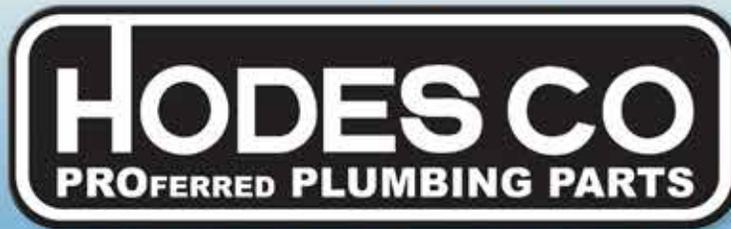


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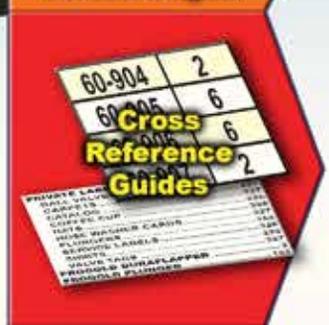
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**Organization
& Marketing
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Tidy Shop, Tidy Savings: Inventory Controls and Cleanliness Save Labor and Drive Billable Jobs

Austin Plumbing in Hartland, Wis., has eliminated hundreds of wasted plumbing tech and administrative staff hours with precise inventory management systems, well-established standard operating procedures, and pre-made job kits for repetitive projects. The barcoded bins, handheld scanners, and real-time reporting of Hodes Co.'s Stock Service System have significantly reduced the time spent in the warehouse and increased billable plumbing tech hours by 66 percent.

The proverbial notion that there should be “a place for everything and everything in its place” is steadfastly adhered to at Austin Plumbing.

The 15,000 square foot warehouse and 15 box truck service vehicles are clean and uncluttered. The parts stocked in the warehouse are the same ones meticulously stocked and stored on the trucks. Everything is labeled, everything is accounted for, everything is organized.

Third generation owner Eric Smith, just like his father and grandfather before him, believes in a well-organized shop, and warehouse manager Jake “JJ” Janowski makes sure the principle is followed day in and day out at Austin Plumbing.

“The Smiths are great operators and have been wonderful mentors,” Janowski said. “They’ve taught me a lot and I try to put it to good use everyday by upholding their operating philosophy and guiding values.”

Austin Plumbing pays careful attention as to why customers do business with them, as gleaned from years of customer feedback, and has even used these customer-driven

It’s impossible to achieve effective inventory control with a disorganized shop, and the Stock Service System plays a big part in keeping us organized. With the bin systems, barcodes, scanners, and reports, we’ve got the visibility and peace of mind we want on the inventory expense side, and our labor to manage our inventory has never been lower.

- Jake Janowski, Warehouse Manager, Austin Plumbing



Jake Janowski
Warehouse Manager
Austin Plumbing



differentiators as the foundation for retention and new growth. The reasons include “straightforward pricing” and “respect for your home,” but a less obvious one is “warehouse on wheels.”

“Warehouse on wheels” refers to the idea that time for homeowners and techs is precious and it shouldn’t be wasted with multiple trips to the same home for the same service issue. Techs should have everything they need for repairs and projects on their trucks and ready for use.

That’s why Austin stocks its oversized box trucks with hundreds of the most needed plumbing parts – so repairs get made on the first trip. To keep the trucks and warehouse well-stocked, Austin uses Hodes Co.’s Stock Service System, an automated inventory control and management system.

Janowski is the primary user of the system which has been in place since 2014.



PAINS & GAINS

Pains

- Austin Plumbing owners wanted to reduce warehouse and truck stocking time.
- Billable hours were below industry benchmarks.
- Job kits for repetitive projects were being assembled by hand in house.

Gains

- Hodes Co.'s Stock Service System allows for pre-made job kits to be ordered as an SKU, eliminating in-house manual assembly.
- Techs can restock and prepare their trucks for the day in the half the time they used to spend.
- Weekly parts ordering time has been reduced by more than 50 percent, and billable hours are up by 66 percent.

"It's impossible to achieve effective inventory control with a disorganized shop," Janowski said. "And the Stock Service System plays a big part in keeping us organized. With the bin systems, barcodes, scanners, and reports, we've got the visibility and peace of mind we want on the inventory expense side, and our labor to manage our inventory has never been lower."

Enhanced Inventory Control in Less Time

Since installing the Stock Service System, inventory ordering and management for Janowski has gone from 90 minutes a week, to less than 30.

"No more paper, handwritten notes, or phone calls," Janowski. "We scan barcodes, confirm quantities and the order is placed. It's extremely fast, very easy and we have a digital record for all of it."

Janowski says the time spent by techs each morning readying their trucks and restocking parts is way down as well.



Our 15 techs used to spend about an hour getting their trucks ready each morning before leaving the warehouse for the day. Now with the Stock Service System, each one can get out the door in less than 30 minutes, and when you add it all up, that saves us from wasting about eight labor hours each day, which adds up to a savings of nearly a hundred thousand dollars per year in hourly wages.



- Jake Janowski, Austin Plumbing

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As for the dedication to keeping a clean shop, the operational benefits of a well-organized warehouse go beyond inventory management:

- 1. It's safer.** People and materials move around the warehouse more freely and safely when floors are uncluttered and clearly marked.
- 2. It's more secure.** Parts stored properly are less likely to be lost or damaged.
- 3. It's cleaner.** Parts collect less dust and dirt when stored correctly.
- 4. It's faster.** Warehouse scavenger hunts for misplaced materials waste time.
- 5. It's comforting.** Cluttered environments create stress. Clean shops cultivate clearer thinking.

The partnership with Hodes has led to other efficiencies as well such as pre-made job kits for water heater and water softener projects. Janowski was assembling them on his own by placing the necessary parts for these projects in plastic bags which make it easy for techs



to "grab and go" from the warehouse or their trucks.

"Hodes has been incredibly helpful in creating our job bundle kits," Janowski said. "Having these already made has saved us hours of picking time each week, not to mention the ordering, stocking and returns money and time we've saved."

Janowski says the most gratifying benefit of better inventory control has been the gains in billable hour productivity. Techs have increased their jobs and billable hours by more than 66 percent in recent years.

"We're always mindful of what's best for our techs and customers and tight inventory management is good for both," Janowski said. "Our techs spend less time on low value tasks like stocking and sorting parts, and more time helping customers. That's the focus and that's what motivates us."

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See Page 430

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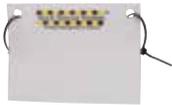
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Item #	Item Desc
A 88-201	Water Flapper w/Flap
A 88-202	Ball Float Chamber 4"
A 88-203	Ball Float Chamber 6"
A 88-204	Ball Float Chamber 8"
A 88-205	Ball Float Chamber 10"
A 88-206	Ball Float Chamber 12"
A 88-207	Ball Float Chamber 14"
A 88-208	Ball Float Chamber 16"
A 88-209	Ball Float Chamber 18"
A 88-210	Ball Float Chamber 20"
A 88-211	Ball Float Chamber 22"
A 88-212	Ball Float Chamber 24"
A 88-213	Ball Float Chamber 26"
A 88-214	Ball Float Chamber 28"
A 88-215	Ball Float Chamber 30"
A 88-216	Ball Float Chamber 32"
A 88-217	Ball Float Chamber 34"
A 88-218	Ball Float Chamber 36"
A 88-219	Ball Float Chamber 38"
A 88-220	Ball Float Chamber 40"
A 88-221	Ball Float Chamber 42"
A 88-222	Ball Float Chamber 44"
A 88-223	Ball Float Chamber 46"
A 88-224	Ball Float Chamber 48"
A 88-225	Ball Float Chamber 50"
A 88-226	Ball Float Chamber 52"
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88-350	4"	1.58	1.39
88-351	6"	1.69	1.49
88-352	8"	1.81	1.59
88-353	10"	1.92	1.69
88-354	12"	2.03	1.79

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Inventory Automation Saves Small Shop, Big Money

Nick and Nate Sullivan, the identical twin brothers who run Alamo Plumbing in Concord, Cal., are busy guys, working on dozens of remodels and new homes all over the San Francisco East Bay region each year. With general contractors as their primary customers, scheduling, speed, and quality are always at a premium, which means Alamo needs the right materials, at the right time – every time. Easy automated ordering and fast delivery through Hodes Co.'s Stock Service System keeps their trucks well-stocked, their productivity high, and their contractors happy.

Every minute counts when you're running a small business. There's a lot to get done, and only so many hours – and people – to do it.

The owners of Alamo Plumbing, Nick and Nate Sullivan, know exactly how that feels like because they live it each day, juggling multiple projects each year for dozens of contractors.

Alamo serves San Francisco's East Bay region, working primarily as a plumbing subcontractor on remodels and new home construction projects with total budgets ranging from \$3 to \$12 million in the famously expensive Northern California market. With only one other employee, besides themselves, the brothers take pride in working hard – and smart.

"We've always loved working in this business, since we began working with our dad ten years ago," Nate Sullivan said. "We like to say that we do great work, for great contractors, for fair fees, and that's the simple secret to our success."

At first, we hand-keyed everything into the system. But now we use our scanner and simply walk through our Stock Service System bins provided by Hodes, scanning bin labels and entering the right order quantities based on pre-determined mins and maxes. It only takes 10-15 minutes twice a month which means less time in the office, and more time at job sites getting paid for what we do best.

- Nate Sullivan, Co-Owner, Alamo Plumbing



Nick & Nate Sullivan
Co-Owners,
Alamo Plumbing

ALAMO
PLUMBING

Another secret to Alamo's success is inventory automation. As a long-time subscriber to the Stock Service System from Hodes Co., Sullivan knows he can count on always having the right parts, products, and materials for the tight schedules that contractors often dictate.

"Our contractors call us over and over again because we don't waste any time, and we're ready for any project," Sullivan said. "Hodes Co. keeps us well-stocked so we can be more responsive, flexible, and competitive, so we ultimately win more jobs."



PAINS & GAINS

Pains

- Alamo Plumbing is a 3-journeyman shop with no extra administrative staff for inventory management.
- Parts ordering in the past was slowed by hand-keying manual orders.
- Parts storage was spread across a 1-acre warehouse making it more difficult to track and manage.

Gains

- Parts ordering has been automated with a scanner integrated with the Stock Service System from Hodes Co.
- Alamo's 3-person team spends less time on inventory management and more time at contractor job sites.
- More focus on contractors and their projects means more repeat business and potential growth in the future.

Why Automate Inventory Management?

Sullivan admits that inventory automation takes time to learn, and optimization can be challenging. A key turning point for Alamo was the introduction of a scanner to make inventory ordering easier and faster.

Sullivan said inventory automation has allowed Alamo to do more, in less time, and with fewer people. Inventory automation from Hodes Co., is driving several key benefits at Alamo:

1. Inventory automation gives Alamo the time to focus on more valuable work. With the most repetitive, tedious responsibilities of inventory ordering out of the way, Alamo can focus on the stuff it's good at — plumbing work that adds to the bottom line.



We're saving money with Hodes Co. by having just the right amount of parts inventory, which for a small business like ours means we're making money, and it allows us to stay focused on projects, instead of purchasing. General contractors don't care how big or small you are, they just want you there when they need you and they want the job done right the first time.

- Nate Sullivan, Alamo Plumbing



2. Inventory automation eliminates human error. Anyone who does the same task over and over will make a mistake eventually. An automation tool completes a process the exact same way every time.

3. Automation enables data-driven decision making. Alamo makes better decisions when data prevents guessing and supports the correct choices. Inventory reporting and automation provide the needed insights and guidance to buy and stock smarter.

Better inventory management has also led to better space usage in the Alamo shop.

"We just downsized from a 1-acre warehouse to a 40x40 garage because our inventory storage is

cleaner and more organized," Sullivan said. "The 400 products we track and buy from Hodes fit into a compact space, so we don't have things laying on the floor or spread across the shop."

Sullivan feels he and his brother have a much better handle on the overall financial health of the business. Visibility into parts quantities and costs is much clearer, which translates into more cash flow and profit sharing.

Sullivan said the timesaving and peace of mind benefits are huge for a small shop.

"We're streamlined, we're smarter about our expenses, and we're less stressed about parts inventory," Sullivan said. "That's a big deal for a small business like ours."

How Minimal Inventory Management Drives Maximum Shop Profitability

Carney Plumbing Heating & Cooling in Hatfield, Pa., has created a model of efficiency for service delivery and inventory management by embracing inventory best practices, adopting inventory automation, and maintaining consistent inventory discipline. A key element is Hodes Co.'s Stock Service System which empowers inventory excellence and operational productivity, allowing Carney techs to stay in the field 90 percent of the time, keeping them more focused on customer calls, projects – and billings.

As plumbing service manager at Carney Plumbing Heating & Cooling, Bob Blessing has one very important goal: to support his techs in the field and keep them focused, happy and productive.

The reasons are simple. Happy techs create lifetime customers. Focused techs do better work. And productive techs earn more profits.

“Being a tech is hard work, I’ve done it, so I’m constantly looking for ways to make their lives easier and keep them doing what they enjoy most which is being in the field, working with customers, and fixing problems,” Blessing said.

Blessing strives to bring organization, automation, and redundancy to every part of service operations. As a long-time user of the Stock Service System from Hodes Co., Blessing has firsthand experience with the long-term benefits of inventory automation.

“Our inventory automation is a big driver of productivity. We can get our guys in the field faster, and keep them in the field longer, which lets us make more service calls and earn more revenue per tech.”

- **Bob Blessing**
Plumbing Service Manager,
Carney Plumbing Heating & Cooling



Bob Blessing
Plumbing Service Manager
Carney Plumbing Heating & Cooling



“The Stock Service System checks all the right boxes of speed, visibility, and productivity,” Blessing said. “Our parts are easy to find, anyone in the shop can do it, and we get more done. It’s an easy concept but very hard to achieve unless you have an automated inventory system and a solid partner like Hodes Co.”

Speed as a Competitive Advantage

Speed is a defining characteristic of any leader in any industry, and Blessing said inventory automation has added speed in several areas of operations and service delivery at Carney.

“An organized and automated shop saves time, which is the same as money in our business,” Blessing said. “And the time saved in ordering,



PAINS & GAINS

Pains

- Carney Plumbing strives to provide comprehensive support to its techs in the field.
- Manual inventory management required too much time and distraction.
- Job-sharing and cross-training were difficult with inventory variation.

Gains

- Hodes Co.'s Stock Service System allows anyone in the shop to help out with storage, picking and truck replenishment.
- Techs stay focused and in the field longer, driving higher top-line revenues per tech.
- The enhanced speed, visibility, and productivity give Carney a competitive advantage and enable the company to handle more calls and help more customers – with the same number of techs and support staff.

stocking, and storing allows more time for marketing, selling, servicing, and customer care.”

Automating inventory management also makes time for other higher value activities that can't be automated like coaching, training, and customer relationship-building.



The Stock Service System checks all the right boxes of speed, visibility, and productivity. Our parts are easy to find, anyone in the shop can do it, and we get more done. It's an easy concept but very hard to achieve unless you have an automated inventory system and a solid partner like Hodes Co.



Bob Blessing, Carney Plumbing Heating & Cooling

Visibility for All

Collaboration, job-sharing, and teamwork are key qualities of the culture at Carney and inventory automation enables those qualities.

“The Stock Service System makes it easier for us to cover positions because anyone can find anything in the shop,” Blessing said. “It makes inventory clear and consistent, and the right part gets picked every time because it's always in the right place.”

A well-organized shop yields other benefits, too, including safety, security, and lower stress levels.

Productivity Drives Profits

The classic definition of productivity is doing more with the same which means that a company with automation and higher productivity can produce more goods, services – and revenues – with the same amount of relative work.

“Our inventory automation is a big driver of productivity,” Blessing said. “We can get our guys in the field faster, and keep them in the field longer, which lets us make more service calls and earn more revenue per tech.”

Blessing said his techs rarely return to the warehouse or stop at other supply houses for spare parts. Inventory levels are set and monitored. Pick lists for each truck are generated and fulfilled daily. And restocking is a smooth and accurate process with Hodes Co.'s bins, barcodes, and reordering software.

“Hodes Co.'s Stock Service System has definitely cultivated a productivity mindset throughout our company,” Blessing said. “It frees us up for more important tasks, keeps our techs happy and focused, and allows us to serve more customers and drive top-line growth. We couldn't imagine running our shop without it.”



Joe Hodes is the president of Hodes Co. and consults with plumbing shop owners across the country on inventory management and optimization. You can reach him by email at Joe@HodesCo.com or by phone at 816.914.5858.



Inventory Technology, Training and Tenacity Take Old Line Plumbing Company to a Whole New Level

Lutz Plumbing has more than tripled in revenue and employees over the last seven years thanks to the vision and forward-thinking leadership of company president Amber Lutz-Sewell. Smarter inventory management, better financial insights, and improved online marketing have enabled new scalability and positioned the 102-year-old firm for even more future growth.

Amber Lutz-Sewell knows an opportunity when she sees one, and she saw it in Lutz Plumbing, the Shawnee, Kansas-based plumbing business her family has run since 1920.

For as long as she can remember, she's been fascinated by the hustle and bustle of the shop, the precision of the trade, and most of all, the longevity and tradition of a family business that has lasted for more than 100 years and four generations.

"This company has been a source of family pride for a long time," Lutz-Sewell said. "And when the opportunity came up for me to join it and carry on the name, I was excited and ready to help."

Lutz-Sewell's father, Jim Lutz, had run the business for many years on his own, and in 2006 he began considering his options for retirement and readying the business for sale and transition.

At the top of his list for improving the business was inventory management since it was (and still is) the second largest expense in the company after salaries and benefits, and the general disarray of the department was likely costing the company thousands in profits each month. If more cash flow and profits were needed to fund new growth, tighter inventory controls would do it.

“We’ve jumped in with both feet on our growth plan and we couldn’t be happier with the results. And it’s not just me driving this, our whole staff has been energized over the last five years which is the real reason we’ve grown. We couldn’t do it without plumbing techs that really care, inventory partners like Hodes Co. that save us time and money, and customers who trust us with their projects.”

- Amber Lutz-Sewell, President, Lutz Plumbing



Hodes Co.'s Stock Service System, an auto-replenishment system for plumbing parts, fit the bill perfectly, and Lutz signed up as one of Hodes' first customers for the innovative service. As Jim Lutz was beginning to reap the benefits of improved inventory management and cash flow, Amber Lutz-Sewell joined the company and quickly immersed herself in the details. The new cash flow, she reasoned, could be a funding mechanism for expansion and growth.

But she needed additional expertise on the financial side and sought it out by joining the ScaleUP! program from KCSOURCELINK, a local hub for peers, connections and resources for entrepreneurship in Kansas City.

"One of the first things we did in the ScaleUP! program was look at our financials with a mentor provided by the program, and he said we had the cash flow, thanks in part to our inventory management system, and that we should add another truck and a plumber," Lutz-Sewell said. "So, we did, and that's what jumpstarted our growth."

Lutz-Sewell spent the next four months in the ScaleUP! program, and every aspect of the business was scrutinized and plans for improvements were made. Inventory, however, was one area that didn't require an overhaul, thanks to the Stock Service System from Hodes Co.

“Inventory management was easy to figure out – we just needed to keep doing what we were doing. We’ve worked with Hodes Co. for more than 50 years and have been customers of the Stock Service System for the last 15 years,” Lutz-Sewell said. “Hodes makes it easy and automatic to buy and manage inventory. Everything’s barcoded and tracked in our shop, we can place orders online, and we have exactly what we need for our trucks, our warehouse, and our customers.”

Inventory management was easy to figure out – we just needed to keep doing what we were doing. We’ve worked with Hodes Co. for more than fifty years and have been customers of the Stock Service System for the last 15 years. Hodes makes it easy and automatic to buy and manage inventory. Everything’s barcoded and tracked in our shop, we can place orders online, and we have exactly what we need for our trucks, our warehouse, and our customers.

- Amber Lutz-Sewell, Lutz Plumbing

Scaling Up for Growth Begins with Better Inventory Management

“We’ve jumped in with both feet on our growth plan and we couldn’t be happier with the results,” Lutz-Sewell said. “And it’s not just me driving this, our whole staff has been energized over the last five years which is the real reason we’ve grown. We couldn’t do it without plumbing techs that really care, inventory partners like Hodes Co. that save us time and money, and customers who trust us with their projects.”

Lutz-Sewell said controlled growth has been the key. She has this advice for growing by design:

- 1. Focus on the fundamentals first.** Great people and superior inventory management make everything else possible. Having the right inventory mix on hand by using Hodes Co.’s Stock Service System reduces drive times, increases billable hours, and preserves cash so it can be used for other growth investments such as marketing and advertising.
- 2. Pick an area for growth.** Be specific about what you want to grow. Should it be customers? Cash flow? Profits? Service area?
- 3. Set a growth goal.** Decide on success metrics that you want to achieve and then plan to monitor and measure them each month.



Create a scoreboard that easy to update and understand.

- 4. Consult the experts and get help.** Don’t try to go it alone, you’ll end up wasting time and money. Outsource inventory management, advertising, and marketing to people who know what they’re doing and do it every day.
- 5. Review, revise and evaluate.** Continually assess progress by tracking steps and measuring results. Adjust as needed.

Lutz-Sewell said inventory management and online marketing have made the biggest differences in profitability and new customer growth, respectively.

Lutz’s website and search engine rankings have made the company more visible to residential and commercial customers all over the Kansas City Metro Area.

“Our expanded service area makes inventory management on our trucks more important than ever,” Lutz-Sewell said. “With more ground to cover, we need to keep our techs on the road and headed to customers’ homes and businesses, not supply houses.”

Lutz-Sewell is clearly proud, but also humble about the results. She’s quick to mention that none of it would be possible without previous generations, good partners, and generous mentors.

“My family’s courage and hard work is what started it all over 100 years ago, and I’m grateful for that every day,” Lutz-Sewell said. “Along the way, we’ve also been fortunate to have good business partners like Hodes Co. on the inventory side, and entrepreneurial development programs to help us grow. It’s been an amazing run and I look forward to keeping it going for many years to come.”

A Long-Term Business Relationship Based on Long-Term Business Value – and Helping Others

A chance meeting at an industry event over 20 years ago turned Rick Shelton and Joe Hodes into fast friends, and Shelton Plumbing into a lighthouse customer of Hodes Co.'s inventory auto-replenishment solution – Stock Service System. Since then, the two business owners have created a productive and profitable business relationship that keeps Shelton's company well-stocked, his parts bins more organized, and his service technicians more billable. A common interest in charitable works has also made these two business owners even stronger allies in their efforts to promote and fund good causes such as Challenge Air, and other non-profits in their respective communities.

Rick Shelton, owner of Waco, Texas-based Shelton Plumbing, knows well the benefits and motivating powers of gratitude and appreciation. Expressing his thanks early and often, to his family, friends, employees, and customers, has been a core belief of his as long as he can remember, and it's made a tangible difference, not only personally, but also professionally.

"I've always believed that if you take care of your employees, they'll take care of you 100 times over," Shelton said. "It's pretty simple, but it works."

Shelton is grateful for the hard work and dedication of his 38 employees, and he makes a point to tell them, frequently. He's also thankful for long-term vendor relationships like the one he's cultivated with Joe Hodes at Hodes Co. over the past 20 years.

"Joe Hodes is one of the most valuable and important vendors I have, and he's also become a good friend," Shelton said. "Hodes Co.'s Stock Service System has made our lives easier, and our business run better over the years by helping us manage inventory in a smarter way.

“Like most shops our size, we had parts and supplies all over our trucks and warehouse, with very little tracking or accountability. Hodes Co. helped us understand and quantify the problem, and then showed us how to fix it.”

- Rick Shelton, Owner, Shelton Plumbing



They've made it automatic, speedier, and no doubt saved us thousands."

Shelton admits that before he met Hodes, inventory wasn't really on his radar. He knew it was an expensive line item, but he didn't know exactly what he was paying for or why.

"Like most shops our size, we had parts and supplies all over our trucks and warehouse, with very little tracking or accountability," Shelton said. "Hodes Co. helped us understand and quantify the problem, and then showed us how to fix it."

Five Steps to Effective Inventory Control

In addition to a lack of inventory visibility and tracking, Shelton also had the sense his technicians were spending too much time at third-party supply houses. Which meant less time was available for customer calls – and service revenues.

"We make money selling our time and plumbing expertise, not buying supplies," Shelton said. "We wanted to help our techs spend time on the right things which is helping customers."



PAINS & GAINS

Pains

- Shelton Plumbing had parts and supplies spread randomly across its trucks and warehouses.
- There was very little transparency or tracking of inventory expenses.
- Technicians were being underutilized due to frequent supply house trips.

Gains

- Technicians rarely make special trips to supply houses now.
- Parts inventory management and ordering takes less than an hour every two weeks.
- Rick Shelton spends less time worrying about inventory, and more time on company growth, employee morale – and charitable causes.

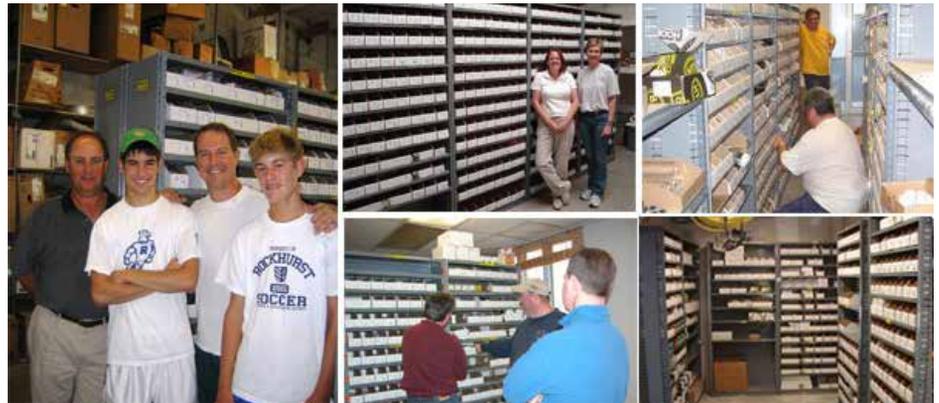
Shelton said when Hodes proposed the then-fledgling Stock Service System, he could see the potential right away. And the simplicity made it easy to implement.

To get started, Shelton followed what Hodes refers to as the five steps to effective inventory control:

1. **Create space in your shop.** Establish a 15'x12' area in your warehouse that can hold the shelving and bins for your Stock Service System.
2. **Choose the right products to stock.** Select from a preset industry-recommended list of 580 parts to guide your SKUs.
3. **Use the system.** Stock Service System tracking software and barcode scanning make it easy to add or decrement inventory. But it's got to be done and adhered to like any other core business function.

“We take care of our employees, they take care of our customers, and as a community we take care of each other,” Shelton said. “It’s a great way to live and a smart way to do business.”

- Rick Shelton, Shelton Plumbing



4. **Return unused stock.** Don't keep products on your shelves that don't sell. Send them back to Hodes Co. for full credit.
5. **Enjoy better cash flow and lower carrying costs.** Reduce the amount of labor spent ordering and stocking. Expect cash flow to increase and profits to rise.

Shelton said system management is minimal and only takes 30-45 minutes every two weeks for one of his office employees to check the supply bin levels, scan the associated barcodes and reorder the recommended quantities based on predetermined minimum and maximum inventory levels.

Shelton's 24 technicians rarely make special trips to supply houses now, which means they can maintain overall target billable rates of 60 percent or more.

Most importantly, increased inventory transparency and automation allows Shelton to focus on more important business functions like marketing, sales, service, and leadership.

Getting Organized and Giving Back

It's also freed him up to pursue his charitable interests over the years, including Challenge Air, a national program that allows children with special needs to experience the joys of flying with volunteer aircraft owners and pilots.

“In addition to sharing a passion for running good companies, Joe Hodes and I share a passion for charitable giving and I'm proud of the work we've done together over the years for Challenge Air and other causes,” Shelton said. “We both believe that if you make money in a community, it's important to give some back to that community on a regular basis.”

For Shelton, it all comes back to gratitude and appreciation.

“We take care of our employees, they take care of our customers, and as a community we take care of each other,” Shelton said. “It's a great way to live and a smart way to do business.”

Converting Inventory from Cash Clog to Cash Flow

Before Little Tommy's Plumbing Shop in Highland Park, Ill. had consistent inventory controls, business suffered. Shelves were too full or too empty, technicians were tied up in unbillable supply house trips, and data insights into usage and ordering were nonexistent. With inventory intelligence and auto-replenishment from Hodes Co., Tommy's trucks now have the right supplies in stock, less cash is locked up in inventory, and technicians can spend more time with customers and less time on parts runs.

Tom Mahoney calls it like he sees it. A true tradesman and entrepreneur, he deals with reality, is honest with himself and his employees, and works hard to make the best of any situation.

His inventory had become a problem and he was clear-eyed in his assessment.

"We had very few inventory expense controls, messy stock shelves, and no discipline on ordering," Mahoney said. "It was costing me thousands each month."

Little Tommy's serves Chicago's North Shore and the well-heeled suburbs of Deerfield, Glencoe, Highland Park, Highwood, Kenilworth, Lake Forest, and Wilmette. The company's nine technicians focus primarily on residential projects, with a small percentage of new construction and commercial projects as part of the mix as well.

Mahoney is the first to admit that as a plumber at heart, with a busy and

"We've always put our customers and our people first and didn't spend much time on internal systems to make our business run better, but when I took a hard look at the dollars at stake with our inventory, I knew we had to do something."



Tom Mahoney
Owner of
Little Tommy's
Plumbing Shop



growing business, parts inventory was never a priority.

"We've always put our customers and our people first and didn't spend much time on internal systems to make our business run better," Mahoney said. "But when I took a hard look at the dollars at stake with our inventory, I knew we had to do something."

Mahoney decided to dig in and take a harder look at his inventory problems. He knew there had to be a better way.

The Basics of Good Inventory Control

Not quite sure where to begin, Mahoney's first step was to research the fundamentals of inventory best practices.



PAINS & GAINS

Pains

- Little Tommy's Plumbing shop had little to no visibility or controls on parts inventory management.
- Parts storage was a disorganized and ordering was done haphazardly.
- Technicians spent too much time searching for parts and making special trips to supply houses.

Gains

- Parts inventory visibility, ordering and reporting have been digitized and automated.
- Technician trucks are properly stocked and trips to supply houses are way down.
- Billable percentages are now at more than 63 percent for Tommy's technicians, and customers are more likely to get their problems fixed on the first visit.

"I started asking around, doing research, and began working with Joe Hodes to help me fix this problem," Mahoney said. "Joe's been studying this problem and delivering solutions to it for years."

Mahoney started with the basics. He had to educate himself and his employees on the costs and implications of bad inventory management and why it needed to be fixed. He needed to give everyone a reason to care.

"Paychecks come from profits, it's that simple," Mahoney said. "When we take care of inventory, we take care of our paychecks."

Mahoney also adopted what Hodes Co. refers to as the five cardinal rules of inventory management:



We're tying up less capital, spending more wisely, and actually making a profit on our parts inventory because we know our margins and what we need to charge. It's made a six-figure difference in our annual revenues.



- Tom Mahoney

1. **Establish an approved stock list.** Know your most popular parts and keep them on hand.
2. **Determine minimums and maximums.** Put parameters on quantities to control expenses and ensure in-stock availability.
3. **Maintain a clean shop.** Assign and use organized bins with barcodes to create a place for everything and put everything in its place.
4. **Stock new orders as soon as you get them.** New inventory should be stored in the right place immediately.
5. **Limit access to inventory.** Allow only certain employees to remove inventory from your shelves and track it carefully for auditing and analytics.

Following these principles has paid off for Mahoney and his employees. Inventory is no longer a black box to be ignored. It's understood and carefully managed. The shop is cleaner, and parts are easier to stock and find.

Perhaps most importantly, technicians are maintaining billable averages of 63 percent or more.

Mahoney also has better inventory visibility and reporting on his top 500 parts. Order histories, pending orders, and costs are all accessible via Hodes Co.'s online customer portal.



Mahoney said the operational benefits have a ripple effect across his whole business.

"Our technicians can do their jobs better, we're saving money, and our customers have a better overall experience because jobs are completed in a timelier way, with much less back and forth to supply houses," Mahoney said. "Customers don't care about supplies; they just want their problems fixed fast and we're able to do that with smarter inventory management."

Mahoney said the financial benefits are easy to quantify as well.

"We're tying up less capital, spending more wisely, and actually making a profit on our parts inventory because we know our margins and what we need to charge," Mahoney said. "It's made a six-figure difference in our annual revenues."

Time Is Money

How To Save More Of It Through Inventory Control

By Joe Hodes, The Hodes Company

A technician's time is valuable and so is money. If you're tying up too much money in inventory or wasting too much of the techs' time tracking down the correct products to keep their limited time more efficient, there is an solution for you. By systemizing your inventory processes, you can turn your "money wasting headache" into a money profit center.

In the 30-plus years that I've spent working with professional plumbing contractors around the country to improve their inventory control, there are some basic common systems that I've found present in the some of the most successful operations. Although these lessons have come primarily from plumbing parts and supplies for service and repair businesses, most can be applied to other products and organizations.

Inventory Control Checklist:

1. Establish and maintain an approved product-stocking list.

Having a written plan that can be shared, such as an Excel listing showing the item number, description and maximum stocking quantity, should prevent your inventory from getting out of control.

2. Determine the best safety stocking quantity for each item.

A good initial stock quantity would be what you keep on one of your service trucks. Your supplier should be able to send you regular usage reports showing frequency, order quantity and/or dollars, to get the most "bang from your buck."

3. Maintain a clean and organized shop.

Having a clean shop prevents lost product and receiving and picking errors. It also sends a message to everyone of your professionalism.

4. Assign consistent bin locations for every item.

Having an item number for each part with a coordinating bin simplifies communication since there are so many different product sizes, types and materials (a 1/2" 90 can be more than a dozen different items). Your vendor should be supply to provide barcoded bin labels with item photograph and description.



Joe Hodes is the owner of repackager, assembler and plumbing parts distributor **Hodes Company**, located in Kansas City, Missouri.

Founded in 1943 by his grandfather, Joe purchased Hodes Company in 1993 and has been focused full time on inventory control since joining the firm in 1988.

Both classroom and shop trained, Joe has helped reorganize parts inventory processes for hundreds of plumbing contractor companies over the past 30 years.

Joe and his wife Ann have 6 children and 3 grandchildren, enjoy traveling, reading and going for long walks.

Why is inventory control important?

Southern PHC reached out to Joe Hodes of The Hodes Company to share his knowledge on inventory control with our readers. Inventory management is a critical concern because it impacts the following costs:

Payroll: the time it takes employees to locate parts can have a huge impact on labor costs.

Overhead: storage space is never free. Whether inventory is consuming space in a warehouse, van, or on a retail floor, the associated real estate can be expensive.

Cost of goods: business capital is often tied up in inventory. As that inventory sits, it can create a serious crunch in cash flow.

Indirect costs: delays, inability to complete a job, and poor service are all costly consequences of not having the right inventory available when you need it.

✓ 5. Use barcoding.

It is a fact that writing one misplaced number in a sequence can cost much more money over a short time compared to the small cost of a barcode scanner.

✓ 6. Limit access to inventory.

Think about it. Your inventory is money. Do banks allow all their employees open access to their vault? Although limiting access is uncommon for smaller shops, there are several easy ways to reach similar positive results.

✓ 7. Track products and quantities as items are removed from the bin.

Knowing which items need replenishment sooner will help prevent stock outs.

✓ 8. Intermittently adjust bin sizes based on usage changes.

Bin size should reflect usage quantity and not the current inventory on hand amount. Space also costs money so use it wisely. Excess stock can be kept nearby and used to replenish the bin.

✓ 9. At least once per year, identify and return, for credit, any items without usage.

It seems that more innovative products are constantly overtaking traditional usage. Your supplier should be better able to sell items no longer of use to you so depend on them for help.

✓ 10. Any system is only as good as the person managing it.

Make sure the person responsible for inventory control is organized and diligent. In the coming months, we'll be looking into real life examples of how better inventory control has been achieved. This will hopefully create a sense of purpose and urgency in saving both money and time.

Hodes Company

Joe Hodes

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- Tier 3:** Any product priced in our Volume 89 Buyers Catalog \$50 or more shows a markup retail price times 2.

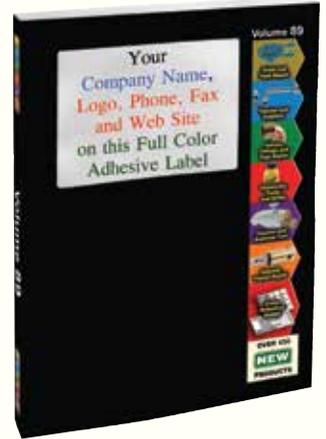
Examples:

Item in Volume 89 Buyer Catalog shows a price of \$2.
 The Markup Catalog shows \$6.

Another item in Volume 89 Buyer Catalog shows a price of \$12.
 The Markup catalog shows \$30.

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95-517	2" x 3-1/4"	600	.14	.12
95-518	3-1/2" x 4"	600	.20	.18
95-519	4" x 5"	500	.33	.29
95-520	5-1/2" x 8-1/2"	250	.40	.35

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Full color printing included! Set yourself apart today!



Use our line art or use a photograph of your truck.

Card size is 6-3/4" x 3-5/8"

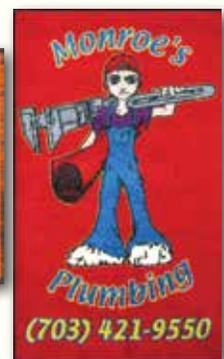
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91-903	24" x 35" (Approximately 2' x 3') Plain Red Carpet	1	101.14	89.00
91-950*	35" x 58" (Approximately 3' x 5') Private Labeled Carpet	2	192.05	169.00
91-952	35" x 58" (Approximately 3' x 5') Honor Thy Plumber™ Red Carpet	1	157.95	139.00
91-953	35" x 58" (Approximately 3' x 5') Plain Red Carpet	1	123.86	109.00

Price 1	Price 2
Order Less Than \$500	Order \$500 or More



Phone: 1-800-777-6500
Fax: 1-800-982-5934
Web: www.HodesCo.com

Why Higher Inventory Turns Are Important for Higher Profits

Baethke Plumbing maintains healthy profits and consistent cash flow with careful inventory management that gets measured, managed, and evaluated each month. Precise guidance and efficient online ordering through Hodes Co.'s Stock Service System make it easy for Baethke to place orders quickly, turn inventory more frequently, and keep the cost of goods at just 11 percent of overall sales, freeing up more cash to pay bills, benefits, and bonuses. Here's how they do it.

John Baethke doesn't believe in seat-of-the-pants guessing, estimating, or planning when it comes to running his business, Baethke Plumbing, based in north central Chicago.

Sure, experience and gut instinct have a place and are important when running a business, but systems and structure are more scalable, repeatable, and most importantly – more profitable.

"We try to take as much guesswork out of our business as possible with systems like our field service software and Hodes Co.'s Stock Service System," Baethke said.

"These systems help us run our business as smartly and efficiently as possible. They help us keep score, improve, hit our goals, and they are crucial for long-term success and sustainability."

Baethke and his 14 employees provide plumbing service and repair for residential and commercial

I watch industry benchmarks, talk with other business owners, and measure our own performance monthly. We know from research and historical performance that we need to keep cost of goods at 11% or less as a percentage of sales, and we want to turn inventory at least eight or more times over the course of a year.

John Baethke, Owner, Baethke Plumbing



John Baethke
Owner,
Baethke Plumbing



customers across the greater Chicago area. Six trucks, six plumbing technicians and three apprentices fan out across the city each weekday, and since 1993, Baethke estimates he and his teams have completed more than 250,000 drain, pipe, sewer, and water heater jobs.

Managing By the Numbers: Inventory Turns and Cost of Goods

Baethke believes in transparency, targets, and controls in managing his business, especially on the inventory side.



PAINS & GAINS

Pains

- Baethke Plumbing measures and manages inventory levels and buying patterns on a regular basis.
- Benchmarks are established based on industry standards from other business owners.
- Keeping parts purchases and inventory turns within parameters is an ongoing goal.

Gains

- 10-minute ordering and preset min and max levels for parts make it easy for Baethke to order quickly and accurately.
- Parts usage reports and audit trails inform ordering and prevent overbuying based on gut instinct.
- Baethke frees up more cash throughout the year by keeping inventory purchases at or around 11 percent of sales, and inventory turns at 8 or more.

“We talk about inventory as a team, and we have reporting trails for usage and replenishment, everyone knows that we care about this issue,” Baethke said. “We also look at the trucks together and make sure that everyone’s following standard operating procedures, we keep each other accountable. Good teams make each other better.”

At Baethke, access to ordering is limited, only two warehouse employees are authorized to order parts through the Hodes Stock Service System. Minimum and maximum levels are maintained based on usage volumes. Baethke also keeps an eye on key financial performance indicators as well such as inventory turns and cost of good as a percentage of sales.



We try to take as much guesswork out of our business as possible with systems like our field service software and Hodes Co.’s Stock Service System. These systems help us run our business as smartly and efficiently as possible. They help us keep score, improve, and hit our goals, and they are crucial for long-term success and sustainability.

- John Baethke, Baethke Plumbing



“I watch industry benchmarks, talk with other business owners and measure our own performance monthly,” Baethke said. “We know from research and historical performance that we need to keep cost of goods at 11 percent or less as a percentage of sales, and we want to turn inventory at least 8 or more times over the course of a year.”

Based on annual total sales of \$3.5 million, that means Baethke and his team strive to keep parts buying at about \$30,000 per month. They also never want to have more than \$30,000 to \$40,000 in inventory on hand at any time. Any more than that ties up cash that could otherwise be used as operating capital for payroll, utilities, and other expenses.

In addition to the tracking and controls benefits, Baethke said the Stock Service System from Hodes is also easy on time and labor levels. Scanners and iPads are used to scan bins, enter quantities, and access reports and past orders.

“It takes our guys just 10 minutes twice a week to place our parts order,” Baethke said. “And Hodes ships fast so we just order what we need for a week or two, which preserves cash and prevents overbuying.”

Baethke runs his business based on communications, systems, and numbers and he has these tips for anyone looking to streamline operations and improve cash flow and profitability:

1. Give your team clear guidance.

Communicate what you want, make sure everyone understands, and then check on status and progress regularly.

2. Automate everything.

Manual systems cause gaps that create errors, delays, and waste. Never do anything manually that can be tracked, entered, or reported – automatically.

3. Know your numbers.

Understand what benchmarks and targets you should be using for your business based on size, sales volume, and revenue mix. Establish goals and compare against actuals each month. What gets measured gets managed.

“This is a family business, we care a lot, and we want our people to care a lot,” Baethke said. “That means we share details, we use the best tools and systems we can, and we take care of each other and our customers. The business model is simple, solid and it’s been working since 1993.”



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