

# Early adopter Buckles-Smith enjoys significant savings, improved customer service

"When we started using EDI in 1989, we couldn't even spell it," jokes David Ott, MIS manager for Buckles-Smith. The San Jose, Calif.-based distributor was probably one of the first IMARK members to implement EDI and has energetically embraced the technology, along with several other forms of e-commerce, since the challenging early days Ott is recalling.

Buckles-Smith serves northern California from seven locations, focusing on industrial, OEM, and electrical contractor customers. The company currently conducts EDI business with about 15 suppliers via Activant Array software and the IDEA IDX2 VAN.

Ott says Buckles-Smith is currently working with six transaction sets: 810 (invoice), 850 (purchase order), 852 (product activity data), 855 (purchase order acknowledgment), 856 (advance ship notice), and 867 (product transfer and resale report). As with most EDI users, the 810 and 850 are the most frequently used sets.

"Right now, we're only sending the 852 to two vendors, and the 867 to one," Ott says. "We've brought in most of the transaction sets because they were part of a package being proposed by a particular vendor."

"We recognize the value of EDI to our company," says Roger Stanger, vice president of operations. "It

reduces the time it takes to process routine clerical tasks, increases employee productivity, speeds up turnaround time in receiving and other functions, and improves transaction accuracy. With the VMI [vendor management inventory] transactions, particularly the 852 and 867, we've enjoyed a slight bump up in our customer fill rate and a better return on our inventory investment."

Stanger says that EDI has "allowed us to grow the business without bringing on additional human resources, which leads to a healthier bottom line." He estimates that, thanks to EDI, Buckles-Smith saves the equivalent of what it would take to pay and provide benefits for one- and one-half full-time employees.

"We're also implementing a transaction set for rebates, and we think we're going to realize significant payoff on that," he adds.

Since Buckles-Smith is such a seasoned EDI veteran, we were particularly interested in soliciting Stanger's and Ott's advice for IMARK members who are relatively new to EDI or are considering putting it into operation.

"You need to perform internal data scrubbing in advance of implementing the technology," Stanger says. "EDI is dependent on matching UPC numbers, so make sure your data is current, and don't forget to delete obsolete records."

Stanger also recommends that users sign up for IDX2, and Ott explains why. "It gives you substantial savings compared with traditional VANs," he says. "A typical VAN will charge you something like 10 to 20 cents per kilo-character. They also charge you per mailbox and per interconnect."

"Because of those savings, IDX has played a significant role in our decisions to add transaction sets," Stanger notes. "Before it was in place, we were reluctant to do so because the cost was prohibitive. But IDX has made it relatively inexpensive for us to expand our use of EDI."

"Another thing that helps you get the biggest bang for your buck is to start conducting transactions with your biggest vendors first," Ott says. "And, once you get familiar with a particular data-mapping standard—Pan-Pro, for example—leverage that across as many suppliers as you can. Doing that can save you a lot of headaches and money."

The human factor is also key to setting up and maximizing the technology's potential, Stanger believes. "Having a capable person like Dave always helps," he remarks.

When Buckles-Smith introduced EDI, "I was on staff as a programmer, so it fell into my lap by default," Ott says. He had no experience with EDI prior to that.

Stanger emphasizes that interaction with outside experts is also essential. "Get acquainted with the EDI champion at your software provider and, as appropriate, the champions at your suppliers. It helps to spend some time with these people getting everything mapped out and set up."

Both Stanger and Ott remark on the importance of developing a system to help determine whether or not to conduct EDI transactions with any given supplier.

The former explains how Buckles-Smith makes such decisions "We have a pretty simple system," he says. "We look at the number of line items we receive from the supplier, check to see if they have the EDI capabilities for the transaction sets we'd like to use with them, and also figure in any incentives they might offer."

In addition to working with suppliers through EDI, Buckles-Smith employs e-commerce tools in its dealings with customers. The most notable of these are the distributor's own CustomerLink Customer Service Center and Ariba.

CustomerLink is the company's Web-based storefront that makes it simple for customers to access their accounts to check product price and availability, place orders, check order status, and view online statements.

Ariba describes itself as a provider of "spend management solutions." Ott calls it an "e-commerce hub where we bid on jobs, transmit invoices, and have other interactions with our customers."

Buckles-Smith is keen to conduct even more e-commerce business with customers. "We're looking into exchanging documents with them through XML," Ott says. "Of course, it would be nice if we could involve our customers with EDI, too."

Many IMARK members have remarked that the biggest obstacle to getting customers to use e-commerce is that many of them—especially the smaller, private electrical contractors—prefer to do business "the old-fashioned way," and Buckles-Smith is no exception.

"A lot of our customers like to come into a branch or make a phone call," Stanger says. Because Buckles-Smith tends to work with larger contractors on larger jobs, though, it sees less of this status-quo behavior than the typical IMARK member. "With virtually every big contract that we bid on," Stanger says, "there's some kind of e-commerce consideration, if not a requirement. So if we want to participate in large institutional projects, we need to have our electronic capabilities in order."

In the final analysis, Ott says, "You need to be able to serve both kinds of customer. You want people to be able to walk in and get parts at the counter if they want to, and you want the bigger customers to utilize e-commerce because it not only helps you save money, it does the same for them."

As beneficial as it is to Buckles-Smith and its suppliers, even EDI

boils down to customer service, Stanger concludes. "We're going to continue to allocate resources for that and other kinds of e-commerce," he says, "because, ultimately, our main goal is to offer the high service levels that our customers expect, demand, and deserve."

## Buckles-Smith

# Dulles Electric gears up for EDI launch

"We're not using EDI yet, but we've targeted October 2 as our go-live date for the new software package we bought from Intuit Eclipse, and we plan to do some EDI transactions at that point," says John Milotte, general manager of Dulles Electric, based in Sterling, Va.

Dulles is currently running the Activant Array system, which has some EDI functionality built into it, but, Milotte says, "I couldn't justify it as a cost saver, so we never took advantage of it."

"We also had a couple of third-party software providers write some code for us to help us run the business," Milotte says. "We were going to try to transmit invoices in an EDI format to some of our larger accounts, but we only got as far as testing that. Not many of our customers wanted to spend a lot of time on it; the demand just wasn't there, so it never got off the ground. We do use that software to transmit invoices by email, though, because our current Activant system doesn't have that capability—at least not in a format we can live with."

Although he now looks forward to implementing EDI through Eclipse and IDEA's IDX2 system, Milotte is representative of the many IMARK members who have been slow to adopt EDI because of the perception that its benefits are weighted much more toward the suppliers than toward them. "Up until recently, I'd

say that 90 percent of the gain is on the vendors' side, but we distributors have to pay for it," he says.

"When I enter a PO in our current system," he says, "I hit a function key to fax the order to the factory. If I were to use EDI, basically all I'd do is hit a different function key and the PO would be electronically transmitted, rather than faxed. So, from my standpoint, I've got to ask why I should pay a VAN charge to transmit this document when I can fax it for free?"

Milotte is aware that one of the oft-cited benefits of EDI is that it facilitates accuracy when suppliers fill orders, but says his attitude has been, "Well, you'd better get my order right. That's part of what makes you a value to our business."

He's been similarly skeptical about the advantages of processing supplier invoices via EDI. "With the EDI in our current system, all the software would do is kick the invoice data out to a printer," he says. "So I'd be paying a VAN charge to receive something that the vendor could have paid 39 cents to mail to me. Again, I couldn't cost-justify that."

It must be emphasized that Milotte is explaining his past thinking. Once he learned more about how other software applications were handling EDI, he was sold, and he took the steps necessary to begin making it a part of the way Dulles does business.

"When I researched Eclipse, I found that it handles EDI transactions in a much more productive way," he says. "For instance, an invoice is automatically loaded into the system and reconciled back into accounts payable. Now we're talking about labor savings and increased accuracy. That's when it started to make sense to me." Milotte says he was furthered convinced as more and more of Dulles' vendors began to offer incentives to distributors that use EDI.

Despite his initial reservations about EDI, Dulles has always been keen on e-commerce and other technologies the company can leverage in its efforts to be more profitable and provide superior customer service.

"In our warehouse, 100 percent of our receiving is done using bar codes and wireless handheld devices," Milotte says. "Our Array system doesn't do that, but we think it's a great way to handle receiving, not to mention the gains we saw at inventory time. So we purchased an application from another provider that fully integrates with Array, and that got us doing it."

The company's current website does offer some limited e-commerce ordering tools. "Our customers can shop online from the Dulles site for Sea Gull Lighting and Kichler Lighting products," Milotte says. "Basically, what happens is that they're re-directed to those manufacturers'

sites, but our name is at the top of the page, so they think they're ordering from us. On average we gross about \$14,000 to \$20,000 per month from that, so it's not a whole lot of money, but it's definitely money we otherwise wouldn't be seeing."

Dulles is planning to expand its e-commerce capabilities as demand increases. When Milotte met with the company's ad agency to work on this year's budget, he made sure to include provisions for a redesign of the website that would allow true, full-line ordering direct from Dulles. Milotte says the development process for that is ongoing and anticipates it will pick up momentum, judging from behavior he is starting to occasionally see, especially from end consumers.

"People are walking in the door with something they printed out from some website or another," he says, "and saying, 'Here's the fixture I want, and the part number. And here's the price—can you match it?' It's not a major factor yet, but I think it will become more common, and if we can make it even easier by selling online, that will give us some competitive advantage, or at least level the playing field a bit more."

The distributor's contractor customers, however, don't appear to be as eager about using e-commerce tools to do business with Dulles. "Our industry seems to be slow in adopting new technology," says

Milotte, noting the irony. "The electrical industry came up with the idea of bar-coding product, but it was the grocery industry that took that idea and ran with it. The most high-tech thing that a lot of contractors do is to call us to place an order over the phone. In our dealings with some of the larger contractors, we email them cut sheets, but that's about it."



**DULLES ELECTRIC & SUPPLY CORP.**

Despite this lack of enthusiasm for e-commerce among customers, Milotte has high hopes for EDI's potential for cost savings on the supplier side. "As we get closer to our go-live date, I'm beginning to talk with everybody I know in the industry who has done, or is doing, what we're going to be doing with EDI," he says. "Everyone I've talked to so far has had nothing but positive comments about using Eclipse and IDX2 for EDI, so we look forward to seeing what that technology can do for us."

Milotte says Dulles will phase in transaction sets over time, as the company gets comfortable with the new system: "At first, we'll just be transmitting POs [850s] and receiving invoices [810s]. Eventually, I'm sure advance ship notices [856s] and other sets will come into play, but we're going to make sure we take

our time to grow into the software so that we understand it as well as we can and get the most out of it."

## J.H. Larson applies e-commerce tools, sees rewards

"Ten years ago, if someone told you to go to Amazon to buy a book, a lot of people would think they were being told to go to South America," says Ed Chesen, vice president and general manager of J.H. Larson Electrical Company, with a laugh. "Today, as the world moves more and more online, our customers are gradually getting more comfortable with dealing with us and other vendors over the Web."

J.H. Larson, based in Plymouth, Minn., maintains eight locations in Minnesota, Wisconsin, and South Dakota, serving a broad spectrum of commercial and residential contractors, OEMs, and government institutions throughout those states and parts of Iowa and North Dakota. In addition to its electrical and datacomm lines, the company also distributes plumbing and HVAC products. It employs both EDI and general e-commerce technologies in carrying out its everyday business.

"Our fully integrated e-commerce site allows customers to view price and availability, place orders, and review quotes, order status, invoices, and statements," Chesen says. "It also provides useful features like industry conversion tables and sizing charts. And, according to the NAED, the number of links to our public website consistently ranks in the top 15 among electrical distributors."

Echoing the experience of most IMARK members, J.R. Tapper, director of MIS, notes that, even though

J.H. Larson's e-commerce capabilities are designed with ease of use as the primary objective, "Most of our customers still prefer to pick up the phone when it's time to place an order. The majority of them use the site to gather information. Distribution is still very much a people business."

However, Chesen notes that the company is seeing a measured increase in customers taking advantage of the site's online ordering capability. "I think it's a generational thing. The people running the contractor companies didn't grow up with that kind of technology, but the people they're hiring today did. For that reason, we expect the trend toward online ordering to continue and slowly accelerate."

J.H. Larson has been involved with EDI for about a decade, at first only using the system for transmitting purchase orders to its suppliers. When Tapper joined the company seven years ago, he began to add other transaction sets as he saw fit.

"I tend to be pretty strict in my review of whether or not to implement transaction sets, just as I am with setting up an EDI relationship with a trading partner," he says. "I look very closely to see if it's worth it for us. Some suppliers don't demand EDI, and it's often just as easy to fax a PO to them. If we haven't had a lot of quality issues associated with doing it that way—and as long as the supplier's happy—why should we change it?"

Still, J.H. Larson has a good head start on conforming to IMARK's new e-commerce standards. The company generates about thirty 850s (purchase orders) on an average day, and also uses 810s (invoices), 855s (purchase order acknowledgments), and 856s (advance ship notices).

"We're starting to expand our use of 855s and 856s to comply with the IMARK initiative," says Tapper. "Currently, there isn't a lot of integration with our system for those documents, but we're working on it. We also plan to implement other EDI transaction sets as time goes on."

"I strongly recommend that IMARK members who are newcomers to EDI join IDEA and sign up for IDX2," Tapper says. (The IDX2 is the new generation of the industry data exchange protocol developed by the Industry Data Exchange Association [IDEA], a privately held company equally owned by NAED and NEMA.) "I've looked at all the different EDI options available, and IDX2 is by far the most cost effective. Before IDX2, EDI could be very expensive, and I'm sure there are a lot of smaller companies who decided to pass on EDI because of its cost. But they should take another look because, with IDX2, the economics of EDI make a lot more sense than they did in the past."

Some industry observers claim that the benefits of EDI are geared more toward vendors than distributors, but Chesen disagrees. "We sometimes have problems with

suppliers that don't handle shipping very well," he says, "but when we set them up with EDI, those problems pretty much go away."

Chesen goes on to cite other EDI benefits, including the financial incentives that some suppliers still provide: "They're not huge amounts of money, but every little bit helps." He also cites the cost savings made possible by EDI by catching orders that might otherwise get lost and getting the right product shipped the first time.

But neither EDI nor other forms of e-commerce are panaceas, Tapper points out. They both present hurdles, especially in the early phases of implementation.

"We've always taken the view that e-commerce is basically another tool in the toolbox that our customers have access to," he says. "The challenge is getting them to use those tools. Those who do, though, get very comfortable very quickly because the environment is so customer friendly."

With EDI, J.H. Larson has occasionally encountered issues with integrating the system with the Activant Acclaim software it uses to run the company. "We want EDI to match the way we do business, not the other way around," Tapper says. "With the transaction sets we do use, the integration with Activant Acclaim is excellent, but in some cases we've chosen not to implement other sets because the system just doesn't do things the way we think it should."

Despite these occasional difficulties, both Chesen and Tapper are enthusiastic about EDI, and advocate its adoption by other IMARK members.

Beyond the IDX2, Tapper has some guidelines for those who choose to do so, based on his own experience. "Make sure to use the assets of your business system provider to help you learn everything you can from the beginning," he suggests. "We paid Activant for the initial setup, but once that was accomplished, hooking up our other trading partners with EDI was almost a no-brainer. Each setup takes less time than the one before it."

J.H. Larson is larger than the average IMARK member, and so is its IT department; Tapper has four staffers working with him. He wants potential EDI users to understand that the system demands much less manpower than do other forms of e-commerce. "We have one person who works on our websites, and another two of us divide the EDI-specific duties," he says. "The Web guy spends all of his time working on the sites, but, between the two of us who work with EDI, we spend less than one hour a day on that system, and that's mostly taking care of minor administrative tasks."

**Tim Cohan, A CONTRIBUTING EDITOR TO MARKETFOCUS, CAN BE REACHED AT [TIMCOHAN@COMCAST.NET](mailto:TIMCOHAN@COMCAST.NET).**

