

LESSONS LEARNED | BY GERSON ROSENBLUM

Surviving the Downturn

What I'm about to share has become painfully clear as I call on retailers all over the country. I see an alarming number of you making mistakes similar to those that contributed to the demise of my dealership. The precipitating factor is usually a fall-off of business caused by a weakened economy. But the economy is just a reality. What you do with this new reality — how you decide to cope with it — largely dictates how you will fare as we come through this period.



Three steps for managing inventory when business slows down

There are countless strategies — some better than others. Cutting needless costs works. Marketing smarter is a good one. Watching your inventory is more important than ever. But contained in this last item is a perilous temptation that's almost sure to take a downward trend and turn it into an out-of-control spiral.

When the financial pressures of declining business grew, I fell into the trap of stopping almost all purchasing. The dreaded buying freeze usually starts with this line of thinking: "We don't have enough money to buy inventory, so we'll sell what we've got." Selling what you've got always makes sense. Not replacing it is a formula for trouble. Replacing it with the same stuff that got you into trouble is insanity.

The decision to stop all but essential purchases is natural enough under dire circumstances. But in reality, it's a knee-jerk reaction that has the potential to become a self-fulfilling prophecy. If your mindset is to do only what it takes to pay your bills this month, as if there's no tomorrow, you may just find that you "fish your wish" — and there will be no tomorrow.

Job No. 1 is to pay your current bills. But doing so cannot become your sole focus. While creating a strategy for meeting current expenses, you need to determine how to overcome what created the problems in the first place. The economy accentuates weaknesses in your business, but eliminating those weaknesses helps you to

transcend the challenges over which you have no control.

If I could do it over again, I would follow this three-step process with inventory in order to create a fresh, exciting atmosphere where local clientele would flock to see the next great thing.

First, I'd evaluate every department, every product category, every brand and every product within those brands. Nothing would be sacred.

I'd get rid of any lines or products within a line that weren't tangibly contributing to my success. If an entire department in my organization wasn't carrying its weight, it would get the chopping block. I'd purge myself of the notion that some products need to be around to draw traffic. I had those lines, and I had no traffic. Duh!

Second, having identified the dead weight, I'd do whatever it took to turn the chaff into cash.

Forget costs, forget preconceived notions of market value. Everything has a price, and you need to find it quickly. Use eBay, if not to sell your stuff then to find out what it's worth in the real world. If product isn't contributing to the ongoing success of your business, at least let it generate ready cash.

Finally, I'd commit to resolving the inventory issues that had turned my business stagnant.

Carrying the tried-and-true lines was turning my business black and blue. So, I'd shake things up and bring in fresh, new, exciting lines, while continuing to work with those original lines that were still contributing to my bottom line in a meaningful way.

Combining this approach to inventory management with sound marketing and financial management is a formula for surviving the economic downturn. **MI**

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