

# Catalogs Might be Old-School, but Still a Valuable Tool for Wholesalers



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FIRST I WANT TO congratulate The Wholesaler on its 60th anniversary. For longer than my entire life, The Wholesaler has been a trusted source of industry news, product information, advertising and management advice. I was given articles clipped from the magazine while I was in my teens. (Dad felt that its solid management columns would apply to whatever career I chose.)

As I recently sorted through some old issues of The Wholesaler from the 1970s and 80s, I was reminded of the magazine's proud heritage. I was also reminded that publisher Tom Brown has clearly taken the magazine to the next level. Tom, editorial director Mary Jo Martin and the rest of the team do a great job every month putting out the "best-read" magazine in our industry. Congratulations and thanks to them for their help in publishing "Smart Management."

As I looked through some of the old issues, I was struck by the vast number of changes that have occurred during those 60 years – but frankly was just as surprised by the number of things that remain unchanged. The advisors talked about new ways to manage inventory, improve pricing, find and manage people, using computers in wholesaling, communicating and the need for

catalogs. Today's topics are surprisingly similar – as is the advice.

This month, I wanted to reiterate the case for paper catalogs. As you probably know, in our consulting, we have recommended catalogs for many years. Catalogs have been, and continue to be, a marketing and pricing tool used by many of the top-performing wholesalers in our industry. (You should know that I am not completely unbiased since, in 1987, we launched a company that produces catalogs for wholesalers using our own software and high-quality content.)

Catalogs have always been the most cost-effective marketing tool that wholesalers can use in communicating with their customers. They were cost-effective even when they were laid out by hand and typeset

without the aid of electronics – so they were darned expensive to produce. If you think you don't need a catalog – or can't afford a catalog – read through the following list and see if some of my thoughts apply to your situation.

## ***Reasons you need a catalog:***

- **They remind your customers of what you are trying to sell** — As much as you hope they remember all the products that you sell, they do not. To paraphrase the philosopher, "Hoping they remember what you sell is not a marketing strategy." You must actively and relentlessly remind them of what you sell. Your customers get into a rut of buying the very narrow assortment of products that they use regularly. Their normal buying list may be as small as 100 to 200 products out of the 10,000 to 20,000 SKUs in many wholesalers' warehouses. In fact, they may not even think of you when they buy something outside their normal list.

The high-performance wholesalers who strive to be the customer's primary supplier must, of course, be the reliable source for that narrow list. They must

**A 20-second dash through a catalog leaves mental images in the contractor's head that would take many hours of sales or terminal time to duplicate.**

also seek to be the first call when the customer buys something that is outside their normal 100 to 200 products because while there is certainly less volume, it will probably be at a much better gross margin.

## **Don't throw those catalogs out!**

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• **Catalogs show products that you want to sell but do not stock** — You probably should not, and do not, stock every luxury whirlpool tub that your manufacturer offers, but your catalog can show your customers what they look like and their normal delivery times. These non-stock products should be clearly identified as non-stock to avoid confusion. Isn't it fun when you sell one of these products where your only investment is the cost of producing the catalog page? Sometimes these products sell well enough that you will consider adding them to your stocking list – the product has already proven itself before you bring it into your inventory.

• **Catalogs focus your customers on buying the products that you stock** — Good inventory efficiency requires that customers buy what you stock. I have seen cases where wholesalers give their customers the manufacturer's catalog and watch the customer select a fixture or faucet that the wholesaler does not stock. In the best-case scenario, inventory turns suffer and the wholesaler now has a high-cost transaction involving a special order, special handling, hopefully a deposit and always risking a return with its associated handling and restocking costs. In the worst case, the customer will decide to buy the product from another supplier. In many cases, if the wholesaler had provided a catalog showing his stocked products, the customer would have happily selected one that was available from stock.

• **E-commerce tools are not a substitute for printed catalogs** — Some wholesalers have been wrongly convinced that their web catalog is a legitimate substitute for a printed catalog. In our experience in this industry, a very small portion of business-to-business volume is currently transacted electronically. While the percentage of e-commerce continues to grow, much business is being transacted as it was 60 years ago via phone and over the counter, although many contractors now have one of those new-fangled fax machines.

Seriously, I believe wholesalers must have e-commerce tools these days because they give you parity with some of your more aggressive competition. We are finding that some contractors and a growing number of institutional buyers will demote you if you don't have e-commerce tools available when they are ready to go. They switch to a wholesaler who does have the tools they want. Plus, a growing number of larger wholesalers are working to convince contractors that their e-commerce tools differentiate them from the rest of the pack. So even though you probably must have them, these tools will be in support of 5% to 10% of your business. Catalogs support the other 90% to 95% of your business; plus some e-oriented customers will select products from your print catalog, then order them using e-commerce tools.

• **Catalogs remind your sales team of what you want them to sell** — I hope that most of you are not so naïve as to think that your sales team knows all the products you stock. They do not. I have even heard a salesperson

send a customer to a competitor for a product that his company had in stock. He was trying to be helpful, but lacking a ready reference, he had no way to search for the product. He could have checked in the computer but the terminal was across the room and he was pretty certain the company didn't carry the product. The sales guy struck out – then handed a competitor an at-bat where that competitor might hit a home run with the customer.

As an aside, I recommend against sending your customers to a competitor. When you are out of or do not stock a product that one of your customers needs, I think you should make all reasonable efforts to take care of the customer – even if you ultimately buy the product from a competitor and don't make normal margins on the deal. You want customers to understand that they only need to make one call (to you) or one stop (at your counter).

• **Catalogs provide concise, distilled product information** — For customers and your team (sales, counter and warehouse). Proper catalogs include enough information for the customer to make a buying decision. Or for the salesperson to make a recommendation.

• **Catalogs "buy" you valuable real estate** — One of our customers once said, "The most valuable piece of real estate that this company owns is the truck's dashboard. Our catalog fits neatly up there and so it is the reference that the plumbers use in quoting jobs and specifying materials." The contractor buyer's bookshelf and the institutional purchasing agent's desk are other

## Old-time sales method trumps new tech

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“real estate” his company owned through its catalog program.

- **Catalogs provide the information in a form that is both compact and portable** — Dad always liked to remind wholesalers that their new catalogs often went home with the tradespeople into their family rooms, bathrooms and bedrooms. Places where your sales team fears to tread.

- **Catalogs use requires very little training or experience** — You don’t need a terminal, DSL or password to use catalogs.

- **Catalogs create a professional introductory tool for the wholesaler** — As you seek to grow, catalogs are the best tool your salesperson can use to acquaint prospective customers with your company and with its products. Line cards can’t hold a candle to the impact of riffling/thumbing through a catalog with all the manufacturer logos and product pictures. It also trumps the plodding, screen-by-screen view available through websites. A 20-second dash through a catalog leaves mental images in the contractor’s head that would take many hours of sales time or terminal to duplicate.

- **Catalogs defend your territory against out-of-town catalog houses** — Sometimes you are not considered just because you don’t have a catalog. I was on a consulting assignment a couple years ago and noted that the hotel’s toilet seat had a tag on it from the catalog-based company who had provided their big red catalog to the hotel maintenance

crew. The out-of-town catalog company had effectively penetrated this customer with a \$10 catalog investment plus postage. They had circumvented all the local supply houses — with promised two-day delivery shipped from their distant, lower-cost mega-warehouse and at a net higher price than the local supply houses would have charged for the same product. When your “delivered today, fair price” catalog sits on the MRO guy’s desk beside their “two-day delivery, higher price” catalog, you get a shot at the business.

- **Catalogs help the wholesaler to divorce himself from the manufacturer’s pricing** — As much as your manufacturers love you and care about you, their pricing is fundamentally designed to make them money. In many cases, their national list or trade pricing does not address the unique competitive situations you face or the profit opportunities that exist in your market. Their one-price-fits-all price sheets can prevent wholesalers from making fair profits on their product line. When you use their pricing with a simple discount or multiplier, you are missing the biggest profit opportunity in wholesaling. That is the opportunity for price tuning (we like to call it “optimizing”) based on the price sensitivity and volume of each product you sell. (For a reprint of past columns regarding the profit potential of this price optimization process, e-mail me at Rich@go-spi.com.) With your optimized pricing grossed-up to create your own trade or list price, you print your catalog — which now becomes the pricing reference for all of

your customers. Any discounts can be given from your “optimized” price that was created to make you money. Of course, different types of customers and markets get different discounting — but everyone uses the same book to locate their reference price.

- **Catalogs can generate “product pull” from your customers** — Catalogs will cause customers to request or specify products even when the sales force has not presented them. Just as customers have “buying ruts,” your sales team has “selling ruts.” They promote a narrow band of the products you sell — usually the products that they are comfortable discussing. Unfortunately, the products they like to discuss may not be that newer, leading-edge, higher-margin products that they have not mastered. Catalogs show and explain all the products you offer while emphasizing the one’s that make you more money. Sales people get very limited “face time” with customers, so presenting the wholesaler’s full offering would be impossible even if that was their intent.

- **Catalogs can sell the whole job’s material** — Some salespeople get too focused on selling the “big-dog” products. I always think of the guttural grunts that Tim Allen, the comedian who plays the tool guy, uses when I think about these guys. In HVAC selling, you hear some equipment guys uttering those loud grunts whenever they write orders with boxes like furnaces and condensing units. Loud grunts, big dollars, not much writing — but often very low margin. Sure, you want them to sell boxes, but the supplies and accessories that are

also needed to complete the job often don't get proper attention.

While the sales team might not want to be troubled with the good-margin, low-dollar stuff, a catalog that conveniently shows the equipment and other supplies and accessories needed to complete the job can help to make the sale.

- **Discipline for inventory** — Why would you have products in inventory that are not in your catalog? There is far better chance that your customers and sales team will know that you stock the product when it appears in your catalog. When you stock a product that neither your customers nor sales team know you have, it's a good bet that it will show up on the dead-stock list. The discipline of keeping the catalog up-to-date pays in several ways:

1. **Proper marketing.** Most companies' sales teams will admit that they become aware of some stocked products for the first time when they appear on the "close-out" list. The buyer buys them, the warehouse warehouses them, but they just sit on the shelf because the salesperson doesn't sell them

and the customer's purchasing agent doesn't purchase them because he just doesn't know about them. Getting product information into the catalog should be one of the foremost activities whenever a product or line is added. It communicates that the new product(s) are available and provides the information necessary to understand them.

2. **Visual control of product information.** Desirably, the product information in your catalog feeds your main computer and e-commerce tools. So the catalog serves as simple tool for your product managers to proof and edit product information. Viewing a catalog with its organized data and pictures is just easier than scanning page after page of computer green-bar or paging through a downloaded spreadsheet. Making a product manager responsible for his section in the catalog brings focus and accountability to a task that seldom happens otherwise. When we organize catalogs for our customers, we build the initial

catalog using data from their computer's inventory. Typically, as product managers review their pages, they find products in stock that they didn't know about, part numbers that are wrong or obsolete and descriptions that are inaccurate or inadequate. People find the visual presentation of the catalog provides a much more natural way to maintain product marketing information.

- **Finally, catalogs aren't as expensive as they used to be** — With computer programs specifically designed to create catalogs, outsourced project teams to get you going, low-cost national printers and the support of your manufacturers, you can get started quickly and often produce current catalogs for less, per customer, than a nice lunch.

The jury is NOT out regarding the benefits of catalogs. If you think about it, many of the wholesalers who dominate, and whose performance you admire, have an ongoing catalog program for some or all of the reasons listed above. ■

**Speaking of catalogs...Did you know that Schmitt ProfiTools, Inc. has been in the catalog business since 1986? Call us today at (314) 872-9199 to learn more about our top-notch catalog software and services as well as our well-developed web, CD-ROM and palm device tools. Or check us out on the web at [www.go-spi.com](http://www.go-spi.com).**