

Buying at a Lower Cost

Buying at a lower cost rarely has anything to do with a retail price.

Being an astute and informed buyer has its rewards – rewards that are for the buyer to keep. The savings earned from finding and negotiating a great buy does not immediately point to a lower retail. This is especially true for private label OTC.



For example: Hypothetically, a major brand of a 120-count low-dose aspirin may cost \$6.00 with a zone retail of \$6.99, and the equivalent store brand private label may cost \$1.70 with a retail of \$3.99. The \$3.00 difference in the two retails is a significant savings to the consumer. Now let's say that you have a buying opportunity to purchase that private label or another comparable private label at \$1.25; your retail should remain at \$3.99.* The savings are for the buyer and should not be necessarily passed on to the consumer.

Retails on private label are based on a percentage of savings from the brand's everyday retail price, not by applying a margin to the cost of the private label. Keep this in mind when purchasing other item, particularly show deals, floor displays with discounted or free merchandise, special offers, introductory offers, product with free freight, and free goods. *The deal is for you.* If you do choose to share the savings, make sure the time period does not exceed the number of items you purchased on the deal and that the special ends before the need to reorder. Deals do not last forever; for that reason, mark the item as a limited time sale price or special offer. **Many dollars have been lost by neglecting to change a discounted price back to the regular price – don't let it happen to you.**

A note to gift buyers: It is very tempting to buy cheap and sell cheap. Remember, gift items need to offer a minimum 40 to 50 percent profit margin after freight has been factored into the total. Be an informed buyer that is in tune with current retails.

When I was managing a front end, I planned to bring in a gift line to which the distributor told me to apply a margin equivalent to six times the cost! I told the rep. that I was more than happy to simply double my money and not be greedy. He said he would not sell me the product because I was going to "kill the line" for everyone else. I took the line and easily made the profit margin. **Buy smart and sell smart.** As my father used to say, "Anybody can give something away." ***Don't give away your earned profit.***

*Note: Zone pricing will only set the retail for one brand of private label, typically the wholesaler's private label brand.

-- Gabe Trahan, NCPA Senior Director of Store Operations and Marketing