Find out what your competitors don't want you to know!

SECRETS

of Successful Company Store Programs

*****INCLUDING*****
How to get your customer to
pay for the ENTIRE program

Top 10 reasons most company
store programs FAIL

Picking the RIGHT technology
vendor for your program

May, 2005

Greetings-

Do you ever wonder why some distributors have so many successful company store programs while others just can't get them going?

Or why some distributors profit handsomely from their company store programs while others quickly go broke and abandon the programs altogether?

It's not rocket science, but successful distributors know a few secrets that you may not. They walk out of a presentation with the customer begging to get a program going. They drive value, and customers pay for it.

Would you like to know how to:

* Make a customer pay for everything in a company store?
* Avoid losing your shirt with support & admin costs?
* Keep "buzz" going for your store – and sales humming?

Well, we've collected the best secrets from the pros, and we've put them in this nifty, downloadable "e-book." Read on!

—eBlox Secrets Staff

MAKE THEM PAY

Never Eat Program Cost Again!

Company store programs cost money – money for the technology, money to administer, money to support – and you shouldn't be saddled with any of it. Here's how to get your customer to pay for program costs:

ESTABLISH VALUE

You'll never get anyone to pay for anything if you don't start out on the right foot. Before you even make that first call, you need to understand how to communicate the value of the service. Perhaps even more important, **you need to believe in that value**. Company store programs, believe it or not, can save your customer money and actually give them more control over spending than they ever had before, not to mention increase brand recognition and value. Keep these values in your head:

COMPANY STORES SAVE MONEY:

With purchasing control, budgets and approval routing, company stores SAVE REAL MONEY on internal corporate expenditures.

COMPANY STORES SAVE MORE MONEY:

Employees and customers sporting your logo are nearly-free advertising. Forget about the brand; company store merchandise saves advertising dollars!

COMPANY STORES SAVE EVEN MORE MONEY:

Consolidated purchasing means more purchasing power and efficiency.

$TEP 2

EXPLAIN THE SERVICE

If you're used to selling promotional products, you need to step out of that "product selling" mind set and enter the world of selling services. Corporate customers are used to paying for services – they pay for janitorial services, payroll services, temporary labor, and so on – they're just not used to buying services **from you**. They see you as a product provider, like an office supply or computer vendor.

But, just as computer vendors have successfully added services like support contracts to their portfolio, you need to add company store programs – as a service – to yours. If you approach the program solely from the perspective of the products in the store, not only are you going to get beaten up on margin, you're never going to convince the customer to pay for the program. **You have to sell the service.**

How do you sell the service? First of all, see #1 – you've got to understand the value to begin with. Second, you need to be prepared to enumerate all the actual services that come with a company store program:

- **Merchandising – sourcing products**
- **Marketing assistance – helping the customer market the store internally**
- **Customer Support – dealing with order problems and questions**
- **Fulfillment & Logistics – all the warehousing, pick and pack, etc.**
- **Administration – managing the store, updating products, producing reports**

These things cost money! Be prepared to talk about how much they cost you, and how your customer should pay for them.

$TEP 3

PACKAGE THE SERVICE

If you can communicate the value of the service to the customer, you'll get even further if you have the service pre-packaged out of the gate. There's no one single successful formula for packaging company store services, so you'll need to feel out your customer before presenting a package to them. And don't forget, if worse comes to worse, you can always try to cover some of the cost of the program in your margin on the products – but that should always be your last resort.

Some sample packages to consider:

BLANKET MONTHLY PROGRAM FEE:

Wrap all the service fees up into a single monthly program cost to cover your admin, support, technology and miscellaneous expenses. You may still need to line item some of the bigger fees (like web hosting). A higher monthly program fee usually translates into little or no initial setup fee, but if you can get both, more power to you.

PASS-THROUGH AND/OR MARKUP:

In this model, you pass through your expenses directly (or even mark them up slightly) for some or all of the program costs. The customer pays for the initial setup of the web store, plus the monthly hosting. In addition, any fees associated with fulfillment, support or administrative costs are line-itemed and passed on to the customer.

STEP 4

INTRODUCE DOUBT

If you're competing with someone for your customer's company store business, your customer will probably shop your competitor against you. Your competitor may be desperate for the business and waive any and all program fees, and even cut their price on the merchandise. This is your opportunity to move in for the kill.

Remember, the customer needs to have a perception of value first. Ask your customers if your competitor has even discussed the costs associated with the program. Your goal from the outset is to set the expectation that **a properly run company store costs money.**

If your competitor hasn't discussed all the costs associated with running a company store program with your customer, you should jump on that. Introduce F.U.D. (Fear, Uncertainty and Doubt) and ask them how they can be confident in a program that doesn't even consider the costs of running it. Your goal is to instill doubt that a program can be run successfully without accounting for all the cost. Try questions like:

• "Aren't you concerned that [the competitor] hasn't explained how they'll handle all the overhead of running the store?"

• "If [the competitor] loses money on the store by making too good of a deal, do you think they'll continue to run it for you?"

• "Do you start up a whole new department or business without considering labor and administrative cost?"

• "Do you really expect to have a high level of service without paying something for it? Do you believe that you get what you pay for?"

If you established value, sold the store as a service, and made your customer aware that the service **should** cost money, you're on the right track.

TOP 10 REASONS
Company Store Programs FAIL

More company store programs fail or languish than succeed. Learning from those failures can give you a head start against your competition. Learn when to push the deal – and when to walk away.

REASON #1: THE DEAL IS BAD

The financial relationship is unsustainable; you cut prices on the merchandise in the store to get the deal and then find not only are you losing margin on goods in the store – you're also getting beaten up on every other order with the customer. This is really a relationship problem, but it can often start in company store programs, where customers will negotiate hard on price because the relationship is ostensibly longer and the value of all the sales is higher. Even worse, many distributors cut unheard-of deals for a company store program in hopes that they will make up the margin with larger orders outside the company store program – and then the customer goes and sends those larger orders elsewhere!

How to avoid it: Be careful when negotiating and don't take anything for granted – if you expect deals elsewhere, get them in writing!

REASON #2: THE PRODUCTS ARE STALE

Are you still selling the same divot repair tool you started with three years ago? While it's true that you shouldn't mess with success, selling the same product year after year – even if it's a reasonably reliable seller – can make a store look stale. Merchandising, after all, is what this business is all about.

How to avoid it: A little freshen-up every now and then can make a big difference. Don't dump your best sellers, but make sure you supplement them with new and complementary products at least once a year if not more often.

TOP 10 REASONS COMPANY STORE PROGRAMS FAIL

REASON #3: AWARENESS IS LOW

Believe it or not, most company store programs fail because no one knows the store is even there. The "everyone needs a company store" mentality drives the creation of the store and then it just sits there, waiting for the orders to come in.

How to avoid it: Creating awareness of a company store program is critical to its success. Beyond marketing activities (below), you need a grassroots effort within the company to make sure that everyone knows the store is available and stocked with cool merchandise. Talk to your contacts at the company and make sure they're doing everything they can to increase awareness of the store. Very often, one or two individuals at your customer's company will be the ones who are responsible internally for the success of the program, so take advantage of the stake they have and push them to do their best word-of-mouth campaigning.

REASON #4: MARKETING IS NONEXISTENT

Distributors and their customers often forget that a company store requires a marketing component. Like any other sales initiative, a company store program will never reach its potential without a coordinated marketing effort.

How to avoid it: It may be as simple as an ad in the company newsletter and a reminder at company meetings, but the store must be marketed and promoted. Try coupons or special discounts to get traffic to the store, and make sure the store has the ongoing internal support of everyone involved at the company.

REASON #5: CUSTOMER SERVICE STINKS

Running a busy, high-volume company store can be a customer support nightmare, especially if you've never done it before. A company store is so different from the day-to-day order-taking business that you may find you can't actually handle the support burden of a high-volume company store. Why? Because a high-volume store is essentially an operation unto itself, with its own expectations of customer service and turnaround. The merchandise is available to purchase 24/7, and customers expect responses when they have problems. If you're not prepared, your store may crash and burn as users become frustrated and give up.

How to avoid it: Define support and service expectations early on with your customer. If they want a body available at all times to help customers, make them pay for it. By getting all of this on the table at the outset, you can set the expectations for customer support and protect yourself if the customer comes back and asks for more.

REASON #6: THE TECHNOLOGY STINKS

You've done great merchandising, put a good customer service operation in place but your users are having problems checking out. Worse yet, every time they place an order the confirmation emails are going all over the place and you're getting duplicates – and fulfilling duplicate orders.

How to avoid it: A million problems can happen with web technology, but company store technology is mature enough that you shouldn't have them. Choose a provider or developer that has a proven track record with names you recognize, and ask to see samples of working sites. More importantly, use the product yourself – the demo or sample site – and make sure it meets your expectations.

REASON #7: THE PRODUCTS LOOK AWFUL

You went all out with the merchandising and picked some great products. Then you had Brenda in accounting take some pictures with her digital camera from home and everything looks like a really bad eBay auction picture. Now, you can't understand why no one is buying the products, and some people are even complaining about not being able to get a good look at a product before they buy it.

How to avoid it: Good products need good photography. Don't load up with premium folios, bags and gold towels and then skimp on the photography. And be careful of taking those existing supplier sample shots and having your local Photoshop wizard try to remove the sample logo and replace it with your customer's. Often, you'll find that decent product photography isn't as expensive as you might think. And don't forget about higher-resolution or "zoom" images, especially with products like pens. They can make the difference between a browser and a buyer.

REASON #8: DEATH BY ONGOING COSTS

You had a good program going, but then the customer came back and said they wanted a lot of design changes and needed to change some fields in the shopping cart. No problem, right? Well, suddenly your web developer is estimating thousands of dollars for changes that you thought were fairly straightforward, and you don't know if you or your customer can afford it.

How to avoid it: Make sure you discuss ongoing costs with your service provider or developer. Many systems are easy to modify, resulting in only minor charges when something needs to be changed. However, some company store systems have many of their features more or less fixed in stone. That may be OK in some cases, and may indeed result in a less expensive product up front. But if you've got a picky customer, be careful that you don't buy something that will cost you double or triple down the road.

REASON #9: YOU FORGOT THAT YOU GET WHAT YOU PAY FOR

You bought a cheap little webstore for twenty bucks a month and sold a program to your customer without much thought or investment. You picked some products, made a perfunctory presentation, and sold the customer on the idea that "everybody needs one of these." Now, the store is a $20 a month albatross around your neck that generates complaints for its slow performance, buggy shopping cart and boring product selection.

How to avoid it: With company store programs, like so many other sales relationships, you get back what you put into it. Believe it or not, not everyone needs a company store. But many companies need far more than just a basic company store program – they need purchasing control and routing, multiple payment methods, extensive reporting and other special features. You won't find these in the cheap webstore programs, so if you want to provide value to your customer, look for value and features for yourself first.

REASON #10: YOU FORGOT ABOUT THE RELATIONSHIP

Company stores aren't a replacement for selling – they're just part of the process. Just because a customer has committed to buying a set of products from you doesn't mean you stop selling to them. If you run the company store well but blow it when the customer requests something unusual that isn't in the store, you might as well be starting at square one.

How to avoid it: All the things that bring value to a relationship – merchandising, sourcing, design advice and so on – continue to be important even when you've got the program nailed down. Don't forget that an unhappy company store customer may simply be someone who couldn't find what they wanted – and thus they become a new sales opportunity for you.

PICKING THE
VENDOR

Finding the right technology provider for your company store program can be tough. Follow these guidelines and choose wisely:

Once you're comfortable with the benefits and the sales process for company store programs, it's time to find someone to build the actual store for you. You'll note that we don't even mention the alternative of building it yourself; that's because the technology is inexpensive and readily available from a variety of service providers, and unless you've got your own web technology department (no, we don't mean your nephew who's majoring in computer science), there's not much point in building the store yourself. Then again, if you have a penchant for pain and suffering, be our guest.

Back to our questions – before we look around for who will do this, we need to know what, exactly, it is. A good company store needs to deliver the benefits we've discussed, plus it needs to have a few basic functions that any basic e-commerce site provides. And it needs to do all this while working within the complex and often unruly world of promotional products. That gives us a pretty good checklist for a company store web site:

Custom branding – support for customer logo, colors, layout and content

E-Commerce – Categories, product pages, shopping cart, product search

Purchasing control – Control over budgets, approval, rejection and routing

Payment methods – Credit cards, purchase orders, debit accounts

Shipping and tax – Support for shipping carriers, state and local taxes

Fulfillment – Ability to communicate with a fulfillment center

Reporting – Reports available for sales, users, budgets, promotions, etc.

PICKING THE RIGHT TECHNOLOGY VENDOR

Management – An easy system for updating products, users and site content

Promotional Product Support – Supports apparel sizes, product configurations and complex SKUs

That's a lot of stuff, but luckily there are a number of vendors that support most or all of these features. If you can't find out on their website, just call them up and ask.

When it comes time to actually select a vendor, you'll probably be presented with a number of eligible choices, quite possibly with a fairly wide range of prices. As you make your selection, remember the value proposition that you've presented to your customer and make sure it jibes with the value proposition you're receiving from your web vendor. If your customer wants the cheapest thing they can find, then by all means pick an inexpensive vendor. But remember: You usually do get what you pay for.

And don't forget that the e-commerce marketplace is littered with the corpses of companies who gave stuff away for little or no money; if a deal seems to good to be true, it probably is. Make sure the vendor is stable; request references and ask them how long they've been in business. And remember that their customer service is going to reflect on your customer service with your customer. How long do they take to return calls and emails? How do they treat you? Do they spend time with you working toward a solution or do they try to push you into a canned product quickly?

With many of the technology vendors in the promotional products industry offering similar products these days, quality really comes down to one thing: Service. No amount of discounting will help when you can't get someone on the line to help you with your problem. A good vendor will not only work with you before the sale; many will help you make the sale with presentation and sales materials, and some will even sit in on sales calls to help with the technical issues. In addition, pay attention to how much service is included in the price; will the vendor enter products in the store or do you have to do it. If you have the time to do it, you might be able to save some money, but quite often the vendor can do this less expensively than you can. Take advantage of their assistance whenever you can, and make a note of how much they're willing to help before and after the sale.

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