

## Steps you need to take before approaching a retailer

Before you begin approaching retailers about stocking your work there are six key steps to consider:

- 1) Know your market
- 2) Know your product
- 3) Research target retailers
- 4) Marketing collateral – prepare pricelists, a brand overview, photographs and samples
- 5) Logistics – quantities, lead times, and shipping
- 6) Business matters - pricing, payment terms and invoicing

## Steps you need to take before approaching a retailer

### 1) Know your market

It is essential that you research the market prior to investing large amounts in product development in order to establish that there is a potential market for your product and to gauge what is already out on the market.

By visiting retail stores and talking to retailers and looking at blogs and other websites you should gain a sense of gaps in the market and any products or brands that you may be competing with and also of the appropriate channels for stocking your products.

Knowing your market will also help you with pricing. In order to price your product you need to a) know all the costs of getting your product to market including full costs (including your profit) and b) have a sense of what the market will take.

“If you receive feedback from retailers that the price of the product will be too high for the market you won’t receive successful sales. If this is the case, you will then need to go back and look at your production process to see if you can reduce the costs.

There is no point in simply reducing your retail price to match the market when it does not cover your costs. This will lead to re-supply issues for the store and everyone, including the customer, left waiting for goods and very unhappy.

Sometimes, sadly, the costs of a product are simply too high to be justified by the consumer. This is a sad reality but must be considered before full investment by designer or retailer into a product’s future.”

Terri Winter, founder of Top3 by Design

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### 2) Know your product

Retailers will ask you all sorts of questions about your product – including care instructions, dimensions, your returns policy on damaged goods, warranty details, materials, options for customisation of materials, product height, width etcetera - and it won't look good if you don't know those details yourself!

These details can have a two-fold sales purpose. As well as helping you sell the product to the retailer these details can be extremely useful to the sales person trying to sell your product onto a customer.

The more essential, useful or interesting information a salesperson knows about your product and your brand the more likely they are to remember it and recommend it to others. The points of difference between your products and your competitors lie in the details and the more information a customer is given can help them make a more educated choice which might lead them to choose your product over another.

The best way to preempt a lot of these questions is to provide prospective retailers of your product with two key documents – a pricelist and a product and brand overview.

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### 3) Research target retailers

“Achieving successful sales in a retail environment requires a relationship that is more like a partnership - the product needs to suit the store, it needs to have support from both the store and the designer and both the designer and retailer should be able to make money from the product. If a designer has queries about any of the above details, then they should raise them in the first conversation or meeting.” Terri Winter

Before you approach any potential stockist it is recommended that you research them in order to assess the appropriateness of your product for their store and their audience.

Prior to approaching a retailer you need to research:

- Who the most appropriate person is to contact about potential supplying to the store
- Types of products and brands they already have in stock
- Whether the demographic for their store matches the demographic of your product or brand
- Price points of their existing products
- Whether there is an implicit or explicit trend in the kind of products stocked in the store. For example, is there an emphasis on the work of emerging brands? Does the store predominantly produce larger more established brands? Do they have a focus on sustainable design? Is there more of a focus on fashion products than homewares?

If you objectively feel that there may be a match between your product and their business then it may be time to make contact.

### **Approaching a retailer**

Never just ‘drop in’ unannounced on a retailer with samples and pricelists to talk about stocking your product and don’t even think about trying to arrange an appointment around lunchtime or on a Saturday. It will give the retailer the impression that you don’t understand them or their business and could also unintentionally give them the perception that your approach is unplanned and untargeted and that you are just walking the block like a wandering sales person.

In most cases it also doesn’t help to cold call them and expect to talk business as often they will have their mind on other things and won’t be focused on you or your product.

It is always best to make an appointment in advance via email and/or phone both at the beginning when you are looking to establish a relationship with a retailer, and in most cases, with all following meetings.

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In your initial email its best to keep it brief and send a short email requesting an opportunity to discuss with the possibility of your supplying them with your product as well as information about yourself and your product, including some images if you feel it is appropriate, and also a few points on why you have chosen to contact their store.

The email should not be too pushy but introduce the idea that you will then do a follow up call in a few weeks in order to gauge interest and potentially make an appointment with them.

If there is no interest don't then don't waste your time or theirs. There are a variety of reasons why they may be not interested in your product including that they are not buying stock at the present or have already got an established relationship with a competitor.

It doesn't hurt to ask them to keep your catalogue on file for the future. Also just because a retailer has said no once doesn't mean that when you have a new product or range in the future they might not be interested.

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### 4) Marketing collateral – pricelists, brand overview, photographs and samples, product details and specifications

#### **Pricelists**

A pricelist must include:

- Product names
- Item codes or PLUs (price look up) codes
- Wholesale price (excluding GST)
- Recommended retail price (including GST)
- Any special delivery instructions or costs.
- Payment terms

Optional extras:

- Additional item codes for different material or colour options
- Details on minimum order or minimum quantity
- Product description
- Product images next to product name

#### **Product/brand overview**

You need to include an overview of you, your business and brand, and details of your product range including any information on special features or points of difference. Also included information on any existing stockists that retailers need to understand the reach you already have.

##### *Product specifications:*

- Product name
- Length, Width, Height
- Weight of product
- If a larger item whether it has been weight tested. For example, if it is a chair, coffee table or bookshelf how much weight can it carry?
- Materials and material range
- Colour range
- Technical details or requirements
- Packaging specifications – carton or box size including length, width, and height

##### *Product care information:*

Information supplied with the product often reduces dissatisfaction later. If the product requires particular care when cleaning, or if you have insights into prolonging the life of the product it is important to put that information into the collateral supplied to retailers.

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Last updated 17 December 2009

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### *Product warranties and guarantees:*

Retailers will expect you to have an action plan if a product is deemed faulty or breaks. While the remedy depends on the circumstances you may be required to repair or replace goods, refund the retailer or customer the cost of goods, or take other courses of action.

For information on customer warranties, manufacturer guarantees, and the rights of suppliers and consumers visit the Australian Competition Consumer Commissions publication “Warranties and refunds: A guide for consumers and business”:

<http://www.accc.gov.au/content/item.phtml?itemId=322947&nodeId=3726f80476d39264236239280b6cf713&fn=Warranties%20and%20refunds.pdf>

### *Instruction manual (if applicable):*

All instructions should be clear and simple. It may help to do some research and look at the instruction manuals of other products in the same market as yours. It is also a good idea to put your email address and website with the product for any after purchase questions or queries that may arise.

## **Photography**

A designer should have the best photography done that they can afford. Generally, you should supply any retailer you supply with high-resolution and low-resolution deep-etched images of your products for use on their website or within catalogues, and for the media.

### *Resolutions*

The standard for high-resolution images is that they are generally 300 dpi and a minimum of 2500 pixels wide. Low-resolution images are generally 72 dpi and around 1200 pixels wide.

You should supply individual photographs of each colour and style of your products in JPEG format whenever you have a new product.

### *Deep-etching*

Deep-etching is a term used to describe the process of removing a specific section of a photograph or an image from its background. When you are asked to supply a deep-etched image of a product you are being asked to supply an image of that individual product on a white background.

For more information on image resolutions visit:

<http://www.photoshopessentials.com/essentials/image-quality/>

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### 5) Logistics – quantities, lead times, and shipping

#### **Minimum quantities and orders**

Do you have a minimum quantity for either a particular product or a minimum quantity for an order? If so you will need to put this information in your collateral either attached to your pricelist or within your product overview documents.

Your decision in this area will be influenced by several factors including the arrangement you have with your manufacturer and the amount of stock you yourself hold at any one time. You may find that due to a range of factors, including the pricing of your products and the cost to manufacture small quantities, it may not be worthwhile for you to fulfill an order unless the purchaser buys above a certain quantity.

For example, if you are producing products such as cards with a low minimum item cost is it really worth your while to be processing an invoice for an order of 10 items? Would you be better requiring retailers put in a minimum order of 20 but with the additional incentive of a 10% discount on orders of that item of over 50 or free freight on orders of over 100 units or \$300.

If your products have a higher unit cost or are larger in size then a minimum quantity may not be applicable to you and may be a barrier to establishing retailer relationships, particularly if you are dealing with smaller businesses. It is not that attractive for a small retailer to have to purchase a minimum number of say 10 pieces of furniture when they do not have the space or the money to be holding large quantities of stock off the floor.

#### **Lead times on orders**

Retailers will want to know whether you hold stock and subsequently how long the lead-time would be between placing an order and supply of product.

When a local supplier is dealing with a local or interstate retailer you are generally expected to be able to supply product within a week of the order being lodged but this depends on the nature of the product

If there are longer lead times required on products then you must make retailers aware of this well in advance by outlining these details on your pricelist and also perhaps accompanying collateral.

Situations with longer lead-times may be if preparation is needed, the item is being customised or if manufacturing to order is required.



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You need to be clear about the time it will take to deliver so it can be outlined to the customer:

- A period of two weeks - acceptable if a customer was waiting for a special order
- Longer than two weeks - acceptable if the customer has been forewarned and accepted this as a term of the purchase. Often customers will have no issue with waiting period, even if it going to be months rather than weeks long, but only if the negotiation has been transparent.

“But knowledge in advance is the key. Don’t be shy about extended delays. Be upfront and advise your retailer as soon as possible. The situation will not correct itself if you keep saying ‘It will be soon, soon, soon’ when you know it won’t be. Be honest and pre-emptive.” Terri Winter

It is in a supplier’s interest to ensure they have secured their supply and manufacturing channels in order to ensure fast efficient turnaround. It should lead to more orders as in store staff are confident they will obtain the items for their customer and will be happy to ‘push’ the product. If experience tells the sales staff that the customer may be let down by erratic delivery, they will suggest something ‘safer’ to avoid a customer service issue.

### **Indenting**

It depends on the product but it is common for retailers to be frustrated by suppliers who either do not hold sufficient levels of stock, due in many cases to cash flow or supply issues, or do not hold any stock at all instead selling indented products. An indented product is an item that is not held in stock by a supplier but will be produced by the manufacturer or designer/maker in direct response to a retailers order.

If there are justifiable reasons for a product being indented and it can be supplied in a timely manner then a retailer shouldn’t see it as a problem. For example if the item is customized, there is a special colour or style that has limited availability due to increased cost or additional special features. But in most cases retailers will expect that the collection you produce should be available for reordering. If it appears you do not have your logistics in order or are expected retailers to fund the running of your business you may face barriers with ordering with you seen as ‘too hard.’

### **Freight costs and packaging**

Most retailers expect to pay freight but this is an added cost for them to consider and if the cost is prohibitive it may prevent them from taking your product. Prior to approaching retailers you should get some freight quotes from a variety of transport companies. Freight needs to be cheap, reliable and safe for your product.

You must package your product properly. Firstly, to ensure it arrives in one piece, secondly so it

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can be stored safely off the floor if necessary, three so it doesn't get damaged on the floor or by customers. A shipment of broken or even slightly damaged product that has been damaged mid-transit through an unfortunate accident is something that sometimes can't be avoided. But to regularly have problems with damaged product due to inadequate or ill thought out packaging or because of a complete lack of packaging is not acceptable. It not only leads to bureaucratic bungling for you but also for the retailer, leads to unhappy customers and can lead to a situation where your business appears to be more trouble than it is worth.

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### 6) Business matters

#### **Pricing**

In order to price your product you need to know all the costs of getting your product to market including full costs (including your profit) before setting the retail price.

“It is up to you to make your pricing the best and most competitive that you can without losing money. Don’t produce work at a loss unless you have a long-term view in which you can improve unit cost and efficiency to gain your profits later. There is no point putting something on the market at a loss and feeling annoyed the entire time because you feel the retailer is making money and you are not.

A sudden increase in price after the product has gone to market is not good form either. You must think your costs and profit requirements through before getting the product on the shelves. A designer not making ANY money from their product cannot afford to produce any more. For me a relationship is successful if it is a win-win situation for both the designer and the retailer.” Terri Winter

For more tips on pricing, calculating your costs and a glossary of pricing terms visit here: [http://www.arts.qld.gov.au/publications/pdf/ma\\_se\\_pr.pdf](http://www.arts.qld.gov.au/publications/pdf/ma_se_pr.pdf)

#### **Payment terms and invoicing**

Payment terms tend to be a topic that is negotiated between individual suppliers and retailers and will depend on what is most convenient for both of you. However, there are some common trade practices.

Typically for the first order with a new retailer, the supplier will send a proforma invoice. A proforma invoice is an invoice provided by a supplier to a retailer, which is required to be paid in full prior to the provision of goods or service.

Proforma invoices are generally accompanied by an account form that requires the retailer fill out all their details (name, company directors, address, ABN, time in business etc) and return it to the supplier for their records. The account form generally exists as form of ‘application for credit’ from the retailer and is designed to assist the supplier in assessing whether their new client has a sound business.

Similarly, a proforma invoice is generally used at the early stages of establishing a relationship with a new client in order to protect a supplier from having the retailer default on payment after the goods have been supplied.

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However, due to cash flow or other issues, some suppliers will operate their businesses solely using proforma invoices. Be aware that this may be a significant deterrent to a retailer interested in stocking your product as it means they will be paying well in advance for a product that may not sell and as such, give them any returns, for weeks or even months.

If you are concerned about your ability to run your business with long payment terms it may be a compromise to negotiate the payment of a deposit, typically 50% of the total cost of the order, before you will supply an order.

Once you have supplied that first delivery, and proforma invoice, all subsequent deliveries need to be accompanied by an invoice for the goods supplied. Poor paperwork is not acceptable and retailers don't want to be chasing you for an invoice, or have suppliers chasing them to get paid because the lack of an invoice has meant there is confusion over what was received, and confusion over the amount owed. It makes stock management difficult and pricing impossible.

Means of payment vary but typically payment is by direct deposit, cheque or credit card.

While you may prefer your clients to pay by direct deposit, quite a few retailers are used to paying their accounts on credit cards. You may need to set up this facility but take into consideration that the additional fees may lead to your needing to alter your pricing.

Payment terms vary but tend to be:

- 14 days net from date of invoice (this means within 14 days)
- 30 days net from date of invoice (this means within 30 days)

Most retailers will take the 30 day payment option, but be careful as you may find that this leads to a payment received after the 30 days and even up to 60 days unless you specify that payment is net from the date of invoice.

Some retailers will also try and take the payment option of 30 days from the end of the month and then pay by credit card. For a supplier this is not an attractive payment situation as you will not only have had a delay in payment but will also then be paying a credit card processing fees.

Consequently, you may want to provide the option of a variety of payment terms with additional stipulations. For example, they could choose:

- Payment term of 14 days net of invoice if paying by credit card
- 30 days payment terms if paying via direct deposit

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