

# Furniture Today



Business Intelligence for the Furniture Industry

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## Where's the opportunity?

At the start of a new year and a new decade, industry leaders share their vision of the challenges and the opportunities to come. p12-15



### Inside This Issue

#### DirectBuy embraces digital-first change of strategy

Three years after CSC Generation acquired the retailer out of bankruptcy, its business model and strategy for growth is evolving with an eye toward a "very large digital business." [02](#)

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#### By the numbers

Total U.S. furniture and bedding sales, projected 2024

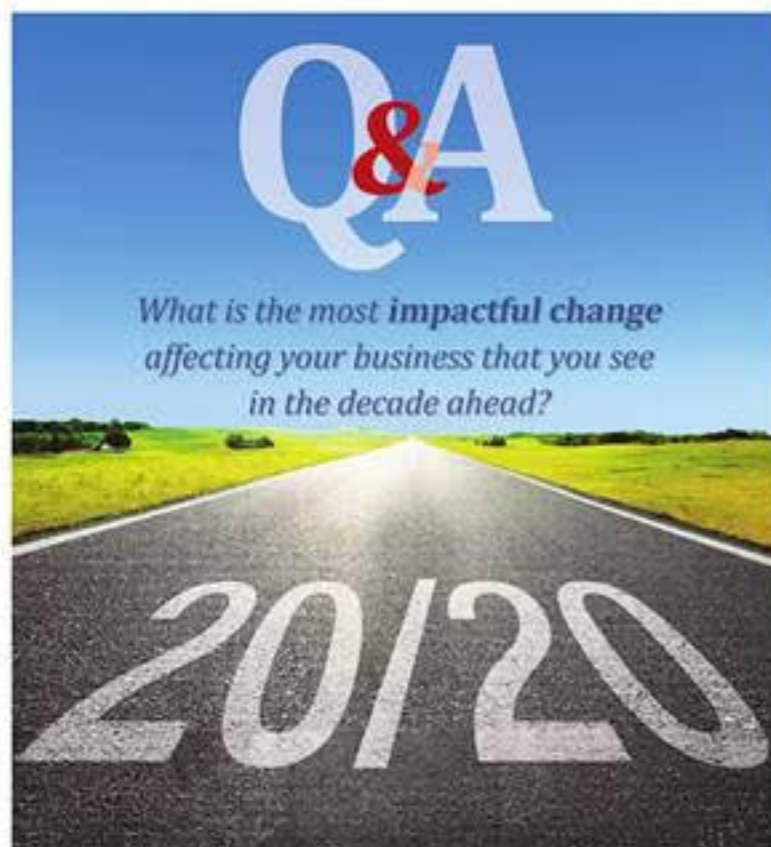
**\$139.4 billion** **21.7%**  
from 2019

Source: Strategic Insights, 2018 Furniture Today survey, and Esop Analytics Software Inc.

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## What is the most impactful change affecting your business that you see in the decade ahead?



**Mohamed Amin,**  
president  
Lazzari Chair

I see two major impactful changes for the next decade. First will be the move of the supply chain completely out of China to Vietnam and other countries and the challenges this move creates. Second is the impact of the technology and the Internet on consumer shopping.



**Kevin Goeman,**  
president  
Hickory Chair

As a manufacturer in Hickory of almost everything that we sell in our product line, we are a substantial employer in Catawba County (NC). Much of our challenge now and in the years ahead has to do with both managing our costs and attracting and retaining our talented employees.

We have proprietary processes and manufacturing techniques... that allow us to be nimble enough to produce a custom, workroom-type product but with the scale and value of a mass-

production facility. We have incredible suppliers who understand our model and deliver materials daily that are consumed within 48 hours of arrival, so we avoid many of the material inventory costs that plague so many manufacturers.

But one of the costs that continues to challenge us... is health care and prescription costs. These costs continue to skyrocket and are one of our biggest concerns over the next 10 years. Prescriptions have historically been 10% to 20% of our overall health care costs, and those could soon be 30%. ... We use benefits such as our medical and prescription plan, along with an on-site physician's office in our factory, to... attract the best talent in the area. Due to the significant rise in overall health care costs, these artificial benefits have become an increasingly costly cost for our business, and the outlook is deeply concerning.

We are fighting every day to root out costs so that we can keep it from creeping into our product value, while continuing to make Hickory Chair the most compelling place to work in the Hickory and Catawba County areas.



**Anely Bray,** president  
Berglund Furniture

The two most impactful trends that will affect the next decade are demographics and e-commerce.

As Baby Boomers age out, they will be replaced by a new generation with different values and lifestyles. Boomers have grown to be great consumers of furniture, and their waning demand will create noticeable shifts. The younger generation in the cities will continue, and there will be a substantial increase in renters, and by necessity furniture will need to be scaled smaller.

Income (inequality) will affect both ends. The rich will be much richer, and the carriage trade furniture business will return with a vengeance. While it's hard to predict style trends, we already see traditional coming back. It's not traditional style as much as a new appreciation for the details of craftsmanship, artistry and design. At the bottom, there will be less disposable income, and it will generate much more price-point driven business.

E-commerce will have a catalytic change in channels of distribution. ... The big winners will be FedEx and UPS. Furniture design will need to accommodate smaller cubes and lighter weights. Initially e-commerce will drive prices

down, but it will level out. I think that we can expect to see the emergence of boutique retailers with highly specialized products. Successful retailers will blend e-commerce with bricks, and consumers will expect increasing speed of fulfillment.



**Ray Calzavara,**  
president and CEO  
Craftmade Furniture

It will be the impact of e-commerce on the retail landscape. It's currently in the 15% to 20% range today, what will that number be in five or 10 years?

This will impact both the brick-and-mortar retailer as well as the manufacturer. Which e-commerce companies will figure it out, and which ones will continue to lose money? At some point it must become profitable.

What will the brick-and-mortar landscape look like? We see the smaller dealers having a more difficult time competing with the larger regional players. It is difficult to compete from a buying power standpoint, but more importantly an advertising expense standpoint. If retailers are not advertising today, they are losing it much worse than the ones that are.

All brick-and-mortar retailers must up their games when it comes to the customer shopping experience. This is the best way to compete with e-commerce. Consumers must enjoy the in-store shopping experience if they will continue to shop that way. Look at how well RH has improved the in-store experience in shopping for furniture: improved lighting, paint, carpet, well-trained sales associates, good quality products and not necessarily the lowest price.



**Stuart Carfagna,** CEO  
Eclipse International

The legacy bedding brands will become less meaningful as they continue to go direct to consumer through their own stores, Grayscale and other Internet channels such as Amazon, Wayfair and Overstock.

We see a great opportunity with other retailers to form partnerships with our brands married to private-label programs. A private label made by Eclipse or Eastman House that dates back to the late 1800s gives tremendous credibility to the line.

Retailers have a lot of trepidation about competing against their own vendor partners. Instead, they are learning

to alternative brands like Eclipse and Eastman House that can supply them with quality products and a history of staying power. Through our portfolio of brands and our collaborative approach with our manufacturing partners, we can deliver proprietary designed products that stand out in retail floors.



**Jeff Chitt,** president  
WC Willey, Salt Lake City

I think the most impactful change affecting business is going to be change. There are a few changes that we can think about right now. I'm sure in [the next] 10 years there will be changes coming that we haven't even thought of yet.

1. Shifting values and expectations will impact consumer habits. These changes will have a huge impact on our business models, how we employ associates and how we communicate with our consumers. Technology will have to help us incorporate new methods of addressing consumer needs and expectations.

2. I think "big data" and artificial intelligence will be needed to stay viable as the consumer search [for address] needs they have.

3. Economic uncertainties will have great impact as automation continues to grow, debt continues to rise and a decade without a major recession comes to an end.

I think the decade ahead will be radically different than any we have seen before. It will be dangerous to those who don't keep up with the incredible rate of change, but it will offer opportunities that we can't anticipate. If you don't have a clear sense of where we need to go and how we are going to get there, this decade will be devastating. But someone always benefits from change. It just needs to be us.



**Nathaniel Christman,** CEO  
Magnusen Home Furnishings

I think the importance of delivery and supply is just going to continue to evolve. I think that is probably the big one. It's going to be more and more key as the years progress. Also of importance will be managing cash flow and on-time performance. Certainly this year has been choppy with a lot of outside dynamics.



**Kurt Darrow,**  
chairman and CEO  
La-Z-Boy

The furniture industry has been dynamic for the past few decades and will continue to evolve at a rapid pace. Sourcing and distribution landscape continue to change, and companies need to be able to respond to these changes.

At La-Z-Boy, we are engaged in the rapid speed with which we need to adapt to ensure that we continue to deliver high-quality furniture with more customization options quickly.



**Mike Hall,** CEO  
Georgia Furniture Mart,  
Norcross, Ga.

Staying in the retail brick-and-mortar business and continuing to grow will, among other factors, greatly depend on the retailer's development and management of an excellent and engaging online experience. I believe it MUST be far beyond what the best players in our industry offer today.

This will prove to be highly difficult and expensive for those that succeed due to the ever-increasing rate of change and available technologies. We will all face the incredible challenge of deciding when to go "all in" on advancing technologies. Adapting too early is usually a big mistake and very expensive due to rapid improvements and developments surrounding a new technology. Failure to adapt or being too late to the party will prove to be disastrous for certain.



**Jeff Harris,**  
president and CEO  
Furniture World South,  
Jamison, Va.

One of our key initiatives for 2020 and beyond is to continue to focus on our client's shopping experience, both online and in-store. The most impactful change will be addressing how our client wants to shop for and purchase our products and services. We believe in the in-store experience, but we also recognize that the wants to explore online for inspiration and information before committing to the in-store experience.

Just within the past couple of weeks we've launched a new order-entry system. This was a huge project for us, and it has completely enhanced the in-store experience for customers. It's a lot more efficient. We're giving change several times their own (Pah, they're now completely mobile so they're able to stay

with the client and never have to leave them [to gather information on pricing or product specifications, for instance].

This, in turn, leads to a quicker path to purchase, and at the same time, the customer just gets a much higher level of service. We're just now transitioning to this, and with anything new, there's a learning curve [sic] they make this a new habit, but it's making the overall shopping experience better and making our sales associated more efficient in their use of time.



**Colin Haines,** CEO  
Purotek

Looking ahead, we can expect the industry to really embrace -- and act on -- the plethora of data and insights we have access to. Research with regard to consumer habits, preferences and tendencies will take center stage and will likely impact how the industry takes shape in the years to come.

Additionally, getting through the cluster to sell a compelling story about your brand will continue to be a challenge. Today, the top mattress manufacturers are spending hundreds of millions of dollars on advertising, and in turn, consumers are finding themselves inundated with information and conflicting mixed messages about what and where to buy. We're all hard pressed to find a solution to this obstacle and deliver an overall more enjoyable buying experience to the consumer.

In the decade to come, companies such as Intellect are poised to push ahead by offering real behavioral and true intention, not a halfhearted promise of selling old outdated technology. Research shows that 84% of buyers start all the sales process from a referral, and as we look ways to add value of our potential reviews, companies offering truly valuable and differentiated products will emerge.

Data impacts all of our decisions, so it makes sense that consumers will continue looking to it more and more in order to find the best mattress options offering real health and wellness benefits.



**Angela Hsu,**  
SVP, marketing and  
e-commerce  
Lamps Plus

We expect our business to place a higher importance over the next decade on engaging customer emotions and elevating expectations with exciting technologies. Successful retailers will create

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# QA

## What is the most impactful change affecting your business that you see in the decade ahead?

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emotional connection as consumers are more likely to engage brands that appeal to their emotions. We will continue to provide a personalized experience with proprietary products that consumers love and exceed their expectations in ways we cannot even imagine yet.

The next decade will see an evolution in the retail experience through technology and the need to consistently improve the next generation of customer experience to exceed expectations. Technologies such as AI, AR/VR and voice will also continue to expand and improve.



**Andrew Koenig,**  
president  
City Furniture,  
Smyrna, Pa.

Digital revolution in retail, Amazon, Wayfair and other technological companies and advancements are changing the game for retail and furniture retail, and we need to become technology experts to play the digital retail game as strong as they are. That's digital marketing, technology to improve the customer experience from marketing on our website, in our stores, during delivery and after the experience to make it a frictionless experience. At City, we're 100% focused on becoming digital experts in all aspects of our business and going all in on this digital journey.



**Christiane Lemieux,**  
CEO and co-founder  
The Trade

Gen Z, the group born after 1995, will start buying furniture in the next five years. Speaking from first-hand experience with my own two kids, this is a generation that cares deeply about sustainability, making purchase decisions based on brands that are environmentally conscious, and furniture will be no different.



**Steve Lush,** president  
Plus North America

The only thing we're sure of is there will be a lot more change shifting distribution channels, continued growth in e-commerce, changes in consumer tastes and buying patterns. We see a big opportunity in special order business and are building a special order factory in Mexico to fulfill our customers' needs.

And trade wars and tariffs, while we hope the current situation can be resolved soon, this may continue to be a threat in the next decade. We continue to expand our factory base to avoid outside China to help mitigate the tariff risk, as well as to fill specific product or service needs.



**Tim Newlin,** VP marketing and product management  
Flexsteel Industries

Consumer buying behaviors are evolving, and digital is king. This creates opportunities for agile, forward-thinking manufacturers and retailers to differentiate themselves by looking at omnichannel buying experiences.

Flexsteel intends to be a strategic partner to our strong brick-and-mortar retailer base by making it easy for them to create a cohesive digital and retail experience that grows our shared business. We will do this by enhancing our core competencies with a focus on product, programs and support assets that provide an unmatched overall customer experience.



**Donick Ng,** president  
Lifestyle Furniture

Currently, the Internet is what affects our business the most and has completely changed how we look at furniture production. When we introduce new products, we now need to consider the structure and packaging to see if it's "Internet-ready" for our customer.

The marketing and sales of products have drastically changed as well. We are

able to provide image, video or even 3D imaging of our product as needed. As 3D printing technology progresses, it will eventually affect all manufacturing sectors including furniture.

We also are currently experiencing major sourcing shifts, primarily due to China tariffs, resulting in "supplier migration" from China to Vietnam, Malaysia and other countries. This shift is putting a strain on the production capacity and scheduling for these countries.



**Floyd Rafshka,** senior vice president  
Allison

The most impactful change affecting our business in the coming decade is the need for a more diversified manufacturing approach. Since the end of 2018 and the trade war between the U.S. and China, we have seen what the impact of uncertainty and higher prices can do to our industry. Although it has been tough, Allison sees a huge opportunity heading into the new decade and beyond to diversify its manufacturing, which we already have done. We have big plans that are exciting and we are excited to announce them as early 2020.



**Guy Ray,** CEO  
Minutah USA

Being able to capitalize on the realization that uphomed furniture will be sold through Internet and e-commerce channels, its effects are undeniable. The consumer's acceptance to buy products sight unseen is real, and we must face the fact that this is a permanent change in consumer behavior and not just a phase.

We must find a way to thrive in this world while simultaneously growing and supporting our traditional retail customer business, which will always be the leading retail component for upholstered furniture. However, we cannot ignore the growth of these alternative channels, and we must find a way to successfully transition our Asian-produced product volume to a U.S. distribution channel that can successfully satisfy the consumers' demands for instant gratification.



**Neil Robinson,** president  
The Home Depot USA

The most impactful change we see in the coming decade is the need to transition Therefore Alexander from a furniture manufacturer into a global luxury home furnishings brand.

Our competitor still set the bar in the past decade — to that of lowly branded, aspirational direct retailers. These retailers found their customers' point of view on the customer's home very strongly offering an omnichannel shopping experience that went from that point of view across all consumer touch points, gallery stores, website, catalogs, print and digital ads. For Therefore Alexander to compete against these brands, we need to speak directly to consumers, creating an aspirational, luxury brand that can help our retail partners compete with the vertical retailers in their trading areas.



**Steve Rotman,** CEO  
Rotmans Furniture,  
Winnetka, Mass.

I see an approach where the online consumer and the brick-and-mortar consumer are really going to be (viewed as) the same consumer. ... What will end up happening is websites are going to be redeveloped so that they act like a storefront, and the person greeting the consumer online will have to have the knowledge the salesperson has within the store, whereas today we tend to look at the person responding (to online queries) as a customer service person.

What we're doing for store salespeople, in general, is we've given them the ability to adjust with each customer — the ability to make special orders, the ability and knowledge to do design work. We're willing to bend on delivery. We sometimes make adjustments in relation to price. These adjustments — have to be interpreted for the consumer online.

The dining rate in our stores normally range from 20% to 40%, whereas they generally range from 2% to

8%, if we can — treat that online customer the same as the store customer; (online/dining rates) would increase.

Also, I'm finding many salespeople look at the online customer as a "junk." They really have to be understanding it's the same customer; there's no old fashion. ... And websites are going to have to be adjusted so that they give the customer the same information. If we do that, I think the brick-and-mortar stores will begin to see their volume change, and they'll back at traffic counts differently. ... They don't combine the traffic counts on the web and in the store (and they should). In reality the traffic coming to their location is up, not down.



**Joseph Shames,** president  
Datta Children

The most immediate change impacting our business is the ever-tightening supply chain. The changes have been unpredictable, and ... have left us in a perpetual state of unrest. Datta Children has devoted half a century to making certain that our factories understand our commitment to only making products that meet and usually exceed the United States' strict safety standards. As we are a brand that is unwilling to compromise the quality and safety of our products, we will not be able to compete on price with those brands that do. This uncertainty also makes it impossible to know where we should invest in our future.

In the longer term, the impact of consumer sales moving primarily online will greatly affect businesses across our industry. This drives us to invest more in tackling the freight and transportation issues associated with delivering directly to consumers.

Along with this, a greater focus must be placed on product photography and online assets, since more customers will make purchases before actually seeing the products. Developing our customer service team will also be at the forefront of our priorities, as it will be more important than ever to maintain positive, five-star reviews as a brand.



**Danyel Sharpton,** co-founder  
Dana Living

I always think about the day when consumers will be able to go into their garage and 3D print their new living set. I think that's more than 10 years away though. Many immediately,

I think we will continue to see growth online but also see more online and offline companies expanding into brick and mortar offering unique tactile brand experiences being able to offer a truly unique brand experience both online and offline will be crucial to compete.



**Alex Shuford III,** CEO  
Rock House Farms  
Family of Brands

I suspect the most impactful change to our business will be as the way the consumer accesses furniture and design. The structure and definition of retail is changing so rapidly that the marketplace may not even be recognizable in five to 10 years.

Retailers will have to become "gigable" for the consumer when it comes to acquiring big ticket items, and very few will be able to simply be locations where things are bought. Value of service will take on entirely new meaning. Those equipped and enabled with "design" and "administration" skills will win.

With the rise in occupancy costs, store footprints will shrink, and as they shrink, they will become more curated. Lessons from the rise of the "vertical specialty retailer model" will impact everything from display to presentation to staffing. Evolution is not required, of course, just as survival isn't.



**Rob Spelman,** president and CEO  
Dannett Furniture

Two things come to mind: (1) the continued impact of digital technologies on customer engagement, both from a marketing and transactional perspective. The second change is the pricing environment of our core baby boomer work force, which will affect our manufacturing and retail segments. We will need to recruit and retain young people.



**Shanna Belcher,** CEO and founder  
MCOO

Over the next decade, 3D and machine learning technologies will continue to mature so customers will be able to visualize and shop for their homes faster than ever before. In a decade's time, 3D reconstruction capabilities will be almost instantaneous, meaning Moby customers will receive exact 3D models of their homes, reimaged with real furniture, in record time.

Shopping for furniture online will become the predominant method and ... we expect (the furniture industry) to outpace brick-and-mortar shipping over the next 10 years. In order to meet this demand, machine learning and AI technologies will become so advanced that Moby will be able to quickly predict and recommend the perfect products for customers that meet all of their needs including style, budget, quality and fit.

To cater to this customer and cut through the noise, we'll have to double down on communicating the value and importance of our digital printing, made-on-demand, no-inventory model. ... Gen Z prefers to make their own rules and doesn't subscribe to predefined trends. As a result, I think retailers will become even more personal, and we'll have to figure out how to bring even more bespoke offerings to the mass market at the right price point.



**Paul Ryan Jr.,** chairman and CEO  
Hickory Furniture

If I had to pick one change impacting our industry, it would be the change in demographics and how that will impact furniture sales. The jury is still out on what Millennials are looking for in terms of style, price point and quality. Do they consider furniture a disposable purchase that will be replaced in five years? Will they be less inclined to shop in brick-and-mortar stores? All of these factors have significant implications for furniture manufacturers, distributors and retailers.



**Justin Tong,** president  
New Classic Home  
Furnishings

E-commerce. Not only is it one of the distribution channels with the biggest potential for growth, but it is also the way younger generations prefer to research and purchase.



**Todd Wank,** CEO  
Ashley Furniture Inc.

Technology is the biggest disruptor to our industry. The technology enablement of the manufacturing and shipping experience will continue to evolve.

Ashley is currently installing hundreds of robots and automated guided vehicles in our factories and distribution centers. We will see 3D printing improve, impacting furniture parts and finished furniture in the future. Ashley

has made significant investments in advanced technologies for manufacturing, distribution, transportation and brick office capability. We have more than 100 technologists working on our core team, and these investments will continue well into the future.

The dependence on people to do repetitive and heavy work must be reduced in all settings. We are working on STEM and mechanical education throughout our facilities and communities to allow our workers to adapt as technology evolves.

Our job is to make sure we are relevant in the future as a company and industry.



**Meganne Wacker,** president and COO  
Skyline Manufacturing  
founder, Duff's  
Company

We are very focused on ensuring our entire manufacturing process is environmentally conscious. Committing to ensuring our footprint on the environment is both a personal and professional goal for the top executive leaders.



**Justin Yoshimura,** founder, chairman and CEO  
CSC Generation, owner  
of Drexel's and  
J. Calore's, Monticello, Ind.

In the decade ahead, we expect the trends in the past decade to further accelerate. Growth will continue to be driven by online (at the expense of brick-and-mortar), while price deflation will become even more rampant. This means that the survivors will either offer a truly differentiated and specialized product/experience or be digitally native in order to capitalize on the macro trends.



**Peter Zufferno,** CEO  
Omnia Leather

Material and labor costs continue to rise, which we should do much as possible, but at some point we have to make changes in pricing or production strategies. We are continuously assessing our manufacturing practices to become more efficient and stay lean without sacrificing quality and service. We're fortunate to have strong relationships with our employees and dealers, as well as solid partnerships with our suppliers, so we feel confident that growth is achievable, despite these challenges. ●

**Joseph Shamie, president  
Delta Children**

The most immediate change impacting our business is the uncertainty surrounding tariffs. The changes have been unpredictable, and ... have left us in a perpetual state of unrest. Delta Children has devoted half a century to making certain that our factories understand our commitment to only



Shamie

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