



## EDITORIAL

# WHERE TO FIND THE ANSWERS

As the year draws to a close, the music products industry faces an unusually long list of unanswered questions. Billions of dollars and thousands of lives turn on the outcome of these critically important issues, yet clear-cut answers are painfully lacking. Consider just a few of the issues that retailers and manufacturers are currently wrestling with.

**The Internet.** As evidenced by sinking stock prices and a growing list of casualties, Internet mania is clearly waning. However, Wall Street isn't Main Street, and a stock market sell-off doesn't necessarily mean a concept lacks economic validity. Just consider that in the early '80s, after an initial frenzy, investor enthusiasm for the personal computer subsided. Forgetting the headlines about the former dot-com millionaires who are now broke, the question remains, does on-line commerce have the power to transform the industry? To date, workable business models have been few and far between. But it's still early in the game.

**Chain stores.** Is the market large enough to support a limitless number of big-box retailers? Or will outside investors' demand for perpetual growth push the chains to open stores beyond what is commercially viable? How will manufacturers and independent retailers fare if chain stores over-expand, or if they prove their doubters wrong? How should an independent retailer best react to the presence of chain store competition?

**Product sourcing.** In mature products like pianos and acoustic guitars, price takes on increased importance. As a result, for the past four decades, music production has migrated around the globe, seeking the lowest cost environment. After moving from the U.S. to Japan in the '60s, production has shifted to Korea, Taiwan, China, Indonesia, Thailand, and now Vietnam. For manufacturers, the challenge is betting on the right emerging market. Where you place your factory today will in many cases determine success or failure ten years from now. Anyone care to guess who the winners and losers will be?

**The economy.** We tend to agree with investment sage Warren Buffet that anymore than five minutes spent pondering the direction of the economy is time wasted. However, after ten years of uninterrupted economic expansion, warning signals are appearing on the horizon in the form of some shaky corporate profits, rising consumer debt, and modest declines in consumer confidence. What contingency plans should a prudent businessman take to prepare for a possible downturn? (Hopefully that brief analysis comes in under the five-minute mark.)

While we have no clear answers to any of the above, we have one piece of irrefutably good advice: Make sure you attend the upcoming NAMM show in Anaheim (January 18-21). Surveying the latest and greatest products, talking shop with manufacturers and retailers, and gauging industry sentiment may not offer any great revelations, but it's sure to provide all visitors with a long list of useful ideas for improving their business. (And as the saying goes, there is no one idea that can improve your business by 100%, but there are more than ten ideas that can yield a 10% improvement.)

After three years in Los Angeles, the NAMM show returns to the long-popular Anaheim Convention Center. The City of Anaheim has invested millions in expanding its Convention Center, but NAMM CEO Larry Linkin warns that the facility has not been expanded enough to meet the needs of a rapidly growing NAMM show. So exhibitors might not get as much space as they need or want, and you can count on overcrowded aisles. But these inconveniences are of no consequence if you come away from the show with answers to the pressing questions of the day. If you already have reliable answers to these questions, by all means stay at home. But if you're still looking, you have no choice—you have to attend the show.

**Brian T. Majeski**  
Editor



The expanded Anaheim Convention Center