

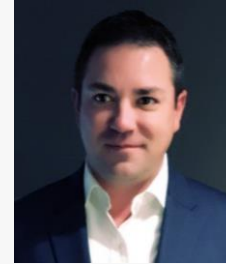
Strategically Leveraging Dropship to Expand Inventory and Increase Revenue



Jim Barnes
CEO



Allen McClard
SVP & Chief
Merchandising Officer



Scott Saeger
Global Technology
Officer



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Dropship: GNC



In 1935, David Shakarian realized his dream by establishing a little health food store, called Lackzoom, in Pittsburgh, Pennsylvania. Shakarian's first storefront was located at 418 Wood Street in downtown Pittsburgh.

Today, GNC sets the standard in the nutritional supplement industry by demanding truth in labeling, ingredient safety and product potency, all while remaining on the cutting-edge of nutritional science. As our company has grown over the years, so has our commitment to Living Well. In fact, GNC is the world's **largest** company of its kind devoted exclusively to helping its customers improve the quality of their lives.

Dropship: GNC



GNC is the largest global specialty retailer of nutritional products; including vitamin, mineral, herbal and other specialty supplements and sports nutrition, diet and energy products. GNC has more than 4,800 **retail locations** throughout the United States (including more than 1,000 franchise and 1,200 Rite Aid store-within-a-store locations) and franchise operations in 46 international markets.

Dropship: Routine but Not Simple

This session will focus on the lesser known factors to implementing and sustaining a successful Dropship Program

- Relationship management within the Retailer's network: merchandising, purchasing, operations and customer service
- Retailer/vendor relationships – protecting your brand by ensuring your vendors are an extension of your company
- Exception management to ensure customer experience goals are met



What is Dropshipping?

Dropshipping occurs when retailers or distributors directly utilize vendor or third-party inventory to fulfill customer orders.



Benefits of Dropshipping

- Expanded Product Offerings
- Increased Sales and Profits
- Satisfied Customers
- Accelerated Growth
- Platform to Test New Products
- Reduced Cost of Inventory, Labor and Shipping
- Accelerated Order Processing Times

Dropship: GNC



As the self-care market continues to grow, we continue to maintain our market-leading position by providing our customers with the most comprehensive selection of cutting-edge products. And, we could not possibly provide the largest selection of products without building strong business relationships with each of our vendors. Our vendors help us to better serve our customers, achieve our goals, and increase the sales and inventory turns on the products in our stores.

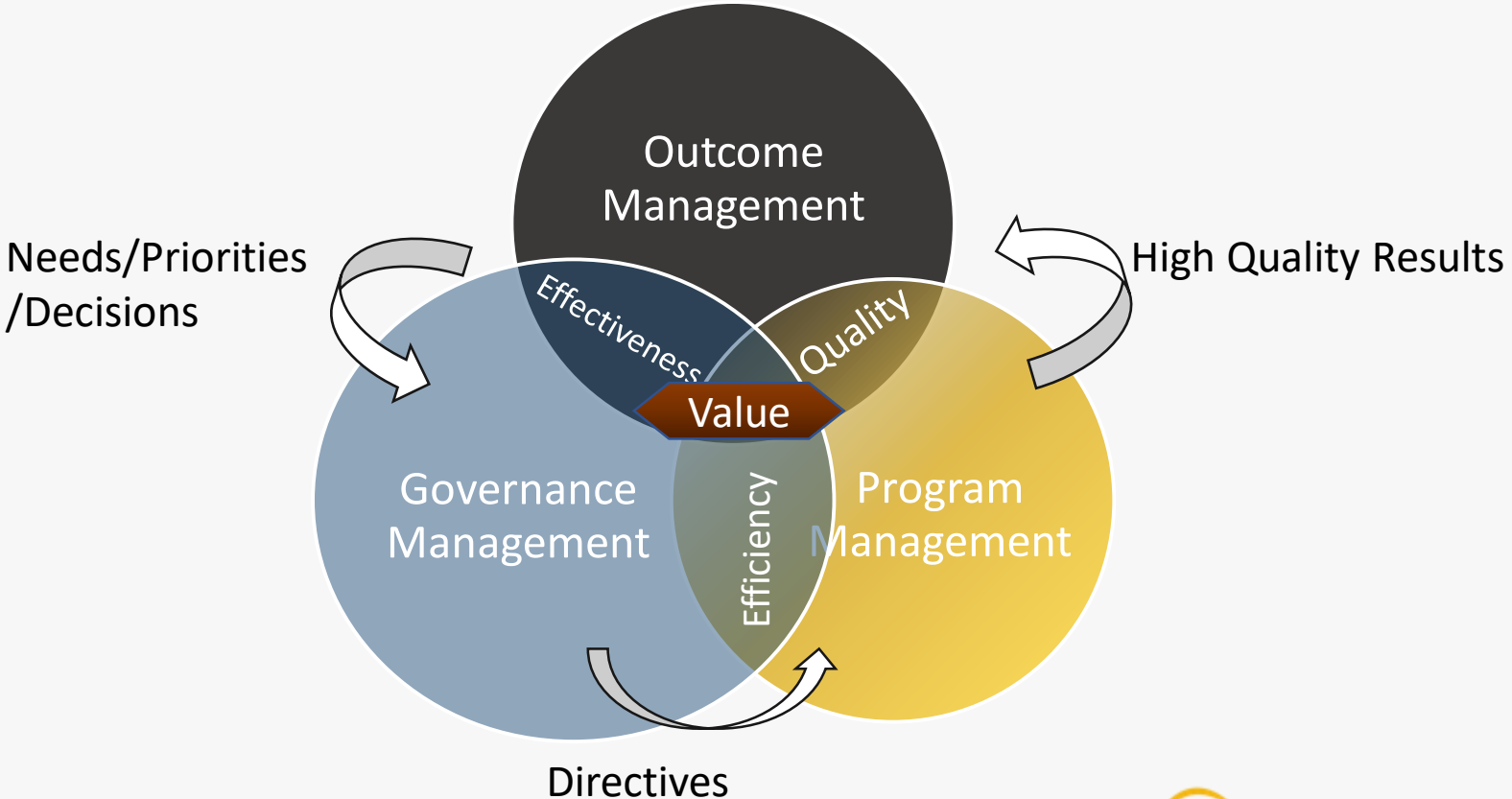
Dropship Growth in Retail

32% Retailers plan to increase their dropship program in 2020

18% Retailers plan to pilot a dropship program in 2020

Source: enVista's 2020 Customer Engagement Survey

Holistic Approach to Vendor Dropshipping



Dropship: Relationship Management

A dropship program requires a dedicated team of people with specific authority and responsibility for the operational management aspects of the program.

- Merchandising & Purchasing
 - ✓ Identifying suppliers and products
 - ✓ Vendor onboarding
 - ✓ Compliance
- Dropship Operations
 - ✓ Prioritization
 - ✓ Task coordination & decisions
 - ✓ Vendor onboarding
 - ✓ Communication with all parties
 - ✓ Daily monitoring of orders/fulfillment
 - ✓ Exception management
- IT
 - ✓ Implementation and maintenance of technical environments
- Customer Service
 - ✓ Customer experience/satisfaction – set your company apart from others
 - ✓ Returns, exchanges, appeasements



Dropship: Retailer/Vendor Relationship

As Retailers you must be ready to hand over control of the execution portion of your clients' purchasing experience to a third party. The Retailer is still on the hook with customers when anything goes wrong because the customer is ordering from you not your vendor. Relationships are key to managing vendor performance. Strong relationships start with:

- Aligning Expectations
 - ✓ Jointly establish goals for the relationship, share information & priorities
- Establishing Processes and Action Plans
 - ✓ Prioritize timelines and assign responsibilities
 - ✓ Quick onboarding of new dropship vendors
 - ✓ Dropship program flexibility: EDI, portal
- Creating Service Agreements
 - ✓ Rules of engagement, compensation, scope of work
- Reviewing Performance
 - ✓ Measure performance against expectations
- Having Open Lines of Communications
 - ✓ Establish who, when and in what format



Dropship: Monitoring & Compliance

- Monitoring ensures you are in sync with your vendors
 - ✓ Inventory
 - ✓ Orders
 - ✓ Shipping
- Monitoring for vendor performance
 - ✓ Timeliness
 - ✓ Order accuracy
 - ✓ Fill rate
 - ✓ Other SLAs
- Systems monitoring
 - ✓ System issues
 - ✓ Exception management
 - ✓ Reporting
- Vendor support and compliance
 - ✓ Proper use of systems
 - ✓ Issue resolution
 - ✓ Questions
 - ✓ Performance against SLAs



Dropship: Brand Protection

Dropshipping may sound like the perfect scenario, but to be profitable and protect their brand, a retailer must do some research before deciding if, or when, to dropship.

- Start with reputable and dependable vendors
 - ✓ Proven dependability, invested in partnership
- Carefully choose your product
 - ✓ Give same consideration as you would for products in store
- Stay focused
 - ✓ When introducing dropship products to your line, make sure the products target the same market as the existing inventory. Just because you may find a dropship supplier with a wide-array of merchandise, doesn't mean you need to offer all of it to your clientele.
- Plan for returns and other issues
 - ✓ Backorders, lost shipments and returns are beyond a retailer's control. Policies and expectation setting are key to staying ahead of issues.
- Trust but Verify
 - ✓ Monitor by exception to ensure that what should be happening is actually happening.



Dropship: Exception Management

Management by exception – Filtering out the *signal* from the *noise*

A Systematic Approach



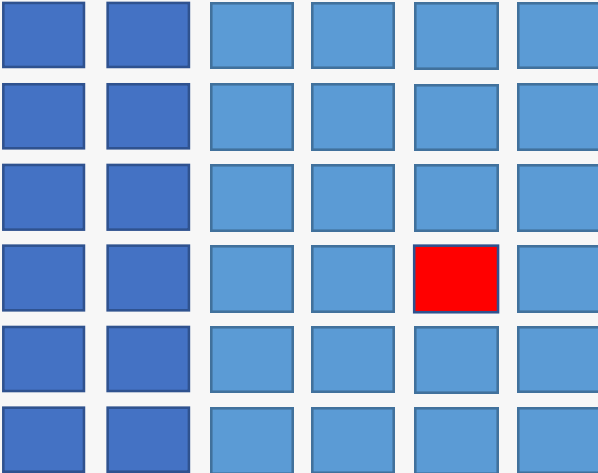
Norms

- Establish the norms for the chosen procedures
- Create and maintain policy standards
- Assessing the performance and comparing it with the norm



System Exceptions

- Leverage reporting tools to identify deviations from the expected
- Analyze the deviation
- Solving the exception
- Process improvements



Actionable Takeaways:

Imperatives for dropship success:

- Relationship management
- Brand protection
- Exception management & meeting customer experience

Questions?



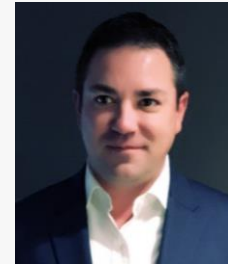
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CEO



jbarnes@envistacorp.com



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