Retail Sales Volume Requirements: Are Your Projections Realistic?

By Anthony Raissen

So you want to sell millions of dollars of your product at retail? Well, you are not alone. According to the *Harvard Business Review*, 30,000 new consumer products launch each year — and 60 percent to 90 percent of them fail. The sheer number of introductions means increased competition for consumer mindshare and access to the retail distribution channel.

Years ago, a well-placed network television ad campaign could reach a large majority of consumers. Today, with the Internet, social networking and hundreds of cable TV channels, marketers need to address multiple platforms to spread the word and educate consumers about their products and — most importantly — drive them into the store to purchase the products. Having a successful retail product depends on it being unique and memorable, and that it fulfills a specific consumer need. Success will also be dependent on the marketing and branding support for the product.

The key to success is to gain sufficient retail distribution in order to justify a meaningful advertising and marketing campaign, as well as to fully understand the retailer's requirements and expectations for sales volume of a new item.

For most companies, financial success is dependent on gaining distribution at major national retail accounts and, in some cases, major regional accounts. Let's take a look at "Health and Beauty" products that are best suited for the food, drug, mass and club channels. The same approach applies to all channels of distribution, as well as to the different categories within each channel. What changes is the minimum sales volume required by the different distribution channels, as well as the different categories within each channel.

As a rule of thumb, most national food and drug stores look for new products they believe will generate a minimum of sales ranging from of $150 to $200 per store per year. Many of you are probably laughing at this number right now, but unless you understand the economics of chain store sales, you are in for a big surprise.

Just because a retailer has thousands of stores, it does not mean that your product will sell in every store in which you are featured. As an example, a drug chain with 5,000 locations would be very happy with a new product that has annual sales exceeding $1 million — this equates to $200 per store.

By comparison, a mass volume retailer would expect a new item to have sales of at least $700 to $1,000 per store per year. And in club stores, the expectation is that a new item will have sales of at least $100 per store, per week.

Evaluating and understanding the above scenarios are usually the most important exercises that I work on with clients. Initially, they are in total disbelief with the numbers, as they have their own preconceived idea of how much volume they have forecasted for each retailer. Once we start looking at competitive product sales, they realize just how the numbers play out. The good news is that it only takes a few minutes to gather competitive sales information if you subscribe to syndicated sales data that is provided by companies like Nielsen and IRI.

Understanding the expectations and realities of retail distribution enables everyone involved in the process to be intimately aware of the rules of engagement with retailers and prevents big mistakes being made down the road that could have detrimental results for a company.

Making the decision to "go retail" involves a lot of risk. When you do your homework and follow the rules, you can make millions of dollars. However, if you fail, you could lose your entire business. Be prepared for this adventure and work with an expert that has a successful track record in launching products at retail. This greatly enhances your chances of success. ■

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