



Choosing and Using Brokers

Summary

Brokers and/or sales representatives are intermediaries hired by the manufacturer or distributor to sell your product to your retail trade. Brokers or reps do not purchase product from you, but make sales for you in your chosen market territory. Brokering firms typically serve one specific market segments such as mass-market grocery, natural, specialty, or convenience store. Brokers represent numerous product lines. Fees for services and/or commissions generally range between 5 percent and 15 percent of wholesale sales revenues. For instance, in the specialty food segment a broker may receive 10 percent for sales to retailers and 5 percent for sales to distributors. A broker may also play a key role in your search for a distributor. Manufacturers should consider using brokers or sales representative when they are ready to market at a regional or national level.

Key Issues

Researching Appropriate Brokers

Brokers play a key role in the growth of your business. When you become unable to add and service new accounts, they act as your virtual sales staff by disseminating your product literature, samples, and point of purchase materials, and by taking orders. Using brokers can be the most cost-effective method for expanding your access to markets. An experienced broker generally represents many different food lines. Brokers will review your product line for compatibility with their overall catalog of product representation and territory.

Attracting brokers

Listings and advertisements of brokers are routinely published in trade journals. The National Association of Specialty Food Brokers, Natural Food Merchandiser, and Natural Business are good resources for the natural and specialty food segments. Contact information is included in the resource section.

- Trade shows. Exhibiting at statewide, regional, or national trade shows is a good way to showcase your product line to brokers. Manufacturers will often place a "broker wanted" sign on their table to attract interest.
- Distributors & retail contacts. These contacts can be especially valuable in locating and evaluating your choice of a broker. Most retail accounts and distributors can make recommendations to you about brokering firms that serve their region and market segment.



Choosing your broker

After you've identified possible brokers, you should meet with them to review their experience and requirements. Some issues to consider include:

- Are they respected within the industry? Do your retailers and/or distributor currently work with them? Review their references.
 - How much experience do they and their staff have?
 - Do they cover a market territory appropriate to your market segment and targeted expansion?
 - What kinds of accounts service do they provide? Do they service your current accounts and the markets you have targeted for access?
 - Is your product line compatible with the lines they currently represent? Will competition be a problem for positioning?
 - What are their account requirements for sales? Do your production and market capacities match their needs for adequate activity and compensation?
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Finalizing the deal

Contracts

When you've found the right broker for your product line, prepare a contractual agreement that covers all aspects of your business relationship. A contract should include geographic territory to be covered, rate of commission, conditions and terms of sales, merchandizing support you will provide, and payment schedules.

Partnering with your Broker

Make sure you give your broker all the tools he/she will need to effectively represent your product. Some tips for fruitful partnerships include:

- Design and plan product promotions, introductions, and merchandising programs with the broker's input.
 - Make joint calls on new retail customers and key existing accounts several times a year. Provide your broker with monthly updates on specials, demos, introductory offers, and other promotion events.
 - Request that your broker visit and work your exhibit at trade shows.
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Definition of Terms

Commission: The fee the broker receives for services rendered, usually paid on a monthly basis.



Territory: The geographic area that a broker will cover, per your contract, to establish new accounts and service existing accounts.

Print Resources

From Kitchen to Market, Ch. 3: "Taking Your Product to Market"

Marketing Aesthetics: The Strategic Management of Brands, Identity, and Image
Establishing a Shared-Use Commercial Kitchen, Ch. 7: "Marketing Specialty Foods" (available through the National Business Incubator Association's bookstore. Visit their web page at www.nbia.org)

Reference Guide for Kansas Food Processors. Call 785-296-3737 to order.

The National Association of Specialty Food Brokers (414-425-6225).

National Food Brokers Association (703-758-7790).

Look for these book titles at you public library or local bookstore. All books are also available through online booksellers, such as www.amazon.com.

Web Resources

[The Food Dude](#)

[Food Processing magazine](#)

[Supermarket Business](#)