

# More Ways Than Ever To Appeal To Customers

**M**uch has been said and written about the rapid growth of online retailing, and with good reason. In less than a decade, online merchants have gone from 9% to close to 30% of total music industry revenue. However, the larger trend underpinning this expansion has as much to do with specialization as it does technology. Retailers have spent much of the past five decades narrowing the scope and increasing the depth of their inventories to appeal to carefully targeted customers. That's why old line department stores like Macy's and Marhsall Fields have lost ground to a legion of apparel specialists ranging from Abercrombie & Fitch to Urban Outfitters. The same trend has played out in music industry retail.

"Full line" music stores were the dominant format for the first half of the 20th century. That's why in 1953 when Ernie Ball opened one of the first, if not *the* first, exclusive guitar stores, he caused a lot of raised eyebrows. "There's no way a guitar-only shop can make it," was the verdict of most industry observers. Even the sales management from Fender, then Ernie's largest supplier, suggested he stock a broader range of products at his Reseda, California operation. Ernie shrugged off the naysayers, his guitar store eventually flourished, and he went on to found the string company that bears his name. However, way back then, he recognized that customers would gravitate to retail stores that provided the broader selection and expertise that comes with specialization.

This specialization trend has only intensified in the years since. Exclusive fretted instrument stores are now commonplace. The market has splintered to such a degree that in our August issue, we were able to profile Southpaw Guitars, a company that has carved out a successful niche selling *only* left-handed guitars.

A *Music Trades* survey of guitar buyers, published on page 64 of this issue, sheds light on how the distribution channel has fragmented. While online retail has taken a larger share of the market, a significant majority of buyers, 79.1% to be precise, continue to express a preference for brick-and-mortar stores. Of the brick-and-mortar buyers, 36.9% frequented Guitar Center or Sam Ash, while the remaining 41.2% opted for an independent store.

Our survey indicates that different needs and priorities determine where consumers end up buying. Nearly all buyers rate low prices as "extremely important." Aside from that shared concern, there are some important differences. Online buyers tend to be most attracted to selection and convenience, while independent store buyers place a higher value on service and "expert" advice. The chain store buyer seems to be more driven by selection and special promotions. Different stores obviously attract different clienteles, but *all* the guitar buyers we polled had, at one time or another, visited chain stores, online retailers, and independents. This would suggest that no single

format has an ironclad grip on any buyer, and that retailers have to earn their customers' loyalty every day.

The survey findings also suggest that no one retail format is replacing another; rather, that an expanding roster of players is crowding into a slow growth market, making the fight for share ever more intense. It's a bit like a Baskin Robbins ice-cream counter. The addition of a new flavor doesn't render vanilla or chocolate obsolete, but they end up accounting for a smaller share of total sales.



There's a good news/bad news message within our survey findings. The good news is that customers are generally open to persuasion and visit all types of stores regularly, giving every retailer a fair shot at closing the sale. The bad news is that, successfully closing a sale entails besting a growing number of competitors. How successful retailers create the value proposition that gets customers to say "yes" provides endless case studies in creativity. Tommy Colletti's Music Zoo, profiled on page 86, does it by working with manufacturers to develop limited runs of one-off guitars that can be found nowhere else. George Gruhn of Gruhn Guitars in Nashville does it with an encyclopedic knowledge of guitars, backed by a stellar service department. Guitar Center relies on great merchandising and heavy promotional artillery. If there is a simple message to be drawn from this market fragmentation it's that retail formats are limited primarily by their owners' imagination.

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