



World Floor Covering Association,
National Floor Trends/BNP Media
Flooring Industry Partnership



B2B study finds lingering concerns about new tech

Retailers fret over 'loss of personal contact,' costs & security

By Al Stewart, editor

For all the testimonials trumpeting the speed and efficiency of B2B information systems, it's increasingly clear that retailers and contractors in the flooring business have not yet fully embraced the technology. And many say they are in no hurry to do so.

The promise of direct links between stores and manufacturer and the lure of streamlined ordering, scheduling and accounting, is undermined by lingering concerns. In general, retailers say they are leery that gains induced by automation will be offset by the loss of personal contact and security. Most frequently, they voiced concerns about the prohibitive cost of equipment, installation and training. The consensus seems to be that computers may be fine for emails, web access and the occasional spread sheet, but the tried-and-true phone, fax, handshake-and-a-smile method of doing business is an indelible part of the flooring business.

The industry's enthusiasm for technology—or lack thereof—is the focal point of a comprehensive research study conducted jointly by *National Floor Trends*, the World Floor Covering Association and BNP Media Market Research. Overall, results of the mail and web-based survey of WFCA members and NFT subscribers were a mixed bag. While they clearly indicated significant inroads made by IT systems, they also suggested a clear preference for old school methods of doing business.

Perhaps most notable, there appears to be no rush for retailers to expand their systems to accommodate B2B platforms. Only half of those polled said they planned to up their investment in either computers or software over the next two years. What's more a scant 4 percent said they fancy themselves "highly automated."

Even so, far from suggesting that retailers are not moving toward automation, the survey found that more than one-fourth (28 percent) of respondents perceive their businesses as highly automated or close to it, while only 9 percent said their operation was "not at all automated."

When asked "Are you fully trained in using a computer for your business oper-

ations?" 56 percent said "yes" while the remaining 44 percent said they were not. A question about the number of employees who use a computer also revealed a split. About half those responding said that between 51 to 100 percent of their work force relies on computers (7 percent said none and 30 percent said the entire work force used computers).

Other highlights from the retailer B2B study were as follows:

- On average more than 60 percent of all store employees use computers in their job and a majority of retailers regularly use the Internet to look for product, pricing or industry information relative to their store operations.
- Well over three-fourths of flooring retailers surveyed said they still place orders for materials, equipment or suppliers via phone or fax. A majority of respondents said their primary suppliers have proposed online ordering and/or shipment tracking.
- With two notable exceptions—the software programs RFMS and QuickBooks—respondents were unfamiliar with the many companies offering IT technology for the flooring industry.
- Asked what barriers dissuade them from increasing the role of information technology in their operation, respondents most frequently mentioned the cost of training and equipment, followed by "loss of personal contact" and "security related issues."
- Asked if they have an automated process in place to trace orders and/or manage inventory, an overwhelming majority said they did not.

While the results are sure to stir concern among suppliers and other business eager to shift the business to an IT platform, they may take comfort from knowing that respondents didn't spurn computers technology. Far from it. Most said they could see the need for a true B2B platform and would be willing to climb aboard—once the obstacles and barriers are removed. They also acknowledged that they are

About the survey

The National Retailer B2B survey was jointly conducted by the World Floor Covering Association, *National Floor Trends* magazine and BNP Media Market Research, which is owned by NFT's parent company BNP Media. The study was conducted using surveys sent via the U.S. Postal Service and email. Participants were selected from WFCA's membership and NFT's subscriber list.

The purpose of the study is to explore the role and importance of information technology in the retail flooring industry and identify specific areas where retailers are successful using technology to enhance their business. The research also endeavored to measure awareness of various information systems already on the market and identify the barriers that are impeding acceptance of the technology.

All told 6,899 surveys were sent: 4,899 by email and 2,000 via postal mail. The email recipients were culled from NFT retailer/contractor subscribers who have an e-mail address on file. They were selected on an nth name basis from qualified, domestic circulation. For the regular mail element, half were sent to those on the WFCA list and half sent using NFT's list.

The email effort yielded 354 usable returns, creating a response rate of 10 percent. The regular mail effort generated 420 usable returns for a 21 percent respond rate. Research analysts from BNP Media Market Research report that there was no discernable difference in the answers supplier by the two groups.

In addition to a series of multiple choice questions, respondents were also invited to submit anecdotal information about their experience with information systems. The information enabled the study to include qualitative as well as quantitative information.

FC M.V.P. (Floor Covering Most Valuable Practices): Cap Carpet Inc.

Editor's Note: As part of our report on advanced information systems in the flooring industry, National Floor Trends has identified retailers who are optimizing the technology. We have dubbed them our FC M.V.P.'s for "Floor Covering Most Valuable Practices." Far beyond establishing a presence on the web, these dealers have embraced the B2B Flooring Industry Standard (www.flooringb2bstandard.com) and use it to place and track orders. They also use the technology to streamline their operations by creating direct links between stores. The retailers profiled for this first installment have been around for many years and wonder how they ever got along without B2B technology.

Company:

Cap Carpet Inc. Wichita, Kan.

Executive in charge of IT:

Aaron Pirner, CEO

Company History:

Established 35 years ago by La Von Pirner (Aaron's dad). Now operates 12 stores: Carpet One (two units), Carpet One Commercial (two), Pro Source (five), Stone Mountains (two) and Big Bob New & Used (one).

What is your business philosophy?

We have developed niches in a very tough market. Our strategy is to take those customers looking for a niche and build a business model around it.

How did you get involved in technology?

My dad, Le Von, had a passion for it. We started with an old Wang mini and expanded from there. We saw it could help us run a successful business.

Then what?

In 1987, we were one of the original users of RFMS, (Retail Floor Management Systems) which now stands for Resources and Financial Management Systems. We used that system when it was still a D-based program. It has evolved over time.

Now what?

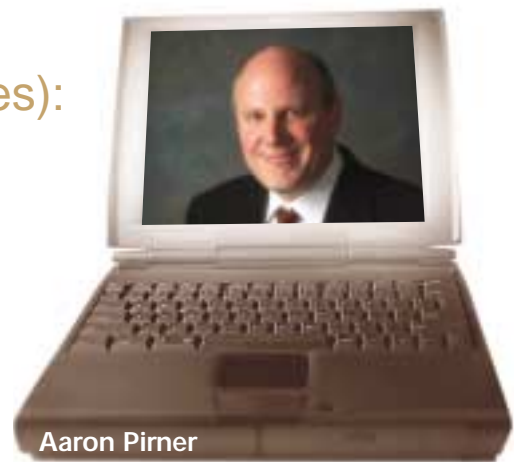
It manages our business. In the purchase cycle it gives us tools to price our flooring and create a quote. It generates an order backward to our suppliers and the supplier sends back a confirmation and ship date. Then, in the delivery cycle, it handles scheduling and if there is a problem it handles claims. It basically gives cradle to grave customer service.

How does it work internally?

We link our remote stores through DSL that gives us a virtual private network configuration. We now have 120 users on our network.

How do you work with vendors?

They download a product catalog to an FTP (file transfer protocol) site with pricing, style, colors and SKU numbers. We can order electronically in all these fields.



Were you able to cut costs?

Tremendously. We don't need as much staff in the warehouse or in administrative jobs. For our salespeople, it increases productivity. They have better information to work with it terms of products and pricing. They have more information than they used to get out of books. And it makes a huge difference for them.

Did you have to hire anyone?

Two full time IT guys. They maintain the system and set up new users.

What did all this cost?

If you were to replace everything from scratch it would probably cost about \$120,000.

Is that a lot for you?

When you consider that we did \$34 million in sales last year, \$120,000 is nothing.

Any aches and pains?

About 10 years ago we learned about backup the hard way. We were too cheap to pay for a program to back up open files. People weren't logging out of the system so we had multiple days with no complete back up. We lost four days worth of data entry. It was our own fault. Now we use "Double Take." If our server crashes for any reason all we have to do is reboot the Double Take server and it will take over as the main server. We don't even have to do any restoring of the tape.

Any problems now?

There are some minor issues that we are working through. The majority have to do with price agreement challenges. I used to get price agreements printed and mailed to me. Now we have people in data entry who maintain and manage those price lists. It takes some work on our part to make certain they are accurate and up to date.

What do you say to retailers who resist this technology?

I appreciate that they know what's best for their business, but there are some obvious things they are missing. The most important is quality of life. The reason you do this is not to make your life glitzy. You do it because it makes your lifestyle better. You can spend more time at leisure not working.

FC MVP: Georgia Floors

Company: Georgia Floors, Kennesaw, Ga.

Executive in charge of IT: Rick Julius, VP, CFO

Company History: Founded by Ray and Diane Golz in 1988. Became employee owned in 2001. Moved into 46,000 sq. ft. facility in Kennesaw in Sept. 2000. Has since opened branch facilities in Norcross and Peachtree City, Ga. Member of Floor Expo. In 2002 opened four Home Solutions Selection. Sales volume: \$74 million.

Business philosophy: Residential flooring contractor offers sales, installation, and service on all floor types. Committed to building partnerships with customers, suppliers, installation contractors, and employees.

How involved is your business in technology?

It is used for all of our flooring business. It is a very important part of our business.

Can you talk about specific applications?

We are now using a RFMS scheduling program. Our installers plug in certain information and the system gives us a report. We switched to it during one of our busiest times and we were still able to roll it out without a problem. We have one person working on it full time.

What is the advantage?

Basically everything now ties back together and we can see our sales, when a job was completed, how many yards we have going out, how much we have available. We also now have multi-servers so everyone can connect into it at home or from other locations. I can do everything at home that I can do sitting here at my desk.

How was this done before you went high tech?

We were using white boards and cork boards. From there we went to Excel spread sheets. I am kind of surprised it took so long to get a schedule package. We love it.

What do you do with all the paper work?

Since 2000, we have been using a high speed scanner for all the paper work that gets accumulated. It's stored in the computer and we can search by lot sub-division or by our RFMS order number. Our work order and invoices are bar coded so now we just feed the paper in there and it automatically retrieves most of the information from RFMS. There is very little data entry.

What else is stored?

Our service techs and our account managers use digital cameras to take pictures of job site conditions, claims and things like that. We upload them and store them in our imaging systems. When digital cameras first came out we were using them but everybody stored the images on their own computer. We didn't even know if we had a picture. Now we can search for them in our image system. If we have a picture any one of our people can see it from anywhere.



And the advantage of that?

We deal with people at all levels in many locations so it's important that people have information at their finger tips rather than go to a file cabinet.

What other systems do you use?

We use RFMS Floor Right to do all our take offs. When we are working on a home, we scan it in and find out how much carpet, wood or vinyl it would need. When we get another call from that same sub-division we just call it up and make a plan. The installer then has a layout, where to put the seams and all that good stuff. It gives us consistency with our installs.

How does it help customer service?

It helps us provide value-added services. Our customers are builders and they have entirely different concerns than homeowners. We can track all kinds of things for them. If we notice we are doing a lot of repairs in certain subdivisions we can provide that data to the builder and help him save money. We run reports and look at trends. We can monitor quality and we can do things like retrieve information for warranty service. We can get answers very quickly.

And the effect on your bottom line?

We need fewer employees than when we were trying to do it manually. We also don't have conflicts in scheduling. If someone calls from the builder and says they don't want it Tuesday, they want it Wednesday. We go to one place in the system to move it.

Do you feel there has been a loss of contact with your customers?

Not at all.

Any thoughts on why more contractors don't have similar systems?

People in the floor covering business are slow to embrace technology created specifically for the industry. For us it has been a big success.


being nudged further into the cyberspace by suppliers who have proposed online ordering and shipment management.

A telling piece of information about the survey participants —almost all of whom are owners or senior managers— is that nearly 60 percent have been in the flooring business for more than 20 years and about a quarter of those polled are veterans of 30 years or more. Clearly, these are executives who did not grow up in the business using computers.

And that lack of intimate knowledge was borne out in a section where participants were invited to relate a “success story” that resulted from their compa-

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ny's information technology. Many of the anecdotes suggested wide-eyed amazement at features most teenagers would consider part of their everyday life: photos of a finished job emailed to an absentee homeowner, use of web sites for comparison shopping and the ability to scan and send a document where among the ‘successes’ related.

Overall, retailers overwhelmingly agreed that there is no piece of equipment more valuable than customer service, personal one-on-one attention and quality installation. When they do use an IT system, they said it is usually for accounting and book-keeping tasks that are unlikely to require an off site interface. 

Part II of the study findings will be included in the August 2005 issue.