

Making eCommerce Efficient in a Down Economy

How Amazon Webstore and seamless integration with Amazon's Marketplace and fulfillment services saved Two Cool, Inc. in a troubled economy.



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Rob Goodwin
CEO and Founder
Two Cool, Inc.

Contents

The Challenge: Restructuring for Profitability

About Cold One	3
Change of Ownership	3
Struggling to Survive	4
Turning to Amazon.com	4

The Solution: Using Webstore with Integrated Services

Adding Credibility	6
Integrating Fulfillment Services	6
Back to Business Health	7
Improved Management Focus	8

Conclusion	9
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Executive Summary

Cold One is a leading brand of compression ice wraps for treating muscle injuries. For several years the company operated an eCommerce site selling mostly to U.S. customers, as well as a network of resellers serving customers in Europe and Asia. Domestic orders were processed and shipped from Cold One's warehouse in Lake Oswego, Oregon.

Like many companies, Cold One suffered a serious drop in revenue at the outset of the 2008 global economic downturn. Efforts to recover were hampered by excessive costs related to both the eCommerce site and the physical infrastructure.

As an act of survival, Cold One dramatically changed its structure in 2011 by converting its online presence to Amazon Webstore and integrating Amazon's fulfillment services, enabling Cold One to unload its expensive warehouse, improve management visibility into company finances, and ultimately to increase revenue while reducing expenses.

Today Cold One is experiencing growth in sales worldwide, managing expenses for greater efficiencies, and enjoying a far healthier bottom line than even before the economic downturn.

The Challenge: Restructuring for Profitability

About Cold One

Cold One® is a brand of compression therapy ice wraps designed to reduce pain and swelling of soft-tissue injuries such as muscle tears, sprains and post-surgical injuries. These wraps contain a flexible gel that is frozen to affect the pain and swelling, an inner layer of rubber-impregnated linen to reduce sweating and protect the patient from cryoburn, and an outer layer of neoprene for insulation and prevention of moisture build-up.

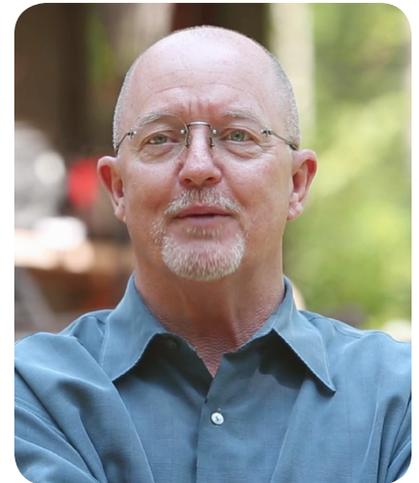
Designed to treat both human and equine injuries, Cold One products are used by doctors, orthopedic surgical hospitals, chiropractors, physical therapists, major university athletic teams and trainers, among others. The products currently are sold in the U.S., Canada, U.K., France, Spain, Turkey, Australia, New Zealand, and Malaysia. Since 2005, all patents, manufacturing and international distribution of Cold One products have been under the auspices of Two Cool, Inc., of Lake Oswego, Oregon.

Cold One was established in the late 1990s by an inventor/entrepreneur who patented his version of compression therapy ice wraps, established a manufacturing process and attempted to market his products. While the founder had been successful in launching Cold One, within five years the company was in serious financial difficulty.

Change of Ownership

Rob Goodwin is CEO and founder of Two Cool, Inc. He was previously in the business of selling data storage capability to businesses in the Portland, Oregon area, and at the time counted Cold One among his clients. Aware of Cold One's difficulties, he worked with the company's founder to provide fulfillment services, inventory management, and even website development in an effort to improve Cold One's financial situation.

In 2005, Goodwin retired from the data-storage business and was considering starting a business venture for the next phase of his life, which he viewed as semi-retirement. By then Cold One had lost its financial backing and was essentially defunct. Sensing an opportunity, Goodwin founded Two Cool and purchased Cold One's assets, including all patents pending, product designs and existing inventory. Due to the cachet of the Cold One brand, the company still markets under the Cold One name.



In 2005, the new Cold One began operating out of an upscale brick-and-mortar warehouse in Lake Oswego. Sales were generated through the company website at www.coldone.com and through a network of resellers, most of whom were dedicated to international sales. Domestic orders were processed and shipped from the warehouse, as were pallets of products to resellers' locations overseas.

Struggling to Survive

Like many other businesses large and small, Cold One's stability was seriously threatened by the global economic downturn that began in 2008. "We were growing 60 to 80 percent a year, compounded, and got to about \$1 million in sales around 2008," Goodwin recalls, "and then the economy just went sideways and took our growth away."

Goodwin struggled to retain Cold One's stability. "Fast-forward from 2008 into 2010 and we're putting a lot of capital into the company, trying to fund declining sales," he adds. "If you've ever run a business and you're trying to manage a balance sheet in declining sales, it's a whole different ball of wax than trying to grow a company."



Cold One's financial situation was more serious than Goodwin originally realized. As he attempted to improve his revenue stream, he realized that a number of costs built into the company's infrastructure added to the losses. "For one thing, we'd built a Cadillac brick-and-mortar warehouse facility even though we weren't in a retail environment," he says. "It turned out to be way too expensive."

Further analysis showed that hidden costs associated with the company's website, order processing, and physical facility were playing havoc with the balance sheet. "We'd think we'd be making money, and then all of these trailing expenses would come in," he recalls. "I'd say probably on a quarterly basis we were always running at least 90 days behind in knowing truly where we were."

"It just wasn't working," he says. "I began trying to sell the business because I just couldn't control the costs."

Turning to Amazon.com

In the effort to improve sales of the Cold One products, Goodwin began listing some of them on Amazon.com, via the Amazon Marketplace. Meanwhile, he kept the Cold One website in operation. "We began to see some good daily activity that we didn't think was coming from our own website, so it clearly was Amazon orders," he says.

With sales on Amazon.com increasing his number of online orders, Goodwin more closely examined the cost structure of the Cold One website to get a clearer grasp of the layers of expense associated it. "We found that our web business was probably unprofitable, and I was almost tempted to get out of the web business entirely because I learned that most of the expense of our bricks-and-mortar was related to managing the web business, not the overseas shipments," he says. "So, the smallest part of our business was generating, by far, the largest amount of expenses."

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“There were four entities we had to interface with at least monthly, either by collecting data from them or paying a fee for services rendered.”

“I had to deal with an ISP to host my site,” he explains. “I had to deal with another company who actually managed the shopping cart. Then there was the company that authorized payments once they’d been processed through the shopping cart. Once the payments were authorized, they went to another company that actually collected the money from the credit card and disbursed it back to my account. So there were four entities we had to interface with at least monthly, either by collecting data from them or paying a fee for services rendered. And if there was a difficulty anywhere along the way, we’d have to work through the technical staff of any one of those four to get things resolved.”

Goodwin quickly realized that one way to reduce both expenses and confusion was to eliminate the complicated infrastructure related to his website’s shopping cart.

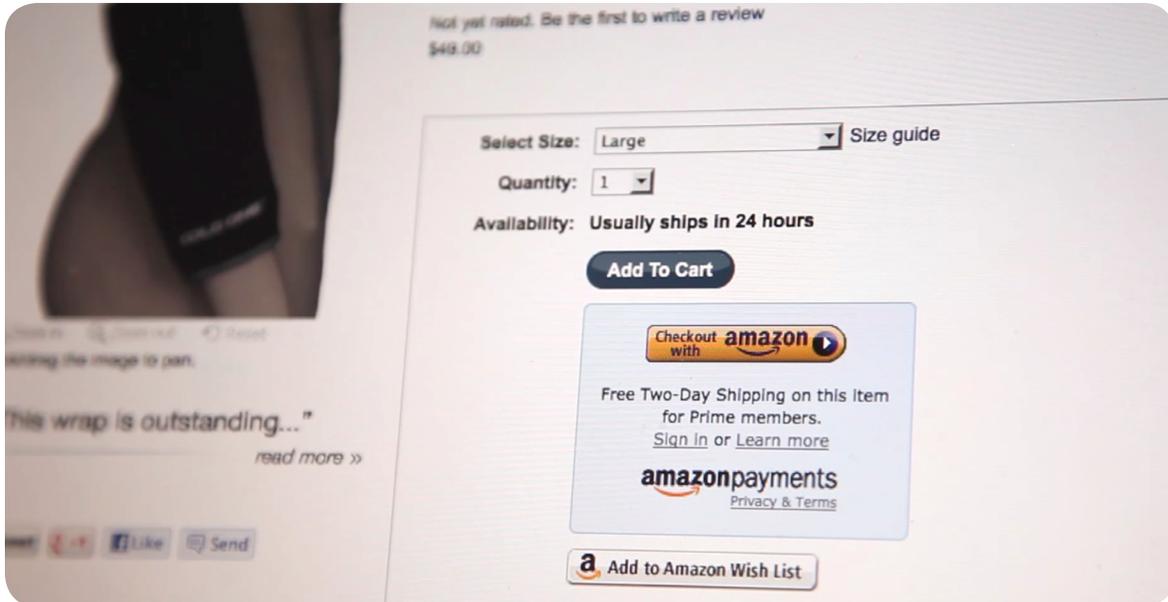
“I decided to talk with Amazon about getting rid of the shopping cart I had on my website. I wanted to get rid of that expense,” he says. “The better way to do it was to have Amazon host the site.”

The Solution: Using Webstore with Integrated Services

Converting to the Amazon Webstore platform meant Amazon would host a custom-branded Cold One website, replacing the old Cold One website and utilizing Amazon product listings, checkout process, fraud protection, and other key features—all scalable to meet Cold One’s requirements. Soon, Goodwin would also integrate Amazon’s fulfillment services into the Webstore platform.

With the help of the company’s marketing director, he began the conversion process from his original website to the Webstore platform in December of 2011. “It took about 45 days, but we worked only weekends and an occasional night, with very little of the conversion work happening during business hours,” he says. “We went live in mid-January.”

“From my standpoint, setting up the new site with the widgets and the Amazon layout was a little bit different, but after we learned how to manipulate it and were able to get all of the data over, I think the site looks much cleaner, much nicer on Amazon Webstore than when we hosted it ourselves,” he says.



Adding Credibility

Goodwin also praises Amazon’s onboarding support in helping him convert to the Webstore platform, calling it “absolutely essential to our making that move without costing extraordinary money or any downtime—I view the conversion as a huge success.”

“It took about 24 hours for the order stream to start up, and then it took right off,” he says. “Our Amazon-hosted site at coldone.com is producing very similar, if not the same volume we were getting off our old cold one.com website that we hosted. Plus the orders from our separate Amazon.com listings added together, and all being fulfilled by Amazon, is quite an increase in revenue and a huge decrease in expenses, just huge.”

Goodwin believes the visual association between Cold One and Amazon on the new website is adding credibility and trust to his products and his company’s online sales process. “There’s a much greater acceptance of our shopping cart with Amazon’s logo being all over it as opposed to the badges we had from our earlier banking and credit card systems. Amazon is a well-known commodity to the consumer, and I think linking with Amazon has added more credibility to our website and even to our product.

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Integrating Fulfillment Services

During 2011, Goodwin also more deeply analyzed expenses related to his warehouse facility. Its primary purpose was for shipping orders received from his Cold One website and for shipping products to his network of resellers, most of whom were in Europe and Asia.

“We came to the conclusion that running a brick-and-mortar type of facility was way too expensive in terms of the cost of rent, the cost of employees to man it, and all of the small costs you don’t really understand when you have your own facility—insurance, alarm systems, separate phone systems, and so forth.”

Goodwin spent nearly three months evaluating fulfillment alternatives—“from local fulfillment houses to some very sophisticated logistics companies with sterling reputations”—around the U.S. “When I dug into their systems and started looking at Amazon as sort of a benchmark, Amazon just seemed to have it all over these other guys in terms of being able to work with small packages and having quick turnaround on the customer side,” he explains. “Everybody did okay on receiving inventory and managing inventory, but nobody was even close to Amazon in the speed at which they could turn around and ship small orders at a low delivery cost.”

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Goodwin reports that through Fulfillment by Amazon (FBA), the delivery cost of a Cold One product is considerably less than if he ships it himself, “and that’s not taking into account the labor, the overhead, and all the other costs associated with maintaining and pulling an inventory.”

“If Amazon wasn’t going to work for me, I really didn’t know what I was going to do next because there didn’t seem to be anybody else out there that I could find—and I think I’m pretty good at finding these things—who did the kind of small-parts fulfillment that Amazon does,” he adds. “Amazon is way, way ahead of all of the competition that I know about.”

Now with Amazon’s fulfillment services fully integrated into his Webstore platform, Goodwin has been able to sell off his warehouse and rent a small storage area near his home to handle his resellers. “We carry probably a third to a half of our available inventory here, pretty much out of my garage and a storage area for my international customers, and the rest is with Fulfillment by Amazon,” he says.

Back to Business Health

Through strenuous cost cutting and transitioning to Amazon Webstore and its integrated Amazon services, Cold One is returning to health. Sales from the new website and other Amazon listings are improving the business’s top line, while efficiencies associated with the Webstore and fulfillment are reducing expenses to further bolster the bottom line.

“Now the sales are coming back and we’re growing,” Goodwin says. “We’re growing at a better pace, and it’s controlled and managed growth. Amazon has significantly reduced the amount of accounting we have to do in regard to all of these back-end expenses that kept showing up. These were the significant expenses things related to our lease, and the trailing dollars that the credit card companies, the authorizing companies, and my previous shopping cart were all charging on every part of a every transaction.”

At present, Cold One’s international resellers are producing about 60 percent of the company’s sales, and after only a matter of months, Amazon is already responsible for 30 percent and growing. The remaining 10 percent is from the company’s U.S. resellers.

“Moving to Amazon, the expenses are coming from each sale as it occurs,” he continues. “So what we get every two weeks in terms of a disbursement from Amazon is net operating income. There are no other expenses that’ll go against that, so it’s made our accounting infinitely easier to see where we are at any point. Whereas before we were always running at least 90 days behind in knowing truly where we were, with Amazon, I can figure that out exactly in any 24-hour period during the year through the online reporting Amazon provides.”



“It’s so simple now to work my model as I sell more. I can tell the cost and what’s going to get to the bottom line,” he adds. “Now that it’s all in place, with the implementation we’ve got—by letting Amazon manage almost all of our entire business—I just couldn’t be happier with the decision.”

Improved Management Focus

Using Amazon Webstore and the integrated fulfillment service allows Goodwin to focus his business knowledge and experience on aspects of Cold One where the return is the greatest.

“I won’t say it’s freed up more time as much as it’s enabled me to spend management time on management things,” he says. “I don’t have to oversee the employee that I’d otherwise have to hire to ship something that needed to be shipped or to answer the phone when it rings, when in reality there isn’t eight hours’ worth of work for that person to do. When Amazon took over the shipping, I thought I’d still be bound to the telephone and have to be doing shipping every day myself, and that has not been case.”

He says that without Amazon handling fulfillment, he would be personally shipping dozens of orders a day out of his garage. Situations involving direct contact with customers also have dropped from about 10 calls a day to one every other day. “There are just a lot fewer problems with Amazon handling the shipping.”

Goodwin still personally handles shipments to his resellers and has more time to work with them, which is reflected in the fact that his international sales also are increasing significantly.

“Amazon helps put me at a higher level of overviewing and planning the business instead of being the arms and legs doing the shipping and receiving and trying to account for all of that,” he says. “I’m able to make much better use of my time. Amazon lets me operate much more efficiently in a digital world.”

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Conclusion

Cold One has successfully reversed its financial situation. Domestic sales are stronger from its Webstore presence, and international sales are improving due to the increased attention Goodwin can devote to his resellers.

The costly layers of “trailing expenses” associated with the old website’s shopping cart are reduced and consolidated with the Amazon Webstore platform so the company’s eCommerce site is no longer a financial drain on the rest of the operation. With Webstore, the company has moved from a variety of piecemeal fees to a unified fee structure.

Shutting down the former Cold One warehouse and moving to Fulfillment by Amazon has dramatically reduced shipping costs, eliminated the need for an employee dedicated to handling shipping and has freed Goodwin from shipping other than keeping his international resellers stocked.

Finally, the concise accounting reports from Amazon Webstore enable Goodwin to keep tabs on his company’s current financial situation—something he was not able to do with a stream of shopping-cart related expenses dragging in months after the expenses were incurred.

By turning over the company’s website to Amazon Webstore, the logistics to Fulfillment by Amazon, and a new sales channel to the Amazon Marketplace, Goodwin is now able to focus on the higher-level parts of his business where his years of business experience can have the greatest return.

About Amazon Webstore

Amazon Webstore is a full-featured eCommerce platform providing sellers a unique, custom-branded eCommerce site using Amazon technology and expertise for ongoing seller success. With Amazon Webstore, sellers leverage the strength and reliability of the Amazon infrastructure for their own direct-to-customer businesses.

Amazon Webstore utilizes Amazon’s substantial server resources to meet scalability demands and deliver a positive shopping experience to customers, regardless of demand on the site. It also provides a flexible interface for managing product listings and inventories.

To get started with Amazon Webstore, visit the website at <http://webstore.amazon.com> or [contact the Amazon Webstore team directly](#).