

By Bill Sendelback



Earning the **BUSINESS**

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Flying under the radar has been a successful strategy for Sherwood Industries. Since its start in 1989 as a small wood stove manufacturer, Sherwood has grown into one of North America's largest and most successful, privately-owned hearth products companies; it now offers a complete line of wood, gas and pellet stoves, inserts and fireplaces.

But there is a downside to being inconspicuous: it has kept many potential customers from knowing Sherwood and its Enviro brand.

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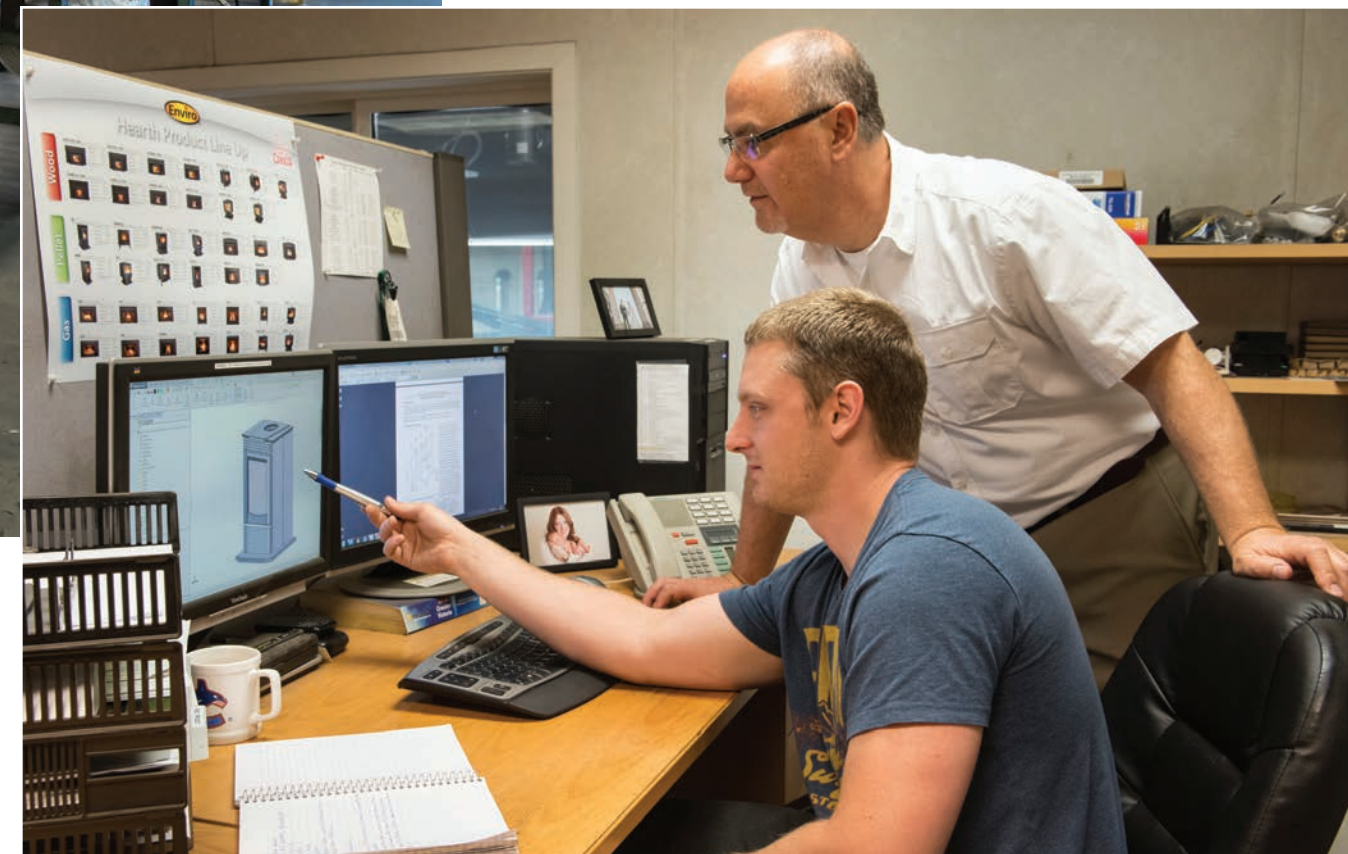
then, in 1993, into gas hearth products.

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Yousief, as president and CEO, now handles finance and strategic planning while Stuart, now vice president, directs sales, marketing and product development. Sherwood's factory and headquarters, still in Saanichton, have grown to cover 92,000 sq. ft. and the company has about 200 employees.

"A lot of people think we're just a pellet stove company, but that's not true," Yousief says. Today pellet stoves account for 55 percent of Sherwood's sales, with gas-burning products totaling 32 percent and wood-burning models making up 13 percent.

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President & CEO Cherbel Yousief (right) gets an update from one of Sherwood Industry's designers. OPPOSITE PAGE: The new P3 awaits inspection and crating alongside the Meridian cast-iron pellet stove.

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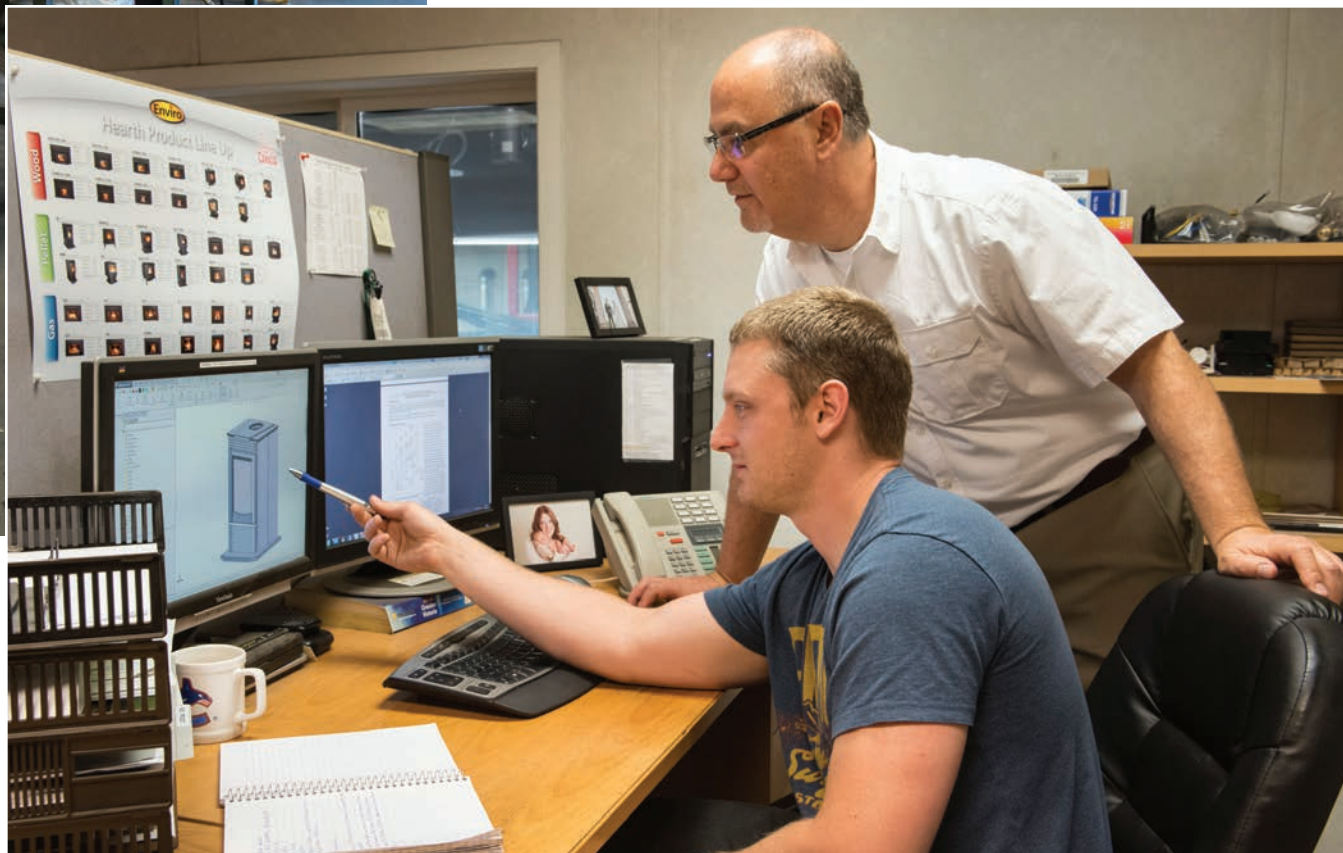
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at 15 percent. When asked about the company's total annual sales, Yousief simply replies, "Very healthy," but he does reveal that, "We've been on a growth pattern. In 2013, we had 28 percent sales growth, and in 2014 we had about 22 percent growth."

For 2015, he has forecast 15 to 20 percent growth, and through the second quarter, "We're on target with a 12 percent increase and record high early-buy orders."

Sales have been increasing across all its product lines even as Sherwood heavily expands its Enviro gas line. "In 2013, our sales strength was mostly from our existing stove models," Yousief explains. "But this year it is different. We don't know whether it's from pent-up demand or that all the new products we introduced last year are finally showing up and being burned in our dealers' showrooms."



Model Q3.

Sherwood sells through two-step distributors to reach its dealers, and Yousief sees this as a competitive advantage. "Going through distribution has been a very, very stable business model for us," he says. "So we've been totally dedicated to going through distributors, even in our own backyard."

Most of the company's distributors have been with Sherwood for a long time, some as long as 25 years. "Even though our margins are slimmer, going through distributors is key for us," says Yousief. "We've kept our distributors for so long because we service the heck out of our customers, and we are very focused on staying in tune with their needs. We keep a very tight, strong relationship with our customers so their feedback gets to us quickly."



Freestanding pellet stoves in mid-assembly.

Sherwood also has been selling its products overseas since 1992, in New Zealand, Australia, South Africa, Spain, France, Ireland, UK, Germany, Norway, Sweden and Japan.

"We were one of the first manufacturers to sell pellet stoves in Europe," says O'Connor, "but we've pulled back in some of these markets so we can really focus on our North American customers. And, frankly, exporting is not very profitable due to the complex testing required in all the different markets."

It has only been in the last three years that the company has begun taking on more distributors in North America. "We wanted to make sure that we had the manufacturing capacity and service assets to take care of new customers," says O'Connor.

Three factory sales managers work with the company's network of distributors in the U.S. and Canada, calling on dealers and conducting training sessions. "We are very focused on technical training for our distributors and their dealers," says O'Connor. "That separates us from our competitors. We conduct dealer meetings once or twice a year to review our products and get their feedback on market trends and our direction for the future."

Longtime Sherwood customers apparently agree with the way the company interacts with them; Associated Energy Systems in Kent, Washington, was probably Sherwood's first distributor customer.

"We started with Sherwood the day they made their first wood stove," says AES president Kirk Newby. "They had virtually no machinery, and we were showing prototypes to our dealers." Newby says that Sherwood has a style that works for him.

"With some companies, particularly large ones, you are just a number. We like doing business with a company where we can talk to the decision makers and they want to talk to us. Sherwood is customer-focused and open to hear our input. The company is willing to communicate its plans so we can both build a better business model."

Russo Products in Randolph, Massachusetts, a Sherwood distributor since 1990, says Sherwood cares about its customers, according to president Richard Russo. "Sherwood wants to know what's going on, what is selling and how it can make its products better. They are always trying to develop something better than what is on the market." He raves about Sherwood's sales staff. "They have the best sales people I have ever worked with, particularly Louie Falco, their sales manager."

"We can always reach Cherbel or Stuart," says Don Hiebert, sales manager for Concorde Distributing in Abbotsford, British Columbia. "You can't do that



Cherbel Yousief (left) and Vice President Stuart O'Connor (right) outside the production facility.

with larger companies. Sherwood is very hands-on and able to communicate with us. They listen to us, good or bad, and they are investing in their manufacturing to further improve their products."

Yousief also mentions Sherwood's investment in its factory.

"This year we went heavily into new equipment, allocating \$4 million," he says. During the recession, Sherwood "hunkered down" and watched inventory, expenses and margins in order to build up its reserves to invest in equipment when the recession was over.

"We've invested in more efficient equipment that should boost our manufacturing efficiency by 20 to 30 percent," Yousief says. "That is really the recipe for success because in this whole world economy, he who can produce efficiently, build the right products and deliver them to the market with strong customer service is going to earn the business. That is what we are focusing



Stuart O'Connor (standing) reviews pellet stove electrical installation with a member of the production line.

on. We have to provide value to the customer at a good price. We're not interested in building low-end product that is sold in mass volume."

Sherwood's Enviro brand of hearth appliances sells in the medium/high price range, according to Yousief. The company introduced its Westgate line in 2006 as a luxury, high-end line. "But that was the wrong category for us," he says, "so we blended it into our Enviro line."

Then Sherwood introduced its Vistaflame line as an alternative to Enviro, with some aesthetic changes. "It did very well, but we're of the opinion that we need to be more focused on our Enviro brand than to offer new brand names. That decision was made two years ago, and it's really paying dividends."



Black Olive kamado.

"Our Enviro brand is well known as a leading pellet stove, and that has been one of our biggest challenges, to be known as a full-line supplier," says O'Connor. "Over the last four years we've invested heavily into gas, and our sales have been growing very fast in that category. The goal is to prove to our customers that we are producing impressive products in each category, not just in pellet stoves."


This year has been busy for Sherwood's R&D department, developing five new models including two pellet stoves and three gas models. The company's new Meridian Cast Iron is a 45,000 Btu input pellet stove with castings from Belgium. The new P4 pellet stove is a larger version of Sherwood's

popular, contemporary P3. New gas models include the Westport Steel, a 30,000 Btu stove, the modern-styled S30, a 20,000 Btu stove, and the clean-faced Q3 gas fireplace with 35,000 Btu input and the industry's only adjustable rear vent collar for easier installation.

"We're seeing contemporary designs come on strong," adds O'Connor. "That's why we came up with our P3 pellet stove and this year our P4 pellet stove and S30 gas stove. I personally like contemporary design, but ultimately the consumers will decide with their wallets."

Sherwood recently ventured into grills with its Black Olive kamado-style pellet grill and smoker, then followed with a charcoal version with an automatic starter. "We wanted something to sell in the off-season for the hearth industry," Yousief explains. "Over the past two years we've seen quite a lot of sales, but sales are not yet where we want them to be. That category is very, very competitive."

With today's lower oil prices, Sherwood, like most hearth products manufacturers, wonders how it will affect sales, particularly for pellet stoves that seem to be the most sensitive to fuel prices.

"We've seen our pellet stove sales stronger this year, month over month," says O'Connor. "I think everyone feels that oil prices will go up again. It's just a matter of time." 



Blower units are prepared and tested in the parts department before shipment.