

## INSIDE THE INDUSTRY



J.A. Lacy  
President  
FinishMaster

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**I**ndianapolis-based FinishMaster represents what is arguably the largest national presence in PBE distribution. With their jobber stores operating much like a franchised mobile tool distributor, FinishMaster utilizes its 166 sales outlets and four distribution centers in 28 states to service over 15,000 customers in automotive dealerships, body shops and fleets. Their product offerings include a wide-ranging selection of paint, coatings and related accessories for the automotive market.

Despite already holding a leading position in the PBE distribution marketplace, FinishMaster continues to grow, as is evident by the company’s acquisition of 10 new locations last September. Recently, FinishMaster president J.A. Lacy sat down with *PTED* to discuss the company’s past, its future and its plans for continued success.

Interview by Jeff Reinke

**Q** To start, could you talk a little bit about FinishMaster’s origins? How and why was the company started? How has it been able to grow?

**A** FinishMaster has three roots. The first is “the old FinishMaster company” started by Jim White in Grand Rapids, MI. Jim opened his first location in 1968 and built a

network of branches throughout the Great Lakes area.

The second root is Thompson PBE, which began as the Thompson Lacquer Company in Los Angeles during the 1920s. Thompson PBE grew into the largest jobber in the nation during the 1990s.

The last root is LDI Ltd. LDI is the majority shareholder of FinishMaster. It owns and has operated distribution businesses in industries as diversified as motorcycle parts and pre-recorded video cassettes.

In the 1990s, LDI was looking to get into a new distribution market, and found the collision repair industry to its liking. LDI bought a controlling interest in FinishMaster in 1996 and less than two years later acquired Thompson PBE. LDI currently owns 73 percent of FinishMaster shares. There were only a few markets where the two companies competed, but putting them together gave us much broader coverage and scale.

FM has and will continue to grow via acquisition and by leveraging scale to achieve advantage over our competitors. FM’s value proposition is to provide superior distribution basics and value-added information to its customers, which should enable them to increase productivity, manage material costs and increase profits.

**Q** Who considers you to be their competition?

**A** This seems like such a simple question, but in truth it is very complex. What is FinishMaster? A logistics company? A solutions provider? Something else?

Our vision is to be the preferred supplier of products and services so that collision repair customers recognize us as a key factor in their success. So in this sense we compete with jobbers, direct sellers and anyone else that provides these things.

**Q** What sets FinishMaster apart from the rest of the distribution marketplace?

**A** There are a lot of very good jobbers in each of the markets we operate. At the local level it’s all about having a sales and operations team that contributes to making the customer successful. So that’s a point of emphasis with us. Additionally, FinishMaster is

unique in that no other jobber has the geographic coverage we do.

**Q What do you feel is the greatest benefit for a manufacturer in working with FinishMaster? For a customer?**

**A** For the manufacturer we believe there are four primary benefits in working with FinishMaster:

1. We devote a large portion of our budget each year to training and developing our staff. Additionally, we plan to expand our sales force by 15 percent this year. So we can do a pretty good job of promoting and supporting manufacturer products and programs.
2. We operate four regional warehouses, so our supply chain allows us to buy in large quantities and redistribute where the demand calls for it in our network. This helps reduce the cost of the manufacturer's channel by allowing them to produce and ship in bulk.
3. We're developing unique tools to help customers manage their business, which will help create high customer retention levels and growth.
4. We recognize that the market is changing, and that we need to change with it. In response to this, we work to stay flexible and support manufacturers in meeting their goals by responding to their unique needs.

Those same points are also of great benefit to our customers. We're working to develop the most knowledgeable and best trained staff in the industry so they can better serve and advise our customer base.

Our supply chain is also designed to ensure that the products a customer needs are available when and where the customer needs them.

Finally, our operational flexibility means we're creating tools for reporting information that helps customers, and we're willing to modify our value proposition/service offerings to meet the needs of each individual we work with.

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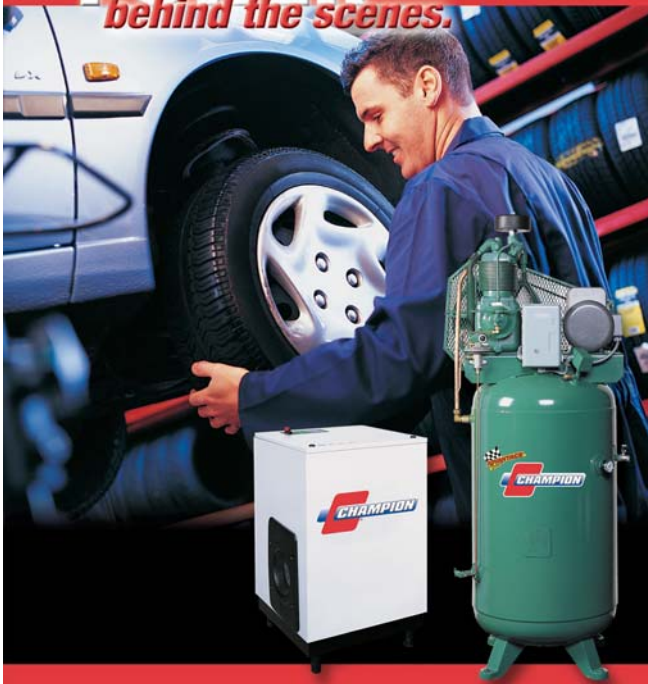


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**Q** Why do you feel FinishMaster is the only jobber to have such an extensive national presence?

**A** Not sure I have a good answer, and I definitely wouldn't say we expect to always be the only jobber in this position. For one thing, the financial dynamics in the collision repair industry are not great (declining market, over capacity and downward margin pressure).

It's also possible to make a very good living in one market. However, the industry dynamics aren't sufficient to attract capital for funding expansion, nor is there a tremendous amount of synergy that can be achieved to justify expansion for many jobbers.

**Q** What factors do you feel are having the biggest impact on the PBE marketplace? From a distributor's perspective? From your customer's perspective?

**A** In both cases, business will be driven to the entities that best meet the market's need, whether that's collision repair centers, distributors or manufacturers.

The "winner" body shops will expect more service at lower prices, so jobbers are going to have to figure out how to meet this higher service expectation within a lower cost structure in order to survive.

**Q** Looking into your crystal ball, what does the future hold, both immediate and long-term, for FinishMaster?

**A** FinishMaster is in this for the long haul. We'll keep our head down and keep doing the things we've been doing for the last few years to improve customer service and keep growing.

If there are acquisition opportunities that fit our model, then we'll make them. ■

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