Understanding and Reaching Today’s Consumers

A quick search will reveal numerous rules for successful marketing. One common rule is “Know Your Customer.” Rhonda Abrams, a syndicated columnist and best-selling author, states, “If you don’t know who your customers are, you won’t know how to tell them about your product or service or how to get it to them.” This is true for everything from hamburgers to sectionals. With furniture sales down by more than 12 billion dollars over a two-year period and international competition stronger than ever, the furniture industry should consider gaining more insight into their customers. Consumer behavior research can help companies develop targeted marketing strategies to reach customers and capture sales.

To understand consumer behavior, it is helpful to consider the current business environment as well as changes and trends in consumer behavior. Ray Allegrezza, editor of FurnitureToday, and Al Wight, president of Strategic Decisions Inc., provided some insight into understanding the “New Normal” for consumers today, as well as their buying habits and solutions for reaching this changing consumer. Allegrezza recently provided data on the attitudes and expected buying habits of more than 8,500 U.S. consumers surveyed online by FurnitureToday, in cooperation with HGTV. The data, which was presented at the 2010 International Woodworking Fair in Atlanta, revealed some interesting statistics.

To determine how the economy has affected furniture spending, the survey asked consumers if they felt they could afford new home furnishings/furniture in 2009? Only 19 percent felt that they could afford new items in 2009. Forty-nine percent stated that they could afford new home furnishings in the next three years. When asked if they desired new home furnishings/furniture, a majority stated yes. The survey revealed that while consumers are holding on to their wallets now, in the near future many want, and expect, to be able to purchase furniture. The survey also found consumer picks for the most popular rooms to furnish, the products which consumers plan to purchase, and important shopping characteristics.

The survey responses are important to understanding consumer preferences. Al Wight provides insights into the characteristics of today’s consumer. Wight describes today’s shopper as one who is insecure, more price/value driven, and focused on rooms they actually use. Wight has found several factors that “put them off” including retail stores that all look the same and products that don’t excite or give them immediate psychological feedback. Wight says that in order to impact today’s consumer, we have to give customers what they want and are willing to pay for rather than what WE think they want, and present the products in a way that differentiates products from others.

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So, even though it has been a very long winter for the furniture and home furnishings industries, we are confident that spring and all that it entails—rebirth, renewal and regrowth—are just ahead. And remember, you as an industry are our customers and we want to hear from you. Let us know how we can help. Together, we CAN make it happen!
Supervisory Management Training

Through a grant awarded by the Mississippi Department of Employment Security, the Institute was able to offer its Supervisory Management Training at no cost to furniture and furniture-related manufacturers for a limited time. The training, targeted toward first line supervisors and middle managers, teaches the basics of leadership and how to effectively execute and communicate guidance and direction in a plant setting. The grant also allowed availability of the training to displaced manufacturing workers or those interested in improving their skills with the goal of obtaining manufacturing employment.

Over 140 participants enrolled in the grant-funded program and the training has helped to improve communication, leadership, and management skills. Specific modern manufacturing techniques taught through the course include lean, just-in-time, five S, plant layout, and flexible manufacturing techniques.

The training will continue to be available at a reduced cost to furniture and related industries. Because of the varying time and resources available to different sized companies, and the varying technical skill levels of participants, delivery of the course can be customized to fit the specific needs of the participating company. The program may be delivered on-site at the manufacturer’s plant or in a centralized location, as well as through technology-based methods. Program content can also be customized to fit the company’s specific needs.

Generally, the course consists of 48 participant hours and is delivered by dividing the four topic areas into four, 3-hour modules. Each module can be taught in one 3-hour session or in three 1-hour sessions. Each of these modules is designed to allow for flexibility of time and on-site delivery with primary consideration for the participant workers’ schedules.

Because this training program has been specifically designed to benefit the manufacturing first line supervisor, who is responsible for elements of production and personnel, the rewards from the program can be substantial. By learning efficient manufacturing techniques, businesses gain competitive advantages leading to continued and increased success in today’s highly competitive global environment.

For more information on this program contact Ennis E. “Chip” Bailey by email at ebailey@ffi.msstate.edu or phone him at 662.325.6789. You may also contact Bill Martin at wmartin@cfr.msstate.edu or 662.325.3348.

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So, how do we do all this, especially considering that furniture is different from most other durable goods? Furniture is the only major durable goods industry that does not involve the ultimate user in product development. Wight contends that the industry prices products on cost of acquisition plus a standard markup rather than what the consumer is willing to pay. Furthermore, up to 80% of the products are derivative rather than innovative. The answer to reaching today’s consumer is to go back to Marketing 101—find out what the customer wants and give it to them. Conduct basic market research. Utilize the opportunities for consumer research provided by the internet, the ability to conduct virtual product presentations, and the capacity to capture the attitudes and opinions of millions of consumers through online surveys. Remember that if the customer doesn’t understand the product or how it is different, price will always win. The challenge is to clearly define the target customer and give them exactly what they want at a price they are willing to pay.

Want to know more? Presentations on Understanding Consumer Behavior are available at ffi.msstate.edu/webinar.asp. Publications are also available at ffi.msstate.edu/publications.asp.
At Spiller, it’s all about the customer

First, get the customer in your store! Then provide the best possible experience—exceed all their expectations. This includes product, service, and credit availability. Then you have a good chance of making a sale. And it doesn’t end there. Make sure that the last contact you have with your customer, which is probably your delivery person, continues to surpass their expectations. According to Mike Spiller, this is how Spiller Furniture has done business for more than 60 years.

Spiller Furniture is a three-generation, family-owned business that was started in 1948 when James Spiller bought the furniture half of Lancaster Furniture and Moving Company and began operating in a 20 x 75 ft. space in Tuscaloosa, Ala. A year later, he purchased the moving half of the business and immediately gained access to an untapped inventory of furniture by sometimes being paid with excess furniture that customers couldn’t use. James Spiller learned about the retail business from the ground up through hard work and ingenuity. An example of this is when a flood occurred just as the business was expanding. Instead of complaining and giving up, James held a “water damage sale.” The results were immediate. Spiller sold out of everything he had and then restocked with a supply of new furniture. Spiller Furniture was born. The lesson Spiller learned from this event: the power of advertising. He would continue to use this tool through many years of expansion and growth in the furniture business.

In 1966, James purchased a string of associated stores, and by 1975 he had opened the ninth Spiller furniture store. This newest store was located in downtown Tuscaloosa. In 1982, James’ son, Mike, became President of the company and continued its tradition of growth throughout north Alabama and Mississippi. The company now operates fourteen stores and employs 120 people. The product line includes a complete line of popular priced home furnishings, electronics, and appliances.

Mike’s son, Shane, was named President of the company in 2004 and Mike became Chairman of the Board.

So, how has this company continued to prosper when so many furniture companies are faltering? There are probably many answers to this question but all seem to relate back to bringing potential customers in to the store, treating them with respect, providing access to credit and great service, and turning them into repeat customers.

“The majority of Spiller Furniture customers are repeat customers that are very loyal and they can always expect to be treated with respect when they enter one of the fourteen locations,” said Shane Spiller.

The company utilizes advertising to make consumers aware of their stores, merchandise, and access to credit. By using creative and clever advertising spots on local television stations, radio stations and newspapers, Spiller’s message gets out to their local and regional markets. The company takes advantage of the local culture’s tradition of football and family with a “Fall Kick-Off Event” spot of Shane and his boys playing football in their store.

In fact, the emphasis on family and traditional values has made the twins and the entire Spiller family recognizable, and makes customers feel as if they are a part of the Spiller family. On the Spiller Furniture web site, there is a photo of 4 generations of the family with the heading “Spiller Family of Stores.” In addition to the standard media and traditional newspaper and print ads, the company utilizes newer ways to reach customers such as hosting an up-to-date web site with a complete gallery of products, a credit application, advice on room planning, and furniture facts. Spiller also hosts a facebook page where ad spots are available for viewing along with special promotions.

Advertising stimulates customers to come to the store, but what motivates them to purchase? There is a reason that a potential customer comes to a store. The consumer (primarily female) is trying to fill a need and it is up to the salesperson to make sure the need is met in the best way possible so they will become a customer. Spiller devotes a lot of time to training their salespeople on product features and benefits, how to treat customers, and how to ask for the sale. Another key to their success is by making it possible for their customers to make the purchase. Spiller offers their own credit terms and financing for almost any customer who desires to make a purchase. In fact, in almost all of their advertising, the phrase “Credit, Credit, Credit” is repeated. Many of Spiller’s customers make the most of the credit offerings and return to the store again.
Manufacturing and its importance in balancing trade

Representing less than one-twentieth of the world’s population, the U.S. is the source of more than one-fifth of the world’s total income. Exporting increases the productivity of the most competitive U.S. industries and raises America’s income. When a company serves a global market, dollars are invested in the export sectors and the rising scale of output contributes to lowering average production costs. This, in turn, helps to improve and strengthen the U.S. economic growth rate. While it’s true that the decline of the dollar makes U.S. exports cheaper in global markets, this actually gives manufacturers a better competitive position. The importance of the link between manufacturing and the trade deficit is often debated. However, there is no question that the manufacturing sector remains an important source of jobs and helps the U.S. to maintain its economic strength and balance trade.

The trade deficit has both real and financial impacts on employment, income, and manufacturing capacity. The national and global recession in 2008 resulted in a decline in exports. During this time period, the U.S. was importing more from other countries than it was selling abroad, escalating the trade deficit. Exports have for years been the underlying foundation in sustaining U.S. economic growth. Between 2005 and 2008, exports rose by 43 percent and accounted for 47 percent of the U.S.’s overall GDP expansion. It appeared that trade would balance in 2009, with a total deficit of $380.7 billion, almost half of the 2008 deficit of $695.9 billion. However, 2010 showed an increase in the trade deficit to $498.5 billion. Consumer products including electronics, clothing, household goods and furniture ran a $103 billion deficit alone, importing $253 billion worth of products while exporting only $150 billion.

The trade deficit also has a direct effect on the value of the U.S. dollar. Combined with the government’s enormous budget deficit, the trade deficit accelerates the decline in the dollar’s value. In the last six years, the dollar has declined 40 percent compared to the euro. This means that U.S. goods and services are 40 percent cheaper for European countries, making U.S. companies more competitive and increasing the demand for U.S. products and services in these countries. However, the recession offset this advantage. In the past, the U.S. produced goods and sold them not only here at home, but throughout the world. As American wealth is being transferred overseas, Americans are sinking deeper into debt, both on an individual and a national level. Consumer debt is growing to record levels and the federal budget deficit is moving the multi trillion-dollar national debt into a new level of risk to the financial health of American households and businesses.

Given these competitive disadvantages, many U.S. manufacturing companies have closed plants and some have gone out of business, while others have relocated or subcontracted production to other countries. Companies also have cut back on domestic investment or have invested in other plants outside of the U.S. These developments have future implications for U.S. living standards as manufacturing is the key to long-term prosperity and is a major source of innovation and productivity growth. A reduction in manufacturing creates a smaller base from which to draw upon for future economic growth. By purchasing goods overseas for a long period of time, U.S. companies lose the expertise and even the manufacturing plants to make those products.

As policy actions are being taken in the U.S. and globally to restore economic and job growth, an important part of the recovery will be the restoration of trade expansion. Given that manufacturing industries are most affected by international competition, the industry should expect to reap the greatest short-term benefits from a low dollar value, as the demand for U.S. products becomes greater as the dollar falls. Improving the competitiveness of the manufacturing sector, with its ability to make high-quality goods at a reasonable cost and without sacrificing standards of living to reduce the costs of manufacturing, is crucial in the long term for the U.S. economy to prosper and to reverse the U.S. trade deficit.
Franklin Quin

When a piece of furniture comes to Mississippi State for testing, Franklin Quin Jr. will be putting it through his obstacle course of testing apparatus to make sure it stands up to the stress of consumers. Quin, a research associate in Forest Products, has been testing furniture for 14 years. He works with manufacturers throughout the state to test frame designs according to GSA, BIFMA, and ASTM standards. He also works with furniture company suppliers in the testing of raw materials for upholstery furniture frame stock. Quin recently completed a project in which he compared the mechanical properties of five different commercially-available OSB products.

In addition to the punching and pulling on furniture frames, Quin also conducts test on various components such as foam, fabric, and polyester fiber. And to make sure the package arrives safely, Quin jiggles and bounces packaging used for shipping.

A native of Tylertown, Quin earned a bachelor’s degree from Alcorn State University in Industrial Technology, and a master’s degree in Forest Products at Mississippi State. Prior to testing furniture, Quin worked for a hardwood lumber company in Louisiana.

Franklin Quin demonstrates furniture testing to fourth graders during Wood Magic Science Fair.

When asked for pointers on purchasing furniture, Quin said, “as with most products, quality costs. Cheaper is not always better.”

staff profile