

Cratering Camera Sales Create New Competitors

In much the same way that the digital camera rendered film obsolete, the smartphone is upending the camera business. Consumers are increasingly taking pictures with their phones instead of a camera, and the shift is reflected in plummeting sales of all types of photographic gear. In 2018, according to the Camera & Imaging Products Association (CIPA), unit sales of “point-and-shoot” camera were down 88% from the prior year. In the same time frame, sales of higher-end DSLRs dropped 57%, while lens sales were down by 67%. Financial forecasts from market leaders Canon and Nikon reflect the expectation that these downward trends are not abating any time soon. So what exactly do the woes of the camera industry have to do with the m.i. business? In short, more retail competition.

Aggressive online photo stores are actively in search of new product categories to offset their slumping camera sales, and a growing number are starting to offer musical instruments and audio gear. Industry leader B&H Photo Video led the trend over a decade ago, first stocking pro audio and later a selection of keyboards and fretted instruments. Adorama, another successful retailer with roots in the photo business, has followed suit. Michael Amkreutz, a former top Guitar Center executive, recently signed on as CEO, and its website currently lists more than 5,000 guitars, along with a wide selection of keyboards, recording equipment, and drums. A quick google search turns up a dozen other “photo-centric” retailers that have, to varying degrees, entered the m.i. business.

Whether these forays into m.i. are successful remain to be seen. Some of the retailers appear to be plotting a thoughtful strategy for the category while others just seem to be grabbing for a lifeline to save their floundering camera business. However, speaking generally, photo retailers are a resourceful group, not to be dismissed. A fiercely discount-driven market has accustomed them to razor-thin margins, so they are primed to be price-competitive. They have also become exceptionally creative in skirting MAP policies with a combination of gray market goods and product bundles. Finally, they are adept at search engine optimization. The word “Nikon” turns up 330 million results on Google—any business that can get listed on the first page without spending a fortune has some obvious skills.

This will hardly be the first time outside retailers have

decided to take a shot at selling music products. A decade ago, Best Buy built out 109 discrete “music stores” housed inside their cavernous consumer electronics locations. Emboldened by market research showing that a large percentage of regular Best Buy customers were interested in music, management was confident that they could leverage their prime locations and marketing clout to create a market-leading m.i. operation. Three years after struggling to find a workable inventory mix, trying to cultivate qualified sales personnel, and create a rock ‘n’ roll vibe adjacent to dishwasher displays, they called it quits. Wal-Mart, Target, Costco, and a number of other mass merchants had a similarly unhappy and short-lived experience selling musical instruments. All of them eventually dumped musical instruments after concluding that the hassles of dealing with customer questions and after-sale-service outweighed the value of any incremental sales gains.



Any retailer, photo or otherwise, trying to sell music products will face similar and predictable challenges: determining what to stock amidst the vast quantity of available product, developing the expertise necessary to inspire customer confidence, and creating the kind of “ambiance” that resonates with musicians. However, the

internet has made it easier than ever for a retailer to experiment with new categories. When Best Buy ventured into the m.i. business, big bucks were involved. The cost of building out new display fixtures, plus laying in 2,800 SKUs of inventory for 100-plus locations, topped \$150 million. While the addition of 68 music SKUs in 1,000 Wal-Marts represented a smaller outlay, it was still large enough to make or break a purchasing manager’s career. By contrast, the investment for an online camera store is far less onerous. They start with a small sampling of products and flag them on their website: If they sell, they can buy more. If they don’t, they can blow them out and move on.

While much has been written about how the internet has changed consumer behavior, less noted is the way it has made retail categories far more fluid. By lowering the cost of entry, it has made it possible for retailers to experiment with new and different products like never before. A few years from now, we’ll probably be writing about some photo retailers who mistakenly thought music products would save their struggling camera business. In the meantime, don’t be surprised if other outsiders enter our market.

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