

Snap-On Tools ordered to pay \$7 million

The News & Observer, Raleigh, N.C.

Jury rules that toolmaker misled dealers

By **TIM GRAY**
Staff writer

RALEIGH — Snap-On Tools Corp. in Kenosha, Wis., has been ordered to pay about \$7 million in damages for deceiving four failed North Carolina dealers about the amount they could earn by selling the company's products.

Raleigh lawyer Donald R. Strickland, who represented the four dealers, said Wednesday the verdict punished Snap-On for "outrageous misconduct" in recruiting dealers and deterring other companies from engaging in similar practices in the state.

About \$5 million of the damages were punitive. The rest compensated the dealers for their losses.

But Snap-On's lawyer, George L. Little Jr. of Winston-Salem, said the case wasn't over. Little plans to ask the judge, Robert A. Collier Jr., to throw out the jury's verdict at a Nov. 24 hearing.

If the judge doesn't, the company will have little choice but to pay the damages. The two sides agreed to try the case under special rules designed to save time and money. Under their agreement, neither side can appeal after the judge's review.

The four former dealers, who worked in Eastern North Carolina, alleged that Snap-On misled them by overestimating the amount they could earn and underestimating their business expenses.

The company said that the dealers could earn as much as \$100,000 a year while spending about \$20,000 a year on the business, said Raleigh lawyer Howard Twiggs, who also represented the dealers.

In the past, these sorts of claims were probably valid, Twiggs said. Strickland, who represented the four dealers, said Wednesday the verdict punished Snap-On for "outrageous misconduct" in recruiting dealers and deterring other companies from engaging in similar practices in the state.

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In the past, these sorts of claims were probably valid, Twiggs said. Snap-On is a nationally recognized maker of tools for auto mechanics with an established network of successful, independent dealers, he pointed out.

But in the mid-1980s, the company "implemented a program to saturate the United States with dealers," Strickland said. It split up some of its old districts and expanded into less profitable areas where it hadn't previously done business.

Yet it didn't change its promotional pitch, he said. A lot of new dealers, therefore, joined with



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(at a glance)

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Annual sales: \$932 million

Employees: 7,200

Founded: 1920

Business: Makes and distributes tools, tools chests and automotive diagnostic equipment

Source: Dun & Bradstreet Corp.

unrealistic expectations. A lot of them failed.

These failures didn't hurt Snap-On because of the way it has organized its distribution system, he said. The company sells its tools to the dealers, so it doesn't lose money if they fail to sell them to consumers.

But Little, Snap-On's lawyer, said the company's distribution system "has seen very little change over the years." He added:



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But Little, Snap-On's lawyer, said the company's distribution system "has seen very little change over the years." He added: "We still believe it'll work anywhere with the right person."

The dealers failed because of the normal risks involved in owning a business, not because of the distribution system, he said.

"Any time you make available an opportunity like this, there's a risk that the people going into it aren't going to be as well-versed in business as they should be," he said.

With its verdict, the jury imposed an unrealistic standard on Snap-On and other businesses like it, he added.