

## Industry Analysis

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# Home Furnishings and Furniture

Q4 2013

### Industry Overview

The home furnishings & furniture industry puts the “sweet” in “home sweet home.” It includes manufacturers of furniture, upholstery, carpets, wall coverings, and bedding, as well as soft home furnishings such as bedspreads and other bed-related items, linens, tablecloths, and candles. This is a cyclical industry, dependent upon consumer discretionary spending and the housing market. It is mostly in the mature lifecycle phase, but just beginning to consolidate due to threats from low-cost countries like China.

The industry makes up a highly fragmented market with over 1,000 manufacturers in the U.S. The furniture market dominates this industry. There are three basic categories of furniture: case goods (i.e., wood), upholstered furniture, and other furniture. Case goods are wood furniture, shipped in case crates, which are very diverse by type of wood, style, price, and end-use. The most frequent types of case goods are dining room and bedroom sets. These are high-ticket items, bought in sets, so recoveries from recessions usually lag overall economic recoveries. Upholstered furniture consists of items such as sofas and chairs. These items wear quicker than wood, creating a shorter replacement cycle, and are often bought in single pieces, making this area quicker to recover after recessions. Other furniture usually includes bedding, ready-to-assemble furniture, and casual furniture. Bedding items are mattresses and box springs. Ready-to-assemble furniture includes TV and VCR cabinets, home entertainment centers, and home office furniture. Casual furniture includes resin furniture, brass beds, outdoor furniture, metal dinette sets, metal tables, and kitchen stools.

**Latest Activity.** After almost a couple of decades of a booming U.S. housing market leading to escalating furniture and furnishings sales, the housing bust and subsequent Great Recession deflated sales for this industry. U.S. furniture sales to consumers fell from \$94 billion to \$87 billion in 2008, and down to \$78 billion in 2009. Sales of furniture and furnishings together took a similar path: from 161 billion in 2007, to \$151 billion in 2008, to \$136 billion in 2009. In 2010, U.S. furniture sales to consumers rose to \$82 billion, and furniture and furnishings together rose to \$141 billion; a nice rise but below even 2004-levels. In 2011, sales continued their slow recovery with the overall economy, with U.S. furniture sales at \$83 billion, and furniture and furnishings together at \$145 billion, with overall sales rebounding more because non-furniture furnishings are less dependent on the still sluggish housing market.

Even before the falloff, however, U.S.-made furniture sales had been far less than half of furniture sales in the U.S., with many U.S. manufacturers now gone. As the economy recovers, and the housing market rebounds, larger furniture manufacturers in low-cost countries like China will likely prosper.

**Revenue Drivers.** Demand for home furnishings is cyclical, influenced by disposable income, and consumer confidence. Purchases of many of the items, which makes them dependent on discretionary spending. Furniture spending on furniture is that worn-out furniture can be overlooked during

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