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The furniture value chain that extends from the forest to the consumer's home is broken.

Let me share some interesting comments about the furniture industry with you...

"This industry has always believed that there are only two ways to stimulate business. Bring out something new or cut prices.

The cutthroat competition in the furniture industry is a disservice to the consumer. With rare exception furniture companies have neither the time to develop new designs nor the money to undertake market research. Consequently, most manufacturers are ignorant of consumers' needs. They simply produce a bewildering variety of styles and variations each year and wait with fingers crossed to see if buyers for the nation's furniture outlets will like them.

One result of the chaotic marketing policies is that furniture has been losing ground to other consumer industries. While the share of disposable income spent on services, automobiles, and other consumer items has been growing, the share spent on furniture has been static.

The furniture industry then is ripe for change."

Those words belong to Thomas O'Hanlon, a writer for *Fortune* magazine. He wrote them in 1967. That's right, 1967 – 37 years ago.

You can recognize much of today's furniture industry in O'Hanlon's words. The major change that has occurred since 1967 is the shifting of production from the traditional furniture making towns of western North Carolina to southeastern China. Arguably that tactic has not solved the chaos in our value chain and in fact has brought on a virtual civil war in our industry.

Lots of smart people with lots of money and a will to change have come into our industry since 1967. But most have left the industry perplexed by its intransigence and with less money in their pockets. That is a shame. We need smart people and investment capital in this business.

To participate in the so-called retail revolution, to regain a solid share of the consumers' wallets, we must transform our industry. I'm not talking about a simple change in how or where we manufacture our products. I'm talking about a stem-to-stern overhaul of the entire value chain that focuses on the end consumer and works backwards.

An industry is made up of its participants. All the roundtable discussions in the world cannot cause an industry to change magically. Transformation begins with individual people and individual companies. And quite frankly, such a change is risky. Failure will accrue to those who stand fast in today's mentality or make the wrong moves in reaching for the future. Success will come to the brave and creative.

For those willing to consider such a change, here are some thoughts for you to consider...

1. **Start with your consumers' dreams** – Everything starts with a consumer taking her credit card out of her wallet. Nat Ancell, the founder of Ethan Allen, said it best, "We are not in the business of selling furniture but of creating beautiful homes." Your consumer is not looking for a cheap brown wooden box in which to store her clothes. She's looking for help in beautifying her family's world. That understanding must be your starting point.
2. **Think customization** – Consumers have shown a willingness to pay higher prices for customized products like window blinds, kitchen cabinets, and yes, even furniture. The technology to offer customized style, color, size, and functionality is available outside in the exhibit hall.
3. **Think speed** – Making consumers wait eight weeks for their furniture is a poor response to her needs. Ikea is the world's biggest furniture retailer. The ability to offer their customers instant delivery just probably contributed to their success. Without question, logistics is the battlefield where your future success will be determined.
4. **Think beyond your walls** – Your big, audacious goal must be to offer your target consumer the right product in the right place at the right time for the right price. To do so, you absolutely have to cooperate with everyone up and down your value chain. The level of cooperation I am talking about requires trust, that type of trust that is engendered when everyone believes that all members of the value chain are interested in the other's welfare and success. It goes without saying that the furniture civil war currently underway is not an example of that type of trust.
5. **Think information** – Customization, speed, and cooperation require the real-time flow of information up and down the value chain. A revolution in furniture will not occur without huge investments in information technology.

The business model *du jour* in the furniture world is the integration of manufacturing and retailing under a single umbrella. Such a structure can enable the consumer focus, customization, speed, and information flow that I described above. But structure is not execution as my wife's 14-week wait for a sofa from a well-known integrated furniture company proved.

Many have heard me speak about the success of the kitchen cabinet industry. That business is also seeking to beautify your consumers' homes. Cabinetmakers are your competitors. They have combined the attributes of consumer focus, customization, and speed to capture double-digit growth and profitability. Some of your consumers have been willing to spend \$15-20,000 to remodel their kitchens. How often does a consumer drop that amount in a furniture store?

The potential rewards for transforming our industry's value chain are huge. Capturing the same share of consumer spending that furniture held in 1967 would add \$35 billion to our industry's coffers. That's an increase of about 50%. Add to that the billions of excess inventory that can be stripped out of the value chain. As with all change, there is risk. But the potential rewards seem to be worth the bet.

Let me conclude by repeating a statement I made at last year's Roundtable...

**THE FURNITURE INDUSTRY IN THE US HAS NO FUTURE UNLESS WE FIGURE OUT HOW TO
CREATE DEMAND NOT JUST FILL IT.**

And by the way, if you have a dream of transforming the furniture industry, see me after the Roundtable.
I share that dream, and I'd like to help you reach it.

- Art Raymond

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