



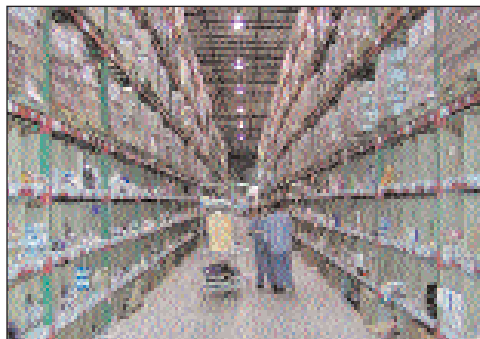
Warehouse Advantage™ Suite

Reduces Labor Costs by 15 Percent at Overstock.com

Company Profile—Overstock.com

People love to shop, especially when they can find discount prices on brand-name electronics and other designer merchandise. Add the convenience of 24/7 online shopping and the commitment of super-fast two-day shipping, and you have the perfect recipe for one of the busiest and most successful e-commerce sites available today.

Overstock.com, a leading Internet retailer of name-brand surplus and close-out merchandise headquartered in Salt Lake City, Utah, specializes in selling first-quality merchandise at deep discounts, including housewares, electronics, sporting goods, travel/leisure products, gifts, toys and jewelry. Companies such as Toshiba, Philips, American Tourister and Gucci often generate overstock—more product than they need in a given year—or they may need to take current stock off of the market to make way for the introduction of a new model or style.



Overstock.com buys up the surplus inventory at deeply discounted prices and passes the savings on to the consumer in a dynamic, discount online "warehouse" that draws heavier customer traffic than some of the most prominent online retail giants, such as L.L. Bean, PetSmart, Wal-Mart, Target, Staples and Martha Stewart (Source: Media Metrix, August 2000). As much as they gravitate to bargain prices, shoppers have flocked to Overstock.com. Leading Internet tracking companies, including Media Metrix and PCData Online, have consistently ranked Overstock.com as a "Top-40" e-commerce site. Overstock.com was named the fastest-growing site on the Internet by Media Metrix, ranking among the top 25 e-commerce sites for holiday shopping.

Challenge

High traffic and rapid growth resulted in more than a 2,000 percent increase in sales at Overstock.com between September 1999 and July 2000—and millions of loyal customers made it happen. With customer

demand increasing at such a rapid pace, Overstock.com management recognized that order-fulfillment capabilities needed to be expanded and updated to maintain the company's excellent reputation for customer service. Overstock.com customers simply point, click and send their orders instantly via the Internet. However, while the shopping experience was a seamless, paperless transaction, the order-fulfillment process was literally a low-tech "paper chase" for Overstock.com's warehouse personnel.

Overstock.com had been using a home-built warehouse management system as a temporary measure to handle initial growth. However, this manual system was inefficient and potentially prone to error. To fulfill each order, warehouse personnel had to print out each customer's order that they received through the Internet, and pick from more than 4,000 SKUs while carrying the printout with them until the order was completed. And the worst case scenario—losing the piece of paper with the list of SKUs—meant that Overstock.com would lose the potential revenue from the order, as well as the customer and any future orders.

Overstock.com decided to abandon an earlier plan to replace the manual system with another home-built system. Management began an aggressive search and analysis of the leading supply chain execution software vendors. Overstock.com management was looking for a highly adaptable, comprehensive and automated warehouse system that could be quickly implemented to boost efficiency and eliminate any problems with filling orders fast and accurately. Moreover, this deep discount online retailer wanted a cost-effective solution that would provide excellent value—just as they deliver affordable value to their customers. Overstock.com found the highly adaptable, comprehensive and cost-effective solution it wanted in Warehouse Advantage Suite from HighJump Software, a 3M Company.



Warehouse Advantage Suite was the smoothest software installation I've ever seen. Our normal volume is approximately 1,700 orders per day. The day we took Warehouse Advantage Suite live, we fulfilled 800 orders; the next day we did 900; and on the third day we were at full volume.



-Jim Hyde
Vice President of Operations
Overstock.com



Solution

Warehouse Advantage Suite from HighJump Software went live at Overstock.com's 200,000-square-foot distribution center in October 2001 and successfully manages the picking, packing, receiving and delivery operations of more than 4,000 SKUs. Warehouse management personnel no longer have to run the "paper chase," but can now enjoy the speed and accuracy of Warehouse Advantage Suite's fully automated fulfillment process along with real-time visibility of inventory and order status.

According to Hyde, Overstock.com also benefits from Warehouse Advantage Suite's seamless interface with the Intermec wireless radio frequency units used by Overstock.com's warehouse personnel. Plus, management is impressed with the flexibility and reporting power inherent in the suite. "Warehouse Advantage Suite has great tools to help us monitor individual and team productivity, which was a real selling point with us," said Hyde. "The Web Wise interface gives us greater visibility of a wealth of productivity information that we previously could not access."

Overstock.com management is also especially pleased with the unmatched adaptability and configurability of Warehouse Advantage Suite and the excellent on-site support of the HighJump staff during the implementation. The HighJump staff remained on site at Overstock.com throughout the rapid implementation process and the following week to help ensure that any minor issues were quickly resolved. According to Hyde, Overstock.com purposely ramped up production slowly in anticipation of any problems, but the problem-free implementation allowed the company to process orders at full capacity within three days and catch up with backlog within a week.

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Results

Having increased its operating efficiency in order fulfillment, Overstock.com expects that labor costs will be reduced by approximately 15 percent as a result of the Warehouse Advantage Suite implementation. "We're focused on the 'big picture' benefits that this implementation will bring us," said Hyde. "Warehouse Advantage Suite has a reputation of enabling companies to enjoy a fast return on

investment by facilitating labor savings and reducing overall operating costs. We're encouraged by the initial success and speed of this implementation, and the underlying adaptability of the solution's architecture that helps us meet our own very specific needs."

Inventory control has also been greatly improved thanks to the elimination of the manual, paper-based system. The fully automated Warehouse Advantage Suite tracks picked goods for each order through the entire order-fulfillment process. Warehouse personnel now know exactly where all of the inventory is located at any given moment, and inventory adjustments—once a manual, error-prone task—are expected to go down considerably. In addition, Warehouse Advantage Suite generates random inventory counts that direct the staff to do a cycle count of inventory in specific locations throughout the warehouse. This ensures that inventory is counted at least once per quarter, giving Overstock.com greater visibility and tracking power of its stock.

"Given the nature of our business, we often have a fairly dynamic inventory, with many thousand SKUs in the warehouse at any given time," said Hyde. "The HighJump system allows us to track the inbound inventory and manage our rapidly changing inventory more easily and efficiently than ever before."

Overstock.com joins the ranks of HighJump's more than 700 satisfied customers worldwide. "With the implementation of Warehouse Advantage Suite, Overstock.com now has a proven solution that dramatically enhances their ability to manage large volume transactions and to cost-effectively adapt to their very specific business requirements in today's dynamic business environment," says Chris Heim, president and CEO of HighJump Software. "The success and speed of the Warehouse Advantage Suite implementation is a testament to the partnerships we form with our customers and our commitment to provide all HighJump customers with solutions that provide superior ROI and, ultimately, a sustainable competitive advantage."

Looking to the future, Overstock.com plans to begin offering overseas shipping as it responds to the demands of a global consumer marketplace for discounted name-brand goods. With its high level of adaptability, Warehouse Advantage Suite provides the perfect future-proof technology for Overstock.com to continue its unprecedented growth and maintain its competitive edge as a top online retailer.



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