Channel Mastery Podcast, 137: Ryan Atkinson, SmartEtailing & Ben Barenholtz, Quivers

*This episode was recorded live as an SIA Virtual Town Hall on April 30, 2020.
The full recording can be viewed here**

Nick:	Hello everyone. Thank you for joining us today. My name is Nick Sargent and I'm the president of SIA, your association to help the winter outdoor community thrive. We're hosting the town hall Thursdays while we're all safe at home in effort to keep you informed, answer your questions, and to keep the community engaged. We firmly believe that opening the lines of communication in collaboration will be key to navigate these challenging times. Our goal with these town halls is to provide a forum for cooperation, sharing best practices and ideas as well as answering your questions.
	In addition, we have also launched the SIA industry hub on our website for the most up to date resources and tools including financial resources, snowsports.org/covidhub. The page is updated daily so please check back as often as you can. You can also find the winter community on our Facebook group accessible from the industry hub. This is a communication point for all of us to trade ideas, best practices and ask questions and get answers. Today's town hall, how to understand and nimbly adapt your specialty business to the needs and expectations of the post-COVID-19 consumer.
	This is the sixth in the series and we're excited about the group we have assembled today. Ryan Atkinson, present, co-owner of SmartEtailing and Ben Barenholtz, Director of Demand Generation for Quivers. And of course our friend and moderator, Kristin Carpenter. Many of you know Kristin CEO and founder of Verde Brand Communications. Kristin has been a partner of ours for a while, guiding us with her insights on the retail marketplace and now with her insights on how business can navigate the COVID-19 issue.
	If you haven't listened to our Channel Mastery COVID-19 related podcasts yet, please do so. They are listed in our industry hub and on our website. Well kicking this off with a discussion amongst our panelists and then spending some time answering your questions, some of those have been sent in advance and we'll answer those and we'll answer as many as we can in the time we have allotted. To ask a question, just type it in into the Q&A section on your desktop and we'll answer them in the order that they're received. Thank you again for joining us and let's kick this off with Kristin now.

Kristin: Hey there everybody. It's awesome to be here. Welcome again to SIA's town hall panel. First, a heartfelt thank you to SIA. It's very, very heartening to see an organization as dedicated as they are and working as hard as they are to bringing the most relevant resources, insights, data, and information and strategy as you'll learn today available to help specialty businesses navigate the incredible challenges being presented with COVID-19 and the recession. Again, check out SIA's resource page at snowsports.org/covidhub, no spaces there. So we're going to get down to the brass tacks today on how to evolve our specialty businesses so that we can successfully win the attention of and serve the fast evolving COVID-19 affected and recession affected consumer.

You're going to learn some foundational things today in terms of understanding the trends of where the consumer behavior is now and where we think it's going. Yes, that's a little bit of crystal ball, but we have a lot of, I think great resources here as well as our two panelists to weigh in on that. And also part strategy, in terms of how to prioritize and nimbly adapt our specialty businesses, which is really important as we head into I think another season here. And I know that as our season kicks off for 2020, 2021 winter, it's going to look different still. Everything continues to evolve.

So very, very grateful to have the resources in Ryan and Ben today. They both bring relevant and broader perspectives to how we must change our businesses to operate, to match the evolution of today's consumer. Both SmartEtailing and Quivers help businesses across specialty outdoor active lifestyle markets, actively respond to changing consumer behaviors especially regarding the unprecedented reliance on digital experiences in interactions our consumers are experiencing today. And we are also consumers and so we're all in that same boat. I mean you could look in the mirror and study consumer behavior on many levels and if there are others in your house, different demographics, you'll probably be pretty close to seeing what different demographics are doing as well.

But overwhelmingly, obviously we're all tethered to our browsers right now. Knowing that the way our consumer is continually evolving in terms of how they're researching and engaging in buying from specialty businesses will continue to shift. And before we drop in together, I thought it would be good for us to just touch base on kind of where the consumer is. We have to know where the consumer is now in terms of competing for this consumer's attention. And so I'll kick it off by offering a few insights obtained from an earnings report from Target that actually came out last week and then we'll tap into our panelists to weigh in on that and then we'll head into today's discussion.

So I believe it was April 24th, Target released earnings for Q1 2020. Obviously, it's not an apples to apples comparison as Target is a mass retailer, but they've done a lot of things nimbly and they also really I think focused on testing and learning an experiential reel. And while they do have a wide commodity business, they also do have some specialty business facets as well. So links to all the articles and resources mentioned will be at the COVID hub on snowsports.org as well, just so you know. So a few of the top lines from

this earnings report: consumers are obviously prioritizing needs over wants changing the mix of what they're purchasing through the Coronavirus and that's true across any channel. And so far through April, Target's comparable digital sales obviously increased a huge amount, 275 year over year. That's obviously no surprise.

And note that consumers in some regions have been on lockdown for nearly two months. So it's important to consider this because they've had plenty of time to build new habits around how they're operating and functioning and shopping, researching today. Also, not a surprise and a topic we're going to get well into today. Same day and curbside services gained incredible popularity during the pandemic. In April, Target has had weeks when drive up volume was up to seven times greater than normal. There were single days when the volume of order pickup was twice as high as Cyber Monday. Analysts expect consumers new habits to stick as they discover the ease of driving up and having Target employees put purchases in their trunk or having a shopper drop bags of groceries off at their home.

And last highlight that I thought would be important to kick off for our discussion today: consumers will continue to prefer a one-stop. So for SIA's membership, I believe it's over 65% of you are year round businesses, meaning you're already in the thick of it. Navigating inventory, staff, digital challenges, and all of the other forced modernization our businesses are going through today. And the focal season obviously for our group is winter 2020, 2021 still on the horizon and we're here to get ready for that. So first I'd like to just tap into Ben and Ryan to offer any insights you have specifically on consumer behavior before I ask Ryan my first question specifically about the bike market, so feel free to drop in, one of you.

Ryan: I'll start off then. And so thank you all for having me, first. This is really exciting. And Kristin, you and I have talked over the years and I think you're spot on with the Target... not analogy, but using it as an example because they're really training the consumer today on kind of how to shop and I think it's important for us all to know that the rules that govern modern retail apply to the specialty channels as well. And so I think the more that we can kind of use what we learned from those providers in working with the businesses that we do, the better off they are.

Kristin: Absolutely. Ben, did you want to weigh in on anything that you're seeing specifically at Quivers in terms of consumer behavior change?

Ben: Yeah, I mean I can get into the details as we go along. I actually wanted to chime in and kind of reiterate just what Ryan said because we use similar terminology. So I think it's interesting, the way we look at some of these major players, Amazon, Target and the rest, he's right. They are training consumers. Because we're going to talk a lot about consumer behavior, about the way it is and that can lead to conversations and debates and da, da, da. But at the end of the day, it is what it is.

So in some cases consumer behavior may not go in the way that we want. It might not be ideal, we wish it was a different way. But they are being trained that way sometimes

by forces that we can't control. And I think we have to meet consumers where they are and deal with it. I think that's an incredibly important context for the whole group discussion.

Kristin: Thank you. That's an absolutely perfect jumping off point. And I will say in the resource page that we're going to be posting to SIA's Resource Hub, we will have multiple links to articles there even beyond what we today in our discussion.

So with that, my first question goes to you Ryan. I was hoping you could fill us in on what's happening in the bike market now and how that mirrors consumer behavior changes.

Ryan: anybody Yeah, thank you. The bike industry has been more on the front lines than I'd say

other than grocery right now. We have a pretty broad look at at least the independent retail component of the industry because SmartEtailing provides website platform for about 20% of all bike shops in the US and Canada. March, obviously in bike is a super time. This is when the weather gets nice and customers start flooding in the doors. So this could not have come along at a worst time for the bike industry. Spring invoices were coming due, hiring was ramping up and all of a sudden there was a risk of demand just completely going away and markets being shut down.

Thankfully, bike retail in most areas got labeled as an essential service, which I agree with. I mean I think the mental and physical health aspects of it, the transportation component of it justifies the essential status. But what it has meant is that there's been a lot of consumer demand funneled to bike, because it's one of the one retail channels that's open. So many other activities for families have been restricted. And so people have been flocking to the sport. And so what we've seen is... I've been in the industry since 1994 and I've never seen anything like it. Really, it's been called a bike boom and that's really what it is, that the channel is being emptied of inventory.

Specifically related to this topic, really on March 19th when I look at my analytics dashboards, I can see clearly that's when consumer behavior changed. Website traffic across North America was relatively consistent with normal spring behavior, but what changed drastically was conversion rate, which is a signal of consumer intent. They weren't just going to websites in order to browse around and then visit the store to make a purchase, they started buying. And so in March, we were already trending up in that second half of the month. It ended up putting March up 24% for online sales, but then everything just accelerated into April. And with one day left, our platform is up over 1000% and we are literally emptying the channel of bikes under a thousand dollars.

The best way that I can describe what's happening is that the retailers cash register has shifted online. So 70% of all the transactions have been for local pickup. And as Kristin mentioned, curbside has been the most popular form. But the way that consumers are browsing the inventory and closing the transaction is all happening online. So some of these numbers will retreat as more people are able to visit stores. But I certainly, in

February web sales representative less than 5% of total revenue for many of our customers. Over the last six weeks, it's represented 50 to 100% and I think we're currently assuming that as things start to normalize that we'll retreat down to the 20 to 50%, but I don't expect we'll ever see 5% again.

Kristin: Wow, that's fascinating. And obviously what we're showing here is again more light on consumer behavior, especially how they're reacting to a seasonal change, frankly. And you're right, this hit at such an interesting time and it really went in a direction I don't think anybody was really prepared for. But the big takeaway there is again, on the browser and buying on the browser. So Ben, I'd love to shift the focus over to Quivers to try and get your take on basically consumer expectations evolving when it comes to a new bar being set for what we used to call a frictionless research and shopping experience.

So that was always an aspiration, right? Especially in the specialty markets because we just don't have the deep pockets of say, the Amazon marketplace, the Nordstroms or the Targets, the ones that are really training that consumer on day to day basis. But let's talk about our specialty markets. What lens do you look at the change in terms of how and what frictionless will mean today to this consumer?

Ben: That's a great question. Let's just address the major thing right off the bat is consumer expectations are exceptionally high, kind of how I alluded to before. Maybe too high some might think, but it is what it is. There's almost an entitlement to it. They want to buy when, where and how they want to buy. They don't have a lot of concern for your process and your operational confinements. I mean you can say we're not a deep pocketed, retailer like these big people, but I'm really not sure the consumers make those distinctions. Like in the data we're seeing, they want fast shipping, they want to be able to purchase directly from the brand website. Then they want easy returns. They want return in store, they want to buy online, pickup in store.

They want all these options, and they're not necessarily rationally thinking, oh this

brand

of this brand has the operational capacity to give me that? They just know that's what they want. That kind of goes back to the training we add from there. And the way we're seeing that play out is if you look at the numbers on our internal data and also what's out in the market, it seems like brand loyalty is kind of at a low right now, and brand fluidity if you will, is high. I mean in the past if you were a legacy brand, in our market with our customers, you've got some great ski manufacture who was born on some ski hill back in 18 whenever.

The brand equity and all that kind of creates a bit of an ego. If a consumer creates an

out

of stock or there's a high friction to get my product, they'll wait for it, right? They want us so much more than the rest, we are so incredibly special. Our relationship with our

particular customers means they're going to wait and they're going to come to me and they're going to buy when it's ready to buy or however it is that I sell it. But I'm just not sure you see that these days. All the various data points I see point in the opposite direction that consumers increasingly abandoned brands for friction, right?

When you talk to them and you focus groups and the two things they complain most about is buying friction on the purchase and fulfillment process, right? How easy is it to transact and make that purchase right then and there when I want it. And then what are the fulfillment options, is it going to get to me the when and the way that I want it? And when they don't have that, there's a high turnover of them abandoning the brand and going and buying a competing product instead. And to those brands, that seems a little like, oh my gosh. I mean if you're a Patagonia and you don't imagine your puff jacket has anything in common with North Face's puffy jacket right? In your mind? Ours is so much better, ours is so much different.

Ben: I think there was a time where some consumer loyalists thought that, but I think it's the tribal mentality is eroding. There's less consumers that really think that way. They might love Patagonia to death, but when you have friction and you have problems with fulfillment, you don't have fulfillment excellence, it's really changing their mind. It doesn't take much for them to go, "That North Face jacket isn't so bad after all."

Kristin: Interesting. Ryan, do you want to weigh in on that in terms of what consumers will be intolerant of from any brand going forward or any other insights you have when it comes to obstacles for researching and acquiring goods?

Ryan: Mm-hmm (affirmative). First, I think Ben's exactly right on kind of shifts in brand preferences. I will say that in the last six weeks, what it appears happened is consumers did flock to trusted brands, whether that be a bike brand, like a Trek, Specialized, Cannondale or Giant, or some of the most trusted retail brands in the market, so like local retailers. But I'd say generally, and most of our customers would agree that the brand partners that they carry are truly partners and exceptional. But most consumers don't walk through the door looking for a specific product as much as they used to.

Broadly speaking, we try to avoid looking at the consumer as a monolith. Because you can generally describe trends in their behavior, but I think Ben also said that the consumer doesn't see channels the same way that we do. And so I'd say generally consumers, they start their journey either... They know they want a product. So I'll use an iPhone as an example. They know want that iPhone and then it's really up to them. Did they learn about it on Apple's website? Did they buy it there? Did they visit the Apple store or did they visit Best Buy? Did They visit their cell phone carrier?

Ryan: Many other consumers don't necessarily have that brand preference, but they may have a retail establishment, whether that be a website or a physical retailer that they prefer. And they'll walk in the door and either just because of availability or a recommendation,

they'll choose a product because of it. And I just think that we need to kind of be inclusive of all of that and then really try to leverage the power of technology to make sure that where a product sits isn't going to have a negative impact on a consumer's willingness to buy it. So through kind of connectivity, making sure that no matter where a consumer is shopping, they can get their hands on the product in a predictable timeline.

Kristin: Right. Okay. And we have obviously a lot more to go into on that front with actual strategy so just stay tuned for that. But right now we're going to basically dive into one of the key anchors of this process. So the online research process, which is the brand or the retail website. And so I'd love to talk with you, Ben, if you can kick us off on this topic. If you could talk about the data that you're seeing at Quivers that really shows how consumers are interacting with brand versus, or and retailer owned websites today. I'd love to hear some of the key updates that especially business owned websites should have in place to meet the expectations of our consumer today.

Ben: Yeah. Well again, let me start on the big macro level. Because that's pretty true in question, I think it comes in two parts. On the one hand obviously what we just referred to at the beginning is that consumer spending is very much being pushed online, right? I mean the transactions are happening, e-comm is booming at Black Friday or Cyber Monday levels or above across a number of industries.

We are seeing soaring same store sales for a number of our customers for their online e-commerce marketplaces. But I want to point out because this is something we talked a lot about internally beaus what everyone wants to know is what's going to happen next. But I think we kind of alluded that in the beginning. Will this wear off? Will it drop off? Ryan mentioned it's something you don't see, not expecting it to come back to 5% levels for bikes.

There is actually a historical antecedent for this with SARS in China in 2000. I was looking at an analyst that had done some research on that, right? There was a major shift. It was very similar in their area at the time. I forget what the penetration was. I think E-commerce was like 16% or something like that. With SARS, it bumped out dramatically. A huge amount of physical retail moved into E-commerce. While it did come down a little bit, those new behaviors very much stuck, and those E-commerce levels did not return to normal. They did set a new baseline.

So I think right now, don't quote me on this, I think, what, in the US, E-commerce is 8%, something like that, as of 2017. It was expected to grow, whatever, to 16 or 37% by 2023, something like that. I would expect with that new baseline and some of these new trends sticking, you'd expect to see the shift of E-commerce... The rate of that increase and it not returning to similar levels.

I think that is a new normal that everyone has to deal with. That gets into my second

part of the question. I mean, answer, I guess, is one of the trends we're seeing is when you talk about brand-owned websites, retailer-owned websites, it kind of goes back to what I was saying earlier about manufacturers and needing to be excellent at selling. Even in the terminology, when you look at something called a manufacturer, I think that belies their attitude about their business, right? I make something, I don't sell something.

If you're a brand or supplier and you really are relying on just pushing all of your product out to the wholesale channel and washing your hands of it, you don't have control. You put it out, and that essentially gets sold for you, as opposed to selling direct on your own website and having E-commerce, a serious E-commerce play. Even pre-COVID, I think it was an increasingly antiquated way of doing business. Post-COVID, I'm just not sure that you can be left out of that. You know what I mean? Certain brands are going to die on that hill, and just for what it's worth, never get into E-commerce. But I think we're going to see that more and more.

But to Ryan's point, this is not at all to say one is better than the other, that these need to be at odds. The purpose of our whole software that we built was so that these can integrate and work together. So brands need to be able to own the selling part of the process, and sell D to C, to brands, and their products need to be available to buy on their home website. But there's various technologies that can plug you into the retailers that works in everybody's favor.

What Ryan was saying about the transaction being different, we call it decoupling the transaction from the fulfillment. If someone wants to buy online, we can actually push orders out. That online order, we can push it to the retailer, and it can fulfill off the retailer's shelf. So if a brand wants to take an order, transact, take the money online, and then have the customer pick it up on the curb, he can do that. If the brand wants to transact and buy it online, and the retailer wants to take it off their shelf and fulfill it out and mail it the last mile to the customer, they can do that. It's a win, win, win. The consumer gets whatever experience it is they want. And on the back end, the systems work together between the brand and retailer, and the money gets split, and everybody's happy.

I think people having that mindset of what their website is for and why, it goes far beyond just having an educational website on the brand side. Then on the retail side, we saw something... We're doing ourselves, but a close tech partner of us, they've actually been very busy spinning up E-comm websites for independent specialty retailers. Because even them, these guys, they're realizing... Even if it's not a huge segment of their business, that's something, a place they need to be, and they need to have that available. So they're spinning up E-commerce sites for their individual retail shops so consumers can find them there, transact there, then come pick up in store.

This company I'm talking about actually offers tech that does endless aisle. So that even extends kind of what we're doing, but backwards. Where if a consumer goes to a retail website of their local retailer whom they love, and they want a product but it's not in

stock on that retailer's shelf, the retailer plugs into the brand's warehouse, shows it in stock. The person buys it from the retail E-commerce site right there, and it just ships out from the brand itself. So it's basically endless aisle. Some retailers are absolutely eating that up. They love it. Right? I mean, it works in their favor.

Kristin: Well, I have somebody who can speak to that. Ryan's business is SmartEtailing. That's essentially exactly your blueprint for bikes. Why don't you give us a little background on that and how you've seen the retailers respond? And maybe some of the things that you've seen change year over year that you don't think they're going to need to stop doing anytime soon.

Ryan: digital   Yeah. In bike, the most sophisticated operators recognized years ago that having a

presence was important, and have been steadily investing. Yeah, SmartEtailing was founded in 1999. I think we were lucky to be early in the game. It has very similar functionality to what Ben described, which has become increasingly important because any physical retailer, no matter how large, they just have limitations on how much inventory they can carry. But if they're committed to a high quality brand, inevitably they want to be able to sell deeper into the SKU assortment that that brand has.

So the sort of we call supplier sync is exactly what Ben was describing, where the retailer   can sell out of the supplier's inventory. That's just becoming increasingly important as consumers do have that expectation of having a really broad selection, being fairly unforgiving about the fact that the retailer can only stock so much. Then retailers appreciate it, because it opens up new options for them to reduce their physical footprint or change the makeup of their stocking strategies in order to use the technology to sell more.

That's really how we come at this challenge. We start with the retailer. Their website presence is kind of the anchor to our business. And making sure that they're a... They have a future that's more than just kind of a fulfillment endpoint, but that they're a full omnichannel partner for the brands that they work with. And then they're capable of being as competitive online as a brand is.

Then on the flip side of that, we have a product locating technology, so that a consumer on the brand website has a choice. It is very common in bike now for that buy button to be on a brand's website. But oftentimes, adjacent to that or some sometimes interwoven with that is the option for the consumer to either redirect from the brand website to the retailer's website to buy. Or through integration, the consumer being able to buy from the brand's website, but off of the retailer's sales floor.

This integration is just a continuous process. It's only going to get faster. All parts of the channel are going to depend on it more. Because the likelihood of having the right product at the right place at the right time for each buyer, it diminishes with SKU proliferation. Technology can help bridge that gap.

Kristin: That's awesome. Again, I'm so grateful we have both of you on. You're really great resources for all of this conversation.

At the end of Q4 2019 and I believe into the beginning of this year, we saw a lot of consumer trends pointing to a growing expectation of online and physical channels offering a very similar experience, which is exactly what both of you are speaking to. The more similarities and conveniences there were, the better. Specifically, regarding choice, personalization even. But really, it's again what Amazon's been all training us to expect, which is just immediacy, access to a number of choice, and the most choice, and best price, obviously. All of that.

If we're looking at the dual forces of COVID-19 and a recession, what should our audience be considering in terms of steps that they should be taking to show up in this research and purchase journey? One example of that I think could be, if I could ask you, Ryan, what have you seen maybe some of your retailers and brands doing not to the best of their ability? Maybe they were like, "This is good enough for now." And now you're saying, "You know what? This is table stakes. You have to do this now. If we can maybe start with that, and then Ben, you can chime in when Ryan's done. That would be awesome. Thanks.

Ben: Cool.

Ryan: Sure. First, what I love about our customer base is... In bike, it's labeled the IBD, independent bicycle dealer. That independent part at the beginning is really important in our space, because it creates a lot of diversity at retail. So I try to be really careful to not tell retailers that there's a right or wrong way of doing it, because who am I to say what works?

We think in terms of micro markets. A retailer on the north side of the street has a different market than a retailer on the south side of the street. But on the whole, what the most successful retailers in the country have done in the last few years is to invest in digital capabilities. Even if it's a passive resource. Some of the biggest retailers in the country do not have very active marketing campaigns. But just the accessibility of the product through search and discovery creates a sales lift on its own.

Now, the real winners over the last seven or eight years have been the retailers that are invested in Google Shopping, especially on the parts and accessories side of the business, and increasingly more on bike as well. So the retailers who kind of combine the capabilities of their web platform with a proactive and purposeful digital marketing plan, they're the ones that are winning the most.

But certainly, the whole channel is recognizing the importance of a website now. People are really kind of flocking to services like ours. The word accessibility and technology right now tends to be more geared towards ADA compliance. But I think it's important to look at it in terms of how accessible is your business or your inventory. I think with

the restrictions that have been put on public life lately, a retailer who is 100% dependent on a physical transaction is really at a disadvantage moving forward.

Kristin: My understanding of the way Quivers works, and please correct me on this, but essentially as you said earlier, Ben, it's almost like the brand website, there's a buy now button, and it goes out to a number of retailers that are enjoined in this process on Quivers. Maybe that's where we start. Because ultimately, isn't it sort of like a time segment, almost like a queue where it moves from one to the next? Can you explain that and maybe how you've seen that process evolve in terms of what you're offering right now?

Ben: Yeah, I mean, again at the high level, I think for us, it is connecting the two experiences.

When you say... That stat you mentioned about the online, offline needing to be similar, I don't know where the stat came from. Similar is an interesting word for me. It's not that they have to be the same, right? That may be a little too literal in my mind. But the idea that they need to be integrated and seamless and have... From the consumer standpoint, that it doesn't seem like two different operations.

I mean, I personally anecdotally had consumer experiences where a brand site told me something about a return or fulfillment. I showed up in store, and the store had no idea what they were talking about. Right? They were like, "I have no idea why the brand had that on their website or why you could say you could come here to do that stuff." Those are the consumer experiences that go very badly, right? Is when the online and offline worlds just are not talking to one another. It's like they both have their own agendas. So I think that's an issue.

In terms of what we do, yeah, how we solve that is for brands that are selling online, a lot of times that can be competitive with your retail channel. We really believe very wholeheartedly, the whole reason our company started is that they don't need to be at odds. The more physical retail and online E-commerce work together, the better everybody wins, between those two entities and the consumer.

So we made the software such that brands can sell online. They would typically experience what we call channel conflict, right? I mean, your retail network, your special independent dealers, your big-box retailers, they would all kind of give pushback, feel like you're cannibalizing their sales to a degree. So we developed this process that you could sell online, and then fulfillment... Basically, fulfillment agnostic. If a brand wants to set it where...

I went into earlier about why brands need to be selling online, right? I take that as an idea here that you need... People come to your brand website ready to purchase, right? They just do. We can go into that as an aside. So they're there, they're ready to purchase, you do the transaction. Now, they don't really care where it comes from, right? They just want to have it the way they want to get it. They either want it to show up immediately at their house if they want shipping. Another segment of the population

doesn't want to pay for shipping and wants to go pick it up. So you have those things available.

From the brand's perspective, they can set certain product lines, they can have certain rules around it where they fulfill out of their own warehouse and just ship direct to consumers. They also can port out a number of their orders instantly out to those brands. And those brands, based on the inventory they have to fill it out.

In terms of the technicals you were talking about with the Q and that sort of thing, that's evolved for us over the years. We started with a very simplistic model where we kind of ping out a round robin queue, and they would use an app. A retail store owner would use an app to, say, confirm it and say, "Yeah, I have it." Right? Then that order would finish. If no one did it, it would go on to the next retailer.

We've got far more advanced than that by now. Now we have ways of ingesting the inventory of those retailers. If retailers give us the inventory information, they can share it back with the brand, and that enables a lot of more very interesting kind of tech enabled things.

One, it makes that process seamless. We've gotten to the point where we're cutting down fulfillment times for these brands who were already selling online, but then do this distributed fulfillment. We're actually fulfilling faster locally, because we ping it out to a local dealer who lives much closer to the consumer where they took place. The dealers already put their inventory in, so we know they have it. They don't have to confirm anything. It just gets sent as an already confirmed right to the retailer and says, "Hey, you're on deck to fulfill this." Their system automatically accepts it.

Ben: They pick it and they have it in a truck and off the dock in absolutely no time. Our times going from order confirmation to shipping confirmation to actual delivery, you can check out some of our case studies. We're cutting times for some major brands in pretty significant ways. I mean, we've reduced brands that have had an average delivery time of like seven days down to like two days on average.

Kristin: That's awesome. It's really, really cool to hear how that's evolved. Thank you for sharing that.

Ben   Sure.

Kristin: The retailer uploading the inventory, I think historically may have been a little bit of a challenge. Is that something that's just not a problem anymore?

Ben: No, I mean, we've left that in there. Because I mean, come on, we're not biased against retailers, right? I mean, we love the small to the big. So if you're keeping your inventory on pen and paper, you can literally... We can scan it and take it in.

A lot of people are still keeping it in a flat file, so you can upload a flat file. We've made

that process as frictionless as possible. If they want to get to the point where they kind of work on their tech stacks, that they've got something where they're keeping their inventory in their ERP or whatever it might be, and use an API to pull that to us, we can do that as well. Basically, just kind of made it as easy as possible to get your inventory in the system as quickly as possible.

I mean, it really benefits both, the retailers. Because one of the things on the retail side, they hated missing out on fulfillment. Retailers love this. It's just basically like free sales for them, right? The brands are helping them move product off shelves. With them, they would try and accept a round robin order, and they would miss it, right? They wouldn't respond in time, so it would move on and then someone else would get it. So they learned that if they uploaded their inventory, as soon as it gets shipped out and they have it in stock, it's auto accepted, right? So they stopped missing out on fulfillment of orders that they wanted to fulfill for.

On the brand side, having all that inventory availability, they basically get... It's like you would with corporate stores, right? But with your independent dealer. They suddenly get a view, an inventory view across this dealer network across the country, right? Which enables them to do a ton of things, as you could imagine.

Kristin: That's great. Ryan, did you have anything you wanted to add on that? Because that, to me, I think is a very concrete step that to both of you may sound like a no-brainer. But again, we're talking about prioritizing and upleveling our companies so that we're ready to serve this consumer. Obviously, brands' websites have much broader reach. So that's another way to tap into a much broader reach for your retail region. I don't know, Ryan, if you have anything you wanted to follow up with before we head over to the next topic.

Ryan: Well, I'll just reiterate what Ben said. I think that retailers on a whole have really come
to
            appreciate that if they can provide some transparency into their inventory to their brand partners, that those brand partners will help them sell a product. That's become much more widely accepted over the last three to five years. There definitely was a sense amongst retailers in bike prior to that, that brands would take advantage of that visibility. That seems to have really fallen by the wayside.

Kristin: That's good. Then also, I know operationally speaking, it is important for the retailer to actually have their ducks in a row, so to speak, in terms of how to integrate with this with your staff, and to make it seamless and make it quick for that consumer. Because you could have all the tech in place as you possibly can imagine, but if that human touch or that human process isn't in place, the whole thing will burn to the ground. That's another thing that is really important to get in place.

            To add to that, we're going to talk about buy online, pickup in store, and curbside pickup.

I have some things to add in after we talk about some of the blocking and tackling on this. And the trends around it that would be helpful I think to set an evolving process, really, in terms of how to truly recruit and enroll consumers who are coming to your store to pick up something in the future.

But we're going to start with the brass tacks. Let's get into buy online, pickup in store. I mean, Ryan, when you and I talked, I think it was Q3, the end of Q3 where we did a show on kind of what holiday 2019 was going to look like. It seems like years ago. But that was only a couple months ago. But we talked about just the crazy hockey stick growth of buy online, pickup in store. Obviously, curbside is another facet to that.

But can you give a little bit of background in terms of how you've seen that evolve even pre-COVID? Because I do think it also really speaks to that consumer really being in an expectation mindset around this. Now that we've... I feel like we've seen the clutch drop and speed this along like three years in what's happened since the COVID and the recession has hit. So let's talk about what you've been seeing prior to holiday through holiday, and we'll get into kind of the speed with which it's evolving today.

Ryan: Yeah, well, you're exactly right. Historically with our platform, retailers in bike always preferred the what we now call click and collect. Because their preference was to sell the inventory that they had in stock, and many small businesses didn't really want to be in what they traditionally viewed as the E-commerce business. They didn't really want to pick, pack, and ship a product, so they would try to steer as many customers towards click and collect as possible.

But really over the last two years, it started to become more clear that large retailers
like
             Target and Walmart were leveraging that distributed inventory that they had, paired with good technology to connect buyers with the product that was closest to them. They were really leveraging that as a competitive advantage against Amazon. Retailers started to kind of understand exactly what that meant for their smaller businesses.

So we saw click and collect steadily rise over the last two years. It averaged 40% of orders throughout 2019, with peaks above 50% in August, which is prime bike season. Then around the holiday season, obviously. Then it's continued to today. As I shared earlier, I don't think it's going to retreat much.

Kristin: Right. It's not going anywhere, especially with Starbucks and other day-to-day essentials for us as COVID consumers obviously now navigating a recession. But we've seen... I think these stores were coming online for Starbucks right around holiday, where they would have order online and then curbside pickup, if you will. Where basically, you still had the barista human touch, but everything was done digitally. So it was a nice melding of tech and human.

Again, people were starting to see that, I think. Now that we are going through

COVID-19, we're seeing a lot of businesses really, really bolster, such as pharmacy or lots of other... Grocery's the biggest driver, I would think.

But let's talk about this. Let's talk about kind of bumping up our game from just basic blocking and tackling on this to what we need to do to be exceptional or specialty. This literally will evolve what specialty is. As our guests here have said, the consumer may be less loyal to brands, but I think the more we can prove trust with great experiences and reliability on these topics, the more we can actually bring them back in to belong to us again.

Ben, I would sure love to hear what you're seeing in terms of really strong success stories with curbside pickup or buy online, pickup in store. We need every single thing you have.

Ben: Yeah. Well, mine's a kind of answer. Because first of all, I think buy online, pickup in store, again, from my perspective, is always a bit lighter. It's one point of a larger piece of the puzzle, right? Whether you're buying online, picking up in store, whether it's buying online and fulfilling from the store, whether it's buying online, return to store. These are all points of what I see is fulfillment as a differentiator. I think you've got to get the bigger mindset here. If you want to be excellent and you want to really be-

If you want to be excellent and you want to really be amazing at buy online, pickup in store is make it a part of your fulfillment excellence process. Down at that level, do you need it? Do I need one? Do I need all of them? Personally I think you need all of them, but buy online, pickup in store certainly in the near term with the certain environment we have now, yeah, you absolutely need it.

But there's another reason you need it, and that is based on consumer behavior. COVID means you absolutely need it probably amongst the other various fulfillment options. It's something you need to be doing now because of COVID, and that's not going to go away for a while. But a broader trend around shoppers, there's a lot of data that shows while a lot of shoppers really do want to buy something and have it delivered, most shoppers prefer to do it that way. I think it's definitely over the majority. We can argue about how much. 60, 70, 80. But a lot of people want to have stuff delivered to their home these days.

Ben: However, there's a huge caveat to that. With items that have a high cost of shipping, that's a major, major hurdle. All those people that want things delivered to their house, they actually have a low threshold for shipping costs. So unless you can eat the shipping cost, if you've got shipping costs, once they get over like $15, $30, the preference massively shifts to pick up in store. All the way across the board. Once you're incurring those shipping costs, they'll either abandon the sale and if you don't have pickup in store, you probably will lose the sale. If you have pickup in store, they move to that option instead.

Then the last one that we see with our brands and retailers is there's just verticals, and

bikes is a perfect example for that, that can just be a bit awkward to ship, right? I mean, if a dealer ships it originally from their warehouse, they can assemble it all, put it in a box and then ship it out. It's an investment in high overhead for that. But with our model of bike shops, we tend to lean more towards pickup in store than fulfillment out the back door because if an order is placed online for parts. If I don't have to come to the store again, it really breaks down by product. If you want me to go down to the store and go to the curb to pick up some bike gloves and a helmet and some new pedals, come on. You're putting me through the ringer here. I don't need to do that. Send the bike handle grips to my house. I'll put them on myself.

But if I ordered a new bike online and I got to go down and the local store has to pick that, a lot of times they assemble it to put it on display. If they've got to disassemble it, put it back in the box, they may not have the original box that the brand sent to them so they got to have some sort of boxing capabilities, put it out on a last mile truck and get it to the store. That can be really tedious. That deliver locally is not always... That distributed fulfillment is not always a perfect scenario given the nature of that product. With a lot of our bike brands, some of them still do do it. They are just very advanced. We've got a couple of bike brands on the platform, bike manufacturers, the retails who fulfill for us, they do pick and repack, which it's a higher rent for them. But I think they do more business in pickup in store and most of what they just fulfill out the door and ship to the consumer from the retail shelves are the bike accessories.

Kristin: Okay. That's awesome. Obviously, we're talking about micro fulfillment here, which is a pretty big trend that's been brewing for a while. I think it's a great one for us to consider. I absolutely love the way you put that, Ben, in terms of making this just part of what we do, part of our fulfillment strategy going forward. Because ultimately, as you said at the beginning, we have to be where the consumer needs us and wants us to be, and we have to be willing to bend over backward. I would love to hear more bike perspective on that because again, it does have an awkward ... Let's face it, there's an awkward component to it, but we're also getting a lot of data right now because we're shipping a lot of sub $1,000 bikes to people who probably don't know how to put them together. So give us any insights you have on this.

Ryan: What we're seeing is a lot of local home delivery, and Ben hit the nail on the head in terms of the complexities of the bicycle, both the cumbersome nature of getting it professionally assembled and delivered. But then also even, there's really just a subset of the bike consumer who would be capable of even putting on a caliber or something like that. That local home delivery is a key component in the IBD channel right now. You do see some brands who have temporarily lifted some restrictions on allowing local retailers to ship pre-built bikes. This will be an interesting test period to see whether the volume was meaningful, if the customer experience was good and obviously if a liability isn't increased in a meaningful way.

Kristin and I have talked about Canyon. For those of you who aren't in bike, it's a pretty powerful brand in Europe especially who's come to the US last couple of years with a direct to consumer model. I think they've really paved the way on the capabilities of the

manufacturer to put a built bike in a box that virtually any consumer could put together. The rules are changing. I think that anybody in bike retail should assume that at some point in the future any major manufacturer is going to have the capability to ship directly to the consumer. And then it's really their choice in terms of what the timeline is or how margin is shared and that sort of thing.

Kristin, you said something earlier, if you don't mind, around the experience. That's really what we're seeing now is with this rapid shift to online buying, the retailers have been challenged to shift their customer service staff away from the traditional greet within 20 feet or 20 seconds. Now it's much more phone, live chat and email customer service. That makes all the difference in the world in terms of both operational strain, because if the retailer is not able to stay on top of order management, communicate proactively and in a transparent way, then they end up doing double work because their phone is ringing and they're having to answer questions for customers that if they'd been one step ahead, that phone never would have rung.

Ryan: Then on the flip side, does that customer show up to the curb frustrated, or do they show up pleased and they're going to tell their friends about it? regardless of where the sale closes, depends at the point around if it's fulfilled at retail or even if a supplier fulfills it, customer service is just absolutely essential. Those rules have not really changed.

Kristin: Right. That is at our DNA. Again, I personally and again, I realize both of you have great insight into just the whole loyalty issue. I mean, as specialty brands, I think we've worked really hard to build relationships. On the marketing side, that's content. It's nurturing. I do think we still have to continue that just because the trend right now is showing people are jumping from brands from friction. I do think that things will settle and thy will be emotionally available to us again, I hope. I do realize that's a little bit of a crystal ball, but again, that's why a lot of us on this town hall got into the business is we love working with people. We love showing them experiences.

Part of what we're showing them now is how exceptional we can be at convenience and how getting them out and enjoying what they need to do is easier than ever. That will become part of what we're looked to, even though it has a tech element to it. The more we marry humanization with that tech, I think a winning equation will emerge in the future, I hope. With that, it's kind of our last question. It's a great one to end on, and then we have time to get into some questions here. But I'd love to have each of you or one of you, whoever, if you want to chime in both of you, I'd love to just get your take on how digital connectivity between brands and retailers will be evolving in the next few months because that's right when winter sports is going to be kicking into high gear.

Ryan: Ben, I have a feeling our answers will be similar, but do you want to start?

Ben: Yeah, sure. Yeah. In terms of the way they integrate together, I can get into all the tech stuff in a second, but I think just what you said earlier, one thing I want to touch on about all the things happening, the various options they're filling in store. One thing I

want to point out that we haven't talked about enough that I think is super, super important is when we've kind of brushed over the decoupling of the transaction from that fulfillment process. The one thing I think that you're going to see people get away from because it is a very negative customer experience and it's something that just does not benefit brands in a lot of ways is the idea that you go on that website and that you get rerouted to a store without a purchase taking place prior.

So like buy online, pickup in store, the reason that works is because the transaction took place before you went out there. The old school way of you go to a store, maybe you browse some product... Sorry, a brand website and browse some product, you see something you want and then you hit those old dealer locator buttons that go, "Oh, here's a Google map of some stores around you. Good luck. Go find it." Like you send them out on a wild goose chase to get there. Maybe the most advanced dealer locators actually pull some inventory and confirm that the inventory is there in the local store and they have it.

Our data shows that when you come up that when you send someone off your website and they go down there, they were on your brand. They had intent to buy, right? There's not a bunch of other competing products lined up on your site. They're there. They're thinking about your products. They only have your products. The second they go offsite to an retailer, to a back country., They go into a retailer, your product is racked up against an assortment of other products. That's literally the retailer's job, right? That's a no knock to retailers. They are doing their job, but we've seen like up to a 50% drop off that when you send them off, they're in the store. The purchase didn't get captured there on site ahead of time and you send them in there to browse, half the time they're going to end up taking another product.

That's just another way that... And I think in the past that could be an animosity issue, but I think now it's a cooperation and collaboration issue, right? Let's get that transaction happening wherever it is, whether it's on the site of a retail shop, that brand site, let's get that transaction done. Let's get the consumer paid for for what they want and then let them fulfill and get it to them however that needs to happen.

Kristin: Thank you. That was awesome.

Ryan: Yeah, I think Ben nailed it. I think the only... Especially on the point of just a traditional dealer locator is virtually worthless at this point. The only people using that are companies trying to sell things to brands or try to glean contact lists from brand websites.

Yeah, exactly. Kind of to Ben's point, I'd say product locator is a more valuable feature. The retailer happens to have the product that consumer is looking for. He's also exactly right that you're going to have a drop off in conversion rate for the brand's product when you refer off site. I tend to think that I like to avoid all or nothing decisions. So it would be very reasonable for a brand to say I don't want to direct any traffic off the site if I've got a convert or a consumer at the bottom of my conversion funnel, I'm going to

capture that sale right now, precisely the way that Ben described, and try to include the local retailer in that process as best as possible.

But every consumer is different, every brand is different. So it's still a very viable strategies to redirect the consumer. But if you're going to do that, I'd use a sophisticated solution. You don't want to redirect a consumer to a retailer's homepage, for example, where they have to stop the shopping journey again. You want to send them right to the product detail page and you want it to be one click away from buying product. I think it's just becoming crystal clear. The majority of retailers are going to need to have a digital presence. So I think you're going to see a lot of retailers jump in, set aside, some of the... A lot of retailers made decisions 10 years ago about eCommerce and they're going to revisit those decisions. They may set aside expectations of having the perfect eCommerce website to take on the nationwide players and understand that it is a cash register online and I need to get capability first and refine style and brand presence over time. And then with suppliers, integrate, find a partner, find multiple partner but build that connectivity out because wherever the consumer is, you want them to... In an approved way, you want to maintain channel integrity as best you can, but if somebody is an approved distribution partner for you, you want to have that two way inventory flow and ideally a way to manage orders together.

Kristin: It really improves trust on every touch point. So I think that this has been really, really helpful. And obviously-

Ben: Can I add him just because-

Kristin: Oh, yeah. Of course. Yeah.

Ben: I love the way he ended it and I think it's really ironic because I'm going to say the same thing the opposite way. I was going to end in the same way. He just said every retailer needs a ecomm presence these days and it's absolutely true. Then I'm going to say that every brand, most every brand can benefit from a physical retail presence. He's saying we need eComm, and I'm saying we need physical. Both of them need each other. But on my side going in that direction, there was a really good quote by a Harvard Business Review article lately that showed, the data they showed, that any D to C brands that started dabbling in physical retail all had lower merchandise return rates and higher repeat purchases than their online counterparts. So just to show that like having an integrated omni-channel experience is usually almost always better. Usually almost always because it's always better than trying to go it alone in either way. If a physical retailer is not trying to get online or a brand's not trying to sell online or go to D to C and start to abandon the retail network, the two absolutely have to work together. I think what Ryan said about the customer experience, the one thing I believe about retail is they absolutely own the experience. They're always going to own that and that is absolutely never going to go away. I saw a quote that said that their prime function in retail will be the customer experience part, that there's no bot or personalization bot or anything that's been invented online that's going to replace that great sales assistant,

like the experience you have in store. They own the local community interaction. They're with consumers at that level. I think that is absolutely valuable.

Kristin: Yep. That is one thing on the resource page that SIA has posted in some of the past town halls we've done as well as some of the podcasts we've produced for SIA around COVID. There's a lot of information in there around just retailers and brands highlighting mission, vision, values, highlighting ethics a little bit more, telling a story that is humble but talks a little bit currently about what's happening and how they're contributing in terms of the pandemic that we're in right now. That is actually something that consumers, not only are they actively considering brands and retailers in terms of what's the easiest and most convenient, they're also aligning themselves. You can't be great to everyone, but the people who really resonate with your shop or your brand will see what you're doing and they'll want to raise their hand and be a part of your community.

Again, we're in an evolution. They may come out and go back in, but they have to have that two way conversation with you, both on the retailer and the brand side. That's something else that we have a lot of information in past, very previous, but podcasts that have come out prior to this town hall.

Thank you so much to both of you. Let's get some questions in here because we have a lot of questions. I'll also just say to everybody, if we don't get your question, if it is a question that wasn't addressed by a question that we did get, we will be answering your questions probably in a followup email of some kind. So just know that we will answer all the questions. With that, we actually have... I'm opening the chat first, then I'll go to the questions. It looks like we have one from Mike Hattrup, who is kind of a celebrity. Great to hear from you, Mike. He says, "Ben said that every brand needs a physical retail presence. Is he saying brands should have their own stores or partner with brick and mortar retailers?" Great question, Mike.

Ben: Yeah. That's fantastic. I'm agnostic about it. I think that the independent retailers provide a bit of flexibility. I was actually talking with the president of a major skiing manufacturer, no, I don't like to call it manufacturer, the major ski brand, and he had a really interesting perspective on that like, well corporate stores certainly gives you a large amount of brand control over what happens there and the experience in store and the fulfillment process through those stores. He got us a specialty retailer, especially with our shops and retail networks. His relationships with that need to be deeper in the future, that they need to be more intertwined so they're closer to being like corporate shops. But the independent, like he just talked about in independent bike dealers, is one that creates a lot of creativity and individual mindedness that you need out there in your retail shop that's going to react to local consumer situations that you just might not be able to do if you're doing top corporate stores and you can move in and out of relationships with them.

Ben: I mean, obviously you want to have relationships that lasts and test the test of time, but sometimes business situations do change. I think brands can kind of almost have... It's almost virtual corporate stores where you kind of spin up and spin down in regions that

you've got demand. You can spin up and start working with a very select group of amazing stores who are committed to the type of experience and excellence that you want as a brand and those are your guys.

One of the things we always talk, because you don't need a million stores these days. You don't need a huge retail network. You need the right retail network. For most of our customers, corporate stores have a place that's usually the actual volume of corporate stores is decreasing. You're seeing that correction away from that. It may be a decrease in the total amount of retail stores, but a much increased commitment to the retail channel with very select stores.

Kristin: I think that's only going to accelerate because who knows how we're going to all get through this. I think again, we're going to see consumer evolution continue as well. Ryan, did you have anything you wanted to add to that or should I go to the next question?

Ryan: Ben just spoke briefly around the vibrancy and and drive of an entrepreneur and kind of what that gives for solving challenges at the local level. I'll never underestimate the power of entrepreneurs and then just observing bike. Bike brands tend to drive the conversation a lot, and there's really only been one brand that's succeeded at running branded stores. So it's proven to be much, much harder, I think, than what was anticipated.

Kristin: Yep. I agree. I have a couple questions here from Jeff [Harvo 00:19:39]. So thanks so much for writing in, Jeff. One of the questions is really interesting and I think Ryan, this might be one you want to take, but it's obviously open for both of you because I'm going to make a Trek analogy. But he asks, "Does the retailer give up any margin to the brand since the brand is financing the inventory?" In terms of everything that we've been talking about here, because I understand that when Trek first did their D to C, they actually were able to direct consumers to a regional store, but they weren't able to sell their Florida inventory. They had to pull it from Trek's inventory and there was a lesser margin. So if you can talk about that a little bit. Has that evolved? Is that still the case? Of course, Ben, we need you to weigh in on this as well.

Ryan: Yes, you're exactly right, Kristin. Each of the bike brands handles this a little bit differently and have different capabilities. Some can sell directly off of a sales floor. Others do have to ship a bike in and each one handles market share or commission, that they label it differently. My assumption is that's going to be just a factor in dealer agreements moving forward. What was the original question? I'm not sure if I totally caught it.

Kristin: He asked if the retailer gives up any margin to the brand through this process.

Ryan: Yeah, so I'd say that through our service, so if the retailer is the fulfillment mechanism for a sale that closes on the retailer website, then the dealer gets full margin, they just sold it out of the supplier's stock. If on the other hand the sale closes on the retailers website and they use the drop ship program, then that drop ship program comes with a

cost, which has proven to be an acceptable cost to most retailers because they don't have to carry the cost of the inventory or the operational burden of shipping the product. Then if the sale closes on the brand's website, which is where I started. It's a very dynamic environment right now that will likely evolve over time.

Kristin: That's a great question. Ben, can you weigh in?

Ben: We actually tried to solve this by just making it as fluid as possible, so we got to make it where you can split it any way you want to. With our model, like I said, for the most part what's happening is the transaction is taking place on the brand website and then either the brand is fulfilling it through their warehouse direct or they're pushing the order out and the retailer is fulfilling. In a lot of cases, the customer is just leading all the margin with the retailer despite the fact that the product moved off their shelves. Sometimes they do a little split where the consumer can take a cut on that, but that literally just comes down to a grievance. There is nothing set. Our platform does not try and push it one way or the other. Literally we leave it entirely between agreements between the brand and retailers and everybody slices it up their own way. People seem to be pretty happy with that. The one thing they want is it not to be forced in one way so that they can work it out amongst themselves. I mean for us, for the brands, what we see is that even if they don't, even if they leave the margin with the retailer, what it ends up being is that the brand's website helps sell through in annual inventory turnover and then they come back and buy more from the reps and in stock deeper. Maybe they expand the product catalog on shelf, et cetera, and the brand makes that revenue in a different fashion.

Ben: You don't mix that revenue in deferred fashion. So it's usually not a point of contention.

Kristin: Okay. Great. All right. And then Jeff also has another question. He wants us to expand a little bit on the trend that we've talked about from the target earnings report of consumers wanting one stop. So obviously we're talking about Target, Costco, Walmart, he says that offer all of these things in one place. What does that mean for our specialty consumer? That's a great question.

Ryan: I'll take it first, Ben. I think I'd say that in bike, consumers again, just like they don't necessarily see channels, they don't necessarily care about dealer agreements. So they go to a bike store. They don't necessarily know that going to a tract store means that they're unlikely to find specialized or something like that. So there are certain brand restrictions, and certain retailers limit selection. Exclusivity limits selection. But especially when you get into the aftermarket space, with the diversity of distributors that are in the bike space, with technology platforms like SmartEtailing, a retailer has that endless aisle thing. I love that term that you used earlier. And so the consumer can put five items in their cart and two of them are in stock at the store and the remaining two ship from different distributors. And as long as there's a good transparency and communication in terms of order notice, email order updates, and then shipment ready emails. If the consumer is well informed, there's certainly adequate resources to get a wide assortment to a single location.

Kristin:	Okay. Great. Yeah, go ahead.

Ben: I almost disagree with the term a little bit, one stop. It's a little bit antiquated. Yeah, you need to go into a big box store, like a Target and expect to get everything you want. I'm not sure that's what that means in the industry these days. I think really Ryan described it. One-

Kristin: Oh, you just went on mute, Ben. I'm not sure how his audio went on mute.

Ben: Sorry. Am I back?

Kristin: That's okay. Yes, you are. Thank you. Sorry about that.

Ben: I was pointing out that, like what Ryan said, it's more like that. If you go into a bike shop and there's brand exclusivity and there's certain brands you can't get or something's out of stock... I saw some really good data from a couple of commerce platforms or consultants that did it. There's an extremely high expectation now these days on out-of-stocks like that. That if you're in a store, you do expect the associate to just be able to push some buttons and boom, that order goes off. And he's going to buy what he has in the store from you now. The other thing you wanted that you don't have is going to come off a shelf somewhere else or some other site and show up at your house or show up at the store to pick up. They said 90% of consumers rank that as the number one expectation that they had for local physical stores.

Ben: And then when it's online, I don't think at all it needs to be one stop. It's not like I have to go to backcountry.com and expect everything to be there. I find that, in this day and age, our data shows that people visit multiple brand sites when making a purchase. They don't mind shopping around like that. The internet is the one-stop shop, right? Everything's on the internet. So an individual site doesn't have to have everything on it. That's kind of ridiculous. It doesn't apply in the digital world. What I definitely know happens there is what they're very intolerant about again is out-of-stocks. So if I'm on your brand website, it is kind of a micro one- stop. Where if I go there and I go through and I find that puffy jacket in navy at the right fill and the right size and everything that I want, and that happens to be out of stock, if somehow you have supply chain issues or something major in your factory happened, okay.

But that's part of what our software is selling as well. If you pushed a lot of that out to your retail, and you've kind of over-retailed it out in Texas and they're not buying any puffy jackets, but in Salt Lake I'm here and I'm on your site and I want to buy it, but it says out-of-stock, you better be able to get me that jacket off of that Texas shelf and get it to my house in two days. The data shows that people are... It literally takes one or two out-of-stocks on a major brands that they care a lot about before it really starts to erode their trust in that brand and before they start shopping elsewhere.

Most of the research did a lot of out-of-stock stuff first in the physical realm, but there's

good new research, you can look it up, around out-of-stocks and the impact that has on brand equity in the digital realm. And it's getting bad. You do not want to have out-of-stocks too often. It's a little different if you're running some exclusive launch, something fancy and you partner with an influencer, whatever. That's intentional. But other than that, non-intentional out-of-stocks, that in terms of one-stop, like I need to stop there, get it, and I need to not do anything else to get the size and product that I want.

Kristin: That's very good feedback. Thank you. So Johnny McClellan has a question for both of you. If a retailer wants to start with Quivers or SmartEtailing, how do they start? Are they limited to suppliers who are already active on one of these platforms? How do retailers get their suppliers to support the effort? It's a great question.

Ryan: Do you want to go first, Ben?

Ben: Yeah, sure. Ours is pretty simple. For the most part in the verticals that we're already in, outdoor and music and some of these others, we have a pretty good footprint across brands and retailers. So for the most part, either of those that come on usually find someone that they work with. On the retail side, we find if you're a brand and you come on and you don't have the retailers you want, we found that's actually quite easy. I mean, most of these retailers really jump at the opportunity to be able to fulfill for a brand. They're like, "Oh, I can fulfill for that brand out the back door and get most of that sale?" That's not a hard thing to convince them. They're usually immediately on board for a brand that they want.

               On the other side, if you're a retailer and you want to come help us because we go after brands and convince them to come get on the platform, we have a referral program that retailers can band together and help and reach out through some of our referral materials to that brand and say, "Hey, in this region or my store or our stores, we want to fulfill for you, and we would love this tech option to do it." That also puts a little pressure on the brand to realize that there's demand there, right? And that they could be doing it that way. So we just offer that for them.

Ryan: And for SmartEtailing, it's we are primarily in the bike space with an adjacent product
for
               bike retailers that also do ski in the winter. And so for bike retailers to sign up, or really just start by learning more because this needs to be an informed choice, just go to our website smartetailing.com and request a demo. We've got a great team. All we do is work with independent retailers, and we'll be very transparent and help you make a decision.

               In the bike space, we're 400 brands, 60,000 SKUs, already prebuilt in the application. So we go pretty deep, which isn't to say that we don't occasionally miss somebody. And in ski we try to work with our existing retailers in order to see where the most demand is. And the ski industry responded really positively and got us a lot of product information to build up that catalog. But usually a phone call from a committed retailer to a brand, a

national sales manager, a marketing director, that can usually get a conversation started because the data is usually there. Integrations often take a little more effort. No brand I've met has excess IT resources, and so that's more of a commodity.

Kristin: That's very well put. So I have a question that kind of dovetails with this, and then we're going to go into something around the broader consumer that's a great question. So Val Powell asks how would a small retailer know what sorts of POS system they'd need to be able to integrate with brand inventories? I realize we're getting into the weeds here, but these are very important in terms of prioritization of investment and modernization. So she asked... Or sorry, Val could be a he or a she. My apologies. Would all of the different brands work similarly? It all sounds like a huge investment of time and money for a small retailer. Any advice on where retailers should start to make themselves integratable? I realize, Ryan, you just addressed some of this, but I think this goes a little bit deeper.

Ryan: Ben, I'll go first just for bike. In bike for retail, I think nearly 70% of POS or Point of Sale market share is between two providers, Ascend and Lightspeed, with kind of a distant number three of Microsoft RMS. So if you're on one of those platforms, there's a native integration with SmartEtailing. As long as you have a computerized Point of Sale that has the ability to transmit an inventory file in an automated way nightly, and most Point of Sale files do have the ability to do what's called Schedule a Job. And it can be delivered via email or via [NFTPM 01:18:15]. I'm getting into the weeds. But you need a digital Point of Sale. I mean, you've got so much money tied up in inventory. If you're not using technology to manage that, you're causing longterm harm to your business. So as long as you're on a capable modern system, it should be able to integrate with us. And then on the supplier side, it's a little more of a detailed conversation.

Ben: Yeah. On our side, it's actually much the same for smaller retailers who are not terribly technologically advanced. There are a few of... I'd like to say, "Yeah, there's one that would easily jive with all brands and all softwares," but it is a bit of a long jump. People are using different systems. For the most part, we have a Professional Services Department that helps integrate those together. We don't have a lot of trouble with that, honestly.

And then even if you don't... Like he said, if you have the ability to take out a flat file, right? Whether you upload it, email it into the system, honestly it's a little bit more manual and tedious. It's manual and tedious, but it's actually not terribly time-consuming or expensive, right? So I would challenge you with the idea that as a small retailer that it would be too expensive to do. It's just a step that needs to be taken regularly, right? Like he's talking about scheduling a nightly upload. That's nice if you can automate that. If not, someone needs to take a note and remember to upload it, right? And we have retailers doing that to get in on the gig, literally just remembering to upload a file each night. And that's the beauty about tech. Some really fancy stuff goes on, and then some really not fancy stuff goes on in the background. And that's perfectly okay.

Ryan: The sticky note of innovation. Yeah, I'll add to it. I think that the turn of phrase ROI is often overused, and I think when a retailer especially is looking at their subscription costs, those costs can ramp up really quickly. But for the sort of things that Ben and I are talking about, it is an investment and not a cost. You've got so much money tied up in inventory. If you make the right investments in technology, you put that inventory to work for you, and then that's an investment in your business.

Ben: While we're in the weeds and you brought up ROI, I should point out we have a SaaS model but we're primarily transaction-based. So for a retailer or for retail itself, there's no overhead to get involved. We take a small transaction fee out of the orders once they start coming through. And we've never had anyone where that transaction fee, if their margin's so hard that they didn't have ROI, all our customers are seeing it.

Ben: We charge some implementation fees for the brands. We have a set list of plugins with e-commerce platforms like Magento and BigCommerce. People come to Shopify on that. So those plugins are pretty cheap. If we have to build a custom plugin, if you have a custom-made site that we have to kind of build for that, it can go beyond 5K. But I mean, for most medium-sized brands, it's very palatable and will end up paying for itself very quickly. But because it's the transaction model for us, it's fairly de-risky to start. So I don't want brands or retailers to think that there are some huge upfront costs or SaaS subscription that you have to jump on to make some of this stuff happen.

Kristin: I'm glad that you pointed that out because they are getting approached by a lot of them right now. And that whole marketing stack puzzle is something that is daunting, especially with a skeleton crew working at your brand or your store. So I really appreciate that.

Ben: I worked at an agency in a past life where we did a lot of marketing stack integrations. I think it's important because the current situation is helping people open up to new ideas, right, and new things. And if you're thinking, "Oh, I have to be Amazon to put all this stuff in place," right, I think you're approaching it wrong. The great software companies that you should be looking for are the ones that have this attitude. They're not trying to shark you into some big deals. They want to de-risk the situation as much as possible and go, "Look, let's make it as easy for you to come do a small test with us. And if that works, we will scale it from here." If you're getting approached by software vendors who come in and want to put this giant system in place, do all this stuff, and rip and replace, and charge all this money off the front, yeah, I mean that's where you want to be careful of.

Kristin: Yeah. I agree. And again, we will answer these questions somehow, probably via email I would imagine. So if your question is not answered, please reach out to us at SIA. We're happy to do that. But I thought this was a great question to close with. Is there data showing a change of consumer type? For example, in the outdoor industry there's a large influx of new users who are less familiar with the outdoors. I think we could definitely say the same for bike. How is this impacting marketing and eCommerce? And

what is best practice for identifying the friction points with a new customer base? So I think that's a very good question for us to close on. Who wants to take a swing?

Ryan: I'll take a first stab and say that in bike, over the last six weeks, it has been a tsunami of new customers. And some of those are bike buyers as seen in the high volume of $1,500 bikes that are going out the door. But it's also a lot of people that are maybe returning to bike. They had a high quality bike in the garage, and they needed new tires and tubes. And so we've seen a lot of kind of common repair parts or new helmets go out the door. Over the last year or so I think bike has been largely kind of stuck a traditional enthusiast market for the majority of sales, but the fastest growing category in bike has been electric bike or electric-assist. That has really invited a lot of new people into the sport, and I think there is a question about marketing there. But most retailers lean heavily on email and social media marketing, but if you really want to get in front of a new customer, Google advertising seems to be the best tool.

Kristin: Great. Ben, did you want to chime in, and then we'll wrap things up?

Ben: Yeah, I only caught the last bit of the question there. It was kind of a question on a question. Can you repeat it for me?

Kristin: Oh yeah, of course. So with a new influx of customers right now, obviously this is an anonymous question, but basically this person is wondering what the best practices for identifying the friction points with a new customer base.

Ben: Whew. That's a good question.

Kristin: It is.

Ryan: And in hindsight, I did not answer it.

Ben: Identifying friction points for new customers. There's a million I think tools and things out there. We talked about that. What I would say is rather than, or in tandem, you're trying to do your work, right, to kind of do the data and set up tasks and figure out where the friction points are happening with that particular group. It's a group of new consumers that you don't know, but Kristin, you're here putting on a webinar, right? You probably know production guidelines. You can't anticipate all the crazy things that's going to happen or not work out or all the frictions that might come up. The best thing to do is look at best practices. So all this stuff we've been talking about, about making fulfillment and decoupling the transactions, those are proven friction points across... They really are so universal. Everybody is experiencing these days.

Before you go down and AB test every little thing and get into the micro beads of what this one long-tailed little friction might be, let's make sure you've solved those, right? If you've made really good progress on these major friction points, you are going to go a long way to making that new customer a repeat customer, and then you can start to optimize down the line. So sorry if that's kind of an answer, non-answer, but I really do

think that these challenges are big enough that you've got to tackle some of the stuff we were talking about first before you get down in the weeds

Kristin: And I'm happy to pull together a transcript from this with best practices that we identified for everybody who attended the webinar to have. So I want to thank both of you so much. Literally I had a feeling it was going to be a great panel, but I have to tell you, you guys both have brought so many great insights and such a sense of confidence around where we should go next. So please, I know that you do this every day. It may not seem like you could contribute a lot, but you truly did. You really shed a lot of clarity, a lot of light. And really the takeaway is just forward progress. Don't be afraid to modernize. Don't be afraid to test and learn and fail, and make sure your employees know that that's true as well.

But ultimately, this is a journey and we wanted to present you with some steps forward here. And ultimately we're going to have some great follow-up information for everybody who attended the webinar. And you're also, of course, welcome to reach out and offer any ideas for future Town Halls or future podcasts in the future that we can bring to you to help light the way. We're in this together, as everybody is telling each other right now, but truly at specialty businesses, we are in this together. And SIA is there to help the process along. So thank you very much to Ben and Ryan for your time today, and thank you to SIA. And I'll hand it back over to Nick.

Nick: Thank you. Thank you very much, Ryan, Ben, Kristin. That was great. If you have any additional questions, as Kristin said please feel free to email us at info@snowsports.org, and we will be in touch immediately. Please don't forget to visit our industry hub for all the resources you need. And the recording of today's discussion will be posted there tomorrow in case you want to revisit it, re- listen, you can find it at snowsports.org\covidhub. Next week's Town Hall will be an update on the current state of China tariffs with Joseph Brubaker, a trade and tariff expert from Kirton McConkie. Joe will share some insights on what we should be doing now to mitigate the tariff impacts on our businesses and will answer your questions. We'll be sending out registration links soon. Myself and the staff are here for you during this tough time. Please lean on us. This is why we're here. This is what we do. And we will get through this and become stronger because of it. Again, thank you very much. Stay healthy, and have a great day.