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The Retail Shelf Reality: What It Really Costs to Land and Stay in a National Store

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A national purchase order isn't the finish line. How retail margins, slotting fees, chargebacks and slow payment affect what a brand actually keeps, plus a unit-economics worksheet to run before you sign.

A note before you price. This article is general education, not financial, legal or accounting advice. Retail terms are negotiated and change often. Read each retailer's supplier agreement and compliance manual in full, and have an accountant or attorney review anything you sign.

The purchase order arrives, and it feels like the finish line. A national chain wants your product. You post the news, order inventory and start planning the launch.

For many bootstrapped brands, that's where the real risk begins. Between the shelf price and the money that lands in your account sit a retailer's margin, often a distributor's margin, fees to get on the shelf, fines for getting paperwork or shipping wrong, and a payment cycle that can stretch for months. A national account can still be a smart move. But **the deal has to work on paper before you sign it**, and you need enough cash to survive the gap between shipping and getting paid.

The first order gets you in the door. Whether you stay often depends on the second.

Section 1: The margin waterfall: where a $15 item's money goes

A planning example, and how to test it

Here's a conservative planning example: a $15 shelf price and $3 in cost of goods (COGS), so COGS is roughly a fifth of the shelf price. It's our own example, not an industry rule, and the right target depends on your channel. You can test it with public data.

What retailers keep. The Census Bureau publishes average gross margins (sales minus cost of goods, as a share of sales) by type of store. For 2022, the latest year available, they ranged from 24.3% at warehouse clubs and supercenters to 28.0% at grocery stores, 32.9% at health and personal care stores, 42.0% at department stores and 50.6% at clothing stores. 1 Those are averages across everything a store sells. Individual items, and private label versus national brands, can vary a lot.

What distributors keep. If you sell through a wholesaler, it takes a cut too. Census data for 2022 shows average gross margins of 16.2% for grocery wholesalers and 19.5% for miscellaneous nondurable goods wholesalers. 2 Brokers and other intermediaries aren't covered by those figures and can add more.

A cross-check. The USDA's Economic Research Service estimates that in 2024, of each dollar spent on food at home, food retail accounted for 29.0 cents and food wholesale for 11.5 cents. 3 That's a different measure (value added, not gross margin), but it points to the same order of magnitude.

Running the math (our calculation)

Using those Census averages as the channel's take, here's roughly what a brand receives on a $15 item. This is our arithmetic on Census figures, not a sourced result. 1,2

Channel (2022 Census averages)	Retailer pays	Brand receives	$3 COGS as share of brand's price
Grocery store (28.0%) via grocery wholesaler (16.2%)	$10.80	about $9.05	about 33%
Health and personal care store (32.9%) via nondurable wholesaler (19.5%)	$10.07	about $8.10	about 37%
Warehouse club or supercenter (24.3%), sold direct	$11.36	about $11.36	about 26%

In a two-step grocery or personal-care channel, then, a brand might net roughly $8 to $9 on a $15 item. With $3 COGS, that leaves about $5 to $6 a unit **before** slotting, promotions, chargebacks, freight, broker commissions and marketing, none of which the Census margins capture. That's why a $3 COGS target is reasonable as a conservative planning number in those channels. But it's not a requirement: selling direct to a lower-margin retailer leaves more room, and a high-margin channel or heavy trade spending leaves less.

Practical steps

1. **Build your waterfall backward** from the shelf price you think shoppers will pay, through retailer and distributor margins, to your net price per unit.

2. **Use your real numbers.** Ask the buyer or distributor what margin they expect; use the Census averages only as a starting point.

3. **Subtract the hidden costs** in Section 2 before deciding whether the order is profitable.

4. **Decide your walk-away price** before the meeting.

Section 2: Hidden penalties: the costs that don't show on the PO

Slotting fees: what the FTC found (1998–2001 data)

Many grocery retailers charge slotting allowances, payments to place a new product on the shelf. The most detailed government data is old, so keep the dates in mind. In a Federal Trade Commission staff study published in 2003, using 1998–2001 data from seven retailers in five grocery categories, the average slotting allowance "per item, per retailer, per metropolitan area" ranged "from $2,313 to $21,768," depending on the retailer and area. 4 Across all the retailer-region combinations studied, the average was $9,182 per item (median $6,500); for the two retailers with store counts, it worked out to about $69.20 per item per store. 4

The same study reported that "most of the surveyed suppliers" said a nationwide introduction of a new grocery product "would require $1.5 to $2 million in slotting allowances," while FTC staff's own rough estimate ranged "from a little under $1 million to over $2 million, depending on the product category." 4 Suppliers said they pay slotting "for 80% to 90% of new grocery product introductions" outside the categories studied. 4 At a 2000 FTC workshop, speakers said allowances "may now range from $75 to $300 per item per store." 5

These figures are 20-plus years old, aren't adjusted for inflation and cover only a handful of categories. We found no newer government data. Today's amounts vary and are negotiated, so treat the FTC numbers as a sense of scale, not a price list.

The 2003 study also noted that "some of the surveyed retailers" said they "sometimes waive slotting for smaller suppliers" and "minority or ethnic suppliers, especially if they supply products that satisfy specific consumers' demands." 4 That was a finding from two decades ago, not a current policy, but it's a reason to ask.

An illustration (our arithmetic, using old data): at the FTC's $69.20 per item per store and about $6.05 of gross profit per unit (the grocery example above with $3 COGS), a brand would need to sell roughly 11 to 12 units in each store just to earn back slotting.

Compliance requirements and fees

Retailers publish some of their supplier requirements, and they add up. As of November 2026, Walmart's public supplier pages say suppliers need a GS1 Company Prefix for barcodes, whose "initial fee and yearly renewal fees are charged by GS1"; must "carry certain types of insurance"; and must "pack, label, and ship their products according to the correct specifications." For direct-import factories, audits are "conducted by Walmart designated 3rd Party Audit companies at the supplier's cost." 6,7

Some fees are spelled out. Kroger's EDI terms say suppliers that don't transact electronically within 90 days face "an additional fee of 1% of total invoice amount or $250, whichever is greater," deducted from payment, and that a supplier in EDI production "could incur a non-compliance charge of 1% of total invoice amount OR $250 (whichever is greater) per transaction." 8 By our arithmetic, on a $2,000 first order the $250 minimum would be 12.5% of the invoice. **Small first orders are more exposed to flat minimum fees than large ones.**

Many retailers' full chargeback schedules sit behind supplier logins, so you may not see them until you're approved. Ask for the compliance manual, vendor guide and any deduction schedule before you finalize pricing. Some retail agreements include guaranteed-sale or return terms that could send unsold product back to you, so ask whether yours does.

Payment timing

Getting paid takes time. Walmart's own supplier-finance material shows a sample timeline in which a purchase order is issued on day 0, product is received on day 45, and the invoice is paid on day 90. Walmart labels it an illustration and says eligibility and pricing vary. 9 The same material describes options including purchase-order financing "funding up to 100% of eligible production costs," an early-payment program in which payment "can arrive in as early next day" at a discount, and supply chain finance. 9

Slow payment has real effects on suppliers. A 2015 study by Murfin and Njoroge, as summarized by Yale School of Management, found that among publicly listed suppliers to large retailers, "when a large buyer pays one month more slowly, constrained suppliers cut back their capital expenditures by 1.2% of their lagged assets." 10 Small private brands weren't in that sample.

Financing the gap isn't automatic either. In the Federal Reserve's 2025 Small Business Credit Survey, 19% of small employer firms said they regularly use trade credit; among Black-owned firms it was 11%, compared with 20% for White-owned firms. 11 Those race comparisons aren't adjusted for credit risk, profitability or other firm characteristics. 11

Practical steps

1. **Request every document** (supplier agreement, compliance manual, routing guide, deduction schedule) before you price.

2. **Budget for barcodes, insurance, audits and labeling** as fixed costs of entry.

3. **Ask about slotting directly,** including whether it can be waived, reduced or paid in product.

4. **Model cash for the full cycle** from production to payment, using the retailer's actual terms.

5. **Compare early-payment or financing costs** against what you'd pay elsewhere, and line it up before you ship.

Section 3: Velocity over volume: earning the reorder

Getting on the shelf is the cost of entry. Staying there usually depends on whether your product sells through fast enough to earn a reorder. Depending on the agreement, a big opening order that sits on the shelf can end in markdowns, returns or a lost slot, after you've already paid to get in.

So it can pay to focus on sales per store rather than the size of the first order. Some practical ways to protect velocity:

1. **Start smaller if you can.** A regional or limited-store test lets you prove sell-through before you carry national costs.

2. **Budget for in-store marketing from day one.** Some brands set aside part of revenue for promotions, demos and deductions. The right amount varies, so ask each retailer what promotions it expects and price them in.

3. **Drive shoppers to the shelf.** Tell your existing customers exactly which stores and aisles carry you.

4. **Track sell-through weekly** using whatever data the retailer shares, and act early if a store is lagging.

5. **Protect your fill rate.** Running out of stock can cost you the slot you paid for. Plan inventory and cash so you can ship the reorder.

Where the doors are, as of November 2026

Retailers' supplier programs have changed in the past two years, so check names and rules before you apply. As of November 2026:

• **Walmart** calls its program "Supplier Inclusion" and frames it around businesses that meet SBA size standards. It says that "in FY2025, more than 60% of Walmart Inc. U.S. suppliers were small businesses" verified under those standards. Entry routes include its Open Call, RangeMe and a Supplier Academy. 12

• **Target** says it concluded its REACH initiatives in 2025, says it fulfilled its $2 billion commitment to Black-owned businesses in early 2026, and renamed its "Supplier Diversity" team "Supplier Engagement," with more focus on small businesses. 13 Its accelerator programs have no separate application; founders start with its Supplier Intake Form. 14

• **Kroger**'s "Supplier Inclusion" program accepts certifications including NMSDC and asks suppliers to register in Supplier Hub and email a capability statement. It notes, "This process does not guarantee a contract." 15

• **Costco**'s "Supplier Inclusion" page says it "does not make purchasing decisions based on race/ethnicity, gender, age, or any other protected characteristic" and uses no quotas, while its buyers "often seek to work with small businesses and diverse suppliers." It has an intake form and says completing it "does not guarantee a business partnership." 16

• **Whole Foods** asks brands to use its Potential Supplier Form and says it "cannot guarantee you will receive a response." 17 Its LEAP accelerator for 2026 is a 12-week program; participants are "considered for placement" in their home region and are "eligible for a $25,000 equity investment from a donor-advised fund." 18 For scale, one 2024 participant was "one of ten brands selected from more than 1,600 applicants." 18

Outside the retailers, the Fifteen Percent Pledge says that with "more than 35 corporate partners," it has helped "shift almost $14B of revenue to Black-owned businesses." That's the organization's own figure, and its site doesn't publish a methodology. 19

Before you say yes

A national account can change a brand's trajectory. It can also drain cash a small company can't spare. Do the math before you sign. Know your net price after every margin. Budget for the fees and the wait, and have a plan to earn the reorder.

General information, not financial or legal advice. Retailer programs and terms were checked on Nov 16, 2026, and may change.

Companion: Pre-Retail Unit Economics & Margin Calculator Worksheet

Fill in for each retailer and channel.

Line	Your number
A. Expected shelf price	$
B. Retailer margin (ask the buyer; Census 2022 averages: grocery 28.0%, health and personal care 32.9%, warehouse clubs/supercenters 24.3%)	%
C. Retailer pays = A × (1 − B)	$
D. Distributor margin, if any (Census 2022: grocery wholesalers 16.2%)	%
E. Brand receives = C × (1 − D)	$

Line	Your number
F. COGS per unit (product, packaging, labeling)	$
G. Freight and broker cost per unit	$
H. Promotions, deductions and chargebacks per unit (estimate from the retailer's manual)	$
I. Contribution per unit = E − F − G − H	$
J. One-time entry costs (slotting, barcodes, insurance, audits, compliance setup)	$
K. Units to break even on entry costs = J ÷ I	units
L. Days from production to payment (from the retailer's actual terms)	days
M. Cash needed to carry production through day L	$

Readiness checklist

- ☐ I've built my margin waterfall backward from the shelf price using the buyer's real margin.
- ☐ My contribution per unit (line I) is positive after freight, promotions and deductions.
- ☐ I know my break-even units per store (line K) and whether that's realistic.
- ☐ I have the supplier agreement, compliance manual, routing guide and deduction schedule.
- ☐ I've budgeted for GS1 barcodes, required insurance and any audits.
- ☐ I've asked whether slotting applies and whether it can be waived or reduced.
- ☐ I've checked for flat minimum fees (like Kroger's $250 EDI minimum) that hit small orders hardest.
- ☐ I've asked about guaranteed-sale or return terms.
- ☐ I've modeled cash from production to payment (lines L and M) and lined up financing before shipping.
- ☐ I have a plan and budget to drive sell-through in the first 90 days.
- ☐ I can fill a reorder without running out of stock.

- ☐ I've confirmed the retailer's current supplier-program name and intake process.

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About the editorial team: BlackRefer's editorial team researches and writes practical guides for Black business owners and the people who support them. Every statistic is linked to its primary source, and examples are labeled as examples.

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