The Cost of Doing Business: Can You Afford Retail?

By Anthony Raissen

The allure of having your product on the shelf of every major retailer in the country is often what drives us as entrepreneurs to keep searching for the next big hit — the product that no one can live without, and the one everyone will buy. It is often this magical scenario that inspires us to invest thousands of hours and allocate every available dollar to reaching this goal.

Many direct response marketers have learned from experience just what it takes to go to retail. For this very reason, it is not surprising that some have chosen not to pursue retail as a channel for their products.

Most of you reading this article understand the numbers game as it relates to a DR campaign. You need a multiple of 5:1 or better, a media efficiency ratio (MER) of 2:1, a return rate of less than 5 percent, an upsell ratio of 25 to 40 percent, and, if applicable, continuity of 80 to 90 percent for the initial reorder.

Yes, numbers are what define DR product successes or failures. Retail is no different. The learning curve going from DR to retail is most often overlooked. A successful DR marketer influenced by success, ego and an unrealistic timetable is a recipe for disaster. Rushing into retail is riskier than forgoing a DR test and putting all your money into a full-scale national DR rollout.

Anthony Raissen is president of Ideaology 360. He is also the founder of BreathAsure® and can be reached via email at Anthony@ideaology360.com or phone at (818) 633-3634

So just what does it take to be successful at retail? There is no simple answer, but there are many ways to minimize your risk of failure and maximize your chances of success. The most important part of the equation is to understand the basic fundamentals of what retailers require.

With all the retailer consolidations and acquisitions during the past few years, we are left with a handful of companies controlling more than 40,000 doors in the food, drug, mass and health food channels. The impact this has on entrepreneurial marketers cannot be underestimated. Decisions are now being made by retailers who control vast amounts of shelf space and are less willing to take chances on new products than they were a few years ago.

The net result is that the burden has been squarely placed on manufacturers to carry most, if not all of the risks and costs of retail distribution.

A manufacturer never wants to find itself in a situation where it has to pay for slotting, co-op ads, provided free merchandise, and *then* has to pay to take back the product from the retailer. Yet, this happens all the time — not because of what the retailer has done, but more often than not, because the marketer runs out of money to support the product.

You can also take a realistic and phased approach to going into retail. There are still a number of regional chains providing a springboard for manufacturers to establish a track record of sales per store, units sold per store and cost management — making it more affordable and manageable to establish yourself at retail.

Take the time to fully understand the implications and complexities of being in retail. It isn't for everyone, especially someone without adequate financial resources and cash flow necessary to sustain the time it takes to become established at retail. Work with someone who has in-depth knowledge of what it takes to succeed in retail and you will be greatly enhancing you chances of success. ■