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YOU NAME IT—
AUTOMOTIVE, AEROSPACE, MARINE OR INDUSTRIAL



**PRODUCTS HELPS
YOU MAKE THE
RIGHT CHOICE**

Steve Fussy
CEO
SEM Products, Inc.



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Last year, SEM Products, Inc. celebrated being in business for over 65 years delivering quality American-made products. This year the company continues to celebrate as May marked the biggest revenue month in the company's history. Clearly they are doing something right!

"Our success comes from empowering our people," says President Steve Fussy (pronounced FOO-cee). "We give them the room and the tools to do their jobs. We make everyone feel like what they do *matters*—because it *does*."

SEM Products is an unusual manufacturing company in that it is employee-owned. Founded in 1948, SEM manufactures a broad array of specialty aerosols, adhesives and coatings for the automotive, aerospace, marine and industrial markets.

Providing innovative and superior products and services has benefited its customers, partners and employee-owners since the mid-1980s when visionary owners Don and Marilyn Scranton sold 49 percent of the company to their employees. Don passed away in 2002, but Marilyn remains SEM's chairman of the board.

"The Scrantons had the vision to see that if they took care of their employees, their employees would take care of the company," explains Fussy. "Not only does ownership spin off dividends for the employees, it also creates an asset that's worth more as the company grows in value. It's a win/win situation."

Moving into the Right Place

SEM Products was created in 1948 by two former Navy men, George Schneckner and William Elliott, who started a house paint manufacturing operation in Belmont, California. The acronym SEM was created from Schneckner-Elliott Manufacturing. Without much capital or equipment, they continued to make and sell house paint for many years.

In 1972, the company came up for sale. Don Scranton, then vice president of sales at Kelly Moore Paint, decided to purchase it. Scranton's background was in architectural coatings, and he planned to diversify SEM's operations to manufacture industrial coatings for other markets.

However, while still at Kelly Moore, Scranton had heard a presentation from a chemist on a new product to renew the color of car vinyl tops. Kelly Moore had passed on the opportunity, but Scranton pounced on it. He hired the chemist, Burt Cole, as SEM's technology director and they promoted the new product under the name "Topper." This led Scranton and SEM into the automotive aftermarket. It was their first step into flexible coatings and that technology grew into multiple product lines.

Scranton saw the growth opportunity in the automotive collision repair aftermarket and started to phase out the other markets that had formed the company's early revenue base. The transition from being an architectural, multifaceted coatings manufacturer to primarily an automotive collision repair coatings manufacturer took place gradually between the late 1970s and early 1980s as Scranton refocused the company's resources. Eventually the paint and body market became the company's primary market, and by the mid-'80s the company was completely out of the house paint business.

SEM

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During the '80s and '90s, Scranton made three key decisions that would play a large part in shaping SEM's future. First, he married his former secretary at Kelly Moore Paint and appointed her customer care manager. Marilyn Scranton has a passion for people and is as concerned about SEM's employees as she is its customers.

She has always planned employee events to celebrate both company milestones and individual successes, and helped Scranton develop the SEM culture in which employees are treated with dignity and respect, knowing that their contributions to the company's success are truly valued.

Then, in the early 1980s, Scranton decided to sell a portion of the company to his employees. He believed that if everybody at SEM cared about and shared in the future of the company, it would create a powerful bond that would pay off in terms of quality and productivity.

"Don Scranton was a brilliant CEO," says Fussy. "He knew what he was doing and that if he empowered the people who worked for him, they would 'watch the box' and nothing would go out the door if it wasn't right. Everyone would work together to pull the cart in the right direction."

In a third key decision, Scranton decided to move SEM from California to the Southeast in 1992 after the city of Belmont made it prohibitive for SEM to stay located in town. Believing that California had too many unnecessary regulations that discouraged the growth of paint manufacturing plants, he directed his sights to Atlanta, Charlotte and Memphis. When he decided on Charlotte, 26 of 32 SEM employees elected to move with the company. (The six who chose not to relocate were not the primary breadwinners in their families.)

After relocating to Charlotte, SEM opened a second plant in Rockingham in 1999. The company grew to 85 employees and a former accountant named Fussy, from a small town in Minnesota, joined the SEM team.

Fussy had grown up in a town so small it

didn't even have a stop light. There were 47 students in his high school graduating class. He graduated from St. Cloud State University with a B.S. in accounting, but after two years he realized he was in the wrong field. Outgoing and charismatic, his talents made him a natural salesman.

In 1997, Fussy was living in Seattle and working in sales for 3M when he attended a trade show in Los Angeles. There he met Tom Oliver, SEM's vice president of sales, who indicated their head of marketing had just retired. He insisted Fussy apply for the position.

"I wasn't looking for a job," laughs Fussy. "I didn't even have a resume."

However, he traveled to Charlotte for an interview and accepted SEM's invitation to move to North Carolina as director of marketing. He ascended the ranks of vice president and COO, before finally becoming president of SEM Products in 2008.

Carrying on The Scranton Vision

The economic recession hit hard in 2008. It was a tough time to be at the reins of a manufacturing company as SEM was forced to lay off 17 percent of its employees.

"That was the hardest thing we ever had to do," says Fussy. "It's why my hair turned gray so quickly," he adds, only half joking.

Still, where others saw a catastrophe, Fussy and the leadership team of SEM saw an opportunity to create a more efficient, "right-sized" company and to redirect its path. The first thing he did was recommit to what he calls "The Scranton Vision."

"The company had become numbers-focused," explains Fussy. "The Scranton Vision is Don and Marilyn Scranton's legacy. It is how they built a successful company."

The Scranton Vision is based on the fact that SEM is an employee-owned company. It calls for creating a work culture that treats everyone with dignity and respect, making each employee feel valued. It also calls for building high quality products that really work.

It demands spending conservatively, while still investing in the things that will help people and the company grow. It focuses on activities that develop people's skills and add value to products with fewer meetings and more productivity.

"Basically, The Scranton Vision outlines a way to manage the company for the long term rather than for quarterly or yearly results," says Fussy. "We need to make decisions that are good for the long-term health of the company and its employees."

In 2009, Fussy went ahead with plans to sell the Charlotte and Rockingham plants and consolidate all of the company's operations under one roof, moving to a 100,000-square-foot facility in Rock Hill, South Carolina.

"We invested \$7.1 million in SEM's future at the height of the recession," explains Fussy. "We were able to sell the Rockingham plant quickly, but it took two and a half years to sell the Charlotte facility because the commercial real estate market was so depressed."

In addition to recommitting to The Scranton Vision and consolidating operations, SEM also focused greater attention on its sales efforts. It was able to hold its own in 2009 and, since then, the company has doubled, increasing over 90 percent in sales and over 100 percent in income. May 2014 witnessed the largest number of sales in the company's history.

SEM leads through technology to the autobody repair aftermarket. Fussy describes SEM's strength as marketing to niches within the autobody market. Its primary customer is the body shop technician, and SEM focuses on developing products that solve problems for these technicians. These products are sold through distributors.

"We can't compete with the big multi-billion dollar companies like BASF, DuPont, PPG, etc." states Fussy. "We focus on satisfying the special repair needs of the automotive body technician."

To meet those needs, SEM manufactures paint and paint products, including coatings,



undercoatings, primers, rust protection products, trim paints, truckbed liners, adhesives, fillers, seam sealers, prep products, and much more. Most of its products are available in aerosol cans. All of these are manufactured and packaged in SEM's state-of-the-art-facility in Rock Hill.

SEM's Rock Hill facility has everything under one roof from its own body shop to its in-house laboratory, a training center, and expansive warehouse. Its marketing, training, sales, production and distribution departments are all in one location. This creates an efficient organization with the goal of operational excellence and lends itself to prompt and accurate order delivery.

In addition, SEM offers a nationally recognized training program for distribution partners and professional auto body and interior repair specialists. Technicians are instructed on the proper use of the SEM product line and each participant receives a certificate of completion.

"We want our customers to know how to use and sell our products," maintains Fussy. "We bring customers in on Friday and visit Stewart Haas race shop, take them carting and out for dinner, and then Saturday and Sunday

they are at the plant in Rock Hill for hands-on-training. It's a complete package."

SEM is a member of the I-CAR Industry Training Alliance. SEM School offers training programs in Metal Bonding, Plastic Repair & Refinishing, Foam & Sound Dampening, and Corrosion Protection.

Looking Forward

While auto body shops have been SEM's primary target for the past 25 years, the market is rapidly changing. There are only 40,000 body shops in the U.S today; down from 60,000 just a few years ago. Not long ago there were 6,000 auto body paint stores; today there are just 3,000.

"This huge consolidation poses a real concern for the future," acknowledges Fussy. "As the auto repair industry consolidates, we will need to find new niche markets."

In an effort to develop new markets, SEM has expanded into the aerospace and marine industries. In addition, Fussy says the company is looking at other industrial avenues. He believes the company will continue to grow by paying careful attention to quality and continuing to improve current products, as well as by developing innovative new products,

forming strategic partnerships and expanding globally.

Fussy says Rock Hill is a great place to live and to do business, and Waterford Park—where SEM is located—is a particularly good business park with its golf course and walking paths. However, Fussy says that for manufacturing companies to stay in North and South Carolina and not move to offshore locations as many of SEM's competitors have done, some greater issues need to be addressed. These issues are primarily federal ones.

"The bigger issue is that there is less and less manufacturing in our country," says Fussy. "Something has to happen in regard to all the regulatory and safety requirements for manufacturing companies. We have to make sure we're doing what makes sense to be safe and to have a safe working environment, but we need to eliminate the regulations that don't add value to a product or safety for an individual."

Despite the concerns about markets and regulations, SEM Products is a strong company and getting stronger. SEM is poised to do business for another 65 years forward, continuing to deliver quality American-made products, formulated and packaged in Rock Hill, into the future.

"Don Scranton was a great visionary," Fussy asserts. "By creating an employee-owned company, he put quality of workmanship in the forefront. Our employees are running a marathon and not a sprint. We're making decisions that are good for the long-term health of the company and its employees." 🌟



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Founded: 1948
Employees: 85
Awards: IAMG Excellence Award for Best Leadership; S.C. Chamber of Commerce 2013 Safety Program Commendation of Excellence; National Oak Distributors Vendor of the Year 2010
Business: Manufactures a broad array of specialty aerosols, adhesives and coatings for the automotive, aerospace, marine and industrial markets.
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