

A Business Model Unique To The United States

According to the United Nations, there are 196 nations in the world, and each one has a unique identity, defined by a combination of culture, language, governing structures, and geography. These distinctive national characteristics are immediately apparent to anyone who has ever stepped onto a street in Berlin, Beijing, Buenos Aires, or Boston. However, for all of this national diversity, the similarities in the world's music stores seem to transcend borders. In the Global Report that begins on page 76 of this issue, we rank leading retailers from 30 countries, and what is most striking is that retail formats are almost as universal as music itself.

In country after country, m.i. locations feature an imposing guitar wall, and separate departments for audio, keyboards, and percussion. Oriental rugs on polished wood floors are commonplace in piano salons everywhere. Merchandising and point-of-purchase aids lean heavily toward artist photos and product beauty shots. And whether you're in Canada of the Czech Republic, stores more often than not emphasize the brands that dominate the U.S. market. There's even a common thread that links m.i. retail personnel. Most store proprietors started as professional musicians and gravitated to retail either in search of a bigger paycheck, or because they felt they were being woefully underserved by existing retailers. Sales staff are composed primarily of those who did or do aspire to a career as a performing musician.

There are some regional variations: nylon stringed guitars are more popular in Spain, the accordion remains more prevalent in Eastern Europe, and the more prosperous the country, the more high-end gear on display. Yet any music retailer who dropped in at a store in some distant land would pretty quickly feel at home.

There is one notable exception: the full-service school music retailer who rents horns and strings to students participating in school programs and regularly calls on school music teachers. This is a retail format that exists only in the U.S., and there's nothing even remotely comparable anywhere else in the world. This highly specialized business model emerged in the years following World War II, as schools across the country began incorporating instrumental music into their curricula. Acting independently, a group of creative entrepreneurs comprising former band directors, decided that instead of investing in pricey retail real-estate, they would put the money toward reps who would visit the schools. To overcome the perennial parental objection on band night—"what do I do with a horn if Johnny quits after two months?"—they refined instrument rental programs. It's easy to take these moves for granted today, but in the 1950s, they represented a retail revolution.

People have been predicting the demise of the school music

retailer for decades. In the years following the Beatle boom, the fear was that kids would abandon school music programs en masse to play guitar. In the 1990s, there was concern that the prices of Chinese-made instruments were too low to support the overhead required to manage a rental program. More recently, doomsayers predicted that school dealers would be done in by online competition. Why would parents rent an instrument on band night when they could buy one online?

But these fears have proved unfounded, as the school music specialists developed a durable symbiotic relationship with local school systems. Music directors value the assistance retailers provide in student recruitment and retention efforts and recommend them to parents. And retailers who depend on school programs for their very existence reciprocate by vigorously promoting school music. The viability of this unusual business model was on display at the recent National Association of School Music Dealers Convention (see coverage on page 66). There is no more bullish, enthusiastic collection of retailers anywhere in the music industry.

We estimate that between instrument, print, and accessory sales, the school music specialists generate about 10% of the industry's total revenue. However, their contributions to the industry extend beyond the immediate sales they produce. They are a linchpin in a unique system that creates amateur music makers. Many of the kids who first pick up an instrument in a school program go on to buy guitars, keyboards, or drums. And in consumer surveys, many lifelong music makers say they got their start in a school program.

For those retailers who aren't in the business of maintaining a rental pool or calling on band directors, school music retail is about as far removed as women's active wear or pet supplies. Yet, everyone in the industry owes a debt of gratitude to the practitioners of this niche form of retail. Their support for school music programs creates the customers who have made the U.S. market the most vibrant music market in the world.



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