

## The Language of Retailers

Meeting with a retail buyer can feel intimidating enough on its own. However, when you don't understand some of the common industry terms, abbreviations and questions, it can feel overwhelming.

We hope you find the definitions below helpful in demystifying some of the most commonly used terms, and as a result, this document provides you with greater confidence when communicating with retailers.

### The Language of Retailers:

**Average Basket Size:** The retail sales in a typical average consumer basket. Retailers strive to grow this number, as it is less expensive to grow sales through existing customers.

**Best in Class (BIC):** Best in Class within a category is an important review process for new products trying to find their way into a shelf line-up. The BIC represents the best or superior product within the category.

**BOGO:** Buy One Get One is currently declining in popularity amongst retailers, although remains hugely popular amongst consumers.

**Category Mix:** The allocation of different product types and sizes within a particular category. Also, commonly called a category set.

**Cherry picker:** A derogatory term used to describe customers who shop for the best deals only at a number of stores.

**Comp sales:** Comparable sales are a preferred financial performance indicator by market analysts as it compares performance from one period of time to another period of time and offers a relatively clean assessment of top line business performance.

**Consumer Decision Tree (CDT):** A process by which consumers subconsciously assess product options and arrive to their purchasing decision. Typically used to identify your Target Consumer.

**Direct Store Delivery (DSD):** Products that do not go through a central warehouse are delivered directly to the store. Commonly these are either very local items, short dated products, small volume products and items merchandised by the vendor (pop, bread, chips, dairy).

**Display Ready Pallet (DRP):** DRPs are common in most warehouse stores, where a full pallet of product can be simply rolled out on to the sales floor without further handling by store employees.

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**End Aisle Displays:** Typically, front end aisle displays feature high volume great value sales offerings, while the back of store end aisle supports lower volume feature offerings.

**Electronic Data Interchange (EDI):** EDI is the computer-to-computer exchange of business documents in a standard electronic format between business partners. With rare exception, all suppliers would be expected to be set up on EDI to allow for effective exchange of orders, billing and other communication.

**Category Fair Share Gap or Opportunity Gap:** The gap or opportunity that exists when comparing market share in sales of one retailer's category over that of a retailer's overall market share.

**First to Market:** An advantage retailers desire as an opportunity to secure a competitive advantage over their competitor for a product that is likely to perform well. It's a valuable negotiation offering for vendors to offer the right retailer. First to market may represent a margin opportunity to a retailer as well as a competitive advantage.

**Front end:** The checkstands and customer service counter where purchases are made.

**Guaranteed sale:** The supplier will reimburse the retailer for any product not sold – lowering the risk of the retailer. It can be an effective way to secure access to a store, however in some cases retailer commitment is lower because of the non-existing liability.

**Health and Beauty Care (HBC):** The areas of the store where shampoo, soaps, personal care items and non-prescription medicines are sold.

**Instant Redeemable Coupons (IRC's):** IRC's are typically attached to the product to be peeled off and redeemed at the checkstand.

**Long term special (LTS):** LTS refers to a discount applied to a regular retail of a longer duration, typically 2 to 3 weeks.

**Merchandising:** The term used by retailers for how they design a department or category, including the inventory mix, line-up, pricing and promotional strategy as well as calendar for implementation.

**Margin:** The difference between a product or service's selling price and its cost.

**Net Sales:** Sales after markdowns and discounts are applied.

**Net Net Sales (cost):** Refers to bottom line cost with no promotional funding or other built in programs.

**Off shelf Display (OSD):** A secondary display of a product away from their standard location, allowing for additional sales and promotion attention.

**Private label:** Products that are controlled and often developed by the retailer to compete with national brands. Because they are typically more profitable to the retailer, they receive premium shelf location within participating categories. Also, sometimes referred to as consumer brands.



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**Pricing Strategy:** Common pricing strategies include Every Day Low Price (EDLP) where a store will strive to build a reputation for having on average consistently lower prices and High – Low, where by the retailer builds its reputation on sales and feature specials during a limited time only.

**Product Look Up (PLU):** PLU codes are identification numbers affixed to produce items, allowing for check-out and inventory control to be easier, faster, and more accurate.

**Retail Price:** Retail is the price point of a product to the consumer.

**Sales Plan / Annual Program:** A plan developed by the vendor and discussed and approved by the retailer that outlines the volume, pricing and promotional plans for the year. The plan is typically reviewed quarterly, unless necessary.

**Sales per Square Foot:** Total sales divided by the retail square footage of a location's active sales space.

**Service Level Score:** Refers to the rate at which products are being supplied accurately to a store compared to the original specified order.

**Shrink:** The assessed value of product that a retailer produces or purchases for sale that does not get sold. Reasons for Shrink include distress, damage, dated product and theft. Under most circumstances, Shrink is a direct cost to the retailer and concerted effort is invested into minimizing Shrink, while still having sufficient inventory on display.

**Stock Keeping Unit (SKU):** The term used to describe an item or product.

**Supply Chain:** The team that is responsible within a retailer's operation for ordering, warehousing and usually distributing products to its retail locations.

**Tie High:** The height allowed on the layers of a pallet.

**Temporary price reduction (TPR):** TPR refers to a discount applied to a regular retail price that is of a shorter duration, typically one week.

**Top line:** Refers to gross sales, and is a key financial for retailer.

**Universal Product Code (UPC):** A unique 12-digit number and associated bar code assigned to the product. UPCs are product specific and help a retailer track item movement through its operations.

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