

How To Switch From Wholesale To Buying In Bulk

Hi everyone! Thanks for joining us for today's discussion about small businesses and when to move from buying wholesale volumes to bulk volumes. My name is Hannah, I work with Centra Foods. Just as a reminder for you, you can find us on Twitter; our handle is @CentraFoods. Or, you can find us on Facebook. We'd love to hear from you-- we love our small businesses!

The first thing that I want to go through with you today is, a lot of small business come to us saying, "We would love to start buying in bulk volumes instead of buying from our local wholesaler".

The biggest difference between these two buying systems is that a wholesale is going to be someone like Costco, like an ingredient distributor (if they carry lots of different things and they deliver them to your house), like a Sysco. Anybody that is going to be distributing smaller volumes; a few cases at a time and potentially multiple different ingredients. That's what a wholesaler does.

A bulk supplier typically has a more narrow range of items that they carry, but their minimums are going to be much higher and their costs are going to be lower than the wholesaler. That's because they actually distribute to wholesalers as well as to you.

So with the bulk transition, we get a lot of small businesses that are coming to us and saying, "Hey, we're ready to move to bulk, we want to save money," and they haven't quite thought all of the different components in [to the equation]. It will impact you positively, it will help you save money. But making that change, it does also have some potentially negative effects to your business or just affects to your business that you're going to need to be aware of and prepared for.

For example, starting at the beginning, you do want to think about switching to bulk if you can use a pallet of oil within 6-8 months. That's my typical guideline, so that will start out the discussion. A pallet of oil is normally somewhere between 200 and 300 gallons of oil, so it's quite a bit.

Now a pallet, that's just a wooden platform that your oil is stacked on, any different packaging size that you get. It's typically a 4 ft by 4 ft by maybe 5 ft. high pallet that all of your oil is going to be shipped on. So that's kind of our standard. We have a one pallet minimum for your orders. The reason for that is actually an advantage to you. The shipping cost that goes along with that. Typically, say it's going to cost \$300 for shipping for that 18 wheeler with the pallet to deliver to your house. If you are putting 60 cases on the pallet instead of 10 (shipping's going to be about the same) so your per container shipping cost is going to be a lot cheaper the more you ship. If you want to ship less, it's going actually to be easier for you to work with a wholesaler and about the same cost.

So, if you can use somewhere between 200 and 300 gallons over the course of 6 to 8 months or so, it would be worthwhile for you to think about making that change and switching to bulk.

Now in terms of the packaging, you have to think about two different components:

1. How am I going to be using it (how am I going to be getting the oil out)?
2. Where am I going to store it?

If you think about a few different packaging sizes that are the most common, which are the 55 gallon drums and the 35 Lb. Containers (and then sometimes the 1 Gallon Containers), those sizes can really impact how you store and how you use the oil on a daily basis.

Say, for example, we've got a small business owner they're just gearing things up and they want to help lower their cost, but they're doing all of their production in their home. They want to store this drum somewhere and use it on a daily basis. Well, [consider the following]:

Where is it going to go?

Do you live in a place that is warm?

How are you going to move this 500 pound drum around?

Were you think about storing it in your basement?

Do you have stairs that you'll have to go down to get there?

You know, it can actually be pretty tough once you get that big drum. It is a hefty weight to manage. Most times, people are using a fork lift or at least a pallet jack to move that drum around. If you have a tractor, that will actually work pretty well. But without that, those drums are really hard to manage.

We would suggest going to the next size down which is the 35 Lb. Containers. Those are 4.6 gallons each, and it's just a large box. This would be a pretty standard size, but it's going to cut out some of your packaging [costs] that you might have with say the 1 Gallon Containers. So it will save you a little bit of money.

But again, think about where am I going to be storing these? Is it somewhere that's is in the right temperature range? Keep in mind, olive oil wants to be at room temperature or a little bit colder. If it is colder, it will solidify so you need to have a place where it can thaw out and turn back from the consistency of butter to a liquid oil before you need to use it. Do you need to pour it 10 times a day? If so, the 35 Lbers may be a little bit of a challenging size for you. So think about how you're going to be using it and where it's going to be going.

The other component is going to be, can you buy that whole pallet at a time? We talked a little bit about the minimums that we have, and we do have those in place for a reason. So again, think 6-8 months. Look at all your different packaging sizes and see whats really going to make sense.

For a small business, another impact it's [buying in bulk] really going to have is how much capitol you're putting into one ingredient at one time. Say for example, it makes sense to buy oil and it will last you for 6 months. Well, a pallet of oil is going to cost anywhere between \$3,000 to \$6,000 depending on what grade or type of oil that you get. So that's a pretty large

capital investment for a small business to make, all at one time, just on inventory that's going to be sitting on the floor. Granted, it is going to save you money in the long run. But, that's just a big investment to put in place in the first place.

Think about all these different components. Every business has its own individual challenges so we want to be able to help you guys as much as we can. If you have any questions, give us a call. We're happy to talk and walk you through the process, talk a little bit about some of the challenges that you're up against and help you go through it. Thanks so much, have a great day!