

# EDITORIAL

## THE WORLD'S BEST RETAILERS

In our report on this year's Frankfurt Fair, we devote space to the dynamics of music retailing in Europe. We would urge our readers to spend some time with this piece, if for no other reason than to rekindle their sense of patriotic pride. At the risk of sounding overly chauvinistic, you can't help looking at the European retailing system and coming away with the sense that the U.S. has developed a better way. When we say a better way, we're not just talking about matters of taste and style. In the U.S., customers for music and sound products receive far lower prices, better service, and better selection than their European counterparts. What's more, American retailers have far greater profit opportunities than can be found in Europe.

What is the secret to U.S. superiority in retailing? In a word, it all comes down to competition...the gritty, in-the-trenches type that everyone likes to complain about. Granted, waging war day in and day out with other retailers is no picnic, but before you wish for a world where there is no competition, we would invite you to consider retailing in Germany.

If you wanted to lessen competition in a 100-yard dash, you couldn't very well speed up the slower participants, so you'd have to settle for slowing down the faster runners. This is in effect what happens in European retailing. A complex web of zoning laws, blue laws, and financial availability puts the brakes on the faster-paced retailers and in the process slows the entire pack.

If a retailer wants to distinguish himself on the service front, there are basically three things he can do: maintain a broad selection of product on display, hire knowledgeable salespeople, and locate his store so it is easily accessible for the customer. Simple enough, except if you're in Europe.

Strict German zoning laws make it next to impossible for real estate developers or retailers to construct large retail stores like the ones that crowd highways throughout the U.S. As a result, German music retailers are forced to make due with traditional "main street" style storefronts of 2,000 square feet to 4,000 square feet. The 10,000-square-foot music superstores that are increasingly common in the U.S. are virtually unheard of, even in the largest metropolitan areas. Small spaces effectively curtail how much inventory can be displayed and have a direct impact on the quality of the shopping experience. Forget about hands-on experience with a product...a large percentage of sales are done strictly off a catalog page.

The quality of sales staff is also different. German dealers find it difficult to support a staff of sales specialists, so they make due with sales generalists. This is one reason why sales of MIDI-based products in Europe lag behind the U.S. on a per-capita basis.

There is nothing like the threat of losing business to another retailer for encouraging operational improvements. Competing for the same customer continually prompts U.S. retailers to outdo themselves. German retailers don't have the same worries. National laws stipulate that retailers can open only from 9 a.m. to 5 p.m. on weekdays and from 9 a.m. to 1 p.m. on Saturdays. Don't even think about Sundays. Such restricted shopping hours make it exceedingly difficult for consumers to conduct the type of comparison shopping that is standard procedure in the U.S. The upshot is that German dealers rarely hear that dreaded phrase, "Your competitor will give me 40% off. Beat the price and the deal is yours." They also have little impetus to provide the additional services like clinics, teaching, concerts, and mini trade-shows that stimulate excitement and generate plus-business.

For most American retailers the prospect of getting full retail price sounds like the ticket to instant riches. The German system proves the opposite. Big gross margins are great, but if you have a 2,000-square-foot store and can draw customers from only an extremely small geographic area, your sales potential is so limited that gross margin becomes almost irrelevant. What would you rather have, 40% of \$200,000 or 30% of \$800,000? It is also worth noting that general costs, including employment, local and national taxes, telephones, and rents, are between 20% and 40% higher in Germany than in the U.S.

American manufacturers often complain about lazy retailers who "do nothing to market or promote." We invite them to look at the alternative across the Atlantic. Granted, some U.S. retailers are better than others, but the competitive system we have evolved has led to a level of retail sophistication and promotional and marketing prowess that is unduplicated anywhere else in the world. How else do you explain the fact that on public day at the Frankfurt Fair more than a dozen guitarists came up to one renowned U.S. maker and explained that they planned to buy a plane ticket to New York to buy their guitar because, even with the ticket, it was cheaper than buying locally, and the New York stores gave them the opportunity to choose from a broader selection?

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