

How To Succeed In Spite Of A Tough Economy

“It Stinks!” So says an economist with JP Morgan, discussing the retail business climate, as quoted in a recent issue of *The Wall Street Journal*. You may take issue with his limited vocabulary, but few would argue with the accuracy of his assessment. For reasons that have been exhaustively documented—high unemployment, consumer uncertainty, lackluster housing prices—it has been a difficult few years for every sector of retail. Amidst the gloom, however, we have been able to showcase some inspiring bright spots. In this, our annual ranking of the Top 200 music products retailers, we shine the spotlight on ten retailers who managed to rack up outsized sales gains, despite the “stinky” business climate. Their stories begin on page 104.

The star performers among the Top 200 represent a true cross section of our fragmented industry. The group includes one pure online operation: Musicnotes.com; three online merchants with a significant brick-and-mortar presence: Austin Bazaar, The Music Zoo, and Cream City Music; three predominantly brick-and-mortar operations: Alto Music, Bananas At Large, and Easy Music Center; two piano and organ dealers: Lacefield Music and Romeo Music; and a DJ specialist: iDJ Now. Despite the outward differences of selling sheet music online, promoting DJ gear, or staging a home organ promotion for senior citizens, a common theme runs through their stories. At the risk of oversimplifying, each of these outperformers consciously works to view retail transactions from the customer’s perspective, each is obsessive about the details of their business, and each draws on a deep reservoir of enthusiasm to motivate staff and drive sales.

Their excellent performance demonstrates that, while all businesses are affected by bigger social and economic trends, they are not necessarily hostage to them. As evidenced by this group, opportunity exists even under the harshest circumstances. Alto Music operates in economically distressed upstate New York State where unemployment has long topped the national average; Romeo Music and Lacefield Music sell the industry’s single most unloved product—the home organ; and The Music Zoo and Cream City have posted sales gains despite a stagnant guitar market.

How did they manage to buck the larger trends? One of the secrets is that they tended to disregard the big picture and channeled their energies into making sales one cus-

tomers at a time. Unlike toothpaste, soft drinks, or television sets, where anyone who can fog a mirror is a potential customer, music products appeal to a relatively small segment of the population. Guitar Center, the industry’s only truly national retailer, claims a customer list of just seven million, or slightly more than 2% of the population. By contrast, there are grocery chains in the New York metro area with more customers. This narrow



base of buyers limits the industry’s upside potential, but it also tends to provide some insulation from economic swings. If you can build a prosperous business serving just 2% of the population, the key to success is less about the state of the economy and more about how skillful you are in finding and winning over a small

group of enthusiasts.

The other ingredient, which is hardly a secret, comes down to basic hustle. As management guru Peter Drucker once noted, “Plans are only good intentions unless they immediately degenerate into hard work.” The featured retailers all share a rigorous work ethic.

Just as each of the top ten sales performers profiled conclusively proves that a well-calibrated approach can win customer allegiance (and more sales) even in tough market conditions, historical data shows that the converse is also true. Even the best economies can’t salvage the wrong retail strategy. We compiled our first sales ranking of the industry’s 100 largest retailers in 1991. In the ensuing 21 years, the music products industry more than doubled in size, the national economy surged, technological innovation flourished, and the population increased by 38 million. Yet this didn’t save 51 of the original dealers on the list from ceasing to operate as independent businesses. Twenty-one were acquired by other retailers, and the remaining 30 closed their doors due to some combination of financial duress or retirement.

The good news is that well-run businesses can surmount hard times. The bad news is that retail is an extremely unforgiving profession. A prosperous economy isn’t enough for success.

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