

THE WHOLES^ALE FORMULA

Module 5 – Mock Orders and Projections

In this video, I'm going to discuss mock orders and projections; two of the core strategies we use to get discounts. Before we get to mock orders, I want to discuss why it is important to ask for volume discounts when dealing with a new product. The long-term value of a discount should never be underestimated and can make or break a potential product.

So, when is it appropriate to ask for volume discounts?

The short answer is always. We ask for a volume discount with every single account. In many cases, the vendor will send you a "price sheet" such as this, which is simply a list of discounts at the various ordering thresholds.

We ask for discounts after we receive a price sheet, and before we place our first order. We do this REGARDLESS of whether the listed pricing is good or not. I realize you are probably thinking... So, when would we use a mock order? That's coming. In the meantime, always ask for a volume discount, as it helps to move this negotiation process along. Now, let's talk about mock orders.

A mock order is simply an inquiry about ordering different volumes (with specificity) of product in order to obtain discounts. For example, I may ask

“if I purchase x amount of product, what type of discount would you be able to do?”

After given an answer, I will generally ask the same question, but this time with a higher number. And if I'm on the phone, I'll usually repeat this process 3-4 times. Bear in mind here that X should represent either units or cases specifically. This should be clearly noted, and this should also be representative of an order that you are prepared to place with the right pricing.

You can submit this in email form or you can submit this via Purchase Order with a blank price field. Most often we submit these via email, but have also submitted via Purchase Order for select companies. If you submit via Purchase Order, you should denote that this is a prospective order pending pricing.

So, to recap, a mock order is a prospective order proposal with the goal being to achieve a discount based on order volume.

We often use mock orders as a core method of getting discounts with manufacturers. As you continue with your journey into wholesale you will find something to be very true. The term “volume” can mean different things to different people. We have learned that in some instances, rather than asking for a

"volume discount" sometimes a vendor may respond better to a mock order.

If you think about this, it makes a ton of sense. To a small brick and mortar store, a higher volume order may mean 24 units of something, whereas, as an Amazon seller, we may mean 300+ units of that product. This mock order will give us the opportunity to put this into real terms and let them gauge our order correctly.

There are a host of responses which will generally arise after the volume discount email, where a Mock Order will get this process going in the right direction. Here are some typical responses that you might receive:

"Here is our current discount {system/tier/schedule/price sheet} that we are using."

In this instance, the opportunity presents itself whenever your initial order was going to be 20- 30% more than their top tier discount. Or maybe your initial order wasn't going to be above their top tier. Then, if you can bolster your opening order to be above the mark that their tiers represent, a mock order may be used. Here's another common response you may receive:

"We generally don't offer discounts. We try to keep everyone at the same pricing structure."

This statement presents some level of uncertainty, and they aren't saying no... They are simply saying that it is not typical. In this instance, we like to come back with a Mock Order particularly when our order is going to be well above their minimum order, say 1.5x or more. This will allow us to show them that we aren't a typical account, and that we possibly deserve a sizeable discount compared to someone ordering their minimum order quantity.

Both of these situations present themselves as opportune times to potentially kick off the next round of discount talks with a Mock Order. A couple other general responses to a volume discount inquiry are:

"What were you thinking in terms of an order?"

"How many {pieces, units, cases or dollars} were you looking to {buy/spend}?"

When given these responses, the rep is honestly just directly asking for a Mock Order. They want you to tell them what you mean, so that they can run cost analysis to see if this account order presents a discount opportunity. In most instances, you will be able to smoothly transition to mock orders from the volume discount inquiry, particularly if they respond with their price sheet.

So, let's revisit a couple of the examples given earlier. Keep in mind, this is after we have asked for a volume discount.

What if the rep responds with:

"Here is our current discount {system/tier/schedule/price sheet} that we are using."

Here is how we typically respond:

“Thank you for getting back to me. I noticed that your highest listed discount tier was at \$1000. Our initial order was going to be quite a bit larger than that (pending pricing), and I wanted to see if there was anything you could do. For example:

We can purchase 200 units on our initial order, which would be \$5000.

As you can see, this is substantially higher than the largest discount that you had mentioned, and I was curious if a bigger discount might be available. “

Here, you’re showing them that your order was well above their top tier order and that you could be a very valuable account for them due to your high-volume proposal. Now, let’s revisit the second example.

What if after asking for a volume discount the rep responds with:

“We generally don't offer discounts, and try to keep everyone at the same pricing structure.”

Here is how I generally respond back:

“Thank you so much for getting back to me.

We are considering the following order:

X total units of insert awesome product.

As you can see, your minimum order is \$500, and our proposed order is \$2000. I definitely understand the concept of trying to provide a level playing field, but we aren't looking for discounts to have an advantage. We employ key strategies to drive additional traffic to products, as well spend time to help make improvements on the conversion side. All of those things come as a direct cost to us, and we like to get the best possible pricing to make sure that we can profitably perform those activities to the best of our ability.

Let me know if something might be possible, as I thought seeing what our order looked like may help to give you a better example of what we were looking at in terms of volume.”

Again, you’re telling them that you are a very high-volume account and that you take additional steps to add value to the brands you carry. Sometimes this will get you a discount, sometimes it won’t, but, again, the main takeaway is that you should always ask. Now that we have covered the concept of Mock Orders, it makes sense to transition directly into projections as they are the next logical extension of a Mock Order.

So, what is a projection? A projection is an educated estimate of what you expect to sell and/or purchase during a set time frame in the future. In most instances, we prefer to initially offer 90 Day Projections. For example, I may ask:

"If I purchase x amount of product per month for 90 days, what type of discount would you be able to do?"

This allows us to offer our vendors a set of prospective orders over a 90-day period. The principle behind offering projections is to show a longer commitment to the brand, as well as show that you will be a valuable long-term customer, as opposed to a one-time customer. Most people don't realize this, but a big one-time customer can present huge risk, with very little upside to a manufacturer.

So, to recap, a projection is a mock order that includes multiple proposed orders over a period of time, usually 90 days.

Projections are awesome for manufacturers, as it gives them the appropriate response time for prospective orders. In fact, if all vendors could offer projections and hold their projections this would allow manufacturers to run much more profitably.

Here are the four benefits projections offer manufacturers.

- 1) The first benefit it offers manufacturers is that it allows for accurate ordering. Manufacturers have to place orders too, even if it is an order for raw materials, manufacturers have to buy those and get them in place to fulfill orders.
- 2) The second benefit is that it allows for production scheduling. This will allow your vendors to appropriate the correct amount of labor to fulfill all demands.
- 3) The third benefit is that it allows for orders to be shipped without delay. If all orders are expected, this means that all customers will receive their orders more quickly, and there won't be delays on the shipping end.
- 4) And the fourth benefit is that it allows the company to run more lean. Companies will not have to overbuy supplies anticipating possible orders and will be able to run more profitably by reducing possible waste.

There is an art to forecasting accurate projections, and your goal, ideally, is perfect accuracy.

We currently use two following methods to forecast projections as accurately as possible.

- 1) If you have previous order history with this company, you should review the sell-through and buy box time. Next, create your projection based on the expected monthly volume. Then, try to anticipate market changes via KEEPA or CamelCamelCamel to foresee potential market fluctuations.
- 2) If you don't have order history, treat this like a first order with ANY company. Simply do the same type of math you'd normally do utilizing Jungle Scout to estimate sales per month. Then review KEEPA or CamelCamelCamel for fluctuation in the market. If the rank is stable you can run your projected math at the same rate during those three months.

Essentially, you are simply showing your commitment to sell through a predetermined amount of inventory. It is important to determine when it is necessary to use a projection to attempt to obtain a discount. There are generally two reasons why you would implement a projection strategy.

Probably the most common reason is that your initial order isn't large enough to put you into the discount bracket you'd like. For example, let's say that you need to order 1200 units in one order to

qualify for the top tier discount, but your initial order is only 600 units. Obviously, you're well short of qualifying for the premium pricing, but if you ordered 600 units per month, your 90-day order is well over the 1200-unit threshold.

Here is how we typically approach this scenario:

"Hello,

We can offer you the following 90 day projections.

Month One: 600 units / Month Two: 600 units / Month Three: 600 units

I realize that our individual orders fall below your premium pricing order threshold, however, as you can see, our 90-day order amount goes well over it. We would love to work with you on pricing. To be honest, we could place the quarterly order, but honestly it doesn't fit our model, and we believe that our replenishment strategy keeps us in constant touch with our retail partners. Would you be flexible and allow this? We can give you an order commitment if necessary to make this work."

Here is another example:

"We would love to work with you on pricing. We have reviewed your price sheet, and believe our business falls uniquely outside of it. Our company focuses on replenishment, and does not place a single large order. We believe that this gives us more touch points with our vendors, and fosters a better relationship. Would you be open to working with us on pricing, with the understanding that our order does not represent a single large order, but instead a monthly order? For example, our 90 day projections for your line are as follows:

Month One/ Month Two / Month Three

As you can see, we anticipate placing this order on a monthly basis, and focusing on strategies to increase our overall order size.

I understand that this may be an uncommon request, but we would really appreciate it if you could entertain working with us on it."

As you can see, our emails are simple. We are simply trying to show that we are planning on being a long-term customer with their company and hope to build a lasting relationship that will benefit us both.

The second reason you would want to implement the projection strategy is if everything else has failed. Think of it as a last resort. If you've asked for a volume discount and been denied, and you've also been denied after providing a mock order, then try a projection. Sometimes showing the vendor the value of having you as a long-term customer can be enough to obtain a discount.

To summarize, I want to stress the importance of always asking for discounts. Ask for volume discounts when first approaching a new product. Propose a mock order when given price sheets, when a vendor

asks for one, or even when a vendor tells you they don't give discounts. Create a projection if you're short of a discount threshold or if all else has failed. Companies respond better to numbers that they can see, as well as longer term estimates. This shows commitment from your side, reduces risk on their side and helps them operate more effectively and efficiently overall.

Don't be afraid to deviate from the scripts in this video, this is a very tailored model that you have to help make relevant to your specific situation. Just look at these as jumping off points and use them to create scripts that help you achieve your desired goals.

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