



# Ostergaard revs up auto parts supply chain with Web ordering.

<b>Application</b>	Java-based, online automotive spare parts ordering and distribution system
<b>Business Benefits</b>	257% greater order-taking capacity; expected 20% market penetration; five times faster ordering; 24-hour delivery of parts not in stock; 75% reduction in expenditures on paper catalogs; increased customer satisfaction; expected reduction in inventory, call center and order entry costs
<b>Software</b>	IBM® MQSeries® IBM VisualAge® for Java™ IBM DB2® for AS/400® Java
<b>Hardware</b>	IBM AS/400e™
<b>Services</b>	IBM Global Services
<b>Business Partner</b>	EDB Gruppen

Auto mechanics rarely hesitate to apply elbow grease to get a job done, but when it comes to ordering replacement parts by phone, many would gladly forego the “dirty work” of calling parts distributors.

Steen Noerret, managing director of Danish automotive parts wholesaler Ostergaard, knows the problem all too well. Until recently, representatives at the company’s 47 branch offices took orders over the phone, relying on printed catalogs from parts suppliers to find the items the caller requested. “Our sales people had to go through pages and pages of car parts,” Noerret recalls. “It

was a painstaking process and didn’t guarantee they’d find the right part.”

*“As a direct result of IBM’s Java-based Internet solution, we have substantially increased our customer base and foresee the business expanding rapidly for many years to come.”*

–Steen Noerret, Managing Director, Ostergaard



Repair shop customers say that the convenience of the parts-ordering extranet is a big reason they stay with Ostergaard.

## *It's about business, not just technology.*



*Managing Director Steen Noerret explains that e-business has transformed Ostergaard's sales model—resulting in significant cost savings.*

Frustration mounted when customers had difficulty reaching a representative at Ostergaard's call center. "As it turns out, many of the repair shops tend to call in their orders at the same time each day," Noerret explains. "Our switchboard was jammed between 9:00 A.M. and 10:00 A.M., as our phone system could handle only 280 calls."

This situation was a warning sign for Ostergaard, a leading automotive parts distributor since 1934. With the potential of the Internet to enable parts manufacturers to sell directly to repair shops, Ostergaard risked being cut out of the supply chain unless it could improve customer satisfaction and deliver added value in its services.

The company turned this threat into a competitive advantage by becoming an e-business with a dealer extranet. With the help of IBM Global Services, IBM Business Partner EDB Gruppen and Java technology, the wholesaler deployed a secure Internet ordering site for its more than 120,000 catalog items. Hosted on an IBM AS/400e server, the Web site allows mechanics equipped with any standard Web browser to point and click their way to a completed order in as little as one fifth the time of a typical phone order. And because they don't have to rely on a call center, they can place their orders 24 hours a days, 7 days a week without ever being put on hold. "The Web site can process more than 1,000 orders simultaneously—257 percent more than the call center—all but eliminating the incidence of lost sales," Noerret claims.

According to Noerret, Ostergaard's e-business initiative has gone a long way towards improving customer loyalty. "As a direct result of IBM's Internet solution, we have substantially increased our customer base and foresee the business expanding rapidly for many years to come," he says. In the first six months, 200 shops registered on the site, with some of Ostergaard's larger customers now purchasing between 70 and 80 percent of their parts over the Web. Indeed, Noerret expects the online ordering system to be adopted by 1,000 of the 5,000 independent repair shops in Denmark within two years.

*"Since our employees began using the online catalog in 1997, Ostergaard has reduced its expenditures on printed catalogs by 75 percent."*

*—Steen Noerret*

In addition to revolutionizing the ordering process, Ostergaard's e-business solution has added value to its distribution process. By using IBM MQSeries messaging software to link its Web site to back-end systems and suppliers, Ostergaard has given customers access to the most current parts and prices, as well as the ability to check availability in realtime. If a part is not in stock, Ostergaard can obtain it within 24 hours. This is not only boosting customer satisfaction, it is reducing the cost of inventory Ostergaard must maintain. Furthermore, as more repair shops adopt the Internet ordering system, Ostergaard will also be able to reduce its call center and manual order entry costs significantly.

### **Easy, secure ordering**

Ostergaard's dealer extranet, located at [www.ao-dam.dk](http://www.ao-dam.dk), allows customers to search for a part by automobile make and model, part name or inventory number, view a photo of the part, confirm availability and place an order. A shopping cart feature on the site lets customers store a profile of frequently ordered parts, making subsequent orders that much faster. As a security measure, access to the online ordering system is password protected and accessible only to customers who have registered on the site. Ostergaard uses the registration information to create more accurate profiles of its customers.

Developed using IBM VisualAge for Java, the ordering site is hosted on an IBM AS/400e Server Model S10 Web server. The parts information and an index to the photos of the parts are stored in an IBM DB2 for AS/400 database. MQSeries ensures data transfer between the Java Web application and Ostergaard's back-end purchasing, stock management and financial applications running on an AS/400e System Model 620 server. Transactions from the Web site automatically generate an invoice and trigger updates in all the relevant back-end systems.

### **Great mileage from Java environment**

Although its main objective was to improve customer loyalty, Ostergaard also wanted to minimize the burden of the new service on its information technology (IT) staff and streamline its existing sales and customer support processes.

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*—Steen Noerret*



*With its extranet linked to its back-end systems and suppliers, Ostergaard can guarantee 24-hour delivery.*

By developing the application in Java, Ostergaard ensured that it could run on any platform its customers used. Furthermore, since the client interface consisted of Java applets running in standard Web browsers, Ostergaard avoided the potentially high costs of delivering and upgrading software on thousands of client PCs and providing extensive user support.

For Ostergaard, the dealer extranet turned out to be the most cost-effective way to deliver its service to thousands of its customers and to more than 300 employees. The corporate users, located at the company's central warehouse at Odense and at branch offices throughout Denmark, use the online catalog to serve existing customers and sell the online service to new customers. Noerret notes, "Since our employees began using the online catalog in 1997, Ostergaard has reduced its expenditures on printed catalogs by 75 percent." Noerret believes, however, that the real cost savings will come from increased administrative efficiency. "It's not just the paper," he says. "It's all the time that it took to serve customers in this paper environment."

### Putting the brakes on selling costs

Evidence of increased productivity can already be seen in Ostergaard's field sales organization. Before the application was launched, 30 sales representatives spent all their time selling parts by phone. Now, a staff of 15 does much more valuable work. "Our representatives now sell the idea [of e-commerce] to customers, not just spare parts," Noerret says. "We have changed our sales concept and believe it will save a lot of money." Much of this saving will come from a reduction in training costs, as Ostergaard makes its technical knowledge base accessible from the Web.

These days, selling the e-business concept is a key objective for Ostergaard, and the prime target is the top 20 percent of the company's customers, which generates 80 percent of its revenues. If this campaign is successful, Noerret predicts that the Web can become the company's primary sales channel in the long run. "If we can get this 20 percent of the high-end customers to [adopt the system]," he concludes, "we can theoretically drive 80 percent of our business from Internet-based transactions."

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