

Flakey Coatings e-Store

Flakey Coatings is a \$150MM manufacturer who sells powder coatings to the North American market. Powder coatings are small flakes of a solid paint like substance that will stick to all surfaces of an electrically charged object. The object is then heated so that the powder melts and forms a continuous and durable coating over the metal object. Powder coatings are easier to apply, more durable, and less expensive than paint. It is used for all types of objects from washing machines, to computers, to picture frames. Having grown by acquisition, Flakey Coatings sells many similar products. In addition to its SAP product number, each powder product has its own particular combination of chemical and physical characteristics but the most important is color. Flakey Coatings has approximately 20,000 different products, with more than 1,000 different versions of black. Most customers identify the product they want by legacy system product number, SAP product number or color.

Flakey Coatings sells to three types of customers:

- Large manufactures – Companies like GE or LG have manufacturing lines with their own internal powder lines to coat their appliances as they are produced. These companies buy powder by the ton in large containers called a tote and delivered by a commercial trucking company. They order by phone, fax, or the new SAP Business-to-Business (B2B) web site. They are complex customers with many ship-to and bill-to addresses. They use a wide variety of colors, many of them custom. They usually have net 30 day credit terms.
- Independent Large Coaters – These companies are service providers for manufactures that cannot afford to have their own, internal powder lines and often have a number of sites. They agree to do a run of X thousand parts, buy the powder they need, and coat the parts for the manufacturer. Colors may be Ready-To-Ship (RTS) or custom and sold in totes or boxes. Their terms are usually net 30 but there are many other payment types including cash.
- Mom and Pop Coaters – These are very small coaters who handle odd lots from small metal fabricators and overflow from the larger coaters. They are usually single site enterprises operated by the owner and may have only one or two employees. They use only RTS colors unless they are finishing a lot for a larger shop that has given them a custom color to order. The owner/operator is likely to run the coating line during the day and order powder and other supplies at night. They usually order only a few boxes of powder at a time, most efficiently shipped by Fedex. While a few get net 30 day terms or pay with cash, most pay with credit cards.

In 2010, Flakey Coatings made a decision to move their smallest market segment (representing \$14MM of revenue) to a distributor. Since the move, sales through the distributor have decreased to approximately \$10mm per year, with no projected growth in the coming year. One of the factors to the decrease in business is that the distributor does not have the capability to provide ordering on-line; therefore customers are required to call to place an order. This process has produced ordering delays and poor customer satisfaction that has led customers to leave the distributor and purchase their products elsewhere.

Flakey Coatings has made a business strategy decision to cancel their distribution contract and bring this segment of customers back to direct sales. There is no way Flakey Coatings's internal sales can support the high volumes of transactions that are expected from these small customers.

As a test of this strategy, Flakey Coatings experimented with bringing some small customers back using their current B2B site which was established for their larger customers. Many test customers stopped using the site and interviews revealed that they found the B2B too difficult to use.

Given the large number of potential customers, over 2,000, and the projected number of transactions, over 10,000, Flakey Coatings needs an efficient means to handle these orders in a way that will not result in increased work for the inside sales team or the customer care group. With the potential of adding an additional \$4MM of revenue per year, Flakey Coatings is looking to create an e-store targeted to these customers as a means of executing its business strategy. Flakey Coatings is asking you to design an e-store that is easy to use and that will provides its customer value. Here is a list of some of Flakey Coatings's initial thoughts on requirments.