

BIG TIMES

Buyers International Group

©2009 BIG

www.BIGjewelers.com

PO Box 480
Napa, CA 94559
Phone 707-257-1456
Email—info@BIGjewelers.com

4.16.09

A Word from Seth Godin ... by Mary Galeski

In the newsletter entitled *The Conversations Have to Change*, I addressed several common interactions in our industry and suggested some new ways to approach those interactions. This newsletter will be the first in a series to follow up on those recommendations.

Conversation number one - It is no longer sufficient to ask how much inventory we need, instead we must ask *which merchandise* we need.

Let's face it; we got ourselves into our current cash flow difficulties by asking how much inventory we need. We target a sales goal and then decide how much inventory we need based on that goal. Sometimes this is for a particular line of merchandise. Other times it is for an entire category or the whole business. Those of us who are more "numbers oriented" may run some very complicated formulas to determine exactly how much margin we will get, how many customers we will need, how much we will spend on advertising etc, etc, etc. In other words, we plan carefully before we invest. There is absolutely nothing wrong with any of this planning in and of itself.

More often than not, though, we make two fundamental mistakes before this planning process ever starts. The first is that we assume that cash flow from sales of the new purchases will fund those purchases. In other words, we think that a new line will pay for itself. The second and far more dangerous mistake is that we assume that simply having the line will create sales. In other words, we put the merchandise before the customer.

Both of these mistakes can at least be mitigated by changing the focus of the discussion and the planning from one of "how much" to one of "which merchandise." The best summary of what this looks like I have yet heard came from Seth Godin. For anyone who has not read Purple Cow or Tribes: We Need You To Lead Us, I highly recommend them. Hearts On Fire hosted Seth at AGS Conclave a few weeks ago (thank you, HOF team). During his presentation, he put two slides up on the screen that went something like this:

Are you one of the many who looks for customers for your products?

or

Are you one of the few who looks for products for your customers?

Stop and think about that for a minute. Reread it a few times and ask yourself the question. Which comes first when you do your planning? If you are a retailer, do you thoroughly understand your customer and their current purchase behavior before you select merchandise? If I asked you right now, could you tell me what the number one producing price point, or line, or even category is in your store - by dollars, by transactions? Do you understand the demographics of your marketplace compared to your customers? Do you know what they spend money on besides jewelry? Have you sat at the coffee shop and looked at what jewelry women are *actually wearing* in your community? Do they buy it from you?

If you are a vendor, which comes first when you think about the doors you are in? Do you assume

A Word from Seth Godin ... Continued

that if the retailer has your entire collection they will automatically be able to sell it? Do you think more case space will automatically mean your line gets more sales? Do you think of the retailer as your customer rather than thinking of *their customers* as your customers?

Think about the way we often plan merchandise as an industry. We own diamonds, so we build jewelry to accommodate them. We know bridal is a sustainable category, so we carry lots of bridal assuming we will get our "fair share" of that market. We have operated largely on the premise that "if we stock it, they will come." I have heard countless 40 something jewelers quote their father's philosophy of, "If you don't have it, you can't sell it." Does it automatically stand to reason then that if you do stock it you *can sell* it?

There are no magic answers and no guarantees that any product, no matter how carefully chosen will create sales. However, Seth's question is more relevant today than it ever has been. Are you going to continue to try to find customers for your products? Or will you focus *first* on understanding *your* customer and then finding the products *they* want? It's an absolute certainty that you need less of the product that sells than the product that sits in order to be profitable. Think about that.

It is no longer sufficient to ask *how much inventory* we need. We must instead determine *which merchandise* we need.

BUYERS INTERNATIONAL GROUP

P.O. Box 480 · Napa, CA 94559

Office 707-257-1456 · Fax 707-257-7306 · www.bigjewelers.com