

THE A TMB Publication WHOLESALER

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In the counter area of the Elmira (N.Y.) WinIndustrial, customer Greg Ficarro (left) of Kimble Inc. discusses an upcoming job with Elmira WinIndustrial president Dave Soltis (right) and Mike Soltis. Shown in the inset is the WinWholesale corporate office in Dayton, Ohio. Beginning on page 64 is an exclusive Q&A that editorial director Mary Jo Martin conducted with the WinWholesale management team.



Distribution in Action

Exclusive Q&A

A visit with the key leadership at WinWho



BY MARY JO MARTIN
Editorial director

A little more than a decade ago, I first had the opportunity to meet with key leaders at WinWholesale in Dayton, Ohio, and bring readers the story of this uniquely structured, very successful wholesaler. Since that time, WinWholesale has continued to chart remarkable growth, both through its acquisition of Noland and organically. In fact, they ranked #7 on this year's Wholesaling 100 (see July issue of *The Wholesaler*).

Today, there are 526 Win and Noland local companies in 44 states across the U.S.



Jack Johnston (l) assumes the presidency of WinWholesale, succeeding Rick Schwartz (r), who will continue as CEO and chairman of the board.

"We really want to develop good partnerships with our vendors so that we fully understand each other and can develop a relationship that results in mutual success."

...serving the plumbing, HVAC, industrial PVF, electrical, and waterworks and utilities supplies markets. With a total of 3,950 employees, the organization goes to market under several brands, including Winnelson, Windustrial, Winair, Winlectric, Winwater and Noland Company. Local companies are serviced through four regional distribution centers — Dayton, Ohio; North Haven, Conn.; Denver, Colo.; and Richmond, Va.

Recently, WinWholesale announced that Jack Johnston would be assuming the presidency, succeeding Rick Schwartz, who will continue as CEO and chairman of the board. I thought it would be an ideal time to re-visit this innovative distributor and discover just how they have continued to grow their business during this very challenging economic climate.

I'm honored to bring you this interview with Schwartz and Johnston, along with COO Monte Salsman

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MJM: For those who aren't familiar with it, could you please give us a look inside WinWholesale's organizational structure, and how the individual locations are positioned within the company as a whole?

Schwartz: Our structure is somewhat unique in that it is built upon the philosophy of providing hard-working individuals with a drive to succeed, the opportunity to share ownership in local distribution companies. For more than 55 years, we've honed our approach to offer these entrepreneurs what we call the "winning combination" that helps them create wealth and enjoy the satisfaction of managing an independent company — while leveraging the nationwide strengths of our organization. In essence, it gives the right people the chance to succeed in business for themselves, but not by themselves.

Through this model and philosophy, WinWholesale has the majority ownership in each of the Win locations across the country. Noland Company is a wholly owned subsidiary of WinWholesale.

MJM: Would you say that these individual locations function rather independently?

Schwartz: Yes. Our approach to wholesaling allows for an unprecedented degree



of autonomy for an organization our size. We allow our local operators to have a significant say in how they serve their markets, how they build their team and which products they sell. We provide the back office and support tools so our local operators can focus on their customers. Obviously, our shared ownership model makes us partners with our locations and, with that, we do have some say in how each business is operated. However, I would venture to say that our local company presidents have more independence and autonomy than

I've seen in other national or regional distributors.

MJM: *What types of functions are centralized through the corporate office in Dayton?*

Johnston: We try to provide "big business" support to our collection of relatively small businesses. The

challenge is always creating support that is scalable and efficient. We have a proprietary ERP system that aids our locations in managing inventory, receivables, quotes and more. We also provide payroll, banking services, IT, sales training, marketing support and other services to allow the local teams to spend their time creating and fostering partnerships with customers and providing them what they need.

MJM: *What have you found to be the keys to staying true to your heritage while balancing the fundamentals of wholesaling with innovation and the evolving needs of customers?*

Schwartz: Our founders, including Dick Schiewetz who passed away in April, were truly innovative when they created our business model. However, we have to realize that customer needs change — as do the tools and approaches to meet those needs. We are committed to remaining true to our business philosophy, but we cannot fool ourselves into believing that the way we served customers two, three or four decades ago — or even last year — will

necessarily be relevant in today's market. We constantly have to listen to our customers and make sure we are providing value to them as a distributor.

MJM: *How much connectivity do you see between the operating companies? Do you find that the owners network among each other?*



WinWholesale COO Monte Salsman conducts a vendor summit in Dayton.

Salsman: Yes. We see a lot of camaraderie between our local company presidents and managers. When you look at the amount of combined experience our presidents and managers have, it adds up to hundreds of years of experience. This provides an incredible advantage for our people because it's nearly impossible to encounter an issue or dilemma that someone else in our organization hasn't experienced and can assist with.

We provide regional training meetings and will have our annual meeting in person again in 2012 after two years of Web-based meetings while we managed the distressed market conditions. These events provide great networking and best practice sharing among our local operators.

MJM: *What are you doing to recruit the next generation of wholesalers?*



WinWholesale's Florence WNE showroom.



Greg White (left), president of Scottsdale WNE, going over copper tube inventory with one of his warehouse employees.

Schwartz: Recruiting the next generation of wholesalers is an issue many of us in the industry are grappling with. Historically, we grew through our existing presidents and managers providing our Spirit of Opportunity to others. For many reasons, this growth has slowed considerably over the past decade.

So, we're trying some new avenues such as junior military officers who want to enter the private sector, partnering with schools with industrial distribution programs, and making sure we explain our business and the opportunity at WinWholesale in a way that is clear and resonates with younger people. We also have to be sure we have a presence where young people are looking for information. We have recently begun using social media channels to create relationships and build our brand.

MJM: *How much emphasis does WinWholesale place on training and development, and why is this important?*

Salsman: We've made some great strides in this area in recent years and it's because we believe it is critical to building upon our 50-plus years of success. We've found that the people in our organization who typically achieve the most success have several common personality traits including a desire to learn and improve. We have to be able to feed their appetite for

improvement with content and curriculum that benefits both the individual and our organization.

MJM: *What types of these programs do you offer?*

Salsman: It's really far reaching and includes everything from the basics and Web-based training to a program we call the Leadership Academy, which provides advanced training for high-potential employees over a period of months.

MJM: *Would you please share details on the new marketing initiatives you've rolled out over the past 24 months or so?*

Salsman: We've really just begun to scratch the surface of marketing in our organization. Historically, we haven't provided many organization-wide programs or tools, and we've left marketing up to the local companies.

However, in the past couple of years we've created several tools, resources and programs that align with our philosophy of providing big-business tools for the small business owner. Programs like our ProRewards incentive program, direct marketing tools, and increased public relations have all contributed to improving the WinWholesale brand and the brands of our local companies.

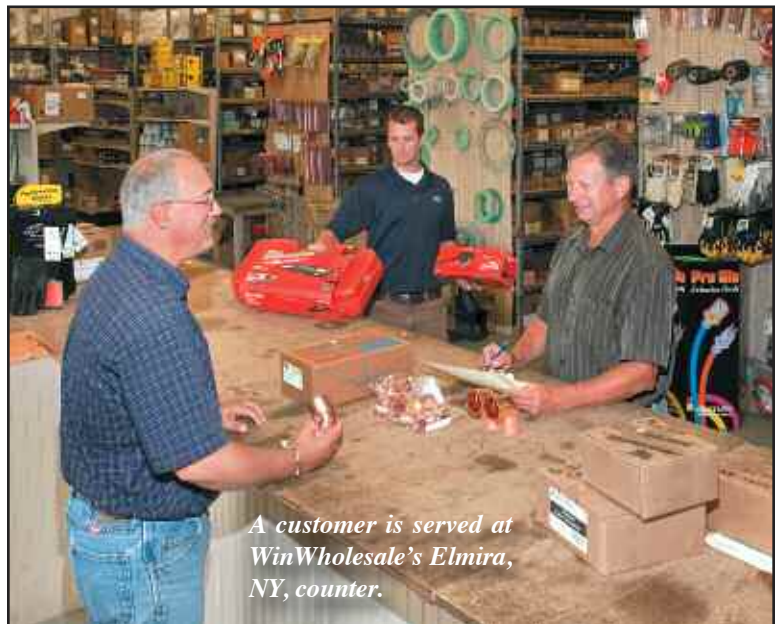
MJM: *What strategies are you employing to improve efficiencies and functionality?*

Johnston: Like most businesses, we continually look for greater efficiencies. In our case we want to ensure that any support we provide our locations is scalable to serve what we expect to be a growing number of local distributors. Our strategy is to always consider technology to increase efficiency in all parts of the organization where it makes business sense. That

includes everything from better ways for local companies to analyze sales reports to having state-of-the-art IT hardware and software.

MJM: *There is quite a spread in this industry between the handful of very large national firms, and the mid-sized and smaller independent wholesalers. What do you feel are the benefits of your position — both internally and for your customers?*

Schwartz: We occupy a unique position in the industry. Collectively, WinWholesale and the Win Group of Companies rep-



A customer is served at WinWholesale's Elmira, NY, counter.

resent a large national firm and a group of smaller sized wholesalers. The benefit of this approach is that our local operations can get very close to their customers and focus on developing strong relationships that you find in a smaller wholesaler, yet they are backed by the strength of a large, national company.

MJM: *I can't help but notice all of the press releases that I receive from WinWholesale on new locations and owners. How is it that you have continued to experience growth during such a difficult time in our nation's economy?*

Schwartz: I'm glad that you see the information we send to you and that you find it useful and interesting. The fact is, our growth in terms of new locations has slowed over the past couple of years because of a combination of the economic conditions and finding people who we believe are the right fit for our organization.



Giant WinWholesale covers all the bases of industry relations



The cavernous interior of WinWholesale's Dayton, Ohio distribution center.

It would be relatively easy to open many more locations if we were willing to settle for local operations that, at best, will serve our customers with mediocrity. We offer an incredible opportunity for hard-working individuals to create wealth and partner with us to run a successful business. It's not the kind of opportunity we're willing to offer to anyone. We want people who we believe will be successful and grow with us and fit our profile of a successful member of the Win Group of Companies.

MJM: *Without giving away any secrets, what can you share with us about your plans for growth in the near term?*

Schwartz: There aren't many secrets in our industry. Our growth is tied to three distinct efforts:

- First, the ability to recruit the best talent to our organization
- Second is our ability to meet and exceed our customers' expectations and needs, and staying on top of those changing needs
- Finally, honoring our great heritage and philosophy while being innovative and seeking new ways to extend our business model.

MJM: *Jack, I know you are a veteran within the WinWholesale organization, but could you share with us your thoughts as you take over the presidency?*

Johnston: I've been with WinWholesale for 34 years, primarily in finance-related roles. I'm honored that our board of directors has given me this opportunity to

serve our organization in a new way. I'm also excited with the prospect of taking the bottom line discipline my team and I have worked on for many years and extending that to top line growth.

MJM: *Could you share a little about your background with our readers?*

Johnston: I'm a Dayton native, a graduate of Wright State University and a CPA. I spent four years in the U.S. Air Force and served in Vietnam after high school. I've been with WinWholesale since 1977 when I joined the organization as an accountant. I became treasurer of Primus, which was the predecessor to WinWholesale, in 1983. After that I was president of our division that manages all of the support services for our wholesalers. I became WinWholesale's CFO in 2005.

MJM: *What are your goals in this new position?*

Johnston: We have a great team in place with incredible experience. My job is to meet our growth objectives by harnessing and guiding that talent. All of us get very excited when we begin to discuss the opportunities we have as a company, so in addition, another goal is to help us focus on which of these opportunities to pursue and the best ways to do that.

MJM: It sounds as though you have a very smooth transition set up, with Richard Schwartz moving into the position of chairman. What can you share about the legacy that Rick has cultivated at WinWholesale?

Johnston: I've learned a lot from Rick. We've worked together for many years, and he has an endless amount of energy and passion for our company. There are many things I admire about Rick and what he's contributed to our organization including his relentless tenacity about how to grow WinWholesale and provide employees the opportunity to succeed, as well as his innovation and drive to use technology to improve operations. Building upon Rick's contributions is a good challenge for me.

MJM: Are you involved in private labeling?

Salsman: No. We looked at it a few years ago and even went so far as to put



Area leader Mike Larkin conducts a session for the organization's Management Development Training program.

some initial products in the marketplace. However, when we had the downturn in the economy, we stepped back to consider whether it was where we really wanted to put our resources. We quickly came to the decision that we have wonderful manufacturer partners, and it was in our best interests to grow with them.

MJM: *Your size alone would suggest that you must have great influence among your vendors. What can you share about the relationships you have with your vendors and if there is much fluidity among your vendors year in and year out?*

Johnston: The typical distributor/vendor relationship in the wholesaling industry is usually focused on negotiating the best programs and prices. While we certainly have those discussions, we really want to develop good partnerships with our vendors so that we fully understand each other and can develop a relationship that results in mutual success.

Here's one example of how we attempt to do this: last year, for the first time ever we held three vendor summits in Dayton where we invited the senior leadership from our key manufacturer partners for a day and a half of networking and learning about WinWholesale, our philosophy,

future plans and meeting various members of our management team.

We focus so much time and energy on our customers, employees and shareholders that it's important we don't forget how important our vendors are to us and our business and treat them as such. As a result, there is not much fluidity among our vendors.

MJM: *As such a large organization, how you go about instilling a sense of team among all of your associates, how you motivate them and how communication is shared among all levels of the business?*

Schwartz: Technology has really helped us in this area. We have a company intranet called the WinZone where we share information very easily. Based on its usage, we know that important information about our company and our industry is being viewed by people across the organization. Like most businesses, we do rely upon e-mail more than we probably should, but it's very efficient. Finally, providing regional events and opportunities for our people to get together, face-to-face, and share their thoughts on the business is always effective.

MJM: *When you look at the company in total, what is it that you believe separates WinWholesale from other distributors in our industry?*

Schwartz: It really comes down to the opportunity we provide people to take part in the American dream of running a business. It's not that we sell anything that's unique or serve a distinctive set of customers. What we do have is the combination of wealth-building opportunities, exceptional independence and the support of a large organization that seems to work well in providing incentive to serve customers better and with a measure of pride that I don't see in many organizations.

MJM: *What are you anticipating when it comes to economic recovery over the course of the coming year or two?*

Schwartz: We're cautiously optimistic. The continued trouble in the housing market is well documented and we have customers who are concerned with having work beyond the current month. However, even with a contracted market, there is still work going on and if we continue to focus on providing our customers with the best service possible, we can continue to grow, even in challenging economic conditions. ■

For additional information, visit www.winwholesale.com.

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- 2) **INDEPENDENCE** that enables you to run your local company.
- 3) **NATIONWIDE** strength of WinWholesale provides a powerful brand and decades of experience and expertise at your fingertips.

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