

HOW TO SELL YOUR PRODUCT TO A DISTRIBUTOR

BC Ministry of Agriculture Marketing Guide Series



Tip **Concentrate on Building Relationships**

Distribution is about getting your product to the consumer.

As your company expands and your responsibilities grow you may need help with distributing your product. Distribution methods vary depending on the product, target market, location of the production facility and company maturity. When developing your distribution channel concentrate on building relationships. No matter which distribution channel or combination of channels you decide on, trust and strong collaborative working relationships will be keys to success.

WHAT IS A DISTRIBUTOR?

A distributor, or wholesaler, purchases your product and distributes it to retailers or foodservice operators. Distributors typically specialize in specific categories (e.g. beverages, frozen, seafood) or class of trade (e.g. grocery, foodservice, health food, natural health products). Distributors' services include soliciting orders, customer service, stocking inventory, delivering products and carrying the receivables.

WHY USE A DISTRIBUTOR?

Companies use distributors to increase access to retailers and foodservice operators in order to increase sales. Retailers and foodservice operators work with distributors because it saves them time as they can access many products from one company.

The following table lists some of the advantages and disadvantages of using a distributor:

Advantages	Disadvantages
A distributor's relationships provide increased access to buyers	Your product becomes one of many on the distributor's product list
Saves time, allowing you to concentrate on other aspects of your business	Distributors do not promote your product; you or a broker take on this role
You are paid by the distributor	Using a distributor adds to your costs



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Tip Stay on Top of Industry Changes

SELLING TO A DISTRIBUTOR

The main steps involved with selling to a distributor include:

- Conducting market research;
- Identifying the right distributor;
- Ensuring product fit;
- Meeting distributor requirements;
- Presenting your product; and
- Managing the account.

MANAGING MARKET RESEARCH

The retail and foodservice industries that distributors sell to are highly competitive and volume driven.

The British Columbia retail food industry is comprised of traditional chains and supermarkets, independent supermarkets and non-traditional food retailers such as big box, convenience, discount, drug and other specialty stores. The foodservice industry includes restaurants, the hospitality trade, hospitals, prisons, recreational facilities, grocery retailers and more.

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

Tip Building trust and a strong collaborative working relationship with your distribution partner are keys to success.

IDENTIFYING THE RIGHT DISTRIBUTOR

Finding the right distributor requires research. To identify the right distributor for you and your product attend industry trade shows, industry events, talk to buyers and other food industry representatives and ask for referrals. Visit 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 distributors they have worked with.

ENSURING PRODUCT FIT

Getting on a distributor's product list can be challenging. Make sure your product fits into the food distributor's product mix. For instance some distributors specialize in Canadian products, some health foods and frozen foods. If your product is a high end specialty product, concentrate on selling to a distributor that caters to retailers looking for that type of product. Distributors often will only represent one brand in the same category.



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Packages and Cases Require UPC Codes

MEETING DISTRIBUTOR REQUIREMENTS

FOOD SAFETY

Food safety is paramount to retail grocers and foodservice operators. Most retailers and foodservice operators require that products are produced in an approved facility. Your distributor needs to ensure that all of their suppliers meet those requirements.

Generally, the larger the operation, 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. operators may accept provincially recognized food safety programs and small local operators may accept local health authority food safety requirements.

PURCHASE PLANNING CYCLES

Retailers use purchase planning cycles for promotional activities. Purchase planning cycles differ by category and by retailer. For example one retailer may plan B.C. Day purchases six months in advance and another a year in advance.

Work with your distributor to understand the planning cycle and what is required when.

PRODUCT PROMOTION

A distributor may require that you work with a broker to promote your product. Brokers provide a range of sales and marketing services and sell directly to retailers.

UPC AND ECCnet

UPC, Universal Product Codes, are used for inventory control throughout the food industry and at point of sale at retail. UPC codes are required on both individual packages and on each case.

Larger retailers require suppliers to register with ECCnet. ECCnet is an online source of certified product information offering trading partners a single source of electronic data. 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.

UPC codes and ECCnet are managed by GS1, Global Standards One. You must be a member of GS1 in order to obtain UPC codes and be on the ECCnet registry. Fees depend on organization size and number of products. Other organizations sell UPC codes however most retailers require that their suppliers comply with GS1 standards.

For information about GS1 membership, UPC Codes and ECCnet visit: www.gs1.org



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Your Sales Pitch is Critical

PRICING YOUR PRODUCT

The food industry is all about margins.

The industry refers to margin percentages which are related to profitability.

MARGIN PERCENTAGE = PROFIT/PRICE = (PRICE-COST)/PRICE

In general distributors add a 25% - 35% margin to a product depending on the level of service required.

Small vendors do not have control over margins or the shelf price. However, they are expected to provide a suggested retail price for their product. The suggested retail price should be competitive, cover costs and contribute to the growth of the company. For more information, see The Ministry of Agriculture's guide "How to Determine the Right Retail Price for Your Product".

PRESENTING YOUR PRODUCT

Your "Sales Pitch" is a critical step towards securing a listing with the distributor. This is your opportunity to impress the distributor with professionalism as they evaluate you, your company and your product. When you meet with the distributor bring your Sell Sheet, Price List and product samples with you. The Ministry of Agriculture has prepared "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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MANAGING THE ACCOUNT

Be sure to stay in regular contact with your distributor. Visit stores, check stock and talk to retail or foodservice staff to determine how well your product is being distributed and provide feedback to the distributor. Building trust and a strong collaborative working relationship with your distribution partner are keys to success.

Distributors only take on products that they believe they can sell. Sell your product and company to a distributor by:

- Identifying the unique value proposition of your product;
- Outlining how the product should be positioned in the market;
- Providing the ideal distribution channel (fast food, hospital, retail);
- Providing a recommended selling price; and
- Describing the promotional activities and incentives that you will provide.

