Ask Andi

Trusted Advisor to Business Owners

On the Move from Wholesaling to Retailing

07/16/07

I want to start to sell retail. We currently provide wholesale products, in a business-to-business environment. We know that there's a lot more money to be made by selling direct. What do we need to think about as we plan this new direction?

One advantage of going from wholesale to retail sales is that, as a wholesaler, inventory management is already set up. Stocking goods, moving them in and out of inventory, forecasting buying needs, are probably skills this company has already built. Now, they can take advantage of those skills, increasing their margin, as they get directly in touch with buyers.

Things our reader needs to consider include venue, ramp-up, pricing, protection for existing wholesale partners, and long term goals and objectives. Let's start with venue. Our reader can set up a store, build a sales force, develop an outbound calling operation, sell on the internet.

Probably the least expensive venue to set up is the internet. Shopping is definitely moving to the internet; I'd recommend starting there. A store can be useful, if the target market is near-by. When planning a retail store, be sure to carefully research location, traffic, parking, and other businesses that might compete or draw in complimentary traffic. For the internet, hire an optimization firm to increase standing and draw traffic.

The more complex the product or service, the more necessary it may be to have a demonstration. The same is true if the product is not well known. The retail store and website can be education centers, where potential buyers can check out the product before committing to purchase.

A sales force can be helpful, going out to customers to do demonstrations, gathering information, qualifying prospective clients and closing sales. Don't forget about protecting existing reps, however. As this company pushes into selling direct, it doesn't want to lose the support of reps who have successfully sold for it up to now. Competing with reps is like biting the hand that feeds. Go into verticals where reps don't currently sell. Or, carve out a niche for the product which reps haven't figured out.

Build a list of existing reps, their accounts and territories. Identify "house" accounts, not handled by any reps. Assign "house" accounts to new sales people, to get them started. Assign the company's new sales people to territories and vertical markets not currently covered by reps. Or, change rep territory assignments to focus reps away from geography that the company wants to sell into directly.

If the major concern is finding and educating more prospects, across a wide geography, an outbound calling operation may be the ticket. Contacting prospective accounts, and informing them about what's available directly from the company, can often yield significant income. Back that up with a website that the outbound tele-reps can direct prospects to, during and after the call.

Next thing to do, after thinking through ways to go direct, is to figure out which way(s) will yield the best outcome. Lay out all the options for going direct, and build a budget and forecast for each. Include costs for advertising, direct mail, and internet promotion in the budget. Getting the word out there, that the product is available, will speed up sales, which is crucial in the start up phase. It doesn't have to be elaborate, but our reader will want to describe major costs and variables, and compare those to income opportunities.

When building a financial picture, our reader would do well to forecast conservatively. Too many people spend all kinds of money getting started, run out of cash and are unable to afford to stick around long enough to reap the rewards. Our reader has to remember that things can always go wrong, and having extra room for adjustment in the plan will help.

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An over-optimistic forecast can result in a shortfall in cash later on. Instead, develop a high and low estimate of both income and expenses. When planning, use the low income forecast, and the high expense estimate. Assume that sales will ramp much more slowly than expected. Don't forget to plan out how to cover possible shortfall, until things are rolling.

Our reader can now take the income, expense and net profit picture for each scenario: store, internet, sales force, outbound calling center, and compare outcomes. If the website development is built carefully, and conservatively, it will probably be the least cost start up. Building a sales force and setting up a store will probably be the most expensive to set up, and will take the most time to yield results – figure on a year or more for things to get rolling. Then, it's time to decide which effort to start with, and get going!

Looking for a good book? Try You Can Compete: Double Sales Without Discounting, by Bob Phibbs.

Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at www.AskAndiBlog.com. Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.

If you are a business owner and you have a question or would like to discuss some aspect of your business, call 1.877.238.3535 or send an email to AskAndi@StrategyLeaders.com.