

8096 Climbing Rose

7661 Wilderness Retreat

7656 Wild Weeds

7859 Rise and Shine

PART TWO

Cloverdale Grows Up... and Up 1958–1983

7110 Happy Hyacinth

7434 Swan Lake

7247 Royal Regetta

7859 Rise and Shine

7249 Morning Sky

7842 Harmony Hills

8093 Painters Red



Main and 16th branch in Vancouver, circa 1960.



Murray Jackson, Jack Harrison and Frank Giltrow at the opening of the Main and 16th branch.

Most employees and friends of Cloverdale Paint are familiar with the story of our first 25 years, when Rudy and Hunter established the company. And many of us have experienced some or all of the last 25 years, which Wink dubs the “golden years.” But not many are familiar with the years in between. This middle period, from 1958 to 1983, was marked by substantial growth for Cloverdale Paint. We expanded from 4 corporate branches to 25, and sales jumped from \$250,000 in 1958 to \$14.5 million in 1983. This explosive period of expansion transformed us from a local entrepreneurial enterprise to a credible player in the western Canadian paint industry.

Cloverdale Goes to Town

At the start of this 25-year period, people would often say to Hunter, “You’ve got to change the name of your company. How can you succeed if you’re named after a small town in the valley?” In 1959 we made what seemed like a bold move for a small Fraser Valley paint company named after a farm town. We decided to expand into the city of Vancouver and go up against the big boys — which at the time were Bapco, General Paint, International and CIL. Cloverdale opened three corporate stores in Vancouver, the first one at Main Street and 16th Avenue. Shirley West became the store manager and Maude Roreman the sales clerk. Salesman Jack Harrison opened many wholesale accounts from this store, including the Vancouver Parks Board, Hullah Construction, Dominion Construction and many paint contractors. Hunter also added customers such as BC Packers and the Surrey School Board.

We had little in the way of money or resources at this time, and our product line was modest. The store in

Vancouver was rudimentary. In fact, in all Cloverdale stores the paint was stacked on crude shelving made from 4x8-foot plywood sheets as base plates for stacking one- and five-gallon pails. Wink painted the plywood to be more attractive. The only shelf racking was for sundries, quarts and solvents. We installed large 12-canister tinters in all stores and used the Cal Ink tinting system to tint oil-based and latex paint. We used only white and deep base initially and carried a simple product inventory, with interior/exterior products in satin and semi-gloss finishes. The Marine Enamel was our only gloss interior, exterior and porch paint. The undercoats were three: latex sealer, enamel undercoat and house paint undercoat. Wink acted as sales manager and valley salesman. He focused on branch openings and personnel hiring, and he supervised the branches, which would shortly number five.

We quickly followed the opening of the 16th and Main store with our second Vancouver branch, at 2nd Avenue and Renfrew Street, where Maude Roreman became the manager. This branch had its 15 minutes of fame in August of 1965 when a Vancouver City garbage truck drove through the front window and the *Province* printed a photo, calling it a “drive-in paint store.” Next, we opened the branch at 49th and Fraser, with George and Trudy Wyer as the management team. With these three stores opened, we now had good coverage for the city of Vancouver.

Crisis Management

In early 1961, bad news surfaced with the 1960 financial statement. Our first crisis had arrived. With a financial recession in the local economy, and a resulting slump in housing sales, our paint sales



"Drive-in paint store," 1st and Renfrew, August 27, 1965.



slowed, receivables grew and several contractors went out of business. In addition, the manager of our new Chilliwack store had embezzled \$30,000, which was a lot of money in 1960. We managed to achieve total sales of \$333,000 but with a \$33,000 net loss.

Cloverdale Paint now had a serious liquidity problem. We needed to develop an immediate survival business plan that would keep the Royal Bank from calling our loan and putting us out of business. As well, Frank Giltrow decided to leave Cloverdale and we had to figure out how to purchase his shares. Hunter asked Wink if he would take the lead, and Wink developed the following rescue plan:

- Reduce overhead by downsizing stores and vehicles, and reducing staff. Close the Chilliwack branch in response to the downturn in the economy and staffing problems.
- Raise \$56,000 to inject working capital into the company. This was achieved with the help of 8 of the 10 partners who had come together in 1957 to form Cloverdale Investments. Wink, Bill and Dick Vogel, Norm Armstrong, Fred Kennedy, Bill Dougans, Mac McAskill and Jim Mitchell each borrowed \$7,000 from their respective banks and gave the money to Cloverdale Paint as a shareholder loan with an option to purchase equity shares as a bonus.
- Raise additional funds by having Cloverdale Investments purchase some shares from treasury.
- Purchase Frank Giltrow's shares by trading him nine residential lots Hunter and Wink owned in Prince George, plus giving him his company vehicle.

Martin Knudsen, the Langley branch manager of the Royal Bank, was very supportive of the business

plan, but his credit room at head office in Vancouver was negative and wanted him to call the loan. Wink went to the Royal Bank head office on Granville Street and presented the rescue business plan to Harry Weatherall, the BC regional manager of the Royal Bank. Mr. Weatherall convinced the bank not to call the loan. While the company was now safe for the moment, the Royal Bank credit room made life very difficult for Cloverdale Paint and finally a decision was reached to move our banking business to the Bank of Montreal, where the manager was Gordon Scholfield. Gordon was entrepreneurial-minded and encouraged and supported Cloverdale during the following growth years.

The financial restructuring proved successful. The crisis was averted. Cloverdale Paint broke even in 1961 and subsequently became profitable.

Growth Following the Crisis

Following the crisis, Wink's responsibility for the management and expansion of Cloverdale Paint steadily increased and he wanted to acquire the skills he would need to effectively manage a growing company. In September of 1961 he enrolled in a three-year UBC sales management course. In 1967, he went on to attend the Banff School of Advanced Management, a six-week business course sponsored by UBC and the University of Alberta.

Meanwhile, Hunter was redirecting his time and interests into politics and in 1963 was elected a provincial MLA in Richmond, Delta. He continued to work with the company, but in the lesser role of manager of the wax division. Hunter would be elected three times to the provincial government as an MLA for W.A.C. Bennett's Social Credit government, serving for 10 years. He resigned in 1973, holding the position of party whip.



Schiffer photo

Hunter Vogel , M.L.A.

by Rupert Stephens

No one would contest the fact that Hunter Vogel, MLA, is one of Langley's distinguished citizens. . . Elected the first Mayor of Langley, now President and principal owner of the Cloverdale Paint and Chem. Co., a pioneer firm manufacturing paint, floor wax and chemical specialties. These products are distributed through all Super Valu Stores and this firm has grown along with the thriving city of Langley.

In September '63 the Delta district paid Hunter Vogel a supreme tribute by electing him as its Social Credit member in the B.C. Legislature.

Hunter has had a long record of faithful community service, having served as president of the Duncan Chamber of Commerce, later holding the same office for the Langley organization. . . then rising to the National President of the Canadian Chamber of Commerce. Hunter Vogel's many friends and supporters see even bigger things ahead for him in the future.

From *Western Wonderland*, January 1965.

Hunter always devoted time to the community. He was chairman of the Duncan School Board during the 1940s. In the early 1950s he became very active in the local, regional and national chambers of commerce in Langley and was also a lay magistrate in Langley City. The article at left talks about the historic position of Hunter as the provisional mayor of Langley City and as a provincial MLA.

More Expansion

After the crisis was averted, Cloverdale again started to grow. In the mid-1960s, we opened a 6,000-square-foot store on Lonsdale Avenue in North Vancouver with parking for six or eight cars at the back, plus street parking. Lonsdale was followed by the opening of Kamloops North, the first Interior branch, then Port Alberni on Vancouver Island and later a branch in Nanaimo.

Another expansion and sales initiative involved Kelly Douglas. In 1964, Wink and Hunter approached Kelly Douglas with a proposal to sell paint through Super Valu. In this period Super Valu grocery stores were second only to Safeway, with Woodward's ranked number three. Kelly Douglas owned Super Valu, and they had corporate and franchise stores throughout BC. Pat Robertson, the non-food sundries manager at Kelly Douglas, fell in love with the prospect of paint sales as part of his non-foods division.

We experimented with a mini paint rack at the Super Valu store in Lynn Valley in North Vancouver. The eight-foot-long rack held a colour tinter, paint shaker and products. The products stocked were Inside Outside latex, latex semi-gloss, interior flat latex, alkyd semi gloss, Marine Enamel, two undercoats and porch paint. The rack had a mini stock of rollers, brushes, sundries and thinners as well. We designed special consumer labels for Super Valu sales: orange for interior flat latex, green for semi-gloss latex and white for Inside Outside latex (eggshell or satin finish). The Inside Outside product had a special label designed with actual colour chips printed on top of the label in an effort to promote self-service sales with the ready-mixed colours carried in stock (see photos on page 40).

Originally, Wink manned the rack at Lynn Valley and the paint sales were very good. However, we could not get similar results with a self-serve model so we decided the program required trained sales staff. We hired part-time sales clerks and provided product training. Oliver Doolan took charge of this experimental sales program and managed the rollout throughout BC. Cloverdale installed racks in 35 Super Valu stores and we sold paint. When we started selling to Kelly Douglas they specified grocery pallets that we continue to use today.



The Surrey factory, at King George Highway and 64th Avenue, operated from 1955 to 1971. Photo circa 1968. Note the two factory additions behind the Quonset hut roller rink added during the mid-'60s. We operated only in BC until the 1969 purchase of Monarch Paint in Alberta.

Cloverdale had asked Pat Robertson for a loan from Kelly Douglas to help fund the 35 paint racks for the Super Valu rollout, an investment of about \$70,000. He came back with a positive answer and the suggestion of a share purchase by Kelly Douglas for a minority position in Cloverdale Paint. Victor McLean was the president of Kelly Douglas at that time.

This arrangement was negotiated and Kelly Douglas became a minor partner of Cloverdale Paint by purchasing all the share options of the non-family Cloverdale Investment partners. Dr. Jim Mitchell, Mac McAskill, Bill Dougans, Norm Armstrong and Fred Kennedy had their loans repaid and made a profit selling their share options to Kelly Douglas.

In 1966 Hunter purchased the former Buckerfield's feed store in downtown Haney and we opened a Cloverdale Paint store there. This was a superb location and the branch was very successful, both for DIY and trade sales.

We decided to move to downtown Langley from the old factory store on the Fraser Highway. We had

relocated three times trying to get back the strength of sales that Rudy generated in the original paint factory. (See page 39 for the advertisement of this third location.)

Dick Vogel purchased property in downtown Kelowna in the early 1970s and a branch was opened there.

A large main-street location in Richmond, on Number 3 Road, was also opened, next to the Bank of BC.

Expanding the Roller Rink Plant

From 1963 to 1965 Cloverdale experienced excellent growth. Customer response was strong to the new branches in Vancouver and the Fraser Valley and to offerings in the Super Valu stores. Business grew at such a pace, in fact, that between 1963 and '65 we outgrew our roller-rink factory space. We added a plant extension at the east end at the same floor level, which included a rectangular addition that had a 17-foot ceiling height. Two of the side walls were built of concrete block and the east wall was built of wood so it could be moved. This addition provided another



Frank Giltrow and lab technician, 1958.



Surrey paint factory at the east end of the Roller Rink. Helmut Much is the paint maker operating the three-roll mill.

8,000 square feet for production and raw materials. The platform in the roller rink was converted to filling and labeling.

We quickly decided to expand a second time by pushing out the movable wall and building an additional 6,000-square-foot extension on the back. This increased the plant, store and head office at 64th and King George Highway to a total space of 20,000 square feet. The old house that had been turned into the wax factory and lab in the 1950s was now connected to this new factory addition. The Newton store was now 3,500 square feet after taking up more of the roller rink space.

Cloverdale continued to ship product out of the front portion of the roller rink that adjoined the Newton branch. The shipping door was a double door opening right at the intersection of 64th Avenue and King George Highway (64th was called the Bose Road prior to 1955, after the Bose family, pioneer farmers living at the top of the hill, five kilometers east of our site).

Originally, Cloverdale did not use pallets. Stan Forrest, our contract trucker, remembers loading branch orders by hand without pallets. The factory used larger pallets that would take four 45-gallon drums (55 US gallons) but these pallets were too big for branches to handle as we did not have forklifts or electric tailgates on the delivery truck. In this era we filled imperial gallons and quarts. We converted to US gallons in the 1980s.

Our sales growth and branch expansion was significant during the 1960s. Due to our expansion into Vancouver, Vancouver Island, Kamloops, Richmond, the Fraser Valley and Super Valu stores, Cloverdale doubled sales in BC from 1958 to 1968.

Production Takes a Leap Manufacturing Equipment

As Cloverdale grew, we saw a tremendous evolution in the equipment for making and filling paint. From the 1950s into the '60s there was a dramatic increase in production efficiency. Below is a sketch of this evolution, starting with production style in the early 1950s:

- From the 1940s to 1955, Rudy pre-mixed in a 10-gallon pail with a 1/4 hp electric motor on a stand with a shaft and blade in the pre-mix bucket on the upper deck. This would blend the pigment, oil and solvent, plus any additives, such as driers and fungicides. This mix was then poured into a hopper that fed the product through a "grinding" machine to disperse pigment lumps: one head fixed and one head turning, with a space for the paint to go through, powered by a 1/4 hp electric motor from a washing machine. The milled paint dropped into an open gallon can. When filled, the can was replaced with a new container and a lid was banged on the filled can. Cans were prelabeled and bails applied by hand.
- In 1955, when Frank Giltrow moved us to the temporary factory in Murrayville, we used a 25 hp Cowles dissolver with portable 100-gallon tanks. We also had a Morehouse grinder mill and a three-roll mill. This equipment was moved to the roller rink in 1956. The three-roll mill was used for fine-grind alkyd enamels like Marine Enamel.
- In the 1960s, we heard about a new process machine for paint making: a turbine pump that circulated from a large tank instead of the Cowles-type dispersion. Wink made a trip to Kentucky to visit



Frank Fargo in the lab.



Warehouse without racking or steel shelving.

two plants that used this revolutionary new paint machine. Helmut Much designed a rectangular tank with rounded corners that held a 4,000-imperial-gallon load (close to 5,000 US gallons). This had a top plate with lift-up lids for adding raw material and a large two-bladed agitator. The “turbine” machine was mounted on the floor and pumped product back into the top. The first paint product made in this machine was a polyvinyl acetate premium satin latex called Inside Outside Latex. As our top seller, this was the only product that justified large batches, which initially we made once a month.

- The industry used ball mills to disperse difficult pigments but Cloverdale did not use them. A kinetic dispersion machine was available but not used at Cloverdale Paint. Sand mills eventually replaced the Morehouse and the three-roll mill. Today there is a variety of closed sand mill types for production of epoxy, polyurethane and printing inks.
- The Cowles-type dissolver became an industry standard in the 1950s for trade paints, both alkyd and latex. Brands included Cowles, Bowers and Hockmeyer. Cloverdale purchased a leading-edge machine in 1968 for the new factory at 6950 King George Highway. The “crawler” was a 150 hp Hockmeyer machine that serviced five 1,000-imperial-gallon dispersion tanks. It lifted and tilted hydraulically and crawled on a track along a row of tanks. Originally, it had a seat for the operator. This machine had large blades and operated at high speed to disperse pigments and low speed for blending raw materials and quality-control prefilling. The 1,000-imperial-gallon dispersion tanks had jackets and water cooling.

- There was an unusual paint disperser used in the 1970s and '80s. The Silverson, as it was called, was a high-speed motor with a very long shaft with a small Cowles blade. This machine was attached to the side of a 1,000-gallon tank. It was used to disperse or grind a trouble batch that did not disperse properly. It just had one speed, ON. It is not used today.

Filtering and Filling

- Originally, Rudy had no filtering. Frank Giltrow introduced nylon bags and gravity straining into a 20-gallon fill pot that had a manual gate valve allowing hand filling to quarts, gallons and five-gallon pails.
- The next phase was a pump cartridge machine called the Cuno filter, with a variety of cartridge finenesses and filter sizes. Used for alkyd and oil-based paints, this system produced a good result.
- Introduced in the late 1960s or early 1970s, the Vortisive filter was brilliant as it used a vibrator screen that separated the bits and the product went through very efficiently. We use this today. The most complicated and controversial filter was the Genag. This was for jumbo batches and was part of a high-capacity MSM filler that was electronically operated. This was a large investment in the mid-'70s that never worked smoothly or easily and is not used today.
- Filling went from hand fill to the Elgin and Numo semi-automatic multi-head fillers in the 1970s and '80s to the present Ambrose filler purchased in the early '90s.



7,000-gallon resin storage and production machinery in the factory.



Industrial drum filling.



Super Valu Semi-Gloss Latex label, circa 1965.

- Automatic lid droppers and closures were added with coded batch information stamped on lids or the bottom for identification.
- A Bailomatic machine was purchased in the 1970s that applied wire handles from coils of wire. Previously, we applied bails manually after labeling.
- In the mid-'70s we purchased a case packer called Pyramid Packer (made in Surrey) for the end of the filling line. This machine takes flat cardboard and produces either a closed case or, in our system, an open two-gallon tray. The tray allows label-exposed merchandising and return or recycling of trays. These features work well with a corporate store chain like Cloverdale Paint but not for remote customers that have LCL (less container load) shipments.
- From the filtering to the case packer, there was a continuous roller conveyor for an efficient filling process.
- In this period a separate station was near the production tanks for hand filling pints, 5-gallon and 45-gallon pails. Solvent was filled with a multi-head filler in the plant area as well.
- Today we have a semi-automated Ambrose five-gallon filler on a U-shaped conveyor line that has high-capacity fill operated by three staff. For low-volume fill, one employee can operate this five-gallon line efficiently. The Ambrose has a pneumatic pail lifter for pallet loading.

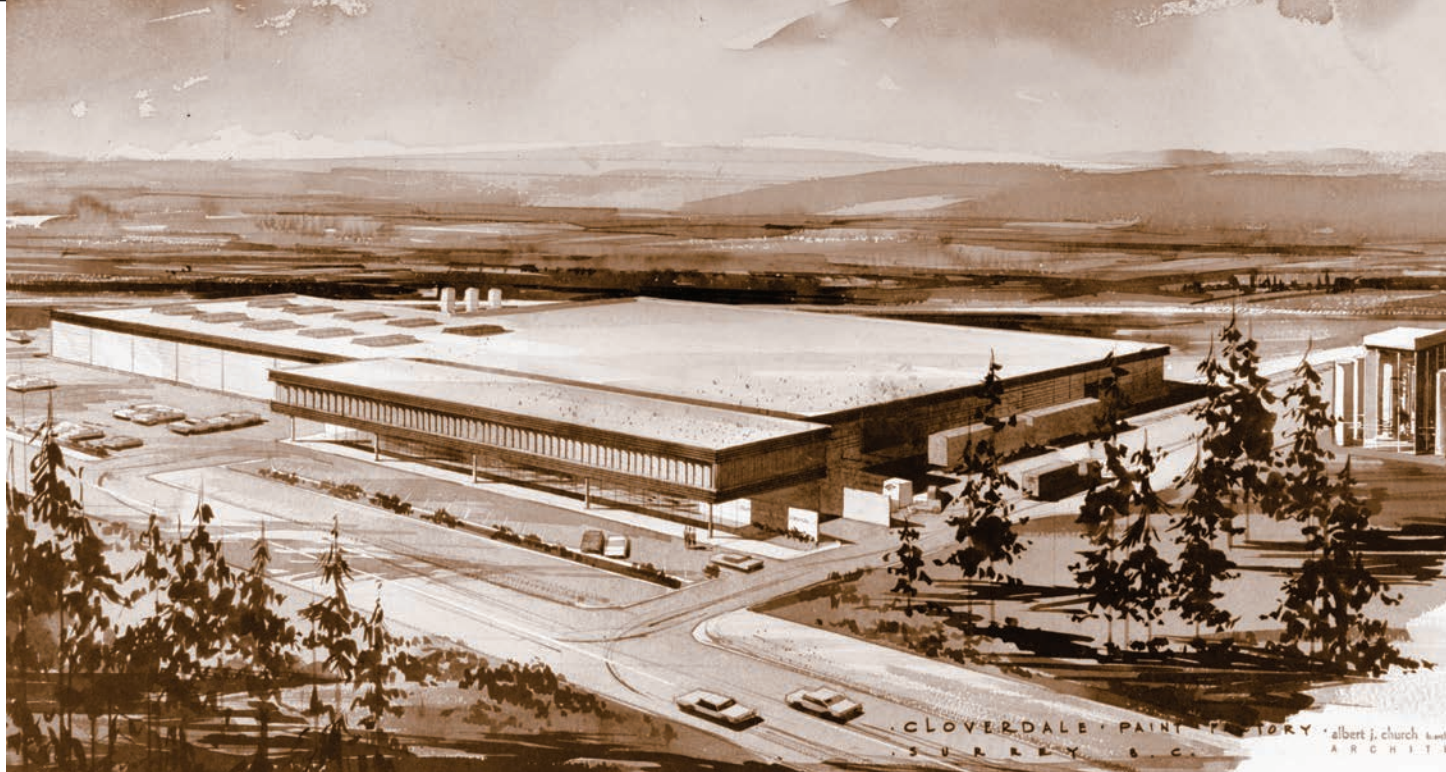
Cloverdale has always striven to reduce costs through efficient handling of bulk raw materials, large-batch production and efficient filtering and filling. This includes pumps, pipes and flow meters for solvent, alkyd and latex resin at all production stations. We were the first paint company on the west coast to produce jumbo batches of 5,000 US gallons in

the 1960s and 12,000 US gallons in the late '70s. In the late 1980s large-batch efficiency took a giant leap forward with the introduction of raw-material ton sacks that replaced the 50-pound bags. These 2,000-pound vinyl-fabric sacks of titanium and extender pigment are lifted by an overhead crane when added to the 1,200-US-gallon pre-mix tanks.

The Plant of the Future

When a company's trade sales volume reaches the billions of dollars, superplants are the next phase of production. We have estimated that this could be economically justified at production of more than 10 million gallons of architectural paint production per year. Cloverdale is not there yet, but here's what it would look like.

In the plant of the future, the first major change to production is that pigments are received in a water slurry, pre-ground by the primary processor. These slurries are delivered by rail tanker cars or tanker trucks. Delivery includes at least two grades of titanium (TiO_2), various grades of calcium carbonate and extender pigments. The resins and additives are stored in bulk tanks. All of these materials are hard-line plumbed to computer-controlled production tanks. Each product formula is entered by computer and production technicians blend the ingredients into 5,000- to 15,000-gallon tanks. Quality control technicians check the product, as Cloverdale does now, prior to filling. The filling process is similar to our present system, but is more automated with increased capacity. Overhead conveyors transport the finished product to a warehouse. An automated computer-controlled warehouse for order picking and shipping of the finished product is standard, with virtually the whole production process automatic, using staff for only computer and quality-control management.



Artist's rendering of the 6950 King George Highway location fully developed with much more site cover than we have today.

Building for the Future

By the mid-1960s, Cloverdale management had decided it was time to find a site for a new manufacturing plant. Wink's wife, Noelle Vogel, was acquainted with Al Lawson in the land development office of BC Hydro. Wink called Al and asked to be informed if an industrial rail property became available. Al called back and told Wink that he was in luck. A five-acre piece owned by the Surrey Municipality was for sale, with rail at the rear and King George Highway to the front. The property had an old abandoned house on it. Al explained that the owners had passed away and their heirs lived elsewhere. Apparently, when the Surrey municipality had negotiated an easement on the north side of this property for a water or sewer line, it had fumbled the process and failed to get all required signatures. As a result, the heirs had forced Surrey to purchase the property for \$45,000.

By 1967 Wink had negotiated a one-year option on the property at 6950 King George Highway to study the feasibility of a new plant development. Helmut Much, the production manager, and Hugh Buckley, an engineer from Langley, worked on a development plan during the option period. This resulted in some basic decisions for the new site development:

- Design the property for full development.
- Develop the site from the southeast boundary for the first phase; that is, fence, parking, truck access, factory and warehouse buildings, a two-storey store

and office on the front with expansion available on the north side.

- For the first phase, build a 25,000-square-foot factory with a 9,000-square-foot floor and platform between the plant and rail siding.
- Install a truck access, parking lot, solvent tanks and rail spur on the southeast portion.
- Design product flow plan to be linear, from east to west.
- Design factory to have 24-foot ceilings and high-load floors sloped for drainage to ditches inside. Pigment to be stored on the east wall, adjacent to a row of resin tanks. Machinery to be placed in the centre for paint making.
- Dispersion tanks with containers, straining, filling and labeling stations to be situated in the south bay and west wall.
- The warehouse and shipping to be on the west side of the factory, and the lab on a mezzanine above the factory with windows to the production platform.

The purchase price of the property on King George Highway was \$45,000. The purchase terms, which today are hard to imagine, were \$5,000 down and payments of \$5,000 per year at the CMHC interest rate of 7¼%. At the end of the year-long option period, Cloverdale was ready and purchased the property.

GRAND OPENING!

Photos of the official opening of the new Cloverdale Paint factory in 1971: Surrey municipal councilors and Mayor Bill Vanderzalm mingled with the Cloverdale people in our huge, new, nearly empty office. It was a great day and the new, modern factory, warehouse and store location was a significant step forward for Cloverdale Paint.



Richard Vogel, Pat Robertson, Bill Vogel, and Wink Vogel at the official opening of the completed office and store at 6950 King George Highway.



Grand opening guests.



Richard, Bill and Wink Vogel.



Ray Hawes, Ron Goudie and Brian Spence.



Helmut Much,
Production Manager.



Pat and Marion Robertson.



Wink Vogel, Surrey planner, Mayor Bill Vanderzalm and a Surrey councillor.

Further Kelly Douglas Investment

With the property now secured, we needed to figure out how to finance the building of a modern factory. At this time, Kelly Douglas was a minor shareholder of Cloverdale, and its president, Victor McLean, had encouraged us to grow the business as aggressively as possible. Financed by loans from the Bank of Montreal, this growth was excellent. When Cloverdale undertook the new factory project, however, we looked elsewhere for funds. Wink negotiated with various companies for a mortgage to finance the construction of the new plant.

Instead of a mortgage, Victor McLean offered to refinance the company completely in exchange for increasing the Kelly Douglas ownership from a minority to a controlling (54%) position. With the Kelly Douglas investment, Cloverdale could build the new factory and expand by purchasing the Monarch Paint Company, which had come onto the market. (For the Monarch story, see page 40.) The Vogel family agreed to this proposal as their interest was to grow the company.

The Kelly Douglas investment looked like this:

- Common shares mostly from treasury for \$175,000.
- 6% cumulative preferred shares for \$600,000.
- Working capital on an open account from Kelly Douglas at bank prime plus ½%.

Cloverdale was to close out our line of credit from the Bank of Montreal and not seek a mortgage for the factory. This financial restructure was accepted by the Vogels and the financing and share purchase was completed in 1968.

Victor McLean subsequently became Chairman of Cloverdale Paint, with Pat Robertson President, Wink Vice-President and Hunter Honourary Chairman. Pat moved into Cloverdale's new office in 1971. Sales in these years were strong.

With financing now in place, construction got underway. The factory portion of the project was finished in 1969. All finished paint goods were trucked to the roller rink warehouse and store at 64th and King George, from where we serviced the seven corporate stores and the Newton branch. Head office and administration continued at 64th and King George as well. In planning the next phase, Kelly Douglas commissioned market research to determine if the store should move or stay at 64th and King George Highway. The store was subsequently moved to the new factory location.

Cloverdale moved the warehouse, office and store to the site of the new factory in 1971. Originally we used only one-quarter of the new space. The warehouse

had no shelving so the paint was stacked on the floor. The factory was designed with three bays, with the south bay left unfinished as a large open platform. This south platform was finished in 1972 with 24-foot headroom. It was used for wax production and had open-flame gas burners to melt carnauba wax. The new factory also included a container storage and a filling line. The retail store was cavernous as was the office. We give credit to Pat Robertson and Victor McLean for planning and building for the future. (During the 10-year period when Kelly Douglas financed the company, they encouraged Cloverdale to expand rapidly. Rented store locations were opened in Vancouver and throughout BC. Acquisitions and upgrades were met enthusiastically. Throughout this period, Cloverdale Paint experienced rapid growth and Victor McLean was very supportive of the Vogel family's management involvement.) Sales in these years were climbing quickly as we grew from \$500,000 in 1968 to \$5.7 million in 1974. Today, this property still houses our head office, the Newton branch store, our lab, warehouse and factory.

Acquisitions and Growth

Miralite

Around 1965, Cloverdale purchased Miralite Manufacturing in B.C., including a 25 hp Cowles machine, tanks and the company's current assets. It was a small operation, with salesman Lyle Brown selling all clear coatings, including laminated beam sealer, gymnasium varnishes and moisture-cured polyurethane.

Prior to the purchase of Miralite, we had employed a former Walker Brothers lumber-end-paint salesman, Jack Lemer, because we were interested in developing paint coatings for the forest industry. Our chemist had spent some time working on this project with little success. After the Miralite consolidation, Wink and Lyle Brown agreed to focus on opportunities in the forest products sector. Paint chemist Frank Fargo had recently joined Cloverdale and he devoted time to product development.

Red end paint for Vancouver Island sawmills was Cloverdale's first priority. The Walker Brothers product used a preservative that was a known carcinogen (pentachlorophenol) and a vehicle that was very soft and slow-drying. Lyle ran tests at Harmac, a large MacMillan Bloedel mill in Nanaimo, and our chemists concentrated on a product improved over that of Walker Brothers. Their packaging consisted of used, reconditioned, open-topped 45-gallon drums, which looked messy. We chose closed-top non-returnable drums painted bright turquoise green with a large, white pallet



The pallet logo sign, circa 1967, and actual paint label. This label was the Inside Outside Latex product designed to be a “self-service” package to sell through Super Valu stores. The colour chips at the top of the can were true colour card lacquer quality.

logo. This new product and packaging gained acceptance with Harmac, several BC Forest Products mills (including Victoria and Cowichan Lake) and eventually several Doman Lumber sawmills.

As volume grew, we purchased a used gasoline tanker trailer and delivered in bulk to several sawmills, filling their 500- and 1,000-gallon bulk tanks on site. This type of delivery eliminated the 45-gallon containers. In addition to Vancouver Island, Lyle was successful in capturing market share in several sawmills in the Lower Mainland and the Interior. Cloverdale also had some sales of a wood stain product in a cedar colour as well as a clear, heavy wax coating called End Check. From the late 1960s to 1980, this was our strongest industrial sales initiative in British Columbia.

Monarch Paint

In 1968, while the new factory was under construction in Surrey, Cloverdale learned that Pilkington Glass of England was to sell Monarch Paint, formerly Edmonton Paint And Glass. With working capital now supplied by Kelly Douglas, Cloverdale pursued this acquisition. In January 1969 Wink embarked on his first trip to Alberta to investigate and validate Monarch as a viable acquisition. When he arrived in Edmonton the temperature was 30° below zero, with snow on the ground. Acting manager Lawrence East met Wink and took him to tour the plant. Situated on seven acres, the plant had buildings for a lumber yard as well as a rail siding and a small paint factory run by Warren Gee, the acting lab and production manager.

Monarch sales were primarily architectural with some dealers and sales to New West Construction in Calgary. Monarch also produced some alkyd industrial maintenance products. They had dealers throughout

Alberta with significant dealer paint stores in Red Deer and Calgary. Cloverdale purchased the trade styles and operating paint business and agreed to vacate the Monarch plant within one year. Warren Gee became our Edmonton store manager and salesman and elected to relocate the Edmonton store. Lawrence East stayed in Edmonton as the general manager of our new Alberta operation.

Prior to the acquisition of Monarch Paint, Cloverdale's BC sales were \$480,000 per year. In 1969, with the addition of Monarch's Alberta sales of \$690,000, we hit the sales number of \$1 million. We celebrated this with champagne and much family and corporate excitement.

During the early 1970s, the corporate store chain grew to 25 stores, mostly in BC. Warren Gee was getting started on industrial sales in Edmonton. Calgary had strong architectural sales to New West Construction. We opened branches in Red Deer and north Calgary for a total of 4 Alberta branches.

In its formative years our Alberta division was losing money and Kelly Douglas wanted to close it down. Wink disagreed, explaining that “we must persevere and improve locations, staff and sales to reach profitability.” It took a few years to become profitable but thank goodness we persevered.

Sidney Paint

In 1971 Cloverdale purchased Sidney Paint on Vancouver Island, with the owner Bill Nasby keeping 20% of the shares. Bill managed the Vancouver Island territory. Sidney Paint branches were located in Sidney (the factory store), Victoria, Colwood, Duncan, Nanaimo, Parksville, Comox, Campbell River and Courtenay. Many great employees came to us with Sidney Paint: Bill Fowlie, Rod Andrews, Dan Cox,



Monarch paint factory, 1968.

Manley (Chris) Larsen and Gordie Ross and his wife, just to name a few.

Sidney Paint was not profitable when Cloverdale bought it. Many of the locations needed to be improved or integrated with our two existing Island branches and Lyle Brown's forest products division. Acquiring Sidney Paint and investing in relocations and upgrades proved to be an excellent business strategy. The acquisition and restructuring greatly strengthened our sales and marketing efforts on Vancouver Island.

Working at Cloverdale has given me the opportunity to work with many talented and considerate people; it's certainly true that the "people" and not just the "paint" matter most at Cloverdale. My greatest source of satisfaction is being part of a company that has become a major corporate entity in the paint industry without losing sight of its humble origins.

—Rod Andrews,
Sales Rep (from Sidney Paint)

Boom and Bust Branches

From 1960 to 1974 Cloverdale experimented with the branch model. We struggled with our merchandising concept, store size and locations, staff and hours. We pioneered Sunday opening in Surrey in spite of laws prohibiting this. We were also experimenting with advertising, conducting market research and interviews, and hiring consultants to analyze the company's strengths and weaknesses.

The conclusion during this Kelly Douglas era was to focus on the DIY homeowner market. Marketing, sales and promotion included advertising on TV, billboards, newspaper, some radio and flyers. This DIY focus

required multiple locations in retail, with main street and shopping centre locations. We strove to provide parking and access for contractors. The results were varied and cash cow locations were minimal. Relocating the Langley branch several times, as we did, was one example of the challenge in nailing down the magic formula for branch success.

UNSUCCESSFUL LOCATIONS

- Nanaimo — *An old pool hall, circa 1971.*
- Oak Street north of 25th Avenue — *Difficult access due to too much traffic on this street, circa 1973.*
- Burnaby North on East Hastings — *Too little traffic and visibility, circa 1973.*
- Burnaby South, at Royal Oak and Rumble — *Too little traffic and visibility, circa 1972.*
- 2nd and Renfrew — *This relocation in an old Super Valu store was just not successful for us, circa 1968.*
- Edmonton — *Downtown was not attracting any DIY and Warren Gee was selling industrial. We relocated west of town to a better DIY location in 4,500 square feet, but Warren's focus continued to be industrial.*

UNSUCCESSFUL SIDNEY PAINT LOCATIONS

- Victoria, on Douglas Street at Hillside, near the roundabout (now a five-street intersection) — *Street too busy, with difficult access.*
- Colwood — *Too isolated and small.*
- Duncan — *Relocated successfully to our present site.*
- Nanaimo — *Consolidated with Cloverdale.*
- Courtenay, north of town — *Relocated because of poor access and visibility.*

GREAT "CASH COW" LOCATIONS

- Newton at 64th and King George Highway from 1955 — *Factory site with great visibility, access and parking. Centre of a growing municipality, relocated to our present head office site in 1971.*
- Vancouver at 16th and Main — *This location on a main street was expanded to add a parking lot behind and double the store size. Growing contractor business with modest DIY in 1959.*
- Haney, in the old Buckersfield's store — *A winner, with good DIY and contractor sales.*
- Abbotsford — *Stronger once relocated closer to town, circa 1970.*
- Sidney — *Factory branch was excellent. Relocated next to Slegg Lumber (later Slegg moved and was replaced with a shopping centre) and continues to be successful.*
- Victoria — *Successful once relocated to Quadra Street in 1974/75 in a Cloverdale Investments-built store with side parking.*
- Nanaimo in 1974. — *Successful when Cloverdale Investments purchased the property in the centre of downtown. The site had been a CIL paint store. We expanded*

to a 5,000-square-foot branch with a large back parking lot that fronted on the old Island Highway.

- Langley — *Relocated for the third time in Highland Place, a successful site. (See ad on this page.)*

Difficult Years: 1974-76

Taking the Family Out of the Business

In 1974 the George Weston Company, owners of Loblaw, disclosed that they owned Kelly Douglas and many other US and Canadian companies, including Cloverdale Paint. This came as a surprise to Cloverdale Paint management as we had always advertised — and believed — that we were "BC owned and operated." Following this disclosure, we were advised by Pat Robertson to prepare for an important meeting.

The three guests for that meeting in our Surrey boardroom, Galen Weston, David Nicholl and Richard Curry, had been MBA graduates together. George Weston's son Galen was in his thirties and was manager of the Weston Holdings in North America. Apparently the George Weston Corporation had been on an acquisition spree throughout the world and now their debt load was crushing their earnings. Some of their US acquisitions were losing money. They had a worldwide financial crisis on their hands and needed cash liquidity.

The Canadian holdings of the George Weston Corporation were extensive, with Loblaw stores, Weston Bakeries, BC Packers, Westfair Foods, Tambllyn Drugs, Nielson's Chocolates, Kelly Douglas and Nabob Foods, just to name a few. And, as we had just discovered, this also included Cloverdale Paint. Weston's US investments included many unprofitable food and drug store operations. In 1974 Weston, via Kelly Douglas, circulated to all divisions a letter demanding cash on a high priority.

For this "important meeting," Pat Robertson had prepared an elaborate presentation of growth and future opportunity for Cloverdale Paint but his efforts were in vain. Weston's response was, "How much cash can Cloverdale raise and when?" This request was disturbing, as Cloverdale was driving to expand, not to downsize or sell.

In response to Weston's demand, Wink and Dick decided to investigate the possibility of a purchase of Cloverdale Paint shares back from Kelly Douglas. We received encouragement from our bank. Wink approached Victor McLean, Chairman of Cloverdale Paint and Kelly Douglas, with a proposal to purchase the shares. Mr. McLean rebuffed him.

This was a very difficult and emotional time. Wink realized that there were two options: either a

OPEN HOUSE
CLOVERDALE PAINT STORE
NEW LOCATION
AT HIGHLAND PLACE
NEXT TO LANGLEY MEN'S SHOP

FRIDAY., JAN. 31
SATURDAY, FEB. 1

10 DOOR PRIZES
PAINT — BRUSHES — LADDERS

COFFEE AND DOUGHNUTS SERVED

OPEN HOUSE BARGAINS

LATEX FLAT Reg. Gal. \$7.77 Qt. \$2.39	Sale \$6.60 Sale \$1.99	NYLON 1 inch, Reg. \$3.75 2 inch, Reg. \$2.25 2 inch, Reg. \$1.40	Sale \$2.99 Sale \$1.79 Sale \$1.10
REZ STAINS Reg. Gal. \$9.20 Qt. \$2.69 Half Pint 98c	Sale \$4.30 Sale \$1.35 Sale 49c	STEP LADDERS 3 ft. Reg. \$3.15 4 ft. Reg. \$4.95 5 ft. Reg. \$5.75	Sale \$1.99 Sale \$2.99 Sale \$3.69
BRUSHES PURE BRISTLE 3 inch, Reg. \$2.60 2 inch, Reg. \$1.35	Sale \$1.99 Sale 99c	DRAPES per yard Customized per panel-lined or unlined	1.69, 2.19, 3.25, 4.98 \$1.75
		CLOVERDALE FLOOR WAX Gal. \$3.85 Qt. \$1.30	

CLOVERDALE PAINT STORE
HIGHLAND PLACE, LANGLEY
PHONE 532-2312

Ad for third Langley relocation, circa 1968.



The management team, 1969–1974: Don Holiday, Marketing; Pat Robertson, President; Len Peet, Controller; Wink Vogel, Vice-President, Sales.

termination of the Vogels' share position in Cloverdale Paint or a buyback. Victor McLean, through Pat Robertson, ordered Wink not to go through with pursuing a buyback from Weston. As a major shareholder of Cloverdale Paint, however, Wink was undeterred. He pursued the buyback. Bypassing the local rebuff, he called Galen Weston directly and was invited to present his offer to Weston's Richard Curry.

Wink met with Mr. Curry in Toronto in late September 1974. The Weston company agreed in concept to a Vogel buyback of their shares in Cloverdale Paint at Weston's original investment cost. This resulted in the following offer to purchase:

- Common shares \$175,000.
- Preferred shares \$600,000. These shares carried cumulative interest at 6% that would have totaled \$288,000.
- Intercompany account estimated at \$2.6 million.
- Total purchase price of \$3,375,000 for 54% equity.

This placed a total value on the company of \$6 million. In hindsight, this was overpriced given the company's limited earnings and book equity.

When Wink returned from meeting with the Weston people, his relations with Pat Robertson and Victor McLean had grown frosty. Wink began to arrange financing for the purchase by frantically meeting with banks, mortgage companies and potential equity

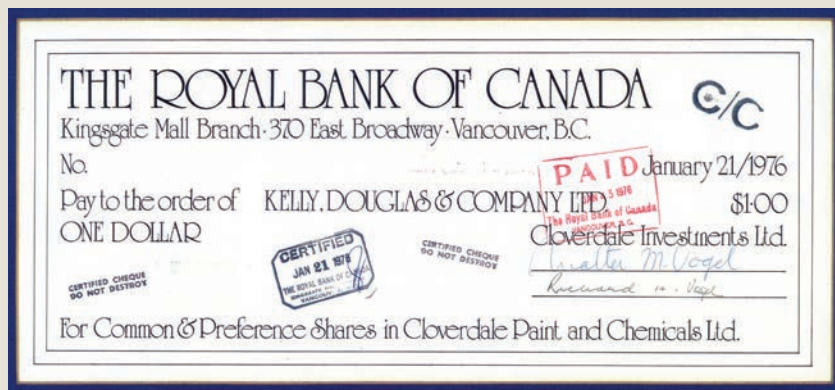
partners. He had only four months to raise the money. One of the equity partners Wink approached was Philip Graham of Graymont Corporation, a private family business. Philip offered invaluable advice and encouragement. "Wink," he said, "you don't need a partner, and you may be offering too high a price. Just borrow the money and make the deal." Philip is a close friend to this day.

Two months after the "important meeting," Victor McLean left Kelly Douglas and Ray Addington succeeded him as chairman of Kelly Douglas and Cloverdale Paint. Wink thought things would be better, but he soon learned there was worse trouble brewing. Wink and Dick were able to borrow about \$3 million for the share purchase and they asked Kelly Douglas to carry the balance at bank prime rate, secured by a Kingsway clear title property. Kelly Douglas refused and went on to fire Hunter Vogel as the Honourary Chairman of the Board.

Next, at a December 1974 Cloverdale Paint board meeting, Kelly Douglas tried to call the intercompany loan. As the sole Vogel at the meeting, and a significant shareholder, Wink advised them that a call of the intercompany loan was in contravention to the terms and conditions of Victor McLean's original investment. He warned them that this would be a suppression of the minority shareholders' interest. Although Wink didn't say this outright, he implied in his warning the threat of a lawsuit. Recalling the intercompany loan



Wink Vogel at Mushroom Records, circa 1975.



would be seen as an attempt to bankrupt Cloverdale Paint and have Kelly Douglas take 100% control and ownership as the secured creditors.

Things got worse and in April 1975 Pat Robertson asked Wink to attend a meeting with VP of Finance Charles Humphries at the Kelly Douglas office. The meeting was at 3 p.m. on a Friday and Wink had an ominous feeling. Tea was served and Mr. Humphries advised Wink that Kelly Douglas was no longer interested in the offer to purchase. In addition, he claimed that Wink had been distracted of late. He told Wink his services were no longer required at Cloverdale Paint. In effect, Wink, a Vice-President and a major shareholder of the company, was being fired. No further reason was given for termination. Mr. Humphries simply said, "Just contact our Kelly Douglas attorneys." Meanwhile, Kelly Douglas had sent two internal audit men to clean out Wink's files and remove all of his personal records from the office. The next day Pat Robertson would phone and apologize for the file removal, telling Wink he could pick up the files from his house. A black day for Vogels.

Buying Back the Company

Initially Wink moved his office to Mushroom Records, a private Vogel family company, on 6th Avenue in Vancouver. (See sidebar on page 47 for more about Mushroom Records.) He advised all his bank connections that the offer to purchase Cloverdale shares had failed and he was unemployed. Wink was grateful, that the banks were very supportive. Ron Soley at the Royal Bank said they would loan him whatever money he needed to proceed.

Dick and Wink requested legal counsel from Allan McEachern at Russell & DuMoulin. Dick and Allan came up with the idea of a "lawsuit" against Kelly Douglas for tortuous interference in Wink's employment from age 40 to 65. The damages would relate to a Vice-President's salary, future opportunity and total

earnings to retirement, plus damages. Instead of a potential six-month to one-and-a-half-year salary cost, Kelly Douglas would be facing millions in damages — payable by them and not by Cloverdale Paint.

In counsel, Allan asked Wink if he would prefer to pursue ownership of Cloverdale Paint as a family business or receive the money to pursue other opportunities. Without hesitation, Wink replied, "ownership of Cloverdale Paint." Allan advised Wink to meet with his bankers and prepare another offer to purchase the Cloverdale shares held by Kelly Douglas. The new offer was substantially different from the one submitted to Richard Curry of the Weston company the previous year in Toronto:

- \$1 for 100% of their 54% common shares (cost of \$175,000).
- \$1 for the preference shares (cost \$600,000 + 6% cumulative interest of \$288,000).
- 100% of the intercompany account (financing), approximately \$2.6 million.
- Plus the net profit, or minus any loss, in 1975.
- Kelly Douglas to carry a \$1 million mortgage on the factory.
- Resignation of all Kelly Douglas-related employees.

One memory that stands out from many is walking with Wink and his accountant, George Osler, to a meeting with the management of Kelly Douglas when Wink was buying back the company. He shared with us that he was short a million dollars to close the deal and he intended to have Kelly Douglas finance the shortfall. At the meeting that was exactly what he proposed and what Kelly Douglas agreed to. His financial problems were compounded by the fact that Kelly Douglas had delayed paying the CPI creditors. Wink

was forced to negotiate extended payment terms with them to enable CPI to survive. It was touch and go, but over the ensuing months, with creditor support, Wink and Al Mordy were able to put CPI on a sound financial footing.

—John Trueman,
General Counsel for Cloverdale Paint

This offer was accepted by Kelly Douglas. Change of management to the Vogel family was set for January 16, 1976, Kelly Douglas's financial year end. Cloverdale Investments Ltd. presented to Kelly Douglas a large ceremonial cheque for \$1.

In the years that Wink had worked at Cloverdale under Kelly Douglas control, Kelly Douglas paid the bills promptly. They also took cash discounts for prompt payment. However, just prior to the close, in early January 1976, Wink got a call from Ted Jeffries, a supplier. Ted asked, "Why are you not paying your bills?" Wink answered, "What do you mean?" Ted explained, "The account is not 60 days old, but 6 months old." On investigation, Wink discovered that Ted was right. Kelly Douglas had stopped paying major suppliers soon after Wink was fired in April of 1975. This non-payment essentially allowed Kelly Douglas to extract cash from Cloverdale Paint, an action that would eventually render Cloverdale insolvent.

Wink called for a meeting with Kelly Douglas's lawyers and Charles Humphries of Kelly Douglas management. Also in attendance was John Trueman, our corporate lawyer from Lawson Lundell, George Ostler, a senior partner of Price Waterhouse, and Wink. Wink accused Kelly Douglas of financial deception in not declaring the soaring payables. If Cloverdale had paid the intercompany account as agreed in the offer, they would have been insolvent on takeover and probably cut off by suppliers. This could have resulted in a Cloverdale Paint bankruptcy.

Wink concluded the meeting by predicting that the company would suffer a loss in 1975 rather than a profit, and advised Kelly Douglas that the Vogels would eliminate the first payment called for in the purchase agreement. The altered offer was accepted. The deal closed as amended at a very reduced price and terms.

The Hits Keep Coming

Bill Nasby had been put in operational control of Cloverdale Paint after Wink was terminated. At that time, in addition to a recession, there were gasoline shortages and rapid inflation of raw material feed stocks related to the petrochemical industry. Nevertheless, Bill Nasby reduced prices to paint contractors and sales soared 40%. Kelly Douglas

assumed that the sales increase would produce a profit. However, Wink suspected they were selling at a loss.

The company had enjoyed robust sales of wall coverings over the past five years, largely due to purchasing the clearout stock of distributors' inventory when books were made obsolete. The company had recently purchased truckloads of clearout flock paper. While this paper had sold well in the past, the market suddenly collapsed, resulting in a substantial writedown.

If this was not trouble enough, a chemist had purchased the incorrect zinc to use in our new Premium 02010, exterior acrylic latex house paint. This zinc reacted and the product became progressively thicker to the point of being unusable. This led to a massive recall, product rework and disposal.

The operating loss due to low pricing on paint, plus the wallpaper inventory writedowns and chemist issues, resulted in a substantial net loss to the company. As a result, the total purchase cost of the shares from Kelly Douglas was reduced as agreed in the purchase contract. The Vogels took management control January 16, 1976, after the \$1 payment and monitoring of the audit. The loss was large, close to \$700,000; we deducted it from the balance owed on the intercompany account. The original offer was \$3,375,000 in April 1974. We paid about \$600,000 in cash and had a \$1 million mortgage. Kelly Douglas took a substantial hit. See newspaper article on the buyback, pages 122–130.

Suppliers Save the Day

In 1976, Wink and Dick were the sole shareholders of Cloverdale Investments Ltd. The two brothers used Cloverdale Investments as the purchase vehicle for the Kelly Douglas shares. Wink and Dick gave a block of the Kelly Douglas preference shares to Hunter in exchange for 400 common shares he still held. They also gave Bill a block of preference shares. Wink owned additional common shares from previous years. After the buyback, Wink and Dick were the sole owners of the common shares of Cloverdale Paint.

The Vogel's financing of the acquisition was satisfactory, however the operational financing was extremely difficult, even with the newly negotiated deal at a lower price. The primary funding was negotiated with the Mercantile Bank of Canada. We maxed out our borrowing ability with the bank for the purchase funding using the current assets as collateral, plus personal guarantees. The deal could not have been made without the British Columbia Development Corporation (BCDC) putting up a \$500,000 second mortgage, secured behind the Mercantile Bank along

with guarantees from Wink and Dick Vogel. Jim Jackson of the BCDC came to the rescue using political job support justification to support the high-risk loan. He said, “Wink, you haven’t got a high-leverage loan package, it is infinite leverage.” The debt equity ratio was 13.5:1 even counting the appraisal of the factory, land and buildings. This was exacerbated by the ballooned payables and the operating loss.

We recognized that we were on thin ice for working capital. Going with the 80/20 theory, Wink picked the 20% of suppliers that contributed 80% of the dollar volume to the company. Dick and Wink flew to Montreal and Toronto to meet these suppliers and ask them for extended credit terms. The Vogel brothers laid out their personal and business financial statements and the corporate business plan and said:

- We need interim working capital support from our suppliers to turn this company around.
- We can take the business from loss to profit by raising prices \$1 per gallon and trimming overheads.
- We will need interim special credit terms of up to 12 months to operate efficiently.
- We will cover all payrolls, rent, utilities and freight, and pay all local suppliers and small bills promptly.
- Could you give us up to 12 months credit at this time?

Luckily, everyone supported us and gave us the green light to order and conduct business as usual. We were extremely grateful to our suppliers for their generous credit terms during our tough time, and remain so to this day. Every company said yes and not one asked for an exclusive supply relationship. A year later, a major raw material supplier loaned us \$50,000 to purchase a 50 hp Cowles needed to cope with increased production volume. This supplier swore us to secrecy on the deal and did not ask for an increased share of our business. To this day, we are grateful and amazed by how lucky we were to have such supportive business associates.

We would now like to extend grateful acknowledgement to our major suppliers of raw materials for the special credit accommodations in 1976. At the time, they all agreed to carry extra credit terms and asked us to keep it confidential. With the passage of time, we wish to acknowledge the support from these people:

- Dennis Songhurst, Pat Nichol and Sandy Davey of Reichhold Chemicals, Port Moody
- Brian Eckersley, President; Dave Cook, local representative (very special supporters) of Tioxide Canada Ltd.
- Mike Sikich and Doug (last name unknown) of Continental Can

- Marv Rheault and John Berghuis of NL Chemicals (titanium)
- Derrick Pawsey of Rohm and Haas (acrylic resin)
- Ron Cabot of Ashland Resins (alkyds)
- Bill McAdams, Charlie Buzzard, Van Waters and Rogers (solvents, extenders)
- Trevor Goddard and John Physick of McKenzie and Fiemann
- Ernie Maguire and Ted Jeffries of Emchem (Cal Ink, extenders)
- Howard Fensom of Cal Ink
- Jack Marshall of Dominion Colour
- Clark Boyce, Wally Malenowski and John Morell of Nacan (National Starch) (latex resin)

We are also grateful to Kelly Douglas for giving Cloverdale the million-dollar mortgage on the five-acre factory site at 12% interest. This loan was an important part of our purchase financing. Eighteen months after the buyback, Wink flew to Toronto to meet Charles Humphries because Cloverdale needed more working capital and Wink had arranged a larger mortgage at a lower interest rate than the 12% Kelly Douglas had charged. Wink offered to pay out the Kelly Douglas mortgage for a 10% discount. Charles laughed and called him cheeky, as the agreement called for a 10% penalty for early payment. However, Kelly Douglas waived the penalty and Cloverdale cashed them out for the larger mortgage at lower interest cost.

The Kelly Douglas era, from 1964 to 1975, was an extraordinary period in the evolution of Cloverdale Paint. Putting aside the traumatic events in which first Hunter and then Wink were terminated, this corporate partnership lifted Cloverdale from a small seven-branch chain doing \$410,000 per year to a significant industry factor in the BC and Alberta markets. In spite of all the drama on the buyback, Kelly Douglas continued to produce our financial statements on their computer for several years. Cloverdale now owned a model manufacturing plant with large-batch efficient capacity, including bulk handling of raw materials and quality process machinery complete with semi-automatic straining, labeling and filling. The warehouse was racked and the Newton store was a cash cow, alongside a large administration office and a five-acre rail site with space to grow. The commitment of Pat Robertson to open branches and acquire good paint companies in BC and Alberta was financially supported by Victor McLean. The original total investment of about \$3 million is fully utilized today.



Members of the band Chilliwack and employees of Mushroom Records, circa 1978, at a Mushroom Records convention in Arizona: *Back row* [L–R] Shelly Siegel, General Manager of Mushroom Records; Howard Froese, guitar and keyboards; Ross Turney, drums; Bill Henderson, band leader, guitar, vocals and songwriter; Glenn Miller, bass. *Front row*: Unknown person; Wink Vogel, President Mushroom Records; Susan Gershorn; and Jay Gold.

MUSHROOM RECORDS

GOING GOLD

Mushroom Records was a private Vogel family company that had a successful recording studio. Hunter acquired Mushroom Records “accidentally,” as part of a transaction that turned out to include the recording studio (originally Can-Base Industries). From 1970 to 1983, Wink managed Mushroom Records in partnership with his father and his brother Dick. Mushroom Records signed and recorded the Canadian band Chilliwack, whose first album, *Dreams, Dreams, Dreams*, went gold and platinum in Canada. Jerry Doucette’s album *Mama Let Them Play* also went gold and platinum in Canada. Mushroom also signed and recorded the band Heart and produced their first album, *Dreamboat Annie*, which went gold and platinum in 1974/75 in Canada and the US. This record eventually became a worldwide hit

and continues to sell as a “classic rock” album today. See photo of Heart on page 137.

Mushroom Records was hit by a triple whammy that caused us to shut down the US and Canadian offices, retaining management of only the masters we owned and any residual royalties. First, the disco craze of 1978 put a damper on the sale of rock and roll records. Then in 1979, Shelly Siegel, our president and general manager, died of an aneurism at the age of 31. Finally, the financial recession hit the US in 1981 and Canada by 1982. In 1983, we sold the studio. Today, Wink owns all rights and masters from Mushroom Records Canada Ltd.

The Kelly Douglas investment was a gift we have used judiciously, over 36 years. Cloverdale has prudently added to this gift our cumulated profits to achieve the status, as of 2006, of being the largest Canadian-owned paint company.

Juggling Lessons — Managing Payables and Pricing

A major management focus immediately after the Kelly Douglas buyback was cash flow and managing payables. With all the former “managers” gone, Wink would meet with the clerical staff regularly. Vera Kubbos did an amazing job with the accounts payable. She approved all the invoices then organized two weeks’ or a month’s purchases of major suppliers and held them in baskets for payment. We cut the cheques after the orders were processed and were ready to be paid. Small accounts were released promptly, within 30 to 60 days. Medium-sized local payables were held for 60 to 90 days. All the large payables were handled individually, as negotiated in advance with our many supportive suppliers. Nine to 12 months hold was not unusual for such products as titanium, alkyds, latex resin, solvent, containers, additives, colour pigments and extenders. Wink would clear each basket and each cheque based on the daily bank balance. If we needed more time than originally negotiated, Wink would phone and say, “Could we pay you \$50,000 next week? Can we drag payment out over two weeks or 30 more days?” Always, it was okay. We also ordered sparingly and JIT (just in time). Our suppliers allowed us to make it through this difficult period and were extremely patient and supportive. We would accelerate bank deposits and transfers to access cash sooner from the branches. Credit and collections were also closely monitored. Capital expenditures were minimal. We will forever be indebted to those suppliers who supported us during this time.

Sue Herron managed the sales desk. Sue’s responsibility was to manage all pricing and quotations. Pricing was a critical issue because of the loss in 1975 and the inflationary issues on raw materials. Sue was the person who talked regularly to the branches, salesmen and large customers and kept things moving between the factory and sales. She also organized family picnics, Christmas parties and the social club.

Planting the Profit-Sharing Seed

Cloverdale Paint is unique as a family business because the Vogels regard their employees as part of their family. CPI has shared the business with employees through its profit-sharing plan, which requires the company to share with

each employee the financial and operational information that usually only management would be privy to. This has aligned the interests of the Vogels with both management and CPI employees.

—John Trueman,
General Counsel for Cloverdale Paint

After the takeback of the company, the debt equity ratio was extremely high — but so was corporate spirit. We developed a new business plan to reduce overhead and increase sales. To give the company a fresh start with team players, we terminated 12 people, including all senior management connected to the Kelly Douglas ownership.

Wink cleaned house further by cutting costs and raising prices. Cloverdale closed their Kerrisdale branch at 41st and East Boulevard because Kelly Douglas sold the lease to McDonald’s Hamburgers. The Kelowna, Burnaby South, Burnaby North and Oak Street branches were also closed. A price increase of about \$1 per gallon was accepted by painters, who were aware of the raw material inflation of 1974 and 1975. Subsequently, Cloverdale sales increased from \$6,900,000 in 1975 to \$8,919,000 in 1976 and Cloverdale broke even. The turnaround permitted a rebuilding of the management team for long-term growth.

By 1976, Wink realized that he needed a strong team of dedicated employees to make the company successful. He was intrigued by the concept of a profit-sharing plan as a way to attract and reward such employees. Research was conducted to learn more about profit-sharing plans. There was a profit-sharing institute and several companies had written articles on the concept. These articles provided excellent support and details of existing plans. First and foremost, Cloverdale had to make a profit! Developing a plan was complicated, as the federal tax laws would control how it worked. Cloverdale required a trust company to administer the funds and Price Waterhouse was asked to draft and register the plan with the Canadian Department of Revenue. We required a governance policy that administered or directed the funds. This in turn called for an investment counselor to manage the investment pool. Finally, payroll had to record and manage the employee accruals and do the reporting to the employees each year.

The original policy of the plan was drafted as follows:

- All full-time employees qualified after 18 months of employment, effective June 30 of that calendar year.
- The total fund was calculated each year by the chartered accountants at 16% pre-tax.

- Each employee received an equal share — one employee, one share — paid to the Royal Trust to their account annually.
- An investment committee was set up representing head office, factory, warehouse, lab and branches in BC and Alberta. This committee and the investment counselor, John Keenleyside, set the policy and made investment decisions. The fund was managed like a mutual fund.
- The policy for withdrawing money was on retirement, resignation or death.
- Each year the results or earnings of the fund were divided and credited to each employee's account plus

that year's payment from the company. There was a minimum payment if the company had a loss. As the years went by the company made changes to the plan:

- Part-time employees were included, prorated to the hours they worked.
- In 1989 the payment exceeded the maximum amount allowed tax free by the federal government and we permitted 50% withdrawal. Employees had to pay the income tax on the money withdrawn.
- In 2007 we eliminated the holdback period so that new employees immediately qualified.

FACTORY BLOOPERS

When I first started with Cloverdale in 1978, the Quality Control "lab" was a plank supported between two 45-gallon drums in a corner of the plant. Back then, our biggest paint commodity was a product we sold to the sawmill industry to coat the ends of lumber. We delivered this paint to the sawmills in a large tanker trailer that we parked on the other side of the wall to the QC lab.

One day, after I'd been on the job for a few months, I guess the driver forgot to set the brakes on the tractor before backing into it to couple up. The whole back end of the Lumber End Paint Tanker came crashing through the concrete-block wall, virtually disintegrating the QC lab and my equipment. Fortunately, I was not there at the time.

This was the same tanker that on a subsequent occasion was incorrectly loaded so that the whole back end and wheels lifted off the ground and looked like a rocket launcher. The tanker was compartmentalized and should have been filled to distribute the weight from front to back. One day an inexperienced filler started loading the front compartment without balancing out the weight on the back. The whole tanker rocked forward on its landing gear to the point where the front end was on the ground and the rear wheels were about 20 feet in the air.

And then there was the parking lot incident. During the late '70s, Cloverdale produced floor polishes and cleaners as well as shampoos and detergents. Empty (or nearly empty) drums were stored in the yard on their sides. One day, at the end of a long summer drought period, we had a heavy rain. Some super-concentrated detergents had leaked from some of the drums and deposited on the ground. The heavy rain

activated the detergent and turned the whole south parking lot into a giant bubble bath. Al Chohanuk and I had to wade through soapsuds up to our waists to find the storm drains and release the bubble bath into the creek. Good thing it was not hazardous!

The other humorous incident (although not at the time) was when Byron Arden was making a batch of blue paint and the bag of phthalo blue pigment grabbed onto some sticky resin on the mixer shaft. The bag pulled out of Byron's hands and spun around, spraying all over. Phthalo blue pigment is an extremely fine, light powder that goes absolutely everywhere. Not only was Byron blue from head to toe, but so was most of the factory. For weeks after, even people in the office found that any papers when wiped or handled would turn blue because of the dusting of pigment that went through the ventilation system.

—Stu Eaton, Manager,
Technical Services and Product Design





Al Mordy hired in 1976.



Warren Gee and Patricia George in 1994 at Warren's 60th birthday party.



Al Mordy and Alex Drody presenting Vera Kubbos, "accounts payable wizard," with her 25-year service award, circa 2000.

The profit-sharing plan acts as a company-paid retirement fund, although every employee is encouraged to save additionally for a more comfortable retirement.

In the early years our profits were modest; we even had one year, 1982, when the company lost money. After 1982, though, we steadily improved our profit and in 1989 we achieved nearly 5% net profit after tax and set a record for individual profit-share payments. The years from 2001 to 2008 were very profitable due to the acquisitions. The record payout was \$6,820 per employee in 2008.

As profitability was critical, price increases became essential and it was important to get our sales staff on side to implement them. Operating at reduced cost was an added challenge. Some of the cost and profit issues included reducing decorator stock, store size and overheads. Running an effective and profitable business involved major challenges for all Cloverdale employees, top to bottom, but sharing in the challenges now meant sharing in the profits. The importance of customer service and satisfaction was better appreciated by staff from all divisions, regardless of whether or not they dealt directly with customers, because they were partners in the company through profit sharing.

Management Changes

Upon takeover, Al Chohanuik became the acting plant manager and Stu Eaton became lab manager. Sales were strong but we had difficulty producing the paint that was needed. Our sales were stronger than anticipated and we did not plan on any pre-production or stock building. We had many factory pep meetings and Friday night dock parties to keep up production morale and service. About mid-year Wink started recruiting for senior management positions

of controller and production manager. In late spring we ran ads for a plant manager and Dan Treleavan applied from Color Your World. He was hired in 1976 and quickly took management control of the plant including raw material purchasing.

The Power Behind the Throne

Prior to the takeback, Ada Woodhurst had been working as an assistant to Helmut Much, the production manager from 1970 to 1975. On the Vogels' takeover, Wink asked Ada to become Cloverdale's personal executive secretary and she agreed. Ada was a great support person and loved the challenge of taking the business back as a family operation. Her work was critical, covering payroll and managing internal and external communications during an extremely difficult time. The Vogel buyback virtually eliminated all the previous senior management and Wink was often out in the field. Ada became the "go to" person in Wink's absence.

In spite of the extreme financial pressure, Ada helped Wink provide the calming confidence that pulled us through this transition. She was our anchor at head office. Wink and Ada were further supported in this effort by Sue Herron on the sales desk, Vera Kubbos on payables at head office, Al Chohanuik and Stu Eaton in the plant and Warren Gee in Alberta.

In the late 1970s, Wink was devastated when Ada announced she wanted to retire. We could not imagine functioning without her wonderful contribution and sense of humour. But in characteristic good form, Ada came through for us even in her departure: she recruited a replacement who turned out to be an outstanding choice.

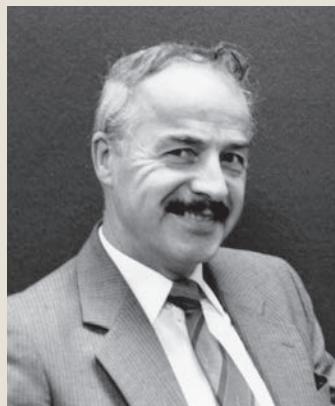
Pat George had recently emigrated from England and had a brief work experience at Bapco Paint. She joined Cloverdale and dove into payroll and worked with Ada Woodhurst for a break-in period. Pat has



Warren Gee, circa 1970.



Leroy Carlaw, store supervisor,
circa 1979.



Ron Goudie, branch supervisor,
circa 1990.



Bill Fowlie, circa 1980.

become a rock and a much-cherished employee. Over the years, Pat has performed all of the following tasks:

- Acted as our executive assistant.
- Managed the profit-sharing plan and served on the investment committee.
- Managed administration of corporate leases.
- Produced the corporate quarterly newsletter *In the Clover*.
- Contributed greatly to corporate, charitable, community and personnel events, including organization of staff activity and social functions.
- And more!

Pat retired from full-time work in 2007 and received her 28-year service award. An invaluable member of the management team, she continues to work part time one day a week, managing Cloverdale Investments Ltd.

Al Mordy Hired

In the spring of 1976, soon after the buyback from Kelly Douglas, Wink employed Price Waterhouse to run an extensive executive search for a controller. Price Waterhouse shortlisted two applicants, a senior executive whose experience and credentials looked impressive and a promising young man by the name of Al Mordy. Based on his greater experience, the senior man was hired for the pivotal position of Cloverdale controller. But Wink was so impressed by the younger man that he didn't want to let him go. He hired 29-year-old Al Mordy to manage Cloverdale Investments' real estate portfolio and Mushroom Records. Mushroom's success during this time was critical to establishing the Vogel credit necessary for buying back the shares of Cloverdale Paint from Kelly Douglas (see sidebar on page 47 for more about Mushroom Records).

Within a short time, Wink realized that the senior executive was ill-equipped for the difficult job of controller. He lasted a mere six months. Meanwhile, Al Mordy had become a stabilizing influence at Mushroom Records, which had been in such a tumultuous state that Al referred to it as a "runaway train." Al was a man of character who had both accounting credentials and a keen instinct for business — with excellent people skills to boot. Al had a way of putting his finger on important issues and proposing solutions, even in the chaotic business environment of this era, and Wink came to depend on his counsel. In 1977 Wink asked Al Mordy to move to Cloverdale's office as controller of Cloverdale Paint. What a brilliant hire he turned out to be.

Five-Year Expansion

1976–1981

1976 was Cloverdale's break-even year. With the economy holding strong from 1976 to 1981, the company had two initiatives that resulted in sales growth during this period from \$6.9 million to \$19.6 million: (1) developing and marketing of industrial coatings and (2) opening large decorator stores with power retailing. These initiatives were made possible by the efforts of our employees and by technical innovations and improvements.

Technical and Industrial Development

With Stu Eaton as lab manager, and eventually technical director, we began to strengthen the lab staff in Surrey. Doug Wright joined us from ICI in Toronto. John Wong was also on staff but he left to join Reliance Universal in Langley and we recruited Tom Wong from International. Art Bragg worked for us until he was recruited by Endura. Doug Wright became our lab manager.



Langley opening: Hunter Vogel, Mayor Grant Duckworth and Langley Reeve, circa 1977.

We joined Coatings Research Group Inc. (CRGI), of Cleveland Ohio, in the late 1970s and greatly improved our technical and production networking. We withdrew after the 1982 recession and rejoined in 1985. CRGI continues to be a great resource for production and technical information exchange, primarily on architectural products.

Bill Fowlie advanced quickly and moved from Sidney Paint to Alberta to help us build our branch chain and Alberta sales. Leroy Carlaw advanced from store manager to supervisor in the Lower Mainland. Ron Goudie advanced from branch manager to branch supervisor for BC and Alberta.

In 1979 we sold the wax division, which was manufacturing out of the Surrey plant. We used the vacated space on the south bay for resin tanks, containers, paint filling and labeling. We developed a semi-automated filling line that started at the factory east door and ended at the factory west door. A maintenance shop was constructed just outside the filling bay on the south deck.

In 1981, Dan Treleavan, our plant manager, resigned to form a competing paint company called Consolidated Coatings. A year later he hired Lyle Brown, our forest products manager. Alex Drody stepped out of the lab and his part-time sales to cover Lyle's Vancouver Island and BC sawmill territory. That same year, Wink recruited Nick Willis from Toronto to



New Langley store, circa 1977.

strengthen our sales and marketing management. We quickly learned we were getting the bonus of Diane Willis as well. Diane would run the Richmond branch before joining our head office in purchasing in the late 1980s.

Industrial Coatings

Cloverdale's forest products division, started in the late 1960s, after the Miralite acquisition (see page 39), continued to do well during this period. In addition, we developed industrial machinery enamels, speed enamel and bake enamels, with the Reichhold bulk industrial alkyds and modifiers added in the factory. These top coats and multiple primers expanded our activity for industrial coatings in Edmonton, Red Deer and Calgary. Warren Gee, our star Edmonton employee, blossomed in the late 1970s and into the '80s. It was Warren who spearheaded development in industrial sales. He worked closely with the Surrey lab and opened new industrial accounts rapidly.

Cloverdale moved and expanded Warren's branch twice during the 1970s. The original location was a 3,500-square-foot store in downtown Edmonton. Cloverdale moved west of town into a 4,500-square-foot retail store. Warren received positive response to his knowledge of paint chemistry and became a well-organized product development salesman. His attention to detail earned him a good store sales staff to back him up.

Store #49 in south Edmonton was also an excellent industrial sales branch. It was located in an industrial development site next to Windsor Plywood, at Calgary Trail and White Mud. Chuck Kothari managed this store for many years. He often complained, with a smile on his face, that Warren was his largest competitor. He stated that Warren was good and he was glad to be on the same team. Red Deer was progressing well on industrial sales and store #51 in Calgary was also



At 6200 Lougheed Highway, Burnaby, construction of a tilt-up building; Dan Treleavan, contractor, Burnaby mayor, banker, Al Mordy, Jim Jackson of BCDC, Burnaby employee, realtor John Williams and Wink Vogel.



Wink at the draw for the prize Honda, Richmond, circa 1978. John Hooker, Wink Vogel, Brian Spence and the Honda representative.

The Home Improvement Shopping Centre

6200 Lougheed

CHARGES
VISA

QUANTITIES ON SOME ITEMS LIMITED

STORE HOURS:
9:00 - 5:30 Mon., Tues., Wed.
9:00 - 9:00 Thurs., Fri.
9:00 - 5:30 Sat.

CARPENTERIA 294-9822
CLOVERDALE 299-1235
PAY 'N' PAK 299-8951
WINDSOR 299-9388
RATTAN & WICKER SHOPPE 299-7611

BURNABY

From a Lougheed Shopping Centre promotional flyer.



The Richmond Power Store Opening, circa 1978: Tim, Tracy and Wink Vogel, Greg Wyatt, Surrey Mayor Bill Vogel, Mayor of Richmond, Randy Vogel, Hunter Vogel and Kris Vogel.



Mayor Ken Curle, second from left, snips a ribbon to open the Red Deer Cloverdale Paint store. Assisting are Wink Vogel (left), Al Smith and Bill Fowlie. April 15, 1980.

picking up speed on industrial products. The Calgary branch was now on McLeod Trail South.

Power Stores

In the early 1970s, Cloverdale Paint had taken a major step into the world of decorator merchandise with wall coverings. At that time, sales of wall coverings were growing significantly, and we jumped in and became a major seller of British wall coverings. Don Holiday, Pat Robertson's brother-in-law, progressed to marketing manager and stores supervisor for this new product. Chuck Kothari was hired in Edmonton as a salesman for the wallpaper division, while John Hooker, Barry Fraser and Linda Fraser worked in the BC division.

Wall covering sales eventually accounted for over 30% of the total branch sales, sparking the company name change to Cloverdale Paint and Paper. We took on distribution of selected lines in the mid-'70s and sold wall coverings to our competitors in BC and Alberta. For a short time this division used the name Wallpaper To Go.

By 1976, Cloverdale was developing a new merchandising initiative of large decorator stores modeled after Standard Brands in California. Standard Brands was very profitable and sold more merchandise than paint. Our first opportunity to try this power retailing was a former carpet store location on Number 3 Road in Richmond. Our move into a superstore was set into play when the Bank of BC wanted our old store location to expand their branch. The large sum they paid to purchase our lease financed our relocation into a 14,000-square-foot store. We stocked extensive wall coverings, carpet roll ends, wallpaper books, bath boutique items, wicker decor, plants and wicker furniture. The opening of this Richmond superstore

in 1977 was the biggest promotion in the company's history. We advertised heavily and had a free draw for a Honda Civic with speed stripes in Cloverdale colours. Honda had recently entered the Canadian market and Brian Spence negotiated a free car in exchange for advertising and promotion.

Cloverdale Investments built a 40,000-square-foot tilt-up concrete multi-tenant centre at 6200 Lougheed Highway for another Cloverdale superstore location. Tenants there were Pay N' Pak (later Windsor Plywood), Jordan's Carpets, a drape shop, glass shop and Cloverdale Paint. This merchandising concept was similar to the big boxes of Home Depot and RONA but with an open floor plan and independent tenants.

Cloverdale Investments also purchased an empty Super Valu store with a parking lot in Langley. A high canopy was added to improve the building's appearance. A major renovation raised the floor level of the store and parking lot one foot and removed the false ceiling. An additional row of stores was built to create a small strip mall. Cloverdale set up a large paint and decorator superstore outlet similar to the Richmond store, stocking an extensive wall covering department, wicker furniture, plants and carpet roll ends. Because the staff in these locations had the knowledge and skills to sell these new products, the Richmond and Langley stores became the successful models of power decorating stores in the late 1970s.

Cloverdale also rented two large stores in Alberta, one in southeast Edmonton next to IKEA and a 10,000-square-foot store close to Woodward's in Red Deer. We installed similar power merchandising in both locations. Including Edmonton and Red Deer, Cloverdale Paint now had six large stores with power



Head office Christmas party, 1979. *Front Row:* Scott Davidson, Gary Ellerman, Alex Drody, Pat Samuals, Stu Eaton, Wendy Daigneault, Ron Bissett. *Second Row:* Dan Treleaven, Lil Williams, Wink Vogel, Leroy Carlaw, Gail Monts, Cindy Monts, Linda Fraser, Neil Polichek. *Third Row:* Al Mordy, Ada Woodhurst, Pat George, Susan Moyes, Al Chohanuik, Vi Daigneault, Helme Singer, John Hooker, Irene McIntosh, Shirley Wells, Maureen Darby, Roy Meilleur, Art Smith, Ross Green, George Perry, Al Harvey. *Back Row:* Len Boyer, Herman Kessler, Vern Rowat, Jim Singleton, Vera Kubbos, Bill Fowlie, Wayne Armstrong.

merchandise. In 1977 in addition to power outlets, Cloverdale Paint opened a Cranbrook branch in a property owned by Cloverdale Investments in partnership with Don McDonald.

To advertise wall coverings and decorator merchandise, we produced a glossy magazine and used flyers, radio and some TV ads. In this period we were in the top three for DIY retail paint and wall covering sales in BC and Alberta along with General Paint and Color Your World.

Along with opening these power retail stores, we also launched Wallpaper To Go, a wholesale distribution of selected wallpaper books. This division carried stock in Surrey and had sales staff in BC and Alberta. Investment in wallpaper distribution was high and frequent style and book changes left us with obsolete inventory and markdowns. While corporate stores made a respectable profit selling floor stocks of discontinued patterns purchased from distributors at sharply reduced prices, in the end, the division as a whole lost money.

Go, Team, Go!

Sales Conventions 1977–1981

Harvey McEwan, sales manager during 1976, was very “promotion” minded. He proposed that the company offer the incentive of a sales convention for achieving profitability. The first convention was planned for Reno

in February 1977. Cloverdale chartered a Canadian Pacific airplane. There were two vacant seats on the plane and Noelle and Wink “surprised” Tracy and Tim by taking them for the weekend conference. All store managers flew to Reno, along with management, salesmen and their wives. Similar sales conventions were held annually for the next five years. The last of these trips was to San Diego at the Del Coronado Hotel in 1981. Such trips were costly and they were curtailed in response to the 1982 recession.



Tim Vogel, Ron Goudie and Tracy Vogel. Tim's surprise when he learned he and Tracy were going to Reno, 1977.

The Franchise Experiment

During the early 1970s, Cloverdale franchised the Port Alberni store and opened new franchises in Regina and Fort St. John. We were not equipped to sell to dealers at this time, however, and without proper franchise sales and management this was not an effective program.

In this era, Color Your World was a major national retail advertiser with many franchises; they had set up the framework or stage for franchising in the paint industry. We decided to improve our franchise management planning and hired Willy Vogl, a well-known Austrian ski racer, to head this initiative. Willy prepared a marketing plan and sales package. We opened franchise stores throughout BC, including White Rock, Chilliwack, Penticton, Kelowna, Parksville, Quesnel, Fort St. John and Courtenay. The more successful franchise stores were in good markets with effective managers. The program was moderately successful, with the exception of some conflict on pricing with the wholesale trade, such as large paint contractors or developers. Franchises were really geared for the retail market, smaller pot-and-brush painters and maintenance accounts.

The Recession Action Plan

1982

The 1982 recession hit with rapid force. In June of '82, when eastern Canada was in recession, Cloverdale's sales were up about 20%. But by August, we were in free fall, with sales dropping 20% from 1981. Although the company had been profitable since the Kelly Douglas buyback in 1976 and the balance sheet had improved, it was not robust enough to handle the \$400,000 loss in 1982. Even with the growth of sales from \$7 million to almost \$20 million in five years, profits were not sufficient to handle both the increased demand for working capital and the effects of the recession. Interest rates skyrocketed and peaked at 17 to 20%. We had expanded too rapidly to weather a recession.

Al Mordy and Wink identified the issues and agreed on a survival plan. Al was promoted to Vice-President and General Manager of Cloverdale Paint. He would now manage the many meetings with employees, banks and suppliers to ensure that everyone understood what we needed to do and that our actions were as fair as possible at all levels. Al and Wink made a presentation to the Mercantile Bank regarding Cloverdale's survival plan, and they approved. Our line of credit was secured and Mercantile supported our management in implementing the business plan. Here's what our recession business plan looked like:

- Shut down the wallpaper distribution, sell off stock, terminate the wall coverings manager and reassign other wallpaper staff.
- Stop opening new franchises and let Willy Vogl go.
- Work our way out of decorating merchandise.
- Lay off staff and terminate many middle and senior staff.
- Introduce a 15% wage deferment to all employees, from management down.
- Reduce store size by 50% where possible and cut overhead on rents by relocation.
- Stop travel. Cancel membership and subscription expenses.
- Permit work sharing in the office, warehouse and some stores to reduce layoffs.
- Close some marginal stores.

Unfortunately, the banking industry itself was due for a shakeup. Three years later the Mercantile Bank went broke and was purchased by National Bank from Quebec. The Bank of BC and Continental Bank also went down. HSBC took over the Bank of BC. Many of our bankers from the Mercantile went to work for the Hong Kong bank and we moved our corporate account there from the Mercantile in 1987. The key banker who moved our account was Bruna Giacomazzi. Jim Cleave was President of HSBC at that time. We continue to bank with HSBC today.

The most challenging time for me in Cloverdale's history was a period during the early 1980s when employees took a 15% deferral in wages and some were reduced to working four days a week. Everyone was worried that these cutbacks were going to be permanent, but by the end of the year the company's fortunes rebounded and employees were paid their lost wages with a bonus.

—Rod Andrews, Sales Rep

Branch Right-Sizing

Cloverdale immediately set the recession plan into action. We reduced occupancy costs and decorator merchandising. As leases came up or where a branch was losing money, we would downsize. We found we could often cut our rental rate by 50%, or at least 25%. One dramatic example was Red Deer. In the late 1970s we were leasing large stores for power merchandising of decorator stock. A new centre had opened just across the street from Woodward's, on the south side of Red Deer, and we had taken a large space on the



Abbotsford store. Note the transition label, Cloverdale Monarch, circa 1970–1980.



Woodward's side. When the recession hit, the smaller centre we were in did not get filled and it was not well maintained. We had made the mistake of taking cash back for renovations and agreeing to a higher rental rate. Wink met with the developers in Calgary to try to renegotiate the lease at lower cost, but to no avail. Bill Fowlie had secured a low-cost warehouse bay on the north side of town, in the same centre where we are now located but in larger premises. We moved to the north side of town. The developer of our previous premises, who had refused to renegotiate, subsequently went bankrupt.

Favourable negotiations occurred at many locations to reduce our costs. A very large store in Haney was the easiest. This was a former Safeway shopping centre to which we had relocated after the old Buckersfield's store was expropriated for a new city hall. The landlord agreed to cut our rent in half if we agreed to vacate 50% of the store, but he said "keep using the whole space until I find a tenant." That agreeable arrangement went on for a long time. We reduced our space 40% in Abbotsford. In Coquitlam we moved out of a high-profile retail location to a lower-cost warehouse a few blocks away. We vacated the large decorator branch next to IKEA in southeast Edmonton and moved to an older centre at much lower rent and reduced space. We cut in half the rented space in Richmond, Langley and Burnaby. Al Mordy successfully sold the rights for wallpaper distribution and most of our stock of imported wall coverings to Dave Bromley of Decor West Wall Coverings.

The Vancouver and Alberta wallpaper sales staff of Chuck Kothari, John Hooker and Linda Fraser transferred to branch sales. Barry Fraser became a star trade salesman in the Lower Mainland. After liquidating the wallpaper distribution stock, closing the franchise

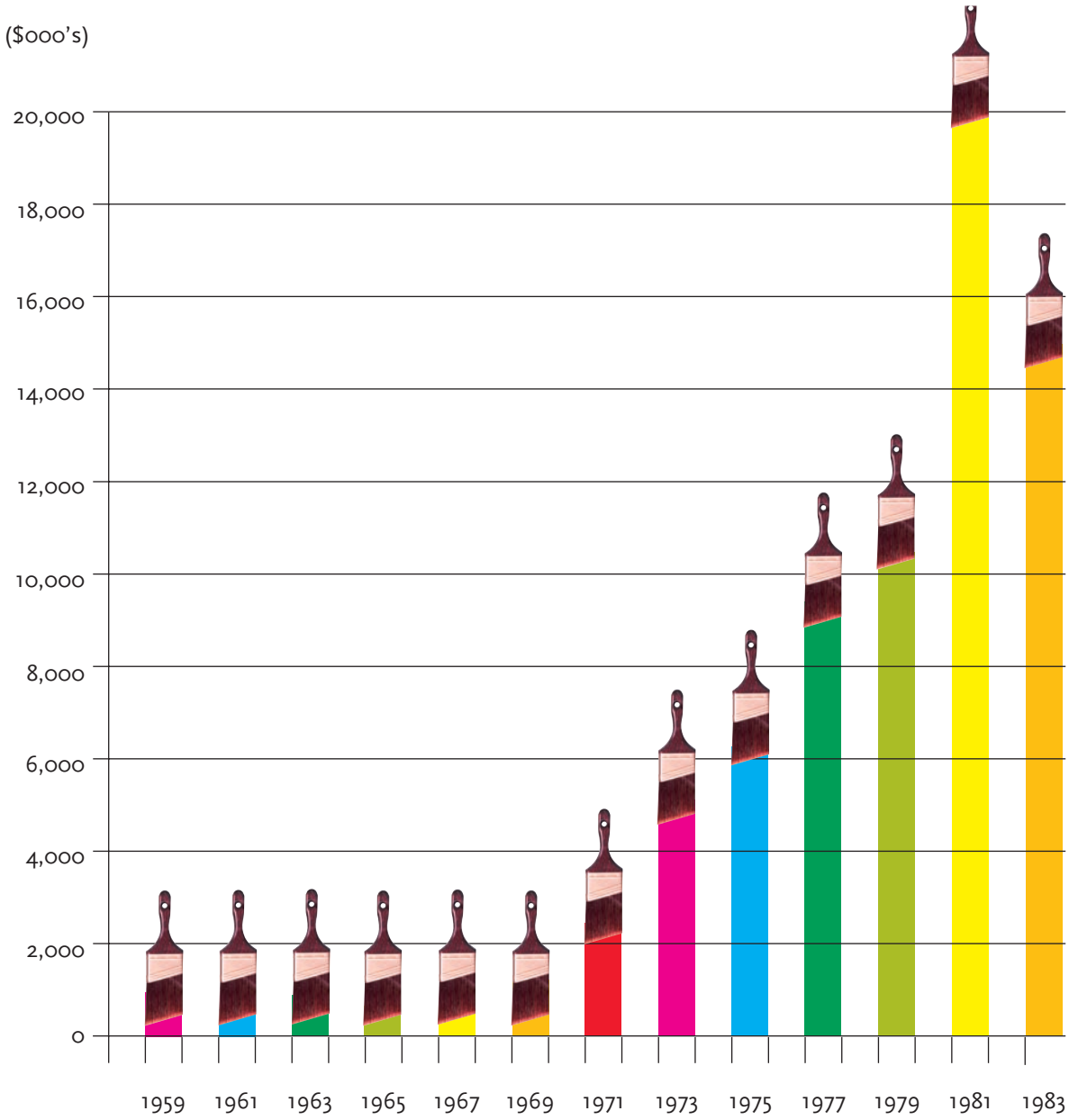
division, and closing and downsizing some branches, our overhead was greatly reduced. Some franchises went bankrupt over time. We took back several of the stronger franchises and converted them to corporate stores. These included Parksville, Quesnel, Kelowna and White Rock.

The period of 1982 to 1983 was very stressful for all employees. There was not one person who did not have a neighbour, relative or friend unemployed or severely affected by the recession. Interest rates soared to 20%. This caused home foreclosures and small business bankruptcies. Most everyone was thankful for a job, even with a 15% wage deferment or a work-share package.

In the midst of these tough times, we uncovered a difficult problem in the plant. A factory worker was accused of theft for having sold our paint at a Fraser Valley flea market — the same person who was spearheading a union certification drive. Ultimately, this worker was terminated for cause. After some difficult hearings at the provincial labour board, we were ordered to rehire him and the plant was certified with the Teamsters. When we rehired him, as the labour court ordered, we questioned him again about the theft and he resigned.

Our sales had peaked in 1981 at \$19.4 million, with a profit of \$400,000. In 1982, sales dropped and the company lost \$400,000. As a result of the recession business plan, sales were profitable again in 1983 and Cloverdale was able to repay all the deferred wages with interest. From 1983 forward we have been profitable.

Paint Sales 1958–1983



Heartbreak For the Vogels

Kris Vogel, 1965–1982



Kris Vogel, 1982.



New Year's Day, 1982, Sun Valley, Idaho.

Kris is the eldest son of Noelle and Wink, beloved brother of Randy, Tim and sister Tracy. In March 1982, Kris was a grade 11 student at Magee High School, having just turned 17. At Whistler Mountain on a ski weekend, Kris was tragically killed by a drunk driver as he crossed the street to meet a friend.

Kris's brief life was rich in accomplishments, athletic, social and scholastic. He set several track and field records running at Saint George's School and played on the Roadrunners, a championship city soccer team in 1981/82. Kris excelled in all sports, including sailing, skiing and rugby. A popular young man, Kris was mature beyond his years. In 1980 he crewed on *Dream Machine*, the family sailboat, in the 2,400-mile Victoria-to-Maui yacht race. Kris was taken for a mature college student by his shipmates and new friends rather than the 15-year-old he was.

Like his father before him, Kris had an early work history with Cloverdale Paint. He and his brother Randy were student labourers and summer help in the factory. They cleaned tanks and floors and assisted paint makers. During his spring break in 1981 he worked full time as a paint maker. Kris loved working with the factory crew. One day driving to work with Wink, he spoke of his desire to plan his life around a career at Cloverdale Paint.

What a loss this bright star was to Noelle and Wink, and to Randy, Tracy and Tim, as well as his extended family and many friends. We believe it was a loss to Cloverdale Paint also. We love you, Kris.

