

Living in an Amazon World- Q and A with Gavin Marks of DM Merchandising

The internet is changing the playing field for all the constituents in the gift industry; retailers, vendors and reps. I interviewed Gavin Marks, from DM Merchandising, who led his team in the design and development of their FITKICKS and Hello Mello brands; runaway successes in both the internet and the brick and mortar environment. Out of a desire to protect DM's core independent customer base, Gavin has become a self-taught expert in managing a booming business in an Amazon world. He shares with us the lessons he has learned, his insights into developing, implementing and monitoring a MAP program (Minimum Advertised Price) and what has kept DM and their retail partners appealing to consumers as they navigate this new cyber universe.

What's your take on e-commerce retailers and what lessons have you learned doing business with them?

I've personally been selling in some capacity my entire life. My father is and grandfather was an incredible sales person, and I was raised with the philosophy that "sales cure all". When problems arise, our go-to phrase is "make another sale". This philosophy is ingrained in me and it would require a lobotomy to erase it from my psyche. Luckily, no medical procedures are necessary. The "sales cure all" philosophy still stands true, with a slight amendment, to accommodate for the rapidly-changing digital marketplace that we all live in and must embrace to survive. So yes, sales still cure all, but when dealing with online retailers, it's "sales (to the right people) cure all". Vendors must do their due diligence and select wisely; only selling to those who will respect their vision, have a positive impact on their brand, and abide by pricing standards to maintain a fair market.

In today's marketplace, products and brands can boom or bust overnight if not properly tended to. Anyone with an internet connection could become a retailer. Stores no longer compete with their neighbors over price; because they are too busy competing with the whole world.

As certain DM brands have grown in popularity, a surge in their demand made us realize that we have to be selective in whom we sell to in order to protect the brand's longevity, and the customers who carry the product. It's impossible to gage the quality of an online reseller solely by the dollars they generate. For business owners and salespeople, this concept could be difficult to accept. After all, isn't that the goal... to generate dollars? If the customer pays well, than what's the problem—right?

Every online seller has an "impact value" to a company, brand or product. This value can be positive, negative or somewhere in between. We'll call this the *Impact Value Spectrum*. In order to build a brand and protect the customers who carry it, a vendor must place a greater precedence on the "impact value" than they do on the "monetary value" of an online seller. The "monetary value" is important, but only second to the "impact value".

A vendor must be scrupulous when choosing whom they sell to online, and always pick quality over quantity when it comes to online retailers. Retailers must be selective as well when choosing products and brands. It's important the creators of these products and brands are working day and night to protect the value of their inventory.

You mention quality over quantity. What makes a quality online retailer?

Every online retailer lands somewhere along the *Impact Value Spectrum*. There are dedicated niche market sites that know their audiences well and often have a marketing budget for social media campaigns, google ads, search engine optimization (SEO) and email marketing. They have "skin in the game" and an open line of communication with the vendor. Online retailers such as this respect pricing guidelines and understand the importance to follow brand standards. Brand standards in general consist of things like using the correct logos, colors and fonts, and not deviating from the brand's message. These websites also rank the highest for "positive impact", because they help strengthen the brand by boosting consumer awareness, which in turn benefits everyone, including the brick and mortar stores.

At DM, protecting our core brick and mortar business is a top priority. That's why we evaluate all online retailers before opening a new business relationship. Through a rigorous vetting process, we determine whether an online retailer will have a positive impact on the brand and create more demand for the product.

The Amazon platform creates a more complicated situation when gaging impact value. Amazon has become the go-to place for shoppers of all ages. Sharp prices, massive selection, one-click checkout, and free two-day shipping has made them the largest online marketplace in history. Jeff Bezos, soon to be the richest person in the world has figured out the magic formula and has made Amazon's consumer reach unparalleled. This is where it gets complicated...

A brand is going to end up on Amazon whether it wants to or not, and with Amazon's extensive consumer reach, this is not necessarily a bad thing. However, there is a downside. Amazon has created an environment where anyone can become a reseller. This is the "gig economy" and it's where the world is going. With Uber and a car, you can be a private driver. With Airbnb and an extra bed, you can be a landlord. With Amazon and a computer, you can be a retailer. Many Amazon resellers have minimal overhead and low exposure to risk. With the use of Amazon fulfillment, there is no need for resellers to inventory product and therefore, they are often just "playing the numbers" on a screen. Naturally, these sellers have a lower margin requirement to prosper. As margins drop, prices drop and the value of a brand is jeopardized. To make things worse, many of these resellers intentionally operate under hidden identities so that they can continue to sell at low prices without vendor consequence. These resellers place far on the "negative impact" side of the *Impact Value Spectrum*. My advice to vendors is to not just make a sale, but to be a gatekeeper and maintain control of the brand online. Choose a small handful of credible key sellers and build relationships with them. On Amazon, more sellers do not equal more sales. More sellers equal more headaches, and once there are too many, the unravelling process can be very time-consuming.

What is price sensitive and what is not? How do you control retail prices, so there is some integrity out there?

Brand names and one-of-a-kind (non-commodity) products are generally price sensitive. Speaking from experience, a brand is like a marriage. You put time and effort (not to mention money) into its development. You have a commitment to keep it strong and to make it last. In order to do this, you must dictate its online retail price. This is referred to as Minimum Advertised Price (MAP). At DM, we carry both MAP-protected brands and non-MAP impulse products. Once we've determined a retailer qualifies, they are provided a MAP Agreement to sign which details pricing expectations. We have a team that uses MAP-monitoring software, amongst other tools to detect violators and enforce pricing.

What's most exciting is that our everyday retailers have become aware of its benefits and are asking for more MAP products. At a time where consumers are using their phones to price match while standing in a store, the retailer wants the security of selling MAP-protected inventory. It's a win-win for everyone involved.

Impulse products are the least price sensitive since the consumer rarely shops around for a greater deal. They are created to be bought in person—on a whim. Brick and mortar stores still have the advantage over the internet when it comes to inexpensive impulse buys. All brick and mortar stores should sell impulse products to boost transaction dollars at the register. They add up quickly.

Should every retailer enter into e-commerce sales, if they are not already?

E-commerce has its advantages, massive traffic potential being the most notable, but e-commerce is not for everyone. A website with an integrated store or a platform such as Amazon could become a nice source of supplemental income for a store owner, but "supplemental" is the key word here. It's important that a store owner doesn't lose focus of what sets them apart from their online competitors.

Brick and mortars have the benefit of a physical location that can be capitalized upon. They must get creative with how they merchandise by switching up product placement often, and use decor to excite and liven-up a space. Customer experience should be the primary focus. When someone enters a store, their whole body is present—all five senses! Not just their eyes through a flat screen. How can a store use this sensory control to make a sale and earn a repeat customer? More than anything, a store must embrace and utilize the human element. One-on-one service, authentic excitement, and a big smile just isn't the same through an app.

BIOGRAPHY

Gavin Marks lives in a Chicago suburb with his wife and three young daughters. He co-runs DM Merchandising with his father, David. Creative, talented, and with a passion for design and merchandising, he brings to DM a fresh new style. When he's not changing diapers or dancing around the house in a tutu, Gavin enjoys outdoor adventure, travel, photography, non-fiction and music that you'll never hear on the radio.