

The Furnishings Digest

Fourth Quarter 2024
Volume 31, Issue #4

The latest news, views, and announcements

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For more information on our firm www.maelttd.com

WELCOME TO HIGH POINT

Imagine— Good news in the weeks BEFORE the market in High Point. Isn't that great?

First- The Federal Reserve dropped the key bank lending rate by 0.50% in mid-September, finally, after discussing it for 30 months. This was a pleasant surprise after a painful wait of over two years and an abundance of back-and-forth inflation indicators. Doing 0.50% added confidence for the stats to show needed restraint and to hint that more rate cuts might occur this year but do not count on it. Just enjoy it if it happens.

Second- We could write pages on the many ways lower interest rates can help our economy but just look at mortgage rates first. This is a most encouraging sign that home sales may finally begin to recover after a pause that, in many ways, dates back to 2008.

Third- Democrats are claiming that their recovery plan will bring three million additional home sales, but many experts have stated that we are seven to eight million home units behind on filling our population's needs.

Fourth- These lower rates will help employment, industrial production, consumer confidence, banking expectations, and hopefully lead to a five-year sustainable recovery. Lower inflation should help with consumer spending too.

Fifth- PLEASE talk to your customers, employees, advisors, lenders, neighbors, and the media about how important this interest rate reduction is likely to be to your local economy and our nation. It is that important.

Sixth- It appears we have avoided a huge economic impediment by having a near-term temporary agreement at the East and Gulf ports after only three days. WOW. That could have been months and very costly. Would the Biden administration have stepped in to delay the impact of such a strike? So far, no indication.

Speaking of politics, can you believe how strange this election has become? No wonder our American consumer/voter base is so difficult to evaluate today. The “race” is composed of untruths and confusion and logic is all gone. Our enemies are probably overjoyed. We deserve better.

The Coming High Point Show

We expect this market to be active as our major retailers’ plan for 2025. New designs, improved logistics, and higher prices are likely.

The massive hurricane will be highly disruptive near term but will result in \$ billions of dollars over the coming eighteen months. It will be a nightmare for a while as some places that do not typically endure this type of severe disaster have to face months of challenges.

The secret to a successful High Point is face-to-face communication and personal friendships. Many last for decades.

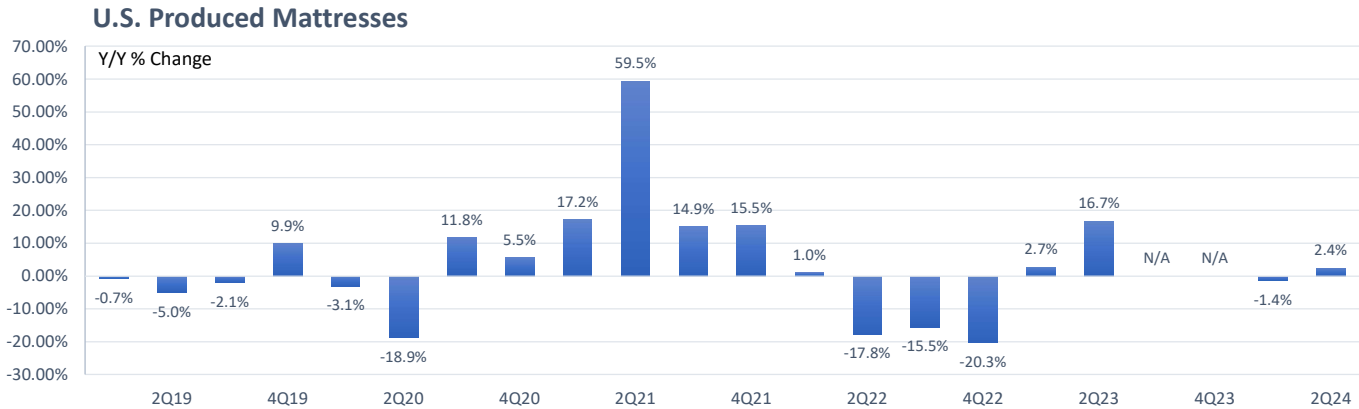
SUNDAY, October 27, 9 am at HFA ‘s RETAIL RESOURCE CENTER! I will give my market/industry overview as I have since the 1980s via ZOOM. Come on down — they have coffee and pastries! There is good news to discuss.

TWENTY TWENTY-FIVE is Almost Here!

1. Be sure to update your retail floor for the New Year - don’t let guests see old, dirty, worn furnishings near the pretty new things. Traffic will improve as the year progresses.
2. Remember how difficult it was to get contractors when housing sales were good a few years ago? It will be like that later in 2025. Schedule repairs/refurbishing/updates/etc. early in the year to be sure they get done.
3. Weak business caused many stores to reduce ad budgets over the last 3 years. Restore ad spending early in the year and remind customers where you are and what you sell. If you don’t remind them, who will?
4. Consider running several ads on non-peak weekends (when everyone isn’t running ads)! You will get more attention.
5. Our industry has a half dozen retail furniture chains closing! Remind customers you are NOT going away and will be around to serve them in the future.
6. Remind customers of the different products and services you offer, what brands you represent (and how long you have been a dealer), and where you are located. It’s been a while since they have been shopping AND many have moved to town or relocated.
7. Check with your primary and secondary consumer credit sources about new programs and promotions for the new year and promote them! Your membership in a buying syndicate might be a huge help here. Often, the syndicate negotiates a much better credit program than most stores can.
8. Don’t get discouraged! It will take months for lower interest rates to help our economy, for home sales to begin to recover, and for many of us to get over the election. Speaking of the election, too many people don’t just dislike the candidates, they despise them. Don’t get involved, so you lose customers!
9. It is hard to imagine many stores that haven’t deferred some maintenance over these last several years. You may not notice it, but customers will. It can’t be fixed in a day, so schedule the necessary work over weeks.
10. Over the coming holidays and New Year, you should make a company-wide effort to reach out to past customers and welcome them back to your store. Offer a coupon or other incentive. Everyone likes to be remembered.

MATTRESSES

The latest survey data from ISPA shows a paper-thin percent increase in the most recent quarter’s domestic shipments, not imports. Yes, the year-to-year comparison was easy, but any gains, no matter how modest, are always welcome.



Source: ISPA

We do not believe this one quarter represents a reversal of fortune for the mattress sector but rather a bottoming in inventories after severe drops in demand since the peak years of 2020 and 2021 when our government gave large temporary cash incentives to offset the challenges of COVID. It may take a year or longer for the deteriorating consumer demand of 2022, 2023 and 2024 to date to adjust to more normalized economic circumstances that are hopefully coming with lower interest rates, less inflation and we hope a post-election recovery in consumer attitudes toward spending on home-related products.

It has been extremely unusual to see mattress sales decline for three years! Looking back decades, the mattress industry is more stable than the residential furniture industry and other home furnishings sectors. Why?

1. A faster replacement cycle related to health and productivity issues: The consensus believes replacements should occur every 7 to 8 years.
2. Unlike most furniture, the mattress industry relies heavily on innovation and new technology, not style, size, colors, or other “fashion” trends.
3. A higher percentage of mattresses sell using consumer-recognized/preferred brand identities than other home-related products.

The Jimm Mann Thesis

My long-term partner, Jimm Mann, believes the COVID-caused consumer-spending incentives in 2020 and 2021 created a disproportionate and artificial quantity of spending on deferred mattress needs, probably stealing sales that would have been more natural in 2022, 2023, and 2024. If we have historically had a replacement cycle of 7 to 8 years, we may have purchased 2 to 3 percent MORE with the Federally-funded spending incentives in both 2020 and 2021.

This would explain most of the 3 years of sub-par mattress sales that would also help us hope for a demand recovery beginning in 2025.

Yes-I Am Bragging

Mann, Armistead & Epperson has been the most successful investment banker serving the mattress industry for decades now, serving the breadth of the mattress sector from the smallest to the largest.

My work has been in statistics and research while Jimm Mann and Howard Armistead and their staff specialize on the investment banking side, mostly mergers and acquisitions.

The addition of Mike Watson late last year strengthened our investment banking team while bringing in operating and sourcing knowledge and talent. Mike also brings additional contacts within the furnishings sector, among retailers, and with the private investment community.

Simply said, our team has never been stronger!

Did you know?

- The new Consumer Reports has a listing of 3 queen mattresses that cost \$400 or less that get good reviews. Be prepared to explain why your customers should buy something else (that you happen to sell!).
- Have a fun HALLOWEEN party with snacks, soft drinks and costume contests for employees, customers, and kids. Give cash equivalent coupons for merchandise as prizes (costs only \$0.50 on the dollar). Everyone needs some fun!! Advertise it and welcome everyone and I bet some reps will contribute cash or merchandise.
- There is a vendor, Galanter and Jones, that now offers outdoor furniture that is heated. Remember how adding electricity lit a fire with power motion? The same can happen in the increasingly important casual category!
- I am guessing that as bad as business has been, you are down to your BEST employees. Reward them as much as you can later this year because they have stayed with you despite having a stinker of a year too! They will appreciate it more this year!
- One reward employees love is to be included in your spring or fall High Point market trip. It is a great education for them, builds enthusiasm and gives them input from their perspective—the front lines.
- Involve family members at a young age! It pays off. I'm loving working with the grandkids of some of our early clients.
- PRAISE OUR FIRST RESPONDERS! Look at their efforts during the recent hurricanes! And these hurricanes may help our businesses soon.

SHOPPING THE HIGH POINT MARKET?

The time you spend in High Point is a huge component of how successful you will be over the coming year. Think about it. The arrangements you negotiate in High Point will make or break your year AND trust me, you cannot negotiate the best on a computer or phone, face-to-face is always best. It is too easy to lie or misrepresent in an email or phone call. This is a lesson many of our smartest learned during the COVID shutdown of the Las Vegas and High Point markets. This is why the “big boys” at retail still come to markets every time.

I have attended the High Point markets since 1972, most of them anyway. But there are still showrooms I have not gotten to. I am not avoiding them, there just isn't time. It is the showrooms that you are not visiting that may have something new that you need. Try to visit at least one NEW-TO-YOU VENDOR EVERY DAY. And new showroom buildings are opening almost every market!

Here's a secret! The large new trends in jewelry, apparel, furniture, and other fashion items does NOT start with the larger vendors or retailers declaring “this will be the next hot item!”. It starts with artisans and entrepreneurs who see an opportunity and fill a need. At the end of many markets, I will see the large vendors and retailers' “big boys” wandering the smallest showrooms in Market Square, Showplace, IHFC and elsewhere looking for that new, unrecognized idea or concept.

Don't buy from the same huge vendors that you see our industry's huge retailers buy from. Some of our largest retailers are limited in who they can buy from because they must have such large quantities due to logistical issues or contracts. By the way, there are few, if any, items that you cannot find at multiple vendors, and sometimes at lower prices. I used to say whatever you find at market, I can find and buy cheaper but with today's global sourcing it is impossible to tell.

Dining

Finding the evening meal is always a challenge in High Point but ask around in the various showrooms and some vendors host dinners and breakfasts away from downtown High Point and you may be invited. Many of the showrooms offer free lunches in the showroom that are good. Local hot dogs and BBQ are usually tasty. I still miss the small pecan tarts at American of Martinsville and the lovely hostesses at Rowe.

Finally

In a short while, you will look forward to markets and not dread them. You just need to learn your way around.

GET IT WHILE ITS FREE!

In August, MANN, ARMISTEAD & EPPERSON released a special report on the *UPHOLSTERY INDUSTRY*. We see a bright future. Please contact Carol Lonetto (cll@maeltd.com) or phone 804-644-1200 to receive your copy.

LATEST IMPORT STATISTICS

We offer the following quarterly tables to show and quantify the latest important source nations for the U.S.

All Household Furniture Imports by Significant Countries

Table 1.

USD \$ (millions)

Country	1Q23	2Q23	1Q24	2Q24	1Q%Δ	2Q%Δ
China	2,467.8	2,432.7	2,652.9	2,448.4	7.5%	0.6%
Vietnam	1,902.4	2,204.3	2,413.2	2,410.0	26.9%	9.3%
Mexico	871.4	808.3	667.2	692.4	-23.4%	-14.3%
Canada	546.5	558.2	496.5	547.9	-9.1%	-1.8%
Italy	302.7	338.5	328.0	344.1	8.4%	1.6%
Indonesia	378.4	294.9	330.5	286.1	-12.7%	-3.0%
Malaysia	272.1	248.0	287.9	277.1	5.8%	11.7%
India	164.1	162.1	152.4	170.2	-7.2%	5.0%
Taiwan	141.3	174.2	133.2	136.6	-5.7%	-21.6%
Cambodia	97.8	101.2	111.2	131.7	13.7%	30.2%

Wood Furniture Imports by Significant Countries

Table 2.

USD \$ (millions)

Country	1Q23	2Q23	1Q24	2Q24	1Q%Δ	2Q%Δ
Vietnam	1,155.5	1,288.0	1,385.8	1,355.2	19.9%	5.2%
China	428.7	422.1	444.5	374.5	3.7%	-11.3%
Canada	259.8	270.8	237.7	259.8	-8.5%	-4.1%
Malaysia	227.2	209.3	241.7	227.9	6.4%	8.9%
Mexico	236.2	200.6	193.0	196.9	-18.3%	-1.9%
Italy	167.3	191.2	186.9	196.3	11.7%	2.6%
Indonesia	227.9	180.0	198.8	175.0	-12.8%	-2.8%
India	108.2	109.2	104.3	120.7	-3.6%	10.4%
Thailand	74.2	83.4	61.9	71.7	-16.6%	-14.0%
Poland	55.3	63.4	60.0	64.3	8.4%	1.3%

Upholstered Furniture Imports by Significant Countries

Table 3.

USD \$ (millions)

Country	1Q23	2Q23	1Q24	2Q24	1Q%Δ	2Q%Δ
Vietnam	501.3	626.1	737.2	726.5	47.0%	16.0%
China	591.2	697.9	756.5	720.6	28.0%	3.3%
Mexico	228.0	217.8	212.6	215.2	-6.8%	-1.2%
Italy	82.7	93.1	87.9	91.4	6.2%	-1.9%
Canada	87.9	76.0	70.2	72.8	-20.1%	-4.2%
Cambodia	44.5	48.1	49.0	50.1	10.1%	4.2%
Malaysia	35.1	29.9	35.8	35.6	2.0%	18.9%
Indonesia	22.5	21.2	24.4	21.9	8.2%	3.3%
Thailand	15.3	14.7	16.7	17.5	9.0%	19.0%

Metal & Other Furniture Imports by Significant Countries

Table 4.

USD \$ (millions)

Country	1Q23	2Q23	1Q24	2Q24	1Q%Δ	2Q%Δ
China	1,446.9	1,310.3	1,451.3	1,349.6	0.3%	3.0%
Vietnam	236.3	276.9	276.2	321.6	16.9%	16.1%
Mexico	305.2	279.5	200.4	246.3	-34.3%	-11.9%
Canada	191.9	203.5	182.4	207.8	-4.9%	2.1%
Taiwan	90.4	119.0	96.8	110.1	7.0%	-7.4%
Italy	49.9	52.9	52.4	56.1	4.9%	6.0%
Thailand	53.5	40.5	43.5	40.6	-18.7%	0.2%
India	42.7	40.1	38.2	39.3	-10.4%	-1.8%
Cambodia	25.5	22.7	27.8	38.3	9.3%	68.8%
United Kingdom	22.8	27.3	37.0	34.6	62.6%	26.5%
Indonesia	40.0	25.6	41.9	29.8	4.7%	16.5%

Mattress Imports by Significant Countries

Table 5.

USD \$ (millions)

Country	1Q23	2Q23	1Q24	2Q24	1Q%Δ	2Q%Δ
Indonesia	88.1	68.2	65.5	59.5	-25.6%	-12.8%
Mexico	102.0	110.4	61.2	34.0	-39.9%	-69.2%
South Korea	3.1	9.9	8.0	17.8	158.1%	79.1%
Laos	-	-	1.8	8.5	N/A	N/A
Canada	6.9	7.9	6.2	7.6	-11.1%	-4.6%
Vietnam	9.2	13.3	14.0	6.7	51.8%	-49.1%
Singapore	2.1	7.7	9.9	4.7	382.4%	-38.9%
Colombia	2.8	5.7	1.3	4.5	-55.5%	-22.0%
North Macedonia	-	-	0.1	4.4	N/A	N/A
Kosovo	24.9	23.7	12.4	4.1	-50.3%	-82.8%

Furniture Imports by Category

Table 6.

USD \$ (millions)

Furniture Category	2021	2022	2023	22-21%Δ	23-22%Δ
Total Furniture	38,640.1	41,431.4	32,433.8	7.2%	-21.7%
Wood Furniture	16,063.5	17,981.4	13,553.5	11.9%	-24.6%
Upholstered Furniture	9,919.4	9,449.6	7,688.4	-4.7%	-18.6%
Metal & Other	11,325.3	12,544.8	9,843.8	10.8%	-21.5%
Mattresses	1,331.9	1,455.5	1,348.1	9.3%	-7.4%

* All import data is from the United States International Trade Commission

INVESTING IN HOME FURNISHINGS COMPANIES TODAY: MERGERS AND ACQUISITIONS

In the universe of acquirers of home furnishings businesses today, there are strategic buyers already in home furnishings, foreign buyers looking to establish a stronger presence in North America, wealthy families who make long-term investments for stability and growth, and investment funds that buy companies to improve and grow them usually with the expectation to sell these investments in five to seven years, often called “private equity investors”. There are thousands of these funds of all sizes, various interests and expertise, and with different preferences. It is an important part of our business to be aware of and have contacts with these possible acquirers.

Our home furnishings universe is furniture, mattresses and accessory manufacturers, importers, retailers and suppliers.

A key to acquirers’ interest in home furnishings is the encouraging outlook for our population mix, the increasing demand for residential housing, and the growing importance of the home in everyone’s lives with new technology that allows more people to work, study, shop, be entertained and to communicate from their homes.

Mann, Armistead and Epperson would like to meet with companies that wish to learn more about the current market and demand for home furnishings companies.

Monthly Numbers

Table 7.

% Change y/y	2024											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	(3.8%)	(2.6%)	(1.4%)	(0.4%)	(0.0%)	(0.6%)	(0.0%)	0.9%				
Furniture stores sales (b)	(11.8%)	(5.3%)	(11.5%)	(4.1%)	(2.6%)	(7.4%)	2.2%	0.2%				
Furniture factory shipments (c)	(13.0%)	(5.0%)	(17.5%)	(5.0%)	(8.4%)	(8.0%)	1.6%	N/A				
% Change y/y	2023											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	7.1%	1.4%	(1.2%)	(3.6%)	(3.4%)	(2.1%)	(1.5%)	(2.2%)	(2.2%)	(5.0%)	(1.1%)	(0.4%)
Furniture stores sales (a)	10.0%	2.5%	(1.5%)	(9.3%)	(4.2%)	(1.9%)	(5.0%)	(5.3%)	(5.4%)	(9.5%)	(4.0%)	(5.3%)
Furniture factory shipments (b)	(0.6%)	(6.5%)	(21.8%)	(28.5%)	(18.1%)	(30.7%)	(20.6%)	(17.0%)	(20.5%)	(8.1%)	(16.0%)	(14.4%)

Sources:

(a) U.S. Department of Commerce (b) U.S. Census Bureau (c) "Furniture Insights" a monthly publication by Smith Leonard

About Mann, Armistead & Epperson, Ltd.

Mann, Armistead & Epperson, Ltd. is a privately owned investment banking and corporate advisory firm. Our clients deal directly with our partners, who bring to the table over 150 years of aggregate investment banking experience. Our track record is undeniably strong – the result of having transacted hundreds of deals, spent endless hours developing industry expertise and provided management teams professional advice they could trust at crucial moments in their firms’ histories. Please see our website at **MAELTD.com**.

The professionals at Mann, Armistead & Epperson, Ltd. specialize in the following services:

- Merger, acquisition, sell-side, and buy-side advisory services, including fairness opinions where appropriate.
- Corporate finance and strategic advisory services, such as advising on capital formation, balance sheet and bank debt restructurings, valuations and other specialized professional services.
- Furnishings industry research and extensive expertise accumulated in over five decades.



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About The Furnishings Digest

Driven by Jerry Epperson’s respected insight and long-term commitment to the furniture and mattress industries, Mann, Armistead & Epperson, Ltd. publishes The Furnishings Digest. For more information, please email research@maeltd.com or call (804) 644-1200.