

Executive Briefing Hosted by 7thOnline

May 18th at 3pm-4pm in Suite E262



Moderator: Kathryn M. Cullen, *Principal*, Kurt Salmon Associates

Panelists:

- **Anne Cosini**, *Vice President of eCommerce/Customer Service*, Liz Claiborne
- **Cheryl Huckabee**, *Senior Vice President*, May Department Stores
- **Paul Lanham**, *Chief Technology Officer*, Jones Apparel Group
- **Rick Shaller**, *Senior Vice President, e-Business*, Saks Inc.
- **Gale Weisenfeld**, *V.P. Planning-MIO*, Federated Department Stores
- **Louise Chazen**, *President*, 7thOnline, Inc.

EXCERPTS:

Moderator: Let's start with Rick and Anne from the retailer and supplier perspectives, both of you are with companies that blazed the trail [with 7thOnline]. Tell us why you took this path.

Cosini: Liz's challenge was that orders were coming in so late after market appointments that we found it difficult to determine what to manufacture and how to do it accurately. We were using a very old process of a "Market Disk" and we knew the information on the market disk was only as good as the last update onto an Excel spreadsheet. As the retailers can attest, Liz's Product Master changed quite frequently, beginning two weeks before market, then during market and after market. We were looking for a technology solution that would allow us to integrate order placement, assortment plan updates in a way that would start the planning process well before market. So, when the buyers and AEs came into market, the focus would really be on the merchandise and having a business meeting, instead of ticking, tying and calculating the buy.

Shaller: From the retailer's perspective, along the same lines, the reason the buy would linger is because the much of the market experience would be new. We were starting to learn about the product and the line for the first time and we were just starting to crunch the numbers. As a retailer, we had a very short window of time to create and finalize the assortment plan, and to make sure it was the right plan and a quality plan, by store, and still get to the vendor in time to meet their needs from a manufacturing perspective. We were really looking for a mechanism that would streamline and improve the process before you got to market. Because as partners between retailer and vendor, even

though we communicated and talked about what was coming up with the assortment plan, we did not have a consistent, systematic way of communicating. It was much more intermittent and a lot would be missed.

Cosini: The information would represent the buyer and the account executive version. One of the secondary goals was the integration of information on both sides of the fence. We all believe in standards and synchronization of data and we all saw the same things about the order.

Shaller: We wanted to come to market much more prepared. So, by marrying the visual and line information, we could start building the assortment plan in a collaborative environment before we got to market. That gave us the ability to do a lot of pre-work before market. When we got to market, it was not about a trip that focused on going through the information and figuring out what the assortment was going to be. But, instead it was about validating the assortment that you already collaboratively put together and fine-tuning the assortment once the buyer had a chance to touch the line. While in the market, time is much more productive and the focus is on implementation strategies about how to

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- Cheryl Huckabee, SVP, May Department Stores

implement that line as opposed to worrying about product for missed stores.

Moderator: So, we've started with identifying the initial problems [prior to using 7thOnline's system], now let's talk about the challenges in implementing the system. Paul, perhaps you can address a couple of those points from a vendor's perspective and Cheryl, if you could speak from May Company's retail perspective.

Huckabee: I think the biggest issue for us was the skepticism on the merchants' part. They thought that they couldn't possibly move all the work they did during and post market that delayed the whole process to before market because they couldn't do anything until they saw the product. [After using 7thOnline], they expressed delight on how well and how much smoother it went for them. There was much less stress for them in the market. The ability to work with management and finalize numbers internally and with the supplier, in this case Liz Claiborne, in going to market – just in the context of no surprises – was validated. One of the GMMs told me that she walked the market with her laptop in hand, when she realized she had made a mistake with respect to how many sweaters she had placed. She said she was able to quickly and easily walk the showroom and choose which ones she wanted to drop and add and be done. So, in the end they were very, very pleased after being very doubtful in the beginning. As a company, we experienced almost no technology issues. We had some minor mapping changes.

Moderator: Paul, any comments on the challenges?

Lanham: Sure. Every company has embedded processes and procedures. They are usually well entrenched and don't always reflect the best way of doing things. So, change management was really the issue for us. Every tech person has a story about prying an excel spreadsheet from a user's hand. So, the challenge was getting our account executives used to the technology, changing some of their embedded processes and moving a specific item in their timeline up a week or establishing a pricing item sooner. As Cheryl said, there weren't many technical challenges. There were some data interface issues to address, but they were relatively minor. The challenge was really on the business end.

Moderator: Excellent. Thank you Paul. So, what are some of the benefits you've experienced? We talked about how getting the merchants to use the technology and establishing credibility with them were huge leaps. Gale, perhaps you can talk about some of the operational benefits once Federated started to use the product? Front-end benefits? Back-end benefits?

Weisenfeld: Sure, as Cheryl alluded to earlier, one of the major benefits is related to changing the whole timing of the business process and shifting the supply chain. Previously, the merchants are in market for a week and stayed until midnight everyday and they still weren't done when they left market. They still had another week or two weeks of market related work once they got back home. Now, a certain amount of the work has shifted. They are closer to a meeting of the minds when they get to market. There is more quality dialogue happening in market now too. They are still working just as hard, but their hours are not as long. The quality of the dialogue and the things that are being discussed is a better use of our time in many cases. Especially when we have flown over 3,000 miles across the country from California to New York for market. I would also have to say that in some cases we don't travel as much as many people do because we do have the visual image. For the divisions that are across the country, there are savings the tool delivers and the users also get a good view of the product.

In terms of the quality of dialogue, one of the strategic initiatives for Federated is providing differentiated product for our customers that help differentiate us from our competition. This is probably no different than the other retailers. We all have our private label business and exclusive market resources and there is definitely more focus on that during our market experience which is very important to us.

Moderator: Right. Quickly, with the other two retailers – Rick and Cheryl, are you getting the product out to the floor faster? Are you cutting down time in the whole supply chain process?

Huckabee: Because we are more on time with our order placement, the qualities of shipping and assortments at the size and color level are much better. We expect this effect to translate

into better product availability and ultimately, higher sales.

Moderator: So, we have a couple of quantifiable benefits then.

Shaller: The productivity of the time spent in market translates into a better quality product. I do think we have improvement in fulfillment and we have more time upfront for the manufacturer to be able to give us what we ask for.

Moderator: Anne, what about from Liz Claiborne's perspective?

Cosini: As we go into our second year with this, all of LC apparel is up. We didn't see that at the beginning, but now with time and maturity, we are seeing much more timely decisions and have moved the supply & demand process up by three weeks. We can't lose sight of the fact that the business that goes on around the technology will impact the results. The key things for us: 1) Liz is getting information sooner by collaboratively creating the assortment and 2) as a result, the upfront process has a shortened timeline. Ultimately, that leads to manufacturing the right product.

Moderator: When we start thinking about a tool like this, what do you think are the benefits to the industry by having a more standardized process? Is this something you think the industry can benefit from as well?

Cosini: We really believe that buyers shouldn't be going to different markets and using different tools. We believe this is the right way to go and to make it user friendly. Obviously, by leveraging web technology and being able to walk around with a laptop instead of a calculator deliver benefits. We've also put parameters around the structure and how you move the data using EDI.

Moderator: We have a group of competitors sharing information around the table, how do you not limit your comments in terms of your discussion?

Cosini: I think the competition really starts in the infancy stage. We truly believe in standards. Everyone is coming to market at one time and looking at different brands and we think everyone should be doing the same thing regardless of who the vendor or retailer is. Then

you minimize the technology changes you make to your internal systems.

Moderator: How do you see the tool starting to expand within your own organization?

Shaller: Because of the product's potential and the productivity enhancements it can bring to an organization, we see its relevance with our tier 1 vendors. The system is just so powerful with collaboration of the assortments and the increased productivity allows us to be more focused in market. There are great sorts and roll-ups. For example, even though the buyers may be all set with the primary merchant activity, they still have to get final approval from their DMMs and GMMs. The system allows the buyer to create nice formatted reports that are easily customizable for each manager. Specifically, it allows you to create reports by classification, cluster or stores. We are not paying the buyer to execute spreadsheet analysis, I want the system to provide those tools. I think there is a lot of opportunity and potential within the organization with the use of 7thOnline's system.

Huckabee: I couldn't have said it better myself. I think the opportunity is there for any company where the breadth of SKUs is critical. The system allows the organization to share information and collaborate with trading partners.

Moderator: Paul, what sorts of things are you seeing in your organization? Are you expanding the use of the system? Are you rolling it on a division by division basis? Are you rolling it out to additional retailers? Where are you going to go with the product?

Lanham: It's a worthy investment for us. We're rolling it out division by division and, as I mentioned before, we have it in two principle divisions. We're like a lot of companies, where we've achieved critical mass and now we have other divisional presidents asking to have a look at it because they are hearing about success. So, it is front and center in our presentations about technology and process. I think another point to make is that we should just look at the companies represented on the panel. There are very few vendors that can claim to have a platform that we are all interested in. So, it drives itself.