

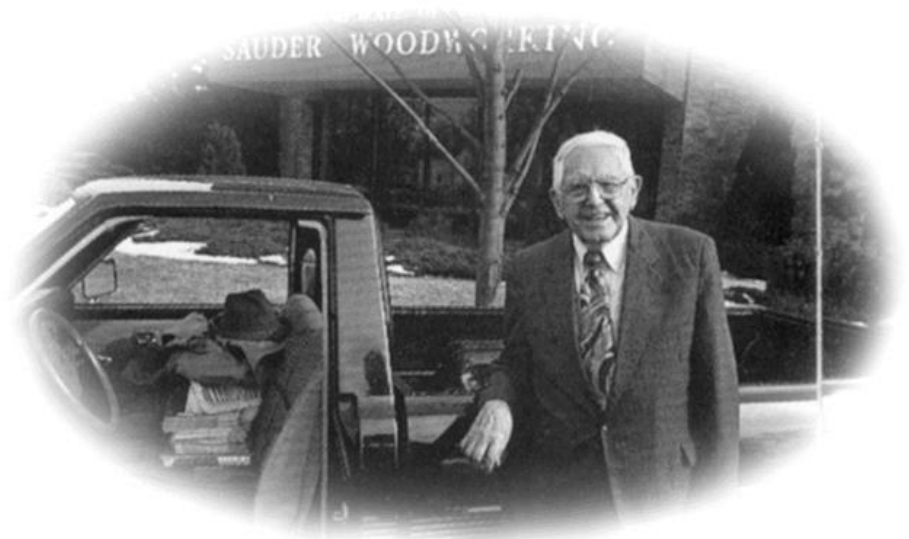
DIVERSIFYING WITH NEW MARKETS

WOODTRAC STORY



Who is Sauder ?

Founded in 1934



Founder:
Erie Sauder

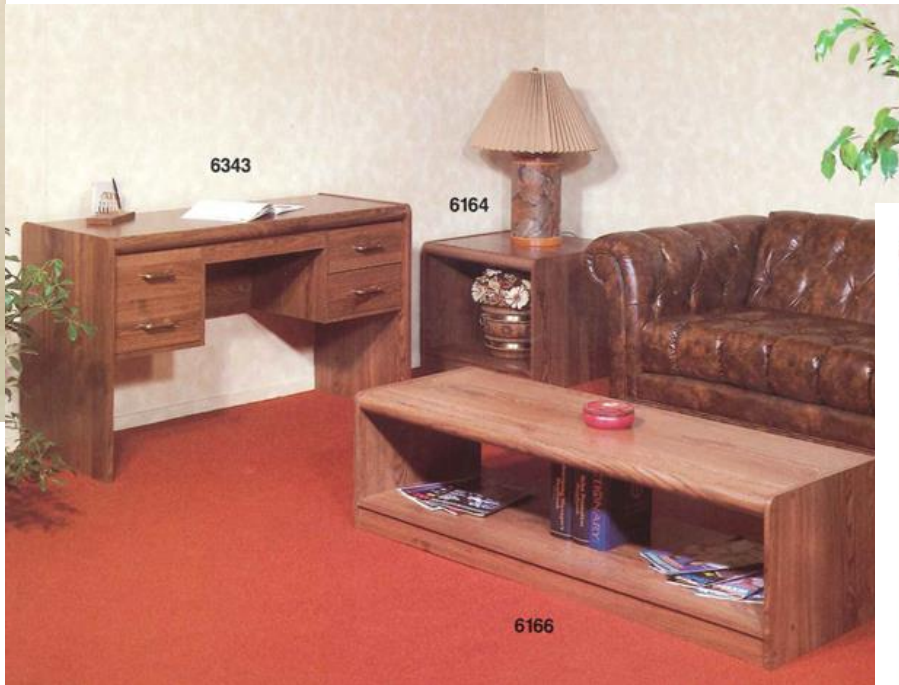


Birth of an Industry -The First RTA Table



 SAUDER®

Laminates



 SAUDER®

Sauder RTA Products Today



 SAUDER®

SAUDER TODAY

Furniture



Domestically Produced
RTA (glass & metal
furniture, dining &
upholstered)



Imported RTA (glass &
metal furniture, dining &
upholstered)



Progressive Furniture
(imported casegoods)



Sauder Manufacturing
(institutional seating)



New Markets



Contract Manufacturing
(IKEA, FYPON, Knape&Vogt)



Funeral Products
(Caskets)



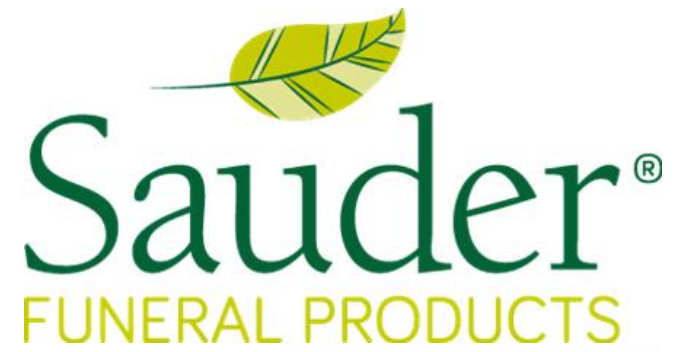
Building Products
(WoodTrac)



IKEA Kitchen Cabinets



IKEA®



NEW MARKET EXAMPLES





WOODTRAC[®]

closets by sauder

NEW MARKET EXAMPLES

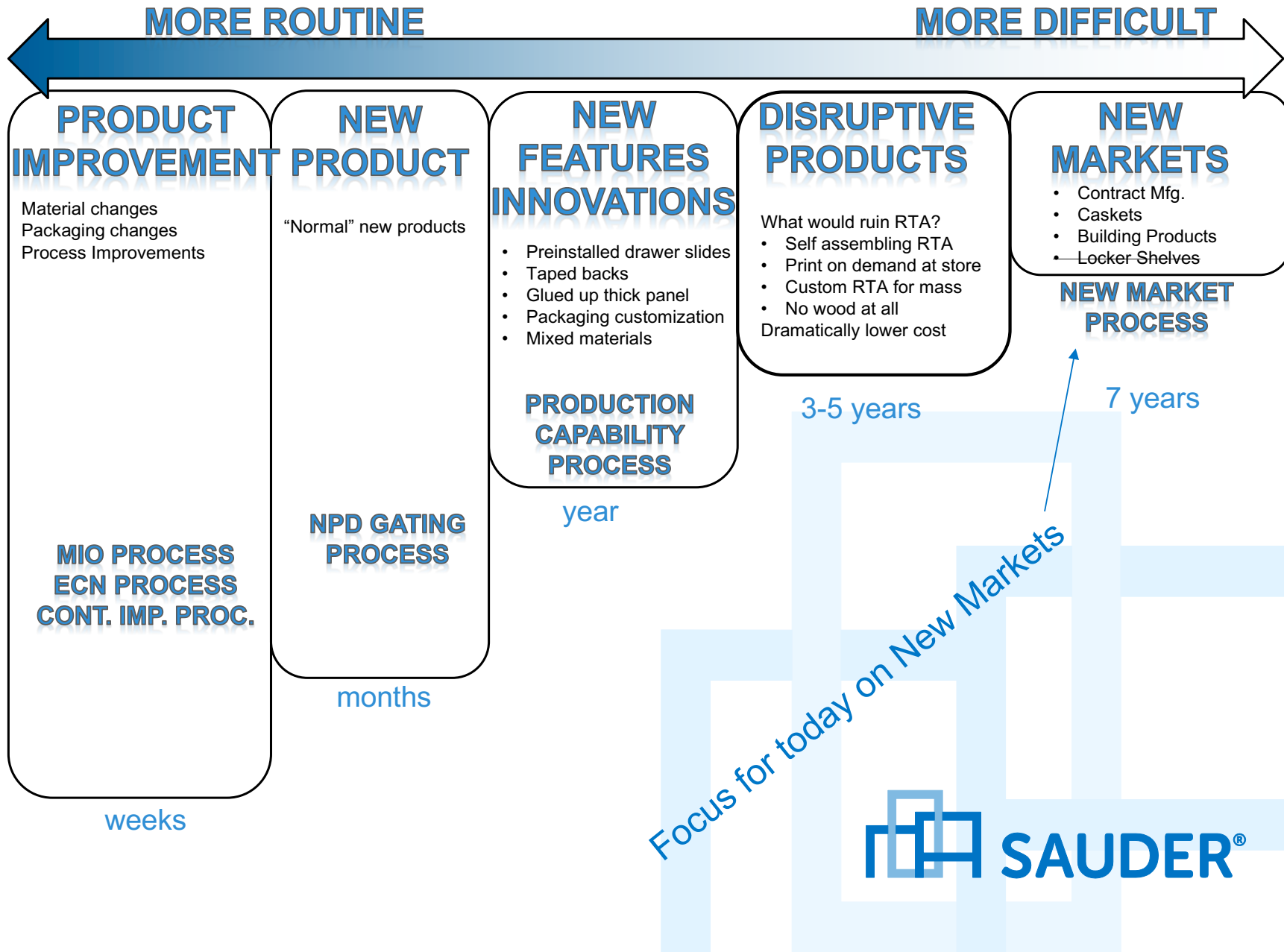


Multi Engine Plane

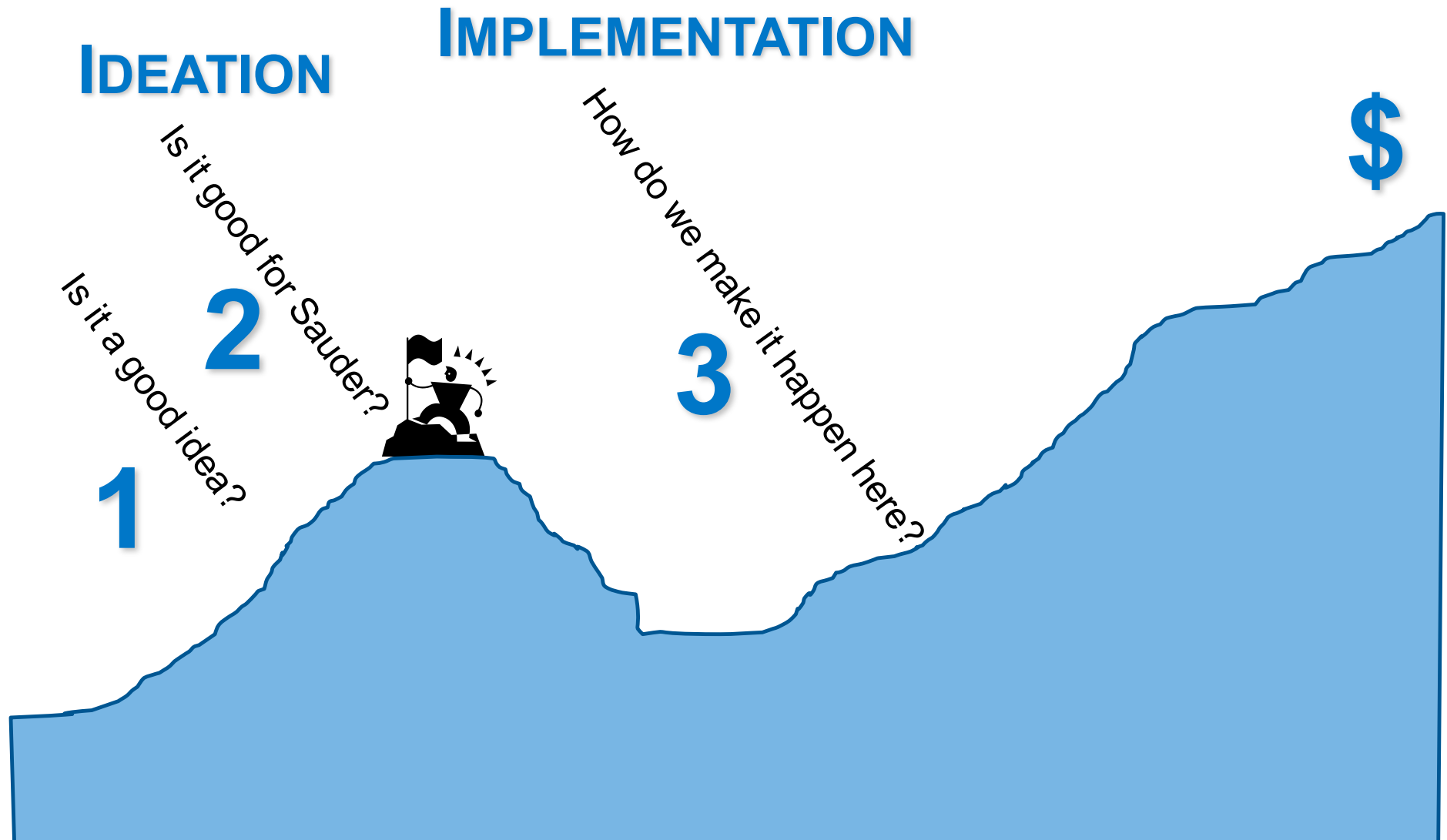


INNOVATION AND NEW MARKETS

THE SPECTRUM OF INNOVATION



SYSTEM FOR NEW MARKETS



1. IDEATION

Ideation event-

- 85 innovative ideas for New Markets. Used Eureka winning ways methodology. Down to 12 then 4 then 2 (ceilings & lightweight panels)
- WoodTrac Ceilings was the first choice. Idea from Marv Burnett



WoodTrac Ceilings overview

- Fits over standard suspended ceiling grid or installs over joists, drywall, plaster, etc.
- Great for remodels and new construction.
- \$4 per sq foot. Approx 75% less expensive than most wood ceilings
- 5 stock finishes, 35 special order finishes
- 3 molding profile choices



1

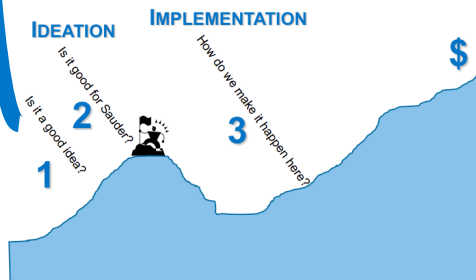
Is it a good idea? – Lessons Learned

The answers to these questions really should be “Yes”:

1. Is it dramatically different?
2. Is there an overt benefit?
3. **Is there a clear reason for the consumer to believe you?**

Eureka questions from the book Jump Start Your Business Brain by Doug Hall

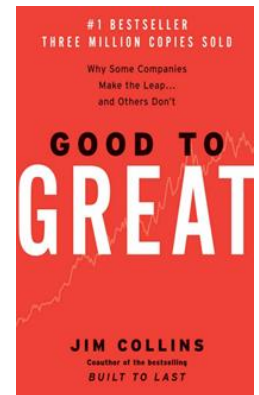
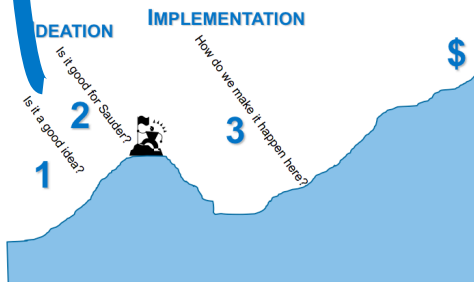
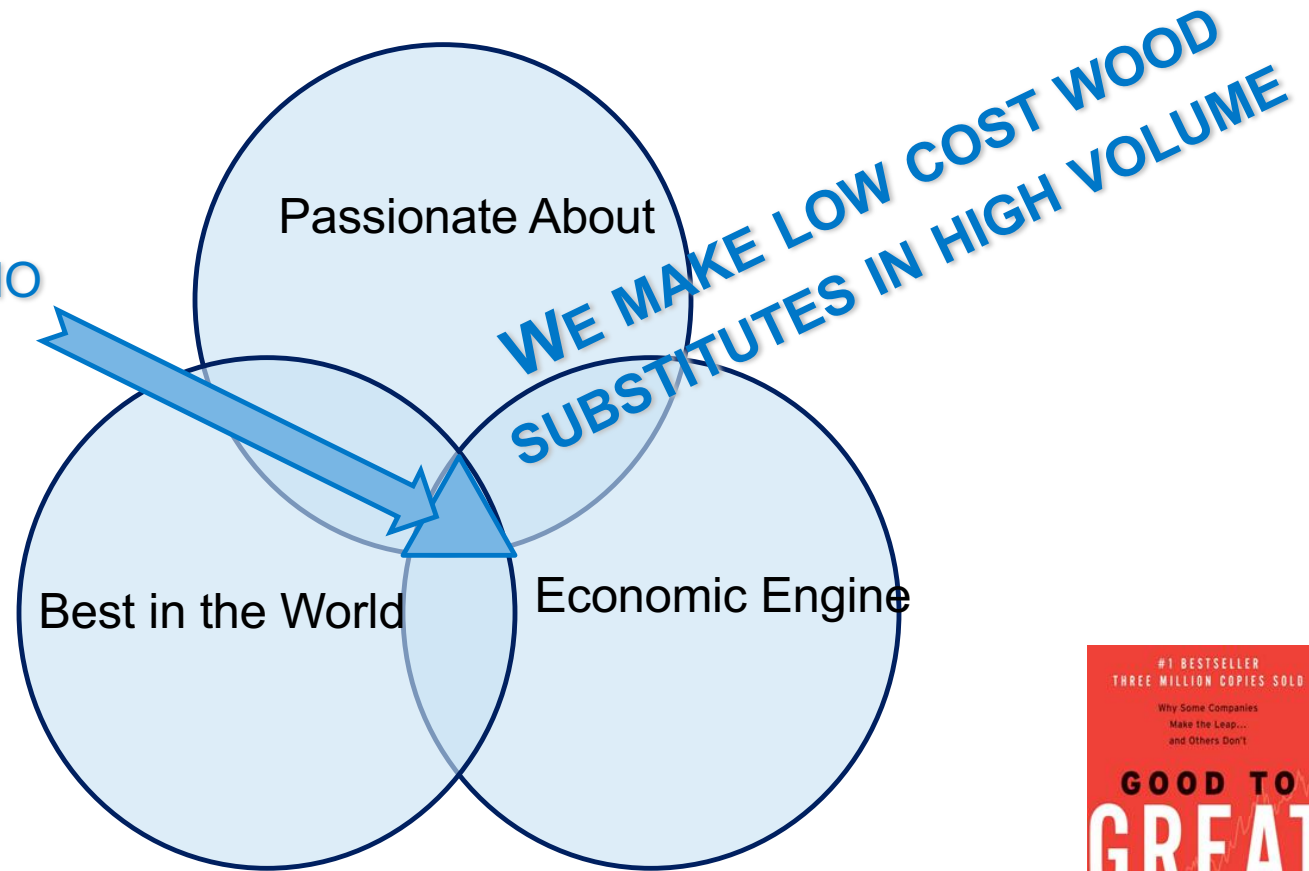
4. Is the market big enough?
5. Are the trends favorable?



2

Is it good for you? – Lessons Learned

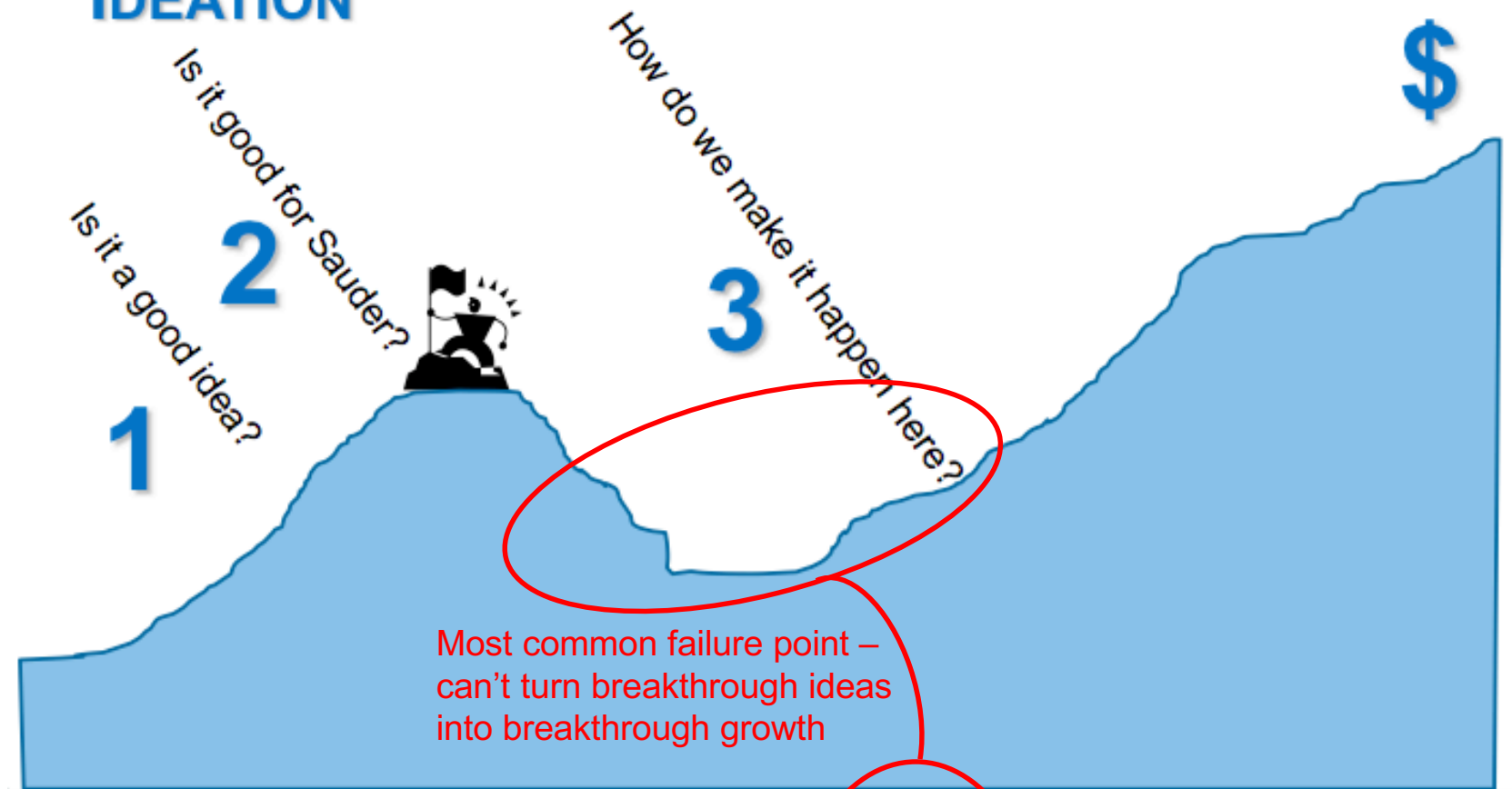
HEDGEHOG



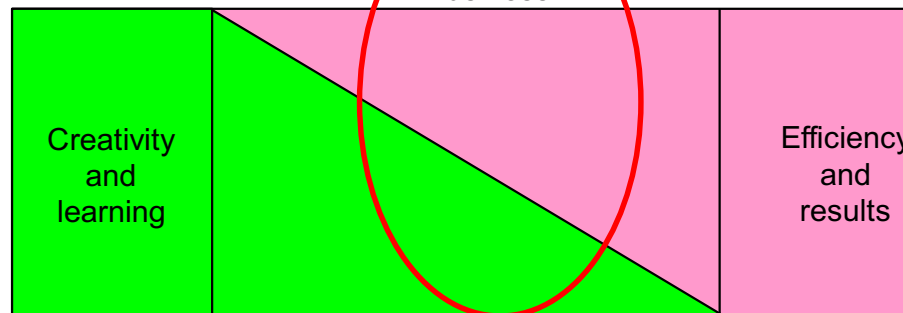
Concept taken from the book: Good to Great by Jim Collins

IDEATION

IMPLEMENTATION

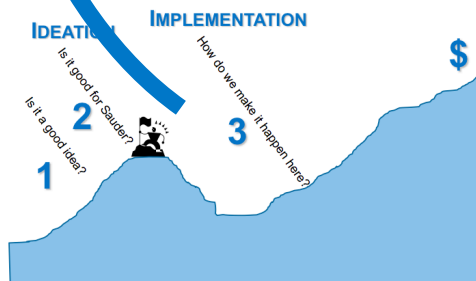


Ideation → Develop the Product → Develop the Business → Growth → Profitability



3 How do I make it happen here? – Lessons Learned

1. Assign one or two people to it
2. Connected only at a high level
3. Borrow, forget, and learn
4. Do no harm to the performance engine
5. Fail fast and fail cheap – experiment
6. The first ideas will be wrong
7. Don't just copy what is out there or the established players will beat you
8. It takes 7 years or more to disrupt a market
9. Track progress against a business plan

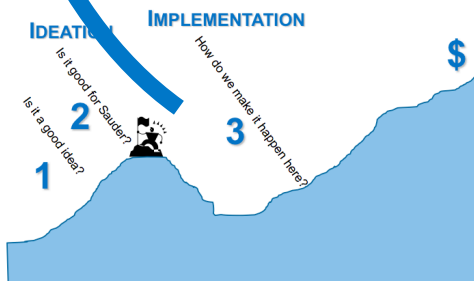
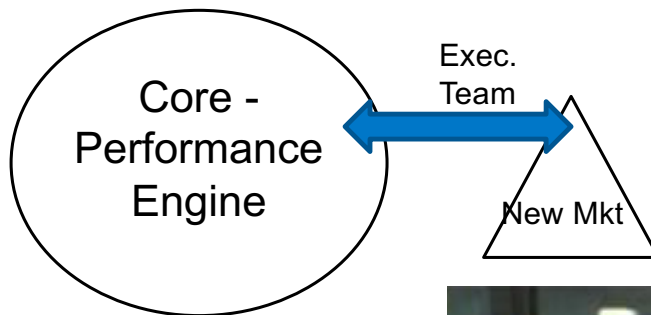


Great resource -The Other Side of
Innovation by Vijay Govindarajan



3 How do I make it happen here? – Lessons Learned

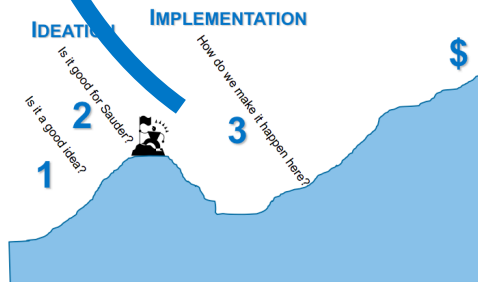
1. Assign one or two people to it
 - Dedicated solely to the New Market is best
2. Connected only at a high level
 - Avoid complex reporting structures



3 How do I make it happen here? – Lessons Learned

3. Borrow, forget, and learn

- Use internal resources where available. Learn to do it yourself or get creative if no availability. Last resort spend for outside resources.
- Don't get hung up on missing a goal. It was the wrong goal anyway.
- Most importantly learn from each iteration. Our push into remodelers with ceilings didn't get the expected ROI but we learned the value of good reps paid on commission only.



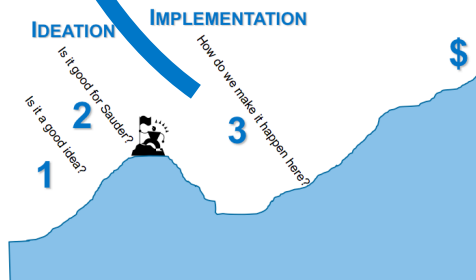
3 How do I make it happen here? – Lessons Learned

4. Do no harm to the performance engine

- Different brand, different website, different everything. Allowed for greater experimentation, less scrutiny.
- Don't expect help to come pouring in from other departments.

5. Fail fast and fail cheap – experiment

- Ceilings home shows. Tried with retailers then move on.
- Had some customers in for plant tours. Asking what else we can do. Closets was an idea.
- Started by selling our Retail quality product in the Contractor Channel.
- Mirror frame moldings example of failure. Don't be afraid to move on. Time is most valuable resource.



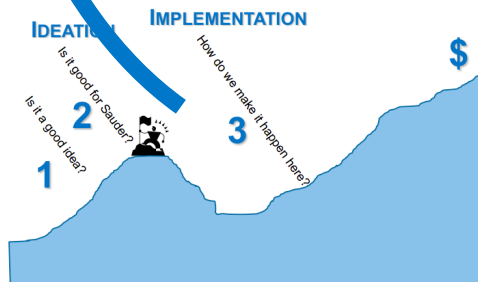
3 How do I make it happen here? – Lessons Learned

6. The first ideas will be wrong

Retail level product was not accepted by Contractors. They wanted the extra level of quality to avoid callbacks. Price was not as important as it was for Retailers.

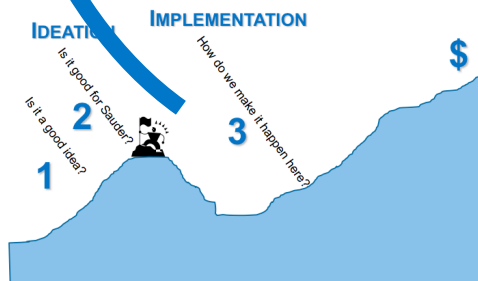
Phase 2 of closets was to develop a higher quality product than we've done on a Retail level.

- 3/4" vs 5/8".
- Higher spec papers.
- Better hardware.
- Assembly with tools vs no tools



3 How do I make it happen here? – Lessons Learned

7. Don't just copy what is out there or the established players will beat you
- Avoided custom closets model of piece by piece closets.
 - Modular units fit our strengths better.
 - Minimal options to keep it simple. Fewer finishes, locked in hardware choices.
 - Separate product line for Single Family and Multifamily construction. Closet Shelving.

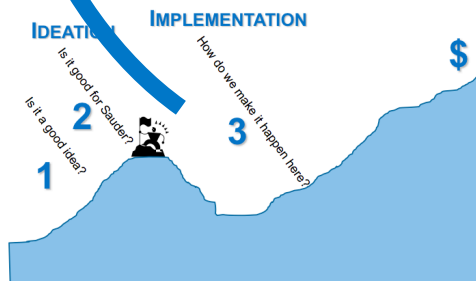


3 How do I make it happen here? – Lessons Learned

8. It takes 7 years or more to disrupt a market
- Patience.

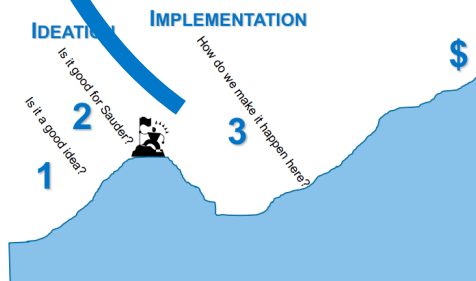
9. Track progress against a business plan

- Important to set goals by product type and customer type. See where your success is to allocate resources accordingly.
- Set a strategy and forecast no matter what. Even though it's wrong it's good to have long term goals to keep you from becoming a full time firefighter.



3 How do I make it happen here? – Lessons Learned

1. Assign one or two people to it
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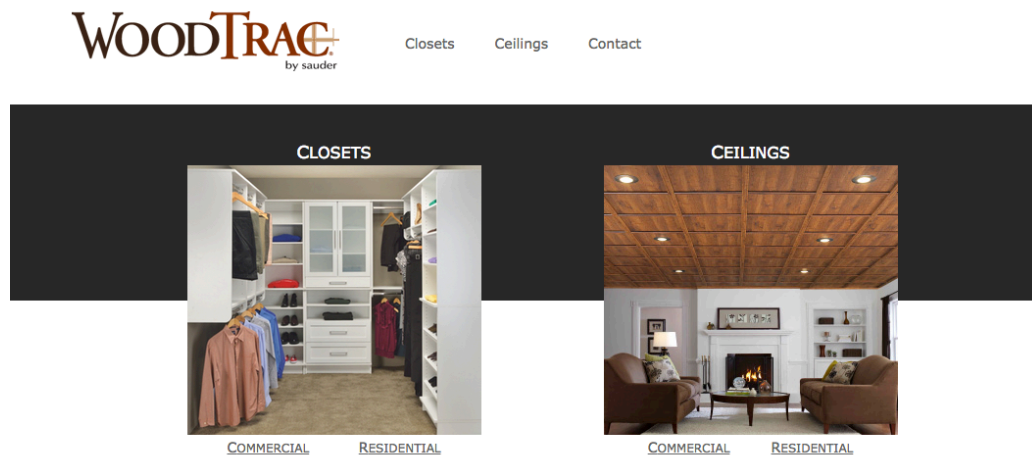


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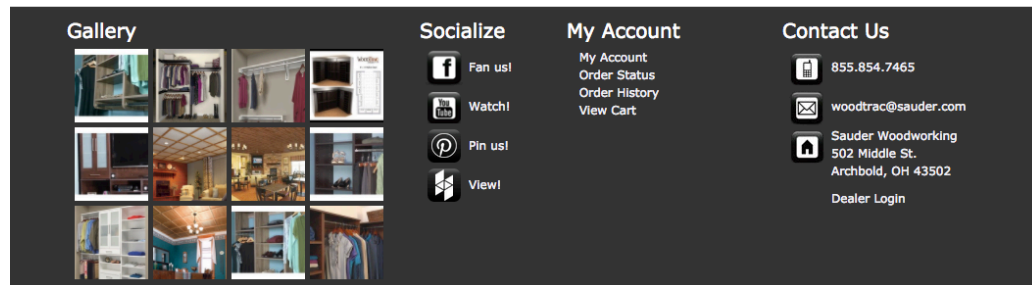


WHO IS WOODTRAC TODAY?

- Building materials division of Sauder Woodworking. Dedicated employees, reps, office/warehouse space separate from Sauder's furniture business.
- Totally different marketing and sales approach.
- Ceilings and Closets. Multifamily, Remodelers, Single Family Construction Industry.
- Several product lines Ceilings, Closets Cabinets, Closets Shelving.



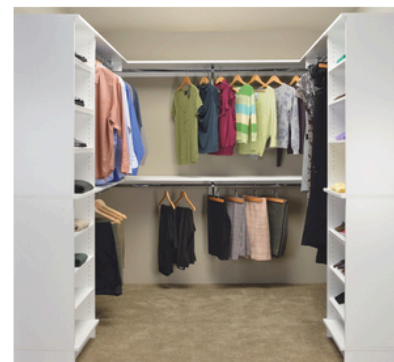
WoodTrac, a division of Sauder Woodworking, is committed to producing custom looking wood products at a fraction of the cost. Our products are Made in the USA, environmentally friendly, and backed by our award winning customer service.



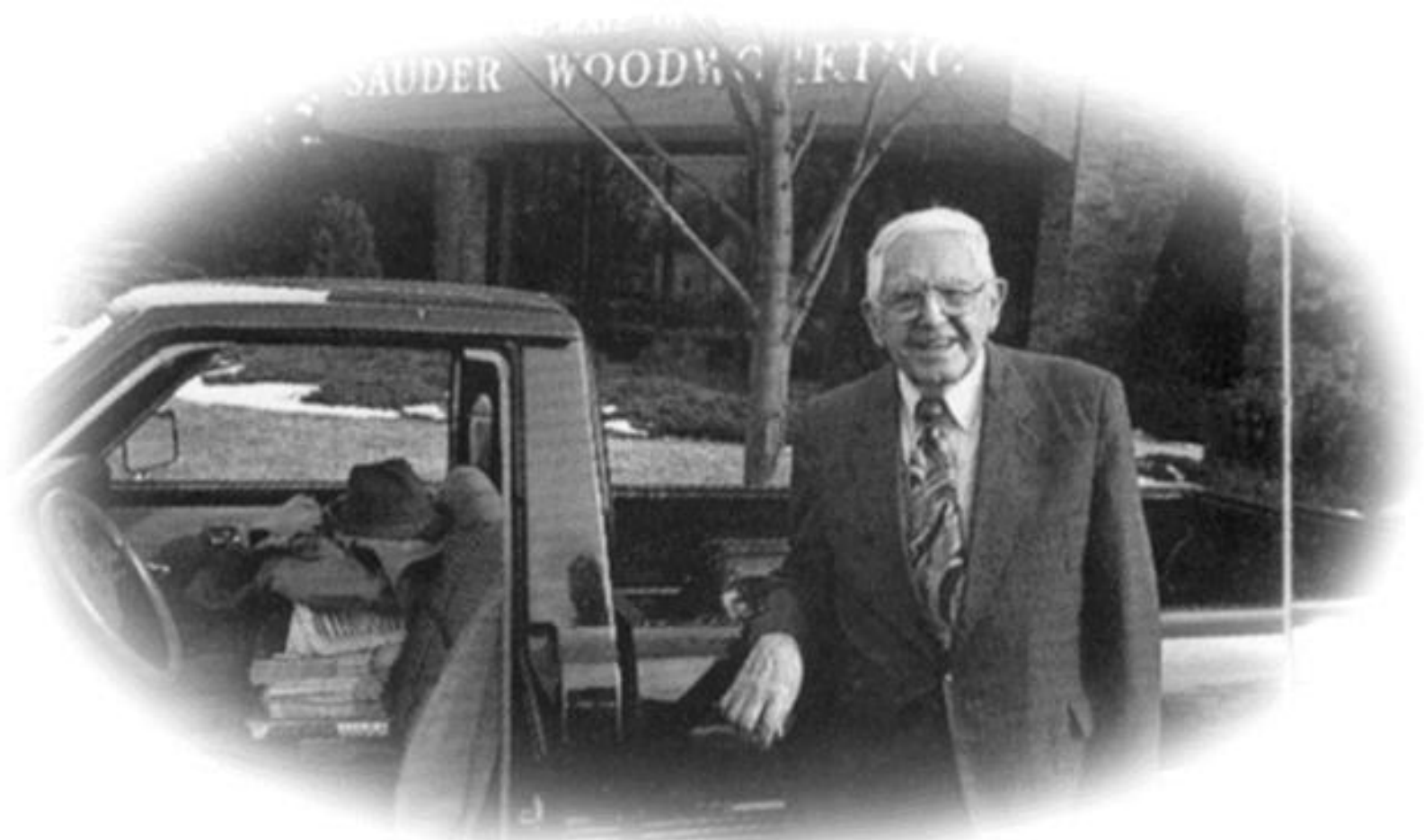
Closet Cabinets



Closet Shelving



“Don’t do it just like everybody else”



“It is amazing what you can do when you don’t know it can’t be done!”

“Nobody is clapping when you start something”

Erie Sauder