

DIVERSIFICATION STRATEGIES

Dealers Present Potential Growth Opportunities For Seasonal Hearth Businesses

BY MICHAEL GRIFFIN

Those last inventory items have arrived. Your showroom displays are all set. The fall marketing pieces have been approved. You're set for the big selling season, confident the cash flow in the coming months will make you easily forget the slower summer months that just passed.

Such is the case for most seasonal businesses, with owners and managers satisfied to just survive their off season while gearing up for the lucrative selling season soon to come. Many specialty hearth retailers can be grouped among this lot, content to eke out an existence through limited sales of deck furniture or barbecue grills throughout their slow season.

But with the "big box" chains and Internet sales changing the marketplace in the last decade, owners and managers of hearth shops have needed to re-focus on potential diversification strategies for their businesses.

There's no single answer or remedy for seasonal retailers in such a quandary, as each individual shop has a particular market to tap and certain strengths to develop. But for those hearth dealers eager to avoid another off-season drop in profits and incorporate potential growth, the time to research and plan these new endeavors is required now, in order to have things in place for next year's slow time selling fireplaces and stoves.

As Seth Miller, founder of Boston-based Miller Systems, says, "My best advice for a small business owner looking to diversify is to know the market and the risks involved. Take the time upfront to research new business opportunities and conduct through discovery."

Aaron Zambrana, owner of A to Z Chimney Sweep and Dryer Vent Cleaning in Antelope, Calif., was recently profiled in the August issue of "Sweeping" magazine, the monthly publication of the National Chimney Sweep Guild. As the article states, his business didn't start out as a chimney service company, but as a window cleaning and window

screen repair business while he was finishing his college degree.

Chimney sweeping was just one way Zambrana diversified his original business, a complement to the sum-

mer window business. But in less than four years, he has grown this newer side of the business into a lucrative endeavor. "Having two income streams has really allowed us to grow quickly

DuraTech® All Fuel Chimney Systems

Five-inch through
eight-inch diameters
meet all flue size
requirements



- Twist-lock connections for safe, quick installations
- Four-foot pipe lengths mean fewer parts per installation
- Swivel elbows offer 360° rotation for easy vent system alignment
- One-inch wall construction maintains required clearance through 16" on center rafters.

- Precision tooled end ring design seals the insulation chamber to prevent water and creosote from soaking into the insulation

SIMPSON

Dura-Vent

ENGINEERED
EXCELLENCE

Visit our web site at WWW.duravent.com

800-835-4429

707-446-4740 FAX

SIMPSON Dura-Vent
All Rights Reserved

and become more financially stable in the process," says Zambrana. "We are not only able to cross-market out services to our customer base, but we are also not forced to drop prices in the off-season, thus keeping the perceived value of our services high in the eye of the consumer."

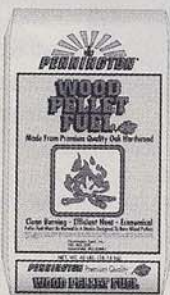
According to Zambrana, "diversification is a necessary evil when it comes to seasonal businesses. In addition to cash flow nightmares, the headaches and sheer expenses associated with re-training a seasonal work force every year are overwhelming — especially when it comes to a technical service with high liabilities like the chimney sweeping trade."

Sweeps and hearth dealers operating seasonal businesses would certainly agree with Zambrana's statements. What follows are similar insights shared by fellow chimney service and hearth products professionals, all offering potential growth opportunities for *AER* readers who are exploring options for growing their businesses in the coming years.



**PENNINGTON
SEED**

**PREMIUM QUALITY
OAK HARDWOOD
PELLETS**



- ✓ Environmentally Sound
- ✓ Clean Burning Fuel
- ✓ Less Than .5% Ash Content

1-800-658-0410

**Pennington Seed, Inc.
Missouri Division
P.O. Box 338
Greenfield, MO 65661**

Builder business

"One of the keys to our growth is the increase in our installation divisions in recent years, both at the retail and the builder level. About two thirds of our business is purchased through the contractor customer.

"As far as the builder goes, I still look at it as the more that we can remove from their desk - working with the customer, design, delivery, installation, the more value we have to them.

"We will have the end-consumer come into our showrooms where we will directly work with them to find products to suit their needs, and make final decisions. The contractor will receive a break in price, as over time, they do much more business with us than the retail consumer, and the marginal costs with these additional sales are less.

"The challenge with this is to save a percentage back for the builder, while maintaining a good retail price, all while maintaining the merged margin that we must have."

Jeff Palmer

*Ar-Jay Building Products
Cedar Rapids, Iowa*

Power equipment

"For over 20 years we have sold and serviced outdoor power equipment. We added the power equipment lines to give us some off-season income. But it has become 50 percent of our business. Now, if I can only find something to sell in February and early March!

"In addition, I think it's important, no matter which end of the business, to sell quality, quality, quality. You will attract the upper-end customer, but lose the lower-end customer. You'll never net a dime from the low-enders, just lots of hassle."

Dean Davis

*Dogwood Fireplace & Lawn
Carbondale, Ill.*

Summer strength

"For years, we have offered a special deal for our regular fuel customers to boost things in the slower months. We send out a flyer to all our fuel customers April 30th giving them a deadline to order and reserve a pickup/delivery date for their summer pellet fuel by June 1st for the summer sale price of \$15 off our winter price.



"On the same letter we put a reminder to schedule their annual pellet stove service appointment. All summer long we'll receive and truck load three or four Saturdays a month, and deliver or load all 22 tons on that same day.

"This year we increased our price \$5 per ton and have seen a small drop in orders. This could be from the mild winter we had last winter in central California. Last year we booked 14 truckloads for the summer; this year we have 12 so far.

"This program helps us in two ways. It keeps my bank account up in the slow month of May with all the deposits I receive, and keeps the demand for pellets off of us in the winter months so that we can concentrate more on installing. About half our fuel sales are in the summer.

"We also keep pellet in stock year-round. I get people who drive two hours to get pellets from us in the late winter and early spring, because all the other suppliers (Home Depot, Lowe's and others) stop getting pellets in February."

Rod Poplarchick

*Climate Control Systems
Oakhurst, Calif.*

Barbecue lines

"We began selling barbecues in about 1995 and we became more involved in barbecue replacement parts since about 1998. Those decisions have done well for us, but we do see the need to branch out again into another off-season line of products. At this point, we haven't decided the

best direction to go.

In late May and June, we use our database to send out flyers advertising for service specials, and that has kept our service staff busy during those months. That definitely helps keep from laying employees off during the 'off-season.'

"We, like a lot of businesses, tend to struggle a little during the 'off-season.' We try to prepare our employees for that event and work out extra days off during the slow times. Using this time to do small construction and repair jobs on our building/store helps keep our employees busy, but doesn't pay a lot of money towards their salaries. Having employees who understand and tolerate this slow time is a big help."

*Daryl Logue
Capital City Stove
Olympia, Wash.*

Competing with builders

"Years ago, with the market conditions changing dramatically as the hearth industry was beginning to mature, builder sales in particular were making inroads into the specialty hearth industry. Hearth products were finding their way into our potential customers and new home sites through channels of distribution other than the traditional hearth shop.

"Worst of all, we weren't even getting a shot at meeting those potential customers, who in turn gave no consideration to quality of product or service because their builder was not making them aware that they could have had choices.

"To overcome that hurdle with builders, we decided to negotiate better pricing from manufacturers by taking a page from other industries and starting a buyers group. We combined our purchasing power with several other stores who were outside our competitive retail area. In turn, that special pricing would enable us to convert builders into allies instead of enemies.

"This would significantly increase sales of our 'builder box' fireplaces and eventually our specialty product lines, by having builders refer their clients to us. Once we were able to meet the builder's criterion of competitive price, they would feel comfortable referring their clients to us. This would lead to improved sales, and, just as importantly, to improved installation ap-

plications for area homeowners."

*George Breiwa
Chimney Specialists, Inc.
Highland, Wis.*

Indoor, not outdoor

"Because of our frustration with selling casual, we have decided to branch off into indoor seating. We have taken on a line of Norwegian leather recliners with ottomans, sofas and loveseats. We see this as a way to sell furniture year-round.

"We plan on discontinuing most of our patio lines next summer. We have committed a great deal of floor space and training to this new line and are very excited about the possibilities of it becoming a more productive addition."

*Jackie Borella
Friends of the Sun
Manchester, Vt.*

Dryer vent service

"An excellent addition to a sweep's operation is dryer vent cleaning, with training available from a number of

sources. Once you're qualified for this work, contact all appliance service technicians in your area. They will be grateful to have someone qualified to refer their customers to. And contact homeowner associations to educate them of the need.

"Whenever you are in a home, offer to check the dryer venting system. Handouts can also be effective, listing the potential hazards involved, as well as the benefits of the service. These can include: money saved on electric or gas bills, unnecessary wear on the dryer and on expensive clothing due to overheating and longer drying times, and avoidance of service call charges to learn that the vent, not the dryer, is the cause of a malfunction.

"Even though this service is growing, the public still needs to be educated. Do not wait for business to come to you. No one ever became wealthy at this by waiting for someone else to promote it."

*Brian Dune
America's Finest Chimney Supply
Escondido, Calif.*

www.aer-online.com

The Web site for
Hearth Retailers &
Chimney Service
Professionals!

Strong and Flexible.

FOREVER FLEX

Buy Chimney Liners Factory Direct and Save!

- ▶ 316Ti Stainless Steel all fuel liner
- ▶ UL tested and listed for: wood, pellet, coal, gas and oil.
- ▶ Ask about our one-of-a-kind: "QUICK CONNECT KIT" The easiest way to install liner! No screws, no rivets!
- ▶ Aluminum kits are also available, at great prices!

5" x 25' - \$160 6" x 25' - \$189
5" x 35' - \$202 6" x 35' - \$245
WITH FREE SHIPPING!

1-800-569-1425

Olympic Chimney Supply