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Landing a Spot in the Retail Big Leagues

Trying to play ball with Target or Wal-Mart? Follow these eight steps for selling your product to a large, multiunit retail outlet.

By Jackie Larson | March 01, 2006

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Getting into the retail major leagues is something many entrepreneurs dream about. Have you ever envisioned your products on the shelves of a big box retailer but wondered just how to get your company ready for the prime time?

According to experts--and some entrepreneurs who've already made the leap as vendors or suppliers--there are some basic principles that can help guide you through the process. If expanding into the retail big leagues is your goal, these eight steps can help you get placement for your product.

1. Begin with questions. Before you try to make the leap to multiunit retail, ask yourself these basic questions: Does your product fit a demand just waiting to be tapped? Have you already found a multiunit retailer that's a good fit for your product? What is it about your product that would make a buyer see fit to take a chance on your product? If you land the deal, can your production handle the volume? Do you want to sell your product directly to the retailer, or do you want to license your product to a manufacturer who'll then distribute it for you?

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Lake Charles, Louisiana, chef Kevin Hester took the licensing approach with his Cajun Chickcan, a wire caddy he designed to solve the problem of beer can chicken recipes run amuck by the cooking bird's toppling tendencies.

After patenting his idea and marketing the caddies to local, independent hardware retailers, Hester asked himself all the right questions and discovered his product was ready for prime time. It didn't hurt that a popular cookbook on making beer can chicken and a barbecue guru extolling the beer-tender fowl's virtues were fueling demand for his product among American barbecue chefs in love with the idea of poultry impaled on a can of suds.

Hester's next step? Knowing that he needed some help getting exposure for the Chickcan, he went in search of a licensee. Walking the aisles of Home Depot and Lowes led him to Rodney Barber, owner of Bayou Classic in Brandon, Mississippi, who agreed to license the product, manufacture it and get it on the shelves.

"Barber invented the turkey fryer, and he saw what a good product could take off and do ... He helped me launch into the big box stores, which I would not have been able to do [on my own]," Hester said. Now the Chickcan is on the aisles in Wal-Marts throughout the country, and Hester earns royalties from an estimated $4 million in sales per year.

2. Plan ahead for profit. Before you even think about becoming a multiunit chain's vendor, you need to make sure you can build a reasonable profit margin into your product's wholesale price. Plan for a manufacture cost that's one-fifth the retail price--or less. Then build the cost of packaging, commissions, marketing and distribution into the wholesale cost of your product. Check the retailer's guidelines for other fees as well that you'll have to build into the cost of your product.

A discount retailer will trim profit margins to the bone to squeeze those famed low prices out of products--but there are some advantages for vendors willing to go lean. In the case of Wal-Mart, for example, there's the sheer power of numbers that goes along with exposure to the world's largest market.

Retired retailer Martin Lehman, a volunteer with SCORE, a national

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organization that provides business counseling for entrepreneurs, says companies wishing to sell to big discount retailers need to closely examine their bottom line. If a widget costs $1 dollar to make, and the retail price is $4, and the product wholesales to boutiques at $2, a big box retailer may only offer the manufacturer $1.25--just 25 cents over the cost to make it. "They're a tough buy," Lehman says. "A manufacturer has to ask, 'Can I make enough with that quarter?'"

3. Look for the right store. A search for the best retailer for your product starts with you browsing stores for similar or related products. Spend some time in local retail stores to see what's on the shelves. Picture where in the store your product would sit on the shelf, and keep that in mind when it comes time to approach the store's buyer and make your presentation.

Check to see if the retailer offers any special programs that could give you a leg up, such as local vendor programs that serve as an entrée to regional markets or programs that offer breaks to women-owned or minority-owned businesses.

Kate Crosby's Charlottesville, Virginia, company, Dionis Inc., grew from a cottage industry to a small business as the line expanded from soap to include what is now the company's driving product, lotion--all still using goat's milk from the Blue Ridge Mountain area. The company had more than a decade of business under its belt before courting the attentions of Cracker Barrel. Crosby just knew her product was a perfect fit for the chain, which bills its 538 company-owned units in 41 states as "Half Restaurant, Half Store, All Country." And the company agreed, first placing Crosby's products in just a fraction of its stores to test its customer interest.

Happy with the placement she was getting in just one district, it never occurred to Crosby that her products could be a national presence in Cracker Barrel stores. "It was above our radar," she recalls. "But one day we got called out of blue, and we went national. We went from 10 to 15 stores to 350 and had to start ordering [in quantities of] 50,000 and 100,000."

4. Determine who should pitch your product to retailers. Your decision to either offer the product to retailers yourself or hire a representative to do it for you depends a lot on your product as well as on your strengths as a businessperson.

If your product line is one that involves frequent changes--say, clothing, for example--you may want to hire a manufacturer's representative who'll present your line among the others he or she pitches in return for a percentage of the sales, says SCORE'S Lehman.

In the grocery industry, for instance, it's common to pay a commission to a broker who'll try to pitch your product to a grocery retailer's category manager. As a new vendor, you'll usually pay a commission of 5 to 7 percent or more, says Shea Mancini, owner of Richmond, Virginia-based Mancini Sales and Marketing Inc., who represents manufacturers like Mrs. Cubbisons, Georgio Foods, Nature's Earth, Wincup and Chempro, as well as smaller companies like Celli Pasta importer Bontel USA. (Commission percentages vary according to industry and are frequently negotiable, with many settling around the 5 percent mark.)

Just how do you find a rep to pitch your product? One way, Lehman says, is to get referrals from buyers. Another is to search the directory of trade associations within your product's category or track down a list of the sales reps attending regional or national trade shows.

If you have a one-time pitch that needs to be done, you may choose to do it yourself. Austin, Texas-based entrepreneur Tracy Claros, owner of Sticky Toffee Pudding Company, got in to see grocery retail buyers after making a few phone calls. And while they loved her English-style Sticky Toffee Pudding Cakes, there was a problem--which they brought up and wanted to negotiate on the spot.

"[The buyer] said, 'We love your product--it's delicious--but you really have to do something about your packaging,' " Claros recalls, a problem she fixed immediately in order to land the business. And although her first pitches were successful, Claros thinks she'll most likely enlist the help of a broker as her business grows in order to expand her reach.

5. Fill out the vendor application. If there's an application process, be sure to read the guidelines thoroughly before submitting the paperwork necessary to apply to become a vendor for that company. Once your material's been submitted, give the buyer at least a few weeks before you follow up with a phone call or e-mail to ask for an appointment for a presentation.

The bigger the chain is, the more specific their vendor requirements will likely be. A company like J.C. Penney, for example, requires vendors to be listed with Dun & Bradstreet and able to raise the capital needed to supply their purchases. The successful J.C. Penney vendor also will be able to obtain $2 million in insurance, do business electronically, commit to labor law and product safety compliance, and to meet production delivery and lead time deadlines. (Whew! And you thought this would be easy!)

6. Make contact with a buyer or category manager. Call the buyer or category manager who handles your type of product and determine when and how frequently they look at new products. Be sure to ask about their policies and procedures for carrying new products. If the buyer expresses an interest in meeting you, set a time for a presentation, which will be on their turf (meaning there may be some traveling in your future).

Some companies, such as pet supply retailer PETCO, have monthly, quarterly or annual open vendor days, where prospective vendors can schedule appointments for a 30-minute meeting to present their merchandise. In most instances--that's if the meeting goes well and they want to do business with you--vendors are expected to be able to supply the chains with product within 30 days of the meeting.

7. Be ready for the presentation. Make sure your paperwork ducks are all in a row before you meet with the buyer. Familiarize yourself with the industry standard for the terms that will be bandied about, such as conditions of sale, discounts, credit, shipping and allowances. Sales trainer and author Alan Zelloffers sample outlines of terms and conditions of sale on his website to help you bone up.

In addition to mentally preparing for the meeting, here's a list of some of the things a retail buyer may expect to see at your presentation:

- A sample of both your product and its packaging, including a barcode and pricing. Packaging is of huge importance to buyers--your product's packaging should take its cue from things already on the store's shelves and racks.
- A product brochure that provides thorough information on the product
- A price list or catalog that includes wholesale and retail prices, discounts, credit, shipping, allowances and conditions of sale
- A list of retailers currently selling your product
- Your marketing and promotion plans, including such things as in-store demos, point-of-sale displays, advertising and publicity
- Proof of the potential for a large sales volume
- Manufacturing information that includes proof of your capability for handling large production runs
- Your business history
- Your business card

According to product and invention consultant Matthew Yubas, one important point you need to get across at the sales presentation is your commitment to product marketing. "Retailers really want support from the vendor," says Yubas, who's based in San Diego. "They want in-store demos, they want point-of-sale displays, they want advertising and promotion--they want any type of support you can give."

8. Prepare for increased production volume. A whole new retail market for your product will mean a whole new volume of production for you; both you and the retail buyer need to know--and believe--that you're prepared to ramp up the numbers. And you need to know that your manufacturer can handle that volume while maintaining quality.

It took Michael Marrin a year and a half to get production set up to meet the volume needs of chain customers for his etchable, disposable Etch-It Party Cups. With a million cups out on the shelves, Marrin got a shock: The first generation of bags were popping open on the shelves, and there were wrinkling issues with the labels.

"That killed us, and it was almost to the point where I gave up," recalls Marrin, who's based in Aliso Viejo, California. But he survived by solving his production problems then finding a manufacturer that was willing to build the manufacturing machinery, run it, warehouse his product and fulfill big orders, all at one turn-key cost.

Getting production and delivery running smoothly isn't only essential to customer relations, but to your business's bottom line as well. Some retail contracts will specify fees that penalize vendors for not getting the merchandise to them exactly on time.

If you're looking to hit the big time, you can. By thoroughly assessing your prospective marketplace, preparing carefully for production, and taking full advantage of existing resources available to help you grow your business, your dream of seeing your product on a multiunit store's shelves doesn't have to remain a dream.

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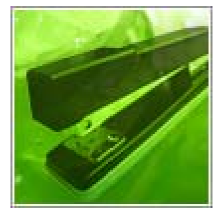

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