The Baskin Robbins Effect Dampens Enthusiasm At NAMM

Perhaps the most commonly asked question at the NAMM show is, "Have you seen any really hot products?" In years past, whenever you asked the question, you'd get a list of "must see" items. These days, however, it's more often greeted with a shrug, a pause, or perhaps a non-committal answer like, "nothing amazing, but I saw a few cool guitars, I like the brand x tuner, and brand Z is offering a decent new keyboard." Do these diffident replies indicate that industry R&D teams are falling down on the job? Have we become so accustomed to revolutionary technologies like smartphones and Bluetooth that we don't impress easily? Or is something else at work here?

We don't think deficient R&D efforts are the problem. Manufacturers in every segment of the industry continue to refine and advance designs and production methods, resulting in the highest level of product value in history. A seriously jaded public could have something to do with it. There is a pronounced tendency to take for granted remarkable technologies that were inconceivable only a few years ago, like the passenger who comes unglued because of a balky Wi-Fi connection on the airplane. We suspect that the primary cause of this apparent enthusiasm deficit has more to do with product proliferation than mediocre designs and cranky customers.

In recent years, growth in the number of distinct products or "SKUs" has far outstripped the growth in music products sales. Simple math dictates that stable industry sales volume, spread over more products, means that every individual product brings in less revenue. Think of it like Baskin Robbins Ice Cream: When you expand from serving just vanilla and chocolate to offering 31 flavors, it becomes harder for any individual flavor to have a material impact on gross sales.

The music industry has had a similarly dramatic increase in SKU, with the same outcome: individual SKUs are less significant. In the 1950s, Fender Electric Instruments offered just four guitar models in four finishes. When Fred McCord, a leading Dallas retailer, told a *Music Trades* reporter in 1955 that his Stratocaster sales were "taking off," he was referring to a single guitar. Today, the Fender product line includes dozens of models in hundreds of finishes and hardware configurations. Ask a dealer about his Stratocaster business, and he's likely to respond, "Which kind of Strat? American? Mexican? Custom Shop? Standard? Squier?"

In the 1990s, a musician who wanted to set up a digital recording studio had no choice but to buy an Alesis ADAT. The same musician today can chose among dozens of different software and hardware alternatives to create a similar studio. The proliferation of models has also extended into traditional products. An aspiring student saxophonist looking to buy a step-up horn once had only French and Japanese alternatives to choose from. Now they also have access to a raft of high-quality "boutique" instruments from Taiwan.

Is this model proliferation due to consumer demand for products tailored to their specific needs? Or is it because improved production techniques have made shorter production runs economically viable? It's a little bit like asking which came first, the chicken or the egg. We don't have the answer. What we know is that the combination of consumers wanting it "their way," and what are referred to as "mass-customization production techniques" has definitely accelerated SKU proliferation.

This trend is not unique to the music products industry. America's favorite cookie, the Oreo, is now available in at least 16 distinct variants and dozens of different packaging configurations. Or consider automobiles. When the U.S. car and light truck market stood at approximately 9 million units in 1966, one model, the Chevrolet Impala, accounted for 28% of all sales, or 2.5 million units. Last year, the car and truck market hit 17 million units, and the top-selling model was the Ford F Series pick-up, with a comparatively paltry 720,000 unit sold.

Whether this trend is good or bad depends on who you ask. Those on the sales end of the business no doubt think it's great. A wider product offering makes it easier to respond to customer needs and close sales. If you're on the production or operations side of the business, you're probably less enthusiastic. More SKUs mean more complexity, a higher probability of error, and reduced efficiency. For retailers, more SKUs increase the challenge of inventory management. Whatever your opinion, the product proliferation trend is more likely to speed up than slow down in the coming years.

A more varied product offering makes it possible to better meet the needs of the buying public. The downside is perhaps a more subdued response to new product introductions.

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