



ITEMS

NEWSLETTER

July 2008

Marketing update...

AB&I Deepens Sales Management Team to Foster Specialization, Build for Future Growth



AB&I veteran sales managers Gary Wickham (left) and Michael Lowe (right) will share responsibilities to provide better service to customers throughout the marketing area

As AB&I looks to the future and sees the growth in market penetration and share, it becomes clear that the role of sales management is changing. The demands, both in terms of time and technical expertise, on sales management in this dynamic environment make it imperative that managers specialize in order to provide the quality of service that has come to be the hallmark of AB&I.

To accomplish this goal of maximizing service, the sales management function has now been divided between two veteran AB&I marketing managers, Gary Wickham and Michael Lowe.

Gary has been named to the position of Technical Sales Manager, formalizing his long-time role as the go-to guy for questions about the technical and engineering aspects of the AB&I product line, and its application to specific projects in the field. Throughout his fifteen years at AB&I, Gary has been a cornerstone of the sales and management teams, and has come to be known and respected throughout the industry for his honesty, hard work, and plumbing knowledge.

Michael has been appointed to the position of National Sales Manager, and will be overseeing the daily functions of the AB&I

regional sales managers and manufacturer's representatives throughout the various sales territories. Michael comes to this position having served as the Regional Sales Manager for the Pacific Northwest, as well as being in charge of various special projects for the foundry. Michael has recently earned his MBA by attending classes nights and weekends, a major accomplishment, and one that brings a new perspective to the AB&I management team.

"We are very enthusiastic about this new sales-management strategy," said Kip Wixson, AB&I vice president for plumbing sales and marketing. "This move will not only deepen our management bench, but will enable our managers to take even better care of their customers as we plan for a changing future."

In this issue...

- ✓ Kip's Perspective
- ✓ Top Ten Tips
- ✓ Become a Distributor
- ✓ Importer Complains
- ✓ Just for Fun



Perspective

Tonight's forecast: Dark, followed by periods of widely-scattered light after sunrise

If we know what's going to happen, why does it take us by surprise when it does?

I borrowed this month's paraphrased headline from the famous (now late-great) George Carlin, perhaps known best for his insightful satire of the everyday occurrence.

I'm not sure what Carlin was getting at during this bit, but the words come back to me when I think about the turmoil some of our customers are feeling today, as prices for our products increase in our daily attempt at keeping ahead of the cost curve.

It has been a long-standing policy of AB&I to give as much warning as possible of pending price increases. In more stable times, these advance notices would go out months in advance of the increase, often causing us to bite a bullet and eat increased costs for awhile, until the price increase could take effect and we could get back into a more manageable position.

The trajectory of cost and price increases in recent months, however, has changed all that. Today, like me and you and the dog named Boo, we don't have a good grasp on what tomorrow's costs will be. Prices for energy and commodities (like scrap iron) have gone through the roof, and continue to climb, with no end in sight.

Still, we're left to run a business, and committed to remaining at least somewhat profitable over the medium term. This price instability in the market has forced us to do things we never thought we would have to do. We've increased prices faster than we said we would, with less notice than we wanted to give. We've disappointed and angered some of our

best customers, people whom we have called friends for years. The pain that this has caused us at AB&I cannot be overstated. We know what it's like to bid a job based on today's prices, then have the prices go up dramatically in the ensuing weeks and months. We know what it's like to be left holding the bag. It's no fun for anyone, least of the all you, our valued customer.

But our guys feel it, too. Our salespeople did not take this job so they could go to their customers with bad news about prices all the time. They feel your pain. Really.

The bottom line is a tough one. In these times, the best we can do is be up-front and honest with you about changing conditions, and tell you how we see it from where we stand.

Energy and commodity prices will remain high for the foreseeable future. We just have to adjust to that. We're paying way more for the fuel and iron we use, so we have to charge more for the products we make. While we stand by our commitment to give the market as much notice of price increases as possible, with things changing so quickly, we may not be able to wait weeks or months to make the necessary adjustments at our end.

We encourage our customers to consider their business practices, and avoid getting caught in the squeeze between yesterday's bid and tomorrow's start date. Some companies are invoking surcharges to take some of the shock out of the system. Others are considering some form of escalators tied to the cost of materials. We must all do what we can to avoid being defeated by these energy and materials costs. We can't absorb these costs ourselves and expect to be in

business long.

We've all seen this coming for a long time. We've tried to communicate our concerns in this newsletter and in other venues, too. We knew the night would turn dark, just as we know that light will soon follow.

Good businesspeople will develop strategies to deal with changing prices. We've been here before (remember the late '70s?), and we'll get through these times, too. But it will take planning and paying attention, so we're not surprised by what happens.

It's difficult to tell much about the state of the current market, other than that it is slowing a bit in the commercial/industrial segments, just like the forecasters said it would. Some of this is due to the decreased demand that a slowing economy brings, but some of it is due to banks getting downright stingy with their money. The credit crunch has put the brakes on many new projects, turning away developers and projects that would have been easily approved just a few months ago. This credit tightening is likely to continue, at least until banks can get a better handle on their losses in the residential market. When will that be? Who knows, but it's another headwind we have to plan for.

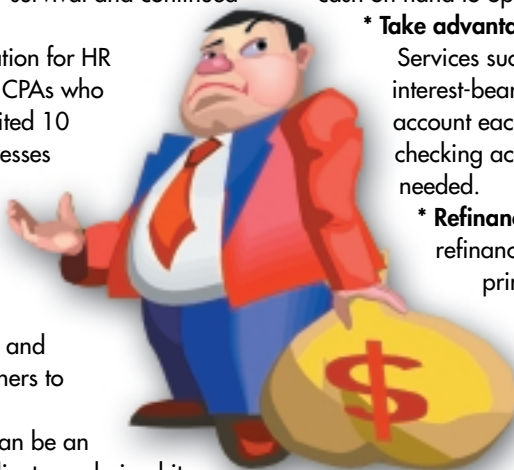
As I'm writing this, I'm staring at a headline in the San Francisco Chronicle about public employees getting massive overtime pay. One firefighter got \$198,000 in OT last year, another public worker more than \$150K. This, in addition to their salaries, "retire young" benefits and paid everything. Is it any wonder our cities and counties are going broke? Who will bail us out? Is this another headwind? What do you think?

Mind Your Own Business...**Top Ten Tips for Thriving in a Slowdown**

With the economy slowing a bit, business leaders should be taking action now to ensure their survival and continued success.

A recent article in a trade publication for HR managers, prepared by a group of CPAs who deal with these issues all the time, cited 10 steps owners of privately held businesses can take now to prepare for a possible slowdown. They include:

- * **Review the budget on a monthly basis.** Keeping track of expenses, sales, margins, cash flow and other indicators allows business owners to make changes quickly.
- * **Watch receivables closely.** They can be an indicator of how hard a business' clients are being hit by an economic downturn, and could provide an early warning that clients are about to cut back on their purchasing.
- * **Evaluate all expenses.** Review the purchases you make to see which ones are no longer needed.
- * **Ensure cash flow remains healthy by matching account receivables to accounts payables.** Review and revise processes for collecting payments, and get more aggressive with reminders and phone calls when payments are late.
- * **Offer credit card payment options to slow-paying customers.** Swallowing a 1.5 percent processing fee to the



credit card companies is a small price to pay for having the cash on hand to operate your business.

* **Take advantage of services offered by the bank.**

Services such as 'sweep accounts' push money in an interest-bearing account from a business checking account each night, and 'sweeps' it back into the checking account in the morning, when funds are needed.

* **Refinance debt.** Entrepreneurs may want to refinance debt, or turn their line of credit into a principle and interest loan in order to pay down debt.

* **Negotiate with vendors.** Many vendors will provide a discount for payment up front. If cash flow is an issue, request an extension of credit with them, so that the business can pay invoices in 60 days, instead of 30.

* **Begin accumulating a cash reserve.** Similar to a personal nest egg, a business cash reserve can be used for emergencies such as a recession, or for special occasions, such as an opportunity to acquire another company. While profits should be used to grow the business and to reward owners and employees, make sure a percentage is reserved for later use.

* **Expand services.** This may seem counterintuitive, but if a business is financially healthy, it may be able to expand services to take advantage of cutbacks being made by competitors which are struggling.

Partner with the Leader: Become an AB&I Stocking Distributor



For those wholesalers not yet signed up in AB&I's stocking distributor program, we have a question for you: why not?

AB&I's stocking distributor program puts the full resources of our marketing support team to work, driving new business to your door. Our field sales and engineering support teams call on contractors and specifiers in your area, provide you with critical market information, and serve as your on-call conduit to the complete line of quality AB&I cast iron DWV products and accessories.

For more information, call Michael Lowe today at 800-GOT-IRON.

Where Were You in 1908? 1958? Baseball Stats Recall a Lost Era

1908: Chicago Cubs were World Series Champions, defeating the Detroit Tigers 4 games to 1.
Ty Cobb batted .324
Christy Mathewson had a 1.43 ERA

1958: Orlando Cepeda was Rookie of the Year
Ted Williams hit .328
Whitey Ford had a 2.01 ERA



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From the "Gimme-a-Break" Department...

AB&I Responds to Importer Complaint of Unfairness



In a recent issue of *The Wholesaler*, an importer of cast iron pipe and fittings produced by China, complained that they were not being given a fair shake in the United States, and were being confronted with competitive requirements that were, well, unreasonable. Say what?

For over a decade, American producers of cast iron pipe and fittings have consistently outperformed their Chinese and other foreign counterparts, even though these countries do not impose even the most basic environmental, safety, labor, or worker health requirements on their foundries.

While American foundries spend millions each year on keeping our air and water clean, Chinese foundries pollute like crazy, with only a passing nod to the need to clean up their act "someday." Meanwhile, American producers are forced to compete without subsidies and against an artificial dollar-yuan exchange rate.

American foundries spend more millions on factory safety, worker training, compliance with rigid labor standards, and other government compliance issues. The cost to produce American goods is higher as a result of these requirements, but it's the right thing to do. All we ask of our foreign competitors is that they meet our industry standards (such as testing their iron for radioactivity and harmful chemicals, like arsenic), and all they can do is complain. Boo hoo.

Just for Fun...

Late Night Gas Price Jokes

"Gas prices are so high, drivers in LA are shooting themselves instead of each other."

-Jay Leno

"The average price of gas has hit an all-time high this week. Which means, wherever you go this Summer, it may be cheaper to mail your car."

-Amy Poehler

"There was a sign at the gas station that said, 'We take Visa, Master Card, American Express and Discover. When I filled up, they took my Visa, Master Card, American Express and Discover...'"

-Jay Leno

"With gas prices, drive-by shootings are way down. These days, gangbangers are saying, 'Let's just agree to disagree.'"

-Unknown comic

"Gas is so expensive, at my gas station they have a slot for your credit card and, right next to it, another slot for your 401K."

-Jay Leno

"Gas is so expensive, Britney Spears' baby is forced to drive a Prius."

-David Letterman

"After the war, the idea is to divide Iraq into three parts: regular, premium, and unleaded."

-Jay Leno



Those Church Ladies Are At It Again...

The following are excerpts from actual church bulletins (we know they're real, because we found them on the Internet).

The sermon this morning: "Jesus Walks on the Water."
Tonight's sermon: "Searching for Jesus."



The peacemaking meeting today has been rescheduled due to a conflict.

The eighth-graders will be presenting Shakespeare's Hamlet, in the church basement, on Friday at 7pm. The congregation is invited to attend this tragedy.

Please place your donation in the envelope along with the deceased person you want remembered.

The ladies of the Church have cast off clothing of every kind. They can be seen in the basement on Friday afternoon.

Low Self Esteem Support group will meet Thursday at 7pm. Please use the back door.

A bean supper will be held Thursday evening in the church hall. Music will follow.

For those of you who have children and don't know it, there is a nursery downstairs.

The fasting and prayer conference includes meals.

