

# *What To Do With NAMM Profits*

After nearly 90 years of secrecy, the National Association of Music Merchants has taken the momentous step of providing its membership with a financial statement. This historic disclosure took place at the Association's annual meeting held during the trade show. (For more details, turn to p. 88 in this issue.) The Association's management, under the leadership of Alfredo Flores, is to be praised for breaking with precedent and allowing the industry to gain a better understanding of the workings of NAMM.

This financial disclosure, along with the creation of two manufacturer committees, is part of a far-reaching plan, authored by NAMM leadership, to move the Association into the realm of general industry promotion. In the past, NAMM has directed its energies towards developing a variety of dealer services and to underwriting the promotional efforts of other industry associations.

As evidenced by its robust financial health, NAMM is in a unique position to finance industry promotion efforts. As of April 30 the association had a net worth of \$5.6 million, and its annual operating profit for the year ended July 30 will undoubtedly top \$1 million. This type of financial backing for promotion efforts is truly unprecedented in the history of the industry.

Tremendous resources are not the only reason why NAMM is a logical choice to manage industry promotions. Because of the highly profitable trade show, the Association is guaranteed a steady income, which makes it possible to fund programs over the long term. Furthermore, given the local nature of music retailing, NAMM's board of 24 retailers is not afflicted by the same divisive competitive animosity that has plagued numerous manufacturer associations. Finally, with the creation of the supplier market steering committee, NAMM made it possible for the Association to tap manufacturer expertise in creating national promotions.

If any association in the industry can launch promotional efforts that will stimulate sales, NAMM can. However, there is a large contingent of retailers and manufacturers who contend that the task of creating additional music makers is beyond the grasp of our small industry. Supporting this point of view is the fact that, after nearly a century and literally hun-

dreds of attempts, the industry has never launched a promotional effort that had a measurable impact on total industry sales or provided a return on the time and money invested. In addition, while NAMM's resources seem vast by general industry standards, they are a pittance in the realm of consumer promotions.

NAMM has the money and the willingness to attempt some type of industry promotion. The only remaining question is whether or not it can be successful. There are powerful arguments both pro and con that can not be readily dismissed. The one area where there seems to be overwhelming agreement among manufacturers and retailers is the belief that NAMM is not justified in accumulating a surplus in excess of its operating requirements. (See p. 90 for details.)

Measurable goals and strict timetables are imperative to gauge the effectiveness of any type of promotional effort. Thus, we would suggest that, in the near term, NAMM's management lay out a promotional plan of action, complete with goals, timetables, and the financial investment required.

If goals are met and positive results can be demonstrated, then NAMM should make a practice of re-investing its sizeable annual profits into industry promotion; however, if NAMM's promotional efforts bear no fruit within a reasonable time, the Association's management should consider other methods of re-investing the profit from the trade show. The most plausible method we can think of is to cut trade show costs, pass the savings along to the industry's suppliers, and allow them to re-invest the funds to enhance their companies and dealers.

Whatever the final outcome of NAMM's foray into industry promotion, we salute its management for responding to the wishes of its constituents and attempting to harness association profits to better the music industry.

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