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Room & Board finds promise in Atlanta

New store is furniture retailer's 10th

By *Clint Engel -- Furniture Today, June 9, 2009*

ATLANTA — **Room & Board** has opened its first Atlanta store and 10th overall, pushing into a new market and promising more growth as it takes advantage of real estate opportunities.

The 34,000-square-foot, three-level store opened May 1 on Howell Mill Road in part of a mixed-use project that includes a redeveloped 1910-era meatpacking plant as well as new construction.

It represents about a \$1.5 million investment for the Top 100 company and is expected to do about \$12 million in annual sales, said Mark Miller, chief financial officer of the upscale Minneapolis-based retailer.



Miller said the Atlanta store, the chain's first in the Southeast, should do well. He said Room & Board already has built up an Atlanta-area customer base via catalog and online sales.

What's more, the new store is in Atlanta's Westside Provisions district in a new development inspired by New York's Chelsea neighborhood - pedestrian-friendly with many quality retailers and restaurants. It's also central to an interior designer and decorator community, a core customer base for the company.

"Furniture is very much a destination-driven shopping experience, and this site fits that strategy perfectly," said Miller.

With the new store and a 24,500-square-foot distribution center that will open this month in the Atlanta suburb of Roswell, Room & Board will employ about 35 full-time people here.

And there's more expansion to come despite an economic slump, which has taken a sales toll on Room & Board as it has for other retailers. The company expects to open its second Southern California store in Culver City this fall and has identified seven other markets where it's looking to expand, Miller said. One other store could open next year and more would follow at a pace of about one store a year, he said.

The markets Room & Board has targeted for now are Washington, D.C., Boston, Seattle, New Jersey, San Jose, Calif., Miami and Dallas. Miller couldn't announce which one is likely to be next, but said the company has spent the most time evaluating real estate in Washington and Seattle.

Its existing stores are in Minneapolis, Chicago, Denver, San Francisco, New York and Santa Ana, Calif. One is an outlet.

Room & Board's sales were off about 5.7% last year to \$217 million, with a 20% decline coming in the last quarter after the first nine months of the year were basically flat with 2007, Miller said.

He said he expects sales will be off about 25% this year. But he added that the company was encouraged by a slight improvement in March.

These uncertain times have the retailer's management thinking about long-term opportunities.

"We're a private company so we're very well managed in financial terms," Miller said. He added that the expansion has been gradual, and that the company has adjusted its expenses as needed for the reduced sales. In February, it laid off 116 people or 18% of its workforce.

Miller said Room & Board has a successful track record as a creditworthy tenant. That could pay dividends now, as landlords sit on properties they have taken back from other tenants who went out of business or consolidated.

"They know us in terms of our national retail presence," Miller said. "We bring a lot of new customers and new traffic to their retail

complexes."

In Culver City, Room & Board will open a 36,400-square-foot showroom in what's called the Helms Bakery District, south of Interstate 10 at the Robertson Boulevard Exit.

Helms Bakery closed in 1969 and the property later was acquired by Walter N. Marks Inc., which has been working to create a district for home furnishings and the arts there. Home furnishings neighbor HD Buttercup was "able to adjust our space to help encourage Room & Board to come onboard and ultimately offer shoppers an even better experience," HD Buttercup owner Evan Cole said in a release.

"We are fueling growth for our company and at the same time doing our part to help the economy," said Room & Board founder and President John Gabbert. He noted that 85% of the retailer's furniture is American-made and said the new store "will help drive more business to our vendor partners who in turn will do more business in their local communities."

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