Furniture Market Costs, It's Time for a Change!

Thirty years ago, the Sales Manager of a company, about 45 days before a major wholesale furniture market, (there was no differentiation between sales and marketing at that time) would take a hand full of pictures from other manufacturers with a few sketches, go to product development department, and give them their marching orders for the market. The product development team consisted of a part time upholsterer and seamstress along with the plant (production) manager.

Years have passed, now the Merchandising Manager does the same thing, except the number of pictures and sketches have increased fourfold, and the time to produce the prototypes have been cut to 30 days before the market. The new product team looks like a cast of thousands with people brought out of production to complete the new products. Schedules for production are rearranges to build additional samples of standard products while present customer orders are pushed back to accommodate the orders for the market. If the company does not have a formal product development area, the Plant Manager and Supervisors as well as people that normally work in production assembling product for present customers, stop work for customers in order the truck loads of product for the market is complete. Nights and weekends are worked without worry or even concern of the cost to build these products for the market. In either large or small companies the Merchandising Manager is given the latitude to tweak and change products up until midnight prior to the last load leaving for the market, whose opening is the next day.

Such a large number of new products would be rapidly thrown together for a market, that the new products would have to be returned to the factory after the market so those responsible could reconstruct them again so production patterns could be made. This would increase the time from the market to delivery of new products to the retailer about 12 - 16 weeks. By the time the new products arrive at the retailer, the enthusiasm created at the market is gone, the features and benefits forgotten, and the new products are then discounted to move them from the warehouse.

I am aware of a $40 million dollar company, a few years ago, which would make as many as 30 new, and I mean completely new frames, with sofa, chair, love seat, and sleepers, for each frame. These would be upholstered in one or two fabrics, with two different fabric combinations on throw pillows, with different fabric on the welt, and in most cases fringe of different colors and style. In addition, about seven trailer loads of 'regular line' products were produced and sent to the market. They showed at High Point, San Francisco, Minneapolis, and Dallas.

Because of the number of frames in the line, their production scheduling was a nightmare. The assembly people went weeks or months between seeing the same product twice. When a product arrived in assembly a small conference was held on the floor about how to "build" this product. It would be based on consensus. The huge numbers of products, because of the enormous cost of documentation, has no formal specifications. Without specifications, there could be no consistency and no quality. [The definition of quality is the EXACT adherence to specification.] This company had to file bankruptcy and was subsequently liquidated.

Another company I am aware of, larger of course, spends in the million dollar range to go to markets each year.

Now lets say you spend $300,000 going to a market. Let's say your profit is normally 2% of sales. This means you must sell $15,000,000 at that market to justify, or break even, on the expense. ($15,000,000 x 0.02 = $300,000. Said another way, you could sell $15,000,000 less and remain the same if you did not spend the money to go to market.

If you are a smaller company, perhaps you send 2 trailer loads of product which will cost you $30,000. You sell them for $15,000 to recover some of your costs. Your space costs you $10,000. Your expenses to set up, room, travel, etc. runs about $10,000. Again, if your profit margin is 2%, you would have to justify the break even by selling $1,750,000 of product to customers ***who would normally not buy from your company.***

It is a fact, the smaller retailers have been squeezed out of market attendance by costs to attend, coupled with the fact there are fewer smaller dealers each year. I have repeatedly heard the old adage that "You will not sell 'the big accounts' unless you show at the market." Yet I see 'the big accounts' in the showrooms at the plants, well before or after a major market, working up their line up for the next selling season. You simply are not going to sell a "BIG" account at a market unless they are really PO'd at a present supplier. And, if they are mad at a present supplier, are they going to turn to a complete unknown at a market? I think not. I think they would turn to an innovative vendor that has developed a plan to make them more profitable and more successful in their growth of sales then a present vendor.

How much business do you really write at a market which you could not write without going to the market? A million dollars? I doubt it. A half million? A fourth of a million? A hundred thousand? Perhaps at a great market. Again we are talking about business from customers you could not sell another way, or would not be able to sell another way.

I have known sales people that will hold orders for a company for weeks prior to a market so they can turn them in at the market and "look good". Could this be one of the reasons that there is no business several weeks prior to a major market? And, after the market, due to the terrible stress placed on sales reps at the market, they will have to take a couple of weeks off the road to 'decompress'. It really doesn't matter, because it will be four to six months before the factory will start shipping market orders anyway.

The furniture industry has been going to markets for over 50 years. Initially, furniture markets were held because of restrictions in communication (Call the Operator to place a long distance call - no fax machines - no FedEx - no Internet - no email -slow mail only), transportation constraints (2 lane highways - no Interstates - little air service to small towns), and the necessity to have a place where vast numbers of small retailers, at that time most retailers were mom-pops, could comparison shop. Market show rooms were a necessity for both buyers and sellers. Old friendships were renewed. At these markets, buyers really placed orders for their next selling season. Information was exchanged as this was one of the few times face to face communication was possible due to the time required to go from a plant to visit a retailer.

Today is not yesterday. Times have certainly changed. Communication is available in an over abundance. We can travel to Europe in a few hours, not weeks or months. The small retailers are dwindling. Actual market orders have declined for a number of years. I just heard someone tell me that "We did not write much business at the market, but we got great placements." Say what?

What do we expect for the amount of cost we have in selling our product? What is our marketing focus? With the exception of a savvy few manufacturers, the focus is to spend a lot of time, effort, and money to develop a relationship with a retail buyer. Then get a retail buyer to agree that we have a value, and then get that the retailer to agree to have our product on their floor. Not only is our product on the retail floor, but the retail sales personnel must be knowledgeable enough to be able to quickly sell the product to an end user. It is then supposedly up to the retailer to drive traffic to their store. It is up to the floor sales person to drive the customer to your product and provide information as to the features and benefits that would cause the end user to select your product over another that is sitting next to your product.

Because in the upholstered industry, retail buyers give a lot of value points to sellers they like and with whom they have a long term, up close and personal, relationship. The seller spends a lot of time with a major buyer, building relationships and taking care of problems. The retailer and the retail sales personnel can make trips to the manufacturer for training and development of relationships. It happens every day. Very few retail floor sales personnel attend national markets. Hardly any attend a regional market. Many have visited upholstery plants. It is difficult for someone to break into this "country club".

Now, one more time, explain to your self why you show at markets!

What is the alternative to spending a boat load of money on markets? Let's say you are a retail buyer. You have been buying from factory X for years, as did you father. Suddenly, within a four week period, six customers ask to see products from factory Z, and walked when they were told product from factory Z was not available. Z's products are comparable to Y's. What are you, the buyer going to do? It is called demand pull. Ever hear a customer come into a retail store and ask to see the line of La-Z-Boys? Did this occur because a factory attended a market? Or, was this because of professionally produced demand pull advertising in magazines, television, and newspapers. Then there is the Internet.

What would happen if a manufacturer took part of the money they spent to go to markets, and calculated the number of trailer loads of furniture that could be produced for those dollars? What if they then researched the market and selected retail floors they wanted to be on, but were not? What if they then shopped those retail floors to see if they had products that would fit on the retail floor and make the retailer more money?

What would happen if they contacted the retail buyer and proposed that they place product on the retailers floor for an experiment, at no charge. Then allowed the retailer to donate the profits from selling the products to a local charity after the retailer had taken out his expenses. Would the retailer have good knowledge of how the products would retail and, how they look on their retail floor? Would the retailer have any risk? Would the retailer have to spend a lot of their money traveling to markets? Would you be there to make sure the retail sales persons could sell your features and benefits? Now what would happen if the placement were supported by advertisement supported by the manufacturer to drive customers to that retailer. What would happen if the potential customer could obtain good information on the Internet about the products that would cause them to want to go see the products?

Have you investigated the possibility of vertical integration by joint ventures or owning retail stores? I understand one major manufacturer has their overhead covered the first day of a new year due to the amount of product they know will be sold in their retail stores. However, most manufacturers do not have the knowledge or sophistication to be in the retail business and should not attempt it unless they can set ego aside and employ people that do have that knowledge and experience.

Where do you focus your advertisement? Do you advertise? Is the money you could spend for advertisements tied up in building more products for a market? Are you attempting to push more product on the retailer, or you creating a demand by the end user for your product? Who is telling the end user that they should buy a sofa rather than take an extended cruise?

Today, how many end users can contact your "Home Page" on the Internet, and look at your product line, learn about how you build a product, learn about fabrics, cushions, frames, and where to go see your product?

Are you focused on the most cost effective way you can find to get your product into the home of a satisfied end user, or are you engaged in getting ready for another market?

If you do not change your methods of placing your products in the home of a satisfied end user at a profit, you might not have many more markets to attend, so enjoy those you have left.

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