

Ashley Furniture Omni-Channel and E-Commerce Growth

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October, 15 2013



Background on Ashley Furniture Industries

- Established in 1945 , Ashley Furniture Industries, Inc. is the largest manufacturer of furniture in the world , and #1 selling furniture store brand in the world with sales of \$3.5 billion.



Arcadia WI

Largest Casegoods manufacturing facility in the U.S.

52 acres under roof on a 175 acre site 2,200,000 sq. ft



**Ecru, MS: Est. 1994 –
WORLD'S LARGEST UPHOLSTERY PRODUCING
PLANT**

**Nearly 2,000,000 sq. ft. 46 acres under roof on 100
acre site**



Kunshan, China:
1,548,000 sq. ft. • 47 acres under roof on a 85 acre site





Ashley Super Plants

More than 10,800,000 Sq. Ft. (250 acres under roof) of capacity to furnish homes across the globe.

Whitehall, WI
Arcadia, WI
Colton, CA
Leesport, PA
Ecru, MS
Brandon, FL
Ripley, MS

India
China
Taiwan
Vietnam
Malaysia
Indonesia



Manufacturing and Distribution Locations



International Offices

Ashley's Manufacturing Strengths

- Largest investment of capital in the U.S. furniture industry
- Lean Manufacturing processes
- Modern, state-of-the-art super plants worldwide
- Industry-leading, high-speed automated equipment and manufacturing systems.
- World's largest upholstery plant in Ecu, Mississippi
- Largest case goods production plant in the U.S. (Arcadia, WI)
- Regional manufacturing and distribution centers in Wisconsin, Pennsylvania, Florida, Mississippi, and California.
- All manufacturing systems and processes are organized to improve quality, reduce cost and increase volume to promote growth.

Background on Ashley Furniture Homestores

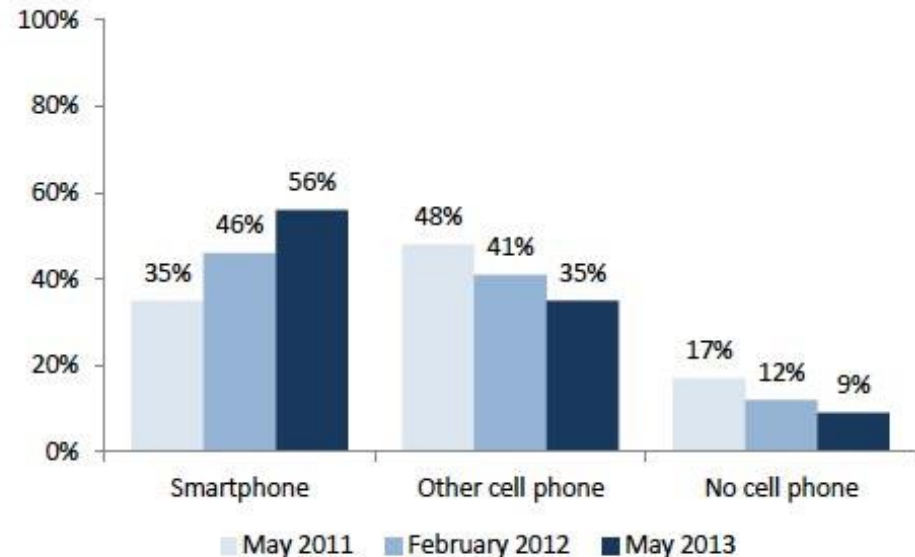
- Chain of independently owned and operated furniture stores licensed to sell Ashley Furniture products exclusively
- Ashley Furniture HomeStores is the largest furniture retailer in North America and is expanding its' presence globally.
- Over 400 Homestores in the U.S. and Canada
- Homestores continue to expand globally.
- Voted America's Best Home Furniture Retailer By Womens Choice Award (2013)



Changing Landscape and Demographics

- 56% of American adults are now smartphone owners.
- Younger adults—regardless of income level—are very likely to be smartphone owners.
- Even older shoppers are beginning to use smartphones.

Changes in smartphone ownership, 2011–2013
% of all U.S. adults who own...



Source: Pew Research Center's Internet & American Life Project April 26-May 22, 2011, January 20-February 19, 2012, and April 17-May 19, 2013 tracking surveys. For 2013 data, n=2,252 adults and survey includes 1,127 cell phone interviews. All surveys include Spanish-language interviews.

Changing Landscape and Demographics

90% of smartphone shoppers use their phone for pre-shopping activities



Evolving Retail Environment

Shopping
Patterns



Time
Pressures



Digital
Lifestyle



Environmental
and Social
Responsibility



Changing Shopping Patterns

- Consumers are heavily weighing Needs vs Wants.
 - 46% now view furniture as a need.
 - Consumers more careful about spending on products they categorize as wants.
- Researching major purchases generally took between 38 to 115 days, an average of 76 days to make a decision.
- More than 60% of consumers for big ticket items started their research process online and 89% made their purchase in-store. For furniture, 95% of purchases were made in-store.

Showrooming



Showrooming

Showrooming is the practice of examining merchandise in a traditional brick and mortar retail store without purchasing it, but then shopping online to find a lower price for the same item



Showrooming Stats

- Most consumers are doing this because of ease of making price comparisons from mobile apps.
- 156 percent jump with consumers who purchased a product from a competitor while in a retail store.
- 44 percent of consumers are said to practice showrooming "frequently"
- 36% used their mobile devices as aides when shopping in a physical store than compared to 2 years ago.

The Empowered Consumer



Convenience-oriented

Self-reliant

Digitally connected

Motivated by overall value and experience

Less brand-loyal

High Expectations

A Case for Change



The Changing Consumer...

We have to meet
them where they shop



Channel Fracture...

Connecting our channels will drive sales



The Changing Marketplace...

We must Increase the number of channels we distribute through



We are Not Out There Alone...

We have to be better
than our competition



“Unless conventional merchants adopt an entirely new perspective – one that allows them to integrate disparate channels into a single, seamless omnichannel experience – they are likely to be swept away. Successful companies will engage customers through omnichannel retailing: a mashup of digital and physical experiences.”

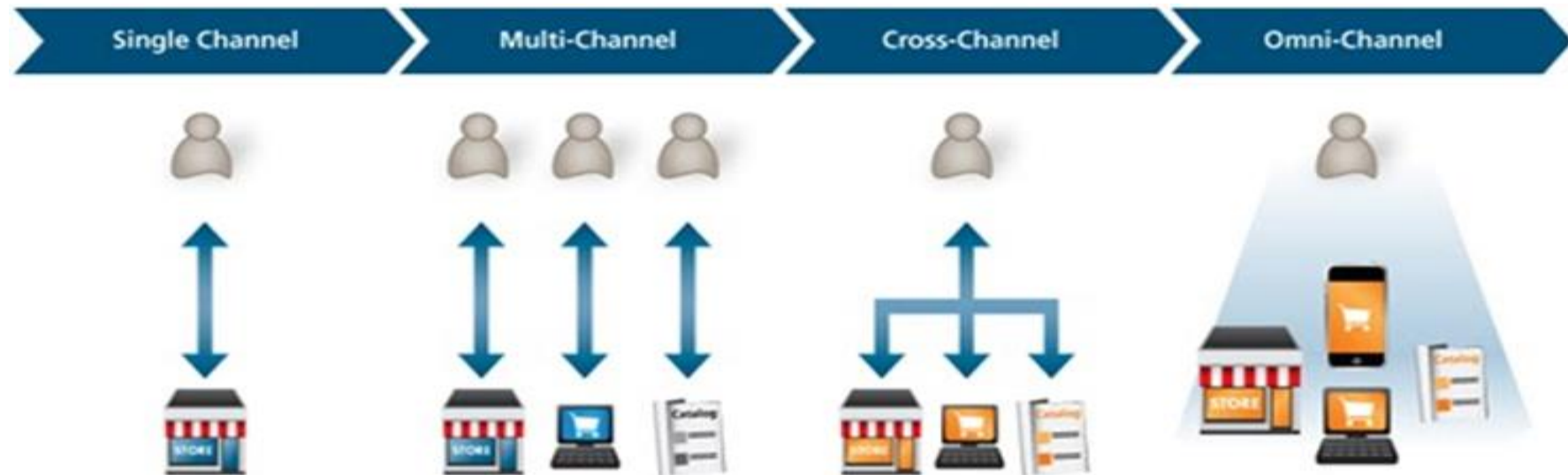
Harvard Business Review, Dec. 2012

Omni-Channel Retailing

- Omni-Channel retailing is a retail strategy that puts the customer at the center of a seamless and consistent brand experience, regardless of where she is or what device or method (online or offline) she chooses to use.



Omni-Channel Retailing



- Customers experience a single type of touch-point
- Retailers have a single type of touch-point

The Legacy

- Customer sees multiple touch-points acting independently
- Retailers' channel knowledge and operations exist in technical & functional silos

The Reality

- Customer sees multiple touch-points as part of the same brand
- Retailers have a 'single view of the customer' but operate in functional silos

The Aspiration

- Customers experience a brand, not a channel within a brand
- Retailers leverage their 'single view of the customer' in coordinated and strategic ways

The Nirvana

Omni-Channel versus Multi-Channel Retailing

- Multichannel is an operational view - how you allow customers to complete transactions in each channel.
- Omni channel is more holistic approach – managing experience through the eyes of your customer, orchestrating the customer experience across all channels so that it is seamless, integrated and consistent.
 - Customer may start in one channel and move to another as they progress towards a resolution.
 - Complex “hand-offs” between channels must be fluid for the customer
 - Buy Online, Pickup in Store, Real time inventory, Faster delivery options

The 'Omni-Challenge'

- Brick 'n Mortar Stores
- Websites
- Kiosks
- Direct Mail and Catalogs
- Radio
- Television
- Online Video
- Call Centers
- Social Media
- Mobile Devices
- Gaming Consoles
- eReaders
- Other networked appliances



Retailers need to integrate this into
a single brand experience

Omni- Channel Plan



- Partnering with Microsoft to leverage Omni-Channel.
- Investing in Microsoft Dynamics AX as the Retail Platform.
- Ashley's Largest single software investment ever.
- Project Management and Resource Plan underway.

Omni-Channel Goals



Supply-Chain
Integrated



In-Store

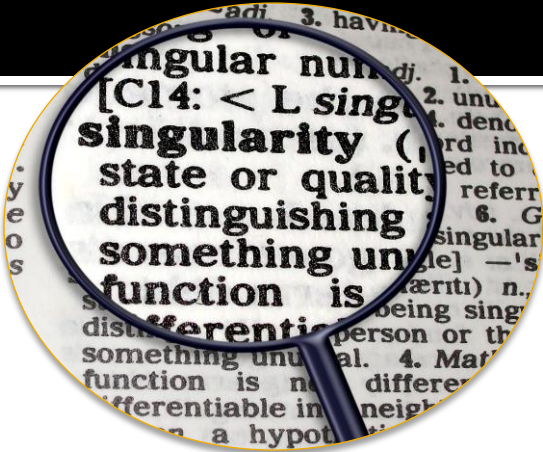


On-line



Omni-Channel
Solution

Omni- Channel Goals



Operational Singularity



AFI-Owned

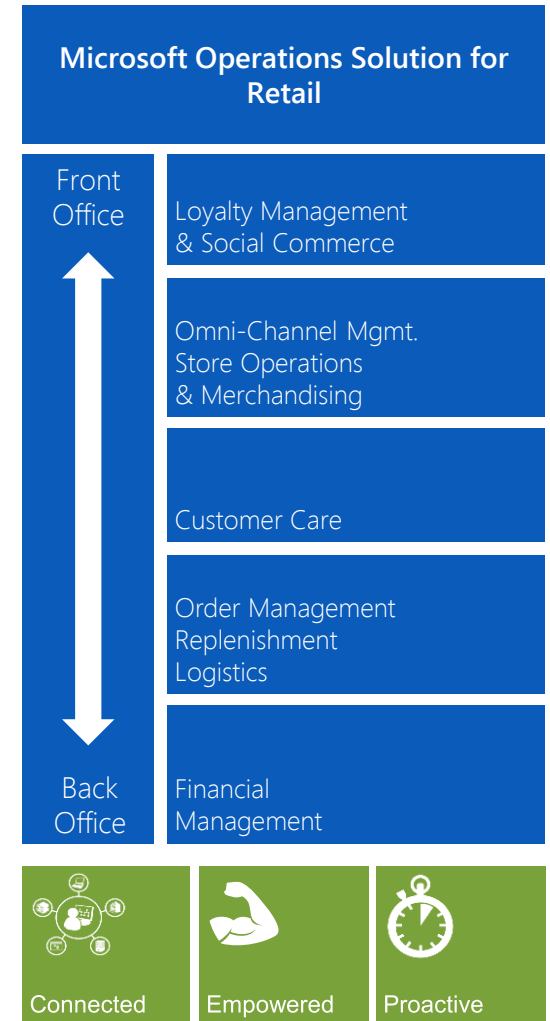
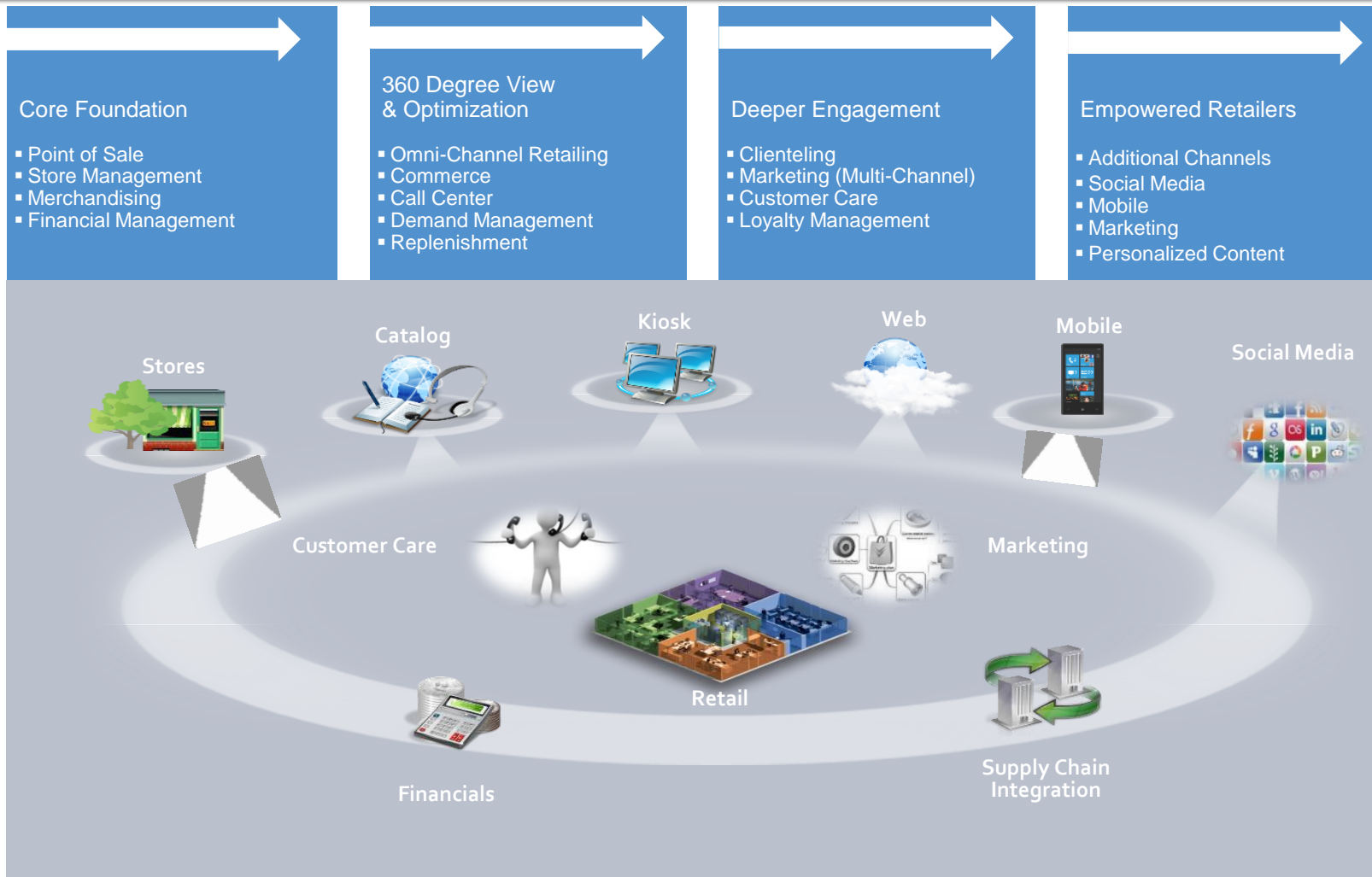


Multi-Brand



Cloud Based

Microsoft Dynamics AX 2012



Omni-Channel Outcome

- Embrace Omni-Channel and make it part of our fabric
- Formed key partnerships with leading technology and retail innovators - positioning ourselves for success
- Commitments across the entire Ashley ecosystem – This is not just an IT thing
- Avoid becoming Showroom store.
- Increase Sales.



Questions

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