

Moving Forward in the Retail Sector

Written by Cathy Peake, Senior Research Manager



The US retail industry has approximately one million outlets with a combined annual revenue of more than \$4 trillion. Major companies include Wal-Mart, Home Depot, Kroger, Costco, and Target. Although large companies command some retail sectors, for example mass merchandisers and supermarket chains, other sectors like car dealers and convenience stores are fragmented with many specialty retailers being single store operations. The US retail industry also includes Internet and catalog retailers but generally excludes restaurants, fast food outlets and bars.

The selection of merchandise is crucial to success. With the US being the top consumer market in the world, buyers are inundated with brochures and calls introducing new products. Establishing direct contact with the appropriate buyer (for example, the electronics buyer from Wal-Mart or Target) is virtually impossible. Buyers do attend trade shows and search through product catalogs or supplier websites to review upcoming new products. However, when you consider the volume of new products and vendors hitting the marketplace, the odds are against your product catching the eye of the buyer. [Sales Direct](#) has worked with a number of companies, gaining access to head buyers from Wal-Mart, Federated, Best Buy, Menards, Home Depot, and Macy's just to name a few. If a buyer is interested in your product(s) the next stage is often sending samples. At this point, if the interest is still there, the buyer will request a meeting. In some cases, a buyer will give you a 10 to 15 minute window to present your product(s)!

For many large retailers, profit margins are driven by purchasing volumes at a discount.

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Retailers with their own warehousing or distribution centers will often receive products, but may require the supplier to also keep a month's supply of warehoused product ready to be shipped at the retailers request.

Large retailers have invested in cutting edge information systems to manage merchandise movement. ERP (Enterprise Resource Planning) integrates data from the supplier, warehouse, transporters, and retail outlets. It also tracks the movement of merchandise, and monitors inventory levels, etc. With the majority of the big box stores, suppliers are required to be EDI (Electronic Data Interchange) compliant.

Online retailers like Amazon can offer a huge array of merchandise without the expense of warehousing. To compete, many retailers have launched online stores, which often offer merchandise not available in their stores. Although these retailers have their own warehousing, they often require the supplier to drop ship merchandise directly to customers. Packaging of merchandise has to be approved by the retailers and proof shown that the delivery of items to customers are able stand the rigors of the US postal system!