

FIRESIDE

UPDATE

A member benefit of MidStates HPBA

JUNE, 2002 • VOL. 3, NO. 3

3rd Annual MSHPBA Meeting a Must-Attend

The third annual meeting of the MidStates Hearth, Patio & Barbecue Association (MSHPBA) promises to be an exciting two-and-a-half days covering the latest technology, profit increasing techniques and employee retention. You won't want to miss this information packed event!

The annual meeting takes place July 21 to 23 at the Sheraton Lansing in Lansing, Mich., and kicks off with a sponsor welcome reception. Table top displays of the latest products and information our sponsors have to offer will be setup for attendees to view. This is also a great opportunity to begin networking with hearth, patio and barbecue professionals in your area.

Meeting planners have secured an agenda that builds on the annual event's reputation for providing applicable educational information from industry insiders. Back by popular demand, Tom Shay of Profits+Plus Seminars will present Part II of the Power Promoting session he gave at the 2001 Annual Meeting in Toledo. Shay has been collecting ideas from successful merchants for the past five years, and he brings it all to you in this one-hour Power Promoting presentation. Shay will be back later in the day to teach you how to plan your business. Attend "Creating a Positive Cash Flow With an 'Open to Buy' " and never be surprised by the figures in your monthly financial statement again.

With increasing government regulations and employees more concerned than ever about their job rights, you have to be prepared for the legal consequences of oper-



ating a business. Tim Dimoff, of SACS Consulting and Investigative Services, will walk you through the "Liabilities Issues From Hiring to Firing." Find out how to protect yourself while dealing with routine employee issues, such as hiring, firing, disciplining, promoting and drug testing.

And finally, Rick Dungey, of Drake & Company, will reveal how working with the media can be more valuable to your business than paid advertisements. When news reporters use you as an expert for a story about hearth, patio or barbecue products, consumers see this as a "third-party endorsement" of your store and the products you offer. Learn the basics of becoming a resource for local newspapers, radio and TV stations in this informative session.

Along with food for thought will be food for the appetite, so bring yours to the barbecue demo cook-out. The first-ever event is thanks to HPA's merger with the barbecue industry this past year. Some of the barbecue industry's leading manufacturers will prepare your meal on the finest grill equipment available.

Michigan's capital city has a rich history and culture, making it a great meeting place for this year's event. When you're not learning how to improve your business, take a tour of the capital building, take a ride on a real river steamboat or peruse some of the city's many fine arts museums. Or, simply enjoy the natural beauty of the countryside by visiting one of Lansing's many parks.

We look forward to seeing you July 21 to 23 in Lansing. For registration or sponsorship information, contact MSHPBA association headquarters at (314) 576-5333. 🔥

Annual Meeting Sponsors

Hearth Products Controls Co.



NRG Distributors



Empire Comfort Systems, Inc.



Enerco Group, Inc.

Robert H. Peterson



Pete Anderson, MS Distributors

Summer is here! This is the season that puts the "B" in MSHPBA. The weather this spring has not been the best for dealers, but some retailers are reporting good sales of mid- to high-end grills to grilling enthusiasts. I know that at our house, the marinating, basting and grilling goes on year-round, whatever Mother Nature has in store.

Your association has been cooking along, too. The national organization has been working on its long-range plan. The board will have met and made further progress by the time you read this. Look for more information in future newsletters.

At the affiliate level, final arrangements are being made for our biggest event, the MidStates annual meeting. I encourage everyone to gather with us in Lansing, Mich., for networking, great workshops to help us run our business, and our first MidStates barbecue event. Also, you'll have the opportunity to meet with HPBA CEO Carter Keithley and Chairperson Sharla Wagy.

The new and improved NFI certification program was kicked off in Anaheim this past April. We will be offering a gas certification review course and exam prior to our annual meeting. This is open to everyone, not just those attending the annual meeting. For more information visit the National Fireplace Institute Web site <http://nficertified.org>.

I look forward to seeing you in Lansing.

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(Term expiration year in parentheses)

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This newsletter is published by MSHPBA. Erica Della Croce, Editor

Charie Clark-Radovic Communications Chair.



By Greg Hill,
MSHPBA Codes
Committee Chairman

A number of Ohio hearth products installers who applied to be grandfathered under the new HVAC license requirements have received word that their applications were denied. We anticipated this outcome because the

application required proof of HVAC installation experience that many of us do not have.

Nevertheless, our committee recommended that members go through the HVAC license application process to enable those companies in areas where the inspectors are enforcing the new measure to continue installing fireplaces. In addition, the number of applications submitted reinforces our position that a sub-license is needed for fireplace installation. MSHPBA's Code Committee continues to follow the Ohio situation closely as we work towards the creation of a sub-license in 2003. We will keep members informed as legislation for sub-licensure moves forward. Watch for an update at our annual meeting in July.

Following state legislation that can affect the hearth products industry is a big job that the national Hearth, Patio & Barbecue Association (HPBA) is helping make easier for us. HPBA has subscribed to a web service that summarizes all bills being considered by state legislatures and changes proposed through federal legislation. The HPBA national legislative experts and members of your code committee are using this site to monitor proposed regulations in Michigan, Ohio, Kentucky, and West Virginia and to work for enactment – if it benefits us – or against enactment if the legislation would have an adverse effect on our industry.

To help us better track and respond to proposed legislation, MSHPBA is looking for a volunteer State Legislative/Regulatory Coordinator from each of our states. The coordinator would receive training and support from HPBA's national office. Responsibilities of the State Legislative/Regulatory Coordinator are:

- Establish and maintain expertise with legislative and regulatory issues in your state
- Respond to and assist the HPBA and MSHPBA staff as they track legislation and regulations
- Track, via the web site and mail, regulatory changes in subjects such as energy, the environment, and contractor licensing
- Participate in affiliate legislative/regulatory meetings if necessary
- Provide local comments and guidance to HPBA and MSHPBA staff on issue prioritization
- Assist, when called upon, to promote industry certifications, such as NFI

If you are willing to devote a few hours each month to helping your organization track and respond to legislative issues, please contact the MSHPBA office at (314) 576-5333 or call me at (330) 284-0760. 🔥

Make Your Vote Count

Four MidStates HPBA board seats are up for re-election. You should have already received in the mail the bios of the following 5 outstanding nominees. Ballots will be mailed on Friday, June 21. Write-in candidates are also allowed on the ballot. To make your vote count, all ballots must be postmarked no later than Monday, July 8.

And the Nominees are...

PETE ANDERSON is vice president of MS Distributors, Toledo Ohio, with responsibilities including the Michigan builder division and the dealer department. He currently serves as president of the MidStates HPBA and Region IV representative on the national HPBA Board of Directors.

CHERIE CLARK-RADOVIC joined B&G Fireplace Distributors, Inc. of Canton, Ohio in April as its marketing and national sales manager. She currently serves on the HPBA national board, and has been the Communications Committee chairperson for the past two years. She also has served as the secretary for the MidStates HPBA since its inception.

NANCY HENRY is the hearth buyer at her family's business, Towne 'n Country Hardware, in Garden City, MI. She has been dedicated to keeping current with the ever-changing hearth industry. She looks forward to sharing her desire for knowledge of new products and promotions with the MidStates HPBA.

BILL KIEFER is the owner and president of B&G Fireplace Distributors, Inc. (B&G) of Canton, Ohio. Bill has been an active member of the Hearth, Patio & Barbecue Association since its inception. Bill has served in many HPBA leadership roles, such as 12 years on the Trade Show Committee. Most recently, Bill was instrumental in the formation of the new MidStates HPBA affiliate and served as its first president.

MARTY MORRISON is president of Fireplaces 'N' Fixins' Inc., currently employing 13 people in the hearth products, HVAC, and geothermal sales and installations divisions. In season they feature a half hour 'how to' show on a local cable channel called "The Heating Show". Coming from the installation and application side of the business, four years ago he became Geothermal Heat Pump certified, and Ohio HVAC licensed to expand these areas of their business.



By Tom Shay, Profits+Plus Seminars

The following is a preview of Tom Shay's presentation "Creating a Positive Cash Flow With an 'Open to Buy'" that will be presented at MSHPBA's 3rd Annual Meeting on July 21-23 in Lansing, Mich. To register please call (314) 576-5333.

Pretend it is summer and you are getting ready to go to the merchandise mart. Has this situation ever happened to you? You are going to look for merchandise for the holiday season. As with most businesses, the months of November and December are the busiest 60 days of your year. Likewise, these two months should be the time of year when you receive the largest amount of inventory, and your inventory will be at its' highest level as you begin the holiday season.

However, here in July, you are concerned as you are examining the material that the merchandise mart and various vendors are sending to you. As you look about your store, you can see that your shelves are already full. Taking a quick calculation of what your sales should be within the next 90 to 120 days, you see that if you receive absolutely no inventory in that time, you will still have a substantial amount of inventory on November 1.

If you take a look at your checking account balance, and do the math for sales and expenses for these same 90 to 120 days, you find that you are not going to have enough money available to spend when you do go to market. There are a couple of options available to you. The first is to go to the bank and borrow the necessary money so that you can order, and pay for, the holiday inventory. The second option is to go to the mart and ask, maybe beg, for extended terms. Unfortunately, as the extended terms is a requirement of your holiday purchasing this year, you may find yourself walking away from vendors that you would want to order from.

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You may also find yourself placing orders with lines that are your second choice as they are the only ones who would give extended dating. The third option is to hastily create a clearance sale to free up as much money and shelf space as possible so that you will have the money and room for the inventory that will arrive as a result of your trip to the market. If you have ever found yourself in this situation, you have probably asked if there isn't a better way of solving it.

Unfortunately, the only better way is to develop a way of not getting into this position in the first place. And the best

way of preventing this situation from reoccurring is to learn how to create, buy from, and manage your inventory from an -open to buy. If you already understand and utilize an -open to buy - read on as we will have several new ideas to share with you in an effort to help you have your open to buy become a better management tool. However, if you have heard the phrase, but have never known how or why to have an -open to buy - then we can go a long way today towards making sure you never have to experience the situation we described at the beginning of this article.

The logic is that higher sales require additional inventory levels.

We will make the assumption that your business receives monthly financial statements in a timely manner. In this context, as an example, we mean you have completed financials for November so early in December, you are able to use the information to make decisions affecting December's financials.

When you are looking at the December financials, you are probably making a point to look at the line which indicates the amount of inventory you have on hand. As we would expect you to have December as your best sales month, your inventory for November 30 will probably be the largest amount of inventory you will have for the last day of business in any month.

But what if your business follows the model which shows you January and February sales to be the two slowest selling months of the year? Then the inventory you would want to have on hand for December 31, and for January 31, would stand to reason to be the lowest two end-of-the-month inventories you should have.

The logic is that higher sales require additional inventory levels. And if you can get by with lesser inventory, as with our two example months, you will want to make sure you are getting your money out of your inventory and into your checking account during the higher sales of December.

Unfortunately, if you do not utilize an open to buy plan, the ending inventory for each month will be a surprise to you as you first look at your financials. And without a plan, as you go to market to buy the next season of merchandise, you will find the necessary money is not in your checking account but is sitting on the shelves in the form of inventory.

How do you create an open to buy? You begin by establishing goals for your total sales for each of the next twelve months. If you track your sales by departments and finelines you will want to establish a goal for each department for each of the twelve months.

Let's take a quick moment to define each of these. Within your store, you sell many types of products. As an example,



you may sell candles which could be a department of your business. Within the department of candles, you probably sell candle pillars of various diameters and lengths, tapers of various lengths, as well as other types of candles such as liquids.

Some businesses will track their inventory and sales of each of these groups of products within the candle department. These groups are called fineline categories. With the more defined information, you gain more knowledge about the inventory and sales within your business.

The second step is to know the maintained gross margin for your store overall. And again, if you are tracking sales by departments and finelines, you will want to know the maintained gross margin for each of them. Taking each month's sales goal and multiplying it by the margin, the answer will tell you how much inventory at cost you are expecting to sell for that particular month.

For example if you sell collectables and for the months of November and December you expect to sell \$3000 and \$5,000 respectively in collectables, with a maintained margin of 45%, you will be selling \$1650 at cost in November, and \$2750 at cost in December. Now perform this same task for each department and fineline for each month.

With this number in hand for our example, we are going to pretend you will have \$5,000 in inventory on October 31. As November and December are your best months for selling collectables, you will not want the same amount of inventory on hand on December 31.

You need some inventory for those who are making purchases with their "Christmas cash" in January, but you know that you want less inventory. Again in our example, you have decided you need \$2000 in inventory at year end. Here is the math:

| | | |
|---------------------|---------|-----------|
| 10/31/01 inventory | \$5,000 | (at cost) |
| less November sales | \$1,650 | (at cost) |
| less December sales | \$2,750 | (at cost) |
| balance | \$ 600 | (at cost) |

With these figures, for you to have the desired \$2000 in inventory for December 31, you need to have \$1400 in inventory, at cost, to arrive in November or early December. If you fail to have this much inventory arrive, you will have a very poor selection for those after Christmas shoppers, and if you have too much inventory, your cash to pay year-end bills will be sitting on the shelf in the form of inventory and you will be struggling to figure out what to do.

What if sales are not what you expected them to be? Then you will have to decrease your open to buy for the following month. If sales are greater than anticipated, you have additional open to buy and you will be calling the vendor to get an order placed for immediate delivery.

If sales are less than expected, you will be starting the new year with more inventory than you want. You will then take your open to buy for the first part of 2001 and decrease it by a like amount.

There are a couple of questions that probably still remain. How often should you calculate open to buy? While monthly is the traditional time frame, you may find that this is too overwhelming and want to use bi-monthly or quarterly.

How should you calculate an open to buy? You can get buy with something as simple as a columnar pad, pencil, and calculator to create a chart as we have just described. If you are comfortable working on your computer with a software program such as Microsoft Excel, you can create an open to buy chart which is updated with the pressing of a couple of digits and the 'enter' key.

Consider the statistic that indicates 54% of the businesses that fail, do so with a financial statement that shows they are making a profit.

There are also software programs available designed just for retailers. One such program is "The OTB Book", created by a former retailer by the name of Mort Haaz. You can see a sample of his creation on his website (www.otb-retail.com) or by calling 1-800-444-4682.

Should an open to buy be such an important part of your business? Consider the statistic that indicates 54% of the businesses that fail, do so with a financial statement that shows they are making a profit. Their problem is that they have no cash available to pay bills. The answer is yes! You need an open to buy if you want to be open for business. 🔥

NFI Gas Certification

Sunday, July 21 at the Sheraton Lansing in Lansing, Michigan

BECOME NFI CERTIFIED BECAUSE...

- Vital to your business
- Increase productivity
- Customers choose you
- Reduce turnover

WHO SHOULD REGISTER?

Installers, sales force, customer service personnel of retailers and installing distributors who want to learn the latest, brush up on skills, get deserved recognition.

THE NFI CERTIFICATIONS SET A NEW STANDARD IN THE INDUSTRY

CERTIFICATIONS ARE NOW VALID FOR 3 YEARS!



OSHA Announces New Approach to Ergonomics

On April 5, OSHA Administrator John Henshaw unveiled OSHA's new approach to ergonomics. Titled *Effective Ergonomics: Strategy for Success*, the four-pronged approach includes: (1) the development of voluntary industry- and task-specific guidelines; (2) targeted enforcement under the "General Duty Clause," which allows OSHA to cite employers for allowing recognized hazards to exist in the workplace; (3) outreach to employers, especially small businesses; (4) additional research on the science of ergonomics. OSHA's plan is a vast improvement over the burdensome, draconian Clinton era rule. Still, employers are wise to focus on identifying and reducing workplace injury threats. For more information go to www.osha.gov.

Just the Fact Sheets Please

By Rick Dungey, MidStates Executive Director

So, have you ordered your FREE 50 copies of the Industry Fact Sheets from HPBA yet?

If you answered "No" or "I'm not sure" you are definitely missing a great opportunity. The Fact Sheets are very versatile tools that you can use to enhance advertising, marketing and/or current promotional activities for your business.

Here are some quick ideas for various ways to use the Fact Sheets:

- product display areas
- POP racks
- mailers to former and potential customers
- use them as ad copy
- send them to home & garden editors and lifestyle editors at the local paper(s)
- send them to the managing editor at the local paper(s) – smaller papers and local editions especially are often looking for things to fill space and would use the sheets for free

Do you like coming up with ideas like these? Is Public Relations still a little overwhelming to you? At the annual meeting in Lansing, we will discuss the nuts and bolts of PR, the tools needed to do it (many tools are already there and FREE to members!), the benefits you can expect to receive from a good PR plan, and how to conduct a solid interview when your PR works and you are called by a reporter.

I'll see you in Lansing on July 30, and in the meantime – just give me some Fact Sheets!



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Serving
HPBA's
Members
in Kentucky,
Michigan,
Ohio &
West Virginia