

# Manufacturing Power

## Three Elkhart Companies Top U.S. List

By Crickett Gibbons

An annual *IndustryWeek* listing identifies the top manufacturers in the United States. The 2017 rankings, amazingly, feature a trio of Elkhart-based operations in the top three spots.

Patrick Industries Inc. debuted at No. 1 on the 50 Best U.S. Manufacturers list. LCI Industries Inc. (formerly Drew Industries Inc.) jumped to No. 2 from the previous year's position at 11, with Thor Industries Inc. rising two spots to No. 3. Thor was No. 20 in 2015.

The *IndustryWeek* ranking of public manufacturers in the U.S. is based on companies' financial performance in six key areas over a three-year period. These include inventory turns, profit margin, asset turns, return on assets, return on equity and revenue growth.

In response to being named the top manufacturer, Patrick Industries CEO Todd Cleveland says, "We are humbled by this honor and feel fortunate to be a part of this distinguished group of U.S. manufacturers that includes three Elkhart, Indiana-based companies that primarily serve the RV industry. We are very proud of our community, the industries we serve and all of our team members."

Mark Dobson, president and CEO of the Economic Development Corporation of Elkhart County, acknowledges it was a little surprising to see the top three come from the same community.

"When you look around the nation, you see lots of good manufacturers. So when you see three from your own community, (I'm) surprised it happened," he admits, quickly adding, "That's not a reflection on the companies named at all, but with the thousands and thousands of manufacturers around the nation, it's a source of pride that three are based here."

With their ties to the RV industry,



Patrick Industries makes and distributes a wide range of products and furnishings for the RV, marine, residential, commercial and industrial markets.

either as suppliers or manufacturers, being located in Elkhart does make sense – and minimizes the surprise aspect just a bit.

"About 80% of all RVs are produced in Elkhart County," Dobson states.

Patrick Industries and LCI Industries, through its wholly owned subsidiary Lippert Components Inc. (LCI), provide components and materials for recreational vehicles. They also supply other markets, such as manufactured housing and marine industries.

Thor Industries owns subsidiaries that make motorized and towable RVs under 17 brand names, including Airstream, Bison, Dutchman, Crossroads, Jayco and Keystone.

### Increasing demand

After RV sales rapidly declined during the Great Recession, the industry has experienced a sustained rebound, helping to fuel these companies' strong growth.

RV shipments have increased for the last seven years, according to the Recreation Vehicle Industry Association (RVIA), and this trend is expected to continue in 2018 – good news for the top-ranked companies.

Along with the economic recovery, demographic trends – mainly younger buyers attracted to the outdoor leisure lifestyle – are often cited by industry sources as helping drive demand. RV owners age 35 to 54 posted the largest percentage gains in ownership over the past decade, according to RVIA.

### Diversifying the mix

While the RV market accounts for about 70% of Patrick Industries' revenue, the company also has diversified and grown during the last seven years, adding new brands and markets.

Cleveland says company revenue grew from \$278 million in 2010 to more than \$1.5 billion today, while expanding from six brands to more than 40 operating in 19 states.

Patrick also provides supplies to manufactured housing and marine industries as well as industrial markets related to residential housing, commercial construction and institutional furniture.

The array of products under those brands is wide, including countertops, cabinet doors and components, trim and fascia, hardwood furniture, fiberglass bath fixtures, interior passage doors, wiring and electrical systems, and many others.

Recent sales are strong, with net sales for the first nine months of 2017 (most recent figures available at deadline) increasing 29%, to \$1.2 billion from \$898 million during the same period in 2016. Net income during the same period rose by a greater percentage – 35% – to \$56.7 million from \$42 million.

Looking ahead, Cleveland anticipates that, "Given the solid demographic trends and industry outlook for all of our markets, we

are excited about growing our business both strategically through acquisition, as well as organically through cross-selling opportunities and geographic expansion.”

LCI also supplies components for markets beyond the RV industry, including buses, trailers, trucks, pontoon boats, trains, manufactured homes and modular housing. The company operates 52 manufacturing and distribution facilities in the U.S., Canada and Italy.

For the third quarter of 2017, LCI reported a 35% net sales increase over 2016, from \$412 million to \$555 million.

## RV strength

The largest RV manufacturing company, Thor Industries also ranks at the top in annual national sales units as of July 2017, according to Statistical Surveys Inc.

The company recently reported record sales and net income for the fiscal year that ended July 31, 2017, and the first quarter of its fiscal year 2018 (August 1 through October 31, 2017).

FY 2017 year-end sales were up 58.2% to \$7.25 billion from \$4.58 billion the previous year. Net income also rose by 45%.

## Finding the workers

With the RV market rolling strong, the biggest challenge these top manufacturers may face is the labor market in Elkhart County.

“In the current economy, we have added a tremendous number of manufacturing jobs, and that pace of job addition is outpacing the

natural population growth,” Dobson explains. “This creates some pressure on the labor force. . . . (Companies) are competing for talent in the marketplace. That challenge is difficult to address.”

In recent earnings releases, both LCI and Thor mention workforce shortages in Elkhart County as a challenge.

Cleveland, with Patrick Industries, notes, “Since one of the challenges we face (in Elkhart) is a tight labor market, particularly given low unemployment rates, we have continued to focus on talent engagement and retention initiatives with our team members across all areas of our organization to impact our overall retention performance.”

## Favorable environment

While the labor market in Elkhart County may be difficult for manufacturing, the community helps contribute to each company’s success in part by being “very business-friendly,” according to Dobson, citing political leaders, community leaders and policies.

There’s also an informal network, where all of the company leaders know each other and support each other – even if they are also competing, he says.

Cleveland backs that up.

“There is a great deal of communication and partnership between the manufacturers and suppliers, both in Elkhart and in the neighboring counties, which fosters an environment centered around working together to support each other and drive overall industry growth in the markets we serve.”

**RESOURCES:** Recreation Vehicle Industry Association at [www.rvia.org](http://www.rvia.org) | Todd Cleveland, Patrick Industries, at [www.patrickind.com](http://www.patrickind.com) | LCI/Lippert Components at [www.lci1.com](http://www.lci1.com) | Thor Industries at [www.thorindustries.com](http://www.thorindustries.com) | Mark Dobson, Economic Development Corporation of Elkhart County, at [www.elkhartcountybiz.com](http://www.elkhartcountybiz.com)

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