

BUSINESS CENTRAL

Issue: January February 2015

NO REGRETS

After weathering the recession with all employees intact, John and Lizzy Packert, owners of Ron's Cabinets, are focusing on growth.

By Gail Ivers

When John and Lizzy Packert were originally approached about buying Ron's Cabinets, their first reaction was fear. "We were scared," John said. "It was a lot of money."

Ron's Cabinets, a cabinet manufacturing company in Sauk Rapids, was started in 1975 by Ron Schmitz. John joined the company in 1977, working part-time evenings manufacturing cabinets, and full-time days building homes for a local contractor. In 1978 John quit his contracting job and went full-time days at Ron's Cabinets. He was the company's third employee.

As the business grew, John moved out of the shop and into management, becoming general manager in the mid-1980s. In 1997 Ron Schmitz sold the business to Marc Sanderson and Walter Wilkie. John stayed on as general manager.

"Marc really wanted to grow the business," John explained. "The plans were to expand at our current location, then add locations around the state, and then expand into other states." In order to reach their expansion goals the company began hiring a leadership team. They also decided to separate the commercial and residential parts of the business.

"They were talking about either moving the residential part to another location in the area or selling it," John said. "We thought they'd move it." Instead, in 2000, Sanderson offered to sell the residential business, including the name Ron's Cabinets, to John and Lizzy. The remaining commercial manufacturing company was renamed Wilkie Sanderson. It was an offer the Packerts had not anticipated.

"We were scared. But I didn't really want to work for a large company – the kind that Marc had in mind with multiple locations," John said. "So it was appealing."

"I wanted him out of the situation he was in," Lizzy said. "He needed to make a change."

Still, it was a lot of money.

"Think about it. We go to the bank and say we want to buy this part of a business that someone doesn't want anymore and we have to build a facility to house it. You can imagine their response," John said. "The bank said we had to down-size. Not hire as many people, build a smaller building, or find a co-signer for the loan."

John and Lizzy explained the situation to a local businessman who was also a family friend. He said he would be happy to co-sign the loan, allowing the sale to go through.

"What was really surprising," John said, "was the support we got from the local builders once we were in business. They sent us money – not for work we'd done – they just sent us money," he said, the awe still in his voice. "They said 'We know you can use the money. We'll buy something from you later.'"

“We got back customers who had left Ron’s because of the growth and focus on commercial construction,” Lizzy said. “I think they were just glad to know Ron’s was going to continue to exist.”

Today the Packerts are enjoying their busiest year ever. But even though they talk about expansion, the pain of the recent recession remains close to the surface.

“We were doing 15-20 projects a year for a client before the recession,” John said. “That client was growing really fast and told us to gear up for 30 to 40 projects a year. We were talking about expanding to accommodate them. This building is designed so we can easily expand and we were talking about design plans and loans. Then the client went out of business – just bang, out of business. What if we had done the expansion...”

But they didn’t. Instead they cut prices, taking on some jobs that didn’t turn a profit. “Some people would say that was not a good business decision,” John said. “But if we didn’t take the jobs, we didn’t have enough work to keep everyone busy.” They expanded into commercial work, in some cases traveling out of state, because residential construction had stopped completely.

“We still had some remodeling,” John said, “but even with those jobs we’d get calls at the last minute saying the husband had lost a job or the wife’s hours had been cut and they just couldn’t do the remodel right now.”

“We never cut an employee,” Lizzy added proudly. “We cut hours, and the employees supported that because it meant we didn’t lay off a single person.”

“We have really good employees,” John said. “If we had laid anyone off, these are the kind of people who would have found other jobs. They would be hard to replace. We had a couple of really bad years, but when business turned around we still had all our good people and we were set to grow.”

Remodeling was the first thing that came back. “Now we’re starting to see new home building coming back,” John said. “We’re probably 60 percent residential and 40 percent commercial today. During the recession it was more like 80 percent commercial and 20 percent residential.”

“I think we’d like to be 50-50,” Lizzy said. “Our people can do both, we have the equipment to do both, and it provides the best cushion.”

And with a couple of good years on their balance sheet and the growth they’ve experienced in 2014, expansion is back in the plans. “Probably not in 2015,” John said. “But if this keeps up we’ll need to add on and that was always our intent.”

When it comes to business success, it is less about growth and more about people for John and Lizzy. “You get to know your employees and you know you’re responsible for them and their families and their children,” Lizzy said. “There’s no way to describe the thrill of it. We look at them living good lives and we think, yes, this business is working!”

“I feel good when we do work for a customer and we get a thank you note and they list the employees by name that they worked with. That’s really neat,” John said. “I know we tell people how important they are and they say, ‘Yea, yea, everyone says that.’ But we *do* mean it. The employees make this company.”

Back in the days when Ron Schmitz owned the original Ron's Cabinets, John would go around on pay day, hand out checks, chat with employees and thank them for their work. Of course, that's all gone away with automatic payroll deposit. Or has it?

"Oh no," Lizzy said, with a chuckle. "That's John's time with the employees."

"I know we'll have to switch to automatic deposit one day," John said. "But for now I still hand out pay checks and thank the employees. We wouldn't be here if it wasn't for them."

Gail Ivers is the editor of *Business Central Magazine* and vice president of the St. Cloud Area Chamber of Commerce.

Business Profile

Celebrating 15 Years in Business

Ron's Cabinets, Inc.
380 Industrial Blvd E
Sauk Rapids, MN 56379
320-252-7667
Fax: 320-257-0158
www.RonsCabinets.com

Owners: John and Lizzy Packert

Opened: April 1, 2000

Number of employees in 2000: 24

Number of employees in 2015: 36

Business description: Custom cabinet manufacturer, residential and commercial

Sales in 2000: \$1.5 million

Sales in 2015: \$4.5 million

Biggest change: Technology demands and figuring out what will work for us and the company. "We're a custom job shop. Most computer programs and equipment are designed to do the same cabinet over and over. We have to find tools that work well for one project because everything we do is custom."

Something that hasn't changed: Hiring people who can do a better job that we can do.

Most fun: It never gets old to see the excitement or the thrill on the customers' faces when they see their finished projects. Receiving thank you cards telling us how much they like it. We are here to make the customers' dreams come true.

Biggest Challenge: Making it through the recession without laying one employee off. Dealing with all the government requirements.

Lessons Learned: To make a business work you need good customers and good quality, skilled employees. It's a continuous process to retain those relationships.

Best Practices: Build a quality product at a fair price. Our number one priority is to service the customer. Always do what is right. Exceed the customers' expectations.

Chamber members since September 2000

Personal Profile

John (57) and Lizzy (56) Packert
Owners, Ron's Cabinets

Married: 1978

John's education: 1975 graduate, Sauk Rapids-Rice High School

Johns' work experience: Worked for a local contractor building homes for two years; started part time evenings at Ron's Cabinets for one year, then full time at Ron's Cabinets until 2000; purchased the residential portion of the cabinet business in 2000, retaining the name Ron's Cabinets.

Lizzy's education: 1976 graduate, Sauk Rapids-Rice High School

Lizzy's work experience: Farm girl – grew up on a chicken farm in rural Sauk Rapids with her parents and six siblings; worked in the dental office of Dr. Schad for 12 years; quit to stay home and raise their family; works at least four days a week at Ron's Cabinets doing accounting, bookkeeping, and as little HR as possible.

Family: Six children, three boys and three girls ranging in age from 35 to 16.

Hobbies: They have a lake home in Merrifield, MN; gardening and landscaping; hunting and fishing; snowmobiling

Fun Fact: John and Lizzy were high school sweethearts. The first time John called for a date, Lizzy turned him down. "I wanted to know if he was serious or not," Lizzy said. "If he was serious he'd call back." He called back.

Timeline

1975 – John Packert graduates from high school and begins working for a local contractor building houses

1976 – Lizzy Packert graduates from high school and continues working at a local dental office where she has been working since she was 16 years old

1977 – John begins working at Ron's Cabinets in the evenings, while continuing to build houses during the day

1978 – Lizzy and John marry; John goes full time at Ron's Cabinets

1980's – John moves out of the shop and begins working with customers; the company builds the plant on Summit Avenue in Sauk Rapids that currently houses Wilkie Sanderson; over the next 20 years the company expands three times at that location

Mid 1980's – John is named general manager of Ron's Cabinets

1997 – Ron Schmitz sells Ron's Cabinets to Marc Sanderson and Walter Wilkie

2000 – Sanderson and Wilkie rebrand as Wilkie Sanderson, focusing on commercial cabinet manufacturing; they sell the residential cabinetry business and the name Ron's Cabinets to John and Lizzy Packert. The Packerts build a 21,000 square foot building in the Sauk Rapids industrial park and begin doing business as Ron's Cabinets

2015 – John and Lizzy celebrate 15 years in business

15 and Counting

It's a big year for Business Central – this is our 15th year of publishing Central Minnesota's first (and we think best) business magazine. So we're taking up a little space in this issue to reminisce about what has happened over the years – good and bad – and introduce you to our team. But we're not being totally selfish. We've invited some fellow 15-year-olds to share the spotlight with us.

Business Central Magazine, LLC

First published: January 1, 2000

Ownership: St. Cloud Area Chamber of Commerce

Leadership

Publisher: Teresa Bohnen

Editor: Gail Ivers

Associate Publisher: Wendy Hendricks
Design and Production: Yola Hartmann
Number of employees: None

From Gail:

Start Date: June 1999

Biggest Change: Moving from working with an outside publisher to self-publishing.

Something that hasn't changed: Our mission to provide a high quality business publication that includes interesting feature stories and solid, valuable business information.

Most Fun: Without a doubt -- photo shoots

Biggest Challenge: Determining content that is relevant, interesting, and not too repetitive

Lessons Learned: Publishing a magazine is waaaaaaaaaaaaaaaaaaaaaaaaay harder than you think.

Without advertising (and advertisers) there is no magazine. It's a magazine...it's not brain surgery. It may be embarrassing, but no one ever died from a typo.

Best Practices: Find the best advertising and design people in the business then do your best to keep them happy and engaged. Keep a wall of separation between advertising and editorial. Include as many "people" photos as possible in every issue.

From Teresa:

Start Date: June 1999

Biggest Change: Undertaking publishing ourselves with the November 2008 issue. Because of unexpected events, we had to react decisively and quickly to get that issue out differently than we ever had before. We didn't know it at the time, but the event and aftermath cemented a dedicated and talented team that sticks together today. We could not have done it without the support of our chief designer, Yola Hartmann.

Something that hasn't changed: Gail Ivers' passion, dedication and commitment to the magazine. She is the magic that keeps *Business Central* editorially strong and ethically sound.

Most Fun: (And Most Memorable) Proofreading the November 2013 issue in a cozy restaurant in Macerata, Italy while I traveled with Gail on an economic development trip. It was surreal to be communicating across the world via Wi-Fi from a castle fortress that was hundreds of years old. It's also one of the only times we've sipped fine wine and ate terrific cheese while proofing. Did anyone find any errors in that issue?

Biggest Challenge: Meeting the deadlines for my editorial pieces. Some have been written by midnight oil.

Lessons Learned: Deadlines can be stretched when absolutely necessary. Sometimes the best stories come from the smallest businesses. Making Rock Stars out of our Chamber members is a really good thing!

Best Practices: Maintaining a successful, experienced team. Self-publishing so net profit does not have to be the most important operating criteria.

From Wendy:

Start Date: April 2000

Biggest Change: Technology; magazine production is paperless

Something that hasn't changed: Our amazing *Business Central* team who have been with the magazine since the beginning.

Most Fun: Interesting cover photo shoots over the years (freezing cold at the St Cloud Airport, in a pile of granite with Bauerly brothers).

Biggest Challenge: When the former publisher suddenly went out of business and we had to take over publishing. The silver lining is that biggest challenge was the best thing that could have happened!

Lessons Learned: Don't give up during the tough times, believe in yourself and what you are doing and keep going!

Best Practices: Building positive relationships and networking

From Yola:

Start Date: Sept 2003

Biggest Change: Taking the magazine in-house.

Something that hasn't changed at all: The people - for the most part. Oh, and Gail's hair.

Most Fun: Working with the remarkable ladies at the Chamber. They are all so different, but work well together. I find great satisfaction in knowing them for this long.

Biggest Challenge: Satisfying opinions. Design is very subjective, as is editorial. It is hard to please everyone at all times.

Lessons Learned: Sometimes you have to fall hard to get it right. If you work hard and be honest, life will find ways to reward you.

Best Practices: A clear and common focus, paired with time and structure.

PHOTO CAPTION: The leadership team at BankVista: (Back, L-R) LouAnn Peterson, Stefan Freeman, Dan Nygaard, Mike Phillips (Front L-R): Robyn Holthaus, Mary Shottenkirk

BankVista

Start Date: February 1, 2000

Ownership: Rivers Ridge Holding Company (owned by 50 shareholders...most are in Minnesota)

Leadership:

President and CEO: Stefan Freeman

Senior Management: Robyn Holthaus, VP/CFO; LouAnn Peterson, VP Residential Real Estate; Mike Phillips, VP Senior Lending Officer; Dan Nygaard, VP Manager Small Business Division; Mary Shottenkirk, VP Loan Operations and Compliance

Number of employees

In 2000: 10

In 2015: 27

Biggest Change: Technology! When BankVista opened its doors our employees were getting used to the idea of email. Opening a checking account 15 years ago meant visiting a banker; paying bills required writing checks and mailing them to vendors. Now everything can be done online for FREE! Not only has technology helped increase efficiencies, it has also driven down price.

Something that hasn't changed: Providing exceptional service is the best form of banking. Knowing peoples' stories, sharing ours, and creating lasting relationships are our building blocks to success.

Most Fun: Visiting a business BankVista helped finance or watching a first time home buyer receive the keys to their new home never gets old!

Biggest Challenge: Surviving the great recession.

Lessons Learned: To be highly successful, you need to find and *retain* employees who are talented and dedicated to serving customers. BankVista has three original employees hitting their 15 year mark in early 2015.

Best Practices: Stay true to your values and mission statement, treat customers with respect and enjoy your job. Do not compromise your standards or forget the need to continually earn the trust of your customers.

PHOTO CAPTION: (From left): Kacee Carlson, front office manager; Melanie Tank, general manager; Mariah Schlichting, breakfast attendant/housekeeping; Al Picconatto, maintenance

GrandStay Residential Suites Hotel

Start Date: July 15, 2000

Ownership: Suite Ventures, LLC

Leadership: Blue Sky Hospitality, LLC

Number of employees

In 2000: 15

In 2015: 25

Biggest Change: Entire remodel of guest room furniture and all common areas that took place at the end of 2012. The entire color scheme of the outside of the hotel. In 2013 we finally got an illuminated trademark sign on Division Street.

Something that hasn't changed: All the fixtures in the guest bathrooms have never been replaced, only the paint and shower rods and curtains have changed.

Most Fun: The returning guests we get year after year from Sun City West. All the retired couples come and stay in the summer while the heat in Arizona is unbearable.

Biggest Challenge: Keeping up with the "Jones" in the hotel market and always trying to be ahead of the curve with all the new changes in our industry and the demands of the market.

Lessons Learned: Call on references for your snow plow company. So very important in downtown when you have such limited space.

Best Practices: Our amazing customer service program....Every-Guest, Every-Time. Gives our employees so much pride in what they do and they understand the importance of making each and every guest feel important.

J. F. Kruse Jewelers

Start Date: October 1, 2000

Ownership: Founded by Jim Kruse; now owned by Jim's daughter, Melissa Kelley

Leadership:

Visionary: Jim Kruse

General Manager: Melissa Kelley

Service Manager: Harry Monnier

Custom Manager: Deanna Hennen

Sales Floor Manager: Jason Steffes

Number of employees

In 2000: 3

In 2015: 17

Biggest Change: Moved locations and built a new store in fall of 2013

Something that hasn't changed:

Who we are. At J. F. Kruse Jewelers, we believe in enriching the lives of others. We believe in showing others that their special moments, their ideas, and their stories are important and valuable. Everything we do and every decision we make centers around this belief.

Most Fun: Having the honor to be a small part of the lives and stories of our customers; enriching the lives of others; staying true to our culture; always moving forward through innovating; using creativity to try new things.

Biggest Challenge: Managing our growth. You can't let the business get ahead of you – you have to stay true to who you are as a company and make sure that you're managing your growth and your people effectively.

Lessons Learned: The right thing to do is sometimes the hardest – and in order to move the entire team forward, the right thing ultimately needs to be done.

Best Practices: In order to be successful, you must do two things. First, you must be the best at your craft. Be unique; be special. Second, you must always put people first. No one gets there by themselves; you need the help of others to reach your goals.

Netgain

Start Date: January 1, 2000

Ownership: Scott Warzecha (majority), Matt Riley, Scott Baynes

Leadership:

President: Scott Warzecha

VP of Operations: Matt Riley

VP of Technology: Scott Baynes

VP of Finance: Franco Cusipag

Number of employees:

In 2000: 3

In 2015: 96

Biggest Change: Going from serving clients only in Minnesota to serving clients throughout the United States. In that same respect, going from having employees only in Minnesota to having and managing employees in multiple states.

Something that hasn't changed: Our dedication to matching IT to business needs. When Scott started Netgain, he knew there was a better way to run IT that would result in a better experience for clients – and that hasn't changed.

Most Fun: Developing employees has been a lot of fun. We have a lot of young, incredibly talented individuals here – and seeing them go through stages of life from marriage to house to baby to babies – it's very rewarding and fun to see that happen – all the while seeing them succeed in their professions.

Biggest Challenge: Finding employees that fit our culture and meet our core value structure.

Best Practices: Respect, Relationships with each other, Responsibility. When we follow these three core values of our culture internally and externally, the rest falls into place.