

A NEW IDENTITY: COMPANIES LACK BRAND POWER

# Bad Timing

Furniture industry suffers from poor decisions, weak economy

By Richard Craver  
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The High Point Market turned 100 years old in April, the largest and most established furniture trade show in the world. It began yesterday and will run through Thursday.

But, as in recent markets, the exhibitors likely will be scrambling for limited business for many reasons.

Some are related to the recession, such as soaring unemployment rates and weak retail sales amid a housing slump.

Others are more self-inflicted, particularly among domestic companies who converted from manufacturers to marketers of lower-cost foreign goods — eliminating tens of thousands of jobs — only to struggle to whet consumers' appetite for furniture.

The industry's problems are the focus of a recent report from



Peter Tourtellot

Anderson Bauman Tourtellot Vos, a leading turnaround management company, in collaboration with Michael K. Dugan, the author of *The Furniture Wars: How America Lost a Fifty Billion Dollar Industry*.

"It's another sad chapter in the history of the American furniture companies, a perfect storm of consumer trends, market forces and industry intransigence," according to the report.

Peter Tourtellot, the managing director of the turnaround company, took time out last week to talk about the report. An edited version follows:

**Q. What is the biggest mistake that the domestic industry has made this decade in terms of self-inflicted marketing and sales wounds?**

A. The biggest mistake was not

building brand awareness with the consumer.

Most marketing programs were left to the retailer with some point-of-purchase support from the manufacturer. In addition, little national branding occurred.

It appears that most manufacturers were content with allowing local advertising and marketing efforts to occur through the retail channel. This has the effect of further commoditizing the product since most retailers addressing the mass market focus their message on price and selection in terms of sheer volume, rather than on specific product attributes that their inventory may have that other retailers are unable to match.

This had the effect of opening up the market to imports that focused on price. Retailers and consumers saw very little difference between domestic brands and imports, and chose the products with a lower price.

**Q. Why hasn't some manufacturers' addiction to lower-cost imports paid off? Bad timing with the recessions of this decade or too much sameness on the showroom floor?**

A. I think too much sameness is a factor, but so is a lack of consumer awareness of what the product stands for. It all is rooted in my answer to the above question.

As an example, apparel manufacturers have created brand images the consumer understands and is loyal to. That is why a plain black dress can sell for \$50 up to \$1,000 — and every price point in between — depending on the perceived quality, fit and image of the brand, i.e. Calvin Klein versus Target.

**Q. What is the future of the publicly traded manufacturers/marketers? Can they ever gain back the share price they commanded before they made imports such a big part of their sales?**

A. Good question. I do not know if anyone knows that answer today.

My guess is it will be very difficult unless they put muscle



JOURNAL FILE PHOTO

The fall furniture market in High Point began yesterday and will run through Thursday.

behind brand awareness. If they cannot or will not spend the marketing dollars over time, they will always be vulnerable to price competition, which will have the long-term effect of reducing gross margins for the domestic manufacturers that will have a negative impact on share prices.

If they follow that course, it will also have a negative impact on brand image — opening up the doors for the importer to create



PHOTO COURTESY OF PETER TOURTELLOT

A recent report by Anderson Bauman Tourtellot Vos focuses on the furniture industry.

new brands that will address the consumer at many different levels.

To that end, I can foresee American brands being bought for their name only by Asian companies that will spend the resources necessary to build the brand image with the American consumer. Some of those brands will be targeted to the consumer who shops at the mass merchant, and some will be targeted to the specialty furniture retailer.

**Q. Some manufacturers, such as Stanley Furniture Co. Inc. and Vaughan-Bassett Furniture Co. Inc., are re-emphasizing domestic production with some success. Can the domestic furniture industry ever be a major job producer again, particularly in North Carolina?**

A. I do not think they will ever be a major job producer as before. They have already lost that to the importers. The best they can hope for is to build their brand so they can dictate the strategy going forward.

However, it appears that imports will continue to rule when it comes to manufacturing capacity and efficiency. This does not mean there is not a place for

domestic production if used as a part of global sourcing strategy. It may be there is a place to supplement what is being done offshore for quality and styling purposes, or to embrace quick delivery to the end user, etc.

**Q. What can be done to spark consumer interest in furniture that hasn't been attempted this decade?**

A. No one manufacturer can do this, but a well-funded trade association can begin to accomplish this goal.

Cotton Inc. is a good example of what can be done by a strong trade organization. The furniture industry must start thinking creatively and should look at other trade associations to see how they accomplished creating consumer awareness. The furniture industry was never one to look outside of their industry for ideas and to a large extent that is why they are in such a terrible position today.

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