

From Pumps to Water Conditioners: *How To Make a Successful Transition*

By Denise M. Roberts

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Multi-generational, family-owned Guthrie & Frey began in 1974 when Scott Frey opened a well pump business in Wales, WI. The new company was an offshoot of Guthrie, Inc., a well pump company established in the 1960s that was owned by Frey's father-in-law, Robert Guthrie.

Frey's son Rob worked at the company part time throughout high school and during the summers while he attended college; he then joined the company full time in 1996. Scott's wife Lynn and younger son Zack followed shortly thereafter.

In 1997, Rob began to focus on the water conditioning market to capitalize on existing relationships with residential new home builders, especially in areas that did not require a private well but did require some level of water conditioning. In 2003, his wife Sue joined the water conditioning side of the business.

A side road taken

Rob Frey did enough well pump work in high school to know that it wasn't going to be a long-term career choice for him. After graduating from college and pursuing a career in medical device sales, his father had reached a stage where he intended to take care of his existing clients and become much less aggressive in securing new accounts. The younger Frey believed this would result in competitors being able to slowly consume market share, relegating Guthrie & Frey Inc. to the long list of small family-owned businesses without a succession plan.

Rob did not wait for this to happen. He joined his dad, noting it was a once-in-a-lifetime opportunity and he could always return to a career in sales. For the first several years, the well pump business essentially served to finance growth of the water conditioning business. It was noticeable to everyone that Rob's interests centered on that side of the business. This was, in part,

the catalyst for complete separation of the two companies.

It soon became apparent that the well pump division and the water conditioning division would work best as two separate entities. Guthrie & Frey Water Conditioning, LLC became an entirely separate business in 2004, owned and operated by Rob and Sue Frey. In 2006, the company moved from its original location to a 5,000-square-foot (1,524-square-meter) facility in Delafield. The remainder of the Frey family has continued to own and operate the well pump sales and service business performed by Guthrie & Frey, Inc.



Market presence inspires growth

The water conditioning company, able to capitalize on solid relationships and a good reputation, has become one of the three or four largest dealerships in the area. Its 14-member team serves over 20,000 clients in a nine-county region surrounding Milwaukee, providing sales, service and salt deliveries.

Growth has continued to keep pace with Frey's efforts and, as name and brand recognition increased, the company began to successfully penetrate other markets. A new storefront was opened recently in Cedarburg, approximately 45 minutes north of Delafield.

"I see us continuing to focus on our core clientele (residential new construction and residential existing homes), while making concerted efforts to grow our commercial and industrial market share," says Frey. "This would also serve as a time to reduce previously acquired debt and reallocate the funds for construction of a new and larger space to replace or Delafield location.

"In the next 10 years, based on stability at the Delafield facility and growth of the Cedarburg operation, I would also like to investigate acquisitions of existing competitors in our coverage area. I believe that in the future, many of my competitors may be at a stage in their career where they may give serious consideration to that type of exit strategy."

Challenges, with a twist

Although nearly 80 percent of the business was tied to the residential new construction market in 2004 and less than 20 percent in 2009, the recession has allowed Guthrie & Frey's cash flow to 'catch its breath' so to speak. Debt load has been reduced

and, although there isn't much of it, residential new construction market share may actually be increasing.

Many of the communities surrounding Milwaukee currently have hard water that is 18-30 gpg, and some contain radium levels that exceed US EPA standards. As a result, they are pursuing the opportunity to get their water from Lake Michigan (4-7 gpg). If this were to occur, the water softening business in those areas would become almost non-existent.

With emerging-contaminant research shifting some of its focus to pharmaceutical derivatives and other issues, Frey believes that anyone trading radium for Lake Michigan water will be forced to deal with other emerging contaminants as they become identified over time.

"The good news is every time the rules change (i.e. arsenic), new markets emerge and new challenges may force long-term diversification into more technical, more profitable market segments," said Frey. "The water conditioning industry needs to be alert to the various organizations and governmental regulations that seek to change the competitive landscape."

Staying the course

The economic downturn has allowed Frey time to return to the company's primary focus on customer service. "Unlike many industries, the success of the business doesn't rely on my ability to come up with the next great idea. I believe that integrity, extraordinary customer service and persistence all play an unusually large role in the success of this type of service business." ♦