

MID-COAST ELECTRIC SUPPLY:

NEW ENERGY OPPORTUNITIES AROUND IN SOUTH TEXAS



Brothers Tom and Steve Barker were born into Mid-Coast Electric Supply in Texas, the business founded in 1968 by their father, Louis. But Louis had one rule for his sons if they wanted to get into the family business when they were old enough. They had to leave the business and work somewhere else for five years before they could return.

This was just fine with Tom. "When I went to college, there was no way in the world I was going back," said Tom. "I had been working in the warehouse for as long as I could remember, so I moved up to Seattle and lived there for about five years. The opportunities were better back home than those I had available to me where I was working, so my wife and I decided to move back down to South Texas."

Tom returned, and joined his brother, Steve, who had already come back to Mid-Coast Electric Supply a few years earlier. They are now co-owners and their father, Louis, is comfortably retired. With six locations in South Texas

and a projected \$40 million in revenue for 2011, both brothers are very comfortable with their decision to rejoin the Barker family business.

Mid-Coast Electric Supply and its 85 employees service South Texas—San Antonio and all points south to the border—with locations in Victoria, Corpus Christi, San Antonio, Bay City, Rio Grande Valley and Uvalde.

As co-owners, Tom and Steve Barker operate at both an executive level and a daily management level. Mid-Coast Electric Supply also has a core team of operations managers who are empowered to make strategic decisions at each location. This has been a successful formula for dealing with a very unique and often challenging marketplace.

"You have San Antonio, which is the eighth largest city in America," said Tom. "Other than that, it's a very rural marketplace, and that really affects how account managers work, as well as logistics, distribution centers and transfer setup."

"You have to be careful about how you manage your time and territory," continues Tom. "You can't just call on a prospect who may be two and a half hours away unless you plan to do more work in that area to really make the trip worth it. It's a challenge, but I think we've become good at it."

Although Mid-Coast Electric Supply started as a small family business and remains committed to serving local companies, the industrial sector has become the centerpiece of its business model. Because the industrial business is broad-based across many industries and all different kinds of manufacturing, Mid-Coast Electric Supply has been able to avoid a downturn during the recession.

"About 70 percent of our business is related to the industrial sector, which has been a strength in the economy during the last couple of years," notes Tom. "That's been a nice driver in helping to keep our business growing."

The industrial sector business is split between MRO (maintenance

and repair operations) and OEM (original equipment manufacturer). Because there is so much manufacturing done on both sides of the border, Mid-Coast Electric Supply does quite a bit of business in northern Mexico.

The majority of Mid-Coast Electric Supply's business today involves dealing with large industrial companies, but they never lose sight of the smaller businesses that helped it grow during its early years. Approximately 20 percent of Mid-Coast Electric Supply's business is commercial and 10 percent is residential.

Hydraulic fracturing is also opening up all kinds of new opportunities for domestic oil and gas companies in South Texas. Hydraulic fracturing, or fracking, is the injection of chemically infused water at high pressures into rock beds deep beneath the earth's surface, which can lead to an increase in domestic energy production.

"We're fortunate to have a new oil and gas shale play right in our own backyard," said Tom. "That's driving a lot of revenue, too."

Tom points out that there have always been energy opportunities in this business, but nothing like this, with 30 pipelines going in and the building of infrastructure and gathering plants. This will probably last another two years, and the production curve shows it to be strong for another 10-20 years.

"We haven't seen this kind of volume in such a short time frame in our professional lives," said Tom. "Our biggest initiative right now is to try to understand all the

opportunities, making sure we're servicing them well, and seeing where we can grow more. It's a major boom cycle that will happen in the next couple years, so we're working really hard to capitalize on it since it's right there in our own backyard."

As exciting as these growth opportunities are, Mid-Coast Electric Supply does face some concerns and challenges. Tom and Steve Barker are keeping a close eye on the general economic climate, especially the global economy. Another major recession could drive down the price of oil to the point where it becomes less attractive to drill domestically, which could change Mid-Coast Electric Supply's outlook.

"We're a well-run company with a good balance sheet, good reputation and good people, so we're not worried about the fundamentals," said Tom. "But a global recession could change the model. It would change us from being aggressive in building our infrastructure and capabilities to hunkering down and riding it out."

One long-term concern is the quality of education and the people who are available to hire and develop. According to Tom, the dropout rate in Texas is staggering. "A significant portion of Mid-Coast Electric Supply employees are warehouse workers and drivers who aren't college educated, but these positions require an increasing level of computer and technical skills. Right now that means a large percentage of the population is just not hireable," he explained.

One way Mid-Coast Electric Supply

has enhanced its growth opportunities and overcome obstacles is through IMARK membership. First and foremost, Tom and Steve Barker enjoy top level vendor relationships. IMARK gives them the opportunity to build these relationships and facilitate growth through meetings every year, and this has helped the company evolve from a small independent to a regional distributor.

Second, IMARK's ability to negotiate brings a sizable return to members. "I'm on the supplier committee, so I've seen firsthand how effectively IMARK negotiates with regards to rebates, various terms and other incentives," said Tom. "This is such a significant benefit in real dollars that comes back to each member because of how IMARK negotiates as a group, which is far better than I could ever negotiate on my own."

Tom is also a strong advocate of buying everything possible for his company through IMARK because there is such a huge rate of return compared to what you could do on your own, and it benefits the group as a whole. There are many networking and learning opportunities at every meeting, and the brothers always learn something that can be implemented at Mid-Coast Electric Supply.

From humble beginnings as a family business to a regional distributor ready to pounce on new opportunities, Mid-Coast Electric Supply is a major player in South Texas. Louis Barker laid the foundation more than 40 years ago, and his sons, Tom and Steve, continue to build today.