

## A SMALL BUSINESS GROWS IN CHINA

**With more firms looking to streamline production and boost their bottom line, here's one that found success moving some - but not all - manufacturing overseas.**

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NEW YORK (CNNMoney.com) -- Faced with limited resources and stiff competition, one small firm discovered that moving some manufacturing overseas not only increased sales and profit without sacrificing its entire U.S. work force, but gave it the competitive advantage it needed to thrive.

Hollander Home Fashions, a family-owned bedding business based in Boca Raton, Fla., currently manufactures one-third of all pillows sold in the U.S. But it had struggled to provide a high-end product and still keep a majority of its production stateside.

The company - started in 1953 by Bernard Hollander and now owned and run by Bernard's grandson, Jeff - faced significant obstacles within the home fashions industry due to low margins and competition from major manufacturing mills.

That's when Hollander took a cue from big businesses seeking exposure to global growth and bigger returns, and ventured into international waters.

Today, Hollander, marketed under its own brand and licensors such as Laura Ashley and Simmons Beautyrest, sells to retail giants [Bed Bath & Beyond](#) ([Charts, Fortune 500](#)) and [Costco](#) ([Charts, Fortune 500](#)) and brings in \$300 million in sales.

"(My grandfather) streamlined warehouse space and inventory," Hollander said. He set the precedent going forward that "everything we do needs to add value to the consumer."

To that end, the business began looking abroad for high quality fabrics at low prices about 15 years ago.

"Germany had better fabrics but price points were high, so we started working with suppliers in Asia," he said.

That's when the company discovered opportunities in China to develop fabrics with higher thread counts, which could add significant value, Hollander said.

Instead of importing the raw materials to the U.S., Hollander also found that there was also a substantial discount to cutting and sewing the fabric in Asia, thanks to a large and inexpensive work force.

"We are able to deliver a much better product with low margins," Hollander said.

But the decision to manufacture overseas meant fewer U.S.-based jobs and added concerns about quality control.

To strike a balance, Hollander established a few factories in China, where fabric pillow and mattress covers could be cut and sewn and then shipped to the U.S. for finishing touches at the company's own domestic mills.

At the same time, Hollander automated some functions such as processing the polyester fillings.

In order to streamline the process in China, Hollander maintained in-house production with company-owned facilities and staffed the plants entirely with local workers - including a general manager who had previous experience running a Chinese feather and down business.

Although Hollander admits that it costs approximately 1 to 2 percent more per item to have pillow and mattress covers finished in the U.S., he says that "being able to maintain the quality ourselves makes a huge difference."

In addition, the company has preserved nearly 1,000 U.S.-based manufacturing jobs.

Now Hollander operates five feather and down facilities in China in addition to nine plants in the U.S., and manufactures 150,000 pillows a day, or 30 million pillows a year.

Hollander credits the company's balanced production for its ability to keep jobs in the U.S. while fueling growth as a leading maker of pillows, blankets, comforters and mattress pads.

By outsourcing certain functions to China, "we've been able to grow our business tremendously," Hollander said.