

Associations In Perspective

Imagine you're in charge of sales and marketing for a music retail operation, or for a manufacturer for that matter. The year has just come to a close, and despite an uncooperative economy you were able to eke out a modest sales gain through diligence, creativity, and shrewd use of a finite budget. As you begin laying out plans for the coming year, your boss announces that he will increase your overall promotional budget by 1%, but with those added funds he expects you elevate the company to an entirely new and higher level of market awareness and acceptance.

Most reasonable people would conclude that the bosses expectations are a bit unrealistic, yet many of these same "reasonable" people turn around and make similar demands on the various associations serving the music industry. For literally decades, there has been a drumbeat for industry associations to create and execute a plan that will magically transform the entire population into music makers. It's a nice wish, and, like mom and apple pie, it's hard to criticize. ("What! You don't want to expand the market?") But when you do the arithmetic, asking our industry associations to expand the market is much akin to asking a beleaguered product manager to double sales on a 1% budget increase.

Consider the basic arithmetic of the situation. The music and sound industry generated about \$3.6 billion in retail sales last year. If NAMM's retail financial analysis is any guide (and we think it is very accurate), the nation's music and sound retailers spent around 3% of sales, or \$108 million, last year on advertising and promotion. We figure that manufacturers kicked in another \$100 million in advertising and promotion as well.

The industry is fortunate in that manufacturers and retailers are not the only ones out in the field promoting the idea of making music. Thousands of public and private teachers daily encourage people to play. MTV, music on the radio 24 hours a day, record industry advertising, concerts, and a ton of music-related editorial matter in virtually every form of media also provide a tremendous boost for the industry. It's hard to put a dollar value on the benefits of all this "outside" promotion, but if you listen to the number of kids who say they started playing after hearing some famous artist, it is not unrealistic to conclude that outside sources provide the industry with, say, \$50 million in promotion.

When you add it all up, the music and sound industry collectively spends something along the lines of \$260 million a year for the express purpose of getting people to buy. It's also worth noting that these monies are

spent judiciously by people who have a tremendous incentive to get the biggest bang for the buck, the incentive being their job.

Contrast this level of expenditure with the finances of our industry associations. As the largest and best capitalized organization, NAMM can sustain annual "industry promotional" expenditures of around \$2 million. Taking into consideration all the other associations (Music Distributors Assoc.; Guitar and Accessories Marketing Assoc.; Piano Manufacturer Association International; National Association of Band Instrument Manufacturers; American Music Conference; Percussive Arts Society; and scores more that space precludes listing), you are hard-pressed to come up with another \$1.0 million available to spend on promotion. In blunt terms, industry associations have around 1% of total industry promotional dollars at their disposal, yet they are supposed to be major engines of growth.

The above is not meant as a criticism of associations and their contribution to the industry. Rather, it is meant to reign in overly optimistic expectations. Associations can offer valuable promotions, like the PMAI's market-building program, International Guitar Month, and International Drum Month. But ultimately the responsibility for making the programs work lies with the local retailer. In short, the retailer makes it happen.

Selling music and sound products is a slow process that requires face-to-face contact between retailer and customer. (If these goods could have been sold by postcard, it would have been done long ago, and the industry landscape would be markedly different today.) In the simplest terms, expanding the market requires that retailers find ways to reach out and present their products to a larger circle of potential customers. Asking the industry's collective associations, and their \$3.0 million, to accomplish this task is both unfair and unrealistic.

Industry associations can be valuable advocates for specific causes like public school music education, they can help train retailers to do a better job, they can focus attention on problems and opportunities, and they can even help organize the promotional efforts of retailers and manufacturers for greater effectiveness. They provide worthwhile services as well, but they can't be expected to singlehandedly expand the market. Whatever growth the music and sound industry achieves in the coming years will be the result of new products and technologies and marketing initiatives taken by independent manufacturers and retailers.

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