

## How to Become a Toy Distributor

by Gail Cohen, Demand Media



*They look innocent enough, but today's toys aren't always safe.*

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In 2007, U.S. safety officials didn't recall Aqua Dots until 4.2 million were on store shelves, according to a CNN report. Reports of children getting sick after swallowing the Dots began surfacing. Officials traced the problem to a Chinese factory, but not before damage was done to the brand as retailers quickly pulled it from stock. Becoming a toy distributor requires more than warehousing children's playthings. You'll also be asked to help keep kids safe and healthy.

### Step 1

Establish a business base. You need an efficiently racked warehouse plus a system of organizing stock-keeping units (SKUs) of toys within the building so they're easily picked, packed and re-shipped. This large investment may require you to obtain a business loan. At the very least, you will need personal or investor cash to set up the facility, open a business checking account, provision office space, build the infrastructure and purchase a decent amount of insurance to indemnify your distributorship against everything from fires and floods to liability matters.

### Step 2

Know the law. Rules and regulations governing the U.S. toy industry have become complex and daunting as parents have become more aware of safety hazards. You're responsible for keeping tabs on rules and regulations affecting the toy industry so you can keep your distributorship scandal-free and accident-free. While you can't necessarily travel to factories producing the toys you distribute — many of which are located on the Asian rim — you can stay in constant contact with the Consumer Product Safety Commission by bookmarking its website so you're aware of breaking news.

### Step 3

Invest in technology. If a large number of the toys you distribute are painted, consider investing in X-ray Fluorescence (XRF) equipment to check toys for lead-based paint as they arrive at your warehouse. It's illegal to paint products with lead paint, but that doesn't mean manufacturers always follow rules. If your budget allows, add a radio-frequency tracking system to your operation so large containers of toys that don't have to be checked for lead paint can be scanned and counted without having to unpack and reseal boxes before sending orders on to your retailer customers.

### Step 4

Contract with toy manufacturers in the U.S. and abroad. Signing distribution contracts may be the single-most important task you perform, so create an airtight document and have it vetted by an attorney. Each time you call on a manufacturer — or your sales force meets with a potential customer — bring a copy of your contract. The language should outline all aspects of the relationship you plan to enter, including your markup and the dates on which these payments are due. You also you can include hold-harmless stipulations so you have another layer of legal protection from potential lawsuits in addition to your insurance.

### Step 5

Learn about the Toy Safety Certification Program (TSCP) administered by the Toy Industry Association (TIA). This is one of several benefits of TIA membership, and there's no down side to affiliating with a respected organization that monitors all aspects of the manufacture and production of toys for children on behalf of the industry. It costs nothing to visit the TIA website, but if you happen to attend major trade shows held around the country at major market centers such as New York, Chicago, Los Angeles, Dallas and Miami, you may run into TIA members or officials as you prospect for new business relationships.

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#### Things Needed

- Facility
- Racking system
- Insurance
- Contract

#### References

- [CNN: Toy Contaminated With 'Date Rape' Drug Pulled; November 2007](http://articles.cnn.com/2007-11-08/us/toy.recall_1_aqua-dots-julie-vallese-spin-master?_s=PM:US)([http://articles.cnn.com/2007-11-08/us/toy.recall\\_1\\_aqua-dots-julie-vallese-spin-master?\\_s=PM:US](http://articles.cnn.com/2007-11-08/us/toy.recall_1_aqua-dots-julie-vallese-spin-master?_s=PM:US))
- [Business.com: Toy and Game Distributors and Wholesalers Key Terms; Laurie Edwards; 2011](http://www.business.com/guides/Toy-and-Game-Distributors-and-Wholesalers-Key-Terms-35968/)(<http://www.business.com/guides/Toy-and-Game-Distributors-and-Wholesalers-Key-Terms-35968/>)
- [Funding Universe: Noodle Kidoodle Company History](http://www.fundinguniverse.com/company-histories/Noodle-Kidoodle-Company-History.html)(<http://www.fundinguniverse.com/company-histories/Noodle-Kidoodle-Company-History.html>)
- [Reference for Business: SIC 5092: Toys and Hobby Goods and Supplies](http://www.referenceforbusiness.com/industries/Wholesale-Trade/Toys-Hobby-Goods-Supplies.html)(<http://www.referenceforbusiness.com/industries/Wholesale-Trade/Toys-Hobby-Goods-Supplies.html>)

#### Resources

- [OneCLE: Sample Business Contracts; Distributor Contract](http://contracts.onecle.com/cybermedia/micro-central.distrib.shtml)(<http://contracts.onecle.com/cybermedia/micro-central.distrib.shtml>)
- [Consumer Product Safety Commission](http://www.cpsc.gov/)(<http://www.cpsc.gov/>)

#### About the Author

Based in Chicago, Gail Cohen has been a professional writer for more than 30 years. She has authored and co-authored 14 books and penned hundreds of articles in consumer and trade publications, including the Illinois-based "Daily Herald" newspaper. Her newest book, "The Christmas Quilt," was published in December 2011.

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