

SPECIALTY TOOLS & FASTENERS DISTRIBUTORS ASSOCIATION



# SUCCESSING IN E-COMMERCE

IF IT WERE EASY, EVERYONE  
WOULD DO IT

**M**any distributors have set their sights on E-commerce as a way to grow without limits. The initial assumption is that with an inventory, a warehouse and staff, they only need a web presence to succeed. Unfortunately, every paradigm that has worked in the past must be re-engineered for the future.

Before investing time and resources in E-commerce, take a moment and re-evaluate your existing operations. Asking the right questions in preparation for E-commerce can also enhance current profitability.

## DO YOU KNOW WHAT IS IN-HOUSE?

Success in E-commerce starts with knowing exactly what is available and where it is stored. This is not just inventory control, it means taking total control for everything in stock, as well as in transit. Every demand

and release of materials must be tracked. Operating in an environment where the local customer receives the materials promised to an online customer is diametrically opposed to maintaining the service levels that E-commerce customers expect.

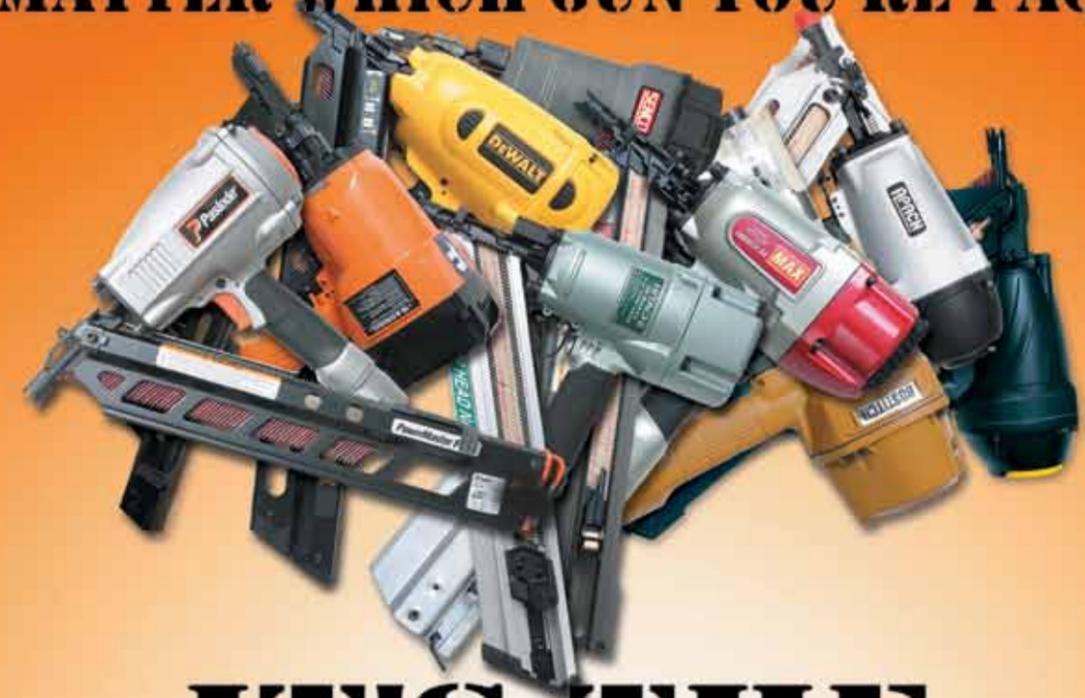
## ARE ALL THE RACKS, SHELVES AND FLOORS MARKED WITH ADDRESSES?

Knowing that the materials are available is useless without also knowing where the goods are stored. A Warehouse Numbering System (WNS) is a vital first step. Using the locator system to track and control stock movements is the vital second step. "Memory locators," while good enough in the past, are useless in a fast-paced E-commerce environment. The goal is to establish a system that an outsider can learn in 20 minutes or less.

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NO MATTER WHICH GUN YOU'RE PACKIN'

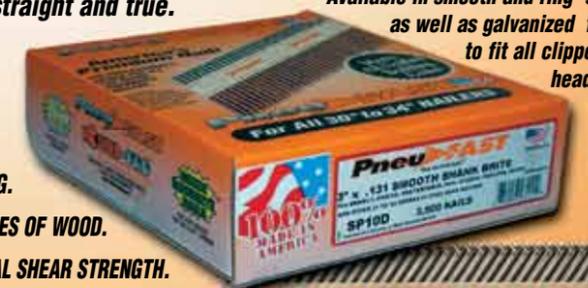


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### STILL WANT TO DIVE INTO E-COMMERCE?

Given the logistical resources available to almost every distributor, doing business is no longer restricted by geography or territory. Everyone who has access to UPS, USPS, FedEx and other carriers can take advantage of E-commerce to broaden their marketing efforts. On paper and in theory this appears to be an ideal way to expand, but remember that many others have the very same idea. The reality is that without making changes to your operating paradigms and facilities, profits will be elusive or non-existent.

Before developing a website and investing heavily in E-commerce, spend some quality time making the overall operation more efficient. The time and money invested will have an immediate return in every aspect of your marketing and assure long term success for the business. **CS**

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As a local distributor, you might sell one or two of these expensive hammers a year, but for a national/international market, hundreds might be sold, plain or engraved. Analyzing product movement under these circumstances takes on a new urgency. Trends can develop or change rapidly and product locations must change to maintain efficiency and profitability.

### DOES THE LAYOUT FAVOR THE COUNTER, WILL CALL OR SOME OTHER MARKETING DIAMETRICALLY OPPOSED TO HIGH-SPEED PICKING?

Every distributor with an active counter business has established paradigms that expedite counter sales. In most operations where the counter trade represents less than 15 percent of the total business, this is the tail wagging the dog. For E-commerce, the layout needs wider main aisles and a dedicated picking path that will not interfere with stocking or counter picking. In an existing operation, some compromises may be required between space and efficiency. This is where inertia and past history can be very misleading and expensive.

## SUCCESS IN E-COMMERCE STARTS WITH KNOWING EXACTLY WHAT IS AVAILABLE AND WHERE IT IS STORED.



E-Commerce orders, counter business, delivery tickets, stock checks, receiving and all the other tasks that occupy them today. The problem is how to focus, and the answer lies in controlling and budgeting time. In theory, order picking could be performed during a mid-morning or mid-afternoon "slow period." This might work initially, but not for long and not well. A better strategy is to continually manage time with specific periods and people for dealing with E-orders. During this work-day-within-a-work-day, nothing disturbs the workflow of the focused workers. This is easy to postulate in theory and tough to enforce. Consider instead establishing a separate shift for E-commerce. It will be far easier to manage and has the advantage of isolating costs that could otherwise be obscured.

### ARE RECEIVING AND STOCKING FAST AND EFFICIENT?

Adding volume and variety will attenuate deficiencies in the warehouse. This will be most immediately evident in the staging areas. Procedures that delay receiving and stocking will quickly clog the floor and dock and then spread down the aisles. Once this happens, every other operation will suffer. Practice "triage," where bulk materials that can be quickly moved into storage are expedited or made into a non-stop operation. Mixed cases and small orders that are time consuming should be handled off to one side, out of the main work flow.

Policies such as "receive today, stock tomorrow" are suicidal. Always remember that if it isn't on the shelf you cannot sell it. This is an area where paper-based bar coding, Radio Frequency Identification (RFID) and online, real time Warehouse Management Systems (WMS) are an absolute necessity.

### HOW WILL THIS NEW BUSINESS AFFECT STOCKING?

Every distributor is different and E-Commerce will attenuate the differences. This can be readily observed with a "frequency of demand" or "hit list." For example, establishing a niche marketing position as the national resource for titanium hammers means that a relatively obscure sub-family should be moved into a more prominent and efficient position.

### IS BAR CODING BEING USED SUCCESSFULLY?

If you cannot track the materials and orders, there is no way to cope with the volumes that E-commerce can generate. The problem is immediacy. E-commerce implies speed and delivery. Fed Ex, UPS, Amazon and others tout Web-based tracking systems. This has raised expectations for everyone. A regular customer is satisfied with knowing the materials are "on the truck." Web customers want to know which truck and exactly when to expect delivery. The real advantage of bar coding is that while tracking these movements, information is generated that can enhance future operations.

### WILL PICKING FOLLOW THE SAME PROCEDURES CURRENTLY EMPLOYED?

Typically, a distributor picker working on counter orders follows a "one man/one order" pick procedure. At best, this yields a pick rate of perhaps 30 lines per hour. With E-commerce, short orders will be the norm, and extraneous travel will quickly overrun the warehouse's capabilities. Batch picking of multiple orders is four to five times faster, and can significantly postpone capital expenditures for high-speed picking equipment.

### WHAT IS THE CURRENT "ERROR RATE?"

If the staff cannot get orders perfect in your existing environment, how can they be trusted to maintain quality in a more demanding situation? The only acceptable quality level is perfection. If the cost of redoing orders or processing returns far exceeds the potential for profit, the time to improve is now, before the orders hit.

Start by using "percentage of perfection," and emphasize the need for getting orders perfect every time. With E-commerce there is no second chance with a customer. Disappoint them initially, and they will never reorder.

### CAN THE FACILITY HANDLE THE NEW BUSINESS?

Initially, adding a few online orders will not affect the overall operation. But, as the business increases, so do the demands on the physical facility. Loading docks that are adequate for local deliveries can be quickly overtaxed by increased receiving, staging and a dropped trailer for outbound shipments. Up to a point, one can sidestep these issues through time management of the available resources. But night shifts, overtime and cramped staging all carry price tags that will easily consume the slim profits.

### WHO WILL DO THE WORK, AND WHEN WILL THEY DO IT?

Given the immediacy of day-to-day business, it will be difficult for any one individual to keep up with the

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