

sen
DESIGN GROUP



P R E S S K I T



COMPANY BACKGROUND

Driven by a passion for our industry—and guided by core values of integrity and leadership—our success is measured by our members’ success

SEN Design Group was born from a vision of fundamentally changing the kitchen and bath industry, and the showrooms, dealers, and design-build firms who encompass it. SEN’s vision is to empower these industry entrepreneurs to accelerate growth and improve their bottom line.

Engaged members positively exploit the SEN brain trust of experience and leverage the organization’s exclusive education assets to transform their companies into increased-profit-margin generators in a few short years, eliminating decades of costly trial-and-error.

No other industry group helps kitchen and bath business owners:

- Fortify Intellectual capital through industry-specific education programs
- Hone business skills through management/marketing tools and sales-focused training
- Ignite a passion for combining exceptional design talent with increased gross profit margin on every project by leveraging SEN’s group purchasing power
- Build strong relationships with the SEN member community, vendor partners, mentors and coaches, and colleagues
- Leverage innovative **DesignAlign™** selling system technology to minimize time and maximize success

Following are the core values SEN Design Group leverages to help members achieve their goals.

Mission:

We are in the business of sharing our collective resources to empower the kitchen and bath industry to achieve maximum market potential.

Our Core Values:

- Integrity
- Passion
- Camaraderie
- Leadership
- Innovation

SEN Design Group is so much more than an industry buying group:

- **DesignAlign** Selling System Technology—Members utilize innovative client communication software, which capitalizes on the exclusive Good-Better-Best sales process, included in every SEN membership.
- **Premier Buying Group**—Members optimize the distinct advantage in the power of numbers that a premier buying group brings to its members.
- **Business Education**—Members take advantage of SEN’s myriad, industry-specific business development assets.



LEADERSHIP TEAM

With over 100 years of combined expertise, our leadership team is with you every step of the way on your journey to success

At SEN, we understand the realities kitchen and bath business owners, the employees who help power the business, and the companies they run deal with on a daily basis.


Our team is the only industry organization comprised of leaders in the kitchen and bath industry with more than 140 years of combined experience—including hands-on experience in kitchen/bath sales and successful company ownership.

As a 26-year-old professional organization, we are the premier kitchen and bath industry buying group. SEN has nearly 200 members nationwide and more than 50 quality vendor partners in cabinetry, appliances, plumbing fixtures, decorative hardware, closets, lighting, bathroom products, flooring, tile, business services and accessories who offer their products/services to the membership at preferred group rates.

It is the job of SEN's leadership team to bring unique experiences and resources to its membership—and that is exactly what we do. In addition to the experience of our leadership team, no other industry group brings the benefits of a buying group together with the breadth of available business education resources, and the inclusion of innovative **DesignAlign™** selling system technology.



Ken Peterson
CKD PRESIDENT AND
FOUNDER, CKD, LPBC



Jenny Catalano
CHIEF OPERATING
OFFICER



Dan Luck
SENIOR VICE PRESIDENT,
EMERITUS



Greg Stebbins
DIRECTOR OF MEMBER &
VENDOR DEVELOPMENT



John Lang LPBC
VICE PRESIDENT,
BUSINESS COACHING



Amy Alberta
ACCOUNTING
COORDINATOR



Shannon Blair
OPERATIONS ASSISTANT



PRODUCTS | SERVICES FACT SHEET

Empowering kitchen and bath businesses with the essential tools for success in today's fast-changing economy

SEN business development tools were created with one purpose in mind: Provide solutions to the challenges of growing a kitchen and bath business.

Kitchen and Bath Industry Buying Group A business can benefit from membership in an industry buying group like SEN Design Group. A dealer's cost of goods sold represents the single greatest expense on a Profit & Loss Statement. The company will enjoy preferred group purchase rates, priority customer status, and additional purchase rebates paid quarterly from the group.

Business Education In the kitchen and bath industry, it takes impressive design talent to succeed. However, business success requires so much more than pure talent alone. A growth mindset as a kitchen and bath entrepreneur means pairing business knowledge with design savvy. Both elements are essential to growth and sustainable success. And, embracing the wide array of business education resources that SEN offers is key to that sustainability.

Innovative Technology DesignAlign™ is included with every SEN membership. It is an interactive, industry-specific platform which is easily accessible on all mobile devices, and allows the designer to work through a budget with their customer remotely, without the need for face-to-face interaction, integrating the Good-Better-Best project proposal/budgeting selling system. This software solution saves valuable time by reducing the sales cycle and exponentially increasing productivity — effectively doubling and even tripling annual sales.

Kitchen Design SEN Design Group offers basic, Level One to advanced, Level Two kitchen design training to enhance the sales capabilities of company staff.

Sales Boot Camp In partnership with Sandler Training, SEN provides world-class sales education to help dealer owners/managers, key salespeople, team members, and designers conquer the challenges of closing the sale quickly and more often.

SEN Business School SEN Design Group Business Schools are designed for owners, partners, general managers and business/office managers who wish to gain critical financial, business management, and marketing knowledge.

Profit Plan Business School Owners/Managers learn how to run the business profitably and set appropriate profit percentages in order to sustain and grow the business. Each attendee will walk away with a completed 3-Year Budget & Strategic Profit Plan.

Roundtables These seminars enable attendees to gain insight to SEN's expansive collection of assets while collaborating with industry peers. Attendees discover the best pricing formulas and explore industry best practices.

Business Coaching SEN Design Group's Business Coaching Program includes individual coaching, customized business consultation and business plan development that is designed to identify and build upon business strengths and transform areas of weakness.



THOUGHT LEADERSHIP

SEN Design Group Business Advisory: Pivoting to Success Amid a Crisis

Can you remember what you were doing one year ago? Probably not wearing a mask. Your business was perhaps chugging along just fine without any worries about a little virus called COVID-19. A year ago, any mention of COVID-19 would have resulted in a response of “COVID who?”

What a difference a year makes! Everything has changed. Constant hand-washing, social distancing and masks, a lot of them, are the new normal. We've had to learn new skills in a hurry, adapt to a rapidly changing environment, and adjust appropriately to meet the needs of a concerned and sometimes frightened client base.

The pandemic has turned businesses upside down and forced owners to examine their operations and make necessary adjustments to the current climate.

Inspirations are gleaned from companies that have pivoted amid this crisis. Their stories, and the adjustments made to their business models, should motivate us to look for innovative ways to create within our own spaces, and position ourselves for durable success going forward.

Case Study #1

Executive Chef and restaurant owner, Daniel Fox, is a darling of the community and an entrepreneur to boot. The pre-COVID business was booming. Reservations were hard to come by and required advanced planning to secure a table. Articles and reviews written about his farm-to-table cuisine raved about his organization.

The growth of the business included a passion for pigs—raising heritage hogs. The heritage breeds included Hampshire-Yorkshire and Red Wattle, among others. Prized for their flavor, he also furnished them to other establishments in the area. The Slopig movement, an annual culinary event, was another of his signature pursuits as well as a catering division.

Then the pandemic came along, and everything came to a screeching halt. The local health department required them to close their doors to thwart the spread of the virus. A once-bustling environment stood eerily quiet. A place of employment for many was now a place of work for only a few.

They were not alone. The whole industry was ravaged. Restaurants across the nation were forced to comply with the shutdown, ordered without seeking their input or advice.

Fox adjusted by modifying his catering business, once reserved for large private events, and opening it to the public. He shifted his menu from upscale cuisine to barbecue, thus expanding his client base. Relying on

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THOUGHT LEADERSHIP

pick-up or delivery of the food was not enough to sustain the business. The loss of alcohol revenue, among other sources of income, still needed attention.

He installed a sizable, circus-style tent in the parking lot and rented a refrigerated beer wagon. Placing it near the tent, 4-6 cold drafts and a full complement of red and white wines were now part of his offering. He promoted the beer garden, the barbecue, and even a drive-thru service. An occasionally marketed pig roast increased community awareness. Eager to escape from isolation, the public responded, and flocked to the outdoor tent. A once-empty parking lot was now the scene of a multitude of happy diners.

Case Study #2

Johnny Perri, the owner of J&M Jewelers, a 23-year-old Michigan jewelry company, was compelled to make a tough decision. The pandemic severely impacted his business. Forced to shutter their doors, sitting at home was driving him crazy. "I was going nuts at home with nothing to do, just pacing back and forth," said Johnny. The situation offered two options: (1) shut his doors for good and retire or (2) take the company's entire inventory and literally bury it in locations across the state.

Choosing to pivot instead of retire, he picked the second option. He closed their jewelry store using a creative approach, removed its entire contents, and proceeded to hide his million-dollar inventory of precious metals, diamonds, and antiques throughout Michigan. He was pivoting from selling jewelry to selling adventures, choosing a series of treasure hunts as a new revenue stream and business model to follow.

"Giving people adventure is giving them something to believe in again — besides this COVID crap," Johnny said. "We went through waterfalls, streams; we kayaked everywhere to find the best hiding spots across Michigan," he said.

To start the adventure, treasure seekers purchase a ticket (roughly \$49 - \$65 per person) and receive "maps, clues, and riddles that help treasure hunters find the prize." Once the first clue is released, the quest begins.

Case Study #3

Liliana's is a New Orleans style restaurant. Their bar and dining areas are temporarily closed during the current health crisis. Not content to sit idly and wait for things to return to normal, they took a proactive approach.

They announced two initiatives: Nom Nom Nom baskets and a pay-it-forward carryout menu.

The Nom Nom Nom baskets are a collaboration with locally known chefs and local farmers to create meal kits for the public to purchase and prepare at home. Every week one of the chefs works with local farmers to create a fresh, healthy meal for a family of four to cook in the comfort of their own home. Besides helping them stay afloat, this creative approach is also raising funds to support the farmers. To date, over \$60,000 is being invested in the local farming community.

Their pay-it-forward carryout menu allows customers to make a meal purchase delivered to a family in need. For \$50, the "Give-A-Soup" donation pays for 10 cups of soup for a person or family in need. For a \$100 donation, you can sponsor a live virtual music performance by a local area musician.

—Dan Luck, Senior Vice President, Emeritus



THOUGHT LEADERSHIP

SEN Design Group Business Advisory: Discovering Your Key Economic Driver

The last two advisories addressed the use of strategic dashboards and the importance of managing what you measure. Another critical piece worth exploring is an Economic Driver. Once identified, it can be a driving force for accelerated growth and profit.

In his excellent book, Good To Great, author Jim Collins defines a firm's Economic Driver as the single, most important factor on a company's bottom line. Once the eleven companies featured in the book got a lock on this factor, all business decisions were geared toward sustaining or enhancing the Key Economic Driver. So disciplined, these firms achieved a far more significant financial performance than any competitor, or any Fortune 500 company, for a minimum 15 years.

As a kitchen and bath firm owner, what is YOUR Key Economic Driver? To be sure, amid this current pandemic, most kitchen and bath firm owners would probably answer "sales" because it is what they need to stay afloat and have some semblance of positive cash flow, even if it is to be just temporary. Indeed, "sales" might be the dominant answer, even in good economic times. However, studies on the subject suggest otherwise.

Over the years, SEN has reviewed many financial statements that represent a wide array of business models in this industry. Despite the apparent dissimilarities in these models, there are critical elements of success and expense common to all. Collin's best-selling book prompted a more in-depth look to see if

there was one single economic driver that also would be common to all kitchen and bath owners.

The Key Economic Driver of Gross Profit Dollars/# of Employees was initially believed to be the primary factor for determining economic success among these businesses, but COVID-19 revealed the number of employees wasn't nearly as critical as the amount paid out to them. Someone being overpaid for a diminished performance would negatively affect a firm's bottom line. Conversely, an owner underpaying themselves (as many do) would have the opposite effect.

As a result, we firmly believe that the Key Economic Driver for most kitchen and bath firms, regardless of their business model, conceivably would be:

GROSS PROFIT DOLLARS/PAYROLL EXPENSE* EXAMPLE:

\$710,000/\$395,000 = 1.797 Factor

(Round to 3 decimal points)

* (Total of Salaries, Commissions, Bonuses and Payroll Taxes – Including that of the Owner)

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THOUGHT LEADERSHIP

To test this theory, SEN Design Group Members were solicited for assistance. If this theory proved to be accurate, SEN could establish useful Economic Driver Benchmark(s) for its Members to model for their operations. This information could be used to help our Members become more successful, increasing the likelihood that they would buy more products from our SEN Vendor Partners, and would thereby generate increased quarterly rebate returns for everyone.

Empirical Proof In Support Of Gross Profit Dollars Divided By Payroll

A request was sent out to the membership explaining that the results would be kept IN STRICT CONFIDENCE and used in a compilation report. SEN requested that the Members:

- Break out their Income Statements for the last 3-5 years (the more, the better!)
- Calculate the Gross Profit Dollars/Payroll Expense Factor for each of the submitted years
- Document how many times the Largest Factor also coincided with Higher Net Profits

Thirteen firms furnished this information by the requested deadline. At first glance, the sampling of 13 companies might easily have been considered insufficient to develop an accurate benchmark that would have value in the industry. However, upon closer examination, the analysis would cover 71 years of data supplied from a variety of business models, both large and small, and located from coast to coast. The conclusions of this analysis are as follows:

- 12 out of 13 firms achieved their highest Net Profit when the Gross Profit \$/Payroll Expense Factor under study was the highest

- The average Net Profit of the 13 kitchen and bath firms in their best years was \$257,000 (after owner salaries)
- The average Gross Profit \$/Payroll Expense Factor was 2.211 in these firms' best Net Profit years

In our view, there is a compelling 92% probability that a kitchen and bath firm's Key Economic Driver is, indeed, Gross Profit Dollars/Payroll Expense. An Economic Driver Goal of 2.200 should be embraced with all business decisions being made — such as budgeting, new profit center opportunities, etc. — to ensure a maximum Net Profit for kitchen and bath firms.

In support of achieving a 2.2 Economic Driver Goal, dealers need to think about focusing on all the factors that can enhance Gross Profit Dollars (and margins) such as:

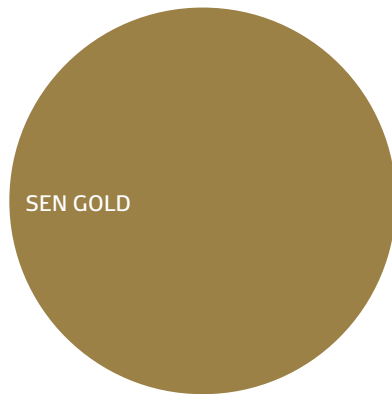
- An accurate Pricing Formula that covers overhead, captures the desired Net Profit, and dictates the gross profit dollars required to finance both
- A Showroom that serves as an educational center
- Marketing Strategies that support the Pricing Formula and demonstrate superior customer value
- Trained and skilled salespeople, all disciplined to follow a proven, consumer-friendly sales process
- The use of the latest technology to streamline operations and maximize team productivity
- Management systems and monthly procedures in place to measure this singular key metric

To summarize, as long as Members stay true to (1) what their passion is, (2) what they can be best in their marketplace, and (3) what their Key Economic Driver is (the engine that accelerates growth and profitability), they will outperform their competition many times over for a sustained period, making a lot of profit in the process.

—Dan Luck, Senior Vice President, Emeritus



DIGITAL ASSETS: DESIGN ALIGN



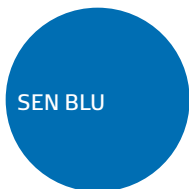
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R 168
G 143
B 79
PMS 872
C 34%
M 39%
Y 80%
K 7%
#a88f4f



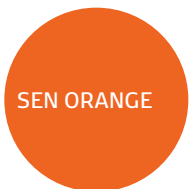
SEN LIME

R 190
G 215
B 59
PMS 375
C 30%
M 0%
Y 95%
K 3%
#bed73b



SEN BLU

R 0
G 110
B 159
PMS 2935
C 90%
M 50%
Y 0%
K 5%
#006eb2



SEN ORANGE

R 238
G 100
B 33
PMS 152
C 0%
M 75%
Y 100%
K 1%
#ee6421



SEN TEAL

R 77
G 155
B 183
PMS 7459
C 69%
M 25%
Y 20%
K 0%
#4d9ab6



SEN INDIGO

R 42
G 82
B 140
PMS 2945
C 90%
M 70%
Y 12%
K 12%
#2a528c

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