

BREAK ON THROUGH

THE DUCHATEAU STORY



by Misael Tagle, CEO & Co-Founder

How DuChâteau Started

DuChâteau is now a decade old, and there's no denying that this has been a wild ride. As our reputation and reach grow, more and more people want to know the story of DuChâteau.

Where did DuChâteau come from? How did we get started? And at the core of it all, why do we do what we do?

Before DuChâteau was even an idea in anyone's mind, I was driving sales for Nexus Brokerage Inc., a business I founded with my father in 2001 that specialized in brokering food and electronic commodities to Mexico. While business was steadily growing, I still yearned for something more. I wanted to innovate in a way that wasn't solely focused on efficiency and price. This entrepreneurial drive kept me too hungry to remain complacent, so I continued to dabble in other businesses and ventures on the side to see what really struck a chord with me. One of the interests that emerged from these dabbings was surface coverings.

In 2005, an acquaintance who I had spent time with in Brazil and Paraguay introduced me to an entrepreneurial opportunity in South American exotic wood floors. Through the contacts he introduced me to, I began a venture called Noble Hardwoods, importing these exotic wood floors to the U.S. market. At the time, Brazilian hardwoods were trending and I was making inroads in the flooring industry rather quickly. The business showed promise.

As fate would have it, my wife soon introduced me to Benjamin Buzali through his ex-wife, who she knew from college. Benjamin had been in the garment industry in Mexico City for 20 years, developing private label and promotional clothing styles for many top brands, while actively managing his restaurants and construction investments. Like me, he was looking for something more. He intended to move to San Diego to start a new life and a new business. The immediate

connection we forged was remarkable and fortuitous. We both shared the same strong ambition and entrepreneurial drive, and we found ourselves engaged in long conversations about our unabashed passion for innovation, design and branding.

In 2006, I invited Benjamin to the Surfaces show in Las Vegas. I had attended the previous year for the first time, and I expressed to him the importance of experiencing the industry firsthand. I proposed a partnership over a handshake and our business was born.

Together, we made a strong team – Benjamin's strong operational and financial background paired perfectly with my sales and marketing strengths. We initially kept the Noble Hardwoods name and began networking throughout the industry to find better suppliers in China instead of Brazil, as the whole industry

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was shifting to Asia. In doing so, we greatly improved quality and production at a fraction of the cost. Later that year, we launched Royalton Floors – what is now American Guild – a polyurethane-based hardwood flooring product that filled the U.S. niche. Despite finding success with this new endeavor, we realized that we were one of many companies doing exactly the same thing in the same way.

We had yet to do anything significantly different and we knew we wanted to innovate and differentiate ourselves in the industry.

A year later, we returned to the Surfaces show and met Chris Phillips, who at the time was representing a very different flooring visual from Holland. Chris opened our eyes to the European flooring experience – long length, wide-plank, hard-wax oiled floors. It was a pivotal moment. These specs and visuals, which have existed in Europe for centuries, were completely foreign to the U.S. market. We saw something that was far more than a sound business opportunity; it was a chance to shine and express our love of

innovation, design and branding. With this venture, we could redefine an entire market with a unique luxury product. It would be a one-of-a-kind design statement that was not only competitively priced, but that would breathe new life into our industry. This is how we were going to make our mark.

It was then that we made the decision to pursue this dream of ours with every fiber of our being. We nurtured all the right relationships with key players to make something that would truly stand out. We took those disruptive European concepts to our suppliers in China and began developing radically innovative visuals using European Oak. Chris soon joined us as our first associate to develop sales on the East Coast.

The only thing troubling us was that we still needed a name. We wanted something that spoke of quality and European luxury. It had to be an inspiring name that was easy to approach and understand. Over drinks with Chris one night, it came to us: DuChâteau, a revolutionary European-inspired brand that would set the industry on fire. Being able to fully trademark it meant we were ready to step out into the world.

In 2008, we officially launched DuChâteau. With just two collections, The Chateau Collection and The Terra Collection, we hired Don Bufalini as our first sales representative and got to work disrupting the flooring industry. Taking cues from the fashion industry, we brought a glamorous quality to the branding and marketing of our floors, which far exceeded that of our competitors.

What Benjamin and I discovered was that our loyalty and shared passion for design and innovation was ultimately our avenue to success with DuChâteau. Anyone can make a floor, but not everyone can create an innovative product that resonates. It's the art of what we do here that speaks to our customers. And so when anyone asks why we do what we do, our answer is: we do this to enrich our environment and make a real statement in the world with our collective drive, talents and passions. This is who we are, this is DuChâteau!

The Power of a Brand Name

Along with questions of how DuChâteau got started, I always get asked how we came up with the name DuChâteau. As I've shared before, DuChâteau came to us over drinks with Chris Phillips, our first East Coast sales associate, almost 10 years ago now. We'd been batting around a few names that night when Chris casually suggested, "How 'bout DuChâteau?"

Now, what's really important about this moment is that Benjamin and I weren't interested in doing what everyone else was doing. We were interested in finding the art and passion in what we do. We wanted something that had as much feeling as meaning, so the name had to reflect the trajectory and emotion of the brand.

Ironically, looking back, it's the name that actually makes DuChâteau special. Sure, we make excellent products with the best customer experience in the industry, and yes, our marketing is clearly a cut above the rest... But in spite of all those great achievements, our name is the very reason our customers feel the way they do about DuChâteau.

When Chris said the word "DuChâteau," all our hard work and passion suddenly came to life. The name instantly struck a chord with Benjamin and I. We knew we had it because of the way it made us feel. The name felt fresh yet established, a bit regal but not overly pretentious. It came about so naturally in conversation that it just felt right – and Benjamin and I have learned by now to trust our intuition. It ended up being one of those defining moments in our company's history.

What made it so powerful to us was that it felt like the kind of name capable of carrying the weight of a luxury brand. It did so in three distinct ways, by being: (1) unique, (2) meaningful, and (3) palatable.

These features were critical for our path to success.

UNIQUE. As we discovered, DuChâteau was an original name. It wasn't anywhere in the floor covering, interior design and construction industry – nothing came remotely close. Besides the obvious, this originality appealed to us because we were pushing a European concept and product in an industry that was largely defined by an American appetite for polyurethane finishes. And because we weren't afraid to challenge that trend, our name would stand out. Most importantly, it was a name that was open for worldwide trademark, and both the URL and phone number were also available – all considerations that factor into what makes or breaks a brand's name and contribute to a powerful brand statement.

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MEANINGFUL. The name DuChâteau is French and translates to "of the castle," which draws deeply on the inspirational quality of the brand. The fact that it's rooted in one of the romance languages gives the name an air of European class and luxury, but also definitionally reinforces it. This meant that it was an excellent fit for the way we wanted to market our floors: high-end, European-inspired luxury. The wordplay in our name, "floors of the castle," was pure gold. Many of these European castles actually have hard-wax oiled European oak floors, and have had them for centuries. The historical reference of a castle balanced an otherwise modern and innovative product with an old-world charm and antiquity that was sorely missing in the industry.

PALATABLE. The name was appetizing. It rolled easily off the tongue. It sounded novel, but in our case, not foreign. It was agreeable and approachable. Consumers could feel comfortable saying it, but more than that, they could get excited to see and say it. Chateau, although French, is a name that is common in the U.S market. Many stateside consumers are familiar

with the name because of French wine – considered by many to be the best in the world and also associated with luxury. It's a name that is repeatedly used in the marketing by these vineyards, so it has been incorporated into the American vernacular for some time. The "du" portion of the name also has some American roots thanks to the DuPont Registry, a high-end classified magazine devoted to the ultra-luxurious – from cars and yachts to real estate. Given these factors, we felt that there was enough familiarity among our target market to open the door for a name like DuChâteau here in America. All the elements were already in play, and with the freshness of DuChâteau, we could evoke excitement, value and prestige in the consumer mindset. And as we've seen, we have built a powerful customer base that readily embraces the one-of-a-kind nature of our brand.

How different would we be if we would have played it safe and went with a more conventional name? With a name like DuChâteau, we can be anything we want to be. We can move beyond what's standard. We can even think outside the parameters we set for ourselves. After all, we are no longer just in flooring. Our name lets us enter the market as a fully realized lifestyle founded in luxury. And thanks to our name, anything we attach to it has the potential to be powerfully elegant and proudly European inspired.

There's a beauty and luxury that is derived from our name. DuChâteau is not a company that looks to sell more for less or be pigeonholed in one area. No, we are bigger than that. We are love at first sight. It's who we are and it's what we sell. It's what has designers and architects clamoring for more. This is our namesake.

The Success of DuChâteau

Innovation and disruption are at the core of DuChâteau's success. For those less familiar with the concept, innovation means creating a new market that wasn't previously there. Innovation opens consumers' eyes to a different perspective or option. As this innovation builds, it creates demand. And as the demand grows, it causes a disruption in the market. This disruption forces the rest of the industry to recognize this recently created void as a new, emerging market. Eventually, what was considered the preferred trend is now redefined in favor of the innovator. THIS IS DUCHÂTEAU!!!

When we stepped onto the flooring scene ten years ago, there wasn't anything on the market like DuChâteau's products. The industry was dominated by polyurethane-finished exotics from South America that typically measured 5 inches wide by 4 feet long. The visuals were nearly flawless with no character, and because they were manufactured to be seemingly perfect, the polyurethane finish gave it more of a plastic feel. Retailers, of course, wanted nothing more than to stay with the norm. Distributor warehouses across the U.S. were stocked with polyurethane exotics and the demand was high.

Benjamin Buzali and myself wanted something more, something unique. We felt the glossy polyurethane finish of South American exotics had run its course; the look was too far removed from nature. Wood is most beautiful in its natural state, and wood floors should look and feel like real wood, not plastic. We were going to buck the trend with a radically different visual: a hardwax oiled finished plank with character that measured an impressive 7.5 inches wide by 6 feet

long – a far cry from the much shorter, shinier, select grade South American exotics.

At the time, industry insiders scoffed at our vision and immediately shut us down. They didn't believe our products would find a following and they were sure that we would never succeed in the polyurethane-dominated U.S. market. They felt that a character grade, hard-wax oiled floor looked unfinished and far too unstable due to its much larger width and length.

We knew better. We had a unique product that was more stable in a more luxurious specification than our

The impact of innovation cannot be understated.

competitors. It was also something that aged in place and gave way to a truly unique patina, which is the beauty of an aged wood floor. This wasn't a promise any other manufacturer was willing to make. It was something we felt we could sell. Combined with an elegant and glamorous marketing approach, we had a business concept that was poised to ignite an entire industry. The math was simple and undeniable, so we pressed on. After all, we weren't going to let the industry expert naysayers decide our fate. We were going to let the end consumer decide for themselves.

Almost immediately, customers took to our specifications, visuals and branding. We received praise from builders, interior designers and architects not just for our products but for our marketing as well. It was more than just different, it possessed a uniqueness that spoke to them. And 10 years later, we're now seeing many of our competitors following in the trend we set, favoring oak and more

matte finishes in wider and longer specifications. Our former naysayers now carry DuChâteau, which remains among their best sellers. Because of this disruption, the market for the once dominant South American exotics has since declined.

Ten years later, we remain market leaders and we're still going strong! Now a luxury lifestyle brand, we've capitalized on our disruption, opened new product divisions from vinyl floors to wall coverings, launched American Guild to bridge the gap between DuChâteau and the polyurethane market and began pushing the limits of how people see other architectural elements like concrete as a luxury item. We're established in the floor covering market and well respected in the industry, and we're actively sustaining our innovation by developing new visuals in conjunction with our suppliers, customers and sales team.

The impact of innovation cannot be understated. Innovation, which leads to market disruption, is what got us where we are today and what will take us long into the future.

The Yin and Yang of a Great Partnership

When it comes to business partners, “you’ve gotta trust them. There’s no other way,” in the words of Ace Rothstein from one of my favorite mob movies, *Casino*. De Niro’s character might have been talking about marriage in that movie, but a successful business partnership requires many of the same qualities.

It’s no different with DuChâteau: without trust and integrity, and a few other key attributes, Benjamin and I would never have found the success we’ve seen over the last 10 years. I often get asked what the key to a great partnership is. Apparently, we make it look pretty easy, but to be clear, we’ve hit some bumps in the road like anyone else. A solid partnership is a constantly evolving process, and to get it right you can never lose focus, never lose sight of your shared vision.

So, to honor the upcoming 10-year anniversary of DuChâteau and a successful partnership, I’ve pulled together a list of the main attributes for a great partnership – my “secret sauce” for being successful business partners, mob references aside.

SHARED BACKGROUND AND VALUES. If your background and values align, everything else falls into place. Benjamin and I were lucky enough to share the same cultural heritage (we’re both from Mexico City) and native language (Spanish), but that doesn’t always have to be the case to make a good partnership. Having a similar background in terms of age and interests goes a long way too. When your experiences align like Benjamin and I, you speak the same language, you understand each other better, and you have the same points of reference – from experiences with corrupt governmental agencies in Mexico, to a shared appreciation of interior design and architecture, to our favorite sushi joint. Values are equally, if not more, important. Since we first started working together, we’ve shared the same hunger and drive, the same unrelenting work ethic. Having worked side by side for over a decade now, we’re clearer on the values that drive us as partners and will continue to propel DuChâteau to further success. We’ll be unveiling them company-wide very soon,

but for me two of the big ones are Passion and Resourcefulness (stay tuned for more!). Having both run businesses in Mexico, True Grit is huge for us too: you can’t just roll over and give up when you hit a roadblock. You’ve got to brush yourself off and punch back hard! This shared sense of passion, resourcefulness and grit has shaped our bond and gotten us far in this industry.

COMMON GOALS AND VISION. Everything is simpler when you’re on a level playing field, which is why I’ve always tried to follow my dad’s advice when it comes to business partnerships: “Invest equally, work equally, and share similar goals.” We’ve all heard stories about partners who come in and one invests financially while the other

It really comes down to respect

invests the sweat equity, and it’s difficult because they’re not on equal footing. When we started DuChâteau, Benjamin and I were both on the ground every day working side by side to make our dream happen, bar none!

It also comes down to having a common vision for your business. We’ve both always been clear on our long-term plan for DuChâteau: we’re in it for the long haul, we’re gonna ride this thing out together. If one partner’s looking for a short-term exit strategy and the other wants to hang on until retirement, that could be a big problem.

TRANSPARENCY AND CLEAR COMMUNICATION. In my book, communication and transparency go hand-in-hand: if you can’t be frank and communicate honestly with each other, there are bound to be problems. Staying in tune with each other as partners means being able to address the difficult personal and professional issues without hesitation or discomfort.

Benjamin and I take it a step further: we’re team players and we have each other’s back, just like a Navy Seal team. Seriously, when we’ve gone through tough personal times, we’ve been there to look out for each other. To quote Benjamin’s mom, I’m his “second wife” – we’re that close, and we share that much with each other.

INTEGRITY AND RESPECT. This brings us back to the movie *Casino*: in order to work equally with someone and fully invest in doing business together, there has to be

mutual trust, integrity. How do you find that crucial element when you first meet someone? It’s hard to put into words, it’s really just a feeling, an intuition. When Benjamin and I met, I had this intuition that he was a good, ethical person – not just a good businessman, but a good person, and I trusted him immediately. That trust has never faltered.

It really comes down to respect. If we don’t see eye to eye on something, we don’t let our egos get in the way – we stay focused on our shared vision and find a way to compromise. We’ve never disrespected each other in any way because our mutual success is more important than petty fights.

THE YIN AND YANG FACTOR. Ultimately, a great partnership means you complement each other effortlessly. “Opposites attract,” as the saying goes – we’ve heard this from clients and colleagues on countless occasions. What really makes our partnership work is the fact that we each excel in different areas: Benjamin has always had an innate ability for finance and operations, while I’ve excelled at branding and structuring sales teams. Not only that, but we have different personalities that are really complementary: Benjamin is the family man and I’m the man about town, which works out perfectly. While he’s holding down the fort with business operations and the family, I’m able to network, build client relationships and show customers a good time. As business leaders, we stand strong on our own, but together we complete the circle – and we’re truly a force to be reckoned with.

Great partnerships like ours take time, and a lot of effort, to build. But with the right shared values between you, you can propel each other to excellence. These same values are also critical for good teamwork. My hope is that Benjamin and I can serve as an example for everyone in the company of how to work together toward a shared vision of excellence.

Cheers to a wonderful partnership, and to building a legacy together here at DuChâteau!

Why We Do What We Do

Why do we do what we do? How you answer this question can shape the future of a successful business like DuChâteau. And it's the beginning of what I call our "business roadmap" – the vision and mission statements that help guide a company and give you purpose as you work toward a greater future.

Most companies have them, from Apple to Disney: a vision statement and a mission statement. Even though they're two completely separate ideologies, they work hand-in-hand. When done right, a company's vision and mission work together to:

- Define the business, products and customers
- Clearly communicate the purpose of the company
- Inform the direction and strategy of the company
- Help develop measurable goals and objectives

So, what's the difference between the two? Let me break it down.

A Vision Statement is basically your "why" – in other words, what your company aspires to do or be. In the words of the famous TED speaker Simon Sinek: "Why do you get out of bed in the morning and why should anyone care?"

The vision statement is a big-picture dream about the impact you want to make in the world through your business. Coming up with your vision might require a little soul searching to really think about who you are and what you believe in as a company.

One of my favorite vision statements comes from Disney, (a client of ours, btw!): "To make people happy." It's a very simple and straightforward purpose and something that we can all identify with. I mean, who doesn't have a great time at Disney amusement parks or watching Disney movies?

A Mission Statement is the "how" and "what" behind your vision. The mission serves as your north star, a guiding compass that determines your company's direction and keeps everyone focused on the path toward achieving your shared vision. It defines the steps that you'll take to get to your vision.

As Sinek puts it, "People don't buy what you do, they buy why you do it." Customers identify with your why and your beliefs, instead of what you're selling or how you sell it. "And what you do simply serves as the proof of what you believe," Sinek explains.

That's why the vision and mission go hand-in-hand – you can't have one without the other. But companies that get it right put the vision first. Apple is the perfect example: their marketing message is clearly different than other computer companies like Dell or Gateway that haven't been as successful. So how are they different?

*Our mission defines the
"what" and the "how"
behind this purpose...*

Dell says: "We make great computers at a great price" (well, something along those lines)

Apple says: "We believe in challenging the status quo by making our products beautifully designed, simple to use, and user friendly."

People in literally every corner of the world have bought into Apple's belief in challenging the status quo and thinking differently, and because of that they've been able to corner their market, generate a cult following and become one of the most successful companies today.

So, what is our "why" here at DuChâteau? I'm excited to unveil our very own vision and mission statements!

Our Vision: To make the world beautiful.

Our Mission: To design and manufacture luxurious architectural elements from flooring to wall coverings and beyond that encompass a refined lifestyle.

Like Apple or Disney, our vision is simple yet lofty. We want to make the world beautiful. This vision aligns with the passion that Benjamin and I share for high-end interior design and architecture. When we were first presented with the opportunity to get into the luxury flooring business over a decade ago, it wasn't just about pushing product for us, it was about elevating the business into a lifestyle: to enjoy the elegance and sophistication that influences a beautiful working and living environment.

This is the belief that we've aimed to pass on to our customers and to inspire in our team ever since we first opened our doors. Our mission defines the "what" and the "how" behind this purpose: ...by designing and manufacturing luxurious floorings, wall coverings and more. It all adds up to creating a more beautiful world for everyone to live and work in.

I hope that our vision and mission will inspire each and every one of you and give you purpose and direction as we prepare for an unprecedented year of growth in 2018 and beyond!

Enduring Growing Pains

Just like kids experience growing pains as they grow older and taller, growing pains in business are a natural part of the journey from start up to an established, mature company.

Sure, there may be some mystery around growing pains in business – but as seasoned business owners, Benjamin and myself have witnessed our friends and family endure growing pains in their own respective businesses as they work to scale and meet the growing demands of their organizations. Their experiences have helped us understand this common phenomenon.

The good news is that growing pains are a good thing in business, they are an inevitable part of the journey.

Growing pains simply mean that your hard work is paying off and the increasing demand for your products is forcing you to grow quickly. They also mean that you must work swiftly to put the processes and people in place to meet that unprecedented demand.

From Apple to Zappos, every single business experiences growing pains at some point in their journey. What separates the winners from the losers is how well you manage this growth. And we're committed to effectively navigating our own company's rapid growth so that we can continue to experience success moving forward.

LIFE IS CHANGE, GROWTH IS OPTIONAL

The growth we've experienced here at DuChâteau has been incredibly fast and unrelenting over the past 10 years. It's very difficult for any business to maintain sales and revenue growth while enduring growing pains, but we've been on a steady growth path basically ever since we opened our doors. This impressive growth is thanks to the hard work and dedication of everyone on our team, past and present, as well as our company commitment to Disruption and Innovation in the industry

and our no-holds-barred attitude, resilience and resourcefulness.

Since day one, we've always embraced change and taken risks to stay ahead of the eight-ball, which means that growing pains have come fast and hard at times.

One of the biggest reasons why growth can be so painful for small businesses is because of the delicate balancing act required between the need to expand your company infrastructure and employee base and to wait for the growth opportunities to materialize that allow you to invest in that expansion. Navigating this fast-paced growth is particularly tricky since you can't realistically do one without the other.

Recently DuChâteau's primary struggles have been around inventory

We have a clear vision for DuChâteau's future

management, quality control issues and insufficient displays & samples for the sales reps. However, the main cause of these struggles and our real growing pain is a lack of middle management to help effectively implement company strategy and oversee our growing team. Once our team is managed more effectively, it will resolve these aforementioned challenges. And the time has come to get that middle management in place to take our business to the next level of organizational maturity.

You likely know by now that we have a clear vision for DuChâteau's future: To double the size of our company in three years while maintaining a steady profit margin. To achieve this aggressive growth, ongoing change is necessary.

Yes, change is uncertain, and it can be scary – but it's also the only way to grow. Enduring these changes means that we'll come out on the other side stronger and more resilient than ever. And that's where we're headed.

AT DUCHÂTEAU, IT'S FULL SPEED AHEAD

I'm happy to report that things are moving forward as planned at DuChâteau. Part of our growth plan means implementing some concrete changes that will help us successfully manage our current growing pains. What does this look like? We're restructuring our middle management team, adding more personnel to middle management and introducing more structured oversight for our entire team, including weekly professional development meetings with individual staff members to review employee efforts, applaud work well done and offer areas for improvement.

While some things may be changing in our day-to-day business operations, our underlying vision and mission remain the same: To make the world beautiful by designing and manufacturing luxurious architectural surfaces.

This belief is still at the heart of our company – it still serves as the guiding compass behind everything we do. And we're grateful to have each of you share in this belief and work hard alongside us every day to help bring it to fruition.

We're excited to be putting the right pieces in place to ensure that DuChâteau's long-term growth is supported for many years to come.