Industry Sales Data Offers Good News

Our efforts in this issue to quantify the music and sound industry yields a portrait of a surprisingly healthy and vibrant business. By our calculation, overall industry sales advanced 4.4% last year; twice the rate of the Gross National Product. Trying to reduce the fractured and complex music and sound industry down to a series of numbers is not something that can be done with absolute precision. Assumptions about product categories and pricing have to be made, which introduces a degree of arbitrariness to the process. Having issued this qualifier, we feel nonetheless, that our Census offers a snap shot that captures the industry with reasonable accuracy. Like a snap shot, our data is not the same as "being there" first hand. However, it does provide a useful tool in monitoring subtle changes in the landscape that occur over time.

For those who are concerned about the industry's alleged decline, we would encourage them to review the data presented in our census. In 1992, the industry, which includes everything from acoustic pianos to music software, generated retail sales of slightly over $4.0 billion. There are at least 300 companies in the U.S. that have sales over $4.0 billion, so the size of the industry is no big deal in the larger scheme of things. What is remarkable though is that over 25% of the industry's total volume was generated by products that barely existed ten years ago.

In the early eighties, prior to the advent of MIDI, electronic music products were an after thought in the industry, as were digital pianos, karaoke products, signal processing equipment, and multi-track recorders. Sound reinforcement gear also represented a much smaller percentage of the business too. Collectively, these categories now account for over $1.0 billion in retail sales. These numbers forcefully illustrate just how powerful technology is as an agent for growth and change.

There is no question that sales of traditional product categories, like band and orchestral instruments, home organs, acoustic pianos, percussion, and fretted instruments, have either stagnated or declined during the past decade. Nevertheless, our data shows that declines in these categories have been more than offset by growth in other areas. This helps explain why retailers have fared comparatively well over the past decade. Their product mix has continuously changed, but the overall demand for music related products has expanded.

The industry's situation can be compared to the broadcasting business. The three major television networks have lost viewership in each of the past ten years. Not because the public is watching less television, but because, with the advent of cable TV and VCR's, there are so many alternatives available. Similarly, we feel that declines in the sale of certain traditional instruments are not due to an erosion in the public's interest in music making, but rather an explosion in the number of alternatives available. For example, in the not too distant past, a consumer who wanted to make keyboard music could choose between a piano or an organ. Today, the alternatives include synthesizers, digital pianos, and portable keyboards in scores of different formats.

For retailers, our Census be encouraging. There is no indication that the public has lost interest in the industry's product offering, which should result in strong sales well into the future. For manufacturers, the situation is a little less clear cut. An increasingly fragmented market provides a more challenging marketing environment. Nevertheless, the numbers should allay fears of the industry's imminent demise. Out of 22 product categories tabulated in our census, 16 posted sales gains, two remained unchanged, and only four declined. Which, by any calculation, is a pretty strong showing.

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