

2003 Rep of the Year: Emerson-Swan Sets The Standard

by Jim Olszynski

Posted: August 1, 2003

It's the biggest rep firm around, and by almost universal acclaim, among the best.



This magazine's staff constantly asks people around the industry to tell us who they think are the best wholesalers and reps around. That's how we identify suitable story subjects. Talk to a bunch of people in a given market, and you'll usually end up with several different favorites. Sometimes a company favored by one person will be on another's hate list. But ask anyone connected with the New England PHC industry to name the best rep firm around, you'll get the same answer almost without exception. Ask it of manufacturers, wholesalers, contractors, engineers -- and this speaks volumes, even competing reps -- virtually all of them will name Emerson-Swan, based south of Boston in Randolph, MA.

It's been that way for a long time. The company was founded by Thomas Swan Sr. and partner Ralph Emerson in 1932. The founders were working for Hoffman Specialties when the Great Depression made it impossible for the company to keep salesmen employed. So Messrs. Emerson and Swan went off on their own as independent Hoffman representatives, and were compelled to pursue other business opportunities as well in that bleak economic era. Those businesses now form the core of The Swan Group, a holding company for enterprises that include manufacturing, realty and building management companies in addition to Emerson-Swan (ES).

ES made its mark over the decades building on unsurpassed expertise in hydronic heating, and eventually expanded into plumbing. The Emerson family hasn't been around since the 1950s, but Tom Swan Jr. came aboard in 1967, and brother Joe Swan joined the family business in 1970, following a naval stint with the National Security Agency and as a White House aide during the Nixon Administration.

Older brother Tom headed the agency until 1992, when he became chairman of The Swan Group, whose other companies operate independently from ES. He also remains chairman of ES and is very much involved in agency affairs from an advisory standpoint. Joe Swan replaced him as president and CEO of the rep firm and has held the reins ever since. Joe's son, Jed Swan, armed with an MBA and working experience outside the family business, serves as ES marketing manager and extends the family presence into a third generation.

Does Size Matter?



History isn't destiny. Being around for a long time doesn't guarantee continued success. Sometimes it tugs in the opposite direction if an organization is fonder of tradition than progress. Successful companies may hang onto core values but must continually reinvent themselves. ES is in the process of doing exactly that. In fact, comments Joe Swan, "we are trying to accelerate the process of change due to the speed of change within the industry." A striking characteristic of ES is its size. With 133 employees, a 92,000-sq.-ft. distribution center and seven locations in a northeastern territory stretching from Maine all the way west to Pittsburgh, Emerson-Swan is, to the best of my knowledge, the largest rep firm in the PHC industry.

The company's senior managers shrug this off as incidental. Their reaction reminded me of Kareem Abdul-Jabbar, one of the best basketball players ever. It didn't hurt that he happened to be a 7-foot-2-inch man, but he was so skilled it was often said he would have been an NBA all-star even if he'd been a foot shorter. Jabbar had a shy persona resulting from a lifetime of being gawked at in public due to his height. The folks at ES seem a little bashful about their size in the same way. Overall it can be counted as a business asset, but their success owes little to bigness itself.

"We are not focused on size," emphasizes Executive Vice President Parker Wheat. "We concentrate on being fit, focused and effective for each customer every day."

The company grew large through both internal growth and acquisitions of other rep firms over the years. Yet, as Wheat indicated, growth has never been a goal unto itself. Instead, it has arisen organically from the company's philosophy, culture and business acumen. The guiding values of ES are identified as: "Integrity, Innovation, Quality and Service." It's no accident that integrity gets listed first, and goes a long way towards explaining why this agency is held in such respect. Like all reps, ES personnel are great sources of industry information. They'll talk about vendors, customers and fellow reps, but only if they have anything positive to say. The company's culture prohibits the spread of demeaning

gossip. "Integrity demands at all times that our actions and communications be honest, open, trustworthy and ethical with our customers, suppliers and ourselves," reads the company's statement of values. ES emphasizes keeping promises or not making them.

Let's not make too much of mission and value statements. They are easy to put on paper and a lot of companies do so. What's impressive about ES is the great effort they make to continuously instill the corporate values in everyone who works for the agency.

Employees Come First

Emerson-Swan's company philosophy statement attests that "Senior Management maintains the following priorities:

- "1. Employees;
- "2. Customer relations;
- "3. Manufacturer relations."

In that order.

"We feel that if we create an organization of happy and challenged employees, and an atmosphere that encourages initiative and creativity, our people will automatically carry out our other two objectives to do right by our customers and vendors," explains CEO Joe Swan.

A sense of teamwork is palpable inside ES' headquarters. A constant stream of conversation emanates from offices and cubicles as employees exchange information about business issues. This atmosphere of cooperation is fostered in part by the company's compensation structure. ES sales reps get paid not via commission but salary plus bonus, and bonuses are shared by departmental teams of both sales and operations staff.

Managers of the dozen or so departments at ES participate in a weekly "Operations Group" (OG) meeting. The purpose is to review any new developments and how they will impact the entire organization. For instance, taking on a new line would lead to discussion of its ramifications for warehousing, ordering, inventory turns, support services, the computer system, etc. Whether they deal with issues large or small, OG sessions assure that nobody gets left out of the loop.

"I think it's this total employee involvement that makes Emerson-Swan so successful," says Vice President of Operations Anne Kelley, who presides over the weekly OG meetings. "This company does a great job of meshing the talents of various people throughout the organization. Everybody listens to everybody else."

Last May the company hosted a unique "Job Fair" program to familiarize employees with one another's jobs. Each department staffed a station, and groups of employees from different departments would visit each station. There they would meet their colleagues and hear an overview of job responsibilities of that department. Contests, prizes and refreshments injected some fun into the event.

In a revolving door industry, ES counts employee retention as one of its market strengths. Certain employees, like the now retired Larry Sullivan, became legends in ES' trading area. "Larry used to run his own agency and came aboard as our first merger partner," recalls Tom Swan. "He was a mentor to both Joe and me and widely admired throughout New England."

The company's growth over the years can be traced in large measure to a quest to provide advancement opportunities for top-notch employees. Most senior managers with other Swan Group companies have an ES background, such as George Simas, whom Tom credits along with Parker Wheat of taking the heating side of the business to the rarefied status enjoyed today.

What's All This Have To Do With Selling?

After spending an entire day and a leisurely dinner with several ES senior managers, I couldn't recall the word "sell" or any of its derivatives mentioned in any conversation. This is curious for a business whose central purpose is to sell things.

They do plenty of that, of course. More than half of Emerson-Swan's 133 employees have sales job descriptions -- 39 as outside salespeople, 32 in inside sales. It takes a lot of selling to move the enormous amount of product they represent, and the agency's vendors have high expectations. It's just that ES views selling not as a function unto itself, but growing out of everything else they do to make customers want to do business with them.

"Our success will be determined each day by customer satisfaction," is the way Joe Swan puts it. "We want to establish customer intimacy through reliability and responsiveness that is unparalleled in our industry."

Examples abound of things ES does to make themselves user friendly. Some of it is as simple as keeping longer business hours than the industry norm (7 a.m. to 6:30 p.m.) More elaborate programs demonstrate a willingness to invest whatever it takes in the way of personnel and equipment to make life easier for customers.

For instance, several years ago ES found its sales personnel increasingly bogged down with customer information requests and other favors. In response, the company started a separate "Support Services" department, now consisting of a dozen people, to fulfill those functions more efficiently and free up sales staff time.

Moreover, in addition to calling on wholesalers, ES averages 1,200 non-wholesaler calls a month to trade customers in cooperation with wholesaler salespeople. That boils down to about two to three a day for each ES outside sales rep. Recently they stepped up these calls as part of a "Pull" program to increase business with 100 key trade accounts. "We believe it is our job to influence the market on behalf of our manufacturers and distributors," explains Wheat.

Other innovative services include a "Fast Fax" program, available via either fax or e-mail, that immediately confirms what, how and when an order is being shipped. Customers are encouraged to use this document as a benchmark to evaluate ES' performance.

Then there is the ES "Mirror Imaging" program that converts vendor product numbers into customer numbers and order sequence. ES has invested in some of the industry's most sophisticated computer capabilities. It enables them to generate packing slips and invoices in their customers' vernacular and in the sequence of their purchase orders. ES also offers advanced EDI and VMI capabilities to reduce transaction costs for wholesalers able and willing to take advantage of these programs. Every outside salesperson is equipped with a laptop and PDA, and is required to check into the system at least once a day.

ES keeps on top of the product knowledge required for its large array of lines with equally vast in-house training. They employ an in-house technical trainer, then use a "train the trainer" process to assure that they have experts on staff thoroughly familiar with the products of each vendor.

This is an important facet of their operations. A few smaller vendors have shied away from ES representation, thinking their products would suffer from lack of attention. Joe Swan insists that's "more perception than reality. If you look at our lines, you'll see a mixture of large and small. We're organized in such a way as to assure we have specialists for every product we represent."

ES personnel take what they learn and spread it throughout the industry. The company estimates its sales reps train almost 15,000 people per year via seminars, trade show programs and wholesaler counter days.

In addition to product knowledge, ES personnel receive extensive training in a variety of business and interpersonal skills. For instance, all ES personnel have attended creativity programs designed to stimulate creative thinking. "This makes us more flexible and willing to look for outside-the-box solutions to problems as they arise," says Wheat.

Strategic Planning

I asked Joe Swan to identify the characteristics that separate ES from the average

rep firm. He offered that it boiled down to "strategic planning and the ability to implement our initiatives."

Until three years ago, the company had a simple organizational structure basically separated into plumbing and heating categories. They reorganized as part of a long-term transition away from commodity representation to put more emphasis on product lines that demand more in the way of technical expertise, training and other support services that are the firm's competitive edge.

The sales effort is organized into two main groups. The Distribution Group (DG), headed by Parker Wheat, represents lines that are sold through wholesale distribution. Six regional managers report to him. They and the sales reps working for them are charged with making sure that wholesalers receive constant attention relative to products, programs and new product introductions. These are the people who do counter days, wholesaler trade shows, cover showroom relationships and travel with the wholesaler's outside sales force.

The Engineered Products Group (EPG) is headed by Vice President of Engineered Products Jeff Dirksen. EPG covers commercial or engineered products going into bid and spec or design-build projects. Its sales force calls on contractors, engineers, architects, industrial accounts and end users. Some of its products, such as rooftop cooling towers, typically get sold directly to mechanical contractors per industry custom.

"Historically, small successful rep firms wrote orders based on relationships," observes Joe Swan. "Today, the successful rep firms are strategically focused on enhancing productivity through the use of technology and process improvement."

This is especially true with both wholesalers and manufacturers relying more heavily on their reps for training, technical and marketing support. "Like all businesses today, Emerson-Swan has been impacted by the consolidation issue and its challenges," says Swan. "Strategically, we are anticipating further consolidation, and are planning for that future."

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