DEATH OF A DISTRIBUTOR

By JIM CORY
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Hardware Age in May of 1986

When Belknap, Inc. closed its doors three months ago, an era ended. Some say it never should have happened.

On the centenary of it’s founding, in 1940, the Belknap Hardware & Mfg. Co. of Louisville, KY. commissioned an artist to render a sketch of the company's facilities along the Ohio River. That sketch of "The World's Largest Hardware Plant" hardly does justice to the place. You would have to dare over the river, from the Indiana side. or, better yet, west on Louisville's Main Street, to got an idea of its size.

In the year of its one hundredth birthday, Belknap employed 1,500 people. They worked in 17 buildings spread out over a number of acres huge tin sheds painted with Belknap's clover logo, or large red brick structures built, most of them, between 1890 and 1929.

The buildings are still there but they're empty. Pigeons roost in the upper floors. Windows are smashed Doors boarded over. A single trailer sits parked at the loading dock behind 111 E. Main St., the building that served as principal warehouse and company headquarters. Belknap, once the largest full-line independent hardware distributor in America, is biding time for the wrecker's ball.

The reasons for Belknap's demise are many and complicated. On the surface, "gross mismanagement" - a fatal concoction of ineptitude, inexperience and zeal finally undid the giant distributor

But the causes for the Belknap fatality also have to do with fundamental changes in hardlines distribution, with the inability of antiquated businesses to survive in a radically restructured vastly more competitive market.

For years the hardware industry will be debating whether or not Belknap was an isolated instance of incompetent management, or the victim of a more widespread disease that appears to be overtaking independent distributors. It's symptoms: high operating costs, low profit margins, a steady loss of share to dealer-owned wholesalers

No one would argue that Belknap wale soundly managed in its last year and a half of operation When the company was purchased by David Junes, of Humana Inc., in June. 1984, it held assets of over $57 million and long term debt of roughly ten million dollars "If anything," said one former executive, "we didn't have *enough* debt" And when Belknap finally padlocked its doom in February of this year, the company showed a net loss of close to $40 million.

The year and a half between was a period of managerial anarchy that went on as long as the money lasted In its final three months of operation, the wholesaler's seven distribution centers-four of them officially closed--were crammed with roughly $60 million worth of merchandise, while Belknap, floundering financially, was unable to pay its bills, or, in some cases, supply its customers.

"If they had actually sat down and planned it," says one former high ranking officer. "they couldn't have destroyed that company quicker or more completely."

The "they" of that configuration are the management team headed by Frank Lambert, appointed president of Belknap by Jones shortly after it was purchased in June, 1984. What Lambert tried to do was force the old wholesaler to grow and at the same time modernize overnight: a process roughly akin to dumping a sleeping man into a tub of ice water

Backed by what he believed with practically unlimited capital, Lambert fired Belknap's management in a series of sweeping purges and hired reportedly 'very high' salaries- people who, with two or perhaps three important exceptions, had little or no experience in hardware wholesaling.

But the story of Belknap's untimely end pre-dates David Jones and Frank Lambert. It begins with the death of Charles Brewer in June 1979. Under Brewer, as with previous chief executives, the giant distributor on the Ohio had grown without really growing. That is, sales increased from year to year, but the profit picture at Belknap in the '60s and '70s was never outstanding. In 1973, for example the company earned just over $2 million on sales of about $85 million. In 1974, sales increased to about $102 million, with net profits listed at $2.6 million. In 1983, its last year as a publicly-held company, Belknap posted sales of just over $170 million. Earnings: a little in excess of $2 million.

The Belknap headed by Brewer was a profoundly conservative company. Founded in 1840 as a Louisville hardware stare, it had, a hundred and thirty-some years later, evolved into a Kentucky institution

There it remained. Nineteen-twenties architecture on the outside was complemented by nineteen-twenties business methods on the 11th floor of the company's Main Street headquarters. When Belknap changed, it did so only under the spur of increased competition from co-op distributors like Cotter & Co and Hardware Wholesalers, Inc.

And change was grudging, because it was seen ass costing the distributor margin dollars. In 1964, Belknap held its first dealer market. In 1972, it began offering its customers drop shipment. The company was one of the last large distributors in the industry to join a merchandising group, which it did largely through default by buying PRO Hardware member Stratton-Baldwin In 1980.

In the late '70s, Belknap's Board of Directors came to include a number of outsiders, men who weren't also company officers, such as banker John W. Barr. III of the First Kentucky National Corp., Henry R Heyburn, an attorney, and S Gordon Dabney, president of Standard Foods, Inc., among others. For these new Board members, Brewer's death was an opportunity to reshape the company by appointing someone from outside as president. Up to that time, Belknap promoted top officers from within, and virtually all the men in upper management had begun their careers on the road, carrying a catalog.

A search committee recommended Jerry L Barton, then president of Beck & Gregg Distributors, an Atlanta wholesale hardware firm. Barton, today president of the same company, which markets under the name General Hardware, had begun his career with Genuine Parts Co., an auto parts distributor which included Beck & Gregg as one of its divisions. He had become president of Beck & Gregg in April of 1977.

When Barton stepped off the elevator in February 1980, he found what he remembers as a "big old lethargic hardware company.”

"The decor was certainly one of several decades past," he recalls, "with message tubes running around the ceiling. They had old black phones, and there were two or three of them on some desks. The telephone system obviously hadn't been revamped for a long time. There were no partitions between executive offices: And there were over 40 private secretaries. Where I'd come from, a secretary worked for at least two people. I thought: Somebody better get Belknap some help."

Barton was charged by the Board of Director, with "upgrading the image of the company." Which is, he declares, exactly what he set out to do.

"I was trying to bring the company in line with the times,” he says. "They had no younger talent. They hadn't successfully attracted young people with new ideas. Moreover, they hadn't painted the inside of the building in 40 years."

Reaction to Barton's appointment was positive, according to a number of former salesmen and management personnel.

"I was very excited about him," says Charles Pope, a 28-year employee and one of the company's top salesmen. "I knew we had reached a point of stagnation

We needed new thinking, new opportunities I had been there all this time, and the dealer owned were just eating Belknap's lunch."

Barton made a number of changes in his four years as president/ceo. Some--such as redecorating the executive offices-were cosmetic, though badly needed. Others, such as the launching of the Blue Grass atom program, were essential to the distributor's survival.

Barton established a marketing department. Among other things, he restructured the way sales territories were managed, moving sales managers out of Louisville and into the field while giving them company cars for the first time.

He also decided that Belknap needed to grow. His strategy was to expand the company's sales by acquiring other, smaller distributors and thus a ready-made dealer base complete with a local distribution center.

Theoretically these acquisitions would not only add new business, they would reduce the company's freight costs, which were escalating. At this time, Belknap did not charge dealers for freight.

The first acquisition--for $5.1 million-was the Stratton-Baldwin Co., a New Orleans-area wholesaler with sales just in excess of $30 million. Stratton-Baldwin was purchased at the end of 1980,

Belknap next acquired a warehouse and packaging plant in Ocoee, FL, just outside Orlando.

In December 1983, the distributor bought out Wimberly & Thomas Hardware Co., Inc., in Birmingham, AL. Barton also initiated the search for a site on which to locate a newer, modern distribution plant in Louisville itself

Former Belknappers remain divided on the subject of Jerry Barton's effectiveness as company president. At the time, however, reaction to his appointment was, for the most part, warm. Managers and salesmen agreed the company should modernize and expand There was, however, a certain amount of resentment directed toward several of the people Barton hired from Genuine Parts, a feeling that, as one former middle manager who asked not to be named expressed it, these people "weren't necessary to our payroll."

Moreover, Barton's insistence that the company needed an airplane, and the purchase of company cars, gave him a reputation for extravagance. Today, Barton claims the 'extravagant' label is unfair.

"What's extravagant?," he says. "We established a regional network of sales managers and we gave them company cars as part of their compensation package. We did lease an airplane because we needed it logistically, both for Florida and Stratton-Baldwin. After the deregulation of trucking we were doing business in 30 states."

Marvin Heath, a 38-year employee, formerly senior vp and ten-year member of the Board of Directors, says that no Belknap insider would have been able to make the changes Barton made, essential changes which were "tempered with a knowledge of the hardware industry.

"One of his charges from the Board," says Heath, "was to make the company more visible in the industry and in the community. We needed change. We needed to change our image. And that was being accomplished under Jerry Barton. The criticism Jerry received-a lot of it-was very unfounded, if you knew what he was supposed to be doing. I don't think he got near the support he needed because he was considered an outsider."

After the first year, disenchantment with the Barton team developed among Belknap's management and sales force. "Toward the end." says a former vice president, who asked to remain unnamed, "there was disillusionment with Barton because of some of the spending and the people he brought in."

In the meantime, Belknap, which with its much undervalued stock, was “On everybody’s list of possible acquisitions.” Increasingly found itself fending off takeovers. The 1983 Annual Report, the last ever issued and considered something of a collector’s item, notes on page 19 that “Subsequent to

December 31. 1983, the Company has received offers to purchase all of the outstanding stock of the Company. One such offer was from a group of investors which included participation by some members of management.

The “members of management” referred to in the note included Barton, Marvin Heath, and W. Thompson Gilmer senior vice president brought to Belknap from Genuine Parts in the spring of 1984, a three-way struggle for control of the company developed. Chicago investor Clyde William Engle, a raider by reputation, was buying up stock, Louisville-based Humana Inc. magnate David Jones let it be known that he, too, was interested in Belknap.

Barton, backed by Atlanta-based investors, bid $20 a share. Engle bid $22. Jones bid $24 a share, and, without ever having set foot in the company, was Belknap’s new owner.

A major reason for Barton’s failure to gain control was a lack of support from within. “I think by this time,” Says Charles Pope, “I was losing confidence in him and other people were too. I didn’t support his effort to buy the company/ I could see us getting into a highly leveraged situation, and I didn’t like it.

“I was” says Pope, “looking for somebody to come to the rescue of Belknap. I was very excited when David Jones bought the company because his past track record. I didn’t see how we could have been more fortunate. I thought: Here's a Louisville man with the assets so that we could do what we needed to do."

Mike Girard, owner of Girard Hardware in Louisville and a longtime Belknap customer, says that view was widespread among dealers as well. "I believe you'll find that not people breathed a sigh of relief when Jones bought the company," says Girard "Here was someone local, with money, and already in a position of leadership with a large company. I felt he would not only keep Belknap revenues in Louisville, he’d strengthen it, make it a more competitive organization.”

David A. Jones, then 53 was what Time Magazine once called a “high rolling entrepreneur” In 1962 with $1000 borrowed from Household Finance Corp, Jones then a recent law school graduate, began a chain of nursing homes-ultimately 41 of them – which he sold in 1977 to go into the hospital business.

In 1984 the year of the Belknap purchase, Jones’ Humana Inc, a for-profit hospital management corporation, generated $2.6 billion worth of revenues from its 91 hospitals, with profits of some $209 million. Belknap was purchased outright by Jones. It was not in any way a part of Humana, a fact that contributed to the rumor, later, that the hospital millionaire deliberately bought and bankrupted Belknap in order to obtain the company’s property on the Ohio River, property estimated to be worth about $8 million.

David Jones paid a total of $35 million for Belknap, Inc. According to John Baker, a 38 year employee, former senior vice president /operations and, for the ten months before Barton took office, acting president, the company Jones bought had about 12,000 retail accounts and carried the products of approximately 1,700 vendors.

The latter supplied Belknap with everything from standard hardware items to beeswax and guitar strings. The distributor married approximately 50,000 separate inventory items-about double the number of the typical hardware distributor-and 70% of its accounts were supplied out of the Louisville warehouse, where roughly $17 million worth of inventory war stored Seventy percent of Belknap's business came from approximately 2.800 accounts.

According to Tom Jordan, formerly vice president/general manager of Louisville. 23-24% of Belknap’s total sales were drop ship or pool. At the tune the distributor was purchased by Jones, Belknap's gross margin "exceeded 30% on out-of-stock sales" with 25^, groves margin on total sales, including drop ship.

Belknap, says Jordan, was "in the black and positioning itself to do a lot of things. We were fundamentally well-managed. There were problems, but none that weren't recognized. We knew we had to update our equipment. We had established the stores program and we were going to mean more to fewer customers.

Jones had been the owner of Belknap only a few weeks when the management consulting firm of Flogers. Lambert & Co. was brought in to conduct employee attitude surveys. Roger, and Lambert interviewed many Belknap staffers about the state of affairs at the company. According to one former officer, who asked not to be quoted, -'Jerry didn't fare too well" in these interviews.

Barton, recalls Marvin Heath, "didn't expect at first to be fired. But each day it became more obvious. I certainly didn't see Jerry getting fired, Not right away. I thought they'd at least take time to figure out who the players were."

On July 10, 1984, Jerry Barton was released as president/ceo/Chairman of the Board of Belknap. Frank Lambert. of Rogers, Lambert & Co., was appointed the company's new president and ceo.

Forty-one year-old Frank Lambert's business career had included sales positions at IBM and Datel Corp. He had held various offices at Humana Inc. before joining forces with former Humana exec Lyndol J. Rogers to form his consulting firm.

Lambert had also worked for a number of years as teacher and coach at Kentucky Country Day School. an exclusive institution where he reportedly met and became friendly with David Jones. whose children attended. The new president held several degrees, including an advanced degree in theology. and had played football with the Pittsburgh Steelers. He had no previous experience in hardware wholesaling or retailing.

Lambert, says Heath, was "cold" and "an imitator of Jones, or trying to be. He was over-reactive in about everything. In statements to the industry, the customers, the sales people."

That assessment of the man is almost uniform among former Belknap employees, who variously describe Lambert as "arrogant," "impulsive," a man who "did all the talking" who wouldn't tolerate a negative or dissenting opinion. He was, says one former management member who asked to go unnamed. "a 'no-conscience' guy. Mean. Cruel. His style was action, action, action. If we said ii would take three months, he'd say, 'I want it done in a month or we don't need you."'

"Lambert," says Tom Jordan, was "a difficult person as a manager. A zealot. One of these guys with a look in his eye. He wanted perfection, but he didn't know what perfection was, because he didn't know the industry."

Recent calls Hardware Age., made to Lambert were not returned. But in an interview which took place within weeks of his having been named president, Lambert told Hardware Age that he planned to put Belknap through a series of "very rapid changes." How rapid? "Patience," he said, "is not a virtue of mine."

Lambert's plan called for turning Belknap into a $500 million distributor by 1990. This would be accomplished by establishing a series of satellite distribution centers which would make the company a nationwide supplier, going even as far it’s the West Coast.

Shortly after being named president, Lambert announced that Belknap would be the lowest cost distributor in the business, and that it would sewn achieve unrivaled service levels, Within the company, he proclaimed these goals as nothing less that Belknap's "mission," a word used over and over.

The Lambert game plan was essentially the Barton plan telescoped into the space of a year, according to former senior vice president of operations, W Thompson Gilmer.

"We were looking at probably as two or three year program," says Gilmer "They came out with a much faster timetable One example' The dates for opening the new distribution centers in Louisville, Charlotte and Dallas were totally unrealistic. We were planning to open additional distribution centers, but hadn't picked the specific locations. The immediate problem was to get. nut of that 11-story building in Louisville."

In September of 1984, two months after Lambert had become president. Belknap top arid middle managers were grouped into four separate task foray assigned to review data processing, sales, merchandising and operations. The data processing task force would look into Belknap's systems. The sales task force would profit- future sales. The operations task force would detail "how we were going to set up distribution operations for Dallas and North Carolina, and open them quickly," according to Bit I Cobb, formerly general manager of Belknap/ Florida. The merchandising task force was assigned to reduce Belknap's 50,000 sku's to 30,000 and its 1.700 vendors to 700.

Cobb, who served on both the merchandising and sales task forces, says "The story that the dealers were hearing was that we were dropping items, but that they were duplicates. At that sage it was true, but we were also getting rid of' some of the hard-to-find items that had always been a good drawing card for Belknap. I felt we should keep them. I said that. And I was told that 'This is the criterion' and 'This is the way it's going to be' and 'It's going to be done in 30 days."'

It was also in September that Lambert began to systematically remove Belknap's old management, either one by one, or in batches.

The first to go had been William Seale, company treasurer and secretary, fired the day after Lambert took over. Seale was fired for refusing to sign a new employment contract which, in effect, stripped top managers of fringe benefits in the event of their departure.

In a further effort to prevent Seale from collecting on his exit contract, Belknap filed suit against the former officer. A countersuit was settled in Seals s favor in November of 19135. In Belknap's bankruptcy petition riled Dec. 4, Seek was listed as one of the company's unsecured creditors in the amount $378,100.

Tom Jordan: "David Jones came in with Frank Lambert and Tom Flynn, Humana's in-house attorney. Jones said he didn't think the 'golden parachute' clauses in our exit contracts were legal. He had decided that they would pay salary, but no fringes. That was the style from that point on."

On September 15, 1984. Jordan, a 23-year employee, was fired. "After that," says Jack Brafford, former senior merchandise manager, a former member of Belknap's Board of Directors and a 38-year company veteran. "everyone knew what was coming."

Brafford was part of a group of 29 employees discharged less than two weeks later, on September 27, 1984. On November 30, Marvin Heath left the company. A day later, W. Thompson Gilmer wax called into Lambert's office and dismissed in what he recalls as "a five-minute conversation.

"I was obviously considered one of the old Barton protégés," says Gilmer, today president of Communications Packaging Co., in Denver. 'His reasoning to me was that I was senior vp of operations, that they were going to operate under a different modus operundi and they wouldn't need me."

As the old management team disappeared one by one, Lambert replaced them with a series of managers whose backgrounds-like former HI marketing executives Tom Luster and Paul Smith -were in dealer-owned organization*, or-like Mitch Jacobs, vice president/purchasing, formerly of Jefferson Ward -in discount retailing. In spite of a cut in prices -a cut which had the effect of driving Belknap's margins down to around 19%-dealers didn't like it.

"From the time the new management came in, we got a lot of sermons' says Dennis Stumberger, owner of Jeffersontown (Hardware, Jeffersontown, KY. Stumberger was a Blue Grass dealer. a member of Belknap's Dealer Advisory Council and a L7-year customer -

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"The sermon was: 'Don't worry about the big boys moving in on you. You've got your niche..' But they forgot about their niche.. They forgot about their customer. Their customer wasn't the kind of dealer who wants everything cheap

"It seemed like every new policy that they put into effect was taken from a co-op," he continues. 'They would bring in top management people and they were implementing programs that they could not fit into the Belknap mold. It was like everybody was on an ego trip.

"I was told by Tom Luster, senior vp, that I didn't need a salesman, that this store should be able to be ordered by anyone off the streets. He said all you had to do was have your store properly tagged. Since he'd only been there three weeks at the time, he didn't realize that Belknap didn't have the capability to put minimum and maximum on the bin tags. It didn't take long for us to lose respect and trust in those people"

Early in 1985, Belknap's new management was feverishly preparing to open distribution centers in Bolivia and Charlotte, NC. Facilities ware leased, Buyers placed orders for new merchandise. Several vendors, surprised at the size of Belknap's orders, contacted the wholesaler to verify. It was at this time, according to former tool buyer Elmer Miles, that things begun to go awry in Belknap's buying department.

"Under Jerry Barton," says Miles, an 30-year Belknap employee, "we had Louisville and Florida to buy for Stratton-Baldwin had their own buyers. That made it a lob simpler. Computer records were fairly accurate at that point

"Under Lambert," he continues, "the computer records got very distorted because we were opening so many warehouses at one time. I don't think the plan those people had was all that bad. Except it was a ten-year plan squeezed into nine months. But the computer records became so inaccurate that it was practically impossible for the re-buyers. They ware using these printouts to fill the warehouses with merchandise. What happened was that a great deal of merchandise was purchased, but sales didn't go up proportionately."

The Charlotte distribution center opened in February 19145. The Dallas plant began operations in April. The theory was that by opening warehouses, Belknap would be able to greatly expand its customer base in those regions, as well as lower its freight costs to existing customers.

But haste and inadequate preparation made for disaster. For one thing, new sales failed to materialize. Then service levels for to by Belknap customers supplied out of the new distribution centers dropped drastically, due to poor planning.

Carl Ivey, president of Ivey Lumber, a two-store Dallas operation, was one of the dealers supplied out of the Dallas plant.

"Our service level out of that warehouse was horrible," says Ivey, who was also a member of Belknap's Dealer Advisory Council. "Outs were in the 20% range. There were mistakes in invoice and filling orders that were the worst I'd ever seen. Many items were billed to us at invoice that never showed up. They weren't shipped or marked 'reorder'. They just weren't shipped. And there were things sent to us which we didn't order and which we weren't billed for. We were being supplied by Louisville before that, and our service levels were consistently between 90% and 95%"

Charles Pope, Belknap's Dallas salesman. points out that they company did about $8 million dollars of business in Texas, Oklahoma, and the fraction of Louisiana not served by Stratton-Baldwin. Yet, he says, Belknap stocked its 200,000 sq-ft Dallas warehouse with $8 million dollars worth of merchandise.

"You don't have to be in this hardware business: to see that, mathematically speaking, that doesn't work out so well," says Pope. "And the mix wow ungodly. We had 14,000 gallons of Glidden paint, which we never sold a drop of. We had four brands of gas barbecue grills, which is extremely competitive discount house merchandise. We had truckloads of Valvoline, WD-40, Chevron motor oil. We were going to use these items to create a 'low ball' image. And we lost money on every quart we sold."

In the meantime, construction had begun on the Riverport plant in Louisville. The modern, one-story Riverport distribution center would take the place of the 11-story facility on Main St. It was to be opened he the July 1985 dealer market. But once in operation, Riverport proved even loss efficient than the older facility. And what this meant was that Belknap was stocking three new warehouses-Riverport, Dallas and Charlotte while continuing to buy fur Main St., Florida, Wimberly & Thames and Stratton-Baldwin. Total inventory climbed from $27 million to $60 million with no appreciable increase in sales. Belknap began losing money.

Lambert had decided that the company could also expand its sales by developing a 'feeder distributor' relationship to home center chains and other mass merchants. This would involve a new emphasis on national brands at the expense of merchandise Belknap was fairly well known for, such as the company's private label Blue Grass lines of hand tools and garden implements.

In the spring of 1985, large orders wan placed with The Stanley Works, Black and Decker Inc. and Vermont American Tool Co.

"We had taken on additional sku's from Stanley prior to the July market." says Pope. "We had taken on extensive Vermont-American and Black and Decker tools and accessories. Belknap had always curried only the Stanley that didn't match Blue Grass. The new thinking was that if we were to get additional quick growth, we needed to get it by calling on the dealer-owned stores and picking up their filler business. And we had to have this merchandise because the big stores would say, 'If all you have to offer us is Blue Grass, we're not interested.' So we bought it and put it in stock. It was in the warehouse in July of 1985. And when the company folded, it still wasn't even in the catalog."

The attempt to bolster Belknap's paint sales by moving into a nationally recognized brand proved to be at complete debacle. An order for approximately $1 million worth of paint was placed with the Glidden Co. The company, primarily a supplier of home center chains. discount houses, and mass merchants, including K mart and Target, produced for Belknap a semi-private label brand with 'Glidden' on the top of the label and 'Belknap' at the bottom. A brochure advising dealers of the new paint line was distributed in time for the July 1985 dealer market

But Belknap's wholesale prices on the paint were actually higher than the price of Glidden sold on sale out, of discount stores. Exterior latex, for example, was tinted in the brochure at $11.99 a gallon. A buyer at a competitive wholesaler called Belknap's Glidden venture, "suicide"

Dealers apparently agreed, and voted with their checkbooks. Total orders for Glidden at the July show came to approximately $60,000.

The July dealer market proved to be Belknap's last hurrah. Located at the Kentucky Fair and Exposition Center in Louisville, it was the first dealer show that wasn't held in the company's old Main St building.

On the surface, the show went smoothly. But Belknap find already reached a critical point. If the six months before the market were filled with hyperactivity and breathtaking plans, all in the name of the "$500 million company." the six months that followed were a route, leading ultimately, and logically to Chapter 11.

By this time, morale at Belknap was deteriorating badly. Firings, layoffs, revolving door managers and the imperious style of Frank Lambert had created a climate of fear and dread. Virtually all the top managers who had worked under Barton were gone. The workforce had been cut by a third, from 1.000 to around 700. One manager would later call this "the worst year and a half of my life."

As the company distanced itself from its dealer base, retailers began to sour on Belknap. The Dealer Advisory Council, which had met four times a year under Jerry Barton, met only once under Lambert's tenure. The event was a dinner meeting, followed by a morning session that lasted until on in the afternoon.

At an October dealer outing to Acapulco, traditionally an event in which Belknap's dealers and top managers mingled, a single executive from the company's new officers showed up. It was noticed. Then, after the July dealer market there were cash flow problems.

"We didn't get the merchandise we ordered at the market," says retailer Dennis Stomberger. "We even heard some of the merchandise was lost. Some of the companies wouldn't ship orders that had been taken there. It made it difficult from that point on if you wanted a factory shipment. We began looking for another source of supply in September."

Charles Pope found out Belknap wasn't paying its bills when he went to phone a drop ship order to a manufacturer.

"It was embarrassing, in a way," he recalls. `They said they wouldn't ship an order through Belknap. I said, 'What do you mean? We've been doing this for years.' So I started to investigate it, and I found out it was true. We had stopped paying our bills without backup paperwork, saying it was a charge."

On August 22, a letter written by James Hinton, Belknap's vice president/finance, went out to the company's approximately 1,000 suppliers. Hinton frankly acknowledged that "We are currently running 30 to 45 days past due with all vendors." To clear up the problem, he wrote, Belknap planned to reduce its inventories by "about $5 million a month" and would be "back at normal inventory levels" within 90 days.

The next day Hinton, formerly of Humana Inc. and one of the first new managers hired by Lambert, resigned.

The August letter was followed by a further pulling in of the management horns. Four vice president's positions were either eliminated or consolidated and Belknap's 18 sales regions were restructured into nine.

But the real surprise came in October. That's when Lambert announced that he was laying off an additional 80 white collar employees, 100 warehouse personnel and closing the Charlotte, Dallas and Ocoee, FL, distribution centers.

Belknap's attempt to unburden it self of some of that inventory went nowhere, largely because of a situation in which banks which had loaned the company money had a lien on the merchandise as a guarantee of payment. Vendors by this time insisted on money up front for all goods. The company found itself in the hopeless situation of being way overstocked on general merchandise while at the same time chronically out of best-selling items.

On December 4, in U.S. Bankruptcy Court, Western District of Kentucky at Louisville, Belknap filed for protection from its creditors under Chapter 11. The filing listed assets of $97 million and liabilities of $112 million, with $60 million in secured debt held by five banks and $52 million in trade debt. The court appointed Franklin Mohney, of Grisanti & Galef & Osnos Associates. a reorganization management consulting company, as interim general manager.

Belknap had approximately 7,500 unsecured trade creditors. The largest were: SCM Glidden Coatings. $1.16 million; North American Philips Lighting, $732,711; Skil, $659,627; Quik-Set, $608,435: Stanley Works, $594,086: Vermont American Tool Co., $555,965; Allegheny International Hardware Group, $519,259; and Black and Decker Inc., $383,110. On February 4, after an effort by several newly hired ex-Belknappers such as former president John Baker to keep the company open, Belknap shut its doors for good.

People in the hardware industry remain divided over the implications of the Belknap disaster. Some see it as a fluke, a bizarre episode in the history of one particular distributor.

Gary Cosgrave, president of PRO Hardware, a merchandising group which included Belknap among its members until December 1985, says that while the Belknap shutdown reflects the "consolidation process" currently going on in the industry, it is also "an isolated situation where an overly ambitious management team not familiar with the industry tried to change things too fast."

Others, including some dealers, see Belknap's abrupt death as a portent of things to come for full-line hardware distributors.

"The thing I can't understand," says Carl Ivey, "is why an old line hardware distributor can't operate as cleanly as a stocking co-op. Something has got to take place to reverse this trend or the days of the old line hardware jobbers are numbered, And if that happens, it's going to fall to the co-ops and the specialty houses. I'm not pleased with what I see, but that's the way it appears to me."

Belknap's major competitors, dealer-owned distributors like Ace Hardware Corp. and HWI, are, publicly at least, not thrilled with what happened to the old distributor on the Ohio. But Mike McLelland. vp sales & marketing at HWI, does not see Belknap's bankruptcy as the beginning of the end for independent distributors.

"I think the independent distributor has a very strong niche," says McClelland. "In many retail stores, that niche is as a fill-in or secondary supplier. There may be instances where independent distributors can be more than that.

"One of the things that certainly made Belknap successful, " he continues," was that they had *everything* and they filled that niche of being a super secondary supplier. I think other distributors can fill that niche and have a very good future. But I don't think an independent distributor today can compete, on the whole, with member-owned cooperatives. That," he odds, "is certainly a biased opinion,"

John Mize, president/ceo of BlishMize Co., a full-line independent wholesaler headquartered in Atchison. KS, and first vice president of the National Wholesale Hardware Assn. (NWHA) an industry group, agrees with many that Belknap simply overstepped its bounds.

"They had a niche," says Mize. "The problem for them was that they didn't stay in it. They filled a need in the marketplace. In fact, they could have capitalized on that need even more. But they suddenly wanted to be the biggest. And they tried to do that without looking at the marketplace the way they should have."

In Louisville, the death of the old distributor has raised plenty of questions among former employees, dealers, vendors, and citizens of the city. Chief among them, what one former officer calls "the $64,000 question" is: Why did David Jones retain Lambert as Belknap president, even when things were obviously going wrong? Jones, quoted in the Louisville Courier-Journal, claims to have been unaware of the situation until too late.

"What he’s saying." says Marvin Heath, "is: 'I don't know how to read a profit and loss statement or a monthly balance sheet.’” Like many people, Heath doesn't believe it.

Belknap's dealers have long since found other suppliers. Dennis Stomberger buys from House-Hasson Hardware in Knoxville. TN. Carl Ivey joined Ace. Mike Girard is buying from House-Hasson, S & T. and the Memphis-based Orgil Brothers.

But across the river, on the Indiana side, at the executive offices of S & T Wholesale Hardware Co., president Charles Redmon points to a three-inch stack of resumes on his desk. "Every piece of paper there is a former Belknap employee. But," says Redmon, shrugging his shoulders, "we can't hire people we don't need."

For those who worked at the old wholesaler, for the former employees in this city which recently lost International Harvester and where unemployment at 8.3% is well over the national average, the Belknap closing has been a catastrophe. As of March, none of the former buyers had found jobs. Elmer Miles, who used to buy tools at Belknap, his since spent his time working with the

Belknap Employee Association, a group of 200 former Belknappers who contributed $75 dollars each to hire lawyers and consultants in an effort to "make a bid for the inventory necessary to put the business back in place.

"I think we've got about two and a half strikes against us." says Miles. "The total inventory and receivables were sold about a week ago to Consolidated Stores. We were also after the Blue Grass trademark, which at this point has been sold to S & T. Right now, we're trying to decide what our next step should be."

Many of those involved say that more than anything else, the Belknap story is a tragedy, a betrayal of those who worked there many years only to be suddenly terminated, their pensions and benefits determined by the outcome of bankruptcy proceedings. What happened at Belknap has left many people in Louisville very bitter.

"Yes," said retailer Mike Girard. "We're disappointed. We feel like there's a big loss

"I'm looking across the road right now at an old gentleman who retired from there. There's a lot of them who weren't as lucky as he, who didn’t make it to retirement."