



Living in the RIL World

Before entering the arena of the retail industry leaders, manufacturers large and small must carefully analyze the areas where they will face the most serious cost stresses. Jennifer Hove, a marketing vice president for The Better Mousetrap People, has identified these:

1. *Unit price.* Your volume discount is Big Box's starting point, so set it high enough to accommodate the inevitable pressure for cuts. Specify minimums, and be sure you know what you're agreeing to provide — must you ship to one location or 2,000?
2. *Discounts and deductions.* Big buyers may want you to use their own shippers — and lower your price. That's not necessarily bad, if you're ready for it and price accordingly. And you can expect other required deductions: for "co-marketing" efforts, warranties, grand opening discounts and so on.
3. *POP advertising.* If you haven't blown your own horn loudly before, Big Box will make sure you do now: you'll be asked to produce reams of point-of-purchase materials. Skimp on them at your peril; instead, why not turn necessity into virtue and create some new, hardworking marketing materials?
4. *Adequate inventory.* Don't underestimate this one. For a supplier, the quickest way out of a Big Box isn't an exit door — it's a failure to fill orders on time. Analyze their buying patterns and think ahead.

5. *Quantities*. After you've stepped up production, an RIL's first orders are smaller than you'd planned — leaving your assets sitting on warehouse shelves. And what comes next? Hard information may be hard to get, but get as much as you can: agreement on lead times, time lines, what kind of orders you can expect — and what a buyer expects of you.
6. *Receivables*. Be prepared: 90 days is common. If that's too slow, you may be able to speed things up — in return for a discount.