

Good Fortune Favors The Prepared

Its no secret that the all-important Christmas selling season has been lackluster over the past few years for retailers in all industries. Anyone who doubts this need only review newspaper advertising. When department stores and the like start running huge sale ads right after Thanksgiving, its safe to assume that sales aren't setting the world on fire. The cause of these problems? After racking up record debt levels in the '80s, consumers in the '90s have apparently reined in their free wheeling spending habits.

So much for the bad news. On the positive side, retail expert Edward Johnson, publisher of the well read Johnson Redbook market report, predicts that Christmas retail sales will increase at least 6% this year. In support of his rosy scenario, he cites low interest rates, reduced consumer debt loads, and a gradually improving economy. Forecasting is a chancy business, and Johnson's prognostications might rank up there with the Decca record executive who dismissed the Beatles stating, "Groups of guitars are on the way out." Caveats aside, it is worth noting that a large number of major retailers, from Nordstrom's to Wal-Mart are also predicting an improved retail climate in the coming months.

Whenever politicians and pundits talk about an improving economy, they regularly cite the old saw about a rising tide lifting all ships. For individual operators, it is worth keeping in mind that improved economic conditions benefit everyone, but they seem to benefit some more than others. In other words, retail sales may improve in the fourth quarter, but that doesn't guarantee that your business will see any gains.

Improved business is invariably the result of good planning, and retailers who hope to cash in the potential Christmas surge need to be prepared. A review of inventory on hand is a good place to start. Based on our own observations, gained from traveling around the country, backed by a wealth of anecdotal evidence, retail inventories remain extremely lean. If this 6% sales increase actually

materializes, a lot of retailers and manufacturers could find themselves unable to meet the consumer demand.

The memories of double-digit interest rates in the '80s have taught most music retailers to be cautious in their buying practices. However, you can't sell from an empty wagon, and a customer who wants an out of stock item immediately is rarely satisfied with a lecture on the wonders of Just-In-Time inventory systems. In short, if you want to maximize sales in the coming months, you have to be willing to stock up.

With an oversupply of most products on the manufacturer level, a lot of retailers have justifiably taken the attitude, "let the supplier carry the inventory. When I need it, I'll call." However, during the past year, manufacturers have trimmed their inventories and many of the surpluses have evaporated. In some cases, acoustic guitars are just one example, there are actually shortages. So, its not prudent to simply assume that your suppliers will have whatever you want in stock, come December.

This is not a suggestion to go on a wild buying spree. Plan what extra products are needed, not just a 5% increase in everything. The increase should be spread around proven sellers. Most manufacturers will no doubt respond to your willingness to lay in stock by offering enhanced terms and prices. Return privileges are even available on some products.

Promotions, advertising, and good store displays are also vital if you hope to secure a sales gain in the December, however, they warrant another editorial. In the mean time, if you don't have the product on hand, there is no way you can expect to see improved business. Make your plans now, before its too late.

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