stores, which employed more aggressive marketing tactics than the typical specialty curtain and drapery store. J.C. Penney was one example of a department store that invested money in its home-decorating departments to revive flagging overall sales.

Current Conditions

The entry of discount retailers into the home-furnishings market has negatively affected the industry. Stores such as Kohl's and K-Mart offer a wide selection of ready-made curtains and draperies in the latest styles at bargain rates. Discounters' sales have thrived as they turned their domestics divisions into extremely competitive destinations. While K-Mart created its program based on sharp merchandising and the reputation of home fashions expert Martha Stewart, Target had its design staff establish a fashion direction conforming to larger style trends. *Discount Store News* noted, ''One of the big questions that remains about the domestics market isn't whether major discounters will win more share of the market but rather what share of market they will leave for other retailers.''

Industry Leaders

In the late-1990s the leaders in the curtain and drapery industry were stores that specialized in home goods as a whole. The leader was Bed, Bath & Beyond, Inc., of Springfield, New Jersey, with $1.4 billion in sales in 1999, which represented a 31 percent sales growth from 1998. The company operated 240 warehouse-type stores in 38 states nationwide and employed 9,400 people. Bed Bath & Beyond posted sales of $4.5 billion for 2004. Linens 'n Things, Inc., of Clifton, New Jersey, held the number two spot with $1.3 billion in sales in 1999, a 22 percent increase over the previous year. Linens operated nearly 200 superstores in 38 states and had 9,700 employees in 1998. Overall, the emphasis shifted towards ''one-stop shopping'' where individuals could furnish an entire house with one trip to the store. The company generated sales of $2.4 billion for 2003.

Otherwise, the industry was dominated by smaller, specialized companies such as Plainview, New York-based Curtains and Home, Inc. Most of its stores were along the eastern seaboard in New York, Pennsylvania, Maryland, and Virginia. The company was known as a retailer of affordable curtains, drapes, and other home furnishings, such as shower curtains and table linens. Three D Departments, Inc., based in Irvine, California, was another large retailer of curtains and draperies, as was Hunter Douglas, Inc., based in Upper Saddle River, New Jersey. The company offered a variety of blinds, shades, and draperies. Hunter Douglas also sold its window treatments to Home Depot, Fortunoff, and J.C. Penny.

An innovative Connecticut-based business, the Drapery Exchange, Inc., stocked draperies on consignment and sold them to consumers at a reduced price. Local interior designers turned over their leftover inventory of custom-made drapery and window treatment ensembles, originally created for design showrooms, designer showhouses, or magazine layouts. The Drapery Exchange then sold these custom-made goods at a substantially reduced price.

Window Works, of Pompano Beach, Florida, was another aggressive participant in the curtain and drapery store industry. The company was the franchiser of over 100 custom window treatment stores across the country and relied heavily on sophisticated advertising and a contemporary look in its outlets to attract upscale but price-conscious consumers. Custom-made blinds accounted for a large part of store sales, but Window Works also stocked an array of products from drapery and curtain manufacturers.

Further Reading

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SIC 5719

MISCELLANEOUS HOME FURNISHINGS STORES

Establishments in this industry are primarily engaged in the retail sale of miscellaneous home furnishings, such as china, glassware, and metal ware for kitchen and table use; bedding and linen; brooms and brushes; lamps and shades; mirrors and pictures; venetian blinds; and window shades. Establishments primarily engaged in the retail sale of miscellaneous home furnishings by house-to-house canvas or by party-plan merchandising are classified in **SIC 5963: Direct Selling Establishments.**

NAICS Code(s)

442291 (Window Treatment Stores)
442299 (All Other Home Furnishings Stores)

Businesses involved in the sale of miscellaneous home furnishings are as varied as the goods they sell to consumers. They offer everything needed to furnish a home from kitchenware to linens, and lamps and shades to venetian blinds and window shades.

Three factors have contributed to the steady demand of home furnishings: increased housing activity, growth in real disposable personal income, and declining consumer debt. Also contributing to the success of home furnishings sales was the fact that they could be purchased seemingly anywhere. Discount stores, as well as department stores, stock a wide variety of items for the consumer, and their prices vary with the brand name and the type of store that sells them. Of the several different types of retailers that sell home furnishings, one of the fastest growing was the specialty retailer that attracts upscale consumers. These stores may be independent operators or part of a chain and provide quality merchandise with moderate price tags. However, price is not all that attracts customers. Specialty retailers tend to carry unusual and distinctive items that attract consumers who can't find them anywhere else.

Independently owned specialty stores, which held the sales-per-square foot crown with a median of $339, were as varied as the products they sell—whether it's cutlery, pottery, lamps, lampshades, window treatments, draperies, or kitchenware. Consumers find such stores in shopping centers and malls, along commercial highways, or in country towns and back road, cottage-style boutiques. Because home furnishings cover such a broad spectrum of products and prices, and because modern distribution methods bring items manufactured halfway around the world to the smallest American town, this industry continues to perform well.

Growth in sales of furniture and other household equipment was steady during the 1990s. According to the U.S. Census Bureau, sales figures for each year between 1984 and 1997 never varied by more than 10 percent. In 1997, there were approximately 18,661 miscellaneous home furnishings stores, which employed an estimated 135,359 people and had sales of $14.3 billion.

By 2001, according to the U.S. Census Bureau, there were an estimated 17,384 establishments engaged in the retail sale of miscellaneous home furnishings. There were some 174,026 people working within this industry with an annual payroll of $2.7 billion. The total number of home furnishings retailers had risen to 24,059 in 2003, according to D&B Sales & Marketing Solutions, but there were fewer employees, with 151,371. That year, the average sales per store were about $1.1 million. The home furnishings industry posted $78 billion in sales for 2002. States that accounted for the majority of retail stores and market share were California with 3,327, Texas with 2,024, Florida with 1,965, and New York with 1,553. Together, they shared more than 36 percent of the overall market.

Kitchenware accounted for the majority of the market in total number of stores, as well as in market share. There were 2,460 stores that sold kitchenware, accounting for more than ten percent of the market. Miscellaneous home furnishings stores numbered 2,316; house wares, not elsewhere classified, had 2,188; pottery had 1,829; window furnishings had 1,465; lighting, lamps, and accessories numbered 1,138; and bedding, including sheets, blankets, spreads, and pillows, numbered 1,343. Combined, they controlled more than 42 percent of the market.

The overall industry remained fragmented with a lot of opportunity for growth. Rosalind Wells, chief economist for the National Retail Federation, predicted a five percent increase in the home furnishings industry for 2004, due in part to the strong housing market.

Dollar General Stores, Inc. dominated the market with recorded sales of $1.8 billion for 2002. The company opened a total of 622 new stores during that same year. Bed Bath & Beyond planned on opening approximately 85 new stores, with each retailing about $160 to $185 per square foot. For 2003, the company posted $3.7 billion in combined sales by its 581 existing stores. Linens 'n Things generated $552.8 million that year. According to *Retail Traffic,* Bed Bath & Beyond and Linens 'n Things together accounted for about seven percent of the market. Kirkland's, Cost Plus World Market, and Pier 1 Imports combined made up five percent of the market. Bombay Company, located in Fort Worth, Texas, had also been posting positive results with sales of $596.4 million in 2003, which $29.8 million were derived from online and mail order sales. Another leading company was Michael''s Stores, Inc. with sales of $177.8 million for 2003.

Mass merchandisers had also been gaining a lot of the home furnishings market. For example, Costco, with its Costco Home store, like other mass merchandisers can offer its merchandise at lower prices since the company can purchase merchandise in larger quantities from vendors.

According to the *Market Share Reporter,* gift specialty stores or chains accounted for 34.37 percent of the retail accessory sales in 2002. Discount department stores represented 13.54 percent; home accent specialty stores had 12.5 percent; mail order, the Internet, or TV had 10.42 percent; department stores had 6.25 percent; furniture stores or chains had 5.21 percent; home improvement centers had 4.17 percent; and all other markets shared 13.54 percent.

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SIC 5722

HOUSEHOLD APPLIANCE STORES

This industry covers establishments primarily engaged in the retail sale of electric and gas refrigerators, stoves, and other household appliances, such as electric irons, percolators, hot plates, sewing machines, and vacuum cleaners. Many such stores also sell radio and television sets. Retail stores operated by public utility companies and primarily engaged in the sale of electric and gas appliances for household use are also classified in this industry.

NAICS Code(s)

443111 (Household Appliance Stores)

Industry Snapshot

According to the U.S. Census Bureau in 2000, there were 29,600 appliance and electronic stores, with 9,800 dedicated solely to the sale of appliances. Despite the weak economy of the early 2000s, the appliance industry showed healthy sales. According to the Commerce Department, retail sales of appliances grew at an annual rate of 7.5 percent during the first nine months of 2002, compared to a 3.9 percent increase in overall retail sales.

At the beginning of the twenty-first century, household appliances were often sold in discount stores, such as Kmart or Wal-Mart, but household appliance superstores like Best Buy and Circuit City were on par with, if not better placed than, discount stores and department stores. Household appliance stores sold everything from washers and dryers to digital satellite systems, from radios to home theater systems, from personal computers to cellular phones, and from audiocassettes and compact discs to videocassettes, DVD players, and electronic accessories.

According to the Consumer Electronics Manufacturing Association (CEMA), electronic appliances and accessories purchasing increased in the late-1990s, especially in the newer product categories. Household appliance superstores continued to deploy newer and slicker marketing strategies to keep up with the increasing competition. Sales of consumer electronics were expected to rise along with many sectors of the retail industry.

Organization and Structure

The appliance industry is a low-growth, relatively mature industry offering acceptable gross margins and relatively low inventory turnover. The latter, combined with the large amount of space required for storage, makes for relatively low competition compared to other sectors of the retail industry. Throughout the mid- to late 1990s, the industry experienced significant consolidation, and this is expected to continue. A number of important players have gone out of business, including Sun Television and Appliances Inc., Newmark and Lewis, Home Center and Federated Group, Crazy Eddie, Fretter, and Highland Superstores. In addition, 40 Silo stores and 110 McDuff/Video Concepts stores owned by Tandy were closed. Many other regional chains faced decreasing profits and sales as a result of competition from larger stores such as Best Buy and Circuit City.

Small stores, which sell only household appliances, were becoming increasingly rare and were being outmuscled by larger chains. The market has shifted toward superstores, which offer a comprehensive range of household wares and home office supplies, in addition to low margin consumer electronics. As in other sectors of the retail industry, there is a movement toward a no-frills warehouse-type format, which allows stores to offer a dominant selection in every category in which they compete, while creating significant cost efficiencies relative to the more traditional formats. The megastore format has the potential to generate a much higher profit per square foot. The large store size creates savings in fixed store costs—including rent, labor, service, and overhead. The idea in a mixed format superstore is to use appliances as a draw into the store. If the store can satisfy customers in what is usually the first household purchase, it can usually retain them for subsequent electronic and personal computer purchases.