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Ethan: Welcome to The Brand Show. I'm Ethan Whitehill.

Lou: I'm Lou Thurmon.

Ethan: Today, we're talking to I.O. Metro, a home furnishings retailer that has bucked the recession.

Lou: That's right. They're winning fans and customers all over the nation by offering high-end furnishings at reasonable prices.

Ethan: In this interview, you'll learn why eclectic isn't just a style; it's a strategy. Jay, welcome to the show.

Jay Howard: Thanks.

Ethan: Jay, I have to ask as a first question, where did the inspiration come from for I.O. Metro? It's a really unique concept and I'd love to hear your story.

Jay Howard: The inspiration really came from a need I found personally in trying to find furniture for my first home purchase, and I'm new to Northwest Arkansas. I was looking for just stereotypical new home furnishings and found that either the quality wasn't there or it was very traditional and what I was used to seeing in my grandparents' house, and that was really the inspiration. I'm certain there has to be a niche here to fill because I've gone to ten or twelve different furniture stores and haven't come across it yet. That was really where the basic idea came together.

Lou: So you had a personal need right there and you had this idea to fill this gap. What did you do to better understand your target customer and their preferences to help shape the brand image and store design of I.O. Metro?

Jay Howard: Well, actually it started by looking at what I felt I was looking for or what I was not finding, so I sat down with my co-founder, Bill and Helen Benton actually, and a couple who did the ordering for me and much more versed in the

design business. Actually, this has been my first experience shopping for furniture so I had a lot to learn, but sat down and really was thinking of myself when I put it together but with their assistance helped me to think about what we were missing in Northwest Arkansas, in visiting further with Mr. and Mrs. Benton who've traveled the world and have homes in many different places in the U.S. They were telling me they were finding the exact same things even in high-end furnishings where there just weren't as many options at a realistic price as what you would expect. So I really sat down and didn't think about how to make it like a stereotypical furniture store, thought how we can make it everything but that, get rid of the used car salesman approach to selling furniture, and come up with a fun environment that would be great, not only for our employees but for customers who are looking for something different.

Ethan: For our listeners who may not be familiar with your store, could you describe what the atmosphere is? I understand it's eclectic and it has almost an outlet feel, but tell us a little bit more about that.

Jay Howard: Yes. I wouldn't necessarily say an outlet feel. Eclectic is a good word for it, but I think what you'd find when you walk through the doors, you're struck with an exciting environment, so there's loud music and not offensive loud music but comfortable loud music that makes you want to learn more. The store is merchandised by color, and so you're immediately drawn to the fact that there's an area that's primarily focused on reds, an area that's primarily focused on greens. You take a quick scan and you're overwhelmed with the merchandising. We change the store daily and for our repeat customers, you're never going to walk in and see the same thing twice so they always feel like they're walking into a very new store. Our sales staff is very excitable as well. We hire people. It's very rare that we find someone in the furniture industry that fits the profile for an ideal associate. Typically, it's someone who was almost in the same shoes I was in that have had frustrations with buying furniture, or are just looking to be at a fun, exciting environment to help people fill the void for what they're looking for. You're going to find it's much more like a social scene than a high-pressure, stereotypical, boring furniture store, if you will.

Ethan: I like that idea, and I can't remember the last time I had an exciting time at a furniture store so there's definitely – I think there's a wide space there for you, which is great. Obviously, it's working for you because according to Furniture Today in 2008, you showed the largest increase in sales among independent furniture stores. I wonder if you could tell us why that is.

Jay Howard: Well, I think particularly in 2008 is when we started reevaluating our business model. We had three good years under our belt and we were performing, but we saw that as an opportunity to – as others were having a difficult time, an opportunity for us to really step out there and make a big difference. So we leveraged our strengths which we felt like we're swimming upstream and doing things differently and having trend-forward, great quality products at realistic reasonable prices and decided to improve upon that format. What we've really focused on with our store layout, we focused on additional offerings. What better time than in 2008 to maintain your retails but increase your quality, increase your selection. We introduced our Metro Custom line which we had been a store you walk in and what you saw is what you got. We added over 12,000 different options for upholstery which we saw just enormous increases in sales come from that. We found that our customer really wanted that option to be able to customize within our style. We improved upon everything from our music in the stores to our computer system, our logistics, our distribution center. You name it and we probably changed it in 2008. While it was stressful and expensive, at end of the year, we looked up and we had really done something, so I think it was while everyone else was receding and scared to make the changes, we jumped in head first and made some big ones.

Ethan: Now, you mentioned improving your quality and I know you've got a pretty interesting line that you developed yourself and you source from fourteen different countries. Tell us more about that and what goes into your product development.

Jay Howard: Well, there's a team that works collectively on our ideas. We're typically working about six to nine months out, which is all based on feedback from the stores. I've spent a lot of time myself in the stores and [as I told you I am in Little Rock today] and I'm actually in the store right now. We try to collect as much feedback as we can not only from our

customers but from the designers and sales staff working in the stores. We go back, develop the products, come up with the basic ideas, get [CAD] drawings on those products, and then really send those out to several different manufacturers, some of which are now interestingly enough - and we can visit more about that - are domestic vendors. We're doing a lot more domestically but in that process, we send it out. There may be one or two domestic vendors, maybe a couple of overseas vendors in different countries depending on who we feel like has the best capabilities for that piece or that collection. To speak a little more on how we're able to improve our quality and that process was given our size, we're about half the size in 2008 as we are today. We did have some limitations on which manufacturers would be used based on volume. Some of the better manufacturers had minimum quantities that they would produce. 2008 changed everything. So many people were receding; we went to them and said, "Look, we're growing. We are excited about the future. We know we can hit your volumes. Maybe not today but in the near future, and we wish you'd give us a chance." That's actually what we did. We went back and we're able to majorly increase the quality of our manufacturers yet maintain our retails. That's the gist of the process. We then obviously get samples in. We look at them ourselves. We sometimes have customers view them and get their feedback, and then you'll find them in the stores about three months after our initial sample process.

Lou: Well, you've definitely taken advantage of some of the opportunities that the recession gave to this industry. I'm curious to know what you have planned to continue I.O. Metro's growth in the future and not to become stagnant.

Jay Howard: Well, if you look at the past five years, we've cycled from major growth mode, opening multiple stores within a couple of months, to a six-month period of taking a deep breath, absorbing it all and seeing where our weaknesses are, just fixing those and going again. I think you'll see that we'll continue that trend. We have a store opening next week in St. Louis, Missouri. We have three openings simultaneously in Atlanta in September. After that, we plan to do exactly that again. While there are plenty of opportunities out there for us to take advantage of as far as on the real estate front, we're going to turn our heads to those, refocus again on where we

may be able to improve just as we did in 2008, and then I think you'll see us growing again late 2011, early 2012. While we love to grow in the exciting entrepreneurial side of the business, we also understand you have to take those breaks and better yourself in those times and reach out again when you're ready for it.

Ethan: Your in-store experience definitely sounds unique and I am wondering how do you continue to engage your customers outside of the store? I think social media is a component of your marketing mix. Can you tell us about that as well?

Jay Howard: Well, one of the ways that we have really gone against the grain was in our advertising. Typically, while we definitely like to have our name out there and we're constantly trying to improve on that and get more reach, we have really shied away from traditional media in the last several months and really focused on social media, as well as the personal side of the business. We have one person dedicated in every store to doing nothing but outside sales and marketing. We found that for our customer, traditional medias were not as effective as the social media side of the business because our customer, we feel like, is looking for something a little different. They don't want what the masses are getting. They want to feel special. They want to feel like they know about things that maybe others don't and we allow them to do that. It is through social media we're trying to build this kind of fan base who are true fans of I.O. Metro and in return, we reward them for that and make sure that they're in the know about things that other people, the general public, does not necessarily in the know about. I think we'll see that continue. We had found that it's not very cost effective for us to try to advertise to the masses like the big box furniture guys. They have their own model, but it just doesn't work in our model. We don't have the markup for it. We want to be able to maintain our retails without being too deep in our advertising expense. That's our plan. We are going to expand upon that. We have one person dedicated to nothing but social media, and I think we'll continue to grow outside of the business.

Ethan: As I understand it, as part of those local marketing initiatives, you are working with HGTV and one of their Design Stars?

Jay Howard: We are. We're very excited about Vern Yip. He is going to be at our St. Louis opening for the first appearance next week, and then he will also be doing our three VIP opening events in Atlanta in September. We decided going into these larger markets while we do have some brand recognition. We also are self-reliant enough to know it's limited and decided what better way to bring our brand into a large market like that than with someone well-known like Vern. So I'm very excited about introducing him with our stores in those two markets.

Lou: We are just very impressed with I.O. Metro's growth and your philosophy, not only in your approach to listening to your customers but also on the business end as well. We really appreciate your time today, Jay.

Jay Howard: Absolutely. Thank you.

Ethan: Yes. Jay, thank you.