

BESCHLOSS BEAT

Affiliated Distributors impacts PHCP industry

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Affiliated Distributors, the nation's major integrated marketing group, has made an inestimable impact on the PHCP industry in general, and the PVF sector, specifically, in the past 10 years.

Simply put, the objective of this massive organization, which embraces electrical, industrial, PVF and plumbing suppliers, is to increase the market share and profitability of its affiliate members and preferred supplier partners.

Because of the breadth and depth of its penetration into the PHCP industry's distribution system, A-D is arguably North America's No. 1 independent network. Its pipe, valve and fittings division, which includes 67 distributors doing over \$3.3 billion in sales through 475 locations in the U.S. and Canada, has created initiatives that have helped propel the PVF distribution sector into its present position of prominence.

A-D's commitment to independent distribution during a period of increasing industry concentration has done much to reaffirm the ongoing and future role of PVF distributors and manufacturers committed to maintaining their independent ownership. According to A-D's leadership, the prime reason behind this group's decade-old success is delivering promised results to its affiliates.

This is accomplished by the following strategies:

- Earning rebates based on their purchases from A-D preferred suppliers. These comprise a select group of manufacturers and service providers. A-D claims the clout of an \$18-billion distributor network.
- Providing a national reach for its distribution membership on nationwide new project and MRO contracts.
- Requiring A-D preferred suppliers to participate in strategic and tactical marketing programs with affiliates.
- Facilitating multiple forums for intra-organization communications and networking among

affiliates and suppliers.

- Providing leadership and support necessary for affiliates to penetrate new emerging markets.

- Offering the opportunity to participate in sales promotions generated by preferred suppliers exclusively for A-D affiliates.

As is true in the success of most independent PHCP industry and distribution organizations, a strong leader has to be at the forefront of innovative growth strategies. A-D chairman and CEO Bill Weisberg embodies the best of these qualities.

His meteoric 14-year career as head of this dynamic organization is summarized in the adjoining sidebar. We are privileged to conduct the following exclusive interview with Bill.

Beschloss: *As one who has admired your decade-long impact on the previously ill-defined PVF sector, I've welcomed your partnership in building such a distinct image for both distributors and manufacturers. What motivated your interest in PVF as a specific entity?*

Weisberg: There were three things about PVF that attracted us from the onset. First off, we were impressed by the local market strength of PVF independents. In almost every market in this country, the leader is an independent. PVF customers clearly value independents and the services they provide. Second, we saw an industry where suppliers appreciate and respect the role of independents. And third, we liked the people. Our PVF members are bright, tough, resourceful, staunchly independent and fun to work with. I've been lucky enough to develop some great friendships in the last 10 years on both sides of this industry. These are relationships I will value the rest of my life.

Beschloss: *Having had the pleasure of discussing your approach before you put it "into play," I've been amazed at the rapidity with which you've made it happen. To what do you attribute your quick success in convincing such a conservative group of decision makers?*

Weisberg: Well, I don't know that I'd describe PVF

leaders as being that conservative! Some are, for sure. But we had quite a few distributors and suppliers embrace our strategy and plans from the very start. That's the nice thing about having a track record. People were able to research A-D's success in other industries and decide for themselves whether they thought it made sense for PVF.

We also had some great coaching. Two of the first people I met with in the industry were Gary Cartright of Piping & Equipment and Mike Horner of Frischkorn. They were hugely instrumental in helping us tailor our program to PVF and in putting us in touch with the right distributors and suppliers. In the early days, virtually every company that joined A-D — distributor and supplier alike — came to us through a connection with either one or both of these two gentlemen. Our entire group owes them an enormous debt of gratitude.

Other people who played a major role early on included Steve Anderson of Central States, Ernie Coutermarsh of F.W. Webb, Cal Mosack of Conbraco, John Martin of Anvil, John Seder of Milwaukee Valve, Beef Lamone of Capital Camco and Gerry Slattery of Wheatland Tube. We've had our share of struggles over the last 10 years, but it was hard for us to do too badly with folks like that helping.

Beschloss: *Practically every one of our distributor Q&As have been with members of A-D, who swear by the results they have achieved since joining your group. With 70 of the finest national PVF distributors already on your team, are you open for further membership?*

Weisberg: Yes, we are. Our strategy is selective, but not exclusive. We don't draw a line around our existing position and say this is it. Our strategy is to have a leading position in each major market covering both the industrial and mechanical side.

We've made great progress in that regard in the last 10 years, but there's still a fair bit of work to be done. There are several strong distributors we are actually in discussion with right now. Plus, there are some

Weisberg close-up

Bill Weisberg is the chairman and CEO of Affiliated Distributors, the largest buying and marketing group for wholesale distributors in North America. Weisberg joined A-D in 1983

and became its chairman and CEO in 1991. In 1993 he led the organization into Canada via a merger with Copel, the leading electrical group in that country. In 1994 he expanded A-D's distribution network via a start-up division in General Line Industrial Supplies and followed that a year later with a start-up in pipe, valves and fittings.

Weisberg spearheaded the launch of A-Dnet in 1997, which is a proprietary on-line network that automated virtually all of the group's communication and marketing programs. In 1999 he founded Supplyforce, a national accounts business that currently serves multi-regional MRO customers by coor-



dinating service from A-D members and other independents. In 2001 he oversaw the merger between A-D and IDONE that doubled A-D's presence in the industrial supply market and followed that in

2002 with the merger with C.L. Watt that led to the formation of A-D's Plumbing Supply Division. During the 14 years he has served as A-D's CEO, Weisberg and his team have consistently promoted three primary organizational objectives: empowering affiliates with information, delivering innovative solutions to the market and providing mutually beneficial results to affiliates and suppliers. Total sales for A-D affiliates currently exceed \$18 billion. Weisberg is the proud father of six children, including a newborn daughter, twin sons who are two, and three older daughters, ages 19, 22 and 25.

we are probably overdue to meet with again.

Things change in this industry much more than outsiders think. And one of our guiding beliefs at A-D is that if you want to be the market leader you'd better be committed to continuous improvement and constant innovation. There's nothing we do at A-D that couldn't benefit from improvement and innovation. In the last two years, we've implemented significant enhancements to our marketing programs, our technology and our supplier incentives.

Beschloss: *Has there been any conflict or overlap with mill supply distributors, who may also be handling PVF products as part of their offering?*

Weisberg: We haven't seen that. One of A-D's benefits is that distributors do have access to more than one Division if they qualify for it. However, less than 5% of the distributors in our General Line Industrial Supply Division participate in our PVF Division.

Beschloss: *Was your acquisition of the C.L. Watt buying group a direct result of your rapid success with PVF, and how has it been faring? (As one of the oldest PHCP buying groups, C.L. Watt's initials stood for charter members Capital Supply, Levitt, Westside Supply, Andrews, Trumbull and Treaty.)*

Weisberg: We had two members in common with C.L. Watt and the chairmen of those companies, Bill Arenberg of Columbia Pipe and John Pope of F.W. Webb, played a leading role in bringing about the merger. They had the foresight to see the synergy that would occur and we've been extremely pleased with the results.

It enabled us to establish a market-leading position in the plumbing industry overnight and simultaneously strengthened our position in PVF. The merger strengthened the supplier lists for both Divisions, expanded A-D's PVF membership, expanded C.L. Watt's plumbing membership and enabled us to adopt the best practices of each group for the benefit of everyone.

There was some rough sledding early on, just like any merger, but there's no question that both parties are better off today than either was before. The synergies on the supplier side are very compelling. And

the improved economies of scale have led to better programs and increased operational efficiency.

Beschloss: *One of the most remarkable aspects of your impact on the PVF sector is the new life it has given to many of your members, who may have considered selling. Have your A-D members commented to you on this encouraging outlook?*

Weisberg: There's no question about it. Our members are now just as competitive as any national chain. And when you add that to their local market strength, it's a powerful combination.

Beschloss: *Early on you emphasized the urgency of cooperation on national accounts by your members, which became supplyFORCE. Would you comment on the success of this approach?*

Weisberg: One of our early innovations was the development of a national accounts program that legally enabled our members to jointly bid and service national accounts. It was truly a spectacular innovation that brought real value to lots of members and fueled great growth for A-D.

In the late 1990s, we spun that activity off into a separate business so that it could focus on its core mission without distracting A-D from ours. Unfortunately, I let supplyFORCE (the company we created) get too caught up in the exuberance of the dot.com era. We ended up wasting a great deal of time, money and energy chasing something that was very different than its original purpose.

Nevertheless, with a great deal of effort (and luck) we were able to get supplyFORCE back to doing what it was supposed to. Today, it has a solid management team and a clear mission. It's helping A-D members maintain and grow their businesses with large, multi-location industrial end-users. It's profitable. And it's doing a terrific job for its customers. I expect you'll be seeing and hearing much more from them in the coming years. Customers love the combination of strong local market leaders providing consistent pricing and service as part of a common business platform.

Beschloss: *With the continued growth of such industry distribution giants as*

Ferguson, Hughes, Hajoca, McJunkin, and now WinWholesale/Noland, do you perceive any negative effect on the A-D buying/marketing group?

Weisberg: A-D is well-equipped to survive and prosper in spite of ongoing consolidation. We do well over \$4 billion in plumbing and PVF and have a strong and growing network of independents. Some members will sell. But others are making acquisitions and opening new locations. Additionally — and unlike most buying groups — we operate in multiple industries. That enables us to spread the cost of our back-office and support departments across a broad array of members, giving A-D strong and sustainable economies of scale.

Beschloss: *Asimilar merger/acquisitions trend seems to be continuing among PVF manufacturers. Some of the "grand old names" like Grinnell, Pacific, DeZurik, Anvil, MEUSCO, etc., are part of conglomerates where decisions are made at non-industry corporate levels. Do you believe this creates problems on the manufacturers' side?*

Weisberg: Supplier consolidation is certainly rampant. And while there are some exceptions, most of it is good for the industry. We all want our suppliers to be competitive. Well, they need economies of scale for that. To date, we've typically been able to expand and strengthen our relationships with suppliers as a result of a merger. And most companies have been smart enough to leave the top managers in place that created the market value and built the relationships. That's critical.

Beschloss: *With an \$18-billion marketing/buying group under your "umbrella," how do you maintain an overview of the constant changes occurring in each of the industry segments?*

Weisberg: It's either something you enjoy or it's not. In my case, I love it. I'm on the road about 70% of the time and I maintain close and frequent contact with the leadership of each of our Divisions (Affiliates, Suppliers and Staff). We have an Affiliate Executive Committee for each Division that I meet with twice each year. And we have a Supplier Advisory Council for

each Division, too. These groups provide invaluable advice and direction. Plus, I'm very fortunate to be working with a great group of people on staff. Gary Jackson and Roy Weaks do a superb job running our PVF and Plumbing Divisions, respectively. They make sure all of us at A-D are on top of the changing needs of our members and suppliers, and that we respond proactively.

Beschloss: *With your national affiliates' meeting coming up in Dallas in mid-September, a week after the ASA convention in Orlando, do you foresee any long-term conflict in the role that each of these two organizations play within the PHCP industry?*

Weisberg: A-D fully supports the major trade associations in each industry we participate in. We respect the role they play on behalf of the entire industry. We don't see trade associations evolving into buying/marketing groups down the road, nor do I ever see us evolving into a trade association. We both have an important role to play and our own unique challenges.

Beschloss: *There is talk in the industry about A-D starting an HVAC division. Is there any truth to that?*

Weisberg: Well, I wouldn't be surprised if that happened some day. HVAC is a \$19-billion industry with a healthy independent channel and fairly limited buying group activity. We have a dozen or so Plumbing Division members who are very active in HVAC and quite a few suppliers who could form a solid nucleus of a new division. Plus, we've had a number of HVAC-only distributors (HARDI members) reach out to us to explore our level of interest in forming an HVAC Division. From what we've seen so far, there very well might be a place in HVAC for a group with our resources and programs. ■

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