

The Right Mix

A combination of technical expertise, service, and people skills pushes Fernando Espinosa's Andes Chemical Corp. to \$25 million in sales in 10 years.

By Maria Zate

Fernando Espinosa sure knows his chemicals. As CEO of Andes Chemical Corp., he sells 1,000 different products that supply raw materials for the paint industry. He can tell you which mixture of ingredients yield that special shade of blue or which additive will ward off tropical fungus.

Mr. Espinosa also knows the right formula to succeed in business. His combination of technical expertise, service, and people skills has earned him the title of 1996 HISPANIC BUSINESS Entrepreneur of the Year.

Among Mr. Espinosa's greatest strengths is a knack for attracting loyal employees and international customers. In the wholesale export industry, connections mean everything. The CEO of Miami-based Andes Chemical says he focused on developing "strategic alliances" with producers and customers long before the approach became fashionable.

Born in Cuba, Mr. Espinosa immigrated to Miami in the 1960s. After graduating from Florida State University with a marketing degree, he went to work for a cousin who ran a paint factory in Puerto Rico. A few years later, armed with this experience, he returned to Miami and landed a sales position for a chemical company selling raw materials for paint. Here he learned the art of making that first connection with potential customers: the cold call. Using the yellow pages, he tracked down manufacturers of paints and

cosmetics. The yellow pages technique helped him develop contacts in the Caribbean market. He soon built the company's export sales to \$14 million.

The successful salesman decided to start his company after an illness sent him to the hospital. As he lay sick in bed, his boss of nine years was concerned with only one thing — how soon could he return to work? Put off by his employer's lack of sensitivity, Mr. Espinosa made up his mind to start a rival export company.

He launched Andes Chemical in 1986 with the help of a business associate and a \$250,000 line of credit. He began as a one-man operation in a 500-square-foot warehouse. Within six months, Andes Chemical achieved sales of \$1.8 million. How did sales get so high so fast? Easy, says Mr. Espinosa. He tapped into the network of contacts from his previous job.

Andes Chemical specializes in the export of raw materials for the manufacture of paints, inks, adhesives, cosmetics, and pharmaceutical products. The house paint industry accounts for nearly 75 percent of sales.

By 1990, a mere four years after opening its doors, Andes Chemical had 120 customers and \$10 million in revenues. By 1995 the company had doubled its client base and revenues, generating \$23.5 million in sales, with 250 clients worldwide. This year Mr. Espinosa predicts revenues will reach \$25 million.

The company's growth has come about steadily. Mr. Espinosa prefers to keep

has been lost to another firm.

Running an export company requires a heavy dose of travel: Mr. Espinosa and three other salespeople spend about six months a year on the road. "Every two weeks we're off to a different country," he says. Andes Chemical exports to 14 countries in Central America, the Caribbean, and South America. In the past two years,

with the help of referrals from multinational clients and suppliers, the company has started to do business in the Middle East.

Andes Chemical's customer base represents a market virtually ignored by large U.S. producers because of the relatively limited volume, explains Mr. Espinosa. By tapping into this niche market, however, Andes Chemical has achieved success.

Although he faces stiff competition in the industry, Mr. Espinosa sets himself apart. First, he has no clients in the U.S. Instead, he represents the international divisions of U.S. companies. "I've gathered the Cadillac line of clients," he claims. The biggest names on his roster include Sherwin-Williams in Jamaica and Glidden paints in Guatemala. Andes does not hold minority certification and it has no government contracts.

Also, with the years of trust he has nurtured among his clients and suppliers, Mr. Espinosa is able to differentiate his company in the services he provides. His wide range of connections means he has pull with many different manufacturers, and can offer a wide variety of products at competitive prices. Andes Chemical can arrange shipment from any port in the U.S.

Rohm & Haas, a *Fortune* 1000 chemical company, is one of the largest suppliers for Andes Chemical. "We have an extensive profile we use for selecting our distributors," says Graeme Milne of Rohm & Haas. "We chose Fernando's company because it fits 95 percent of those requirements. Plus he received rave reviews on his performance and customers think very highly of him personally."

What does the future hold for Andes Chemical? "The biggest challenge is the trend of big corporations buying smaller ones," Mr. Espinosa says. In order for a small supplier such as Andes Chemical to survive, the management "must stay on top of what's happening in the industry."

He reads business and trade publications to keep up with trends. And he applies his technique of casting a wide net and staying in close touch with international connections. "I don't have all my eggs in one basket," he says. It's sound advice in a fast-changing business world. **HB**

The 1996 HISPANIC BUSINESS Entrepreneur of the Year competition was directed by Research Editor Tammy Nelson.

How the Winner was Chosen

The 1996 HISPANIC BUSINESS Entrepreneur of the Year was chosen from a pool of more than 300 nominees. All applicants were judged first on financial performance between 1994 and 1995. Judges then scored finalists' responses to subjective questions in the areas of business performance, company management, employee development, and involvement in fostering entrepreneurship.

All scores were tabulated and verified by the accounting firm of Coopers & Lybrand LLP.

This year's judges were: Jesus Fernandez, CEO and president of the National Society of Hispanic MBAs and senior vice-president at Eagle Bank in Miami; Annette and Victoria Quintana, president and vice-president of Excel Professional Services Inc. of Englewood, Colorado, and 1995 HISPANIC BUSINESS Entrepreneur of the Year award winners; and David Torres, vice-chancellor for economics at the University of Illinois at Chicago.

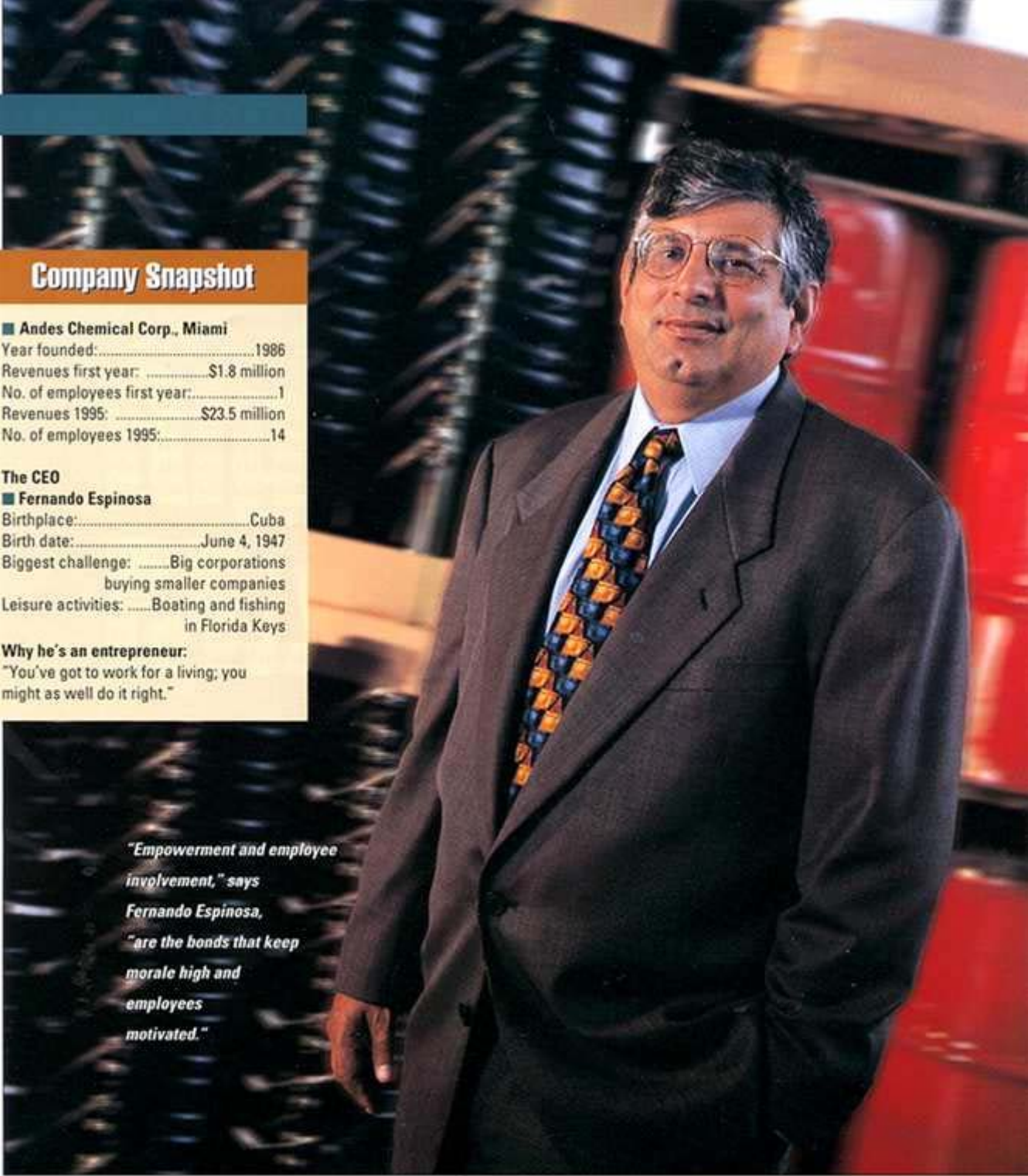
The finalists in this year's competition were:

- **Camilo Fernandez**, President, A.M. Capen's Co. Inc. Mr. Fernandez's Hillside, New Jersey, company is an export wholesaler of office products, school supplies, and computer equipment. His company ranked 24th on our list of top Hispanic-owned export companies (see "The Export 50," November 1996 issue), and was number 224 on the 1996 HISPANIC BUSINESS 500. Mr. Fernandez received high marks in the area of fostering entrepreneurship.

- **Jon J. Fernandez**, President & CEO, TriNet Communications Inc. Mr. Fernandez's ideas on employee productivity and development received high scores from our judges. TriNet Communications, founded in 1990, is a distributor and manufacturer of telecommunications equipment based in Livermore, California.

- **Alfred T. Ortiz**, President & CEO, Source Diversified Inc. Mr. Ortiz started his computer systems integration firm nine years ago. This year the Laguna Hills, California, company placed 143rd on the HISPANIC BUSINESS 500 with revenues of nearly \$21 million. Mr. Ortiz won praise in the business performance category.

- **Eddie Rodriguez**, CEO, PAECO Inc. Doing business as Wilke-Rodriguez, this menswear design firm is a well-known name in American fashion. The New York company ranked 80th on the 1996 HISPANIC BUSINESS 500. Mr. Rodriguez scored well on his responses to questions regarding business ideas and management.



Company Snapshot

■ Andes Chemical Corp., Miami

Year founded:.....1986
Revenues first year:\$1.8 million
No. of employees first year:.....1
Revenues 1995:\$23.5 million
No. of employees 1995:.....14

The CEO

■ Fernando Espinosa

Birthplace:.....Cuba
Birth date:.....June 4, 1947
Biggest challenge:Big corporations
buying smaller companies
Leisure activities:Boating and fishing
in Florida Keys

Why he's an entrepreneur:

"You've got to work for a living; you might as well do it right."

"Empowerment and employee involvement," says Fernando Espinosa, "are the bonds that keep morale high and employees motivated."

growth on a tight leash in order to stay flexible and to maintain quality. To accommodate its expansion, Andes Chemical recently moved from a public warehouse into a 17,000-square-foot private warehouse in Miami.

Mr. Espinosa credits much of the suc-

cess and growth of his company to his 14 employees. "I believe in an open door policy," he says. He adds that "empowerment and employee involvement are the bonds that keep morale high and employees motivated."

All employees at Andes Chemical

receive extensive cross-training and are encouraged to expand their responsibilities. Mr. Espinosa says he pays higher salaries than the industry average and provides a "generous" retirement plan. Overall, his approach seems to work. He says that in 10 years only one employee