THE EDGE
Creating Wealth For Interior Design Professionals

Date	August 2020
To:	Valued Edge Member
From:	David Shepherd
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Calendar of Events

August 6, Member coaching call (Recording in Archives section)

~**August 15**, Edge Newsletter in your mailbox (uh, almost…)

September 21, First ever Interior Design MBA Program begins!

November 19-20, national IDEAS Conference for shared best practices (free to Edge members.)

Ongoing, Great new courses at www.interiordesignmba.com

Are you accelerating?

Are you planning to grow your firm 10X?

Are you setting audacious goals for the future in terms of design excellence and financial success?

Are you, like Warren Buffet, getting greedy while others are fearful?

I think that now is the time and I've dedicated a lot of space in this Edge Newsletter to challenging you on your mindset and your actions. I'll start with a snappy list I came across entitled, *"People Who Win at Everything in Life Possess These Qualities."* I'm just borrowing their titles and adding my own descriptions.

Winners never stop practicing.
I love the term, "*practicing*" because it is so seldom heard in business circles. Of course it is the absolute staple of sports where the biggest superstars spend more time on the practice field, or in the gym, or on the driving range than the average players, even after they have achieved enormous success. You can "*practice*" business as well. Practice your presentations, your drawing skills, your procurement process, your management, your selling, your blogging… Just budget an hour or two every week to decide to practice something that you're already pretty good at. Vow to get even better. Remember, 1% is HUGE!

Winners never say, "I've figured this out…I've got the answer."
There is no "*answer*," at least not a permanent one. The events of 2020 should have taught us that if nothing else. You practice what you already know, and learn what you don't. You never stop learning. Without exception, the designers that I've worked with for almost two decades who are the most financially successful have made a lifetime commitment to learning with an emphasis on business skills. There is no finish line on learning, you run *"through the tape"* and keep going!

Winners are hyper-aware of how they spend their time

Time is money, time is all we have, time stops for no one and *blah, blah, blah*. We've all heard these platitudes countless times and there's a reason for that——*they're true!* Of course there's more to it than just tracking time, even if mentally. There is also the need to set priorities so that your most productive hours are spent on the most crucial tasks. <u>There is so much that simply does not need to be done, yet most are reluctant to let them fall away.</u>

One of my favorite time management systems asks that you write down all of the activities you can possibly think of doing, in any order. Then you label the most important A, B, and C, and you only get three of each letter. Then you assign a 1, 2, or 3 to each of the A, B, and C categories, giving you a total of nine tasks, ranked in order from A1 to C3. Then, you delete all the C's because they're not getting done! Start with A1 and work your way through a highly productive day.

Winners own their mistakes so that they can learn from them faster.

"Well, that was really a bad idea!" "Well that really sucked!" "Man, I wish I had never done that!" Do you ever find yourself saying things like that, even to yourself? Well, you should because the one sure thing is that if you're not occasionally making some whopper-sized mistakes, you're not trying hard enough! Just on the marketing side of things I'll quote my old direct marketing guru, Dan Kennedy, who said, ***"I feel like if I haven't pissed someone off by noon everyday, I'm not marketing hard enough!"***

And then there was the Navy commander testifying before Congress due to the spate of deaths among pilots during training. His response? *"If you're not killing a few pilots then you're not training hard enough and you're doing a disservice to those who might find themselves in combat someday."* Think about just how much sense that cringe-worthy comment makes.

A winner focuses on mastering their craft, not just delivering their art.

Art is defined as *"…something beautiful, appealing, or of more than ordinary significance."* Perhaps I'm getting caught up in semantics, but I think of "*art*" as the finished product, which certainly proves your talent. But "*craft*" is defined as *"…a trade or occupation that requires special skill, especially manual skill."* Art is something one admires while standing, martini in hand, at an air conditioned art gallery. Craft is something that occurs in a hot, messy studio where mistakes are made, cursing is heard and moments of defeatism recur… until the craft has produced the art. Art is fun and frivolous! Craft is brutally hard work. **Focus on the hard work of craft, and the most fun part of art of which you are capable will surely follow.**

A winner knows that success isn't judged by days or weeks, but only over the long-term.
What's your timeframe? That's one of my favorite questions to ask coaching clients who perhaps are upset about recent financial performance. If they say that they still want to be an interior designer 5, 10, or 25 years from now, then I simply point out that what happened last week or last month or last year, doesn't really matter. You just put your head down and get through it. What does matter is that you have clear financial goals for that long-term, and a plan to achieve them which rightly will include many steps forward, and a few steps backward from time to time.

So, how did you fare on the winner's checklist? Are you there? Close? **Can you define what "*winning*" means to you? If not, give it a try, and just for fun, be aggressive, be ambitious, be audacious, be greedy while others are fearful. How high might you soar?**

The Billionaire Mindset

I don't know of an interior designers who has become a billionaire through practicing their craft. (Kardashians and their ilk, excluded from consideration!) But maybe there should be. Maybe we're all thinking too small. Maybe grossing $1 million today and dreaming of $2 million tomorrow is the sure way to bring you up short. Maybe dreaming of $1 billion would give you some breakthrough ideas that, even if you end up "*only*" grossing $5 million, could be truly life-changing.

This thought came to me from a recent article on the *Wall Street Journal* about a man named B. Wayne Hughes. Before we get to the man, let's talk about the industry, that of self-storage. You know the business. You've probably used self-storage facilities many times, know that most are owner-operated (even the franchises like U-Haul) and maybe you've even thought, *"I bet that's a good business!"* After all, once the darn things are built the overhead costs can be very low, yet people will pile stuff up in there and leave it for years! I have to admit, I've thought a time or two about buying one myself, just as an investment opportunity.

And that's what B. Wayne Hughes thought, too. He's the son of an Oklahoma sharecropper who migrated to California during the Great Depression. In other words, he grew up dirt poor with no reason to have any ambitions at all. Oh, and for the record, Wayne is 86 years old. Keep that in mind as this story unfolds.

Some fifty years ago, Wayne noticed that Americans were accumulating more stuff than their houses could hold, and that many of them would rather rent space in which to store grandma's old sofa than to get rid of it. Ditto for boxes of unknown content, other furniture items, wardrobes of clothes, ancient wedding dresses and on and on.

A classic entrepreneur story, right? Find a need and fill it. So, in 1972 Wayne and a partner managed to come up with $50,000 and opened a storage facility in El Cajon, CA. And that's where the entrepreneurial journey would have stopped for most, but not for Wayne.

Wayne took it a little further. I mean, I can only guess that once his first location was profitable, he thought, *"Why not open a second one?"* And a third and a, uh, a thousand and another thousand until reaching today's number of locations of 2,200! That's about 170 million square feet of rentable space and the company has a stock market value of about $34 billion! (Oops, maybe I was even thinking too small about a mere *one* billion.)

<u>What is the difference between this son of a sharecropper who muscled up to buy a single storage unit and then grew it to a $34 billion business, and the masses who would have stopped at one?</u>

I can think of two things that I suspect were at play. First, we have a man who is absolutely unafraid of failure because he can't fall any further than the point at which he started——the son of a sharecropper. And second, Wayne is a man of common sense who had the confidence to think that if he could do something once, he could do it twice, and in fact, thousands of times.

And here's something you might want to jot down: Wayne is doing it again in a completely different industry, one even more closely related to you——housing. This venture actually began during the depths of the 2008 housing crisis. Wayne thought that with so many people losing their homes, there would be increased demand for rentals. (SEe, common sense!) Just like in the early days of self-storage, he started small, purchasing just three homes out of foreclosure. He spruced them up and rented them out.

Based on his success, instead of joining the thousands of house flippers and rental property owners who max out at three or four properties, Wayne returned to his Public Storage strategy and bought *tens of thousands of homes!* That is not a misprint, he bought TENS OF THOUSANDS of homes across the U.S.

His company, *American Homes 4 Ren*t, now has about 53,000 suburban homes in 22 states renting to a very targeted market——pet-owning parents in their late 30s with six-figure incomes. During the pandemic, rentals are soaring with a record 2,400 leases signed by Wayne's company in May alone.

When he couldn't find enough houses to purchase, he began building thousands more from scratch, expressly to rent.

Perhaps the greatest lesson you can learn from Wayne is what he describes as, *"…approaching the mortgage market backwards. Instead of buying a house and then trying to find a tenant, we identify the tenants we want and find or build homes to suit them."* Can you say, *"Ideal Clients!"*

First came families with children because they don't want to move and will swallow annual increases in rent. The better the school district, the higher the rent. Next came pets because these families have pets and so many landlords exclude them that it just clears the playing field. Nothing over 20 years old. Nothing too rural. Nothing smaller than three bedrooms. Nothing without a garage. Nothing that costs less than $100,000 and nothing that would rent for less than $1,000/mo. Decent schools were a must. Then came the six-figure incomes. Wayne isn't slum-lording or working with poor credit risks; he has tenants who can pay the rent on time without breaking a sweat.

With these guidelines in hand, Wayne's team of buyers would leave their Sheraton Hotel in Atlanta (and many other cities) before dawn on the first Tuesday of each month when the foreclosures were auctioned off. They'd have *millions* in cashier's checks with them. After the purchases, the renovation would be with the same standard colors and appliances as hundreds of other houses in that same town.

Did I mention that Wayne is 86 years old? What do you think is the mindset that enables him to see a small, common sense opportunity and grow it like a mushroom into a multi-billion dollar business?

<u>Are you thinking too small? Should you accelerate in a time of incrementalism? Go big when people are thinking small? Get greedy when others are fearful? I'd love to hear your thoughts.</u>

Speaking of Billionaires

I'm not suggesting that all of your clients must be billionaires, though I know of one Edge member who defines her ideal clients exactly that way, quite successfully I might add!

<u>But it is possible that you don't really understand just how rich some of your wealthier clients are?</u> You might assume that after one big project designing their primary home that they're done. And then they call you about a second home, and after that project you think again that they must be done. And then they call you about another home and, well, you get the point.

So just how many homes might they buy? Well, a recent article in the *New York Post* detailed how more than a few rich New Yorkers are buying multiple *<u>"quarantine mansions"</u>* in a single location, like the Hamptons.

It turns out that the Hamptons real estate market is seeing a new phenomenon known as "*compounding*" in which people snap up two, or even three seven- and eight-figure homes *on the same street!*

One real estate agent explained: *"They can see that this pandemic thing might be a long-term gig. I have one client who literally bought the $10 million house next door for his kids and tutors and nannies to live in during the day."*

The only problem, of course, is supply. The Village of East Hampton saw sales rise 292% over the prior year with many in the $15 million-plus range. Houses come on the market and are literally fought over by buyers offering more than asking price.

Meanwhile, New York Governor Cuomo is begging these once proud urbanites to return to the city. *"I talk to people all day long,"* Cuomo said. *"I tell them I'll take them to dinner. Or come over and I'll cook, but they've got to come back!"*

<u>Every major city has its own "*Hamptons*" equivalent, and you'd be well served to know exactly where that is for you.</u>

The Hamptons is Not the Only Boom

Houzz, for all of its warts, reported a 58% increase in project leads for home professionals in June.

They also reported that despite all of the negative stories about recapturing the value of an in-ground pool when selling a home, <u>those designers working on outdoor spaces saw the greatest increase in demand with searches for "pool and spa professionals" three times what they were a year ago.</u> The public provider of pool equipment, Poolcorp, has seen its stock soar to an all-time high, up more than 54%.

<u>You might want to pay close attention to a home owner's personal needs and desires and appreciate they can easily trump the financial concerns.</u> For example, I have a pool, a fairly big one. Suppose that a friend or realtor had told me when I was purchasing the house, *"Gee, David, you know a lot of people don't want a pool. . . it could make the house hard to sell. And pools are really expensive to keep up. And you won't get your money back. . ."*

To which I would have said, *"Who cares? I plan to live in this house for 20 years and I plan to swim laps 150 days a year. I don't even have to calculate the savings on a gym membership (okay, about $1,800/yr) to know that I want what I want and I want that pool!"*

When you're going through "*discovery*" with a prospective client, what you think they need may be obvious, but don't forget to uncover what they really, really want, even if it doesn't make sense to you.

A Gift for Your Contractors?

My reports from Edge members across the country is that many of the contractors they regularly use are swamped! **A lot of the pent-up pandemic demand is starting to spill over and quite a few shoppers are bypassing you!**

During the quarantine, home-dwellers have beaten that den to death and it's time to blow out a wall, spruce up the paint and change the lighting. (And order new furniture.) But maybe they don't want to deal with a designer, maybe they don't want you in their homes in *"these times."* Maybe they're in real hurry and fear that your process would slow them down. (Will it?)

So they go on Angie's List or ask a friend and hire a contractor directly. W<u>hich is why you need to be top-of-mind with that contractor.</u> You may not be able to interrupt the initial project, but if the contractor will just say to the client, *"You know, you may want to visit with an interior designer like Jane about how to get the most out of this space,"* then assuming your name happens to be Jane, good things could happen.

Contractors like working with designers because designers have a way of dramatically expanding projects. Forget that den, let's talk about the whole house! That's good for the contractor, too.

And, designers can make decisions, something that home owners often struggle with to the great irritation of contractors.

I've heard the same refrain regarding independent, local furniture retailers. In many spots of the country, they're swamped! And if they don't have designers on staff, you just might want to contact them as well.

Where We're NOT Spending Today

Want to know where the affluent have really cut back on spending during the pandemic? Try restaurants, travel, automobiles, fashion, and jewelry. (No parties at which to wear the fashions and the jewelry!)

<u>So, what are these individuals doing with the six-figure amounts they're saving? You got it, they're investing in their homes and second homes, and third homes.</u>

These next five years could truly be extraordinary times for the ambitious interior designer!

Mindset Over Matter

Until he writes a book, we are somewhat left to wonder about the mindset that drove B. Wyane Hughes to create a self-storage empire, followed by a real estate rental empire, where the 99% would have stopped after just managing to pay the bills. But in a new study published in the *Proceedings of the National Academic of Sciences*, we may gain insight into that mindset, and into our own.

We've all read countless times about the most common descriptions of key entrepreneurial traits, things like focus, passion, and perseverance. No less than Steve Jobs landed on perseverance, saying that there will inevitably be so many tough times while running a business, that anyone who is quick to give up should never get started in the first place.

<u>And it's true. Successful people delay gratification. Successful people withstand temptation. Successful people consistently tackle the chores they have identified as important, no matter how hard or distasteful.</u>

Hank Paulson, former head of Goldman Sachs, and then the US Treasury Secretary credited with saving the global economy after the 2008 meltdown, explains it this way: *"Every morning when I get to the office, I think to myself, what is the toughest, most unpleasant, and most important thing I could possibly accomplish today? Then I get busy on that thing and worry about all the rest later."*

But perseverance does not mean blind loyalty to a single path. Rather, the successful ones combine perseverance with flexibility, and they are able to do this through what one study calls, a "*strategic mindset.*" This mindset, the study claims, "*Uniquely predicts how effective people are at pursuing their goals.*"

So, what is a *"strategic mindset?"* In short, it's not just thinking, but thinking about your thinking. Researchers call this "*metacognition*."

I've already addressed the importance of practice in this Newsletter, and there is no doubt that repetition is often the key to getting results. Grit matters.

But only to a point.

<u>The next step is to embrace a "*strategic mindset*" and regularly question and refine your current processes, routines, habits, etc. in order to overcome setbacks and further improve on success.</u>

Consider, for example, that you are preparing an important Keynote presentation for a potential whale. The common thing would be to rehearse several times, from start to finish while you tweak a few bullet points along the way.

But the strategic mindset would go further. Here, you would break up the presentation into numerous sections, and perhaps assign a psychological goal to each. What is the purpose of slide 23, and slide 34? What, exactly are you trying to accomplish not just with the presentation, but with each and every slide, and each and every word?

Then, depending on your delivery format, you might try different devices (iPad v. laptop, for example) different microphones if pre-recorded or online, different lighting and you might outsource a few slides to see what they'd look like if done by a professional freelancer.

In short, you constantly evaluate your progress and tweak your approach.

I created and introduced a similar concept many years ago that I call R/W/C, for *"reset, workflow, and constrain."* You'll notice that the critical element of a strategic mindset is to be able to view a process from 10,000 feet before it goes live and that's what R/W/C does.

My process advises that before tackling a new challenge, you:

Reset—clear your mind and even get away from your office. Change venue so that you can truly start with a blank slate.

Workflow—draw the steps in the process you are considering. Just how complex is it? Can steps be simplified, combined, or eliminated? What might the unintended consequences be? What are the opportunity costs?

Constrain—if you do decide to move forward (perhaps revamping your Keynote presentation in this case) determine in advance how much time you are willing to give to justify this effort.

When subjects in experiments applied this mindset, they performed better on objective tests than those that did not apply the mindset, and by a wide margin.

Maybe Aretha Franklin wasn't quite right when she said, "*You better think about it!"* Maybe she should have said, *"You better think about thinking about it.*" Either way, you've got to love the fuzzy pink slippers!

Organizing Your Thoughts? Why Not Try Zettelkasten?

As a lifelong writer of many different things (business books, novels, newsletters, courses, consulting reports, and daily journal entries) I have a strong butt-in-chair work ethic. Yet I am still envious of the writers I read about who have created ten works for every one that I have, and yet maintained high quality.

Part of the challenge of that level of productivity is one that also impacts your design mind, and that is organizing——and in many cases linking——the thousands of ideas that have occurred to you over the years, whether or not they have ever been acted upon.

Take my Edge Newsletters for example. (Think of your own example as you do.) Going back to their predecessor, the Audio Newsletter, I now have thousands of pages of cumulative content. As I sit down to write this month's edition, it might occur to me that I wrote something similar some years ago. Should I reference it? Repeat it? Build upon it?

Well, it turns out those are not the right questions. The right question is, *Can I find it?* Can I find that single paragraph among the thousands of pages that I know would be helpful? And what if there are related topics that support the initial one, leading me down an expansive path and all but generating a new outline for me?

Niklas Luhmann was a polymath who published more than 70 books and nearly 400 academic articles during his career. Beginning in the pre-personal computer era, his original organizing system was, of course analog, not digital. In this case, that means index cards. Thousands of index cards on which he wrote a single sentence or paragraph holding an idea.

The paragraph could be fairly long, but had to fit into the space of a "*zettel*," the equivalent of a half-sheet of paper.

Because of this, Luhmann never suffered from writer's block. Even when his note collection was relatively small, he always had something to start with when undertaking a new project. And by connecting related notes together, he often had an outline for the project before it started.

By the time of his death, Luhmann had created *90,000* cards! But just like the way our neurons connect to find new paths, it was truly the "*synapses*" between his notes, the links, that increased the value of his system exponentially.

Pre-personal computers, he connected his ideas in two ways:

1) Each index card had a unique index number or address, using numbers, letters, and occasional punctuation in a branching approach. For example, while the first card might be numbered "1," if the next card was related, it would be numbered "1/1."

   Perhaps unfathomable to us, a card numbered, say, 21/3d26g53 would make perfect sense to Luhmann and tell him immediately what other cards directly linked to this topic.

2) The second method for organizing cards was through explicit reference links. At the bottom of each card Luhmann would jot down the address of cards with related ideas though they might be positioned under different primary topics. Following these links, Luhmann could jump across his vast note collection and make new connections among ideas.

Now, if your eyes are not glazed over (mine sort of are!) I'm sure you're already thinking how loudly an approach like this cries for a digital system. In fact, all the linking and various associations can make one think immediately of a website.

(Timeout: Even if you don't write a blog or routinely hold brainstorming sessions, please imagine that you have cards of this sort for every design idea, challenge, blog post, photograph, course, disaster, success, contractor, architect, builder, etc., that you've ever encountered. Then imagine that before you create a proposal for a house or office that has certain unique features, you could pull from and link to every thought that has ever crossed your mind on those unique features. Wouldn't that get you off to an amazing and creative start? Wouldn't it save countless hours? Wouldn't it make you look like the true expert in that particular niche when you got back to the client that quickly and with that level of detail?)

If you already use a note-taking tool like Evernote (the one I use) OneNote, or Notion, there are plenty of YouTube videos on how to convert these tools to build your own Zettelkasten with the notes you've already created.

What these tools lack, however, is a robust back-linking system, which has spawned the development of software specifically designed for Zettelkasten. If you want to check these out, the leaders at this stage are Zettlr, The Archive, and Roam Research. The latter, Roam, is getting the most buzz right now as it not only allows links within cards (not just to the cards themselves, but to any paragraph *within* a card) and can display a flow chart of how ideas connect.

Rather than start imagining how you might convert years or decades worth of project folders into ideas and notes that you could link to and organize, I recommend you just start with a handful of ideas.

Perhaps twenty would be enough to try one of these apps. Watch a YouTube video or two, and decide whether this would take too much time to master, or whether the time savings over the years would be well worth it.

I first started writing about Evernote over a decade ago, and described it as my personal Google search engine. While it would be better if I had neatly added tags and links, I can search for a term like, *"cash flow,"* and Evernote will return every instance of that term in my files.

Of course the old rule applies——garbage in, garbage out. So, there's no use starting this journey if you're not willing to spend quite a few very boring hours, butt-in-chair, up front.

That Was Quick; Recession Over!

I'm sure that none of us take joy in the income inequality in this country. I'm sure we wish our fellow Americans well, at all socio-economic levels. <u>But the fact is that your financial future is based on the relative financial health of those who would rate somewhere between affluent and rich!</u>

So, let's consider how <u>*your*</u> best prospective clients are faring right now. I'm drawing from a recent article in the *Washington Post*.

- U.S. stocks are hovering near a record high, a stunning comeback since March that underscores the new phase the economy has entered: The wealthy have mostly recovered any losses they suffered.
- Jobs are fully back for the highest wage earners
- Some economists have started to call this a "K-shaped" recovery because of the diverging prospects for the rich and poor
- As much of the economy has moved to a work-from-home mode, the shift has mainly benefited college-educated employees who do most of their work on computers.
- Richer Americans also have seen their wealth recover — or even surge —as home values have jumped to their highest level ever (even in inflation-adjusted terms), according to the *National Association of Realtors.*
- **The wealthy have actually seen their cash reserves grow as they cut back on traditional expenditures such as fashion and vacation travel.**
- The recession is nearly over for high-wage workers, but low-wage workers are no more than half-recovered.
- Thanks to a wave of optimism about a possible vaccine and an economic recovery, as well as continued support from the Fed, many investors are doing quite well. The Standard & Poor's 500-stock

index is within a few points of hitting a record high. If it happens, it would be the fastest turnaround ever from a bear market.

- It's a similar tale in housing. Families with jobs and savings are taking advantage of the lowest mortgage rates in U.S. history — below 3 percent — to buy bigger homes at bargain rates. Home purchases are up more than 20 percent, and refinancing is up nearly 50 percent from a year ago, according to the Mortgage Bankers Association.

No wonder I'm hearing from Edge members from coast to coast that there is no *"pent-up"* demand; the demand is real and right now! Go get your share. . . aggressively!

Why Aren't Your Merging or Acquiring?

I've been preaching this for years with very few takers. Those that have pursued this path are doing extremely well. I suppose the idea comes from my lifetime study of competitive strategy and fragmented industries, of which interior design is nearly the poster child.

It works like this: Take a look at your overhead including rent, utilities, bookkeeping, CADD software, all other software, perhaps a procurement person and/or executive assistant, and ask yourself this:

- Do I like paying 100% of all these costs every month?
- Or, would I prefer to pay just 50%?
- Or, would I prefer to pay just 33%?

What would that do to your profit? Well, every penny of cost savings goes straight into your pocket, so if you're paying $4,000/mo for that overhead, and you only had to pay half, you'd put $24,000 a year into your pocket. The higher the beginning number, the more you save.

And how do you do this? You merge operations with another designer. Notice I said, "operations," because whether or not you merge your design practices is completely optional.

C'mon, and think about it. If there are 500 interior designers in Houston (and there are probably more) why are they buying 500 licenses for AutoCAD and Photoshop and Studio Designer? Why are they hiring 500 CPAs and part-time bookkeepers? And while many of these designers work from home, there are still hundreds renting hundreds of separate offices, paying separate utility bills, janitorial bills, and on and on.

I could go even further if we were to discuss digital strategies like websites and social media. There could be an argument for keeping these separate, even among merged firms, but there will always be savings from the legendary *"economies of scale."* As an example, someone managing your Facebook ad program, or blog SEO, or Instagram account, will almost certainly give you a "*deal*" for getting two clients instead of one.

Speaking of Houston, that's where one of my longest-standing clients and coaching group member operates. Unlike most designers, her highly successful firm took on class A office space in a 10-story building. I've been to many a design firm, but this may be the only one for which I used an elevator! I liked it.

The firm is known by the partner's two names, let's say James/Smith Design. The principals' offices are literally at the opposite end of the space, with cubicles for the 5-6 employees in the middle. The employees are just who you might guess——a couple of junior designers, a procurement person, an office manager, and room for the part-time bookkeeper and CAD operator.

And all of those resources, including the rent, utilities, and insurance are shared, split right down the middle between the two principals. 50%, not 100% each month.

And do they split the revenue? Nope, in that area it's each man (or woman) for himself. <u>After allocating the shared expenses, each principal keeps her own profits from the work she alone secures.</u> They almost never have joint projects, don't market in the same way, and because they are also close friends, don't whine and moan if one lands a client the other would love to have. They congratulate the other instead.

This sort of merger would be known as a "*financial merger,*" with almost all of the benefits arising from the impact on the bottom line of cost savings.

There is also something called a "*strategic merger*" which can be harder to pull off, but can also have the effect of leveraging and growing sales of the combined entity.

Strategic value is synergistic. It means that 1 + 1 = 3. The sum of the whole is greater than the individual parts. In this case one of the principals involved would offer complementary services to the other. For example, suppose one principal had a great referral base of high net worth homeowners, but didn't enjoy or just isn't particularly brilliant at kitchens.

So, she merges with a brilliant kitchen designer, but one who had found it challenging to get in with high net worth homeowners. Here, a revenue sharing agreement might be worked out so that both designers benefit from their joint projects.

Hoping to inspire you to think big, I have also seen interior design practices merge with construction firms in order offer renovations and installation services as part of a turnkey package. I'm sure you can relate to the good feeling of knowing you could always find quality crews who show up when promised!

I've also witnessed a number of mergers, and attempted mergers, between interior design and architectural firms. The risk of this is that if you align yourself with just one architect, you may lose referrals from all others. But, if it's a large enough firm and you love their work, becoming the *"in-house design firm"* for them might make sense.

I was once asked what I would do if I went into the business of interior design. In light of the fact I am color blind and without taste, I gave the question quite a bit of thought. <u>The question was also qualified with what traits I would look for in whoever ran the firm if it wasn't me. Here's my answer:</u>

- I'd hire a Harvard MBA, or perhaps someone from McKinsey & Co. to run the firm;
- I'd raise $10 million in venture capital based on the potential of *"consolidating an industry."*
- I'd create large regional interior design centers complete with all the staff I described above, sample room, client meeting areas, and possibly some curated niche furniture vignettes
- I'd go on an acquisition spree to acquire 100s of interior design practices and move them into these regional centers
- I'd do massive paid advertising and SEO and, like a Houzz, dominate search for interior design. . . yet for less per designer than they themselves were spending.
- I'd grow the company to $300 million in sales and sell it to a hedge fund for about that same amount.

*Ahhhhhh, i*f only I was 20 years younger! Then again, B. Wayne Hughes was younger than I am when he first started acquiring homes by the thousands. Maybe I should give him a call. Can you imagine based on what he did with the fragmented industry of self-storage, what he might do to yours?

So, I guess there is a theme to this Newsletter: Are you thinking BIG ENOUGH?

One-on-One With Me

Readers of this newsletter over the years know that I try to avoid any outright promotions for other products and services. I'll continue with that approach, but I have one thing I have to mention.

I am no longer doing one-on-one coaching or consulting work. Though it is the most asked for service by members, it draws on the same mental battery as course development and for the next few years, all of my effort is on the latter.

However, I have decided to offer a service called a *"Confidential Business Plan Evaluation"* to those who enroll in the IDMBA program. The optional upgrade will be available to anyone for $2,750, but I am offering it free to Edge members who enroll before September 1.

Here's how it works:

- Toward the end of the 24-week IDMBA Program, you will develop a very concise and clear business plan describing exactly how you will achieve your future financial goals through interior design.
- For those who purchase the upgrade (or take advantage of getting it free) I will provide:
    - A detailed review and line-by-line analysis with specific recommendations
    - A dedicated, one-on-one video call to discuss my analysis and answer any questions you may have.

I ask that you imagine this sort of clarity and confidence as you look toward the next five, ten, or twenty-five years of your career!

If you haven't yet registered for a 40-minute information session for the IDMBA Program, please do so at www.interiordesignmba.com.

Then, when you enroll, use the coupon code **EDGEIDMBA** to save $1,000. And, if enrolled prior to September 1, we will contact you to confirm your free Confidential Business Plan Evaluation.

We're also holding live online Q&A sessions once a week. If you'd like to attend, please contact our Sales and Marketing Director, Ben Smith at ben@interiordesignmba.com.

Now, go earn what you deserve!

David

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