

DIYers help Direct Buy weather economic storm

Bargain-hunters boost firm's membership rolls



Rachel Petzinger and Dean Sammy knew they had their work cut out for them when they bought their four-bedroom fixer-upper in St. John, Ind. The place needed extensive renovations in the master bedroom, bathroom and kitchen.

Whether they could stay within their budget of \$35,000 wasn't as clear.

Then, while running on a treadmill one morning, Ms. Petzinger saw a commercial for [Direct Buy](#), a Merrillville, Ind.-based wholesaler that offers its members steep discounts on furniture, appliances and flooring. After some comparative shopping, the couple paid to join [Direct Buy](#), a decision they say saved them \$50,000 in their five-month-long renovation.

"We knew it was a cost-effective way to go," Ms. Petzinger says.

Bargain-seeking renovators like Ms. Petzinger and Mr. Sammy are privately held [Direct Buy](#)'s best hope for riding out the housing slump. So far, the company says it's not feeling the pinch of steep declines in home sales and construction in the Midwest, where 22 of its 143 franchises are located.

Since 2002, President Scott Powell says, [Direct Buy](#) has tripled its membership, increased sales more than 600% and almost doubled the number of stores. "We are setting records every month," he says.

The true test may be ahead, as the housing decline accelerates amid the foreclosure and credit crises. Sales of single-family homes and condominiums in the nine-county Chicago area dropped 13% in July from a year earlier to 9,725 units, according to the Illinois Assn. of Realtors. Local homebuilding dropped 37% in the second quarter from a year earlier, the worst showing since 1994, according to Schaumburg-based real estate consultancy Tracy Cross & Associates Inc.

THE COMPETITION

But [Direct Buy](#) may be able to avoid the storm by focusing on high-end homeowners doing their own remodeling — and by keeping prices below those of direct competitors Home Depot Inc. and Lowe's Cos., as well as home-furnishing retailers like Crate & Barrel.

"When you are in a slow market like this where people feel stretched, price becomes even more important," says Jay McIntosh, director of consumer products for Ernst & Young LLC in Chicago. "And retailers who sell to the do-it-yourselfers doing rather expensive remodeling or upgrading are not hurt as much."

Mr. Powell says [Direct Buy](#)'s membership renewal rate was up about 78% by the end of its fiscal year in July.

The company, which employs about 4,000 nationwide, has taken advantage of the moment by stepping up its advertising. It also plans to open 29 newly remodeled stores in the next 12 months. Last year, the company partnered with home decorator Christopher Lowell, who designed 12 model rooms for [Direct Buy](#) members.

"We have been around a lot of economic cycles, and we have never seen our business influenced too much by the economy one way or the other," Mr. Powell says. "People's desires to shop don't go away. What they want to do is buy at the best possible price."