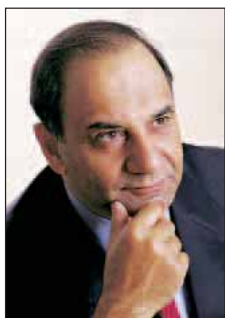


The Interior Design Business



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

EDITORS' NOTE *With a B.A. from Kashmir University in Srinagar and an M.B.A. from New York University, Farooq Kathwari has been associated with Ethan Allen since 1973, having previously served as a Vice President of Rothschild, Inc. He is Chairman of the National Retail Federation and a past Chairman and President of the American Home Furnishings Alliance. He has received several industry recognitions, including Ernst & Young's Entrepreneur of the Year Award and the National Retail Federation's Gold Medal Award, and was named one of Worth magazine's "Best CEOs in the United States." In addition, Kathwari serves on several nonprofit organizations, including as Chairman of the Kashmir Study Group and of Refugees International. He has received numerous humanitarian awards.*



Farooq Kathwari

is a growing trend towards mass retail, selling products as a commodity. On the other hand there is an opportunity to provide focused specialty retailing with great service as a main objective. Anybody in the middle is in danger. Our focus has been on providing decorating solutions and the total experience. Our designs are aspirational, and we differentiate with better quality at a good value. Our focus on interior design has made this service an attainable luxury for millions of consumers. We have taken Ethan Allen from a furniture business to an interior design business. In fact, we believe we are the world's largest interior design company. To implement this has taken many years. We made sure that we have the right internal structure. We are vertically integrated from the concept to the design of a product, to manufacturing, sourcing, retailing, and delivering a great experience at one delivered priced nationally. We still manufacture over 60 percent of our products in our plants in the United States. We have over 300 Interior Design Centers, and most importantly we are building a very strong pool of talented people who can provide superior service. We currently have over 3,000 design professionals in our Interior Design Centers. Finally, our message of service and quality is understood by our associates. They know that internal marketing is as important, in fact more important, than external marketing.

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How else do you plan to improve Ethan Allen's business?

We are fortunate that we have great credibility with our own associates and with our clients. This is our greatest strength. As leaders say, "people are our most important asset." I believe one of the main responsibilities of a CEO is to be pro-actively engaged in getting great people and then creating a culture where they remain motivated and energized. During the last 15 months I have served as our Chief Recruiting Officer. I decided we needed to strengthen our manage-

ment in our interior design centers by adding qualified interior designers and project managers. In the past year, I have reviewed and approved over 1,000 professionals to join our company. We have changed our product lines to improve the quality; we've added details, refined styles, and added value. About 80 percent of our products are new within the past four years. Today we represent what I say is the best of the American Period of home furnishing designs. We have been inspired by the diversity of people and designs from all continents of the world. This fall we will be adding an exciting style, which we refer to as Modern Glamour. Our Interior Design Centers are being relocated to stronger retail areas. About 100 new Interior Design Centers, mostly relocations of existing stores, have been opened in the last several years and the process continues. These relocations reflect great architecture, as well as improvements in consumer traffic and business.

Does Ethan Allen have opportunities to pursue product extensions outside of its core furniture offering?

We are in the business of providing total decorating solutions; we have one-stop decorating solutions for our clients. Currently we are focused on greatly improving our home textiles – draperies, bedspreads, and linens. We also improved products for outdoor living. Home entertainment is also a big focus. For example, plasma televisions have created the need for furniture that is compatible with this major innovation.

This business never seems to get old for you.

I like to lead a team. And when you are leading a great team, the excitement never stops. That's why great coaches of great teams take great pride in what they do and remain deeply involved. ●

The Hartwell Sofa (above, left); the Cromwell Chair

Are you pleased with the growth Ethan Allen has experienced thus far this year? And what is your outlook for 2007?

We are pleased that our June 30, 2006 fiscal year ended with record sales and strong profitability during a year in which retail has been under a great amount of stress. We have done well due to the steps we have taken in the last several years. Our main focus is to provide great customer service. I call it the new luxury.

Retail is increasingly developing into a world of extremes. On one hand, there