EDITORIAL

PUTTING DATA TO WORK

INDUSTRY SALES STATISTICS are like the scoreboard at a football game. Both provide interesting insights into the action going on below, both offer a benchmark for evaluating performance, and both seem to reflect that deep-seated belief that "if it's worth doing, it's worth measuring." Sales stats are also similar to a scoreboard in that both are no substitute for watching the actual game. One of the spectator appeals of both sport and commerce is the element of drama as people try to best deploy finite talent and resources to prevail over competitors and achieve financial reward. The subtleties and nuance of these contests can never be fully summarized by a series of numbers.

Calling attention to the limitations of statistics is an odd way to introduce our annual Music Industry Census, in which we tabulate industry sales by some 40 discrete product categories; however, knowing the limits of numerical tabulation makes it possible to interpret and apply the numbers more effectively.

Over the past five years we have expended considerable time and effort refining our data base and information gathering methods in an effort to deliver the most accurate sales information possible. The data presented in the following pages is proved out by a unique three-way matrix that aligns the annual sales of industry suppliers, as presented in our Top 100 Supplier ranking on page 146 of this issue; annual retailer sales as compiled in our Top 200 Retailer ranking that will appear in the August issue; and our "Market Intelligence" quarterly sales report that tracks the performance of approximately 400 retailers across the country. The information from these three areas provides a potent set of checks and balances that result in extremely accurate sales data in an industry long characterized by its lack of information.

The data from 1996 provides something of a good news/bad news scenario. The bad news is that industry sales growth has slowed from the heady levels of the past five years. In just about every product group, sales gains slowed to the 2%-3% range, compared with the more robust 8%-10% range of the last few years. In the good news department, industry sales achieved a record level in 1996 in both dollars and units. Herein lies the application and limitation of the numbers. They show what happened and give us a yardstick for measuring our efforts. Unfortunately, they don't always offer a crystal-clear explanation for why sales moved up or down.

Over the past decade industry sales seem to have been propelled by a fortuitous combination of three large forces: On the demographic front, Baby Boomers hit their child-bearing years, swelling the ranks of 12-to-24-year-olds and providing us with a larger customer base. The economy has been remarkably strong, prompting consumers to spend with abandon. For its part, the industry offered up the best and highest-value products in its history. As of this writing these three forces remained very much in place, making it difficult to explain the apparent moderation in sales growth. Did the buying public take a momentary breather, or is something larger at work here? We tend to believe it's the former, but other opinions are bound to surface. In the meantime, however, we hope that the data presented in the following pages leads to a more informed interpretation of the events of the past year and facilitates preparation for the near-term future.

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Editor