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Home decor companies at Dallas event see signs of a turnaround

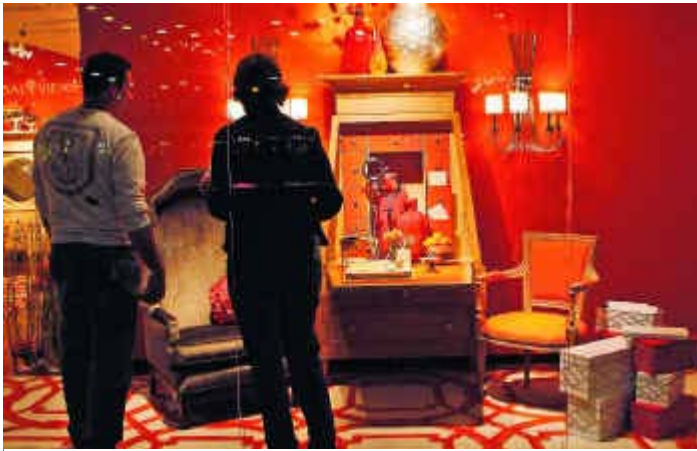
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Home furnishings retailers were the first that consumers shoved into the recession. Now, the industry that supplies everything from decorative pillows and wall art to lamps and furniture is hoping to be among the first out.

More than 50,000 manufacturers, wholesalers and retail buyers in town this week for Dallas Market Center's first big home goods event of the year are among the housing bust's survivors. They're looking for the beginning of a turnaround.

And they're seeing signs.



Photos by AMY GUTIERREZ/Special Contributor
Global Views' window display got some visitors' attention at the Dallas Market Center during the first big home goods event of the year there. The Dallas-based firm has one of the largest showrooms at the center.

On Thursday, this group was well aware that Williams-Sonoma Inc. reported higher holiday sales. The operator of West Elm and Pottery Barn stores was just the latest home goods chain to say Christmas sales were up over depressed 2008.

Pier 1 Imports, Tuesday Morning Corp. and Bed Bath & Beyond also reported better-than-expected December sales in the days leading up to this week's show.

Furniture was one of the few retail categories to show a monthly increase in a Commerce Department report Thursday.

Decisions being made this week in Dallas suggest this momentum will build this spring.

"The last 90 to 120 days, we've seen a very small uptick in the business," said Richard Olmeda, president and CEO of Stein World, an accent furniture and lighting company he co-owns with Dallas-based private equity firm Wingate Partners LP. Stein World, based in Memphis, Tenn., serves 3,500 retailers from a permanent showroom at the market center.

"Stores have managed with inventories at such a low point, a slight increase in demand is felt immediately," Olmeda said.

Some U.S. housing markets are stabilizing, in part because falling home prices make them more affordable and the extension of a government tax credit to April 30 provides an extra incentive for some buyers. All of that should translate into consumers buying more home furnishings.

Recession fatigue

"Consumers with recession fatigue are looking for ways to spruce up their homes," said Stephen Spiwak, an analyst at Retail Forward Inc.

Home goods retailers are poised for a modest bounce back in 2010, but Spiwak thinks consumer willingness to spend will be stifled by their ability to spend.

Manufacturers and retailers are still worried about unemployment and rising rates of foreclosures and mortgage delinquencies. Consumers continue to default on store-brand credit cards at record levels in 2009, according to Fitch Ratings.

Even slow growth in sales beats "devastating," which is how Leon B. Goetz, a Dallas-based wholesaler of home decor and gifts, describes the last couple of years. "It has to get better."

Goetz Inc. sells 40 lines of merchandise and had its first decline in sales in 2009, the company's 25th year in the business. But by the end of last year, double-digit monthly drops had moderated. Goetz said orders from retailers were up 50 percent Thursday, compared with the same day last year.

Wednesday's sales represented a 75 percent increase from the wholesale market's first show day in 2009. Goetz punctuated a text message update Thursday evening by exclaiming, "Hooray!!!"

"No one is just looking today. They're here to buy," said Scott Gregory, Dallas showroom manager for San Francisco furniture maker Palecek.

The company introduced a lower-priced line of accent pieces, such as a dragonfly wall sculpture to oversized square vases that retailers can sell in the \$50 to \$100 range. Thursday afternoon, he had just placed a \$10,000 order for an outdoor patio room from an interior designer, an important client base for the Market Center's higher-end showrooms.

Designers working for clients still able to make discretionary purchases have carried the business during the recession, said David Gebhart, president and CEO of Global Views, a Dallas-based designer of furniture and home decor.

"The designer customer was the heartbeat we needed to keep shipping and have a positive attitude," Gebhart said.

Global Views has one of the largest showrooms at the Dallas Market Center. In the last year, the company also made more private-label goods for retailers looking for lower-priced items to fill their catalogs and stores. He was fresh off Atlanta's first market of the year, where sales ended up ahead of a year ago.

"We use market to plan our inventory. By the fourth quarter 2010, we think retailers will be planning for a better Christmas," he said.

The retail customer "took the year off in 2009," said Frank Hofland, president of Accent Decor Inc., an Atlanta-based floral container importer that expects to see a 20 percent sales increase this year. "They're back and ready to go."

Wary forecasting

Now retailers must accurately predict consumer demand with what Olmeda describes as "no visibility."

"Retailers don't know what their business is going to look like next week," he said. "If they had a good month, they don't know if they're going to have another one. That's why they aren't going to get careless."

A large number of independent retailers have gone out of business, including 25 percent to 30 percent of Stein World's customers in that category, he said.

Sageworks Inc., a firm that tracks sales of private companies, said furniture store sales fell 18 percent in 2009. That was on top of a 5 percent drop in 2008. Sales at home furnishings stores declined almost 12 percent last year and almost 6 percent in 2008.

Goetz said his showroom is also seeing upstart independent retailers "who are tired of homogenized stores."

Buyers from Chinaberry's Nursery and Gifts in Bossier City, La., were shopping to fill a new 12,000-square-foot store opening later this month.

"This is going to be our second store," said Marion Sanders, general manager. The first store opened almost six years ago in an old 4,000-square-foot barn near new housing developments outside Shreveport.

"It's slowed, but they're still building houses, and our business is great," Sanders said.