America's Paint Company

A History of Sherwin-Williams

Kathleen McDermott
Davis Dyer

During the summer of 1866, Henry A. Sherwin, a thrifty young man, considered three possibilities for places to invest his life savings and his time and energy: a bank, an established drug wholesaler, and a fledgling firm that sold paints, varnishes, and glass. Of the three opportunities, Sherwin chose the least familiar and the riskiest, becoming a partner in the paint and glass business.

From that decision that summer, 125 years ago, has grown a giant corporation, the Sherwin-Williams Company, the largest producer of paints, varnishes, and specialty coatings in the United States—America's Paint Company.

This book commemorates the anniversary of the "founding" of Sherwin-Williams and is offered as a gift to our employees and friends. Our book tells the story not only of the company's growth and change but also provides a reminder of things that have not changed since Sherwin's time: a determination to lead our industry, to supply coatings for all uses, to sell only products of superior quality, to operate a safe, clean, and friendly workplace, to observe the highest ethical standards in business conduct, and to reward our investors.

Sherwin-Williams's success over a century and a quarter is testimony to our people. We are what we are because of the efforts of thousands of individuals. Unfortunately, only a tiny fraction of the people who have made this history can be included in a small volume such as this. As we observe this major milestone, the Company is grateful to all of our employees for their loyalty, dedication, and outstanding service. I know we can count on our people. I am confident that when the next anniversary book is written, the names will have changed as our new leaders emerge, but I am also sure that what has made the Company strong for its first one hundred and twenty-five years will endure.

Congratulations and God Bless You All.

JOHN G. BREEN

Chairman and Chief Executive Officer

America's Paint Company

A History of Sherwin-Williams

0007-SWP-034579

Chapter 1

The birth of a successful business is often the result of happenstance, a question of mixing the right ingredients at the right time. In the case of the Sherwin-Williams Co., the key ingredients—three entrepreneurs and a market opportunity—came together in Cleveland in the summer of 1870, when Henry A. Sherwin, Edward P. Williams, and Alanson T. Osborn gathered to establish a company to manufacture and market paints and varnishes.

The dominant figure in the new business was Sherwin, who served as president. Born in Baltimore, Vermont, in 1842, he left school at age 13 to work in a general store. In 1860, he moved to Cleveland at the invitation of an uncle who had opened a law practice there. Sherwin was a sober and industrious young man who found employment in Cleveland as a clerk in Freeman & Kellogg Co., a drygoods store, where he was noted for his ability to wrap hoop skirts into neat packages. After two years at Freeman & Kellogg, where he had risen to the responsible position of bookkeeper, he moved to a similar job with Geo. Sprague & Co., a wholesale grocery. He became a partner at Sprague, but left soon after this appointment, apparently because he disliked merchandising liquor.

By 1866, the frugal lad had saved $2,000. (To place this number in perspective, per capita income in the United States that year was about $600; using this figure as a point of comparison, Sherwin's savings would be worth more than $50,000 in today's currency.) Offered employment as a cashier in a bank, as a partner in a wholesale drug business, or as a partner in a wholesale paint business, he chose the last, buying a stake in Truman Dunham & Co., a prosperous firm that sold painters' pigments, linseed oil, colors, brushes, glass, and other products for furnishing and decorating. Although it was "the least remunerative" of these opportunities, Sherwin later recalled that Truman Dunham "was the one which in my youthful strength and ambition gave promise of a future greater than the others." On the other hand, he confessed that he "quite unexpectedly dropped into the paint business. It seems to have been one of those opportunities that come to men early in life, and I am free to say that I did not realize what it would lead to."

As a partner of Truman Dunham, Sherwin displayed an approach to business marked by discipline, hard work, and attention to detail. He began by establishing a thorough office system.

> Then, in order to learn all I could about the goods and at the same time systematize the care and arrangement of them, I frequently put on old clothes and worked like a porter. I opened packages and examined their contents, found out what they were for and how used, compared costs, and evenings

> studied all the books and catalogs I could find which in any way referred to these materials. While doing these things, I was training our employees in system, good order, and cleanliness everywhere about the establishment. I have always believed a fine sense of order prevents mistakes, saves time, pleases patrons, and is real economy to any business.

In 1869, the firm built a factory in Cleveland to make linseed oil, then the base ingredient in most paints. Finding that his partners "were giving that branch of the business their particular attention, which left me without able assistance in the paint business," Sherwin proposed a "dissolution and division of the business." This event occurred in February 1870. Dunham and another partner remained in the linseed oil business, while Sherwin and two like-minded friends, Osborn and Williams, each invested $15,000 for equal shares in a new partnership. Osborn had been bookkeeper of Dunham & Co. Williams, a Phi Beta Kappa graduate of Western Reserve College (forerunner of Case Western Reserve University) and a Civil War veteran, was a partner in a small glass company in Kent, Ohio.

In April 1870, Sherwin recruited Sereno Peck Fenn, whom he had met on a train to a YMCA convention, as cashier and bookkeeper. The business of Sherwin, Williams & Co., as the new firm called itself, was listed as "importing and jobbing . . . Zincs, Oils, Colors, Varnishes, and Window Glass." It operated a retail store at 118 Superior Street in Cleveland and began with a fast start: during the first year sales reached $422,390.97.

Sherwin, Williams & Co. was well positioned to respond to the booming population and heady economic growth of post-Civil War America. In 1870, the population of Cleveland was 92,829, more than twice its level a decade earlier, and it would double again by 1880. The city, which occupied a strategic crossroads between sources of raw materials and agricultural goods in the West and the populous markets in the East, was on its way to becoming the sixth largest in the nation. The catalysts for this growth the were industries of iron and steel, metal working, railroad equipment, oil refining, and manufacturing, which attracted ever increasing numbers of immigrants looking for employment. From the perspective of Sherwin, Williams & Co., the industrial and commercial establishments that fueled growth, and the residential areas that housed workers, shared a common need for paints and varnishes to protect and decorate buildings and structures.

At the end of the Civil War, the coatings industry in Cleveland stood on the threshold not only of explosive growth, but also of significant technological change. Up to then, paint was generally mixed on-site by professional painters who combined a base of oil or varnish with pigments, thinners, and sometimes other ingredients. In 1867, in a Cleveland suburb, D.R. Averill developed a liquid, pre-mixed paint which, Sherwin felt, "made use of a formula which simply could not produce a reputable paint." Averill's "patent paints," as these ready-mix coatings were called,

0007-SWP-034583

tended to cover or wear poorly and acquired a questionable reputation. Although he was on friendly terms with Averill, Sherwin refused to carry these patent paints on the grounds that it was "always my endeavor to do everything I could to establish a good reputation by giving good measure and good quality, to avoid every trick that would save a penny at the expense of the other fellow."

It was not long, however, before Sherwin, Williams & Co. began to manufacture its own coatings. In 1871, the firm reached an agreement with Murphy & Co. of New York to manufacture varnishes in Cleveland under the name of Murphy, Sherwin & Co. A small factory purchased from George H. Kingsley housed this early operation. Two years later, the firm expanded into a one-story cooper shop acquired from Standard Oil along the Cuyahoga River, hired an experienced foreman from New York, and began making paste paints, oil colors, and putty. The first year of production consisted of about 450 lbs. of coatings, using 83 separate formulas. The firm manufactured its first quality oil color, GSP Raw Umber, on October 25, 1873.

Sherwin, Williams & Co. grew rapidly, posting sales of $688,214.28 in 1874 and employing some 20 people, including two women, in its factory. During the next few years, although sales dropped as the nation coped with financial panics and a depression, the firm slowly expanded the scope of its business, making its own tin cans and printing the labels for them. In 1875, it produced its first ready-mix paint, a blue enamel; three years later, it followed with its first line of ready-mix interior coatings, sold under the name of Osborn's Family Paint. Sherwin, Williams also took its first steps outside of Ohio, establishing first an agency and then, in 1880, a branch warehouse in Chicago, the nation's third largest city.

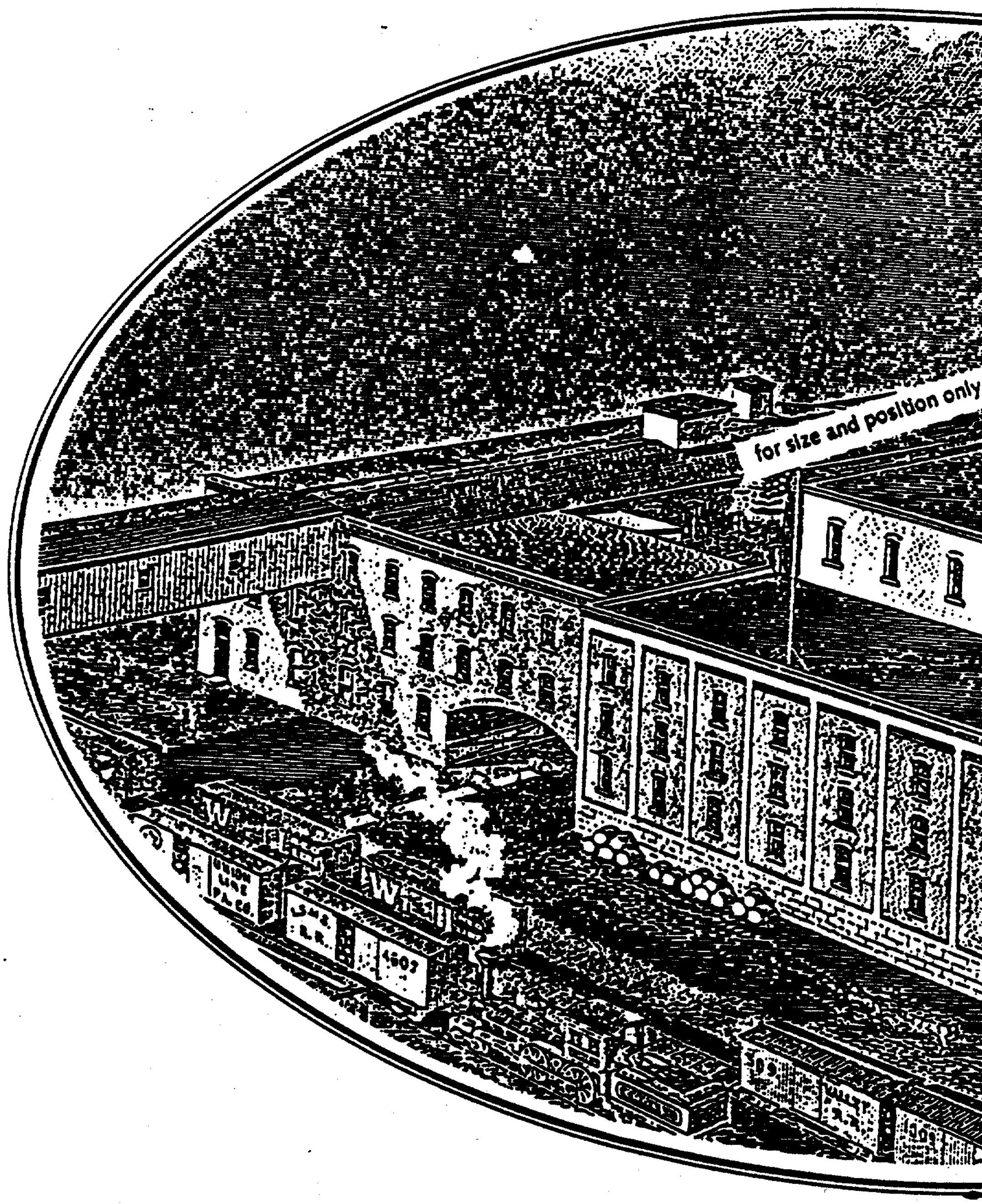
In the mid-1870s, Sherwin and engineer Henry Coventry developed a new type of stone grinding mill to enable the production of fine colors for coach paints. Patented in 1876, this 21-inch mill relied on high-quality bearings and water-cooled grinding surfaces to produce pigments ground to extraordinary fineness and uniformity. The mill proved "so much superior to any others known" that it remained in operation at the company, with only minor modifications for more than 50 years. Stone grinding made possible the development of a ready-mix exterior coating introduced in 1880 as "Painter's Prepared Paint." Renamed the following year as "Sherwin-Williams Paint" or simply "SWP," this quickly became the nation's best-selling outside house paint. In keeping with Sherwin's insistence on selling quality goods, SWP included a guarantee "that this paint, when properly used, will not crack, flake, or chalk off, and will cover more surface, work better, wear longer, and permanently look better than other paints." The firm offered "to forfeit the value of the paint and the cost of applying it if in any instance it is not found as above represented."

In addition to its insistence upon producing and selling quality merchandise, Sherwin, Williams, from its earliest years, manifested a prudent approach to finance. As described by Fenn, "the decision was clear and emphatic that progress should be made no faster than working capital could be provided." He added that this meant "short terms, prompt collections and friendly banks from which we could make reasonable borrowings, with which advantage could be taken of all good discounts and purchases for cash connected with stock and all supplies." This prudent approach was so deeply ingrained in the company, Fenn insisted, that "there is no likelihood that we or any others that may come after will ever be safe to depart."

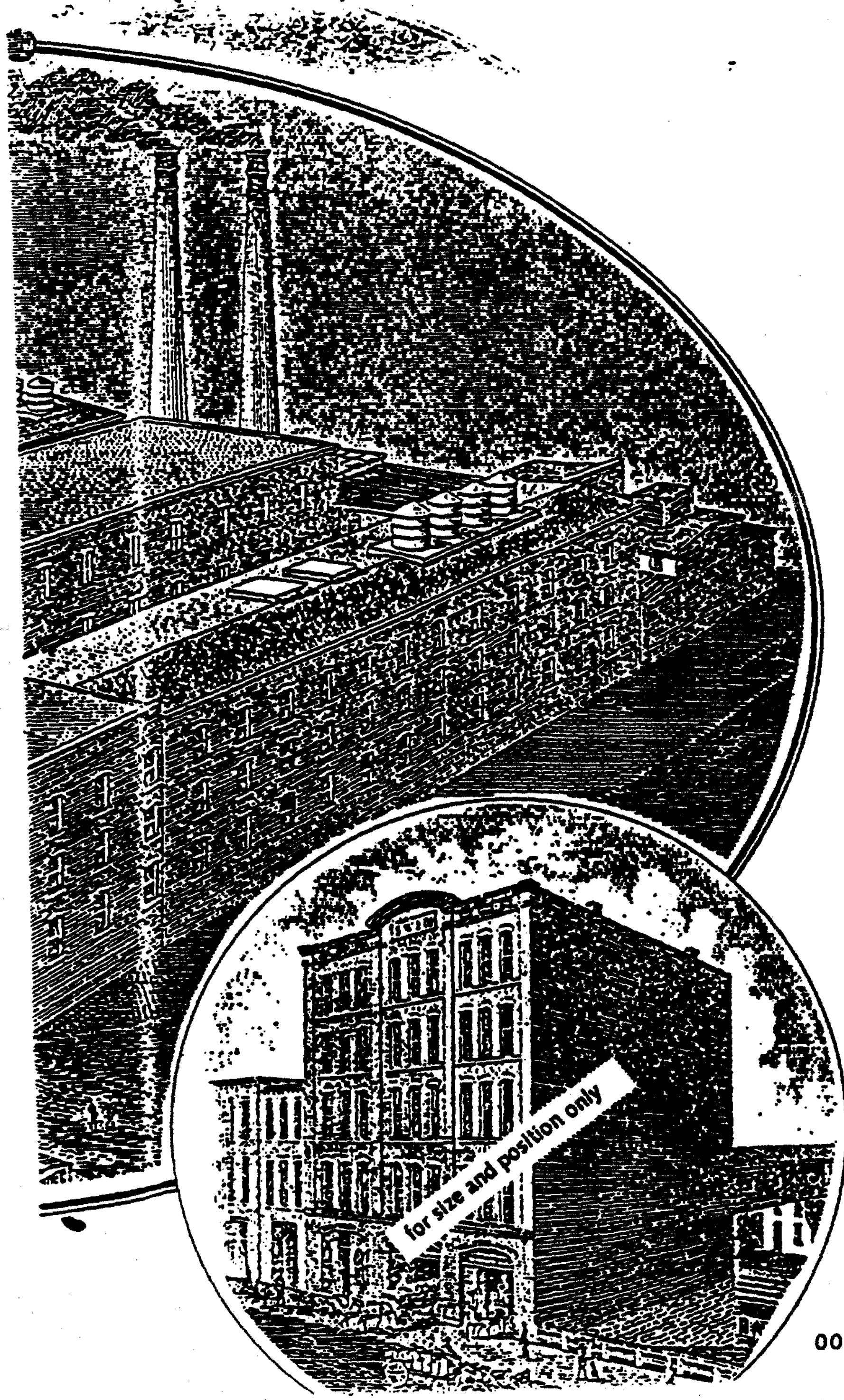
Fenn also noted the impact on the firm of Sherwin's passion for neatness and order. "We learned early that a disorderly desk was an abomination in his sight." This attitude, he added, "pertained to the minute detail of what in many places and by many people is considered of little or no importance—soiled blotters, gummy inkstands and pens, shiftless waste-baskets, and careless exposure of mail matter and letters in filing baskets and elsewhere." This scrupulousness was not always appreciated. "Some times," Fenn reflected, "it seemed to us that more attention was paid to these matters than was necessary, but the longer we live, the less we think so, and the more most of us consider them as essential in a thoroughly conducted business at the present time, or any other."

By 1882, the firm's capital stock totaled $95,000. Osborn, whose interests lay with making and retailing products other than paint, chose to retire from the partnership, selling his stock to Sherwin, Williams, Fenn, and two other partners. As part of the transaction, Osborn retained ownership of all retail business, while Sherwin, Williams & Co. focused on manufacturing and wholesaling of oils, paints, and colors.

Two years later, the firm took several actions to position itself for further growth. To take advantage of limited liability protection, it incorporated in Ohio, changing its name to the Sherwin-Williams Company. Part of the new company's corporate identity was an official logo that Sherwin designed: a chameleon, a tropical lizard capable of altering its color to suit its background, curled around the edge of a palette. The company also engaged Dr. Percy Neyman, a graduate of Boston School of Technology (the forerunner of the Massachusetts Institute of Technology), as chief chemist. Apparently the first chemist ever employed by any American paint manufacturer, Neyman was charged to ensure the quality of the company's paint and varnish ingredients.



0007-SWP-034588



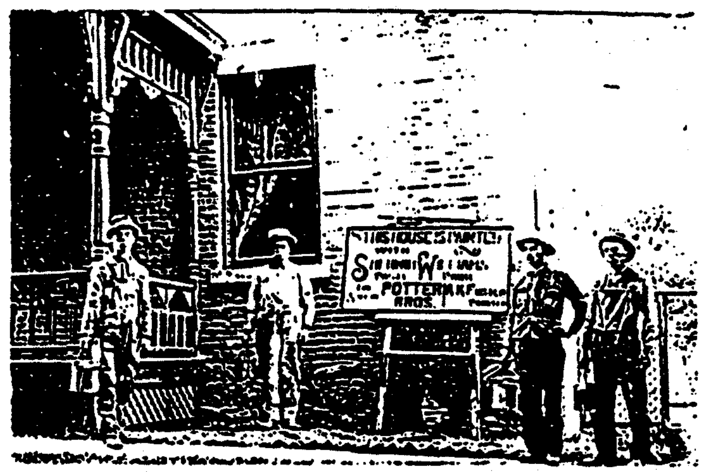
A lithograph of the paint and color works of Sherwin, Williams & Company on Canal Road in Cleveland "as they appeared before the fire of May 10th 1884." According to a contemporary notation, the facility was "Rebuilt at once, much larger than before."

Inset: The headquarters and office building, also at the Canal Road site.

Black background, white type

Covering the Earth
1885-1919

The young company's most successful product was SWP, a prepared paint for architectural uses (below). The best advertisements for SWP were testimonials from professional painters and brightly colored Victorian buildings.



0007-SWP-034590

In the four decades after its entry into the ready-mix paint business, the Sherwin-Williams Company grew to become the largest producer of paints and varnishes in the world, with substantial presences in Canada, England, Australia, and New Zealand. This was a remarkable achievement, for at its founding, Sherwin-Williams was but one of hundreds of small paint manufacturers based in the United States. It rose to prominence, moreover, amid older, larger, better endowed, and better established competitors. And although it gained from the rapidly growing economy of northeast Ohio, its leading competitors, based in the East and in Chicago, sold to markets that were growing still faster.

To Williams, who reflected on the matter late in life, the source of the company's success was clear: it was "entirely due" to the policy adopted at the outset by the managers of the business, and which had been "adhered to, with very few changes, ever since." As he explained,

> This policy involved a thorough and comprehensive organization of the business to its minutest details; a determination to sell only such goods as were the best and which would be found to be so by our customers; and a representation in the way of traveling salesmen which should be of such a high quality as could not fail to make its force recognized by all with whom it might come in contact. In short, perfect organization, perfect goods and perfect and honest representation...persistently adhered to....

Had he been asked, Williams might also have listed other reasons for the company's success, including the determination of its leaders to grow the business. As Sherwin himself observed, competition "did not check our efforts for further extension, but on the contrary it served as a tonic, arousing our ambition to catch up and get ahead of the older houses." In his view, everyone "associated with me felt this new energy, which has never left us. To me, the whole thing became like a game or contest in which I took the keenest pleasure."

Sherwin-Williams began to carve out a distinctive image at an early date. Although SWP, its most successful product by far, was used primarily as an exterior house paint, the company sought to develop high-quality products for commercial and industrial applications. An early slogan ran, "the right quality paint and varnish for every surface." The company sold coatings for use on railroad cars, carriages and buggies, manufacturing equipment, and ships and marine equipment, as well as for the interior and exterior of commercial and residential buildings.

In pursuing this strategy, Sherwin-Williams positioned itself to take advantage of the booming growth of the U.S. economy. The development of the railroad and telegraph networks made it possible to break out beyond regional markets and to serve the growing national market. Sherwin-Williams was among the first American companies—and probably the first American paint company—to recognize the possibilities of such an opportunity.

In 1887, Sherwin-Williams opened an office in New York, and signs of growth were apparent throughout the company. Sales of railway paints, for instance, grew spectacularly. The company could hardly have chosen a larger and more promising industry to serve. Railroads were the nation's first billion dollar industry; by 1880, investment in railroads amounted to $4.6 billion, a total that doubled within the decade. Railroads were a particular interest of Williams who "attended many meetings of the Railway Master Car Builders and other railway operating executives." He also "followed closely the development of freight car paint, passenger car colors, and other railway specialties." In 1883, the company employed a full-time salesman dedicated to developing the market for railway paints.

By 1888, profits were sufficiently robust to allow Sherwin-Williams to repay capital supplied by Murphy & Co. and to terminate its relationship with that New York concern. In the same year, the company completed its first acquisition, purchasing controlling interest in the Calumet Paint Company of Chicago from the Pullman Standard Car Company, maker of the famous railroad sleeping cars. This transaction yielded multiple dividends. Not only did it provide the steady business of supplying one of America's largest companies but it also boosted Sherwin-Williams's presence in Chicago, home of the McCormick Harvesting Machinery Company (later better known as International Harvester and today, as Navistar) and the agricultural equipment industry. Yet another benefit was the opportunity to employ a young, hard-charging Chicago paint-maker named George A. Martin, who eventually rose to become Sherwin-Williams's third president.

Sherwin-Williams posted its first $1 million sales year in 1890, while capital in the business had grown to $500,000. These milestones marked the way to continuing growth and prosperity. Two years later, the company cemented an important connection in Canada by establishing an agency relationship with Walter H. Cottingham, a Montreal paint-maker. Born in 1866, the year when Sherwin entered the paint industry, Cottingham pursued a career that in many respects paralleled Sherwin's, but was marked by even greater ambition.

According to an early biographer, Cottingham's "school days were not too numerous." At the age of 15 he worked as a clerk in a hardware store in Peterboro, Ontario. From there, he moved to Montreal, where he also traded in hardware and paints. By his 25th birthday, he had made himself into "a miniature captain of industry." He was proprietor in his own paint-making company, Walter H. Cottingham & Co.; senior partner of Cottingham, Robinson & Co., a company that specialized in dyes and dyestuffs; proprietor of the Windsor Chemical Company, makers of gold paint and gold specialties; proprietor of the St. Lawrence Canoe and Boat Company, makers and dealers in canoes, boats, and fittings; and director of the Non-Chemical Laundry Company. Cottingham possessed outstanding gifts as a salesman, a quality that endeared him to his associates in Cleveland. It was said, for example, that "though his goods were higher priced than others, Mr. Cottingham argued that they were worth more and then and there proved his selling ability by making a success of the different lines."

By 1897, the agency relationship between Cottingham and Sherwin-Williams had blossomed, first into joint investment in a Montreal plant to manufacture SWP, and then into a full-fledged merger. The next year, Cottingham moved to Cleveland to assume duties as general manager of the company. From that time forward, until his retirement in 1922, he was the most dynamic force in the company. In 1903, following Williams's death, he was elected vice president and general manager; in 1909, when Sherwin retired to become chairman of the board, Cottingham was named president. Under his leadership, Sherwin-Williams pursued a strategy of aggressive expansion.

Cottingham is little known in business history, although as a salesman and organization builder, he bears comparison to such legendary figures among his contemporaries as John H. Patterson, the charismatic leader of National Cash Register; Asa Candler, the leader who built Coca-Cola into a national brand; and Harley and William Procter, the architects of the modern Procter & Gamble. Indeed, Cottingham had few peers as an inspirational salesman. "Enthusiasm is a good thing," he proclaimed. "It is good to be enthusiastic over the firm you represent. It is not a bad thing to be enthusiastic over yourself." And he went on to note, "But it is even greater if you can instill enthusiasm in others for your goods, your firm, and yourself. Get into something where you can be enthusiastic; your chances of success will be even greater there."

The themes of his messages and speeches to the sales force at Sherwin-Williams were always uplifting: "Enthusiasm," "Pluck," "Courage," "Do It Now," "Staying Power," "Ambition," "The Fight is On," and "Forward Again!" were titles of his editorials in the employee magazine, *The Chameleon*. As one admirer noted, "Mr. Cottingham imparts enthusiasm to others as the sun warms that which it shines on. Roads that look steep, hazardous, and absolutely impassable, lose their horror after a five-minute talk with him." In fact, he explained, "the angle of vision changes and barriers that appeared to be made of stone turn out to be only 'near-stone' and not in the least formidable." A favorite Cottingham saying noted that "the way to get business is to go after it—don't wait for it to come to you. Others are keen for business. Get there early. Get there first. Get out and hustle."

Cottingham's talents extended far beyond rhetoric, and his business strategy and methods proved remarkably effective. They began with a vision to cover the earth with Sherwin-Williams paints. This notion, which advertising manager George W. Ford had sketched as early as 1893, was eventually captured in a new corporate logo. The official change came in 1905, when Cottingham persuaded Sherwin to abandon the chameleon logo. Sherwin had initially balked at the "Cover the Earth" image, not because he disliked it, but because he believed that it was inaccurate. At that time, the company's business focused exclusively on North America. Cottingham countered by agreeing that the new symbol was not strictly accurate, but he argued that it soon would be.

Cottingham also displayed a genius for organization. "Business without system is like a ship without a rudder," he said. "System insures a straight course and a smooth successful voyage over the sea of commerce." For Sherwin-Williams, this meant an organizational structure and supporting policies that encouraged efficient production and helped promote sales. The factories in Cleveland, Chicago, and Montreal were the responsibility of J.C. Beardslee, who served as general superintendent from 1886 to 1910. Distribution and sales were handled by dealers and agents who were given exclusive rights to sell Sherwin-Williams products in their trading area. Following Cottingham's arrival in Cleveland, the company established dealerships and opened warehouses throughout North America at a furious clip. By 1904, when the company printed its first organization chart, distribution and sales were organized on a regional basis, with the United States and Canada divided into five districts, each consisting of several divisions that included depots, warehouses, and, in a few rare instances, retail agencies. These agencies were established by Sherwin-Williams in small-to-medium-size towns such as Worcester, Massachusetts; San Diego, California (1890 population of 16,159); and Binghamton, New York. These retail outlets transacted business under their own names and sold Sherwin-Williams products directly to consumers. Some warehouses also included retail stores, although the company did not encourage this practice.

More important than the formal structure of Sherwin-Williams was the spirit that animated it. As Cottingham put it, "the greatest factor in building a large business is organization" and "the greatest factor in organization, in my estimation, is the human factor." He pointed out that "the reputation of the Company depends quite as much upon the character of men who represent us as it does upon the character of our goods and our office methods." Accordingly, the company took pains to recruit employees with qualities similar to those of its leaders: industry, honesty, courtesy, sobriety, and, of course, enthusiasm.

To offset the seasonal swings of the business—most painting occurred in the warm weather months—Cottingham launched annual efforts in the spring to increase business, and charged representatives "not only to hold and increase old trade, but to prosecute a campaign for new accounts." As a company manual put it,

> Remember that good paints and varnishes are worth a good price. Quality always has a value. The best salesmanship, as well as the best manufacturing and merchandising successes have been built upon quality with a fair price for it. No permanent or satisfactory success is ever made by selling goods for less than they are worth or in pushing a business on a price basis alone. There is no middle road. You must either build a business on quality and get the price for it, or build on price and make the quality to fit it. The Sherwin-Williams Co., at its start, chose the first, and have adhered to it ever since, and they expect and demand that their representatives should stand for the same principle. Be a quality man. Think quality, talk quality, sell quality. If you back up the goods, the goods will back you up.

Like Sherwin, Cottingham was a stickler for detail, order, and neatness. Also like Sherwin, who had established the first company lunchroom, Cottingham insisted on providing congenial conditions of work for employees, including "the best of lighting, heating and ventilating facilities" as well as "clean and attractive cloak rooms, lockers, and lavatories." He insisted that "there should also be, if possible, lunch rooms, reading rooms, and rest rooms." Such investments, Cottingham believed, made good business sense: "This sort of work should never be done in the spirit of charity or in a patronizing kind of way, but solely on the basis that a good staff is deserving of the best and fairest kind of treatment, and that anything that increases the efficiency of the staff is profitable to the business."

Cottingham approached the training and motivation of employees with characteristic thoroughness. Annual meetings of managers and sales representatives to exchange news and information had started in 1881. Under Cottingham, these meetings grew into conventions during which management reviewed the year's results and offered projections for the coming year, and speakers made formal presentations and led discussions on important business topics. Cottingham instituted other meetings and organizations to help improve business skills and build morale. The Get-Together Club, which consisted of department heads and their assistants, started as a debating society to help members hone speaking and presentation abilities and grew into a kind of general management committee. A similar organization, the Foreman's Club, assembled every two weeks "for instruction and entertainment" and provided an opportunity for supervisory personnel to become better acquainted with each other and their work.

In 1911, reflecting the company's successful national advertising campaign around the theme "Brighten Up Finishes," female employees in the different divisions organized "Brighten Up Girls" clubs. Affectionately known as "BUG clubs," these groups supported charitable activities and engaged in volunteer service. Other company-sponsored organizations included a glee club, a debating club, a baseball team, and a benefit society. Many meetings and events were launched by shouting the company cheer—"Sis—! Boom! Ah—h—h! S-W-P! Rah! Rah! Rah!"—or by singing Sherwin-Williams songs, with inspirational or amusing lyrics about the company set to popular tunes of the day.

As the company grew larger, the officers found it useful to distribute information about the company in written form "to let the staff know what we are driving at." In 1897, *The Chameleon* made the first of its regular monthly appearances. It reported information on the business, offered advice and instruction to sales people, and included news of organization and personnel changes. Sherwin edited the first several issues, which sought "to keep everyone in the organization interested in what the company is doing as a whole." In November 1906, at the banquet opening the annual convention, Cottingham introduced "The Sherwin-Williams Code of Principles," ten points that embodied the company's general philosophy. "We put them into the hands of every man who comes into the concern, that he may know what the Sherwin-Williams concern is striving for and what they stand for."

The company's aids for sales representatives were exceptionally comprehensive. *The Representative's Handbook*, introduced in 1907, ran nearly 450 pages in length and covered virtually every aspect of the Sherwin-Williams organization and operation. "The boys call it the Sherwin-Williams Bible," remarked Cottingham, who added that "We expect them to know it a good deal better than the average man knows his Bible." A stream of official bulletins offering news of new products, tips on selling, and changes in organization and procedures supplemented the handbook. To stimulate still better sales, Cottingham created the "Top-Notcher" list. Employees who exceeded sales forecasts by the greatest margin, or who otherwise contributed measurably to the company's success had their names inscribed on a trophy and were awarded bonuses.

Cottingham's inspirational leadership and sales innovations accounted for much of Sherwin-Williams growth during the quarter century after he assumed the position of general manager. A strong believer in the value of a diverse product line, Cottingham defined the company's business as making "finishing materials for all uses" and "not one paint for all purposes but a special paint for each purpose." Sherwin-Williams manufactured a dazzling variety of over 600 distinct products: paints, varnishes, colors, stains, and enamels. In fact, a company publication noted, "the only thing of the kind that the Sherwin-Williams Co. doesn't make is artists' colors."

The company remained at the forefront of paint-making and varnish-making technology. To gain greater control over the raw materials it needed, Sherwin-Williams made a series of investments and acquisitions between 1890 and 1910. This vertical integration started on a modest scale, with the company making its own wooden boxes for shipping cans of paint. (The company had made its own paint containers since 1874.) In 1890, the company purchased a steamship, the *A.G. Lindsey*, to carry lumber for these boxes from Minnesota across the Great Lakes to Cleveland. Far more ambitious was an investment in 1902 to build a linseed oil plant in Cleveland. Two years later, the company acquired a mine in Magdalena, New Mexico, to produce zinc oxide, and a smelter in Joplin, Missouri; soon thereafter, the company built a new smelter in Coffeyville, Kansas. And in 1910, Sherwin-Williams purchased a Detroit pigment manufacturer.

Expansion was not limited to vertical integration. During the same period, Sherwin-Williams built new paint and varnish factories in Newark, New Jersey, and Oakland, California. In pursuit of Cottingham's dream to supply Sherwin-Williams paints around the globe, the company forged an alliance with the well-regarded London firm of Lewis Berger & Sons, Ltd., in 1905. Berger & Sons, whose origins stretched back to the eighteenth century, was renowned as a maker of fine paints and high-quality colors for coaches. The company brought to Sherwin-Williams, or soon added, operations and outposts in Canada, Australia, New Zealand, South Africa, India, and China. The arrangement [redacted] OK called for the two companies "to work entirely separately, but to aid one another where help was needed or likely to assist in bringing in new business." Sherwin-Williams also established agencies in Paris and Berlin and shipped paints to several ports in the Caribbean and in South America.

The character of paint manufacturing was changing dramatically in this period. The age-old practice of mixing paints from natural raw materials was giving way to more scientific and controlled paint-making, using chemically refined ingredients. A sign of changing times was the career of E.C. Holton, who was hired to replace Neyman as chief chemist in 1892. The company's research lab at this time was essentially a one-man operation that focused on testing samples and quality control. In 1896, with encouragement from senior managers, Holton supervised the production of dry colors from basic and intermediate chemicals, making an eosine vermillion at Cleveland. Three years later, the manufacture of dry colors was relocated to more spacious quarters in Chicago. By then, colors included chrome greens, iron blues, and many others.

Production of dry colors marked a significant technological advance. In 1898, Sherwin-Williams reached another important technical milestone when it began making varnishes under its own label. These products also required close chemical control and by 1906, Holton directed a technical team that included nine paint and color chemists. The experimental department then included "a complete paint factory on a small scale devoted exclusively to the making of experimental and sample batches of all classes of paint."

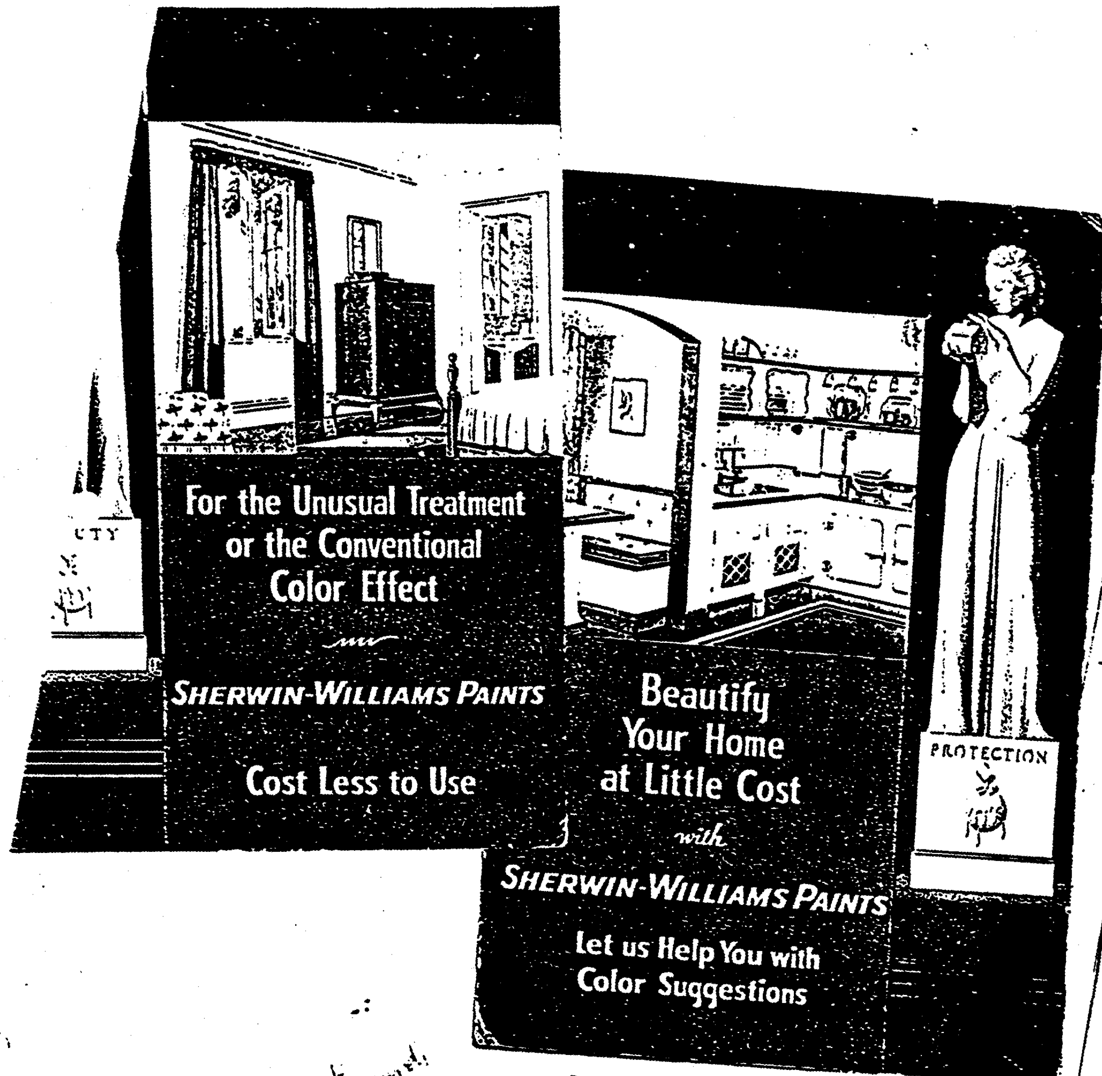
During World War I, the technology of paint-making was further transformed. Before 1914, American manufacturers relied heavily on dyes and dyestuffs imported from Germany to make dry colors. Once fighting began, however, these chemicals were subject to embargo, and American chemical companies and paint-makers scrambled to supply their own requirements. The imported dyes were derived from coal tar, and their production demanded a high level of sophistication in chemistry and chemical engineering. With Cottingham's blessing, Sherwin-Williams established a Chemical Products Department staffed by organic chemists, including Nathan E. van Stone and several other chemists recruited from abroad. After "very exhaustive research work," the company, in 1915, "developed a complete line of intermediates and dyes for color making equal in every respect to the previously imported material." During the war, Sherwin-Williams also built a plant to make lithopone, an inorganic white pigment, and supplied organic chemicals to the textile industry.

Between 1900 and 1919, Sherwin-Williams revenues soared from \$2.3 million to \$34.2 million. This performance reflected both the booming growth of the economy and Cottingham's relentless drive to enlarge the business. During the war, for example, the company not only supplied huge amounts of coatings for ships and military purposes, but it also extended the range of its commercial businesses. Between 1911 and 1914, Sherwin-Williams opened its first retail stores carrying the company name outside Cleveland, in San Antonio, New York, Pittsburgh, Peoria, and Fort Worth. These stores were not designed to compete with wholesale dealers but rather to support them by serving as a source of inventory and a testing-site for new ideas and techniques in merchandising.

Sherwin-Williams also completed two significant acquisitions during World War I. In 1917, it purchased the Martin-Senour Company of Chicago, a well-known maker of premium quality paints. Two years later, Sherwin-Williams acquired Hemingway & Company, a Bound Brook, New Jersey-based chemical maker. All of the companies Sherwin-Williams purchased continued to operate as independent subsidiaries, each with its own brands and lines of products; its own research, manufacturing, and sales organizations; and its own distribution outlets.

At the close of World War I, Sherwin-Williams was a company remarkably changed from its early decades. It now supplied a enormous variety of coatings and chemicals from factories throughout the United States and Canada, and in England. It was a giant manufacturing corporation, functionally-organized and vertically integrated from extraction of raw materials through to final distribution of products to consumers. With sales of more than \$34 million, it was also a vast enterprise that was making good on its promise to cover the earth.

0007-SWP-034606



Black background white type

During the Great Depression, "Point of Sale" posters extolled the beauty—and economy—of a new coat of Sherwin-Williams paint.

0007-SWP-034607

JUN 1 0 19..

Joining the Coatings Revolution

1920-1939

The era's new coatings emphasized speed of drying and ease of application. Pictured: a promotion from the mid-1920s for Rogers Brushing Lacquer, a Sherwin-Williams brand.

0007-SWP-034608

Early in 1920, the stockholders of Sherwin-Williams voted to raise the authorized capitalization of the company from $21 million to $60 million, including $15 million in preferred stock to be sold to the public. This move represented the company's first major public financing.

The times seemed favorable for such an act. After two decades of furious expansion under Cottingham, the company enjoyed a commanding lead as the largest manufacturer of coatings in the United States. Sherwin-Williams and its affiliates and subsidiaries, including Lewis Berger, Martin-Senour, and Hemingway, owned and operated 36 manufacturing plants, 90 warehouses, and 30 retail stores. The company refined its own raw materials, blended them into products of many types and hues, packaged them for a wide variety of markets, and distributed them for sale throughout North America and the British Commonwealth. And it was about to post an astonishing 67 per cent sales increase to a record total of $57.1 million.

The company's expanded earnings and capital base provided financing for another burst of growth. In 1920, Sherwin-Williams negotiated its largest acquisition to date, purchasing Acme Quality Paints, Inc. of Detroit for about $6 million. Founded in 1884 by William L. Davies, his brother-in-law Thomas Neal, and two minor partners, Acme had grown to become the largest paint-maker in Detroit. It was a multimillion dollar business specializing in coatings for the carriage and automobile industries. Acme had close relations with automakers, including General Motors, Ford, and the Dodge Brothers. For a brief period prior to World War I, Neal had served as president of General Motors. Acme's properties included the Lincoln Paint Company in Nebraska and the Peninsular Paint Company in Michigan, as well as other manufacturing plants in Dallas and Los Angeles.

Sherwin-Williams also invested heavily in upgrading and enlarging its own facilities. During 1920 and 1921, for example, the Oakland plant added substantial capacity to make paint and varnish, while at Bound Brook, the company erected a plant to make acetic acid. Chicago was the site of major new investments, including a new container plant to replace the original plant closed in Cleveland, with a lacquer manufacturing department.

In 1922, ill health caused Cottingham to retire as president, although he remained chairman of the board until his death in 1930. He spent his last years at Woolley Hall, an English country estate, where he followed the company's continuing growth from a distance. He remained particularly interested in the affairs of Berger & Sons, the London associate firm. Although the two companies subsequently continued their affiliation, the relationship withered after Cottingham's death, and

Sherwin-Williams lost its former ability to market its products in Europe or in the British Commonwealth, apart from Canada.

The new president of Sherwin-Williams, George A. Martin, was 56 years of age, and amply prepared for the job. A Cleveland journalist drew a memorable portrait of Martin as being:

> tall, spare built and angular, slightly stooped. He has a husky voice; deep-set, dark piercing eyes under shaggy brows which seem to be hungrily reaching out to grasp his entire environment; a triangular face with narrow chin sloping up to a broad forehead, a full head of white hair; long arms, long nose, long fingers. He would make a perfect El Greco subject or with cloak, staff and bell hat, would pass for a Pilgrim.

Martin was much admired by his colleagues. A teetotaler, he loved to smoke, although never in the office, where he instituted a ban. He lacked pretention, greeting employees at every level on a first-name basis and describing his own job as peddling paint.

Like his predecessors, Martin was a self-made man whose education had been cut short by economic necessity. Born in Montello, Wisconsin, in 1865, Martin's family moved to Chicago during his early childhood years. He left school after completing the seventh grade, taking a job with a meat-packing company. Three years later, at age 15, he started his own specialty meat-shipping business with a friend. This enterprise began with promise, but its success attracted the attention of larger competitors which quickly put Martin out of business. He then took a job with the Union Brass Manufacturing Company, makers of railway car trimmings, where he remained for 7 years in various clerical assignments.

In 1887, the itch to start his own business returned, and Martin established a paint company which specialized in railway paints. The business proved a success though he was frustrated by "failure to sell to one of the Railroads, who continued to refer to The Sherwin-Williams Company." A resourceful man, Martin approached Sherwin-Williams in 1891 with an offer to sell that company's products. The offer was not only approved, but Sherwin was so impressed with Martin that he offered him a job as general manager of the Chicago factory. Martin distinguished himself not only in that post, but as manager of the company's Western Sales Division from 1898 to 1905, where he presided over a quadrupling of business, partly as a result of intense promotion and advertising. His next assignment came in Cleveland, as manager of various manufacturing departments. Elected a vice president in 1916, he was promoted to vice president and general manager of the company five years later.

Martin assumed leadership of Sherwin-Williams during a difficult period. A sharp recession had resulted in a two-year decline in revenues, and the company did not surpass its 1920 sales record until the late 1920s. Revenues crested at $82.3 million in 1929, then they plunged again during the Great Depression, bottoming out at $51.8 million in 1933. In that year, Martin carried out the unhappy task of cutting the payroll and slashing employment, although the company continued to pay dividends. Not until the late 1930s could management feel reasonably confident that the worst was over.

This economic roller-coaster was only one of several challenges to the company during the interwar years. The pace of technological innovation quickened with a great change sweeping across the economy in this period: the "chemicalization" of American industry. During the 1920s and 1930s, the advantages of synthetic materials in terms of uniformity, standardization, reliability, controlled availability, and lower cost, became apparent everywhere. Man-made products replaced "natural" products, and chemically controlled processes supplanted customary methods in textiles, materials, paper, printing, adhesives, perfumes, rubber, glass, cement, asphalt, and, of course, paints and varnishes.

The chemicalization of the coatings industry created both problems and opportunities for Sherwin-Williams. Prosperity in a world of technological complexity required the company to remain abreast of the latest scientific developments and to continue upgrading its technical capabilities. It was also necessary to wield marketing clout to fend off competition from new and unexpected rivals such as the chemical giant, Du Pont. As the leading supplier of paints and varnishes in North America, however, Sherwin-Williams was poised to profit from the transformation of the industry.

New competition was keenest in markets for industrial finishes, especially those applied to the era's most eye-catching product, the automobile. Between 1918 and 1929, production of cars in the United States soared from less than 1 million to nearly 5 million per year. Two factors accounted for this explosive growth: Henry Ford's demonstration of the power of mass production, and General Motors' demonstration of the power of mass marketing. Ford's manufacturing advances drove prices steadily downward; in the 1920s, a new Model T sold for less than $250. The "Tin Lizzie" had a significant drawback, however. As Ford himself put it, customers could have a Model T in any color they wanted—so long as it was black. The reason: black baking enamel, which could be oven-dried quickly, was by far the most efficient finish available at the time.

General Motors could not compete with Ford on price, so it sought instead to segment the market by offering "a car for every purse and purpose." A key element of this plan was an ability to offer low-priced automobiles in a variety of styles and colors. During the early 1920s, researchers at General Motors and Du Pont developed a sprayable, quick-drying, low-viscosity lacquer made from nitrocellulose. Not only did the new lacquer dry much faster than the old enamel—in 2 hours, as opposed to 24—but it also permitted finishing in a wide array of colors. Introduced in 1923, the new lacquer scored an immediate hit, and within three years, General Motors overtook Ford as the world's largest automaker.

By the mid-1920s, automotive finishes accounted for nearly a tenth of all paint sales in the United States. This spectacular growth was mirrored in other industrial finishes, as quick-drying lacquers rendered mass-produced items, such as appliances and furniture, more attractive and appealing.

In 1922, Sherwin-Williams entered this fast-paced field with the first of a new line of lacquers under the trade name Opex. Developed by a team of researchers led by van Stone, Opex lacquers adorned Packard cars and eventually found their way into other industrial uses. In the mid-1920s, the company pioneered a brushable lacquer for household use called Rogers Brushing Lacquer. One of the best-selling products of its subsidiary Acme, during the 1920s, was a iron-oxide primer that served as the base coating before the application of sprayable lacquers.

Sherwin-Williams renewed its claim to technological leadership in this period by developing synthetic resins which made varnishes and enamels competitive with quick-drying lacquers. In 1929, the company introduced its first synthetic finishes, a line of Kem-enamels. In subsequent years, research and development spawned many other advanced coatings and finishes that used the Kem trademark: Kem Air Drying Enamels, Kem Railway Surfacers, Kem Art Metal Finish, Kem Bulletin Colors, Kem Store Front Finishes, and Kem White Appliance Enamels.

Research also focused on improving dry colors. In 1929, the company developed a process for making "dispersed colors" directly from dry color pulp without resorting to the time-consuming traditional method of evaporating the water, breaking up the lumps into powdered dry color, and then mixing in oil or varnish. The new process entailed flushing out the water and mixing and grinding the particles with oil or varnish to get a smooth paste of fine and brilliant texture. The resulting colors consisted of smaller particles that could be wetted more thoroughly, thus producing higher gloss. The new process eliminated "bloom" in reds, reduced bronze in blues, and increased film durability. These characteristics yielded superior results in paints, enamels, lacquers, and printing inks.

The interwar years witnessed a proliferation of coatings and finishes for specialized uses in industry, commerce, architecture, and consumer markets. Advanced technology and chemically controlled manufacturing processes made it possible to engineer products for a wide variety of application methods and circumstances. Sherwin-Williams could tailor its coatings according to customers' specifications for drying-time, temperature, climate, exposure to hazardous conditions, and other situations. One of the most promising new markets with unusual requirements was the aircraft industry. Before the advent of aluminum-skinned aircraft during the late 1930s, most airplanes were covered with fabric that was treated with a lacquer for protection and decoration. The rapid growth of the aircraft industry after Charles Lindbergh's successful flight across the Atlantic led Sherwin-Williams to create an Aeronautical

Sales Division. In 1928, Sherwin-Williams introduced its Aero Enamels, featuring a "velvet finish which give a plane a handsome appearance, good visibility and has the added advantage of being so elastic that vibration created by the plane rushing through the air will not crack the finish."

In addition to growth into new, specialized applications, Martin guided expansion of Sherwin-Williams through more traditional means. In 1929, the company acquired two leading paint-makers, Lowe Brothers of Dayton, Ohio, and John Lucas of Gibbsboro, New Jersey, one of the oldest and best-known manufacturers in the industry. These transactions included many established brands of high-quality paints. Lucas, for example, had previously acquired W.W. Lawrence & Company of Pittsburgh, itself a well-known producer.

Martin also pursued opportunities for Sherwin-Williams in Central and Latin America, where he saw the market for high quality paints flourishing and contributing to economic development. In 1930, the company opened a retail branch in Mexico City and acquired a paint factory in Havana, which it expanded and operated as the Sherwin-Williams Company of Cuba. Later in the decade, spurred by the success of this venture, Sherwin-Williams built a plant in Argentina, and established an affiliate company in Brazil.

Under Martin's leadership, Sherwin-Williams expanded assertively in consumer markets. In 1923, to help increase public understanding of the dizzying variety of coating products on the market, the company announced its "Household Guide for Painting, Varnishing, Staining and Enameling," calling it "the biggest idea that has hit the paint and varnish business in fifty years." The guide featured a matrix that listed types of products and surfaces along one axis and types of coating products along the other. The intersecting boxes specified the Sherwin-Williams product most suitable for the application. For example, to coat indoor furniture, the guide recommended Enameloid as its choice of paint; for other types of applications, the guide proposed Scar-Not Varnish, Floor-lac stain, or Old Dutch Enamel. "For the first time," proclaimed company literature, "the public will have a handy reference guide to help them with their paint and varnish problems."

The company spent heavily on advertising and promotion to strengthen the Sherwin-Williams brand and help establish the cover-the-earth logo as one of the best known in the world. As explained by C.M. Lemperly, advertising manager, the company's advertising budget was divided about equally between national and local media. "We use national advertising to keep our name before the public. Our outdoor cutouts and signs keep our 'Cover the Earth' trade-mark before people constantly. When we use national magazines we get into products a little more, but the style is still pretty general." In 1935, at the request of Martin, an opera buff, the company began sponsoring Sunday afternoon broadcasts of auditions for the Metropolitan Opera.

"With network radio we are entirely institutional," noted Lemperly, who added that commercials were kept to a minimum. "This restraint has brought us no end of compliments from listeners, although our sales department at time would like to have us pound away a little harder for sales." This opportunity came later in the Cleveland area, when Martin, a director of the Cleveland Indians Baseball Club, arranged for Sherwin-Williams to sponsor game broadcasts.

Advertising at the local level was far more aggressive. During the late 1920s, for example, the company encountered stiff price competition from makers of low-cost paints. A gallon of SWP sold for $4, while rival brands were available for as little as $2.30 per gallon. To counter this threat, Sherwin-Williams launched a major campaign against "cheap paint." Proclaiming that "this will be no kid-glove affair," Lemperly announced the company's objective as "not a 'draw,' but a real 'knock-out.'" In essence, the campaign stressed that "cheap paint" was not at all cheap, because it covered less area per gallon, wore less well, and used inferior ingredients when compared to SWP. Consumers were warned, "Don't Be Fooled on House Paint" and to watch for "a Joker in the Cheap Paint Can." This campaign, claimed Lemperly, was "the kind ... that President Calvin Coolidge would endorse 100 per cent because it strikes at waste and false economy and emphasizes true values."

The company's retail outlets also practiced aggressive selling tactics. During the 1910s, Sherwin-Williams began opening a handful of stores in major metropolitan areas in order to gain "satisfactory representation" in these areas, as well as "to protect our interests" from competition. Starting in the late 1920s, the company accelerated the establishment of retail stores across the United States. Sherwin-Williams opened an average of between five and ten stores per year, and occasionally more: In 1936, for example, 14 retail stores were opened. The stores carried not only Sherwin-Williams coatings, but also paint brushes and other materials.

The company stressed that its retail stores were not intended to replace but rather to supplement its network of wholesale distributors. As described by an official policy manual, "Our Stores act as the Company's service stations, and everything should be done in them to cement closer the relation between the agents and dealers served through the Store in addition to securing a greater market through your Store for our materials." Store managers, who were Sherwin-Williams employees, were encouraged to be "as obliging" to wholesalers as they were to their own customers. As the official policy noted, "Increased profits from such quarters helps you in your profits, helps the factory in its output and lowers the cost of manufacture by which all benefit."

Sherwin-Williams approached retail management with a consistent business philosophy. Cottingham's "Code of Principles" was prominently featured in the *Retail Store Handbook*, which passed through many editions.

0007-SWP-034619

More specific advice in the *Handbook* bespoke the company's traditional values:

> "Nothing looks so bad as a dirty, mussed up Store, but a well kept, neat and orderly Store is a wholesome place in which to do business. People like to come in as well as to recommend the place to their friends."
>
> "Stories or jokes of an unclean character will not be permitted. It's a good plan to put this rule into effect even outside the Store and business hours."
>
> "A Store may have the best of everything in merchandise, delivery or anything else, but if politeness combined with kindness is lacking, the Store will not progress, nor in fact last very long."

Other advice reflected the times:

> "It's not in keeping with good manners to walk around the Store wearing your hat, and certainly not polite to wait on a lady customer wearing your hat or without wearing your coat."

Like its counterpart for sales representatives, the *Retail Store Handbook* provided a wealth of tips to increase sales and profits:

> "Never greet a woman customer with 'Can I show you something,' or 'Yes, ma'am.' Rather begin with 'Good morning' or 'Splendid weather for painting, is it not?' Get her in a cheery, receptive mood and show by your manner you are there for service as well as sales."
>
> "Remember eight out of ten people who are going to do a little job of painting need a brush."
>
> "Sell the customers something besides what they ask for. It's no trick to sell them something they want—that's simply waiting on them."
>
> "Give the same attention and treatment to the shabbily dressed as you do to the well dressed. They may have their money tied up in houses, which need painting, instead of clothes."
>
> "The real test of the paint and varnish merchant is to get the money in the cash drawer—have this constantly in your mind."

Sherwin-Williams marketing tactics proved effective, and the company's recovery from the Great Depression was rapid and strong. A maker of diverse products that controlled the production of its raw materials and its channels of distribution, Sherwin-Williams was a fundamentally healthy enterprise. In 1939, the company maintained 15,000 active paint formulas, produced 15 million gallons of paint, and recorded sales of $95.8 million. It remained the largest coatings manufacturer in the world, despite formidable technological and competitive challenges. Bigger challenges and greater rewards were soon to come.

How Paint Protects the Soldier's Equipment

JUN 1

Helmet

Mess Kit

Ammunition Belt

Gas Mask

Cartridges

Canteen

Gun

First Aid Kit

In 1940, George Martin retired as president of Sherwin-Williams at the age of 79. To succeed him, the board of directors elected Arthur W. Steudel, then 49 years old. Steudel had joined the company in 1908 as an office boy. He earned his first promotion within two weeks, and then rose through a series of clerical positions in the Trade Sales Division. In 1912, he attracted the attention of Edward M. Williams, son of the founder and head of the Railway Sales Department. From there, Steudel's climb was swift. In 1914, he was a department head in the Chemical and Dye Division, which he eventually led as manager. In 1923, he became assistant to the president, supervising development of the company's lacquer business. In 1937, he became vice president and general manager, and the heir apparent. Steudel was a very popular leader, remembered affectionately as a short, "roly-poly" man who played a whole round of golf with just two five irons (in case one broke) and a putter. He was also active in business and community affairs in Cleveland.

Steudel took charge of Sherwin-Williams at a favorable time. In 1940, the company had earned the industry's admiration for a marketing first, introducing the Sherwin-Williams "Paint and Color Style Guide." The company printed 45,000 copies of this handsome, oversized book for its distributors and retailers. It featured color photographs of many types of houses, including interior scenes, to help customers choose appropriate colors for many different settings. "Never before has such an array of actual homes from all over the United States been displayed in color photography," boasted the Style Guide, which noted that the photographs were "on a scale that makes you feel you are almost stepping into the rooms—standing right before the houses." Capitalizing on the Style Guide's success, Sherwin-Williams posted a record year for sales, topping $100 million for the first time.

The outbreak of World War II had an immediate, positive effect on the paint industry, and manufacturers geared up for defense production on a massive scale. Thousands of vital military items required paints, including camouflage paint for tanks and supplies; blackout paint; aircraft, boat, and truck finishes; and coatings for grenades, bullets, and bombs. Every soldier was equipped with eighty-five separate items, each with its own special finish. Moreover, the road building, construction machinery, water supply, and electrical lighting systems necessary to a military campaign also required paint. As the war continued, the U.S. government became Sherwin-Williams's biggest customer.

Converting Sherwin-Williams to massive defense manufacture was a challenge that engaged everyone. Production personnel devised ways to distribute work loads evenly between plants. Plant engineers converted old equipment to new manufacturing uses. Purchasing agents combed the country for raw materials, even minor ingredients, so that shortages would not halt production and delivery. Chemists experimented with old, almost forgotten oils and resins and treated them with modern processing equipment. Salesmen rolled up their sleeves and worked in the factories, adjusting spray guns and checking thinners. Ultimately, some plants devoted 80 per cent of their capacity to war work.

As more and more male employees were called to active duty, women became indispensable to Sherwin-Williams operations. By 1943, female employees comprised one third of the company's work force and were found in factories, labs, and retail stores. And, as the *Sherwin-Williams World*, the employee newspaper of the time acknowledged, "Some of the jobs the women are doing are, in truth, being handled just a little bit better than a man would do them." In all, 2,756 Sherwin-Williams men and women entered the armed forces, and 90 per cent were welcomed back at the end of the war.

In 1941, Sherwin-Williams became involved more directly in the war effort. The company was drafted to construct and manage an enormous shell-loading plant in Carbondale, Illinois, as part of a program whereby such facilities were built by well-known manufacturers. A team of 60 Sherwin-Williams employees oversaw the construction of the plant, hiring 15,000 workers to construct the 23,000-acre facility in less than a year. Sherwin-Williams also subsequently managed the plant's operations. Staffed by 6,000 workers, the Carbondale plant produced enough bombs each day to supply a nightly RAF raid on Germany.

Sherwin-Williams demonstrated leadership in product innovation, as well. The company's research chemists, led by van Stone, began experimenting with new coatings concepts. They took casein, a white milk and cheese protein used by the ancient Egyptians for making paint, and emulsified, or suspended, varnish into it. They then added a number of components of traditional oil paint as a base. The new formulation consisted of 28 different ingredients.

In 1941, Sherwin-Williams put this new paint, called Kem-Tone, on the market. At the same time, the company embarked on a major sales and advertising campaign—the most ambitious in the history of the entire industry—spending $1 million on selling the new product. Kem-Tone was marketed as the "modern miracle wall finish," described as so easy to use that it was ideal for homemakers and for those who had never used a paint brush before. Demonstrators around the country showed that, thinned only with tap water, it completely covered wallpaper, plaster, and painted walls, without requiring messy primers, sealers or thinners. Only a single coat was necessary and the paint dried in one hour. Advertisements also stressed that Kem-Tone was more washable than oil paint, and like the finest washable wallpaper, it could withstand "500 rubs with a cloth under a two pound weight."

The company took unprecedented measures in distributing Kem-Tone, as well. For the first time, it went outside its closely knit dealer and franchise organization, supplementing traditional practices with direct selling and distribution. Any retailer in good standing, including filling stations, grocery stores, and drug stores, could handle the new product and become a special Kem dealer. Ultimately, Sherwin-Williams secured 65,000 new outlets for Kem-Tone. The new paint was sensationally successful and quickly outsold its competition in the interior paint market.

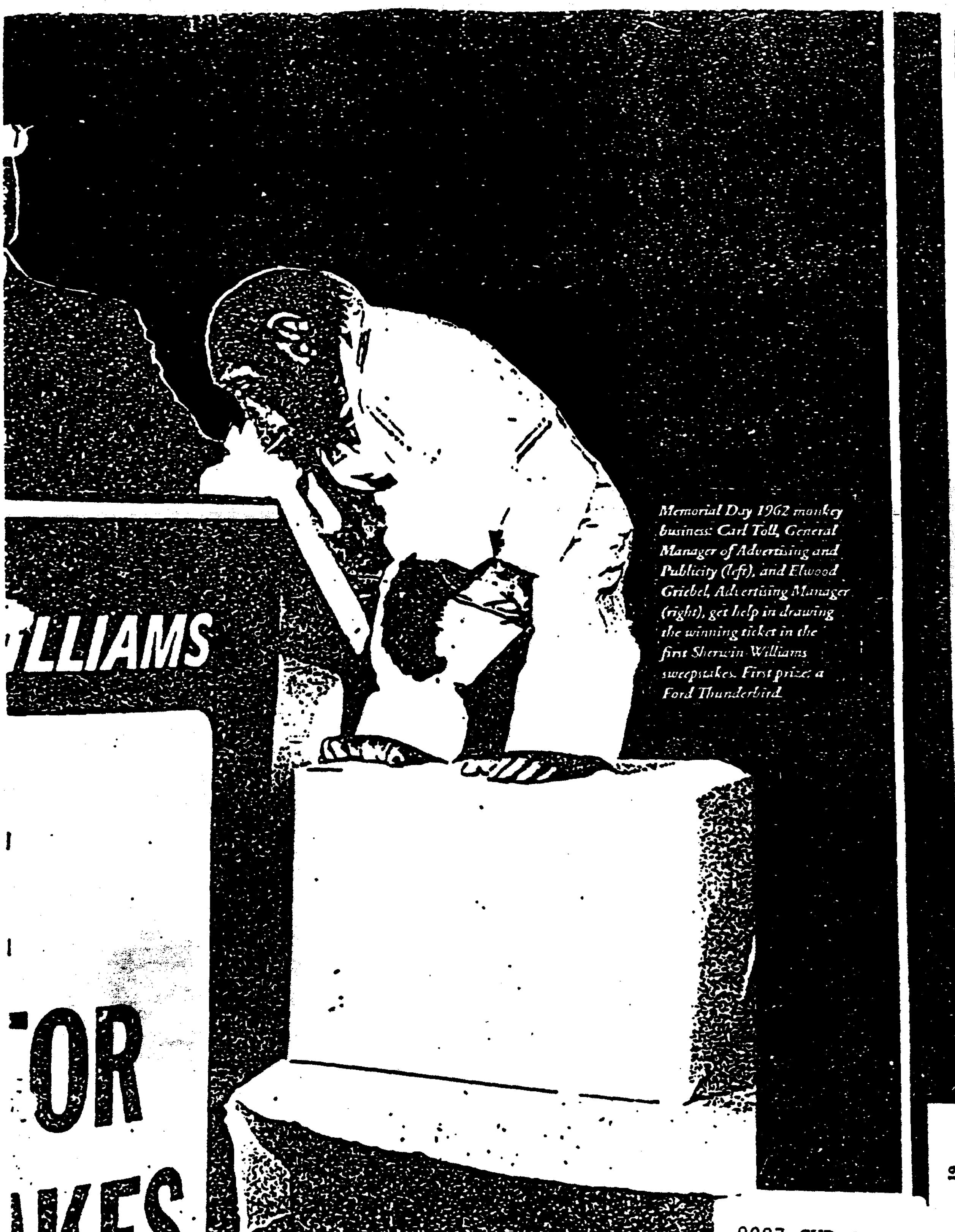
Continuing war shortages forced Sherwin-Williams to respond creatively. Japan's blockade of China resulted in shortages of pig bristles, which were used to make paint brushes. In 1941, Richard C. Adams, a Sherwin-Williams engineer and a descendant of Presidents John Adams and John Quincy Adams, invented a revolutionary new device called the Roller-Koater. Devised in Adams's basement, and constructed simply of jute and wood, the Roller-Koater was designed for Kem-Toning only. Inexperienced painters found it easy to use. Adams, an inveterate tinkerer and inventor, also made miniature Roller-Koaters for charm bracelets and lapel pins.

Sherwin-Williams devised innovative paint packaging, as well. At first, shortages in steel and tin required the company to sell Kem-Tone in glass jars with cardboard carton overcoats. In 1942, in a plant with secondhand and homemade machines, Sherwin-Williams began producing cans made of paper. Carrying the company's Graphic Arts Division label, "War Emergency Container—Handle with Care," the new cans were slightly larger and more fragile than the standard metal cans.

Sherwin-Williams chemists applied their ingenuity in a number of other important ways to support the war effort. They produced vital war materials that had been German monopolies and unobtainable in the United States 25 years earlier. At its New Jersey chemical plant, the company made 85 per cent of the nation's total supply of acetanilid. This basic ingredient in the manufacture of infection-fighting sulfa drugs was part of a packet provided to each soldier. These sulfa drugs were considered a miracle: a record-breaking number of American wounded recovered from their injuries.

At the end of the war, Sherwin-Williams could look back over five successful years. Despite shortages of raw materials and personnel, its wartime program achieved its goals. On the domestic side, Kem-Tone hit the 37 million gallon mark in 1945, selling out of stores just as fast as it was stocked. Having already secured a such a large portion of the domestic paint market, the company's conversion to peacetime work was not difficult.


SHERWIN
HOM
DECORA



Memorial Day 1962 monkey business: Carl Toll, General Manager of Advertising and Publicity (left), and Elwood Griebel, Advertising Manager (right), get help in drawing the winning ticket in the first Sherwin-Williams sweepstakes. First prize: a Ford Thunderbird.

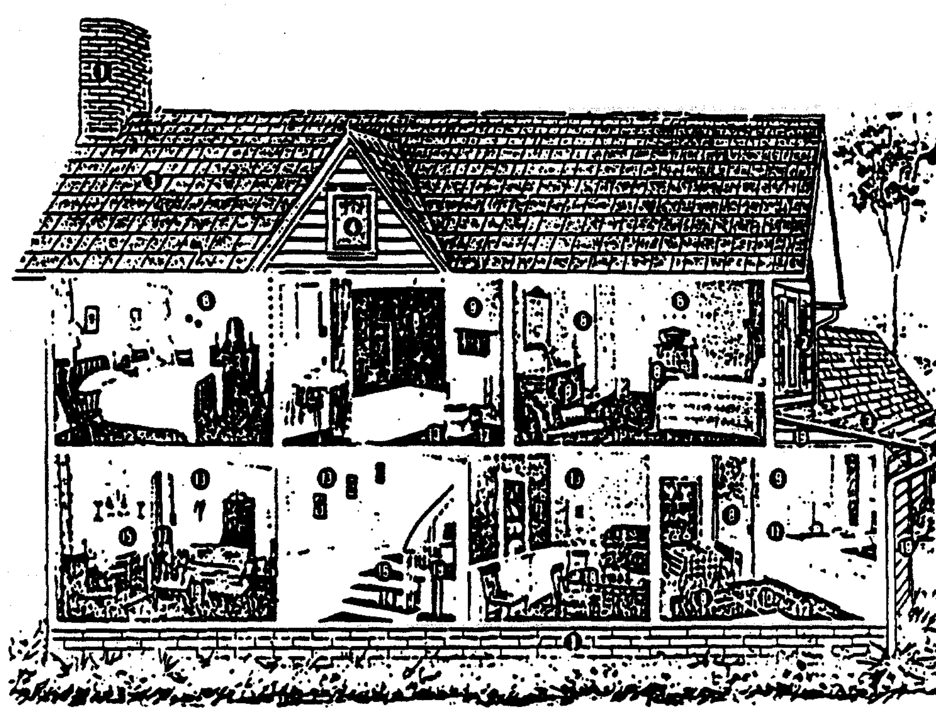
The Postwar Boom

1946–1965

JUN 10 1991

In 1948, Sherwin-Williams offered almost two dozen products to protect and beautify the home, each made for a particular purpose.

1. Brick and Stucco Paint
2. SWP Trim Colors
3. Shingle Stain
4. Screen Enamel
5. Tinners Red
6. Kem-Tone
7. Walnut Flo-Lac
8. Enameloid
9. Semi-Lustre
10. Lin-X Clear Gloss
11. Flaxoap
12. Lin-X Floor Wax
13. Flat-Tone
14. Kem-Namel Snow White Gloss
15. Kem-Namel Snow White Eggshell
16. Mar-Not Varnish
17. Brass-Brite
18. Lin-X Creme Polish
19. SWP Housepaint



CHAPTER 5

At the end of World War II, corporate America turned its attention away from war production and back to domestic markets. Sherwin-Williams, like other American companies, embarked on twenty years of growth fueled by national economic prosperity and an enormous pent-up demand for consumer goods. Although it was already the universally recognized leader in the coatings industry, the company established itself even more firmly during this period by growing and developing a pronounced retail orientation.

Although Steudel, whose strength was in marketing and sales, firmly set Sherwin-Williams's overall postwar direction, Vice President Luther Schroeder tightly controlled the rest of the company's operations. Schroeder joined the company in 1908—the same year as Steudel—as a bookkeeper. He worked his way up through the ranks, succeeding Fenn as Treasurer in 1922. In 1943, Schroeder was elected a vice president. His long tenure (he died in office in 1960, in his 52nd year with the company) ensured that the Sherwin-Williams tradition of fiscal conservatism endured. Schroeder guarded financial information closely and refused to allow the company to borrow money, even during the Depression. These practices paid off; Sherwin-Williams's securities were considered "widow and orphan stock," and the company was noted for having never missed a dividend.

During the postwar era, changing patterns in housing and consumption provided an enormous boost to paint sales. Before World War II, most Americans had lived in cities—in apartments, flats, or sometimes small houses—often in cramped conditions. When the war ended and servicemen returned, public policy helped underwrite the great migration to the suburbs. Federal loan programs made it easier to acquire a home, and during the 1950s, one-fourth of the American population moved into suburban housing developments. An enormous, built-in market was created for all kinds of consumer goods, particularly paint. Fueled by America's strong economy, postwar family income virtually doubled, allowing for an unprecedented level of consumer spending.

These developments helped ensure that Kem-Tone, already the industry leader, would remain the largest-selling wall finish on the market. In 1948 alone, more than 12 million gallons of Kem-Tone were sold, far more than any other brand. Even SWP, which doubled its sales in 1948 after suffering from severe supply shortages during the war, only reached one-third of Kem-Tone's sales.

Kem-Tone's popularity encouraged Sherwin-Williams to expand its Kem line of paints. In 1949, the company introduced a new type of alkyd, or oil-based, enamel paint called Kem-Glo, which was advertised as appearing and washing like the

SHERWIN-WILLIAMS ABROAD

Despite Henry Sherwin's doubts, Sherwin-Williams's "Cover the Earth" logo proved to be an accurate description. By 1907, the company had established an agency in Mexico, and by the 1920s, Sherwin-Williams exported to South America, Europe, Africa, and the Far East. Later, it created subsidiaries with their own manufacturing facilities in Mexico, Cuba, and Brazil.

In the 1950s, Sherwin-Williams took a different approach to international expansion. Instead of establishing subsidiaries in different countries, it invited leading foreign businessmen to sign licensing agreements for manufacturing Sherwin-Williams products in plants built for that purpose. The company provided the operational expertise, the paint formulas, and the supervisory and technical personnel. By 1966, Sherwin-Williams had licensed companies in Argentina, Colombia, Ecuador, Peru, the Philippines, and Venezuela. In addition, the company sold specialized licenses to make Sherwin-Williams automobile refinishes and other chemical and industrial coatings.

Prior to the 1970s, Sherwin-Williams organized its international businesses as a collection of unconsolidated subsidiaries. Then it formed an International Group, as part of a restructuring of the entire Sherwin-Williams organization. By 1977, International had become one of the five divisions of the Coatings Group.

By 1991, Sherwin-Williams was involved in 44 separate international ventures, through subsidiaries, joint ventures, and licensees, in 38 different countries. Although the company considers itself a domestic organization that has international activities, and not a global corporation, its international businesses are important. It has, for example, subsidiaries in Puerto Rico, Mexico, Brazil, and Panama, and joint ventures in Saudi Arabia, and Ireland. It also continues to license coatings technologies to manufacturers in many other countries and to expand throughout the world. In 1986, in a landmark deal, it signed a license agreement with the People's Republic of China, marking the first time that Sherwin-Williams products were available in that country since the Communist Revolution in 1949.

baked enamel on a refrigerator. Kem-Glo's fast-drying and long-wearing properties made it an instant success with consumers. A year later, Sherwin-Williams introduced Super Kem-Tone, a deluxe interior paint with a new ingredient, latex emulsion, that made it both washable and extremely durable. The Kem line of paints proved extraordinarily successful, and by 1955, a total of more than 100 million gallons had been sold.

The company's overwhelming success partly reflected Steudel's ambitious postwar plan to increase the number of branch stores owned by Sherwin-Williams, and thereby extend the company's control over the distribution of its popular paints. In 1948, the company managed approximately 400 stores in its nationwide branch organization, which was divided into eight regions, each headed by a regional director. Over the next fifteen years, the number of stores increased dramatically, and in some years, the company added more than 100 new stores. It was a heady time: headquarters employees heard excited shouts across hallways in the Cleveland offices, "How many stores today?" This pace continued until 1965, when the number of stores across the country reached approximately 2,000. Having met its growth objectives, the company's strategy thereafter was to expand at a rate more closely geared to population and needs.

Sherwin-Williams personnel carefully chose store managers for their new stores. They visited local ministers and bankers to find highly responsible and motivated residents who might not have the capital to start their own businesses. The desirable personality profile of the prospective store manager often matched that of a Steudel or Schroeder, or even, for that matter, a Sherwin: upright and conservative, yet entrepreneurial. Over time, it became clear that the most profitable stores developed in rural areas, where the manager became part of a closely knit business community and had the paint market to himself. Some of these rural managers made more money than anyone else in their area, and banked in other towns to conceal their wealth.

Branch store managers proved very entrepreneurial. There were no standard operating procedures for stores, although they were periodically audited. Given this freedom, stores could sell, in addition to paint, almost every tool a painter or paperhanging contractor needed on the job. Most stores sold wallpaper, and others successfully offered carpeting, draperies, and curtains. To offset seasonal dips in paint sales, many stores also had gift departments that carried pictures, pottery, mirrors, and even toys at Christmas time. Queries regarding whether a certain item was in stock was likely to be met with the joking rejoinder, "I'm sure we have it somewhere!"

All the stores carried paint sundries, such as brushes, rollers, and trays. The Kem-Tone brush, equipped with special bristles that picked up and carried more paint than conventional brushes, proved especially popular. To supply these kinds of items to its increasing number of stores, in 1953, Sherwin-Williams built a plant in

Congratulations: Steudel poses with key executives responsible for new products—vice president A.H. Burt with Super Kem-Tone, and chemist N.E. Van Stone with Kem-Glo.

JUN 10 1991

The Roller-Koater makes it twice as easy, twice as fast . . . it holds more paint, gives you more reach, and rolls on a 7-inch wide strip of color with practically no effort. It's *fun* to use!

Super Kem-Tone is easy to apply. It flows off the brush smoothly, evenly, quickly. Goes over wallpaper, paint, plaster, plywood, brick. One coat usually covers.

Dust, grime, grease, even crayon marks wash right off its tight, rubber-tough surface. It's easy to wash because dirt can't penetrate.

0007-SWP-034636

Deshler, Ohio to make patching paste, caulk, brush cleaners, rollers, covers, and trays. The Deshler operation was a unique factory, set deep in farm country, with a production line composed of more than 60 per cent women. Three years later, Sherwin-Williams acquired the Rubberset Company of New Jersey and Canada, the world's largest manufacturer of brushes. Founded in 1873, in its early days, Rubberset had manufactured shaving brushes, toothbrushes, hair brushes, and scrub brushes for physicians. In 1934, Bristol-Myers acquired the company, and, thereafter Rubberset cooperated closely with Du Pont, the producer of the first nylon filaments. Together they developed the first nylon paint brush in 1943. Subsequently, Rubberset became known as a leader in the nylon brush industry.

Throughout the 1950s, paint sundries became fairly elaborate, providing decorative challenges for the ambitious do-it-yourself customer. In 1954, Sherwin-Williams introduced Applikay, a new type of double roller used only with Super Kem-Tone. One of the two rollers laid on paint in one color, while the other, with one of five designs etched into it, "appliqued" paint of another color in a pattern onto the wall, much like offset printing. Another new product, Multicolor, was a latex paint composed of a solid color base that also contained small flecks of contrasting pigment. Multicolor spray painting was done by fitting a home vacuum cleaner with a special applicator and reversing the vacuum's air flow.

Under Steudel, the company continued to lead the industry in promoting and advertising its paint products. At the time, Sherwin-Williams paint was approximately 25 per cent more expensive than other brands, and it never went on sale. The thrust in marketing was to catch the customer's eye; once inside, the manager would explain why Sherwin-Williams was the paint to buy. Store window displays therefore concentrated on devices to attract attention. To replace the ubiquitous pyramid of paint cans in many store fronts, Sherwin-Williams managers devised other eye-catching ideas. One of the most successful was a device consisting of three cans of Super Kem-Tone welded together, that revolved around at 90 rpm. The whirling paint cans drew people into the stores, demanding to know how the device worked. Another example was a life-size, three-dimensional St. Bernard dog with a can of paint tucked under his chin and with a sign that read, "Rescue drab rooms with Super Kem-Tone!"

The company also sought to retain its position as a premium paint manufacturer through its array of promotional books and guides featuring Sherwin-Williams products and providing decorating advice. In 1952, it modified the floor design of its stores to create a nook for women to browse through its 100-page "Paint and Color Style Guide." The Style Guide was only available in Sherwin-Williams stores, and occasionally, the manager would allow a customer to take it home overnight. There was also a Style Guide "Companion," an album of 139 pages portraying the most popular Super Kem-Tone colors. Sherwin-Williams stores also carried a color selector, known as the "Cascade of Colors," which contained six-inch square color chips that a customer could take home to compare with the existing decorative scheme of his or her home. By the early 1950s, Sherwin-Williams was also providing its customers with a "Color Harmony Guide" containing a fan-like spectrum of paint colors to assist in the choice among 1,500 different color combinations. Over 200,000 "Color Harmony Guides" were distributed annually around the country for the next few years, and in 1959, over 500,000 copies were made available through the dealer and the branch-store network.

The company also gave away a long-running promotional magazine on color selection and paint application called the "Home Decorator." Although it was also distributed through dealers and stores, "Home Decorator," first issued in 1910, was specifically targeted to homemakers, and, in many areas, local troops of Boy Scouts and Girl Scouts delivered it door-to-door. In 1959, 12 million copies of "Home Decorator" were distributed, 8 million more than in 1958. Throughout the mid-1960s, the magazine, whose annual editions were unique within the industry, served as an authoritative source of home decorating information both in the United States and abroad.

Branch stores also provided other helpful services to build business and satisfy customers. For example, they established charge accounts allowing customers to "paint now, pay later." Customers could take four to five months to pay for their purchases without incurring interest or carrying charges. Stores also arranged for free home delivery of paints and other goods, for free house inspections with the purchase of paint, and for recommendations on reliable local painting contractors.

Another Sherwin-Williams service was the Kem Colormeter Mixing Machine, a power-driven device that was introduced in 1959. Until the invention of the Colormeter, developed at the Deshler plant, all paint was premixed and prepackaged at the factories. Using the Colormeter, a paint merchant could dispense measured amounts of concentrated colorant into any type of paint; over 2,000 colors could be mixed and dispensed in the store to customer specifications.

Although architectural products constituted about 80 per cent of Sherwin-Williams business at this time, and consumed most of its attention, the postwar period saw significant expansion in the area of industrial finishes. Innovation proceeded so rapidly on the industrial side that, in 1959, over 50 per cent of the company's industrial finishing products had appeared on the market within the previous four years. Each factory relied on its own research lab, but to boost the trend toward technological innovation, ground was broken on a new major research facility in Chicago in 1960.

In the same year, after 20 years at the helm, Steudel nominated E. Colin Baldwin to succeed him as president. As the company's chief operating officer, Baldwin managed operations, while Steudel remained chairman of the board, directing policy and financial matters. Although Baldwin had already served 26 years with the company, he had not come up through the ranks like previous company leaders; his Harvard Business School education allowed him to start higher up. In 1946, he began a long tenure as Steudel's special assistant, interrupted by a brief stint as executive vice president of the Canadian subsidiary. In 1959, he was named vice president and general manager of the entire company. In contrast to the congenial Steudel, Baldwin was more aloof. He was also known to be very formal; visitors to corporate headquarters not only wore ties and jackets, but many of them also brushed their teeth before meeting with him.

In the early 1960s, Sherwin-Williams continued its work in product development, introducing a new exterior latex house paint called A-100. This followed on the product line of exterior latexes called Loxon introduced in 1958, which were used to cover stucco, concrete, and brick. The company also expanded its range of paints to suit different customer needs. In addition to exterior paints SWP and A-100, stores and dealers sold Super Kem-Tone, Kem-Glo, and a lower-priced line called Excello, for interior use. They also sold Rust Control Primer to fight the "Rustoleum" brand, and Marvethane, Sherwin-Williams's first polyurethane retail varnish.

Sherwin-Williams also entered new coatings industries in the first half of the 1960s. In 1961, for example, it began chemically finishing construction materials while they were still in their prefabricated state. This strip or coil-coating work became increasingly important, especially as aluminum siding and metal buildings grew more popular. In 1962, the company brought out Kem-Clad and Super-Clad finishes for pre-finishing wood, aluminum, steel, and metal, and Thermo-Clad insulating varnish for use with electrical and electronics products.

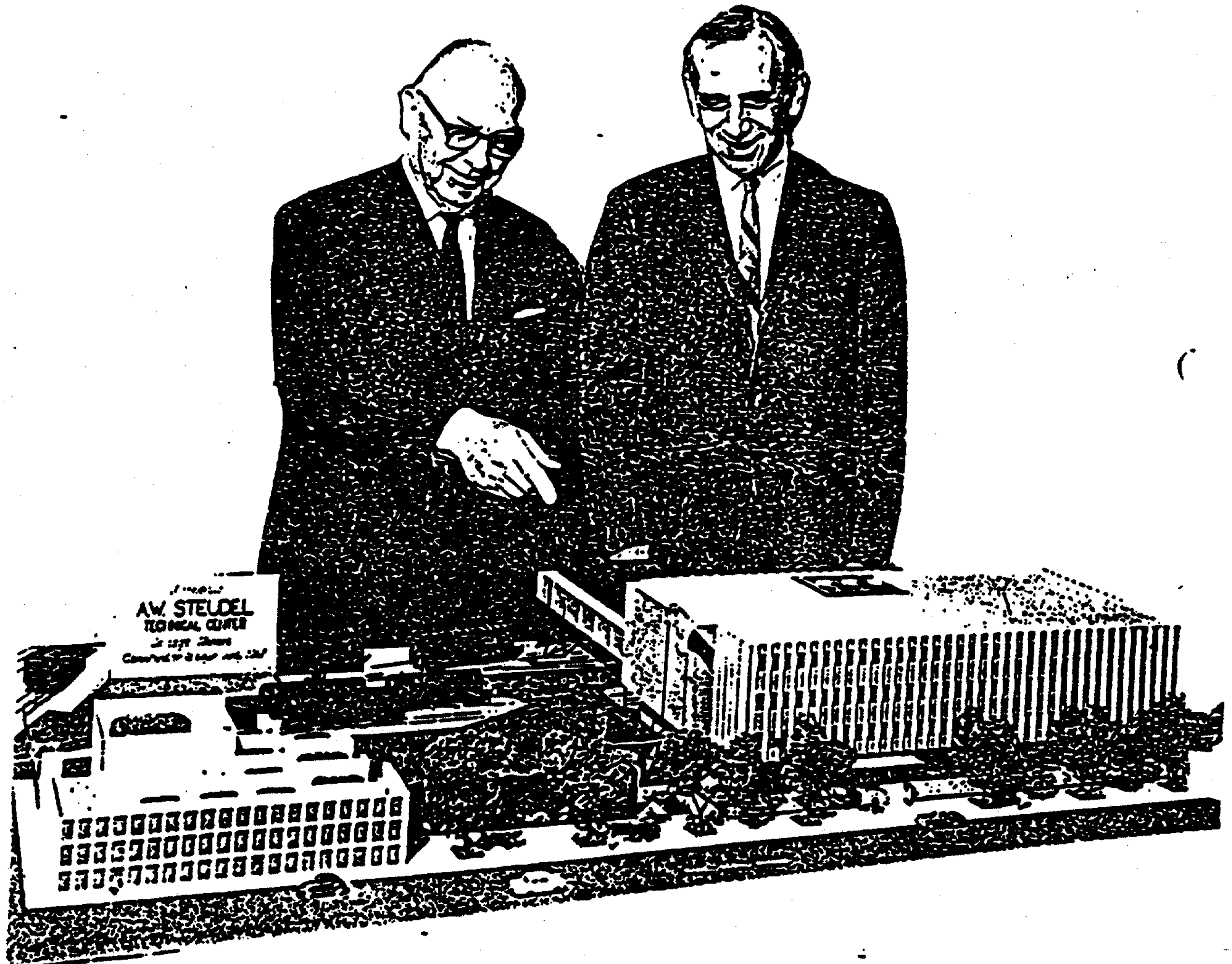
During the postwar era, Sherwin-Williams made many improvements in production, marketing, and distribution to keep up with rising demand. It continually introduced new products that affirmed its place as the industry leader, and sophisticated promotional materials secured its reputation around the world. The momentum built up by postwar consumer demand and the extraordinary success of the Kem line allowed the company to reach an unprecedented level of growth. By the mid-1960s, sales of about $500 million placed it as number 178 in the *Fortune 500* list of industrial companies. No other company in the paint industry had a distribution system comparable to Sherwin-Williams: its approximately 1,850 branch offices and 33,000 dealers provided it with 57 per cent of its sales. In 1964, almost a century after its founding, in celebration of its prosperity and growth, Sherwin-Williams chose to list itself on the New York Stock Exchange.

72

0007-SWP-034642

Retail revolution:
During the 1960s, a company salesman demonstrates the "hiding" properties of Sherwin-Williams paint in a leased paint department at K-Mart.

Spreading Thin
1966-1978



Steudel and his successor Colin Baldwin beam while reviewing a model of Sherwin Williams's new technical center in Chicago.

The complex was part of a major expansion under Baldwin.

0007-SWP-034644

Chapter 6

In 1966, Sherwin-Williams celebrated the 100th anniversary of Henry Sherwin's entry into the paint business in a spirit of enthusiasm and confidence. During this anniversary year, Steudel retired as chairman after 58 years with the company, leaving what appeared to be a very sound enterprise, free of debt, with record-breaking earnings, and commanding by far the largest share of the market for coatings in the United States.

The growth and expansion of the Steudel era, however, masked significant long-term problems, many of which traced back several decades. One fundamental tension arose out of the success of Kem-Tone. During its first 75 years, the company had earned a reputation for premium quality exterior oil paint for professional painters. After 1941, however, Kem-Tone's extraordinary success took Sherwin-Williams in a new direction; the easy-to-apply latex paint was ideally suited to the new mass market of the do-it-yourself home decorator. Sherwin-Williams pursued this market eagerly by expanding its store network and catering to retail consumers. Stores reinforced this trend by carrying many new home decorating and improvement products, including waxes and polishes. Yet at the same time, they still sold to their traditional customer base of professional painters and building contractors.

As long as demand remained high and the company prosperous, this tension remained below the surface. The rising cost of raw materials, however, exposed serious problems. The coatings revolution of the 1920s and 1930s had made Sherwin-Williams accustomed to yearly decreases in the price of raw materials. Each year, the company raised retail prices a bit, resulting in a comfortable margin. This pattern continued during World War II, when commodity prices and demand were both artificially regulated.

The postwar period brought a new instability to this way of life. With the pace of chemical innovation slowing, and with the outbreak of postwar shortages, the cost of raw materials began to level out before rising ominously. The paint industry could no longer rely on an extra bit of margin each year. Sherwin-Williams's profits began to decrease until, by the early 1960s, the company earned less per gallon than at any time in its history. High volume masked this trend, but as the tremendous pent-up demand of the postwar period tapered off, sales began to slow and profits to plunge. Sherwin-Williams suddenly found itself in the uncomfortable position of a high-cost producer. Part of the problem lay with production costs. The company had remodeled and built few plants during the postwar years, and as a result, many operations were outmoded and inefficient.

In 1966, Baldwin embarked on a four-year, $120-million expansion and diversification program, a projected expense that equalled the total capital expenditures made by the company over the previous 31 years. Baldwin chose to finance this program by borrowing large sums for the first time in the company's history. Sherwin-Williams then proceeded to build or modernize a number of paint and chemical plants, warehouses, and research and development facilities. It opened an efficient new paint factory in Morrow, Georgia, a new container plant in Elgin, Illinois, and chemical plants using new titanium dioxide and alkali blue pigment technologies. It also began work on a new research and development center in Chicago, named in honor of Steudel.

Baldwin also sought to diversify the company to offset slow growth in the paint business. In pursuing such a strategy, Sherwin-Williams followed the example of many American companies for which tax laws and antitrust considerations made diversification an attractive option at that time—in 1968, for instance, twice as many business mergers occurred in the United States as in any previous year. Sherwin-Williams made three major acquisitions. In 1966, it bought Maumee Chemicals, a company which specialized in the production of saccharine and paracresol (used to create BHT, a widely used anti-oxidant that kept food fresh). In an effort to strengthen the small aerosol container line it had began in 1956, Sherwin-Williams also acquired, in 1966, Sprayon Products of Ohio, a well-established aerosol packager specializing in spray paint. Two years later, it acquired Osborn Manufacturing of Ohio, a producer of power-driven brushes and custom-made foundry equipment. Osborn's history was closely intertwined with that of Sherwin-Williams, having been founded by A.T. Osborn, a former partner, in the nineteenth century, of Henry Sherwin and Edward Williams. John Sherwin Prescott, a vice president of Sherwin-Williams and grandson of Henry Sherwin, served on Osborn's board of directors.

As a result of these acquisitions, the company reorganized in 1968 into three functional departments. The paints, varnishes, and coatings department included chemical coatings, trade sales, and automotive refinishes. The pigments, colors, and chemicals department included the specialty chemical business and the pigment and dye businesses. The paint-related products department included sundries, such as containers, trays, and brushes.

Sherwin-Williams faced a serious challenge at this time arising from an increasingly important retail phenomenon within the paint industry, the mass-merchandising or discount store catering exclusively to the do-it-yourself decorator market. Those discounters and mass merchandisers who wanted to sell the powerful Kem line in their stores directly threatened Sherwin-Williams's carefully structured and very successful distribution system for its Kem products which it had built up in the early 1950s. It sold each paint product at one uniform price throughout the network of its approximately 1,500 company-owned stores, 10,000 authorized dealers, and 30,000 specified Kem products dealers. In 1958, changes in the law brought an end to this network. Thereafter, Sherwin-Williams and its affiliated companies, such as Martin-Senour, Lowe Brothers, and Lawrence, could only suggest, but not specify, retail prices for Kem products.

Sherwin-Williams had tried to anticipate the rise of discounters, and agreed to permit K-Mart department stores to sell its paint in leased departments. There were 191 K-Marts around the country selling Kem-Tone by 1967. Increasing numbers of discount chains, however, wanted to sell Sherwin-Williams products, and were able to obtain Kem and other paints from its affiliates. Further changes in the law required Sherwin-Williams to relinquish its exclusive deal with K-Mart and to release its Kem brands to any discounter who wanted to sell them. These chains then sold Kem paints at half the suggested price, and deeply undercut Sherwin-Williams's company-owned stores and dealers. By 1971, with its exclusive arrangement lost, and with price competition accelerating, K-Mart decided to assume control over Sherwin-Williams' leased paint departments, although the company continued as K-Mart's supplier.

In 1969, in the midst of this whirlwind of change, Walter O. Spencer, former chemist, Chicago plant manager, and vice president of Operations, succeeded Baldwin to the presidency. Baldwin, in turn, became chairman of the board. At 42, Spencer was the youngest company president since Sherwin himself, and was expected to "inject large doses of innovation and vitality" into the company. His brightly colored shirts, moustache, and long sideburns reinforced a brash reputation. Noting that he didn't "always do what's expected," he began to try to shake up the company. His mission was to "work wonders" on Sherwin-Williams's old-fashioned organization and conservative management team.

Having observed the overwhelming success of the discount retail chains, and taken the measure of the booming do-it-yourself population, Spencer decided that Sherwin-Williams should pursue the lucrative home remodeling market. Unless it did so, he believed that the company would lose its standing in the market. Spencer was also convinced that the company needed to target the newer and more numerous customer group of women and younger buyers, rather than rely on the traditional, and shrinking, base of men over 45 years old. "We wanted to get Mrs. Jones to think of our place if she had a decorating problem," Spencer [redacted] asserted. "[redacted] In one stop, a customer could get carpeting, [redacted] window treatments, [redacted] wallpaper, [redacted] and paint."

Spencer sought to transform many Sherwin-Williams branches into retailing operations. The company already had the most extensive store network in the industry; what it needed, he insisted, was some image-polishing to attract the do-it-yourself public. In 1972, the company launched its "More than a Paint Store"

0007-SWP-034649

advertising campaign. Stores were decorated with eye-catching window displays showing that they were rescue stations, beauty and antique shops, travel agencies, and school houses—not just paint stores. The company offered unusual promotions in this advertising campaign. For example, when a store was decorated like a beauty shop and the theme was "we beautify your home," a customer could buy a $20 lighted mirror for $15. When the store was a travel agency and the theme was "your passport to a painting adventure," a customer was offered luggage at a discount. The company also ran full-page ads in *Life* magazine, showing its stores as retailers of home-improvement products staffed with individuals with specialized expertise.

Still, Spencer believed, more needed to be done. "We weren't going out and asking our customers what they wanted to buy, how they wanted to buy, and where," he stated. "We had not upgraded the stores and were not aggressive enough in the marketplace. We needed more pizazz!" As a result, he inaugurated a more ambitious retail strategy and launched a massive effort to upgrade some stores and to establish others in metropolitan markets. These "Idea Centers" were designed to meet all home-decorating needs. Sherwin-Williams hired women to work in these stores, advertising that customers could "Ask Shirley Williams" for advice on picking wallpaper, carpeting, and draperies. By late 1974, over 600 stores provided professional decorating consultants to assist customers, with a new "Color Harmony Guide" to display coordinated decorating ideas at a glance.

At the same time, the company embarked on an extensive market survey designed to provide information about how employees, other companies, and members of the public viewed its 75 year-old "Cover the Earth" logo. The research showed that although the symbol was one of the world's five best-known, it confined the company's image to that of a paint manufacturer, rather than a retailer of many home-decorating items. "The logo had been around for a long time," conceded Spencer, but he believed that the company was more than the logo would indicate." He felt that the image did not capture the diversity of Sherwin-Williams businesses, including saccharin, specialized chemicals for foods and perfumes, organic chemicals, textile chemicals, containers, brushes, machinery and foundry equipment, adhesives (Sherwin-Williams had recently acquired Hadley Adhesives, founded in 1906, a custom formulator of glues and adhesives), graphic arts, and aerosols.

Rather than continue to restrict itself to the "Cover the Earth" logo, Sherwin-Williams chose to focus on its name, which the research showed was one of the company's strongest equities. Top management sought to convey a "broader" image, and launched an ambitious corporate identification program to devise a new print logo displaying its name in bright, crisp, blue-and-white colors, and then to spread the new symbol throughout the company.

In 1975, as part of the second stage of its retail thrust, Sherwin-Williams opened a new store, unique in the American home-decorating scene. This pilot

0007-SWP-034651

venture, called "Decorating World" and located in Charlotte, North Carolina, was many times larger than a traditional 4,000-square foot Sherwin-Williams branch, and was designed to act as a laboratory for new marketing techniques. Decorating World offered customers both a complete selection of decorating products, including paint, wall and floor coverings, draperies and other window treatments, and seasonal items, like lawn furniture and kitchen and bath accessories. All of these items were available in various price categories. Decorating World also provided innovative customer services, such as "how to" decorating clinics and a child-care center.

Unfortunately, efforts to change the company's image proved much more complicated and costly than anticipated. Creating a new logo and implementing the corporate identification system alone cost $15 million. Relocating, upgrading, and enlarging stores and expanding product lines proved enormously expensive. Decorating World, in particular, in the words of one Stores executive, was a "marketing success and a business disaster—too complex and too costly to operate." Even after the upgraded stores began to attract home improvement customers, Sherwin-Williams management had insufficient retail experience to capitalize fully on their patronage. The new retail strategy also risked alienating the store's traditional base of professional painters and building contractors. Ultimately, the company's thoroughgoing efforts to capture a new market while attempting to retain its traditional one made for a divided approach that served neither sector properly.

Forces external to the company further undermined Spencer's initiatives. Half the cost of a can of paint derived from its raw materials, most of which were based on petroleum. In 1974, the energy crisis caused raw material costs to skyrocket, causing Spencer to acknowledge that, "in terms of margins, the good old days are gone, particularly in the paint business." Federal wage-and-price controls barred the company from raising its prices and forced it to borrow money to cover operating expenses.

In addition, Sherwin-Williams' traditional strategy of investing heavily in raw materials was no longer paying off, and its Chemical Division began to lose money. Technology was changing so rapidly that even large infusions of capital could not guarantee Sherwin-Williams a competitive market position. Many of the plants it had bought or built over the past decades produced pigments and chemicals that were in danger of becoming obsolete in the coatings business. Instead of using 90 per cent of its own raw materials, Sherwin-Williams had to sell 90 per cent to other companies; what had been vertical integration had become horizontal integration, with the company continually working to sell these products to others. Hopeful of a turnaround, Spencer pressed ahead, divesting, closing outright, or converting a number of pigment and chemical plants.

In 1975, in a major effort to counter discounters who were increasingly using Sherwin-Williams branded paints as loss leaders, Spencer made a controversial decision to remove Sherwin-Williams paints from all markets except the company's

0007-SWP-034653

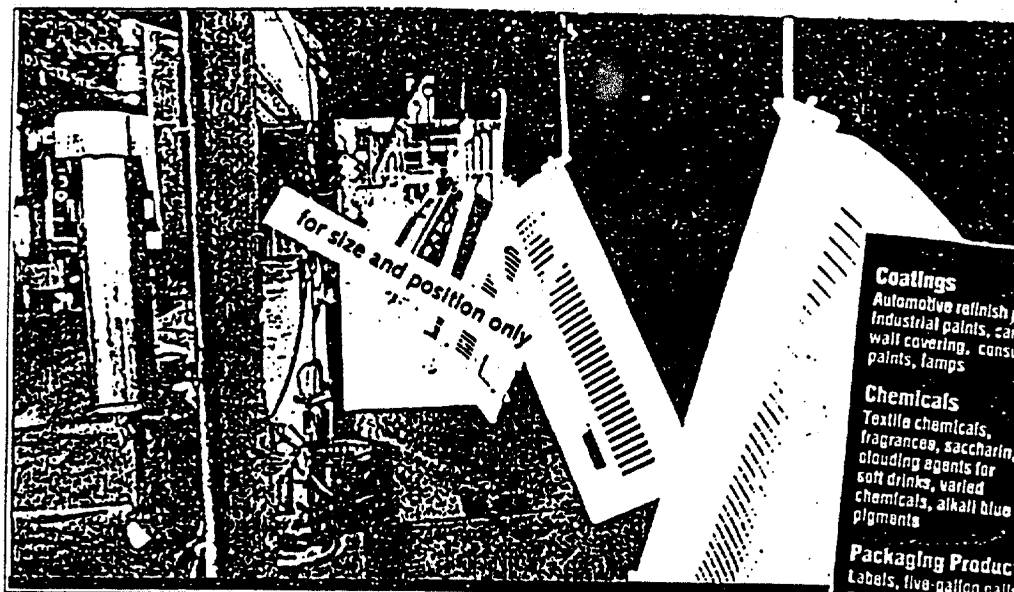
own stores. In return, the company gave its longtime dealers generous financial terms and proposed that they sell the Martin-Senour brand instead. Many dealers, however, chose rival brands with more established market shares, and Sherwin-Williams lost 12 million gallons of paint sales in the transition, representing 10 to 15 per cent of its total paint sales volume. Although implementation proved costly, this move was seen as imperative for Sherwin-Williams to recapture its own name brands and to allocate its different paint lines strategically between mass marketers, dealers, and its own stores.

Spencer also sought to replace old plants and technology. To become the low cost producer of the coatings industry, he earmarked $100 million in capital investment to build two new plants, an enamel and lacquer coatings facility for auto refinishing in Richmond, Kentucky, and an emulsion plant in Chicago. The plant dedicated to the automotive refinish business was long overdue. In 1958, Sherwin-Williams had invented acrylic enamel, a significant technological breakthrough that applied easily and dried instantly. From this invention came a new product, called Acrylyd, that was introduced in 1963. To show how easy it was to use, demonstrators applied Acrylyd in tuxedos. This new acrylic enamel technology, and later, isocyanate technology, proved so successful that, in the 1960s, the company began to open its own specialty automotive branches. Business soared for the "refinish experts," as they called themselves, and Sherwin Williams went from last place to become the number-two supplier of auto refinishes in the United States, and third or fourth in the world. By 1975, Sherwin-Williams operated fifty automotive branches; with business increasing at 20 per cent a year, automotive refinishing was the fastest growing part of the company.

Despite its success, the auto finishes business suffered from second-class status in the company. Its managers had to "beg, borrow, or steal" production capability out of the coatings plants and adapt this, which was difficult as auto refinishes involved "high tech" processes which were expensive. The decision to build the Richmond plant was a clear signal that the company was serious about developing this area of its business. With its new production capability, the division actively pursued a multibrand strategy of selling Sherwin-Williams automotive refinish products from its branch stores directly to body shops; selling its Martin-Senour brand to National Automobile Parts Association (NAPA), a distributor that was the world's largest chain of automotive aftermarket stores; and selling its Acme and Rogers brand through still other channels.

Industrial coatings was another business segment that yielded innovation and expansion during the 1970s. The coil coating business, one of the fastest growing paint markets, grew at 15 per cent per year and involved a wide range of customers, MAY 2 9 1991

JUN 0 5 1991



Coatings
Automotive refinish paints, industrial paints, carpeting, wall covering, consumer paints, lamps

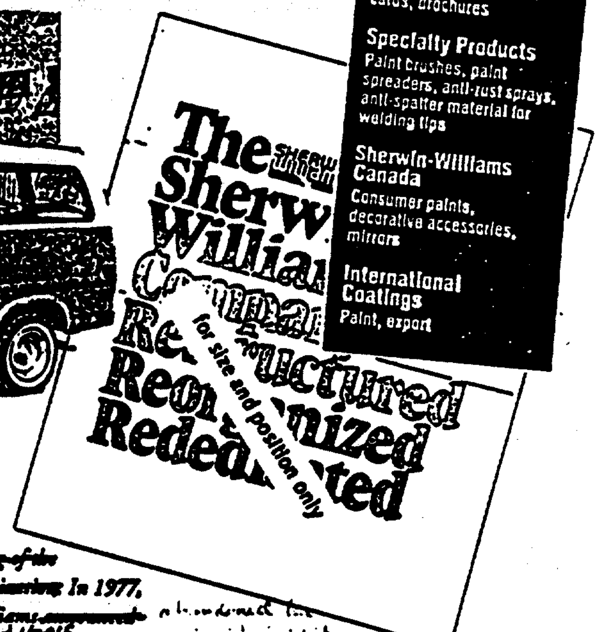
Chemicals
Textile chemicals, fragrances, saccharin, clouding agents for soft drinks, varied chemicals, alkali blue pigments

Packaging Products
Labels, five-gallon pails, aerosol, color selection cards, brochures

Specialty Products
Paint brushes, paint spreaders, anti-rust sprays, anti-spatter material for welding tips

Sherwin-Williams Canada
Consumer paints, decorative accessories, mirrors

International Coatings
Paint, export



Polane, an important new industrial finish, was introduced in 1971.

Top: a Polane finishing line.

~~The beginning of the end of centralization:~~ In 1977, Sherwin-Williams ~~announced~~ ~~a restructuring along divisional lines, the result of five years of effort to change the company's traditional organizational structure,~~ and the first major

modest operations and ... with the ... to work.

abandoned ... used ... new ... form

0007-SWP-034656

86 06

including the business machine, structural steel, and the aircraft industries. Innovative industrial coatings research and development emphasized energy-efficient coatings. In 1971, for example, Sherwin-Williams introduced Polane, a successful new industrial polyurethane finish which could be applied to a wide variety of surfaces without baking, and which was very effective for use on heat-sensitive plastics. Polane, which had been first developed in the 1960s by the Lowe Brothers affiliate, soon set the standard in the industry.

Despite positive showings by chemical coatings and automotive refinishes, and even though sales volume for the rest of the company reached an all-time high, Sherwin-Williams earnings in the early 1970s continued to be disappointing, having dropped steadily from their peak in 1966. In fact, the rapidly accumulated acquisitions and the capital expenditures of the late 1960s, combined with the further expenditures and new directions of the 1970s, had produced a highly diverse, debt-laden company. Spencer remained upbeat, however, contending that "a price had to be paid" for the new Sherwin-Williams, and that in fact, the company was approaching its strongest position in years. In 1976, he initiated a wave of selling off operations, including Osborn and a textile chemical plant. The company also sold plants in Detroit, Dayton, Gibbsboro, and in Europe, as well as a lab in Toledo. All told, it took $16.4 million in write-offs from these transactions.

When he first took office, Spencer had been determined to reverse Sherwin-Williams's 100-year history of centralized control. He had long chafed at the company's top-down organization and the paternalistic relationships that grew out of it, convinced that such a system was increasingly ill-suited to a rapidly changing business environment. Starting in 1971, he began a series of restructurings in order to change the company "from a traditional, highly centralized, functional organization to several business area organizations, each headed by one man responsible for sales, production, research and development, and accounting and control in his business area."

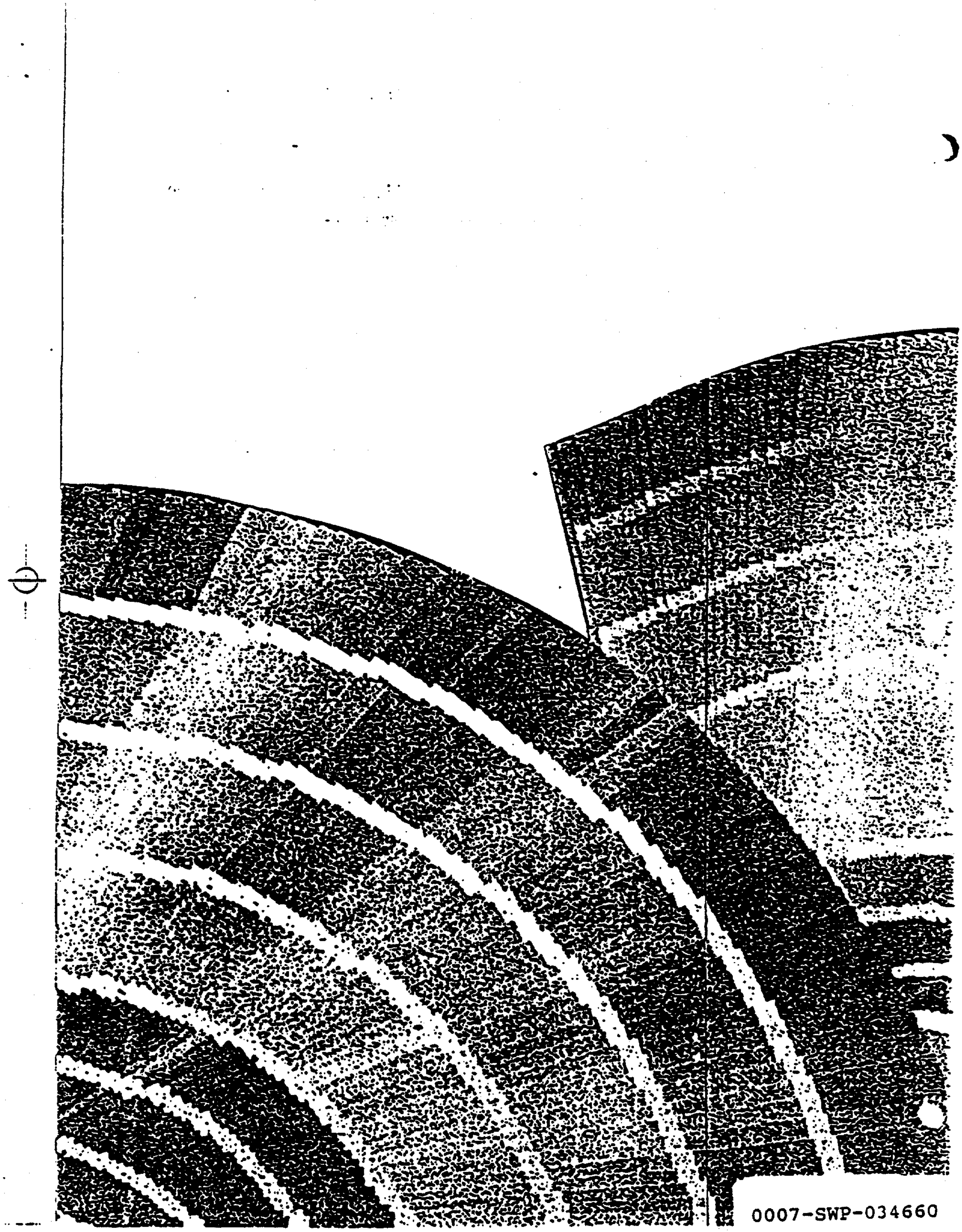
The company reorganized along divisional lines, creating five profit centers of Coatings, Chemicals, Auxiliaries, International, and Sprayon, all of which were organized into groups. It instituted a formal strategic planning function and overhauled the financial office. In 1976, Spencer restructured the Coatings Group under its own vice president. He then broke it into three divisions, Consumer, Automotive Refinishes, and Chemical Coatings. Although he sought to make each of these responsible for its own profits, sales, manufacturing, distribution, and research and development, they were not decentralized in their operations, and were not true "profit centers." In addition, the overarching corporate structure remained in place.

By 1977, this restructuring was essentially complete. Under the new system, the Coatings Group included for the first time under one umbrella the diverse collection of autonomously run affiliate companies and all the different subsidiaries of

Sherwin-Williams. It was, in turn, restructured into five divisions. These included Consumer, which encompassed all production, technical development, distribution, and direct sales of paint, other than chemical coatings and auto refinishes; Trade Stores, which was responsible for all sales, merchandising, advertising, and operation of the company-owned stores; Chemical Coatings; Automotive Aftermarket branches; and International Coatings. Other groups included Chemicals; Packaging Products, which managed containers; Specialty Products, which managed Sprayon and Hadley Adhesives; and Sherwin-Williams Canada.

Despite Spencer's determined efforts, Sherwin-Williams remained, in his words, "a troubled company." Although he predicted that it would break even in 1977, the actual financial results for that year proved much worse. At the end of the fourth quarter, the company reported a loss of $8 million on sales of $1 billion, and its interest expense exceeded its earnings. Sherwin-Williams was unable to pay its dividend for the first time in its history, and it owed $196.6 million in long-term debt. The value of its stock had plunged from the high $40s to the $20s in little more than five years. Following this distressing performance, serious questions were raised about the company's financial controls, and the board of directors re-organized itself to include fewer insiders. As the stock price slid precipitously, the company became a takeover target. Several Cleveland companies considered buying Sherwin-Williams, and Gulf & Western, a well-known conglomerate, was on its way to acquiring 13.4 per cent of the company's stock.

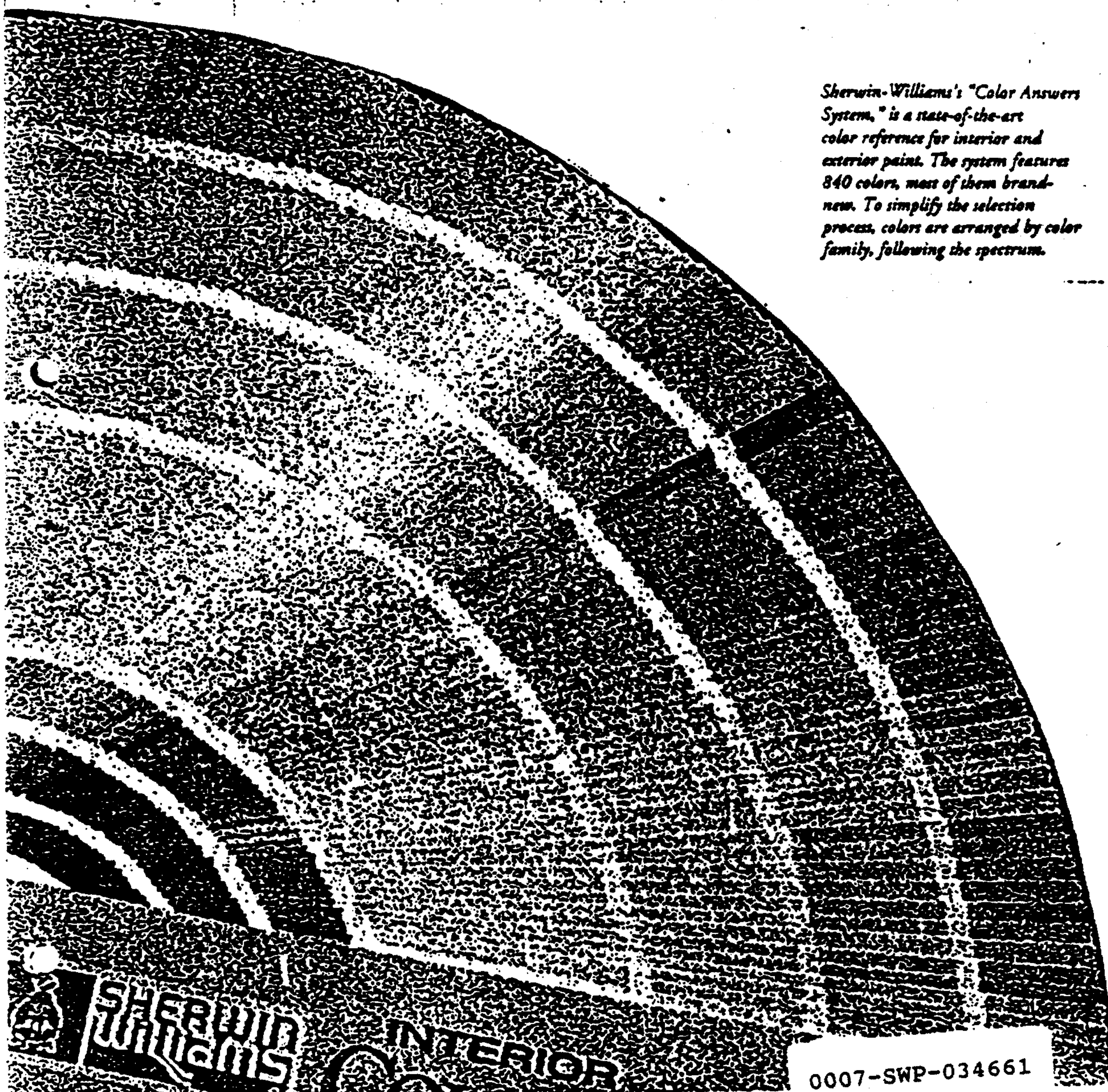
In March 1978, Spencer resigned, citing the frustrations of trying to decentralize a company of Sherwin-Williams's massive size and formidable traditions, and of trying to fashion a market-driven organization from a production-focused structure. "The job is no longer any fun," he said. He was succeeded by 60-year old interim president William Fine, who had been a member of the board for over twenty years, and who had held of a number of top financial and operating positions in the company. In the meantime, the board launched a search for a new president.



0007-SWP-034660

Black background, White type

Sherwin-Williams's "Color Answers System," is a state-of-the-art color reference for interior and exterior paint. The system features 840 colors, most of them brand-new. To simplify the selection process, colors are arranged by color family, following the spectrum.



0007-SWP-034661

Renaissance in Coatings

1979-1991

JUN 1 0 1991

Past and future: Chairman and CEO John G. Breen and President Thomas A. Commes pose before the portraits of Sherwin and Williams in the board room at Cleveland headquarters, a scene that highlights the company's continuing commitment to the business and values of its founders.

Chapter 7

Sherwin-Williams ended the 1970s in crisis and entered the 1990s in prosperity. Looking back over these years, the story divides into three fairly distinct periods: a turnaround phase, a search for new growth opportunities, and finally, the present phase, still unfolding, in which the company is refocusing on its core business of coatings.

In January 1979, with bankruptcy looming, the board dramatically broke with tradition, hiring an outsider, 45-year old John G. Breen, as president and chief executive officer. The Cleveland-born Breen had been an executive vice president at Gould, a large diversified company. At Sherwin-Williams, he quickly became known for his aggressive management style and blunt talk. In fact, in his strongly-held traditional values, and deep impatience with self-indulgent habits—especially those that had an adverse affect on the company—he resembled Henry Sherwin.

Within a few months, Breen departed from past Sherwin- Williams practice by assembling a youthful, professionally trained, top management team. Conway G. Ivy, a soft-spoken Texan with whom Breen had worked at Gould, arrived as vice president of corporate planning and development. Thomas A. Commes, a risk-taker whose experience with troubled companies made him ideal for Sherwin-Williams, and who had worked at Gould as well, was named senior vice president of finance. Although Breen freely admitted, "I didn't know a damn thing about the paint business," the new management team brought a tough-minded approach, which included rigorous planning and implementation methods and tight financial controls. In addition to these newcomers, Breen relied heavily on a strong base of long-time operational heads and middle managers to provide knowledge and continuity.

The immediate priority was to reverse the company's financial slide. Sherwin-Williams's ballooning long-term debt and its chronic reliance on short-term borrowing to finance its day-to-day operations made bankruptcy seem a certainty. "My estimate, after spending a month here," noted Ivy, was that "we were probably six months away from bankruptcy." Others disagreed, thinking it might be nine months or ten. The first step, then, was to determine where the company made its money and to generate cash quickly. Sherwin-Williams began negotiating with suppliers for extended payment schedules, the implementation of cash management techniques, and the drafting of checks from the branch stores to headquarters electronically.

The next move was to understand and obtain control of the Sherwin-Williams's many different businesses. To gather data, the new management team met monthly with all top executives to review operations. Given the company's fortunes at the time, these first meetings were sometimes pretty grim. In detailed written plans, managers explained the nature of their businesses, including products, strengths, weaknesses, competitors, and future plans. Every division began to submit annual operating plans, and from these, the company developed comprehensive policies that included budgeting, strategic planning, and management assessment.

The setting of these meetings vividly highlighted one aspect of the culture change brought by the new management. Breen immediately created a stir by holding them, over box lunches, in the company's boardroom in Cleveland headquarters. This room, which had always been kept closed when the board was not in session, with a pad over its conference table, had the air of a "mausoleum." Within weeks, however, it took on a more lived-in feeling.

A series of strategic planning sessions, attended by top executives and division managers, were directly tied into the new budgeting process. These provided the necessary information for Breen's management assessment plans, which formed the structure for the company's future direction. Strategic planning and budgeting were "bottom-up" efforts. One of the first things that Breen made perfectly clear was that he did not expect to run the company from the top. Instead, authority to set goals and the responsibility to fulfill them was delegated to people as far down in the company as possible. Top management played devil's advocate, ensuring that goals were realistic. After that, Commes noted, top management got "out of their way and let them do their thing!"

By giving operating staff the autonomy to make important decisions, and by installing information systems that could measure and coordinate objectives, the company effectively reversed its historical orientation toward centralized control. For the first time since the divisional structure had been introduced in Spencer's era, division managers were held directly accountable for their performance. Decentralization proceeded further by converting the company's nine domestic divisions into profit centers, and by installing a rigorous management accounting system that charged the divisions for the use of working capital and fixed assets.

According to the vice president of human resources at this time, Breen was "absolutely unrelenting in terms of performance." To Breen, it was simple: "Once the plans had been agreed upon, people were expected to do what they said they'd do." His demands for accountability and responsibility were a dramatic change for those Sherwin-Williams employees who expected to receive their bonuses once a year like clockwork and for those who thought of themselves as working for the company for life. During these first years, many difficult decisions had to be made about personnel. The standards were high but everyone was given an equal shot to succeed. The turnover was most drastic among the company's top executives, while a strong cadre of experienced operations managers remained. To monitor and reward performance, the company instituted executive plans tied into the planning, budgeting, and the management assessment process. In addition to the top executives, Sherwin-Williams developed compensation plans tied to incentives for many other employees, particularly store managers and sales representatives.

These measures had a positive effect. By the fall of 1979, the company had cut its long-term debt by $25 million, stockpiled $110 million in cash, and doubled its accounts payable. On October 30, 1979, Breen convinced Gulf & Western that the continuing possibility of a takeover hurt efforts to rebuild Sherwin-Williams. The company bought back its outstanding shares, which amounted to 13.4 per cent, for $21 million. Following that crucial success, Sherwin-Williams restored its dividend, which it had been unable to pay since 1977. In 1980, Breen was elected chairman, and later that year, after conferring with employees and outsiders, he revived the "Cover the Earth" logo.

Removing the takeover threat marked the end of Sherwin- Williams' short-term crisis and the beginning of a decade-long second phase, characterized by growth in the coatings business, by divestiture of the unprofitable Chemical and Container Divisions, and by short-term diversification into drug stores. At this time, Sherwin-Williams was still organized in four basic business segments, or Groups. The first and largest was the Coatings Group, which consisted of four operating divisions: the Chemical Coatings Division; the Retail Stores Division (of approximately 1,400 stores); the Consumer Division, which manufactured paint and distributed it through various marketing channels to home centers, national retailers, and hardware dealers; and the Automotive Aftermarket Division (formerly Automotive Refinishing), which made and distributed coatings for vehicle repair and maintenance. The remaining three business segments included the Chemicals Group, which produced additives used in agricultural chemicals and foods and beverages; the Container Group, which provided cans for paints and other consumer products; and a Specialty Group that manufactured painting tools and accessories such as brushes and rollers. To facilitate true decentralization, Breen eliminated the Group Vice Presidents who had reported to the president. Once freed from this cumbersome management layer, the heads of the operating divisions throughout the company reported directly to Breen.

The Coatings business was by far the strongest segment. Steady demand had risen over the 1970s for new chemical coatings, partly because metal had doubled its share of the construction components market. In 1979, the Chemical Coatings Division introduced a product called SuperClad 1100, a heat-cured, high-performance, and long-lasting vinyl coating for the aluminum siding industry. The division also introduced its PowerClad process, which produced the first full-gloss, gloss-retentive, cathodic finish for electrocoating general metals and farm equipment. In addition, the division developed an important niche market in priming original equipment for plastic automobile parts. In 1984, an advanced formulation called Polane GlasClad was introduced that reduced the cure cycle required for the priming of a sheet-molding compound by 50 per cent. Auto manufacturers could increase their production output by using GlasClad-treated, and after 1986, PermaClad-treated, automotive body parts.

The Automotive Aftermarket Division of the Coatings Group was another area with strong growth potential. In 1979, it introduced Sunfire, a highly durable acrylic urethane enamel. Sunfire soon gave Sherwin-Williams the lead in the premium automobile refinishing market because it was the first air drying finish that equalled the durability, gloss, and color retention of a factory-baked coating. Later, the division introduced and then refined, a line of Ultra Base 7 acrylic urethane finishes. In 1988, to expand market share in the production shop segment of the industry, Sherwin-Williams acquired the assets of Western Automotive Finishes, Inc., a Texas company.

Even the Stores Division—long considered a troubled business—experienced a rebirth in the 1980s. Despite their broader retail service orientation during the 1970s, the stores still mainly served as a distribution network for Sherwin-Williams products. "We had that manufacturing mentality. We were going to make what we want to make, and the [stores were] going to find a way to sell it," noted one Consumer Division executive. This attitude altered in the early 1980s, when Sherwin-Williams began to change to a "marketing pull company rather than a manufacturing push company." One catalyst for change was the newly installed management accounting system, which revealed that the reason the company's paint factories always seemed to be awash in money was because they were selling to a captive customer, the Stores Division. Once the charge for working capital and other, tighter financial controls had been installed, the Stores Division began operating in the black for the first time in its history.

Throughout the 1980s, Sherwin-Williams worked to resolve the dilemma of the customer base of the branch stores. Although the do-it-yourself decorator market increased from a quarter of branch store sales in 1978 to a third in 1983, the remainder of sales were generated by painting contractors. Although Sherwin-Williams believed that retail sales to do-it-yourself customers were important, it needed to target this market segment more carefully. The company decided to close Decorating World and scale back the other larger decorating centers to full-line paint and wallpaper stores. It introduced new coatings products, such as Super Paint, a premium quality interior and exterior latex that carried a ten-year warranty. In 1982, the Stores Division began a new multimedia campaign that advised customers to "Ask Sherwin-Williams." The company also continually rethought its store location strategy, and, in 1983 alone, closed many branches and opened fifty others in different locations. At the same time, the Stores Division embarked on the biggest single promotion in company history, calling for a one-million-gallon paint sale, and coining the slogan, "Take Charge: It's Up to Me in '83!"

Another dilemma that impeded Sherwin-Williams's growth in coatings was the need for more outlets for its paint products, particularly among discounters who were once again clamoring for Sherwin-Williams brands. To resolve this problem, the company developed an ambitious multi-brand production and distribution strategy. It began in 1980 by acquiring the well-known Dutch Boy name and paint facilities. Sherwin-Williams intended to offer Dutch Boy to retailers and discounters, while retaining the Sherwin-Williams brands in its own stores. The company also received Dutch Boy's Baltimore Paint and Chemical Corporation subsidiary, a Maryland company founded in 1919 that specialized in traffic paint, together with its paint factories in Baltimore and Los Angeles.

By 1985, the Dutch Boy investment began to bear fruit. Sherwin-Williams sold Dutch Boy to home centers and other mass retailers and sold Dutch Boy Super Kem-Tone to discount chains. Although difficulties arose initially because Dutch Boy had been a dealer brand, Sherwin-Williams removed Dutch Boy from the dealer channel and replaced it with the Martin-Senour brand.

Alongside its efforts to build the coatings business, Sherwin-Williams began investigating other industries with faster growth rates as an appropriate way to diversify. In 1981, Sherwin-Williams was asked to step in as a "white knight" to ward off a takeover attack on Gray Drug, a Cleveland, Ohio chain of drugstores. After examining the possibilities, Sherwin-Williams management decided that since drugstores made most of their money in the fall and winter months, this business might be the ideal countercyclical diversification for which they had been searching. Sherwin-Williams bought Gray Drug for $55 million in cash. With this purchase (and with the stores from Drug Fair, which Gray had acquired six months earlier) Sherwin-Williams created a new Drug Store Division, encompassing some 450 drugstores.

Although management's original plan had been to focus on expanding the company, based on the coatings and chemicals businesses, and to acquire other, high-growth lines, it came to realize that some of its unprofitable lines would have to be divested. The Container Division, for example, came under special scrutiny after the new financial controls, and the strategic planning process, revealed that its profits were illusory. Sherwin-Williams had produced containers since 1874 and was still making round paint cans, as well as aerosol and oblong cans, primarily for external sale. Making cans was a big business. In fact, not counting companies making food and beverage cans, Sherwin-Williams was one of the largest producers of general-line cans in the country. In order to keep profits up, however, it charged Sherwin-Williams's internal businesses more for cans than it would cost the company could buy elsewhere. In addition, the division sold 75 per cent of its can output to competing paint companies. In 1984, therefore, Sherwin-Williams divested the Container Division, but continued buying the cans from the new owner.

0007-SWP-034671

Similarly, although the company had initially considered the chemical industry a prime area for future diversification, the Chemical Division's continued losses in the early 1980s made it ripe for divestiture. In 1983, when the federal government extended its saccharine ban, Sherwin-Williams realized it would need to devise alternative artificial sweeteners to remain competitive. Not only did the division lack the research resources required for this particular purpose, it also lacked the funds to develop other new chemical products. In addition, the cyclical nature of the chemical business was a problem. Discussions concerning the Chemical Division's long-term viability led to its divestiture, in 1985, to PMC Specialties Group. By the sale, Sherwin-Williams automatically removed itself from a number of businesses, including paracresol, alkali-blue pigments, saccharin, triazoles, and zinc oxide.

Sherwin-Williams also reached a turning point with the Drug Store Division it had formed in 1981, as this continued to report profits below the company's threshold of acceptability. Although the company had invested an enormous amount of management time in the Drug Store Division, and led it through a number of important reorganizations, research in the mid-1980s showed that the division would require another $300 million to make it into an important presence in the drug store industry. "We got the drug store business from losing money to making money," noted Commes, but this was only "a moral victory as opposed to a real economic victory." Rather than continue to invest, in 1987 Sherwin-Williams sold the division, for a profit, to the Rite-Aid chain.

The sale of the Drug Store Division ushered in the third and current stage of the Breen era, in which Sherwin-Williams, having shed its last non-coatings businesses in order to concentrate its capital and management resources squarely on coatings. No other company in the coatings industry possessed Sherwin-Williams's remarkable advantages. It was by far the largest, with a vast network of over 2,000 paint and automotive stores; its nearest competitor, by contrast, had only 380 paint branches. Sherwin-Williams planned to build on these advantages. Its experiences during the 1980s had taught management that efforts to diversify, and to build market share in industries in which the company occupied a minor position, harmed its core business. Top management, which as of 1986 consisted of Commes as president and chief operating officer, with Breen retaining the chairman and chief executive officer positions, vowed "never again" to divert resources and management attention as the company had done in the 1960s and 1970s.

In addition to improving its market share in coatings, Sherwin-Williams focused on improving customer service, and the latter half of the 1980s saw a significant amount of investment in this area. In keeping with Breen's strong interest in employee performance and responsibility, Sherwin-Williams gave special attention to developing

0007-SWP-034673

its staff from within the organization. The company initiated a number of programs designed to build management depth and develop the company's future leadership. A formal management training program for store managers was implemented, and many other areas of the company became increasingly professionalized. Breen, who often spent half a day with each class of new trainees, believed these training and development programs were essential; his oft-quoted "Breenism" was "smart people plus hard work equals success."

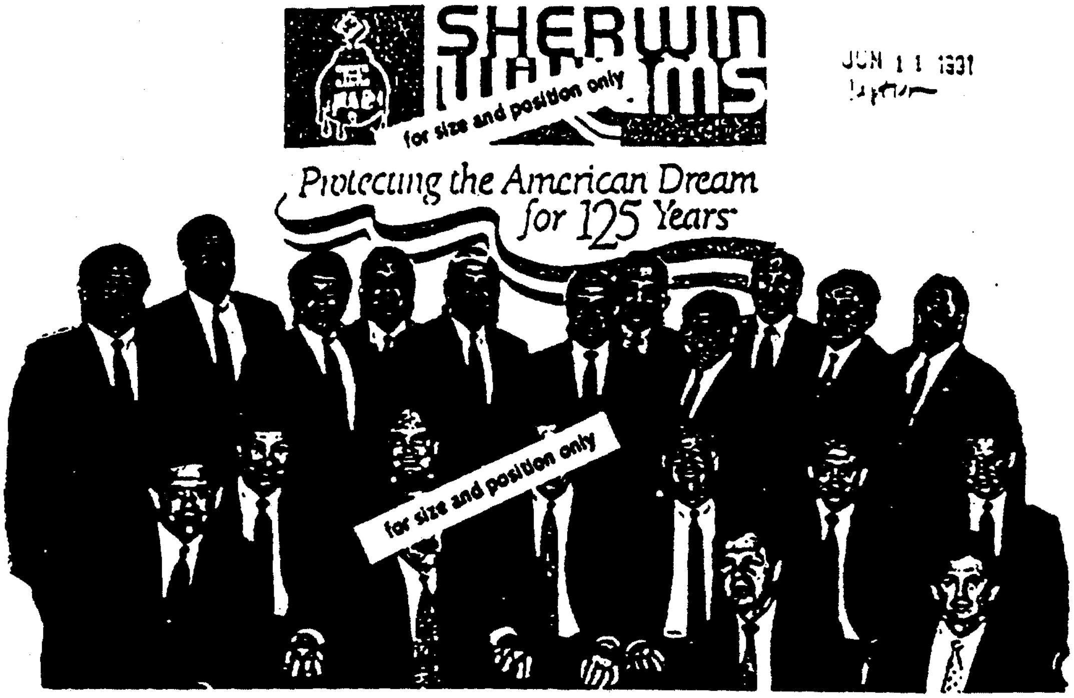
As part of its new emphasis on coatings, Sherwin-Williams took a series of important steps in product development, production, and distribution. In 1987, over 100 new stores were opened and many new sales representatives were hired. In 1988, for the first time in 12 years, Sherwin-Williams updated its color system, introducing the "Color Answers Chart," a state-of-the-art reference of colors for interior and exterior use. More significantly, there was a renewed commitment to quality throughout the organization. The company also made important acquisitions in coating companies with strong niche positions. Building on its 1984 acquisition of Duplicolor, a coatings company that specialized in automobile aftermarket paints, in 1990, Sherwin-Williams bought the Krylon and Illinois Bronze aerosol paint operations of Borden, Inc. The Krylon name came from a 41-year old Pennsylvania company that carried a complete line of spray paints and acrylic coatings. The Illinois Bronze Paint Company name was that of a century-old, Chicago manufacturer of aerosol and oil-based brushing paints. That same year, Sherwin-Williams also bought the architectural coatings business of DeSoto, Inc. An Illinois company which traced its roots back to 1910, DeSoto was one of the largest paint manufacturers in the country and its architectural coatings business supplied private label paints for chains such as Sears and Home Depot. The addition of DeSoto to the Custom Paint Products Group made Sherwin-Williams the world's largest supplier of custom paints for the private-label market.

The company's decision to concentrate on building market share in the coatings industry was timely. Discount and home decorating chains that catered to the do-it-yourself market had grown to become the biggest sellers of paint. These stores preferred to rely on one or two major suppliers that sold national brands and provided national distribution, rather than hundreds of smaller, local paint companies.

As it pauses to observe the 125th anniversary of its founder's entry into the paint business, Sherwin-Williams seeks to increase its lead in the coatings industry. As Breen has pointed out, "Our mission is to be number one in every business we're in." The company's multi-brand strategy of placing its paint and other coatings in as many different channels of distribution as possible gives it a good chance to succeed; indeed, for the first time since it introduced Kem-Tone in 1941, its many brands are clearly positioned in the marketplace. Similarly, in its automotive aftermarket and

Continuing its focus on coatings, in 1991 Sherwin-Williams purchased the Cuprinol brand names from the Darworth Company of Connecticut, premium stains, liquid sealers, & other [illegible] products

JUN 11 1991



Sherwin-Williams executive officers and operating managers, February 1991.

Back row, left to right, Robert B. Venick, President, Paint Stores Group; John C. Macatee, President and Gen. Mgr., South Central Division, Paint Stores Group; Blair P. LaCour, President and Gen. Mgr., Mid-Central Division, Paint Stores Group; William B. Eldredge, President, International Group; Robert E. Kinney, President and Gen. Mgr., Transportation Services Division; Rolan D. Kjesen, President and Gen. Mgr., Chemical Coatings Division; Thomas R. Miklich, Senior Vice President- Finance and Chief Financial Officer; Williams E. Pannill, Vice President-Administration; John L. Ault, Vice President-Corporate Controller; Thomas A. Commes, President and Chief Operating Officer; James E. Renshaw, President and Gen. Mgr., Eastern Division, Paint Stores Group.

Middle row, left to right, Joseph M. Scaminace, President and Gen. Mgr., Specialty Products Division; Richard M. Wilson, President and Gen. Mgr., Southeastern Division, Paint Stores Group; Frank E. Butler, President and Gen. Mgr., Consumer Division; John G. Breen, Chairman and Chief Executive Officer; Conway G. Ivy, Vice President and Treasurer; Christopher M. Connor, President and Gen. Mgr., Western Division, Paint Stores Group.

Front Row, left to right, James W. Krause, President and Gen. Mgr., Automotive Division; Thomas Kroeger, Vice President-Human Resources, Larry J. Pitorak, Vice President, General Counsel, and Secretary; Louis E. Stellato, Assistant Secretary and Corporate Director of Taxes.

chemical coatings businesses, the company's varied brands are channeled among different markets and cover a wide variety of uses. By using a strategy of developing its coatings business more fully and creating for itself a larger position as a marketer of do-it- yourself products, Sherwin-Williams is ideally positioned for future growth.

Although much about Sherwin-Williams has changed over the past 125 years, much remains the same. The company continues to lead the paint industry, and its current strategy, to focus on quality coatings, harks back to its founders. In addition, with Breen setting the tone, the company has re-emphasized its early traditions of honesty, integrity of dealing, hard work, and fiscal conservatism; Cottingham's "Code of Principles" is prominently displayed throughout the offices of top management.

In 1991, Sherwin-Williams is one of a small handful of United States companies to lead its chosen industry for more than a century. During the past decade, the company has shown steady growth and profitability. Looking ahead, it expects to continue to grow its market share and to improve customer service. If its history is any guide, Sherwin-Williams's successful combination of traditional strengths and values, and its modern management techniques, promise that it will remain "America's Paint Company" for a long time to come.

Note on Sources

Sherwin-Williams has always been proud of its history, and its various historians and archivists have preserved a wealth of material from the early years. This book would have been far harder to produce, for example, without the efforts of people like W.R. Sieplien, an early manager who gathered many documents over the course of his career and wrote descriptions of all facets of Sherwin-Williams history.

This book is based primarily upon internal sources, upon material in the public record, and upon the oral interviews noted above that were conducted for this project.

Unless otherwise noted, all quotations and citations from the text are drawn from internal sources at Sherwin-Williams. As these documents are proprietary to the company, we have not footnoted them for this volume, and cite only references from sources available to the public.

Citations from published or public sources

Page 39: "...would pass for a Pilgrim father." from Roy Rutherford, "Joy of Living and Working Fill Typical American's Life," in *Boys Grown Tall: A Story of American Initiative*, *Cleveland Plain Dealer* (Cleveland, 1944), p. 79.

Page 77 "didn't always do what's expected." *Chemical Week* (April 1, 1970), p. 102.

Page 79: "We weren't going out and asking our customers..." *Business Week* (February 23, 1976), p. .

Page 85: "a price had to be paid..." *Business Week* (March 27, 1978), p.

Page 85: "from a traditional..." *Wall Street Transcript* (June 24, 1974), p. 37360.

Page 87: "a troubled company." *Wall Street Transcript* (June 28, 1976), p. 44,077.

Page 87: "The job is no longer any fun." *The New York Times* (August 3, 1978), D1.

Page 91: "I don't know a damn thing about the paint business." *Financial World* (August 15, 1980), p. 29.

Page 103: "Our mission is..." *Business Week* (May 5, 1986), p. 90.

ABOUT THE AUTHORS

Kathleen McDermott is a principal in The Winthrop Group, Inc., a Cambridge, Massachusetts firm specializing in historically-based consulting to business and government. She holds a graduate degree in legal history from Harvard Law School and is the co-author of *Accounting for Success: A History of Price Waterhouse in America 1890-1990* (forthcoming).

Davis Dyer is managing director of the Winthrop Group. He holds a Ph.D. in history from Harvard University and is author or co-author of many books and articles, including *Labors of a Modern Hercules, The Evolution of a Chemical Company* (Boston, 1990).

ACKNOWLEDGEMENTS

In the fall of 1990, Sherwin-Williams commissioned the Winthrop Group to write this book for the company's 125th anniversary in 1991. Although Sherwin-Williams provided support and encouragement for the project, and the authors met periodically with the company's officers and representatives to review progress, the general structure of the book, its interpretations, and conclusions are the authors' own.

Many people contributed to the production of this book. The authors wish first to thank Patricia S. Eldredge, archivist at Sherwin-Williams for her strong interest in, and support of, the project. Pat's infectious enthusiasm for the company's history helped to launch this book. Once the work got underway, her encyclopedic knowledge of Sherwin-Williams, her dedication to the project, and her attention to detail proved invaluable.

Other Sherwin-Williams employees and retirees also provided significant encouragement and support. Tom Kroeger was a helpful guide to the interviews and an astute critic of the manuscript. Sally Magovich arranged most of the interviews. No matter how obscure the document request, Harold Molden and his crew in the Records Center always assisted cheerfully.

The following people—all of whom were unfailingly patient and cooperative—were interviewed for this project: Frank Butler, Jack Breen, Allan Childs, Tom Commes, Bill Eldredge, Conway Ivy, Jim Johnson, Art Maine, Tom Miklich, Bill Moonan, Larry Pitorak, Jerry Pontius, Fred Ristow, Walter Spencer, Bob Tschannen, Len Ward, and John Weaver. The authors' colleagues at the Winthrop Group, Paul Barnhill and Dan Jacoby, helped to track down information on Sherwin-Williams in the public domain. Susan Surapine and Pam Bracken provided prompt and accurate transcriptions of taped interviews.

This book was designed by Judy Kohn, founding partner of the Boston-based firm Kohn/Cruikshank. Among her credits is the prize-winning history, *A Delicate Experiment: Harvard Business School, 1908-1945* (Boston, 1987). The colors that appear on the left-hand pages of this book are inspired by a Sherwin-Williams color chart.

0007-SWP-034679

America's Paint Company:
A History of Sherwin-Williams

Composed on a Macintosh Computer
in Adobe Garamond with display lines in
Adobe Helvetica Condensed Black

Printed on Warren Lustro Offset Enamel
text and cover papers, by
Meridian Printing, East Greenwich, RI

A limited edition was bound in
Brilliants Cloth by
The Riverside Group, Rochester, NY

0007-SWP-034681