

The independent retail trade – are suppliers getting too close to consumers?

Stuart Jackson this month focuses his attention on the need for retailers to hold their position as suppliers' most important selling tool.

There is a shifting pattern to the supply of products in our industry and in this month's article I want to challenge retailers to react to a threat while it is still in its infancy. The goal of this feature is to raise awareness of the issue amongst retailers and therefore I quite deliberately ignore the many faults of our suppliers and the part they play in the trend about to be debated.

Traditional trade

The sales and distribution channels of natural products have altered quite significantly over the past 12 years and now involve many supplier types, supermarkets, pharmacists, multiple health food chains and internet sites.

Despite all of these new competitors, the core industry that is the independent health food trade still thrives. At the root of this sustained success is the symbiotic relationship that exists between the specialist retailer and the principled natural product producer.

The core independent market is crucial to all market successes as it is the testing and proving ground for new products. It is the independent buyer, armed with both knowledge and ethical concern that ensures a quality benchmark. Without such



passion for the products we sell, standards amongst the less ethically-driven suppliers would fade and the consumer would suffer.

That ethical supplier needs independent retailers to persistently challenge the items they produce while we need them to respect our buying needs ahead of the supermarket. It is, however, often a mutual desire to trade outwith the corporate world that provides real synergy and security.

The current flat retail sales climate and ensuing tightening of purse strings by independent outlets is eroding the strength of this relationship.

A changing relationship

Until recently, suppliers needed retailers to sell their products and while still fundamentally true, for the first time another high volume channel has

opened up; the internet.

The internet has altered the way in which consumers solve their "needs" and satisfy their "wants". They no longer need to visit a shop to acquire the necessities of life and can fulfil any whim, including that of advice, online. A consumer can, like never before and from the comfort of their home, bypass the retailer and reach out to the manufacturer of any product.

This compares to a time when contact from a consumer to a supplier would simply result in that customer being guided to their local retail shop. In today's market, the supplier has a choice. While many brands, especially the more established, still drive the consumer to local shops, younger brands who, in the current sales climate, are unable to persuade retailers to stock their lines, may choose to sell direct. Although traditional mail order was always an

option, the internet provides a wholly different opportunity.

Websites permit the user to present a company in an interactive way, relatively cheaply (when compared to the cost of opening a shop), to a worldwide audience and in a manner that is the first choice of the young shopper who will later become the "thirty-something" target professional customer.

Today's consumer has become more market- and product-intelligent and unless the supplier can provide for their needs via the retailer, the supplier is left with little choice but to service them direct. Servicing breaks into two categories:

- Providing the support and advice they need

- Selling the product.

The actions of the retail buyer will determine whether suppliers merely support the product on their website, offering advice and a health food shop locator or are forced to take the final step of selling online

Why is this happening?

When the "You Are What You Eat" boom occurred a couple of years ago, retailers saw phenomenal growth of 33 per cent year-on-year sales or more. That growth, without



major effort, led many of us to be a little trigger-happy and investments were made on new shops, equipment and personnel. Cash-rich, growing retail businesses eagerly snapped up new brands and products.

The boom became a squeak, interest rates soared and retailers found it hard to maintain the level of sales they had previously achieved. Many independents reacted by battenning down the hatches and stopped buying. Fear replaced optimism.

As a consequence, the industry is littered with young suppliers who themselves invested in new equipment, staff and products only to find that they cannot persuade enough retailers to stock them and so are forced to consider other options such as direct selling.

There is even an argument that were retailers maximising their consumer marketing opportunities via open days, local fairs and such like, that the funds our major suppliers are investing in consumer awareness could be channelled into the trade for us to use. If retailers conducted the marketing campaigns, the consumer would be converted to shopping in health food stores.

The threat

Fifteen years ago, health food retailers were lord of all the consumers they surveyed. If a supplier of health foods wanted to reach the market they had no alternative but to trade through the retail channel. This left the retailer in a position of strength when demanding margin and service.

Ten years ago this changed when supermarkets and later pharmacies became interested, yet fundamentally, the retail chain was still the only major

route.

Now suppliers can go online, sell direct or choose which retail channel they prefer to take their product to market. As a result, independent retailers must make themselves attractive to suppliers or face being bypassed.

Put yourselves in the position of a young, growing supplier who cannot interest retailers to take up a new brand or engage in promotional activity or training. These same companies are under threat from dedicated online sites, especially those from the Channel Islands who are currently evading VAT and regulation. They are expected to deliver us up to 50 per cent gross margin, promotions and wait for payment.

It is therefore easy to see the attraction of web sales at maximum margin and direct communication with the consumer. If independent retailers don't stock suppliers' products and achieve consumer feedback for them then logically we put our future at risk.

The way forward

Independent health food retailers are no longer the only channel through which suppliers can reach the consumer. We must show more willingness to take on new brands, receive training, get behind sales promotions and offer nutritional support in store.

Summary

All the suppliers that I talk to are desperate to support the independent retailer and have no desire to go elsewhere or even sell direct but some are feeling a sense of frustration at failed attempts to interest independents. Let us make every effort to support them and maintain the symbiotic relationship that has been our strength. [HFB](#)



If you have any questions for Talking Shop or would like further information on Stuart Jackson's consultancy service, contact him on 0131 315 0303 or email stuart@forceofnature.co.uk or visit www.forceofnature.co.uk



SUPER™ AntiOxidant

Advanced Multi Vitamins
with Pomegranate, Folic Acid
Grape Seed & Lycopene

Worldwide research has shown just how important antioxidants are to the maintenance of good health as they help your body to combat the potentially damaging effects of excess free radicals caused by pollution, toxins and the demands of a hectic lifestyle.

SUPER AntiOxidant is an advanced, comprehensive blend of synergistic ingredients, which provides the body with a broad spectrum of powerful, natural antioxidants, including; pomegranate, folic acid, beta carotene, vitamins B, C, D and E, grape seed extract and lycopene. Taking one tablet a day is an easy and convenient way to help support your body's natural defences.

This unique blend of natural ingredients can only be found in SUPER AntiOxidant from Health Perception.

✓ Easily absorbed ✓ Quality assured ✓ High strength

Helping to maintain a healthy body

For more information contact us on **01252 861454**
or visit our web site www.health-perception.co.uk