

# ABC'S OF WHOLESALE



THE ABC's of Wholesale Terms- A compilation of some of the most commonly used terms in the retail industry.

## **Bulk Discount:**

A discount is offered to individuals and companies that order in volume- but do not have the intention of reselling the product. (Example: a company buys your product to gift to their clients. Since they won't be collecting sales tax, you must collect it. Wholesale pricing is reserved for registered retailers. Make sure your bulk discount is not as low as your wholesale price.)

## **Buyer/Boutique (aka Purchaser):**

The employee of a retail store who is in charge of purchasing product at wholesale prices to resell in the store.

## **Cash on Delivery:**

A situation in which the boutique/brand does not pay for goods until they are delivered.

## **Catalog (aka Brand Book):**

A sales tool that offers an in-depth look at your brand. Catalogs are generally designed for print, with a companion PDF. Include lifestyle photos and product description. Buyers will want a line sheet sent along with your catalog so they can view your policies and pricing.

## **Consignment:**

An alternative to wholesale. The retailer/boutique doesn't buy product from the seller. Instead, they place the product on their shelf. If the product sells, the retailer takes a cut. If the product doesn't sell, it is returned to the seller. Your margin will be higher than in a wholesale arrangement since the risk is lower for the retailer. But the retailer is less committed, and the additional workload for you makes this an unsustainable model of business for most sellers.

## **Delivery Window:**

A certain timeframe (not before x date and not after y date) that the product will ship. Depending on your policy as a wholesaler, retailers may request to cancel their order without penalty if the goods are not shipped during the agreed-upon delivery window.

## **Drop Shipping:**

A supply chain management method in which the retailer/boutique does not keep products in stock. Instead, they transfer customer orders directly to the manufacturer. The manufacturer fulfills and ships directly to the customer.

## **Exclusivity/Style Protect/Zip Code Protect:**

An agreement between the retailer/boutique and brand, where the brand agrees to only sell to certain retailers.

## **Line Sheet (aka Sell Sheet or Price Sheet):**

A PDF and/or sheet of paper that includes the ordering details for your line. It should include item descriptions, SKU numbers, wholesale prices, and MSRP. Include your wholesale terms, such as your order minimum, payment terms, shipping arrangements, and how to buy. It should be easy to read by anyone. It also functions as a way for you to gather information from your customer- shipping/billing address, phone number, email address, and credit card information. All order forms should be dated and signed when an order is placed.

## **MSRP or SRP (Manufacturer's Suggested Retail Price):**

The price that you, the manufacturer, would like retailers to sell your product for. Many retailers will choose to sell above this price, but the idea is that you don't want any of your retailers to sell below this price.

**Minimum Order Quantity (MOQ):**

The dollar amount or quantity that you require orders to meet/exceed in order to qualify for wholesale pricing.

**Net Terms (NET):**

The number of days that a retailer has to pay you in full for an order, beginning the day that the product is shipped. "Net 15" or "Net 30" means that the retailer has 15 or 30 days to pay you, respectively. You can offer them a discount for paying early. For example, "2/10 Net-30" means that the retailer can take a 2% discount if they pay within the first 10 days, otherwise they have 30 days to pay in full. You are not required to offer terms.

**Out of Stock (OOS):**

When you (as a supplier) don't have a certain product available for whatever reason, you would list it as OOS.

**Point of Purchase (POP) Display:**

A stand-alone display unit that you provide your retailers with to enhance your product's appeal and visibility. POP displays may also help you gain additional placement within the store, e.g. at the checkout area.

**Pre-Pay:**

In a wholesale arrangement, pre-pay terms means that the retailer must pay for your product in advance of delivery. rather than upon delivery (aka Cash On Delivery) or after a certain period of time (aka Net Terms).

**Producer (aka Manufacturer, Seller, Brand, Supplier, Wholesaler):**

These terms are used interchangeably to refer to a company that sells its products to wholesale buyers at wholesale prices.

**Purchase Order (aka PO):**

A document that a retailer submits to a wholesaler, detailing the products and quantities that they'd like to buy, along with the prices they expect to pay and their desired delivery window. The wholesaler responds to the PO with an order confirmation, indicating any out-of-stock products or price changes, and whether or not the delivery window is achievable. Like invoices, PO's have a unique number for internal bookkeeping purposes, which the wholesaler should include on the invoice when the order ships.

**Terms & Conditions (T&Cs):**

The set of rules that retailers must agree to in order to purchase your product wholesale. Your fine print, in other words. Your terms should address when you expect to be paid (net 15, net 30, prepay, etc), forms of payment you accept, which party pays for shipping, whether or not you accept returns or offer credits, and anything else related to payment. Make sure you're clear about your terms when setting up a new account, and include them on your line sheet and website.

**Wholesale:**

A B2B relationship in which a vendor sells goods to a retailer at a price that is roughly half of the vendor's MSRP, so that the retailer can mark it up to the full retail price and sell it off of their shelf to the end consumer. Sales tax is collected from the end consumer by the retailer. The retailer provides the wholesaler with a copy of their resale certificate so there no is need for the wholesaler to collect taxes.

