

A Mutual Partnership . . . Dealers & Manufacturers

The word "franchise" is often misused to describe the agreement that exists between music retailers and their suppliers. Unlike a true franchise, like McDonalds, where a local dealer pays a substantial amount to purchase the right to represent a given product and agrees to adhere to a strict code of conduct, the agreements in the music industry are loosely structured and can best be described as sales agreements.

The lack of structure in manufacturer-dealer agreements in the music industry should not be taken to mean that they are not significant. Far from it. The success of the entire industry has always hinged, and most likely always will hinge, on the ability of manufacturers and retailers to work together in a partnership based on mutual self-interest.

Difficult economic conditions in the past four years have placed an inordinate strain on dealer-manufacturer ties. Struggling with declining unit volumes and rising costs, more than one manufacturer has been forced to accept short-term sales that damaged longstanding dealer relationships. By the same token, similar conditions have prompted a number of dealers to renege on commitments to manufacturers. While understandable,

these actions have resulted in an unfortunate increase in antagonism. Rather than viewing each other as partners jointly serving musicians, dealers and manufacturers currently seem to be viewing each other as mortal adversaries.

Attempting to rectify this situation and restore a sense of partnership, the National Association of Band Instrument Manufacturers and the National Association of School Music Dealers have called for the establishment of a joint committee to explore means of collectively improving market conditions. How effective this committee will be in terms of reversing difficult market conditions remains to be seen. However, this spirit of cooperation is one that should be emulated in all quarters of the industry.

Far too many dealers and manufacturers have gone out of business in the past few years. The survivors should recognize that the time for adversarial relationships is past and that a mutual partnership is needed to ensure the health of this great industry. Congratulations to NABIM and NASMD for their fine example.

Paul A. Majeski
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Competition Is Necessary . . .

Transshipping has been a hot-bed of controversy in recent months as numerous dealers, associations, and manufacturers have voiced strong views on the subject. In our editorials, we have opposed the practice largely on the grounds that it ultimately reduces customer service and satisfaction.

Given the increasing sophistication of some musical products currently on the market, it takes skilled salespeople to present them properly and teach the customer how to use them. Generally speaking, non-authorized dealers rarely have these skills. Consequently, when they sell transshipped merchandise, the customer often walks away shortchanged, not knowing how to use the product.

Unfortunately, there are some dealers who oppose transshipping in hopes that it will curb competition. From field reports, it would appear that these dealers believe that if transshipping is brought to an end, they will be able to receive inflated prices for their products, without offering requisite servicing.

Stiff competition is often a headache, and every businessman, at one time or another, has harbored dreams of an environment free from any competitors. However, competition is responsible for any and all improvements in product design and manufacture, marketing and distribution. Any attempt to curb competition at the expense of the customer ultimately impedes

the progress of an industry and produces disastrous results.

Thus, dealers who view a ban on transshipping as a way to reduce competition are missing the point. If, in fact, this practice is successfully restrained, it should not be taken as a signal for dealers to pack prices and forego services.

The music business enjoys one of the highest retail margins of any business in the world. With that high margin comes both an opportunity and a responsibility. A high gross margin is not a God-given right of any individual who hangs a sign up over a building, proclaiming "Music Store." Dealer margins must be earned through knowledgeable salespeople, music education, complete inventory selection, and a commitment to honestly serve the customer. No one can make every sale. However, a dealer who operates a business in such a fashion will unquestionably get his fair share of the available business.

By eliminating transshipping, manufacturers are attempting to make it possible to forge a closer partnership with dealers to ensure that the customer is happy with his purchase. To conclude anything else is to seriously misjudge as important an issue as any facing the music industry today.

Brian T. Majeski
Editor