# Michael Knell's HomeGoodsOnline.ca HOMEGOOdsOnline.ca SPRING 2022 Howe 11, Issue 1

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ON OUR COVER:

A look inside EQ3's new

flagship store, which the

contemporary furniture

specialist opened recently

in CF Polo Park, one of the

busiest shopping malls in

its hometown – Winnipeg. At 44,000 square feet,

it's also the largest in its

homage to the retailer's

was designed to pay

16-store chain. It's interior

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Traditional brick-and-mortar furniture, mattress and appliance retailers set new sales records in 2021. But, when looking beyond the top line numbers, most outside observers believe last year's performance is unlikely to be repeated, at least in the immediate future. HGO publisher and editor Michael Knell reviews the industry's performance.

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EQ3, the Canadian contemporary furniture retailer and manufacturer has opened its new flagship store. Located in the largest shopping mall in its hometown of Winnipeg, the store's design is an exercise in experiential retail, created to celebrate the company's Prairie roots and to give the customer the feeling of a well-appointed home. Written by HGO contributing editor Ashley Newport.

#### 25 ON RETAIL ELEVEN REASONS FOR NON-PERFORMANCE

If someone on your team isn't doing the job to the standard you want it done, our resident retail guru Donald Cooper, says the odds are, it's your fault. As the boss, whether store owner or manager, it's your job to give every team member the tools needed to succeed. Their performance is your responsibility.

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Brick-and-mortar furniture stores had a great 2021. Sales set a new annual high, but the pundits don't expect a repeat performance. But the consumer has money saved and seems ready to spend and the housing market remains hot, so the challenge remains for these merchants to get their share before it's all gone.

S OF THIS MOMENT, I HAVE ONLY ONE PIECE OF ADVICE FOR furniture, mattress and major appliance (FMA) retailers in this country: strike while the iron is hot. The embers are certainly cooling, now that the economy and Canadian society in general is starting to – rightly or wrongly – make the transition from the hunker down attitude of the pandemic to a more open, and definitely different, post-pandemic normal.

In this issue of the *Merchandiser*, we review furniture, home furnishings and electronics and appliance store sales for 2021 – the year that was – and chat with Pedro Antunes, chief economist of the Conference Board of Canada, about the state of the Canadian consumer.

From the statistics concerning the former, we learn the records set last year by these brick-and-mortar retailers was, in the words of an expert whose work I respect, "an anomaly, not a trend," and therefore, not likely to be repeated. From the later, we learn the consumer saved a lot of money over the past two years and indications are she's going to spend at least some of it on furniture, mattresses and appliances. That isn't to say she isn't going back to restaurants and theatres and isn't booking that family vacation in the Bahamas, but she probably bought a new house during the pandemic and she's not done furnishing it yet.

There are other lessons to be taken from our review of furniture retailing in 2021. One is there's not enough data to accurately describe how much furniture, mattresses and appliances the Canadian consumer is buying and who she's buying it from. For example, I am now convinced Wayfair.ca is the third largest retailer of furniture and home furnishings in the country. Even though it's a public company and discloses sales to customers residing in the United States, sales to Canadians, British subjects and citizens of the European Union are all lumped together. This may satisfy the needs of securities regulators but doesn't tell us anything about the market for furniture in this country.

And we need to know more. Good data leads to good planning, which has we all know, is one of the more important keys to success, especially if you're an independent furniture retailer.

**Michael J. Knell** Publisher & Editor mknell@homegoodsonline.ca





### **HGO merchandiser**

SPRING 2022 • VOLUME 11, ISSUE 1 ISSN 2291-4765 www.HomeGoodsOnline.ca

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#### THE CONSUMER

Canadian consumers saved at least \$350 billion over the course of the pandemic, money they will continue to spend, at least in part, on furniture, mattresses and appliances over the course of the next 18 months. That's the opinion of Pedro Antunes, chief economist of the Conference Board of Canada. After all, they're still buying homes and they need to furnish them.

BY MICHAEL J. KNELL

# Flush with eash

Since the COVID-19 pandemic began, Canadian consumers have saved a staggering \$350 billion. It's money they will spend now that restrictions imposed to curb the spread of the disease are being lifted. And not all of it will go to travel and entertainment.

HE CANADIAN CONSUMER is coming out of the COVID-19 pandemic flush with cash. According to Pedro Antunes, chief economist at the Conference Board of Canada, she's never saved as much money as she has over the past couple of years. When this is combined with upticks in both employment and wages, retailers of furniture, mattress and major appliances should continue to see traffic walking through their front doors – at least over the next 18 months or so.

In an interview with *Home Goods Online* as part of our *One-on-One* series of video podcasts, Antunes noted the private think-tank's *Index of Consumer*  *Confidence* (CCI) reveals the Canadian consumer may be more optimistic than she has been in many years.

"There are a number of reasons for that," he said, "One, of course, is that through this pandemic we've had a really very generous level of support from federal and provincial governments, like the Canadian Emergency Response Benefit (CERB). All of these programs helped us sustain and, in fact, even grow household incomes through this pandemic."

He pointed out even though the pandemic brought on a deep recession and considerable job losses, this wasn't reflected in household balance sheets or in the state of consumer finances. "Households were able to sock away an inordinate amount of money in the last two years," Antunes said. "We estimate they put away about \$200 billion in 2020 and well over \$150 billion in 2021.

"People are now looking forward to the re-opening of the economy, employment is really taking off, all of which leads to really peak levels of consumer confidence – we re-found our confidence at the end of 2021."

The conference board, Antunes explains, uses the CCI as an indicator of future economic activity and its survey essentially asks Canadians "How do you really feel about opening your wallet and spending going forward?"

When considered alongside the hard, numerical data around income, employment, the rate of inflation, taxation and other factors, the CCI enables the board to produce its economic forecasts. He noted consumer confidence dipped in the closing months of 2021 and the opening months of 2022 but as the first quarter come to an end, that trend seemed to, at least, begin to turn out.

"We starting to see consumer confidence bounce back a bit but it's still down from where we were," he said, "There are a number of things happening here, we're seeing inflationary pressures that really erode incomes; people are very concerned about the job losses that happened in January. They're also tentative about what the state of the economy might be going forward, given all that's going on globally, including this war in the Ukraine."

Of greatest interest to most executives throughout the furniture, mattress and major appliance sectors – whether at manufacturing and distribution or retail – is the how consumers answer the survey's major purchases question. "Is now a good time to make a major purchase?"

In 2019, 30% of Canadians, on average, said now was a good time to make a purchase – which includes a house, car, furniture or other bigticket item. Throughout the pandemic, that figure has fallen steadily. This past March, the number of Canadians giving a positive response to the question was 17%, one of the lowest rates on record.

Antunes said the trend shown in major purchases question is reflected to a degree in the answers to those around current and future finances as well as future employment – all of which have been trending negatively. He also notes the because the major purchases question also covers housing, much of the drag can reasonably be attributed to what's happening in the real estate market.

"We need to look at what's happening in real estate markets and think about what's happening in terms of interest rates," he said. "In that respect, things are still very positive for how consumer spending on home "Disposable income actually grew and not only did it grow but it grew at a record pace – around 8% growth in disposable income. In the past, a good year for income growth would be 2% or 3%, so at 8% it just flooded into the pockets of Canadians through this pandemic."

furnishings will evolve over the next little while."

He also notes real estate markets remain hot – particularly when compared to pre-pandemic levels – which will continue to have a positive impact on demand for furniture, mattresses and appliances. "The outlook for major purchases will stay strong, certainly through the first half of the year."

There were two reasons why savings climbed dramatically through the pandemic. First were the income supports provided by government. "But also, they weren't able to spend on certain things," Antunes said, citing services and travel as two examples, "so a lot of the spending focus went on durable goods such as home furnishings and renovation. I think a lot of what was driving the spur in housing was the savings that we had accumulated."

During the pandemic, there was a shift towards working from home – a trend Antunes doesn't believe will abate anytime soon. "People also wanted more housing because of all the work from home that this pandemic has led to," he said, noting this will continue to support sales of furniture, mattresses and major appliances. "I think the market is going to stay positive this year."

Antunes suggested the upticks, particularly in the housing market, weren't really expected when the CO-VID-19 pandemic was proclaimed, noting the Canada Mortgage & Housing Corporation (CMHC) originally expected the health crisis to cause housing prices to decline sharply. Forecasters such as himself really weren't expecting the federal government support programs to be as massive as they were or to be introduced as quickly. When much of the economy is shuttered, as in a recession, housing sales and values along with income decline but not this time. "Disposable income actually grew and not only did it grow but it grew at a record pace – around 8% growth in disposable income," Antunes said. "In the past, a good year for income growth would be 2% or 3%, so at 8% it just flooded into the pockets of Canadians through this pandemic."

He believes much of the \$350 billion or so Canadians saved during the pandemic went into the real estate market, buoyed by low interest rates. Even though Antunes concedes interest rates have started to climb, "they remain very, very low historically and certainly extremely low if you compare them to today's inflation."

When looking at the state of the consumer, it's important to remember not every Canadian household received income support from the government during the pandemic. In fact, most of the job losses in 2020 and 2021 were in the service sector, particularly tourism and travel as well as food service and entertainment.

"A good majority of Canadians were able to keep our employment and at the same time we were unable to spend on tourism and other service sector activities, so households at all levels were able to sock away a fair amount of savings," he noted.

"We (the conference board) think household saving rates will stay fairly high," he continued, "they'll stay higher than they were pre-pandemic. We'll hang on to some of those savings and we'll still be able to spend despite the decline in our purchasing power over the next couple of years."

The pandemic has changed consumer behaviour - and business behaviour - permanently, in many ways. Whether those changes are good or bad only time will tell. Many of these changes will have a positive impact on furniture, mattress and major appliance retailing.

Antunes believes, for example, where the type of work permits, working from home is here to stay. "This is essentially a very different model of work for a lot of Canadians in the knowledge economy particularly," he said. "A majority of them are going to have a hybrid work model going forward, they'll be able to work part-time from home, if not full-time, and parttime from the office, so that's a major change in the number of people going into the downtown cores of Canada's major centres on a day-to-day basis."

This increased emphasis on working from home will also change consumption behaviour. In part this is fueling the current froth in the housing market as people look for more space to accommodate the changes in their working life. "There is an opportunity here for retailers in terms of supplying

home furnishings and office supplies directly to consumers."

He also doesn't expect business travel to return completely to prepandemic levels. All-in-all, he believes consumer will continue to spend more on goods - that includes furniture, mattresses and major appliances – than she did before the onset of COVID-19.

#### THE FUTURE OF LABOUR

Almost every furniture and mattress retailer and manufacturer in this country needs to expand its work force - whether its for the sales team, the delivery team or the upholstery line. And in the short term, attracting talent is going to be a challenge for companies throughout the industry, regardless of where they are in the supply chain.

"This is a massive challenge," Antunes agrees. "It's not just in manufacturing, it's across the board."

Part of this can be attributed to what he describes as "a massive decline in the number of people coming to Canada in 2020 and even into 2021.

"On one hand we did see job losses for a period of time especially in 2020,



economist for the Conference Board of Canada, is here chatting with HGO publisher Michael Knell from his home office.

In the fourth episode of One-on-One, now available on HGO.tv, publisher Michael Knell chats with Pedro Antunes, chief economist of the Conference Board of Canada about the state of the Canadian consumer. The first surprising fact to come out of the conversation is that she's flushed with cash and will spend a good chunk over the next 18 months so, some of it on furniture, mattresses and appliances.

but as the economy recovered, we saw this massive labour supply shortage starting to play out with unemployment rates coming down very, very quickly."

He also believes this situation could get a little worse as many Canadians delayed retirement during the pandemic. Now that the health crisis appears to be easing, many of them are going to take their pensions.

This won't ease until Canada returns to more normal levels of immigration - something that will slowly happen over the next couple of years.

Antunes also has this advise for manufacturers: where possible, start investing in technology and automation. "In a very tight labour market, one of the solutions, at least in an aggregate perspective, is investing in capital and that's something we're lacking in Canada."

#### LOOKING AHEAD: SPENDING WILL NORMALIZE

Pedro Antunes believes the Canadian economy and consumer is subject to the forces of gravity. That is, what goes up must come down, a least a little.

"We have seen the retail segment, especially for durable goods really take off and we've seen an inordinate, surprising amount of spending on goods throughout this pandemic," he observed. "I think it's going to a fairly hot market, especially for anything that's related to home furnishings.

"But, at some point this is going to normalize," he added. "When people and households start to feel comfortable with travel and tourism and start spending on accommodation and food services, we're going to see those segments pick-up."

The digital economy is here to stay. "Online shopping really took off through this pandemic and some of that is going to be here to stay," he said, adding this hopeful observation, "As the economy re-opens through the second half of this year, we are going to see people coming back to brickand-mortar stores and shopping in shopping centers." HGO

MICHAEL J. KNELL is the publisher and editor of Home Goods Online and all three of its platforms.





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Traditional brickand-mortar furniture, mattress and appliance retailers set new sales records in 2021. But, when looking beyond the top line numbers, most outside observers believe last year's performance is unlikely to be repeated, at least in the immediate future.

**BY MICHAEL J. KNELL** 

RICK-AND-MORTAR furniture stores had a boom year in 2021, according to figures published by Statistics Canada in the year-end edition of its *Monthly Retail Trade Survey* (MRTS). That's the good news. Now, here's the bad news. Experts agree it's a performance unlikely to repeat itself, at least in the short term.

The same is true of home furnishings stores – a catch-all category that includes carpet and flooring stores; stores specializing in lamps and lighting; as well as retailers focusing on occasionally and accent furniture as well as decorative accessories – which also rang-up record high sales not likely to be repeated anytime soon.

The only big-ticket home goods category turning in a more normal rate of growth in 2021 was electronics and appliance stores.

It should be noted Statistics Canada's MRTS focuses on brick-and-mortar, or location-based, retail. So, when discussing furniture store sales, the figures cited represent the collective sales by every merchant with a physical location, from industry stalwarts such as Leon's, The Brick, Sleep CounThe publicly held Leon's Furniture Limited held on to its position as this country's largest full-line furniture, mattress, appliance and electronics retailer in 2021 with system-wide sales of \$3.06 billion. Seen here is their store in Saskatoon.

NAS A

GREAT YEAR

try, IKEA and Brault & Martineau to the single store independent – as well as their digital platforms.

However, the MRTS does not include the emerging digital powerhouses such as Article, Rove Concepts, Goodmorning.com or their Canadian contemporaries. Neither does it include the Canadian offshoots of such e-commerce giants as Wayfair and Amazon.

At the end of 2021, brick-and-mortar furniture store sales totaled a record high \$13.3 billion, a gain of 14.9% over the \$11.6 billion rung-up in 2020, which despite government-imposed restrictions to curb the spread of the CO-VID-19 pandemic was only a 1.7% dip from 2019's \$11.8 billion.

Indeed, the unexpectedly low downturn in 2020 was attributed – almost entirely – to the accelerated execution of long-simmering plans on the part of almost every brick-and-mortar heavyweight to get serious about becoming true omni-channel retailers. It was a move that paid even more dividends in 2021.

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For example, prior to the pandemic's arrival in March 2020, most analysts estimated e-commerce accounted for only 5% of the revenue generated by Leon's Furniture Limited (LFL). After the lockdowns, the publicly held parent of Leon's, The Brick and Appliance Canada, saw its e-commerce platforms' share of revenue jump to 16% in 2020, before advancing to 24% of sales in 2021.

E-commerce was also the fastest growing contributor to Sleep Country Canada Holdings' (SCC) top line revenue in each of the past two years. Digital sales accounted for more than 23% of 2021 sales for the parent of Sleep Country, Dormez-vous and Endy, among others. In fact, SCC's primary motivation for acquiring the Torontobased Endy was to give it access to the fast-growing digital marketplace.

Not to be outdone, IKEA Canada, part of the global home furnishings giant based in The Netherlands, admitted in a report published just prior to last Christmas that its e-commerce platforms accounted for 37.4% of its revenue during its most recent fiscal year ending August 2021.

Collectively, these three retailers – who are this country's three largest furniture store operators as defined by Statistics Canada – accounted for 49.6% of all brick-and-mortar furniture store sales last year. HGO estimates their combined digital sales for 2021 at \$1.79 billion, approximately 27% of their collective sales and 13.4% of all brick-and-mortar furniture store sales last year.

Unfortunately, the data gives no insight into the sales mix by product category. For example, analysis of the data published by Statistics Canada in its *Retail Commodity Survey* (RCS) reveals mattresses account for roughly 14.5% of all brick-and-mortar furniture store sales while indoor furniture – that is, what the industry normally refers to as upholstery and case goods – accounts for roughly 42.0%. It's not known if this pattern holds true for their digital platforms.

Meanwhile, home furnishings stores had collective sales of \$7.71 billion in 2021, up 19.1% from the prior year's \$6.48 billion.

Turning in a more normal growth rate were electronics and appliance stores whose 2021 tally of \$15.4 billion was up 4.5% from the \$14.8 billion rung-up in 2020.

#### THE TOP PERFORMERS

With system-wide sales of \$3.06 billion for the 12 months ending December 31, 2021, Leon's Furniture Limited solidified its position as Canada's largest full-line furniture retailer, which Statistics Canada defines as any retail establishment generating a minimum of 51% of its annual revenue from the sale of furniture and mattresses.

In addition to this country's two most visible full-line furniture banners, the publicly held merchant also operates the five-unit Appliance Canada, which is believed to be one of the largest white goods specialists in Ontario, serving both the retail replacement and builder markets.

Holding steady as the country's second largest furniture store is IKEA Canada which recorded sales of \$2.59 billion for its latest fiscal year, which ended August 31, 2021.

Even though it is an unabashed mattress and bedding specialist, Sleep Country Canada Holdings is now the third largest furniture store in the country, thanks to how Statistics Canada defines this retail segment. For 2021, SCC had sales of \$920.2 million.

SCC displaced the Montreal-based BMTC Group to take the third spot on the Canadian list of top performers. The publicly held parent of Brault & Martineau EconoMax and Ameublements Tanguay had yet to report the results of its latest fiscal year as this issue of the *Merchandiser* went to press. Unlike LFL and SCC which both follow the calendar year, BMTC's fiscal year ends on January 31.

For its fiscal year ending January 31, 2022, BMTC's revenues are expected to fall in the range of between \$850 to \$900 million – up from \$649.1 million for the prior fiscal year. Indeed, when BMTC's results are tallied with those of LFL, SCC and IKEA it's not difficult to determine where roughly \$6 out of every \$10 spent in by a Canadian consumer in a Canadian brick-and-mortar furniture store goes.

According to the Centre for the Study of Commercial Activity (CSCA) at Toronto's Ryerson University,



Sleep Country Canada Holdings, parent company to brick-and-mortar sleep specialists Sleep Country and Dormez-vous as well as digital powerhouse Endy, also saw strong growth in 2021 and even displaced BMTC Group as this country's third largest furniture store.

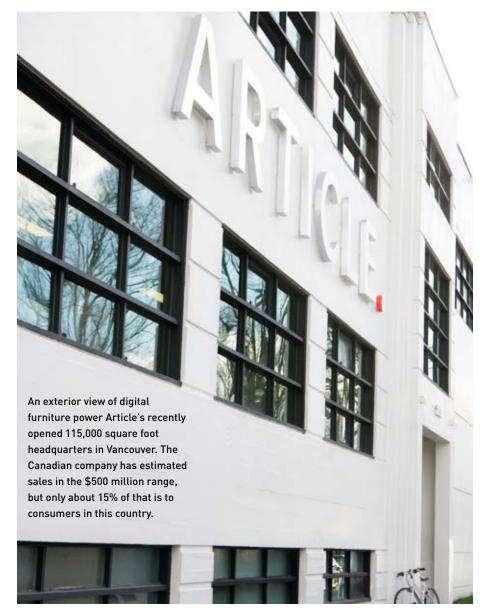


### "GIVEN HIGH INTEREST RATES AND HOUSE PRICES, PERHAPS MORE PEOPLE WILL DECIDE TO STAY WHERE THEY ARE AND NOT MOVE, BUT INSTEAD SPRUCE THINGS UP WITH NEW FLOORING OR A MICROWAVE STAND." – Ed Strapagiel

there are only two other brick-andmortar furniture retailers with annual sales greater than \$250 million.

One is Ashley Furniture Home-Stores, a network of 63 independently owned and operated stores licensed by Ashley Furniture, the giant American furniture manufacturer and distributor. In 2020, the latest year for which figures are available, CSCA estimated their sales at \$450 million. The other was the Canadian branch of JYSK Linen 'n' Furniture, the Danish retail giant. CSCA estimated its 2020 sales at \$280 million, spread across some 61 stores across the country.

Most observers agree the pandemic's arrival was the accelerant fueling the fiery expansion of e-commerce in this country. Although it is a public company, Wayfair doesn't publish the results of its Canadian operation as a



line item in its quarterly and annual reports. However, many senior furniture industry executives believe Wayfair.ca has annual revenues in excess of \$1 billion, which would make it the third largest furniture merchant in the country.

According to news reports published by the *Globe & Mail*, the Vancouver-based digital furniture merchant Article – which is owned by a corporate entity called TradeMango Solutions Inc. – is believed to have estimated annual revenues of \$500 million, but only about 15% of that (\$75 million) is generated in Canada.

The largest home furnishings retailer currently operating in Canada is believed to be HomeSense, which operates about 135 stores from coastto-coast. Owned by the New Jerseybased TJX Companies, which also operates discount fashion merchants Marshall's and Winner's, CSCA estimated its sales at \$913 million in 2020.

The nation's largest electronics and appliance store is the Canadian branch of Best Buy, the publicly held American consumer electronics giant. It's 131 stores generated sales of \$4.8 billion (US\$3.97 billion) in 2021.

In its Monthly Retail Trade Survey, Statistics Canada divides the locationbased retail segment of this country's economy into eight broad categories. Furniture, home furnishings and electronics/appliance stores comprise one of them and with total 2021 sales of \$36.5 billion makes up 5.4% of the brick-and-mortar retail landscape.

Their collective growth rate was 11.0% in 2021, just slightly behind 11.6% growth turned in by all locationbased retail.

However, many observers are cautioning the industry to reign in its enthusiasm as 2021's performance is unlikely to be repeated either this year or next.



"The high 2021 growth (for furniture stores) is mostly a statistical illusion," Ed Strapagiel, the Torontobased retail consultant and observer believes, noting it's mostly a rebound from the sales dip recorded in 2020 and the low single digit growth in the two years before that. "Most of the high growth in 2021 happened in the first half of the year, but in the fourth quarter year-over-year growth collapsed to a -0.3% decline.

"That's what we're going into 2022 with and I don't expect a repeat of 2021's performance, not even close. For 2022, growth might be in the low single digits," he continued, adding, "The 2021 growth rate is an anomaly, not a trend."

Strapagiel pointed out one of the key factors constricting growth for most Canadian furniture stores will be the supply chain.

Home furnishings stores face many, if not all the same issues as furniture stores. Strapagiel noted fourth quarter 2021 growth for these merchants was only 1.3% which he suggests is indicative of what they can expect this year.

They might also be one of the few beneficiaries from a slowdown in the housing market. "Given high interest rates and house prices, perhaps more people will decide to stay where they are and not move, but instead spruce things up with new flooring or a microwave stand," he said.

"Electronics/appliances stores often seem out of step," he continued. "In 2020, the first year of CO-VID, their sales went up 7.8% when many other retailers suffered. So, in 2021 they didn't enjoy as much of a rebound. By the fourth quarter, their sales seemed to get closer to the general pattern and were up on 0.3%."

Like furniture and home furnishings stores, these merchants are also plagued by supply chain problems. "It will probably take most of the year to out the kinks in the supply chain," Strapagiel observed. "But prices are likely to go up too. So, I would expect modest total volume growth but |retailers will also get decent margins on it."

Traditionally, all three groups of big-ticket retailers are strongly influenced by three external factors, including the housing market, consumer confidence as well as household income and debt.

"Rising interest rates are the main driver here and will negatively impact all these factors," Strapagiel maintains. "It'll be a guessing game, however, because it's always difficult to see how and when big picture factors will have an impact.

"Interest rates are being raised to fight inflation, but they do so by damping down demand," he continued, adding, "This may be a noble cause but it's a long process. I would expect things to be pretty tight and cautious for most of 2022. Things may get better but only slowly."

He also cautions, "In the meantime, don't get too exuberant. Retailers can't do anything about these issues and would be best advised to run their businesses carefully and efficiently."

With upward pressure from both inflation and interest rates, Sprapagiel advises retailers "will have to look at how to make as much money with more limited gross sales.

"This means using less discounting, plus being smarter about marketing, advertising and promotion. They'd better get good at e-commerce and not let it become a sinkhole. 'Let's have a sale' will increasing become the wrong answer."

MICHAEL J. KNELL is the publisher and editor of Home Goods Online and all three of its platforms.

#### THE SLEEP SHOP

# **BRANDSOURCE** LAUNCHES MATTRESS GALLERY

Bedding is vitally important to almost every furniture retailer's bottom line. To boost performance in this category, Mega Group is launching BrandSource Sleep, a new in-store gallery program designed to increase both sales and profitability.

#### BY MICHAEL J. KNELL



Seen here is a view of the new BrandSource Sleep gallery set to be opened by Barber & Haskill, a Mega Group retail member located in Midland, Ontario. It's one of nine set to open in April 2022.

OR MOST FURNITURE, MATTRESS and appliance (FMA) retailers, particularly the single-unit independent, mattresses typically account for 14.5% of their annual revenue. It's equally well known that 14.5% generates more gross margin dollars than any other department on the floor.

Maximizing the performance and profitability of the sleep shop is high on every owner-operator's 'to do' list and the primary motivation for the launch of BrandSource Sleep (BSS), created specifically for members of the primary go-to-market banner operated by Mega Group, the Saskatoon-based FMA buying and marketing group.

John Power, the group's veteran general manager of sales and strategic development, recently told *Home Goods Online* the new gallery program will debut at nine BrandSource **•** 



The concept for BrandSource Sleep was created by Mega Group director of design Carole Valliere and to accentuate its emphasis on 'Sleep, Recover, Perform', as seen on the wall graphic here at Barber & Haskill in Midland, Ontario.

This print ad was created to promote the grand opening of the first nine BrandSource Sleep galleries in April 2022. Mega Group plans to have at least 75 in operation by the end of 2025.

Canada stores across the country in late April with at least another ten expected to come online in October.

The members scheduled to open BSS galleries in April include:

- Harris BrandSource Home Furnishings, Fort McMurray, Alberta;
- Barber & Haskill, Midland, Ontario;
- SleepMatters/Grove TV & Appliances, Goderich, Ontario;
- McLellan BrandSource Home Furnishings, Lower Woodstock, New Brunswick;
- Stubbe's BrandSource Home Furnishings, Tilsonburg, Ontario;
- New Age Home Furnishings & Electronics, Weyburn, Saskatchewan;
- BrandSource Estevan, Estevan Saskatchewan; and,
- **Meubles & Nous,** Beauport and St-George de Beauce, Quebec

Power said 15 members signed on to the program when it was first presented to them in 2021 and are in various stages of conversion. To date this year, another eight have come aboard, he added, noting the goal is to have 75 BSS galleries in operation across the country by the end of 2025. ▶





Seen here is an artist's rendering of BrandSource Sleep, the new in-store bedding gallery currently being rolled out by Mega Group to the members of its primary go-to-market banner, BrandSource Canada. Tania Dionne, a mattress industry veteran who was named Mega Group's director of merchandising for bedding in November 2020, was charged with developing BrandSource Sleep by its recently departed president and chief executive officer Kim Yost and is part of a five-year plan designed to give member retailers the tools and training needed to give the category the spotlight it deserves and growth sales.

"Bedding industry sales have grown by more than \$200 million in the past 24 months or so, pushing past the \$2 billion mark," Dionne noted. "People are more and more into wellness, lifestyle and performance and show increasing awareness about the value and role of sleep in their overall health. So, having a sleep gallery program dedicated to these ideas makes sense."

She also firmly believes this program is a step-up from others – both past and current. "BrandSource Sleep is all about results," she said, "keeping track of sales, performance and training. It's a national program supported by key suppliers. We have guidelines to be followed and targets that need to be achieved. We also have a dedicated marketing plan in place designed to increase our presence in the market.

"The past three years have brought us more experience in omni-channel strategies, so there is a well-connected effort from all Mega departments – marketing, digital services, merchandising and design – to help ensure the success of the program," Dionne added.

#### **DESIGNED TO BE CUSTOMER-CENTRIC**

BSS is designed specifically as an in-store gallery occupying between 1,500 and 3,000 square feet featuring product from both Tempur Sealy Canada (TSC) and Simmons Serta Bedding (SSB). "It's designed to maximize bedding sales in multi-category stores," Dionne said.

Indeed, the concept is designed to generate sales per square foot of at least \$250 within the first year of operation. John Power noted the first few galleries to come online in recent months have produced revenue upticks of more than 50%.

The gallery's interior concept and layout was created by Mega director of design Carole Valliere, who believes it's firmly centred on creating the best customer experience "which is the heart of our approach."

It fosters an environment that stresses the BSS brand benefits – 'Sleep, Recover, Perform'. "It's exciting and interesting to promote these benefits compared to the more normal product feature driven approach," Dionne said.

The space is also structured to make the product selection process easy for both the retail sales associate (RSA) and the customer – using visual aids to explain and describe potentially complex issues such as mattress firmness and sleep technologies – while maximizing closing rates as well as the average ticket price. The BSS concept also requires RSAs be trained to the level where they can call themselves local sleep expects.

#### BRANDS AND ACCESSORIES

The key vendors to BrandSource Sleep will be Tempur Sealy Canada and the Canadian division of Serta Simmons Bedding, this country's two largest mattress producers.

The sleep shop's third brand will be Ghost bed, the digital mattress specialist that recently signed the world-famous American tennis star Venus Williams as its spokesperson. "Ghost bed is a fast-growing brand that showcases a lot of what we want to achieve with BrandSource Sleep, so this is a great opportunity for both companies," Dionne said. "They are great at D2C (direct-to-consumer) and we are building that ability on our retailers' web site in partnership with them."

And Ghost Bed's partnership with Williams, she added, is a perfect fit with BSS's 'Sleep Recover, Perform' mission statement. Headquartered in Florida, Ghost Bed maintains an office in Vancouver and also claims manufacture its product in Canada.

As proven by more than one retail sleep specialist, accessories are a vital to the success – and profitability – of every mattress shop. The launch of BSS has given Mega the opportunity to expand its private label Concept ZZZ assortment beyond mattresses. "We have a brand-new Concept ZZZ accessory line-up," Dionne said, noting the first product to be launched will be a pillow program with retail price points ranging from \$35 to \$185. "The program includes lavender, triple cooling and feather pillows."

"We are aware of the need to expand our accessories and are working to give our member retailers great options," she continued, adding the BrandSource Sleep pillow bar will also feature product from the Montreal-based Blu Sleep as well as Sealy, Tempur, Serta and Simmons.

Over the coming months, Dionne said the Concept ZZZ accessory program will be expanded to include duvets, blankets, linens and protectors.

One thing is clear, Mega Group is investing heavily in the BrandSource Sleep program believing the mattress/sleep category is vital to the ongoing revenue growth and profitability of the banner's 150 or so member stores from coast-to-coast.

MICHAEL J. KNELL is the publisher and editor of Home Goods Online and all three of its platforms.

# MEET TANIA DIONNE



**MEGA GROUP** named Tania Dionne as director of merchandising in charge of bedding and mattresses in November 2020, having spent the prior seven years at Tempur Sealy Canada where she spent most of her time working with independent retailers.

A graduate of H.E.C. Montréal, where she studied international commerce, Dionne launched her business career working in management positions in the health care industry working in medical clinics and blood banks.

She started her career at Tempur Sealy Canada as a sales and marketing representative before being promoted to territory manager. During that time, she twice won the company Chairman's Award as well as its Achievement Award. At the end of her tenure with the bedding giant, she was managing the Cantrex Nationwide account.

"My only purpose as a sales representative, and now in my new role at Mega, is to see that my customers are happy and are more profitable at the end of the year," Dionne said. "I believe that mind set is the key to success. All my decisions are based around my customers, in this case the Mega retailers, and by doing so I set them up to win. It also sets a level of expectation for all the suppliers to come to the table with this goal in mind." **OPENINGS** 

EQ3 Polo Park specializes in selling tag order upholstery, which is manufactured at its Winnipeg factory. The store's design was inspired by the retailer's roots, with the interior – complete with herringbone flooring (seen here in the foreground), traditional wainscotting and pastel millwork – paying homage to the Prairies.

CHOOSE SUSTAINABLY SOURCED OVER UNNECESSARY WASTE

# Staying HO

EQ3, the Canadian contemporary furniture retailer and manufacturer has opened its new flagship store. Located in the largest shopping mall in its hometown of Winnipeg, the store's design is an exercise in experiential retail, created to celebrate the company's Prairie roots and to give the customer the feeling of a well-appointed home.

BY ASHLEY NEWPORT

Like every other EQ3 store across North America, the new flagship at Winnipeg's CF Polo Park specializes in tag order upholstery, stocking a variety of covers for use at its nearby production facilities. Seen here is the store's design centre with its assortment of fabric samples.



VEN BEFORE THE GLOBAL COVID-19 pandemic descended upon Canada, forcing brick-and-mortar retailers to shutter their storefronts for weeks even months at a time, some might have argued furniture merchants would be crazy to focus too extensively on in-person sales at a time when e-commerce was already becoming dominant across an array of retail sectors.

But while consumers remain eager to shop online (in a world with or without COVID), some companies – such as EQ3, the Canadian contemporary furniture designer, manufacturer and retailer – are encouraging customers to shop both ways, virtually on its web site and physically by opening brick-and-mortar stores that offer shoppers a more 'immersive' experience.

Recently, the team behind EQ3 – which designs, develops and manufactures its custom upholstery offerings at its Winnipeg headquarters – put this strategic approach to the test with the opening of its new flagship store in its hometown's largest shopping centre, CF Polo Park.

"We have some exciting new technologies to help with the design process, like 3D floor planners and our digital product library. We've enhanced our ability to communicate **b** 



the benefits of our products, from their longevity to their functionality," EQ3 president Mark Letain told *Home Goods Online* in a recent interview.

"But most of all, we're expanding on the idea of experiential retail. When people come into our space, it's not just for a sofa or a dining table, but the feeling of a well-appointed home."

Founded in 2001 and part of the Palliser Group, EQ3 also designs, builds, sources and sells a range of household products in addition to upholstery including case goods, lighting, decorative accessories and more. The company is active in both Canada and the United States, with fifteen locations spanning both countries. It opened its U.S. flagship store, an 11,000 square foot 'light filled jewel box' in the Chelsea district of New York City in late 2019.

At 44,000 square feet, Polo Park is the company's largest showroom and designed to provide customers with a "re-imagined retail experience." Located on the shopping centre's main floor, it also features something fun in the form of an in-house restaurant helmed by award-winning Deer + Almond chef Madel Hitzer.

"EQ3 is proud to open our first-ever Canadian flagship store here in Manitoba and serve the community that has helped shape who we are through the expansive possibilities of this space," Peter Tielmann, EQ3 founder and chief executive officer said in a statement published just prior to the store's opening. "Our uniquely Canadian approach to design is deeply inspired by our hometown **)** 



EQ3 Polo Park is technology heavy, making use of tools such as large visual displays (as seen on the back wall here) as well as QR codes on product tags, which all the customer to access all needed information about the item she's reviewing.



The slatted exterior of EQ3's new flagship store in Winnipeg's CF Polo Park shopping centre was designed by former creative director Thom Fougere, who also helped in creating the retailer's store in New York City.



The Toronto-based bedin-a-box producer Silk & Snow is one of a select few outside vendors to be featured in the new EQ3 Polo Park flagship store. The others include Global Trunk, OMY, The Dough Project, QWOO and Alessi. of Winnipeg, so we're honoured to share this work with customers, friends, and family at our new showroom."

According to the company, the new store will be a "hub of innovation for EQ3" by incorporating new technologies such as three dedicated design centres that provide customers and interior designers with opportunities for one-on-one consultations with sales associates and access to fabrics, finishes, rug swatches and 3D visualization software.

The store also boasts digital video walls and QR codes giving customers access to detailed product information.

Letain said EQ3's senior leadership team is applying the lessons learned over the years to the new flagship location. "While our mission remains intact: to rid the world of fast-furniture and create timeless pieces for this generation and the next, we've learned a lot over the last two decades – lessons that have made us more efficient and thoughtful in our business practices," he explained.

### WHAT MAKES THE NEW STORE UNIQUE?

The company worked with Winnipeg-based architectural and interior design firm Number TEN to nail down the store concept. Its slatted exterior was designed by former EQ3 creative director Thom Fougere – who also created the New York City store – while the interior was designed by current chief design officer Enri Tielmann. The store's design was inspired to a great degree by EQ3's roots, with the interior – complete with herringbone flooring, traditional wainscotting and pastel millwork – paying homage to the Prairies.

"With our foray into experiential retail, we're taking a holistic approach to transform how people re-imagine their homes," Peter Tielmann said. "We've created pockets of discovery in the store giving customers space, tools and even nourishment, while they take the time to physically interact with the products and personalize designs."

Letain added visitors to the space have responded positively to the look and feel of the store.

"Winnipeg is home for EQ3. It's where we launched the first EQ3 store and where our designs come to life at our HQ, so we wanted to create a space made in consideration of that community. The opening has been very well received within the community so far and we're looking forward to strengthening our relationship with our customers." he remarked, adding the store's Winnipeg-inspired look sets it apart from the brand's other retail locations.

"With EQ3 Polo Park, we wanted to give back to the community where the EQ3 dream first began. It's a collaboration of local culture – from the architecture, which was done with a local firm, to our first in-house cafe."

Letain noted the company's chief design officer also worked to create two distinct environments. "The millwork on the one hand celebrates the beauty of natural materials utilizing solid American oak organized in a modular way that allows to subdivide the space into intimate environments and creating pockets of discovery," he says.

The flagship is also unique in that it offers shoppers an elevated dining option. Letain says the store's in-house cafe boasts a "monolithic bar design" and forty dine-in seats. The menu, he says, features California-modern cuisine prepared with local ingredients. The cafe also boasts a full bar and unique wine list.

Another thing setting Polo Part apart is the new merchandise offering geared towards families, pet owners and shoppers with a green thumb.

EQ3 is working with a number of companies such as Global Trunk, OMY, The Dough Project, QWOO, Alessi, and Silk & Snow – the Toronto-based bed-in-a-box specialist – to merchandise its kids, pets, and plants sections of the store – offerings that are exclusive to the Winnipeg flagship.

"The hope is that whether you're coming to our space deliberately with intent to purchase EQ3 or you stumble across us by walking through the mall, you'll find inspiration at every turn," Letain said, adding the company is dedicating to acting as a good host for guests who happen upon the store purposely or incidentally. Customers, he says, can shop, browse, rest and even eat during their visit. "When people are in our space, much like if they were at a friend's home, we're hosting them. For us, that meant having a space for nourishment, plenty of opportunities for rest, and all the friendly faces to guide them along the way."

As for what products customers can expect shoppers entering the store can check out the brand's assortment of Canadian-made and imported products. They can also select the materials that will be used to create custom upholstery pieces.

"All of our upholstery is made here in Winnipeg under the same roof as our corporate offices," Letain said, adding by keeping its manufacturing close to home, EQ3 can cut back its carbon footprint and maintain a higher degree of quality control.

Another benefit of local manufacturing has been the ability to avoid significant pandemicrelated supply chain disruptions that have left leave customers waiting weeks – even months – for furniture and other related products.

"Local manufacturing has also been hugely helpful in recent years and the pandemic created a lot of supply chain issues. We felt very grateful to be able to rely less on third party vendors in navigating those disruptions," Letain said, noting now that the company has been around for over 20 years, it can comfortably **b**  EQ3 president Mark Letain told Home Goods Online in a recent interview when people come into the new CF Polo Park store, it's not just for a sofa or a dining table, but the feeling of a well-appointed home.



"We realize that often the journey will begin online and end up in the store or vice versa and so meeting the customer where they are and want to be is increasingly important."

> think outside the box and try new tactics, such as creating a tech-savvy store with an in-house café, to drive traffic.

> "One of the benefits of having a more established brand now is that we have the means to be more experiential in our endeavors. We're constantly innovating to bring new ideas to life, whether that be through our in-house design team or inviting outside creatives to partner with us," he said.

> "Our bread and butter will always be timeless furniture, but we're constantly evolving our fabric and leather lines to invite new colours and textures into the line-up."

#### WILL COVID IMPACT THE STORE?

While shopping malls across Canada are currently open for business, at press time COVID case counts are rising and some business owners are nervous about potential capacity limits and even outright closures.

But while COVID doesn't appear to be going anywhere anytime soon, Letain noted retailers always face challenges when opening a new location but Polo Park's prime location has him feeling optimistic.

"Any time you open a new store, there's always going to be nerves. It's an investment in both time, money, and resources. But CF Polo Park is one of a dozen malls in Canada that is considered a 'super-regional' in that it attracts customers from a larger region in this case area's outside Winnipeg, in Manitoba, but also in Northern Ontario and Saskatchewan," he said.

"It's also the only place in Manitoba where you can have access to other great brands like Apple, Lululemon, etc. We felt that to grow our brand and take it to the next level, the move into Polo Park made the most sense."

#### WHAT DOES THE NEW STORE MEAN FOR EQ3'S E-COMMERCE OPERATION?

Like so many retailers, EQ3 has been able to adapt to customers' evolving needs by offering shoppers the ability to either touch and feel products in person or peruse collections online and order pieces with the click of a button.

That said, Letain said the brand remains focused on the in-store shopping experience.

"While the online experience continues to improve as technology advances, we feel that the best way to fully appreciate EQ3 products is to interact with them directly in our stores," he maintains. "We believe online is part of the customer journey and what we want to do is bring our offering to customers in whatever way is best for them to understand our products whether that be in our store or in the comfort of their own homes."

Letain has also found customers who search EQ3's products online often decide to visit a store to see and experience the piece in real time.

"We realize that often the journey will begin online and end up in the store or vice versa and so meeting the customer where they are and want to be is increasingly important."

#### WHAT DOES THE FUTURE HOLD FOR EQ3'S BRICK-AND-MORTAR STORES?

According to the retailer's web site, EQ3 operates sixteen locations throughout Canada and the U.S., with stores located in Ontario, Quebec, Alberta, British Columbia, Manitoba, California, Connecticut, New York and Illinois. With such a diverse range of North American locations, one can be forgiven for wondering if the features of the new flagship store – the cafe, the decor, the more immersive elements – will be included in any future locations.

As for whether the brand will recreate the look and feel of the Winnipeg store elsewhere, Letain replied the company looks carefully at the make-up of its locations when opening new stores and does its best to ensure the store reflects local tastes and trends.

"One of the best parts about bringing a new showroom to life is learning about the community it will be based in and catering to that demographic. Certainly, EQ3 Polo Park is one of our most aspirational showrooms to date, but every project must be made in consideration of its specific surroundings and, ultimately, the people who will be in the space."

A contributing editor to HGO Merchandiser, ASHLEY NEWPORT is a Toronto-based freelance journalist who writes primarily for trade and business publications. Her specialties include food, hospitality and emerging social/business trends.

ON RETAIL

# Eleven reasons for NON-PERFORMANCE

If someone on your team isn't doing the job to the standard you want it done, our resident retail guru says the odds are, it's your fault. As the boss, whether store owner or manager, it's your job to give every team member the tools needed to succeed. Their performance is your responsibility.



BY DONALD COOPER

VERY BUSINESS IS THE SUM TOTAL of the performance of all the people in it. To prosper we must achieve world-class performance, individually and collectively, regardless of the size and nature of our business.

There are many reasons for our staff not performing and, surprisingly, most of those reasons are not their fault. In fact, in the majority of cases we, as bosses, have set them up to fail. Check out the 11 possible reasons for your staff not performing – as shown below – and think about what needs fixing in your business to improve performance.

#### They don't understand what you want done, the standard to which you want it done or by when you want it done. There's a lack of clarity.

Lack of clarity is one of the biggest causes of non-performance in most businesses, and it's generally not the employee's fault. Creating clarity is your job – so, do it.

Make sure everyone in your organization is clear about what is expected of them and why it's important.

#### 2 They lack the skills, information, tools, time or empowerment to do the job effectively.

As much as you'd like to blame your employees for not performing, none of this is their fault. Make sure every employee has the skills, information, tools, time and empowerment to do the job they've been given.

### **3** There's no process in place, so it's done differently each time.

Sorry, once again, not their fault. They're not in charge of process – you are. Everything that happens between intent and delivery is process. Without it, you'll not get the consistent outcomes you're looking for.

# 4 They don't understand why their job is important.

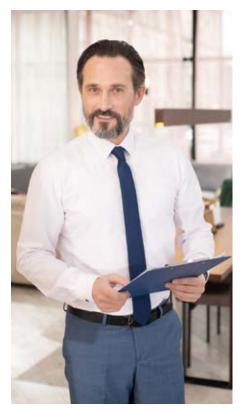
OOPS, your fault again. According to many surveys, the number one reason employees stop trying is they believe they don't make a difference.

Make sure every employee understands how their job affects customers, the team and the bottom line. Reinforce that over and over.

**5** It doesn't have to be done! You just think it does. They get that and you don't. This one's a bummer. They understand the reality of the situation better than you do. They're trying to save you time and money by not doing something that's wasteful – and you see it as non-performance.

#### **6** They have a better way to do it and have the guts to do it the better way and hope you won't notice. But you have noticed, and you see it as non-performance.

These people are 'gold'. They're smart, they get it, they care, and they take initiative. Don't beat up on them. In fact, maybe you should promote them or at least hug them.



### **7** A personal problem/crisis is distracting them.

Sometimes good employees go into a tailspin because of some personal problem or crisis. The road of life contains potholes. Now is your time to shine as an organization. Now is the time to show what you're really made of. How can you and the rest of the team pitch in and support these folks?

But be clear which problems or crises you are and are not prepared to support. You may be absolutely determined to help an employee with a sick child or an ailing parent but not to support an employee with a cocaine addiction, or one who beats their spouse, or threatens the life or safety of fellow employees.

# O They're good people in the wrong job.

We've all seen this one. Many of us have been the "square peg in the round hole" at some point in our career. We were given a job or task for which we simply were not suited.

For example, there are people who are great at managing people and there are people who are great at managing things. Never put a person who is great at managing things in charge of a bunch of people. It will end badly. Before sacking someone



who seems to have some very good qualities, but who is not performing, see if some other job would make excellent use of their talents.

## **9** They're underpaid or underappreciated.

OOPS, sorry. Your fault again. Underpaid people feel that they're being ripped off so they either lower their performance to the level they think they're being paid for or they leave.

Unappreciated people just wither away like a plant that hasn't been watered. Create a culture of acknowledgement and appreciation. Look for behavior to praise, reward and celebrate. A thank you every day.

As the boss, you are in charge of the culture of your organization or department. Do the job.

### **10** The job is beyond their mental or physical abilities.

You've put someone into a job they are physically or mentally incapable of doing, often with the best of intentions. But it's not their fault. They gave it their best shot, but they can't perform as required. Rather than beat them up for non-performance, graciously guide them into a job that they can do or help them exit the organization gracefully.

**11** They simply don't want to do it. They're lazy, irresponsible or have a toxic attitude. Some people are simply poor performers for reasons that exist entirely within themselves. You don't have the time or resources to save these people and they are, well, toxic. Move them out of the organization as quickly as possible. Good people often leave because bad people are allowed to stay.

IN CONCLUSION: There you have it. Eleven reasons for nonperformance and most of them are not our employees' fault. We need to manage smarter. Based on what we've learned here, how might you improve the way you recruit, promote, train, communicate with, reward, acknowledge and celebrate your team? Specifically, what needs doing or fixing? Who will make it happen? By when?

A regular contributor to Home Goods Online, DONALD COOPER has been both a world-class manufacturer and an award-winning retailer. Now a Toronto-based business speaker and coach, he helps business owners and managers rethink, refocus and re-energise their business to create compelling customer value, clarity of purpose and long-term profitability. For more information, or to subscribe to his free, monthly management e-newsletter, go to www.donaldcooper.com

# INDUSTRY CALENDAR



#### EDITOR'S NOTE: The

following is a list of published dates for trade events of interest to Canadian furniture, mattress and major appliance retailers. Because of volatility surrounding the ongoing COVID-19 pandemic, those interested in attending are strongly urged to visit the organiser's web site before making any travel arrangements. The dates are subject to change and were accurate when this issue of the Merchandiser went to press.

#### May 12 to 13, 2022 ANNUAL CONFERENCE

Quebec Furniture Manufacturers Assn. Hôtel du Domaine Thetford Mines, QC afmq.com

May 22 to 25, 2022 INTERWOVEN (Formerly Showtime) International Textile Marketing Assn. Market Square High Point, NC showtime-market.com

July 6 to 9, 2022 MALAYSIAN INTERNATIONAL FURNITURE FAIR

Putra World Trade Centre Kuala Lumpur, Malaysia miff.com.my

#### July 19 to 22, 2022 CASUAL MARKET CHICAGO

International Casual Furnishings Assn. The Mart Chicago casualmarket.com

July 24 to 28, 2022 LAS VEGAS MARKET World Market Center Las Vegas, NV lasvegasmarket.com

August 7 to 10, 2022 **TORONTO GIFT & HOME FAIR** Canadian Gift Assn. Toronto Congress Centre Mississauga, ON cangift.org

#### August 13 to18, 2022 NATIONWIDE PRIMETIME Gaylord Palms Resort & Convention Center Orlando, Florida nationwideprimetime.com

October 22 to 26, 2022 HIGH POINT MARKET High Point, NC highpointmarket.org







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