INTRODUCTION

OBJECTIVES OF THE RESEARCH STUDY

This report summarizes the results of a major research initiative conducted for a select group of forward-thinking home furnishings marketers. Under the guidance and direction of these companies, this research study explores the consumer market for home furnishings, with a specific focus on the needs, desires and passions of home furnishings consumers, including furniture and decorative home furnishings buyers. Furniture and home furnishings product companies; furniture and home furnishings retailers, including internet and direct marketers, home builders and remodeling contractors; and home decorating services companies will benefit from the new insights presented in this report into the home furnishings customers' mindset.

Through consumer research, including quantitative surveys conducted among 1,360 consumers active in the home redecorating and remodeling market (referred to as the general survey) and a special investigation into the luxury home market gathered through a survey of 1,026 affluent consumers (incomes $100,000 and above, and referred to as the luxury survey), this study helps marketers and retailers tap into the psychology of people who buy home furnishings and decorative accessories in order to understand their drives, motivations and passions in making home decorating decisions and purchases. The insights provided in this report will help marketers and retailers understand their consumers better. In this way, they can discover new marketing strategies and opportunities that will help them reach their target consumers more effectively and more productively.

This study brings a special emphasis not just on what home furnishings products consumer buy, but also on why they buy and where they shop for these goods. These insights translate directly into actionable strategies and tactics that marketers can use to build their businesses. Understanding the mindset of the home furnishing consumer, their desires and needs, is critical for companies to forge a path to market growth.

With a focus on consumers and their buying behavior, needs, desires and preferences, this research study will include research data and statistics about:

- **Home Furnishings Market Size and Growth:** What is the size of the home furnishings market, including furniture and decorative home furnishings? How is it segmented by type of product and service? How rapidly is it growing? What are future growth trends in the segments in the market?
- **Demographics of the Home Furnishings Market:** What are the demographic characteristics of home furnishings buyers? What are the key demographic differences found among and between buyers of the different products and service segments (e.g., gender, age, generation, HHI, size, composition, ethnicity/race, education, etc.)?
- **Buying and Shopping Behavior of Home Furnishings Consumers:** What are the primary characteristics of the consumers' buying behavior related to home furnishings products and services? What kind of shopping experiences do consumers crave and what kind do they disdain? What motivates them to buy home furnishings and how can marketers tap these motivators through branding and marketing communications initiatives? Where do home furnishings consumers shop for the different types of products and services? What factors influence their decision making? How much do they spend buying each of the products and services segments and across the entire category? What is the role of brand in product and services selection and shopping choices? How do different demographic segments differ in their shopping and buying behavior?
- **Favorite Home Furnishings Brands, Stores & Designers:** A major thrust of the research is to understand the brand preferences of home furnishings customers in both their product selections and retail shopping choices. What designers, product brands and retailers do they think of for their purchases? How do these competing brands rank in terms of consumer awareness and usage?
- **Psychographic Profile and Segmentation of the Home Furnishings Markets:** A psychographic profile of the home furnishings consumer is presented in this study. The profiles identify five different types or personalities of consumers of home furnishings products and services. These profiles identify each personality's drives and motivations in purchasing home

products. By understanding the psychology of different types of shoppers, marketers will discover what factors are more or less important in driving each personality's purchasing decisions and how consumers' different attitudes and motivations influence what they buy and how much they spend. These insights will help home furnishings product and service marketers and retailers better understand the hearts and minds of their consumers.

Two Surveys -- Two Different Consumer Market Perspectives – in One Study

Two surveys were conducted among two different types of consumers in order to provide marketers with perspectives on two distinct markets – the home furnishings market among the 'classes' and the masses. Both surveys were conducted in July 2008 and cover the same study period, July 2007 to the present. The two surveys were:

- **General survey –** This survey was conducted among a representative sample of households with incomes of $50,000 and above who had been or planned to be involved in a home redecorating or remodeling project in the past or coming year. A total of 3,036 respondents were surveyed to identify those 1,360 consumers that met the survey qualifications and completed the survey. The average age of the general survey sample was 44.3 years; household income was $123,900 with 20 percent of the sample falling within the $50,000-$74,999 income range and 24 percent in the $75,000-$99,999 range and the remaining 56 percent having incomes of $100,000 or more. The gender split of the general survey sample was 65 percent female and 35 percent male. In the general survey all survey questions were included.
- **Luxury survey** -- This survey was conducted in association with Unity Marketing's quarterly Luxury Tracking study. The survey sample was 1,026 affluent consumers (qualifying income of $100,000 or more) and who purchased one or more luxuries in the three month study period. A total of 692 luxury survey respondents qualified to complete the home-related questions included in the survey by having been involved or planned to be involved in a home redecorating or remodeling project in the past year or coming year. The average age of the luxury consumers surveyed was 45 years; household income

averaged $204,800 with 51 percent of those surveyed having incomes of $100,000-$149,999 and the remaining 49 percent with incomes $150,000 and above; and 64 percent were female and 36 percent male respondents. For the luxury home survey, only a selective set of home-related questions were asked.

A statistically-significant sample of affluent consumers were included in the general survey, so where data was not included in the luxury survey, findings from the most affluent ($150,000 and above) consumers in the general survey will be reported

While not all questions from the in-depth home survey were asked in the luxury survey, the answers to those missing questions can be derived from the general survey where a statistically-significant sample of affluent luxury consumers (household incomes of $150,000 and above) were included. In total affluent consumers with incomes of $150,000 and above represented 20 percent of the total general survey. Therefore, in the coming analysis where the luxury survey doesn't provide data, we will report findings from the general survey from the sample of affluents ($150,000 and above).

Note: The average income of the most affluent consumers (i.e. those with incomes $150,000 and above) in the general survey was $230,700, which corresponds most closely to the average income of the consumers in the luxury survey ($203,800).

Specific Products, Brands and Data Points Presented in this Study

The general consumer survey conducted among active home furnishings buyers was divided into the following sections which provide an outline for this report:

Demographics

The demographic data contained in this report helps marketers identify the key descriptive characteristics of their primary target market.

Marketers can use the demographic data contained in this report to identify the key descriptive characteristics of their primary target market. The demographic composition of the home furnishings market gathered in this survey describe the consumers' gender; age;

income with special emphasis on the affluent market with incomes $150,000 and above; marital status; home ownership; children and number of people living in the home; occupation; educational attainment; and ethnicity.

What They Have, What They Own

In order to understand the opportunities for home furnishings marketers to sell into their target market, basic information was gathered about their homes, what they own and what they have.

In order to understand the opportunities for home furnishings marketers to sell into their target market, basic information was gathered about the respondent's homes, what they own and what they have. Specifically, data was collected about the size of the consumers' primary residence; size of their home lot; specific types of luxury features included in the home, such as whirlpool baths/indoor spas, gourmet kitchens, fireplaces, etc.; specific types of outdoor luxury features, such as outdoor hearth, pool, garden water features, etc.; luxuries owned, such as boats, collections of art, antiques, etc.; and second home or vacation home ownership.

Definition of Luxury in their Lifestyle and in terms of Home Furnishings Purchases

These insights provide powerful guidance for marketers and retailers targeting the more upscale market to position their products most effectively.

In order to understand the dynamics of luxury in the mindset of the luxury consumer, respondents were asked to define luxury in terms of their lifestyle in general as well as what luxury means in terms of their home furnishings purchases. These insights provide powerful guidance for marketers and retailers targeting the more upscale market to position their products most effectively.

Recent Major Home Changes

Respondents were qualified to take the survey because they were involved in a home decorating and/or remodeling project in the past year (study period July 2007 until present) or had plans to be conduct a home decorating and/or remodeling product in the coming year (from July 2008 until July 2009). All of the total 3,036 respondents were surveyed in the general survey in order to identify the core 1,360 respondents active in home products and/or planning on being involved in a home project. The luxury survey was conducted among 1,024 affluent respondents. Figure 1 illustrates the results of the qualifying question about major home projects in the study period.

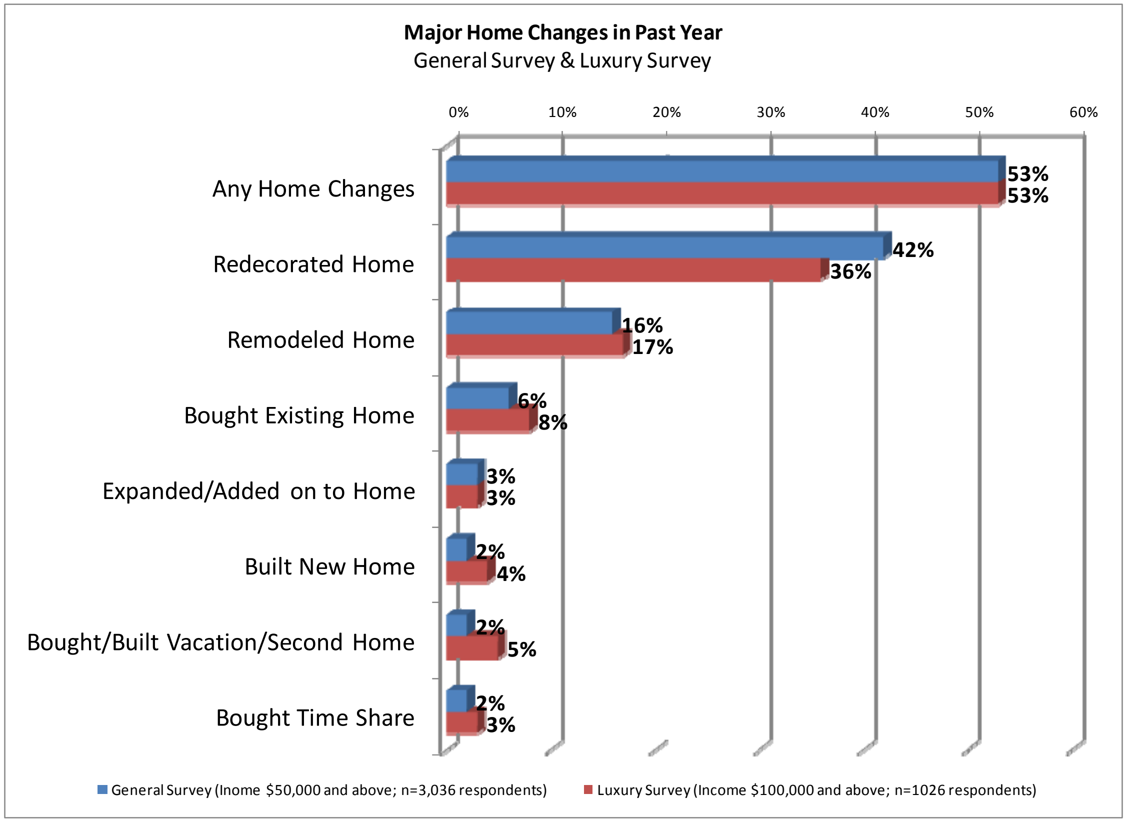

Figure 1: Major Home Changes in Past Year, all respondents general and luxury survey

Overall 53 percent of both general survey and luxury survey respondents reported they had done one or more of the following things:

- Redecorated their home, involving only minor changes such as paint, furniture and new decorations (42 percent general survey; 36 percent luxury survey)

- Remodeled their home, involving hammers and saws and major structural changes (16 percent general survey; 17 percent luxury survey)
- Expanded or added onto their home (3 percent both general and luxury survey)
- Bought an existing home as a primary residence (6 percent general survey; 8 percent luxury survey)
- Built a new home as a primary residence (2 percent general; 4 percent luxury)
- Bought or built a second and/or vacation home (2 percent general; 5 percent luxury)
- Bought time share for vacationing (2 percent; 3 percent luxury).

Rooms in Home Project	***Features Changed***
Bathroom	Bathroom Cabinets
Den/Library	Bathroom Countertops
Dining Room	Bathroom Fixtures (e.g. faucets, shower, bathtubs, toilets)
Exercise Room	Ceramic Tile Floors
Garage	Ceramic Wall Tile
Kitchen	Concrete/Masonry Work
Living Room	Exterior Doors
Master Bedroom	Garage Doors
Office	Hardwood Flooring
Other Bedrooms	Kitchen Cabinets
Porch/Patio	Kitchen Countertops
Other Rooms	Kitchen Fixtures (e.g. faucets)
	Laminate Flooring
	Lighting/Lighting Fixtures
	Roofing
	Siding, including vinyl/metal
	Skylights
	Swimming Pool, in-ground
	Vinyl Flooring
	Wall Paneling
	Windows

Figure 2: Detail of Rooms and Home Features

Other than buying and/or building a vacation home and buying a time share, there was virtually no statistically significant difference between the respondent's based upon income. In other words, all income groups were equally likely to have been involved in a major home project in the past year with the exception of vacation home and time share which was most associated with the more affluent respondents. Data points collected in the survey section about major home changes included spending on current project and budget for planned project; rooms involved in the major home project; and home features changed.

Home Furnishings Products Purchased, Amount Spent and Where Bought

Information was gathered about what types of home furnishings were bought, how much was spent and in what type of store or shopping venue those purchases were made.

Survey respondents were queried about four key categories of home furnishings products, including:

- **Linens, Home Decorating Fabrics, Window & Wall Coverings**, specifically:
    - Accent Pillows
    - Bath Linens (such as sheets, towels, etc.)
    - Bed Pillows
    - Comforters, Bed Spreads and/or Throws
    - Duvets and/or Shams
    - Feather Beds and/or Mattress Covers
    - Home Decorating Fabrics for upholstery, window treatments, curtains, drapes, pillows, slipcovers, bed spreads, duvets or fabrics for other custom applications
    - Ready-made curtains, drapes, sheers or other fabric window coverings
    - Sheets and Pillowcases
    - Table Linens (such as tablecloths, napkins, placemats, etc.)
    - Wall coverings, including wall paper, fabric accents, etc.
    - Window Coverings (such as blinds, shades, shutters or other 'hard' window coverings, etc.)

  - Other linens, fabrics, wall or window coverings

- **Furniture, Mattresses and Foundations or Box Springs, Lamps and Lighting Fixtures, & Floor Coverings or Rugs**, specifically:
  - Upholstered Furniture (such as sofas, chairs, ottomans, etc.)
  - Wooden Furniture (such as tables, bureaus, cabinets, book cases, armoire, bed frames, etc.)
  - Decorative Lamps (including plug-in table and floor lamps)
  - Lighting Fixtures (including installed hanging lighting fixtures, chandeliers, recessed lighting, track lighting, spot lights, etc.)
  - Rugs and carpets, including wall-to-wall and area rugs
  - Mattresses & Box springs and/or Sleep Systems
  - Other floor coverings (such as wood, tile, stone, etc.)
  - Other furniture, lamps and floor coverings
- **Outdoor, Lawn, Patio & Garden Products,** specifically:
  - Barbecue Grills and/or outdoor cooking equipment and supplies
  - Chimneas, fire pits/places and/or outdoor wood stoves or gas heaters
  - Fencing and/or landscape timbers, borders, etc.
  - Furniture for decks, patios, outdoors (including lawn furniture, tables, chairs, umbrellas, etc.)
  - Garden Statues and/or decorative statuary
  - Garden Shelters (including greenhouses, trellises, arbors, gazebos, sheds, other outdoor shelters, etc.)
  - Lighting accents (including spot lights, path lights, etc.)

- Porch and patio decorative accents (such as flags, signs, wreaths, mats, wind chimes, other decor accents)
- Power gardening equipment (such as lawn mowers, tillers, edgers, leaf blowers, snow blowers, etc.)
- Water gardens, fountains, waterfalls, other water features
- Decorative pots, window boxes, planters
- Other outdoor, lawn, patio, garden products

- **Kitchen and/or Laundry Major Appliances, Kitchen and Bath Fixtures, Cabinetry, Countertops and Other Building Products,** specifically:
  - Kitchen Appliances (such as stoves, refrigerators, ovens, wine coolers etc.)
  - Kitchen Cabinets
  - Kitchen Countertops
  - Kitchen Faucets
  - Other Kitchen Fixtures, such as sinks, etc.
  - Bathroom Cabinets
  - Bathroom Countertops
  - Bathroom Faucets
  - Other Bathroom Fixtures (such as sinks, tubs, toilets, etc.)
  - Laundry Appliances (such as washers, dryers)
  - Air Conditioning, Cleaning, and/or Filtration Systems
  - Water Conditioning, Cleaning and/or Filtration Systems
  - Home Security Systems

- Other Building Products

Within each major product category (e.g. Linens, Furniture, Outdoor and Kitchen/Bath) the amount of money spent in the past year was gathered, thus allowing the reporting of spending within category and total across all categories.

Categories of Stores Included in Study

Further the respondents reported where they made their purchases of the products in the past year, thus allowing marketers and retailers to understand the channels of distribution for each major product category. The types of stores included in the survey were:

- Department Store, such as Macy's, Sears, JC Penney's, Bloomingdales, Dillards, Nordstrom, etc.
- Specialty Fashion and/or Gift Shop or Boutique
- Specialty Home Furnishings Store, such as Pier 1, Pottery Barn, Bed, Bath & Beyond, Linens & Things, Kirklands, Brookstone etc.
- Furniture Store, such as Ethan Allen, Domain, Heritage, or local furniture store
- Specialty Mattress Store, such as Mattress Firm, Mattress Giant, Sleepys, Health Back Store, etc.
- Specialty Window Coverings Store
- Specialty Wall Coverings Store
- Specialty Custom Kitchen and/or Bath Shop including Cabinet Store, Kitchen and Bath Show Room, etc.
- Specialty Garden Center and/or Patio/Outdoor Living Store
- Specialty Appliance Dealer and/or Electronics Store, such as Best Buy, Circuit City and/or exclusive specialty appliance store
- Art Gallery, Custom Framing Shop and/or Antique Store
- Warehouse Club, Outlet Store, and/or Discount Store, such as Wal-Mart, Target, Costco, etc.
- Through Internet

- Via Mail Order or TV Shopping
- Home Improvement store, Hardware store, such as Lowe's, Home Depot
- Craft and/or Hobby Store, such as Michaels, Hobby Lobby, JoAnn's
- Interior Decorator/Designer
- Home Design Store/Showroom, such as Expo Design Centers
- Plumbing Wholesale Showroom

Finally, specific questions were asked to help marketers understand the mindset of the consumer when making these home furnishings product purchases. Specifically, respondents shared whether their last purchase within the category was bought on sale or at a discount, whether it was a luxury or an ordinary, mass brand and whether the item was bought out of need or desire. Respondents also shared the relative importance of various factors in influencing their most recent purchase, such as articles and reviews, advertising, brand name, Internet research, etc. By analyzing these factors marketers can gauge the relative effectiveness of their marketing efforts and allocate resources accordingly to those factors that are most influential in getting the consumer to buy.

Where Consumers Gather Decorating Advice & Their Favorite Decorating Styles

Understanding the media sources that home consumers rely upon for decorating advice and information enables marketers to more effectively target their primary consumer through communications and advertising.

Following the detail sections of the survey which specifically address the four key product categories, the survey turned to asking about decorating decisions and where consumers get their decorating inspiration. They were asked to rate the usefulness of key resources in helping them decorate, including television, Internet, magazines and home decorators, among others. The results of this question enable marketers to more effectively target their consumer communications and advertising. In addition, they were asked to identify media sources which helped them in their decorating planning, such as Better Homes & Gardens magazines, Country Home, HGTV and others. (The complete list of media sources included in the survey are available at Unity Marketing's website *http://www.unitymarketingonline.com/cms_home/homedecor/Home_Report_2008/Home_Brands_2008.php*)

Respondents also shared their preferred decorating styles from a list including:

- Asian
- Casual
- Contemporary
- Cottage
- Country
- Early American
- Eclectic
- Formal
- French Country
- Mediterranean
- Mission
- Modern
- Scandinavian/Swedish
- Shabby Chic
- Southwestern
- Traditional
- Tuscany

Figure 3: List of Decorating Styles Included in the Survey

Special Investigation: Use of Home Decorators and the Internet for Decorating Guidance

The results of these questions will help home decorators and Internet websites position their services to attract the best clientele.

In both the general and the luxury surveys, consumers were asked if they used an interior decorator or designer in their current project. If they used a decorator or design, respondents answered additional questions about what type of decorator they used and what value the decorator brought to their project. This can provide powerful insight for home decorating professionals in positioning their services.

Further, they were also asked about the role that the Internet played in their project, either for research, decorating ideas and/or ordering products, the results of which can help Internet providers position their services as well.

More about Shopping for Home Furnishings

The results of these questions support retailers in better positioning their store to capture the loyalty of the best home furnishings shoppers.

In addition to gathering detail data about where people made their most recent home furnishings purchases, an additional series of questions were asked pertaining to home furnishings shopping in general. Respondents rated the importance of each type of store depending upon whether they turn to that store regularly as a shopping source, occasionally, rarely or never. Further, respondents were asked to rate store and service features that most powerfully motivate them to shop for home furnishings. Finally, they were asked to name specific stores where they typically shop for home furnishings, identifying store brands from an aided list. The results of these questions support retailers in better positioning their store to capture the loyalty of the best home furnishings shoppers.

Attitudes about Home Furnishings and Home Decorating

Analysis of the attitude statements helps marketers understand the mindset of different types of consumer personalities that make up the overall home furnishings marketplace.

It enables them to understand the mindset and psychology that distinguished the best from the worst target for their marketing promotions.

The survey concluded with a series of 29 attitude questions that respondents were asked to rate in terms of how strongly they agreed or disagreed with each statement. The result of this battery of attitude questions is used to segment or cluster the consumers surveyed into different personality types distinguished by different motivations in home furnishings shopping and decorating and distinct shopping behaviors. An analysis of the attitude statements helps marketers understand the mindset of different types of consumer personalities that make up the overall home furnishings marketplace.

By understanding the different personalities that make up the home furnishings market, marketers and retailers can more effectively tailor their marketing and advertising messages to each type of personality. It enables them to understand the mindset and psychology that distinguished the best from the worst target for their marketing promotions.