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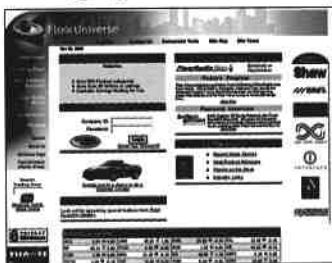
FloorUniverse tackles Internet head-on

Web site bridges the gap between buyers and sellers

BY STEVEN FELDMAN

ATLANTA — FloorUniverse is tapping into the power of the Internet to help bridge the gap between floor covering industry buyers and sellers. Launched last month, the industry's latest vertical portal is focused on improving profitability at every level.

In laymen's terms, FloorUniverse operates not unlike a sales agent, except that it uses technology to sell product. Manufacturers or distributors can move off-goods before the products see a birthday — and at slightly higher margins. Buyers get the chance to grab super deals they probably never knew existed; they also gain access to new products. And here's the hook: It's all done via the PC, laptop, Libretto or any other



Through FloorUniverse.com, dealers have access to manufacturers' off-goods.

mechanism with Internet access in a real-time environment.

The targeted buyer is one who actually services the consumer or design firm. It could be the hardcore dealer or commercial contractor who has an account with the mills — pretty much anyone but the end user. In other words, this is

not a consumer-oriented site.

As for products, FloorUniverse is much more than a vehicle for manufacturers to move off-goods. "We'll also have promotional inventory and excess inventory," said Manish Gupta, CEO. "We'll offer a very large segment of first- and second-quality goods that historically have been losers for many manufacturers. The problem they have is matching the buyer and seller. That's where we come in. And we're allowing for better efficiency, sale prices from the manufacturer and better access to product from the buy side."

FloorUniverse has already contracted with some major players to supply product. Those include the top five carpet mills — Shaw Industries, Mohawk Industries, Beaulieu of America, The Dixie Group and Interface — as well as Da-Tile, Crossville and Color Tile on the hard surface side. "We also have a distributor from New Jersey that imports high-quality marble from India," Gupta said, adding that machinery and equipment manufacturers are also participating.

According to Gupta, business (B2B) transactions over the Internet are a natural for the floor covering industry. For the smaller manufacturer, it's a way to gain distribution. Gupta has also been talking to high-end wood manufacturers that don't want to commoditize their products. It's happening every day in other

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All a-board' at FloorUniverse

BY MARK KUCHAR

CLEVELAND — The success of any company is generally attributed to its management team, but there's one part of the equation that can be very important: the board of directors. Though it seldom receives its full share of the credit, a board of directors' sole purpose is to keep management on the right track.

Such is the case with the industry's latest vertical portal, FloorUniverse, which has convened a respected and diverse group to act as a sounding board and lend their expertise to the company. For their part, board members say FloorUniverse will be a great resource for the industry.

Board members include:

- James Brown is the chairman and CEO of Brown Industries. Based in Dalton, Brown Industries consists of 10 operating companies, including various marketing and printing services for all major floor-covering manufacturers. Brown is considered a pioneer in the growth of the carpet industry and a community leader. He also serves as a director of numerous corporations, associations and organizations in northwest Georgia.

- Reg Burnett, founder, president and CEO of RBI International, an industry consulting firm, is well known both in the United States and abroad as one of the carpet industry's leading experts. He has

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Ron VanGelderens

Industry experts, analysts to advise FloorUniverse

BY THOMAS DOLAN

SEATTLE — E-commerce for the floor covering industry is in its infancy in some respects. Many manufacturers, distributors and retailers stand on the brink of breaking entirely new ground. That's both exciting and a little frightening at the same time.

There are, however, a number of people in the industry who wish things would get rolling. These more adventurous types are ready to go and, moreover, are lending their support to those efforts underway. That is evidenced by the four people on FloorUniverse's advisory board.

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Sonna Calandrino



Chip Sellers

E-commerce spells change for traditional distribution

BY REGINALD TUCKER

GARDEN CITY, N.Y. — Distributor perspectives on how the emergence of e-commerce will affect the traditional wholesale channel can basically be summed up in two philosophies. On one hand, you

have those distributors that are already operating at the height of efficiency and view the e-commerce business-to-business (B2B) model as intriguing but not widely accepted in practice. Then there's the faction that believes the only way to effectively compete in the marketplace of tomorrow is to stay one step ahead of the trend by making the necessary logistical changes and upgrades that the business world of tomorrow will demand.

Unfortunately, most flooring distributors fall under the former category. In fact, industry analysts estimate that more than 60 percent of wholesalers are taking the wait-and-see approach when it comes to adopting a B2B e-commerce model. Many experts argue that now is precisely the time when traditional distributors need to be installing new software systems and networking with Internet service providers and programmers in order to be ready for the morning when the industry wakes up to find yesterday's way of doing business just doesn't cut it anymore.

However, those that represent the minority — the ones surging forward by investing in the requisite technology, training and initiatives — might actually be the ones that will dictate the pace and scope of e-commerce models as they relate to floor covering. But even the most staunch proponents say the changeover — as is

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Internet: More questions than answers

But Web is fast becoming a big part of the way we do business

BY GREG VALERO

GARDEN CITY, N.Y. — "If you're not confused, you really don't know what's going on right now." Those words from General Electric executive Jack Welch might summarize the feeling many flooring companies have about business-to-business (B2B) e-commerce.

E-commerce is evolving from a vehicle for selling and purchasing products through the Internet to a means for creating efficiencies and lowering operating costs. For these and other reasons the supply chain is reportedly investing millions of dollars



E-commerce is fast evolving from a vehicle for selling and buying products over the Internet to a means for creating greater efficiencies.

to establish e-business strategies designed to create a greater value proposition, establish brands on the Internet, promote better customer-relationship management and interact with third-party exchanges.

"Like most industries, floor covering channels rely heavily

on moving and processing information," said John Simonson, president of Lone Pine Software, a software provider that helped develop Web sites for companies like Herregan Distributors, Elias Wilf, Metrofloor, Award Floors, the National Association of Floor Covering Distributors and the World Floor Covering Association. "The Internet has opened new information pipelines to dramatically improve the richness of the information, the speed for moving the information and the reach of the information."

E-commerce is not entirely new to the flooring industry, though. Electronic transactions have been conducted within the flooring industry for more than 10 years, namely through Electronic Data Interfacing (EDI).

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FloorUniverse surfaces as an e-model for the industry

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er industries. For example, according to *Apparel Industry* magazine, B2B e-commerce is changing the way business is conducted in that market by "facilitating the further evolution of new buyer and supplier relationships. Rather than buying, selling and sourcing through existing, often limited channels, the Internet has helped the apparel industry evolve into a truly global buying community."

John Simonson, owner of Lone Pine Software, an Internet marketing and Web site-design company for the flooring industry, believes FloorUniverse can be a boom for both manufacturers and buyers. "This is a great marketing strategy to cost-effectively move manufacturer's off-goods and miscellaneous other products to a selective, global community of flooring professionals," he said. "In the real world, off-goods never seem to really get much of the sales rep's attention, or they pre-judge their customers and don't show them at all. For manufacturers, an online service gives them the chance to cost-effectively promote their off-goods to all flooring buyers 24/7."

The format

There are many ways in which product will be moved on the site, but for starters, FloorUniverse is taking an "eBay" approach, focusing on its auction component. Like eBay, the buyer will bid up the price based on a manufacturer-set minimum, but there's more complexity. "eBay is focused on the consumer and structured for a very simple product to be sold," Gupta said. "We've structured our site to allow for every detail of the product to come out, the specifications, the pictures, etc. They're all very customized in categories the industry knows and relates to." Gupta added that unlike eBay, there is the capability for private auctions, where manufacturers can allow select accounts to bid.

According to Lone Pine's Simonson, manufacturers have to be hoping this venture pans out. "Those who will be posting products to auction off will be thrilled if this new Internet selling channel can create a fast-moving feeding frenzy," he said. "If FloorUniverse can achieve critical mass — the majority of flooring professionals frequently visiting this Web site — the buying atmosphere could potentially create the same effect as the Beaulieu/Brinkman 'Hoedown' did at Surfaces 2000 but for thousands of dollars less. Plus, this hoedown runs all year round."

The FloorUniverse site will also eventually have a running-line component, where the manufacturer can simply sell its product for a predetermined price. "These will typically be first-quality products," Gupta said. "In essence, we're providing a means by which they can extend their sales channels. This is not to compromise what they may have in other sales force efforts but to use our site as an information source or an extension of their existing sales force to allow for commerce on line. For example, a manufacturer that doesn't have a sales rep in Montana can now offer

local dealers direct access to product. The dealers may never have heard of that manufacturer, but by going online they can get into the details of what this manufacturer has to offer. We're giving the manufacturer alternatives, ways to reach new audiences both directly and cost effectively.

"We also found there are many dealers or distributors that have some product they've been stuck with. How do they move it? How do they efficiently buy and sell this inventory? This is a new way for them to do just that."

Both online auctions and direct-sale exchanges enable the quick liquidation of excess merchandise to a seemingly endless supply of new domestic and international customers. Both formats offer manufacturers and retailers better pricing than in the past. It also creates a level playing field among the buying community. "You have the big buyers who always seem to grab the best deals before anyone else gets a shot," Simonson said. "From the average 'specials' buyer's viewpoint, the opportunity to browse through hundreds of choices 24/7 and have the same chance to purchase them as the big players has to be a big plus. Will GCO still get all those great carpet deals?"

E-commerce has had a profound effect on B2B business in general. According to *e-Commerce Times*, people were once accustomed to complex deal making and tight, long-term contracts. "E-commerce will replace complex negotiations with auction-like, open bidding, while the length of contracts will decline."

The third component of FloorUniverse is electronic catalogs, which Gupta said will take some time to develop. "Essentially, it's the manufacturer's and distributor's showroom," he said. "They can showcase their entire product lines online." He added that there will be some mechanisms in place to ensure that the manufacturer or distributor does not compromise its competitive position.

What's in it for FloorUniverse?

Retailers will find themselves in a no-risk, high-reward position by signing on with FloorUniverse. There's no membership fee, access fee or purchase fee. FloorUniverse will, however, take a transaction fee from the seller based on the ending price.

That's FloorUniverse's revenue model for the short term. Long term, the company could be in position to become the industry portal whereby most — if not all — e-commerce transactions are conducted. While Gupta acknowledges that eventually there will be such a site, he knows it's not going to happen overnight. "Right now we're focused on working very closely with the manufacturers and distributors to provide the technology infrastructure that makes sense for them



Members of the FloorUniverse start-up team celebrate the launch of the industry's latest vertical portal.

and the buyers. And we want the buyers to get familiar not just with FloorUniverse but with the manufacturers that associate with us and to start doing things online."

Is this where things are headed? It is in many other industries. Take the chemical industry. B2B e-commerce in this market is projected to reach \$128 billion by 2003, making it the third-largest Internet market behind electronics and automotive. In fact, one report by research firm Principia Partners stated that every chemical company will have to develop an e-strategy in order to

thousands of online transactions annually. It's just another signal that even traditional, conservative brick-and-mortar companies have begun to see the distinct advantages of considering the new business models.

E-commerce consultants are predicting strong growth in the B2B arena. The Gartner Group of Stamford, Conn., positions last year's B2B transactions at \$145 billion, estimating \$7.3 trillion by 2004. Jupiter Communications of New York mirrors that estimate with a \$6-trillion projection by 2005.

succeed in this rapidly changing landscape.

E-commerce can even turn the fiercest of competitors into allies. GM, Ford, Chrysler, Nissan and Renault, which have \$300 billion in annual supply expenditures combined, recently formed a single online B2B trading network called Covisint, which links more than 30,000 suppliers and represents

One major factor to consider when forecasting the future of B2B is the widening discrepancy of companies buying vs. companies selling goods via the Internet. According to New York-based eMarketer predictions, by 2003 as much as 40 percent of companies will be selling online while between 80 percent and 90 percent will be buying. And eMarketer predicts that by 2004, 34 percent of B2B e-commerce will flow through non-proprietary exchanges like FloorUniverse.

"The key to FloorUniverse's success will lie in its ability to change the flooring industry's mindset and culture," Simonson said. "They have to be able to get the flooring sellers to post all their off-goods and keep it updated. Along with this, they have to drive online the vast majority of flooring buyers and get them to buy often. Creating a community of lookers won't cut it. They need to achieve the same number of serious buyers as Surfaces gets to make this work. Plus, they have to do this better than those who will surely follow in their path."

FloorUniverse jumps on board

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lected in many parts of the world on all aspects of carpet fibers, carpet-yarn spinning and the carpet industry in general. Burnett's previous experience includes heading the carpet departments of Celanese Fibers, working as a fiber engineer at James Lees and Sons — now a division of Burlington Industries — and Chemstrand, which is now Monsanto. He also serves as chairman of Tapistron International and is a director of Cohutta Bank and numerous other corporations, associations and organizations.

• Jeffrey Gregg, an industry consultant currently serves on the advisory boards of and provides consulting services to several early-stage companies. He is also a member of the Atlanta Technology Angels, Technology Association of Georgia, TIE Atlanta, AICPA and the Georgia Society of CPAs. Gregg most recently served as vice president and president of the Bretlin/Globaltech division of the Dixie Group, where he previously held positions of vice president of operations for the Carriage Division and acting CIO for the corporation spearheading the redefinition of its technology strategy. Prior to that he served as COO of Geiger International, one of the country's leading fine-wood contract furniture manufacturers, which is now part of Herman Miller Inc. Gregg cofounded an entrepreneurial start-up, Global Resource Group, a turnkey design-and-build contractor and distributor of interiors products in Eastern Europe. He began his career at

KPMG, where he served clients in various industries including floor covering and technology, and held a national role in leading several technology initiatives.

• Frank Procopio, a 20-year veteran with Mohawk, held various positions with the company, including vice president of manufacturing, sales, product development and distribution. He was also a member of the management team that led the leveraged buyout of Mohawk Carpet from Mohasco Corp. in 1988 and the subsequent initial public offering of Mohawk Industries in 1992. Before joining Mohawk, Procopio spent 17 years at Armstrong World Industries. He currently serves on the board of directors of Para-Chem, an adhesives manufacturer, and the Easter Seals of Georgia.

• Palaniswamy "Raj" Rajan is the co-founder, president and CEO of eLaunchpad, a business accelerator that works with companies in the early stages of their development. Rajan also brings a history of starting and building successful Internet companies; he is co-founder of VerticalOne, a content-personalization service that is now a division of S1Corp., an Internet financial-services company. As well, he founded and served as chairman of ResourceIS, a firm providing IT personnel to technology start-ups, and Emerald Systems, a technology consulting firm specializing in object-oriented programming. Rajan is also

the co-founder/CEO of the Atlanta High Tech Council and TIE.

The IndUS Entrepreneurs, a national organization mentoring to entrepreneurs.

• Ronald Van Gelderen is president emeritus of the Carpet and Rug Institute (CRI). For the past 20 years, VanGelderen has been a carpet industry advocate; his extensive relationships with industry executives and his stature make him one of the industry's most recognizable, well-respected personalities. Headquartered in Dalton, CRI's membership represents 94 percent of all carpet produced in the U.S., plus suppliers of raw materials and services.

The sentiment among the board members of FloorUniverse is that the venture is poised for success. "I feel it's a good opportunity for the carpet mills if the site is put together right," said RBF's Burnett,

who was involved in the early marketing plans. "It gives wider exposure to the market for off-goods, drops and items that have always been a problem. It will be valuable for large and small mills."

Others attest to the added value FloorUniverse will bring to the supply chain. "I think this is an opportunity to provide the industry collectively with something that individual companies might lack the resources to do by themselves," Procopio said. "This will mean great exposure for products — and not just for off-goods. It opens up a new vehicle that was never available to the industry."



Frank Procopio



James Brown



Palaniswamy "Raj" Rajan