

# Git Down To Atlanta

Want to reward your key staff members? Energize your sales force? How about sharpening your understanding of larger industry trends? If so, plan to attend NAMM's International Music and Sound Expo in Atlanta. The three-day show begins on Friday, June 24th and runs through Sunday the 26th.

While the industry debates the merits of one show versus two, nearly 500 exhibitors have contracted for over 250,000 square feet of exhibit space at the Atlanta World Congress Center. With such a strong exhibitor turnout there will undoubtedly be a host of new products that offer significant retail profit opportunities. Profits earned by being the first in your trading area with the latest products will more than pay for the cost of attending the show.

NAMM has spared no expense to make the show enjoyable as well as profitable. The all-industry awards banquet on Saturday night will feature a concert by the legendary *Chicago*. In addition to top flite entertainment, NAMM will also sponsor several noted speakers. Buck Rodgers, former director of marketing at IBM, will discuss new marketing strategies for the coming decade. Al McGuire, former coach of the Marquette University basketball, team

will present an aptly titled session, "How To Build A Winning Team."

Aside from the opportunity to see new products, cement relationships with valued suppliers, and take the pulse of the market, the June show offers retailers a chance to remove themselves from the day-to-day pressures of retailing and better analyze their business. Music dealers do not merely sell hardware, they help people satisfy the deep seated desire to express themselves through music. Spending three days amidst colleagues stimulates and reinforces this commitment.

To make the most of the Atlanta show, start by perusing the exhibitor list in this issue. Make an advance plan of which companies you want to see so you don't waste precious time wandering the aisles. And, when in Atlanta, please stop by and visit with the staff of *Music Trades*. We'd be interested in hearing your assessment of the state-of-the-industry.

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Editor

## Consumer Electronic Trends

Over the past decade members of the music industry have occasionally observed the consumer electronics business with a degree of envy and wonderment. As the music industry doubled in size in the last fifteen years, the consumer electronics industry expanded a whopping eight times to nearly \$20 billion per annum at retail. Whether in telephones, computers, CD players, or VCR's, the consumer electronics business has been an extraordinary engine for growth. The marketing of these hi-tech products has been characterized by indiscriminate distribution, intensive discounting, and razor thin retail margins. For example, a national consumer electronics retailer, like Circuit City, operates with an 8% gross margin on portable color televisions.

A fairly sizeable number of music manufacturers have emulated the distribution practices of their consumer electronics brethren, possibly in hopes of achieving similar growth. After these aspiring music manufacturers open every dealer in a market area and discounting becomes rampant, they attempt to assuage their retail customers with phrases like: "In the computer business, by operating on an 18%

gross margin, they have been able to attract new customers," or "Having our product on every floor enhances its credibility with the consumer, which makes it easier to sell . . . like a Sharp television," or "You music retailers are so backward, you should take a lesson from the guys who sell consumer electronics."

Interestingly enough, one of the kingpins of the consumer electronics business, Panasonic (Worldwide sales \$40 billion) now seems to be emulating the traditionally limited distribution policies of the music industry. At a recent Panasonic dealer meeting, attended by 1,800 consumer electronics retailers, company management announced that it would sharply reduce the number of authorized dealers for its audio, video, and television products, eliminate "off-the-sheet" extra discounts for major chains, and provide increased sales assistance for small to mid-sized retailers.

How was this new marketing direction developed? The answer is simple. Panasonic management made the very unsophisticated discovery that if retailers don't make a profit on an item, they won't