Leveraging Your Media With Retail Buyers: Money Talks

By Anthony Raissen

The lure and allure of securing retail shelf space for a product is a very powerful and dangerous drug when not used correctly. The problem that keeps arising is a very sharp double-edged sword. The volume is there, but retail buyers are very cautious when it comes to adding new and unproven products to their stores.

Most manufacturers will say just about anything to a retail buyer in order to get the buyer to pay attention to their product and give them a purchase order. The mistake that keeps getting made is that while you can fool some of the people some of time, you can no longer fool the retail buyer into believing that you have a serious media plan, and are serious about rolling out your plan.

While you may have a convincing presentation, retailers have heard it all before. The burden of proof is fully vested with the manufacturer. If you are able to convince the retail buyer of your sincerity in running a media campaign, you better be prepared to step up to the table and actually run your media. It's not that retailers don't want to bring in new items; it's just that they are evaluated by their bosses on the performance of items in their respective department. Therefore, they are reluctant to take chances.

What gives the retailer all the power these days are the terms and conditions that are applied to new products. First, the age-old practice of expecting to get paid in 30, 60 or 90 days has just about disappeared. Most major retailers will only pay you based on the actual sales of your products in their stores for the first 12 months or so. The term for this is pay-on-scan. If your product sells really well, then you have nothing to worry about. If not, you have a *big* problem.

If your product is accepted, the next challenge is that you are asked to forecast annual sales for a retailer. This seems like an easy deal — just guess and hope for the best. Not quite! Now you will have to back up your forecast with a commitment to fund co-op advertising with the retailer. Let's say you forecast annual sales of $2 million; you will have to agree to co-op dollars in the region of $150,000 to $300,000. This is money that the retailer will charge you for and pro-rate the charges either monthly or quarterly. I think you can see how this picture is turning out.

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Now let's look at the positive side of selling your product in retail. Distribution at retail enables you to reach tens of millions of consumers. If you have a great product and truly advertise it, consumers will buy it. This is how the system is designed to work. Now instead of making excuses for your poor sales performance, you have the opportunity to maximize and leverage your media with the retailer. You can offer to tag the retailer's store in your media campaign (you will need to get their permission) and you can negotiate promotions within the store. In some cases, your media buy will even earn you additional shelf space or space for additional items. Simply stated, you've become a successful retail brand.

In closing:

- Make sure you understand the rules of retail.
- Have adequate funding to keep a positive cash flow.
- Don't mess with the buyers.
- Use the power of your media to influence the purchase decision.
- Get maximum retail exposure for your advertising dollars. ■

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