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Can We Talk?

NEW INFORMATION TECHNOLOGIES HELP
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MIXING IT UP

Retailer of the Year

**PICKING THE BEST
OF THE BEST**

Right: HomePortfolio.com is an Internet firm that serves as a decorating resource for consumers and an information clearinghouse for manufacturers and retailers.

Below: Dale Williams, president and chief executive of HomePortfolio.com



Can We Talk?

By Donna Boyle Schwartz

HOME
FURNISHINGS
RETAILERS,
MANUFACTURERS,
AND SUPPLIERS
USE NEW
INFORMATION
TECHNOLOGIES
TO BETTER MEET
CONSUMER
NEEDS

It's a technological jungle out there, and the Internet is the 900-pound gorilla hulk in the living room of the home furnishings industry. While some suppliers, manufacturers, and retailers have begun exploring the opportunities presented by new Web-based technologies, many companies in the home furnishings industry are still seeking the right path through the technical tangle and jumbled jargon.

The Internet is today's ultimate communications medium reaching more people, faster, easier, and more economically than ever before. New information technologies are being developed to facilitate communication at all levels—from consumers to retailers, from retailers to manufacturers, from manufacturers to suppliers. It truly has become a "World Wide Web."

When it comes to home furnish-

ings, however, the Web gets a bit snarled. The sheer volume of merchandise styles, colors, and sizes can lead to confusion among consumers, to say nothing of chaos throughout the supply chain. Existing information technologies, such as EDI, are rapidly becoming obsolete, deemed inadequate for today's increased communications requirements. Leading industry associations, retailers, and manufacturers are working feverishly to develop a standardized language, based on the computer coding system XML, to take advantage of the cost-savings and efficiencies available through the Internet.

At the same time, new on-line business models are being developed to manage the increasing interactions of consumers with retailers, consumers with manufacturers, retailers with manufacturers, manufacturers with suppliers—a

host of interlinked, interactive enterprises helping to organize all of this information and put it to use. Innovative industry partnerships also are addressing how consumers shop for home furnishings, providing access to design and decorating information and directing consumers to various retail locations.

Information technology is substantially changing the way products are developed and marketed as well. Manufacturers are using integrated systems to organize everything from finances to product previews; manufacturers and retailers together are developing better forecasting systems to anticipate consumer demand; and computer-aided design systems are shortening the product-development cycle and allowing designers greater flexibility.

Change is the one constant in technology. And industry sources agree

that the pace of change is increasing exponentially, driven by better computer hardware and software, the increasing presence of the Internet, and changing consumer shopping patterns.

Information, Please!

Information technology is the key to helping retailers and manufacturers relate to consumers and better serve their needs, and the Internet is becoming a vital resource.

"Knowledge is power, and the Web provides a unique way for people to share information and gain efficiencies in the supply chain," says Cathy Hotka, vice president of information technology for the National Retail Federation. "EDI started the process, and was responsible for the first wave of improvements. Web-enabled B2B systems allow companies to really maximize both the amount of information they can share, and how they utilize that information. It helps retailers and manufacturers analyze customer behavior and buying patterns, and put that information to work to get the products that consumers want to the stores faster."

Retailers and manufacturers continue to grapple with the issue of anticipating consumer demand through better forecasting tools, as well as tracking rates of sale and inventory levels. "This is an important issue," comments Robert Mettler, president and chief operating officer of Macy's West. "We don't make enough decisions walking in the shoes of the customer. It is important for us to be far more customer-centric."

"Both retailers and manufacturers have a responsibility to manage the flow of merchandise to the consumer," Mettler continues. "Demand forecasting is becoming more and more important, to ensure that we are not out of stock or own too much inventory. But we also have to anticipate the future, anticipate changing



Left and right: Using Monarch's Pointcarré software a fabric swatch can be simulated and printed.



Above & Below: Designers can use Monarch Designs Pointcarré software to transform a basic grayscale photo into several different coordinated vignettes.





Above: Pantone is distributing 250,000 of these "color fans" to consumers.

and chief executive officer of HomePortfolio.com, a five-year-old Internet firm that simultaneously acts as a decorating resource for consumers and an information clearinghouse for manufacturers and retailers. "Companies who invest in information technology will be able to run more efficient businesses. Low-cost production doesn't help you unless you make what the consumer wants, and

gained market share."

Williams has more than 19 years of experience in the home fashions industry, and was executive vice president of WestPoint Stevens and president of its international division prior to joining HomePortfolio.com. He has put that experience to work in developing HomePortfolio.com's unique business model. "Our business is helping manufacturers and retailers use the Internet to initiate and sustain a one-to-one relationship with individual consumers," he explains.

HomePortfolio.com brings together 220 different home décor categories and allows consumers to build their own "wish list" of products from those selections, and save that information on the site. HomePortfolio.com then directs consumers where they can purchase those products, either in stores or on line. On the manufacturing and retailing end, HomePortfolio.com creates virtual showrooms for its sponsors. Sponsors also pay to list additional information about any of their products that are featured on the site.

Speaking the Same Language

One of the biggest challenges for HomePortfolio.com—and the industry in general—is the lack of data-exchange standards, according to Williams. "This inhibits the ability of manufacturers and retailers to communicate effectively," he says. "EDI only allows proprietary systems to talk to each other."

This communication problem is currently being addressed by various industry committees working on XML, a dynamic computer-based language that should help better define data exchange standards across a broad spectrum of categories and platforms.

"XML has the potential to allow seamless communication between retailers and manufacturers, and help them respond more quickly to what's selling," Williams says.

the only way to find out what the consumer wants is through information technology. Companies need to invest in a one-to-one relationship with the consumer."

Williams points out that most manufacturers and retailers in the home furnishings industry have not yet taken advantage of new information technologies. "Investments have been made in supply chain management tools, distribution, and logistics issues," he notes, adding that the retailers who have gained the most market share over the past 10 years have been those who have spent the highest percentage of their capital investments on information technology. "The higher a company's investment in information technology, as a percentage of capital expenditures, the more rapidly they have

consumer tastes, and present fresh and innovative merchandise."

Britt Wood, senior director of research, technology and education for the International Mass Retail Association (IMRA), points out that in-store technology is helping retailers and manufacturers with the forecasting process. "There is a tremendous amount of information available at the checkout counter in terms of what people are buying," he explains. "This information needs to be shared by both retailers and manufacturers so that it can be used in planning and forecasting; it will take the guesswork out of the process and make it more scientific."

"Information about consumers and consumer demand is the 'Holy Grail' of today's information technology," states Dale Williams, president

Above: Whereoware.com offers its 15,000 independent retail subscribers a range of services including automated ordering, order verification, advance ship notices, new product information and trend analysis.

"This will help them forecast consumer demand."

The IMRA is actively involved in XML development, according to Wood. "XML will streamline the whole process and take costs out of the system, because it will give everyone the same language," he states. "XML is more flexible and makes it easier for everyone to communicate."

The transition from point-to-point EDI data transmission to XML Internet-based communications will help both retailers and manufacturers save time and money, which in turn will lower costs for consumers. Manufacturers also are working on improving their own internal systems through new resource planning tools, and integrating those systems with those of

their retail customers.

"EDI has had a tremendous impact over the past 15 years, and has been an incredible instrument for cost reduction for both the retailers and the resources," comments John Hall, executive vice president of Dan River. "XML is the next step, because it will allow for collaborative forecasting and make the entire process better and faster. Making the process more efficient means we can provide a better product at a lower cost."

Internal Affairs

Dan River is integrating information from every segment of its business—from raw material availability all the way through to retail rates of sale—through a computerized resource management system called SAP. "We are investing heavily in 'demand planning,'" Hall says. "We are concentrating on managing our manufacturing process to put the right goods in place at the right time. This allows us to be a better resource for our customers."

"Another important advance has been outfitting our sales organization with access to real-time data via laptops or remote hookups," Hall continues. "The sales rep can interface with our systems from anywhere, and answer retailers' questions on the spot. The sales rep can analyze a particular retailer's assortment and find strengths and weaknesses, and suggest possible solutions. It saves the retailer time and makes us more valuable to them."

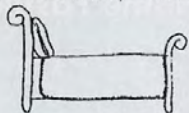
Other manufacturers also are focusing on streamlining their internal systems. Croscill Home, for instance, has implemented a new, fully integrated software suite to control its finance, planning, ordering, and shipping systems. Croscill is increasing its capital expenditures on information technology, investing in new computer hardware and software throughout its operation.

"We're trying to re-design the



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whole process and make it run more efficiently," explains Doug Kahn, Croscill president and chief operating officer. "There are potentially at least 30 pieces of paper between the designer's concept and the retailer's shelf. We're using the computer system to try and cut down or eliminate those 30 pieces of paper. We're trying to make the process

faster, more accurate, and ultimately, more cost-effective."

Croscill is looking to the on-line environment to communicate with the ultimate consumer. "We are using our Web site to build our brand, and, down the road, we hope to be able to relate to consumers on a more personal level," Kahn comments. "Our goal is to drive the business into the

stores, and also to learn more about our customer and what she wants, so we can develop products that better fulfill her needs."

The Internet also is a way to reach a broader customer base, according to Kahn. "We're establishing an on-line ordering system for our smaller wholesale customers," he notes. "Through the Internet, we can offer our smaller customers an improved level of service."

The on-line enterprise Whereaware is using the Internet to bring technological advancements previously available only to large retailers and manufacturers to smaller firms. "Everyone has seen how important technologies such as EDI have been to the growth of retailers like Walmart and Kmart," explains Eric Dean, president and chief operating officer of Whereaware. "But there are many independent stores, home décor shops, independent furniture stores, and gift boutiques who can also benefit from modern technology. Whereaware is trying to bridge the gap between the technology 'haves' and the 'have-nots.' Improved information flow enables people to see what is happening faster, so they can manage their business better."

In less than one year, Whereaware.com has registered 15,000 retail subscribers and 300 manufacturers, and is offering a range of services including automated ordering, automated order verification, advance ship notices, new product information, and trend analysis.

"We are eliminating many of the friction points, the manual steps that add time and cost to the ordering process," Dean says. "By eliminating those friction points, we're allowing retailers to spend more time focusing on customer service, store merchandising, and product selection; allowing sales reps to spend more time servicing and analyzing the retailer's business; and allowing manufacturers to spend more time creating innovative and high

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value products."

The company's early success has attracted some impressive partners: George Little Management, LLC, and the Dallas Market Center, along with the British dmj world media, are major investors in Whereaware. "We're creating a positive shopping environment that can act as a virtual trade show 52 weeks a year," Dean

comments. "It helps retailers put new and innovative products in front of their customers much more rapidly."

Beat the Clock

Shortening the product-development cycle is perhaps one of the most important functions of technology today, and nowhere is this more

evident than in the design field. Manufacturers and designers are turning to a wide variety of computer-aided design tools to increase the speed of bringing products to market. CAD systems also allow designers greater freedom of expression; color changes can be made with the click of a mouse, and patterns can be scaled up or down to suit any number of finished products.

"CAD systems have been a tremendous tool for a company like ours, which is very print oriented," points out Hall of Dan River. "It has really taken a huge chunk of time out of the product development process; we can go from artwork to packaged product much more quickly. We also have lowered our product-development costs and at the same time, been able to offer our customers more choices. For example, we can show customers sample room renderings and allow them to change colorways or coordinates on a pattern before we actually print the cloth."

By dramatically decreasing product-development time, CAD technology has allowed the home furnishings industry to be more responsive to color and fashion trends, which in turn, has led to a greater variety of product for consumers. CAD systems also have allowed retailers to become more involved in the design process.

"The most significant impact of technology on the home furnishings industry is the speed and efficiency with which new ideas are presented to customers and new product is brought to market," says Kathryn McKenzie, systems consultant for Monarch Design Systems, a leading developer of CAD technology. "Designers and manufacturers are able to be more flexible and responsive to retail customers. Concurrently, there has been a shift in who determines product direction. Retailers have greater need to differentiate themselves and now have greater influence

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Shangri-La is an elegant new textured resin design featuring gold bamboo against a burgundy, black or natural background. Available accessories include: tumbler, t.b. holder, lotion pump, soap dish, cotton puff swab box, boutique tissue, wastebasket, covered bowl brush, a shower curtain and shower curtain hooks.



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in setting design trends. We have an increasing number of retail customers who have their own design departments and work in partnership with manufacturers to develop product."

Monarch's newest system, Pointcarré textile design software, has been adopted by such leading design firms as Eddie Bauer Home, Martha Stewart Living, and Tommy Hilfiger Home.

Pointcarré is a graphic design

package that allows designers to easily and quickly manipulate colors and styles in both printed and woven fabrics, and then print accurate samples of those fabrics. The result is an extremely realistic rendition of what the actual fabric will look like once it is printed or woven.

"Using Pointcarré gives our customers distinct advantages over their less technologically savvy competi-

tion, including more control over the final product, reduction in the sample and approval process timeline, the ability to bring more product to market more quickly and the accurate representation of the final product before manufacturing," McKenzie explains, adding that the approved Pointcarré files can be e-mailed or sent on disc to the manufacturing facility. "What once took weeks and months can now happen in a fraction of the time—hours even," states McKenzie. "Not only is the decision-making quicker than ever, but the overall impact is cost reduction in sample production, shipping charges, and revision time. Ultimately, manufacturer and retailers can put out more product with less risk."

The Monarch system includes a Shape tool that allows manufacturers and retailers to see what a fabric is going to look like once it is made up into a finished product. For example, a black-and-white photo of a room scene is scanned into the computer, and then arrows are used to assign a fabric direction. The designer can drag and drop different fabric patterns onto the vignette, showing how specific fabrics will look on a sofa, window treatments, or decorative pillows.

"This is a new technology that has great application for home fashions," McKenzie says. "Manufacturers can use this tool to show their retail customers how a finished product will look. Also, retailers could use this to help consumers envision what different products will look like."

As much as technology has transformed the business over the past decade, industry sources agree that the revolution is continuing—and the pace is accelerating.

"The changes in manufacturing technology over the past 10 years have been a real boon, and things are continuing to change," says Hall of Dan River. "It's all about better, faster, and cheaper."



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