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Retail
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Products to Market White Paper

**Outreach and Business Development
Subcommittee of the Retail Advisory Board
Products to Market**

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1. Objective:

Establish broad-based strategic voluntary guidelines for new, small and medium size companies to be used as they plan, invest and implement distribution and merchandise initiatives with drug, food and mass retailers. This effort is designed to assist in guiding decisions and planning that result in suppliers being better prepared to effectively enter the Drug, Food and Mass Merchandiser Classes of Trade, and have more meaningful meetings with retailers, thereby enhancing the potential for mutual success.

Retailer Interviews:

Insights and general recommendations are an outcome of the NACDS Advisory Board *Outreach and Business Development Products to Market* Subcommittee. The Subcommittee gathered strategic insights and new product launch recommendations from retailer interviews including representatives from the drug, mass, food and drug wholesaler segments. The interviews focused on five themes:

- Getting a “foot in the door” with Retailers
- Preparation for the Initial Retailer Meeting
- Retailers’ expectations for New Items
- Building Brand Awareness with Limited Resources
- Strategies for maximizing the long-term relationship with Retailers

The following is a compilation of the insights gathered during these interviews and the insights of the subcommittee.

2. Background:

Innovative new products are the lifeblood of the package goods industry and are vital to growing top-line sales and bottom-line profits for both retailers and manufacturers. Each year tens of thousands of new items are introduced into the package goods world. The majority of these items do not achieve success due to a lack of understanding of the dynamics underpinning the commercialization process.

There are a number of factors affecting the introduction of new items including the evolution of store brands, the design of proprietary custom brands, sku rationalization, vendor rationalization, competitive auctions, the role of promotional customization, and retailer consolidation. Other issues that affect a new product launch include timing of launch versus a retailer’s plan-o-gram reset calendar, poor retail execution, lack of uniqueness in the new item, a competitive product introduction, and poor consumer research. Each of these factors has made it even more difficult for products or ideas to see the light of a retailer’s shelf. However, this has not slowed down the number of new items introduced and manufacturers’ are increasing their focus on new product development. In fact it has encouraged manufacturers to add new items even more aggressively.

These recommendations are intended to serve as a valuable resource for manufacturers and identify critical success factors for effective new product launches.

Critical Success Factors:

- A deep understanding of the targeted consumer and their needs.
- A rich appreciation and understanding of how each retailer goes to market and their overriding strategic, financial and category objectives. (Understanding how wholesalers differ from chain retailers).
- Creation and positioning of new products and services which provide differentiated consumer benefits and appeal to unmet consumer needs rather than “me-too” items that cannibalize current sales.
- A targeted marketing campaign that provides meaningful awareness to the consumer on the benefits of the offering.
- A well-thought-through customer management (representation) strategy that encourages a meaningful relationship with the retailer.

3-Step Process:

Commercialization and implementation is supported by a 3-Step process or set of guidelines with which new, small and medium size companies should consider aligning to ensure improved customer relations and sales results.

- Pre-Market Due Diligence
- Go-to-Market Strategy
- Retailer Implementation

Each of the three steps will now be broken down in detail to provide new, small and medium size companies with a framework to approach their business ventures.

Implementation / Commercialization of Final Product

(3-Step Process)



3. Pre-Market Due Diligence:

The Pre-Market Due Diligence phase focuses on broadly defining how the product or service is differentiated versus current consumer offerings. This would include an understanding of the consumer, the retail partners, financial implications of an introduction, supply chain requirements and the long-term structure needed to support a new business in the consumer markets. The following are a number of key points to review prior to moving forward to phase two: Go-to-Market Strategy.

i. Outline the Products / Services Points of Difference

- Innovation is one of the most important factors that a retailer considers in new items.
- Outline clear and concise product claims — including packaging which communicates “what” the item is and “why” it is different.
- Ensure product communicates a strong price / value benefit to the consumer.
- Work towards positioning the product with proprietary patents or unique formulas (Ensure the product is filling a unique gap in the category).
- Demonstrate that the product fulfills an unmet consumer need or provides a better consumer solution, and is unique and not substitutable.
- Evaluate if the product trades the consumer up delivering more sales or profits for the retailer.
- Outline the incremental nature of the product — specifically noting if it brings new users or new usage occasions which will translate to increased profit to the category.

ii. Define the market and competitive landscape

- Develop a deep understanding of the Competitors in the Marketplace.
- Do your homework uncovering whether your Competitors are manufacturing their own goods. (Prime vs. OEM Manufacturing)
- Category Price Strategy
 - Understand category pricing on a national, regional and local level.
 - Understand your product’s relationship with each retailer’s “retail brand” positioning.

- Understand how your brand's pricing relates to items in the category including premium and niche brands.
 - Opportunity Gap — which consumer needs are not being met and how large is this opportunity for each customer? (How have you justified this financial opportunity?)
 - Understand which competitors could knock off your product and potential timing. Develop a contingency plan if competition enters.
- iii. Define consumer demographics and consumer motives
- Determine Age / Income / Education / Geographic Influencers.
 - Understand behavioral trends inherent with the consumer.
 - If applicable, targeted disease state or symptom and whether healthcare professionals influence consumer purchasing decisions.
 - If applicable, determine whether a beauty advisor could influence consumer purchasing decisions.
- iv. Determine financial commitment required to succeed ensuring pricing strategy provides sufficient margin to employ the necessary sales, marketing and distribution initiatives.
- Retailer Driven:
 - Pay on Scan
 - Slotting and initial distribution fees
 - Buyer Hold
 - Extended Terms
 - Discounted Payment Terms
 - Strong DNB (U.S. Dunn & Bradstreet Number)
 - Consumer Marketing Research
 - Consumer Advertising Support
 - Retailer Trade Promotions (Market Development Funds)
 - Exit Strategy
 - Price Protection policies
 - Buying back of deleted competitors retail inventory
 - Returns / Damaged Goods / Outdated Product
 - Guaranteed Sales Terms
 - Cut-in Fees
 - Free Goods
 - Certificate of Liability Insurance

- Industry Driven:
 - Syndicated Data (NIELSEN / IRI)
 - Trade Show Expenses
 - Sampling Initiatives
 - Display Costs — both manufacturing and participation costs
 - Sales Commissions

- v. Do you have the organizational structure to support the initiative if it is accepted? (This includes both internal resources and outsourced support)
 - Marketing
 - Manufacturing
 - Supply Chain (EDI or ASN understanding and capabilities)
 - Customer Service
 - Sales Representation (including potential retail coverage)
 - I.T. Functions
 - Finance (Accounts Receivable / Accounts Payable / Credit)
 - Legal

- vi. Validation Process and Market Research Support
 - Third-party validations
 - Consumer focus groups
 - Clinicals
 - Patents and trademarks that protect the product
 - Test Markets (with individual retailers)

- vii. Construct a 2-5 Year Business Plan
 - Create the next generation of innovation and product improvement plans.
 - Create a plan to address growth or lack of growth.

viii. Determine if and when incremental financial capital will be needed

- Determine the realistic capital needs necessary for year two and beyond.
- Determine marketing investment plans and contingency funding necessary based on year one sales projections.
 - Example: It is not necessarily a good idea to count on taking the initial Purchase Order to the bank to secure funding necessary to manufacture product to fulfill future orders.

ix. Supply Chain Management capabilities

- Ensure EDI technology is in place. See section 7 for additional information.
- Establish a product manufacturing, warehousing, fulfillment and distribution network with realistic timelines.
- Think through a manufacturing and marketing contingency plan if sales growth is higher or lower than expected.
- Establish secondary or back-up sources of supply.

x. Prime versus OEM

- Prime Source of Supply or (OEM) Original Equipment Manufacturers.
- Determine the cost of shipping and its affect on the base cost of your product. For example, Backhaul / Fed-X, FOB (Freight on Board) pricing all demand different requirements.

General Suggestions for the *Pre-Market Due Diligence* Step:

It is critical to think through your product or service offering from the retailer's perspective. In other words, determine if your product is unique enough (in the consumer's eyes) while generating enough incremental sales (in the buyer's eyes) to impact the category sales both short and long-term.

Manufacturers should ensure retailers feel comfortable with your organization's vision and capabilities prior to evaluating specific new product proposals. For that purpose, offer proof that your organization is capable of meeting the key business requirements unique to each retailer and you have sufficient financial and human resources to support their needs.

Build flexibility into your marketing plan to allow for collaborative marketing plan development with individual customers.

It is also effective when vendors position their organization and product as an integrated solution — including clear product positioning and advertising initiatives supported with a strategic business plan.

Lastly, you should provide proof that the consumer will buy your program / item. You may want to initiate test markets or additional market research with retailers who provide these services.

4. Go-to-Market Strategy:

The Go-to-Market Strategy phase focuses on specifically defining if your product or service fits all classes of trade or if there are specific retail channels that may best support your item or service during the introductory phase. A central component of this phase is to strategize and decide on the most optimal means of communicating to your target consumer through a number of marketing strategies including: Website, Customer / Trade Marketing, Medical / Institutional Advertising and Public Relations. The following are a number of key points to review prior to moving forward to Phase Three — Retailer Implementation.

i. Channel Strategy — decide the appropriate channels of distribution to introduce the new product/service and whether to introduce on a national or regional level or to utilize some form of account exclusivity. Note that many retailers have specific time periods for category reviews, thus understanding the retailer's planning horizon is a key factor to success.

ii. Customer Segmentation Strategy — includes prioritizing introductory meeting and presentations to retail partners.

iii. Prove Your Model — one of the most important steps during the Go-to-Market phase is to gather persuasive facts that demonstrate that your target consumer will actually purchase you item and eventually repurchase. This can be accomplished through a number of approaches:

- Utilize the retailer's testing services if appropriate and available. Many retailers have new product testing services, which allow vendors to demonstrate that their new items are viable consumer products, may provide pull-through rate expectations, and should reinforce the targeted demographic promotional strategy.
- Utilize Sampling to Prove Your Product's viability then incorporate it into your Marketing Plan.
- Look for Opportunities to Sample your Product and Gather Consumer Insights.
- Utilize your Web Site to gather Loyalty Information.
- Utilize direct to consumer sales as a potential first step to build consumer and retailer awareness. Note, transitioning from Direct Response to direct to retail will increase your financial exposure and potential liability.

iv. Effectively Building Brand Awareness — all companies — both big and small have limited advertising funds and must effectively educate and influence consumers to purchase their products. To achieve an effective and successful campaign, manufacturers would find it useful to:

- Choose a target audience
- Establish a clear message describing their products point of difference
- Determine the optimal carrier of this message
- Agree on a sales & marketing budget
- Set a strategy which effectively connects with these consumers
- Measure your marketing results and refine your approach for the next wave of advertising support

The following are a broad range of cost effective tactics manufacturers may choose to build brand awareness.

v. Trade Marketing

- Advertising through the retailers Circular & advertising programs
- In-store displays, off-shelf programs (i.e. clip strips, counter units, end displays)
- On-shelf Temporary Price Reductions or New Items Announcements
- Seasonal display Promotions

vi. In-store Marketing Programs (Tactics delivered in-store)

- In-store demonstrations
- Sampling events
- Co-Marketing Sampling Events (Paid Sampling)
- Educational Brochures
- Secondary locations (Travel-trial section / Auxiliary locations)
- Pharmacy Education
- On-pack Education
- Coupons
- Loyalty Card programs

xi. Building a “One on One” Consumer Relationship — successful new items which already have a loyal following are favorably viewed by the retailer community and have a higher probability of being accepted as a new item. The following are tactics in building this type of relationship:

- Website outreach and direct marketing can serve as a platform to educate and attract new consumers to a new consumer product. Prior to being introduced at retail — products can be sold directly to consumers — and valuable information can be accumulated by the manufacturer on many of these loyal consumers.
- Develop relationships with Influencers such as doctors, pharmacists, educators, health professionals and beauty advisors who will support and serve as an advocate of the brand. (This can be done on a regional basis).
- E-mail blasts or Direct Mail to a targeted group of consumers who are potential consumers of your product.
- Social Networks / Viral Marketing (U-Tube / Face-book / My-Space) there is a whole group of consumers who are now available via a number of emerging marketing catalysts such as Blogs, On-line Communities or Social Networks. There are numerous agencies that can assist small companies in building consumer awareness through these advocates of your product.
- Home Shopping Network (HSN) or QVC direct sales may be an excellent means of testing the waters with a new product and can also generate needed capital prior to a retail launch.

xii. Targeted Advertising

- Targeted Magazine Advertisements or Advertorials in Magazines which relate to the consumers lifestyle are a very cost effective means of building awareness with a group of individuals who have the most potential for being a consumer.
- Purchasing Distressed Media in support of a limited group of markets is an excellent vehicle to support a regional new launch or as a vehicle to test the effectiveness of the marketing campaign.
- Direct to consumer sales through a Retailer’s Website is a viable tactic to build consumer awareness and to validate the potential of an item prior to introducing an item in-store.

General Suggestions for the *Go- to-Market* Step:

It makes sense to design a strategy that you can financially and operationally support, since you may only get one opportunity to be successful. You should also have a very clear understanding of how to educate and influence these consumers with advertising support that is both impactful and relevant, and know how to measure results. (This includes trade, in-store promotion and consumer advertising, which can include print, radio, TV or web-based marketing support).

During this part of the process you may want to consider a relationship with a third-party organization to help navigate through the strategic process — including product positioning, customer relationship management and production needs.

Third-party organizations can be very helpful and provide you with a clear understanding of each customer's rules of engagement.

Many retailers have on-line vendor portals that contain a great deal of information about how to do business with that retailer, including marketing vehicles that they use. Some retailers indicated a willingness to allow manufacturers to take advantage of their negotiated advertising rates and run ads through the retailer. These companies want you to know how they approach marketing to their customers and have recommendations for manufacturers to partner with them.

Lastly, you should establish a clear consumer / trade marketing investment budget which will be utilized during the initial two years of the brand's retail life. Retailers want to see that you are in this for the long term — which means they want to see an advertising commitment that will help ensure brand success.

5. Retailer Implementation:

The Retailer Implementation phase focuses on deciding how “Day to Day” customer representation and customer service will function to support the business with the retail partners. It also emphasizes Retailer Due Diligence, which provides the manufacturer with a strong understanding of retailer’s organizational, category needs and priorities.

Lastly, this phase focuses on the construction of an integrated sales proposal, and a new product package (supported with syndicated data) which helps to communicate the product’s point of difference, marketing support, in-store merchandising programs and a general summary of the company.

The following are a number of key points to consider during this phase.

- a. Optimal Retailer Coverage Approach — depending on the product potential, complexity of the product line and the capital behind the manufacturer’s launch there are a number of representation approaches a new company can utilize. The following are four models:
 - i. Direct Manufacturer Sales Team — the company hires their own sales leadership including account executives to manage all trade customers. The strength of this model is deep customer intimacy, very specialized and dedicated - but larger overhead commitment required.
 - ii. Customer / Local Market Broker Representation — the company hires Broker Specialists and a limited sales team to manage the top trade customers. The strength of this model is a hybrid approach with limited overhead and strong customer intimacy across a limited group of trade customers, with payment for performance in most cases.
 - iii. Outsource National / Regional / COT Sales and/or Marketing Disciplines the company outsource a portion or the entire sales process including all sales management. The strength of this model is limited overhead, experienced executives, and broad customer representation.
 - iv. National / Regional / COT Merchandising Services — on occasion’s new companies may choose to deploy retail coverage services against retailers which need unique services such as cutting in a new item or ensuring a display is properly placed in-store.
- b. Retailer Due Diligence — gain retailer’s input and focus on customer specific needs and their category requirements. It is also important that vendors truly understand each retailer, including size, geographic reach and distribution system/network. Take the time to visit retailer’s **stores prior to any headquarters meetings**, talk to employees in the stores who are familiar with your category and visit the retailer’s web site--both the consumer site as well as their vendor site. These contain important hints about the retailer and how they want to do business. Also do research into the following trade customer dynamics:

- i. Customer's view of the category and their goals
- ii. Customer's category movement and profit goals
- iii. Customer's competitors and how they are positioning the category
- iv. Category promotional goals (Investment requirements)
- v. Plan-o-gram timing
- vi. Customer's in-store marketing programs and costs
- vii. Private Label goals and role within the category

c. Retailer Syndicated Data Options —

- i. Evaluate and acquire syndicated data sources such as NIELSEN or IRI to review national trends and the implications to the overall category.
- ii. Gain access to the Customer's Point of Sale (weekly movement figures) to ensure day- to- day evaluation of the business.
- iii. Evaluate all forms of category data prior to the appointment to gain insights into how competitive items are performing. This will allow you to potentially isolate items that could be replaced due to low movement.

d. Assess the Situation (Are you ready?) — Prior to securing the initial presentation with your retail customers consider reviewing each of the key timelines, product positioning, marketing needs, financial budgets, sales expectations and strategic goals. If any of the following disciplines are not well defined it is always recommended to slow down the process prior to sitting down with a retailer.

- i. Is your product packaging clear and crisp?
- ii. Is your positioning unique?
- iii. Do you have a Strong Advertising?
- iv. Is the product priced right to support the retailer's Profit Goals?
- v. Is the product priced right to support your profitability while optimizing consumer pull?
- vi. Is your manufacturing timeline correct?
- vii. Do you have broker representation?

- e. Securing the Initial Sales Meeting —
 - i. An Introductory letter should describe the unique qualities of your product, traffic it will drive, incremental profit it will generate and how it provides a unique solution to the consumer. It is also important to note if you are a minority owned firm.
 - ii. Share the Highlights of Investment Plan including a clear consumer marketing program which will generate demand for the new item.
 - iii. Provide a Certificate of Insurance to indemnify the retailer.
 - iv. Product Package: samples, pricing information, marketing plan (including media spend), clinicals for healthcare products, testing results for Private Label products.

- f. Presentation Components — during the initial meeting be prepared to concisely present your company vision, capabilities and why your firm is suited to be successful with the new item: The following outlines a number of areas which should be briefly touched upon prior to discussing the item:
 - i. Company Information:
 - History / Background
 - Annual Revenue
 - Financial Strength
 - Intended Market Position
 - Personnel
 - Capabilities
 - Business Success Strengths
 - Supply Chain / EDI Capabilities

- g. Product information package — after positioning your organization take the time to concisely and passionately explain the unique benefits of your product and the marketing program that will build consumer awareness. The following are a list of areas that should be touched upon during this portion of the presentation:

- i. Product Formula / Attributes
- ii. Product point of difference
- iii. Consumer Research data
- iv. Product samples (The smaller the master case packs the better)
- v. Retail sales estimates
- vi. Consumer Support (media, print, sampling)
- vii. Promotional Calendar
- viii. Pricing
- ix. Promotion and merchandising recommendations
- x. Package design and graphics
- xi. In-Market test data
- xii. Distribution / Slotting Support Plan
- xiii. UPC Number (see section 7 for more information)
 - As a reminder, successful companies provide very clear & crisp packaging communication as well as a well thought through initial sales presentation detailing “why” the product is incremental and how the item fits into the category.
 - Successful companies agree on the movement goals upfront and use the Category Manager as a counselor to help determine the most optimal trade promotional plan, but do not rely on the Category Manager to provide the overall strategic or tactical plan.
 - Successful companies are passionate about their product but flexible when it comes to brand development, packaging, and promotional strategy. In other words, they are very flexible and easy to work with and understand the importance of positive trade relations.
 - Most retailers’ store brand is positioned as either a National Brand Equivalent (NBE) or a National Brand Better (NBB) depending on the item and the section. Retailers are looking to utilize proprietary Private Label technologies, which provide a point of difference vs. branded items. New emerging companies can either explore a branded or a private label position with the retailer.

- h. Critical Path / Retailer Implementation — after the initial sales meeting there are multiple steps which occur before an item hits the shelves of a store. The following are just a few of the milestones that occur once a product is presented and is being considered for store approval:
 - i. Presentation to Category Manager / Buyer
 - ii. Samples required by Category Manager / Buyer
 - iii. Model Store Plan-o-gram setup date
 - iv. Approval process date
 - v. Commitment date
 - vi. Order date
 - vii. Shipment required in Distribution Center
 - viii. Consideration of limited distribution or exclusivity

General Suggestions for the *Retailer Implementation Step*:

Invest in learning about each retailer's market presence and strategic priorities prior to scheduling the initial meeting. This includes spending time understanding the retailer consumer's market as well as each retailer's merchandising, promotional and assortment goals by product category. The better you understand each retailer's approach, the more likely you will have success with initial product placement and eventual sell through to the consumer.

A vendor wants to demonstrate their product offering meets a unique consumer need currently not being met and should highlight the product's innovation. In other words, all new products benefit from having a unique "job description."

The Retailer Implementation phase focuses on deciding how "Day to Day" customer representation and customer service will occur to support the business initiatives with each retailer partner. This means the manufacturer should show they have the organization or third-party relationship established to ensure customer service success.

Lastly, this phase focuses on the construction of an integrated sales proposal and a new program package (supported with syndicated third-party data) that helps to communicate the product points of difference, marketing support, in-store merchandising programs and a general summary of the company. It is recommended that a vendor gain objective feedback prior to the initial customer meeting.

6. General Insights for all Manufacturers and Marketers:

During the retailer interviews a number of strategic insights were discussed which the subcommittee believes can benefit all manufacturers as they evaluate the implementation / commercialization of new products. The following is a summary of these insights:

- The top four points to communicate in an introductory letter to secure an appointment with a retailer are: a) the unique qualities of the product / service, b) the traffic it will drive, c) profit generated, d) how it provides a unique customer solution. Note: communicate if your company is minority owned.
- All new product launches should have a built-in exit strategy prepared and agreed to with the retailer as part of the new product launch plan.
 - Example, be prepared to discuss mark-down strategy and who will absorb costs
- Most manufacturers focus on gaining distribution without focusing on how the initial distribution will be consumed by the consumer. Retailers would like more of a focus on consumption-driven marketing / promotion strategies versus focusing on initial placement.
- Manufacturers should explain “why” their marketing plan is “right” for the retailer and that it will create consumer demand for the retailer building share of segment.
- Use caution when asking retailers to help develop your go-to-market initiatives and strategy. Some retailers do not want to be used in a consultative role especially if they are consulted and then eventually find their products in other classes of trade or retailers.
- Most retailers do not see themselves as “brand builders” which creates a need for the manufacturer to have a consumer marketing strategy to build their own brands.
- Retailers are working off of a very limited margin and their model is not designed to take on the financial risk of many new ventures. When a retailer takes on a new product, they believe they have assumed an enormous amount of risk by this decision alone. Any additional risk will more than likely need to be assumed by the manufacturer.
- The more differentiated an item the more potential a manufacturer has in gaining distribution.
- Most national retailers encourage collaborative promotional and new product planning but are also looking for opportunities to differentiate themselves from their top competitors.

- SKU rationalization is one of the most important initiatives for retailers and manufacturers within the CPG industry. It is critical that manufacturers differentiate themselves and demonstrate a clear consumer decision tree hierarchy showing the consumer need for each product.
- Retailers have a good feel if a product will succeed or fail within 60 days into the launch of a new item. It is vital that manufacturers understand their brand's sales position very quickly in the process and utilize focused consumer marketing early in the launch cycle.
- Most new vendors of perceived high risk new products should be prepared to operate from an alternative payment terms structure. (Pay on Scan, Buyers Hold, Extended Payment Terms).

7. Information about Bar Codes and Technology Used by Retailers:

When planning to sell your products in the retail market, most retailers look for Universal Product Codes, also known as U.P.C. bar codes to identify your items. The bar code includes a unique company number ("GS1 Company Prefix") that identifies your company as the manufacturer or distributor of the product.



I understand that I may need a bar code. Where do I begin?



A good place to start is the voluntary standards entity for bar codes. GS1 Company Prefixes are provided by a not-for-profit organization named GS1 US™. Your first step is to complete a membership application for the GS1 US Partner Connections program online at www.gs1us.org/pc. Along with your company prefix, you will receive access to an easy-to-use tool called Data Driver® that you can use to automatically create and manage bar code numbers for your product(s). No technical knowledge is needed and the tool will automatically provide the bar code size and placement for your product(s). Data Driver will also supply you with information about printing your bar code so that it can be scanned quickly and accurately at point-of-sale. You may choose to have your bar code incorporated into your package design, have it printed by a label vendor, or print it yourself using commercially available software.

What should I keep in mind when assigning and printing a U.P.C. bar code?

Retailers depend on their suppliers to correctly assign U.P.C. bar codes to ensure their point-of-sale systems operate efficiently. This sales information is also used by buyers and category managers to analyze sales trends, and in their plan-o-gram and reordering systems. You will need to assign unique U.P.C.'s to each version, color, flavor, and size of the product you produce. When printing your bar code, the preferred combination is black bars on a light background.

What is data synchronization and where can learn more about it?

Data synchronization is the continuous updating of product information via the Internet by suppliers for their customers. Information about sizes, colors, flavors, strengths, and other characteristics is communicated by a global network to retailers, distributors, and wholesalers around the world. To learn more about data synchronization, go to www.1sync.org/data_sync.html

What is EDI?

Electronic Data Interchange (EDI) is the computer to computer communication of purchase orders, invoices, shipment notices, and other key business to business messages based on defined industry standards. The first step is to find out about a customer's specific EDI requirements. Then you may purchase EDI software or use the services of a solution provider that meets your particular needs. More information about EDI can be found at www.gs1us.org/edi

If you have any questions about bar codes, data synchronization, or EDI contact GS1 US Customer Service via email at info@gs1us.org or by phone, 937.435.3870.

8. Appendix:

a. Definitions:

- I. It should be noted that the following definitions, which relate to the direct cost of a manufacturer's product will vary by retailer and often times are linked to contractual agreement between the retailer and the manufacturer.

Buyers Hold — refers to the act of withholding a specific agreed upon sum from invoices by the retailer until certain agreed upon item movement thresholds are reached. Open Invoices exceeding the whole limit are released and paid per agreed upon cash terms.

Cash Terms — agreed upon payment terms between vendor and retailer. Percent discount if paid within (x days) and full payment if not paid within the discount period. (i.e. 2% 30, net 31)

Certificate of Insurance (COI) — refers to the insurance policy maintained by the manufacturer on behalf of the retailer to cover those manufacturers' products sold by the retailer directly to consumers. May contain, a number of various riders and values based on the liability needs of the particular retailer or wholesaler.

Class of Trade (COT) — refers to the primary retail channel or type of store format in which the retailer does business. Examples would be food, chain drug, discount or mass, drug wholesale, etc.

Co-op Funds — vendor promotional resources used to support retailer advertising programs. (I.E. Roto advertisements, Temporary Price Reductions, Displays)

Direct Response — a product marketing strategy that involves the brand message or story being offered to the consumer for purchase directly from the manufacturer or a non-retail marketplace. The most common communication vehicles for direct response are cable TV and in some instances print magazines or newspapers. Products may also be accepted by the major cable TV marketplaces such as QVC or HSN (Home Shopping Network). The product typically is offered at a premium to its proposed store level retail price. Some brands have successfully created a marketplace utilizing direct response marketing before offering the brand to retailers. Direct response can be utilized in combination with a retail presence to assist in creating consumer awareness and demand.

Distribution Fee — a fee charged by wholesalers / chains for initial retail product placement.

Exit Strategy — refers to a plan that the manufacturer would have in place to handle discontinued items from current inventory with a retailer. This plan may include the actual return of the item to the manufacturer, authorize retailer to destroy product or return current item with a new or similar item from the manufacturer. Another option is marking down existing retail inventory. (Provide scan allowances to reduce the retail with the goal of selling existing retail inventory thus reducing product returns).

Extended Terms — additional dating terms linked to the opening invoice in support of new distribution or special promotional activity offered by the manufacture.

Food, Drug, Mass (FDM) — core trade classes tracked by the syndicated data providers (AC Nielsen and IRI).

Guaranteed Sale — a contractual agreement between the retailer and manufacturer that insures unsold product can be returned to the manufacturer if it does not meet certain pre-determined movement thresholds.

Original Equipment Manufacturer (OEM) — in this context refers to the vendor as the party that develops and also manufactures the product for market. OEM manufactures can also produce finished goods product for a non-manufacturing consumer goods marketing company.

Pay-On-Scan — typically refers to the process of payment to the manufacturer by the retailer when products are scanned (sold) at store level. This means of payment may exist for a pre-determined time period before the retailer agrees to a manufacturer's normal payment terms. Payment for units scanned less returns or damage are then paid typically per the agreed upon account specific terms.

Price Protection — manufacture agrees to reimburse the retailer for any drop in price (cost) of the product. Typically the amount of price decline is applied to all current store and warehouse inventory. In some cases one may have to cover the current profit being generated from inventory at store level.

“Prime Vendor” / Manufacturer — a vertically integrated manufacturer of raw materials that produces finished good products for sale at retail.

Slotting Fees — refers to the consideration given to the retailer by the manufacturer for placement of the item with the retailer. In addition to actual placement this consideration may also cover the direct costs incurred by the retailer to place the item into distribution and into the actual plan-o-gram at store level. This consideration often times may be in the form of actual inventory shipped to the retailer at no charge. Consideration may also take the form of a cash or credit memo that may be deducted off of an open invoice.

Stock Keeping Unit (SKU) — refers to the actual item being sold by the manufacturer to the retailer.

Third Party Resources — independent research, analytical numbers or syndicated data which helps demonstrate the sales trends and potential of an item.

Third Party Validation — A) references a category management process where by a neutral or unbiased manufacturer decision maker evaluates the overall category review process and submits their recommendations to the retailer's category manager. This process serves to marginalize any possible bias in the category new item selection process. B) Independent Quality Control organization that verifies that the product claims meet standards established by worldwide organizations, such as FDA, etc.

b. Item / Vendor Information Requirements:

- II. Each retail customer has their own customized “New Vendor” form but the key components that you will need to incorporate into these templates will fall under two buckets: Vendor Information and Product Information.

Vendor Information:

Payment Term Name:

Web Address:

Tax ID Number:

Dunn/ Bradstreet Number:

Order Lead Time:

Minimum Order:

Min. Prepaid Order:

F.O.B. (Freight on Board):

Freight Payments:

Regular Terms:

New Item Terms:

Seasonal Terms:

Backhaul:

Backhaul Rates:

Co Op Advertising:

Co Op Requirements:

Wholesaler Allowance:

Volume Rebate:

Volume Rebate Time of Billing:

Price Protection:

Merchandise Shipped On:

Pallet Disposition:

Damage Policy:

Damage Allowance:

Return Authorization:

Return STD Number:

Return Minimum:

Return Payment Method:

Manufacturer Warranty:

Guaranteed Sale:

EDI Capabilities:

c. Retailer Forms (Examples)

**Product (UPC) Universal Product Code Information
(GTIN) Global Trade Item Number**

Item GTIN (UPC): (this information can be accessed at www.gs1.org) (14 digits)

Inner GTIN (UPC): (this information can be accessed at www.gs1.org) (12 digits)

Case GTIN (UPC): (this information can be accessed at www.gs1.org)

Supplier UPC:

International Code:

Product Information / Description:

Product Name:

Manufacturer Stock Number:

Size / Count:

Master Pack: _____ Inner Pack: _____

Pallet TI/HI: _____ Total Quantity: _____

Case Level:

Weight: _____ L/W/H: _____ Cube: _____ Cost: _____

Inner Level:

Weight: _____ L/W/H: _____ Cube: _____ Cost: _____

Item Level:

Weight: _____ L/W/H: _____ Cube: _____ Cost: _____

Lot Number: _____

Expiration Date (Readable or Coded)

Product Shelf Life (Number of Months)

MSRP:

Ship Date: _____ Launch Date: _____