

# Where To Go For The Answers

As with the beginning of every New Year, we wonder what the next 12 months will bring. In the music products industry, there are a number of important and unanswered questions facing everyone. Here are just a few:

- For the past three years prices on just about everything have fallen, creating a deflationary spiral. Retailers and suppliers alike have had to move more units just to keep from going backward. In the past 12 months, however, oil prices, interest rates, and shipping costs have risen dramatically. In addition, the dollar has declined against most foreign currencies. These increases will eventually be reflected in the selling prices of music and audio products. Will rising prices help, hinder, or have no effect on industry sales. More importantly, how should you position your business in a more inflationary climate?
- In the early '60s, when Japan first began exporting music products to the U.S., the country was home to over 200 guitar, drum, and piano manufacturers. Today there are only a few dozen left. The evolution of the Korean and Taiwanese music industries resulted in similarly dramatic consolidation. When will the Chinese music industry begin to consolidate, and which among the hundreds of suppliers have real staying power?
- Auction sites like eBay simultaneously provide tough competition and a platform for reaching a far larger pool of potential customers. Should a Main Street music store try to combat or embrace this new vehicle?
- Exuberant shoppers turned out in huge numbers for the critical post-Thanksgiving weekend, raising retail hopes for the strong holiday season. However, Wal-Mart posted disappointing results because it didn't discount heavily enough. With so many purchasing options available, will customers pay any premium for improved service? Or will price leaders get all the business?
- The guitar remains the top-selling musical instrument by a wide margin. Yet last month, hip hop albums, with little if



any guitar presence, occupied seven slots on *Billboard's* top ten list. What does this trend mean for future music products sales? Will the guitar continue to dominate?

- Products with world-renowned brands generate store traffic and are easier to sell, but usually deliver lower gross margins than less-

known brands. What's the optimal inventory balance between high-profile, low-margin goods and high-profit generic items?

Unfortunately, we don't have ready answers for these questions. We do, however, have a suggestion about where you can find them: at the upcoming NAMM show (January 20-23). Over 70,000 active industry participants gathered under one roof represents more collective wisdom and insight than you could hope to find anywhere else. Exhibitor product displays and programs reflect their best guess of what the market is demanding, and how to deliver it most effectively. Conversations among retailers in the aisles are filled with invaluable real-world experience. Anyone who spends four days at the show with their eyes and ears open can't help but come away with a better sense of where the industry is headed and how to react appropriately. It's also a pretty good time.

Keeping a business afloat has never been easy, and the next 12 months will put a lot of companies to the test. Give yourself an advantage and make a point of going to Anaheim for the NAMM show. It could be the best investment you make all year. For registration information, call NAMM at 800-767-NAMM or visit the website: [www.namm.com](http://www.namm.com).

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