

# Lessons from a colossal cleanup

Sales at the Container Store's most profitable service had stalled. Then a digital makeover changed everything. Business 2.0 reports

By **Arnesa A. Howell**, Business 2.0 Magazine  
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(Business 2.0 Magazine) -- Talk about a mess. In 1999 the Container Store, the Texas-based purveyor of trendy baskets, boxes, and other clutter-management devices, had just swallowed the company that made its best-selling Elfa custom closet system.

Container Store top brass justified the multimillion-dollar acquisition with the theory that Elfa would quickly fuel growth at the chain. Instead, sales languished.

This was worse than a minor setback. Elfa, which allows do-it-yourselfers to plan a closet in the store with a designer's help and leave with all the pieces needed to put it together, accounted for an astonishing 20 percent of the privately held company's revenue and was the most profitable service it offered.

The Container Store's management knew that it had to turn things around or a bogged-down Elfa would leave the company in disarray.

## When Crocs attack, an ugly shoe tale

"It really scared us," says John Thraikill, vice president for stores. With aggressive competitors like [Home Depot](#) ([Charts](#), [Fortune 500](#)) at the low end and California Closets at the high end, there wasn't much room for error. Thraikill's job was to figure out how to fix things. A customer service hawk known to swoop into stores unannounced, don a blue apron, and get to work, he dug into Elfa operations and concluded that the system needed a high-tech overhaul; from the sales floor to the stockroom, employees were spending too much time on details that a computer could handle faster and more accurately.

Thraikill's efforts seem to have paid off. In the five years since the Container Store began using computers and the Web to improve the Elfa customer experience, the company's annual sales have more than doubled, thanks in part to the addition of 17 stores (for a total of 38), but also to reenergized Elfa sales, which have nearly tripled to more than \$130 million.

How did Thraikill do it? First by zeroing in on order accuracy, and then by simplifying the design process and freeing up salespeople to focus more on their customers.

## 10 Must-have tools

The multilayered approach started with the launch of the company's website, which includes an online design service where customers submit details about their closet space and receive custom design sketches.

Then Thraikill introduced the Order Center, a Java application that tracks store inventory and helps employees match pieces to orders. "The most important part is that it allowed us to scan every product so the computer would tell you if you pulled all the right parts for that customer," Thraikill explains.

By the summer of 2003, the Order Center had rolled out to all stores. Efficiency improved, and company sales topped \$318 million, with Elfa maintaining its position as the most profitable product line.

But there was more work to be done. Thraikill's next target was the antiquated system that designers on the floor used to put together custom closets: pencil and paper. Not only did hand-sketching penalize good salespeople who couldn't draw a straight line, but it made it tough for them to adapt when customers changed their minds about how many hanging bars they wanted in their walk-in closet.

To replace the manual method, Thraikill dreamed up the Custom Design Center, a program that would, in theory, allow salespeople to plan custom closets with just a few mouse clicks. Confident of the idea's potential, he beefed up the in-house IT team and told them to build it.

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It didn't quite work out, at least at first. Sometimes items on the computer screen wouldn't transfer to the inventory list. Or pricing wouldn't reflect discounts. It took months of debugging before the tool was ready to be rolled out to all of the company's stores in June 2004. But once it was in place, according to Thraikill, the portion of orders containing inaccuracies dropped from an estimated 10 percent to less than 1 percent.

To illustrate the impact of the new software, Benjamin Williams, a Container Store employee in San Antonio, tells the story of a repeat customer who arrived one morning with a mammoth Elfa order, prepared to spend the better part of the day at the store planning five or six closets. She had even brought a sack lunch. Williams was able to help her complete her task in 75 minutes, less than half the time it would have taken the old way. "She was just floored by the speed and accuracy," Williams says.

It seems she's not alone: 73 percent of customers who make an Elfa purchase come back to buy more. Thanks largely to revived growth in Elfa systems, companywide sales reached \$505 million in 2006.

The turnaround may also soon lead to an even bigger sales figure. The Container Store has recently been shopping itself around to potential buyers.

## BUSINESS 2.0 MAGAZINE



PHOTO: SCOGIN MAYO



## ELEVATING ELFA

**THE FIX:** Customers can submit closet measurements online and then view custom design options.

**THE PAYOFF:** More repeat customers visit, both on the Web and in brick-and-mortar stores.

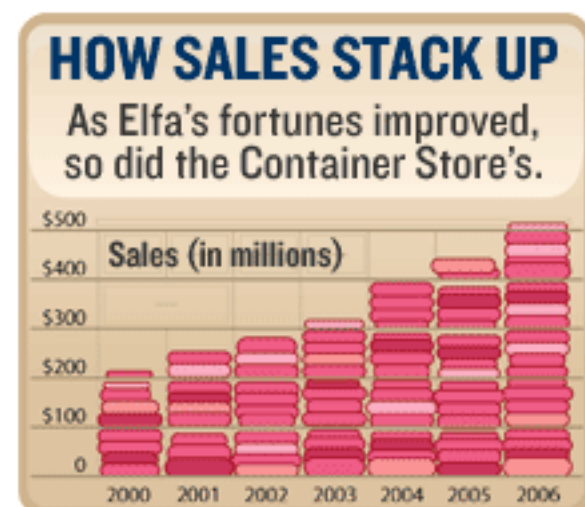
**THE FIX:** A database on the back end makes sure all the right parts are pulled.

**THE PAYOFF:** The time to prepare a typical order has dropped from 45 minutes to 20.

**THE FIX:** A digital drawing tool takes artistic ability out of the sales equation.

**THE PAYOFF:** Salespeople can design closets in half the time; the error rate has improved from 10 percent to less than 1 percent.

COURTESY: CONTAINER STORE



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*Arnesa A. Howell is a writer in Washington, D.C.* ■

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