

From 2nd Shift to the CEO's Desk: Dixie-Narco and the Doug Huffer Years

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Dixie-Narco is a managerial case that focuses on the progression of an individual's career as he goes from entry level management to President of the organization. The case chronicles the career path of Doug Huffer from college graduation to his final ascendancy to President and CEO of Dixie-Narco, a world leader in cold drink machine manufacturing. In addition to commentary on the different types of skills and skill levels necessary for a management career, the case also introduces the dynamics of mergers and acquisitions, as Dixie-Narco acquired and merged several times during the case time period. The case emphasizes the importance of personal interaction between management, employee, and customer.

Doug Huffer's situation was bittersweet. As president of Dixie-Narco, one of the world's leaders in cold drink dispensing machines, he had created a very successful enterprise. So successful, in fact, that now it was up for sale. Is this what all his effort had come to? Doug was only 52, and had worked for Dixie-Narco his entire career. It didn't seem fair that all of his effort and success had resulted in him losing his job.

STARTING ON 2ND SHIFT

September of 1977 found Doug Huffer beginning his final semester at Shepherd College in Shepherdstown, West Virginia. Huffer was like most graduating seniors, excited about graduating and not having to go to class anymore. It wasn't until his roommate announced that he was having a resume professionally printed that Doug Huffer realized that he better start looking for a job. He quickly put together a resume and talked his friend into giving him a ride to the print shop in the nearby town of Ranson WV. In the 70's, print shops were the only way to get things professionally printed and it usually took several days to receive your finished product.

After dropping off his resume, Huffer and his roommate were heading to the car to drive back to Shepherd College. As they got in the car, Doug noticed a sign that read "Dixie-Narco" on the building next door to the print shop. Huffer had heard of that company. As a matter of fact, his father did a good deal of business with

that company. Doug's father was a Coco-Cola bottler in Virginia and Dixie-Narco made "drink machines", the stand alone refrigerated dispensing machines that are found everywhere. Seeing and embracing an opportunity, a characteristic that would always serve him well, Huffer got out of the car, walked into the building, and told the receptionist that he was about to graduate college and was looking for job in sales or marketing. The receptionist politely informed Huffer that Dixie-Narco only hired individuals that had registered through the local employment agency and that he would have to go there to start his job search. Determined, Huffer looked at the receptionist and said "wait a minute – my dad is a customer of Dixie-Narco and he said I should come here to look for a job". The receptionist then asked who Doug's father was, excused herself, and Doug sat there alone, wondering what he just done.

The next thing Doug knew, an elderly gentleman came into the lobby. "My name is Roy Steeley and I am president of Dixie-Narco. Why don't you come into my office". It is important to remember that when Doug Huffer left campus that morning, he was not prepared for a job interview nor was he dressed for the part. As he remembers "here I am in a pair of old blue-jeans sitting in the president's office, trying to convince him to hire me". After a ten minute interview, Steeley picked up the phone and called his son, Lee. As Lee walks into the room, Steeley says "talk to this guy and see if we can find him a job". Huffer quickly told Lee that he didn't graduate until December and was focused on graduating. Lee shrugged off this information and got the point. "Here's the deal, you work second shift for us for the next three months until you graduate. You do this and you do a good job and we will hire you as a supervisor when you graduate". So at \$4.50 an hour, Doug Huffer started a career at Dixie-Narco that would last for the next 30 years.

For the last three months of 1977, Doug Huffer went to college by day and by night was a 2nd shift production worker that consisted of heavy sheet metal fabrication and welding. Huffer had no manufacturing or production experience and at times wondered if he was in the right place. Luckily, he was befriended by a long-time Dixie-Narco employee by the name of Vernon Kidwell. "Vernon not only taught me how to do my job, but how to work and get along with people. I don't know if I could have succeeded without Vernon's guidance". This was just the first of several encounters where Doug Huffer understood the importance of relationships within a business environment. In early December of 1977, Lee Steeley came to Doug with another offer – "OK – you passed – looks like you are a pretty good guy. We are promoting you to Supervisor of this department". Even though Huffer was elated at the offer, he couldn't help but think of the challenges he would face. Number one, with exception of the last three months, he had no manufacturing experience. Number two, he had become buddies with just about everyone in the department

over the last three months, and now he was going to be their boss. Thank goodness Vernon Kidwell was still around. As Huffer says, “Vernon guided me down that path. Wouldn’t have made it without his help. He reminded me that my success was not about me. It was all about the people that work for me”.

SUPERVISOR? – THEY KNOW MORE THAN I KNOW!

Doug Huffer was now supervisor of his department, was 23 years old, and was making \$1,000 a month. In his mind it really couldn’t get much better than this. During the next year, his department continued to meet and often exceed its goals and objectives. The relationship between Doug and the other employees remained strong and things just seemed to work. At the end of that year, Doug was summoned into the president’s office. Roy Steeley said “Ok – if you are going to move to the next level here, you have to get into sales. That is what we need. But before you get into sales, you need to know about everything that we manufacture. So here is the deal. For the next year, I want you to learn all 250 jobs in this plant. I want you to do every job for a day. That way when a customer asks you a question about our product – you will know the answer”. For the next year, Doug Huffer did a different job every day. At the end of that year, he had seen and touched every component of the manufacturing process. According to Huffer, that one experience proved invaluable for the rest of his career.

A BRIEF HISTORY OF DIXIE-NARCO

During the 1940s, a company called Victor Products made refrigerated vending machines in their facility in Ranson, West Virginia. Victor Products was acquired by Dixie Foundry, a manufacturer of cooking utensils and stoves in 1957. Dixie Foundry and Magic Chef, another manufacture of kitchen appliances, combined in 1963 and became Magic Chef.

As part of its sales initiative, Victor Products utilized the Narco Sales Group, a privately held sales consulting firm, to help with the selling of its vending machines. In 1967, Victor Products bought the Narco Group and changed the name of the new company to Dixie-Narco. Dixie-Narco’s sole business focus was the manufacturing of refrigerated vending machines. (See Figure 1)

Over the years, Dixie-Narco led the research and design of refrigerated vending machines. Realizing the point of sale marketing potential, their machines would become colorful and technically superior to the competition (see Illustration 1). The company faced another challenge as they entered into foreign markets. These international machines must be fitted with technology that allows the machine to recognize all types of foreign currency. The company developed technology that

allowed their machines to recognize and validate coin and bills (see Illustration 2).

During the early 1980s, Dixie-Narco experienced a major growth spurt. It introduced new products and vending machines were popping up everywhere. Demand was such that the company had to expand to a new facility in order to meet customer requests. As Huffer tells it, “there is no doubt that I was in the right place at the right time”. At the end of his second year with the company, he was making \$1,250 a month and life was good. Huffer was getting comfortable with his job and just settling in. However, a phone call and meeting from Roy Steele changed all that. As Huffer remembers the conversation, Steele said “boy, you have been here two years and nobody has threatened to fire you, guess you pass the test. It’s about time you started to really know this business so you are going to the Parts and Service Department”.

THE PARTS AND MANUFACTURING YEARS

Huffer’s new boss was a man named Dick Snyder. Snyder was a friendly man who immediately took a liking to Huffer and took him under his wing. For the first six months in the Parts department, Huffer picked and packed parts, never talking to a customer. “All I did everyday was pull an order, find the part in the warehouse, and ship it to the customer. At the time, I was bored out of my mind and wondering why they were punishing me. I later realized that I now could recognize every Dixie-Narco part, whether it was on a shelf or in a machine. I was truly learning EVERYTHING about the production process”. The next six months in the Parts and Service department were spent as a service technician. In addition to receiving orders, Huffer was in contact with customer by phone, trouble shooting and at times traveling to customer sites for on-sight service situations. At the end of that year, Huffer was moved into outside sales. In his mind, he had finally made the big time.

Doug Huffer was now 25 years old and had worked for Dixie-Narco for about four years and now he was a salesman. However, he had never been on an airplane and had little, if any sales experience. “I had always succeeded at everything the company had asked me to do, so I guess they decided I could do sales as well”. His first assignment was in Jackson, Mississippi. The area had just recovered from a major flood and most vending machines were damaged or destroyed. The next year found Huffer traveling all over the United States selling vending machines. However, Huffer found that as he was calling on customers, trying to sell them new machines, a lot of his time was spent fixing their existing machines. “All of my production and parts experience came in to play. While I didn’t make as many sales, the customers really appreciated the fact that I was willing and able to fix their drink boxes. I really believe that that helped me create more sales in the long run”. Another example of the

customer service philosophy of Dixie-Narco was exemplified in a trip Huffer made to Minot, North Dakota. “We got a call from a 7-Up bottler that one of our machines was broken and could not be fixed. I flew to North Dakota, which is no easy thing to do. I got off the airplane and five minutes later was in the plant, looking at the machine. Took the back off, pushed a wire, and the machine worked. I went back to the airport, got on the same plane I had come in on, and flew out that night. That’s what we did. We took care of the customer, no questions asked”. Huffer continued this sales routine for two more years and then other opportunities came calling.

THE BIG SALES JOB AND TROUBLE IN PARADISE

In 1982, Doug Huffer was promoted to the position of a Regional Sales Manager. He now had five salesmen that covered a territory from Virginia to Memphis and down to Florida. During that time, Dixie-Narco sales doubled. Vending machines were popping up everywhere. According to Huffer, the company and its employees were very focused and willing to go well beyond the call of duty to meet customer demand. The four years from 1982 to 1986 were fun and exciting, but change was right around the corner.

In 1986, Magic Chef and Maytag combined. Even though Magic Chef was a larger organization, they were purchased by Maytag and things changed immediately. In the past, even though Dixie-Narco was owned by Magic Chef, Roy Steeley ran the show. Steeley was a relationship kind of guy who knew the business and knew what to do. Maytag was located in the Midwest, with a tight corporate mentality, best described by Huffer as a “mother, may I?” philosophy. The reality was Roy Steeley did not like people telling him what to do. After just three months of Maytag ownership, Roy Steeley was gone. Maytag immediately brought in Jim Vaught, a former Maytag Vice President of Finance, to become President of Dixie-Narco. Vaught did some minor reorganization and in 1987 Doug Huffer became Director of Sales and Marketing, responsible for all sales in the continental United States. Huffer began settling in to his new position and was adjusting to the new management style of Maytag and things changed again. He was awakened at three in the morning by an urgent phone call from the Director of International sales. Jim Vaught was dead, having collapsed while jogging in London’s Hyde Park. Huffer immediately called the Maytag executives and by 7:30 that morning they were in route to West Virginia. Later that day, a fellow named Jerry Kamman was named President of Dixie-Narco, and as Huffer puts it “this started the ride of my life!”

THE MARKET EXPLODES

Starting with Kamman’s leadership, the years 1987 – 1989 were huge for the cold drink vending business. Coca-Cola has decided that they were going to saturate

the market with drink machines and naturally, Pepsi followed. Dixie-Narco could not make drink machines fast enough. Sales were off the charts. At the same time, international growth took off. It was decided that Dixie-Narco needed another manufacturing facility and naturally looked in the West Virginia area for a suitable location. As Huffer states “it made sense to stay in the area. We had a trained work force and believe it or not, we were non-union”. However, being owned by Maytag added layers to our decision. With locations all over the United States, Maytag began looking at their non-producing properties that might suite Dixie-Narco’s needs. It was discovered that Maytag owned a plant in Williston, South Carolina that made chest freezers and humidifiers.

MOVING TO SOUTH CAROLINA

The Williston facility was a large manufacturing operation located on a major rail spur in rural South Carolina. A year after first visited by Kamman and the Dixie-Narco executive team and after a \$40 million refit, the first vending machine rolled off the line. It was also decided during this time that the corporate office of Dixie-Narco was going to be located in Williston, which would now become the hub of Dixie-Narco. Huffer often wonders how much the South Carolina climate had to do with that decision. In addition, South Carolina was a “right to work” state, so there would be little to no union pressure.

Doug Huffer moved to Aiken, SC in 1990 and was promoted to VP of World Wide Sales and Marketing in 1992. He was now in charge of selling vending machines throughout the US and in over 70 different countries. His sales staff included individuals that spoke over ten different languages. However, the vending manufacturing industry was about to experience its first downturn. Due to cultural and personal changes both in the US and abroad, vending machine sales dropped by 50%. Coke and Pepsi had over purchased and had an excessive inventory of drink machines and Dixie-Narco orders came to a screeching halt. With sales down and an old plant in West Virginia, the decision was made to shut down the West Virginia facility. As Huffer comments, “that was a very sad day for me personally and for everyone in the company. I still had a lot of friends at that plant. People I had actually built machines with. That decision did not feel good, but it was the right decision to make. The bottom line was that we did not need the capacity. We had a newly refitted plant in Williston and an old, out-dated plant in West Virginia. The choice was clear”.

Once the decision to focus all manufacturing and management functions in South Carolina was made, other concerns began to immediately become evident. The work at Dixie-Narco required employees to maintain basic skill sets that allowed them to read schematic drawings and instructions. It was soon discovered that many of the

new employees did not meet these basic skill levels. We immediately set up an after hour reading class and worked with the local Technical College to help employees earn their GED. It was believed that this educational program would help employees learn valuable skills that they could use to better themselves and also make them better Dixie-Narco employees. To encourage this educational program, Dixie-Narco created a policy that required employees to obtain a technical degree, which the company paid for, before they could be promoted to Supervisor. The company even created a graduation ceremony for employees that completed the program to try and encourage others to participate.

UP THE AMAZON

Doug Huffer's love of the sale and customer relations continued to be a driving force in his day-to-day behavior. This was evident in a situation that occurred during the mid 90s with a customer in Brazil. As Huffer tells the story, "we acquired a huge project in Brazil with a company called Baesa, which owned the Pepsi Cola bottling rights for the entire country. They called and ordered 20, 000 machines (this amounted to millions in sales) and I was a happy camper". As Huffer further analyzed the deal, he decided that Dixie-Narco could increase their margins by having the machines assembled in Brazil and therefore reducing or omitting the "duty" on the machines. It was decided to partner with Baesa and create a manufacturing facility in Brazil. Dixie Narco would ship the machine parts to Brazil with final assembly being done on Brazilian soil. To complete this transaction, Huffer called on Antonio Valesquez, a manufacture that he had befriended years earlier. Valesquez owned a manufacturing facility that was 500 miles up the Amazon River from San Paulo, the port of entry for this product. "We did that to offset the Duty Tax – by doing that, we were able to put a plate on each machine stating that it was assembled in Brazil". Dixie-Narco shipped the machines in kits from Williston, SC. From there they went to San Paulo, Brazil and then placed on a barge for the 500 mile trip up the Amazon to Manaus. The machines were manufactured in Manaus, put back on a barge and sent back to San Paulo for distribution throughout Brazil. This process took about 60 days, from shipping from Williston to final delivery of manufactured product in San Paulo. All was going smoothly until Baesa called and said they needed a large amount of additional product "immediately". As Huffer remembers, "they were desperate and said that to expedite the order, that we should manufacture in SC and that they would pay any duty. We figured that if they were willing to pay the Duty, we had a deal". The new order was assembled and shipped and all was well – until the phone rang 30 days later. "It was a call from my friend, Antonio Valesquez. He told me all of the machines had been confiscated by customs and that we were probably going to lose all of the machines". The problem appeared to be in the "manufacturer plate of origin". All goods must have a plate of origin that details the place in which the

machine was assembled. Dixie-Narco had always provided the plates to Baesa which stated “Made in Brazil” as the company of manufacture. When Dixie-Narco assembled these new machines, they had inadvertently placed the “Made in Brazil” plates on the machines instead of new “Made in America” plates. Brazilian customs had noticed the plates and confiscated the entire inventory. Huffer immediately called Dixie-Narco’s president and Maytag’s legal department and flew out of Atlanta the next day, headed for Brazil. “The company had basically told me to use all legal means to include expediting payments if necessary to get the machines out of customs. We met with a customs official and we had a discussion. The next day our product was released. When I got back to Williston, I told the President that I had some good news and some bad news. The good news was the hostages were released. When he asked what the bad news was, I told him how much the good news cost. I thought I was going to be fired on the spot”.

CLOSING WEST VIRGINIA – A VERY SAD DAY

With the closing of the West Virginia plant in 1993, all operations shifted to the Williston plant which maintained enough capacity to handle current sales. During this same time, Maytag purchased the Hoover Company, mainly to capture Hoover’s European presence in the appliance industry. During this period, Kamman was elected to be the managing director of Hoover-Europe. To oversee the deal, Kennan flew to London to talk with the Managing Director for Hoover Europe. Huffer remembered that “it was Sunday morning, while waiting for the car, Kamman says to the CFO of Hoover Europe ‘I hear we are a little under accrued on a marketing program here’. He asked him how much and he said ‘50’. It was immediately questioned 50 what? He replied 50 Million pounds’.” This roughly equaled \$75 million dollars. At the time, no one at Maytag knew of this situation. Shortly after this encounter, Jerry Kamman was made Managing Director of Hoover Europe. For the next several months, Huffer and several other Dixie-Narco executives spent a good deal of time in Europe, helping ease the transition of leadership work through the details of what is known today as the Hoover Free Flight’s fiasco..

Bob Downing, a long-time Maytag executive, became president of Dixie-Narco in 1994. During the 1990s, the company sold a record number of vending machines out of the Williston location. It looked like the market had matured and that the decision to move to South Carolina had been a good one. Huffer remained as VP of World Wide Sales and Marketing. During that time he traveled extensively, from South America to Europe to Asia. As Huffer puts it “it was an exciting time. We were made a great product and we were very successful. We were hitting on all cylinders”. During the 1990s, Dixie-Narco averaged sales around \$300 Million a year and had over 1500 employees.

PRESIDENT OF THE COMPANY – AT LAST

In 2001, Bob Downing retired. Also during that time, Maytag had some serious management changes. From 2001 to 2003, Dixie-Narco was run by another long time Maytag executive, Tom Briatico. However, in 2003, Briatico retired and Huffer's career once again took a new turn of events.

Doug Huffer became President of Dixie-Narco in 2003. After a 26 year career with the same company, he had finally made it to the Presidents chair. Then, in 2004 he also became President of Maytag Commercial Products when the Maytag Corporation consolidated its operations into Residential and Commercial Business units. Huffer was now responsible for the Amana Commercial product lines, Dixie-Narco, and Jade Products, a manufacturer of high-end kitchen appliances. Overnight, Doug Huffer was running not only the company he knew well, but two other entities with their own products and customers. Instead of settling in comfortably with a company he knew well, Huffer was now on a brand new learning curve. He was running a company with multiple plant locations, multiple product lines, multiple customers and a very diverse work force. For the next three years, Huffer juggled these responsibilities well. All business centers were profitable and doing well. Too well it seems (see Financial Statements).

LIQUIDATION IS THE NAME OF THE GAME

In March of 2006, Maytag was acquired by Whirlpool. Of the Maytag executives, only Doug Huffer and one other executive were retained. However, Huffer's new job with Whirlpool was to dispose of the commercial unit that he had run for the last three years and also assist in the disposal of Hoover. Over the next 18 months, Huffer spent all of his time contacting potential buyers for these companies and preparing the operations for sale. In mid 2007, Huffer finally sold Jade Products. On the plane ride home after the sale, Huffer says it finally hit him – "I am out of a job!" Whirlpool did make an offer to Huffer to remain, but as he states "I had enough of the Fortune 500 life for a while."

LIFE AFTER DIXIE-NARCO, MAYTAG AND WHIRLPOOL

Huffer tried to stay busy playing golf and being retired, but it just didn't suite him well. In July, 2007, Huffer realized that there were no good appliance retail outlets in the area. Seizing the opportunity, Huffer started Prestige Appliance with a local partner. They bought a building in downtown Aiken, SC and called his former associates at Whirlpool and Viking, another high-end appliance manufacturer, and started selling their product. The success of the location was immediate and Huffer soon opened a second location in Aiken and will have a third location open in Lexington SC in the fall of 2010. He now has over a dozen employees and offers full service

and installation. In just three short years, Prestige Appliances is reporting annual sales in excess of \$3 million.

Looking back on his career, Doug Huffer has no regrets “I did what I thought was best at every turn. I always looked out for my company and my people. Wouldn’t have had it any other way”. Huffer’s new venture into retail and commercial sales seems to be just the next step in his manufacturing to sales to the final customer saga. As Huffer states “it was always about the customer. Huffer’s new venture, Prestige Appliance has put him front and center with establishing and meeting customer expectations. “I love dealing with people and everybody that I hire loves dealing with people. That’s where all of the fun is.” It is safe to say that Doug Huffer is still having fun.

Figure 1

OWNERSHIP CHANGES OF DIXIE-NARCO

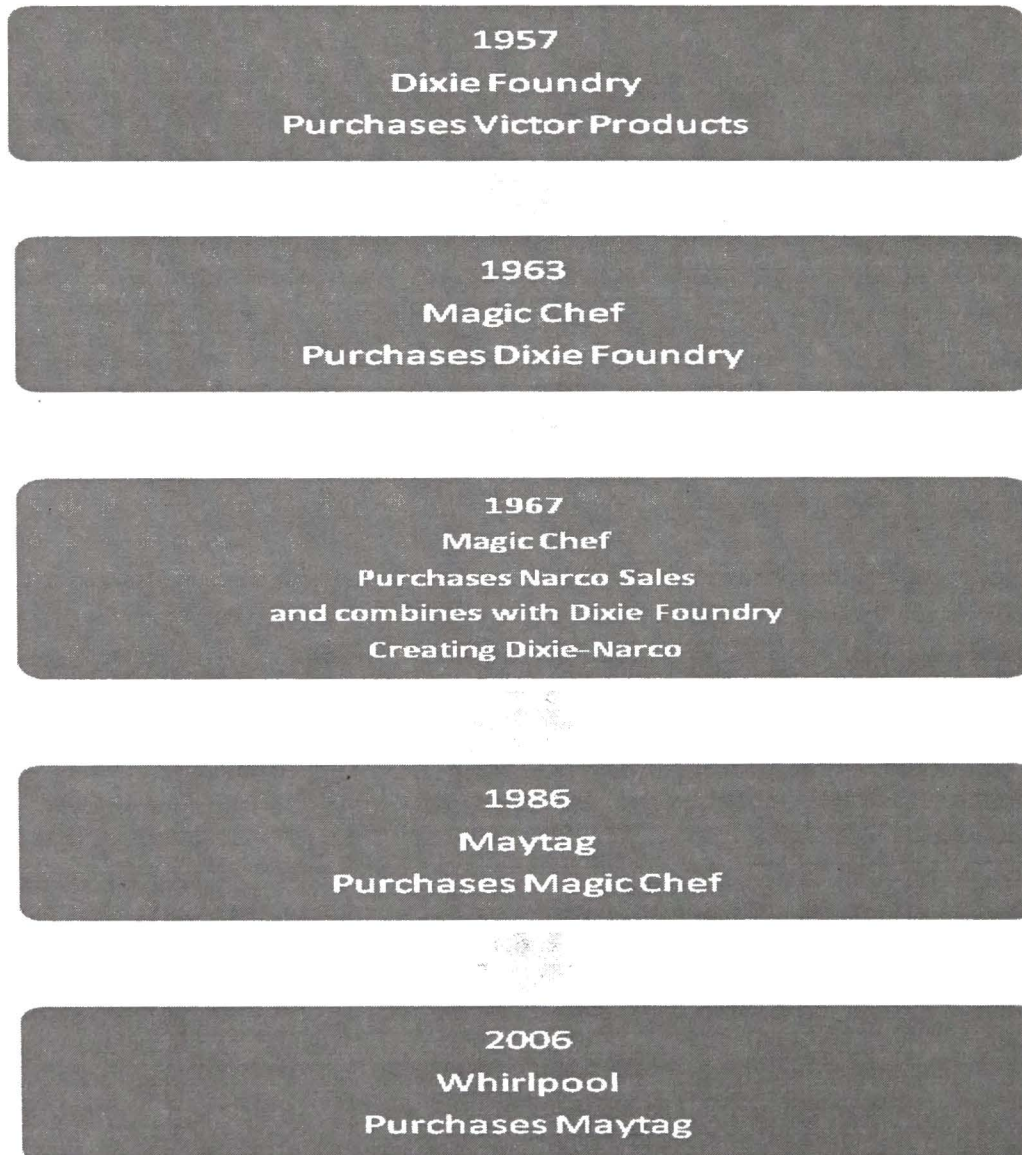


Table 1

Financial Statements

Maytag Income Statements (\$ Mil)

	2002	2003	2004	2005
Revenue	4666.0	4791.9	4721.5	4901.1
Cost of Goods Sold	3661.4	3932.3	4061.3	4413.5
Gross Profit	1004.6	859.5	660.2	487.7
Operating Expenses	645.1	631.2	619.9	524.8
Operating Income(Loss)	359.5	228.3	40.4	(37.1)
Other Income and Expense	(63.8)	(55.5)	(61.7)	(83.2)
Earnings Before Taxes	295.7	172.8	(21.3)	(120.3)
Income Taxes	100.5	58.4	(12.0)	(38.3)
Earnings After Taxes	195.1	114.4	(9.4)	(82.0)
Discontinued Operations	(2.6)	5.8	.3	0
Net Income	188.8	120.1	(9.0)	(82.0)

Maytag Balance Sheets (\$Mil)

	2002	2003	2004	2005
ASSETS				
Current Assets	1,323.6	1304.3	1445.5	1496.5
Long –term Assets	1780.7	1719.8	1574.5	1457.1
Total Assets	3104.3	3024.1	3020.0	2953.6
LIABILITIES				
Current Liabilities	1163.7	983.8	910.1	1346.4
Long Term Liabilities	1898.3	1974.5	2185.0	1794.5
Total Liabilities	3062.1	2958.3	3095.1	3140.9
Equity	42.1	65.8	(75.0)	(187.3)
Total Liabilities and Equity	3104.3	3024.1	3020.0	2953.6

Segment Information for Commercial Products (\$ thousands)

Includes Dixie-Narco

	Year Ended 1-03-2004	Year Ended 1-1-2005	Year Ended 12-31-2005
Net Sales	293,211	262,842	236,223
Operating Income	16,019	(7,117)	(12,939)
Total Assets	134,715	123,108	125,826