

# A “Glass Half Full” Assessment Of The Industry

The changes that have transformed the industry in the years since we began publishing in 1890 are far too numerous to list. However, one constant amidst the continual tumult has been the comment, “Business is harder today than ever.” Whether it was competing against retailers who confused consumers by stenciling bogus names on cheap pianos in the 1890s, or locking horns with Amazon today, every generation seems to think it is burdened by a uniquely harsh competitive environment. While not to downplay any of the truly “life and death” issues currently facing businesses, we suspect that keeping an enterprise afloat has never been particularly easy. The scorecard bears this out: Each era seems to produce the same proportion of companies that thrive, those that struggle, and those that fail.

In discussions of “challenges,” whether it’s Amazon pricing policies, restrictive new regulations on the transport of rosewood, the alleged “death of the guitar,” or the travails of our governing class, it’s easy to overlook the compelling opportunities that still exist in the world’s most vibrant market for music products. So, we thought it appropriate to start the New Year with a “glass half full” assessment.

In 2017, the retail value of new music and audio gear will advance a percentage point or two to an estimated \$7.2 billion. In absolute dollar terms, this is 4.5 times the size of the world’s second-largest market, China. Measured on a per capita basis, it’s even larger: U.S. spending levels of \$21.74 are seven times greater than the global average, and nearly double those of most other developed nations. But that’s just for new gear. Surveys suggest that used gear provides about 20% of m.i. retailers’ revenues. Add that volume to \$7.2 billion, and it’s safe to conclude that \$8.6 billion worth of product flowed through the retail channel last year. Given the industry-average sales-per-employee level of \$250,000, that’s enough revenue to employ 35,000. It’s also enough to provide ample opportunity for enterprising retailers and manufacturers. Take a measly 0.1% share and you’ve got \$8.6 million in revenue.

The outsized scale of the U.S. music products industry is the result of a happy confluence of economic prosperity and culture, augmented by the ingenuity of manufacturers and retailers. Despite heated political rhetoric about the demise of the middle class and protracted economic decline, numerous objective measures indicate that the material well-being of the U.S. populace is pretty good by historical standards, and the envy of most of the world. And, falling prices for staples like food, energy, and clothing over the past decade have left more discretionary income for musical purchases.

Simultaneously, manufacturers have dramatically enhanced product value. Thanks to their efforts, with \$500 worth of software, today’s musician has more capabilities at their fingertips than the Beatles enjoyed at Abbey Road Studios. Similar value improvements have extended to more traditional products as well. In 1954, someone with a median income had to work 90 hours to earn enough to buy a \$189 Stratocaster. Today, it takes just 39 hours of labor at median income rates to pay for a comparable Strat.

Retailers have also done their part to stimulate consumer demand with a better buying experience and more aggressive pricing. Believe it or not, there remain a lot of people working in the industry who can remember when any deviations from “manufacturer suggested retail price” were rare. And, in many cases, aspiring players had to practically lay down a non-refundable deposit before they got the chance to lay a finger on a guitar. These improvements in prosperity, product value, and access provide a pretty solid foundation for commercial success.

As for culture, the U.S. enjoys a deep-rooted tradition of amateur music making. Celtic folk music, leavened with African-American spirituals and the contributions of numerous other immigrants, has yielded a populace that is more likely than others to pick up an instrument just for personal enjoyment. This thriving amateur culture has also received institutional support from a school music program that has no equal anywhere else in the world. Each year, roughly 10% of the school age populace is introduced to instrumental music making.

Many describe the 1930s as a golden age for the guitar business. Those who lived through it might have described it differently. It was at the depth of the greatest economic downturn in American history, when prominent makers like Martin, Gibson, and Washburn were struggling to stay alive, continually on the brink of insolvency. If that time frame was “golden,” is there an element sufficiently precious to describe the world we face today?

As you gear up for the trade show, lamenting greedy manufacturers, collapsing retail margins, ineffective retailers, competition from every other consumer discretionary items, and all the other daily irritants, take some comfort in knowing that however bad things are today, it’s hard to find a time when they’ve been any better.

Happy New Year to our readers worldwide. Your energy, talent, and accomplishment provide us with endless material to fill our columns, and are a source of inspiration.



**Brian T. Majeski**  
Editor  
brian@musictrades.com