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*Sell More & Increase
Customer Loyalty*

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SAMICK REFINES GUITAR LINEUP

Change is a constant these days at the Fretted Instrument Division of Samick Music Corporation, the City of Industry, Calif.-based U.S. distributor of Samick Corp. of South Korea. Shortly after the NAMM show, the American company received word that its parent was finally emerging from bankruptcy reorganization in Korea under a new investment group. In addition, the U.S. company is expected to take on an expanded role in Samick's worldwide sales and marketing effort.

"Our division was the only part of Samick that remained profitable throughout the whole reorganization, which began in 1996," notes John Hawkins, vice president, MI Division, for Samick Music Corp. "In Korea, the company was saddled with a lot of unprofitable non-music businesses, but now that chapter is coming to an end."



In California, management can look back on record fretted instrument sales in the fourth quarter of 2001, excellent results for both fretted products and pianos at NAMM International Music Market, and a new year that is off to a robust start.

"Our fourth quarter was the best the guitar division has ever had," reports Hawkins, "and if we hadn't completely run out of basses during that quarter, it would have been even bigger."

Samick's guitar sales and marketing effort has several things going for it, Hawkins notes. First and foremost is Samick's tremendous capacity for production in both Korea and Indonesia. The Korean factory turns out 6,500 to 8,000 instruments a month, while the Indonesia mega-facility is capable of producing 25,000 acoustic guitars and an equal number of electrics on a monthly basis. "It's hard to describe the Indonesia factory's size; you really have to see it to understand," Hawkins comments. "But imagine two football fields under one roof, and then multiply that by six. In addition, the company has an adjacent 100 acres ready for expansion."

Another plus for the Indonesia output is that there is no duty levied on goods entering the United States from that nation, while guitars from China are subject to a duty of more than five percent. Hawkins also points out that Indonesia is rich in many of the raw materials used in the guitar manufacturing process.

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'ON A DIET'

Since coming on board at Samick last July, Hawkins and his team (including noted designer and clinician Greg Bennett) have undertaken an intensive restructuring of the company's guitar lineup. "We kind of went on a diet," Hawkins jokes. "We threw away a total of more than 440 SKUs and introduced 49 new series, all designed by Greg Bennett. That translates to 150 models and, when you take into account color options, about 280 SKUs in all."

While Samick offers the Abilene acoustic and Silvertone electric brands to distributors and mass merchants nationwide, the dealer brands are all marketed under the Samick logo. The guitars are marketed directly to independent dealers nationwide and not sold through the national multi-market chains. Along with the breadth of the line, selling points include no minimum-order or re-order requirement, and no retail pricing is established by Samick (with the exception of a M.A.P. of two times dealer net).



The plan is working nicely, according to Hawkins. "At NAMM, we really stepped up to the plate with 'A'-type dealers - the major independents who are often getting pounded by suppliers selling them and also selling the big discount stores in the same market at the same time."



Royale RL 3 AM
Quilt Maple Arch Top

Hawkins sees the current situation for Samick as "relatively stable" with good prospects going forward. "We expect to grow five to eight percent in units this year, mainly because of the quality of our products and the fact that we can offer better specs at attractive prices," he remarks. "For example, we have a set-neck electric that is \$119 dealer net and most dealers will probably hang it up at \$239 to \$249 or so. Another example is our Royale Series, which is quite an innovation: a semi-hollow-body guitar with the frame made from a single piece of wood."

Hawkins believes dealers are gradually moving away from "brand-hopping" and also abandoning the cheaper-is-better approach to merchandising. "It has always bothered me when I see a dealer trying to foist off the cheapest guitar in the store," he comments. "I wouldn't want any customer of ours to touch some of the junk that's out there because it just leads to disenchantment and disillusionment on the part of that customer. Sure, you can sell him a \$79 guitar you bought for \$39, but you're going to have to do that a whole lot of times to make any money and, as I said, you're creating an unhappy customer in the bargain."

At the other end of the price spectrum, Hawkins recognizes the great equity the Fenders, Gibsons, and Martins of the world have as a valuable traffic-builder for stores and, as such, a boost for a companies like Samick. "Those are the Cadillac brands, but dealers need a line that sells for them every day and that's where we come in. We'll be very happy to be the dealer's Chevrolet."

What's ahead in the guitar business? "Well, September 11th certainly didn't hurt guitars in the long run," observes Hawkins. "In fact, it just intensified what was already a mega-trend - staying at home more." He cites dramatic increases in products and services including high-speed Internet access installations, televisions, home theater systems, and even board games as evidence of this "nesting" phenomenon. "It's not that people don't go anywhere, but their preference is for activities they can enjoy at home with their families. I think this is a very advantageous situation for guitars, most especially acoustic guitars. We're seeing it here at Samick and I know other companies are as well."

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