



VIRTUAL INVENTORY GETS REAL

RETAILING WITH THE USE OF VIRTUAL INVENTORY IS BECOMING THE NORM FOR THE ONLINE SELLING OF HARDWARE, HOME GOODS AND TOYS. THE WATCH BUSINESS HAS BEEN MUCH SLOWER TO TAKE ADVANTAGE OF THE INTERNET, NOT LEAST BECAUSE THE **BIGGEST BRANDS** WANT THEIR PARTNERS TO BUY THEIR STOCK UPFRONT. AMERICAN DISRUPTOR RESULTCO WANTS TO CHANGE ALL THAT BY HELPING BRITISH RETAILERS ADVERTISE WATCHES THAT WILL BE DELIVERED DIRECTLY FROM ITS OWN LOGISTICS HUB. IN AN AGE OF FALLING HIGH STREET SALES FOR SMALLER INDEPENDENTS, THIS COULD BE JUST THE SOLUTION THEY NEED AS WATCHPRO'S PUBLISHER DANIEL MALINS REPORTS.

Space — or lack of it — is a perennial issue for watch retailers and, consequently, watch brands. Every square inch needs to be justified and accounted for, and if a certain brand isn't pulling its weight, in terms of revenue per square inch, then it is likely to be replaced.

An obvious way around this problem of in-store real estate is to sell watches online, either as well as, or instead of, in a bricks and mortar store. This allows the retailer to stock vast quantities of product in relatively low-rent warehouses or storage facilities.

If the last few years are anything to go by, this has proved extremely successful. Some of the most successful watch industry retail

stories in recent times have been the likes of Watchshop and The Watch Hut, which both sell exclusively online.

Look further afield and the story is the same. Where oil companies and banks used to dominate the list of the world's largest companies, it is now the likes of Apple, Google, Amazon and Facebook that rule the roost.



But the story doesn't necessarily end here. What if there's a third way to sell watches that not only removes the headache of allocating shop space but also eliminates the logistical and financial implications of even storing the watches?

This is where 'virtual inventory' comes in.

In simple terms, virtual inventory is product that a retailer lists online but doesn't actually own, touch or stock on site. Instead, the retailer negotiates terms with a given supplier, which allows that supplier to ship its product directly to the consumer once an order is placed via the retailer's website.

In the eyes of the end customer, the whole process has been a transaction between them and the online retailer that they chose the watch through, especially as it's the retailer that will capture the payment. In reality, the retailer has acted as not much more than an agent, bringing together the brand with the customer through the listing on its website.

On paper, virtual inventory represents a huge opportunity to the retailer, as the financial risk and

logistical headaches are taken out of its hands. It will make a profit from the sale of any of the listed inventory without needing to buy or store the stock. In return it has essentially rented out its audience and customer-base.

If this sounds like a 'win-win' situation then it's worth inserting a note of caution. The only major company to successfully utilise this business model in the watch industry is Resultco, which is based in the USA. In the UK the examples are almost non-existent, which is a situation that Resultco is keen to change sooner rather than later.

Resultco's director, Jeff Freedman, believes that, rather than be a danger to traditional independent jewellers, the virtual inventory model can actually act as a playing field-leveller, as it allows a shop with a limited range of brands in its store to offer a far more substantial portfolio through its website.

This will not only give the consumer far greater choice when they're on the retailer's website, which theoretically should increase the likelihood of a purchase, but it will also increase

the chances of that retailer's website being clicked on in the first place, as listing more brands and product will help get the website up the Google rankings, which is the name of the online retail game.

As Resultco's Freedman points out, the watch industry has been slow to embrace the concept of virtual inventory, with other markets paving the way.

"Many retail markets have embraced virtual inventory," Freedman reckons. "Retailing virtual inventory is the norm in the hardware, home goods and toy industry. However, the jewellery/watch business has been slow to take advantage of the internet. With proper marketing tools, the internet can be controlled.

"The hardware business has embraced virtual inventory best at the moment. Internet sites need to understand that the brands that may be successful in bricks and mortar may not satisfy internet selling and vice-versa. Once a retailer understands this key fact, then internet growth will come.

"In the US we have a chain of stores

This page and opposite

Watches designed and manufactured by Resultco can be listed for sale on any UK retailer's website without any commitment to stock or upfront payment.



called Kay Jewelers (owned by Signet) and they treat their internet site the same as the bricks and mortar retail stores. 80% of the watches listed on their website can be purchased for less online from multiple watch sellers. Their in-store pricing is competitive with other bricks and mortar stores. However, Kay Jewelers continues to promote the same brands online yet lose the sale due to the competitive pricing of online sales. Moreover, the consumer will lose trust with the retailer as their pricing is no longer competitive," believes Freedman.

"The ability to access the internet with ease affords the consumer the opportunity to price-shop almost instantly. 20 years ago, brand/retailer loyalty was greater and comparison-shopping was an all-day event that required the customer to physically go store to store. Today's shopper and shopping experience is different."

In a nutshell, Freedman's point is that, irrespective of the impressive growth in online watch sales in the watch industry (and all other industries) in the last few years, its full potential is still some way from being reached and basic tweaks in attitude and approach could make a big difference.

"At Resultco, we have 99.5% control of our pricing online," Freedman divulges. "Watch merchants need to understand that the internet can

aid in-store sales as well as provide a significant new profit stream."

One of the key things for any retailer to remember that's interested in the idea of virtual inventory is that its offering online will differ from what it sells in its shop(s). This is partly to prevent the perennial conundrum of competing with internet prices for what you sell in-store, but also because the types of brands that are likely to be willing to be one half of a virtual inventory relationship are unlikely to be the brands that traditionally sell well in a physical environment.

This is where Resultco's ideology makes a lot of sense. Of the 16 brands in Resultco's portfolio, it's hard to name a single one that the average person on the street would recognise, let alone desire. But this isn't a problem when a retailer isn't committing to buying any stock or even touching the product before it finds its way onto people's wrists.

Resultco's watch brands have been finding their way onto a surprisingly large number of people's wrists for years in America, so the theory of virtual inventory has been borne out in practice, at least in Resultco's case. It's a very successful company with a unique business proposition that even in 2017 some retailers find challenging.

To understate things significantly, online retailing is going nowhere. To

the contrary, there are few signs that it will do anything other than dominate more and more over the coming years, with the watch industry being no exception.

Those companies that embraced e-tailing in its infancy have, unsurprisingly, reaped the rewards of greater turnover and profit in the last decade. It has allowed these companies to sell volumes of product that the confines of a traditional shop simply wouldn't allow, with a fraction of the overheads.

The concept of virtual inventory is simply the next step. It reduces even further the costs for the retailer and therefore opens up the possibility of 'selling' (there's no actual selling taking place because the product isn't handled by the retailer) greater quantities of stock, as the marginal costs of adding new models are almost zero.

As with most innovations, it will require a number of early adopters to dip their toes in the water in order for momentum to gather. Resultco appears to be the lone wolf on the brand side at the moment, with just a handful of deal websites in America reaping the benefits of selling Resultco's virtual inventory.

Assuming that it's just a matter of time before more companies get involved, the question will simply be: who and when? ↴

Above
Resultco has watch collections to suit any retailer ranging from fashionable quartz to prestige automatic pieces.

VIRTUAL INVENTORY

**Expand the choice of merchandise
with zero investment**

Enhance Search Engine Optimization

Zero financial risk

**GUARANTEED PROFIT
RESULTCO**

simplify

BERTHA

BREED

HERITOR

Boum



MORPHIC

CRAYO

REIGN



EARTH
WOOD GOODS

EMPRESS

EQUIPE

Sophie & Freda

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