FCC & BCFB
Working with a Distributor
February 2025

Terms and definitions to help you speak the right language

Broker- They represent your business to retailers. They should be involved with you to build sales and marketing plans. They do not take possession of products. Often have many products they represent. Brokers should have relationships in the right places at the customer. They are paid a percentage of sales which can vary depending on what they do. If they just call on the office for listings and promo programs the fee should be lower than if they have a team to cover stores and focus on retail merchandising.

Call cycle-The frequency a distributor visits a particular store location. This can have a direct impact on in stock position and sales.

Direct store delivery (DSD)-Products are delivered to a store via the retailer's own network, from their warehouse or DSD from a distributor or supplier. There are pros and cons to both options. If you are doing DSD with a distributor, they should be checking the shelf for in stock position and their reps should be encouraging stores to buy the right amount for anticipated sales. They should also be communicating upcoming promotion activity. DSD is usually more expensive, but you should have a better in stock position.

Distributor- Their job is to get your product from their facility to the store. Not really involved in building your sales and marketing plans. Some will merchandise product and others will not. You and the distributor need to agree on the amount of money they can spend to drive volume. They are paid a percentage of sales so they should be focused on selling more cases. A distributor will take possession of your product. With most distributors you represent your business to head office of the retailers.

Field sales- People focused on building your brand at retail. They spend their time in the stores trying to get the department manager or store manager to buy more product.

Free Fill-1 case of product per location delivered for free in exchange for the store putting your product on their shelves. This should ensure your product is in this store for a year to prove that it will sell. You can always try to negotiate something else with free fill such as a secondary display or exposure in an ad. This is common in small chains or specialty retailers.

Key Accounts-The most important accounts to your business. Most brands will have 4-6 key accounts that make up the majority of their sales. These are the people you have to develop strong working relationships and probably invest the most money. The key accounts can evolve as your business grows.

Listing fees-An amount paid up front to retailer for the space on the shelf. The retailer's rationale is there is a cost to listing new items and making room on the shelf. This is one time fee and should guarantee you the space for a year to prove your product will sell. This is more common in the larger retailers and it is always negotiable.

Manufacturers Charge Back (MCB)-A summary of the charges the distributor has agreed to on behalf of the brand. These can be dollars paid for ads, in store specials, off shelf merchandising or other trade spend opportunities. The distributor will reduce the selling price to the store and then deduct these amounts when they pay you for product.

Merchandiser-People focused on building brand awareness, checking for execution and growing sales at retail. They do not try to get the store to buy more, they focus on the product that is there to make sure you have the best chance to get consumers to buy. Also build relationships with employees in retail to be your advocates when they are not in the store.

Minimum order quantity (MOQ)-A number of cases, agreed upon in advance between the supplier and the store or the supplier and the distributor that will be the minimum number of cases on any order. This can be done to maximize effectiveness of logistics and ensure it is worthwhile to deliver the order.

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Top 10 considerations when working with a distributor

1. Clarify the roles and responsibilities of the distributor and your business. Be very clear on who will do what when.

2. Have a common definition of success for sales, promotions and profitability.

3. Understand the fees they will charge and make sure it is affordable for your business.

4. Understand the investments the distributor believes you will need to make and how much latitude you want to give them.

5. Ask if you can ride along with some of their people to get a sense of how things are going in the market.
6. Be clear before you sign the agreement about what reporting you will receive and when.

7. Schedule regular meetings to review results and plan for the future.

8. Check invoices carefully and do not procrastinate if there are issues.

9. Work hard to get to know their people on the road and in the rest of the business. You will have a more productive relationship if they know you, your product and your business.

10. Hold them accountable and be accountable yourself.