



Years After Internet Boom, Some Furniture Cos Embrace Web

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After years of shying away from Internet sales, Bassett Furniture Industries (BSET), Ethan Allen Interiors Inc. (ETH) and other traditional home-furnishings powerhouses are launching major efforts to beef up their Web sites.

And the moves can't come quickly enough, say analysts and consultants. The \$115 billion U.S. home-furnishings industry is desperate to generate sales, given the impact of the housing crisis and weakening U.S. economy on big-ticket, discretionary purchases. Yet it lags behind other industries when it comes to selling products online or simply using the Internet to bolster sales in manufacturer- or dealer-owned stores.

"If you're not converting to commerce at your Web site, I don't think you'll be around 10 years from now," said Ed Stevens, chief executive of Shopatron. His San Luis Obispo, Calif., firm provides e-commerce applications to manufacturers so they can fulfill online orders taken on their own Web sites through their dealers. It is a growing business, especially within home furnishings.

Furniture manufacturers for years bet that consumer interest in buying bulky furniture online -- sight unseen, seat unsat and at great transportation expense -- was lower than the risk of upsetting their dealers or the cost of upgrading systems to handle e-commerce.

Online home furnishings sales totaled \$12.3 billion last year, representing 9% of all category sales, according to research firm Forrester Research Inc. They are expected to rise to 11% this year and more than double to \$26.7 billion by 2012, the firm estimates.

Meanwhile, other big-ticket discretionary items, including jewelry and consumer electronics, have a higher penetration of online sales.

"One cannot afford to not be in e-commerce," said Ethan Allen Chairman and Chief Executive Farooq Kathwari in an interview.

Ethan Allen has sold a limited array of lamps and accessories online for years but didn't have the systems in place until now to provide acceptable service selling sofas, bedroom sets or other large items, Kathwari said. He considers this move one of the company's most important in recent years.

Bassett's move, planned for years, is its first into online selling.

"We knew that the longer we waited on the Web, the more risk that someone else would be capturing that demand," said Jason Camp, senior vice president of retail.

La-Z-Boy, which this summer began selling some of its iconic recliners and other products on its site, says customers were frustrated by the absence of online purchases as an option and pricing information.

"We estimate between 60% and 70% of people spend some time on the Web before or during the purchase process," said La-Z-Boy Chief Marketing Officer Doug Collier. With "more than a few million" visitors to its site each year, Collier said, La-Z-Boy wants to convert as many of those to sales as possible.

But many manufacturers and traditional furniture retailers in the fragmented industry either don't offer online purchases, or their Web sites lack basics such as pricing and dealer store hours. As a result, they seem out of step with sophisticated sites run by powerhouse retailers Ikea, Pottery Barn parent Williams-Sonoma Inc. (WSM) and closely held Room & Board.

Indeed, the largest U.S. home-furnishings manufacturer in the U.S. by sales, closely held Ashley Furniture Industries, carries pictures and product dimensions on its Web site but no prices or online purchasing. And Internet shoppers can buy catalogs online for several brands owned by No. 2 player Furniture Brands International Inc. (FBN), but they will have to call or visit a dealer for pricing information on the company's Broyhill, Thomasville and Henredon brands.

Representatives for Ashley and Furniture Brands declined to comment on their Internet strategies.

Retailing and business consultants said the absence of effective online strategies at furniture companies means more savvy sellers can capture market share. Revenue from Williams-Sonoma's six e-commerce sites grew by 19% in 2007 and topped \$1 billion for the first time as U.S. furnishings store sales edged only 1% higher, based on U.S. Department of Commerce data.

"In time, these [other] companies will either figure it out or go out of business," said Donna Hoffman, co-director of the Sloan Center for Internet Retailing at the University of California-Riverside. "For the new demographic of younger people, those who grew up on the Internet, if it's not on the Internet, it doesn't exist."

Moody's Investors Service last month announced the ratings agency will consider a strong online presence a positive factor more frequently in its credit ratings of retailers. High gasoline prices and improved technology are among conditions, Moody's said, that will "continue to induce consumers to spend more over the Internet at the expense of the brick-and-mortar stores."

Even if retailers or manufacturers don't have e-commerce, they must develop Web sites that provide as much information -- including pricing -- as possible, said Neil Stern, senior partner of retailing consulting firm McMillanDoolittle LLP.

"If you want younger, higher-income, educated customers -- which most retailers want -- this is the way you're going to reach them," he said.

Maria Bailey, author of "Marketing to Moms: Getting Your Share of the Trillion Dollar Market," said many furniture companies are out of step with the 82 million U.S. moms, who control 85% of household spending.

"When a mom is making a purchase over \$200, she will do a lot of research, and she wants to do that research online prior to going to the retailer," Bailey said.

To be sure, a surge of imports, rising raw-material costs and failing dealers have kept furniture manufacturers and retailers busy enough in recent years without worrying about e-commerce.

But many experts agree it is time to reconsider.

"A lot of those traditional furniture stores, they're at a point where ...they have to do some drastic things," said Jim Okamura, senior partner in the Chicago office of retail consultancy J.C. Williams Group. "Other retailers have come along to take a huge chunk of their traditional share."

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