

The Reason This Industry Is Different

The late '70s were a difficult time for the American guitar industry. Thanks to a seriously undervalued yen, high-quality Japanese-made guitars were selling for roughly half the price of comparable American-made products. Faced with declining market share around the globe and shrinking profits, U.S. manufacturers scrambled to trim costs and close the price gap with their Japanese competitors. This entirely rational reaction set up an industry-wide “left brain/right brain conflict.” The “left brain” analytical types argued, “If we don’t address cost issues, we’ll be out of business. Nothing else matters.” The artistic “right brain” crew countered, “But if our products lose their soul and musical appeal, we’ll have nothing left to sell.”

This conflict played out in virtually every company in the industry, where well intentioned artists and accountants squared off about how to remain viable in a difficult market. A long-ago issue at Fender typified these debates. In the drive to bring down production costs, some Fender manufacturing executives had concluded that applying a thick polyester base coat to the guitar body would reduce the need for a lot of hand sanding, thereby cutting direct labor costs. They were supported by a thorough accounting analysis that demonstrated huge savings. Presenting the dissenting view were Freddie Tavares and Bill Carson. Both were accomplished guitarists in their own rights and close associates of Leo Fender, and they said categorically that the polyester killed the tone of the guitar. When it came to making a final decision, subjective tonal considerations took a back seat to immediate cost savings, and the polyester process was adopted. Although Carson and Tavares lost the argument somewhere back in 1979, years later they were ultimately vindicated. The polyester base coat was eventually abandoned, and Fender owes much of its current success to a management that has embraced people like Tavares and Carson: players who don’t know much about cost accounting, but can immediately recognize a musically superior product.

The effectiveness of most products is determined by a set of readily quantifiable yardsticks: speed, cost, durability, weight. Not so in the music industry, where tone, which defies measurement, trumps all else. The most revered instruments don’t enjoy their status because of

any single performance metric. Their appeal derives from an inexplicable combination of sound and feel. Consider that after more than a century of non-stop study, scientists are still trying “prove” something that violinists have known all along: that Stradivarius and the other Cremona masters made magical instruments that are just better. If the music industry is truly “different” from other industries, it’s because of this impossible-to-define tonal quality. The people who are successful tend to be those who understand this.



This subjective aspect of the industry extends beyond sonic quality to include a host of other intangibles such as store ambiance. A large supplier recently tasked its field sales force with assessing the retailers in their territories. In the resulting memo, the reps repeatedly correlated strong sales performance with stores that had a “good vibe” or “the right feel.” Not exactly

the language of science, but readily grasped by those who understand the industry. In the post-mortem on the defunct MARS Music, a recurring criticism was that the stores didn’t “feel” right. They seemed like office supply stores with musical instruments, but never captured that all-important “vibe.”

The industry has just experienced one of the most wrenching 18-month periods on record, with across-the-board sales declines. Unlike the recession of the early '80s, this trauma has not, in most cases, upset the delicate right brain/left brain balance. Despite tough conditions worldwide, it’s hard to find instances where companies are sacrificing the intangibles that stir passions to improve cost structures. Hopefully, this indicates that we may have actually learned something from painful past experience.

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