

Merchant Man

John Schlecht, owner of Crafts Direct, likes to go his own way – as long as it's what his customers want.

By Gail Ivers

There's no question in John Schlecht's mind that he could have made their store in East Grand Forks a success. "If I had gone up there and lived for a few years and run that store only – yes, it would have worked."

There's no arrogance in that statement. Merely a recognition of his own skill set. The kind of recognition that led him to work for Ben Franklin's corporate store talking people into – and out of – starting Ben Franklin franchise stores. The kind of recognition that led him to open his own store in St. Cloud when no one else would do it. The kind of recognition that took a small retail outlet from 15 employees, \$1.3 million in sales and 10,000 square feet to a destination store with 125 employees, 40,000 square feet and 2010 sales of \$10.5 million.

Schlecht calls himself a merchant. He understands finance, but has no love for that part of the business. He likes owning and running the business and does not shy away from hard decisions, but that's not why he looks forward to coming to work. For Schlecht, it's all about the customers and the merchandise and putting the two together successfully.

"If you don't have the inventory and sell the inventory, you don't have sales increases," Schlecht says. Until recently he and his wife, Diane, did almost all of the seasonal buying. They're part of a buying co-op based in Portland, OR that accounts for about 20 percent of their volume and helps increase their product options while containing costs. "I don't know how you'd make it as an independent if you didn't have a co-op to work with," he said.

Co-op affiliation wasn't always a concern for Schlecht. When he opened for business in 1990 he opened as a Ben Franklin franchise store. This was the culmination of a relationship with Ben Franklin that started in 1981 when Schlecht worked for the Paynesville Ben Franklin store. In 1984 he transferred to Ben Franklin Corporate where he became a regional craft coordinator. Part of his job was to sell new stores.

"I kept trying to get a store in St. Cloud," he said, "but no one was interested." One day he stopped in to see the owner of the Monticello Ben Franklin, Giles Lenzmeier. Schlecht had pestered Lenzmeier to open a store in St. Cloud, but he wasn't interested. "'Well, how about if we open it together and I'll run it?' I said to him one day. He said, 'John, if you want to work that hard, ok.'"

Ben Franklin offered many essential services to its franchise holders – accounting, advertising, payroll, and of course, inventory. Schlecht purchased about 85 percent of his merchandise through Ben Franklin.

But Ben Franklin wasn't a healthy operation. They started to struggle financially. They began opening corporate stores. "They lost sight of their independent owners," Schlecht said. In 1997 Ben Franklin Corporate went bankrupt.

Schlecht, along with some of the other franchisees, joined together to purchase the name. At the auction they bid \$2.6 million for the rights to own and control the name Ben Franklin. It sold for \$3.2 million, Schlecht said. That avenue closed to him, Schlecht renamed his business Crafts Direct, a name he had registered for use on the Internet in 1992.

Fire!

Even as Schlecht was dealing with the demise of Ben Franklin, he was pursuing a new concept in the craft industry. During the falls of 1995, 1996 and 1997, he rented an empty storefront in the Marketplace Shopping Center in Waite Park. Turning the space into a discount warehouse, he offered customers quality seasonal merchandise for 40 percent off the retail price.

The warehouse concept was a hit with customers. In September 1998, Schlecht started leasing space on Sundial Drive, with plans to make it a year-round seasonal store. He bought the building in March 1999 along with six acres of land for a future retail store. Everything was going as planned until Schlecht returned from a hunting trip in October 1999.

“I literally had just sat down with a cup of coffee to talk to Diane and the phone rings – there’s a fire in the seasonal store. Well, of course, our first question is --is everybody out? Are all the customers ok? Is anyone hurt?” Schlecht said.

“It was pretty traumatic,” Schlecht recalls. “But everybody was fine, all the customers got out fine. Yeah, we lost a whole building and all the inventory, but it could have been so much worse.”

So says the eternally optimistic entrepreneur. When the fire occurred, it was peak sales time for the seasonal warehouse. He lost \$1.5 million in inventory. But he didn’t lose his focus. Within 30 days he had reopened the seasonal store in the former Marketplace location. By 2000 he had rebuilt at the Sundial Drive location. “I could probably be a poster child for insurance,” Schlecht chuckles. “If you have good insurance you can make it through. In the end we came out of the fire ok.”

East Grand Forks

As Schlecht was pursuing a business plan that included his name change, expansion into the seasonal warehouse concept, and a permanent move of the retail store to Sundial Drive, he was being wooed by the mayor of East Grand Forks. “It took him almost a year to convince me to open that store,” Schlecht said. “He practically gave it to us...I can’t even remember all the things he offered – no rent for six months, I’ll buy your fixtures, you can have a community development loan – how do you say no to all of that?”

But the store never took off the way Schlecht thought it should. “It was a four hour drive. We were building this new building ... long-term our plan was to have everything in one place at the Sundial Drive location. It just didn’t work to have this big store in Waite Park and make it work and have that one, too. Financially, time, focus, energy – it just wasn’t a good fit.”

In 2002 they sold the store in East Grand Forks to an employee. Despite the challenges, Schlecht proudly points out that in the four years they owned the store they never lost money.

Now Schlecht could focus his energy on his Waite Park expansion. Moving a retail store to an industrial park was counter-intuitive to many of Schlecht’s acquaintances. “We were well established as a business before we moved,” he said. “It was my belief that you are your own destination. When we opened the seasonal warehouse on Sundial Drive it exceeded our monthly projections. That gave me some confidence that moving the retail store here would work. I was also convinced that the increase in business we were getting from a high visibility location wouldn’t make up for the higher costs in rent, land, and real estate taxes.”

Schlecht’s instincts were on target. The first year in their new location they had \$5.5 million in sales, a 35 percent increase over the old location. “The way we did the store front has probably impressed more people than anything else we’ve done,” Schlecht said. “It was very expensive, a hard decision, but well worth it now.”

The unique store front, designed to look like a series of small stores adjacent to one another, is the manifestation of Schlecht’s secret to success: He likes to go his own way. He recalls a Woolworth regional manager taking his arm and walking him out to the street. Pointing at the store front he said, “Does it say ‘John Schlecht’ on this building? No, it doesn’t. You can’t just do what you want John.”

Schlecht laughs at the memory. “I said, ‘But what they want me to do doesn’t make sense for the customer.’ It didn’t matter. It’s what corporate wanted. I still didn’t necessarily do it.”

Today Schlecht’s name *is* on the business, and you’ll never mistake it for a corporate store. “I didn’t like the corporate mentality when I worked in it and I sure don’t want it now,” he says with feeling. “We’re able to do things differently than the competition because they’re chains and we’re not. As an independent store we can change faster – if something isn’t working we can stop it. If we have an idea we can implement it. If we want to try a particular display, we can try it. We don’t have canned programs we have to follow.”

It’s About the Customer

If there’s one message that Schlecht drills into his employees, it’s that the customer reigns.

When Schlecht was getting ready to open the store he met with friends one evening. He talked about his plans, including the thought that he would close the store some evenings and on Sundays. One of his friends said, “John, why are you going into business? Who are you trying to serve?” Schlecht gave the obvious answer – customers. His friend responded, “Then why would you be closed when the customer is available?”

“The light bulb really, truly went on that night,” Schlecht said. “The store wasn’t just mine to open and close when I wanted. I was in business to take care of the customer. It’s all about the customer.”

That’s not just Schlecht’s philosophy, it’s his passion. He believes in it so completely that he has made a commitment to keeping lines of craft materials, even after the craft has dropped out of favor. “Customers come to buy the goofiest things sometimes,” he said. “They’re looking for one wooden bead to match a project they started 20 years ago. Or they need a particular Ukrainian egg die or they do chair caning. We might shrink a line back, but when you throw out a line, you throw out all of those customers and all of the friends of those customers who come to shop here.”

The difference between a good day and bad one, Schlecht said, is \$2 per customer. “I need those \$2. So we’ll keep caring these items. We’ll be the craft store until I’m gone.”

That won’t be anytime soon, according to Schlecht. His sons are buying into the business, but Schlecht and his wife will still own controlling interest – at least for a few more years. “I can see myself coming in regularly into my 80s,” Schlecht said. “But the boys will own and run the business; I’ll just come in to talk to customers.”

Gail Ivers is vice president of the St. Cloud Area Chamber of Commerce and managing editor of business Central Magazine.

Personal Profile

John Schlecht, 60

Owner, Crafts Direct, along with his wife Diane

Hometown: Wimbledon, North Dakota

Education: 1969 graduate of Wimbledon High School. Spent three months in the Navy. “I was love sick, so they sent me home.”

Work Experience: Worked at Jack’s Red Owl in Wimbledon, which was owned by his uncle; WF Woolworth company for 11 years; Ben Franklin for nine years; opened his own Ben Franklin franchise in 1990.

Family: Wife Diane; Scott and his wife Lori who have four children; Jennifer, a counselor in the Sauk Rapids-Rice School District; Jason and his wife Kristine, who have two children. Scott, Jason and Kristine work at Crafts Direct.

Hobbies: Hunting and fishing, spending time with his grandchildren

Advice to a new entrepreneur: Plan, plan, plan. You have to be so committed. Give it a full two years of everything you have, two years of your life. And you really need a team of advisors before you go into business. I had that through Ben Franklin. If you don't have a Ben Franklin, find those people who can advise and support you.

Business Profile

Crafts Direct

620 Sundial Dr

Waite Park, MN 56387-1527

Phone: (320) 654-0907

Fax: (320) 654-9735

Web: www.craftsdirect.com

Business Description: 40,000 square feet of all imaginable craft supplies plus seasonal merchandise, seven decorated concept rooms, and a coffee shop (popularly known as the "Lost Husbands' Department")

Ownership: John and Diane Schlecht; by the end of 2011 Scott and Jason will have purchased almost half interest in the business.

Number of employees: 125-130

2010 Revenue: \$10.5 million

Fun Fact: Crafts Direct has over 100,000 skus; the new website will have 60,000 skus

Timeline

March 11, 1970 – John Schlecht begins working for the F. W. Woolworth Company

1981 – Schlecht leaves Woolworth's and joins Ben Franklin, working at their Paynesville, MN store

1984 – Schlecht takes a job as a regional craft manager working for Ben Franklin Corporate

July 9, 1990 – Schlecht, along with partner Giles Lenzmeier, opens a 10,000 square foot Ben Franklin franchise store in Marketplace in Waite Park; the first year he has \$1.3 million in sales and 15 employees

1994 – Michael's Crafts calls and offers to buy the store. Instead, Schlecht buys out his partner and expands from 10,000 to 15,000 square feet

Fall 1995 – Schlecht rents empty space in Marketplace and opens a seasonal merchandise warehouse

1996 – Scott Schlecht joins the business

1997 – Ben Franklin Corporation files for bankruptcy; Schlecht changes the name of his store from Ben Franklin to Crafts Direct

1998 – Schlecht moves the seasonal warehouse from Marketplace to the WACOSA building on Sundial Drive in Waite Park; he purchases six acres of land for future development

1999 – Schlecht opens a Crafts Direct store in East Grand Forks

October 1999 – A fire in the seasonal store results in the total loss of the building and \$1.5 million in inventory

November 1999 – the seasonal warehouse re-opens in the original Marketplace location

2000 – Following repairs and remodeling, the seasonal store once again opens in the WACOSA building

2002 – Construction begins on a new retail store in Sundial Park, adjacent to the seasonal warehouse; Schlecht sells the East Grand Forks store to an employee

2003 – Jason Schlecht joins the business full time

2009 – Crafts Direct introduces a customer loyalty program called "Passport to Creativity;" 10,000 customers become passport holders and account for 30 percent of the store's sales volume

2010 – Crafts Direct has \$10.5 million in sales, with 120 employees (150-175 seasonally)

2011 – John Schlecht is selected as the 2011 St. Cloud Area Entrepreneurial Success Award recipient; Scott and Jason Schlecht buy into the company

PULLED QUOTES:

"Don't look over your shoulder every time you make a decision. Just make the decision. If it's wrong, you'll make another decision and fix it." John Schlecht

“The difference between a good day and a bad day is an average of \$2 per customer. I need those \$2.” – John Schlecht

“The biggest challenge as an independent retailer is that there is no mentoring, no people to push you to change, to get you to think differently. I see that as my role going forward as the boys take over the business.” -- John Schlecht

“I tried farming. I knew I didn’t want to do that. So I applied for a job at Woolworth’s and they hired me.” – John Schlecht

SIDE BAR

YOLA: PLEASE USE THE ENTREPRENEURIAL SUCCESS AWARD LOGO WITH THIS. WE ALSO HAVE PHOTOS OF JOHN IN NETWORK CENTRAL July 2011, PAGE 18 THAT YOU CAN USE.

John Schlecht receives 2011 regional business award

John Schlecht, owner of Crafts Direct in Waite Park, is the 2011 St. Cloud Area Entrepreneurial Success Award Recipient. Presented annually by the St. Cloud Area Chamber of Commerce the award honors a business that starts out small and becomes large under the same leadership.

Schlecht started his retail career with the F. W. Woolworth Company, moving to the Ben Franklin craft store in Paynesville, then to the Ben Franklin Corporate office. But it was always his dream to own his own business.

In July 1990, Schlecht and partner Giles Lenzmeier, owner of the Monticello Ben Franklin, opened a Ben Franklin store in Waite Park. In 1994 the craft store, Michael’s, offered to buy them out. Schlecht said no. Instead, he bought out Lenzmeier and expanded the store from 10,000 to 15,000 square feet.

Schlecht has experienced his share of challenges. In 1997, Ben Franklin went bankrupt. Schlecht was out of a name for his business and out of an inventory source for 85 percent of his merchandise. Schlecht renamed his business Crafts Direct and joined a buying group to expand his inventory options.

In the fall of 1999, Schlecht received a call that his discount seasonal warehouse, located on Sundial Drive in Waite Park, was on fire. He had only owned the warehouse for six months.

In 2002 he started construction on their current site on Sundial Drive in Waite Park. The store was an immediate success, resulting in a 35-40 percent increase in sales the first year.

Their newest venture has also been well received by customers. In March 2009 he introduced a rewards program called Passport to Creativity. Today they have 10,000 passport customers who account for 30 percent of total sales.

Schlecht attributes much of the company’s success to the fact that they are family owned. “We have the option to try new promotions,” he said. “We spend more on payroll than corporate stores. We can do our own displays and change them whenever we want. We are always looking for and trying new things.”

John Schlecht was honored at the Chamber’s Business Awards Luncheon in May.

CAPTIONS:

Brenda Johnson checks the pots in the Crafts Direct coffee shop. Plans call for a complete renovation of the coffee shop, according to Schlecht.

JoEllen Amundson puts away quilt fabric after helping a customer.

Crafts Direct’s unique store front is designed to look like a series of small stores adjacent to one another.

Jayne Christensen creates a fall floral arrangement for display.