Create Win Win Vendor Partnerships

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Creating Win-Win Vendor Partnership

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Profitable Vendor Partnership Goals
“5 Rights of Merchandising”
1. Right Merchandise
2. Right Time
3. Right Place
4. Right Quantity
5. Right Price

Creating a Profitable Vendor Partnership Agenda

• Choosing your Vendors
  – Who should you do business with?
• Creating the partnership
  – 2 way street between you and the vendor
• Long term relationship
  – How did they perform and who will you continue to do business with
Choosing Your Vendors

• Know your customer first!
• Is it the brand that your customer is looking for?
• Are the price points in line with your customers spending habits?
• Do the deliveries fit in your selling window – watch out for seasonal shipping dates?
• Does the look of the product fit the type of facility and customer base for your demographic area?
• Does the reputation fit your area and the golf business?
• Do they offer programs that fit your business and help you be profitable?
• Do you have a rep to work with locally?

The Importance of Sales Representatives

• Management and Representatives “are” the company, get to know them.
• Your relationship with your vendors is maintained locally by your representative.
• Does your rep work closely with you on a regular basis to check inventory and review product needs appropriate for your customer?
• Are your orders handled properly and in a timely manner?
• Are you able to get in touch with your rep or inside customer service when you need them?

Choosing Vendors That Are In a Position To Negotiate With You

• Not all vendors are in a position to be able to change their terms for only a portion of their customers
• Be aware of the total purchases you can make with a vendor at the beginning of the negotiations
• Open your mind to new vendors and options to get the best terms
Making Your Vendors Your Partners

• Work with vendors to take advantage of special promotions such as key items and margin builders
• Ask for additional signage and props
• Ask for discounts for prompt pay – avoid “dating” on invoices
• Ask to be in line for off-price when available
• Ask for sample product for you and your staff
• Ask for extra pieces for key prizes and promotions
• The more you ask for, the more you get!

How To Communicate With The Right Person To Create Lasting Partnerships

• Get to know the National Sales Manager on a first name basis
• Get to know the Regional Sales Manager on a first name basis
• Communicate regularly with all of your contacts representing your key vendors
• Learn who is responsible for the “exception to the normal” procedures and who can make decisions that affect your business

How To Communicate With The Right Person To Create Lasting Partnerships

• Numbers talk!
• Share your numbers with the decision maker and work together to make your business grow and become more profitable.
• Communicate profitability of competing vendors and use as leverage to negotiate the best terms.
Analyzing Vendor Profitability

Key elements:

- You have to know how much you order from each vendor
- You have to know how much you sold
- You have to know what your profit margin is for each vendor.
- If you get computer reports – use them!

Analyzing Vendor Profitability

Beginning On Hand in $$
+ Purchases
= Total Available Inventory
- Ending Inventory
= Cost of Sales
Divide Cost of Sales into Retail Sales for %

Analyzing Vendor Profitability

Example:

Purchased 60 shirts @ $30.00 = $1800
Potential Retail @ $60.00 = $3600

Sold 40 shirts @ $60.00 = $2400
Sold 15 shirts @ $45.00 (25% off) = $675
Sold 5 shirts @ $30.00 (50% off) = $150
Total Retail = $3225
Analyzing Vendor Profitability

• Initial profit margin was 50% if you sold every piece at original retail
• Actual maintained profit margin after markdowns:

Retail sales $3,225
Less cost of inventory $1,800
$ Profit $1,425

% Profit = $1,425 / 3,225 = 44%

Even though 1/3 of the items were sold on sale, it only affected the profit margin by 6%

Vendor Profitability Example:

• What is the affect on profit by adding 24 additional pieces at 25% off?

<table>
<thead>
<tr>
<th>Original Purchase</th>
<th>Off-Price Purchase</th>
<th>Total available for sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 units $1,800</td>
<td>24 units $22.50</td>
<td>$2,340</td>
</tr>
</tbody>
</table>

New Sales:
- Sold 50 @ $60 = $3,000
- Sold 24 @ $45 = $1,080
- Sold 10 @ $30 = $300
- Retail Sales Total = $4,380

New Profit:
- Retail sales = $4,380
- Less cost of inventory = $2,340
- $ Profit = $2,040

% Profit = $2,040 / 4,380 = 46%

An improvement of 2.6% to the bottom line with 40% sold on sale.

Analyzing Vendor Profitability

Example of Seasonal Sales:

<table>
<thead>
<tr>
<th>Beginning Inventory (old season)</th>
<th>+ Seasonal Purchases</th>
<th>= Adjusted Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>= $5000</td>
<td>+ $8000</td>
<td>= $13000</td>
</tr>
</tbody>
</table>

- Ending Inventory = $3200
- Cost of Sales = $9800

$9800 divided by Retail Sales of $16,000 = 61% COS or 39% Profit Margin
How To Use Profitability Numbers With Your Vendors

• Ask for free product to offset low profit margin
• Ask to purchase off-price to help reduce the cost of sales
• Use the poor performance as a reason not to go forward with a vendor – it takes you personally out of the equation
• Use great performance to make larger commitments – ask for perks with larger orders
• Utilize Vendor Programs to maximize your business
• Open your mind to new ways to do business!

Vendor Programs

• Take advantage of vendor programs offered to increase profitability such as discounts and private sales of off-price merchandise.
  – What types of programs will work for you?
    • Higher quantity / lower unit cost?
    • Free shipping with minimum purchase?
    • Longer payment terms?
    • Prompt pay discounts?
    • Combination of several programs?
• Utilize the vendor’s suggested retail selling price point as much as possible.

Vendor programs

• Watch for “key” items with a higher opportunity for margin. These are great buys!
  – Maximize purchases by mixing key items with fashion goods
• Private label items can boost profit potential.
  – Thoroughly check private label options and understand how it can offer you a unique product and margin builders
• AGM Vendor Partners – What programs are you taking advantage of?
Vendor Programs

Discounts Off of Wholesale
– Imperial Headwear
– Antigua
– Jack Nicklaus
– Monterey Club
Margin Builders
– Bette & Court
– Pima Direct

Creating A Long Term Vendor Partnership

• Work with your key vendors to make a partnership work to your advantage.
• Step up to the plate to make commitments with your key vendors to ensure the best profitability in a mutual relationship.
• Use % increase as the main negotiating factor if you are a small store.
• Use $ growth if you do more volume.

Maintaining a Long Term Vendor Partnership

• Once you make an agreement, stick to it.
• Watch your order confirmations and invoices for fulfillment of your agreement terms.
• Keep up your end of the bargain, you will need to inform them if you cannot.
• Re-negotiate as necessary based on sales and profitability.
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