

Down Markets Are Not Without Opportunity

This issue, which contains a comprehensive analysis of music industry sales in virtually all major product categories, represents a major milestone in Music Trades' 102 year history. While various industry associations have attempted to quantify industry size over the years, there has never been a definitive report on the size and scope of the music industry. Until now, that is.

The music industry "census" that is presented elsewhere in this issue does include a number of estimates in various categories. Unfortunately, unlike auto sales which can be precisely measured by tracking registration applications, no such measuring device exists in the music industry. However, we feel that they are not simply wild guesses, but highly accurate assessments of industry performance, based on a lot of arduous detective work. Over the past twelve months, we have poured through reams of Commerce Department Data, traveled to scores of leading domestic manufacturers to assess production levels, talked to hundreds of retailers to track larger industry trends, secured public, and not-so public, financial data on dozens of industry firms, and carefully monitored import levels from countries like Japan, Korea, Taiwan, and Germany. The end result of all this effort is a unique snapshot of the music industry.

Portraits are generally supposed to reveal something about the subject. Unfortunately, the data revealed in our census is not too cheerful. 1991 will be recorded as a year of decline, as unit and dollar volume slipped in most major product categories. The explanation for the industry's sagging volume is pretty simple, though. An industry that thrives on high-ticket, discretionary items can't expect rapid expansion during periods of economic recession when consumer confidence is badly shaken. Furthermore, in posting sales declines, the music industry has plenty of company. 1991 saw sales declines in the consumer electronics industry, auto sales, housing sales, and home appliance sales, to name just a few categories.

From a larger perspective, what do industry sales statistics mean? Certainly, they reveal larger trends and can aid in planning. However, industry wide sales declines do not necessarily obliterate growth opportunities for individual retailers. The country is full of successful, vibrant businesses that have expanded in declining markets.

Consider the following examples. The hardware supplies industry is hardly what anyone would call a "high-growth" industry. Yet, this has not stopped Home Depot Inc. from nearly tripling its sales to nearly \$6.0 billion in the past five years. Similarly, Wal-Mart has doubled in size over the past five years selling highly mundane products.

By contrast rapidly expanding markets are not a guaranteed bonanza. The computer industry unquestionably remains one of the fastest growing industries in the world. Yet, large computer retailers like Inacomp Computer Centers, Computerland, and Intelligent Electronics are currently struggling for survival after three years of modest sales growth and steep profit declines.

The moral of all this is that there is always a growth opportunity for retailers who are capable of offering a combination of service and value that is slightly better than that provided by the competition. Growing by taking market share may not be as glamorous as riding the crest of an expanding market. But as far as the bottom line is concerned, it's all the same. And, the net profit is ultimately what it's about.

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