What Makes A Trend, And The Shrinking Of Retail

Whether it's a yardstick to mark the height of a growing toddler, or import data to gauge the nation's appetite for various musical instruments, numbers are the universal language for quantifying change. In this issue, we offer up our annual numeric analysis of the industry's major product categories in hopes of providing useful benchmarks for assessing the changes of the past 12 months. As with every year, 2010 experienced its fair share of significant developments, as reflected in sales trends. Is the change rapid or gradual? It depends on your vantage point. Close up, industry change is a bit like watching grass grow: stare at it daily at work, and the progress is so gradual, it's easy to ignore. But, if you take a step back and view it in annual increments, it can suddenly appear dramatic.

Our price point data for the guitar market illustrates how the recession has made buyers far more cautious. The rapid growth in the sale of both controller keyboards and portable keyboards reflects the larger technology trends that are reshaping every facet of computers and consumer electronics. And an altered product mix in the school music market is simultaneously indicative of strong parental support for music programs and strained educational budgets. These are just a few of the insights that can be gleaned from our numerical overview.

When we talk about "shifting product trends," we're actually describing what happens when consumers independently decide to do things a little differently. A few thousand, or perhaps millions, of potential buyers casually opt to postpone a purchase or buy something else, and all of a sudden, there is a new "trend" that forces businesses to restructure, revamp a product line, or face possible extinction. These types of changes are currently having a profound impact at the retail level, turning two decades of accepted wisdom on its head.

In the early '90s, the emergence of big box chains like Home Depot, Barnes & Noble, Toys R Us, Best Buy, and Staples gave rise to the term "category killer." The music industry had its own category killers as well in the form of Guitar Center (successful) and MARS (not successful). Accepted wisdom was that big stores with their combination of low prices, vast selection, and aggressive promotion would "kill" everything else in the category. There is no question that the emergence of these big chains forced a retail consolidation. However, the relentless advance of change is now calling into question some of the underlying assumptions of the big box model.

After two decades of supersizing their retail locations, the major chains are now looking to get smaller. Wal-Mart is rolling out new stores that are one-fifth the size of their ubiquitous "Super Centers"; Staples is closing superstores and replacing them with 1,200-square-foot convenience locations; and Home Depot is looking to sublease locations that are now too large. Analysts also say that Best Buy's move to open musical instrument departments has less to do with an interest in music, and more to do with putting excess retail square footage to use. Leon Kanter, a retail consultant, summed up the quandary in a recent *Wall Street Journal* interview when he said, "You have a massive rush throughout retail to get small. I'm not sure what's going to happen with a lot of these giant boxes."

The immediate causes of this shift to smaller stores are the recession and the rapid growth of online sales. However, there's more to it than that. With literally millions of products available for review online, even the best stocked superstore no longer has the "wow factor" it once did. Add to that higher gas prices and increased traffic, and buyers are a bit less eager to brave a 30-minute drive to the nearest big box. To top it off, in an increasingly impersonal digital world, the buying public seems to have a renewed interest in personal service and more intimate spaces. That's apparently why Apple's retail stores, with their "Genius Bar," have been so extremely successful, and why sales gains at Mattel have been largely driven by compact boutiques that focus exclusively on the American Girl doll collection.

Attempts to predict the trajectory of macro trends inevitably miss the mark. When Henry Ford made the automobile affordable, no one predicted that his most lasting contribution would be the creation of the suburb. Similarly, in the late '50s, when scientists at Fairchild Laboratories were developing the first microprocessor, no one anticipated the personal computer, the internet, digital synthesizers, or the iPad. So how this new affinity for "small" plays out in the music industry is beyond our grasp. (We'd make a prediction, but we already know we'd be wrong.) What it does underscore is that obituaries for the local retailer are premature and that a demand for true value added service is still very much alive.

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