



THE HOME FURNISHINGS INDUSTRY

TREND GUIDE 2024

ACCELERATING
RETAIL
TECHNOLOGY

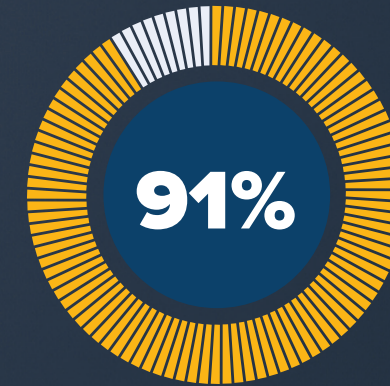
Accelerating Through Innovation

Furniture retailers are writing their next chapter. With the pace of innovation gaining speed, retail is ready for a thrilling next phase. So, buckle up, home furnishings retailers; we're ready to accelerate.

To accelerate, "the architectural makeup of retail systems must work in harmony across all platforms to accommodate customers. No matter where a customer decides to experience a brand, it should be an experience that doesn't make them think twice about buying from the same retailer again." - NRF

Introduction

Retail is positioned for a transformative reinvention of the guest experience. We surveyed home furnishings retailers for insights on strategies to accelerate growth. Acceleration requires critical investments to shift into high gear.



Percentage of home furnishings retailers that will **maintain or accelerate their pace in technology investments** in 2024.

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“Business leaders are now armed with the greatest technological advancement since the internet: Generative AI, which will be the fulcrum businesses rely on to enhance, empower, and engage employees and customers.” - FORRESTER



The Rise of Artificial Intelligence

A catalyst for acceleration, Artificial Intelligence is the new tool in everyone’s toolbox. AI has propelled the 4th Industry Revolution and will evolve how humans and technology interact.

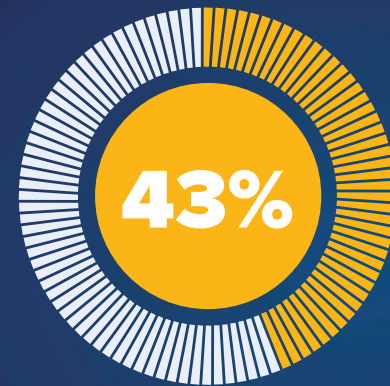
AI is the evolution of computers and machine-based technologies to use critical thinking to understand inputs formerly exclusive to humans. Although not technically new, AI’s widespread accessibility in practical applications like ChatGPT and MidJourney brought artificial intelligence to the masses. While 2023 was the year AI as we know it was born, in 2024 AI usage will accelerate.

Phases of AI Adoption

Leaders are determining how best to harness AI. Launching AI ahead of the curve can be a competitive advantage. McKinsey found leaders in AI adoption could experience a positive cash flow change of 122% by 2025.

Percentage of home furnishings retailers surveyed that are **researching applications for AI**, while 12% are actively leveraging it.

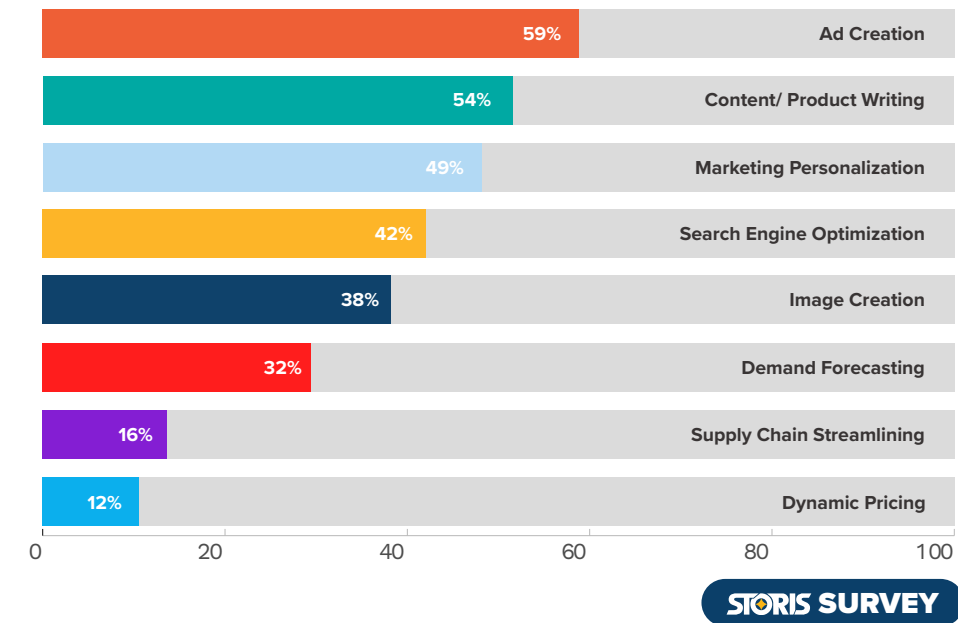
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Generative AI

Generative AI has expanded and accelerated our ability to create multimedia content, but it's potential is unlimited. Removing conventional limitations unlocks the next wave of innovation. Our survey found that furniture retailers are enthusiastic about many applications of AI led by those that will increase marketing efficiency and reduce bottom-line costs.

How is your business currently leveraging or planning to leverage AI?

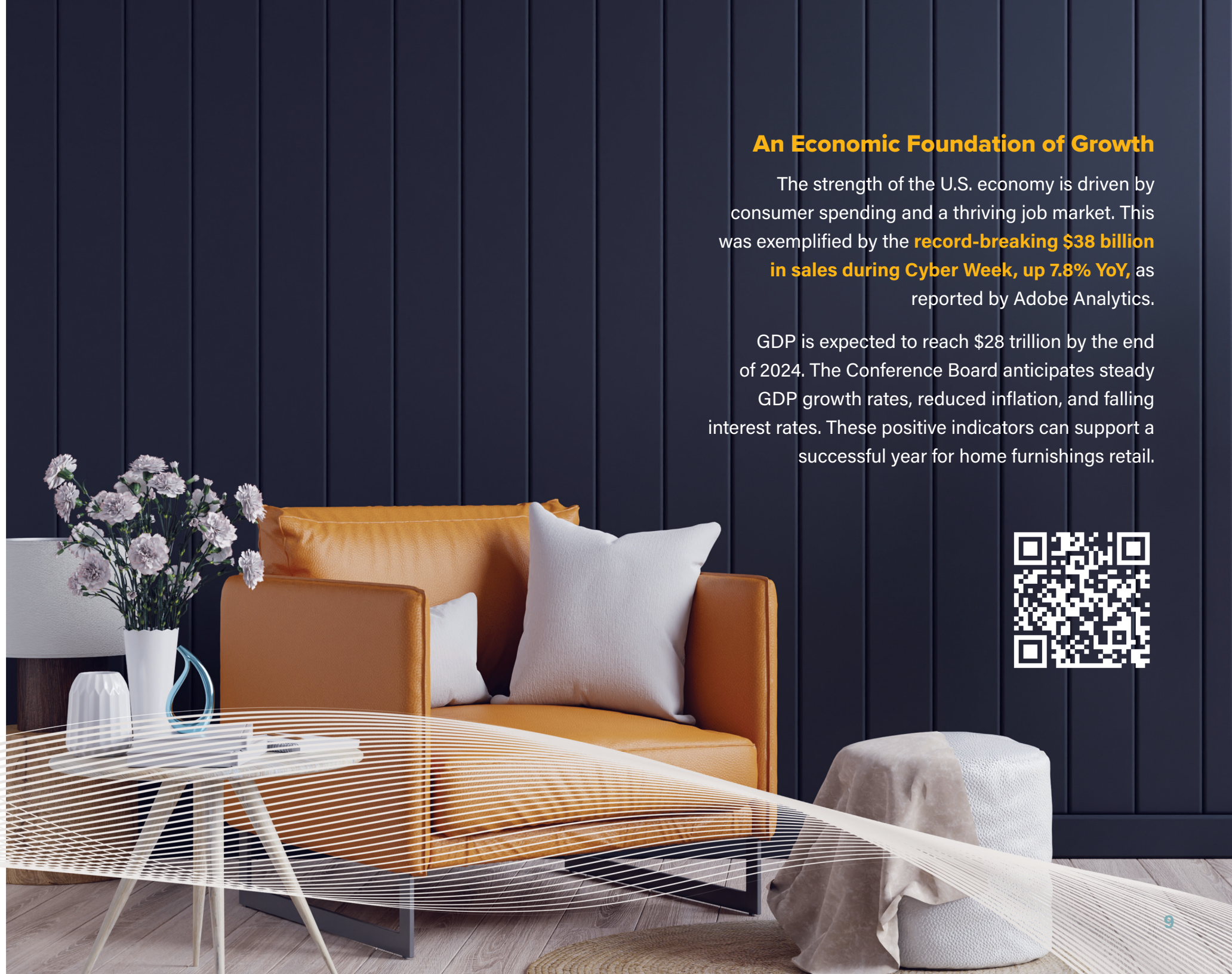


More than 50% of those surveyed plan or use Generative AI for designing digital ads, writing content, and personalizing marketing. These frontrunners align with the need for compelling campaigns to entice customers.

The State of the Home Furnishings Industry

With abundant opportunity, let's explore how market and consumer behavior position retailers for success.

"Retail technology is nothing if not everchanging. Yet the industry continues to adapt and innovate to consistently create a seamless customer experience. - NRF



An Economic Foundation of Growth

The strength of the U.S. economy is driven by consumer spending and a thriving job market. This was exemplified by the **record-breaking \$38 billion in sales during Cyber Week, up 7.8% YoY**, as reported by Adobe Analytics.

GDP is expected to reach \$28 trillion by the end of 2024. The Conference Board anticipates steady GDP growth rates, reduced inflation, and falling interest rates. These positive indicators can support a successful year for home furnishings retail.





Rising Generations Propel Home Furnishings Retail

The U.S. Furniture Market is valued at \$244 billion by Statista, with a projected five-year CAGR of 3.91%.



Gen Z and millennials account for 7 out of 10 furniture purchases, according to Furniture Today.

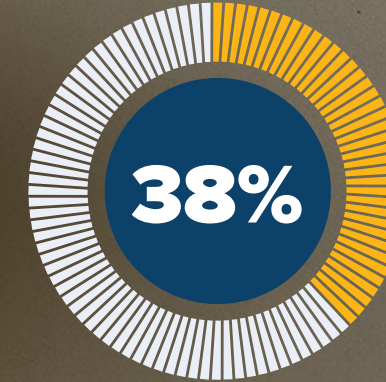
These generations have an affinity for technology. To cater to these audiences, STORIS' survey unsurprisingly found that 33% of retailers see **social media as the top opportunity to drive traffic in 2024.**

Additionally, as in-person shopping is expected to accelerate, furniture retailers can modernize store design to enhance the environment.



The Potential of Promotions

The NRF found deals and promotions were top motivators for a 2% YoY increase in Cyber Week shoppers. A decreasing Consumer Price Index (CPI) rate of 3.2% can also bolster sales in 2024.



Percentage of surveyed retailers agree that **promotions and sales events** are the most important tactics to driving traffic in 2024.

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Maximizing Showroom Traffic through Community

Retailers seek to connect with their communities and transform their showrooms to sought after destinations. Partnerships with local brands and influencers through store-within-store concepts or pop-up events can be strategic ways to cross-promote.

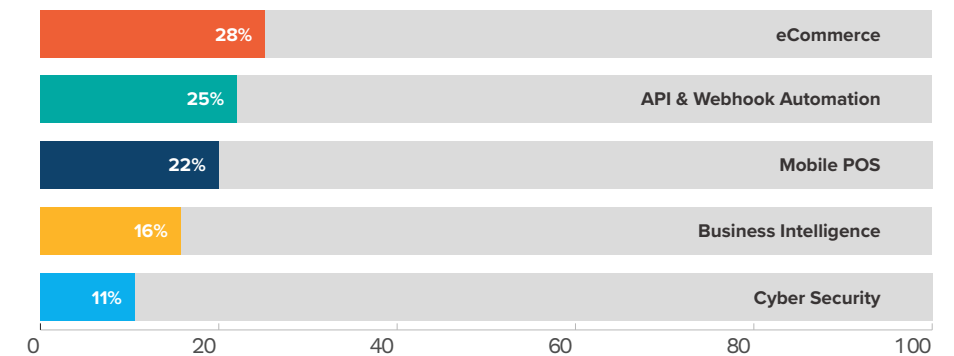
Retailers are also offering services within their spaces. This is exemplified by Restoration Hardware's latest DeHaan Estate in Indianapolis which houses retail, luxury dining, and a wine bar in a historic venue, making it a desirable place for community engagement.



Technology Investments Planned Across Channels

Integrating online and offline channels will be a focal point for 2024, particularly for a seamless transition between digital research and in-store purchases.

What do you believe should be the top technology focus for retailers in 2024?



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Manhattan Retail Associates Unified Commerce Benchmark stated, "Shoppers don't see 'channels' the way retailers do. They simply shop. It's about amplifying each by fusing the two seamlessly!"

Tapping into the Pop-Culture Zeitgeist

The power of pop culture was highlighted by icons like Taylor Swift, Beyonce, and Barbie in 2023. Forbes acknowledges pop culture's impact beyond conventional celebrity endorsements, as unexpected retail surges are triggered in submarkets and licensed products. Upcoming 2024 releases can be capitalized on.

Netflix itself is opening retail locations aligned with its latest shows. In-store events, competitions, and merchandise vignettes that are social-media-worthy or gamified can compel families to visit retail locations, while savvy merchandising can capture impulse sales.



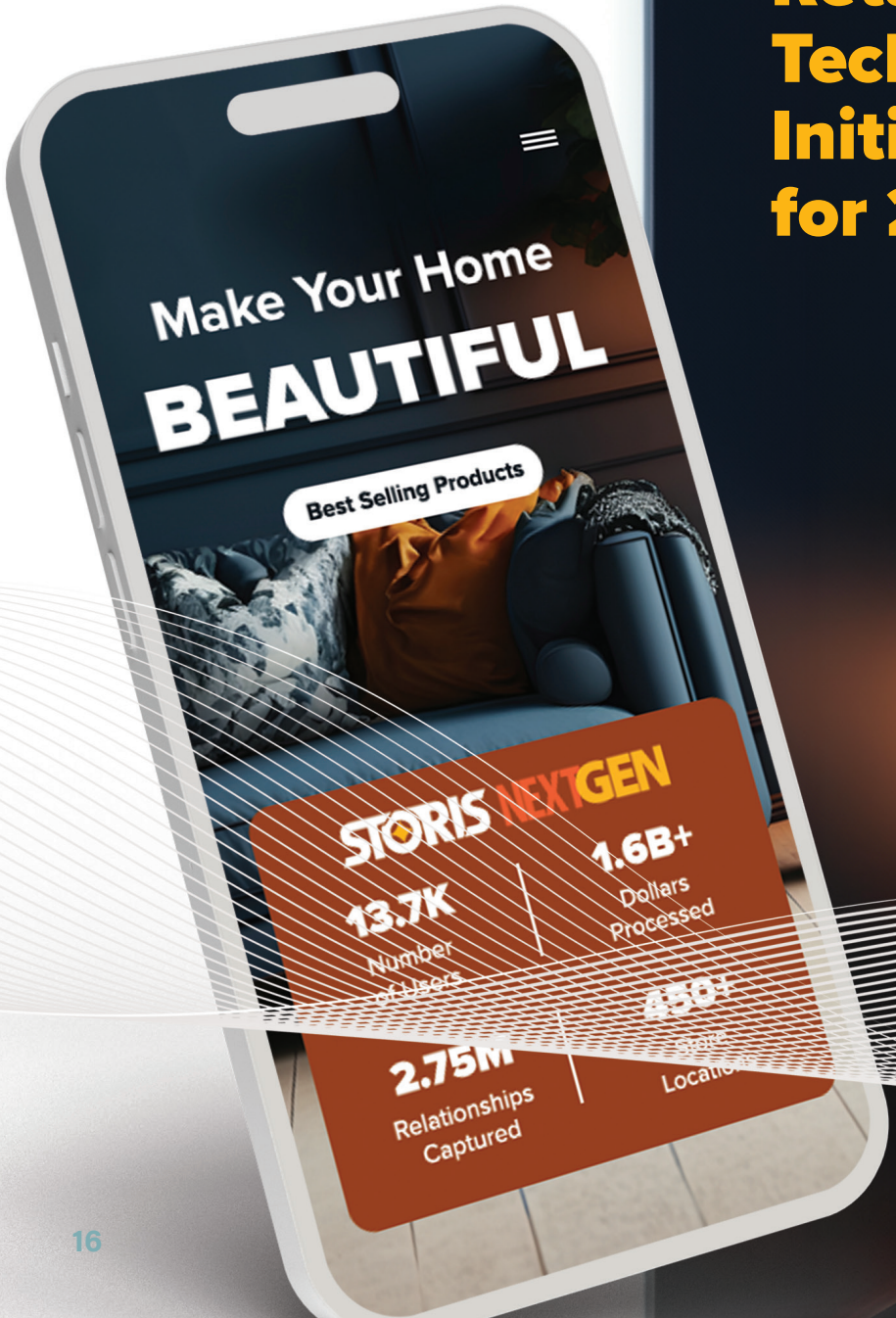
Turning Competition into Collaboration

As companies build tech ecosystems, inspired partnerships form. Take Amazon and Shopify. "Buy with Prime" enables Shopify merchants to use Amazon's payment and fulfillment services. Amazon's presence establishes trust for customers looking to purchase from lesser-known websites and increases revenue for all parties. This exemplifies the **trend of turning competition into collaboration.**

This is seen in home furnishings, with brick-and-mortar retailers developing strategic partnerships with digitally native brands. This amplifies store traffic while tapping into the elusive store networks that direct-to-consumer brands seek, providing revenue acceleration for all parties.



Retail and Technology Initiatives for 2024



The Momentum of Mobile POS

Mobile Point of Sale is a top 3 technology initiative in STORIS' 2024 survey. Statista projects 94.7 million users of Mobile POS by 2027, with transactions topping \$1.28 trillion.

STORIS' own NextGen Mobile POS surpassed \$1B in transactions in 2023.

Furniture Today reported that 71% of in-store shoppers were aggravated by long lines and crowds. Mobile POS eliminates these friction points while expediting checkout anywhere in a showroom. The home furnishings industry is actively embracing Mobile POS to elevate the customer experience.

Selling to Unsold Guests

Mobile POS is critical to facilitating personalized follow-up to unsold guests.

41% of surveyed retailers find the most advantageous use of this data is clienteling, which can be conducted by sales associates to increase their productivity during off-peak hours.

The level of detail captured on unsold guests aids personalization, which is desired by 65% of customers, particularly Millennials and Gen Z. With guests' product preferences, timelines, and price points, associates can individualize follow-up conversations.

Our survey found that, overall, only 52% of retailers are tracking unsold guests. Top 100 retailers are ahead of the curve at 63%.

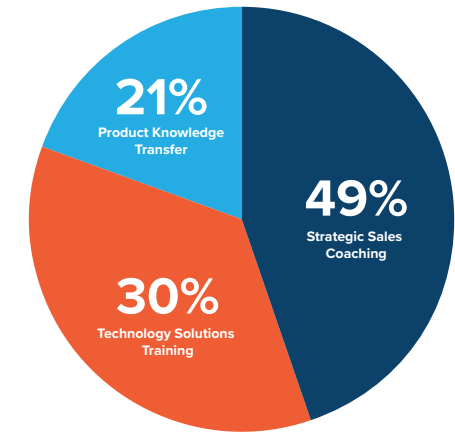


Learning Management Systems for Team Expertise

Furniture Today found that 64% of in-store customers were dissatisfied with poorly trained retail teams. This emphasizes the critical role well-trained sales associates play in shaping customer satisfaction, increasing close ratios, and maximizing order values. Upskilling sales teams conveys knowledge and expertise to shoppers.

STORIS' survey revealed that 62% of businesses provide eLearning to employees. Here are the top uses for eLearning.

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The Learning Lab found that Learning Management Systems (LMS) reduce training costs while increasing effectiveness. An LMS efficiently diffuses information across a team and enforces retention through gamification. With eLearning, onboarding new employees and upskilling staff is accelerated. The modular design of many LMS platforms can share product training materials from manufacturers.

Customization

Generations growing up with 3D printing and generative AI will become accustomed to instantly creating anything they can imagine. This influences the desire for customizations of furnishings. Customized Furniture Market found the custom furniture market will grow by a compound annual growth rate of 12.21% from 2024 to 2028.

Customization reflects a shift toward customers actively participating in the design process. They desire the individual expression of choosing materials, colors, and styles. The growing prevalence of special orders across industries will increase expectations of fulfillment timeframes. Technology to facilitate accurate customizations, quick vendor communications, and streamlined delivery will be paramount.



Design Services

Design services can be profitable as customers look to modernize and improve the function of their homes. Retail leaders like Arhaus and Ethan Allen are investing in design services and smaller footprint concept stores, increasing revenue per square foot.

Home News Now reported design services “provide average order values of more than four times a standard order.”

The mobility of technology for access to inventory, customizable pieces, and taking orders during home visits or through virtual design services makes this trend easy to facilitate from a technology standpoint.

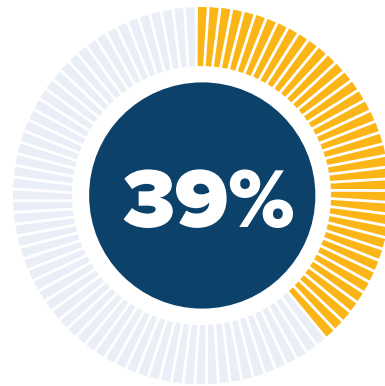


Automation of Demand Planning

In 2024, retailers can fund strategic investments by cutting unproductive costs.

Percentage of retailers surveyed see **strategic demand planning and replenishment** as the top means to do so.

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StartUS Insights noted, “automated forecasting utilizes workflows for better purchasing practices with less cost and time spent.” Improving demand planning improves open-to-buy agility. McKinsey found that using AI for forecasting, rather than relying solely on past outcomes, can improve accuracy by 10% to 20%.



Regionalization and the Last Mile

In 2024, retailers are optimizing internal logistics for swift deliveries. As Business Insider reported, Amazon plans to “double its same-day delivery sites.” These facilities reduce Amazon’s costs by 15%. CEO Andy Jassy emphasizes the benefits of shorter travel distances, cost-effective transportation, faster delivery, and environmental sustainability.

The trend of regionalization is gaining traction, as seen with Ikea’s expansion of fulfillment centers and pick-up locations by 900 units. Retailers are focused on regional distribution centers to align goods with local sales rates and trim last-mile logistics expenses. Retailers can also automate on-hand inventory transfers and alternate stocking locations in their internal supply chain to maximize the efficiency of their owned assets.



AI Shopping Assistants

For eCommerce shoppers, AI-powered online assistants are at the top of their wish list. Customers are burdened by choice and can hesitate to buy until they've exhausted their research. AI shopping assistants instill consumer confidence through refined selection based on buying criteria.

Matt Nichols, an NRF Innovation Advisory Committee member from Commerce Ventures, asserts that AI is the catalyst for presenting the right products to the right consumers at the right time, transcending both digital and physical formats.

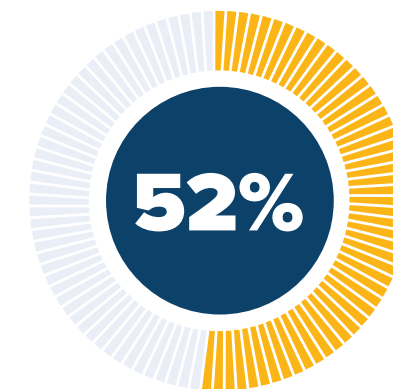


eCommerce

eCommerce is a driver of revenue acceleration, ranking as the top technology initiative for retailers in our 2024 survey. Enhancing website features reinforces the appeal of online shopping.

The percentage of online sales that occurs on smartphones during 2023's Cyber Monday

This makes focusing on your mobile site experience critical. (Adobe)



Marketing Charts' study, "Consumer Satisfaction with Online Retail," highlights attributes of excellent websites, including streamlined checkouts, expanded payment options, and accessible customer support. Incorporating product enhancements like imagery, reviews, recommendations, and varied fulfillment options resonates well with customers. Elevating the checkout experience is especially vital for boosting online conversion rates.

Data Integration via APIs and Webhooks

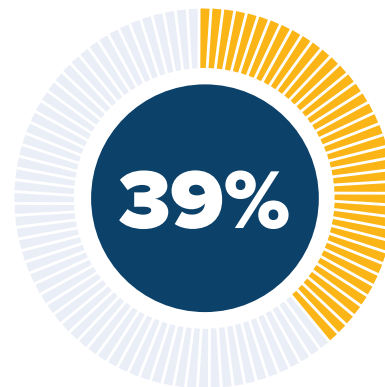
In 2024, webhooks will be a rising trend, enhancing upon the data automation of APIs. Webhooks trigger actions based on data changes allowing retailers to construct dynamic customer experiences. This innovation eliminates the need for manual intervention, ensuring consistent customer experiences with each trigger occurrence.

Personalized Digital Advertising

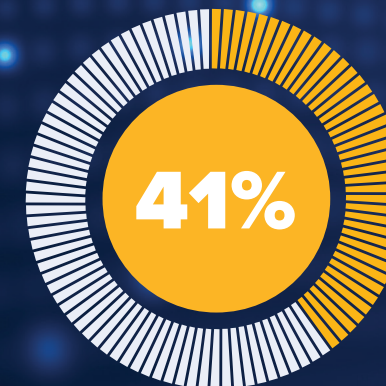
Retailers can instantly create targeted and personalized ad designs with Generative AI. Google Ad's generative ad builder exemplifies this capability, enabling retailers to effortlessly contextualize product images for different design styles, catering to the diverse preferences of shoppers without incurring additional photography costs.

Percentage of retailers believe **eliminating redundancies through solution integrations** is the top means to reduce costs in 2024.

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Connecting data sources becomes critical as specialized retail solutions are added across technology ecosystems. APIs automate data connections which support comprehensive business intelligence and holistic customer insights. **Integration solutions stand out as the primary technology initiative for 25% of surveyed companies, even higher for Top 100s at 44%.**



Percentage of retailers surveyed stated that **remarketing with digital advertising** would be a top means of using guest data in 2024.

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Membership & Loyalty

Customers are central to brands' success. Only 30% of furniture retailers surveyed offer a loyalty or membership program. Across retail broadly, 71% offer a program, pinpointing an opportunity for home furnishings.

Price incentives are the most sought-after benefit. **Of furniture retailers with programs, 61% incentivize membership with exclusive pricing and promotions, followed by exclusive financing or protection plans at 52%.**

Integrating programs into Point of Sale makes managing the program easier for retailers and redeeming incentives seamless for customers.

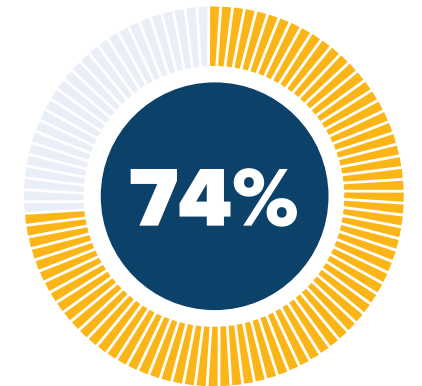


Consumer Trust & Transparency

Even with emerging technology shaping 2024, our final trend returns to human nature. An Edelman Trust Survey revealed trust is a determinant of success, indicating that “high-trust companies are over 2.5 times more likely to be high-performing.” For customers to share data and open their wallets, they must trust a brand.

Percentage of retailers surveyed stated **price transparency is a frontrunner** is how retailers can earn trust in 2024.

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This extends beyond merchandise prices to services, fees, and financing. When customers shop with a brand, they allocate a portion of their hard-earned livelihood. Retailers can demonstrate the value placed on this choice by prioritizing transparency, clarity, and consistency in offerings.

Conclusion

As your trusted technology partner, we're eager to assist our retail partners in reshaping the customer experience.

STORIS is actively investing in emerging technologies and the next wave of innovation.

We stand ready to accelerate your business through cutting-edge technology that's dedicated to the success of home furnishings retailers. **Let's accelerate together.**



Doug Culmone
President & COO



GET YOUR BUSINESS UP TO SPEED

