Special Merchandising Contexts-1

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Functions Provided by Internet Exchanges

- Product Directories
- Use of Reverse Auctions
- Collaboration in Planning – CPRF Software
- General Information about Trends

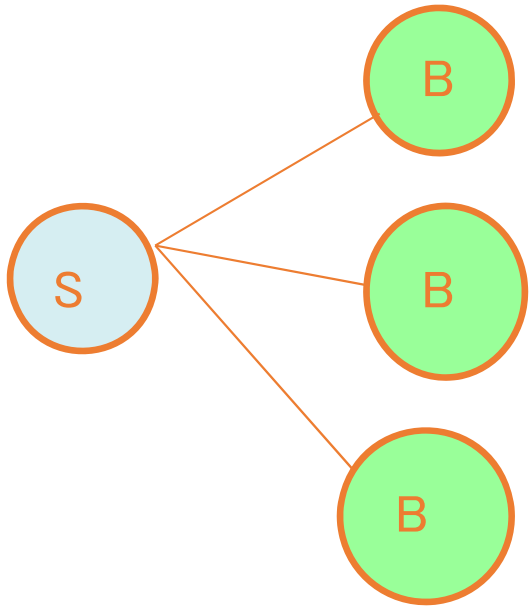
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Online Reverse Auctions

- Why reverse?
  - Vendors bid for buyer's business
  - Price falls
- One buyer, multiple vendors

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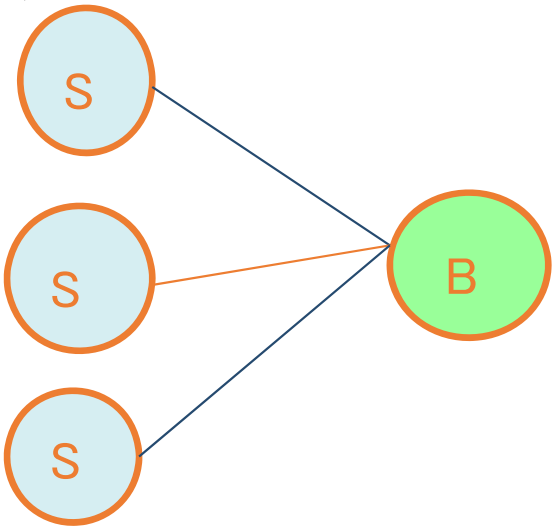
Reverse Auctions



Traditional Auction

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Reverse Auction

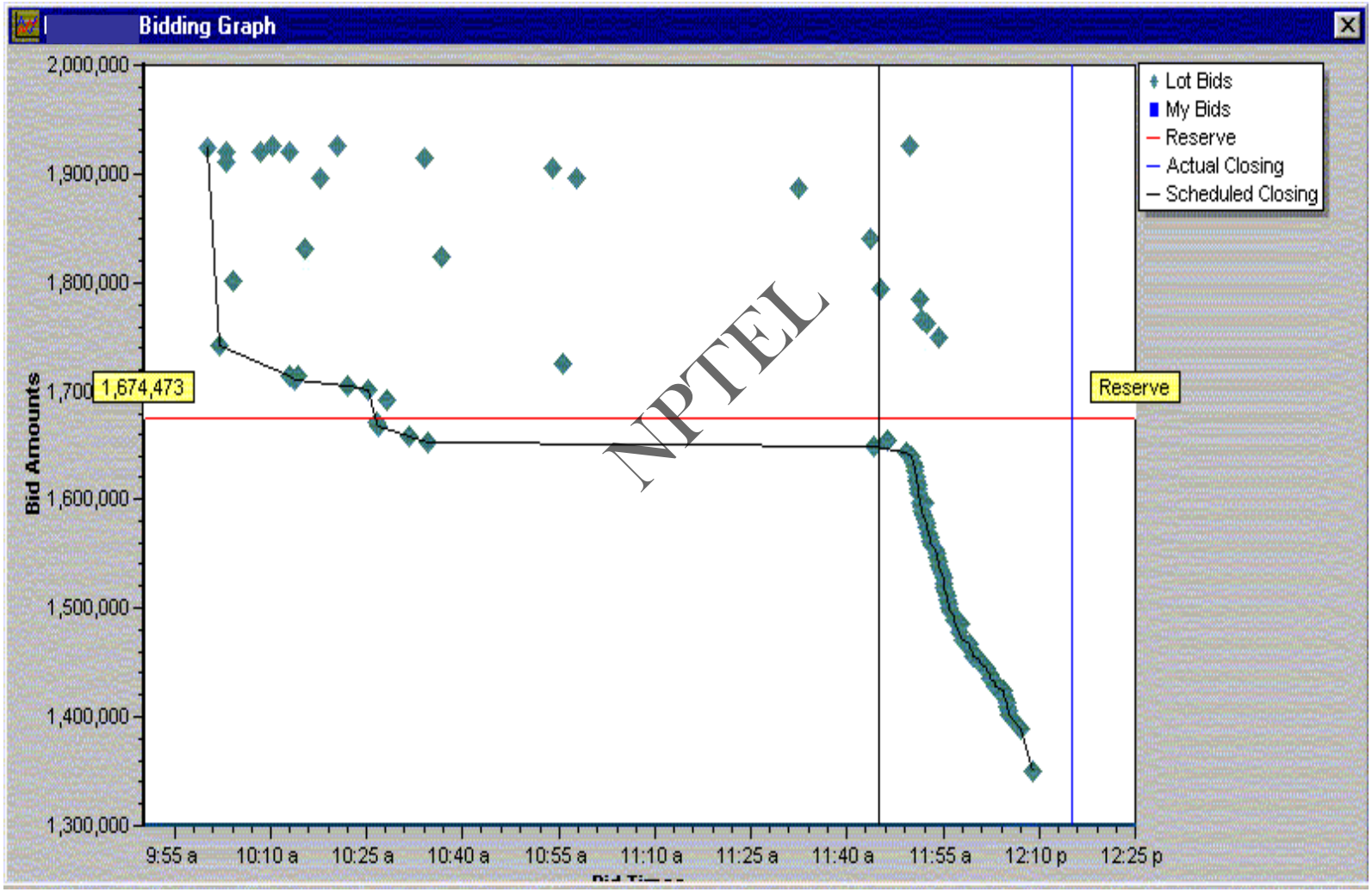


Reverse Auction Process

- Develop specification
- Select potential sources and invite them to auction
- Bidding for several hours
- Select supplier

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Price Path on Open-Bid Auction



Strategic (Partnering) Relationships

Retailer and vendor committed to maintaining relationships over the long-term and investing in mutually beneficial opportunities

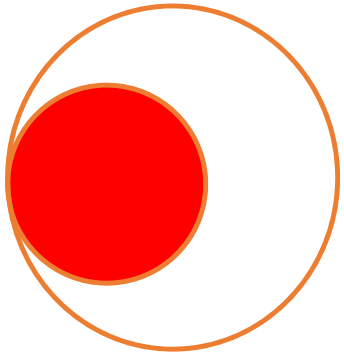


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Strategic Relationships

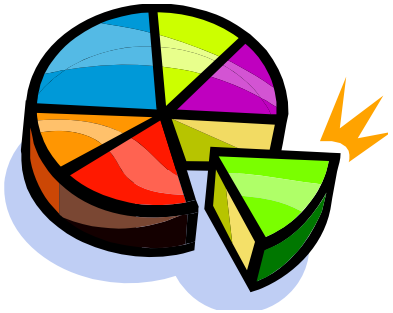
Win – Win --Concerned about expanding the pie, not how to divide the pie

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Retailer

vs.



Vendor

Building Partnering Relationship

Discrete

- One Purchase at a Time
- Short-Term
- Focuses on Price
- Win-Lose Negotiations
- Governed by Contracts

Partnering

- Anticipate Future
- Long-Term
- Considers all Elements
- Win-Win Collaboration
- Governed by Trust

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Building Blocks for Strategic Partnerships



•Stockbyte/Punchstock Images

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Mutual Trust

Open Communications

Common Goals

Credible Commitments

Developing Trust: Capability or Competence

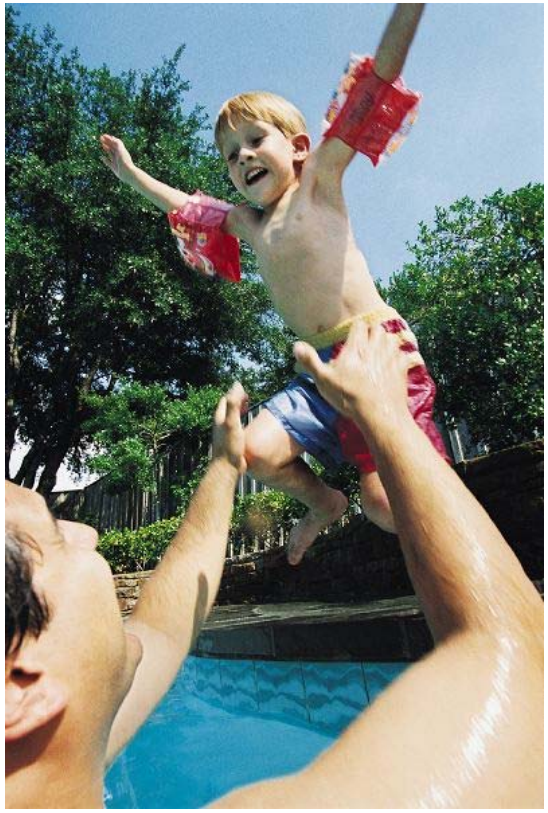
Competence

Salespeople demonstrate competence when they can show that they know what they are talking about.

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Requires knowledge of:

- The customer
- The product
- The industry
- The competition



(c) Digital Vision/PunchStock

Stages in Building Strategic Relationships

Awareness

Exploration

Expansion

Commitment

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Vendor Managed Inventory

- Manufacturer access to POS information
- Replenishment automatically triggered
- Enables demand-based view of replenishment & production planning – reduce bull whip effect

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VMI—What it Lacked

- Focused on replenishment activity only
- Static-model based (assumed fixed reorder points to trigger replenishment)
- Often only *moved* inventory ownership rather than *removing* it
- Incomplete information for decision making
- Vendor and retailers use different systems and data bases

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Collaborative Partnering Relationship - CPFR

- Common goals
- A single demand forecast developed collaboratively
- Collaborative Promotional planning & execution
- A single, shared data source
- Improved inventory management across entire Supply Chain
- Optimized replenishment strategies with joint ownership
- Process simplicity creates optimal framework for success

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Legal and Ethical Issues

- Contractual Disputes
- Resale Price Maintenance
- Chargebacks
- Commercial Bribery
- Slotting Allowances
- Buybacks
- Counterfeit Merchandise

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- Gray Markets and Diverted Merchandise
- Exclusive Territories
- Exclusive Dealing

Commercial Bribery

- A vendor or its agent offers to give or pay a retail buyer “something of value” to influence purchasing decisions.
- A fine line between the social courtesy of a free lunch and an elaborate free vacation.
- Rule of thumb - accept only limited entertainment or token gifts.

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Thank You

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