

**OVER 500 NEW RUGS IN  
COLLECTIONS  
FEATURED IN RUG NEWS  
EACH YEAR.**

(click on collections at [www.museumbooks.com](http://www.museumbooks.com))

## Carpets and Rugs Part 9

### Selling Without Retail Sales Associates

By Leslie Stroh

**I**n the last eight articles we have talked about selling rugs from the floor of a bricks and mortar business. While multi-channel retailer Rugs-Direct has one store of 5,000 square feet, and one store of 10,000 square feet, their basic business is as an Internet retailer.

Before our readers order the tar and feathers for this writer we hope they will read this article based on a conversation with Rugs-Direct, and the following article with the other market leader, RugsUSA. This is a new channel. The big boxes were a new channel a few years ago, and we are finally beginning to understand their limitations. Change is a competitive fact of life.

Let us start off with the biggest internet limitations, there are no sales associates to explain the product, and color monitors vary as much as the picture taking process. There are, of course, customer service representatives available on the telephone to answer questions. Just out of curiosity, does anybody know of a bricks and mortar store with a full time dedicated telephone customer service department just responding to consumer questions.

Theoretically an Internet operation is a low or zero cost operation. However, Rugs-Direct spends about \$4 million dollars a year to drive consumers to its website and publishes 2.5 to 3 million catalogs a year for direct mail marketing.

From their advertising and direct marketing, they get about 170 million hits a month on their website, which, according to Randy Kremer, principal, translates into about 1,000,000 consumers a month looking at rugs. Since there are no figures on the overlap from month to month, that means up to 12,000,000 consumers a year are learning about rugs from the "rugsdirect.com" website. That is a lot of rug educational activity, and perhaps a lot more than most bricks and mortar stores can accomplish.

According to Kremer, they will be adding bricks and mortar stores using the existing point of sale customer service interface to run the stores and the local customer service units. The critical component of running distributed bricks and mortar seems to be visibility into all inventory and order status in all locations in an integrated way.

Having asked the rhetorical question above about dedicated customer service representatives in retail stores, this writer who never carries a cell phone except at market, and except when shopping at Christmas was in a food store in Manhattan called Fairway "A store like no other" in the meat locker (yes the room is refrigerated) while my wife was elsewhere buying groceries and she called me on the cell to find out where I was and could I meet her in the cheese section. Fairway at any holiday has a dozen employees directing shopping cart traffic, and shopping cart gridlock is normal.

But that experience leads to the question, why couldn't I as a shopper in a store use my cell phone to call the store's customer service representative to ask a) where am I (instead of my spouse), b) how do I get to what I want to buy, and c) product information about the product I am looking at or price and availability of a particular product.

Randy Kremer in explaining how bricks and mortar could evolve with the Internet used the word Kiosk as a locus for information. But my question is simpler, cell phones are ubiquitous, why aren't they incorporated into the rug retailing process?

Getting back to the beginning of this series, Ann Nusbaum of CCA Global said that the consumer is interested in color, color and color, and while carpet specialty stores should be a main channel of distribution, experience indicates that they are not.

Randy Kremer of Rugs-Direct also says that the consumer sees color, color and color as the main product requirements, but he goes one step further and says that the industry has nothing in place to help the consumer search for and find a color that they think they are looking for. I guess this publication would observe that different firms use different names for the same color, and the same name for different colors. This writer would observe that if "rust" is popular, ninety percent of the rugs that are not black will be called rust, simply to get the consumer to look at them.

To Kremer the problems of color are among his biggest limitations because every monitor is different, and people's perceptions of color are different. This impacts the return rate. And reverse logistics is much more expensive than outward

Reprinted with permission of Museumbooks, Copyright Museum Books, Inc. 2007.

direct logistics. The return rate is a major factor in determining overall company profitability. And there are so many variables beyond color such as texture, and the impact of adjacent colors, that the limitations of the communication process, whether internet or catalog, ultimately determine return rates. At the end of the process, color of a rug in the consumer's home ends up as a physical quality that is difficult to describe using a computer. Basically the fatal flaw in internet retailing is the portrayal of color and the lack of standards between manufacturers/importers so that each consumer creates their own definition of a color.

On the internet, a color image is 72 dpi. For printing, the same image is 300 dpi. On the internet, the choice of monitor affects the perceived color. In printing, the choice of paper affects the perceived color. Basically, the internet is a digitized catalog at 72 dpi, with a monitor substituted for a printing press. Because of that simple relationship, Kremer says that for their business selling rugs with a printed catalog was the next obvious channel to go into. And he says that the printed catalog business is growing exponentially.

Return rates are expressed as a percentage of sales, however the costs of reverse logistics includes the people servicing the customer as well as the shipping cost, and the worst cost, according to Kremer, and the one usually not included, is the "word of mouth" negative cost. In the internet world, time is a precious commodity, and shipping a rug back takes time. Rugs-Direct already knows that their potential customer is time sensitive because if the product search process is cumbersome, their conversion rate from looking to buying declines.

The Internet consumer is looking first for color, then for size, and then for price. The speed at which the Internet retailer can move the consumer from color to price is a principal factor is the sales to look ratio, or the conversion factor. This may also be true in bricks and mortar stores which ask the consumer to buy the rug without the aid of a retail sales associate.

According to Kremer the support infrastructure for catalog sales and for internet sales are similar, and both depend on the vendors ability to efficiently drop ship rugs. On the outgoing side the key metric is the vendor drop shipping capability, and on the return side is the return rate. In the middle is the dedicated telephone customer service department with inventory visibility.

Rugs-Direct evaluates all its vendors based on a number of criterion including shipping time, sales, and returns. United Weavers of America has been the Rugs-Direct Vendor of the Year award recipient for two years in a row. Kremer credits Samir Abu Hadba for their success, because of the warehouse and inventory control system that he put in place. Kremer commented that Sphinx is a strong contender for the award as well.

The area of most concern to Kremer is the logistics side of his vendor's business—how they handle status checks,

expected shipping dates, actual shipping dates, and the net "word of mouth" concern, the customer's expectations of shipping dates. He did comment that accurate information in both the hand-knotted and hand-tufted categories was difficult to achieve.

Kremer's approach is that his business is based on data and communications flow, inventory links and visuals, where he can turn on or off items based on data flow. Rug News observes that QVC, when they sold Kas Rugs, sold rugs against (as I remember it) 50 containers of inventory, and when one category sold out, turned it off, and moved to the remaining categories. And we don't even think about QVC as a major retail channel, but they are.

Rug News knows that the issue of tar and feathers comes out over Internet pricing. Generally the complaint is that internet prices are 20% lower than bricks and mortar pricing, not including cheap cheap Persians—a different subject and a different story. Kremer said first that he has a very competent competitor in his area who regularly thanks him for the customer who walks into the competitors store catalog in hand and becomes a competitors customer at Rug-Direct's marketing expense.

Rug News would gently ask, which industry invented the 80% off sale, and for how many years more than 100 years, has the knotted rug industry offered 40% or more, off the price of rugs?

Kremer went on to say that he welcomed a level playing field, and would welcome Retail Price Maintenance, because he is more than willing to compete for disposable income by operating at the same price with color, design, customer service, as bricks and mortar stores, servicing the consumer in whatever medium the consumer feels most comfortable.

As an editorial comment, this writer, who was once president of the oldest operating rug company (now defunct) The Fritz and LaRue Company (1886), the rug business depended for years, say until 1996, on people's lack of information and knowledge about sources and production capabilities. The information revolution means that virtually anybody can have virtually the same information. It is now all about execution, what you do with the information you have. Some people call it globalization, but these changes are really about information and execution. Execution at retail probably means better customer service, and a better buying experience that leads to positive "word of mouth" referral. 🌸

**SEE**  
**WWW.MUSEUMBOOKS.COM**  
**FOR A TRIAL SUBSCRIPTION.**