

Focus & Control

Lessons From Brook Mays

Brook Mays was a retail powerhouse, dominating the Texas market for the better part of five decades. When a bankruptcy judge ordered the liquidation of the company in August, it sent shock waves throughout the industry. Suppliers had tangible reason for being upset—a \$29 million upset, to be specific. That’s the amount Brook Mays owed its music products vendors at the time of liquidation. For independent retailers, however, the bankruptcy was more an emotional issue. Beset by new competitors ranging from Guitar Center to Wal-Mart, not to mention a host of online retailers, some independent retailers have been suffering from a crisis of confidence, unsure of their place in the industry. The collapse of Brook Mays, one of the largest independents, aggravated those feelings of uncertainty.

Elsewhere in this issue we provide an in-depth look at the events leading up to Brook Mays’ bankruptcy. While no one should take pleasure in the misfortune of others, a careful analysis of the case should hearten most independents. The Texas retailer wasn’t the victim of harsh competitive forces. Nor did it collapse because of new economic realities. Rather, it was the victim of self-inflicted wounds. Through an ill-conceived acquisition strategy, the company lost its focus. Making matters worse, its operations expanded faster than its ability to effectively manage them. If there is a lesson in all this, it’s that focus and control are the key to any successful retail enterprise, from Wal-Mart down to the smallest “mom and pop.”

In acquiring retailers, Brook Mays bought some stores that exclusively served the school music market, some that were combo stores, and some that served both markets to differing degrees. By the time the business had expanded to 62 stores, it wasn’t clear what kind of business they were in. Were they a school music retailer? A retailer catering to the high-end market? A neighborhood store with lessons and entry-level instruments? A piano dealer? To people working at the store level, the answer was, “We’re not sure.” If staff is confused about the focus of the business, it’s a guarantee that the consumers will be even more so. With time at a premium and so many places to buy things, the last thing consumers want is to be confused. That’s why successful retail stores can effectively sum up their mission in a few words. For Wal-Mart, it’s “Low Prices, Always.” Closer to home, in this issue we profile Chicago Music Exchange, a thriving retailer that aptly describes itself up as “The Store For The Guitar-Obsessed.”

Retail, by definition, is a low-margin business that requires good controls. When your profit is two or three cents for every dollar of sales, relatively minor inventory shrinkage or write-downs can be the difference between red and black ink. Insufficient inventory management apparently cost Brook Mays millions and ultimately contributed to the bankruptcy.



For those retailers who want to avoid the fate of Brook Mays, a good place to start is determining your focus. What market segment or segments are you good at addressing? Where are you weak? If you don’t have a clear plan for shoring up the weak areas, maybe you should consider jettisoning them altogether to focus on your strengths. If you’re not sure what your focus is, you could be in trouble.

After you’re done with the strategic planning, take a look at operations. Can you monitor your inventory in real time? Can you justify every SKU in your store? Is all your inventory contributing to the business, either by generating profits, or by providing some promotional value or traffic-building power? These are just a few of the questions you should be asking yourself. If you’re not sure why you’re stocking something, it’s probably a good idea to get rid of it. And if it’s not contributing to the bottom line, definitely blow it out. In the current climate, even the biggest stores can’t afford to waste floor space and capital on merchandise that doesn’t deliver. You probably can’t either.

The good news in all of this is that there are still solid business opportunities for retailers who have a sharp focus on their market and the controls to keep their business profitable. The caution is that the market is very unforgiving for those who don’t.

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