

Free Enterprise at Work: How Winsupply's Business Model Gives Everyday People the Freedom to Earn Their Own Success

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Imagine this scenario:

What if I walked up to you today and said that come tomorrow, you and I were going to have an amazing, one-of-a-kind opportunity to go into business together.

And what if I promised you that this opportunity – this business – was going to be something pretty unique.

Something really different.

You'd probably be more than a little curious, right?

And what if I went on to tell you that we'd base our unique and different business on three simple things:

- Sharing
- Trusting
- And helping

All those things you learned way back when you were in kindergarten.

Your first thought would probably be:

“What kind of a new nonprofit organization is this?”

“Tell me more!”

And then you’d probably be completely surprised when I went on to tell you that this unique and different business was NOT a new nonprofit – but instead:

A for-profit business operating in a free market to help thousands of people earn their own success by doing good in the world.

Think about that for a minute.

- A for-profit business based on sharing, trusting and helping.
- A for-profit business doing good in the world.
- A for-profit business that is free enterprise at its very best.

Now if I told you all this, would you believe me?

My guess is that you might be just a little skeptical.

After all, today we keep hearing that our economic system in America has failed many of us – and we need to find a better way.

Raj, I want to take a minute to say thank you for inviting me to speak here today.

It’s always great to come back to the headquarters in Reston to talk to the staff at Young America’s Foundation who work so hard to make this organization the success that it is today.

I was so impressed to hear that a record number of students had signed up to attend our eighth Road to Freedom Seminar, which promises to give you the secrets to advancing free enterprise over socialism.

If you want good insight into some of these secrets, you need to look no further than the business model created by Winsupply six decades ago, back in 1956.

It’s a business model based on the human virtues of sharing, trusting and helping.

And that's what I'd like to talk to you about today.

Winsupply is in the business of construction wholesaling.

We supply thousands of different products – everything from faucets to furnaces, pipes to pumps, and lighting to landscape irrigation – which we sell to contractors and installers across the country.

Some people call us “A 4 Billion Dollar Wholesaler of Construction Materials.”

But we're not.

- Instead, we're a COLLECTION of about 600 independent wholesaling locations in 45 states across the U.S.
- We're a COLLECTION of 600 separate companies, each run by a local entrepreneur, that altogether produced nearly 4 billion dollars in revenues last year.

The truth is this:

Winsupply exists for one reason: *To eliminate obstacles and provide support to help courageous, capable, hardworking entrepreneurs succeed.*

That's our purpose: to build entrepreneurs!

We just happen to be doing it in wholesale distribution.

Since 1956, our business model has never changed.

It's based on three things:

- Sharing
- Trusting
- And helping

First, we SHARE ownership.

How do we do that?

By inviting hardworking entrepreneurs to partner with us and buy stock in a local company they will own and operate as the local owner.

That means we're co-owners in a business – together!

Now to open a new local company, Winsupply puts in most of the money.

The local owner, and maybe a few employees, put in the rest.

So we're not a franchise.

We're not family-owned.

And we're not a typical organization with a headquarters and branches that share little – if any! – stock ownership.

Instead:

- Almost every local company is a separate corporation – a separate legal entity.
- Each corporation has a separate local owner who's president of the company, with Winsupply as the majority owner.
- Each corporation has separate financial statements and a separate board of directors.

As partners and co-owners in a business, our interests are common.

So we share the risk – and we share the rewards.

The second part of our business model has to do with TRUST.

We trust the local owners.

How do we do that?

By giving all 600 local company presidents at Winsupply the power and the freedom to make their own decisions.

They get to choose everything: their markets, their vendors, their products and their customers.

They choose their employees.

They even choose the level of service they'll deliver to their customers.

We don't tell them what to do.

Instead, we put the authority right where it belongs – at the local company level – not at some faraway headquarters office.

At Winsupply, there's a local owner and decision maker under every roof.

This idea reflects our trust in local owners – and our belief that they must be the ones making the major decisions affecting their company's success.

The third part of our business model is all about HELP.

We help the local owners.

How do we do that?

By delivering on the promise in our purpose to eliminate obstacles and provide support to hardworking entrepreneurs.

This help comes from Winsupply in the form of high-quality, low-cost, centralized support services – everything from accounting and marketing, to training and technology.

The services we provide give local company presidents and their teams a lot more time to make sales and serve their customers.

And the services we provide help these local companies succeed.

Now the business model I just described is really very simple:

- Sharing ownership with others, along with all the risks and rewards ...
- Trusting local owners to make the right decisions ...
- And helping them succeed by providing the support services they need.

It sounds idealistic.

But does it work?

Just look at our results!

- Since 1956, we've built thousands of entrepreneurs – people who are leaders in wholesaling and in their communities.
- Since 1956, we've created good jobs and added value to our society. Hundreds of local companies have served their customers well and grown their businesses.
- Since 1956, we've given local owners the freedom to achieve without limits.

An entrepreneur begins by investing a little money to start or take over a local company.

So they have skin in the game.

They work hard – often, very hard.

Then – if their company makes money – they're rewarded for those results.

The better their company's results, the more money they earn to reinvest or redistribute. And not just to themselves as owners, but also to their shareholders – and more importantly, to their hardworking employees! – in the form of bonus checks.

Our local owners are grateful for the opportunity at Winsupply.

They are humble. And selfless.

So they continue to pay it forward.

They go on to help their employees and other people earn their own success, too.

Now if you talk to local company presidents at Winsupply, you get a good idea of how it all works.

Scott Wilson's a guy who grew up in the 1980s, in a subsidized housing project in Kansas City, Missouri.

He had a dirt bike he kept in the kitchen. Because if he left it outside, he knew it probably wouldn't be there the next morning.

As a teenager, Scott worked at a Sonic Drive-In – the burger and tater tot place.

And then one day in 1993, when he was only 17, he asked Chester Remington for a job.

Back then, Chester was the president of Kansas City Winwater – a local company in Scott’s hometown – and one of Winsupply’s top companies.

Chester hired Scott to work in the pipe yard at his company, which supplies valves, fire hydrants, and all kinds of water, storm and sewer pipe to contractors in the area.

It didn’t take long for Chester to see something in Scott that Scott couldn’t begin to see in himself.

Because Scott worked hard, he was promoted quickly. Soon, he was earning some pretty great commissions as a salesman for Chester’s company.

After a few years, by the time he was 25, Scott knew he was destined to do much more than sales.

Chester told him that someday, Scott would be running the company.

And that’s all it took.

Since nothing worth having comes easy, Scott continued to work very hard.

Before long, Chester decided to share Winsupply’s ownership opportunity by giving Scott the chance to become a 10 percent stockholder in Kansas City Winwater.

To get enough money to buy stock in his company, Scott had to sacrifice. He scraped together his life savings, and borrowed the rest from his father-in-law.

It took him four years to buy in.

Meanwhile, Scott became an eager student of Chester’s, learning every aspect of the business – well beyond sales.

Scott took on more responsibility.

- He asked questions.
- He made mistakes.
- And he learned lessons.

To Scott, Chester was a gracious leader, a father figure and a patient mentor.

For 10 years, Chester did everything he could to prepare Scott to take over the company in 2014, when Chester was set to retire.

And then one day, it happened.

- Scott became president.
- Scott was the boss.
- Scott was the one who was calling the shots.

As company president, Scott needed to have even more skin in the game.

This time, he invested enough to own 30 percent of his own company.

Then he turned right around, and offered to share ownership with eight of his employees.

He gave them the chance to buy 10 percent of Kansas City Winwater – just as Chester had done for him.

All eight of his employees said YES because they saw opportunity in ownership.

Becoming an owner is really a way take a chance on yourself – to bet on yourself! – that you can serve customers better than your competitors can.

After Scott became president, his No. 1 objective was to grow his company: to take it from where it was, to where he thought it should be.

So he decided to revamp his team a bit – to build the best team in the industry – people who are hungry to do more to take care of customers.

Scott and his team make a promise to their customers, and it is this:

“We’ll be better today than we were yesterday. And we’ll be better tomorrow than we are today.”

That is the culture at Kansas City Winwater: to be accountable to each other.

Because – as Scott told me:

“When our team does well, we all do well.”

Today, Scott’s company is still a top company at Winsupply. Once again last year, it was named our Waterworks Company of the Year.

Scott tells customers all the time about the chance for him and his employees to buy in and share ownership, together with Winsupply.

He tells them it's Kansas City Winwater's No. 1 competitive advantage – the No. 1 reason why his company is so successful.

Just a few states away from Kansas City Winwater is Dayton Windustrial, a local company in Ohio run by Greg Jackson.

Greg's company sells commercial construction supplies – things like drainage, fire sprinkler systems, and industrial pipe, valves and fittings: everything that goes under the ground, in the ceiling and behind the walls of hospitals, restaurants, office complexes and school buildings.

If there's a commercial construction job happening right now in Dayton, Ohio, you can bet Greg's company is probably involved in it.

But you couldn't have predicted that 41 years ago, when Greg was spending his days pouring and finishing concrete for new homes south of Dayton.

Back then, Greg told me he was a "directionless kid" who had to do something different with his life. And he did.

In 1982, he took a job as a truck driver for Dayton Windustrial.

Before long, Greg found himself answering phones, receiving inventory and learning every aspect of the business, while taking classes at local universities.

Sometimes he'd get a little frustrated on the job. And his boss would say, "Someday when you own your own Winsupply company, you can do things differently!"

And Greg thought, "Own my own company? I'm just a truck driver! I don't know what you're talking about."

But then Greg learned what he could do at Winsupply. We call it the "Spirit of Opportunity."

It's the chance to risk a little money, run your own supply house and chase the American Dream, with help from Winsupply.

So he started spending more time at Dayton Windustrial – sometimes doing job quotes until 10 o'clock at night – because he loved the work, and he loved serving customers.

In 1993, Greg got the chance to take over as president of Dayton Windustrial. He said yes, even though he had to make some hard decisions – like cutting expenses and diversifying the company's products – to gain more sales.

But what a difference it made!

By 2001, his company had so much business, that Greg suggested we start a new local company north of Dayton.

And we did.

- Over time – to stand out from the crowd – Greg invested a lot of his money in new equipment and new services. It was a big risk! But it helped his company grow.
- Plus, he started to carry brands his competitors didn't, and sold additional items like water heaters and plumbing fixtures.
- Then he raised the bar even higher by filling and delivering most orders to customers the very same day – something his competitors still can't do.

He just kept ramping up customer service, unloading material on job sites as early as 6 a.m., so contractors could get a jump on their day.

Year after year, Greg took a hard look at his company and decided on new ways to expand and serve more customers.

He made it very easy for customers to do business with him. And they did.

And today, Dayton Windustrial does SIX TIMES the business it did in 1993, when Greg took over as president.

- It happened because we trusted Greg as the local owner and decision maker.
- We trusted Greg to make decisions that he believed were best for his own company's success.
- We trusted Greg to decide how he and his employees would serve their customers well.

On the southeast side of New York State is Newburgh Windustrial – a local Winsupply company about an hour north of New York City.

Dean Lucas was only 37 years old when he started it in 1990 after working eight years for another wholesaler.

For Dean, the opening of Newburgh Windustrial was the fulfillment of a dream he'd had for a very long time:

The chance to “change his family tree” by becoming an owner, running his own supply house, and working hard to grow and get ahead to achieve financial freedom for himself and for his family.

He just HAD to do this.

He just HAD to succeed.

But in the beginning, things were pretty scrappy for Dean's new company, which was set up to sell pipe, valves and fittings to mechanical contractors:

- He got a deal on startup inventory, used trucks and secondhand furniture from friends in the industry who wanted to see him succeed.
- He had to be patient, since it took a little while for vendors to come around with product lines and good pricing.
- He ran the business on a shoestring, out of a warehouse without any heat, and with toilets that didn't flush.

In the beginning, Dean took a smaller paycheck and worked 16 hours a day.

He was willing to take a few steps backward so he could make some giant leaps forward in the future.

And he'd never been more determined in his life:

- He had the desire and the drive to succeed.
- He never stopped selling.
- And he had a lot of help – especially from other local company presidents – who helped him learn how to read financial statements and manage his inventory.

After only four months, Newburgh Windustrial was starting to make money. So Dean shared his profits with his employees at the end of the year.

Since coaching other people came naturally to him, Dean did something else:

He helped four of his best employees start local Winsupply companies of their own.

Around 1999, Dean decided his company wasn't growing fast enough. So he began selling fire protection products like sprinkler heads, which you can see in the ceiling right here.

Before long, Dean's company was making HUGE fire sprinkler systems!

And that work led him to spin off his original pipe, valves and fittings business in 2013.

Over the years, Dean worked hard to grow Newburgh Windustrial, which now serves contractors in nine states.

But he did even more.

Along the way, he made lots of time to help people just like himself – people with the same dream HE had – to own and operate their own companies.

Dean knew that if he helped them – and they succeeded! – the entire Winsupply organization would keep growing.

Altogether – over the past 25 years – Dean has helped at least 16 entrepreneurs either open, take over or rebuild local companies at Winsupply coast-to-coast.

Dean has continued to pay it forward – and do good in the world.

He told me it's so rewarding every time a new president calls him and says:

- “Would you be on my company's board of directors?”
- “Would you come to my annual meeting?”
- “Would you help me solve a problem?”

Dean knows that what they're saying is this:

“That we value what you've done and what you know, and we think you can help us succeed.”

Dean told me that getting a call to help a new president feels just as good to him as getting a big bonus check from the company.

Today, there are 600 more people just like Scott, Greg and Dean running local Winsupply companies across the United States.

Collectively, they employ more than sixty-five hundred people.

- Those who work at a Winsupply company know from experience that the economic pie is not finite – but instead – unlimited.
- They know from experience that pride of ownership gives everyone a voice and drives better results.
- They know from experience that our economic system works best when individuals are given the opportunity to work hard so they can earn their own success.

What these entrepreneurs and their employees are accomplishing every day – for themselves and for their customers – just doesn't match what you're reading online or hearing on the news about America's economic system, and how it's supposedly failing us.

Some people say that free enterprise just isn't democratic. Or it leads to income inequality. Or it exploits workers and human rights.

You might even hear that free enterprise just isn't sustainable.

But then you hear about Winsupply.

Since the 1950s, we've been applying the same free enterprise ideals – and sustained a business model based on sharing, trusting and helping – to build hundreds of entrepreneurs year after year after year.

At Winsupply, free enterprise has fueled our company's philosophy, our business model and our collective success.

We BELIEVE in it!

- We KNOW that free enterprise inspires efficiencies, innovation and customer choices.
- We KNOW that free enterprise has taken more people out of poverty than any other system ever invented.

- We KNOW that free enterprise is the only economic system that has produced wealth and prosperity for the masses.

I've been thinking a lot about this disconnect – this mismatch between the problems and the opportunities of free enterprise.

And here's what I believe:

Every time people talk about what's WRONG with free enterprise – how it's being PRACTICED – they tend to talk about the problems you see in some of the BIGGEST of BUSINESSES.

- They complain – and rightfully so – about crony capitalism and its abuse of free enterprise.

It happens when companies buy favors from politicians to affect regulation and taxes.

It happens when companies establish monopolies.

It happens when companies ask the government for help so they can eliminate certain competitors.

- They also complain – and rightfully so – about an unfair balance of interests among shareholders, employees, customers and the public.

And it's true:

We've all heard the shareholder's voice grow louder.

We've all seen companies make decisions that shortchange employees, customers and the public to maximize shareholder growth.

We've all known companies that think of their employees as “costs” and try to pay them as little as possible.

These are the issues that often lead to income inequality, the exploitation of workers and the disregard for human rights.

And these are the issues that have upset the fair balance of interests among shareholders, employees, customers and the public – fair balance that's needed so free enterprise can work at its very best.

All too often, stories about crony capitalism and shareholder greed are what grab the headlines.

So people believe that what's going on in some of the BIGGEST of BUSINESSES is what's going on in EVERY business.

But that's just not the case!

Because in America, 99 percent of businesses are SMALL businesses!

That makes small businesses the backbone of our American economy.

What's more, the majority of small businesses – a staggering 88 percent! – have fewer than 20 employees.

That's just about the size of a typical local company at Winsupply built by people like Scott Wilson, Greg Jackson, Dean Lucas and their hardworking employees.

At Winsupply, we love small businesses!

We believe they're better for customers, employees and communities.

That's why our purpose – the reason we exist – is to build entrepreneurs.

It's a noble cause. And it's our higher calling.

At Winsupply, we're in business to make a profit.

And we're in business to do good in the world.

Our free enterprise business model gives hardworking entrepreneurs all the advantages and rewards of being an independent business owner without all the disadvantages and risks.

Having seen our business model at work since I joined Winsupply in 1972, I KNOW it's a better way to practice free enterprise.

Small businesses across America are doing it!

You just don't hear about it.

Working for a nonprofit is not the only way to do good in the world.

Because if you can apply a free enterprise business model based on human virtues like sharing, trusting and helping, there's no end to the good you can do!

- The more people in America who choose their own path to happiness and earn their own success, the more opportunity we have to boost the GDP, stimulate the economy, be generous with our philanthropy and support a healthy tax base to pay for services in society that benefit the common good.
- The more people in America who pursue meaningful work, the fewer people we have relying on the social services of a government agency or a nonprofit organization.
- And the more people in America who have the freedom and the opportunity to compete in the marketplace, the more we inspire innovation to make life better for all of us.

As young people involved in Young America's Foundation, YOU have the power to bring a new voice to campus.

- YOU can stand up for free enterprise and bust the myth that says for-profit companies are only in business to make a profit.
- YOU can talk about a business model based on sharing, trusting and helping that's out there and working for thousands of people every day.
- And YOU can share stories about free enterprise at work – and how it's a force for good in the world – at small businesses owned by Scott, Greg and Dean in Missouri, Ohio and New York.

A few minutes ago, I said if you really want to know the secrets to advancing free enterprise over socialism, you need to look closely at the business model created by Winsupply six decades ago.

At this Road to Freedom seminar this weekend, you'll hear many more secrets from many other presenters who know that opportunity for all is inevitable when free enterprise is practiced well.

So I'd like to close by sharing one more secret that's easy to remember, and easy to share.

It's wisdom that comes to us from former President Ronald Reagan, a staunch supporter of our free enterprise system.

Forty-six years ago, Reagan so wisely said:

“What some of our people seem to have forgotten is the fact that America's prosperity was not a gift from government or anyone else.

“Free enterprise, not government, is the source from which our blessings flow.”

Thank you.