EDITORIAL

OUTPERFORMING THE "BPI"

Each year the editorial staff at *Sales & Marketing Magazine* sifts through reams of census and economic data to determine the relative purchasing power of the various markets throughout the U.S. This data is then distilled down to a "Buying Power" Index, better known as a "BPI" that manufacturers rely on to figure out how much they can expect to sell, city by city and state by state. For consumer product companies, "BPI" data is the bible and the underpinning of all sales forecasts and marketing plans. But in the music industry, mention "BPI" to a group of retailers, and the response is invariably a combination of snickers, caustic comments, and unprintable epithets.

If retailers in the music industry don't look kindly on BPI data, it's largely because too many of their suppliers have used the numbers simply as a means to bludgeon more business out of them. It's a safe bet that everyone of our retail subscribers has, at one time or another, had a supplier say words to the effect of, "Based on our BPI calculations, this market should produce $100,000 for us. You only bought $50,000. If you want to keep the line, you'll have to double your purchases."

We don't think traditional BPI numbers are a particularly good tool in the music industry, but for a different reason. BPI figures are based on income levels, demographics, and a combination of regional and geographic factors. (For example, even though key age and income targets line up perfectly, there might be other reasons why snowmobiles don't sell well in Florida.) The one variable that gets left out of BPI calculations is the effectiveness of the retailers serving the market. In most industries this is of little consequence. In the music products industry, it is a critical omission.

If a company like Coca Cola is dissatisfied with its performance in a given market, management starts by reviewing advertising and promotions and the performance of the local sales staff. The quality of the retailers serving the market is near the bottom of the check list. Contrast this with the behavior of any supplier in the music products industry. If sales head south in a market, the first thing the sales manager does is check up on the dealer in town. Has he switched to a different product line? Has he lost interest in the business? Is he in the midst of a messy divorce?

Sales at grocery store chains largely track the buying power of the market. In the music products industry, however, there are wild swings, where retailers either over-perform or under-perform the supposed buying power of the market. All of which underscores the fact that music products retailers not only determine the individual product lines that get sold, but their efforts also influence, to a large degree, the total volume of business.

Sales of pianos, organs, and other home keyboards have been in a serious slump for the past decade. In a report on the market that appears elsewhere in this issue, we outline the performance of several retailers who have been unaffected by larger market forces because of imaginative sales and marketing approaches. The moral here, as illustrated by each of these retailers, is that potential music sales volume is not strictly limited by population, local income levels, or demographics.

Clearly, some markets are better than others. And, as we have documented in our annual Top 200 Issue, there is an enormous spread between the states in per-capita expenditures on music and sound products. (South Dakota is number one with expenditures of $41.49 per capita, and Arkansas brings up the rear with expenditures of $8.65 per capita.) These spreads, however, are not entirely dictated by the economic makeup of an area. The marketing efforts of the local retailers are also a critical factor.

For the marginal dealers, the message is bleak: There is no guaranteed flow of business that you can bank on. For those with ambition and energy, the message should be a source of inspiration: You are limited only by your imagination and your efforts.

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Editor