

FENDING OFF THE CHAINS

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Independent retail jewelers--struggling against television marketers, discount houses and the ubiquitous chain stores--often have a feeling of impending doom. They are not alone. Appliance stores, clothing stores, hardware stores, bookstores find it harder to make their businesses profitable today. Many face threats to their livelihood as great or greater than those faced by jewelers.

JCK talked to a variety of independent retailers to find out how they continue to thrive despite the proliferation of mass-marketers. You're probably already using many of their techniques, but their stories may inspire you to try others. All these retailers have been in business more than 10 years and have certain things in common with independent jewelers: They sell a higher quality product than that offered by chains; they must educate their customers; and they may carry brand names heavily discounted at chains or department stores. This is what these independents are doing to succeed in the marketing environment of the 21st century.

Find a Niche

Mass-marketers cater to price-conscious, low-maintenance customers. They do not serve customers who want higher quality, service, or information. Exploiting these niches is where independents excel.

Shryock's Menswear in Salem, Oregon, at one point had become a "junior department store," says owner Mark Messmer. But that position became less viable when the number of chains in town increased. So Messmer and his brother and co-owner, Kirk, jettisoned everything but middle to upper-end men's clothing and the kinds of services--such as complex, high-quality alterations, tailoring and tuxedo rental--that complement that product. And they became stronger for it.

Jewelers in an area saturated with other jewelers, discounters, and department stores, may also benefit from a narrower focus. Look at the potential customers in your area, figure out which segment's needs are not being met by mass-marketers, and fill those needs. For example, career women who buy jewelry for themselves often look for something "different" that lets them express their own personal taste and style while wearing a conservative suit. Designer jewelry and studio or art jewelry--found at galleries and craft shows fit that need perfectly. As a result, these pieces are becoming increasingly popular among professional women 35 to 70.

Then there are the Generation Xers, the often-well-paid 18 to 29-year-olds. They do not buy the same kinds of things their parents, the Baby Boomers, buy. Though it's said that Gen Xers are less brand and store loyal than previous generations, almost everyone we talked to said that was because few stores serve Gen Xers' needs. Liz Chatelain, of MVI Marketing Inc., which specializes in the jewelry industry, knows of only one supplier who focuses on the Gen X market. You can earn their patronage and loyalty by finding out what Gen Xers want and providing it, she says.

Focus. "Decide who your customer is," says jewelry industry consultant H. David Morrow of the Education and Training Compact, LLC. "Don't chase whoever is not in your market. Be content that you cannot serve 100 percent of the market."

Educate Customers and Staff

Mass-marketers do such a thorough job of trumpeting low prices, consumers often forget there is more to a product than the price sticker. Panicked independents sometimes forget it, too, thinking the only way to survive is to cut prices. But customers often want more, says Dennis Whitlock, of Whitlock's Vacuum and Sewing Center in Salem, Oregon. They are hungry for education. "Customers want to know they are getting a value for the product," says Whitlock. "It doesn't have to be the cheapest product, but it has to be of value." Whitlock carries a sampling of the lower-priced vacuums that chains carry, but he specializes in higher quality products--on which his store can make a better margin. Often, once features are demonstrated, and the value explained, customers willingly pay more for the better product.

For jewelers, showing the difference in quality can be easy, says Morrow. Place a high-quality jewelry piece from your store on one scale pan, and a look-alike piece from a discounter on the other to graphically display the difference in gold weight. A sales associate who uses a microscope to demonstrate differences in gem quality and cut, or jewelry manufacturing quality--and explains how these affect the price--will go a long way to inspiring faith in a customer.

But before the staff can make explanations, they have to have been trained. Carl Meisel, of Carl's Cuisine in Salem, Oregon, spends months training each new person on the approximately 5000 different high-end kitchen products the store carries. "Whenever a new product comes in," he says, "we get the instruction manual out and everyone reads it."

Education is a byword for jewelers, as well. Jewelers often encourage staff to take training through industry schools such as GIA, reimbursing students when they successfully complete the courses. However, as Meisel points out, education can take place at regular staff sales meetings, when you discuss the watches and jewelry you sell. Sales meetings are the time to brush up on counter sales skills, too, says Morrow.

In recent years, television reports on the jewelry industry have shaken consumers' faith and trust in jewelers. They look for information on the Internet before they shop. They ask forthright questions about treatment, deception, and value, and they expect honest, informative answers. To help staff deal with these "dangerous" questions, Chatelain recommends the Counter Intelligence program created by the Industry Image Task Force, and coordinated by the Jewelry Information Center.

While you're educating customers and staff, educate yourself. Know what your competition is doing. The nature of his product puts Meisel into direct competition with the cooking and kitchen catalog store, Williams-Sonoma; customers often come into Carl's Cuisine catalog in hand. Meisel doesn't feel he has to beat the prices in the catalog, but he knows he can't go over those prices much either. "If your price isn't right," he says, "you'll be a museum."

Shop your competition, says Chatelain, and not only other jewelers. Shop the Walmarts and Costcos, the Penneys and the Neimans. Go on line at least every two weeks, she says. You can't answer customers' questions and outsmart the competition if you don't know what's out there.

Service, Service and More Service

If survival is the question, service is the answer, said all the retailers we talked to. It is one area consistently ignored by mass-marketers.

Twenty-five years ago, Joyce Meskis opened the 950-square-foot Tattered Cover Book Store in Denver, Colorado with two employees. Today, the Tattered Cover fills two

multi-storied Denver locations covering 85,000 square feet and is staffed by more than 300 employees. Before you envy her, however, consider this: In the last seven years, the Tattered Cover has been surrounded by thirteen mass-market book superstores, such as Barnes & Noble, Borders, and MediaPlay. "To stay competitive, we do what we do best: we sell books knowledgeably," says Meskis. Customers visit the store from all over the US and around the world because Meskis teaches employees to sell not books, but "customer service, customer service, customer service."

"Customer service," says Chatelain, "is thinking for customers before they think of something for themselves." Meskis provided a coffee shop at each location and a full-service restaurant on the third floor of her Cherry Creek store so browsing customers would not have to leave for lunch.

Jewelers don't have to go that far, but if a customer comes in for a battery change, says Chatelain, offer to clean their jewelry. Inspect it. Look for damage, worn or broken prongs, chipped stones--anything that could cause loss later. Advise the customer and let her make a decision about repair.

There are hundreds of customers who want changes made in a piece of jewelry. But special orders--whether in bookstores, hardware stores or jewelry stores--are a labor-intensive service not much encouraged by superstores. "If you want something ordered from a chain," says Chatelain, "the sales associate will roll his eyes and tell you it will take weeks and charge you a large deposit." Insist on fast special order service from your manufacturers, she says. "The independent retailer is still the most profitable backbone of the retail industry. Drop any manufacturer who cannot have a customized piece to you in a few days."

Listening to what customers don't say as well as to what they do, may be the most important service you offer. Jon Hearn, manager of 90-year-old Wink's Hardware, a Portland, Oregon, landmark, says the biggest part of customer service is problem solving--whether the customer is "a little old lady who wants a screw for the lid of her frying pan or a contractor ordering \$1500 worth of supplies. We always want to know what the project is. The product they think they want or need is not always the product they leave with because the staff can give them a better suggestion."

Similarly, says Morrow, asking a customer "How much do you want to spend," turns a piece of jewelry into a commodity with no other value than price. Ask about the occasion for the purchase--a job promotion? An anniversary? A graduation? Note its importance. Once you've done that, he says, "You've dismissed the price. It is no longer an issue and what you are selling is not a commodity."

Stay Flexible

Independents have one big advantage over chains: the ability to make decisions and act. If you're alert, says Shryock's Messmer, you can take advantage of a trend before mass-marketers can make up their minds. "While [the chains] are paddling out," he says, using a surfing analogy, "I'm looking for the next wave." Messmer has ridden the crest of the Hawaiian shirt wave for four years--he sold 1200 last year. Now that department stores are cramming racks with them, Messmer is getting out and looking for the next trend.

Independent jewelers can "paddle out" and stay ahead of mass-marketers, says Chatelain, by selling color. Chains prefer the easy-to-sell, commoditized diamond. The colored gems they handle are primarily emerald, ruby, sapphire. "Many are dropping the emphasis on emeralds because of the bad press," says Chatelain. Many independents shy away from color, too, put off by media reports and the education and time necessary

to sell unusual color. Rather than abandoning the colored stone market, advises Chatelain, independents should invest in "massive color. Color everywhere."

Independents can also jump on local trends whereas chains react too late, if at all, says Terry Currier, owner of the 30-year-old landmark music store, Music Millennium, in Portland, Oregon. Currier watches the regional music scene carefully. When local artists catch on in clubs and concerts, chains can't cash in on that popularity. Their buyer "may buy 20 copies of [the local artist's] album, I may buy a 100," says Currier. "I'm going to be able to take advantage of those extra sales."

Keep an eye on what local sports figures and talk show hosts are doing and wearing. And pay attention to the colors and styles that sell best in your area. In the cool, rainy Pacific Northwest, for example, pins set with muted greens, browns and blues are worn nine months of the year on sweaters and coats. In Seattle, a few galleries are even beginning to reintroduce lapel pins to men.

Be Part of the Community

Mass-marketers are often seen as interlopers without community ties. It's important that, in contrast, independents take an active part in their community by participating in local politics, sitting on committees and boards, and becoming involved in charities. "We've always believed that the community supports us and we have to support the community," says Currier. "You don't often see that from the chains." Music Millennium supports many music-related events in the Portland area. And people do remember that, he says. "It's important to [customers] that the places they shop have the same convictions they have."

Chuck and Dee Robinson, who own Village Books in Bellingham, Washington, are also invested in their community. They raised \$10,000 for three local charities by taking advantage of the popularity of Ty Beanie Babies, which they carry in their paper and card store next to Village Books. They offered one of these highly collectible stuffed toys free to customers who wrote a \$50 check to one of the charities. The event gained them lots of publicity in the papers and the charity newsletters. And it made people remember them. "It made the store a more integral part of the community," says Chuck Robinson.

For several independents, special events are also a big part of the promotional mix. Music Millennium holds more than 200 live, in-store music events annually; Village Books holds the same number of readings and signings. Tattered Cover, with two locations, sponsors 600 events a year. All feel the investment in time and money is worthwhile. "The more often we can get people to come into the store, and the longer we can get them to stay here, the greater the chance they're going to buy something," says Robinson.

Events are usually announced in newspaper calendar sections, but noteworthy events may be covered in a feature article, a situation that pleases Robinson. As an independent retailer, he says, "You want to get your name in the paper for everything but drunk driving."

Special jewelry store events, says Morrow, may "not necessarily make sales," but they enhance the store's image of reputability and knowledge. Bring in a diamond cutter, or a lapidary to demonstrate his art for a week, suggests Morrow. Feature a bench jeweler, or the work of an artist/jeweler in your area. Ask a gem dealer who buys directly from the mines to make a slide presentation. Have a contest to see which customer can correctly identify 20 different gems displayed around the store.

Make Friends with Others in the Life Boat

In the 1980s, recording companies decided not to give advertising support to music stores that also sold used recordings. Although only five percent of his stock is in used

music, Music Millennium's Terry Currier protested--loudly. He was joined by other music retailers, the public, and the media, and the recording labels backed down. The biggest plus Currier got out of the campaign, however, was that he met other retailers across the country who were in the same situation he was. They joined together to form the Coalition of Independent Music Stores. Members of the coalition pool their knowledge on topics such as database systems and employee relations. And when they speak with one voice, the recording industry listens.

Messmer, too, urges retailers to "get to know everyone in your boat." You'll have someone to commiserate with, you'll get pointers on business problems that seemed insoluble, and you'll get support. When a customer wants a particular suit, and the vendor is out of stock, Messmer can call on other retailers in the clothing industry to ship him the product. He returns the favor whenever necessary.

Chatelain sees this kind of cooperation as the wave of the future. The next millennium will be the age of "merging," she says. This does not mean more corporate takeovers and the homogenization of the industry. Merging will take place between five to ten independent retailers who buy together, share informational resources, and inventory. They'll retain much of their autonomy yet become much stronger in the marketplace--and develop a voice that will be heard and taken seriously by manufacturers.

Although business is harder for independents today, all the retailers we talked to were enthusiastic about the future. "People are beginning to understand the difference between price and cost," says Robinson, "that the price of a product is not the actual cost in doing something." The price includes the hidden cost of driving across town, parking, and trying to find what you want in a huge, understaffed warehouse or department store. There is also the cost in the "dehumanizing effect you have in a big box retail store, which takes things to a non-human scale," says Robinson.

"Small retailers in general, I think, are going to see a turn around," says Whitlock. "I think people are going to get fed up with the poor service, the poor help that you get in the big box stores. [Customers] are going to start searching out the small independent--if the independent is good," he stresses.

The REAL Bottom Line

Most independents we talked to felt there was more to owning a business than the bottom line. "Small businesses are crucial to the maintenance of a community," says Chuck Robinson of Village Books. "Communities are not built around big box retailers or on-line retailers."

Joyce Meskis says the Tattered Cover is part of a living, breathing community of human beings, a part of their lives. Dennis Whitlock of Whitlock's Vaccum & Sewing Center enjoys working with people, but feels responsibility for his 14 staff members and their families who depend on the store for their livelihood. Terry Currier is rewarded when a promotion at Music Millennium helps emerging musicians succeed. These kinds of sentiments are rarely expressed by CEOs of corporate chains.

"It's important that small businesses continue to thrive," says Robinson. "They reinvest their dollars in the community and are involved in community organizations. Box retailers suck the profits out of a town. In that regard, I would encourage people to maintain their small businesses and realize there is a sort of mission beyond the bottom line."