



Channel Mastery Podcast, Episode #54: Kristin Carpenter-Ogden Interviews  
Dan Nordstrom, of Outdoor Research and Roundhouse Collective

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- Kristin: [00:00](#) Welcome, everybody, to the second video show for Channel Mastery, and thank you so much for coming to our event. I see so many awesome media and clients here. It's awesome to have you here. I'm really excited to introduce Dan Nordstrom to you today, my second interview. Dan, can you give us a little bit of your background, and then I'll talk about what our points of conversation are going to be on Channel Mastery.
- Dan Nordstrom: [00:20](#) I'm really old, so just a little bit. I graduated from CU. How is that? But actually I didn't even graduate. I did two years and I had to get out of here, because it was a dangerous place in the eighties. Ski bummed in Aspen and then went back in to Seattle, did 15 years in the family department store business, launched Nordstrom.com, among other things, and then fled the department store world because I didn't really care about dresses and shoes, and was looking for something to do in Seattle and poor Ron Gregg had gotten killed in an avalanche and Outdoor Research was looking for someone to keep it going, so I stepped in and did the last 15, 16 years Outdoor Research. Then sort of semi-retired from that a couple years ago and been doing investing in early-stage consumer startups.
- Kristin: [01:09](#) And that's the Roundhouse Collective.
- Dan Nordstrom: [01:12](#) Roundhouse Collective.

Kristin: [01:13](#) Roundhouse Collective is now what Dan is doing and we're going to spend a lot of time talking about his world in that regard today, because Rich Hill was obviously talking a lot about specialty physical retail in our community. Dan is my expert on digital, the online consumer decision journey. Dan knows a lot about this, I'd have to say 20 years in on this sort of thing, and I didn't even know the internet was around back then, but it was. So I have a big question to kind of tee this whole thing off. I hope you're game for this, Dan.

Dan Nordstrom: [01:44](#) Sounds dangerous.

Kristin: [01:44](#) Yes, it is dangerous. So here's a scenario that I've heard two executives talking about recently. Can you foresee a future where influencers might be actually doing the selling on YouTube, selling directly through Amazon and bypassing the retailer directly? What's your take on that, because Dan's ... Roundhouse works with digital first millennial brands. That's his area of expertise and that's what they attract and that's what they nurture there. And so Dan is essentially working with digital first brands right now. So I'm wondering what your take is on this, because I heard some executives chattering about that recently.

Dan Nordstrom: [02:22](#) Just because people chatter-

Kristin: [02:23](#) They do.

Dan Nordstrom: [02:23](#) ... doesn't mean they're right. And the way I think you teed it up first was that that would become sort of exclusively how things would get sold?

Kristin: [02:31](#) Right.

Dan Nordstrom: [02:32](#) Absolutely not. They're wrong. But that's going to happen. I think one of the things that is important to avoid in this whole deal is absolute comments. I was on panels in the nineties — like, '95, '96 — where malls were dead. I mean, all of shopping was going to go online in '97 according to the people who were saying stuff like that, and there'll be a progression. And what's happened is, America in particular has way too many malls and retail stores in general, and there's some numbers ... like, in Europe ... I have the numbers wrong, but directionally, Europe has, say, 60 square feet of retail per capita and the US has, like, 400.

Dan Nordstrom: [03:13](#) So we just have way more than we need and we were over-stored for a while and that's going to slowly ... everyone's trying to figure out what to do with these big old crappy malls. That'll

take time, but these alternatives will come up and there'll be a blend. The reality is, humans love to touch things. Humans love social interaction, and stores are, I still think ... and I'll just say go to my grave ... I take that back. I may not go to my grave. We'll find out.

- Dan Nordstrom: [03:41](#) But the idea that people are going to want to interact physically with product in awesome settings, I just don't think that changes. Now, what proportion of your wallet does that comprise? In 1988, catalog was seven percent and the rest of retail was 93. Then the internet came up and it started to grow. There'll be a balance, and if it's 80/20, 70/60, it'll all depend on the category. So absolute comments are ... they're dramatic and they're interesting, but I think they're sort of overblown that way.
- Kristin: [04:14](#) Right. That's a great answer. Thank you so much.
- Dan Nordstrom: [04:17](#) Phew!
- Kristin: [04:19](#) You passed. So the other question I think is important, just with your experience at Roundhouse and working with brands that are literally going direct first: What is the importance right now of establishing an outpost or a physical touch point or some sort of place where people can regionally interact with the product?
- Dan Nordstrom: [04:37](#) No, I think it's super-important, and I think what ... we're already starting to see this. You know, 10 years ago there was this idea that physical retail would be at 80% and online would be 20%, and that was sort of a classic balance. I think that's inverting, so you're seeing the future model being more like 80% direct. But 20% or thereabouts, depending on the category, I think, is clearly going to be in store or event-based retail because again, having a human present a product to you, getting to touch it and check it out, by far the most effective way to understand what ... I mean, how many people have bought something on the internet and then got it and went, "Oh, huh. Not exactly what I thought." Right?
- Dan Nordstrom: [05:21](#) And it's inherent with the medium. And each year we get better at avoiding that sort of thing with better presentation, but it never really goes away compared to touching it physically. So there's this blend, and what you're going to see is that people are going to have basically what I call strategic specialty retail, and that's specialty retail stores that are awesome. And as soon as I said that everyone went, "Yeah, I know one of those." And you can think of a hundred that are lame and not awesome, but there's a few that are like, "Ah, I love to go there because the people are great, the products they have are great, the

environment ... just, when I walked in there, I just feel like I want to hang out here, right?

Dan Nordstrom: [05:58](#) Brands want their products in those stores, and to some degree, they'll pay for it. Whether they say it explicitly, it's basically profitable marketing. Even if your margin structure maybe doesn't support a total wholesale model, giving up a little bit of that to be present on some of these floors is going to be important. You guys, look what's happened to Best Buy. Best Buy is essentially now a branded physical marketplace for Apple and Microsoft and all these guys, and they're basically paying for that space and it's worth it to them. So I think, again, you're starting to see these models just sort of blend and be hybridized.

Kristin: [06:32](#) And do you have any examples that you'd like to share of brands that are doing a really interesting job, such as KUIU with their giant roadshow, or I heard that Moose Jaw is going to be kicking off a roadshow. I hear they're exhibiting at the show, actually. I don't know if you have any thoughts on that.

Dan Nordstrom: [06:51](#) Some of you guys have heard ... KUIU's sort of the Arc'teryx of hunting, and they've got this big old semi that's just build out amazingly, and there's a company, actually — and apparently they hire this company as a third party — that will do this for you. They'll take your brand concept, they'll buy the vehicle, they'll staff it, you'll create a calendar and they'll drive it around to different places and you'll sell stuff out of it.

Dan Nordstrom: [07:12](#) The fact that there was a third party they actually hired to do that was, like, "Okay, so this is obviously a thing." When you mentioned this question to me, the bigger thought that I'm going to sort of launch here — and if it ever happens, I'm going to get credit for it — is that, again, we're seeing this sort of reduction in physical points of contact with our products. So there's fewer storefronts, fewer places for consumers to get in touch with the brands, get in touch with the products. How do we counteract that? And I think there's a very obvious and really straightforward solution, which is, you take this show and you open it up to the public. Now, I don't know if everyone's been to a boat show or a gun-

Kristin: [07:55](#) RV.

Dan Nordstrom: [07:55](#) RV show. I mean, this is not super-complicated, new news; this is stuff that's been done before. I'm pretty sure you could line people up out the door to pay 20 bucks to come in that show all day long, and in today's world, we could offer product ... It used to be a big physical sort of challenge of, "If I have people in

here, we're going to sell stuff. We've got to have inventory and how we move inventory in and out." Now we don't have to do that. They can check out the sample and then we can have it delivered to them days later. We can all do that now.

- Dan Nordstrom: [08:20](#) So the idea of having ... whether it's this show or regional shows where you could create a really awesome experience. You take the Teva Games plus the show, put it all together. Outerbike ... I was talking to Ashley about this one night, I mean, just turning Outerbike into a consumer event with product. I think we're close to that, and I think when you start to see that, consumers are going to get really engaged with these sorts of event competition retail party, all at once.
- Kristin: [08:49](#) Well, have you been to an Overland show?
- Dan Nordstrom: [08:51](#) No.
- Kristin: [08:53](#) Okay, you need to do that.
- Dan Nordstrom: [08:53](#) Oh, is that the #VanLife show, kind of?
- Kristin: [08:54](#) Yeah. So it's-
- Dan Nordstrom: [08:54](#) Yeah.
- Kristin: [08:55](#) ... Flagstaff and then there's another one in November, so I think you would love that.
- Dan Nordstrom: [09:00](#) Well, it's another ... you know, humans are social and they're looking for ways to get together and have fun, and 20 years ago the mall was a pretty good option, and if you live in Edmonton ... The province-
- Kristin: [09:14](#) The Mall of America?
- Dan Nordstrom: [09:15](#) ... is Edmonton and ... If you live in one of these places where you don't want to go outside, malls are still really good options, but people are looking for fun ways to get together and events where there's sort of a party atmosphere. It's a great way to sell stuff to people, too.
- Kristin: [09:28](#) Right. We definitely have seen that a lot with some of our strong events that we have. We have some going on right now, like the Hard Rock 100, which I know is maybe a little more minuscule, but you're looking at what they do in Red Rocks, and there's all kinds of great opportunities around that. So in broader retail, we've been reading some headlines around direct-first brands being sold in established retail. Can you talk a

little bit about your take on that trend? As you're kind of coaching and nurturing these startups through Roundhouse, would you ever advise them to maybe get some floor space the same way you ... well, the way you described Best Buy was more legacy brands with real estate and that, but what do you think about upstart brands kind of creating a cooler experience for consumers in some of the legacy retail?

Dan Nordstrom: [10:13](#) I think they should, but I think they need to be really careful about it and sort of curate it. And I'm actually doing this with a couple brands right now, where, say there's a big, established retail chain. You've got to keep in mind that these big, established retail chains are desperately trying to create relevance with the young, modern consumer who's not so inclined to physical retail, right? So there's always a leverage dynamic between the retailer and the brand, and there's some brands where they need the retailer really bad, so they'll do anything to get in there, but there's also brands where the retailer needs them to be cool as well.

Dan Nordstrom: [10:45](#) And so there's always a sort of interesting dynamic at the table between those, but if you're a brand that's truly happening, these big retailers want you badly. Now, the trick is, which stores? Because they'll have a hundred stores, a thousand stores, whatever, and of their store base, some smaller proportion of that are great stores in great places that you really want to be, and then they've got a whole bunch of other stores that they frankly wish they didn't have, and you don't want to be in them, either.

Dan Nordstrom: [11:13](#) And so these brands are doing this very elaborate curating, negotiating about which stores should we really be in, and that's a really interesting dialogue because the retailer at that point wants them in more stores, and it's revenue. It's like, "Ooh, there's more top line," but you end up with product in stores where it's not presented that well, it might not sell through that well, and when you first get going, you really want a great sell through. So you actually want to try to be a little bit more patient and go slower with it.

Kristin: [11:38](#) Okay. Great. Let's switch the conversation to Amazon. We talked with Rich Hill about this as well, from Grassroots. Did you read the article in *Outside* magazine on Amazon?

Dan Nordstrom: [11:51](#) Yes.

Kristin: [11:52](#) Do you have any thoughts you'd like to share on that?

- Dan Nordstrom: [11:54](#) Thoughts on the article. I thought the article was really well written in the first place. I think it's ... so many of us have spent countless hours over the last years ... I remember, was it six years ago? The whole winter show was like ... all of a sudden, it was just like, "Amazon! Oh my God, what do we do about it?" And it's gone on from there. There's been a lot of behind-the-scenes dialogue about, "What do we do? Who's doing this, who's doing that?" There's been no playbook. What's really interesting to me about Amazon is that they'll never publish what the rules of engagement are, and so they make it sort of this mystery that everybody has to figure it out, which is just ... to me, it's dumb, but whatever. Something's working for them.
- Dan Nordstrom: [12:35](#) I think it was good for the article to start to explain, get people to understand a little bit more about ... There are ways to engage with Amazon rationally, and Amazon is not going to destroy everything. There's ways to do it that'll really screw things up. And I think what's really important for people to really understand is that Amazon drives market pricing, but in a sort of a secondary effect way ... second-order effect, where ... you think of the buyer at Amazon. They've got 800 brands that they cover. Of those brands, each brand has x products. They don't wake up in the morning and go, "Oh, I'm going to drive my business by turning the price down on this." It's all machine driven, right?
- Dan Nordstrom: [13:17](#) So what happens is, Amazon's a big price reflector, so if a little tiny store somewhere puts up something off price, it used to be that eventually someone might notice and eventually phone calls would happen, eventually we'd get the prices straightened out. Now it happens in two hours, and that's been the game changer. But Amazon wasn't quite driving that; they were reacting to it. I think one of the things that everyone's gotta kind of wrap their heads around is it's up to the brand to keep their own marketplace clean.
- Dan Nordstrom: [13:44](#) And if your brand is significant enough, and if you have this kind of relationship with Amazon, they will tend to find ... they like margin, frankly. They'll actually admit it, so if they're not responding to other people dropping price, the machine will tend to keep the price there. As soon as somebody goes down, they're down, but if you've cleaned it up to where the others in the marketplace ... and I've seen this in a number of examples where, frankly, the endemic outdoor marketplace are really the initial violators, and then Amazon responds and then the whole thing tips over and everyone blames it on Amazon.
- Kristin: [14:18](#) Right.

Dan Nordstrom: [14:20](#) It's easy to blame things on Amazon, but the reality is, we've got to clean up our own marketplace, and what that really amounts to is having fewer online partners, because you can only police so many players. I think we've all learned it, and the article talked about the woman who goes first thing in the morning and uses that software to check out ... I've lived through those mornings and it's just ... your eyes glaze over. There's so many violations sometimes if you've let it get out of whack, and you are just chasing the mouse under the table trying to clean it up. So what you have to do is get down to the small set of partners who are, say, selling through the marketplace but they understand that we're in this together and they're not going to play games with prices.

Kristin: [15:01](#) Right.

Dan Nordstrom: [15:02](#) And then you can do business. I think the other thing is that you can do it in a segmented way where ... it used to be that Amazon had this big deal about getting your whole product cataloged, and they've pretty much moved off that now to where they'll allow you ... and certainly in Seller Central, you can sell a little small assortment of your product and get exposed on Amazon and then have the majority of the business done actually on your own site.

Kristin: [15:25](#) Right.

Dan Nordstrom: [15:25](#) And so I think, again, there's these hybrid alternatives. It's not about absolute approaches, because at the end of the day, if 70% of America, certainly, is starting a product search on Amazon, it's a big statement to say, "We're not going to expose ourselves to that at all."

Kristin: [15:41](#) Right.

Dan Nordstrom: [15:42](#) For some brands, that might make sense, but for others, there's really a hybrid approach that can work just fine and you can have price stability. You can actually build your brand and not ruin the marketplace.

Kristin: [15:52](#) So I know I'm not supposed to talk in absolutes here, but what do you advise your brands at Roundhouse when it comes to Amazon, because it must be pretty enticing to have that reach, and some of them might be so new that they can't segment. So where do you see that working with a startup?

Dan Nordstrom: [16:08](#) Well, the first thing is to ... there's no blanket answer for any company. It just depends on the category, it depends on the product set, how many products do you have, where else might



you sell it? You know, if you've got other options, then start there and let that build, or maybe you don't and ... you know, some of those examples in that article were really good, of like, they wouldn't have a business if they hadn't gone there.

- Kristin: [16:29](#) Right.
- Dan Nordstrom: [16:29](#) And then, look at all the people that actually wanted it. So all things startup are perfectly custom and unique and you have to really take each one - one at a time.
- Kristin: [16:39](#) I bet that's why you like doing what you do now.
- Dan Nordstrom: [16:41](#) It's fun.
- Kristin: [16:42](#) Yeah, I bet. All right, does anyone have any questions for Dan? This is a pretty rare opportunity. Dan doesn't give many live interviews.
- Dan Nordstrom: [16:50](#) I don't come out in public, hardly ever.
- Kristin: [16:50](#) Yeah. We let him out. Anybody, anybody? Yeah. I have a couple but ... No, I've already-
- Dan Nordstrom: [16:59](#) [crosstalk 00:16:59]. Keep going.
- Kristin: [16:59](#) I've already gotten here. Okay, well, I wanted to just say thanks. I know you're super-busy. Dan just came over from ... he was a Pitchfest judge at the Camber Outdoors event, and he came over here and we're just so happy to have you in our family, Dan. Thank you for being here, and thank you for doing a great show.
- Dan Nordstrom: [17:15](#) Thank you to Verde. Outdoor Research has a long history with Verde and we've won a lot of awards and it's partly because we make good product, but I'm quite sure it's partly because of Dave and-
- Kristin: [17:23](#) Dave Simpson.
- Dan Nordstrom: [17:23](#) Maybe a little bit of Kristin.
- Kristin: [17:24](#) No, it's Dave.
- Dan Nordstrom: [17:25](#) Dave's over there. Everyone ... Dave did all the ... it's all really because of Dave.
- Kristin: [17:28](#) Yeah.

Dan Nordstrom: [17:29](#) Thank you to Verde from OR, for sure.

Kristin: [17:31](#) Oh, thanks, Dave. Awesome. All right. Thank you, everybody.

Dan Nordstrom: [17:38](#) Thank you, guys.

Kristin: [17:38](#) Thanks, Dan.

