

UNDERSTANDING CHANGING CONSUMER BEHAVIOR

What Do We Do Now?

Alvin Wight, President
Strategic Decisions Inc.

What characterizes today's shopper?

- Insecure
- More price/value driven at all income levels
- Home furnishings a lower priority
- Focused on rooms they actually use
- Changing shopping patterns and channels of distribution

What puts them off?

- Retail stores that all look the same
- Products that don't excite or give immediate psychological feedback
- Difficulty in understanding quality, feature, and value differences
- Few vendor brands they know and trust

What puts them off?

- Confusion with various salesperson "stories"
- Need to shop multiple stores to feel comfortable in their purchase
- Value equation in terms of other demands on their wallet and time

How do we impact today's consumer?

- Give them what they want and are willing to pay for rather than what we think they want
- Deliver through a channel of distribution that they want to shop for the category
- Present it in a manner that differentiates our product from other “me too” competitors
- Make them secure in their choice and selection

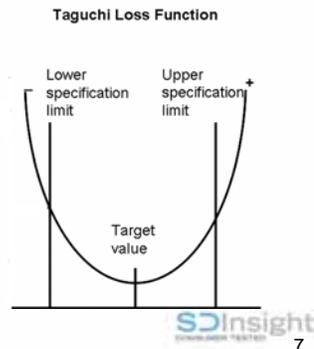
Marketing 101! Lessons to always remember.

- Consumers buy our product not because they understand it, but because we understand them.
- Furniture is a service industry, our challenge is to deliver to the consumer:
 - What they want
 - When they want it
 - In a competitive retail environment
 - With a range of services they want and are willing to pay for

Marketing 101!

Lessons to always remember.

- If you have a differentiated product and the customer doesn't understand it, price always wins
- You must clearly define your target customer



Our Challenge

Develop and Profitably Move Product Through To The Ultimate Customer – The Consumer

Success comes with understanding and motivating each of these groups



Your Company



(1) Your Management Team



(2) Your Sales Representatives



(3) Retail Buyers



(4) Retail Sales People



(5) Your Target Consumer

How furniture is different:

- We are the only major durable goods industry that does not involve the ultimate user, the consumer, in product development
- We basically price our product on cost of acquisition (whether our own or purchased) plus a standard markup rather than what the consumer is willing to pay
- Up to 80% of products are derivative rather than innovative

Current results

OF 100 PRODUCTS SHOWN AT MARKET



Too expensive, risky, wasteful, time consuming & unpredictable

What if you could, right now:

- Improve sales of new introductions
- Better forecast product flow and sell through
- Prove “real” not “imagined” regional differences
- Increase net margins
- Have solid metrics to make product decisions

What if you could, right now:

- Recast your relationship with your reps and retailers
- Speed up time-to-market
- Reduce mistakes & increase successes
- Learn from the real customer, the consumer

How do we do it?

- Find out what the customer wants and give it to them
 - The most powerful message we can be send is “You asked for it, we are giving it to you”
- Consumer research opportunities have changed dramatically with current internet opportunities, both in lower cost and higher confidence

What has changed, why now?

- Universality of internet usage
- Higher resolution monitors & increased band width permitting more realistic visual product presentations
- Use of virtual reality and sophisticated graphics to bypass product sample process

What has changed, why now?

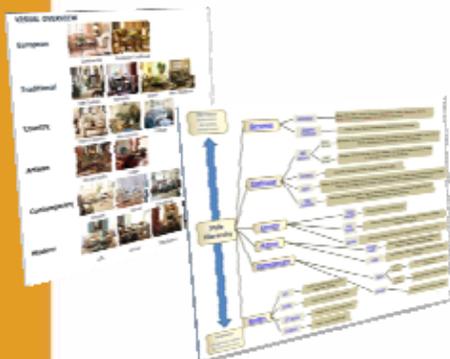
- Prequalified consumer panels that permit large samples of specifically profiled consumers at very affordable costs
- Quick response that shortens development cycles

SDInsight
CONSUMER TESTED

Product Test Categories

A) PLANNING AND PRIORITIZING

Testing of style appeal and preferences uses SDInsight's proprietary style matrix images. We've designed a series of standardized collages covering major style categories. These are used to elicit accurate consumer responses and help focus overall merchandise planning and new product evaluations in terms of well understood style preferences.



ie. Informal Contemporary

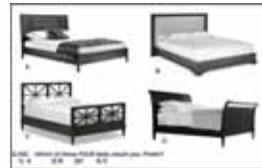


ie. New Country

Product Test Categories

B) FEATURES AND CONFIGURATIONS

Test consumer preferences for specific product features and configurations before releasing assignments to your designers.



Product Test Categories

C) NEW DESIGNS

Test specific new designs for consumer preferences comparing even subtle detailing. Gain high confidence of a projects success before ever going to market.



We can provide affordable rendering services to create accurate, testable images for high confidence results.



Turn your designers line drawings that are simple and efficient but are poor images for consumer feedback into accurate representations of your designers vision with detailed renderings that can illustrate variations in finish color, wood specie and hardware treatments.



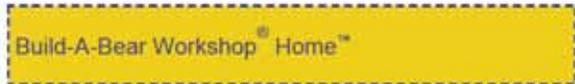
Case Studies



First we confirmed the strength of the brand and whether it fit with Pulaski's corporate objectives.

Then we tested multiple concepts, attitudes, designs, colors, promotional and POP ideas with very targeted consumers to develop the product and marketing.

Case Studies



✦ Translating the Brand

♥ Integrated Marketing

- ✦ Link Websites: BABW & Pulaski - Announce furniture store events and new furniture line news on BABW website
- ✦ Dynamic consumer direct mail campaigns drive awareness, interest and sales
- ✦ Vibrant, engaging advertising and PR
- ✦ Bear-y special mobile marketing program allows kids to make bears for themselves and charity at furniture stores nationwide
- ✦ Fully integrated POP system at retail for customization



Case Studies



Results

- One of the most successful new youth brand and product launches in recent memory.
 - “The first (Build-A-Bear) collections were so popular that Pulaski had to delay cuttings of the second group while it caught up on production.
Page Wilson, VP Sales Pulaski Furniture, September 2007
 - Build –a- Bear, reports that their brand’s youth furniture sales exceed \$30,000,000
Global Icons, Build-a-Bear Workshop licensing agent

Case Studies



America’s largest independent lighting producer used SDInsight to test numbers of new products before introduction

Results:

- One third of new products tested were not sourced due to low appeal
- Other products were sourced at substantially higher levels than others
- Net margins were increased with fewer closeouts
- Retailer relations and placements were improved with the confidence that consumers wanted to buy these new introductions

Case Studies

THE CLASSICS



Stanley

FURNITURE

Tested the concept, features, finishes, and presentation for new CLASSICS collection of traditional styled furniture.

Results

- Confirmed much broader appeal than had been initially expected and identified target customer
- Mix and match concept developed
- Research information used in market presentation to successfully place new collection

Case Studies

HARDEN



Case Studies

Working with Martin Roberts Design, developed new branded store display system based on market research and in-store testing allowing the effective presentation of Harden upholstered and solid wood furniture in a 1,000 sq. ft. Home Studio

Results

- “Harden said the Home Studio, introduced in April 2006, is increasing sales of the company’s high end product by 33% in stores with a prior year’s history” Furniture Today
- “Partnering with our dealers to make them more successful, Harden’s Home Studio has now been installed in almost 50 stores and continues to deliver exciting results Harden Furniture

Case Studies

LAURA ASHLEY
HOME
LUXURY



Tested Laura Ashley brand, designs, and product concepts and features with target consumers.

Results

Successfully launched Laura Ashley brand mattresses for continued strong results with consumers and retailers.



Results & Benefits

- Sales improve over untested products and marketing
- Margins improve with the “right” products, reduced closeouts, and pricing consumers are willing to pay.
- Real metrics permit informed decisions about product development & lowers overall costs
- Your company is differentiated by focusing designers, product developers, marketing, and sales on innovative, well designed merchandise with proven consumer appeal

Results & Benefits

- Time to market can be accelerated with new techniques and narrowing of focus on most appealing products with best opportunities
- Sales organization is motivated with credible evidence of consumer appeal
- Retailer relations and their margins are improved, no longer being your “test market”
- Retail salespeople are motivated with products and features they know customers actually want
- Move your company closer to the “real” customer, the consumer