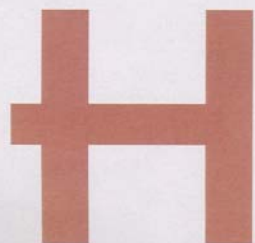




R E T A I L I N G T O D A Y

Homegrown

ROOM & BOARD'S DIFFERENTIATION FACTOR: IT'S MADE IN THE U.S.A.
By Renee DeGross Valdes



HERE'S THE SALES PITCH THAT

Room & Board is making: "Take comfort in American made." Though relatively few retailers are touting expansion plans right now, this family-run furniture retailer is, and to that end the company seeks to leverage both the slogan and its own American-crafted furniture and accessories.

In May Room & Board opened a store in Atlanta's artsy West Midtown warehouse district, an area that has become a furniture and accessories haven for consumers and design enthusiasts,

including HGTV design star Vern Yip. Another Room & Board unit is slated to open next year in Culver City, Calif., with 38,000 square feet across two floors at The Plaza at Culver Studios. And this is only the beginning.

For years Golden Valley, Minn.-based Room & Board has grown "methodically and opportunistically," says CFO Mark Miller. In fact, the chain has opened in just nine locations (plus an outlet store) since John Gabbert founded the company in 1980. Besides Atlanta, the other locations are Chicago; Denver; New York City; San Francisco; Oakbrook and Skokie, Ill.; Edina, Minn.; and Santa Ana, Calif. The discount outlet operates in Golden Valley, near the chain's headquarters.

Miller is putting no timeline on expansion, but he says that the company plans to double its store base over the next few years. "We are considering nearly a dozen markets, some big and some small," Miller said.

The list includes Boston, Miami, Philadelphia, Seattle and the District of Columbia. "There's no pressure to grow our long-standing practice, but we're opportunistic, and we'll [open stores] where it makes sense."

Room & Board's growth spurt can be attributed to the enthusiasm of its customers. Indeed, the company rang up \$217 million in sales last year. Before the Atlanta opening, the retailer already had some 3,000 customers in its online database there.

"Family-owned companies, American-made and 'keep the locals employed' are the big differentiators for them," said Robert K. Passikoff, president of Brand Keys, a New York City-based retail consulting firm. "These become the drivers for loyalty, engagement of consumers and their overall success."

Room & Board buys its wares from artisans and touts "sustainability," "community" and the like on its Web site, alongside the stories of some of the 45 family-owned businesses that handcraft its furniture and accessories, such as Wisconsin-based Shell Lake Woodcrafters.

Shell Lake builds solid wood furniture storage pieces for Room & Board. None of its rivals — Crate & Barrel, Pottery Barn and Restoration Hardware — can make these made-in-America claims, because they are big on imports. In today's economy that is a powerful message,

says Neil Stern, a senior partner at McMillan Doolittle, a Chicago-based retail consulting firm.

Room & Board says 85 percent of its goods are made in America, and this, too, is an important part of the company's strategy, says Stern. "'Local' has powerful connotations in the sense that it means supporting the economy," he said. "There's real power in that."

Additionally, the retailer is committed to environmental consciousness, as its sustainable and energy-efficient buildings and the one catalog per year it prints using vegetable-based ink will attest.

Room & Board, which buys or leases its store spaces, is a proponent of adaptive reuse. The stores range from 20,000 square feet to 50,000 square feet. The 34,000-square-foot Atlanta store is at the White Provision complex, a redevelopment project by Atlanta-based developers, White Provision Development Co., Weaver & Woodbery and Jamestown Properties. This development constitutes 380,000 square feet of condos, offices and retail space, including Room & Board, and opened in a 1910 building that once housed the first large-scale meatpacking facility in the South. The brick-and-glass Room & Board space has floor-to-ceiling windows and lots of nooks and crannies.

Attached to the property is a bridge that crosses the



THE ROOM & BOARD STORE IN ATLANTA'S WEST MIDTOWN WAREHOUSE DISTRICT



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Norfolk Southern rail tracks and connects to adjacent retailers and restaurants as well as other converted industrial buildings. "Their preference from day one was to look at an older, fixer-upper space with character," said Phil Barry, a Grubb & Ellis senior vice president who was part of the team representing Room & Board. Barry said they searched in Atlanta's Buckhead, downtown and midtown areas before settling on the current location.

The stores are mostly in off-the-beaten-path locations, Miller says. "In San Francisco we're not in Union Square," said Miller, referring to the area in that city that is considered *the* place for shopping. "Even in New York City, we're on a very quiet street in SoHo. We don't need to be in the center of things."

It even took some convincing to get

At a glance...

ROOM & BOARD
Golden Valley, Minn.

No. of stores:
10

Preferred locations:
Freestanding

Leasing information:
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the company to give Atlanta a serious look. Starting in 2008 Barry built a case for Atlanta by pointing to the market's 5.2 million people across 28 counties. Atlanta is in fact home to nearly 138,000 businesses, including the headquarters of 22 Fortune 1,000 companies, such as Coca-Cola, Home Depot and UPS.

Some 750,000 households within a 50-mile radius of the Atlanta Room & Board report at least \$75,000 in annual income, according to market research firm Claritas, and that figure could grow nearly 9 percent by 2012. Within a 100-mile radius, about 1 million households earn that much.

Of course, Room & Board is not immune to the economic factors facing other retailers. Sales last October were down 25 percent from October 2007, says Miller, and the decline per-

centage stayed consistent through this past February. "We adjusted our sales plan down a couple of times this year," Miller said. "At the same time, we are still investing. Besides opening in

Atlanta, we are investing in improvements to our Web site."

In any case, the credit freeze will not pose a problem, Miller says, because the company funds growth

through cash from operations and has very rarely borrowed money. Further, he said, "we will capitalize on opportunities that would not otherwise be found."

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