



Channel Mastery Podcast, [Episode #9](#): Kristin Carpenter-Ogden Interviews
John McCoy, Digital Industry Advisor for Retail with [SAP Hybris](#)
Part Two of a Two-Part Series with Episode #8

Entering with Kristin's intro and the continuation of a conversation from [Episode 8](#).

Kristin: I have one thing that I want to bridge from where you just were and that is, obviously, something that I learned from [Elaine](#) [Kwon 00:30:44] when I talked with her about Amazon in an earlier episode. I'll put the link in the show notes, but essentially she was quoted in CNBC, I believe, right around the Nike-Amazon thing. She had worked at Amazon for a long time and their merch teams handle 300 different brands and it's impossible for a brand to get in front of somebody when something goes wrong and there's page, et cetera. Not impossible, but it's very difficult because there's only so many times and hours in the day for them to respond. That, to me, kind of was a little flag when you were talking about the infighting and the silo-ing that you experienced in your most recent retail position as an e-comm. E-comm's over here and they're this percent and you have this P&L and we're over here. Let's talk about marketplaces because they, I think, are not necessarily keeping the eye on the ball with the end-consumer and that's our opportunity.

John McCoy: Yeah. There are so many interesting things happening with marketplaces. I've got friends that are running marketplaces. We had our own teams that we were working with, a marketplace team at Sports Authority. Not that we had on our site a marketplace, but a team that was actively talking to Amazon, having a marketplace on Ebay, Jet.com. These different organizations that are trying to solve other challenges that you were just outlining: essentially, for the consumer and trying to find the best products at the best prices and that sort of thing. It's a part of the industry that I think will continue to grow. There will continue to be a lot of investment, I think, but what brands are struggling with is their overall value on these marketplaces.

The Nike thing didn't surprise me a ton. We had actually, at Sports Authority, tried to get Nike on some of the different marketplaces we were working on, well as some of the other brands out there and they would not, they weren't having it. Up to the point to where they would threaten to take our goods away...

Kristin: Wow.

John McCoy: ... if we were to ... Yeah, it was, "We will no longer sell to you." I think that actually happened to a couple brands that were accidentally on marketplace for short times. A

data feed got mixed up and some of the products went live on a marketplace and one of those brands, it wasn't Nike, but one of those brands reached out to us and said, "Nope." Slap on the wrist. "We're not going to sell you any products for a certain amount of time." I think it was either six, it might have three months, six months. It was long enough for it to hurt.

There's still a lot of conflict there. It's funny. I think we were talking about this just a minute ago as well: that conflict that's happening within the marketplaces. I have a few friends that are in business of running large marketplaces that are online, and they're even struggling. They have third-party resellers that are selling things cheaper than the brand that they work for on their own dotcom site, on their own dotcom real estate. Now, the buyers are upset at them because their product is not turning as fast as it should be, and/or could be. Because these third-party resellers are selling it even cheaper than the brand can, which gets into a whole new strange conversation of internal conflict out there. Fascinating. I actually have been talking, I don't even know what your original question was anymore. Sorry.

Kristin Well, it's about marketplaces and that third-party sellers angle is top-of-mind for so many companies out there. Ultimately, to have a consistent experience across all points of entry is super important and if somebody stumbles upon a third-party seller that's selling something at a ridiculously low price point, it's going to make the consumer question their trust of the brand that's being sold. When that's out of your control, there are very few things in life, I think, that can upset a passion brand more than that.

John McCoy: Yeah.

Kristin: I think it's actually super relevant that you're bringing this up.

John McCoy: Yeah and it is a decision that they'd have to make. Here's the scariest part I see with the king of all marketplaces, Amazon. I can't remember if this was brought up on your last show or not. But you have Amazon, which was essentially a book seller online that is now turned into something much, much more. They're actually one of the top hardware, I guess you could call it, developers or organization. They have Alexa and the various versions of hardware that they've built out with their voice technology, and because of that we are becoming more and more dependent upon Alexa to now buy things. And how Amazon's algorithms and how people are transacting through Alexa is putting brands, I think, in an additional bit of a behind the eight ball type of scenario. To where-

Kristin Talk about that. That sounds super interesting.

John McCoy: Well, if you think about it, this was, and I'm sure many of your listeners are familiar with L2, I run the L2 practice for SAP Hybris. Scott Galloway is just a wizard and shares such interesting insight.

Kristin: He is rad, isn't he?

John McCoy: He's so awesome. I have a man crush on Scott Galloway. Truth.

Kristin: I have a regular crush on him.

John McCoy: But he's sure got some really interesting insights overall around Alexa and voice and voice commerce. There's a million different terms out there for it now. But based on his research or his team's research, what they're seeing is that Amazon is training you to use Alexa to where they're actually offering steeper discounts [than] you would see on standard Amazon search. Then in addition to that, when you order -- the example that he always gives is batteries --through Alexa, she always pushes Amazon brand batteries. She doesn't say Duracell. She doesn't say Energizer. She says, "Okay. Great. You can buy X amount of Amazon basic double AA batteries for X amount. Is that okay? Can we ship that now?" Whatever. Right?

Amazon is now forcing those people that have invested in Alexa, which that number continues to rise and continues to grow, to become dependent upon Amazon. What Amazon is doing is that they are trying to push you not only to use the technology more, by offering deeper discounts when you order through it. [It's] subconscious almost. Then in addition to that, according to Scott, they are trying to destroy your brands, trying to destroy brands in general by offering their basic batteries and having you decide at that moment, how much more value is there to a Duracell and Energizer versus an Amazon basic and whatever is Alexa recommending you.

Kristin: Oh my. This is scandalous.

John McCoy: It is very scandalous. Again, it's this whole concept of: Do you invest in marketplace, for example, with Amazon? What does that mean? And what does that potentially do to your brand? It's an important question. Some brands, I think you absolutely should be on there. There's no reason not to. Just be prepared for Amazon to bully you, understanding they will aggressively break [inaudible], if you're a brand. They will do that. Be prepared to play hard with Amazon if you are going to go on there. Other brands, I still don't think it makes sense. I do feel that there are some brands that are so niche and unique that it does jeopardize the overall value, but I think those are case-by-case. It takes a lot of soul-searching deciding what your plan is, and who you are, and what you're trying to do as an organization to really make the right call there. It's a tough one.

Kristin: That is a tough one and I have another tough one to run by you now, too. This show is being recorded just before mid-August 2017 and obviously, we just returned from one of our markets big trade show. We have several, but this one of the biggest ones in outdoor retailer. We have a lot of clients. I'm in and out of a lot of booths. I'm listening to a lot of conversations and marketplace conversations were very top-of-mind, especially, looking at some of the acquisitions such as Wal-Mart purchasing Moosejaw and Jet.com. We're starting to see the same way we used to see innovative e-comm platforms, 10 to 12 years ago, be bullied by brick and mortar, banding together saying, "You must not sell to them."

We're now seeing some e-comms saying, "You can't sell to marketplace," right? You're outlining some very important reasons why, if it is a true specialty brand, you may want to take pause and truly look at our version of clienteling. I'm going to start using that. I love that, by the way, so thank you for sharing that. As we consider, Wal-Mart,

Moosejaw, Jet.com, we have eBay, we have Amazon, and then we have ... Now that's one grouping and then specialty e-comm and then e-comm.

The mix of channels, I think, is really, really important to consider. Over the years, I've seen clients do things like segment their line. They'll have a portion of it that makes sense on a marketplace and they won't sell some of the high-end product. They'll only sell it to a "more specialty" online e-comm or to their brick and mortar. What do you think is your kind of gut feeling, or maybe even, dare I say, best practice around that? Because I do think if your end-consumer expects to see you there, you need to be there in some form because we try to be consumer-centric here, right?

John McCoy: Yeah. No, it's an interesting one. Again, I think that what works for somebody wouldn't work for somebody else. I often think of Nordstrom and some of their specialty good that they put on Nordstrom Rack that you wouldn't find at a regular Nordstrom. It's not all closeouts that are being sold there. A lot of it is a special make up of goods that they have, and that they've worked with their brands and vendors to then sell there.

I think that is an interesting strategy. Nike does the same thing. They have their Tier 1 accounts to where they will sell the Nike Roshe to, for example, which they wouldn't sell to a Sports Authority, and some of these other brands that are out there. I think it's an interesting strategy. Yeah. Again, I can see it working for some. Others: not so much.

If I were to slice that up a little bit [as if] I were somebody that was making highly specialized goods and I was smaller. Let's say I had, I don't know, 1,000, 2,000 SKUs, something like that total, I probably wouldn't mess around with doing any type of special make ups, and doing this whole Tier 1, 2, 3. I would do just like I would with my golden king and queen customers. I would find my kings and queens of retailers that I would focus on.

Kristin: That's a great answer.

John McCoy: I would try and find relationships with them and try and find what it is that is great about them and then try and duplicate that and replicate that as much as possible. You could experiment with a couple of products, maybe your more commoditized goods on marketplace, potentially, but I would absolutely reserve your best stuff for your own website and for those retailers that you have great relationships with.

I don't like it when brands sell their soul. I really hate it. It's crushing. There have been some great brands that I fell in love with that ultimately sold into Targets and different things. Because of that I decided I wouldn't buy them anymore.

Kristin: I'm one of those, too.

John McCoy: I think that you don't lose sight of who you are just to chase the dollar. It's easy for me to say, I guess, but I think that that short-term win is going to result in some long-term pain for you. Before you know it, the brand isn't what you had created and what you had always wanted it to be.

Kristin: I have to say that, that heartbroken feeling you had is what happens when a brand does a great job creating emotional engagement and connection. Then, doing exactly the wrong thing for profit. Because we do get so, so attached to our brands. They're our tribe, and they're the part of our identity. It's a very important thing, and you do have to protect that with your life, I think.

Obviously, we've had such a great time here together. I'm probably going to put this in two shows, just so you know, but I have one last question I wanted to run by you to kind of wrap thing up. That is, at the show and in conversations since then because now we're going into 2018 planning. This time of year is always just an awesome time to have these strategic discussions and really poke holes and ideas with clients and bring in specialists if we need an outside opinion on things.

I love that there are more and more [brands] bringing us into those conversations. So I'm having a lot of those right now and I've many more on the books going into September. I keep seeing a similar schemata that's popping up from a lot of the leaders with the brands that we serve. It's basically a distribution puzzle. At the top of it is a triangle. The top is a specialty triangle. Then the middle is multichannel or omni, and the bottom is marketplace or Amazon, right? That's something they're trying to figure out. What does ours look like? Does that, in your mind, is that triangle roughly what it should be or is that just completely like, "What the heck are they doing?" I just wanted to see what you thought.

John McCoy: Yeah. No. I just wanted to make sure, again, are you talking about retailers are looking at things this way?

Kristin: No, these are brands. Brands. I'm sorry, I should have specified.

John McCoy: Brands. I see. I see. No, no, no. It's good. The way I would look at it is, I would really focus on, again, who your golden customers are. I'm going to keep coming back to that. Who are your most loyal, right? Who are your, whatever you want to call them, give them a name, your platinum customers, whatever. How are they shopping you? What is it and how are they experiencing your brand today? If you can at least try to, and this isn't necessarily technology, but invest some resources into understanding that consumer journey and figuring out what's important to them. You might not have to approach things that way. It's just really getting to a better understanding of your brand. Then Gary Vayn-

Kristin: Vaynerchuk, yep, love that guy.

John McCoy: I always butcher his last name. Then just do shit. His big thing. Right? Figure out who your customers are. Don't do the analysis-paralysis thing, figure out who they are, and do shit. Try subscription-based models. Don't necessarily think about things in some sort of pyramid type of thing, but just try shit, do shit. Subscription-based models, if you don't have a solid e-comm platform today, does it make sense to do one? I don't know. Every brand is different. I saw some really innovative things happening on Instagram to where cooks in New York City were essentially building out their own restaurants on Instagram. [It's to where these cooks] would launch, every day, the goods that they were selling and what they would be cooking. You would message them through

Instagram and then you would place your order that way. Then you would show up to your apartment door and they would have your food ready for you to take.

Kristin: That's awesome.

John McCoy: I mean that's the kind of innovation and the cool things that are happening with what you can leverage technology for, but you got to have a plan. You got to have that vision. It's not, I guess, so much that technology is shit. It's just that the typical type of stuff [around] technology of having to invest in all of these giant things [that] I'm not a huge fan of. I think there is so much creativity happening in the space and so many great ways that the consumer is now interacting with you. Like that Instagram story that I just shared, be inventive, do shit, try stuff. Figure out who those customers are, how you think they would really appreciate and understand getting to know your brand even better, building those tribes, stronger tribes, real diehards and then trying different things. Then, once you see something begin to be successful and you still can keep your soul, invest in that. Invest in that; invest in it fast. Then, continue to do different things and try and poke around to figure out where the next thing is.

I think that's a lot of what Gary actually says as well, right? I think his success was built upon marketing to the now. I think that approach feels more entrepreneurial. It feels more fluid, as opposed to a rigid, this first, then this first and then that, kind of approach. Does that make sense?

Kristin: It totally does. Yep. Have you read Sean Ellis's book the *Growth Hacking or Hacking Growth*? I might be getting it backwards, but it's-

John McCoy: No, I haven't. It sounds awesome.

Kristin: It came out pretty recently. You know what, audience, I hate to do this to you. It's literally a seven-hour audiobook. I train on my bike quite a bit and I've listened to it twice! Yes, I'm that big of a nerd. There is an actual physical book. I have that too because I like to write in the margins. It actually has a recipe for hacking growth, which is do it now, do it fast, see what works, and see what doesn't. It talks about how to set up the teams. It talks about how to have the meetings.

It literally is like a recipe to try and fold that into your business. Sure it's all based on apps, but there's a lot we can pull from that when you knock down the walls and the silos and you get people working together on little growth projects together across your marketing product, operations, sales. That's when stuff can actually happen faster and it can happen now. It doesn't have to be like, "Oh, god. We're gonna have to change this in at least three to four months because it takes a long time to make change happen within this organization." A lot of our clients say that. But if you actually try and make these little growth teams, it keeps the employees super pumped and it also makes change happen faster. It's pretty cool.

I'm going to put the link in there and the audio link, but please don't throw eggs at me the next time you see me because it's a heavy read, but there's gold in it. There really is.

John McCoy: No, that's awesome. In fact, one quick last story, I think, to share with respect to that. I come from a lot of pre-e-comm and marketing. I was doing startups and was a huge fan of Eric Rie's, *The Lean Startup* book. Also, another one you should put the link in there for the audience. When I got to Sports Authority, one of the challenges was exactly what we were just talking about. This organization has been marching down this path and kind of lost sight of who it was and struggled to innovate, struggled to do things. It had gotten too big for its own good. Too much bureaucracy.

Then, I had this concept and idea - really borrowing the majority of it. Wish I could take credit for it, but [it's] from Eric's book on startup experience. I went to the CEO and I sat down and I said, "Hey. I've got this idea. You said that you want the organization to create more and to create a culture of innovation, but it's not that. It can't do it in the shape that it's in. Everybody right now is essentially operating off of fear. Everyone's scared. We see the numbers. People are defaulting because of what they know and this is not innovation. That is core and protect, so we've gotta do something different."

"I've got this idea. Will you give me \$100,000 and with that hundred grand, I'm going to create a program and find you five new CEOs within the organization. We're gonna select them. They will have submitted their own ideas. We will give them mentors and we will give them \$25 grand, \$25,000 each, whatever. They will be able to operate in their completely own sphere: their own black box. They will build a team of up to four people. They will have 14 weeks to generate traction. The only interfacing that you will have with them is at the end of the 14 weeks when they come back to pitch to you and the rest of the executive team on what they've done and the successes that they've seen. [The goal is] to try and get more money from you, but outside of that, they don't report to anyone here in the organization."

They are now CEOs within this organization, but within their own organization, I guess within an organization.

Kristin: That's cool.

John McCoy: We saw some of the coolest stuff come out of that.

Kristin: That's awesome.

John McCoy: Everything from subscription-based type models involving supplementation, involving yogis and things called MOOCS. If you're familiar with the massive online courses, open online courses, and all these cool things were coming out -- rental programs, stuff that people had been talking about for a long time, but just couldn't make happen because there was just too much bureaucracy. I use that Eric Ries' book as a like a Bible for that. People were saying things like, "We've seen ... We've been able to accomplish more in the 14 weeks of this program, than I have in the 14 years that I've worked here at Sports Authority." It was almost scary, but that's a testament to that Growth Hacking, to that Lean Startup methodology. Sometimes you do have to get completely out of the standard operating procedures of a larger organization or corporation and create those [inaudible 00:54:22]. It really works. I've experienced it firsthand.

Kristin: In our world that means going back to your founding story because they all started on kitchen counters, garages, friend's basements. We all have that in our DNA and I love that and I'll definitely put that in there. This has just been a fantastic conversation and I definitely would love to have you back on as a regular guest, John.

John McCoy: I'd absolutely love to. That would be great. I had a blast talking to you.

Kristin: I've learned a ton. I really think there's a lot of other things that we could talk about together or maybe even pull together additional guests, et cetera to talk through some more of these at a deeper level, some more of the topic's we've hit here today. It's been fascinating, so thank you so much. We're lucky to have somebody like you in our world, who is with an organization like SAP, but has come from so many places that ... I'm sure you know so many people who listen to this podcast, right? Now look where you are and the insights that you bring from your larger world that you're serving, too.

John McCoy: Well, thanks. I really appreciate it. I love the outdoor industry. When I'm not geeking out on some of this stuff, that's where I'm at. It's really my second home.

Kristin: That's awesome. So, where can my audience learn more about you?

John McCoy: Yeah. I also do a vlog called Digital Giants and I'd be more than happy to share that link out with you and you could put it in the podcast or maybe in some of the output that I'll send you as part of a download. Yeah. Find me on LinkedIn, the usual social media sites, that sort of thing. LinkedIn is probably the best. As you can tell, I'm super passionate about this stuff. Feel free to drop me a line or whatever and I will most likely talk your head off, so I apologize in advance.

Kristin: That's why podcasts are so great for you and I.

John McCoy: Absolutely.

Kristin: You said it's Digital Giants, is that right? That's your blog, vlog?

John McCoy: Yep. That's right. Yeah, what it does, it's a matter of what's happening in the industry today and some of the different individuals that are those catalysts for change and what they're doing to drive change within their organization to meet the new demands of the consumer.

Kristin: Awesome, well if there's any way you can get Mr. Galloway on my show, I would pretty much by you a car. That's the challenge.

John McCoy: He's an interesting dude. Yeah. I could probably get some of his analysts to be on your show, but I don't know about the man himself.

Kristin: Okay. Well, one can only swing for the fences. That's always been my motto, but I would take an analyst. Well, thank you-

John McCoy: They've got some great people.

Kristin: I'm sure. Well, thank you again so much. This has been an awesome conversation and I look forward to having many more in the future.

John McCoy: Likewise, it's been a blast. Thank you very much.

