

The Wheel Deal

Texas-based P&H Casters rolls to success by focusing on innovation and global expansion

There's no need to reinvent the wheel—unless, that is, you're trying to improve the rusty, squeaky and misaligned variety so often found on aging, abused shopping carts.

That's just what P&H Casters, based in Arlington, Texas, has done—no doubt to the relief of shoppers everywhere. The 37-year-old company is one of the world's leading suppliers of wheel and caster products, a position it acquired by dedicating itself to ongoing innovation. In fact, P&H holds five U.S. patents on wheels, bearings and special plastic applications, including the groundbreaking "Poly-U" polyurethane wheel it rolled out in the late-1980s.

Wheeling into Wal-Mart

This focus on invention has fueled seven consecutive years of at least 20 percent growth, annual revenue of more than \$17 million, and production and sales of more than eight million wheels a year for shopping carts around the world. P&H's largest end user? Wal-Mart, a retail behemoth with a seemingly insatiable need for shopping cart wheels, casters and accessories for their mobile equipment.

"Seven years ago, Wal-Mart requested interviews with more than 50 companies to take control of their wheels and casters, which were a huge maintenance cost for them," says David Hicks, P&H's president and CEO. "They tested our products and chose us to be their exclusive wheel and caster supplier for their shopping carts and mobile equipment. That was huge for us, and it made us the number one supplier of shopping wheels in the U.S.. We've been number one ever since and never looked back."

Instead, the company has looked to the future. In the mid 1990s, when large home improvement and warehouse stores began migrating to larger shopping carts, P&H's patented design wheels began wearing out prematurely, unable to handle the increased weight and size. "We came up with a new, patented design for today's shopping carts," Hicks says. "The heavy-

duty wheel has a steel precision bearing designed in such a way that it requires no maintenance. It gives us a huge market advantage."

That same technology goes into material handling carts, such as flatbed, lumber and meat platter carts. "We're addressing problems that nobody else fixed. It was the same old, same old, and wheels were a common product," says Hicks. "We have always strived to be different, to find something that gives us an edge over the competition."

Inventing the wheel

Hicks' father, Jim, got things rolling for P&H Casters back in 1969, when he partnered with George Paikos (the "P" in "P&H") to act as manufacturers' reps based out of California, selling casters and specialty fasteners. By 1984, business had grown to the extent that P&H was buying and reselling products and in need of additional help. So the 21-year-old Hicks came on board to take charge of internal operations, including shipping and receiving.

"I was only a little nervous, because opposites attract and work well together," Hicks recalls. "My father is aggressive and reactive, and I'm more analytical and calm, so we complemented each other very well through our working styles."

Around that same time, Unarco—then the industry's largest shopping cart manufacturer, Hicks says—challenged P&H to make a new wheel with a longer lifespan and that wouldn't mark up the floors like the then-standard black rubber wheels did. "They said, 'If you develop it, you can supply for us,'" says Hicks. "That was a big opportunity for us. We developed the P&H polyurethane wheel in Taiwan, and we've been supplying Unarco ever since."

Another milestone came in 1992, when Hicks moved his family from California, opened a Texas division for P&H and became a minority owner of the company. Within one year, he doubled P&H's sales. However, with the dollar's exchange rate falling, importing products from Taiwan was becoming cost-prohibitive. "We had to make a decision: Either find something else to do or



P&H Casters produces and sells more than eight million wheels a year for shopping carts around the world, including carts at Wal-Mart stores, and electronics—without stealing the show.

make an investment and start doing it ourselves," Hicks recalls. "It was a big gamble for my wife, Rinda, and my family, along with my father and mother, Millie. But I was young and aggressive, so I said, 'Let's do it.'"

Hicks and his father exited Taiwan, scraping together \$400,000 to purchase six injection-molding machines and launch the Texas manufacturing facility. Unfortunately, the gamble didn't pay off—at least not initially. "It started out very rough," Hicks admits. "We had always subbed out manufacturing, so it was a whole new avenue for us. We went through a lot of people, and a lot of trials, tribulations and sacrifices for our family."

Frustrated, P&H shifted manufacturing to a contractor in Mexico City, then El Paso and finally to China. "We went through some hard times for about four years, but we kept our heads above water through the moves. We didn't give up."

Rolling forward

Hicks and his father stayed positive by focusing on their core strength: innovation. In 1992, they received a patent for their rust-free, maintenance-free bearing design on the Poly-U Patriot Shopping Cart Wheel, which gave them an advantage over the competition.

"At that time, everybody used steel-ball bearings. Carts get a lot of exposure from elements and abuse, so the bearings would rust, and the wheels locked up and squeaked. Our plastic bearing took care of that problem," Hicks says. "We knew what the market wanted; we just had to figure out how to get it to them."

P&H took matters into its own hands, traveling to China and personally showing the factories how to make wheels and casters to the company's high standards. Hicks also found help from another company that handled some manufacturing duties until the end of last year, when P&H again brought it in house.

"We outgrew the manufacturer, so we decided to bring it back on board, under a separate company called Poly-U Molding and Manufacturing," says Hicks, who assumed 100 percent ownership of P&H Casters in 2004 when his dad decided to work on a more flexible schedule as a consultant.

Hicks also says that his success today would not have been possible without the support of his wife, kids, parents and the current outstanding team of employees. "I'm a big believer in a team mentality and we have built a champion team over the years," he says.

Currently, P&H has about 40 employees working out of 23,000- and 16,000-square-foot facilities in Texas, and about six employees in a

15,000-square-foot California warehouse run by Hicks' brother, Gary.

It also has relationships with two independently owned Chinese manufacturers that work exclusively for P&H and employ about 500 people. Dave and Rinda Hicks have further grown the P&H empire by setting up exporting and sales companies in Hong Kong and Hangzhou, China, which currently employ four people. This eliminates the need to work with a middleman to get products from his overseas partners, Hicks says.

"These new businesses keep our costs down and allow us to be more diversified and export other products, such as pallet jacks and other plastic and metal components," he explains. "It also positions us to be an international supplier of wheels and casters. We now sell products to the domestic market in China, and we export casters direct to international companies. Our objective is to be the world's number one supplier of shopping cart wheels and related products."

In the short term, Hicks plans to move his Arlington operations into a 60,000-square-foot sales and distribution facility this year and a 40,000-square-foot manufacturing facility within two years, both in Mansfield, Texas. "With the team of people we now have, we're in the perfect position to grow and expand even further," he says.

A banking partner, not a thorn

That growth will come with financial assistance from First Horizon, P&H's bank and a source of ongoing support. "As a team member, we could never get a straight answer from other banks, but we hit it off very well with First Horizon," Hicks says. "When we sat down to talk, I said, 'I need a bank that's a partner, not a thorn in my side—a bank that understands the growth I'm going through and helps me build.' First Horizon helps me do that, right down to financing our new facilities."

P&H also uses First Deposit Plus from First Horizon, which enables the company to make checking deposits remotely from its office. "This has been tremendous," Rinda Hicks says. "We have an amazing amount of product and dollars running through this company. We get checks for hundreds of dollars, or hundreds of thousands of dollars, and it's important to have that money in our account right away."

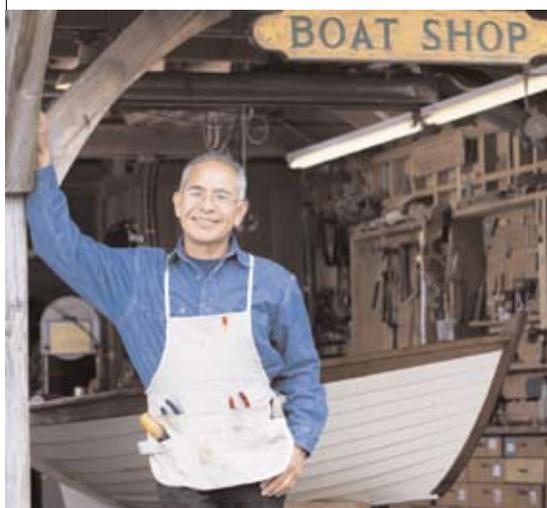
"First Horizon services these needs—they service all of my company's needs."



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