

Jeweller

In late September, jewellermagazine.com reported that Australian jewellery supplier Tuskc had ceased business. The story caused considerable comment and a reader wrote to Jeweller suggesting that more businesses would close due to very difficult trading conditions. He went on to explain his own store's predicament.

The retailer was happy to have the letter published anonymously and due to the heart-felt and sobering nature of the letter, it caused further comment and greater interest in the industry.

DAVID BROWN, co-founder of Retail Edge Consultants and regular columnist for *Jeweller* was asked to review the letter and the retailer's predicament.

David makes some very insightful observations as well as offering sound advice and, for ease of reading, his comments have been inserted as blue text. It should be noted that David is not aware of the author's identity and therefore has no specific knowledge of the store's location, target market or competitive position.

Dear Editor

I read the story about the closure of the supplier Tuskc, which highlights the fragility of the local industry and I believe, unfortunately, that there are many more companies also likely to close.

Our independent jewellery store has operated for nearly 70 years and spans three generations. I started in the family business more than 40 years ago, but I am increasingly worried if we will remain in business.

I have tried to keep up with all the new trends, hired internet advisors, started an online arm to the existing business, maintained an advertising and marketing budget of 5% of turnover, and invested in staff training and developing new in-house brands.

***OBSERVATION** - The advertising budget at 5%, may, or may not be relevant depending on the percentage cost of rent. Typically, occupancy costs and advertising are added together and the combined percentage is between 10-12%.*

None of this has worked to the degree that the "experts" thought it should, but still they charged for their services, with little or no embarrassment.

Consequently I now only hire outside help on a "payment for success" basis. Needless to say I don't get many takers.

***OBSERVATION** - The retailer appears to be motivated and is genuinely seeking ways to improve his business. I don't question his "intentions" but there are no magic bullets and even "proven strategies" i.e. strategies that have worked for a variety of different retailers over an extended period of time, don't work without persistence and commitment.*

Whenever someone tells me they will "try" ... I pretty much know it's not going to work because they lack commitment. They're already expecting it not to work and are looking for excuses. If a strategy works for other retailers, it can work for you, too, provided it's implemented with persistence, determination and belief.

Nothing will sabotage a strategy faster than an owner/manager who already doubts that it will work. The staff will jump all over this because, guess what ... they don't want to change!

If it's worth doing, stick to it until it works.

I can't speak for other service providers, but our services are guaranteed to work to the extent that if the retailer cannot justify writing the cheque ... I don't want payment.

But, we will (and have) walk away from an opportunity if the owner:

- already has doubts or is of a negative disposition;*
- is truly not motivated (different to wishful thinking). Their "behaviour" more than anything else will determine their results;*
- doesn't have the time to implement and follow through;*
- doesn't have the necessary resources (or the ability to acquire the resources) such as the right level and mix of stock; the right people doing the right things; cash flow; information, etc.*

We don't have a magic bullet either, but I know with absolute certainty that our strategies work – just as Jenny's Craig's strategies work for people wanting to lose weight. But they don't work for everyone because not everyone's behaviour is consistent with their goal/desire to lose weight.

I adhered to the old mantra of “investing in your business” however I have found that is no longer a suitable hedge against the downturns. For example, I used to say that, “stock does not eat hay and therefore is a safe investment”; well, I now say that, “I can’t eat gold and diamonds.”

Stock is a millstone around my neck; it has no liquidity and I therefore cannot change the course of my business quickly enough to respond to new market conditions.

OBSERVATION - *I agree that stock is not an investment ... but carefully chosen, well-managed stock is the “lifeblood” of a retail business.*

There are five specific phases of a profitable stock management plan.

They are:

- 1. What to do before you buy.*
- 2. How to buy better (includes how to partner with your suppliers in a win-win relationship; how to hire a new supplier).*
- 3. How to launch and sell what you’ve purchased. Buying it’s the easy part – selling it is the challenge.*
- 4. What to do when it sells quickly.*
- 5. What to do if it doesn’t sell quickly ... what does your exit strategy look like for non-performing stock.*

Wholesale credit is expensive, when you can easily get 5% to 7.5% discount by paying cash, so I am affected twice.

OBSERVATION - *Agreed, but knowing what your “Optimum Stock Level” is and managing/maintaining that using an “Open To Buy” budget will ensure you have the money there to take advantage of “Prompt Settlement Discounts” and/or avoid penalties.*

A 5% prompt payment discount can add roughly \$25,000 of net profit to an average store doing \$1.1 million. You would have to do a lot of extra sales to add \$25,000 of net profit – so this is “low-hanging fruit”.

I am sure you have heard all these issues many times before and the main reason I am writing to you is not to rehash the problems or highlight my own failures. I am writing to suggest that Jeweller magazine acknowledges the plight of the jewellery industry on a more personal level.

OBSERVATION - *Without diminishing these heartfelt concerns, I only see it as a “plight” if there were no solutions. It’s fair to say that in recent years there has been a decline in the number of independent jewellery stores as fewer new businesses are starting up and more baby boomers reach retirement age.*

And let’s face it; there isn’t a line-up of people wanting to buy a jewellery business (including the next generation).

The traditional (and previously successful) retail jewellery model – what we refer to as “Yesterday’s Jewellers” – has passed its use-by date. The days of simply buying product, hoping it sells and then expecting there to be a net profit left over, are gone.

Research shows that approximately 20% of Generation Y shoppers will walk into a jewellery store and choose what is in the cabinets. The rest either want something changed or they want something created.

Tomorrow’s jewellers need to adapt or die (just ask Blackberry or Sony). They need to embrace new technology allowing them to easily create new items in front of the customer. It needs to be fun and interactive. They need to learn how to sell “prototype” – sometimes referred to as Brass & Glass in addition to finished product to help expand their range.

They need to build lifetime relationships with their customers and give them reasons to keep coming back and to bring their friends. They need to put their’s and the store’s own brand first. Too many stores are helping to build other people’s brands at the expense of their own and when (not if) those brands start to decline, so do the number of “their” customers that come to “your” store.

To me, this is not a plight – it is an opportunity.

Yesterday’s jewellers are generalists whereas tomorrow’s jewellers are specialised and cater to customers who want to personalise, individualise and customise their jewellery experience.

One of the major causes of my own “dark” thoughts is the inability to discuss with others, within MY industry, what is actually happening on a personal level.

OBSERVATION - *Thank you! One of the principal differences between chain stores and independent jewellers is the quality, the amount and the timing of information they have available to them from which to build on or make changes to their business.*

And one of the most important things we have been doing over the past eight years is giving independent jewellers the opportunity to compare (benchmark) their performance against their peers and thereby help them compete with the chain stores on a more level playing field.

We do this by:

- *KPIs (key performance indicators) such as average retail value, margin, stock-turn and ROI etc;*
- *category;*
- *supplier;*
- *individual SKU.*

It not only highlights what you do well (your strengths), but it clearly identifies your weaknesses (opportunities).

I have invested a lifetime to my business and I feel a failure.

Please understand that I'm not facing a threat of immediate closure, but I don't have a positive feeling about the long-term viability of an industry that has provided millions of Australians with fantastic emotional experiences.

We retail store owners and staff have always delighted in the fact that we contribute to the enjoyment of major milestones in people's lives. Those feelings are becoming more and more rare as we struggle to match prices and lose customers to other industries vying for their money.

OBSERVATION - *We work with hundreds of jewellery stores and our research reinforces that today's customers don't want to buy cheap jewellery based on the lowest price. They still want a jewellery experience – they want value for money (not the cheapest price); they want service; they want quality; they want advice and they want to buy from people they like and trust.*

The problem is, those things are hard to find nowadays while jewellery stores try to discount their way to prosperity. Good luck with that!

Unfortunately, I believe that many jewellers do not value their own product and expertise anymore, so why should their customers? Think about it, the day before Valentines Day (one of the key dates in the jewellery calendar), jewellery stores all over the country are discounting whereas the florists are selling a dozen, long stem red roses for \$150 (and getting it). Work that out!

We are losing the battle and consequently the war for the hearts and minds of the current generation as well as the coming generations about the value of jewellery. It's this loss of enjoyment and the lack of satisfying people's hopes and desires, more than the loss of income, which is the most saddening aspect of being in the jewellery industry.

OBSERVATION - *The jewellery industry is reaping (or suffering) the results of its own practices. The customers haven't changed, the industry has ... and the customers are just responding to it. Customers still buy jewellery for emotional reasons but are being sold jewellery unemotionally.*

I need to know what others in my situation think and feel. I need to know that I can leave a meaningful business to my heirs. I need to be re-invented as a person. Just as the industry needs reinvention.

OBSERVATION - *Well put, I agree! This is still a fabulous industry and a great business opportunity. It's about becoming "tomorrow's jeweller" to meet (or exceed) the needs of "tomorrow's customer".*

That is the sad truth and I feel overwhelmed by the situation in which I find myself. Talking to other people in the jewellery industry would help immensely and I therefore recommend that you set up a blog, website or some such mechanism, by which we can contribute personal experiences, even if anonymously.

OBSERVATION - *As a New Zealander I was reminded recently of the power of the Sir Winston Churchill credo, "Never, never give up". Yes, I'm talking about the recent America's Cup and Oracle Team USA. Imagine how overwhelmed the American team felt being down 8-1 and on match point. But what they did better than Team New Zealand was to learn and adapt and they believed that they could win it. It was a brilliant lesson in winning and perhaps explains why Larry Ellison is the fifth wealthiest man in the world.*

By talking amongst ourselves and by openly discussing the problems and challenges facing retailers, we may recognise we are not alone. That, in itself, would be of great comfort to many of us who feel alone and, in some cases, helpless.

OBSERVATION - *I am happy to participate in a "solution-oriented" forum designed to help accomplish this.*

I read your emails every week and feel that your magazine is the only organisation that can arrange this online service. I would love to hear your thoughts on the matter.

OBSERVATION - *Yes, and I read Coleby's emails every week too and he told me to remind you to keep reading them. He says if you think education is expensive, you want to try ignorance!*



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