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JULY 2012  
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# WHOLESALE

**News of Plumbing • Heating • Cooling • Industrial Piping Distribution**



## Superior Supply & Steel opens Fitting Div.

HOUSTON — Superior Supply & Steel, a private company with headquarters in Sulphur, La., continues 30 years of growth by opening a new fitting business. Located in Houston, the Fitting Division will sell carbon, stainless and alloy products, including flanges, fittings, pipe, butt weld fittings, pressure fittings, pipe nipples, swage nipples, o-lets, studs, gaskets and tubing. Inventory product sizes range from 1/8" up to 36"+.  
*(Turn to Houston site... page 111.)*

## Nexus Valve opens facility

FISHERS, IND. — With construction complete on their new facility, Nexus Valve Inc., a manufacturer of manual and automatic flow control valves and other hydronic components for the HVAC industry, has moved its headquarters and distribution operations to Fishers, Ind.  
*(Turn to Valves, page 111.)*

Key members of the management team of the Shale-Inland PVF Group in Houston sat down recently for an interview with Mary Jo Martin to talk about their recent acquisition by new investors. From left are Mike Cox, Paul Rangel, Larry Feld, Bill Talley, Jeff Legrand, Mike Stanwood, Steve Armer and Brad Smith. This group has one of the most unique stories in PVF distribution. Read more on page 16.

### Showcasing premium seats

## Bemis launches program for plumbing showrooms



SHEBOYGAN FALLS, WIS. — Bemis Manufacturing Company announced a new plumbing showroom program that show-

cases premium seats and provides in-house training for associates in order to increase the showroom's sales, profits and customer satisfaction.

Participating showrooms can select from two options and receive two in-

house training sessions per year for their associates to familiarize them with the features and benefits of the Bemis or Church seats on display. The options are:


- Order a fully stocked seven-seat display tower that holds Bemis or Church premium seats, selected from the categories in the showroom program, or
- Display six toilet seats on bowls on the showroom floor, choosing from the seats in the showroom program.

*(Turn to ... Special, pg. 111.)*



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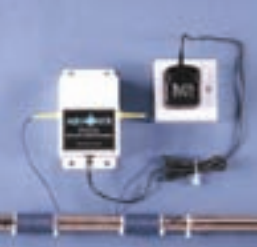




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### Rep extravaganza

#### Bradford White



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### Next Month

Our annual Listing of Manufacturers' Representatives!



# 16 • PVF Powerhouse

## Shale-Inland's PVF Group Five decades, six owners, and still standing firm

BY MARY JO MARTIN  
Editorial director

The acquisition of the IPVF Group of HD Supply by a trio of investors, finalized in March, was one of the biggest — and most talked-about — transactions in the PVF industry in recent memory. This organization, now known as the Shale-Inland PVF Group, has such a unique story, and I recently spent time in Houston with key members of its management team to talk about where they've been and what this latest acquisition will mean for their future. Their faith in each other, and in this new group of owners, is so strong that more than 30 managers and high-level employees have invested their personal money into the new venture.

While many companies that go through acquisitions are dismantled and infused with new leadership and management, president Mike Stanwood has the unique distinction of holding the same position for the past 37 years through five ownership changes — and under his watch, the

spent three years working very labor-intensive jobs in construction and manufacturing. While in college, he went to work for the postal service. Along the way, he worked hard, watched and learned. And dreamed. He had a passion to get into the business world, build something and share it with others.

One day, he ran across a friend he had grown up with who mentioned that his uncle needed some help in his business. It was a great opportunity to help turn the company in a more focused direction. Stanwood was eager to dig in, learn the business and turn things around.

Stanwood credits the late Sam Brown with giving him the opportunity to grow and develop a business career at Southwest Stainless & Alloy. The two grew extraordinarily close, and Brown became like a father to Stanwood — who had lost his father at a very young age — in addition to a business partner. While Stanwood was, by nature, the more conservative of the two, Brown helped him learn to take some risks

company has never experienced a quarter “in the red.” In fact, his skills were so respected that during the years he was part of the Hughes Supply and HD Supply organizations, Stanwood was named President of the Year three times.

Perhaps his biggest accomplishment, however, has been building a team of managers who have stuck together through it all, and whose loyalty is palpable. As Stanwood describes, “We’re all each others’ wingmen.”

As a boy from very humble beginnings, Stanwood learned early on the value of hard work. As a teenager, he

in growing the company.

With no formal business education, Stanwood learned from experience as he went along, and watched closely those he admired. Combining that with his natural gifts of persistence, tenacity, leadership and the ability to look at the big picture, Stanwood worked with Brown to rebuild Southwest Stainless and really put them on the map. A man of strong faith, he also has built a reputation of treating people fairly and with compassion, and doing business with integrity.

Following is my interview with Stanwood, and be sure to check out



Key members of the management team are (from left): Brad Smith, Steve Armer, Jeff Legrand, Bill Talley, Mike Stanwood, Larry Feld, Mike Cox and Paul Rangel. This core group has remained united through numerous acquisitions, and are highly regarded by the new owners.

the sidebars on excerpts from my conversations with other key members of the team, as well as Shale-Inland CEO Craig Bouchard — and even a few of their competitors.

\*\*\*\*\*

**MJM:** We have a lot of ground to cover today, but let's go back and start at the beginning. Talk about how

manufacturers were very loyal to their stocking distributors. But as we grew, manufacturers started to come around. The first big line we got was Armco Steel, thanks to Bob McKeon, who showed a lot of faith in us. After that, the lines began to come one by one.

Where we excelled and earned our customers' business was our service.



lean things were in those early days of building the business?

**Stanwood:** I remember calling on customers and being terrified that they would actually want to come by and see our place. Of course, like any

We had to out-service companies that had been established for years, and so we were there for them 24 hours a day, seven days a week, sourcing whatever they needed when they needed it. From those early years



good outside salesman, I had really built up the company and our inventory to our customers, and in reality we had a little 8,000-square-foot building and very little inventory on hand. Let's just say that some of the pictures in our catalogs weren't exactly taken in our location. But anything our customers said they wanted, I told them we had.

You have to remember that at the time, there weren't as many imports so competition for lines was much more difficult. We were a very small company with limited resources so it was tough to get lines. Domestic manufac-

until today, we have grown about 80 times over, through both acquisitions and product offering. Today, the Group employs 1,200 employees at 47 locations in the U.S. and Canada. Our depth and breadth of inventory really sets us apart. No one else really has all that on the ground.

**MJM:** I know you must have countless interesting “behind the scenes” stories with a personal perspective from your years in business — especially from those early years.

**Stanwood:** You might find this hard to believe, but coming from our (Turn to Shale... page 18.)



(Continued from page 16.)

very small roots, when we were acquired by Hughes — one of the largest distributors in the country — it was a whole different world. I remember not too long after we were acquired, they invited us to attend an event at their headquarters in Orlando to get to know some of their key personnel. A guy came up to us and said he was from HR, and our group looked at each other and honestly thought he meant Heating & Refrigeration. We really hadn't been part of the corporate world until then!

**MJM:** *Your story is such a unique one. Five decades in business, five ownership changes. Talk about what each acquisition has meant to your company?*

**Stanwood:** This could take a while!

- Sam and I sold Southwest Stainless in 1988 to the Jemison Group because we had gotten to a growth rate that our financial position couldn't fund. We saw so much potential, but

we were cash strapped to continue diversifying the business geographically and product wise.

They were a private equity company owned by an established family in Birmingham, Ala., that wanted to diversify their holdings. It just clicked. They gave us the resources and opportunity to prove that our strategy was a winning one. In the eight years we were with them the company grew eightfold. During that time, we bought two businesses — H&H Machine in Houston and Coastline Products in New Jersey.

- In 1996, we were acquired by Hughes Supply



and became the foundation for their PVF business. They had been strong in other market segments, but really wanted to get into industrial PVF. That was when we started really doing ac-  
(Turn to Changing... page 20.)

## Shale-Inland PVF Group's story a compelling saga

### What the management team had to say

- Vice president **Jeff Legrand** started in this industry in 1981 with another company in St. Louis. Southwest Stainless was one of his vendors. Stanwood approached Legrand in late 1988 with an opportunity for him to be involved in expanding Southwest Stainless.

"My initial role was to establish our presence outside the Gulf Coast, so I started by opening our branch in St. Louis," Legrand recalled. "Throughout the 1990s, we were in constant growth mode, expanding into new territories and acquiring new companies. We were in the forefront of the industry and became known as leaders in the market. It was a very exciting time to be a part of that."

He moved to Houston in January 2001, and since then has worked very closely with Stanwood in managing the businesses in the group. As Stanwood describes, "Jeff has been a huge asset to me and made an immediate impact. He went 0 to 60 in a short period of time. He's very organized and methodical. I envision what we need to do and Jeff keeps us in the center of the road."

One of Legrand's key areas of responsibility is centralized purchasing — done from a stocking standpoint and project standpoint — that is crucial to the company's bottom line. "Our smart purchasing is one of the major keys to our success," he said. "You have to have a really good understanding of the market, as price fluctuations and lead times can have a huge impact on our business. We pay a lot of attention to purchasing and trends and we communicate with our suppliers constantly. Our purchasing is not dictated by our computer system; rather it gives us guidance. Mike and I have 60 years of combined experience to make purchasing decisions. At any given time, we have about \$280 million in total inventory on hand."

Legrand has been with the company through four acquisitions, and said that while this last one has been the toughest, he also believes it offers great opportunities. "I'm very excited about the future," he noted. "We now have an ownership team behind us that wants to grow the company as much as we do and help take us to the next level. I believe this is going to open up potential for cross selling; our Metals Inc. division has the biggest opportunity to grow with this. We will need to work together to identify potential targets and make a concentrated effort on selling those products through existing branches and infrastructure in order to maximize our growth."

He also credits Stanwood for his leadership and management style. "His guidance and direction have been the reason that we have a very loyal team," Legrand explained. "He sets the tone of giving each other respect, and for working together to accomplish our goals. One of the most important lessons he has taught me is to go out and find the best people, put them in a position they will succeed at, give them the confidence and tools to do

their jobs, and then trust in them."

- **Larry Feld** started Sunbelt Supply while still in law school. The company was selling a lot of material to ship chandlers in the early 1980s, and was told they were having a difficult time obtaining flanged bronze valves. That led to the decision to refocus the company on valves. In the mid-1990s, they added valve actuation as a service to customers, and are now a single source for manual and automated valves.

"We learned early on to hire very good people and keep them motivated," Feld remarked. "Over the years, in addition to being known for our knowledgeable staff, we've become a major stocking distributor for valve and actuation lines, commodity valves and specialty valves. We have over \$90 million in gate, globe, check, butterfly and plug valves and actuators in inventory, in materials ranging from commodity carbon, bronze and iron to chrome and high nickel alloys, in sizes ranging from ½ to 36 inches."

Sunbelt now has 293 employees at six locations in Texas, three in Louisiana, and one each in California, Virginia, Ohio, Illinois and Edmonton, Alberta. They also are part of a joint venture in Michigan.

In 1996, they were acquired by Hughes Supply. "We thought that a lot of our customers would be interested in larger suppliers and that it would be easier for us to grow with Hughes," Feld said. "It allowed us to spend more of our time focusing on customers and less time with the bankers, accountants, etc., that took too much of our time as business owners. Over the years, our owners have pretty much let us continue to operate the business as we see fit, because they trusted Mike's judgment, and we focused on trying to make our numbers and grow the business."

- **Paul Rangel** got his start with Grant Supply before joining Sunbelt in 1984 when there were just six employees. "At the time, we were basically a marine supply house doing just a couple million in sales a year," he said. "We were small and wore a lot of hats. We had a lot of room to grow, and I really steered us toward the industrial business. We found that there was a need for a quality valve distributor. We've built a great team and strong vendor relationships that are a great asset to our customers."

After starting in sales, he got involved in customer and business development, and then in managing employees and branches. He is now vice president. "There has been a lot of consolidation among customers," Rangel said. "They are looking for suppliers to service multiple locations, so we have opened new branches to meet those needs. Over the years, we have remained very focused on our core competencies, rather than trying to be a 'me, too' company."

- **Bill Talley** heads up J&J. He got his start in 1973 through a friend who owned Mach Corp., working part-



President Mike Stanwood and vice president Jeff Legrand complement each other very well. As Stanwood describes, "I envision what we need to do and Jeff keeps us in the center of the road."

time during college. Over the years the years, got to know Stanwood through sales calls. He then moved onto J&J — a specialty distributor of nickel alloys — which was acquired by Hughes in 1997 and became part of the PVF Group.

"Through all the acquisitions, I've never given serious thought to looking in another direction," he said. "I like working for Mike. I love J&J and the people. It all comes down to respect for one another — from the very top of the leadership to every employee. I believe in our Group and how we do business."

"Our new ownership is clearly a better fit for us; the folks we're with now are steel people, and that's very encouraging to all of our employees. What's inherent with this latest acquisition is that they learn our product, and we learn theirs so we can capitalize on the synergies."

- The Metals Inc. business is led by VP/GM **Lee Land**, whose background in the industry goes back to 1980, and who has been working for Stanwood since 1991, when he opened the Group's Dallas branch. They now have four locations — Dallas, Houston, Mobile and Tulsa.

While still involved in PVF, Metals Inc. also handles sheet, plate bar and structural items mostly in stainless steel. They also do sawing and plasma cutting, shearing and gauring.

"Through all the changes and acquisitions, I've stayed with the group because of Mike and his leadership," he said. "He is the glue that keeps us together. He entrusts only a few, but when you earn his trust he will always be there to back you. It gives us a feeling of ownership and I feel very fortunate to be a part of it."

He believes the latest acquisition will be particularly beneficial for Metals Inc.: "These guys are more associated with the type of products that I sell, so I think this will open up more opportunities for us to buy product better, do some cross-selling and be more competitive. They also have a lot of equipment that I currently don't, which will help us create more business opportunities. It will be a continuing task to combine all the different synergies together, but once that is completed, there is really no stopping us. We will have created something the industry hasn't seen before."



## Changing dynamics bring Group new opportunities



(Continued from page 18.)

quisitions, which got us into different areas of the market, as far as true product diversification. Under Hughes, we acquired Sunbelt Supply, J&J, Metals Inc., Stainless Tubular Products and Allied Metals.

The companies we bought were the leaders in their business. I looked at my job as one of keeping them in the center lane and keeping corporate out of the individual businesses as much as possible. You have to treat each business individually to allow them to maximize their potential and participation in the group.

- We were sold in 2006 to Home Depot. It turned out to be very short-lived; we were with them for just a little over a year. But they brought a very large balance sheet, which afforded us the opportunity to continue to grow.

- In 2007, they sold their supply division to a new group of investors and renamed the group HD Supply. The biggest revenue year in our history was in 2007-2008 and then the financial debacle hit. During this time, we acquired Polar Piping in Edmonton. Last year, HD Supply decided to sell us because we were not in the core group of companies that they were trying to expand and grow — although we were one of the most

owners have a vast amount of market savvy, and with their financial expertise, they bring a strong vehicle for us

with which to grow the company. I communicated this to our people as a very positive transition, and one that I believe in. I report to Craig Bouchard, the CEO of Shale-Inland, and based on his history and success in the steel industry, we are confident he will help us grow our business.

**MJM:** *How has the transition been going so far, and what is next on the agenda?*

**Stanwood:** This is very unusual because it was a smaller company merging with a bigger company. Everything down to the last detail had to be addressed — from credit cards

for outside salespeople to insurance cards, to e-mail addresses to looking at synergies.

Our goal is that within the first 200 days, we want to get the business to its peak performance as if the transaction never happened. We can accomplish this by utilizing and combining the strengths of each organization.

We need to get our arms around what we have and maximize the profitability of each group. We will be looking at bolt-on acquisitions that will strengthen our position in the market geographically and with product diversity.

**MJM:** *Often, acquisitions lead to significant changes among the management team. But through it all, you have remained at the helm of this business. To what do you attribute that, and how gratifying is that to you?*

**Stanwood:** I believe the reason I have always been asked to stay on is



Sunbelt offers valve actuation for customers.

directly related to how successful our group has been, thanks to our dedicated employees. As each company bought us, they were very clear about the value they placed on the management team and that they wanted to (Turn to Transition... page 24.)

### What key team members had to say

- **Steve Armer** grew up in the business, working for his dad at IMSCO. They had done business with Southwest Stainless for years, and Armer would often come by to pick up material. Stanwood offered him a great opportunity 21 years ago, starting a branch called Southwest Carbon and Alloy. Over the years he has taken on evolving roles. Now a sales director, Armer says the only two bosses he's ever had have been his dad and Mike Stanwood.

"I really admire the way he runs this company," Armer said. "We're not big on titles around here. He's always been one of us. You have to enjoy what you do and the people you work with. We have a great team here. No one knows how we do what we do, and that's the way we like it."

"Through the acquisition process — and I've been through four of them with this group — we always had confidence that the team would stay together regardless of what the outcome would be. We have that much trust in each other, and we read each other very well. We also lean on Mike a lot; this company revolves around him."

- Sales director **Brad Smith**, a former college and pro football player who spent six months trying to get an interview at Southwest Stainless, started in the warehouse in 1997 and was motivated to build a career there. Although Smith swears that he did a six-month apprenticeship in the warehouse in 90° Houston humidity, Stanwood laughs when he says it was actually just six weeks. But Smith's motivation and enthusiasm sold Stanwood, who pulled him out of the warehouse and moved him into expediting/inside sales.

"I learned the business from Mike, and have really stayed here all these years because of him," Smith said. "He rewards those who work hard and has done a great job keeping our team together. We've worked well together over the last 15 years making each order count. And there is still something to learn, each and every order."

"The biggest challenge over the years has been that the dynamics of our business have changed dramatically. And during the next 10 they will change even more. You have to be flexible and adapt to these changes, because we have strong competition. We've always been the leader in our industry, and we want to continually set the bar higher. We're very excited about the

new opportunities with our new ownership."

- A 25-year veteran, **Mike Cox** worked for several other industrial companies, had called on Stanwood at Southwest Stainless and was well aware of the company's solid reputation. He has held a number of positions with the group, including inside sales, office manager, operations manager and branch manager.

"It's been exciting to watch the company grow, change and evolve," he said. "We've been so consistent and we've got a core of people who have been together through good and bad times. Even though we are a big company, we still do a lot of things as a smaller company; one of our strengths is our ability to react quickly to situations."

"None of our owners have ever been involved in this business, thanks to Mike, but they've seen what set us apart in the market. That's our people."

- **Pat Chilton** was one of the first women to take on management roles in the world of industrial pipe, valves and fittings. She started as a secretary in 1972 for a company in Mobile, Ala., and soon moved up to sales. Over the years she did business with Southwest Stainless and joined the company in 1987. One of her first assignments was to open a branch near Baton Rouge. Later she was sent to North Carolina to open a branch there, and then assigned to Atlanta for nine years.

"Mike's timing has always been impeccable," she said. "He's a hands-on person in knowing how the company should run. He's done it all with the buying and selling. Mike has always believed that if you have it you'll sell it."

- **Debbie Keller**, who has been with the company since 1998, is one of the core leaders of the inside sales group. Originally from New Jersey, Southwest Stainless was one of her customers.

"I knew it was a solid company and when I was looking at a forever career home, this was one of the options and it really fit," she said. "It's difficult to get good people in this business, but I had worked with Mike when he was a buyer, and I trusted him. He hasn't led me wrong yet."

- **Sherry Berkley** started as the receptionist 1995 and became Stanwood's assistant a few years later. He describes her as a "very good ambassador for our company," and she describes her pride in the culture that Stanwood has built within the Group.

"It is truly a family here," she said. "Mike is such a down-to-earth person. He doesn't walk around here like he's superior; he walks around like he's one of us. This company has done so many things for employees and families in crisis that other companies would not do. If someone is in trouble, we all pull together to support them and help them through their crisis. Mike makes decisions based on the right thing to do; he knows what it's like to struggle because he's been there. He fights for us and that has built an incredible trust among all of the employees." ●

The impressive pipe yard full of stainless steel at the Shale-Inland PVF Group's Houston headquarters.



successful ones they had. CEO Joe DeAngelo understood our business because he had bought commodities while working many years at GE. Unfortunately, the sponsors weren't as well versed in our business.

- In March, our acquisition by a trio of new investors — Towerbrook, Shale-Inland and the Stephens Group, as well as the Group's management — was finalized. The new



## Management team bullish on PVF Group's future

(Continued from page 20.)

keep the team in tact. When you buy a company in this business, you're truly buying the team. Anyone can buy a product. It's the people that make businesses successful.

It amazes me to look at some of the people who have come up through the company and see what they've matured into. The gratification I feel is very much like a father seeing their children grow up. You always want the best for them. That's the reason I stay. The people in this company are my family. I feel a loyalty to them and can't walk away.

**MJM:** *Who has been the biggest mentor in your career that helped you formulate your leadership style and business philosophy?*

**Stanwood:** Jim Davis, the CEO, and Corbin Day, chairman, of Jemison Group, were probably the most influential mentors I've had. They set a very good example as leaders and how they treated people. They are men of values and principles, great bosses and solid leaders who led by example. That's what I strive to be. I was fortunate that in addition to our business relationship, they also became great friends.

(Turn to Strong business... page 26.)

## What their new ownership has to say

**Craig Bouchard** is the founder and CEO of Shale-Inland LLC, and has a well-chronicled history in the steel business. In 2004, Craig and his brother James co-founded Esmark Inc., and over the next six years, the company acquired nine steel companies, including the celebrated hostile takeover of Wheeling Pittsburgh Corp. Bouchard wrote about his experiences in a book called "America for Sale."

Bouchard founded Shale-Inland with a strategy of wanting to provide transportation of metal to the food, water, energy and information businesses. When he saw the prospectus on the IPVF Group that HD Supply was selling, he believed it was a perfect match for his strategy. "I immediately saw that they were in the energy and water business — the key areas we were missing — and had a focus on stainless steel," he said. "I made a bid and told them what I would pay for the Group, even though I didn't have the money yet."

So Bouchard started calling on Wall Street firms to bring in the additional private equity funds needed for the acquisition. He chose Towerbrook as the lead investor and also brought in the Stephens Group as well. Ultimately, however, what Bouchard is most pas-

sionate about with this acquisition is the management team that was in place.

"We don't buy companies and put our own managers in," he said. "Good, solid management is the hardest component to find. This team at the PVF Group is so experienced. They know exactly what they are doing. These guys are the best at their business."

After just a few months, Bouchard is extremely optimistic for the future of the PVF Group. "Revenues are up close to 30% in first quarter for each company. We are off to a great start. We've also got some new initiatives in the works. We're investing in a facility in Saudi Arabia through Sunbelt that has recently been approved at our board meeting. We've also got plans to build a massive new facility in Houston that will consolidate the eight current locations into one. It should be complete in about 18 months.

"We'll continue to grow organically and make acquisitions. The energy market is so strong and we want to continue investing in the PVF Group with Mike and his team. This industry is so interesting and we're in the thick of things. The good strategists who have capital with solid balance sheets will have a great time in this industry in the next 5 to 10 years." ●

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See contact information on page 122



## Strong business sense, values forge strong firm

(Continued from page 00.)

I've always believed that you should treat people right, fairly and with compassion. No matter who our owners were, I've tried very hard to represent the best interest of our people and our companies. Our people really are the "secret sauce" behind our success.

**MJM:** As you look back on your long and very successful career, what is it that you are most proud of?

**Stanwood:** I'm very proud that we've been able to keep most of our key management together through five transactions, keep them focused and reward them better than most in the industry.

And as I look forward, we are hoping to bring even greater efficiencies to the business and continue rewarding our people. I believe we'll grow at a controlled pace and continue to be a major factor in this business. ■

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## What their competitors have to say

In talking with the team, one of the things that becomes evident is that they have a healthy respect for — and in many cases, a

solid friendship with — their competitors. According to **Jeff Legrand**, part of that is fostered by the fact that it's a very small community of players in the market and that many have held positions with vendors and customers along the way. "We all have a lot of respect for each other, and in many cases we have built a healthy trust and friendship. It allows us the opportunities to do some things together socially that you might not do in other industries." "Young boys playing sports admire the accomplishments of those that excel at the professional level. Similarly, young professionals admire those that are accomplished in a chosen profession. Talented veterans often times mentor an up and comer internally. In the case of competitors a different dynamic exist. This dynamic can best be characterized as respect.

"Many bitter rivals in the field of play — think of Magic Johnson and Larry Bird — had great respect for their opponents in different venues. People in similar situations have an understanding and appreciation for the burdens born by others. They are in a unique position to develop admiration and respect. They develop a keen understanding of the other as a person as well as a rival.

"Mike Stanwood was and is the role model for any young person entering the stainless steel market. He has transitioned his organization through many ownership changes, maintained his core team, and been an innovator in the industry. He inspires confidence and loyalty as evidenced by the dedication of people like Jeff Legrand, Steve Armer, Brad Smith and many more. I am privileged to know him as a fierce competitor and a very good friend."


— **Bill Bootz, CEO, Team Alloys**

"I've known Mike Stanwood for 30 years and over the past decade it has developed into a personal friendship. For a long time we competed against each other; now we buy and sell from each other. The way he has built and grown the company is a model that everyone has tried to emulate. He's the best when it comes to stainless steel.

"It's been very evident to me what a great respect he has for his employees. Mike is always concerned about finding ways to help his team grow and develop and prosper. He's long past the need to work; I believe he does it because he cares so much about the future of his people. And beyond business, I have a great deal of respect for Mike as a man. He has an incredible love of animals, and I've seen him rescue countless strays in the streets and get them vet care and new homes. It all goes to the type of person he is."

— **Ken Rowley, senior vice president, Shaw Fabrication**



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## Morrison Supply builds on its tradition while embracing new strategies

### Under new ownership

BY MARY JO MARTIN  
Editorial director

One of the biggest names in wholesale distribution in the Southwest — and certainly one of the most diversified — is Morrison Supply Co., which ranks #17 on this year's Wholesaling 100. And another of the industry's biggest names — Chip Hornsby — joined them last November as their new CEO. Hornsby, a former president and CEO of Ferguson Enterprises and later its parent Wolseley, is now an operating partner of Advent International, which acquired Morrison from long-



Chip Hornsby, CEO.

time owner Scott Sangalli last fall. An East Coast native, he has since relocated to the Lone Star State, and is based at Morrison's headquarters in Fort Worth.

Morrison Supply Co. has built a diversified business distributing products including residential and commercial plumbing; pipe, valves and fittings; hardware; HVAC; waterworks; gas and oilfield supplies; and appliances. The company operates 88

locations throughout Texas, New Mexico, Oklahoma, Kansas and Louisiana, along with 30 well-appointed showrooms.

After almost three decades with the Ferguson/Wolseley organization, Hornsby stepped down from his London-based position as CEO of Wolseley in 2009 and was contacted almost immediately by private equity firm Advent International. Due to the terms of Hornsby's departure from Wolseley, however, he had to wait 12 months before he could pursue any discussion.

"I had to sit on the sidelines, but Advent stayed in touch and I did a lot of research into how private equity worked," Hornsby noted. "Over a period of time, I had an opportunity to be in front of two dozen different firms. When my non-compete expired at the end of June, I explored where my opportunities were. I wanted the chance to establish a business in the format I envisioned going forward, and Advent seemed to be the best match for me. After initially planning to raise between \$250 and \$400 million to invest in a distribution business, Advent came back and said they were willing to invest up to a billion."

Hornsby became an operating partner at Advent in November 2010, and 12 months later, they closed the acquisition of Morrison Supply. Sangalli continues to sit on the board of directors.

#### Fine-tuning their focus

"During these early months following the acquisition, we have focused our efforts on understanding the opportunities for Morrison and markets in the Southwest," said Hornsby. "We

hired Bain Consulting to help us understand how the company is positioned, and they surveyed hundreds



of customers. What we found was an organization very focused on customer service and identifying customers' specific needs in all markets. We want to expand and build on that success, and part of that is adding some new individuals to the team. We're building up the team to expand beyond our current footprint. We are fortunate that three of our key leaders — President Darrell Hawkins, CFO Charlie Allen and SVP Mike Roberts — are still with us and have personally invested back into new business. We've added some key personnel, including Dan Filler, a former Bain Consulting executive, to work on M&A; Stan Allen, formerly of Ferguson, to manage operations; and Joe

Lasik, who had been with Aviall, a Boeing company, to handle our IT efforts.

"We're also looking at additional associate development and engagement; training them from a customer standpoint. Our mission is to look at ways to expand our business and enhance the service we provide our customers. Ultimately, people buy from people they like and can rely on. Our contractors really only do business within a 25-mile radius, and they want to do business with people where they have a relationship. So the more we can enhance the training and empowerment of our people, the better. Our training efforts have been limited in the past but our renewed involvement with ASA and their Education Foundation will be a key component going forward. We're getting involved at the grassroots levels — showroom, inside sales, outside sales, warehouse. I have a simple philosophy that you take care of your  
(Turn to New owners... page 106.)



Morrison's showrooms include spectacular destination showrooms in Fort Worth and Houston, as well as this one in Oklahoma City. Altogether the company operates 30 showrooms, with 17 functioning as standalone facilities.



## New owners, opportunities for Morrison Supply

(Continued from page 104.)

people and they'll take care of your customers."

VP of HVAC operations Kevin Moore concurred, describing some of the positive changes he has already seen: "The biggest changes have come in the form of new and exciting resources we have been provided. One of the new resources was an immediate investment into technology providing our associates with new tools and quicker access to critical information. This has already had an impact on assisting our associates in streamlining their jobs, providing them with better data from which to make informed business decisions, and allowing them to focus their energy on servicing our customers. Only through this ability to effectively and efficiently service our cus-

tomers will we be able to meet our aggressive growth goals."

### Making a smooth transition

As with any transition, communication is key, and marketing director Jennifer Williams said the leadership was particularly proactive in their efforts: "When you have a new regime come in, it's natural for people to be nervous with the uncertainty of how that might affect them. But since Day 1 when the transaction was finalized, Chip has really put forth a personal effort to reach out to our associates, make everyone feel comfortable, and enthusiastic about what's ahead."

According to Moore, that effort has paid dividends when it comes to employee relations. "The response from our associates has been very positive," he said. "Scott, Chip and Dar-



Morrison Supply Co. has built a diversified business distributing products such as oilfield supplies (shown here); residential and commercial plumbing; pipe, valves and fittings; hardware; HVAC; waterworks; and appliances.



## It's all about the relationships

For Morrison, relationships are at the core of their business — and of their success. They've used a wide range of opportunities to build those relationships over the years, including trips, promotions, dealer meetings, local festivals, counter days and incentives.

But over the last nine years, one of their most popular customer events has been the air-conditioned chalet with a wrap-around patio that they sponsor at the Crowne Plaza Invitational at Colonial

Palmer is local favorite and always has a large following."

On Wednesday for the Pro-Am portion of the tournament, Morrison worked with A.O. Smith and Hugh M. Cunningham & Associates to bring in 175 people. For the Opening Round on Thursday, Morrison was joined by Braswell & Associates, Bradley and Elkay in hosting builders and designers. Friday's co-hosts for a predominantly builder customer audience were Electrolux, Aquatic and

are cooking demos, and the audience gets to try some of the delicious dishes being prepared. This year, about 30 Egghead Cooking teams participated and nearly 1,000 tasters were on hand to sample the food.

Big Green Eggs function as an oven, a grill and a smoker, all in one. They use natural lump charcoal made from oak and hickory with air flow that works like a fireplace. These ceramic cookers can be used for anything from ribs and turkey to casseroles and pies.

"We sell a lot of the Big Green Eggs in East Texas," said Lufkin branch manager

rell did a great job early in the transition period of traveling to all of our regions to meet with our people, explain the need for new investment partners, and provide a clear understanding of the company's goals for the future. Any anxiety was quickly replaced with a new and exciting energy focused on meeting goals and creating future opportunities for all our associates."

Hornsby noted that he has really concentrated on helping associates understand who Advent is, what private equity is, and the impact it would have on them individually. "I try to send out brief email communications to associates every few weeks to keep them in the loop," he said. "Our success is hinged upon our 1,100 associates' success and development. In April, we held our first-ever company-wide meeting for managers and their spouses. Part of the focus was to roll out the initiatives and send a message of what we're doing and where we're headed. But it was also to set the tone of being social, having a good time and getting to know one another on a more personal level.

"From a supplier-based standpoint we met with all of our key suppliers within the first 30 days and made them aware of objectives and financial position. We want to have open dialogue with everyone, because this is going to provide new opportunities that will benefit our employees, our customers and our vendors."

### Realigning and redefining

One of the first things that Hornsby (Turn to Relationships... page 108.)



Country Club in Fort Worth. One of the most well-known events on the PGA tour every year, the tournament got its start in 1946. The tournament is often associated with the great Ben Hogan, who won the event five times and considered Colonial his home course.

This year, Morrison — one of the tournament's premier sponsors — brought in 1,300 customers over the five-day event. Each day, Morrison partnered with the sales departments of manufacturers and rep agencies to host customers. They develop the guest lists, invitations, tickets, food and beverages.

"The Colonial is such a fun tournament," said Morrison's marketing director Jennifer Williams. "There's something for everyone whether you follow golf or not. Our guests really enjoyed meeting tour players William McGirt and Ryan Palmer.

Southwest Sales. Viega partnered with Morrison for Saturday's event and hosted mechanical contractors. For the Final Round on Sunday, Comfortmaker co-hosted the event to bring in customers of the HVAC business segment. Over 550 people enjoyed the hospitality during the weekend.

"Throughout the event, we really hit all of our customer bases and brought in good, quality customers," said Williams. "It's all about being face-to-face and spending time with customers to build those relationships. Customers look forward to events like this and can't wait to come back every year."

Another very popular event Morrison sponsors is the Athens EggFest. Participants come from across the country to showcase their recipes and cooking prowess with the Big Green Eggs. There

Jimmie Railey. "So when we were looking for an event to sponsor in this area, the EggFest made total sense. The Texas Freshwater Fisheries Center in Athens is the venue we use, and we draw a lot of folks from both East Texas and the Dallas area.

"People come from all over the country to cook. We set up a Morrison 'storefront' and sell the Big Green Eggs, and all their accessories. About 15 of our employees were on hand, with some running the store and others cooking. It's a great event for Morrison that lets people enjoy the food and see what the Big Green Eggs are all about. These ceramic cookers are really gaining in popularity and the EggFests are popping up around the country. Distributors like Morrison can really help promote sales by being part of these events."



## Relationships at core of success for Morrison

(Continued from page 106.)

and Team set in motion was realigning Morrison's business and establishing leaders by customer type. There is now a dedicated person heading up each of the product groups, and regional managers have been repositioned to focus solely on their region.

"With this new financial backing, we've been able to build our bench and add key employees," said Hawkins. "For years, we've all worn lots of hats. But now that growth is eminent and we've got financial backing behind us, we're able to specialize a little more. That will help us get closer to our customers and better understand their specific needs. It's a real trickle-down effect that will pay off for us — and benefit our customers — in the long run."

HVAC has long been a staple of Morrison's business and continues to grow. Moore described the company's approach to the HVAC market as a dealer-based focus.

"We have been fortunate to have established a strong network of professional HVAC dealers throughout our markets," he said. "Our dealers require additional resources of knowledgeable people, technical support and marketing. Investment of these resources contributes to their growth and success and through our dealers will come our growth opportunities."

"Many of our branches are blended branches that distribute both HVAC

**"Ultimately, we want to make it easy for customers to do business with us, and have the solutions to make their headaches go away."**

and plumbing products. Our approach within these branches to segment and create a business within a business starts with our HVAC associates. We have within these branches an experienced team of HVAC specific managers, salesmen and TSAs to support HVAC contractors.

"Many of our rural markets contain customers that service both the HVAC and Plumbing sectors. Our associates in these branches are cross trained and able to easily service the customer in both product categories. In many of the markets where our customers are HVAC service specific and our branches service multiple in-

dustries, we have been able to acquire additional facilities and provide HVAC specific staff and counters. In the other locations our managers have done a good job of segmenting their counters with inventories and providing designated HVAC associates. This model has allowed us to operate two separate businesses under one P&L, sharing operational/support staff, and keeping our operating expenses low without reducing our service levels."

Hawkins described how Morri-



*The Wichita Falls store exemplifies Morrison's diversity of product categories, a strategy that has helped the company weather economic ups and downs.*

son's diversity into so many different product categories really helped the company through the challenging economic conditions in recent years. "Obviously the cycles used to be that when one product segment was up, another might be down. But after this latest financial crisis, everything was clobbered, however we are seeing some signs of improvements. Our commercial plumbing business has helped us and we are very well positioned on the HVAC side. We also see a lot of potential when it comes to the commercial PVF arena."

Moore added, "We have been fortunate to be operating in markets that have not been as impacted by the housing markets and unemployment. The states in which we operate are business friendly environments and continue to attract new businesses, creating new jobs, and providing for continued growth."

Morrison is also well-known for its beautiful showrooms, including spectacular destination showrooms in Fort Worth and Houston. Altogether there are 30 showrooms, with 17 functioning as standalone operations.

"About nine years ago, we dove heavily into showrooms and got serious about it because we saw the po-

tential of what that business could bring us," Williams described. "Many of our showrooms have a similar feel and layout, with like groups of products in separate rooms and a meandering street down the center with vignettes and rooms of product on display. It's a look that is very unique to Morrison."

"We continue to formulate plans to drive more attention and traffic through our showrooms. The days of building McMansions are gone, and the financial crisis has had impact on the American psyche. Getting large mortgages is difficult. So we're emphasizing repair, remodel and improvement. We're finding that new homes are smaller, but with good

quality. We believe that the repair and remodeling end of businesses has substantial potential. We've also been successful adding products in our showrooms, such as lighting, appliances and hardware."

### What's next?

One of the key areas that Hornsby said Morrison would be investing in is technology. He noted that the current website is just a teaser that gets people interested in visiting their showrooms. "For us and all wholesalers, we need to determine the value we want to add going forward," Hornsby noted. "We have to understand what products customers want in the future. Many manufacturers are trying to determine ways to keep sales through showrooms and not through ridiculously low margins on line. They want to see their wholesaler showrooms succeed."

Everyone at Morrison is looking forward to their new, highly interactive, content-rich website that will be launched this summer. Williams was kind enough to give us a preview of what customers can expect.

"We are involved with so many industries and it's important to really get that message out," she said. Our

customers are also diverse and our website will specifically address each of their needs. Our home page will be split with an option for customers to select and click on the commercial business or the residential side to dig in deeper. There will be virtual tours of seven of our showrooms and customers will be able to click on highlights of the videos to see more specific products. Each location will have its own page. Customers will be able to find and select a store, see their current promotions and specials, and get directions along with contact information.

"Company-wide promotions will be featured on the home page. Customers will be able to search by product type and vendor, and see the product lines available from each location. We'll also tie in our social media efforts, with a prominent link to our Facebook page on our website. We currently update our Facebook page several times a week with promotions, events, job openings and more news."

She went on to note that the leadership has set a very ambitious near-term goal that they are optimistic they will be able to achieve. "By 2017, when Morrison will celebrate its 100th anniversary, we have a goal of hitting the billion-dollars in sales mark. That's double our current numbers. But since January we have already opened four new locations — new showrooms in Abilene and Shreveport, and new HVAC stores in San Antonio and Bastrop. And have a team that is very focused on acquisitions and will be aggressively looking at new opportunities."

Hornsby is very bullish on the future of Morrison — and opportunities for the company to continue growing. "We have differentiated ourselves through our local operations that have built strong relationships, and the level of autonomy our branch managers are afforded," he said. "Even though we have so many associates, there is still a real sense of community when you go into our stores. We also have a wide selection and excellent service through our showrooms, with very specialized salespeople who spend time with customers."

"Growing our team will allow us to focus in on our customers and their needs going forward, no matter what the product category. It's all about doing what you say you're going to do and following through. If mistakes are made, we want to correct them as soon as possible and move forward. Ultimately, we want to make it easy for customers to do business with us, and have the solutions to make their headaches go away." ■

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