



Partnering with Wayfair

How to Win Online in Home and Living



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Preface

Dear Reader,

Online shopping is expanding more and more into the home and living market, with strong double-digit growth rates. If you'd like to benefit for this development, Wayfair is ready to partner with you!

As a pioneer in home and living e-commerce since 2002, we've developed a large, global and proven business. We're not a traditional retailer that buys and sells furniture, rather we offer a platform that allows partners to reach consumers in the home and living space. Our aim is to provide you with best-in-class services along the value chain to jointly deliver a superior customer experience. By doing so, we help you to build and operate a successful e-commerce business.

By partnering with Wayfair, you benefit from our ambition to grow your online business. We know that it can be challenging to move online and to adapt your current business model and practices – for example, coming up with packaging solutions for direct-to-consumer shipments. That's why we've developed and refined practical solutions to help you overcome obstacles and to be successful online.

This brochure outlines the benefits of working together and how we can begin to establish a partnership. If you have any questions, we're always here to help without any obligation. We're also able to provide practical on-the-ground support to get our partnership going, so feel free to contact us – we look forward to discussing and implementing our partnership!

**Best wishes,
Your Wayfair Team**

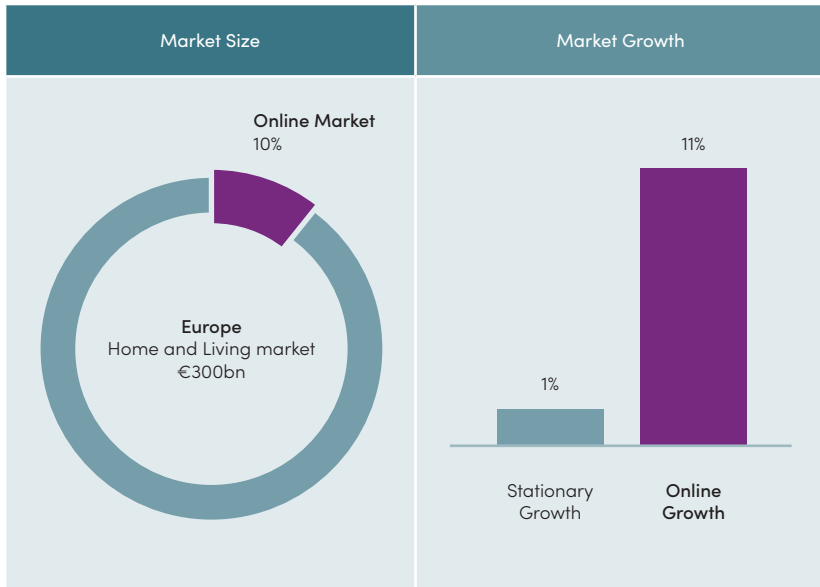


Online Matters

Digitalisation disrupts industries across the globe. In retail, following books, consumer electronics and fashion, it's now the home and living market that is changing to adapt to evolving customer needs.

In Europe, online in home and living already makes up 10% of a €300bn market, growing 11% year over year and taking an increasingly larger share of the almost flat stationary channel. Online has therefore become the growth engine of the entire industry.

Exhibit 1 – Online is Already 10% of Total Home and Living Market and Growing Fast



Source: Euromonitor

Customers generally shop online for the following reasons:

- **Flexibility** to order at any time and place that's most convenient.
- **Transparency** on full selection, product options and prices.
- **Guidance** on what the right product is for them through rich content, product videos and customer reviews.
- **Inspiration** when they have only a rough idea through lifestyle imagery and buying guides.
- **Ease of use** through a clear online shop landing page with relevant filters.
- **Convenience** in home delivery, with next-day delivery becoming standard.



A modern interior scene featuring a blue wall and a white brick wall. A potted plant with long green leaves is positioned in the center. In the foreground, a black metal table holds several copper-colored lamps: a large dome-shaped lamp hanging from the ceiling, a desk lamp with a copper shade, a small globe lamp, and a wireframe lamp with a glowing bulb. The scene is partially obscured by a large teal diagonal shape on the left side.

In Online, Partnership Matters

Entering online is more than simply setting up a new sales channel. Success in online requires expanding and adapting traditional business models as several key levers have to be in place that are normally not required in offline.

Partnering up with a best-in-class e-commerce company is certainly the fastest, most cost-effective and most controllable way to achieve strong results in the online sphere and will give you access to the following benefits:

- **Marketing and Awareness:** Growing the online customer base and driving awareness of your products through professional online marketing, including social media and mobile.
- **Geographic Reach:** Online is not limited to local markets. Strong partners can help you with their international presence and with the required know-how (e.g. languages, customer behaviours, logistics networks).
- **Merchandising Competence:** Online customers cannot touch and feel the products but have to rely on the data on the website. They expect features like detail views and lifestyle pictures, video content, shop the look, or personalised recommendations. These features are often expensive to develop, but strong online partners have them in place and are able to execute with lean processes.
- **Supply Chain Competence:** In online, customers don't carry their orders home themselves. Online retailers take over delivery and sometimes even assembly at home. In order to fulfil these tasks reliably and quickly, a very capable and specialised logistics infrastructure is required – which only a few online partners have in place.
- **Online-Experienced Customer Service:** In online, customers address a retailer's customer service in case of any questions or problems. It's a key differentiation factor, not a cost position. Experienced online partners have gained this insight, are capable of setting up their customer service accordingly and leverage scale advantages to achieve efficiency gains.

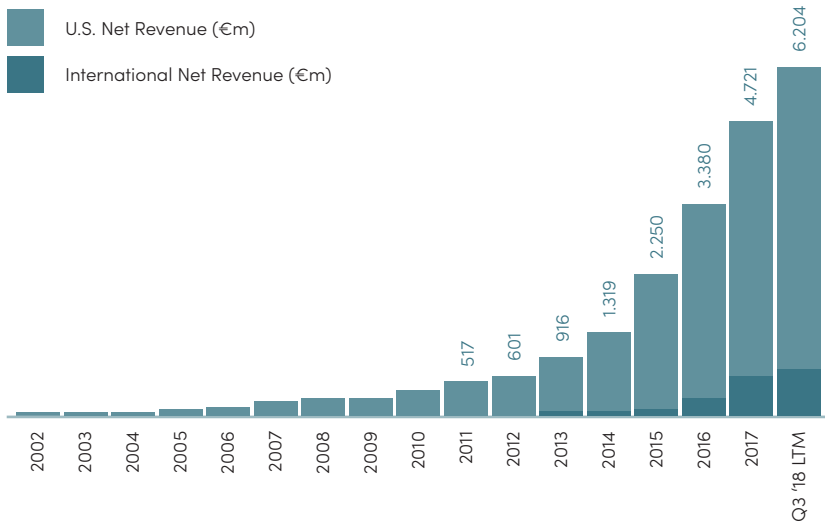
The background features a diagonal split. The top-right portion shows a teal and gold grid pattern, a cream-colored shag rug, and a black Greek key pattern. The bottom-left portion is a solid teal color.

Wayfair as a Competent Online Partner

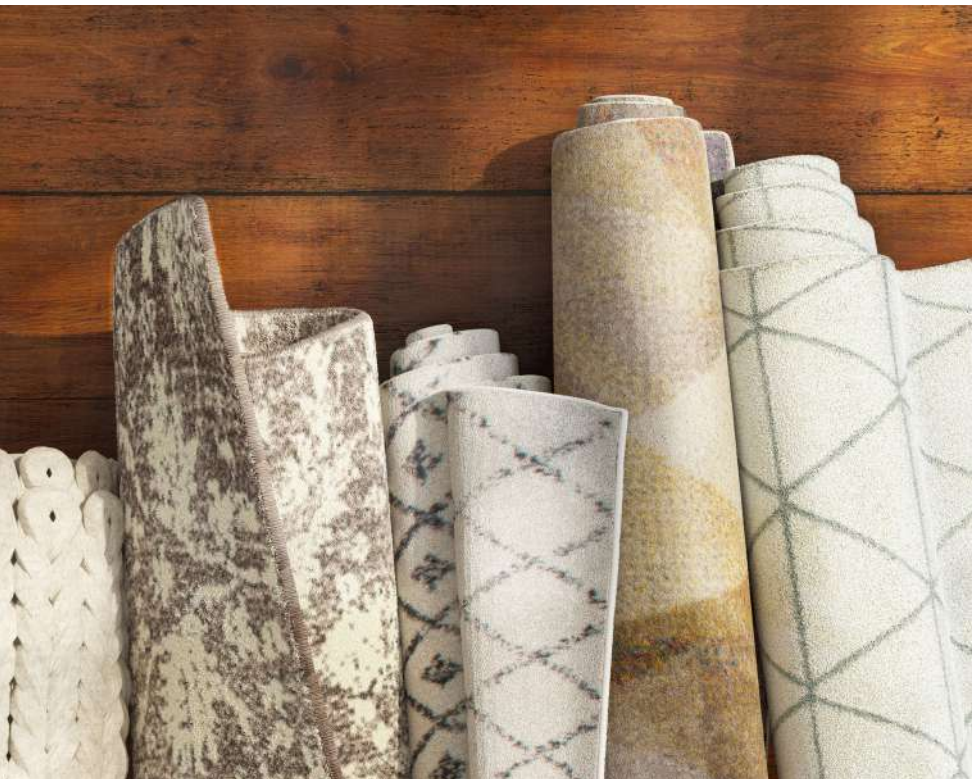
Wayfair is one of the world's largest online destinations to shop for your home. Through technology and innovation, Wayfair makes it possible for shoppers to quickly and easily find exactly what they want from a selection of more than ten million items across home furnishing, décor, houseware and more.

The company was founded in 2002 and continues to be founder-led today. Headquartered in Boston, USA, the company employs over 11,000 people. Over 20% of our total staff are software engineers, continuously improving and innovating our customers' shopping experience and supply chain capabilities. The company generated €6.2 billion in net revenue for the twelve months ended September 30, 2018 and is publicly listed on the New York Stock Exchange.

Exhibit 2 – Wayfair Growth



Our dedication to Europe is a key priority across the whole company. In recent years, we have invested strongly in local teams across all functions, from Category Management to Marketing and from Operations to Customer Service – acting as competent partners with local language proficiency both to our customers and to our suppliers. Our online presence in the UK and Germany profit from our global technological power, something that makes it also possible to adapt to local market particularities. Wayfair currently has offices in Berlin, London and Galway as well as warehouses in Birmingham and Kassel.



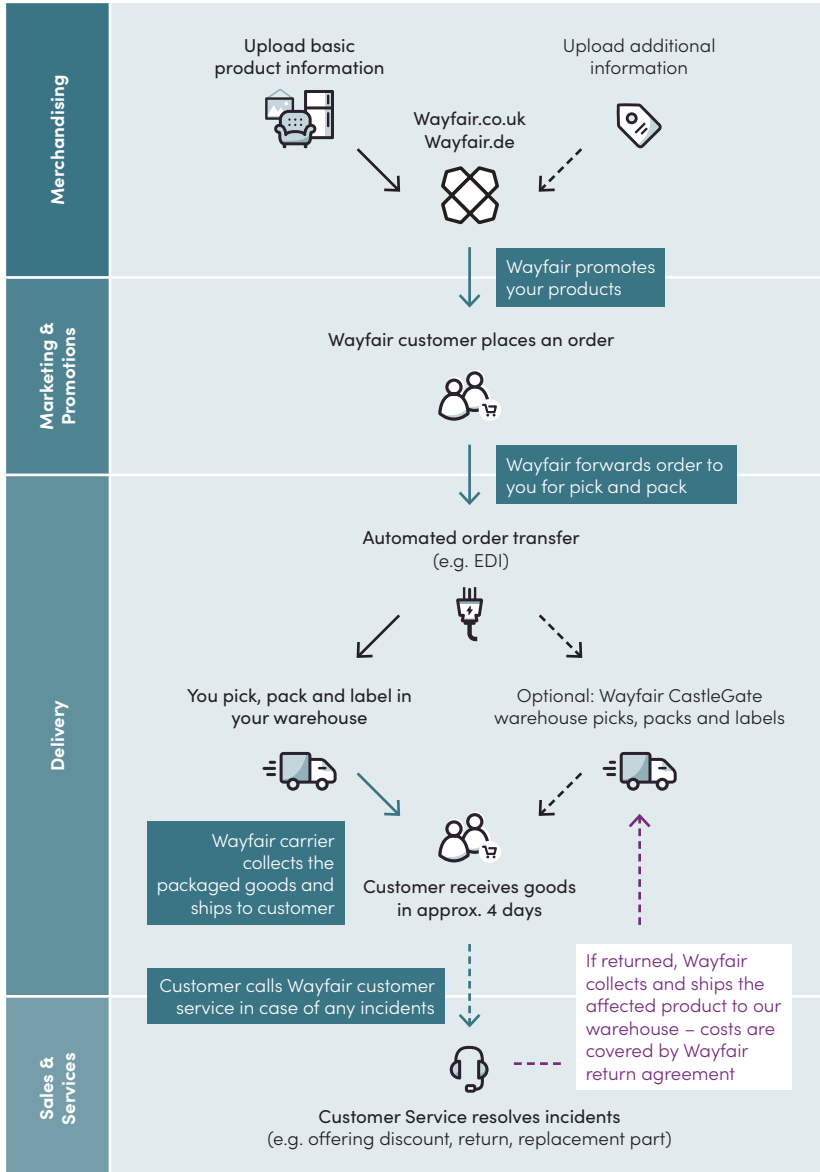
1. Our Partnership Model Along the Value Chain

Wayfair does not operate like a traditional retailer who is selecting a certain product range from suppliers, buying them in a wholesale model, stocking them in a warehouse and selling it to end customers. Instead, we operate as a platform, engaging closely with our partners to jointly deliver a best-in-class experience to our customers along each step of the value chain.

First, in order to sell on Wayfair, your products need to get into our catalogue. Typically, our partners use their own content (pictures and product descriptions), uploading their full range into our catalogue.

Our operating model then is drop shipping. If a customer places an order at Wayfair, it gets forwarded to your warehouse. There, you package the article, get it ready to be shipped to our end customer and print out a shipment label. We then send a carrier (e.g. DHL) to you to pick up the order and deliver it to our customer in Germany or the UK. We collect the payment from our customer and you invoice the order to us based on our previously agreed wholesale terms. We then pay you according to our agreed payment terms.

Exhibit 3 – Order Flow of Wayfair



If the customer has a question, they address our Customer Service team. In case they want to return the article, we arrange shipment to our consolidation warehouse or offer a discount to encourage the customer to keep the article. In the unfortunate event that the article arrives damaged, we'll send you an order for a replacement part or, if required, we'll ask you to get a new product ready for shipment.

Many of our partners leverage our warehouse infrastructure, CastleGate. Via our warehouses in Birmingham and Kassel, you are able to stock top-selling products close to our markets, profiting from lower shipment costs and faster delivery times. This leads to better conversion rates of your products on our site which generates more sales.

















2. Our Support for You to Build Strong E-Commerce Capabilities

With our platform approach, we put you in the driver’s seat. This is different from a traditional brick and mortar retailer, but it can be advantageous for us both as it gives you more direct influence when it comes to increasing revenue and profitability.

Over our years of experience we have learned what it takes to help our partners win online with a proven recipe that addresses key success factors: providing you with levers to **accelerate online sales** and **enable your e-commerce supply chain**. For both of these you’ll be supported by a dedicated team providing e-commerce competence by your side.

Exhibit 4 – Key Success Factors We Provide for You to Win Online

Online Sales Acceleration	E-Commerce Supply Chain Enablement
 Full Assortment	 Up-to-Date Inventory
 Appealing Merchandising	 Fast and Smooth Fulfillment
 Competitive Pricing	 Incident-Free Product Performance
 Promotions	 End-to-End Systems Integration
 Exclusive Brands	 CastleGate
 Geographic Expansion	
 E-Commerce Competence by Your Side	

2a Online Sales Acceleration

The main differentiation factors we provide you to accelerate your online sales are Full Assortment, Appealing Merchandising, Competitive Pricing, Promotions, Exclusive Brands and Geographic Expansion. We'll briefly illustrate why these factors matter and how we can support you.

Full Assortment

We have seen that providing our customers the biggest possible selection – while making it easy to navigate and inspire – drives superior customer satisfaction, revenues and loyalty. Via our Platform Model we are able to offer all your home and living products to the customer. We are not restricted by wholesale budgets or warehouse space and can thus avoid buyers only picking products they believe in.

To get your full assortment live with Wayfair, we'll support you with:

- An intuitive extranet tool to upload, classify and tag your products with the right features, including a bulk SKU addition tool (BSA) to upload large product ranges efficiently.
- Training for your team at one of our European offices as well as with online tutorials.
- Merchandising specialists ready to help you get through the process effectively.

Appealing Merchandising

In home and living e-commerce, content and imagery have a significant impact on enhancing conversion and reducing returns. Unlike in a traditional brick and mortar store, customers can't touch and feel our products – we need to give customers enough information for them to make a buying decision without being surprised when they unpack the product at home.

We help you to become best-in-class in the following ways:

- Product photoshoot at our studio in Kassel or sending freelance photographers to your warehouse to shoot your products.
- 3D rendering of your products. 3D imagery is one of Wayfair's key focus areas; we educate our partners, helping them to create 3D models which can be used in lifestyle imagery at a much lower cost than manually shot lifestyle pictures.

Competitive Pricing

Working with a drop ship model offers both of us a significant opportunity. As we don't buy goods wholesale we have no pressure to put products on the market with unnecessarily high discounts that are only driven by our overstock risk – on the contrary, we are strong in selling on recommended retail prices (RRPs).

You have all of the pricing levers in your hand: retail prices of your products on our site are determined by the wholesale product cost you provide us. We then calculate each product's retail price by considering all costs that occur, including shipping, returns, damages and our margin.

We help you leverage our pricing opportunities:

- We pass any wholesale COGS savings we get from you directly to our customers to drive incremental sales.
- We make pricing components transparent and jointly work with you to reduce shipment, returns and damage costs, e.g. with better imagery and packaging solutions.

Promotions

An important competence within e-commerce is to be able to create excitement among shoppers and feature great products at great prices within prime real estate on the online shop but also on various external channels like TV or social media. Customers expect major seasonal campaigns, a strong offering at key trading events such as Black Friday and also attractive daily sales events. Featured products typically experience a sales increase of 25-40%.

In order to drive best-in-class promotions and to help you access them, we have a strong cross-European team in place. Please reach out if you would like to learn more.



Exclusive Brands

The home and living market is relatively unbranded, with design, quality and price being major purchasing factors. The idea of Exclusive Brands is to support customers in finding products within brands that stand for a certain style, quality or price point promise. We offer to white label your products into one of our brands where they form compelling and cohesive product experiences.

If you hold a brand well known with end customers, we would like to amplify your brand on Wayfair. We have multiple options, even fully-fledged brand shops that could provide a similar experience to your own stores.

Geographic Expansion

Europe has a market volume in home and living of over €300bn. As our partner, you can fully participate in online growth and expand with us as we cross new frontiers. We recommend our partners go live with us in both our European markets – the UK and Germany – right from the start and thus access around 40% of the European home and living market at once.

2b E-Commerce Supply Chain Enablement

A superior customer experience can only be delivered by a robust, e-commerce-ready supply chain. The main ingredients are an Up-to-Date Inventory, Fast and Smooth Fulfilment, Incident-Free Product Performance and End-to-End Systems Integration. We also provide you with our proprietary warehouse infrastructure, CastleGate, to leverage e-commerce fulfilment even further.

Up-to-Date Inventory

An item that is not available will not be bought by our customers. Something being out of stock is a massive driver of customer dissatisfaction and customers will browse for alternatives on our site, resulting in lost revenue for you. We help you avoid out of stock situations by providing you with strong solutions to maintain an up-to-date inventory:

- We are able to connect to your systems via API/EDI to integrate your inventory feed for nearly real-time update frequency.
- Our team helps you via sharing sales data and providing forecasting and replenishment advice.

Fast and Smooth Fulfilment

Delivering products within the promised time and with accuracy drives conversion, customer satisfaction and sales. We are there to help get your fulfilment performance e-commerce ready:

- Understand your current warehouse processes from order to dispatch and provide best practices for fast lead times.
- Define the best flow of interaction between your warehouse and the best-suited carrier that will pick up your goods for end customer delivery.



Incident-Free Product Performance

For the best shopping experience, we need to jointly ensure that your products arrive to our customers in perfect condition. Incidents (e.g. damages, defects, incomplete orders) have a significant negative impact on customer satisfaction and lead to costly extra efforts.

We are aware that drop ship-ready packaging has higher requirements than products sold to brick and mortar retailers. Hence, product performance is an area where we support you with dedicated teams and best-in-class solutions:

- Analysis of your current product packaging via photos or by warehouse visits.
- Guidance on which areas to watch in particular: surface protection, edge and corner protection, immobilisation of parts, carton quality.
- Advice on pragmatic overpacking solutions. For example, sleeve carton overpack solutions are a cheap and robust way to avoid damages.
- Overpacking at our own CastleGate warehouses.
- QA/packaging advice directly at source by our Operations teams in Asia.

End-to-End Systems Integration

E-commerce requires physical and information flows to be interconnected with fast, reliable synchronisation. This concerns order handling, inventory updates, label printing, shipment notifications and invoice integration.

To go live with us at the beginning, all of these processes can be handled through our extranet, where you receive all information through your inbox as well as through push notifications. However, as this solution requires a lot of manual interaction as we jointly scale our business, we offer all common types of automation, including expert guidance on implementation:

- We analyse your system landscape of Order and Warehouse Management Systems (OMS/WMS).
- We can connect our systems via EDI (Electronic Data Interchange), API (Application Programming Interface) and FTP (File Transfer Protocol).

CastleGate

CastleGate is Wayfair's proprietary fulfilment and logistics solution, which offers a fast and seamless delivery experience for Wayfair's partners and customers alike. It addresses key supply chain management challenges in e-commerce: fast and accurate delivery (next day for many products) and logistics cost savings via its proximity to our local markets.

Our CastleGate team can help you access our superior infrastructure:

- We recommend that new partners go live using the traditional drop ship model first (from our partners' own warehouse with shipment arranged by us) in order to test a broad assortment.
- For high-velocity items, we recommend putting them in one of our CastleGate warehouses to profit from faster delivery and better cost structure with virtually no stock risk.

Products being shipped out of CastleGate on average **double** their performance compared to regular drop ship products, with the **top 10%** even reaching a **growth factor of 2.8**.

2c E-Commerce Competence by Your Side

We are aware that our model requires work and leadership time from your end, perhaps more than you are used to in traditional retail. That's why the Wayfair team is here to help:

- You will get a dedicated Category Manager that guides you through the Wayfair business model and coaches you how to succeed.
- Our Category Managers are supported by various functional specialists. For example, Merchandising specialists are experts in imagery and content, Promotions specialists advise you on how to best leverage premium shelf space within our catalogue and our Supplier Operations teams help you to get your product packaging towards best-in-class and implement process automation solutions.

We also provide you with insights and data to optimise your business, e.g. to minimise damages or to better plan your inventory using forecasting.

All together our platform approach is targeted towards building and further developing your online capabilities as a strong base for optimising the business impact of our collaboration.





How To Get Our Partnership Started

Are you interested in working with us? The steps towards selling your first products on Wayfair are straightforward and can be completed within six weeks. Our team will guide you through each step:

Sign contracts

- Our **supplier agreement** document only has four pages and outlines our standard terms for product safety, content usage and liabilities to build a solid base for our collaboration.
- Our **returns allowances agreement** determines that we take care of returns and the full replacement of products in case of incidents and outlines an agreed fee.
- Our **payment terms** are in line with industry standards.

Upload your product and inventory information

- Send us your entire selection product list via email or our extranet upload interface – no systems integration required.
- Basic product information includes product dimensions, classes, images, options and warehouse location. For listing a product, at least one picture is required with a 1000 x 1000 pixel resolution.
- Specific product information contains class-specific attributes as well as material, country of production, inner dimensions and any label/certificate proofing.
- You will have a dedicated onboarding contact that will partner with you throughout the whole process and provide training and support at the level and depth needed.
- We will translate details about your products internally to list them in all of our current and future markets in Europe.
- If applicable, your products are assigned to one of our exclusive brands to enjoy better exposure, conversion rate and revenues.

Make your products ready to ship

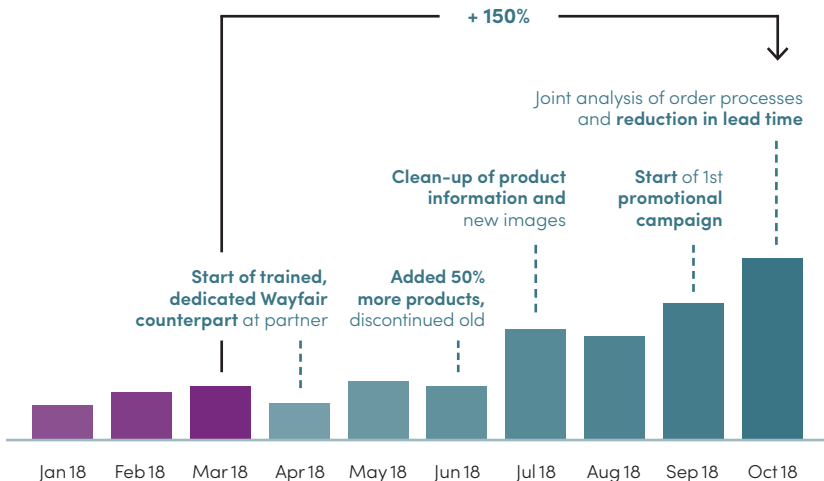
- Connect your inventory information using your preferred method: to start, you can upload stock information onto our extranet on a regular basis but we recommend an automated inventory feed for scaling our joint business quickly (e.g. via EDI, flat file/csv transfer or APIs).
- Make sure products are packaged for end customer shipment, avoiding damage during transportation. This includes adequate surface protection, edge and corner protection, immobilisation of products and appropriate carton quality and taping. We are ready to help you evaluate your existing packaging with these parameters in mind and can facilitate efficient overpack solutions as required.
- Establish the process on how to receive orders and labels – either automated through EDI and/or manually through emails and our extranet set-up.
- As mentioned before, we collect your orders from your warehouse; you don't need to manage the end customer drop shipment. You will see when an order comes in either via extranet alerts or automatically through your Order Management System.

Start selling – and grow your business with us!

Once you have completed the above three steps you are ready to start selling! Your Wayfair Key Account Manager and our functional specialists will be there to celebrate our first joint successes – but then we would love to get you to the next level with The Wayfair Recipe For Success,TM which helps you to achieve superior and sustainable performance on our platform. Based on our strong collaborations in the past, we have seen many examples of our partners taking the opportunity of steep growth trajectories in e-commerce with us, both in revenues and capability build. Once your products have gained initial traction and sales history, triple-digit growth rates can be achieved.

Exhibit 5 – Case Study: Revenue Growth with Wayfair

Revenue per month in 2018, example







Next Steps

We hope you find this information helpful, and are as excited about growing your online business as we are! We're looking forward to working closely together with you and getting our partnership started.

This was only a high-level overview, so please contact our team to get:

- Broader insights into what it takes to win in home and living e-commerce.
- More detailed information on how to kick-off your business with Wayfair.
- A tailor-made roadmap for the specific set-up for your business, based on our broad supplier experience.

We look forward to speaking with you!



*Thank you!
Your Wayfair Team*



 wayfair®

