

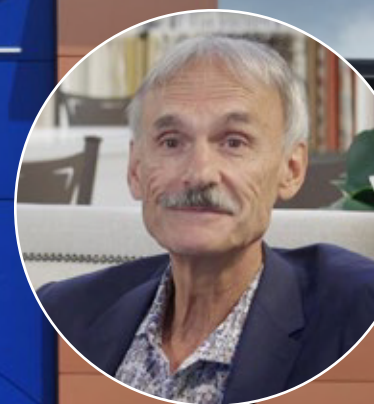
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SUMMER 2020

Volume Nine, Issue 2



OPENS IN Kingston

SPECIAL FEATURE

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Canadian furniture and home furnishings stores had a good 2019. Sales have been moving in the right direction for most of the past five years or so. But that's all going to change. The question becomes, what comes next?

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In recent weeks, we talked to a number of retailers across the country. While not in total agreement, their common view was the pandemic will change how they do business into the foreseeable future. There's no going back.

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Eric Bennett believes furniture retailing is not a sprint. It's a marathon and the store owner should pace himself accordingly. Opening his third store here in Eastern Ontario's largest city is an act of faith in the next generation of his family's business which is getting ready to take the reins.

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ON OUR COVER: Marlaire and Eric Bennett (insert) opened a third location in the Eastern Ontario city of Kingston as the company gets ready for its fourth generation of family ownership.

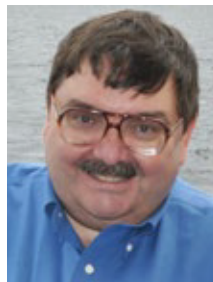


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A NEW ERA BEGINS



MICHAEL J. KNELL

Canadian furniture and home furnishings stores had a good 2019. Sales have been moving in the right direction for most of the past five years or so. But that's all going to change. The question becomes, what comes next?

THE WORLD CHANGED ON THE 11TH OF MARCH. NO ONE IN his or her right mind would have imagined just 24 hours earlier that we were able to shut down our entire economy and society save for a select number of essential services. It had never happened before, not even during either of the World Wars or the Great Depression of the 1930s. Even now, as we slowly struggle back to what will be undoubtedly a vastly different normal, many still can't quite believe the impact the pandemic has had on our lives and businesses.

That's what this issue of the *Merchandiser* – as well as the next – will examine. We'll try to figure out where this industry is going, and to the degree possible, how we're going to get there. We'll start at retail, before moving on to manufacturing and the apparent market.

In the attempt to plot the way forward, the best place to start is to look at where we've been. First off, we'll look at the numbers and take an overview of where furniture, mattress and major appliance retailing ended up at the end of 2019. We have a snapshot of the first quarter of 2020, based on what is admittedly preliminary data.

The focus will be on brick-and-mortar or, as Statistics Canada prefers, location-based retail. The reason is simple. Traditional merchants still dominate furniture, mattress and major appliance retailing in this country. What little data there is indicates that despite all the press they receive, the direct-to-consumer e-commerce players – such as Amazon, Wayfair, Endy and the rest – are still minor players when it comes to big ticket home goods.

We'll also have a look at the state of the Canadian consumer and the drivers behind her desire and ability to purchase the goods we carry.

Finally, in this issue we'll report on the experiences of a few seasoned independent furniture retailers and talk with a recognized expert, speaker and author on all things retail. The goal is to give some insight into where we're been and where we're going as an industry. We don't know what tomorrow will bring, but let's prepare as best we can.

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WHERE WE'VE BEEN: STORE SALES

BY
**MICHAEL J.
KNELL**

We start off by marking where the industry finished off at the end of 2019 with a glimpse of how 2020 began. Furniture stores had a good year even though the number of store fronts continued to decline. Home furnishings and electronics stores took a similar path.

EVEN BEFORE THE ONSET OF the pandemic, the number of furniture stores operating in Canada has been shrinking steadily for most of the past decade. According to data published by both Industry Canada and Statistics Canada, there were an estimated 3,268 furniture stores across the country at the end of 2019. Seven years earlier there were 3,437. For the most part, the evidence suggests most of those lost were single unit operators.

Despite this shrinkage in numbers, furniture store sales improved modestly but steadily from \$9.53 billion in 2012 to a record \$12.0 billion last year. This has also driven sales for the average furniture store – which Statistics Canada defines as a retailer generating 51% or more of annual revenue from the sale of furniture and mattresses – from \$2.77 million in 2012 to \$3.67 million in 2019.

In 2019, the furniture store segment of Canadian retail was dominated by four players whose combined total sales of \$6.7 billion accounted to a market share of roughly 56%. In all, they operated a combined 626 outlets from coast-to-coast, just over 19% of all brick-and-mortar Canadian furniture stores. Three of these companies are publicly held, while the fourth is the Canadian subsidiary of what is believed to be the world's largest furniture and home furnishings retailer. They are:

- **Leon's Furniture Limited (LFL):** this Toronto-based publicly held operator of Leon's, The Brick and Appliance Canada had sales for \$2.73 billion and a 22.7% national market share in 2019, generated by some 304 corporate and franchise stores;
- **IKEA Canada:** headquartered in Burlington, Ontario and owned by the global home furnishings giant based in The Netherlands, its 14 full-size stores had revenues of \$2.53 billion during the fiscal year ending August 31, 2019 for a 22.0% market share;
- **BMTC Group:** this Montreal-based and publicly held retailer operates solely in Quebec with 32 stores under the Brault & Martineau, EconoMax and Ameublements Tanguay banners, ringing up sales of \$720.2 million and a 6.0% national market share for its last fiscal year; and,
- **Sleep Country Canada Holdings (SCC):** also based in Toronto, the publicly held owner of mattress specialists Sleep Country, Dormez-Vous and Endy ended 2019 with revenue of \$712.4 million out 275 stores plus its endy.ca virtual platform for a 5.9% market share.

Of the four only SCC is aggressively adding to its store count at present, opening 12 new locations last year. For the three others, store counts have been remarkably stable over the past

few years, although IKEA added new full-size stores in Halifax and Quebec City in 2017 and 2018, respectively. It also shelved plans to build another full-size store in London, Ontario earlier this year. It should be noted, LFL and BMTC have been continuously investing in their real estate, relocating and renovating a large number of their stores in recent years.

By contrast, the four largest furniture stores in the United States had collective sales of US\$14.7 billion last year but with only a 26% share of that country's market, according to *Furniture Today*. They also operated 3,845 brick-and-mortar stores between them, making them substantially larger than the entire Canadian furniture store sector in terms of both sales volume and unit count.

Statistics Canada includes furniture stores as one of 11 segments it uses to track the performance of location-based – brick-and-mortar – retail in Canada. There are two other types of retailers in the big-ticket home group, home furnishings stores and electronics/appliance stores. Home furnishings stores sell everything from floor covering to lamps and lighting, linens, decorative accessories and wall art as well as furniture, particularly accent and occasional furniture.

Although their growth has been slight, at best, over the past three years these merchants finished 2019 with sales of \$7.08 billion, a record high for ▶



this sector. The number of store fronts has also seen considerable attrition over the past seven years. At the end of last year, Statistics Canada counted some 2,890 home furnishings across the country, down from about 4,368 at the end of 2012.

Currently, the largest retailer in this space is believed to be HomeSense, a division of TJX Companies, the U.S.-based conglomerate that also operates fashion discounters Winners and Marshall's. Its 125 stores are estimated to generate about \$1.2 billion annually, giving it a 17% market share in this space.

Electronics/appliance stores sell everything from cell phones, video games and computers to major appliances. Once again, store fronts have fall dramatically in recent years. The latest count by Statistics Canada puts their number at just over 2,800 last year – half of what they were not five years earlier. Sales have also been falling for most of the past decade, a trend most experts have attributed, at least in part, to product deflation. For example, a top of the line television that retailed for \$2,000 five years ago, has a price tag of less than \$800 today.

These merchants had sales of about \$14.1 billion in 2019, off 14% from the prior year falling to their lower point

in a decade. The largest electronics/appliance retailer in the country is believed to be Best Buy Canada, a subsidiary of the publicly held Best Buy Co. headquartered in the U.S. Its 177 stores are estimated to ring-up annual sales of \$4.15 billion, giving them a market share of about 29.4%. Ranked second in this segment is the Calgary-based Visions Electronics. This family-held enterprise has a network of 42 stores in Ontario and in Western Canada with sales in the \$630 million range, giving them a national market share of 4.5%.

THE FIRST QUARTER OF 2020

Before 11 March, furniture store sales were tracking higher than expected. For example, in reporting its first quarter results, Leon's Furniture Limited noted sales in January and February were up 5.4% year-over-year, which went a long way towards offsetting the downturn suffered in March, when it closed almost every one of its 304 stores from British Columbia to Newfoundland & Labrador.

Sleep Country told a similar story, reporting that same store sales were up 13.1% through to the end of February. So did BMTC, which told shareholders recently that company revenues increased by approximately 1.7% from

the beginning to January until the pandemic was declared in mid-March – a pace that was outperforming all other location-based retailers in Quebec.

All three reported sales declines for the first quarter, consistent with the preliminary data out of Statistics Canada which reported furniture stores sales for the first three months of 2020 were \$2.45 billion, off 5.1% from the \$2.58 billion for the same period of 2019. Home furnishings stores took an even bigger hit, falling 10.5% to \$1.37 billion.

Electronic/appliance stores saw their first quarter sales fall for the second consecutive year, dropping 5.9% to \$2.82 billion.

Historically the first quarter has typically been the low point of the year for all three categories of big-ticket home goods stores. The winter months have always been a damper on sales as retailers have generally 'made their year' in the third or fourth quarters depending on the product category and the store's promotional heft.

Most observers agree the real impact of the pandemic won't be felt until the second quarter figures are reported. There is also an emerging consensus that store sales will not return to the levels seen in 2019 until 2022 at the earliest. ▶

Retail Store Sales – January to March (First Quarter) 2017 to 2020

(Actual millions of current Canadian dollars)

	Q1-2017	Q1-2018	Q1-2019	Q1-2020
Furniture Stores	\$2,477.8	\$2,499.8	\$2,578.7	\$2,446.5
<i>Percent change</i>		0.9	3.2	-5.1
Home Furnishings Stores	\$1,475.9	\$1,535.3	\$1,529.8	\$1,368.8
<i>Percent change</i>		4.0	-0.4	-10.5
Electronics/Appliance Stores	\$3,140.7	\$3,336.6	\$2,995.5	\$2,817.7
<i>Percent change</i>		6.2	-10.2	-5.9

Sources: Statistics Canada; Industry Canada; J.C. Williams Group; Windsor Bay Communications Inc.
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Retail Commodity Sales – January to March (First Quarter) 2017 to 2020

(Actual millions of current Canadian dollars)

	Q1-2017	Q1-2018	Q1-2019	Q1-2020
Mattresses	\$451.3	\$432.5	\$414.5	\$412.1
<i>Percent change</i>		-4.2	-4.2	-0.6
Indoor Furniture	\$1,664.0	\$1,595.5	\$1,686.9	\$1,584.9
<i>Percent change</i>		-4.1	5.7	-6.0
Outdoor Furniture	\$75.0	\$68.2	\$60.1	\$77.3
<i>Percent change</i>		-9.1	-11.9	28.6
Decorative Home Furnishings	\$536.4	\$610.3	\$605.0	\$560.8
<i>Percent change</i>		13.8	-0.9	-7.3
Major Appliances	\$1,226.0	\$1,268.5	\$1,256.1	\$1,250.7
<i>Percent change</i>		3.5	-1.0	-0.4
Televisions & A/V Equipment	\$930.4	\$1,030.3	\$904.9	\$778.9
<i>Percent change</i>		10.7	-12.2	-13.9

Source: Statistics Canada, Retail Commodity Sales Survey (20-10-0016-01); Industry Canada; Home Goods Online
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Furniture and Home Furnishings Stores/Electronics & Appliance Stores – 2014 to 2018

(Actual millions of current Canadian dollars)

	2014	2015	2016	2017	2018
Furniture and Home Furnishings Stores – Total sales	\$17,295.7	\$18,017.4	\$18,426.4	\$19,075.4	\$19,299.6
E-commerce sales	\$229.0	\$313.4	\$315.8	\$335.0	\$414.7
<i>Percent change - total sales</i>		4.2	2.3	3.5	1.2
<i>E-commerce as percentage of sales</i>	1.3	1.7	1.7	1.8	2.1
<i>Percent change - E-commerce sales</i>		36.9	0.7	6.1	23.8
Electronics & Appliance Stores – Total sales	\$13,680.9	\$13,779.6	\$13,795.6	\$13,800.6	\$13,837.5
E-commerce sales	\$496.0	\$564.2	\$645.3	\$667.8	\$1,094.4
<i>Percent change - total sales</i>		0.7	0.1	0	0.3
<i>E-commerce as percentage of sales</i>	3.6	4.1	4.7	4.8	7.9
<i>Percent change - E-commerce sales</i>		13.7	14.4	3.5	63.9

Sources: Statistics Canada Annual Retail Survey (Table: 20-10-0065-01; formerly CANSIM 080-0032); Home Goods Online
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Retail Commodity Sales – 2015 to 2019

(Actual millions of current Canadian dollars)

	2015	2016	2017	2018	2019
MATTRESSES AND FOUNDATIONS					
All retail stores	\$1,892.3	\$1,966.9	\$1,994.3	\$2,005.2	\$2,157.1
Percent change - all retail stores		3.9	1.4	0.5	7.6
Furniture and home furnishings stores	\$1,702.4	\$1,771.3	\$1,760.5	\$1,856.0	\$2,029.1
Percent change - furniture and home furnishings stores		4.0	-0.6	5.4	9.3
Market share - furniture and home furnishings stores	90.0	90.1	88.3	92.1	94.1
INFANT/JUVENILE FURNITURE					
All retail stores	\$356.4	\$365.9	\$364.0	\$356.8	\$375.2
Percent change - all retail stores		2.7	-0.5	-2.0	5.0
Furniture and home furnishings stores	\$163.5	\$157.2	\$172.5	\$190.8	\$207.9
Percent change - furniture and home furnishings stores		-3.8	9.7	10.6	9.0
Market share - furniture and home furnishings stores	45.9	43.0	47.4	53.5	53.4
INDOOR HOME FURNITURE					
All retail stores	\$6,855.6	\$6,950.2	\$6,929.4	\$6,980.0	\$7,127.9
Percent change - all retail stores		1.4	-0.3	0.7	2.1
Furniture and home furnishings stores	\$5,841.2	\$5,905.5	\$5,787.0	\$5,990.7	\$6,030.4
Percent change - furniture and home furnishings stores		1.1	-2.0	3.5	0.7
Market share - furniture and home furnishings stores	85.2	84.9	83.5	85.8	84.6
General merchandise stores	\$454.7	\$441.3	\$545.0	\$440.6	\$494.0
Percent change - general merchandise stores		-2.9	23.5	-18.1	12.1
Market share - general merchandise stores	6.1	6.3	7.9	6.3	6.9
OUTDOOR HOME FURNITURE					
All retail stores	\$897.0	\$945.8	\$970.3	\$872.4	\$921.9
Percent change - all retail stores		7.6	2.6	-10.1	5.7
DECORATIVE HOME FURNISHINGS					
All retail stores	\$2,439.8	\$2,962.0	\$3,387.0	\$3,438.5	\$3,786.9
Percent change - all retail stores		21.4	14.3	1.5	10.1
Furniture and home furnishings stores	\$796.6	\$1,018.2	\$1,227.1	\$1,141.5	\$1,179.1
Percent change - furniture and home furnishings stores		27.8	25.4	-10.1	3.3
Market share - furniture and home furnishings stores	32.7	34.4	37.7	33.2	31.1
MAJOR HOME APPLIANCES					
All retail stores	\$4,623.9	\$5,164.0	\$5,920.2	\$6,169.3	\$6,071.7
Percent change - all retail stores		11.7	14.6	4.2	-10.6
Electronics and appliance stores	\$2,085.7	\$2,426.1	\$3,304.1	\$3,369.6	\$3,151.9
Percent change - electronic and appliance stores		16.3	36.2	2.0	-6.4
Market share - electronic and appliance stores	45.5	47.0	55.8	54.6	51.9
TELEVISIONS & A/V EQUIPMENT					
All retail stores	\$3,441.8	\$3,522.8	\$4,831.0	\$4,830.4	\$4,385.7
Percent change - all retail stores		3.2	37.1	0.0	-9.2
Furniture and home furnishings stores	\$251.8	\$226.4	\$243.9	\$246.9	\$267.3
Percent change - furniture and home furnishings stores		-10.1	7.7	1.2	8.3
Market share - furniture and home furnishings stores	7.3	6.4	5.0	5.1	6.1
Electronics and appliance stores	\$2,266.5	\$2,415.8	\$3,248.9	\$3,168.8	\$2,707.8
Percent change - electronic and appliance stores		8.5	34.5	-2.4	-14.5
Market share - electronic and appliance stores	64.7	68.0	67.2	65.6	61.7

Source: Statistics Canada, Retail Commodity Sales Survey (20-10-0016-01); Industry Canada; Home Goods Online
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WHERE WE'VE BEEN: CONSUMER SPENDING

When it comes to buying the product we sell, the consumer has choices, some say too many. But she is consistent about where she buys as sales of mattresses, furniture and appliances grew through the eight years ending in 2019.

WHEN IT COMES TO BUYING furniture and furnishings for the home, the consumer has lots of choices. At one time, a now retired industry stalwart, who served as publisher of *Furniture Today*, the North Carolina-based trade newspaper, determined North America contained about 75 channels of distribution of which she could avail herself. And that was long before e-commerce became a fact of daily life.

Statistics Canada monitors the sales of furniture, mattress, major appliances and consumer electronics in two ways. In the *Monthly Retail Trade Survey*, the agency monitors sales by location-based retailers (we explore this in the previous story). In the *Retail Commodity Survey*, it tracks what the consumer buys, regardless of the store she buys from.

However, the agency doesn't categorise the product we sell in quite the same way as the industry. For the purposes of this exercise, HGO has identified the following categories within the *Retail Commodity Survey*, believing the majority of furniture, home furnishings and electronics/appliance stores feature some or most on their floor: mattresses; infant/juvenile furniture; indoor home furniture (upholstery and case goods); outdoor home furniture; decorative home furnishings (lamps and lighting, wall art, area rugs, accent/occasional furniture); major appliances (refrigerators, ranges, dishwashers, washing machines and dryers); and,

televisions and audio-visual equipment (home theatre systems).

This survey focuses on consumer purchases in brick-and-mortar stores and not purchases made via e-commerce, whether from a pure play online vendor such as Article.com or the virtual platform of a retailer such as Leon's or IKEA.

One thing the data does show is that over the past decade or so, the Canadian consumer has been consistent about the type of store where she buys big ticket goods for the home. The best example is mattresses. Commodity sales have grown in the past decade, but furniture and home furnishings stores are where she buys them 91% of the time. This suggests retailers such as Costco and Walmart haven't had that big an impact on the product's channels of distribution. It also supports the view that while Sleep Country Canada has a market share of about 30% for this category, it has taken share from other furniture and home furnishings stores.

Consumers have been consistent in their channel choices for other categories as well. Furniture and home furnishings stores account for about 85% of indoor furniture sales, 34% of decorative home furnishings sales and 6% of television and audio-visual equipment sales. The sore spot is major appliance sales.

For reasons not easily explained, Statistics Canada doesn't publish major appliance sales by furniture stores in the *Retail Commodity Survey*. The data shows electronics/appliance stores consistently account for 51% of all con-

sumer purchases in this category. An analysis of the data leads HGO to believe furniture and home furnishings stores account for about 40% of consumer purchases of white goods each year – a share that hasn't varied greatly over the past decade. Major appliance sales by furniture retailers are estimated at \$2.31 billion for 2019.

In each of the five years from 2015 to 2019, consumer spending on indoor home furniture, decorative home furnishings and mattresses was up on a year-over-year basis. In fact, each category set new record highs, particularly mattresses which broke the \$2 billion barrier for the first time in 2018 before advancing another 7.6% to end 2019 at \$2.16 billion.

Indoor furniture came in at \$7.5 billion last year – when infant/juvenile furniture is added in, capping a growth spurt that began once the economy began recovering from the financial disaster of 2008.

Last year was a stellar one for decorative home furnishings, as sales topped out at \$3.8 billion, a 10.1% climb over 2018 although furniture and home furnishings stores only managed to eke out a growth rate of 3.3%. This gives credence to the view that since furniture stores only command at 33% share in this category, it's here where non-traditional home goods retailers such as Costco, Walmart are really making their mark.

After posting real gains in each of the three years prior, consumers really slowed their purchases of major ►

appliances in 2019 as sales fell 10.6% to \$6.07 billion. Much of the decline is attributed to two factors: deflation within the category and slowdowns in the housing market.

The *Retail Commodity Survey* also reveals consumer purchases of televisions and audio-visual equipment have fallen in each of the past three years, declining 9.2% to \$4.38 billion last year. Of interest here is while only a relative handful of furniture stores sell the category, they've actually climbed in each of the last three years – in 2019, by 8.3% to \$267.3 million. This category is dominated by electronics/appliance stores, who account for an average of 65% of all consumer purchases even though their TV sales fell in both 2018 and 2019.

An analysis of both surveys also suggests the sales mix for the mythical average full-line Canadian furniture

store: furniture (upholstery, case goods and juvenile) accounts for 52% of annual sales; major appliances accounts for 19%; mattresses another 16%; and, decorative accessories 6% with the balance coming from other products and services (for example, delivery fees, extended warranties; fabric protection and other add-ons).

THE FIRST QUARTER OF 2020

Consumers have rarely shown much interest in spending money on big-ticket home goods in the opening three months of year. Its winter in Canada and most economists believe she is more focused on paying down debt accumulated during the previous year's Holiday Season than in making new investments in her living space.

Indeed, first quarter mattress sales have fallen in each of the last three

years, 2020 being no exception as they dipped 0.6% to \$412 million – a far cry from the \$450 million recorded in the first quarter of 2017.

Indoor furniture sales fell 6.0% in the first quarter to \$1.58 billion. Decorative home furnishings, major appliances and televisions suffered similar declines, even though stores weren't closed as part of the government's shelter-in-place orders to combat the pandemic until the second week of March.

Most industry insiders believe the real impact of the shutdown on location-based retail won't be seen until the *Retail Commodity Survey* for the second quarter of 2020 (covering the months of April, May and June) are published sometime later this summer.



THE EXPERTS WEIGH IN

In the post-pandemic period, time is the real enemy. Will there be enough to give retailers the opportunity to adapt? Two experts, an economist and a retail consultant and author, weigh in the challenges facing the industry as life gets back to what a decidedly new normal. **BY MICHAEL J. KNELL**

EVERYONE AGREES THE COVID-19 pandemic is a unique event. Most also agree it will have a profound effect on the future of our society. Some of the most significant changes will be economic, starting with an evolution in the nature of work and places of work. It will change how consumers buy everything – from cars and homes to groceries and other everyday items. It will influence not only how she buys furniture, mattresses and major appliances but how much she buys as well.

The role of the home will become more significant in the economic life of the country. For the last several de-

cades, futurists have forecast the rising importance of telecommuting. But the pandemic has hastened this process as shelter-in-place orders were given by health authorities across much of North America. Indeed, many large corporate concerns have said they are reluctant to force employees back to the office having discovered their working from home hasn't resulted in any significant loss of productivity or efficiency. This development could provide highly beneficial to furniture retailers, many of whom have reported upticks in sales of home office furniture in recent months.

"We may see people doing much more tele-work," says Pedro Antunes, chief economist of the Conference Board of Canada, a private think tank based in Ottawa and publisher the *Index of Consumer Confidence*.

In a recent telephone interview with *Home Goods Online*, Antunes was remarkably upbeat about the long-term prospects for the Canadian economy although he acknowledged the short-term impact of the measures employed to combat the pandemic have been severe in the extreme. He also admits the critical unknown factor is time – there is no way to predict accurately ►



Pedro Antunes, chief economist of the Conference Board of Canada, is optimistic about the post-pandemic recovery but recognises much will depend on the creation of a viable vaccine.

how long the recovery will take as it is likely to hinge on the severity of the second wave and when a viable vaccine is ready for distribution. No one is expecting the latter until sometime mid-year 2021 or later.

“How long the recovery takes depends on two important assumptions,” he said. “The first is how long it’ll be before there’s a vaccine, which will take at least a year and how long it will be before enough people are immunised.

“The other critical piece is we need to support business more fully,” he continued, adding businesses do not seem to be taking full advantage of either the Canadian Emergency Wage Subsidy (CEWS) or the Canada Emergency Commercial Rent Assistance (CECRA).

“But for the recovery to become firmly entrenched, companies will need access to workers as capacity ramps up,” Antunes recently wrote in the *Globe & Mail*. If for no other reason, he encourages all businesses, particularly small to medium-sized enterprises such as furniture, mattress and major appliance retailers to apply for the subsidy because for the recovery to take hold, full employment is needed.

While he said the Canada Emergency Response Benefit (CERB) staved off disaster, he does not see it as an effective long-term measure, noting it’s equivalent to an hourly wage of slightly less than \$15 for a 33-hour work week and well above the minimum wage in most Canadian jurisdictions. That means it has the potential of act-

ing as a disincentive to re-entering the labour force.

Antunes also observed while Canadians need to shift back from the CERB to employment, the program produced a positive benefit few anticipated when it was introduced by the federal government in late March.

“We are going to see a savings rate increase...the savings rate has gone very high,” he told HGO. In turn, this has fuelled considerable pent-up demand, which will have to be satisfied as the re-opening of previously shuttered brick-and-mortar stores continues across the country.

Consumer confidence has also taken a hit in recent weeks but Antunes is confident the trend will reverse itself as employment returns to pre-pandemic levels.

The other thing Antunes believes is working in favour of the recovery is interest rates – which continue to be low. The Bank of Canada has shown little desire to move them upwards, which will bolster confidence and give the consumer room to spend the employment picture improves over the coming 18 months or so.

A RETAIL CONSULTANT'S VIEW

Like the Conference Board’s Pedro Antunes, Bruce Winder, the Toronto-based retail analyst and author of a new book called *Retail Before, During & After COVID-19* (which is now available on Amazon), is also more upbeat about life after the pandemic than would be expected. While he too acknowledges the weeks and months ahead will be difficult, at the very least, retailers who do not panic should be able to smart their way through the crisis.

He acknowledges independent furniture, mattress and appliance (FMA) retailers may more exposed to the ravages of the new economy that emerges as the crisis subsides, noting they often have less leverage with landlords, suppliers, lenders and other creditors so they are often less able to negotiate relief.

“Because their volume is lower than large chains that buy in large quanti-

ties their pricing and terms from suppliers are less favourable,” Winder points out, adding, “many independents have weaker balance sheets and have a harder time getting reasonable financing. Finally, as consumers worry about finances, they may shop for the lowest price which may be found at large chains. These forces add up to make it tougher on these retailers versus the chains.”

He also notes not all Canadian consumers are fragile economically as “their outlook varies by socio-economic stratum. That is, wealthy consumers have felt far less economic uncertainty than lower income consumers who have been laid off or have had their hours reduced.”

Those in low wage jobs have been the hardest hit – think those working in the retail, hospitality and tourism sectors – and have the most uncertain job prospects as the economy re-opens. Winder says this means retailers have an even greater imperative to be understand who the target customer really is and what she wants and needs – particularly if the customer works in the lower wage strata.

“In addition, some consumers do not and will not feel comfortable shopping at a brick and mortar retail store until a vaccine is discovered,” he continued, pointing out in-store traffic ▶



Bruce Winder, the Toronto-based retail consultant says there are strategies the independent furniture, mattress and appliance retailer can use to smart their way through the post-pandemic recovery.

and sales volumes will be challenged as social distancing protocols limit how many shoppers can enter a store at any given time.

Like Antunes, he also sees an uptick in working from home in the post-pandemic period and he also notes the factors influencing the consumer's buying decisions will evolve somewhat. These factors will include variable such as current disposable income; potential disposable income; job certainty; the inflation or deflation of prices; and, interest rates, which he agrees will remain low for the foreseeable future.

Retail promotions will also have a role, as Winder points out that "in recessionary times, sometimes consumers opt for lower price point products with less features to save cost."

Offsetting this will be an increase in the savings rate, which is being driven by job and income uncertainty.

He also believes FMA retailers will face challenges not shared by other merchants as the consumer will still,

for the most part, what to see the sofa, mattress or other piece of furniture she's wants in store before she buys. She will also want to ask staff about the product, even sit or lie down on it. "With store traffic being metered and regulated, the purchase process will take longer and require a greater investment," Winder said. "In addition, consumers may fear that independent FMA stores may go bankrupt and void warranties which could lead them to take their business to the large chains."

There are strategies the FMA retailer – especially the independent – can employ to bolster his operation's competitive position in the post-pandemic period.

Winder recommends independent retailers ensure they can sell online through Shopify or some other e-commerce provider. He also recommends investing in personal protective equipment, staff training and proper signage to make the in-store experience as safe and easy as possible. "Use virtual and

in-store pre-set appointments to limit crowding and increase comfort for customers," he suggests. "Consider using augmented reality apps to allow customers to visualize their FMA product in their home. Create a community connection to differentiate from online retailers and big boxes."

He also believes in the power of value-added services such as home delivery and set-up or installation (for a modest fee) while disposing of the product her purchase is replacing. Retailers also need to sell extended warranties and offer price-matching guarantees. "And be sure to offer exceptional customer service while renegotiating rent and terms with suppliers to help with cash flow."

EDITOR'S NOTE: Bruce Winder's book *Retail Before, During & After COVID-19* is available on Amazon for \$9.99 with 5% of the proceeds being donated to mental health programs across the country.



A RETAIL PERSPECTIVE

In recent weeks, we talked to a number of retailers across the country. While they weren't in total agreement, they agreed on a lot of things, mainly the pandemic will change how they do business into the foreseeable future. There's no going back.

IT'S A GIVEN, THE PANDEMIC HAS done a lot of economic damage to every Canadian furniture, mattress and major appliance retailer – both large and small – over the recent weeks and months. At the same time, it is also changing every facet of the business. What's more, they will be felt for years to come while others have yet to be discovered. The pandemic is not only influencing how and what the consumer buys, but how retailers operate their physical space, merchandise their product assortment and serve the customer.

In many ways, the pandemic has

accelerated changes the industry has been long expecting. Among the more notable is a heightened adoption of digital technology, ranging from more intensive use of platforms such as Instagram to show off product trends; to signing on to third party apps such as Flipp, which publishes flyers electronically; and, to a greater appreciation for the shopping cart, an often underused feature of most FMA retail web sites.

Andrew Tepperman, president of Tepperman's, was pleasantly surprised by how much new business the shopping cart generated for his operation,

which has six stores spread across south-western Ontario. Noting his shopping cart exceeded expectations, he told *Home Goods Online* "we've been selling on-line for over a year, so we had the process in place, but we didn't anticipate the volume."

In the two weeks immediately following the shutdown (ending April 1), the Montreal-based consulting firm Absolutnet reported e-commerce sales of furniture and home décor jumped 232% year-over-year while sales of appliances and electronics climbed a rocket-fueled 345%. Unfortunately, ▶



Kim Yost, president and chief executive officer of Mega Group, the member-owned buying group headquartered in Saskatoon.

dollar figures weren't provided, and the report hasn't been updated in the weeks since it was posted. In the five years ending 2018, Statistics Canada pegged e-commerce at roughly 2% of annual sales for the typical FMA retailer. Several retail analysts have opined it's jumped to about 8% during the shut-down, which lasted through the month of June in most regions of the country.

Many furniture retailers reported having similar experiences, including Natalie Papia, president of the single-unit Zilli Home Interiors, which can be found in the northern reaches of Toronto. "Online sales have increased exponentially!" she enthused, adding the shopping cart has "been a huge tool in helping us generate sales."

This wasn't always the case. "Before March 15th, we had an online shopping cart with most of our product selections," she explained, "however, the site was used mostly for educational purposes and as a reference for customers and prepare them for their visit into the store. Although we hoped we would get online sales, it happened very seldom. Since March 15th, we have added photographs of our many floor models, in the fabrics or combinations as we display them, and featured them at a discount. This tool has been great so all sales staff, and customers, know what is available and have resulted in numerous online and telephone sales."

As stores were permitted to slowly reopen across the country, retailers found themselves adapting to new government-imposed guidelines about how consumers were supposed to en-

ter and move through their brick-and-mortar stores – designed to prevent spread of COVID-19 and stimulate economic recovery. For the first time, many store owners are experimenting with appointments while almost every retailer in the country cleaned and shined their physical spaces.

Most introduced intensified cleaning regimes into their stores, adding hand sanitizing stations and securing personal protection equipment (PPE) for their teams, limiting the number of consumers who can the floor at any one time.

Noting, it would "take me five pages to explain," Andrew Tepperman said that in his stores, "a high level of safety and cleaning plans were prioritized... more sanitizer, PPE, signage – everything you're reading about is what we're doing. We also used the downtime to repaint, freshen up and improve the merchandising in the stores. Never let a crisis go to waste as they say."

Natalie Papia shared a similar experience. "We are so excited to reopen our doors and have done so much to prepare: followed Ontario government workplace measures for a safe workplace which include sanitizer stations, floor decals to show six-foot distance, masks and gloves for staff and customers, curbside pick-up, delivery to the front door, contactless payment

options (e-transfer or pay over the phone), signage with all our measures," she explains. "And, most importantly, have had our visual display person and cleaning person get the store visually beautiful and sparkly clean."

Staff reductions announced when government-ordered store closures began in mid-March are slowly being reversed. Most retailers surveyed for this report indicated they are bringing back team members as conditions allow and picks up. It's no easy task when one considers payroll costs for the entire FMA retailing community are estimated at about \$4.6 billion annually.

"Rehiring will be done in phases to control costs and based on consumer demand and government restrictions as we ramp up," said Jim Fee, president of Stoney Creek Furniture in a typical response to the question.

Depending on store size, many retailers indicated many of their administrative team members will continue to work from home with the sales, service and delivery teams more likely to return first to the store itself.

Most are also expecting not only fewer customers to walk the floor in the opening weeks of re-opening, but they are anticipating the interaction between the customer and the team member will also change.

"Based on phone calls we received and the web chat inquiries, there is plenty of demand," Jim Fee said. "We expect a good initial period after reopening but limited on the traffic allowed in store at one time. After that, I think it will be slower as people get used to shopping again in the outside world."

"We actually have quite a few customers that are waiting for a store visit as soon as we are allowed to open our doors, so we expect to have some good sales immediately," Natalie Papia agreed. "However, I think the traffic will be slow and will take time before we get the busy weekend traffic we were used to and enjoyed so much. We will all be keeping six-feet apart and wearing masks – it simply won't be the same. However, its necessary and more important to be safe than anything else." ▶



Andrew Tepperman, the third-generation president of the family owned and operated Tepperman's. Based in Windsor, the full-line furniture retailer operates six stores throughout south-western Ontario.



Jim Fee is the president of Stoney Creek Furniture. The destination furniture and mattress specialist's flagship store is in Stoney Creek, Ontario and has a second location in the Toronto suburb of Vaughan.

Andrew Tepperman had a slightly different take. "Considering the high unemployment, negative impact on the economy and a percentage of consumers who will still fear going out, there will be less of a demand," he remarked, but adding, "I imagine those who are shopping will be more inclined to buy."

WILL BUSINESS GET BETTER?

For most retailers surveyed, the opening weeks of 2020 were better than anticipated. "We were increasing nicely," said Stoney Creek's Jim Fee in a sentiment that was widely echoed.

Pre-pandemic forecasts were optimistic with many believing, as Fee did their sales in 2020 would grow 5% to 10% over 2019. And then COVID-19 struck.

"Losing April and May business, which is always good for us, is going to kill the year," Fee said. "You won't get it back, even with some pent up-demand. The consumer is going to be hesitant and some financially challenged."

"2020 will be substantially off," Andrew Tepperman adds. "As long as the virus doesn't re-emerge, 2021 will be fantastic as compared to 2020. 2020 will force everyone to become more efficient. If we can maintain that efficiency we will bounce back stronger."

Among the big questions right now are, will consumers be more price sensitive as the economy re-opens and the recovery begins; and, what are they going to be most interested in buying.

Many are of the view that most

consumers who are ready to buy furniture, mattresses and appliances will be looking for good value. Given the restrictions likely to imposed by health authorities, retailers think if a consumer is walking the floor, she's going to buy. Those who aren't willing, won't venture through the door. There is a hope throughout the industry that the recovery will kick in once a viable vaccine has been approved for broad use across the country.

MEGA GROUP CARRIES ON

As governments across Canada issued shelter-in-place orders, essentially keeping almost everyone at home while COVID-19 spread, Mega Group issued a promise it would not lose a single member to the crisis. "Mega will leave no one behind, no member will go out of business or be rendered insolvent," president and chief executive officer Kim Yost said in a video presentation to members in late March.

The Mega Stimulus Plan has four phases: survive; recover; sustain; and, grow.

"We are pleased to say we came through the 'survive' phase all members in place," Yost recently told HGO, adding, "Congratulations to our membership for reacting quickly, maintaining some flow of business and making gut wrenching decisions that had to be made concerning cash management and staff reductions. It was all about staying focused and following a plan."

He noted the survival period was all about communicating with his 700 or so members – who operate some 944 stores – as well as helping them navigate the various government assistance programs, working with vendors, lenders and other suppliers to keep everything on a even keel.

The group itself faced challenges as many of its staff was furloughed, most temporarily, as other worked from home. They were all back on the job as Canada Day approached with Yost noting that the first phase of the plan was a success. "We are now in recover which is anticipated to last through this calendar year," he said, adding the



Natalie Papia is the founder and president of Zilli Home Interiors, a single unit furniture specialist located in the Toronto suburb of Woodbridge.

group seems to have come through the shut in reasonably good shape as not one member was lost to the pandemic.

"We are amazed at the success of our members and how they navigated so successfully through this COVID-19 crisis," he said. "We have a plan we're executing as if our lives depend on it, because they do."

Right now, keeping the shelves stocked is consuming much of their efforts. "We are currently realizing product flow disruptions due to COVID-19, selling off existing inventory and purchasing high velocity items," Yost said. "The main focus is on keeping retail floors seem full and well merchandised."

He also believes the crisis has reminded Mega's members of the importance of the domestic suppliers and produced several other tangible changes.

"COVID-19 has challenged all aspects of our members' business model with unprecedented pressure on cash management, product availability and forecasting, staffing and advertising expenses," Yost said. "The crisis has also accelerated retailers' digital transformation. In the efforts to maintain a certain flow of business, retailers have turned to their web sites, e-mail, chatbots, virtual appointment shopping and social media as their lifelines. And like their customers, there is no going back."

So, it seems the changes have just begun. It will be interesting to see where they lead. **HGO**

BENNETT'S

opens in kingston

Eric Bennett believes furniture retailing is not a sprint. It's a marathon and the store owner should pace himself accordingly. Opening his third store here in Eastern Ontario's largest city is an act of faith in the next generation of his family's business which is getting ready to take the reins. **BY MICHAEL J. KNELL**



Eric and Marlane Bennett are seen here in their new Kingston store. Eric took over the business in 1985 from his father and built the store as part of a growth strategy that will see it transition to the fourth generation of family leadership.



OPENING A NEW STORE FOR any established retailer is a multi-year process. Whatever else it is, it's also an act of faith in the future of the business. That's part of the rationale behind the move by Bennett's Furniture & Mattresses to open a third location in Kingston, Eastern Ontario's largest and most important city. Located in what used to be a Chapters store, it's part of the family owned and operated retailer's long-term growth plan

as it readies for a leadership transition to the fourth generation as well as its centennial.

"Bennett's is thinking long term," third generation president Eric Bennett told *Home Goods Online* in a recent interview, adding a third store will provide economies of scale that should enable the company to thrive.

"In order to give the current and future consumer what she wants, significant improvements in technology will be required," he explained. "With three stores, the investments ►



Seen here is the exterior of the new Bennett's Furniture & Mattress store in Kingston. Situated in a renovated building that previously served as a Chapter's, the store is located on Princess Street, the city's main shopping fare and most important east-west traffic corridor.

in things like improved point of sale information, virtual reality, improved web sites, delivery tracking software and other in-store technology will be more affordable.”

At 27,000 square feet, the Kingston store is slightly larger than its relocated Peterborough flagship – where the retailer's buying and distribution centre is headquartered – which opened in 2015 and was also designed by Connie Post, the North Carolina-based owner of Affordable Design Solutions. (This store was featured in the Spring 2017 edition of the *Merchandiser*, page 24)

Kingston was chosen as home for store three for several reasons but most notably because of its stable economy. “They aren't having huge growth, but they are stable,” Bennett said. “It's far enough away from our existing two stores (the other being the original store in Campbellford, Ontario) but close enough for us to manage it. Kingston is a larger city than Peterborough and has more higher income employment.”

In fact, the city is home to Queen's University and the Royal Military College. Kingston also boasts an extensive hospital network and other government-related employment includ-

ing Corrections Canada and the Department of Defense. Private sector employment also tends to generate higher than average earnings, making Kingston one of the country's more affluent communities on a *per capita* basis.

The drawback, Bennett noted, is the population surrounding Kingston is limited. “Whereas Peterborough has more population in the surrounding region than Kingston does,” he said. “Bennett's always aims to be a ‘destination store’ and attract customers from longer distances than most furniture stores.”

While the Kingston and Peterborough stores have design elements in common, they are quite different in several respects. “Peterborough was built from an old 70,000 square foot factory with exposed ceilings and exposed wood beams,” he said. “It's more rustic and relaxed while Kingston is a new building with a more modern look – even a bit ‘glam.’”

Eric Bennett believes their Kingston store will fill a void in that city's market for furniture and mattresses and will occupy its own niche – particularly in the ‘better’ and ‘best’ segments where the competition is not as fierce. Both Leon's and The Brick have stores in the city and there is a La-Z-Boy Furniture Galleries store ►



Left: The store's central aisle, which is covered by an oversized barrel ceiling, leads from the front door to a design centre and fabric library that adorns the rear wall where customers and salespeople can meet to review their needs and purchases.

Right: Bennett's emphasises vignettes throughout its floor, such as this bedroom group in its new Kingston store. The retailer does a lot of custom or tag order business and carries mainly Canadian and North American suppliers.



as well as a number of independents including James Reid, generally regarded as the oldest furniture retailer in the country. Lastman's Bad Boy, the Toronto-based high-impact promoter opened a store in Kingston in early fall 2019. Sleep specialists Mattress Mart and Sleep Country Canada are also to be found.

Kingston was also home to one of the more successful Sears Home stores, which shuttered with the iconic department store closed for good in early 2018.

"There are a lot of furniture stores in Kingston," said Bennett, a well-known and long-time shareholder of Mega Group, the member-owned buying group based in Saskatoon. "We always try to develop our own brand strategy and offer the consumer something different. How well we do this will determine our success."

The adoption of new technology, including an upgraded web site (a project that's in its

early stages), will also be critical to the store's long-term success. "We believe technology will find a way to let the smaller player compete," Bennett said.

Although Bennett's is firmly brick-and-mortar, its competition of tomorrow is not other traditional furniture stores, so being able to source product at the best price will become more critical. "Flowing containers and having our choice of the best suppliers will be more important," Eric Bennett said. "It will be easier to flow containers with three stores."

CONNIE POST ON STORE DESIGN

Kingston was the second Bennett's Furniture & Mattress store to be designed by Connie Post, owner of the North Carolina-based Affordable Design Solutions. A veteran interior designer, over her career she has created interiors for other Canadian furniture retailers such as The Brick. She has also built store interiors for several well-known U.S. furniture retailers including Cococnis, Gabbert's and HOM.

Repurposing the space from one formerly used by a well-known branded bookseller did present a few challenges, she told HGO. "We decided to include a few left over architectural details worth saving into the design plan such as the oversized barrel ceiling down the middle of the showroom because it added an element of 'glam' to the plan," she explained. "Our ▶

"Our plan was to give an open site plan from the main aisles so the guest would not feel closed in but could focus on vignettes and products without being distracted by other products. Each group is allowed to shine on its own."



plan was to give an open site plan from the main aisles so the guest would not feel closed in but could focus on vignettes and products without being distracted by other products. Each group is allowed to shine on its own.”

It was also important for customers to be led through the store once they enter the front door. “Controlling a guest is important. Department stores and big box stores have been doing it for years, so the customer doesn’t miss anything,” Post said, adding this is done with well defined aisles and good signage. “We used aisles to pull the guests though with interesting architectural details to visually entice them at every corner. Studies show that 75% of people naturally tend to go to the right when entering a store (because 75% are right-handed). A large open aisle such as we created will lead them a little deeper in this case.”

This store also makes good and abundant use of natural light, which Post described as a “tremendous benefit” when creating the building’s interior. She pointed out using large windows in an existing building to create a furniture store can often be frustrating, so its important to understand in what direction it faces and to have a good lighting engineer on the design team.

LOOKING TO THE FUTURE

“Opening a new store will not hurt and should help our two existing stores,” Eric Bennett

firmly believes, adding the retailer will advertise in every market it serves – using both traditional and digital media – from Durham Region eastwards across the north shore of Lake Ontario to Kingston. “With three stores we can spend more money on digital advertising that helps all of our stores. Having dominant brand recognition in the area will help drive customers to our stores and help ingrain their perception that Bennett’s is the place to buy.”

He also admits he would not have opened the store if Bennett’s wasn’t preparing to transition to the next generation. He and wife ‘Marlaine have lead Bennett’s since 1985 but it was only about five years ago that Jasmine, one of the couple’s two daughters, decided to join the family business. “Within the next year or so, Jasmine will be running Bennett’s,” he said, adding this gave him the confidence to begin a long-term growth plan for the company, which was founded by his grandfather in 1926.

“We are not just looking at the next two or three years,” he enthused. “Jasmine is young, and I am still healthy, so we have a longer term prospective. When Sears excited, we thought, “This is the time to make our move.” **HGO**

MICHAEL J. KNELL is the publisher and editor of Home Goods Online. He has researched, observed and written about Canada’s furniture, mattress and major appliance industry for the past 30 years.

Connie Post took advantage of the structure’s natural light when creating the interior of the new Bennett’s Furniture & Mattress store. In a previous life the structure was a Chapters store with huge windows on the front and side.

EDITOR’S NOTE: Eric and Marlaine Bennett sit down with Michael Knell for an interview, set in their Kingston store, that will soon be posted on HGO. tv. They discuss why they went ahead with the project and why they’re confident in the ability of independent furniture retailers to thrive in this ever-changing economic environment.



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