

COLUMNS

Retailers must hold brands responsible for their distribution

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Donnie Pacheco is cofounder and principal of Clean Channel Consulting

By **Donnie Pacheco**

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Amazon, search engines and, to a lesser extent, brand Web sites are where the majority of customers start their purchasing journey. For many brands, the results returned from such product searches are not flattering.

Discounted product sold by unauthorized sellers and sites as well as search results messaging "Brand XYZ at up to XX%" dominate many results and obscure messaging and offers from authorized sellers. Brands and authorized sellers alike vilify these sites and sellers, but who is to blame for all of this noise? The simple answer is the brand itself.

Whether or intentional or not, the majority of the product that finds its way to unauthorized sites and sellers originates in the brand's distribution channel.

By not keeping vigilant watch over their entire distribution channel, brands create this problem. This damages the brand and harms their authorized retailers.

It is time that retailers start holding brands accountable for channel cleanliness and make it part of a brand's performance scorecard.

Brands on sale

Unauthorized sellers have no vested interest in properly presenting a brand's products or following a brand's pricing strategy. Their goal is to sell the product as quickly as possible and the best way to do that is by discounting.

While discounting of older or discounted styles is not necessarily problematic for brands or authorized retailers, discounting of newer and inline styles is, and is indicative of greater problems in the brand's distribution channel.

A brand's entire authorized seller network is disrupted when inline styles are widely available from, and discounted by, unauthorized sellers.

Discounting of top styles disadvantages authorized sellers, particularly when it is so easy to comparison shop, which in turn makes authorized sellers want to discount to remain competitive.

The end result is that the entire retail marketplace is constantly on sale, undermining a brand's pricing strategy and eroding authorized seller's margins. This creates friction between the brand and their authorized sellers, with each side having legitimate complaints.

More problems for brands

The majority of customers do not understand the difference between authorized and unauthorized sellers and the potential implications associated with buying unauthorized product. Even if they do, there is a breaking point where the savings outweighs any potential benefits of buying from an authorized seller.

If a seller has a bad experience and the unauthorized seller does not correct the issue it has no vested interest to provide a good customer experience the customer suffers and will associate this bad experience with the brand.

Retailers such as Amazon that have a global reach and ship internationally. This turns domestic distribution issues into global problems.

When discounts become large enough, international customers can pay import fees and duties and still buy product for cheaper than they could domestically. Product that is sold or transshipped globally creates problems for distributors and license holders in other countries.

The reverse is also true for brands that have a global footprint and are not vigilant about watching their distribution channel and allow international product back into the United States.

Having an unwatched channel is the quickest way for a brand that does not distribute globally to gain a global footprint with no control over how the brand is distributed, presented or priced.

Retailers must hold brands accountable

All of these issues have one thing in common they all stem from a brand's distribution channel.

It is easy for brands to become complacent about their channel because ultimately they are making the sale. It is also easy for them to throw their hands up and say that they have no idea how unauthorized sellers procure their product.

It is this lack of brand stewardship and short-term thinking that authorized sellers need to start to change.

THERE IS A direct correlation between availability of product offered by unauthorized sellers and the ability of authorized sellers to sell product at full price.

Inline assortments should be monitored throughout the marketplace and brands contacted when there is regular availability of discounted product.

Availability should also be part of a brand scorecard as well as a factor when initially evaluating brands to carry.

Retailers must hold brands accountable for maintaining a clean distribution channel.

Donnie Pacheco is cofounder and principal of [Clean Channel Consulting](#), Seattle. Reach him at donnie@cleanchannelconsulting.com.

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