



Case Study Louis Williams & Sons, Inc.

Hendersonville, North Carolina
Williams Williams, President/CEO

The case of Louis Williams and Sons (a hardware and home improvement business) demonstrates how e-commerce can sustain a local retail business in the face of competition from big box retailers. Louis Williams & Sons' market niche on the Internet is the sale of Makita power tools, accessories and parts. The North Carolina company targets construction contractors and promotes after the sale service to avoid direct competition with big box stores and Internet retailers.

Profile

Louis Williams & Sons, Inc. (LW&S) is a multi-purpose home improvement business offering hardware, keys, plumbing supplies, mobile home supplies, fasteners (screws, nuts, bolts, and washers), and power tools. The company focuses its product lines on niche markets to avoid direct competition with the mass-market home centers (e.g., Lowe's and Home Depot) and the big box general merchandise stores (e.g., Wal-Mart and K-Mart). Historically, employment at LW&S ranged from eight to 13, depending on seasonal construction activity.

Louis Williams and Sons' e-commerce business is limited to the sale of Makita power tools, accessories, and parts (www.Makita-direct.com). The company offers approximately 1,500 different Makita power tools and accessories and more than 15,000 parts. LW&S also is an authorized Makita service center, and technicians are available in Hendersonville to assist customers with parts requests and tool repair. Approximately 60 percent of the customers for Makita tools and parts are individuals and 40 percent are businesses (primarily construction and rental companies), yet revenues generated from tool and parts sales to businesses exceed those generated from sales to individuals. Louis Williams and Sons currently is among the top ten distributors of Makita tools and parts in the Southeast.

History

Louis Williams and Sons was started in 1928 by Dan Williams' grandfather as a scrap metal and used auto parts business. During World War II, the business expanded its product lines to include used plumbing supplies, and later, new car

parts, new plumbing fixtures and supplies, and western wear clothing. LW&S evolved into a full-service hardware and building supplies business in the 1950s and the scrap metal business was sold in the 1980s.

Williams assumed control of the business in 1981 upon the retirement of his father. Williams is a native of Hendersonville, North Carolina, and he attended North Carolina State University. His leadership of the business started at the same time that the big box home centers were moving into the area. Williams realized early on that LW&S could not compete with Lowe's and Home Depot on the basis of variety or hours, thus, he investigated niche market opportunities in which the company could maintain a long run competitive advantage. Makita power tools were selected for one of the niche markets because Makita was the preferred brand of the contractors' market. LW&S carried a small line of Makita tools, and this line was expanded to approximately 30 different tools after the decision to specialize. Initially, tools were purchased directly from the factory in Japan and kept in inventory in the company's warehouse.

In 1991, on the advice of a friend, Williams had a Web page developed (www.Makita-direct.com) that provided only a tool catalog and a toll-free phone number. However, individuals purchasing tools also were interested in acquiring parts and accessories, and the toll-free number was swamped with requests for information on parts, accessories and service. In the mid 1990s, the Web page was expanded to include a parts catalog and online ordering (shopping cart). LW&S was a pioneer in e-commerce and much of the company's Web site was custom

Year online: **1991**
Area Population: **10,420**
Web site:
www.makita-direct.com



designed by Williams with the aid of a local graphic artist and a local programmer. The sales and service of Makita tools and parts now account for approximately 20 percent of the company's total revenues.

Business Location

Hendersonville, North Carolina (2000 population 10,420) located in metropolitan Henderson County (2000 population 89,173) is a popular retirement community located in the foothills of the Blue Ridge Mountains in the southwest corner of the state. The city is located on Interstate 26, approximately 22 miles south of Asheville, North Carolina and 39 miles north of Greenville, South Carolina.

Role of e-Commerce

According to Dan Williams, the use of e-commerce was critical to the survival of the business in the face of competition from the home improvement centers. LW&S sold and serviced Makita tools before the arrival of the Internet, and they had a strong local and regional market. Internet marketing enabled the company to significantly expand the sales of Makita tools and parts (online sales now account for 60 percent of tool and parts revenues) while holding costs nearly constant. Company salespersons changed their operating procedures from responding to onsite and phone orders and inquiries (especially issues regarding parts and repairs) to expediting the sales and shipping of online orders. LW&S (through Makita-direct.com) was an early adopter of an e-commerce business strategy, and the longevity of their e-commerce activity provides the company with the advantage of a top five listings on most search engines for Makita tools, parts, and service.

Williams noted that the competition for customers became intense as mail-order companies (e.g. Amazon) and big tool companies (e.g. ToolBarn) entered the Internet market. In addition, price search services now make it easy for consumers to identify the lowest price source. A result of the increased competition and lower search costs is the reduction of profit margins, especially on mass market tools such as cordless drills and circular saws. LW&S elected not to address the increased competition through the use of sponsored links or banner ads because of the high cost (\$50,000 to \$100,000 per year). Williams also stated that Makita-direct.com does not attempt to compete on the basis of being the low price source. Instead, LW&S elected to focus on the parts and accessories markets and repair services for Makita tools. The company remains competitive in the higher-profit-margin B2B markets because service, parts availability, and on time delivery are of crucial importance to businesses.

LW&S's e-commerce business (Makita-direct.com) is primarily the result of the individual efforts of Williams Williams. Williams designed the site's marketing materials and online catalogs, and he took or scanned thousands of pictures of tools and parts from Makita catalogs because this information was not available in digital format. Williams received assistance in Web page design from a local graphic designer, and a friend and local businessman shared insights into e-commerce opportunities and services. Williams hired a local programmer to develop a secure online shopping cart for the company, and Adobe Acrobat was acquired to facilitate the downloading of tools and parts pictures by customers. A custom shopping cart was needed so that UPS shipping costs were automatically included for each of the thousands of tool parts and accessories the company offered. The start-up investment for LW&S e-commerce activity consisted of approximately \$6,000 for two desktop computers, \$1,000 for software, \$400 for a digital camera, consulting fees for programming and graphic design, and hundreds of personal man hours. Makita provided limited financial support for the development of the Web page. LW&S initially shared a server with another local company, however they changed servers to an Asheville, North Carolina provider after service was interrupted for a day. Current server fees are approximately \$1,200 a year.

Williams remains the technology guru for Makita-direct.com, and he continuously upgrades his IT skills through seminars at the local chamber of commerce, Small Business Development Center, Blue Ridge Community College, and national tool conventions. These classes focus on training, development of business plans, and identification of mentors and IT resources (e.g. attorneys, accountants, IT specialists). Williams does not use external support for his e-commerce activities with the exception of the services of a local programmer and graphic designer. In addition, the company does not use Web-based software and services to collect information on customers (i.e., analytics), and sophisticated protocols (e.g. Electronic Data Interchange or EDI) are not required for data transfers between the company and its suppliers. Williams noted, however, that he is aware that such services are readily available in Atlanta and Charlotte, and representatives for IT service providers promote their products and services at national sales meetings.

The company's online sales of Makita tools remained relatively flat for the last five to six years because of market saturation from the home improvement chains and online tool stores. In addition, profit margins on power tools declined significantly over time, and profit from the online business comes primarily from repair services and the sale of tool parts and accessories.

The changing tool market encouraged LW&S to focus their sales efforts on the contractor and rental agency markets because these businesses are interested in the availability of parts and service for tools purchased. At present, the competition for selling Makita parts and accessories is significantly less than that for selling tools. Future sales growth is anticipated at 8 to 10 percent per year, but the realization of this growth likely will require an upgrade of the Web site and the use of analytics to better target the market. The company has avoided the use of analytics to date because of their relatively high cost.

Challenges and Lessons for Rural Entrepreneurs

Williams was responsible for most of the development of the company's online business and faced several challenges:

- Williams started the business before the evolution of network service providers. As a result, much of the software written for his online business was firm specific and not compatible with later mass-marketed software. The custom software limits the company's ability to switch external servers to save costs, and the company's online business (Makita-direct.com) is not linked to the server for the bricks-and mortar side of the business. LW&S recently invested \$53,000 in a UNIX-based server for the home improvement store, but this server is not available as a back-up to Makita-direct.
- Williams stated that it was not easy to find sales people who know both tools and Internet sales. The sales people must be attuned to the needs of the customer and be able to suggest the correct tool for the customer's situation. Even with these difficulties, LW&S has demonstrated that the identification of a market niche and good customer service can generate customer loyalty and sustainable profits even if located in a small town like Hendersonville, North Carolina.

**From e-Commerce as a Strategy for Improving Business
Vitality: Lessons Learned from Small Businesses by Deborah M.
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