How To Use Master Brokers To Get Your Product Into Wal-Mart And Other Large Mass Retailers.
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How To Use Master Brokers To Get Your Product Into Wal-Mart And Other Large Mass Retailers.

In this interview with Bill, you’ll hear about an alternative tactic to get your product into Wal-Mart, Costco, Kroger, or any of the other mass merchandisers in the US. Bill refers to himself as a “scout” but his expertise is in dealing with Master Brokers. He scouts for product opportunities. When he finds a good product, he contacts and hires a Master Broker to try to get the Master Broker to pick up the product as a project.

A Master Broker represents you and your product and lobbies mass merchandiser purchasing agents to get your product into their stores. Bill explains that there are less than one hundred Master Brokers in the US at this time and that each Master Broker specializes in one category, such as dietary supplements, produce, etc.

Bill explains that a common misconception of manufacturers is that they believe that their own product will, indeed, sell. The truth is that, when approaching a single mass merchandiser, the supplier has a 1% chance to get their product into the store! Bill goes on to explain that if your product already has advertising AND you are being represented by a Master Broker, that you have a 90% chance of that initial 1% chance to get your product into the store. Further, if your product does not already have advertising and you do not have a Master Broker, you only have a 1% chance of that initial 1% chance to get your product into the store. Yes, it’s a bit confusing but suffice to say that the chances are slim that your product will be picked up by any mass retailer.

So what does a Master Broker do once he accepts a product? Master Brokers have sub-brokers all across the US in different regions. These sub-brokers specialize in lobbying purchasing agents of mass retailers. If a product is approved by a retailer’s purchasing agent, the Master Broker makes a commission and pays each of his sub-brokers a commission.

The advantages of using a Master Broker are many:
The Master Broker and his sub-brokers do research and develop a marketing plan for your product.

Since multiple sub-brokers under a single Master Broker are working on your behalf, the marketing plan is easier to maintain than if you hired many different brokers.

Once a Master Broker approves a project, your product gets immediate exposure to every mass retail chain in the US.

When a sub-broker deals with a purchasing agent, most often, the purchasing agent is already familiar with the sub-broker. Thus, appointments to present products occur more quickly and are more organized because the purchasing agent knows that the sub-broker has done his homework and is ready to do business.

To give a more complete picture of the process, Bill gives us a case study of a product that he was able to get into the mass retailers – an energy bar. It already had advertising but the manufacturer was having trouble selling them. The manufacturer approached Bill and asked if he would pick up this line of energy bars. They had an expiration date that was approaching and they needed to be sold. Bill obtained samples and determined the margins on the product because the product must meet the pricing points.

Bill goes on to give an example of what would happen next. Bill would find a Master Broker to take on the product. So, if the sales price is $1.99 and the wholesale price is $1.20, the Master Broker would buy the energy bars for 25% less than the wholesale price of $1.20. Then the Master Broker would go to a mass retailer to sell each energy bar for $1.20 and tell the retailer that the sales price is $1.99. Without the right pricing, the Master Broker and his sub-brokers don’t make anything and the product cannot be sold.

Mass merchandisers such as Wal-Mart want your product to already have advertising because it will have product recognition. As Bill says, they don’t want your product to get lost on the shelf. Additionally, Wal-Mart gets free advertising when you are advertising on TV. All Wal-Mart has to do is provide a tag to buy this product at Wal-Mart. Bill refers to new products (new to the marketplace and not yet advertised) as “pioneers.” He prefers to deal with established products and finds it very difficult and time-consuming to represent pioneer products. Of course, Wal-Mart's buyers consider any product an opportunity so they will listen.
Once your product is in just one of the major mass merchandisers stores, an Information Resources, Inc. (IRIS) report will exist for it. An IRI report tracks your product’s sales and other retailers will look at your product’s IRI report. The advantage of having a product with a good IRI report is that you can show that IRI report to purchasing agents of other mass merchandisers when trying to get your product into their stores.

We go on to discuss how much capital is necessary to deal with one of these mass merchandisers. Listen as Bill gives advice about going to a bank to finance the production of the large quantities of your product that you will be expected to produce for a mass merchandiser and how a purchase order from Wal-Mart, Target or any mass merchandiser is as good as gold by the bank Bill recommends.

If this interview has gotten you excited about the possibility of utilizing Bill and his relationships with Master Brokers to get your product into Wal-Mart or other mass merchandisers, you can contact him to review your product at (858) 274-7851. For another fascinating interview on Wal-Mart go here

Michael: Okay, so they came to you for more expansion and then what’d you do?

Bill: I’ll try and get a master broker to accept that project, and take that project on and go to a mass market retail chain. I have master broker’s phone numbers where they’re presidents of these companies and I just call them on the phone and say, “I want to show you a new product.”

Music

Hi this is Michael Senoff’s HardtoFindSeminars.com, here’s another recording related to my Wal-Mart series in how to get your product into Wal-Mart and other large mass merchandisers. It’s a conversation with an expert on dealing with master brokers. His name is Bill and he’s going to provide you some alternative information about how to get your product into Wal-Mart by using master brokers. Not many people know what a Master Broker is, and in this recording you’ll learn about Master Brokers, you learn about how to use lobbies to get your product into the mass merchandisers. You’ll learn about IRI reports. We cover a lot of information in this audio recording and I hope this is beneficial. Let’s get going.
Michael: Let’s say this is based on your take of the business. You’ve been in it for 15 years, this is all your opinion. Everyone has different views and attitudes. So we’re going to just go with what you’re feeling is, that’s all. So your experience has helped get products into these type stores. And here’s a partial list of the companies I can sell to, that’s Costco, Hudson News, 10,000 Airports, etcetera, Wal-Mart, Seven 11, K-Mart, Circle K, Target, Kroger’s, QVC, Safeway, Shopping NBC, Albertson’s, Home Shopping Network, Duane Reed, GNC, Amazon.com, Rite Aid, CBS.com, CBS Home Depot, Walgreens, Advanced Auto. Each store has their own methods. This is where experience comes in. I know most of the ropes to get in, to begin with I hire brokers who lobby retail stores for me, the key is finding the right broker.” Who are you, what do you call yourself? What do you do? What have you been doing for the 15 years that got you into all this?

Bill: But really I’m a scout.

Michael: You’re a scout.

Bill: I’ve been selling to these purchasing agents for almost 20, 18 years.

Michael: So take me back to 1980. What were you doing 20 years ago?

Bill: I was the first guy in LA to recycle laser printer toner cartridges. I was selling office supplies and a guy came to me who makes generic toner for photo copiers and he said this company out of Texas wanted to order toner to refill laser printer cartridges. The toner back then was negatively charged, but this toner they needed was positively charged, to it attracts to a drum, the negative positive thing going there. He’s a toner manufacture and they asked him to make this toner. He didn’t have any, so he gave them some sample generic toners that he was making for use in Xerox machines, which was an IBM series 3 model 40 toner. They put it in a laser printer toner cartridge and it worked, so they started ordering more and more and more. He tells me about this and he says, “Look you’re in charge of sales at this other company, you should do this on your own.” So my wife Sharon and I started refilling laser printer toner cartridges. The toner cost 10 bucks and at the time the laser printer cartridges were selling for a $120 dollars at Business Land.

Michael: They’re still expensive as hell.

Bill: Yeah I know. Toner was only ten bucks. So we started opening up the cartridges, taking a funnel and pouring the ten dollar toner in a $125 dollar empty toner cartridge and selling them for 89 bucks.
Michael: How many were you selling?

Bill: About 4,000 a month.

Michael: 4,000 a month. Who were you selling to?

Bill: Every law firm, most of the law firms and CPAs in LA.

Michael: So you were going to law firms. Is this where it all started, where you approached the larger retail chain?

Bill: Yeah. Everyone. We started going after Business Land, every corporation-

Michael: What were the hurdles you were coming up against trying to do it traditionally?

Bill: Oh the hurdles were HP said that we violated their patent by drilling a hole in their laser toner cartridge, even though I didn’t use that method. They used that as a way to say that their patent was being violated.

Michael: Where are they going after all the toner?

Bill: After all the remanufacturers.

Michael: Were they successful?

Bill: No.

Michael: Did they send you like a cease and desist?

Bill: Well they sent all my customers letters saying that if you use remanufactured toner cartridge it’ll violate the warranty of your laser printer. That didn’t hold up so people kept buying refills. But it really slowed down the industry a lot because you’d be scared right? Especially like a lot of Fortune 500 companies that have relationships with Hewlett Packard.

Michael: So did your toner business go down after that?

Bill: Because I was buying so much volume and selling at retail I started selling the toner wholesale under my own name.

Michael: How was that stuff packaged?
Bill: Instead of refilling a cartridge and selling it to Staples, we would take the toner bottle itself, put our company name on it and sell it to other remanufacturers with a 15% mark up.

Michael: How’d that go?

Bill: Ended up in a 160 countries selling that.

Michael: Wow. Are you still doing anything with the toner? Did you sell it or?

Bill: The wholesale business, when I got into selling it retail for 89, wholesale for 10 bucks, I was buying it for 8. Eventually my suppliers cut me out of that and just sold direct to the remanufacturers themselves. I had that niche for six years. I still sell laser printer toner cartridges to like 6,000 companies in Los Angeles, so I have 2,000 maintenance contracts, some where around there.

Michael: Wow that’s great. I studied that business, it’s a great business. You maybe looked at my website, Hard to Find Seminars. I have a whole seminar about a guy who put on a whole seminar that taught people how to succeed in the toner business. It was back in probably 1989 that he did it, I’ve got the tapes and the whole book. I’ve got an entire course.

Bill: Who was he with?

Michael: Well, he was a marketer. He created an information product, this could be sold to everyone of your toner remanufacturers, an information product that could show them how to increase their toner business through effective direct marketing and direct mail methods.

Bill: Yeah, that did not exist until Sharon and I brought it here to California.

Michael: So today can you still get that toner?

Bill: Yes. Today it’s like three bucks a bottle.

Michael: So it’s inexpensive. So there’s a lot of opportunity for people who want to get into this business?

Bill: Well see there is because Staples now sells the cartridges for 49 and years ago the toner cartridge itself, let’s just make it simple, let’s just say it was all made out of solid steel so you could refill it 20 times because it’s thick and heavy. Well, as the years went by the manufactures like Hewlett Packard and Cannon started making it not steel, plastic and paper, they started making it so that it would become...
more disposable. Because of that you have to buy more parts of the cartridge itself to make it refillable over and over again.

For example a toner cartridge has maybe 50 parts, those parts used to be lets say steel, this is a metaphor, now they’re all plastic and they wear out, so you need to replace 40 of the 50 parts now to make it work right. Expensive and more difficult. And they get to have a little bit of a higher failure rate because once it’s inside it’s been around the block a few times. In the old days all you needed was just the toner, now you need the toner, the drum, a wiper blade…

Michael: So what lessons were you learning when you were a purchasing department trying to get your toners in?

Bill: Perseverance, keep calling them, call back call back call back call back.

Michael: Were there road blocks that you didn’t understand at that time?

Bill: Every purchasing agent says you know, “Call me back tomorrow.” And you just have to keep calling them back, sending them letters, follow up. Follow through. If you say you’re going to call them back on Tuesday at 3, do that.

Michael: Did you get into some larger chains with your toner?

Bill: The people that I sold to sold to everyone else. Yeah all across the world! I mean I was selling the toner bottles and they were remanufacturing the cartridges themselves and selling them to stores, accountants, law firms, every where. Probably had I don’t know 2,000 wholesale accounts, every where. One of them was actually Pelican which is a huge German Company.

Michael: Yeah I know who Pelican is, they make pens and they make cases.

Bill: I used to sell them toner because they’re an unusual case. They needed color toner and they were ordering-

Michael: So when you say 2,000 wholesale accounts were you going through a Master Distributor or were you selling individually to each one of these at whole sell?

Bill: Individually to each one of them. I was, they were buying it from me. I could get it at a lower price and mark it up 15% and with that mark up it was still lower then they could get it from anyone else.

Michael: How were you able to do that?
Bill: Because of my purchasing power I could buy barrels of toner, where they’d have to buy bottles. So I converted barrels into bottles.

Michael: You stayed with the toner all these years, but what else led you into what you’re doing now as far as scouting-?

Bill: Just the fact that, what’s identical with this business is I’m still talking to purchasing agents, it’s just that now I’m doing both where talking to purchasing agents of companies that have 25 employees to 200, but now I’m talking to purchasing agents for companies that have 3,000 locations, same thing.

Michael: You know there’s millions of people around the world who dream of getting a product into Wal-Mart, Kmart, any of these mass merchandisers because they absolutely know that the sheer volume they could move if their product sell, they’re instantly a millionaire. Is it like hitting the jack pot if you can get your product in there?

Bill: Yes. It can also bankrupt you. Wal-Mart could place an order for a million units without even blinking all the sudden you’re rich and everything’s successful and that’s great, but you’ll need capital to back that in case they return the order.

Michael: What’s the average misconception that a person thinks about getting a product into Wal-Mart? What do most people believe?

Bill: That because they’re hearts in it, it’s gonna sell. Because they believe in their own product it’s going to sell. That’s not true.

Michael: How often are people pitching products to these mass merchandisers?

Bill: Oh my God all day long!

Michael: And Wal-Mart has buyers full time doing nothing but looking at products.

Bill: Yes. Wal-Mart has 2500 purchasing agents.

Michael: Are they spread out all over the world?

Bill: No, they’re all in Bentonville and they rotate them every two years.

Michael: 2500?

Bill: Yep.
Michael: There’s that many people doing nothing but looking for products?

Bill: Yes.

Michael: For their stores?

Bill: Yes.

Michael: And that’s a full time job?

Bill: Yes.

Michael: 2500?

Bill: Yes.

Michael: So how many people are coming in pitching products every day?

Bill: I’d like to be [inaudible] every hour.

Michael: From all over the country?

Bill: Yeah.

Michael: And that main reason is that people hoping and dreaming to get their product in.

Bill: Yes. And your product, it doesn’t mean anything. They have to need it and it has to have advertising. That brings you over 90%. You’ve got a 90% shot of a 1% chance of getting it in. Does that make sense? You have a 1% chance of getting your product in a Wal-Mart, and of that 1% if it has advertising and you have a lobbyist, you have over a 90% chance of the 1%. You have a 1% chance of 1% if it has no advertising, no lobbyist.

Michael: Right, but if you have a lobbyist and advertising you have what percent chance of-

Bill: You have 90% of a 1% chance.

Michael: So it’s that slim?

Bill: Because of the Cash Cow.

Michael: So the odds are really stacked against you?
Bill: Oh big time.

Michael: So you would tell someone even though someone loves their product, it’s a great product, their hearts in it, but if they don’t have advertising, an advertising budget, they’re not...

Bill: And a lobbyist.

Michael: And a lobbyist.

Bill: They have an unbelievably, a 1% of a 1% chance of getting in.

Michael: All right first let’s talk about the advertising budget. Why can’t I get a product in without advertising? Why do they want advertising?

Bill: They want advertising so your product has the best chance of succeeding, it doesn’t get lost on the shelf. Why would you buy Jenny’s Kleenex’s when it’s sitting right next to Kleenex? What differentiates your decision there? They feel what differentiates it is advertising and product recognition. They don’t want your product to get lost on the shelf, that shelf space is very valuable so there’s an opportunity cost as well. They could replace it with a different product that does have advertising that will sell instead of yours.

Michael: Because it costs Wal-Mart money if they stack their shelves with a product that doesn’t sell, it costs them money to get rid of it. And opportunity costs.

Bill: Right. There’s an opportunity cost because they can put a product there that has advertising and not only that, they are getting in a way Wal-Mart’s getting free advertising because you’re advertising your product on TV and then they link it and they put a little link on there that says, “Go to Wal-Mart to buy this.” So Wal-Mart’s picking up that advertising, their name is on your ad.

Michael: So when every person goes and flies to Bentonville to pitch their product, are the buyers letting these people know that?

Bill: No. They do it during the interview and after the interview.

Michael: Well why wouldn’t they do it before? Why do they waste all their time if they know 99% of these people aren’t going to have a chance. Why do they spend all the...
Bill: Because they're still providing an opportunity, and there is the chance that they want, that they need that product, that fire escape ladder that you can use from the second story of your house. I mean there are, that's not advertised anywhere, you can buy those at Wal-Mart. So there are products that are in there that aren't advertised.

Michael: So if they see an exceptional product they want,

Bill: The problem is everyone thinks their product is the exception, but the opportunity is there and Wal-Mart is willing to listen, that's their job. Let's say you have a license with Disney for Mickey Mouse pillow cases, licensing is another form of advertising that everyone knows who Disney is, and everyone knows who Mickey Mouse is, if Wal-Mart wants pillow cases with Mickey Mouse's face on it, and you pay for the licensing fees for that, even though that's not being advertised on TV, that's a different form of advertising and recognition. That's why they hire movie stars to license their names and then they take those products to Wal-Mart.

Michael: The person who owns the license to Mickey Mouse, he has a better opportunity then because the advertising's been done by Walt Disney?

Bill: Yes.

Michael: All right, yeah that's good.

Bill: With name recognition, even though that's not being advertised all over the place, everyone knows who Mickey Mouse is.

Michael: You had said that the purchasing agents are rotated out every two years, what does that mean?

Bill: It means that a purchasing agent for batteries in two years gets rotated to a different department.

Michael: Why is that?

Bill: Different category. I think it keeps fraud down, it keeps the purchasing agents fresh.

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Michael: Do you know like the average life span of a purchasing agent is?

Bill: I know the average life span of an employee in the United States is between four and seven years now. It used to be higher.
Michael: What do these guys get paid, the purchasing agents?

Bill: I'll tell you this, the average purchasing agent's under 30 at Wal-Mart.

Michael: Tell me what is a lobbyist, isn't a lobbyist something that only the government uses.

Bill: I'm pretty free with that word. Basically a lobbyist is a broker, and they're representing a product or you in your product. And they're lobbying Wal-Mart, Wal-Mart's purchasing agent for your product. I kind of like to use that word lobbyist because they specialize in that one category and that's all they do. So if that category is dietary supplements that's all that broker does, he only approaches the purchasing agents for the dietary supplement category. He doesn't go after batteries, he doesn't go after Mr. Coffee machines or microwaves, that's all he does. In my mind he's like lobbying just that department, and they specialize only in that department and with those types of products.

Michael: Okay, that makes sense if that's the category they've got to the buyer for dietary supplements and they've got to know the best strategy to get into that guy. You said when you're scouting for products, you're scouting for opportunities, you're scouting for potential, you're scouting for companies that you, do you have to hire these brokers to help get your product in?

Bill: I do. If I come up with a good product I'll approach a broker and my job is to try to get them to pick up the product.

Michael: So is that who you're approaching, the Master Broker?

Bill: Yeah.

Michael: Describe a Master Broker. What does a Master Broker…?

Bill: A Master Broker is a person who has sub-brokers all across the country in different regions of the United States who these sub-brokers specialize in lobbying purchasing agents of the mass marketed retail chains. The Master Broker makes a commission, some charge a fee, and they pay their sub-brokers a commission, but they can hit all the chains all at one time and have a strategy, they can have a theme or a marketing plan, an objective because it's one person in charge of 30 sub-brokers with a plan. Where as if you just hire individual brokers that you would be organizing it and planning it yourself, so it becomes more confused and less strategy. So if you not hire 30 different sub-
brokers to go after 30 different chains, and you hire one Master Broker, it’s all under one umbrella and it’s easier to maintain and keep organized.

Michael: So it’s your strategy to always go after the Master Broker?

Bill: Yeah. If he approves the project you can get instant exposure to every chain, over night, within 10 days. I mean so for example you give me a wonder pill and I have to get the Master Broker to approve it, he approves it, he needs 60 cents of these wonder pills, he over nights them to all his sub-brokers, and then the sub-brokers take that and then they have a group meeting, they talk about what the benefits of that wonder pill and the advertising and how long it’s been out and if it’s legal and ethical and does it meet each individual retail chain’s legal criteria’s? And all that, they discuss it, the flyers the information, brochures, all that gets sent to the sub-brokers, the sub-brokers then take the product, they may call a Wal-Mart or they call a Target, the purchasing department, the purchasing agent of that particular product.

Then they set up an appointment and then they bring in the product and the purchasing agent has to look at it and that’s where the purchasing agent is usually familiar with the broker, because there’s many brokers contacting the purchasing agent as well as many non-brokers contacting the purchasing agent. The brokers seem to be more professional and know the purchasing agent so they tend to get in a little sooner with the appointments and the appointments are more, are faster, quicker and more organized because they both kind of know each other. It’s kind of like buying a house from a bank because you know someone in the REO department if it was on the MLS. They just know that you know how all the paper work works, they know you have the money, they give you a call first, if you want to buy that property you just give them the cash and it’s over. The bank doesn’t have to hassle with the MLS, a real-estate agent, waiting six months to get it sold.

Michael: How many of these Master Brokers around?

Bill: Probably less than 100.

Michael: How does someone find out who these people are?

Bill: MANA.

Michael: MANA but is MANA as an association of just Master Brokers?

Bill: No of all kinds of brokers.
Michael: So can you give me a case study of one of your products and take me through the steps that you’re able to get it in.

Bill: I have an energy bar, and that energy bar has advertising.

Michael: All right, how did you find out about it? Take me from the very first inception.

Bill: This company has an energy drink that’s out all around the US, they’re famous. And they came out with a line of energy bars, they had made a couple hundred thousand of them and couldn’t really sell them, something was wrong, they had the wrong brokers or the wrong reps.

Michael: How did you hear that they were sitting on the shelves, that they couldn’t sell them?

Bill: A person approached me and said, “Hey will you pick up this line of energy bars? They’ve stalled out and there’s an expiration date coming up in the next two months. Do you think that you can do anything with these bars?” So I said, “Okay give me some samples.” That’s the first thing. Then I get the samples and they said, “What are the margins on it?” Because there’s a whole economical side to this whole thing too, if it doesn’t meet the right pricing points then it’s not good for anyone, the brokers, the sub-brokers or Wal-Mart.

Michael: Why don’t we just digress real quick and we’ll get back on that. Why don’t you talk about pricing. What kind of margins does someone need to be thinking about to get their product done, to make it work?

Bill: A Master Broker needs 25%

Michael: Of the gross?

Bill: There’s a below wholesale price, a wholesale price and retail price. The Master Broker needs about 25 to 30% off the wholesale price. So you work it backwards. So if the price is a $1.99 and the wholesale is a $1.20 then the broker needs 25% off a $1.20, and that’s what he needs to buy it at. He’ll go back to Wal-Mart and say, “Look we would like to sell you these bars at a $1.20, and then you could get a $1.99.”

Michael: Are brokers and buyers of these large chains really concerned about margins? Asking, “Well what can I make per unit?” Or are they more looking at the shear volume?
Bill: They’re concerned about the pricing, plus the volume. The pricing is really, really important. Without the right pricing the Master Broker and the brokers don’t make anything and the product can’t be sold. There’s a glass ceiling too because if the product is being sold at a $1.99 it’s competition is probably selling at a $1.99, so you can’t charge $2.99 when the same candy bar is being sold for the same eight ounces right next to it for a $1.99.

Michael: All right let’s go back to your story, so you’ve got 100,000 cases,

Bill: 200,000 candy bars.

Michael: ..getting ready to expire in a couple months and what did you do?

Bill: Someone brings me the samples, I get the samples, I show them to a Master Broker, he says, “No.” He said, “No, this is crazy.” So another rep comes in from the candy bar guys and talks to the Master Broker and he takes it up, he takes the candy bar line on, goes over all the pricing and it turns out to be okay. Then they submit the candy bars to GNC and Rite Aid and Rite Aid picks up the candy bars.

Michael: Okay and what happened?

Bill: They ordered candy bars, they’re ordering, they’re starting off in 600 stores and…

Michael: Did they go through all 200,000 cases?

Bill: No not yet.

Michael: When a store like that takes on a product, do they take it on cautiously? How much testing is involved?

Bill: They usually start with like 600 stores and then they expand where they’ll do it regionally. They start like with a small, not really small, 600 stores and then they’ll track it’s sales through a thing called an IRI report.

Michael: Okay so it’s a system for identifying how fast everything’s selling, inventory?

Bill: That system is universal. You can buy statistics.

Michael: Okay so all the other chains are looking at IRI reports on products?

Bill: Yes.
Michael: So you could have a success in mass merchandiser you better bet that you’re going to hear from others.

Bill: No then you approach others and show them the IRI report.

Michael: When I was in college I used to sell tie died t-shirts. I’d hand make tie died t-shirts, I had a tie died t-shirt manufacturing company. We were getting into some of the larger clothing chains like Caster [inaudible], this is all in the South. What happened when sales were doing well in one of them, I’d start getting calls from buyers from the other...

Bill: That’s from the IRI report.

Michael: Yeah so you’ve got buyers looking at these reports for hot products right?

Bill: And trade shows.

Michael: Where can someone find that information for hot selling stuff?

Bill: You have to buy that.

Michael: Is it a subscription?

Bill: You have to be a broker, and then you buy each report at a time. They’re kind of expensive.

Michael: Are they segmented on different categories?

Bill: Every product has an IRI report.

Michael: So is this another way buyers are looking for hot products?

Bill: When you’re filling out an application to sell your product to Wal-Mart you need advertising, you need a good IRI report, you need a good broker, you need patience, you need capital because you have to, if they order a 100,000 units you have to make them.

Michael: The advertising, we talked about why they need it, realistically how much capital do I need to be prepared to go to one of these mass merchandisers?

Bill: You’re going to need capital because they’ll start with 600 stores and they’ll order at least one, two cases at the maximum just to start. If the sell through is good then they’re going to order all 4,000 stores and
they might order 60, and then they’ll do that every month. What you do is you take your purchase order…

Michael: And go to the bank.

Bill: …and you go to the bank, that’s exactly right.

Michael: Because that PO from a Wal-Mart, it’s gold.

Bill: They’ll loan you 80% of it. Yep.

Michael: Banks love that stuff.

Bill: Yep.

Michael: So you get a success and a read in with a product and you have a PO…

Bill: And we have a bank we recommend.

Michael: And you have a bank you recommend?

Bill: Sure.

Michael: You don’t have to tell me the bank, why would you recommend this secret bank?

Bill: Because not every bank will loan you money on POs, there’s factoring companies and there’s some banks that’ll do that.

Michael: If you don’t have the money, the money’s available if you got a hit, if you got a winner?

Bill: Yes.

Michael: Will brokers ever finance and get in on deals with someone who controls a product doesn’t have the capital? Have you ever seen that happen?

Bill: No.

Michael: Is that unethical for…

Bill: They get asked a lot. I don’t think it’s unethical because the product’s not in yet.
Michael: You’ve got one or two multiple banks that have experience in doing this.

Bill: Yes!

Michael: Okay when someone comes to you and they say, “Well I don’t have the money.” But if you think they’ve got a great product you would tell them that, “You know it’s okay if you don’t have the money, you’ve got to have something, but if we have a winner, we can get the money.”?

Bill: Absolutely. To Wal-Mart? Yes.

Michael: What about QVC and some of the other big…

Bill: Yes. Any purchase order from any mass market chain you can.

Michael: You’re not going to do it with the first order though?

Bill: No, you won’t need it.

Michael: Well you’ll need the IRI report?

Bill: No it’s like applying to a college you know, you have to have your A to F requirements, you have to have two years of Spanish to get into a college. To get into Wal-Mart you need an IRI report, you need advertising, you need a good broker, you need a good product.

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Michael: All right tell me about your Pit Bull Energy Drink, I’ve heard of that.

Bill: Yeah that’s every where.

Michael: How did that start? Someone came to you?

Bill: A person came to me and said that, “This is Pit Bull Energy, and can you get this going with a Master Broker?” So I went to a Master Broker and they picked up the account.

Michael: Were they in any large chains?

Bill: Yeah. I said I...yeah

Michael: Any large chains?
Bill: Yeah.

Michael: Who were they in with already?

Bill: Safeway, Cub Foods, Chevron.

Michael: Okay so then they came to you for more expansion, and then what did you do?

Bill: I’ll try and get a Master Broker to accept that project and take that project on and go to a mass market retail chain. I have Master Broker’s phone numbers where they’re presidents of each company, and I just call them on the phone and say, “I want to show you a new product.” You know many people are bringing them product all the time too, they don’t accept every product.

Michael: So they’re looking for hot stuff too?

Bill: Yeah.

Michael: All right, but why should someone come to you to help them do that rather than try and do it themselves?

Bill: Because if they don’t come to us they have a 1% of a 1% chance. In other words if the purchasing agent is not familiar with them or their product, it’s just harder for them to do it, that’s all.

Michael: So what you bring to the table is your time and your relationship with these Master Brokers?

Bill: Right. And another thing, if you have a product and you do it yourself, you’d have to fly to Bentonville, you’d have to fly to Ohio, you’d have to fly to New York. You’d have to go to all these different chains yourself, but if you get a Master Broker to take it on you don’t have to fly anywhere.

Michael: So what am I going to pay my Master Broker for doing all this?

Bill: Anywhere from 7 to 30%.

Michael: Of the gross?

Bill: No of the wholesale price.

Michael: So give me an example. Let’s do simple math first. Let’s say it retails for a dollar.
Bill: The broker needs to get that product at like…

Michael: 70 cents?

Bill: No! 59.

Michael: 59 cents?

Bill: No, no, no, no! Needs to sell it at 59, and needs between 7 and 30% of the 59 cents. 30% of 59 cents would be 17 cents, 59 minus 17, 42, so they need like 42 and they sell it at 59 and then Wal-Mart sells it for their dollar.

Michael: So I’m a manufacturer I’ve got to sell it to the Master Broker at 42 cents?

Bill: Yes.

Michael: He sells it for 59. That’s kind of hard to do when you have a commodity tight products isn’t it?

Bill: Yeah. That’s why the energy drinks are really competitive and sometimes to keep the account you have to wave your commission. I’ve waved commissions before for the not a profit.

Michael: Maybe that’s why a lot of people don’t go through brokers because they’re taking so much, I guess it’s give and take.

Bill: Well you have to have a product that has the market, then you need to go to China and manufacturer your energy. It’s not really your fault because Wal-Mart and your competitors are selling it at a dollar…

Michael: Let’s say I want to talk to you and I’m coming to you about my product, but you’re extremely busy, which you are, what’s the five things you’re going tell me to provide you before I even talk to you? Make sure that my product is this, this, this and this. Tell me what kind of home work do you want me to do?

Bill: I need advertising, I need the right price points…

Michael: Well can’t I get that advertising once I get my PO, or do I need that before?

Bill: You need it before. The advertising gets you in the store. A million dollars a year is not enough.
Michael: If I have my product, and let’s say I have a budget for advertising and I approach you and you approach your broker and the broker says, “Yeah lets do it.” And he gets it in. At what point is my advertising going to come in?

Bill: Well it should of been out there already.

Michael: So you’re saying if I’m a new product with no advertising…

Bill: Oh my God!

Michael: Forget it?

Bill: No that’s pioneering. A lot of my products are pioneer products. Only two have national advertising and the rest are pioneering products, that’s why it’s taken me so long to get these things in. Like has no advertising, doing really well though, they’re selling 38,000 cans a week.

Michael: In the 7/11?

Bill: Yeah.

Michael: So are you going to take those IRI reports and go to your contact?

Bill: Correct.

Michael: Are you going to try and get it in without advertising?

Bill: Trying to get, exactly. Exactly. I have tons of products but it takes a long time to get them in.

Michael: Okay very good. All right very good. So let me ask you this, lets say we have someone who listens to this recording and they say, “Well this guy he’s been around the block, he’s got a lot of experience and I’d like to contact him to see if he could help me or advice me or counsel me to get my product in with a broker.” What would you tell them that you could be able to do for him? What service could you provide for him?

Bill: The service would be to look at the product, for me to check it out in the stores after looking at the product. In other words I’d look at the competition, I’d look at it’s placement, it’s price, the product, and then I would look at the promotion of it. Then I’d say, “Okay this looks like something that won’t embarrass me when I take it to a Master Broker.”
Michael: You can look at a product and give someone an idea if they have a chance in hell?

Bill: Yeah absolutely. I had a wonderful product and I took it to a Master Broker and he started laughing at me. It’s greeting cards and the greeting cards had seeds in them, and you could mail I love you Mom a greeting card, and you mail it to her. She takes the cards and plants it and it grows a rose bush or whatever you want. And the Master Broker just, I thought they were awesome, and the Master Broker started laughing at me.

Michael: Do you look for intellectual property things that you can’t get ripped off or copied when you’re looking for products? A patented product, is that a plus?

Bill: Yeah, that’s a plus. Or exclusives, or, but it all comes down to advertising, I hate to say it. If that product’s been on TV or on the radio for two years, I mean that’s what all these shows are about. If you go to a trade show in this industry and find a product that’s been advertised on TV or radio or newspapers or magazines for the last two years, every Master Broker in the country is going to be after that product.

Michael: So they want the advertising? Okay very good. All right Bill I appreciate it, thanks for your time.

That’s the end of this interview with Bill. I hope that this has been helpful. If you’re interested in contacting Bill and having him review your product and possibly presenting it to a Master Broker, please contact him at (858) 274-7851.