

Survival strategies

Innovate or die: Tough times for home reno

Karen Mazurkewich, Financial Post Published: Monday, January 12, 2009



These days, it takes a brave man, or a crazy one, to start a company catering to home improvement. Norbert Marocco, co-owner of Maxxmar Window Fashions, may be a little of both. The 69-year-old entrepreneur threw his heart and soul into a new manufacturing business specializing in window shutters, just as the U. S. subprime crisis began eroding the U.S. economy.

"I'm building something for my family," says Mr. Marocco, whose sons are partners in the firm. And since heart alone won't make a business fly, he is betting on patents and lacquer techniques to increase revenue at a time when other home furnishings companies are taking a beating.

"In terrible times, you have to beat the market with innovation," says Mr. Marocco, who has 60 patents to his name and has plowed \$10-million into the venture with co-owner Emilio Carinici. The company has 104 employees, up from 10 a year ago, and Mr. Marocco hopes 2009 revenue will be around \$10-million.

These are bad times for manufacturers, and bankruptcies and closures have come fast and furious in the home renovation sector. Furniture makers, in particular, are falling like flies. Quebec-based Shermag Inc. filed for bankruptcy early last year and 170-year-old Gibbard Furniture, a family-owned firm in Napanee, Ont., unable to find a buyer, announced it would close in 2009. Even Harvest House, a family-owned company that produces high-quality hardwood furniture at its facility in Schomberg, Ont., recently announced it was closing retail operations and working on a custom-only basis.

Larger manufacturers are not immune, either. CFM, a Mississauga, Ont.-based firm that sold products under the brands Vermont Casting and Majestic Fireplaces, filed for creditors protection in April, and Maax, an over-leveraged Quebec-based bathroom manufacturer, was taken over by its senior lender after failing to find a new backer. The window blind business is not faring much better: Hunter Douglas' the world leader in window coverings saw modest sales increases in the first three quarters of 2008, but net profit fell to US\$69.3-million, from US\$244.6-million in the first nine months of 2007, on lower operational profits and a loss from the sale of an asset.

Harvest House's answer to the retail blues is to revamp its business plan. With increased pressure from offshore producers, and a change in the mentality of consumers, co-owner Peter Coulter says it was time to reinvent the 21-year-old firm.

"The idea of building for keeps is a tougher sell," Mr. Coulter says. "We had a decision to make." This month, the company shut its retail outlets and is throwing

its muscle into high-end custom cabinetry for homes. "If we stuck with furniture, we thought we'd die a slow painful death... so instead we are putting all of our years in the furniture business into the cabinetry field because it's an area we can thrive and survive in," he adds. People like the tradition of good "joinery and longevity" for their house.

At it's peak Harvest House employed 40 people, but that's now 26. While Mr. Coulter admits the company is in survival mode, he says it will come back bigger and stronger than ever.

Mr. Marocco, an Italian immigrant, who sold cookware door-to-door when he arrived in Canada, has a different philosophy. He is pushing ahead with new product lines despite dire economic predictions.

Almost 30 years ago, he built Shade-O-Matic, a sizable business, on the invention of a continuous track for blinds that fit bay windows. He also made a machine to cut made-to-measure Venetian blinds. Hunter Douglas bought the company 13-years ago, and Mr. Marocco continued to manage it until two years ago.

Maxxmar Window Fashions was built on another invention: Enormous, automated, easy to clean blinds that are now in the new wing of the Art Gallery of Ontario. For the retail market, he designed a line of wood and vinyl shutters with high-end lacquer finishes that are sold through Home Depot and Sears. His eco offering is vinyl shutters with a wood grain finish, and he has a roll down 'two-in-one' blind in the works that is a blackout shade for night and a light filter for day.

Just 18 months in business, Mr. Marocco is careful about market positioning. While he is always inventing new lines, he keeps them economically priced. "Even when the market is good there's danger for small companies because people get bold, do crazy things and take risks," he says.

Tough times, are not the time to retrench, Mr. Marocco says. "In 1991-92, small companies were going bankrupt and I was scared. I felt the market was dropping and I'd go bankrupt, but I also believed the more I cut the fewer sales I'd have. So I decided to use up my \$800,000 line of credit immediately, I came up with new samples and hired new sales people. I was accelerating my bankruptcy, but I thought, if I'm going to drop dead, I might as well do it from the CN Tower."

The gamble paid off. "I survived and came out a winner and stronger as my company had jumped to another level." Shade-O-Matic had 400 employees when it was sold to Hunter Douglas. While he admits this strategy is not bullet-proof, after weathering these tough few months, Mr. Marocco has decided to continue to accelerate the roll out of new lines.

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