

Interview with James Swanson, Vice President Paint & Coatings Materials – North America Rohm and Haas



Jim has served in his current position as Vice President, Paint and Coating Materials since 2002, prior to which he was the business director for Powder Coatings. Jim joined Morton International, Inc. in 1992 as director of sales for Powder Coatings. Rohm and Haas Company purchased Morton International in 1999. Before joining Morton, Jim held various positions in engineering, sales and marketing for Air Products and Chemicals, Celanese Chemical and Texaco.

Jim earned a B.S. degree in Civil Engineering from Syracuse University and an MBA from Wilkes University. Jim and his wife, Maurine, reside in Slatington, Pennsylvania. Jim can be reached

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The Paint Quality Institute is an educational division of Rohm and Haas. It provides media, educational, market research and other services to paint manufacturers, retail outlets, contractors and 'do-it-yourselfers.'

Doug: Would you provide us with some insight into the origins of the Paint Quality Institute?

Jim: You will find Rohm and Haas ingredients in one form or another in most high quality paints. If you go back to 1986, the market for high quality latex paint was declining. There was little awareness by homeowners of the difference between low price, poor quality paint and premium, high quality. This was a very disturbing trend given our position in the industry.

To give you a little background information, in a can of paint we have three categories of components. One is called the binder. It looks like milk but it's the glue that holds everything together in the paint. It's the backbone for the performance properties of the paint. If you want to scrub your walls and have stain resistance, you want a high gloss or a satin finish. The binder holds together the pigments and the colorants that are added to the paint by the paint manufacturer. These pigments we do not supply. Additionally, there are hosts of additives. Rohm and Haas is also a major supplier, if not the major supplier, of additives to the paint can. The additives affect the application characteristics of the paint - how thick it is . . . how it goes on . . . whether you get any brush marks . . . the whole flow . . . how it levels.

Doug: PQI has been in existence for nearly 20 years. That is quite an investment and commitment. How has PQI evolved?

Jim: As a company philosophy, Rohm and Haas aims to advance the industries in which we participate and benefit from the growth of those industries. Our first key objective was

to raise the awareness with the buying public that there are differences in the paint they were purchasing. We were letting the consumer know that paint quality was an important factor for what was probably their largest investment, their home. We set out to note the differentiation by using our public relations arm. The hero of our story was the test fences, acres upon acres of test panels that really did tell the story. Our second key objective was to assist the paint manufacturing community with their own outreach program to their end-users.

As we were beginning to get a groundswell of activity with the media, we set about learning more about the end-user market through market research. We in turn delivered that market research to the marketing department of our paint-manufacturing customers.

We tracked the growth of our markets and the growth of high quality acrylics in that same space. After the initial 3-5 years of the PQI, acrylics started to grow much faster than the overall market for consumption of paint, validating on a macro level that the concept has worked. We knew that we were taking share on a macro basis, as well as account-by-account, and we could measure it. When we speak with the investment community it's very easy to discuss the value of our investment.

Doug: What happened after you accomplished this significant shift in consumer awareness and understanding?

Jim: The next stage began around 1990, and was about servicing the disconnect that we were hearing time and again. Consumers were telling us that they were going to their favorite paint outlet and asking for high quality paint product. The person behind the counter was not necessarily trained in differentiating quality versus ordinary paint. At the same time, we were hearing from our customers that there was an unfulfilled need to train the person working behind the counter. The next stage of PQI, therefore, was to develop quality training materials.

Then PQI became oriented around bringing the quality message inside the house. When PQI first started, we were about exterior paint. We stopped and thought long and hard about 'how do we bring that message inside the house?' That is when PQI became more engaged in the color and design world. When we first started to chat with the media about durability and quality for inside, the first question they asked was, "Gosh, what color is going to be in vogue?" So, we needed to develop those competencies to be able to expertly answer and address those questions. We provided the manufacturing community with literature, magazines that they in turn delivered to the outlets where they distribute their paint. There are hosts of merchandizing and marketing tools to which they have access.

That brings us into the world of electronic communication. We put a lot of resources and power behind developing paintquality.com. Our web visitors are pushing two million hits a year and it continues to grow each year. For the very first time, we are launching a brand new program for Point-Of-Sale materials, which the manufacturing community can download right from our website. So, it's really about developing tools, information and products that support the paint-manufacturing world with quality information.

Doug: How has the PQI been a source of innovation within Rohm and Haas?

Jim: We are in about 75 percent of that paint can in a whole variety of ways. We are influencing not just the chemistry of physical performance from a scrub resistance, stain resistance and gloss perspective of the paint. We are also impacting the application properties that are very important to some of the segments. When you put that roller in the paint can, you don't want it spattering. You don't want drips. You don't want sags. We are a major contributor in the paint can with the exception of the pigmentation and

the colorants. You can see that many of these characteristics have changed with time and we need to see these changes coming.

A real value of the Paint Quality Institute is that we are the eyes and ears of our customers' customer. That insight is invaluable in designing and innovating next generation products and meeting our customers' needs. The challenge for any company's innovation is to uncover those unmet needs from your customer. Companies are always attempting to garner a competitive advantage within their space, but that always depends on the depth of the relationship you have with your customers. The PQI, in promoting the overall concept of paint quality, allows us to have discussions and to work directly with 'the ultimate consumer of our customers' products.'

Doug: What are some of the macro trends you have seen emerging?

Jim: Most people would not think of paint as affected by macro trends. The whole painting market originally consisted of nothing but wood. Painting on new or alternate substrates is clearly a trend in the building construction industry and certainly has driven our technology and our need to develop different binders and different technologies. I can tell you - adherence to a piece of vinyl siding is a whole lot different from adherence to a piece of window trim made of pine. Your deck is no longer just pressure-treated wood or natural wood, it is composite materials.

Home Depot, Lowe's and Wal-Mart weren't selling as much paint 20 years ago as they are today. Demographics have changed. There has been an explosion in the Hispanic population in the U.S. today, for example. The Gen-Xrs and the Gen-Yrs are looking at decorating in their homes a lot differently than the baby boomers did. The do-it-yourselfer has evolved into a distinct market, and that will continue to change. The do-it-yourselfers are going in and buying a gallon of paint looking for quality with different attributes.

People are getting ideas and information in evolving ways. We are all now Internet based and we like things on the computer and in our news a bit differently than we did five years ago or ten years ago. Cable has given us HGTV (Home & Garden TV).

Looking towards the future, the influence at the new-home sale will be different. Today homebuilders tend to buy simple contractor paint - a nice off-white throughout the whole house and that's all. Well, I think a whole lot more will be done in that area.

So, we keep pace with that, while the consistency of our message is still very much the same. It's about adapting to changes in the marketplace, staying ahead of the trends, and making sure that you continue to be even more consumer friendly. We are educational and inspirational to the marketplace. We want to be creating and influencing trends rather than just adapting to them.

Doug: What is the linkage such that the Paint Quality Institute becomes a source of innovative ideas within the R&D and marketing functions of the commercial Rohm and Haas Company?

Jim: The people who work adjacent to the Paint Quality Institute are responsible for looking into the marketplace, engaging outside firms to look at the trends in the marketplace and actually educate our customers. We share that information with our customers. We engage their marketing folks in discussion and brainstorming. It creates consensus around shifts in the marketplace and shifts in buying patterns. People involved with PQI work right next door to everybody else in the business and there is constant communication and interaction.

Doug: What else about the Paint Quality Institute is of relevance to executives in other industries or to those in completely separate sectors of the chemical industry?

Jim: Our sustained commitment to PQI and serving the industry has differentiated us in the marketplace. It gives us a level of credibility that our competitors cannot touch because of our longevity. Our biggest competitor could introduce their own paint quality institute equivalent today; however they wouldn't have credibility for another ten years.

If you're a general manager or a CEO of a company, you want to look at your 'power alley' – the one in which you plan to participate for years to come. If you do something like the Paint Quality Institute, make the necessary investment, and stay the course, in the long run you will garner a significant competitive advantage in your space.

PQI gives Rohm and Haas the ability to influence in an indirect way, the attributes and qualities that we are able to bake into our product, and make those important to the ultimate customer. For us the connection has always been, if you want quality paint, then it needs to be acrylic latex.

Doug: What do you see as the future of PQI?

Jim: We're leveraging that platform into other market segments. PQI has been primarily focused on architectural and decorative type finishes. Another part of our business is industrial and commercial finishes. We're beginning to look at leveraging that into a separate kind of industrial PQI.

As our technology and our U.S. way of life and standard of living migrate around the world, the PQI achieves instant credibility. To a great extent, it is replicating what we have done in North America, while customizing it for the local market and translating it for a local feel and flavor. We are having an influence in the new regions of the world.

Doug: Earlier, we were chatting about the branding of 'Intel inside.' Rohm and Haas had made the explicit decision to not brand. Please share some of your thinking about having made that decision.

Jim: At the end of the day, we are still an ingredient supplier. We have been a chemical company for almost 100 years. We have a very good position and broad representation in the marketplace that we supply.

If you are buying a can of paint, Rohm and Haas is probably in it somewhere. To put the Rohm and Haas name on the paint can becomes a conflict of interest with our commitment to the industry as whole, rather than to specific customers. We want to maintain a level of independence so that we can sit down with any customer or any opportunity in the marketplace and be viewed as an independent supplier rather than being linked to one of their competitors. We want to make sure that what we're developing has market appeal and has the ability to supply everyone in the market, rather than just one or two customers.

Doug: What have been some pleasant surprises benefiting the Rohm and Haas commercial business that have come out of the Paint Quality Institute?

Jim: We have been featured in USA Today, the New York Times and Newsweek. The frequency with which we're being picked up in national venues is continuing to increase; that's a pleasant surprise. We sit here and say we're just a paint ingredient supplier, but we have really caught the attention of a lot of folks out there. The challenge for us is recognizing new opportunities or ways to leverage it going forward.

I would also say that the interest level we see in the contractor segment continues to grow to with the independent contractors. The people who are up there with their brush and rollers and painting vans seem to be more interested in the Paint Quality Institute and what we have to say. We engage with contractors from coast-to-coast through a variety of associations, through speaking engagements that our paint-manufacturing customers request. We touch the contractor with training materials geared specifically for them.

The other area of interest that has come as a pleasant surprise is from adjacent markets in the building and construction industries. We talk to them about influence strategies and what we have done in the architectural segment of our business. Some of these adjacent businesses in building construction have become very interested in how they can do something similar, or even leverage their products or an entirely different aspect of the building and construction trade and applications in the same web site. It stimulates our imagination as to how we might be able to influence other market segments and once again leverage our 20 years of exposure in this area.

Doug: If I'm following your thinking, you're building a highway for industry appreciation of new technology, which Rohm and Haas can then back as the company.

Jim: Absolutely. We are the snowplow clearing the way.

Velcro Points

1. Through its industry-inclusive role the PQI has been a source of objective information to media, distribution channels and the consumer.
2. The PQI is a way Rohm and Haas continually discovers and addresses unmet needs in the customer value chain.
3. The PQI is a sustainable approach to being competitively distinct.

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