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ANNOUNCEMENT

After a buoyant turnover growth cycle boosted by lockdowns, the Home & Decor category is eyeing new options to maintain sales levels now that customers find again many alternative consumption options at reach, far from their homes.

The IADS and Nelly Rodi regularly take stock of the retail trends through a series of product category workshops. Their last one was dedicated to the Home & Decor category. After having benefited from Covid, retailers should anticipate a potential decrease in the business: they can do so by tweaking the product offer, developing experiences, and expanding their omnichannel capabilities.

The global Home & Decor category business share increased by +20% in 2020 and was expected to continue doing so in 2021, as lockdowns, which naturally encouraged customers to focus on their interior equipment, kept on being implemented across the planet. However, the category plateaued and represented only 15.9% of the IADS members' average turnover in 2021, compared to 16.3% in 2020. This is independent of the channel, as the category represented 27.8% of online sales in 2021, compared to 27.1% in 2020. Explanations were multiple:

- Home equipment items (Home accessories, electronics, appliances, furniture) have a long life cycle and cannot be replaced every year,
- Lockdowns in 2021 were lighter than the initial wave in 2020, with alternative out-of-home activities (restaurants) available to vaccinated customers,
- Home office has stabilized, with some employers reducing the number of days at home, leading customers to change focus.

IADS members' buyers expect the Home & Decor business share to decrease even more in 2022 as Covid-19 restrictions are relaxed, local tourism is starting to stir up again and outside activities are not only possible but highly desired. In order to anticipate that evolution and set up a soft landing, they exchanged about their various initiatives:

- New product proposals with a combination of brands addressing niche needs and private labels leveraging the category,
- Strong focus on omnichannel practices, to bring convenience, entertainment and practicality to the customer journey,
- Repurpose stores into maxed out spaces dedicated to brand experiences.

Social and environmental responsibility was identified last year as a basic expectation from customers, and systematically embedded in the growth strategies set up by the IADS members.

The product offer should respond to new needs and diversify with new brands

Now that customers' homes are equipped, it is all about reflecting on their evolving lifestyle and helping them fine-tune their homes. In that perspective, adding new niche categories, such as art toys, smart home devices, and flexible home office solutions, to make the offer more versatile, seems to be a safe bet. Two categories already stand out in terms of results: living plants which are performing at Galeries Lafayette and Manor, and pet supplies which are a new venture at El Palacio de Hierro. Going upscale, as Breuninger is doing with luxury brands displayed in inspirational and experiential displays rather than in the brands' shop-in-shop, is also another way to generate additional sales (however, this often implies refurbishing stores).

75% of the IADS members are planning to strengthen or launch private labels dedicated to the Home & Decor category, especially in home textiles, bath accessories, kitchenware and tableware. El Corte Inglés, for instance, is planning a cross-category brand allowing it to make the most of the brand recognition.

All of those initiatives also help to relieve the tension induced by supply chain disruptions, by multiplying the product sourcing and allowing retailers to monitor and address CSR concerns, especially in categories where wood and plastic consumption is high.

Nelly Rodi presented its exclusive scouting of up-and-coming brands in the category:

- Home Accessories (56% of the IADS members' business): Ago, Helle Mardahl Studio, Cookut, Joseph Joseph, Selency, Quinsai, The Citizenry, Nordic Knots, Magic Circus Edition, OYOY, KJP, East Fork, Lucas Du Tertre, Dusen Dusen Home, Proba, Maison Poterie and La Romaine Edition.
- Electronics (16% of the business): Mirror, Human, Yoto, Gomi, Por-ject and Netatmo.
- Household Appliances (15% of the business): Daan Tech, Lifefuels, Waatr, Lema, Volant and Chamberlain Coffee.
- Furniture (10% of the business): Vestak, Hem, Plum, Tediber and Liu Jo Living.
- Other categories: Brack Drop, Somnox, Therabody and Boy Smells.

Re-enchanting shopping thanks to omnichannel capabilities

In general, members are improving their tech capabilities to develop and strengthen their e-commerce business. Omnichannel is about easing the customer experience: Breuninger and Manor both developed a 'click & collect express' service allowing customers to see the stock availability, pay and collect their purchase within 60 minutes.

Considering the success of fashion and beauty live shopping on Instagram, IADS members are also venturing into that area. Magasin du Nord started with kitchen products for Christmas with great sales results and El Palacio de Hierro launched a 'Shop the Room' service where customers can buy all items they see.

Redesigning the store space with experiences in mind is an opportunity for additional business models

Partnerships with specialized retailers (Fnac, Apple, Samsung, Dyson...) allow department stores to maximize both product offers and store space. It is considered a quick and easy way to include new brands and additional products in the assortment, as well as to avoid distribution and inventory issues. But since the margin on such products is lower, department stores are selling ad spaces to brands on all available supports (pop up stores, screens, windows, catalogue highlights, newsletters...) upping the brand experience on the sales floor as a consequence.

When it comes to experiences, courses such as plant maintenance, chef master classes and others remain a great way to draw traffic and differentiate from competitors. Building stories makes a difference: for instance, BHV is increasingly working with countries' tourist offices, generating many lifestyle animations throughout the store. Design collaborations are also successful, such as Breuninger organising a customer event with AD, or El Corte Inglés organising a very successful craft market highlighting small local companies.

The Home & Decor business is currently in a state of uncertainty and highly depends on the evolution of the pandemic. As Covid begins to withdraw, it's unlikely that consumers will continue to heavily invest in at-home activities. In that perspective, new strategies to maintain and grow the business will include strong creativity in the development of the product offer and the repurposing of the store spaces: trying new business models to create additional sources of revenue and emphasize experiences to boost traffic are crucial strategies. As far as omnichannel business is concerned, capabilities are still developing to propose more activities and ease the customer journey.

About NellyRodi

NellyRodi is a consulting agency in Business and Creative Intelligence. Based in Paris, Tokyo and New York, it is a global reference for foresight applied to industries and services. Our business, based on understanding new consumer standards and new uses, is to support brands, investment funds and institutions on their desirability and performance levers.

Backed by our international future-forward expertise, we not only provide strategic support at the highest levels, i.e. to senior management and investors, but also at the field and operational level.

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About IADS - International Association of Department Stores

The IADS is the most exclusive and oldest professional department store think tank in the world. Its uniqueness lies in the close relationship between its member CEOs, making it a very powerful asset for decision-making at the highest level.

Today, the Association gathers a group of 12 members across the world, all leaders or key players in their respective markets, and represents more than €31bn cumulated annual turnover, achieved through more than 490 stores with 233,000 associates in 19 countries. Members are: Centro Beco (Venezuela), Beijing Hualian Group (PRC), Breuninger (Germany), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile), Galeries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall (Thailand), SM (Philippines).

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