

EDITORIAL

SMALL IS BEAUTIFUL

For the third straight year, we recognize the largest retailers in the music products industry with *The Music Trades'* annual Top 100 listing. Fewer than one in 60 of the nation's retailers land a spot on the list. With this exclusivity comes the prestige that is reserved for those who excel in their chosen field. However, in analyzing the top dealers, the importance of those 6,000-odd dealers who didn't clear the \$3.6 million (sales) threshold becomes apparent. Those who didn't make the list are, after all, responsible for slightly over 70% of the industry's total volume.

People like to talk of the tremendous "power" of the larger retailers. In reality though, the customers are the ones with the real power. Regardless of size, a business that fails to satisfy the customer is living on borrowed time. In the music products industry, volume in and of itself does not automatically make a retailer better equipped to serve the buying public. More to the point, the largest operators on our Top 100 list have little in the way of structural advantages when compared with their smaller competitors.

Stop for a moment and compare the music products industry with the 35mm camera business. Both are similar in size: total sales of 35mm cameras and accessories were \$3.8 billion last year, versus \$4.1 billion for our industry. Despite parity in industry size, when it comes to distribution, big camera dealers have a type of clout that biggest m.i. dealers can only dream of.

Once upon a time there were thousands of neighborhood camera retailers all across the country. Today the market has been taken over by large discounters like 47th Street Photo, and discount chains like K-Mart and Price Club. Thanks to enormous volume discounts, co-op advertising programs, and generous performance rebates, the wholesale price on a Nikon or Canon for a dealer who buys six is actually higher than the retail price quoted by a retailers like 47th Street Photo.

Large music products dealers may use volume to extract concessions from their suppliers, but a "good buy" usually represents an extra 5%, which is small change compared to the extra 40% in volume dis-

counts offered by big camera firms. So, from a purchasing point, music dealers across the country are playing on a comparatively level field.

Education represents a powerful trump card that smaller retailers can use when going head-to-head with larger competitors. Regular full-page newspaper ads offering "huge savings" from the likes of 47th Street photo have effectively eclipsed all promotional efforts from the local camera retailers. By contrast, a small music retailer with a thriving education program can consistently attract customers to his store, regardless of the advertising and promotion of his competition. If local camera retailers could create customers through education, chances are more of them would be around today.

In recent years, the retail trade has added the phrase "Wal-Mart Effect" to its lexicon. This refers to the large number of local merchants who are forced to close their doors whenever a Wal-Mart opens up in their trading area. The camera business definitely has its own version of the "Wal-Mart Effect," with large chains reducing local merchants to ruin. Yet, to date, the music products business has been free from this phenomenon.

The retail situation in the northeast corner of New Jersey where *Music Trades* maintains its offices bears this out. We sit ten minutes from a thriving Sam Ash location, and 25 minutes from 48th Street, which is home to Manny's, Sam Ash, and Rudy's Music, some of the most aggressive merchants in the country. Despite these large players, a half-dozen smaller dealers in the same area continue to thrive, offering lessons, calling on school programs, and finding overlooked market niches. Granted, each of these smaller retailers complains about the challenges posed by their larger competitors, but at least they are still there to complain. Consider the fate of the local camera dealers. If you are interested in buying a lens, camera body, or flash in northern New Jersey, you'd better forget about it. Since there are no dealers left, your options include calling an 800 number or going to one of the heavy discounters in Manhattan.

So, while we rank the 100 largest retailers in this issue, we also congratulate the thousands who, through hard work and creativity, successfully meet the challenge of tough competition. Here's hoping manufacturers recognize these vital efforts as well.

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