



The "showroom trap"

A lot is going on in the furniture industry! Interio is to be sold, Pfister is being taken over by XXXLutz after having already taken over 50% of the Steinhoff Group last year, etc. The Austrian XXXLutz Group currently appears to be the only company in the traditional, bricks-and-mortar furniture industry that is expanding when it comes to large showroom-based trade. At the same time, entire departments are no longer managed by sales personnel in German branches of the Austrian furniture chain store during the week. There are simply not enough customers to make this worthwhile!



So does it still make sense to base your image on a huge (physical) selection of products? Will it be possible to successfully operate furniture stores measuring over 5,000 square metres in the future? Germany's largest furniture store (Inhofer in Senden) covers 74,000 square metres!

IKEA has already answered this question impressively in Germany: all large-scale expansion projects in conurbations were discontinued last year¹. In the future, investments will be made in smaller formats in inner-city locations. The urban target customer, who obtains information in advance online and then makes purchases in-store if possible (ROPO effect), usually uses public transport and does not want to go to conurbations at the weekend. What's more, the city branches are ideal pick-up points for online customers, which is incidentally one of the great strengths of Micasa (not only in combination with the Pick-Mup service of Migros).

The big problem for companies such as Pfister, Inhofer and XXXLutz is change, and this doesn't refer to digitisation in the stricter sense. How will you manage to move away from large showrooms in the future with your current business model? That is the all-important question. The customer wants a wide range of products, but they want these online with filter functions instead of seeing the "physical" product. Such a change entails existential risks, and the Pfister Board of Directors did not seem to want to face this in the long run. The route to success is either a very well-structured product range that is presented in a very emotional manner in bricks-and-mortar stores or outstanding consulting services. E-commerce may also be used as a driver, operating bricks-and-mortar stores more as a service than as a sales channel, just as Westwing or Home24 do.



¹ Cf. <https://www.handelsblatt.com/unternehmen/handel-konsumgueter/samstagsreport-so-will-sich-ikea-neu-erfinden/25149888.html?ticket=ST-61317011-VZmAtlj4kRYkbeCEkXON-ap4>



FURNITURE

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On the e-commerce side we have the (too) little-noticed Beliani, a real shining star, especially since it is self-financed and profitable, meaning it stands on solid ground². Home24, Westwing³ and also Galaxus⁴ can only dream of such things at the moment and have to be continuously refinanced by investors or parent companies. This may be good and right when it comes to growth, but at some point the business case has to work! In my opinion, the furniture stores of the major distributors (in Switzerland Coop with Livique and Migros with Micasa) have the best conditions in this regard. They have access to first-class logistics chains and they all have great cross-channel potential. And there is no lack of urban pick-up points. They are doing reasonably well with e-commerce, but they have the means (and the will?) to develop it further. At present, they often stand in their own way with processes, hierarchies and structures, which all originate from the old bricks-and-mortar world. But this will also change, especially if the weight of suffering continues to increase as a result of digitisation and a rethink takes place among the major distributors.

What does it take to escape from the "showroom trap" as a provider with a lot of showroom space?

1. New, much smaller formats must be developed and tested. The aim of a bricks-and-mortar POS cannot be physical choice. Instead, it must focus on conveying emotionality and security (especially in terms of quality and service).
2. It must be possible to use digitisation as an opportunity for the attractive dovetailing of the online and bricks-and-mortar worlds, bringing advantages for both the customer and the provider. The customer is interested in individualisation, availability and advice (which is the right product for me?). Augmented or virtual reality tools can be used for this purpose. For the provider, lower costs as well as new distinguishing features must be at the forefront. Another chance to finally stop basing profiles on price!
3. Dynamic management capable of cross-channel thinking, with a focus on the (future) customer benefit! New life needs breathing into this area. And this very challenging change will not be possible with the old resources and recipes.



As already mentioned in "[The biggest challenge of the furniture industry](#)", it's not about being the technical leader in digitisation. Providers must identify the most important future needs of customers outside of the existing infrastructure and courageously drive change in the right direction with the right people.

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About the author: Yves von Ballmoos holds a degree in business economics and has over 20 years of experience in the furniture industry, including as a member of the management board of Micasa & Interio (Migros), as an executive director, as a business angel and as CEO and owner of Zingg-Lamprecht AG. He advises international companies along the entire value chain.

² Cf.: www.nzz.ch/wirtschaft/schweizer-unternehmer-packen-das-moebelgeschaef-t-ganz-anders-an-ld.1405944

³ <https://www.kassenzone.de/2019/05/05/westwing-vs-home24-vs-wayfair-und-was-heisst-das-fuer-beliani-otto-segmuller-co/>

⁴ <https://www.watson.ch/schweiz/wirtschaft/740394096-habe-mit-ih-er-gesprochen-migros-chef-ueber-doris-leuthard-und-rote-zahlen-bei-galaxus>