

# **“We Learned Logistics on the Run, on the Fly and on the Job”**

Remarks Delivered During a  
Chamber of Commerce  
Logistics Association Meeting

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## **EXCERPT 1**

**Yes, the Spirit of Opportunity helped us grow. But how we accelerated that growth had everything to do with logistics.**

It began in 1985, when we opened our first distribution center over on Dryden Road in Moraine. Before then, each local company was on its own, buying products direct from manufacturers like InSinkErator and many others.

And it worked most of the time – as long as the vendor agreed, and there wasn’t a problem with selective distribution.

But local companies without enough negotiating power had to buy from second- or third-tier manufacturers, which put them at a disadvantage.

By the early 1980s, we had a problem: Dozens of fiercely independent local companies were creating their own volume incentive programs, and cutting their own deals with vendors.

It was like the Wild, Wild West!

At one point, local companies were buying from six or eight different water heater manufacturers!

We knew that vendor consolidation would help local companies become better, more profitable wholesalers – and that opening our own distribution center would be a step in the right direction.

But success was not guaranteed, since our business model requires that we live by certain rules:

- First, since local owners have local autonomy, we couldn't force the local companies to buy from us. Instead, we had to compete for their business by providing either a better price or a better value – and better service. We had to sell them on the advantages – make it better for them to buy from us instead of buying direct from the vendors, which they'd been doing for 30 years.
- Second, because the distribution center was a separate company – a centralized support service to our local companies – we had to run it as a profit center. Expenses had to be less than our income, a huge incentive to run lean. And we couldn't pass our costs on to the local companies. If the DC didn't make money, our experiment would be over.

**Now make no mistake: This was not a “Build It and They Will Come” proposition!**

No!

We had a sales job on our hands!

We not only had to sell the local companies, but we also had to sell the vendors. That's because purchasing is a habit. And our job was to get in-between the local companies and the manufacturers and try to change the way local companies were buying material.

Let me tell you: This was no easy task! (Who opens a distribution center and says, “We hope you buy from us!”)

But that's exactly what we had to do.

**The first Dayton distribution center on Dryden Road was pretty scrappy and small – just 5,000 square feet – run by a guy named Bill Hall.**

Back then, things were pretty low-tech:

- Orders were handwritten and hand-picked on the fly.
- At lunchtime, Bill and his two warehouse guys would take their Radio Shack phone off the hook, lock up the warehouse, grab a bite to eat and then come back for the afternoon.
- Winters were rough, because the building had no heat. Bill solved it by parking his Toyota near the door – then turned on the heater and wrote orders inside the car. He didn't think twice about it, because he figured it was saving money. (Remember: The DC had to make a profit!)

**Some people at Winsupply only gave the Dayton DC a 50-50 chance of success.**

**But we were enthusiastic and determined, and had a plan: Sell first, and worry about logistics later.**

And that's exactly what we did:

- In the early years, Bill was on the phone all day long, practically begging local companies to buy from him.
- He sent faxes by the thousands to tell local companies about products now available, and items on special.
- He sold local companies on the beauty of prepaid freight and more inventory turns.
- And he negotiated every order, making each deal just a little bit sweeter than what local companies were getting when they bought direct.

All this selling took lots of time and plenty of patience. The day the Dayton DC got its first order from outside Ohio – from a local company in Myrtle Beach – Bill was thrilled!

Now, he thought, we're really going to take off!

And he was right.

By 1986, the Dayton DC on Dryden Road had expanded from 5,000 to 10,000 square feet and diversified its products. And in 1989, we relocated into a warehouse four times that size, on Liberty Lane in West Carrollton.

By then sales had quadrupled, and two other DCs had opened across the country – in Connecticut and Colorado – because Dayton had proven the concept.

Once again, we just kept repeating our process.

## **EXCERPT 2**

**Back here, growth was exponential and happening fast.**

The Dayton DC – the first at Winsupply to automate ordering processes on a new computer system in 1987 – kept adding more products and getting more orders.

Every month was a record! To keep up, Bill had to ramp up customer service. So in 1990, he hired two people to staff the phones, take orders, listen to local companies and solve problems all day long.

It worked.

Soon, local companies wanted more services. When Elizabethtown Winnelson in Kentucky asked us to put them on a regular shipping schedule, we liked the idea. So we started shipping to local companies in Ohio, Kentucky and Indiana. Today, most local companies get weekly shipments from their nearest distribution center.

By 1992, the Dayton DC had \$10 million in sales and continued to grow, order by order. We've moved twice since then:

- In 1998, to a new 80,000-square-foot facility on Commerce Center Drive in Franklin
- And right here in 2006, to this 200,000-square-foot facility that opened with all the latest technologies for warehouse management at that time

**But we wouldn't have gotten this far without selling vendors on the DC concept, too.**

Back in 1985, they didn't understand what we were doing! They even asked us, "Why should we sell to you when we're already selling to all your local companies?"

So we told them, "Instead of making 10 shipments of 200 units to 10 local companies, you can make one shipment of 2,000 units to a DC."

But old habits die hard. So it took time for the vendors to come around.

Our vendor NIBCO, which makes valves and pipe fittings for wholesalers around the world, waited two years before they agreed to sell certain products to the Dayton DC! Today, NIBCO is our second-largest vendor in DC sales volume.

Over the years, vendor consolidation was always the goal. We knew if we kept dividing up our purchasing power, local companies would keep leaving money on the table.

So in 1989 – when local companies were buying from the six or eight water heater manufacturers still in business back then – we made a deal to go sole source with A. O. Smith, and put their water heaters in the DCs. This deal gave every local company immediate access to a premier water heater line in smaller quantities for a very good price.

More vendor consolidations followed. Guaranteed access to premier lines like NIBCO and A. O. Smith gave Winsupply more freedom to open more local companies, and helped new local owners succeed and grow faster.

We turned a corner the year we convinced three of the largest plumbing vendors – American Standard, Eljer and Moen – to put product in our distribution centers.

That brought us to the Big Leagues!

Practically overnight, local companies realized we weren't kidding around with this DC business. And our competitors and other manufacturers started to recognize Winsupply as a premier national wholesaler.

### **EXCERPT 3**

**Now with local companies and vendors pretty much sold on our DCs, it was finally time to focus on logistics. We had to get more efficient.**

To be honest?

We learned logistics on the run, on the fly and on the job.

We learned the hard way, by trial and error:

- If we were shipping a \$5,000 order to our Douglasville location in Georgia, we'd call six or seven local companies nearby and ask if they wanted to tag on. This allowed us to fill a truck, reduce our freight costs and sell even more.
- In some cases after we loaded a truck, but material arrived damaged at a local company, we quickly figured out how to load it better the next time.
- We relied heavily on vendors and freight companies for advice. They told us what we could do to get better discounts, and gave us better ways to do things.

Today, logistics at all four of our DCs is top-notch, as you'll see in a few moments when you tour our Dayton DC.

- Local companies now get faster access to top-quality products from 130 vendors through Winsupply Sourcing Services, our standalone company that operates our national DC network.

- Today, local owners can buy better and order in smaller quantities more often to get better inventory turns, preserve working capital and save warehouse space at their local company.
- Since local companies can buy different products from different vendors on the same purchase order, their transactional costs are lower. Plus, their payment terms are better. And when they need help with orders, pricing, shipping and returns, a dedicated Customer Care operation is always ready to assist – the one that began way back in 1990, with Bill Hall.

Bill retired from Winsupply last year, but he's here with us today.

Bill, would you please stand?

**Today, Winsupply Sourcing Services is a reliable, trusted supplier – a business partner helping local companies secure more orders and win more jobs.**

Last year, Sourcing Services had a 29 percent increase in net sales. That's because we are listening to local companies, adding more plumbing and HVAC products, and offering more services.

We now run two shifts at the Dayton and Denver DCs, and staggered shifts in Middletown and Richmond. More shifts will help us cut our order-to-delivery time from 55 hours now, down to 24 hours, which is the goal.

Local companies today can even order inventory with 1-Click shopping – just like Amazon! – through our shared computer system.

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