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THE RITZ-CRAFT STORY

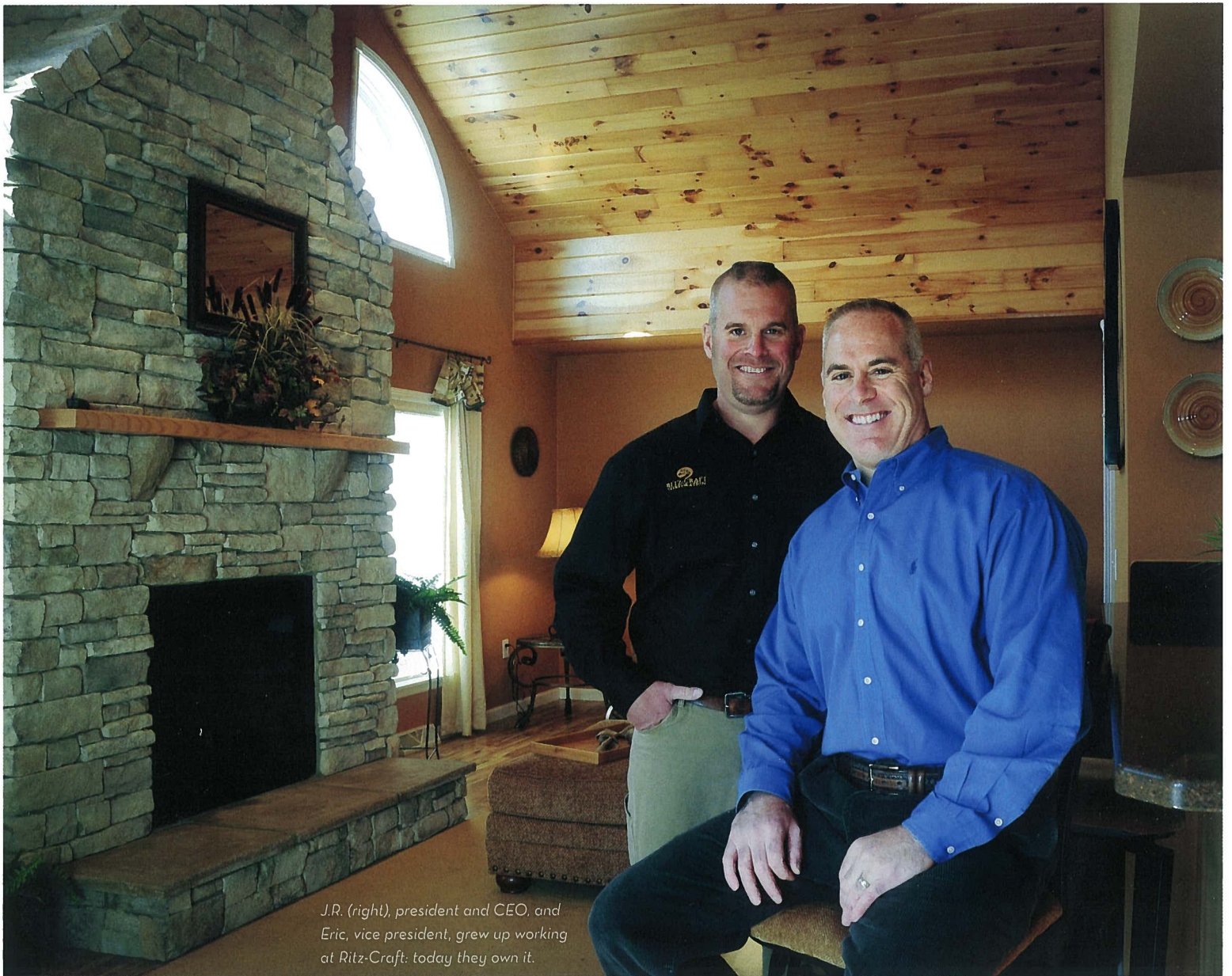
Good
People,
Bold
Vision
and
Quality

Starting a Business:
Can it be
Child's Play?

Downtown
Development, Part II:
Williamsport, Milton
and Sunbury



RITZ-CRAFT
CORPORATION



J.R. (right), president and CEO, and Eric, vice president, grew up working at Ritz-Craft; today they own it.

Gordon Wenzel

The list of entities the John family has positively impacted starts with Ritz-Craft Corp., the 57-year-old modular home company. More recently, the John brothers rescued the Penn Valley regional airport in Selinsgrove and repurposed the former Yorktowne cabinet factory in Mifflinburg. At first glance, this looks like the story of how Paul and Eric carry on the community- and people-oriented philosophy instilled by their father. But pay attention; it's really the story of how to build a business—even in a difficult economy.

Good People, **Bold Vision** and Quality

by Erica L. Shames

PAUL D. JOHN, PRESIDENT AND CEO OF RITZ-CRAFT, IS A PEOPLE PERSON. He believes the people he employs are the reason for the company's success. And he is passionate about his belief.

"I've got to give a ton of credit to my father," states Paul, who is more commonly referred to as J.R. to distinguish him from his father, Paul R. "I respect him more than anyone I've ever met. He's a regular guy who appreciates relationships with people. The one thing he always taught my brother and I is to surround yourself with good people. That's what makes this company. It is absolutely the most important thing to us."

From the ground up

Paul R. John started working for Ritz-Craft, then a manufacturer of travel trailers, in the early 1960s. He started on the production line and worked his way up. He was vice president of manu-



facturing when the mobile home manufacturer was acquired in the late 1960s by Wickes Corp. The acquisition of Ritz-Craft allowed the company to add modular and manufactured homes to its product line. Wickes sold the business in 1976 to four Ritz-Craft managers, one of whom was Paul R. John.

John brothers J.R. and Eric had worked for Ritz-Craft since childhood. Five years older than his brother, J.R. accompanied his father to the plant on weekends by the time he was 9, helping with cleanup chores, and he spent even more time at the plant during the summers. Both brothers worked on the production line as they grew older, becoming proficient at each of the 16 building stations. "My brother Eric and I were taught first you work the line to gain a strong appreciation for what our workers do," said J.R. "Once we graduated from college, our father wanted us to go out and find a job; he felt it would make us appreciate this company more. Fortunately, Glenn Cunningham, one of his partners, asked if we would be interested in working for him, if our father would allow it."

Cunningham brought J.R. into the sales division and J.R. says he "sweet-talked" his brother into joining him. J.R. moved into sales management, and was promoted to general manager, where he worked for six years.

"My dad decided he and his partners wanted to set up a succession plan for the company and designated four people, including Eric and I," said J.R. "They gave us the opportunity to buy 5 percent of the company. Once we proved we could do a good job, they allowed us to buy more; it took 19 years, but we now own 100 percent of this company. Then we set our sights on growing it."

On-site expansion

Using as a guiding force the community- and people-oriented philosophy handed down to them by their father, the brothers started looking



Experienced woodworkers who have lost jobs at other large wood manufacturers have found employment at Ritz-Craft.

at ways to expand to the south and west, and at some ideas for vertical integration. Manufacturing facilities were built in Michigan in 2000 and North Carolina in 2005. When the 10-hour drive to each became impossible, J.R. and Eric purchased a company airplane—J.R. had earned his pilot license in college—and actively utilized Penn Valley Airport in Selinsgrove.

"At one point we found out the airport was literally ready to shut down," said J.R. "We put together an offering to take over all expenses and manage the day-to-day operations. We formed a company called Heritage Aviation to act as the fixed base operator and, since the airport is a public entity, the [Penn Valley Airport] authority is still there to make sure we meet all the guidelines. It's an awesome business tool for us. We both grew up in Selinsgrove and think the airport is a really

good asset for the community; helping it was a labor of love." (Please visit [Susquehanna BusinessLife.com](http://SusquehannaBusinessLife.com) for more airport information and photographs.)

Further company growth occurred when Yorktowne Cabinets vacated part of its manufacturing facility in 2006. Ritz-Craft had maxed out available space in Mifflinburg's Industrial Park and the purchase of the 250,000-square-foot manufacturing site in 2009 gave

the company new direction for its Legacy Crafted Cabinet division. The \$2 million-plus investment allowed Ritz-Craft to graduate from assembling cabinets with parts purchased from other companies to manufacturing cabinets, from start to finish.

Beyond the benefits to the company, saving the factory was personally meaningful to J.R. "[Yorktowne] had a lot of awesome, experienced people they had to let go," said J.R. "We've been able to hire back 12 of them, and plan on hiring back 100 ultimately from Yorktowne, Pennsylvania House and other larger wood-working style companies that have laid off employees. There's something more to the job when you live here and you're able to do something nice for the community that also helps our business."

Ritz-Craft's Mifflinburg location is home to Ritz-Craft builder Designer Homes, which also operates a retail center at the North Carolina plant. "We get a lot of feedback from having our own builder," notes J.R. of the Designer Homes connection. "Our retail center in Mifflinburg includes five models; on a weekly basis we have people coming through and telling us what they like. In this economy, people are downsizing, but they still want stylish amenities. It's keeping on top of those trends and making sure, through our building supplier, our cabinet company or even our local retail company, that we supply those."

The power of vertical integration

Vertical integration has proved successful in other areas, as well. In 2006, Ritz-Craft established the trucking company Ritz-Trans—an expansion of its existing capability—and purchased enough big rigs to transport modular homes for other manufacturers coast to coast; Ritz-Craft Home Mortgage was added in 2007; and in 2008 Legacy Building Products, a building materials distribution company, was born.

Legacy Building Products is an example of the builder-oriented philosophy Ritz-Craft employs. The company's first purpose was to help streamline the purchasing and product process for

Ritz-Craft—but its ultimate purpose extends far beyond. “They still are our biggest customer,” notes Jason Romig, Legacy Building Products general manager, of the relationship with Ritz-Craft. “However, we’ve been able to grow the business to where we have a large contingent of other customers for whom we provide the same products and services, focusing on products that complement our cabinets. Being able to provide that type of efficiency in one-stop-shopping is a tremendous benefit to the customer.”

Legacy’s biggest focus in the last three years has been on what Romig calls the final finish package—items a builder, remodeler, contractor and developer would need after painting the dry-wall. More recently, a new product line, including trusses, has taken Legacy a step further.

“Now we have an exterior door shop, a line of windows and trusses and we are a siding distributor,” explains Romig. “If we can do the same thing for the exterior envelope that we already do for the interior finish package, it creates a lot of efficiency for our customers, but it also gives us another opportunity to grow our business.”

People at the core

Throughout the growth—Ritz-Craft has gone from sales of \$2.5 million in 1976 to \$120 million in 2006, their strongest year—retaining a focus on core values has proven instrumental to the company’s success. People are still the company’s number one priority, something—J.R. says—is frequently forgotten as a company grows. “That [philosophy] doesn’t always make sense on the bottom line, but it makes sense in the long haul,” said J.R. “We’re able to produce better quality and services, and a better overall quality of product, because our people care more. I’ve been involved in interviewing every salaried person who works here to make sure they share our core values. Our people are really passionate about what they do; you cannot work for this company and slide by.”

Steve Forcheskie, Ritz-Craft general manager, is illustrative of the company’s 1,050 employees. He has risen through the ranks during his 28 years with the company, starting in 1983 as a line worker in manufacturing plant 1. “I had the opportunity to move around to different stations and functions throughout the plant,” he recalls. “When we started plant 3, I moved up to quality control.”

Forcheskie worked his way up to foreman, in charge of the drywall department, before taking over the service department and managing the transportation department and quality control. From there, he worked up to operations manager. He helped start the Michigan and North Carolina plants before becoming Ritz-Craft’s PA general manager. He sums up his job this way: “I do a lot of follow-up work, finding out where we are today and where we need to be tomorrow. I make sure we’re staying on all fences, following

up on all sales, meeting with every department head daily and making sure customers are happy.”

Forcheskie sees a big difference between Ritz-Craft and other companies, and believes it stems from family ownership. “Our people are our greatest asset; our builders see that because we don’t just talk about it, we display it. Our ownership is here every day, interacting with everyone from line workers to management; they’re involved in all of our decisions. One result is we’re real quick to make important decisions; a lot of other companies don’t have that flexibility.”

Quality control

The complementary talents of the two John brothers can’t be overlooked as a factor in the company’s success, and their attention to quality is critical. “My brother is amazing at all things production-, quality- and safety-related,” notes J.R. “He’s designed and built our last two plants—with help from a lot of people. He has an intimate, ‘first name’ relationship with all the workers in our plants, and I know when he does something he’s going to do it the right way. He’s a great person for me to bounce ideas off. We take a partnership approach to everything we do; we listen to what our builders are looking for, and come back and find a way to build it. It’s a different mentality, but I give Eric so much credit for that. He has a very good head on his shoulders; between the two of us we can find ways to solve problems.”

Staying true to a strong business philosophy has also guided the company’s growth. “We believe in three things passionately,” said J.R. “The first is surrounding ourselves with great people; the second is building strong partnerships. We are not a mail order company. We become intimate with our builders and their business plans—their frustrations, their missions, their goals and aspirations. The third thing is we are passionate about performance. There are companies out there that are incentive-based; there’s price-based companies; and there are companies that are driven by Wall Street. We are driven by our people, our partnerships and performing with better tools, better services and better products. All these things form a synergy. Every day we have to be focused on how we can be a stronger performer out there; it’s our mantra.”

J.R. knows it is easy to lose focus as a company grows and is impacted by external factors it can’t control. “It’s common to forget what’s important when you’re getting beat up by down economics and everyone’s stressing price. Certainly price is one of the ingredients, but if you can’t build a better quality product, and if you can’t perform stronger than your competitors, price is only one of the ingredients. We’re fortunate because financially we are a strong company, so in down times we can continue to invest—whether it’s what we did here with Yorktowne or whether it’s going in and putting new paint in lunchrooms.” **SBL**



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