

CHAIN OF EVENTS

Wholesaling's growing role
as a catalyst in electronic
product support

In the world of product distribution, where everybody wants answers yesterday and inventory and efficiency are the primary concerns, wholesalers lead the "e" push. With information-packed Web sites, online ordering capabilities and real-time inventory of their warehouse inventory readily available, the process of moving products out of the door and pleasing customers is becoming easier through the implementation of warehouse technology.

As time progresses, more and more jan/san distributors are coming to the realization that wholesalers are an indispensable link not only to the jan/san supply chain, but also to their business' bottom line.

With increasing customer demand, distributors turn to wholesalers for guidance because their inventory- and software-heavy warehouses enhance their range of products and offer customers a one-stop shop, available at their fingertips.

Gone are the days of counting inventory by hand and running a warehouse with a pen and a pad of paper. Next on the list of business functions to be replaced by a more efficient system is placing and taking product orders via telephone and fax. Enter the new "e-linked" jan/san supply chain where distributors and wholesalers are interlocked in 21st century technology with the Internet serving as the primary link.

By Nick Bragg, Associate Editor

Struggling To Adapt

Dan Merkel, executive director for RDA Advantage, Ripon, Calif., says that while wholesalers are accepting the “e-culture,” a large portion of distributors are still trying to inject 20th century ideas into the supply chain rather than adapt to 21st century technology. However, wholesalers believe that the “e-evolution” trend will soon make its way to distributors as it did with them.

Carol Butler, vice president and general manager for Loveland, Ohio-based Saalfeld Redistribution, says like many companies, Saalfeld used to rely upon a paper trail, faxing documents back and forth. That has changed.

“Today’s systems are exponentially more efficient because they put necessary information directly into the hands of our customers,” she notes.

While it’s important that electronic aides make the job of the customer easier, it’s not the biggest benefit, says Butler. “As we drive efficiencies with the electronic transfer of information, we free up our most highly valued resource — our people — who now have more time to devote to servicing our customers,” she explains. “By relying on technology to handle data transfer, our employees can personally focus on the needs of our customers.”

The wholesalers interviewed for this article agree that the implementation of electronic ordering processes allows for customer service teams to cut back on lost phone order time and place more emphasis on customer advocacy.

“By placing orders online, it reduces the amount of straight order entry from our customer service teams and allows the representative to transition into more customer advocacy,” explains James Carlson, senior marketing manager for Deerfield, Ill.-based LagasseSweet. “Instead of entering data, they’re able to be more proactive for their customers and to be dedicated resources, whether it’s through troubleshooting or letting them know about new promotions or new products.”

Alan Gangl, president of Auburn, Wash.-based OmniSource Inc., says that his company may consider charging distributors more for placing orders via telephone, and awarding discounted prices for those who order online.

“I would hope that they would be looking at the amount of time they

reduce spending on the phone,” Gangl explains. “It’s very expensive to provide that kind of service. When our customers call in and talk about how their local baseball team is doing, the weather, or how their kids are doing, that’s all nice, but it’s expensive. I have to pay that person to sit there and answer that phone.”

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Wholesaler As Provider

So, when it comes to small- to mid-sized distributors, what are they looking to gain from a wholesaler?

According to Carlson, the answer is two-fold. "First, they are looking for efficiency," he notes. "With overall costs — and as volatile as our industry has been — they're looking for efficiencies, whether it's in product insurance costs, logistics, fuel or the skyrocketing operational costs."

Secondly, Carlson says distributors are seeking downloadable marketing tools such as customizable promotional fliers, brochures and content for their Web sites.

Carlson says Lagasse has invested a tremendous amount of resources to make its Web site as user-friendly as possible.

"It's truly online business manage-

ment," Carlson explains. "You can go online and place orders, it saves shopping carts and if you have a standing weekly order that you transact with us, you can save those and then update the timing and the purchase order numbers," says Carlson. "Also, you can download purchase histories, sales reports and view real-time inventory and pricing."

Carlson says LagasseSweet also provides customers with future pricing, so customers can view their upcoming price changes, as well as a reporting structure where they can download future price changes for the following month based on manufacturer increases.

LagasseSweet also offers its customers its ECDB, a product catalog on a CD that can be uploaded to a distributor's Web site.

"As you're building a Web site, con-

tent can be your toughest part," Carlson says. "Anybody can get a framework and launch their own Web site, but rich content is really the key and we take great pride in providing that through distributor catalogs. We're providing the back-end content for their Web sites and essentially it's putting a better foot forward for them for their customers."

Wholesalers' Web sites are increasingly becoming the most efficient way to communicate and relay product information to distributors.

LagasseSweet credits its Web site as its main connection to its customers. Carlson says the site has allowed the wholesaler to customize its information to communicate with its customers and gives them real-time information to access as they need it.

"That's everything for customers to be able to check real-time inventory, to place their orders, to access upcoming price changes, manufacturer price changes, communicating vendor initiatives, vendor programs and special promotions," Carlson says. "The Web site has become the main go-to vehicle for us to interact with our customers and to give them a vehicle to access a lot of information at their discretion, rather than trying to force it through direct mail or through other sorts of communication vehicles."

Barry Hentz, senior vice president, R3, Chicago, says wholesalers are starting to see a trend where distributors are really starting to grasp the need for a Web site.

"It's a situation where a lot of distributors are better understanding how to use these tools and how they can improve their service to their customers," Hentz says. "The investments that they are making in their systems are resulting in a better use of the kinds of systems we have available to them."

R3 offers distributors a fairly robust catalog of offerings. Hentz says it has the capabilities to do advance ship notices, electronic billing, electronic price changes, and even do special

A Mixed Bag

Charles Moon, director of marketing, Sheppard Redistribution, Oaks, Pa., says distributors are a mixed bag when it comes to technology, and that wholesalers can only accommodate so many individual requests with hundreds of customers knocking on the door.

"At the moment, the top technology savvy customers represent about 15 percent of our customers," Moon explains. "Maybe 60 to 75 percent have some level of technology involved and there's a bottom tier where they're pretty much just a truck and a laptop as their business. The distributors that use our services are the ones in the middle, the ones who have some technology, but not a lot."

Carol Butler, vice president and general manager for Loveland, Ohio-based Saalfeld Redistribution, says small- to mid-sized distributors typically call on Saalfeld for their technology needs.

"Larger customers have often made more of an investment in technology and as such, are more interested in directly connecting our system to theirs," says Butler. "Small- to mid-sized enterprises that have not made the technological investment are more comfortable using the Internet, or are looking to us to help them with their technology needs. But all customers are interested in implementing the same functions — such as inventory availability."

Eric Leibowitz, president of Croydon, Pa.-based Norshel Industries, likes to think of a wholesaler's role being a customer's warehouse.

"We are a customer's warehouse," he says. "Distributors want to know that we have the ability to let them know if we have the inventory they want in stock. If they make a phone call to us or if they are going to place the order online, they want to know that we have it in stock and that we're able to give them a price right away. Then, we'll acknowledge their order via e-mail or fax, so they can get the answers to their end customers." — *N.B.*

labeling so that when the product arrives into a distributor's warehouse, it's already labeled and can be moved through efficiently.

"Distributors can also get price downloads, check their order status, order history and access inventory stock," Hentz says. "Every distributor is able to see the information they want to see and are protected with a high level of security. It provides distributors with just about everything they want."

R3 has also recently taken on the task of creating Web sites for distributors. "We have the capability to create Web sites and pages for distributors as well as catalogs and marketing materials," Hentz says. "There's lots of ways to interface with them and take care of a lot of their electronic needs. And as a distributor gets larger, obviously they need their own system, and we'll customize our approach to their system."

investment (ROI), but that's not necessarily a bad thing."

In most cases, distributors piggyback on a wholesaler's WMS software because they aren't able to allocate their resources, time and revenue to implementing the software.

Merkel says a large reason the average distributor doesn't purchase the software is because they are concerned more about the day-to-day survival of the business. He also says WMS is only useful to a small percentage of distributors because a majority of distributors don't have the means to utilize what wholesalers are currently offering.

"I see it useful for only a small percentage of the distributors in the marketplace today," Merkel says. "If you've got a good staff in the warehouse, it makes all the world of difference in terms of these tools and what they can deliver you in terms of cost savings and even labor savings. But going out and taking out three

before implementing the technology."

Merkel says that a distributor more concerned about product turnover in the warehouse, rather than the implementation of expensive technology, is probably going to come out on top and have a more profitable company.

"I think there's a time-saving feature, a better tracking of history of the events so that you can pinpoint your inventory," Merkel adds. "It ties in nicely with the whole notion of turnover and that you know what your purchasing patterns are and how much you should bring in and those sorts of things."

What's Brewing?

Welcoming the "e-community" with open arms has so far served wholesalers well. With the implementation of technology such as real-time inventory, online ordering and WMS software by wholesalers, the overall assessment appears to be that industry leaders have

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What About WMS?

Since the adoption of warehouse management systems (WMS) in warehouses across the country, wholesalers have reaped the cost-saving and labor-saving benefits associated with the software. Many distributors have also integrated WMS into their warehouses, but a large majority of small to mid-size distributors haven't followed suit due to the cost of implementation.

So the question begs to be asked, is it worthwhile for a small to mid-size distributor to implement a WMS program into their warehouse or rely on a wholesaler who has already invested its time and money into a WMS system?

Butler sees no reason for distributors not to invest in the software. "If you don't invest at some point, the world passes you by," says Butler. "For distributors, it's about investing in ways that add value. You may not see immediate return on

cases in an average distributor's operation is still what's going on everyday versus this information technology for your warehouse."

Merkel says that if a distributor were to decide to install a management system into their warehouse, it's important they do the research upfront to make sure the software appropriately fits the style and size of their warehouse.

"It's like putting an F16 engine in a 1960 automobile," explains Merkel. "It has to be appropriate to the style and the size of your business. It's expensive, it's time consuming and it's a major distraction. I'm not saying the end result won't be worth while, but there is a cost factor that you need to assign."

Butler agrees. "Introducing technology without the back-end processes to support it is not conducive to success," says Butler. "It is critical for a distributor to scrutinize the support mechanisms

made the move towards technology, while distributors are relying on wholesalers' resources while trying to catch up.

Wholesalers say the recent implementations are only the tip of the iceberg.

Carlson says constantly hears people talking about what the next best thing is going to be for the industry. He believes it could come in the form of connectivity; he cites how dial-up was pushed to the wayside by high speed Internet as an example.

"You look at five or ten years ago almost nobody had high speed Internet," Carlson notes. "Now, almost everybody does. The days of dial-up connection has gone by the wayside."

Carlson says as far as an industry breakthrough, wholesalers are looking to software that will enable speed, customization and special treatment for each customer.

"I think the next step is further cus-

tomization to literally personalizing electronic transactions,” says Carlson. “I couldn’t tell you if that was tomorrow or five years from now, but I think that’s probably the next big thing. Literally, whatever a customer wants is what they will get. They’ll be able to determine what they want to view on a Web site, what they receive in content, how the Web page looks and all that type of stuff.”

Moon says there’s always a wish list that the industry would like have delivered upon. On the top of the list is speed in order fulfillment.

“What a lot of people would like to see is better product tracking,” he says. “They want to see when it gets here, when it goes out the door, who gets it and how often they reorder. A lot of those things are available now, but I think they want to see them faster.”

Carlson says that as the industry continues to see a demographic age change, “e-technology” will be heavily relied on in the coming years.

“With a new wave of people entering the work force, every person that comes on has a greater understanding of the Internet and with getting their information electronically,” Carlson says. “I think our job is getting distributors to see that and understand that they have to start looking at providing information electronically and being able to market electronically. Hopefully we’ll continue building the tools to try and help them do that.” **SM**