

Delivering Success

Build.com avoids e-commerce headaches with intelligent shipping platform

by LEN LEWIS

Remember the line from the movie “Field of Dreams”? “If you build it, they will come!” That may be true, but the real questions are “When?” and “How much will it cost?”

Answers to those questions are imperative for any retailer shipping merchandise, but more so for online merchants like Build.com, an online home improvement retailer whose high freight costs and limited control of more than 400 distribution centers were nibbling away at its bottom line until partnering with Convey, a cart-to-door delivery platform that enhances the customer experience and prevents profits from flying out the door.

While the company’s overall concern was reducing excessive shipping costs, rising consumer expectations for e-commerce mean that shipping and delivery is an important part of the online shopping experience.

FACILITATING EXPERTS

Build.com works with over 350 vendors offering everything from fans and faucets to major appliances and, literally, kitchen sinks. In-house experts offering advice for every category and product make the company a full-service retailer.

“I think we’re comparable to Nordstrom as a shopping experience and

with great customer service,” says Marshal Downey, Build.com’s director of direct marketing.

The company started 15 years ago mainly selling plumbing products, and expanded into lighting and a variety of “niche sites” which offer specific categories within home improvement. In 2008 it acquired another network of sites that included the Build.com domain.

\$750 million, so things are on an upward trend.”

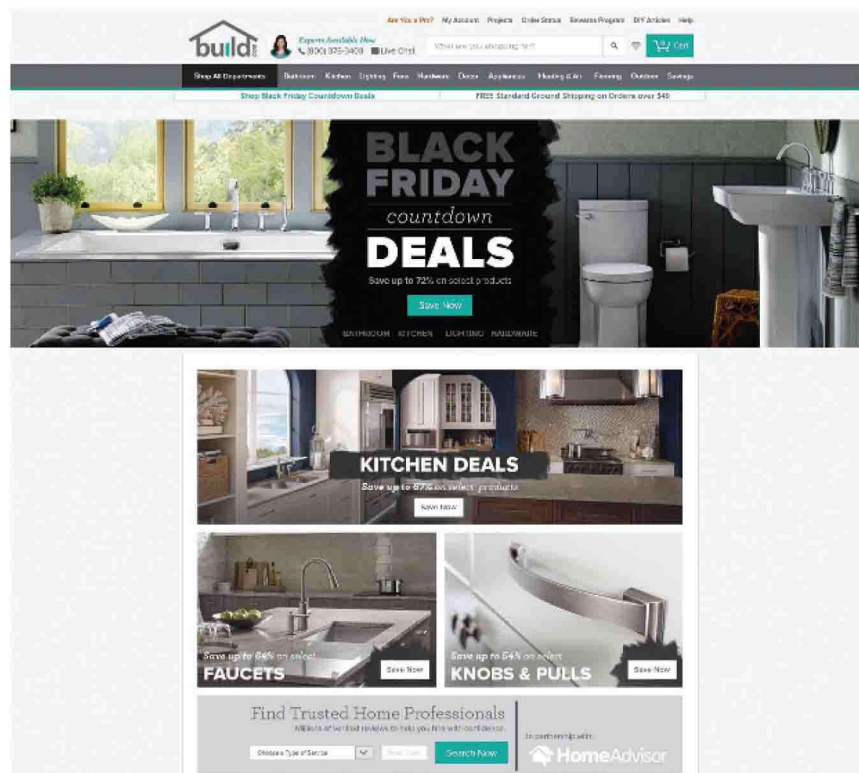
Part of that success is due to Build.com’s in-house product and category experts. “We call them experts because they go through brand-specific training for our key brands,” he says. “We might send a group of sales reps out to a manufacturers’ headquarters to learn all the key selling points about products, even how they’re put together.”

The company also hosts what Downey calls “brand days” at headquarters where manufacturers come in to pitch their products. “All that learning, coupled with a month-long training program, gives our product techs the tools they need to be experts on facilitating different home improvement projects,” he says.

Build.com doesn’t own any distribution centers and very little of its merchandise; virtually everything

is drop-shipped. “That’s one of the reasons Convey has been so successful for us,” Downey says. “Not all of the more than 400 warehouses we use are created equal in terms of distribution volume, and it’s hard for us to influence their operations.”

“Workers in the distribution centers are not incentivized to find the best possible shipping choice for us. They



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— Marshal Downey, Build.com

“From there, we started to put everything under that premium name,” Downey says. “The niche sites are definitely a core part of our business strategy, but Build.com is our flagship.”

Traffic on the site is brisk, with monthly visits running in the eight figures, Downey says. “From a revenue perspective we’re on track to do about

usually go with what's most convenient because there are a lot of packages that have to get out."

The best strategy was to take shipping decisions away from DC associates and place them in the hands of an intelligent system.

"Frankly, we were leaving a lot of dollars on the table because we weren't optimizing our shipping routes," Downey says. "It was really an internal pain point, a piece of low-hanging fruit that we never really optimized as we continued to grow."

"Our shipping logistics are very complex and no one wanted to take on something that would make it even more complex," he says. "So Convey came in at the right time."

ANALYZING COSTS

The company wasn't losing money, but simply wasn't as profitable as it could have been, Downey says. "We looked at a cost analysis of our business and noticed our shipping costs were higher than they should be. It came down to carrier selection. We negotiate some pretty good rates but we were giving away a lot of our margin dollars to poorly selected carriers."

Since using Convey, Downey says the company is saving about \$15 per shipment; because savings are continuing to trend up, it might be closer to \$16 or \$17.

"Even at \$15 that's a pretty significant amount, considering the volume of shipments we're doing, and it's going straight to our bottom line," he says. "When we were going through the business forecasts with Convey, we were forecasting savings of \$8 per

freight shipment. Doubling it is a big win for us."

The company had been pitched on carrier optimization services before but many of them required fairly substantial integration efforts. "With Convey, all we had to do was send them all our shipping data to get a forecast of savings that were on the

portal. "We started with five distribution centers and measured results for about 90 days," Downey says.

"Then we expanded, starting with the warehouses that had the highest volume and working our way down the list. Once the vendors realized how much time would be saved, they were eager to embrace the technology."

Build.com is now working with Convey on parcel optimization. "There's not as much savings to be had, but there's a lot more volume," Downey says. "We just got all agreements signed and I wouldn't be surprised if we started onboarding some distribution centers to see how things go. Because it's parcel, there's an additional cost structure and we have to make sure we're at least covering our costs. But there's no reason to believe it won't be a success."

The company is also working with Convey to develop a package tracker: Right now if an order is shipped, customers have to go to the carrier's website to check the status. "Since Convey is sitting on all the regional carrier data, we have been working with them on standardization in order to get all the carrier information on display at our website," he says.

"We want to be able to tell customers where their package is all the way

through to delivery. We don't want to tell them to go somewhere else. Showing them shipment status will be a great customer experience." **STORES**

Len Lewis is a veteran journalist and author covering the retail industry in the U.S., Canada, Europe and South America.

The screenshot shows the Build.com website interface. At the top, there's a navigation bar with links like 'Are You a Pro?', 'My Account', 'Projects', 'Order Status', 'Rewards Program', 'DIY Articles', and 'Help'. Below this is a search bar and a 'Cart' icon. The main content area features a 'Shop All Departments' section with links to Bathroom, Kitchen, Lighting, Fans, Hardware, Decor, Appliances, Heating & Air, Flooring, Outdoor, and Savings. A 'Shop Black Friday Countdown Deals' banner is visible. The 'Appliances' section is highlighted, showing a 'Major Appliances at Build.com' banner with a 'KITCHENAID BLACK STAINLESS' refrigerator. Below this, there are 'Featured Promotions and Products' including a 'MANUFACTURER REBATES' section and a 'NEW FRIGIDAIRE PROFESSIONAL' refrigerator. The 'Appliance Categories' section at the bottom shows 'Shop by Brand', 'Refrigeration', and 'Cooking' with 'Show more' links.

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table," Downey says. "Basically, there was no integration. Implementation took no more than two weeks."

All that had to be done was onboarding the distribution centers and vendors. Convey managed that through its onboarding team, which trained vendors on how to use the