

BASE OF POWER



Mike Koontz (left) and his partner, Larry Smith, of Kansas City Deaerator Co. recently moved their corporate headquarters to south Overland Park.

Dave Kaup photo

BY JIM DAVIS
STAFF WRITER

Outside Mike Koontz's office is a display case filled with mementos from his travels to such places as China and India, where his Kansas City Deaerator Co. has installed equipment for electric utilities' power plants and other industrial users.

The trinkets, smaller and more delicate than Kansas City Deaerator's installations, speak to the manufacturer's worldwide reach — no small accomplishment for the south Overland Park company that started business in 1989.

Koontz said his company's commitment to quality and willingness to replace defective products has fueled its growth by building customer loyalty.

"We've got repeat customers because our customer is

*Manufacturer
constantly
looks to build on
previous work, clients*

always right," he said.

Kansas City Deaerator's quality-assurance procedures also bring word-of-mouth referrals from buyers and vendors. These ranks include Kevin Barth, vice chairman of Commerce Bank in Kansas City. The bank began providing Kansas City Deaerator with international finance and cash-management services after Koontz established a personal account in 1996.

Barth said Koontz and his partner, Larry Smith, have capitalized on their previous industry knowledge and experience.

"It came down to focusing on a niche they knew very

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STRATEGIES IN SMALL BUSINESS

POWER

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well and then executing consistently," Barth said. He also lauded the businessmen for enlisting partners to assist their business. Deaerators preheat water to feed boilers and remove dissolved gases. Parts for Kansas City Deaerator's smallest unit fit in an elevator, the largest measures more than two stories tall and about 200 feet wide.

Koontz started selling deaerators for the Chicago Heater Co. after graduating from the University of Kansas in 1976 with an engineering degree. Through the years, he has developed a global network of contacts that includes sales agents he has known for years.

"When we got started, they were doing work for us as a friendship because we were nobody," he said. "They took us on as a risk."

Getting started

Koontz and Smith have known each other for about 20 years. They met while working sales for competitors. In 1983, Koontz offered to start working for Smith at Kansas City Equipment Co., whose catalog is made up of big-ticket products for utilities. Two years later, they bought the company, becoming the third set of owners since its founding in 1963.

While making a sales call in 1988, Koontz said, he ran into resistance because his prices were too high. That feedback prompted the partners to control their own destiny by starting Kansas City Deaerator.

The company sold equipment at cost

Small Business Snapshot

Kansas City Deaerator Co.

Founded: 1989

Employees: About 20

Description: Company makes and sells deaerators to electric utilities and other industrial users. Deaerators preheat water to feed boilers and remove dissolved gases.

Business Tip: "If your customer thinks you're wrong, it doesn't matter how good you think your products are," company founder Mike Koontz says.

during its first year, as a way of attracting attention. A deaerator's price ranges from \$15,000 to \$3 million.

"We took our knowledge and gave the customer something it couldn't refuse," Koontz said. "That was our advertising budget: no profit in the first year."

Koontz also became active in his industry's trade organization, the Heat Exchange Institute. He gained recognition by rewriting outdated specifications for deaerators and becoming an officer of the international trade association.

John Addington, the institute's executive director, said Koontz has become an important player in the field.

"He's dedicated to the development of the art in the industry and has been an integral part of the standards development process," Addington said.

Kansas City Deaerator subcontracts with fabricators around the world. Engineers from the home office visit job sites to keep track of progress.

Room to grow

The company and Kansas City Equipment, which continues to operate, were housed in a building Koontz owned near 95th Street and Nall Avenue in Overland Park through 1996, when they moved to leased space.

After that location grew cramped, the companies' owners faced a dilemma. They could expand into manufacturing but opted, instead, to stay focused on what they knew best: design and engineering. That decision led to construction of an office building in the Corporate Lakes at Metcalf development at 6731 W. 121st St. in Overland Park.

Interior features, including marble floors and a large-screen TV near the entrance, rival those of larger, Class A buildings.

The two-level structure, served by a T1 Internet line and other high-tech features, is about twice as large as Kansas City Deaerator and its sister company need.

Remaining offices in the building, known as Corporate Lakes Suites, are available for lease on flexible terms — as short as a few hours. If the deaerator companies need more space, it's at ready hand.

Barth, whose Commerce Bank financed the building's construction, said its occupancy arrangement attests to the owners' creativity. As well as generating additional revenues — about \$500,000 a year, Koontz said — the leased space provides an incubator for entrepreneurs.

Kansas City Deaerator this year will generate from \$6 million to \$7 million in sales. An additional \$500,000 to \$750,000 will come from Kansas City Equipment.

Volume has been flat in the past three years because many customers are in Asia, which has suffered an economic downturn. Many of these orders have been replaced by orders from stronger companies that carry a fatter profit margin, Koontz said, so the numbers on his company's bottom line are larger.

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The most promising opportunities, he said, lie in supplying smaller co-generation plants that produce electricity and steam that can be resold. Their operation is more efficient than older, larger plants that will need to be replaced.

Kansas City Deaerator is ready to serve this market with technology that speeds the design and engineering phases. But staffing is the most crucial element for the company, and its import is heightened by a tight labor market, Koontz said.

This priority explains why the headquarters contains such amenities as a health club ("The better you feel, the better you're going to work," Koontz said) and why a weekend trip to an exotic locale such as the Cayman Islands is an annual company ritual — provided sales goals are met.

"We have to change policies and procedures around personnel," Koontz said. "In a small company, we have to build the job around the people."

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