

INDEPENDENT'S DAY

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Independent jewelry retailers can provide a rock solid base to jewelry manufacturers who can give them service, quality, originality, loyalty and honesty.

by

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The retail jewelry customer's passion for buying "wholesale" or at "discount" has led to the explosive growth of high-volume jewelry mega-chains and non-traditional jewelry merchandisers such as Costco, QVC, and catalog marketers. In a short time, these outlets have taken over more than half of the retail jewelry market. One can hardly blame a manufacturer for coveting one of these large accounts. A client the size of Wal-Mart can help keep manufactures in the black, even if they do have to work on a smaller margin.

But despite the explosion of new jewelry marketers, traditional independent retail jewelers have not disappeared. According to Anthony Kelson, chairman of the Jeweler's Advisory Group, independent retail jewelers still command 48 percent of the retail jewelry market. They serve a clientele obsessed less with price than with unusual or high-quality jewelry. The independents' customers value the service, reliability, and information they often receive from an independent jeweler—benefits that may not be available at non-traditional outlets.

For many manufacturers, especially smaller ones, independent retail jewelers still make up much of their customer base. Even for larger manufacturers, a steady base of independent retailers can be a lifesaver if a high-volume mega-customer files Chapter 11

or decides to switch to another manufacturer that can shave another penny or two off its price.

Independent retailers are often single-store, family operations. As a result, they do business differently from mega-retailers focused on price and volume. Many independents still have “old fashioned” attitudes toward loyalty, honesty, friendliness, dependability, and service. These retailers may take more effort to cultivate, but those who find a manufacturer they can work with are often fiercely loyal. “Long-term profit always entails building a relationship,” says Kelson.

Meeting Your Match

When they can, independent retailers attend jewelry shows to search out new lines and vendors. In fact, that is where Tom Tivol of Tivol’s in Kansas City, Missouri, prefers to do business. “It takes up too much time to see lines [in the store],” he says. “It is much easier to do at the shows.” A retailer’s primary job is to provide customers with service and to sell them products, he says. Although buying is important, Tivol calls it an “ancillary function.”

But many retailer/manufacturer relationships still begin with a call from the vendor’s representative. For independents, the rep is your company. In many cases, the rep’s behavior and attitude determine how retailers think about your firm and their willingness to buy from you.

Making the initial contact with an independent can be prickly for the rep, however. The rep is in town and wants to make a call. Retailers, constantly hammered by people trying to sell them inappropriate lines or busy with other tasks, are resistant. “Many independents are too small to have anyone in the store whose job description is buyer,” says Tivol. “The person who gets the call cannot set up the appointment or determine

whether or not the line is appropriate for the store.” Seeing a rep whose line does not suit the store takes time that most retailers don’t have.

Lucinda Rogers of Gold n Carats in Irving, Texas, says she is willing to look at new lines, but like many other retailers trying to balance many tasks, she resents a rep who just shows up. “I will not talk to them if they just drop in,” she says. She rarely gives a cold caller five minutes, certainly not enough time to show a line or make an impression. “Send me a postcard that shows your merchandise,” she asks, “and give me prices. That’s probably quicker than a phone call. With our [excellent] credit rating, we get way too many phone calls.”

A high JBT (Jeweler’s Board of Trade) rating is a blessing and a curse, say most independent jewelers. It signals to manufacturers that the retailer is reliable, but also acts like a green light to hungry reps. “If you have a one or two rating in the Red Book,” says Bob Lynn of Lynn’s Jewelry in Ventura, California, “you have salesmen falling out of the rafters.”

When a rep does get the go-ahead to make a call, as the people of River City reminded the Music Man, he’s gotta know the territory. Rogers expects a rep to be able to show her immediately what’s selling best in her area. “The south sells differently from the East, North, and West,” she observes.

Do your homework, advises Gerald Goldwyn, president of Richard D. Eisman Jewels in Dallas. Take the time to find out exactly who your customers are. “Be cognizant of who can handle the product properly,” says Goldwyn. “Reps from some companies go to every store they can find in a town. When everyone finds out he’s covered the block, that’s the end of the line in that city. ”No jeweler wants to think he is just another commission to a rep. He wants to know the rep understands his needs, his customers.”

“I’m only interested in a new line if first I can get a sense over the phone whether or not it is for my store,” says Tivol. He asks the rep for a description of the line, how it’s made, and price points. He may ask about other retailers who are carrying the line. Then, if it sounds suitable, Tivol will make an appointment to see the line—at an upcoming show, preferably, or at the manufacturer’s office. Only rarely will he see sales reps at the store.

During the initial contact and following calls, plain old friendliness never hurts a rep. “He must be friendly, and not in a false sense,” says Rogers. “He must be genuine. His attitude should be ‘I truly would like to show you what I have because I think it would help you.’” She’s put off by a superior attitude. “Don’t try to make me feel guilty because I’m not a multimillion dollar store. I want [sales reps] to appeal to my sense of what they can do to make my store profitable.”

“Don’t be arrogant,” warns Kelson. “Don’t have the attitude ‘Look at me, I’m a hotshot jewelry salesman.’ Be humble.” That doesn’t mean that a rep should grovel, he adds, acknowledging that retailers can be rude and arrogant to vendor reps, too. Just be helpful. “If everyone was just courteous,” says Kelson, things would go more smoothly.

Integrity on the part of the rep as well as the manufacturer is vital. Unrealistic promises that go unfulfilled leave a bitter taste in a retailer’s mouth. “If [manufacturers] promise to deliver by such and such a date, they should deliver by such and such a date,” says Goldwyn. “Don’t use a date just to make someone feel good.”

And don’t misstate policies. Kelson says a rep once promised to take back unsold pieces in a line. The manufacturer later refused to honor the promise.

Don’t mislead the retailers either deliberately or indirectly about the quality of your product. “Some people don’t actually say what the stone [in a piece] is or what is in [the

stone],” says Goldwin. “You’re better off being up front with people because sooner or later they’re going to find out. With us, it’s going to be sooner.”

“It shouldn’t have to be said, but it does, that the vendor must represent his product accurately 100 percent of the time,” says Tivol. “That includes the treatment of colored stones, the treatment of diamonds, the karat quality of gold, the carat weight of all stones, [and] finally, what the manufacturing process is. Manufacturers use the term ‘handmade’ so often it’s just a useless term. Whenever I hear a vendor use ‘handmade,’ it stops me short in the conversation.” Tivol says that if he finds out the piece is actually cast and polished by machine when the rep claims it is handmade, “I immediately discontinue the conversation because the vendor doesn’t have integrity.”

“Retailers have done an incredibly insufficient job at holding manufacturers accountable for honorable representation of the product and honorable work,” Tivol adds. At Tivol’s, the expected quality is spelled out in the purchase order. When the manufacturer signs the PO, he agrees that if the items received do not match what was agreed to, Tivol’s can return the merchandise and discontinue the relationship. “It was a sad day for me when I had to write that on the PO,” says Tivol. “We had always taken for granted that the vendors were telling the truth.” But too often he found that diamond quality was off by two or more grades, make was poor, setting quality was poor. “It’s amazing to me how many times this happens,” he continues. “That is not an accidental mistake.”

Independents can afford to be choosy about their vendors. Unless you’re a designer with a unique line, your merchandise is probably available other places, says Goldwyn. “There might be some differences,” he says, “but the lines are going to be comparable.”

In the end, “you’re going to deal with the people you feel comfortable with,” Goldwyn adds. “Someone who is more interested in what your needs are than in making a sale.”

“We’re loyal to the people who are loyal to us,” says Lynn. “But we’re less loyal to them than they have to be to us. I have to have multiple lines of supply. If anything happens, I still have to supply my clients.”

“If you’re interested in your business, you want a customer who keeps coming back to you,” says Kelson, speaking for both retailers and manufacturers. “Money’s like water. You have to dig pretty deep and put a lot of work into getting the pumps working. But once the well is dug, and the pumps are working, then it comes easy.”

Old-Fashioned Service

The most effective tool in digging that well is service, according to all the independents we talked to. “What we ask for,” says Lynn, “is service, service, service, service, and price. Price is pretty far down the list if the service is right.”

“If I need something tomorrow, service means you’ll get on the horn and get it for me,” says Kelson. “There’s no replacement for service,” which in his definition includes catalogs, short-term memos, and product education.

“I’ll always pay more for a piece if the manufacturer has been there for me in the past, if they complete the sale in a timely fashion and provide me with quality gold. Their follow-through makes my job much easier,” says Rogers.

On an almost equal footing with service are high quality and original design. “If the merchandise is new, and gives us a unique position in the marketplace, I’m interested in seeing it,” says Kelson. “But if it’s the same stuff that’s being pushed on us, I’m not interested.”

“What I search for are unusual, salable pieces,” says Rogers. “Styles with a touch of the classic but original. They have to be nicely finished.” Porosity in a casting or poor quality or chipped stones immediately put her off.

One way Rogers decides whether or not a vendor has the quality of merchandise she wants—and she is probably not alone, although she may be one of the few to admit it—is by the quality of the photography in the company’s trade journal ads. “Some companies don’t think the photography is important,” she says. “But I figure if they spend a lot of time on their advertising, and the layout is artistic, they may put the same care into their product. But if the photos are messy, they may be a slap-it-together ring company.”

“Of course, [the product] has to be priced properly,” says Goldwyn. “If the prices are ridiculous, it’s not going to succeed,” regardless of the quality. On the other hand, “no price is low enough if the quality isn’t there,” says Rogers. “It’s upsetting when a [supplier] sends [a mounting set with] chipped diamonds.” When this happened to her, she called the vendor to complain. “He actually said that’s why the price is so low.”

Originality and exclusivity are just as important to many independents as quality and price. “I work very hard at differentiating myself from the herd,” says Lynn. Being different—in quality and design—is what now sets the independent retailer apart from the discount and high volume retailers, adds Keelson. “The chains and Costco have the same things,” he observes. “The only one offering the public something different and of a high quality is the independent jeweler.”

“There is a growing desire among independents to switch away from branded lines,” notes Tivol. “Jewelry stores do not run on volume but on profit. You do not make a profit from branded lines,” because there are just too many outlets where customers can buy the lines for 20 or 30 percent off. An independent can’t get the extra turns out of a line to make up for the discount, continues Tivol, so many independents look for lines they

won't be forced to discount. In his first conversation with a rep, he says, "I try to find out if the line is exclusive. If not, who else is handling the line in my area? If the line is not exclusive, that might end the conversation right there."

But asking for an exclusive means exercising common sense. "If you're a major user of the product, there's no question of exclusivity," says Goldwyn. "If you're just buying one or two pieces from a line, of course you can't expect an exclusive."

Coming to Terms

When an independent and a manufacturer agree on service, quality, originality, exclusivity, and price, they are well on the road to a working partnership. But things can fall apart when it comes to terms. Rogers usually looks for a manufacturer who will give her 30 days or longer. Other arrangements may include asking to pay for part of the order, and getting the rest on memo, says Tivol.

All the retailers we talked to also insist that manufacturers offer some kind of return policy. "I now expect stock balancing," says Rogers. "Especially if a sales rep recommends that I take a mounting, I think [the manufacturer] should back it up. If I can't sell the piece, they should have someone who can. I have trouble buying from those who balk at having a return policy," she adds. "Stock balancing puts the responsibility on the manufacturers to produce sellers."

"It is very important to independent retailers that, if they do not sell a piece, the manufacturer has a one-to-one exchange policy," Tivol says. "If the manufacturer is of any economic strength, it has a far better chance of getting the piece into another store and getting it sold."

If the manufacturer doesn't offer a return policy, he adds, "it is a very strong reason not to begin a business relationship with that manufacturer. You know that if you get into a relationship like that, you're going to be stuck with the pieces."

Lynn says that a retailer's request for stock balancing should be reasonable. "I don't expect a manufacturer to take back a piece that's been discontinued. That's not fair. But I expect that three to six months before it's discontinued, they [will] tell me so I can sell it through, stock balance, or, if it's selling well, tell them to send me two more and I'll take the risk."

No Competition Please!

If it weren't enough that independents compete with each other and with all the new nontraditional jewelry merchandisers, they are dealing with another threat that makes them angry: vendors who sell directly to the retail customer. The discovery that a vendor is selling to the retail public will kill the relationship between a manufacturer and retailer. "My suppliers do not sell past me," says Lynn, "or they are not my suppliers."

What independent jewelers look for in a vendor, says Kelson, "is someone who is not pulling the carpet out from under them, someone who is not selling to their customers. The jewelers' prime concern is that they don't want to compete with the wholesaler."

In this time of changing markets, everyone, says Lynn, "is eating someone else's lunch." Kelson agrees. "It's like a hungry wolf who doesn't have enough to eat in his own territory," he says. "He begins to go into other territories. Retailers and wholesalers need to be loyal to each other."

Retailers gravitate to manufacturers who give them good service, honesty, quality, and originality, who respect their businesses, who give them support through education, terms, catalogs, and memos. Sure, they want to get a good price, too. But price alone doesn't keep them loyal to a manufacturer. That loyalty is earned through years of building a relationship, of working together, of manufacturers helping independent retailers build their business and so in turn building their own.