

# Plan For A Profitable NAMM Show

The NAMM show is rapidly approaching, and with it comes one of the best business opportunities of the year. With nearly 500 exhibitors, the upcoming International Music & Sound Expo promises to be the biggest in history. The growth of the trade show forcefully underscores the fact that face-to-face contact between dealers and manufacturers is an increasingly important aspect in the marketing of musical products.

If for no other reason, the rapidly changing technology of music should prompt music dealers to attend the NAMM show. While the demand for traditional instruments remains strong in spite of many negative factors, it would appear that emerging new technologies hold the key to opening large new markets. Reflecting this is the presence of numerous computer-based musical products at the upcoming show.

It is too early to tell exactly what form computer musical products will take and how they will affect the total music market. However, in order to capitalize on opportunity, retailers should attend the show to apprise themselves of emerging product trends.

In addition to opening new markets, technology has

accelerated the pace of change within the industry. Nothing reflects this rapid change better than the NAMM show. Of the nearly 500 exhibitors who will attend this year's show, over 10% were not in business a year ago. What's more, 35 exhibitors who were present at last year's show will not be in attendance this year. Given this rapid change, the opportunity to make a hands-on assessment of a product line and a company is well worth the investment in airfare and hotel bills. Dealers should actually ask, "How can I afford not to go?"

To get the most out of the NAMM show, start by turning to the exhibitor list in this issue and check off your priorities in the product displays. Then review the educational sessions and make a point to attend those that pertain to your operation. Finally, pay close attention to the numerous advertisements in this issue; they contain a wealth of excellent information on what to expect at the show. A well planned checklist will help you capitalize on the many profit opportunities the show affords.

*Brian T. Majeski*  
Editor

## Leasing Plans . . . . . Are There Real Benefits?

The subject of lease-to-lease band instrument programs has been the subject of considerable debate in the school music business recently. As with any controversial subject, lease-to-lease has its supporters and detractors.

For those who have not kept up with the debate, the lease-to-lease program entails leasing a school instrument to a student for a set period of time without the traditional purchase agreement. After the lease has expired, the student either returns the horn, re-leases it, or purchases a new horn.

From a financial standpoint, lease-to-lease offers the retailer some valuable benefits in the form of depreciation of the pool of instruments, as well as a 10% investment tax credit. Furthermore, if funds are borrowed to purchase the instruments, the interest is deductible. Collectively, these benefits allow lower monthly payments with a lease-to-lease program than with the traditional rent-to-buy plan.

Being able to offer lower monthly payments has certain advantages; however, retailers should deliberate carefully before installing a lease-to-lease plan. There is evidence that would indicate that the lower entry price on a lease-to-lease program instills a lower sense of commitment on the part of the parent and student, and consequently increases the number of rental returns. Furthermore, the lease-to-lease plan seems to result in decreased sales of new instruments, which are a major source of profit for retail dealers.

Without providing detailed analyses of the comparative merits of rent-to-buy and lease-to-lease, suffice it to say that both programs have their shortcomings. While the problems of rent-to-buy have been well documented over the years (i.e., coping with returns, collection difficulties, and absence of tax benefits), little has been said about the problems of lease-to-lease.

A recent conversation with a leading school music dealer who operates in several markets provided some valuable insights into the two rental programs. He explained, "We operate both a lease-to-lease and a rent-to-buy program. For maximizing profits, the rent-to-buy is the best. However, in certain markets where there is intense price competition, we find lease-to-lease very effective for maintaining a presence and fighting competition."

We feel that this type of rational approach, free from advocacy, is the most prudent for a retailer. While not disparaging lease-to-lease plans, they are not a panacea for the problems confronting school music, and they may even create new problems. However, they offer benefits that should be assessed. In closing, it should be noted that, even though leasing plans allow for a lower monthly payment, no retailer has ever gone under because his prices were too high.

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