

# When The Guitar Was Really Dying!

A chorus of well-informed people who were immersed in market minutiae authoritatively declared that the best days of the guitar were over and the industry was on an irreversible downward trend. We're not referring to the recent *Washington Post* article headlined "Why My Guitar Gently Weeps." Rather, we're referring to the consensus of guitar manufacturers, retailers, bankers, and a raft of corporate executives 35 years ago. From the vantage point of today's 2.5 million unit new guitar market, it's hard to understand just how bleak the outlook was in the early 1980s, and that the case for the death of the guitar was a lot more plausible then than now.

There was no celebration on the occasion of the Martin Guitar Company's 150th anniversary in 1983. Production had plummeted to 3,800 units from 25,000 five years earlier, and bankers were talking about liquidating the renowned guitar maker. During an interview, 89-year-old family patriarch C.F. Martin III had tears in his eyes when he said, "This is the worst I've ever seen it. I don't know what will become of us." The same year, Bob Taylor and Kurt Listug were so despondent after selling just three Taylor guitars at the NAMM show, they contemplated closing their business down.

Sharp financial types at CBS took a similarly dismal view of the guitar market. The broadcaster had paid a whopping \$13 million to buy Fender in 1965 and promptly invested another \$10 million in an expanded manufacturing plant in Fullerton. (The equivalent of about \$180 million in current dollars). But by 1984, as Fender sales were halved to \$25 million in the wake of a stiff recession, a decline in the 15-24-year-old demographic, and the surging popularity of disco, they decided to call it quits. Despite Fender's enviable position in the guitar hierarchy, when the company was put up for sale, there were no takers. Financial investors were dismissive because of the downward sales trend and the dire market outlook. Strategic industry buyers passed as well, reasoning that the guitar was on the verge of being replaced by the synth. To get the guitar maker off their books, CBS had to effectively give it away. A group of investors, headed by the late Bill Schultz, eventually paid \$9 million for the company, and in the bargain acquired \$14 million in accounts receivable and viable inventory. The Fender trademark, patents, distribution network, and accrued good will were valued at less than zero. A similar liquidation sale took place when conglomerate Norlin Industries sold Gibson Guitars to Henry Juskiewicz 18 months later.

As so often is the case, events failed to validate carefully con-

structed forecasts. By the early 1990s, to the surprise of many, guitar sales came roaring back and disco became a punchline. As sales hit new records, the formerly struggling guitar makers scrambled to expand production to keep pace with flush order books.

This ancient history should engender skepticism about long-range predictions for the guitar, or any other instrument for that matter. Particularly those from a journalist with no skin in the game. Unlike the business owners or managers whose forecasts carry significant financial and personal consequences, there's little at stake with a 2,000-word essay.

It's also worth noting that the commercial fortunes of the guitar industry and consumer interest in the guitar are not inextricably linked. In the early 1980s, consumer demand was adversely impacted by a recession, a 20% prime interest rate (that isn't a misprint!) that curtailed retail inventories, and a glut of used instruments from the less committed players who had been swept up in Beatlemania but later offloaded their guitars. The crowning insight of Bill Schultz at Fender and Henry Juskiewicz at Gibson was that these transitory economic challenges obscured a strong underlying interest in the guitar.

You could make a similar case today. Between soaring college debt and underemployment, millennials—the industry's prime demographic—are still feeling the impact of the 2007-2009 recession and are perhaps the most frugal generation in memory. Reverb.com, eBay, and Craigslist offer up a nearly unlimited selection of used gear that unquestionably takes a toll on the sale of new instruments. But, do these factors mean that interest in the instrument is on the wane?

First, remember why the guitar became such a globally popular instrument. It's exceedingly versatile as a solo or accompaniment instrument and has found its way into every conceivable genre: rock, country, jazz, bluegrass, blues, and even EDM. It's relatively easy to pick up: master four chords and you can play most pop tunes. It's a thing of beauty: a well-crafted guitar has all the aesthetic value of a fine sculpture. It's also exceedingly affordable and portable: for less than \$200 you can buy a great musical tool that you can take anywhere.

We're not so bold as to offer a ten-year forecast on the state of popular music or the industry's product mix. But for the reasons listed above, we think this won't be the first time that a premature obit has been written for the guitar. That's our take. For the opinions of a cross-section of manufacturers, retailers, and players, turn to page 68 of this issue.



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