

## Focus on relationships and basics earns high profits for California plumbing contractor

In 2008, when many businesses were contracting with a slower economy, Steve and Lisa Pahler of Atascadero, Calif., grew revenues at their residential plumbing service company more than 200% and achieved 30% profitability. They managed this feat even while taking on additional risk by acquiring a former

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competitor’s business. And they are targeting 21% profitability for 2009.

“We know a lot of businesses are hurting right now, but we’ve been careful with our decisions to expand our territory and convert the residential service side of our business to a franchise system,” said Steve Pahler, who owns the Benjamin Franklin Plumbing franchise in California’s Wine Country with his wife, Lisa. “Ultimately, our success goes back to what I consider our fundamental strengths: focusing on relationships and on basic indicators that track our performance.”

### **It’s about relationships**

The Pahlers have been in the plumbing business for 25 of their 28

years of marriage. The strong working partnership they have forged is one element Lisa credits for the growth in their business.

“We trust each other’s judgment and complement one another’s skill sets,” Lisa said. “Steve is a consummate negotiator who maximizes our buying power with suppliers. Those relationships, built over time, allow us to manage hard costs and improve our bottom line through better pricing and rebates.”

Internally, good employee relations led to the return of a valued technician who had left the Pahlers’ employ to start his own business. When he decided the entrepreneurial life was not for him, he was comfortable returning to the Pahlers’ team, bring-



**BY TAB HUNTER**  
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ing his customers with him.

“We work hard to establish and maintain a positive environment for our employees,” Steve said. “We compensate well and use performance bonuses to reward employees based on the numbers the company is achieving. This helps everyone stay motivated and helps to keep labor costs in line with revenues.”

### **Meeting the KPI Challenge**

In addition to welcoming their returning employee’s customers, the Pahlers added 12,000 new customers in one stroke when they acquired a former competitor’s plumbing business.

“There’s no doubt that the acquisition and our focus on relationships have helped us achieve profitability,” Steve said. “But I’d have to say that

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we would be nowhere if we weren’t focused every day on our Key Performance Indicators (KPIs).”

The Pahlers track various factors related to revenues, expenses and operations using a system provided by the franchise company. They review their numbers daily, looking for areas that need improvement or opportunities to reward employees for achieving or surpassing goals.

The Pahlers own their facility and are not faced with rising rents like some business owners. Instead, labor and materials are top priorities among the KPIs the Pahlers track. For example, the business they acquired paid its employees high wages, but with no relationship to the company’s performance. The result was less motivated employees making more

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## Contractor measures success by performance, relationships

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than the company could afford to pay. The franchise system the Pahlers use ties the employees' compensation to the company's performance. Lisa says the Pahlers are able to pay employees more than they were making under the arbitrary salaries they were paid under the previous ownership.

Negotiating better prices for materials is another key factor Steve credits for keeping costs in line.

"Being known in the community as one of the larger plumbing companies means we are taken seriously by suppliers," he said. "Vendors want customers whose businesses are growing and that pay their bills on time. We have established a reputation for integrity and good business sense."

Recently, the Pahlers achieved new

cost savings on workers' compensation and liability insurance – costs that are difficult to control. Lisa says being part of the franchise network gave them preferred status to negotiate better deals with insurance providers.

### Growth Opportunities in 2009

The Pahlers see continued growth opportunities in 2009. They are ramping up their marketing program and looking for additional acquisition targets to provide a foothold in more territories.

"The slow economy has put a dent in our service calls," Lisa said. "Getting in the door is more difficult. We have met budget, but we've had to work at it very hard. The franchise system taught us how to demonstrate value of the Benjamin Franklin guarantees to



Steve and Lisa Pahler of Benjamin Franklin Plumbing in Atascadero, Calif., achieved 30% profitability in 2008.

prospective customers, so if we can get in the door, we have a very good chance of winning their business."

To that end, the Pahlers plan to ramp up marketing across the board

in 2009 with a combination of tried-and-true (telephone book ads, for example) and more experimental approaches. They partnered with the local television station on a Public Service campaign to award complete water heater installations to deserving families in the Pahlers' community who are in need. Viewers nominate families for consideration. Cultivating

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the relationship with the television station may also lead to a morning news segment with conservation tips from Benjamin Franklin Plumbing.

"In a tough economy, the service companies that aren't strong are going to flounder and fail," Steve said. "We're out there branding ourselves every day when others can't afford to do so. We'll continue to invest a little over 11% of revenues in advertising."

The Pahlers also are watching for expansion opportunities.

"We would love to have another acquisition in 2009," Steve said. "That would put us at \$2 million in annual sales with eight employees."

"In this economy, there will be opportunities to acquire businesses that are struggling," he said. "But we have to keep our own house in order to be ready to act when those opportunities come along." ■

*Tab Hunter is president of franchise operations at Clockwork Home Services Inc., which awards and supports Benjamin Franklin Plumbing franchises. Information: [www.benjaminfranklinplumbing.com](http://www.benjaminfranklinplumbing.com)*