

# Wholesale & Distribution Business — Workbook

This workbook turns the course into a working operator's toolkit for a real wholesale or distribution business. Move through it in order: decide where you sit in the channel, build a tiered price sheet with MOQs and terms that protect margin, prepare a buyer pitch and onboarding flow, and then master the back end, inventory control and the cash conversion cycle, that actually decides whether you make money. Use the spreadsheet templates to build your price tiers, set reorder points and track GMROII, and model the cash cycle that funds your growth.

## How the Wholesale and Distribution Model Works

Decide where you sit in the channel and prove the markup math works at every step.

### Worksheet: Position Yourself in the Channel

Define the role you will play and what you get paid for occupying it. Be specific about whether you take title, because that determines your capital, risk, and margin.

Role you will play (distributor / wholesaler / broker-rep / hybrid)

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Do you take title to inventory? (Yes / No) and why

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Links of the chain you occupy (import, warehouse, break bulk, credit, last-mile delivery)

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Friction you remove that justifies your margin (assortment, holding stock, terms, logistics)

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Brands or categories you carry, and any exclusivity or territory rights you seek

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Capital and warehouse needs implied by this role

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### Exercise: Build the Markup Chain

Trace one real product from factory cost to consumer price. Keep markup and margin strictly separate; this is the error that bankrupts thin-margin distributors.

- What is the manufacturer cost, your wholesale buy price, your wholesale sell price, and the MSRP for one product?

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- At each step, what is the markup on cost AND the margin on price, computed separately?

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- What is your gross margin dollars per unit, and what costs (freight, warehousing, bad debt, cost of money) must it still cover?

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- After those costs, what is your realistic net margin, and is the volume you can move enough to make it worthwhile?

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## Checklist: Model Fundamentals Check

- [ ] Decided clearly whether I take title to inventory or stay a commission broker
- [ ] Identified the specific friction my margin pays me to remove
- [ ] Computed markup-on-cost and margin-on-price as separate numbers, never conflated
- [ ] Confirmed gross margin per unit still covers freight, handling, and bad debt before claiming profit
- [ ] Estimated a realistic net margin (often only 2 to 5 percent) rather than assuming gross is profit
- [ ] Noted any exclusivity or territory rights and what volume commitments they cost

## Pricing, MOQs, and Trade Terms

Turn the markup math into a real price sheet with tiers, minimums, and terms that defend your margin and cash.

### Worksheet: Set Your Price Tiers and Minimums

Build the pricing ladder for one product line. Make sure each level leaves a viable margin for the next party down the chain, and align minimums to your case packs.

MSRP (suggested retail) and the retailer margin at it (target keystone / 50%)

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Standard wholesale price (target ~50% of MSRP) and your margin at it

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Volume tier thresholds and discounts (e.g., 5% off at 50 units, 10% off at 200)

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Key-account / distributor price (deepest tier) and the commitment required to earn it

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Case pack size (units per inner pack) and master carton size

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Opening order minimum (\$) and reorder minimum (\$), aligned to case packs

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MAP (minimum advertised price) floor, if you will enforce one

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### Exercise: Size Your MOQ Against Fulfillment Cost

Prove your minimum order actually pays for the cost of fulfilling it. An order below this line quietly loses money.

- What is your fully loaded cost to pick, pack, and ship an average order (labor, box, freight, invoicing)?  

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- At your gross margin percent, what order size is needed just to break even on that fulfillment cost?  

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- What opening order minimum screens out unserious accounts while not blocking small retailers who could grow?  

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- What lower reorder minimum keeps existing accounts buying frequently without drowning you in tiny orders?  

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### Worksheet: Define Trade Terms and Credit Policy

Spell out the terms, discounts, and credit rules that govern your cash. In a thin-margin business these decide survival.

Standard payment terms by account type (prepay/card for new, net-30, net-60 for chains)

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Early-payment discount offered, if any (e.g., 2/10 net 30) and when you will offer it

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Volume rebate, co-op allowance, and freight allowance policies (the real margin given up)

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New-account credit process (application, credit check, opening terms, credit limit)

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Returns, restocking fee, and chargeback/deduction handling policy

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DSO target and the aging threshold that triggers a credit hold

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### Checklist: Margin-Protection Check

- Each price tier leaves the next party a viable margin (retailer can hit ~keystone)
- Minimums are aligned to case packs so warehouse picking stays clean
- MOQ exceeds the break-even order size implied by my fulfillment cost
- Every trade discount and allowance is modeled into my true selling price, not ignored
- New accounts start on prepay/card and graduate to terms only after a clean history
- DSO and aging are tracked so trapped receivables are caught early

## Retailer Relationships and Channel Strategy

Win and keep the right accounts, and manage channels so growth does not cannibalize your partners.

### Worksheet: Profile Your Target Accounts

Map the account types you will pursue and how each one buys, pays, and demands. The mix determines your risk and your margin.

Account type (independent boutique / specialty chain / national big-box / sub-distributor)

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Typical order size and frequency

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Terms and payment behavior expected

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Demands and costs (slotting fees, EDI, co-op, returns, compliance) for this type

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Where you will find them (Faire / RangeMe / Tundra / trade show / rep / direct)

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Target share of revenue (keep any single account under ~10 to 20 percent)

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### Exercise: Build the Buyer Pitch

Draft the pitch a retail buyer actually responds to: their economics, not your enthusiasm. Do their margin math for them.

- What is the buyer's cost, retail price, and margin percent at MSRP, computed for them on the line sheet?
- What sell-through evidence can you show (velocity data, comparable stores, marketplace traction)?
- What reliability signals (lead time, fill rate, in-stock history, reorder process) will you put forward?
- What low-risk entry (reasonable opening order, marketing support, return policy) makes the first yes easy?

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## Checklist: Channel-Health Check

- Built a clean line sheet (SKU, image, wholesale, MSRP, case pack, MOQ, terms) on one page
- Did the retailer's margin math for them rather than describing my product
- Ran the big-box math before chasing volume, confirming the account is actually profitable after fees
- Kept no single account above ~10 to 20 percent of revenue to limit concentration risk
- Set a MAP policy and consistent pricing so no channel undercuts my stockists
- Protected early retail partners by not going direct or to competitors at better terms

## Inventory, Logistics, and the Cash That Decides It

Run the order workflow, control inventory by the numbers, and keep the cash conversion cycle short enough to fund growth.

### Worksheet: Map Your Order-to-Cash Workflow

Document the pipeline every order travels and the systems behind it. Each handoff is a chance for error, cost, or a chargeback.

How POs arrive (email / phone / marketplace / EDI 850)

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Order confirmation and inventory allocation step

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Pick, pack, and packing-slip process

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Shipping method by order size (parcel / LTL / FTL) and carrier

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Invoicing and the EDI documents required (810 invoice, 856 ASN) for chain accounts

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Inventory/order system or ERP used (Cin7 / Fishbowl / Zoho / NetSuite / Acumatica) and EDI provider (SPS / TrueCommerce)

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### Exercise: Set Reorder Points and Rank by GMROII

Use the inventory template to set replenishment triggers and rank SKUs by the return your capital earns, not just margin.

- For a key SKU: what is average daily demand, lead time in days, and the resulting lead-time demand?
  - What safety stock does your target service level (e.g., 95 percent in-stock) require, and what is the reorder point?
  - What is each SKU's GMROII (annual gross margin dollars divided by average inventory cost), and which are below 1.0?
  - Which slow C-items will you cut, mark down, or return to free cash and warehouse space?
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### Exercise: Calculate and Shorten the Cash Conversion Cycle

Use the cash-cycle template to find how long your cash is trapped, then pull each lever to shorten it. No extra margin required.

- What are your DIO, DSO, and DPO today, and what is the resulting cash conversion cycle (DIO + DSO - DPO)?
- How much working capital does that cycle tie up per dollar of sales, and what happens as you grow?

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- Which lever moves fastest: turning inventory quicker (DIO), collecting sooner (DSO), or longer supplier terms (DPO)?
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- What target CCC will let you self-fund growth, and what concrete change to each lever gets you there?
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### Checklist: Back-End Survival Check

- Documented the full PO-to-collection workflow with a named system tying stock, orders, and books together
- Confirmed EDI compliance (850/856/810) for any chain account before shipping to avoid chargebacks
- Matched freight mode to order size and built landed cost into true cost of goods
- Set reorder points and safety stock per SKU to a defined service level, not by feel
- Ranked SKUs by GMROII and pruned dead stock to free trapped cash
- Calculated the cash conversion cycle and have a concrete plan to shorten DIO, DSO, and DPO

### Your Action Plan

1. Decide your position in the channel and whether you take title, then size the capital and warehouse that role requires.
2. Trace one product from factory cost to MSRP, computing markup and margin separately at every step to confirm the model makes money.
3. Build a tiered wholesale price sheet with MSRP, standard wholesale, volume tiers, and a key-account price that each leave a viable downstream margin.
4. Calculate your fully loaded fulfillment cost and set opening-order and reorder MOQs, aligned to case packs, above the break-even order size.
5. Write your trade terms and credit policy: payment terms by account type, any early-pay discount, allowances, credit checks, limits, and a DSO target.
6. Profile your target account types, build a line sheet that does the buyer's margin math, and choose discovery channels (Faire/RangeMe, shows, reps).
7. Set a MAP policy and channel rules so no route to market undercuts your stockists, and cap any single account's share of revenue.
8. Map the order-to-cash workflow, stand up an inventory/order system, and confirm EDI compliance for any chain account.
9. Set reorder points and safety stock per SKU, then rank the catalog by GMROII and cut or mark down dead stock to free cash.
10. Calculate your cash conversion cycle (DIO + DSO - DPO) and pull each lever, faster turns, quicker collections, longer supplier terms, until growth self-funds.









