



ITEMS

NEWSLETTER

June 2005

Delco Sales Tagged to Cover Important Southern California Territories



After a comprehensive review of the changes needed to keep pace with the growing Southern California marketplace, Delco Sales has been named to carry the AB&I banner throughout this dynamic region.

"Our customers have been telling us for some time that we needed a bigger presence in the Southland," says AB&I sales manager, Greg Seiler. Two factory sales representatives were just not enough to cover such a large area, and adding more factory people and providing the training necessary would take too long to accomplish the objective of improving service quickly. "We considered adding more of our own people," says Seiler, "but when we approached Delco with the challenge of building the Southern California territories for us, they jumped at the chance."

The decision to bring in a manufacturer's representative, instead of building a larger factory team, came after much soul searching. It has become apparent over the years that the traditional roles of factory reps, manufacturer's reps and distributor reps has become blurred. Calling on contractors and specifiers, for example, was once strictly reserved for distributor's reps. That division, however, has all but completely disappeared, as manufacturer's reps and factory people now routinely call on these professionals to drive business to the local distributor. Rather than industry-wide standards for who calls on whom, the market today is more jumbled, with local custom and individual distributor preference taking priority over industry norms.

As a result of these and other changes, it became clear that the manufacturer's rep is best suited to provide the flexibility needed by distributors.

Marla Shives, veteran AB&I sales rep, has been reassigned to an engineering product support position, and Mark Cowan has left AB&I to pursue other opportunities.

"Once the decision to go with a manufacturer's rep was made," continued Seiler, "we were approached by Delco and the very qualified Hampton Condin Sales. After a prolonged evaluation, we decided to put the Delco team of 29 professionals to work carrying the AB&I message to the market."

"Our goal is to greatly improve our coverage and service," says AB&I vice president, Kip Wixson. "We're very confident that Delco will help us respond to customer expectations in Southern California."

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Perspective

The Power of Slogans and Sayings and Why Bogus Fittings in the Market are Bad News

I've been hearing an expression for years that always intrigued me: "Value is more than low price." I once looked up the definition of value, and it said something like, "A fair equivalent for something; a quality considered inherently worthwhile." There was no mention or reference to low price. In fact, I can say that, in my experience, value is rarely associated with low price. Yet, in today's WalMart society, we tend to associate low price with value, and want to tell everyone how little we paid for something.

The fact is, the only way we can determine the true value of something is to determine what we are actually getting for what we are paying. We must do some homework.

A couple of years ago, a no-hub fitting showed up in California with the letters AB&I cast on the side, along with the words, Made In China. Well, as you can imagine, that caused quite a stir around here. Despite rumors to the contrary, we've never sold anything made in China, and to see what purported to be one of our products with Made in China stamped on the side was, at the very least, disturbing. We also had a trademark to protect, so we had to jump on this quickly and stop the counterfeit. After several attorney letters, these fake AB&I fittings were melted for scrap. But that raised an interesting question for some of our customers: What's the difference between a genuine AB&I fitting and a bogus copy? In other words, what is the real value difference between the two?

Let's start with the name: AB&I. With a fitting made by our foundry, the customer can be assured that a 100 year old American company made the product. With the fake copy, they don't know who made it. With the AB&I version, the

customer knows that the product meets all applicable standards for material, quality and dimensional accuracy. Not so with the Chinese version. The AB&I fitting is covered by liability insurance, was produced to strict environmental standards, and is approved for use on any job in the US. The bogus copy is not.

So, what is the value of buying an AB&I fitting? Peace of mind and the confidence that comes from dealing with the industry leader. There is a very tangible value in knowing that the product you buy is, first, manufactured to both industry and environmental standards, and, second, backed by a company dedicated to standing behind its products, and, third, that the product is what we say it is.

There is also the very real profit risk that comes from repairing quality problems that come up as a result of using "brand x" pipe or fittings. One job that goes south as a result of bad material can cost many times the additional profit to be had from using cheap but inferior products. Clearly, any perception of added "value" in the inferior product washes out when costs associated with problems are factored in.

How many times have we bought the cheaper garden hose, only to spend time and aggravation straightening out kinks? Was the lower price worth the bother? Where was the value? We've all bought cheap tires at some point in our lives, but what is the real cost in early replacement or added risk on rainy days? Buying cheap might have seemed like a value decision at the time, but we learn from those experiences that value is much more than just price.

AB&I prides itself on being the value leader in the cast iron DWV business. Our products stand the test of time, and our

foundry methods and technologies produce castings as efficiently as humanly possible, anywhere on the planet. That's the real test of value, and that's the reason AB&I has grown over the past century as a leading producer of cast iron soil pipe and fittings.

Which reminds me of another saying I once heard: "Quality is remembered long after low price is forgotten."

I was on a business trip recently, staying at a pretty nice hotel. At various points throughout the hotel were nicely-done signs with little wise sayings on them. One that caught my eye in particular was a sign posted right outside the elevator, visible every time I went to my room: "Never follow an empty wagon; nothing falls off." I spent a fair amount of time thinking about the various possible interpretations of this bit of advice. What I finally came away with is the notion that the people and companies we associate ourselves with during our lifetimes can make a gigantic difference. If we follow people who lack genuine substance, either personally or professionally, nothing meaningful is likely to fall off their wagon. We will, therefore, not benefit personally as much from such an association as we would have had we spent our valuable time associating with someone else. That has certainly been true in my experience. I have been fortunate enough to align with various people, companies and customers who seemed to have stuff falling off their wagon at me all the time. I've learned a great deal from these associations, and have gained in ways too numerous to mention. I also hope people following in my wake have benefited from the things that have fallen off my wagon. It's the cycle that makes it all worthwhile.

Are You Taking Your Cash Discounts?

It's always surprising that so few businesses take advantage of the cash discounts available to them from suppliers. When asked why they don't take the discounts, five answers generally come up:

- 1) I don't have the money,
- 2) I can't process invoices that fast,
- 3) My customer doesn't pay me in time to take the discount,
- 4) 2% per year just isn't worth it,
- 5) I don't know who offers a cash discount and who doesn't.

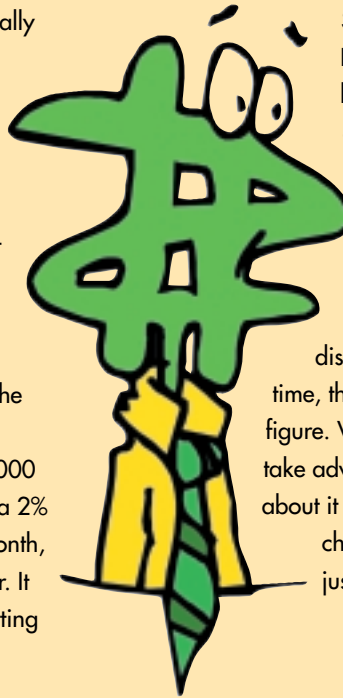
If any of these responses sound familiar, consider borrowing the money and speeding up your internal processing. The rewards can be substantial. Let's do the math.

If I borrow \$1 million at 6%, it would cost me \$60,000 per year. If I use this million to pay my bills and take a 2% discount, I'll save \$20,000. Now, if I do this every month, I'll save \$240,000 in supplies costs over the next year. It cost me \$60,000 to save \$240,000 on materials, netting

me \$180,000 in savings, going directly to my bottom line. Is it worth speeding things up a little to earn an additional \$180,000 on the bank's money?

But, you say, you're not paying a million bucks in bills every month. Fine. The percentages stay the same. Let's say you'll put a mere \$20-50,000 a year back in your pocket; does that sound attractive? Of course it does. And all it takes is a little sensible cash management.

Now, keep in mind that contractors beat up distributors over 1/2% or 1% in price all the time, then give away 2% on the cash discount. Go figure. We know of some very smart people failing to take advantage of the discounts offered them. Think about it the next time a bill crosses your desk. With cheap money so prevalent these days, there's just no reason to let those discounts go away.



Update on Scrap Iron: No Major Increases Visible on the Horizon



AB&I's on-hand supply of scrap iron remains very strong, and there is no anticipated shortage of material that could affect production in the near to mid term. That is the bottom line conclusion

coming out of a recent assessment of the raw material market for cast iron.

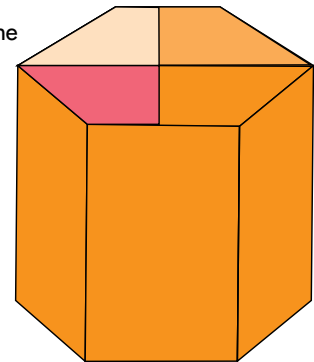
"We're very pleased that raw material price increases have eased dramatically over the past few months," says AB&I plumbing division manager, Gary Wickham. "The price shocks that caused such turbulence last year have subsided, at least for now," reports Wickham. "We don't anticipate bringing any more bad news to the market in the near future."

As usual, AB&I will keep all customers posted in the event of any changes.

Fractional Box Packaging Simplifies Receiving, Cuts Handling Costs

Distributors are reminded of the option of ordering fittings in fractional box lots, packing 2, 3 or even 4 different fittings in segmented boxes that reduce handling time. This packing makes it easier to quickly find just the fittings your customer wants, without digging around for the right one.

This easier handling also reduces receiving time and handling costs. "By receiving fittings already segmented by size or fitting type, many of our customers have greatly simplified the receiving process," says Greg Seiler, AB&I sales manager. "We encourage our stocking distributors to order fittings in these fractional box lots," says Seiler.

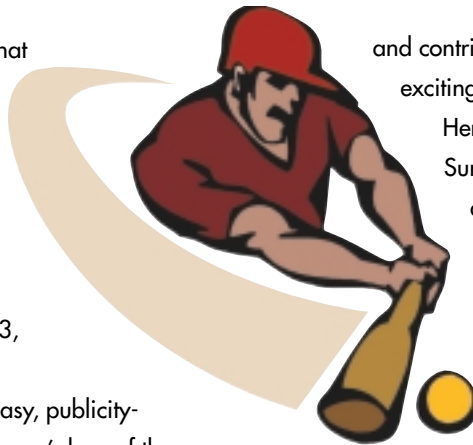


Ricky Henderson, 46, To Play for New Golden Baseball League

The Associated Press has recently reported that Ricky Henderson, baseball's career leader in runs and stolen bases, will play for the San Diego Surf Dawgs in the independent Golden Baseball League.

Henderson's big league career spanned 25 seasons, when he scored 2295 runs and stole 1406 bases. His last year in the bigs was 2003, playing 30 games for the LA Dodgers.

While most players retire in luxury or seek easy, publicity-related gigs when they leave The Show, Henderson's love of the game over-rides his pride. "I wanted to be part of something special,



and contributing to the launch of a new league was very exciting to me," he said during a recent interview.

Henderson will earn \$3000 per month with the Surf Dawgs, plus a little more for personal appearances for the team and league.

In many ways, Henderson exemplifies the kind of work ethic that has driven the American economy to where it is today. Rather than kick back in his easy chair, he's pursuing the next phase of his life's passion, continuing to be paid for what he loves best in life, simply

playing baseball. Congratulations, Ricky; all the best!

Just for Fun...

So Much for the Experts



1. "Computers in the future may weigh no more than 1.5 tons."
-*Popular Mechanics Magazine, 1949*
2. "I think there is a world market for, maybe, five computers."
-*Thomas Watson, Chairman of IBM, 1943*
3. "I have traveled the length and breadth of this country, and talked with the best people, and I can assure you that data processing is a fad and won't last out the year."
-*Editor at Prentiss Hall Publishing, 1957*
4. "This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is of no inherent value."
-*Western Union internal memo, 1876*
5. "The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?"
-*David Sarnoff's associates in response to his urging to invest in the radio in the 1920s*
6. "The concept is interesting and well-formed, but in order to earn better than a 'C,' the idea must also be feasible."
-*Yale University professor responding to Fred Smith's paper. Smith later went on to found Federal Express Corp.*
7. "I'm just glad it will be Clark Gable falling on his face and not Gary Cooper."
-*Gary Cooper on his decision to not take the lead role in Gone With the Wind.*
8. "We don't like their sound, and guitar music is on the way out."
-*Decca Recording Corp, rejecting The Beatles, 1962*



Redneck Love Poem

Susie Lee done fell in love,
She planned to marry Joe,
She was so happy 'bout it all,
She told her Pappy so.

Pappy told her Susie Gal,
You'll have to find another,
I'd just a soon your mom don't know,
But Joe is your half brother.

So Susie put aside her Joe,
And planned to marry Will,
But after telling Pappy this,
He said, there's trouble still.

You just can't marry Will, my gal,
And please don't tell your mother,
But Will and Joe, and several more,
I know is your half brother.

But Mama knew and said, my child,
Just do what makes you happy,
Marry Will or marry Joe,
You ain't no kin to Pappy.

