

# Living With A Cyclical Business

*I*n the early eighties, the outlook was pretty bleak for the band instrument business. Interest rates were above 15%, enrollments had dropped significantly, and school budgets were under heavy pressure due to grass-roots campaigns like Proposition 13. As manufacturers and dealers experienced a harrowing sales drop, they began to seriously question the future prospects of the industry.

As outlined elsewhere in this issue, the band instrument business confounded all pundits by rebounding nicely in the latter half of the decade. As we enter the '90s, it's safe to say that the majority of retailers and manufacturers are in an optimistic state of mind. Looking backwards, the industry now points to past difficulties as "valuable learning experiences." Thanks to past strife, manufacturers now approach production increases with more caution and common sense, and retailers are far more exacting in the way they manage their inventory.

The recent evolution of the synthesizer market is virtually the mirror image of the band business. Fueled by major improvements in microprocessor technology, widespread fascination with the microcomputer, and the introduction of MIDI, the early eighties were a period of heady growth for all synthesizer makers and their retailers. With sales doubling each year, various "experts" predicted that it was only a matter of time before electronic musical instruments replaced acoustic instruments.

Once again, however, the outcome of events confounded the forecasters. By 1988, the growth in synthesizer sales stalled; since then, the market declined somewhere between 10% and 20%, depending on whose forecast you accept. In an ironic twist, many of the experts who once predicted a world dominated by MIDI are now somberly asking, "What is the future of MIDI?"

For a retailer, these seemingly abrupt market shifts are extremely instructive. Among other things, they highlight the fact that most bold predictions are usually wrong and that, like it or

not, the music business is inherently cyclical.

As the saying goes, prominent individuals forecast the future, not so much because they have any special insights, but because they are asked. Retailers should keep this in mind the next time a sales rep prefaces a request for a big order with a "bold prediction of the future." One of the most successful retailers in the country once observed, "If you pay attention to your customers and listen to them carefully, you'll be able to follow the market." In short, the demands of your customers are far more informative than any grand predictions. Readers of *Music Trades* discovered this in the late '20s, when Thomas Edison advised his phonograph retailers against stocking radios. "Radios have no future," he proclaimed.

As to the cyclical aspect of the business, predicting musical styles is akin to predicting hemlines or other fashions; no one is particularly good at either. Ten years ago, who envisioned the success of "Rap" or "New Age?" The challenge in coping with a changing market is to put aside personal tastes and lofty manufacturer prognostications, and follow the dictates of the customers.

And finally, there is unfortunately a lot of truth to the old saying, "Every dog has his day." So as a precautionary note, make a point of being nice to the people you meet on the way up; you might meet them on the way down. Or, put in another way, no one is ever so successful in this business that he can do without customer good will.

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