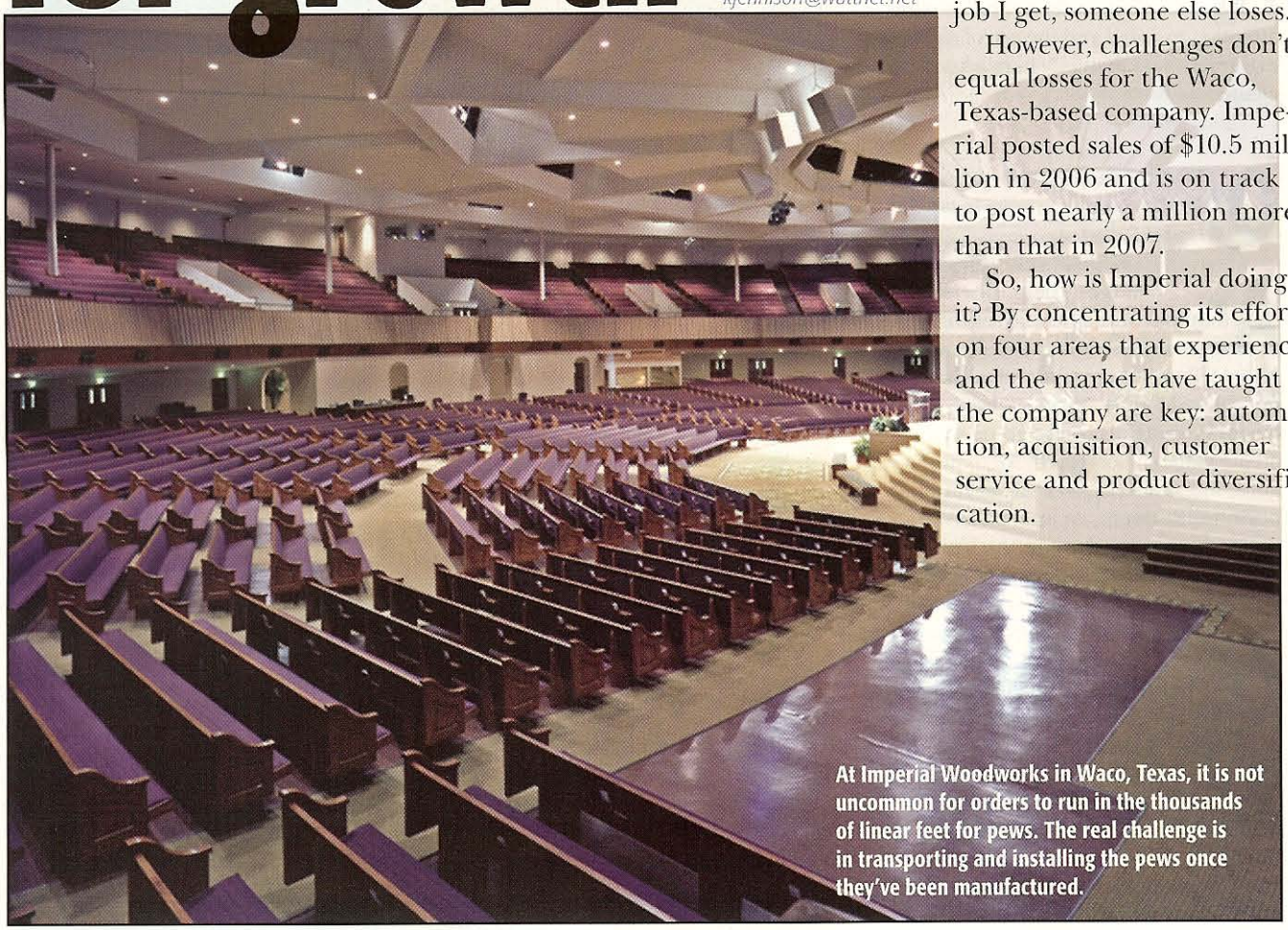
Steve Smith, president of Imperial Woodworks, will be the first to tell you that there are challenges in serving his market. "The church furniture market, the pew market, is a static, even possibly a shrinking one," he says. "You've got X number of dollars in the market. Every job I get, someone else loses."

However, challenges don't equal losses for the Waco, Texas-based company. Imperial posted sales of $10.5 million in 2006 and is on track to post nearly a million more than that in 2007.

So, how is Imperial doing it? By concentrating its efforts on four areas that experience and the market have taught the company are key: automation, acquisition, customer service and product diversification.



At Imperial Woodworks in Waco, Texas, it is not uncommon for orders to run in the thousands of linear feet for pews. The real challenge is in transporting and installing the pews once they've been manufactured.

One corner of Imperial's facility is devoted to storing and cutting sheet goods on a Schelling panel saw. Parts then go to a custom-built 16-foot cold press.

The four initiatives

1. Automation
2. Acquisition
3. Customer service
4. Product diversification

Plant Facts

Imperial Woodworks
Waco, Texas

Product: Church furniture

Employees: 75

Plant size: 100,000 square feet

1 Automation

According to Smith and Ryan Back, vice president of manufacturing, Imperial made a huge jump forward when it switched to automated equipment, a move which has helped boost the bottom line. The company purchased a Shoda CNC router in 2001, and recently followed that purchase with a Heian CNC router.

"The quality and consistency that you get with CNC equipment are unbeatable. It comes to work every day, it doesn't have sick children and it doesn't go on vacation," Smith says, adding "CNC equipment gives you the ability to deliver a much higher quality product on a much more consistent basis. Plus it's safer. The things we do today we couldn't do without CNC equipment. Not just volume, but the quality, the tolerance you can adhere to is so much better.

"Years ago we would get an order in and it would normally ship in about three months. Today, I get an order for one of our standard designs and we tell them it will ship in four to six

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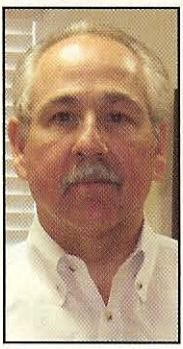


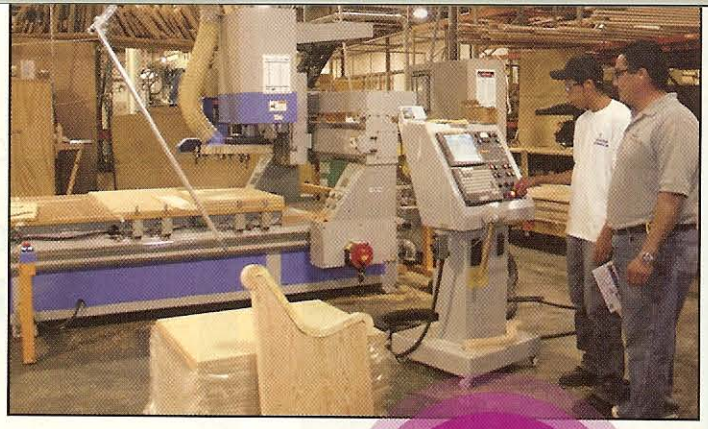
Steve Smith, president of Imperial Woodworks, says he is constantly looking for opportunities to expand the company's business.

Ryan Back, vice president of manufacturing for Imperial Woodworks has found that the delivery and installation of pews is often as difficult — if not more difficult — than manufacturing them.

weeks, but I want it gone in three. We under-commit and over-deliver, and we've now set up our processes to enable us to do that," Smith says.

2 Acquisition

Another aspect of Imperial's success is a time-honored tradition — buy out the competition.



Imperial's most recent purchase is a Heian CNC router, which is used for cutting out smaller, more intricate pieces, such as hymnal racks and communion cup holders.

Plant Video
Go online to www.fdmonline.com/video.asp to take a look.

In this case the competition in question was Overholtzer Church Furniture, a Modesto, Calif.-based church furniture company that closed in 2003 as a result of problems with the IRS.

Imperial acquired Overholtzer's assets — its equipment, client database as well as a number of sales personnel. Ultimately, Imperial determined it was not profitable to continue running the operation in California, so it closed the facility and shipped the machinery to Waco.

While the acquisition didn't necessarily increase Imperial's manufacturing capacity, it did benefit Imperial in several ways, perhaps most importantly by giving the company a strong sales presence on the West Coast. "We grew our business by one-third pretty quickly overnight," Smith notes.

3 Customer service

There are probably few, if any, companies that would not cite customer service as being important. However, at Imperial, Smith makes it clear to everyone where he stands. "I may make mistakes, but I won't tolerate it if you do," Smith says, referring to his staff. "As far as the customer is concerned, you don't get to make a mistake."

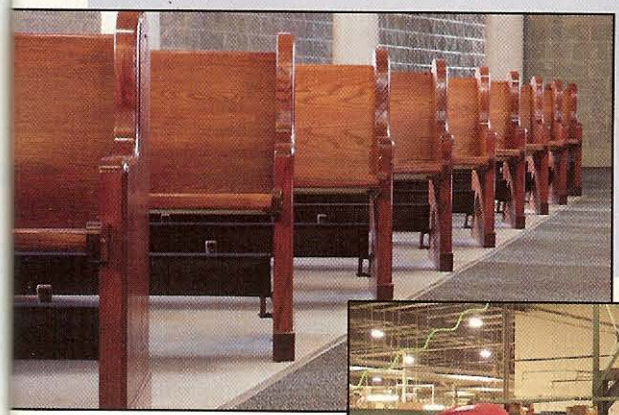
Smith cites one job where the customer ordered a particularly difficult finish that ultimately didn't work out once delivered. The customer, understandably upset, called Smith. "I said, 'Understand the things that set people apart are not when everything goes right; it's how they handle it when everything goes wrong . . . and that's

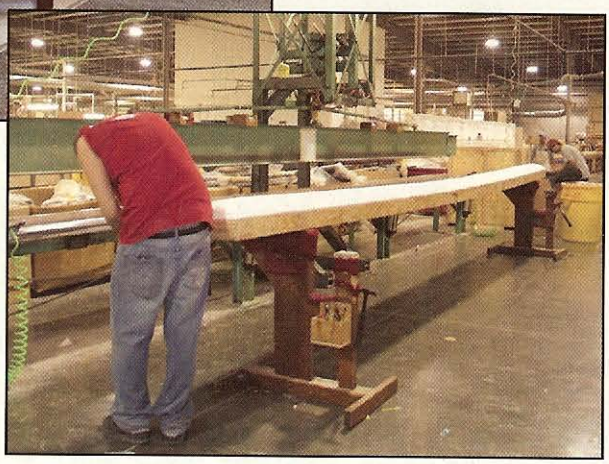
The church seating market

According to Steve Smith, president of Waco, Texas-based Imperial Woodworks, more churches are being built now than ever before, so overall, the money being spent for church seating hasn't diminished. However, what has changed is that more churches — particularly new churches, evangelical and charismatic churches — are using more "flexible" spaces. He notes that it is not uncommon that at different times a space may operate as a sanctuary, a fellowship hall and an educational space. In such a space, chairs are preferred to pews, which are essentially permanent.

In addition, theatre-style seating has become a player in the church seating market, particularly in churches that may offer something along the lines of a Christian rock concert. Theater-style seating allows for tickets to be sold to a specific, numbered seat, whereas pew seating does not.

"The difficult thing is that 50 percent of the people in the United States are overweight, so that's a challenge that makers of fixed seating applications face," Smith observes.





Creating a 20-foot-long seat requires some special processes and machinery. After foam is attached to a pew bottom, it is covered with fabric, flipped over, and placed under a 20-foot-long press that holds the foam down. This gives workers time to stretch and staple the fabric tightly over the seat.

where we're excellent,' " Smith says. Imperial moved quickly and fixed the problem, prompting the client to personally offer to give a recommendation for Imperial to anyone.

It is this kind of dedication to customer service and "getting it right" that Smith credits for much of Imperial's new and repeat business.

4 Product diversification

For a good part of its 47-year history Imperial's product line had been primarily focused on church furniture, with occasional forays into furniture for funeral home chapels and courthouse furniture. Recently, the company has been looking into other areas in which it can expand. In 2004, the company added chairs to its product catalog, which increased its sales volume by $1.5 million.

"The primary focus for us in the chair market is to offer and sell what we make for a worship environment. In the hospitality environment — hotels, motels, convention centers — they have the same kinds of meetings. We've got that product. So, as we look down the road, we may see if we can get our product in front of those customers." Custom conference tables are another cross-over item that Smith thinks they can produce and sell.

Making pews

Imperial's current manufacturing facility was built in 1999. One corner of the facility is devoted to storing and cutting sheet goods on a Schelling panel saw. Parts then go to a custom-built 16-foot cold press.

Most of Imperial's products consist of an engineered board core — par-

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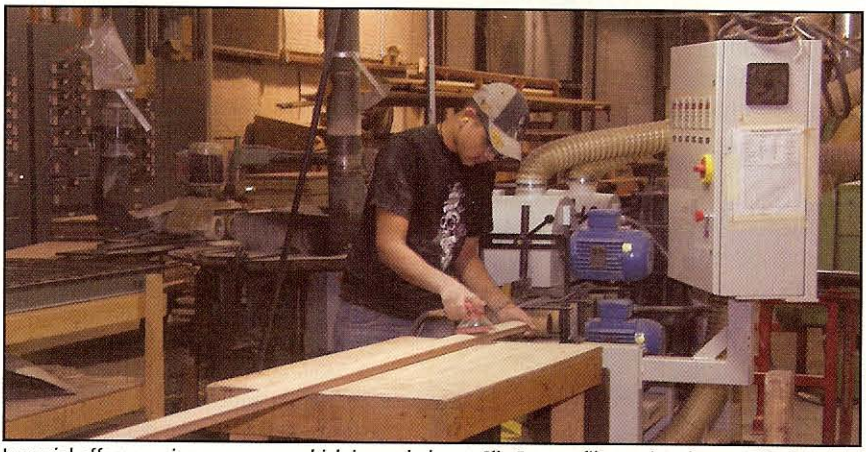

Imperial offers a unique pew cap, which is sanded on a SlipCon profile sander, then touched up by hand with an orbital sander.

ticleboard, MDF or OSB — and edged in solid wood. Appalachian red oak is the solid wood used the most, though Imperial also does some work in cherry, alder, maple and beech.

After panels are done at the cold press, they go to a Shoda CNC router, which is dedicated to cutting out pew ends and supports from the core panels. From there, they get a solid wood edgebanding that is glued with an L&L RF machine. The pew end is sanded flush on a Butfering widebelt sander and then goes back to the cold press to have the veneer applied to both sides, which covers the core panel and edgebanding.

Nearby, a Heian CNC router is used for cutting smaller parts, such as hymnal racks, communion cup holders and chair parts. The Heian is also used for cleaning up around the edges of pew ends. Pieces are sanded again and then go to the finish room.

A Weinig moulder obtained from the Overholtzer purchase has recently been brought up to speed, easing the creation of Imperial's unique pew cap. A smaller, standard cap rail is outsourced. "The cost is the same for someone else to make that particular cap rail, so it doesn't make any sense for us to spend the time to do it," Back says.

Pew caps are sanded on a SlipCon Profile Sander, a significant change from Imperial's previous process, which was to have each pew cap sanded on a large open stroke belt sander. Given the length of the pew caps — often in excess of 20 feet — the SlipCon has been a welcome addition to the shop, Back says. Touch-up is done with a hand orbital sander.

In the center of Imperial Woodworks' facility is a "shop within a shop," where craftsmen build smaller pieces, such as pulpits, communion tables and altars.

Pew backs

For pew backs, foam is applied to a wood surface with adhesive, then covered with fabric, put under a long press and then stapled into place. After the foam and fabric have been attached and secured, a custom press pushes the pew cap down on the top of the pew so it can be nailed into place.

For pew seats, foam and fabric are positioned over the length of the pew seat and placed under a 20-foot-long custom press. Once the press has pushed the foam and fabric flat, the fabric is stapled into place. When the press is lifted, the foam expands and fills out the seat.

Imperial also offers pew seats with springs, as opposed to foam on wood. For these models, seats are run through an automatic spring clip machine, which attaches the clips to the seat frame; these clips will ultimately have springs attached to them and be covered with foam and fabric.

continued

Chairs

For its chairs, Imperial imports metal chair frames from China as well as components for certain wooden chairs. The metal chairs are assembled and cushions are cut, prepared and installed at the plant. Wooden components come in raw, so they are sanded, stained and finished prior to assembly.

Between the pew end manufacturing area and the upholstering area is essentially a "shop within a shop." Here, individual craftsmen make pulpits, communion tables, altars and other individual pieces that tend to have special design requirements.

In the finishing room at the far side of the Imperial shop, staining is handled in two ways. Small pieces are currently done by hand, dunking them into a stain tank, then removing them and wiping off the stain. Larger pieces are stained with an air mix spray gun system. Imperial is currently in the process of changing from hand staining to just working with spray-no wipe finishes.

Back's hope is to install an in-line finishing system at some point in the not-too-distant future.

Always a place

According to Smith, Imperial ranks second or third in size within the church furniture market. "That should tell you how small the industry is," he notes. "We're a small company, but in our industry, we're one of the bigger ones."

Nonetheless, competition remains. "You've got a ton of folks that do $1.5 to $2.5 million a year," Smith says. "What's interesting is that years ago, none of those people would have had CNC equipment. Today, they may have CNC equipment, but it might be the most basic router that you can get. Those are the people we compete with. They may service a fairly small geographic area, so we go all over North America and up into Canada. We'll even ship overseas two or three times a year."

However, competition doesn't concern Smith too much, particularly as the company continues to look at ways of expanding and creatively building revenues. "I think we'll always have a place in the worship market," Smith says. "Will it be big? No. But that's okay. Because the advantage to not being big is that you don't see a General Motors, you don't see a Maytag, there are no big players; the market's too small." ●

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