

PREFERRED PUMP: Yesterday And Today

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Its modest beginning led to growth that has made this company a force in the water well distribution industry.



INTRODUCTION



Preferred Pump & Equipment, LP, based in Fort Worth, TX, has enjoyed phenomenal growth over the past 14 years. It was founded in 1982 as a small distribution company in Texas and has evolved into a leading wholesale distributor of domestic water system products in the United States, with 30 branches.

SUPPLY HOUSE TIMES profiles this specialty distributor in this mini-section.

Preferred Pump was founded in 1982 when Randy Lyne left the ranks of a pump manufacturer to start his own distribution company.

"I had no money to start the company, but I had a number of friends in the industry," Lyne recalls. "I came to Texas to start the business because the area needed additional distribution. I didn't know anyone, but I ran ads in the paper to hire people. Texas was where I knew I could get the help I needed to start the business."



*Randy Lyne,
president*

"Randy Lyne started off very lean," recalls Eddie Linnartz, group manager. "At one point he was living in his office. He started on a shoestring."

Lyne opened the first Preferred Pump branch in Dallas, and later relocated it to Fort Worth. After being in business four years Preferred Pump had a branch in Tyler, TX, and one in Fort Worth.

Through his contacts in the industry, Lyne learned of a large distributor in Minnesota that was closing its doors. The key Water Systems employees were about to be out of a job, although certainly because of no fault of their own, Lyne says. So he opened a Preferred Pump location in St. Cloud, MN, with a very talented group, in 1990.

"That is now our largest branch," Lyne notes. "That helped spur a lot of our growth. From that branch we expanded into Brainerd, MN, and Eau Claire, WI. As we built up cash equity, we opened more branches."

Preferred Pump continued growing with additional branches. Someone would contact Lyne or talk with him at a trade show and Lyne would say, "If you ever want to run a branch or get in business for someone on your own, call me." Sometimes three or four years would pass, then that person would call and Preferred would open another branch.

Or, if a family-owned company in the water well business was facing the owner's impending retirement and had no exit plan, Preferred Pump would acquire it, Lyne says.

"When we acquire a company, key employees can work for us five to 10 years, then retire, but all of their employees are taken care of and they can still work in the business they love," he says.

"It's not that we go out and make pitches to people," Lyne asserts. "We want to be the place that people call if they want to divest their company or are looking forward to retirement. We want to be known for taking care of an acquired company's existing employees and enabling them to remain in the water systems industry."

Preferred Pump's geographic expansion might be described as almost haphazard, Lyne notes. It has added branches where opportunities existed, but some of them are a long way from home. For example, it has branches in California, but not in the mountain states. Today it operates locations in Texas, Missouri, Kansas, Oklahoma, Georgia, Nebraska, California, Minnesota, Wisconsin, Michigan, Indiana and Ohio.

ASSEMBLING THE TEAM

The current management team includes Scott Sizemore, vice president of purchasing and information technology; West Soward, vice president/finance; Tom Bowers, director of marketing and group manager (Anderson, Bakersfield, Chico, Fresno, North Highlands and Santa Maria, CA); Eddie Linnartz, group manager (Grand Island, NE; Houston and Helotes, TX; Gainesville and Vienna, GA); Joe Thein, group manager (St. Cloud and Pillage, MN, and Eau Claire and Stevens Point, WI); Mike Floyd, group manager (Fort Worth and Tyler, TX, Oklahoma City, Wichita, KS, Springfield and St. Louis, MO); and Jim Mathison, group manager (Indianapolis and Larwill, IN; Lake City, MI; Cincinnati, Columbus, Kent and Springfield, OH).

West Soward, vice president/ finance



Soward joined Preferred Pump in November 2001. His first jobs out of college were with petroleum refining and distribution companies. He worked in the petroleum distribution industry about eight years, then joined a ceiling fan manufacturer that sold to the do-it-yourself market. Soward remained with the company when it was acquired by an investment group and helped them acquire medical information companies. When that company was about to be acquired, Soward left and returned to Texas. He has an accounting degree and CPA and was familiar with the distribution industry when he joined Preferred Pump. He says his skills lie in finance, mergers and acquisitions. The regional and branch managers enjoy working with West, whom they all report has a unique understanding of the sales-driven nature of the business.

Scott Sizemore, vice president/purchasing and IT

Sizemore joined Preferred Pump 12 years ago, right out of school, and



has held various positions in the corporate office. He started in customer service and went on to serve in the accounting side as controller. Now he oversees the purchasing department and some of the operations side of the business — procedures, logistics and computer systems.

Sizemore has developed procedures that automated aspects of the business, such as receiving and handling purchase orders, invoicing and other key aspects of the business.

“The idea was to make it more smooth using the computer system without making the job at the warehouse level more difficult,” he notes.

He says his biggest accomplishment has been taking Preferred Pump from a situation where paperwork was handwritten and sent to the corporate office to computer processing of those functions.

“Automating those processes has helped fuel some of our growth,” Sizemore notes. “Now our employees key in orders in real time and can view current inventory levels on their computer screens instead of having to visually inspect the warehouse to check inventory.”

Tom Bowers, director of marketing, group manager



Bowers joined Preferred Pump in 2001. Before that, starting from 1989, he worked for AMTROL and its subsidiaries, calling on Preferred as a vendor. “I was able to follow their progress and understand their M.O. as they grew,” Bowers says. He was a regional manager at AMTROL and at one time or another covered every state in the union. Prior to AMTROL, Bowers was a manufacturers rep in Chicago, representing Crane/ Fiat, among others. Having been a rep, Bowers says he was well suited to create and build up sales networks and organizations in subsequent positions. “I cut my teeth on the plumbing industry in Chicago and northwest Indiana — you had to come back with real orders or you were finished!” he says. “There, I learned how the food chain worked with architects, engineers, mechanical contractors, plumbers, reps and manufacturers. It’s fortunate I was able to see so many successful models for distribution and that I asked a ton of questions when I was on the road as a vendor – I was always curious and believe me, it’s paid off!”

In addition to his group manager duties, Bowers also handles Preferred’s marketing functions with lots of help from Eli Popescu, the marketing coordinator, he says. “Over the years, I loved working in the marketing aspect of the business,” Bowers recalls. “I was always doing my own flyers, postcards, video presentations – anything to help make a point. When Randy asked me help out with our Dealer Awards promotion, I took the job in a heartbeat. We have loads of fun rewarding our customers for their loyalty and each year it just keeps getting better!”

Eddie Linnartz, group manager

“Almost 19 years ago, I was working for another distributor in the Water



Systems business," Linnartz says. "That is how I came to know Randy Lyne. I interviewed a couple of times and then went to work for him."

Preferred Pump had two branches and about 12 employees when Linnartz joined the firm.

"Over the years that expanded to 30 branches and today we have more than 200 employees," Linnartz says. "Now, Preferred Pump has become the largest dedicated water well distributor in the nation."

Linnartz says that Lyne hired him because he had a good sales track record with the contractors in the San Antonio area and they shared the value of hard work.

"Back then Preferred Pump was a small, lean company and I literally worked out of my garage," Linnartz recalls. "I traveled the territory and kept as much inventory in my house and garage as I could – for the most part, my customers had everything they wanted. Anything customers could wait for was shipped out of Fort Worth. I did that for two years, then we opened a branch in San Antonio."

Linnartz was first hired for sales, but as his territory grew and it became clear his branch needed a bigger facility and more sales coverage, he was promoted to branch manager.

"I had a couple of salesmen out there," Linnartz remembers. "Tommy Massey started out as a truck driver, and today he is one of the most successful salesmen in the company."

Randy Lyne ran the whole company until around 1999, when Linnartz opened a Preferred Pump branch in Wyoming that has since closed.

"We sold pumps for the methane gas business and when the price of methane gas went down, we pulled out of it," Linnartz says. "That's when we went back to what we do best: water wells."

Today, Linnartz manages a region with branches in Texas, Nebraska and Georgia, where he passes on the original Preferred values.

MEET PREFERRED PUMP

Joe Thein, group manager



Thein joined Preferred Pump on May 15, 1990 after a 13-year career as pump/water systems department manager with Bartley Supply Co. (also known as Bartley-Lindsay Co.). As a wholesale distributor of plumbing, heating, cabinetry, pump/well, water conditioning and turf irrigation supplies, Bartley had developed a strong following of water well and pump installer customers throughout Minnesota and northwestern Wisconsin. The company went out of business in 1991. Prior to Bartley, he worked for his family's business, Thein Well Co., a 115-year-old Minnesota-based water

well contracting firm, where his positions ranged from domestic well construction to municipal well maintenance and repair.

Thein joined Preferred Pump with several other employees from the pump department at Bartley: Bob Primus, Chuck Twedt, Roy Stenberg and Bob Anderson. Primus currently serves as branch manager of Preferred Pump's St. Cloud, MN, branch. The others have either retired or went on to other careers.

"The team of ex-Bartley Supply employees we initially assembled helped immensely in making the first branch outside of Texas become a successful one," Thein says.

A combination of factors contributed to the Preferred Pump's success in entering Minnesota, he notes. These included: being in the right place at the right time; having a core team of employees who had existing relationships with the targeted customer base; operating as a specialty wholesaler that focused on pump and well supplies.

"If we didn't do a better job than our competition we felt like we didn't deserve the business," Thein says. "We couldn't fall back on selling toilets, water heaters or furnaces like our competitors could. We were able to focus on our customers' needs and see to it that we did all of the "little things" better than our competition."

Marketing learned from their previous employer, Bartley Supply, also helped the Minnesota operation, Thein notes. Preferred Pump reproduced the annual spring dealer show Bartley Supply had conducted, but also added training and trade seminars.

"The spring dealer appreciation show is still a major part of our business and an excellent buying and educational opportunity for our customers," he says.

Mike Floyd, group manager



Floyd joined the company in 2000 after selling to Randy Lyne as a vendor for 10 years. He had worked for Aermoter and Sta-Rite, both pump companies.

"The bottom line was, I was selling to Randy, saw the kind of organization it was and knew I wanted to join," Floyd says. He managed the Fort Worth branch for a year before becoming a group manager.

Randy Lyne started hiring group managers to oversee the branches in 2000 and 2001 but remains the leader and visionary of the company, Floyd says.

"This is a very well-run sales organization," he notes. "We have a system in place and the right people."

Floyd says his strength is in finding the right people. "When I see a good person who is willing to move, I let the other regional managers know about that. They do the same for me. Each branch manager has complete autonomy.

"I'm proudest of my people. I've been able to find people inside and outside of the organization who want to grow and learn. The No. 1 thing is to service the customer.

Everyone in my group and the entire company understands that.”

Jim Mathison, group manager



Mathison joined Preferred Pump in 2003 after calling on the company for about 12 years while with Aermoter. “We had a vendor/customer relationship,” he says. He entered the industry via a three-year stint with Sta-Rite Industries prior to joining Aermoter. Aermoter was acquired five or six times in the 18 years he was there, Mathison says.

“What I bring to my region is an understanding of the market we serve,” he says. “You have to learn to fit what you have with what the market is able to buy. Understand what customers want and know how to go to market, what to do and what not to do.”

When Mathison worked for a manufacturer he sold himself first, the product second and the company third, he notes. “When you sell yourself first, the customer will tell you what they want. Then you just have to figure out how to give it to them. It has to be beneficial to both of you.”