

by Jennifer Bringle

THE BIG BOX EFFECT

Casual manufacturers walk the line between specialty and mass retailers

CONSUMERS WHO SHOP COSTCO LIKE THINGS

big. Big bottles of detergent. Big bags of chips. Big flat-screen TVs.

The other big thing that drives customers to warehouse clubs? Deals.

Anyone who's shopped these stores knows you can find deals on just about anything, from huge multipacks of paper towels to baby clothes to furniture. And during the spring and early summer months, that furniture bears the names of brands many in the casual industry know well: Sunvilla, Agio, Woodward and Brown Jordan, just to name a few. But the price points are significantly lower than what a consumer might find for those brands at a specialty retailer.

This has long been a point of contention for independent retailers in the casual industry. Some have said that these lower-priced lines lead to confusion among consumers who shop their stores and then drop by a warehouse club for milk and see the same brand of casual furniture they bought at a higher cost from an independent outlet.

"The consumer can't tell the difference," says Karen Galindo, owner, Outside in Style, which has several locations in Texas. "Everyone has a brand and there's a price difference, and consumers think specialty just charges more, and that's not true."

But there's a tremendous difference between the furniture at big box stores and



Costco carries a number of casual collections in its stores and online.

the furniture in a specialty retailer's showroom. Making that distinction to consumers can be a challenge, and manufacturers employ a

important for maintaining a successful business. Whether it's mass merchants such as Target or Home Depot, warehouse clubs like Costco

ing, Woodward. "We design, market and manufacture with the independents in mind; however, every business must diversify to ensure longevity and continued growth. Change occurs daily, and we must also be willing to change. It all comes down to sales. We have the facilities and expertise to manufacture from mass to custom, so we manufacture for all channels."

For Agio—a company that started as a mass producer and changed its business model to include specialty collections—offering a breadth of product across multiple price points has been their recipe for success for three decades.

"We wanted the option to have higher-end domestic goods and have the import product to be a little more

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number of means to differentiate their lines.

CHANGING CHANNELS

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or Sam's Club, or online merchants such as Amazon and Wayfair, casual companies are turning to multiple outlets to increase sales and grow their businesses.

"Independent stores are our bread and butter," according to Belinda Lavender, vice president of sales and market-

price-sensitive,” says Mike Gaylord, vice president of sales, Agio. “Why is it important to have high-end and opening price points? There’s business to be done at both ends. We don’t go to the super-high-end or low-end—we play the middle.”

Gaylord emphasizes that while the brick-and-mortars of all stripes—from specialty to big box—are critically important to his company, the growing online channel also plays a huge role in Agio’s business.

“The dot-com guys are certainly an important part of the casual industry right now and can’t be ignored,” he says.

DIFFERENT DIRECTIONS

While products in specialty stores and mass merchants

may have the same brand names on their tags, just as prices vary, the lines differ in ways that range from assembly to customization options.

“In many cases, mass product is delivered unassembled and the consumer is required to build it,” Lavender says. “This means lower freight and warehouse costs, thereby saving money. Mass production has limited fabric and finish choices, and fewer welting/fringe/cording options. These sets are also often smaller in scale to save on manufacturing costs.”

Most manufacturers work with stores like Costco to create exclusive lines based on specific price points.

“If ‘ABC’ company wants a significant number of five-piece dining sets and needs it



Agio sells several groups in Costco stores.

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to retail for \$999, we design and manufacture accordingly for that customer,” Lavender says. “Independent retailers want the domestic quality, require the ability to customize and need smaller quantities. We have solutions for both types of customers.”

When it comes to differentiating independent store products from mass merchant lines, branding is everything. Some big box stores use the manufacturer’s name on the hangtags while others prefer to use their own private label branding.

Manufacturers also use different branding to set their lines apart. Brown Jordan, for instance, labels its Costco line Studio by Brown Jordan; Woodard labels mass collections as Woodard Worldwide.

Sunvilla plans to take this branding a step further. The company, which sells to both specialty stores and wholesale clubs, will assign new branding for its independent store line. Called Portica, the brand will include all the existing specialty collections, plus new introductions set to debut in July at the ICFA Preview Show.

Sunvilla National Sales



During the spring and early summer, outdoor products have a major presence on the retail floor at warehouse clubs and mass merchants.

Manager Christy Peterson says the change came after feedback from both dealers and consumers who were confused by seeing the Sunvilla name in both independent stores and Costco.

“Product in Costco is different—it’s smaller scale, the consumer has to put it

together, and the product is not the same as that which is sold by specialty retailers,” Peterson says. “We didn’t want there to be confusion on anyone’s part. We’re trying to explain that there’s a difference between the offering that people can’t see beyond the dollar signs.”

“The quality product that we’ve been selling through the specialty market will remain the same; the same collections will be available under the Portica name,” Peterson says. “The product will remain the same—it’s just to help that retailer communicate with the customer.”



Collections for mass retailers are made to fit a specific price point. Take this nine-piece set for \$1,200.

There are certainly consumers who recognize a few brands of casual furnishings, but Agio’s Gaylord says these customers are the exception, not the rule. And while product brands certainly have their value, the most important name in any retailer’s store is their own.

Sunvilla worked with a group of dealers to come up with a solution that allows the company to honor its contract with Costco while reducing the risk of confusion with specialty lines.

LEARNING CURVE

For casual manufacturers, the key to differentiating their specialty and mass market products comes down to one word: education. And when it comes to selling, no

one does education better than the specialty retailer.

“The average consumer doesn’t have a lot of understanding of outdoor furniture lines,” Gaylord says. “There are all these things the untrained eye doesn’t understand from one line to the other—a five-piece dining set is a five-piece dining set.

“It’s a Cavalier, Camaro or Corvette. They’re all Chevys—why is there a difference? You have to make them understand the difference. To the educated consumer, someone who has done a little investigating into what they’re buying, it’s an easy comparison to make.”

Gaylord says that even though the Costcos and Amazons and Home Depots are moving into their territory,



the specialty retailer has a leg up in many ways when competing for casual consumers.

“The role of the independent retailer is going to be more important as the category grows—when you talk about the shopping experience, education, customer

service, custom design offerings,” he says. “The wholesale clubs and home centers, they’re in the business three months of the year. They have one or maybe two sets per collection—there’s not a large breadth of product.”

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Mass retailers use both house brands and manufacturer brand names in their stores.

surers who recognize a few brands of casual furnishings, but Gaylord says these customers are the exception, not the rule. And while product brands certainly have their value, the most important name in any retailer’s store is their own.

“The most important brand name in your market is your store,” he says. “The casual category is a relatively brandless market to the average consumer. ABC Patio is the brand name.” **EL**

Editor’s Note: Casual Living reached out to Brown Jordan to participate in the story, and the company declined to comment.



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