

Michael Hoare Brand Management Group
Bringing products to market...and dreams to fruition

ABCs of Working with Brokers

Outline

- ▶ Broker's role
- ▶ Store buyer
- ▶ New stores
- ▶ Distributors and distributor reps
- ▶ Manufacturers
- ▶ Natural products sales terminology

Broker's Role

- ▶ Representing the Manufacturer's mandates
- ▶ Brokers are the go between for Manufacturer, Retailer and Distributor
 - ▶ Opening new accounts
 - ▶ Stimulating sales in existing accounts
 - ▶ Presenting monthly promotions in a timely fashion
 - ▶ Introducing new products
 - ▶ Providing product education
 - ▶ Writing "Turnover" orders
 - ▶ Setting up Ads
 - ▶ Handling recalls or problems
- ▶ Coordination of demos, resets and replacements
- ▶ Coordinating staff training

New Region/New Stores

- ▶ Know the brokers in your areas, including email addresses/phone numbers/fax numbers
- ▶ Take the time to meet the brokers and go on HQ/store calls with them
- ▶ Get on the broker's monthly newsletter mailing, chain/stores regular promotional schedule to create a working relationship
- ▶ Ask the broker to inform you of resets
- ▶ Schedule broker assistance in the resetting of your products
- ▶ Get involved with special events
 - ▶ Giving the broker or rep plenty of time to get any demos approved by the you or the customer. Then coordinating the demo with the appropriate people.

This takes a lot of planning and more time

New Region/New Stores (cont'd)

- ▶ Demos
 - ▶ Paid by the manufacturer
 - ▶ Usually have buy-in requirements
- ▶ Passive Demos can usually be done at your convenience, with the approval of stores
 - ▶ Have the store keep the used product containers/packages to show or give to your brokers
 - ▶ Brokers will assist in the repayment in product through MCBs or from broker truck stock
- ▶ Some small stores brokers may not call on you regularly, but they can still help
- ▶ Larger stores have an advantage as they can buy in much larger volumes and get deeper discounts

New Stores/Chains

- ▶ First, to find a broker in new areas/regions:
 - ▶ Ask your distributor, key accounts or other manufacturers...they know the broker network
- ▶ Once you decide on a broker:
 - ▶ Make a presentation to all of their reps
 - ▶ Find out what accounts/regions each rep manages and set up appointments with them
 - ▶ Plan to talk with them several times

New Stores/Chains (cont'd)

- ▶ Coordinate demo possibilities for Grand Openings
 - ▶ Don't wait too long
- ▶ Coordinate passive and active demos in the coming months
- ▶ Remember, brokers are to open new accounts for you
 - ▶ Make sure reps have new stores as part of their goals

Distributors and Distributor Reps

- ▶ Pass on or offer the manufacturer's monthly promotions to retailers
- ▶ Coordinate with brokers by processing turnover orders

Try to not do "last minute" deals with brokers

- ▶ Have good relations with Brokers
- ▶ Have reps target their larger or key accounts

Speak up, Negotiate be pro-active in complaining

Manufacturers

Brokers are independent contractors

Manufacturer should have policies to handle them

- ▶ Must never tell a broker "How to run their own business"
- ▶ Contracts of specific commission fee's, territories and responsibilities should be clear, well defined, legal and honored
- ▶ Agree on and measure reachable goals
- ▶ Monitor growth, inspire, and support them in reaching goals
- ▶ Be positive, supporting, and communicate regularly
- ▶ If your Brokers don't reach their goals, replace them or draft better goals

Natural Products Sales Terminology

- ▶ **Advertising dollars**
 - ▶ Figure an additional 5%-10% given by the manufacturer straight to the store
 - ▶ Retailer must keep all invoices and submit copies to the manufacturer
- ▶ **Bad pull or short dated**
 - ▶ Products with short dates, spoiled or past dates etc.
- ▶ **BOGO**
 - ▶ Buy one get one
- ▶ **Broker hip pocket deals**
 - ▶ Unpublished discounts the broker / rep can give to the retailer
- ▶ **Buy-In**
 - ▶ The amount of product required to purchase for various promotions or discounts

Natural Products Sales Terminology (cont'd)

- ▶ **Case or floor stacks**
 - ▶ Stack products around store
- ▶ **Category Management**
 - ▶ Examples of categories are Salty Snacks, Cereal, Gluten-Free, HBA and Beverages. Category Management includes cutting in new items, and positioning items in the store.
- ▶ **Compounded**
 - ▶ Putting discounts together, say a distributor gives the store a deal, then the broker gives the store an MCB. These can sometimes be stacked/compounded.
- ▶ **Cycle**
 - ▶ Determine the cycle which best suites you (quarterly, bi-annual, annual)
- ▶ **Demos**
 - ▶ Product sampling with a demonstrator talking, and informing customers.

Natural Products Sales Terminology (cont'd)

- ▶ **Passive Demo**
 - ▶ A non-paid, non-personed demonstration
- ▶ **“Draw” to rear of store**
 - ▶ i.e. Milk or whatever your customers buy often, gets customers to walk through the aisles to the back of the store
- ▶ **E.D.L.P.**
 - ▶ Every day low price (e.g.: baby food, tuna, milk, toilet paper)
- ▶ **Fast nickel vs. slow dime**
 - ▶ Keep margins lower, and products sell faster vs. a higher margin and slower sales
- ▶ **Floor or case stacks**
 - ▶ Same as a case stack deal

Natural Products Sales Terminology (cont'd)

- ▶ **Gondola**
 - ▶ Shelf racks used in grocery stores
- ▶ **Grand Opening**
 - ▶ Special opening day events, supported by manufacturers, distributors and brokers with active demos. e.g., giveaways (t-shirts etc.), music, and retailer provides lots of PR.
- ▶ **Loss leader**
 - ▶ Things like baby food, cleaning products, toilet paper, bottled water products you are willing to take a lower margin on in order to sell them faster
- ▶ **Gross profit margin**
 - ▶ Percentage of the amount you earn on the selling price of the item

Natural Products Sales Terminology (cont'd)

- ▶ **Mark up**
 - ▶ Purchase price for item, plus a set % marks up the item to a retail sales point
 - ▶ The percentage of the amount you earn on the cost of an item
 - ▶ Current Industry standard uses margin, not mark up
- ▶ **MCB (Manufacturers charge back)**
 - ▶ The discount given by the broker outside of regular distributor discounts
- ▶ **Movement**
 - ▶ Self explanatory Sales, "turns" off the shelf, etc.
- ▶ **O.I. (Off invoice)**
 - ▶ Discount tool given to distributor or retailer off the invoice

Natural Products Sales Terminology (cont'd)

▶ New Store Offer

- ▶ Special deep discounts offered by manufacturers
- ▶ Usually as a one time deal
- ▶ Depend on the size of the store and the placement position given to the products.
- ▶ Could be 50% (BOGO) or 35%

▶ Opening Order

- ▶ Order placed for a new store

▶ Order board

- ▶ Helpful to enter item codes, price, margin out of stock info
- ▶ Used for ease of ordering

▶ Placement/Placed

- ▶ When a broker sells retailer an item, it is placed on the shelf

Natural Products Sales Terminology (cont'd)

▶ Pull through

- ▶ Buy products, set them on shelf, sell, sell, sell. Doing what it takes to move the products off the shelf, through your cash register

▶ Re-opening Deal

- ▶ Manufacturers will usually offer deep deals on new stuff, that may not be on the shelf before reset-for "new placement"

▶ Reset

- ▶ Shelves get stagnant. Sales slump. Try a reset. Reset the shelves, remember to draw customers to the rear of your store

▶ Set

- ▶ Putting products on the shelves in a concise, well flowing manner. Purpose is to entice or invite turns

Natural Products Sales Terminology (cont'd)

- ▶ **Short dates (Perishable usually)**
 - ▶ Delivering products with unacceptable dating. Too short to sell before expiration or past expiration
- ▶ **Shorts or out of stocks**
 - ▶ When a distributor or manufacturer doesn't have stock or inventory and shorts an order.
 - ▶ Often a turnover order, when shorted, is then discarded and not delivered. If you want a shorted item, be pro-active; never assume it will be delivered later
- ▶ **SKU**
 - ▶ Scan code (UPC code) in each item on shelf
- ▶ **Skyline**
 - ▶ The top line of a shelf set
 - ▶ Best to get the skyline to flow smoothly, not jagged. Attracting lines

Natural Products Sales Terminology (cont'd)

- ▶ **Specialty (Special diet needs)**
 - ▶ Categories such as Celiac's (Wheat and Gluten Free), glucose intolerant (Hypo, Hyper Glycemia, Syndrome X) Low Carb, High Protein, Sugar-Free, Gourmet, etc.
- ▶ **Car stock (Broker truck stock)**
 - ▶ The samples or products, brokers carry in their trunks
 - ▶ Products are given to the buyer in order to see and try
 - ▶ Making decisions to carry them in their stores
- ▶ **Turn over orders**
 - ▶ Written by brokers for retailer to give MCBs
 - ▶ Sent to the distributors, usually by email or fax
 - ▶ If a distributor is out of stock, these Special deals are dropped from their systems
 - ▶ Some distributors call the retail buyer to see if they still want the order.

Natural Products Sales Terminology (cont'd)

▶ Turns

- ▶ How many times a product turns over or is sold off your shelves per "cycle"

▶ Volume buy

- ▶ Buy product in volume
- ▶ Large stores-chains etc.
- ▶ Can negotiate % discounts based on their volume/purchase power with distributors or direct manufacturers

Pay Your Sales Force!

- ▶ They are your sales force. Would you not pay your sales people? Sales is what brings in revenue.

Email Michael Hoare at mh@michaelhoarebmg.com to set up a free consultation to find out more about how Michael Hoare Brand Management Group can help your company grow.

For more information, visit Michael's [Going to Market](#) web page.