Making Diversification Work

The Pelletier Brothers Built
Their Business on a Success Formula

When V. Pelletier & Sons, of Fitchburg, Mass., was founded in 1936 by the late Victor P. Pelletier the scale was limited and the specialties were residential masonry and plastering.

By the time he got around to incorporating his business in 1955, his three sons were each supervising a portion of the overall operations.

The oldest, Norman L., was concerned mostly with the plastering work; Louis V. was responsible for the masonry work, and Robert G., the youngest of the three, headed up the ceramic tile contracting business which had just begun.

With three equally talented sons contributing, the company steadily progressed, becoming the area's leading plastering, masonry and ceramic tile contractor in residential construction. The early 1960s brought labor and market condition changes as drywall emerged as a firm residential product.

Rather than fight change, the company decided to enter the new market while, at the same time, expanding the lathing and plastering operations to include commercial and industrial markets.

Both moves were successful. And when the company's founder died in 1964 ownership and control remained with his sons as he had planned. So, too, did his formula for succession and growth.

Today, V. Pelletier & Sons, Inc. is in the $3-million-a-year sales category and has diversified into lath and plaster, drywall, fireproofing, acoustical ceilings, steel framing, stucco, and wholesale operations.

Still running the company are the three brothers whose skills and experience complement each other just as their father had planned. Furthermore, they are now making arrangements for succession by their own children.

From their attractive one story 40,000 sq. ft. headquarters building, a former foundry which steel framing, brick and stone aggregate, and stucco transformed into a modern showpiece, the three Pelletier brothers keep the parent company moving ahead while also operating Nu-Wall Partitions Co., Inc., Pelletier Associates, and John Fitch Realty Trust.

The latter two companies are actively involved in the burgeoning apartment building complex the three brothers are carving out in Fitchburg, a project that now consists of three 12-apartment buildings called Maplecrest Manor and more recently, two five story buildings with 39 apartments each, known as Bella Vista.

Louis had been long interested in property and he worked to interest his brothers in such investments as a foundation for their eventual retirement from the business. Occupancy for the two projects holds at a respectable 100 percent.

For Norman, Louis and Robert Pelletier the operation of today is a far cry from the rather inauspicious little plastering company their father launched back in 1936 in a two car garage.

In addition to their membership in...
With one of the two five-story buildings in their Bella Vista apartment complex as a background, the Pelletier brothers have established a successful real estate operation.

iaWCC/GDCI, the Pelletier firm is a member of the Associated General Contractors, the Northeast Drywall Association, and the Chamber of Commerce. An improving market in central Massachusetts keeps the three brothers busy but they still found time to talk to Construction Dimensions about construction—past, present and future.

DIMENSIONS: From a residential firm to a diversified commercial company is a long trek. What have been the changes that you have particularly noticed?

NORMAN: The major move has been from strictly lath and plaster to drywall . . . we made the move in 1960. The change from wood studs to steel is still developing fast and I think this trend will continue.

DIMENSIONS: You have moved successfully from one level of services to another. What is your approach to diversification?

ROBERT: In any diversification move, you have to tread lightly because each new service requires different trades, new field personnel and then you have to mix, to integrate these personnel into your existing organization.

LOUIS: There’s another point involved here, too. You have to go into a search on any new move, get as much information as you can, talk to people, and work up costs and risks before you make any actual moves.

DIMENSIONS: Right now it appears that the energy/insulation area may offer some good opportunities. How deeply are you involved right now or expect to become?

ROBERT: We’ve been in the building insulation end of it on all of our projects so it isn’t anything new or foreign to us. Recently, though, we’ve subbed out the insulation work in response to the shortage and allocation problems.

NORMAN: Despite all the talk about insulation, we won’t pursue that market just for itself. We’re too busy with on-going work to try and make a specialty out of insulation. For others, though, it’s a very good market.

DIMENSIONS: Well, where do you see any immediate expansion?

LOUIS: The Class A. building requirements in commercial work is the big stimulant for steel framing. That’s where the potential is right now.

ROBERT: We could see it start to come into the construction field two years ago. We decided we would have to relocate our plant so we could pre-fab or build an addition to our existing facility. We decided to move and a month later we were into steel framing on a full time basis.

LOUIS: And how we ever followed our own advice about starting slowly. The first job is a large commercial student housing project with seven buildings.

NORMAN: When you look at it closely many of the jobs we got had already been changed over to steel

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and we merely followed up and were in an excellent position to take advantage of the market. Now, that’s the commercial market; steel framing hasn’t got much of a toe hold in residential work.

**DIMENSIONS:** What kind of contractors are you? By that, where do you separate the Pelletier firm from other wall and ceiling contractors—what makes you unique in your business offering?

**ROBERT:** People know our expertise and this is our greatest advantage. We finish on time, and our customers know us for making dates. Also, if it’s a standard job that you can practically do by the numbers, chances are we won’t get that job. It’s the tough ones where we can’t be beat... where some thinking and expertise is really demanded... that’s where we’re well known and strong.

**LOUIS:** At the same time, we do all kinds of work, so it wouldn’t be correct to say we specialize, say, in shopping centers even though we have a good reputation on such projects.

**NORMAN:** Most of our customers have been with us for years and we make a special effort to give them good service. And they know it—that’s important for any specialty contractor. We’re four months ahead of schedule on. a shopping center right now.

**DIMENSIONS:** How important is in-shop pre-fabbing to your company?

**NORMAN:** It’s vital in these times. We pre-fab a lot of components for suspended ceilings right here in the plant. It speeds up delivery—and the “time is money” argument in construction has never been more important than it is right now.

**DIMENSIONS:** What about package bids? Do you package—and will you break out?

**NORMAN:** We package out a lot of jobs and we simply won’t break out a price unless we’re just about forced to do so. No way will we break out before the contract is signed, though.

**ROBERT:** Once we bid any job... package or not... I make it a point to get on a personal contact. We all do this here because each of us follows up on the job he does.

When you’re negotiating a job, you know pretty much if you’ve got a chance at getting it. You have to use common sense about it. The rule is no break out until the deal is signed.

**DIMENSIONS:** There’s the endless controversy between the so-called single service contractor and the diversified contractor. How do you see the future for the single service contractor? Let’s take drywall as a single service example.

**ROBERT:** The bidding is vicious, but the hospitals are even going to drywall and so are boiler rooms. It will continue as a single service as long as the market holds.
NORMAN: Then when the market shrinks you’ll change or fold up. We started in drywall in 1960 as soon as Bob saw the trend but our father was embarrassed and opposed it. He was a plasterer and wanted the whole thing kept secret so we set up Drywall, Inc. and made good money for four straight years. Finally, we incorporated it into the parent company.

DIMENSIONS: With three more or less equal partners in this company, how do you go about such sensitive problems as collections and job control?

NORMAN: Our accounting manager gives us a list every Friday and whoever is managing that job has the responsibility of collecting the money.

LOUIS: You have to stay with it. Collections can get away from you if you aren’t careful.

ROBERT: It isn’t all that big a problem as long as you know your customer, recognize that each is an individual and you take the time to adjust your tactics accordingly.

DIMENSIONS: . . . and job control? How do you handle this?

LOUIS: Same way. We have job reports every Tuesday.

NORMAN: Every portion of a job is broken down in time and materials and we receive this update for review. We know right away if something is going wrong and move on it.

DIMENSIONS: At $3 million gross a year you are approaching the level where it’s felt a computer is worthwhile. Have you any plans?

ROBERT: Not right now. We put one in three years ago and after a lot of wasted time, money and effort we had it taken out. We went back to the reliable manual system—and we’ve never been happier.

LOUIS: We three brothers and Norman’s son, Victor, get together every morning—the meeting could be on any subject—and we review hours, coordinating arrangements, materials, men . . . we keep control.

DIMENSIONS: You mentioned Victor at these meetings. Is he being groomed as the next line of succession?

NORMAN: Of course. He is now an estimator, superintendent and negotiates work.

LOUIS: My son, Louis, Jr., attends Worcester Poly Tech engineering school, studying civil/

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structural engineering. Hopefully, he too will come into the business and we’ll have a good firm to turn over.

ROBERT: My sons are a law student and a dentist.

DIMENSIONS: A lawyer in the construction business is not an unheard of occurrence, is it?

ROBERT: No, but none of the three of us has insisted that our sons come into the business. If they want to do so, fine, we’ll help them. But they’ll make their own choices.

DIMENSIONS: With such problems as inflation, energy, and money the future appears, at best, hazy. How do you handle firm bids in such mean times?

NORMAN: The long lead-lag times really hurt so we’re now backing away from long range work. It’s a matter of necessity; price unpredictability makes a mockery of projections.

LOUIS: That’s right. Once upon a good time we could predict our cost projections with acceptable accuracy—up to as long as six years. Could you imagine doing that today?

ROBERT: Any projection today is a wild guess and the only way to run is to run scared.

DIMENSIONS: What about retirement?

LOUIS: We’ll run scared for a little longer yet.