

Distribution Company of Aerial Lineman Tools, Pole Line Hardware, Underground Tools and Hardware, CATV Supplies for the Broadband, Telephone and Communication Industry



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CEOCFO: Ms. Aguilar, Mr. Aguilar, what is A-Aerial Service Company?

Mr. Aguilar: It is a distribution company for tools and materials for the broadband and communication industry, which includes telephone. We sell many types of specialty tools and equipment such as cable lashers, and Fiber Pulling machines and we repair these as well. The industry is exploding as we have been experiencing double digit growth for the last 5 years, and it looks like this growth is going to continue for a very long while.

CEOCFO: Would you give us an idea of the range of products you carry?

Mr. Aguilar: It is kind of like Home Depot. You can buy all the wood, all the nails, and also all the tools to cut the wood and drive the nails. While this is not exactly the same as the telephone industry, we sell the poles, all the screws, nuts and bolts and cables and wires that attach to it. We also sell the poles themselves. We do not sell for high voltage transmission power contractors, but for everything below the power, which is telephone, fiber optics, cable TV and also underground construction. We sell the ducts and the vaults, and the same cables can go underground as well. We also rent the bucket trucks, cherry pickers as many people call them, that they use to string these cables from pole to pole. These supplies are mainly for new system construction, but are also system maintenance based. We are not the guys that go in and fix the inside wiring on the actual residences or the apartment buildings, even though we do sell some tools for that. We mainly concentrate on, and most of our customers are, contractors that come in and out, or order this stuff over the phone or online. We sell to every branch of the military including the Coast Guard and the FBI. College campuses, city and county governments, and also many zip line businesses. These types of sales usually come over as an on-line inquiry or an internet order. We ship items all over the world. We just shipped a bunch of aerial blocks to Saudi Arabia. Most of our business is U.S based, but we are constantly quoting India and Pakistan. We even get requests for quotes from Vietnam, the South Pacific, and Australia.

CEOCFO: Do many of your customers purchase a large variety of products from you or is the tendency for a customer to use you for some items and work with other companies as well?

Mr. Aguilar: Hopefully they are buying it all from us! However, there is competition out there and we try to be the one stop shop. You know, you hear that word a lot, but we are truly, in that sense, a one stop shop. That is because we do sell the

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underground pipe and vaults and the ropes and tools that pull all the stuff through those underground ducts, and we sell everything for the aerial. We sell the tools and rent the tools, and also rent boom trucks. Therefore, we hope they are not going somewhere else, but there is competition. Sometimes it definitely is price driven, so if our competition is cheaper the customers usually let us know, and we try to rework our pricing.

Ms. Aguilar: With the online customers, sometimes they are looking for just one nut or one bolt or one piece of strand and they will just order that.

CEOCFO: *Is the trend for customers to want to get everything they can from one place?*

Mr. Aguilar: Yes, I do believe that is true. We are happy that we do have this full spectrum of products, especially for the local contractors. Shopping online is not as difficult as shopping from business to business or town to town. Therefore, the local people, especially if we deliver; they are going to try to get everything at one place. However, the pipe is very competitive. We have smaller margins on the pipe, but we are working to buy in higher volume so we can improve our profit. It is a very fast paced industry, and sometimes, we have to change strategy quickly, to fit the current market conditions.

CEOCFO: *Are there many innovations in the industry or have products pretty much remained the same?*

Mr. Aguilar: In general they have, except for the fiber optics and the way that it is installed. All of that stuff really is new and state of the art. We rent those machines and we send them all over the country. We have what are called "fiber blowing machines" and we sell them and also rent them out on a trailer. We buy them and set the trailer completely up for any situation that may arise. We have two of them right now in Nebraska, one in Iowa and we have another one in San Diego going out probably on Tuesday. Right now we are at the point where we cannot get enough of these machines and that is a great problem to have!

CEOCFO: *Do you need to keep inventory on all of the items that you offer?*

Mr. Aguilar: We have to have full inventory. That is the most difficult thing; the large inventory. That is because all of the products that we carry, whether they are tools or materials, they have a lead time from two weeks to two months. Therefore, it is very expensive and very costly to maintain the inventory that we need. It is a very high dollar amount of stuff that we have on the shelves. For us, it is the highest cost of doing business.

CEOCFO: *How are you able to use technology? Have you found a system that works well to keep track?*

Ms. Aguilar: The system we have works pretty well. As we grow, we occasionally upgrade to a newer accounting program if we like what is offered, and we feel it will simplify things

Mr. Aguilar: We would like our next step in software upgrade to allow for scanning of the product bar codes. We are reviewing what is available.

CEOCFO: *Do most customers know exactly what they want or do you need to work with some customers, maybe which brand of tool they need or perhaps what sizes of things? What is the interaction with the customer in decision making?*

Mr. Aguilar: There are many phone calls that are made when people are new at this. We have to school them and make suggestions, whereas 95 percent of my customers know exactly what they want. They also know what brand they want, because we carry multiple brands. There is almost always a substitute available on the tools, and almost always a substitute available on any of the materials. Because of the long lead times, we need have to have multiple vendors if one of the suppliers are experiencing delays. In a pinch, the customer usually accepts the substitute.

CEOCFO: *Would you tell us about the used tools that you offer?*

Mr. Aguilar: Many customers really want to save money. The used tools used to be a very large part of what we did. Now they are a very small part, because for one, they are not as available to us anymore. The industry has exploded and people are not trading these things in. They are not letting go of these things. If they become available another contractor will just snatch them right up from the contractor that wants to get rid of them. In slow times the phone is ringing off the hook with people wanting to sell us their used equipment. However, the industry has not been slow in many years.

CEOCFO: *Do you have an east coast and a west coast warehouse? Is that how it works?*

Mr. Aguilar: Correct. The East coast processes most of the online orders, and in General, any customers East of the Mississippi river. They do a fantastic job out there in Eastman, Georgia, and we are very proud of them.

CEOCFO: *How do you package? What is involved in the actual shipping of large pieces of equipment or very large shipments? How are you able to be cost effective yet still work with a carrier that will get things on time?*

Mr. Aguilar: Yes, it is a challenge. Most of the products do come in their own boxes. However, we do have a unique way that we do things. We do break down, box quantities. We give the customer whatever they want. Therefore, if these things

come in a box of twenty of a certain bolt that they are using on the pole and they want one hundred and seven of them, we will not make them buy one hundred and twenty. We will sell them the one hundred and seven. Therefore, that creates a challenge for us. Generally, we put the boxes on the pallets and we strap them with steel banding and wrap them in heavy duty plastic cellophane. There are two types of carriers that ships LTL; that is "Less Than a Truckload". That is what LTL stands for. There is the Cadillac which is FedEx. If they say it is going to be delivered in two days it generally is. Then there are the, I guess you would call them, budget rate companies that it kind of gets there whenever it gets there. You can save the customer a lot of money that way, but if there is any urgency to the order at all, we have to go with the Cadillac. That is because the carriers could easily take two weeks instead of three or four days. Therefore, we give the customer the option.

CEOCFO: Are there products that you are not carrying now that you would like to add to the mix or are there any available products that you could add if you wanted to?

Mr. Aguilar: We are constantly adding products. Every 3 to 4 months, we seem to pick up a new product line, because basically the customer demands it. Other times it is a trial thing. We decide, "Okay, we are going to get these things on our web. We think this product and this manufacturer is a good fit." We get the product on our web, and see what kind of interest it draws. Manufacturers are constantly pressuring us to carry their products as we have a very high traffic website, but we have to approach any increase in products carefully, for cost concerns.

CEOCFO: Has being a certified woman owned business been helpful or is it just a nice extra so show people?

Ms. Aguilar: It is helpful because some of the companies that buy from us are required to purchase; I believe it is twenty percent from minority or woman owned companies. Sometimes these companies have a hard time finding companies out there that they can purchase from, so it does help our business.

Mr. Aguilar: It did not used to be this way. Back ten or fifteen years ago it was not that big a deal, but it really is now.

Ms. Aguilar: It is not an easy certification to get and you have to do it every year. You have to send in financial documents, and there is a tremendous amount of paperwork. You have to repeat this grueling process each and every year.

CEOCFO: When people are looking for products, if they do not know A-Aerial how do they find you? Is it mostly through search? How do you jump out of the companies that do offer the same products, so that people look and pay attention?

Ms. Aguilar: It is mostly web search. There is a lot of local word of mouth. We have been in the industry a long time also. Therefore, people move from company to company and they remember us and they purchase from us again when they go to a different company. We do some of the bigger cable shows and telephone shows. We will be at the OSP ISE show in San Antonio Texas later this month. We send out free calendars to everyone on our list and also place a calendar with each order that goes out. The website draws in most new customers. If they are looking for a certain nut or bolt we try to keep our web searches up so that they can find us. It is not something you can buy at Home Depot. It is a specialized thing that these people are looking for. Therefore, hopefully the web search works and that is an ongoing thing. It is always moving and changing. It is an animal of its own.

CEOCFO: Does the history matter to your new customers? A-Aerial has been around since 1981, so there is substantial history. Does it give them confidence or not so much anymore?

Ms. Aguilar: I do not think that they really care. I think that mostly the price is what they are looking for, but the fact that we have been around a long time does help with returning customers as they know we have what they need.

CEOCFO: Why should people pay attention to A-Aerial Service Company? Why does the company stand out?

Mr. Aguilar: I think that the main thing is the fact that we started in the garage. There are so many entrepreneurs out there that started in their garage. They start with a home office. Over many years and very much hard work, you finally build it up to the point where you have commercial buildings and you have a real business. Not to say that someone in a garage does not have a real business! However, to me it really was not bona fide until we moved into our commercial building. It was shortly after, we bought our commercial buildings in December of 2011, that companies began approaching us, and asking us if we would be interested in selling the business. One of those was a nationally well known Capital Funding Group that eventually made us an offer. It was not a bad offer, but we felt we could do better.

CEOCFO: Are you actively attempting to sell your business?

Mr. Aguilar: At this point, this is not something we are concentrating on. We signed Non Disclosure agreements and exchanged financial information with the one large capital company mainly to see what their offer might be. It was not a bad offer, but were not quite ready to give it up yet..If there is an attractive offer in the future, and we are allowed to

remain part of the equation, we could be persuaded. Right now we are just enjoying the growth. Some of these national companies want to buy companies already established in California, because these California companies are used to the extra regulations, and they have obviously adapted well to them. It is difficult for a company to move to California if they are not used to the extra rules, regulations, etc..

