



## EDITORIAL

# WHAT THE NUMBERS REVEAL

In this issue we deliver a detailed numerical portrait of industry activity during the 12 months of 2002. The Music Industry Census, which begins on page 70, details the unit and dollar volumes of over 55 different product categories, including fretted instruments, keyboards, wind instruments, percussion, sound gear, and digital-based products. The Top 125, which starts on page 112, ranks the industry's largest suppliers by sales volume. Now in their 11th year, these two reports provide a unique yardstick for assessing the industry's ongoing evolution.

Compiling these numbers is an arduous, year-round undertaking that involves surmounting two basic obstacles. First, there's the reluctance of most privately held companies to divulge financial information. This is a significant problem because there are only 17 publicly traded companies in the music products industry, with the balance being privately held. Second, sales data gathered by the various industry associations, while useful and accurate, is incomplete. To fill in the blanks, we spend our year sleuthing, cajoling, and poring over any piece of data we can lay our hands on—everything from import stats to regional Environmental Protection Agency filings, which typically list employment levels. In the past we've even garnered useful insights about the size of companies from litigation filings.

Since we don't have audited statements on every facet of our reporting, we couch the numbers as estimates. However, we are confident that they boast a high degree of accuracy with a margin of error of under three percent. The fact that they show up in so many business plans, loan applications, and even Wall Street presentations further confirms their accuracy. Because of consistent compilation methods over the years, they also give a provide a unique reflection of important trend lines.

In an industry that revolves around an art form, it's worth asking what the numbers are good for. Scores of retailers tell us that their greatest job satisfaction comes from introducing customers to the joys of music making. They view themselves more as missionaries for music than mere retailers. The majority of manufacturers consider themselves artists, delivering the tools that give voice to music. If you want to

insult them, just lump them in with manufacturers of ball bearings or other mundane items. This type of passion, sparks demand and ultimately drives the industry. But it is not something that can be readily measured.

During the voting season informed citizens evaluate candidates on their tax policy, environmental stance, personality, party affiliation, and whatever else. Most rarely agree with 100 percent of a candidate's positions, but after weighing the trade-offs they pull a lever at the polling booth. On election night the calculus of millions of voters is ultimately reduced to a vote tally and a winner and a loser. On a daily basis consumers vote with their wallets. Our sales data is the equivalent of the industry's election returns; it doesn't capture the complexity or motivation of each purchasing decision, but it does show how the general public is allocating their finite resources.

Taking the "election night" comparison a little further, the analysis of the music industry's returns are extremely encouraging. Perusing our sales data by product categories is a bit like watching a bank of elevators: Some go up and some go down. But if you look a little closer, there is some unmistakable good news. Rising unit sales indicate that more people have bought more instruments in each of the past 12 years. Music products are often described as "discretionary" purchases. That may be true, but our data indicates that they are a lot less discretionary than sporting goods, consumer electronics, and apparel, all of which have been hammered by current economic conditions. Our sales data doesn't provide all the reasons why the industry is enjoying this rising tide. That's the subject of another entire issue. In the meantime, we are pleased to be able to deliver such definitive good news.

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