VOLUME 143 NO. 6 NOVEMBER/ DECEMBER 2013

furniture WORLD

RETAIL PLANNING 2014

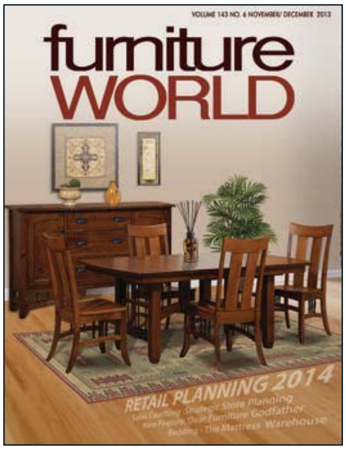
Sales Coaching -Strategic Store Planning

New Feature: Dear Furniture Godfather

Bedding - The Mattress Warehouse

^ **ABOVE** | **RUGS:** ATS-1003, BLX-9002, KOT-7006, PDG-2039 **PILLOWS:** FB-026, KS-006, KS-011, LD-014, LJS-003, PD-005, SY-032 **POUFS:** PHPF-001, POUF-189, POUF-205 **LAMP:** LMP-1022

> **RIGHT** | **RUGS:** G-5091, JTII-2053, MYK-5003 **PILLOWS:** DD-012, LD-023, LJA-001 **ACCENT FURNITURE:** FL-1027, POUF-170 **LAMPS:** LMP-1010, LMP-1022 **ART:** JA944E **MIRROR:** MRR-1006



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FURNITURE WORLD MAGAZINE

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Cover: The Arroyo Seco Collection is Borkholder Furniture's newest collection, made in the USA and crafted with a mixture of decorative metal and solid wood. See more information on Borkholder's offerings on page 10 of this issue or visit www.borkholderfurniture.com.

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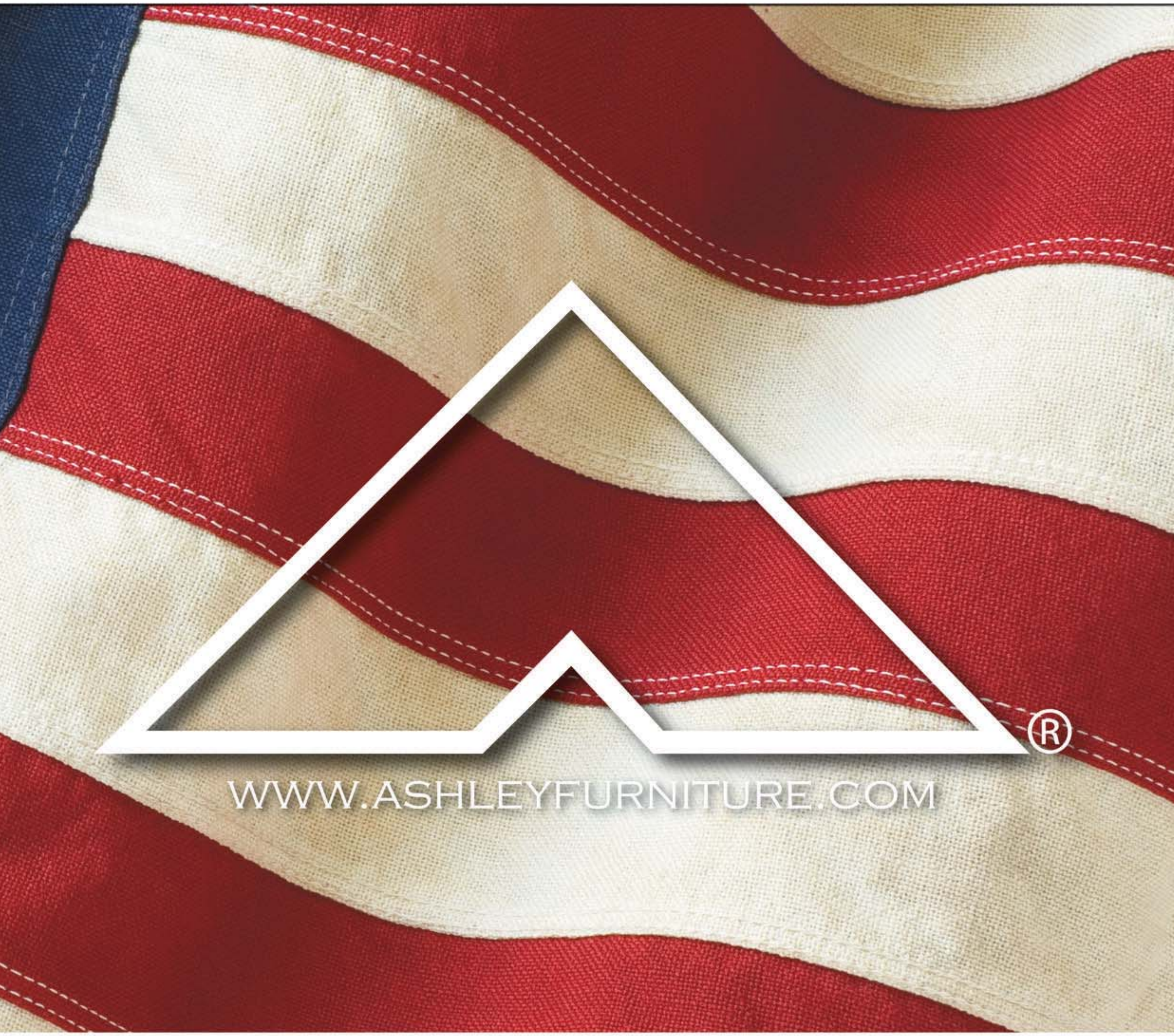

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EDITOR'S CORNER

Those Naughty and Nice Emails.

As 2013 winds down I'm thinking about how grateful I am for the many NICE emails Furniture World readers have shared with me this year. I'm also considering some NAUGHTY emails that subscribers and industry friends have forwarded on, usually accompanied with the introduction, "Can you believe what I just received...?"

There are cases where strongly worded communications with employees and others are required, but before you press "send", I suggest the following five steps:

- *Never send out an email that you would not want forwarded to other employees, your boss, competition, members of the press or to have posted to Facebook.*
- *Never cc or bcc a harsh sounding or critical email to an entire employee group or team. Emails that scold, voice frustration or threaten action are best left unsent. Don't be cowardly. Instead, pick up the phone, then follow up with a summary email.*
- *Always consider your company's co-responsibility for whatever has gone wrong.*
- *Think about the likely reaction of the recipient. Will it be anger, resentment, frustration or the desired response?*
- *Try to temper negativity with personal concern. Just because you dislike someone's performance, doesn't mean that you shouldn't care about them as a person.*

Best wishes for a happy, healthy and very nice holiday season from all of us at Furniture World.

DEAR FURNITURE GODFATHER

Readers' questions answered by the "Teflon Don" of the furniture business.

by Gordon Hecht

Editor's note: This is the first in a series of articles that answer reader's questions about how to do the right thing in the retail furniture business. In the interest of full disclosure, we didn't pay Don Gordon, but we do owe him a small favor! Send him questions at FurnitureGodfather@furninfo.com.

I have had several nicknames in my furniture career. I have been called "Bones" for my Las Vegas background and The Teflon Don for the ability to sell fabric protection. My latest moniker, "Godfather" was given to me by Mattress Industry Veteran Hank Hegert.

Dear Furniture Godfather: My store opens at 10 am but my sales team arrives between 9:55 and 10:15. Even then, they are pouring coffee, straightening ties, and chatting about some IDOL show on TV. How can I get them to be more prompt and prepared? *-Desperate in Dubuque*

Dear DD: You can't expect your team to be prepared unless you are prepared! Be a wartime Consigliere. There has to be a transition between personal time and work time. You can make your headcount easy and get your team ready for the business day at the same time. Start a Morning Round-up Meeting next week. Each morning have a short meeting, 10 minutes or so, scheduled for 15 minutes before store opening.

You will have the opportunity to review merchandise, advertising, and credit terms with your team. Always discuss team performance from the previous day and the sales goal for today. Point out any new merchandise and any floor changes.

The bonus for you is that when you start your meeting promptly, you will have a quick count on which RSAs are on time, and which are late. Keep in mind the Godfather's first rule of management, "If you can't get them to work on time, you won't be able to train them to do anything else."

Dear GF: I have always heard that 50% of all advertising money spent is wasted, but sometimes I think it is 80% at my store. We advertise a lot, and have great traffic, but our close rate is usually under 20%. How can I fix this? *-Frazzled in Fresno*

Dear Frazz: It sounds like your advertising IS working. The job of advertising is to bring shoppers to your store. Don't cut off the head of the horse that is running for you! What isn't working is your sales process. The job of the sales team is to convert shoppers into buyers. If you are not counting incoming traffic guests, or "ups", per RSA, you need to do that today. Install a door counter to measure all traffic to match against your RSA traffic count.

Average or Good RSAs should be able to earn a living greeting 140-160 guests a month. If your sales team is averaging 180 to 200 or more guests in a month, then you are understaffed and need to add on to your team. Despite your current sales team's objection, there is no finite pie to slice. Adding one extra RSA to your

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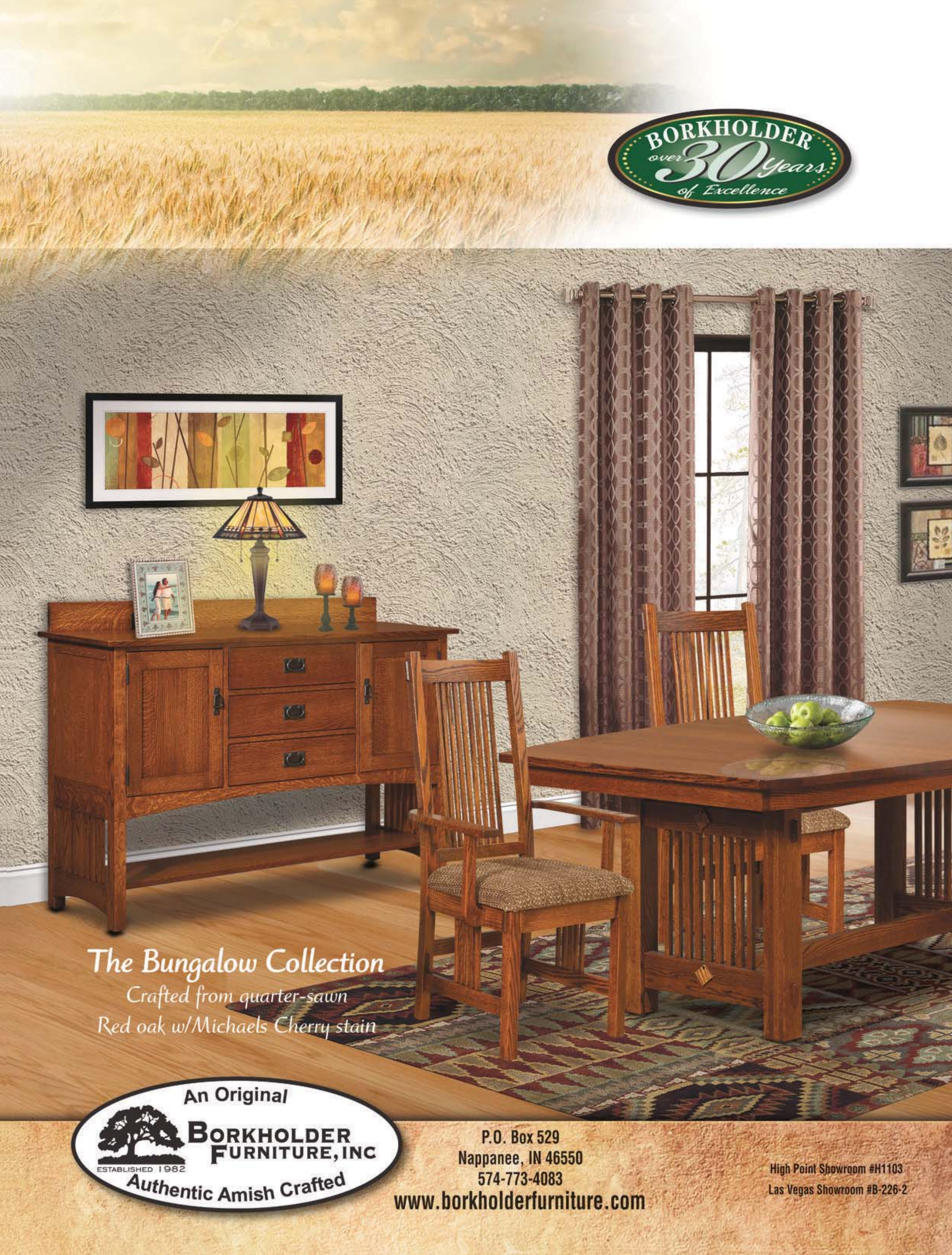

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From the Heartland of America

Freemon Borkholder, Founder
Ola Yoder, Owner

On October 11, 1932, Freemon Borkholder was born to a young Amish couple, Daniel J. and Emma Borkholder, on a small farm in Nappanee, Indiana, where he grew up with 7 brothers and sisters. As a young man he married Margaret Hershberger and began his career building kitchen cabinets at Coppes Kitchen in Nappanee. Coppes Kitchens was one of the Indiana companies that made famous the "Hoosier Cabinet".

He loved what he did and yet, seeing all the opportunities around him, he decided to venture out on his own – and founded Borkholder Buildings, which supplied the building industry with trusses and building packages. In 1982, another dream came true when he started up Borkholder Furniture and got back into creating wood. He loved creating things and he would often go in early in the morning, work on projects for his home, and be there when the employees came in so he could greet them. He was not ashamed to tell dealer, reps or customers, "This is the best furniture made today". He often schooled those selling our furniture on the features and benefits. "People will invest in our furniture if you point out the features and benefits" he would say.

Freemon passed away in May 2008, but the story of Borkholder Furniture does not end there. In 2011, Ola Yoder, a local businessman purchased Borkholder Furniture from the Borkholder Family. Ola had built a successful stock kitchen and bathroom cabinetry business in Nappanee and wanted to add Borkholder Furniture to his retail store and continue to build the Borkholder Furniture brand through the national wholesale dealership. Ola shared many of the same values as Freemon and wanted to carry on the tradition that was founded in Nappanee, Indiana over 30 years ago. Today, the furniture is built in family-owned and family-operated Amish workshops. Each piece is built by skilled craftsmen and finished with high-quality finishes and still carries the Borkholder Furniture Lifetime Warranty and Borkholder Craftsmanship Seal.

Sincerely,

Ola R. Yoder

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Also set up an RSA tracking sheet. This doesn't have to be anything fancy or formal, a simple legal pad and pen will work. Have columns for Guest arrival and departure time, who greeted them, and note if a sale was made. If a sale was not made, the RSA needs to note what the shopper's objection was to purchasing.

Look for commonality in the Objection column. If Price is consistently noted, then your sales team needs to learn to build value. If "too long to wait" shows up, then you need to train on early discovery questions. Watch out for too many "Just Browsing" responses. This indicates that your RSAs can't engage with the tons of paid-in-advance traffic that your store is getting.

Continue to invest in advertising. Just be sure to measure true results of the traffic you are bringing in.

Dear Don Gordon: Our company invests a lot of time and money in pre-delivery preparation of merchandise. Our goal is for every piece of furniture to leave our DC in near-perfect condition. We have a team of inspectors that have the authority to reject and repair or replace any item before it leaves our building for delivery. Despite all of our efforts we still experience a 10% refusal rate from our customers. We are drowning in returns. Please help!

-Picky in Poughkeepsie

Dear Picky: You are doing the right thing in doing a service to your customer, and no one should drown unnecessarily. Make every delivery experience a great experience. Here are three things that may help to reduce returns.

First, think like a customer. Chances are that your customers are mostly female. If your inspection team is mostly male then they are probably unable to look at delivered furniture with the same critical eye as your female customers. Take the next two weeks and ask your female associates to act as inspectors. They can work in customer service, cashiers, buyers, VPs, or accounting offices. Give them an hour's training on your inspection process, and then let them be the final judge on merchandise appearance.

If you see a decrease in returns, get your "new" inspectors to train your current inspectors.

Next, look at your truck packing. Furniture pads and ties are a lot less expensive than furniture, so they should be used generously. Beware of cartons resting against upholstered pieces and be sure to fully wrap open case goods. Items that leave your DC in good shape and arrive in substan-

dard condition are being damaged in transit. Also, be sure you are allowing your delivery teams enough time for each stop. Teams that are rushed will surely get careless and damage more merchandise.

Finally, be sure your home delivery team has a process for minor touch ups. Equip them with tools and training. Work with them on scripts for when minor issues appear . Look for the opportunity to repair in home rather than exchange product. Double exchanges rarely work and there has never been a successful cost-free, hassle free third-time even exchange!

Dear Godfather: Our stores are swimming in old and outdated accessories! This is affecting my open to buy and ability to refresh. I have tried mark-downs, even up to 70% off. Nothing seems to work. What liquidation techniques do you suggest?

-Over-Lamped in Los Angeles

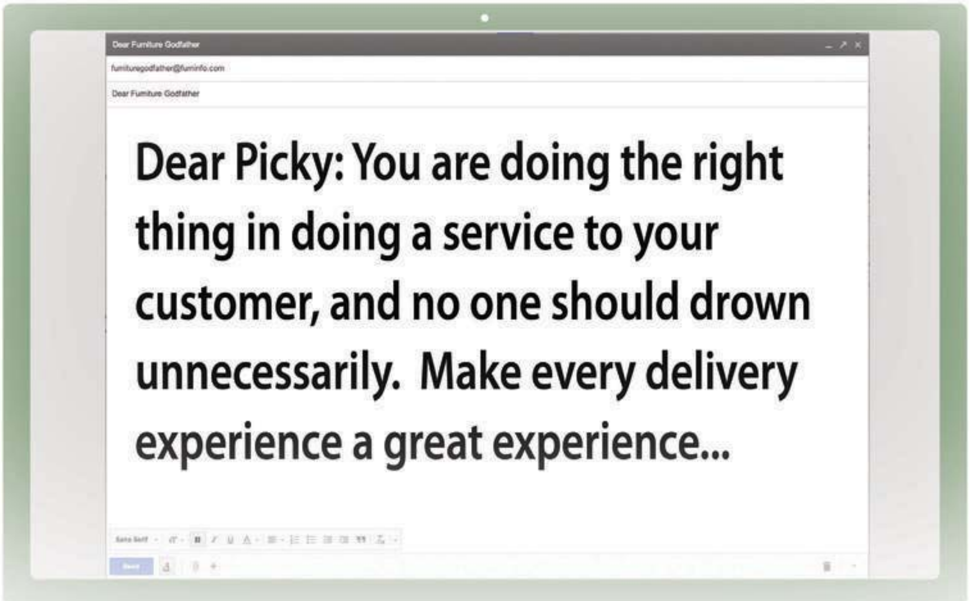
Dear LA LA: The Godfather never liquidates, but knows some people who are in that business.

Accessories are one of the most difficult segments of our business. They help sell our merchandise, but most stores have difficulty selling lamps, rugs, pictures and small table items. For most stores, an inventory turn of ONE is a monumental achievement!

The ideal time to sell accessories is when your customer is buying their room. You will probably realize very few accessory-only sales, despite deep mark-downs. It is just easier for your shopper to envision accessories when shown with the furniture they are buying.

If your furniture store has a Visual Merchandiser on staff for store set-up, have that person be available to help RSAs and Shoppers select accessories at the time of purchase. Simply have the RSA introduce their shopper to the VM during the sales process. Shoppers who appreciate the appearance of your store will welcome professional guidance in completing their purchase.

Next, you should ST OP using the



word Accessories with your shoppers. Call them what they are -Lamps, Pictures, Mirrors, and so on. Forget percent discounts. Your shoppers are so immune to percent that 50% or even 70% mean nothing. Change your strategy to “Buy One-Get One”. Add FREE or $1.00 to the BOGO and you are moving two items at the same time.

For small tabletop items, group them by price on tables or shelves near the cash wrap area. Make one area EVERYTHING $9.95, and price the other areas at $19.95 and $29.95. You can use dots to verify pricing. This lets your shopper view the items and understand price without using a calculator. Holiday time is a great time to move these out. I have seen some stores add ribbon and a bow to small items to help with gift ideas.

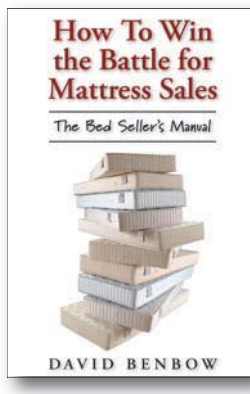
Finally, if you want to dump the accessories at ANY COST, consider rewarding your past customers with a free accessory card. Identify your ten highest spending customers for 2013 and invite them in for $200 in FREE ACCESSORY items. These are your best customers, so chances are they will spend more than $200 and tell all of their friends how great your store is. Then e-mail all of your customers with a $50 gift card for any accessory item.

You can reward new customers with a 5% or 10% instant rebate on their purchase towards any lamps, pictures, et cetera, at the time of purchase. The Godfather always believes in giving merchandise instead of money to close a sale!

Another Editor’s Note: The Furniture Godfather told me to tell you that he is willing to offer his friendship and service to Furniture World Magazine readers. Send questions to Don Gordon Hecht at FurnitureGodfather@furninfo.com to get back an answer you can’t refuse!

Gordon Hecht: *Gordon Hecht is a 39 year maverick of the Home Furnishing business starting as a Delivery Helper in Las Vegas, NV. Following a successful sales, store management, and multi-store management career he joined Ashley Furniture Industries. In his role as National Director of Sales for Ashley Sleep Gordon helps Retailers improve Bedding Sales through training, merchandising and display. He lives in Columbus, OH with his wife Michelle.*

Any questions or comments about this article or about any retail issue can be directed to Gordon at Ghecht@ashleyfurniture.com.



SALES COACHING 2014

Practical advice for using sales performance metrics to improve sales in 2014.

by Hal McClamma

I'm confused, I don't know if I found my rope or lost my horse. Are you confused about sales metrics? Let's make sales performance metrics really easy to understand.

Before delving into this discussion, I want to repeat my contention from the last issue of Furniture World that reviewing and printing sales metrics for your sales staff is NOT sales management or sales coaching. It's what you learn from performance metrics that gives you insight into how to coach and what to coach.

Sales coaching is comprised of 4 parts. Plan, execute, review and coach. The plan is the selling system, sales training program or steps in the selling process. Execute is where the salesperson executes the plan on the sales floor with his/her customer. Review is capturing and analyzing sales performance metrics. Coaching is using these metrics along with your observation of the salesperson's customer interactions to help coach long-term performance improvement.

This article will explore what most retailers are familiar with, the dependent sales performance metrics discussed in the September/October issue of Furniture World. Dependent metrics "depend" upon something happening. Dependent metrics can point to behaviors or skills that are or are not performed well by the salesperson. Precedent metrics are measurements of the actual skills and behaviors that when altered will change the dependent metrics. Most retailers are familiar with dependent metrics such as sales, traffic, close ratio, average sale etc..

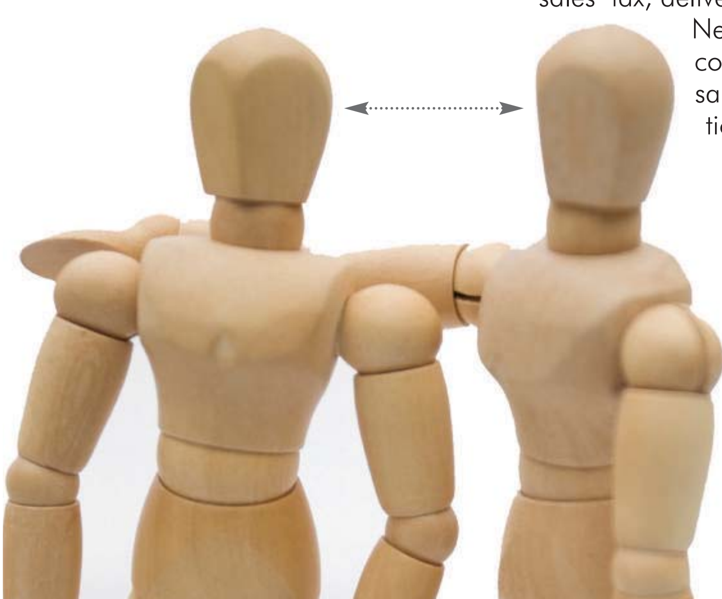
Sales: The most common dependent metric is simply, sales. And for most home sector retailers sales is considered net merchandise sales without sales tax, delivery and service fees. Net sales is also most commonly merchandise sales after all cancellations, adjustments and exchanges. So, net sales is net merchandise only.

Many retailers also capture sales of services and special categories. Services can be delivery, warranty and mattress protectors. The most common special categories are bedding and accessories. Many stores also track sales of DEAD inventory that needs to be moved.

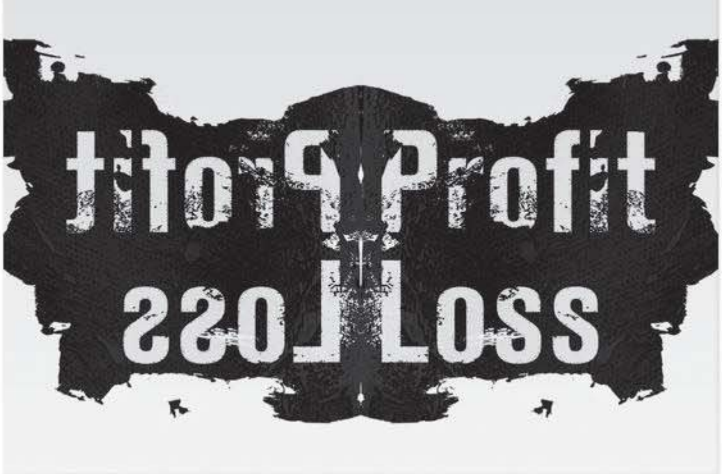
Average Sale/ Average Ticket: The next major dependent metric most stores capture is the average sale or average ticket amount. Average sale is simply total sales divided by the number of tickets. $65,000 in net sales with a total of 100 tickets would be an average of $650. per ticket.

TRAFFIC COUNTING

Many stores do not count traffic but should. Traffic is a measure of unique visitors to the store. I recommend capturing unique buying groups rather than total foot traffic. A buying group could be mom, dad and 6 kids… that's 8 people if you count foot traffic, but only one buying group. It is



"Look at each salesperson's Call Trade percent to total traffic. If they have a high Call Trade percent, they are making good connections with customers."



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"If a salesperson's time per customer is too high and does not translate into sales, they may be boring the customer to death."

also recommended that unqualified traffic not be counted. Unqualified traffic is the UPS man, employees and sales reps. Traffic counts should be tracked by salesperson so you can see how effective a salesperson is with the opportunities you pay for and provide him/her.

When you count traffic I also recommend you capture traffic by time slots and days. This is a great way to ensure your staffing is RIGHT ON. Salespeople should not be going to lunch or dinner when traffic is high. Also, you do not want to staff your store on intuition, so validate the traffic numbers and staff accordingly.

One main reason to count traffic is to validate advertising results. When I ask retailers if one of their recent ads worked, nine times out of ten, they will pull up the sales numbers on specific days. This is absolutely WRONG. The goal of advertising is to drive qualified traffic into the store. The goal of the sales staff is to convert this traffic into sales. The goal of the merchandise department is to have desirable products at healthy margins available to sell.

So, when asked about an advertisements success or failure, one should immediately look at the traffic counts not sales. If an ad drives "Unqualified" traffic to the store for product that is not in the store's merchandise plan "Sweet Spot", conversion to sales will be difficult. That is NOT the salesperson's fault. The accountability here rests with the advertising and merchandising departments.

This is why I say that retail is detail. If you are not into detail, you shouldn't be in retail. The entire sales process is intimately interconnected with other departments like advertising and merchandising.

One more word on traffic. Traffic should be counted by advertising and marketing lead source. While the sales staff is with the customer why not ask, "How did you find out about us? Was there an ad that brought you in?" Then capture that data by advertising and marketing media source to validate your advertising and marketing effectiveness.

Hours Worked: Another metric to capture is hours worked. When you capture the hours worked, you can easily calculate sales per hour. You will see some salespeople working extra and some just the bare minimum. Sales per hour is total sales divided by hours worked. Sales per hour is a great indicator of hourly production.

When you capture hours worked you can calculate customers per hour and conversely hours per customer. If a salesperson's time per customer is too high and does not translate into sales, they may be boring the customer to death. This can also be seen in a low Call-Trade percentage. (See Call Trade below) Some customers may not want to ask for Boring Bob when they return!

Call Trade Numbers: I recommend capturing Call Trade numbers. Call trade is sometimes called Be-Backs or Come-Backs. Call Trade can be return visits for the same purchase, repeat customers or referrals from raving fans. These are buying groups that return and ask for a specific salesperson by name. You will want to look at each salesperson's Call Trade percent to total traffic. If they have a high Call Trade percent, they are making a good connection with the customer. If this number is unusually low compared to average and their close percent is average or below, then you have a relationship training and coaching opportunity. There may be a reason no one asks for this salesperson.

Unique Traffic: Unique traffic is a salesperson's total traffic less the Call Trade or Be-Backs. This is the net traffic your store paid for and supplied to

> "When I ask someone if a recent ad worked, nine times out of 10, they will pull up the sales numbers for specific days. This is absolutely WRONG."

this salesperson. Then the question is what did he/she do with the opportunities you provided?

Ideally, you will want a salesperson to grow their Call Trade and rely less and less on your provided qualified traffic.

When you capture traffic counts, you can then calculate the close ratio for a salesperson. This is simply the percentage of overall customers that buy. So if a salesperson greets 100 people and sells 25, their close ratio or close percent is 25%. I suggest you calculate the close ratio based upon unique traffic buying groups.

Customer Contact Information: Many great sales floors also capture customer contact information from customers. Information like; name, phone, email, stated need and more. There are many easy non-threatening ways to do this. This information then forms the basis for your store's private sales events (a zero advertising expenditure). I suggest tallying the number of qualified customer contact information captures per salesperson. A name and no phone or email is unqualified. If a salesperson has a traffic count of 100, and writes 25 tickets, that leaves 75 non-buyers. How many of these 75 did the salesperson obtain customer contact information? You cannot execute easy monthly private sales without this information, nor can your salespeople validate the claim they are following up with non-buyers.

Margin: Margin in most instances SHOULD NOT be a salesperson performance metric. Margin is a merchandising department accountability metric. There are some exceptions.

Items Per Ticket: Items per ticket should also be tracked. This metric gives great insight into a salesperson's ability to grow the sale beyond the stated need.

Disconnect Rate: Another huge metric that is worth looking at is the disconnect or "Just Looking" rate at the door. What percentage of a salesperson's unique traffic is disconnecting at the door? A high number indicates poor greeting skills.

You will notice right away that some metrics are time sensitive and some are not. If you happen to have part time and full time salespeople, traffic counts will vary as will hours worked. The sales per hour metric as well as the close percent and average sale are independent of time worked while total net sales, traffic and tickets is reflective of hours worked.

Dollars In Revenue Per Unique Customer Opportunity: The number one best sales performance metric BAR NONE is dollars in revenue per unique customer opportunity. This is simply the total net merchandise sales divided by unique traffic buying groups.

I am sure you've seen an all you can eat buffet salesperson before. This buffet salesperson will greet, assess and drop a customer if there isn't an immediate buying signal. The buffet salesperson tries to gobble up as much traffic as possible.

If Jim has 100 buying groups in a month and produces $75,000 in net sales and Mark utilizes 165 buying groups to produce $100,000 in sales… Who is the best salesperson? Many retailers would say that Mark is the best salesperson simply because he has more sales volume. It's not the top salesperson in volume that is always the best salesperson on your floor. The best salesperson is the salesperson with the highest revenue per buying group.

Jim's revenue per buying group is $75,000 divided by 100 or $750. Jim brings in revenue of $750 on average for every unique buying group he greets. And conversely, Mark's revenue per customer is $100,000 divided by 165 or $606. Jim makes the store 23.7% more revenue for each customer buying group.

Jim and Mark's employer invests a lot of money in advertising, occupancy, warehouse and delivery, sales support, and SG&A expense per unique customer opportunity. Mark is wasting this money by burning through customers like an all you can eat buffet. This store really needs more Jim's on the floor! Or they need to slow Mark down. Preferably, do both.

READY, SET, MANAGE!

Take all of these metrics and calculate a total, an average, a maximum and a minimum. Now you are ready to separate the wheat from the chaff.

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"The number one best sales performance metric BAR NONE is dollars in revenue per unique customer opportunity. This is simply the total net merchandise sales divided by unique traffic buying groups."

these numbers is high it should scare you because you are losing sales. It also means that each of your customers is receiving a vastly different experience based upon who greets them. A wide range of performance points to a sales team using different selling systems, or a sales floor that has no selling system at all. This is a recipe for poor customer service and lower than necessary store sales. Stores with a wide range of performance have a huge potential for sales increases.

Low Average Sale: What if a salesperson has a low average sale over time compared to average? They probably are not relational, not building trust, moving too fast, failing to grow the ticket. Their Call Trade is probably low too. They probably have a low item count per ticket as well.

Low Close Ratio: What if a salesperson has a low close ratio over time compared to average? They are probably failing to qualify and/or ask for the sale. Could be a "greet and retreat" salesperson or be blowing the greeting causing a high disconnect rate at the door.

"What if a salesperson has a high average sale and low close ratio over time compared to average? They may be trolling; taking customers and then dropping them."

Low Average Sale: What if a salesperson has a low average sale and high close ratio over time compared to average? They could be selling just what the customer asks for and no more. Perhaps they are just selling the advertised items or the low priced leaders… the easy sales. They may not be able to step -up. Look for the low average sale amount and low items per ticket. Usually you will also see low services and/or low warranty sales for these salespeople. High warranty and services indicate a relational trust building salesperson.

High Average Sale & Low Close Ratio: What if a salesperson has a high average sale and low close ratio over time compared to average? They may be trolling; taking customers and then dropping them if there is no indication they are buying A LOT and buying right now. This salesperson may be great at big tickets and give little value to the single item or low ticket customer.

CONCLUSION

All of this data capture seems like a daunting task at first. However, the benefits and rewards far outweigh the effort. In fact, one daily sheet of paper that each salesperson fills out could capture all the desired data. And then it is simply a matter of entering the data each day into a program that produces the desired reports.

Sales performance metrics alone are not coaching… but metrics can and do indicate where to look as you review sales interactions on the floor. Effectively coaching without this data is a near impossibility. The insight you gain will have you coaching the High Value Targets effectively and with great clarity.

Offer: Furniture World readers can sign up to take a free Sales Manager Effectiveness Quiz and receive an in depth report showing opportunities for improvement or validating the fact you are doing it right.

To participate, log on to www.IntegrityBusinessCoaching.com and select "SALES MANAGER QUIZ"? on the "Free Tools" menu on the top menu bar. Fill out the online form and you will be contacted to set up for your free online quiz(s).

About Hal McClamma: Founder of Integrity Business Coaching, Hal McClamma has over 30-years in the home furnishings, appliance and electronics industry. He has owned successful furniture stores and sleep shops. McClamma has been a distribution center manager, single and multiple store manager and company VP for Havertys Furniture, Barrow Furniture, Maas Brothers, Burdines and Jordan Marsh. Questions about this article or other sales issues may be directed to Hal McClamma at Hal@IntegrityBusinessCoaching.com or call 334.470.9999.

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STRATEGIC PLANNING 2014

The advantages of putting in place a strategic growth plan for the new year.

by David McMahon

When asked, "Would you like to grow your business?" 100% of furniture retailers say, "Yes." And most respond positively to the inquiry, "Do you think that having a plan for that growth is important?"

But to the queries, "Do you have a general, long-term 3-year strategic plan in place?" and "Do you have a detailed annual plan with benchmarks that you use to measure performance monthly?" Only a few say, "Yes."

YOUR GROWTH PLAN

Consider this: A Strategic Growth Plan is to your company what a GPS is to a sailboat out at sea.

The destination, approximate time, and course are known. The conditions of travel are unpredictable, but the possibilities are understood. During a sailboat's voyage, a host of obstacles and opportunities are encountered. Some push the boat off course. However, the destination does not change. The GPS just recalibrates and the route and actions are redirected. Inevitably, the captain and crew work efficiently together. Then, they arrive.

For your business, strategic growth planning is an essential tool to turn your goals into reality. It is the GPS for your future. It helps your business stay on course. When inevitable challenges arise, the strategic plan helps you reroute your tactics. It improves team focus and enables you to reach targets as fast and efficiently as possible.

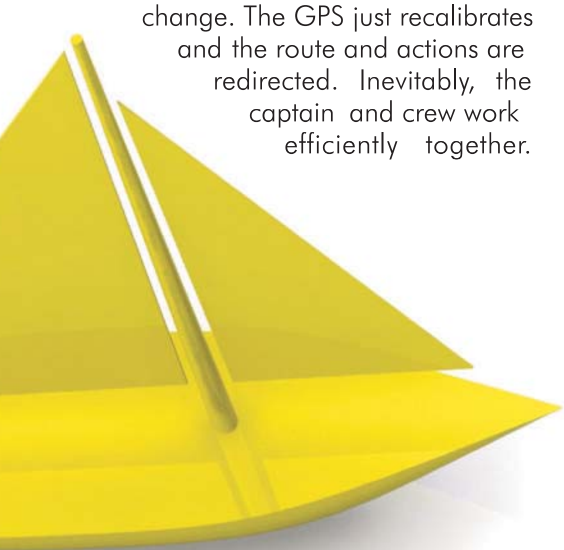
Without this tool in place, your business risk is much higher. This is due to counting more on "dumb-luck" than on strategy. Also, those businesses that don't plan tend to be reactive with decision making rather than proactive. Their managers tend to be short-term focused, looking only a week or month ahead. They are obsessed with past performance rather than future performance. It is true that non-strategic business operators are often some of the hardest working managers. Yet, they are not the smartest working managers. It is not surprising that those businesses that strategize properly, define their tactics, and measure their results perform better and are generally less chaotic places to work.

To illustrate the general process of Strategic Growth Planning, it's useful to ask four questions: Where are you now? How did you get here? Where do you want to be in three years? Is it feasible?

WHERE ARE YOU NOW?

Answering this question is step one. Knowing your exact financial position is a fundamental business analysis. It is impossible to plan a route unless you know from where you are starting. Here are some measurements that can be used to determine where a business is at any point in time:

- *Liquidity – cash in comparison with short term obligations.*
- *Activity – day to day operation efficiency in such areas as sales, inventory, deposits, AR.*
- *Solvency - long term debt obligations.*



"Your business is like a sailboat. You should have a destination. You should have a planned route. You should expect storms. You should track your progress with benchmarks. You should execute the right actions fast."

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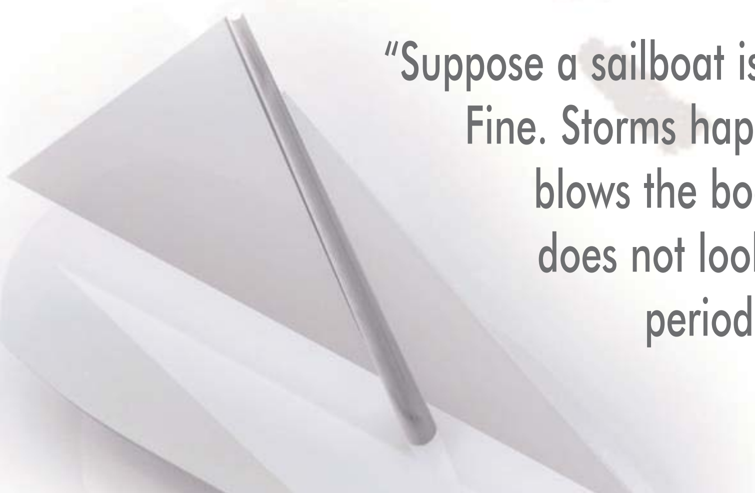

"Suppose a sailboat is out at sea and a storm hits. Fine. Storms happen. Now suppose the storm blows the boat off course and the captain does not look at the GPS for an extended period of time. What will happen?"

- *Profitability – costs, margins, and income.*
- *Value – equity and wealth.*
- *Break-even sales volume.*
- *Management ability.*
- *Team effectiveness.*

Knowing this information gives you an accurate measure of your current strength, and will let you know if you have adequate current resources available to fund growth. As well, it shows whether your business is adding to cash reserves and whether debt levels are sustainable. Furthermore, your sales volume required to achieve desired profits and cash flow can be figured from the break even analysis.

Whatever the situation a business is in, it is better to KNOW IT, than be ignorant of it. In fact, as an analyst, I do not care whether the current state is good, bad, or ugly. It's better to know the true situation – so you can form a Strategic Growth Plan and start to improve the business situation.

HOW DID YOU GET THERE?

The purpose of this second question is to figure the underlying reasons your business is where it is now. A common way to do this is to look at the past year (or several years) and compare them to current results. From there, percentage growth can be figured using the above mentioned measurements. Correlations can be drawn. For example, if sales grew by 10% and inventory grew by only 5%; that may be an indication of more efficient asset usage. Or, say, sales grew by 10%, advertising grew by 15%, and customer traffic grew by 7%; that may indicate a decline in advertising effectiveness.

Asking this question also stimulates a discussion about the strategic planning process. Your executive team stops guessing as to why things are the way they are. Knowing what worked and what didn't work and how you arrived at your current destination, sets the stage for the next question.

WHERE DO YOU WANT TO BE IN THREE YEARS?

Have fun with this part. This is higher level stuff. Try to pull yourself out of day to day business operations. You know where you are and have a good idea of how you got there by the time you start this brainstorming. There are really no right or wrong answers here. Some businesses are more aggressive and like to take greater risks to achieve bigger rewards. Others are conservative and wish to grow slower and just accumulate cash at a steady-rate.

When working on growth planning with clients, I like to take a profit-up (or sometimes, cash-up) approach. This means working backwards from yearly goals. Let's say you want to produce a net income increase of a certain amount. From there, you can determine what sales volume you need to make that happen. This is all done by calculating a cost, volume profit analysis (also called break-even sales). Then by using "What-If?" scenarios, see what would happen to the results if certain things occurred in the future.

With long-term strategy, be realistic, but don't be afraid to dream, realistically. You are the captain of your business destiny.

IS THAT FEASIBLE?

This question tests the 3-year plan. By putting numbers to words, the growth strategy's feasibility is checked. While doing so, the specific tactics are determined. The management team can then decide whether the long term plan is doable or whether it needs to be modified.

For example, suppose a business wishes to add additional locations. The cost of the expansion is estimated. The projected sales volume, operating profit, inventory levels are just a few things that the business needs to consider when determining the amount of funding and payback that would be necessary to accomplish the goal. If the sales volume increase was deemed too unlikely to support the expansion, then modifications to the three year plan may be necessary. However, if the general actions outlined to achieve the revenue needed, test doable, then, the plan can go forward.

Feasibility testing is done through forecasting methods and dialogue. I suggest using an advanced business profitability/analyst professional such as a CMA or CFA (Certified Management Accountant or Chartered Financial Analyst). He or she can help you create the quantitative plan. In doing so, you can set benchmarks that will guide you to your final destination. Like a seasoned sailboat captain, a specialist in forward business guidance can show you the best route to achieve desired results. I don't advise sailing alone in uncertain waters. Once you have your feasible 3-Year Growth Plan documented, you can start to think in the short term and ask: What short-term actions are necessary?

Now that you have corporate direction, you can get down to the business of making it happen. This is the tactical part of the Strategic Growth Plan. The short term is one year. Specifically, what does your organization need to do over the next 12 months? This is documented via a detailed budget. Here are some of the monthly targets that should be stated and factors that should be included:

- **Sales:** *sales to plan, average sale, conversion rate, number of guests, sales/guest ratio.*
- **Gross margin:** *cost of goods, freight, and pricing strategy.*
- **General administration costs:** *Number of employees, salaries, benefits, and overhead.*
- **Occupancy costs:** *building maintenance, rents, and utilities.*
- **Marketing/advertising:** *media spend / type, marketing calendar, cost per customer and lead.*
- **Selling costs:** *number of salespeople and support, commissions, and pay for performance plans.*
- **Distribution costs:** *warehousing, shipping, delivery, and distribution income.*
- **Finance costs:** *cost of money – financing, interest, bank and credit fees.*
- **Inventory:** *percent of sales, margin dollar return, and purchasing.*
- **Assets:** *fixed asset requirements.*
- **Liabilities:** *debt requirements and payback plans.*
- **Equity:** *dollars invested or withdrawn from the business.*
- **Tax planning:** *credits, deductions, and quarterly estimations.*

Now, what do you think is missing from the list above? It's cash.

In fact, the one ALL important item that is missing from the short term plan is the net result of the plan. Cash is what is left over. Setting target levels and actions to achieve the above factors will determine cash results.

How do you measure progress and what do you do if you miss your targets?

This is where many businesses lose their way and get off course. They either wait too long or don't look closely enough at their results versus their annual plan. I will use the sailboat analogy again:

Suppose a sailboat is out at sea and a storm hits. Fine. Storms happen. Now suppose that the storm blows the boat off course and the captain does not look at the GPS for an extended period of time. What will happen?

The ship would be much farther off from its destination. Had the captain or crew paid closer attention to where they were during and after the storm they would have been in a much better position to adjust the course sooner. They might have been able to change their tactics enough to make up the difference.

Sometimes in business the captain and team "are too busy" to measure themselves against the plan. This is a huge and costly error. This is costly because the business becomes less likely to achieve its goals. And missing goal equals missing money. This translates into a less likely chance of executing the growth strategy.

Now, let's use a different analogy of when a sailboat or business gets hit by a storm:

As the winds are blowing, the captain asks his crew, "Where are we now? What can we do to get out of this?"

When things settle down and the storm subsides, the crew checks where they are again.

The captain asks, "How far are we off course? What actions do we take, NOW, to get to our destination in time?"

> "Now that you have corporate direction, you can get down to the business of making it happen. This is the tactical part of the Strategic Growth Plan."

Your business is like a sailboat. You should have a destination. You should have a planned route. You should expect storms. You should track your progress with benchmarks. You should execute the right actions fast.

And, you should succeed in growing if you do this.

About David McMahon: If you wish to chat about growing your business, David McMahon has offered a limited amount of his time to discuss this with you. David is a Certified Management Accountant and Senior Business Consultant for PROFIT systems, Inc. *Questions about this or any of David's articles archived on FURNITURE WORLD Magazine's website at http://www.furninfo.com/Authors/List can be directed to David@profitsystems.com or call 800-888-5565.*

90 SECONDS TO $UCCESS SERIES

Furniture finishes & how to capitalize on consumer concerns regarding beauty & health.

by Ray Morefield, Common Goals

Business proponents suggest that two of the top 10 logical reasons that the American consumer spends money are beauty and health. Both have value and merit in marketing furniture and home furnishings.

Like valued art, even with use, furniture can retain or in some cases increase in beauty and value.

Yet appearance can be deceiving. A familiar saying suggests that you can't judge a book by its cover. It's difficult to determine the number of miles you can anticipate that can be achieved by the external appearance of an automotive tire. It's also difficult to determine the number of years of service that can be anticipated from finishes on furniture unless you know the extent of usage and the type of coating that is applied.

This 90 Seconds To Success Series article looks at furniture coatings and their impact on the long-term beauty of our products. It will also touch on how sales associates might address some of the health/environmental concerns that relate to the furniture making process.

For starters, let's consider some ideas retail associates may want to introduce at the point of sale when appropriate:

- *Many sub-standard coatings have hi-gloss appearances in the initial stages. The hi-gloss finish is not necessarily a reflection of quality.*
- *Through use and age the finishes of sub-standard value may quickly lose their luster and significantly affect the beauty of the product.*
- *Some finishes are used to hide the wood or cover up particle board.*
- *Quality finishes enhance the dramatic grain patterns and give each piece of furniture a character of its own.*
- *Properly finished and cared for solid hardwood furniture grows even more beautiful with age.*
- *Consumers may become aware of the finish on their furniture through daily usage, as evidenced by white water rings, cracking, chipping, dulling or staining.*
- *One of the best methods to gauge a manufacturer's concern for quality is to evaluate if protective coatings have been applied to surfaces that are seldom viewed, such as the bottoms of table tops and chairs or the backs of case goods.*
- *Environmental concerns are being addressed by manufacturers that use wood which is grown in sustainably managed forests.*
- *Solid wood furniture may lower the risk of exposure to formaldehyde emissions from composite wood products: hardwood plywood, medium-density fiberboard, and particleboard, though this chemical is regulated in the USA by the Formaldehyde Standards for Composite Wood Products Act.*

FURNITURE FINISH PROFILES

Solvents commonly used in stains and finishes are xylene, methyl ethyl ketone (MEK), toluene and methyl isobutyl ketone (MIBK). These products evaporate quickly into the air. They are considered by the U.S. EPA to be hazardous air pollutants (HAPS) that can cause adverse health effects.

In addition, these chemicals are classified as Volatile Organic Compounds that react with sunlight to form ground level ozone. They can affect human respiratory functions, especially in people with asthma. Breathing these solvents can cause headaches, dizziness, fatigue, nausea and other symptoms. Long-term effects damage lungs and soft tissues.

If you want to afford maximum protection to workers in your supply chain, as well as homeowners and their families, consider making inquiries into the finishing processes employed in the furniture you sell.

COATING QUALITY

Many variables are factored into the application process of coatings and stains. They range from viscosity, the number of coats applied, the tip size, air pressure, temperature, the skill and experience of the applicator.

Normally, the thicker the finish or film, the better it protects the wood from scratches and water vapor. However, with


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most protective coatings there are practical limits to film thickness, because if the finish is too thick, it may develop cracks as a result of expansion and/or contraction of the wood beneath the film.

Proper application reflects understanding of the importance of the movement of wood due to its cellular structure.

If you choose to make your customers aware of the competitive features and benefits of finishes and coatings, your staff may find it beneficial to ask your reps to help you establish a personality profile of coatings that contain quality additives.

Quality films offer seven features that extend the life and beauty of furniture while simultaneously protecting the health and welfare of families:

1. Finishes with permanent plasticizers provide flexibility and minimize propensity for potential mars, scrapes and scratches.

2. Finishes with ultra-violet (UV) absorbers reduce or minimize yellowing from destructive rays of sunlight.

3. Finishes with compliant solvents eliminate off-gassing of hazardous air pollutants.

4. It is important that film thickness is carefully monitored and maintained. A dry film thickness of 3.5 to 4 mil is the recommended standard. An inadequate mil thickness will seldom provide extended protection. A film that is too thick may crack from the expansion and contraction of the wood, especially on table tops.

5. Have a demonstrable sample to illustrate resistance to heat, chemicals and solvents such as alcohol and acids.

6. Where appropriate, illustrate clarity and the manner in which a finish enhances the beauty and grain of the wood.

7. Whether products are purchased from the same or competitive manufacturers and regardless of time frames, consumers should have confidence for consistency of matching colors with companion pieces.

A LITTLE LEARNING

Engraved in stone over the portals of a leading Midwest law school is a classic comment penned by Alexander Pope which advises readers: "A little learning is a dangerous thing, drink deep or taste not the Pierian spring". Pope suggested that a little taste of knowledge frequently causes us to feel we know a great deal. However, as we learn more, we become aware of how little we truly know. Experience shows it's true of both fledgling law students and experienced sales professionals..

Knowledge is power. Knowledge of finishes can be used to your advantage to help establish unique selling propositions that help customers make meaningful and beneficial decisions regarding their purchase to enjoy many years of pride and pleasure.

The typical American consumer is on the "horns of a dilemma". Almost without exception, the majority of American homeowners want the best quality for the best price. However, astute buyers recognize that the lowest price may not be the best value. The homeowner's best guarantee when purchasing a product is to work with sales personnel that have strong product knowledge and are able to provide comparative analysis.

Few things can be unconditionally guaranteed, but being able to relate product knowledge that addresses your customers' logical concerns to purchase furniture with lasting beauty and a minimum of adverse environmental or personal health consequences, can be of great benefit.

About Ray Morefield: *Ray Morefield has been affiliated with leading corporations in the furniture, housewares, hardware and coatings industries. He has also served other industries in an advisory capacity through his company Common Goals, Inc. Questions on any management topic, can be directed to him at editor@furninfo.com. See more of his articles for Furniture World Magazine on the furninfo.com website at www.furninfo.com.*

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PLAY-BY-PLAY COACHING

A five-step, simple method that you can use to improve sales execution.

by Joe Capillo

Where has everyone been for two years? I'm thrilled and excited to be back in these pages after a long hiatus.

Seems like not much has changed in the way furniture retailers do important things – like coaching, so I'd like to address this issue. I watch a lot of baseball. Unfortunately for me this year, I'm a Yankee fan. Have been for 60 years, so I guess it's the old Brooklyn Dodger's line: "Wait 'til next year!"

Baseball, Football and Basketball teams know a lot about coaching. There are specialty coaches on staff who coach different position players, plus, in baseball a pitching coach, a batting coach – even a bench coach (I'm not sure what he does). In Football the head guy is the "Head Coach". In Baseball he's the "manager" who manages the game as its being played. Play-by-play, pitch-by-pitch, and down-by-down. The owner and the general manager are somewhere else while this is happening. Just like you.

In Football there is also a defensive coordinator and an offensive coordinator (not that they're offensive….) both of whom watch every play and make changes to strategy and tactics while the game is being played. Every team has a playbook, and/or a strategic plan for every game depending on the opponent.

The other thing sports teams do is: measure everything. And they use these measurements to make important decisions regarding things like who will play, when they will play, which position they will play, and, sometimes, who stays and who goes.

After every game, everyone meets to review the game video (no hiding anything here, it's all out there to see) and make adjustments to players, strategy, coaching plans… in order to get better at what they do.

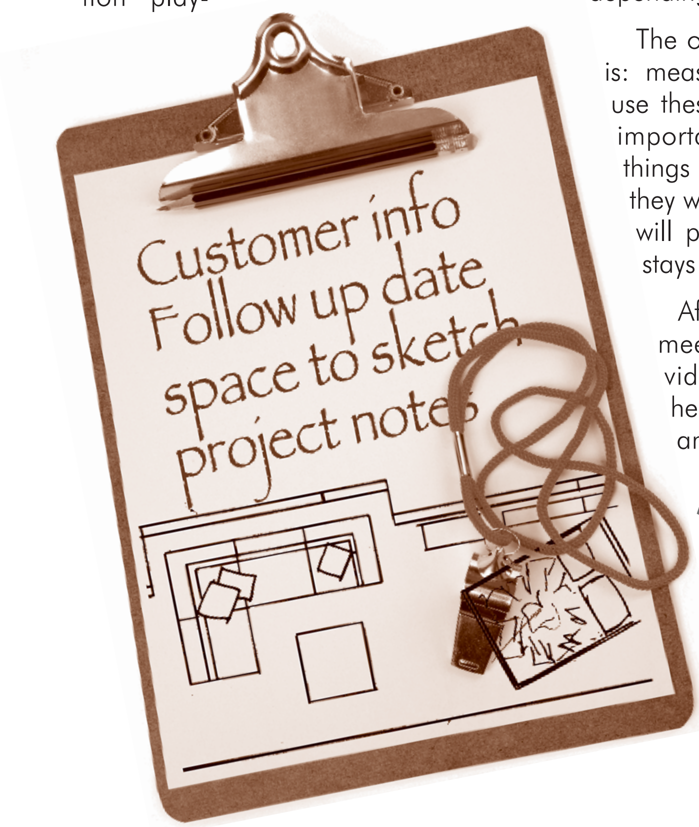
Here's the rub: with all the planning, playbooks, coaching and managing plus all the talent, in the end it all comes down to one thing: execution. Better execution is really the goal of all coaching.

This prompts me to ask you, in general, who's watching your game as its being played? Do you even have a strategic plan for selling, and tactical plan for engaging customers? Or, is it all up to the salespeople, your players, to decide how your game is played? I mean, after all, every customer is different aren't they? How can one strategy be right for everyone?

If you have 5, 10, or 20 salespeople out on the floor during a Saturday or major Sale day, how do you even know what's going on out there… in your store, with your customers?

I know many retailers who measure everything – or almost everything – you know… traffic, closing ratio, average sale… the three factors in the sales equation, and who do it by salesperson using some pretty sophisticated systems.

I'm looking at one group of stores' data as I write this. Eight stores in a 2-



> "In Baseball he's the manager who manages the game as its being played. The owner and the general manager are somewhere else while this is happening. Just like you."

"The coach/manager reviews interactions that did not result in a sale and asks, "How could this have been better? What is your next step with this project?""

state region. Traffic is electronically monitored, photographed, and reviewed daily, so it's highly accurate.

The key metric to me when looking at these numbers (and I've been looking at them for 41 years) is closing ratio, because it is here that the biggest gains in sales can be made from relatively small improvements in execution (of a strategy you may or may not have). The overall close ratio for this group of 8 stores is 19%. Meaning that 81% of the customers served did not buy. This is no surprise to me, but I have had numerous retailers tell me that their close ratios are in the 40% range. These are usually retailers who do not electronically monitor their traffic.

Close ratios have been in the 18% to 25% range since I began in this business in 1972. Here's the thing: some salespeople close at 30%, and some close at 15%, and in most stores I've worked with (about 100) there is no plan, no strategic selling system, and no coaching initiative in place to fix this.

You may not have the ability to record each transaction and view the video later, but you have to do something! I use a simple, old-world method that has five steps.

1. Salespeople are required to account for every customer served by recording each sales interaction on a form.

2. The form is turned in to their coach/manager each day for review. The coach/manager reviews interactions that did not result in a sale and asks, "How could this have been better? What is your next step with this project?" Everything's a project to your customer – just ask her!

3. While reviewing these forms, look at the salesperson's notes about the customer first, and the project second. You want the salesperson to be able to tell you about each interaction.

This is a simple way for salespeople to demonstrate caring to the customer – by asking the right questions and writing notes on their responses.

4. You should also consider including a space on the form where salespeople can sketch the room. When you look at a sketch (no matter how artistically awful it is) you can tell if the right questions were likely asked and if a good connection to the customer and her project was made.

5. Then check to see if a follow up date – agreed to by the customer – for what may be nothing more than a phone call, but can also be a return visit, has been made. You know that customers returning to your store a second time, buy over 75% of the time on that second visit. This is how you get to your 20% close ratio – from the combination of first-time shoppers on a particular furniture project who buy about 10% of the time, and customers returning a second (or third) time on the same project – who buy over 75% of the time. You get 100 shoppers. 10 buy. If you can bring back only 13 of the people who did not buy and they close at 75%, you have a total of 20 buyers out of the original 100. What if you bring back 50 of the 80 non-buyers? I hope I'm making my point here.

Furniture retailers are notoriously poor at developing follow-up systems to bring back shoppers who do not buy on their first store visit to shop for a new furniture project. Today, social media provides an avenue that didn't exist in my early days. There is no greater opportunity to get new business than to mine those who have already shopped in your store, found things they liked, had a good experience, but simply didn't want to decide "today". You don't need one additional dollar of advertising to get them back. A phone call, email, text or tweet can do it.

And now you have a lurking monster in your world to thwart your efforts to close sales. Internet furniture sales are approaching the $10 Billion mark. Do the right things, right when you have them in the store.

Of course to make a connection with shoppers, you have to do the right things the first time, and that's a topic for our next discussion.

About Joe Capillo: Joe Capillo is a 41 year career veteran, experienced in managing and consulting with furniture retail operations. He is also a contributing editor for Furniture World Magazine. Questions on any aspect of this article or retail sales can be directed to Joe at joefcap@gmail.com. See all of his Furniture World articles on furninfo.com/Authors/Joe%20Capillo/21.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FELIX collection
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Cozzia

The Zero Gravity Recliner features infinite recline positions, two actuators allowing for independent movement of the seat and back heat therapy and vibration massage.

Contact information on index page 68.

Jaipur Rugs

"City" features over scaled sharp geometrics which characterize this contemporary range of hand tufted rugs. The high/low construction in wool and art silk creates texture and gives a look of matt and shine.

Contact information on index page 68.

Borkholder

The Bungalow Collection includes living, dining and bedroom furniture available in quarter-sawn Red Oak shown in 924 Michaels Cherry finish. Made in America.

Contact information on index page 68.

Dimension Four

Classic entertainment unit shown in Brown Maple finish. Many wood, configuration, and finish options are available. Made in America. Contact information on index page 68.

Via

Named for India's famed "Pink City", the Jaipur Collection offers distinctive Mango wood cabinets with intricate carved doors, crown molding, and rustic metal hand-pulls. The hand-rubbed distressed paint makes each piece unique. Brilliant turquoise and antique red color options recall the region's famed painted elephants.

Contact information on index page 68.

Fusion

The unusual Winfield Collection features bark peeled from the table's edge leaving the original profile of the tree. The chairs feature walnut inlays that have been delicately added by hand. Available in Oak, Maple, Walnut, Cherry, Rustic Cherry, Elm, Quartersawn Oak and over 40 color options. Made in America.

Contact information on index page 68.

BEST SELLING DESIGNS

Horizon Home

A new addition to the Westwood Collection, this rough hewn plank design Wall Unit in solid wood. The 8-step finish gives a deep rich look over Pine solids. A 65" Stand holds a 70" screen, and drawers are dovetailed with full extension glides. Side piers have a touch light and glass shelves. Suggested retail $1499.00.

Contact information on index page 68.

Surya

Basilica is machine made in Turkey of 60% viscose and 40% acrylic chenille with thin high/low pile Suggested retail price for a 5' x 8' is $259.

Contact information on index page 68.

Twin Star

The Juilliard is a Contemporary style Brentwood design with solid wood legs and premium wood veneer. Features include five open storage compartments and top shelf for added storage. Dimensions are 42"w x 21"d x 35.25"h.

Contact information on index page 68.

American Revolution

Contemporary style coffee table is 36" in diameter x 18" high and is made from solid Maple with 1/2" thick tempered gray glass top. The Ocobala stain is finished with ultra durable Woodwright brand catalyzed varnish. Made in America.

Contact information on index page 68.

Klaussner

The Sandy Ridge upholstery collection features down blended comfort back and seat cushions, classic rolled arms with contrasting welt that extend to the floor, and decorative bun wood legs.

Contact information on index page 68.

Vintage Print Gallery

Offers an eclectic mix of print categories. Shown here is one of several estate endorsed numbered prints by artist Tony Viramontes who's work is currently being showcased in Bergdorf Goodman's famous window displays.

Contact information on index page 68.

Country View Woodworking

From the Casual Dining Collection this dining group features double pedestal table, chairs, and four door buffet, all with a heavily distressed two-tone finish. The ruby red dutch pantry accentuates the transitional appeal of the collection. Contact information on index page 68.

BEST SELLING DESIGNS

Loloi

The Kensington Collection offers a selection of elegantly hand-knotted rugs crafted of 100% bamboo silk. These fine pieces pay homage to traditional Persian rugs, but with a fresh color palette and design nuances to reflect today's interiors.

Contact information on index page 68.

Wallbeds

A Classic style that is here to stay. The Woodland features a wrap around crown molding and side pier cabinets that step down and back from the wallbed giving it a dramatic look. Many finishes and side pier cabinets to choose from.
Made in America.

Contact information on index page 68.

Simply Amish

The latest collection of finish options are offered in this Olde World Collection. Character Cherry, with open knots, small cracks, and other imperfections helps to mimic natural distressing. Made in America.

Contact information on index page 68.

Allan Copley Designs

The Caroline Rectangular Cocktail Table is sophisticated. It features a champagne stainless steel base and walnut on walnut wood top.

Contact information on index page 68.

Omnia

The Pavia is a simple contemporary/transitional style, with the comfort and design perfect for any room setting. Made in America.

Contact information on index page 68.

West Bros.

The new Arris collection combines solid wood manufacturing with clean and contemporized sophistication. It is crafted from solid Cherry and available in two finishes: "Sumatra", a rich dark brown, and "Ginger", a warm mid-tone finish. Made in Canada.

Contact information on index page 68.

BEST SELLING DESIGNS

M&M

This colorful rug is crafted from 100% wool, handmade in Nepal. Can be custom sized to order.

Contact information on index page 68.

Selva

The Peggy chair has an upholstered back and frame veneered in cherry. Features include cold foam contoured upholstery on webbing and back upholstery in high quality polyether foam. This model is available in leather or single color fabrics.

Contact information on index page 68.

Artisan House

Rock Candy measures 46″ x 32″. A collection of whimsical primaries and metallic colors highlight this abstract wall sculpture fabricated from handcrafted steel segments. This unique piece of art fuses the elements of Post-Modern Brutalism and Americana Pop, resulting in a transitional and versatile piece of artwork.

Contact information on index page 68.

Domicil

The Paramount is softly curved at every angle. Features include contrast piping, channeled adjustable back and cushioned arms. Available in multiple modular configurations to fit any room, in a range of luxe full grain leathers.

Contact information on index page 68.

Pastel

The Indiana Collection Oval Dining Table with 73"x38" wood top has clean-lined Stainless Steel and Walnut Veneer frame. The Indiana side chair is upholstered in Pu Ivory with a Walnut veneer back and stainless steel frame. The chair features simple lines mixed with curves for comfort.

Contact information on index page 68.

Rizzy Home

From the Mojave Collection, this colorful rug is hand tufted in India of 100% hard-twist wool. Sizes available are 2′x3′, 3′6″x5′6″, 5′x 8′, 8′x10′, 2′6″x8′. Suggested retail for 5′x8′ $629.

Contact information on index page 68.

Elran

The Lynn Collection is contemporary in style with a larson arm and chaise seating. The chair shown here features a rocking, reclining, swivel mechanism but can also be ordered with no swivel and with a power option. The sofa is apartment size, perfect for a smaller living space. Made in Canada.

Contact information on index page 68.

ORGANIZING The Mattress Warehouse

Tips to make your warehouse and staff more efficient.

by David Benbow

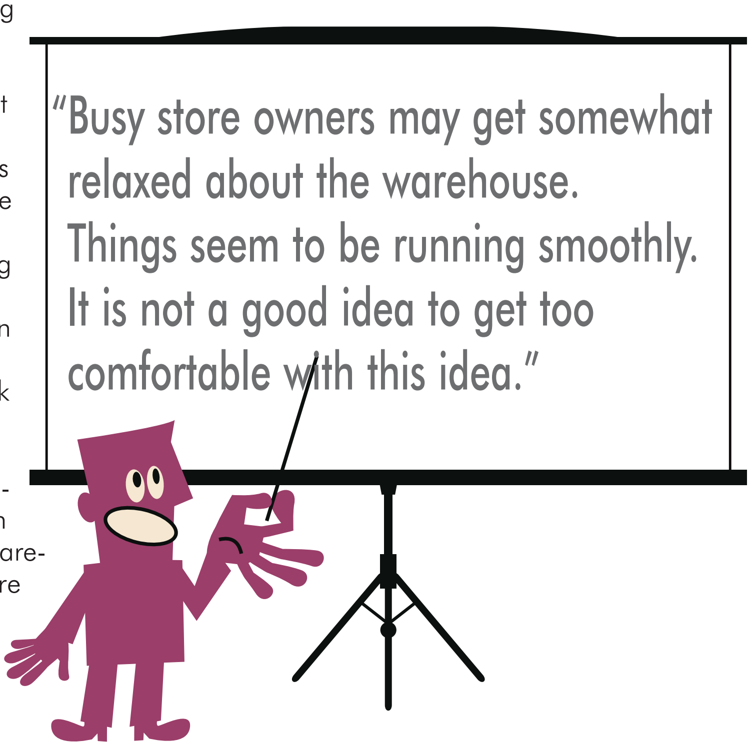
Warehouses, whether they house mattresses, furniture or fruit baskets, do have a lot of similarities; but I can tell you that storing mattresses has enough of its own peculiarities to warrant a special discussion. If you've ever managed a mattress warehouse, you'll know what I'm talking about. In this issue we will cover information for ongoing operations, but if you haven 't set up a mattress warehouse before, are looking for new/additional space, or want a quick review of important considerations you may want to check out the first part of this article posted to Furniture World Magazine's website at (furninfo.com/ series/bedding) that includes the following information:

- *Site Selection/ Location.*
- *Desirable mattress warehouse features.*
- *Rules of thumb for choosing the right warehouse size.*
- *Special features you should look for.*
- *Security of the warehouse location.*
- *Specific qualities to look for when hiring warehouse personnel.*
- *Theft prevention against internal land external threats.*

Over the years, occasionally a common sense idea will occur to the store owner/warehouse manager about how to arrange a mattress warehouse for optimum efficiency . Here is a collection of those ideas that have occurred to me. While I'm sure that many owners are familiar with these common sense principles, this article can be useful as a checklist when opening a new warehouse or when preparing a training guide for new warehouse personnel.

We'll start with where to put the mattresses.

Most warehouses found in the United States have to be operated under prevailing safety codes and laws. This starts with the usual fact that your space almost always has a front door where you walk in, an overhead loading door where all inventory comes in and goes out again, and a back door, which is required by virtually all fire prevention codes. When arranging your warehouse, make sure you do not block the back door . This sounds only too obvious, but many times I have seen careless employees stack frames, returns, etc. against the back door. Why do they do this? Because most warehouses are cramped for space, they are scurrying around looking for some open spot to drop something, and lo and behold, there is space discovered in the little corridor that leads to the back door . The Fire Marshal, who will make occasional visits, does not like this. He will write you up, and he will make visits more often because he now thinks you may be a serial violator of this important fire code. Another problem with

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> "How high should you stack your mattresses? Our simple rule was to limit the height of the stack to no higher than the shortest warehouse person can easily reach."

back doors is that merchandise has a funny way of finding its way out of them when no one is looking. Back doors are also a good funnel thru which unwanted or discarded items, such as pallets, old mattresses that were picked up, broken frames, etc., can be disposed. The back side of many warehouses looks like a bombed out city dump. So, the back door, while a necessary feature, possess some special problems.

Where and how do you place your mattresses? I strongly recommend, before occupying new space, that you get an accurate layout of the premises, with correct dimensions. Then design a floor plan of how you want the place to look. In a bigger warehouse, there can be quite a distance between the back and the loading dock. For that reason, try to place heavier mattresses, such as kings (especially memory foam) toward the front of the building. Best selling models should probably be placed closer to the front of the warehouse. These are just ideas to make things a little easier and more efficient. Don't forget, in your design, to leave plenty of space in your "staging area" for unloading trucks. The size of the deliveries should dictate how much space you need.

When designing your layout, always remember aisle width. The aisles between your mattress stacks must be wide enough to comfortably have room to remove mattresses and foundations from your stacks to get to the desired pieces. The piece or pieces you want will often (or in the case of our stores, always) be at the bottom of an 8 to 10 piece-high stack. Leave enough space to get out the top pieces easily, remove the ones you want, and then put the stack back the way it was.

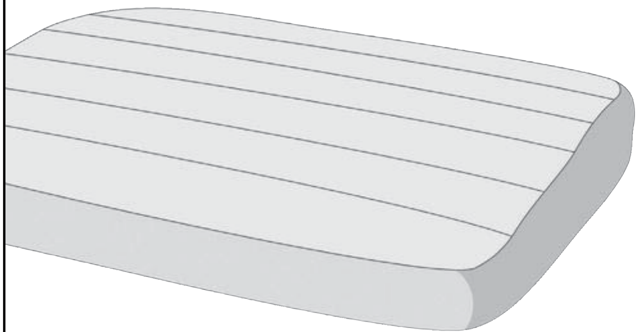
Unlike furniture, a pallet jack or fork lift is rarely ever used with mattresses. Therefore, I never found it useful to make the aisles wide enough to accommodate one of those monsters. I like my aisles just barely wide enough to do the work at hand. Too wide and you waste expensive and valuable space.

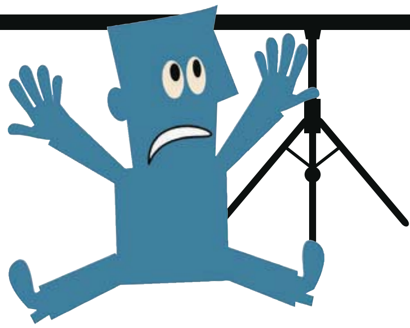
I recommend keeping frame storage close to the front door. Frames are an incidental but necessary item, and probably 75 percent of mattress sales tickets include frames. So, don't waste time and effort running to the back of your warehouse every time you need a frame, which is probably several times a day.

MATTRESS STORAGE

The first rule in storing mattresses, assuming of course, you have an airtight, water proof, clean and dust-free space, is to STACK your mattresses on top of each other. Do not store your mattresses on their sides, or borders. They may be easier to retrieve that way, but gravity, (which is not only a good idea, but also the law) will not be denied. Padding will shift if mat-

"Never drag or push a mattress. This important rule was my first instruction to new-hires. Violation of this rule would result in immediate termination of employment."





tresses are stacked on their side, and that is not a good thing.

How high should you stack your mattresses? Our simple rule was to limit the height of the stack to "no higher than the shortest warehouse person can easily reach." Let's say that you get a big load in on Thursday, and your 6'6" warehouse guy unloads and stacks everything. But he's off on Friday, and the 5'7" guy is working. He may have a hard time getting that top mattress off the stack, right? He will eventually get it down, of course, but how much valuable time will he waste figuring this out?

Here are more mattress stacking rules to think about.

1. The bottom 3 or 4 (or 5) pieces should be foundations. Why? To stabilize your stack. Mattresses placed on the bottom of an 8 piece high stack become pretty wobbly.

2. Never allow the bottom of a foundation, where the dust cover and staples are, to come in contact with a mattress. To do this is just begging for snagged, ripped or torn mattress covers.

3. This next rule is such a common sense idea, that it is hard to believe it is so widely violated. Stack same sizes in the same stacks. Don't stack fulls in the same stacks as queens.

4. ALWAYS stack mattresses with the labels OUT, where they can be read easily by warehouse people or inventory takers. If your mattresses are not clearly labeled by the manufacturer, make up your own labels and affix them to the mattress after the truck is unloaded and before they go in the stack.

5. Try to place matching pieces (mattresses and foundations) in the same stack, so that you don't have to dig through more than one stack to retrieve your desired pieces. With today's universal foundations, this is much easier than it used to be.

HANDLING MATTRESSES

Since we're on the subject of storing mattresses, let's talk a little bit about how to properly handle mattresses and foundations. First, let me start by saying that every warehouse person should be trained, from day one as an employee, on how to handle mattresses and on the importance of never violating the warehouse rules.

1. Mattresses should not be carried using the crimped up bag as a handle. Most are handled this way, but doing so frequently tears or rips the bag. More on this problem later. They should also not be carried by the handles (if they are present).

2. Most strong young men can carry a queen size alone, and some can probably carry a king size. Just because they can doesn't mean they should. There will be fewer problems if all queen and kings are handled by two people, one on each end (actually lifting the mattress without using the bag as a makeshift handle.) If, however, one is all you have, the mattress can be carried one of two ways. If the carrier is tall enough, the mattress (queen and smaller) can be carried under the arm (as long as the carrier is careful not to drag the mattress.) The other way is to stand the mattress up, lean it at a 45 degree angle, grasp the lower side by the border wire edge (this is harder to do with foam encased models), bend the knees and lift the mattress on the shoulder and carry.

3. Never drag or push a mattress. This important rule was my first instruction to new-hires. Violation of

"'Burned mattresses lose value in a hurry. I reminded warehouse men that one burned premium mattress cost more than a full week of their salary."

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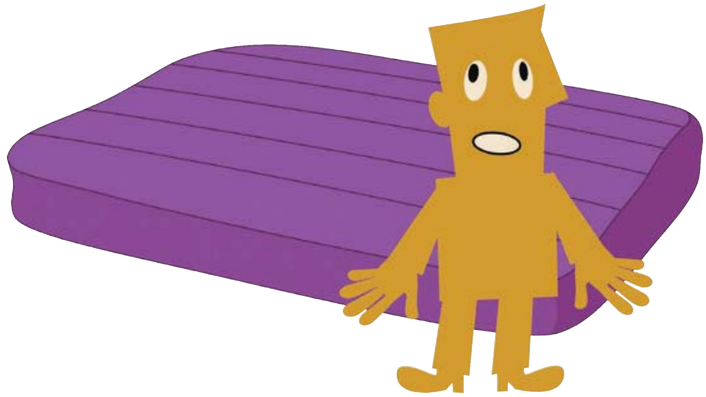
"The warehouse is loaded with liability hazards. It is for this reason that it makes good sense to prohibit non-employees from entering the warehouse."



this rule would result in immediate termination of employment. Why? You don't have to drag a mattress very far across a rough concrete floor (the surface of most warehouse floors) to burn through the plastic and into the fabric. "Burned" mattresses lose value in a hurry. I reminded warehouse staff that one burned premium mattress cost more than a full week of their salary.

SOME MISCELLANEOUS WAREHOUSE POLICIES

1. **Off-Loading:** We talked about having a staging area to place mattresses as a truck is being unloaded. This is one occasion when it is permissible to lean mattresses rather than to stack them. You should have an off-loading procedure which allows for easy check-off against the packing slip. Note: the warehouse supervisor, or off-loader, should obtain his copy of the packing slip before any piece comes off the truck. Efficiency and speed in off-loading and check-off is more important now than ever because of new trucking regulations. (*See Furniture World, Magazine September/ October 2013, "New Trucking Regs, by Dan Bolger at www.furninfo.com/Authors/Dan%20Bolger/2*). So, do your shipper a favor; be ready when the truck arrives.

2. **Staging:** This should be obvious, but I'll mention it anyway. Don't integrate newly off-loaded merchandise into your warehouse stacks until it has been checked off and signed off by the shipper's delivery driver. Leave it in the staging area until it has been signed off.

3. **Paperwork:** The person checking off the pieces against the packing slip must note any discrepancies, such as missing pieces, wrong pieces (size or model of mattress). These errors must be listed on the shipper's manifest and brought to the driver's attention. The driver must sign both his copy and the store's copy showing his agreement that there were, indeed, errors. Make sure that the store gets a signed copy for its records.

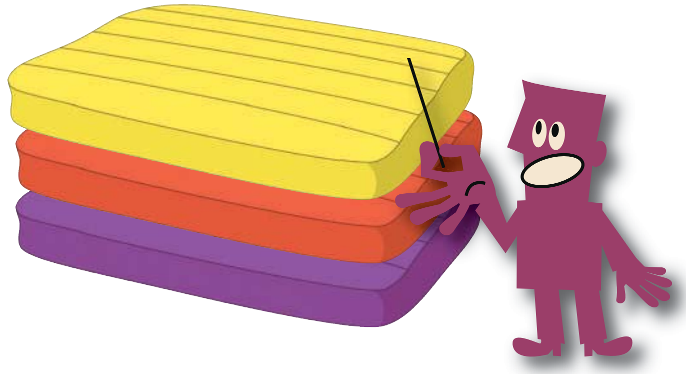
4. **Pulling Mattresses:** Here is a cautionary note on pulling mattresses and foundations out of stacks. Hurried (and harried) warehouse men will frequently try to shortcut the annoying problem of removing a piece that is 6 layers down in the stack. This shortcut is to try to pull out the "buried" piece without removing the pieces on top (the "overburden.") Don't do this. Pulling a mattress with 500 pounds of other mattresses stacked on top cannot possibly do anybody or anything any good. Take the time to remove the overburden before pulling the desired piece.

5. **Torn bags**: Pieces that are lifted by using a crimped bag as a handle will invariably result in torn bags. When bags get torn, it is important to repair the tear quickly. A tear in the bag allows in dust and dirt. Mattresses in stacks get moved a lot, and the mattress with the torn bag will sometimes have the exposed mattress fabric directly in contact with the floor. Use clear packing tape to overlap seams and tape the damaged bag.

6. **Re-bagging your floor models:** Should you buy new bags to re-bag floor models when they are sold off? Probably, but it is tempting, and less expensive, to save old bags for re-bagging. When re-bagging, be careful to bag up the floor model in the same bag from which it was removed. And, make sure it is thoroughly taped to prevent dust and dirt contamination.

7. **Load-outs:** Make sure that all warehouse personnel know how to safely and properly load a customer's vehicle. I could write a separate article on the points and hazards of doing load-outs, but I'll try to be brief. Most store policies on load-outs usually follow one or the other of two possible philosophies. To tie down or not to tie down. Some stores believe that it is a liability hazard to tie down (secure to the vehicle) a customer's merchandise, and insist that the customer secure his own merchandise. Other stores follow the sensible idea that most customers do not know how to properly secure merchandise to their vehicle. Thus the store's unwillingness to secure the customer's merchandise represents a far greater liability hazard than letting the customer fumble around with it. Which is more legally correct? I don't know. Ask your

"The bottom 3 or 4 (or 5) pieces should be foundations. Why? To stabilize your stack. Mattresses placed on the bottom of an 8 piece high stack become pretty wobbly."



insurance provider. Maybe they have an answer.

If your store policy is to secure the customer's merchandise, then you must provide strong twine, or rope and train all personnel how to tie the right kind of knots to safely bind the merchandise to the vehicle. Warehouse personnel should also be taught the proper location on the vehicle to use as tie and secure points. Don't damage the paint on the customer's brand new pick-up. After the tie-down is completed, ask the customer if he is satisfied with it, and if he is confident that his merchandise will still be on his vehicle when he pulls into his driveway.

What if your customer wants to pick up a king size mattress and pulls up to your warehouse door driving an old Volkswagen bug? I've actually had this happen. The customer must be advised of the problem, if not already aware of it. If the customer insists that you proceed with the load-out (which mine did), then you must ask the customer to sign a form waiving you and the store from any responsibility if any problem should occur. (Check with your legal counsel on this. Don't take my word for it.)

8. Liability hazards: The warehouse is loaded with them. It is for this reason that it makes good sense to prohibit non-employees from entering the warehouse. Of course, in a small town where people are friendly and helpful, and only one guy is available to load a heavy king , this rule may have to be suspended for the moment.

9. Deliveries: I know that deliveries are part of warehouse management, but there are so many facets to delivery, that I will save that subject for another time and place.

10. Walking the warehouse: I know that busy store owners sometimes get somewhat relaxed about the warehouse. Things seem to be running smoothly. It is not a good idea to get too comfortable with this idea. Owners and managers should do a thorough walk-thru at least weekly and keep an eye out for the above items. This walk-thru is separate and apart from the regular monthly inventory that should be routine.

To repeat one final point, never forget, your warehouse is an extension of your store. If you believe the old adage, "A chain is only as strong as its weakest link" then never let your warehouse become that weak link.

About David Benbow: *David Benbow, a twenty-three year veteran of the mattress and bedding industry, is owner of Mattress Retail Training Company offering retailers a full array of retail guidance; from small store management to training retail sales associates (RSAs.) His many years of hands-on experience as retail sales associate, store manager, sales manager/ trainer and store owner of multiple stores in six different American metropolitan areas uniquely qualifies him as an expert in selling bedding at the retail level.*

David is the author of the recently published book, "How to Win the Battle for Mattress Sales, the Bed Seller's Manual". This book is the first to systematically present a complete, organized, but easily read and understood text book for mattress and bedding retail sales associates, beginner and experienced professional alike. It is a complete training course in one 292 page book. The book can be purchased on-line at either http://www.bedsellersmanual.com or www.mattressretailtraining.com.

He also offers hands-on training classes for retailers on a variety of subjects and offers on-line classes that can be downloaded from the websites mentioned above.

David can be contacted via e -mail at dave@bedsellersmanual.com or in person at 361-648-3775.

EXCLUSIVE FURNITURE

Houston-based store 'Where Low Prices Live!" creates a relaxed & friendly customer experience.

by Janet Holt-Johnstone

Houston-based Sam Zavary came of age just 15 days before he made his first definitive mark as an entrepreneur. Eager, impatient, energetic, Sam was (and is) full of ideas, ready to build his own stairway to the stars.

Entrepreneurs, well represented in the furniture industry, are defined as people with the ability to take risks, to tolerate ambiguity, to act on exciting opportunities, to be wide open to new experiences. But Sam had discovered that some banking institutions tend to regard youth as an uncomfortable disadvantage. They had short-sighted concepts about chronological lines of demarcation. "No one would let me sign a lease on my own." So he spoke with his father and sold him on the promise of his dream. For Sam the exciting concept had fallen into place in the springtime of 1998 when he'd visited his uncle, the owner of a furniture store in Southern California. Sam knew then, absolutely, that furniture was his destiny. Exclusive Furniture's official opening occurred June 18, 1998.

Convinced by Sam's logic and enthusiasm, his father left his job a month later and actively started working at Exclusive, then just 2,000 square feet in Houston's Almeda Mall. Sam noted that they had, "zero furniture experience!" Their initial inventory, "five living room sets, five living room sets and five dinettes" was augmented by "lamps, jewelry armoires, cheval mirrors, and limited wall art and curio cabinets".

Sam's brother, Fawad, co-owner of the business, joined them in December of that year.

"Demographic considerations are always a vital part (of your planning) when you open a business at a certain location. I chose inside the Mall because I had no money for advertising and I was hoping to catch the inside traffic and get them interested in buying furniture. Exclusive was started with hardly any cash and working capital, so working capital was always a challenge. And then keeping it going and expanding is hard when you don't have a lot of those.

"I believe that furniture does NOT sell itself. If it did we would have had automatic checkouts and people would bring up codes and check out themselves at the checkout stations. Furniture needs to be sold to people, and salespeople should always be with customers to assist them, communicate with them, build a rapport with them and close them. I also feel that Managers should be involved in the selling process."

Exclusive's home environment, the City of Houston, named after General Sam Houston, had come to life in 1836 when two New York real estate entrepreneurs, Augustus and John Chapman, bought a large tract of land

> "Exclusive was started with hardly any cash and working capital, so working capital was always a challenge."

Planned 52,000 square foot store located between Katy and Sugarland in suburban Houston.


880,000m² EXHIBITION AREA
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190,000 GLOBAL BUYERS
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CHINA INTERNATIONAL FURNITURE FAIR(GUANGZHOU)
TOP BRANDS
TOP OPPORTUNITIES
The data above are from the annual statistics.

Exclusive Furniture's founder Sam Zavary is a star of Exclusive's videos on the store's website; look for Super Sam!

"We advertise a lot in Houston and promote our slogan. It's known well by every kid, youngster and adult, 'Where Low Prices Live!'."

on the Gulf coastal plain by Buffalo Bayou. Now the largest city in the State of Texas, fourth largest in the U.S., Houston's industries are as diversified as is its population, from its high-ranking deep water port and railroad holdings to massive oil interests, renowned healthcare research communities, a large collection of Fortune 500 companies and, of course NASA's mission control centre. Legendary Red Adair, cosmetics queen Mary Kay Ash and multi-talented eccentric Howard Hughes, not to forget both Presidents Lyndon B. Johnson and Dwight Eisenhower were native to the City, amongst many other justly famous names.

So Houston's electric atmosphere was just right for growth in 1998 and, in the heat of August, 1999, the family was ready to "open up our second location" on the City's "southwest side. It was 7,000 square feet at the time. In 2000 we expanded the store to 18,500 square feet, separated into 13,000 for showroom space and 5,500 for ware-

"The atmosphere in our stores is different from other stores in the city. We don't hover over customers and force them into purchasing something. We create a relaxed and friendly environment."

house. Soon after that in 2001, we opened our third location in the northwest side of Houston, 22,500 square feet at that time."

But there were challenges. " After September 11, 2001, and a brand new store we had just opened, we found ourselves in a vulnerable place," said Sam, "with limited working capital and strained cash flow. We decided to close our original location inside Almeda Mall and have a liquidation sale for the other two stores.

"After struggling in the business for several years, things were finally starting to look up. In 2005, we bought a warehouse building in southwest Houston which currently holds our corporate offices.

"In 2006, we expanded the Northwest Freeway store and opened up an additional store outside Almeda Mall in the fall of 2006." He added, "Business was going very well for us. Until the recession hit in 2007!"

Pause for both deep thought and family sadness. During the recession "business was very difficult". And Sam's father died suddenly in 2009, on Father's Day. "After some soul searching, I decided to take my business to the next level. I started adding televisions (as a giveaway) to my room packages. The packages were structured as a houseful of furniture, affordable for the working man.

"In addition, I began catering to shoppers with little or no credit. W e offered several different financing

EXCLUSIVE FURNITURE

A comic book super hero theme carries through to TV ads and & videos on the www.http://exclusivefurnituretx.com website.

options so that our customers could get their furniture in their homes right away." A new expertise for Sam, leader and chief negotiator.

"Hard work, dedication, good planning, prayers and believing can turn anything upside down."

Sam is a selective, forceful marketer. "We advertise a lot in Houston and promote our slogan. It's known well by every kid, youngster and adult, 'Where Low Prices Live!'. We advertise TV packages, and promote heavy credit programs, credit check and no credit check.

"We also offer companies who provide second chance financing which has become our niche and separates us from our competitors. We advertise and promote the saying, 'If we can't approve you for credit, no one can.' Even though we may promote credit heavily, that is only 40 per cent of our business.

"Exclusive Furniture is the fastest growing, locally owned and operated furniture store in Houston and, in my eyes, that is what separates us from our competitors as well. The atmosphere in our stores is different from other stores in the city. We don't hover over customers and force them into purchasing something. We create a relaxed and friendly environment for our customers which is why our repeat customer and referral base is high. We wouldn't be at the state we are now without our customers, and we appreciate them for shopping with us for their furniture needs. We train our sales associates how to become their friends, to take an interest in them and their needs. Our workshops are vigorous, both sales and financing, every week and a full day once a month.

"We negotiate some of our prices at the stores, but over 50 per cent are always tagged with specials and we don't negotiate on sale items.

"In our new stores, we plan to locate 'comfort corners', places for our customers to relax with a cup of coffee and think about what they've seen and heard and make decisions about purchases."

Staff is recruited "by placing ads on the Internet, on Monster (Worldwide Inc.), Craigslist and on Facebook. And I lead our training program with assistance sometimes from my brother, Fawad. A lot of our staff has been with us for seven to 10 years."

Sam is "also involved in media buying and media placement and I'm still very hands on although we just recently hired a media agency to take over that responsibility." It should be mentioned that Sam is a star of Exclusive's videos on the store's website; look for Super Sam!

A lot of the family's design inspiration comes from attendance at Furniture Markets and from their reading.

One day in the future they contemplate offering interactive room planning and selling product on the Internet. Sam believes that "Internet is gaining a lot of market share."

Some of Exclusive's largest vendors are Ashley, Franklin, Serta, HTL, Southern Motion, Sandberg, New Classic, Cramco, Lifestyle, Dickson and Coaster. "And we also partner with smaller manufacturers who build upholstery for us."

Exclusive has been a member of Nationwide for some time, but they plan "on joining (purchasing cooperative) Furniture First real soon."

The company's favourite community outreach is the Furniture Bank, a respected international group that receives donations of gently used furniture from generous retailers and others for redistribution to those in need.

Sam reflected, we were doing a little over $9 million in business at the end of 2009, and I had made a goal of doing $30 million by 2014. Together with the hard work of my two brothers and sister, luck and God on our side,

"We advertise and promote the saying, 'If we can't approve you for credit, no one can.'"

> "We train our sales associates how to become their friends, to take an interest in them and their needs. Our workshops are vigorous, both sales and financing, every week and a full day once a month."

we hope to end this year with a little over $33 million. We opened our fourth location in the west side of Houston in May 2013; it's currently our smallest store with 12,000 square feet. It serves as our satellite store.

"We're happy to announce a land deal that we will close on at the end of September where we're planning on building our Mega Store, 52,000 square feet located between Katy and Sugarland, the suburban area of Houston located on Highway 99.

"My siblings involved in the business are Fauzia, Fawad and Sheroo. Fawad overlooks the stores and sales, the merchandising and warehouse operations. He is Exclusive's co-owner.

"Fauzia, my younger sister, overlooks all the logistics, buying and operations of the company. She also is in charge of customer service and accounts receivables from our finance companies." A big job!

"My youngest brother, Sheroo Zavary, at age 21, is involved in day-to-day operations of the warehouse, incoming and outgoing merchandise. And Sheroo is continuing his education at the University of Houston, where he plans to graduate in the spring of 2015. He is learning all aspects of the business from warehousing to selling.

"We have really been blessed with great sales managers at our stores. And a great controller too, Kinjal Chhedda, all a vital part of our success and growth over the years.

"Our short term goal is to have our sales up to $60 million by the end of 2015, and over $100 million by the end of 2020. We plan to become the premier furniture destination for Houston residents and its surrounding cities. We want Exclusive Furniture to be the first place customers think of when they are looking to furnish their homes."

The first law of entrepreneurialism is "Do what you enjoy". Sam would undoubtedly add, "You need commitment, flexibility... and belief." Steve Jobs was once heard to quip, "It takes a developed distortion reality field!"

Steve Tobak, Invisor Consulting, says about entrepreneurs, "They don't do what everyone else is doing. They don't follow the status quo, conventional wisdom or popular fads. They carve their own unique path. They're leaders of their own destiny. That's what drives them. And that's why they succeed."

That sounds just like Sam Zavary, doesn't it?!

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*Based on Isuzu dealer inventory, inventory can vary by dealership. Eligible models include 2011-2014 diesel N-Series trucks and 2012-2013 Reach.

†Extreme or severe usage/applications may not qualify. See dealer for details.

+Credit approval required. Please see your authorized Isuzu dealer for qualifying information. This is a limited time offer only available through Isuzu Finance of America, Inc. Finance terms limited. Participating dealers only. See your Isuzu dealer for complete financing and special offer details.

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