

Ethan Allen  
Hosted by Farooq Kathwari  
Network wide Conference Call  
October 3, 2013

Thank you for participating in this network conference call. I am pleased to review a number of initiatives and also open up for any comments and questions you may have. Today I will focus on the following main areas:

- ☒ Overview of the September quarter just ended;
- ☒ Launch of The New Eclecticism (TNE) this month. This is an important next progression in our reinvention. We are migrating from Furniture to Fashion;
- ☒ Role of Technology – we have a unique opportunity to leverage our personal services and new technology;
- ☒ We are positioned to be more relevant this Holiday season;
- ☒ Focus on service and quality;
- ☒ Moving forward to 2014.

**We just ended our first quarter of the fiscal year on September 30<sup>th</sup>.** As you know, the timing of our price increase in August helped our written business this quarter. In September, we launched the Platinum program by sending our direct mail magazine to 5.3 million households nationally. Our retail network was successful in selling most of our floor samples during August and September.

I realize the work that has been undertaken to get ready for the launch of The New Eclecticism marketing program in October. During the last two weeks, I had an opportunity to meet our associates in the greater San Francisco and Chicago markets, and I observed the work being done to get our Design Centers ready to start projecting the attitude of The New Eclecticism.

**We believe our focus on The New Eclecticism is timely and provides a competitive advantage.** We must migrate from being a home furnishings leader to a fashion leader in our industry. As you have noticed, color and mixing of attitudes in many fashion categories is growing. We believe it is timely for us to introduce this attitude of eclecticism in our offerings and in the projection of our Design Centers. I am sure you realize we are just beginning to roll out this new attitude and will continue to develop it further with our offerings and in all our messages, whether print or digital.

The official launch of The New Eclecticism (TNE) started yesterday (October 2<sup>nd</sup>). The launch of the TNE project includes a new voice, a new visual attitude, and a new vision

of the brand. It is a message that aligns not only with what makes us different, but how people are living their lives. The main element of our coordinated and integrated campaign - from projection of Design Center, to direct mail to twitter – is fully integrated. The key elements are:

- ☒ A 60-page direct mail magazine hits in-home October 7 – 10
- ☒ All digital elements featuring TNE – website, emails, and social media – have a coordinated message
- ☒ In-store signage – all new materials (if not yet received, be assured they're on the way)
- ☒ A new TV spot “Goodness Knows” will be used in a number of local markets and also nationally on HGTV from November 24<sup>th</sup> to December 16<sup>th</sup> and again during the January through March quarter as part of our HGTV Dream Home partnership. This year, the “Dream Home” is in Lake Tahoe, Nevada
- ☒ We have posted on the extranet posters, counter cards, print and digital ads
- ☒ I am also pleased to advise you that we are raising our profile and making a statement in several November national shelter magazines which should hit in-home and on stands by middle of this month. We are advertising in:
  - House Beautiful – high impact cover and a spread on pages 2-3.
  - Spread in Elle Décor
  - Spread in HGTV Magazine

**Combining personal services with technology provides us a great competitive advantage.** Starting this month, we are accelerating our efforts in social media. As you know, the categories that really thrive and succeed in social media are “passion categories” where people are deeply involved and engaged and interior design is definitely high on the list of passion categories. We are creating stronger presence and driving a deeper conversation across major social media platforms. Our objective is to, on an accelerated basis, increase our presence in digital and social media by acquiring new emails, fans, followers, pinners, etc. In this regard, our latest social media platforms are Instagram and Google+. As you know, Instagram is an online photo-sharing, video-sharing, and social networking service that enables its users to take pictures and videos, apply digital filters to them, and share them on a variety of social networking services. We also have a growing fan base on Facebook, Twitter, Houzz, and Pinterest.

You will note that all our social media platforms will reflect the new look of TNE. To launch TNE, we have started a sweepstakes during the month of October on Twitter where a lucky winner will receive \$2,500 good toward Ethan Allen products. Entrants must have a valid Twitter account and will have the option to receive our email

communications at the point of entry. We also plan to ask our design associates to take a very active part to tweet “Design Twips”. We will provide more information on this very shortly.

As you are noticing, social media will continue to be a major focus in November and December. Incidentally, I came back from Chicago last evening. I had an opportunity to meet our associates and also attended the Shop.org Conference as a Director of the National Retail Federation. Shop.org focuses on digital and social media. Corey Whitely also attended the conference.

I am also pleased to advise you of further developments in the area of technology:

- ☒ We have implemented updates to Ethanallen.com to provide for easy sign up for Platinum membership. All Platinum members are now identified separately in our email database. We have started sending member-only emails to our Platinum members.
- ☒ My Projects is online and our clients can create idea boards and request to collaborate with a designer. Products can be clipped from the site or selected from a catalog to build projects.
- ☒ Our mobile site is fully functional, providing customers the ability to browse our products, sign up for Platinum membership, find their nearest Design Center and purchase online. As you know, the concept of “omni-channel” is a competitive advantage for us, as we have real stores, professional design associates, and technology for consumers to complete their buying decisions.
- ☒ The touchscreen is being updated next week with a Platinum membership sign-up option from the main menu.
- ☒ EATV On-Demand launched two weeks back on our new web-based platform, allowing us to be viewed from any device that is connected to the internet.
- ☒ And finally on technology, I am pleased to announce that we are now ready to ship Ethan Allen tablets for use by our designers in November. We had to make sure our platform was ready for this important tool. As you know, during the last year we migrated our website to a cloud-based environment, improved the capability of our retail systems, and integrated them more to our vertically integrated structure. The tablets are the new Microsoft Surface 2, which will launch October 20<sup>th</sup> with the new Windows 8.1 operating system. We are developing a comprehensive training program and you will receive more detailed information on this very important initiative shortly.

**We are positioned to be more relevant this holiday season.** In November, we take The New Eclecticism to the next level with a special focus on the holiday

period. I am pleased that while October Direct Mail and other communications are strong, you, and importantly our clients, will be pleased with our November initiatives. We will again have a coordinated and integrated communications program from direct mail to Twitter. We plan to again mail out a 52-page magazine with an 8-page insert during November. We plan to continue to have a strong digital presence with the goal of gaining new followers, and we will run sweepstakes in November and December.

**We continue to focus on quality and service.** As you know, the launch of TNE in September was a major undertaking and I pressured everybody to work on very tight time frames. We are pleased that the vast majority of our new products have reached you. The balance is on its way. We have continued to provide good service on our products, 70% of them made custom in our North American facilities. The few items that are on the delayed list are being given lots of attention.

**And finally, a brief glimpse of our initiatives for first half of 2014.**

- ☒ We plan to continue projecting TNE through our various communications. In addition, we are planning to brand our iconic products and interior design services in a very exciting manner.
- ☒ As we are in the Fashion business, we are developing our Spring Fashion launch of new offerings and projections which will maintain the momentum.

And now I am ready to open for questions or comments.