



Los Angeles Area
Chamber of Commerce

WELCOME

**Diplomatic & Commercial
Officers Group**

**Trends in the U.S. Furniture
Industry Sector**

July 17, 2020



Announcement

- Participants will be muted to avoid background noise.
- Utilize the chat to communicate with fellow attendees.
- Submit questions for speakers via Chat

Agenda

- Welcome & Chair Remarks
- Introduction to California Manufacturers Association
- Panel Discussion: A Closer Look at the Industry
- Questions & Answers
- Adjourn



Los Angeles Area
Chamber of Commerce

Welcome



Martin K. Breidsprecher
Chief Business Development & Marketing Officer
Los Angeles Area Chamber of Commerce



Ambassador Marcia Loureiro
Consul General, Consulate General of Brazil in Los Angeles
Chair, Diplomatic & Commercial Officers Group



Michael Genrich

President

California Furniture

Manufacturers Association

- Sr. V.P. of Sales and Marketing for Furniture of America.
- Worked in the furniture industry for over four-decades beginning at the warehouse at Levitz Furniture in 1970 in San Diego.
- Nominated for the DuPont “Future Leadership Award”.
- In 1993 was the V.P. of Sales and Training for Krause’ Sofa’s & managed the merging of two sales strategies during the acquisition of Castro Convertibles.
- Held top level furniture sales and marketing positions with, Coaster, Blackhawk, Sandberg, and AICO.
- On the board of directors and as the President of the California Furniture Manufacturers Association.
- Served on the West Coast City of Hope Golf Committee for the furniture Industry for the last 20 years.
- In June of 2021 Michael is being honored with City of Hope's prestigious "Lifetime Achievement Award" for 2020.



Larry Furiani

Vice President, Dealer Relations,
E-Commerce
Coaster Co. of America

- Vice President at Coaster Company of America for over 24 years.
- Previously a partner at Concept Design Marketing where he oversees design, manufacturing, imports, distribution, and logistics for the firm.
- Earned a Bachelors at California State University, Long Beach and his Masters at University of Southern California.



California Manufacturing Association (CFMA)



Michael Genrich
President
California Furniture
Manufacturers Association



Larry Furiani
Vice President
Dealer Relation
E-Commerce
Coaster Co. of America

LAACC DIPLOMATIC GROUP CFMA INVITATION

MICHAEL GENRICH
PRESIDENT CFMA
SENIOR V.P. FURNITURE OF AMERICA CA. INC.
LARRY M FURIANI
SENIOR V.P COASTER COMPANY OF AMERICA

**Current Trends in the region's furniture
industry sector**



CFMA

- **Established in 1911, the California Furniture Manufacturers Association (CFMA) is one of the oldest trade associations in the state. CFMA is made up of manufacturer members, importers, and other industry constituents. The association promotes industry best practices and provides professional development for our members. CFMA cultivates alliances with retailer and supplier associations to protect the interests of the entire industry in California.**

Furniture Stores in California industry statistics

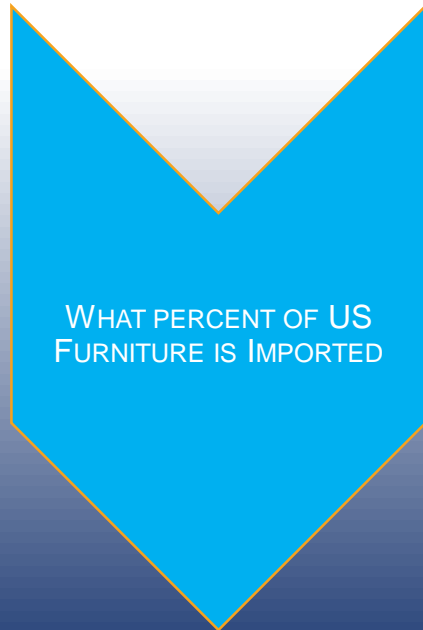
Key Facts & Figures
about Furniture Market
in CA compared to the
rest of the US

- **US FURNITURE \$114B**
- **CA FURNITURE \$7B**
- **CA. PERCENT OF TOTAL 6%**
- **NUMBER OF CA FURNITURE BUSINESSES: 4,321**
- **CA. INDUSTRY EMPLOYMENT: 20,433**

•SOURCE: FURNITURE TODAY

- www.statista.com › statistics › furniture

Approximately 62% Percent of US Furniture and Accessories Market is Imported
Below chart shows only TOP 10 Countries



	2019	2019 PERCENT OF TOTAL	2018	2018 PERCENT OF TOTAL
	BILLIONS		BILLIONS	
CHINA	\$9,713.0	42.3%	\$14,174.0	57.1%
VIETNAM	\$6,503.0	28.3%	\$4,962.0	20.0%
CANADA	\$1,321.9	5.8%	\$1,287.5	5.2%
MEXICO	\$1,177.4	5.1%	\$591.0	2.4%
MALAYSIA	\$942.6	4.1%	\$776.0	3.1%
ITALY	\$843.1	3.7%	\$856.0	3.4%
INDONESIA	\$1,591.5	6.9%	\$1,332.0	5.4%
INDIA	\$376.8	1.6%	\$350.6	1.4%
POLAND	\$265.0	1.2%	\$303.8	1.2%
TAIWAN	\$226.7	1.0%	\$201.9	0.8%
WORLD TOTAL	\$22,961.0		\$24,834.8	
SOURCE: FURNITURE TODAY				



- California has some of the most stringent employment rules, rules regarding quality and safety of furniture in the US, including labeling, fire resistance and possible liability waivers.

- The CA. Bureau of Household Goods and Services holds jurisdictional authority over furniture and bedding Wholesalers, Retailers, Manufacturers, and Importers.
- Products sold in California must meet Technical Bulletin TB117-2013.
- Companies need to register with the Bureau before selling goods in California.
- Labeling requirements and specific criteria can be found at bhgs.dca.ca.gov.
- The Bureau requires the product to be in compliance with their regulations and labeled correctly.
- All mattresses sold in California must meet be the requirements of 16 CFR Parts 1632 and 1633, as regulated by the U.S. Consumer Product Safety Commission (CPSC)
- California also regulates chemicals in products thru Prop 65, California Office of Environmental Health Hazard Assessment.
- Wood products need to comply with the California Air Resources Board requirements.

IDENTIFICATION OF BEST MARKETING CHANNELS & TARGET MARKETS

- **THE HOME FURNISHINGS SECTOR IS WITNESSING A UNIQUE PERIOD IN ITS EVOLUTION. THE HOME HAS ONCE AGAIN BECOME A PLACE OF SAFETY, COMFORT AND SECURITY.**
- **TO MEET THE DEMAND RETAILERS HAVE FOCUSED ATTENTION TO SPECIFIC CATEGORIES SUCH AS HOME OFFICE, FAMILY ROOM, DINING AREAS, MATTRESSES, AND BEDROOM FURNITURE.**
- **INSTEAD OF SPENDING ON TRAVEL AND VACATION, RESTAURANTS, FUEL EXPENSES, FAMILIES ARE SPENDING ON THINGS THEY VALUE MORE, THEIR HOMES.**
- **AS A MANUFACTURER, DISTRIBUTOR, OR RETAILER AN OPPORTUNITY EXISTS TO ENGAGE CONSUMERS VIA SOCIAL MEDIA ENGAGEMENT, WEBSITES, CHAT, FACEBOOK, PINTEREST, ETC.**
- **TRANSACTION CAN BE CONDUCTED IN STORE, ONLINE, AND OVER THE PHONE.**
- **HOME STAGING COMPANIES ARE CREATING NEW OPPORTUNITIES FOR FURNISHING NEW AND RESALE HOMES AND APTS.**

E-COMMERCE AND ONLINE STRATEGIES

- **ANY RESOURCE CAN ESTABLISH A DOMESTIC WAREHOUSE MODEL TO ON DEMAND ONLINE SALES.**
- **THERE ARE ALSO OPTIONS TO SELL DIRECT CONTAINERS FROM OVERSEAS TO SPECIFIC ECOMMERCE RETAILERS. THE FACT REMAINS INVENTORY LEVELS CAN VARY, URGENCY TO MARKET IS ESSENTIAL.**
- **SPECIAL PACKAGING, HANDLING AND HOME DELIVERY, ALL REQUIRE SPECIAL SKILL.**
- **MARKET DEVELOPMENT FUNDS ARE ESSENTIAL TO CREATE TOP OF MIND AWARENESS. PROXIMITY, WITH THIS IN MIND IT IS QUITE POSSIBLE TO ESTABLISH VERTICAL INTEGRATION BETWEEN MANUFACTURER AND CONSUMER.**
- **INITIALLY A MARKETPLACE SUCH AS AMAZON, OR WALMART COULD BE USED TO BUILD MOMENTUM.**
- **SUPPLIERS MUST UNDERSTAND THE COSTS, THE RISKS, THE REVERSE LOGISTICS FOR RETURNS AND CONSUMER REMORSE.**

**BRAND DEVELOPMENT IN
THE U.S.
EFFECTIVE WAYS TO
CONNECT WITH
FURNITURE IMPORTERS**

- **Branding in home furnishing is an enigma. For the most part major retailers are unwilling to promote vendor brands, especially distributors that focus primarily on private label.**
- **Retailers generally utilize the store name as the brand, and create their own model names and numbers, to disassociate with the supplier.**
- **This is done primarily to avoid online comparison shopping based on price alone. There are several successful consumer facing names in bedding such as Simmons, Sealy, Tempurpedic, and Ashley.**
- **A recent phenomenon in bedding has been the evolution of a bed in a box. Casper, Purple, Avocado, are examples of direct to consumer models.**
- **They have positioned themselves as marketing companies, with substantial marketing investments in branding. Of the many who have tried, not all succeed.**
- **Effective ways to connect with Furniture Importers are at Las Vegas and High Point trade shows that are 4 times per year under normal circumstances, look online for furniture brands like Coaster Company and Furniture of America and New Classics Etc. Contact Furniture Today or Furniture World, the trade magazines, we all have contact information and are always looking for new products or better quality at lower prices.**



QUESTIONS FROM THE
PANEL

Do you believe that there is room for "ethnic" furniture in California? Is there such a type of niche? Or should all products adapt to an "American standard of design"?

- Rather than use the term "ethnic" furniture, a more concise terminology would be cultural affinity. Our companies have the greatest diversity of retail furniture stores in California. As well extensive distribution through Amazon, Wayfair, and Walmart with California consumers.
- We find demographics being more a function of income diversity, credit terms, housing prices, Apartment rental costs. Value has replaced price as the delimiter. Quality assurance is assumed today
- Consumer satisfaction at any price point is essential. We have made it extremely easy to return a product to the store, or manufacturer.
- There are potential regional influences across the U.S.
- Dark or light finishes, Coastal styling, Midwestern Cherry and Oak. With the diversity of choice created by the Amazon effect ethnicity may be more homogenous.



CALIFORNIA FURNITURE MANUFACTURERS ASSOCIATION

Since 1911

A large red arrow pointing downwards, containing the text 'QUESTIONS FROM THE PANEL'.

QUESTIONS FROM THE
PANEL

Is e-commerce an option for foreign exporters that want to reach the Californian market? What is the importance of e-commerce in the furniture market? Is the consumer willing to buy furniture through the internet? Should companies keep showrooms in California in case the consumer still wants to see in person the furniture s/he is buying?

- The simple answer is yes to all the above.
- Ecommerce has become a transactional platform for home furnishings. In the U.S. California, all Northeast states such as New York, and New Jersey all have vibrant ecommerce home furnishings revenue.
- Significant growth is BOPS. (Buy online, pick up in store).
- Retail stores with consumer recognition, have prospered by offering goods online, which can be picked up or delivered, or drop ship by a “Final” mile carrier.
- In the case of home goods, smaller parcel items, that can be delivered and set up easily have taken a larger share of online traffic.
- There are still many traditionalists i.e. Baby Boomers, that want to see, touch, and sit on furniture.
- California retailer store owners are investing in all forms of media to create interest, increase store traffic, and use ecommerce for online transactions.

Some countries have become well-established platforms for the sourcing of furniture. What is their recipe for success in your opinion? Is there room for other countries in this highly competitive market? Is it possible to bring together design/quality and affordable prices? Or are these criteria mutually exclusive? More focus on sustainability, eco-friendly materials



QUESTIONS FROM THE PANEL

- Again, yes to all the above.
- As U.S. manufactures began migration to Asian sourcing each country went through a metamorphosis.
- Beginning in Taiwan, the Philippines, Indonesia, Thailand, Singapore, China, Vietnam, Malaysia, Cambodia.
- More countries followed suit. Yugoslavia, Brazil, India, Italy revisited etc. The critical components are direct labor, raw material sourcing, logistics, production control, QC standards, Minimum order quantities.
- Sustainability – Eco friendly is more aspiration than actual. Price and functionality at all levels is defined by the value of the product and assessment of competitive alternatives.
- There will always be room for innovation, regardless of country of origin.
- Leadership is the key component to success. With strong assertive leadership, labor and material, plant and equipment can be harnessed regardless of demography.

Post Covid-19, do you foresee consumers sticking to lower priced fast furniture or are they willing to spend more on higher priced alternatives

QUESTIONS FROM THE PANEL

- The furniture industry has always been a victim of lower prices and margin disparity.
- In 1965 a new ford mustang was \$3500 and a good sofa was \$400.
- Today a mustang cost \$40,000, and a you can still buy a new sofa for \$400.
- Consumers will spend more on shoes and purses than a new dinette set.
- That being said, lowest price and best value are mutually exclusive.
- Higher price does not always equate to better or worse value.
- Buyer affinity, status, financial worth, all have impact.
- Consumers rarely know what is under the hood of a sofa. Springs, cotton, foam, wood can vary greatly; yet still, have the same external appearance.
- Consumers will continue to buy based on “Face, Function, and (they’re perception of) Value”, I think they will stay more within they’re means

Do foreign exporters depend exclusively on large furniture selling/distribution companies to place their products in the California market? Is it possible to work directly with smaller shops? Sometimes, selling products to large chains may be a challenge to small but high-quality exporters. Also signing contracts with large companies may be a risk to exporters since such contracts may have exclusivity clauses that might make exporters too dependent.



QUESTIONS FROM THE PANEL

- As home furnishing imports began to dominate the supply chains, domestic distributors began to flourish.
- Especially of the west coast which became the major point of entry from Asian manufacturers entering the U.S.
- The underlying question is; can an overseas manufacturers sell direct to the retailer and bypass the distributor, or can the manufacturers set up distribution and sell directly to the consumer.
- All things being equal, based on size, weight, cube, overseas packaging constraints distributors fill a critical role.
- Perhaps with vertical integration the manufacturer could consider selling direct to big box retailer, or direct to consumer.
- The current paradigm tends to be focused more on specialization of each element in the supply chain.
- Sourcing, logistics, product development, warehousing, retail consumer acquisition and retention, final mile delivery, return logistics are all highly specialized today. Market segmentation may be just as plausible as market integration.
- If you are a smaller Manufacturer getting started with a niche product, start with an import company or retailer group that will not overwhelm your production. Establish relationships, this is a very friendly Industry and word travels fast...
Good and Bad

Many of us represent countries in the tropics with rainforests and large woods. Those may offer high quality wood for high-end products. We do understand that environmentally friendly products and social responsibility are necessary for the success of our exporters. Could you elaborate on this tendency? Are there particular certifications that are better received by the Californian market? Which are the NGOs that play an important role in this market?



QUESTIONS FROM THE
PANEL

- An important consideration is the limitations California has placed on its domestic manufacturing base.
- Between safety compliance, Air Quality, Workers Compensation, high insurance rates, higher cost for labor, and commercial real estate.
- Yes environmentally friendly is important. It may not be significant enough to offset additional incremental cost.

Where do the buyers of the main retailers find their inspiration? Which fairs do they visit? What are the trendsetting magazines? Who are the main influencers?



QUESTIONS FROM THE
PANEL

- Furniture Buyers and retail store owners potentially attend a min. of 4 shows a year.
- 2 in Las Vegas, and 2 in High Point NC. Industry magazines such as Furniture Today, HFB, Home Accents, Furniture World, Architectural Digest
- Many of the larger importers schedule overseas trips to visit factories, and suppliers for design, product development, pricing, and QC.
- I would say much of the design influence has evolved from following trends in wood finishes, pantone color pallets. A significant change has come about to support ecommerce.
- New design in appearance and construction are being altered to take advantage of resizing for small parcel shipping requirements.

What are the regional differences in consumers' tastes & preferences?

QUESTIONS FROM THE PANEL

- As stated, there are very few differences that impact our industry to any significant degree, Especially with the younger generation.
- With Baby boomers there are more traditional tastes throughout the midwestern and southern parts of the USA
- With the impact of Amazon being the anything store, by default they have product applicable to every taste, size and preference

What would be the best regions/markets in the US for European contemporary design furniture? Is European furniture adequately priced to be successful in the US?



QUESTIONS FROM THE
PANEL

- I believe this becomes less about taste as income status.
- The consumer that is conscious about quality, finish, construction and has a distinctive attitude about form over function, may see furniture as an investment, rather than a need.
- Most cities have a segment of the urban, millennial, tech smart, aspirational consumer that wants a more distinctive look.

What are the trends (in colors, materials, sizes, styles, design) you foresee in the next one to three years?



QUESTIONS FROM THE
PANEL

- One conclusion would be any size, any color, any style, with the impact of ecommerce through Amazon, Wayfair, Overstock, Crate and Barrel, Ikea, Etc
- Consumers have come to believe there is no limitations and the focus is still on the internet anything store.
- We can analyze housing starts, apt living, downsizing, upsizing, generation gaps, cocooning,
- Social distancing, furniture design to ship fast, cheap and easy to assemble.
- All as factors influencing consumer behavior and how they shop.
- The younger Generations (Y and Z) want Unique, eclectic, functional, simple, mixed media,
- Baby Boomers and Gen X just got their families back together, they want gathering and comfort.



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July 17, 2020



Stephen Roseberry

President & Chief Marketing
Officer / Board Member
kathy ireland® Worldwide, Sterling
Winters Company, I'M1 & EE1.

- Responsible for licensing and strategic marketing at *kathy ireland*® Worldwide, Sterling Winters Company, I'M1 and EE1.
- Passionate about transforming *kiWW*® into a global licensing powerhouse.
- Member of both the *kiWW*® and Sterling Winters Co. Board of Directors.
- Accomplished producer for HBO, Showtime, PBS, Lifetime, TNN and the highest rated films in the history of ABC Family Television - Once Upon A Christmas and Twice Upon A Christmas, starring *kathy ireland*® which air annually in over 50 countries.



Matthew Lieb

Principal

H&C Investments, LLC

- Currently the owner of Design Public Group, parent company of Danish Design Store, Design Public, and Corral. Design Public Group is a leading provider of design furniture from around the world for the office contract, hospitality and residential markets in the U.S. Their specialty is bringing unique & exciting brands to the American market via easy to execute partnerships that leverage their nationwide sales capabilities, global logistics infrastructure, technology platforms and team of dedicated professionals with a passion for global design.
- Previously served as the Chief Operating Officer of Vertex Energy, a publicly traded (NASDAQ) alternative energy and recycling company.
- Prior to Vertex, Mr. Lieb started & led Kingsley Management, LLC.
- Entrepreneurial Studies Fellow at Harvard Business School.
- Served in a variety of leadership positions as an Airborne Ranger qualified officer in the U.S. Army.
- Holds an MBA from Harvard Business School & degree in Finance from Georgetown University.



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Questions & Answers