

The Music Trades

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WHAT TO SEE AT NAMM

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WHY YAMAHA ACQUIRED BÖSENDORFER PIANO

Going Global With IBCT

Consultancy firm International Business Centre's Iain Wilson helps music industry suppliers maximize their worldwide sales



International Business Centre, led by CEO Iain Wilson, is helping manufacturers and distributors increase their sales overseas.

TAPPING GLOBAL SALES is pretty much a prerequisite to success in today's music products market. Especially when domestic sales are sluggish and the U.S. dollar is valued low, the time is ripe to sell abroad. But

opening new markets overseas isn't the same as expanding into a neighboring state. International Business Centre helps suppliers with global ambitions navigate unfamiliar waters. Run by industry veteran Iain Wilson, IBC spe-

cializes in breaking the ground for companies worldwide, developing effective sales and marketing strategies, and appointing and managing key distributors. Wilson's second business, IBC Trading Ltd., helps more than 200 distributors worldwide find new products, develop new lines, or source products in China.

The seeds to Wilson's career were planted in his boyhood home of Belfast, Northern Ireland. Like many others in the region he used music as a way to "escape" and deal with the terrorist bombings and killings that were a part of the city's everyday life from the '60s to the '90s. Especially influenced by bands such as U2 and Gary Moore, at an early age he switched from his Eko bass guitar to the acoustic and electric guitar "to get to the front of the stage!" Early in high school he began studying the instrument more seriously.

Injured in a six-car accident, Wilson had to give up his first love, golf, but a small compensation payment for his injuries enabled him to buy a Lowden O10C guitar, handcrafted in Ireland. A subsequent visit to the Lowden factory sparked his interest in the broader music industry.

At school he then began promoting concerts and organizing events, sometimes for more than 1,000 people. Typically he used local Irish bands or flew in bands from the U.K. mainland or Europe. Though he was only 16 years old, he "enjoyed the buzz and taking risks. Thankfully I never lost money and gave any profit to charity anyway."

At university Wilson studied international business and economics. For a school project he developed a "hypothetical" business plan for Lowden Guitars and produced research aimed at maximizing the company's international sales. The project eventually turned into a job description, and in 1993 he

became Lowden's European sales manager. Within a year he became responsible for worldwide sales and was winning export awards for business in the Far East from the Northern Ireland Chamber of Trade.

Lowden gave Wilson the ability to travel and meet distributors all over the world. He continued working with the company's international sales through 2005, handling changes in management and ownership and the birth of Avalon Guitars. Over the years he developed many industry associations and friendships. In the early 2000s his friendship with Fishman's Rick Nelson led to Larry Fishman's seeking his help in promoting Parker Guitars internationally. This assignment, which continued until Parker was sold in 2004, became Wilson's first client in his fledgling consultancy firm, International Business Centre (IBC). Later he worked with Fishman itself, first examining its European distribution network, then its international network. In February 2006 he was appointed Fishman's international sales manager.

In addition, IBC acts as the international division of Breedlove guitars, Eko Guitars, Stanford Guitars, G7th capos, and Italian accessories company Techra. IBC has helped develop international business for all these companies. For G7th and Techra it has established new products in worldwide markets. More recently it has assisted in the relaunch of Eko Guitars worldwide, officially scheduled for the 2008 winter NAMM show. Headquartered in Northern Ireland, IBC also maintains a branch office in Italy.

China's Call

In 2004, after resisting his distributors' requests for years, Wilson began exploring how to help them find new products, develop new lines, or source in China. He had spent the best part of 2005 and 2006 traveling regularly to China, visiting more than 70 factories each year, finding key strategic partners in guitars, keyboards, pianos, stringed instruments, brasswinds, woodwinds, and accessories. He purposely did no business in those two years, determined first to understand "how China worked," find the right partners, and develop a team of production and quality control

specialists there. Simultaneously he established a strategic alliance with Cherise Music, which is his sales and administration arm in Beijing. "Having a local partner is extremely important," he says. "You need people to talk directly to factories in their language, take care of the QC team, develop products, and ensure prompt deliveries.

"Many companies are afraid of China," Wilson continues. "Larger companies have their own sourcing people. However, most small to medium companies don't know where to start. They're afraid of sub-standard goods, losing money, not knowing how to ship, how to find the right companies, etc. In a nutshell, IBC Trading Ltd. has done the hard work for them and can offer an OEM sourcing service with a team of professional staff from various offices throughout the world with extensive background and expertise in guitars, keyboards, pianos, PA, stringed instruments, brasswinds and woodwinds, and accessories."

"The rising value of the Chinese RMB is causing massive headaches for Chinese factories. Many are talking about moving to find cheaper labor."

IBC Trading also offers product design and development, QC staff, shipping advice, and a skilled team of Chinese personnel. Additionally it helps companies set up their own offices in China or gain a foothold in the Chinese market.

Rising costs in China make it all the more important for Western firms to select their Chinese partners wisely. "It's good and right that the workers in China can earn more money and gain some form of employment protection," says Wilson. "The Chinese government is working hard to implement international practices, but not without consequences to price. As of January 2008, for example, companies need to provide redundancy payments to staff who have worked for more than two years. It works out at a month for every year's service, and it's retroactive.

Consequently, many smaller factories won't be able to survive, so it's essential that Western companies pick the correct partners moving forward.

"The rising value of the Chinese RMB and weakness of the dollar are also causing massive headaches for Chinese factories. Obviously they buy most of their materials in RMB. However, they trade in dollars. This has resulted in an 11% price increase in 2007, just with currency movements. Factories are now trying to get people to buy in euros or accept massive increases for 2008. Couple this with a worldwide increase in raw materials costs—oil, wood, metal, etc.—and there is nowhere for prices to go but up. There were some factory casualties in 2007, but it will be dramatic in 2008. Many guitar factories are talking about moving out of Guangdong province to find cheaper labor, while others are even looking to Indonesia, Vietnam, and India."

A Language Barrier

Wilson suggests that factories in China should probably go up market, and IBC Trading has been preparing for that likely trend. The company recently appointed an English production consultant with "vast international experience." Now living in China, his role will be to help factories plan effective and efficient production lines, exploit the benefits of technology such as CNC machinery and laser equipment.

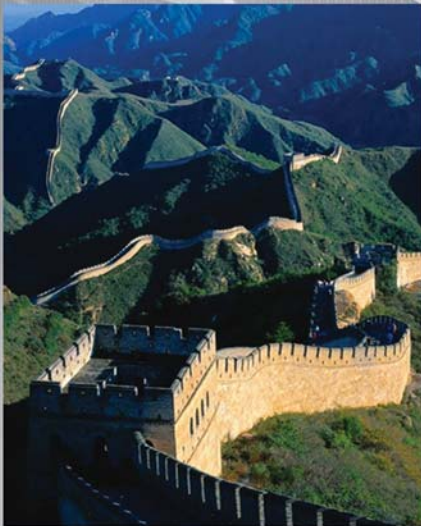
Numerous challenges confront Western firms attempting to work with Chinese producers. The most obvious is communication. "Many of the new generation speak school- or even university-level English," says Wilson. "However, when dealing with factories, it's necessary to be precise. Companies will say 'yes' to everything, but the problem is being sure what they've agreed to. I've found it vital to have Chinese staff who can clearly outline what I'm looking for. This is then followed up in writing in Chinese to ensure everyone knows what has been discussed and agreed." (In addition to English, IBC's staff speak German, French, Italian, and Mandarin.)

Wilson also stresses the necessity of cultivating more than just a business relationship with chosen suppliers. "Chinese people are incredibly hos-



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pitable,” he says. “They want to offer you a banquet and Chinese wine for breakfast, lunch, and dinner. Friendship and social dining are key to success in China. Unfortunately, many Western companies don’t have the patience or can’t bring themselves to eat Chinese food.”

Ensuring consistent product quality is also a challenge. From its early days IBC Trading installed competent quality control personnel. “Depending on our customer’s request,” Wilson says, “we spot check or 100% check every shipment before it leaves. Sometimes facto-

ries will hate you. However, the cost of shipping unsellable product around the world is extremely high. In my experience factories eventually see the benefit, and their overall quality improves.”

In addition to product sourcing, many Western firms are eyeing the enormous potential represented by China’s domestic market. By virtue of its established relationships in China and its familiarity with Chinese culture and business practices, IBC is exceptionally qualified to guide these firms too.

“The Chinese domestic market is developing,” says Wilson. “Already

people are buying luxury cars, clothing, and other goods, and there are more than 60 million people considered millionaires in China—that’s more the total population of the U.K.! Most relevant to our industry, the desire of every middle-class Chinese parent is to have their child learn piano or guitar. At the same time, pop music and rock culture are growing in China, so the desire to own musical instruments is growing as well.

“Right now the market is very small for Western companies, but they should plan now if they want to build a brand in China. In five to ten years the musical instrument market will become as important in China as it is in Japan. Creating desire and brand awareness is very important, but also very costly, with little immediate return. There are also a limited number of distributors as we know them in the West, and a true distribution network is just beginning to develop.”

IBC has conducted extensive market research in China on behalf of various companies. Next year it will help develop OEM business for a new Fishman joint venture in China. A new range of products has been developed in the U.S. but will be manufactured, sold, and delivered directly to factories in China. “This will be exciting,” says Wilson, “as it gives IBC the chance to visit all the key guitar factories in the course of 2008 and launch a completely new line in the OEM market.”

After 15 years Iain Wilson still delights in helping music products manufacturers and distributors achieve their goals. “For many years I earned peanuts in this industry,” he admits. “My friends from university were all in high-flying marketing or sales positions and earning four to five times more than me. Even so, this industry is not cutthroat like many others. Generally I can go to bed peaceful at night. Many of my competitors, distributors, and suppliers are great friends I socialize with at shows around the world. I consider this the great blessing of the music industry. It’s not dog-eat-dog.”

For more information visit NAMM Booth 1636, www.ibctrading.com, or email info@ibctrading.com.