

## 2. Preferred Pump: Decentralized Operations

by Pat Lenius

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*Each branch operates autonomously.*

Branch managers at Preferred Pump receive a monthly profit and loss statement that provides all of the information they need to run the branch like their own business.

The branches also have their own purchasing power. Preferred Pump has 30 branches but each has its own unique characteristics.

"We are a market-driven company," says Tom Bowers, director of marketing/group manager. "We buy for each market. We don't use central purchasing except to maximize profits or get special deals."

The purchasing department at headquarters mostly manages inventory and handles big buys, according to Scott Sizemore, vice president of purchasing and information technology.

"If a vendor has a special discount we will handle the primary lines and large purchases," Sizemore explains. "A lot of our purchasing is done at the branch manager level. He has the flexibility to order what he needs. The corporate office has a list of preferred vendors. In most cases the branch manager can opt not to buy from the preferred vendor if the brand is not accepted in his market or if there is a conflict of interest."

Unlike some larger wholesalers, Preferred Pump does not manage its assets from a central office. "We are more old-fashioned, low tech," Bowers says. "We still use a lot of intuition, gut feelings. We talk to our customers."

The corporate office handles accounts receivable, accounts payable and human resources. Scott Sizemore oversees technology and inventory and West Soward takes care of the budget and banking functions.

"I am a big fan of having the home office treat its branches like customers," Soward says. "That is my mantra. The home office is not here to be served — it is here to serve the branches."

This is confirmed by Mike Floyd, a group regional manager. "We don't get commands from the corporate office," he says. "We get requests. It feels like we have people serving us vs. managing us."

By centralizing accounting, human resources and the promotional parts of its business to the Texas home office, Preferred Pump's branches can focus most on what they do best: recognizing customers' needs, knowing what and how much inventory to stock, providing efficient product delivery, offering customers technical assistance both by telephone and in the field, and providing customer training, says Joe Thein, a group manager.

Other than a corporate training program for its computer system, each regional branch takes

charge of its own training.

The group regional managers meet three or four times a year. Usually it is tied in with the company's dealer awards program, which rewards customers for their purchases.

"There is no competition between the group managers," Floyd says. "We all want to do well. When one person is successful we are all happy. We can take a new branch and make it profitable immediately. No matter whose branch it is, we are all excited about it."

The decision-making power given to its branch managers is one of the big reasons why Preferred Pump has been so successful, Sizemore says.

## **A Profit-Driven Organization**

Preferred Pump & Equipment LP has its own way of doing things but it has proven to be profitable. Its California region more than doubled its average sales during the months of August through November when gas prices spiked.

"While everyone was panicking, we found a simple solution," says Tom Bowers, director of marketing/group manager. "Rather than come up with a minimum freight requirement or assess a 3% to 5% fuel surcharge, we delivered twice as big an order to customers every other week, without raising the price. It has worked out."

The operating cost in fuel and maintenance was significantly less for those months because the trucks made fewer deliveries.

Overall, the company takes a fiscally conservative approach to doing business. It has about 40 freight liners, big delivery trucks, but they do not require Class A licensed drivers, which means they are less expensive to operate. They can carry a gross weight of 24,500 lbs. If a truck carries more than 25,000 lbs. it must be driven by a driver with a Class A license, which costs more in fees, according to Bowers.

"Our goal is to have delivery trucks that anyone can jump in and drive, whether it be the regional manager, a branch manager, a warehouse worker or an inside salesperson," Bowers says. "Our goal is to be real flexible. Only two company vehicles are cars, everyone else has a pickup truck. The branch managers drive a 3/4 ton pickup truck so they can make deliveries if necessary. The regional managers and salesmen also drive pickup trucks. That is how we are able to provide the service. We don't hear people say, 'That is not my job.' Most of our branch managers do a little bit of everything."

Preferred Pump does not waste money and there is no "dead weight" at its branches, Bowers says. "Everyone gives 110%."

While it would be nice to buy a sweeping machine for its concrete floors, the company decided not to spend the \$7,000 it would cost "when we can get a guy with a broom to do it," Bowers says. "We would rather spend the money to reward our customers for their business by taking them on a cruise or a trip to Las Vegas."

While a couple of its branches have beautiful manicured lawns, Bowers says that dirt is even better. "As long as the place is safe and orderly and we can find things when we need them"