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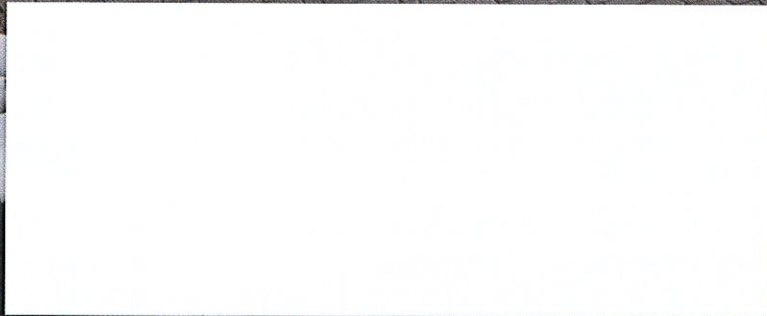
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Charles F. Lawrence  
(Photo courtesy of Franke)

# LUXURY SELLS

**Franke cites MAP for helping to boost sales 18%.**

>> By Pat Lenius  
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If you know who you are and what your customers want, there is still business out there, says Charles F. Lawrence, who heads the Luxury Products Group (LPG) of Swiss-based Franke Group, producer of stainless steel kitchen sink systems. In spite of the economic downturn, Franke LPG has seen its U.S. sales increase.

Lawrence attributes this growth largely to the brand integrity Franke has achieved with its Minimum Advertised Price (MAP) policy and more recently, the Franke Authorized Reseller program.

"It's a lot easier to make money in the luxury category than in the medium price or opening segment, where consumers are more concerned about price," Lawrence says. "With the luxury consumer, if you invest in training, pay attention to detail and offer the product they want, price becomes less of an issue."

## IDENTIFYING THE LUXURY CONSUMER

"We believe that there are two subgroups of luxury consumers: the Truly Affluent and the American Dream Affluent," Lawrence says.

The Truly Affluent own multiple homes and don't need loans. They know what they want and will buy from someone they trust.

The American Dream Affluent have managed to acquire things they didn't have as children. Their working class background makes them more inquisitive and conservative in their shopping behavior.

"We find we often have to work a little harder with them to explain why our system is better or our finish is superior," Lawrence says.

The core values of service, quality and style apply to both groups.

Luxury consumers represent about 5% of the total market, he says.

## WHAT LUXURY CONSUMERS WANT

"Luxury consumers want things that make their lives easier and are somewhat unique," Lawrence says.

"We focus on the details — product design, style and service," he explains. "We strive to provide solutions that make their lives easier, both in the purchasing process and by offering products that solve problems."

For example, Franke designed a patented integral ledge to add

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## FRANKE LUXURY PRODUCTS



Franke introduced the Peak sink Oct. 1, which features the integral ledge. (Photo courtesy of Franke)

functionality to its sink. Located about halfway up from the bottom of the sink, it can support a cutting board or shelf.

"We are oriented toward solutions," Lawrence says. "We have always sold sinks as kitchen systems. We have an inside joke about how the refrigerator and stove get the publicity and glory, but the sink and faucet do all the work. Our research shows that 70% of tasks in the kitchen of the average luxury home revolve around the sink."

### MARKET CONDITIONS

The economic downturn has not hurt Franke a great deal, Lawrence says. "We have always been focused on more than just the product — putting emphasis on excellent service."

A few years ago Franke tried offering some more moderate priced products within the division, but quickly withdrew, Lawrence recounts. "We felt it was not the right thing for us to do."

### HOW TO SELL LUXURY

If the reseller or showroom associates are doing their job in selling, explaining and differentiating our product, then price becomes less of an issue, Lawrence notes. "Key to this is doing a really good job of making sure our sales associates are well-trained and knowledgeable about the differences between the products and the solutions they provide vs. more mass-market type products," he says.

# FRANKE LUXURY PRODUCTS

"Unfortunately, training is one of the things that gets cut during tough times. We have tried not to do that. Training is intangible and can't be measured easily. It may not affect results today, but may impact the future," he says.

## GREEN ISSUES AND UNIVERSAL DESIGN

The stainless steel or fire clay used for Franke kitchen sinks is recyclable, and the company has achieved ISO 14001 green environmental certification.

All sinks shipped to North America are nested using less corrugated packing materials, thus reducing the carbon footprint. Franke has a strict wastewater treatment program and an air treatment program.

"The challenge is always the trade-off between function and performance and the benefit of what the industry describes as green," Lawrence notes. "It is our experience that luxury consumers first focus on performance before considering the 'green' aspects."

Franke offers different depths of sinks to address the needs of people who are challenged to reach deeper into the bowl, and has developed faucets with pull-out or pull-down heads equipped with activation mechanisms that are easier for arthritic hands to manipulate.

"We are always looking at how to integrate some of those needs into our standard offering, because many of our products have a lifetime warranty," Lawrence notes.

"We want people in their 40s who are remodeling their home to be able to use our products today and also 20 years from now."

## BUSINESS OUTLOOK

The three primary markets for luxury plumbing

## LAWRENCE AND FRANKE

Charles F. Lawrence joined Franke about 4-1/2 years ago as vice president of marketing, and was promoted to general manager of the Luxury Products Group in July 2009.

His position at Franke LPG is part of the Kitchen Systems Division, which includes sinks, faucets, ventilation and waste management systems.

Globally, Franke is about a \$3 billion company with industrial engineering operations at 81 subsidiaries in 42 countries.

"We are the world's largest stainless steel fabricator," Lawrence says.

Before joining Franke, Lawrence held marketing, product development and brand management functions at companies including GE, Masco's Baldwin Hardware, Brunswick and Cerberus Capital Management.

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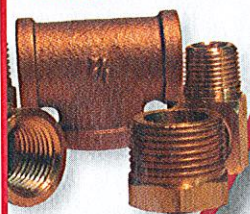
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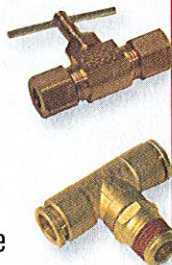
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# FRANKE LUXURY PRODUCTS

## MARKETING STRATEGY

Franke's Luxury Products Group has relationships with the buying groups but is not a member of any. The company evaluates each market and selects a limited number of reseller partners, Lawrence explains.

Earlier this year Franke's Luxury Products Group introduced the Franke Authorized Reseller program to ensure that its brand is represented properly in traditional showrooms and on the Internet. Partners commit to providing proper displays, training sales staff and offering pre- and post-sale service and are licensed on that basis to use Franke trademarks and trade dress. Resellers that do not have the Franke license are prohibited from using these symbols. The program also includes a Minimum Advertised Price (MAP) policy, elimination of drop shipments for Internet resellers, and an online list of "unauthorized" customers.

"We intend to make sure that our products are not being used to sell other products," Lawrence says. "There are more than two dozen Web sites that we forbid wholesalers to sell to in order to protect our brand reputation."

"The Internet has made it possible to operate a small business out of a bedroom. An Internet company has to have an 800 phone number and must take inventory and ship themselves. We need to make sure this is truly a business and will represent our brand properly. Our Authorized Reseller program reflects our loyalty and commitment to the brick and mortar showroom."

products in the U.S. are New York (five boroughs), California and south Florida. Chicago, Dallas, Philadelphia, Boston and Atlanta are among the important developing markets for these products.

In the current economy, 80% or more of the luxury segment is for remodels, Lawrence says.

"We see a lot more footsteps in showrooms vs. six months ago, which makes us cautiously optimistic," he notes. "It is usually four to six months before a visit to a showroom turns into business."

He says he is hopeful that the bottom has been reached, but predicts only 2% to 3% increases per month for the remainder of the year.

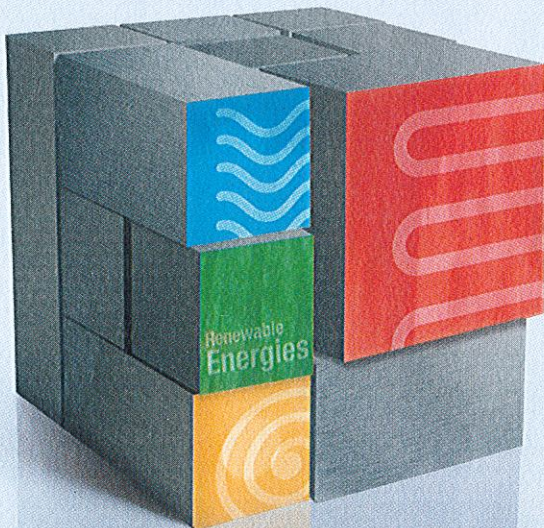
"We hope the economic situation in Europe and debt in the United States stabilizes," he says. "I don't believe construction on the premium luxury side is likely to come back in any significant way for a couple of years. On the low end, sales may start to come back a little sooner because of government incentives." ☐☐

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