INDEPENDENT RETAIL I BY TED ESCHLIMAN

Irresponsible Loyalty

When times get tough, they can lead us to an invaluable, brutally honest self-examination. This often makes a business operation more efficient, more effective and, dare I say, more profitable. We cut needless operational expenses, cull slow-moving lines and maybe even let a few unproductive staff members go. Ironically, when times eventually turn for the better, we look back and wonder how much more profitable our business might have been had we made these hard choices during boom times.

Periodic inventory blow-outs are a good way to not only generate cash flow but redefine a store's physical and philosophical core, in terms of market strengths and weaknesses. A retailer might start having observations like, "We thought we were the go-to place for harmonicas, but our premier customers are now getting them at cost plus 5 percent on the Internet and ours are gathering dust." Or, "For years, we thought we were Trumpet Mouthpiece Headquarters, but many of our warhorse models haven't sold for 18 months."

When we remain recklessly loyal to our old strengths and fail to adapt to new market demands, tying up inventory dollars in dead product, we not only lose profit, but we fail our customers. This dysfunction can be as narrow as product-niche miscues (e.g. wedding music, left-handed bass guitars) or as broad as entire manufacturer lines.

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NAMM REVELATION

My partners and I tackled this year's winter NAMM show floor with a new catch phrase: irresponsible loyalty. As an 81-year-old business, one of our core purchasing strategies had been a many-eggs-in-a-few-baskets approach — clutching lines and linking lockstep with as few vendors as manageable. For years, we'd placed chronically high value on these constrained loyalties because it paid big dividends to do so. A tit-for-tat relationship graced us with more quality vendor attention, better response with returned merchandise and measurably more promotional support. It also cemented a brand-conscious identity with our customer base.

But the recent rash of big-player bankruptcies, the uncertain cyberspace frontier, the fickle nature of the music industry, and a changing global economic and political landscape have caused us to struggle to define what it means to be a customer, as much as to be a seller. It could be new Draconian (but necessary) tightened credit policies, short seasonal product supplies, end-run manufacturer market expansion into non-traditional but competitive alternative retail outlets, but we've recently felt more pinched by these loyalties than any other period in my 28-year career. We decided this past NAMM show was a critical opportunity to nurture some fresh, new vendor relationships and scrutinize how the older partnerships could continue meeting our ever-evolving needs.

In a flurry of appointments, we opened some new doors; leveraged low-profile, high-margin for high-profile, short-margin product in our purchasing budgets; and pondered long and hard about our internal product mix and brand allegiances. I'm more optimistic than ever but confess difficulties with the emotional investments we cling to in brands and merchandise identities, often making the hard changes difficult but necessary for keeping our stores profitable and relevant to our customer base.

We have to remind ourselves constantly it's attention to *customers'* needs that keeps us in business. It seems this becomes a great deal more apparent to us in the tough times. **MI**

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