

Wal-Mart Gold

Lesson Fifteen Transcript



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Joe: Now we're to Section 15, which is about preparing for sales call on mass-merchant buyers.

Michael: What do I need to do to get ready to make a sales call on a major chain buyer and how would that differ for a smaller chain or independent store?

Joe: The small stores don't have anywhere near the requirements the big chains do, so if you're prepared to call on a mass-merchant buyer, you're good for any of the smaller ones. You'll have more than you need.

The first issue is to get an appointment and I've done that two ways. One, we've done it our self where we've contacted the buyer directly from the company. I've also used manufacturer's reps to do it. And the way you do that is you have the rep or the corporate representative who sets up the appointment for you make it clear that the person they're setting up the appointment for is the president of the company. So, you're using them to setup the appointment, but it's not the rep that's going to make the sales call because they really don't want to talk to the rep. So, the first thing you need to do is, in the case of Wal-Mart, for example, you need to go through all of their requirements before you even contact them. At www.walmartstores.com you can download all of their requirements for being a vendor. And until you can meet all of those requirements and until you have all of the answers to all of their questions, I wouldn't even call for the appointment. Wal-Mart, in particular, tries to get you to submit online the information about your product and your company to request an appointment. I would not do that. I would do everything they ask me to in terms of qualifying, be able to answer all of their questions, but then I'd do it on the phone. I don't want to be screened out without having a chance to talk to the buyer. If you do feel you have to submit something electronically, I would submit enough information to get them interested, but not enough information for them to make a decision without talking to you.

Back to how you find out who the buyer is, after you've found out the background and the requirements the retailer has and you're covered, you've got everything answered, you can just call their corporate offices and ask for the buyer's name for your category and they'll give it to you. I mean the buyer's job is to buy, so finding out that isn't a problem.

Trying to get the appointment is next problem and a lot of times even if you do get the buyer on the phone, they will want you to send them something first; information, a sample, or whatever. And that's fine. If you go ahead and send in samples and information, just don't include the pricing. That means they will have to talk to you again because they can't make any decisions without pricing. So, then you want to have that discussion in person. And in the case of a rep doing it, the rep makes the appointment, you go maybe with the rep, maybe you don't. By you I mean the president of the company, the person who is authorized to make price decisions. On the smaller accounts, the reps do it and the rep can make the

sales call and do the whole thing on their own. But the big accounts, you need to do yourself.

Michael: Let's say I want to do it myself, then what?

Joe: Then what you're going to have to do is have your materials together like we mentioned in the last section. You're going to need samples of your product. Yes, you can have a sales sheet with a photograph, but you need real samples, too. And if you're going to try to get away with a mockup, with big chains, that isn't going to work. You have to have a mockup they can't tell from production. It's a very scary thought for a mass account buyer to see something that's not in production. They won't want to mess with you. So, you need a real production sample. And then you need all of the materials they ask for, which are quite a few -- forms and information. And for the sales presentation, aside from the picture and the product, you want your price list with your terms. And I found a real interesting thing on the terms. If you just say your terms are net 30, yes you'll get paid in 30 or 45 days maybe, but they'll tell you they want net 60 or net 90. What I found worked with Wal-Mart, we did 2% 10, net 30, which means that they get 2% off if they pay in 10 days and it's due in 30. And Wal-Mart always took the discount. So, we always got paid in 10 days, which was wonderful. If you've got a \$900,000 order and you get paid in 10 days, that's just what you need.

On another case, though, with Target, the Target buyer when I was setting up our account with him said, you can give us a cash discount, you can do whatever you want, but we're going to pay you in 90 days and take the discount anyway. So, he said if you do 2% 10, net 30 or 2% 10, net 60, we'll take the 2% and pay you in 90 days and you're not going to have a lot to say about it if you want to stay in Targets. So, his recommendation to me was don't give us a cash discount.

Michael: And you can find that out by doing a little research what the payment policy is.

Joe: Yes, but what I got from the buyer -- their policy is always to ask for cash discounts. But if you don't know how they operate, the buyer was really nice to me. He didn't have to tell me that and it saved us some money. So, you want to develop as much of a rapport with the buyer as you can. The hardest chain to do that with is Wal-Mart. They're very difficult in that regard, but Target is much easier and the other chains are much easier.

Back to our sales presentation, we have the information on your company. You want to show them that you have the capacity to delivery, of course your financial statements, you Dun & Bradstreet rating, how long you've been in business; all of that. That's on the list of their requirements. If you want to really be covered, if you get the Wal-Mart requirements, then what you've got to do is you ought to follow all their requirements because they have the strictest requirements. If you're going to make a sales call on Target, just make sure you can answer all the same questions and have all that same information for the Target buyer, too. So,

you're covered with anybody else if you get your act together for the toughest account, then you can use the same information for all the other ones.

Now, part of what I want to do that is not in their listed requirements is I want to be able to prove everything. I want to show them, and one of the things they want to know is, why should we put your product in our category, our shelves are full now. We'd have to take somebody else out. And I don't the why should you put me in answer to that question be because we have a hot new product you'll do great with. I want to be able to say, well, you're missing a section of the category that's represented by this product we have for you and based on our sell through information from other retailers, this is the gross profit per square foot per month you can expect to get, which should be higher than the gross profit per square foot per month you're getting from a lot of your other products. So, you want to give proof. Every statement you make about why they should buy from you needs to be backed up with evidence as to why so you don't have to expect them to believe you because from the point of view of a retailer, you're a salesperson and salespersons, even if they're the president of the company, tend to say whatever they have to say to get the order. So, you want to give them as much documentation and proof as you possibly can to prove everything you're saying. That process is what a lot of people don't do. They go in there just with their product and they price it based on the cost, not based on the market. So, if you do this properly and go through a presentation where you prove and prove every step of the way with facts, then the buyers will be pleasantly surprised by that and you'll get a good reaction.

Well, there are a few more things. All retail chains are going to require that you have product liability insurance naming them as an insured and you'll need to have coverage of \$2 million or \$3 million. That's routine. You shouldn't have a problem getting that unless your product kills people. Also, the big chains require you to be setup for EDI, which is electronic data interchange and this requires special equipment. And believe it or not, this is not just the Internet. There are special computers and special software that you need to hookup with Wal-Mart. It was a number of years ago that I did this, but we were hooked up with Wal-Mart on a special system that was only for Wal-Mart and we were hooked up with Target on a special system that was just for Target; different hardware, different software. The chains want to be able to transmit purchase orders, invoices, everything back and forth without paper. They want it electronic and as long as you want to do business with them, you'll conform to their EDI technology that they use. What I had to do is hire somebody to come in who is a computer person who could set all that up. Just to give you an idea, this is 20 years ago or 15 years ago, it cost about \$20,000 to get all of the hardware and software and the setup to get it working with both. But that's just pocket change compared to how much sales you're going to do. You also want a Dun & Bradstreet on your company, which will probably be there already if you've been in business a while. If not, you'll have to get that setup.

Michael: What is a Dun & Bradstreet?

Joe: A Dun & Bradstreet is a very large company that handles credit. They give financial statements and credit rating to every company. That's another requirement along with your financial statements that the chains will have.

Michael: Is there anything specific that I need to know just for Wal-Mart?

Joe: Yes there is. There are a whole bunch of forms you need to know for Wal-Mart. You can download their complete packet at www.walmartstores.com under the Vendor Section. There are quite a few pages of things you need to know and the thing that you have to do that's unusual from the point of view of a manufacturer is if you want to sell them, you're going to have to think like a retailer.

Michael: Can you give me some examples of some of the type of things that Wal-Mart would want to know?

Joe: First off, they want to know who your customer is, and by that they mean what's their age, what's their average income, how big of a family do they have, where do they live, and so on; things that may not have ever occurred to you. They're going to want to know that.

They're going to want to know where the demand is going to come from for your product five years from now, and they're going to want to know how will your product help position Wal-Mart to take advantage of this future demand. And on top of that, be able to tell them how your product will help Wal-Mart gain market share with your product and at the same time control the cost of doing business to maximize their sales.

They'll want to know who your direct competition is and why should they buy from you, why and how are you better and prove it.

Who is your indirect competition? We talked about that before. Your indirect competition is everybody else in the category. So, if you ever say to a buyer in a big chain you have no competition, they basically know you are clueless because you do because anything else in the category is competition.

What added value does your product have over your competition that can be passed on to the consumer?

How will your product impact other related products in our stores, preferably positively. But this is an example of thinking like a retailer. You're average manufacturer is thinking about making something. It would not even cross their mind to consider how the product they're making might influence positively or negatively on another product they don't make that's in the same store. That's a very important question to a retailer and like I said, you're going to have to think

like a retailer to get in Wal-Mart because you're going to have to prove to them why they should buy it.

Michael: Can you help someone who gets to this point where they need to fill this out and make this presentation? Is this a service that you do or others could provide and would you recommend it to a manufacturer who may not have an idea how to handle these questions?

Joe: Certainly. I can help somebody do this and I can help you pretty much along the way with anything we've talked about in this whole course. But especially important is right before you're going to make a presentation -- you really just get one chance. If you mess it up, you're done. So, it's critically important that you get somebody to help you, whether it's me or somebody else -- someone who knows what they're doing about how to present to retail stores and to mass market in particular.

This is one of the things we forgot to mention is the packaging. Back in the packaging section we talked about how important packaging is and all of the important things the packaging does. You're going to want to be able to talk to Wal-Mart about how the packaging enhanced the category of your product, not just yours, but the ones around it.

Michael: Is there anything else unique to just Wal-Mart?

Joe: Yes. They're doing another new thing where they have a trade fair where you can buy a booth and present your products to the buyers. They have some booths available in each product category and this they do down in Bentonville, Arkansas at their headquarters. Last I heard it was in early May. If you're outside the U.S., Wal-Mart holds the equivalent of that trade fair buying events, they have those in China, they have them in Singapore. They have them probably in 15 or 20 different countries around the world, so you don't have to travel to the United States if you're in China. You can make a presentation to Wal-Mart in China at the trade fair that Wal-Mart holds for Chinese manufacturers. But the key thing with this is you want to make sure -- just because you can get in to make a presentation at these trade fair, consider it the same as making a sales call on the buyer because that's what it is. Have all your ducks in a row and be prepared with all the answers to all the questions they're going to have for you.

Michael: Is there anything else once I'm an approved vendor?

Joe: Once you're approved, you're going to get a whole other blizzard of forms, the vendor forms that put your product into their computer system with the UPC codes, the case cube, the weights, and all that information. Though they're somewhat of a pain, it's never a problem because if you're filling these out, you're in.

Michael: You mentioned in your sales letter something very important and it's about getting the buyer on your side. Can you give me some ideas of how I can do that?

Joe: Sure. First off, you need to understand that some chains are leaders and others are followers. Some have different positions in the market. For example, in mass-market, Target is a style and fashion leader, Wal-Mart is a follower. It's very difficult to get any kind of extraordinary relationship with a buyer at Wal-Mart anyway, but in terms of style and fashion and trends, you wouldn't want to ask Wal-Mart anyway because they don't know. You want to ask Target because Target deals with that. In the case of Target, when I was last meeting with the senior buyer there, he told me they spend \$100,000 a year on color research, what the new colors and trends are going to be. So, it's interesting a retailer would be doing that.

But what happened with me is after I'd gotten my first products into Target and the products were selling well, I started asking the buyer questions. I got them to share with me their color research as to what the coming colors were and in putting together a new product line -- we were going to do endangered species animals on portfolios that were holographic -- I worked with the buyer on that. I would be sending him sketches of concepts and asking for his input and he says no that sucks, this is better. In the solid color product line that we had, the holographic solid colors, we would make up samples in different colors and we'd get feedback from the buyer as to what combination of colors he thought would merchandise best and how he thought it would work best and which designs he liked and which he didn't. The buyer is going to know better than we ever are his own customers. I got the buyer at Target involved with my product development, so when you do that, there's no way that he's not going to buy it. I mean it's half his. In fact, he made more decisions on it than I did, which is wonderful. But in order to get to that place with the buyer, once you have something in their stores selling already, then you can find that cooperation. It depends on the chain and on the individual. The buyer's goal is the same as yours. You both want to sell a lot of product and have it do well for the store, so you do have the same goal and it's great if you can get the buyer on your side.

In particular, there's been a trend over the last quite a few years to reduce the number of vendors. A new vendor is a risk. It's extra cost, more work for the buyer. Buyers may have to deal with 500 vendors already. So, you really have to show why it's worth it from their point of view and make sure you do all your homework in advance.

One other example, it was a while back, back before I had my first company when I was a product manager at Kimberly-Clark. Way back then the department I was in, we were trying to get our non-woven mattress pads into Sears and that was back even long enough ago that there was a Sears catalog still. What we did in that case, like I said before about how you want to prove your point, you want facts and everything, and we did that. We had all our facts about how our product

physically works better than anything else and all the other facts and figures and document proof of why, but then we put together quite an impressive presentation. We basically spent with our ad agency \$50,000 to put together this whole full-blown presentation, including the page in the catalog for the product all done. The thing we did is we gave that to the Sears buyer. We did not say Kimberly-Clark on it. We set it up for the buyer that the buyer could use this to show his management and their management would think he did it. So, make the buyer the hero.

Michael: You told the buyer he could take credit for it.

Joe: We set it up that way from the beginning. That's your market study on mattress pad and your analysis of all the different kinds and what you think we ought to stock and all that done for you and with no preference to our company in terms of our logo or name all over the thing. So, we did some work for the buyer to help in his job.

Michael: That's brilliant. You've got to make the buyer's job easy and make him look good.

Joe: Right.

Michael: He's got a boss, too.

Joe: Exactly. It's like the done-for-you marketing that is working so well nowadays that 20 years ago worked, too. Nobody else was doing it.

Michael: What about the smaller stores, independents?

Joe: Big difference, big difference. They won't have all the requirements the mass-market has. But if you can go in with the same facts and figures and proof that your product sell, you'll blow them away because most vendors who call on the small stores don't have that kind of information. First off, by being prepared for a mass account buyer, you're in great shape for the smaller ones. You won't need complicated EDI, financial information, warehouse slot information -- none of that.

There is a peculiarity with some of the buyers that does need to be talked about that's very different than mass market, and that is a buyer in, say the gift and stationery industry where I came from, they'll buy a product if it's new and different. They'll buy it with no indication of sales at all. If it's new and different they'll say hey that's new and different. I like that. Cool. I'll buy some. So, totally non-scientific, and then they don't necessarily have good information on how it sells. But the weirdest thing, the absolute weirdest thing I ever ran across in the independent market is they buy a display of some new product of yours and it blows out. It just sells out four or five times faster than anything else they've ever

put in the store and then they don't reorder, which makes no sense. I mean the thing sold so well, why wouldn't you buy more? Oh, we tried it. It went great. Now, what else do you have? So, you have a hill to climb there you don't have with a mass market. With a Target or a Wal-Mart, if something sells great, they'll know how many dollars worth of it they sold per day per store. But for the little gift shop, they may know it sold quick, but they may not connect the fact that it sold fast that they should buy another one of the same thing. They're looking for what's new next.

Michael: With your independents, you're going to have to be more proactive in getting the order or your sales reps are because they've got so much going on they probably just can't keep up or they forget to call or whatever. Would you say it's more your job to remind and your rep's job to remind to get those orders with the smaller stores and independents?

Joe: Definitely. You have to be on top of that where orders from a mass account will be automatically generated by computer to maximize sell through and minimize inventory. With the little account it doesn't work like that. They're nowhere near that organized. You're best off, even if the rep isn't going to necessarily be making their rounds often enough -- if the rep sees the store every month or every six weeks, if your product sells out in two weeks, that's not often enough. When we had customer service people in our sticker company and the stores that were doing well, we'd call them. We'd call them up on the phone and say it's been two weeks since you ordered, you're probably getting low, can you look at the display and see. They'd go look and say yes you're right we are low, so we'd send them a refill. And we'd do that directly from us to the store with our customer service people because the reps weren't making frequent enough calls.

This concludes Section 15, preparing for calls on the mass merchant buyers and how the little guys are quite different. You should have a good feel now for how to get ready for making these presentations.

The next section will be Section 16 where we'll talk about trade shows.

Michael: This is the end of Section 15. Please continue to Section 16.