

WWD EXECTECH

CHARGEBACKS: A SOFTWARE SOLUTION

By Cate T. Corcoran

While the industry continues to debate the role of chargebacks, software firms are developing applications to help track, manage, prevent and re-ute them.

Depending on how big the problem is to start with, such software can reduce the number of chargebacks by as much as 80 percent in the first year, according to users and software vendors.

"Chargebacks can be so voluminous," said Jessica Butler, consultant and principal of Attain Consulting Group of Ridgewood, N.J., which helps companies reduce and control chargebacks through employee training programs and other means. "Deduction management software helps you keep the codes organized. If you're not able to identify, track and understand chargebacks, you'll never be able to reduce them."

Over the past 10 years, most apparel makers have cobbled together some kind of tracking system, from homegrown applications to, more often, Excel spreadsheets, said the chief operating officer of a \$150 million-plus apparel maker based in New York, who requested anonymity. His company developed its own software 10 years ago, and is helping **Computer Generated Solutions Inc.** of New York develop a chargeback module for its Blue Cherry product life cycle management, enterprise resource planning and supply chain software by consulting on specifications and beta testing the program.

Whether homegrown or off the shelf, specialized software is likely to be easier to use and more efficient than a spreadsheet, said Butler. For one thing, users don't have to key in as much data.

Commercial chargeback applications fall into two classes: Either they are part of a bigger ERP software package an apparel manufacturer might use to run its financials and other aspects of its business, or they are stand-alone programs that in most cases can be configured to work closely with a company's accounting system, Butler said.

CGS plans to ship its chargeback application in January. In July, Tradecard added a chargeback feature to its Web-based sourcing software that lets brand owners send invoices to their suppliers for deductions within the system. Jones Apparel recently spun off its own internally developed software, known as EDI Tracker, to a company called HCL Technologies Retail Business Solutions, a joint venture between Jones and HCL located in Harrison, N.Y.

Not all such packages are new: GetPaid Corp.'s receivables collection software, for instance, contains a module for managing disputes. (The company has offered some form of chargeback functionality since 1998, said C.J. Wimley, GetPaid senior vice president of product planning and development.) The software lets a company segregate disputed charges from its collection process, track them until they are resolved and do root-cause analysis of disputes for future improvement. Its reconciliation tool lets a company attach data to support its claim, such as shipping documents and photographs.

The deduction management module helps companies turn around disputes quickly so they don't remain open for 90 or 120 days, said Wimley. "We'll knock 30, 40, or 50 percent off overdue receivables — the days sales are outstanding," she said. Customers



Here, a Columbia Sportswear shop at a Gander Mountain store. Columbia devotes a small group of staff to staying on top of chargebacks and retailer compliance.

can set up scorecards to track the issues that a retailer is having, and also can set up reason codes for deductions that match the retailer's compliance manual.

Not all manufacturers see a need for specialized software. Portland, Ore.-based activewear maker Columbia Sportswear has devoted a small group of staff to staying on top of its relationships with retailers, but the group doesn't use chargeback software.

However, Timm said down the road, Columbia might consider adopting software to help manage its chargeback process.

For companies that do use such software, success will depend on other factors, said the New York-based chief operating officer.

"This is a tool," he said. "It's only going to be as strong as the management and the team. I'm going to guess that, for an average company with the best of intentions and a reasonable amount of resources, meaning a fair amount of claims specialists and a strong department manager, [chargebacks could be reduced] 30 to 40 percent in the first year."

The advantage of software is that it lets a company see where to focus first, he said. "It makes the process very visible. It's a fun process to go through in the sense that the more success you have, success begets success. As some of the lower-hanging fruit goes away, you can go after stuff you thought you'd never have time to go after. Then you look around and all of a sudden you say we have a pretty good number here. It's very fulfilling. You'll have a lot of happy people," he said.

Timberland Kicks Up Customization

By Denise Power

When Timberland expanded the selection of footwear that shoppers can customize online and upgraded technology to streamline the process two months ago, browser-to-buyer conversion rates doubled.

In August, Timberland.com added six new styles to the lone boot it launched for online customization last year. Shoppers can specify so many product details — including colors, hardware, laces and typefaces for monogramming — that more than one million combinations are possible for any one base style, said Stacey Howe, manager of electronic commerce marketing and merchandising for the Stratham, N.H.-based company.

"An emerging trend is personalizing your product," said John Pazzani, Timberland's vice president of consumer direct. He said the site's overall conversion rate jumped 100 percent, while conversion on the original boot style offered for customization rose nearly 300 percent. The \$1.5 billion company does not disclose online conversion rates.

A key upgrade to the site is a speedy product-configuring tool that instantly updates images as a consumer designs a boot. When a shopper

clicks on the "mauve waterbuck" swatch as the color for the boot's leather upper, the image changes to that color in less than a second. The configurator encourages design experimentation because consumers can quickly see how a mauve boot looks with a chocolate brown collar, navy laces, antique brass eyelets and a white midsole. Speedy delivery of images is made possible because the configuring tool works directly

off the user's own computer, rather than the Web site server.

Consumers using Timberland's previous product configurator transmitted their color choices to the Web site's server. The server would respond by sending back to the user an updated image file. This round-trip exchange of data "resulted in a pretty significant delay" in the online personalization process, Howe said.

The configuration tool, developed by Fluid of San Francisco, supports other features such as product rotation for multiple views and zoom — all while keeping custom-configured details intact.

"To my knowledge," Howe said, "no one else out there has this technology. It was really important to us to include that because the challenge in an online environment is trying to replicate that tactile-visual experience of an offline environment."



Timberland.com offers seven boot styles for online customization.

Wal-Mart's Global Push

By Koji Hirano

Nimble technology is key for global retailers seeking to gain traction in new markets abroad, Luke McCollum, director of information systems, Wal-Mart Stores, told retail and technology executives at the Retail Technology Summit in Tokyo last month.

McCollum, who lived in Japan for more than two years to absorb the culture and observe local shopping behavior, said Japanese consumers value fresh fish more than shoppers in other parts of the world. "So we put technology behind it," he said, referring to sourcing and logistics investments Wal-Mart has made since entering the country in 2002. The Bentonville, Ark., company owns a 42 percent interest in Seiyu, a major chain that sells apparel, general merchandise and food.

Localizing product assortment is important for Wal-Mart as it builds its presence in other countries, McCollum said. Nurturing consumer awareness locally and creating the "one-stop-shopping phenomenon" are also top priorities.

Tech employees are expected to understand how systems perform day-to-day in stores. "Our programmers go to the sales floor and see if the system works," McCollum said. "When they find any problems, they go back to the office and correct the system."

Wal-Mart became an international company in 1991, when a Sam's Club opened near Mexico City. Just two years later, Wal-Mart International was created to oversee the growing opportunities for the company worldwide. Today, Wal-Mart International operates in Argentina, Brazil, Canada, China, Germany, Korea, Mexico, Puerto Rico and the United Kingdom.

McCollum said a global company seeking to expand must be financially healthy in order to invest in training, share best practices collected from around the world and establish global systems and processes.

"Wal-Mart is not considered a winner in the market yet," said an attendee who heads up materials sourcing for one of the major national chains in Japan. "We will wait and see."



Luke McCollum, director of information systems, Wal-Mart Stores.