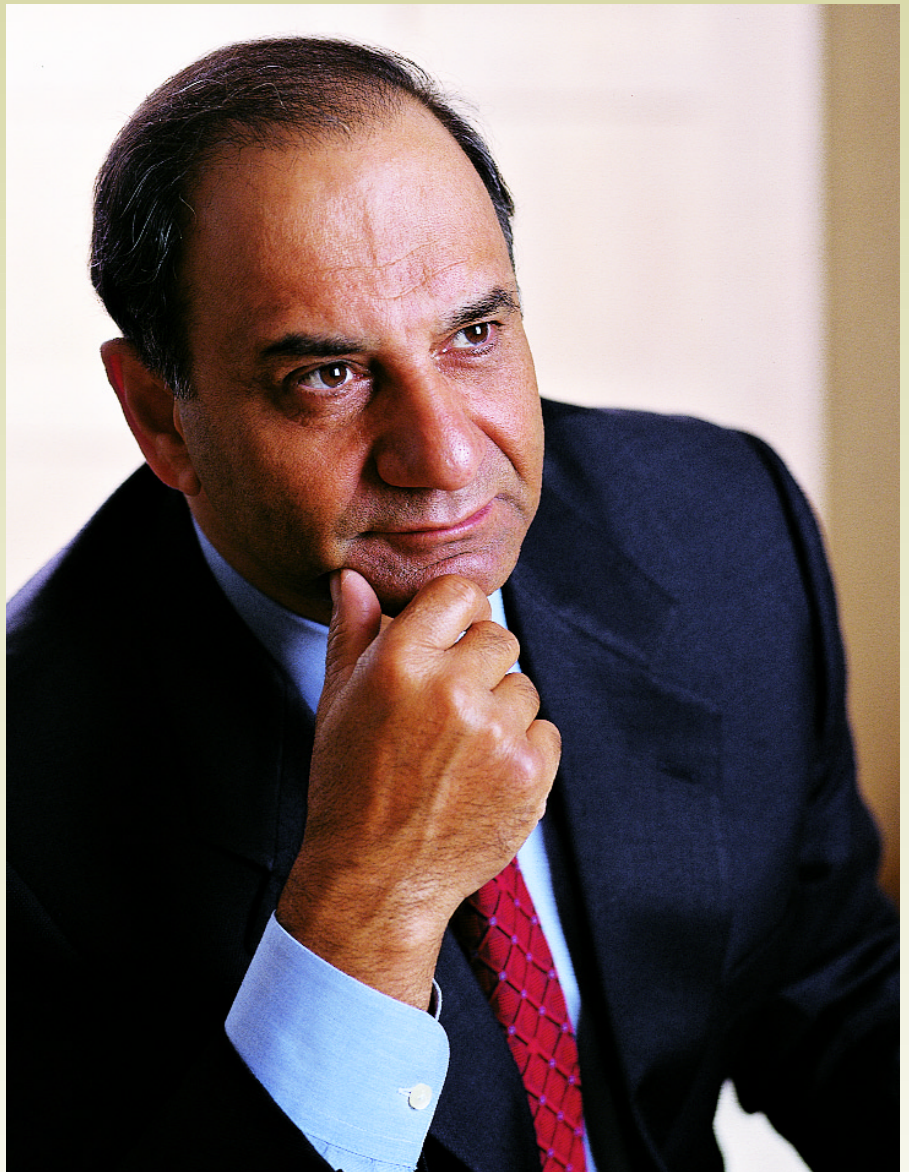


The Courage to Change

An Interview with Farooq Kathwari, Chairman, President, and Chief Executive Officer, Ethan Allen Interiors, Inc., Danbury, Connecticut

EDITORS' NOTE Whether at any of its more than 300 stores in the U.S. or overseas locations, Chairman, President, and CEO Farooq Kathwari contends that "the aspirational value of Ethan Allen is strong and universally appealing enough to yield success around the world." For, today Ethan Allen is simply "a great aspirational brand," he maintains — one that "represents a very diversified range of styles" and is "known for the unwavering quality and beauty of its furnishings." Or, as President George W. Bush put it a bit more succinctly during Kathwari's recent trip to the White House, "You've got great furniture!" As such, and although "we're in a recession," Kathwari points out that "our operating margins at Ethan Allen have been about 15 percent during this period"; plus, "we've continued to grow our sales." And further, he holds, the company's "strong results, both over the course of many years and in the current down market" have, in large part, "been made possible because of the many aggressive steps we've taken over the past 15 years to reposition and reinvent the company." So, "when times got tough, we were able to depend and draw upon the strong foundation we'd laid over the course of many years."

More specifically, about 15 years ago, "we realized that we had a great opportunity to take Ethan Allen and make it the best in its field," the chairman, president, and CEO remembers. For that reason, "we started changing the way we did things," both "in terms of managing the business and taking steps to become more productive in every area." Such steps indeed reflect what Kathwari pinpoints as another key factor contributing to the company's enviable performance: "having a very strong long-term outlook for the business." And, today, Ethan Allen is continuing to keep its eye on the horizon, he notes, as "over the past nine to 10 years alone, about 50 percent of our stores have been moved to better locations, more than 90 percent of our product line has been changed, and we've gone from 27 plants to 17 plants, while increasing the productivity at our plants by over 200 percent."



Farooq Kathwari

But beyond the universal appeal of the Ethan Allen brand or the longstanding *savoir-faire* of its management, Kathwari believes the number-one reason the company has continued to thrive boils down to its unique environment, "in

which people are constantly thinking of improvement and reinvention." The fact is, "reinvention, change, and the ability to look at everything with a fresh perspective are vital to our relationships with our customers and, in turn, to the suc-

cess of this business" – a perspective, he reports, that has "become something of a campaign at Ethan Allen." After all, "progress leads to progress, development leads to development, and reinvention leads to reinvention." And given those truisms, "our culture and attitude of constantly seeking reinvention have been vital to our success," he stresses. For that reason, the firm is currently developing a number of exciting initiatives, including a new line of furniture for the bathroom, the first-ever Ethan Allen kitchen products, the Ethan Allen Kids store-within-a-store concept, a new hardcover book on style, a TV show about decorating, and the complete redesign of its 300-plus stores. For, ultimately, "our strategy for the future is focused on the fact that

there's a tremendous, growing interest in the home," Kathwari observes. And in that flourishing landscape, he adds, Ethan Allen will continue to grow, based on its philosophy of constant renewal. For, "I firmly believe that it's possible to change your perspective and, in turn, to transform your business or your life," the chairman, president, and CEO concludes. "All it really takes is the courage and the wisdom to try."

With a B.A. in English literature from Kashmir University and an M.B.A. in international marketing from New York University, Kathwari began his association with Ethan Allen in 1973, when together they formed KEA International. In 1980, when KEA formally merged with Ethan Allen, he became a

vice president, president (1985), and chairman and chief executive officer (1988). In 1989 he took Ethan Allen private in a management-led buyout, and four years later he took the company public. Kathwari is a member of the Council for Foreign Relations, a director of Refugees International, president of the American Furniture Manufacturers Association, and founder of the Kashmir Study Group. In June 2002, he was honored as "Entrepreneur of the Year" in the consumer products and services category by Ernst & Young. In January, he will receive the Gold Medal Award from The National Retail Federation (NRF) and will be recognized for his human rights efforts with the First Freedom Award.

The attitude of reinvention is now looked upon as positive and essential for growth.



COMPANY BRIEF *Founded in 1932, and based in Danbury, Connecticut, Ethan Allen Interiors, Inc. (the holding company for Ethan Allen Inc.), is a leading manufacturer and retailer of home furnishings, distributing a full range of furniture and decorating products through a network of more than 300 stores, of which about a third are corporately owned and of which 294 are located in North America. With 17 manufacturing*

facilities, 3 sawmills, and approximately 10,000 associates (including some 5,000 craftsmen in the plants and more than 3,000 design consultants), the corporation (NYSE: ETH) reported net income of \$82 million on total sales of \$892 million for the fiscal year ended June 30, 2002.

Last year Ethan Allen celebrated its 70th anniversary. In that time, the firm has become one of the world's

largest companies of its kind, providing virtually everything for the home, from furniture to decorative accessories to interior-design consulting.

That's right. In our market and for the level and style of consumer we're reaching, I would say that we're the largest company.

And you will soon be celebrating two of your own milestones: 15 years as chairman of Ethan Allen and 30

Ethan Allen is known as a classic yet innovative and, above all things, quintessentially American brand.



years of association with the company. During that time, you've developed quite a reputation yourself, for being a resolute optimist, a courageous leader, and a father of reinvention, who continually introduces new and exciting ideas for both the company and its product line. How do you manage to come up with these ideas again and again?

One has to create an environment in which people are constantly thinking of improvement and reinvention. Over the past 14-plus years, I've spent a great deal of my time trying to create this sort of environment and communicating the message that reinvention, change, and the ability to look at everything with a fresh perspective are vital to our relationships with our customers and, in turn, to the success of this business. In fact, this has become something of a campaign at Ethan Allen. It's interesting: when you're on a campaign, and everyone's marching with you, what happens is that you continue to move all the time. It's a fascinating yet reliable phenomenon that progress leads to progress, development leads to development, and reinvention leads to reinvention. So our culture and attitude of constantly seeking reinvention have been vital to our success.

In fact, I was just talking to 200 design consultants about two areas in which we need to keep conveying this message. The first area is the Ethan Allen Treasury, which has been our catalog for more than 30 years. It's very well respected and well recognized, but in 2002 we decided to change it completely, which seemed to surprise and even shock many people. Nevertheless, I knew the time had come to change it, so that's

exactly what we did, and it has been very successful. Similarly, we just finished redesigning the façades of our 300 stores, and we've now spent an entire year developing a new design, so we'll soon start the process all over again. In the past, our retailer network had a hard time accepting change, particularly the first time we tried to do it. But, today, they all realize that it's the right thing to do because the attitude of reinvention is now looked upon as positive and essential for growth.

And in doing all of this, Ethan Allen is enjoying an impressive combination of increased sales, increased brand recognition, and an increased share price, even though most companies around the world today are suffering in all of these respects.

Yes. That's an important point, and I believe our success is, in large part, a result of having a very strong long-term outlook for the business. We started changing the way we did things about 15 years back, in terms of managing the business and taking steps to become more productive in every area. For instance, over the past nine to 10 years alone, about 50 percent of our stores have been moved to better locations, more than 90 percent of our product line has been changed, and we've gone from 27 plants to 17 plants, while increasing the productivity at our plants by 200 percent.

In the midst of all these changes, we've also managed to keep one thing top of mind: We've focused on running this business the right way, which means running it as one business, and for this reason, we've stayed away from acquiring



The ability to look at everything with a fresh perspective [is] vital to our relationships with our customers.

companies. The fact is, we realized that we had a great opportunity to take Ethan Allen and make it the best in its field. Along these lines, what we've seen over the past two years has been interesting: Times have been tough, and clearly we're in a recession, but our operating margins at Ethan Allen have been about 15 percent during this period. The cash we've been able to generate has also been extremely strong; plus, we've continued to grow our sales.

More specifically, take a look at our performance over the past five years. Our sales growth during this period has had an average compound rate over nine percent. Meanwhile, our operating margins for the past five years have averaged 16.2 percent, while our cash flow, or EBITDA, for this period has been over 18 percent. Our return on equity has been about 22 percent, while our earnings-per-share growth rate has been about 13 percent. And, of course, you have to keep in mind

that these numbers include the past two years, which have brought our averages down a bit because we've been in a recession. Clearly, this performance is very impressive, and I think it has been made possible because of the many aggressive steps we've taken over the past 15 years to reposition and reinvent the company. So, when times got tough, we were able to depend and draw upon the strong foundation we'd laid over the course of many years.

That's a remarkable record, particularly when compared to the performance of other companies in the current economy. Of course, previously under your leadership, Ethan Allen's management took the company private from Interco in 1989 and then took it public on the New York Stock Exchange in 1993. You've obviously done a remarkable job over the years. Are they paying you enough for everything you've done?

furniture!" I imagine he's familiar with the Ethan Allen brand because we have stores in Texas. Plus, I was coming home from a trip to Geneva, and a customs inspector at Kennedy International Airport asked me, "What do you do?" I said that I am the president of Ethan Allen. His eyes lit up, and he said, "I just purchased my first Ethan Allen piece about two weeks ago in New Jersey!" So we've really created a great aspirational brand that appeals to many people today, and we realize that

continue to do more. These shows are interested in Ethan Allen because of its name recognition and because of the fact that their viewers can relate to the brand and are attracted to our furnishings. And all of this attention, of course, only adds to our aspirational value.

In a way, these marketing ideas date back to 1954, when the company presented its millionth piece – a maple chest – to President Dwight Eisenhower.

We want to make decorating fun and easy; that's the future of this business That's why at Ethan Allen we want to provide the solutions.

Yes, I believe so. Ultimately, my reward comes, first and foremost, from the fact that I can take pride in everything we do here. We have over 10,000 associates at Ethan Allen, and to be leading an organization in which this many people take pride in their work is in itself a great reward. Plus, I've been financially well rewarded over the years. In fact, it's my intention to use a sizable portion of these rewards to fund our family's Irfan Kathwari Foundation. This foundation, during the last several years, has been involved in many humanitarian works such as scholarships, grants to scholars, and refugee matters. The fact is, I've been very, very fortunate, so it's my objective to make a lot of money and then give back a considerable amount via humanitarian causes.

Recently, you signed the SEC filing live on CNBC's "Wake Up Call," even though Ethan Allen was not one of the mandated companies. Why did you feel it was important to sign it?

I signed it to ensure all of our stockholders, our customers, and all persons we are associated with of our credibility. On the other hand, we really should not have to sign such documents because we are supposed to have the right information. I thought that was part of our responsibility and obligation.

As part of Ethan Allen's 70th anniversary celebration, you've created what you call "dream rooms" for a number of famous people.

That's right. In fact, I recently had the wonderful opportunity of being in the White House. I was invited by President Bush, and one of the first things he said when he saw me was, "You've got great

it's important to continue to foster and grow Ethan Allen's relationships with celebrities and their homes. So our "dream room" concept is an exciting one, and we believe that it's being very well received.

Ethan Allen is known as a classic yet innovative and, above all things, quintessentially American brand. As such, you've designed interiors for many VIPs and celebrities in the United States. But how has the brand been received overseas, in markets outside of America?

At this stage, obviously our greatest presence is in the United States. But we do have stores in Japan, the Philippines, Taiwan, and Korea, to which we've attracted quite a few celebrities and notables. In addition, we have a few stores in the Middle East. In fact, the famous 1994 Treaty of Peace between Israel and the Kingdom of Jordan, the signing of which took place in the presence of a group including President Clinton and King Hussein, was signed by participants sitting in Ethan Allen Spider Back chairs. The chairs were provided by our store in Jordan. We also have two relatively new stores in England, one of which just opened for business in October 2002. Similarly, we'll soon be opening three new stores in China. Ultimately, I believe that the aspirational value of Ethan Allen is strong and universally appealing enough to yield success around the world.

You've also provided the furniture for the sets of famous television shows, including the top-rated U.S. program "The View."

That's right, we have, and we'll con-

That's right. The maple chest was presented to President Eisenhower in 1954. And within two years the company was positioning itself as "a complete source for all your furniture needs in modern or traditional styling," a phrase that still rings true today.

You mentioned that you recently changed the catalog. In what ways has it changed, and do you plan to transform it further going forward?

As I said, we've had the catalog for more than 30 years, so we decided it was time to leverage the success of that business in order to position Ethan Allen as the leading authority on decorating. For that reason, the catalog is going to be turned into two books going forward: the actual catalog book and a stylebook of ideas that offers solutions for consumers as well as for our own 3,000 style consultants. Along those lines, we actually published our first hardcover book, which hit the stores a few months ago. First and foremost, it's a beautiful, informative book on decorating and style. And, second, it's going to help consumers understand which decorative styles they would like to have in their homes.

The fact is, many people have a tough time determining which styles are right for them, but once they've made their decisions, the hard part is done. For that reason, the book includes hundreds of pages that are specifically dedicated to serving the needs of both our consumers and our 3,000 consultants in terms of the selection process. Ultimately, we want to make decorating fun and easy; that's the future of this business. But all too often, decorating is a traumatic experience for people, so they choose not to do it. That's

why at Ethan Allen we want to provide the solutions.

You've expanded the Ethan Allen brand to the point where you provide virtually everything consumers could possibly want or need for their homes, except perhaps towels.

That's right.

So, the question is, when will you be offering the towels?

Well, we're actually looking at the possibility of adding bathroom linens to our product line because the bathroom is one area we'll be paying much more attention to going forward. In fact, I was in England a few months ago, and I got inspired by the furniture they have in the bathrooms there. We generally don't do that sort of thing here in the United States; instead, we basically install a sink, and we might install a cabinet on top of it. So, I thought, "Why don't we design some bathroom furniture that has a cabinet with a sink inside of it, as well as storage space, a mirror, and lights?" That way, the furniture becomes the focal point of the bathroom, rather than the sink, which is never all that interesting to look at. So my trip sparked this new idea, and now we're working on the concept and initial designs to develop a whole range of furniture for the bathroom.

Traditionally, the Ethan Allen product line also hasn't extended to kitchens. Will kitchen furnishings be your next big foray?

In fact, we're already doing it. We just introduced our first Ethan Allen kitchens in England via a joint venture with one of England's largest manufacturers and retailers of kitchens. Through this collaboration, we've just launched some beautifully designed rooms and products that coordinate perfectly with our existing product line. It's a very exciting concept, and by the middle of the year, we'll be bringing it to the United States, where we'll initially test it in two of our stores, one in Atlanta and the other on Long Island, New York.

You mentioned that you redesigned the façades of Ethan Allen's 300 stores. How do these new designs look compared to your existing storefronts? Do they vary greatly from what customers have come to accept as Ethan Allen's signature style?

Over the past 10 years, the Ethan Allen look has essentially changed from a colonial to a classic and contemporary aesthetic. In all cases, then and now, the company has always been known for the unwavering quality and beauty of its furnishings. But while that part has remained the same, I think what customers see as

our signature style today is quite different from the way the brand was perceived in the past.

As far as our new façades, we're taking this entire concept to the next level, using each store as a billboard of sorts. The fact is, we have a network of more than 300 stores, which represents an

and, of course, what could potentially end up in their homes.

You've spoken about a number of changes and new initiatives that are either imminent or already in the works. Looking a bit further ahead, say, to the five- to 10-year horizon, what changes do you see for the company and the greater industry? What's the next great reinvention? Will there be new design trends, important emerging markets, or new areas of product development? For instance, will you be manufacturing new high-definition four-inch-wide television sets or entertainment systems that fit right into a predesigned wall space?

First and foremost, our strategy for the future is focused on the fact that there's a tremendous, growing interest in the home, both in the United States and throughout the rest of the world. Today, home environ-



opportunity to have more than 300 billboards that speak to and resonate with consumers. On a planned basis, we're also moving many of our stores to better locations with lots of visibility and traffic, and over the next few years, my objective is to relocate about 100 of these stores. In their new locations and with our enhanced designs, the stores will look more prominent. We believe that people will see the stores, realize how great they look from the outside, and understand that all of this great exterior style and design reflects what Ethan Allen offers inside the store –

ments are very important to people, so people are constantly spending time and money trying to improve them. In fact, this phenomenon is in some ways indicative of a larger trend toward self-improvement and reinvention that has swept through other areas in recent years, including people's clothing and their cars. In the area of exterior home design, it has actually meant changing from a colonial style, which was essentially the predominant U.S. style right up through the 1960s, to home-design architecture that's much more varied today.

In this context, Ethan Allen's growth strategy almost resembles a set of building blocks. First, we must continually expand our reach through new and innovative products. To that end, this year we're going to roll out Ethan Allen Kids, a brand-new concept that's basically a store within a store. Second, we'll continue to expand our reach to consumers at the top of the economic triangle. In other words, we want to cater to the needs of these people so that they'll become Ethan Allen

customers. Third, we want to broaden our offerings to our existing client base, to those who are already familiar with the brand and our style. The fourth block is our new store design and locations, which, as I've already mentioned, are going to boost our retail visibility with great style.

Then, on the corporate side, the fifth building block is effective management at all levels of the company. Ethan Allen is a vertically integrated company, meaning

that we come up with ideas, design them, develop the products, manufacture about 80 percent of them in our own plants, and then take them to the stores, where we also do the bulk of the marketing. Plus, those marketing initiatives extend beyond our retail locations to our new style book as well as national television; in fact, it's quite probable that we'll have our own TV show in the very near future. The effective management of this vertical integration has always been very important for us,

We wanted to create an atmosphere for families who are just getting started, and ultimately we want them to become our customers ... for many years.



and going forward, I believe that it will be one of the most critical keys to our continued success and profitability.

What kind of TV program are you planning to have?

It will be an Ethan Allen TV show about decorating that dovetails with our book concept. That's where we're headed right now, and we're well on our way. The fact is, we'll soon have a great number of Ethan Allen books out there, and we'll also be sending out 16 million copies of our magazine a year, which will be followed by our catalog-style books.

You mentioned the new Ethan Allen Kids store-within-a-store concept. What will these stores be like?

We've actually already introduced Ethan Allen Kids at our Danbury store. The response has been very good, and over the next few months, we'll be launching it at several additional locations. These stores reflect our signature style, but they also have their own distinctive design and features that appeal to kids and help them to design their own rooms. So these stores create an environment that's conducive to kids and families, which, of course, was the objective. We wanted to create an atmosphere for families who are just getting started, and ultimately we want them to become our customers and remain with us for many years.

So, in addition to children's furniture, you have tools to keep the children busy while the parents are choosing their furnishings?

Yes, we have computers for kids and children's music, as well as a whole wall of products that resembles a multiplication table. So they can use these tools to design their own rooms, and it's a very interactive, creative, educational process. We're thrilled with the results, and as I mentioned, our first location has been very well received.

With a growing network of stores in Europe, the Middle East, and Asia, clearly Ethan Allen is successfully expanding its reach far beyond its core U.S. market. But at the same time, the brand has always been synonymous with unmistakably American style. At your international locations, are you selling the same furnishings that you sell in the United States, or are you customizing your product line to reflect the needs and tastes of local markets? In general, are you finding that what consumers want in their homes is universal, or do their preferences vary from region to region?

Today Ethan Allen represents a very diversified range of styles, and American colonialism only accounts for a small portion of that range. So, as far as our design goes, we've already been an international brand for some time. In fact, I think our move toward a more global style is indicative of a larger trend. For example, just

look at fashion today: Clothes have now become international, insofar as the colors and silhouettes are basically the same whether you're in the United States, England, France, or Japan, but 20 years ago, this wasn't the case.

So again, the Ethan Allen product line reflects an international style, and as such, we sell exactly the same products in England, Japan, and the Middle East as we do in the United States. Then, beyond our internationally universal design and product line, we back it all up with the same



excellent level of service that we provide in the United States. In fact, that element of the business – our network of personal design consultants – is really differentiating us in these markets and has been very well received overseas. Ultimately, no matter where we are in the world, what we're selling is the Ethan Allen brand, and when people come to us, they're coming for our unique designs and services. People in England, Japan, and the Middle East aren't coming to us for their domestic product; if that's what they wanted, they could get it elsewhere.

You mentioned your network of design consultants, and Ethan Allen has long been known for bending over backward to serve its customers. But at some point, all of these value-added initiatives and programs must cost the company a good deal of money, because providing high levels of service is never cheap. How do you convey the importance of these programs to analysts and investors, who are often more focused today on short-term gains than on the long-term value of personalized service?

And in general, how have you managed to convince the financial community over the years that the company's success hinges on its culture of constant reinvention and change?

It's interesting: We recently held our annual investors' conference at our Danbury, Connecticut, headquarters. Each year, about 100 people are in attendance, and it offers a wonderful opportunity for them to spend the day listening to my associates and me talk about what's happening at Ethan Allen. In turn, they're able

to gain a better understanding of this business and what we do. So it's always an excellent educational forum, and this year was certainly no exception. In general, I think events like these go a long way toward educating the financial community about the brand so that investors feel comfortable with us. And then beyond that, of course, are our strong results, both over the course of many years and in the current down market. After all, when you're doing well, it's easy to demonstrate the value of your approach to investors and shareholders because all they have to do is look at our bottom line. In that sense, you could say that our results speak for themselves.

But to get back to my earlier point, Ethan Allen has always been a big proponent of education, whether in our relationships with our associates, our customers, or our investors. And we tend to look upon the analysts and the investor community as our customers. To that end, we have an array of internal communications vehicles that we continually send out because we believe we must cater to them with the same high level of service we pro-

vide to our customers. Plus, whenever I go to any of our investors' meetings, I tell them that, first and foremost, I'm there because they're potential or existing Ethan Allen customers, and the fact is, many of them are. Along those lines, I also tell them that the first thing they should do before they buy our stock is visit our stores so that they can experience what Ethan Allen is all about. After all, they'll learn more about the company that way than they will from simply reading our annual reports. To that end, we're also very fortunate to be a national brand with a national network of stores because that gives our investors the opportunity to experience Ethan Allen from a customer perspective, which is ultimately the best way to sell to anybody.

the Ethan Allen headquarters and interviewed some of your employees. What we found across the board was fascinating – a level of praise and respect we've never come across at any other company. For example, one of your employees said that it was wonderful to work for you because you always follow up on every aspect of service. That employee apparently used to work for a very large department-store chain, through which clients placed their orders, but after the company received its deposits, the salespeople simply forgot about them. However, she said, things were entirely different at Ethan Allen. Meanwhile, another employee came up with a phrase that, again, we've

tion than anything else in the world. Of course, being fair isn't always easy because it doesn't mean that you're giving things away. About 15 or 16 years back, when Ethan Allen was basically a manufacturer that sold its products to dealers, those dealers got treated very differently by the company, depending upon their individual volume. Some got preferential treatment, and others got run-of-the-mill treatment. For example, we used to have higher suggested prices, so if a dealer wanted to, it could give bigger discounts to consumers from our suggested prices. From a credibility standpoint, this made absolutely no sense, so we reduced our suggested prices so that the suggested prices were the real prices. Plus, we had different prices for consumers, depending

[Ethan Allen Kids stores] also have their own distinctive design and features that appeal to kids and help them to design their own rooms.

That must be a fun, refreshing departure for the financial community. It's probably particularly enjoyable for those investors who buy millions of shares at a time and are stuck reading the annual reports, but never actually see the products, of a company like, say, General Electric.

Yes. In our case, there's a special connection between our products and the investors because they're investing in something they can actually use. Along those lines, our business is very understandable. We are not a conglomerate or a holding company; instead, we run one operating company, of which I'm the CEO. As such, I'm very deeply involved in this business, and sometimes the level of my involvement surprises people. In fact, some people have said that I'm too involved, but what they perhaps don't understand is the fact that I'm running one business here; I don't have other managers running other businesses. All of this raises the important point that ultimately we have one Ethan Allen business to run. When people understand that fact, they also understand the kind of focus we have and the reason this company, even in a recession, is able to produce 15 percent operating earnings, which most in our industry don't enjoy even in good times.

Prior to this interview, we visited

rarely heard from an employee about his boss. He said, "It's truly an honor to work for him." Throughout the business world, you're known as a hard-nosed executive, so how have you developed this level of loyalty and affection among the people who work for you?

Throughout history, small groups of motivated people have worked wonders, particularly when they've worked as one cohesive team against huge challenges or adversaries. Along those lines, I've always believed that our relatively small group here at Ethan Allen could also work wonders, and over the years, our people have consistently proven me right. In addition, I've always believed in the value of being honest in everything we do, whether we're dealing with our associates, our customers, our investors, or the analysts. And to that end and for all of those constituents, we have one message – that we like you. So, one day I'll meet with our design consultants and our employees, the next day I'll meet with our investors, and very soon after I'll visit our factories, and my message will be the same for all of them.

Another very important aspect of good leadership is that you have to believe in fairness, which I certainly do. In fact, I believe that injustice and unfair treatment does more to dampen motiva-

tion than anything else in the world. Of course, being fair isn't always easy because it doesn't mean that you're giving things away. About 15 or 16 years back, when Ethan Allen was basically a manufacturer that sold its products to dealers, those dealers got treated very differently by the company, depending upon their individual volume. Some got preferential treatment, and others got run-of-the-mill treatment. For example, we used to have higher suggested prices, so if a dealer wanted to, it could give bigger discounts to consumers from our suggested prices. From a credibility standpoint, this made absolutely no sense, so we reduced our suggested prices so that the suggested prices were the real prices. Plus, we had different prices for consumers, depending

on what part of the country they were in, as our dealers paid freight, and most of our factories were on the East Coast. I also decided that this policy made no sense, and we soon created one price that we delivered nationally. So we equalized the way we did business by creating a whole new system – a consistent standard based on the philosophy of fairness. Now, keep in mind that many people didn't like that, particularly those dealers that were bigger and historically had gotten the best deal. And it's interesting: Often the bigger entities that get the most are also the ones that give the least. This has certainly been the case throughout history, and, of course, it has a lot to do with the fact that they're scared to lose what they have. But, again, we equalized the way we did business anyway, and although some people didn't like this approach in the beginning, all of them have since found that our new model based on fairness has actually strengthened their businesses over the long term. At the same time, it has strengthened Ethan Allen as a company because it effectively removed any issues surrounding our credibility.

Along those lines, we were also able to create a national advertising campaign because, for the first time, we had one suggested price. And in addition to all of the other positive results, this new

approach forced us to look at every element of our business, including logistics, warehousing, and deliveries, to identify areas of improvement. As a result, over the past 12 years, our warehousing and delivery costs at the wholesale level have gone from 8 percent of sales to 4 percent of sales, and adding 4 percent to your bottom line isn't easy. So, it did great things for both our dealers and the company as a whole.

I'll provide another example of how fairness has enhanced Ethan Allen. Over the past 12 years, I've had to buy a lot of

again, this was all done in a planned way; there was no rush to take advantage of people. And this approach has helped both our retiring retailers and the greater company because, over the long term, it's always best to look after the interests of both sides. If you don't, it will always catch up with you; it's only a matter of time.

In addition to the caring you've shown for your employees and associates during your career at Ethan Allen, you've also voiced great concern about the people of Kashmir,

Study Group, which today comprises 25 members who are former U.S. Ambassadors, five of them to that region, as well as some politicians and leading U.S. scholars. Our objective was to conduct studies and meet people, and through that involvement, come up with a proposal. Such a proposal was developed in 1998, and I felt that it was a good starting point. Through the group, I've had the opportunity to meet the leadership of that region, as well as some of the leadership outside the region, who are now using our proposal as a starting point. So, over the past four years, the idea has been increasingly circulated and discussed.

Like with anything else, when you have a good idea – an idea that possibly challenges the status quo – generally, at first, it will be rejected. Only if you're lucky will it perhaps be tolerated. But over time, people may give it a second look and start considering it as a viable option, and then it may even eventually be accepted. So the fact that this proposal we've worked on for so many years is now being seriously looked at is very gratifying and gives me hope. The fact is, I think we can help move the parties away from their very rigid positions and get them to start considering a peaceful way out. It's an honorable objective, and I believe it's also an implementable one. In fact, there's a slogan I've been using for the past six years: "We must find a solution for Kashmir that is peaceful, honorable, and feasible." And it's interesting: Once you've stated that as your objective, over the course of time, people start to pay attention.

You've enjoyed great success in business, in your personal life, and through humanitarian projects such as the Kashmir Study Group. Meanwhile, you never seem irritated, unhappy, or to have any problems at all – or if you do, no one seems to see them. So what's your secret? Is it an inherently optimistic attitude that motivates you to conquer any challenge, no matter how daunting it may seem? And if so, is this just a fundamental ingredient to success?

I think every human being goes through phases of being happy and, on occasion, being unhappy. And during those times when I am unhappy, I don't tend to show my feelings too much. But in general, I think it's incredibly important to maintain a positive attitude because that's the only way a person can truly live or be helpful to the world around him. What's interesting is that when you begin to change your attitude, so many amazing things can happen to you. Of course, the hardest part is getting started, and unfortunately, many people think it's an impossible task, so they never even try. But I firmly believe that it's possible to change your perspective and, in turn, to transform your business or your life. All it really takes is the courage and the wisdom to try. ●



our stores from retiring retailers. I've always told them that I would do it in stages because the company simply can't absorb all of them at once. But I've said that we will buy them when we're ready, and we'll be very fair with them, instead of trying to take advantage of them or having them take advantage of us. So that principle was established about 12 years back, and since that time, we've been buying stores back on a planned basis. We now own more than 115 stores, which has made us a fairly large retailer. But,

your homeland. Obviously, the country is undergoing great difficulties now. What solutions do you propose? Is there, in fact, a solution to the Kashmir problem?

Yes, I believe there is. In fact, I'm very gratified at the response I'm starting to get now after many years of work. About six years ago, I set out to see if I could help by proposing a creative process through which feasible solutions to the Kashmir problem could be presented. I founded a group called the Kashmir