

Technology Pays Off For United Pipe & Supply

by Jim Olsztynski

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Bad technology devastated the company; wiser investments have helped double sales over the last four years.



Many wholesalers are wary of investing a bundle in souped-up information technology for which the payback isn't always apparent. People of the geek persuasion tend to scorn them as backward thinkers. Caution is well advised, however. United Pipe & Supply, a waterworks and irrigation distribution giant in the Pacific Northwest, has experienced the thrill of IT progress but only after the agony of seeing it devastate the company.

Dave Ramsey, the late owner and CEO of United Pipe & Supply, came out on the wrong end of an IT investment in the early years of this new millennium. The company bought a network system from a provider that afterward went bankrupt. Technical support dissolved and the company's in-house staff was ill-equipped to deal with malfunctions that threatened United's survival.

It was an ugly experience. The system would crash several times a day. People in the branches couldn't enter orders. Orders that got entered went unfulfilled. Customers could be seen storming away from United's pick-up counters. Founded in 1953 by Taylor Ramsey, Dave's father, the company had always prided itself on top-notch customer service. This made the computer malfunctions an especially bitter pill to swallow.

In late 2000, Ramsey hired Mike Green as chief information officer with a mandate to get the company back on the right track. Green had sterling IT credentials stemming from a background in consulting and third-party logistics. Ramsey told him that the network problem "would destroy the company." His first marching order was to fix it without breaking the bank.



Green uncovered \$100,000 in redundant IT costs, which was reinvested in a new network. He also found \$250,000 in maintenance costs being used to maintain the obsolete system. Green funneled that money into various IT upgrades that are the focal point of this article.

*United Pipe &
Supply President
Edd Kolasinski
(left) and Chief
Information Officer
Mike Green.*

Thanks in part to greater productivity generated by the IT initiatives, United has doubled sales over the last four years to over \$200 million. Profits have also risen handsomely.

Here are some of the highlights of United's IT program.

- Mincron, which has been in place over a decade at United, remains the hub of its IT platform. As of this writing, 26 of the firm's 32 branches utilize Mincron's electronic warehouse management system, using radio frequency scanners to maximize efficiency. By year's end, all branches will be connected. Other programs integrate with Mincron.
- Some 200 wireless laptops are in use throughout the company by salespeople, managers and other key personnel. If they are in a wi-fi hot spot, they can access a local network; otherwise, they can connect to the Internet via cellular modems to enter orders, browse inventory and check orders or e-mail.
- All 428 employees in every branch communicate with one another seamlessly via networked phone and e-mail systems.
- An IP telephony system routes customers via an 800 number to product experts in any branch. If someone has, say, a pump problem, the call will be routed to one of the pump specialists companywide, depending on who is next in the queue with an open line.
- United's OutlookSoft CPM financial planning, budgeting and analytics software produces more than 260 P&L statements configured in various ways for different recipients. Before, the company's controller would spend the better part of two days pasting data into dozens of Excel spreadsheets for distribution to branch managers. Now, information gets updated for all 260+ financial statements at the stroke of a key.
- A new E-3 procurement system automates EOQs and enables the purchasing department to factor in variables such as freight costs and seasonality. When PVC pipe availability became an issue and prices went through the roof after Katrina hit last year, the system enabled the vice president of purchasing to rapidly model a response.
- The company has targeted its top 50 vendors for EDI purchasing and currently conducts 35% of all vendor transactions online. The goal is to hit 50% within six months.
- United has implemented an "Account Portfolio Planning System." They engaged QMP Associates in Portland to help with sales and marketing training

and development. One of the keys was a system to manage, review and strategize the business by account.

- The company uses activity-based costing data to analyze customer profitability. (More on this later.)
- With the Mt. Hood volcano visible from Portland headquarters and a major earthquake inevitable for the Pacific Northwest somewhere in time, the company board decided to invest a quarter-million dollars in redundant backup systems and off-site duplicate data storage 100 miles away in the city of Eugene. This “mirrored” data system automatically updates every transaction made by any branch in real time.

Ramsey didn't let the bad experience with the company's old network spook him against further technology investment. He did, however, proceed with greater caution.

Green recalls that United's CEO instructed him to do whatever necessary to fix the networking problem and pave the way toward a technology-driven future. However, it all came with a proviso that whatever he did had to make economic sense. IT investments had to be justified with a business plan showing how they would pay off. That's been the company's MO ever since.



TRANSITION via TRAGEDY

Dave Ramsey tragically died of a heart attack in May 2003. Wife Patricia (“Patti”) now owns the company and has embarked on a transition from a family-run company to a professionally managed one. (See story above). Mike Green remains with the company as CIO and has spurred the IT revolution just described. Ramsey hired a new president for the company, Ed Kolasinski, in August 2004. He is gung ho about the company's IT efforts.

A CPA by background, Kolasinski came to the company via a career trek that included eight years at Price Waterhouse, followed by stints with an industrial conglomerate in his hometown of Milwaukee, presidency of a subsidiary company that brought him to Portland and a startup venture in the medical technologies field. He reports to an independent board of directors – another aspect of the transition from family to professional management.

Green reports to Kolasinski, as do three regional managers – Terry Dotson, Rich Walz and Dan Wurgler. Collectively, they comprise an unofficial “Office of the COO.” Green describes the three regional managers as his “customers.” It's up to

him to support their strategic goals with whatever technology is needed to do the job.

Terry Dotson, who was particularly close to Dave Ramsey, said the late CEO "always wanted United Pipe to be on the cutting edge technologically. Mike's tenacity has taken it to a new level."

"Mike is accommodating," said Wurgler. "If I ask for something, he delivers."

SURGING sales

Headquartered in Portland, OR, United Pipe & Supply operates 32 branches in the states of Oregon, Washington, Idaho and Montana. Divisions span the irrigation, agriculture, waterworks, pumps & drilling and HVAC markets. Since the time of troubles in 2002, sales have doubled and are on track to top \$200 million this year – all organic growth, without acquisitions. The regional managers and salespeople have been instrumental in using IT to good advantage.

According to Dotson, the technology initiatives put in place have enabled the company to open a new branch in about half the time it used to take. He added, "Times have changed. With modern technology, the customer expects everything right now."

Rich Walz said United's IT program "accelerates our ability to deal with growth. In the old days, it would take a lot more time to get market intelligence feedback and teach our people to deal with it productively. Now everything is much more instantaneous."

Wurgler talked of opening a branch in Auburn, WA, in less than 60 days. "Inventory selection can be pretty tedious for a new branch, but we had to guess very little. Our IT system helped us immensely.

"The speed of putting branches together is critical," Wurgler added. "It will enable us to make sizable expansions in an area."

"Our outside sales team has the skills to help grow this business," said Kolasinski. "We want to help them think like entrepreneurs. Each of our salespeople is responsible for managing a business of between 30 to 50 accounts. They need to be nimble and decisive in managing those customers. This requires understanding their business and seeing from the customers' eyes what's really important. Our goal is to use technology to help our salespeople do what they do best."

Entrepreneurs need detailed financial information. Kolasinski is a big fan of the open-book management concept. In today's company, managers, salespeople and other employees have access to financial data that gets sliced some 260 different

ways, depending on relevance to a given role.

"I consider the people here as 428 colleagues, not employees," explained Kolasinski. "If you want them to feel like part of a team, you have to share information with them. The big fear about revealing financial information is that it will get around outside the company, but I have confidence that our people won't allow that to happen.

"Actually," he corrected, "we've found it advantageous to share some of our sales and growth data with vendors. It's really opened some eyes. Many of them did not understand the scope of United's business."



IT Technical Services Manager Frank Bernier is kept very busy supplying United personnel with new equipment and upgrades.

One of the first salvos of the IT revolution under Green's stewardship was the seemingly simple step of issuing laptops to the sales team. According to Green, it took some persuasion to convince Dave Ramsey of the value. It started with a modest pilot program costing \$10,000. They issued laptops to a handful of salespeople and monitored their performance for several months.

Results were compelling. The participating sales reps were able to take orders in the field, readily access the Internet and work from home at night. This made them more productive and responsive to customers. Salespeople in the pilot program told of orders being taken off the street even

before the competition knew the orders existed.

Now, laptops are standard issue to all managers, sales personnel and various other employees. In hard dollars, it's not cheap to provide 200+ laptops with accessories and software. But the arithmetic changes perspective when considered in relation to some \$100 million of additional sales generated in roughly the same time frame.

The process wasn't a slam-dunk. United's sales team was peppered with PVF industry veterans addicted to faxes and phones. Some of them had never used a computer. A few refused to learn and left. Those unable but willing had to be trained from scratch how to operate a mouse and pull down a menu. United invested in such training and more. Computer illiteracy has been stamped out in the company, which now is reaping the rewards.

Rich Walz noted: "In my opinion, the technology forced us to hire better people, and those better people have added to our productivity in an explosive way. We've upgraded our staff over the years because our systems have mandated that we can't just fill a wage slot and expect positive results. Now, we try to hire the brightest and then set a wage."

ABC in abeyance

Another of Green's early IT initiatives was using business intelligence software to build activity-based costing (ABC) profiles on each of United's customers. This involved analyzing costs associated with processing and delivering orders, sales visits, service demands, etc., and assigning those costs based on customer buying patterns.

Green recalls a particular episode that made Dave Ramsey's face turn white. He and Ramsey were reviewing the company's ABC profiles and accessed data on what everyone considered to be the company's best customer based on sales revenue. After examining the customer's ABC profile, they found out that United was losing about \$50,000 a year servicing its "best" customer.

"Gotcha" moments like that typically mark turning points in a business. What Green found out instead was that timing means everything.

The ABC initiative took place at an early stage of United's IT revolution, and people weren't ready for it. Most of the sales reps were just starting to dip their toes into IT waters. They didn't understand how activity costs were derived or what it meant.

Rather than force weird information down their throats, Green and Ramsey pulled back. Other IT enhancements took priority. However, the company continued to track activity costs.

EVOLUTION in progress

Although this article refers to United's IT "revolution," it's better to think of it as an evolutionary process. The system constantly gets enhanced, upgraded and improved. Current initiatives include a focus on videoconferencing and training via the Internet, along with moving ahead on the purchasing front.

It's not just for the sake of bells and whistles. Kolasinski and Green are ever mindful of the late owner's dictum to make business sense out of everything they do.

"Dave forged the vision, and Mike put the technology in place. I like to say that he paved the autobahn," said Kolasinski. "Before, we had a lot of BMWs driving on potholed streets.

"Our focus over the past two years has been to accelerate the effort. I think our industry will undergo more changes in the next five years than it has in the last 30

years. We're relying on mostly the same group of people that have been around all that time to keep pace with the changes. They can do it, but we have to take their shackles off.

"I can't tell you the market specifics for irrigation in the Boise branch, but we have people there who know it extremely well," Kolasinski said. "Our job is to give them the tools they need to build a sound business plan to tap that market.

"They are responding magnificently," he added. "Some of our people hardly knew how to operate a computer just a few years ago. Now they are raising the performance bar higher than I ever would have imagined at this time."

PATTI RAMSEY — Thrust from Background to Foreground

When husband Dave passed away three years ago, Patricia ("Patti") Ramsey found her world turned upside down in more ways than just losing a beloved spouse of 24 years. Suddenly she became majority owner of a business she had not been involved in.



This is not a demure lady, however. When thrust from the background to the foreground, she threw herself into the task of understanding what she needed to do as the top decision maker to assure the company's survival.

"It was scary, but also an exciting adventure," she said. "I developed a feel for changes taking place in the business and the economy. I learned the importance of technology and its value to our business. It became apparent that to drive our business we needed to embrace these new technologies."

One of the first things she did after her husband's death was to recruit an independent board of directors. These were vendors and non-competing wholesalers with whom she had developed friendships through Dave's trade association activities, which included past presidency of the Irrigation Association. "I wanted a working, thinking board, not yes men," she explained. Patti is one of six board members and describes herself as a "co-chair" with industry veteran Wayne Miller, retired CEO of Century Rainaid, a 170-branch irrigation distributor. Miller also serves as CEO of United.

Her next crucial decision was to find a permanent president for United Pipe & Supply. With a board of industry insiders in place, Patti purposely looked outside the industry for "a breath of fresh air."

She found that person in Ed Kolasinski. He originally was hired as CFO, but Patti recognized his "capability of taking the company in the direction we wanted to go.

"I felt we needed a cultural change in the organization of thinking differently and embracing change," she said. "It's not just about making sales anymore. We need to take into consideration metrics, data and hard facts to keep ahead of our competitors."

Patti is confident in the board and executive leadership she has recruited. She helps set the vision of the company, keeps posted on the broad scope of opportunities, represents United at association and vendor meetings, and participates in senior management meetings. "We have outstanding people in the company, and we've only scratched the surface of what it can become," she said. "I couldn't hope to have done any better."

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