

45 YEARS. . .AND GROWING!

We usually devote issues of *The Progress Report* to new products and service solutions. However, an article recently appeared in *HVACR Distribution Business*, a publication that sums up our business in a way that deserved reprinting in this first issue of the year: 2005 is our 45th year in business, and we wanted you to know we plan to keep our focus on *YOU*, the customer. *Mark Faessler, Owner and President*

When Progress Supply Inc. opened its doors in 1960, the wholesale business was a lot less complicated. A serviceperson, or perhaps the owner, would deal directly with the contractor and, together, they would figure out exactly what was necessary for the job. There was more time to discuss new parts and better understand the contractor's business. There was no such thing as a "big-box" retailer or national wholesalers. The HVACR wholesaler was truly a local businessperson who succeeded based on his ability to service each customer.

Today, there's less time for talking. In fact, contractors may not set foot inside a wholesaler's store, relying instead on runners who can pick up parts and supplies and deliver directly to the job site. Meanwhile, changes up and down the supply chain are making it more difficult for smaller wholesalers to compete and make a profit.

With double-digit sales growth over the past few years and its per-branch sales on many lines way above average, Progress Supply has demonstrated that smaller HVACR wholesalers can thrive. The key, says Mark J. Faessler, Progress Supply Inc.'s president and owner, is staying true to the principles that made the Cincinnati-based company what it is today, while always looking for ways to seize new opportunities.

This mix of old and new has paid off for Progress in what is a very competitive market. "That's what has made us so strong and why we've grown year in and year out for almost

45 years. It's always taking care of the customer," Faessler says. "Our philosophy is if we don't take care of the customer to the best of our ability and take care of them in a way that they want, they will go down the street to our competitors."

Progress Supply was founded in 1960. One of its founders was Faessler's father-in-law, Clyde Kessen. Progress Supply opened with one warehouse in Cincinnati and carved out a niche for itself among commercial contractors, particularly mechanical and industrial contractors. Progress Supply had a major expansion in 1990 when it became a dealer for Copeland Corporation, the refrigeration manufacturer. Becoming a Copeland wholesaler, Faessler says, "made us stronger."

While Progress had always thought of itself as a refrigeration supply house, the addition of Copeland put them firmly into that category. Copeland had another

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The Strategic Planning Group, First row:

Ed Bachus, vice president, purchasing, Jay Kathman, general manager, Karen Voxbrunner, Dayton manager. Second Row: Joe Dowling, Cincinnati manager, Pete Wienkamp, IS Manager, Alex Cole, Dayton salesman. Top row: Mark Faessler, owner and president, Terri Surber, Columbus manager, Bill Bastl, strategic planning mentor from The IBIS Advisory Group in cooperation with Genetron University.

Progress Supply Inc. at a Glance	
President & CEO	Mark J. Faessler
Vice Presidents	K.C. Faessler Ed Bachus, Purchasing Jay Kathman, General Manager
Headquarters	2864 Spring Grove Avenue Cincinnati, Ohio 45225
Operations/Branches	1434 Fields Avenue, Columbus, Ohio 43211 1345 Stanley Avenue, Dayton, Ohio 45404
Employees	42
Major Product Lines	Emerson Climate Tech (Copeland, Flow Controls), Honeywell, DuPont, Johnson Controls, Mueller Brass, Invensys, Ritchie, Nu-Calgon, Armazel
Annual Sales	More than \$10 million

YOU CAN'T STOP PROGRESS

distributor in the Cincinnati area, but Faessler says they convinced Copeland that taking on a second distributor would be mutually beneficial. "It's been very good for us and very good for them," he adds. With the product line of Copeland behind them, Progress became a much stronger player in the marketplace. It also was the catalyst that expanded them into two additional markets: Dayton and Columbus. Progress Supply now serves southeastern Indiana and northern Kentucky, as well as southern and central Ohio.

Today, the counters of Progress Supply's three branches are among the busiest in their respective markets. Customers know that, when they order parts from Progress Supply, there won't be any hassles or delays.

Employees staffing the counters have the technical knowledge and the attitude for getting the job done quickly and right the first time so that the customer is satisfied. "We take care of the customers so they can get in and out as quickly as possible," Faessler says.

Faessler characterizes his customers as 'sophisticated and knowledgeable.' Many of them are growing as fast, if not faster, than Progress Supply, he adds. Not only do their customers require employees to work smarter, but they expect it from their supply houses. While time is so valuable to Progress Supply's customers, it also reduces the chances that they will make new or impulse sales at the counters. Coupled with a reliance on runners, whose only function is to pick up and deliver parts, there are fewer interactions with decision-makers. Faessler recognized this trend early, and the company has stepped up ways to stay in touch with contractors about specials, new parts, and other offers that could benefit them.

"You don't get a chance to show customers what's at the counters and what's new, so we're forced to be more proactive," Faessler says. Counter people are trained to ask questions when orders are placed, whether it's about a part that may complement the order or a part that may better serve the contractor's needs. "These are things that we've always done naturally. Now we have to work harder at that, and try and get the runner to make a phone call if we think we have a better solution," he says.

Progress Supply has added Nextel phones at each of its branches. Because this is the communication vehicle that is the standard in the industry today, Progress Supply makes it convenient for the customers. "Anyone with Nextel can beep right in. It saves them on phone calls and charges," he says. Progress Supply is considering other ways to make the ordering process more efficient, including placing orders through e-mail and over the Internet. They are also evaluating Web-based catalogs.

Progress Supply couples its customer-oriented approach with a team of technically proficient employees—an important differentiation factor in each of the markets it serves. Faessler is proud that many employees have been with the company for years, bringing a sense of stability and knowledge to their jobs.

"We provide the best advice and service," Faessler says of his 42-person staff. Ongoing technical education is a top priority for Progress Supply. "We're spending more time and money on educating our employees than we ever have before," Faessler says. Progress Supply now requires all employees to complete two classes, trainings, or seminars

per year. It may be HARDI at-home study courses, supplier seminars, or other technical education courses. The

objective is to stay ahead of what's happening in the field.

While Progress Supply has lost customers to competitors who offer lower prices, it's almost always a short-lived defection. "They usually can't service the customer the way we can," Faessler says. "Price is still important, but being able to take care of them in a timely manner is becoming the most important issue." He acknowledges that Progress Supply isn't the 'low-price leader,' but customers tell him they want a company that will work with them so each job can be finished correctly and on time. "It's about service, product knowledge and availability, and information. That pretty much sums up how we go about our business," Faessler says.

Progress Supply has a technical specialist in each of its branches to address refrigeration and HVAC issues that customers may have. They work closely with customers, including going to work sites and quoting jobs for them. With customers spending less and less time at the service counters, the job of Progress Supply's outside salespeople becomes that much more important. There are seven outside salespeople who are responsible for anywhere from 50 to 150 customers each. Faessler says they stay in regular contact with their customers, anticipating needs, taking orders, and working hard to help them become more successful and profitable.

In addition to employee education, Progress Supply is also dedicated to the continuing education of its customers. The company routinely holds classes and trainings conducted by their own specialists and those of its suppliers. Not only do contractors learn, but it drives home the value that Progress adds for its customers. It's another point of differentiation that separates Progress from its competitors.

Advertising has become a bigger part of Progress Supply's marketing efforts. Faessler says faxes that advertise special promotions or discounts have been effective in supplementing contact with customers and prospects. "We usually run special promotions throughout the year where contractors can earn merchandise or where there are giveaway-type programs," he says. "We try to spend as much co-op money as we possibly can. We have a number of great suppliers that offer this to us, and we try to take full advantage of it when they do."

Among the most daunting challenges facing small wholesalers like Progress Supply is getting access to quality products at a competitive price. National purchasing agreements formed between suppliers and larger HVAC wholesalers have created challenges for smaller, regional wholesalers like Progress. Faessler says Progress Supply's new membership into the Key Wholesalers Group is a major step in counteracting this pricing challenge. The group consists of 21 wholesalers from around the country, and its coverage extends to almost every state.

Beyond the opportunity to purchase competitively, Faessler says another major benefit of the association is the collective business acumen that the executives bring

and their willingness to help out the other members.

"I view this as the best group of individual HVACR wholesalers in the country," he says. "They're all very strong companies, and I feel honored to be a part of the organization," he says. "They're always forward-looking, and they'll help each other out if there are issues. It's another networking source."

Progress Supply's relationships with its suppliers have always been solid, Faessler notes. Progress Supply executives meet regularly with suppliers. "We work together to solve problems, and we guarantee that it's a two-way street," he says. "It is through continually building relationships that you acquire the necessary trust to get through the tough issues."

As an active member of industry associations like HARDI, ARW, ARI and ASHRAE, Faessler regularly interacts with suppliers and vendors. In fact, Faessler is currently on the HARDI board of directors and one of its officers. "The networking I've been able to accomplish through HARDI, Copeland, and Johnson Controls has been an invaluable resource to me and our company."

If the Key Wholesaler Group and the various industry associations have helped Progress Supply with HVACR issues, TEC has been equally invaluable on the management side, Faessler notes. Comprised of 12 to 16 CEOs in the Cincinnati area, TEC is a national organization that meets for a daylong meeting 12 times a year. Each meeting addresses different components of business, from inventory control to purchasing to employee motivation. There's also opportunity for the CEOs to address issues within their organizations. "We discuss it, talk about it, take questions, offer suggestions," he says. "We usually walk away from the meeting with some kind of action plan, and at a subsequent meeting, we'll be asked if we followed up and resolved the issue."

For small wholesalers like Progress Supply to remain successful, it's essential to identify and take advantage of opportunities. Faessler recalls Progress Supply's joining ARW (now HARDI) in the early 1980s when he had only been with the company for a few years. "Being able to network with owners and executives from wholesalers from all over the country proved to be priceless," he says. Servicing the customer remains a key to success, but Progress Supply has shown that it's not the only key. "I believe that there will always be a need for a wholesaler who can service his customer," Faessler says. "But if we want to stay in business, we will have to broaden our lines, expand our knowledge, and partner with our major customers more than ever."

Reprinted with permission from HVACR Distribution Business, December, 2004 issue.

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BEST PRACTICE

DEFINITION AND EXAMPLE: Company Strategic Planning. In 2001, with the help of one of our suppliers, we went through three days of strategic planning. Now we meet three or four times per year to update, recap, and direct the future direction of Progress Supply Inc.

SIGNIFICANCE: For the first time in our company, we started planning for the future, not just reacting to past or current issues, and did it with the direct involvement of eight key people in our organization.

BENEFITS: Progress Supply Inc. now has a plan for growth and success, a plan that is ever-evolving. With the direct involvement of our key people, it allows us to focus more on what we need to do. We can then take our ideas and goals, and educate our employees so that we are all on the same path.

PROCEDURE: With the top people at Progress Supply Inc., we discuss ideas and directions, rank them, and assign project leaders and timelines to them. The project leaders are then responsible for forming their own teams to work on their projects (this team can include members from outside the Strategic Planning Committee) and to then keep the Strategic Planning Committee informed as to their progress.

PEOPLE INVOLVED: The immediate committee consists of seven people. Besides myself, our store managers, general manager, purchasing manager, information system manager, and a salesman are all part of this team. However, as the project leaders work on their projects, anyone in the company can work on their team.

TIMING: Meetings are three or four times per year. One usually lasts for a couple of days, while the others are usually one-day meetings. Individual projects take different lengths of time. Usually, a project will last from one to 26 weeks.

COST: We view that costs are a necessary price to do business right! In fact, if you look at what these ideas have saved the company or the income they have brought to the bottom line, the cost becomes immaterial!

OTHER CONSIDERATIONS: Instead of reacting to situations, we can now plan the future! We can get all of our people on the same page and not retard our growth by moving backward. It has been wonderful to see the growth of the individuals on this committee. They take pride in what they do, and that shows up on the job. In the past, one or two people tried to perform projects. Now we have eight people excited to lead a project, and most of them complete more than one project per year. We now have more communication and sharing of ideas and issues than at any time in the past.

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