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Furniture Brands Is Implementing A New And Different Strategy For Success

FurnitureBrands

Consumer Goods
Home Furnishings & Fixtures
(FBN-NYSE)

Furniture Brands International, Inc.

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Steven G. Rolls
Chief Financial Officer

BIO: Steve Rolls is Senior Vice President, Chief Financial Officer at Furniture Brands International with global leadership responsibility for all finance, accounting and IT services as well as investor relations, credit, collections and customer service.

Steve joined FBN in April 2008. Prior to joining FBN, Steve was Chief Financial Officer at Global Energy, Inc., a private alternative energy company. Prior to Global Energy, Steve spent 10 years at Convergys Corporation where he was Executive Vice President of their global customer management group that pro-

vides outsourced customer, HR and financial services. Prior to this role he was the Chief Financial Officer of Convergys having led an IPO of the company in 1998. Before joining Convergys, Steve held many different financial positions over a 17-year period at BFGoodrich Corporation including his last position as Vice President and Controller of the company. Steve joined BFGoodrich after completing graduate school and prior to that held sales and brand management positions with Wilson Sporting Goods Company and Alberto Culver Company.

Company Profile: Furniture Brands International (NYSE:FBN) is a vertically integrated operating company that is one of the nation's leading designers, manufacturers, and retailers of home furnishings. It markets through a wide range of retail channels, from mass merchant stores to single-brand and independent dealers to specialized interior designers. Furniture Brands serves its customers through some of the best known and most respected brands in the furniture industry, including Broyhill, Lane, Thomasville, Drexel Heritage, Henredon, Pearson, Hickory Chair, Laneventure, and Maitland-Smith.

Interview by: Lynn Fosse, Sr. Editor

CEOCFO: Mr. Rolls, there are changes going on within the company; what is your vision today?

Mr. Rolls: "The vision for our company is to transform ourselves from a holding company to an operating company. We are today a collection of ten different well-known brands that have historically run very independently; not sharing any cost structure, not achieving any kind of scale benefits. We are transforming our company, leveraging our assets, and ad-

ressing the market in a different way than we have in the past."

CEOCFO: Why is this the time to do this transformation?

Mr. Rolls: "I don't know that this is any better than any other time. This transformation will make us more competitive and give us the ability to leverage our scale. We need to do that."

CEOCFO: You are moving into new headquarters, tell me a little bit about how you are formulating the whole process?

Mr. Rolls: "The new headquarters gives us the physical space we need to consolidate our shared corporate services. We are consolidating a number of functions like human resources, accounting and IT here in Saint Louis. We will bring in an additional 150 people to perform those functions here and as we perform this transition over the next nine months or more we will need to have that space to house our people."

CEOCFO: Tell me a little bit about what the landscape is like today in the furniture industry?

Mr. Rolls: "The industry is like many other retail businesses; it follows the economy and you can read about these factors every day. Given some of the difficult economic conditions today the retail environment has been suffering a bit as the economy is impacted by high oil prices, housing issues, and food price inflation. All of those things are causing consumers to think about how they spend their disposable income. It impacts the retail environment; not just furniture but all kinds of discretionary retail items."

CEOCFO: How much choice do consumers have; if they are not buying one of your brands what are they getting?

Mr. Rolls: “It is a very fragmented industry with relatively low barriers at the entry level. It has grown up very entrepreneurly and the various new entrants aren’t large. But to become a large prominent player is not simple to do. We have less than a 5% market share and we are the second largest furniture company in the U.S.”

CEO CFO: How important is brand recognition in the furniture industry?

Mr. Rolls: “We think it is very important. We conduct consumer research on brand recognition as well as on new product introductions. We want to make sure that products we introduce deliver what consumers want to buy, and that is something fairly new in this industry. There has been research that shows that brand recognition is important, but as in many retail products, there are many different price points. There are some very inexpensive, cheaply made products, right up through custom-made designer brand products. We don’t play at the low end of the scale, our strength is in the middle to the high-end of the scale in our brands. Price sensitivity becomes less important as you move up that price point ladder.”

CEO CFO: What is new in the furniture industry and what do people want that’s different today?

Mr. Rolls: “It’s true over any long period of time that styles and preferences change with different generations. We are constantly trying to refine our products to deliver what consumers today would like to buy and there is no one single answer because there are different groups of consumers that want different things. What we have been doing is very focused research that identifies what consumers want in advance of introducing those products. Here are the styles for this sofa, for this love seat, this table; would you buy that? These are techniques that have been used in consumer products businesses for decades. It’s just not something that has been done in the furniture industry. Therefore, if you do this effectively and you do introduce a new product, and product introductions happen very frequently in this industry, you have a much

better chance in succeeding and meeting consumer demands.”

CEO CFO: Tell me a little bit about your licensing program?

Mr. Rolls: “Today we license some of our brands on a relatively limited basis to large merchandisers who truly value the brand name. We’ll continue to explore opportunities to leverage our brand portfolio through licensing.”

CEO CFO: Tell me about your geographic footprint?

Mr. Rolls: “We are predominately a North American company in terms of our market reach. Much of that is in the middle to the eastern part of the country, with some in the western parts, and some in Canada. We have some other international sales, although not a large amount today. Clearly for us, there are opportunities to expand our geographic presence both in North America and overseas.”

“Investors should consider Furniture Brands because we have very recognizable popular brands and because we are fundamentally changing the way that we operate as a company. We are attacking our cost structure and changing our go-to-market strategy. Therefore, we are in the beginning stages of a meaningful transformation that many investors would be attracted to.” - Steven G. Rolls

CEO CFO: How do you take advantage of the opportunities that might be available?

Mr. Rolls: “There are a couple of ways we are looking at where and how we produce products. Transportation costs are becoming more meaningful everyday in this and in all industries, so that will increasingly impact our production location decisions. Also we are focusing on how we go to market in other geographic areas. We want to build on the brand recognition of our quality products to expand that demand in other geographic regions.”

CEO CFO: What’s ahead for the next few months?

Mr. Rolls: “We are in the process of a transformation of this company and that started last year. Much of the senior management team is new and has come from both the furniture industry as well as many other types of industries. We are transforming as I said, from a holding

company to an operating company and changing much of what we do, both in our cost structure and our go-to-market approach. That is what we will continue to do for the next three months, the next nine months, the next two years.”

CEO CFO: Where is your furniture produced today?

Mr. Rolls: “Most of our upholstered products come from our own facilities in North Carolina and Mississippi. Our case goods -- which are the wooden products such as tables, chairs, cabinets and beds -- are made both domestically and in Asia. We have our own case goods production in Indonesia and in the Philippines, and then we outsource a fair bit of production to various companies in Asia, much of it in China.”

CEO CFO: Do you see that mix changing year or two down the line?

Mr. Rolls: “It depends. We’ve established FBN Asia in Dongguan, China to manage our Asian outsourcing and gain more control over quality, delivery and our proprietary designs. In the end, it is all a cost analysis that says, do we produce our own products or do we outsource, do we produce overseas, or do we produce in the

U.S.? Therefore, it is a kind of dynamic analysis that’s affected by things like oil prices and labor costs in the relative countries. We will continue to reevaluate our entire manufacturing and sourcing footprint.”

CEO CFO: Why should investors be interested in Furniture Brands?

Mr. Rolls: “Investors should consider Furniture Brands because we have very recognizable popular brands and because we are fundamentally changing the way that we operate as a company. We are attacking our cost structure and changing our go-to-market strategy. Therefore, we are in the beginning stages of a meaningful transformation that many investors would be attracted to.”

CEO CFO: Final thoughts, what should people reading about Furniture Brands remember most from this story?

Mr. Rolls: “That we are implementing a new and different strategy for success.”