

# IDEAS

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INDEPENDENT RETAIL | BY TED ESCHLIMAN

## GUILT-FREE MARGIN

In the middle of mandatory preflight safety instructions, the head attendant drones oft-ignored procedures and protocol. I still occasionally tune-in and ponder some of these directives, such as how to strap on the seat cushions as flotation devices in the unlikely event of a crash. (Gotta love that comforting clarification: unlikely.)

I've always found the carefully worded dance about flight conditions that might require oxygen masks profound. The attendant mentions that parents should put on their masks before helping their children. At first blush, the notion is counterintuitive. Our primal parental instincts are wired to put our children first, but when you think it through, an asphyxiated adult can do little to guarantee a child's protection. There's an incredible analogy here in the way we run our own businesses.

Outside of the most mercenary business temperaments, our varsity sales crew is wired to take care of customers first. Most of our hires are musicians with a keen *simpatico* for nearly everyone who walks in the door. The troops took lessons from our community-teacher customers, play gigs with our local professionals



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and regularly jam with the hobbyists. We go out of our way to hire community-resonant employees blessed with this sensitivity, often to the detriment of our own bottom lines.

They tend to be more of a customer advocate than an

owner's foot soldier, especially non-commissioned staff. They feel like they are taking advantage of their friends when they don't arbitrarily offer our very best price at the cash register on even the basics. In their minds, a cord that we purchased for 30 cents on the dollar should still routinely sell for our baseline 30-percent margin — 47 cents on the dollar.

It seems like a double-edged sword at times to let these folks in on corporate net-pricing philosophies and calculations. Still, mature staff members are better equipped to reap profits for the store when they know how individual items impact our bottom line. We just have to get around that empathetic "selling to my friends" thing.

Do you also face this mixed blessing: well-intentioned employees who believe it's their personal mission to sacrifice critical margin on small goods, when these cables, strings and mouthpiece brushes end up paying the light bill? It's well-known that add-ons can make an abysmal 22-point gross-margin transaction into a respectable 30- to 35-point package sale. Our secret weapon in competing with the big dogs in high-profile, low-margin sales remains prof-

itability on the small stuff.

Loss-leader small goods can be occasional traffic-builders and beneficial in customer service. Like the oxygen-deprived parent, though, if a business' bottom-line profit is routinely starved, the employee loses his or her job, and ultimately, the customer has no place to shop.

We've been through our own radical internal paradigm shift. We've maximized focus and opportunity by stocking a greater mix of low-dollar, high-margin goods, but this is fruitless if our salespeople chronically discount, neglect to suggest or throw in these goods for free with higher-ticket items (the cardinal sin).

In challenging times, these profit-rich components are the oxygen required to keep the doors open. If we are to be around to serve our communities, our own self-preservation is as critical to us as it is to a child staring at his unconscious parent's dangling oxygen mask. We need to train our salespeople to not feel it necessary to apologize for our profitability.

More gross margin dollars, less guilt. **MI**

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