

HOW TO SELL YOUR PRODUCT TO A RETAILER

BC Ministry of Agriculture Marketing Guide Series



Tip Concentrate on Building Relationships

Getting a new product listed with a retailer can be challenging. Buyers are constantly looking for new products that are on trend, however there is only so much room on the shelf. Listing a new product means that another will have to be delisted.

When asked for advice on how to sell to retail most buyers say ***“be persistent and concentrate on building relationships”*** followed closely by ***“do your homework”***.

Retailers have little interest in “me-too” products. You must differentiate your product from the competition. There are many ways to differentiate a product; packaging, convenience, or a company story are just a few ideas. For example there are lots of hot sauces on the market. A new hot sauce could be differentiated from the competition by using a different packaging material and telling the unique story of how the company began.

There are two main avenues to getting your product listed at retail:

1. **Direct sales to retailers through the owner or manager; or,**
2. **Sales to a retail buyer at head office.**



DIRECT SALES TO RETAILERS

Many small companies start by talking to independent specialty food stores or local store managers of a food chain and selling directly to the store. This approach allows familiarization of working with a retailer and getting product into local stores.

The steps involved with direct sales to retailers through the owner or store manager include:

1. Visit local stores and talk to store managers about selling your product in their store.
2. Make the sale.
3. Deliver product.
4. Invoice the store.
5. Manage the account.
 - a. Visit stores regularly.
 - b. Check stock.
 - c. Solicit orders.
 - d. Collect accounts receivable.

SALES TO RETAIL BUYER AT HEAD OFFICE

Most retail chain head offices prefer that new products are listed at the chain’s head office to ensure the product is in the “system”; that it meets the retailer requirements particularly with regard to food safety and traceability and the processor gets paid.

Getting an appointment to present a product to a retail buyer can be difficult. Some retailers have general contact information for new suppliers online. Store managers, food industry members and networking at industry events are other sources of buyer information.

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Tip Be Persistent

Make sure to identify the right buyer for your product. Retail buyers typically have key responsibilities – specific product lines for which they are responsible. Many buyers receive hundreds of enquiries per week and often do not get to all their calls.

Be persistent, keep calling. The steps involved with selling to a buyer at head office include:

1. Make appointment.
2. Complete required retailer documentation.
 - a. New product presentation form(s).
3. Make product presentation.
 - a. Sales pitch.
 - b. Product sell sheet.
 - c. Product samples.
4. Make the sale.
5. Negotiate contract.
6. Arrange for distribution.
7. Manage the account (in-house, through broker and/or distributor).
 - a. Visit the store(s) regularly.
 - b. Check stock.
 - c. Solicit orders.

Regardless of which avenue is chosen, direct sales or sales to head office, it is important to do market research and know the retailer's requirements.

DO YOUR HOMEWORK (MARKET RESEARCH)

The grocery industry is highly competitive and volume driven.

The British Columbia retail food industry is comprised of traditional chain and supermarkets, independent supermarkets and non-traditional food retailers such as big box, convenience, discount, drug and other specialty stores.

The retail grocery industry is constantly changing. Continued industry consolidation, trade agreements and growing online sales all affect the entire food industry. It is important to stay on top of industry changes by reading trade publications and attending industry events.



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Food Safety is Paramount

PRODUCT FIT

Make sure your product fits into the marketing mix of the retailer. For instance convenience stores focus on grab-and-go items, traditional grocery stores on affordable offerings, and health food stores on health products. If your product is a high end specialty product, concentrate on selling to stores that cater to people that are looking for that type of product.

'Local' food products are currently on trend falling within one of the highest sought after retail categories.

Keep on top of current trends as they change over time. See the Ministry of Agriculture's guide on "How to Conduct and Use Market Research" for information on researching current trends.



RETAILER REQUIREMENTS

Product fit alone will not guarantee a retail listing. How you produce, package, price, distribute and promote your product must also meet retailer requirements.

Many retailers have vendor requirement information online. Visit their websites and search for tabs such as: Becoming a Customer, Supplier, Partner.



FOOD SAFETY

Food safety is paramount to retail grocers. Most retailers require that products are produced in an approved facility. Generally, the larger the retailer, the more rigorous the food safety requirements.

Large, national and multinational chains require that their suppliers have federally recognized Hazard Analysis Critical Control Point (HACCP) programs in place. Independent B.C. retailers may accept provincially recognized food safety programs and small local retailers may accept local health authority food safety requirements.

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ECCnet is Canada's National Product Registry

UPC AND ECCnet

UPC, Universal Product Codes, are required on all packaged foods sold by a retailer. UPC codes consist of 12 unique numerical digits that are assigned to a trade item and are used to produce bar codes.

UPC bar codes are required on both individual packages and on each case. They are scanned for inventory control and at point of sale. Global Standards One, GS1, is the standards organization that manages the assignment of unique bar codes for global commerce.

You must be a member of GS1 in order to obtain UPC codes from them. Fees depend on organization size and number of products. Other organizations do sell UPC codes however most retailers require that their suppliers comply with GS1 standards.

Larger retailers will require suppliers to register with ECCnet. ECCnet, Electronic Commerce Council Network, Canada's National Product Registry, is a central repository of information about all products sold to retailers.

Managed by GS1, ECCnet is an online source of certified product information offering trading partners a single source of electronic data. Companies must be members of GS1 to subscribe to the ECCnet registry. Once registered, companies enter product information into the ECCnet registry and send their product packaging to GS1 for imaging, information validation and publishing in the ECCnet registry. Information contained in the ECCnet registry includes product details, nutrition facts, ingredients, common allergens and product certifications.

Retailers use ECCnet information in electronic purchasing systems, for merchandizing products and to populate e-commerce platforms. Through ECCnet registration your product information and images are available to the vast array of distributors, retailers and foodservice operators that subscribe to ECCnet. For information about GS1 membership, Universal Product Codes and ECCnet search for "GS1 Canada".



PURCHASE PLANNING CYCLES

Retailers use purchase planning cycles for promotional activities. This allows them to plan promotions over a period of time. Purchase planning cycles differ by categories and by retailer.

For example one retailer may plan B.C. Day purchases six months in advance and another a year in advance. When possible target your sales efforts in line with a retailer's purchase planning cycle. Talk to buyers, brokers, distributors and other vendors to find out what the retailer's purchase planning cycle is.

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Tip Consider the Value of Time

DISTRIBUTION OPTIONS

Distribution methods vary depending on the product, company goals and the retailer being targeted. Companies may sell directly to a retailer, through a wholesaler/distributor or a broker/agent.

Direct Distribution: Many small companies start by selling directly to store managers and doing their own deliveries. This method will familiarize you with working with a retailer and getting your product into a limited number of stores.

While most new companies see direct sales as a way to save money, it is important to consider the value of your time and delivery expenses when calculating the true savings of selling directly to retailers.

A retailer will typically add a 35% - 40% margin to a product.

Distributor: A distributor, also known as a wholesaler, purchases a product and distributes it to retailers. Retailers work with distributors because it saves them time. They can access many products from one company.

Distributors offer experience, contacts and typically specialize in specific categories (e.g. frozen foods, bakery). Distributors' services include soliciting orders, customer service, stocking inventory, delivering products and carrying receivables. They typically do not promote products.

A distributor will typically add a 25% - 35% margin to a product depending on the level of service required.

Broker: Brokers provide a range of sales and marketing services and sell directly to retailers and distributors.

A successful broker has expertise in select markets and established relationships with buyers. Brokers can get products on the shelf faster than you could get it there on your own, allowing you to concentrate on other aspects of your business. While distributors buy product from processors, brokers do not.

Brokers typically charge a percentage of sales ranging from 3% - 10% depending on the volume and services required.

Some companies provide a combination of broker and distributor services.

To identify the right broker or distributor for your product attend industry trade shows, industry events, talk to buyers and other food industry representatives and ask for referrals. Visit broker and distributor exhibits at industry trade shows to get an idea of the product lines they represent, speak to them and collect their business cards for later contact.

At industry events you will meet food industry members who are often willing to share their experiences and provide contact information for the brokers and distributors they have worked with. Before contacting a broker or distributor do some research to make sure your product fits into their existing product line(s). For more information see the Ministry of Agriculture's guide on "How to Sell Your Product to a Distributor".

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Retail is About Margins

PRICING YOUR PRODUCT

The retail grocery business is all about margins. Buyers refer to margin percentages which are related to profitability.

$$\text{MARGIN PERCENTAGE} = \frac{\text{PROFIT}}{\text{PRICE}} = \frac{\text{PRICE} - \text{COST}}{\text{PRICE}}$$

Small vendors do not have control over margins the retailer takes, nor the shelf price. They are however expected to provide a suggested retail price for the product.

The suggested retail price should be competitive, cover costs and contribute to the growth of the company. Costs include retailer costs that must be factored into your pricing. For more information see The Ministry of Agriculture's guide on "How to Determine the Right Price for Your Product".

PRODUCT PRESENTATION

The "Sales Pitch" is a critical step towards securing a retail listing. This is your opportunity to impress the buyer with professionalism as they evaluate you, your company and your product. Be sure to demonstrate that you have done market research and that your product meets the retailer's needs.

When you meet with the buyer bring your Sell Sheet, Price List and Product Samples with you. The Ministry of Agriculture has prepared guides on "How to Develop and Deliver a Sales Pitch for Your Product" and "How to Develop and Use a Sell Sheet" to help B.C. companies prepare for product presentations.



MORE INFORMATION

See the Ministry of Agriculture's Marketing Guide Series for more information and additional topics by visiting <http://www2.gov.bc.ca/gov/content/industry/agriculture-seafood/statistics/market-analysis-and-trade-statistics>

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