

Understanding U.S. Retail

There's a lot to be said for the standardization of retail. There are efficiencies that are put into place that allow for logistical enhancements that, in the end, bring savings to the consumer and profits to the retailer. In addition, consumers benefit from clear product expectations, a unified shopping experience, and higher levels of retailer accountability. Surely there are some disadvantages, such as reduced competition and fewer consumer choices, but all in all the advantages seem to outweigh the downside.

For companies hoping to sell in the U.S. retail market the configuration of large and small multi-state retailers can be not only confusing, but also intimidating. Everyone has heard the stories of the high demands, low rewards of Wal-Mart, for example, with the understanding that selling to such a huge chain can lead to riches, it can also lead to ruin.

So how do you get a grasp of the U.S. retail sector? You leave it to Tudog to lay it out for you in a simple to understand way. So here it is:

Tudog has divided the retail market into 6 categories. Each of these categories has a role to play in U.S. retail and selecting which category to sell to will be one of the first steps you should take, devoting to it a great deal of strategic consideration. Elements of the consideration should take into account that each category operates on different profit margins, offers different volume opportunities, makes different supply and logistical demands, and offers access to different sorts of consumers. The path you select for your product, which level you begin with and which level you hope to end at, will strongly influence the ultimate success of your product.

Here are the 7 retail categories:

1. Independents

The independent retailer, while somewhat of a rare species these days, is still a strong player in the U.S. retail market because they are able to offer consumers a shopping experience and product mix that differs significantly from the mass merchandisers, discounters and chains. Although the independent offers less distribution and lower volume, they may be less price sensitive and offer better in-store placement. The most effective way to reach independent retailers is through sales representatives that call upon the class of store your products most appropriately fit (such as apparel, giftware, and food).

2. Online

Although the online retail monsters have come to mimic the brick and mortar giants, there are still significant numbers of online retailers that can be approached to sell your product. Most attractive about online retailers is that they are often very class specific and may even be product-line specific (such as shirts only, or mirrors only). This allows you to select the websites that offer the products you sell. A consideration you should keep in mind is how well the website positions itself on search engines and how proactive they are in attracting customers. Your best approach to the independent website is direct. Simply contact them and arrange to send some samples. Chances are,

if your product fits their line and you agree to handle inventory and shipping, they will agree to offer your product.

3. Catalogs

Catalogs offer many of the same benefits as websites in that they are generally directed toward specific consumer groups and are willing to carry merchandise that suits their category. A primary difference between catalogs and websites is the rate of exposure, as catalogs are typically distributed quarterly. There are some catalogs that operate retail stores (like Sharper Image, Brookstone) that offer an interesting mix of retail opportunities. The best way to position your company to sell to catalogs is by contacting them directly.

4. Specialty Stores

Specialty Stores offer a wide array of products based on broad definitions of specific categories. Examples of a specialty stores would include Bed, Bath & Beyond, Best Buy, and CompUSA, where each offer merchandise related to narrow categories (such as electronics or computers), but then broaden the category to include related merchandise (such as software, cds, PDA's and others). Typically the specialty store relies on the brand power of the merchandise it sells, therefore making it a viable channel for either established brands or companies willing to invest in consumer awareness. Specialty stores are most effectively sold to through sales representatives.

5. Mass Merchandisers

The mass merchandisers are the large chains such as Wal Mart, K Mart and Target, as well as some more specialty oriented retailers like Home Depot and Lowe's. These retailers operate on their own brand awareness, meaning they have invested a great deal in branding their stores. This minimizes the need for all the merchandise they carry to be branded. The outlets offer suppliers tremendous volume, although they are well known to apply significant pressure on price and huge demands with regard to logistics. The best way to sell to a mass merchandiser, which should be done only after careful consideration of all the pros and cons, is through sales representative groups.

6. Clubs

The Clubs, such as BJ's, Costco, and Sam's Club all offer significantly lower cost goods in higher quantities. Working with the Clubs may require some adjustment to your packaging, as you may be called upon to increase the number of units or the net weight of each package. Also, you may be required to meet tough demands with regard to price and logistics. The best way to sell into a Club is through a sales representative.

7. Television

The Home Shopping Network and QVC offer sales opportunities for companies seeking to explore limited channels. There are a number of companies that prepare product for sale on television, sometimes at a direct cost and sometimes under the terms of a revenue sharing agreement. In many cases selling through television is risky because it allows for minimal exposure and can run at high cost. However, as a testing ground, it may offer some advantages over more traditional retail options. The way to sell to HSN

or QVC is through the companies that have established sales relationships and are able to assist in the production of the ad spots.

The American retail market is the driving force in the U.S. economy. The ability to sell in this thriving marketplace offers significant opportunity when approached strategically and with careful planning. The requirement of combining branding, packaging, marketing, logistics, sales maintenance and other necessary skills can prove challenging for many smaller companies. Overcoming these challenges is what makes small companies grow to become large companies.