EDITORIAL

IS THE MUSIC INDUSTRY REALLY DIFFERENT?

IS THE MUSIC PRODUCTS INDUSTRY really different from other industries? This seemingly innocuous questions has prompted vigorous debate as long as I can remember. On the one side are those who argue that the unique nature of music, music making, and musical products places the industry in a truly separate realm where the conventional laws of sales, marketing, and business don't always apply. The counter argument is that the laws of supply, demand, competition, and marketing are universal, and those who believe our industry truly "marches to a different drummer" (excuse the pun) are engaging in indulgent self-congratulation that blinds them to larger social and economic forces.

Recent trends in the computer industry tend to strengthen the argument of those claiming that music is different. As the year drew to a close, personal computer sales surged a whopping 40%, driven by the introduction of a new generation of high-powered machines retailing for under $1,000. A spokesman from CompUSA, a major computer retailer, told the Wall Street Journal, "A lot of computing power at a rock-bottom price is an irresistible combination for consumers." He added that the chain anticipates continued "torrid" growth in the under-$1,000 PC category.

Offering better features at a better price is one of the more effective and time-proven means for generating sales growth. Over the past 20 years it's a rule that has been amply proven by the computer industry as manufacturers used advanced technology to simultaneously increase power, slash prices, and generate a phenomenal record of expansion. Henry Ford used the same formula to launch the auto industry, as did AT&T in promoting "universal telephone subscription."

It's nearly impossible to find an example where the powerful combination of price cuts and feature improvements didn't result in sales growth. That is, unless you look at the music products industry. The same advancing digital technology that has made a $1,500 PC more powerful than a $1.0 million mainframe computer of 20 years ago has also been at work in the music products industry. In 1980 New England Digital unveiled its "Synclavier," a digital workstation that used sampled sounds and boasted revolutionary onboard sequencing capabilities. Hailed as a marvel of technology, the Synclavier sold for between $35,000 and $100,000, depending on the configuration. Today any $1,700 keyboard synthesizer offers better sounds and more features than the Synclavier. Yet despite these remarkable advances in product value, synthesizer sales have stagnated. From any empirical standpoint of sound quality, features, or value, the instruments available today are the best ever by a wide margin. So why, then, are synthesizer sales lower today than they were a decade ago?

We think the reason traces back to the very nature of music making itself. In a supposed era of "instant gratification" where people want their thrills in a hurry, music runs against the grain. There are few if any activities (golf included) that take longer to provide some form of gratification than music. As a result, the price/value formula that drives growth in so many other businesses just doesn't seem to do much for music. Whether a high-powered synthesizer costs $10,000 or just $100, it's still too much money for someone who doesn't play. Ikutaro Kakehashi, founder of Roland Corp., aptly summed up the situation when he recently noted, "We're like a club where we tell all the people who can't play an instrument to go away."

As they gear up for the coming year, manufacturers and retailers should be mindful of the fact that in our industry, better prices and product values are not always sure-fire growth strategies. In the computer industry, manufacturers like Compaq and Intel focus singlemindedly on offering more power at a lower price than retailers like CompUSA trumpet the availability of PCs for $999. The end result is a greatly expanded customer base. Unfortunately, the same straightforward formula doesn't seem to work in the music products industry. Generating growth is a much more difficult and complex process that involves creating products that make playing more accessible and the slow, time-consuming process of teaching people to play. It's a "difference" that has been with the industry for over a century and shows no signs of going away.

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