

Furniture and Home Furnishings

INDUSTRY OVERVIEW

The furniture and home furnishings industry continues to experience growth. Furniture sales have been buoyed by continued strength in the housing and remodeling markets, as consumers often purchase new furniture when buying a new home, or updating an existing space. Retailers have also experienced growth in e-commerce sales within this sector. Retailers have been working to keep product lines fresh and appealing to drive customers both into stores and onto websites to make purchases. Popular décor trends have been bringing outdoor elements to indoor furniture, faux fur, and blue tones.



TREND TRACKER

Three month NOLVs	Increasing ↑
Sales Trends	Increasing ↑
Gross Margin	Increasing ↑
Discounting	Consistent

NOLVs: NOLVs have generally been increasing by 0.5 to 1.5 percentage points within the industry, although there have been some outliers that have not fared as well. Increases have been driven by increasing sales and in some cases, an increase in product sold through the direct channel.

Sales Trends: Sales performance has been primarily positive throughout the industry, with most retailers experiencing sales increases due to compelling merchandise mixes, an improving housing market and remodeling sector, and enhanced focus on customer service.

Gross Margin and Discounting: Gross margin performance for the industry has generally been increasing, as companies have become more efficient in sourcing and have worked to reduce costs where possible. For companies with strong e-commerce sales, margin benefits as margins are typically higher. Other retailers have shifted sales mix to selling higher-margin goods in general.

KEY INDUSTRY DRIVERS

- E-commerce growth:** Brick-and-mortar locations are increasingly becoming more of a showroom or gallery for many players within the industry, as consumers increasingly opt to purchase products online. Customers will often try out certain furniture pieces before purchasing, such as sofas, recliners, and chairs in person, but may opt to make the purchase online once the final decision has been made. E-commerce growth has also been significant for home décor and home furnishings. Items such as area rugs, bedding, curtains, lamps, lighting, and patio and outdoor furniture continue to be popular online purchases. Many brick-and-mortar retailers have been expanding the amount of products available online, and even moving into categories such as lawn and garden care, electronics, or pet needs, and reaping the rewards. For example, in a recent quarter, Bed Bath & Beyond reported that its online and mobile sales were up approximately 40%, while its brick-and-mortar sales were closer to flat. Other online-only players continue to perform well, such as overstock.com, etsy.com, wayfair.com, and jossandmain.com, which offer home furnishings, furniture, and accent pieces for the home. TJX has also indicated that it plans to make its home products available online.
- Bedding:** Furniture retailers continue to promote products purchased on a replacement basis in order to drive customer traffic in stores. Mattresses and bedding often get customers into the door, thereby allowing customers to see other products that are available. In addition to mattresses and bedframes, many retailers also promote bedding products, such as linens and accessories.

SALES TRENDS

The following table illustrates comparable store sales trends for major public furniture and home furnishings retailers (Represents the most recent fiscal quarter sales reported):

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Bed, Bath, & Beyond	1.7%	3.4%	0.4%	1.7%
Pier 1 Imports	2.5%	4.5%	6.3%	0.6%
Williams Sonoma	8.7%	5.7%	10.0%	10.4%
Kirkland's	8.2%	6.3%	3.6%	5.0%
La-Z-Boy	6.5%	3.4%	1.0%	(0.9%)
Restoration Hardware	22.0%	13.0%	18.0%	31.0%

Note(s): Trends for Williams Sonoma include the Williams Sonoma stores, as well as Pottery Barn, Pottery Barn Kids, West Elm, PBteen, and e-commerce revenue. The most recent quarter for Bed, Bath, & Beyond and Pier 1 Imports ended November 29, 2014; the most recent quarter for Williams Sonoma ended November 2, 2014; the most recent quarter for Kirkland's ended January 31, 2015; the most recent quarter for La-Z-Boy ended January 24, 2015; the most recent quarter for Restoration Hardware ended November 1, 2014. Sales for some companies include e-commerce sales.

OUTLOOK

In 2015, continued e-commerce growth within the furniture industry is expected to be seen. Retailers will continue to face a competitive environment and may need to use promotions to attract customers.

Experience

GA is one of the largest liquidators of retail inventory and has been involved in a variety of liquidations, ranging from the disposition of excess inventory and the closing of underperforming stores, to full-scale liquidations of national retailers with hundreds of stores. GA has experience with full and partial liquidations of companies throughout a variety of retail sectors, some of which are detailed below:

Target Canada	Cache	Office Depot/Max	Circuit City
Macy's	Fashion Bug	Mervyns	Tower Records
Fortunoff	Frederick's of Hollywood	Eddie Bauer	RadioShack
Linens 'N Things	Naartjie	Whitehall Jewelers	Borders
Jo-Ann Fabrics	Boot Town	A&P	Movie Gallery

These experiences, in addition to numerous others, provide GA with valuable insight into the market trends and the consumer response that can be expected in a liquidation. They give us an understanding as to recovery values that can be achieved for retailers within these industries. In addition to this liquidation experience, GA has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, GA's extensive list of appraisal experience includes:

- Several retailers of furniture, as well as retailers of home décor and furnishings, ranging from larger chain stores to small regional retailers and luxury brand retailers. GA has also liquidated some stores for well-known retailers in this industry.
- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites. In particular, GA has appraised 74 of the top 500 e-commerce companies as reported by *Internet Retailer*.
- Numerous retailers of apparel and accessories, including major department store retailers and a variety of specialty retailers that are found in malls throughout the country.
- Leading off-price retailers of apparel and accessories, including major national and regional chains.
- Retailers of consumer electronics, including smaller, more localized chains, as well as regional, national, and international retailers with close to 4,500 store locations.
- Major national and regional discount and dollar stores, including one of the country's largest chains, with over 10,000 stores.
- Leading book retailers, including one with over 700 store locations and sales of upwards of \$4.5 billion.
- Major regional grocery store chains including one with a store base of close to 400 and net sales of nearly \$8.0 billion, as well as smaller local grocery store retailers and pharmacies.

In addition to our internal personnel, GA maintains contacts within the retail industry that we utilize for insight and perspective on recovery values.

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