

Great Floors has a game plan for greatness

Location, inventory, service part of winning formula

By Steven Feldman

[COEUR D' ALENE, Idaho] Not familiar with Great Floors? You will be soon. The five-store chain is a division of Flooring Sales Group — which also includes the 10-store Carpet Exchange — but within 12 months all 15 locations will bear the Great Floors banner. Based on 2004 projected sales of about \$85 million, that will make Great Floors the third-largest flooring retailer in the country.

Owned by Doug Chadderdon, president, his cousin Ken, vice presi-

dent, and Jim McGee, CFO, Great Floors was started by Doug's family in 1975 as Carpet Center. The business had grown to seven locations by the time the family sold it to Shaw Industries for \$16 million in the mid-1990s. It was the last of the 48 retailers to join the Shaw portfolio.

After Shaw sold its retail holdings to The Maxim Group, Doug was asked to become Maxim's Northwest regional manager, which put him in charge of Carpet Center and Carpet Exchange. But when Maxim went Chapter 11, he purchased

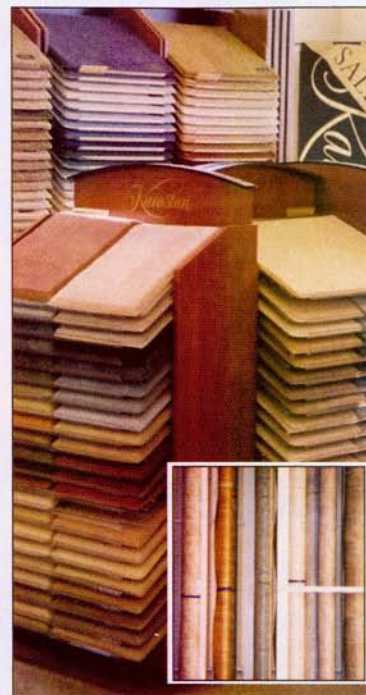
those 17 stores for a fraction of what his family sold the seven Carpet Centers for. He immediately changed the Carpet Center name to Great Floors because "carpet was limiting and hard surfaces was where the growth was."

The rest, as they say, is history. Today the five Great Floors do between \$30 million and \$35 million in sales. And with the company in growth mode — in terms of existing stores and potential markets in which Great Floors does not currently play — sales will likely continue to increase.

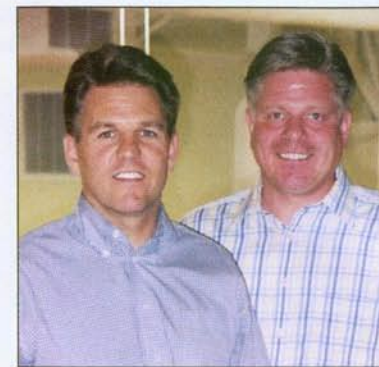


Go where the big boys are. Great Floors seeks locations close to Home Depot. In fact, three of its five expanded stores are directly across the street. "The big boxes have done their homework regarding demographics and traffic counts; they know where the customers are," Chadderdon said. "And once the big box is in the area, con-

sumers are predisposed to shopping there. Why not be amongst them?" Here's the math: If Home Depot gets 300,000 people through its doors and Great Floors can capture just 1 percent, that's 3,000 customers. "If you close 70 percent of them that's 2,100 people. And if the average ticket is \$2,000 you're looking at \$4.2 million."



Everything to everybody: The size of Great Floors' stores allows it to offer much more depth and breadth of product. While the focus is on recognized brands, the retailer will also offer unbranded value options. "There are people who need to be associated with with a brand to satisfy their emotional and psychological requirements," Chadderdon said. "Then there are people who are happy with value products." In illustration, Great Floors is a Karastan dealer but also sells roll goods.



Three-legged stool: Great Floors sees the importance of servicing all three segments of the industry: builder, retail and commercial. "Builders go into a community and construct subdivisions, so you have to be in that game," Doug Chadderdon said. "After the houses go in, what follows? Dry cleaners, restaurants, etc. So you have to participate in that level of the cycle. Then there's the replacement cycle." According to Ken Chadderdon, it's the most logical way to do business if you're in floor covering retail. He said playing in multiple segments protects you from down times.

Great Floors believes the flooring purchase process is an emotional deal, which is part of the reason the retailer stocks a number of roll goods. "Once the consumer knows she is touching her own roll of carpet we have her," Chadderdon said.



Bigger is better: Great Floors is closing its smaller stores and replacing them with larger formats in the 35,000-to-40,000-square-foot range. One reason is inventory. "Having a large amount of product on hand expedites the sales and installation processes," Chadderdon said. "It's really a hangover from the '70s, when you had to wait six weeks

for product in the Pacific Northwest." He noted two other advantages: "We save on freight, which all ends up in margin dollars, and we can also leverage our inventory commitment and size toward exclusive products." The large formats also allow Great Floors to effectively cater to the commercial, builder and retail markets.

Odds and ends

Training: Great Floors employs its own in-house trainer to improve the staff's sales and product knowledge. It also pays its vendor partners to bring out technical people when necessary.

Biggest challenge: Great Floors has millions of dollars committed to pre-planned growth. A swift disruption in the national and/or regional economies is a concern.

Wood: Eighty percent of sales are still going to the builder in new-home construction.

Ceramic: According to Chadderdon, some big national players do not have local supply in its trading area. American Olean is a big line for Great Floors because of good distribution.

Carpet: Great Floors supports the three major manufacturers, but Chadderdon noted Shaw offers the "best, most professional sales force. I think that makes it the best overall supplier, in our view."

Resilient: Great Floors is one of Mannington's largest customers of residential sheet.

Laminates: The idea is to push the consumer toward better visuals and thicknesses along with attached back, but Great Floors still sells a lot of the \$0.99-loss-leading value product.