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THE RECORD SHOP RENAISSANCE: CUSTOMERS, COFFEE AND CHANGING TRENDS

Originally published on the Clear Digital blog, this article looks at the once struggling but now beginning to flourish again independent record store, examines the reasons why and explores what other market sectors could learn from this.

THE RECORD SHOP RENAISSANCE: CUSTOMERS, COFFEE AND CHANGING TRENDS

A recent chance visit to a (newly expanded) record store started me reminiscing about my past passion for such stores, with many an afternoon happily whiled away looking for obscure US imports and second hand vinyl during the 1990s. This got me wondering about how this store was now thriving and could this be purely down to the much publicised vinyl revival? Investigating further into the record store market and discovering its relatively rude health, I also started to think about what developments and trends could be applicable for other market sectors.



MAGICAL MYSTERY TOUR

Visiting Brighton's main independent record store [Resident](#) the other week with a locally based friend to pick up our tickets for that day's [Mutations](#) music festival, it appeared to me that Resident had grown considerably in size from my last visit there, perhaps two or three years before. This doesn't fit with an often widely held perception that independent specialist shops are generally all dying out if not already extinct, record shops slain by the three headed beast of Amazon, streaming and downloading. And yet, here was Resident seemingly in rude health and having managed to expand next door too. So, how has this come about – and are there any wider lessons for other sectors to learn too?

Firstly, let me declare an old standing personal interest here. Going back a fair while, my Marketing degree dissertation (that oft forgotten document after the pain involved in creating it) was actually entitled "Selling music in the 1990s; the niche of the independent retailer". Written in early 1996, with hindsight this was not exactly the timeliest piece of research, appearing just after Amazon started selling books online, but still before they moved into music or the UK come to that. The UK music market was then at a peak of success helped by the continuing CD boom plus still reaping the best of Britpop times; this was after the commercial high of Oasis' "(What's The Story) Morning Glory?" but before the comedown that was "Be Here Now".



I mention this trip down memory lane to help set some historical context for the independent record store sector. The continuing closures in high street stores in general since the most recent recession has been [extensively documented](#) over the past few years and independent record stores certainly suffered from the turn of the new millennium onwards, with online sales from the likes of Amazon, Play.com and CDWOW (anyone remember them?) plus illegal streaming by Napster etc hurting the sector even before the advent of iTunes and legal streaming sites such as Spotify meant the range of new competitors was becoming ever more fierce.

And yet, about 5 years ago, something changed. The closures started to decline and new independent stores started to open; to the extent that according to the [Record Store Day](#) website in April 2015: "The rate of independent record shop openings is on the rise as more than 40 new shops have opened in UK high streets in the last 5 years. The most dramatic increase came in 2014, with more than 50% of openings occurring in the last 12 months alone."



THE VINYL REVIVAL – MYTH OR REALITY?

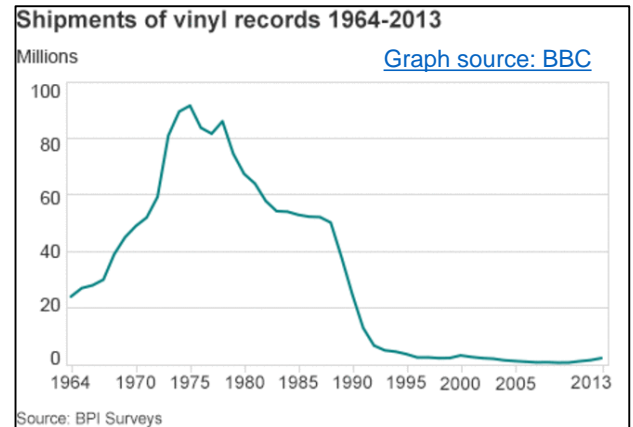
Here’s where the record store story gets more interesting too. Record stores sell records, right? And the excellently promoted [Record Store Day](#) itself that has taken place each April in the UK since 2008 since its creation in the USA the year before has definitely helped with this, despite the [increasing backlash](#) that this originally “independently spirited” event is being taken over by the major labels and mainstream acts, not helped by releases this year such as a limited picture disc of Belinda Carlisle’s global number one [“Heaven Is A Place On Earth”](#).

And it seems that barely a week goes by without more news about the much trumpeted “vinyl revival”; the latest example being [Tesco’s announcement](#) that they will be selling a small range of vinyl LPs (or “trendy gifting options” for Christmas), which follows on from [HMV’s previous news](#) that all their stores will now stock vinyl for the first time since the 1990s. However, please excuse this vinyl lover the odd note of cynicism as although LP sales are indeed currently showing great sales growth, this is from a very low base following years of decline until the recent slight up-turn. [BPI figures](#) show that vinyl sales were indeed up 56% in the first 6 months of 2015, strong growth indeed in a generally declining market, (streaming aside), with annual sales potentially reaching 2m units for the first time since the Official Charts Company started monitoring sales in 1994.

Chart 1: UK music consumption January – June 2015 (source: Official Charts Company)

Format	Jan-Jun 2015	Jan-Jun 2014	% change
Physical Albums	22,245,032	23,270,284	-4.4%
LP	833,137	553,141	56.3%
CD	21,384,789	22,684,578	-5.7%
Digital Albums	13,858,816	14,830,872	-6.6%
Track Equivalent Albums	7,181,439	8,184,196	-12.3%
Stream Equivalent Albums	11,490,857	6,399,896	79.5%
TOTAL	54,776,144	52,685,247	4.0%

Going further back in time however shows that this is still massively down from the approx 20m sold in 1990, let alone the [80m or more sold each year in the late 1970s](#). This has led to the situation where although the strongest growing format by far, vinyl still accounts for less than 3% of the UK recorded music market.



OK, so pessimism over. Although not the saviour of the music industry as some more hyperbolic articles and press releases may hint at, there is definitely something happening with regards to the vinyl revival. As we have seen, sales are undoubtedly rising significantly, the number of retailers stocking LPs is increasing (both online and high street) and the term even has its own [Wikipedia page](#), while the BBC last year defined [eight tribes of vinyl collector](#), a great debate piece but far from a definitive list by my reckoning.

However, this BBC “tribes” list is instructive in helping to segment out those who have kept vinyl alive through the last 10-15 years (typically fans of dance or more obscure indie music and DJs) from the newer, younger vinyl buyers who like the “authenticity” and heritage of the format, a trend we are seeing across many areas, from the ever growing thirst for craft beer to continuing hunger for [“artisan breads”](#) and their like.



In this respect, Tesco selling their limited 20 vinyl LPs is similar to them stocking BrewDog ales and not just John Smiths. The intersection between fashion and vinyl is probably best represented by Urban Outfitters who have been stocking LPs for a fair while now, to the extent that there was quite a bit of noise last year about their [claim to be the world's largest vinyl stockist](#) (in summary, on the high street: yes, [overall: no](#))

As an aside, this particular [blog](#) summarised the contrasting views around this news very entertainingly (and I did personally enjoy the mixed thoughts about what this meant for a personal favourite album of mine, Slint's "Spiderland"). In any case, the increasing number of "millennials" enjoying vinyl and [other retro music media](#) is an interesting trend that is helping to keep this much treasured format alive.

RECORD SHOP RENAISSANCE

But a small (albeit fast growing) market in vinyl records is not the sole or even main reason for the growth in record shops – and this despite the outlook for the high street as a whole continuing to darken, with a recent PwC report showing that [437 more shops closed than opened](#) over the past year. PwC also stated that "The sustainable new businesses occupying our high streets are often leisure or services based - more about enjoying the experience than browsing or buying a product" as well as highlighting the coffee shop sector as an area that continues to grow, both factors that have a key role to play in the record shop renaissance.

Perhaps the best known and biggest record store success story of the last 5 years is the indie stalwart [Rough Trade](#) which opened a new, second London store just off Brick Lane in 2007 (to add to its historic original Ladbroke Grove location) and since then have expanded into the USA with a [store opening in 2013](#) in Brooklyn's hipster enclave Williamsburg, followed by the maybe less obvious location of Nottingham last year (albeit a city perhaps still in mourning for [losing its own legendary record store Selectadisc](#) back in 2009).



When visiting Rough Trade East in Brick Lane, as well as an extensive vinyl collection across all genres including a dedicated dance music desk, plus the more obvious CDs, music books etc, it is the extra services offered such as a stage that regularly hosts live performances and an in-store coffee shop that helps Rough Trade to differentiate itself, encouraging the sense of community that Rough Trade Store Director [Stephen Godfroy says](#) is essential to thrive: "Hold listening parties, serve coffee, give people the 'third place' they can hang out in when they're not at work or at home." Plus, of course, the much higher margins on selling coffee and muffins than music will also help with overall profitability too.



While East London and Brooklyn are perhaps uniquely placed location wise to cater for this music obsessed market, this trend is not just confined to wherever heavily bearded chai latte drinkers may lurk. More recent openings such as [Watford's LP Café](#), Newcastle's [Long Play Café](#) and Bradford's Record Café, which boasts the very enticing promise of "[Vinyl, Ale, Ham](#)", show that this combination of knowing your customers intimately and offering a unique, pleasurable experience appears to be working.

In tandem with the tangible instant gratification of picking up a desirable physical artefact (and LPs are of course not as simple to deliver as other music formats due to their sheer heft so are also the least suited to online purchasing), it appears that a small but committed market segment of dedicated music fans are once again being served well.

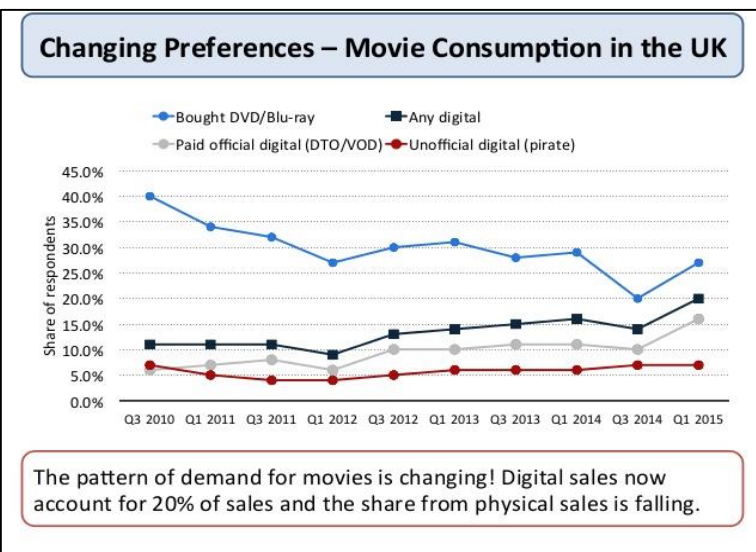
Rough Trade's Stephen Godfroy [summarises this interestingly](#): "The act of purchasing is just 1% of a much larger experience. We want to defy expectation, so on each visit there's something different to see and appreciate – as a destination store, you can't be predictable."

THAT'S ENTERTAINMENT

We can also see this quest for the experience and physical artefacts in other media too. Amazon's launch of an [actual bookstore in Seattle](#) last month gained a huge amount of attention (perhaps too much, to the extent that some dismissed it as mainly a [PR stunt](#)) while traditional books themselves [continue to prove surprisingly resilient](#) despite the high customer penetration of Kindles and iPads. A just [returning to profit Waterstones](#) have removed Kindles from the majority of their stores to make room for more actual books, with improvements to their in-store experience apparently directly improving their commercial performance.

How we consume films also provides an illuminating example. UK cinema box office is on course for another record breaking year, helped of course by popular releases such as Spectre and the new Star Wars: The Force Awakens (did you know there was a new Star Wars film out this month?!), while the DVD/Blu-ray market is in long-term decline, due to the ongoing rise of video on demand services led by Netflix and Amazon Prime.

Watching digital discs at home just can't compete with the experience of a "night at the flicks" or the convenience/choice (and value) that streaming services offer; and so DVD/Blu-ray continues its march into unpopularity like its cousin the CD. Oddly, its physical nature could ultimately see DVD/Blu-ray follow a late climb back as a niche concern, for example for film buffs who just must have the first 4 Alien films in an [Alien Head Boxset](#).



Source: Matt Bentley (slide 19)



MORE THAN THIS...

So, having looked at the world of record shops (and associated ways of consuming music, books etc), are there any lessons that can be learned for the wider world of retail and ecommerce? In particular, what has helped these sectors that were seen as terminally dying to stop years of decline and return to some robust sales growth? I've pulled out 3 main points that I think seem pertinent to many other sectors too.

1. We are now in the “age of the customer”

Forrester have consistently referred to the fact that we are now living in the “age of the customer” (following 3 previous “ages” as shown in the diagram below). Their assertion is that the advent of new more democratic technologies (especially the rise of social media) have fundamentally changed the flow of information and content provision from the few to the many, meaning that a “new level of customer obsession” is fundamental to overall business success.

In line with this, Forrester recently outlined [10 critical success factors](#); the need to “personalise the customer experience” with “connecting culture to business success”, together with “operating at the speed of disruptors” all seem very in line with what successful record stores are currently doing,

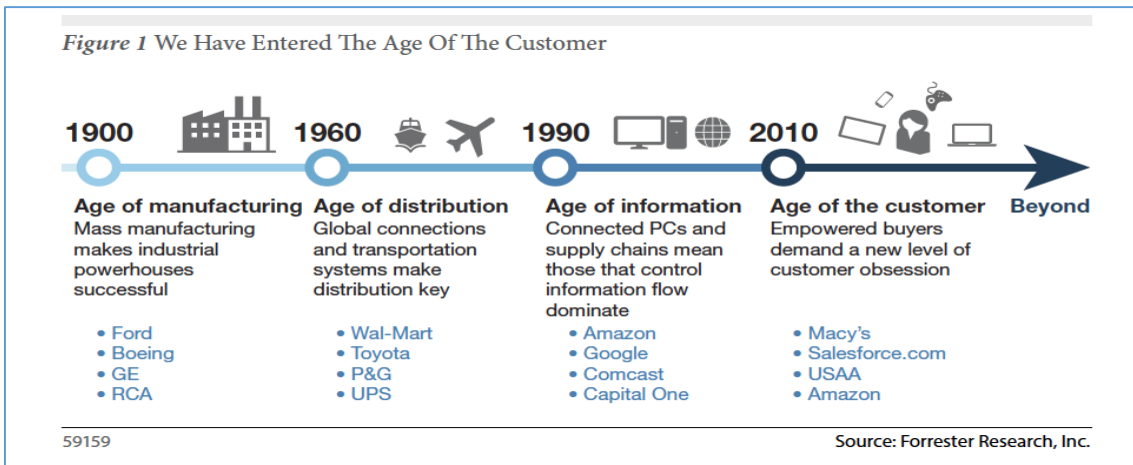
with their strong customer focus and need to constantly evolve (e.g by moving into food and drink too).

2. The “age of the customer” is not just about new technology

From an industry standpoint, “customer experience” (and its ecommerce offshoot term “user experience”) can mean many different things to many people but of course real customers (that is to say actual individual people) don't care about this, they just want the “best” way for them to purchase their desired product(s). However, a customer's personal “best way” will vary hugely; as we've seen, buying a new album from Rough Trade on vinyl is of course very different to buying a CD from Tesco or downloading via iTunes.

This has led to the continuing quest for personalisation, usually seen through the lens of how technology can help to drive this, and ultimately a “one to one” conversation with the customer, although I agree wholeheartedly with [Michelle Moorehead](#) when she says:

“Customers' expectations around personalization will continue to grow in 2016, but most companies still won't be ready to truly deliver one-to-one experiences. That's OK: Customers don't necessarily need perfect personalization; they just want their needs to be met in a way that delights them.”





New technology advances can undoubtedly help deliver personalisation (and more) but it's always important not to get too carried away here. At a recent [Guardian roundtable discussing retail technology](#), this view was echoed thus: "Some were concerned about the scope for installing hi-tech gadgets for their own sake. "Technology is not your source of innovation," said Runar Reistrup, chief executive of Depop, a marketplace mobile app for independent retailers. "Your source of innovation is the changing needs of customers. You need to innovate on value. Technology can help you find that value and scale it."

This view was shared by John Vary, innovation manager at John Lewis. "It's got to the point now where we can do pretty much whatever we like with technology," he said. "The question is: how can we humanise it to the point where our customers, no matter what their demographic, can actually engage in a way that is beneficial?"

This is not to play down the importance of innovation but rather to state the need to innovate on top of the core basics as well, not to just do what may seem simpler to execute or [simply more exciting and "cutting edge"](#). Improving in-store, online or overall brand experience should not be just technically led – investing in new technology without the accompanying resources and personal expertise to work with and manage it (ie actual people) is arguably worse, and with customers being ever more demanding, the need for good, knowledgeable customer facing staff and a strong company culture is arguably higher than ever as this will become an increasing differentiator between the successes and the failures.

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3. The world moves fast, you need to as well
With customers ever more demanding and their tastes shifting based on a range of factors, successful businesses obviously need to anticipate and react to these as quickly as they can – with threats not just coming from the usual competitors as the disruptive likes of Uber, Airbnb, Spotify etc ([the list goes on...](#)) have shown. Once dominant brands such as [Kodak](#) and [Encyclopedia Britannica \(last printed version in 2012\)](#) also know this only too well.

Diversifying into other related areas like coffee shops has worked for record shops but of course a deep understanding of your customer is critical to success here to understand which products/services would seem of added benefit and which would be a distraction. This actually helps me to go full circle – from revisiting my degree dissertation I mentioned earlier, I saw that my main conclusions around specialist independents' future success (albeit framed through the lens of niche marketing theory) back then were:

- Further emphasis on customer focus/service
- Moving with new industry developments
- Companies needing to "stick to their niching" but not necessarily their niche (ie diversifying in a manner consistent with your brand and values)

Nearly 20 years on, it was therefore refreshing (and surprising!) to see that these conclusions still hold true today in a fundamentally different market sector, and retailing world.

So, it seems fair to say that an increasing amount for authenticity, better "customer experience" plus changing trends have helped well run, flexible record shops to survive and thrive. Replicating this passion and thirst for meeting and exceeding customer demands, using both technology and the more human personal touch, while being ahead of the curve in external related trends should therefore be of benefit to just about all organisations; whether looking to [stay at number one or make an impact with a new entry](#).