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November/December 2014

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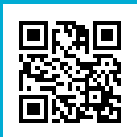
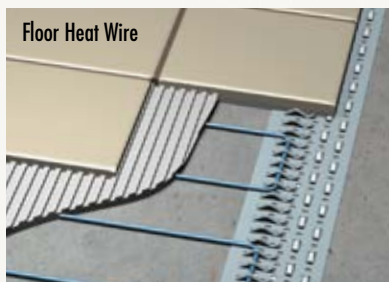
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Sherman Oaks, CA, looks over a financial report*

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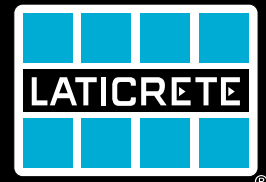


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Are You Living Your Dreams?

By Scott Humphrey, CEO, World Floor Covering Association

"Don't be afraid, you can do it." These are the immortal words of the late Steve Jobs. He was known to use them often in his interactions with others, especially when they told him they couldn't do something. For Jobs, this wasn't some technique he learned at a motivational seminar, it was his belief system. He truly believed anything was possible. That is great if you are wired that way, but for many today, it truly is a scary time to be in business.

Whether you are evaluating the latest political polls or watching the latest international news on your favorite 24-hour channel, there are many sources waiting to stimulate your fear. You may be as surprised as I was to find out that the immortal words of Franklin Delano Roosevelt, "The only thing we have to fear is fear itself," were not spoken at the onset of World War II, but on March 4, 1933, at his first of four inaugural addresses... during the depths of the Great Depression.

I respond to this type of optimism. In fact, I tend to live strongly on the optimistic side. But not to acknowledge the fear that impacts our ability and willingness to embrace the change necessary for success is to give into an enemy that is rarely real. My tendency toward optimism is also the way I am wired. I tend to look for what is right, while others may look for what is wrong. I am a person who sees the glass as half full. In fact, I struggle most in my relationships with those who tend to anticipate the worst. They live with a hunker down mentality, waiting for and fearing what waits around the corner.

You should aim higher than the level where you are willing to settle.

Ironically, the other personality type that I am challenged most by is the fake optimist. These individuals seem to live in denial. They pretend that everything is good; that nothing ever seems to get to them. They lose their job and tell you that they are fantastic. They suffer health issues and refuse to seek help or acknowledge they are struggling. It is as if they think it is a sign of weakness to be uncertain or afraid.

Now, I am not a psychologist, but I question how healthy this mentality is. After all, fear can be a catalyst for positive outcomes. Consider when fear motivates you to make essential life changes. If fear of developing cancer causes you to quit smoking or never take it up, that is fear bringing about a positive outcome. If fear of not having money to sustain the life you desire makes you anxious to get up each day and give your best, that is fear correctly channeled.

Fear often paralyzes and distorts the truth. I recently heard a story of a lady who went to a nearby store to grab a few things. When she had not returned after a reasonable amount of time, her husband went looking for her. He was surprised to find her in the driveway sitting in her car with her hands clasped behind her head. When he asked her why she was still in the car and sitting with her hands behind her head, she responded that she had been shot in the back of the head and she was holding her brains in. The car doors were locked, and she would not let go of her head to unlock them, so her husband called 911 and waited for the paramedics to arrive. They anxiously but carefully cut through the glass in her driver's side window and were amazed to find no blood and no gunshot wound. Instead, they found a softball-sized ball of dough. What sounded like a gunshot and felt like brains in her hand was a can of biscuits that had exploded with one of the biscuits hitting her in the head and lodging in her hair. You can see how the sound might have sounded like a gunshot and the biscuit might have felt how she imagined her brains would feel. But what she feared and reality were two totally different things.

Try these steps to help control the influx of fear in your life:

- 1. Accept what you can't control** – In order to get the most out of your business and your life, you should continually strive for more by setting specific goals. It is important however to remember that your goals are simply preferences. You should aim higher than the level where you are willing to settle. That way, even if you miss your goal, you will find yourself in a better state than where you started. It is important that we control what we can but accept what we can't.
- 2. Limit the amount of negative intake** – It is not about burying your head in the sand. These are uncertain times. Our natural tendency is to want to watch what is happening every moment. It gives us a feeling of control in an out-of-control world. Turn the news off in the break room, and at night, don't take in the problems of the world before going to sleep. Replace the negative with any kind of positive information.
- 3. Do something** – The cure for fear is action. Fear is an out of control feeling of hopelessness. To battle fear, take action to improve something...anything. It could be your health, your showroom, your employees, or your identity within your community. There is something empowering about managing the things you can control.

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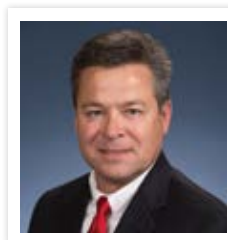
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It's All About You, Continued

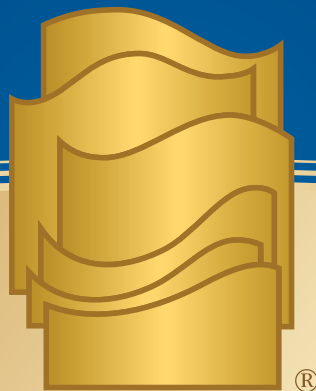
- 4. Reaffirm your commitment to your people and their success** – Leaders often get so wrapped up in the day-to-day events that they forget the power of their influence. Don't forget your words and actions weigh heavy on the performance of your people. Your employees will mimic the attitude they find in you. You set the environment for your entire staff. If you walk around recounting all that is wrong in the economy or all that your competition is doing right, you are encouraging your people to become complacent; not to expect success, but to be surprised by it.
- 5. Study the success of others** – Learn as much as you can. Someone succeeds during every economic downturn. Study them. What allowed them to succeed when others didn't? How can you implement those same practices in your business? Seek opportunities to network with other winners.
- 6. Change** – Relying on the same tools, attitudes, and resources that brought you success in the past, will likely result in frustration. One of my favorite sayings is, "If you want something you've never had, you must do something you have never done."
- 7. Become curious** – Develop curiosity. Explorers throughout history have risked their lives not because they are reckless or fearless, but because they are curious. They yearned to go where few had gone before. They were not afraid to ask "Why?" Adopt the mentality of an explorer. Challenge your own limitations and discover the courage to change direction and chart a new course.

Often when I speak, I will ask audiences, "How many of you are living your dreams?" I will then follow by saying, "For the rest of you, whose dream are you living?" I challenge you to resolve to live the life of your dreams. Surround yourself with winners, people with an "I Can" attitude. Challenge yourself to live your best and realize that fear is not a roadblock to your success, but only a speed bump. We may need to be careful how we maneuver toward our goal, but without our permission, fear may slow us momentarily, but should never stop us. ■



Scott Humphrey
Scott Humphrey
CEO of WFCA

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TURN THE PAGE TO FIND OUT WHAT

Really Matters

How Big Is Your Menu?

By Tom Jennings, VP of Member Services, World Floor Covering Association

When describing the operation of a retail flooring store, I often use the analogy of running a restaurant. There are two basic elements of a restaurant – presentation and preparation. Most restaurants get their basic ingredients from common industry wholesalers daily – just as most flooring retailers do.

Successful firms take ingredients that come in the back door in cartons and present them to their customers as tasty entrees priced fairly, but profitably. Less successful operations never quite master either the presentation or preparation aspects. Since they can't command the prices of quality operators, they often try to play the giant selection of mediocre offerings at a lower price game. Lacking focus, they rationalize that someone might want liver or pancakes for lunch, so they include these items on the menu just in case. They seem to pride themselves in offering items that no one was asking for prepared and presented rather unremarkably. Starting to sound familiar? How many times have you looked at a large and complex menu and thought to yourself, there's no way that all of this can be fresh or well prepared.

Many lessons can be learned from the food service industry. There is a growing trend in the restaurant business is one that I have long felt the flooring business would benefit from: cutting the number of menu items offered. A recent article in *USA Today* stated that the total number of entrée items at the nation's top 500 restaurant chains is down nearly 9% this year alone, continuing a trend in recent years.

Highly successful operations recognize that too many selections do not in fact increase sales, but rather only serve to add confusion to the customer and complexities to the preparation process. Don't believe this? Try finding the dollar menu at Five Guys, Chick-fil-A or In-n-Out Burger. They don't need them. They have mastered the art of focused menus and a quality product priced at fair market value. By doing so, they are dominating a category where extensive menu boards get you frustrated with all of the combinations available.

I say that it's high time that most flooring stores take notice and start pruning their menu items as well. Great flooring retailers make no attempt to show every product available to them in their vendors' lines – just the ones they feel will be important to their customers. They show them in large pieces. They accessorize them well. They use proper lighting to highlight them. Ask yourself, when a customer enters your store, can they immediately determine which products are important? If not, then why not?

Good restaurants have not only specials, but specialties as well. Can customers easily recognize your specialties? Does each display serve to impress the customer – or do they merely confuse her? If you have displays that cannot build a compelling reason for the customer to desire the product shown – then get rid of them. I don't care if the rack was free. There may be no greater expense to a retailer than a cheap sample of a product that the customer wasn't asking for in the first place. These products – unwanted by the customer – only serve to create confusion and get in the way.

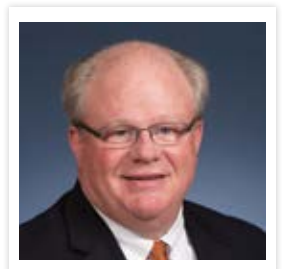


To maximize the value and beauty of a given product, it is imperative to allow the customer enough space to stand back and create a vision. Never forget that your primary mission is to serve your customer, not to assist the manufacturers in their apparent quest to place one more wing rack of the same or similar product on each corner of a given intersection!

When customers come into our stores, they are hungry for something more than they have presently. They want to be wowed. They want to create an area in which they can express themselves and be proud of. While price is always a factor, it is seldom the prevailing issue if one gets emotionally engaged. This can best happen in our stores if we strategically reduce the number of products in our showrooms. Are you giving your customers a chance to dream? Or, are they stuck in a maze? ■

ABOUT THE AUTHOR

Tom Jennings is a lifelong member of the flooring business. Since selling his family's retail business in 2006, he has served the industry as an educator and speaker. He is a past-board chairman of the WFCA and is currently the board chairman of WFCA Services, Inc. and WFCA vice president of member services. He may be reached at tjennings@wfca.org.



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The Financial Landscape of the Flooring Retailer – Have Things Gotten Any Better?

By David Romano, Founder and Owner, Benchmarkinc

It seems like every week there is some new report outlining the financial landscape of the flooring industry and oddly enough many of them seem to have a conflicting hypothesis. Trying to analyze your business or develop future strategies on these reports can be an exercise in frustration. We partnered with the WFCFA to conduct an exclusive, in-depth financial study.

Our company Benchmarkinc is staffed by a team of flooring experts that have owned their own flooring companies and have assisted more than 1,000 clients over the last decade. With this experience, we knew what data to collect, and we knew when the information looked funny and asked participants to resubmit “clean” numbers so we could provide pristine data.

This report contains more than 90 pages of data and thousands of data analysis points. Included in this article is a sample of the highlights compiled from responses collected from hundreds of flooring companies from 2010 to 2013, plus 50 additional retailers in the United States and Canada within the last few months.

Note: The data is broken out by national average, region, volume levels, and business mix (retail, builder, commercial, and insurance). For the purposes of this article, only the national average and top performers will be referenced. A top performer is in the top 10% of survey participants with the highest adjusted pretax income percentage.

Sales Trends

One important trend observed was related to the growth rate of the survey participants over the period analyzed. The average reported sales volume in 2011 was just over \$6.8 million, 2012 saw a decrease of 18%, followed by a 10% growth in 2013 to a volume of just under \$6.2 million.

**Average sales volume in 2013
is \$6,181,102**

Gross Profit and Operating Expenses

The national average gross profit for 2013 was 31.9%; cost of materials, 45.9%; and cost of labor, 20.7%. Gross profit will vary greatly depending upon mix of business and the mix of the sample will be presented in a later section of this report. Cost of personnel (wages, taxes, benefits, and health insurance) was 17.8% for the national average and only 14.5% for the top performers. Occupancy costs (utilities, telephone,

building repair and maintenance, property taxes, disposal, and rent) were 5.1% and 5% for the national average and top performer, respectively. Advertising costs were 1.7% for the national average and 1.5% for the top performers. Lastly, other operating expenses totaled 5.8% and 4.8% for the national and top performers, respectively.

**National Average Gross Profit = 31.9%
and Top Performers = 32.5%**

Net Income

This is the section that provided the brightest spot in the report. In 2010, the average net income percentage for the industry was .5%. That's right – just one half of one percent. The only good thing about that number is it created a great barrier to entry – who would want to enter the industry as new competition with such low return? Over the years, that number has steadily increased, and in 2013 the national average topped 3% with the top performers just over 8%. That elusive 10% net income for most appears to be a thing of the past. The difference in the top performers versus the national average was not just the gross profit (only a .6% difference), it was that the top performers were better when it came to controlling expenses in every category.

**2010 Net Income Average = .5%
2013 Net Income Average = 3%**

Productivity Ratios

One of the most asked questions to our consulting team is, “How much should a good sales associate sell?” The answer we give always starts with: It depends...In an effort to cut to the chase, provided below is the national average sales volume per sales associate, as well as the average of the top performers. Additionally, we calculated the overall productivity ratio per employee for both the national average and top performers. It's apparent that not only do the top performers generate more sales per sales associate, but they also have a hyper efficient support staff.

Sales productivity ratio per Sales Associate

- National Average = \$864,475
- Top Performers = \$1,040,592

Employee productivity ratio

- National Average = \$282,231
- Top Performers = \$337,736

Continued

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\$\$			<ul style="list-style-type: none"> • Radiant heat approved • Tenacious bonding strength • Easy to clean up, won't harm finish surface 	<ul style="list-style-type: none"> • All flooring including solids up to 8" wide
\$\$			<ul style="list-style-type: none"> • Superior adhesion • Superior moisture control system • 100% GREENGUARD System 	<ul style="list-style-type: none"> • All flooring including solids up to 8" wide and up to 95% RH or 18 lbs
-	-		<ul style="list-style-type: none"> • 60 linear feet per tube at 1/4" • Ideal for all glue assist installations 	<ul style="list-style-type: none"> • All flooring including wide planks, stair treads and risers



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Financial Landscape, Continued

Both productivity numbers have increased substantially over the last three years. Does it mean the flooring industry has miraculously, in the last few years, figured out a way to become ultra-efficient or are we asking our skeleton staff to do too much? If it is the latter, the long-term effect can be loss of customers and loss of desire for an owner to actually grow the business because that growth leads to more work!

These ratios should help in determining if you have a team of all-stars or a team of all-mosts. We have always tried to convince our clients that they should, at bare minimum, expect their sales associates to perform at the average. If the majority of your team is performing below the national average, then consider if you have a bad team or bad systems and a bad strategy.

**Average Sales Associate in 2013
Generated \$864,000 in Sales**

Mix of Business

The mix of business pertains to the amount of sales generated by business segment. There are dozens of segments, but our report centers on the most prevalent (Residential, Builder, Commercial, and Insurance/Restoration). The mix in 2013 is as follows:

National Average

- Residential 56%
- Builder 17%
- Commercial 24%
- Insurance/Restoration 3%

Top Performers

- Residential 43%
- Builder 4%
- Commercial 53%
- Insurance/Restoration 0%
- Performers

Product Mix

Report participants disclosed sales of materials only; and did not include the associated sales volume of labor. Many publications have reported on the demise of carpet, but the category is still alive and kicking.

National Average

- Carpet = 38%
- Wood = 12%
- Laminate = 3%
- Tile (Ceramic) = 15%

- Vinyl = 9%
- Rugs = 1%
- Sundries = 4%
- Window Fashions = 2%
- Countertops = 1%
- Other = 15% (includes paint, wall coverings, vacuums, etc.)

Top Performers

- Carpet = 38%
- Wood = 4%
- Laminate = 3%
- Tile (Ceramic) = 9%
- Vinyl = 15%
- Rugs = 1%
- Sundries = 6%
- Window Fashions = 2%
- Countertops = 2%
- Other = 22%

**Carpet Still Leads the Way with
More than 38% of Product Sales**

Category	National Average	Top Performers
Carpet	39%	37%
Wood	31%	26%
Laminate	34%	33%
Tile (Ceramic)	34%	38%
Vinyl	35%	36%
Rugs	37%	47%
Sundries	33%	41%
Window Fashions	36%	40%
Countertops	4%	9%
Cabinets	0%	0%
Other	36%	36%

Sales by Square Foot (National Average)

Another important measure is sales \$ per square foot which measures the sales volume generated per square foot of showroom space. We took this one step further and measured the sales per product category per square foot displayed. The major selling categories are listed below:

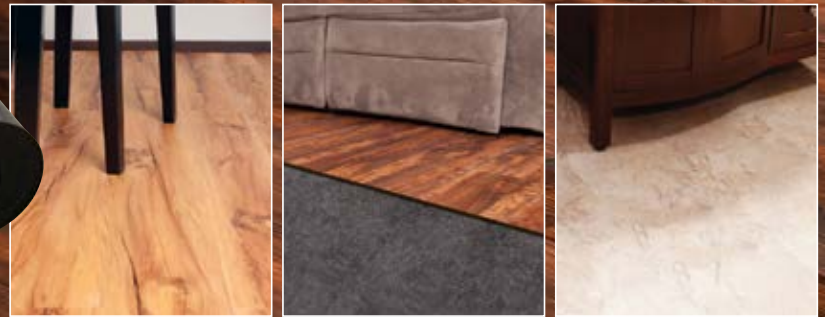
- Carpet = \$1,260
- Wood = \$851
- Laminate = \$585
- Vinyl = \$2,325
- Tile = \$1,069

Continued

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For best dependable subfloor coverage
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**MP** global products L.L.C.
Your **SUSTAINABLE** Underlayment Specialists



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quietwalk.com

Financial Landscape, Continued

Total Sales per Square Foot is \$515.29

Labor Rates and Charges (National Average)

Having true professional installers is one critical piece to your company's success, but overpaying, relative to the market rate, can lead to a large shrinkage in profits. Additionally, not charging enough for your installation services can be equally damaging. Listed below are the national installation rates and charges for 2013:

The Average Margin on Labor for 2013 was 36%

Surface	National Average	Cost Selling Price
	Cost/Sq. Ft.	Selling Price
Carpet	\$0.63	\$1.00
Wood	\$1.96	\$2.97
Laminate	\$1.51	\$2.36
Tile	\$3.17	\$4.96
Vinyl	\$1.29	\$2.11

Advertising

During my visits with hundreds of companies for over a decade, the area of greatest variability and debate was advertising. Although the level of effectiveness can be attributed to market conditions, one thing is crystal clear: the amount spent and the channels used have drastically changed over the years. For many decades, the rule of thumb was to spend up to 10% of retail sales or 5% of overall sales. Most of these expenditures have centered on traditional media such as print, radio, and television, with some owners even spending more than \$20,000 per year in the Yellow Pages. Keep in mind that as stated earlier the average expenditure in 2013 was only 1.7% of overall sales or 1.9% of retail sales. For good or bad, the Internet has changed the entire landscape of advertising in the flooring industry and the data below clearly illustrates that point:

National Average:

- Print = 16%
- Circulars/Inserts = 4%
- Yellow Pages = 2%
- Television = 21%
- Radio = 9%

- Internet = 18%
- Public Relations = 10%
- Other = 18%

Over the years, we have found the most effective advertising is good old-fashioned, feet-on-the-street beating the bushes. We have come across instances where a good business development representative/hunter generated more than \$2.5 million of new business in less than 12 months! The average is nearly \$1 million in found business.

If You Really Want to Increase Volume, Invest in a Hunter

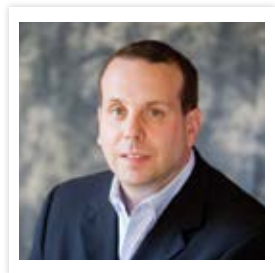
In many instances, ignorance is bliss. However, when it comes to business, that rule never applies. If you do not know the true performance of your business as it compares to these numbers, then it's time to get out of the trunk and back in the driver's seat. At the very least run your numbers, do the math, and compare to see where there are opportunities for improvement.

Then, if you really want to do the right thing, hold a meeting with key members of your staff covering your performance as it relates to the average and top performers and then hold them accountable to moving the needle in an upward direction. ■

Key Findings:
38% of survey participants are open after 6 p.m.
Only 4% of stores are open on Sunday

ABOUT THE AUTHOR

David Romano is founder and owner of Benchmarkinc and its predecessor, Romano Consulting Group. David's professional career spans nearly 20 years of management experience in the retail, restaurant and consulting industries. His companies have been providing consulting, benchmarking, and recruiting services for nearly a decade exclusively for the flooring and restoration industries.





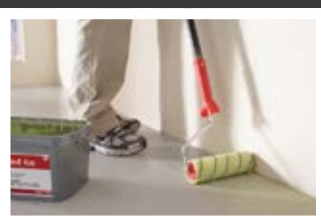
1. Start with a smooth, sound subfloor. Don't have that? We've got you covered.



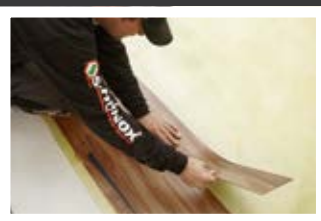
2. Open the fully integrated Roll and Go™ package.



3. Roll on the primer.



4. Roll on the adhesive.



5. Install your new LVT.



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Design Snapshot: Creative Kitchen Trends for 2015

By Annette M. Callari, Chairholder, Color Marketing Group International, Allied ASID

Kitchens have long been considered to be the heart of the home. We entertain there; we prepare and enjoy our meals there; and tend to gather with our families in the warmth of this multi-function room. With that in mind, several respected sources recently took the pulse of homebuyers (NAHB) as well as professional designers (NKBA) to see what they truly want in kitchen design as we move towards 2015. The design community was surveyed to identify evolving trends for 2015 and beyond. The results focus not only on the actual floor plan of the kitchen, but on specific amenities and interior design features.

The consensus among the NKBA designers seemed to be that less structured, clean-lined kitchens are on the horizon.

The NAHB (National Association of Home Builders) surveyed over 3,000 homebuyers who had purchased within the last three years (as well as a mix of prospective homebuyers) to formulate a “most wanted” list of features for new homes. One significant request for the kitchen was overwhelmingly reported. The home of the future should ideally include a Great Room, which dedicates significant square footage to an open floor plan of a combined kitchen open to the family room. This is not a new concept, of course, but one that is becoming critically important. Home owners are willing to give up a formal living room in trade for a spacious Great Room. Since this is where the family spends most of the time, it simply makes sense.



Designer: Joseph A. Giorgi, Jr., CKD
Company: Giorgi Kitchens & Designs | Wilmington, DE
Co-Designer(s): Erin Paige Pitts; Dru Hinterleiter
Photo: Peter Leach

Below, I've highlighted the NKBA (National Kitchen & Bath Association) designers' input, as well as specific kitchen features identified in the NAHB survey as most desirable. You may be surprised at some of the findings and designer predictions:

- Energy-star rated appliances appeared at the top of the survey taken by NAHB as to most essential features for the kitchen. A request for eco-friendly products coincides with designers' reports that green design is still a priority to their clients.
- A walk-in pantry, in-kitchen table space for eating, and a durable material double sink were considered the top three essential features by 84% of all the buyers surveyed.



Designer: Sheena Hammond
Company: XTC Design Incorporated | Toronto ON
Co-Designer(s): Erica Westeroth, CKD, NCIDQ; Tim Scott
Photo: Arnal Photography - Larry Arnal

- Wine coolers were not a popular feature, rejected by 40% of the surveyed buyers. However, important to note, that for luxury properties, specialty wine cellars or walk-in, refrigerated wine storage areas continue to be highly desired.
- Clean, uncluttered surfaces will continue to be popular. Designer drawers that house microwaves or specialty appliances will blend in inconspicuously.
- Built-ins will contribute greatly to streamlined, sleek looks. Steamers, strainers, high-end coffeemakers, knife racks, spice storage—all of these will be incorporated into kitchen designs without taking up counter space!
- Quality, brand appliances were reported as an essential feature, according to the NAHB survey findings. Homebuyers were willing to pay extra for chef-quality, brand appliances. But new to appear in kitchen design: look for new high-tech surface panels in some unexpected finishes to camouflage

Buyers seemed to focus heavily on quality, brand, and appearance. These three factors ranked high in importance in choosing countertops, cabinets and most importantly, flooring!



Designer: David McFadden
Company: Past Basket Design | Geneva, IL
Co-Designer(s): Debbie Larson
Photo: David McFadden

the usual expanse of stainless steel appliances. The intent is to provide a cleaner, upscale, more cohesive look.

- Range hoods are becoming one of the artistic focal points of the kitchen. Decorative finishes and unexpected designs are adding some excitement to the overall design.
- Specialty glass surfaces will continue to escalate in importance in the kitchen environment. Everything from Depression-era glass tiles to opaque glass on cook-tops.
- Glass insets to cabinet doors can lend beautiful, artistic touches, and lighten up the visual mood of a kitchen. Specialty lighting enhances the use of beveled or etched glass and gives a curio effect to the cabinetry.

The consensus among the NKBA designers seemed to be that less structured, clean-lined kitchens are on the horizon. Because we are spending more time in our kitchens, there is a move away from the fitted look of continuous matching counters and cabinetry. Expect a harmony of different finishes and also a mix of countertop materials. Look for more

freestanding pieces of furniture or features with furniture-like qualities to be incorporated into the kitchen environment. This blurs the lines between the comfort areas and the task areas of the Great Room, which is exactly the intent. Curvilinear shapes are far more inviting than right angles, and this too, will be a new inclusion for future kitchen design. As an example, a breakfast bar built in a graceful crescent shape is much more inviting (and far more desirable for entertaining) than the expected, overdone rectangular shape.

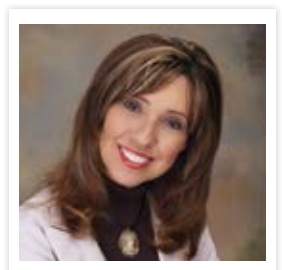
One common thread seemed to emerge in the NAHB survey. Buyers seemed to focus heavily on quality, brand, and appearance. These three factors ranked high in importance in choosing countertops, cabinets and most importantly, flooring! That is not a statement added to this column to get your attention. It was a preference stated and prioritized by the majority of survey participants.

For those of us in the floor covering industry, that is very good news. Knowing that homeowners validate the importance of quality floor coverings makes our job easier. Use this knowledge to your best advantage. Align your showroom with well-recognized, respected brands. Approach your customers with the valid understanding that quality is important to them. Realize that kitchen remodels are topping the charts as to where consumer design dollars are being spent. Offer solution, branded products that bring function and beauty to the table for this expanding floor plan concept known as the Great Room.

The beauty of the Great Room layout is that you can mix floor covering materials (carpet, stone, ceramic or porcelain tile, laminate, wood, engineered wood, bamboo, sheet vinyl, luxury vinyl planks and tile, and cork very successfully, choosing comfort products for the living area, and high-performance, water resistant materials for the kitchen. With that in mind, get creative and good selling! ■

ABOUT THE AUTHOR

Annette Callari is an interior design expert with over 20 years of residential and commercial design experience. An allied member of the American Society of Interior Designers and a Chair Holder of the Color Marketing Group International, she is the Southern California commercial sales specialist for Karndean Design Flooring.



Government Inspectors Are At The Door: Now What Do You Do?

By Jeffrey King, General Counsel for the WFCMA

It is early in the day and you just arrived at your store. You sit down at your desk and begin to go over the day's schedule. Without notice, there are government agents at your front door. They may be federal agents or state inspectors; they may be checking your warehouse or workroom for compliance with the Occupational Safety and Health Administration (OSHA) regulations; they could be reviewing your payroll records to ensure you are in compliance with state and federal wage and hour laws; or they may have a search warrant based on complaints from a customer or independent contractor claiming workers' compensation coverage or they may request that you voluntarily allow them to inspect your records or facilities.

Will your company and its employees know what to do? The steps your company takes may make a significant difference in how your company is able to protect itself from undue disruption and possible claims that you violated federal and state laws and regulations. Just as you have procedures in place to respond to emergencies and disasters, it is recommended that you implement a plan for responding to government inspections and searches.

Below are suggested steps to take to minimize your risks when the government comes knocking. These steps should be incorporated in a plan for responding to government visits. Taking these steps does not guarantee your company will be found to be in compliance with all laws and regulations, but they will make the inspections or search run more smoothly, minimize potential exposure and impress the inspector that you have a well-run and cooperative company.

Most searches and inspections are conducted without advance notice, but sometimes you will be given advance notice, usually just the day before. This notice provides you a chance to do advance preparation. The steps suggested below should be followed and implemented to ensure your company is prepared for the inspection or search.

Designate a Lead Person

One person should be in charge of responding to the inspectors or government agents. All responses to the investigation should go through the lead person. The individual selected should be familiar with the facet of your business being investigated. This may mean there are different leads for the various aspects of your business. For example, the warehouse manager may be the correct individual for an OSHA inspection, but not for a review of your payroll documents under the wage and hour laws.

Understand How to Answer

It is key that the lead person and any other employee questioned by the agents understand that they should honestly answer the agents' question, but not volunteer any information. They should also never admit any noncompliance. Rather, the concern should be noted and the agent told the company will review the issue. Anyone questioned should not feel compelled to give instant answers. It is acceptable to say, "I do not know" or "I will need to think about that."

Create Response Team

A response team should also be designated to assist the lead person. The response team should include members of the company's management, legal counsel and the individuals responsible for compliance with the particular aspect of your business under investigation or review. You should also advise your other employees to assist the response team as they may instruct them.

Contact Legal Counsel

The company should contact its legal counsel and request the inspectors to wait until counsel is present. Often, the government will agree to this request if the arrival of counsel is imminent or will not unreasonably delay the search or inspection. Counsel will be able to review the authority for the search or inspections and may be able to limit it and avoid a "fishing expedition" by the government agents.

Contact Responsible Outside Vendors

If you use an outside vendor to provide any of the services or manage any aspect of your business being reviewed, you should immediately contact them. For example, many retailers use an outside vendor for their payroll and rely on the vendor for complying with all applicable wage and hour laws. Your company is still responsible for compliance, but may be indemnified by the vendor if any violations are found. Your indemnity rights may require you to immediately notify the vendor of any issues or inspections.

Request an Opening Conference

Request an opening conference to determine the reason for the inspection – was there a complaint or is it a routine inspection? Also ask to see any complaints and documents. You should also determine what will be inspected, any limits on the inspection, the approximate amount of time that the inspection will take, and how the inspector will conduct the inspection. The inspectors may have a list of items they want to inspect and it is best to review the list before turning over any documents or allowing further inspection.

Continued



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Government Inspection, Continued

Check Credentials

The credentials of the government agents should be checked to verify they are in fact properly authorized government agents. If there is any doubt as to the credentials of the individuals, the local office of the investigating agency should be contacted to verify the individuals are authorized to conduct the inspection or search. The name and title of each government agent conducting the inspection or search should be recorded.

The inspectors or agents should never be left alone. Monitor the search and record everything that is taken and/or copied.

Check for a Search Warrant

The government has two mechanisms for conducting a legal inspection—you voluntarily consent to the search or they have a valid search warrant. If there is no warrant, you need to have your legal counsel advise you whether or not to allow the inspection or search to go forward without a warrant. You may lose some rights by allowing a voluntary inspection. Accordingly, you should request that the search or inspection be delayed until your legal counsel can review the situation and participate in any inspection. In addition, if your designated lead person is not available, you should explain the situation and request the inspection be reset to a time when the lead is available.

If the inspection is being done pursuant to a search warrant, request a copy of the warrant. The warrant will generally identify the name of the company subject to the search, its address, and a list of the items and locations subject to the search. The warrant should also specify the time the search may take place and a date when it expires. If the warrant has an incorrect address, lists the wrong company name, or is conducted outside of the time limits, then the company may be able to postpone the search while the deficiencies are corrected. This will give the company time to prepare for the return of the federal or state agents.

Move to an Office or a Conference Room

You do not want to be discussing the inspection in the store, the lobby, the reception room or other public spaces. Set up a private area to discuss the inspection. Make sure to provide the inspectors with any documents in the office or conference

room. You want to avoid having the inspectors in your file room where they can look at any document. Rather, you want have the inspectors specify what they want and to limit the inspection or search to the topics and documents that are pertinent to the issues under review.

Excuse Non-essential Personnel

To the extent practical, employees that are not involved in responding to the inspection or search should be excused. You want to avoid random conversations by the government agents with your employees that could open up other issues.

Monitor and Record

The inspectors or agents should never be left alone. Monitor the search and record everything that is taken and/or copied. To the extent possible, your company monitors should keep a record of what areas were inspected or searched. Monitors should also keep track of all employees that speak with government agents, the details of any conversations with agents and any observations or comments made by agents. This record should also include all random or off the cuff conversations.

The company should note any damage done by agents executing the inspection or warrant and photograph the damage if at all practical. At the end of the search, a comprehensive inventory of which offices and spaces were searched and what was taken or copied should be compiled to ensure your company has a full list of all items seized.

Trade Secrets and Privilege Documents

Documents containing trade secrets are subject to being inspected and seized by the government, but must be kept confidential if properly identified. Accordingly, company personnel monitoring the search should clearly identify any documents or data containing trade secrets and record any documents or data inspected or seized by the government containing trade secrets.

In addition, an inspection or search warrant does not necessarily permit agents to seize privileged information, such as communications with the company's legal counsel. While the search and seizure is underway, the company should attempt to identify privileged documents and prevent their review. This applies to both hard copy and computer files.

Do Not Destroy Documents

Destruction of documents, data, or information to limit

Just as you have procedures in place to respond to emergencies and disasters, it is recommended that you implement a plan for responding to government inspections and searches.

the materials inspected or seized is never appropriate. To the contrary, destruction of evidence will usually increase a company's liability and may expose the company to possible criminal charges. Once the inspection or search is started, halt the normal document destruction/retention practices and consult with legal counsel regarding when the normal destruction of documents can commence. The stoppage on document destruction should include both the obvious category of documents and the not-so-obvious e-mails, text messages, attachments, and other electronically stored information.

Closing Conference

Insist on a closing conference with the government agents so you can assess if there are any issues or potential violations. This meeting should include a management representative, the lead person and legal counsel if available. Ask the inspectors to specify their findings, any concerns or potential violations they found. If the inspector asks when your company will correct any alleged violations do not make any commitments. Rather, explain your company will review the determinations and will properly respond once it has completed its review.

Communicate With Your Employees

It is important to let your employees know what has happened. This will help your company get back to business, prevent leakage to the press, and avoid the spreading of rumors. The company should also consider preparing a response for inquiries from the press, suppliers and customers.

Investigate and Reform

Once the inspection or search is over, the company should conduct an internal investigation to determine whether any violations of the law have occurred. If there are violations, the company should implement corrective action as soon as practical. The government often takes into consideration any actions by the company to correct the violation and avoid future violations. A corrective action plan can go a long way to minimize the company's exposure and avoid future violations.

Notify Insurance Carrier and Evaluate Insurance Coverage Issues

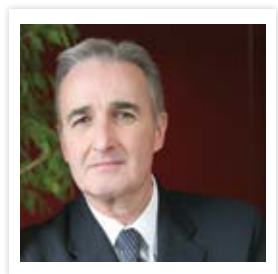
Even if you are not sure whether there is any insurance coverage, you should still immediately notify your insurance carrier. Some types of issues may be covered by your insurance policy. If, however, your company fails or even delays notifying the insurance company, it may lose coverage.

Conclusion

These precautions will not talismanically avoid inspections or searches, nor will they ensure that the inspectors will not find violations. They will, however, help you manage the inspection process, minimize disruption, and lower potential fines or other actions. With a plan you will not panic if you have a plan in place. ■

ABOUT THE AUTHOR

Jeffrey King has more than 35 years' experience in complex litigation with a focus on contracts, employment, construction, antitrust, intellectual property and health care. He serves as general counsel for WFCMA and other trade associations, and is a LEED Accredited Professional. For more information, contact him at (561) 278-0035 or jeffw@jkingesq.com.



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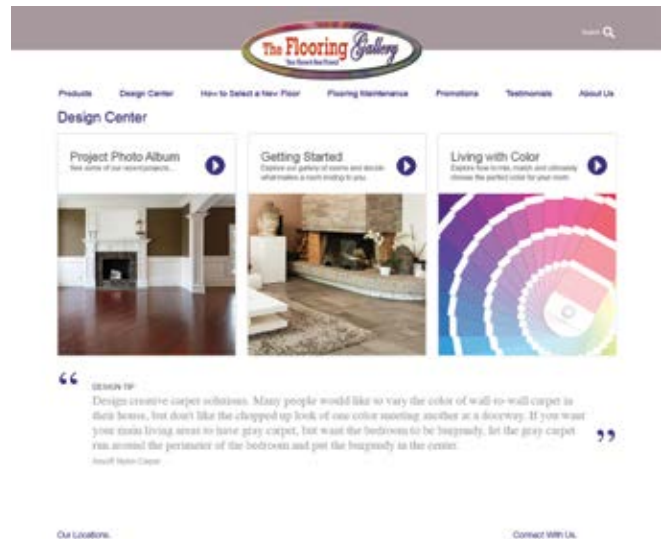
WFCFA Website/Digital Marketing Case Study: A First Look at the Comps

By Tony King and Kathryn Baird

In this issue of *Premier Flooring Retailer*, we would like to share with you the visual progress of the development of The Flooring Gallery website case study. We have created comps for the new look and feel, based on our goals of creating a more streamlined user experience and a structure built to provide an opportunity to leverage social media efforts and maximize search engine optimization.

The foundation of the site design can be seen on the homepage, with the continuity carried through the rest of the site design. We have worked closely over time with The Flooring Gallery to refine the layout and content that will be found on the new site.

“We have been sending our ideas as proofs are being sent to us so that it is a continuous process. I am sure that there will be more ideas traded back and forth when it gets to the point that we have a ‘live’ or moving site to look at,” commented Nick Freadreacea, president of The Flooring Gallery.



Design Center

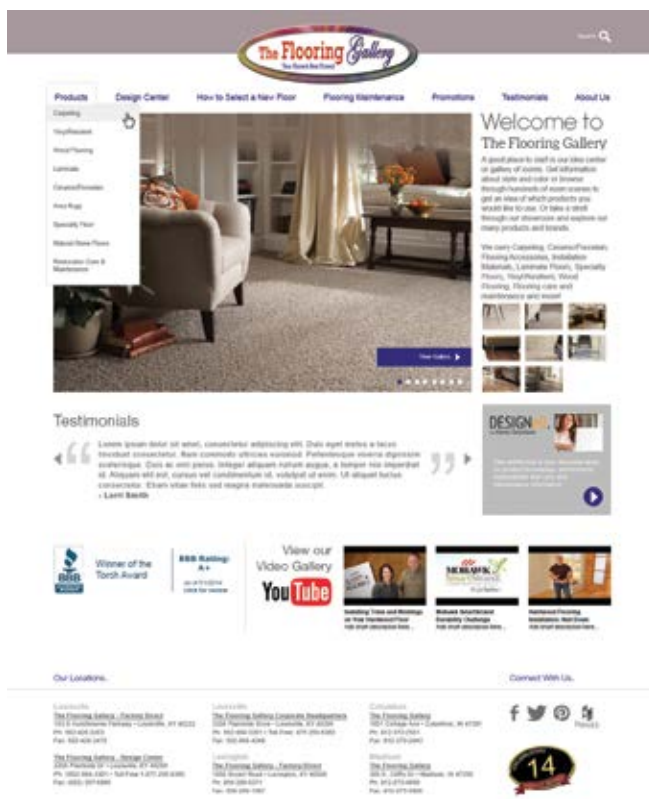
Natalie Goodin, The Flooring Gallery director of retail business and marketing adds, “They has been very open to all of our tweaks. When comps are sent, we respond by email or conference calls to address any concerns.”

With a clean, simple aesthetic and quick navigation, it is easy for a consumer to go from inspiration to education to appointment without getting far from the home page.

Social Media

We have begun working with The Flooring Gallery to establish a social media foundation and strategy. We are starting with a content schedule for the basic outlets to build engagement through Facebook, Twitter, YouTube and Google Plus. The Flooring Gallery is active in their social media and will augment the content we provide with project, promotions, and localized information. As The Flooring Gallery adds more content on their site, these outlets will serve to promote that content and help it to reach potential customers while driving them back to the site and social outlets.

Social media engagement builds an audience that can provide a solid base for digital marketing. More than any



Home Page

“Being a part of the ground floor of this process is a huge undertaking,” said Natalie. “We are charged with thinking like a consumer...”

other big purchases, flooring installation can be very personal and invasive. Social media is the medium for a true customer experience differentiation if utilized correctly. While there are common goals of engagement in any social media strategy, it is an intimate brand experience that will be unique to each business.

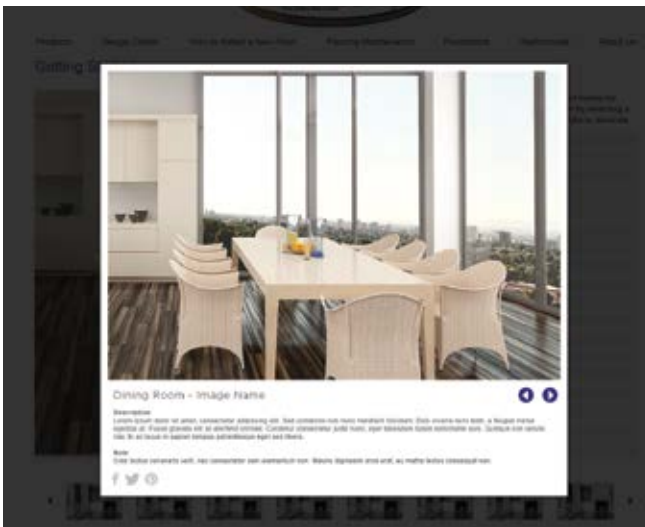
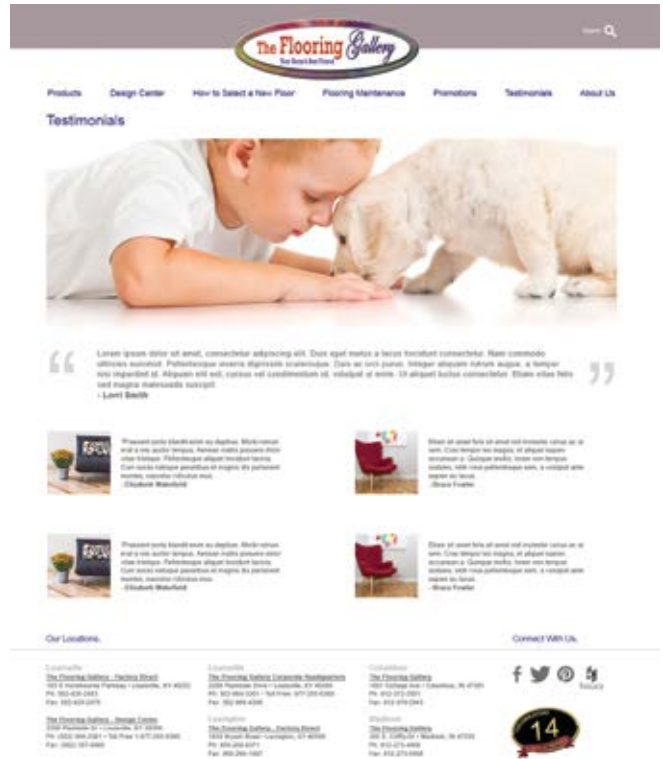


Image Gallery Light Box

The Flooring Gallery sees the importance of social media to their brand and wants to be very engaged with the process by providing content and how that content is communicated. This includes the difficult task in linking to relevant content without inadvertently pointing customers to the competition. As Nick commented, “At this point, social media has been the hardest part. I do not like linking any information that takes a consumer to a site that recommends another flooring source other than our company. Even if it is a manufacturer’s site for a design tip...there is a dealer locator that could send them to multiple other places. I believe that there needs to be a way to enhance social media so that you can control the experience while still offering something interesting. That has been difficult up to this point.”

The Process

Because it is a case study and the first in the process, it has and will continue to take a long period of time. Nick comments on the process so far, “Being on the ground floor of developing the website gives us the ability to develop the site in the direction that we would like, but it also has taken a lot of time



Testimonials Page

to look at it from both the consumer’s point of view and how we as a company want to be presented.”

“Being a part of the ground floor of this process is a huge undertaking,” said Natalie. “We are charged with thinking like a consumer that will shop us online and a business that has to make sure that what we stand for is not compromised for the sake of the site. We are involved in every aspect of this project. I want to make sure that I pay attention to every detail. I also want to make sure that the finished product of this site and the social media aspect reflects who The Flooring Gallery is and what we stand for.”

The Flooring Gallery has been very patient and engaged as we have all worked through this process together, and we are very excited about what we see developing!

In every issue of *Premier Flooring Retailer*, we will present a progress update of the study as it unfolds. Contact editor Jeff Golden for details at jeff@pfrmagazine.com. ■

Do Your Salespeople Have a Questions Protocol?

By Michael Vickers, Executive Director, Summit Learning Systems

Seek first to understand...then seek to be understood! These words of wisdom from management guru Stephen Covey should be the mantra of every salesperson before they begin their day. Seeking first to understand means we must ask questions that will give us a sense of what the customer is looking for. Once we fully understand their needs and desires, we can then seek to be understood and can teach them about our company and our products.

Questions are the very foundation of the entire sales process. Your job as a sales associate is to identify your customers' specific needs and provide a solution that's perfect for them. That perfect solution will reveal itself based upon the information you solicit from the customer. But here's the key - it's more about listening than talking. Asking a good question gives you the opportunity to get better information, information that will help you and your customer build the perfect solution. It's an old adage, but it really applies here - listen twice as much as you speak. Most salespeople make the mistake of immediately jumping into a product feature presentation and then proceed to discuss all aspects of a particular product without fully understanding their customer's needs.

Good Questions Build Trust

Trust is the foundation of all relationships. If they don't trust you, they won't buy from you. So how do you build trust quickly? Questions are the key to piquing customer interest, establishing trust and uncovering needs. Let's take a look at how you might move forward from the rapport-building stage with a customer utilizing a series of good questions. In the following example, you've already introduced yourself to your customer, spent the time necessary to develop some rapport and the customer has given you a cursory idea of what he or she is looking for.

Thanks for choosing to visit us, we know you have choices in today's competitive marketplace and we really appreciate the opportunity to help you! My goal is to provide you with a perfect solution for your needs, so if you wouldn't mind, I'd like to ask you a few questions that I think will help me to understand exactly how we can accomplish that.

By asking the customer for permission to ask them questions, it makes customers feel as if they're in control and it puts them at ease. Once you've got their go-ahead, you can start to ask your pre-determined questions.

The purpose of a good question protocol is to systematically reveal more and more information about your customer and

their needs and requirements. Carefully designed questions will peel back any layers of apprehension and resistance and give you greater access into their mindset.

Think of it in terms of a doctor making a diagnosis. What happens when you meet with your doctor? He or she asks questions and identifies issues before making a diagnosis. A recommendation or prescription is never offered before all pertinent questions have been asked and all implications and risks have been assessed. The recommendation is the final culmination of a disciplined questioning protocol. So if you can start thinking like a doctor, you'll be on your way.

The questions you develop for your customer conversations will help you:

- Determine what role customers have in the final decision – are they influencers or final decision makers?
- Plan the next steps or action items with the customer.
- Identify which presentation strategy to use with the customer.
- Identify and handle customer resistance.
- Ask questions that will help you formalize the decision to use your product or service.
- Ask questions that will help you negotiate the best deal.

It is important to remember that selling is a process and there's no single question that will get you the deal. It's the careful layering of a variety of questions and their accumulative effect that will win the business for you. Well thought out and intelligent questions that are part of a larger process can and will help you win more business.



Questions are the key to piquing customer interest, establishing trust and uncovering needs.

“Your job as a sales associate is to identify your customers’ specific needs and provide a solution that’s perfect for them.”

Prospects and customers only buy what makes sense to them. That’s why we focus on providing make-sense solutions. Therefore, the majority of your sales effort should be devoted to listening attentively, analyzing thoroughly and meticulously preparing a solution that directly addresses your client’s needs.

Here are a few examples of questions that will give you a better understanding of where your customer is coming from.

- Have you ever worked with a decorating/floor covering specialist before?
- Why did you decide to visit us?
- Are there any concerns you might have with getting started on this type of project?
- What is the primary objective for this project?
- Is price your only criteria for selecting a flooring product?

There is no single question that will transform unwilling consumers into buyers; however, there are many questions that you can use to uncover what’s really going on in their world and encourage them to share information with you that will allow you to improve your closing ratios. Once you have a thorough understanding of your customer, they will be willing to understand you. ■

ABOUT THE AUTHOR

Michael Vickers is executive director of Summit Learning Systems, a provider of customized in-house training and e-learning programs; and the author of the best-selling book, *Becoming Preferred – How to Outsell Your Competition*. Contact Michael at: www.michaelvickers.com.



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Getting Social, Part 2: What You Need to Know About Angie's List

By John Simonson, President, Flooring Web Solutions/Webstream Dynamics

New online marketing opportunities present themselves for businesses each day. In this issue, I will discuss Angie's List and how local flooring businesses can use it to engage customers and capture new sales leads.

Angie's List (www.angieslist.com) has been around for more than 18 years and has become a highly trusted provider of consumer reviews and ratings for hundreds of different local businesses and services. According to Angie's List, more than 2.6 million households are paid members nationwide. The demographics of Angie's List members: between the ages of 35 and 64, married with a household income of at least \$75,000, and most are college-educated homeowners.

Angie's List's members pay a small annual fee (from \$10 to \$40) depending on their area. This gives them access to all the local business reviews, ratings and deals listed on the website or through Angie's List's Call Center. Members can also leave their own reviews and ratings for local businesses. Angie's List says all reviews are verified before being published and can be submitted by phone, email or online.

Any nationwide, consumer-orientated businesses can get a free listing on Angie's List. To be listed, each business must first claim or create their free business profile at Angie's List's Business Center (See: <http://www.angieslistbusinesscenter.com>). Once the business has claimed their profile, they can then read and respond to all reviews left by consumers about their business. Businesses also receive automated email alerts when a new review is posted about them. Member businesses can also see their competitor's reviews by becoming a paid member.

Angie's List boasts more than 720 different local service categories including flooring sales, installation and cleaning services. They also have a flooring account team to try to attract more flooring stores nationwide. I highly recommend that flooring storeowners claim their free listing on Angie's List thus giving storeowners the ability to see consumer reviews posted about their store and the ability to respond to those reviews.

Besides posting business reviews, members also have the option to rate their experiences. The rating scale goes from A – F based on a 4.0 grade point system. Members rate businesses in six different service areas - overall, price, quality, responsiveness, punctuality and professionalism. Reviews from members who actually had work completed by a local business carry more weight towards a business's overall rating. Non-members can also submit local business reviews (but not



ratings) to Angie's List. If posted, the non-member reviews will not affect the business's overall rating on Angie's List.

When a member logs onto www.AngiesList.com, their default search is based on their home address. They can then type into a search box the local service or product they are looking for. For example: "carpet store Los Angeles." At the top of the search results listings, Angie's List allows up to 14 paid advertisers per market per advertising zone, with the other local businesses listed underneath. Only local businesses with an "A" or "B" overall rating have the option to advertise on Angie's List, and will appear based on keywords and markets chosen by the business. An advertiser's listing position cannot be purchased; they are listed based on their ratings, reviews, and scorecard performance. Personally, I don't know why a "B" rated business would want to advertise intermixed within a bunch of "A" rated advertisers.

The large metro-markets are divided into smaller zones to keep advertising costs down and so advertisers can focus on shoppers in their service area. Obviously, the more markets/zones and keywords selected, the higher the monthly advertising fees will be. For example, one flooring retailer is paying \$250/month to advertise in one section of a large city and for carpet and hardwood, while another is paying \$1200/month to advertise all his carpet store locations across much of another major city.

Each advertiser has a dedicated account manager to help maintain their profile and account. Angie's List does not provide online analytics of how many impressions ads receive, but your account manager does have the information and can share it with you.

All businesses and advertisers are allowed to post digital photos to showcase their work, videos, business details and a business description to tell member's what you offer and why they should buy from you. Angie's List also provides post cards to advertisers to give members after the work has been performed to encourage them to submit reviews.

Advertisers can also place ads on the website using keywords or markets/zones; or advertise in Angie's List's magazine and/or call center. All advertisers must offer some sort of discount to Angie List's members. Most advertisers typically offer 5%

“Angie’s List (www.angieslist.com) has been around for more than 18 years and has become a highly trusted provider of consumer reviews and ratings for hundreds of different local businesses and services.”

off to members, something simple and easy yet helps engage the buyers.

Angie’s List recently announced two new advertising programs for local businesses this year. One is called The Big Deal, and the other is a virtual storefront. Advertisers using The Big Deal can create special limited deals for their products and services, something like Groupon’s deals. The deals are emailed to members, posted on The Big Deal website, and also appear in the Angie’s List search results to local targeted members. As its name implies, the virtual storefront offers storeowners a lot more than just a simple business profile.

In my opinion the real opportunities on Angie’s List are in the large metro markets. Having an “A” rating with 20, 30 or more reviews will definitely give you an advantage over competitors and will help attract more Angie’s List’s members. Some advertisers with “A” rating over a given year are awarded with Angie’s List’s Super Service Award. This entitles them to place a Super Service Award badge on their website to show off

to all their website visitors. I would personally rather see the Angie’s List Super Service Award badge than the BBB logo on retailer’s website.

Some flooring retailers I do work for are seeing great success as advertisers on Angie’s List and definitely getting a return on their investment. Don’t overlook the potential Angie’s List can offer your flooring business, whether you choose to advertise or not. Claiming your free business listing is easy and should be a “must-do” for every WFCA flooring dealer. ■

ABOUT THE AUTHOR

John Simonson, president of Flooring Web Solutions and Webstream Dynamics, has provided web design, SEO, e-commerce and web marketing to the flooring industry for over 15 years. Email: john@flooringwebsolutions.com.



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PFR Exclusive Study: LVT Leads Sales Growth; Installation a Profit Center

By Arpi Nalbandian, Associate Editor

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Residential Retail Return

**Customer Flooring
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Estimating Floor

Luxury vinyl tile continues to be the top-sales volume growth product category in both the residential and commercial segments, according to the recently completed Q2 2014 Market Trend Study of World Floor Covering Association flooring dealers in the United States and Canada.

The following information, compiled on September 2, 2014 from the responses of 112 participants, is based on activity during the second quarter (April, May, June) 2014. Their knowledge, coupled with their ideas and opinions, will help keep you and your business on the cutting edge by building a solid specialty flooring operation.

Further, the greatest opportunities in the floor covering industry lie in a trifecta of sorts where flooring is seen as an integral part of a room’s décor rather than just playing a small role. With that in mind, the design and fashion aspect of flooring has also come into play when it comes to working with the “fifth wall” of a home or business.

The surveyed panel also sees more competition from the Internet and the Big Boxes utilizing the Internet to boost consumer awareness by combining quality installation with quality products. The demand is definitely there as the millennials access review-type websites such as Angie’s List (see John Simonson’s story on page 28) to air their grievances, or to share the wonderful experience they just had with the retailer/contractor by word-of-mouth.

As for the greatest prospects in our industry today, the upswing in the economy rated highly among our respondents, followed closely by the ability to deliver better service than the client expects, offering moisture mitigation services/high vapor emission suppression/floor leveling services, increased commercial sales, the healthcare industry, carrying and installing “green” or eco-friendly products, referrals that spurred business growth, offering a design service along with installation, the return of manufacturing facilities to the U.S. and pent-up demand.

The primary challenges mentioned by the survey respondents were hiring/using qualified installers. Fifty-one percent of respondents need more skilled installers to complete their sold jobs on a timely basis. Of those needing more installers, 46% need 3-4 more skilled installers; 14% want 1-2 additional installers; 19% need 5-7 more installers; and 21% desire 8+ installers. “Changing the mentality of installers to be part of the overall customer experience and not a disconnected part that contributes to the failure of a customer experience,” said one of retailer. Another respondent mentioned, “Manufacturers should insist that their products be furnished and installed by a responsible dealer who stands up and defends the customer and is willing to repair or replace their flooring if it fails no matter who is at fault.”

Residential Market

Seventy-four percent of respondents reported sales growth from Q2/2013.

Comparing Q2/2014 to Q2/2013 Residential Sales	
Response Ratio	
Up more than 20%	17%
Up 10% - 20%	26%
Up 1% - 10%	31%
Same as Q2/13	13%
Down 1% - 10%	9%
Down 10% - 20%	3%
Down more than 20%	1%
Summary	
74% up	13% same as Q2/13
	13% Down

Upon closer look, 31% of the respondents reported a 1-10% increase in residential sales; 26% reported a 10-20% increase in sales; 17% reported an increase of more than 20% in sales; 13% reported sales remained the same. Conversely, only 13% of respondents reported a downtick in residential sales

with 9% reporting a 1-10% decrease; 3% reporting a 10-20% decrease; and only 1% reporting a decrease of more than 20%.

Commercial Market

Business was definitely up in for the Q2 of 2014. Sixty-nine percent of survey respondents reported an increase compared to the same quarter in 2013.

The segment was stable for 18% of the respondents with no change from 2013, whereas 34% of the panelists reported 1-10% increase in sales, followed by a 10-20% increase in the commercial segment experienced by 27% of the respondents and 8% showed an increase of more than 20%. Nine percent of respondents experienced a 1-10% dip in sales; while 2% of respondents posted a 10-20% decline, and another 2% had more than a 20% decline in the commercial segment.

Comparing Q2/2014 to Q2/2013 Commercial Sales	
Response Ratio	
Up more than 20%	8%
Up 10% - 20%	27%
Up 1% - 10%	34%
Same as Q2/13	18%
Down 1% - 10%	9%
Down 10% - 20%	2%
Down more than 20%	2%

Summary		
69% up	18% same as Q2/13	13% Down

For the same period, flooring retailers also reported an increase of 56% in sales to builders, while 33% of the survey respondents reported the same amount of sales from Q2 of 2013, and 11% reported a decline in sales.

Sales & Profits

It's no surprise that **LVT** continues its journey to the top of the flooring market with nearly half of the survey respondents (48%) reporting it as the product category that has produced the greatest sales volume growth for the Q2 of 2014; **Hardwood** (18%), is closely followed by **carpet** (16%), **tile/stone** (11%), **laminates** (4%), and **resilient** (3%). "Commercial jobs accounted for a large percent in growth," shared one respondent, while another noted that "Customers are selecting more hardwood in more rooms in the first level of their homes."

Forty-four percent of the panelists reported that sales for laminate flooring have declined. Retailers mentioned the decline of laminate floor sales could be attributed to more upgrades offered by builders, coupled with a decrease in residential installation sales. One retailer said, "We eliminated laminate this year and replaced it with LVT."

Greatest Sales Volume Growth in Q2/2014	
Response Ratio	
Carpet	16%
Hardwood	18%
Laminates	4%
Luxury Vinyl Tile	48%
Resilient	3%
Tile/Stone	11%

Carpet produced the highest profit margin for 57% of respondents, followed by **tile/stone** with 12%, **hardwood** with 11%, **LVT** with 8%, **resilient** with 7%, **laminates** with 3%, and other flooring materials responsible for producing the highest profit margins.

Highest Profit Margin in Q2/2014	
Response Ratio	
Carpet	57%
Hardwood	11%
Laminates	3%
Luxury Vinyl Tile	8%
Resilient	7%
Tile/Stone	12%
Other	2%

The **hardwood** segment produced the lowest profit margin in Q2/2014 for 37% of survey respondents due to competition/price erosion and/or increased product costs. Following hardwood, 23% of respondents reported **laminates** as producing the lowest profit margin, with **tile/stone** (19%), **carpet** (7%), **LVT** (7%), and **resilient** (7%).

Lowest Profit Margin in Q2/2014	
Response Ratio	
Carpet	7%
Hardwood	37%
Laminates	23%
Luxury Vinyl Tile	7%
Resilient	7%
Tile/Stone	19%

Installation/Training

The majority of installation jobs were completed by independent contractors (64%), followed by in-house crews (23%), and lastly, a combination of in-house crews and independent contractors made up 13% of our respondents' crews.

The installation department is a profit center for 86% of respondents, with the majority running an average of nine installation crews per day.

Continued

Market Study, Continued

LVT leads the type of product installed by these crews, followed by carpet, resilient flooring, carpet tile, laminate, hardwood, rubber floors, ceramic and stone, respectively.

As to how and from where these contractors and in-house crew members were hired, the respondents indicated:

- Word-of-mouth/referrals
- Most have lived in our area and have either worked for us for many years (20-35 years), or are second-generation installers
- Local supply houses
- Long-term relations

Happily, the majority of responding firms also indicated that three or four more skilled installers are needed to meet client needs. Sixty-eight percent provide the training to keep their installers current on their skills. The majority of these respondents have increased retail installation pricing, as well as compensation to their installers within the last year. Indicative of customer service not ending when a sale closes, 100% of survey respondents said they routinely follow up with customers to see how the installation went.

When asked on average how often suppliers conducted product knowledge sessions in the retailer's store, the top answer was monthly (48%), followed by never (41%), weekly (10%) and daily (1%).

The primary challenges mentioned by the survey respondents were hiring/using qualified installers.

Advertising

Online advertising has a slight lead (26%) over newspaper magazine (24%), followed by television (20%), radio (16%), direct mailing (12%), and billboards/other outdoor, public spaces (2%). When asked if moving a larger portion of their advertising budget to a different type of media was being considered, respondents were split: 51% said Yes, while 49% said No. For those considering a different type of media, 60% indicated the majority of their advertising budget would be spent on online advertising.

Business Software

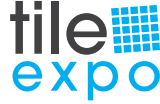
Ninety-three percent said they use some sort of software program or package to manage the operations, with 80% of respondents saying they used software designed specifically for the flooring industry. Though highly satisfied with their software, when asked if they could have two additional technology tools to benefit their business today, responses included:

- Laser measure that relays information to a tablet and draws it at the same time
- Easy-to-use measuring/layout tool that figures quantities, and is able to print out a floor plan with seam placement
- Measure and calculate
- CRM, estimating
- Better CRM system, showroom floor tools
- Shared calendar, real time hand-held communication between installers and dispatch that is voice activated and keeps the customer updated with current text messages regarding, ETA, etc.
- iPad, mobile estimating
- Inventory scanning in and out across all suppliers that would integrate with our software
- Flooring estimator software and Bar Code inventory

The greatest change within the flooring industry today seems to be that customers are reinvesting in their homes and buildings. However, additional changes are challenging retailers to think differently, such as:

- The younger generation is going to Big Box stores
- Suppliers are selling directly to consumers
- Keeping a sales force trained ahead of the consumer because of the information available online.
- Manufacturers are supporting Big Box stores versus specialty retailers
- Attracting new installers
- Pricing pressures due to distributors selling directly to contractors and end users.
- Young kids going to college and not wanting to learn a trade. ■

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The Timing is Right for Implementing a Digital Marketing Program in 2015

By Josh McGinnis, Owner, Unlock Your Biz

Do a simple Google search on “2015 advertising trends,” and you’ll be hard-pressed to find articles not talking about digital marketing. Digital marketing is no longer a trend. It’s here to stay and adapting is essential if you want your business to survive.

Results from a July 2014 Bia/Kelsey survey of more than 500 small- to medium-sized businesses (1-99 employees) show they spent 21.4% of their total media budget on social media in the past 12 months. Other key findings: 74.5% of these businesses reported using social media (primarily Facebook) to promote their businesses—more than any other category of media.

While the survey was not conducted within the flooring market specifically, this is a sampling of other similar-sized businesses competing for the consumers’ mindshare and income. And yet, many of the industry’s flooring retailers do not have a mobile-friendly webpage, much less an active Facebook business page. Of course, mobile friendly websites and Facebook pages are just two examples of digital marketing. Other examples include blogging, email blasts, Search Engine Optimization (SEO), content ads, mobile advertising, and more.

Digital marketing might seem very different from placing a traditional newspaper ad or radio spot, but as a flooring retailer, you’ve actually got some great advertising connections and leverage. It can be overwhelming to think of revamping your marketing plans and learning something new, so I’ve put together a checklist of actions you can be working on now. As the days wind down at the end of the year, it’s a great time to strategize for 2015.

1. Create your message for 2015.
2. Create your budget for 2015.
3. If you’re uncertain about executing your business’ digital marketing plan, perhaps there is an employee who has a passion for it. Consider hiring someone for a few hours a week to manage this for you. Remember, digital marketing requires considerably less money to implement. You might be surprised to find out you can hire someone and provide ample dollars to digital.
4. Leverage your relationships with the major manufacturers or buying groups. By December, many of them have their retailer marketing initiatives in place. While marketing is not a manufacturer’s core



“Consumers can interact at a time and place convenient for them. It is consumer-centric.”

About 60% of all Internet activity in the U.S. originates from mobile devices, and about half of total Internet traffic flows through mobile apps.*

business, the larger ones have dedicated significant money and talent in creating retailer tools. These programs are extremely beneficial, easy-to-use, and specific to the flooring retailer and consumer.

5. Make a point to speak with a marketing expert at one of your partner mills/buying groups. Don't rely on your sales rep whose focus is product. Make time at regional events to visit the marketing booth. You can get a very quick education along with easy how-to's for implementation. The services I've seen from both Shaw and Mohawk, in particular, have been both impressive and economical. Learning a new way of marketing can be more quickly achieved with an educated partner.

Still reluctant to make the change? Here are six more great reasons to get on board with digital marketing:

1. Digital marketing is more affordable than traditional marketing.
2. Results are easier to track for a digital marketing program. You can also verify an ad's effectiveness (or lack thereof and improve upon it).
3. It aids in creating a broader consumer base in your area.
4. Digital marketing encourages customers to interact directly with you.
5. Consumers can interact at a time and place convenient for them. It is consumer-centric.
6. Traditional advertising has lost a significant number of consumers to digital. If you go where the consumers are, you'll go digital (Even my 70-year-old in-laws cancelled their newspaper subscription, because they read it on their iPads.).

Change can be a bit intimidating and putting it off can be easy to do. Holding off

or delaying a digital marketing program will put your business, your livelihood and your employees at risk. I encourage you to make the plunge. ■

ABOUT THE AUTHOR

Josh McGinnis is in the top 5% of business coaches worldwide. He specializes in fixing marketing, sales, and people problems so his clients can maximize their growth potential. His clients routinely outperform the national average for their individual industries. This is part of the reason he has doubled his own business by word of mouth and referrals each year for the last four years.



Contact Josh via email at josh@unlockyourbiz.com or (800) 528-5055.



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The World Floor Covering Association Now Accepting Nominations for Annual Gold Standard Award

Entries for the World Floor Covering Association's (WFCA) coveted annual Gold Standard Award are now being accepted. The Gold Standard Award is presented each year to one WFCA member retailer who exemplifies the standards of a WFCA member and has created an outstanding retail experience for customers.

To receive the award, retailers are reviewed and judged on:

- Knowledge – A knowledgeable and well-managed staff who remain actively informed on their own inventory, as well as news and issues affecting the industry
- Customer Service – Providing courteous service and customer assistance throughout the selection, purchase and post-purchase processes
- Quality of Store Image – A clean, professional, well-maintained store
- Code of Conduct – Adherence to the WFCA Code of Conduct

In addition, companies must also: be WFCA members; have been in business for at least three years; and have favorable Better Business Bureau reports. The winner of this year's award will receive a \$5,000 check, a Gold Standard Trophy, press recognition and a customized WFCA seal for their store entrance.

To enter, applicants must complete the submission form and present multimedia marketing materials and other documents

as part of the review process. The deadline for submissions is December 31, 2014. Companies interested in entering or nominating an entrant for the 2014 Gold Standard Award can visit www.wfca-pro.org or call (800) 624-6880 for more details. Note: All entry material will be treated with complete confidentiality and will be reviewed only by the judging panel.

The award winner will be announced at Surfaces in Las Vegas, NV between January 21 and 23, 2015. ■



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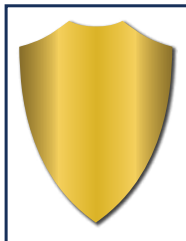
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