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Water Tubes Plumbing

1.0 Executive Summary

Water Tubes Plumbing (WTP) is a Eugene based construction plumbing contractor that has chosen residential new homes as their niche. Water Tubes will be able to handle any service request for plumbing of volume home builds or custom new homes. By concentrating on a specific segment of the market, Water Tubes will be able to rapidly gain market share, demonstrating proficiency and professionalism in serving new housing developers and general contractors.

While the margins are decent for plumbing repairs that include service calls, it is not a sustainable business. The requirement of being on call 24 hours a day takes its toll. Some people can do it for a few years, but it is not a sustainable line of work for one person. Over time the on-call status will wear away any enjoyment that the person has for their job. Recognizing this, owner Don Roto will concentrate on new home plumbing, ensuring a long lasting, happy business.

Water Tubes will leverage its competitive edges of professionalism and trim quality by properly training all employees and impress all of the customers who are used to the lackadaisical attitude of most plumbers. Water Tubes will have a total of four employees and will reach profitability by month eight.

2.0 Situation Analysis

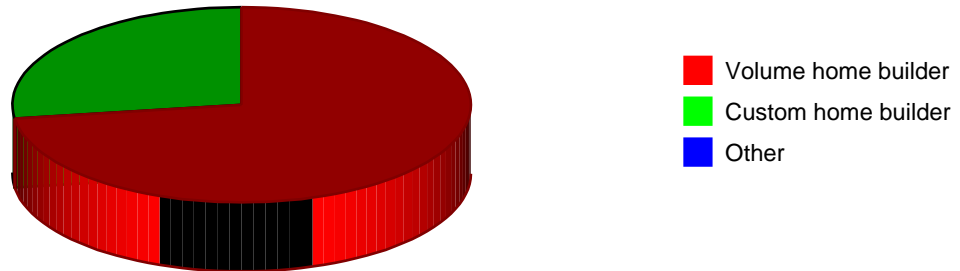
Water Tubes Plumbing is entering its first year of operation. As a start-up organization, WTP must have a concerted marketing effort to ensure success and future profitability. Water Tubes offers the market a professional plumbing service for residential new home builds. WTP's level of professionalism will stand out in an industry that is not known for professionalism.

2.1 Market Summary

WTP possesses good information about its market and knows a great deal about the common attributes of the most prized customers. This information will be leveraged to better understand who is served, their specific needs, and how WTP can better communicate with them.

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Target Markets



2.1.1 Market Needs

Water Tubes Plumbing is providing its customers with a high quality, professional plumbing service for new residential homes. WTP seeks to provide the following benefits that are important to their customers.

- Professionalism- time is money, so hitting all targeted goals is very important. This is just one aspect of professionalism. Another aspect of professionalism is standing behind the work product under all circumstances.
- Quality work- having quality work eliminates warranty claims in the future and reinforces the perception of quality for the entire home.
- Competitive prices- new residential home construction is a tight market and every percent of margin is important. Business is lost when prices are not competitive.

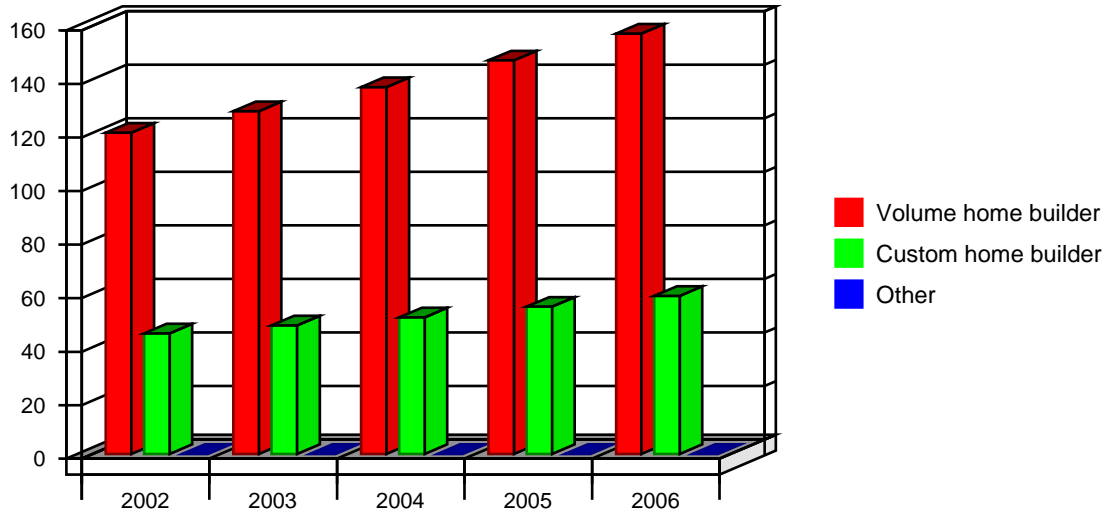
2.1.2 Market Trends

There are two market trends in the plumbing industry:

- Mergers and consolidation of smaller, independently owned companies. This generally occurs as a cost saving method to achieve scale of economies.
- There has been a recent proliferation of new plumbing companies that specialize in new builds, both residential and commercial. This trend is occurring with the realization that providing general plumbing service is labor intensive because of the need to have a 24 hour on-call service.

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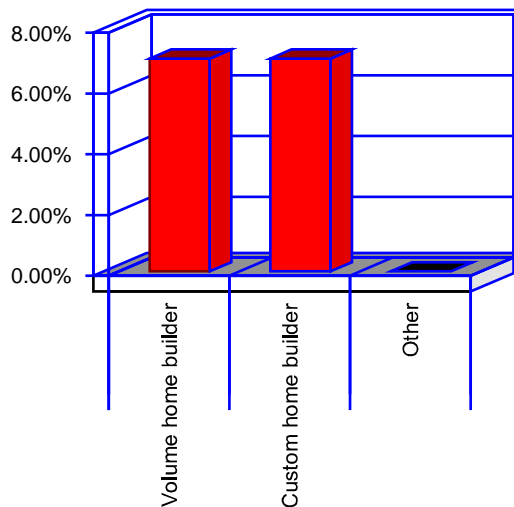
Market Forecast



2.1.3 Market Growth

For 2000, the U.S. plumbing industry had \$9 billion in revenue. The rate of growth generally parallels the rate of growth for the construction market. Currently, the outlook is quite good. Interest rates are at a five year low and this has helped the construction/plumbing industry immeasurably.

Target Market Growth



2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Water Tubes.

2.2.1 Strengths

- Strong relationships with many different new home builders.
- Extensive industry knowledge and expertise.
- Well designed training programs.

2.2.2 Weaknesses

- Since Don is the main employee, he will have difficulty balancing his limited time between doing jobs which is the source of short-term revenue, and business development which effects long-term sustainability.
- A limited marketing budget to develop brand awareness and visibility within the home building community.
- Possible difficulty unseating already established firms for the prime contracts.

2.2.3 Opportunities

- Participation in an industry that is generally a positive growth industry, although it occasionally goes through downturns.
- Decreased customer acquisition costs as WTP becomes more rooted in the local community.
- The ability to leverage employee's labor to generate profits.

2.2.4 Threats

- The recognition by other plumbing companies that customer service and professionalism are indeed keys to success.
- Difficulty in controlling the work quality of the employees.

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2.3 Competition

The plumbing market is quite competitive and consequently in order to reap decent profits, large quantity of work must be done. Competitors can be broken down into three groups:

1. Chains- these plumbing companies are a franchise or a division of a larger chain. The chains typically do repair work instead of new building construction, but sometimes they do work with new builds.
2. Private companies- These companies are typically local companies that provide plumbing services. In order to generate sufficient revenue, they will offer a wide range of services.
3. Large commercial & residential companies- These are the local Starbucks of the plumbing world and will bid on any type of plumbing project, whether commercial or residential, repair or new builds. The majority of jobs that this competitor will work on are the larger commercial projects, but getting a contract with a volume home builder would be attractive.

The buying habits of the target segments are based primarily on networking. Once a relationship is established, the builder will typically give the plumber one to two jobs to display their work before any type of long term contract/relationship is developed.

2.4 Service Offering

Water Tubes offers the finest in residential home plumbing construction as well as custom new home construction. Residential construction is chosen because it is straight forward and clean. Estimates are far more accurate and the company is dealing with a few contractors instead of many home owners. Additionally, there is no need to be on call 24 hours a day, a major downside of being a traditional plumber.

New construction will be typically bid at \$1 per foot plus a multiple of \$400 per fixture. Fixtures include sinks, toilets, tubs, etc.

The two other elements of Water Tubes services are professionalism and trim quality. Professionalism of Water Tubes is clearly a service offering that will be highlighted as well as trim quality which is the part of plumbing that is visible to the customer.

2.4.1 Service Business Analysis

The plumbing industry is a state regulated industry. The state regulates the industry through a licensing process based upon the Universal Building Code. The code is state specific and is a comprehensive code for all building issues. There are three skill levels of plumbers. The first is the Apprentice who is basically a skilled laborer. In Eugene, Apprentices earn from \$8-\$12 per hour depending on experience level. The next level is a Journeymen. To achieve the Journeymen license you must pass the state Journeymen test. Journeymen in Eugene typically earn from approximately \$18 per hour. The last step in the plumbing hierarchy is a Master Plumber. A Master Plumber is a Journeymen with more than 10 years experience and their earning potential is from \$35-\$50 per hour.

In order to do work in the state, it is required that a deposit is made into the workers compensation fund of \$4000 during the first year. This is for new companies only that have no

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record of revenue and no record of worker compensation history. After one year of no claims, \$1000 is refunded per year and after five years the entire amount is refunded. In essence, this is acting as a bond for newly formed companies.

The timetable for work in this niche is as follows:

- Two people, one full day, rough-in (plumbing in the floors and concrete).
- Two people, one full day, top-out (plumbing in the walls).
- One person, one full day trim (sections visible to the end-user).

2.5 Keys to Success

The keys to success are to provide the customer with:

- A fair price.
- Outstanding service.
- Quality work.

2.6 Critical Issues

Water Tubes is still in the speculative stages as a start-up business. Its critical issue is to only expand at a rate that is designed to serve the customer. Expansion should only occur when it is required to meet the needs of the current customers, not theoretical, future customers.

3.0 Marketing Strategy

The plumbing market (excluding direct to the consumer jobs) is a highly networked industry where everyone knows everyone and job contracts are won or lost by who you know. With this in mind, Don will work hard to establish himself as an experienced, professional plumber who is concentrating on the residential new builds market. This will be done in part through networking with all of the home builders and developers. The networking will be an important method to increase visibility of Water Pipes Plumbing because most home builders and general contractors are always looking for professional, high quality plumbers. It is advantageous for WTP to position itself as solely working with the residential new build market because it is attractive to builders to form a relationship with a plumber that is specializing in the same market niche and not trying to do a little of everything.

WTP will also be marketing with an advertising campaign in the local home builders journal.

Water Tubes Plumbing

3.1 Mission

Water Tubes Plumbing's mission is to provide the finest new house plumbing installation. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall in to place. Our services will exceed the expectations of our customers.

3.2 Marketing Objectives

- Increase repeat customers by 9% per quarter.
- Ensure 100% satisfaction with every job.
- Decrease customer acquisition costs by 8% per year.

3.3 Financial Objectives

- Profitability within a year.
- A double-digit growth rate for the first three years.
- Don will move from laboring to managing the company by the end of year three.

3.4 Target Markets

Water Tubes will target two distinct segments in the plumbing market:

1. Volume residential home builders- These builders are creating many different homes, often at the same time, often on the same plot of land. These builders are in need of a professional, competitively priced, reliable plumber for all of their residential new builds. This is an attractive market niche because the plumbing jobs are clean, numerous, and reasonably easy to do. Once a builder has found a plumbing company that they are happy with, a long term relationship is often established, ensuring a constant flow of future jobs.
2. Custom home builders- These builders are in need of a plumbing company for their custom projects. This segment is attractive because the margins are better than typical build jobs and the projects can be fun to do because it requires creativity and thoughtfulness to accomplish the task within the established designed constraints. This target market makes up a smaller percentage of Water Tubes' forecasted sales.

Water Tubes Plumbing

3.5 Positioning

Water Tubes will be positioned as a professional, customer-centric plumbing organization that specializes on residential home builds. The growing Eugene home market will recognize and value these unique offerings. WTP will leverage its competitive edges to achieve this desired positioning. Water Tubes has two competitive advantages that it will leverage to gain market share:

- Professionalism- Fortunately for Water Tubes, professionalism seems to be absent among many plumbers' skill sets. WTP will exhibit professionalism in all aspects of customer interaction as well as job performance. It is very common for plumbers to bid out for more items that they can handle at once. This is done because the assumption is that they will not get all the jobs they bid for so it is likely that their job load will be balanced out in the long run. Some times this works, other times it fails. This is a common source of unprofessionalism that will not happen at WTP. Additionally, all employees will be indoctrinated into this customer-centric culture, ensuring that all client interactions with anyone from Water Tubes will be a very positive experience.
- Trim Quality- This is the part of the job that is visible to the customer as opposed to the bulk of the work that is hidden behind cabinets and walls. There are not a lot of plumbing companies that have consistently good trim quality. This is one way that Water Tubes can easily stand out relative to the competitors. Having high trim quality is also an easy way to impress home builders since they will at some point have to fix any issues that are unsatisfying to home-buyers, so sloppy trim work will usually have to be remedied at some point, usually when it is inconvenient.

3.6 Strategy Pyramids

The single objective is to position WTP as the premier new residential home plumber in the Eugene area. The marketing strategy will initially generate awareness among the target customers. The strategy will then develop the customer base, and work toward the development of long-term customers.

The message that WTP seeks to communicate is the offer of a high quality work product supported by industry benchmarked professionalism and customer service. The message will be communicated through two methods. The first is a comprehensive networking campaign that leverages the personal and professional contacts that owner Don Roro has developed during his decade of service within the industry.

The message will also be communicated by an advertising campaign. This campaign will rely on ads in the Eugene Home Builders Guide, an industry journal that has a 78% market penetration for the residential home building market.

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3.7 Marketing Mix

WTP's marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- Pricing- Margins are tight in the industry, so WTP will offer competitive pricing to avoid being shut out.
- Distribution- WTP will be able to service any job within 60 miles of the center of Eugene.
- Advertising and Promotion- Advertising in the well read local Home Builder's Guide and productive marketing will be used to gain market share.
- Customer Service- The company will be set apart from its competitors because of its concentration on ensuring customer satisfaction.

3.8 Marketing Research

For the last two years while working for a large plumbing company, Don began to keep records of his observations regarding the industry and which business models he thought would be most successful. This information provided Don with a good groundwork of information that he could work with. Don however, felt that more targeted market research was needed before he proceeded with the idea of starting his own business.

Consequently, Don held a total of three focus groups. One group was just with volume builders, the second was just custom builders, and the third was a combination of the two target market participants. The groups were on the small size with five to six people. Don spent a great deal of time preparing the material for discussion to ensure productive sessions. The focus groups yielded a wealth of information for WTP. While some of the information served to support previously held assumptions, a lot of information provided invaluable insight into the needs of the customers as well as information regarding their decision making processes.

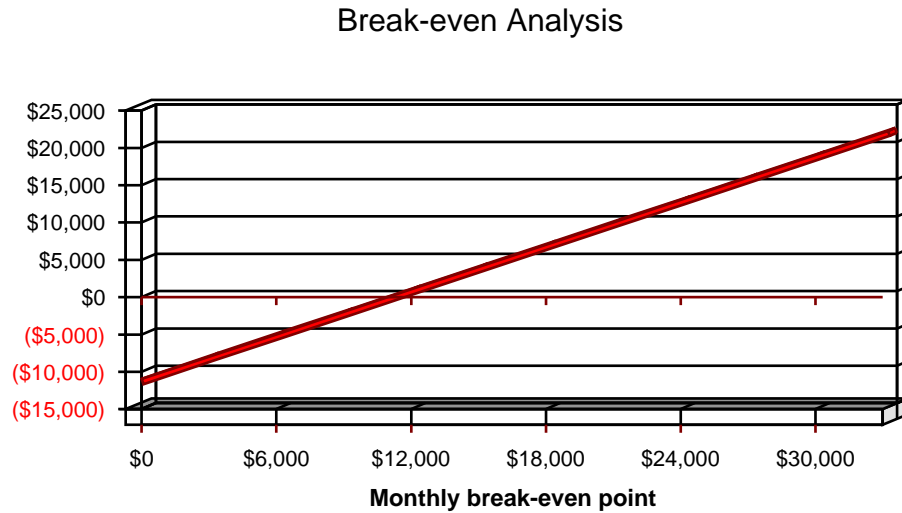
4.0 Financials

This section will offer a financial overview of WTP as it relates to the marketing activities. Water Tubes will address break-even analysis, sales forecast, expense forecast, and how they relate to the marketing strategy.

Water Tubes Plumbing

4.1 Break-even Analysis

The break-even analysis indicates that \$12,644 is needed in monthly revenue to reach the break-even point.



Break-even point = where line intersects with 0

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$11,380
Assumptions:	
Average Percent Variable Cost	10%
Estimated Monthly Fixed Cost	\$11,380

4.2 Sales Forecast

The first month will be used to set up the business. The second month will be used to train an employee as well as to undertake several jobs. The third month will be used to train two more employees as well as do a few other jobs. By the fourth month it is forecasted that Water Tubes Plumbing will have a volume relationship with one builder. Month four will also see a custom home built. Month six will mark the development of another volume builder working relationship. From month six on there should be a steady increase in sales activity.

Water Tubes Plumbing

Sales Monthly

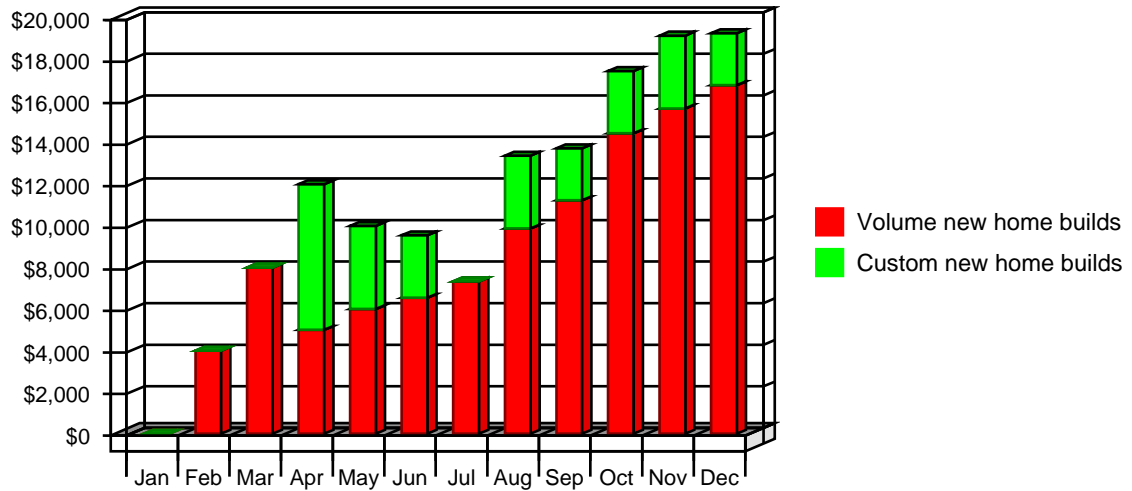


Table: Sales Forecast

Sales Forecast	2002	2003	2004
Sales			
Volume new home builds	\$104,858	\$151,987	\$165,454
Custom new home builds	\$29,000	\$38,765	\$49,876
Total Sales	\$133,858	\$190,752	\$215,330
Direct Cost of Sales			
Volume new home builds	\$10,486	\$15,199	\$16,545
Custom new home builds	\$2,900	\$3,877	\$4,988
Subtotal Direct Cost of Sales	\$13,386	\$19,075	\$21,533

4.3 Expense Forecast

Marketing expenses are to budgeted to be fairly high during the first quarter to increase visibility for WTP as a start-up organization. The expenses will subside for a couple of months until July where they will ramp up again for several months in anticipation for the increase of new home builds.

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Monthly Expense Budget

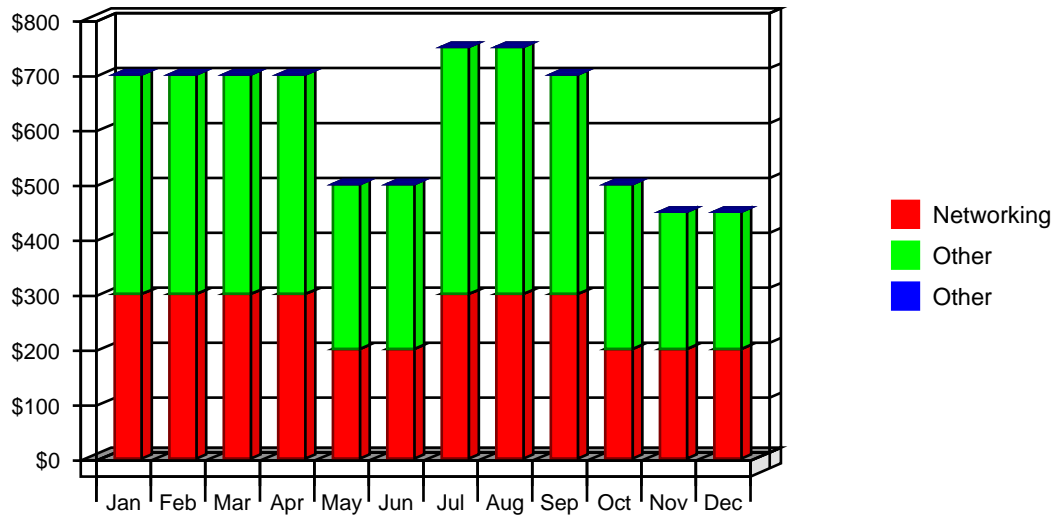


Table: Marketing Expense Budget

Marketing Expense Budget	2002	2003	2004
Networking	\$3,100	\$3,500	\$3,800
Other	\$4,300	\$4,600	\$4,800
Other	\$0	\$0	\$0
<hr/>			
Total Sales and Marketing Expenses	\$7,400	\$8,100	\$8,600
Percent of Sales	5.53%	4.25%	3.99%

5.0 Controls

The purpose of Water Tubes' marketing plan is to serve as a guide for the organization. The following areas will be monitored to track performance.

- Customer satisfaction.
- Repeat business.
- Profit margins- monthly and annual.

5.1 Implementation

The following milestones identify the key marketing programs. It is important to accomplish each one on time and on budget.

Water Tubes Plumbing

Table: Milestones

Milestones					
Advertising	Start Date	End Date	Budget	Manager	Department
Marketing plan completion	1/1/2002	2/1/2002	\$0	Don Roto	Department
Landing first custom job	3/1/2002	4/15/2002	\$0	Don Roto	Department
Volume home business becomes fuller	1/1/2002	8/31/2002	\$0	Don Roto	Department
Networking campaign	1/1/2002	12/31/2002	\$3,100	Don Roto	Department
Advertising campaign	1/1/2002	12/31/2002	\$4,300	Don Roto	Department
Name me	1/1/2003	1/15/2003	\$0	ABC	Department
Name me	1/1/2003	1/15/2003	\$0	ABC	Department
Name me	1/1/2003	1/15/2003	\$0	ABC	Department
Name me	1/1/2003	1/15/2003	\$0	ABC	Department
Other	1/1/2003	1/15/2003	\$0	ABC	Department
Total Advertising Budget			\$7,400		
PR	Start Date	End Date	Budget	Manager	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Other	1/1/2006	1/15/2006	\$0	ABC	Department
Total PR Budget			\$0		
Direct Marketing	Start Date	End Date	Budget	Manager	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Other	1/1/2006	1/15/2006	\$0	ABC	Department
Total Direct Marketing Budget			\$0		
Web Development	Start Date	End Date	Budget	Manager	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Other	1/1/2006	1/15/2006	\$0	ABC	Department
Total Web Development Budget			\$0		
Other	Start Date	End Date	Budget	Manager	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Name me	1/1/2006	1/15/2006	\$0	ABC	Department
Other	1/1/2006	1/15/2006	\$0	ABC	Department
Total Other Budget			\$0		
Totals			\$7,400		

5.2 Contingency Planning

Difficulties and risks:

- Problems generating visibility for WTP among the other service providers.
- Difficulties finding qualified employees.

Worst case risks may include:

- A serious slump in the economy that has a devastating effect on the building of new homes.
- Having to liquidate equipment to cover liabilities.

Appendix

Appendix Table: Sales Forecast

Sales Forecast		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales													
Volume new home builds	0%	\$0	\$4,000	\$8,000	\$5,000	\$6,000	\$6,545	\$7,332	\$9,876	\$11,232	\$14,454	\$15,654	\$16,765
Custom new home builds	0%	\$0	\$0	\$0	\$7,000	\$4,000	\$3,000	\$0	\$3,500	\$2,500	\$3,000	\$3,500	\$2,500
Total Sales		\$0	\$4,000	\$8,000	\$12,000	\$10,000	\$9,545	\$7,332	\$13,376	\$13,732	\$17,454	\$19,154	\$19,265
Direct Cost of Sales													
Volume new home builds		\$0	\$400	\$800	\$500	\$600	\$655	\$733	\$988	\$1,123	\$1,445	\$1,565	\$1,677
Custom new home builds		\$0	\$0	\$0	\$700	\$400	\$300	\$0	\$350	\$250	\$300	\$350	\$250
Subtotal Direct Cost of Sales		\$0	\$400	\$800	\$1,200	\$1,000	\$955	\$733	\$1,338	\$1,373	\$1,745	\$1,915	\$1,927

Appendix

Appendix Table: Contribution Margin

Contribution Margin												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$4,000	\$8,000	\$12,000	\$10,000	\$9,545	\$7,332	\$13,376	\$13,732	\$17,454	\$19,154	\$19,265
Direct Cost of Sales	\$0	\$400	\$800	\$1,200	\$1,000	\$955	\$733	\$1,338	\$1,373	\$1,745	\$1,915	\$1,927
Other Variable Costs of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$0	\$400	\$800	\$1,200	\$1,000	\$955	\$733	\$1,338	\$1,373	\$1,745	\$1,915	\$1,927
Gross Margin	\$0	\$3,600	\$7,200	\$10,800	\$9,000	\$8,591	\$6,599	\$12,038	\$12,359	\$15,709	\$17,239	\$17,339
Gross Margin %	0.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Marketing Expense Budget												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Networking	\$300	\$300	\$300	\$300	\$200	\$200	\$300	\$300	\$300	\$200	\$200	\$200
Other	\$400	\$400	\$400	\$400	\$300	\$300	\$450	\$450	\$400	\$300	\$250	\$250
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales and Marketing Expenses	\$700	\$700	\$700	\$700	\$500	\$500	\$750	\$750	\$700	\$500	\$450	\$450
Percent of Sales	0.00%	17.50%	8.75%	5.83%	5.00%	5.24%	10.23%	5.61%	5.10%	2.86%	2.35%	2.34%
Contribution Margin	(\$700)	\$2,900	\$6,500	\$10,100	\$8,500	\$8,091	\$5,849	\$11,288	\$11,659	\$15,209	\$16,789	\$16,889
Contribution Margin / Sales	0.00%	72.50%	81.25%	84.17%	85.00%	84.76%	79.77%	84.39%	84.90%	87.14%	87.65%	87.66%