



## REASONS FOR OPTIMISM

**L**ike just about anyone else who scans a daily newspaper and watches a little evening news, I confess to being in a serious state of confusion. The source of this confusion is easy to pinpoint. On any given day, the morning paper can carry dire headlines about expanding unemployment, shrinking industrial output, collapsing profits, and awful retail sales, only to be contradicted at 6:00 p.m. when television commentators point to the resilient stock market as a harbinger of an imminent recovery. Should we batten down the hatches in preparation for a serious downturn, or are we just passing through a momentary lull? Who knows? At any moment you can hear informed commentary, supported by “data” arguing either position.

One of the few things the commentators have in common is that they’re all trying to gauge short term trends. How much did people spend at Christmas? Will they take a vacation this summer? Are they feeling sufficiently flush to spring for that new car? While pondering these questions can be interesting, it’s usually not a very useful activity for people running a business—largely because answers are only forthcoming long after the fact. More significantly, spending too much time looking in the rearview mirror can distract you from the road ahead.

It has been said that we consistently overestimate change over the short term, while underestimating change over the long term. If you’ve had a lackluster Christmas selling season, it’s easy to panic and conclude that there is no disposable income left, that people’s interest in music has waned, that your retail operation has lost its place in the market, and that things will only get worse. But before succumbing to a sense of gloom and doom, it’s worth remembering that over the past 20 years, the industry has grown and flourished in ways that no one dreamed possible. Just consider the following:

In 1982, the U.S. market for guitars was stuck at around 500,000 units a year. No one, not even the

most incorrigible optimist, ever dreamed that guitar sales would advance 300 percent to an annual level of over 1.5 million units.

Twenty years ago, MIDI was a year away and synthesizers were a tiny niche market, the concept of a home recording studio was still a fantasy, and the pro audio component of music retail was nominal. Today, recording, MIDI products, and pro audio represent over \$2 billion in retail sales that simply didn’t exist in the early ’80s.

Even the piano business is far better today than it was two decades ago. At first glance, the overall numbers seem to have declined, from 201,000 units sold in 1982 to 105,000 last year. However, over the past twenty years grand piano sales doubled to 33,000 units, dramatically boosting dollar sales, while the combination of digital pianos and high-end electronic keyboards provided dealers with close to 140,000 units in new business.

These are just a few examples of how our industry has expanded in unexpected ways. Keep this in mind as you try to make sense of the flood of conflicting news reports. We haven’t any clear sense of how the industry will perform over the next six months. Push the horizon out to five years though, and it’s impossible not to be optimistic. There are legions of talented people working on creative new technologies. Imaginative marketing and retailing strategies are being hatched while we speak. Most important of all, music remains central to the lives of millions around the world. Put these factors together, and there is no question that in ten or 20 years, the music industry will be larger and more vibrant. Relentless progress has been a part of the industry for the past 100 years, and there’s no reason to think that it won’t be going forward, regardless of what the economy does in the next few months.

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