

II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The increasing penetration of imports is the major highlight of the U.S. market for musical instruments over the three years from 1984 to 1987. While apparent domestic consumption in 1987 was 20% higher than in 1984, U.S. imports of musical instruments had grown by nearly 120%. Japan and South Korea remain the leading suppliers to the United States, although growth is beginning to slow as a result of the devaluation of the U.S. dollar. Correspondingly, the dollar's decline has allowed U.S. producers to increase export shipments. Despite the weak dollar, the outlook for the domestic industry is for limited growth through 1992. Imports will continue to grab an increasing share of the market according to the U.S. Department of Commerce.

This trend is likely to continue despite the results of the survey of U.S. importers which found that 93% were faced with higher prices for their imports as a result of the devaluation of the dollar. This apparent incongruity is explained by the observation that nearly two-thirds of those interviewed import products not available from domestic sources. Price was also an important reason for importing musical instruments. An overwhelming majority were interested in learning more about the capabilities of Canadian suppliers as alternative sources to increasingly expensive Japanese and European products. In addition, nearly 40% of U.S. importers expect that the implementation of the Free Trade Agreement between the United States and Canada would result in their increasing purchases of Canadian products.

U.S. importers prefer to receive preliminary product information through brochures and industry publications while direct contact with the manufacturer, information gathered at trade fairs and a recommendation from a personal contact will be most likely to influence the actual purchase decision. The trade fair most frequently identified by respondents is that held by the National Association of Music Merchants (NAMM), while *Musical Merchandise Review* is a commonly read industry publication.

Some specific opportunities have been identified during the course of the survey of U.S. importers and are identified in Appendix 1. In addition, Appendix 2 provides a list of those companies generally interested in hearing about Canadian firms as alternative sources of supply.

The Department of External Affairs recommends that Canadian firms should consult the Canadian Trade Commissioner located closest to each company being

considered for contact prior to doing so in order to obtain advice, assistance and further company information. Canadian government trade contacts in Canada and the United States are provided in Appendix 8.