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Volume 93

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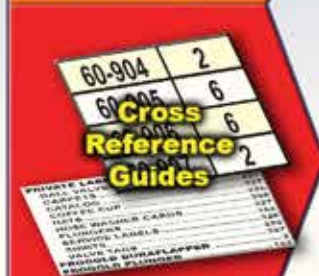
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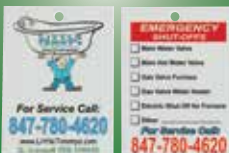
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88-352	8"	1.81	1.59
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Item #	Price	Stock
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88-002	1.00	1.00
88-003	1.00	1.00
88-004	1.00	1.00
88-005	1.00	1.00
88-006	1.00	1.00
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How 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.



Less Time on Inventory Management Means More Time for Proposals, Projects – and Growth

O.J. Laughlin Plumbing Co., Inc., in Valley Park, Mo., just outside St. Louis, has automated inventory ordering, management, and stock levels for over 10 years using Hodes Co.'s Stock Service System. Putting inventory management on autopilot has freed up O.J. Laughlin managers to concentrate on other important business and revenue opportunities such as warehouse expansion, hiring and coaching, and most importantly – new proposals, projects, and service delivery.

T.J. Laughlin, warehouse manager at O.J. Laughlin Plumbing Co., Inc., loves inventory management.

And not just because good inventory management is vital to plumbing tech productivity, and critical to customer satisfaction, and essential for overall company profitability.

It's mainly because he spends so little time on it, and rarely has to troubleshoot it, fix it, or think about it.

"Inventory management is really one of the easiest parts of my job, thanks to the Hodes Stock Service System," T.J. said. "Our parts inventory is tracked, ordered, delivered, and accounted for so I never really have to worry about it. It keeps us perfectly balanced between not too little and not too much."

What's the difference between too little and too much? The biggest concern is not having enough of the right parts on hand to dispatch trucks and techs to the homes and businesses that need them. The next biggest concern: inventory bloat that ties up working capital that could otherwise be used for bills, payroll, and other expenses. Cash is critical

With significant annual growth over the last 10 years, the stakes continue to go up. More growth means more inventory, more expense, and more risk. The Stock Service System is one more insurance policy against understocking, overstocking and misplacement.

- T.J. Laughlin, Warehouse Manager,
O.J. Laughlin Plumbing Co.



T.J. Laughlin
Warehouse Manager
, O.J. Laughlin Plumbing Co.



and careful use of it can mean the difference between profits and losses.

"We've got a long family business tradition here and we want to do everything we can to keep it healthy and growing on our watch," T.J. said. "Hodes helps us do that by controlling expenses, lowering stress, and freeing us up to do other things that drive long-term success like completing more service calls, finding new construction projects, and simply keeping up with it all."

More Growth Means More Inventory – And the Need for More Risk Management

Though O.J. Laughlin has had its Stock Service System in place for more than 10 years now, T.J. says the value of the system becomes greater every year.

"With significant annual growth over the last 10 years, the stakes continue to go up," T.J. said. "More growth means more inventory, more expense, and



PAINS & GAINS

Pains

- O.J. Laughlin Plumbing Co. must keep up with constant growth and expansion.
- New proposals, projects, and facility expansion are high-value tasks that take more time.
- Keeping up with it all is a daily challenge for O.J. Laughlin managers.

Gains

- Hodes Co.'s Stock Service System minimizes time spent on inventory.
- Managers stay focused and spend more time where it's needed most – on new business.
- Guaranteed pricing for six months provides inflation control and one-stop shopping capabilities for speed and convenience.

more risk. The Stock Service System is one more insurance policy against understocking, overstocking and misplacement.”

O.J. Laughlin follows the 80/20 rule, automatically tracking and stocking the top 500 SKUs that drive 80 percent of its business. But automated inventory management can work for any-size shop because it's based on the three main pillars of inventory discipline:

Product. The right mix of products – and their minimum and maximum levels – are determined by careful analysis of service calls, replacements, and customer types.

Price. Costs, retail pricing, and appropriate margin levels are consistently tracked, evaluated, and updated.

Place. Bins, labels, and the location within the warehouse keep things organized and readily accessible.



The Stock Service Systems is a time machine – it takes care of inventory and gives me back time to work on other high value tasks like proposals, pricing, and special projects.



- T.J. Laughlin, O.J. Laughlin Plumbing Co.



These fundamentals ensure the operational, functional, and financial needs of the business are being met.

More Time for More Growth – With Built-In Inflation Control

New projects, new people, and several facility expansions have required the whole team at O.J. Laughlin to rise to the challenge. Because T.J. runs the hub of operations – warehouse, storage, and inventory – he's arguably had to adapt most quickly to the increased responsibilities and time demands that come along with new growth opportunities.

“The Stock Service Systems is a time machine – it takes care of inventory and gives me back time to work on other high value tasks like proposals, pricing, and special projects,” T.J. said.

With inflation spiking in many areas of the economy, T.J. also likes the fact that pricing within the Stock Service System is locked in for six months at a time. The software also comes with a quick-reference printed catalog that makes it easy for anyone in the shop to look up parts numbers, pricing and pictures when needed.

“Prices are rising fast everywhere but Hodes keeps pricing fair and consistent across the board, in their catalog, in their inventory software, and in their shipping,” T.J. said. “We can consolidate our purchases, manage one primary relationship, and know that Hodes has our back.”

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."

A Legacy of Commitment

Shelton Plumbing has stood the test of time – proudly serving the families and businesses of Waco, Texas for more than 30 years. The business and its 38 employees have deep roots in its community, supporting local organizations such as the Boys and Girls Club of Waco and Compassion Ministries of Waco – demonstrating its commitment to service.

This longevity and service to others reflects President Rick Shelton's legacy in the industry. Shelton is a second-generation tradesman, a licensed Responsible Master Plumber, and a proud member of many industry associations.

It was at one of those association events more than 20 years ago where Shelton met Joe Hodes, beginning a long-lasting business relationship – and friendship.

Getting Off the Ground

In 2005, when Hodes learned of Shelton's challenges implementing effective inventory control, he immediately recommended Hodes Co's fledgling Stock Service System. Hodes rented a U-Haul, loaded the Stock Service System's shelving units, and made the trek with his two oldest sons from Kansas City, Missouri to Waco, Texas.



Once the units and bins were installed, Shelton and his team followed the five steps to inventory control:

5 STEPS TO 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 deduct inventory. But it's got to be adhered to like any other core business function.
- 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.

After implementation, Shelton's team benefited from immediate impact – achieving overall target billable rates of 60 percent or more. Plus, they rarely make special trips to supply houses, spending more time directly serving customers.

Fueling Growth, Passing the Torch

The impact of the Stock Service System was profound.

"The prices were better, so we started adding PVC and other products," Shelton said.

In fact, Shelton Plumbing quickly outgrew the initial shelving units, so Shelton bought the building next door to his first warehouse and moved the Stock Service System there.





“It’s even cleaner and better than those first units twenty years ago,” said Shelton.

When a friend approached Shelton in early 2023 about buying his business, the individual, an electrician by trade, was immediately struck by the sophistication of inventory management.

“He asked how we keep guys out of the supply house, so I explained that the Stock Service System is a really good fit,” Shelton said. “It made an impression that everything was in order – he was impressed by the scanner, too. I explained it’s a good deal – otherwise, we wouldn’t have kept using it for 18 years.”

The Stock Service System helped Shelton feel comfortable selling, especially considering its ease of use.

“You don’t need to be a plumber to go out to the warehouse and order,” Shelton said. “In fact, I trained my daughter-in-law to order using the scanner and app – she makes sure the system keeps getting used.”



After implementation, we benefited from immediate impact – achieving overall target billable rates of 60 percent or more. Plus, we rarely make special trips to supply houses, spending more time directly serving customers.



Rick Shelton - Shelton Plumbing



Providing Peace of Mind

In the months following the sale of his business, Shelton has remained engaged in a consultative capacity but is looking forward to spending time with his growing family.

He and his wife, Fran, have three children and five grandchildren – three granddaughters and two grandsons, aged one through six – who keep them busy.

Whether spending time at their property in Crawford, at their lake

house at Horseshoe Bay, or planning trips to Costa Rica and the British Virgin Islands, the Sheltons are ready to reap the benefits of growing their successful business.

Shelton is at peace with and proud of his professional legacy. “Everyone at Shelton Plumbing is still there – and they’re still happy,” Shelton said. “In fact, they’re already planning the company’s traditional, big Christmas dinner.”

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."

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.

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



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."

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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The catalog pricing reflects a three tier retail price markup from our Hodes Company Volume 92 Buyers Catalog:

- Tier 1:** Any product priced in our Volume 92 Buyers Catalog under \$10 shows a markup retail price times 3.
- Tier 2:** Any product priced in our Volume 92 Buyers Catalog \$10-\$49.99 shows a markup retail price times 2.5.
- Tier 3:** Any product priced in our Volume 92 Buyers Catalog \$50 or more shows a markup retail price times 2.

Examples:

Item in Volume 92 Buyer Catalog shows a price of \$2.
The Markup Catalog shows \$6.

Another item in Volume 92 Buyer Catalog shows a price of \$12.
The Markup catalog shows \$30.

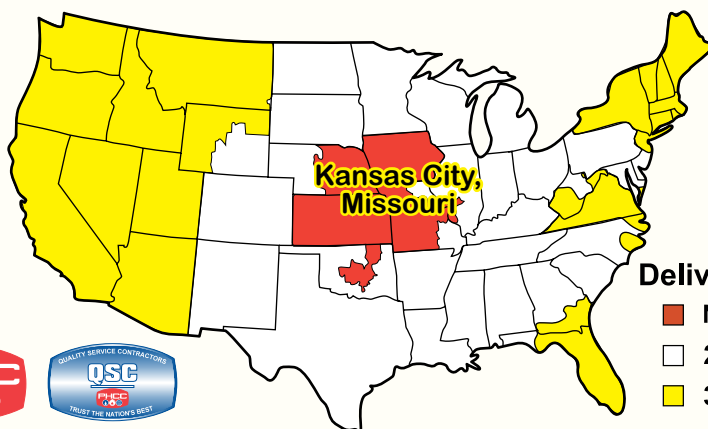
Another item in Volume 92 Buyer Catalog shows a price of \$60.
The Markup Catalog shows \$120.

(Our Volume 92 Hodes Catalog Printed in black and white without our contact information and with markup pricing)



- Put one on every truck
- Use it for counter sales

Item #	Description	Price 1	Price 2
95-566	Markup Priced Catalog	15.85	13.95



Delivery time

- Next day
- 2 days
- 3 days



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YOUR COMPANY
LOGO, NAME & PHONE#
ADHESIVE LABEL
HERE



Sold individually private labeled with your company logo & phone number in your company colors

Item #	Description	Price 1	Price 2
90-702	Adhesive Private Label	12.44	10.95

Custom Full Color Service Call Back Adhesive Labels



Date	Technician	Reason Serviced

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95-519 4" x 5"

95-520
5-1/2" x 8-1/2"

- Completely Custom (you can put whatever you want on the labels)
- Great for HVAC systems, Water Heaters, Appliances and Disposers!!
- Labels shown smaller than actual size.
- 5 Sizes Available
- Full color printing on glossy adhesive labels
- Great Call Back Tool

95-518 3-1/2" x 4"



95-515 1" x 2-5/8"

PRICED EACH - SOLD IN PACKAGE QUANTITIES ONLY

95-517 2" x 3-1/4"



Item #	Description	Pkg Qty	Price 1	Price 2
95-515	1" x 2-5/8"	900	.09	.08
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

Phone: 1-800-777-6500

Fax: 1-800-982-5934

Web: www.HodesCo.com



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

Private Label Valve Tags

Connect these Tags to every valve in your customers' homes!

Hang them on the main valves for water and gas or put these tags under the sink on the water shut offs.

Card size is:
3" x 4"

Attach these tags anyplace in your customers home so that your phone number can be located quickly when your customer needs it the most!

These tags are **COMPLETELY CUSTOM, FULL COLOR** and **LAMINATED** with **YOUR** information and includes a cable tie to connect to your customers valves.

**Your logo and information on both sides.
We will completely customize your design for you.**



SOLD IN QUANTITIES OF 500 ONLY

Item #	Description	Price 1	Price 2
95-525	3" x 4" Full Color Laminated Valve Tag w/Cable Tie	.78	.69

Hose Washer Cards

We have sold this copyrighted sales plan to plumbing shops since 1943. Repeat order after repeat order convinces us that it is a unique and effective way to make your business known to commercial and residential customers.

The tires on the card are hose washers that are easily removed. Your company name, phone number and service description is printed just the way you want it, and will be remembered when they need service.

Send us your letterhead or business card, or draw us a diagram of what you want.

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"



Item #	Description	Price
95-501	1 Box of 1000 Cards	825.00

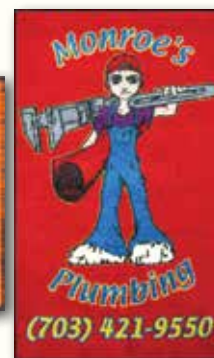
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Use the Private Label Jobsite Carpets To Complete Your Professional Image

- We will color match with up to 24 colors per design...No Art Charges!
- Logos are printed on the face of the mat with a state-of-the-art digital printer.
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- Please allow 3 weeks from time of approval for delivery.



* MANUFACTURER REQUIRES MINIMUM ORDER OF 2



Save 15% when you order 11 or more carpets of the same size and design. Discount applied once order is received.

Item #	Description	Minimum Order Qty	Price 1	Price 2
91-900*	24" x 35" (Approximately 2' x 3') Private Labeled Carpet	2	139.72	122.95
91-902	24" x 35" (Approximately 2' x 3') Honor Thy Plumber™ Red Carpet	1	126.08	110.95
91-903	24" x 35" (Approximately 2' x 3') Plain Red Carpet	1	84.03	73.95
91-950*	35" x 58" (Approximately 3' x 5') Private Labeled Carpet	2	195.40	171.95
91-952	35" x 58" (Approximately 3' x 5') Honor Thy Plumber™ Red Carpet	1	178.35	156.95
91-953	35" x 58" (Approximately 3' x 5') Plain Red Carpet	1	126.08	110.95

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



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Nuts and Bolts of Distribution

by Joe Hodes

HodesCo is proud to stock over 10,000 in-stock contractor quality-packaged products backed by a 6-month price guarantee. Meet the purchasers who make our "Dedicated Service, Lower Prices" possible.

HodesCo's veteran purchasers - Jeff Heitman, Steve Leehy, and Theresa Smith - share their wisdom backed by 80-plus years of experience in the distribution industry.

“Having business class inventory software is key for a wholesaler, numbers are everything. Purchasing is based on math, and math is math.”

Inventory Control - Critical for Contractors and Wholesalers Alike

Hodes Co.'s expertise in inventory control – featured in our Stock Service System – is a result of decades of experience optimizing our own warehouse and systems.

Smith explains, “All warehouse items need to be seen as dollars, not just parts – they need to be treated like dollars.”

Leehy agrees, adding, “You must control your inventory to be successful in the wholesale world. You can have shortages in one bin and overages in another, which usually means you have a shortage and/or overage somewhere else. If you can't keep track of and control your inventory, you probably won't last long in the distribution/wholesale business.”

Balancing Inventory While Avoiding Bloat

Like contractors, wholesalers are constantly balancing the need to have the right item at the right time for the customer while avoiding bloated inventory.

In the past, remembers Heitman, “We bought much more product because supply chains were much less efficient.” Thankfully, lead times have significantly decreased.

“We try to keep all products we sell in stock and ready to ship,” shares Leehy. “To sell a new item to a customer requires that we stock it. If a customer needs it, they usually don't want to wait. With items that have sales history, we balance usage and lead-time to try to keep items in stock. Having items in stock keeps unnecessary freight costs from lowering margins.”

Software to Manage Plumbing Hardware

Controlling inventory requires actionable data – which is where software changes the game.

“When I started purchasing,” Heitman recalls, “we had an IBM system, but nearly everything was manual. Almost everything was handwritten. By the time you finished writing a report, it was time to start a new one!”

“Having business class inventory software is key for a wholesaler,” says Leehy. “Numbers are everything.” To put it simply, in Leehy's words: “Purchasing is based on math, and math is math.”

Which numbers are most important? Smith highlights “data that you need, like usages, purchase history, lead times, minimum order requirements, package

requirements and more.” If circumstances change, “we can tweak the settings,” such as service level, inventory classes, and buying parameters.

Each Vendor has a Story

Each Hodes Co. purchaser manages relationships with dozens of vendors and suppliers, all unique in their breadth of focus, fee structures, and freight minimums. Those relationships have become even more important to foster as the number of international suppliers has grown, reflects Heitman.

“With several hundred vendors,” Smith explains, “you see a lot of variance in how other companies do business. Some are ideal, others require more maintenance.”

Leehy notes that knowing how and when vendors’ prices increase and identifying shortages as quickly as possible are critical to keeping stock on the shelf.

Weighing Freight’s Importance

Because Hodes Co. pays for all customer deliveries on ALL orders within the continental US, including any backordered items, fill rates are critical in keeping freight costs low.

In Leehey’s experience,

“Freight is a huge cost for companies in the wholesale market. We pay to bring in the items, and we pay to send them out. Higher freight costs will affect the price of products faster than anything I have seen.”

Like its cost, freight’s impact on wholesalers will continue to grow. “Freight costs have continued to greatly increase in the last several years,” observes Smith. “The need to buy FFA is greater now to avoid the extra shipping costs,” which is “especially tough with smaller suppliers with which we don’t have a lot of items.”

Lessons Learned

Given the tenure of Hodes Co’s purchasers, they have collectively learned many valuable lessons, most recently, courtesy of COVID and its accompanying supply chain disruptions.

In his 30-plus years of purchasing, Heitman says, “COVID was the worst” challenge to face; “luckily, we had better reports to see things coming in advance.”

Whereas just in time inventory was the norm in years past, Smith explains, “COVID changed that with its supply chain issues. It was a wakeup call for a lot of companies.”

For Leehey, the past few years have only reinforced the importance of “math, math, math – reports, reports, reports.” In fact, “with COVID, you could see the shortages and price increases coming, so we modified settings and invested a lot in inventory.”

As suppliers resolve their supply chains and a sense of normalcy returns, Heitman, Leehey, and Smith agree – it is an exciting time to be in distribution.





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