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working on figuring it out

ROOTNOTES

News, Commentary & Insight from the



Brought to you by Emmet, Mike, Chris, Jay & Huey
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Quotes

"Success in business requires training and discipline and hard work. But if you're not frightened buy these things, the opportunities are just as great today as they ever were."

David Rockefeller

Mike's Moment: I Don't Understand Big Corporate, Publicly Traded Furniture Players

Two articles back to back in the Wall Street Journal spoke about the cost cutting in our industry. In the first article they applaud La-Z-Boy for its cost cutting measures like moving their cut and sew operation to Mexico. However, they also note that business was down 23% last year and they will need to have a 15% increase from current levels just to break even. Lots of excuses in the article about our business being credit sensitive and reliant on discretionary income, but the reality never discussed is the need to boost revenue.

The second article talks about Furniture Brands International and its Broyhill division, Ethan Allen Interiors and La-Z-Boy. Once again all the talk is about cost cutting. They indicate that consumers face "store closings (which) mean fewer outlets to shop, a smaller collection of ready to buy pieces, less store credit and longer wait times for custom pieces." They also suggest that **a positive for the consumer is that the downturn is leading to lower entry prices.**

I have no bias one way or the other about these brands as I compete at lower price points than all. But I was struck by a number of questions as I read these articles:

1. How can a company spend 18 months restructuring and feel good about narrowing their loss from \$23.9 million to a paltry \$15.9 million (Furniture Brands). How can you possibly get that much overhead?
2. Ethan Allen was down 41%, Furniture Brands was down 36%, and La-Z-Boy was down 23%. Are they making furniture the customer truly wants to buy?
3. These are publicly traded companies. Is there any connection between these companies being publicly traded and the significant amounts of overhead they have trimmed and still need to trim in order to be profitable at their current levels of sales?
4. These brands have standalone retail stores. Is there any correlation between a manufacturer trying to be a retailer and the significant drop in sales volume?

My frame of reference for a manufacturer is working with privately held, low overhead operations. When you sell sofas and dining sets for \$150, you can't have a lot of overhead. But if

you let your price points go up and don't pay attention to the overhead in good times, then it will come back to haunt you in bad times. I remember when I was in retail and got a big warehouse. That thing filled up real good but if you didn't watch it, pretty soon a good portion of the inventory was dogs. You can overlook those items when times are good, but when everything stops selling it will kill you. **Better to manage aggressively and keep the overhead down in good times and bad.**

The major takeaway I think I have from these articles about the big publicly traded face of the furniture industry is that there is no discussion about figuring out how to sell more. Who's asking the customer what they want and delivering on that request. **Are you trying to force product that has no interest to the marketplace or are you working on being of interest to the marketplace?**

With the level of government spending likely to create increased taxes and possible double digit inflation, the available consumers for our product will continue to be stagnant for some time. What this means to retailers and those that serve retailers is the following:

1. Those with excessive overheads will be gone. Margins and profits are will rule and the only way to accomplish this is to manage ruthlessly. Don't take 18 months and still lose millions.
2. Figure out what the customers want and give it to them. There are people buying furniture every day. The question is will they buy it from you or your competition.
3. Beef up your selling efforts and training. If people are walking through the doors in this economy they want to buy something.
4. Follow up until they buy or die.

I have started posting a weekly blog post about how to do a better job selling in this economy. This week's post will be about mindset. If you get a chance, stop by and take a look. Post a comment and let me know your thoughts at



www.MikeRoot.com



You can also sign up for updates and free stuff



Come See Us at the Las Vegas

Mike and Emmet will all be in attendance at the **Las Vegas Furniture Market** September 13-16. We will be there to show some new bedroom and occasional tables at **Progressive Furniture** - Building B, 10th floor next to the escalators. Great values in bedroom and occasional tables from a factory whose business is up double digits this year despite the tough times experienced by other name brands. Stop in and see what makes Progressive product sell off the floors in good times and in bad.

For some Great Deals On CloseOuts Go to:

www.FurnitureCloseoutSite.com.

Fill In Your Store Info to Get a Password



It only been the summer and already three generations of Root boys made Chris loose her mind!

What People are Saying About Us...

I have started writing the rep blog on Furniture Today and followed it up with a video blog at www.MikeRoot.com. My friend Roger Kable from Slumberland Furniture was one of the many comments I have received on my blog about the furniture markets marketing and competition.

Mike - - You are absolutely the best. Could not agree with you more, "we must hang together or we most certainly will hang alone" (Ben Franklin?) Keep up the good work!

Thanks Roger.

If you haven't had a chance check out my blog and sign up for Free stuff at www.MikeRoot.com.

PS. For sending in comments we use in the Newsletter, Roger is getting a terrific gift. Be sure and tell us what you like and if we publish it we'll reward you as well. Send comments to meroot@mikeroot.com.

Marketing Tip of the Month

News Flash: Online Marketing is becoming THE way to develop a loyal following of fans who at some point may decide to do business with you. This is not to diminish the value of old fashioned paper-and-pen or even phone calls because they certainly still contain a personal value in the marketing and sales world. When managing a large number of contacts, or a geography that does not allow you to be with people all the time, it is substantially **more efficient, with regards to time, money, and the number of people who receive the message, to market yourself online.**

The current fad has been the expansion and inflated significance placed on social media. While Facebook and LinkedIn are definitely viable ways to become known and market yourself, and I certainly cannot nor want to downplay their significance to the marketing world, **there is still a better way to market yourself: a BLOG.**

For those who do not know what a blog is, it can be made analogous to a journal in that one person can write down his thoughts, ideas, or whatever comes to him. One difference is that a blog is posted so that many people are able not only to read it, but also post feedback or comments about the blog post. Also, blog posts do NOT necessarily need to be text. A blog post can be audio or video or combination of all three.

Recently I started writing the Rep's Perspective blog for the Furniture Today website (www.FurnitureToday.com/blog). My blog posts have generated a good following. What's interesting about my blog posts is the response I have gotten so quickly.. So far each post has generated a several comments

per post. Additionally, my blog describing the benefits of joining IHFRA generated a dozen memberships by itself as well as posting a link for a survey, which resulted in three dozen completed surveys by itself!

Although these surely demonstrate the power of blogs, I have one more instance which demonstrates the full capabilities of a blog. In addition to writing a blog for Furniture Today, **I also have my own blog, at**

www.MikeRoot.com where I deliver video content and teachings.

In order to promote my most recent blog post, I provided an abstract of the video post on Furniture Today with a link directing them to www.MikeRoot.com.

Here's where it gets exciting: Mike Landfair, who writes a blog for Home Accents read my blogs at Furniture Today, and then proceeded to follow the link to MikeRoot.com to watch my video and get to "know" me better. He wrote a blog post, called **"Be a Pattern for Success Like Mike Root,"** in which he discussed how he has never formally "met" me, however he read my biographies that I posted as well as my blog posts and determined that I've become a model of success. This simple act of reading and watching my blogs and then posting his blog testifying on my behalf (keep in mind we still have not formally met in person) has added to my credibility in the Furniture Industry.

Blogs are a simple yet incredibly effective ways for you to establish yourself as the authority, which leads to your buyers feeling more comfortable and even trusting you when they make their purchases.

If you don't have a blog, you should explore this inexpensive way to talk about you or your store and further the bonds with your customers.

Promotions and Incentives at www.FurniturePromotions.com

New pictures, price lists and up to date commentary now posted at www.FurnitureSales.biz



Other Interesting Stuff

Reading the June 23rd issue of Furniture Today makes everyone aware that if you are not selling online your store is behind the curve. The lengthy article about American's very thorough entry into Ecommerce is typical of the guy that is always ahead of the curve. Not only has he built AFW's (American Furniture Warehouse) business up, but has taken the idea a step further and partnering with other dealers who couldn't have a meaningful presence alone. In watching other factories and retailers trying to plum the depths of the internet shows this will be an important part of the industry in this decade. Anyone selling an established internet player is astounded at how many goods get delivered that way. Furniture Sales has been working with our factories to make this happen. Call or email us for details.

Paging through Costco.com catalogue tells much about their presence on the web. The overriding thought was this is promotional furniture here. \$2,400 sofa/chair and ottoman, \$2,700 3 piece leather set, \$1,600 girl's room 4 pc set with night stand, and lots of 5 pc sets over \$2,000 with 2 night stands – all of this on SALE! From Crate & Barrel and Horchows to small niche sites women are logging on to buy what they need. Many surveys show they hate to shop for furniture and willingly pay up to 50% more to shop the net and have it delivered. Is there a message here?

What is the leading complaint made by consumers in today's tough economic times? Is it Price, Quality, Service? No! No! No! The leading complaint customers make according to the Purchasing Management Associations annual survey is Salespeople who do not listen enough and talk too much. When the Association conducted its first survey 40 years ago, they came up with the exact same problem: **Salespeople who do not listen enough and talk too much.** An amazing Car dealer and good friend of our family passed away this week. He built his start working in a garage pumping gas as a teenager into one of the largest car dealers in the Midwest. I never bought a car from anyone else. Never!!! One of the reasons was he didn't hear me when I described what I wanted or how I wanted it. *He actually listened to me and understood my needs.* Then he figured out a solution. Of course I always thought I was special because he would work directly with me. That was my perception until I went to the Wake with hundreds of people all sharing similar stories. It's not just good business for salespeople to actually listen and understand their customer's needs. It's good business for everyone. It's a difference maker in your personal life as well to really listen to your spouse, kids, friends or whoever.

FUNNIES OFF THE INTERNET

It was a sunny morning, a little before 8:00 AM, on the first hole of a busy course, and I was beginning my pre-shot routine, visualizing my upcoming shot when a piercing voice came over the clubhouse loudspeaker: "Would the gentleman on the women's tee please back up to the men's tee, please?"

I could feel every eye on the course looking at me. I was still deep in my routine, seemingly impervious to the interruption.

Again the announcement: "Would the man on the women's tee please back up to the men's tee, please!"

I simply ignored the guy and kept concentrating, when once more the man yelled, "Would the man on the women's tee please back up to the men's tee, please!"

I finally stopped, turned, cupped my hands and shouted back....

"Would the jerk with the microphone kindly keep quiet and let me play my second shot?!"

QUESTION OF THE DAY

Question: What constitutes a millionaire?

Answer: A millionaire is someone who has \$1 million, according to Jerry Beto, branch manager and senior vice president of investments at AG Edwards and Sons.

News Break

County to pay \$250,000 to advertise lack of funds

By MATT COOPER
The Register-Guard

Lane County will spend up to \$250,000 this year publicizing its tight financial picture, in hopes that voters in November will approve higher taxes for public-safety

USED TOILET PAPER — For Sale.
I have a wide selection of brands and designs, call for details and prices. 407-946-

get
50% off
or half price,
whichever is less.

WANTED: Somebody to go back in time with me. This is not a joke. P.O. Box 322, Oakview, CA 93022. You'll get paid after we get back. Must bring your own weapons. Safety not guaranteed. I have only done this once before.

Maple Street.
2:58 p.m. — The Learning Center on Hanson Street reports a man across the way stands at his window for hours watching the center, making parents nervous. Police ID the subject as a cardboard cutout of Arnold Schwarzenegger.

A frightening scenario is taking place in the rep business. From conversations with dealers who are close to several factory salesmen, a report from associates in the Midwest and visits at annual golf outings we are concerned that independent reps are forced with a herculean struggle. *A squeeze from fewer dealers, reduced commissions, and dramatically increased costs is causing many experienced salesmen to question their future.*

The two factors that are exacerbating the struggle are: the Ashley model as well as the growth of the large retail stores. Firstly, the Ashley model, which floods territories with factory salesmen with lots of product and a small geography. Because of their model of being a manufacturer, a distributor, and a retailer, Ashley blankets states. Their network dominates many independent retailers who dislike having their furniture in all competitors stores but are hooked on the breadth of the line and the quick service. The second factor hurting factory salesmen is the growth of the retail giants. Chain stores, Mega furniture retailers, the internet, and national rent to own chains are gobbling up an increasing

percentage of the furniture dollar. *The days of covering a state town by town and writing orders along the way is caput.* So much business now takes place in management meetings with major buyers or at either High Point or Las Vegas shows that the "road" is for service, training, or an occasional special or closeout. The demise of the independent rep has been predicted since the 60's when Levitz, Wickes, Sears and a few others were going to be factory direct. This time around the Perfect Storm of lost commissions and extraordinary expenses may do the trick!

This trend saddens us because the smaller dealer will have less service if they choose not to turn over their entire store to Ashley. The large stores will still partner with us at Furniture Sales and other key account sales execs to build their programs. But as an industry will we be better off if the independent rep disappears? Will the lack of selection and service lead to the demise of the independent furniture store? Give your feedback on our blog at www.mikeroot.com. Just post your comments there for all to see.

The success of our your choice selections at

www.FurniturePromotions.com makes me even more convinced that there are old marketing ideas whose time has re-surfaced. Many of us remember the free bikes, shotguns, vacations and correlating furniture items that were successful in years past. With "no interest" being bludgeoned to death and "price reductions" being overworked **maybe something fresh will catch the consumers fancy!**

Just in the furniture category such extras as: 2 free chairs with a 5 pc dining set, the bedspread package with a bedroom set, free pillows with your mattress set, or buy the sofa get the loveseat FREE all add value to your ad. With the challenges facing our industry for the next 6 to 12 months **a new approach may be warranted.** Look at some other retailers or even home improvement companies and you'll see add-ons that seem to appeal to customers to come in and look.

If you want a twist on promotional campaigns that are working be sure and stop by our site www.FurniturePromotions.com. We have developed inexpensive your choice packages for a selection of items starting at \$13.

YOUR NEWSLETTER IS ENCLOSED



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The dog days of summer are almost gone. Business is tough enough to make Huey drink, but he's not 21 yet - even in dog years. If you really want to create some sales go to.....