

Thoughts On Why Things Always Get Better

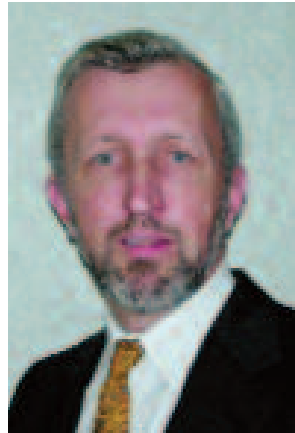
Much was made at the recent NAMM show in Austin of the challenging sales climate. As one dealer said to us, “flat is up in this market.” We don’t mean to minimize the difficulties, but for the record, revenue downturns are one of the historical inevitabilities of the music products industry. We’re not selling a mass market consumable like chewing gum or toothpaste, and periodically the American public chooses to spend less on music and audio gear.

Reviewing sales data for the past three decades, we found that one out of every six years experienced a decrease in total industry revenue. In another seven of the past 30 years, industry sales remained flat. Add these two groups together, and it turns out that the industry grew in just 18 of the past 30 years. Put another way, historical precedent suggests that it’s reasonable to expect sales growth in just 6 out of every ten years.

The reasons why the industry takes periodic nosedives have changed over time: It was high interest rates in the early ’80s that crimped consumers; in the early ’90s, it was a recession triggered by the savings & loan debacle; the first two years of the new millennium were adversely affected first by an epic stock market meltdown, and then by the trauma of 9/11. Currently, the industry seems to be running into headwinds caused by a depressed housing market, high gasoline prices, and some hard-to-define consumer angst.

While the explanation for these periodic slumps changes with each passing decade, the reaction to them is remarkably constant. The tendency is to declare with certainty that the interest in music is rapidly waning, assert that the industry is on a fast track to ruin, and then proclaim that no one in the recorded history of mankind has ever faced such challenges. Maybe this borderline panic is part of what evolutionary biologists would refer to as a “hard-wired survival mechanism”—something akin to the adrenaline burst that allows the antelope to outrun the hungry lion. And just as an adrenaline burst can be mentally disorienting, tough business conditions can cause even the most level-headed to lose perspective.

For all those who are concerned about going forward, herewith a bit of data to put current problems in perspec-



tive. First and foremost, all the evidence suggests that interest in musical participation is as strong as ever. Consider the following: guitar unit sales remain at more than twice the level of a decade ago; unit sales of school instruments are at a historical peak; and printed music sales remain strong, despite stepped-up internet piracy. Even the enormous

success of the Guitar Hero video game (approximately five million units sold to date) underscores the broad-based desire to make music. Second, maintaining a profitable retail business is a daunting task, but it always has been, and it always will be. Today’s retailers look back longingly at the time frame between 1993 through 1999, when industry growth was running at a healthy 5% per year. Yet, lost in the gauzy glow of their fond memories is the fact that those years saw 23 of the industry’s largest 200 retailers (that’s over 10%) close their doors, and another nine sell out under less than optimal circumstances. Try telling the proprietors of any of those businesses that it was “easy” in the late ’90s.

In short, tough competition, unpredictable sales trends, and an unforgiving marketplace are not some new development: They are historic constants facing everyone trying to keep their doors open. On a positive note, each of the industry’s five down years was followed by an average of three years of brisk sales increases. The past is no guarantee of the future, but we remain convinced that the current sales slowdown, like all those that preceded it, is temporary, and that in a prosperous, individualistic society like ours, the industry has only one way to go: up!

Brian T. Majeski
Editor

Email: brian@musictrades.com