

Prescription for Profit . . . The June NAMM Expo

Every May since 1910, when the NAMM show was first launched, we have urged retailers to attend. Given the major upheavals in the industry over the past twelve months, the reasons for traveling to the show in New Orleans are more compelling than ever. Without sounding overly dramatic, attendance at the show could have a significant effect in determining the profitability of your store over the next six months.

An abundance of new musical technologies and major shifts among the suppliers of traditional instruments are two reasons why show attendance should be mandatory for all retailers. Over the past two years, new technologies have flooded the music market at a furious pace. Some of these products have been both musically useful and highly saleable. Unfortunately, much has been little more than hi-tech hype with no commercial potential. The fastest and most cost-effective method of separating the wheat from the chaff in musical technology is to attend the NAMM Show in New Orleans and assess first-hand the various products on the market.

While new technology has garnered much of the limelight recently, changes in the traditional segment of the market have been no less dramatic. Virtually every domestic supplier has altered strategy and product mix to meet the needs of a changing market. In addition, the strength of the dollar has attracted a large number of European firms who have never before sold their products in the U.S. In summation, these changes spell new product opportunities for retailers; however, if

you don't attend the show, your chances of profiting from these opportunities are remote.

Those looking for additional reasons to attend should consider the fact that NAMM has expended considerable time and money to create a veritable "Music Retailing University" in New Orleans. For four days, noted authorities will dispense useful information on a broad range of topics at a series of seminars. Even the most experienced retailer stands to benefit from participation in one of the many seminars.

The biggest problem facing those dealers who attend is finding time to see all the exhibits and take in the right seminars. With time in short supply, those dealers without a plan are going to leave disappointed. To start making your NAMM show plans, turn to the exhibitor list on page 49 of this issue. Make your own list of firms that you have a special interest in seeing, and from that list lay out a timetable. Without some type of advanced planning, it is too easy to waste time wandering among the 500-plus exhibitors. Scanning the trade show ads and editorial material in this issue can also help you refine your plans.

The music industry has always been a good business for a small group of people. A major element in success at the retail level is a thorough knowledge of the market. Attendance at the New Orleans NAMM show can help broaden your market knowledge. Plan to attend and join that elite group of truly successful industry members.

Paul A. Majeski
Publisher

What Is Happening To Our Customers?

According to most overall economic indicators and the general media, the U.S. economy is enjoying a robust growth rate and vibrant health. Yet, the music industry continues to be plagued by difficult times. The disparity between the nation's economic performance and the performance of the music industry is something of a puzzlement. While we don't claim to have all the answers, recent labor statistics offer some explanation of the industry's current woes.

In spite of attention focused on "Yuppies," recent Labor Department statistics indicate that the 25-to-34-year-old age group represents one of the most economically hard-pressed segments of the overall population. Young parents in this age group are also the prime consumers of musical products, ranging from pianos to band instruments, to acoustic guitars, to most low-end combo products.

According to Labor statistics, between 1961 and 1982 after-tax income for families headed by an individual between the ages of 25 and 34 dropped 2.3%. This decline is even more alarming when you factor in the increase in the number of working wives. Among 25-to-34-year-olds, the number of two-income households has more than doubled. In effect, the median family today, with two wage earners, enjoys less disposable income than their single-earner counterpart in 1961. The major factor influencing this downward mobility, according to the Labor Department, is higher taxes. Between 1961 and 1982, the income tax bite increased from 10% of income to 23% of income. In the same period, state taxes increased significantly, and social security jumped a whopping 2200%.

Aggravating the effects of higher taxes are sharply increased housing

prices. Labor statistics also reveal that due to increased housing and mortgage rates, 65% of all first home purchases require two incomes to meet monthly payments.

In short, higher taxes, more expensive housing costs, and lower disposable income levels add up to less money for the purchase of musical instruments. Does this spell disaster for the music industry? The answer is emphatically no. However, these factors have changed the formula for a successful retail operation.

A financially strapped individual is less likely to walk into a music store and make a substantial purchase. This is especially true given that most individuals feel that musical instruments are more expensive than they actually are. Consequently, the retailer who gears his operation to walk-in traffic is in for a protracted dry spell.

The common element among successful merchants in today's economic climate is continual activity outside the store and ongoing promotions designed to bring people and musical products together. These types of activities are the most effective methods of convincing consumers of the true value of music.

As one retailer recently remarked, business isn't bad, it's just harder. The obstacles facing a retailer are perhaps more difficult than in recent memory, but the rewards are still handsome for those who apply themselves.

Brian T. Majeski
Editor