

# There Is No Such Thing As A Typical Store

**S**irius XM radio has more than 300 music channels ranging from *Latidos* for fans of Latin love songs, to *Ici Musique* for the Francophone Canadian folk lover, to *Studio 54* when you need a quick disco fix. There are also channels for the Rolling Stones, Guns N Roses, Frank Sinatra, and a seemingly endless litany of lesser known talents. Apparently this is what's required to address the varied listening habits of 310 million American citizens. Serving their musical needs requires a range of retail formats that is nearly as diverse, as evidenced by the roster of the industry's 200 largest retailers in the following pages. Ranking the industry's top players serves a number of purposes, but perhaps most significantly, it drives home the fact that there is no such thing as a "typical" or "average" music store.

Consider just a few examples of what constitutes a music store. Guitar Center is a national chain with all of the logistical infrastructure required to manage more than 400 locations and some 11,000 employees. Print music specialist J.W. Pepper has earned the loyalty of school music educators nationwide by making their lives easier with a website that enables them to generate purchase orders. Gruhn Guitars establishes trust among high-end guitar buyers with a proven ability to authenticate vintage instruments. The STRATosphere has carved out a sizable niche selling only guitar parts. The only thing these and most other retailers on the Top 200 have in common is that they're very good at what they do.

With once-great enterprises like Sears, Macy's, and J.C. Penney struggling for survival, there has been much talk in the business press of "the death of retail." We would suggest that retail itself isn't dying, just the subpar retailers. The online revolution has raised customer expectations and lowered barriers to competition. The unforgiving results can be summed up as: get better or get beaten.

Not too long ago, every major manufacturer had formulas for determining the potential sales volume of any given storefront. Using demographics, car traffic, local purchasing power, and numerous other variables, they would generate sales targets for all of their retailers. (Piano makers saw big college towns as a negative because students didn't buy pianos. Guitar companies saw them as a plus.) Retailers and their suppliers did, and still do, argue about what constitutes a "reasonable" sales target. But the old geographic formulas had a high degree of accuracy.

The logic underpinning these calculations was straightforward. A significant percentage of buyers would automatically

patronize the closest store, ensuring a sales baseline. With a reasonable amount of sales and promotional effort, the retailer would be expected to add between 20% and 50% on top of the baseline. The fact that these formulas now seem quaint and a bit outdated indicates just how much retail has changed in the past two decades.

There are still benefits to be had from an accessible location in a prosperous market. Geographic proximity also remains a draw for some customers. However, when customers can scroll through nearly limitless inventory on a phone or tablet at the time and place of their choosing, the benefits of location are not what they once were. In addition, being better than the other stores in a given trading area is no longer enough when customers base their expectations on the offerings of competitors in all 50 states. Thus, brick-and-mortar retailers need to offer something in addition to convenience, whether it's product expertise, a carefully curated selection, education, or social events, not to mention an appealing in-store environment. Retailers that don't develop what marketers refer to as a "unique selling proposition" that differentiates them from the numerous shopping alternatives are unfortunately destined to join the growing casualty list of failed retailers.



Before writing off brick-and-mortar, keep in mind that Americans still like to visit stores, especially for hobby and avocational purchases like music gear. The opportunity to engage all the senses with an instrument is still compelling. There's just minimal tolerance for any-

thing short of an exceptional shopping experience.

The numbers in the following pages hopefully foster a better understanding of the industry and prevailing market trends. They provide an important yardstick for gauging performance. However, they don't capture one component that's critical to success. We refer to an abiding love of the music industry. Consumer preferences change constantly, as do retail formats, but as long as we've been publishing, the successful retailers have always demonstrated an unabashed, irrational, irrepressible love for the process of supplying tools to musicians. It's one of the biggest reasons outside investors have had limited success: they have analytic skills in abundance, but they rarely exhibit love for the business.

We wouldn't go so far as to quote John Lennon and say that "Love is all you need." But, to paraphrase the 1961 hit, "Love Makes the World (and our little industry) Go Round."

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