

# ROOTNOTES

News, Commentary, Insight from

## Mike & Jay Root

**FSMA Celebrates 60 Years As the Foremost Authority On Innovative Marketing For The Home Furnishings Industry**

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**Award Winning Salesmen,  
Marketer & Entrepreneur**

## Mike's Moment: Can You Believe A Half A Year Is Gone?

I reviewed the lead article for Rootnotes from 6 months ago about what to expect in 2023. Maybe I set the bar too low, but on the 7 predictions, all of them appear to be unfolding the way I thought. The things we were concerned about at the start of the year like over inventoried warehouses and high freight fluctuations are working their way through the supply chain. Interest rate increases and housing affordability are continuing to be a drag on our industry. From a product point of view I suggested there will be a great demand for outdoor furniture and promotionally priced product going forward.

On these last two points I have some updates. From the Inaugural Casual Furniture Show in Atlanta, no one really knew what to expect with the new venue. I was pleasantly surprised at the number of accounts in my territory attending as well as quality of vendors. For example our space was right next to Bernhardt. Traditional outdoor suppliers were all in attendance but many home furnishings name brands like Flexsteel were also represented. The build out of temporary and permanent showrooms dedicated to the category was impressive. As mainstream furniture brands see the category as one worth pursuing, it will only bring more attention to the category long term.

As for the promotional offerings, I have told my upholstery buyers that some of the best years I have had in the furniture business was 2008 when customers were downgrading their purchases due to the recession. Being the king of well built, promotionally priced sofas, Hughes Furniture was in high demand. The industry has been feeling a pinch for several months and Hughes is responding by cutting prices and developing products to hit a \$399—\$499 price point. We should have 4-5 new frames and covers to showcase by pre-market so stay tuned.

Think back two years ago and everyone was scrambling to get goods because many suppliers could not keep up with demand. We helped an enormous amount of retailers by

making sure our factories kept goods flowing to them when they were desperate. With today's business conditions, I hear from various factories how tough it is and they could really use some support from retailers. Interestingly many retailers have just gone back to the same factories that treated them poorly during the pandemic. Something to consider as I close out this letter is what happens if there is a Covid 2.0. Will a retailer be able to go back to these factories and get preferential shipments if the world flips again. I have two quick stories to consider.

First, I know of a retailer that treats all their vendors like they would like to be treated. They are a true partner in every sense of the word. During the pandemic they were top of every factories shipping list because they had always treated their suppliers honorably. There were definitely retailers that did more business, but when it came time to decide who got what goods, this retailer got what they needed. And when the panic was over they did not need to go running back to old suppliers, because their supply chain had not changed.

The second story is one my dad told about being with Louie Blumkin 50 years ago when he was doing the buying at NFM. A rep had caught Louie and Emmet on their way to lunch and he had a special he wanted Louie to buy. Louie looked at it, asked a few questions and bought a small order on the spot. When Emmet queried Louie about the deal, he said it wasn't the greatest. He bought it because the rep was always working hard for them and at some point he would bring them a deal Nebraska could do very well with. My dad's take was Louie threw the guy a bone so Louie would always be considered when factories had to move product just in case there was the real gem.

Those days may be a bygone era. But then again as business tightens up, the more the vendors and the retailers treat each other as partners, the better each can satisfy the very discriminating customer in the market today.

**Bits and Pieces From Around The Industry**

**Yellow Freight Bankruptcy Could Effect Supply Chains**

According to a piece written by the CEO of Freightwaves in Zerohedge, Yellow Freight failed to make its required pension contributions for June. The Teamsters Union threatened a strike on this LTL carrier if this is not resolved. The Teamster leader posted the Tombstone picture indicating he expects the 22,000 union jobs may soon disappear.



Of course having lived through bankruptcy actions by factories and shippers, no shipping customer wants to be caught in a Yellow Freight shut-down. It is just easier to find another carrier. Yellow Freight represents an estimated 10% of all LTL volume which will cause much market volatility. If you have loads on Yellow freight you are now warned.

**The Fed Publishes Lower Industrial Production Numbers in June with negative Revisions As Well**

If you think its been tough in the furniture industry for orders, you are not alone. Experts expected production would stay constant between May and June. Instead industrial production fell .5%, and they revised May down another .3%. Manufactured Durable Production which furniture would contribute was down 3.07% from May to June. Unfortunately, inflation adjusted retail sales have been weak 4 out of the last 5 months. Consumers seem to be fatigued by inflation.

**Funnies off the Internet . . .**

Two nuns were shopping at a 7-11 store. As they passed by the beer cooler, one nun said to the other, " Wouldn't a nice cool beer or two taste wonderful on a hot summer evening? The second nun answered, "Indeed it would, sister, but I would not feel comfortable buying beer, since I am certain it would cause a scene at the checkout stand."

"I can handle that without a problem" The other nun replied, and she picked up a six-pack and headed for the check-out.

The cashier had a surprised look on his face when the two nuns arrived with a six-pack of beer. "We use beer for washing our hair", the nun said, "Back at our nunnery, we call it Catholic Shampoo".

Without blinking an eye, the cashier reached under the counter, pulled out a bag of pretzel sticks, and placed them in the bag with the beer.

He then looked the nun straight in the eye, smiled, and said, "The curlers are on the house".

**Only Willie Nelson could look perfectly normal in this situation . . .**



- A - She's punished
- B - She's counting while the others are hiding
- C - She's a new breed of plug-in hybrid cow



**Funny Quote:** "Whenever I think of the past, it brings back so many memories." – **Steven Wright**



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## Jay's Jots: A Trip To The Colony In Dallas Texas

I recently traveled to Dallas to train the Nebraska Furniture Mart living room team on Hi Rock and Cozzia. There were a few takeaways from my humble perspective that I left with.

Firstly, the development of Great Escape in The Colony is truly remarkable. I remember traveling to that area when it first opened in 2014. During that time there were a few hotels, NFM and a lot of dirt. Fast forward to today, there is tremendous maturity with businesses having their headquarters in the area, anchor retail and restaurant establishments and entertainment areas.

It reminds me of the Kevin Costner quote from Field of Dreams— "If you build it, they will come." The NFM team did a remarkable job of building out the area, and now there are many people circulating through that area daily.

Speaking of people... On Monday July 17th the temperature was 107 degrees in The Colony at 6:30 PM at night. I was pleasantly surprised that the store customer traffic was as good as it was given the extreme heat conditions and weather advisories that were in effect.

In talking with the salespeople, they were also pleased with their in-store traffic. Either the AC was working remarkably well in the store or people are starting to invest in their home furnishings. I wouldn't want that A/C bill though!

### Hi-Rock Home Hair on Hide at NFM



The final takeaway is customers are focused on value. We see it with our Cozzia massage business—customers are gravitating to the higher end models because that is where they perceive the highest value is. In

training the sales team with Hi-Rock, many of the salespeople spoke about how great of a value Hi-Rock furniture is for the quality of the all leather motion furniture.

I am not an expert or pretend to hold a crystal ball knowing how the future will play out. Based on my observations from this trip, I am very optimistic for the furniture industry!

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