

A Solid Recovery On The Way

After four trying years, the surge of enthusiasm that swept this year's June Expo was a welcome relief to the music industry. Analyzing the causes of this renewed spirit provides some interesting and informative conclusions.

One thing is certain, the feelings of well being are not based on any significant upturn in sales. For 1983, industry sales in all product categories will not begin to approach the records established in 1977-78. Informed estimates predict that a 3-4% increase over last year is all we can expect, and while any increase is good news, 3% is hardly grounds for euphoria.

We conclude that the improved outlook exhibited at the NAMM show is a reflection of improved management throughout the industry. A string of strong growth years during the mid to late seventies prompted a number of retailers and manufacturers to develop business strategies based on the anticipation of rapid and unceasing growth. Harsh economic conditions during the past three years forced these individuals to either revise their strategies or pay a visit to the bankruptcy court.

Difficult circumstances often bring out the best in people. This is certainly the case among the survivors in the music industry. The adversity of the past four years has prompted major improvements in both retail and manufacturing operations.

Most significant on the retail level has been the shift back to in-store teaching. Lush sales years in the seventies convinced many retailers that in-store teaching was an unnecessary nuisance. Now that walk-in traffic has all but evaporated, retailers have rediscovered that legitimate in-store teaching not only can be profitable, but also is the only proven way of developing customers for musical products.

High interest rates and tight credit in recent years have forced retailers to become more financially self-sufficient. As a result, a new discipline in both inventory and gross margin management has been adopted. The end result of this improved management has been a financially solid dealer network poised to profitably exploit any uptick in sales.

On the manufacturer side of the industry, the past four years has seen a major streamlining of operations and an increased concern for profitability. These improved efficiencies will unquestionably benefit the industry but more important has been the increasing

concern among manufacturers to offer a complete package of high value products and sales support programs to their dealer customers.

The customer shopping for a musical instrument today can choose from a tremendous array of products that represent the greatest feature/price ratio in the history of the music industry. Quality and features associated with \$800 guitars two years ago are now available for \$500. Similar improvements can be found in virtually every other product category.

These past few years will be remembered as difficult times for the music industry. On the negative side, over 1,000 dealers closed their doors, numerous manufacturers ceased operations, and red ink flowed in all too many quarters. On the positive side, this same period instilled new management discipline among surviving retailers and prompted a return to the practice of cultivating the market through music education. In addition, it prompted manufacturers to offer quality and value undreamed of in previous years.

The benefits of these major shifts may not be immediately apparent in terms of operating results over the next six months; in the long term, however, a solid foundation for a healthy music industry recovery has been laid. And that is just cause for optimism.

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