

FURNITURE Today

The 2010 consumer



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The furniture industry is influenced by four major factors

1. Housing
2. Unemployment
3. Consumer confidence
4. Consumer spending

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Housing Unit numbers in thousands

Seasonally adjusted annual rate

	United States	Northeast	Midwest	South	West
Permits					
July '10	416	45	68	215	88
Change from July '09	-13.2%	-4.3%	-17.1%	-14.3%	-11.1%
Starts					
July '10	432	51	74	226	81
Change from July '09	-13.6%	-3.8%	-14.9%	-9.6%	-26.4%

July '10 numbers are preliminary. Source: Bureau of the Census and National Assn. of Realtors

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Housing Unit numbers in thousands

Seasonally adjusted annual rate

	United States	Northeast	Midwest	South	West
New home sales					
July '10	276	31	44	157	44
Change from July '09	-32.4%	-24.4%	-21.4%	-26.6%	-54.6%
Existing home sales					
July '10	3,370	470	730	1,380	790
Change from July '09	-25.6%	-28.8%	-33.6%	-20.7%	-23.3%

July '10 numbers are preliminary. Source: Bureau of the Census and National Assn. of Realtors

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Unemployment

National	2010
	July 9.5%
	June 9.5%

By year		
	2009	9.3%
	2008	5.8%
	2007	4.6%
	2006	4.6%

Seasonally adjusted annual rate

Source: Bureau of Labor Statistics

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Unemployment

Seasonally adjusted

By region	July	
	2010	2009
Northeast	8.8%	8.7%
South	9.2%	9.2%
Midwest	9.4%	10.0%
West	10.8%	10.4%

Source: Bureau of Labor Statistics

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Consumer confidence

U.S. Average

Seasonally adjusted index: 1985=100

2010

July ^p 50.4

June ^r 54.3

p=preliminary
r=revised

The Consumer Confidence Survey reflects prevailing business conditions and likely developments for the months ahead. It details consumer attitudes and buying intentions. The survey is based on a representative sample of 5,000 U.S. households. It is conducted for The Conference Board by TNS.

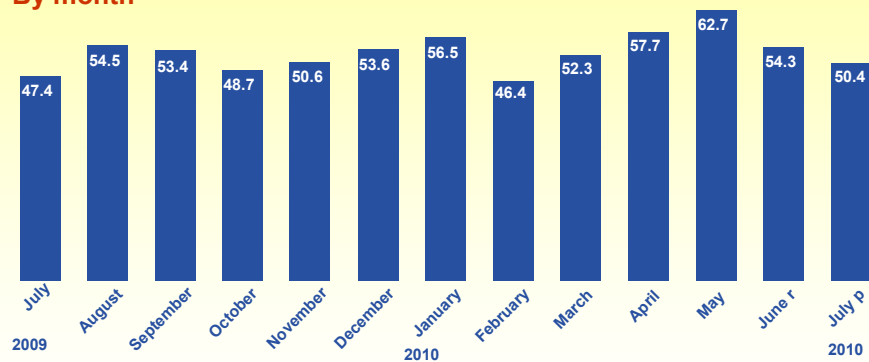
Source: The Conference Board

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Consumer confidence, July '09 – July '10

U.S. Average

By month



p=preliminary
r=revised

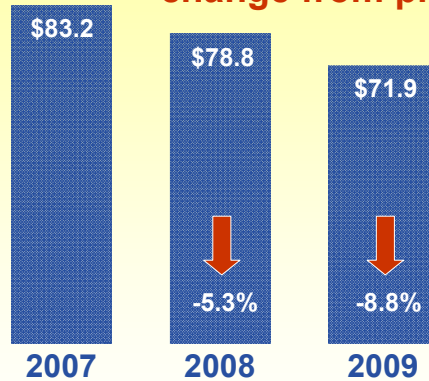
Seasonally adjusted index: 1985=100

Source: The Conference Board

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Consumer spending for furniture and bedding

In \$ billions with % change from prior year



Figures are based on U.S. Dept. of Commerce estimates, excluding contract furniture and certain other non-residential product categories.

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In partnership with HGTV, Furniture/Today surveyed consumer households via an online survey linked to HGTV's Ideas newsletter in September 2009.

The exclusive survey yielded responses of more than **8,550** U.S. consumers.

Data can be projected within the HGTV newsletter population with a margin of error of +/- 1.1%.



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Respondent profile

Age

Under 35	6%
35 - 44	12%
45 - 54	36%
55 - 64	34%
65 and older	12%

Region

Northeast	16%
Midwest	25%
South	41%
West	18%



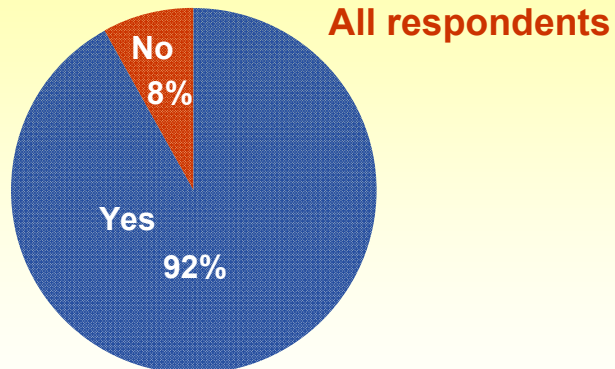
Income

Under \$30,000	14%
\$30,000 - \$49,999	23%
\$50,000 - \$74,999	26%
\$75,000 - \$99,999	18%
\$100,000 or more	19%



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Has the economy affected OVERALL household spending?

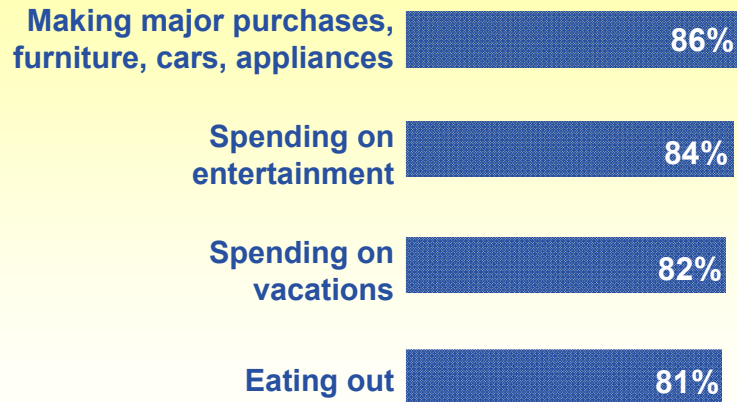


Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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LESS OFTEN, consumers are

Less often



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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MORE OFTEN, consumers are

More often

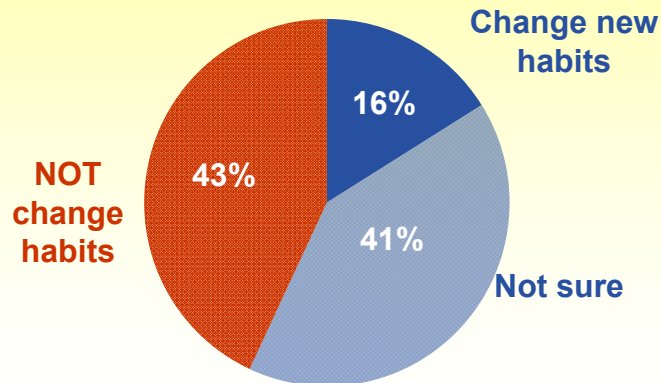


Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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Is there a NEW NORMAL? How ingrained have habits become?

Once the economy improves, consumers will



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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Once the economy improves, the top 5 habits consumers will

STOP

1. EATING AT HOME EVERY NIGHT
2. Using credit cards
3. Not taking a vacation
4. Living paycheck to paycheck
5. Worrying

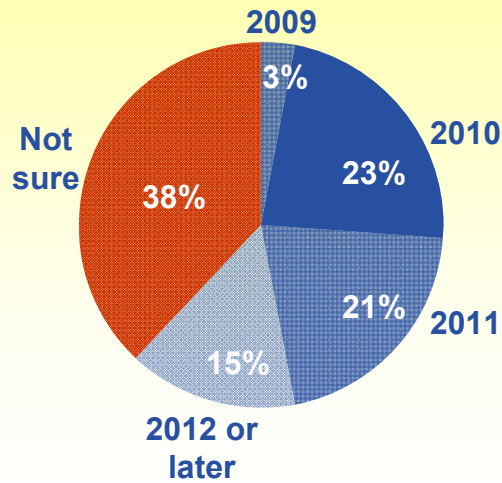
CONTINUE

1. PAYING WITH CASH
2. Using coupons
3. Shopping several stores before buying
4. Saving \$ money
5. Do-it-yourself

Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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When will the recession end for families?



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

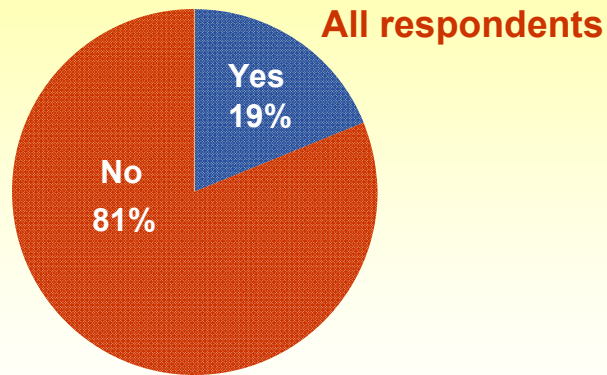
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Has the economy affected FURNITURE spending?

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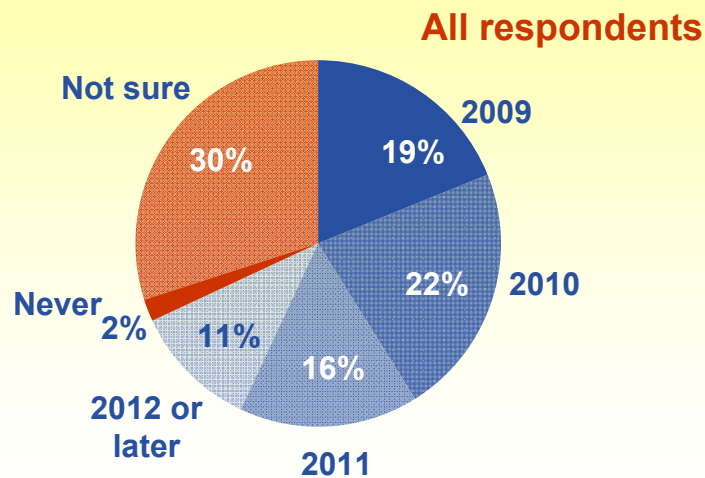
Can consumers AFFORD new home furnishings/furniture in 2009?



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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When can consumers AFFORD new home furnishings/furniture?



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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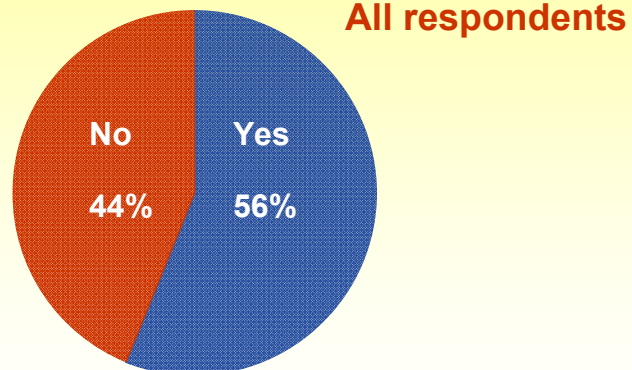
The good news

Pent-up demand

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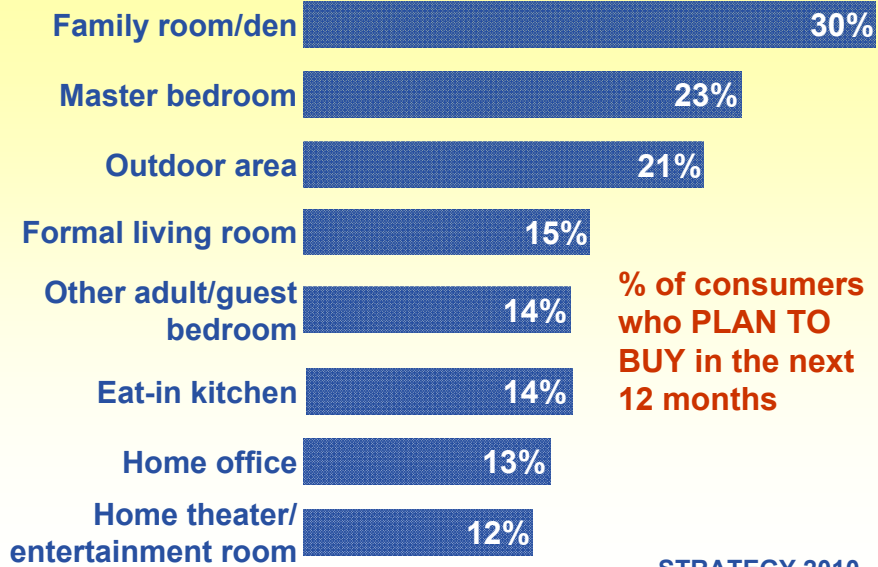
Do consumers DESIRE new home furnishings/furniture?



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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Most popular ROOMS for 2010



**% of consumers
who PLAN TO
BUY in the next
12 months**

Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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ROOMS of opportunity

Public & casual areas



Master bedroom

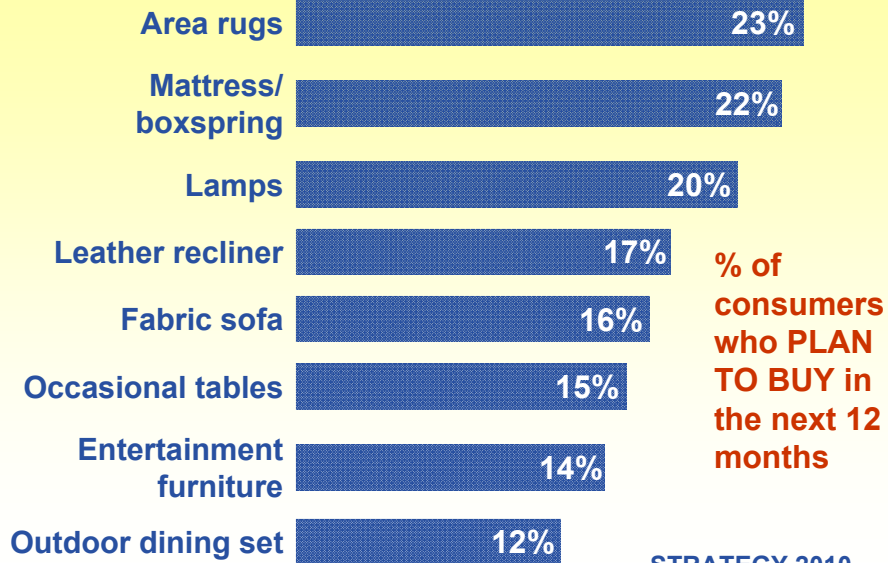


Outdoor spaces



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Most popular PRODUCTS for 2010



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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PRODUCT opportunities

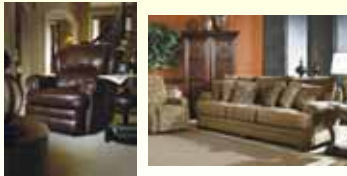
BEDDING



ACCESSORIES



UPHOLSTERY

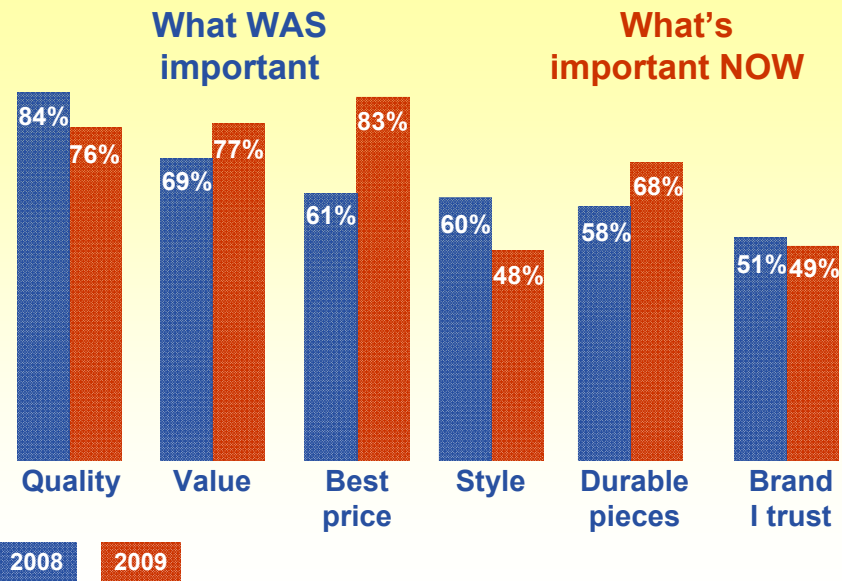


CASE GOODS



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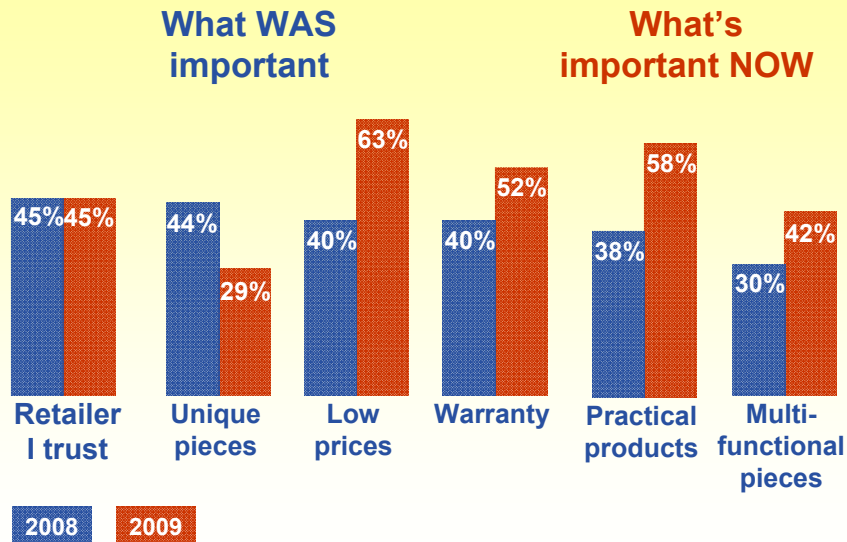
Most important shopping characteristics



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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Other important shopping characteristics



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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Top 5 characteristics

Before recession

1. Quality
2. Value
3. Best price
4. Style
5. Durable pieces

After recession

1. Best price
2. Value
3. Quality
4. Durable pieces
5. Low prices

Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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CHARACTERISTICS

- ▶ Value is crucial
- ▶ Durability is also key
- ▶ Practical products are more important
- ▶ Quality is still important to $\frac{3}{4}$ of consumers
- ▶ The retailer & brand are as equally important

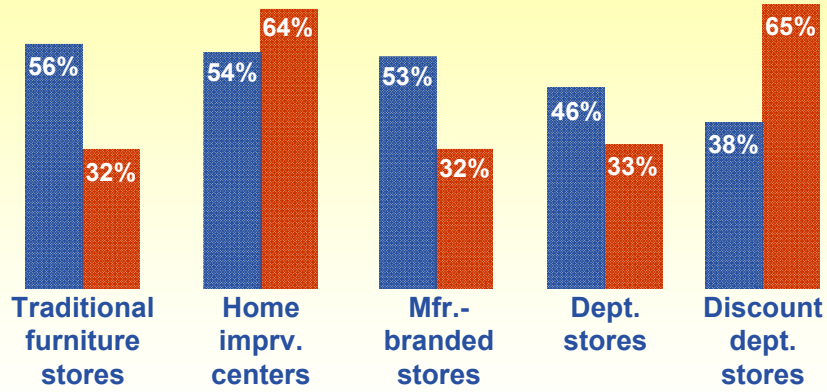
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WHERE consumers shop

Before recession

After recession



2008 2009

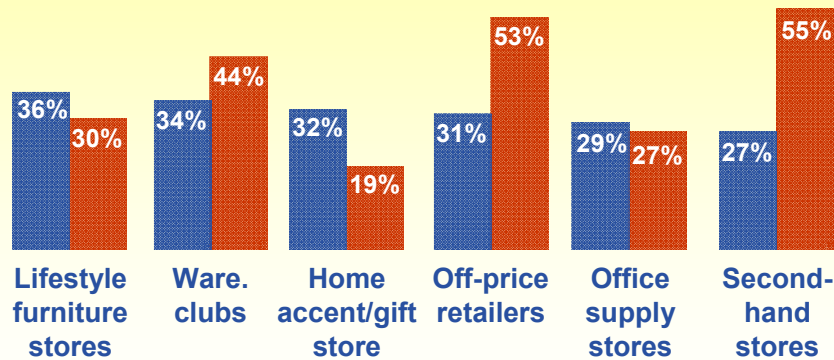
Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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WHERE consumers shop

Before recession

After recession



2008 2009

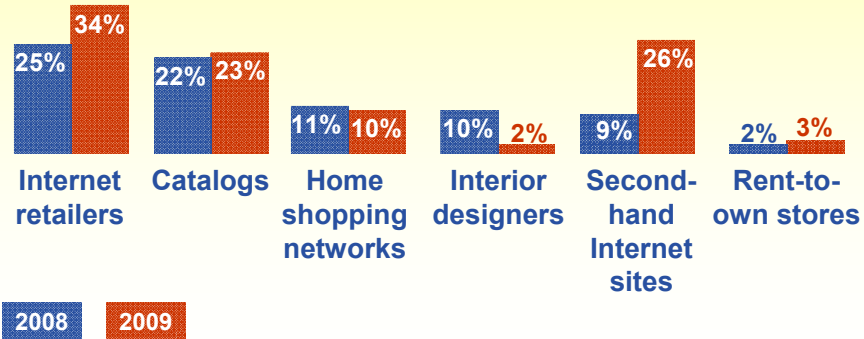
Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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WHERE consumers shop

Before
recession

After
recession



Source: Furniture/Today and HGTV's The 2010 Consumer Survey

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WHERE CONSUMERS SHOPPED

- ▶ Traditional furniture stores have kept 1/3 of shoppers
- ▶ Second-hand stores have gained the most shoppers
- ▶ Discount department stores have gained, too
- ▶ 1/3 of consumers now shop online for home furnishings
- ▶ Will recessionary shopping patterns continue?

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“New Normal” found in new study

- ▶ In April 2010, Chadwick Martin Bailey and iModerate Research Technologies conducted an online survey with a nationally represented sample of 1,500 U.S. adults
- ▶ They released the data in an August 9 report, “Engaging Consumers in the New Normal”

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Per the 2010 survey, consumer spending still in flux

- ▶ 43% of consumers are still developing new spending habits
- ▶ 33% plan to continue recessionary-based reduced spending
- ▶ 24% never made major changes in their spending anyway

Source: Engaging consumers and growing market share in the “New Normal”, Chadwick Martin Bailey, August 2010

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How consumers have changed HOME FURNISHINGS spending habits

	Stopped completely	Continued, but with lower cost products	Continued spending the same or more
All respondents	35%	44%	21%

Source: Engaging consumers and growing market share in the "New Normal", Chadwick Martin Bailey, August 2010

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How consumers have changed HOME FURNISHINGS spending habits

Age	Stopped completely	Continued, but with lower cost products	Continued spending the same or more
18 - 34	28%	46%	26%
35 - 44	45%	37%	18%
45 - 54	39%	44%	17%
55-plus	33%	47%	20%

Source: Engaging consumers and growing market share in the "New Normal", Chadwick Martin Bailey, August 2010

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How consumers have changed HOME FURNISHINGS spending habits

Household income	Stopped completely	Continued, but with lower cost products	Continued spending the same or more
Under \$50,000	43%	40%	17%
\$50,000 - \$74,999	31%	49%	20%
\$75,000 - \$99,999	25%	54%	21%
\$100,000 or more	18%	44%	38%

Source: Engaging consumers and growing market share in the "New Normal", Chadwick Martin Bailey, August 2010

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FINAL thoughts

- ▶ Evidence there is a "new normal"
 - MORE OFTEN consumers are
 - ▶ Researching products online before buying
 - ▶ Shopping several stores before buying
 - ▶ Clipping coupons
 - ▶ Increasing Do-It-Yourself

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FINAL thoughts

- ▶ Evidence of pent-up demand
- ▶ More consumer focus on public areas of the home
- ▶ Greater emphasis on value, quality and durability

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