

## **Profit by Your Wholesaler's Services**

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Wholesalers offer services which small retailers can use to strengthen their operations. In some instances, the "helping hand" concerns only sales. In others, it extends to advice and help on recordkeeping, financing, administrative practices, location, insurance, and personnel.

This publication discusses such services pointing out that the range of assistance varies according to the individual wholesaler and the line of merchandise. Some of the services are free, but others carry a fee.

If you haven't checked the management services that your wholesalers offer, you should. Because their business depends on you and the other retailers to whom they sell, they are all common sources of assistance.

Depending on the types of assistance offered, your wholesaler may be able to help you "butter your bread." Some wholesalers offer services on sales promotion, buying, and new developments in products. Others try to "think retail" and also provide services that help to increase profits as well as sales. Some wholesalers may even assist you in the areas of financing and accounting.

The types of services and the extent to which they are available varies with wholesalers and lines of merchandise. Your wholesaler-distributor may or may not provide all of the services discussed in this publication but reading about them may help you when it is time for you to investigate such offerings.

### **Promotion**

Wholesalers often offer help in promoting the products they sell to retailers. Some of these services are free, others carry a price tag. However, as a rule, the price tag is not great because the wholesaler spreads the cost of this sales-building program over a number of retailers.

#### *Featured Items*

One of the most effective forms of promotional assistance is preselected merchandise that you can feature co-operatively with other independent retailers. By pooling customer orders for such items, your wholesaler can often secure price concessions or other favourable terms from manufacturers or processors. Generally, the wholesaler passes these savings on to you, the customer, to help you counter the price appeals offered by large retailers who buy directly from the manufacturer in large quantities and thereby get price concessions. In other cases, a wholesaler-distributor will sell these preselected items at cost in an effort to have a major part of your business.

### *Stock Control*

In some lines of goods, the wholesaler provides help with stock control. For example, a system is set up whereby the wholesaler's staff, with a minimum of attention from you, can keep your stock at the level you need for supplying your customers.

One drug wholesaler uses pressure-sensitive labels on products and a computer to help retailers with stock control. When the retail druggist sells an item, he or she peels off the label and pastes it on a card. The wholesaler runs them through a computer for automatic maintenance of the retailer's inventory. This practice helps the retailer avoid tying up money in merchandise that doesn't move.

### *Point-of-Sale Promotional Aids*

Some wholesalers are major sources of display material designed to stimulate "impulse buying" for both nationally advertised and private brands. Because much of this material is furnished by manufacturers, the wholesaler keeps retailers informed about what is available and tells retailers how the aids can be used most effectively. In some instances, the wholesaler helps retailers in building effective window, counter, and bin displays. Sometimes the wholesaler may send an employee to work on the retail sales floor during special promotions.

In some lines of business, wholesalers offer another type of promotional aid—showrooms. For example, they allow their dealers to bring retail customers to their showrooms to inspect models which the dealers do not carry as regular stock.

### *Co-operative Advertising*

Advertising on a co-operative basis with a wholesaler-distributor can be a reasonable economical way for featuring your merchandise and building customer loyalty. For this type of advertising, many manufacturers give the wholesaler an advertising allowance on purchases. This practice reduces costs that are charged on a percentage basis. Depending on the type and number of potential customers, the media most often used by wholesalers are radio and television, newspapers, and handbills.

## **Market Information**

Wholesalers often supply market information that can help a small retailer attract customers and satisfy their wants. In numerous contacts with local businesses and distant suppliers, the wholesaler accumulates information about consumer demand, prices, supply conditions, and new developments in the trade. The wholesaler relays the information to retailers through bulletins, newsletters, order books, invoices, and sales people. One small retailer summed up these marketing services by saying that, "The wholesaler is in a good position to tell whether things are slowing down or changing and keeps us aware of these changes."

### *Consumer Demand*

The wholesaler's position between national and regional suppliers and local buyers enables him or her to "feel the pulse" of the consumer demand. The wholesaler can recognize, for example, events at the national and regional levels that are likely to bear on the amount of local consumer spending. Through numerous contracts with local retailers, the wholesaler learns which items have attracted the attention of consumers and which items have not. By reviewing orders, he or she can sense when demand for a product is changing and advise customers to adjust their buying and inventories accordingly.

### *Price*

Often you can get comprehensive and up-to-date information from your wholesaler. Most

wholesalers can collect competitive price information from their customers much more economically than the individual retailer could collect it.

Suggested retail prices are also supplied by many wholesalers, particularly those offering co-operative advertising plans or those who sell their own private brands.

#### *Supply Conditions*

You can usually depend on your wholesaler to keep you informed about primary market conditions that would affect the supply of a particular product. Information concerning the possible scarcity or superabundance of consumer goods or expected major shifts in prices are of particular importance when they reach you in time to be reflected in your buying plans.

#### *New Developments*

One of the easiest ways to keep abreast of new methods, new products, and new ideas is through the bulletins, newsletters, and other publications circulated by many wholesalers. These media often provide condensed versions of articles appearing in the trade or business press, lists of new products being introduced by manufacturers, pictures or descriptions of new equipment, and suggestions for improving merchandise displays and selling performance.

### **Accounting Systems**

A number of wholesalers help their retail customers to maintain adequate accounting systems. Several types of accounting assistance are available through wholesalers who offer this service. Some wholesalers have compiled forms and manuals that retailers can use as the basis for good records.

A few wholesalers have retail accounting departments that perform virtually the entire accounting function for their customers. Retailers who use such a system supply operating information to the wholesalers at periodic intervals.

Other wholesalers have negotiated "umbrella" contracts with private accounting firms. These firms, in turn, do the accounting work for a given group of retailers—often at a smaller fee than the accounting firm could offer an individual retailer.

### **Policy and Methods**

Many wholesalers offer guidance and counsel that retailers can use in setting policies and in improving methods. Some of the areas covered are public relations, housekeeping methods, and administrative procedures. Such assistance is usually available for the asking through the wholesaler's sales staff. In some instances, meetings are held to discuss such subjects, and retailers are kept abreast of new developments through bulletins and newsletters.

Many wholesaler-distributors belong to a trade association that specializes in their commodity line. These associations often publish monthly magazines as well as brochures aimed at helping the retailer.

Suggestions on setting policy and improving methods can be helpful because many small retailers get involved in the day-to-day tasks of keeping the business moving along. When this happens, they lose sight of the big picture. Often they overlook opportunities to improve their operations. For example, they know the value of good public relations but do nothing about it.

In other instances, they may not know how to build a favourable image and their time and money are spent uselessly. Because he or she is not involved in the routine of a store, the

wholesaler can often detect such management weakness in customers and suggest ways for correcting them.

## **Looking Ahead**

Many wholesalers go beyond day-to-day operating assistance and offer services that are designed to help their customers with long range problems. They offer help on real estate problems, financing, insurance and personnel.

### *Real Estate*

Some wholesalers pass on to their retailers tips on stores that are for rent or for sale. These tips are given to their customers when they are considering a branch store. These wholesalers usually maintain up-to-date real estate files by gathering information from their salespeople, customers, newspapers, and real estate agencies.

Depending on your wholesalers, you may be able to get help in analyzing the suitability of various locations, including an evaluation of the market potential. Some wholesalers keep a finger on the direction and character of urban development and offer advice and desirable future locations. They help the retailer establish a priority rating for each location. New locations, particularly in shopping centres and other large-scale trading area developments, may involve complicated leasing arrangements.

### *Finance*

In some cases, wholesaler-distributors help their retailers with long range financing. For example, a wholesaler may lend funds to enable a retailer to modernize an old building, acquire a new site, or erect a new building. The need for this type of financial assistance is especially evident in the retail food business. Here the trend toward costly supermarkets coupled with the inability of banks to help any but the best credit risks has greatly increased the importance of wholesalers as sources of direct financial aid.

Indirectly, a wholesaler can help you with financial needs by supporting you at the bank or insurance company. The loan is made on the wholesaler's recommendation, and the wholesaler generally guarantees all or part of its repayment.

In long-range financing, the retailer who deals with a relatively few wholesalers is in a better position than the retailer who buys small amounts from many wholesalers. The wholesaler naturally looks for retailers who have proved themselves and whose business offers growth possibilities for the wholesaler too.

### *Insurance Counsel*

A number of wholesalers try to help their customers secure adequate protection against risks from theft, fire, smoke, and water damage. This assistance may involve:

- keeping you alert to your insurance needs;
- making sure that your insurance is kept in force;
- helping to get your claim settled as quickly as possible if a loss does occur.

### *Personnel*

Your wholesaler-distributor through his or her sales staff can help you obtain qualified store personnel in informal ways. For example, the wholesaler might tell you of an outstanding salesperson who wants to change jobs. Some of the larger wholesalers have even set up auxiliary personnel departments. Such departments maintain files on persons seeking retail employment and refer prospective employees to retailers on request.

## Which Services Can You Use?

Not all of the services available from your wholesaler are equally important to you. Some may be indispensable. Others you can handle more effectively yourself. Some services carry charges, and you must decide whether or not they are worth their cost.

The first step in determining which services you can use is finding out what your wholesaler offers. Get all the details you can about each service that is available to you. Find out what advantages a service has for you. Find out what obligations it carries.

### *First Things First*

At this point, a few words of caution are in order. As far as you are concerned, the main duty of a wholesaler is to supply you with items that you sell at a profit. Success in retailing starts with shelves and displays full of goods that customers want. When accepting management assistance from a wholesaler, you must be sure first that the distributor is a reliable source of merchandise.

A small retailer, however, should know his or her customers better than the wholesaler. In mutual assistance, such as special promotion, the retailer should prevail. Resist the temptation to overbuy on attractive offers. For example, is there enough profit in using a salesperson to train your sales staff and sell to customers when you have to buy in gross lots rather than the usual case lot? It is your loss when the item doesn't move as fast as was thought. Try to schedule special promotions that are offered by the wholesaler to suit your plans for promoting sales and profits. Use co-operative advertising when it is to your advantage, but don't be a slave to it.

In fact, don't be a slave to outside assistance whether it is from a wholesaler or another source. Regardless of a wholesaler's good intentions—to help you sell more at a profit—never forget that you are the boss.

### *Compare Services*

When you have the details on the wholesaler's services, compare them with what you already have. If he or she can provide, for example, an accounting service, how does it compare with yours? Is it easier to use? Harder to use? Cheaper than yours?

### *Follow Through*

When you sign for services from your wholesaler, follow through with your end of the agreement. Provide the information and direction needed to render the services you need. For example, when you use a wholesaler's accounting service, you need to send daily expense and revenue data on a given schedule and format so that the accounting staff can include your data in its work load.

Matters that can cause misunderstandings should be pinned down. For example, the order form should spell out prices, terms, dates of shipment, and liability for shipping costs. When an agreement is written, often mistakes can be corrected without damaging your relationship with the wholesaler. A verbal agreement may be another story.

If you want help in selecting and training personnel, you will need to give the wholesaler job descriptions to identify the types of employees you want and to determine whether applicants have the necessary skills.

Talk with your wholesaler and other business associates before obligating yourself. Make sure you need a service and figure out exactly how—and how much—you will profit from your wholesaler's services.

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Source: U.S. Small Business Administration  
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For further information regarding starting a business, contact the

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