

How to Land a Distributor for Your Product

A distributor can really pump up your sales volume--if you know how to land one.



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Dear Jeff,

I just designed a product, and the first batch is being manufactured. It is a great product, but I am struggling to place it with individual retailers. Should I focus on placing it with a distributor instead?--Name withheld by request

A product is not a product until it gets sold. (Where is Descartes when I need him?)

Because you aren't willing to disclose the nature of your product (I asked), we'll pretend you designed an awesome new tool that fixes a flat bicycle tire without me having to stand on the side of the road looking silly while I wrestle with wheel and tubes and CO2 cartridges. (Entrepreneurs, *pleasedesign* a tool like that.)

The Sales Channels

There are three basic ways to sell your product:

- Sell directly to customers via your website
- Sell to retail stores, which then sell to customers
- Sell to a distributor, which sells to retail stores that then sell to customers

My guess is you'll use all three. Establishing a website is a given--if only for marketing reasons--but you should also try to make some sales. (Unless your agreement with retailers or distributors prohibits it, why not?)

Selling directly to retail stores should also be a given. Even if your ultimate goal is to land with a distributor, unless your product is truly groundbreaking, and obviously so, you'll need some sort of track record to show a distributor you're worth taking a chance on.

Plus the bike industry is pretty fragmented. There are thousands of owner-operated stores, so if a few say no, others may not.

But here's the problem with selling straight to retailers. One, it's incredibly time consuming. Two, the average retail store--especially a store run by its owner and not part of a chain--isn't interested in setting up individual deals with dozens of manufacturers. They like working with distributors, because it's one-stop shopping: one catalog, one invoice, and one check to write. They don't want to make dozens of calls and deal with dozens of salespeople.

What a Distributor Wants to Know

So landing a distributor could be the way to go. Just keep in mind their interests are different from those of a retail store. A distributor is mostly concerned about:

1. The level of profit they can make on your product
2. The cost of stocking and fulfilling your product
3. Whether your product is scalable
4. Whether you sell multiple products

The reasoning behind the first two points is obvious. Retailer or distributor, profits and costs are paramount.

Scalability is especially important if your product is relatively inexpensive. Say you plan to retail your cool new tool for \$25, and the price you plan to charge retailers is \$15. You'll need to charge the distributor even less so they can make

money--say \$12 or \$10 or even less. A distributor that can only make \$3 to \$5 per sale will need to sell a ton of your tools to make their effort worthwhile.

Your ability to supply multiple products is also important, because distributors care about administrative costs. Distributors like to sell multiple products from individual suppliers for the same reasons retailers like to buy from distributors instead of from dozens of individual suppliers.

So before you pitch a distributor, put yourself in their shoes. They'll be asking themselves questions like:

- How much profit can we make off his product--both per unit and in total?
- Can we make a better profit selling his product compared with selling a similar product?
- Will his marketing efforts help drive our sales?
- What inventory levels will we need to maintain?
- How will stocking and fulfilling his product affect our cost of distribution?
- Are customers asking for a product like his? Does it serve a need our retailers have already identified?
- Does he have other products we can sell? Or will he probably have other products we can sell?

The key is to remember that distributors evaluate your product using criteria different from your eventual customers'. No matter how exciting or innovative the product is, if your company will be a pain to deal with and, more important, the distributor can't make a profit, they won't buy from you.

One last note: Think hard about why you're struggling to place your product with individual retailers. Most products that are distributor worthy are relatively easy to place with individual retailers; the reason you go to a distributor is to harness their power of scale.

So if you can't land many retailers, you're probably not ready to pitch distributors. Address that first.



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