

# Why The Experts Are Usually Wrong

Five years ago, acoustic guitar sales hit the skids, and the future for this venerable instrument looked bleak. We quoted one industry expert who glumly asserted, "The acoustic guitar is passe. You don't hear it in popular music anymore. I think it's going the way of the harpsichord." Around the same time, depressed band instrument sales led manufacturers and retailers to question whether the school music phenomenon would survive. One retailer was moved to comment, "The sad truth is, kids just don't want to play in school bands anymore."

In the ensuing years, unexpected events have contradicted these informed predictions. Acoustic guitar sales have enjoyed a remarkable resurgence that has sent manufacturers around the world scrambling to increase production. Similarly, band instrument sales have rebounded to their highest levels in nearly a decade, prompting retailers and manufacturers to boast of record sales.

These are just two of many possible examples that illustrate how unpredictable the music industry can be. Over the years, the market potential of new products has also routinely been over- or under-estimated. Witness the industry's widespread disappointment at nominal sales of MIDI-equipped guitars, and the euphoric surprise at the unexpected explosion in synthesizer sales.

In many respects the music industry is not too dissimilar to the fashion industry. Both are capable of abrupt changes in direction, and both are captive to larger social trends that are simply beyond control. Some of the operating principles that enable fashion retailers to survive volatile market swings are also very applicable to the music business.

For starters, never fall in love with your product lines; they'll never love you back. In making buying decisions, forget your personal tastes and concentrate on purchasing what your customers want. Scores of music dealers have large inventories but lousy selections, because they buy what they like and disregard their customer's tastes.

Unsaleable products, unlike fine wine, do not

improve with age. Haberdashers didn't hold on to their stock of Nehru jackets hoping for the market to come back. They cut prices to move the unsaleable merchandise, and they reinvested the cash in products they could sell. By the same token, music dealers should honestly evaluate their stock, pick out the dogs, and blow them out. Slow-moving inventory ties up cash and clutters the store.

Finally, music retailers have to recognize that despite the best efforts, sales can occasionally take a downward turn. A substantial drop in sales is always painful, but with the proper management, you can minimize the discomfort. One way of coping is to keep your fixed expenses to a minimum. Give some consideration to taking your technicians and service people off the payroll and making them independent contractors. The same strategy often works well for a delivery staff. By making these people independent contractors, you provide them with an immediate incentive to improve their productivity, and you convert a large fixed expense into a variable one.

If some of your bold predictions about the future of the music industry have proven dead wrong, don't feel bad about it. You're not alone. One certainty is the industry's uncertainty. There is nothing we can think of that will make the business more stable; however, individual businesses can do a lot to better insulate themselves from the inevitable swings.

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