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## Success Story\*

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**Waterheater Unit Sales At This Retailer Are 28% Greater Per Store Per Year than Its Larger Competitor.**

**Waterheater Manufacturer Sales Up More Than 300% Over Eight Years through a Single Retailer.**

***Manufacturer Survives Industry Consolidation, Becomes the #1 Waterheater Manufacturer in U.S.***

***Returns Down From Near 10% To 5%***

***XYZ Provides Better Merchandising Work Than The Manufacturer's In-House Staff, At A Substantial Cost Savings.***

***Emergency Regulatory Recall Handled in 72 Hours While Some Competitor's Waterheater Departments Were Shut Down for a Month.***

***Helped Manufacturer And Retailer Conduct First Effective Line Reviews, Resulting In Not Stocking Gas Water Heaters In Electric Water Heater Markets.***

The following success story is presented as an example of the results possible when manufacturer, merchandising company and retailer all work together effectively. Wherever possible, we will let the manufacturer and retailer's people describe the quality and effectiveness of XYZ' work.

### **The Manufacturer's Problem**

The manufacturer's products were already in the retailer's stores, but the following challenges were present:

- **Returns were approaching 10%**, which was extremely costly due to the heavy nature of the product.
- **Sales were lower** than expected.
- **Many competitors** were competing for waterheater sales.
- The manufacturer's internal merchandising team was small, resulting in **stores getting only one visit per month**, or less. This resulted in an **inconsistent, sporadic merchandising service**.
- **Product was often on overhead racks and not on sales floor**, making sales unlikely.

## The Retailer's Problem

Often problems are not exclusively owned by the manufacturer or the retailer, but the following items were issues that significantly affected the retailer.

- Retailer's personnel were **not well suited for the heavy, technical work** of selling Waterheaters.
- **No Mind Share, No Glitz Among Retailer's Sales People:** It is a common problem for a retailer's personnel to pay only minimal attention to selling a heavy, complex product of this nature. Waterheaters are a nondescript product that commanded little attention.
- **Returns Were a Problem** due to the heavy nature of the product and the difficulty a retail associate has in telling the difference between minor problems and real problems that require a return. Returns were not getting done correctly.

## Results

In addition to the results described in the accompanying customer quotes, the waterheater program produced the following results:

- **Waterheater Unit Sales At This Retailer Are 28% Greater Per Store Per Year than Its Larger Competitor.** (Took place over eight years).
- **Manufacturer Survives Industry Consolidation, Becomes the #1 Waterheater Manufacturer in U.S.** (Partially due to an acquisition, but substantially due to the success at this retailer, of which XYZ was a big part.)

- **Waterheater Manufacturer Sales Up More Than 300% Over Eight Years through a Single Retailer.**

### Emergency Recall, Back Up and Selling in Three Days, Competitor Takes a Month:

"One of the outstanding things XYZ did concerned a recall on a problem part. This was a regulatory mandated recall. We just gave XYZ a list of serial numbers, and in 3 days, at all 1200 of our retailer's stores, they had solved the problem. They pulled all the subject water heaters to the backroom for shipping. XYZ helped us reduce our potential liability dramatically. **Our competitor in another retailer had departments shut down for up to 30 days.**"

**Excellent Training:** "Ongoing training is another thing that XYZ does well. The retailer moves people among departments frequently, so training needs to take place regularly. XYZ also does all the training for new stores. XYZ has developed some training for us, and, in some cases, we developed the training. **XYZ' approach, using a handheld unit with sound and video on the floor, in 2-3 minute segments is outstanding.** You probably could not get the retailer's people into the back room for training and straight verbal or written training materials don't work very well. XYZ also does offsite training for the retailer, which includes the retailer's floor people and the contractors that install the water heaters."

**Selling 1/3 More Than Competitor's Stores:** "Each of our retailer's stores sell about 1/3 more units than their major competitor. Market research shows that our retailer's stores have a significantly higher close ratio."

**"We view XYZ as a vital part of our business. They are not a vendor or a subcontractor. We value them and what they do for us as a full partner in our business. We hope to continue indefinitely."**

**Rusty Frontz, Vice President of Sales,  
American Waterheater Company**



## XYZ' Solution for Increasing Sales of Waterheaters

Following are the major components of the program that XYZ put together for American Waterheater:

- **Product Line Reviews, Planogram Room:** Help manufacturer sell to retailer's buyers by providing information and assistance with product line reviews, including a planogram setup room. Assistance might include monthly competitor's price surveys. Including pictures, purchasing accessory parts from competitors for line review, set up planogram room for line reviews, etc.
- **Product Knowledge and Sales Training** for retailer's associates. This included video training and paper-based training. On a daily basis, XYZ would train all of the retailer's new hires. XYZ would report on training completed weekly, monthly, or as needed. XYZ specializes in teaching "**need / feature / benefit**" selling rather than just "price / feature" selling. For video training, XYZ creates or compiles the training, in conjunction with the manufacturer. XYZ provides the training on handheld PDAs, on DVDs, or in VHS tape format. An XYZ specialty is the **4-5 minute video training on a handheld PDA**. XYZ' people will catch the retailer's associate when they are between customers and get the training done, with video and audio, right on the sales floor.
- **Competitor Price Surveys:** XYZ conducts price shopping surveys at competitors as needed, generally monthly.
- **Represent Manufacturer at Retailer's "Contractor Day"** twice per year.
- **POP Materials, Displays:** XYZ ships POP materials, sets all displays, sets up the POP and will consistently meet deadlines for timed promotions.
- **Set Up Display Models, Replace Those that are Sold:** XYZ will handle the difficult, heavy – and often neglected – chore of putting out new display models and replacing those that have been sold off of the store floor.
- **Returns, Recalls:** XYZ handles the difficult and often neglected chore of processing returns and making sure that safety or regulatory recalls are handled rapidly and completely.
- **Back Room Repair Service:** Often a product needs only a minor repair to be restored to saleable condition. XYZ offers a "back room repair service" where its people handle many minor repairs that store personnel are not be able to do. With heavy products, **the reduction in shipping costs and un-saleable inventory costs are considerable.**
- **Move Out the Non-Performing Inventory.** XYZ conducted ongoing efforts to reduce non-performing inventory. XYZ took inventory information and reduced it to in-store action to reduce non-performing inventory.
- **Monitor Inventory Levels, Conduct Cycle Counts:** XYZ' personnel were certified to conduct cycle count inventories and enter the results directly into the retailer's system. The retailer's system would then automatically reorder product to meet the pre-set inventory levels.
- **Weekly Contact With, And Reporting To Retailer:** XYZ' personnel reported on missing displays, missing parts, missing accessories, out of stocks, not selling because display sold, need stock down from shelves, non-performing inventory, returns, scheduling, merchandising work requests, etc.



## **XYZ' Solution for Increasing Sales of Waterheaters, continued**

- **Rotate Stock** to make sure older product is sold first.
- **Down-Stock Program:** Regularly see that retailer's people got the correct stock down from the overhead racks down to sales floor. This was often the first task the XYZ rep did upon arriving at a store.
- **Keep Displays Presentable:** Dust displays, remove tape, align displays, make sure product information and accessories are attached, make sure price tag is right, watch out for safety issues.
- **Strengthen Store Manager Relationships:** This retailer does not permit XYZ to sell store managers on extra display space, promotions, etc., but strong manager relationships can be built a number of other ways. First, by responding to calls and merchandising service requests immediately. Second, by preventing problems rather than just reacting. Third, by training retailer's associate to sell and even selling right alongside the associate.
- **Analyze Product Mix by Market, Including New Store Openings:** XYZ also helped its manufacturers by keeping an eye on the product mix at individual stores. Rapidly growing retailers often start with a standard product mix for all stores, across the entire company. In practice, XYZ has found that regional and local preferences vary a great deal, resulting in either hot sales opportunities or slow moving inventory.
- **Special Projects, Urgent Needs, Escalating Exceptions, Miscellaneous:** XYZ did special projects which included emergency merchandising efforts to meet regulatory recall requirements, etc. Other services included taking exceptions to the retailer's buyers with a critical action form.
- **Recommend Orders to Stores** for situations where automatic reordering may not be sufficient.
- **Leave Card After Each Visit** so store manager knows XYZ was there and performed service.



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- **Returns Down From Near 10% To 5%** or less in 5 years.
- **XYZ Provides Better Merchandising Work Than The Manufacturer's In-House Staff, At A Substantial Cost Savings.** This program originally began as a cost-savings effort, based on one call a month. The results have been so significant that the work has now expanded to weekly service at all of retailer's stores.
- **Emergency Regulatory Recall Handled in 72 Hours While Some Competitor's Waterheater Departments Were Shut Down for a Month.** The U.S. Government required all gas water heater sales suspended until all inventory was checked and defective units were removed to the back room. The sales gains and cost savings of this effort alone probably paid for XYZ' cost for an entire year.
- **Waterheater Manufacturer Won Numerous Awards From Retailer, Including Company-Wide Vendor Of The Year.** The Waterheater department was the #1 department vs. plan for the entire retailer, twice in the last four years. The waterheater department head also won merchandising director of the year.
- **Helped Manufacturer And Retailer Conduct First Effective Line Reviews, Resulting In Not Stocking Gas Water Heaters In Electric Water Heater Markets.** Result was more effective department layout, use of inventory dollars, etc.
- **Consistent Department Appearance, Planogram Compliance, Effective Use Of Inventory Dollars**

**\* Please Note**

Percentages and dollars are approximations of estimated benefits for illustration purposes only. Each client situation is unique and this is not intended as a guarantee of a specific outcome. Company names, names of individuals, financial and other details may have been changed in order to protect client confidentiality. Please contact us for details and a client contact for verification prior to making a decision based on information in this paper. For more information contact:





**Cooperation, Partnership:** “I am absolutely happy with XYZ’ work. Their office is close. They would come over and work with me and even bring their regional people in to meet with us. It was a true partnership. Our working relationship was ‘how can we help other?’ It was a true collaboration.”

**“XYZ Handled Signage, POP Materials, Packaging, Planogramming, Downstocking.** These were very valuable services to us. Planogram integrity was a big deal. Their total value to us was greater than the sum of the parts. All their program components came together to produce excellent results.”

**“XYZ Performed for Us in Waterheaters,** so we were glad to recommend them to other departments and other manufacturers.”

**“The Manufacturers initially resisted paying for merchandising services.** They had not paid for a merchandising company before. Within 6 to 9 months, **the value of XYZ’ work was so great that the manufacturers changed their views.**”

**“Waterheater sales tripled or quadrupled for us during XYZ’ tenure.** The manufacturer that they represent may or may not be #1 one in the industry, but they certainly are in the top two. Your general numbers in this success story sound about right. We sell significantly more Waterheater units per store than our main competitor, who is about a third larger than we are. XYZ’ Waterheater manufacturer won numerous awards from us, including vendor of the year across all departments.”

**“XYZ did a major reset for us – every store – and it was one of best executed resets** I have ever seen. We actually had an internal evaluation conclude this, independent of my opinion.”

**“XYZ’ Training was Outstanding.** They developed training which could be delivered, with video and audio, through a handheld PDA device – right on the selling floor in – in 2 to 3 minutes.”

**“Backroom, Inventory, Returns.** XYZ handled these items, which was very helpful. Product did not sit in the back room gathering dust and eating up inventory dollars.”

**William Rust, Buyer, Waterheater Dept, XYZ Retailer**  
(Name and company name are disguised at the interviewee’s request.)