

Establishing a Vendor Agreement With Walmart

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Due to consumer demand for local products, local producers have new marketing opportunities in large retail outlets, such as Walmart. Walmart is interested in sourcing local products in their stores. Becoming a Walmart vendor may be a profitable marketing strategy for a producer. Because insurance, credit ratings and audits are both time-consuming and costly, complete the steps *in order*. Please be advised that producers interested in selling products to Walmart should initiate the process *at least one season before* he or she intends to sell to Walmart – the process can take months, especially the food safety audit

and the credit rating establishment. This fact sheet outlines the seven steps of establishing a vendor agreement with Walmart.

Step 1 Contact Local Store Manager.

The local store manager is the producer’s initial contact at the Supercenter or the Neighborhood Market. Make sure to establish and



- 1 • CONTACT YOUR LOCAL STORE MANAGER
- 2 • FILL OUT SUPPLIER QUESTIONNAIRE
- 3 • REQUEST A D&B CREDIT RATING
- 4 • OBTAIN FOOD PRODUCT LIABILITY INSURANCE
- 5 • FILL OUT FOOD SAFETY QUESTIONNAIRE
- 6 • OBTAIN THIRD PARTY FOOD SAFETY AUDIT CERTIFICATION

maintain a good relationship with your Walmart contact. You will meet with the store manager and the Market Grocery Manager (MGM). The MGM is similar to a district manager: he or she oversees a group of stores in an area. During the meeting, you must sell your product to the store manager and the MGM. Ask yourself: Why would Walmart want to sell *my* product? What is unique about my

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product? What is the unique story about me and/or the product? Be prepared with information related to your product such as variety, quantity you expect to produce in a season, length of your production season and consumer demand for the product. If Walmart is interested in the product, then you will be invited to move to step two.

Step 2 The Supplier Questionnaire.

In step two, you will be asked to complete the supplier questionnaire. This questionnaire requests information related to the product, the time frame for delivery and the name of the store(s) the producer wishes to supply. It is highly important that the



questionnaire is filled out completely and accurately to ensure your application moves through the system smoothly and in a timely manner. Once the questionnaire has been signed by all parties, it is mailed to a Walmart office for processing.

Step 3 Request a Dun and Bradstreet Credit Rating.

Creditworthiness is an essential requirement for conducting business with Walmart. While the supplier questionnaire is under review, the producer must acquire a Dun and

Bradstreet (D&B) credit score. D&B is the largest credit bureau in the world.

D&B uses a set of criteria (loan repayment history, lawsuits and judgments against a company, as well as other factors) to determine a business's credit rating. The producer applies for a Data Universal Numbering System (DUNS) from D&B. This is a unique nine-digit identifier for a business.



The application can be made by phone or online. First, search the D&B web site for an existing rating for your company. If no rating exists, complete the four-step process online or by phone. The process can take from 30 to 60 days. The producer should consult D&B to determine the best application method for his or her business. The producer must request that Walmart receive a copy of the score, and if the score fits Walmart's selection criteria, then the producer may continue to step four.

Step 4 Obtain Food Product Liability Insurance.

Product liability insurance can protect entities, e.g., producers, manufacturers and processors, against claims related to the sale of products to the public. For the food supplier, it provides protection in cases where the food product causes injury or other

harm to the consumer. This type of insurance may be one of your most expensive costs of running your business. Walmart requires that their vendors obtain and maintain product liability insurance. According to a recent Walmart contract, the amount of food liability insurance may be \$2-\$5 million (please consult with Walmart for the latest requirements). Many insurance companies do not routinely offer food product liability insurance. Here are suggested steps to obtain that insurance.

- 1 Contact your existing insurance provider. They may be more likely to insure an existing customer.
- 2 Fill out an ACORD (Association for Cooperative Operations Research and Development) commercial insurance application with your agent. The ACORD application is a two-page document that contains information about you, your business, what types of insurance you have had, your loss history and details about the type of insurance you are seeking. Make sure to keep a copy of this application, and fax it to other agents to receive premium quotes for comparison. If your existing provider is unable to insure you, he may be able to refer you to another provider.
- 3 Contacts at similar small business ventures may also be able to refer you to an insurer. Be prepared to be denied insurance by some providers. For a new policy, the first year's premium may have to be paid in full up front, which could amount to hundreds or thousands of dollars. However, premium

financing firms exist that can assist you with managing this cost. After the initial year of coverage (with no claims), you may be able to secure a policy with a lower premium.

Step 5 Food Safety Questionnaire.

The producer's next step is completion of Walmart's food safety questionnaire. Again, it is highly important to complete the questionnaire accurately and fully to ensure timely processing. It



includes questions about your operation, types of production, production facilities, existing food safety procedures, good agricultural and manufacturing practices, recall traceability procedures, pest management and other topics.

Step 6 Obtain Third-Party Food Safety Audit Certification.

Walmart requires the use of one of their approved food safety certifiers. There are a limited number of Walmart-approved certifiers in any state. Please obtain a list of approved auditors from your Walmart contact person, as the list may change. It is also important that you verify the auditor's approval, because a food safety audit through another party is generally not acceptable.

Make sure to allow sufficient time for the audit process. The audit must be conducted during harvest and packing, hence a main reason you must begin the



vendor agreement steps at least one season before you intend to sell products to Walmart. The audit is valid for one year, and Walmart requires that producers must be audited each year to maintain their vendor status.

Step 7 Complete the Vendor Agreement.

In this last step, the last set of documents is completed, corrected and finalized. Walmart personnel will assist the producer through the completion of the vendor agreement. If the producer is successful



in securing an agreement, a paper vendor agreement is sent to the producer. Walmart's Supplier Development then reviews and processes the application. In some areas of the country, the producer will receive access to the Walmart Retail Link Database as a new Walmart vendor.

Important Features of the Vendor Agreement

The agreement is valid for one year. Both Walmart and the producer have the option to decline an agreement in following years. A vendor agreement *is a requirement* for anyone wishing to sell products to Walmart. However, the vendor agreement does not obligate either party to buy or sell products.

Walmart does have a policy of purchasing no more than 25% of the producer's *overall* business (value of sales). For example, if a producer wants to sell all of his or her tomatoes to Walmart, Walmart can only purchase them all if the total value of the tomatoes represents 25% or less of the producer's total agricultural sales.

The price of the product is negotiated before the start of the growing season, and short of unforeseen circumstances, prices remain constant throughout the growing season.

Any producer could be a good candidate for marketing products to Walmart, regardless of the size of his or her operation. There is no minimum delivery amount or frequency. Anyone interested in marketing his or her products to Walmart should complete step one.

Conclusion

Marketing directly to local retailers can provide profitable alternatives to marketing through other channels. However, it may also introduce new risks and costs. It is important for producers to fully understand all the risks and benefits associated with entering into any new market. Before engaging in any new marketing option, producers

should fully reevaluate their marketing strategies and update their business plans. Contact your local Cooperative Extension Service office (in Arkansas, www.uaex.edu) for more information.

Sources of Additional Information

1. ACORD Commercial Insurance Application. http://www.coverageglossary.com/forms/Acord_CLApp.pdf
2. Cooperative Extension Service System Nationwide. <http://www.csrees.usda.gov/Extension/index.html>
3. Dun and Bradstreet Credit Bureau. For an application and more information regarding the credit rating process, visit <http://www.dnb.com/US/duns update/>
4. Food Liability Insurance Information. <http://www.professional-and-liability.com/food-insurance.html>
5. Holland, Rob. "Food Product Liability Insurance." University of Tennessee. Accessed 01 Mar 2010. Available at <http://srdc.msstate.edu/02value/production/food/tn/foodproductliability.pdf>

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