**How to purchase, price, and merchandise your new niche line**

Drug wholesalers cannot be expected to be everything to everyone. That means finding niche items calls for some searching on your own. When considering a new niche line for your store, you need to determine if you can make a profit with the product! The cost of freight, size of the opening orders, minimum reorder quantities, space needed to properly merchandise, and required face time with customers to sell the product can all eat away at net profit. Adding up these factors can diminish an expected 40% net profit margin to less than 15%. Here are ways to maximize your profit on your new niche line.

****First, check the numbers. Confirm the cost of shipping. If you chose not to meet or the vendor does not offer a free freight program, subtract the cost of freight from your expected profit margin. Here are some examples. The following are freight cost for an all natural chocolate, cherries and nuts line (yummy). The product ships from Washington State. The cost of the example order before shipping is $170.00. Shipping to Milton, VT is $17.07. That is 10% of the cost and reduces the profit margin from 40% to 34%. Shipping to:

* Long Beach, WA is $16.93 (10%), a net profit margin of 34.02%,
* Vero Beach, FL is $35.69, (21%) a net profit margin of **27.4%**
* Miami, OK is $22.96. (13.5%), a net profit margin of 31.89%

The best-case scenario, the 40% margin, is now 34% and the worst case is 27.4%. The decision you as a buyer have to determine is how much margin you need to have to make a worthy profit. To help decide, estimate how many turns the product make in a year. Selling the inventory twice a year (twice a year = two turns) at 27.4% and knowing your operating expenses may not be worth the investment.

After you are satisfied with the profit margin, take a look at any additional savings that are available to you, such as 2% discount if paid within 10 days, free freight if ordering over $250.00, and discounts or free goods when ordering in case packs. These are not permanent discounts and are not to be considered in formulating the retail prices. Next, decide if the retail price you have chosen to use can go up! If this item is hard to find and not price sensitive, then there is an opportunity to increase your profit margin. In the consumer's eyes, there is not much difference between $3.79 and $3.99.

Furthermore, building a successful opening order calls for data that directs you to the best sellers. For example, there are six everyday flavors of Hershey Kisses and an additional 26 “limited time only” flavors. Only two of the total 32 flavors are best sellers, milk chocolate and milk chocolate with almonds. If your budget for Hershey Kisses were $100.00 it should be spent 65% on milk chocolate and 35% on milk chocolate with almonds. Never buy across the board for a line without testing the best sellers first. Likewise, another example is if you stocked every scent a candle company made you would not turn a profit.

Introducing a new line requires merchandising strategies. Always ask for samples and look for counter or floor display opportunities. Know where the product will be merchandised before it arrives to your store. Additionally, replenishing a niche line can be a challenge. Understanding the minimum reorder amount is crucial in planning your inventory strategy. Large required minimal reorder amounts could be a deal breaker.

Most of all you need to like the line, use it and be prepared to recommend it. If no one in your store is ready to recommend the product then do not carry it, find something else. Simply put, you need a champion for every specialty line you bring into your store. It doesn’t have to be you, but it does have to be a trusted staff member. Finding a niche takes a good deal of effort. If it didn’t, it would not be called a niche - it would be like the Hershey Milk Chocolate Kiss, found everywhere, on sale.

\*To discover possible niches visit [www.frontendmarketplace.com](http://www.frontendmarketplace.com). Check out this [Niche Pricing & Purchasing Checklist](http://www.ncpa.co/pdf/feo-niche-purchasing-and-pricing-checklist.pdf) to help you order your next niche line. Make sure to read my merchandising and pricing tips before you place your order.

-- Gabe Trahan, NCPA Senior Director of Store Operations and Marketing
NCPA’s Front-End *Overhaul*