An Honest Conversation With Nick Nelson

(an Owner in a Market Smaller Than Yours)

By Art Ratcliffe
(Independent Sales Rep, Pacific Energy Fireplace Products)

Featuring Nick Nelson
(Owner, Nick's Fireplace Outfitters)

BACK TO CONTENTS FTM

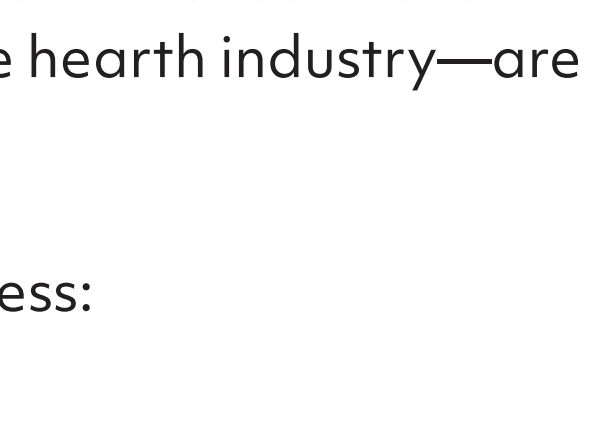
Pocatello is probably smaller than your market. There are 87,000 people living in the entire county. The town might pull 100,000 people regionally.

In this small town, Nick's Fireplace Outfitters is very successful, and it stands apart from other retailers based on the environment Nick creates for his staff and his customers.

So much gets made of the large retailers in large markets with large staffs. But as I travel the western United States, most of you—the retailers who make up the hearth industry—are small retailers in small markets.

With that in mind, here's a snapshot of Nick's community and his business:

- Pocatello has a family income of less than $50,000. People there are conservative with their money, generally aren't concerned with "the Joneses," and won't part with a penny unless they know that their money is being well spent.
- Heat is the number one priority in this market, yet Nick has had success helping clients see the long-term benefits from purchasing higher-priced, value-added brands.
- Nick's Fireplace Outfitters likes to grow at 8%-10% per year, but it's supported 44% growth this year—all with the same small staff.
- Nick's install team averages two installs per day, but they can scale up to three fireplaces and two hot tub sets in a day.
- In the past five years, Nick has doubled his business from $1 million to over $2 million in sales.
- His product mix is 55% hearth, 35% spa, and 10% barbecue and outdoor products.
- His brands include American Hearth, Mendota, Pacific Energy, Blaze King, Kuma, Bullfrog, and Green Mountain Grills.
- Nick has hearth margins that are well above 40% and spa margins well below 40%. Each year, he grows his margin, and today he sits close to 45% gross store margin.
- He has done all this with four full-time employees and one full-time subcontractor. His team does all of their own installations and offers a full line of services.



I recently sat down with Nick to learn how he's created such a name for himself in such a short amount of time. During the interview, he spoke openly and honestly about his business, his lines, and his reps. Nick is an encouragement to me—and I bet he will be to you too.

AR Art Ratcliffe

There's something different when you walk into Nick's Fireplace Outfitters. There's a vibe and an energy that is fun, casual, and purposeful. How and why did you create this feel in your store?

NN Nick Nelson

I've been in stores looking to buy dirt bikes, and the salespeople told me their products were "good" or "okay." But I don't want good or okay. I want phenomenal! If you're in sales, you've got to be excited about the product you sell. If I deal with salespeople who are excited about selling their products, then I get excited about buying their products. If you feel good when you leave a store, you'll go back there again—regardless of how much you spend. I hope and pray that when customers leave Nick's, they have smiles on their faces, and they'll get on the phone and tell their spouses, "Oh my gosh! Nick just got me an amazing fireplace, and I only spent $11,000!" Sometimes the spouse says, "I'm gonna kill Nick next time I see him!" But people are always happy after their products get installed. It's all about the experience, and we want the experience to be phenomenal at Nick's Fireplace Outfitters.

AR Art Ratcliffe

There's something about you and how you interact with customers. You joke with them and make them feel at ease. People who leave the store always think they're best buddies with you, just because of how loose, open, and honest you are with everyone.

NN Nick Nelson

It's all about feeling good. If you feel good when you leave a shop, you will go back there—even if it costs a little more.

AR Art Ratcliffe

I've been in hundreds of hearth retail stores, and Nick's Fireplace Outfitters is one of the best. You clearly spend a ton of time and money maintaining your showroom and creating a consistent feel when clients walk in. Can you speak to that a little bit?

NN Nick Nelson

When you walk into Nick's, it will be clean. The bathroom will be clean. There won't be messes that could clutter the mind or distract customers from feeling comfortable enough to make a purchase. Our staff knows the showroom and bathroom always stay clean. Again, it's all about the experience.

When I bought my last Lexus, I picked my car up from inside the showroom, and it was carpeted. I was okay with spending more money on my car—because I knew I was buying quality, and I wanted the feeling of buying from a Lexus dealership and driving a Lexus. That's how I want people to feel about their experience at Nick's Fireplace Outfitters. It doesn't matter who you are—people feel more comfortable in a clean, organized showroom.

AR Art Ratcliffe

It seems like you're selling two things: You're selling your products, but you're also selling Nick's. You're selling the experience and safety of buying from Nick's.

NN Nick Nelson

Absolutely. One example of the experience is our outdoor showroom. We spent over $80,000 creating a fenced outdoor spa showroom, but we made a space that reminds clients of their own backyards. It's easy for them to picture themselves in their own environments, with their own friends and family. I guarantee that space has paid for itself in two years. When people walk into Nick's Fireplace Outfitters, I want them to feel like they're home.

AR Art Ratcliffe

Every time I walk into Nick's, the displays are always clean, there are no dust bunnies in the corners, and the bathroom is perfect. Why is that important to you?

NN Nick Nelson

I've been to fireplace shops where I feel like I need a tetanus shot when I leave. I wouldn't buy a dirt bike or snow machine from a store with dust on their displays and dirt in the corners. My business is built on branding and referrals. You've probably heard that upset customers will tell 10 people, and happy customers will tell one or two. In our little market, we can't afford for our customers to have bad experiences. Our staff is critical to this experience. Our guys are so good technically and in how they treat our customers—we just don't get upset clients. I hear daily, "I just want to tell you how great your guys were at my house." Nick's success isn't mine—it's ours. I couldn't do this without our fantastic crew.

AR Art Ratcliffe

Let's talk about reps. You've got a different way you approach reps like me. Some dealers are almost adversarial with reps. But I speak from experience when I say that I always look forward to walking into your store. You make it fun. Just like you create a welcoming environment for your customers, you also create an atmosphere for your reps, which gets us excited to do all we can for you and your business. We want to be in your corner because you're such a great guy.

NN Nick Nelson

This is a team sport. We're not playing golf. We need each other to be successful. My reps are huge to me. When I call my reps, they answer the phone, and they're helpful. I rely on my reps to quickly answer questions so I can sell and install their products. Some stores think rep visits are a waste of time. Most of my reps bring me great information when they come to my store. There's always some new improvement or something we need to know to better serve our customers, and there's no way I can know everything about all my products. I focus on products whose reps I can count on, and they know they ask me for anything as well. My store is called Nick's Fireplace Outfitters, but it is not about me. It is about we. It's about us. Our team includes our staff—and that includes our reps. Most of my reps are friends.

AR Art Ratcliffe

You have a beautiful relationship with your wife and family. You work hard at work, but your family always knows that they're your first priority. They also know that your business is a family adventure. I want to know how you maintain that work-life balance that seems so elusive for most of us.

NN Nick Nelson

You have to make time to have fun with the family and not take work home. I leave work at work, and I'm present at home. It's hard to do some days, but you have to do it! We all have to work hard, but we need to have fun and prioritize time for ourselves and our families.

AR Art Ratcliffe

Your store is different from most stores in the way you brand and create your public image. That takes vision, creativity, and money. Tell me about the "Nick's" brand.

NN Nick Nelson

My 12-year-old daughter came up with our logo. She saw the letter "N" in the logo of the original store, so when we bought the store and changed the name, she came up with the flame in the shape of an N for "Nick's." When you think of McDonald's, or Chevrolet, you instantly see in your mind their logos. We wanted to create a memorable logo for our market. And it worked! Everybody knows the Nick's "N flame" in this town now. Branding our business has been huge.

AR Art Ratcliffe

Many store owners think, "I'm just a fireplace shop in a little town." How did you decide to spend the money to brand yourself?

NN Nick Nelson

Bullfrog taught me that it takes three impressions for our minds to retain a message. That's why I spend money to brand—not only our equipment, also on fun things to give away. We give away tons of shirts, hats, and stickers out at rodeos, fairs, parades, and football games.

I've heard of customers meeting each other at a football game hundreds of miles away and striking up a conversation because they were both wearing some Nick's gear!

AR Art Ratcliffe

You've created an atmosphere that's bigger than your market. You've been generous and created a fun brand that people want to support. Heck, I have a Nick's flame on my computer right now!

NN Nick Nelson

I'm a small fish, but minnows can appear as big as larger fish if we create the right environment. The crazy thing is that stickers only cost me a dollar each, but that dollar can start conversations that occasionally lead to a $700 barbecue, a $7,000 fireplace, or a $10,000 spa sale. That's a no-brainer! In the end, we've found the return on the money we spend on branding comes back tenfold—because branding and customer experience go hand in hand.

I used to run a Big O here in town and went to California for training. One of the stores we learned from was surrounded by competitors. The owner's going rate at the time was $160 per hour, and his competitors charged $100 per hour, but he was one of the busiest, highest-rated companies in the area. Why? When he returned a car from a simple oil change, it was washed, vacuumed, and cleaned. He took his customer experience to a whole other level. Right then, I knew that if I ever owned a store, that's what I was going to do.

AR Art Ratcliffe

I've known you for five years, and you've never had to lay anyone off. How do you hold onto your people and keep them busy all year round?

NN Nick Nelson

We used to be busy from September to February. During the off season, we would call customers and offer discounts for maintenance and cleanings. The past two years, there's been no slow season. We still do maintenance in the summer, but clients are calling Nick's, rather than us actively reaching out to clients.

Another thing that we do is schedule a week in the summer to just do equipment maintenance and showroom changes. We pack the bearings and keep our entire team out of the field to ensure we won't have any equipment troubles during the fall and winter. We work hard to do as much of our maintenance and showroom work all done at once. That way, our trucks and our showroom don't get forgotten.

AR Art Ratcliffe

You chose to purchase the land that your buildings are on. Why did you do that, and what does that mean for your business?

NN Nick Nelson

I did that a few years ago. I did it because now my business is actually worth something beyond my accounts receivable and inventory. My building has gone up in value, and it's so worth it. I was paying $5,000 a month in rent when I was renting, but now my payment has gone down. Plus, when I'm done, I've got a million-dollar asset, and that makes my business worth more. Part of my decision to buy the business was knowing that I would have the opportunity to buy the building.

Interestingly, this is another area where partnerships and relationships are crucial. I wouldn't have been successful in starting my business without a trusted banker giving me advice and being in my corner to secure a line of credit. Same with buying the building. I could not have done it without a strong relationship with my banker.

AR Art Ratcliffe

Do you have other business mentors?

NN Nick Nelson

Oh, yeah. I have relationships with business owners across our community. I can learn from other businesses and owners in different industries. I learn about the economy and even how to view my competition. Why not have a good working relationship with your competitors? I giggle when I hear of stores bad-mouthing their competitors. When consumers hear that, they know that store is scared of the competition. We can help each other and the consumer. So why not be positive when working with your competitors?

AR Art Ratcliffe

You have a lot of passion and a true joy about the products you sell. How and why did you choose to emphasize a small number of lines?

NN Nick Nelson

I want the brands that are best for my market. I've landed on lines where we get almost no callbacks when they get installed. When I tell people why I have the lines I do and why they may cost a little more, they buy into that, and they'll pay more for that security.

We buy most of our lines direct from the manufacturer. I make a great margin on American Hearth, which I buy direct, and that's great, but I've tried to focus on high-quality brands and won't cost us time with callbacks or hurt our reputation with upset customers. We emphasize brands that people will be happy with. When we put in a Mendota, we don't have to worry about it, and it has killer heat. Same with Blaze King, Kuma, and Pacific Energy. We've looked at other brands, but people will pay a little more for quality.

AR Art Ratcliffe

How do you know which brand to sell to a specific customer?

NN Nick Nelson

If customers state a brand name they want, I only sell that brand. I don't talk about other brands. But if they get distracted with other things I have on the floor, I'll joke with them—"Oh, you don't like those guys"—and then giggle. I make customers feel great about the brand they've selected. I don't complicate the sale by talking about other brands.

If they don't come in with their minds made up, we ask lots of questions on the front end to make sure that we match each customer with a stove that fits. I know how each of my wood stoves burns and performs. Some are better for the living room, where customers want to see the flame, and some are better for the basement. The last thing we want are calls from upset customers because their stoves didn't burn or perform the way they thought they would.

AR Art Ratcliffe

This has been great, Nick. Thanks so much for taking the time to talk with me today. I think the readers of *The Fire Time Magazine* will get a ton of value out of our discussion.

NN Nick Nelson

Happy to do it, Art. Thanks for the opportunity.

Copyright © 2021 ReedFalco, LLC. Reproduction in whole or in part without written permission is prohibited. All advertising is subject to approval by the publisher.