



Post Market Commentary

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Spring*

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Case goods suppliers showing at the spring market in High Point, North Carolina offered new looks and product merchandising strategies to hopefully broaden their prospects beyond their core - historic customer base and tap into a seemingly “missed” or maybe ignored market share. Many manufacturers are trying to adapt to the eclectic consumer or those who were looking to update with accessories. Within this concept, many new offerings featured pieces in multiple finishes, made to work within a collection or as a standalone accent piece. This provided the customer an opportunity to mix and match pieces in wood and painted tones instead of buying an entire suit or collection.

From our perspective at least, this market continued its trend as a “finish story”. Concentrating on updated style, function and designs, (including the finish) seems to adapt to the desires of the Millennial and Gen X markets, without neglecting the “financially secure but very conservative with their finances” Baby Boomers.

Color continues to enhance the wood category with bright hues of red, orange, yellow, blue and gray – a color 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.

As part of the finish story, lower sheens and “close to the wood” finishes offer 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” and 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. Some higher-end manufacturers who are historically known for creating beautiful, 18th and 19th century, traditional furniture now understand that our industry is progressing from higher sheen mahogany 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.



Casual designs and lighter finishes create a more relaxed environment. Case goods resources are appealing to the casual lifestyles of today's consumers with lighter and more relaxed finishes on a wide range of wood pieces in major collections and other products. During the spring market, these looks gained commitments and

written orders from retailers seeking to address the tastes of today's broad range of consumers. Reported in the Furniture/Today market edition, Case goods resources are appealing to the casual lifestyles of today's customers with lighter and more relaxed finishes on a wide range of wood pieces within and outside of major collections. Lighter painted and wood tone finishes and pieces tend to have a more feminine appeal while slightly darker wood tone finishes offer a bit more masculine look.

Still, *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 and make it theirs. This is especially important to the younger buyers. While "suites of furniture" and traditional styles may remain popular for the Boomer generations, demonstrating how these suite pieces can be paired with other styles and complimentary finishes to create an eclectic, "designed my way" themes appeals to the Gen X and Y'ers. This is where accent or complimentary finishes become so important. A chipped, heavily textured painted hall chest that looks like it was just removed from a Great Grandmothers attic or discovered as a rare yard sale gem may look great in a room setting as a conversation piece. However, this heavily aged finish can look overwhelming and undesirable if applied to every piece in the room. 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. Even in an economic downturn, the customer would be more encouraged to buy accent furniture to give a lift to their home environment because it's not such a high, single investment expense that they're going to have to go home and talk about it for several weeks. 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. Accents include bright colors, bold mixtures of media, paint and finishes; and repurposed elements of nature. Mixing wood tones with colors becomes very attractive and the customers love the splash of color. Cindy Hall, the director of merchandising at Hooker Furniture noted that the "mixture of incongruous elements *in furniture design* is intended to make furniture just as exciting to a shopping woman as the latest fashions in shoes and dresses". Traditional and multi-functional is in. Looking through the end of this year, suppliers say that transitional styles will continue to make headway in the accent category; that means more pieces with straight, clean lines and bright metals. Cleaner looks are trending with customers expecting something that is "simple yet elegant." Multi-functional can be a huge selling point for accent furniture; where a console table doubles as a small desk or a sideboard doubles as a media console; bar carts become side tables, etc.

*F*ollowing, or more importantly understanding movements in finish styles can be as crucial to market success as the function or design of a line of furniture, or price point for that matter. One interesting trend that we have been following very closely is the transition of darker finishes like the traditional espresso and java. Many experts have been anticipating the death of this very dark, almost painted out wood finish. Truth is, we see this finish changing, morphing if you will, into a much cleaner, somewhat lighter and richer finish with neutral brown undertone values. As noted by Pat Watson, VP of merchandising with Hooker, "most 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." Part of the appeal of the lighter tone finishes is that they are comfortable to live with and thus easy to maintain.

At market, we continue to see versions of our Briar Smoke on a variety of wood species and sheen levels. Wirebrushed and cerused versions of this finish made an interesting introduction and was very well received in the casual contemporary category, specific to open grained wood species.



*C*erused 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. During the spring 2014 market, several variations of this finish application was used, with a very positive response.

Limed Mink



Spiced Rum



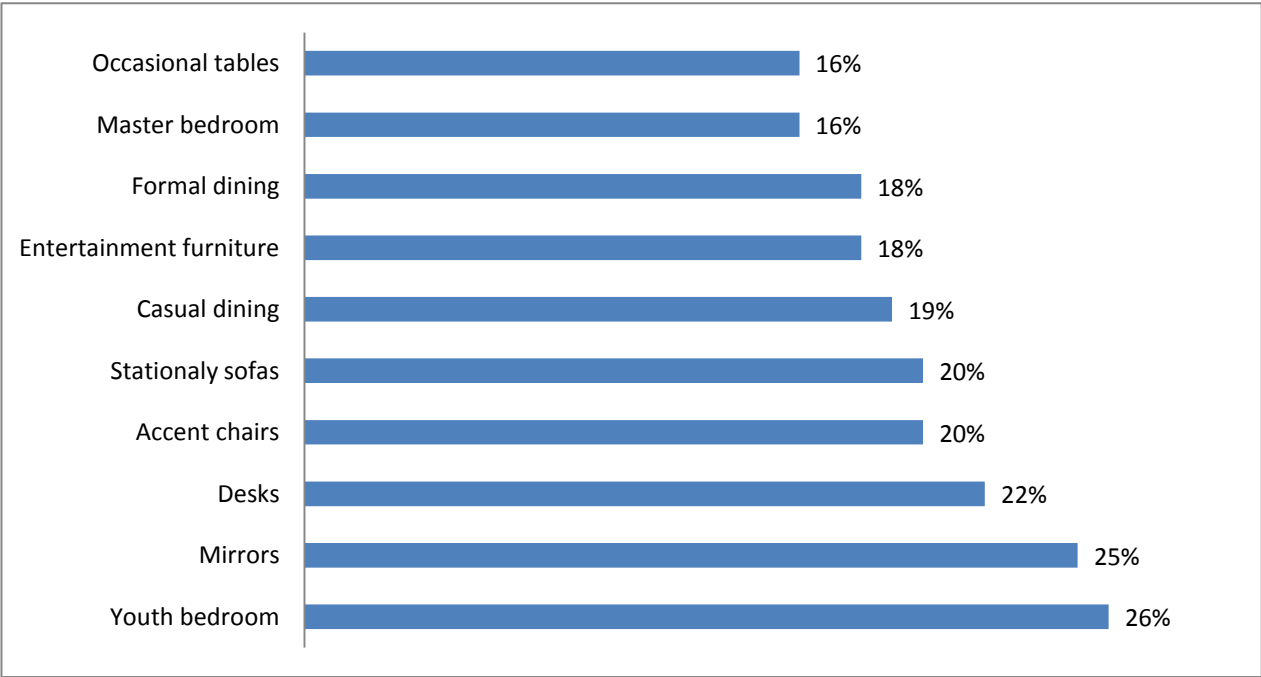
River Rock



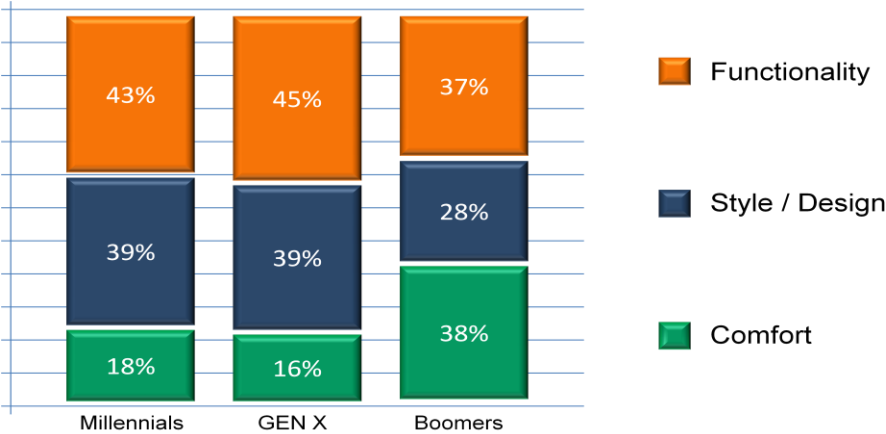
*T*oday's Consumer - continued

In a recent Furniture Today Research study, it was reported that 92% of home owners feel it is important that the furniture in their home reflect their own personal style and creativity. It was also reported that 76% of today's customers want an unplanned, eclectic look. This takes into account all buying generations, including the affluent consumer and signifies how important "personality and individuality" is to the end customer. Better understanding the customer of today, specifically the Millennial and Gen X, and how the Boomers focus has changed is crucial to our continued success. We feel that it is crucial that we better understand our diverse

customer base. Although the Boomers are still a large part of our market at some 80 million strong, their focus has changed from what it was 25 years ago. They are no longer trying to start up a new home with a new family. They are focusing on, or already enjoying retirement. They're investing in their vacation home or RV, (home away from home); they have money but they're somewhat tight fisted with it and how they are going to spend it. Generation X and Y now make up 46 and 76 million respectively and this is the generation who is investing in new homes, new families and building upon their careers. They certainly make up a considerable portion of the affluent market, are well educated and make a better living than their parents at the same age, but their focus is so much different than the Boomers. They are the "show me vs. tell me society." They are more inclined to buy a single piece of furniture because it "fits them" and then build around that piece. A matching suite is not as important as pieces that have a personality of their own and simply coordinating within the room. On a positive note, home ownership is important to this group. In 2013, 28% of home buyers were Millennials. In a recent Furniture/Today Consumer Survey, it is reported that 45% of Millennials anticipate that they'll be able to buy furniture later in this year, with 23% anticipating they'll buy in 2015. So when the time comes to buy new furniture, what will they be buying? According to a 2014 Furniture/Today Consumer Survey, the results are as follows:



Style; Design; Function and Comfort are essentials that are important to today’s consumer in every price range and lifestyle. When asked what is most important when buying new furniture, these essentials alter somewhat among the generations polled.



The **Affluent Impact**; It’s not just the one-percenters having a healthy impact on furniture purchases, specifically the higher end product line. As reported in the Furniture/Today 2014 High Road; the Affluent comprises 22% of all households in the U.S. and number 26.8 million strong. Nearly 60% of those in the affluent category have incomes between \$100,000 and \$149,000; 23% between \$150,000 and \$199,000 and 20% earning \$200,000 or more. And when it comes to price as it relates to value, we see that this impactful percentage of homeowners are willing to spend 1 ½ to 2 times more money on furniture than the non-affluent. The affluent shopping habits are quite interesting as well; 79% of these customers are “continuously shopping for furniture or accessories,” where the remaining 21% shop only when necessary. This may account for the analogy “if they see it, like it and want it, they’ll buy it, regardless of the price.”

Along with the right designs and the right colors, marketing the product correctly is invaluable. Marketing is basically telling the right story to the right audience. To do this, we must know our market / our customer or customers. Understanding the perceived needs and wants of Gen X and Y; and how they differ from the Baby Boomers will prove invaluable.

New Programs *S*potlight

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 View

Toffee

Cambridge

Seven Oats



Surrey

Bogart

Eastbay St.

Fruitwood

Dusted Graphite

River Rock

Organizational Update

Almost two years ago, FinishWorks, LLC joined the RPM Wood Finishes Group family. FinishWorks was a primary distributor of the CCI product line of coatings along with many other supporting products to fill the needs of their customer base. Not only a distribution resource, FinishWorks involves support efforts including color matching and color styling, sales and service.

Recently, our two entities have joined forces to become **CCI/FinishWorks**. This incorporation creates a much stronger resource to our customers in overall support, capabilities and competitiveness. To better serve our extended customer base, we now have various **CCI/FinishWorks** satellite locations equipped with a full production, sales and color development support staff. All locations are further supported by the RPM Wood Finishes Group production and R&D staff out of the Hudson, NC and Westfield, Massachusetts facilities, the Interpretive Design Group and Color Studio and Showroom out of our Hickory, NC location.

As we continue to strengthen our efforts, we will soon have a combined website to showcase our expanded capabilities. At this point however, we continue to support the two websites ccicoatings.com and finishworksindiana.com.

RPM Wood Finishes Group

R&D and Manufacturing facility

3194 Hickory Blvd. Hudson, NC 28638

Main Office and Showroom

22 South Center Street, Hickory, NC 28603

CCI/FinishWorks Locations

Shipshewana, IN

Apple Creek, OH

New Holland, PA

Authur, IL

Hudson, NC

Credits / References:

Furniture Today High Point Market Highlights 2013 & 2014

Post Market Commentary, fall & spring 2013 issues; RPM Wood Finishes Group – CCI

Furniture/Today High Road, April 2014 publication

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