

AGIO – Bob Gaylord -- QUESTIONS/ANSWERS

What are the Major Trends within the Outdoor Casual Industry and How is Agio Facing them?

Larger Dining and adopting glass alternatives. Prior to the Eighties and Nineties, most outdoor dining sets were usually five-piece sets with four chairs and a 48-inch round table. Because the norm is to have more than four people dining at one time, even then these were merely decorative pieces versus a really functional set for entertaining. Agio quickly recognized that multiple seat dining sets for six, eight or even 10 people had strong market potential. We also saw that although 90 percent of our dining tables used tempered glass, people didn't necessarily like or trust glass top tables because of their susceptibility to breaking. Very early on we navigated Agio's offerings away from glass to predominately cast aluminum, grouted stone tops, grouted porcelain tops and drop-in tile tops. Today, glass represents only about two percent of our dining table business.

The Outdoor Room. I believe Agio's strength and market position really helped solidify the idea of the Outdoor Room; I know we were among the most successful companies that catered to the concept. When consumers really started to use their outdoor rooms, they realized that dining was a 20-minute affair, whereas *hours* could be spent outdoor relaxing, reading or entertaining. A deep seating group was much more conducive to filling those needs than a typical dining set. Needless to say, all weather wicker versions of both deep seating and dining have been a huge part of this growth. Incidentally, Agio does over \$100 million in this category.

Deep Seating. Probably the greatest trend over the last 10 years has been the emergence of deep seating groups over dining. Sofa and lounge chair groups – with casual dining height coffee tables and end tables, or deep seating chat groups – with four deep seating lounge chairs, have reframed the category. Prior to this time, deep seating sofas or lounge chairs were special order items!

Portable Gas Fire Pit. Perhaps Agio's most successful industry introduction came back in 2002 – the gas fire pit. Consumer surveys repeatedly list fire as their second, if not the first, item on wish lists for outdoor decorating. Although wood fire pits have been around for years and contractors would happily build custom gas fire pits for a few thousand dollars, our portable natural gas or propane fire pits have been an unprecedented success. Just a few manufacturers produced them for the past 10 or 15 years, and now hundreds of manufacturers are offering them; today, the gas fireplace chat group is the largest selling collection by nearly all retailers, and is probably the fastest growing segment of our industry. This from a category that barely existed before 2002.

COMBINING BEAUTIFUL AESTHETICS WITH FUNCTION AND DURABILITY

An observation of this comes from our success with indoor furniture retailers who have only recently entered the outdoor business. We hear it remarked that they have little trouble selling an *outdoor sofa* for over \$1,000, but they are challenged to sell at that retail price an *indoor sofa*, where prices can go as low as \$300 per sofa. Our answer: put that indoor sofa outside for 3 months and see how it holds up! (It's a great line when selling outdoor furniture).

But seriously, we have spent decades making our furniture hold up to the elements. This includes the metals, the welding, powder coatings, clear coats, proper draining engineering, UV inhibitors, etc., in all materials that we use, from stone top tables to our all-weather wicker extrusions.