

THE CUSTOMER WHISPERER | BY GREG BILLINGS

Vendor Relations Test

Years ago, when I had my store in Milwaukee, there was real competition for brands. We chased a particular major line for years. We knew we could do a better job than its current dealer, but we couldn't convince the brand's leadership. As we gained more and more market share with our lesser lines, the other dealer was deconstructing — and for reasons that had nothing to do with its brands. Eventually, we scored “the big meeting” with the supplier at the last Chicago NAMM show.



The rep, who was kind of shady himself, ushered us into a little cubical with the VP, who was a notorious self-important big shot. He peppered his pitch with vulgar four-letter words and made outrageous claims about current dealers' sales levels. He also made ridiculous demands, which we rejected, but offered us the line anyway.

After my business partner and I left, I stopped in the aisle and asked, “Do you really want to do business with these people?”

“No, I really don't,” he said.

That line never recovered in Milwaukee, and we built the lesser line into a strong local brand.

When you take on a line, you take on more than just the products. You take on the rep, and you take on the rep the supplier's going to hire after him. You take on the company's customer service staff, its corporate culture and its reputation. The more important the brand, the more important these relationships are.

So, when we add a line, big or small, we need to look at the big picture before we take the leap. Here are a few important questions to ask yourself.

1. Is this line going to bring new customers into my store? There are only a few lines that have enough brand equity to draw customers, and we know what they are. Unfortunately, brand equity is usually paid for from the dealer's profit margin. This is a big decision, and many dealers have let the ego boost of landing a big line devastate their profitability. A few of these situations are playing out this very moment. Usually, the grass on the other side of the fence isn't greener — it just has different weeds.

2. If a new line isn't going to bring in new customers, is it something we'll sell instead of something we currently sell or something we'll sell in addition to something we currently sell? If it's a replacement line, margin, turn or customer value must be significantly better to justify the move. If it will represent additional revenue, the choice is easy. Great add-on products pop up all the time, and usually, the buy-in and commitment are minimal.

3. What is the turn/margin ratio? My colleague Alan Friedman has a great rule of thumb: If you can't sell them all in 144 days at 40 percent or in six months at 50 percent, don't buy them. If you have some lame excuse why you should violate this rule, expense the cost of the items to marketing or fixtures rather than inventory.

4. How exclusive is the product? If it's sold online, will your customers find it at a lower price, and when they do, will you price match? Will they think you're a bandit? And does it matter? Sometimes it doesn't. More than once, I've gone to Radio Shack to buy some small part — which was more expensive and of lower quality than what I could get at mycablemart.com — because I needed it now. There are items that customers aren't price-sensitive about, and there are things you shouldn't be too

Six questions to ask yourself next time you're considering a new brand

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margin-sensitive about if they serve your larger purpose.

As a "Best in Show" panelist at January's NAMM convention, I picked IK Multimedia's iKlip, which is distributed by Hal Leonard. I don't know the product's margin, but I don't think it matters because the price is so low and the cool factor is so high. I want customers telling their friends about the cool, new item they found at my store. Also, everybody already does business with Hal Leonard, so the other issues are moot.

5. What happens when something goes wrong? Does this supplier have the capability and the intention to take care of the product and your customers? This is a real concern for small and emerging companies, as well as those without a domestic distribution company. (Just ask anyone who has ever bought containers of product direct from overseas manufacturers.)

6. Do you want to do business with these guys? Relationships matter. Sometimes, suppliers are ruthless bastards, sometimes they're like droids in suits. Some companies are in various stages of transition, and it's hard to tell who's in charge. But a few have well-established, well-earned reputations for genuine partnership, great customer service and loyalty to dealers. If you're considering an accessory you'll buy from a website or pleasant voice who happens to answer an 800 number, it probably doesn't matter much. But when we make a major commitment to represent a major line, the quality and character of the people we will be dealing with is very important.

There was a time when there were more dealers than suppliers. Things have changed. Today, if suppliers want their products seen, heard, touched and smelled in a real music store, they're going to have to earn their place in yours. Hold them to a high standard. **MI**

Greg Billings whispers to customers at the Steinway Piano Gallery in Naples, Fla. He welcomes questions and comments at greg@steinwaynaples.com.



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