

Furniture industry slowly recovering

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HIGH POINT — Analysts keep trying to read the economic tea leaves, for years predicting “cautiously optimistic” growth in the furniture industry.

And for good reason.

Industry sales slowly are creeping upward after hitting rock bottom five years ago. New orders for furniture were up by 2 percent to \$1.87 billion in January, compared with January 2013.

For the 80,000 buyers, sellers and designers estimated to attend the High Point Market this week, anything could happen in 2014.

An uptick in housing sales may help one company.

A new kind of television may hurt another.

And those who have mastered the right kind of distribution system could trump all others.

It's a gambler's market with plenty of room for failure.

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Falling household wealth. Rising unemployment. Economic uncertainty.

These things have led to lower demand for furniture since 2008, when the recession was in full swing, according to an industry report by market research giant IBISWorld.

During the recession, consumers stopped spending, which caused furniture stores to buy fewer goods from wholesalers.

The industry's bottom line imploded, according to IBISWorld.

In 2008, revenue fell 9.3 percent.

In 2009 — at the height of the recession — revenue dropped a staggering 21.1 percent.

The furniture industry has been clawing its way back ever since, with limited success.

Take this past year. According to IBISWorld, revenue in 2013 reached about \$33 billion — an improvement of just 1.6 percent compared to 2012.

IBISWorld summed up the industry's future with these words: “modest growth ahead.”

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If you want to know the state of the furniture industry, you don't need to look far.

The Triad is a microcosm of what's been happening nationwide. In many respects, as the Triad goes, so goes the country.

Furniture has been a bedrock industry here, and Greensboro was one of the nation's great industrial cities through most of the 20th century.

The Triad's decline actually began before the recession — in the 1980s — when companies fought foreign imports and labor but eventually succumbed, selling off divisions and closing factories.

Tens of thousands of Guilford County and Triad textile workers mourned jobs that never would return, and there never has been a full recovery.

By 2008, more than 11,000 people in the Greensboro/High Point metro worked in the furniture industry.

By 2010, that number had fallen to 8,000.

Of late, the number has grown by 1,000, according to the N.C. Department of Commerce, but one local expert said that's hardly a revival of furniture employment.

“It's not that exciting,” said Andrew Brod, a UNCG economist.

He said those who believe manufacturing will make a big comeback hang on to those numbers as proof.

“When you start with a small number,” Brod said, “moderate increases look big.”

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Still, as things somewhat improve, furniture company owners and executives are finding they must guide their companies with a delicate hand.

One venerable name is keeping its head above water.

Bassett Furniture Industries saw sales above \$300 million in 2013 for the first time since 2006.

Among its strategic changes, Bassett — which sells furniture wholesale and through retail stores — boosted its profile by creating a line of furniture in 2011 associated with HGTV, the cable network that caters to homeowners.

That kind of branding is important for a company's survival, analysts said.

But for Bassett it came at a price.

Its profit in 2013 was \$5 million — far lower than the \$27 million it earned in 2012.

The company said a variety of expenses, including the promotions for the HGTV project, limited profits.

Meanwhile, Stanley Furniture is having its own struggles.

An historic name in the business for nearly a century, Stanley decided about three years ago to transform itself by concentrating on a Stanley-branded line of furniture and its children's line, Young America, which was being made in Asia.

So it spent \$9 million modernizing its factory in Robbinsville to make Young America.

It moved its corporate headquarters to High Point from Henry County, Va., and built a new market showroom.

A \$97 million company, Stanley lost \$12.6 million in 2013 and last week announced it would close its Young American factory, lay off 400 workers and become just another furniture importer.

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There are, however, success stories.

Ron Wanek has built a business over decades by streamlining his manufacturing, distribution and sales operations.

As the chairman and founder of Ashley Furniture, Wanek oversees a \$4 billion company that is the top seller in the U.S. furniture business and the largest manufacturer of furniture in the world.

At his vast new Ashley Furniture campus in Davie County, Wanek said recently that his company has managed 11 "rebirths" after near failures since 1970. The company has done it through market research and investing the tens of millions that would make a public company squeamish.

One way he has become successful is by owning all his trucks and warehouses. Wanek said his company always has known that a middleman distributor adds costs and removes company control of its products.

To that end, Ashley Furniture is building an \$80 million distribution and manufacturing center in Advance, which is 35 miles from High Point.

It will employ 550 people in an industry that many had written off in the Piedmont.

"It takes a substantial investment today to remain competitive," Wanek said. "You're competing with overseas manufacturers that are very, very sophisticated."

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Closer to home, manufacturers are having to keep up with the changing tastes of consumers.

Baby Boomers, for example, were expected to buy more furniture as they aged and earned more money. That hasn't happened.

Millennials, who already are confounding automakers because they're not as interested in cars as those in previous generations, don't need furniture as apartments grow smaller.

And whether it's a Millennial in a micro apartment or a Boomer in a McMansion, high-tech television

sets are diverting consumers away from furniture.

For Peter Tourtellot, this has become a different era.

The managing director of a Greensboro-based company that offers a variety of analysis and advice to businesses, Tourtellot said the furniture business is not as simple as it once was when families bought houses and filled them with traditional furniture.

The industry isn't that predictable anymore. And neither now are sales.

In October, he published "The American Furniture Industry: Industry Watch Update." In that report, Tourtellot noted that the industry has plenty of room for optimism.

That optimism, however, came too late for the many companies washed away during the recession.

For those left, Tourtellot said it's going to get bumpy from here. At least in the near future.

"Profits are going to be like a yo-yo — up and down."