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Vendors depicted as down a rung

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ROGERS - Consumerproducts manufacturers must deal with the new reality that retailers increasingly call the shots on which products end up on store shelves, how the products are displayed and how heavily they are promoted, representatives of vendor companies were told Wednesday.

With retail space shrinking as a result of store closures and bankruptcies, retailers are insisting on greater control over product mix and shortening the time frame for new products to prove themselves, two retail consultants told suppliers gathered at the Holiday Inn Hotel and Suites.

Indeed, the fourth rule for suppliers in the consultants' "4 New Rules to Thrive at Retail" was "You're not in control."

"There's a lot less time to build shopper loyalty," said Carol Spieckerman, president and chief strategist for newmarketbuilders of Bentonville.

Spieckerman and Aimee Mozingo of BDS Marketing Inc. in Irvine, Calif., spoke to about 24 supplier company representatives.

As the recession has deepened, several retail chains have succumbed to bankruptcy, and tens of thousands of retail workers have lost their jobs.

Other retailers have pulled back sharply on expansion plans, and even big-box-store companies such as Wal-Mart Stores Inc. of Bentonville have reduced the size of some new stores.

That means less shelf space as retailers aim to get more productivity out of fewer products, Spieckerman said.

In the current retail environment, Mozingo said, retailers are reluctant to wait very long for data on product movement and are devising ways to define leading indicators of product sales.

And retailers also are adding more private-label brands, which typically have a greater profit margin, as they refine their mix.

Some retailers, Spieckerman said, have pulled national brands from an entire region if they don't quickly establish their sales value. And retailers are exerting control over product placement in the store, the product message to shoppers and how that message is delivered.

"Every retailer out there says, 'The store is my brand,'" she said.

Don Delzell, co-chief executive officer of consulting firm Future Merchants in Sherman Oaks, Calif., said in a telephone interview that "retailers are in fact driving harder bargains."

"The profit margin for suppliers right now is at a historical low," he said.

However, he said it is unlikely retailers can squeeze more concessions from suppliers.

"There's no low-hanging fruit left," he said.

Although most suppliers have signed onto the "green" movement by offering more products made in ways aimed at lessening the impact on the environment, the move could reduce sales, Spieckerman said. Shrinking the package, known in retailing as the "silent salesman," means less brand presence, she said. "Green" is a general term to describe efforts to reduce waste and clean up the earth. Mozingo said some of her firm's clients have begun to question whether the "green" push has helped them sell products. "Our clients are struggling with it. We've seen a little bit of pulling back," she said.

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