

Brick and Mortar Basics

By Michael Imlay

GETTING THE DROP ON DROP SHIPPERS

If your business was around in the 1990s, you'd likely remember the hype surrounding the "rise of the Internet" and the accompanying e-commerce explosion. Plenty of "expert" analysts were predicting that "virtual malls" would spell gloom and doom for Main Street American commerce.

A decade later, those dire forecasts have proven to be exaggerations. While the World Wide Web has indeed revolutionized the ways in which Americans shop, the traditional brick-and-mortar store remains a vital anchor in every town's commercial scene, although admittedly the business climate is far more competitive. After all, ask a speed shop owner to name the most vexing aspect of cyber-marketing, and he's likely to answer, "drop shippers" with thinly veiled disgust.

DEFINING OUR TERMS

Wikipedia defines drop shipping as "a supply chain management technique in which the retailer does not keep goods in stock, but instead transfers customer orders and shipment details to wholesalers, who then ship the goods directly to the customer," with the profit coming from the difference between the wholesale and retail price.

For many brick and mortar business owners, that translates to a caricature in which some slacker sitting in a garage throws up a Website filled with discounted aftermarket products, takes automated "shopping cart" orders, dispatches them to a warehouse and then sits back laughing all the way to the bank as he undercuts "legitimate" retailers.

Such stereotypes fail to account for the many independent service providers who utilize "drop shipping" to help adapt traditional business models to otherwise difficult situations.

Take, for example, All-Pro Off-Road, located in Hemet, California, a retail outlet that caters to the niche Toyota aftermarket in a desert region characterized by seasonal flux. When the Internet boomed onto the scene in the 1990s, All-Pro saw it as the ideal way to overcome limited foot traffic.

SURVIVAL OF THE FITTEST

"Mostly what we drop ship are products that complement our own product lines," explains Sara Caler, All-Pro's general manager. "They're not necessarily products that we sell enough of to justify stocking."

"The online store has proved to be profitable by capturing sales after hours and by cutting down on the phone time of the sales staff," adds All-Pro owner Jon Bundrant. "We currently maintain the online store in-house, giving us the ability to add or change products easily."

That in turn allowed All-Pro to hone a critical e-commerce edge: Placing highly-trained people in

key positions while developing employee knowledge and interest in All-Pro's niche market and customers.

Powersports marketing consultant Steve Zarwell underscores the importance of this strategy. "The mail-order/online business is not going to go away in your lifetime or mine," Zarwell asserts. "Dealers need to advertise to consumers that they have qualified technicians that can install products properly to guarantee their longevity and reliability, and that's why consumers need to come into their stores."

Zarwell explains that drop shippers offer consumers two main advantages: pricing and convenience. "You're going to have to work around that," he explains. "What they don't offer is any installation, adequate product knowledge, or experience. That's a big deal to people."

THE MANUFACTURING ANGLE

Changing times also require retailers to think outside the box and discover new ways of relating with manufacturers. Store owners shouldn't be afraid to negotiate special pricing or programs, especially with manufacturers or distributors with whom they've had long standing relationships.

"What retailers also need to consider is [forming] buying groups so they can get together and go to a vendor and say, 'We've got 20 stores, here's how much money we want to spend, what can you do to help us out on pricing?'" Zarwell advises.

(Note: John Towle, PWA Executive Director, would like to suggest that these 20 jobbers visit their local Warehouse Distributor first. Most times, the WD will be very willing to work with them directly.)

Manufacturers may be more accommodating than you think. While many rushed to embrace no-strings relationships with drop shippers in the late 1990s, they often discovered it wasn't always a match made in heaven.

"We build a pretty niche product," explains Eddie Cline, owner of Raingler, a Pueblo, Colorado, maker of Jeep cargo netting and accessories. "What we came to discover over the years is that, typically, the educated stocking dealers were far outselling bedroom Internet-type shops. We found we got a lot of forwarded customer questions. It got to be where we ended up doing most of the sale."

While Raingler now maintains its own online store that "gives dealers a chance to sell without directly competing with the manufacturer," the company has curtailed business with drop shippers.

In the end, says Cline, a well run brick and mortar store still holds the upper hand in customer satisfaction and retention any day of the week.

Sources: Styling & Performance; ALL-PRO OFF-ROAD: RAINGLER LLC: STEVE ZARWELL