

# Furniture and Home Furnishing

## INDUSTRY OVERVIEW

The furniture and home furnishings industry continues to perform well in the retail sector, driven by continued stabilization and improvement in the U.S. housing market. Furthermore, consumers have been more willing to spend on remodeling projects, which has benefited the furniture and home furnishings sectors, as purchases are made to spruce up homes.

The news is not all good, however. U.S.-based manufacturers and wholesalers have not fared as well as some retailers. On the manufacturing side in particular, it has been difficult for larger companies to compete as more companies rely on overseas vendors at lower costs.



## TREND TRACKER

Three month NOLVs	Increasing ↑
Sales Trends	Increasing ↑
Gross Margin	Mixed ⇅
Discounting	Mixed ⇅

**NOLVs:** NOLVs have been increasing between 1.0 and 2.0 percentage points.

**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. However, certain furniture wholesalers have not performed as well.

**Gross Margin:** Gross margin for companies appraised by GA has either remained consistent, or in some cases has decreased. Decreases have been driven by an increase in liquidation activity to sell through older items.

**Discounting:** Discounting has remained consistent for many companies, which have sought to tightly manage inventory levels to avoid excessive discounting; however, those companies looking to sell through older items have discounted as needed.

## KEY INDUSTRY DRIVERS

- **Merchandise mix:** Furniture retailers have focused on continually updating their merchandise mixes, in order to offer a compelling mix of product. In general, there has been a focus on eco-friendly product, as consumers become more concerned with sustainability. It has also become important for retailers to offer multiple options, particularly when it comes to size. Many retailers have touted the ability to allow customers with space constraints to make small tweaks, such as to arm size or seat depth, to accommodate smaller living spaces. This has been beneficial as retailers continually cater to Millennials, who often live in apartments or condominiums.
- **Bedding:** Mattresses and bedding continue to drive sales at furniture and home furnishings retailers, as these products are replacement items. Furniture retailers have been promoting these categories to get customers into the door. Many retailers have also expanded product offerings to include complementary bedding products, such as linens and accessories.
- **E-commerce:** Furniture retailers, facing online competition from department stores and other online competitors, have been increasing their e-commerce presence, with several adding online outlets to sell through slow-moving or excess inventory. Furthermore, many have worked to add room-design software online, allowing customers to get a better idea of how furniture would fit within their homes. However, many traditional furniture retailers rely on brick-and-mortar store locations to drive sales, as customers often wish to test out items such as couches, chairs, loveseats, and mattresses before purchasing.

## 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%	1.3%	3.7%	3.4%
Pier 1 Imports	0.0%	6.9%	3.5%	5.9%
Williams Sonoma	10.4%	8.2%	8.4%	7.2%
Kirkland's	0.0%	(0.2%)	(2.3%)	(2.6%)
La-Z-Boy	3.6%	9.8%	12.7%	11.2%

*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, and Beyond and Pier 1 Imports ended March 1, 2014; the most recent quarter for Williams Sonoma ended February 2, 2014; the most recent quarter for Kirkland's ended February 1, 2014; the most recent quarter for La-Z-Boy ended January 25, 2014.*

## OUTLOOK

Going forward, furniture retailers that are able to offer trend-right product and appeal to customers should be able to maintain positive sales. Popular furniture trends include rustic pieces, as well as reclaimed and repurposed items.

# 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:

Pierre Deux	Fortunoff	Circuit City	Tower Records
Linens 'N Things	Fashion Bug	Mervyns	Payless Shoe Source
Movie Gallery	Borders	Whitehall Jewelers	A&P
Ritz Camera	Jo-Ann Fabrics	Eddie Bauer	Macy's

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 71 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.**

# Appraisal & Valuation Team

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## About Great American Group

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. GA also offers the *UK Retail Monitor* via its subsidiary, GA Europe Valuations Limited.

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