

Introduction	p. 2
Methodology	8
Home Furnishings Market Overview	11
Home Furnishings Market 2004-2013	12
Home Furnishings Market by Product 2004-2013	14
Affluent Consumer Segment Market Size 2004-2013	16
Affluent ≠ Luxury	18
Channels of Distribution to Top 20% Income Segment	19
State of Home Furnishings Retailing, pre- and post-Recession	20
Profile: Furniture Brands International	22
Affluent Furniture Consumers & Changes in Channels 2008-2013	23
Affluent Clock, Lamps & Lighting Consumers Channels of Distribution 2008-2013	24
Affluent Carpet & Floor Covering Consumers Channels 2008-2013	26
Affluent Window Coverings Consumer Channels 2008-2013	27
Affluent Major Appliance Consumers & Channels 2008-2013	28
Affluent Cookware Consumers & Channels 2008-2013	29
Affluent Small Appliance Consumers & Channels 2008-2013	30
Affluent Tabletop Consumers & Channels 2008-2013	31
Affluent Linens Consumers & Channels 2008-2013	32
Affluent Garden Consumers & Channels 2008-2013	33
Trends & How to Use this Data	34
Affluent Home Furnishings Customers, Your Best Customers	36
Affluent Home Purchases: Demand & Spending	37
Demographics of Best Target Home Customer	38
Profile: La-Z-Boy	40
What Home Furnishings Affluents Buy	43
Types of Home Furnishings Bought	44
Profiles: Mattress Firm Holdings, Saatva, Sleep Number	45
Amount Affluents Spent on Home Furnishings	48
Type of Decorative Accents Bought by Affluents	49
Amount Affluents Spent on Decorative Home Accents	50

Cocooning in New Luxury Style

Table of Contents

11/9/2014



Types of Home Remodeling Items Bought by Affluents	51
Amount Affluents Spent on Home Remodeling Items	52
Reasons for Home-Related Purchases	53
Why Affluents Remodeled their Homes	55
Why Affluents Decorated their Homes	56
Plans for Major Home Changes in Coming Year	59
Direct Mail to Market Home Products & Services to Affluents	61
More on Affluents' Home Projects & Purchases	62
Rooms Affluents Decorated or Remodeled	62
Factors Influencing Purchase Decisions	65
Resources Used to Plan Purchase Decisions	68
Connect with Affluents in Showroom, Blogs, Social Media,	71
Qualities Affluents Are Looking for when Purchasing Things for the Home	73
Profile: Ekornes Stressless	77
Where Affluents Like to Shop for Home	80
Home Improvement Stores as Place for Affluents to Shop & Profile Home Depot	84
Specialty Home Furnishings Stores & Profile Restoration Hardware/RH & Ethan Allen	85
Warehouse Clubs & Profile Costco	88
Department Stores & Profile JC Penney's	89
Local Independent Furniture Stores & Profile Davids Furniture & Interiors	90
National Furniture Store Chains & Profile Design Within Reach, 123 Store	92
Online Websites & Profile Wayfair	95
Interior Designers & Profile Interior Design Centers	97
Direct Mail Catalogs & RH 2014 Catalog, William Sonoma	99
What Affluents Look for in a Destination for Home Goods	102
Home Styles Affluents Favor	108
Use of Design Professionals & Interior Designers	113
Type of Design Professional Used & Certification	114
Why Used Services of Design Professional	117
Ideas for Marketing Design Services	118

Table of Contents

11/9/2014

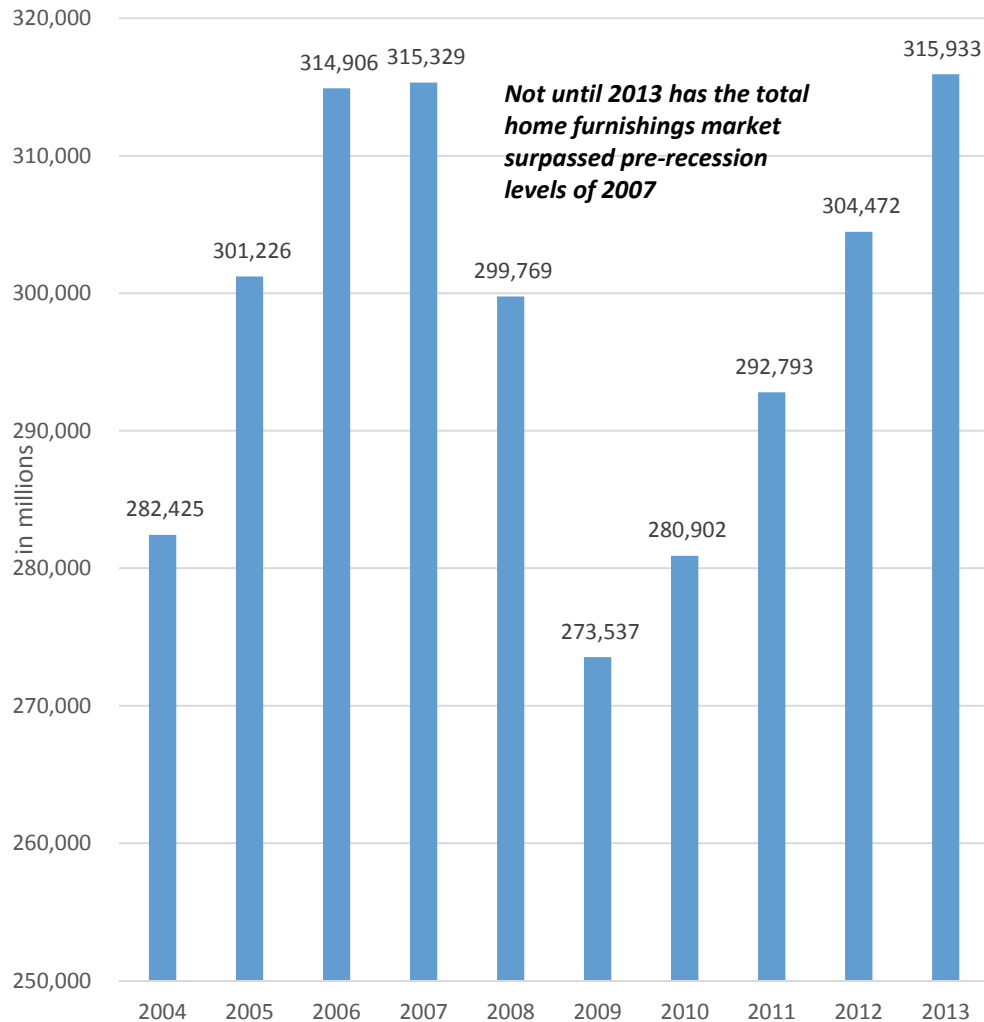


Make Home Furnishings Fun	127
Feelings about Home Furnishings Shopping	129
Profile: IKEA, West Elm, LG Studio & Nate Berkus	130
Affluent Decoration Personalities	133
Affluent Consumers' Attitudes toward Home & Home Decoratings	134
Four Affluent Home Personalities	135
Attitudes by Personality	136
Demographics of Personalities	137
How to Sell to the Castle Keeper	138
Hoe to Sell to the Hostess	140
How to Sell to the DIY-er	141
How to Sell to the Nester	142
Unity Marketing Can Help Home Marketers Grow their Businesses	144

Table of Contents



U.S. Home Furnishings Market



Source: BEA NIPA 2.4.5U & Unity Marketing

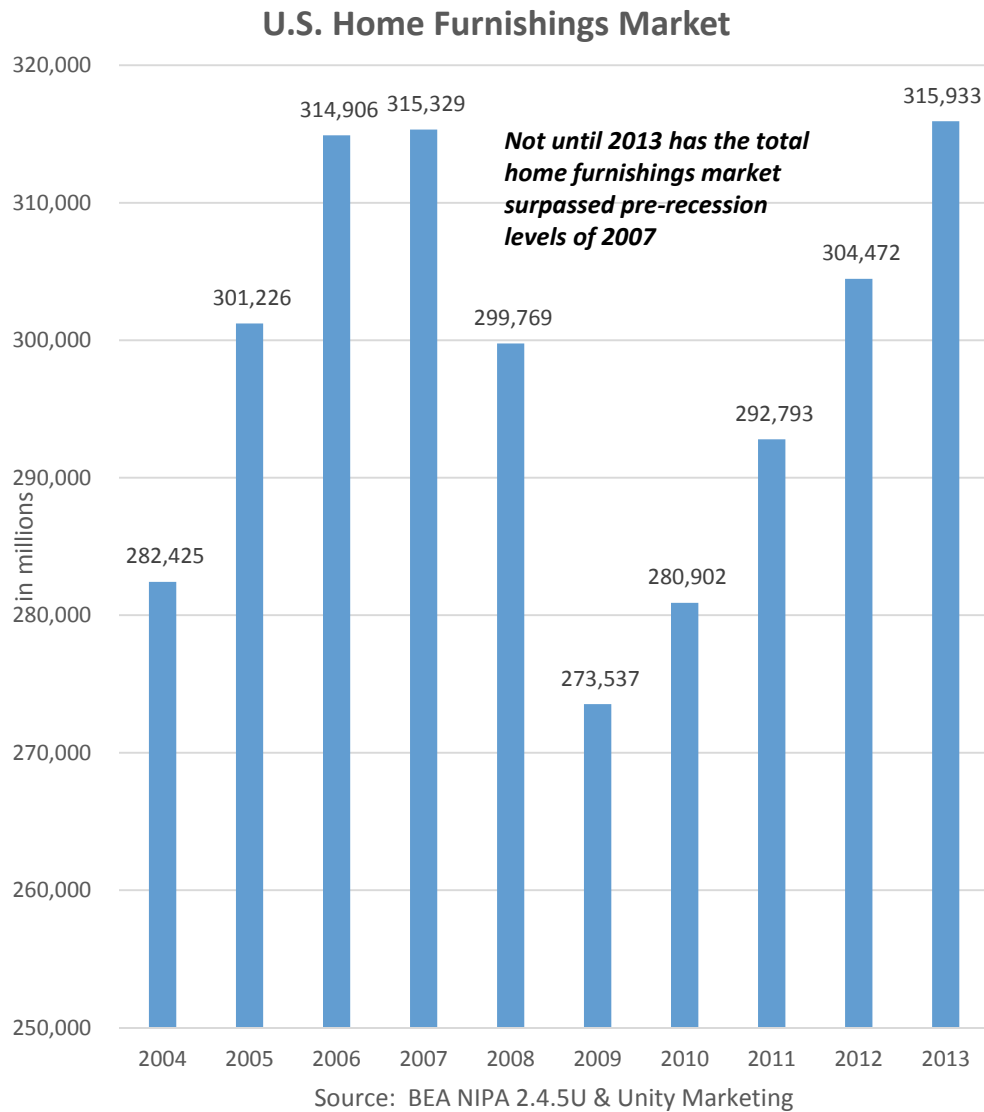
Not until 2013 has the total home furnishings market surpassed pre-recession levels of 2007

Home Furnishings Market 2004-2013

Only in 2013 did the home furnishings market recover its losses from the recession of 2008-2009. Today what's left of the home furnishings market in the wake of the recession is very different today than the market that went into the recession. Marketers and retailers must adapt to the new business environment where the best customers demand a whole new way to shop for and buy home furnishings. Americans are "cocooning" in a new style combining fashion and function to create a safe, comforting and stress-free environment.

The U.S. home furnishings market reached \$315.3 billion in 2007, only to hit bottom at \$273.5 billion in 2009 as a result of the recession. But it took five years for the home furnishings market get back to its pre-recession levels. At the close of 2013 industry sales were \$315.9 billion, according to the latest estimate from the Bureau of Economic Analysis, NIPA 2.4.5. It took the market five years to get back to where it started in 2007.





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How to Use This Data

- **Review your business' revenues.** Do they follow the same trajectory as the industry average?
- **If you did better, why?** If your revenues didn't fall as fast or as deeply as the industry or your recovery was faster or more dramatic than the industry average, then analyze what exactly you are doing that is giving you better results? For example, have you changed target markets, expanded reach to new customers, picked up pace of advertising promotion, changed price points, found new styles, new vendors?
- **If you did worse than the industry average, what went wrong?** Have you failed to adapt or change your marketing? Are you doing the same things today as you did back in 2007? Has your competition changed and what are they doing to take business?

11/21/2014



- **U.S. Home Furnishings Market Underwent a Major Overhaul During Recession -- How Consumers Are Constructing the New Home Furnishings Market of their Future**
 - Only in 2013 did the home furnishings market recover its losses from the recession of 2008-2009. Today what's left of the home furnishings market in the wake of the recession is very different today than the market that went into the recession. Marketers and retailers must adapt to the new business environment where the best customers demand a whole new way to shop for and buy home furnishings. Americans are "cocooning" in a new style combining fashion and function to create a safe, comforting and stress-free environment. A new report from Unity Marketing entitled Cocooning in New Luxury Style lays out the plan for marketers to grow in the new post-recession home furnishings market.
- **The Market Took Five Years to Recover from Recession Losses**
 - The U.S. home furnishings market reached \$315.3 billion in 2007, only to retreat to \$273.5 billion in 2009 during the recession. But it took five years for the home furnishings market get back to its pre-recession levels. At the close of 2013 industry sales were \$315.9 billion, according to the latest estimate from the Bureau of Economic Analysis, NIPA 2.4.5. It took the market five years to get back to where it started in 2007.
- **Furniture & Home Furnishings Retail Remain Decimated**
 - As the home furnishings market lost 13% of share in its collapse from 2007 pre-recession high to its 2009 low, retailers that specialized in furniture and home furnishings took a bruising. Back in 2007, there were 65,144 furniture and home furnishings retailers in the country. By 2012 there were only 51,998 – a 21% drop in the number of retail doors classified as furniture or home furnishings retailers, based upon the latest Census Department's 5-year Economic Census.
 - In 2007 those retailers generated sales of \$108.2 billion, or about 34% of the total home furnishings industry. By 2012, the retailers that survived the recession had sales of only \$89.1 billion, an 18% decline. Further in 2012 these retailers accounted for only 29% of the total industry, indicating that other types of retailers – department stores, discounters, online/internet, and others – have taken a huge chunk out of sales that used to go to furniture and home furnishings stores.
 - So while the industry overall has recovered from the recession, furniture and home furnishings' retailers have suffered lasting reversal. In fact, this class of stores still lags behind sales of \$91.8 billion in 2002.
- **Marketers' Hope for Growth: The Affluent 20% Account for 43% of Total Sales**
 - The home furnishings market is heavily weighted toward the affluent consumer segment. The affluent (top quintile of U.S. households based upon income which starts at about \$100k today) make up only 20% of total U.S. households, yet account for over 40% of the industry's sales. That makes each affluent customer two-times more valuable to retailers and marketers than a typical middle-income customer. They are the 'heavy-lifters' in the consumer economy.
 - Not only do the affluent make up a far greater share of industry sales than their total numbers would indicate, they also are the ones with discretion to pay a premium for new home furnishings. This is the consumer segment that home furnishings retailers and marketers must cultivate for growth now and in the future.
- **Beware: Affluents Are Careful Spenders**
 - Just because they are affluent and have more money to spend, that doesn't mean they are looking to spend it as fast as they can. The affluent are careful spenders and use all the tools available to comparison shop and get the best deal. They are value-oriented consumers, looking to maximize their investment in furnishings for their home that will return the utmost pleasure and enjoyment. Marketers that understand the affluents' attitudes and motivations in home purchases will uncover the secret to future prosperity and growth of their business.
- **This Report Delves into Affluents' Needs and Motivations in Home Purchases**
 - Unity Marketing's latest trend report, Cocooning in New Luxury Style, delves deeply into the affluent consumer segment and their home furnishings needs and desires. In July 2014 Unity Marketing surveyed n=1,200 affluent consumers to discover their recent home furnishings purchases, what they bought, how they shopped, what motivated the purchases, their spending levels and much more.
 - The results of that survey provide a road map for growth to home marketers that need to understand their best potential customers. Plus the report includes a competitive analysis of how marketers as diverse as IKEA, West Elm, Wayfair, Restoration Hardware, Design Within Reach, LG, Ekornes, Saatva and others have successfully tapped the greater spending potential of affluents and they've done it at all different price levels.

The Affluent & Their Homes

If you are in the business of home, then you need to know more about the affluent consumer home market.

Each key research finding uncovered in this report is spotlighted with ideas about how to use this data to drive growth & build sales.



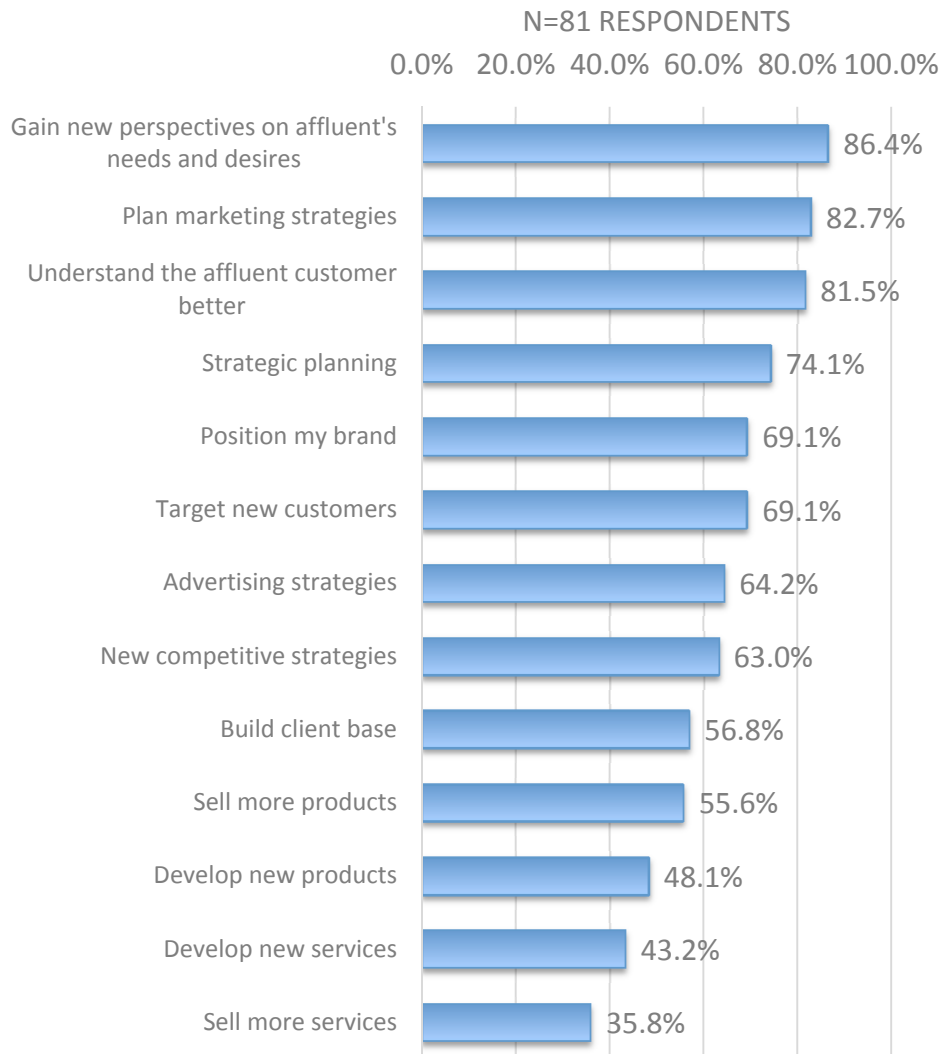
- Understanding people’s home decorating needs was the most important priority for this study. Of secondary importance was home remodeling.
- Overwhelmingly, you were most interested in understanding the demographics of your best customer prospects. In addition, you were very interested in knowing more about:
 - Home decorating plans and projects; types of home furnishings bought or planned to buy; motivations and influences for undertaking home decorating projects and home furnishings purchases; how price impacts the home furnishing purchase decision; use of interior designers; home decorating styles; where customers seek home decorating advice and where they get ideas; their home decorative purchases and preferences; and where they shop for home furnishings and the type of shopping experiences they prefer.
- Focusing on the home, you were most interested in understanding decorating choices involving the living room, master bedroom, family room, den/library and master bedroom. Kitchens, baths and porch/outdoor living areas are of secondary concern.
- In terms of purchases, you were most interested in art and wall décor, upholstered furniture, lamps and lighting, home decorating fabrics and rugs and floor coverings.
- Shopping destinations that are most importance to understand and examine include:
 - Specialty home furnishings stores, independent furniture stores (as opposed to chain furniture stores), online internet websites and flash sale sites and interior designers and decorators.
- Your roles in the home furnishings market break down into three key segments:
 - Home furnishings marketers and manufacturers
 - Interior design professionals
 - Home furnishings and furniture retailers.

Your Information Needs

Before conducting the home furnishings customer survey, Unity Marketing asked our clients, customers and followers to tell us what information they most needed to understand about the current home furnishings consumer market.



How will you use the information collected in the consumer's home survey? (Check all that apply)



Goals of the Research Study

The primary uses of this information are to:

- Understand the best customers' needs and desires;
- To plan new marketing strategies;
- For strategic planning; and to position your brand and target new customers.

Throughout this report the survey findings will be interpreted with these specific needs in mind. We will interpret the data and share specific ways to use the findings to support your business goals.



- In July 2014, a total of n=1,200 affluent luxury consumers (i.e. people with incomes at the top 20% of U.S. households based on income who also bought any high-end or luxury goods and services in the three-month study period). This sample was selected as it represents the best, highest-potential target market for home furnishings marketers and retailers.
- All respondents were asked about their purchases of any furniture, decorative home furnishing and/or major home appliances, fixtures or building and remodeling products in the past year. If they made any such purchases, they detailed what type of items they bought and how much they spent.
- In addition, all respondents were asked about their plans for any major changes to their homes. Overall some 40% have plans for home-related purchases, with about another 20% not sure about making major home purchases.
- Out of this overall sample, about 40% of those surveyed reported that they were involved in a home remodeling or redecorating project in the past year. These respondents, then, were asked a series of more detailed questions about their projects, their motivations, what influenced their purchases, where they shopped, why they chose these stores to shop and where they sought inspiration and ideas for the project. They were also asked about using the services of a professional and what motivated them to do so. Finally all were asked their favorite decorating styles.
 - The respondents of the in-depth home survey averaged \$277k in average income; median investible assets of \$845k; 70% female/30% male; and average age 46.2 years. In addition 96% owned their own home or condominium.
- In addition to these in-depth home-related surveys, Unity Marketing conducts a tracking study with n=1,200 affluent luxury consumers every three months about their purchases of any luxury goods and services, which includes nine different categories of home luxury goods. These include art & antiques, furniture, lighting, rugs, tabletop, major home appliances, mattresses and bedding systems, housewares, linens, fabrics and soft goods.

Survey Methodology

