

'Cubicle' isn't a dirty word to this businesswoman

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For the last nine years, Michelle Swanger has thought inside the box. That's why she isn't in a deeper hole.

Swanger sells cubicles. Not the fancy kind, but functional, inexpensive workstations. She's selling a commodity, clear and simple.

That was her concept when she started Dallas-based Cube Solutions LLC in the last recession. She stuck to basics during the boom. Now she hopes the cheap stuff will pull her out of the bust.

"As a small business owner, you have to know what you do well," Swanger said over coffee recently. "When you start putting more than a toe outside that box, you get in trouble. We've always been a price-oriented business."

Buying furniture isn't a top priority right now at most companies – at any price. Her sales are half what they were a year ago. Operations have slid into the red.

"December, January and February were scary bad," Swanger says. March and April were better. Her fingers are crossed for a profitable May.

That's because she cut costs further, whittled down contract hours, didn't fill several vacancies, warned vendors of slow pay and renegotiated her warehouse lease.

"You have to be open and honest and keep the communication flowing," she says. "And we do."

She also launched an aggressive assault on companies that might be in the buying mood.

"It's a cool time to have a small business or start a business," says the 44-year-old, who was 35 when she started her Internet company. "They are not interested in getting the latest, greatest, funky stuff. They're looking for functional, attractive and affordable – something they can add on to as they grow."

She can relate.

Cube Solutions was her solution to being pretty much unemployable in late 1999. She was about to give birth when the remanufactured office furniture company she'd been working for closed shop.

"I was obviously pregnant at eight months, so I didn't have a lot of options," Swanger says.

Six co-workers, including a pregnant colleague, joined her company even though she couldn't pay salaries.

Milk to bourbon

"The funniest picture we have from the early days is of the inside of a tiny dorm fridge that we bought for \$10," Swanger says. "There were two bottles of breast milk, a Yoo-hoo chocolate milk for one of the older kids and a bottle of bourbon. I thought, 'This is exactly what our company is all about.' "

At the outset, they worked as consultants, splitting the net profits of each project evenly.

"A lot of dot-coms had folded, so there was plenty of very nice, hardly used, pre-owned furniture," Swanger recalls. "We started flipping – finding used furniture and reselling it at bargain prices."

All seven originals are still at the company, along with three others who joined shortly thereafter.

"There's been a lot of trial and tribulation, but we're all still here," says Phil Plasko, who heads operations and foreign sourcing. "We all have our strengths and weaknesses. We let each other do what we do best."

After two years, Swanger could afford salaries, followed by insurance and 401(k)s. The company switched from used cubicles to importing and selling clones of Herman Miller's midrange Action Office line.

"We're an Internet-based business that sells internationally," she says. "We bring it here, put it together with the fabric and then ship it to an installation company in that area, and they install it for the company."

Study Island LLC of Dallas, an online instruction and educational testing company, hooked up with Cube Solutions five years ago.

"Initially, we were cheap and needed someone local who could provide custom cube configurations," says Alan Skinner, director of technical projects. "They responded and delivered exactly what we asked for."

Now he's looking for customization when he buys 20 to 30 cubes at a time. "They're able to give us that," he says.

Apryl Iley, operations manager for Swingle Collins & Associates, was about to buy used furniture for the Dallas property and casualty insurance agency when she heard about Cube Solutions' clones.

"We'd gotten quotes for new, and it was crazy expensive," she says. Another company wanted \$22,993 for five brand-name workstations. "Instead, we bought 11 new cubes for \$1,100 to \$1,500 each, for a total of about \$14,000."

The limitation is selection. There are choices in fabric, but the frames come in one basic metal color. "It was a no-brainer, given the price difference," Iley says.

Offshoot opportunity

Last year, Cube Solutions had \$5.5 million in sales and was marginally profitable. The year before, sales were \$5.2 million. "We've grown steadily but never thrown down big numbers," Swanger says. This year, she'll be happy with \$3.5 million in sales.

She's found an offshoot opportunity from the recession.

Companies downsize or go out of business, or a bank suddenly owns cubicles as collateral. Landlords go into buildings and find tenants have disappeared in the middle of the night, leaving hundreds of workstations behind.

Most of them want to get rid of the cubes for what little they can fetch – if anything. Typically, Cube Solutions doesn't buy used goods, but it will take them on consignment, Plasko says.

"Depending on their time frame, we'll sometimes take it, warehouse it for free, market it on the Web site and then split the profits," Plasko says. Sometimes landlords just want their space cleared immediately. "We may remove it at no cost to them, and then sell it to recoup our costs."

Swanger is cautiously optimistic about the future.

"If people just see a glimmer of hope, things will start churning again. If that happens, we'll survive, because we're good at what we do."

