

Regular readers of my Instore articles will remember me lambasting the state of jewelry inventory in this country not six months ago, and may feel I'm constantly banging the same drum. For those who read that last article I make no apology if I appear to be thumping the drum hard again – this message is one that needs to be heard. Instores last Big Survey results provided some good insights into the state of the jewelry industry across the US. Amongst the data was a telling question that shed some light on the state of inventory across the majority of stores. The question asked “what was the biggest change made in the way you do business in the last year?” What was pleasing about the result was the number one change for the majority of jewellers was tighter control on inventory. What was disturbing was that only 13% of respondents had taken any steps to control this area. In almost every jewelry store inventory is the single largest investment that the business can make – and in too many jewelry stores this asset almost becomes a liability.

Time and again I witness jewellers with levels of inventory that are well in excess of the levels they need to conduct their business. Not only is the levels of inventory excessive but in many cases the inventory is old. It is not unusual to find a store with over 90% of its items having gathered dust on the shelves for 12 months or more. Many of these jewellers justify the continued existence of this product on the basis that it is “just as likely to sell tomorrow”, or “it is worth more now than when it was purchased”, or the old favourite that “you have to carry this sort of item or you will miss out on the sale”. Furthermore the items that do sell well are never reordered back in because “we need to offer something new” or “the customer that bought that item wouldn't want to see it back in-store”.

Let me ask you this question. If you wanted to purchase a new Chevrolet, and your local dealership carried nothing but new models from 2006 at the same price as the dealership across town carried 2009 models which would you rather buy from? What if the most popular Chevrolet was a red 2009 Impala but your dealer had sold out of these and didn't want to get anymore back in because “the customers that bought these would prefer to think they had them exclusively” or “I don't need to get them back because I still have some mushroom coloured 2006 Impalas to sell first and they are just as popular as the red 2009 model”. What if the dealership had a yard full of 2006 Chevrolets plus a storage shed with another twenty 2005 Chevrolets in it but he didn't want to reduce these models because “they were part of my retirement fund”?

The average US jewelry store has less than 10% of its inventory in fast selling inventory, yet close to 80% of a good stores sales will come from fast selling product. This means the success or failure of a stores performance depends on little more than a handful of items. To draw our vehicle comparison again 80% of the population wants a red Chevy Impala and you only have two in your yard. Does this make economic sense?

What would concern me about the survey results is that although 13% of respondents say they have tightened inventory control the question I would ask is have they tightened the right part? With fast sellers being such a lifeblood for many stores you can little afford not to have them, however I sadly suspect that much of the inventory control tightening will take the form of putting a stop on all buying – good sellers and new. This can be worse than not controlling buying at all. I mentioned that between September 2008 and August 2009 the percentage of “good inventory” (new and fast sellers) from our industry data had reduced from 29% to 27% of total inventory holdings while the total average value of inventory per store had increased from \$720,000 to \$790,000. The value of this average inventory has peaked at over \$800,000 by November, and has seen a steady reduction so far this year as the post Christmas clearances occur –it will, unfortunately, only be a matter of time before these number start to blow out again.

This means the average store has had a significant increase in inventory holding costs without necessarily contributing more “good” inventory to the mix. This is dead money at a time when the return on investment is poor. A more aggressive old inventory program is needed to deal with this.

Modern retailing has largely been invented in the US. When it comes to jewelry margins and inventory control however, the average US store has lost ground to others. In Australasia (Australia and New Zealand) few jewellers would accept the mark ups and stock turn figures that are seen as normal in this country. Unfortunately these poor results will continue to occur in the US as long as stores continue to accept it as the norm and refuse to demand more from themselves and their inventory. Oversized retail premises with bloated old inventory and poor margins offer poor results to retailers who are spending, on average, more than 50 hours per week in their store (not counting the sleepless nights they may have thinking about it). Many are barely earning a wage let alone a return on the investment they have put in, and, according to the survey 22% don't know whether they are making an adequate return on sales or not!

Retailing can be tough – sometimes you might feel it would be easier trying to swim a kilometre to shore through shark infested waters! But let me ask you this; would you try the swim without swimming lessons? Would you attempt it by tying a 30 pound weight around your leg? Of course not. Yet so many store owners do exactly this by not getting adequate business help and lashing themselves to \$500,000 more inventory than they need to, while not asking a high

enough price for it when they put it on display. Come on folks – if you must run the gauntlet of enemy fire don't do so while pointing a gun at your own head as well! Be smart. Stack the odds in your favour. There is so much good information available and so many good operators you can learn from. If it's the fourth down with 16 yards to go you wouldn't run the play without calling a huddle first so don't do it in business. Demand more of every jewelry item in your store. If it hasn't sold after six months it isn't going anywhere. You wouldn't let a staff member sit around that long doing nothing so why tolerate it with your inventory? Take action now and make your store work for you.