

# THE WHOLES<sup>A</sup>LE FORMULA

## Module 5 – Negotiating with a Brand Owner

Hey guys, Dan again. In this video, we are going to discuss strategies have been successful for us in our ventures to get lower prices. This is a very tough subject for most people to broach with a potential vendor, and something we wanted to cover here in the course, as it is imperative in making sure that your products are competitive and that you can make better margins on the products that you are selling.

Our goal in this video is to cover:

- 1) Why you should ask for a discount
- 2) When you should ask for a discount
- 3) Types of discounts and some strategies to get them
- 4) How to broach the subject of discounts

Why should you ask for a discount?

As your business grows, this is one of the most important things that you can be doing.

1) The most obvious reason to ask for a discount is monetary. Realistically, you have to look at it from the perspective that you are simply adding profits to your bottom line with discounts. But, beyond simply adding profits, there are other strategic reasons to look for discounts:

2) Increases your product range – this means that you can start carrying profitable products that were previously thought to be not profitable. Thereby increasing your overall sales and profits.

3) It increases your order size, which in turn, makes you a more valued customer, which can lead to more discounts OR work towards exclusivity or semi-exclusivity with the brand. We don't do this without a pre-existing relationship.

4) It naturally makes your products more competitive, thereby, reducing potential competition.

Beyond simply adding more profit to your bottom line, discounts have an incredible holistic impact on your business. The more you work for them, the faster you will see your company grow and excel.

When should you ask for a discount?

First it is pretty simple. If they offer you a discount structure based on volume, and you will be ordering within the discount structure provided, you probably shouldn't ask for a discount as it has already been

clearly defined. I would instead inquire about specials or deals that they might offer.

However, any time you don't see a pre-described discount structure you should ask.

Discounts are the lifeline of your products, and oftentimes companies will not volunteer this information to you. They want you to ask; otherwise they are content maximizing their own profits selling to you.

After we get an account, or a pricelist, we will ask for a discount 100% of the time unless there is an existing discount structure published in the material. In that instance, we will ask about other programs that they have (e.g. specials, FFA or quarterly deals).

Next, we have the types of discounts and strategies to get them. We try to look at discounts from every possible angle. The most common type of discount is the volume discount. However, there are several other discounts that you can check out that I will mention here.

**Volume Discount** – Simply increasing your order to a point that the vendor you are dealing with will lower their profit margins to get your increased amount of business.

Volume Discounts also impact more than just the physical costs of the product. The more units that you process (albeit internally or through a prep center) the more you will reduce your costs, similarly the larger shipments you send to Amazon, the more money you can save on shipping. Whenever you are looking at this, also look at how it impacts your internal costs to see if it makes more sense.

**Specials** – Sometimes these will be offered as “specials” and other times as “line drives” or something of that nature. Simply bring up the possibility of specials.

**Advertising Discount** – Let them know that you would like to build additional margin into your budget to dedicate to PPC or some other form of paid advertising. Most companies respond well to “more exposure” and will authorize certain discounts for doing that. This can be structured in another way as well. Some companies will give you additional product, which should be factored in as a discount!

**Quarterly Discounting** – If you are near a quarter's end, you can always ask about quarterly discounts to help them clean inventory off their books. One company we work with does this, and we try to stock for a full quarter because their discount is VERY large.

**Free Freight** – Often termed FFA. Ask them about free freight thresholds/lines. This can be hugely impactful on the cost of your product.

**Direct Amazon Shipment** – Some companies will offer you the ability to ship direct to Amazon. This will cut out the shipping charges to you. It is important that they know the rules and regulations of shipping directly to Amazon, and that you cover this beforehand. Remember, if they mess this up, it is on you and not them. So, be sure that you have given explicit instruction, as well as, that you trust that they will follow that instruction.

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**Arranged Freight** – This starts to hit some higher-level lines, but, can ultimately make you a good deal of money. You can get a shipping quote from your supplier and compare vs. freight forwarders or your own freight account. If you can get a cheaper shipping quote than your supplier, this is simply money that you get to put into your pocket. Additionally, if your supplier offers free shipping for volume orders - you can look at seeing what kind of discount that they can give you, if you arrange the freight. For example, if your supplier will give you 10% off your \$5000 order and freight is going to cost you \$250, which is \$250 in actual profit that you made on that transaction.

**Working with Other Products** – Many companies have more than one product. Often times, a few of those products will perform incredibly well, while the others may struggle to gain traction through one channel or another. If you identify these opportunities, you can present it to them as a growth area, and introduce them to the idea of subsidizing the work to grow the sales across the channel.

Broaching the Subject of Discounts; this is one of the most uncomfortable situations for most people to be in. Asking for a discount feels awkward for whatever reason, but it really shouldn't. In fact, it's one of the most natural things in business. Realize that you won't offend them. I am sure they have heard this question literally thousands of times, and probably multiple times that day. Don't settle for less profit, just because you are afraid to ask the question.

Now, keep in mind that there may be some limitations that they have. Most commonly, the best negotiation currency is a higher volume order. More than 80% of the discounts you get, or at least the ones we do, are related to volume. It takes longer to build relationships that will earn you discounts based on the value you are delivering to them. Bear in mind, what you do is measurable. If they can't see it, they can't create a discount for it in most cases.

So, at least on the front end, realize that the vast majority of your discounts are going to come from increases in volume, and that your margins may improve as you carry the product and can start getting them to discount based on value you are providing.

Whenever we pick up a new account and they send us their price list, we immediately ask the following question if we don't see a discount structure already laid out:

"Do you guys offer any discounts for higher volume orders, or any free freight thresholds? We love to factor these in, as we try to get any additional margin that is possible. Thanks again, and I should be able to get back to you within a day or two with an order. "

If they say no, we will propose a mock order based on the criteria in front of us, and simply ask again. For example:

"Thanks for getting back to me on that. I noticed that your minimum order is \$750, I would expect that our monthly order will be in the area of \$2500, and would love to work with you on any additional

discounting that may be possible. We are always looking to increase our margins to have more money available for PPC and Ad Spend. If there isn't anything that you can do, I certainly understand, but I thought I would ask with a prospective order as I really think some additional advertising dollars could really increase your market share and channel exposure."

If they say no again, and the prices are good enough, we will place our order... Then, we will wait another two orders, and repose the question, with some amount of data, showing how we might be able to increase our monthly spend.

You will be amazed at how often no discount turns into a discount at this point. More often than not you are able to get some discount, in some fashion. However, if you aren't, we generally will wait some amount of time longer (e.g. about a month before the close of a quarter), and we will ask about quarterly specials, line drives, or anything like that. Our goal at this point, is that they will be trying to clear additional inventory off of their books.

Bear in mind, if you are unsuccessful through email in asking for a discount, phone calls work better in this instance although they can be more uncomfortable.

The most important thing here is that you start asking for them. You can use many tactics to achieve your desired result, but you have to try.

I realize that these tactics may seem aggressive. However, discounts, for the most part, don't just happen. You have to work for them, and realize that when you are, you are actually generating profit for your company. Make sure that you are attacking as many points as possible to reduce your cost of goods.

Even if your initial attempts are unsuccessful, you have to stay with it. This is an art form, and something you certainly will improve on over time with practice. That wraps it up for this video, thanks for watching!