



## EDITORIAL

# AN INNOVATOR STUMBLES

Ten years ago, Alesis Corporation transformed the industry with its revolutionary ADAT multi-track recorder. Sadly, in this month's issue, we report that the industry pioneer has filed for Chapter 11 bankruptcy protection. This unfortunate transformation, from cutting edge-technological leader to financial casualty provides a cautionary tale for everyone running a business. The fact that Alesis could stumble indicates that no enterprise is insulated from rigorous market forces.

Offering crystalline digital multi-track audio quality at under \$4,000, the Alesis ADAT ushered in the entire project studio market. Ten years later, it's hard to overstate the impact of this device, based on VHS tape technology. Because of the ADAT's accessibility, literally hundreds of thousands of musicians did some simple math and concluded that investing in a home or "project" studio was less expensive than constantly renting hours in an established studio. The subsequent explosion in the number of project studios created immense commercial opportunities, spawning a substantial market for small mixers, monitor speakers, and condenser microphones. A frequently heard comment from these project studio suppliers was, "Alesis and the ADAT put me in business."

The ADAT also enjoys the distinction of being the only music product to spark a zoning dispute. Exponential growth in the number of project studios drained rentals from Los Angeles recording studios. In an effort to fight back, studio owners banded together and lobbied the city council to rewrite zoning laws to prohibit any form of commercial activity in residential areas. The City came close to passing an ordinance that would have authorized zoning officials to seek out and shut down project studios. Fortunately, when the print media recognized that the ordinance would also outlaw freelance writers, they mounted a successful campaign against it.

The failure of Alesis to thrive in a market it created would make for a fascinating in-depth case study in corporate strategy and management. In the meantime, the company's current state offers a few universal lessons.

*Good ideas invariably attract imitators.* At some point in time, there was only one auto manufacturer,

one television manufacturer, and one computer manufacturer. Once it became apparent that these products enjoyed considerable demand, other companies rushed into the market. An original concept, whether it's a unique product like the ADAT or a way of configuring a retail store, will only be original for a relatively short time span. Innovative companies that fail to prepare for future competitors are at serious risk. Andy Grove, one of the architects of the success of giant chip maker Intel, discussed this at length in his aptly titled book, *Only The Paranoid Survive*.

*Like milk or bananas, every technology eventually goes bad.* Predicting the exact date when a product becomes obsolete is more art than science. However, it's a sure bet that every technology will eventually be supplanted by a superior alternative. The successful enterprises are those that never let up in the pursuit of a better way. The creative use of technology is equally applicable to manufacturing and retail. Wal-Mart surpassed more established rivals like Sears, K-Mart, and Woolworths by investing in an information system that allowed it to operate with a leaner inventory. Within the music products industry, the more successful retailers are those who continually enhance productivity by keeping ahead of the technology curve.

*What have you done for me lately?* The buying public is interested only in getting the most for their money. Past achievements count for little if you're not offering the best value today. Alesis dramatically enhanced the creative experience of musicians worldwide. Lately, musicians haven't done much to return the favor, bypassing the ADAT for newer technologies. Past glories by themselves don't provide much foundation for operating a business. If they did, Montgomery Ward, the company that invented mail order, might still be in business *today*.

As this issue went to press, Numark Electronics was making a bid to acquire the assets of Alesis. Hopefully, the unique creative spark that defined Alesis and enriched the industry can be nurtured. It is a legacy worth preserving.

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