IS THAT YOUR FINAL OFFER?

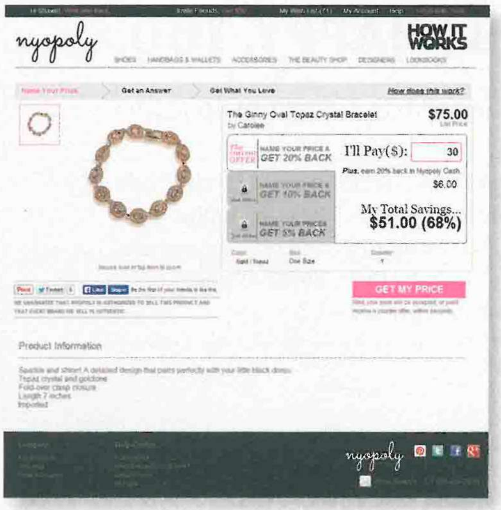
Name-your-own-price retailing is surging

by M.V. GREENE

Shawn Harris, a Boston-based purveyor of menswear and other fashion items, took a look at a dark side of selling — the gross discounting of inventory — and he blinked.

Harris was flourishing, selling to highly compensated athletes, coaches and professionals, but when the recession of the late 2000s hit, business stalled. Group-buying websites approached him with offers of 50-50 revenue shares after deep, half-off markdowns; the concept was interesting, he says, but getting 25 percent of his original price was a non-starter.

"I thought, 'The people who buy from you will not appreciate or honor the price point they paid and ever come back and buy at full price,'" he says. "But it got me thinking. … There has to be a better way to still excite a consumer without, for the lack of a better term, losing your shirt when you're doing these slash sales."



"The nature of what we've built is a point-to-point negotiation between a single buyer and single seller." — **Shawn Harris, Nyopoly**

Harris's solution was a long-held practice in retail buying and selling — negotiation. In 2011 he founded fashion negotiation website Nyopoly, giving consumers the opportunity to name a price for goods they wanted to buy.

He calls Nyopoly's concept customer-engaged pricing.

"We [tried] to find the price point where an individual is willing to pay on a product because we all have different valuations for the same thing, and that will reap the best benefit," he says, "as opposed to trying to do en masse at a single price point."

SELL MORE, EARN MORE

Negotiating and bartering for goods and services is hardly a new concept. On a base level, it occurs at flea markets everywhere. In 1998, e-commerce website Priceline.com started an avalanche of negotiation activity on the web, supported by the William Shatner commercials exhorting consumers to "name your own price" for below-retail travel and lodging.

Since then, other e-commerce companies have pursued the negotiation business model; some are moving into specific retail verticals and tweaking the approach. In 2012, GolfBalls Unlimited launched a name-your-price section on its website, giving shoppers the opportunity to suggest what they would pay for golf balls, rather than waiting for discounts or special offers. The business model of Greentoe.com allows consumers to select a product and the price they are willing to pay and then offers its network of certified retailers the opportunity to compete for that business.

Helping to boost the negotiation concept, observers say, is the reality that consumers can more readily do comparison shopping because of mobile technology, social media and other innovation and can immediately confront a merchant on details of a competitor's pricing.

Nyopoly bills itself as a retail technology that helps merchants sell more and earn more while enhancing loyalty among shoppers who seek greater satisfaction with their purchases. Harris says Nyopoly offers goods like a typical retailer, buying them at wholesale from designer brands. The site does not dictate prices to its shoppers; rather, it allows them to negotiate a "reasonable" price for items on an individual basis.

Nyopoly items reveal a list price, Harris says, and shoppers get three opportunities to make an accepted offer on a product. Through algorithms built into the technology, each product has an acceptable value the site will accept, based on factors like inventory and market demand.

"If the consumer's input is above an acceptable value, then we'll take it," Harris explains. "If the consumer's input is not above an acceptable value, then our algorithms calculate a counteroffer that is in line with the offer."

For instance, if Nyopoly has an item priced at $100 "and you make an offer that's $1, it might come back and [offer] $97.99. But if we have something that is $100 and you [offer] $60, we might come back [with] $72.99," he says.

If the shopper and Nyopoly cannot agree on the price after three offers and three counteroffers, the original list price remains; the consumer can return in 48 hours to negotiate again. As further incentive, Nyopoly shoppers whose first offer is accepted earn a 20 percent reward to apply to a future transaction.

Harris says Nyopoly's business model differs from other negotiation sites that are demand-driven. In those models, he says, shoppers compete against other consumers by submitting a bid and then waiting several hours to determine if their price has been accepted.

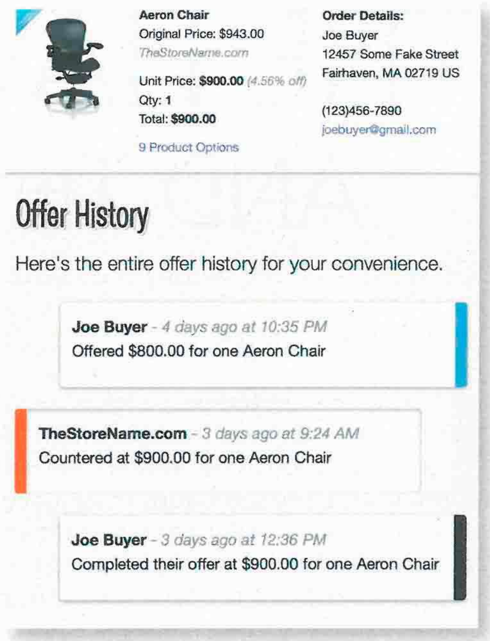
"The nature of what we've built is a point-to-point negotiation between a single buyer and single seller," Harris says.

He believes that the ultimate measure of success for Nyopoly will be its acceptance and technology licensing to department stores and big-box retailers. The company has applied for a patent on its technology and has entered into a strategic partnership with retail strategy and advisory consulting company Newmine to offer the model to other retailers. The agreement will allow Nyopoly to develop and leverage omni-channel, merchandise planning, logistics, operations, supply chain and data analytics services.

'THE PERFECT PRICE'

PriceWaiter, founded in 2012 by a group of e-commerce veterans and technologists, sees itself as a negotiation platform that lets "online buyers buy more and online sellers sell more by making negotiation simple, fast and private," says CEO and co-founder Stephen Culp.

Shoppers who go to a PriceWaiter retailer site can click on the PriceWaiter "Name Your Price" widget on product pages to make an offer on a variety of items including shoes, fashion apparel, electronics and jewelry. Shoppers can accept or reject offers and make counter-offers; retailers can do the same.



Culp says PriceWaiter's model is distributed to online retailers to boost activity where buying and selling is already occurring. Additionally, PriceWaiter retailers control the offers they are willing to accept or not accept, and can offer for negotiation only those products that work best for their businesses.

"Conceptually, we're looking for something we call the perfect price, and that is a price at which retailers are very happy to sell their products and consumers are very happy to buy that product," Culp says. "Both sides come out with something they consider a win."

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PriceWaiter COO Andrew Scarbrough says the concept is designed to push retail negotiation to a higher level. "It allows that conversation that has been happening for ages to more efficiently happen, and allows retailers to move a more significant volume of product," he says.

Scarbrough says PriceWaiter sees the name-your-price concept proliferating, noting the aggressive national advertising campaigns of Progressive Insurance wherein consumers can negotiate their insurance rates by building customized policies "at a price that fits your budget."

"You're seeing this name-your-price element becoming more prominent. I think it is in its infancy," he says.

PriceWaiter is "meeting these shoppers where they are and across many different industries on these retailers' sites where they already have that [shopping] traffic," Scarbrough says. "We're trying to convert more of that shopping among those people who are very fixated on price." **STORES**

M.V. Greene is an independent writer and editor based in Owings Mills, Md., who covers business, technology and retail.