

Seven Minutes That Transformed The Industry

At 8 P.M. Eastern Standard Time, February 9, 1964, 60% of American households were tuned in to the *Ed Sullivan Show*, anxiously awaiting the first glimpse of a musical group from Liverpool, England that had already created a sensation across the Atlantic. After Sullivan's brief introduction, Paul McCartney led the count-off to "All My Loving." Seven minutes later the Beatles concluded the set with "She Loves You," the studio audience exploded, and the nation's musical sensibilities experienced a seismic shock. Fifty years later, the music products industry still reverberates with the Beatles' influence, and it's hard to underestimate the impact they had on music, the role of the artist, and the popularity of the guitar.

The day after the Beatles' *Ed Sullivan* debut, a generation of young Americans awoke with an irrepressible urge to make their own music. For over a century, music education had been interwoven into American culture, with bands, orchestras, piano, and even jazz. However, it was usually structured and formal. The Beatles, with their accessible harmonies and arrangements, inspired a generation of kids to dispense with formal instruction and teach themselves to play, creating an unprecedented grass roots movement. The term "garage band" wasn't invented by Apple Computer, it was coined to describe the millions of kids who teamed up to cover Beatles tunes in their parents' garages.

The generation inspired by the Beatles was numerically the largest in U.S. history—the Baby Boom—which amplified its impact on the music industry. Prior to the Beatles, the industry had been dominated by the acoustic piano, home organs, and band instruments. Guitars were a relatively small niche. At Chicago Musical Instruments, then the industry's largest manufacturer, the Lowrey Organ and Story & Clark Piano operations contributed \$21.0 million of its \$41 million in 1964 revenues. The Gibson Guitar division by contrast generated only \$6.1 million. Chicago-based Harmony Guitars, then the world's largest producer by units, had 1963 revenue of \$5.1 million, a fraction of The Wurlitzer Company's \$39 million in piano and organ sales. After the Beatles, a "fretted instrument-centric" world developed, and 50 years later, guitars and related paraphernalia are still on top, accounting for 23% of total industry revenues.

The immediacy of the Beatles' impact is hard to convey. In 1965, even though Gibson had doubled the workforce at its Kalamazoo, Michigan plant to 600, Ted McCarty, president, was still apologizing to dealers for an eight-month order backlog that he said "we hope to get under control next year."

Between 1964 and 1968, Ludwig Drum Company tripled the size of its downtown Chicago plant in a bid to keep up with surging demand. Bill Ludwig, president, even referred to his spacious suburban residence as "the house that Ringo built." Persistent order backlogs at Harmony and Kay prompted the wholesaler Buegeleisen & Jacobsen to begin sourcing guitars in Japan, which accelerated the development of the Japanese guitar industry and companies like Hoshino.

The sales growth inspired by the Beatles attracted outside investors to the music industry for the first time. CBS management was so impressed with the trajectory of guitar sales that in 1965, the broadcaster paid \$13.0 million for Fender, \$2.0 million more than they paid for the New York Yankees. Others who

wanted a piece of the guitar boom included: ECL, a beer company based in Ecuador that acquired Chicago Musical Instruments to create Norlin; the Seeburg Jukebox Company, which acquired Kay Guitars; Gulf & Western, now known as Viacom, which purchased Unicord, now Korg USA; and Avnet, a *Fortune* 500 semi-conductor company that acquired Guild guitars. Outside investors also snapped up Ampeg Amplifiers, Vox amplifiers, and Burns Guitar of the U.K., hoping to make a bundle.

The Beatles disbanded in 1970, guitar growth inevitably slowed, and all the outside investors eventually packed up and left. Yet the lasting impact of those fateful few minutes on *Ed Sullivan* can be seen in a slew of products that were developed expressly for rock 'n' roll—the modern p.a. system, effects, endless amplifier and pickup variations, and personal recording. Five years into a tough market, retailers and suppliers alike no doubt long for another Beatle-boom to jump-start sales. However, it should be noted that the music industry in 2014 is far larger and richer than it was in 1965. Five decades ago, the Chicago NAMM show boasted about 250 exhibitors scattered in hotel rooms in the Conrad Hilton, versus today's show with more than 1,500 exhibitors.

The Beatles and their effect on music and the music industry can be summed up by the John Lennon lyric, "Life is what happens while you're busy making other plans." Like just about every other transformative event, it was unplanned and entirely unanticipated. One safe prediction is that the years to come will bring more unplanned and unanticipated events. Let's hope that some of them are as wonderful as the Beatles' debut 50 years ago.

Brian T. Majeski
Editor
 brian@musictrades.com

