



# The Tool Box

Serving the Electrical, HVAC & Plumbing Industries Since 1912

Volume 11, Issue 171 October 1, 2014

## Volume Kills, Profit Thrills

**By Hugh Rice**

**Senior Chairman, FMI Corporation**

When Dr. Emol Fails founded FMI in 1963, his mission was to find ways to “improve the profitability of the U.S. construction industry”. One of his first discoveries was that contractors defined success differently than most other businesspeople. Almost universally, contractors focused on accumulating a large top line (volume) on their financial statement as opposed to concentrating on establishing a large bottom line (profit).

So “Doc” set out to convince the construction industry that focusing on price structure and profit margin enhancement was a more productive business strategy than simply adding volume in ever-increasing amounts.

### **“VOLUME IS KING” PERSISTS**

During the 60 years since then, many companies have converted their thinking to Doc’s once-revolutionary concept of doing less volume for more profit. But the volume-is-king mentality still persists throughout much of the construction industry. When asked how the business is doing, today’s typical contractor responds by quoting sales volume or backlog figures. Rarely are profit margins or changes in profitability used to express the state of the business. Most construction companies are still driven by the idea that bigger is better.

The reality of the industry is quite different. It is very common for the profitability of a construction firm to increase during a year when volume decreases. The question is, Why?

### **INFLUENCING PROFITABILITY**

Clearly, lower volume can result in a variety of factors that influence profitability, including the following:

- More intensive management applied to each project
- Elimination of marginal employees
- Focus on types of work in which the firm is most skilled
- Enhanced productivity
- More efficient application of resources
- More work with long-time customers
- Lower overhead expenses
- Less time spent managing a tenuous cash flow
- Less demand for fixed asset purchases

These factors, especially when added together, can result in significantly higher profit margins - large enough to more than offset a decline in volume. Although management intuitively understands how and why this phenomenon works, there nevertheless remains an irresistible urge to secure more work - unfortunately, at prices that allow for

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**Friday  
November 7, 2014**

**Piedmont Area**

**Golf Outing  
Oyster Roast  
Low Country Boil**

**Hejaz  
Shrine Club**

**Mauldin**

**Sign Up Today!!!**



**Mechanical Member:**  
**CITY PLUMBING COMPANY OF FLORENCE, INC.**

City Plumbing Co. is a small plumbing company, established in 1956, operating in the Great Pee Dee area. The company has been involved in many commercial and governmental plumbing installations for many years. We maintain an unlimited plumbing license in South Carolina and North Carolina. Our service department continues to offer plumbing services to residential, commercial and small industrial customers, in eastern South Carolina.

City Plumbing Company has maintained relationships with customers and their families for over fifty years. The owners would like to thank all of our past and present employees for making the longevity of the company possible.

MCASC has played a central part in the continuing success of this company by providing a venue for educational opportunities and the support of the many members (who have become friends) and their companies.

We look forward to a recovering economy and improving business climate, for everyone.

***City Plumbing Company of Florence, Inc.***  
***933 Santiago Drive***  
***Florence, SC 29501-6099***  
***Phone: (843) 662-2365; Fax: (843) 665-5588***

## OCTOBER BIRTHDAYS

Eve Brewer	10/1	Easley Mechanical	Wife of Jim
Bert King	10/3	Honorary Life Member	
Kelly Miller	10/3	Miller HVAC Service	Wife of Bob
Jason Shaluly	10/3	RepSouth	
Ophelia Brewer	10/5	Easley Mechanical	Wife of Steve
Joyce Ann Kirkland	10/5	W. N. Kirkland, Inc.	Wife of Gary
Terry Walkup	10/5	Walkup Electrical Construction, LLC	Wife of Tommy
Mark Condon	10/11	Ferguson Enterprises, Inc.	
Nick Miller	10/13	Shealy & Sons Electric Company, Inc.	
Gail Waldrop	10/14	Honorary Life Member	Wife of Benny
Walter Heape	10/20	Tideland Equipment & Suppl't Company	
Frank Hill	10/22	Hill Plumbing & Electric Company, Inc.	
Henry Poplin	10/23	B & L Electric Company	
Beth Wilson	10/24	Control Management, Inc.	Wife of Phil
Randy Harley	10/26	Metro Electric Company, Inc.	
Bill Kirkland	10/26	Bill Kirkland Heating & A/C, Inc.	
Jimmy Gatch	10/27	Gatch Electrical Contractors, Inc.	
Jeannie Duke	10/28	Honorary Life Member	Wife of Bob
Jane Brailsford	10/30	Robinson McFadden	Wife of Dan
Terry Smith	10/30	RepSouth	Wife of Bob
Susanne Dwight	10/31	Carolina Filters, Inc.	

*Happy Birthday Members!*  
*We Would Like To Announce Yours. If you would like to be listed,*  
*please call the Birthday Hotline at 803-772-7834 or Email to [mflowers@mcasc.com](mailto:mflowers@mcasc.com)*

## **“Tool Box Talks” - Safety Tip**

### **HEART ATTACKS**

The American Heart Association lists the following as possible signs and symptoms of a heart attack: pressure, fullness, squeezing or pain in the center of the chest lasting two minutes or longer. The pain may come and go. The pain may spread to either shoulder, the neck, lower jaw or either arm. Any or all of the following: weakness, dizziness, sweating, nausea, or shortness of breath.

A heart attack means the heart has stopped pumping blood to the vital organs. It is one of the leading causes of death. Many people will deny that they are having a heart attack, so even if a person only has a few of the symptoms, it is critical to seek help immediately. A heart attack can happen anytime, anywhere, so you need to be prepared.

First, get help, call for an ambulance or dial 911 and tell the operator that you have a medical emergency. If the person that is having the attack is conscious, help them sit down. Keep the victim warm and comfortable. Loosen clothing around the neck and waist. Ask the victim if they are taking any kind of medication. If they are unconscious check for some type of medical ID card or medical alert bracelet, and check the ABC's (A for airway - check for obstructions, B for breathing, C for circulation - check for a pulse) and then start CPR if you are trained to do so.

Heart attack prevention starts by watching what you do. Exercise regularly, stop smoking, avoid fatty foods, and reduce stress. Check with your doctor if you have any concerns. Heart attacks come unannounced, so be prepared. Have a plan and use it when the need arises. Sometime, somewhere, someone is going to need your help! Are you ready to help a loved one or a co-worker? Keep current on your first aid and CPR training. It could mean saving a life!

EMERGENCY PHONE NUMBERS SHOULD BE POSTED NEXT TO EVERY TELEPHONE AT WORK AS WELL AS AT HOME.

**PinPoint Safety, LLC - Mel Rosas, formerly, RSS Safety, LLC**  
**12216 Pinegate Court, Pineville, NC 28134-9139**  
**Telephone (704) 277-5673 Fax (704) 900-8241**

### **Birth Announcement**

**Catherine Pearl Gibbs**  
**Born September 7, 2014, 1:01 PM, 6 lbs., 6 oz., 18 in.**  
**Proud Parents: Edward & Emily Gibbs**  
**Bear Mechanical Services, Columbia**  
**Proud Grandparents: Fred & Brenda Gibbs**  
**Bear Mechanical Services, Charleston**

### **Welcome New Members**

**Piedmont Area:**  
**Midlands Area:**  
**Pee Dee Area:**  
**Coastal Area: Todd Miller**  
**Milwaukee Valve - Mooresville, NC**

### **Upcoming Events**



**Piedmont Area MCASC**  
**Golf Outing, Oyster Roast &**  
**Low Country Boil**  
**Friday, November 7, 2014**  
**Hejaz Shrine Club, Mauldin**

**6th Annual Midlands Area**  
**Nine at Night**  
**Thursday, April 2, 2015**  
**Charwood Country Club**  
**W. Columbia, SC**

### **Happy Anniversary**

**Mr. & Mrs. Pete Bailey - 10/19**  
**Mr. & Mrs. Gary Kirkland - 10/19**  
**Mr. & Mrs. Paul Prevatte - 10/19**  
**Mr. & Mrs. Jim Maguire - 10/23**  
**Mr. & Mrs. Bob Miller - 10/27**  
**Mr. & Mrs. Duwayne Jacobs - 10/28**

### **Condolences**

**Mr. & Mrs. Phil Claytor & Family**  
**MECA, Columbia**  
**On the loss of his brother**  
**Hugh McCorkle Claytor**

little or no profit.

One of the primary motivations in the pursuit of higher volume is a strong desire to “keep the organization together”. A company’s current team has been hired, trained and developed at considerable expense and effort. Decimating the ranks by cutting back is neither pleasant to contemplate nor to carry out. However, inaction can mean that all employees will ultimately lose their jobs if the firm can no longer stay in business.

### OVERHEAD CAN BE CUT

Another reason for seeking increased volume is to cover overhead. There is a definite perception among contractors that their overhead expenses are unique and can’t be cut by another dollar. The reality is that all overhead items are variable and can be adjusted to fit the realities of the marketplace at any point in time. One of the keys to being profitable is to be the most efficient provider of service, including overhead expenses.

### THE SURETY DILEMMA

There are also external factors that lead a construction company to seek more volume. Most contractors erroneously define their capacity to perform work solely by the amount of bonding credit that is extended to them. A common complaint is that not enough credit is extended on their behalf, and too much credit is granted to their undercapitalized, underqualified competitors. Unfortunately, the surety industry is plagued by competitive pressures to respond to requests for larger and larger bond lines.

A better approach is for a company to determine a realistic business volume by asking its surety company for the amount of credit it will extend without personal guarantees. This figure represents a closer approximation of the volume of business that should be pursued.

### RISKY BUSINESS

The relentless quest for volume has turned the construction industry into a risky investment arena. Average returns on equity for the larger firms in the industry are less than 19% - and with risks that are often unacceptably high and uncontrollable. These low returns on already-low equity bases are the result of small to nonexistent profit margins, which, in turn, are due to an oversupply of construction capacity compared to the available supply of construction projects.

The good news is that after 60 years of applying the theories of “Doc” Fails, we are seeing an increasing number of contractors adopt the philosophy that less is more, that profits are more important than volume, and that survival is based on establishing an equity base that can endure inevitable financial reversals.

We’ve learned a lot in 60 years. And we firmly believe that a primary strategy for the industry over the next 60 years should be to do less volume, but to do it more profitably. Remember: Volume kills, profit thrills.

***Hugh Rice** is a senior chairman at FMI Corporation. He can be reached at 303.398.7223 or via email at [hrice@fminet.com](mailto:hrice@fminet.com).*



**Past State Presidents and their Spouses receive recognition at the Summer Convention August 9, 2014 at The Sawgrass Marriott Golf Resort & Spa , Ponte Vedra Beach, FL.**



# 7th Annual Pee Dee Blast Sporting Clays Event Sponsors & Winners

The Pee Dee Area MCASC would like to take this opportunity to thank all the participants & sponsors for their generous support.

## 1<sup>st</sup> Place Team

Carolina Cool

Justin Shortreed  
Tom Wilbert

Kenny Tindal  
Verlon Wolf

## 2<sup>nd</sup> Place Team

H. R. Allen

Stan Harbourt  
Michael Lalack

Gordon Jenkins  
Jason Shorter

## 3<sup>rd</sup> Place Team

Chapman Company

Brad Eaddy  
Robert Jacobs

Duwayne Jacobs  
Kyle Martin

Individual High Score

Brad Eaddy

Grudge Trophy

Pee Dee Area

Social Sponsor

Carolina Insulation Contractors, Inc.

Awards Sponsor

Control Management, Inc. / Siemens

Refreshment Cart Sponsor

McCall's Supply Company

Team Sponsors

Ahern Rentals  
Chapman Co.  
Hagemeyer NA  
Ram Tool  
Walkup Electric

Carolina Cool  
Gateway Supply (2)  
Longley Supply (2)  
Sunbelt Rentals

Carolina Insulation (2)  
H. R. Allen  
Maxim Crane Works  
Victaulic

Banner Sponsor

Richbourg's Rentals

Station Sponsors

A. O. Smith/RepSouth  
Eastern Industrial Supplies  
Smith & Stevenson, Inc.

Charleston Winnelson  
Hilti, Inc.  
Thomas Supply Company, Inc.



1st Place Team



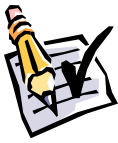
2nd Place Team



3rd Place Team



Individual High Score



# MCASC 2014 COURSE REGISTRATION



COMPLETE AND FAX OR MAIL TO MCASC  
 P.O. BOX 384, COLUMBIA, SC 29202  
 TELEPHONE #: 803-772-7834 FAX #: 803-731-0390  
 EMAIL: [mflowers@mcasc.com](mailto:mflowers@mcasc.com) WEBSITE: [www.mcasc.com](http://www.mcasc.com)

**NAME:** \_\_\_\_\_

**COMPANY:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**PHONE:** \_\_\_\_\_ **FAX:** \_\_\_\_\_

**CITY:** \_\_\_\_\_ **STATE:** \_\_\_\_\_ **ZIP:** \_\_\_\_\_

**EMAIL ADDRESS:** \_\_\_\_\_

**NAME ON LICENSE:** \_\_\_\_\_

**LICENSE NO.:** \_\_\_\_\_ **STATE:** \_\_\_\_\_

## Payment Method

- ☐ Please Invoice
- ☐ Check Enclosed for \$ \_\_\_\_\_

## NOTE:

All Courses Will Be Held At  
 The MCASC State Office Training Facility  
 1504 Morninghill Drive, Columbia, SC

## NOTE:

WE OFFER A DISCOUNT  
 IF YOUR COMPANY REGISTERS THREE (3)  
 OR MORE FOR THE SAME COURSE.  
 SEND 3...THE 4<sup>TH</sup> IS FREE

## NOTICE:

ANYONE FAILING TO WITHDRAW FROM A COURSE  
 TWO WEEKS PRIOR TO ITS START WILL BE BILLED  
 FOR THE ENTIRE COST OF THE COURSE.  
 NO EXCEPTIONS.

## AL & GA APPROVED

- ☐ Surviving An OSHA Inspection

Instructor: Mel Rosas

December 10, 2014 – Columbia

Time: 9:00 AM - 4:00 PM

Member: \$175.00

Non-Member: \$225.00

## Summer Convention Past Presidents Dinner



Past State President Richard Miller, Jr.  
 presented caricature by  
 President Mike Kirkland.



From orange jumpsuit to  
 business suit,  
 Keynote Speaker  
 Chuck Gallagher.



State Associate President Derek Eager  
 presented digital photo album by  
 President Mike Kirkland.

**Associate Member:**  
**FERGUSON ENTERPRISES, INC. - COLUMBIA**

Trade professionals trust Ferguson to provide exceptional service, quality products, and the detailed knowledge required to make their business successful. Whatever your business requires - we are here to make it easy for you.

Ferguson is the largest distributor of residential & commercial plumbing supplies, PVF, HVAC and waterworks in the United States. With 1,350 locations, a Ferguson customer has access to our vast distribution network. We carry all the best and most-recognized brands, cutting edge technology and inventory management solutions. Plus, our associates have the in-depth product knowledge to help you get your job done in the most efficient way.

Not only does Ferguson work with trade professionals to help your company run more efficiently, but we also give our professional customer the opportunity to earn points and cut company costs through our customer loyalty program known as **PRO Plus™**. Every online purchase earns points which can be redeemed for sports apparel, electronics, trips and much more.

With our **24/7 exclusive Express Response Commercial Water Heater Program**, businesses that rely on hot water can continue business as usual with minimal interruption. Any time day or night, we respond to your call and strive to have a new heater available within two hours. We not only deliver the heater, but we will also set it in place and haul away the old heater to dispose of it properly so you save labor dollars, and your service technician can concentrate on finishing the job quickly and keeping your customer happy.

We understand the challenges that contractors face. Our knowledgeable people, on-time delivery and commitment to our customers are just a few of the capabilities that set us apart, and keep you on schedule. Whether your project consists of commercial construction, institutional facility or repair/remodel, we are here to help. Knowing our customers have many choices when it comes to suppliers, we continue to evolve and expand our services. As your needs change as a contractor, we want you to continue to trust us to do the very the best job possible in order to lower your overall cost associated with the project.

***Ferguson Enterprises, Inc. Columbia***  
**9221 Farrow Road, Columbia, SC 29203-9776**  
**Phone (803) 699-4000 Fax (803) 699-4673**

**Congratulations to our next Associate & Mechanical Members who will be  
highlighted in the upcoming issue of "The Tool Box":**

**Sunbelt Rentals, Ladson - Associate Member**  
**Shealy & Sons Electric Company, Inc., West Columbia - Mechanical Member**

**OCTOBER 2014 MONTHLY AREA MEETINGS**

**MIDLANDS AREA**

Thursday, October 2, 2014 @ 5:00 PM  
Location: Mill Creek Hunt Club, Bluff Road, Columbia  
Venue Hosted By: Control Management, Inc.  
Meal Sponsored By: Love Chevrolet - Fleet & United Rentals, Inc.

**Topic: "Taking A Project From Conception To Completion"**  
**Representatives from Architectural, Engineering & General**  
**Contractor Firms will present a Round Table Discussion**  
**Joint Meeting w/ ASHRAE, ASPE & NAWIC**

**PIEDMONT AREA**

Tuesday, October 14, 2014 @ 6:00 PM  
Location: Greer Country Club, 2299 Gap Creek Road, Greer  
Sponsored By: Stover Mechanical, Inc.

**Topic: "The Current State Of The Bonding World"**  
**Presented By: Terry Mullaney, Owner**  
**The Mullaney Agency**

**PEE DEE AREA**

Thursday, October 16, 2014 @ 6:30 PM  
Location: Roger's Barbeque, 2004 W. 2nd Loop Rd., Florence  
Sponsored By: Carolina Insulation Contractors

**Topic: "Valuable Tax Incentives That**  
**Mechanical Contractors Often Overlook"**  
**Presented By: Frank Thomas, CPA/ABV/CFF, CVA/CFFA**  
**Thomas, Watson & Dyches, LLC &**  
**Brian Aumuller, Managing Director, alliantgroup**

**COASTAL AREA**

Tuesday, October 28, 2014 @ 6:00 PM  
Location: 4711 Rivers Avenue, N. Charleston  
Sponsored By: Ferguson Enterprises, Inc., RepSouth &  
State Water Heaters

**Topic: "Storm Water Project For**  
**The City Of Charleston"**  
**Presented By: Mark Wilbert**  
**Emergency Operations Manager, City of Charleston**



P.O. Box 384, 29202  
1504 Morninghill Drive  
Columbia, SC 29210  
Phone: (803) 772-7834  
Fax: (803) 731-0390  
E-mail: mflowers@mcasc.com  
www.mcasc.com

***Serving mechanical contractors in  
South Carolina since 1912.***

**MCASC Executive Board & Staff**

Mike Kirkland., President  
Allen Goff, Vice-President  
Stan Harbourt, Treasurer  
Richard Miller, Jr., Secretary  
Derek Eager, Associate President  
Mona Flowers, Managing Director

Mechanicals make it happen -  
Be part of the best!

**MCASC Vision Statement**

The Mechanical Contractors Association of South Carolina (MCASC) will be the leading construction association in South Carolina for specialty contractors and suppliers in the electrical, mechanical (HVAC), and plumbing fields by serving its membership, the industry, and the Community in a vibrant and harmonious fashion.

**MCASC Mission Statement**

The Mechanical Contractors Association of South Carolina (MCASC) will provide its membership with:

- current business/technical information and support
- a proactive political/legislative agenda
- a joint industry collaboration to improve relative business practices
- an ongoing effort to offer training opportunities for both professional and craft personnel
- educational scholarships for deserving students
- the development of industry related career opportunities

The Association's objective for this mission is to enhance the future of the Construction Industry in South Carolina.