

Door to the future

By Scott Whipple, Herald Staff
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Most big box stores are wired for surveillance. Steal something and you will hear a beep.

One Saturday morning, Vito Spinelli, then an engineer for The Stanley Works, was shopping at an area Home Depot when he heard that unmistakable sound, signaling a possible shoplifter. Says Spinelli:

"I thought: Why not integrate this feature into the door itself, make a sensor system for Stanley doors using this technology?"

The idea made sense to Spinelli and his fellow engineers at Stanley Access Technology.

"We were also looking for ways to increase our value to customers," Spinelli explains. "So, we put together focus groups; visited various stores and observed how doors were used and where they were located."

Technology that evolved from this research allowed Stanley to sell more than simply doors; these were doors that offered security in the form of mechanical locking systems, electronic access control, and automatic entrances. Digital surveillance from Stanley helped Wal-Mart cut down on losses from shoplifters, also lawsuits by customers trying to trick the doors to close on them.

"Out of court settlements really add up," says Thom Cordeiro, product marketing manager for Access Technologies. "With the video technology we developed in Farmington, we've been able to save our customers thousands of dollars."

Stanley sales reps started calling on key decision-makers, meeting with directors of security at big box retailers, airports, government agencies and utilities.

The face of Stanley Works was changing.

In 2001, the Access Technologies door business was approximately \$100 million in revenues. Today, Stanley Security Solutions, which grew out of Access Technologies, is a vibrant \$800 million segment of The Stanley Works.

For Stanley, this emphasis on Security Solutions happened at just the right time.

Some company people credit former president and CEO John Trani for pushing Stanley's endeavor into security; others insist it was a group concept.

Yet, after waves of worker layoffs around the turn of the century, an aborted attempt to set up a tax haven in Bermuda, and modest earnings per share, the 163-year-old New Britain company found itself at a crossroads. Known mainly for the hand tools it manufactured and sold, Stanley realized its market base was eroding. Customers were snapping up cheap, Asian knockoffs of Stanley tools.

The company fought back. It cut prices, then jobs, but struggling to stay competitive became a challenge. Management faced a tough truth: much of its hardware had become a commodity.

For the next three years, Stanley customer service reps wondered why Home Depot and Lowes got most of the available product while the Ace Hardwares and True Values had to take whatever hand tools Stanley allocated to them.

Trani watched Wal-Mart and Home Depot gobble up the corner hardware stores, and knew his company's future lay with the big boxes. Home Depot became a favored customer because it was expanding. New stores meant new business for Stanley and for its doors division.

As one sales rep told The Herald: "You give the lion's share of inventory to the big boys. Not only can they sell it, but they pay their bills."

Vito Spinelli, now engineering manager for Stanley Access Technologies in Farmington, a division of Stanley Security Solutions, designed the advance technology for door systems. He calls what Stanley was doing at the time "a balancing act," growing big box retailers as customers while serving smaller stores.

Unwilling to face another hand tool price war, Stanley decided to offer its customers something different --enhanced value through a diversified product line and direct service. As Frank Luke, Stanley Access Technologies' COO, explains: "All of a sudden, we could offer something new of value to the customer. We didn't need to rely on hand tools alone."

The impact of 9/11 helped jump start the security doors business. Airports took an interest in Stanley's access control and security products.

Stanley sales reps focused on direct relationships with national accounts customers while expanding cross-selling opportunities for other products.

"We became the number one automatic door provider" Luke says. "Now we want to be the number one service provider."

Luke credits Trani and Security Solutions President Justin Boswell as the driving force behind this new direct relationship with the customer.

"We have a pipeline to him," Luke says. "The question now is, 'How can we expand it?' What else can we provide the customer?"

One way has been through a preventive maintenance program in which Stanley assumes responsibility for the doors it sells rather than making it the store owner's responsibility..

Spinelli views this as a major step for Access Technologies.

"Now we want to serve our customers more elegantly, more efficiently, and more effectively," he says. "We want to be the number one solutions provider in the security market."

Another goal is to finish integrating all the companies Stanley recently acquired.(Please see box with story.)

In 2005, Stanley Security Solutions revenues grew 24 percent over previous years, surpassing \$815 million and representing 25 percent of consolidated Stanley sales.

Boswell says SSS blossomed from the Access Automatic door business.

"We're continuing to fill out our portfolio," he says. "Our goal is to become a comprehensive provider of security solutions, custom manufacturing door packages to fit certain job

requirements."

For example, Stanley's Dura-Storm sliding automatic door is manufactured to meet or exceed the impact and pressure requirements of Dade County, Florida.

Boswell says Security Solutions is currently exploring market opportunities in Europe and Asia.

"Since there are no huge players there we have an opportunity to grow," he says. "But, at the same time, we've got to take care of our customers."

Apparently, the stock market likes the strategy.

In April, Deutsche Bank raised its rating on Stanley following the acquisition of French tool maker, Facom.

Analyst Nigel Coe told Reuters news agency: "We believe that Stanley Works currently represents a good risk/reward opportunity for longer term investors."

Coe said that while most analysts following Stanley Works focus on home building, the company "bears more resemblance to diversified industrial companies."

He estimates that only 10 to 15 percent of Stanley's sales are tied to home building.

As Boswell explains: "Servicing doors is key to our strategy. We're going to be with our customers long after the product is installed."

Scott Whipple can be reached at swhipple@newbritainherald.com or by calling (860) 225-4601, Ext. 319.