MARCHING ON

DON'T LOOK FOR E-COMMERCE'S SHARE OF FURNITURE SALES TO FLATTEN—EVER.

By Powell Slaughter

E-commerce's impact on the furniture sector shows no signs of slowing—and that affects all retailers, whether or not they sell furniture online.

Based on FurnitureCore's national consumer surveys conducted last year, of the consumers who purchased furniture, 17 percent purchased on the Internet. (See "National Market Performance" on next page.)

Of all consumers purchasing, 40 percent did not consider the Internet for the transaction, but that left 60 percent who did. Of the 60 percent who considered, 12 percent did not shop; 31 percent shopped, but did not buy. Still, that left a significant 17 percent who did purchase online.

To compare how the above consumers fared with independent furniture retailers, check out the accompanying "National Market Performance" graph from FurnitureCore.

Of all consumers purchasing, 48 percent did not consider an independent furniture retailer (excluding regional chains); 21 percent considered, but did not shop; 22 percent shopped, but did not buy; and only 10 percent purchased from an independent store—neither regional chains nor department stores.

NOT STANDING STILL

There's plenty of action among furniture stores moving into the online channel.

Take a look at Blueport Commerce, whose customers include brick-and-mortar retailers who want to extend their reach into e-commerce. Blueport recently announced that its sales are up more than 150 percent through 2014's first two quarters compared with the first half of 2013. Sales for its Furniture.com e-commerce Web site are up more than 400 percent, comparing the same periods.

Part of the growth is attributable to a number of big name retailers who have joined the platform.

This year, $1.3 billion Canadian retailer The Brick signed up. Seffner, Fla.-based Rooms To Go has joined Furniture.com, and Ontario-based Leon's plans to invest in Furniture.com and extend its Blueport contract for another seven years.

Those are just a few examples of how the big boys in furniture retailing are making moves. Such investments in time and money speak volumes about the present and future potential of the e-commerce channel for furniture.
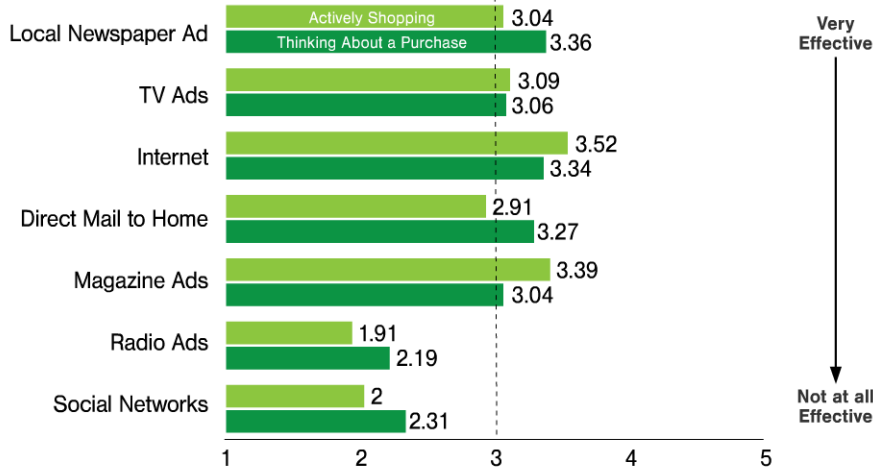
FIRST STEPS

Andy Bernstein, founder of Internet marketing and Web site services vendor Furniture-Dealer.net, has seen growth in e-commerce's importance in furniture retailing as consumers grow more accustomed to making online purchases.

In its business, Furnituredealer.net is focusing on two aspects to help clients address e-commerce: First, making it easy for consumers to use the site and buy online with a pure shopping experience; and second, communicating to consumers why they should buy from their client versus an online retail specialist.
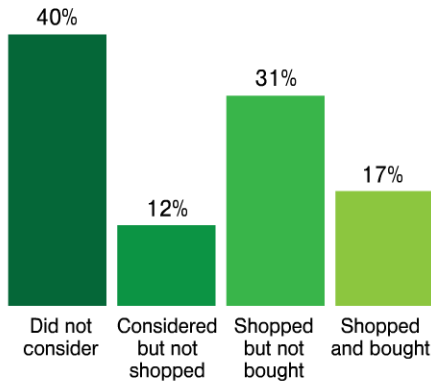
Advertising

Rate the effectiveness of the following advertising media for furniture
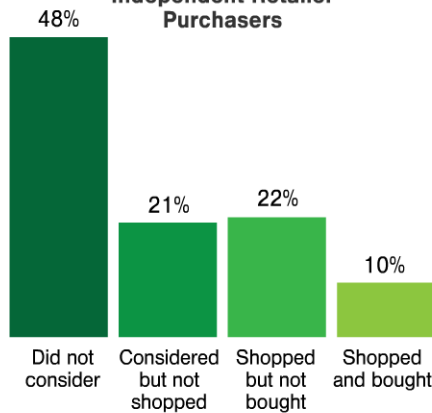
5 - Very Effective to 1 - Not at all Effective

Media	Actively Shopping	Thinking About a Purchase
Local Newspaper Ad	3.04	3.36
TV Ads	3.09	3.06
Internet	3.52	3.34
Direct Mail to Home	2.91	3.27
Magazine Ads	3.39	3.04
Radio Ads	1.91	2.19
Social Networks	2	2.31

Very Effective ↓ Not at all Effective

National Market Performance
Online Purchasers

- Did not consider: 40%
- Considered but not shopped: 12%
- Shopped but not bought: 31%
- Shopped and bought: 17%

National Market Performance
Independent Retailer Purchasers

- Did not consider: 48%
- Considered but not shopped: 21%
- Shopped but not bought: 22%
- Shopped and bought: 10%

Source: FurnitureCore

"Ease of use means less clicking, easier navigation," Bernstein said. "Second, is getting prices on the site."

Regarding pricing online, retailers need to consider two aspects: inventoried product and special orders.

Manually pricing products is labor intensive. Bernstein pushes his clients to create Web sites that feature seamless access to price information through a store's operating system.

"Forty percent of our clients (have sites) that are hand-shaking with their inventory management system," he said. "It allows them to: one, communicate (to consumers)

which products are in stock or in the store to see; second, it allows them to price it out" for special orders.

The hard part is up front, getting the Web site data set to match the store system's data. Bernstein gave an example of the issues involved: If you're selling a three-piece sectional or a seven-piece dining room, the shopper sees that as one "item," while your store system sees an assortment of SKUs.

If a retailer is using photography from manufacturers online, it should match what is being sold. For instance, a vendor's dining room image might show seven chairs, while a retailer sells dining groups with five chairs.

FORECAST: CLOUDY

YOU'VE PROBABLY BEEN hearing for several years about this thing called "the cloud." The term gets tossed around a lot, but a lot of folks don't really know what it means in the context of store technology and operating systems.

Basically, the cloud is a network of servers accessed via the Internet that can provide the same sort of operating functions that are housed in the physical servers running in any business.

Here's an example from digital innovation news source Mashable.

If you take a picture on your smartphone, that picture resides in that physical device. If you upload it to Instagram, it's going onto the cloud, where you can access it at any time, anywhere from your laptop, tablet or phone. If you delete the photo from your phone's internal memory, it still exists on a server located elsewhere—along with information from thousands, even millions of other users.

Some service providers are moving entire operations to the cloud. Take Adobe, which has transitioned its creative services to the cloud. You can't buy the software for yourself any more, but pay a subscription fee to use "Adobe Creative Cloud" online.

IMPLICATIONS FOR FURNITURE STORES

The best thing about the cloud is that you can access it from anywhere, any time, said Myriad Software Principal Carolyn Crowley. Myriad made its store operations software available on the cloud in 2008.

"For a furniture retailer who doesn't want to be heavily involved in information technology, it's perfect," she said. "You don't have to worry about an infrastructure."

The cloud is gaining momentum at

"CLOSE TO 25 PERCENT OF OUR CLIENTS ARE ON THE CLOUD."

— Carolyn Crowley, Myriad Software

Myriad. In 2012, a lot of its larger clients began to move that way.

"Close to 25 percent of our clients are on the cloud," Crowley said. "In the last couple of years, the majority of new systems we've sold have been cloud-based. "We go either way—server or the cloud."

Profitsystems developed Retailvantage OnDemand, the cloud application of its point-of-sale and inventory management system, seven years ago, said Guadalupe Pagalday, product marketing manager at the company's Denver, Colo.-based parent company Highjump Software. Clients began signing on soon after.

"Serving their customers and growing their business: That should be the focus of retailers," Pagalday said. "Profitsystems developed RETAILvantage OnDemand to allow home furnishings retailers to focus on what they do best and solve two significant obstacles retailers face when adopting a retail management system: limitations of cash and technical expertise."

WHY THEY SHIFTED

Crowley said maintenance issues and expense have pushed more of Myriads retail customers "cloudward."

"They had an 'event'—a server crash or hardware program and they didn't have a back up," she noted. "What made it an easy sell with single stores, was the 'I don't want to buy another server and worry about maintenance and upgrades.'

"For us, if our client is growing the business and add more memory and additional users, it's very easy to add new user licenses, and you don't have to pay labor for installation."

She added that it's not just the hardware that a retailer purchases if they want their own in-house server.

"It's the labor—if there are problems, you pay to fix them," Crowley said. "The

contractor must maintain it. You have to add this to the cost."

Does your system need an upgrade? That's a lot easier on the cloud. Cloud providers often offer selections that are upgradeable in the future.

The cloud solution has proven to be stable and reliable, with an up time of 99.9 percent, state-of-the-art anti-virus and firewall protection

"Our retail cloud solution eliminates the burden of maintaining a computer network," Pagalday said. "There is no file server to purchase, no backup hardware to worry about, and no expensive outside technical help needed."

CHALLENGES

Crowley said the biggest block for retailers considering the cloud is that they're nervous not having their data housed in their store or warehouse.

It's an issue of security, and hackers have shown plenty of skill when it comes to infiltrating the Internet.

"Any cloud provider is very on top of security," Crowley said. "That's improved a lot over the past 10 years."

In late 2008, a coalition of industry practitioners, corporations, associations and other key stakeholders formed the Cloud Security Alliance. The association's mission is to promote the use of best practices for providing security assurance within cloud computing, and to provide education on its uses to help secure all other forms of computing.

The organization's Web site (CloudSecurityAlliance.org) contains a wealth of information on security issues related to cloud computing, and the establishment of standards to help ensure the protection of data and services on the cloud.

The cloud is a strong bet for a number of large, everyday-name technology

companies like Microsoft, Apple, Google and Yahoo.

"The Cloud is here to stay, and the Cloud is where business operations have moved or will move," Crowley said.

For those with security concerns about cloud security, network administration specialists monitor and maintain the cloud network.

Other benefits include remote access that allows retailers to connect to their business from anywhere in the world via the Internet; rapid deployment and scalability.

"Managing the business from the cloud allows retailers to be nimble and react quickly to changing needs," she said. "During short term events like annual holiday sales where traffic patterns increase and additional sales help is required, it is a straightforward and simple process to simply 'turn on' additional user applications and have them available only for the duration of the event."

The only potential disadvantage to the cloud Highjump sees are local Internet-service interruptions, but there's a fairly easy fix for that. Most companies would opt for cable Internet access for more reliable service with less downtown than satellite, DSL or other broadband options.

Cloud computing is gaining popularity as businesses face the prospect of replacing aging servers and networks, which can be costly and time consuming, Pagalday noted.

"Making the move to the cloud is attractive for three primary reasons: cost savings, flexibility, and security," she said. "We have seen our clients increase efficiencies, improve cash flow, and be able to meet business demands more quickly by moving their computing system to the Cloud." **HFB**

ONLINE PRIVACY A CONSUMER ISSUE

CONSUMERS' CONCERNS about the privacy of the information they put online is growing—and it's a trend of which any furniture retailer seeking to build e-commerce business should be aware.

Online privacy concerns remain extremely high, with 92 percent of U.S. Internet users worrying about their privacy online compared with 89 percent in January 2013.

That's according to the 2014 U.S. Consumer Confidence Privacy Report, conducted last December by Harris Interactive on behalf of TRUSTe, a specialist in global data privacy management.

The study gave further evidence of high levels of consumer privacy concern: 47 percent of respondents said they were always or frequently concerned; and 74 percent were more concerned than last year.

Click tinyurl.com/ozfzvjd to register and download the complete TRUSTe study.

83%
Consumers less likely than a year ago to click on online advertisements

80%
Consumers avoiding apps they don't believe protect their privacy

74%
Consumers less likely than a year ago to enable location tracking on their smartphone

Source: TRUSTe

"Once you put a price on it with a picture, it gets tricky to make sure you get it right," Bernstein said.

Custom orders pose a particular pricing issue for selling online, but progress is being made there, as well.

"We've been working hard on publishing manufacturer price lists that retailers can go to and put on a multiplier to get a price," Bernstein said.

Manoj Nigam, president and CEO of Charlotte, N.C.-based Internet marketing and services vendor MicroD, believes a time will come when e-commerce won't be an option for furniture retailers, but a necessity.

"It's not a question of if, it's a question of when," he said. "E-commerce in our industry is in the same spot where Web sites were some years ago. Today, nobody questions the need for a Web site that shows your location, the products you carry, the services you provide."

Other retail sectors have created new online expectations for consumers that furniture stores must eventually match.

"The consumer expectations today are 'I can see it anywhere' and 'I can buy it anywhere,'" Nigam said. "When you are serving customers in any retail environment, you need to do it in an omni-channel way. That means the customer can see products in the store, go home an make a decision and purchase online; or find the product online and then come to the store to see and feel it, and make the purchase there."

Take a look at what other retail sectors are doing on line. Electronics, apparel and a host of others are meeting consumers' "see it anywhere, buy it anywhere" expectations.

"If you're are going to be a retailer of any size, protect your market share, and come across as a company that's keeping up with the times. You must provide a click-and-mortar model," Nigam said.

Nigam does believe traditional furniture stores bring some advantages to the table.

"The online retailers' ticket size is typically smaller than that of brick-and-mortar retailers—for now," he said. "If you notice, Amazon is not in furniture in as big a way as appliances and other categories. Furniture is still one of the unique categories where consumers want to touch and feel, and that's a brick-and-mortar advantage.

"Big online retailers have created an awareness and expectation in consumers' minds. What (brick-and-mortar) retailers need to do to compete is to advertise and market in the channels people expect them to be like Google and social media, and promote their advantages" over online-only retailers.

For example, an online retailer can't hold in-store consumer events, and doesn't have a physical store where shoppers can experience the products in person. Retailers should tout their service stance and immediate, local recourse for consumers should problems arise.

"If you look at what's selling online (in furniture), it's mostly simple case goods, and not much in the high end," Nigam said. "If retailers sell specialized upholstery, they need to promote that, along with the validation in the showroom of what shoppers see online. It's a huge advantage."

How can retailers translate their store merchandising for a more impactful Web presence? Nigam had some suggestions. First, instead of single products, why not use a high-quality photograph of showroom vignettes? The items should could be sold as a package, but also allow shoppers to add individual items to their cart. This calls for a Web site robust enough to provide all the necessary information with a click.

"If you merchandise a group setting online with accompanying accessories and rugs, most sophisticated Web sites allow you to not only show that photo, but also have information on the individual items in the group," Nigam said. "We just launched a program with Havertys that allows you to slide in another rug and add that to the shopping cart. … The key is having a Web site robust enough to support your in-store merchandising and create a bridge to online merchandising."

Don't expect an immediate increase in sales once you step into e-commerce.

"I would say that having an online e-commerce presence is insurance in preserving your market share," Nigam said. "You might not have a lot of immediate sales, but not having the (online purchase) option is detrimental in customers' eyes. Hayneedle is selling every day in your market, and if you don't have the presence, you aren't even in the game."

And remember that a Web site with a shopping cart isn't the whole store for e-commerce. Your organization has to support

Make sure your Web site adapts itself to the screen size of the device the consumer uses to view it.

inventory, delivery and after-sale service on items ordered online.

And while average tickets for online furniture purchases might not meet those of brick-and-mortar stores, expect that gap to shrink as consumers become more comfortable with big-ticket purchases via the Internet. MicroD manages Bassett's and Ethan Allen's online custom-order upholstery package.

"We've seen a steady increase in that sort of order online, and volume has steadily increased," Nigam said. He didn't give an exact figure, but the increase "is enough to where they've continued to support the channel."

THINK MOBILE

An e-commerce Web site is more than a sales vehicle, it is today's most valuable digital channel for driving traffic in to a physical store, according to Lance Hanish, co-founding partner of SOPHIS Integrated Marketing Innovations.

In developing that site, make sure to incorporate mobile-friendliness.

"Did you know that mothers turn to mobile when in store to save money?" Hanish asked.

If a retail site isn't mobile friendly, consumers aren't going to stay in the store long when browsing on the phone.

With e-commerce becoming more important, consumers have more ways to buy. If they use their phones in your store, make sure your mobile presence stacks up well with the competition.

"Today, everyone has a smart phone,"

Bernstein said. "Every product has hundreds, if not thousands, of companies who can deliver it to (consumers), and they are operating inside your four walls through peoples' smart phones."

Suzy Teele, COO of Snap Retail, noted that starting last year, more online sales came over phones than computers.

"Does your product look good on the phone?" she said. "Use an app for mobile, or build a Web site that's responsive, that readjusts its size automatically to fit the screen it's appearing on."

RETAILER RELEVANCE

One way traditional retailers looking to take on e-commerce to compete with pure e-tailers is to do what they do best—talk to customers.

Bernstein is big on a full-service "assisted" shopping cart process.

"We see assistance from the retail associate as the most important part for the local retailers we deal with," Bernstein said. "Our focus is not on the national-shipping part of e-commerce, but helping retailers do business better in the local market."

That said, national shipping e-commerce players are a major competitive problem for retailers.

"Amazon wants to be the place where people buy everything," Bernstein said, adding that a company such as home furnishings retailer Wayfair has the reach to get manufacturers to store product in their warehouses.

"The key is how do we communicate (online) why people should do business with

our clients? What are your values, beliefs, services, community involvement? It requires a mind shift for us, because most of that information today resides in people's heads, it's not always published," Bernstein said.

Most retailers tout their great service and knowledgeable, helpful people, along with selection or pricing, as reasons for consumers to shop and buy from an establishment.

"Get into the specific types of services you offer, the types of sales you do that differentiate, the types of financing you offer," Bernstein said. "And tell them (online) why that matters to them.

"The Internet is going to commoditize a lot of products, and we have to communicate what value the retailer brings."

Retailers should endeavor to build relationships and trust online. Retailers strive to do that in stores already?

"There's going to be a huge need for retail salespeople and designers who can listen and help people solve problems online," Bernstein said. "These people need to become experts at assisting customers over the phone and via chat and must have the tools they need to do that available."

DEDICATING RESOURCES

Do online shoppers browsing an e-commerce site see just the store's telephone number, or are they directed to a dedicated call center when they want to buy or learn more?

The latter may be the better option. Think about it. Will an online customer wanting assistance call the store or go to the store?

Retailers showing particular online sales growth have established dedicated call centers for that segment. That way, the customer doesn't get put on hold when she calls while the operator looks for the right person to field the inquiry.

"If you talk to the customer, that's the moment of truth, and some of the best salespeople aren't comfortable with the technology," Bernstein noted. "Our clients need to try to get people to talk."

Del Sol Furniture in Phoenix has created a dedicated call center for online sales.

Alex Macias, vice president, had decided to spend time taking Web site-generated calls himself and realized how important they are. After the first day, he realized Del Sol needed to invest in an online sales team and service department.

"Those customers who come to our Web site are as valuable as those who come into the store," he said. "If your Web site is an online store, today's online customers have a high expectation of service."

The first key to staffing such a call center is finding someone on your sales force that truly understands your company. It could be someone who isn't doing that well on the showroom floor. That person might thrive in an online sales environment.

"Your best sales associates on the floor aren't always the ones who have the skill for online sales support," Macias said. "It's a different skill set."

A NEW CUSTOMER

"There are a lot of people who have nice Web sites who don't do e-commerce," Macias said. "We consider our Web site to be our online store, 24-7, where the customers start the process."

As it began selling online late last year, Del Sol had to make some adjustments. The store had catered traditionally to the Hispanic community with an emphasis on credit.

"That's not the customer who comes to our Web site," Macias said. While that traditional customer still leans toward in-store shopping, the online store attracted a much wider variety.

"Furniture retailers either get (e-commerce) or they don't," Macias believes. "Is your Web site just a Web site to you, or is it your online store?"

Even if you don't sell online, it's still a store.

"Look at leads coming in from the site. If they still think it's just a Web site, they don't get it," he said.

ADDING VALUE ONLINE

Furniture retailers have a depth of product knowledge sometimes lacking among pure e-tailers, and they need to make that resource available to online shoppers.

That's one reason Sam's Furniture & Appliances in Ft. Worth, Texas, incorporates a live chat function on its e-commerce site.

"It's a great tool and gives customers another way to make contact with our stores when they have questions," said Seth Weisblatt, vice president.

Consider incorporating e-mail marketing into your e-commerce strategy.

"I'm not talking about just e-blasts with promotions," Weisblatt said. "We've started using prospect lead generation and it has had a great success. A customer provides their information to us via a pop up on the item page they are on, we will then follow up with targeted promotions for the products they were browsing for."

Sam's is constantly updating its Web site.

"From graphics, to product catalog,

NAHFA RALLIES SUPPORT FOR FAIRNESS ACT

BRICK-AND-MORTAR RETAILERS have many concerns about a level playing field when it comes to competing with companies selling the products they show on their floors via the Internet.

One of the biggest is the issue of e-tailers who avoid charging state sales tax on purchases made by consumers in the markets those physical store locations serve.

The North American Home Furnishings Association is working to rally member support for the Marketplace Fairness Act, which would force online retailers to collect and remit state sales tax on purchases from any state. Currently, e-tailers must do so only for sales to consumers in states where they have a physical presence, such as a warehouse or distribution center.

The U.S. Senate passed the MFA last year, and the act is now in the hands of the House of Representatives.

In late July, NAHFA sent a letter to Rep. Robert Goodlatte, (R-VA), chairman of the house judiciary committee, reminding him why home furnishings retailers support the MFA.

That was the second such letter the association has

sent in its support of the online sales tax. Also in July the association rallied members to participate in a letter-writing campaign to their representatives along with House Majority Leader Kevin McCarthy (R-CA), former Majority Leader Eric Cantor (R-VA), Majority Whip Steve Scalise (R-LA) and Speaker of the House John Boehner (R-OH). The NAHFA also encouraged members to reach out to their local media and congressional representative through the Web site of the Alliance for Main Street Fairness (tinyurl.com/n2bemoa).

"The Internet sales tax issue has gained more momentum and attention this year and we encourage our members to keep reaching out to their legislators and share their views," said Sharron Bradley, NAHFA's CEO. "Our calls to action give them quick links to write letters to the appropriate members of Congress and to sign off on the letter sent directly from the NAHFA. We also strongly encourage members—and the industry—to meet with their legislators when they're on recess next month. Our unified voice is strong, but personal phone calls, letters and meetings with constituents are even more powerful."

making sure every item has a price and stock availability," Weisblatt said. "The 'mission statement' of our Web site is to provide customers the information they need to select Sam's Furniture as their place to shop."

It's all part of the retailer's seamless shopping experience, whether the customer is in the store, on her computer, or using her smartphone or tablet.

"The more information we can provide customers the better our success will be online and in the store," Weisblatt said.

SAVING THE DAY
St. Louis-based Goedeker's stepped into e-commerce after the 2008 recession crippled its business. Owner Steve Goedeker said he launched e-commerce not as a grand strategy, but to keep the business afloat.

Starting e-commerce with 15 brands and 4,000 products, the retailer now has more than 200 brands and more than 180,000 available items.

"We were just at the beginning of the recession in 2008 and were looking for a way to survive the challenges," he said. "We started with a single table with two people, one who would answer the phone and one who worked on the Web site" adding and removing products.

As online sales increased, the Web site team went from two people seated at a table in the showroom to a separate, walled-off room with about a dozen people. The department moved upstairs when the online-employee count surpassed 20.

"Eventually we had to completely redo our building to accommodate more staff and inventory," Goedeker said

Business grew to the point that two years ago, Goedeker's converted 45,000 square feet of its 50,000-square-foot showroom into warehouse space and the hub of its online operations.

Selling online involved a cultural shift at Goedeker's, with an explosion of information and an intimidating learning curve.

"It's like starting all over again," Goedeker said.

The Goedekers had no shipping experience and minimal knowledge of marketing.

"The challenges have been many," he said. "From not knowing anything about how to start advertising, how to ship, how to deal with damages, hiring and training people. We literally were learning as we went along."

SHOULD YOU SELL ONLINE?
E-commerce represented 6.2 percent of total retail sales in first-quarter 2014, according to Snap Retail's Teele, and is up 12 percent over the same period last year.

If there's a single compelling reason to online for sales, she believes it's that someone selling at least some of the product you offer is doing so online pointing out that it could be a big-box retailer or an e-tailer.

She added that e-commerce is the No. 1 channel for electronics; No. 2 for apparel and accessories; and No. 3 for consumer packaged goods.

"It's never flattening," Teele said. **HFB**

HOT TIPS

CREATING AN E-COMMERCE strategy requires thought, planning and commitment to be successful. Suzy Teele, COO, of SnapRetail, offers retailers a number of things to consider when moving into online sales.

1. Define Goals
Do you want to build online sales, or drive traffic into the store? Expand product selection? A variety of wants and needs exist. Build a strategy and focus.

2. Set a Budget
Start-up costs vary widely based on chosen sales methods. Assume you'll pay transaction fees, and additional credit card fees may apply.

3. Location Matters
Where to put your store is a major decision. Amazon has a strong brand and spends capital to capture consumers; however, a market like that gets shoppers based on price and reputation.

Do-it-yourself options include adding an e-commerce site via programs like WordPress Go Daddy; and e-commerce through B Commerce, 3D Cart or Volusion. Be sure to tie your POS/inventory system to your e-commerce package.

4. Consider Mobile E-Commerce
Ensure product presents well on a phone screen. Create a mobile app OR build a responsive Web site that readjusts to fit screens of all sizes.

5. Social Media First—Maybe
Test the waters with social media to see if e-commerce is an investment worth making. Sell with Instagram and offer in-store pickup.

6. Keep Web Site Current
No consumer wants to find the perfect bedroom on your site only to discover you no longer sell it. Keep product photography, information and pricing current.

7. Set Policies and Processes
Get into the nitty gritty of shipping, geographic selling maps, payment processing, return policy and every other little detail.

8. Promote, Promote, Promote
Search engine optimization is key here. Dig into search engine optimization and use key words. Cross-promote with social media sites, and incorporate link sharing to increase searchability.