101-year-old LI rug and furniture seller Safavieh refashions itself into an online powerhouse
Safavieh, a 101-year-old rug and furniture company based in Port Washington, has transformed itself in the past decade into an online powerhouse, with almost two-thirds of its $255 million in sales last year coming from the Internet.

The company — known to Long Islanders for its stores here and around the New York metro area, and for radio advertisements with lilting, rhythmical music — is owned and run by the Yaraghi family, which moved the business to the United States soon after the Iranian revolution in 1978. Four generations of the Yaraghi family have built Safavieh into an online, wholesale and retail seller of rugs, living room and bedroom furniture, wall art, lighting and mattresses in the United States and worldwide.

Safavieh moved into online sales as an extension of getting into the wholesale rug business, and at a time when few other U.S. home furnishing sellers thought consumers would buy such items online. To do so required investing in warehouses around the globe, inventory and sophisticated logistical systems and technology.

About 65 percent of Safavieh's business still comes from the sale of handmade, machine-made and tufted area rugs. Safavieh's prices range from $19.99 for a small scatter rug to well more than $1 million for an antique one-of-a-kind rug.

Rugs, of course, are a big part of our business being from the heritage that we have in the rug business, but so are home furnishings and all of the other parts of the products that we make," said president Arash Yaraghi, 57, of Mill Neck.

He and brothers Cyrus Yaraghi, 63, of Manhattan, and Darius Yaraghi, 51, of Mill Neck, run Safavieh's wholesale operation. Brothers Ahmad Yaraghi, 72, of Old Brookville, and Michael
ONLINE DELIVERS

101-year-old company finds new growth on the Internet

SAFAVIEH from A35

Yaraghi, 55, of Mill Neck, are in charge of the retail operation. The brothers are all principals of the company. Eight other family members are also in the business.

“We all work together,” Arash Yaraghi said. “The way we keep sane and don’t get into fights every day is that each one of us runs a different part of the business and we have different responsibilities.”

In the past five years, the furniture industry has rebounded from the economic downturn, analysts said. As consumer confidence and home prices rise, consumers are again remodeling their homes and purchasing furniture and household goods. And they increasingly buy online, for convenience and frequently lower prices, analysts said.

“The industry in general is doing fabulous, and that is for one simple reason: For most Americans their major asset is their home,” said retailing consultant Howard Davidowitz of the retail consulting and investment firm Davidowitz & Associates Inc. in Manhattan.

“The consumers are pouring money into their homes because now they have a great investment again.”

Unlike some brick-and-mortar competitors in the home furnishings business that struggled during the recession, Safavieh actually grew, Arash Yaraghi said. Safavieh seized the opportunity to supply other retailers after competitors went out of business, and it also invested in its warehouses and opened new retail locations in the metro area.

“The way we had positioned our company as being a provider of catalog and online and department store, we were able to leverage that and fill the gap where other companies were hesitant,” Arash Yaraghi said. The year 2008 “was a pivotal year for us, because everyone was reporting loss of sales and we saw that at the end of the year we had a 50 percent growth.”

That momentum has continued. Sales grew 30 percent from 2013 to 2014, and the company says it is on track for revenues of more than $300 million this year.

“We are still a small business,” Arash Yaraghi said. “There is plenty of room to grow.”

Safavieh targets middle- to upper-class customers ages 35 to 55. “Our business model is built on having a couture brand that caters to the high-income bracket,” Arash Yaraghi said, “then bringing it down to the middle where we serve more.”

Safavieh also makes rugs for TV personality Martha Stewart, fashion designers Ralph Lauren and Isaac Mizrahi, and interior designers Thomas O’Brien, Thom Filicia and Jamie Drake. Some rugs are under the celebrities’ names, while other labels are co-branded with the Safavieh name.

The Yaraghis “were able to take a high-end image and work it in a way so they could sell to the masses and at the same time not diminish their high-end business. That is not easy,” Davidowitz said.

The company dates to 1914, when the five brothers’ grandfather, Kazem Yaraghi, started an antique Persian rugs shop in Isfahan, Iran, about 210 miles south of Tehran. The company’s name derives from the word Safavid, referring to one of the most significant ruling dynasties of Persia, now Iran.

In 1956, the brothers’ father, Hamid Yaraghi, took over the business and began exporting to the United States and Europe.

In 1977, Arash Yaraghi began engineering studies at Case Western Reserve University in Cleveland. His brother, Cyrus, came to visit him right before the Iranian Revolution broke out in 1978. Their father encouraged the brothers to move the family business to the United States. The other three brothers followed between 1979 and 1981, with their father joining them in 1983. He died in 1991.

Arash and Cyrus, who were 19 and 24, opened their first showroom on Madison Avenue and East 32nd Street in Manhattan in 1978. Although they had only enough money
to pay for the first month’s rent, the landlord took a gamble on them.

“We, Cyrus and I, used to sell [Persian rugs] during the day and deliver at night,” said Arash. He took a semester off from college to start the business, but eventually obtained his undergraduate degree in business administration from Baruch College in 1982 and then his law degree from Touro Law School in 1986 by attending evening classes.

Since then, their retail chain has grown into 12 stores in the area, with locations on Long Island and in Manhattan, Westchester, New Jersey and Connecticut. They opened their first showroom on Long Island in Manhasset in 1984, where they remained for 20 years before moving to Glen Cove. Store staff are licensed interior designers.

The company’s move into the wholesale business, though key to its growth, was initially just an opportunity it seized. “As we grew, we found that many of our friends on the West Coast or in Florida . . . wanted to buy our products and sell them in their stores,” Arash Yaraghi said. “So we started our wholesale business about 15 years ago. . . . That is how the whole thing started.”

In 2005, the company’s growth accelerated when it started supplying catalog companies — and the catalog business started going online.

“We would bring the product, hold it here for them and they would sell it and we would ship it to their customers,” Arash Yaraghi said. “That for us was a big change in our business: where our partners and our customers saw that we were holding inventory for them and they had limited risk.”

**The need for warehouses**

Due to the increasing demand to hold inventory, Safavieh started opening warehouses in 2005 across the United States, Europe and Asia. It now has more than 2.5 million square feet of warehouse space, and it seeks to ship products in 24 hours from the warehouse closest to a customer.

“Logistics and technology within the warehouse management system became a big part of our business, and that is what gave us a boost from a small mom-and-pop retailer . . . to a national distributor of home furnishings,” Arash Yaraghi said.

Online sales only make up about 8 percent of the $95 billion U.S. furniture and mattress industry, analyst Epperson said. But online sales now provide Safavieh’s primary growth.

And for the industry, online sales are expected to grow at an annual rate of 6.6 percent to an estimated $227.7 billion in the next five years, according to a May report from Manhattan-based industry market research firm IBISWorld Inc.

The industry is “one of the last businesses to go online,” Epperson said. Home furnishings are difficult to ship, being fragile and large, “and consumers want to feel, touch and see” the merchandise.

The top two players online are Williams-Sonoma, which controls 15.3 percent of the market, and Wayfair, which holds 9.9 percent, IBISWorld found.

For more than a decade, Safavieh has been able to ship most of its products in the mail through carriers UPS or FedEx.

“When I started I was told nothing would change about this business, you will be delivering furniture with two guys in a blanket wrap for the rest of your life — and it changed,” said Jonathan Yaraghi, 32, the company’s creative director, the son of Cyrus, and part of the new generation. He joined the family business after graduating from Syracuse University in 2006 with a bachelor’s degree in information technology. “We are now able to deliver fully functional large furniture to end consumers through the mail using both technology and our logistics systems.”

Jonathan helped develop Safavieh’s first spring-coil mattress that rolls up and ships in a box. When the package is opened, the mattress expands over a few hours. Launched in February, the mail-order mattress, which retails from $179 to $649, faces off with foam-based, ship-in-a-box brands like Casper and Yoga Bed.

“When I look at their business, all the things they are doing with their technology and all their product offerings — it takes a lot of talent to do what they are doing,” Davidsonitz said. “Now, will they fall on their face? Do they have too much inventory? Are they taking on too much? We will see, but at the end of the day, they didn’t get here overnight.”