



Furniture is next to grocery and apparel in being one of the largest sold goods in the world. Dr A Sivakumar compares the finer nuances of furniture retail in the US and Indian markets

Understanding our interiors

An estimated 4.5 million houses are built every year and there is a latent demand for 33 million homes in India. The housing sector is expected to grow at a fast pace driven by easy availability of finance, a rising 'youth' population and declining average age at which an individual purchases a house (at 25-30 years as against 35-40 a few years ago).

Furniture made by the local carpenter is time consuming and one has no guarantee of after-sales service. Only about 10 per cent of consumers still have their furniture made by local carpenters. Also, there are not as many skilled carpenters available as compared to 10 - 15 years ago. And no matter how skilled the carpenters are, they cannot equal the finish that readymade or imported furniture can give. The furniture goods sector comes next to grocery and apparel in being one of the largest retail sales goods in the world.

The Indo-US contrast

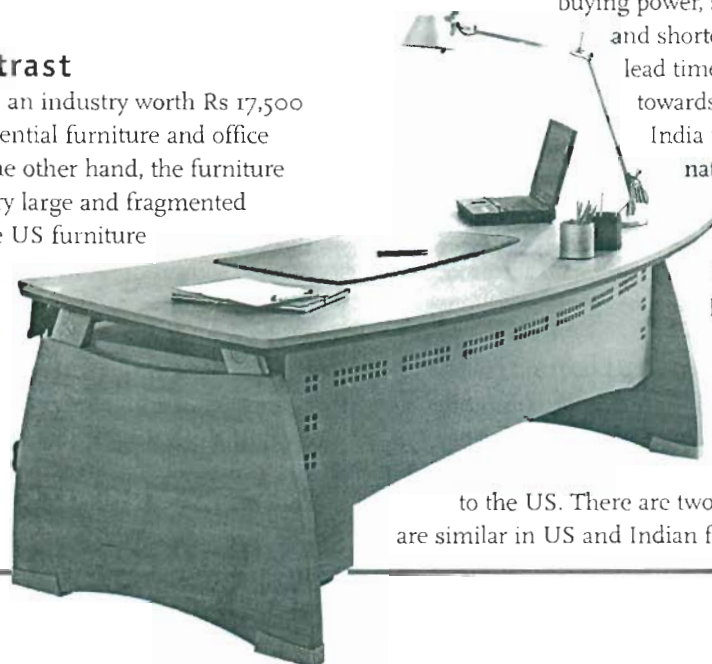
Furniture retail in India is an industry worth Rs 17,500 crore including both residential furniture and office furniture segments. On the other hand, the furniture industry in the US is a very large and fragmented market. There is no single US furniture retailer that has more than 3 per cent of the entire market share. In the US, average stock turns in the furniture retail industry are at just 2.5 to 3.0 per year. In spite of a typical 50 per cent (or greater) gross

profit margin in the US, the cost of inbound freight, retail display, warehousing, handling, and re-delivery make the job of furniture retailing quite difficult. The situation is no different in India. The lack of data on this front however makes it difficult to make an emphatic statement about furniture retailing in India. In the US, Ethan Allen is a leading manufacturer and retailer of home furnishings/ furniture products. It sells a full range of furniture products through a network of more than 300 retail stores – 25 per cent of which are corporate owned and 75 per cent are run by exclusive franchisees. In addition to its retail presence, the company also has 21 manufacturing plants and three sawmills throughout the country. The vertical integration of its furniture design, manufacturing, and distribution operations provides the company with competitive advantages that allow it to leverage its

buying power, streamline operations and shorten manufacturing lead times – all of which lead towards cost savings. In India too, but for a few national players like

Durian and Style Spa, the industry is dominated by local players. We, however, do not see such a large presence of nationally branded furniture retail outlets as compared,

to the US. There are two developments that are similar in US and Indian furniture retailing



INTELLIGENT FURNITURE

Flexsteel and La-Z-Boy – the larger upholstered furniture manufacturers in the US – have partnered with Intellitek to design software that allows consumers to design furniture online

THE HOT SEAT

Specialised furniture is likely to grow in number where products will incorporate the concerns of an ageing population. Home furniture will provide back support and other health-related information

sector. Both these countries are facing an onslaught of cheap products/components from countries like China. Wal-Mart, Ethan Allen and Rooms To Go (US-based retailers) have all established a long-term sourcing relationship with one of the biggest Chinese pinewood goods manufacturer, Markor. Ethan Allen, too, has signed a long-term strategic contract with Markor where the company would not only buy large amounts of goods directly every year, but in tandem with Markor will also exploit the furniture retailing business in China. Mergers, acquisitions and consolidation are the major forms of developments that one can see in the future in the highly fragmented industry in India. Continuing with a popular acquired brand rather than trying to attach other names to their offerings is likely

with a decision regarding the type of furniture they want to buy. General tastes are determined by media influences as well as the influence of those closest to the purchaser. In order to purchase furniture, the general offline model requires the customer to drive to a store. Interaction with salespeople helps fill gaps that the purchasers have regarding information and products befitting their particular choice. Salespeople should be able to lead the consumer to the best available solution at their particular stores. The offline consumer values this interaction. Unfortunately, the bulky nature of the product makes it very difficult for a store to keep a wide product selection or a significant amount of inventory. The purchaser then makes a decision based on how well the furniture meets his or

In India branded products have not come of age, apart from a few national players like Durian and Style Spa

her needs. The ability to, 'look, touch, and feel', is another valued purchase behaviour in the offline environment. Often, consumers will need to go to several different stores in order to get the type of furniture they initially envisioned.

Since this is a long-term purchase (even longer than that of a car), consumers are very selective.

E-tailing implications

The greater price points on furniture, as well as the long product life of furniture, combines to restrict impulse purchases and encourages extensive product research by the consumer. Home furnishings have been rated as the second least likely item consumers would purchase online. Although furniture consumers may be more task-oriented, the experiential component of their experiences should not be ignored since it will provide considerable opportunity for increasing sales per transaction and greater cross-selling opportunities. For example, two of the largest upholstered furniture manufacturers in US – Flexsteel and La-Z-Boy – recently partnered with Internet application service provider, Intellitek, to provide software that will allow consumers to design furniture online, access new fabric patterns and view accurate digital imagery of selections. Once a design is chosen, the software's retail locator will find the nearest retailer for seeing the finished piece or obtaining more information.

Branding advantageously

The case goods (wooden furniture – initially furniture

to be the trend. Through allocation of fixed costs over more brands and units, acquisitions make economic sense for most acquirers.

Brick and mortar options

Women overwhelmingly dominate the furniture buying process both in the US as well as in India. They generally initiate purchases and control 80 per cent of all purchasing decisions. The buying process of a visitor at a brick and mortar furniture store normally starts



ICONIC IKEA

Ikea wants its manufacturers to phase out the use of solid wood from 'ancient' forests unless the wood is certified as usable by designated authorities. Ikea also prefers using renewable materials

READY-TO-REST

Compressed packaging technologies have lowered damage accruing from shipping. Consumer acceptance is high for easily shipped 'knock-down' and ready-to-assemble furniture

RETAIL ROADMAP

made out of wooden cases) sector within home furnishings requires a capital-intensive manufacturing process due to the customisation of products and hand finishing that is often required. There are a variety of design styles, wood options and price points within the category. La-Z-Boy and Furniture Brands International understood that furniture retailing is a marketing-driven business where storeowners are able to grab market share by differentiating their brand and serving niche markets.

They found that, because they own the brand, they are able to go directly to the consumer through branded retail outlets. Ethan Allen has been a pioneer in this model and others have followed. This is something that can happen in the Indian context, where well-established brand names in the manufacturing industry would venture into retailing in a big way to help reap benefits of retailing. While this has happened in the case of steel furniture manufacturers like Godrej and Usha, it is yet to happen in a big way in wooden and plastic furniture segments.

Customer is king

Customer relationship management and marketing alliances have made furniture retailing a more marketing oriented business. Partnerships are being used to integrate online shopping with furniture retailing. Furniturefan.com (an Internet furniture directory) and Best Brands Plus (an organisation that specialises in furniture, appliance and electronic retailers), for example, have made plans for an online alliance. Furniturefan.com provides Best Brands Plus stores with a web presence designed to lead shoppers to a brick-and-mortar store. The combination of customisation through the web and convenience by the help of an accessible physical store location makes the alliance a major hit with the consumers.

New niche segments

New segments have sprung up in the retail furniture market. Some of them that are already in vogue in the US and would impact India in the not so distant future are furniture for home offices and customised furniture. Wood furniture that is unstained, allowing consumers to apply the specific finish type, colour and texture they desire; and occasional tables with etched

glass insignia or logos than can be changed for specific 'micro' markets. Also, with larger homes and increased numbers of relatively affluent consumers, demand is increasing for specialised cabinets and furniture designed for larger bathrooms and walk-in closets.

Indian challenges

The Indian consumer in the home furniture market is now into a situation where a deluge of options are available in terms of the material of furniture as well as customisability. Case goods furniture retailers, the traditional lot among the retailers, now face an onslaught in terms of cheaper, trendier/fashionable, lighter, dismountable options. Therefore, retailers need

The ability to, 'look, touch, and feel', is a valued purchase behaviour that customers hinge on in the offline furniture retail environment



to expand their outlet to provide variety. With the increase in variety, it would be possible to also open niche furniture shops concentrating on one type of material like cane furniture. Branding, consolidation and a large retail network are hampered by tax laws as well as problems of regional competition. In addition, imported furniture has also taken a toll on the traditional furniture outlets.

Customisation coupled with use of technology at both the manufacturing and the retailing end would see the beginning of a new era of profitable furniture retailing in India. ♦

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