

The Only Thing We Have To Fear Is Fear Itself

The year 1935 was a bleak time in American history. The Great Depression had reached its nadir, unemployment topped 20%, and the prevailing view was that the nation was rapidly slipping into ruin. Yet, that otherwise dismal year saw the emergence of a technology that would dramatically enrich the music products industry in the decades ahead.

In the mid-'20s, Laurens Hammond had invented an extremely precise synchronous electric motor that was ideally suited for time keeping. In 1928, he packaged his motor in a series of mantelpiece clocks and launched the Hammond Clock Company. The business prospered for a few years until a combination of the Depression and a flood of lower-priced competitors pushed it to the brink of insolvency. Saddled with a swollen inventory of small electric motors, and searching for a new product to save his struggling company, Hammond devised the tone-wheel organ. Introduced at a press conference in 1935, the Hammond Organ was an instant hit, creating an entirely new product category: the home organ.

By the '50s, the home organ business was the biggest, most prosperous, and fastest-growing segment of the music industry. At its peak in 1974, home organ sales represented just under 50% of total industry sales. Since then, the category has endured a long, painful decline, to the point where today, some younger industry members have been heard to ask, "What is a home organ?"

This bit of ancient history came to mind as we compiled the reports in this issue on industry volumes around the world's top markets, and the sales rankings of the top 225 suppliers. As we sifted through company filings, association reports, and scores of interviews from around the world, we were struck by the somber tone. Wherever you look in the developed world, the last few years can charitably be described as "tough going." Instead of "growth" and "new markets," the talk centers on issues like "improved efficiency," "adjusting," and "addressing new realities." As more than one industry member has remarked: "Flat is the new up." Although the abject panic in the wake of the financial crisis has subsided, global industry sales are still below peak levels achieved in 2007, and the combination of cautious consumers, excess manufacturing capacity, rising raw materials costs, and intensified competition have taken a toll on profits.

As retailers and suppliers grapple with these challenges, we think they should take heart in the industry's historic trajectory. Taking a long view, sales growth tends to come in decade-long spurts, bracketed by periods of stagnation or even decline. The catalysts that ignite these periods of expansion vary widely from one era to the next, and have included a mix of demographics, technology, and culture. However, in almost every case, they tend to come from left field, taking everyone

by surprise. So it was with the Hammond organ in the early '30s. No one in the industry was even remotely aware of Hammond's experiments, and the first mention of the product in our columns came in an April 1935 story on its unveiling. That story marked an inflection point that saw an almost immediate improvement in industry fortunes.

Much has changed since the introduction of the Hammond organ, but we'll wager that at least two things have remained constant: the deep-seated desire to create music, and the profit motive. Some NAMM-funded neurological research has demonstrated pretty conclusively that our species is hard-wired to make and enjoy music, and perhaps the banking industry has uncovered a similar physical basis for our affinity for material well-being. These deep seated human instincts periodically intersect, creating new products, marketing methods, or business structures, and when they do, our industry prospers.

Just as in 1935 my grandfather was unaware of the Hammond organ and the commercial boom it was about to create, I have no special knowledge of any similar breakthroughs just around the corner. However, if the past is any guide, they are out there. In the years following World War II, these types of unanticipated breakthroughs have occurred with surprising regularity; just consider the explosion of the school music movement, the introduction of the electric guitar and the synthesizer, and the development of home recording technology, to name just a few of the big ones.

Around the time Laurens Hammond introduced his organ, President Franklin Roosevelt rallied a dispirited nation with the famous words, "The only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance." Those words are relevant to the music industry today. I don't know what is ahead, but my hunch is that we're overdue for the next big thing. Conditions will improve, great things are on the horizon, and mentally, we all need to convert "retreat into advance."



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