

# Business Profile: Furniture Stores

Sustained market demand in the furniture industry offers attractive opportunities for new business development in the furniture retail field. With rising incomes, increasing population, and new housing predicted for the 1970's, furniture store sales are expected to rise throughout the decade.

Key determinants of profitability in the business include the ability to select styles and lines which appeal to customers, ample floor space to display merchandise, adequate sales force, and access to a line of credit with which to finance purchases on relatively favorable terms. Managers must also give close attention to control of key elements of cost, such as inventory, advertising, wages and rent. Undercapitalization and shrinkage of working capital are major causes of failure.

There are many sources of information and help in furniture retailing. Organizations such as the National Home Furnishings Association provide members with assistance in store layout, advertising, sales training, and cost control. There are also many professional buying organizations which can help in the selection of proper merchandise. Thus, an individual who has a flare for retailing, management skills, and a fundamental knowledge of interior decoration should be able to establish and operate a furniture store successfully, provided he has picked his location carefully and is properly financed.

## II. DESCRIPTION

### A. Identification

Furniture stores Standard Industrial Classification (SIC) 5712 are described as establishments primarily engaged in the retail sale of household furniture. Many such stores also sell floor coverings, major appliances, and such home furnishings as lamps, draperies, decorative art objects, and mirrors. Types of furniture sold include upholstered furniture such as chairs and sofas, wood pieces, bedding, dining room pieces, dinettes, children's furniture, and the like.

### B. Dimensions

There are presently about 27,000 furniture stores in the United States and, in addition, a great number of department and discount stores which handle furniture as part of their product line. The industry is a major factor in the economy, with 1967 retail sales amounting to about \$6.5 billion and a 1967 payroll of \$231 million for the 180,000 furniture-retail employees.

Industry sales are expected to rise to \$9 billion by 1975, reflecting growing income, increasing use of credit (making possible the financing of additional furniture purchases), and construction of new housing. The family formations which will occur as the members of the baby boom of the early 1950's reach adulthood are expected to bolster furniture demand for much of the decade.

The furniture retail industry is still characterized primarily by the small retailer. About three out of every four stores had fewer than 20 employees. The predominance of the small store is also reflected in sales figures; one out of every five stores does more than \$100,000 of business annually and only one out of 20 stores has sales exceeding \$500,000 per year.

The trend in the industry, nevertheless, is towards larger stores. Especially in urban areas with adequate markets, furniture stores are expanding products lines so as to better service the total furniture needs of the more affluent customers. This trend can be inferred from the fact that, though the total number of

stores has not changed significantly in recent years, the total number of employees has grown considerably.

### C. Characteristics

#### 1. The Product and the Customer

A complete furniture store will display and sell living room furniture, including sofas, chairs, recliners, convertibles, credenzas and tables; bedroom furniture, including beds, mattresses, and springs, dressers; and night tables; dining chairs, bar stools, and serving tables; dinettes, floor coverings, children's furniture, major appliances, decorative art objects, mirrors, clocks, porch and outdoor furniture, odd chairs, hassocks, desks, card tables, bars, and lamps.

A furniture store sells a way of living and life style to its customers. Most homemakers have great aspirations for fixing up their homes to their hearts' desires. Their homes are not only to be used, but to be displayed. Women take pride in their homes and like to show them to others. To many families, a home symbolizes success and "the good life."

The homemaker usually has plans for a change or for improvement. Items to be purchased are seldom bought on impulse, but are thought about carefully and discussed in the home and with friends. Almost two-thirds of all purchases are made to replace items already owned. Convenience in shopping is a relatively minor factor. Families will make a furniture purchase in the store where they feel they will get the most value in appearance and style for the amount of money they have available.

Most purchases of furniture involve a relatively large commitment of the family funds, and two-thirds of all purchases are made by a husband and wife buying together. Credit is generally involved in the purchase. Many stores finance credit sales themselves and make an additional profit thereby. Others "sell" a portion of their installment "paper" to financial institutions.

The salesman is important to the furniture buyer. She asks his advice on color, texture, groupings. She is often unsure of how a particular piece will fit into grouping, and she will seek confidence from the salesman that her choice is a good one. A furniture retailer who has sold customers quality merchandise in the past can offer depend on his

customers returning, particularly if the relationship is maintained on a satisfactory basis while the installment payments are being made.

Almost half of all families in the United States earning over \$4,000 annually will make at least one purchase of an item of furniture (including mattresses, bedsprings and floor coverings) a year. About one out of every 10 customers is under 25 years of age, and about 15 percent of the customers are over 55. Well over half of the customers are in the 25 to 44 year age bracket.

Forty percent of the customers will own their own homes. Eighty-six percent of the purchases will be for homes and the balance for apartment units, although with the rising number of apartment units being built, this ratio should change in the coming years. It should also be kept in mind that these percentages are on a national basis and could be expected to vary in specific areas.

Most customers learn about a store from discussions with family and friends, window shopping, or advertising. Many get specific ideas from furniture ads in magazines, from magazine articles, or from seeing furnishings in other homes.

Most customers do not buy by brand name, and many are unable to quote a brand name. The main reasons for selecting a particular store are store reputation, price, and assortment. Store reputation counts most heavily among shoppers in specialized furniture stores, while price is a more important factor among chain department store shoppers. The average sale in the furniture industry is about \$160.

#### 2. Operations

The successful furniture retailer should have these attributes:

a. Taste and Skill in Selecting and Displaying Merchandise. The ultimate determinant of whether or not a sale is made is whether the customer is attracted to the product. The owner-manager must see to it that his merchandise will appeal to his market and that it is displayed in a way which will induce his customers to want the merchandise for their homes.

b. Good Salesmanship. Retailing is basically selling. An order-taker will not do for a furniture store. The salesman must know his merchandise and how to sell.

c. Ability To Learn and Keep Abreast of Changes. The successful furniture retailer

must be willing and able to learn from published material on the industry and successful practices in retailing, and he must be sensitive to changes in style and taste.

d. Hard Work and Attention to Detail. There are many things which can go wrong in retailing. Deliveries aren't made on time. Credit accounts are not handled properly. Merchandise is damaged. Inventory is shrinking without explanation. Displays need to be changed. Overstock needs to be reduced. Advertising promotions are needed. The owner of a retail store must be alert to all these matters. He must watch his cost ratios. He must pay his bills and collect his outstanding accounts. He will have to work long hours and at least 6 days a week.

e. Ability To Understand and Make Decisions on the Basis of Figures. A successful merchant must be sensitive to his books and accounts so that he can determine the actions which make money for him and those which are losing propositions. Basically, these decisions can be made on the basis of an analysis of his sales and costs. But the individual who does not easily understand accounts and numbers may find it difficult to understand what is happening to

his business.

A good sales force is essential to successful operation of a furniture store. This requires continuous training. A good salesman will like to work with customers and will be appropriately patient while the homemaker ponders her decision. The salesman must know his products thoroughly; he must know the essentials of interior decoration, such as color, texture, form, arrangements, and space requirements; and he must know how to communicate

a helpful and constructive manner which leads to a sale.

There are different arrangements for compensation. Some stores have a commission arrangement for salesmen; others have a straight salary; and others have a combination. Salaries vary considerably from place to place and depend a good deal upon the experience of the salesman. Thus an inexperienced salesperson in a relatively low wage area might receive \$80 to \$90 per week, while a topflight experienced salesperson with interior decorating skills in a higher wage area might receive as much as \$12,000 to \$14,000 annually.

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-Our Shop  
3045 N. Patterson Ave.

- Anderson's Beauty Salon  
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- Parrie Beauty Salon  
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- Andrews Place  
120 Northwest Blvd.

- Bantam Food Market  
835 Northwest Blvd.

-Kampus Kitchen  
344 S. Clairmont St.

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- Student Government Association, WSSU  
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