

New Mexico Retail Supplier “Best Practice” Checklist

Have an idea for a great product that you'd like to be able to sell to retailers but don't know where to begin? Maybe we can help. We work with retailers all over New Mexico, and a common complaint we hear is that “mom and pop” manufacturers and artisans don't know how the supplier/retail business relationship works. Having a great product doesn't make you a great business person! It's much more complicated than you probably think.

So, by popular demand, we've drawn up some “best practices” guidelines for budding micro-manufacturers and wholesale suppliers. Of course, these are just general “rules of thumb”... some retailers may have more specific needs, but if you're able to comply with most of these, you'll be miles ahead of your competition when it comes to dealing with New Mexico's retailers. (Note, we use the words “retailer”, “wholesale customer,” “reseller,” interchangeably here.)

- Never forget that your resellers are your customers...they are the ones who will be promoting your products to the world, and they can make or break your business.
- Web and mail order catalog resellers cannot sell one-of-a-kind products; a customer ordering from a photo expects to receive an item which matches the photo. If you cannot mass-produce items, expect to sell only to store-based retailers.
- Professional retail packaging is a must: Make sure the product presents itself well on the reseller's shelf, particularly in comparison to competing products. Consider hiring a professional product design company to design the packaging.
- Consider having a professional photographer photograph your items and provide copies to your web and catalog resellers. (Hiring models to display clothing products is highly recommended.)
- If possible, obtain, and place on the packaging, real UPC bar codes for each item.
- Be sure to include the ingredients on food and health products, and many food products must have nutritional information. Learn the rules of the Food & Drug Administration. If you make food products, call the New Mexico Department of Agriculture for help.
- Do not put your web address on the packaging or the retailer will have to cover it up with a price tag: As a wholesaler/manufacturer, your job is to support your resellers, *not* try to “steal” their customers for your own. (Many web-based and catalog merchants make nothing on a customer's first order...they only make money when a customer re-orders.)
- Have a computer with Internet service, and know how to use it. Check your email at least daily: These days, many of your wholesale customers prefer to communicate by email (no “phone tag”, fewer misunderstandings, etc.)
- Have a fax number, even if it is only sent to their email account. You can get a free fax-to-email number from companies like Efax.com.
- Check voice mail messages several times daily.
- If you have a “land line” for your business, forward it to your cell phone when you are out, and check your cell phone messages often.
- Return phone calls, faxes and emails on the day received, in the manner received. (Example, voice mail received, call the person back. If fax received, fax them back. If you an email message received, email the person back.)
- Acknowledge orders by fax or email *on the day received*, stating the expected ship date for the order.
- Be prepared for resellers to order approximately a 30-day supply of your products at a time.
- Don't wait to receive an order before making the products: keep enough inventory on hand to meet a typical order cycle.
- At all times, strive to meet your stated expected shipping date. If you are unable to meet it, notify the reseller of the new ship date well before the original date. If you routinely miss the shipping dates, be prepared to compensate your resellers for your delays.
- Standard terms are “Net 30”, meaning, payment is due to you 30 days after you ship the product. (Tip: If you would like to receive Net 30 payments sooner than 30 days from the invoice date, offer a 5% discount for payments received within 10 days.)

- ❑ The people who pay the bills are often not the ones who will receive your order: Fax or email your invoices directly, do not include them in the package, but do include either a copy of the invoice or an itemized packing list in the package.
- ❑ Obtain UPS and/or Fedex account numbers and learn to use UPS.com and Fedex.com to ship packages. Many retailers will give you their own UPS or Fedex account numbers to bill the charges to, but this must be done line. FOLLOW YOUR RESELLER'S SHIPPING DIRECTIONS.
- ❑ Either get a daily pickup account with UPS or Fedex (\$9-12/week), or be prepared to carry the packages to a location that UPS or Fedex pick up from daily (such as a UPS Store, Kinkos, mailbox store, UPS or Fedex facility, or just another business who you know has daily pickups). UPS and Fedex charge as much as \$9 for a single, on-demand pickup; if you choose to have them make an on-demand pickup, do not expect your resellers to reimburse you for the pickup charges.
- ❑ Find out when your resellers' busy times are and don't expect to take time off during those times. For tourist-oriented businesses, this usually means May through October. For non-tourist retailers, Internet retailers, and catalog merchants, the busiest times of the year are October through December. Tip: Plan vacations for January-April. And remember: Stock up so that you can ship as soon as an order comes in.
- ❑ Give your resellers at least 30 days notice before leaving for extended vacations so they can "order up" to make certain they won't run out of your products during your absence. If you will be gone more than 30 days, extend the time your resellers have to pay your invoices by a like amount to compensate their having to stock more than a 30-day supply of your products. For example, if you'll be gone from January through March, give your retailer until the end of March to pay your invoice so they can order a full 90-days supply in December.
- ❑ Be prepared to hire employees or contractors to produce more products if the products are a success. Don't try to be "penny wise and pound foolish." This is business: You have to spend money to make money.
- ❑ Protect your retailers by setting up exclusive arrangements with them so that only one reseller is allowed to sell your products in each zip code or part of town (examples: Santa Fe Plaza, Albuquerque Old Town, Coronado mall, downtown Roswell, etc.). Your products will be more valued by the end buyers if they aren't a "commodity" that's available just about anywhere. (And you and your retailers will make more money in the end.)
- ❑ Regarding pricing, work it backwards:
 1. To set a wholesale price, first discuss with your resellers the maximum retail price they think they can charge their customers for the product. (Do not attempt to set prices without reseller input!). This price will become your Manufacturers' Suggested Retail Price (MSRP). Consider first working with one reseller to test the maximum retail price for several weeks or months to learn which price produces the highest gross profit for all parties.
 2. Set your wholesale price (for orders of 1-10 of the same item) at 50% of MSRP.
 3. Build the cost of packing and packaging into your wholesale cost of the merchandise; do not attempt to charge resellers additional handling and packaging charges.
 4. Set a Minimum Advertised Price that each reseller must abide by or risk losing you as a supplier. (Resellers are permitted by law to sell at any price, but you may prohibit them from *advertising* a price lower than the MAP.) Tip: The MAP should not be less than 85% of MSRP.
 5. If you also sell direct to retail customers, never sell your products below MSRP if you value your wholesale customers. Many retailers will choose to drop your products if they catch you competing with them on price.
 6. Maintain a wholesale price list *which applies to all resellers*. Nothing causes more hard feelings than having different prices for different retailers. (Believe us: They do talk to each other.) The price list should include volume discounts (1-10, 11-25, 26-50, etc.), plus the MSRP and MAP prices on the price list.
 7. Do not expect to raise wholesale, MSRP or MAP prices more than once annually.
 8. Give resellers at least 6 weeks notice before raising your prices. If your prices have changed since their last order, contact them before filling the order if the price on their new order doesn't match your latest price list.