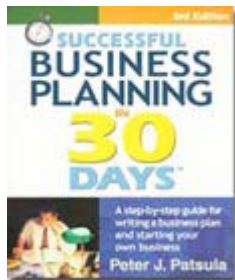


The **ENTREPRENEUR'S** Guidebook Series™

Next
Page

THANKS for selecting this guidebook! Many hours of painstaking work have gone into its creation. Send feedback or suggestions to www.patsulamedia.com. And check out our **highly rated planner / guide ...** at bp30.com



Highly Rated
Amazon.com



*It's one of the
best of its kind.*
- Alan Caruba
Bookview.com

COPYRIGHT INFO

© Copyright 2001-2007 by Patsula Media. All rights reserved. From the creators of **Smallbusnesstown™**.

No part of this guidebook may be reproduced, in whole or in part, in any form, by any means electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system now known or hereafter invented, without written permission of the copyright owner. This guidebook **may not be** resold or distributed on other web sites or in any other manner without written permission from the copyright owner.

NOTE The author and publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to be caused, directly or indirectly by any information contained in this guide. Although this publication is designed to provide accurate information in regard to the subject matter covered, it is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If **legal** advice or other expert assistance is required, the services of a competent professional should be consulted.

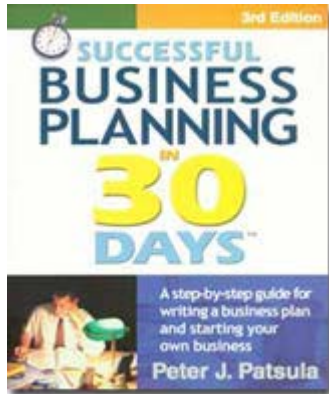


384 pages \$21.95

Successful Business Planning in **30 Days**™

A Step-by-Step Guide for Writing a Business Plan and Starting Your Own Business, 3rd Edition

Purchase this book online at bp30.com or by calling toll-free **1-800-247-6553** (orders only, please have credit card ready).



ISBN 0967840236

Immersing you in the language of business to help you think like an entrepreneur!

INCLUDES:

- The **30 Day Business Plan**™
- The **One Day Business Plan**™
- 150 pages of **Time-Saving Worksheets** including 100 + sample passages to get you started fast and thinking in the right direction!
- A **15 page** sample business plan.
- **200 +** motivational and fact quotes, 11 success stories, and 33 profit tips!

Praise from Readers and Critics

Five Star Reviews ★★★★★

Provides an important key to writing a business plan and starting your own business.

- **Midwest Book Review**, Oregon, WI
Amazon.com review

This is a must read for anyone before starting your own business.

- **Mike Milliken**, BN.com Review.

This book has helped me a great deal in thinking about my business

- **Jason Myers**, TX
Amazon.com review



PERSONAL PLANNING

Guidebook #41:

Starting & Operating

a Wholesale Business 3

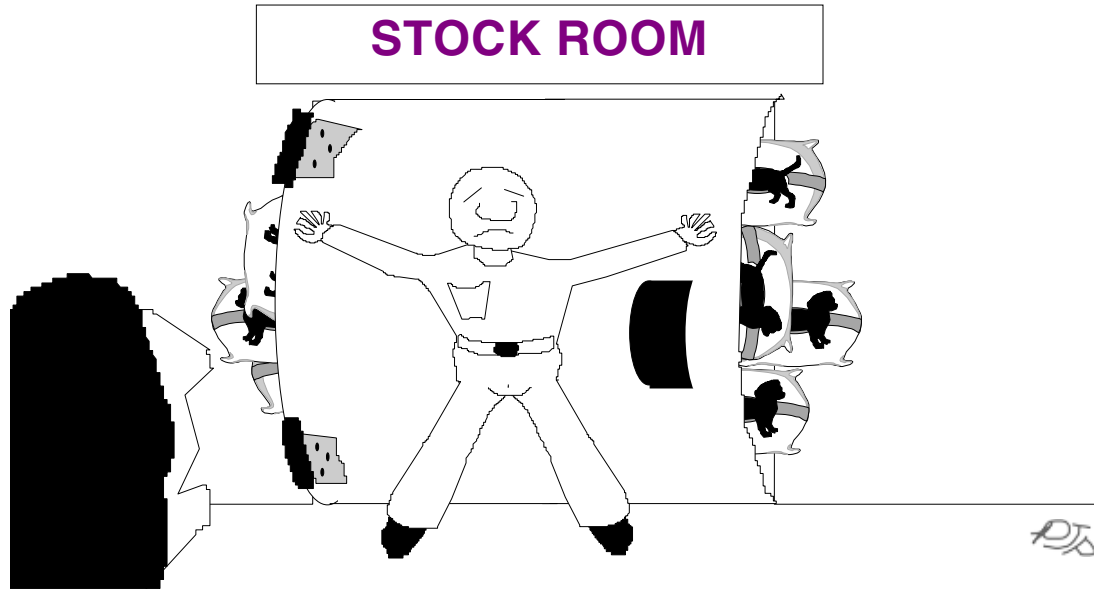
Types of Wholesalers 4

Strategies for Expanding into Wholesaling 6

 Wholesaling Start-up Strategies 6

 Wholesaling Operating Strategies..... 8

FIG. 1 – Sample Financial Ratios for Wholesale Businesses 15



“Ms. Rockefeller doesn’t care if we give her a sweet deal on a truckload of puppy chow. Something to do with the fact . . . she doesn’t have ANY pets!”

Smallbusinesstown.com

STARTING & OPERATING A WHOLESALE BUSINESS

AFTER operating a retail business for several years you may find it more profitable and preferable to deal with customers who buy in large amounts infrequently rather than those who buy in smaller amounts frequently. If this is the case, then maybe you should consider expanding into wholesaling.

Another good reason for expanding into wholesaling is if you find your distributors or suppliers costly, inefficient and unreliable. This rule holds whether you are a manufacturer or a retailer.

TYPES OF WHOLESALEERS

THERE are two basic types of wholesalers:

- Wholesalers of industrial goods who act as intermediaries between manufacturers & industry service providers.
- Wholesalers of consumer products who act as intermediaries between manufacturers & retailers.

Budding entrepreneurs who enter the wholesale trade seem to be attracted to major lines of goods, such as:

- ceramics
- chemical cleaning compounds

- confectionery
- hardware
- janitorial supplies
- office supplies
- plants and flowers
- stationery
- wall coverings

Wholesale is re-tail of the future.
POWERPOINT

For more information, see the chart on the following page.



Wholesale Sales/Unit, by Kind of Business				
Type of Establishment	Number in Category in 1987 (1000)	Number in Category in 1992 (1000)	Approximate Sales/Unit* 1987	Approximate Sales/Unit* 1992
Apparel, piece goods, notions	16.9	19.6	4,821,065	5,571,581
Electrical goods	33.5	39.3	5,169,373	5,796,031
furniture & home furnishings	14.5	16.5	1,050,721	3,571,333
Groceries and related products	42.1	42.9	9,048,575	11,761,469
Hardware, plumbing, heating equip.	23.1	24.7	2,472,987	3,157,178
Lumber, construction materials	19.1	19.5	4,187,225	4,603,282
Machinery, equipment, supplies	73.6	73.9	2,519,647	3,112,368
Motor vehicles parts & supplies	45.8	47.3	7,131,550	8,332,009
Paper, paper products	16.8	19.7	4,950,774	5,410,152
Petroleum, petroleum products	16.7	16.1	14,064,311	17,489,752
Professional & commercial equip.	44.2	46.8	3,962,647	5,619,107
TOTAL	469.5	495.5	\$5,377,480	\$6,535,863

*Figures derived by dividing total wholesale sales figures for each classification by the total number of wholesale establishments in the category.

Source: "Statistical Abstract of the United States 1995, No. 1308." 115th ed., U.S. Bureau of the Census, 1992 U.S. Census of Wholesale Trade

STRATEGIES FOR EXPANDING INTO WHOLESALING

USE THE following start-up and operating strategies to help you expand into wholesaling.

Wholesaling Start-up Strategies

1. **Choose your wholesaling warehouse carefully.** To expand into wholesaling you can either build and maintain your own strategically located depot or rent/lease space in a public warehouse. To make the right choice, find out how much it costs to lease or buy a warehouse. Calculate this cost as cost per foot in order to

Wholesale is retail of the future.
POWERPOINT

compare it to other locations.

When choosing a warehouse, you must also pay particular attention to its construction features. Does it offer any laborsaving approaches to materials handling, warehousing methods or inventory procedures?

2. **Coordinate your “order flow” system.** To maximize productivity and minimize costs, most internal operations should be designed for the sole purpose of facilitating the delivery of goods to your retailer's accounts. Two primary components must thus be coordinated: **a)** the entire order flow system, and **b)** auxiliary structures - such as the warehouse itself, which enable the order flow system to operate.

NOTE A common problem among wholesaling firms is to occasionally lose track of orders as they are processed through their internal system. When customers phone in to inquire about the status of their orders or to add or subtract merchandise, the result is confusing and upsetting. Often this results in delays for both customer and supplier.

- 3. Establish a competitive credit policy.** As a wholesaler you can gain a competitive edge over other suppliers by offering more favorable payment terms and perhaps higher credit limits. In fact, in the wholesaling industry, a sound credit policy is critical to success.

A common problem among wholesaling firms is to occasionally lose track of orders as they are processed through their internal system.

- 4. Set up your receiving and shipping bays properly.** Ideally goods from manufacturers are brought in through truck bays onto receiving platforms where they are accepted by the receiving department. Here, each incoming delivery is recorded in the receiving log – a register where information such as date and time of shipment, name of supplier, name of transporting agency, invoice number, and number of cases or cartons received – are recorded.

The delivery is then unloaded and checked against the accompanying bills for quantities, contents, possible damage and the like. Those goods received are then consigned to specific locations within the

warehouse as reserve stock. When the shipping department receives orders from the sales division, order pickers in the warehouse select the merchandise specified, put together the order in a staging area, and then ship it out. Of course, shipping times and routing are worked out in advance with an eye to transportation capabilities and costs.

NOTE Works areas within shipping and receiving areas of your warehouse must be well organized to make order handling simple and easy. In the packaging department, for example, work tables, corrugated cartons, tape, and other materials must be conveniently available for packers.

5. Think about setting-up in the

Works areas within shipping and receiving areas of your warehouse must be well organized to make order handling simple and easy.

Southwest part of North America because of easier access to the Pacific Rim, Mexico and South America.

Presently, and in the future, Mexico, as well as many of the developing Asian and South American countries, will be taking over the manufacturing of numerous items formerly produced by industrialized countries. Setting up warehouses as close as possible to these areas will likely reduce your distribution shipping and transportation costs.

Wholesaling Operating Strategies

- 6. Aim to operate at maximum efficiency.** To improve your wholesaling

firm's operating results, seek improvement within all four major areas of wholesaling activity, namely: purchasing, warehouse operations sales and office management. In other words, to end up with a better operation statement, you'll need to buy better, sell better, and improve internal operations.

NOTE Purchasing merchandise for a wholesale business represents a large portion of total operating expenses – close to 75 percent of sales. In light of this information, the important of intelligent purchasing should be clear to every small business owner.

- 7. Buy goods in large quantities and repackage them into smaller lots.** Repackaging can add considerable

Don't overlook the public relations value of maintaining close contact with your merchant retailers.

value and convenience to a product e.g., buy a ton of nails, and repackage them in groups of six.

- 8. Don't overlook the public relations value of maintaining close contact with your merchant retailers.** You can build rapport with your retailers via a newsletter, but its' far better to get out of your office as often as you can and visit them in person. This is a lesson many large corporations have only now begun to learn after suffering losses in sales due to complaints of poorer service. It seems humans whether they be merchant retailers or John Doe consumers, don't like voice mail, completely computerized and automated order-entry systems, nor do they jump

up and down and come back for more when they feel they're being treated like a number. Not surprising, people prefer talking to and dealing with other people.

9. Educate your merchant retailers. Use the following strategies to help your retailers stay and become more profitable:

- *Give demonstrations of new products.* Whenever you are introducing a new product, especially one that is unique and revolutionary, send in a demonstration team to properly explain all its new benefits and build excitement.
- *Have problem solving clinics.* Once or

Once or twice each year, run problem-solving clinic where your customers can talk over mutual business problems.

twice each year, run problem-solving clinic where your customers can talk over mutual business problems.

- *Introduce new stock methods.* Introduce your customers to modern methods of stock control.
- *Keep merchant retailers abreast of new techniques.* Keep your merchant retailers up-to-date on newer retailing methods and techniques that they can use to improve their business. This can be done through your salespeople and/or a monthly newsletter.
- *Provide instruction materials on operations management.* Provide retailers with instructional materials on all aspects of managing their

operations.

10. Furnish your merchant retailers with promotional materials.

Furnish stands, display racks, signs and point-of-purchase material at nominal cost (or if possible free of charge) to your most loyal retailers.

- 11. Give away free advertising templates.** As a service to your merchant retailers, offer free newspaper templates of professionally prepared advertisements, making sure to leave space for them to put their own name and address. The same treatment, incidentally, can also be accorded to brochures, flyers and catalogs.

As a service to your merchant retailers, offer free newspaper templates of professionally prepared advertisements, making sure to leave space for them to put their own name and address.

12. Know everything you can about your merchant retailers to maintain a competitive edge.

Know the special competitive challenges that your merchant retailers face as well as how they go about moving their products. Insight into your customer's needs allows you to develop more sharply focused personal marketing and selling strategies to win over and keep their business. Empathy with the buyer is the key to a successful and mutually beneficially buyer-seller relationship. And that's your goal: positive relationships with your customers.

To find out more about the kinds of problems facing the organizations you

wish to serve, research the following:

- ❑ Is your customer's buying department centralized or decentralized? Does it use the computer in buying and in selecting and evaluating suppliers?
- ❑ Which company members will be included in the buying decision and what are their roles?
- ❑ Which benefits of your products or services will appeal to each member of the decision making group?
- ❑ What is happening within the industry in which the prospective customer operates? What is its growth potential, inflationary

Wholesale Equipment

THE FOLLOWING is a list of equipment often needed to run a wholesale operation:

air conditioners

mops

bells

pricing machines

brooms

refrigerated cases

cash registers

scales

conveyors

sewing machines

dollies

skids

duplicating machines

soap dispensers

floor trucks

tape machines

labeling machines

ticketing machines

mannequins

wrapping machines

pressures, government regulations and taxation?

13. Offer extended terms and loans to your most loyal retailers.

Within reason, help basically sound but temporarily financially troubled businesses. This kind of service can help cement long-term relationships.

14. Organize occasional contests. To help create both retailer and consumer excitement and boost sales, organize a contest that rewards increased sales or perhaps promotes a new product.

15. Prepare for the new “direct to consumer” economy. Corporations have already exorcised themselves of

To help create both retailer and consumer excitement and boost sales, organize a contest that rewards increased sales or perhaps promotes a new product.

significant numbers of middle-management staff. It seems inevitable that they will also strive to get rid of as many distribution middlemen as they can and increasingly sell straight to the consumer.

It is also advisable to consider the new “retail warehouse” trend and how it might impact your wholesaling operation. It is evident that retailers like *Home Depot* and *Office Depot* are functioning more and more like wholesalers serving both consumer and corporate accounts.

16. Think about opening a cash and carry branch. Customers outside your territorial coverage can be serviced by mail through your whole-

sale catalog and order form. However, it's sometimes worthwhile to open a "cash and carry" branch in a distant city where there is sufficient demand for your products to warrant such an outlet.



*No profit grows where is
no pleasure ta'en; In
brief, sir, study what you
most affect.*

SHAKESPEARE

The Taming of the Shrew

Sample Financial Ratios* for Select Wholesaling Businesses

SIC Number	Type of Business	Cost of Sales	Gross Profit	Operating Expenses	Operating Profit
5013	Automotive equipment	66.4%	33.6%	30.8%	2.8%
5145	Confectionery	73.3	26.7	25.4	1.3
5199	Flowers and florists' supplies	60.7	39.3	34.5	4.8
5021	Furniture	67.9	32.1	30.0	2.1
5141	General groceries	77.0	23.0	21.1	2.0

Source: Robert Morris Associates, **Annual Statement Studies**, 1987 (available at library).

Consult RMA for additional ratios for other wholesaling businesses such as: chemicals & allied products, electrical supplies & apparatus, general merchandise, hardware & paints, janitorial supplies, jewelry, sporting goods & toys, and more.

*Based on statement studies of firms with fiscal year-ends April 1, 1991 through March 31, 1992. All statistics are expressed in terms of percentages of annual sales volume. Only data for firms with from \$0 to \$1,000,000 in assets have been shown since this would be characteristic of the beginning business.

NOTE RMA cautions that the studies be regarded only as general guidelines and not as absolute industry norms. This is due to limited samples within categories.