



## EDITORIAL

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# Suppliers In The Dust!

**G**et a group of industry manufacturers or distributors together in a room, and it's usually hard for them to resist holding forth on the failings of retailers. "They do nothing to promote," "They are plain bone stupid," and "They have no idea what's going on," are just a few of the common refrains that arise. Retailers may have their failings, but on the technology front it appears that they have left their suppliers in the dust.

In the annual survey we conduct of 500 dealers to assemble our upcoming "Top 200" sales ranking, 51% reported that they either have, or are in the process of installing, a point-of-sale computer system to generate real time sales and inventory reports. In other words, over half of the country's largest retailers are on the verge of taking advantage of bar coding. (A listing of dealers with point-of-sale systems will appear in our August issue.) If you scan our list of the industry's Top 100 manufacturers and distributors, you'll find that less than 10% put bar coding on their products. Something is obviously amiss here.

For the uninitiated, bar coding allows retailers to accurately update inventory and sales records in real time by running a laser wand across a series of bars included in the packaging. Thanks to the PC revolution, the hardware and software for these systems has become very accessible. Huge cutting-edge retailers like Wal-Mart, Home Depot, and Toys R Us have dramatically improved their efficiency with bar coding systems. So have smaller operators, like Hallmark card shops, which gross an average of \$200,000 per store. What retailer couldn't improve his marketing and inventory turnover with accurate, daily sales and inventory reports? Yet, most m.i. retailers are not reaping these benefits, in large part because not enough suppliers have made the effort to embrace bar coding.

Those retailers who do make use of a bar coding

system are forced to bar code all incoming products themselves. (The fact that bar coding pays off, even after having to physically re-label thousands of products, says a lot about its worth.) Things would work a lot better if suppliers affixed the bar code in the factory. To date, though, most complain about the complexities of generating bar codes for thousands of items and the nuisance of redesigning packaging. Our response: so what. Sure it's tough and time consuming, but if the toy business, the cosmetics industry, and the sporting goods industry, to name just a few, can do it, why can't the music products industry?

NAMM has formed a committee to try to establish an industry wide bar coding standard. However, there is nothing like an irate customer to get a manufacturer's attention. So we urge all those retailers heading towards the Nashville NAMM to plan on prodding every exhibitor on the floor to embrace bar coding at the factory. Once bar coding achieves a critical mass, suppliers will be forced to comply for fear of losing potential sales.

A week doesn't go by where we don't get a call or letter from someone urging NAMM or some other organization to "promote the industry" by throwing a few thousand, maybe even million, dollars at an ad campaign, contest, seminar, etc. On close scrutiny, though, most of these proposals are of limited value. Contrast that with bar coding. If industry wide bar coding takes hold and retailers are able to add just 1 percentage point to their profit margin, that's an additional \$50 million that could be spent on building the future of the industry. In terms of a communal effort that could enhance overall industry fortunes, nothing comes close to bar coding. So, let's hope that manufacturers catch up to their retail counterparts in a hurry.

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Editor