



EDITORIAL

WHY BAD NEWS SELLS

Stories about tragedy, disaster, and mayhem are just easier to write than stories about contentment and good fortune. They just have more drama and excitement. This goes along way towards explaining why there are so many headlines and stories about economic recession these days. Put yourself in the place of some reporter and ask which feature would more likely make it to the front page: the one about the prosperous surgeon whose wife leaves him after he has to file for bankruptcy because all the dot.com stocks he bought on margin crashed, or the one about one about the prudent family with the happy, albeit uneventful life?

As indicated by our quarterly sales statistics, which appear on page 16 of this issue, it would appear that the reporters' quest for an exciting read has obscured the prevailing strength of the economy. On balance, industry sales were flat for the

quarter: certainly below expectations, but hardly the stuff of dire recession.

Our survey tracks retail sales for a three-month period, which further obscures the good news. In numerous comments, retailers reported that after slow sales in January and February, business picked up significantly in March. The improvement corresponds with an unexpected uptick in the consumer confidence level and a recent rebound on Wall Street.

We're not trying to minimize the fact that the prevailing business climate is tough and competitive. However, a little perspective is worthwhile. Grim headlines to the contrary, the economy remains extraordinarily robust, and current prosperity levels allow for tremendous opportunity in every segment of the industry.

WHO CAN YOU TRUST?

Changes in the structure of the industry have a way of creating new and unforeseen challenges. Over the past 12 months there have been a number of high-level sales and marketing executives who have left manufacturers to go and work for the major retail chains. We respect anyone's right to advance their career, but this new phenomenon creates a serious challenge for the industry's manufacturers.

For all of the 111 years we've been publishing, our columns have regularly carried declarations from manufacturers and retailers about the vital importance of a working partnership. The idea being that if retailers open their books to their suppliers and explain their marketing and business practices, the suppliers will be able to respond more effectively to their needs, creating the proverbial "win-win" for everyone.

It sounds good in theory. In practice however, if a retailer opens up to some sales manager in the spirit of "partnering," and two months later that sales manager goes to work for one of the major chains,

it's understandable if he feels a bit like a chump. As one retailer put it, "When I give my complete play book to a supplier, and then he goes to a work for my competitor, to say I feel betrayed is an understatement."

Unfortunately, this is one of those problems without a clear solution. You can't prevent someone from changing jobs, and legally, it's extremely difficult to differentiate between "proprietary information" that belongs to the company (i.e., the business plan a retailer has submitted) and the general industry knowledge an individual has picked up through personal experience.

Long term however, suppliers stand the most to lose. If retailers are distrustful and uncommunicative, the industry's suppliers will be denied a vital source of market information. It's never easy for suppliers and retailers to forge a common bond, and it looks like the task just got harder.

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