

Chatting with TradeStone Software @ NRF BIG Retail Shows – Part 1

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Some signs of a modest economic recovery and cautious optimism are shyly popping out, although they might be only be crumbs of comfort for many unemployed regular Joes. I also saw improved optimism at the [recent National Retail Federation's \(NRF\) BIG Retail Show 2010 in New York City in mid January](#). In contrast, the atmosphere of the same retail show one year ago felt like attending someone's memorial service, where almost everyone was waiting for the other shoe to drop (no pun intended).

Namely, this year's show exuded an upbeat feeling in addition to an about 20 percent higher attendance. The "big guys" in retail, such as **IBM, Microsoft, Fujitsu, Hewlett-Packard, SAP, Oracle, SAS, JDA Software**, and so on, expectedly had their large and perhaps gaudy stands (some with interesting entertainment gigs by the local artistic groups). But I am always more keen on seeing what some smaller, and often more innovative vendors have to say and exhibit. For an exhaustive list of this year's exhibitors, see [here](#).

To be fair, the 2009 show had a number of intriguing [BIG Ideas Sessions at the expo floor](#). Perhaps the dour economic environment and an acute sense of urgency at the time inspired software and hardware vendors and retail consultants to work harder to explain their value proposition? In any case, one great 2009 session was from **Kurt Salmon Associates (KSA)**, which has meanwhile resulted in my well-read series entitled ["Act Vertical Retailers vs. Go Extinct Retailers."](#)

Enter TradeStone Software

My attendance of another **BIG Ideas 2009** session brings me to [TradeStone Software](#). **TradeStone** provides [merchandise lifecycle management \(MLM\) software solutions](#) that enable a number of the world's most successful retailers to bring innovative and profitable [private label](#) products to market at ever higher speeds. Some of the company's renowned customers include **American Eagle Outfitters, Belk, Boots, Deutsche Woolworth, Guitar Center, Kohl's, Le Château, Macy's, NBrown Catalog Company, Pacific Sunwear, Regatta, Shoprite, The Children's Place, The Gap, and Urban Outfitters**.

At BIG Ideas 2009, TradeStone co-presented its newly launched [TradeStone Mobile](#) product with IBM at a session entitled "Successful Strategies for the Private Label." Namely, at last year's NRF conference, TradeStone introduced **TradeStone Mobile** to extend its **Virtual Showroom** capabilities onto handheld [personal digital assistant \(PDA\)](#) devices.

The new PDA platform allows retailers to scan vendor [showrooms](#) and catalogs, request samples, and place pre-commitments and orders from their PDA and other mobile devices. With TradeStone Mobile, retailers can check the status of orders, update events and access/update data, all in real-time. The application enables retail buyers to log into the TradeStone system's Web portal via their PDA browser, then enter the item number or use the scanner to scan the barcode label on samples.

Product details, including images, are then displayed on the screen. A key feature includes the buyer's ability to enter product selection and quantity, comment on the selected product, and also request samples. The buyer can also track and provide offers, which are captured within the TradeStone system, giving everyone visibility into the supplier negotiation process.

The MLM Approach

At NRF 2009, TradeStone's CEO and founder Sue Welch then discussed how the infusion of private label and [global sourcing](#) initiatives into any retail organization requires the following:

- Quality, regulations, and certifications must be embedded in the design process.
- The on-boarding of vendors must be transparent and immediate.
- Retailers must define and control design, production management, and auditing/testing at a greater level of granularity.
- There can be only one unified buying process, as the risks of cost surprises and [product recalls](#) must be mitigated via visibility and consistency.

To that end, **TradeStone's Merchandise Lifecycle Management (MLM) Suite** of solutions unifies the [merchandise](#) flow via the following components:

- **Product lifecycle management (PLM) for Retail:** Enables private label and branded merchandise development from inspiration through design to specification and testing
- **Global Sourcing:** Simplifies and manages the complexities of sourcing from RFQ to supplier selection and negotiation
- **Order Management:** Supports domestic and international ordering, shortens the order placement and collaborative confirmation processes
- **Supplier Management:** Increases visibility and collaboration with trading partners for improved performance and relationship quality
- **Logistics & Finance:** Integrates packing lists, invoices and trace and track data, to provide a holistic view of production and delivery processes

The MLM approach supports a changing landscape in today's retail world that includes the following trends:

- A hard commitment to quantities, components, and flows
- Aggregation and positioning of raw materials
- Designs delivered at the last possible minute
- Mid-season intelligence that drives the creation of new styles/variations

- A changing relationship with suppliers, whereby making sure trust is key, as the supplier financing will focus on retailers' balance sheet and visibility
- A soft commitment to product, with postponement strategies that impact the color, size, geography, and [silhouette \(the shape of the garment\)](#)
- Last minute in-season changes to product driven by sales and [predictive analysis](#)
- The ability to dynamically re-assort new products and variations within original commitment quantities
- Embedded safety and government regulations/requirements due to increasing activity by governing bodies, such as the [United States \(US\) Consumer Product Safety Commission \(CPSC\)](#), [Waste Electrical & Electronic Equipment \(WEEE\)](#), [Registration, Evaluation, Authorisation and Restriction of Chemicals \(REACH\)](#), etc.
- Being able to proactively design (build in) [quality](#) vs. conducting inspections after the fact

Enabling the “Act Vertical” Retailing

In fact, TradeStone actually worked closely with KSA in 2008 when KSA was developing its Act Vertical premise. The global management consulting firm specializing in retail, consumer products, and healthcare presented Act Vertical in September 2008 at TradeStone's **STARS (Simplifying Technology Around Retailers and Suppliers) User Group** meeting and mentioned that TradeStone's MLM solutions were the technological equivalent of Act Vertical from the Retailer-Supplier perspective.

If one looks at Slide 5 entitled “The Big Shift” in [KSA's Act Vertical presentation](#), TradeStone satisfies all of the business processes from the Retailer out to the Partners, Manufacturers, and Raw Materials Suppliers. Tradestone's **Unified Buying Engine**, incorporating the [Critical Path Management](#) and Supplier Management capabilities, layers across the retail company's design, product development, sourcing, order management, and quality modules. The unified buying process aligns with the first four of the seven core competencies outlined in Slide 14 (and in [Part 3 of my accompanying blog series](#)).

“Prediction to Production” Strategies

Moreover, [two retailers that were featured in the Act Vertical series, Macy's and American Eagle Outfitters](#), have purchased the full MLM suite from TradeStone. The vendor is excited about KSA's Act Vertical premise because it fits in perfectly with TradeStone's “Prediction to Production” strategies that ensure retailers can delay their decision making and get the right products to the right people at the right time.

TradeStone is also doing a lot of work to help retailers refine their [postponement](#) strategies, allowing them to wait until the optimal moment to make a decision on color, style, or even store location destination, and move prediction closer to production. Harnessing planning, replenishment, and forecasting systems can help to move prediction closer to the actual production time and support mid-season design of new products based on market trends and causal events.

The next step for TradeStone is to link into the [social networks](#) so that retailers can start to take consumer feedback and insights into the inspiration and creative design embedded in TradeStone's abovementioned PLM for Retail solution set. Social networking and popular sites like **Facebook, MySpace, Twitter, Bazaarvoice**, etc., can enable retailers to get early feedback on the inspirations, colors, and fabrics that will be the basis for the design of their products. Bringing feedback earlier into the design process could dramatically impact the "hotness" of products, reduce cycle times, and lead to higher margins and profits.

Markdowns' Prevention Is Better Than Cure

In line with the Act Vertical theme of creating products that delight customers, TradeStone is providing a platform that is more visual and interactive, and that enables retailers to more rapidly respond to causal effects and turn hot trend moments into their newest collections. Other typical results from this approach are fewer markdowns, improved trend selections, and reduced inventories.

The major challenge in the fashion and apparel retail sector is managing collections in terms of multiple colors, sizes, styles, fabrics, etc., by season, holiday, or in a [continual release \(fast fashion\)](#) manner. Each [stock-keeping unit \(SKU\)](#), i.e., color, style, and size combination) can be sourced from a different plant/country.

The final assembler of these components (that are sourced from all over the world) will then have to manage the language, quality, cost, regulatory (e.g., import quota), and labeling issues (e.g., care, content, etc.) for each SKU or component. One normally has a sourcing process in a [request for proposal \(RFP\)](#) manner, which includes the [sample](#) provision, approval, and sales order steps.

The final assembler then has to manage the delivery of color by style and size. If one component of a color is late, the company cannot make the product in due time. For each collection the retailer has to simulate costs (including details like commissions paid to brokers or in-store [spiffs](#) or incentives) and calculate and set the initial prices.

On an ongoing basis, retailers must monitor trends and sales and make continued changes in their product mix. Since they have already committed to a particular cloth or production line, they must manage the change appropriately. If they cannot, they may have a bunch of bad products that will have to be heavily marked down for [clearance \(closeout\)](#) sales. The worst-case scenario is to completely miss an entire season's trends and consumer preferences (ouch!).

My recent [series on retail price optimization also talks about optimizing markdown prices](#). However, while TradeStone is not in the pricing business *per se*, it preaches the idea of avoiding markdowns in the first place. To that end, retailers can avoid markdowns by delaying decisions as long as possible.

For instance, one of TradeStone's [department store](#) retail customers has been able to remove 10 to 15 weeks from the lengthy design-to-delivery cycle. That means that instead of committing to

purchase the latest hot item in April to sell in its stores in October, the retailer can delay its commitment until August.

By then, the “hot” item may have cooled or tweaks may be needed. Using TradeStone’s PLM for Retail technology, the retailer commits only to a quantity in April, but the final design is not issued until July/August. Fresher items more in line with market demand will drive full price sales, thus eliminating markdowns.

For more information on PLM for Fashion intricacies, I recommend recent blog posts by my colleague Kurt (Yu) Chen. These articles are entitled as follows: [“Managing Trees versus Managing Grass”](#) and [“The Two Driving Forces Behind Fashion Products.”](#)

Part 2 of this blog series will talk about TradeStone’s current state of affairs. Your views, comments, opinions, etc. about the above-mentioned fashion conundrum for retailers and manufacturers and about the MLM software category *per se* are welcome in the meantime. We would also be interested in hearing about your experiences with this nascent software category (if you are an existing user) or your general interest in evaluating pricing solutions as prospective customers.

This blog post is available at: <http://blog.technologyevaluation.com/blog/2010/02/24/chatting-with-tradestone-software-nrf-big-retail-shows---part-1/>