

HEARTH & HOME

A PUBLICATION OF VILLAGE WEST PUBLISHING

PRICE \$6



STATE OF THE INDUSTRY PATIO

It helps to be selling a product that the covet, and that demographics and trends but that doesn't mean the going is

The decade known as The Aughts brought the casual furniture industry a little bit of everything. The new century's first decade was marked by several years of giddy success and record-setting sales as well as the darkest times in memory. Dozens of retailers—large and small—went out of business, and manufacturers struggled during the most severe financial crisis since the Great Depression.

"It's been a roller coaster ride," says Rory Rehmet, vice president of sales for Pride Family Brands, The Great Recession reshaped American industry and shook capitalism to its core. Remarkably in an era in which General Motors teetered on the brink of bankruptcy and was forced to euthanize some of its best-known brands, casual furniture makers suffered remarkably few casualties. The list of fatalities and near-fatalities among major casual furniture makers suffered remarkably few casualties. The list of fatalities and near-fatalities among major players is short. Meadowcraft and Plantation Patterns succumbed, only to reemerge reinvented or under new ownership. Canada's Rockwood quietly closed.

It might surprise some observers that an industry focused on nonessential products and dependent upon discretionary spending could survive the Great Recession. After all, are spending could survive the 12 and outdoor pizza ovens all-weather dining tables for the Great Recession?

That the industry's fortunes are so closely aligned with housing sales and new home construction merely adds another layer of confusion. With a national surplus of homes and sales of existing homes at a crawl, shouldn't casual furniture industry be gasping for breath at this point?

To the contrary, manufacturers appear to be surprisingly healthy. Just as hard as temper or destroy the Great Recession strengthened those who survive



Mian aesthetic

are starting to retire; their children are marrying later and earning less; McMansions are out of fashion (and for many, unaffordable); and high-rise urban living (sans patio) increasingly is in vogue.

So...is this a good time to be in the casual furniture business? If you're reading this, you probably know the answer.

The Dependable High-end
Retailers of better casual goods observed a phenomenon in 2009 that continues today. Well-to-do consumers didn't stop buying furniture. The number of big-ticket sales surely declined, and the average ticket declined, but upper-income consumers did not go into total hibernation.

Well-to-do consumers with discretionary income kept many retailers and manufacturers afloat during the Great Recession. They didn't spend as freely as they did before the Wall Street crash of 2008, but they spent.

"There is a client that wants their Outdoor Room to look a certain way," says White, "and they are not concerned about price. They are going to buy what they want, within reason. They may not spend \$25,000, but they are not going to be worried about

spending \$10,000."

And, as retailers told *Hearth & Home* over the past two years, customers who spent \$10,000 during the good years might limit spending to \$3,000 as the economy suffered. Those sales kept cash flowing, the lights on and employees paid.

Manufacturers responded to the new financial realities by adjusting product offerings and maximizing perceived value. "We had to tailor for products to hit some key price points,"

Rehmet says.

The specialty industry's concentration on design, exclusivity and value proved to be an asset rather than a liability.

"I still believe we are lucky," says O.W. Lee president Terri Lee Rogers. Her company caters to a higher-end consumer, "so our demographic is less affected" when a weak economy clamps down on middle-class buying.

Big Box retailers, with business models based on high volume and

Presence of Outdoor Features in New Single-Family Houses

Year	Total	Number of Houses (in thousands) With		
		Porch	Deck	Both
2001	1,256	638 / 51%	537 / 43%	368 / 29%
2002	1,295	644 / 49%	588 / 44%	381 / 29%
2003	1,386	692 / 50%	624 / 45%	382 / 28%
2004	1,532	791 / 52%	708 / 46%	409 / 27%
2005	1,636	865 / 53%	759 / 46%	441 / 27%
2006	1,684	912 / 55%	841 / 51%	421 / 25%
2007	1,218	710 / 58%	603 / 50%	315 / 26%
2008	819	495 / 60%	389 / 47%	232 / 28%
2009	520	325 / 62%	237 / 45%	140 / 27%

experience by recession survival have positioned themselves through the low points of the last two years growing economy. The same can be said for the deck market. "It's not as hard as it once was," says White. "If that doesn't come out of it (the recession) relatively unscathed because we all made decisions we needed to make to remain viable."

"Large and small, businesses adjusted—or else."

"All businesses have had to examine who they are and how they do business," says Rehmet. "Everybody did what they had to to survive."

New materials and fashion-forward design, which helped propel sales to new highs in the middle of the last decade, helped sustain sales during the lowest points. Investment banker Jerry Epperson, who follows the furniture industry, says the casual side "has been one of the more creative. New materials and new styles aren't that evident in the wood and upholstered furniture business." Epperson is a principal with Mann Armistead & Epperson in Richmond, Virginia.

Furniture is a fashion business, and economy is simply less. Yashinsky says. Many younger adults also prefer urban lofts to suburban ranch homes. The number of single households in each generation will increase.

Even so, all are prime prospects for fine outdoor furnishings, Yashinsky says. As homes become smaller, outdoor spaces "become more critical for living space," she says. Boomers will drive demand for outdoor kitchens. "We've become a nation of foodies," Yashinsky observes. "Food has really become a hobby."

Many young families will remain in starter homes far longer than they planned, she says. Remaking their outdoor spaces will refresh the home in lieu of an unaffordable move. Urban dwellers, with balconies and rooftop decks rather than larger patios, will spur demand for furniture scaled appropriately to those environments. Younger adults "are definitely will-

The challenge to make the sale may be balanced by the Echo Boomers' tendency to redecorate frequently, says NorthCarpe president Tom Murray. "Younger buyers change their tastes faster," he says. "They want to change the look every few years."

A foundation of innovation, fashion and value gave the casual industry its best years during The Aughts and helped the industry survive the worst. Summer Classics, Pride Family Brands, OW Lee and Gloister are among companies that continued to invest in new designs when times were hard, and all were rewarded with quicker recoveries and growth. Performance, style and value will remain drivers going forward, regardless of economic conditions.

"The American consumer has an insatiable desire for outdoor living and casual furniture," Gaylord says. "This is a huge, huge potential category." ❖