

NTE Electronics in control of its destiny with new B2C site



Suppliers who sell exclusively through a network of independent distributors often have a hard time to getting their products promoted the way they want. Large distributors may pick and choose whatever products suit them best and small distributors may be reluctant, or constrained by finances, to try anything new. Having a B2C channel would open up a world of opportunities for these suppliers, but it may also upset their traditional distribution channel.

NTE Electronics, a prominent supplier of electronic components and accessories, found a perfect balance with its B2C Web site NTEPartsDirect. The site's sales prices are above recommended retail, but it gives NTE the opportunity to promote its broad line of products and analyze consumer preferences. NTE developed its Web site in 3 months with LANSA Commerce Edition, a framework of customizable eCommerce components. The Web site and NTE's IBM i-based ERP system are tightly integrated and share all data in real-time.

Avoiding Disintermediation

NTE Electronics, Inc., founded in New Jersey, USA in 1979, is a leading supplier of electronic components and accessories, such as semiconductors, capacitors, resistors, fuses, and much more. With the acquisition of the ECG division of Philips North America in 2001, NTE became the industry leader in supplying private label aftermarket electronic components to the industrial, commercial, consumer and medical marketplace. NTE is also a master distributor for some of the industry's major manufacturers of electronic components and accessories.

NTE sells its products strictly through a channel of about 800 authorized independent distributors across the USA, Canada, Latin

America, the Caribbean and 49 other countries. The distributors range from small family run stores to large retail chains and national catalogue stores.

NTE values the support of its distributors, but found that it was hard to get its products promoted through that channel. William Horstmann, Vice President & General Manager at NTE Electronics, Inc. explains, "With the larger distributors and the online catalogue stores, it is a struggle to get NTE products properly and prominently represented on their Web site. We don't get the share of mind on their websites that we would like. For them we are just one vendor out of 300 or more. They pick and choose what suits them best and their

homepage shows what they think is the latest and greatest. They may not pick us, and even if they do, they may choose a different product from what we would like to see promoted."

"With many of our smaller distributors the problem is a lack of innovation. They are just comfortable to keep doing the same thing the same way. It's hard trying to get them to take on a new product or broaden their product line," continues Horstmann.

For almost everyone the Internet is a first point of research. We wanted some kind of Web outlet for our products that is primarily NTE, something that we are in control of."

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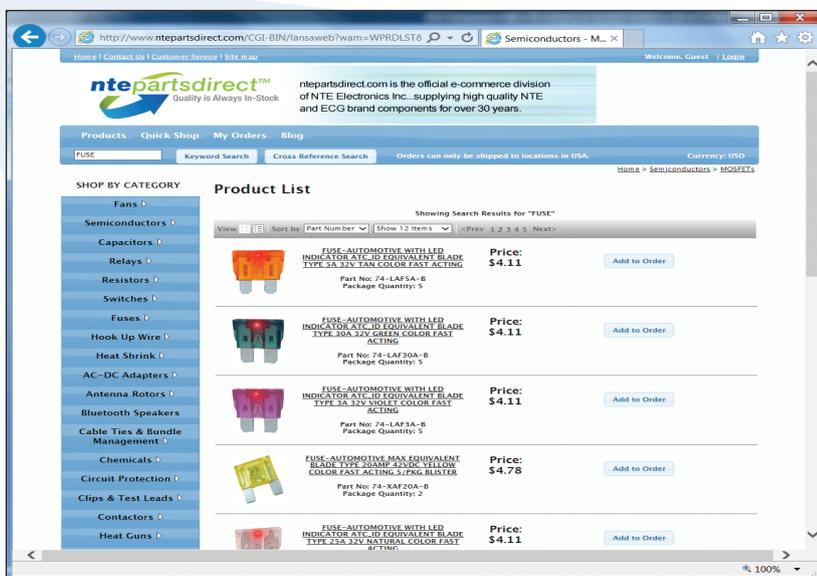
"NTE had been toying for years with the idea of offering its products online on a Business-to-Consumer (B2C) platform directly to the consumers and trades people that use its products. But it was a tightrope to walk, because NTE didn't want to alienate its distributors." In 2013, we finally decided to bite the bullet and make the leap into the B2C market channel" says Horstmann.

"We came up with a new business model and created a separate B2C division, called NTE Parts Direct. To ensure that we were not going to undercut our distribution network, we made our prices 15% above the suggested resale price. With that hurdle out of the way, we started to look for an eCommerce solution to realize our plans."

No Duplication of Data

NTE evaluated several solutions and selected LANSA Commerce Edition, a framework of customizable B2C and B2B components. "We had used one of LANSA's older Web development products in 2001 to build a Web portal for our distributors, which is still working fine today. At that point in time the major reason to go with LANSA was its tight integration with our IBM i based ERP system," continues Horstmann.

"And although LANSA Commerce Edition is a very different product, the same tight integration was again the reason to select LANSA. The other vendors looked cheaper on paper, but they didn't include any details about



Customers can search products by keyword, or drill down through category and sub categories. They can also do a cross reference search on an industry part to find the NTE replacement.

the time or the cost that would be required to integrate their Web front solution with our backend system."

Most of the project was carried out by a LANSA Professional Services consultant with the occasional help of NTE's RPG contractors. For example, the RPG developers would specify in what format an order had to be sent to the ERP system and which existing programs could be re-used for price calculations and other standard routines. "This close working relationship between LANSA and NTE worked out ideally and saved both parties time and money," comments Horstmann.

NTE's product information was already in very good shape. A few years earlier, when a large US retailer partnered with NTE and placed over 6,000 products on its Web site, images, long descriptions, short descriptions, datasheets, and dimensions and weights had all been added to the product database.

NTE's B2C site offers very extensive product search facilities and secure credit card payments. It uses Commerce Edition's multilingual facilities for site navigation in English and Spanish.

Status settings at item group and item detail level in the ERP system determine which products are made available to the Web site. "There is no duplication of data between the ERP system and Commerce Edition. This was a critical requirement from the start. We did not want to have to maintain duplicate databases," says Horstmann.

The project was estimated to take 3 months and was indeed finalized within 3 months. The site was launched in the USA in 2013. The rollout to Canadian and Mexican consumers is expected as soon as customs, shipping, tax and other regulations are dealt with.

Brand Awareness

"Now that we have our own outlet to promote the products we want to see promoted, we have taken control of our own destiny and feel better prepared for the future," explains Horstmann. "The site allows us to analyze consumer preferences and purchase trends, cross-sell and up-sell, and monitor product performance."

"With this new B2C site we are reaching a much larger market than before. By giving our products a better Web presence we are creating brand awareness. Not just for the traditional products, but for a much broader line of products. We expect this increase in brand awareness to also boost the sales of NTE products for our distributors."

"The B2C site also allows NTE to get more advantage from its advertising, which is targeted at the consumer. Previously consumers first had to find the store or Web site of a distributor and then search for the advertised product,



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which they may or may not find. With so many impediments in the way people were likely to give up. That was advertising money wasted," continues Horstmann.

"From an IT point of view, the tight integration with our core ERP system is a major advantage. We only have one set of files to maintain. When we change a product description in our RPG-based ERP system, our LANSA-based B2C and B2B Web sites are instantly up-to-date. When we process an order – whether a phone order, Web order or EDI order – the inventory is immediately updated. The ERP system and eCommerce site share the same data in real-time. We don't have to duplicate or synchronize any information. We don't have to worry about multiple servers communicating with each other. And we don't have to worry about speed or performance. We have an integrated and simple to manage RPG and LANSA solution on a fast and reliable IBM i server."

"A few years ago we looked into replacing our in-house developed RPG-based ERP system with a package, but the costs were prohibitively high. In addition, we would have to redo years of customization and convert massive amounts of data. The risk for business interruption was huge. It was far more efficient to enhance and extend what we have," says Horstmann.

Conclusion

"The eCommerce site was delivered on time and within budget," says Horstmann. "I have

been involved in a lot of IT projects and this was a pretty painless one. That's not just because of the LANSA software, it's also due to the fact that the LANSA consultants took great effort to analyze our business needs and investigate what data and programs we already had that could be re-used."

The number of Web visitors and buyers is growing well and the margins are high, but the volume of sales is not as high. "That was to be expected and was not what we were aiming for," concludes Horstmann. "People want a discount when they purchase a large quantity and when they ask for a better price, it is our policy to refer them to a distributor. We don't discount, that's our commitment to our traditional distribution channel." ■

Snapshot

Customer: NTE Electronics, Inc is a prominent supplier of electronic components and accessories.
www.nteinc.com and www.ntepartsdirect.com

Challenge: Running a B2C Web site that shares data in real-time with a wholesale focused ERP system, without any duplication of data.

Solution: Use a framework approach to extend the current ERP system with a B2C site that shares all data in real-time.

Key Benefits: B2C benefits – such as brand awareness, reaching a larger market and the ability to analyze consumer preferences – without the need for another server or ERP solution.

Product Used: LANSA Commerce Edition