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SOUTH FLORIDA COMPANY PROFILE

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City Furniture's 'leap of faith' laid groundwork for expansion

Penny-pinching strategies, quick delivery and a solid management team are keys to City Furniture's achievement.



DISTINCTIVE TRUCKS: Several trucks from City Furniture sit waiting to be fueled up with brand-new CNG (compressed natural gas) at a station at the company's headquarters in Tamarac, Florida. Gaston De Cardenas / Gaston De Cardenas

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CITY FURNITURE

Founded: 1971 as Waterbed City, reinvented as City Furniture in 1994

Founder: Kevin Koenig

President: Keith Koenig

2013 revenues: \$264 million

Employees: More than 1,100

Locations: 27 stores in South and Central Florida, including 16 City Furniture and 11 Ashley Furniture HomeStore showrooms.

Headquarters: Tamarac

Telephone: 954-597-2200

Website: www.cityfurniture.com

BY CELIA AMPEL

SPECIAL TO THE MIAMI HERALD

City Furniture President Keith Koenig has been strapped to South Florida's housing roller coaster for more than 35 years — and he's not coming down.

"You're going to carry me out on a slab," said Koenig, 62.

The housing crisis flattened many local furniture stores, including Modernage, Dream House and [Carls Furniture](#). But Tamarac-based City Furniture has not only survived, it's rolling upward and onward.

City, the top-selling furniture retailer in South Florida, has [added four stores](#) in the past three years and will soon have 30 locations. Revenues are expected to pass \$300 million this year, a 15 percent increase from last year. The company, known for its mid-range prices, is expanding its inventory to bolster its customer base.

And since 2013, City has been selling online to customers as far away as Tampa and Orlando — markets Koenig hopes to conquer with bricks-and-mortar stores before the decade is out.

City Furniture management said the company owes its success to a consistent team — some executives have been friends since grade school — a same-day delivery promise, aggressive marketing strategies and a low-waste process. The company takes the long view, even in hard times.

“Rough seas make good sailors,” said Mike Lennon, the company’s vice president of marketing.

Nationwide, the \$55.8 billion furniture industry is recovering slowly. More than 8,000 furniture stores closed from 2007 to 2011, according to research firm IBISWorld, and the industry is not expected to reach pre-recession revenues for at least five years.

Even as the economy picks up and demand increases, furniture stores face increased competition from mass merchants and big-box stores, said IBISWorld industry analyst Will McKitterick. Increasingly, competition from online retailers is also a factor.

“Customers are still looking for value in their furniture purchases, and will tend towards whichever operator can offer a lower price,” he said.

City Furniture doesn’t mark up its prices, and offers sales only rarely, an “everyday low price” strategy that Koenig credits for keeping customers loyal through the years. But loyalty wasn’t enough to keep business from faltering during the recession.

The company’s annual revenues dropped to \$208 million in 2009, a \$136 million decrease in three years, Koenig said. Almost 600 of the company’s 1,400 employees were let go.

Layoffs are tough in a family culture, said Garry Ikola, City Furniture’s senior vice president of sales. Ikola joined the company soon after Koenig’s late brother Kevin started it in 1971 as Waterbed City. Koenig and his friends Lennon and Chief Financial Officer Steve Wilder came aboard a few years later — and the team has been together ever since.

In 1994, when waterbeds had gone the way of lava lamps and bell bottoms, the company rebranded itself as City Furniture. Customers can now buy mattresses and sofas, patio furniture and interior design services, but the four amigos have remained.

“We’ve had that stability where we don’t have a new owner or CEO every three years,” Lennon said.

Today, the executive family spans generations. Now the company’s managing director of operations is Koenig’s 31-year-old son, Andrew, introduced an idea that kept the company alive during the recession.

Kaizen, a Japanese management strategy, helped City Furniture eliminate waste by asking for input from employees in each part of its operations.

In its efforts to become “lean,” City fixed the tiniest inefficiencies. Energy-sapping light bulbs made way for LEDs. In the company’s 750,000-square-foot warehouse in Tamarac, workers’ cart batteries were given more space to cool.

“A lot of times in American business, we think about home runs,” Koenig said. “Lean is all about base hit singles.”

City implemented the Kaizen strategy around 2007, when business was tanking. But after five straight years of sales growth, the company has the means to make bigger investments in efficiency.

A \$1.5 million compressed natural gas station was just completed at City headquarters, and an additional \$3.5 million will convert the company’s 90 delivery trucks to CNG by 2016. Koenig said the move would save the company about \$2.50 per gallon.

Six of the company’s furniture stores are on track to receive the LEED stamp of eco-friendly design, and the Tamarac warehouse recycles “pretty much everything — Styrofoam, all cardboard, all plastic,” Koenig said.

“We have to be watching every penny — that is the truth,” he said.

Even in hard times, the company took a leap of faith and bought real estate while prices were low. Now that Floridians are buying homes again, City Furniture has room to expand. The company now has more than 1,100 employees and about 40 open positions.

A licensee of Ashley Furniture Industries, City plans to open Ashley stores in Dadeland and North Miami in the next three years. A Dolphin Mall “superstore,” combining Ashley and City stores, is also in the works. The new stores will hire a total of about 150 people, Koenig said.

The next frontier: Central Florida.

The key to City Furniture’s business is same-day delivery, Koenig said. That has kept the company mostly limited to South Florida, but in the next two to four years, City plans to add stores and distribution centers in Tampa and Orlando.

“The game plan is to have the market covered by 2018,” Koenig said.

City is also expanding its product offerings. The Tamarac showroom now includes Bernhardt, an upscale furniture line that used to be the purview of high-end stores like Robb & Stucky. (The Fort Myers retailer filed for bankruptcy in 2011 and reopened with lower prices under new ownership.)

A few years ago, outdoor furniture joined the mix of living room and bedroom decor. For a decade, each City Furniture store has also housed an interior designer.

The company’s wide range allows it to keep low overhead costs compared to its more-specialized competitors, such as mattress stores and patio furniture retailers, Koenig said.

But those aren’t the firms City is fighting off. The biggest threats are not even the next-best sellers in South Florida: Rooms To Go, El Dorado, Baer’s and Macy’s.

“You’ve got tremendous competition coming from online and from lifestyle retailers like Pottery Barn, Crate and Barrel and Restoration Hardware,” Koenig said. “And then there’s enormous competition coming from mass merchants” such as Target.

In response, City added e-commerce in March 2013. The website makes up about 2 percent of the company’s sales, Ikola said.

“Our goal would be to try to double it in the near future,” he said.

In recent years, the company has also bolstered its marketing strategy, investing in a photo studio that puts City’s ads on par with national retailers, Lennon said. Miami’s Tinsley Advertising agency helped City create ads that reflected the diversity of South Floridians and their homes.

Koenig knows all this growth is made for good times, which won’t last forever.

“Furniture is tied to housing, and housing has cycles,” he said. “Frankly, I think we’re in a good position because I think the next three to five years in housing [sales] are going to be all up.”

When the next downturn inevitably comes, Koenig said the company will be prepared because of its low-waste processes and broadening customer base.

No matter what happens, Koenig said, City is in it for the long haul.

“As long as we’re aware of our competition, really, our business future is more dependent on how well we execute,” he said. “If we do what we can do well, we’ll be just fine.”

Read more here: <http://www.miamiherald.com/2014/08/03/4267309/city-furnitures-leap-of-faith.html#storylink=cpy>