MY TURN | BY MYRNA SISLEN

The Buck Stops Here

I love new products. My favorite part of NAMM shows is looking for first-time presenters. Items that are not only unique but offer businesses like mine a good margin. The new, the unusual, the inventive — things that will make my store different.

Ever since I bought Middle C Music — a small, still-independent music store — six years ago, I've wanted to discover and support other small, independent businesses. To date, my batting record is pretty good. I was Karen Cannon's first customer; I was one of Wedgie's first customers; and I remember when Farley only had pocket tuners. Every NAMM show presents the same golden opportunities to discover and support new products, while at the same time having the great benefit of new, profitable items in my store.

But I've noticed a recent trend that threatens to put an end to this near-idyllic relationship. More and more, these new, undiscovered diamonds in the rough are only offering 30- to 40-percent dealer margins.

You're probably thinking, "This can't be true. It sounds too silly. She must be making a mistake." But the majority of new product manufacturers at the recent Summer NAMM show, including three that were named "Best in Show," did not even offer a 50-percent margin for retailers.

TEACH THE NEW SUPPLIERS

Here's how one conversation with a new product manufacturer went:

Retailers need to educate new vendors. A 30- to 40-percent dealer margin won't cut it

Me: What a great new product you have. I would love to stock it in my store. How can we make that happen?

NPM: Sure, our pricing is $4.99 to you, and we think it works best with the customers to charge them $7–$8.99.

Me: Please understand, I am not suggesting that you lower your price. Make your price whatever you think is fair and good for you, but build in at least a 50-percent margin for the retailer. In order to pay for shipping, display your product in my store and pay someone to sell it, I must make at least a 50-percent margin.

NPM: Sure, you can charge whatever you want, but we think the customer will be more likely to buy it at $7–$8.99 ...

And so it went. Needless to say, I didn't buy that product or any of the other ones with similar pricing.

It is our job, as independent retailers, to educate new manufacturers about the realities of our businesses. The first reality is that these products are entirely discretionary. They're nice, but we don't need them. Second, dealer profit is an essential part of the retail cycle. And, of course, customer cost is important but not more important than retailer profit. I actually believe the three elements are equal: supplier–retailer–customer. None can succeed without the other.

We retailers know this all too well. We have very little or no control over so many (yes, most) products that we have to stock in our stores. For small dealers, 30- to 40-percent margins are not enough to succeed. It works great for the big guys, but it won't work for us. New products from small, independent manufacturers are one place we can make a profit, or at least they should be. We must put these manufacturers on notice that we will not buy products that do not have sufficient margins for us. Actually, one such manufacturer was grateful when I brought this to her attention. She said she didn't know about pricing and asked if I would advise her.

There's a simple solution: the buck stops here. I simply won't support new manufacturers who do not appreciate the importance of my store in the cycle. I hope other retailers will do the same. MI

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