

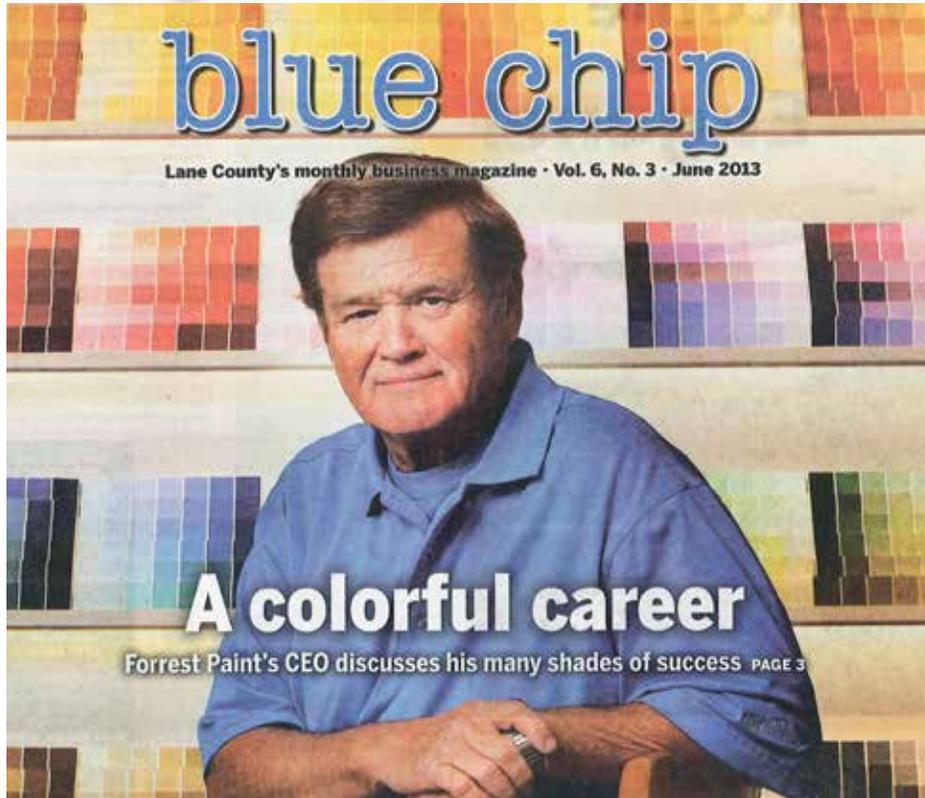
# It's Our Place - FORREST PAINT

A newsletter for us, by us, about us!

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## Featured Employee: The Scott Forrest Story



Scott Forrest has crafted a shining example in his long career in the paint business

Scott Forrest, chief executive officer of Forrest Paint in Eugene, started the company 40 years ago. It serves customers both locally and internationally.

Scott Forrest was a 27 year old chemical engineer in 1973 when he bought a bankrupt paint company in west Eugene. His dad, William Forrest, had just sold his Roseburg wood products business and helped with the financing.

Today, the company that Scott Forrest built has 105 employees and sells specialty paint in more countries than he can name.

In the late 1970s Forrest Paint found one of its niche markets, which it still dominates. Eugene had become a center for wood stove manufacturing, with a dozen brands based here, and Forrest Paint developed a coating that could withstand high heat. Eager to create a splash at an industry trade show, one of the manufacturers asked Forrest if his company could make stove paint in a different color than black. It could, and the manufacturers' metallic brown wood stove was the talk of the show, Forrest said. That led to other requests for specialty colors, he said.

At its 64,000 ft<sup>2</sup> paint plant spread among three buildings on the east side of McKinley Street, Forrest Paint churns out cans of its Stove Bright® line of stove paints, as well as a range of liquid or powder coatings for decks, houses and other uses.

The company's 20,000 ft<sup>2</sup> retail store lies on the west side of

McKinley Street.

CEO Forrest has worked for years at the company alongside relatives. His younger sister, Jeanne Savage, is the company's chief financial officer. Son Mark is president and is in charge of day-to-day operations as the elder Forrest, 67, eases into retirement.

Not one to truly retire, Forrest golfs and has been taking Spanish classes at Lane Community College for nearly a decade — "I'm not very good at it" — he said. He even made a brief foray into the film industry a few years ago when his wife, Ceil, volunteered him to accompany their son Nick, an aspiring actor, to a casting call for extras for "The Burning Plain," which was filming on the Oregon coast.

Nick wasn't chosen; Scott was. The sum total of a long day's work, with much waiting in between takes: Forrest thinks he saw the back of his head in one scene. Oh, and after nodding asleep as he sat on a couch during a break, he awoke to find the film's lead actress, Charlize Theron, resting her head on his shoulder as she dozed next to him.

The Forrests also have a daughter, Kimberly, who is finishing a Master's Degree in Archeology.

**Question:** Where did you grow up?

**Answer:** I went to first grade in Eugene, and then we moved to Roseburg. I grew up in Roseburg.

**Question:** What's your education?

**Answer:** After I got out of Roseburg High School, I went to Northwestern University in Chicago and I got a Bachelor's Degree in

Chemical Engineering.

**Question:** What interested you in that field?

**Answer:** I liked math and I liked chemistry, and science has always been easy for me compared to writing something from scratch — that scares the heck out of me. But math and chemistry were easy and it seemed like chemical engineering combined the two.

**Question:** Why did you choose Northwestern?

**Answer:** This was in the very early days of computers, and they had a computer that they had programmed to try to get anybody who had scored high on the National Merit Test and this kind of thing. They sent me a letter, and they waived the \$50 application fee, and they'd send you these personal letters. They even had the computer programmed to back up and erase and type something so it looked very personal like they personalized it. It wasn't until I got there that I found out everybody I knew there had gotten the same letter. But, they were pretty aggressive, and I was looking to get somewhere out of Oregon.

**Question:** So then what brought you back to Eugene?

**Answer:** After I got out of college, I lived in Philadelphia. I worked for a big chemical company there by the name of Rohm and Haas for three years. I worked a couple of years in Charleston, S.C., and there was a paint company in Eugene that had just gone bankrupt. My dad had sold his business, and he had a little bit of money.

**Question:** What was your dad's business?

**Answer:** He made plywood and particleboard. He was one of the pioneers in particleboard.

**Question:** Down in Roseburg?

**Answer:** Yeah, he had a plant in Roseburg and one in Brownsville and one in White City. So, he had sold his business, and this one was up for sale. This company here had originally been a company called Iverson Paint.

Vern Iverson was a paint chemist who started the paint company right after the Korean War and built a nice business; and he had sold it to a company called Cascade Chemical Coatings, and they went bankrupt. We got together and bought the facilities out of bankruptcy. We got a very good deal.

**Question:** Would you be comfortable saying how much you bought Cascade for out of bankruptcy?

**Answer:** What we did is, they were buying (property) across the street on a land sales contract, and we just assumed the payments on it. That came together with 25 years worth of payments we needed to make to clear that land sales contract out. So, we really put no money down there, and we bought their inventory for, I think it was, 70 percent of their cost, which amounted to about \$80,000. So we put no money down

on (the property across the street), we put \$80,000 into inventory, we had a total invested money of about \$36,000, and the first of the year, we lost all that. We went into negative by the end of the first year.

**Question:** What gave you confidence that you could pull it off?

**Answer:** I had some late night talks with myself. ... Things were always getting a little bit better. You could see them build. And, I didn't have any money then, so, freedom's just having nothing else to lose.

**Question:** So, you have this new company. How did you start out?

**Answer:** I've been blessed over the years with some great employees and associates, and we had decided that we wanted to pursue people who used our paint to paint their product. So, if we get you as a customer using our paint on your product, if you increase your business, you're increasing our business. We took that as a target, and we basically started to sell from Portland to the California border. I had two really good salesmen.

**Question:** Did you hire them, or were they from Iverson days, or Cascade Chemical days?

**Answer:** They had both worked for Iverson. I hired a chemist who had worked for Iverson.

**Question:** So, how many employees did you start out with in those early days?

**Answer:** Nine.

**Question:** And about how many customers did you have at that point?

**Answer:** Our very first — you know, you wait for your first dollar so you can put it on the wall — and our first customer came in and returned a paint scraper.

**Question:** No dollar from that customer?

**Answer:** We got no dollar from the first sale. We had a couple of hold-over customers that one of the salesmen had that were still with us, but we pretty much had to build the business from scratch.

**Question:** So, how did you do that?

**Answer:** I had two really good salesmen and they go out and they stop and they talk to customers and offer our product, and they sell our product, so it was a slow start up.

**Question:** Did you lose money for a while?

**Answer:** We lost money for about the first 18 months.

**Question:** Did you go into this with a business plan so you expected that, or no?

**Answer:** I didn't know what I was doing.

**Question:** Did your dad help at all with the business planning?

**Answer:** He never worked in here. He would give me advice which was usually, "Raise your prices and sell more," which was his constant advice. But, he gave me a lot of good advice and support to begin with.

**Question:** Was he your main mentor, or did you have other mentors?

**Answer:** Like I said, the people that worked for me — I had the chemist, I had a guy named Tom Harland who was really good. (He) was a great chemist and business adviser. He'd say, "We don't want to get into that business," and he helped direct the company. We had a



salesman, Mac Little, that lived here in town. He was a peddler. He could sell anything anywhere.

**Question:** You said it was a slow start. When did things finally start to take off, or was it just slow, steady growth?

**Answer:** It was a kind of a steady thing. Finally, after about 18 months, we were selling enough to cover our bills each month. It was slow and steady. Hopefully, you'd get a new account today, and you'd keep that account so tomorrow you could work on a different account, so you'd just kind of build a portfolio of customers.

**Question:** In that early period, were there some turning points where things went in a new direction or when you landed new, important customers?

**Answer:** Yeah, we've had a number of really important customers. Early on, we used to sell a lot of the maintenance paints to Roseburg Lumber Company. They were a huge customer or ours for how big we were at that time. A company called El-Jay Corp. that is out where Johnson Crushers is now. El-Jay was a very good customer. Carrothers Co., which is now down here — Wally Carrothers has the business now — but it was a bigger business he had back in those days. Just a lot of people who made equipment for lumber and plywood was a big business there in the Portland area.

**Question:** Did you formulate your own paints from the beginning, or did you experiment and innovate more with your paints later?

**Answer:** From the very start, we formulated our paints. We depended on some formulas we got from the Iverson predecessor. But, what would happen was the salesman would go out, he'd find a customer that was receptive, and he'd bring back what that customer really wanted, and then Tom would make them a product that worked.

**Question:** Did you also get involved in the formulations?

**Answer:** In a general way. I don't work in the lab, but I know what they're doing. If you take major movements of the company, during the late '70's — I don't know if you're familiar with the Fisher Stove business — but a guy named Bob Fisher started in the '70s making wood stoves. He was a logger or truck driver or something like that and was unemployed, so he started making a stove in his garage. By the time he got

it welded and put together, his next-door neighbor wanted one; and he started to sell them out. Eugene, by the late '70s, had become a hotbed for selling wood stoves. We had Fisher Stoves and Schrader Stoves and Jackson Frontier. There were maybe 10 to 12 companies in Lane County that were making wood burning stoves. So, we started to make paint for those stoves, and then in the late '70s, Fisher Stove called us up and said, "You know, we want to go to this trade show, and we want something to really hit them with; so could you make paint in other than just black?" So, we made them a metallic brown looking color for their stove, and they took it to the trade show and everybody went crazy over this new color. Other stove companies from throughout the United States started to call us up and say, "Gee, could we get some colored stove paint instead of just black again?" We now sell to maybe 75 percent to 80 percent of the wood burning stove, pellet stove, fire place manufacturers in North America. We sell a lot in Australia and New Zealand, Europe, South America. We sell our paints all around the world.

**Question:** Was it mostly that product that got you into other countries?

**Answer:** Yes.

**Question:** And that was in the late '70s?

**Answer:** Well, we started in the late '70s and we grew throughout the '80s. Right now, we're putting a lot of effort on Europe, and still we sell quite a bit into China.

**Question:** This is still sales in paints for wood burning stoves, or other products too?

**Answer:** Primarily, wood burning stoves, gas fireplaces too. We're getting more and more into mufflers on things like snowmobiles, motorcycles, anything that gets real hot.

**Question:** What would you say have been some of your greatest successes with the company and what have been some of the mistakes along the way?

**Answer:** Gee, that's a question I like to ask interviewees — what was your biggest failure? Just surviving (has been one of the greatest successes). We've had some great employees.

In the early '80s (the government) came out with new laws covering the environmental impacts on the land. This had been an old paint factory for a lot of years before they passed those bills — it had tanks of paint thinners that had leaked onto the ground — so we had an environmental problem that was very difficult to overcome. A lot of it we didn't cause, but we had to pay to get an agreement with the DEQ (Department of Environmental Quality), and we had to pay to clean up to their standards. We were the very first company in the environmental cleanup program of the DEQ, and we were the second company out the finished end where we had a solution and a plan and everything. And, that was an accomplishment to get through that. There were real questions at the time about whether we were going to make it or not.

My biggest mistake — there are so many to choose from. Well, my biggest accomplishment was the

people here, first of all. We've got people from sales people, who are great, down to our factory people, who really care and they do a great job and they're always there to support us. Probably, what I'm proudest of is all the people here. And we've got — you never asked that question — but we've got around 105 of them now, so there's a lot of them, and it's a great atmosphere. It's a fun place to come and work. I am trying to figure out what my biggest mistake was, and I can't pick just one.

**Question:** Well, go ahead and talk about a couple then.

**Answer:** It's probably the good people I didn't hire. It's tough. You go through all these years and you have all these people you really enjoy, and for one reason or another they move. We've had a big retired group out of here. They come back for every Christmas and stuff. But, seeing them go, and the people that we didn't hire that would have been good.

**Question:** I read recently that Forrest Paint hires people that are in recovery for alcohol and substance abuse issues, and I wondered how that's worked out and why that's a priority for the company?

**Answer:** Well, you know, there was a time — people forget the economy wasn't always like it is now — there was a time when it was very difficult to hire people. Working in a paint factory is hard, dirty work, and it's hard to get people to do that. We happened to have a man that we hired that had been through one of the programs, it wasn't intentional, but he'd come in to us and say, "Hey, I've got this lady or this man who has graduated from one of these, and I think they'd be a good employee." We used to pay our employees \$50 or \$100 if you brought us a candidate that would go to work for us. We'd give you a bonus — it was that hard to find people. We got a few people from that, and we found that if you gave them a chance they did a very good job for us. They're reliable. A lot of them have seen what alcohol or drugs can do to them, and they're gung ho — they're not going to go that route again. We really don't do it to be good. We do it because it's worked out well for us. We've got a number of the people — we don't keep a list or anything — but we've got a number of people here, I'll bet 10 to 12, who have been through one of those programs. But it wasn't, "We're going to do this to be good," it was we're doing this because it's worked out.

**Question:** When was the labor really hard to find — what era are we talking about?

**Answer:** '04, '05.

**Question:** How many countries are your products sold in today?

**Answer:** That is really hard, because North America — Canada and the US — we probably have 75 percent to 80 percent of the business. I think we have all of the business in Chile.

**Question:** Are you talking just about the wood stove segment?

**Answer:** High-heat coating. The high-heat paints are the ones that travel, because we dominate that, we are the leading brand in that industry. The other thing is, the further away that you have to ship them, the more disadvantage that you have. The high-heat coatings are the ones that we have the advantage with. It'd be really hard to list the number of

(countries we sell to.) We sell more outside the United States than we do in the state of Oregon — about 30 percent of our business is outside the United States.

**Question:** You're talking about total business now?

**Answer:** Yeah, and we sell in England, Spain, Norway, Germany, France. We've got a salesman going in a couple of weeks to Turkey and Greece. We sell in Australia and New Zealand; China — there are two of our salespeople who are in China right now.

**Question:** Do you do it all from your own sales force, or do you have distributors too?

**Answer:** We have a combination — like Australia and New Zealand, it's all done through one distributor. In other countries, we have reps, and other countries we do direct.

**Question:** How many salespeople do you have?

**Answer:** Who actually work for Forrest Paint? We have two that work in Seattle and one in Spokane. About 11 (total).

**Question:** Is it difficult holding onto that No. 1 market position in the high heat coatings?

**Answer:** Yeah, it would be very easy to become complacent. So, it puts a lot of pressure on our laboratory. We've got a really good laboratory with three people that do most of the work on high temperature coatings.

**Question:** Are you constantly innovating that product?

**Answer:** Yes. When they started to put the environmental restrictions on everybody, when it comes to painting a piece of metal like a wood stove, you have the choice of using a solvent-based coating, a very high solids coating, a water-based coating or a powder coating. We actually make all of those. We've put in a powder coating manufacturing company. There are only three plants on the West Coast, that I know of, that make powder coatings. We make a lot of high-heat powder coatings also. We work on water-based and we're just now coming out with an extremely high solids product.

**Question:** So, powder coating is the process used to paint a bicycle, right? But, you're dealing with things that have to hold up to extremely high heat.

**Answer:** So, what we do is we sell the powder, we make the powder, and you take a powder, and you can spray the powder onto a piece of metal. Then you heat it up to like 400 degrees, and then the coating will then melt and do what chemists call cross link and become a more durable and harder finish.

**Question:** How did the company do during the recession?

**Answer:** It was tough. I've been here since 1973, and a recession was going on in '73 when we started. We had a really hard recession right around '81, and we've had a couple since then, but none have been like this one we just got through. Before, like the one in '81, a lot of the painters and builders from town went up to Alaska because they were building a pipeline. You, at least, could go to Alaska or Texas to get work. There was no place to hide from this recession. Again, it was really with the help of all of our employees. We had all of our hourly people go on four-day weeks. Our salaried people took a pay cut across the board, everybody.

**Question:** When did you implement all of that?

**Answer:** This was all fairly early — this was about '06 that we implemented it.

**Question:** So, let's see, the recession officially began December of 2007, and then it really hit hard here in the fall of '08.

**Answer:** A lot of our business was gas-burning fireplaces. When you build a house, that's when you put in a gas burning fireplace. You don't usually remodel to do it. That market got hit very early.

**Question:** So, you saw the construction downturn before the full-blown recession hit and you responded?

**Answer:** We saw it in '06. We quit contributing to the 401(k), took a lot of actions, and our employees supported us all the way through it.

**Question:** When were you able to ease up on all of that?

**Answer:** We started about two years ago — we went back to full time for everybody. And, we pretty much got back to the point where we're back to normal in everything except we've got to re-implement the 401(k) match. But, we're pretty much back to normal right now.

**Question:** What are some of the challenges that you face now that we're supposedly in recovery?

**Answer:** One of the things that never got to be easy was hiring chemists. Paint chemists are very hard to hire.

**Question:** Are there just not many of them?

**Answer:** There aren't very many of them, and their employers tend to treat them very good and keep them happy, and it's very hard to find somebody who will come work in Eugene, Oregon, and have some experience in that area. We do a lot of cooperating with the University of Oregon chemistry department, and we've hired a lot of people out of that and basically trained them in paint chemistry. That's worked out very well for us. Right now, we'd love to find another paint chemist.

**Question:** How many do you have on staff?

**Answer:** If we count the one in powder, there's — let me count — we've got eight.

**Question:** These people are important for research and development as well as quality control?

**Answer:** Yeah, but primarily research and development. We're always making new products.

**Question:** Are there other challenges as the economy starts to pick up?

**Answer:** No, I'm glad to see it finally picking up because it gives us the opportunity that we can go back to operating more as normal.

**Question:** Since your high-heat paints go on woodstoves that go into homes did you start seeing housing pick up a little bit before the media started reporting it?

**Answer:** We saw — starting about October of last year — we saw things starting to get substantially better. That was pretty much across the board whether you're talking housing or industrial equipment or whatever, pretty much October of last year.

**Question:** Did the international sales help you during the recession?

**Answer:** Oh yeah. China's been a really big help. We do quite a bit of business there. It stabilized us a lot.

**Question:** So, it sounds like

that's one of the rewards of having so many international sales is that it helps even things out, especially when our economy is not doing well. What are some of the challenges or complications of dealing with so many countries?

**Answer:** First of all, it's really expensive. Like I say, I've got two salesmen right now in China and one going in a couple of weeks to Turkey and Greece. So, it costs a lot of money.

**Question:** When they go, how long do they stay?

**Answer:** Anywhere from one to three weeks. People in China are going to be there for a week. People in Greece and Turkey are going to be there three weeks. But, the other thing is, first of all, in China, the Chinese government doesn't want to buy paint from the U.S. They put requirements on. For instance, for you to buy paint from here, you have to get a permit from the government to buy it, and you have to prove that it's impossible to find an equivalent paint that's made there. Europe presents a ton of challenges because to deal with the European customers the way a European paint company does, we've got to be an importer in Europe, and we've got to pay the import duties and this kind of thing. And, they've got a value added tax, and, just from an accounting standpoint, it's very difficult to get all the permits and stuff. We've got a warehouse we ship it to right now in England which gets it inside the European Union, but it's expensive and difficult. The other problem with dealing, for instance, with Europe is we sell paint in the U.S. by gallons and, in Europe, they sell it in Euros per kilogram. The software programs we have for our computers don't like to deal with kilograms or Euros, and then, even within the European Union, if you sell it to England, it's got to be in English pounds, so you get different currency and different weight measures. Then, we're competing over there primarily with local paint companies, so we've got to put inventory over there and have it ready so they can get shipments within two or three days rather than, if we ship it from here, it's like six weeks.

**Question:** Do you disclose any sales figures?

**Answer:** No.

**Question:** Can you say whether you're growing, stable?

**Answer:** This year, we still are not going to be up to where we were in 2006. We took about a 30 percent business drop in 2007 vs. 2005. Then, it's been a slow build back, and we're still not back to where we were.

**Question:** Do you think you will achieve that level again?

**Answer:** Oh, yeah. And, like I said, since October, it's picked up.

**Question:** Is the desire to make coatings for mufflers and so forth, is part of that desire just to diversify away from housing, or is that where the need is?

**Answer:** Well, we try to look for other industries where our expertise can be an advantage.

**Question:** Are you in aircraft at all?

**Answer:** No.

**Question:** Is it just hard to crack that market?

**Answer:** Yeah. For instance, aircraft here, you start talking Boeing, and they are very difficult. And, the automobile industry, it takes a long

time to crack open, for instance, General Motors; but it's a little bit easier to go after, for instance, snowmobile manufacturers and motorcycle manufacturers, lawn tractors, and these kinds of things.

**Question:** That makes sense.

You mentioned earlier about the need to clean up the site and all of the environmental regulations that came on board, and that your industry is highly regulated. Does that pose difficulties for this industry that others don't face?

**Answer:** It's a cost of doing business as an industry. We have three people who pretty much dedicate all their time to environmental safety and health. We have to create labels that give proper warnings to people how to use our products; we have to create Material Safety Data Sheets that tell them the dangers of the product, etc. We have to run our own internal safety programs for our employees and training and work on trying to prevent any environmental problems. Plus, we're still operating some of the things we put into place in cleaning up the site.

**Question:** Forrest Paint is a family-owned business and you work with other family members here. Have you worked with your sister Jeanne Savage, the company's CFO, from the beginning in 1973?

**Answer:** No, Jeanne worked for a long time elsewhere, Lane County, and other places. She basically came to us from IBM where she and her husband had worked, and she's extremely computer literate which really helps us. She came to work here I think about 10 or 15 years ago.

**Question:** And you also work with your son, Mark, who's the president.

**Answer:** Mark is in charge now.

**Question:** When did that transition occur?

**Answer:** He's been president for about five years.

**Question:** What are the rewards and challenges of working with family members?

**Answer:** One of the things we try to do is outside of work we try to never talk about work because it can start to dominate everything and upset spouses, so we never talk about work. It's nice to have your chief financial officer be a member of the family — that works out well. Our transition from me to Mark running the company has been very smooth.

**Question:** That isn't the case often times — why has it been smooth?

**Answer:** We've worked at it hard, and he's done a lot of work in trying to train himself to take the position. Again, our employees realize that either there's a family transition or Forrest Paint gets sold to somebody and they don't want that to happen, so the employees have been very supportive of the process.

**Question:** Now, does my memory serve me correctly, is Mark's background in music?

**Answer:** Yeah, he graduated in guitar performance from USC, but then he did get an MBA from Oregon and tried to make up for his sins later.

**Question:** So, have you been instrumental in helping train him and teach him?

**Answer:** Yeah, we've worked very, very closely together. There have been, as there has to be, a

couple of differences in preferences. Right now, he's in charge, and he has to do the work, so usually we go with whatever he feels is the right thing to do. But, we discuss everything. He knows my opinion and this sort of thing.

**Question:** Do you come to work every day?

**Answer:** Less and less. I probably work half time now.

**Question:** Is there a certain age where you kind of want to fade into the background?

**Answer:** I'm fading rapidly. No, like I said, pretty much when he's in town — he travels a lot, which leaves kind of a vacuum here, and I try to fill the vacuum when he's gone. But, when he's here, I try not to be here.

**Question:** Traveling related to the paint work?

**Answer:** Yeah.

**Question:** So now that you're no longer working full time, are there other interests that you're pursuing?

**Answer:** I take Spanish from LCC (Lane Community College). I golf.

**Question:** What made you want to learn Spanish?

**Answer:** Years ago, we were on a cruise, and we went to Puerto Rico, and we were in this little town, and one of the other passengers asked me if I could help them communicate with this lady, and I realized that I couldn't at all. I just got interested in learning Spanish. I've been taking Spanish for eight to 10 years from LCC. I'm not very good at it, but it keeps my brain working. I play golf. Oregon's got these programs for senior citizen continuing education. I went last night to one where they watch old movies and discuss movies, which is at the Baker Center downtown. It's funny, I never thought I would do this, but I watch my friends retire and they seem to have less time than they did before they retired. We travel a lot. We just got back from a three-week trip to Italy.

**Question:** Do you have other children?

**Answer:** Yeah, there's a second son, Nick, who lives in Chicago, and he's an actor, which means he pretty much does temp work in Chicago. And, there's a daughter, Kimberly, and she just is finishing up on her Master's Degree in Archeology from a university down in Mexico.

**Question:** And, your wife?

**Answer:** Cecelia — she goes by Ceil — she's active in theater groups around town, and she enjoys theater and she's got a dance degree from Oregon. She enjoys dancing when she can. You pretty much move from ballet, as your body gives up, to tap dance.

**Question:** So, is she the inspiration for your children's artistic lives?

**Answer:** Yes. I'm not very artistic.

**Question:** Anything else I haven't asked that you think is important for local business readers to know or to think about?

**Answer:** Well, Forrest Paint is more than just me. It's mostly all these other people you see around here. I'm really blessed to have been associated with these people

By Sherri Buri McDonald  
(Chris Pietsch/The Register-Guard)