

Music And Insurance, Strange Bedfellows

The music industry and the life insurance business don't seem to have much in common. But they're similar in one critical respect; both rely heavily on creative sales and promotion. With most mass consumer items, from automobiles to laundry detergent, marketers can predict sales in any given region with a remarkable degree of accuracy based on a combination of population, demographic, and economic data. In the case of music products and insurance, however, it's not so easy. Demographics, income levels, and population have a lot to do with determining sales levels, but an additional factor comes into play that's not so readily quantifiable: namely, the skill and energy level of the people selling the products in the marketplace. Good life insurance agents or highly effective music dealers routinely outperform the "buying power" of their market. The same can't be said of even the best-run grocery stores.

Elsewhere in this issue, we document this phenomenon by showing how retailers are using creative strategies to generate business that might not have otherwise existed. Starting on page 96 we detail how top piano dealers have used everything from fund-raising concerts featuring local physicians to joint efforts with prominent visual artists to create significant "plus" business. Strong piano markets and aggressive retailers seem to go hand-in-hand, which suggests that absent this promotional activity, industry sales would suffer.

The case of Paul Rieman of Rieman Music in Des Moines, Iowa, highlighted on page 94 is also noteworthy. Three years ago local music programs were set to be cut. If it weren't for successful lobbying of local governments by an organization Rieman co-founded, Des Moines' music programs would unquestionably have suffered and sales of school music products in Central Iowa would be lower than they are today. Clearly one dealer's initiative had a lot to do with determining "market size."

These are the types of visible retail efforts that have unquestionably contributed to the consistent growth of the music products industry over the past two decades. Less dramatic but equally significant are the countless retail lesson programs and subtle efforts to support local musical communities. The significance of these retail activities needs to be stressed at a time when a number of music suppliers are finding easy sales growth by placing their products in Best Buy, Target, Wal-Mart, and others mass merchants. All indications are that sales in these channels are not coming at the expense of traditional m.i. retailers. And there's even reason



to believe that some percentage of mass merchant customers may cross over to m.i. dealers. However, suppliers who place too much reliance on the mass market channel may be in for a rude awakening. Just consider the portable keyboard market.

In 1980 Casio introduced the first portable keyboards with tremendous fanfare. A year later, when Yamaha entered the market, every major retail chain, from discounters to department stores, was clamoring for portables. By 1988 unit sales hit 4.2 million, with a retail value of \$350 million, making portable keyboards the industry's third-largest product category, just behind pianos and guitars. Then something unexpected happened: Consumer demand slowed, mass-merchants immediately scaled back the size of their displays, and sales went into the equivalent of a death spiral. Today, portable keyboard sales through the mass-merchant channel, adjusted for inflation, are about 10% of the 1988 peak.

Why interest in portables diminished is open to debate. But here's an inarguable fact: Music is an afterthought for mass merchants, and when sales slow—for whatever reason—their natural reaction will be to jettison inventory, not wrack their brains for some promotional strategy to rekindle consumer interest. Mass merchants can generate additional music sales at the edges of the market, but the core business is still dependent on the type of creative promotion that only specialized merchants can deliver.

Returning to the insurance analogy, there are 60 million life insurance policies in effect in the U.S., which means that at least one in five consumers is a viable sales prospect. With such broad-based appeal, why aren't mass merchants rushing in? We suspect it's for the same reason they limit their selection of musical products: Both require too much promotion activity at the front end, and too much after-sale support. Suppliers would do well to keep this in mind as they outline their distribution policies.

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