



The Logistics of Furniture Retail: Deep-Dive Sector Study



Key Insights

There will be 30% growth in customers purchasing furniture and appliances online after the COVID-19 pandemic.

McKinsey and Company
COVID-19 US Consumer
Pulse Survey, Aug 2020

The Logistics of Furniture Retail: Deep-Dive Sector Study

The lifestyle of Americans has changed drastically during this COVID-19 pandemic. They are trying to enjoy their home spaces to the fullest. Many of the logistics experts cite that furniture-related products, especially home furnishings, have turned out to be the “new toilet paper” during this year’s pandemic.

Furniture and home furnishing store sales have increased this 2021 from Jan to May compared to the Jan to May of 2020. There is a 49.5% increase in the furniture and home furnishing sales in 2021 compared to 2020. - Advance Monthly Sales for Retail and Food Services, May 2021 (Released on June 2021)

Online furniture sales increased during this pandemic and will keep rising even after it. But the twist in the tale is that an increase in online furniture demand has exposed some gaping holes in the furniture industry’s supply chain.

With the furniture industry’s supply chain in serious trouble, furniture retailers are feeling the pressure to sustain their business from the logistical standpoint. They have been pushed into the new arena to build an e-commerce presence and develop their last-mile delivery capabilities. Their logistics performance determines their brand reputation during these unforgiving times.

The furniture goods segment has always looked like a misfit in e-commerce operations. This is because they are bulk and heavy goods that need scheduled delivery times and assembly at the delivery location. In order to completely satisfy the picky customers, the order fulfillment service should function at maximum efficiency.



The Burning Problems in Furniture Retail Today

Revenue in the Furniture market amounts to US\$247,836m in 2021. The market is expected to grow annually by 2.17% (CAGR 2021-2025). In global comparison, most revenue is generated in the United States (US\$247,836m in 2021).- Furniture Report 2020, United States, Statista Consumer Market Outlook - Market Report.

So far, the entire American furniture industry has relied heavily on domestic sources of supply. When it comes to supplying wooden products that require craftsmanship, places like North Carolina in the US are the best.

Basic wooden products are much cheaper in the Asian market than in North Carolina. Hence, the domestic producers and suppliers in the US are finding it increasingly challenging to compete with them.



The presence of online platforms like Amazon and Wayfair has made the business of traditional furniture makers difficult. Other online furniture sellers like Etsy, West Elm, Anthropologie, and big-box retailers like Target Corp have made things more difficult for traditional furniture sellers.

Earlier, it would take weeks for an old furniture merchandiser to fulfill the customer orders through big department stores or own branded locations. Also, the buyers would have to clear their entire day waiting for deliveries. But now, six-week deliveries are things of the past.

E-commerce has become an increasingly crucial channel for various businesses to sell their furniture wares. Neither Wayfair nor Amazon manufactures a single furniture product like a chair or couch. But the demand they pose towards these manufacturers is huge.

Today, the biggest challenge for the furniture industry is to gain real-time visibility throughout their entire supply chain. The big question in this pandemic-locked world is how furniture retailers are successfully collaborating with the manufacturers, distributors, and suppliers. Traditional furniture retailers find it challenging to balance their online selling and physical store selling.

Some furniture retailers are partnering with white-glove and other delivery services for pinpoint order tracking in transit. Many of them have problems matching this capability. There is one truth for furniture retailers; if they are not going to invest in tools that customize and optimize their logistics operations, they are going to suffer.

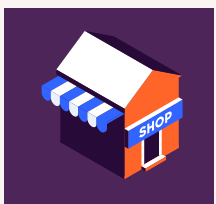
Timeline Evolution of E-commerce fulfillment in the furniture retail setup

Omnichannel order fulfillment is a material handling fulfillment strategy, that treats the inventory as a single unit and uses it to fulfill all channels, (e-commerce, store replenishment, and wholesale) from one location. The whole process ranging from the customer placing the order to the time when the order gets delivered to him or her comes under omnichannel fulfillment.

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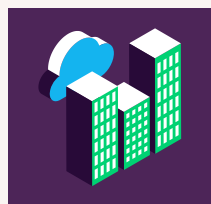


HOW HAS THE LOGISTICS OF FURNITURE RETAIL OUTLETS EVOLVED?



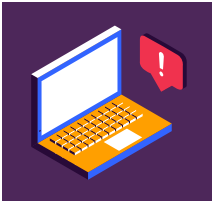
Family-owned and independent furniture retail outlets

These are independent retail outlets connected with furniture manufacturers through factory representatives.



Multi-store chains

These are large showrooms filled with furniture of all prices, brands and buying options. They delivered furniture within 30 miles from their store.



Delayed internet adoption by furniture retailers

The three reasons for delayed adoption of internet business by furniture retailers are

- Fear of furniture retailers and manufacturers
- Customers' preference to visit stores over online purchasing
- High cost incurred in long-distance furniture deliveries



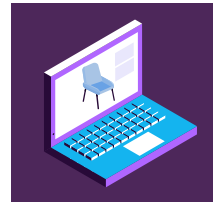
Amazon enters the game

Amazon forces furniture suppliers to reconfigure their freight costs and deliver products to consumers at the same costs, irrespective of where they are located. They provided a cheap, faster e-commerce experience at a shorter delivery time.



New logistics demand for furniture

The demand for furniture warehousing, handling and delivery of heavy and fragile furniture products customers increased nationwide. This gave birth to a host of white glove delivery and other logistics services, especially for furniture retailers.



Online furniture e-tailing

Many furniture businesses began building their network of warehouses and e-commerce distribution centers. The first company that entered this sphere in the US is Wayfair.



New competitor entered with a new approach

IKEA, after Amazon and Wayfair, entered the e-tailer furniture market. Their furniture was designed to be assembled at the buyer's home, and hence perfect for shipping in its disassembled shape.



New mobile apps and e-commerce websites

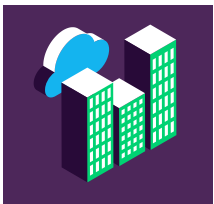
Furniture retailers are looking to build their online presence through mobile apps and e-commerce websites. This move helps accommodate bulk purchases and add curbside pickup options, thereby countering this huge e-commerce wave.



Independently-owned and family-owned furniture retail enterprises

For more than two centuries, the furniture manufacturers in the US operated around areas like Virginia and Carolinas that had easy shipping access options to various furniture retailers across the nation.

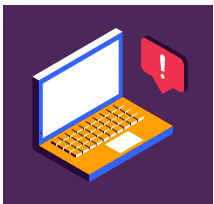
A majority of the furniture retailers depended on manufacturers who shipped their merchandise based on orders they received at the furniture market. The furniture manufacturers had factory reps who were traveling the country servicing the furniture retailers.



Evolution of multi-store chains

As time passed, mom-and-pop furniture retail stores turned themselves into multi-store chains like Levitz Furniture. This was seen as a business strategy to use their buying power to reduce the costs of particular furniture styles and pressure independent retailers, who could not compete with their larger chain furniture retailers.

Large-scale furniture retail outlets dominated the furniture retail market till internet sales became popular. The customers could now buy furniture from large showrooms filled with various buying options, brands and price points. The large-scale retailers delivered furniture to customers' homes that were located within 30 miles of the store.



Delay in adoption of internet by furniture retailers and manufacturers

Items like apparel and small appliances derived greater benefit from the internet. But furniture lagged in adopting the internet-business model for various reasons.

The initial impact of the internet on the furniture industry was negligible. This was because the manufacturers and the furniture retailers feared and resisted it in the beginning. Another major reason was that customers preferred to visit furniture stores and select products of their choice based on comfort, price, look and feel.

A crucial reason for the delayed adoption of the internet in the furniture industry was that furniture is large and heavy. The long-distance shipping of furniture involved higher freight charges based on size, weight and distance. The cost of long distance furniture purchases was sky-high and unrealistic compared to the local environment.



Amazon: The game-changer in furniture retail

Amazon entered the market with the motive of providing a cheap and fast e-commerce experience as satisfying as shopping in stores. This model aimed to shorten the delivery time and promised substantial savings compared to the brick-and-mortar stores. The businesses fixed prices by including freight charges too.

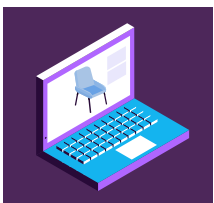
Before Amazon's entry, the furniture retailers shipped the products through common carriers, with the charge being paid by consumers or retailers based on weight, size, and distance.

The e-commerce model forced suppliers to reconfigure their cost strategy by including freight costs and delivering the products to consumers at identical prices, irrespective of where they were located.



Development of new logistics demands for furniture

With the rise of the e-commerce business model, there arose a new demand for furniture logistics. There was an increasing demand for furniture warehousing, handling, and delivery of heavy and fragile furniture products to demanding customers nationwide. This gave birth to a host of *white glove delivery* and other logistics services, especially for furniture retailers.



The rise of online furniture e-tailing

As logistics services earned popularity, many businesses started to enter the world of furniture e-tailing by building their network of warehouses and e-commerce fulfillment centers. The first company that entered this marketplace as an internet-only seller with no stores or tie-ups with furniture retailers was Wayfair.

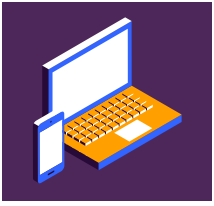


New competitor entry into the e-commerce home furnishing: IKEA

Wayfair's success and the entry of new competitors into the furniture logistics market led to a new e-commerce distribution strategy for the furniture industry. IKEA, a Scandinavian producer of high-quality home furnishings for budget-minded customers, came up with a new idea. Their furniture was designed to be assembled at the buyer's home, so it was in a disassembled state perfect for shipping. They resisted any type of shipping service by third-party logistics companies.

In the beginning, IKEA intended to build massive furniture retail stores with an attached warehouse near major metropolitan areas. They aimed for their loyal customers to visit the shop, select their preferred product and get it delivered.

But Amazon and Wayfair building their business with young price-conscious consumers, led IKEA to jump into e-commerce fulfillment and e-tailing.



Building own mobile apps and e-commerce websites

Presently, during this Covid-19 pandemic, the furniture retailers are looking to build their online presence through mobile apps and their e-commerce websites. This move helps them accommodate bulk purchases and add curbside pickup options, thereby countering this huge e-commerce wave.

Ex: IKEA recently created a mobile app and increased its call centers.

Earlier, customers visited the furniture outlets and made their purchase decisions. But now they do all the research before reaching the outlet. Hence, the furniture retail outlets are rethinking their layouts. They aim to make it easier for customers to conveniently and quickly test furniture before committing.

When Americans realized after April that they would be stuck at home long-term, they started purchasing essential home furnishings. Chairs, couches, desks, patio furniture, dining tables, mattresses, and beds, all have been in high demand.

Supply chain issues and challenges in the furniture retail industry during this Covid-19 pandemic



Key Insights

By 2027, the global market value of furniture was forecast to reach over 650 billion U.S. dollars, while in 2022, furniture e-commerce was estimated to account for nearly 400 billion U.S. dollars in revenue.

Furniture Retail, Statista.

With the growth figures for furniture e-commerce being optimistic, the furniture retailers are facing an acid test like never before. Coupled with new e-commerce business models and [bulk buying during this pandemic](#), they have their task cut out. Beyond their furniture quality or brand reputation, they should work on supply chain challenges that daunt their business.



Shortage of shipping containers

Most of the furniture companies say that a shortage of shipping containers as well as materials like steel and acrylic have made it challenging to stock products in warehouses.

High demand and broken supply chain

The two biggest problems for furniture retail are high demand and a broken supply chain. When the majority of the global population stays home, there is a renewed demand for the home furnishings. Both national or international furniture production have been disrupted by this pandemic and are under enormous strain.

Increasing shipping costs

Furniture industry that imports the majority of its products has been hit hard by manufacturing and shipping challenges. The storage capacity has dropped drastically as the storage space used in international flights has reduced due to pandemic restrictions.

Beyond the rising shipping costs, the weather-related railroad disruptions and truck driver shortage have intensified the shipping challenges.

Reverse logistics

The biggest challenge that furniture retailers face during this pandemic situation is handling reverse logistics. As people redesign their lives and residences around lockdowns, there are higher rates of purchases and higher rates of returns.

Cheap and easy returns are the option for furniture retail outlets to attract customers. But returning apparel is different from returning a 200lb sleeper sofa that is entirely assembled.

[Reverse logistics for furniture](#) is more complicated and costly compared to any portable products.

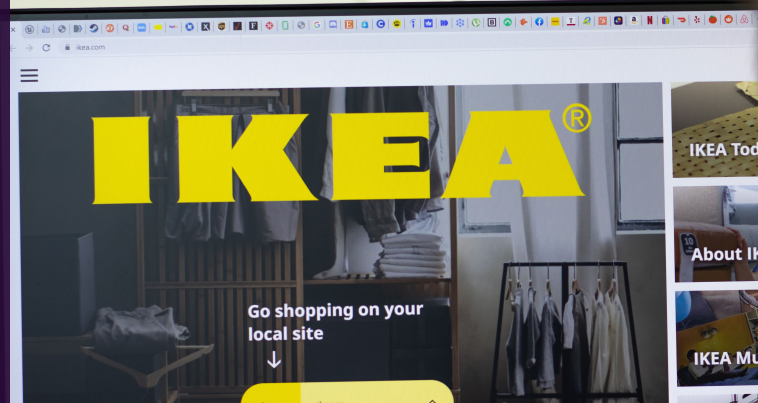
How do top brands counter the supply chain issues during this pandemic?



Key Insights

Furniture and home furnishings e-commerce revenue amounted to 65.12 billion U.S. dollars in 2018, with an additional forecast that by 2022 the industry will be generating e-commerce revenues of 99.87 billion U.S. dollars.

Furniture E-commerce in the United States: Statistics and Facts, Jan 2021



The revenue potential for home furnishing has shot up like never before in the US and the global market. Furniture retailers who wish to capitalize on this increased demand for furniture must know how they can counter the supply chain challenges.

Whether it is Wayfair, IKEA, Amazon, Target Corp or any other furniture e-tailers, all that they have in common is a strong supply chain setup. Here are the ways many top brands tackle the supply chain challenges that come their way.

A DEDICATED REVERSE LOGISTICS SETUP

01

Some brands have built a dedicated last-mile delivery operation setup for returned goods. This helps them ship bulky products like furniture on a local or national level effectively.

Supply chain experts opine that many merchants have begun setting up regional return centers due to increased sales volumes and increased expenses. This helps them efficiently manage return policies of oversized items for [home-delivery shipments](#).

02



REGULAR FURNITURE INTROSPECTION SERVICES

Product quality introspection is necessary for furniture retailers to *optimize the supply chain performance*. Whether it is in-transit or final shipment, a firm can provide furniture introspection services like:

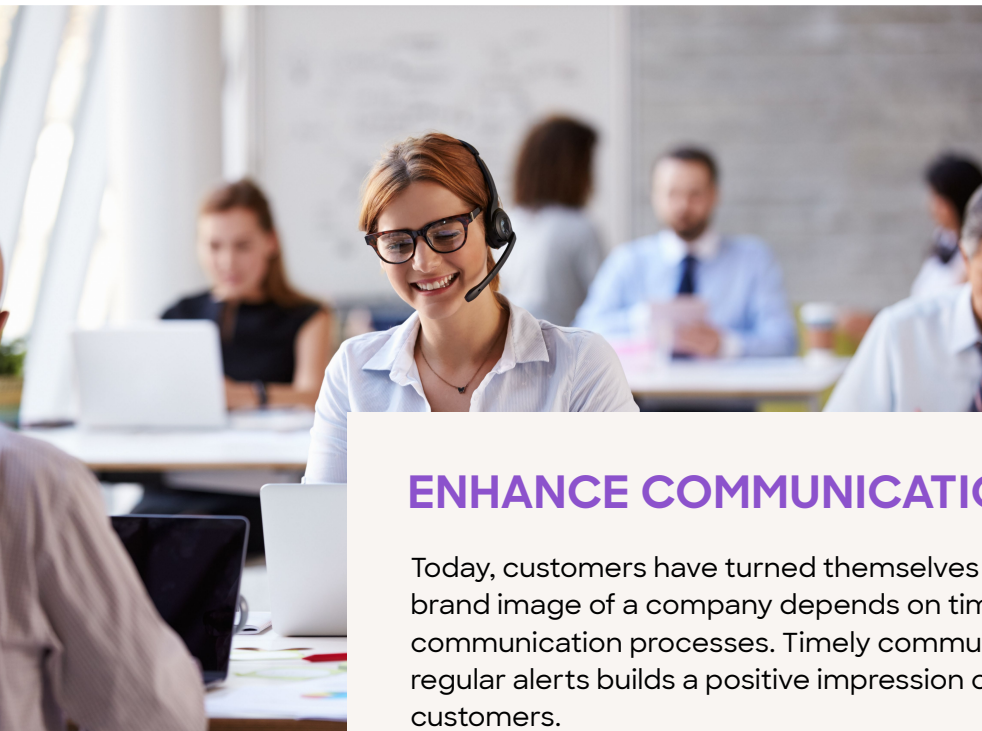
- ✓ Packaging Inspection
- ✓ Visual Inspection
- ✓ On-Site tests (strength test, load test etc.)

BUILDING CLOSE PROXIMITY TO CUSTOMERS

03

The biggest concern for a majority of the manufacturers and furniture retailers is to reduce the delivery times and minimize return times.

The best way that many furniture retailers build proximity is by increasing the number of distribution centers in an area. This reduces the cost and distance traveled to deliver furnishing products to customers, thereby reducing the chances for quality damage.



04

ENHANCE COMMUNICATION

Today, customers have turned themselves to instant gratification. The healthy brand image of a company depends on timely deliveries and streamlined communication processes. Timely communication with customers through regular alerts builds a positive impression of the product in the minds of customers.

Just like external communication with customers, internal communication with management and stakeholders is crucial. This helps them track shipments, analyze metrics and make decisions on various aspects that hinder their supply chain performance.

A proper logistics delivery software enables furniture businesses to track their deliveries in real-time and make decisions based on dynamic on-ground conditions. It helps them take responsive and corrective actions when there is an untoward situation like a vehicle breakdown. It assists them in carrying out internal and external communications effectively, making logistics operations more transparent.

05

OPTIMIZE ROUTE EFFICIENCY

The furniture delivery time matters both for customers and furniture retail businesses. Delivery delays frustrate customers and make them exit the services of a furniture retail outlet. The route efficiency matters the most for furniture retailers as delays may increase the return rates.

A quality logistics optimization software helps furniture businesses to *optimize their route efficiency*. It factors various aspects like location proximity, *delivery windows*, traffic conditions, driver availability, *vehicle capacity*, etc. This helps them to complete the most number of deliveries in a minimal time.

06

ADDING VISIBILITY TO THE PRODUCT LIFE CYCLE

The most essential missing block for unsuccessful furniture retailers is consistent visibility. By adding visibility to the product life cycle, they can enhance their customer experience. The ability to track a furniture product at all stages of the supply chain helps them to respond to issues that may arise quickly.

For instance, a retailer with excellent supply chain visibility can easily identify the delay of products reaching distribution centers when there are complications in the manufacturing industry. Once they know the delay status, they can update customers on the order journey through digital mediums and work with them to set a new mutually accepted delivery time.

Furniture retailers are prioritizing visibility, too, alongside the factors like style, quality and price. This helps them offer more value to their customers.

IDENTIFYING INEFFICIENCIES BEFORE DIGITAL ADOPTIONS

07

Metrics play a crucial role in locating the root cause of logistical mistakes and inefficiencies. Using a tool like delivery logistics software helps furniture retailers and their stakeholders to manage key delivery metrics like; delivery timelines, customer satisfaction, damage frequency. These metrics with customer feedback help businesses respond to problems proactively.

After finding the areas of improvement, firms can research digital solutions within the massive landscape of emerging logistics technologies. This helps them easily make a purchase decision on adopting new technologies without any analysis paralysis.

Furniture retailers need not start with extensive efforts in digital adoption to optimize their logistics strategies. A small-scale targeted effort after assessing all pain points and charting out the logistics processes is the effective way to increase their logistical efficiency.

08

IMPROVING THE OMNICHANNEL CAPABILITIES

Today, the customers are digitally connected with all brands and businesses worldwide. Furniture retail businesses should improve their online presence to connect with this digitally aware customer. Also, they should cater to customers' price expectations, product quality and speed of delivery.

The pandemic has forced furniture retailers to build consistent omnichannel experiences for their customers. Presently, a majority of them are focusing on bridging the online-offline gap for their customers through high-quality visuals, 360-degree spin, product customizations, in-context images, product recommendations, customer reviews, etc.

In the near future, we can see furniture retailers using technologies like AR to help customers virtually "try-out" furniture without worrying about any bad decisions.

Conclusion

In 2021, consumer spending on furniture and bedding sales were forecast to reach 119.8 billion U.S. dollars, five percent more than 2019, where the sales amounted to 114.5 billion dollars. By 2025, it was projected that nearly 22 billion U.S. dollars would be spent on stationary sofas and sofa sleepers in the United States.

Consumer spending on furniture and bedding in the United States from 2006 to 2021, Statista, Jan 2021.

The uptick in the consumer demand for furniture has made furniture retailers think about their supply chain and last-mile delivery carefully. The success or failure of their businesses depends significantly on the quality of their delivery and logistics services. The present warehouse staff shortage and driver shortage is a massive reality check for them.

A logistics optimization tool like Locus helps furniture retail businesses manage their resource shortage and fulfill their orders effectively. It assists them in boosting their on-time delivery performances, minimizing furniture damages and delivery costs associated with it. It contributes to enhanced visibility and flexibility in furniture deliveries, thereby improving their lead times.





Locus is a leading-edge technology company
dedicated to solving the most challenging all mile
problems in global logistics.

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Total deliveries
optimized

12m+ kgs

Reduction
in GHG emissions

\$288m+

Savings
in logistics costs

**GROWTH,
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