



TRANSFORM YOUR VENDOR MEETINGS PART 2

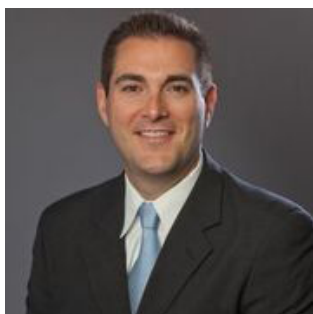
SYNOPSIS:

This is the second episode of a two part series about making the most of meetings between retailers and suppliers. Take a listen to Transforming Your Vendor Meetings – Part 1 to hear a high high-level look at some of the types of data that both suppliers and retailers can use to make your conversations more valuable and more profitable.

In this episode, take a deeper dive into how different categories require different types of information to make decisions about what to stock and where. Should a product be offered online, in-store or both? What if you don't have much time to make that choice? How do you reduce the risk for capitalizing on trends that could be here one minute and gone the next, and avoid ending up with unsellable overstock?

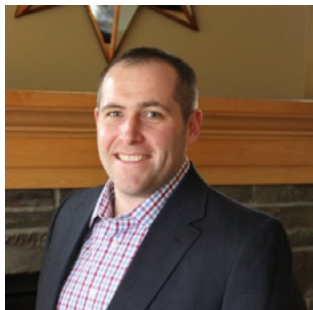
Brandon Pierre, a former merchant with more than 20 years of experience in the retail field, offers his perspective on some of the unique needs for successfully stocking and selling different products, depending on their category.

ON THIS EPISODE:



Host: Chris Gunderson, Enterprise Account Executive, SPS Commerce

Chris has been with SPS Commerce for nearly a decade, and during that time he's had a first-hand look at how companies in the retail supply chain have succeeded and grown through innovation. He's consulted with a variety of organizations on ways to use technology to optimize and extend business relationships through streamlined partner connections, enhanced collaboration and supply chain flexibility.



Guest: Brandon Pierre, Senior Director of Customer Success, SPS Commerce

As a customer success executive at SPS, Brandon Pierre works alongside many retailers and suppliers to develop strategies to address their merchandising and supply chain business objectives. With more than 14 years in the buying organization at major retailers, he has experienced first-hand the opportunities of the digital era and how technology can transform the consumer experience through improved retailer and supplier connections.



Chris Gunderson (CG): Welcome to the Mastering the Retail Game podcast from SPS Commerce where we explore the new rules of retail and provide real-world advice on how to win by learning from your peers and industry experts.

I'm your host Chris Gunderson and today we'll be continuing the conversation from the previous episode about how you can get the most out of the meetings you have with your trading partners. Last time, we took a high-level look at some of the types of data that both suppliers and retailers can bring to the table to make your conversations more valuable and the decisions you make together more profitable.

In this episode, we'll take a deeper dive into how different categories require different types of information when it comes to making decisions about what to stock and where. How do you decide if a product should be offered online or in-store or both? What about when you don't have a lot of time to make that choice? How do you reduce the risk for capitalizing on trends that could be here one minute and gone the next?

Here to answer those questions is Brandon Pierre, a former merchant with more than 20 years of experience in the field who now serves as the senior director of customer success at SPS Commerce. Welcome back to the podcast Brandon.

Brandon Pierre (BP): Yeah, thanks Chris.

CG: So Brandon we talked about how many different category is you've overseen in your career, and we talked a lot about these meetings. What are the differences in the different types of categories or are there any? Or do you kind of treat them all the same? Or what does that look like?

BP: Yeah, that's a great question. I would say a lot of the way you engage as a merchant is kind of dependent on the sophistication level of your suppliers and the maturity of the industry that you're in.

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So for example about a number of years within the health, beauty, frequency, big brands, big CPG companies. Those companies I would say tended to be, when they would launch a product, would spend years in development and consumer insight. And would be very methodical in how they launch products related to promotions, pricing and everything, to where, as a merchant, you're viewing things many years out in terms of what your future plans are going to look like.



BP: So the health and beauty space specifically, and I would say most frequency kind of big brands, when I say high frequency items I mean the staple items that you need in your home and those types of brands tend to be more what I would argue consumer insight based versus trend and fashion. So those tend to operate very differently than some of the other categories that I bought for.

CG: Okay, okay, you're talking more like some of the hygiene products, and things like that?

BP: Yeah, yeah, so think Procter & Gamble, Unilever, Tide, Dove, Suave, those big brands with a lot of marketing spend behind them. Every product they launch is very deep in a consumer mindset that they were trying to drive towards in a consumer segment.

The opposite of that is in categories like, say, sporting goods or some of the fashion categories, where it's "We're noticing a trend out there in the industry in the consumer." Water bottles are a great example. I bought for the water bottle category at Target. As consumers started to look towards the waste in the consumption, well how do I relieve that? Well, I'm going to buy a reusable water bottle.

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And the category year-over-year was growing by 50 percent. We just had vendors coming into that category with "Here's a new water bottle, here's a new water bottle, here's a new technique that we can put on the bottle." Less time spent on, "Will the consumers engage in this to drive the category 1 or 2 percent?" It was just fueling that trend and fueling that fire, which tends to happen in those non-CPG big-brand industries.

CG: Okay, and you know, you touched a little bit about seasonal vendors, and I saw that you managed the movie section for a little while. How do you manage those really short selling seasons on products like that?

BP: Yeah, the movie business was fascinating, I ended up being there at the time when the format war was going on between Blu-Ray and high-def. Which made the selling season for movie titles even shorter. You had consumers that were confused on, do I buy DVD? Or do I make the switch to Blu-Ray? And if I make the switch to Blu-Ray is that going to be around or is it going to be the High Def? So there was a lot of consumer confusion, but with the movie industry in general, typically you'd see from the moment that the movie is released, that first week of sales ends up being about 60 percent of the sales over the lifetime of the title.



BP: So one of the things that we did while we were running the movie business, was we would actually give the suppliers hourly reads when those titles would start selling in our stores and they were responding within that day on order recommendations that they could ship directly to our stores and have in our stores within a day or two.

Not only was the selling period really short, but the variability on how well the title is going to do, was really challenging, because you didn't always have a good baseline with new movies coming out. So, it was a really complex business, and I would say the suppliers got really good at understanding "I have a short time period, how can I best analyze your business

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and partnership with you to help you respond as quickly as possible?" And honestly, that was something that early on in my merchandising career where I kind of gravitated toward suppliers that can help me. If I can give them the right information, they can help me turn this around. And in the movies business, they pretty much ran our inventory for us.

CG: How does the supply chain in the movie business work? How could they get you a new titles within the hour or within the same day?

BP: Well, so, within the movie industry they literally, they have - Well you know you have your big major movie studios, there were about six big studios at the time, and they worked with two distributors that actually printed the DVDs themselves.

So, if they need a thousand of these DVDs, they had a distributor that was printing those on that day, and then was shipping those out. And from a supply chain point of view, the stores hated it, but they would ship directly to the stores.

So, when we brought in a title to begin with, we would flow them through our distribution centers, but then when we had to respond, we were doing the direct to store shipments. So they would overnight packages from their distributor in to our stores. I say our stores hated it, because the other 99 percent of goods all had scanning labels, came through the DC, they knew when they were receiving and how to receive it.

When Studios were their shipping directly to the store, you had boxes showing up of whatever shape and size, they had no idea what was in the box and then they had to receive it in.. So they loved it and they hated it. They loved it because they had the movies and were in stock when the consumers were in there shopping, but it tended to take a lot more time. But it was the most effective way to cut out the long flow into the distribution centers and allowed us to respond.



BP: But that, again, that took years of them working together with us and our supply chain team to best understand how to drive this, so again, this is where suppliers were coming with recommendations on “You’re missing days, you’re missing weeks because these have to flow through the distribution center. What’s a different way that we can approach this?”

CG: I’m thinking about a couple months back or maybe even 18 months back, my kids were so into these fidget spinners. And for a while there, fidget spinners were sold out everywhere you look, and now when I go into a store, they’re stocked everywhere. So with something that’s a craze like that, how do you capitalize on something that’s a sensation without just ending up with way too much inventory?

BP: That’s awesome, I have three little boys at home, and I would say that I know where the stores stock and inventory is going because I think we have about five in each room.

You know, one of the stories that I also love to tell is I was actually managing a team that was driving assortment insights to our entire merchant team and one of the items that was coming up at the time was the selfie stick. If you remember that craze, a few years back, where it went from everybody had one or had multiple to a couple weeks later, museums didn’t allow them, you couldn’t bring them in the stadiums, and then you started to walk around at these retailers and just saw pallets full of selfie sticks sitting out there for five bucks a piece.

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You name it, over the course of many years, there’s always, within a season or within a year there tends to be that one or two items that pops that nobody expected, that nobody saw coming and where retailers will often times push those suppliers with “Help me get into it as quickly as possible, but also help protect me on the backend.”

So if I’m going to take a risk and buy way more than what I think I need, what are some options on the backend? Are you going to help me fund some markdowns? Do you have another channel that if I hold some product back in my distribution center, you can help me shift some of that inventory to a different off-sale channel, whatever that may be? I do think this is one of those areas where good collaboration with the supplier upfront and helping the retailer think through how you’re going to mitigate them on the back end.



BP: But the reality is that most times when those trends hit, it's all about "How do I get as much inventory as fast as possible?" So suppliers should capitalize on that and retailers need to as well, but there gets to be the point where, "Okay when they start to catch up to where the demand is, how do we start to think through what's going to happen on the back end?"

Because retailers will remember that. If you sold me a fidget spinner and now I'm sitting at \$2 million inventory at the end and you did nothing to help me, well maybe the next time a fad comes out I'll look to a different vendor partner that I know will help me out on the backend of that.

So, yeah but those are fascinating, it's challenging on both sides. How long did those fads last? And what do I do when they cool out?

CG: Very good thank you. In all, you talked about how the role of the merchant is much more difficult today because you have the two channels, you have the online and you have the store. When you're deciding to bring on items or new vendors, how do you decide whether to carry it in the store or carry it online?

BP: Yeah, I love that question, and I love that you asked it that way specifically, because I would challenge anybody who talks about it in terms of how you decide online versus in-store? To stop talking about it that way.

And talk about how do you think about where the consumer is going to expect to buy that item? And how do you get that item to the consumer? It's moving beyond this conversation of "Should I carry it online or store? Should I carry it in both?" to "I need to know where the consumer is at?"

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I may have an item that, realistically, they're probably not going to look in stores for this type of item. This is more for like a consumer that is going to be shopping online and looking online, so therefore I'm going to position this portion of my category more in the online space or towards a digital consumer. But it doesn't really start with an online or in-store conversation. It starts off with "Where is my consumer at for this item for this brand and how do I best get it to them?"

Because it is becoming so much more than just "Do I carry it in store, or carry it online and ship it to them?" I could display it online, but they come into the store and pick it up at the store. They could sit in their car and we deliver it out to their car at the store, so it really has to be firmly grounded in "Where is that consumer at and how do I best get this product to the consumer?" Versus starting with the online and in-store.



BP: One of the traps that I've seen that I would caution many suppliers against is: We still see a lot of retailers that have their merchants buying for stores and then a separate group of merchants buying for online. And what a lot of suppliers fall into the trap of, "Well, the stores didn't want to carry this item, so I think you should carry it online."

I would encourage any supplier out there to never start the conversation that way. Just because the stores doesn't pick it up, you're looking for me to carry it online? It should be "Hey, this is why I think the side of makes sense for the digital space, this is where I think that consumers at".

Because the reality is that you will just have some items that sell better online that just won't be in the store. But I would say, reframing that question in the way of suppliers approach that to be truly aimed at "This is where I think your consumer is, and this is how I think you should deliver it to the consumer."

CG: I was working with a supplier of bike racks and they had talked about how they prefer online shipping because they don't have to ship it twice. They could just ship it right to the consumer versus shipping it to the store and then shipping it out again. So I'm curious, other really heavy products seem to be a good fit for that, but are there any other categories that you'd champion to go online versus in store?

BP: I think the store's piece is very much around look and touch and feel. So when you think about the categories where you need that, where if I'm buying a new lotion, I might want to try it on my hand and see how it feels. I just don't know if I'm comfortable looking at the outside of a package to make that decision.

But yeah, something like a bike rack? I don't need to look and feel and lift it. I maybe look at a few reviews online that tell me it's lightweight but sturdy, and I'm good to go with that. So I tend to think about it a little bit like do they need to look touch and feel? And if they need that, then you're going to have more hurdles to overcome if you're only carrying that item for display on the digital side.

But then there are some categories where I know I want consumer reviews and I want to look into the specs and the performance of an item that I can't see in the store. So DVD players, if those are even still relevant at this point, is a good example of that what do consumers say about it?

I can't sit in a store pull every consumer walking by in the store and see whether they bought it or not. Easier for me to learn about that online. I don't necessarily need to pick it up, plug in a DVD to test it out, I can hear consumers talk about it, look what the specs are, so I'm more comfortable buying that online.

"It's really thinking through, what is the consumer decision tree? How are they arriving at their purchase?"



BP: Yeah it's really thinking through, what is the consumer decision tree? How are they arriving at their purchase? And if it's more reviews, "I want to know what other consumers are saying about it," then the digital space makes a lot of sense for it. But if it's "Look, touch, feel?"

But it's fascinating when you talk about the bike rack vendor who's looking at it more from a cost of a supply chain? To be honest, that is a really smart approach by a supplier and we don't see suppliers probably often enough looking at that in terms of "How do I position this back to the retailer that's most cost-effective for me?" A lot of times we see suppliers following the lead of what the retailer dictates. That's a really good way for them to be thinking about it

CG: As we've been talking today, something's triggered my mind. A few years back a book came out called *The Challenger Sale*. Basically the premise is to challenge the prospect by bringing new insights to the table, to really shift the way that they're thinking. A lot of what you're talking about today leads me to think that this would be a good approach in a buyers' meeting. Do you agree?

"Data in and of itself doesn't do a whole lot of good. It's the insights that come behind that and what you do with the insights...Take the time to learn what that data is telling you."

BP: 100 percent. And I actually think that we should talk about that. Because I think that's where, whether it's a big supplier or a small supplier, our biggest suppliers are telling us "I have sales folks that are working with our smaller retailers that have never used data before," that have no idea what to do with the data. They're looking at it and going "Well, don't I just go in there and drive a good relationship and just probe and ask them lots of questions, then they'll buy?" And it's like - "no." And these big suppliers organizations recognize the salesperson is going to have to change their approach in how they leverage data.

CG: Ah, very good. In closing here, what last advice would you have for our listeners to help them transform their meetings?

BP: I would say one of the things that we continue to find, and you'll hear it at any retail trade show that you're out at, is data and leveraging data. And I encourage any organization to go beyond the data itself to insights.

Data in and of itself doesn't do a whole lot of good. It's the insights that come behind that and what you do with the insights. And one of the things that we spend a lot of time doing encouraging the suppliers is to take the time to learn what that data is telling you, bring that insight back to your retailer, because that's going to change the dynamic of your relationship.



BP: And from a retailer standpoint, you've got to lean on your suppliers to be sharing this. And you've got to help coach your suppliers on what types of insights that you're looking for.

So yeah, that's kind of what I think. My big thing to both suppliers and retailers is get beyond the data, know the insights and then know how to use those insights. Know those key interaction points, whether it's a seasonal business, whether it's looking at your daily in-stocks or your weekly in-stocks, or taking a look at the line review process and how you can make the most out of that line review process. It's kind of looking at those key areas where you can bring those insights and really leverage them in your relationship.

CG: That's great, really appreciate all the great info today. I hope our listeners got a ton of great information today, I know that I did. Thank you, Brandon.

BP: Yeah, thanks Chris.

CG: Thanks for listening to this episode of Mastering the Retail Game. You can read transcripts of this podcast, review show notes and listen to other episodes by visiting spscommerce.com forward-slash podcast or by subscribing through most major podcast streaming services. Join us on the next episode of Mastering the Retail Game for more tips on how to win in the new retail environment.

Until then, this is Chris Gunderson signing off.

"Get beyond the data, know the insights and then know how to use those insights. Know those key interaction points, whether it's a seasonal business, whether it's looking at your daily in-stocks or your weekly in-stocks."