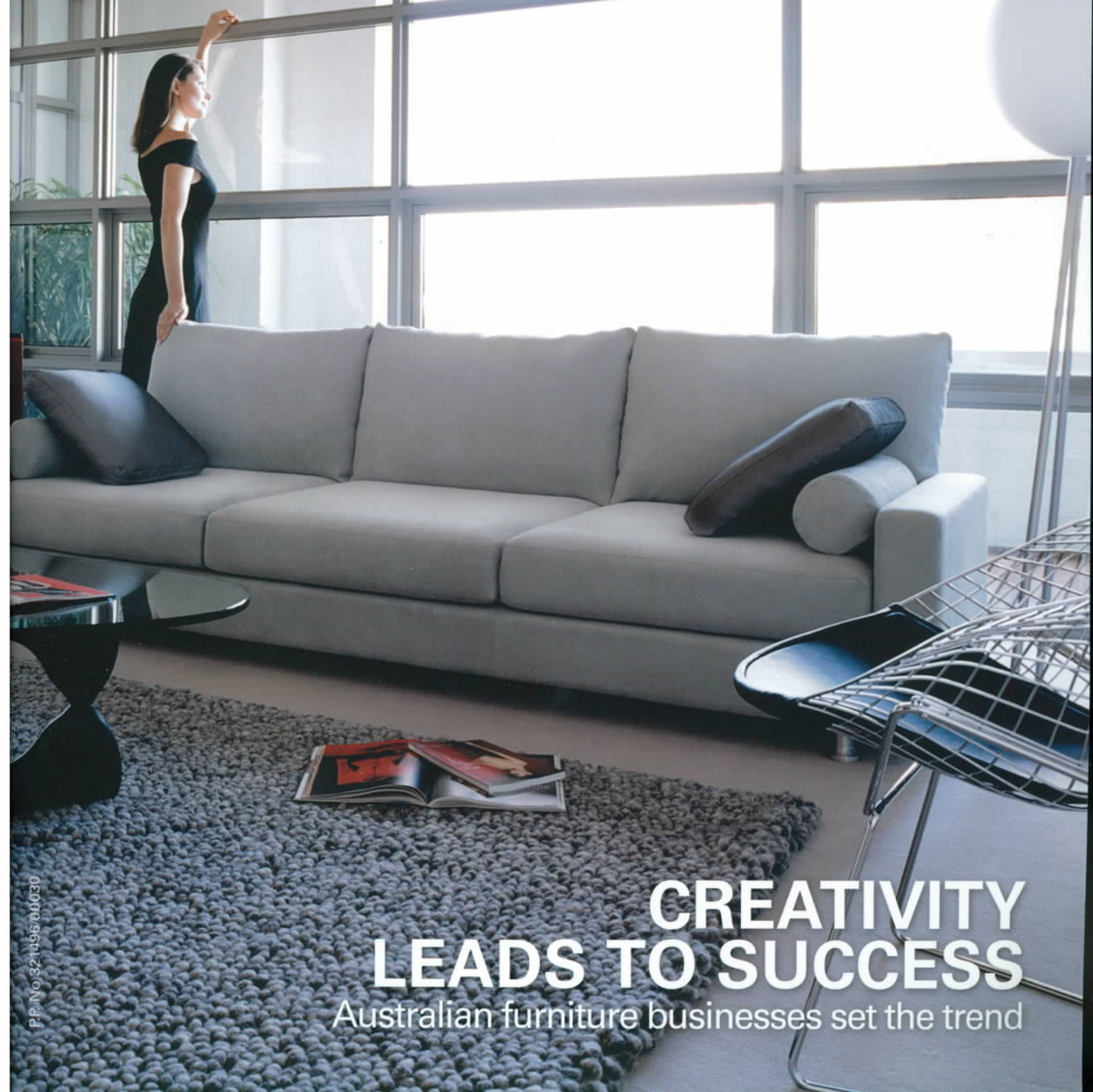


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**CREATIVITY
LEADS TO SUCCESS**
Australian furniture businesses set the trend

BEDDING UPDATE

Profit for Pacific Brands

Clothing and bedding maker Pacific Brands has posted a first half net profit and said earnings in the second half should be higher than that for the previous corresponding period. The maker of iconic brands including Bonds and King Gee reported net profit for the six months ended December 31 was AUD\$22.2 million, compared to a loss of \$150 million in the previous corresponding period.

Its net profit before significant items was down 39.7 per cent to \$35.5 million, as earnings before interest, tax, depreciation and amortisation (EBITDA) declined 31 per cent to 80.3 million. First half sales were down 7.8 per cent on the prior corresponding period to \$960.8 million. "As indicated to the market in August last year, our earnings in the first half have been affected primarily by the delayed impact of the sharp decline in

currency rates," says Pacific Brands chief Sue Morphet.

The company said the outlook was difficult to predict due to an inconsistent trading environment and it would not pay an interim dividend. However it is confident its second half EBITDA before significant items would be up on the previous corresponding period, primarily due to the realisation of transformation cost savings. "Based on current market conditions and currency rates, earnings momentum is expected to continue into 2010/11 with the benefit of manufacturing closures and other transformation cost savings flowing through," the company said. "As previously stated, consistent with the strategy to rationalise and focus the portfolio, reported sales revenue is expected to reduce further over the course of the transformation period."

Last February, Pacific Brands announced its 2010 transformation strategy, which angered workers and politicians because it saw 1,850 Australian jobs axed as the company moved its clothing manufacturing operations to China. "Implementation of the Pacific Brands 2010 strategy is expected to result in a more robust and profitable business," the company said.

By March 2010 its workforce will have been slashed by about 3,000 employees, with seven factories in Australia and New Zealand closing, and the divestment of its Chinese footwear operation. "We are beginning to realise the positive impacts of the strategy on the way we do business," explains Morphet. "We are reducing our cost base, focusing on margin and bedding down new systems and processes across the group. All these measures will ultimately deliver us a stronger more profitable business."

Sales at all its divisions were down, with underwear and hosiery sales off 4.6 per cent to \$297.1 million, workwear sales declining 7.6 per cent to \$186.5 million, homeware



The Broadway Bedroom Suite from Antry comes in Jarrah or Marri with 2pac white lacquer. The suite is manufactured Antry's Perth factory. The bed features two under drawers at the foot end. It is available in queen and king sizes. See more at www.antry.com.au.



The queen size bed is from the Copenhagen range from Globe West. It is available in Chestnut Teak or Greydust Teak. See the range at www.globewest.com.au.



This modern bedroom suite from Bestwin comes in a polyurethane finish and features four-drawer storage. Visit www.bestwin.com.au for more information.



The Long Island four-poster bed is from Town & Country Style. It combines durability and beauty in its design. See more at www.townandcountrystyle.com.au.

BEDDING UPDATE

sales falling 10 per cent to \$209.7 million and footwear, outerwear and sport sales down seven per cent to \$209.7 million.

But sales of key brands including Bonds, Mossimo, Clarks and Volley all grew.

Eco-friendly bedding survey

Most consumers would choose a mattress with an environmentally friendly claim, and a significant number would pay more for such a mattress, according to consumer research sponsored by the US-based Specialty Sleep Association (SSA). And a separate study of bedding retail sales associates, also sponsored by the SSA, found that many salespeople believe bedding manufacturers are not supplying enough information on the environmental impact of their bedding.

The SSA research found overwhelming consumer interest in various green issues. Those results boost the SSA's "Green Initiative", an effort to clarify environmental claims made by bedding producers, according to SSA officials. As part of this initiative, the SSA asked what claims consumers would want addressed by an industry label, seal or program. "Safety" and "emissions" were the top two issues raised by consumers.

Soft technology mattress

Duoform XM is an ultra-soft mattress covered with the latest type of fabric called Outlast, a highly technological fabric made of a structure of spheres that are made up of a special wax that dilates while the person is sleeping if the temperature rises excessively. This improves the passage of air and creates a suitable microclimate. When the ideal temperature is reached, the spheres become more consistent and maintain the temperature. A 2cm ultra soft layer of Memoform Magnifoam is quilted to this fabric, and another 3cm internal layer provides extra comfort. The Eliosoft layer, a high density and breathable material gently supports the body, giving the correct balance between rigidity and softness.



The survey found that 79 per cent of consumers surveyed said they would choose a mattress with an environmentally friendly claim. According to the survey of 637 adults in the United States, two-thirds of consumers were "very" or "extremely" concerned about the health and safety of the products they purchase. Safety of materials was the single most important environmental attribute to consumers selecting a new mattress (41 per cent), followed by mattresses that are free of emissions (15 per cent), and mattresses produced by responsible manufacturing processes (10 per cent).

In addition, the study showed that 39 per cent of the respondents indicated that they would pay more for an environmentally friendly mattress. "We are pleased to be sharing this information with the industry and — for the first time — are presenting not only research on consumer and retail sales associate priorities but also significant guidance on making environmental claims, what terminology actually means, and what global trends might influence how products are designed and marketed in the US," says Dale Read, president of the SSA. "The mattress/bedding industry Green Initiative is working to achieve greater transparency for consumers and provides this research-based report on environmental claims as the first step in what will need to be a multi-faceted industry communications effort."

The SSA conducted a separate survey of retail sales associates (RSA) at 233 stores with a total of 61 retailers. This research identified a need for clear environmental terminology, according to the SSA. Half of the respondents believed that manufacturers are not supplying enough information about the environmental impact of their mattresses. The vast majority (87 per cent) believe an industry standard, certification or seal would be helpful, with almost one in three saying it would be "very helpful."

Consumers expressed greater concern for the environmental impact of a mattress at the end of the lifecycle versus the beginning of its lifecycle.

The report called, "Environmental Claims: What Marketers and Retailers Need to Know - Terminology, Definitions, Standards and Trends for the Bedding Industry" was developed by Vicki Worden of Worden Associates, an environmental consultant to the SSA's Green Initiative Board of Governors. The mattress/bedding industry Green Initiative was created to

identify definitions and terminology, as well as existing standards and certifications that apply to the mattress industry. The SSA Board is now considering a number of future steps to implement the findings of the report and study. Among the options include a consumer-oriented public education campaign and labelling program aimed at increasing clarity and transparency for consumers shopping for mattresses and bedding.

From Furniture/Today

Harvey Norman profit rises

Harvey Norman Holdings Ltd., Australia's biggest (bedding) furniture and electronics retailer, said first-half profit rose 60 per cent on domestic demand for televisions and after year-earlier charges weren't repeated.

Net income rose to AUD\$158.9 million in the six months ended December from \$99.3 million, a year earlier. A buoyant Australian housing market, with December home-building approvals up 53 per cent on the year earlier, is driving sales of appliances and furniture for Harvey Norman and helping it withstand "terrible" losses in Ireland. After not opening any new domestic stores in the half, executive chairman Gerry Harvey, plans to resume expansion.

"Harvey Norman's first-half result shows a recovery in margins, driven by its franchise segment," Craig Woolford, an analyst at Citigroup Inc., said in a report to clients. "We expect the company's sales growth to outstrip many discretionary retail rivals over the next six months, given Harvey Norman's leverage to the housing sector."

Earnings before items and tax rose 47 per cent to \$237.8 million, beating the company's forecast for a 40 per cent increase. The Irish operations, which feature company-owned stores, narrowed its first-half pretax loss to \$17 million from \$19.8 million a year earlier.

Pretax earnings from the franchising division, which generates three quarters of Harvey Norman's revenue, rose 23 per cent to \$186.8 million. "Despite aggressive competition and discounting, the franchising operations segment result has benefitted from the resurgence of the furniture and bedding categories on the back of the strengthening domestic housing market," the company said. Harvey Norman has 265 stores in Australia, New Zealand, Slovenia, Ireland and Singapore. 

From Bloomberg