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Axe Music's Deliveries in Perfect Harmony at Purolator



Company Name:

Axe Music

Location:

Edmonton, AB

Industry Sector:

Retail/Online Sales

Company Profile:

Axe Music is one of the top retailers of music equipment in Canada, with two Alberta stores, a large distribution warehouse and an online store selling guitars, drums and the latest sound systems.

Business Situation:

The steady growth Axe Music experienced throughout the 1980's and 1990's turned into growth and ideas of expansion to e-commerce in 2004. With the online expansion Axe Music needed a dependable and traceable shipping solution that allowed it to cost-effectively deliver fragile shipments across Canada.

Solution:

Purolator Ground delivery service gets top billing with delivery to every community across Canada, as well as excellent tracking tools with Purolator's shipping software to allow customers to monitor their package's progress online.

Benefits:

- Solid partnership and Purolator's willingness to price based on projections during start up gave Axe Music cost effective shipping for customers
- Fast and reliable deliveries ensure online sales success
- Material handling that is second to none prevents damage of fragile equipment
- Regular Purolator deliveries to Victoria keep Axe Music's President in touch from his remote office

Summary

What started as a business manufacturing speaker cabinets and protective cases in a small garage with a dirt floor has turned into one of Canada's top music equipment retailers. With growing retail sales from two Alberta stores, and a new online store, Axe Music depends on Purolator to keep harmony with its customers by ensuring quick delivery of fragile orders.

Company Profile

More than two decades ago, the president of Axe Music Brian Holowaychuk, was a carpenter framing Edmonton houses and a musician in his spare time. From his garage just outside of the city, Holowaychuk tried his hand at building custom speaker cabinets.

"Major audio companies built good components but not good boxes to put them in and their prices were really expensive," he says. "I thought that since I could build them as good if not better and at a fraction of the cost, I'd have a local advantage."

The market didn't bite. He struggled to sell his quality cabinets and ended up bartering with local suppliers for other music equipment, which he then re-sold to bars in the evening to finance his small business. The business continued a slow build with Holowaychuk continuing to barter product for speaker cabinets until the early 1980's when Holowaychuk as president, and his brother Darrell as vice president, officially launched the company by turning his manufacturing garage into a retail outlet. "It was really grassroots. We were working out of a garage with a dirt floor and a barrel stove which we used to burn wood scraps for heat," he says.

The next hurdle for the entrepreneurs was a required move to a new location that was zoned for retail. Signing the lease was nerve wracking, but it turned out to be a blessing in disguise. "I thought it was going to sink us but



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it made us more legitimate to our suppliers which gave us access to more lines, more customers and it just blossomed," Holowaychuk admits.

Despite the rocky start Axe Music found its niche. Holowaychuk describes their business as "a 20-year-old, overnight success story." The company outgrew its first retail space in Edmonton and took over the entire building before ultimately buying it from the landlord.

This early vision for the potential of the business, combined with package traceability, fast service and affordable freight prices, made Purolator the right choice.

In 1990, they opened a Calgary location and Holowaychuk says growth has been steady ever since, with the company now doing more business in any given month than in the first three years of business. Today, Axe Music carries one of Canada's largest selections of music equipment from audio equipment, keyboards, guitars and drums, to the latest sound systems, DJ equipment and related accessories.

In its early days, Axe Music operated a catalogue style business and offered customers a range of shipping choices from all major courier companies. Holowaychuk knew there was opportunity to leverage the Internet for additional sales since American retailers were already active in Canada. Unfortunately, local music equipment suppliers prevented Canadian retailers from posting prices online ... let alone allowing a retailer to actually operate an e-commerce site.

"It was like outlawing the use of the phone or fax machine," says Holowaychuk. "It's an important communication tool that the consumers want."

It took Holowaychuk another two years to prove to suppliers that the U.S. retailers were "mowing our grass" and stealing sales. He did it by buying product from the U.S. and shipping it to his suppliers with the labels and shipping information intact.

Challenges & Solutions

With permission from 80% of his suppliers, Holowaychuk built its online store – Axe Music Canadian Online Music Store – and realized early on that he needed to offer some level of discounted or free shipping to entice customers to use the online store. He says many people have been burned by U.S. retailers with high shipping charges so he wanted to keep it simple and affordable for his customers.

Teaming Up for Success

With its specific shipping needs, the online store required a new relationship with a single courier company ... one that could ship products to its customers quickly, safely and cost-effectively. Holowaychuk approached all the major courier companies with a detailed list of products, sizes and projected volumes for the new venture.

"We were looking for a courier who would work with us from the start. Purolator stepped up and provided us a good packaging and service arrangement," Holowaychuk said. "Purolator was the only one who could see the potential for this new business venture and was willing to build a relationship with us based on business projections instead of current volumes." This early vision for the potential of the business, combined with package traceability, fast service and affordable freight prices, made Purolator the right choice.



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Holowaychuk appreciates the early confidence Purolator put in the growing business and says he wouldn't switch courier companies even if the competitors offered significant cost reductions.

"Purolator saw our vision for the business and the potential. I believe in building a business on relationships and Purolator is an important relationship for us. When I speak with them about opportunities or problems, I get straight answers."

He notes that Purolator provides him with excellent reports on shipping volumes, pricing and locations so he can continue to monitor costs and shipping efficiency.

AXE Opens Online

Axe Music was the first Canadian website to have an authorized shopping cart system for music equipment that was sanctioned by its suppliers, and was rapidly regaining market share, previously lost to online U.S. retailers.

"As an online store, one of the most important factors that impact a customer experience with us is fast shipping. It's what the customers want," says Holowaychuk, who worked with Microsoft to build a software system that would streamline internal processes and decrease order fulfillment time.

The first iteration of the online store required warehouse operations manager Ed Dinger and his team to take printed invoices from the online sales and manually enter the data into Purolator's online shipping software. Over time, integration of the online ordering system sped up this process to allow a very simple set of key strokes to get shipping details entered.

Dinger and his team provide the order confirmation to customers so they can track the shipments with Purolator's online tracking system. Dinger strives to get every order placed before 2 pm out that same day for delivery by Purolator Ground and Express

service, delivering to the customer within one to two business days. For rush orders Axe Music utilizes Purolator Express™ service to deliver by either 9 or 10:30 the next morning.*

"All online orders are shipped through Purolator and customers are sent a link so they can track their own shipment online," notes Dinger. "This capability is a huge benefit to our customers," adds Holowaychuk who can't understand why more companies don't leverage it.

Dinger adds that with Purolator's shipping system, they can respond to customer's questions in seconds, without flipping through books and invoices. "It's all about great customer service. We can type in a customer order and help them immediately."

In addition to increasing their product line, Dinger says their order volumes are continuing to rise even during the slower summer season. He estimates they are shipping 10 more boxes a day compared to last year at the same time.

To encourage online sales, Axe Music started by offering free shipping on orders over \$500. Today, they offer free shipping on any orders over \$200. For Holowaychuk that meant making sure they were getting the most cost-effective delivery option available. He notes that Purolator provides him with excellent reports on shipping volumes, pricing and locations so he can continue to monitor costs and shipping efficiency.

In Tune with Fragile Shipping Needs

The early success of the online store presented some challenges for Axe Music because fulfillment occurred within a tiny section of their retail store. When web orders came in, they would need to repack stock from the store shelves, manually write out waybills and ship.

Holowaychuk says the repacking sometimes meant items were missed or not packed securely causing damage. It also meant they had to keep track of boxes, packing materials, manuals, cables, and inevitably, pieces would



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get missed. If it was a rush order, things could be packed up in the wrong boxes and freight damage was inevitable.

"Freight damage goes up if you don't have the right packaging," notes Holowaychuk. "We purchased a warehouse to fulfill to our web orders so our customers get a brand new item in a factory sealed box which saves us a lot of time and virtually eliminates damage."

An added benefit to the warehouse move was the ability to stock more inventory. This meant Dinger and his team weren't re-packaging items from the shop floor to send out to fill online orders.

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"I am impressed with Purolator's material handling," says Holowaychuk. "The stuff we ship is very fragile. Part of it is packaging but a lot comes from the shipper and Purolator has a great track record. We've had damaged freight coming in from other courier companies, but by using Purolator, damaged freight has decreased which is very important to our customers and us."

Good Advice on Warehouse Locations

When Holowaychuk started scouting out locations for the new warehouse that would not only fulfill online orders but also maintain stock for the retail stores using a just in time inventory system, he consulted with Purolator.

"When I consulted with Purolator to see what warehouse location might be cheapest to ship from in the country, it turned out to be Edmonton to take advantage of back hauls," he said.

In a "back haul" region trucks are often returning empty. By leveraging their location to fill those empty trucks, Axe Music and Purolator struck a win-win arrangement. Since this move, they've continued to expand their warehouse facilities and have added another building.

"Three years ago we had this small receiving area in the store and everything went through it," Dinger says. "Now, we've got almost 60,000 square feet. With web sales we are keeping a lot more stock on hand. We used to keep one or two of each item and now we stock 20. When it's on the web site it has to be in stock."

President's Offsite Office Connected

With the business bustling, Holowaychuk decided on a change of pace and moved to Victoria, British Columbia while operating the Edmonton-based business remotely. He receives a regular inter-office package from the Edmonton office and shuttles information back and forth using pre-printed waybills from Purolator.

"I couldn't do this without Purolator and the kind of service they provide," he says "It doesn't get any easier. The office sends me piles of things I need to look at and I send piles back. It only takes a second to prepare a shipment that is picked up from our home office. It's killer!"

Purolator also allows Holowaychuk to remain on top of all areas of shipping with detailed reports that allow him to track shipping against transaction costs to continually fine tune their process.

"Without Purolator's reports, we couldn't track this level of detail and it allows us to create a very simple delivery system for our customers. People want simple. You can't over do simple."





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The Future

Hollowaychuk believes in building a flexible business plan that allows them to take advantage of opportunities that come up. On the horizon, he sees the need to further expand the warehouse facility, and he is already working on a new version of the web store that will increase integration across his supply chain from the order entry to invoicing and shipping in a single step. Hollowaychuk notes that Purolator has been very helpful in working with Axe Music to make their technologies work seamlessly together.

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In the longer term, Hollowaychuk sees the potential to take the infrastructure template they’ve successfully rolled out for Axe Music and use it to create a range of stores in different retail sectors. “With automation, we are building infrastructure that we can copy for any other store. It wouldn’t matter if we have shovels or speakers in aisle two, the process of ordering, fulfilling and invoicing is the same. There are some good opportunities there,” he says.



For more information about how Purolator can partner with your organization to exceed your customer’s expectations, call a Purolator Representative today at **1-888-529-9777**

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