

Retailer Benefits: Purchase from Local Distributors

I just returned from Central America where retailers such as Walmart, Auto Mercado (Costa Rica), and Super 99 (Panama) suffer from out of stock conditions due to direct import practices. A retailer's primary objective is to maximize sales, which is tough to achieve if there are gaps on your shelf as you await the next container from the USA. "Service" defines best-in-class manufacturers like Coca Cola and distributors which maintain local inventory and strong commitments to keeping in store product showrooms "looking good." Listed below are Export Solutions' Ten Tips why an international retailer should source your brand from a local distributor versus waiting for a direct shipment from your central factory.

1. Local Inventory: 24-48 Hour Delivery

Local distributors promise 24-48 hour delivery, instantly correcting costly out of stocks. Direct import supply chains may take up to six weeks for inventory replenishment. We have all witnessed situations where a retailer allows 1-2 items to run out of stock for weeks to wait to place a consolidated order or to encourage sales of a size where they are overstocked.

2. Brand Building vs. Availability

Direct import brands look lonely on the shelf, without any activation or promotion. I remember the case of Hidden Valley Ranch, the leading USA salad dressing from Clorox. I was thrilled when it showed up on the shelf of my Walmart in Buenos Aires. However, I was one of a few homesick expats who knew about Hidden Valley. Without support, the brand gathered dust and was discontinued.

3. In-Store Merchandisers: Emerging Markets

In-store merchandisers or distributor appointed "shelf stockers" represent an essential function across Latin America, Asia, and the Middle East. Large distributors maintain armies of merchandisers to fight for shelf space and brand presence for the brands that they represent. Retailers typically offer "prefunctor" stocking for direct import brands, with low level of compliance versus agreed to terms. I recall a situation in Mexico for a leading USA beverage brand. The retailer had complained about slow rotation of the direct import brand. We checked stores and saw that only 2 of 4 sizes were typically cut in on the shelf, with items relegated to the bottom or top shelf, nowhere near "planogram promises."

4. Distributors: Local Category Advisors

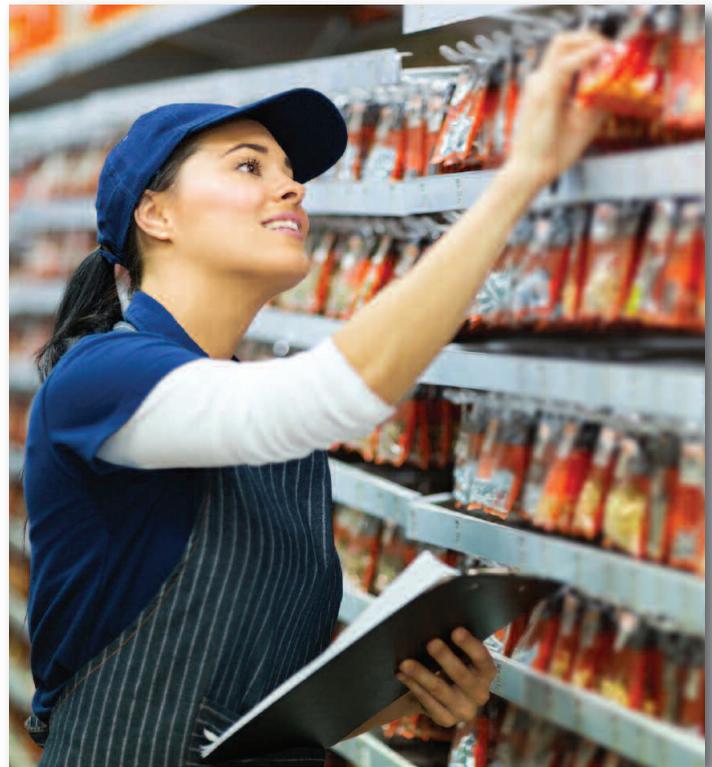
Distributors understand local taste preferences and share trends from other market customers. In emerging countries, normally there is a preference for smaller sizes than the family packs offered in USA or European supermarkets.

5. Problem Solving: Pricing, Shelf Tags and More

Success in the consumer goods industry requires focus on the myriad of details from the factory to the store shelf. Without a distributor, difficult to identify and correct routine problems like incorrect pricing, missing shelf tags, and misshelved goods.

6. Promotions Drive Trial and Tonnage

Local distributors offer periodic promotions to stimulate sales. Typically, this translates to price discounts, but can also include sampling, banded packs, and joint displays. Direct import brands usually sit on the shelf without the benefit of local activation.



7. Point of Sale Material and Stock Rotation

Emerging markets permit point of sale materials which encourage sales. Distributors provide special display pieces or trial size shippers. Merchandisers rotate stock regularly to facilitate "first in, first out" movement.

8. Damaged, Expired Goods or Product Recall

Local distributors provide a valuable service on returned goods. This allows a retailer to remove out of date or damaged products for a credit. With direct imports, the sub-prime product lags unattractively on the shelf, with no one focused on replacement.

9. Payment Terms

Distributors offer retailers 30-60 day payment terms. Smart retailers fund their inventory from the "float," buying and selling goods before the payment is due. On direct imports, retailer needs to tie up his money in inventory, in some cases paying in advance and then storing goods until the unsupported brands sell. Is this the best use of capital?

10. Retailers: Support Your Local Distributor Community

Distributors represent small/mid-size local businesses which provide jobs to members of the community. Distributor employees are shoppers too, likely to shop at customers that are supporting their company.

Success: Create Total Country Customer Strategy

Export Solutions recommends dealing with a local partner (distributor) who is capable of serving all market customers. This allows you to optimize sales and maintain pricing equilibrium. Retailers attempting to buy direct offer the temptation of short term volume, but rarely translate to long term brand building for the supplier.