



Spring
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Post Market Commentary

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Upbeat and Optimistic sums up the overall mood at Furniture Market

Although foot traffic was initially reported slightly slower than expected, especially over the weekend, it sharply picked up on Monday, making the spring market a great success by many manufacturers. Most showroom traffic was at least even with or slightly ahead of the October 2014 show, but what was really exciting was the pace of order-writing which reportedly exceeded previous High Point shows. Commitments, written and verbal, were impressive. Spirited by optimism and gradually improving business conditions – buyers and manufacturers wrapped up the October market on a very upbeat note. As echoed by several of our customers, attendance, excitement and commitments were better than they have seen in many years past.

Optimistic but slow turn around: The outlook for 2015 among many dealers remains very optimistic over the same period last year. Many dealers feel the opportunities for the coming year remains very strong, following the recession. Although the economy is somewhat unpredictable and inconsistent, (much like the stock market), the consensus remains positive; cautious, likely slow in full turnaround, but optimistic none the less. Fuel prices are down and housing prices are starting to climb back up. There seems to be a greater demand for American Made goods which generally associates with a higher end and better quality product. Focusing on the diversity of our current market, (Generation X, Millennial as well as Boomers), and capturing the attitude of the growing affluent customer encourages growth opportunities for the coming year.

In a recent Watch Report conducted by a corporate transformation consulting firm for Furniture Today, it is suggested that the American furniture industry is at a turning point. Although never known for our ability to quickly respond to change, our industry finds itself emerging from the Great Recession to face a slower-than-expected economic recovery. We must realize the challenges we face in making and preparing for this turn around; Shifting consumer buying preferences – our new differentiated market, shortages of skilled workers and rising labor costs associated for how we do business, technology integration issues, new distribution channels and of course global competition. The report points out that the industry is challenged to effectively communicate with multiple generations of consumers and workers in order to match its marketing outreach and product preferences to different audiences and bridge the skills gap in order to remain competitive.

Report highlights

The tide is turning: The furniture industry as a whole has seen great improvements of the past few years. After a 13% drop in sales in 2009, new furniture orders and U.S. furniture factories have increased a minimum of 4% every year; 23% from 2009 in 2013. This slow but steady increase has carried over into 2015 and is expected to continue for the next several years.

Rethinking off shoring: Many U.S. manufacturers are continuing to review their overseas manufacturing operations, as the cost advantages of sourcing products globally continues to diminish. It is reported that many manufacturers could be overestimating their savings from off shoring by up to 30%.

Housing impact: As the housing market goes, so goes the furniture industry. Housing starts continue to be up, existing home sales have increased, and the sale of distressed homes has leveled off. Correspondingly, the new furniture orders have increased and are running ahead of last year's orders. Many industry experts are predicting that the furniture industry's slow but steady growth will continue through 2015, providing consumer confidence levels remain high.



Trends drive trends: Boomers are downsizing from traditional five-bedroom family houses to updated three-bedroom townhomes or condos and finding that their heirloom furniture is no longer scaled to fit the new, sleekly designed contemporary environments. Suddenly, their furniture looks and feels dated. Millennials are driving their own trends as well. Environmentally friendly and repurposed and reclaimed furniture trumps other categories, including that made in America. Smaller scaled furniture is better in their perspective because it's more affordable and sized to better fit their small living spaces.

So, what inspires the consumer to buy? According to a Furniture Today Opinion column, a recent Consumer Counts report noted that 42% of consumers polled admitted that they have adopted stricter spending habits since the recession. Today's consumer has disposable money to spend on goods, but it must be something they feel they need, want, or cannot live without. Regarding furniture, we must create a must-have purchase mentality. Retailers and suppliers do well to

remember that today's consumer demands furniture and looks that fit their lifestyle. What the Boomers, Generation X and the Millennial want from their furniture is very different. We will benefit ourselves to recognize and capitalize on that fact.



Lifestyles

Casual, Casual Contemporary, Transitional, Eclectic, Relaxed, Rustic Elegance, Livable, are among the design and finish trends seen at market. Mid-century modern, neo-traditional and contemporary design elements continued to dominate the case goods landscape. European traditional and glam-inspired looks combined mixed media and colorful accent finishes. Light gray and white toned finishes played a significant role in the wood category. Darker finishes are relevant but are defined with clarity, finish

readability and with neutral undertone values. We continue to see a redefined movement of the traditional Espresso finish to a lighter, true brown finish on a variety of wood species including exotic veneers like ribbon stripe mahogany, crotch mahogany, walnut, chestnut burl and the like; and more common species like oak, maple and cherry. Adding nuance applications include ceruse techniques with lower sheen levels and close to the wood topcoats.

Wire brushing and sand blasting techniques add structural texture which complements the casual finishes – used with and without cerusing. Refined physical aging techniques along with lower sheens compliment the relaxed nature of many collections aimed at the younger consumers who want furniture that reflect their casual lifestyles. It is important that furniture pieces are designed by style and finish to be “stand alone” or mixable – built around suite or eclectic themes. “That is where the industry is progressing, from higher sheen mahogany traditional to softer, more casual finishes,” quoted by Tom Tilley, CEO, Councill Furniture. He added, “People are enjoying the fact that you can mix and match and customize to whatever your customer’ preference is.”

This market was a revitalization of Oak. Oak and similar, prominent grain wood species seemed to be the wood of choice to introduce the more casual lifestyles, especially with the distressing and finishing methods used.

Vintage Elegance; Relaxed European to the American West has inspired a variety of furniture designs. The blend of weathered wood tone finishes married with complimentary mixed media elements like rustic metal finishes, leather and stone or concrete provides an organic look and a means for the consumer to create uniqueness and interest in their home style and decor. The

finishes are casual and highlight the grain patterns of the wood, making the design forms more livable for today's consumer. Our design team has created *70714 Tavern Rye* as our interpretation of this movement, created with and without a soft gray cerusing. Subtle grays and antique white finishes help create a complimentary two toned effect. European traditional remains one of the most popular style categories. Casual finishes that highlight the natural grain patterns make these forms more livable for today's consumer.

Whites and Lights; White is classic, but sometimes viewed as seasonal in the fashion industry. However, in the same fashion that the runway has embraced white as a year round attire option, furniture manufacturers are providing white choices that fit with a variety of decors'. White pairs with dove grays or softer wood tones to create a pleasing balance of complimentary colors. The soft white pore as used in cerusing effects emphasizes the natural grain definition and creates a renewed interest in heavily grained species like hickory, oak and ash. *63914 Cobblestone* is our version of this beach loft inspired finish which includes a taupe undertone with multiple layers of water spot splattering effects on sandblasted and wire-brushed oak.

Industrial Chic; Metal and wood in natural wire brushed finishes are seen in a variety of minimalistic forms that offer plenty of appeal for town and country dwellers alike – simplicity with style. Modern forms, classic designs and interesting finishes create a unique love story.

Modernistic Flare; often using fancy figured veneers or exotic woods and darker finishes contrasted with silver tipping and silver hardware create a redefined 1940's elegance.



Color makes us feel good

From our perspective at least, this market continued its trend as a “finish story”. High end manufacturer Councill Furniture is doing well with its own finish story. This market, they showcased five new, lower sheen finishes offered on a variety of products and veneers. Wire brushing and cerusing techniques tell a dramatic wood story and emphasize the natural grain patterns of the wood. “That is where the industry is progressing, from higher sheen mahogany traditional to softer more casual finishes,” said Tom Tilley, CEO, adding that “People are enjoying the fact that you can mix and match and customize to whatever your customers’ preference is.” Accent colors include bright hues of red, orange and yellow, used to create a splash of color in the room, accompanying blues and grays – colors making quite a statement in painted and wood finishes. Coastal and casual forms remain very popular in the marketplace and many introductions address that with light, or white painted finishes. Lighter and textured wood tone finishes are adding depth to the mix for those who appreciate a good wood story in their furniture.

Also part of the finish story includes lower sheens and “close to the wood” finishes, offering a refreshing, more casual and approachable contrast to the full filled, high gloss finishes of the traditional upper-end category. Still, wood finishes must be “readable”, intended to compliment the natural beauty of the wood. Wire brushing, sand blasting and cerusing techniques help tell a dramatic wood story and emphasize natural grain patterns rather than covering up. Many manufacturers who are historically known for creating beautiful, 18th and 19th century, traditional furniture now understand that our industry is progressing from higher sheen traditional styles to softer, more casual finishes and designers and customers are enjoying the fact that they can mix and match and customize to whatever the customer’s preference.

Choice, fresh finishes, customization

Choice remains one of the most descriptive words to describe the offerings over the past few markets; choice in both the design and functionality of the furniture design and finish. Providing a basis for the customer to “choose” the finish or add details, even at an up-charge allows the customer to “personalize” the end product. This is especially important to the Generation X and Millennial customers. Showcasing the uniqueness of each piece and the finish and building upon the ability to mix and match different pieces together provides the customer the ability to define their own design story, suited to their own personality. This is where accent or complimentary finishes become so important. Accent finishes help create a look, break up the monotony of “brown wood tone overload” and create a lifestyle or theme – even adding value to an existing finish palette offering.

Designers are looking for fresh finishes and custom options that are unique for their projects. There is a growing focus on accent furniture and finishes to better fit today’s customer. A single piece of furniture with a great design and unique finish can energize a room without having to redo everything to make a fresh statement. But, it also enables the end user the unique opportunity to “build around” that statement piece and create an ongoing look.

Finish Trends & Techniques

Understanding movements in finish styles and designs can be as crucial to market success as the function or design of a line of furniture, or price point for that matter. We believe that “finish is the one most significant design element that differentiates”. When a customer is looking for new furniture, more often than not, the finish becomes the first line of sale. If the customer doesn’t like the finish or color, nothing else really matters; cost, availability, manufacturer, quality, etc.; they’re not interested and will continue to look for something that grabs their attention.

Much of the information included in our fall commentary is a continuation of what was observed during the 2014 spring market. “Tru-Brown” wood tone finishes are a main stay. Cerusing techniques continue to be very popular but more refined and interesting. Oak, ash and hickory seems to have made resurgence with today’s new finishes.

We continue to observe a definite transition of darker wood tone finishes like espresso and java. While many experts continue to anticipate the death of this very dark, almost painted out wood finish, we actually see this finish morphing into a much cleaner, somewhat lighter and richer finish with neutral brown undertone values. Many feel that the market has grown weary of these very dark tones. We agree. Briar Smoke is our answer to the newly defined movement of darker finishes. The finish is designed with a grayish, taupe background with water-spotting and soft burnishing; leading the Tru-Brown movement with exceptional clarity and finish readability. From our perspective, Briar, (from our Premier Collection), Bogart, (from our Lifestyle Expressions Collection) or Briar Smoke from our Designer series captures the movement of this dark family transformation.



Briar Smoke

At the October furniture show, we continued to see versions of our Briar Smoke finish on a variety of wood species and a range of sheen levels; from fully filled, high gloss; to open-grained, close to the wood, satin gloss. Soft wirebrushed and cerused versions of this finish made an interesting introduction and was very well received in the casual contemporary category. Such finish



techniques translate best to open grained wood species like oak, ash and hickory; but certainly makes a dramatic statement on more exotic wood species including mahogany, walnut, primavera and the like.

Fall Introductions

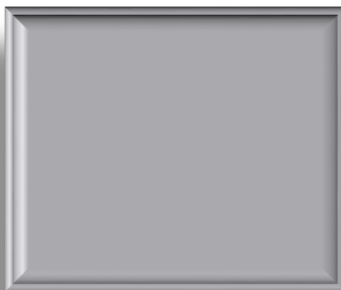
For today's more casual, relaxed lifestyle, many designers and manufacturers have felt the market has grown weary of espresso and other dark tones. Lighter finishes have been one of the most interesting paradoxes in the market for several years now and this market is no exception. Part of the appeal of the lighter tone finishes is that they are comfortable to live with, brighten up the



Olivetta

room, especially in today's smaller living spaces and easy to maintain and decorate around. A resurgence of oak, ash, hickory and similar pronounced grain wood species made dramatic introductions at the fall market. Wire brushing techniques and cerused effects were added to accentuate the natural grain while water-spotting and smudging techniques provided finish and color texture to the background. Olivetta is designed with multiple layers of complimentary gray, taupe and amber color techniques, applied in a way that creates depth of perception and provides unique finish texture. The cerusing technique is designed to create the "realization" of the natural definition of the wood character without over dramatizing.

Similar to our Olivetta finish, Corn Silk is designed to complement the natural grain pattern with a light cream background and layers of complimentary color tones and finish texture. It's no longer your traditional oak finish! Both Olivetta and Corn Silk finishes pair well with many fabric choices, solid paint colors and compliment an assortment of our Tru-Brown wood finishes. Metropolitan, (from our Premier Collection) is a neutral gray finish that works great as a complimentary finish for case interiors or accent finish for chairs or occasional furniture or table bases. Corn Silk also suits a beach loft-inspired Coastal theme.



Metropolitan



Corn Silk

Utilizing some of the physical texture techniques in a wood tone finish is Tavern Rye. The finish is more casual than our previous introductions, (Limed Mink, Chinchilla and Spiced Rum) and utilizes the natural characteristics of oak and similar wood species, but certainly not limited to these species. Tavern Rye is designed with and without a light gray ceruse but maintains the texture of sand blasting and wire brushing, along with some other unique applications to accentuate the character of the wood grain and enhance the beauty of the finish.



Tavern Rye

As reported in our spring 2014 Commentary, cerused or limed applications on wood date back to the early 1900's with a very interesting story behind the finishing concept. Originally, this process was used to protect architectural wood components from decay by removing the soft fibers of the wood with a wire brush and filling the voids with a white pigmented compound. This process would further protect the wood from decay and insects. The contrasting colors of a white colored pore against a darker stained or colored background was found to be a very appealing, modernistic look that later transitioned to furniture. The process of wood fiber removal was much the same but the white pigment was applied in the form of Plaster of Paris or a similar product. This concept has always been associated with contemporary furniture or architecture but most recently has become a very popular finish for kitchen cabinetry and wood flooring. Today, the contrast is much softer and used with both darker and lighter wood tone as well as painted finishes. We are continuing to see multiple uses of this effect, accompanied with wire brushing or sand blasting and lower sheen, lower build finishes. Still, the finishes are “readable”, complimenting the natural beauty of the wood. Although this technique has commonly been used with oak and ash, we are now seeing interesting contrast where this technique is being developed on other exotic woods like mahogany, walnut, primavera, etc.

Our Interpretive Design Team consistently looks for new techniques, applications and methods for creating interesting looks using existing, common products. Many new finishes have been designed to provide accent applications for some of our new finish introductions. Along with complimentary paint finishes, unusual techniques also create interest and “WOW”. Among some new finish applications include Charring, Rustic Iron and Shimmer Ceruse.

Charring- Shou Sugi Ban

Shou Sugi Ban’ is a century old process of preparing wood to become resistant to rot, insect infestation and fire. In short, the process involved burning the wood at temperatures of 2000 F for short periods of time, literally changing the composition of the surface, while leaving the wood core undamaged. This process of charring the “skin” of the wood provided not only resistant properties, but a finished surface that required little to no further upkeep. In the early 2000’s, Shou Sugi Ban was rediscovered, first in Japan, but then it quickly gained the attention of architects and designers in Europe and North America and started showing up in custom designed houses and buildings. Just within the last few years, its use has exploded for all the same reasons that it was so popular in Japan hundreds of years ago but today, it has become popular for the aesthetic beauty as well. Recently, this technique has evolved to interior furniture making quite an artistic, aesthetic statement. Not for everyone, but it certainly makes an interesting statement piece.

Of course, we dare attempt anything that involves literally scorching or burning the wood. Understandably, furniture manufacturers and finishers frown on open flames anywhere around the work place. Our design team has developed a beautiful replication of Shou Sugi Ban using special methods of preparing the





surface and the use of unique applications using various colors of latex emulsions. The results are a stunning resemblance of a charred piece of wood with texture, depth and colorations consistent with that of an authentic Shou Sugi Ban creation, without the use of open flame.



Industrial Chic

Metal and wood seen in a variety of minimalistic forms that offers plenty of appeal for town and country dwellers alike creates the mood for Industrial Chic; Simplicity with style.

Components that reflect the industrial era become the foundation for this modernistic style that is growing in popularity. Reclaiming old parts and using their unique designs to create a contemporary artistic piece of furniture fits today's reclaim, repurpose and reuse values. This is what we refer to as Industrial Chic. Our Interpretive Design Team has designed several new

finish applications that compliment this theme. *Iron Mill*, (designer series 68114) is



Iron mill 68114



designed to capture the texture, colorations and aesthetics of an old rustic detail. Applications may include hardware, occasional table bases, or detail appliqué's. *Iron Mill* compliments reclaimed or weathered wood finishes.



Industrial Living: Many groups feature industrial design influences that mix metal and wood, offering a story to tell at retail. Rustic furniture tends to be very popular. But not all rustic looks are the same. Some are more traditional, others more transitional. Often, transitional blends classic looks with a contemporary twist. Mixed media, (combining wood with metal, glass, leather and other materials) is a key trend.

Key Trends...

As reported in Furniture Today Market publications, key trends included a mix of designs, styles and finishes with the intention of appealing to a wide variety of consumer desires. The following is a brief summary of the Key Trends postings:

Casual Comfort: Coastal and casual forms remain popular in the marketplace and many introductions addressed that with white painted finishes. But lighter and textured wood tone finishes are added depth to the mix for those who appreciate a good wood story in their furniture

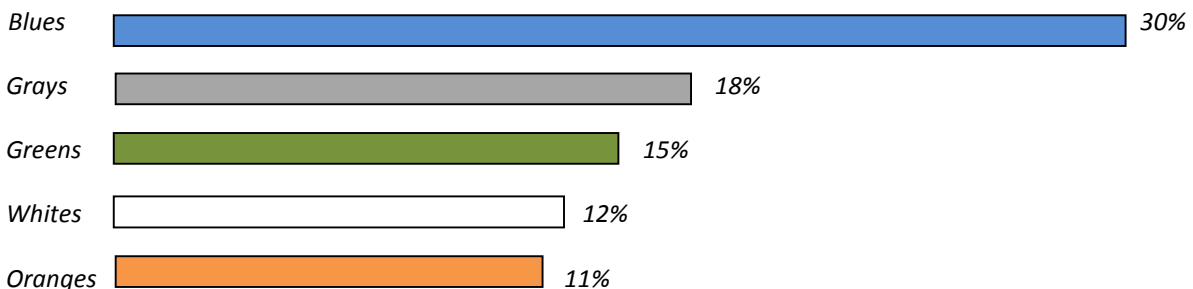
Earth Tones come back to earth: They include gray and seashell tones, stones and pale-washed looks. Refer to our newest introductions including Corn Silk and Metropolitan. *Faded White* brushmark and *Gray Earth* was part of last markets introductions but remains very popular in this category.

Mix & Match: The ability to mix and match finishes within large and smaller collections is expected to help drive case goods business at both upper-end and lower-priced resources. Several upper-end resources like Councill, Hickory Chair, Bernhardt and Century have long touted the ability to mix and match finishes within collections; “It just makes a group feel a little more unique and not so matchy matchy”. This concept allows the customer to shop for furniture and get to be their own designer. The multitude a different looks is the perfect answer to the eclectic style. Pieces can stand alone as well as work great together. Modern styles are easily paired with vintage traditional for a look that mirrors the way consumers shop for interior settings.

“Upper-end consumers today aren’t looking for matched suites, but curated collections of unique designs that work in harmony to create an environment that speaks to their style.” – Phil Haney, Lexington Home

Mixed Media Elements including rope, metal, leather, concrete and faux finishes replicating rustic metal and stone or bark offer an organic look and feel that allow pieces to be mixed and matched between collections. It helps create distinct looks and finishes that can be mixed together and actually work well together creating an eclectic theme.

Top 2014 - 15 Design Colors, (named by consumers as this year’s go-to-color:



New Programs

Spotlight

CCI / FinishWorks recently introduced a new finish collection called “Lifestyle Expressions” which will bridge a gap between our Premier Collection and Designer Series. This collection was designed to demonstrate “value added” techniques using a fundamental color base. Many of our customers are asking for finishes that will enable them to accommodate demands of the designer focused market, yet not stray too far from their existing manufacturing capabilities and capacity, or add significant costs to in material or labor. Lifestyle Expressions meets this need. As with the current Premier Collection, Lifestyle Expressions is now available to our customers and retailers and will be reviewed and updated as needed on an annual basis to insure that we are providing the most up to date, trend setting collection available. Please contact your sales representative for pricing and availability or contact Rodney McFalls @ rmcfalls@rpmwfg.com, or info@finishworksindiana.com for more information.

Lifestyle Expressions



Registry

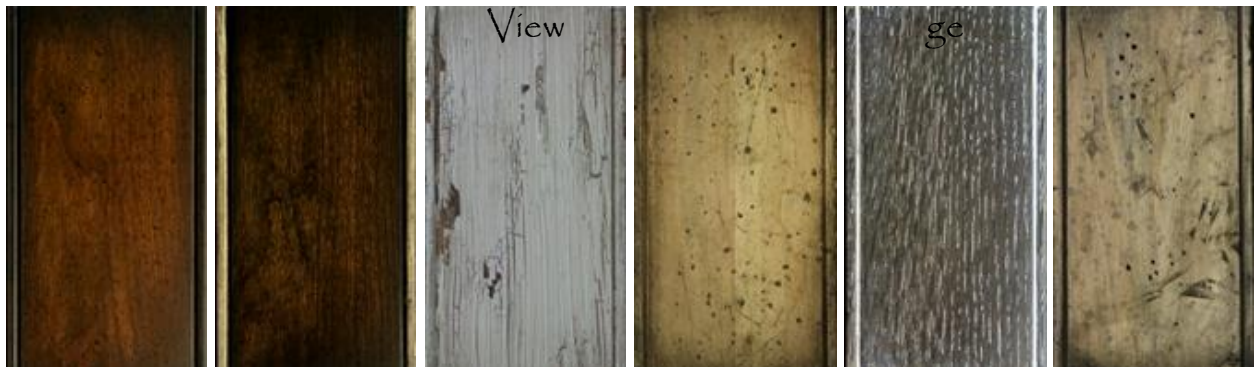
Hanover

Bay

Toffee

Cambridge

7 Oats



Surrey

Bogart

Eastbay
St.

Fruitwood

Dusted
Graphite

River
Rock

The spring 2015 Post Market Commentary is prepared as a summary of color trends and direction, pertaining specifically to the residential furniture industry, based on our observations and overall interpretation. We provide this resource to our customers as a general guide for information and inspiration. We credit our sources of information to furniture related publications, quotes and previous commentaries. For additional information, color trend presentations or customer palette reviews and recommendations, contact your sales representative or M. Rodney McFalls, CMG, CfYH @ rmcfalls@rpmwfg.com.

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Credits / References:

Furniture Today High Point Market Highlights 2014

Watch Report; Anderson Bauman Tourtellot Vos

Boston Consulting Group

Post Market Commentary, spring 2014 issues; RPM Wood Finishes Group – CCI

Post Market Commentary, fall 2014 issue; RPM Wood Finishes Group – CCI/FinishWorks