

Michael Knell's

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# HGO merchandiser

SPRING 2018

Volume Seven, Issue 1



## ARTICLE

*moves into new home*

**DAN WEARE ON THE  
HAPPINESS HABIT**

**WEST ELM ADDS  
SECOND TORONTO STORE**

**WICKER EMPORIUM:  
EMBRACING CHANGE TO GROW**

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goal they plan to attain by changing the tradition paradigm under which the consumer buys furniture. HGO editor Michael J. Knell wrote our report.

## 22 SOLUTIONS CAFÉ THE HAPPINESS HABIT

Happiness for a retailer is often hard to find. Usually because it's a process and from this experienced retailer's perspective, it begins with doing things right, right from the start and that, in turn means, getting the count (the inventory count, that is) right. This advice is coming from first time HGO contributor, and retired furniture retailer, Dan Weare.

## 26 OPENINGS WEST ELM OPENS SECOND TORONTO STORE

The American furniture and furnishings giant Williams-Sonoma is expanding its presence in the Canadian market with a second West Elm store in Toronto, which features product from local artisans and craftspeople, such as unique furniture pieces made from reclaimed and salvaged wood, coasters, letterpress stationery and handcrafted soap made with essential oils in small batches. Written by Michael J. Knell.

## 30 PASSAGES EMERGING FROM THE RUBBLE

Several former independent dealer store owners are emerging from the demise Sears Canada as furniture, mattress and major appliance retailers flying their own banners. They may be bitter about what happened to them as the iconic department store passed out of the scene, but they're determined to carry on. This is good news for the industry at large and the communities they serve. Our report was researched and written by Greg Simpson.

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**ON OUR COVER:** In this photo, the viewer is looking out one of the windows inside Article's new headquarters, located in the industrious Strathcona neighbourhood of Vancouver. The 115,000 square foot structure has north-facing views that overlook the Rocky Mountains.



## 6 EDITOR'S LETTER RETAIL IS CHANGING

The face of furniture retailing in this country is changing. The traditional mix of furniture, mattress and major appliances is falling away in many of the new ventures that are bursting onto the scene. These newcomers are mixing furniture with a broad range of other products, everything from kitchenware to soft goods. We need to learn from them and add their strength to our own.

## 8 PROFILE EMBRACING CHANGE

For so many retailers, change is absolutely terrifying and a rapidly shifting retail landscape is a nightmare to grapple with. The Halifax-based Wicker Emporium has managed to grow both sales and store count not by fighting change, but by embracing it. This family business now operates some 22 stores throughout Atlantic Canada and Ontario. Our profile was written by contributing editor Ashley Newport.

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Adopting a digital-first strategy has made the Vancouver-based e-commerce specialist one of the fastest growing furniture retailers in Canada. Their new home was designed to support their aggressive push to become a billion dollar player in the very foreseeable future, a



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MICHAEL J. KNELL

# RETAIL IS CHANGING

The face of furniture retailing in this country is changing. The traditional mix of furniture, mattress and major appliance is falling away in many of the new ventures that are bursting onto the scene. We need to add their strength to our own.

**A**S YOU MAY HAVE NOTICED, THIS EDITION OF THE MERCHANDISER is a little shorter than most. This is primarily due to some bad luck. You see, I contracted pneumonia after returning home from the Las Vegas Market (it's not the market's fault – it's just one of those things). I was flat on my back for the best part of a month, so I'm behind.

One of the things that struck me as I was writing and editing this issue is how much the face of furniture retailing in this country is changing. There's a young, smart, aggressive and forward-looking group of merchants who are challenging the way furniture is presented to the consumer. Most of them also don't adhere to the traditional Canadian image of a full-line furniture retailer – one that floors furniture, mattresses, major appliances and consumer electronics (although, with some notable exceptions, this category has fallen by the wayside, at least in-store).

For many of these merchants, they're supporting their furniture sales with a wide variety of product. This ranges from candles and kitchenware to soap, pillows and picture frames – the variety of home décor and accessories they are stocking is both broad and deep. And if I was a Canadian furniture manufacturer, I'd be a little worried. These emerging retailers aren't sourcing their upholstery and case goods here at home – at least to any significant degree. Many of them are designing their own assortments and having them manufactured in Vietnam, Malaysia, India and other locales around the globe.

Later in this issue we report on the opening of Article's new headquarters in Vancouver. Founded by four software engineers just five years ago, this is now a US\$100 million a year operation. Their focus is digital and 90% of their customers are in the United States. They believed they would be successful if they broke the traditional furniture buying paradigm.

Elsewhere we report on the new West Elm store in Toronto, which does sell Canadian product, by the way, but not Canadian furniture. Instead, they showcase the goods created by seven local artisans and merchandise it within their furniture displays.

Several more examples from this and or last issue could also be cited. The point I'm trying to make is this: the next generation of furniture retailers aren't going to look like or go to market like the current and previous generations. Having said that, I know there's quite a few multi-generational furniture operations that are up to the challenge and figuring out their own way in the world. Telling their stories is also going to be fun. Stay tuned.

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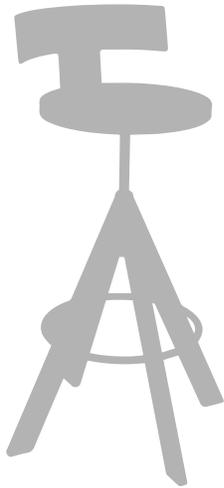
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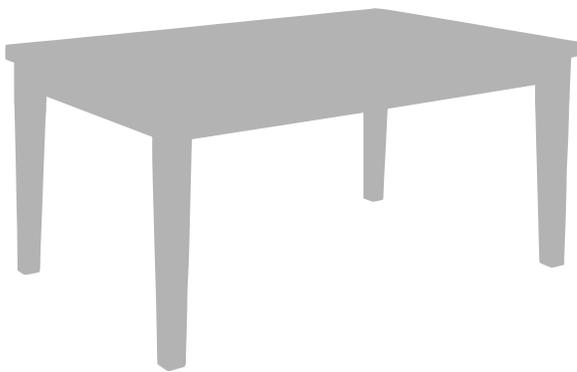


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# Embracing CHANGE

For so many retailers, change is absolutely terrifying and a rapidly shifting retail landscape is a nightmare to grapple with. This Halifax-based furniture retailer, however, managed to grow both his sales and store count not by fighting change, but by embracing it. **BY ASHLEY NEWPORT**

The exterior of one of the Wicker Emporium stores in Halifax, where the retailer was founded in 1972. There are currently some 22 units across Atlantic Canada and Ontario.



**W**HEN HEARING THE NAME Wicker Emporium, one probably thinks of a spacious showroom filled with wicker and rattan pieces perfect for the backyard or patio. One wouldn't be wrong to think so – the name is, after all, Wicker Emporium – but it would be remiss to not entertain the notion of stopping by the any of the chain's 22 stores across Atlantic Canada and Ontario for solid wood pieces as well.

The family-owned and Halifax-based company has also grown over the past few decades by vastly expanding its inventory to suit the consumer's changing tastes and embracing – not shying away from – the e-commerce boom that's dominated the second decade of the 21st century.

It's a success story that begins with an innovative newcomer to Canada who just wanted to carve out a niche for himself after settling in Nova Scotia and now operates 22 brick-and-mortar stores and one online store that serves the entire Canadian market.

"My dad started the company in 1972. At that time, wicker was in fashion but hard to come

by in eastern Canada," says Raj Kapahi, second generation president of Wicker Emporium. "He emigrated from India in 1967 and he had no intention of starting a business. He was teaching in a junior high school and he wanted to travel back to Asia, and he saw a gap in the market."

## *The beginning*

Madan Kapahi, Raj's father and company founder, worked a number of trades before launching his long-standing furniture venture. "I was hired to work with a lawyer in Vancouver, but I wanted to see more of Canada, so I took a train to see Expo 67 and then went to Halifax," the senior Kapahi recalls. "It was a nice place, so I thought I would stay. I met my wife there and we started a store and it worked well to start with. I started a deli and a flower business, also a seafood business."

But, the best part of starting a wicker furniture company, he says, was the opportunity to travel home.

"The wicker furniture took me back to India. It's still a good business, we enjoy every minute of it. We use wood from old crates and old houses. It's quite popular with people who prefer guilt-free shopping. They want to know we're not cutting down too many trees," he says.

While wicker was – and still is, to a certain extent – the banner's defining product, the Kapahi family was never afraid to mix things up. "We evolved and changed depending on what the



market was looking for,” says Raj Kapahi. “We sold ceramics, glass, dinnerware, home textiles. We got into wrought iron furniture in the 90s, while always maintaining some amount of rattan. Starting in 2001, we were bringing in solid wood furniture, some from Indonesia. Over the years, we found that wood furniture was what the market really wanted, and it fit our DNA of being natural.”

The company has also made sustainable wood part of its identity.

“We’re also working with WeForest, we have commitment to plant trees in India. Wood is in

our DNA, we want to plant trees and participate in reforestation,” says Kapahi the younger. WeForest is a non-government organisation based in France dedicated to leading reforestation projects in several parts of the world including South America, Africa and India.

As far as products go, the company’s entire product assortment is sourced from India, China, Indonesia and Vietnam and focuses on cabinets, shelving, case goods, seating and tables. They also sell sofas.

At a time when the consumer is more fashion conscious – not to mention fashion aware ▶

This living room group is part of Wicker Emporium’s Studio City collection that’s offered both online and in store.



Wicker Studio sources its assortment in India, China, Indonesia and Vietnam with a particular focus on solid wood case goods, such as the pieces seen here.

— than ever before, the seamless move to a timeless and stylish imported product made sense. “We’ve transitioned the brand to be more focused on rustic, solid wood,” Kapahi says, adding accessories have become a less significant part of their product assortment.

Their selection of wood furniture is also relatively vast, with pieces made of Acacia, shisha and mango wood from India and solid thick wood from Indonesia. Wicker Emporium also offers reclaimed pine wood furniture from Vietnam.

“It’s durable, fashionable furniture constructed from solid wood. It’s more of a casual, rustic sort of look,” says Kapahi.

### ***Jumping into Ontario***

Another adjustment the retailer made was adapting to a more diverse market. After serving Atlantic Canada exclusively, Wicker Emporium had to customise the assortment upon moving to Ontario — where they currently operate eight stores — whose consumers have somewhat different tastes.

“After moving into the Ontario market, we discovered it’s very different. We’ve had to transition the brand to a more contemporary and urban look,” he notes.

But the Atlantic Canada shopper was never forgotten. In fact, Wicker Emporium recently capitalised on the “treasure hunt” shopping experience popularized by HomeSense in order to satisfy its more traditional east coast clientele. “We’ve created a new concept to be a little bit more of a treasure hunt with rustic, shaggy-chic pieces,” Kapahi says.

The factory-direct outlet concept allows customers to search for one-of-a-kind goods that will never appear in store again while saving the company time and money. “Vendors in Asia can load trailers with 70 to 80 items and ship them directly into our stores in Atlantic Canada, so we have a dynamic and ever-changing assortment,” Kapahi says. “It’s a scarcity of availability. There’s no on-order or warehouse stock, what you see is what you get. We launched this six months ago in Atlantic Canada.”

As far as price points to, Kapahi says all of Wicker Emporium’s products are higher end from a quality and desirability standpoint, yet uniquely affordable. “I think our products are high-end, but our price points are mid- to low. It’s a high end look for the masses. A lot of people like solid wood because it has that warmth and that texture to it. It’s easy to repair and modify.”

One thing that’s unique about Wicker Emporium is its ease with adapting. From 2008 until very recently, a dark mood — courtesy of the global economic meltdown that pummelled the retail and manufacturing sectors — permeated industry-related events. Industry insiders were understandably cautious in the years after the recession, carefully managing expectations (and by extension, growth) and sometimes worrying about the negative impact e-commerce would have on their operations.

In 2010, just two years after the great recession, Wicker Emporium decided to make the jump to Ontario after setting up stores in each and every Atlantic province. “We were saturated in Atlantic Canada and there was nowhere else to grow. Ontario has always been an economic engine,” says Kapahi. “Our first Ontario store was in Mississauga. In terms of economic growth and new people moving in, it’s faster in Ontario.”

### ***Embracing e-commerce and social media***

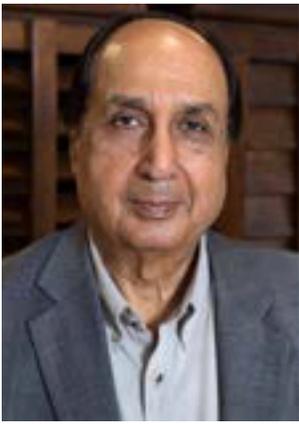
The brand was also quick to embrace e-commerce and social media — two things many retailers have taken slightly longer to gravitate to. ▶



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Madan Kapahi, Raj's father, is the company's father and chief executive officer. He was a new immigrant to Canada from India when he founded Wicker Emporium in 1972 and is still active in the business.

Left: Priyanka Kapahi is Wicker Emporium's director of marketing.

Middle: Raj Kapahi is the second generation president of Wicker Emporium.

Right: The Cosmo buffet/side table is a good example of Wicker Emporium's emphasis on well designed, solid wood furniture with a contemporary flair.

"E-commerce is the future and I think that young consumers, more and more, are shopping online and don't have the time or the desire to go into a store and buy," he says. "Older generations grew up shopping in stores and they're more comfortable with that. Millennials will check out reviews and check out the web sites, to not embrace that would be a mistake for us."

The move to create an online store made sense, especially when other furniture retailers – think Wayfair and Casper – are thriving without any sort of brick-and-mortar presence. Wicker Emporium got out in front of the online trend by launching its e-commerce store in 2015.

"We always had an online catalogue, but the ability to add the cart and ship to home or store started in 2015," Kapahi explains, adding the move has been well-received by customers.

"We had interest right away. It's our fastest growing store right now and it's just going to keep on growing," he says, adding, "We're committed to investing and supporting further growth of the e-commerce store."

To make the experience even more user-friendly, Kapahi says the company will continue to look into forming partnerships with different logistics and fulfillment companies to give customers more competitive rates. "We'll offer white glove service where we bring the piece to the room of choice and offer garbage removal. That's all value-add."

Utilising an e-commerce platform will also allow Kapahi and his team to expand Wicker Emporium's clientele base and perhaps even reach customers across the border.

"There's a lot of opportunity to open the shipping to northeastern U.S. There are a lot of consumers; we get a lot of inquiries from there."

Wicker Emporium also relies on social media to reach end consumers. "We're doing a lot with social media, it's our strongest marketing driver right now," he says, adding the company has done well by raising awareness of its presence on Facebook and Instagram. "We'll continue to invest in those channels. Traditional advertising isn't part of our usual strategy, but we might do radio ad on occasion to promote a special event."

Wicker Emporium has also generated a substantial social media following.

"We have a Facebook fan base of 45 to 50,000 people. We engage with a lot of bloggers and advocates on social media. A lot of the traditional marketing activities are expensive and have become less effective over time. Back in the day, you had radio, newspaper and TV. It was pretty simple, that's what you did to hit the market," he says.

"Now there are so many different things that people are paying attention to. People are more likely to pay attention to somebody that they consider an expert advocating for your brand. If you can get some of these bloggers, an expert, a leader in that industry to advocate for you, that's good."

Interestingly enough, the Wicker Emporium has managed to make its way onto one of the leading home décor and renovation shows on HGTV.



“We were on *Leave it to Bryan*. We worked with their stylist Laura Lynn Fowler. She would use our stuff and our logo was in the credits. We’re also on the resource web site,” Kapahi notes. “We’ve also had Colin and Justin use our products on their show.”

Beyond being innovative and modern, focusing on e-commerce has helped drive growth in sales in recent years, although actual figures were not disclosed. “It was definitely a positive addition to the volume,” Kapahi says. “I think it’s a risk not to go online. There’s a significant part of the market that is doing more of the shopping online. If you’re not online, you’re going to miss out on an ever-increasing share of the market.”

Focusing on both online and in-store sales also allows Wicker Emporium to attract a diverse swath of shoppers. “We have shoppers from all demographics. We have the factory-direct outlet stores that cater to older customers and the more urban markets have more contemporary designs that skew younger. Our shoppers are people in their late 20s as well as people in their 60s and even 70s.”

And like many other retailers, Wicker Emporium is offering more compact furniture to appeal to the growing number of condo dwellers. “We’re getting more into condo-sized furniture,” he says.

To select his assortment, Kapahi visits a number of trade events to see what’s available. “I like to go to the Las Vegas market to check out the trends. I go to the Indian Handicrafts and Gifts Fair in Delhi, as well as shows in Singapore, Jakarta and Vietnam,” Kapahi says. “I also go to *Maison et Objet* in Paris and the show in Cologne every few years. At European markets, people take more risks and are more fashion-forward. It takes a while before trends that we see in Europe or Vegas become present or visible here.”

As for what the future has in store, Kapahi is most excited about the new factory direct concept Wicker Emporium is trying out in Atlantic Canada. “I’m really excited about this factory direct concept. What’s interesting about it is you can offer the customer a broad, dynamic and ever-changing assortment of product. Online can’t compete with it because the assortment is so fluid,” he says.

“We’re not constrained by logistics of distribution, there’s no warehouse. We can open stores anywhere in the world. That model holds a lot of potential. We’d like to try to scale it across Canada eventually.”

Kapahi also sees potential for the brand’s more urban stores – especially with more brick-and-mortar spaces becoming available. “With



the premium stores, there’s resale space available on the market. There are a lot of vacancies and pop-up shop deals that are available. We can test the markets and if the sales are there, we can sign longer term agreements and leases. The market is changing fast, and it’s great to get good retail spaces for great prices.”

Mentioning the recent departure of Sears Canada, Kapahi adds that since space just become readily available on the market, landlords have to decide what to do with it. “There’s really a lot of retail space that’s available again.”

With online shopping only becoming more popular, it’ll be interesting to see how Wicker Emporium grows – and if it, indeed, finds its way into the living rooms of more U.S. consumers. **HGO**

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*A contributing editor to HGO Merchandiser, ASHLEY NEWPORT is a Toronto-based freelance journalist who writes primarily for trade and business publications. Her specialties include food, hospitality and emerging social/business trends.*

This casual dining set is merchandised with both dining chairs and benches. Wicker Emporium doesn’t sell mattress or appliances; instead it focuses on accessories and home décor pieces such as those seen in the background here.

The entrance to Article's new headquarters features a large atrium that will be used to showcase rotating product to office visitors.

# Article's *New Home*



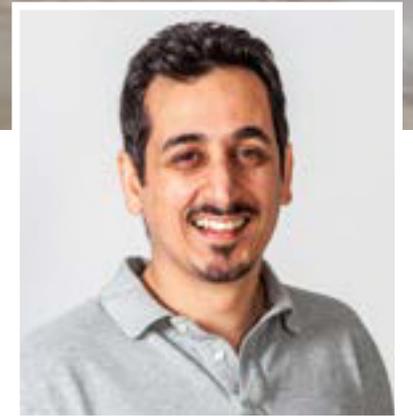
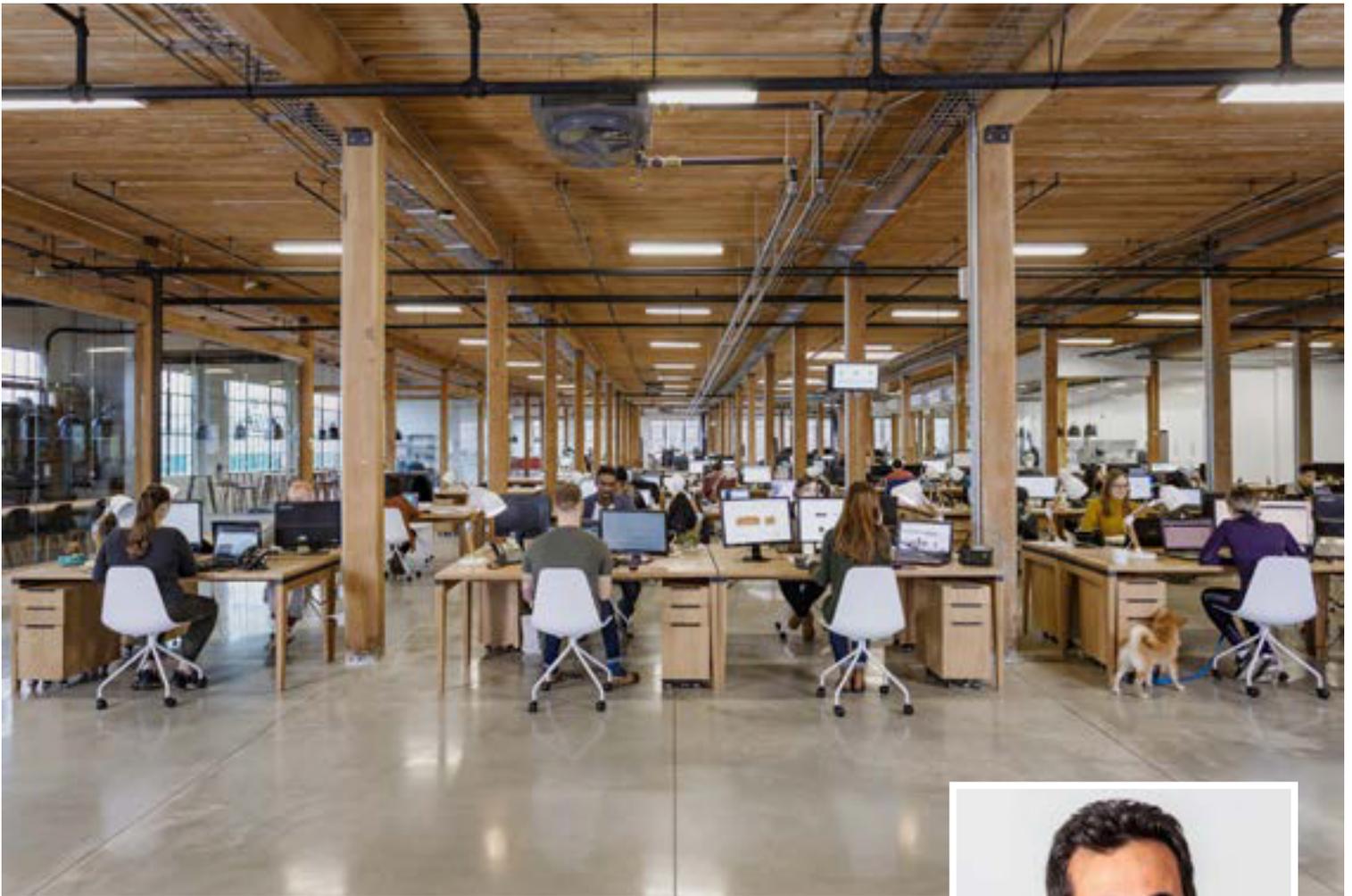
An exterior view of Article's 115,000 square foot headquarters, located at 1010 Raymur Avenue in the Strathcona neighbourhood of Vancouver, British Columbia.

Adopting a digital-first strategy has made the Vancouver-based e-commerce specialist one of the fastest growing furniture retailers in Canada. Their new home was designed to support their aggressive push to become a billion dollar player in the very foreseeable future.

**BY MICHAEL J. KNELL**

**W**ITH ESTIMATED SALES OF US\$100 MILLION IN 2017 - roughly \$130 million at the Bank of Canada's established annual exchange rate for last year - Article is one of the largest furniture and home décor retailers in Canada. They are also one of the fastest growing. But they don't have a store and some 90% of their sales are to consumers in the United States. This suggests the privately-held merchant may very well be the largest Canadian e-commerce furniture specialist currently online.

They recently moved into their new 115,000 square foot headquarters in Vancouver's industrious Strathcona neighbourhood, outgrowing their original 5,000 square foot home as co-founder, managing director and chief executive officer Aamir Baig's long-term plan to make Article a bil-



Aamir Baig is the co-founder, managing director and chief executive officer of Article.com.

lion dollar player on the e-commerce scene in North America takes shape.

Baig, Fraser Hall, Sam Prochazka and his brother Andy Prochazka – all software engineers by training – founded Article after taking a trip to the Arctic in 2011. The site at [article.com](http://article.com) went live at the end of 2013. Baig recently told *Retail Insider*, a Canadian blog covering all things retail, the company was shipping an average of 10,000 orders a month in 2017.

Article's product assortment is focused on the modern, mid-century and Scandinavian style categories. It covers living, dining, bedroom and outdoor furniture, supported by home décor and accessories such as area rugs, lamps and storage pieces.

"Living and dining are our most mature categories," Aamir Baig related in a question and answer session with *Home Goods Online*. "However, in the last twelve months we have seen tremendous growth in our new categories: bedroom, outdoor, and décor. Over the next year, you will see substantial expansion of our entire product catalogue."

It's sourced from craftsman and manufacturers in Vietnam, China, Indonesia and India with more than 450 SKUs being exclusive to the Article brand.

"Our in-house team works directly with the best designers and manufacturers all over the world to build a product catalogue that includes a range of mid-century modern, Scandinavian and West Coast modern designs," he continued, adding, "We focus on these styles because they work extremely well together, and speak to the tastes and preferences of our target audience. As we double our SKU count, adding and expanding categories, we intend to remain focused on curating a product range of contemporary, modern articles that complement one another and resonate with our customers."

The one category Article doesn't currently offer is mattresses. This is deliberate. "We're in focused on engineering remarkably better furniture experiences, making high-quality furniture accessible," Baig said. "If we saw an opportunity to deliver significant value in this product category, we would add it to our assortment."

At the end of 2017, its workforce totalled 150, stationed not only at their Vancouver head office but at their distribution centres in Seattle, Los Angeles and New Jersey. A fourth distribution centre – in Jacksonville, Florida – is expected to be operational in the first quarter of ▶



The modern work space can be a studio or a meeting space. Article styled this area with the Tris table which comes in three interchangeable colored cross bars to match the decor to the mood.

2018, a year which will see even more names added to the payroll.

Even though they are headquartered in Canada, all of their distribution centres are in the U.S.

“We strategically place our warehouses in port cities to best serve our major markets in Canada and the U.S., always with the goal of increasing efficiency, bringing down delivery times and cost to the customer,” Baig explained. “We haven’t opened one in Eastern Canada because to date we’ve been able to efficiently serve customers in that region from our existing warehouse network, delivering 80% of orders in under two weeks and 30% in less than a week last year.”

(Eastern Canada is serviced from its distribution centre in New Jersey.)

The sales mix, he added, between Canada and the U.S. is roughly in line with the population of both countries – suggesting the former accounts for roughly 10% of revenue. “There are differences around peak shopping periods, but people love our product on both sides of the border,” Baig said.

## TAKING A DIGITAL FIRST APPROACH

Article was launched because Baig and his partners believe by taking a digital-first approach, they could successfully – and profit-

ably – change the customer experience when it comes to buying furniture, a process they see as antiquated and not very beneficial to the consumer.

“We started Article because we saw an opportunity to make a difference,” he recently told *Retail Insider*. “Furniture buying was a frustrating, time-consuming, expensive experience. People were paying too much, product quality and customer service were inconsistent, and the whole process took way too long. We knew there had to be a better way.”

“We’re engineers by training and started by looking at the inefficiencies that existed in the traditional retail model,” he continued. “We discovered that when it came to furniture, forgoing the brick and mortar experience would allow us to offer a quality of product that is unrivalled for the price, streamline the shipping and delivery process and deliver a remarkably better experience. We were confident we could make beautiful, high-quality furniture accessible.”

He told *Home Goods Online* Article’s first job is to build trust with the consumer which begins by delivering on their promises – regardless of whether she’s in Canada or the United States.

“Because we’re engineering a new experience for buying furniture and trying things that have never been done before, questions gener-

ally arise from new customers: Can I trust this brand? Will they be able to offer better quality for the value?” Baig said. “Once we’re able to sell a customer on our vision, and they see that we can deliver on our value promise, trust is quickly established. The number of repeat purchases from existing customers has gone up dramatically over the last year, as our original customers come back to work with us on their next interior project.”

In fact, they want to be noticed.

“We deliberately set our mission to deliver remarkable experiences, and we mean that literally – to be remarked on,” he said. “Continuing to deliver against that mission is a key driver of our incredible growth, because our customers share their experience with friends and family. That way, trust is built one great relationship at a time.”

## THE ARTICLE BUYING EXPERIENCE

Baig has a straightforward explanation of what he means by experience.

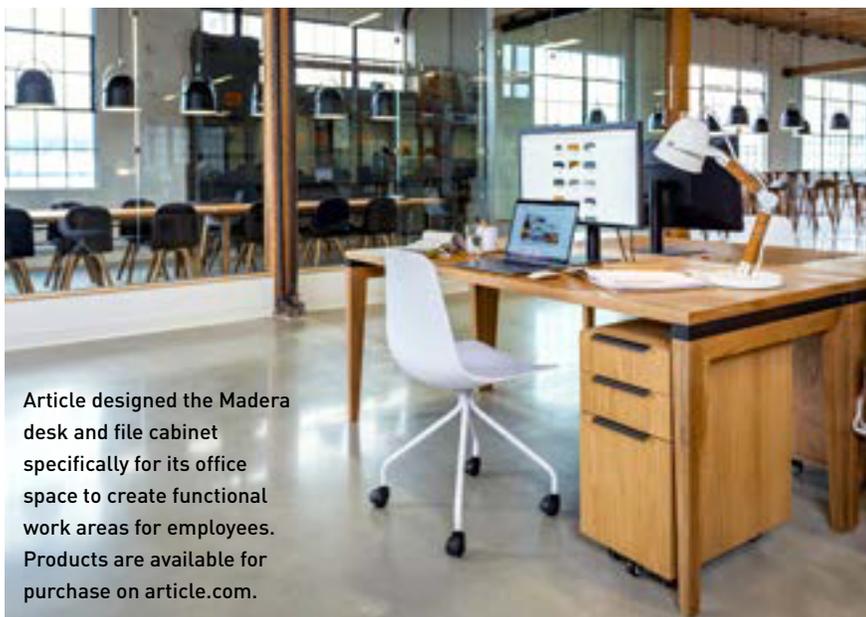
“The word experience reflects our commitment to the entire end-to-end process: discovery, inspiration, shopping, delivery, set-up, customer support and care,” he said. “Our focus is on building and maintaining relationships instead of processing transactions. This customer-centricity, combined with our ability to unlock efficiency through the application of technology, allows us to create remarkably better furniture experiences.”

Article measures itself against brands outside of the industry and is always looking for ways to improve to the point where customers, in particular, remark on their experience. “We measure this in many different ways, focusing on customer sentiment, first and foremost,” Baig said. “Customer feedback is our best barometer to determine if we are delivering a remarkable experience. We also augment this qualitative feedback with robust KPIs for key components of the experience, including delivery, web site experience, customer service, and more.”

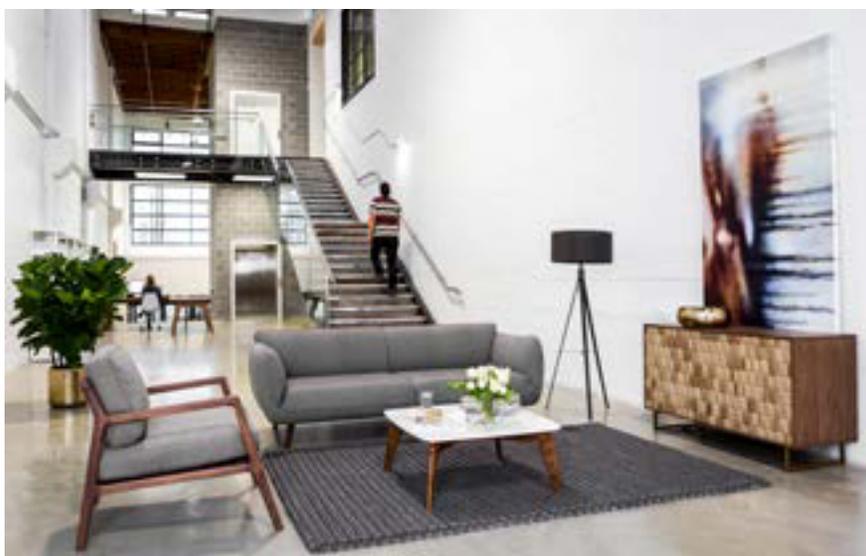
All of this gives Article a competitive advantage over traditional brick-and-mortar furniture stores.

“We’re able to deliver better value to customers throughout the experience because we don’t have brick-and-mortar locations” Aamir Baig said. “Most notably, we’re able to pass along significant savings on products of comparable design and quality, while also delivering a remarkably better experience.

“People are increasingly choosing to shop with us instead of traditional brick-and-mortar ▶



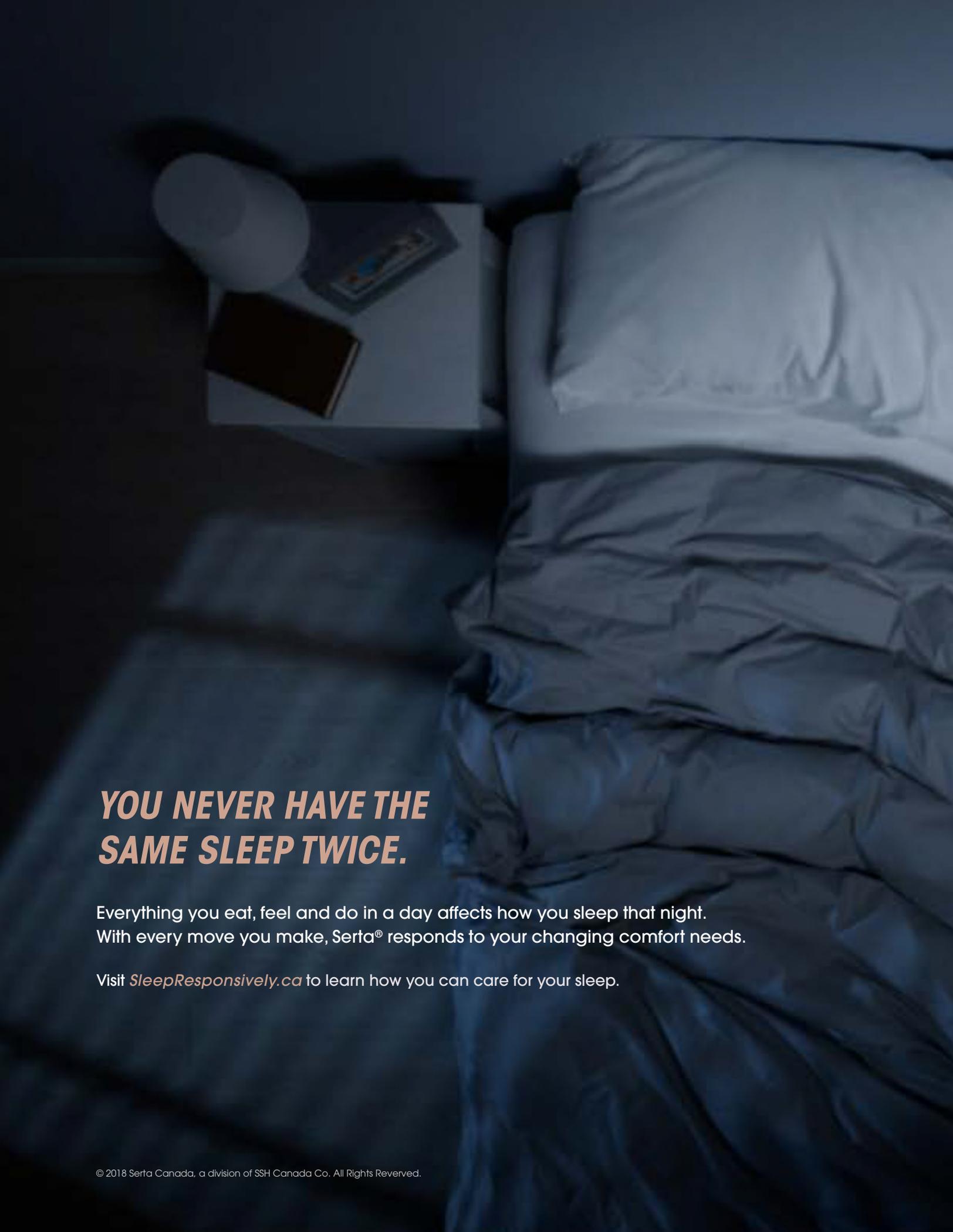
Article designed the Madera desk and file cabinet specifically for its office space to create functional work areas for employees. Products are available for purchase on [article.com](https://www.article.com).



The modern work space can be a studio or a meeting space. Article styled this area with the Tris table which comes in three interchangeable colored cross bars to match the decor to the mood.



Breakout spaces include standing options for Article employees. Switching up the workspace can stimulate new ideas.



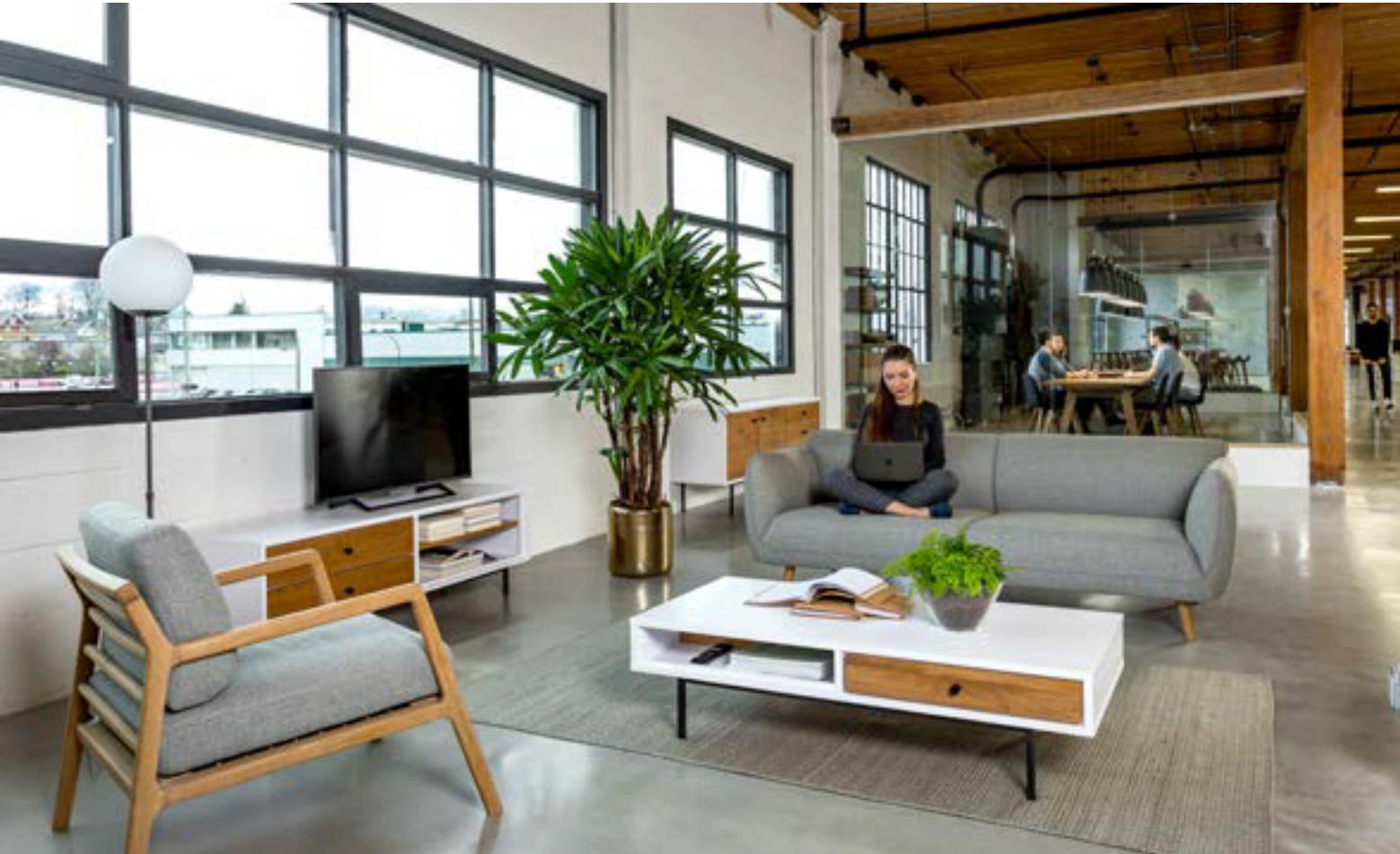
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Break-out spaces throughout Article's office are outfitted with the company's products. Featured here are the Haro Vapor Gray sofa, Denman Vapor Gray chair and the Bios coffee table and media unit.

retailers – and it's easy to see why," he continued. "Our outstanding product design; speedy, affordable delivery; and friendly customer service sets us apart. We also offer a 30-day satisfaction guarantee so you can try the product in your own home and make sure you love it."

A number of the pure play e-commerce merchants have been experimenting with brick-and-mortar – the most well-known example is mattress specialist Casper, which recently opened a number of kiosks inside Chapters Indigo stores in the Greater Toronto Area – something Article hasn't dismissed out of hand, but isn't high on their priority list.

"Part of the reason we're able to offer our customers remarkably better value is because we don't have the overhead costs associated with operating a showroom location – that's one contributing factor," Baig said. "Another thing to keep in mind is that the way customers are shopping is changing; it is digital-first. We understand that people are conditioned to try furniture before they buy it, but if you think about the furniture shopping journey, a showroom doesn't really solve many of the challenges and anxieties consumers face.

"What people really care about is how is an item going to look in their space alongside their other furniture and colours in the room," he continued. "The best way to figure out if an article looks good in their space is to try it out

in their home, which is why we offer a 30-day satisfaction guarantee."

Article also obsesses about saving the time and believes the best possible buying experience involves being able to order a new sofa or dining table without leaving the comfort of home.

"However, we do understand there is a need for a segment of consumers to build confidence and trust with a brand before they buy, which is why we're looking for innovative ways to provide that omni-channel experience in a way that delivers more value. Whatever we do, when we do it we want it to be different and more importantly, remarkably better," Baig said.

Aamir Baig has been quoted as saying Article could reach \$200 million in sales during 2018. "We continue to see huge potential for growth in Canada and the U.S., with the total market size (worldwide) somewhere around \$250 billion annually," he told HGO. "We plan to stay laser focused on this market and build a lasting brand that delivers remarkable furniture experiences." **HGO**

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MICHAEL J. KNELL is the publisher and editor of Home Goods Online and all of its platforms. He has observed, researched and written about Canada's furniture and mattress industry for the past three decades. He can be reached at [mknell@homegoodsonline.ca](mailto:mknell@homegoodsonline.ca)

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# *the happiness habit*



BY DAN WEARE

Happiness for a retailer is often hard to find. Usually because it's a process and from this experienced retailer's perspective, it begins with doing things right, right from the start and that, in turn means, getting the count (the inventory count, that is) right.



**J**UST EIGHT SHORT WEEKS AGO, A common greeting to those we met or corresponded with was *Happy New Year*. So, tell me how has your year been so far? If you're like most furniture, mattress and major appliance retailers – whether a single store independent or a chain – you'll have experienced some ups and downs as 2018 got going. Saying Happy New Year certainly doesn't make it so.

Richard Branson, the British entrepreneur, founder of Virgin Airlines and LinkedIn influencer, says "Happiness is a habit." Reflecting on this lead me to thinking about the habits we need to develop – as retailers and business owners – to ensure we are on the "happiness trail." What habits will characterise how you run your business in 2018?

Start by considering an activity many of you are involved in at this time of year: inventory taking.

This has been an essential part of retailing for as long as stores have been serving customers. Inventory checking is not just about the quantity of inventory in your store, warehouse or on order. It is also about the quality of the same product. A proper inventory taking can help determine the store's exact profitability for the previous year.

Building the stock listing, making sure to correctly account for each item on both the sales floor and in the warehouse requires a lot of work. Sometimes it's a challenge to remember the value of custom product and upgrades. You cannot forget about the parts inventory particularly in appliances and electronics. Some of those smaller items are hard to get at. And then there is product that may be out on loan, at a model home or stuck in that odd corner of the warehouse. I recall a time when I took over a store where we had up to 100 seamstresses making custom order draperies. The prior year, my predecessor inventoried the "mis-made custom returns" at full retail value. What a disaster that was!

Is inventory taking just a financial or accounting function? For those of you who do not use the calendar year as the fiscal year for your business, it's still a wonderful time to spend time thinking about your business.

## TAKING STOCK

This involves more than simply considering the product on the floor, in the warehouse or on order for a customer. The *Financial Post* reported this past July that Loblaw, perhaps the largest Canadian grocer,

"is taking stock of the very compelling threat that omni-channel, and particularly Amazon, represents to Canada." This exercise would have included every aspect of how the customer

is currently shopping not just at Loblaw but at its competition and their various channels of distribution while examining the profit concerns in the grocery business.

The senior management used the necessity of taking inventory for more than just counting the goods. This can be invaluable when margins are thinning and the

competition is getting tougher. In 2018, there's no room for an inefficient operation.

I would suggest every store owner – particularly if you're an independent furniture, mattress and major appliance retailer – use this "stock taking" to consider the quality of your entire business plan. I would urge you to consider the following topics:

What is your *Mission and Vision*? What drives you? Where do you want to take your business? Keep the number of your goals short but consistent throughout your operation.

What are the concerns keeping you up at night? How many are key drivers of business success? Or, are you worrying about things that have little consequence and ignoring the "elephant in the room"?

Are you focused, daily, on the *Consumer Experience (CX)*? How do you demonstrate this? By *Customer Experience*, I am referring ▶



"Well, it's inventory time again – You do the rocks and I'll do the sticks."



to every aspect of what the customer sees and feels when contacting or visiting your place of business. See it from their perspective to understand the customer's personal reality. A common issue among sales associates is they often "sell from their own wallet" and forget the consumer may have more – and sometimes less – money in her budget. In the Harvard Business Review, Adam Richardson put it this way: "It is the sum-totality of how customers engage with your company and brand, not just in a snapshot in time, but throughout the entire arc of being a customer." (I will discuss this in greater detail in future columns).

Who is on your team? When taking inventory during my career, I always made sure to team a seasoned staff member with a new one and to make sure the count was always done in pairs. Management always double checked at least 10% of the floor – and 100% of the higher value products. You need a team behind you to ensure success. A vice president I once reported to was fond of saying from time to time, "If you have people who know everything you should fire them and hire people who want to learn new things."

What measurements do you use to ensure the customer is being considered in everything the business does; that your employees are engaged; and, that your store/stores are running efficiently?

What is the competition doing in your market? Many retailers are content to copy the store across town. Don't do that, determine the best way to get out in front and then do it. This only happens with a review. Don't be shy about learning from other retailers – they are usually the best teachers.

Here's a way to record your thoughts:

After completing the inventory, I recommend an audit of your overall business. This will help identify discrepancies and other sources of value loss throughout your business. Throughout the rest of the year, conduct inventory spot checks to determine whether you're experiencing shrinkage of any kind and things are, indeed, balancing out.

While conducting inventory at one store in particular several years ago, I noticed something odd in the behavior of the security manager in a large mall store. Everything about his history said he was terrific. This was a guy who retired after decades in a national police force. But, something was off. So, we set up a sting and he was later convicted of a theft he committed when he thought no one was looking.

Is there any chance you are losing value because key aspects of your business aren't being watched closely? This is not just about people; this is also about processes and attitudes. The result of inaccurate inventory management can cause many issues for the independent retailer. These problems range from questions about profit and loss; to product shortages; purchasing wrong or too much inventory; trying to find space for the excess product or, worse yet, losing a customer.

I suggest you set aside some time, this week, for a purposeful consideration about your approach to your business.

What habits will you change to ensure the balance of 2018 really is a Happy New Year? **H60**

**DAN WEARE** is a retired veteran of furniture, mattress and major appliance retailing in Canada. His career included stints at Mega Group, Mobilia, Cantrex Nationwide and Sears Canada.

## QUALITY

## QUANTITY

	QUALITY	QUANTITY
<b>The Mission, Vision</b>	Is it clear?	Are there too many goals to focus on?
<b>The Key Business Concerns</b>	Don't sweat the small stuff.	Zero in on a few issues.
<b>The Customer Experience</b>	Be thorough; every aspect of your business will need continual change.	Are you tracking EVERY Consumer contact with you store? Every way, Every day?
<b>The Team</b>	Train the trainable; hire for attitude.	Are you staffing for excellence in Customer Service?
<b>The Measurements</b>	Clear, concise, shared.	If you have more than a few key measurements you get a bureaucracy (i.e. 1 hour of work and 3 hours of paperwork).
<b>The Competition</b>	Who are they? What do they do best?	Where are they? Did you remember that consumers use the internet? Loblaw does.

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The coffee and end tables seen with this leather upholstery group in the front of the newest West Elm location is from Son of a Woodcutter, the Toronto-based crafter of handcrafted furniture pieces made from reclaimed and salvaged wood.

# WEST ELM OPENS SECOND TORONTO STORE

Williams-Sonoma is expanding its presence in the Canadian market with a second West Elm store in Toronto, which features product from local artisans and craftspeople.

BY MICHAEL J. KNELL

**W**

EST ELM, THE BOUTIQUE HOME FURNISHINGS AND décor arm of Williams-Sonoma, recently opened its second Toronto location. The move follows on the heels of the publicly-held retailer's launch of four e-commerce web sites specifically for the Canadian market, one for each of its banners.

The two-level, 16,295 square foot store is located in the city's Yonge-Eglinton neighbourhood, which is often referred to as Midtown Toronto. The area is rapidly growing as several new residential towers are expected to draw literally thousands of new residents as construction finishes. Some of Canada's wealthiest postal codes – such as Forest Hill and Lawrence Park – are also nearby.

In its previous life, the building was home to Restoration Hardware which recently opened a 70,000 square foot new concept store, known as RH Toronto, in the city's well-known Yorkdale Shopping Centre (see 'A fusion of food and furniture' in the Winter 2017 issue).

According to company officials, it is expected to generate about 30 jobs in addition to supporting seven Toronto-based artisans, whose product will be displayed and sold alongside the banner's assortment of home furnishings and decorative accessories.

It will also offer William-Sonoma's cross-brand design consultation program *Design Crew*, which pairs customers with experts who provide design and installation services.

"Through the success of our first Toronto location and launch of WestElm.ca, we recognise the Canadian market's enthusiasm for our unique assortment of modern and affordable products," West Elm president Alex Bellos said in a statement. "We are excited to bring the West Elm experience to a new community in Toronto and help more customers express their personal style at home through our inspiring visual displays and expert design services."

In an e-mail to *Home Goods Online*, Bellos also noted the Yonge-Eglinton area has been on West Elm's radar for some time and brings the Brooklyn, New York-based merchant's store count in this country to five, with two in Toronto, two in Vancouver and single unit in Calgary. The other Toronto store is located the city's Liberty Village district.

Perhaps the store's most unique feature is its selection of locally made products from seven Toronto-based artisans and craftsmen. Included are:

- Claire Manning: Hand drawn illustrations depicting cartoon-like caricatures;
- Daily City Train: Photographs of iconic Toronto cityscapes transformed into coasters
- Hubbub Paper Co.: Letterpress stationery and paper goods for everyday use;
- Son of a Woodcutter: Unique furniture pieces made from reclaimed and salvaged wood;
- The Neighbourhood Unit: Locally inspired



illustrations featuring modern city and neighbourhood maps;

- The Good Bar: All-natural, handcrafted soap made with essential oils in small batches; and,
- Xenia Taler: Geometric-shaped ceramic coasters in bright colors and unique metallic designs.

In fact, Son of a Woodcutter provides the store with its only purely Made-in-Canada furniture pieces.

The small, custom shop handcrafts all of its furniture pieces – which include dining tables, conference tables and storage units – from kiln-dried Ontario hardwoods as well as reclaimed wood and barn board.

The company also noted each West Elm location featured design details inspired by local architecture and the surrounding landscape. The cash wrap station in Midtown Toronto was inspired by the waterfront view of Toronto and depicted in a hand-painted art panel is the city's skyline featuring local landmarks and historic building alongside modern skyscrapers. A mirror image of the skyline sits beneath it in front of the cash wrap, paying homage to Lake Ontario.

West Elm also has a specific customer in mind. "West Elm's target customer is design savvy, budget conscious and environmentally friendly," Bellos said. "Not only do our custom- ▶

Above: Seen here is the exterior of the new Midtown Toronto West Elm store after dark.

Inset: Each West Elm location features product sourced from local artisans and craftspeople. In the new Toronto store, this includes all-natural, handcrafted soap made with essential oils in small batches from the Good Bar; and, geometric-shaped ceramic coasters in bright colors and unique metallic designs made by Xenia Taler.



West Elm product assortment emphasises modern design at affordable price points and are usually sustainably sourced and made with organic fibres and materials.

ers appreciate modern design at an affordable price point, they also value knowing the products they purchase from us are sustainably sourced and made with organic fibres.”

Last year, West Elm made its first foray into the mattress category, hosting in-store galleries for Casper, the New York-based direct-to-consumer, e-commerce sleep specialist. While the partnership with Casper has ended, it continues to explore the mattress category. Bellos told HGO the retailer has “a partnership with Leesa, a mattress company with a strong social mission that’s aligned with West Elm’s values.”

Leesa is carried at all of the 80-plus West Elm stores in the United States as well as its Canadian locations, as well as on its web site at westelm.ca. Leesa mattresses feature a three-layer construction including memory foam, which it describes as a “Universal Adaptive Feel that adapts to all body shapes and sizes and all sleeping styles.” The Virginia-based company also donates one mattress to a non-profit for every ten mattresses sold.

“West Elm’s parent company, Williams-Sonoma, recently launched Robin, a mattress division that will soon be available in West Elm stores,” he added.

In addition to the web site, the store also has its own Instagram page (@westelmnorthtoronto) as well as its own Facebook page.

While no specific plans have been made, Bellos indicated the company is enthusiastic about its prospects in the Canadian market.

“Through the launch of our new store and the new WestElm.ca, we’re excited to bring the West Elm experience to a new community in Toronto and help even more customers express their personal style at home,” he said. “While we don’t have any Canadian expansion plans to share at this time, we recognize the Canadian market’s enthusiasm for our unique assortment of modern and affordable products and very open to expansion possibilities.”

In addition to its five West Elm locations, Williams-Sonoma operates five Pottery Barn bannered stores in Canada and four Pottery Barn Kids. It also operates six stores under its namesake Williams-Sonoma banner. **HGO**

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MICHAEL J. KNELL is the publisher and editor of Home Goods Online and all of its platforms. He has observed, researched and written about Canada’s furniture and mattress industry for the past three decades. He can be reached at [mknell@homegoodsonline.ca](mailto:mknell@homegoodsonline.ca)

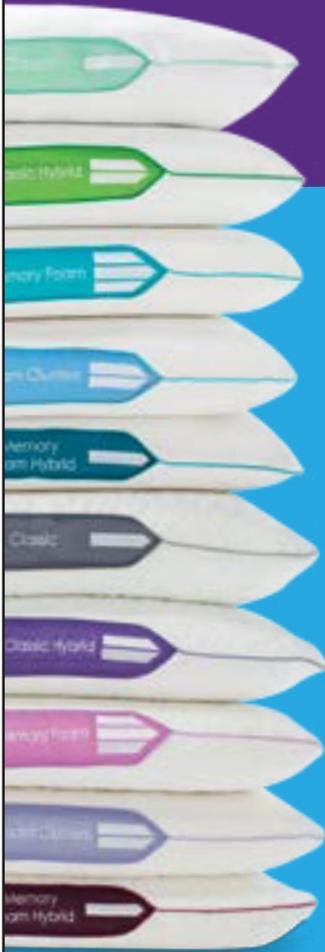


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# EMERGING *from the* RUBBLE

Several former independent dealer store owners are emerging from the demise Sears Canada as furniture, mattress and major appliance retailers flying their own banners. This is good news for the industry at large and the communities they serve. **BY GREG SIMPSON**

**S**EARS CANADA CLOSED ITS LAST remaining stores this past January, but the impact of its departure will be felt for some time to come, especially by a group of independent retailers who signed on to become operators of what were once called independent dealer stores, many of which operated under the Sears Hometown banner. While no one is exactly sure how many of these merchants were still operating as the clock wound down, but there was a time – not that long ago, in fact – when the multi-channel retailer had high hopes for the network.

Back in 2013, Hometown stores were singled out as one of the four platforms Sears Canada would use to reassert its dominance as a retailer of furniture, mattress, major appliance and other big ticket categories such as barbeques, lawn and garden equipment as well as other seasonal product lines. That year, they unveiled a new Hometown concept store in Orillia, Ontario – trumpet it as

the model they would use to attract more independent business people to the network.

At one time, there were some 248 independent dealer stores in operation across the country. While they varied in size – the largest being Orillia at 25,000 square feet – each featured displays of selected Sears’ core product line-up in furniture, mattresses and major appliances. Each also had a Sears catalogue pick-up desk, something that virtually guaranteed each unit had some foot traffic every day.

This past June, the publicly-held Sears Canada was granted court-ordered protection from its creditors under Companies’ Creditors Arrangement Act (CCAA).

Suri Dua, owner of what was then Sears Sherwood Park in Sherwood Park, Alberta, told *Home Goods Online* he learned his fate not long after the story broke on CBC. “They (Sears) phoned me a few hours later and informed me that my store would be closing,” he said.





Seen here is the Hometown store opened in Orillia by Sears Canada in 2013. The national network of independently owned and operated outlets was intended to be one of four platforms it would use to re-assert its dominance as a furniture, mattress and appliance retailer in Canada.

So unexpected was the move, that even the largest shareholder in Sears Canada shareholder, the Greenwich, Connecticut-based ESL Investments – which is also the majority shareholder in Sears Holdings, the operators of both Sears and Kmart in the United States – was not a part of the decision making process. In his blog this past October, fund founder and chairman Eddie Lampert wrote, “ESL was not informed in advance that Sears Canada intended to seek protection under a CCAA filing, and was extremely unhappy with that decision...ESL believes that the liquidation of Sears Canada was not a foregone conclusion and that a less risky strategy, while not without its own difficulties, could have avoided the unfortunate conclusion.”

Despite that, Sears’ Canada moved forward with what was originally designed as a plan to restructure the company, hiring the local office of the Washington, D.C.-based FTI Consulting to manage the process.



From June through to January this year, stores closed across Canada in waves. Many independent dealer stores, such as that owned by Suri Dua were forced to close almost immediately while still holding multi-year property leases and inventory that Sears Canada was repossessing as fast as trucks would allow.

Those fortunate enough to be on the latter end of the shutdown schedule were able to spend their remaining months as Sears’ store owners liquidating merchandise and trying to plan for the future.

Karim Kassam, who owned the dealer store in Airdrie, Alberta, was able to remain open until the end of December. During that time, he continued to sell inventory for Sears Canada, albeit at liquidation prices. He expected to use the commission from those sales to help fuel his transition from a Sears Canada bannered store to an independent furniture, mattress and major appliance store. In early February, Kassam is still owed in excess of \$40,000 in commissions and every line of contact with both Sears Canada and FTI Consulting had gone quiet.

Barry Marsh, who operated what was Sears Nelson, in Nelson, British Columbia, remained open into December as well. His experience with liquidation was fraught with frustration. Sears “offered a bonus (to liquidate items) with a bunch of criteria to reach.” Marsh told HGO, adding, “they wanted proof of this one and that – it became impossible.”

Longview Communications of Toronto, who handles media inquiries on behalf of Sears Canada, initially told HGO “all sales commissions were paid out by the end of December/early January.” When asked about potential discrepancies ▶

**1.** The Orillia independent dealer was designed to ensure the customer understood that when she walked in, she was in a Sears Canada store. The appliance department, seen here, looked no different from one in a corporately-owned Sears Home store.

**3.** Each of the new concept independent dealer stores was to have its own ‘Sleep Shop’, such as this one, seen here in the Orillia Hometown store that opened in 2013.

**3.** The furniture department in the Orillia dealer store, was built to set the standards for all future independent dealer stores operating under the Sears Canada banner.



In addition to furniture, mattress and appliances, each independent dealer store, such as this one in Orangeville, Ontario featured a catalogue order pick-up desk.

involving dealers who remain uncompensated, HGO was given the names of two lawyers the court assigned to represent those with unresolved claims, Sotos LLP and Blaney McMurtry LLP.

This was news to Kassam and others with claims.

Outdoor signage, once a guaranteed draw for customers, has become a bellwether for the issues owners have faced. Kassam operates his new store – Airdroe Appliance and Furniture – under the old Sears Canada sign until his new space opens. “Many customers don’t come in because all they see is the Sears sign and they think we are closed,” he said. “I’ve changed the indoor signage but there’s no communication with Sears about the sign.”

Suri Dua in Sherwood Park – who has re-opened as Aspen Appliances and Furniture – was told he was to bear the cost of removal and was expected to return the sign to Sears Canada. Kevin Leavitt, former owner of Sears Cardston, in Cardston, Alberta, wasn’t told anything at all. He was able to re-open as Leavitt’s Appliance, Furniture, Mattress, and Décor despite problems receiving basic closing documents.

When FTI Consulting submitted their eleventh report to the court in early January, they stated “The applicants expect that the Second Liquidation Process, and the FF&E (Furniture, Fixture, and Equipment) removal period associated therewith, will be completed at all remaining store locations on or before January 28, 2018.”

Longview Communications responded to questions about saying “In regards to signage inquiry, each situation is unique and would be evaluated

on a case by case basis. If any dealer believes they have a claim, it can be submitted through the claims process for review.”

Sign or no sign, these owners need to push forward. As Suri Dua put it, “I had five years left in my lease, realistically, what else was I going to do?”

As Sears Canada owned their store’s entire inventory, this meant each of these merchants had to restock their floors. Several of independent dealer store owners – including Dua and Barry Marsh who will open Bears Appliance & Furniture sometime in the very near future – joined Brand-Source Canada, the go-to-market banner operated by Mega Group.

While the co-operatively owned buying group aided them to secure the financing needed to continue operating – and providing ancillary benefits such as a web presence – Kassam and Leavitt found other sources of support. But they all agreed if Sears Canada had provided a proper liquidation period and compensated them on the schedule promised, a lot of the damage they suffered would have been mitigated.

How many of the 248 independent dealer stores that were open when the hammer fell to kick-off the Sears Canada liquidation process isn’t known. So far, HGO has found at least four in Western Canada and knows of at least one in Ontario. There are probably more. **HGO**

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GREG SIMPSON is a freelance writer based in Port Hope, Ontario. HGO editor Michael J. Knell contributed to this story.

# INDUSTRY CALENDAR

May 24, 2018

**CHFA AWARDS GALA**

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Furnishings Alliance  
Universal Event Space  
Vaughan, ON  
marcomweb.com/chfaevents

May 25 to 28, 2018

**CANADIAN FURNITURE SHOW**

Quebec Furniture  
Manufacturers Assn.  
International Centre  
Mississauga, ON  
canadianfurnitureshow.com

May 28 to 30, 2018

**STORE 2018**

Retail Council of Canada  
Toronto Congress Centre  
Toronto  
storeconference.ca

June 3 to 6, 2018

**SHOWTIME**

International Textile  
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High Point, NC  
showtime-market.com

July 9 to 16, 2018

**ATLANTA INTERNATIONAL GIFT & HOME FURNISHINGS MARKET**

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www.americasmart.com

July 29 to August 2, 2018

**LAS VEGAS MARKET**

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Las Vegas, NV  
lasvegasmarket.com

August 6 to 9, 2018

**PRIMETIME**

Cantrex Nationwide  
Las Vega, NV  
nationwideprimetime.com

August 12 to 15, 2018

**TORONTO GIFT FAIR**

Canadian Gift & Tableware Assn.  
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Toronto Congress Centre  
Mississauga, ON  
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August 16 to 19, 2018

**TUPELO FURNITURE MARKET**

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tupelofurnituremarket.com

August 14, 2018

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chfaweb.ca

August 26 to 29, 2018

**ALBERTA GIFT FAIR**

Canadian Gift & Tableware Assn.  
Edmonton Expo Centre  
Edmonton, AB  
cangift.org

September 9 to 11, 2018

**CANTREX PRIMETIME**

Cantrex Nationwide  
Centre des Congrès  
Quebec City, QC  
cantrex.com

September 20 to 23, 2016

**INTERIOR DESIGN SHOW**

Vancouver  
Vancouver Convention Centre  
(West Building)  
vancouver.interiordesignshow.com

October 13 to 17, 2018

**HIGH POINT MARKET**

High Point, NC  
highpointmarket.org

January 8 to 11, 2019

**CES**

Consumer Technology  
Association  
Las Vegas Convention Center  
Las Vega, NV  
ces.tech

January 14 to 20, 2019

**IMM COLOGNE**

The International Interiors  
Show  
Koelnmesse GmbH  
Cologne, Germany  
imm-cologne.com

January 17 to 20, 2019

**INTERIOR DESIGN SHOW**

Metro Toronto Convention  
Centre North  
Toronto  
interiordesignshow.com

January 17 to 20, 2019

**IIDEX CANADA**

Metro Toronto Convention  
Centre  
Toronto  
iidexcanada.com

January 22 to 25, 2019

**THE INTERNATIONAL SURFACE EVENT (TISE)**

Mandalay Bay Convention  
Center  
Las Vegas  
intlurfaceevent.com

March 8 to 11, 2019

**MALAYSIAN INTERNATIONAL FURNITURE FAIR**

Putra World Trade Centre  
Kuala Lumpur, Malaysia  
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March 13 to 14, 2019

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**Canadian Furniture Show**

101-1111 Saint-Urbain  
Montreal QC H2Z 1Y6  
T: 514.866.3631  
canadianfurnitureshow.com

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**Zucora**

552 Clarke Road  
London, ON N5V 3K5  
T: 800.388.2640  
zucora.com

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**Serta Canada**

40 Graniteridge Road,  
Unit #2  
Concord, ON L4K 5M8  
T: 800.663.8540  
sertacanada.com

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**Las Vegas Market**

475 S. Grand Central  
Pkwy.  
Las Vegas, NV 89106  
T: 702.599.9621  
lasvegasmarket.com

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**Palliser Furniture**

70 Lexington Park  
Winnipeg, MB R2G 4H2  
T: 866.444.0777  
palliser.com

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**Protect-A-Bed**

1500 S. Wolf Road  
Wheeling, IL 60090  
T: 519.822.4022  
protectabed.com

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**Home Goods Online**

P.O. Box 3023  
Brighton, ON K0K 1H0  
T: 613.475.4704  
homegoodsonline.ca

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