

A Real Silver Lining In The Clouds

On the long tape measure of recorded human history, that tiny fraction of an inch that represents the past 50 years stands out as a period of unprecedented peace, prosperity, and enlightenment. Given the technological advancements of just the last decade, it's hard to believe that the forward progress won't continue into the future. This straightforward calculus is why we remain unabashedly optimistic, even in the face of what has been described as the worst economic climate since the end of World War II. The pain of the past 12 months is amply documented in this issue with our annual Music Industry Census and the Top 100 sales ranking. The two reports show most short-term trend lines heading south, making a positive outlook difficult to sustain. However, if history is any guide, we suspect that we will look back on this period as a momentary pause that preceded a tremendous growth spurt. Some may dismiss this assertion as mindless cheerleading, but there are some strong facts to support it.

In the 120 years that we've been chronicling the industry, we have noticed that some of the most significant and transformative innovations have arisen during the worst economic times. Maybe it was the survival instinct kicking in that prompted entrepreneurs to try new and daring products. Maybe it was consumers willing to embrace the "new" at a time when traditional approaches didn't seem to be working. Whatever the case, we challenge anyone who says it's mere coincidence. Consider the following brief overview.

1893 was a time of massive bank failures, soaring unemployment, and violence in the streets as labor unions and management clashed. It also saw the introduction of the first commercially available player pianos, truly transformative technological marvels of the day. Within a decade, they had more than doubled industry revenues. Flash forward to the 1930s, widely considered the darkest years in U.S. economic history, marked by an epic stock market crash, the dust bowl, soup kitchens, and 25% unemployment. 1931 saw Adolph Rickenbacker and his partners introduce the "Frying Pan," the first commercially available electric guitar that laid the foundation for what is today the industry's largest selling product. Four years later, Laurens Hammond introduced the Hammond Organ, the first commercially successfully electrified keyboard.

The significance of the Hammond is hard to quantify, but every subsequent musical device with an electric plug owes it some debt.

In 1949 the U.S. economy was struggling to regain its footing after World War II. Fearful consumers were panicking over rising prices and terrified that another Great Depression was in the offing. That year, Leo Fender introduced his first electric guitar, now known as the Telecaster.



The impact of that product needs no further elaboration here. There are enough of us with firsthand experience to remember that the early '80s was a difficult time. Yet that trying period saw the dawn of the digital age, with the introductions of Yamaha DX-7, Casio portable keyboards, and a slew of other top-selling products that added an entirely new dimension to the industry.

Aside from expanding creative horizons, generating excitement, and increasing industry sales, each of these technological breakthroughs was also completely unexpected. They all came from the proverbial "left field." And that alone is reason for optimism. As we work our way through this difficult time frame, it's almost a guarantee that someone, somewhere, is hatching a truly big idea with great commercial potential. Given the historical perspective, it seems like a safe bet.

Anyone in business is infatuated with growth, and what's not to like about an increasing top line? However, a fixation with sales diverts attention away from other equally important facets of business. On p. xx of this issue, we highlight some dramatic steps being taken among some of the industry's top suppliers. The benefits of these actions aren't currently being reflected in the financials, but will yield tremendous rewards when the economy finally turns.

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