

INVESTING IN THE FUTURE

Martin Supply company transitions from family-run local business to professionally managed regional powerhouse

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Family-owned businesses entering their third or fourth generation often face difficult decisions. Some lack succession plans and the companies struggle if the younger generation is unable to wrest control from their elders. Other owners need cash to fund their retirement and sell the company as an exit strategy. Then there are companies like Martin Supply Company, which is making a successful transition from a family-owned local business to a professionally managed regional powerhouse.

Recent investments in people, facilities and infrastructure demonstrate the company's commitment to long-term growth. The Alabama-based company recently purchased an historic building in downtown Florence that is being remodeled to serve as its corporate headquarters, expanded into a major metropolitan market

by acquiring Atlanta-based Ziegler Tools, launched a new safety division and will soon complete a major conversion to a new ERP system.

Now in its third generation of family ownership, Martin is owned by David, Doug and Gordon Ruggles, grandsons to company founder Louis Martin. The three have worked for the company virtually all of their lives and took control after the retirement of their father, Don Ruggles, who still serves as chairman of the board. The brothers established a board of advisors in 2001 that includes three outside advisors with backgrounds in financial services, manufacturing and distribution. The board helps provide oversight and reviews major budget decisions. With annual sales nearing \$100 million, the company has changed significantly since its early days. It has grown to include four primary

divisions. Martin Industrial Supply remains focused on cutting tools, abrasives, metalworking fluids, paints, lubricants and other MRO products; Martin Plant Services provides onsite indirect materials management to a wide variety of manufacturing industries including steel mills, paper mills, automotive and aerospace manufacturers; Martin Fastening Solutions specializes in fasteners and other Class C components geared toward OEMs; and the newly launched Martin Safety Solutions is a provider of safety products and services. Two smaller divisions include Townsend Door & Hardware, a distributor of steel and wood door and hardware, and Townsend Systems, which offers security system design and installation for commercial, educational and medical markets.

"The business that we grew up with is still the core of our

Industrial Supply



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company, but we have expanded into other areas,” says David Ruggles.

Attracting new people

While some family-owned businesses are reluctant to place non-family members in key leadership roles, the Ruggles family recognized that the company would benefit from recruiting outside expertise. In order for the Ruggles brothers to focus more of their attention on establishing goals and strategy that will lead the company into the future, they have begun handing day-to-day management tasks to non-family executive leaders.

Dick Decker, who has a long history of working in the distribution industry at public and private industrial distribution firms including IDG and Dixie Industrial, and Bill Redding, who spent most of his career working for manufacturers including Brady Corp. and Miller Equipment, are two examples of non-family members in leadership positions. Decker is president of Martin Plant Services and Redding is vice president of sales and marketing for Martin Industrial Supply and leads the new Martin Safety Services.

“Every time someone from the

outside comes in, they bring in new ideas and philosophies to the company,” says David Ruggles. “We understand that if we’re going to grow, we can’t do it all by ourselves. If you try to keep it all in the family, you put a lid on your company’s ability to grow.”

Focus on safety

Ruggles is quick to give credit to Redding for the idea to launch a safety division. Martin had considered acquiring a safety distributor, but could not find the right type of company to buy in the markets it serves. Redding suggested building a company from scratch, and recommended hiring several experienced salespeople with knowledge about safety.

“We have the structure in place, including IT, administration and HR, all we needed was people to drive the sales on a technical level. We had already been selling commodities like gloves, hard hats and eye protection, so we brought in technically trained people who understand fall protection, confined space regulations and those types of things,” Redding says.

Decker adds that the new safety group has benefited the Plant Services organization as well. “As the onsite integrator at customer

locations, we can do safety audits and bring in fall protection and lockout/tagout expertise, for example, instead of outsourcing it to someone else,” he says.

The expansion into safety is an opportunity to be less dependent on commodity sales, according to Doug Ruggles. “One of the things we’ve talked about for a number of years is trying to expand into areas where the products have a lot of added value. We won’t ever totally get out of the commodity business but we realize you can’t live on that alone.”

ERP migration

Martin is in the process of rolling out a new company-wide computer system that will provide better reporting and data management capabilities, plus speed up order entering and other customer service related tasks. After conducting a detailed analysis of its needs, Martin selected the S2K Distribution Management Software from Vormittag Associates Inc. (VAI).

“VAI had a very compelling sales proposition,” David Ruggles says. “They mirrored us as a family-owned company, they’re entrepreneurial and very custom-tailored to what we needed them to do. When you are running

as many businesses as we are running, we needed somebody that we could grow with that was nimble and they seemed to fit that bill.”

The selection process, which took more than six months to complete, involved gathering input from every branch and department to determine each group’s needs, explains Gordon Ruggles. “We put together an oversight team and then an application team that has been working hard on this project for several months,” he says. The system will go live first in the fastening division before being rolled out to all other divisions by the middle of 2013.

Acquiring growth

Implementation of the new ERP system was put on hold for several months when the opportunity arose to make an acquisition in early 2012. The Ruggles family had known the Ziegler family of Atlanta for several years and had often talked about acquiring Ziegler Tools when the time was right. “When Bill Ziegler Jr. called and wanted to get more serious about selling their family business, we knew it was too good of an opportunity to pass up,” says David Ruggles. The Zieglers were interested in selling the company to another family-owned business

where they knew their employees would have a promising future, and the Ruggles family was intrigued by the chance to expand into a major metropolitan market. Ziegler Tools also operates branch offices in Macon, Ga. and Greenville-Spartanburg, S.C.

Ziegler Tools was focused primarily on traditional cutting tools, abrasives and MRO supplies business, so the acquisition has enabled Martin to introduce its onsite materials management, safety services and fasteners expertise to existing customers.

New headquarters

Expansion has caused the company to outgrow its office and warehouse space in Sheffield, Ala., that Martin has occupied since the 1960s. The company recently acquired a three-story 1920s-era retail and office building in nearby Florence, which is being remodeled into a corporate headquarters and will be ready for occupation by summer of 2013. The new corporate headquarters location should serve the company well into the future, Doug Ruggles says.

“Our goal is to grow to \$250 million in sales by 2020,” he says. “Everything that we have been doing in terms of expanding

our product base, bringing in talented executives from outside the company, making acquisitions, investing in a new ERP system, it’s being done to build a foundation that’s big enough and broad enough to be able to help us reach our goal.”

Not long after Don Ruggles retired, Doug asked him, “How were you able to step away from the business?” He answered, “The company that you guys have built is not what I ran.”

That brief conversation between a proud father and his son demonstrates how Martin has transitioned from a family enterprise to a professionally run corporation. From the time food is harvested, contamination risk exists in every phase from farm to fork. Washing and cleaning produce seems like a safe step—but not if the process involves tainted water. Unsanitary packaging, handling, and transportation equipment represent additional sources of contamination.

Some food products are at higher risk than others. “Cantaloupes had a bad year in 2012,” notes Kevin Payne, senior director at Santa Clara, Calif.-based Intellex, a global supplier of on-demand data