



DAN TOWNES: THE MOUTH OF THE SOUTH

Don't let the drawl fool y'all – the man from Tennessee is as whip-smart and verbally agile as they come. Never one to sugar-coat or self-censor, Dan Townes is this business's Lenny Bruce – so listen up while the rebel yells about truth, justice and the state of our industry.



By Michele Bell
PHOTOGRAPHY • STEPHEN KOHL



Dan Townes lunches with locals like J.R. Crews at Pope's Cafe, a colorful Shelbyville institution since the 1940s.



If there was ever an ideal of what you'd think life in a small southern town is like, welcome to Shelbyville, Tennessee – home to Dan Townes, his wife Natalie, their kids and his business, Shelbyville Pencil Co./Shepenco® (asi/86850). In this town of just under 20,000 people, everybody not only knows your

name, but everything you've ever done. There are no secrets here, and if you're like Dan Townes, who's lived a life as colorful as his personality, well then you're just about as local celeb as local celeb can get.

And that's saying a lot when you consider this place. It's got more charismatic characters, per capita, than any place I've ever been – and that includes New Orleans, my friends. I feel like the author of *Midnight in the Garden of Good and Evil* who stumbled into Savannah and described it as "*Gone With The Wind* on mescaline."

As I watch Dan entertain the crowd at a local bar by singing karaoke to Garth Brooks' "I've Got Friends In Low Places," it strikes me that while most locals here and those in the industry who know him well have a "Dan" story, there are some perceptions of him that are just as fundamentally wrong as Natalie and I doing our karaoke rendition of "These Boots Are Made For Walkin'"...

Myth #1: He's Not The Sharpest Pencil In The Box

When I mentioned to some people in the industry that I was writing about Dan Townes, a few asked, "The slow, southern guy?" Trust me on this: If still waters run deep, Townes is 20,000 leagues under the sea. Personally, I think he uses his

Tennessee accent and "good ol' boy" persona as a façade to skewer people's expectations of him. Case in point: When I was in Shelbyville to interview him, I learned something (because I'm a nosy newsgirl and overheard a conversation) I shouldn't have that Townes himself



It's raining pens, hallelujah it's raining pens. Townes throws his products – and political correctness – to the wind.

would never admit – though I have no problem letting the cat out of the bag. His IQ tips the high side of the Mensa scale – I mean in the range that would make other Mensa members feel inadequate and addled. He's also got a weird *Rain Man* thing going on where he can compute numbers – big, intimidating ones with decimal points and percentages – in his head before the rest of us can grab our calculators.

If you listen to him, you'll hear the two sides of Townes: The one that uses southern semantics like "I'm here to tell ya" to preface most comments, and the other that quotes figures from the Department of Commerce, current bills before Congress and the nuances of the NAFTA agreement as if he were giving you the stats from a U.T. game.

"He's one amazing guy," says industry marketing consultant Mary Kilburn, president of DinoMar. "I've sat at dinners where he's dressed somebody up one side and down the other and never ruffled a feather," she says. "For over 10 years now I've counted Dan among the very few mentors who can provide insight and honesty about almost any industry, or for that matter economic, issue ... and there's no one else I know who can face an armed security guard in the wee hours of the morning over a rather raucous and loud hotel room party and within minutes have the guard entertaining us with Elvis impressions."

Barry Dobb, Kilburn's business partner, concurs. "Here's a real genius – he can see an issue, analyze the hell out of it and flatten you with a direct, accurate and honest assessment that would normally bring your blood to a boil but will have you laughing in less time than it takes a Tennessee boy to lose his shoes."

Townes, a voracious reader, consumes books – especially on the topic of history – and magazines like *Vanity Fair*, *Fortune*, *Fast Company*, *Newsweek* and *Esquire* like a man who hasn't eaten in weeks. He's one of those rare people who really does know a lot about everything – he just doesn't regurgitate it ad nauseam.

"You'll get caught in the ringer by underestimating him," advises Larry Sitten, executive vice president of Pencoa (*asi/77040*) and a close friend of Townes' from way back. "He does not gild the lily and he doesn't miss a trick."

Myth #2: He's A Fortunate Son

There's a perception of family businesses that the children, especially sons, are the heirs apparent and stroll into the company fresh out of college to be crowned executive VP. This was not the case at Shepenco.

The company has been in business since 1933 when Dan's grandfather, D.L. Townes, started it. Dan's father, George, moved the company from its original location in 1964 and built the 35,000-square-foot structure it's in now, made up of three separate buildings. Nearly half of the 50 employees have been with them 10 years or longer; 10% longer than 30 years and there's one who's been there for 45 years and has known Dan since he was a bratty toddler.

"When I was 17-years-old I was about to get out of high school and thought I knew everything," recalls Townes. "I told my dad that working at the company was what I wanted to do. He was happy about that and put me right to work – I started my illustrious career here mowing lawns, painting fences, digging drainage ditches – all the cushy, boss's son stuff."

Townes recounts the story of when the company's shipping clerk retired and he wanted to take over the job. "I saw the opportunity to prove myself to my dad and he gave me a chance. Well, it turned

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out that the day I took over was our biggest shipping day ever and I became Lucy with the bon-bons," he says. "I screwed it up so badly, and while he didn't curse or berate me, he dressed me down somethin' fierce. And I'm here to tell ya, I heard about that for a *long* time. That's a family business right there – it's like Shakespeare: The evil that you do lives on after the good is gone," he laughs.

He took over the company 11 years ago when he was 40, bought his sister Jane out and now shares ownership with his father. And he's quick to point out that colossal company faux pas didn't end as he got older.

"A guy came in some years back and wanted to sell me these three machines," Townes remembers. "And even though my dad was really phasing himself out of the day-to-day operations at that point, he *strongly* advised me against it. Well, of course I went ahead and bought them anyway for \$60,000. I got two of the

machines and the guy screwed me out of the third – and the money – because he didn't have any assets for me to sue him. To make matters worse, neither of the two machines I got worked worth a damn. Let me just say that that story was told at every family gathering lasting more than two hours. So when I get to thinking I'm the redneck Donald Trump, I remember business decisions like that. And my dad, God bless him, looks at me and says, 'Well I don't want to say I told you so...' and I say, 'But I bet you are,' he laughs, noting that his dad, now 90-years-old, still comes in the office here and there to check on things.

Townes admits that the pressure of running a family company got a little easier when he made the decision to buy his sister out of her share of the company. "Jane and I had different visions and desires for the company, and let's face it – I can be a horse's a** and not easy to work with," he says. "She wanted to go do her things and I have to say that as a family we get along much better now. She and I have different personalities – she's on the quiet side, and I, clearly, am not. She's a wonderful person and lord knows she's pulled me back to earth many times when I needed it."

He also acknowledges the immense sense of responsibility he feels towards his employees. "They're like family too – dysfunctional and all," he laughs. "Look, I've spent 26 years, five days a week for eight hours a day with these people. Hell, I'm with them more than my family."

The biggest expense increase the company will have next year is its health insurance premiums. "We can't afford it," Townes says bluntly, echoing just about every other small business in the U.S. "Our Blue Cross premium alone will increase by \$15,000 next year for the same coverage. That's huge to us. Will our prices increase? Ironically, while some of our prices will go up next year, some will come down because of restruc-

turing efficiencies and we can pass that along. But businesses can't just continue to eat these cost increases."

He got so frustrated last year he considered canceling the company's insurance package and giving each employee one lump sum to get the best insurance they could find. "But it's my responsibility to take care of them and they're like family, so here I sit, suckin' it up and bitchin.'"

Townes has five sons – three from his first marriage: Daniel, 22, Andy, 21, and Jeffery, 16 and two with Natalie – Travis, 7 and Ben, 6 – whom he married 10 years ago. Would he like one of his five sons to take over the business? "Yes, but only if it's their passion," he says adamantly. "I want them to be healthy and happy and the best at whatever they want to be. What I *don't* want is for one of them to go into the business because they think that's what I want."

Myth #3: Small Town Is Synonymous With Small-Time

Known as "Pencil City U.S.A." because of the high number of pencil manufacturing, imprinting and marketing companies in the area, they flocked to Shelbyville because the quality of the cedar in the area was perfect for making pencils. In addition to Shepenco, Economy Pen & Pencil (*asi/51650*) and Musgrave Pencil Co. are here, not to mention that both National Pen Corp. (*asi/281040*), a *Top 40* distributor, and Sanford Business-To-Business (*asi/84833*), a *Top 40* supplier, have branches in town.

Townes made the decision four years ago to restructure the company, and one of the choices he made was to buy nine machines from Italy that would dramatically streamline the company's production. The GPE machines, as they're known, cost \$100,000 each, and shelling out close to \$1 million was nearly the death of him. "Our best year ever was about \$8.1 million in sales in the late

'90s and now we're at a little over \$6 million. Spending that kind of money – even though it's an investment that's exponentially increasing our efficiencies – is a huge chunk of change for a company my size. It was painful."

Townes laughs when he remembers how proud he felt of himself for spending so much on equipment – until the



If Shelbyville is a rich pageant of gregarious southern eccentrics waiting for the next mint julep soiree, Dan and Natalie Townes are the straws that stir the cocktail – the Thin Man's Nick and Nora Charles, if you will.

Italian salesman told him that BIC had just bought 30 machines. "Talk about going from the mountain to the molehill real quick," he says.

Tom Berrey, Shelbyville's executive vice president who's been with the company for four years and was formerly the general manager of the promotional products division of Faber-Castell (later Sanford), says Townes is innovative, practical and always finds way to achieve his goals by using common sense and originality in his approach to problem solving. "Even though Dan is third generation owner and manager, he has the dynamic enthusiasm and positive energy of an entrepreneur."

Though his father and grandfather actually manufactured pencils on-site, Townes says that ship sailed for him due to the ease of importing and simple economics. "I decided to move the company from manufacturing to importing because of price – and my father certainly

wasn't happy, because he's a firm believer in 'Made in the U.S.A.," he admits.

Dan says his decision to restructure, though costly and disconcerting at times, has allowed the company to be more competitive and regain market share to the point where they're beginning to see a return on their investments. "We're still two or three years behind where I'd like us to be," he says.

The company brought pens into the line in 2000, and today their sales split is 90.5% pencils; 9.5% pens. Townes says he made that decision in the interest of self-preservation. "I started selling pens so I could keep selling pencils. I want to pay my people more and I can't do that with just pencils. Going into the pen business is one way I can accomplish that."

Myth #4: He's Too Country To Be Continental

I tell Townes that I think Shepenco is a good representation of a typical small- to mid-sized U.S. company and he agrees. "We're pretty much a median industry supplier and globalization, I'm here to tell ya, has affected us immensely."

He points out that 10 years ago he had no problem selling pencils against those from Asia because the quality was so bad. "Now, I can put a domestic pencil by an imported pencil and I can't look you in the eye and tell you the difference," he says. "Listen here: If the Chinese make advancements in every other area as they did with quality, they will rule the world in the next 10 years."

About five years ago, the quality got so good in the Pacific Rim that suddenly his competition had domestic and imported products. "'American Made' costs a lot more and when it comes right down to it, as long as the quality is the same, people want the better price, regardless of where the product comes from," says Townes. "Listen, I know people love my company. But the fact of the matter is that when your prices are higher

than everyone else the lovin' doesn't last long."

Being from the WWII generation, his father, of course, didn't like that business decision one bit. "No, he wasn't happy," Townes says. "But we had to start buying from Asia to survive. We were trying to maintain about 100% domestic products and that was an antiquated way to think. The market would have shaken us out. Honestly, it's been a struggle."

And honesty, regardless of how it makes him look, is definitely one of Townes' strong suits. "Here's one of my more brilliant business decisions: I bring in a new line in 2000, which was an OK year," he remembers. "Then the Internet bubble burst, 9/11 speaks for itself and here I am spending money like a drunken sailor. I introduced a new product line with the pens, I bought my sister out of the company, sales get soft and imports come in and crunch the f***ing profits in pencils, which is 90% of my business. It was kind of like the *Perfect Storm* where everything hit at the same time. And I'm goin', well aren't I a smart son of a bitch? Yes, in retrospect, my timing could have been better"

Townes maintains that widespread sourcing overseas will be the wounding, if not the killing, of large quantity orders for U.S. suppliers and distributors. "Retail people go to shows like Kenfair and buy right from the factories who are exhibiting," he says. "This industry won't lose all the orders, but a statistically significant number of large orders have gone away."

Importing, he says adamantly, will redefine the industry's distribution model. "Last year alone China added 145 million jobs – *145 million jobs* at an average salary of \$400 per year. That impacts our market because orders can be economically produced there and shipped here – small and large orders. Again, all you need to get into the Kenfair Show is have a business card."

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So how will the industry adapt? "All of us, suppliers and distributors both, we're all too busy trying to take orders instead of trying to make sales," he says. "But I'm here to tell ya: Every problem on the planet, I don't give a rat's a** what it is, can be solved with a four-step solution: 1) Define the problem; 2) Create possible solutions; 3) Implementation; 4) Repeat. You know what screws ya? Step number three. ... In the industry right now, globalization is the monkey on our back that in five years is going to be a 300 lb. gorilla. Now I don't mean to sound like a guy wearing a sandwich sign saying the end is near and the industry's in a death rattle, but we need to evolve to survive. I know this industry doesn't deal well with change, but we're going to have to, and right quick."

Myth #5: He's Laissez-Faire

Now in full preacher-on-the-pulpit mode, Townes has turned his tirade towards trade shows. "The way they do trade shows in Europe smokes ours in my opinion," he says. "And that's not a comment on who's putting on the shows here because I really don't care as long as it's a good show. But people at the European shows sit down and talk to each other about business rather than running up and down the aisles grabbing catalogs. And did I mention that they serve drinks?"

Seeing distributors at overseas trade shows is something he's gotten used to, though admits it's still a little awkward.

"My stance is that those distributors

just became my competition and that's OK – now I know who they are," Townes says. "The kicker is that there are end-buyers there from U.S. companies – that's a wake-up call for all of us. So, we've got to build relationships. I know the word 'partnership' is abused more than a red-headed stepchild, but suppliers and distributors are in this thing together. There's this old movie where Tony Curtis and Sidney Poitier were shackled together and have to help each other to survive ... that's where we are today. Instead of this level of acrimony I see between suppliers and distributors, we need to be circling our wagons. Distributors need to realize that their competition isn't other distributors or suppliers – it's "Things Remembered" in the mall and the kiosk where you can order personalized office products and leather bags at Staples."

At my first PPAI Dallas Show eight years ago, I was covering the Supplier Group Committee meeting. I didn't know anyone then, but I do remember the first time I encountered Dan Townes. He crashed the meeting because he had questions about PPAI's trade shows, and by God he was going to get some answers.

As the committee members explained how the attendance at shows was growing steadily, Townes put on his reading glasses and brought out a tattered copy book with the exhibitor and attendee numbers, and notes he's made, for every show in the last 15 years. Apparently the committee was familiar with his book, because the collective groan was audible. He then began, systematically and with authority, rebutting the information they had just presented point by point.

"Right now I have problem with PPAI increasing their costs to exhibit in Vegas, because the attendance doesn't keep pace with the rate of increase," he laments. "Would someone just acknowl-

edge that the cost of business is increasing disproportionately to the returns we're getting? I don't give a flying f*** if the rates went up because there's flying saucers in Area 51, but I would just like some recognition that these cost increases are affecting our businesses. And by the way, this has nothing to do with industry politics or the fact that I'm married to the director of education for the *ASI Show*. I've been keeping track of this stuff and questioning it long before I married Natalie and ASI got into the show business."

He maintains that ASI's position of not letting companies from outside the U.S. exhibit at its trade shows is a good, sensible one that he agrees with.

"Isolationism is dead and has been since Truman and Eisenhower, so let's just get past that," Townes says. "Given that, we can't build a wall around us and say we're the Skull & Bones of tchotchkes and no one can come in. However, I don't think you have to make it easy. ASI's stance makes a whole lot of sense to me. If you let a person exhibit who's essentially like a supplier's rep, that makes the playing field uneven. There's no reason not to be a little rigid with our restrictions."

Myth #6: He's Cynical About The Industry

Fran Ford, vice president of sales for Awardcraft (*asi/37650*), has known Townes since 1982 and began doing education sessions on "Using Humor In Sales" with him in 1985. Together, they've done almost 20 sessions and always have a standing-room-only crowd and high marks from the audience for their performance. No stiff himself, Ford readily admits that Townes is one of the funniest, smartest people he's ever met.

"I know there are some people – who don't really know him, of course – who think Dan is a small town guy who doesn't have a grasp of what the 'big city'

people know and that his company is a small player in a small segment of our industry," Ford begins. "Well first of all, Dan is probably one of the most well-versed people in the industry regarding issues concerning us. Also, his company is better known for pencils than behemoths such as BIC, Dixon Ticonderoga



Townes, circa 1985, sporting a mullet and a mustache. "Ah yes," he says. "This was at the height of my hell-raisin' days. And, obviously, my cheesy days."

and Norwood."

Ford is incredulous that industry people would think that Townes is ambivalent, though he's heard that before. "They just don't get his humor. He's sarcastic, but that doesn't mean he doesn't work for this industry."

He tells me that in the mid '80s YESAA (which became NEPPA) felt they needed a better voice in the industry and decided to get a young up-and-comer on the SAAI (now PPAI) board. "We chose Dan and he helped lead this industry through one of the most tumultuous times we had faced up until that time," Ford says. "He's more respected amongst his peers than anyone I know in this business for his honesty, intelligence and loyalty. He fights for what he believes is best for the industry – even if it's not the best for Shelbyville Pencil. I wouldn't say this to him because he'd laugh at me, but he is one of the most

honorable people I know."

But it's precisely because Townes, who was named one of *Counselor's* "50 Most Influential People" in its 50th anniversary issue, is so passionate about this industry that he's frustrated. "This industry used to be like a small family – everyone knew each other and there was much more of a sense of helping each other out. There used to be a lot of character and characters in this business, and now I think we're missing both."

He reiterates, and he tells me this as if I'm not going to believe him: "I will stand by this statement: I think there was greater character throughout the profession 20 years ago than there is now." Why? "Well, let's start with HALO. There were bankruptcies 20 years ago for sure, but I'm here to tell ya that people wouldn't just go out of business one day as Dan's Promotions and open the next day as House of Dan. There was a stigma – and rightfully so – attached to bankruptcy. It wasn't just a business tactic to protect you from being sued," he says. "But let me also say this: Me discussing ethics and morals is like Keith Richards working at The Betty Ford Center, so I don't mean to come across as high and mighty."

Myth #7: He's Never Serious

"Dan isn't a smart a**, he's just *smart* and uses his 'southern good ol' boy' way to make him look like a dumb a** so he throws off people's expectations of him," Ford says. "He's also a lot more private than you would imagine and, despite the fact that he's usually at the center of the party, very seldom do people really ever see his real side. People may perceive him as not caring, but shame on them for not getting past his Tennessee accent or his humor. He's a very devoted family man and has one of the closest relationships I have ever seen between a father and his sons. He hides his smarts behind his humor, and when

the humor's gone, what's left is an intelligent, caring human being. He would also, just so you know, be my stand-in for *Jeopardy*."

David Ross, CEO of Coral Springs, FL-based distributor National Imprint Corp. (*asi/280920*), has been doing business with Shepenco and Townes' family for 45 years. He laughs when I ask him about Dan. "Is he out of jail yet?"

Ross maintains that Townes is a true believer in this industry and adheres to its roots, when it was more about tradition and service. "He learned a lot from his dad," Ross says. "They are traditionalists in the way they deal with people and handle orders and they always have been. I will tell you what I've always told other suppliers: There's nobody better than Shelbyville. I have placed thousands of orders with them every year and there's never a mistake – not one! I will say this, though – as good as Dan is, his father was even better. Talk about a stickler for perfection. ..."

Sully Sullivan, principal of Thibodaux, LA-based distributor Always In Mind Inc. (*asi/115160*), has known Townes for 21 years and does not mince words about him. "My company wouldn't be here if it weren't for him," he says definitively. "When I started the business 19 years ago I was a small distributor stuck out there on my own. He was someone who knew the industry and really took the time to help me and introduce me to people. We would talk every Friday and he would nudge me along. He's more serious – and more caring – than most people think."

Sitten tells a story about the time a few years back when, during a Principal Connection traveling showcase, a group of suppliers nearly threw down with some snarky accountants in the hotel where they were setting up. "You have to know, though, that those guys were a**holes, and on our side there was me, Joel Schaffer, Tim Cronin, Scott

Nussinow and some others – type A, alpha-male big mouths if there ever were any," he laughs. "Well, it was getting tense fast and then Dan came in. Believe it or not, he was the level-headed voice of reason and the peacekeeper who totally diffused the situation."

BON MOTS FROM SHELBYVILLE'S BON VIVANT

Here are some original, classic "Danisms":

- "In the park of life, suppliers are the statues – recognized for our greatness and deeds, but mostly s**t on by the pigeons."
- "Getting this industry to decide on something is like tryin' to herd cats."
- "Don't let your alligator mouth overload your hummingbird a**."
- "We're all whores – it's just a question of price."
- "Does money fix everything? I don't know, but look at the Kennedys – they were as crooked and dirty as a dog's leg."

Townes acknowledges that it perplexes him that some people in the industry have such misconceptions about him. "Have they not heard of hyperbole, irony or making broad generalizations for comic effect?" he asks. "I'll tell ya what: There are quite a few people in this industry who could use a humor enema. I think that some people believe that if you like to have fun that you're not a hard worker. I would challenge that statement."

In retrospect, Townes admits that he should have restructured the company

earlier and spent more on the process improvements, knowing what he knows now. He also says he regrets not taking the time to tell people – both in his personal life and in business – how much they mean to him. "If I had bigger stones, I'd tell the people I love exactly how much they mean to me, but it's hard for me," he says. "And if I were financially well-off enough like Bill Gates, or hell, Norman Cohn, there's a handful of people I'd like to tell to go to hell, and that wouldn't be nearly as hard ..."

As his rants are winding down, Townes corrects one of my assessments. "I really don't think Shelbyville is all that much like *Midnight in the Garden of Good and Evil* – we're more Afternoon of the Average and Who Cares?" he laughs. "Seriously though, Michele: I have to be one of the luckiest ducks on the planet – I get to do what I love to do in a place I love. Truly, there are some days I go home and think, good God; where's the wall so I can beat my head against it? But then there are those other days that make everything worth it."

We're on Tims Ford Lake in the Townes' boat, and it's early October — one of those days that straddles summer and fall, when the leaves are changing and the weather's golden. Natalie's driving the boat and looking over her shoulder to take in a moment of pure southern comfort I imagine happens a lot here in Shelbyville. Dan's got his feet up, beer in hand and his young sons Travis and Ben are singing John Mellencamp – one of Dan's favorites and a good ol' boy himself – to him, and he's singing back:

*"No I cannot forget where it is that I come from,
I cannot forget the people who love me,
Yeah, I can be myself here in this small town,
And people let me be just what I want to be..."*

Michele Bell, a senior editor of Counselor, can be reached at mbell@asicentral.com.