The More Things Change...

In the 1890s, Alfred Dolge had a thriving business supplying 270 New York City based piano makers with prime spruce from his sawmill in Herkimer County, in the middle of the state's densely forested north woods. One of the first firms in the country to tap hydro-electric power, a pioneer in implementing the concept of employee profit sharing, and a marvel of efficiency, Dolge & Company was routinely hailed as one of the finest run businesses in the music industry. However, by 1900, despite earning copious praise, the business, which had employed as many as 500, was gone. Dolge & Company fell victim to two factors beyond its control: an industry-wide consolidation that squeezed out hundreds of smaller piano manufacturers, and, more importantly, the migration of piano manufacturing to the Midwest where costs were lower than in Manhattan and the outlying boroughs of The Bronx and Queens. Today, the only vestiges of Dolge's business are an exit sign on the New York State Thruway for Dolgeville, the company town he founded, ads and frequent mentions in the earliest issues of *The Music Trades,* and a book he authored entitled *Pianos and Their Makers*, which is still in print and available on Amazon.com for $11.87.

In the midst of an election year when "outsourcing" and "layoffs" have become hot-button issues, the hasty and unanticipated demise of Dolge & Company is a reminder that we are hardly the first generation to grapple with these difficulties. Competitors with a lower cost structure; consumers who awake one morning and no longer want what we're geared up to sell; financially strapped customers who have trouble paying their bills; not to mention unhappy employees, high taxes and unreasonable regulations—from the era of Alfred Dolge to the present, these are issues that have challenged the survival of every business. With the passage of time, the story line stays the same; the only thing that changes are the details. Instead of staring down low-cost competitors from Toledo, Ohio, today it's coping with producers based in Tianjin, China. Instead of scrambling to reconfigure factories as the banjo supplanted the mandolin as the popular instrument of choice, we're currently witnessing hardware manufacturers working to adapt to software-based music systems. On the retail front, instead of wringing hands about the inroads made by the Sears & Roebuck catalog, today it's concern about the competitive potential of Wal-Mart.

Aside from being timeless, these challenges also transcend national boundaries. As we document in a feature beginning on page 76 in this issue, once dominant Korean music manufacturers are currently in a state of upheaval, facing the harsh combination of low-cost Chinese competitors and flagging domestic demand (much like conditions in the U.S. in the mid '80s).

Contemplating this seemingly endless struggle to secure and maintain a competitive advantage is a useful way to ward off complacency, a mindset that has probably caused more damage than anything else we can think of. As Andy Grove, a founder of Intel concludes in his book, *Only the Paranoid Survive*, if you think you've got it made, the end is probably at hand. However, it shouldn't obscure the remarkably consistent progress that has enriched the industry and its customers over the past decades. By any objective measure, the demand for music products has marched steadily upward, creating new and bigger opportunities for everyone. Furthermore, the naysayers have *always* been wrong.

In 1990 when the U.S. guitar market hovered at about 900,000 units, a large contingent of industry execs and retailers predicted that the good times were over as kids were set to abandon the guitar in favor of video games. This year, the industry should move over three million guitars. The obituary for school music programs has been written more times than we can count—at present experts tell us we're going through a particularly brutal phase of budget cuts—yet as reported in our Quarter Sales Data on page 16, school music shipments are up 8%, more than any other product category. In the 80s, when Casio was selling nearly four million portable keyboards through mass merchants, the consensus was that electronic keyboards were no longer a viable product for specialized m.i. retailers. Last year, between portable keyboards, digital pianos, and synthesizers, retailers moved nearly 500,000 units, an industry record.

If there's a message in all this, it's to keep looking over your shoulder, but don't lose sight of the opportunities that lay ahead. Keeping a business afloat has never been easy, but we are fortunate to be offering goods and services that enjoy durable and growing demand.

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