FOR IMMEDIATE RELEASE

Contact:
Stacey Winn
VCF and TPMA
1055 Parsippany Boulevard, Ste 405
Parsippany, NJ 07054
Phone: 201-714-4508
swinn@vcfww.com
www.vcfww.com
www.tpmaww.com

More Segmented, Creative Merchandising Strategy, Increased Transparency of Point-of-Sale Data and Collaboration Seen as Key for Retailers and Suppliers to Manage Through the Current Consumer Spending Crisis

Findings from the VCF and TPMA-hosted one-day Summit: The State of Retail: A Financial Perspective

Newark, NJ, February 11, 2009 – Retail analysts, bankers, economists, lawyers and credit experts today discussed the most effective ways for trading partners to manage though the current economy during a one-day executive summit, The State of Retail: A Financial Perspective, hosted by the Vendor Compliance Federation (VCF – www.vcfww.com) and the Trade Promotion Management Associates (TPMA – www.tpmaww.com) at the Newark International Airport Marriott, and attended by financial executives in the apparel, electronics, housewares, import, and retail industries.

Speakers included:

- 40-year Wall Street veteran Jeffrey B. Edelman, who offered insights gained though many economic cycles covering department stores, discount stores, apparel specialty stores and apparel/footwear manufacturers.
- JP Morgan Executive Director John-Carl Barone, responsible for running JP Morgan's Credit Trading Desk and managing its Vendor Protection business.
- Consumer Strategist Richard Hastings, with the investment bank Global Hunter Securities, LLC, a frequent guest on CNBC, Bloomberg and Fox Business for his retail industry analysis.
- Lawrence C. Gottlieb, Chair of the bankruptcy and restructuring practice of the law firm Cooley Godward Kronish LLP.
- Smyth Trade Credit Managing Director Marc Wagman, a nationally recognized leader in credit protection products.

Diane Berry, CEO of VCF and TPMA, opened the summit meeting, noting that "VCF and TPMA foster collaboration among trading partners throughout the forecasting-to-cash cycle. We wanted to host this executive summit to help our member trading partners learn more ways to manage through a cycle none of us has experienced previously."

-- more --

Key findings of the event are as follows:

Rather than “customer centricity” as it has been practiced, suppliers should focus instead on understanding their customers’ needs as they relate to their products; conducting focus groups, creating products that meet consumers’ changing needs is seen as key to changing the current “standoff,” where consumers simply wait for the lowest price. “The shopping experience is homogeneous, regardless of a consumer’s location,” said Jeff Edelman. “This has decreased differentiation among products, brands and retailers.”

Defining a pricing “schedule” between the supplier and the retailer will also help trading partners to combat both over-stocks and out-of-stocks, and will require additional collaboration. Highly effective insight for create pricing schedules comes from consumer behavior at the point of sale (POS) through retailers’ POS systems to help both the retailer and the supplier understand exactly how much product will move at what price point.

Mr. Barone from JP Morgan said that his firm is looking at a retail industry recovery perhaps in the second half of 2010 and noted that there are tools for manufacturers to protect their credit strategies with financially stressed retailers through purchasing receivables puts, though these instruments are available only for companies with publicly traded debt. Barone also noted that a key to profitable trading in the current economic environment requires understanding the debt structures of both sides – the retailer and the manufacturer. All speakers agreed that sharing financial information is key to ensuring profitable trading, and that trading partners should be willing to share such information as long as such practices are allowed under SEC regulations, particularly Regulation FD (Fair Disclosure).

Richard Hastings exhorted trading partners to focus on the “unit contribution margin,” or the product’s price less fixed costs, less variable costs such as promotion, and noted that such margins are falling faster than ever before due to consumer-led price deflation. Hastings noted that the point at which products have a negative contribution can come earlier in the product’s “shelf-life” than may be realized without understanding and analysis of POS data. He also noted that, importantly, “the unit volume available for sale should decline.” Understanding quantity requirements at particular price levels will again ensure more profitable trading.

Larry Gottlieb, who has represented debtors and committees in Chapter 11 reorganizations and out of court workouts in more than 40 states, asked attendees—for the good of the industry—to advocate for changes to the current bankruptcy code, established in 2005, that require debtors to assume or reject leases within 210 days of a Chapter 11 filing. Gottlieb maintained that this period of time is not sufficient for a retail organization to decide on all of its leases with the result that leases must therefore be rejected, which negates the possibility of a retailer reorganizing and emerging from Chapter 11 – “it promotes liquidation as opposed to reorganization,” he said. Leaseholders are willing to accept a longer period of time – up to 18 months, and Gottlieb called for industry organizations to lobby Congress to amend the current bankruptcy code.

-- more --

VCF and TPMA announced during the Summit that a white paper detailing the Summit proceedings will be available shortly. Interested parties should email info@vcfww.com to request a copy of The Financial State of Retail white paper.

About VCF
VCF is the leading organization focused on solutions, services and best practices for supplier-retailer collaboration within consumer durables, ranging from fashion and cosmetics to electronics and home furnishings. VCF is an advocate for retailer-supplier trading synchronization and champions initiatives to increase strategic industry-wide productivity, profitability and growth. VCF serves a multitude of touch points in perfecting retailer-supplier execution to shorten cycle times and drive overall velocity in the supply chain. VCF draws participation from leading retailers and suppliers such as Sears, JCPenney, Nordstrom, Lowe's, Liz Claiborne, LVMH, adidas, Estée Lauder, Garmin, Jarden Consumer Solutions, and BIC Consumer Products.

About TPMA
TPMA is the leading organization driving best-in-class process for global trade promotion management (TPM) and trade promotion optimization (TPO). TPMA is dedicated to the effective and efficient use of trade promotion dollars and serves as a collaborative resource for research and metrics for companies such as Hormel, Dial, Del Monte, ConAgra Foods, Hewlett-Packard, Nintendo, Land O'Lakes, and Johnson & Johnson.

# # #