

President's Letter

Hello Everyone,



I just celebrated a wonderful Thanksgiving weekend with many friends and family and my family has put up our Christmas tree this past weekend, as is the tradition in our household. We are turning the final corner on 2009; it certainly has been a year to remember and a year that many of us hope to forget all at the same time. We

have faced many challenges in our businesses and as an association, but I think WASDA has weathered the storm quite well. Hopefully, we are near the end of this economic downturn and the economy will start heading back in the right direction as we approach 2010.

Our association has done some great things this year and I am quite proud of the work our committees and members have done. The Program Committee gave us two very good meetings this year. I know not many of us were able to take advantage of the opportunity to head to sunny, warm Puerto Rico in March, but the members that did make the trip were treated to a truly special meeting. We had two great speakers, David Nour and Ed Robinson, and a wonderful location to network with fellow members. The Fall Meeting & Partnership Forum in Indianapolis was a huge success, which is an amazing feat in these economic times. While many associations are struggling to get a fraction of their normal members to attend meetings this year we had record attendance. That speaks volumes about the value of WASDA and the Partnership Forum to our members. The Program Committee has also been working hard on another repeat performance in 2010 with the Annual Meeting in Tucson, Arizona and a return to Denver, Colorado for the Fall Meeting.

The Marketing Committee continues to get our name out into the industry. They had a successful booth at the ACE in San Diego this year and are looking forward to the 2010 ACE in Chicago. Their continued marketing efforts will expand from *Opflow* into a new venture with *WaterWorld* Magazine, where WASDA will have a monthly column; be on the lookout for it in 2010. Additionally, the Marketing Committee completed the poster project this year. Many of our members are now displaying a company logoed WASDA poster in their break and counter areas, which

goes a long way in helping your company associates understand what WASDA does. Overall, 2009 was a very good year for marketing. Thanks to Jim Fuller and his Committee for all of their work.

The Government Relation Committee also had a huge year. Most of the news in our industry seemed to come from Washington this year with the stimulus package and ARA requirements, but there was also the introduction of the Clean Water Trust Fund Bill. Hopefully, the Bill will get on Congress's radar at some point in 2010. When this happens the Committee will be very busy and asking for your help to make this Bill a law. I would like to thank Peter Krainock and his Committee for all the hard work; Peter truly has a passion for government relations.

I do not mean to exclude any of the Committees and their efforts in 2009, but they only give me so much space. I want to thank those that serve on a committee and donate valuable time to help make WASDA better for all members. I appreciate everything you do for WASDA; it is a great association because of all you do. If you do not currently serve on a committee then make it a New Year's resolution to join one and get involved; the committees love new input and ideas and there is a lot of work ahead of us in 2010. We have a newly formed Education Committee that will be ramping up next year and will need members, the Marketing Committee is looking for articles for *WaterWorld*...the list goes on as there is always something to do with WASDA. Be part of moving us forward in 2010. It is a rewarding opportunity.

I would like to wish everyone a very Merry Christmas and a Happy New Year. Take the opportunity to spend some time with your friends and family as 2009 comes to an end. It is a wonderful time of year to reflect on the past and look forward to starting fresh in the New Year. The down economy gives us a chance to slow down and take a real good look at our lives and then take steps to improve ourselves and our business. Thank you all for your support of WASDA in 2009 and I look forward to seeing everyone in 2010.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sam Peirce'. The signature is fluid and cursive.

Sam Peirce
WASDA President

2009 Meeting and Partnership Forum

Water and Sewer Distributors of America

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2009 Fall Meeting & Partnership Forum

By Jameela Smith, Associate Director

This year's Fall Meeting & Partnership Forum was hosted in Indianapolis, IN, home to several WASDA members, at the Indianapolis Marriott Downtown. This meeting, which was attended in record numbers, not only offered networking opportunities, but valuable business connections in the home of the 13-0 Indianapolis Colts!

The Partnership Forum allowed for business to be conducted in a face-to-face atmosphere with multiple companies, at one time, in one place. In these tough economic times, the meetings were an efficient use of both time and money. In addition to exploring downtown Indianapolis in the evenings for dinner, attendees were provided an opportunity to network formally at WASDA hosted receptions and in between meetings. The General Business Session presented a forum to discuss association issues and update the membership on the work that the Board and Committees are doing to continue to add value to your membership in WASDA.

Overall, this year's Fall Meeting & Partnership Forum offered WASDA members a valuable opportunity to conduct business and network with the movers and shakers in the industry. Attendees also were tuned in to federal issues coming down the pike that will affect their business, making them one step ahead of the competition not in attendance. Thank you to all members in attendance for making the 2009 Fall Meeting & Partnership Forum a great success... again!

WASDA's 2010 Annual Meeting- Right Around the Corner!

By Sarah Hagy, Executive Director

Members will be heading to the Loews Ventana Canyon in Tucson, Arizona, the host for the 2010 Annual Meeting. From February 29- March 3, attendees will have an opportunity to hear several timely presentations as well as escape the harsh winter temperatures!



Kicking off the meeting will be our guest speaker, Bill Hillman, Chief Executive Officer for the National Utility Contractors Association (NUCA.) Mr. Hillman, who, prior to joining the NUCA staff, spent three years working on Capitol Hill for the House Subcommittee on Science, Research, and Technology, the Joint Economic Committee, and for U.S. Rep. Norman Shumway (R-Calif.) as legislative assistant. Attendees will have the opportunity to hear firsthand about legislative issues that will impact the way they conduct

Future Meeting Dates

2010 Annual Meeting
February 28 – March 3, 2010
Loews Ventana Canyon
Tucson, AZ

2010 Fall Meeting & Partnership Forum
October 24 – 26, 2010
Sheraton Denver Downtown
Denver, CO

2011 Annual Meeting
February 27 – March 2, 2011
Fairmont Turnberry Isle Resort & Club
Aventura, FL

Committee Corner

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business; from health care reform to the Buy USA provision, Mr. Hillman will provide you with timely information needed to plan for the future.

WASDA will also welcome former Pittsburgh Steelers running back, Rocky Bleier, to the Annual Meeting. Not falling within the ideal of what a running back should look like, Bleier had to run harder and play smarter to be able to stand out. Mr. Bleier will talk to attendees about the obstacles he overcame, not only throughout his football career but as a soldier in Vietnam. This will be a truly inspirational session.

Wrapping up the Meeting will be a return performance of the Capitol Steps! There's a new administration in the white house and we can all bet they have plenty of new material to work with given the economy and health care reform issues.

These are some of the highlights of the upcoming Annual Meeting in Tucson. Registration will open shortly; keep an eye out for promotional materials in your inbox and on the WASDA website. In the meantime, start looking into your travel arrangements; there are 11 carriers that offer nonstop flights into Tucson from 26 cities. We look forward to seeing everyone in Arizona!

Important Information about your Membership!

WASDA is currently assessing 2010 membership dues. **Please review the following information as it affects your WASDA membership:**

1. Your membership dues will be due upon receipt.
2. A letter will be sent 60 days after the date on the dues statement to all companies with outstanding dues. The letter will state membership will be terminated in 90 days if dues remain outstanding.
3. After 90 days, any company companies with an outstanding balance will be terminated without any further communication.
4. If a company wants to rejoin WASDA a membership application must be submitted and approved by the Board. There will also been a **\$350 reinstatement fee** in addition to membership dues.
5. Any company with outstanding dues will not be permitted to register for any meetings.

Committee Corner

Associate Committee

Walter Cooper, Chair

The members have spoken and your voices were heard. The Associate Committee is pleased to announce WASDA will be participating in the ACE in 2010!

Government Relations Committee

Peter Krainock, Chair

The Government Relation Committee has been busy working to develop Water Infrastructure Trust Fund. The Water Infrastructure Bill, a bipartisan Bill backed by Congressman Blumenauer, is slated to bring in 10 billion dollars in revenue for the water and wastewater industries as currently written. As noted at the Fall Meeting, there are several issues taking center stage in Washington D.C.: health care reform and next up, global warming. News is expected in terms of progress next year; I will continue to inform WASDA members as information is available.

As a reminder, we will mobilize (when it is time) through Capwiz. Please be sure to update WASDA Headquarters with your appropriate Government

Committee Corner (cont'd)

Water and Sewer Distributors of America

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Relations contact within your company. At least one contact from each company will receive the email however we want to ensure the proper person receives it. Please make your updates via email to Jameela Smith- jsmith@fernley.com.

Marketing Committee

Jim Fuller, Chair

Your Marketing Committee wants to wish everyone a Happy Holiday season and prosperous New Year. We have been very busy during 2009 planning for ACE in San Diego, Fall Meeting in Indy, and ad campaign on AWWA's *Opflow*, and now launching our plans for 2010.

The New Year economic reports continue to show signs for improvement and we are looking forward to working even harder in 2010 with our branding efforts for WASDA. Listed below are some of our primary plans and projects.

- Create a flyer to build more excitement for the Annual Meeting in Arizona.
- Work with Publications Committee for our monthly WASDA section in *WaterWorld* publication, starting January 2010.
- Work with the Membership Committee to update and reprint the "Value Brochure" for trade shows and members.
- Layout ad campaign for *WaterWorld* and *Opflow* publications.
- Finalize booth display and artwork for 2010 ACE, June 20-24, McCormick Place, Chicago.
- Start flyer/information pieces that will tie in with our New Education Committee's charter

Please contact us if you have any other ideas for better ways to get WASDA brand out to the industry and remember..... Everyone should be involved in our association, join a committee today and make your ideas count! Plan to attend our 2010 Annual Meeting, February 28-March 3, 2010, Loews Ventana Canyon Resort in Tucson, Arizona.

Membership Committee

Ed Nugent, Chair

The Membership Committee would like to thank all of you for attending the Fall Meeting & Partnership Forum in Indianapolis. We had a record number of attendees for the Forum, which speaks volumes for the value we receive from this meeting. I would like to thank the committee members for their efforts in mentoring our first time attendees. Without your help, these new and prospective members would not feel as welcomed or as "tuned in" toward a successful meeting.

We will be making calls and contacts with prospective members in the next month, so if any of you think of a prospective member we should contact, please let me know.

The Membership Committee is looking forward to seeing everyone again in Tucson for the Annual Meeting.

Publications Committee

Dave Putnam, Chair

The Publications Committee is busy at work preparing for the 2010 Annual Meeting. We are always looking into new ways to aid the members of WASDA and have been looking into different ideas for member training and education. These will include product videos, manufacturer "best practice" guidelines, and outside agency employee skills training.

WASDA has updated its Lending Library with some new material from NAW; these materials are available to members for a flat fee of \$25 to cover shipping. There are currently ten publications and three DVD's in inventory; you can view their descriptions on the order form found under the member's only section of the website. Please spread this around to your different divisions internally with your employees. We hope this proves to be a valuable tool for every distributor. There will be an update and complete listing in my report at the Annual Meeting in February; I welcome any feedback.

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Committee Corner (cont'd)

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The Membership Directory continues to be one of the most valuable tools we provide our members. The 2010 Directory has fewer pages and more information as we strive to keep the size manageable. We are pleased to report the number of advertisers was up this year and our advertising dollars remain strong. Our members continue to be creative with their ads and the promotion of new products and services. Please thank these advertisers when you talk to them and consider them with your business.

As our calendar year begins to close out, do not forget that benchmarking data is available to any WASDA Distributor Member. Our composite statistical survey report has all the relative data you could use to compare your business to our industry and it is FREE to WASDA members. If you did not complete a survey in 2009, contact me and I will see you get a snapshot of what the report can do for your business and budgeting for the upcoming year. We are looking into making enhancements to the survey for 2010 to see if we can improve the value of this report to the Distributor member. There will be more on this at the Annual Meeting next year as well.

We also have some announcements for the membership. New in 2010 will be a WASDA Facebook page, as social media networking continues to grow and be a valuable means of communication. Come check us out and join as a "Friend of WASDA".

Finally, we will work with the Marketing Committee on our *WaterWorld* Magazine column, beginning in January 2010. We are partnering with *WaterWorld* Magazine to increase awareness of WASDA amongst their 60,000 monthly subscribers and municipal membership.

We look forward to hearing from you with new ideas and some feedback on some of the things the Publications Committee is working on.

Now it's your turn –

Your WASDA Committees could always use a few more members participating and providing additional ideas or contact points, so plan to join a committee meeting in Tucson! Meetings will be held on Sunday afternoon, February 28, so book your flights accordingly. Member participation at the committee level, Distributors and Manufacturers, is what keeps our association strong and helps us move forward. So, join one of our committees today and show your support for our great association – WE NEED YOU! Email Jameela Smith-jsmith@fernley.com to get involved.

WASDA has a new committee!

WASDA recently formed the **Education Committee**, which will be chaired by Mike Dooley. The main function of the Committee will be to highlight and enhance the ability of all members to have access and knowledge of training tools and to maintain the WASDA Lending Library. The Committee will work with all WASDA committees to disseminate the information and activities that come from their work. If you are interested in working with this committee please contact Mike Dooley or Headquarters.

Welcome to the following new members!

Distribution One, LLC
Infiltrator Systems, Inc.
Michigan Pipe & Valve-Lansing, Inc.
Tigre USA, Inc.
Water Line Supply LLC

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2010 Slate of Directors

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2010 Slate of Directors

At the 2010 Annual Meeting, WASDA will present a slate of nominees during the General Business Session for Distributor Members to vote on. Please take a moment to read through the nominees candidate profiles to learn more about the individuals looking to serve on the Board of Directors.

Thomas E. Butler

Underground Pipe & Valve

Please describe your background in the industry, including your role within your company.

Born and raised the son of a Clow pipe salesman. My father, Jim Butler and his partner, Don Nuner expanded to Chicago in 1990 where upon I joined the firm from the coaching profession. I began as our truck driver, progressed to inside sales, purchasing and general management.

What do you feel is WASDA's primary benefit to its members and the industry?

To the members, the same as in the beginning. A forum for like-minded people to gather and share thoughts, ideas, practices and general nuances of the distribution business. To the industry, we can be a collective voice for progress on issues near and dear to us on both local and national levels.

What do you feel WASDA should be concentrating on the next few years?

Get our arms around ARRA and government "stimulus" funding in general. Define/refine distributions relevance within that market place to navigate the turbulent waters ahead. Realize these issues are not short term, and we must protect our business.

What are your reasons for wanting to serve on the Board of Directors?

I have no specific agenda. My background from the small-independent wing of the distribution business has shaped my personal perspective; however, whether you are a large national corporation, a mid-sized regional player, or a "Mom and Pop" operation, we are all driving the ball toward the same end zone. The most one can bring to the table is their life's experiences. On that note, I stand willing to share mine and tackle the issues that rise to the board level.

Jack Schaller

HD Supply Waterworks

Please describe your background in the industry, including your role within your company.

I began my career in the Waterworks Industry in 1979 with Sidener Supply Company. In my 30 years in this industry I have held many positions, sales, purchasing, management and President of the Sidener group. In 1997, Sidener was acquired by U.S. Filter Company and I assumed the role of Regional Vice President of the Northeast Region and still serve in the position today and am a member of the Senior Leadership Team for HD Supply Waterworks.

What do you feel is WASDA's primary benefit to its members and the industry?

WASDA is an organization for distribution companies in the water and sewer industry that provides a forum for its members to join forces to identify and promote the need for the replacement of our deteriorating infrastructure needs in the United States. This would also include any new installations as well.

What do you feel WASDA should be concentrating on the next few years?

By joining the forces of its distributor members, WASDA can provide a unified front to promote infrastructure improvement and expansion with our government agencies. Money needs to be continually allocated and earmarked for infrastructure needs.

What are your reasons for wanting to serve on the Board of Directors?

HD Supply Waterworks and under all previous company names has been a member of WASDA since its beginning. With my 30 plus years of experience in the water and sewer distribution industry, I want to insure that HD Supply Waterworks has a voice in the important decisions that face our industry. Now more than ever in these tough market conditions, it is important to identify and promote the needs of the water and sewer infrastructures in the United States. Coupled with the experience of our Senior Leadership Team, I know we can assist in helping WASDA grow and prosper.

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William (Bill) Thees

Ferguson Enterprises, Inc.

Please describe your background in the industry, including your role within your company.

I have been in the waterworks business for 20 years. I started my waterworks career with Ferguson after college in Orlando, Florida. My experience includes warehousing, sales, branch and regional management. I have been responsible for Ferguson's waterworks business in North America since 2007.

What do you feel is WASDA's primary benefit to its members and the industry?

WASDA provides many valuable resources for its member base. The meetings provide a structured environment to network with industry peers and manufacturing partners. Educational tools such as financial benchmarking and management seminars can assist our members with the issues that affect their business. Finally, WASDA can provide information regarding current government legislation and funding impacting water and wastewater infrastructure.

What do you feel WASDA should be concentrating on the next few years?

I feel a primary focus should remain on the value that distribution adds to the supply chain. Our involvement in government relations should also be a priority. We should voice our opinion as an industry regarding the needs for improvements to our water and wastewater infrastructure.

What are your reasons for wanting to serve on the Board of Directors?

I would like to serve on the WASDA board to contribute to the growth of the distribution business and the water and wastewater industry as a whole. I would be honored to be selected and would work hard to help WASDA remain relevant and dynamic as our industry evolves.

American Supply Association's Educational Foundation (ASAEF)



Looking for a reliable, affordable source for education? Whether it is an introduction to pipes, valves and fittings for a new employee or advanced inside sales training for your more seasoned sales managers,

ASAEF offers valuable courses for all levels of employees within your company. To learn more, please visit American Supply Association's education page. WASDA has entered into a partnership with ASA that allows WASDA members to take advantage of the discounted affiliate pricing. Please make sure to select this option when checking out!

Connections Newsletter - Submit News!

We want to hear from you! Member companies are encouraged and welcomed to submit press releases and content suggestions. Below are the 2010 submission deadlines which can also be found on the Industry News Page on the WASDA website. To submit news, email wasda@fernley.com.

- **First Quarter**
Submission Deadline: January 24, 2010
- **Second Quarter**
Submission Deadline: April 30, 2010
- **Third Quarter**
Submission Deadline: July 23, 2010
- **Fourth Quarter**
Submission Deadline: October 29, 2010

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Profit Improvement Report

Water and Sewer Distributors of America

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2009 Scholarship Winners — Update from Students



I'm Jessie Cahill and I am studying at Northwest Nazarene University in Nampa, Idaho. I really enjoyed my freshman year at NNU. The small school setting allowed me to get to know a lot of my fellow classmates. I loved the community feel and the family like atmosphere. I made lots of great friends and feel it's

a great place for me to grow and learn. Being part of the soccer team last year was a great experience as well. I also succeeded academically as well with a 3.79. I will be a sophomore and will be continuing to studying Biology/ Pre-med. This year I will be playing for the soccer team again as I continue my education!

Jessie Cahill

Profit Improvement Report

Prepared for WASDA

Vol. 18, No. 4

December 2009

The Problem That Will Not Die

By Dr. Albert D. Bates

President, Profit Planning Group

Payroll expense is like a character in a cheap horror movie—it's frightening and just when it seems to have been vanquished, it turns up in a sequel. Well, just like in the movies, payroll expense is back. This time the sequel is due to sales challenges associated with the recession. Sales have disappeared a lot faster than reductions in payroll expense can be made.

This report will examine the impact that payroll expense is having on industry profit performance and how that performance can be brought back in line with desired payroll levels. It will do that by addressing two key issues:

- **Assessing the Payroll Challenge**—An explanation of the most effective way to evaluate payroll productivity.
- **The Economics of Payroll Control**—An examination of the alternative approaches available to management to lower payroll expenses.

Assessing the Payroll Challenge

There are numerous ways to evaluate payroll, including sales per employee, payroll as a percent of sales, or payroll per employee. However, none of these ratios provides as complete an examination of the firm's ability to control payroll as the Personnel Productivity Ratio (PPR).

The PPR, which is reported each year in the SR Report sponsored by WASDA, expresses total payroll expense as a percentage of the gross margin dollars generated by the firm. Total payroll expenses include all employee compensation and all fringe benefits. The ratio is not intuitive, so it is useful to start with a look at some of the key financial results for the typical WASDA member:

- Net Sales: \$30,000,000.
- Gross Margin: \$6,900,000, or 23.0% of sales.
- Payroll: \$3,781,200, or 12.6% of sales.
- PPR: 54.8% (\$3,781,200 of payroll divided by \$6,900,000 of gross margin).

The PPR is one of the rare ratios where lower is better than higher. For WASDA members, the ratio means that every \$1.00 of gross margin generated requires a payroll expenditure of 54.8 cents. This means that after paying all payroll expenses, there is only 45.2 cents left to cover all of the firm's other expenses and generate a profit for the firm.

The strength of the PPR is that it reflects the overall impact of three different profit pressure points—sales, payroll itself and gross margin. However, this advantage is also something of a disadvantage. Sometimes it is difficult to determine which of the three different pressure points should be addressed:

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- **Sales Volume**—If additional sales can be generated with the same gross margin percentage and the same dollar commitment to payroll, then the PPR will fall.
- **Payroll Costs**—Any cut in payroll that does not result in a reduction in sales will clearly lower the PPR.
- **Gross Margin**—If the firm increases its gross margin percentage on the same sales volume, the PPR will also fall.

In most instances, management uses a blend of actions to bring down the PPR. What is most important to remember is that any group of actions that lowers the PPR will simultaneously generate higher profits for the firm.

The Economics of Payroll Control

Exhibit 1 examines the financial impact of the three major options to improve the PPR identified above. Exhibit 1 presents information for the typical WASDA member—the firm producing mid-point performance on sales, gross margin, PPR and bottom-line profit. While every firm is somewhat unique, the figures in Exhibit 1 reflect how profit results will change as the PPR is lowered.

The first column of numbers simply reviews the typical firm's performance. The firm generates \$30,000,000 in sales which produces \$750,000 in profit before taxes, or 2.5% of sales.

The next three columns examine what would be required to reduce the PPR by exactly 2.0 percentage points if the three actions were taken individually—either increasing sales, lowering payroll or improving the gross margin percentage. The 2.0 figure is merely illustrative. Some firms can lower the PPR more in a single year while others have less potential for improvement. However, two points is a reasonable goal for most firms.

The second column of numbers indicates that if sales rise by 3.8% (actually 3.788% for the purist reader), then the PPR will be reduced by exactly 2.0 percentage points. The ultimate implication of a sales-

A Managerial Sidebar:

Three Quickies for Lowering the PPR

For the most part lowering the PPR involves time-phased, long-term commitment to a number of initiatives. However, there are a few things that can be done quickly. The following represents but three examples:

- **Sales Volume**—Probably the fastest way to increase sales, especially in a down market, is to generate more lines on every order. Only a very small change is required to generate higher sales without any increase in payroll expense (other than commissions). The sales force is probably tired of hearing the plea to put more lines on every order, but it is a plea worth making again.
- **Payroll Expense**—Most firms provide a wide array of extremely valuable services that their customers relish. They also provide a few services that customers don't ever use or view as having almost no value. The quickest way to lower payroll expenses is to stop doing the things that have limited or no value to customers.
- **Gross Margin**—Virtually every firm routinely under-prices slow moving merchandise. Yet, there is an incredible value added for customers by having inventory of slow-selling items available when they are needed. That value added is worth a slightly higher price.

The Excel file is available at no cost to all WASDA members.

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based approach to lowering the PPR is that profit will increase to \$1,011,364, or 3.2% of sales.

The sales-based strategy is dependent upon two very crucial assumptions. First, the gross margin percentage must be maintained at 23.0% of sales. This means that price cutting cannot drive the sales increase. Second, payroll expense remains at the same dollar level, namely \$3,781,200. The implication of this is that as sales recover, the first 3.8% of sales increase must go to improving performance, not to providing compensation increases to employees, regardless of how deserving they may be.

The third column of numbers examines the reduction in payroll expense that would be necessary to lower the PPR in light of no increase in sales volume. The required reduction is 3.6%, just slightly smaller than the 3.8% increase in sales required to achieve the same reduction in the PPR. Despite producing the same reduction in the PPR, the increase in profit is smaller with expense reductions than with sales increases. The resulting profit is only \$888,000 or 2.96 of sales. It is still a significant increase.

Finally, if the gross margin percentage can be improved by 0.9 percentage points (increasing from 23.0% to 23.9%), then the PPR will also fall by the same 2.0 points during the year. This approach produces the same exact amount of gross margin dollars and the same amount of profit as the sales increase approach.

For the sake of simplicity, the example assumes the margin is increased via improved buying. A price increase model would have produced almost virtually the same financial result.

Each of the three approaches has its own challenges. Regardless of which approach is selected, it is clear that a 2.0 percentage point reduction in the PPR increases profits significantly. It is a reasonable starting point for planning.

Moving Forward

Economic conditions have caused payroll expense to once again come to the fore as a significant issue. Given continued uncertainty in the economy, firms need to take a multi-faceted approach to controlling payroll. The PPR is the best tool available to evaluate the success of those actions.

About the Author:

Dr. Albert D. Bates is founder and president of Profit Planning Group, a distribution research firm headquartered in Boulder, Colorado.

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Profit Talk

Water and Sewer Distributors of America

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Profit Talk

Many distributors face the challenge that top management understands the key drivers of profitability in the firm, but most mid-level managers do not. Profit Talk, a free video program for your members, provides the opportunity for the firm to share profit-improvement concepts with all decision makers. The information can be shared in groups or individually.

Profit Talk is an extension of Profit Toolkit, which has been an integral part of the individual feedback reports provided to firms that take part in the financial benchmarking programs conducted by the Profit Planning Group. Taking part in Profit Talk will require no additional work on the part of the participants.

As in the past, survey participants will receive a link to Profit Toolkit as part of their individual Profit Improvement Profiles. They will download Profit Toolkit, enter numbers for their firm (the numbers to enter are provided automatically as part of the Profit Improvement Profile) and then print out results for their firm in seminar-handout format.

These results will be the basis for Profit Talk. The video seminar will be in snippets format with a different topic in the eight to ten minute range being provided each year. Participants can watch the video and understand how the concepts and ideas impact their individual firm. The program will combine generic video with the company-specific handouts.

For firms that don't desire to share company information, industry average information from the financial benchmarking survey can be employed. The firm could, for example, use company information for selected members of the management team and overview information for other employees.

The video will be hosted on You Tube. It will be in a password protected section where only participants in the financial benchmarking survey can gain access. It should be a way to enhance survey participation and to provide valuable training at the same time.

Exhibit 1 Alternative Scenarios for Improving the PPR For a Typical WASDA Member

	<u>Current</u>	<u>Growth</u>	<u>Reduction</u>	<u>Point Higher Gross Margin</u>
		3.8% Sales	3.6% Payroll	0.9%
Net Sales	\$30,000,000	\$31,136,364	\$30,000,000	\$30,000,000
Cost of Goods Sold	<u>23,100,000</u>	<u>23,975,000</u>	<u>23,100,000</u>	<u>22,838,636</u>
Gross Margin	6,900,000	7,161,364	6,900,000	7,161,364
Payroll and Fringe Benefits	3,781,200	3,781,200	3,643,200	3,781,200
All Other Expenses	<u>2,368,800</u>	<u>2,368,800</u>	<u>2,368,800</u>	<u>2,368,800</u>
Total Expenses	<u>6,150,000</u>	<u>6,150,000</u>	<u>6,012,000</u>	<u>6,150,000</u>
Profit Before Taxes	\$750,000	\$1,011,364	\$888,000	\$1,011,364
PPR	54.8%	52.8%	52.8%	52.8%
Profit Before Taxes--%	2.5%	3.2%	3.0%	3.4%

WASDA WELCOMES YOUR INPUT

MEMBERS OF WASDA ONLY, please use this form to provide WASDA with news about your company and input on issues you'd like to see covered in *Connections*.

Member News

List any recent employee promotions, branch openings, strategic alliances, acquisitions, etc.:

Topic Suggestions

Are there any issues you'd like to see addressed, such as market conditions, improving your operations, international issues, business technologies, ISO certification, etc., in a future issue of *Connections*? Suggest an article and author or submit an article yourself.

Quality Kudos

Has your company recently been recognized for its "quality" efforts: ISO certifications, favored distributor, special awards, etc.? Share your success with other WASDA members by listing the information here:

WWW Update

Since the printing of the directory, if your company has acquired a new website or email and would like to publish the update in *Connections*, please list it here:

Submitted by:

Name: _____ Title _____

Return this form by fax to: WASDA • Sarah Hagy • 215-564-2175