

Classic Design With a Modern Perspective

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

EDITORS' NOTE Farooq Kathwari has been Chairman and CEO since 1988. He serves in numerous capacities at several nonprofit organizations including the Board of Overseers of the International Rescue Committee; the advisory board of the Center for Strategic and International Studies; and the Council on Foreign Relations. He is Chairman Emeritus of Refugees International; an advisory member of the New York Stock Exchange; former Chairman of the National Retail Federation; Director Emeritus



Farooq Kathwari

and former Chairman and President of the American Home Furnishings Alliance; a Director of the Institute for the Study of Diplomacy at Georgetown University; Co-Chairman of the Muslim-Jewish Advisory Council; and a member of the International Advisory Council of the United States Institute of Peace. He served as a member of the President's Advisory Commission on Asian Americans and Pacific Islanders from 2010 to 2014 and was tapped to join the congressionally mandated United States Institute of Peace bipartisan Task Force on Extremism in Fragile States co-chaired by Governor Tom Kean and Congressman Lee Hamilton, who formerly led the 9/11 Commission. Among his recognitions, Kathwari is a recipient of the 2018 Ellis Island Medal of Honor and has been inducted into the American Furniture Hall of Fame. He has been recognized as an Outstanding American by Choice by the U.S. government. He

has received the Yale School of Management's Chief Executive Leadership Institute Lifetime of Leadership Award; the National Human Relations Award from the American Jewish Committee; the National Retail Federation Gold Medal; and Ernst & Young's Entrepreneur Of The Year™ Award. He has also been recognized by Worth magazine as one of the 50 Best CEOs in the United States. Kathwari holds a BA in English literature and political science from Kashmir University, Srinagar, and an MBA in international marketing from New York University. He is also the recipient of three honorary doctorate degrees.

COMPANY BRIEF Ethan Allen Interiors Inc. (ethanallen.com) is a leading interior design company and manufacturer and retailer of quality home furnishings. The company offers free interior design service to its clients through the efforts of approximately 1,500 in-house interior designers and sells a full range of furniture products and decorative accessories through its website and a network of approximately 300 Design Centers in the United States and abroad. Ethan Allen owns and operates nine manufacturing facilities including six manufacturing plants in the United States, two manufacturing plants in Mexico, and one manufacturing plant in Honduras. Approximately 75 percent of its products are made in its North American plants.

How do you define Ethan Allen's mission and purpose?

Our mission is to constantly reinvent to remain relevant. This has resulted in 90 years – so far – of a vibrant enterprise where our associates take pride in their work and accomplishments. We are the world's leading interior design destination, and our mission is to help our clients create a beautiful home. Our business is built on providing exceptional personal service, enhanced by state-of-the-art design technology.

We're also a vertically integrated business, from product design and manufacturing to retail and delivery. This structure enables us to create about 75 percent of our products in our own North American workshops and ensure that our customers receive products of the highest quality.

We also partner with artisans around the world to curate products for the whole home. These partnerships are also important. They make us a one-stop, whole-home solution for interior design, with a team of more than 1,200 world-class professional interior designers who serve our clients every day, at every Ethan Allen location around the world.

Do you describe Ethan Allen today as a furniture brand or an interior design company?

We are an interior design business that is vertically integrated. Forty years ago, our retail was focused on selling products. Today, we still sell products, but we do it through this service. We've always been focused on one enterprise and one brand – Ethan Allen. It would be easy to make furniture and sell it to other retailers, but that's not what we do. We make furniture in support of our interior design business.

In recent years, we've focused on strengthening our retail locations by transforming them into design studios centered around working with a designer. You can still see furniture there, but that furniture can be personalized any way you want, by your interior designer. About 75 percent of the products we craft in our workshops are custom made using the unique fabrics, leathers, finishes, or options that our designers come up with in partnership with our clients. It's that personalization – that personal service – that makes us so much more than a furniture store.



Ethan Allen Design Center in Skokie, Illinois



Ethan Allen Design Center in Hartsdale, New York

What have been the keys to Ethan Allen's ability to stay relevant for 90 years?

We've stayed relevant because we've always run our business in a way that lets us control our own destiny. First of all, our philosophy – classic design with a modern perspective. We build on things that are timeless while adapting to the changing tastes of our clients. A “modern perspective” may look different in different years, but by adapting the classics to those changes and having incredible diversity of style, we make sure clients can come to us and find something relevant for any time and any lifestyle.

The recent COVID crisis, for us, became an opportunity. We saw an increased focus on the home, and we also saw people wanting to use their homes in different ways. We quickly adapted to those demands – more outdoor furnishings, more home office space, things like that – and we could do it because we support our clients with interior design service and make most of our products ourselves.

Technology has also kept us relevant and helps us do more with less. Maintaining 75 percent of our manufacturing in North America would not be feasible without adding state-of-the-art technology. Also, technology in our retail operations has been a game changer. Many of our designers kept working during COVID because we had invested in 3D design technology which made it possible for them to work with their clients anywhere in the world, even when they couldn't collaborate in person. You have to have the right talent and give them the tools they need to do the job. It has to be part of your culture, part of your DNA: constantly reinventing, thinking, and challenging yourself. It's what's kept us profitable for 90 years.

How important has it been for Ethan Allen to be a vertically integrated company?

As I said before, we run our business in a way that lets us control our own destiny. We are a vertically integrated company, from operating sawmills and lumberyards to manufacturing, to

retail, to logistics, and then to having one of the largest interior design networks in the world.

In the 1990s, we had 30 manufacturing plants, and things began to go offshore. We decided to make improvements to our manufacturing right here in the United States, but also to go south of the border because we wanted the ability to control what we are doing.

We own all our own manufacturing, we own logistics, and we own about 40 percent of our retail. When we've been approached by people in private equity who ask, “Why don't you sell all this real estate?” I tell them we've gone through the Depression and some recessions. I want to survive the next one. Long-term thinking isn't easy, especially in a public company, but being vertically integrated gives us an incredible long-term advantage.

You mentioned that the pandemic brought a major focus on the home. How did this impact Ethan Allen's business, and do you feel this focus on the home will continue in the future?

Crisis presents challenges, but it also presents opportunities. Our business increased about 30 percent during COVID; in fact, it was the best profitability we've had for 15, 20 years. I mentioned earlier that during COVID, people changed the way they used their homes: They wanted to gather outdoors with their families, they needed to work from a home office. Some of those changes have remained part of people's lifestyles even after the pandemic.

We look at ways to keep operating well, but also how to take advantage of new opportunities. Three years back, financial markets paid less attention to businesses like ours; now they pay more, but we don't run our business based on what the financial markets think. We do what we think is the right thing for us to do.

Will you discuss Ethan Allen's focus on combining personal service and technology, and do you see this as a differentiator?

As I mentioned, we are first and foremost an interior design destination. Today, most of our designers meet with their clients online, via email or over video conference, before clients make their visit to a Design Center. This

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pattern began during the pandemic, and our designers have continued to use technology to meet people where they are, then invite them to come in and finalize the details in the Design Center.

Ten years ago, our designers were used to doing much of their work by hand. Today, by combining talent with technology, half the people can do two or three times as much. The same thing happens with our manufacturing. Especially in the United States, we have a challenge of finding skilled labor, but we’ve retained good people and empowered them with technology. If we hadn’t, we’d need three times as many people to do the work. That’s why we invest in technology throughout our enterprise.

What are your views on the future of interior design and what will be the keys for Ethan Allen to remain at the forefront of the industry?

We have to keep adapting to the ways that homes will change, but what differentiates Ethan Allen now, and will always differentiate us, is our service. Clients now want to be able to start their design project from anywhere, so we continue making our 3D design technology better than ever. Our clients can see 2D floor maps, 3D renderings, and even virtual tours of their design plans, and then they can come into a Design Center to see the fabrics and finish options for themselves. And when they see the quality, they know they’ve made the right decision.

We also recognize that our clients are busier than ever before. Being “busier” means a client’s home has to do more jobs than ever before. Our clients may like to entertain in a formal way, but they may also have children and pets at home, so they need interior design that can fit with their lifestyle.

An interior designer helps them save time on a home project and can prevent costly mistakes. Busy clients get their project right the first time – they don’t have to waste time fixing mistakes. No one can predict the future perfectly, but I think our technology, our talent, and our one-on-one relationships with our clients make us uniquely positioned to adapt to whatever the future of interior design may be.

What are your views on the future of retail and will brick-and-mortar stores remain an important part of Ethan Allen’s model in the years ahead?

In every retail category, foot traffic has been declining over the past 10 years. One reason is that people used to go to stores to window shop. Today, they go to the internet to window shop. Although we’re seeing the same traffic trends as other retailers, we’re also seeing much more qualified shoppers come in, who’ve already done their research online – and as I said before, many of them have already started working with an interior designer before they come into a Design Center.

Our brick-and-mortar business will always be important to us because our level of quality is something that is best experienced in person.

Another brick-and-mortar advantage is our network of professional interior designers, many of whom have long relationships with clients, and these relationships work best one on one, in our Design Centers. I always say, start online, but then come into a Design Center to meet with an interior designer. The way we can personalize everything to you – that’s not something you get from many online retailers.

What are you most excited about as you look to the next 90 years for Ethan Allen?

My main job as a leader is to help develop a motivated and talented team and to ensure we remain relevant in various aspects of our vertically integrated enterprise. That’s why I challenge my team to look at five things every week: talent, service, marketing, technology, and social responsibility. You wouldn’t think they have a lot to say from week to week, but they always do. When you have talented people who are entrepreneurial but also disciplined, you can meet any challenge in any business environment, now and in the future.

Fortunately, we have talent that has stayed with us for a long time – sometimes, some people leave obviously, but it has been relatively small – and I think, going forward, we’ll have a great opportunity to continue doing something that many industries haven’t done. We will continue to be profitable by running a business that is vertically integrated, focused on one enterprise, always improving our service to our clients, always in control of our own destiny. As I always say, we are just getting started. ●

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