

In A Perpetual State Of SNAFU

A pending trade war threatens to wreak havoc with the industry's supply chain. Online savvy shoppers are fueling a race to the bottom on prices, squeezing the profit out of retail. Depending on who you talk to, the electric guitar may be dead and school music programs are one budget cut away from extinction. Taken together, these conditions could justifiably be described as "crisis." Don't get overly concerned though: the industry is in a perpetual state of crisis. To use the perceptive acronym coined by GIs in World War II, we're SNAFU—Situation Normal All F***** Up.

For as long as we've been publishing, our columns have been filled with dire predictions and grim forecasts. Makers and sellers of musical instruments always seem to be faced with existential threats. In the 1890s the consensus was that surging bicycle sales would suck up disposable income and cripple the piano business. A few years later, with the advent of the player piano and Edison's talking machine, fears arose that playing a musical instrument was a dying art. Who would put in hours of practice when they could access music at the flip of a switch? Since then, coal shortages that curtailed production during World War I, the economic havoc of the Great Depression in the 1930s, automated rhythm machines in the 1950s, disco and conglomerate mis-management in the 1970s, videogames in the 1980s, karaoke in the 1990s, smartphones today, and the evergreen lament, "people are just too busy to learn to play" have stoked concerns about the industry's demise. Yet somehow, it has managed to avoid collapse, countless enterprises have thrived, and tens of thousands remain gainfully employed. How come the doomsayers are so consistently wide of the mark? We would suggest they lack confidence in the durability of the desire for music, and have a limited appreciation of human resourcefulness.

Let's start with the durability of music. While there is no historical data on the percentage of the populace engaged in music making, we suspect that it has either remained constant or even ticked up a bit through the years. We base this assertion primarily on the steadily rising volume of instruments sold each year. Last year, 4 million fretted instruments, 1.5 million keyboards, 1 million school music instruments, and 1 million percussion instruments were sold, hardly indicative of a populace that has lost interest in music. And those numbers don't even include the sizable quantity of used instruments that change hands each year, or the enormous trove of accessories sold. Surging attendance at live music events and music downloads numbering in the billions provide further evidence of music's enduring appeal. Could the urge to make music diminish or disappear? Yes, but a century-plus of precedent

suggests that it's pretty unlikely.

As for resourcefulness, consider how the retail channel has adapted to the steady compression of gross margins. The margins allowed by the more generous current MAP pricing policies would have been completely unacceptable not too long ago. In 1972, when the Supreme Court struck down the legality of "Fair Trade" laws, which allowed manufacturers to dictate retail selling prices, there was an industry-wide outcry. Numerous retailers took to our columns to predict a total calamity if widespread discounting pushed gross margins below 50%. Yet, the enterprises that populate the Top 200 rankings in this issue indicate that creative entrepreneurs have somehow managed to avoid the widely predicted disaster.

The tools that made this possible were once barely imaginable: bar-coding and point-of-sale systems that enhance inventory management and data collection, low-cost expedited delivery services that allow for "just-in-time" inventory, supplier B2B sites that remove friction from the purchasing



process, not to mention digital promotional tools that expand reach at minimal cost. In addition, unanticipated services like the Reverb.com and eBay marketplaces have given even the smallest retailers national reach.

Some will rightfully counter that even with these efficiency tools, they're still running harder just to stay in place. Sort of like watching the Macy's Thanksgiving Day Parade on a crowded sidewalk. One person stands on their tip-toes to get a better view; soon everyone else is on their tip-toes. The view isn't any better but everyone's legs are sore. However, that's the nature of a competitive marketplace. Adapting to new methods and changing consumer preferences can be painful, but it's the price of survival.

To the list of external forces threatening the industry, add the recent Supreme Court decision allowing cross-border sales tax collection and the confusion it has engendered; tough regulations on using rosewood that have burdened instrument makers worldwide; paltry royalty payments from the likes of YouTube and Facebook that are seriously shortchanging performers and composers; computer-generated tracks that obviate the need for musicians; and the increased emphasis on science and math that is pressuring arts education. Have faith though. Creative types at all levels of the industry have managed to surmount far more serious challenges, and we're confident that they're crafting workable solutions as you read this. If the past is an indication, these "crises" will soon fade, only to be replaced by new ones.

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