

Founders buy Stylus Families reacquire upholstery maker

Michael J. Knell

VANCOUVER, British Columbia — The founding families of Canadian upholstery specialist Stylus, Made to Order Sofas have reacquired the company five years after selling majority interest to TerraVest Income Fund.

In 2004, TerraVest acquired an 80% stake in Stylus for
see Stylus, p28

A look ahead with Fred

By Clint Engel

HIGH POINT — Six years ago, Fred Schuermann, the retired former CEO of Ladd Furniture, warned the furniture industry of a painful slowdown coming in about five years.

All domestic case goods manufacturing would be gone, thanks to low-cost Chinese imports, he said.
see Schuermann, p29



Schuermann

Industry|Numbers

Havertys earns \$9.2M in 4Q

By Clint Engel

ATLANTA — Havertys posted a fourth-quarter profit of \$9.2 million, rebounding from a loss for the same period a year ago, thanks to a combination of cost-cutting initiatives and a slight pickup in business.

The 119-store Top 100 company indicated that business has continued to improve this year, but said it remains cautious
see Havertys, p35

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Hudson's in Chapter 11 Florida retailer aims to restructure debt

By Clint Engel

SANFORD, Fla. — Hudson's Furniture Showroom here filed for voluntary Chapter 11 bankruptcy protection last week, aiming to restructure its real estate debt.

But in a rare move, the midpriced to upscale retailer is current on nearly all of its debt to industry suppliers, ac-

ording to Fred Hudson, CEO and founder of the 13-store Florida chain. It has made payments on recent orders, too, so that its vendors will receive a favored claims status during the bankruptcy process.

The bankruptcy petition lists eight industry suppliers among Hudson's 20 largest unsecured creditors with

claims totaling \$5.1 million. Broyhill is by far the largest with two claims — one listed as disputed for \$4.36 million and other as trade debt for \$361,217.

Hudson said the company doesn't plan to lay off anyone or close stores — which operate as Broyhill Furniture Galleries by Hudson's. In 60
see Hudson, p28

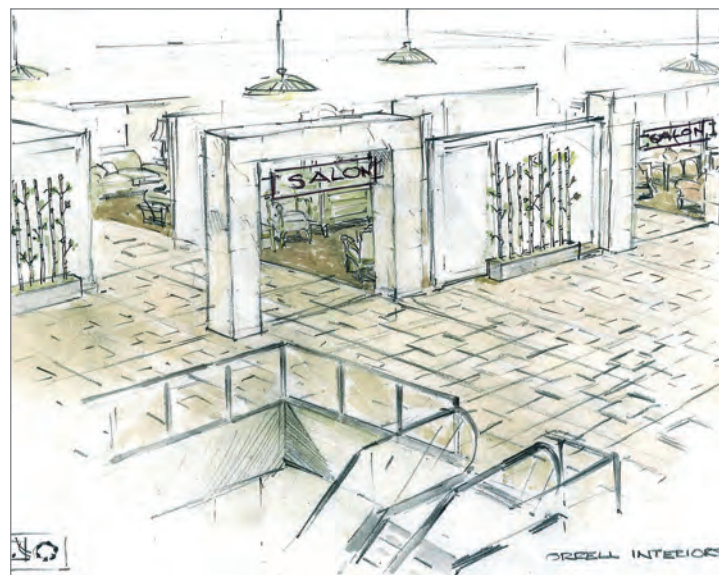
Market Square upgrades look

By Heath E. Combs

HIGH POINT — Market Square and the Suites at Market Square will complete the third phase of a big renovation before the April High Point Market.

Officials said they aimed to preserve the historic nature of the building while adding upgraded services and amenities for exhibitors and buyers.

Market Square, the former Tomlinson Chair Mfg. factory and the largest building on the North Carolina Register of Historic Places, has been home to furniture showrooms for more than 25 years. Dating from the early 1900s, it is the oldest
see Market Square, p29



Salon, shown in a rendering here, will be a new juried area on the ground floor of the Suites at Market Square. The new Market Square Café will be in the Salon area.

Overstock keeps mix fresh, focused

By Gary James

SALT LAKE CITY — Despite its online-only sales focus, closeout specialist Overstock.com pays close attention to what works in the brick-and-mortar world.

Its team of four home products buyers regularly visits furniture, lighting and other stores to study pricing and product selection. They also shop furniture markets to pick up on trends and meet with potential sources.

Like a traditional store, the Web retailer constantly scrutinizes its product offerings on sales performance, with slow movers quickly adjusted with a new price or feature or dropped from the mix. And since the goal with every sale is to create a long-term repeat customer, delivering high levels of service and satisfaction is a top priority.

"We work hard to attract traffic, just like brick-and-mortar stores, and once the

customer is on our site we do everything we can to satisfy their needs and clinch the
see Overstock, p16

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Reed Business Information (RBI)

What's Up Online?

► Overstock

from p1

sale," said Lani Murakami, divisional merchandise manager for Overstock's Home & Garden program. Murakami joined Overstock more than 10 years ago, after working at the Sundance Catalog and a three-location, high-end furniture store in Salt Lake City.

Home & Garden is one of 11 departments on Overstock's "Shopping" section. The category accounts for about 50% of the e-tailer's sales, which last year approached \$1 billion.

Other categories offered by the site include jewelry, electronics, sporting goods, clothing and shoes.

In furniture, the site's assortment runs the gamut, from bedroom and living room to home office, kids and casual. The Home group also sells bed and bath products, as well as mattresses and rugs. The product mix includes traditional, transitional and contemporary styles, with prices ranging from promotional to upper-middle.



Murakami

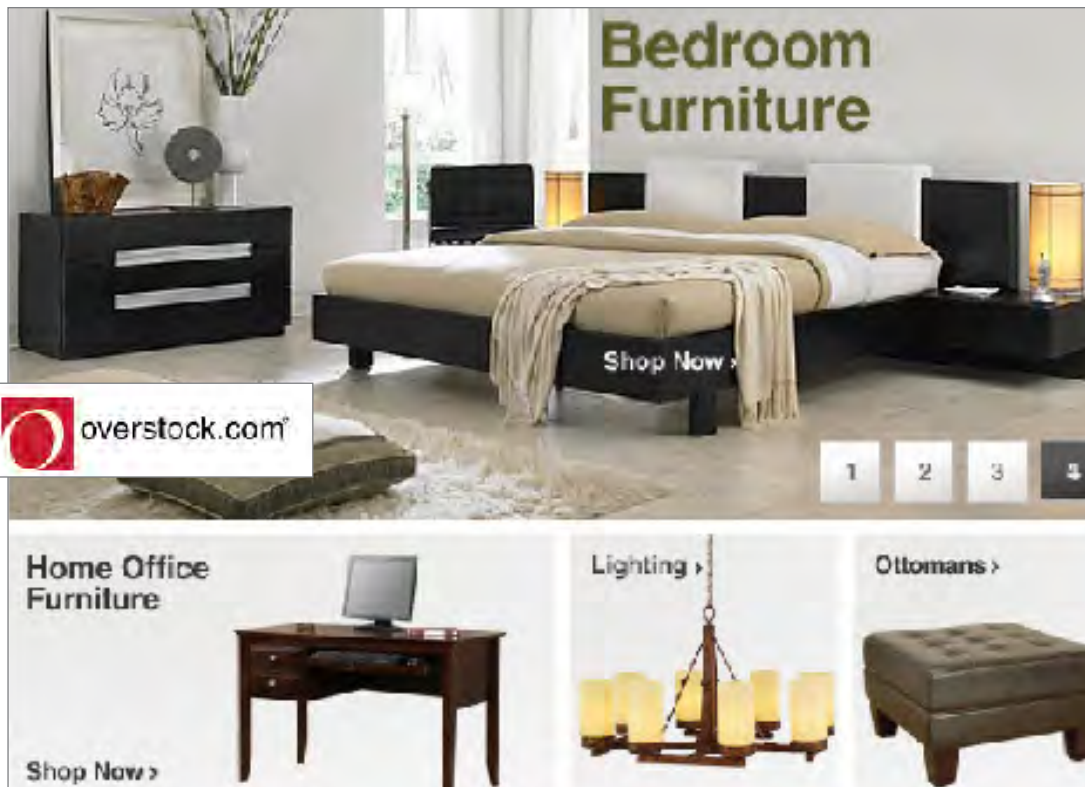
"We have about 450 partners (manufacturers and sourcing companies) that we work with across furniture, décor, rugs and lighting," said Murakami. "The list is always changing, but there are a number of partners that we've worked with since we first rolled out the home program nine years ago."

Among the furniture and bedding sources listed on the site currently are Bush, DMI, Office Star, Serta and Zuo.

Overstock's core mission is to offer manufacturers, distributors and retailers an alternative sales channel for liquidating excess inventory. But during the downturn of the past two years, Overstock has seen a lot of new companies express interest in selling furniture on the site.

"They're testing the waters to see what the potential is," said Murakami, adding that the site has been working with some well-known brand names that "prefer to stay under the radar."

Partly because of today's tough retail environment, more companies are "recognizing that they have to have a Web presence. And we can work with them to develop an online busi-



ness without jeopardizing their brick-and-mortar relationships."

One example of a higher-profile brand Overstock has handled recently is Handy Living's angelo:HOME line. Designed by HGTV host Angelo Surlmelis, the ready-to-assemble upholstery collection launched in August on Overstock.com, Sears.com, Costco.com and CSN Stores.

"That's been a great partnership," said Murakami. "With our customer base, we offer companies the ability to get a very quick read on product that you simply can't get in a brick-and-mortar store. We can get a product in front of three to four million people in a matter of days and get immediate feedback on what colors and other features are resonating."

The sharing of data and analytics is a key part of Overstock.

com's partnership with vendors, according to Murakami. "A lot of the data we push directly to the partners so they can see these trends right away."

She added that her team of buyers, backed up by Overstock.com's data specialists, constantly reviews the numbers. If something on the site doesn't move, they work closely with the product's source to see if changes can be made that might lead to better results.

"If a ton of people are looking at the product but not buying, something's wrong," she said. "It might be the price, the picture, the copy or the color. Sometimes we'll see if another fabric might work better, or perhaps a change in the arm treatment."

To assist consumers with their selections, Overstock offers online buying guides with tips about

product construction, styling and more. In addition, the site offers product-specific reviews written by customers. The reviews are managed by a third-party firm rather than by Overstock, so that opinions are frank and objective. Negative comments appear along with positive ones.

"Our customers typically are very informed. They take the time to educate themselves before they buy," she said. "We see that in the questions they ask us, such as, 'Is the sofa I'm interested in eight-way hand-tied?'"

In the descriptive copy it posts with product images, Overstock strives to be clear and concise, Murakami said. "We believe in full disclosure. We talk about a product using MDF, not engineered wood, and spell out that it's a bycast leather."

That approach cuts down on

Overstock.com's opening furniture page highlights several key product categories.

customer disappointment — and on returns, she added. The site has a policy of picking up and replacing any furniture that is damaged. And if a customer decides that a product she bought doesn't work in a room, she can send it back for a refund or exchange (providing she pays for the shipping).

Taking note of this customer-centric approach, the National Retail Federation recently ranked Overstock.com No. 2 in customer service, behind only L.L. Bean.

Some of the furniture products that Overstock sells are drop-shipped from vendors. Others are shipped from the e-tailer's two large warehouses in Salt Lake City. Freight carriers handle the larger items with door-to-door delivery.

The company currently offers to ship any item on the site, including furniture, for \$2.95 per order. "That means they can buy a sofa, shirt and a TV and get it all shipped for under \$3," Murakami said.

These days, consumers are shopping "more heavily" than in the past to make sure they get the best deal possible. But the site's target demographic remains unchanged.

"Our average household makes more than \$100,000 a year," said Murakami. "Our typical customer is a well-educated woman looking for quality and value."

Overstock's Home business has continued to grow throughout the downturn, according to Murakami, thanks to its discount business model. "In good times we do well, and in tough times we do even better."

Lately, she said, sales seem to be picking up — "an indication that consumers are getting over their resistance to spending money, especially when it comes to their home."

To make consumers aware of the site and its offerings, Overstock.com advertises on TV, magazines, affiliate Web sites and other media, including radio. In the home arena, it runs print ads with Traditional Home and Southern Living.

"Going forward," Murakami said, "we want to become an even bigger force in home furnishings, offering consumers a wide selection of sharply priced, stylish goods."

Worldstock helps global artisans

SALT LAKE CITY — Recognizing that global trade is an important tool for improving developing economies, Overstock.com CEO Patrick Byrne established the Worldstock program in 2001 after a motorcycle trip through Southeast Asia.

In a statement on the Overstock site, Byrne describes Worldstock as "a store within Overstock devoted solely to carrying the works of artisans, especially disadvantaged artisans, and selling them as inexpensively as possible so as to maximize the amount of return for them."

The common denominator for all products sold through Worldstock, he added, is sustainability: "The businesses we will support are those that sustain rather than use up people, cultures and natural resources."

Today, Worldstock offers a wide variety

of globally sourced furniture, accent items, clothing and jewelry. The program's director is Angela Ramirez, who works with artisans in dozens of countries to develop product.

"Angela travels the world to find handcrafted, one-of-a-kind items you otherwise wouldn't see," said Lani Murakami, divisional merchandise manager for Overstock's Home & Garden program as well as Worldstock. "It's become an important part of our business that has a very positive impact on people's lives in struggling communities around the world."

Worldstock returns an average of 60% to 70% of the sales price on its products to artisans and other sourcing groups. To date, the program has generated about \$49 million in revenue for these suppliers.

— Gary James