

# What's happening now; where is the flooring industry headed?

By Louis Iannaco

As technology continues to advance, an ever-increasing number of industries take advantage of 21st century communication techniques, and that includes flooring as more and more retailers are finding new ways of bettering their businesses.

There are definitely more retailers using B2B, noted Chad Ogden, president and CEO of QFloors. "Not only are a greater number of dealers using B2B, but they are also using more B2B features [purchase orders]. We generally find as retailers successfully use the basic B2B features [downloading price lists], they see the benefits, their fear dissipates and they are more willing to incorporate all of the B2B components."

Regarding B2B's acceptance and advancement in flooring, Ogden noted it is all about getting more people involved. "We just need to continue to encourage greater acceptance and adoption of it. The B2B Standard is, at this point, mature, stable and working well. So it's just a matter of wider adoption. The local distributors still need to come on board. Many of them are still holding back, mostly due to fear of the upfront costs. They don't always realize how quickly the savings will compensate for that."

The biggest obstacle stand-

ing in the way of B2B, according to Ogden, is fear. "Fear of change, fear of the unknown, fear of technology. We need to continue to educate customers.

As they become familiar with B2B, and see its benefits firsthand, fear then becomes a non-issue."

The other obstacle is near-sightedness. "Sometimes people don't think they have the time to implement or learn B2B," he added. "What they don't realize is that utilizing B2B will save them hundreds of hours of time and a significant amount of money in the long run."

David Marshello, director of RFMS University, agrees with Ogden, noting he continues to see a steady number of retailers starting to use B2B each month, although the net increase has slowed over the last year due to the challenging business climate.

"The new frontier for B2B will be to make it more interactive for the retailer by offering new capabilities like stock checks, price verification and selection of specific roll balances before the electronic purchase order is submitted," he added. "The Floor Covering B2B (FcB2B) association has established a new technolog-

committee to utilize Web services technology to make this a reality."

According to Marshello, B2B's biggest obstacles include staff changes coupled with fewer staff resources (due to downsizing) who can devote time to learning new technology. Another factor is that more than just 40 suppliers in the industry need to implement B2B technology—retailers want to see more tile companies and distributors join the initiative. Participation by all of the top mills has been very good."

Dev O'Reilly, president and CEO of RollMaster, believes while there are more dealers getting involved with B2B, adoption is not the priority it

should be. "Retailers are more aware of B2B. However, most don't fully appreciate its value. Our policy is to discuss the value of B2B services in every sale or upgrade."

The cost of these services to the dealer/distributor is very low (with RollMaster it can be as little as \$600 a year). "A competency issue is raised when a client or prospect refuses to participate in the flooring standard," he added. "We know first hand that dealers who use the standard are more profitable than those who do not."

"Eventually, FcB2B's work will be valued as a basic element of all business transactions," he explained. "Dealers who do not participate will be viewed as dysfunctional and unprofitable vendor partners. Implementation of FcB2B is dramatically lowering transaction costs and changing the way flooring businesses operate. The standard substitutes capital, in the form of data processing and Internet communication; it substitutes for labor services in processing transactions thereby increasing speed and efficiency relative to the old-time error-prone, slow and labor-intensive alternatives."

Because of limited marketing efforts by major suppliers, he noted, many old-line companies have been discussing and observing the adoption of FcB2B processes and predicting its failure. "This is due, in part, to the lack of incentives; limited or no participation by a significant number of their suppliers, including regional distribution; the high costs involved in changing from QuickBooks to flooring-industry-specific software (we estimate that 80% of floor covering businesses use QuickBooks); the lack of understanding and promotion by their suppliers' field sales force and a general misunderstanding of the operational benefits."

Cathy Welsh, operations manager for CDMS, said the economy has played a role in more people getting involved in B2B. "More and more retailers are utilizing B2B. During this recession, many of the smart retailers have realized significant productivity gains by using B2B. Many of these same retailers have encouraged suppliers to begin sending transactions B2B.

"The retailers would like 100% of their suppliers sending all the transactions that are available right now," she explained. "Some dealers feel they can get a better price if they talk to a customer service rep. Most of this confusion had to do with the PO (B50) transaction. The best-cut/roll feature was written into the transaction nearly eight years ago, but no suppliers are utilizing this feature. So the retailer is more than likely, getting a better price if they talk to the customer service rep or use the supplier's online site. This way they can get a cut at a roll price."

## What's on the horizon?

Pam Bowe, executive director and CEO of the Bowe Co., commented on how the technology utilized in B2B will soon be changing for the better.

"Right now, B2B is based on a technology called X12. It exchanges documents in a specific protocol. There are many people now looking at a different type of transfer protocol called Web Services, which uses slightly different technology. It's much more elegant, simplified and scalable than X12. This will provide a more immediate response when checking on stock from your terminal. We hope to launch this in September. It's a brand new thing and it's big."

Improvements have made the product catalogs much cleaner and more reliable, Ogden added. "Users trust the product catalog more because they can see how their B2B information matches what is shown on the Web site."

According to Welsh, "We're hoping that the standard transactions that are in use right now continue to get cleaner. We're

also hoping that the suppliers will all begin using the most current 832 transaction set. The newest revision answered 85% of the problems that retailers were having with the transaction before this one's release.

"Unfortunately," she explained, "this revision has not been adopted yet by the suppliers and has slowed down the widespread adoption of 832 by more retailers. 832 is the most critical of the transactions, and the one transaction that is the largest mess and causes the most amount of problems with the retailers."

Because FcB2B is designed to lower clerical, bookkeeping and operating costs while providing additional margin controls, O'Reilly noted, its processes must be effectively integrated into the flooring business management system. "Wider participation by the marketplace will be encouraged and facilitated through vendor incentives (i.e., airlines offer lower pricing for orders placed via the Internet).

"The next steps," he explained, "involve continued refinement of the standard documents, combined with the introduction of additional processes—payments, claims, enhanced order modifications and other transactions designed to reduce cost and improve efficiencies. As this occurs, software vendors will enhance integration efforts and create compelling features which will significantly and positively impact the flooring industry."



Pam Bowe explains the ins and outs of B2B to Al Baer of Baer's Rug & Linoleum in West Babylon, N.Y.