

C.R. BARGER & SONS, INC. (A)

Headquartered in Harriman, Tennessee, C.R. Barger & Sons, Inc., (Barger) operated two businesses: gas, water, and sewer-line installation and precast-concrete septic tank manufacture and sale. In 2002, after 35 years as a local supplier of septic tanks, that business had reached a plateau: Barger did not have a distinctive brand or product, and its sales were limited primarily to East Tennessee.

In early 2004, Eric Barger, the founders' grandson, assumed leadership of Precast Concrete Operations (PCO). Barger was on the verge of closing down that part of the business. Though still in his 20s, Eric had worked in the family business since he was a teenager and later after getting a civil engineering degree from Tennessee Technological University. Now the challenge Eric faced was how to take the precast septic tank, a nondistinctive commodity-priced product, and grow it into a viable growth business.

History

In 1967, Eric's grandparents, Charles (C. R.) and Mary Barger, started C.R. Barger & Sons, Inc. Straight out of high school, C. R. initially worked as a warehouse stock boy and then transitioned to plumbing work and building houses. In 1959, he purchased his grandfather's country store, Barger Groceries, as a side business, continued plumbing and building houses, and started installing septic tanks and field lines. C. R. ordered his septic tanks from third parties and often had problems receiving shipments on time, which frustrated his customers. One day, C. R. drove to a septic-tank-manufacturing plant in Georgia and observed how tanks were made and shipped. After the trip, he decided to make his own septic tanks to solve his supply-chain delivery problem.

C. R. and Mary made their first precast-concrete septic tanks in a small tin shed behind Barger Groceries. Together, they handcrafted the tanks with trowels, using a simple metal form. At that time, 750-gallon and 1,000-gallon tanks already were available on the market. The

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Bargers started by making only the 1,000-gallon tanks, and because the cement for each tank had to be individually mixed by hand with a shovel only one tank per day was cast.

After two months without making a sale, C. R. and Mary finally sold their first tank to a local resident. This single sale helped spread the word that there was a new family business in town, and soon the phone started ringing continually with customers asking for their handmade tanks. At a time when the concept of marketing was practically nonexistent in the industry, the Bargers' side business grew with every handshake into an eastern Tennessee precast-concrete-tank success story over the next three decades.¹ Mickey, one of C. R.'s sons, joined the company after obtaining a degree in business and helped to further grow the company.

Family Ties and Company Tradition

In January 2004, Mickey Barger passed the precast-division reins on to his 26-year-old son, Eric, although he retained management control of the utility division. The precast division was usually staffed with five employees, and the other divisions were made up of about 40 employees. Eric took great pride in the family heritage and the traditions of his company; he considered his floor workers' and delivery drivers' positions to be as strategic as those of a winning Super Bowl football team: "The guys who make the tanks are critical—they're our offensive linemen.... And the drivers are similar to quarterbacks—everyone knows who they are; they're the first contact with clients...A lot of the pressure is riding on them."²

The Business

When Eric took over PCO in early 2004, the division had two production employees, two delivery drivers, and a company secretary, who divided her time between the three divisions within the company. Eric had limited time to oversee his division because he was also heavily involved with the utility division.

Back in 2003, sales of precast-concrete products—primarily residential septic tanks and commercial grease interceptors—had reflected a 24% reduction over the previous business year and represented only \$135,000 per full-time-equivalent employee. Word of mouth and an existing customer base drove precast sales. The entire customer base of the company was located in Tennessee. About 30% of its business came from residential home builders and contractors and 70% came from the commercial and industrial segment; the 70% broke down further into 60% from utility districts and 10% from storm shelters and grease interceptors. The Barger market share of precast-concrete products, although believed to be small, was unknown. The

¹ Greg Snapper, "Lessons from the 'Little Guy': Smaller Precasting Outfits Like Barger & Sons Inc. Are Marketing Just Like the Big Guns," *MC Magazine* (July/August 2006): 42.

² Snapper, 44.

Barger name was recognized by, at best, 20% of the licensed installers in the area, and the company's presence in the residential market segment was negligible.

Industry Character

The septic-tank manufacturing industry was mostly made up of small mom-and-pop businesses. As in any other industry, differentiating the products from those of other manufacturers was perceived to be essential to growing business. Because septic tanks were buried in the ground, however, they did not capture much attention. Usually, homeowners made decisions based on their contractors' advice without knowing much about the septic tanks they purchased; contractors relied on price alone when recommending specific tanks to their individual customers. And because little information on precast-concrete products was available to contractors, many of them thought that all septic tanks functioned equally. Therefore, it was hard to make the case that one manufacturer's tanks were better than another's.

The Goals

Although Eric knew his family was thinking about shutting down the septic-tank end of the business, he was determined to try and make it a success. So he set some audacious goals: (1) increase sales by a factor of three within four years to reestablish PCO as a viable, sustainable business entity; (2) build the highest-quality precast-concrete products in the area; and (3) establish a reputation as the premier source for precast-concrete-tank information and products. But because the future would be very different from the current reality of the business, the question was how to accomplish those goals. Eric contemplated his first moves.