

CHEER UP, THINGS ARE ALWAYS DESPERATE

When I took over from my father editing *Music Trades* in the 1980s, I complained to him that the industry was in desperate straits. Interest rates had hit 20%, and in a 12-month span, more than 1,200 retailers had closed their doors, unable to shoulder stratospheric inventory flooring costs. Domestic piano makers, which had employed around 10,000 and had supported the entire industry with broad-based consumer advertising, were hemorrhaging red ink. The home organ business, then the industry's largest segment by dollar volume, was in free fall. Adding to these woes, the corporate conglomerates that owned Steinway, Gibson, Fender, C.G. Conn, and Hammond Organ had all gone on record saying that the music industry had no future and they were getting out as fast as they could. His response to this list of calamities was, "Stop worrying, things are always desperate."

This conversation comes to mind every time I hear someone tell me that the industry is facing a crisis or is on the verge of disaster. As chronicled in our columns, the industry has always faced dire problems, continuously lurching from one crisis to the next. World War I unleashed previously unimagined carnage and destruction, and although there was no fighting on U.S. shores, war-related supply disruptions crippled the domestic music industry for the better part of four years. Shortly after hostilities ceased came one of the first examples of technological disruption. The player piano, which had been the home entertainment device of choice, was abruptly displaced by the less expensive radio, bankrupting scores of manufacturers and retailers in the process. The demise of the player piano was followed by the Great Depression—a decade of uninterrupted economic decline that impoverished every corner of the industry. "Will the business ever recover?" was a frequently asked question in our columns. Just as the gloom seemed to be lifting, World War II broke out and nearly all civilian factories were commandeered to support the military effort, effectively putting music retailers and manufacturers out of business for the next four years.

In subsequent years we experienced the Korean War, the Cold War, the Vietnam war, race riots in major cities nationwide, the oil shocks of 1970, school busing battles, inflation, stagflation, and other "crises," too numerous to

list here, all of which supposedly posed a mortal threat to those making and selling musical instruments and related products. Yet, against these seemingly insurmountable odds, the populace continued to make music and a diverse collection of music companies managed to survive, and in many cases, even prosper.

The industry remains in full crisis mode today. School music programs are perennially threatened by "budget cuts"; online sellers will supposedly wipe out the local retail infrastructure that cultivated the market; and we regularly hear that the current generation is too focused on their smart phones to even consider picking up an instrument. There is a credible case to be made for all of these threats. Yet, it's hard to square the idea of an industry on the brink with the ebullient optimism evidenced by the upcoming NAMM show.

Held January 19-22, the show will draw 1,700 exhibitors and close to 100,000 visitors from around the world. This



year's event will be about five times the size of the NAMM shows of three decades ago, hardly the sign of an industry on the verge of extinction. More significantly, there will be 400 first-time exhibitors in Anaheim. All of these entrepreneurs, who are putting their capital and egos on the line, believe that the music products market

presents a rich opportunity. I doubt they're all delusional. Outside investors are also expressing their optimism by way of significant investments. As we note in our annual Review & Forecast, beginning on page 88, they range from a \$27 million bet on new technology, like the Roli keyboard, to Seidel Partners taking a majority interest in Hal Leonard, an established music publisher.

The industry has and will continue to face challenges. What the doomsayers fail to acknowledge is human resourcefulness. Adversity inevitably inspires people and companies to adapt and innovate. Businesses restructure, new practices arise, and life goes on. The fact that we're still here, writing about the industry after 126 years, is compelling proof that it has a little staying power.

The urge to make music isn't a passing fad; it's deeply rooted in human biology. It finds different outlets, but has been a component of every culture in recorded history. Building a business to address this art form has never been easy. But if you take the NAMM show as a barometer, the number of companies and the number of people engaged in supplying tools to musicians has never been higher. Things may be desperate, but take heart, they always are.

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