

# Uncharted Industry Growth . . . . Why Reality Is Better Than Statistics

Aside from being a valuable forum for conducting business, the June NAMM show provides a unique, once-a-year opportunity to get a broad perspective on the music industry. With hundreds of exhibitors and thousands of dealers present, inquisitive visitors can truly gauge the health and direction of the business. This perspective is particularly valuable because during the course of the year, in concentrating on pressing matters at hand, many of us tend to lose sight of the "big picture." Most of the individuals who attended the trade show left with the feeling that, in spite of current problems, there is bright opportunity ahead for the music industry.

Over the past five years, the difficulties of the music industry have been chronicled down to the most minute details. Intense scrutiny has been brought to bear on the problems of high interest rates, demographic and cultural shifts, and competing entertainment forms. Unfortunately, this analysis has not cured these woes, and along the way many have lost sight of the marvelous aspects of the music industry.

Our industry is truly a National Treasure. What other industry makes substantial contributions to the cultural and aesthetic qualities of life, the education of our children, and the leisure time of millions? The broad scope of the music industry's social value also provides a deep sense of satisfaction and enrichment to committed manufacturers and retailers.

Being realistic, we recognize that personal satisfaction does not put bread on the table; hence, an industry must also be judged by its profit potential. It is our conviction that profit opportunities in the music industry have been greatly under-rated in recent years, due to certain major market shifts.

As the music industry has matured, its customers have become far more demanding and unwilling to accept compromise in product. Consequently, it has become increasingly difficult for a single manufacturer to produce a line of products that satisfy every purpose and every budget. Reflecting this reality, over the past five years many major manufacturers have watched their market share diminish while the number of small specialty producers has exploded. Anyone who questions the increase in the number of specialty producers need only look at the tremendous increase in the number of exhibitors at trade shows, both here and abroad.

One of the unfortunate side effects of this trend has been to distort publicly circulated industry statistics. The vast majority of these small firms report no sales figures and are not included in industry calculations.

Nevertheless, when taken together they account for a significant percentage of total industry sales. Specialty producers are generally associated with the combo segment of the industry; however, they play an important role in every segment—in band instruments, in pianos, and even, to some degree, in organs.

There is a high mortality rate among these specialty producers, but there is a core of vibrant, highly profitable companies that have carved a valuable market niche. These companies are invisible for the purpose of any tally of industry sales, profits, or market performance, yet they play an important role in providing dealer profits and customer satisfaction. We strongly suspect that if the performance of these companies could be accurately tabulated, overall industry sales statistics would show far more strength.

Another strong indicator of the profit potential of the music industry is the number of new entrants, large and small, at the trade show. Having collectively invested millions in product development and promotional expense, these organizations obviously believe that a profitable return can be earned.

The late movie mogul Louis B. Mayer, of MGM fame, is reputed to have said, "There is nothing wrong with the movie business that good movies can't cure." By the same token, exciting new products hold the key to maintaining existing music makers and expanding the total market. Records indicate that dynamic product development has provided the impetus for virtually all industry growth.

The host of new products unveiled at the show, particularly in the area of computer music devices, should encourage all in the music industry. Computer music is not a defined market entity as of yet; however, it offers promising potential in virtually all aspects of music: performance, education, and even home entertainment. As the challenges of this new market unfold, certain individuals will prosper, and others will perish; however, active participation in music should blossom.

New product categories like computer music, plus the fragmentation of the market, make it increasingly difficult to provide meaningful summaries of events such as the NAMM show. With 508 exhibitors, the show was different things to different people. One certainty, however, still exists; for the individual who is committed to serving the market, the music industry is rich with opportunity.

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