



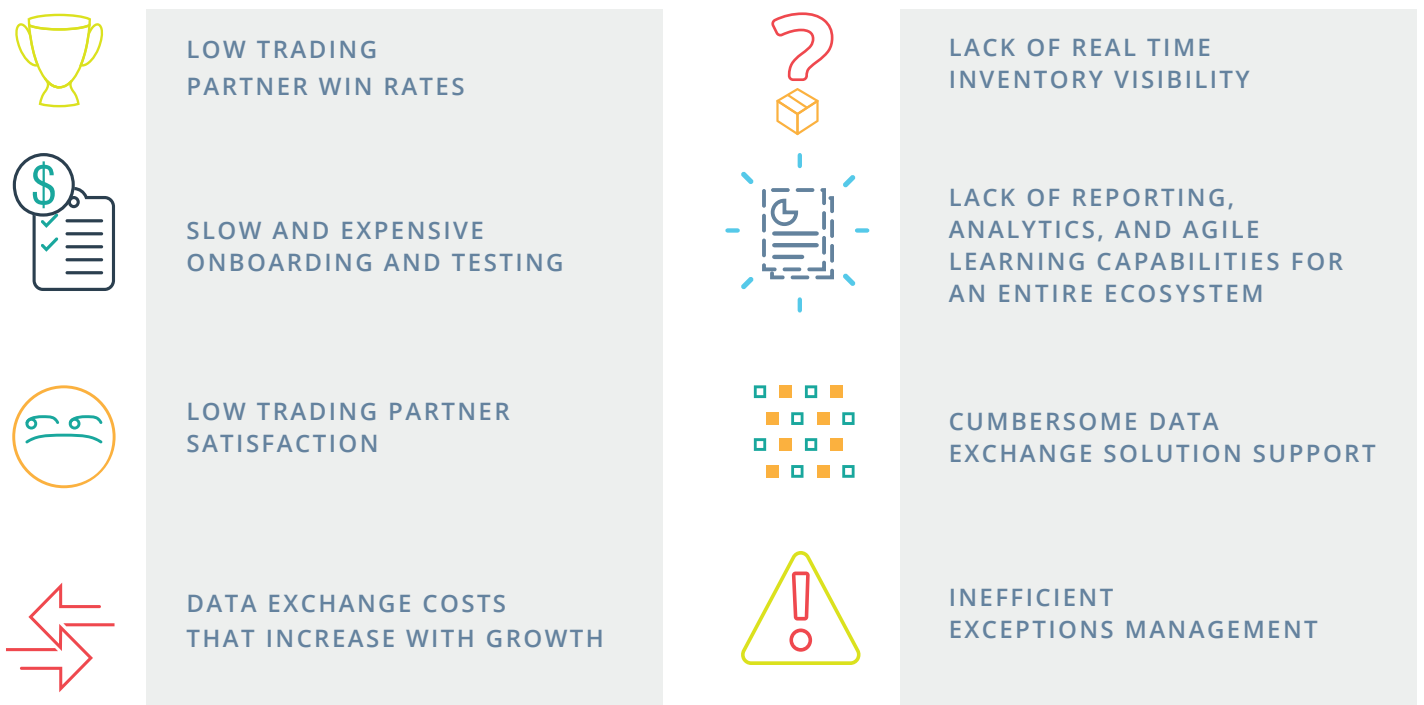
ENABLING SCALE IN DROP SHIPPING



SUMMARY

Data exchange solutions are the engine under the hood of any drop ship operation. This engine can either help or hamper scale. Legacy data technologies and business models that introduce unneeded complexity, costs, and friction make it very difficult to scale up a drop ship program. Solution providers with the scale enabling features described in this document, however, are best positioned to strengthen trading partnerships, expand assortments, increase data exchange, surface rich data and analytics, and ultimately support increases in revenue and order volume.

Drop shipping is involved in close to 33% of all ecommerce transactions. This means that as ecommerce continues to take up more and more of US retail, drop shipping operations are facing the difficult task of trying to scale their program, year after year. Scaling an enterprise drop shipping program, however, is an endeavor fraught with many complicated challenges and barriers, including:



A retailer's data solution can either exacerbate these challenges or enable their drop shipping operation to overcome them. For example, per order costs will eat a larger and larger portion of profits the bigger a drop ship program gets, and low trading partner win rates will reduce the number and kind of items an expanding retailer can offer through drop ship.

In this white paper, we will outline DSCO's approach to resolving these data challenges to enable scale in drop shipping.

DSCO's approach is based on five fundamental principles. We'll discuss each of these in turn:

- PARTNERSHIP-ORIENTED TECHNOLOGY
- THE FREE FLOW OF DATA
- STATE OF THE ART DATA ARCHITECTURE
- STANDARDIZED DATA
- OMNICHANNEL READINESS

PARTNERSHIP ORIENTED TECHNOLOGY

Drop shipping isn't just another fulfillment method, it's a completely different beast from wholesale. Instead of suppliers sending retailers products in bulk, they fulfill large numbers of individual orders on an hourly and/or daily basis.

This means that inventory and order data become atomized through drop shipping. Inventory updates, orders, shipping information, and invoices are all done on an individual item or consumer order level, and need to happen in as close to real time as possible so that out of stock items aren't sold and consumers are able to track the processing of their purchases.

This changes an important aspect of the retailer-supplier trading partnership: instead of a commit-to-buy relationship, it becomes a commit-to-integrate one. The data solution used to support hundreds of such trading partner integrations needs to reflect this by being partnership oriented. Otherwise the larger a program grows the more inefficient and expensive it will become.

A PARTNERSHIP ORIENTED DATA SOLUTION NEEDS THE FOLLOWING FEATURES:



DATA FLEXIBILITY:

- » Faster onboarding times
- » Reduced integration and upkeep costs for supply partners
- » Better trading partner win rates and satisfaction



NO COST INTEGRATIONS AND TESTING FOR SUPPLY PARTNERS:

- » Better trading partner win rates and satisfaction
- » Helps lower the overall data costs of a retailer's ecosystem by up to 70%
- » Gives room for a retailer to finance the cost of their program through a membership



SINGLE SOURCE OF TRUTH AND REPORTING FOR BOTH SIDES OF THE TRADING PARTNERSHIP:

- » Increased data visibility, communication, and accessibility
- » Simplified order resolution
- » Streamlined exceptions management



NO COST TO TRADING PARTNERS FOR DATA EXCHANGE:

- » Better trading partner win rates and satisfaction
- » Helps lower the overall data costs of a retailer's ecosystem by up to 70%
- » Data costs don't increase for your trading partners as your program grows

Such partner-friendly features have a huge positive effect on trading partner satisfaction and performance. We've seen this ourselves with our own customers. Here is a sample of the types of experiences our users have had with our partnership oriented platform:

"The communication, ease of doing business and flexibility are best in class. We are one week into using the Dsco platform, and we have saved many, many hours already. My team is so happy. The rollout cost us nothing and is super user friendly. Love it!"

*Meg Hopkins,
VP Wholesale,
Allen Edmonds*

"I like the fact that Dsco is a one-stop resource showing all information relating to the official order. Often times we are requested to make changes within an order relating to the address, [and so] it is helpful to have an organized area where address information is located. We can also request a new order transmission through the item page, we like that access as well."

*Jason Nelson,
Brooks Running*

"Dsco has been great for us. As a manufacturer, we appreciate having a service option like this at no charge. That is so helpful with dropship from the manufacturer side."

*Cameron Sobanski,
Sales Manager,
Bella Tunno*

"We are excited to migrate to Dsco [as] our VAN is costing us \$6,000/month for inventory files."

*Jennifer Jennings MIS,
Pacific Shoe Corporation*

"The transition from our existing EDI vendor to Dsco was easy because we were able to use our existing mappings and EDI files to transmit to Dsco. There was no additional programming on our end. The biggest advantage is the cost savings; after only one of our customers converted over to Dsco, we are starting to see about a 15% savings in our EDI expenses each month."

*Ronald Bedrad,
IT Manager,
Schwartz & Benjamin*

"Dsco has been a great tool for integrating data transformation to major department stores. The flexibility that the system offers is outstanding and the set-up process was seamless."

*Caroline Arce,
Director of Operations,
n:Philanthropy*

"[Our job] has been made easier through Dsco. We can track all of our orders, invoices and inventory in one easy to navigate dashboard that can be used by all levels of the business. Integration with our ERP was seamless and the entire process has been automated so we have been able to re-allocate precious resources to other areas of the business. Dsco is always transparent with any release notes meaning that we are always up to date with changes and enhancements to the platform."

*Adam Bianco,
Director,
Tony Bianco*

We all LOVE Dsco here! The customizations you've done for us, the ease of use of the portal, and the ease and quickness in which daily tasks are able to be completed all leaves us wishing that all of our customers used the DSCO platform . . . I can confidently say that the DSCO platform is head and shoulders above your competitors. Keep up the good work!!

*Jason Delardo,
HDS Trading.*

FREE FLOW OF DATA

In order for drop shipping to work at peak efficiency massive amounts of data need to be exchanged between trading partners. Retailers need real time updates about what items supply partners have in stock so that they don't oversell to customers, suppliers need to receive order information as soon as purchases are made so that they can make shipment windows on time, and shipping and tracking data for thousands of orders need to be updated continually so that customers know where their packages are. Atomized data on tax information, customer information, packing slips, invoices, returns, and exceptions management also have to be exchanged constantly between trading partners.

Data is therefore the lifeblood of any drop shipping operation and third party solutions need to be designed to increase—not impede—data exchange in a trading partnership.

A DATA SOLUTION THAT ENCOURAGES DATA EXCHANGE SHOULD HAVE THE FOLLOWING FEATURES:



NO PER ORDER OR KILOCHARACTER FEES FOR DATA EXCHANGE:

- » Increases the speed, amount, and richness of data that trading partners are willing to supply.
- » More data leads to better analytics and reporting.
- » Data costs don't increase as your program grows.



DATA FLEXIBILITY:

- » Removes data incompatibility issues.
- » Allows the mixing and matching of data exchange methods. (For example, a retailer could receive inventory information using EDI over FTP but send orders through API.)



STANDARDIZED DATA:

- » Allows all data in an ecosystem to be correlated and analyzed
- » Better analytics, reporting, and performance metrics
- » Reduces tech stack complexity and costs for upkeep, support, and new feature implementation.

The fact is, data is much cheaper compared to 50 years ago. Charging per-data fees simply doesn't make sense in a world where consumers can stream an entire season of Stranger Things for the price of a Netflix subscription (something that would cost an astounding \$3M based on a per kilo-character fee of 6 cents). Cheap data technology means cheap data exchange and standardization. Data has been freed by the cloud. Every modern platform should reflect this reality.

STATE OF THE ART DATA ARCHITECTURE

There was a time when declaring, "Our technology scales great!" was an important differentiator. Today, it's simply assumed that a tech company can scale to the moon and back thanks to the cloud and mature third party services and products that do the heavy lifting. So, the question, "Does your tech scale?" isn't what is asked by folks in the know anymore. Today, to determine the sophistication of a potential provider the right question to ask is, "What specific cloud service do you use for your platform?"

Modern data platforms should leverage the best of breed services, patterns and approaches provided by cloud service companies such as Amazon AWS so that when they need more scale, they either click a button and in minutes get more - hard drive, network capacity, processing capacity, etc. - or an automated process detects the need for more and spins it up. All the other tech on the platform should be architected for enabling the scale that comes with cloud computing.

STATE OF THE ART SCALABLE PLATFORMS SHOULD HAVE THE FOLLOWING FEATURES:



CLOUD BASED TECHNOLOGY

- » Instant, near limitless data capacity at the touch of a button.
- » Continual improvements to services as providers such as AWS upgrade their cloud technology.
- » More cost effective and reliable than homegrown technology.



DISTRIBUTED REAL-TIME STREAM DATA PATTERN

- » Removes obstacles to achieving linear scale.
- » Near real-time processing of vast amounts of data.
- » More efficient data processing through decentralized communication between the disparate components and microservices of the system.



CONTINUAL ACROSS-THE-BOARD PLATFORM DATA TESTING

- » Increased robustness and higher uptime rates.
- » Real-time vetting of software updates and changes.
- » More agile fine tuning of features and back-end functionality.

A truly state of the art platform should be able to handle order-traffic on the level of Alibaba's Singles Day—the largest online shopping day in the world—without breaking a sweat. The technologies, capabilities, and processes outlined above should allow it to spin up the necessary capacity to handle 1.5 billion orders in a 24 hour period with just the click of a button.

STANDARDIZED DATA

Since drop shipping requires *more trading partner connections* that *exchange more quantity and quality of data* at *faster speeds* than with traditional retail, it can quickly lead to a Gordian knot of one-off and/or ad-hoc data integrations if the data isn't standardized.

Such a situation introduces a huge amount of complexity into a drop ship ecosystem that increases overhead, pulls away manpower resources to setup and maintain connections, and slows down integrations and data exchange. Unstandardized data also means that much of the information flowing in a drop ship ecosystem is un-correlatable, reducing the power and breadth of analytics that might have been possible.

For these reasons DSCO views standardized data as the bedrock of any modern drop ship solution. Standardized data allows faster onboarding times due to the streamlined processes and data flexibility it enables, much more agile support due to reduced complexity, improved analytics due to the highly correlatable data that can be gleaned from across an ecosystem, lower data exchange costs due to more efficient software and data infrastructure, and less overhead and manpower poured into data integration setup and maintenance.

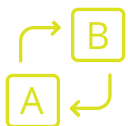
Data exchange solutions that maintain standardized data are the gold standard for the industry.

HERE ARE THE FEATURES OF SUCH A SOLUTION:



SCHEMA PURITY:

- » Schema changes benefit all users on the platform.
- » Reduced complexity and costs for all users



DOUBLE TRANSLATION:

- » All data in the system is translated into and out of a unified platform data standard that is accessible to all users
- » All information in the system can be correlated and analyzed



DATA FLEXIBILITY:

- » Clients are able to use whatever method and protocol they prefer to connect and exchange data with the platform



GLOBAL PLATFORM UPDATES:

- » All new updates and features are rolled out for the entire platform instead of individual users
- » Users can influence new platform features and updates



AGILE SUPPORT TEAM:

- » Standardized data schema lead to more efficient support teams A ratio of one technical support team member to every five hundred connections is a sign of true standardization
- » Quicker resolution of data exchange issues



ANALYTICS AND REPORTING FOR THE ENTIRE ECOSYSTEM:

- » No siloed data
- » Rich reporting and analytics
- » All trading partners have access to the same analytics and reporting



STREAMLINED TRADING PARTNER ONBOARDING:

- » Average supply partner onboarding of under three weeks
- » Enables true scalability in supply partner growth. More sale time per SKU

A major sign of standardized data is much lower data exchange costs as a drop ship program scales. This can be so significant that the pricing might appear too low when companies who are used to legacy data solutions try to figure the math out. Some of our own customers have been perplexed as to how Dsco can be so inexpensive and have questioned how we make a profit off of our services. The answer is, of course, that the standardization at the heart of our business model and technology makes all of our services and processes much cheaper to set up, execute, and scale. If a solutions charges high rates for its services and data exchange, that is a clear signal that their data is not standardized.

OMNICHANNEL READINESS

For modern retailers, drop shipping is one supply chain process among many others that must be integrated together to serve multi-channel consumers. The inventory and order data from in store purchasing, SFS, BOPIS, and drop ship should be accessible at every point in a retail ecosystem, leaving no gap in a retailer's ability to provide customers with a product whenever and however they want.

A scalable drop ship solution must be able to offer such omnichannel integrations through a business model and data architecture capable of connecting any source of supply (including a retailer's own DCs and stores) with any source of demand throughout an entire ecosystem. Only this will allow a drop shipping operation not only to scale but become a growth engine for the retailer's entire supply chain, and vice versa.

SUCH AN OMNICHANNEL-READY DROP SHIP SOLUTION NEEDS THE FOLLOWING FEATURES:



ITEM SETUP

- » Allows the creation and expansion of virtual inventory within a retailer ecosystem
- » Integrates catalog and inventory data into a single unified view



UNIFIED APPROACH TO ALL SUPPLY AND DEMAND SOURCES:

- » Any supply source can be connected with any source of demand, both inside and outside a retailer's business organization
- » Integrates drop shipping into the rest of a retailer's inventory assets



STANDARDIZED DATA:

- » Ecosystem-wide drop ship data is available for use by all of a retailer's various operations
- » Multichannel analytics, reporting, and machine learning can be applied to drop shipping data



DISTRIBUTED ORDER MANAGEMENT

- » Advanced shipping logic saves money and improves on time delivery rates
- » Solves complicated order management issues such as shipping items with multiple parts in different locations



DATA INTEGRATION FLEXIBILITY:

- » Allows a retailer's various operations to use any kind of data connection for integrating drop ship data with their systems

SUMMARY:

Data exchange solutions are the engine under the hood of any drop ship operation. This engine can either help or hamper scale. Legacy technologies and business models introduce unneeded complications, costs, and trading partner friction through their use of ad hoc integrations, data fees, unstandardized data, and nickel and diming for connection upkeep, data changes, and new features.

Increasing complexity, costs, and friction is the best way to stifle scale in a drop ship program.

By contrast, third party solution providers with the scale enabling features described above are best positioned to strengthen trading partnerships, expand assortments, increase data exchange, surface rich data and analytics, and ultimately support increases in revenue and order volume.