

# Special Offers to Key Customers

BY BOB REISS

Long-time friend of MANA Bob Reiss has graciously allowed *Agency Sales* magazine to serialize his book *Bootstrapping 101: Tips to Build Your Business with Limited Cash and Free Outside Help*, available now on Amazon.com. The book looks at surprisingly effective low-cost and no-cost ways to acquire the resources you need to run your company. Whether your company is an existing enterprise or a start up, a manufacturers' representative company or a manufacturer, this book will introduce you to innovative ways to cut your costs and drive more of your income into bottom line profits.



Competition for customers in most industries is extremely intense. This is exacerbated if the customer is a large one and your product is not particularly unique or patent protected. Your customers are also in a high-pitched battle with their competitors. This can be seen in your everyday life. Look at the competition in cars, retail stores, food stores, homes, computers, music, etc., for your dollar. This extends into the industrial sector and personal services.

Here are some non-cash ideas to help you better compete.

- **Exclusives**

If you have any type of new or unique product and no money to promote it, think of offering a key/large customer an exclusive. The exclusive can be for 30 days to a year with a performance clause for a time specified renewal. When we were in the game business, we would introduce a new game to the leading department store in each major city. We sold them on an exclusive basis for 30 to 60 days in return for their running an ad for our product at their expense. Your exclusive could be narrowed down to a particular channel. For instance, I know of companies that gave Amazon.com an exclusive for all Internet selling in return for them giving special promotional pushes for the product. Examples are running two-day sales or pop-up ads when customers look at a related product (i.e., a wine game when a customer searches for one of their 9,000 wine books).

You could simply give an exclusive to a large retailer for buying it and putting it in all their stores: Radio Shack with 6,000 plus stores, Costco with 400+ stores, Wal-Mart with 3,000+ stores, etc. Exclusives can get you immediate orders, free ads, better position, earlier pay terms, earlier orders, etc. The result is more credibility, more cash, and brand building at no cost.

- **Better Service**

Contrary to popular opinion, most purchasing is not based on the lowest price. Service is a key component in many buying decisions and can take many forms: shorter turnaround in shipping than competitors, customer training on your product features and how to use or sell

it, friendly and knowledgeable people manning your phones, customer-friendly website, dealing with problems quickly and fairly, admitting, correcting, and paying for mistakes.

One of the key factors of our success in the watch business was our service and special offers. The business was mature, highly competitive, and a *me-too* industry. We entered the industry with a unique novelty approach that featured artwork on the face and a rotating disk with art as the second hand. For instance, our most successful watch was a cute cat with a rotating mouse going around the dial that the cat always just missed catching. These watches were easy for competitors to copy. However, we copyrighted each design and consistently earned money from infringers. We offered two elements that propelled our success.

1. **Special exclusive designs for a low minimum of 200 watches with no premium cost to the buyer.** This was in contrast to large watch manufacturers who asked for a minimum of 10,000 watches. We accomplished our low minimum by working closely with a small Chinese factory, by using standardized parts, and by our willingness to break even on these orders. We knew the profit would come on the re-orders. Our low minimum allowed us to break into the world of Disney, selling to their retail stores, theme parks, and catalog division. All three wanted exclusive merchandise that could only be bought through them. Our small minimums allowed them to test all their ideas without paying a price for mistakes. We were rewarded with large quantity orders for the watches that tested well.

We also rewarded small customers who supported our line with periodic exclusive designs. The result was loyalty and increased business.

2. **Quick turnaround.** This was and is increasingly a key component for small business success and survival. It reduces your cash commitment to inventory and likewise for your customer. It also reduces risk. You need to give a lot of attention and thought on how to realize quick turnaround. We analyzed every component used in a watch and the delivery or manufacturing time of each. We discovered the bottleneck in time replenishment was the unique printed dial on each watch. Every

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other component was easily available and in stock from many suppliers in China. Fortunately for us, the printed dial was a very low cost component. So we took chances and built up inventories of dials on watches we projected would sell well. The dials cost \$.05 each; but in our pricing, we figured it at a \$.20 cost. This gave us the cushion for discarding unused dials.

We shipped all our watches from China to a public warehouse in Long Island without boxes, which were printed in the U.S. Air freight is a widely competitive business, particularly between UPS and FedEx. Therefore, we eventually flew watches in for \$.17 each. We also discovered that the processing of shipments through customs varied greatly by which city they entered. The net result was that we could get watch reorders within two weeks of the order while our competitors' lead time was generally two months. This was a tremendous plus for us with our customers and reduced our cash needs.

## • Special Terms

Cash strapped businesses with high profit margins should seriously consider additional discounts for immediate or quick payment.

Toy manufacturers usually ship most of their products in the fall. To plan production, particularly with overseas manufacturing, they need orders early in the year. So they successfully offer a special early buy discount to their customers.

Many companies offer volume discounts or rebates. They spell out the discount earned at various volume levels. These discounts can be achieved as you reach the level or can be rebated at the end of the year. This encour-

ages your customers to place more of their business with you rather than sharing with other suppliers.

## • Private Label

Many products lend themselves to be made under the customer's label rather than your brand. The disadvantage to you is you don't build your brand, and margins are usually lower. The advantages are you don't need to maintain back up inventory, your order lead times are better, and you should get your payments quicker.

Your entire business should *always be customer oriented*. Special offers are particularly effective in building your relationship with a customer and do not drain your cash.

**Bob Reiss** was a national manufacturers' representative for 14 years before changing his business model and becoming a manufacturer who sold through manufacturers' reps. He has been involved in 16 start-ups and one of his companies was named to the *Inc. 500* list of America's fastest-growing companies for three years in a row. A native of Brooklyn, New York, he is a graduate of Columbia University and Harvard Business School. An army veteran, he is the author of *Bootstrapping 101 — Tips to Build Your Business With Limited Cash and Free Outside Help* and *Sales Reps*, both available now on Amazon.com.



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