

FIRESIDE

UPDATE

Last Issue for Unrenewed Members

A member benefit of MidStates HPBA

JANUARY 2009 • VOL. 10, NO. 1

How to Get the Most for your Dues Dollars

With the current state of the economy, you may have found yourself asking, "Should I really spend the money for a membership with MidStates HPBA? Can I really afford to?" Our question to you is, "How can you afford not to?" As a member of MidStates HPBA (MSHPBA) there are many valuable benefits and resources available to you to help you improve your business.



While the market has been challenging recently, now is the time you should invest in every opportunity to improve your business. Members of MSHPBA are informed of current trends in the industry and are also given many tools and opportunities to move ahead of the competition. The following are additional opportunities our members take advantage of.

Improve your net margin by increasing sales and reducing costs. Resources include:

- Opportunity to have your complete contact information on our fully searchable online database of retailers for consumers to find you.
- Web site full of online consumer information including Free Product Fact Sheets designed to increase your customer satisfaction, Consumer Guide, and fuel efficiency calculator.
- A full range of members-only benefits including Business Liability Insurance, Employment Background Screening, Health Insurance, Hertz Rental, Bank Card Processing, Shipping, member logos and decals.

Free entry into HPBExpo, the premiere trade show for your industry, where you have the opportunity to see all the new products, network with colleagues and attend education and certification seminars.

Even if you are not planning to attend Expo...

Increase your knowledge through access to leading-edge information designed with you in mind. Resources include:

- Regional Affiliate Meetings that provide a cost effective way for you to access incredible information at a location close to your office. MSHPBA will hold our Burn & Learn educational conference in May in Frankenmuth, Michigan.

- Publications such as newsletters, email updates and news alerts to keep you on top of what's happening in our affiliate and in the industry in general.

Participate in the following programs offered to help your business succeed:

- National Fire Institute (NFI) Certifications with courses and exams are available to members throughout the year. Certification will keep you and your employees above the competition and members receive discounted rates.
- Discounted Insurance Programs offer a competitive general liability insurance program for members at a discounted rate. Members who took advantage of the liability insurance policies offered with Security Group International Inc have saved an estimated average of 10%-15% on their premiums (this includes discounted rates for NFI certifications). The retention rate for the entire program is in the 90+ percentile, which means that the coverage you receive through MSHPBA will make it so that you do not have to worry year to year about availability and cost.
- Legislative and Regulatory Watch Dog alerts make sure that members are kept aware of potential threats and opportunities in our industry.
- Mystery Shopper Program gives you the opportunity to see your store from your customer's point of view. MSHPBA offers a Mystery Shopping program in collaboration with DSG Associates, Inc. to help you gauge whether or not your customers are getting the best service.

Support your industry and help it continue to thrive as your membership dues allow HPBA to:

- Develop codes and standards that apply to your products today.
- Protect industry interest through government affairs work that benefits each and every retailer.

Being a member is more than just paying dues; as a member of MSHPBA you are making a good investment for your company, your employees and your industry. The cost of a MSHPBA membership is a small price to pay for staying up-to-date with happenings in the industry and having the opportunity to participate in programs that strengthen and grow your business. 🔥



Robert Huta, President

I send my warmest greetings to all of you, especially those of you who are receiving this newsletter as what I like to call "future" members of MSHPBA and HPBA. If you are reading this newsletter and wondering why you are getting it even though you're not currently a member, it's because we want you to become a member.

This is our annual "reach-out" mailing. I hope you enjoy it and find it useful. This newsletter acts to tell you we are here, we are working for you, and we want you to join our ranks. In addition to this newsletter, expect a call from a volunteer from Mid-States HPBA soon if you haven't already heard from us yet. We are serious about welcoming you into our association and working with you to be a great business through continuing education, a great EXPO provided by HPBA and, of course, our service on the front lines of legislative issues that affect our industry. I will be making many of the calls myself and I look forward to talking with you about how HPBA and MSHPBA serve you and why you want to become part of the team.

These are complicated times to say the least. In this rapidly changing economy MSHPBA is feeling the effects of tough economic conditions, too. For MSHPBA, these economic difficulties are showing up in decreased revenues related to income sharing from the HPBExpo and manufacturer membership. Facing this difficulty head on, we are tightening our belt and going back to the playbook to find the best ways to play the role in the industry that we must play and yet prudently watch the bottom line. I'm sad to announce, it has been decided to not host our annual luncheon at Expo this year. This event represents an expense that could not be justified considering how many of you, at the time I am drafting this letter, are not expected to be in Reno. We are looking at every line in our budget and considering the Return on Investment of every project we are working on to you, our member. Expect more news from MSHPBA on upcoming events via email. We have some tough decisions to make and will keep you in the know as we make them. Be assured, we are still working for you and building towards a better future for all of us.

It's a shame that a great autumn for wood and pellet stoves and their complimentary venting products is turning into a wait and see, "Heaven help us what's coming next?" economy for all of us to deal with. We had great momentum and then boom; the consumer is scared and malaise seems to be setting in everywhere. While it is true that we face difficult times, we need to remember that in many ways we are doing well or at least positioned to do well. First thing first, have you looked at your entire 2008 sales numbers lately? If you weren't up from 2007, you weren't selling the right products. Yes, things got quiet fast as the busy season came to a close and the daily news is depressing, but don't panic and don't let the down of bad news stop you from doing the things that work in your business and frighten you from making the improvements in your businesses that are needed. Being depressed or frightened certainly won't help anybody's business. Get out there and generate leads, convert them into sales, and satisfy your customers beyond their expectations and you'll do fine. It may be at the expense of your competitors who aren't doing as good a job as you are, but that's big boy business and this is a time to put on our big boy pants and get after it. We have

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for members of the MSHPBA.***

***Submission of articles is
encouraged and welcome.***

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2009 Tax Credit Information – Important Details

Signed into law on October 3, 2008, a \$300 consumer tax credit for the purchase of a 75% efficient biomass stove in 2009 was included in the Emergency Economic Stabilization Act of 2008. The Hearth, Patio & Barbecue Association (HPBA) and the Pellet Fuels Institute (PFI), succeeded in including the tax credit to help consumers fight rising home heating costs. Pertinent language in the legislation reads as follows:

SEC. 302. CREDIT FOR NONBUSINESS ENERGY PROPERTY

- “from January 1, 2009 to December 31, 2009”
- “a stove which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and which has a thermal efficiency rating of at least 75 percent.”
- “BIOMASS FUEL – The term ‘biomass fuel’ means any plant-derived fuel available on a renewable or recurring basis, including agricultural crops and trees, wood and wood waste and residues (including wood pellets), plants (including aquatic plants), grasses, residues, and fibers.”

Guidelines for this tax credit are being determined by the U.S. Department of the Treasury and the Internal Revenue Service (IRS). Although the tax credit takes effect January 1, 2009, the guidelines for the credit should be issued later in January. HPBA will keep the industry informed on the progress and details of this tax credit. For the latest information, check the HPBA website, www.hpba.org, for critical developments.

Tax Credit FAQs

Q: What is a federal consumer tax credit?

A: Consumers claim the credit on their federal income tax form at the end of the year. The credit then increases the tax refund or decreases the amount the taxpayer has to pay.

Note: With regard to tax credits vs. tax deductions, in general, a tax credit is more valuable than a similar tax deduction. A tax credit reduces the tax you pay, dollar-for-dollar. Tax deductions – such as those for home mortgages and charitable giving – lower your taxable income.

Q: When does this tax credit go into effect and how long will it last?

A: The tax credit goes into effect January 1, 2009 and is valid only for the purchase of a qualifying wood or pellet stove in 2009. The sales receipt must indicate that the purchase was made between January 1, 2009 and December 31, 2009. If a retailer sells a stove before the list of qualifying stoves is made public, the retailer must keep a complete record of the sale (name and full contact information) so the purchaser can be notified.

Q: Who is determining the tax credit guidelines for the qualifying units?

A: The Department of the Treasury, and specifically, the IRS.

Q: Will other wood and solid-fuel appliances (like inserts, EPA-certified wood-burning fireplaces and outdoor wood heaters) qualify for the tax credit?

A: We do not know at this time. Right now, as the legislation is written, only 75% efficient stoves are included. HPBA requested that inserts be included, but no confirmation has been received.

Q: Do all pellet stoves qualify for the tax credit?

A: We do not know at this time. In a letter to the IRS, we recommended that all pellet stoves be included because EPA has previously assigned a default efficiency rating sufficient to qualify pellet appliances. However, we do not have a confirmation from the U.S. Department of the Treasury or the IRS about whether they will accept or reject this recommendation.

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Government Affairs

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Q: Why was 75% efficiency selected?

A: The 75% efficiency was designated by the U.S. Congress in 2005 as part of the Energy Policy Act and was used again for this tax credit. Unfortunately, with a truncated timeline of the legislation that included this tax credit, we were not able to change the number to reflect a more realistic efficiency rating.

Q: How will the 75% efficiency requirement be determined?

A: HPBA has provided the IRS with extensive information on product efficiency. The association recommends using the more realistic Lower Heating Value (LHV) method rather than the Higher Heating Value (HHV) that is generally used as an efficiency measurement for gas products. This would include a broader range of efficient biomass products for the tax credit. We are waiting for the IRS rule on the efficiency testing.

Q: How will a consumer know that a product is certified?

A: The manufacturer will have to certify that its product meets or exceeds the IRS efficiency requirements. A manufacturer's certification is a signed statement from the manufacturer certifying that the product qualifies for the tax credit. The IRS encourages manufacturers to provide these certifications on their websites to facilitate identification of qualified products. Tax payers must keep a copy of a certification statement for their records, but do not have to submit a copy with their tax return.

Q: What should a retailer and consumer do while waiting for qualifying information?

A: Keep exact records of any sale or purchase. It is imperative that retailers keep records of sales and buyers should save all receipts for payment along with stove manufacturer and model information.

HPBA will keep the industry up-to-date on all developments on its website, www.hpba.org.



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For more info, call Debbie Scarbo at 703.522.0086 or e-mail her at scarbo@hpba.org.

The Power Promoting Idea of the Month

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**by Tom Shay, CSP,
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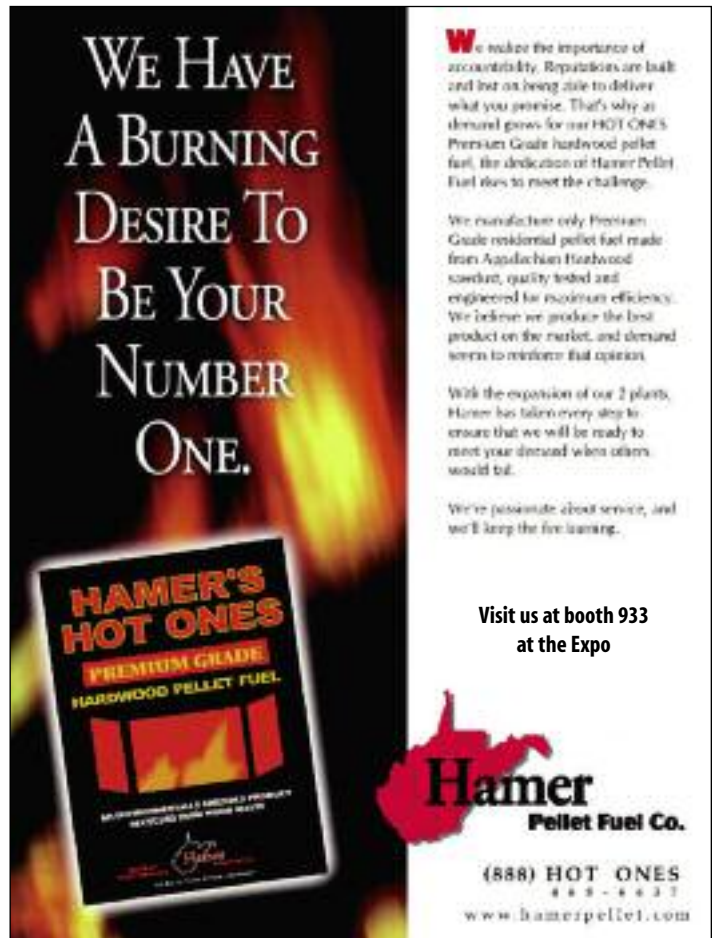
As our daily routine for the new year settles in, many of the community organizations (Optimist, Kiwanis, Rotary, Civitan, etc) are back to their regular schedule of meeting.

With most of these groups, as they meet they are in need of a speaker for their event. By seeking out these groups and volunteering to speak, you will have the opportunity to share with them for about 15 minutes. You can't give them a sales pitch about what you sell, but you can give some pointers.

If you sell clothes, you can talk about fabric care and the colors and fashions for the coming season. If you sell auto parts, you can talk about how they can take care of their vehicle to maximize mileage.

When you complete your presentation, you can give away samples, have a 'door prize' and leave your business card with attendees. And when you do a good job with one of the civic groups, expect to see that another is going to invite you to speak.

This is a great way for the community to hear about your business, your products and services. 🔥



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Helpful Tips for your business...

Selling to Simplifiers

It is important to know the specific market your customers belong in. To be able to market to them specifically by their characterizing features is a sign of a strong business. A new brand of consumer in 2008 has been identified, the middle-aged Simplifier.

The Simplifier finds himself surrounded by too much stuff acquired. Simplifiers have four main characteristics that identify them:

- They perceive that they have more stuff than they need – It is important for us to identify why a stove, patio or barbecue is a necessity.
- They want to collect experiences, not possessions – Take this opportunity to sell them on the practicality and experience a stove, patio or barbecue at the center of their home can create.
- Their nice things embarrass them – Push the idea of “going Green” and buying or upgrading to something to help the environment.
- They have wealth that is so assured that it no longer requires conspicuous display – They reject marketers who pressure to spend more money on possessions rather than education, health care and other social goods – like a stove, patio or barbecue.

It is important to understand the identifying features of your consumers prior to their transaction. By doing this, you can cater to their interest and needs.

Source: *Harvard Business School – Working Knowledge*

Make Modest Cuts Now

By recognizing problems early and making moderate reductions, financial experts say small businesses can avoid having to make severe cuts later.

According to a story in Business Week many small business owners are uneasy about the economy, but most of them have not made drastic cuts or layoffs. “The local folks are typically very reluctant to lay anybody off because a lot of their employees tend to be longtime employees,” says Jennifer Rockne, director of the American Independent Business Alliance.

Sam Bornsteing, a CPA and professor of accounting at Kean University recommends using financial ratios as an “early warning system” to indicate when a business should make adjustments. “Comparing indicators like the gross profit ration – which shows the proportion of profits to total sales – to industry averages can tell business owners whether their costs are too high or their prices are too low,” Bornsteing says.

Source: *Today's Garden Center*

Don't Fall Victim to Web Site Mediocrity

To deliver success, your Web site must accomplish one basic thing – attracting and capturing the attention of your target audience.

Web site success boils down to being easily navigable. Once found, grabbing and holding the fickle focus of Internet shoppers is important. Avoid a cheap solution – invest time and the proper tools in your Web site to create a great experience for your customers.

Research your market and build/restore your site with your ideal customer in mind. Sites differ according to demographics of customers. Here are a few tips to get you started:

- Older people tend to like more conservative sites. Young adults and teens are excited by color, contrast and movement.
- Colors evoke different feelings in different people. Test your design with others.
- Use good contrast between background and text colors. This could be the difference between customers reading or not reading your Web site.

Source: *MarketingProfs.com* 🔥



Member Benefits Program

Office Depot offers one of the largest selections of office products in the world. Their Office Depot's Business Solution provides the everyday office essentials and business services that make work-life more productive.

HPBA members will receive discounts up to 10% off the retail website pricing for online purchases and up to 10% off the in-store purchases in Office Depot's U.S. stores. Because of store agreements in Canada, Canadian members will receive discounts off the retail website pricing for online purchases only.

Members receive additional discounts for online orders at the time of purchase over \$150. Conveniently, members will also receive discounts when ordering via telephone or fax.

Delivery is free on all orders over \$50. In most cases, orders placed by 5:00pm local time, will be delivered next day. (2 day out of area deliveries)

Members can set up their account by visiting HPBA's Member Benefits webpage at www.hpba.org/members/benefits.html, or by contacting account manager, Jennifer Miller at Jennifer.miller@officedepot.com.

Features & Benefits

Catalogs & Pricing

- Office Depot provides a list catalog featuring over 12,000 items
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- Free delivery on all orders over \$50
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- Orders over \$250 — receive a 2% discount on online orders at time of purchase
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Office Depot Store

- Receive discounted pricing at any of our retail stores by registering your credit card



If you would like to learn more about the HPBA-endorsed Office Supply Discount Program, fax or e-mail this information form to Jennifer Miller at 410-730-1552 or jennifer.miller@officedepot.com

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Name _____

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HPBA Member # _____

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Yes No If yes, Account # _____

Managing Price In A Down Economy

(Courtesy Market Directions)

Times are tough. Sales are down...only one way to recoup revenues, raise prices. Right? How about lowering prices and "making it up on volume?" While on a short-term basis price increases may be the fastest way to grow revenues, it may also cause unforeseen future consequences.

Key Considerations

- Brand Position – Your pricing strategy should be consistent with your brand position...in fact it is the most explicit bottom-line expression possible. Premium pricing supports a premium brand while value pricing accompanies value brands. Moving a value brand into pricing premium territory will likely cause sales erosion... unless you are able to demonstrate strong rationalization through a value-added component.
- Price Elasticity – How much room do you have to move? Pricing is largely a science with a little bit of art tossed in...Regardless you should be able to identify your price ceiling through demand modeling. Additionally, you may find that vendors and your sales group may be able to provide solid anecdotal insight in this area. Although, somehow it seems that Sales Organizations rarely want to increase prices...Interesting phenomenon.
- Category Price Sensitivity – If your product falls into the luxury category you tend to have much greater latitude in price movement vs. household or common products/services. These are largely emotional vs. rational purchases, and while price ceilings certainly exist, they tend to be higher.

One Alternative To Increasing Prices

- Add Relevant Value – The practice of Value Innovation suggests taking a critical look at every aspect of your product or service and then take action in each of the following areas. If done effectively practicing Value Innovation should stimulate sales and reinvigorate your product offering... hopefully without adding significant cost.
 1. Eliminate – Factors/Features which are taken for granted and unnecessary
 2. Reduce – Factors/Features which should be reduced below industry standard
 3. Raise – Factors/Features which are highly valued
 4. Create – Factors/Features which should be created that the industry has never offered. 🔥

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 By The Fire

President's Letter *(continued from page 2)*

great alternative heating appliances that consumers will continue to need for the long haul, specialty grill products that consumers want in any economy and outdoor living products that are on the rise in popularity in our arsenal to sell and install. I like that line up of goods and am confident that even in uncertain economic times we can do just fine. By the way, we also have high efficiency gas and wood fueled fireplaces for the new construction market when it comes back-and it will. We can and should be educating consumers about those products now in preparation for when the housing market rebounds. We may even get a few swap-out projects of cheap builder boxes for high efficiency fireplaces that show off the tremendous technology that our industry has to offer.

We must not give in to the gloom and doom being promoted everywhere. Our nation, region, and industry have survived much worse economic conditions and many businesses not only got through those times, they made money during them. It may mean you have to be the best business on the block, in your town, or in your county, but that's something you can be, and something MSHPBA and HPBA can help with. 🔥



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