

WASDA connections

Water and Sewer Distributors of America

Year End 2008

2008 Fall Meeting & Partnership Forum

By Rebecca Mathis, Associate Director

This year's Fall Meeting and Partnership Forum returned to the Mile High City at the Grand Hyatt in Downtown Denver. Not only did attendees come to network, but they enjoyed the many dining and shopping opportunities that the city had to offer.

Discussing business in a face-to-face forum proved to be an efficient use of time and money, delivering value that extends throughout the year. In addition to experiencing Denver's fantastic mountain views, attendees were able to take advantage of this members-only event to network, learn about what's new in the Association and participate in the ever-popular contact table meetings. The WASDA Business Session offered a platform to discuss association issues and update the membership on the work that WASDA committees are doing to serve members and benefit the industry.



Networking did not end when the appointments came to a close. Informal business continued at the cocktail receptions. The final networking event occurred on the 38th floor of the Pinnacle Club – Capital Peak Ballroom, where attendees took in the breathtaking sunset while mingling with friends and making new contacts. But don't think it was all work and no play... the World Series games took center stage on the larger than life TV screen at the receptions, with the Headquarters team leading the cheers for the Phillies to win. That spirit must have been what brought them to victory! After cocktails, delegates enjoyed free evenings to explore the nightlife and fine restaurants of downtown Denver with old friends, colleagues, and future business partners.



All and all, this year's Partnership Forum offered valuable opportunities and new ideas to help members take care of business. Thank you to all attendees for making the 2008 Fall Meeting and Partnership Forum another huge success!

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Message from the President



It seems like so long ago that we were all together in Denver for our Fall Meeting & Partnership Forum. It was good to see everyone again and also get the opportunity to meet all the new members of WASDA. I was impressed that so many people attended the meeting in Denver. Our attendance was still over that magical 300 member

mark. This is a clear indication of the value of the Partnership Forum. I know of no other occasion when you can get the most important people in the waterworks industry together in one room at the same time. Speaking of being in one room together, that room at the Pinnacle Club sure was one spectacular room to be in. The view of Denver and the mountains surrounding the city was truly grand. I would like to thank the Program Committee for all their hard work putting the meeting together. I thought everything went very well and the results of the survey sent to membership backed me up on that. The Partnership Forum is so important that even the now President-Elect, Obama, came to town during our stay.

While we were in Denver we held a Strategic Visioning Task Force meeting, facilitated by Bob Harris. Bob is an expert in the operation of non profit organizations and their Board of Directors. We spent the better portion of the day looking at where WASDA has been, and more importantly, where we are going in the future. You will see the results of this planning meeting shortly in print and also through the work of all the committees in the near future. We found it beneficial to take some extra time while we are all together to reflect on our association. It can be easy to just focus on the next meeting and lose track of the big picture.

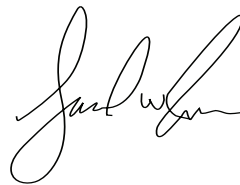
The news of the economy has not improved since we were in Denver; in fact it is probably worse. All indications are that 2009 is going to be a very difficult year for all of us. The Government Relations Committee is closely monitoring everything that is happening in Washington, with the transition to a new administration, and any possible economic stimulus package that might be coming our way. There has been a great deal of conversation about an economic stimulus package that would include a major investment in improving the infrastructure of the country. We hope that the water and wastewater industry will be a big part of this package. The Government Relations Committee is preparing to mobilize your membership when the time comes for this

package to come to a vote. We are going to need you and the employees of your companies to contact your representative Washington DC and tell them that investing in water and waste water is important to you. Hopefully this stimulus package will be more effective than the "flat screen" package sent earlier this year. We could sure use some good news out of DC these days.

In closing, I would just like to say that WASDA is working harder than ever to make sure we continue to bring the maximum ROI to our members. I know that everyone is looking for ways to cut operating expenses in these troubled times. WASDA is going to help. We have cut the cost of attending our Annual Meeting in Puerto Rico back to prices from the 70's. We are putting together a program that will give you plenty of extra take home value. Now is the time to gather and work together to make it through these troubled times. We need the power of WASDA more than ever these days. Nobody should have to get through this economic uncertainty alone. We will come through this a stronger association.

I hope everyone has a wonderful and safe holiday season. Enjoy the times you have with friends and family. I look forward to seeing all of you in sunny, WARM, Puerto Rico.

Sincerely



Sam Peirce
President

2009 SLATE OF DIRECTORS

The following individuals have been nominated by the Leadership Committee to serve on the Board of Directors. Elections will be held during the General Business Session at the 2009 Annual Meeting, March 1-4. Nominees are as follows:

- Ed Nugent, Utility Supply Company
- Peter Krainock, American Water Works International
- Rich Old, Groeniger & Company
- Brian Dougan, Pollardwater.com

Should you have any questions or interest in serving on a future Board of WASDA, please contact Sarah Hagy at WASDA Headquarters; shagy@fernley.com.

Annual Meeting

WASDA is celebrating its 30th Annual Meeting at the beautiful Rio Mar Beach Resort & Spa in Puerto Rico March 1-4, 2009. The resort is the only one in Puerto Rico where guests can get breathtaking views of both the ocean and rainforest. Come for the beach, golf and networking but stay for the educational sessions. Keynote speaker David Nour will present a seminar on "Relationship Economics" showing us how to build key personal, functional and strategic relationships. Relationship Economics is more than just networking - it's investing in people. Additionally, on Tuesday, March 3, members will hear from Ed Robinson who will develop attendees into better, more successful leaders.

The educational sessions will take place in the morning to allow for free time in the afternoons. Play a round of golf, lounge by the pool, tour the rainforest or soak up the sun and the sounds of the ocean waves on the beach. Either way, you will want to rest up to get a second wind for our evening events. Networking receptions on Sunday and Monday offer a casual setting to talk shop over a drink and a bite to eat and you won't want to miss Tuesday night's Anniversary Celebration. Members will enjoy a special evening with dinner and a live band at Coco Rio, an exclusive dinner venue nestled in the tropical paradise of the El Yunque Rainforest National Park.

Registration is now open. In honor of our 30th Anniversary, WASDA is offering an extremely discounted \$300 rate for registrations that are received by January 15 - this is half off the usual Annual Meeting fee. Take advantage of this serious discount and register now.

****Important News**** WASDA is extending the early bird deadline from December 15, 2008 to **January 15, 2009!** Be sure to take advantage of the 1979 registration fee of \$300*! WASDA has also secured guaranteed ocean view

rooms for all attendees plus a WASDA VIP card which offers 25% off the following:

- Individual golf tee times
- Tennis court rentals
- Spa treatments
- Non motorized water sports
- Tours to the El Yunque Rain Forest and Old San Juan shopping
- Cabana rentals

Download the [Annual Meeting](#) brochure and the [registration form](#).

Join us in Puerto Rico and be a part of WASDA's history by commemorating 30 years of the organization's achievements.

*This fee is not refundable.



Annual Meeting Speaker Update



It is with sad news that we report that John Alston, our Tuesday presenter, will not be able to join us in Puerto Rico. Mr. Alston has undergone several major surgeries leaving him in the recovery mode into the New Year. We wish John all the best for a fast and full recovery. In his place, we are pleased to announce that Ed Robinson, a colleague of Mr. Alston's, will be joining us to present *Leadership Management: Four Giant Steps to Leadership*. This session will develop leaders for success and will help attendees accomplish objectives with greater results at a faster pace. This session will also teach participants how to train their staff to perform with high yields at little to no expense. We look forward to hearing from Mr. Robinson.

Member News

Reed Manufacturing

Tim Donohue is Reed's new Director of Key Account Development and Regional Manager. Tim comes to Reed after 15 years in the industrial and construction marketplace with experience at Milwaukee Electric Tool and Robert Bosch. Tim's most recent position was Director of Sales – West for Milwaukee Electric Tool where he was responsible for all sales west of the Mississippi. At Reed, Tim will be working with WASDA members and other Reed accounts in the northwest United States.

Today's Water News



If you attended the 2008 Fall Meeting & Partnership Forum, you probably heard the buzz around the e-newsletter, *Today's Water News*, announced during the Government Relations Committee report. This publication is a daily listing of infrastructure issues by city, which shows the imminent need for more Federal funding to restore the aging infrastructure. You can subscribe [here](#) to this valuable resource provided by

Americans for Pure Water, a coalition of the Clean Water Council.

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 2009 submission deadlines which can also be found on the Industry News Page on the WASDA website.

Winter Edition - Submission Deadline: January 23, 2009

Spring Edition - Submission Deadline: May 1, 2009

Summer Edition - Submission Deadline: July 24, 2009

Fall Edition - Submission Deadline: October 30, 2009

Headquarters Update



Your Volunteer Organization is Our Business™

At the Fall Meeting in Denver, several changes in the WASDA Headquarters Team were announced.

Lindsay Groff has moved into the role of Management Liaison as she has been promoted to Vice President within Fernley & Fernley, Inc. Sarah Hagy has taken over as Executive Director, and Rebecca Mathis joined the team as Associate Director. Trish Keppler will continue her role as Senior Meeting Manager.

Future Meeting Dates

2009 Annual Meeting

Celebrating WASDA's 30th Anniversary

March 1- 4, 2009

[Rio Mar Resort & Spa, a Wyndham Grand Resort](#)

Rio Grande, Puerto Rico

2009 Fall Meeting & Partnership Forum

October 25-27

[Indianapolis Marriott Downtown](#)

Indianapolis, IN

Committee Corner

Associate Member Committee

As a reminder, all members are encouraged to use the WASDA logo on all advertisements, invoices, marketing pieces, etc. If you need an electronic version of the logo, please visit the WASDA website and login into the member's only section; here you will find the logo as well as usage guidelines.

Walter Cooper
Associate Member Committee Chair

Marketing Committee

WOW, so much going on with WASDA, between growing excitement about our 30th Anniversary trip to San Juan, creating a value brochure as directed by the SVTF (Strategic Visioning Task Force), designing posters for our Distributor and Manufacturer Members to display in their businesses, and working with our Government Relations and Publications Committees, things are very busy and moving fast for your Marketing Committee.

Our primary objective is to continue to provide support for our main initiative:

Build and show value for our members and increase industry wide awareness about WASDA and what we do. Our plan to accomplish this task starts with a value brochure, as mentioned above, as well as working on our marketing campaign in 2009. This campaign will include participation in ACE 2009 in San Diego, two ads in *Opflow* magazine, posters for Distributor and Manufacturer Members, and increasing our industry visibility by working jointly with our Publications Committee to continually send updates via press and/or news releases to all industry publications.

Now it's your turn – Your Marketing Committee could always use a few more members participating and providing additional ideas or contact points, so plan to join our meeting in San Juan! We will convene on Sunday afternoon, February 28, so book your flights accordingly. The fact is ALL committees want more member participation and this is what makes our group strong - being directed by our membership (including both Distributor and Manufacturer Members) so, join one of our committees today – WE NEED YOU. Email wasda@fernley.com to get involved.

Thanks!

Jim Fuller
Marketing Committee Chair

Welcome to the following new members!

Accucast Ltd.
Performance Meter, Inc.
Western Water Works Supply Company
J.U. Houle
Specification Rubber Products, Inc.
Copperhead Industries, LLC
Glasforms

Profit Improvement Report

Profit Improvement Report

Prepared for WASDA
Vol. 17, No. 4
December, 2008

The Datings Game
By Dr. Albert D. Bates
President, Profit Planning Group

In the current troubled economic environment, firms throughout the supply chain are making hard decisions about their relationships with other members of the chain. Many of the decisions have significant financial implications.

One of the most important considerations is the degree to which suppliers offer their distributor partners cash discounts and datings on the merchandise purchased. In a tight-credit/lowered-profit world, every supplier should review their terms of sale. To do otherwise would be to violate a fiduciary responsibility.

However, even modest changes in the terms of sale can have an extremely negative impact on the financial results of distributors—both in cash flow and profitability. Everybody in the supply chain needs to understand how these revised terms work through the distributor organization.

This report examines the datings/cash discount issue from two different perspectives:

- Impact on Financial Performance—Most suppliers, and even many distributors themselves, are not fully aware of the extent to which small changes in the cash discounts and datings offered impact results. This section will examine how such changes impact the firm.
- Working with Suppliers—There must be specific programs in place to make sure the entire channel is working together for the best possible financial results for all concerned.

Impact on Financial Performance

The link between changes in supplier terms and overall financial results is outlined in Exhibit 1. The first column presents results for the typical WASDA member based upon the latest Statistical Report. As can be seen in the exhibit, the typical firm generates sales of \$25,000,000, and produces a pre-tax profit of 2.5% of sales or \$625,000. The firm pays its bills in 28 days and receives a 2.0% cash discount on purchases.

A Managerial Sidebar: Getting Specific at the Firm Level

Every firm represents a somewhat unique situation. While the examples in this report can help with the educational process, more firm-specific information is always valuable.

An Excel file to help firms work through results for their firm has been posted in the [members only section](#) on the WASDA web site under benchmarking. That file allows WASDA members to make changes in both datings and cash discount arrangements and see what happens. The following is an example using the Excel file. The items enclosed in boxes can be changed. Everything else calculates automatically.

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

Variables	Current Situation	Revised Situation
Average Payment Days	28.0	18.0
Average Cash Discount %	2.0	1.0
Financial Impact	Current Results	Revised Results \$
Income Statement		
Net Sales	25,000,000	25,000,000
Cost of Goods Sold	19,500,000	19,500,000
Gross Margin	5,500,000	5,500,000
Expenses		
Normal Expenses	4,875,000	4,875,000
Interest Impact	0	32,055
Any Discount Lost	0	195,000
Total Expenses	4,875,000	5,102,055
Profit	625,000	397,945
Assets		
Cash	\$82,500	-\$451,747
Accounts Payable (Imputed Based Upon Credit Terms)	\$1,495,000	\$961,644

The second column of numbers assumes that the payment period is cut in half, from 28 days to 14 days. The impact, shown at the very bottom of the column, is to cut accounts payable in half, from \$1,500,000 to only \$750,000. The effect on profit is relatively modest as the firm must pay interest on the reduction in accounts

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Profit Improvement Report (cont'd)

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Exhibit 1

The Impact of Cutting Inbound Terms and Cash Discount Rates On the Firm's Overall Financial Results

Income Statement--\$	Current Results	Cutting Terms in Half	Eliminating The Cash Discount	Both Actions Simultaneously
Net Sales	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
Cost of Goods Sold	<u>19,500,000</u>	<u>19,500,000</u>	<u>19,500,000</u>	<u>19,500,000</u>
Gross Margin	5,500,000	5,500,000	5,500,000	5,500,000
Normal Expenses	4,875,000	4,875,000	4,875,000	4,875,000
Additional Interest	0	45,000	0	45,000
Discounts Lost	0	0	390,000	390,000
Total Expenses	<u>4,875,000</u>	<u>4,920,000</u>	<u>5,265,000</u>	<u>5,310,000</u>
Profit Before Taxes	\$625,000	\$580,000	\$235,000	\$190,000
Investment				
Cash	\$82,500	-\$667,500	\$82,500	-\$667,500
Accounts Payable	\$1,500,000	\$750,000	\$1,500,000	\$750,000

payable. Assuming a 6.0% interest rate, profit only falls by \$45,000.

The real impact is on the firm's cash position. With less accounts payable, the firm has less cash. The result is to drive the firm's cash position negative to -\$667,500. Obviously, the firm would have to use its line of credit to overcome this situation, something easier said than done today.

The third column of numbers looks at the loss of the cash discount. Here the relationship is exactly the opposite of what it was for a reduction in datings. Namely, profit is reduced dramatically, but the firm's cash position is unchanged.

For ease of calculation, any changes in inventory levels are ignored and purchases are assumed to be equal to Cost of Goods Sold. With a loss of 2.0% of purchases, profit plummets from \$625,000 to \$235,000, a decline of 62.4%.

The final column of numbers simply takes the analysis to its logical conclusion and considers both changes at the same time. Both the firm's cash position and its profit level are moved into an untenable position.

WASDA members have historically produced reasonable, but unspectacular profits. They also have operated on a very modest cash position. This is because their

assets are tied up in inventory and accounts receivable, not cash.

Distributors need to work very hard to maintain their cash position and their profitability. Even small changes can erode results very quickly. At the same time, suppliers must satisfy their own financial requirements. Clearly, a channel-wide view of the situation is needed.

Working with Suppliers

Any potential change in supplier terms will almost certainly be met with the same response. Both sides will scream and yell and pronounce that life is unfair. After that, three specific actions are suggested.

- **Supplier Education**—Suppliers are often accused of not caring about distributor profitability. In almost all instances such suggestions are unwarranted. What is true, though, is that the vast majority of suppliers do not understand distributor profitability. As a result, many well-intentioned programs may be poorly designed.

If suppliers do not understand distributor financial results, it is at least partially the fault of distributors themselves. A very open and honest discussion as to how changes in terms and discount plans affects financial results is needed. An agreement is probably closer than everybody thinks.

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Profit Improvement Report (cont'd)

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- **Commitment to Suppliers**—If terms and discounts are going to be provided by suppliers, then those terms and discounts must be honored by distributors. Terms of 30 days does not mean 35; it doesn't even mean 31.

In addition, suppliers that are willing to work with distributors with regard to their financial position need to be rewarded for doing so. It is called loyalty.

- **Helping Suppliers with Their Financial Challenges**—Just as supplier decisions can impact distributors in negative ways, distributors have the same potential to impact suppliers. Placing fewer, larger orders helps suppliers tremendously, just as does eliminating emergency orders, controlling errors, the using electronic data interchange and a plethora of other factors. Being a good customer never hurts in financial discussions.

Tensions between suppliers and distributors have always existed and always will. However, if both sides approach

the present situation with a desire to understand and help the other side improve, such tensions can be diminished.

Moving Forward

Changes in either datings or cash discounts is not a minor issue for WASDA members. It is very close to life or death. It is absolutely essential that firms work with their suppliers in an effort to reach an accord that satisfies the financial needs of every channel member.

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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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 _____

Company: _____ Phone: _____

Your e-mail address: _____ Company e-mail address: _____

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