

# The Comeback Company

The best thing  
to happen to  
Ace Apparel  
& Promotions  
was losing their  
biggest client

BY DARIA MEOLI

LANDING A BIG CONTRACT WITH A BIG-BOX store like Home Depot can be a mixed blessing for a small business. Just ask the Mathios brothers, owners of Bronx-based Ace Apparel & Promotions. In 1991, Ace, a manufacturer of drop cloths and painter's pants, landed a vendor deal with Home Depot to sell their products in Home Depot stores. The account was a huge catalyst for Ace's growth. "Home Depot was growing and we were growing with them," says Marc Mathios. "As they opened up a store, we would ship that opening order. As they grew, we grew, and the factory was just smoking."

Then, in early 2003, after more than 12 years as a core vendor, Home Depot allowed other manufacturers to bid for Ace's business in a reverse auction. "The reverse auction was an incredibly tough process," says Marc. "You can imagine how much pressure there is in a process like that. We had been analyzing our margins and our costs and we knew what our bottom was. We hoped that the auction wouldn't get to that bottom level, but it went even lower. We just looked at each other and said, 'Okay, we're done. We're not going to participate any further.'"

## Like Grandfather, Like Father, Like Sons

This was not the first time Ace faced serious threats to its survival. The company was founded in the late 1930s by Marc Mathios's grandfather, Morris. He started out manufacturing shower curtains, but during World War II, fabric became scarce. Since he

couldn't get the fabric he needed for shower curtains, he changed his business to target a market that needed a product he could produce — canvas drop cloths used in the painting trade. Marc's father, Jerry, became the second generation at Ace, and eventually expanded the product line to include painter's pants. Manufacturing painter's pants fit with the company's core competency, and they were able to sell the product to their existing distribution channels.

A generation later, Marc and his brothers David and Adam invoked their grandfather's and father's thinking to save their business when Home Depot's demand for their drop cloths dropped off. Like Morris, Marc, Adam, and David changed their business to target markets that had more demand.

Losing the Home Depot business could have been financially devastating. Home Depot accounted for more than 50% of Ace's sales. Fortunately, Ace's cash flow became quite healthy as a result of losing the Home Depot account because Ace collected the remaining receivables and did not have to replace that inventory. "Our cash position was great, and that gave us an opportunity to reflect on what our core abilities are."

The Mathios's took stock of their strengths:

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The Mathios brothers  
at Ace Apparel and  
Promotions (from left):  
Marc, Adam and David

they owned their large manufacturing facility in the Bronx, they had distribution channels in place throughout the country that their father had put in place years earlier, and they had knowledge of apparel production. The brothers decided they were now in the uniform and custom apparel business,

## Adopting for Apparel

Historically, Ace would mass-produce only a few products. But in the uniform and branded apparel industry, each order consisted of a unique product. Marc and his brothers not only had to hire a full-time art director, but they had to develop a product- and design-approval process with their clients. Ace also had to re-train their sales staff on adopting a new approach. While the staff had always sold to painting suppliers, they now had to understand the needs of a variety of industries. "From a sales perspective, we now have to make sure that the client is buying the product that's right for their employee," says Marc. "Take employees at an elevator company, for example. These employees are out there working in a very industrial environment, so you're not going to put them into a 100% cotton, lightweight shirt. You want to get the right apparel for the right employee, and that's a result of learning about what the customer needs."

Although the company had to change its focus, it did not have to change its staff. In many factories, each person does one job all day long, like attaching the pocket to pants. But because the Mathios brothers implemented team-based manufacturing, their operators were cross trained to do almost any operation. Not only does this system give employees a change of pace and keep them refreshed, it's good for management because they can easily rotate employees into other positions.

Today, Marc looks at losing Home Depot as a client in a much different light. "It left us so much more diversified and so

much more creative," "You don't realize how much of your creativity is sapped when you're focusing all of your energy on feeding a monstrous client." Today, Ace has replaced that lost revenue with its branded apparel, and has ensured that no single account makes up more than 3% of their business. **OCTOBER 2009**