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BUREAU**

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EUROMONITOR DIGEST



Home Furnishings in the US

PROSPECTS

Larger and Smaller Spaces Challenge New Product Development

Most large cities have seen greenfield sprawl: the conversion of farmland or other lightly used tracts into housing. Consequently, houses have more than doubled their average size in the last 30 years. Still, many millennials prefer to live close to their jobs in apartments in the city centre, so both trends are occurring simultaneously. This naturally creates the need for innovative products. Bigger houses demand new furniture, such as occasional tables that fill different spaces, with innovation coming from new materials, such as vellum or granite and marble. In contrast, smaller urban spaces demand innovation centred on functionality and versatility, such as electronic outlets to charge smart devices and sofa-beds that suit more than one purpose. Addressing both trends is a key avenue to success for many types of home furnishings.

Remote and Home Working Boosts Home Office Furniture

Even though working remotely or from home is not widely established in the US, it is clearly a growing trend. As a result, home office goods registered healthy sales growth rates in the last decade, with bright prospects for the short to medium term. Several studies show that more American employees are working remotely and for longer periods. Moreover, work-from-home opportunities play a major role in an employee's decision to take or leave a job. Within home office furniture, special attention is given to desks with a sit-stand option, driven by the well-documented health benefits of working while standing at least part of the time. These trends are expected to continue to gain traction and present new growth opportunities for home office furniture.

Explosive Increase in Augmented and Virtual Reality Solutions

The largest share of investment in Virtual Reality (VR) and Augmented Reality (AR) is expected to be concentrated in retailing. Similarly, consumers prefer to use AR to buy furniture rather than apparel and footwear and groceries. This is leading to an explosion in the use of VR and AR by major furniture retailers. For instance, Ikea Holdings launched IKEA Place in 2017, a new app that allows consumers to place furniture virtually in the home. Another example is new customizable sofa shops,

such as Interior Define, which uses 3-D technology to offer tailored sofas by size, fabric, configuration, leg style and "sit".

The benefits suggest disruptive changes to the industry, such as: the personalization of the shopping experience; the trying out of products remotely; the making of more informed purchasing decisions; and the bundling of purchases with entertainment, among others. These technologies are at an initial phase of investment and implementation, but they are expected to continue to shape many types of home furnishings in the forecast period and beyond.

With the eruption of e-commerce and the growing importance of millennial consumers, home furnishings witnessed the entry of new players with innovative solutions.

COMPETITIVE LANDSCAPE

Amazon Launches Two In-house Lines

The biggest online retailer in the world has launched two in-house furniture lines: Rivet, a modern line aimed at millennials; and Stone & Beam, which offers higher prices and appeals to families. Wayfair, an online home products retailer, saw a sharp drop in stock value on the day of Amazon's announcement in November 2017. Given that online deliveries of furniture can take six weeks or more, Amazon's strong logistics, which allow the delivery of a piece of furniture in less than one week, provide a major competitive advantage. This, combined with the fast-growing importance of online sales across consumer goods, threatens to cause important disruption to the competitive landscape in the short to medium term.

E-commerce and Young Furniture Brands Alter the Retail Space

With the eruption of e-commerce and the growing importance of millennial consumers, home furnishings witnessed the entry of new players with innovative solutions. Interior Define, a Chicago based e-retailer, opened its first customizable furniture store, Guideshop, in 2017. Guideshop offers a low-pressure space for customers to experience the brand and products, and customize



furniture and living space using 3D technology. While an online retailer, Interior Define acknowledges that the search for all durable goods is time- and energy-consuming, and that consumers usually want to experience products before ordering. Similar virtual services are offered by Warby Parker and Bonobos. This trend is expected to continue and change furniture retailing by putting increasing pressure on traditional formats. ■

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