

How To Get 500,000 Hours Of Labor For Free!

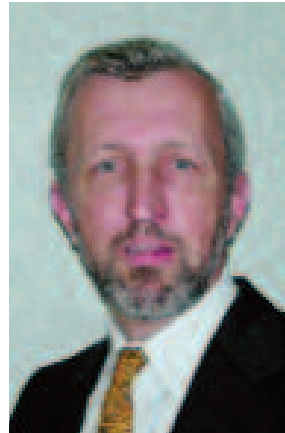
Through a recent retail survey we conducted, we discovered a breathtakingly simple strategy for any supplier looking to develop a sustainable and significant competitive advantage. As a service to the industry at large, we thought we'd spell it out: Step 1. When filling orders, be sure to put only the stuff the dealer ordered in the box. Avoid substituting merchandise, throwing in unordered stuff, or mixing up colors and sizes. Step 2. If an item is back-ordered and can't be shipped immediately, let the dealer know at the time they place the order. Step 3. If problems happen to arise relating to the shipment of incorrect or damaged merchandise, take care of them quickly. Suppliers who fulfill at least two out of the three steps listed above are sure to gain favor with retail customers and increase their market share. If you think we're kidding, think again.

In preparing our annual Top 200 retail ranking, we poll over 400 retailers. Among the questions we pose is "Describe the biggest complaint you have with your major suppliers." Some respondents decry the lack of a "level playing field" and cite the better pricing received by big retailers. Others complain about MAP price levels being set too low. Still others are troubled by the placement of products in mass merchants. However, the most frequently heard complaints deal exclusively with mundane logistics issues: filling orders correctly, shipping on time, giving accurate delivery forecasts, and addressing problems in a timely manner. The comments we received reflect a frustrated and irritated bunch of dealers. The following direct quotes provide an indication of the prevailing sentiments:

"We waste too much time and effort every week trying to get shipping and order-entry mistakes corrected. It is a complete drag."

"I ordered three drumkits, they shipped me six. I complained and asked for a return authorization. Weeks went by and it never showed up. Then I found out I had been put on credit hold when I called asking about the delay in another shipment."

"I ordered merchandise as part of a time-sensitive promotion I had planned. I carefully spelled out the necessary delivery time. I went ahead and did the mail campaign. A day later when I called asking where the



stuff was, they told me they couldn't make the delivery date they had promised. Terrible communication!"

Any time a retailer spends addressing the errors of a sloppy shipping department is time that could have been spent more productively on the core tasks of sales and promotion. And at a time when pricing pressures demand improved efficiencies, it's wasted time that no one can afford. Mass merchants are acutely aware of this, which is why they impose hefty penalties on suppliers who screw up. One industry manufacturer recounted to us how Wal-Mart turned away a large shipment and then took an extra discount because labels hadn't been positioned properly on the cartons.

It's a popular industry pastime to discuss ways to "grow the market" and create more music makers. In pursuit of this worthy goal, we hear calls for national marketing campaigns, government lobbying efforts, and a host of other grandiose strategies. We'd like to offer a somewhat more modest proposal. Suppliers should focus some creative energy and investment on improving the logistics of their business—mundane areas like order-entry, inventory management, and shipping. It's certainly not as exciting as the prospect of a national TV campaign, but we think it could have a tremendously significant impact.

In 2006 music and audio suppliers shipped somewhere around ten million instruments and audio components. If it takes about an hour for a retailer to rectify some error in the delivery process, and suppliers screw up 5% of the shipments, the industry wastes a minimum of 500,000 hours a year. Improve the supply logistics, and that's time and energy that could be put to a much better use. Even if some don't make the effort, those suppliers who do will receive an enthusiastic reception from their dealers, and the industry will be the better for it.

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