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February 28, 2001, Wednesday

E-BUSINESS

SMALL BUSINESS; Making the Leap With Mops, Flowers and Pork Rinds

By AMY ZUCKERMAN (NYT) 948 words

The challenges and opportunities of electronic commerce are beginning to reach even the smallest companies, which are now going online to sell everything from janitorial supplies to tropical flowers -- or at least contemplating their first tentative steps onto the Web.

About 7 percent of small businesses are selling goods on the Internet, according to the National Federation of Independent Businesses, a Washington advocacy group. For these pioneers, practicing e-commerce takes a combination of business smarts, capital, technology and a large degree of risk-taking, say information technology experts.

Three companies, each at a different stage of e-commerce, have been selected here to illustrate how a very small business -- one with 50 employees or fewer -- can approach the Web. Their operations are described as follows, with recommendations from information technology experts about how to improve their efforts. AMY ZUCKERMAN

Global Supply Net

IT is hard to imagine anyone more risk-taking than Stephen Odzer, the chairman and chief executive of Global Supply Net, in Manhattan. Mr. Odzer, a 31-year-old Brooklyn native, started a company called Paper Pro in 1987, when he was 18, and sold paper goods door to door. He did that for six years until he met someone in the garment industry who recommended that he sell only to large institutions, where the profit margins are higher. Mr. Odzer also owns Calvary Supplies, which sells janitorial supplies to city and state governments.

In 1999, with sales for his two companies skyrocketing to \$32 million, Mr. Odzer decided the time was right to explore the Web. "It's not a sexy business, but everyone needs janitorial supplies," he said. "I wanted to use technology to get a piece out of what's a \$32 billion industry. The Internet seemed the way to go."

He commissioned a \$100,000 study from Harvard Computing Group Inc. in Westford, Mass., to outline how he could sell janitorial supplies on the Web. The study showed that direct sales on the Internet would be difficult because the industry, which is made up of many suppliers and contract cleaners, is highly fragmented. Local distributors can ship goods more cheaply than those farther away, and shipping costs on products like toilet paper and bleach can quickly outweigh profit margins. Moreover, carriers like United Parcel Service and Federal Express refuse to accept chemicals.

So Mr. Odzer decided to essentially create a new market and provide technology to other distributors. He calls it being a business-to-business facilitator.

The Web site, which cost \$2 million to set up, includes product information, easy ordering, industry news and safety sheets to meet federal regulations. Anyone can enter the site through www.globalsupplynet.com or www.jancentral.com.

Distributors of janitorial supplies that want an immediate Web presence can buy a license to the site for \$3,000 a year and customize it. According to Yehuda Frouchter, an information technology analyst who works for Mr. Odzer, the technology behind Global Supply Net allows the distributors to build catalogs and Web sites "and do B-to-B for their own customers."

Mr. Odzer raised \$8 million to develop Global Supply Net. In addition to the cost of the Web site, he has added 20

employees, including his mother, Frieda, to run the business at a cost of \$1.5 million a year. He pays about \$1 million a year for technical support and maintenance. So far, he is doing business but not yet covering costs. About 100 distributors have syndicated the site and are selling to 300 end users, he said, and he expects the company to be profitable by 2002. He has also developed a print newsletter based on the site and says that 4,000 contract cleaners are subscribing.

"I believe in the business model, and I know that it makes sense," Mr. Odzer said. "And I like it that I'm helping other distributors."

To sustain projected growth, Mr. Frouchter has upgraded the company's computer servers. Exodus Communications of Santa Clara, Calif., which hosts companies like Amazon.com, now hosts Global Supply's servers for \$6,000 a month.

THE ASSESSMENT

Information technology experts consider Global Supply Net's operations both exciting and risky because Mr. Odzer has to build interest in a new market approach before he can reap profits -- what is called appealing to early adopters.

David Washburn, the principal consultant at Amherst Information Architects in Massachusetts, said Mr. Odzer needed deep pockets to sustain this approach. "This is about business plan, not technology," Mr. Washburn said. "He may be asking his market to act against their practices, which means lots of time and money establishing this approach."

Peter Jones, a senior consultant at Atos Origin Consultants in Dayton, Ohio, sees risk in the business model. "The janitorial supply industry seems to have no compelling reason to use the Web, and the value proposition seems based on licensing sites to other businesses, of which I would assume only a finite number would pursue," Mr. Jones said.

Still, he applauds Global Supply Net for its early entry on the Web. This not only gives the company a presence, but it may uncover other opportunities "unseen by their current strategy."

Both Mr. Washburn and Mr. Jones advise Mr. Odzer to develop alliances with suppliers, or even competitors, as well as collaborators in related businesses.

To build sales, "he might look for companies selling products related to building repairs or real estate management companies that hire janitors," Mr. Washburn said.

CAPTIONS: Photos: Stephen Odzer, left, of Global Supply Net, describes his Web site as a "facilitator" for janitorial supply distributors. He also sells supplies from his Brooklyn warehouse, right. (Photographs by Aaron Lee Fineman for The New York Times)

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Mutt & Jeff

PORK-RIND manufacturing is a second career for Timothy Schaff, 56, who until the early 1980's was a customer service manager and field engineer for Beckman Instruments, a maker of medical testing equipment in Fullerton, Calif.

Mr. Schaff, a Long Island native, moved his family to Richmond, Va., and then to Atlanta for his job with Beckman. But when he lost his job in a downsizing in 1983, he decided to go into business for himself and bought Mutt & Jeff, a pork-rind manufacturer in East Point, Ga., that was established in 1976 and had about \$2 million in annual sales.

"Here I was a Yankee in the South, and I didn't even know what a pork skin or pork rind was," Mr. Schaff said. "But it was a good company that made and delivered its own product that's unique from the majors like Frito-Lay. I saw growth potential and something a big company couldn't replicate."

Almost two decades later, with tourists writing in for Mutt & Jeff "wash pots and bacon rinds" after sampling them on the way to Florida, Mr. Schaff is curious about e-commerce.

"We make them fresh with no preservatives and stock them weekly," Mr. Schaff said. "We've received letters from Indiana and New York and beyond from people who want to buy our products, so we send them a price list and ship them overnight. We figured if we can do this on the Internet, we'd be able to expand."

Mutt & Jeff is a low-tech operation, with a Gateway computer as its only piece of technology. Mr. Schaff's daughter, Lori McCurry, 25 -- who is also the chief financial officer -- obtained the Web address muttnjeff.com. Going on the Web depends on finding a "medium approach" that is not too costly, she said.

THE ASSESSMENT

Mr. Washburn points to several fairly inexpensive Web starter kits on the market. I.B.M., for example, provides design, a 24-product catalog, hosting and general hand-holding for six months at a base fee of \$799. After that, it costs \$39 a month to continue hosting the site with I.B.M. Yahoo offers a 50-item catalog, hosting, credit-card processing and automatic deposit

in a bank account for \$100 a month.

Mr. Jones sees strength in the fact that Mutt & Jeff has not invested in any technology yet. "So they don't have to make returns on wrong investments."

As Mutt & Jeff gains Web experience, Mr. Jones recommends an Internet strategy "based more on e-mail communications than online transactions." He said the company should emphasize "the authentic fun side of their family business to the world rather than push technology."

Mr. Cunningham added: "The place for these guys to get started is a turnkey store. Yahoo, Alta Vista, Excite or another major traffic location is where they should go first." He suggests opening with a "prebuilt store that allows them to take orders from existing distributors on the Web, extending the reach and allowing e-mail marketing to expand the operation in the future."

Once they have Web experience, he said, Mutt & Jeff should link to sites and organizations that push pork. "With a small investment they will get themselves indexed and also will have the opportunity to network with others."

CAPTIONS: Photos: Pork rinds are cooked in lard, then are drained, salted and packed in bags, top.; Timothy Schaff, right, and his son, Tim, at their pork-rind factory. (Photographs by Robin Nelson for The New York Times)

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Hawaiian Greenhouse

HAWAIIAN GREENHOUSE, in Pahoehoe, Hawaii, operated by Lynne and Alan Kuwahara, is a purveyor of lush tropical plants that has also moved into other products like coffee and Hawaiian crafts.

The company, which was founded by Mr. Kuwahara's parents in 1965 on 20 acres of land, started out selling flowers to wholesalers. In 1996, the Kuwaharas switched to selling directly to consumers through mail order, which is more profitable, after their lease ran out on 15 acres and they decided to move the business in a different direction.

It was the change from wholesale to mail order that led the Kuwaharas to e-commerce.

"We had moved from a few customers to 1,000 or so," said Ms. Kuwahara, 46. "We needed computerization to manage that and to maintain good customer relationships. With wholesalers, you can talk to them every day, but you can't talk to your customers with mail order."

The Kuwaharas want to increase their small, but potent, global business -- they gross about \$600,000 a year and employ 10 people -- without expanding the agricultural side of the company. Since 1997, with the help of Lynne's brother, Clyde Shiigi, they have embarked on an ambitious plan to automate much of the business and then push sales on the Web at [www.hawaiiangreenhouse.com](#) directly to customers, which increases the company's profit margins.

Cutting costs is crucial in a global market, in which the Kuwaharas face competition from places like Costa Rica, the Philippines and Thailand. Although Hawaiian Greenhouse sells globally, most of its customers are American.

Mr. Shiigi, who is the vice president and chief technology officer at Data House Inc. in Honolulu, believes in integrating business processes in tandem with developing a Web presence to create a far more efficient, cost-effective business.

He first automated the shipping and fulfillment side and then connected the back end to the front end of the business -- orders and sales.

Mr. Shiigi has developed a standard business-to-consumer Web site for online sales that features a product catalog and a shopping cart for orders and online credit card sales, all of which are tied to the rest of the business system.

The Kuwaharas have invested heavily in the technology side of their company. According to Mr. Shiigi, the integration of the business systems cost \$20,000 and the Web site cost another \$20,000. Web hosting costs \$10,000 a year. To expand in a year or so, they may have to pay another \$10,000 annually to double that capacity. If they add more customer features, that will cost anything from \$10,000 to the hundreds of thousands, Mr. Shiigi said.

The Kuwaharas think the cost has been worth it. "We're more than satisfied with the growth we've seen in the business," said Mr. Kuwahara, 50, noting that sales doubled each year from 1996 to 1998.

Ms. Kuwahara added: "We're now at 30 percent increases annually. And the Web has increased our reorders. We couldn't do that without technology."

To help increase traffic to the Web site, Mr. Shiigi added the "personal address book," which is intended to increase return sales. That is crucial because about 50 percent of Hawaiian Greenhouse's business is based on return shoppers.

With the address book, Mr. Shiigi said, "individual shoppers can keep track of where they've sent flowers so they can automatically resend to the same person."

Besides revising the Web site to accommodate additional products like coffee, jam and crafts, Mr. Shiigi wants to expand the customer base, increase efficiency and ensure long-term system reliability. And he is exploring other improvements, like providing real-time customer service online and tracking customers for direct e-mail marketing.

THE ASSESSMENT

Information technology experts praise the integration approach and see several ways that Hawaiian Greenhouse can continue to increase its online sales.

Michael J. Cunningham, the author of "B2B: How to Build a Profitable E-Commerce Strategy" and the president and chief executive of Harvard Computing Group, suggests replicating the site on major store sites like Yahoo as well as increasing electronic marketing campaigns.

Both Mr. Washburn and Mr. Jones recommend increasing Hawaiian Greenhouse's business through alliances. For example, they could team with hotel chains for direct sales through guest-room televisions.

"If they can ship anywhere and anytime, their offerings could be posted through companion sites -- such as personal services or online stores -- positioned to the demographics of the host site," Mr. Jones said.

CAPTIONS: Photos: Willy Agpaoa harvests anthuriums beneath a canopy at Hawaiian Greenhouse.; Lynne and Alan Kuwahara of Hawaiian Greenhouse at their farm in Pahoia, Hawaii. (Photographs by Cory Lum for The New York Times)

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