

The Failure Of Zero-Sum Analysis

Most of us tend to view the world in “zero-sum” terms. We operate on the assumption that there is a fixed demand for any product or service and that business is simply a battle for market share. For every individual or organization that enjoys a gain, someone, somewhere else suffers a loss of equal magnitude. Although useful in certain situations, this calculus is incapable of accounting for the impact of new technologies that seem to generate gains without any corresponding losses.

The music industry is full of individuals who, in relying on a “zero-sum” outlook, completely failed to appreciate the market expanding potential of genuine innovation. In 1935, when Laurens Hammond introduced the first electro-mechanical organ, pipe organ makers promptly filed suit charging that the new instrument wasn’t a true organ and was fraudulently labeled. They feared that the Hammond Organ would subtract from their business and they wanted to throw up as many roadblocks as possible. From the improved vantage point of history, their concerns were unwarranted: The Hammond organ had little or no impact on pipe organ sales; instead, it created an entirely new home market.

In the late ’40s and early ’50s executives from Harmony, Kay, and Gretsch publicly derided Leo Fender’s new solid body guitars as “toilet seats with strings.” Their barbs arose from a concern that solid-body sales would erode the acoustic and arch top business. Fifty years later, there’s no question that the solid-body didn’t take anything away from anyone, it just made the entire guitar market larger.

At this year’s NAMM show, you could hear the “zero-sum” in some assessments of Apple Computer’s new GarageBand four-track recording application. The idea of Apple including a multi-track recording package with every iMac sold sent some into a literal frenzy trying to figure out who the loser would be. It’s probable that some products and companies will experience a sales decline due to Apple including a multi-track recorder at no extra charge in over three million computers. However, in focusing on short-



term losers, these people miss a much bigger point. Offering multi-track recording capabilities to millions will have a major benefit for consumers. We believe strongly that this is a benefit that will ultimately flow back to the entire music products industry.

It’s no secret that a lot of musical beginners get frustrated before they progress very far and consign their instrument to a closet, or these days, an eBay auction. For quantifiable evidence of this dropout rate, consider the experience of method book publishers. The rule of thumb is that a “Book I” typically outsells “Book II” by a factor of five to one, and “Book II” outsells “Book III” by an even greater margin.

GarageBand, with its ease-of-use and low cost, holds the promise of giving the rankest of beginners a more satisfying and engaging introduction to music. Instead of practicing in solitude, they can lay down a solo track, add a rhythm section and a few a loops, mix in sampled bits from their favorite artists, and, with little expertise, create a pretty impressive recording. With this kind of musical experience, how many more beginners will hang in long enough to purchase Book II and Book III, not to mention cables, microphones, and a host of other accessories? We’re not smart enough to have a precise answer, but our initial non-scientific estimate is “a lot.”

From the creation of the pianoforte in 1700 to the DX-7 in 1983, innovative design and technology have done more to expand the market for music making than any other single force. Exactly how Apple’s GarageBand affects the market is an open question, but if history is any guide, it will be all plus and no minus.

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