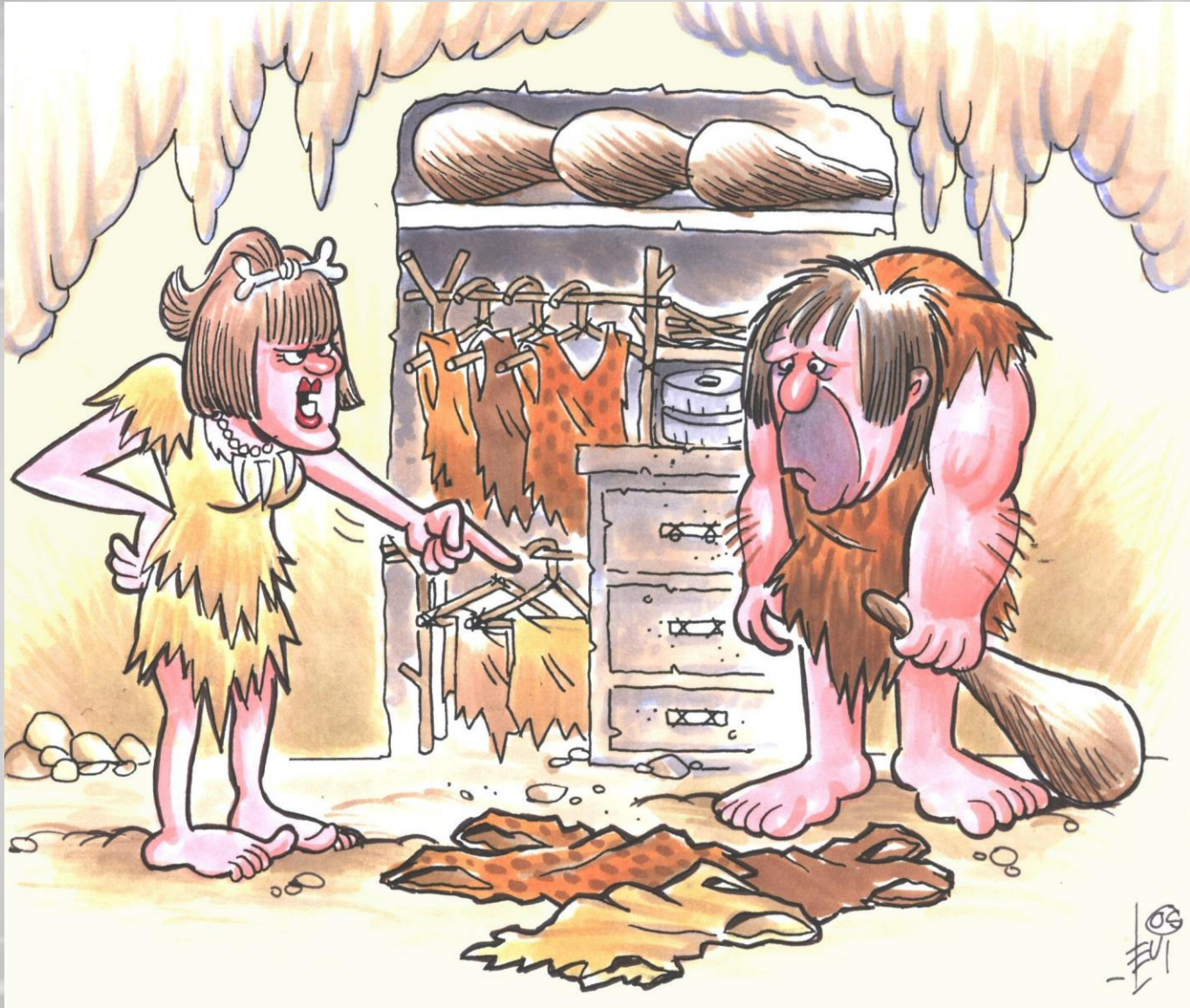


Make vs Buy
&
The Evolution of an Industry

Eric Marshall
Mike Carson

History of the Industry



The Beginning 1978

- Bee Gee's released "Night Fever"
- Mork and Mindy was prime time



- Average income was \$16,975
- Gas was \$.63 per gallon

Organization Fever

- People are “cocooning”
- Society of Consumers
- Housing market
- Interest Rates
- Aging Baby Boomers
- Busy Lives
- Final Frontier



Where are we now?

- Acceptance - No longer just a luxury
- Commoditization of basic organizers
- Increased competition
- *Haven't scratched the surface*

Trends Shaping the Closet Industry

CMA - NKBA and Closets

Cabinet Companies Have Been Waking Up



KITCHEN CABINET
MANUFACTURERS ASSOCIATION™

Showroom/Design Center



“Closets” mean more than Closets

- Pantry
- Home Office
- Wall Bed
- Laundry Room
- Garages



Sophisticated Design

Sophisticated Materials

- Wood grain laminates
- Raised panel
- Crown molding
- Other - Metal, glass



Sophisticated Services

- Consultant and organization confidant
- Painting
- Put away service
- Storage Service for Garage Organizing



To Make or Buy?

That is the Question

Make

“I love the smell of sawdust
in the morning”



Buy

“I love People and Selling”



10 Things to Consider - Make

- 1 – Do I enjoy Manufacturing?
- 2 – What is the Capital Investment?
- 3 – What machinery do I need/cutting edge?
- 4 – What are the Cost of Goods (Economics)
- 5 – Do I have good Talent in my Market?
- 6 – What is my purchasing strength?
- 7 – Speed to Market
- 8 – What are my quality requirements?
- 9 – Can I manage the process?
- 10 – Is it scalable?



10 Things to Consider - Buy

- 1 – Do I enjoy Marketing & Selling?
- 2 – Does the supplier offer marketing support?
- 3 – What is the Delivery Time (Speed to Market)
- 4 – What are the COG including Shipping (Economics)
- 5 – How flexible is the manufacturing? (Custom)
- 6 – Order Process and Design Tools??
- 7 – Can I receive the product? (Facility)
- 8 – Does the supplier have the quality I expect?
- 9 – Can I manage the process
- 10 – Is it Scalable?



The Economics

Make

Buy

Raw Material 20%

Finished Goods 30%

Shop Labor 5%

Shipping 5%

Capital Costs 5%

Fixed Costs 5%

Gross Profit 65%

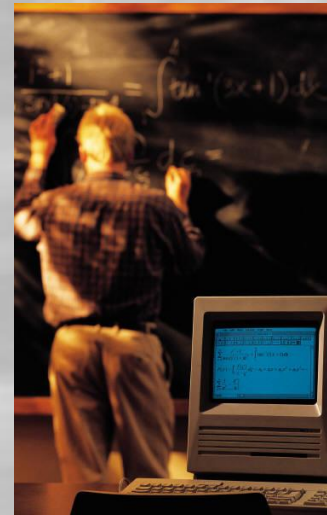
Gross Profit 65%

How to keep the industry growing?

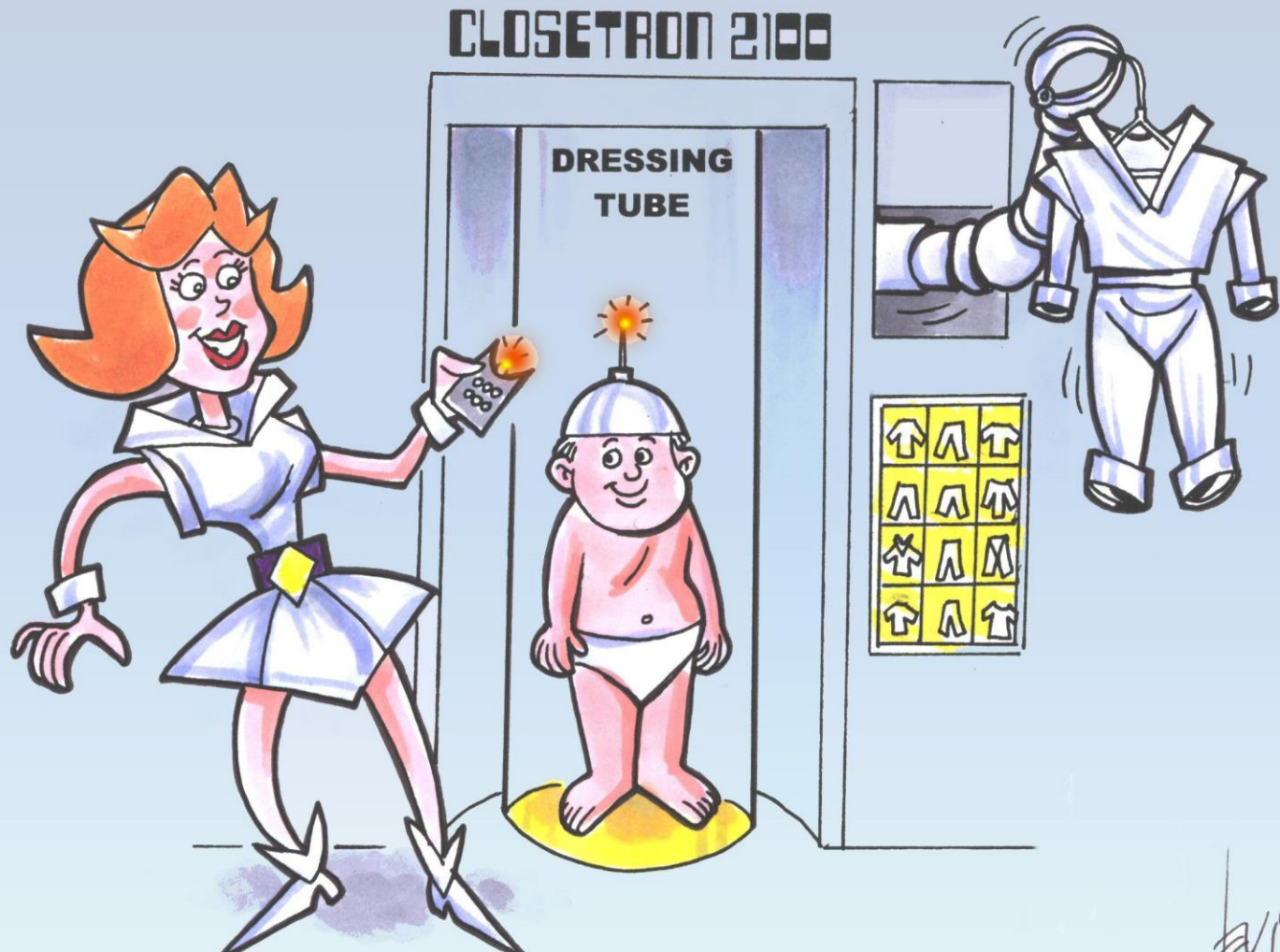
- Realize that we're not in the closet business, we're in the home storage business
- Educate the consumer and the builder
- Training - raising the pool of talent
- Keep improving and changing

*"30 years ago a business could reinvent itself every **12 years**,*

*today we must reinvent ourselves every **2 years**"*



Future of the Industry



Eric Marshall
Mike Carson

Question and Answer Session