



GENERAL SHALE

TO: George Sells

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FROM: E. B. Tolliver

CC:

SUBJECT: REFLECTIONS ABOUT THE BRICK INDUSTRY

Over the past several years we have looked at the brick industry in many different ways. We have seen managements come and go and watched individual companies rise or fall in response to circumstance and quality of management. We have written reasonably complete histories of several brick companies and brief skits on several others. The bottom line is always the same:

"Although circumstance plays a part, success or failure is ultimately related to quality of management."

This paper does not attempt to develop further histories. It is, instead, a grouping of companies with which we are familiar into four broad categories with a certain amount of necessary overlapping. The categories are,

1. Success stories, more or less.
2. Total failures or near misses.
3. Brick companies which diversified.
4. Upstream mergers in the brick industry.

After the cataloging is complete, we will make a few reasoned observations that are suggested by these groupings.

I. Success Stories, More or Less

1. Victor Cushwa & Sons - Williamsport, Maryland
2. Bickerstaff Clay Products - Columbus, Georgia
3. Isenhour Brick & Tile - Salisbury, North Carolina
4. Belden Brick Company - Canton, Ohio
5. Endicott Clay Products - Fairbury, Nebraska
6. Taylor Clay Products - Salisbury, North Carolina
7. Triangle Brick Company - Raleigh, North Carolina
8. Excelsior Brick Company - Montgomery, Alabama
9. Richtex Corporation - Columbia, South Carolina
10. Corbin Brick Company - Corbin, Kentucky
11. Hanford Brick Company - Burlington, North Carolina
12. Henry Brick Company - Selma, Alabama
13. Borden Brick & Tile - Durham, North Carolina
14. General Shale Products - Johnson City, Tennessee

II. Total Failures or Near Misses

1. Locher Brick Company - Glasgow, Virginia
2. Locher Brickworks - Lynchburg, Virginia
3. Chattahoochee Brick Company - Atlanta, Georgia
4. Illinois Brick Company - Chicago, Illinois
5. Jenkins Brick Company - Montgomery, Alabama
6. Hydraulic Press Brick Company - St. Louis, Missouri
7. Glen-Gery Shale Brick - Reading, Pennsylvania
8. Herbert Materials - Nashville, Tennessee
9. Boren Clay Products - Pleasant Garden, North Carolina
10. Merry Companies - Augusta, Georgia
(The stockholders made a killing on this one, but the company is in trouble.)
11. U. S. Brick, Inc. - Dallas, Texas
12. Old Virginia Brick Company - Salem, Virginia
13. Webster Brick Company - Roanoke, Virginia
14. Ragland Brick Company - Gadsden, Alabama
15. Birmingham Clay - Birmingham, Alabama
16. Alton Brick Company - St. Louis, Missouri
17. Continental Clay Products - Martinsburg, West Virginia
18. Redford Brick Company - Richmond, Virginia

III. Brick Companies Which Diversified*

1. Glen-Gery Shale Brick Corporation - Reading, Pennsylvania
2. Acme Brick Company - Fort Worth, Texas
3. Henderson Clay Products - Henderson, Texas
4. Pacific Clay Products - Lake Elsinore, California
5. Herbert Materials - Nashville, Tennessee
6. Webster Brick Company - Roanoke, Virginia

* Closely allied lines within the building products industry not considered as diversification in this listing.

IV. Upstream Mergers in the Brick Industry

1. Hydraulic Press Brick - St. Louis Steel Castings
2. United Brick & Tile - Martin Marietta - Acme Brick Company
3. Glen-Gery - Natco (Fuqua) - Saul Simpkin - Ibstock-Johnsen
4. Atlas Brick - Masonite Corporation - Delta-Macon - Domtar
5. Triangle Brick - Wilhelm Roben
6. Merry Companies - Boral, Ltd.
7. Sipple Brick Company - Michigan Brick Company - U. S. Brick - Canada Brick - Jannock, Ltd.

Reasoned Observations

1. None of the success stories is written with the pen of diversification.
2. None of the brick companies which diversified has done well. (The single exception is Henderson Clay which has done well in oil and gas but let their once-thriving brick business go to pot.)
3. None of the upstream mergers has led to a stronger brick division. (Single exception is Delta-Macon where the final chapter is yet unwritten.)
4. None of the parent companies in the upstream mergers would repeat their actions if they were making the decision today. (Probable supposition)
5. The single most common denominator associated with recent industry failures is excessive debt.
6. Quality of management, not size, is the ingredient of success.
 - A. Small, family-owned, one or two plant companies ring the bell of success more often than multi-plant operations.
 - B. Larger, multi-plant and diversified companies toll the bell of failure right along with the smalls.

To all this we might add one further observation -- a kind of capstone or wrap-up to all our studies and comparisons:

There is really no difference between brick companies and other companies. The well-managed ones earn a handsome profit, the others bite the dust.

E.B.T.

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