



# RETAIL FIRST DATES

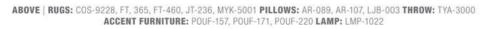
Making That Sales Connection

Strategy: Gallery Furniture

Sizing Up Your Competition

**Better Bedding Series: Survey Surprise** 











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**Cover:** The "Demarlos" bedroom collection from Ashley Furniture features large scale headboard frames surrounding the nicely crowned and textured upholstered cushion. Bands and nail accents complete the Vintage Casual look. Made with select oak veneer and hardwood solids, the bed can be paired with next generation mattresses from Ashley-Sleep. See more information on page three of this issue or visit www.ashleyfurniture.com.

Note: Furniture World's logo pays homage to Pantone's color of the year Radiant Orchid.

Sales Education



Sales Management



Operations





**Retail Stories** 





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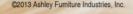
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# INTRODUCING THE NEXT

GENERATION OF

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FDITOR'S CORNER If It Ain't Broke...

urniture World Magazine is starting 2014 with one of the best issues in recent memory. It's full of great content, proactive ideas for improved retail decision making and, a bit of humor. If you take the time to read it carefully, I guarantee you won't be disappointed.

Retailers make myriad important decisions every day. Each of these can be a choice to tweak, alter, destroy, build, or do nothing at

Furniture World's frequent contributor, Joe Capillo has noted in these pages "Nothing fails like success." Most managers subscribe to an opposite notion, "If it ain't broke, don't fix it." (A saying attributed to Thomas Bertram Lance, Director of the Office of Management and Budget for President Jimmy Carter). A few exceptional retailers like "Mack" McIngvale of Gallery Furniture (profiled in this issue), however, understand the validity of Joe's assertion.

Mack decided to change everything about his business... even core policies that contributed to his previous success. It's an instructive and inspiring story about leadership, and the perfect way to start thinking about this new year. -Russell Bienenstock, Editorial Director



### **EDITORIAL STAFF**

Editorial Director, CEO Russell Bienenstock russ@furninfo.com

Art/ Design Editor Barbara Bienenstock

Associate Editor S.T. Bienenstock

Retail Feature Editor Janet Holt-Johnstone

Sales Education Editor Peter Marino

**Operations Feature Editor** Dan Bolger

Marketing Feature Editor Larry Mullins

### **BUSINESS STAFF**

Publisher Barton Bienenstock barton@furninfo.com

Vice President Thelma Mason Davis thelma@furninfo.com

Sales Manager Eastern Region Jon Siegel jon@furninfo.com

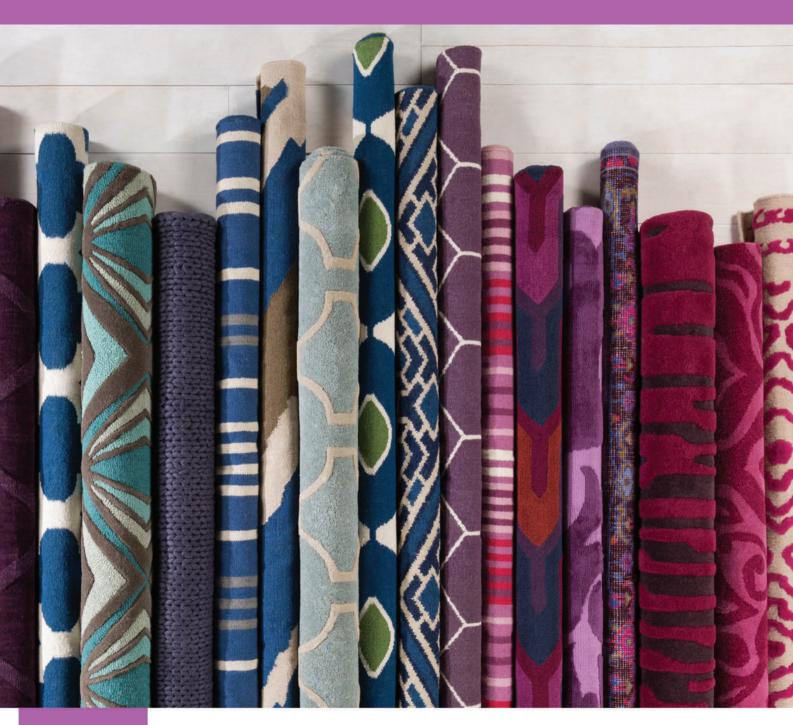
Advertisina Sales Director Gary Siegel gary@furninfo.com



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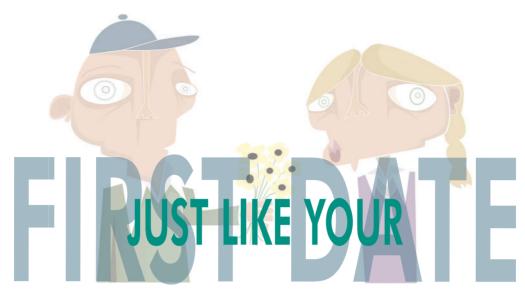
RUGS

PILLOWS WALL DECOR ACCENT FURNITURE LIGHTING





SHOWROOMS: ATLANTA DALLAS HIGH POINT LAS VEGAS **NEW YORK** TORONTO **TUPELO** NEW DELHI



Retail furniture operations have lots of important first dates.

by Gordon Hecht

erhaps if you think about it you can remember the experience of having a first date. Whether it was with someone you knew, or arranged by friends as a blind date, the feeling is the same. It's a combination of nervousness and excitement which results in anxiety.

You think about where you will go, and what you will talk about. Then you prepare to wear your best outfit for the occasion. You drive to the destination, or wait for your date to arrive being sure to be ready on time; you pop a couple of Tic-Tacs and look in the mirror just to be sure. And then the moment arrives!

Many of us born in the 1950s and 1960s have had the experience of First Dates twice in our lives. For me, it was in my teens, and then again in my 30's. There's a difference in dating at those ages. In our teens we are more concerned with impressing our date with our smokin' hot car, groovy clothes, and being extra cool. A more mature thirty year old is concerned with learning about their companion; their likes and dislikes, what they do for work and fun, and where they are headed in life.

### **CUSTOMER FIRST DATES**

Our Furniture Business is filled with

first dates. The obvious example is a retail shopper who walks into our store. Your sales team is charged with meeting a stranger and creating a positive impression in twenty seconds. Some call that Speed Dating. Too often your customer is greeted by an RSA who acts like an 18 year old kid who hopes to make an impression by using "Dig-Me" methods. Greetings like, "Our Biggest Sale ends today", "Everything is 72% off", or "We have 72 month financing" are closing statements, not greetings. They are a sure TURN OFF. They have no meaning until your shopper gets to know your store and its offerings.

Simply said, RSAs want to jump to the Good-night Kiss (closing the sale) before dinner and a movie (Discovery Questions and Demonstration). RSAs who date like they are in their 30's, 40's, or older, know that one of the best parts of meeting people for dates is learning about their experiences, dreams, and desires. They ask these questions; "When was the last time you shopped for a sofa?", "Have you seen anything on TV or in a magazine that you like? or "Who else will be using the dining room set?" They find out what turns on and motivates shoppers and they dance to the music that's being played, tailoring the shopping experience to their date.

### **EMPLOYEE FIRST DATES**

Chances are you have other daily First Dates in your business life. Onboarding new associates is also a First Date. New hire orientation often includes information on when your company started, HR policies, and how training is conducted. All important information, but the part about getting to know the person you just

"Too often your customer is greeted by an RSA who acts like an 18 year old kid. Greetings like, "Our Biggest Sale ends today", "Everything is 72% off", or "We have 72 month financing", are closing statements, not greetings. These are a sure TURN OFF."

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hired is equally valuable. Imagine what you will gain when you ask, "What kind of things are you really good at", "What frustrated you at your last job", "What did your friends say when you told them you are coming to work here", "What do you consider your greatest day at work?" The answers you get will give you insight into how you can maximize your investment and vour employee's work experience. Just by assigning them things they enjoy and do well, and minimizing the tasks that drive them crazy will make every day their best

day at work!

### **VENDOR FIRST DATES**

Think about a First Date with your Vendor Reps. By asking the right questions you can determine if your Reps are 18 year olds who want to jump in the back seat, or 30 year old adults looking for a long-term happy relationship. Do they want to just sell you a product or help you to build your business and profitability? Ask them about how they improved another retailer's operation, at what skills they excel, or how they feel about pitching in and helping your sales team on Holiday Weekends. Will they leave you for a prettier or more handsome store if things get rough, or are they with you for better or for worse!

### PRODUCT FIRST DATES

Training on new products and services need to be a first date for your sales and operations team. While the

"RSAs who date like they are in their 30's or 40's, or older know that one of the best parts of meeting people for dates is learning their experiences, dreams, and desires."





"Is your website a good first date? To find out, ask some of your single friends (not employees) to visit your site and look at it as if it was a dating website."

products can't talk for themselves, make sure there is information available to everyone. Ask Questions like "How long will you be around? (durability)", "If I call you on Monday, will you be at my store on Friday? (delivery time), "Where do you like to go (in the room)", "Do you love pets?" (Cleaning instructions) and "Tell me about your friends" (what accessories make you look great).

Some people look to meet dates at bars, others at church. Dates are arranged by friends and co-workers. In the 21st Century more First Dates are arranged online than ever before. E-Harmony, Match.com, Christian Mingle, J-Date and others are becoming the way to view and communicate with people. Chances are your store has an online dating site also. It's your website! Properly placed and promoted, your website should draw hundreds or even thousands of potential suitors daily. They click on your profile, see what you look like, what you have to offer, and decide if they want to get to know you, join you for coffee, dinner, or more!

Is your website a good first date? To find out, ask some of your single friends (not employees) to visit your site and look at it as if it were a dating website. Is the initial impression intriguing, friendly, or exciting? Does your site move to the same groove as the viewer? Can your website ask the right questions and does it move too slow, or too fast? The responses you get will help you change your website from disappointing "Mystery Date", to romance, love, and marriage!

Second and third dates are great! We get there because of mutual trust and affection. Repeat buyers are like those dates, more fun and less anxiety causing. Unfortunately many relations don't get past the first date and many be-backs never return. You can't control the actions of your date or your shopper. Train your RSAs to become caring gentlemen and ladies who are interested in your shopper's interests and well-being, and there may be many wedding bells and honeymoons in your future!

**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.



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# PLANNING 2014

What sales volume do you need this year? Just beating last year's numbers isn't good enough for planning purposes.

by David McMahon

hat sales volume do you need for the coming year? Far too often store owners do not take this question seriously enough, or avoid it all together. To just beat last year's numbers is not a good enough answer! Approaching this question properly from an analytical standpoint helps set the stage for the development of a meaningful business strategy. Only once a realistic targeted annual sales volume is defined can the monthly benchmarks to achieve that target be

The formula to figure your required sales volume is an extension of the break-even sale equation. Break-even sales is the volume you need to achieve to begin to make a profit. A discussion of the Break Even calculation can be found on the furninfo.com website. Use the search field to search for "Break Even" then click on the Furniture World article titled, "Retail Break Even Analysis".

Profit is not an option so you must be decently above breakeven sales. Once you reach your break-even point your fixed costs are covered. The only costs incurred then are variable costs. Your variable costs are costs that are incurred only when a sale is made. They include expenses such as selling commissions and cost of goods sold. If you add the profit dollars that are required for your business to your fixed costs in the breakeven sales equation you will arrive at your required sales volume. Here are the steps:

- 1. Determine 2013 Total Sales
- 2. Determine 2013 Total Expenses
- 3. Determine 2013 Variable Costs.

For example:

- Landed Costs of Goods Sold
- Any sales discounts or rebates

4,283,400

# CALCULATION #1: Sales Volume Required For 2014

At 47% Gross Margin and Baseline Fixed Costs

**Variable Costs** = Cost of Goods + Variable Selling Costs + Other Variable costs **\$3,225,000** = \$2,650,000 + \$400,000 + \$175,000

**Fixed Costs** = Total Costs - Variable Costs \$1,525,000 = \$4,750,000 - \$3,225,000

**Contribution Margin** = (Sales – Variable Costs) / Sales **35.5**% = (\$5,000,000 - \$3,225,000) / \$5,000,000

**Break-even Sales Volume** = Fixed Costs / Contribution Margin **\$4,295,775** = \$1,525,000 / 35.5%

Sales Volume for Required for 2013 profit of 5% = (Fixed Costs + Profit Required) / Contribution Margin \$5,000,000 = (\$1,525,000 + \$250,000) / 35.5%

Sales Volume Required for 2014 Profit = (Fixed Costs + Profit Required) / Contribution Margin **\$5,422,535** = (\$1,525,000 + \$400,000) / 35.5%

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"Mattress Mary" Domito
Owner



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"They would need their sales people to interact with 18,073 customers during the year. Alternately, if it was possible only to get 17,000 customer interactions per year they would need a 20% close rate to reach the required sales level."

- Selling commissions
- Credit card fees
- Sales financing fees
- Net delivery income and expenses
- Other variable costs
- **4. Figure Fixed Costs** (costs that don't change with sales volume): Fixed Costs = Total costs Variable Costs.
- 5. Determine Contribution Margin. This is the percentage of every dollar in sales after break-even sales that go towards profit. Contribution Margin = (Sales Variable Costs) / Sales.
- 6. Determine Break-Even Sales Volume: Break-even Sales = Fixed Costs / Contribution Margin.
- 7. Decide on realistic or desired Net Income for 2014. This is the amount of dollars that add to cash

flow after all expenses are covered. 7-10% of sales is what I consider decent profitability.

- 8. Figure the Sales you need for 2014: Required Sales Volume = (Fixed Costs + Desired Net Income) / Contribution Margin.
- **9. Conduct alternate scenarios** based on changing fixed and variable cost amounts.
- 10. Decide the final Sales Volume that is required.
- 11. Set sales strategy and metrics to achieve Volume: Required Sales Volume = Required Selling Opportunities x Required Closing Rate x Required Average Sale.

### AN EXAMPLE:

Let's look at an example that closely resembles an actual operation with 2013 Annual Sales of \$5,000,000. This retailer had a gross margin of

47%, so 53% COGS %. Their total operating expenses were 42% of sales or \$2,100,000. Their net income was, therefore, \$250,000 or 5% profitability before tax. 8% of sales were variable selling costs, 3.5% of sales were credit card and financing costs. Net delivery income & expense was zero due to properly charging fees for delivery costs. All other costs were considered fixed. This business wanted to produce \$400,000 net income before taxes at the same cost structure mix. See the numbers in "Calculation #1: Sales Volume Required For 2014" on page 14 that shows how, to earn an extra \$150,000 in profit dollars, the company will need to sell \$422,535 more in 2014 at the current variable and fixed cost mix.

Now, let's suppose they take a variety of actions to improve their gross margin to 52%. They will also add a new sign costing \$50,000, a fixed amount. This calculation is shown at the bottom of page 16.

CALCULATION #2: Sales Volume Required For 2014

At 52% Gross Margin Plus \$50,000 In Added Fixed Costs

**Variable Costs** = Cost of Goods + Variable Selling Costs + Other Variable costs 2,975,000 = 2,400,000 + 400,000 + 175,000

**Fixed Costs** = Total Costs - Variable Costs \$1,575,000 = \$4,550,000 - \$2,975,000

**Contribution Margin** = (Sales – Variable Costs) / Sales 40.5% = (\$5,000,000 - \$2,975,000) / \$5,000,000

**Break-even Sales Volume** = Fixed Costs / Contribution Margin \$3,888,888 = \$1,575,000 / 40.5%

Sales Volume Required for 2014 = (Fixed Costs + Profit Required) / Contribution Margin <math>\$4.876,543 = (\$1,575,000 + \$400,000) / 40.5%



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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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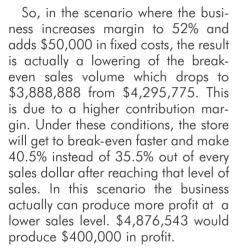
High Point Showroom #H1103 Las Vegas Showroom #B-226-2 CALCULATION #3: Selling Opportunities & Average Sale

Using figures from Example #1

**Sales** = Average Sale x Close Rate x Customer Selling Opportunities  $$5,422,535 = $1500 \times 20\% \times \text{Customer Selling Opportunities}$ 

**Customer Selling Opportunities** = Sales / Average Sale x Close Rate  $18,075 = $5,422,535 / $1500 \times 20\%$ 

Average Sale Required = Sales Required / Customer Selling Opportunities x Close Rate  $$1595 = $5.422.535 / 17.000 \times .2$ 



Once you have performed a similar calculation for your operation to determine your required sales volume, you can figure out the selling equation necessary. The components of the selling equation are Average Sale, Close Rate, and Selling Opportunities.

Using the non-modified cost structure assumptions in Calculation #1 let's determine how this retailer might go about producing \$5,422,535 in sales (Calculation #3 above). We will hold close rate constant at 20% and use an average sale of \$1,500.

Calculation #3 shows that this retailer would need their sales people to interact with 18,073 customers during the year or around 1,500 customers per month. Alternately, if it were possible only to get 17,000 customer interactions per year or 1,417 per month they would need a higher average sale at a 20% close rate to reach the required sales level of \$5,422,535.

"Only once a realistic targeted annual sales volume is defined can the monthly benchmarks to achieve the target be set."

To achieve the required sales volume at a 20% close and 17,000 customer visits their salespeople overall will need to produce a \$1,595 average sale for the year.

By using the break-even sales equation your business can see in advance what volume will be required to produce your desired profit. You will be able to create a meaningful strategy and plan better for the upcoming year. In doing so, you will be able to set benchmarks along the way so that your sales team can be totally aware of the numbers that they need to hit.

About David McMahon: David McMahon is the Director of Consulting and Performance Groups at PROFITsystems, a Division of Accellos. Не is a Certified Management Accountant Professional Consultant. 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 PROFITsystems, 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.

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(L-R) Scott Leishman with Jerry Peters

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I highly recommend the Planned Furniture Promotion Company because they deliver on their promises. In addition they work closely with the owner throughout every step of the process. Their management team was tailored to my store's clientele, and customers came to the event and purchased day after day. I cannot thank you enough for how this partnership has helped me to positively complete the past and begin a fresh new future with zero regrets.

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With deep appreciation,"

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# SIZING UP THE A PETITION

How to get information on your mattress competition, profile them, and use this information to close more sales.

by David Benbow

ow often do you think about your competition? Is it mostly when you have just lost a sale that you probably should have made? How often does the presence of your competition affect your day to day operating strategy? How well do you really know them? Not just the guys down the street; I mean how well do you know ALL of your competition?

Allow me to propose a thought exercise. Bear with me on this one. What if you had no competition? What if your store was the only store in town that sold mattresses and bedding? What if you were the only furniture and bedding outlet within 200 or more miles? What if your store was the only place customers could buy mattresses and furniture, period?

Would you make all the sales? You might answer, "How could I not make all the sales, if I had no competition?"

It stands to reason, then, that the only reason you DON'T make every sale is the presence of competition.

I know of some store owners who say, "We don't worry about the com-

petition. We operate our way, and that's the way it is. You can't control what the competition does; we have our own philosophy of how we do business; we adopt the policies that reflect that philosophy and do the best we can."

While that is a noble sounding sentiment, and there is no denying that all business owners should have a philosophy by which they run their enterprise, the store owner who "turns the other cheek" to the competition is walking a very precarious path.

So, now let's get to the point of our little thought exercise. Its point is to focus your attention on the only obstacle that stands in way of you making ALL the sales.

# WHAT TO DO ABOUT YOUR COMPETITION?

The goal of every store owner, even if it is practically unattainable, should be to make ALL the sales (in his or her merchandise category). Since we've already identified one of the major roadblocks to this goal as your competition, it should make sense to try to

do something about this roadblock. So, what do you do?

Here are four categories to dissect, analyze and thereby, plan an attack.

- Identify your competition.
- Profile your competition.
- How do I get this information?
- How do I stack up versus my competition? In other words, how does the customer perceive my store vs. my competition? How can I improve to beat the competition? How do I measure success against my competition?

The goal of this exercise is to not just know your competition, but to

"I know of some store owners who say, 'We don't worry about the competition. We operate our way."



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"Here is where to begin. You need to make a list of every outlet, whether a store, garage, warehouse or even internet site that might beat you for a sale in your trade area."

know them as well as you do your own store.

# **IDENTIFY** YOUR COMPETITION

To explain it very simply, your competition is ANYBODY and EVERY-BODY who sells, in your trade area, ANY product that might even remotely compete with ANY product that you sell in your store. Products you sell in your store are not just confined to your floor models, but also special catalog orders, or even sales you might make over the internet. If you do not recognize or believe or act on this basic truth, you will lose sales.

Here is where to begin. You need to make a list of every outlet, whether a store, garage, warehouse or even an internet site that might beat you for a sale in your trade area. These competitor outlets don't even necessarily

have to be located in your trade area. If you are located in a peripheral market (meaning a smaller market within 150 miles of a major trade area), I guarantee that your smaller market will be invaded by one or more big players from the major trade area. These big players will advertise in your market area, and they will deliver to your market area. That means you can ignore them only at your own peril. And, don't fall victim to the old worry that "we can't beat those guys! They have too much buying power! They sell too cheap!" You can beat them if you want to; even though you may have to give a little on those "sacred margin cows."

Once you have made a list of all possible competitors, I recommend that you give a "difficulty rating" to each and every one of them. I usually define my ratings as follows:

Primary or Category One com-• petitors – These are outlets that present a similar profile to your store. They offer a product mix very much like your store, with similar pricing, merchandising and policies. They directly target your customer and they operate in your trade area.

Secondary or Category Two **L** • competitors – These are outlets in your trade area who may offer similar looking products, but target a somewhat different customer. For example, if you offer a full range of bedding at popular prices, this secondary competitor might offer only a small selection of low-end, non-brand name products. Or, at the opposite end of the spectrum, they might offer only super-premium or high-end products. Or, they might offer similar products and prices, but only a limited selection, or only a part of your



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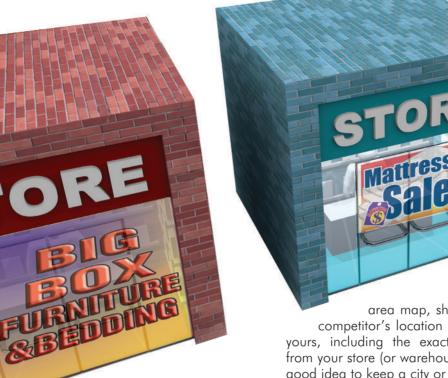
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total selection.

3. Tertiary or Category Three could include mass merchandisers in your trade area, such as membership club stores, big chain groceries or department stores who think they also need to be in the furniture and bedding business. They might also include the aforementioned "big players" in a distant major market area.

All other competitors — This • might include internet sites that offer to ship into your trade area.

No matter how you rate them, any one of these outlets can and will beat you occasionally for a sale, especially if you pretend that they are not really your competition.

### PROFILE THE COMPETITION

When we say "profile" your competition, we mean develop a file or "dossier" on each one. Each file should include specific information, as follows:

Name of the Store: This one is the title for your file. Now fill it up with the competitive intelligence your salespeople need to know.

Location of the Store: Jot down the street address, city, and preferably an

area map, showing the competitor's location relative to yours, including the exact distance from your store (or warehouse). It is a good idea to keep a city or area map in the office or break room with a pin locating each of your competitors. If you have an out of town "big player" who tries to invade your trade area, put a marker in the margin of your map.

Owner: Is this a locally owned store? Is it part of a small chain, or part of a large national chain? What other businesses does the owner operate? How much experience does the owner have in the mattress and furniture business? Is he hands-on or absentee? Does he work the showroom floor?

How old is the business? How long have they been in business? Is it multigenerational ownership and management?

Theme of the store: Is it a full line furniture store, specialty mattress store, warehouse, garage, internet?

Which manufacturers are represented on the floor, and in what concentration? It is a good idea to know not only what manufacturers they carry now, but which ones they have carried for the last 5 years. Some stores shuffle vendors in and out. What is their relationship with their suppliers? What kind of volume do they do with each manufacturer? How often do they get shipments and how large are their shipments?

"Tertiary or Category
Three competitors
could include mass
merchandisers in your
trade area, such as
membership club stores,
big chain groceries or
department stores."

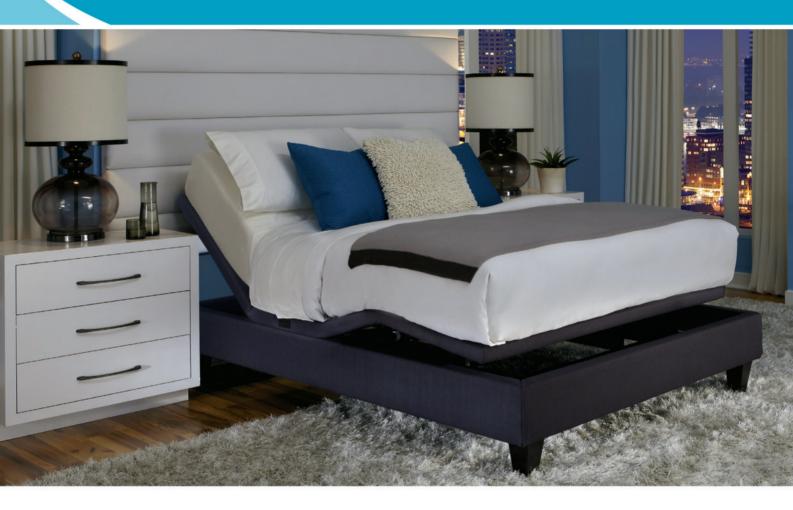
**Product list:** Ideally, you should have a complete list of their products, with names and specifications. This list will probably have to be obtained piece by piece as you collect information from customers, mystery shoppers, competitor advertising, etc.

How do they advertise? In what media do they specialize? How often and how extensive are their ads? Do you have an approximate idea of their advertising budget? What is the theme of their advertising? Do they advertise "best price guaranteed" or "half-off" sales?

How much inventory do they keep on hand? Are they frequently out of stock, or can they honor a "buy it today, sleep on it tonight" promise with all or most of their SKUs?

What kind of financing do they offer? Do they have long-term Same As Cash programs? Do they offer inhouse credit or credit to high risk customers?

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"If you operate in a trade area of 500,000 people, applying that formula would suggest that 55,000 or so mattress units were sold in your trade area. If you sell 4,000 units in a given year, then your market share is about 7.3%."

What is the theme of their policies? Do they offer free delivery, free pickup of the old mattress, comfort exchanges, price guarantees, or layaway? How attractive is their layaway program?

How many salespeople do they employ during the week? How many salespeople do they have on Saturday? How well trained are their salespeople? How do they pay their salespeople; commission, salary, or both? Do they have a lot of turnover with their sales staff? Note: I always use number of salespeople to give me a very rough idea of average monthly volume for the store. Most stores allocate one RSA to a certain dollar value of monthly sales (for example \$40,000 per month per RSA). This can vary, of course.

How big is the store in square feet? You can step it off from outside, or count ceiling tiles. How many SKUs do they carry on the floor?

What is their demographic appeal? Who shops there? Is it a different or similar customer mix to your store?

What are their marketing and sales practices? Do they promote cheap products? Do they use low-ball pricing? Do they have flexible pricing; meaning, will they negotiate and drop the price to make a sale? If so, how low will they go? Can you determine the lowest margin they will accept on any given deal?

Reputation: What kind of local repu-

tation do they have? Are their business practices suspicious or do they come under a lot of criticism from customers or reps? Do they seem to be ethical or unethical?

Attitude: Are they a market leader or follower? Do you find yourself responding to their actions or do they respond to yours and try to copy what you are doing? How tough are they to beat? Do you consistently lose sales to them?

This is a pretty extensive list of characteristics that describe each of your competitors, but it does not claim to be comprehensive. You can use this list to compile a standardized blank form and fill in the blanks for each competitor. With these forms, you then have a check list of what you know and what you don't know about each of your competitors.

# HOW DO YOU FILL IN THE BLANKS?

Gathering information (or, intelligence, if you prefer) is a tedious, time-consuming project that really never ends. Just as with your store, things are always changing with the competition, and you need to keep up with these changes.

The first place to look is their advertising. I'm always surprised at how little attention most store owners pay to the advertising of their competition. Advertising in all media, but especially print advertising, is loaded with information about your competition.

You should save all of your competition's print ads for at least 6 months. Most ads contain manufacturers, SKU names, prices, finance information (48 months SAC!), store hours, location, a variety of policies (free delivery, free frame, free disposal of your old set, etc.) Don't just glance at their ads, memorize them!

Another good source of information is Mystery Shopping. Since mystery shopping is a discipline all its own, we won't go into great detail except to say a couple of things. First, it isn't easy to find capable mystery shoppers. Temporary employees rarely have the experience or the "feel" to

"Most ads contain manufacturers, SKU names, prices, finance information (48 months SAC!), store hours, location, a variety of policies (free delivery, free frame, free disposal of your old set, etc.) Don't just glance at their ads, memorize them!"

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"Remember, most, if not all, buyers, make buying decisions on comparison shopping. If you don't ask your customer how you compare to the competition, how will you know?"



come back with interpreted, meaningful information. New hires have a similar problem. They usually need several weeks of training before their shopping results make much sense; and, by that time, some of the competition probably recognizes them when they walk in the door. The best mystery shopper, of course, is you, the store

owner or manager, or experienced RSA (whoever is reading this). No matter who gets stuck with shopping the competition, this designated shopper must have an agenda. He must know exactly what he is looking for and where and how to find it. How do you know what to look for? Before embarking, consult your competitor

profile. What spaces are blank? What is it that you do not know? Your profile should give you a hint. Use the Competitor Profile to outline your shopping expedition.

A third good source of information, though not always reliable, is your customers. Most of your customers have already shopped at least one of your competitors. They frequently have business cards with product information printed thereon. Ask your customers where else they have shopped, and what they have seen. Once you build a rapport with your customer, it is okay to ask them their impressions of the competition and how you compare to them. Ask to see the other business cards they have acquired. If you make the sale, ask to keep the business cards that they have shown you. Remember, most, if not all, buyers, make buying decisions on comparison shopping. If you don't ask your customer how you compare to the competition, how will you know?

Another good source of information, although they may not like to hear me say this, are your manufacturer reps. All good reps know each other, and they also know a lot about your competition. Obviously, you cannot expect a rep to tell you about your competitor if he also sells them; but he can probably tell you quite a bit about a competitor that does not carry his products. And, why wouldn't he? He has no obligation to protect a non-customer. Ask your reps for information about your competitors. They know a lot.



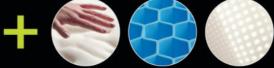
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# SIZING UP THE COMPETITION

# HOW DO YOU USE THIS INFORMATION?

So, now that you have all this information, how do I use it?

First, compare your store to the competitor profiles you've created. Do this for each profile category. Put yourself in your customer's shoes. Would you respond more favorably to your competitor's location, products, prices, policies, financing, etc. than to your own? If you answer yes, and be very honest with yourself, you can see clearly where you need to improve. If you honestly believe that you beat the competition in most, if not all categories, then these should be used as strong selling points, and benefits to point out to the customer. Always put your best foot forward, especially if it is better than the other guy's foot.

Secondly, make sure your RSAs know this stuff. If you go to this much trouble to gather and compile this information, don't allow it to collect dust on top of your filing cabinet. Share this information in sales meetings, advanced training, mystery shopping expeditions, etc. Your RSAs are the ones who really need to know this information. Don't forget, customers make buying decisions based on comparison shopping. Your salespeople need to know how their selling tools compare to the competition.

### MEASURING YOUR SUCCESS

Okay, your goal is to make ALL the sales. So, you need to have some idea of how big a number ALL the sales are. What is the total sales volume in your trade area (of the type of products you sell?) You'll never get an exact figure, of course. In my area, I had a formula that I used. You can adjust this formula to substitute whatever statistics you want, but here is an example. Assuming that about 35 million mattress units are sold in a given year, and there are about 315 million people in the United States, that would calculate to about .111 units per person per year. If you operate in a trade area of 500,000 people,

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applying that formula would suggest that 55,000 or so units were sold in your trade area. If you sell 4,000 units in a given year, then your market share is about 7.3%. My figures are just estimates. Don't use these actual figures. Look them up to be more accurate. It is a way to see how close you are to making all the sales in your trade area. It is possible to analyze your market share using sales volume, or by individual category such as specialty bedding, innerspring bedding, even price point ranges. ISPA is a good source of information for national and regional sales data on beddina.

#### **SUMMARY**

Your competition is keeping you from making ALL the sales in your trade area. To get more sales and increase your market share, you must BEAT your competition. The only way to beat your competition is to learn what they are doing, how they are doing it, and why they are doing it. Only then, can you beat them. Knowledge of the competition should be an integral part of training your sales staff. Your RSAs will rarely get fooled by a clever shopper if they have superior knowledge of the competition. Gather information on your competition, stay up to date on your competition (this stuff changes every day) and most of all, share your information with your sales staff.

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.mattressretailtrainina.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.

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# **MATTRESSS**

Do consumers value mattress innovations? Surprising findings by GoodBed.com.

by Michael Magnuson

n GoodBed.com's Expert Q&A mattress forum, we get a lot of questions from people looking to buy an exact replacement of a bed they already have. Clearly, these people are happy with what they have, and they figure they'll save some time and reduce their risk by simply buying the same thing again. It's the "if it ain't broke, don't fix it" school of mattress shopping.

This observation raises several questions. Do consumers really value mattress innovation to the degree they do with other products? If not, why don't more consumers value mattress innovation? And finally, what can retailers do with this knowledge?

Do consumers really value mattress innovation? We asked over 1,000 mattress shoppers this question: "Would you buy a new mattress that's an exact replica of your current one? The results are shown in Graph #1.

Since most mattresses beina replaced are at least 5 years old, the hope was that by asking visitors the additional question, "How old is your existing mattress?", it would also answer the question of whether consumers value the 'latest and areatest' in mattress innovation or the 'tried and true' (results are shown in Graph #3).

At first blush, we see that only one in four mattress shoppers would want to buy an exact replica of the mattress they already have. But before we concluded that the remaining majority of consumers are driven by a desire for the 'latest and greatest' in mattress technology, we asked them why they wouldn't want a replica of their current mattress. The responses to the question, "If no, why not?" are summarized in graph #2.

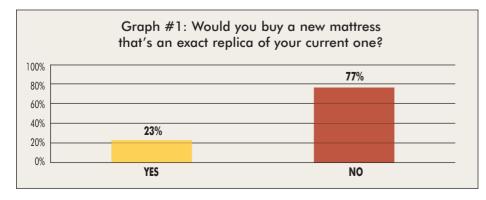
The unfortunate reality uncovered here is that a large group of mattress owners (approximately 50%) weren't very happy with their previous purchase. This group was split pretty evenly between people that simply chose the wrong bed for them and people that chose a bed that didn't last. As it turns out, the number of people who said that they were expressly seeking the latest mattress innovations is a rather small minority, about one in four mattress shoppers.

So, why don't more consumers value mattress innovation? For the mattress industry, this begs an obvious guestion: why are there so many consumers that don't value innovation when it comes to mattresses? After all, mattress companies work hard on continuously improving their products, to the point where the mattress they had before probably isn't even made anymore.

Unfortunately, this isn't the kind of question that's easy to ask people in a survey. However, we can get some pretty big clues by looking at why mattresses (at least historically speaking) aren't like some other product cateaories:

- Mattresses don't tend to have actively used features (unlike TV's, computers, and mountain bikes). There's an obvious reason for this: it's a product we use primarily when we're sleeping.
- Mattress performance tends to be

"Imagine how helpful it would be for members of this group to directly compare the currently available choices against their existing mattress."

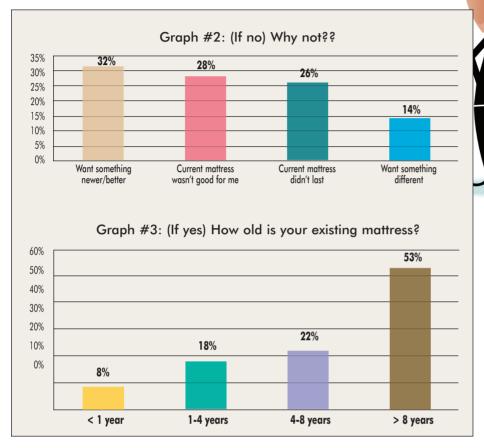


# Best Things Come In Single Packages



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"We asked over 1,000 mattress shoppers this question: If it were available, would you buy a new mattress that's an exact replica of your current one?"

difficult to assess (unlike golf clubs, musical instruments, and power



tools). Historically, it's been very hard for most people to gauge and appreciate how a mattress is really 'performing' in terms of the auality of their sleep.

• Mattresses don't tend to make a style statement (unlike couches, clothing, and carpeting). The plain fact here is that mattresses are covered up most of the time.

What can retailers do with this knowledge? This survey data seems to divide mattress consumers into four discrete groups of roughly equal size:

Mattress Buying Group #1: People that were happy with their previous mattress and want the exact same thing. This group of mattress shoppers may represent the greatest opportunity for mattress retailers. Provided they are confident you are offering the exact mattress they want, they are already pre-sold on it being a quality product, a good value, and a good match for them. In other words, they are halfway to the cash register! This points to a clear opportunity to maintain more continuity in mattress product lines and model names over time, and argues against the current approach of constantly discontinuing models only to replace them with differently named versions of the same (or nearly the same) thing. Short of this, some of these customers can be captured by making it transparent (eg, on your website) by listing names of any older models you carried that are equivalent to your existing models.

Mattress Buying Group #2: People that previously chose the wrong mat-



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tress for them. This is a group that

"After having been disappointed by the longevity of their existing mattress they could be prime candidates for an upsell. After all, higher quality materials should last longer and deliver more value over time."

lacks confidence in their ability to choose the right mattress. This lack of confidence will inevitably postpone and prolong their purchase process, and may well lower their willingness to pay up for a premium product. Imagine how helpful it would be for members of this group to directly compare the currently available choices against their existing mattress. Your last bed proved slightly too firm but

otherwise good? Try this one, which is the same thing except one notch up in plushness... That's the kind of information that would give them the confidence to buy, and to buy from you.

Mattress Buying Group #3: People who previously chose a mattress that didn't last. This group also lacks confidence, but more so in the mattress industry than in themselves. After having been disappointed by the longevity of their existing mattress they could be prime candidates for an upsell. After all, higher quality materials should last longer and deliver more value over time. However, having been burned before, they will first need to be shown exactly why the new mattress would succeed where their existing mattress failed, which requires a transparent side-by-side comparison of old and new. Short of this, many of these people will choose to invest even less in their next mattress, figuring "fool me once, shame on you, but fool me twice, shame on me".

Mattress Buying Group #4: People that are interested in the latest and greatest in mattress technology. Arguably, this group, just 24% of all mattress shoppers, is the only one being properly served by the current model of mattress retailing. They expressed a focused interest in benefiting from the latest innovations that the mattress industry has to offer, so they will be pleased to see that most mattress models on the sales floor are new within the last 12 months

About Michael Magnuson: Michael Magnuson is the founder and CEO of GoodBed.com, the leading online research destination for mattress shoppers. He has 15 years of experience in the digital media industry, as both an entrepreneur and a private equity investor. Michael graduated from the University of Pennsylvania, and received his MBA from Stanford University. Questions about this article or any topic related to bedding sales and marketing can be directed to him at www.goodbed.com/contact or call 415 738-9500.





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Contact information on index page 96.



#### **AC** Pacific

This affordable Shiatsu Massage Chair was designed to function and look like a recliner, with the added function of a shiatsu massage.

Contact information on index page 96.

#### Borkholder

The Gathering Table, shown here with Gilbert chairs. Maximum extension is 14 feet. Also available is the Gathering Sideboard, providing leaf storage and a serving area. Available in Cherry, quartersawn Oak, Maple, Poplar, and Brown Maple. Made in America.



#### Wallbeds

The Portola Wallbed features a peninsula desk allowing a bedroom to do double duty as guest room and home office.

Made in America.

Contact information on index page 96.



#### **Nourison**

These decorative metallic laser-cut accent pillows are made from natural leather splashed with metallic foil. The colors from left to right are Silver Beige (size 12"x24"), Black Platinum (12"x24") and Gold Beige (18"x18").

Contact information on index page 96.



#### Elran

The contemporary Colton collection features blanket chaise seating and oversized box arm with an exposed edge welt. This collection features both a three seat sofa and two seat condo sofa as well as a loveseat and chair. Colton is also available with contrasting stiching as shown here. Made in Canada.





January/February 2014 FURNITURE WORLD 45

## BEST SELLING DESIGNS \_\_\_\_



Surya

"Watercolor", is hand knotted in India of 100% wool. Suggested Retail Price for a 5' x 8' is \$1,929.

Contact information on index page 96.



#### West Bros

The new Fulton bedroom collection is made of Solid White Oak. Finishes include a natural finish called Sand and a rustic gray finish called Pewter. Made in Canada.





#### Pastel

The Janette set features Fahrenheit Dining Table with 47" round glass top and chrome frame. It is paired with the Janette Office Chair made with a sturdy chrome aluminum frame and wheel casters featuring adjustable tilt tension control and lift adjustable seat height.





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High Point, Showplace







# BEST SELLING DESIGNS



#### Loloi

"Journey", is power loomed in Egypt of 50%wool and 50% viscose for softness and sheen.

Contact information on index page 96.

#### Klaussner

The Celeste collection has three bordered, welted seat cushions. Also pictured are coordinating accent arm and kidney pillows. The back and arms of this sleek sofa are button tufted.

Contact information on index page 96.



#### Twin Star

The Delray Wall is a transitional styled home entertainment wall that can be configured with multiple storage options. The built-in electric fireplace insert is optional and can be used with or without heat for all season enjoyment. This unit can accommodate TV's up to 65 inches.



#### Simply Amish

This Live Edge wooden table collection is made by removing most of the bark, stabilizing the wood, and sanding the edges smooth. Made in America.

Contact information on index page 96.



#### Horizon Home

Maison Rustique is Inspired by French Country designs. Every piece is bench made with hand rubbed finishes and solid wood construction. The entire collection is available in five distinct hand rubbed finishes. Pieces range from \$99.00 to \$399.00 retail.

Contact information on index page 96.



#### Country View Woodworking

The American Expressions bedroom collection combines American-made craftsmanship with Shaker styling. This collection features both a spindle sleigh bed and panel bed. Mix and match the chosen bed style with any of the ten cases, including nightstands, dressers, a two-piece armoire, and mirrors. Shown in Rustic Cherry with Aged Cherry finish. Made in America.



# BEST SELLING DESIGNS



#### Jaipur

Mossy green, rust, coco, and sky blue colors dance across this area rug making it look more like art than a floor covering.

Contact information on index page 96.



#### **Domicil**

"Callista", features over-scaled track arms, chrome finish tubular legs, adjustable headrests and extra wide seats. It is available in both sofa and sectional configurations.





#### Violino

This chair features deep seating with a natural combination of pure analine and hair-on-hide cover.

Contact information on index page 96.

#### Sunset International Trade

"Contempo", is an abstract rug with bold geometric designs in natural colors. The mix of cut and loop yarns creates a variety of textures. It is 50% polyester and 50% polypropylene Frieze Shag and made in Turkey. This Rugs comes in a variety of sizes and different colors.

Contact information on index page 96.

#### Copeland

"Moduluxe", is a highly configurable bedroom and storage system that can adapt to most spaces and needs. Items are available in a wide range of sizes and functions and are stylish as stand alone pieces or may be configured for a semi built-in feel.

#### Rizzy Home

From the Southwest Collection this handtufted rug is made in India of 100% Wool. Suggested Retail for 5' x 8' is \$439.





# **GALLERY FURNITURE**

Case study of how "Mack" McIngvale created a company of winners.

by Janet Holt-Johnstone

ou don't have to look very far to find the boss at Gallery Furniture. He works seven days a week and his desk is right up front, just inside the door of his flagship store. Store hours are 8 a.m. to 10 p.m.

Jim "Mattress Mack" McIngvale was born with one of those minds Mensa longs to discover. Talk with him, review his history, follow his activities for a day. The graceful leap from greeting a customer to an intense staff training session, dealing with a supplier or negotiating philanthropic outreach might remind you of the energy of the supercharged Capuchin monkeys leaping from tree to trapeze in their central Gallery showroom habitat. There's a parrot and toucan-filled aviary positioned beside a fountain, too, to delight customers and their children if they're not already charmed (and motivated) by Gallery's surprise-packed spaces. Said Mack, "What other furniture store in this world do you know of where children cry when they have to leave?" And maybe the appeal of warm cookies, ice cream and lemonade should be factored in.

Mack is extraverted, quick-thinking, ingenuous. He not only envisions his own future but also that of those fortunate but dazzled folks who share his environment. An opportunity appears and he's there, strategizing, temporizing, finding the best way forward. A problem? Someone once said, "A problem is only an opportunity waiting to happen!" You know, that "someone" was probably Mack!

A native of Mississippi, one of the sons of kind and tolerant middle-class parents, he attended high school in Dallas, was a student at both University of Texas and University of North Texas where he played football in 1969-70 and 1972-73, a member of the Longhorn's national championship team. It seems he had a bit of an attitude in his younger years, bounced about from job to job, but he was always optimistic, always looking for the next challenge. And he found plenty of them! But one day his employer at a convenience store did him an enormous favor. He fired him. The undoubtedly disgruntled but not defeated Mack found a new job at a furniture store across town. And here he experienced a bit of a nirvana. realized his entrepreneurial spirit,





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Mack giving a talk to his sales team and listening to a child in the store. URE

"When we made the change from commission to salary, a lot of the hotshot salespeople who were making lots of money left."

tomers" and, with his employer's advice and encouragement, determined to open his own home furnishings store in Houston, then "a boom town".

His brother George worked in real estate and sought out a location for the new enterprise, an abandoned model home park, unheated and unairconditioned. For those who know the City, it was ideally positioned (as we shall see!) at 6006 I-45 North Freeway. Mack made his usual instant decision and confided in his girlfriend, Linda. She agreed to accompany him to Houston on one condition, that they celebrate their wedding first! Again, an instant decision, "Where else can I get an employee this cheap! So I said, 'You got a deal!'"

They left for Houston in April 1981, "with \$5000 and a dream". The newlyweds were lucky in their timing. It was indeed "a boom town". There was a great wave of migration from families all over the country thanks to a surge in Houston's oil, auto and steel businesses. It was perfect for the couple's planning since the hopeful blue-collar workers needed furniture to fill their homes. Mack and Linda judged their market correctly and primarily sold value-priced home furnishings. Mack consistently reinvested their profits in more furniture. "Our marketing strategy those first two years was very simple. In 1981, we did a million dollars of sales volume. In 1982, we did two million. But then, in January 1983, the boom in the retail industry in Houston turned into a giant bust and the bottom fell out of the market. Overnight our sales went from \$50,000 a week down to about \$5,000 a week. We were just about ready to go broke.

"I knew if we were going to save the business, we had to start advertising on television." Previously, Mack's advertising thrust had consisted of nailing signs to telephone poles and distributing door-to-door flyers. He took his last \$10,000 and "bet the entire company. I bought \$5,000 worth of advertising time on two independent TV stations. However, before placing the ads I had to make three 30-second commercials that we could rotate on the airwaves. Late one night, February 1983, I went to a little TV station and sweated from 11 p.m. to 2 a.m., three hours of production time, they charged me \$500. Well, I got in front of those cameras and was totally intimidated. Just froze up and started stuttering and stammering and couldn't come up with a punch line. It got to be 2 a.m. and I hadn't even made one commercial! So, last chance, I voiced the first 25 seconds of the 30-second commercial very rapidly. As it happened, I had the day's store receipts in my pocket. Out of sheer frustration, I pulled the money out of my pocket and yelled, 'And Gallery Furniture will save you money!' By 1991, 8 years later, our sales had grown to \$100 million



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- 3. Action Before Energy
- 4. Sell With Price
- 5. Build Relationships
- 6. Always Think Big
- 7. Managing and Marketing Philanthropy

annually. We never borrowed any money, never had a bank loan, never had any investors. And one of the things I'm most proud of is that two years in a row my TV ads were voted by the marketing students at the University of Houston as the worst television ads in Houston!"

Now sales hover around the \$150 million mark annually and Gallery Furniture's two locations "sell the most furniture in the nation per square foot".

Mack embraced Ben Franklin's famous motto, but paraphrased it just a bit: "Late to bed and early to rise, work like hell and advertise!" Gallery Furniture's "eureka moment" had arrived. "To me, those words really say it all. Hard work and dedication always pay off and constantly reminding your customers of your brand is crucial, no matter what the economy is like. It helped us to survive despite all my mistakes through that first eight or nine years."

The TV campaign really did work, and they experienced huge shifts in sales. Mack branched away from selling only value-priced furniture and included higher-end product lines. He attracted new customers to the store. And he remained consistent to the winning customer service strategy they'd evolved, the now famous, "If you buy it today, we'll deliver it today!"

#### SAME DAY DELIVERY

Mack acknowledges that, "Any business has to have a unique selling feature. What is it that this company does that other companies can't do, won't do, or are unable to do that gives them an advantage over their competitors? Way back, when we first started in the furniture business, I noticed that in almost every store

when you bought a piece of furniture the quickest you could get it was two weeks and, more than likely, six to eight weeks."

He looked closely at a lot of successful companies, Federal Express, Walmart, United Parcel Systems, "people that were doing things better, faster and cheaper. So, from Day One, we decided our unique selling feature would be immediate delivery. Customers buy furniture at our store and we deliver it within three or four hours. Yes, that's right, three or four hours!

"We had a customer buying furniture in a very unusual situation. Her house had burned down. She came in and bought \$46,000 worth of furniture on a Saturday night. It was 7 p.m. when we finished typing the ticket. She lived about 60 miles away from our store and, by Saturday night at 11 we had delivered the furniture, set it up in

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# "Customers buy furniture

at our store and we deliver it within three or four hours. Yes, that's right, three or four hours!"

her house and we were gone. That's what we do. Emphatically, our unique selling feature at Gallery Furniture is immediate delivery.

"I think if we are going to be successful in business we all have to ask ourselves this question. Would the customer miss this company if it were to go out of business? I think, yes, they would miss us at Gallery Furniture because of our unique selling feature... immediate delivery."

But there were tensions at Gallery Furniture, and a dramatic management transformation was about to come about, "a life-changing event". Mack was "taught management at the University of Texas, a very conventional management structure. Somebody It talked about Zero Defects. I got all excited about it. That was my management flavor of the month. Only one problem, to me it meant that I had to do things right all the time. That's certainly an impossibility, so I was very frustrated.

#### SALES QUOTAS AND SALESPERSON ANXIETY

"Back then we were a sales-driven company, we still are. The heart and soul of our business is our employees, most especially our salespeople. Our salespeople were commission-compensated because that was the way I thought we'd get the best productivity out of them. But that system created winners and losers.

"We had a weekly quota the salespeople had to meet, \$7,000 a week in furniture sales and \$400 a week in chemical add-on sales to get their 10 per cent commission of \$700 to \$1,000. However, if they didn't make the auota they became a loser and they only made five per cent, or \$300 a week. And this created a lot of anxiety; their focus became making that quota, how much money can I make from this customer. They prejudged customers before they walked in the door by the type of car they drove; if it was a big Mercedes they'd get a lot of service. If they arrived in an old Ford Taurus, they wouldn't get any.

"It created a lot of internal conflict amonast them, especially newcomers to the staff. I'll never forget one new guy came in with his lunch in a paper bag; he left it back in the break room. The others went back and put a whole load of cavenne peppers throughout



#### **GALLERY FURNITURE**

his lunch, trying to run him off!

"Also we discovered that judging performance using arbitrary goals fostered a giant amount of fudging of the figures. A bad system that caused fear in the workplace. We ranked all our salespeople at the end of every month from one to 100. I thought then that was the way to do it. The top ten were superstars, the other 90 were losers. We almost went to the level of firing the bottom 10 every month to get rid of them.

"My idea of business was that the

way to solve any problems was to ride into town like John Wayne and solve all the problems by yourself.

#### **DEMING: A BETTER WAY**

"My search for solid answers continued and, in August, 1990, I walked into that landmark seminar. Dr. Deming (W. Edwards Deming, renowned American statistician, lecturer, author) taught me a better way, that if we are going to raise the barn, we need to raise the barn together.

"It was only at my first Deming sem-

inar (that life-changing event!) that I got a blinding flash of the obvious. I learned that in any distribution of people, half will be below average.

How Mack's business model changed following his introduction to Deming is described in the following edited extract from a speech he delivered to the British Deming Association's Annual Conference.

"To say the least we were on a roller coaster of highs and lows. A great

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month then a very poor one. After each poor month we would start another flavor of the month program, another round of firings, another new sales contest, more incentives. Dr. Deming calls this "tampering" and, believe me, I did lots of it.

"This was a four day seminar but I stayed for only three days that time because his concepts of cooperation and win-win were so radical and offcenter to me. I had grown up in a world of competition, I win, you lose, beat the other guy. A world of incentives, of building superstar mentality. But I knew in my heart that Dr. Deming was right and that he was certainly on to something.

"I went to two more Demina seminars in the fall of 1990 and then one in January 1991. At the urging of Dr. Deming and of Dr. Edward Baker who at that time worked for the Ford Motor Company, we decided in March of 1991 to do away with our commission scheme and pay all the salespeople salary based upon their years of service. Dr. Deming taught me to see the Organization as a system. We got furniture products from our suppliers, we added value to them, we distributed them to our customers, we got feedback from the customers on what they liked and didn't like and started all over again.

A Company of Winners: "We started to see the business as a system, asking ourselves internally, person to person, 'What can I do for you to make your job easier. And what can you do for me?' We wanted all the employees to come up to the level of being

improvement project players.

"When we made the change from commission to salary, a lot of the hot-shot salespeople who were making lots of money left, they didn't want to be a part of this new thing. Many of my friends in the furniture business told me I was crazy, that it would be the ruination of Gallery Furniture.

"However, I believed in what Dr. Deming said. We decided we would give it a go and see if we could make it work and that if we were going to build the business we had to identify customers' needs and concerns. Before the Deming transformation, we had a team of three or four professional furniture buyers who would go to all the furniture markets. In between, they sat at their desks and read computer flows, trying to figure out how much furniture to order each week. They felt it was beneath them to go on the sales-floor and talk to customers or salespersons. After the Deming transformation, we took those people (some of them left us) and did put them on the sales-floor and this made a tremendous difference. We started to identify customers' concerns and needs and people began to perform in harmony like members of a symphony orchestra.

"Dr. Deming taught me to recreate the business to have 100 winners, not 10 out of 100. Now all 100 felt like outstanding people, they felt like winners.

"He taught me about quality, the quality of our product, our service to our customers. That's what we're selling, the service and the furniture. And that's the direct result of:

- how well the different parts of the Organization work together
- how well the salespeople work with the people in data-processing, typing the customers' tickets
- how well the people answered the phone and told the customer when their delivery would be made
- how professional the delivery people were when they got to the customer's home

Changes In Delivery: "Before, we had contract delivery people. When they got to a lady's home – she was an elderly lady and wanted them to move her sofa out from the living room to the garage, they'd charge her an extra \$20 to do that – but now all the delivery people were paid salary rather than incentive pay, they would move the sofa just to help the lady out. Which was the right thing to do in the first place.

Different Salesperson Profile: "The quality of the company, Gallery Furniture, is certainly dependent on how well the different people work together. We started to work on getting a different profile of salespersons. We wanted people who would cooperate and could work together. In the old days we were looking for racehorse-type used-car salespeople, the best commission profile. After Deming and now, we look for turtles with a fast twitch!

Manage The White Spaces: "Dr. Deming taught us how to work with the system and manage the white

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Gallery Furniture's website answers the question, "Why shop here?" Answers provided are: "Biggest Selection in Stock - Buy Today Get it Today - Service; Before, During, and After the Sale - Skin in the Game - and Expertise.

spaces, increase the number of positive interactions between people and groups, and create more cooperation. We were looking for people who liked retailing because of the joy of working with customers, who didn't focus all day on how much money they were going to make. He talked with us about increasing the number of positive interactions between people and dependence.

"And he taught us the aim of the system, the system being a network of interdependent components that work together to accomplish the aim of the system. The aim of our system was real simple: to please customers, sell furniture, produce income. That's the only reason we were there.

System Management: "And he talked about system management. A system, the Gallery Furniture System, must be managed. It will not manage itself. Left to themselves, components become selfish, competitive. The secret is cooperation between components toward the aim of Gallery Furniture.

"We spent lots of time (and we still do) talking about the vision and the aim of the company. We re-molded the entire Organization, and we asked ourselves every single day, all day long, 'Would the customer pay me for what I'm currently doing? If not, why am I doing it?'

Eliminate Accounts Payable: "Most businesses of \$100 million annually or thereabouts would have four or five people in

an accounts payable department. We don't have an accounts-payable department. When we get a shipment of furniture or whatever we're buying from our supplier we pay cash on delivery for all of it. The reason, that way one person does the entire amount of payables and all the other people in the Organization can work with the customers. We don't have to match up the invoices three weeks later. We get all the employees having daily contact with the customer and we spend our time on revenue-generating activities and all that starts and ends with the customer. What else is there?

"I have disciplined myself and the Organization to focus on the critical few issues, not the trivial many. And the critical few issues are: pleasing customers, selling furniture, producing income, getting the whole group to work together as a system to delight customers.

Break Up Department Barriers: "Before Deming, we managed the business with chimneys of excellence. Every department had a guota and a budget and they were expected to stand up by themselves. We had the sales department, the pickup department, the data-processing, the receiving, the delivery department, the back office. And every one of them had their own little chimney of excellence. They would never talk to the other departments, they were almost in competition with each other. Dr. Deming taught me this was the wrong way for the company to function. No optimization of the whole, no way to best serve the customer. He said we should 'Improve constantly and forever the systems of production and service, plus quality and productivity, and thus constantly decrease costs. Break down barriers between departments.

Institute Leadership: "We decided that we would have to 'institute leadership'. The aim, to help people and machines and gadgets to do a better job, and leadership in management was in need of overhaul as was leadership of production workers. The problem with the entire business started with me, it started at the top. I've learned over the years that people look to the leader. How I say 'Hello' to somebody when I walk in has a profound effect on these people. That's why my office is at the front desk. I work Saturdays and Sundays and nights and holidays because if I ask the rest of the employees to do it, if I'm going to be a leader then I need



# "Dr. Deming said, 'Go to where the customers aren't. Think ahead of the customer.'

'Go to where the customers aren't. Think ahead of the customer.'
Our idea was to have 10 million locations rather than one with basically the same amount of dollars invested. It's called Gallery Furniture.com."

to lead from the front, not from the rear.

"Dr. Deming said optimization is 'the process of orchestrating the efforts of all components toward the achievement of the stated aim'. We have everyone going in one direction because the train moves a lot faster if you're all pulling in the same direction.

The Bottom Line: "Now, all this Deming stuff is fine in theory. But what about the bottom line? Does Gallery Furniture indeed walk the walk and talk the talk?

"When the switch was made from commission to salary in 1991, all full-time employees were allowed to share in the progress of the company. Mack held quarterly profit-sharing, gain-sharing meetings where the goals of the company were reviewed, how they were doing, how they were treating customers. Five per cent of all profits every quarter were divided equally among all employees regardless of job title; a senior salesperson and a warehouse person would receive the same amount. There was also a gain-sharing program; 20 per cent of com-

pany profit gains went to the employees in the form of long-term retirement benefits.

"So, the bottom line? In the six years between 1993 and 1999, we put \$6.6 million into those two accounts for the employees, over and above the better-than-average salary the people at Gallery Furniture made.

"And if you subscribe to the theory that success is measured by results, here are results. In 1991, when we started the Deming process, we were going about \$30 million in sales. In 1998, our sales were right at \$100 million. In 1999, about \$110 million. If success is measured by results, we were indeed successful using Dr. Deming's quality improvement methods."

Mack spread the word to others in the industry, including industry icon Simon Kaplan, founder and president of Crest Furniture. Simon first encountered Edwards Deming's concepts in the 1990s in a conversation with Mack. "It was in August that he told me about Deming," said Kaplan, "and that he was offering a series of seminars. A couple of months later I attended one of them in California.

Deming talked about the points for management and that it's not a cookie-cutter. It's how you perceive the rules, how they can apply to your own business, how to utilize them. It was a defining moment! He didn't tell me what to do, what to think about or how it ends up. To this day, every time I make a decision I reflect, 'which point is applicable?' He said there was one goal in life and that is continuous improvement. It was an initial turning point for me."

Sports-minded Linda and Mack also used the Deming systems when they bought, developed and redesigned the unique and now very popular Westside Tennis and Fitness Club which at that time was in danger of closing. Again they defined the unique selling feature, what would the

Images from several of Gallery Furniture's TV spots below. "Mattress Mack" McIngvale narrates at a frantic pace during most of these. Also featured is Laura McIngvale who presents a more measured lifestyle brand perspective on Gallery Furniture's products and services.





customers miss if the club were to go out of business. "Again, we paid all our pros salary not commission." After following the program as they had with Gallery Furniture, Westside became "the most profitable tennis club in the United States, because of the Deming method".

You will find plenty to amaze and excite you if you choose to track the McIngvales' connections with sports, sport celebrities, their interactions and adventures over the years. And read about Mack's thoroughbred racehorses and his ambition to see them win the Kentucky Derby. Also, that Ferrari collection!

And there was that noticeable brush with the entertainment industry. "I'd always wanted to get into the movie business, and one day Marvin Zimner, a local TV personality, told me he was doing a movie in Houston called 'Sidekicks', also starring Bo Bridges, Joe Capiscopo and several other people. Linda and I agreed to be executive producers. That meant we would



Print media ad from Gallery Furniture's early days and leading edge social media today at Gallery Furniture.

be the suckers who would put up \$10 million for this film." There were many complications, Linda and Chuck Norris and his entourage did a 30-city tour to ensure distribution and Mack commented,"I'm proud to say that at the end of the day we ended up making money on that movie. Somebody asked me what I learned about the movie business. I learned I should stay in the damn furniture business!"

But back to Gallery Furniture. "We always wanted to have multiple locations. Dr. Deming said, 'Go to where the customers aren't. Think ahead of the customer.' Our idea was to have 10 million locations rather than one with basically the same amount of dollars invested. It's called Gallery Furniture.com. In GalleryFurniture.com it's our vision is to get people into the store without actually being there. Our system is set up so that our salespeople welcome the idea of making more sales on the Internet, although if they were on commission they would have fought it tooth and nail."

Mack believes in the spirit and energy of youth in his sales force, "to come up with new ideas, to embrace change. They're always challenging the status quo. I think Dr. Demina would approve.

"I know that I need to become a better teacher of Dr. Deming's philosophy of the big picture. And we must not take our success for aranted, nor our customers. Each customer needs to be treated specially, just like every employee needs to be treated specially."

While living a full life with Demina. Mack and Linda are very much involved with life outside or on the periphery of Gallery and not only their intense interest in sports, the sports world and their own Westside Tennis and Fitness Club which brought them in touch with many celebrities. There was the time when Mack "knocked out" his friend Mohammed Ali in the ring. Look it up!

In 2002, an inspired Mack authored his autobiography, "Always Think Big" with Thomas Duening and John Ivancevich, Dearborn Trade Publishing. In the Introduction Mack talks about his early failures, "the real deal", how he'd picked himself up, dusted himself off and tried again until he found his niche. He had developed Seven Principles that he "uses every single day" of his life, his "compass points", explicitly revealed on the book's contents page.

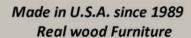
- 1. Establish a Value-Based Culture
- 2. FAST Focus, Action, Search and Tenacity
- 3. Action Before Energy
- 4. Sell With Price
- 5. Build Relationships
- 6. Always Think Big
- 7. Managing and Marketing Philanthropy

Reviews call the book and Mack's









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"So rather than letting adversity get us down, we used it as an opportunity to enhance the customer experience, to create something great literally from the ashes of disaster."



teaching as "Specific, practical and powerful". And "Always Think Big" is still selling well.

All this was preliminary to a monumental shockwave. Early in 2009, Mack decided the time was right to create a second location in Houston's Galleria area and this proved to be a "blessing". During the night of May 21 the McIngvales watched while a devastating, arson-initiated fire, "flames 150 feet into the air", consumed their warehouse and severely impacted their adjacent flagship store.

Typically, Mack recalled that prophetic question at a turning point in the growth of Gallery Furniture: "If we went away tomorrow, would we be missed?" Right after the fire, the family received "more than 3,000 letters and many emails telling us to 'Please rebuild, this is our store.'"

By midnight they had decided to accelerate the opening of the new Galleria store for business and, by late afternoon of that day, one of their suppliers, the Ashley corporation, "were gracious enough to lease us some of their warehouse space. We had 15 to 20 trucks of merchandise on the way and needed a place to put it. We are people of faith, and we believed the good Lord would take care of us".

With Mack firmly at the helm, Gallery Furniture began a whole new chapter in its eventful life. The day after the fire, he filmed a television commercial and told his Houston audience that it was "business as usual" at the new Post Oak location. And within a week, he announced the reopening of the main store on July 4.

When asked if there had ever been a "really special time" since the founding of Gallery Furniture, Mack told us that it was, "Right now, this minute, it will always be this moment". Then he said, "But it was the most exciting time in Gallery Furniture's history when we transformed our store completely. Almost immediately after the 2009 devastating fire, we began working on the all new Gallery Furniture, the Greatest Furniture Store in the World! Working with designers, furniture experts and customers alike, we created a confusion-free shopping experience that is unlike any other. So rather than letting adversity get us down, we used it as an opportunity to enhance the customer experience, to create something areat literally from the ashes of disaster".

The McIngvales dedication to their growing family (children James Jr., Laura and Elizabeth, and grandchildren Sydney and James), their business enterprises and sport, is more than matched by their commitment to philanthropy. Just two years after Linda and Mack opened Gallery Furniture's doors they began their annual Christmas give-away of 30

households of furniture. They helped start and continuously fund the KickStart Kids Program in Houston. They have furnished and continue to furnish USO facilities round the world. They host events and donate generously to the Salvation Army. Hundreds of teachers' lounges in Houston area schools have been aifted with their furniture. When Presidents Bush Sr. and Bill Clinton were seeking funds to aid those affected by the tsunami in Southeastern Asia and hurricanes Katrina and Rita, they helped to raise \$12 million. They underwrote the YMCA playground at Reliant Stadium for Katrina evacuees and housed several hundred evacuees during the hurricane crisis. They co-founded with their talented daughter, Elizabeth, the

"Gallery Furniture has the distinction amongst many other distinctions of being the furniture retail store with only two locations that sells the most furniture in the nation per square foot."



# 'Today, It's Mrs. Jones' Day'

See the red band on my wrist? The four small letters IMJD on it remind me and every member of the Diakon Logistics team that 'It's Mrs. Jones' Day'. All we learn and everything we do ensures that your customer, Mrs. Jones, is happy with her furniture delivery and the service we provide in the name of your company. It's our passion!



### **GALLERY FURNITURE**

non-profit Peace of Mind Foundation for those affected by Obsessive Compulsive Disorder. Furniture is one of the largest contributors to the Houston Livestock Show and Rodeo, and they underwrote the National OCF Conference held in Houston. They provided a \$4 million donation for the Menninger Clinic's move to Houston to provide mental health care, and were recipients of the Mental Health Association's Award in 2006. Gallery furnished the George Bush Presidential Library at Texas A & M University.

And there's more, really there is! Gallery is a large contributor to Baylor College of Medicine, and Harvard Medical School, and sole sponsors of the magnificent Pilgrimage of Faith, sending 500 kids and their chaperons from the Galveston/Houston school system to Rome. Every year they buy 10,000 toys to distribute to needy children during the holidays. And every Thanksgiving they provide dinner for 25,000 people. They underwrote the Wolf Exhibit at the Houston Zoo and, in line with their sports interests for children, built and paid for the tennis facility at Yates High School. Along with that they've donated tennis racquets to inner city kids who would-

n't otherwise have the opportunity to take tennis lessons.

Gallery Furniture has the distinction amongst many other distinctions of being "the furniture retail store with only two locations that sells the most furniture in the nation per sauare foot". Said Mack, "It's all about the process, good management, leading, mentoring, growing and improvina continuously.

Hanging on Gallery Furniture's walls and appearing on their website blog vou'll find some profound statements. Amongst them, "Never look down on someone unless you're helping them up." "If I have the belief that I can do it, I shall surely acquire the capacity to do it even if I may not have it at the beginning." A Mahatma Gandhi quote. And from Isaiah 40:31, "They who wait for the Lord shall renew their strength, they shall mount up with wings like eagles, they shall run and not be weary, they shall walk and not grow faint."

Some of Gallery's suppliers, Tempur-Pedic, Vi-Spring, Sealy, Mayo, United Leather, American Leather, Lane, Broyhill, HGTV Home Furniture Collection and many more.

We asked him, "What one issue,

cause or policy stands out amona all others that have ensured the success of your business, benefited your customers and your community?" Mack answered: "Same day delivery! It was something that we did when no one else could and it helped the business grow to what it is today. Most customers really want three main things... good prices, to be treated well and to get their product as soon as possible. We knew we had the best customer service and, of course, Gallery really will 'Save you Money!', but other stores could also make those claims. Same day with no exceptions delivery however was something that no one else could offer so, by making it happen and consistently putting that message out in advertising, we were able to grow the business, make profits and therefore give back to the Houston community".

At the next Las Vegas Market, Mack hopes to find great "Made-in-America furniture, and more sources for contemporary furniture".

At the conclusion of that monumental speech to the British Deming Association Forum so many years ago, Mack talked of the great man's perseverance and determination to complete a four-day seminar at age 93 and ill. Said Dr. Deming, "I'm doing this because I have a responsibility to make a difference."

Mack added, "We all do."



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# BIG TIME CIAL MEDIA BOTTOM LINE BOOST

by Larry Mullins

f someone had said, not many years ago, that "What the retail home furnishings industry needs is a medium that would be focused on authentic prospects, be non-intrusive and welcome, be easy to use and would be virtually free," we would likely have thought that person to be nuts. Yet the Internet and social media are here. And the home furnishings industry is almost totally unprepared for it.

Furniture World has featured several excellent articles on using the

"Whether you choose to or not, you are using People Media every moment of every day. Social media adds new tools that others have learned to use knowingly, creatively and effectively to their advantage. You can too."

Internet and the emergence of social media. However, many furniture entrepreneurs tell me they are confused about practical applications of social media. This is unfortunate, because the wise independent can now make important inroads in market share by integrating social media and the Internet with other media. The possibilities are staggering, especially for the independent who wants massive marketing leverage that the big box stores cannot match.

But first, what are the facts and fallacies regarding social media that independent furniture entrepreneurs need to know?

#### **SOCIAL MEDIA FACTS**

- Social media are the fastest growing media ever.
- Social media are not just impacting traditional marketing, they are

- also undermining digital media as well. [Email, internet banner ads, Google AdWords.]
- When you add a social component to any media platform, you automatically increase its effectiveness.
- The power of social media, just as any media, revolves around a compelling story, appropriate to the media platform. In other words, the principles of good brand advertising still apply.
- Big ticket marketing, such as advertising for home furnishings stores, requires a very different approach to social media than small tickets.

#### SOCIAL MEDIA FALLACIES

• Social media is a new concept. Actually, social media is the oldest



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### WE LOVE A GOOD STORY



"People don't like to be sold, but they love good stories. The reason people are not paying as much attention to furniture advertising anymore is that most of it sounds and looks alike."

media of all.

- Social media are stand-alone platforms that will eventually make radio, TV, direct mail and print obsolete. Actually, they will not replace traditional media.
- To be effective with social media you need to hire a social media expert and have a presence on all the platforms. Actually, an intelligent home furnishings entrepreneur can effectively target a few social media and do very well by investing a reasonable amount of money, time and energy.

The fact is that not all social media

are effective for attracting big ticket home furnishings prospects. Your take away from this series will hopefully be a crystal clear idea of how to employ the right social media to complement and turbo-charge your other media.

First of all, let's blow away the fallacy that social media is new. Rather, it is the oldest media of all!

### SOCIAL MEDIA WAS FIRST

Few sales of significant size and importance are made without memorable, game-changing conversations. True, there are prospects with cell phones who buy furniture from the Internet. But often they first shopped, and were sold a specific product by a hapless brick and mortar sales person. Then they left the store without buying in order to order it at a lower price from the Internet. The power of the one-on-one conversation remains the most effective method of selling on earth. Especially for big tickets. I originally called social media "People Media." [See www.furninfo.com, search: "Larry Mullins People Media" and you will see articles dating back to 2008]. What has changed since then are the ways People Media are delivered. But, regardless of this, oneon-one real life People Media will most often make or break your brand.

To the CEO of a modern retail furniture company, there are three key ways People Media impact your busi-



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# "Social Media

is not a new concept. Actually, they are the oldest media of all."

ness: Your leadership ability can be evaluated by the quality of the messages you communicate to your executives, managers and associates. (These messages include body language and actions as well as words.) The resulting morale of your company can be determined by the quality of the messages that the members of your staff communicate to each other. And the status of your brand will be determined by the total shopping experience of your customers. Much of this shopping experience will be created by the quality of the messages (both verbally and by their performance) that your associates communicate to your customers. Ultimately, most important of all are the messages your customers communicate to their friends and neighbors. And now, with the emergence of social media.

your customers have a bully pulpit to communicate their shopping experience to virtually the entire world.

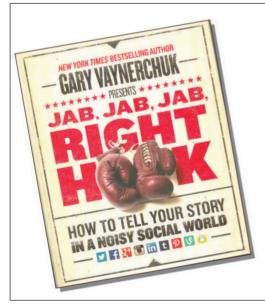
### SOCIAL MEDIA AND TRADITIONAL MEDIA

The radio revolution impacted print media, but it did not replace it. Likewise, as powerful as TV hit radio. it did not replace it. Social media expert Gary Vaynerchuk points out: "... Internet and digital media options (are) pulling the audience away from television and print. Still, when properly aligned, these three platforms could complement each other effectively." Bingo. To repeat what I wrote earlier, your take away from this article will hopefully be a crystal clear idea of how to employ the right social media to complement and turbocharge your other media. Where do

you start? With your story: your USP (Unique Selling Proposition).

People don't like to be sold, but they love good stories. The reason people are not paying as much attention to furniture advertising anymore is that most of it sounds and looks alike. Big boxes flood the newspapers with big, colorful flyers, and to the independent they seem invincible. However, if you examine the content of the big box material, it is all label headlines, item-price and credit offers, just as marketing was done in the eighties. All the big boxes claim lower prices and extended credit offers. No stories, no benefits, no unique why to buy. No wonder people are less interested. Make no mistake, the power of social media, just as any media, revolves around a compelling story, appropriate to the media platform. In other words, the principles of good advertising and branding still apply for social media.

Unfortunately, the smaller independents generally attempt to copy the big boxes. They rely on look- and sound-alike price-item offers and label headlines. Yet, the myth of big box indomitability penetrates the mind of smaller independents, putting them at an immense psychological disadvantage. Even though independents have a substantial advantage in leverage points, they remain unused and the battle for market share is lost before it really begins. Nowhere is this failure more obvious than in the way the independent furniture store fails to use social media in ways the big box



erious furniture entrepreneurs will want to read Gary Vaynerchuk's new book, "Jab, Jab, Jab Right Hook. How To Tell Your Story In A Noisy Social World". A bestselling New York Times author and social media expert, Vaynerchuk dispels much of the mystery surrounding social media with fascinating boxing analogies. Highly recommended.

# BIG TIME SOCIAL MEDIA

simply cannot. Let us count the ways.

WEBSITES. Local smaller merchants can enhance their websites with social media in effective ways that are not now possible for a big box franchise. A website without a link to Facebook is like a romantic night without stars. An effective presence on Facebook takes some time and patience, but it is an immensely important medium. You can really tell your story on Facebook. You do not need to be a computer whiz to set up an account and do it. A low cost, valuable program for doing this can be found at www.fbinfluence.com.

Videos will lift your website from boring and remote to real, personal and warm. Instead of a tab that reads: "About Us" with a page jammed with copy that no one reads, the prospect who clicks that tab could watch a two minute or so video of you being your beautiful hometown self. With today's computer cameras and a little practice you can crank out excellent videos for mattresses, community involvement, selection, and so on. Check www.slumberlandwillmar.com to see how this is done. This store is located in a relatively small rural area of Minnesota. Note how the story of this great store is told in a fun, compelling way. Keep in mind these videos were done locally, not by the corporation. Videos improve your website's Google rating. Also, be sure to keep your content current by posting your ads on your website. Always remove them when they are no longer

current. Glitz does not make a website work. Content does.

One would imagine that, given the power of colorful, fascinating, personalized local website platforms, big box corporations would be scrambling to create them for their franchises. (Rather than relying solely on a central website with sterile, inadequate local franchise addresses and maps.) Not so. Both their IT and legal departments are overloaded, and their alleaed lack of time and their real lack of will persuades the CEO to avoid investing in local social media. Gary Vaynerchuk describes this situation as a "shocking lack of effort for showing care and respect" for social media communities that form around their businesses. All of these issues are massively advantageous for smaller independent retailers, who (for a change) can be on offense rather than defense.

GOOGLE AdWords. If you Google "furniture" "mattresses" or "home furnishings" and your city name you will see a list of stores. On the right, alongside the search results, you will see advertisements related to your search query. (Mostly by big box stores, few independents have discovered AdWords.) Since the ads are relevant to your query, they often serve you better than the actual search results. The search results will only point the prospect to stores that are selling the specific product, such as mattresses. However, the ads can compel the prospect to take immedi-



"After identifying himself as the owner, he asks the customer two questions: "How did we do, Mrs. Jones? Was your shopping experience with us pleasing and fulfilling for you?"

# "There is much more

to say about telling your story on Facebook, and how even dummies like me can use Google Analytics and enjoy competitive advantage."

ate action to take advantage of a specific offer: "Click here, we offer a 120-day comfort guarantee for your mattress, or we will take it back."

For the advertiser the benefit is twofold. First, only if a user clicks on the ad (i.e., enters the website or onlineshop) is the advertiser charged for the advertisement. Second, the ad is only shown if the user is actively looking for what the advertiser has to offer. The advertiser is provided instant feedback to determine if an ad is working or not. The value of this kind of nonintrusive permission advertising is immense, a huge breakthrough. The cost is miniscule compared to TV advertising, which is a cluttered and intrusive medium in which the prospects can be forced to watch ad after ad parade by in a linear manner, featuring products which they have no interest in acquiring. No wonder technology is making it easier to avoid the intrusion of TV commercials!

Internet ads can be updated at a moment's notice—no more waiting for an agency to remake a weak commercial or the printer to create new flyers. With micrometer-like precision. statistics are available on how often ads were seen, clicked on and what keywords were searched Advertisers can continue to track the users on their website while they shop, optimize the presentation for the shopping experience and much more.

There's an interesting twist on how advertisers are billed: the ad positions are auctioned off. To learn more about how this works, Google "AdWords" or "AdWords Express."

### **NO TIME** FOR SOCIAL MEDIA?

There is a great leather furniture entrepreneur in Florida by the name of Jeff Cohen. For six years or so Jeff has strugaled with a small showroom. a low budget, and a difficult location. (Not to mention that he took over his store just as the economy tanked.) But Jeff has two secrets. First, he is obsessed with personal service. achieving several five star reviews on Google. Second, Jeff has mastered several aspects of social media. As a result Jeff is regularly awarded "Best Furniture Store" in St. Augustine. He has added several premier leather brands, including the Ekornes' Stressless line and Natuzzi. His website is rich with content, including testimonials and videos. (www.leatherbydesign.com) He uses AdWords. He has a strong presence on Facebook. Jeff has captured snail mail addresses and built a mailing list. And he has





built an email list and uses it effectively. He hands every guest a small trifold flyer before they leave the store. Jeff treats his associates, customers and vendors with courtesy and respect. Because Jeff is the real deal, his People Media are awesome.

Like most of the rest of us, Jeff is no computer mega-whiz. What he knows he has learned by patience and hard work. He is wise enough to farm out the highly technical digital stuff. But the hard work of People Media is maintaining authenticity and integrity. Jeff told me that when a customer has a problem it translates for him as an opportunity to provide superlative customer service.

Brick and mortar retail is one of the toughest careers an individual can choose, especially for the sincere home furnishings entrepreneur. A few words, body language gestures, or facial expressions communicate volumes to associates and customers. The essence, and core of social media begins with the entrepreneur.

Another hard working furniture entrepreneur I know takes time to call

"Independents have a substantial advantage in leverage points, but they remain unused and the battle for market share is lost before it really begins." every larger ticket sale. After identifying himself as the owner, he asks the customer two questions: "How did we do, Mrs. Jones? Was your shopping experience with us pleasing and fulfilling for you?" And, "On a scale of one to ten, Mrs. Jones, how likely would you be to recommend us to a friend?" This guy knows that his sales consultants and personnel are not just his store but him as far as the customer is concerned. He trains his staff accordingly. He knows that the delivery personnel are likely the last contact with the customer his store will have. They are trained to reinforce the customer's buying decision. After placing the purchase in the home, the delivery captain will say something like: "That is a gorgeous recliner you selected. La-Z-Boy is a wonderful brand." Or possibly: "The mattress you selected is one of Sealy's best-selling. People love it because it combines memory foam technology with proven innerspring design." This greatly dispels chances of buyer's remorse.

## WHAT ABOUT THE OTHER SOCIAL MEDIA?

There remain four more major social media players: Twitter, Pinterest, Instagram and Tumblr. There also is much more to say about telling your story on Facebook, and how even dummies like me can use Google Analytics and enjoy competitive advantage. I will cover these issues in Part Two of this series. One purpose in this article was to dispel some of the misconceptions about social media. In this series I also hope to inspire you to add 20% or so to your bottom line in 2014 by exploring some simple

and easy to use social media techniques. As I stated at the start of this article, the possibilities are staggering, principally for the independent who wants massive marketing leverage that the big box stores cannot match. Whether you choose to or not, you are using People Media every moment of every day. Social media adds new tools that others have learned to use knowingly, creatively and effectively to their advantage. You can too.

About Larry Mullins: Larry Mullins is has 35+ years' experience on the front lines of furniture marketing. Larry's mainstream executive experience, his creative work with promotion specialists, and mastery of advertising principles have established him as one of the foremost experts in furniture marketing. His turnkey High-Impact programs produce legendary results for everything from cash raising events to profitable exit strategies. His newest book is THE METAVALUES BREAK-THROUGH, available on Amazon and in book stores. Larry is founder and CEO of UltraSales, Inc. See more articles by Larry at www.furninfo.com or www.ultrasales.com. Questions on this article? Call Larry directly for a free, no-obligation consultation about how to add 25% or so to your bottom line in 2014 at 904.794.9212, or contact him at larry@larrymullins.com.

# THROUGH ROOMS & GOALS

Connect with your employees so they can connect with your customers.

by Joe Capillo

oals are the strategic management variable in my way of thinking. They are also probably the most abused, misunderstood, and/or ignored critical variable in retail store management. It's due to the wrongly focused and completely top-down view most owners and managers have regarding goals.

My position is almost completely opposite that of many furniture store owners, and probably flies in the face of owners whose main attention is on the bottom line profits and long-term profitability of their companies. Of course there always is a "top line" focus on generating more sales revenue so you can improve your bottom line performance, but generally the things you do to improve your top line sales revenue cost money - whether advertising expenditures, upgrading store looks, or locations, giving away more margin to sale pricing (I'm writing on Black Friday), all to attract more shoppers to your store

versus all your competitors. Of course, as of this writing, your most dangerous competitor may not be the store down the street or across town, but the one right in your shoppers' hands or homes – their internet connection.

In the November/December 2013 issue of Furniture World I promised to write about making a connection to your customer – to the person and the project. But, before looking at that topic let's acknowledge that there is another connection that has to be made, and it's just as important to successful retailers: It's the one you and your managers (coaches) make with your people – your employees.

# CONNECTING SALESPEOPLE WITH A PURPOSE

Our business — bricks & mortar furniture retailing depends almost entirely upon the one-to-one interpersonal skills of salespeople for generating revenue. Home furnishings retailers strive to provide a sufficient number of shoppers, so that enough sales will be closed to achieve the company's revenue goals.

Advertising or a current promotion may attract shoppers to your store, but to achieve aggressive revenue goals, it is important that salespeople distinguish between what brings shoppers in the door, and that person's underlying motivation for shopping. Only then can they make a meaningful connection between your customer and your store.

But before salespeople can effectively address shopper's needs and motivations, managers (coaches) should work to establish a meaningful connection between your salespeople and your store's stated objectives and mission. This is what completes the circuit, (store brand - salesperson - customer) to bring sales performance alive.

For many retail organizations though, company objectives and mission are not stated, so there is no

"When you connect to your people based on their needs and help them see how they can improve the quality of their lives economically, you align the purpose of your company with the purpose of their work."



### How Curt Pierce Added 18\* to His Sales During these Tough Times



Curt Pierce, CEO of Pierce Furniture, Muscatine, Iowa.



"Thanks to Larry Mullins and Ultra Sales and all their expertise and professionalism with our recent sales event. Larry contacted me earlier about a Promotion that he felt would work great for us. Larry was right again! Not only did we increase sales by 18% we got rid of old and obsolete inventory during the event. As always, his sales event was well organized and easy to execute on short notice. All I had to do is sell furniture and mattresses. The sales event was a real boost to our organization. We have used Larry's promotions in the past with great success and I highly recommend to anyone who wants to add to their bottom line in tough times to give the Ultra Sales promotions a try."

Curt Pierce, Pierce Furniture & Mattress

### Will You Leave Lots of Cash on the Table Again this Year?

Cash flow slow? Too much inventory? Need an exit strategy that nets YOU maximum profit? Why use hired guns and pay four or five times more? With a Larry Mullins Turn-Key program (Customized to Your Store) YOU will be In Charge and You'll Net LOTS More Money!

 Call Larry direct for a free, no obligation, 30-minute consultation and learn how to add 15% to 25% to your bottom line in 2014 ... 904 794-9212 or email him at: Larry@larrymullins.com

Read Larry's timely article in this month's Furniture World: Increase Your Bottom Line Big Time with Social Media

### They want to buy...Why do we make it so difficult?

### It's a real problem.

Options = Decisions

Decisions = Anxiety

Anxiety = In-action

### Our solution:

Show them how it will look, before they buy!



As an industry we offer an endless amount of products, styles, fabrics, finishes and options...all with the intent to give shoppers a terrific selection.

But the reality is, with so much to choose from we actually slow down or even stop the decision-making process. They need to see it to make confident decisions.





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are oriented to their goals – not yours. Their goals are important to them and they can be problematic in relationships with other salespeople and managers."

higher purpose with which employees can connect. Making a profit is not a legitimate purpose because it is, in fact, the definition of a business.

So, what's a shopper's major underlying motivation? I take the view that what the lady wants is a beautiful, functional, comfortable home. She wants to feel good about what she buys, and be able to walk into every room in her home and think: "I love this room."

So, maybe the stated purpose of your business could be "To furnish every room in every home in our market area to our customer's joy and total satisfaction. We will offer the finest available quality furniture at many price levels, and provide advice and assistance, in order to satisfy the largest possible number of customers."

Now, there's something employees can "connect to" in terms of their personal needs to be involved in rewarding, satisfying work!

Making a connection to employees

with a stated purpose like this is important. It's equally important to provide training support and tools to help salespeople provide this stated level of service. Resources must also be applied to attract skilled people who want to work in this kind of environment, and focus company advertising, publicity, and social media messages to reflect this approach.

### THE ROOM AS A CONNECTING POINT

Most customers shop for one room at a time. Sure, there are exceptions and sometimes you'll be lucky and get someone shopping for a whole home, although recently that's less likely than it was 10 years ago. And many times they'll be looking for one item for one room in the home – the one item that will make it right, or begin a process that can go on for months or even vears.

When your salesperson meets your customer, the customer has knowledge the salesperson doesn't have. She knows everything about her room. Your salesperson (or you) know nothing. So, the room is the connecting point for moving forward – always has been, always will be. Our business is far more than just showing things to people and explaining their features, then letting them select. Remember, there are no benefits to any product that lies outside a customer's needs. It's all about understanding the "picture in her mind" of the room now, and helping her use our products to form a new picture that she'll buy.

### **CUSTOMER BUYING STYLES**

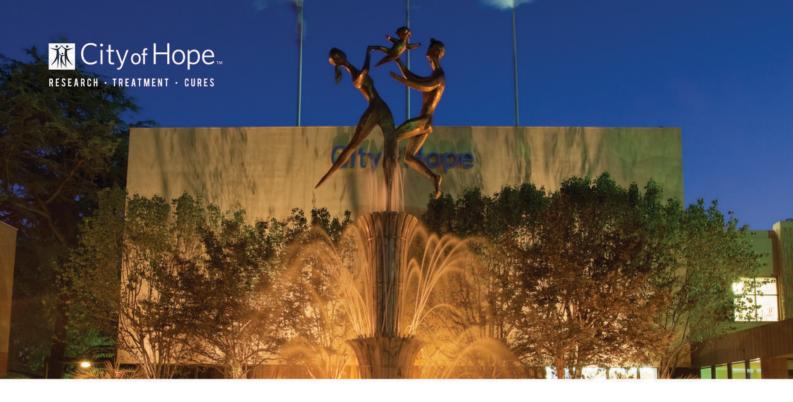
That's how you connect with customers in our business; you help them achieve their goals. However, there are two broadly defined customer buying styles: Transactional buyers tend not to appreciate or seek a lot of input from salespeople. They're not rude, but tend to have things pretty well worked out. They need some technical information and to be sure that they are aetting the best deal. If not, they'll go elsewhere fast. Sometimes these people buy on the first visit to your store on a new furniture purchasing project. And, they're the ones we all remember.

Then, there are the "relational" shoppers, who need much more hand-holding, guidance, and assurance that they're making a good choice. And, they need to like and trust the salesperson (and the store). They may need multiple visits to make their decision, but will be loyal to a



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# **CONNECTING THROUGH ROOMS & GOALS**

salesperson they like and trust.

## CONNECTING WITH SALESPERSON'S NEEDS

Do you really know your employees' needs or, their individual attitudes toward goals? The literature on the subject of goal setting indicates that there are two fundamental types of personality traits regarding the issue of goals. There are goal oriented people, and task oriented people, and knowing the individual can make a huge difference to your company and your employees.

Goal oriented salespeople are oriented to their goals — not yours. Their goals are important to them and they can be problematic in relationships with other salespeople and managers. They are top producers and will do anything to achieve their goals — which usually are higher than those you would set for them, so they tend to do things that are — well, out-of-bounds.

For the task oriented people who just want to do the work of "waiting on customers", goals are seen only as

quotas and many can't measure up — because they don't know how, and have never in their lives set a goal for themselves. They do their work, as they define it for themselves, and what happens, happens. These folks are usually not affected by employment ads that speak to "\$55,000 to \$80,000 Annual Earnings."

Both personality styles have other, personal, emotional, and financial needs. People need to feel they are involved in meaningful, satisfying work that provides them with an opportunity to belong to something "bigger" than themselves and to contribute - if only they understand what they're contributing to. Task oriented people, who are usually not goal oriented, need help developing financial goals. That's because they don't believe they can achieve more than they already are achieving. These are the "I'm doing the best I can" people, and they are right.

When you connect to your people based on their needs and help them see how they can improve the quality of their lives economically (you have to actually know a lot about them to do this well), you align the purpose of your company with the purpose of their work. Show them that the way to improve their lives is, of course, by helping the company achieve its needs for growth and revenue to support its commitment to serve people in your community (the higher level purpose of your company).

In so doing, you stand a better chance of training them to change their selling behaviors. You may also change how they view their contribution to the process of satisfying customers.

## CONNECTING YOUR SALESPEOPLE WITH IDEAS

In addition to making this connection, you also need to help them apply new ideas to advance their selling strategy, provide them with constant feedback on their individual progress and about the progress of your company. Only then will you find that the achievement of your goals will be easier and your company will be a more satisfying place for everyone. A fully aligned company is a great place to work, to shop, and to own.

So, taking the time to connect to your employees in this way may lead to a better connection to your customers . Done well, everyone wins including your customers.

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 management, can be directed to Joe Capillo at joefcap@gmail.com. See all of his articles on Furniture World's information rich website at f furninfo.com/Authors/Joe%20Capillo/21.

"For the task oriented people who just want to do the work of "waiting on customers" goals are seen only as quotas and many can't measure up – because they don't know how, and

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# PROCESS ENGINEERING 2014

Part 1: Take your sales team members from amateurs to professionals.

by Hal McClamma

an you validate or provide evidence that your salespeople are professionals, not amateurs?

There are many things high achieving professional salespeople do that set them apart from the majority of retail home sector salespeople. One BIG thing is that they engineer their sales process from the greeting to build call trade, personal trade, referrals and be-backs

### CLOSING THE MAGIC GATE

What would happen if you told your sales staff on January 1, 2014 that they had just one year to continue to take customer opportunities from the door of your store? After December 31, 2014 a magic gate would close and each salesperson would need to survive only on their own call trade, be-backs and referrals. Would your current sales team survive and thrive or would they starve?

I know one thing for sure; if your sales staff knew that a magic gate would close, cutting off traffic in 365 short days, each salesperson would place a much higher value on each and every customer opportunity entering your store.

What would your sales team do differently with each of these customer opportunities? Do you think your team would easily make the transition from amateur to professional? Or, would most of them continue to be order takers?

You see, there are several huge paradigm shifts that owners must come to grips with in order to attain maximum sales from their available customer traffic opportunities. The first of these shifts is to clearly understand the difference between an amateur and professional, and then take steps to either hire sales professionals or put systems in place to create them.

### **AMATEUR SALESPEOPLE**

Most home sector salespeople are amateurs. Furniture sales is just a job to an amateur. For these folks selling furniture is like visiting a Las Vegas casino where winning and losing sales is a game of chance. They clock in and out, wishing for the best.

The amateur salesperson does just enough to get by, never more than is expected. Customer follow-up is haphazard and reactive. Amateurs are never high achieving salespeople. They are difficult to motivate, often earning 50% less than high achievers on the same sales floor, working the same number of hours.

### PROFESSIONAL SALESPEOPLE

Professional salespeople are self motivated and success driven. They leave nothing to chance, placing a high value on each customer opportunity. Professionals control every sales

"If your store's overall call trade percentage is low, less than 50%, here are four policies you should implement as your first training initiatives of 2014."



# PROCESS ENGINEERING 2014

interaction from the greeting all the way through follow-up. These salespeople are proactive and intentional about everything that they do. The result is that they earn a high percentage of call trade, personal trade or be backs.

Nine out of 10 retailers say that their sales teams are made up of professional salespeople. When they are asked to validate or provide evidence

to back up that asser-



sional salesperson named Mack.

### **CALL TRADE MACK'S TRUE STORY**

The first way to validate or separate amateurs from their professional coworkers is by measuring call trade. Call trade is simply customers who ask for the salesperson by name. Call trade can be be-backs, repeat customers or even referrals from other customers.

Here is a TRUE story that emphasizes the importance professionals place on call trade. About 30 years ago I asked a high achieving professional salesperson named Mack why he was always way ahead of other salespeople on his floor. He responded, "The secret is, getting your call trade or personal trade to 50% or more in your first 12-months. Saying that is easy. Doing it is difficult. You must make each customer feel as if they are the first and only customer vou've ever had. You must control the interaction... what I call the silver platter." Mack went on to say, "The silver platter represents control of the salesperson to customer interaction." He was absolutely right!

Mack went on to say that he did not want to gamble with his livelihood, so he had found a way to control his customer opportunities even when store traffic was weak.

Here are a few ridiculous scenarios

that play out every day in stores nationwide.

How many times have you overheard your sales staff sitting around talking about the potential customers that they WISH would come back and buy. Then at the end of the day, nothing materializes. And, since they neglected to collect customer contact information, they have no real idea if or when these customers may return.

On the other hand, Mack was able to predict with some certainty that a given number of customers would return on a specific day to generate an approximate sales figure. His results were engineered.

Another scenario... Have you ever marked an item down on the floor only to have a salesperson say, "I had a customer interested in that a few days ago." You say, "Call them." And you immediately see that salesperson give you a "deer in the headlights" look because no follow-up information was collected for that customer.

In contrast, when Mack saw an item get marked down, he quietly went to his desk and phoned customers who showed an interest in that item within the past month or two. And more than likely, Mack sold it.

### MEASURE CALL TRADE

The first filter you can use to provide evidence that your sales staff is professional is the percentage of call

"The first way to validate or separate amateurs from professionals is their call trade. Call trade is simply customers who ask for the salesperson by name."

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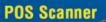
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"The key to making call forecasting work is for salespeople to develop good relationships with customers and to gain the ability to control sales interactions starting with the greeting."

trade to total traffic. A low call trade percentage means that your staff is simply WISHING that customers will return and has no control over their sales interactions. These amateur salespeople are gobbling up the customer opportunities you provide them and they are doing nothing to boost their call trade. Call trade for these folks is simply an accident and definitely not a planned, proactive and intentional outcome. Low call trade

equals low trust, low relationships and usually low sales in trust-based categories such as warranty, protectors

Remember that professional salespeople need professional coaches. As a sales coach, you must coach, review, devise a plan, set the expectations and standards, then coach your sales team. Coaching is made up of four important elements.

Plan to engineer better call trade numbers.

**Execute** in a way that follows the plan.

Review so you can quantify the results of the plan's execution.

Coach your salespeople.

Moving a salesperson from amateur to professional rarely happens by osmosis. Coaches must hold salespeople accountable for results. Coaches who shift accountability without a plan and a way to review results simply create frustrated salespeople.

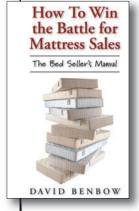
### WHAT TO DO IF YOUR **CALL TRADE IS BELOW 50%**

If your store's overall call trade percentage is low, less than 50%, here are four policies you should implement as your first training initiatives of 2014.

- Begin capturing customer con-•tact information. Strive to get your percentage of non-buyer customer contact information above 80%.
- Salespeople who are great at disarming customers and building relationships collect high percentages of customer contact information.
- Some salespeople who struggle to obtain contact information are poor at solidifying relationships and building trust. For these salespeople, an interim crutch you might utilize to obtain contact information is a door-prize coupon.
- Have each salesperson build a Z. Top 30-Prospect list. You will be absolutely amazed at the potential sales volume that is just waiting to be
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# "What will they say? They will say Yes. What will most customers think?

They will think the salesperson will never call.

What a pleasant surprise when the call is made."

system. This system must be a well planned, proactive and intentional customer system or program used by each salesperson. Follow up should be choreographed and made preferably by phone rather than by hidina behind email. As the coach it is imperative that you validate that real follow up is happening.

Teach your sales staff how 4 Teach your suice of the follow up in a professional non-threatening manner. Consider "forecasting" follow up for each and every customer before they leave the store.

What would happen if over the next 90-days your sales staff said the following lines to each and every customer with whom they established a real connection. "Mrs. Customer, I

had a blast working with you today. Would you mind if I give you a call in a few days to see how you are progressing on your project?" or "Mrs. Customer, I had a blast working with you today. Would you mind if I give you a call in a few days to see how you are doing on your shopping?"

What will most customers say? They will say Yes. What will most customers think? They will think the salesperson will never call. What a pleasant surprise when the call is made.

A salesperson that gets disconnected at the door a high percentage of the time will have a difficult time making this work. A salesperson that blows qualifying and takes customers on the dreaded product tour will get disconnected a high percentage of the time and also have a hard time making solid connections with customers.

The key to making call forecasting work is for salespeople to develop good relationships with customers and to gain the ability to control sales interactions starting with the greeting.

### **NEXT ISSUE**

The next article will discuss how to teach your salespeople to get control of the sales interaction, what Mack called the "Silver Platter."

About Hal McClamma: Founder of Integrity Business Coaching, Hal McClamma has over 30years 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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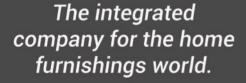
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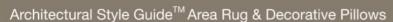
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