



EDITORIAL

HELICOPTERS AND THE INTERNET

A 1951 BROCHURE FROM the Kaman Aircraft Corp. (predecessor of today's Kaman Corp.) carried an artist rendition of what looked like Beaver Cleaver's dad landing a slick helicopter on the front lawn as a smiling mom and kids waved from the living room window. The accompanying essay, entitled "The Everyman's Helicopter," predicted that helicopters would become as common as the family station wagon and would soon make traffic jams a thing of the past. Nearly 50 years later no one would dispute that helicopters have become important; it's just that the technology didn't evolve the way the engineers originally predicted.

It's worth keeping this anecdote in mind when discussing the Internet and its applications for society at large, retailing, and, more specifically, the music products industry. There's no question that online access to a nearly infinite store of information, unencumbered by limits of time and geography, is destined to have a major impact. Unfortunately, accurately determining what that impact will be is a far more difficult matter. Rob Timmons of Daddy's Junky Music summed it up best when he said, "Everyone says the Internet is great and it'll be big, but no one really knows what they're talking about."

Present concepts of how best to design and operate a retail store have evolved over a several hundred year time frame. It's taken about a century for the retail industry at large to figure out how best to operate a catalog operation, so it should come as no surprise that after less than five years of "online" retailing there's still a lot we haven't figured out about the Internet.

As we detail in feature coverage elsewhere in this issue, actual m.i. sales transactions taking place over the Internet remain nominal. Our best estimates are that online sales were less than 1% of total industry volume in 1998; however, customers in increasing numbers are surfing the net looking for product information and rock-bottom price quotes to use to wrest a better deal from their local

dealer. As software and transmission speeds increase, will the Web quickly transition from a high-powered Yellow Page ad to a commercial site? Or will it be a more gradual process? Beats us. But we feel confident in making a few Internet predictions.

First, the Internet is the great equalizer. In traditional retailing, sales volume and image are in direct relation to investment in inventory and physical plant. On the Web, however, huge and minuscule businesses are often indistinguishable. The effectiveness and appeal of the site is often more a factor of creativity than dollars spent. As a result, an imaginative David has a better chance against Goliath.

Secondly, using the Internet effectively to expand a business will require techniques that have yet to be fully detailed. Without knowing the requisites for a successful online business, we would predict that they will be vastly different from the skills required to run a good store. This suggests that the people who ultimately discover the true potential of the Internet will not be coming out of traditional retail channels. This should engender caution in any long-range forecast for retail activity.

Historically, true innovations have come from unexpected places. Laurens Hammond bested the entire piano and organ industry in 1935 when he introduced the first electric organ. His previous experience had been designing an electric clock. In the late 1940s an unknown radio repairman named Leo Fender got the jump on half a dozen large guitar makers when he unveiled his Broadcaster guitar. More recently, Casio Inc., a company associated with calculators and electronic watches, first realized the potential of a portable keyboard. One way or another, the Web will be important; however, the story is still unfolding, so it's worth being prepared for unexpected plot twists and the introduction of unlikely characters.

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