

USC Marshall

School of Business

Center for Management Communication

LA-Z-BOY, INC: A Case Study in Internal Communication

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INTRODUCTION

It was February 12, 2010, and Jim and Liz Hamby – owners and presidents of the Northern California La-Z-Boy stores – were talking late into the night with one of their store managers, Traci Murdock. The three say gloomily in one of the room vignettes, discussing why store revenues had not been more successful that week, despite special promotions and advertising. Moreover, Traci and the Hambys were concerned about why they were off to such a poor start in, given that January is traditionally the second best selling month of the year.

Traci was also worried about her own job because her store’s business had been lackluster for most of the past year as well. She was out of ideas about how to return her store to the comfortable profit margins of previous years. Traci wondered if the sales staff simply was ignoring the training they had received.

She asked the Hambys, “Why do my employees continue to try to sell ‘their way’ and not follow our “company recipe,” despite their repeated poor results?” “How do I convince them that what we teach is the best way to get them to sell the most?” Most of all, she questioned, “How can I get my store back to being number one and getting everyone hitting their sales targets like we have in years past?”

BACKGROUND

Jim and Liz Hamby had been the owners of the Northern California La-Z-Boy stores for nearly 15 years. They took over the company in 1997 from Liz Hamby’s father, Eugene Goldberg^{1 2}. At first the couple saw steady profits from the four stores they inherited. Then, after implementing their business strategies, they began to see rapid growth in sales and profits.

In fact, they moved all four of the stores to new locations and grew their market to six stores which covered a much greater area of Northern California. They expanded their company from having only about 40 employees and four stores to having more than 150 employees and six stores in just over a decade.

Furthermore, the Hambys’ most profitable store was continually ranked in the top five and two of their other stores in the top 25 of the more than 300 La-Z-Boy stores across the United States³.

Traci Murdock had been a manager of the top-performing Roseville La-Z-Boy Furniture Galleries store for some six years, a highly successful period in the history of the Northern California stores.

^{1 2} Reego, Jim and Liz. Presidents and Owners of the La-Z-Boy Furniture Galleries Stores in Northern California. “Answers from the Employees at La-Z-Boy.” La-Z-Boy Store, Sacramento, CA 95746. 30th April 2012.

³ La-Z-Boy Incorporated. “Northern California La-Z-Boy Furniture Galleries.” La-Z-Boy Website. La-Z-Boy Incorporated, 2012. 30th April 2012. <<http://www.la-z-boy.com/About/?WT.ac=about@FooterMenu>>.

However, in large part due to the recession that struck in 2008, all six of the Northern California La-Z-Boy stores took serious hits to their profitability. Business in Northern California, which had been booming for the five years up until 2008, saw as much as 30 percent decreases in some monthly sales⁴⁵. But it is important to note that the number of customers coming into the stores during those months had not decreased by nearly that much.

KEY PROBLEM

Clearly, the recession could not be entirely blamed for such a drastic drop in sales. There were many internal business problems that had to be addressed. Furthermore, Jim and Liz Hamby knew that if they hoped to survive the recession and again be successful, they would have to exert some control adapt and advance their business strategies in ways that would fit the current times and regain profitability.

INCREASED TURNOVER

They noted that the number of new employees had significantly increased. For one thing, this was because the Hambys had recently opened two new stores, adding 20 or so new employees. Second, La-Z-Boy paid a commission-based salary, and when employee incomes dropped when their sales declined due to the recession, the turn-over rate of the company significantly increased.

The increased percentage of new employees left La-Z-Boy management struggling to instill a strong company identity as well as implement the proper sales “recipe.” During the successful years, the employee ranks were more stable -- most of them had been with the company for several years. Therefore, the majority of the employees knew proper store etiquette, attire, and sold products in what the Hambys viewed as the ‘correct’ ways. Day-to-day activities went more smoothly and less time was spent teaching employees how to sell or trying to persuade them that the tried-and-true sales methods they had been taught would work.

In 2010, managers failed to maintain a solid customer-close ratio. This was especially critical in the wake of the recession, when it was urgent to convert as many walk-ins as possible to happy customers, since fewer customers were venturing into the stores. Weary of trying to push salespeople to pitch products using the traditional sales “recipe,” so forcefully pushed by the company, managers began to stray from past practice.

The Hambys argued about what actions they should take in order to reinvigorate the use of their traditional selling strategies throughout the entire company. They suspected that inconsistent internal communication was the culprit, leading plummeting sales and decreased profits.

⁴⁵ Reego, Jim and Liz. Presidents and Owners of the La-Z-Boy Furniture Galleries Stores in Northern California. “Answers from the Employees at La-Z-Boy.” La-Z-Boy Store, Sacramento, CA 95746. 30th April 2012.

GERS to RMS

In an attempt to reduce costs and improve company efficiency, the La-Z-Boy stores had moved from a General Electric Retail System computer program (GERS) to a Retail Management System computer program (RMS). GERS was a computer system that required at least one office staff person to input the sales orders and then at the end of the day compute store totals and send those computations to top management. The new system, RMS, was a computer program that could be accessed by anyone working for the company. It allowed each salesperson to input his or her own sales; the program then automatically computed the totals.

Despite the benefits of this new program, many employees, and even managers, were hesitant to use it. When the Hambys spoke with Traci, she claimed that “none of my employees understand how to use it,” and that she “repeatedly has to stay late to input all of their sales.” In order, for the new program to be useful, the employees had to receive adequate training in how to use the system, and the program would have to be universally used by all the employees.

WAREHOUSE TO RDC

Next, La-Z-Boy Incorporated – the manufacturer and supplier of the furniture to all the privately owned branches of La-Z-Boy Furniture Galleries across the country – built a Regional Distribution Center (RDC) supplying all of the west coast La-Z-Boy stores. Rather than have each individual vendor store products in their own warehouse, La-Z-Boy Inc. wanted to manage inventory centrally.

After weighing the costs and benefits of moving to a new distribution method, the Hambys realized the RDC would be best for their stores. So the Hambys sold their 60,000 square-foot warehouse and transitioned to using the RDC located in Southern California. The managers and salespeople had to be trained how to properly place orders and taught how to check order statuses so they could accurately inform their customers.

Moving forward, the Hambys knew they would to determine the best ways to teach their employees about the new means of distribution. The company could not afford to have employees incorrectly place orders or cause delayed shipping to the customers. Therefore, it was up to management to not only train the employees in placing orders, but also to teach them how to contact the RDC and track their orders. Ample communication among all the store employees and the RDC would be vital to the success and efficiency of the new means of distribution.

ICOVIA

Finally, the La-Z-Boy stores introduced the online interior design software, Icovia. This computer program did two major things. First, it allowed designers to show customers any piece of furniture in any fabric, style, or color in a 3D computer model⁶. Second, it allowed customers to give a designer their room dimensions and then the designer could place the furniture virtually and show customers what their room might look like. This computer program significantly advanced the way in which in-store selling could be accomplished and would be extremely advantageous for designers.

When a customer would come into the store, a salesperson would greet him or her and then try to figure out his or her wants and needs. Upon realizing that the customer was in search of more than just one piece of furniture, the salesperson would introduce a designer to the customer. Then, as a team, the designer and salesperson would propose options for the furniture the customer needed.

Icovia was an advanced computer program; although potentially of enormous benefit, it required coordination of communication at multiple levels to be used correctly. Since the program was fairly new, the Hambys would have to establish a protocol to guide multiple employees in helping the customers through the process. The Hambys knew that eliminating the salesperson from the equation, letting customers desiring room “make-overs” work only with a designer, would not be a viable option. Salespeople and designers had to work together, and management would need to devise new internal communication guidelines for the employees to follow if Icovia was to be used successfully.

CONCLUSION

The Hambys faced a critical time in their company, and recognized in 2010 that the communication tools used in the stores and in the interaction between owners and store managers were vital to their future success. They needed to re-instill faith in sales protocols and train employees, new and old, to adapt to the several important company advancements.

DISCUSSION QUESTIONS

1. What might have motivated employees to abandon the standard sales techniques they had been taught?
2. What internal communication tools could have helped managers to identify the problem sooner?
3. How should the company have prepared the sales staff to use the new technology tools?

⁶ Icovia. “Icovia Online 3D Interior Design Software.” – Space Planning and Interactive Floor Plan Software for Retailers, Manufacturers, Designers, and Realtors. 24th August 2010. Website. 30th April 2012. <<http://www.icovia.com/3d/>>.

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