How Much Can A Supplier Do To Make Dealers Profitable?

It's no secret that retail profits are under intense pressure right now. A recessionary economy and consumer uncertainty have resulted in a stagnant purchasing levels. In the music industry, this has led to intensified price competition and dangerously low gross margin levels at countless stores across the country. Addressing the problem of retail profitability, Yamaha has initiated a decisive policy that forbids any type of low-ball price advertising. *(See story on p. 24.)* This policy has been generally well received by retailers who view it as a means of alleviating some of the most challenging forms of price competition.

The effectiveness of Yamaha's new policy remains to be seen; however, it does raise the question of how much responsibility a manufacturer has for keeping dealers profitable. Suppliers can help matters by limiting the number of dealers that carry their products, by offering training, and, of course, by providing a desirable product at a competitive price. In the final analysis, however, these types of policies play only a part in ensuring retail profits. Thus, retailers who expect manufacturer policies, like Yamaha's new approach to pricing in advertising, to automatically enhance their financial standing are bound to be disappointed.

Musical products are sold face to face, one at a time. The price a retailer can get for a given product more often than not depends on the skill of the salesman. Yet how many salespeople cut price at the first sign of customer resistance, without ever determining if, in fact, price was the problem? The ability to get a reasonable price for a product depends on the scope and quality of a store's inventory. Yet how many dealers load up on inventory without attempting to forecast their sales, only to have to blow out products six months later to raise cash to cover flooring charges? Too many salespeople on the retail floor fail to realize that not every customer has shopped every 800 number; thus the salespeople "beat the lowest price," even when they don't have to. Scores of customers are anxious for genuine help in assembling MIDI studios or sound systems, yet too many retailers forego genuine technical service, opting instead to match prices to move boxes.

Above are just a few of the ways in which profit opportunities are squandered on the retail floor. If you are guilty of any of them, don't expect a piece of paper from a manufacturer to turn your business into a money maker. Blaming manufacturers for problems may be convenient, but this has a way of shifting attention away from a retail operation's internal problems.

To harp on a shop worn phrase, "retail is detail." The successful stores in this, and other industries, are those that meticulously attend to easily overlooked details, like a proper greeting for all customers walking in the store, well thought-out sales presentations, consistent customer follow-up, and judicious inventory management. Furthermore, those detail-oriented merchants also seem to make money in spite of manufacturer policies.

In short, suppliers can provide retailers with the basic tools to make a profit. But ultimately, the final results are determined by how well the retailers make use of the tools. We would like to hope that Yamaha's new policy has the intended effect of strengthening the finances of retailers across the country. In the final analysis, though, the results will depend on the retailers.

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