

Solutions to Customer Service

An Interview with Farooq Kathwari, Chairman, President, and Chief Executive Officer, Ethan Allen Interiors Inc., Danbury, Connecticut



Farooq Kathwari

EDITORS' NOTE

With a B.A. in English literature from Kashmir University and an M.B.A. in international marketing from New York University, Farooq Kathwari began his association with Ethan Allen in 1973, when they

together formed KEA International. In 1980, when that joint home-furnishings venture merged with Ethan Allen, he became a vice president, president (1985), and chairman and chief executive officer (1988). In 1989 he took Ethan Allen private in a management-led buyout, and four years later he took the company public. Kathwari is a member of the Council for Foreign Relations, a director of Refugees International, chairman of the American Furniture Manufacturers Association, director of the National Retail Federation (NRF), and founder of the Kashmir Study Group.

COMPANY BRIEF *Founded in 1932 and based in Danbury, Connecticut, Ethan Allen Interiors Inc. (the holding company for Ethan Allen Inc.), is a leading manufacturer and retailer of home furnishings, distributing a full range of furniture and decorating products through a network of more than 300 stores. With 14 manufacturing facilities, three sawmills, and approximately 10,000 associates (including some 5,000 craftsmen in the plants and more than 3,000 design consultants), the corporation (NYSE: ETH) reported net income of \$75 million on total sales of \$907 million for the fiscal year ended June 30, 2003.*

You've said that customer service and solutions are playing a key role in the revitalization of Ethan Allen. What services and solutions does the company currently offer?

The services and solutions that Ethan Allen offers start with product develop-

ment, which focuses first on styling furnishings for the way people want to live today. We design coordinating groupings of furnishings that include wood furniture, upholstery, lighting, floor coverings, window treatments, and decorative accents that blend well with each other and express a variety of both casual and classic lifestyles. We have developed a new Ethan Allen stylebook, which helps customers identify their own individual style preferences, and our more than 3,000 design consultants help them create rooms that they'll be proud of and comfortable living in. From there, we offer a variety of affordable financing options and follow through with delivering and installing the products in the customer's home.

Your customers can access these services and solutions at Ethan Allen stores, on your Web site, or through one of your direct-mail magazines.

Yes. At Ethan Allen, solutions mean looking at every aspect of the customer experience to provide the highest level of service. Our ethanallen.com Web site provides an interactive room-planning program, which customers can use to visualize how the furniture will fit in their rooms. In our stores we have a special "frame to fabric" computer program, which helps customers visualize how their custom-made upholstery will look. The fact is, consumers don't just buy our furniture; instead, they buy a total experience, featuring innovative services and solutions. In the end, of course, all of these efforts should help customers to feel good and relaxed, so the buying experience has to be a positive one. At Ethan Allen we often say that our goal is to make decorating fun and easy.

How do you motivate your designers to strike the balance between Ethan Allen's traditional roots and a need for modernity and innovation?

First, we take a look at people's lifestyles; we don't just develop products for the sake of developing them. Lifestyles are continually developing and changing. In the 1950s, '60s, and '70s, most American homes and their furnishings were designed in the Colonial style, which is largely why Ethan Allen was a preeminent

marketer of Colonial-style furniture. Today, however, this is no longer the case; consumers are much more drawn to the eclectic. Just look at fashion, for example: People dress casually one day, and the next day, they're in tuxedos. Homes are also reflecting this trend, so one room might have a contemporary attitude, while the next is somewhat traditional. Along these lines, what retailers need to do today is offer a variety of styles that all have a certain consistency of style, quality, and value; plus, when the pieces are combined, they must all look good together.

In a way, you're really in the psychology business.

You might say that, particularly because home decorating can be a traumatic experience for the consumer. As such, people often delay the process because they're afraid to make mistakes. This is why it's so important that we provide consumers with solutions and make decorating fun and easy. The fact is, there's a tremendous opportunity for us because 95 percent of U.S. homes could use some decorating assistance. But in order for people to embark on the process, they need to have resources they can easily utilize. At Ethan Allen, I think this is something we've done extremely well. We're not just selling products; we're selling solutions.

How do you manage to attract the talented people you need to provide a superior level of service?

It all starts with leadership. Leaders must have the right attitudes and the right personalities and, beyond that, must establish certain precedents. At Ethan Allen we've spent many years establishing what I like to call our 10 leadership principles: leadership, accessibility, customer focus, excellence and innovation, self-confidence, change, speed, hard work, prioritization, and justice. These principles are written into our corporate guidelines and appear on our Web site for all to see. They reflect a culture that has been developed over the course of many years, and we've been very fortunate to continue to build upon that culture successfully. ●

New Country by Ethan Allen dining room