

“...music making isn’t a frill, it’s not extracurricular, it’s



wired into what it means to be human beings.” -Dr. Don Hodges

2005 music usa

FEATURING THE **NAMM Global Report**
A STATISTICAL REVIEW OF THE MUSIC PRODUCTS INDUSTRY

NAMM[®]
believe in music

“Fortune favors the bold. If you are bold, you *may* fail in your business. If you’re not bold...you *will* fail in your business.”

-Dr. Lester Thurow
*The Jerome and Dorothy Lemelson
Professor of Management and
Economics at MIT and Author of
Fortune Favors the Bold*

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A Message

A Message from the Chairman & President/CEO

NAMM's mission is to unify, lead and strengthen the global music products industry and to increase active participation in music making. In addition, we're working to keep you informed about the latest industry trends by gathering, analyzing and reporting reliable data so that you can make the best decisions possible for your company.

Like nearly every other business today, our industry is involved in—and feeling the effects of—globalization. This has led us to include more countries in this year's *Music USA*, a total of eight in all, to help create a broader and more compelling picture of the current global music products industry.

Globalization, along with many other factors, has created one of the most brutal periods of capitalism in history. It is truly "survival of the fittest" (ironically, the term originally coined to describe

capitalism by the 19th century British social philosopher Herbert Spencer and later borrowed by Charles Darwin to describe natural selection). As economist Lester Thurow stated at last year's Global Economic Summit, "Fortune favors the bold. If you are bold, you may fail in your business. If you're not bold ... you *will* fail in your business."

Music industry professionals who study the market, make informed decisions and continue to learn and grow will increase their competitive advantage. The good news is you are not alone—everyone at the association headquarters and the peer network that makes up the community of NAMM Members is here to help.

NAMM is committed to your long-term success, and we hope you find *Music USA 2005* enlightening, informative and of benefit to your business.



Sincerely,

A handwritten signature in black ink that reads "Paul Heid".

Paul Heid, Chairman



A handwritten signature in black ink that reads "Joe Lamond".

Joe Lamond, President/CEO

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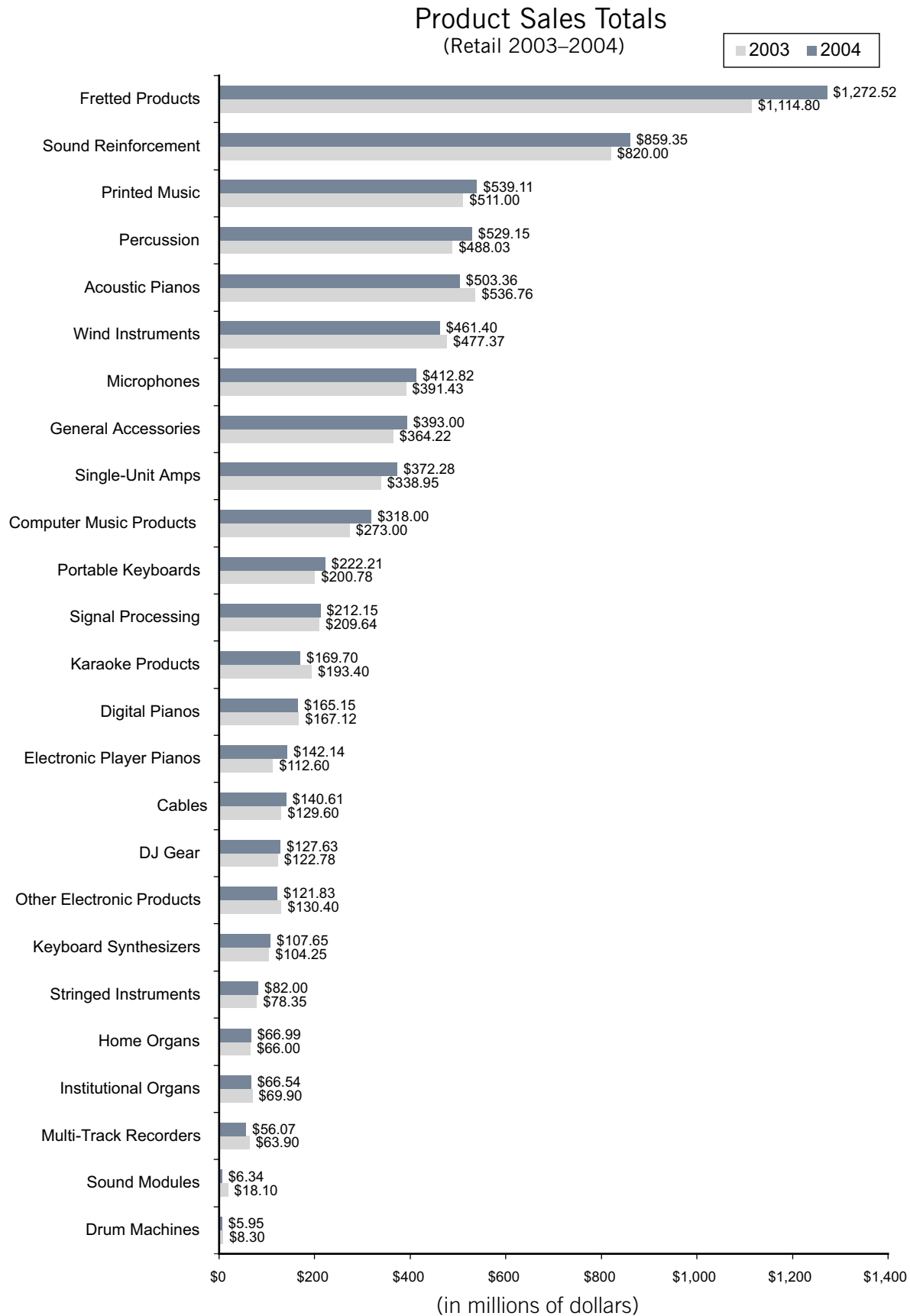
The Data

Understanding the U.S. Data

The unit sales and retail values in this report were compiled by the staff of *The Music Trades* magazine. Dollar and unit figures represent the quantity of product shipped to retailers in the United States, not actual sell-through volumes. Unit and dollar volumes are derived from a combination of import and export data gleaned from government agencies in the United States, China, Japan, Korea, Indonesia and the European Union; European, Japanese and U.S. trade association reports; financial filings of publicly traded companies in the United States and abroad; sales data provided by a cross-section of U.S. retailers, and informed estimates. Initially, the wholesale value of product shipped to retailers is computed. Then retail values are computed by adding an average margin, which varies among product categories. In order to improve the accuracy of the numbers, some categories, such as multi-track sales, have been restated this year. Please note that data in the following pages does not include any figures on the used instrument market, which is extremely substantial, but difficult to measure with any accuracy.

Industry Revenue

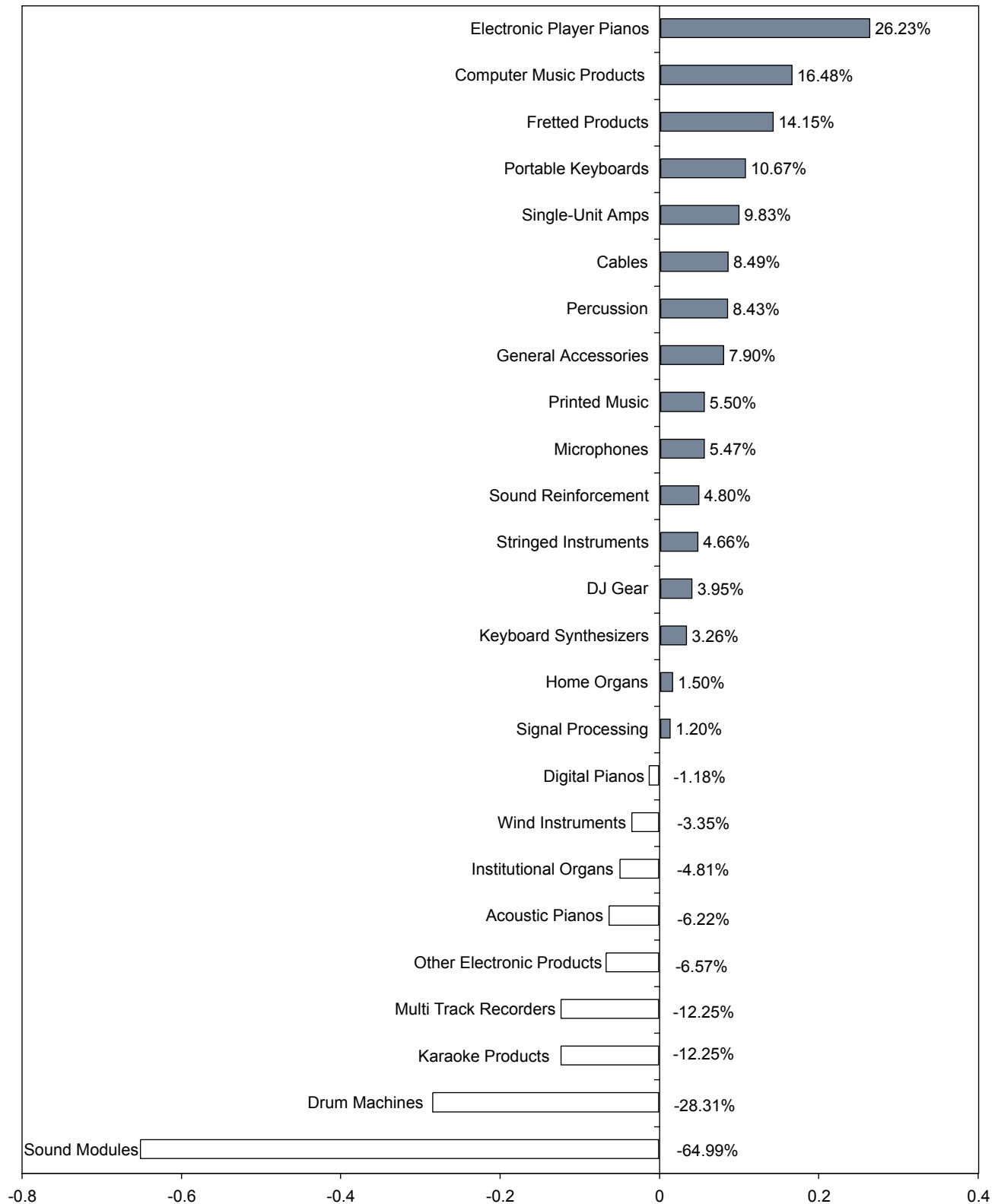
U.S. Industry Revenue at a Glance



Industry Revenue

U.S. Industry Revenue at a Glance

2004 Industry Sales Gains and Declines



Introduction

2004 Sales Analysis

Sales of music products hit a record \$7.354 billion in 2004, advancing 5.4 percent over the previous year. Revenue gains are usually greeted with enthusiasm, but in this case the increases represent something of a good news/bad news proposition. On the good news front, the uptick in sales masked an enormous surge in unit sales. Major product categories, including fretted instruments, drumkits, portable keyboards and digital pianos, all posted double-digit gains in unit volume, reflecting unprecedented consumer interest in music. As for bad news, the rising tide of low-cost imports from China continued to force selling prices (and profits) down. In every product category, manufacturers, distributors and retailers had to move somewhere between 10 percent and 15 percent more unit volume just to maintain the same revenue.

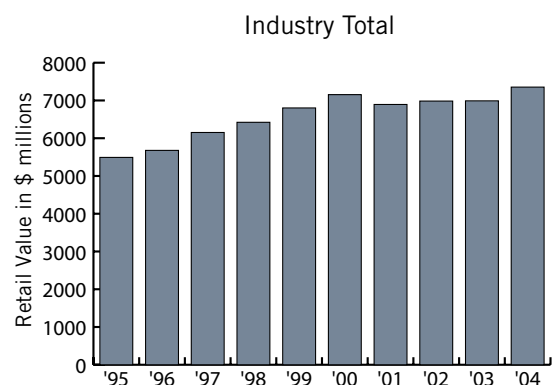
In an industry that includes both cutting-edge computer hardware and violins based on 300-year-old designs, it's not easy to make sweeping generalizations. However, the year saw a few broad trends that affected virtually all industry segments. Improving economic trends measured by increases in GDP, higher employment level and rising consumer confidence translated into a better sales climate for discretionary items like music products. Ample anecdotal evidence from both the retail and wholesale sides of the business suggested that consumers were in a better frame of mind in 2004 and more willing to spend. This is further reflected by that fact that 31 out of 54 product categories posted increases in dollar volume.

Shifts in customer demographics is another significant trend that has benefited all industry segments. Not too long ago the major buyers of music and audio products could be classified into four major groups: kids between the ages 12 and 20; parents of kids between 12 and 20; professional musicians; and institutions like churches, schools, and nightclubs. These core groups still represent the lion's share of industry sales, but they are now augmented by a growing number of 35- to 50-year olds who are buying strictly for themselves. This consumer segment, which represents a combination of Baby Boomers and older Gen Xers, didn't suddenly emerge last year; however, in 2004 the industry began recognizing and addressing it. Long term, this segment will probably be the single biggest factor in spurring industry growth.

Surging Chinese manufacturing is another trend affecting all industry segments. In 2004 Chinese imports of pianos, band instruments, guitars and audio products rose by more than 20 percent, largely at the expense of Korean, Japanese and Taiwanese producers. Chinese imports in all product categories are characterized by unprecedented price and value. The speed with which China has emerged has also been unprecedented. It took Japanese manufacturers more than 25 years to carve out a significant share of the U.S. market; Korean manufacturers needed 15 years; the Chinese industry has been at it for less than a decade.

For the past three years the industry's suppliers and retailers have been grappling with strong deflationary trends, largely driven by these Chinese imports. In 2004 alone average selling prices declined in 28 out of 37 categories. Going forward, however, deflation seems to have moderated. The combination of rising energy and shipping costs are forcing even the Chinese to raise prices.

Daily competitive challenges often make it difficult to discern broader market trends, but when scanning sales numbers, it's hard not to be optimistic about larger industry prospects. Although deflation has presented a challenge to industry profits, it's hard to make a case against offering consumers more bang for their buck. Furthermore, if history is any guide, better product values have been a tremendous spur to sales growth. Just ask yourself how much additional revenue in accessories, books, recording equipment, and cables will be generated by sales of 3.3 million guitars. The previously mentioned demographic expansion also bodes well for the future. Every industry looks to expand sales by increasing its demographic reach. In the case of the music products industry, social and economic trends seem to be taking care of it for us.



Segment Data

Fretted Instruments

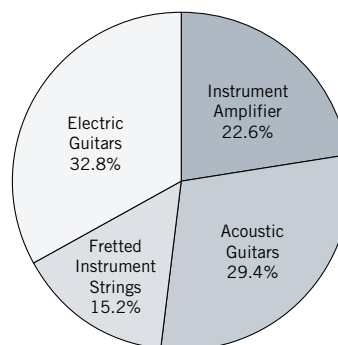
Lower average selling prices, broad-based consumer appeal and a strengthening economy all contributed to make 2004 the best year, by far, in the history of fretted instruments. Unit sales of acoustic guitars surged a breathtaking 38.6 percent to 1,618,700. Electric guitars advanced even more dramatically, rising 43.5 percent to 1,683,970 units. Because of falling unit prices, dollar growth was more moderate, rising 16.7 percent for acoustics, 10.4 percent for electrics and 13.3 percent for total fretted instruments. Nevertheless, guitar sales crossed the billion-dollar mark for the first time in 2004.

Much of the enormous unit gain in both electrics and acoustics was generated by a flood of high-value imports from China. Given pricing levels, it's easy to see why sales were so brisk. With landed prices for acoustics averaging \$299 and electrics averaging \$320, consumers can now get a reasonable quality instrument for well under \$200, or about what you'd expect to pay for a video game controller or a good skateboard. These lower prices have transformed much of the guitar market into a true "impulse" item. Retailers report that customers who buy guitars on a whim include beginners who are interested in taking up music and people looking for a gift, as well as guitarists who want an additional instrument.

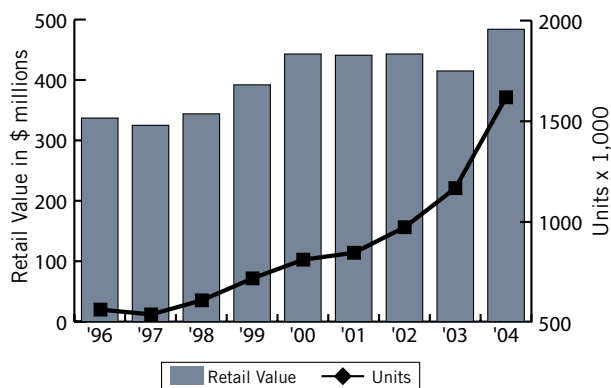
Nearly 2 million low-cost instruments from China served to pull down the average selling price of guitars, from \$386 to \$310. In absolute numbers, sales of premium U.S.-made instruments advanced in 2004. U.S. manufacturers including Fender, Martin, Gibson and Paul Reed Smith all reported record output during the year. This translated into a 10 percent unit gain for electric guitars retailing for more than \$600 and a 9 percent gain for acoustics in the same price point. Trying to identify the causes of the current guitar boom is a favorite topic for speculation. Clearly, economic prosperity and popular music trends have played an important role. We'd add to the list the migration of the guitar from a fringe instrument associated with drugs and a questionable lifestyle to the absolute center of the mainstream. Consider that the searing guitar sound of Led Zeppelin is now being employed to sell Cadillacs, a brand that is synonymous with "establishment." More ironic still is the fact that Buick, average age 63, uses the music of Aerosmith in its ads. The most significant aspect of this transition to the mainstream is that guitar instruction is finally gaining traction within the school systems, which holds the promise of even more market expansion.

Any way you look at it, the news in the guitar business is almost all good. The huge increase in the sale of entry-level products suggests that the industry is effectively reaching out to a new generation of players, who over time, will migrate to higher-priced instruments. Obviously, a large percentage of these low-priced entry-level instruments will end up collecting dust in a closet. However, given the unprecedented numbers, if only a small percentage trade up in the next decade, say 5 percent, premium guitar makers will be assured of a robust sales volume.

Retail Value Market Share



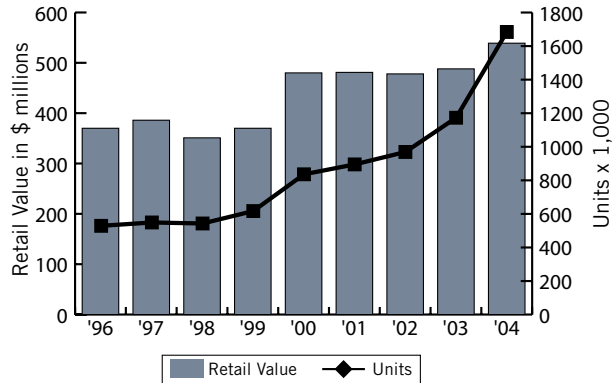
Acoustic Guitars



	Retail	Unit	Average Price
2004 Summary	16.58%	38.60%	-15.86%
8-Year Trend	43.81%	186.60%	-49.82%

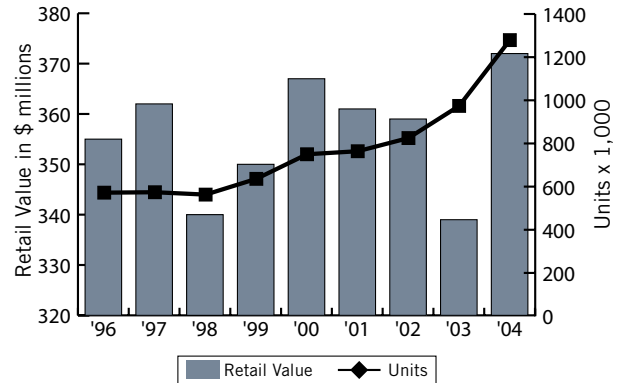
The Acoustic Guitars category includes banjos, mandolins and other acoustic fretted instruments.

Electric Guitars



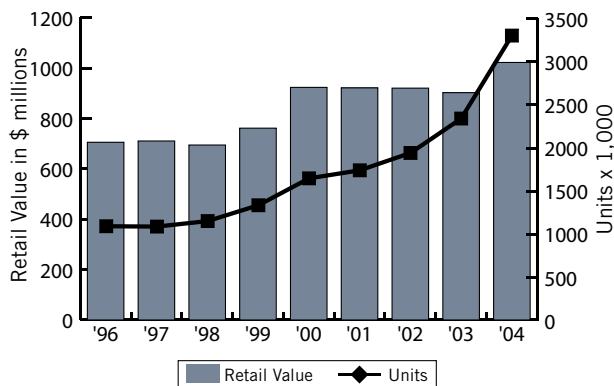
The Electric Guitars category includes electric basses.

Instrument Amplifier Market

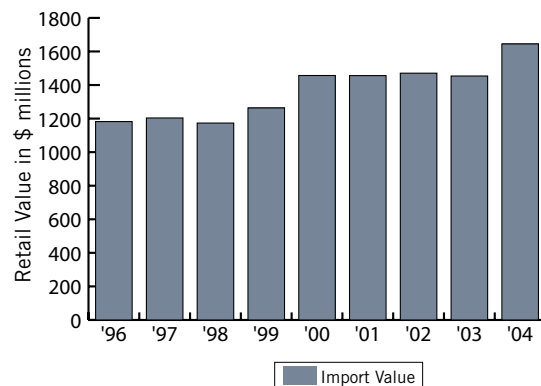


Includes tube, digital and solid-state amplifiers heads, speaker enclosures and other self-contained amplifiers for guitars, basses and other musical instruments.

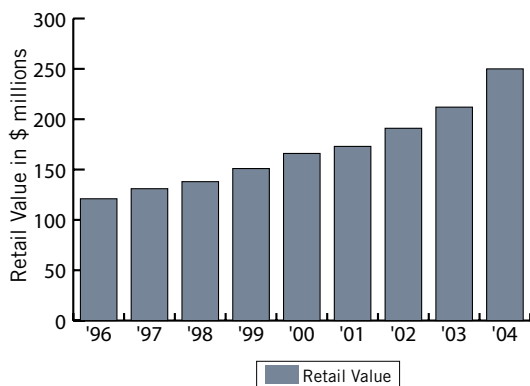
Total Guitars



Total Fretted Instrument Market



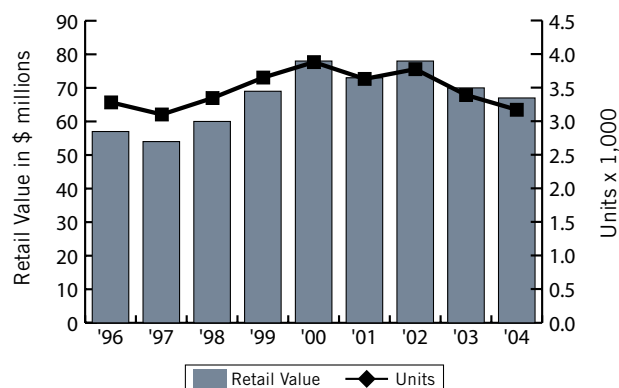
Fretted Instrument Strings



Home and Church Organs

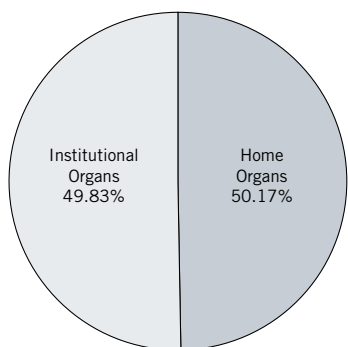
Home organ manufacturers and retailers like to say there is no actual market for home organs and that purchases occur only because of creative sales efforts. The modest uptick in units this year obviously reflects more “creative efforts” at the retail level, as well as a few new models that helped spur trade-up sales during the course of the year. The institutional organ market, by contrast, continues to struggle in the face of two difficult challenges. The first is that a growing number of churches are moving to less traditional worship services that feature guitars, keyboards and vocals instead of the more formal organ and choir. This is compounded by a shortage of able organists. The second deals with the financial and legal problems faced by the Catholic Church, long one of the largest church organ buyers. The Catholic Church will no doubt overcome its temporary setbacks, but the change in worship style presents a more difficult challenge.

Institutional Organs

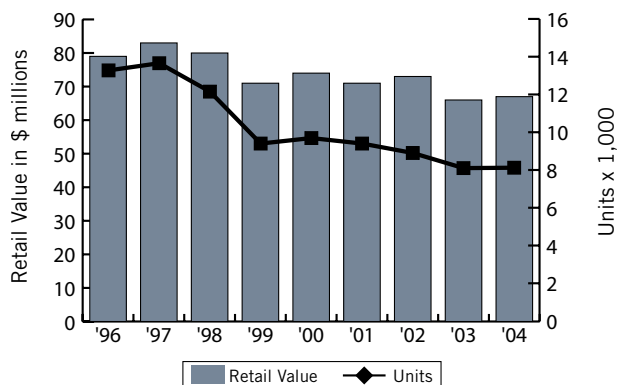


	Retail	Unit	Average Price
2004 Summary	-4.88%	-6.49%	1.72%
8-Year Trend	16.53%	-3.35%	20.57%

Retail Value Market Share



Home Organs



	Retail	Unit	Average Price
2004 Summary	1.50%	0.25%	1.25%
8-Year Trend	-14.95%	-38.83%	39.04%

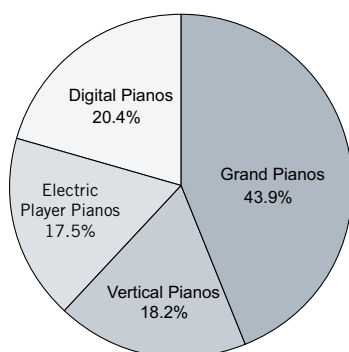
Pianos

2004 saw a continuation of a decade-long trend as sales of grand pianos and digital player pianos advanced while vertical piano sales declined. Grand piano sales were bolstered by more attractive retail price points (average selling prices dropped by 5 percent) and a record number of new housing starts. Vertical pianos sales continue to be adversely affected by digital pianos, which provide a cost-effective alternative for price-conscious shoppers, and low-priced grands, which prompt other potential vertical buyers to “trade up.” On balance, however, the market was essentially flat.

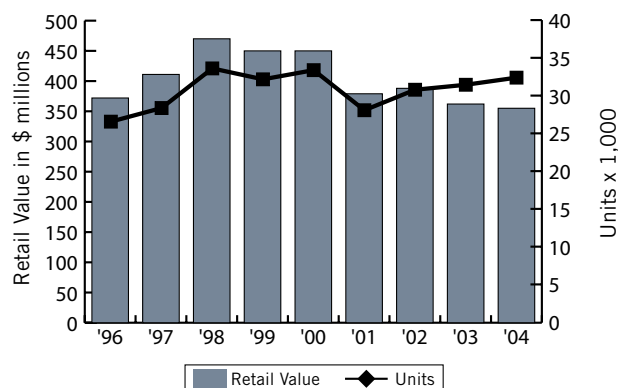
Digitally equipped player pianos continue to be the brightest segment in the market. With each year, the number of grand piano equipped with digital player systems increases.

The biggest shift in the piano industry continues to be the shift in the source of production. Vertical piano imports from China advanced 18.1 percent in 2004, and grands advanced 27.3 percent. Both gains came entirely at the expense of products from Korea and Indonesia. The increased penetration of Chinese products accounts for the drop of average selling prices.

Retail Value Market Share

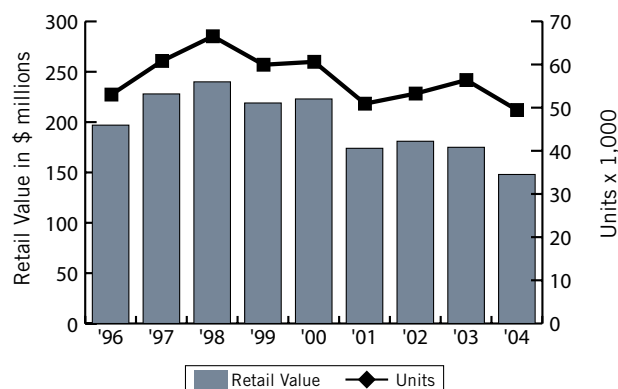


Grand Pianos



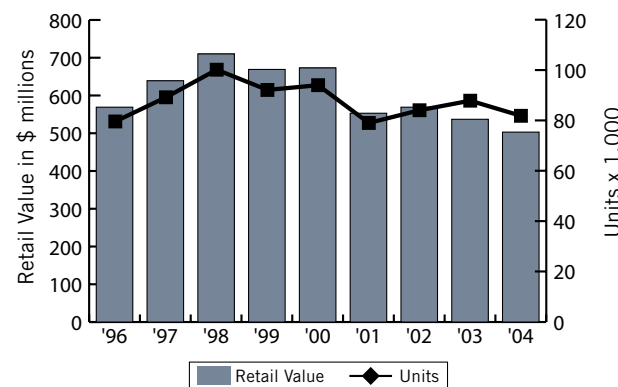
	Retail	Unit	Average Price
2004 Summary	-1.66%	3.00%	-4.53%
8-Year Trend	-4.50%	21.94%	-21.68%

Vertical Pianos



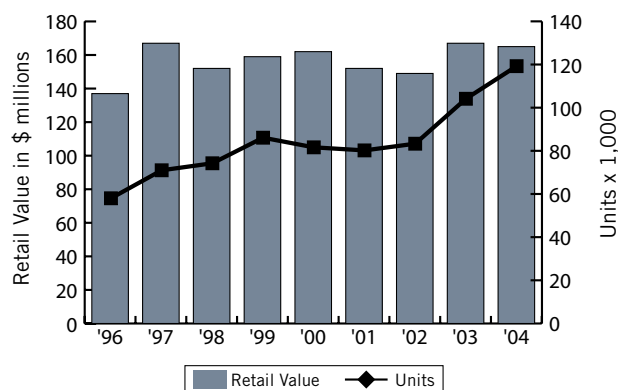
	Retail	Unit	Average Price
2004 Summary	-15.63%	-12.32%	-3.78%
8-Year Trend	-24.77%	-6.75%	-19.33%

Total Acoustic Piano Sales



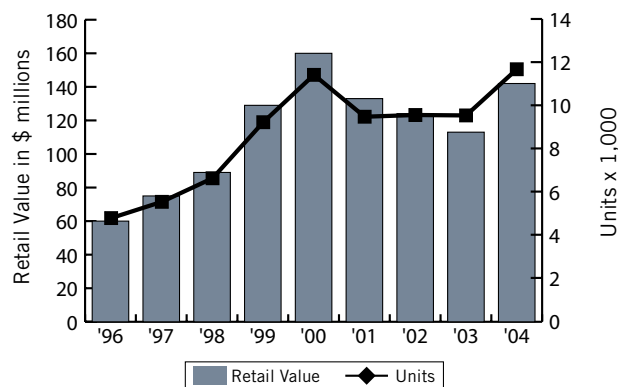
	Retail	Unit	Average Price
2004 Summary	-6.22%	-6.84%	0.66%
8-Year Trend	-11.50%	2.82%	-13.93%

Digital Pianos



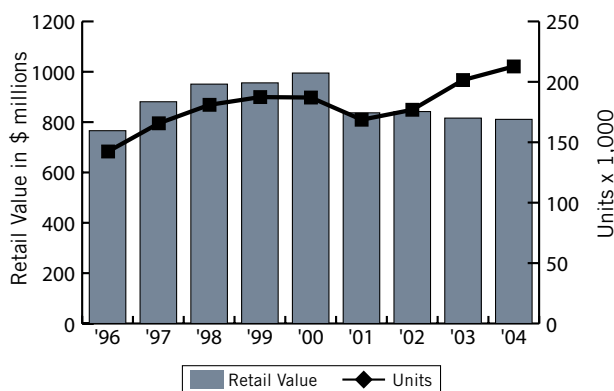
	Retail	Unit	Average Price
2004 Summary	-1.18%	14.52%	-13.71%
8-Year Trend	20.65%	105.54%	-41.30%

Electronic Player Pianos



	Retail	Unit	Average Price
2004 Summary	26.24%	22.46%	3.00%
8-Year Trend	136.21%	144.50%	-3.39%

All Piano Sales



	Retail	Unit	Average Price
2004 Summary	-0.71%	5.58%	-5.96%
8-Year Trend	5.85%	49.43%	-29.17%

Including grand piano, vertical piano, electronic player piano and digital piano.

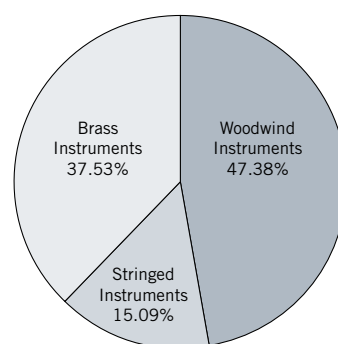
School Music

Education is one of the most hotly debated topics at every level of politics, from town hall to the White House, and everyone seems to have an opinion on what needs to be done to make things better. The same could be said for music education. Yet for all the prognostication, it's alarming how little is known about the state of music education in the public schools. How many kids are enrolled? How many teachers are out there? Which way is the trend line moving? No one, from the various teachers unions to the Department of Education, has a clue.

All we have to go on is the number of instruments sold, which suggests that the market is far from a state of crisis. Last year's sales of woodwinds, brasswinds and stringed instruments advanced 7.5 percent to over 1 million units. Although downward price pressure due to the increasing share of Chinese-made imports resulted in a 2.2 percent decline in sales revenue, the overall numbers suggest that school programs are still being funded and are attracting students.

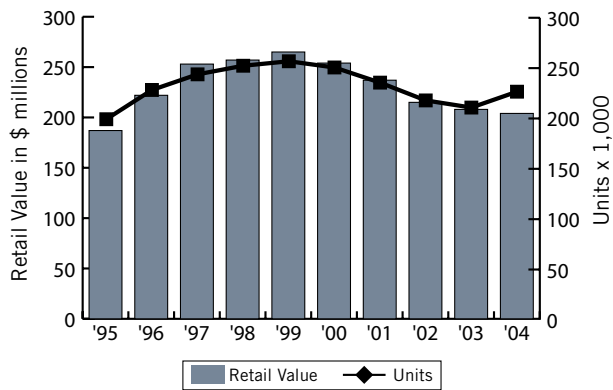
We base this on a fairly simple calculation. Over the past 50 years, unit sales of school instruments have been equal to between 1.5 percent and 2 percent of total enrollment levels. With 54.5 million students currently in grades K-12, instrument sales of 1,123,977 units are equal to 2 percent of enrollment levels, consistent with the high end of the historical range.

Retail Value Market Share



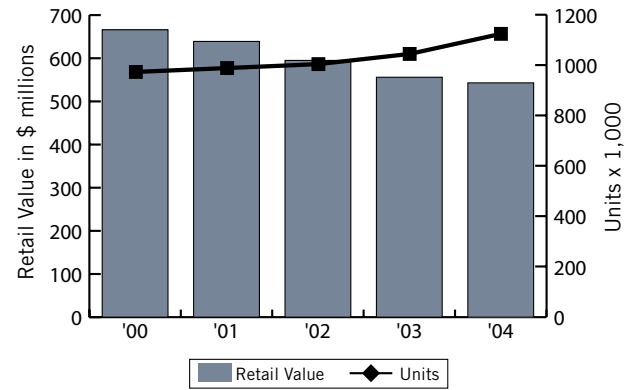
U.S. Segment Data

Brass Instruments



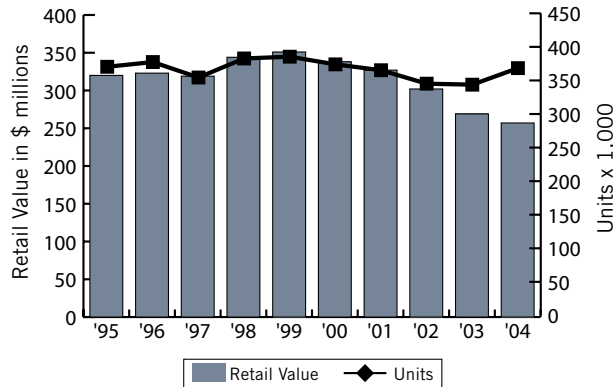
	Retail	Unit	Average Price
2004 Summary	-1.94%	7.47%	-8.76%
8-Year Trend	-7.97%	-0.75%	-7.28%

Total School Music



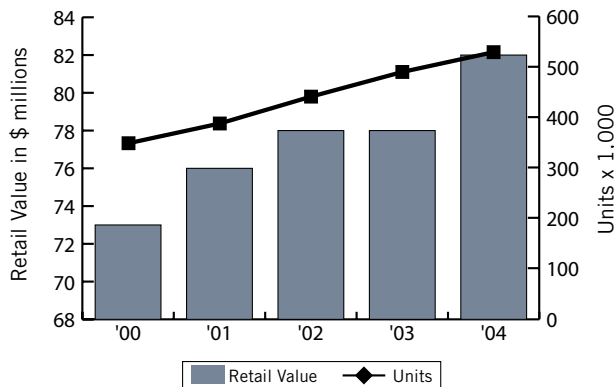
	Retail	Unit	Average Price
2004 Summary	-2.22%	7.64%	-9.15%
8-Year Trend	-18.40%	15.54%	-29.38%

Woodwind Instruments



	Retail	Unit	Average Price
2004 Summary	-4.43%	7.16%	-10.82%
8-Year Trend	-20.40%	-2.40%	-9.39%

Stringed Instruments



	Retail	Unit	Average Price
2004 Summary	4.66%	8.04%	-3.13%
8-Year Trend	12.15%	51.95%	-26.19%

Data restated by *The Music Trades* from 2000.

Audio Products

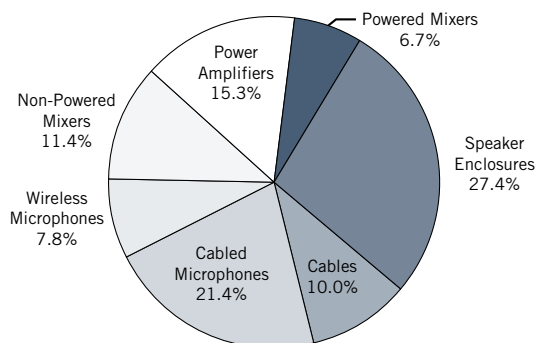
Intense competition and a flood of imported products from China caused across-the-board decreases in the average selling prices of power amplifiers, mixers, powered mixers, speaker enclosures and most other audio components. But despite this continued deflation, the dollar volume of sound products edged up 4.8 percent to \$859.3 million, reflecting increased demand. Improved economic conditions are the most obvious reason for the sales gain. However, increased demand for quality sound systems for houses of worship was also a major contributor.

For small- to medium-sized sound systems (retail price \$1,000 to \$50,000), houses of worship have long been the single largest customer group. A trend toward more contemporary services featuring a mix of guitars, keyboards, vocals and percussion has prompted a growing number of the nation's 350,000 (estimated) churches to upgrade their sound systems. This shift has provided a business windfall for retailers attuned to the needs and protocol of the church market.

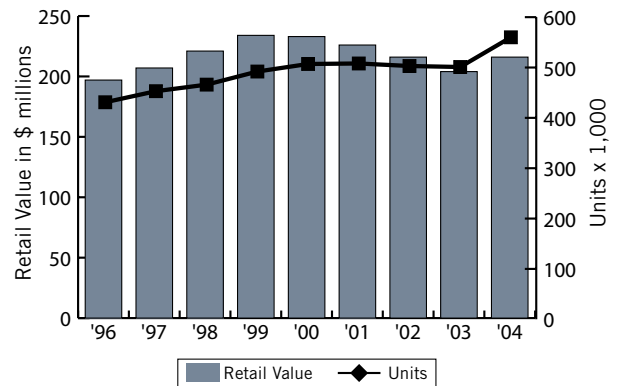
Sales growth in microphones edged up in line with the larger audio market. Improved values and a flood of new products (ranging from microphones tailored specifically for drumkits to affordable large diaphragm mics for recording applications) drove sales gains in the wired mic category. Retailers report that end-users are increasingly buying more specialized microphones for different applications. The increase in wired mic sales can be traced largely to growth in the church market.

Growth in the cable market, long one of the most profitable segments at retail, was fueled in part by an increasing number of higher-priced "premium" cable lines. Can consumers actually hear the difference between different grades of copper wire? No one has the definitive answer, but that doesn't stop them from paying more.

Retail Value Market Share

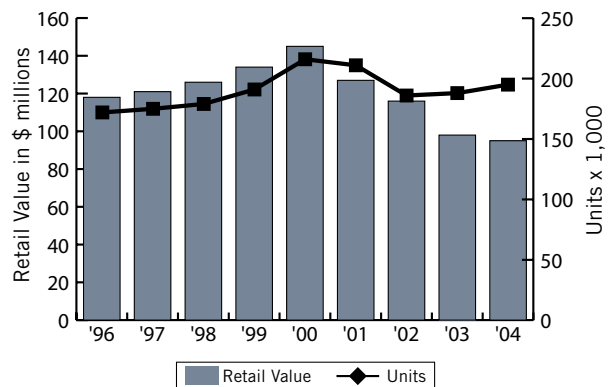


Power Amplifiers



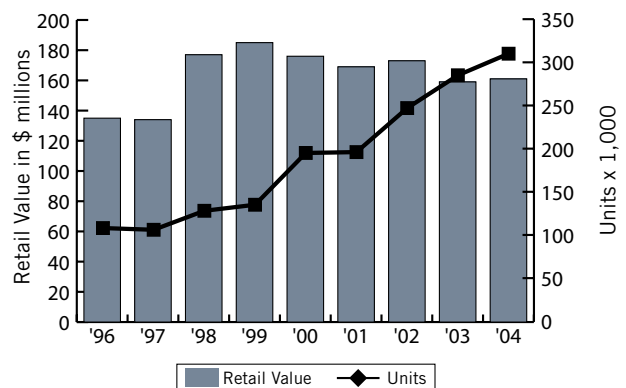
	Retail	Unit	Average Price
2004 Summary	5.97%	11.78%	-5.19%
8-Year Trend	9.95%	29.90%	-15.36%

Powered Mixers



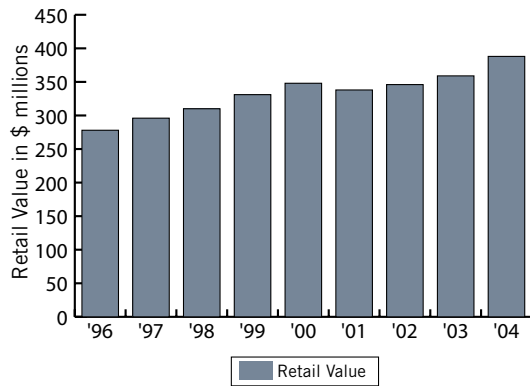
	Retail	Unit	Average Price
2004 Summary	-3.26%	3.72%	-6.73%
8-Year Trend	-19.55%	13.61%	-29.20%

Non-Powered Mixers



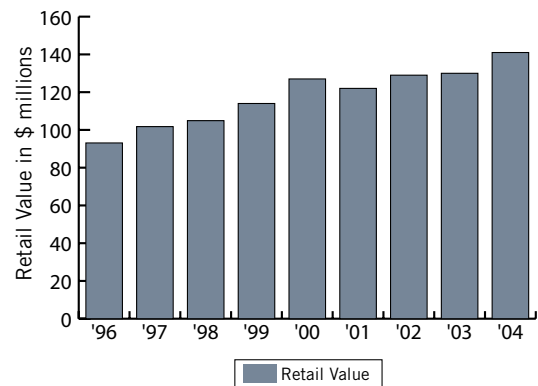
	Retail	Unit	Average Price
2004 Summary	1.33%	8.77%	-6.85
8-Year Trend	18.97%	187.68%	-58.65%

Speaker Enclosures



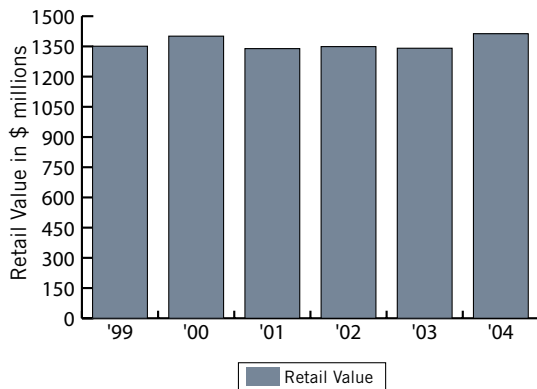
	Retail
2004 Summary	7.86%
8-Year Trend	39.63%

The Cable Market



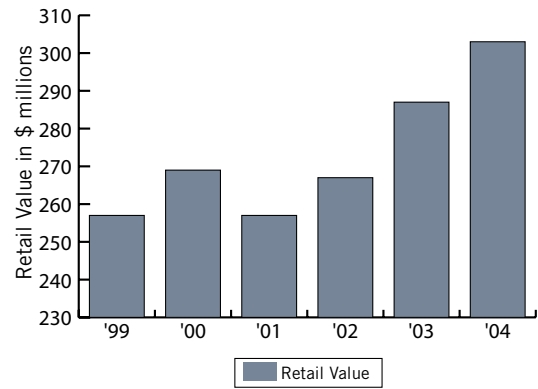
	Retail
2004 Summary	8.53%
8-Year Trend	51.07%

Total Sound Reinforcement



	Retail
2004 Summary	5.35%
8-Year Trend	4.56%

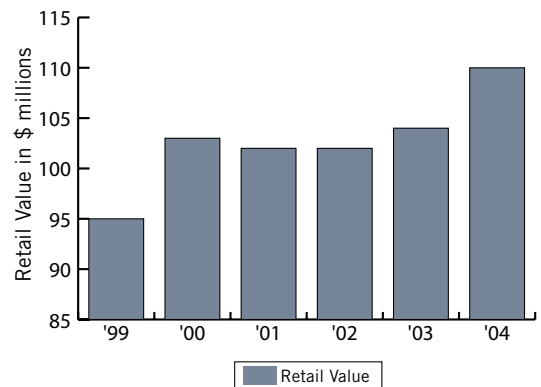
Cabled Microphones



	Retail
2004 Summary	5.57%
8-Year Trend	17.73%

All data represents an estimate of sound reinforcement products sold by the approximately 6,000 retailers in the United States. Excluded from data are sound products for the cinema, tour sound, broadcast and large fixed-installation markets. Data included non-powered mixers, power amplifiers, powered mixers, speaker enclosures, cable, cable microphones and wireless microphones.

Wireless Microphones



	Retail
2004 Summary	5.17%
8-Year Trend	15.12%

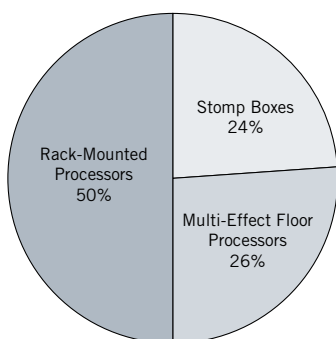
Data represents estimates of only those microphones sold by the approximately 6,000 M.I. retailers, and excluded products aimed at broadcast markets.

The Signal Processing Market

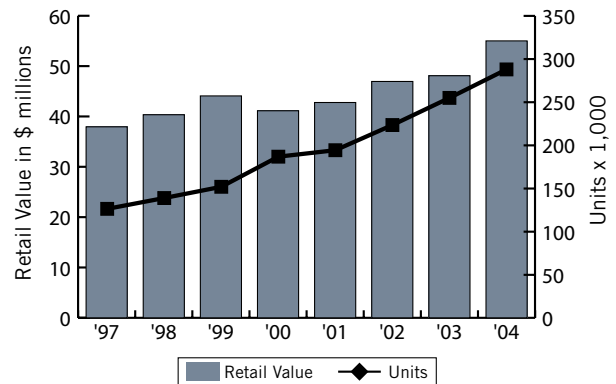
The signal processing market has been pulled in two directions. Sales growth in rack-mounted multi-effects processors has been adversely affected by computer-based recording systems that boast comprehensive onboard effects modules. Falling prices have also taken a toll. On the other hand, “non-rack-configured” multi-effects processors and stomp boxes have benefited from a surging electric guitar market. Manufacturers continue to add unique new effects products specifically tailored to the needs of guitarists.

Growth in this church market has also influenced the product mix. Given that most houses of worship don't have a professional sound engineer on staff, manufacturers are focusing more effort on developing integrated audio solutions with a special emphasis on ease of use. Although we do not break out rack-mounted signal processors by discrete product type, anecdotal evidence indicates that much of the unit growth in the category was provided by equalizers with automated feedback eliminators and other processors with automated functions. In short, manufacturers seem to be responding to the observation of an audio consultant who said, “These [church] customers are not interested in a sound system. They just want something that will make their service sound good.” The trend toward ease-of-use is also reflected in the growth in power speaker enclosures.

Retail Value Market Share

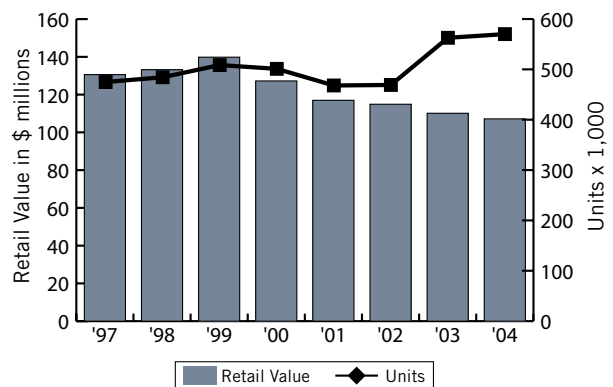


Multi-Effect Floor Processors

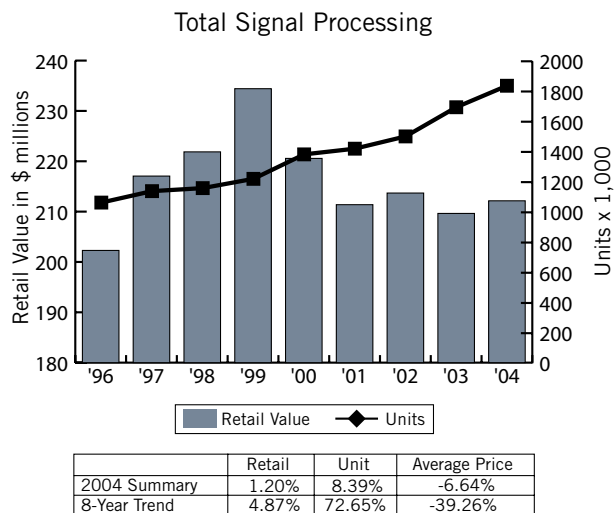
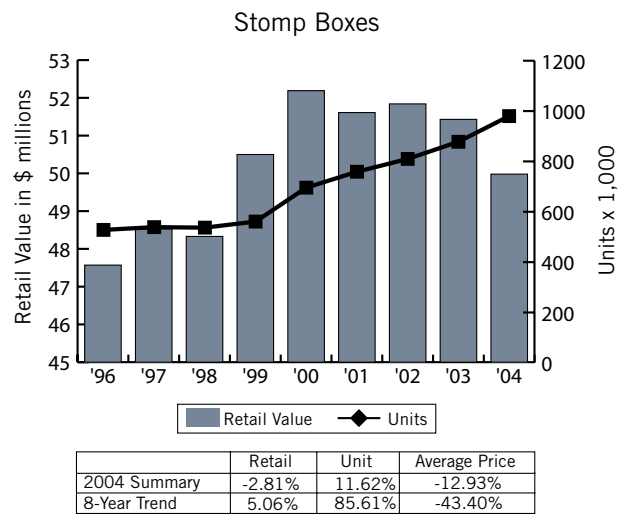


	Retail	Unit	Average Price
2004 Summary	14.40%	12.94%	1.29%
8-Year Trend	44.99%	127.74%	-36.34%

Rack-Mounted Processors



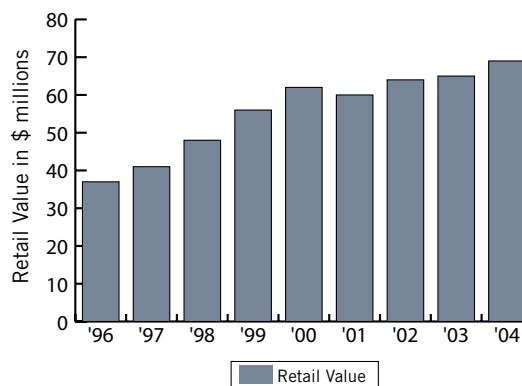
	Retail	Unit	Average Price
2004 Summary	-2.70%	1.30%	-3.94%
8-Year Trend	-17.94%	20.03%	-31.64%



Percussion Products

The percussion market remains one of the brightest segments within the industry, with increases in both unit and dollar volumes. Sales of drumkits, which drive much of the rest of the industry, advanced 24 percent to a record 268,200 units and 11.4 percent in dollars to a retail value of \$160.6 million. The single biggest factor driving these gains has been better product value. With average selling prices of under \$600, drumkits are accessible to a far greater percentage of the population, and more beginners, who might have once opted for a snare drum or practice pad, are now buying a full kit. More kits sold translates into more hardware, cymbal, drumhead and stick sales. Continued interest in all forms of ethnic percussion, along with increased awareness of the therapeutic benefits of music, has helped stimulate the sales of hand-percussion instruments.

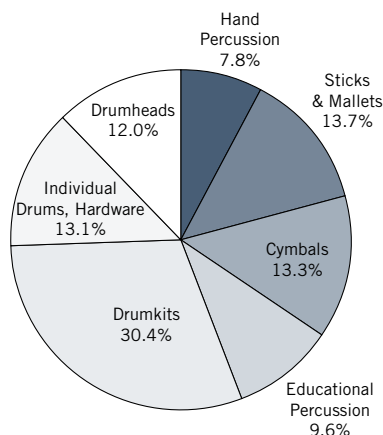
Individual Drums, Hardware



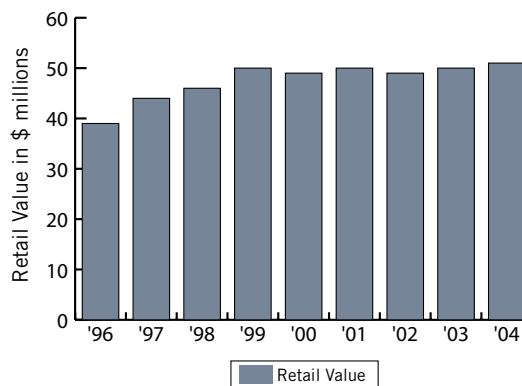
	Retail
2004 Summary	6.36%
8-Year Trend	89.29%

Includes individual snare drums, tom-toms and bass drums for drumkits, along with pedals, stands and related percussion hardware products.

Retail Value Market Share



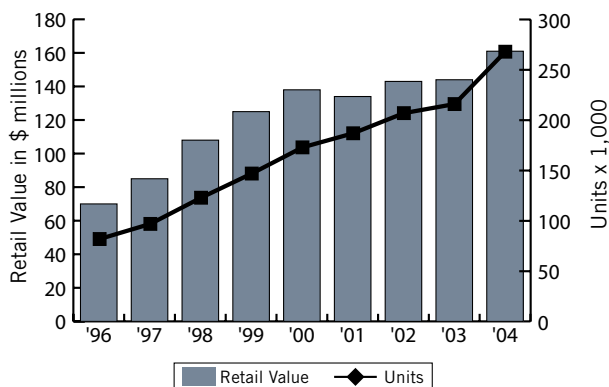
Educational Percussion



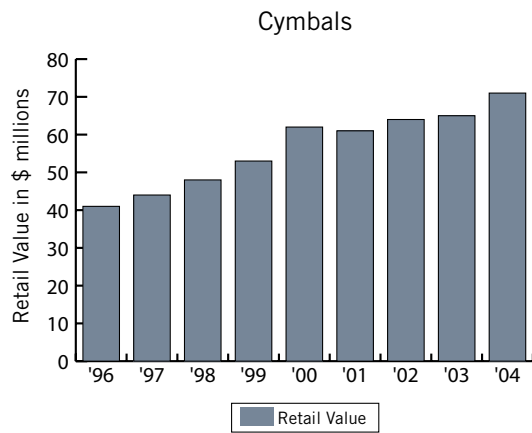
	Retail
2004 Summary	2.45%
8-Year Trend	31.21%

Includes timpani, marching percussion, mallet instruments, snare drum kits and orchestral percussion instruments.

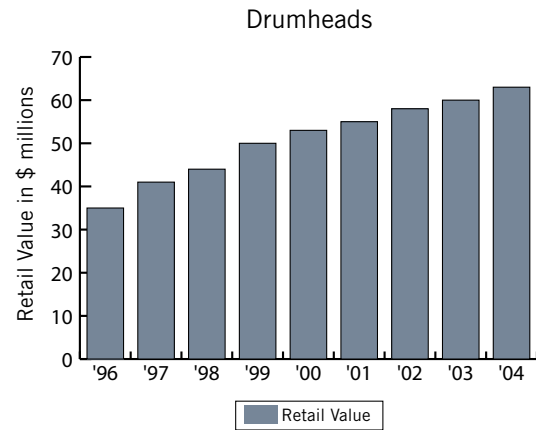
Drumkits



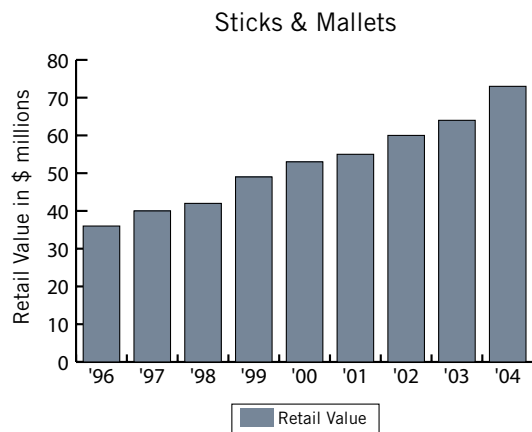
	Retail	Unit	Average Price
2004 Summary	11.44%	24.28%	-10.33%
8-Year Trend	128.34%	227.07%	-30.19%



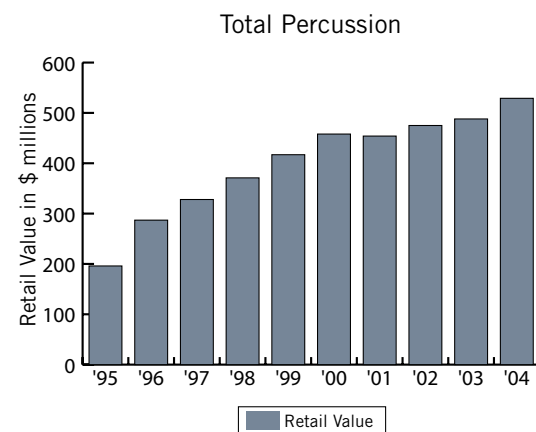
	Retail
2004 Summary	9.00%
8-Year Trend	70.13%



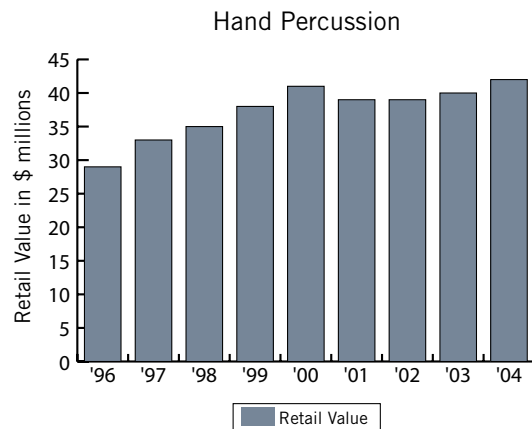
	Retail
2004 Summary	6.32%
8-Year Trend	79.51%



	Retail
2004 Summary	13.00%
8-Year Trend	103.70%



	Retail
2004 Summary	8.43%
8-Year Trend	170.52%



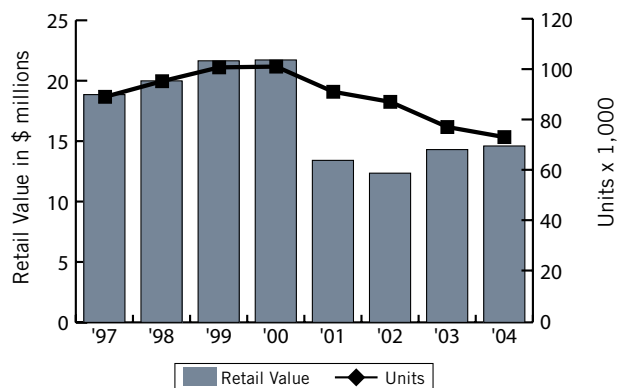
	Retail
2004 Summary	3.23%
8-Year Trend	45.61%

Wholesale value represents an estimate of the dollar value of supplier shipments to retailers in the United States for the 12-month period ended December 31, 2004. Estimates of unit sales and wholesale values are based on data from a variety of sources including the U.S. Department of Commerce, industry associations, corporate financial records and various government agencies in Europe and Asia. Retail value is arrived at by applying an average retail mark-up to the value of wholesale shipments. The mark-up is based on the results of a national survey of several hundred retailers.

DJ Products

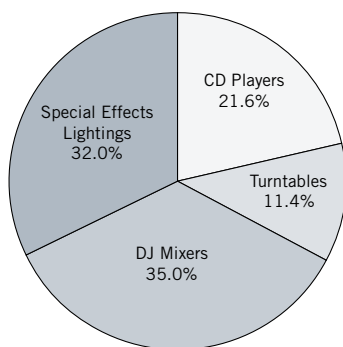
There is nothing like innovative new products to invigorate a market, and last year the DJ category received a boost from the introduction of an influx of CD players that offered a “scratching” interface that closely mimics the feel of a traditional turntable. The perceived value of these units effectively reversed downward price pressure and generated a healthy sales gain. Other segments of the DJ market were essentially flat, reflecting the maturity of the market. Sales of lighting effects declined, due in equal parts to falling prices and the decision by many retailers to abandon the category because of razor-thin margins.

Turntables

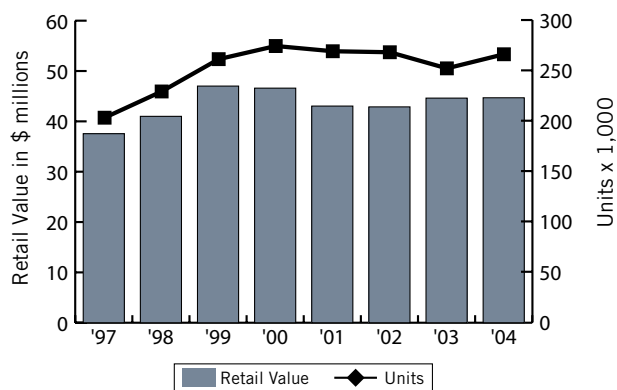


	Retail	Unit	Average Price
2004 Summary	2.10%	-5.19%	7.69%
8-Year Trend	-22.55%	-17.98%	-5.57%

Retail Value Market Share

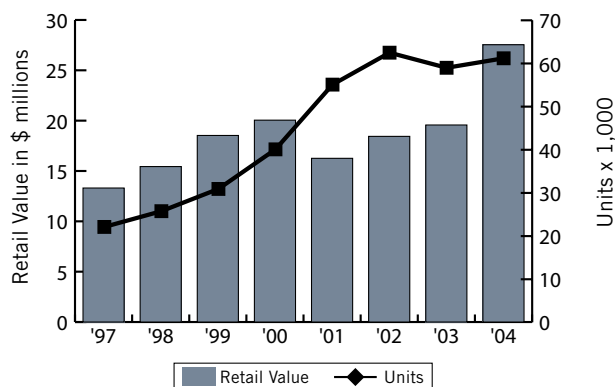


DJ Mixers

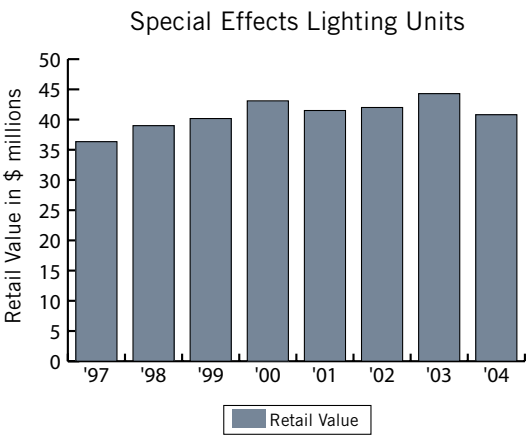


	Retail	Unit	Average Price
2004 Summary	0.15%	5.56%	-5.12%
8-Year Trend	19.01%	31.03%	-9.18%

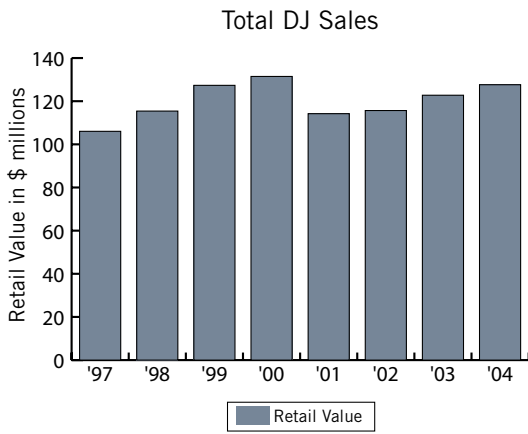
CD Players



	Retail	Unit	Average Price
2004 Summary	40.76%	3.73%	35.70%
8-Year Trend	106.96%	176.61%	-25.18%



	Retail
2004 Summary	-7.87%
8-Year Trend	12.28%

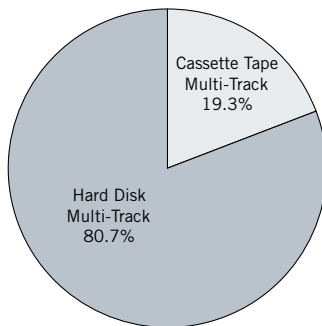


	Retail
2004 Summary	3.96%
8-Year Trend	20.35%

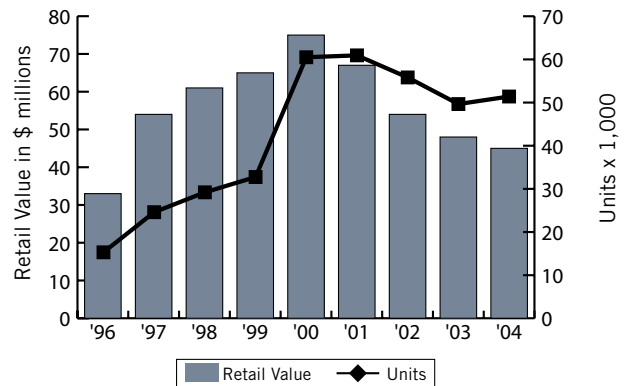
Multi-Track

Although sales of hard-disk recording products have been adversely affected by computer-based recording solutions, the category still has a good deal of life left in it. Computers do have many benefits, but they require a good deal of technical expertise and are not without certain drawbacks, most notably the tendency to crash and latency issues (subtle time delays in processing information). For those looking for an easier, more robust recording device, hard-disk units are a viable option. Dramatic price drops in hard-disk recorders have also made them accessible to a much broader market and increased their usefulness. The new crop of machines is being used like “musical sketch pads,” much in the way the original cassette recorders were. In a world characterized by rapid technological change, the continued survival of the basic multi-track cassette recorder is remarkable. Despite relying on a 40-year-old format, the multi-track cassette has several things to recommend it. It’s easy to use (no need to read the instruction manual) and it’s amazingly inexpensive. This helps explain why the cassette multi-track continues to sell.

Retail Value Market Share

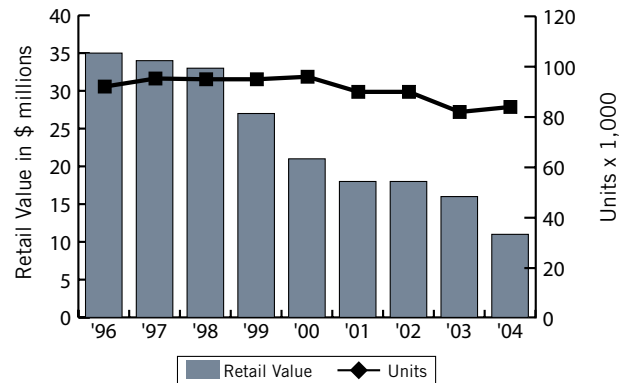


Hard Disk Multi-Track



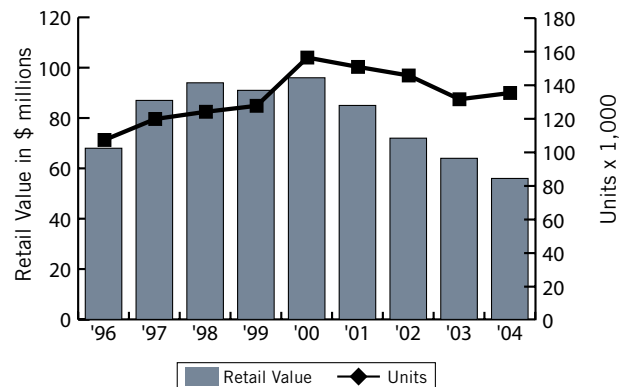
	Retail	Unit	Average Price
2004 Summary	-6.05%	3.51%	-9.24%
8-Year Trend	37.50%	235.95%	-59.07%

Cassette Tape Multi-Track



	Retail	Unit	Average Price
2004 Summary	-31.20%	2.44%	-32.84%
8-Year Trend	-68.79%	-8.79%	-65.78%

Total Multi-Track Sales



	Retail	Unit	Average Price
2004 Summary	-12.25%	2.84%	-14.68%
8-Year Trend	-17.08%	26.07%	-34.23%

Software and Computer Music Market

In the fourth century b.c., Greek philosopher Pythagoras was the first to note the similarities between music and mathematics. Pythagoras's legacy could well be the increasing use of computers in music. For the third year running, software and music-related computer peripherals were by far the industry's fastest-growing product category. Given that software piracy remains a rampant global problem, the sales numbers don't fully reflect the magnitude of consumer involvement.

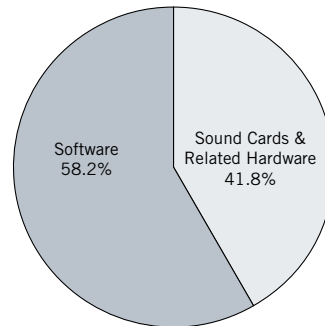
Using a personal computer for recording, editing or creating music makes perfect sense. The basic computer offering from Apple or Dell provides more raw processing power and memory per dollar than any piece of dedicated hardware. Consumers in increasing numbers view the combination of computers and specialized software applications for sequencing, sound editing or notation an indispensable and cost-effective tool. Around the basic programs has evolved a burgeoning market for plug-ins (programs that deliver specialized functions, like analog synth sounds or different reverbs) and loops (which include rhythm tracks, orchestral sounds, etc.) that can be merged and edited to create entire tracks.

Unfortunately for music retailers, much of the software business bypasses the retail channel altogether. First, all the major (and minor) software makers aggressively promote direct-to-consumer sales on Web sites and through high-profile magazine advertising campaigns. Second, estimates vary, but for every legitimate program sold, somewhere between five and ten copies are made. Finally, with Apple Computer offering a recording package (GarageBand) as standard equipment on all Macs, it's not unreasonable to wonder whether or not software will evolve into a "giveaway" product to sell hardware.

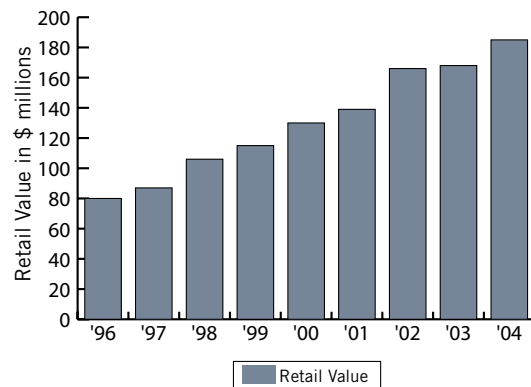
The sheer data-crunching power of a current-model Mac or PC makes it well suited for numerous musical applications. However, the combination of a typewriter keyboard and a mouse are not the ideal user interface. This explains the surge in the sale of computer peripherals, which include small keyboards, work surfaces that emulate a mixer, and a growing array of input/output devices. This peripheral market is still evolving; however, the future growth potential is apparent.

The combination of software and peripherals will have an impact on numerous other industry segments in the years to come, whether it's effects processors, keyboard synthesizers or mixing consoles.

Retail Value Market Share

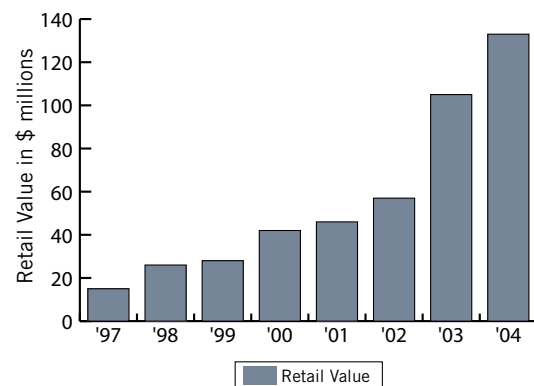


Software



	Retail
2004 Summary	10.12%
8-Year Trend	131.25%

Sound Cards & Related Hardware



	Retail
2004 Summary	26.67%
8-Year Trend	786.67%

Software includes recording software packages, plug-in modules, loops, sampling software, notation software and educational software. Sound cards and related computer hardware includes sound cards and related input/output devices, digital audio work surfaces (DAWS) and keyboard controllers designed expressly for use with computers.

Electronic Music

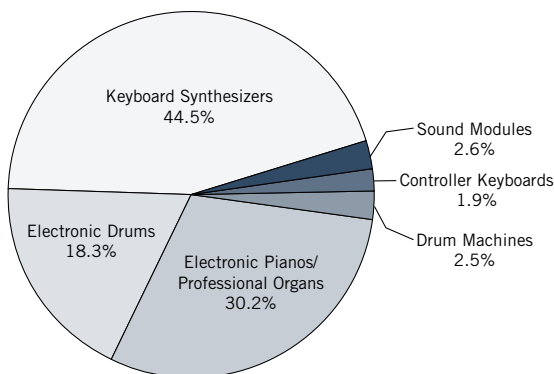
2004 was a tough year for most electronic music hardware. Falling prices combined with competition from computer-based solutions had an adverse effect on most product categories. With a bumper crop of new models boasting better sounds and features, sales of keyboard synthesizers remained stable in 2004. With most synths imported from Japan, a weaker dollar contributed to a modest increase in the average selling price.

Sales of sound modules and drum machines continued to trend down in the face of competition from alternative computer-based solutions. In the case of drum machines, the category is now dominated by “groove boxes” that incorporate instrumental and percussion samples and have become an instrument in their own right among techno-musicians.

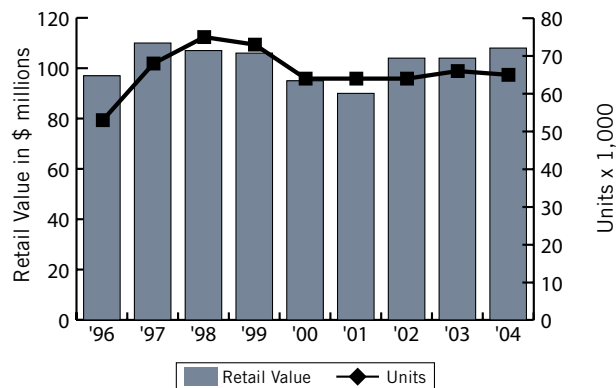
Two bright spots within the category include electronic drums, which advanced 7 percent in dollar volume, and stage pianos, which were off slightly from last year's record volume. In both cases the products offer a highly expressive user interface that can't readily be duplicated by a computer.

Controller keyboard data in this section does not include the low-cost keyboards offered by companies like M-Audio for use with products like Apple's GarageBand. Additional computer peripheral categories will be added in next year's report.

Retail Value Market Share

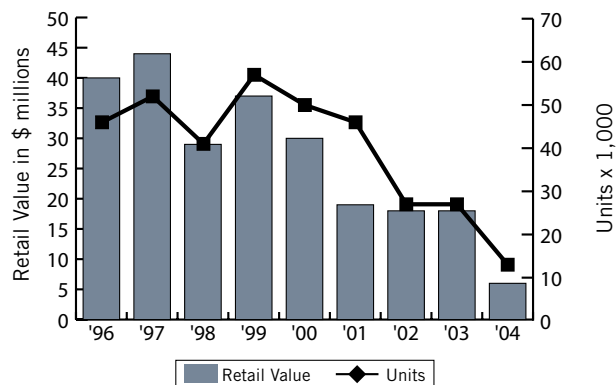


Keyboard Synthesizers



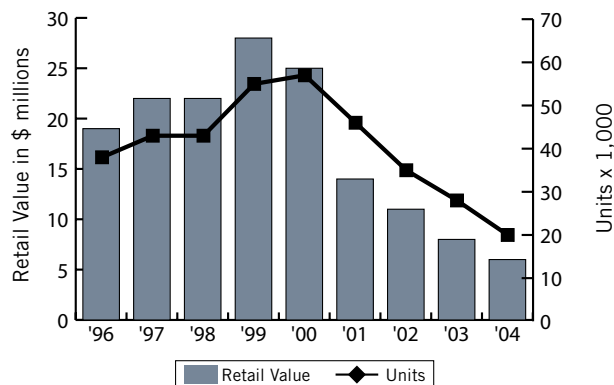
	Retail	Unit	Average Price
2004 Summary	3.26%	-0.48%	3.76%
8-Year Trend	10.81%	23.76%	-10.46%

Sound Modules



	Retail	Unit	Average Price
2004 Summary	-64.99%	-51.38%	-28.00%
8-Year Trend	-84.22%	-71.50%	-44.63%

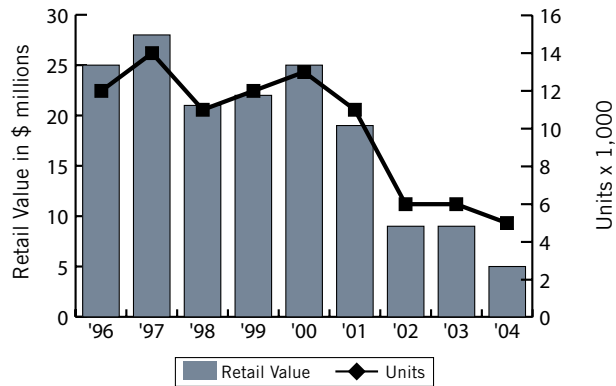
Drum Machines



	Retail	Unit	Average Price
2004 Summary	-28.01%	-28.25%	0.33%
8-Year Trend	-68.92%	-47.48%	-40.82%

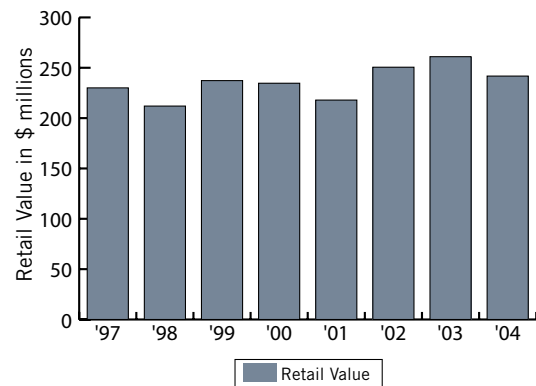
U.S. Segment Data

Controller Keyboards



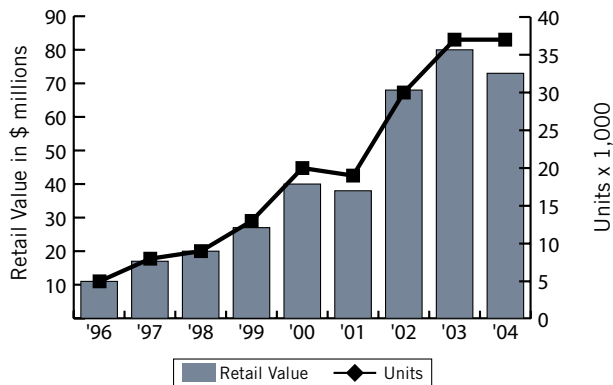
	Retail	Unit	Average Price
2004 Summary	-52.38%	-20.63%	-40.00%
8-Year Trend	-82.03%	-59.06%	-56.10%

Total Electronic Music Sales



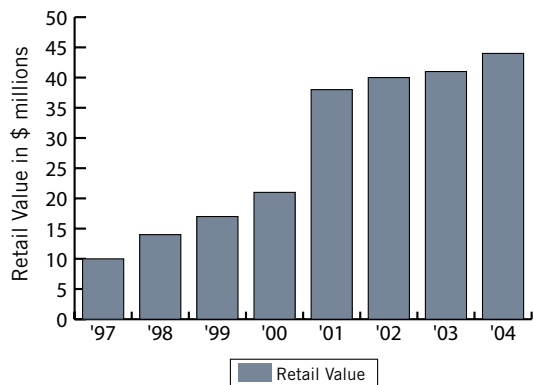
	Retail
2004 Summary	-7.38%
8-Year Trend	5.09%

Electronic Pianos/Professional Organs



	Retail	Unit	Average Price
2004 Summary	-8.35%	-0.73%	-7.67%
8-Year Trend	572.01%	587.34%	-2.23%

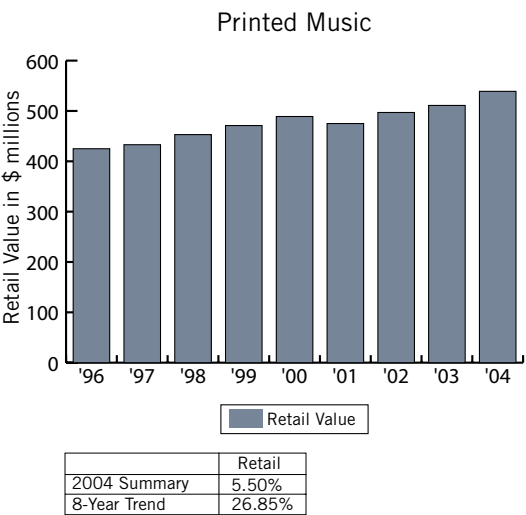
Electronic Drums



	Retail
2004 Summary	7.33%
8-Year Trend	356.02%

Printed Music

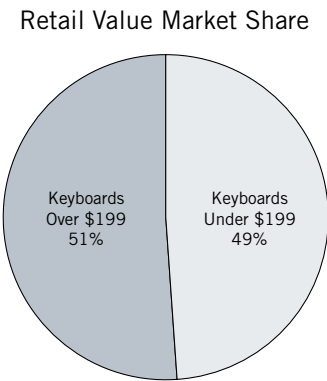
Despite pervasive unauthorized copying and a growing quantity of pirated music online, the print music category continues to post steady upward growth. The increases cut across all categories and are driven in large part by the increase in the number of active music makers. Each year, with millions of first-time guitars and keyboards sold, the demand for printed music edges up. Ink on paper is hardly cutting-edge technology, but print publishers have managed to enhance their products through the use of DVDs, which are particularly appealing in instructional methods.



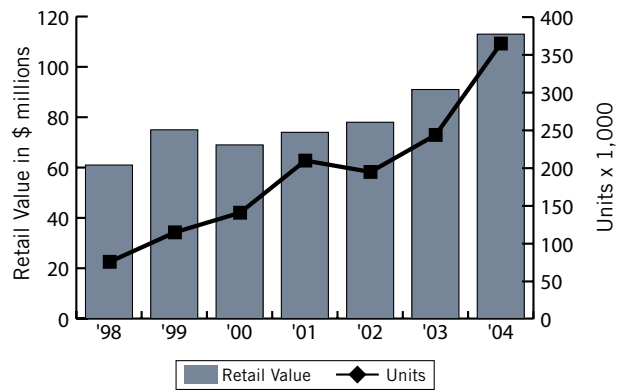
Portable Keyboards

Portable keyboards enjoyed their best year in well over a decade, with instruments priced both over and under \$199 posting strong unit gains. The low-end of the market (priced under \$199 retail) is almost exclusively the preserve of mass merchants and discount chains (e.g., Wal-Mart, Costco). The 14.6 percent unit increase in that segment can be traced to the combination of improved economic conditions and lower average selling prices. It is not apparent that any of the mass merchants stepped up their promotional or inventory commitments. However, all reported improved sell-through in the all-important fourth quarter.

Today's \$300 (retail) portable keyboard offers more features, better sound quality, and a better keyboard "feel" than professional synths of a decade ago. This dramatic improvement in product value is what has driven unit gains in the Over \$199 portable category. Retailers both large and small study buying patterns to try and find the price point that stimulates impulse buying. If the 49 percent unit gain is any indication, it appears that with high-end portables, they have found it.

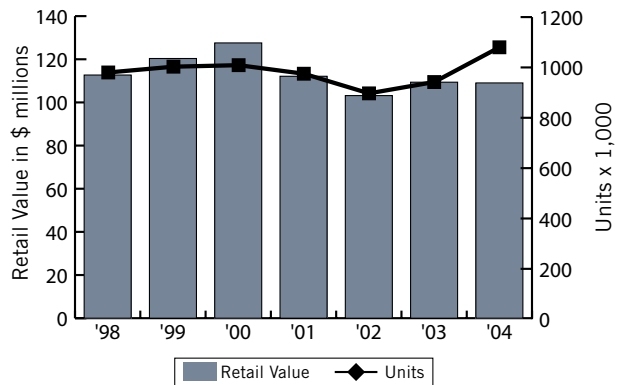


Keyboards Over \$199



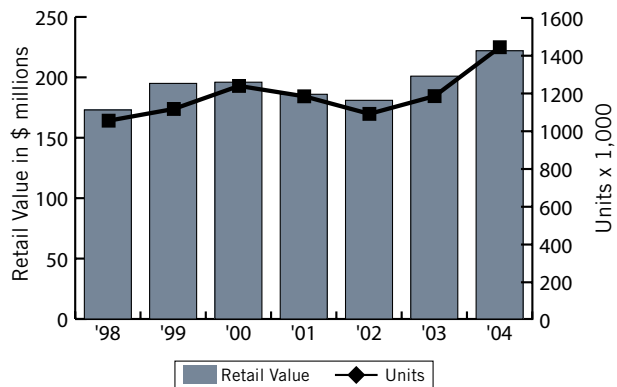
	Retail	Unit	Average Price
2004 Summary	23.81%	49.77%	-17.33%
8-Year Trend	86.82%	381.53%	-61.20%

Keyboards Under \$199



	Retail	Unit	Average Price
2004 Summary	-0.31%	14.57%	-12.98%
8-Year Trend	-3.25	10.17%	-12.17%

Total Portable Keyboards

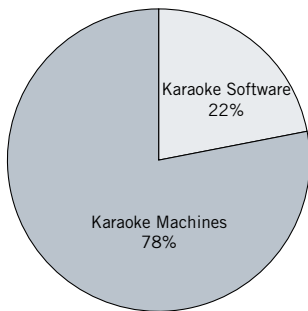


	Retail	Unit	Average Price
2004 Summary	10.67%	21.80%	-9.13%
8-Year Trend	28.24%	36.83%	-6.28%

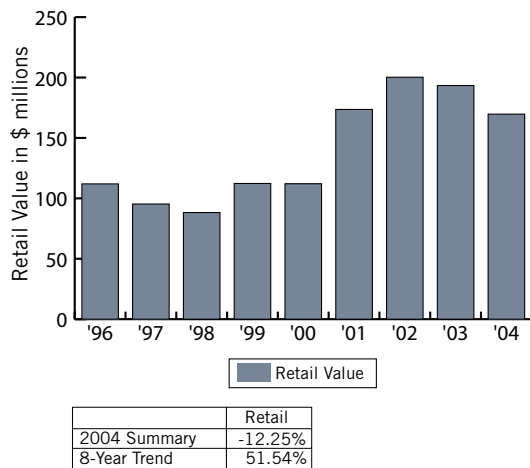
Karaoke

Sales of karaoke machines were adversely affected last year when leading mass merchants opted to reduce their commitment to the product category. The move had a devastating effect on the financial results of industry leader Singing Machine Company. Software fared better; however, M.I. dealers seem decidedly less enthusiastic about the category. Their complaints: slowing sales growth, intensified competition from mass merchants, and a high degree of piracy.

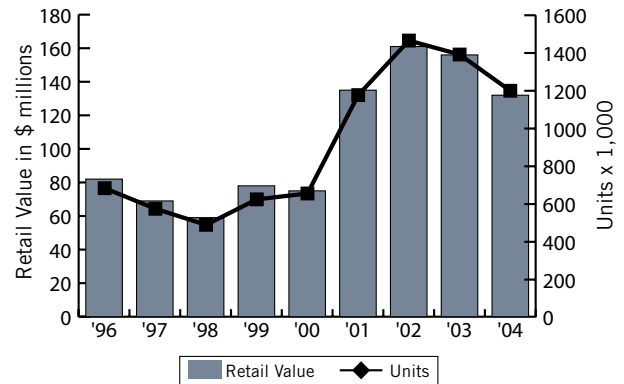
Retail Value Market Share



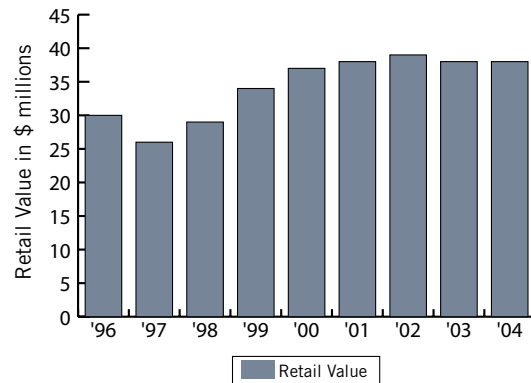
Total Karaoke Market



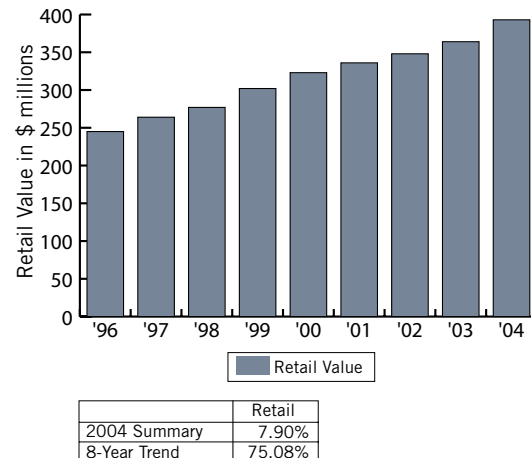
Karaoke Machines



Karaoke Software



General Accessories



The general accessories category comprises a wide variety of accessory products including: instrument care products, metromes, tuners, polishes, reeds, stands, cases, bags, straps, lighting equipment, pickups, and specialty instruments like recorders, accordions and harmonicas.

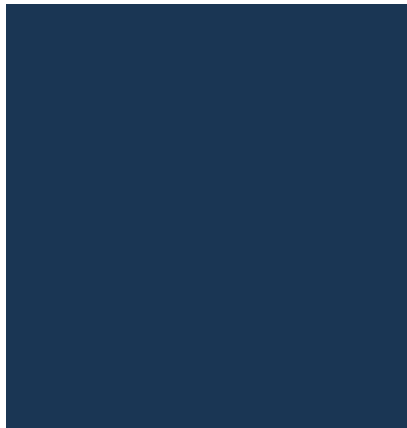
Music and Sound

U.S. Industry Summary 2004

“Music is the art of thinking with sounds.”



-Jules Combarieu



The Numbers

Music and Sound Industry Summary

This section aims to provide 10-year-trend music product activities in the music industry. The data comes from the numbers gathered by *The Music Trades* magazine over the past decade.

Imports and Exports

The import and export statistics are provided by the U.S. Census Bureau, and offers a snapshot of the U.S. music products import and export activities. This section also provides an overview of the countries where U.S. music products were exported and from which countries the United States imported music products in 2004.

Music and Sound

U.S. Industry Summary 2004

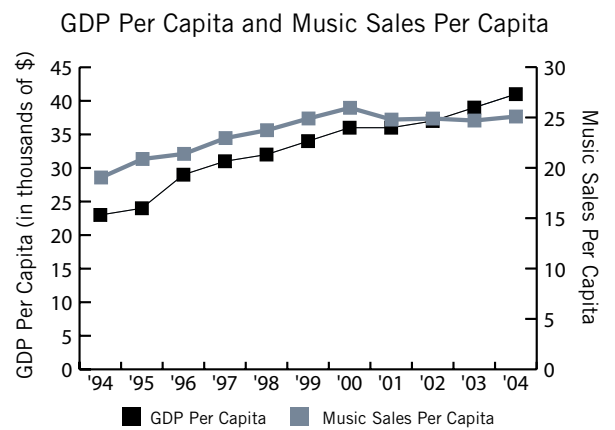
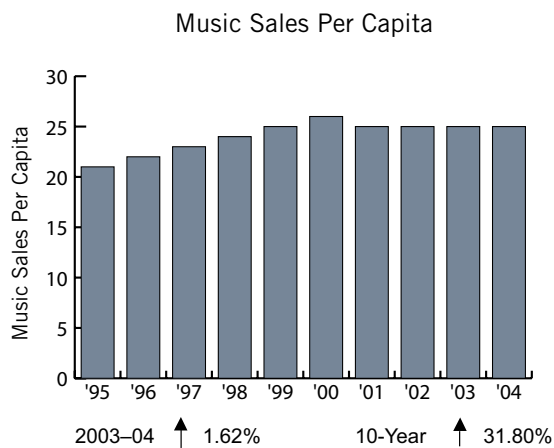
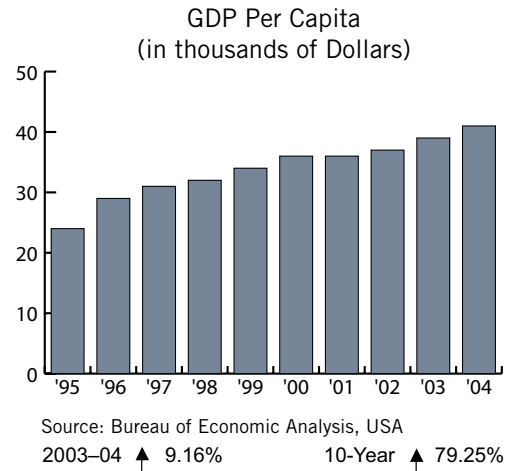
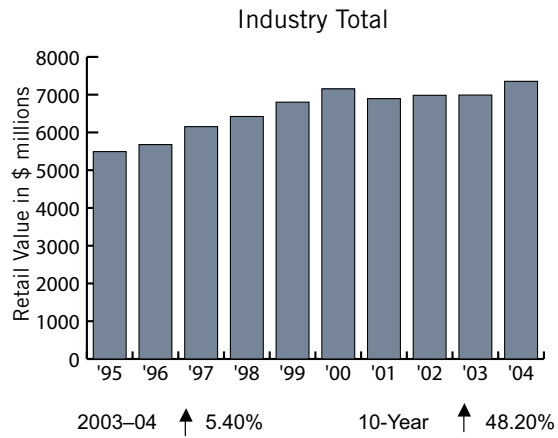
In millions of dollars

Segment	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Acoustic Pianos	\$556	\$559	\$598	\$569	\$639	\$710	\$669	\$673	\$553	\$569	\$537	\$503
Cables	\$69	\$78	\$86	\$93	\$102	\$105	\$114	\$127	\$122	\$129	\$130	\$141
Computer Music Products *	-	-	\$66	\$80	\$102	\$132	\$143	\$172	\$185	\$212	\$273	\$318
Digital Pianos	\$115	\$124	\$129	\$137	\$167	\$152	\$159	\$162	\$152	\$149	\$167	\$165
DJ Gear	-	-	-	-	\$106	\$115	\$127	\$132	\$114	\$116	\$123	\$128
Drum Machines	\$22	\$20	\$24	\$19	\$22	\$22	\$28	\$25	\$14	\$11	\$8	\$6
Electronic Player Pianos	\$38	\$46	\$52	\$60	\$75	\$89	\$129	\$160	\$133	\$124	\$113	\$142
Fretted Products	\$603	\$666	\$812	\$827	\$842	\$833	\$913	\$1,089	\$1,095	\$1,112	\$1,115	\$1,273
General Accessories	\$271	\$298	\$330	\$245	\$264	\$277	\$302	\$323	\$336	\$348	\$364	\$393
Home Organs	\$86	\$86	\$84	\$79	\$83	\$80	\$71	\$74	\$71	\$73	\$66	\$67
Institutional Organs	\$53	\$56	\$58	\$57	\$54	\$60	\$69	\$78	\$73	\$78	\$70	\$67
Karaoke Products	\$146	\$116	\$114	\$112	\$95	\$88	\$112	\$111	\$174	\$200	\$193	\$170
Keyboard Synthesizers	\$110	\$113	\$94	\$97	\$110	\$107	\$107	\$95	\$90	\$104	\$104	\$108
Microphones	\$241	\$259	\$285	\$299	\$312	\$319	\$353	\$372	\$358	\$369	\$391	\$413
Multi-Track Recorders	\$109	\$129	\$141	\$151	\$157	\$159	\$140	\$120	\$91	\$76	\$64	\$56
Other Electronic Products**	\$41	\$47	\$68	\$69	\$85	\$86	\$98	\$112	\$119	\$128	\$130	\$122
Percussion	\$164	\$175	\$196	\$287	\$328	\$371	\$417	\$458	\$454	\$475	\$488	\$529
Portable Keyboards	\$147	\$151	\$137	\$148	\$167	\$173	\$195	\$196	\$196	\$181	\$201	\$222
Printed Music	\$371	\$400	\$420	\$425	\$434	\$453	\$471	\$489	\$475	\$497	\$511	\$539
Signal Processing	\$114	\$123	\$135	\$202	\$217	\$222	\$234	\$221	\$211	\$214	\$210	\$212
Single Unit Amps	\$283	\$312	\$344	\$355	\$362	\$340	\$350	\$367	\$361	\$359	\$339	\$372
Sound Modules	\$67	\$69	\$55	\$40	\$44	\$29	\$37	\$30	\$20	\$18	\$18	\$6
Sound Reinforcement	\$503	\$645	\$704	\$720	\$758	\$833	\$884	\$902	\$859	\$851	\$820	\$859
Stringed Instruments***	\$46	\$51	\$54	\$62	\$57	\$64	\$64	\$73	\$76	\$78	\$78	\$82
Wind Instruments	\$420	\$439	\$507	\$545	\$572	\$602	\$615	\$593	\$564	\$517	\$477	\$461
Industry Total	\$4,573	\$4,962	\$5,492	\$5,678	\$6,152	\$6,422	\$6,802	\$7,154	\$6,894	\$6,984	\$6,990	\$7,354

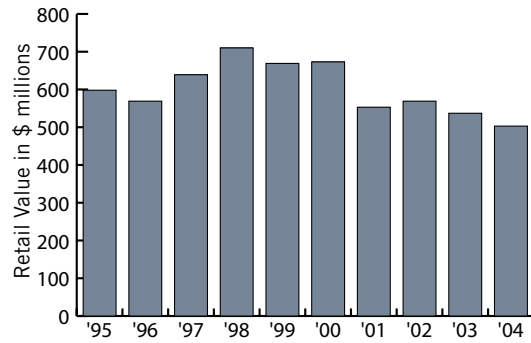
* 1995–1996 figures reflect only sales of software. Sound cards were added in 1997.

** Originally included sequencers, samplers and electronic drums. Controller keyboards and professional electronic pianos added in 1991. Sequencers and samplers not counted in 2003.

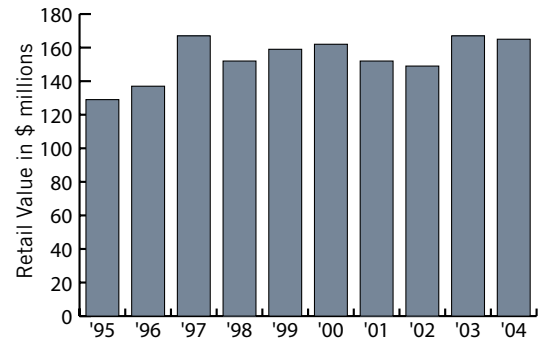
*** Stringed Instruments data are restated from 2000 by *The Music Trades*.



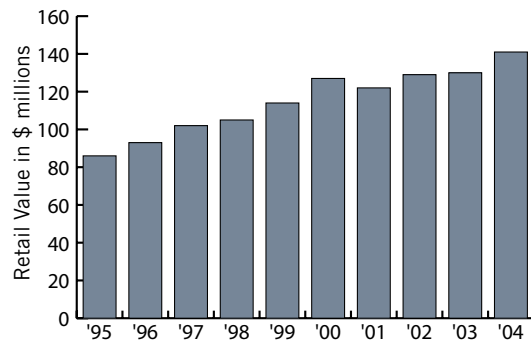
Acoustic Pianos



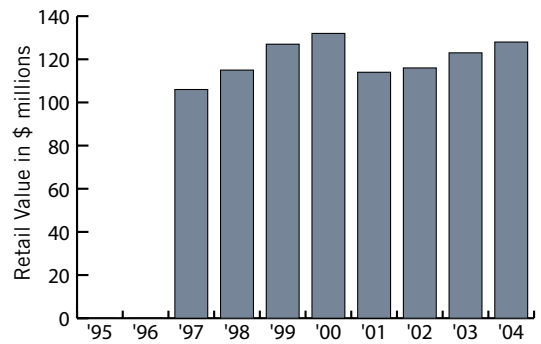
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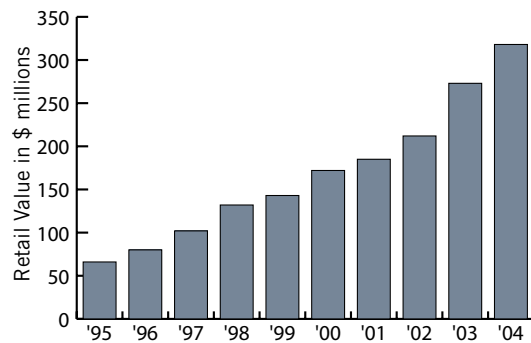
Cables



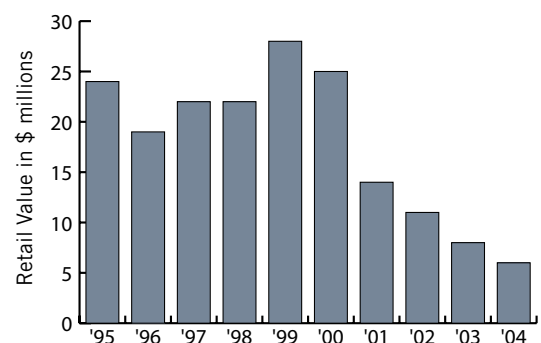
DJ Gear

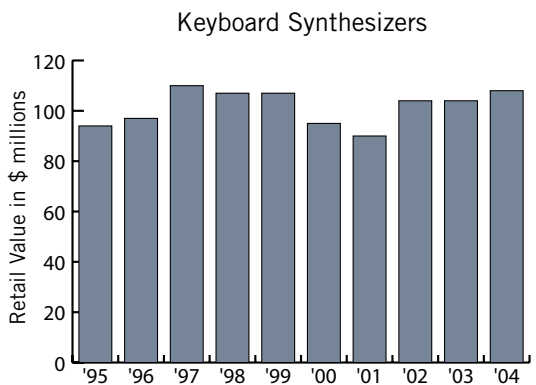
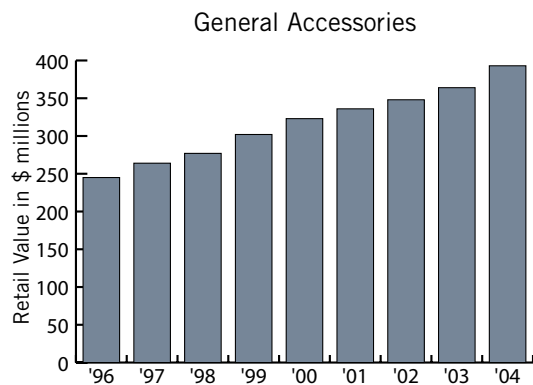
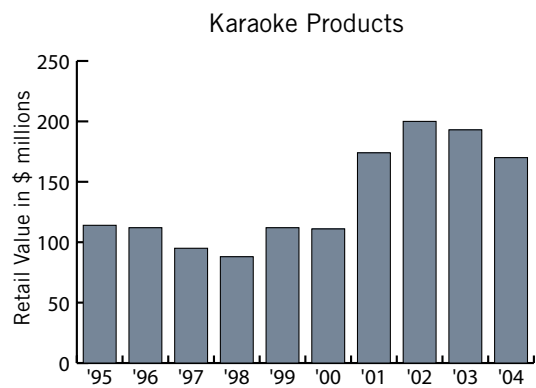
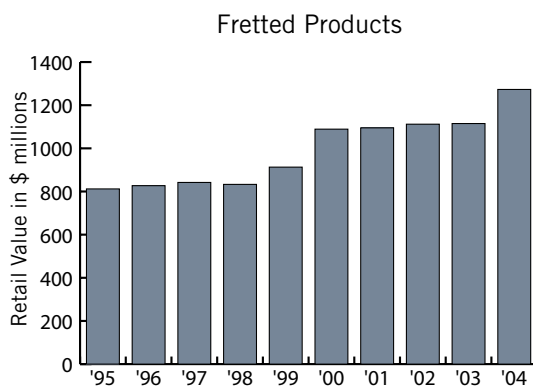
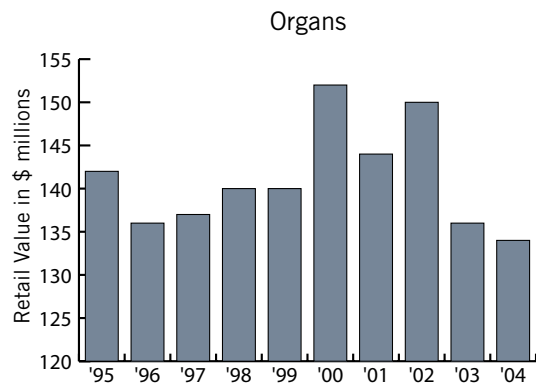
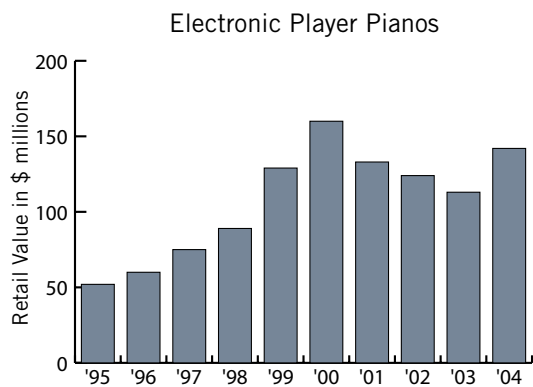


Computer Music Products



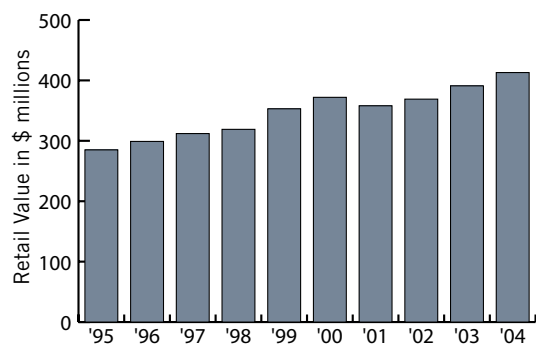
Drum Machines



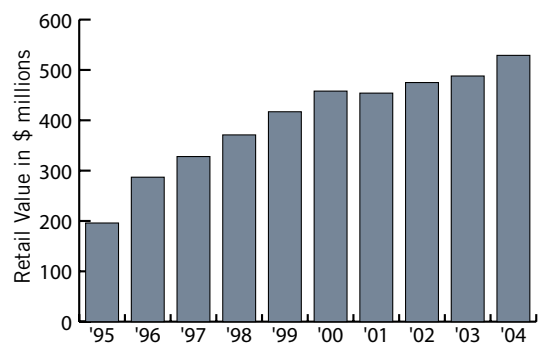


U.S. Industry Summary

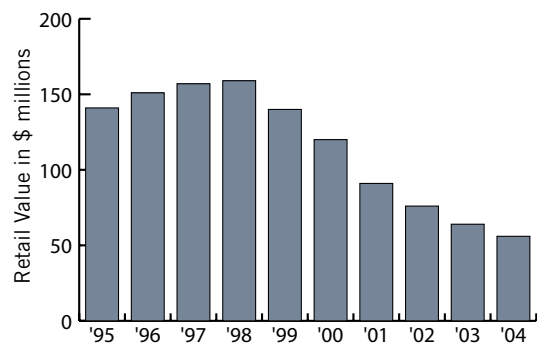
Microphones



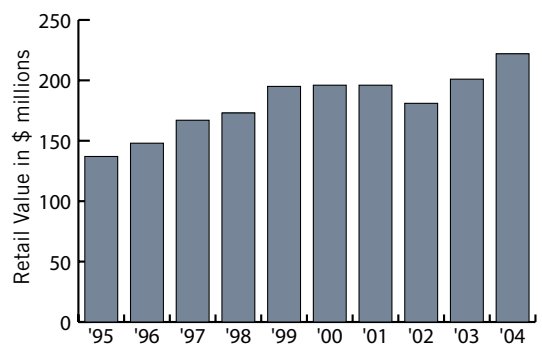
Percussion



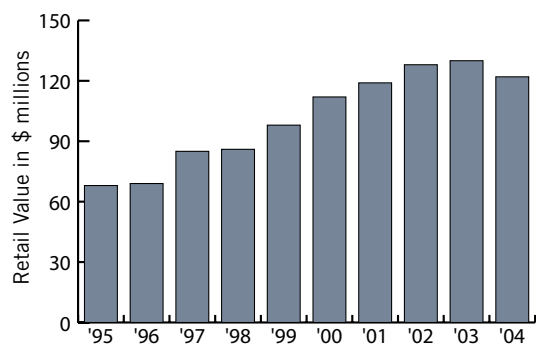
Multi-Track Recorders



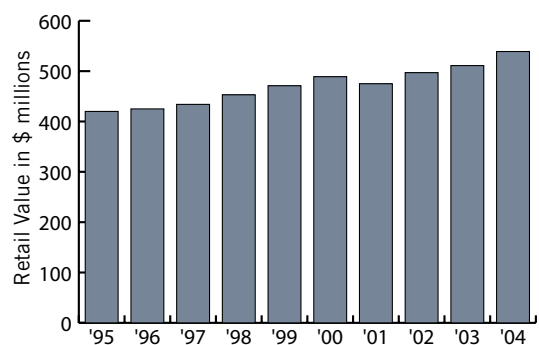
Portable Keyboards



Other Electronic Products

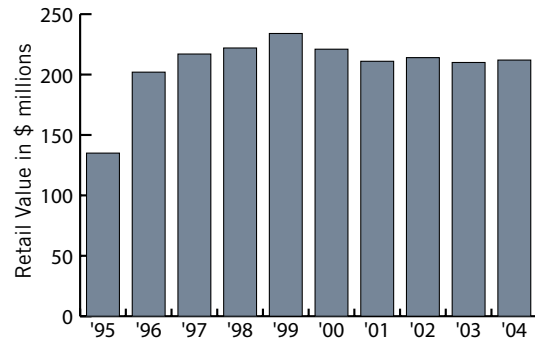


Printed Music

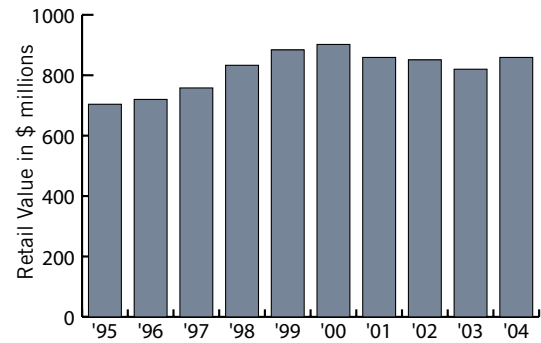


U.S. Industry Summary

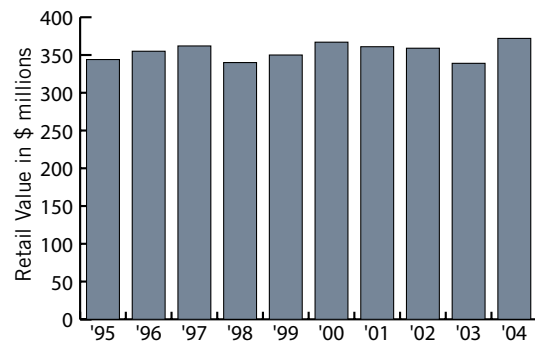
Signal Processing



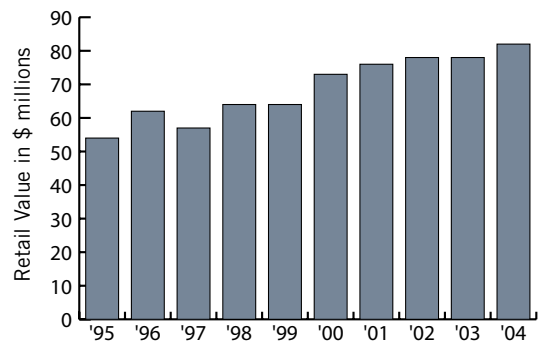
Sound Reinforcement



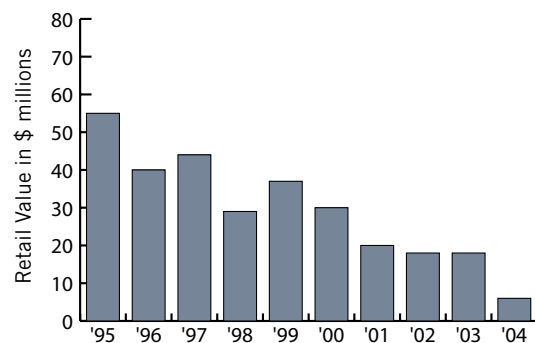
Single Unit Amps



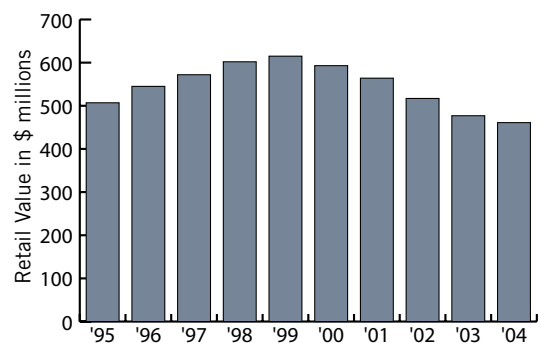
Stringed Instruments



Sound Modules



Wind Instruments



U.S. Imports of Music and Sound Products

Industry Summary 2004

Description	Commodity Code	Quantity	Value
Single Loudspeakers, Mounted in Their Enclosures	8518210000	38,466,465	\$422,059,221
Multiple Loudspeakers, Mounted in the Same Enclosures	8518220000	16,401,350	\$421,895,214
Headphones, Earphones, Microphone/Speaker, Nesoi *	8518302000	218,365,209	\$552,138,857
Audio Frequency Electric Amplifiers, Nesoi	8518402000	9,320,155	\$394,848,417
Upright Pianos	9201100011	49,798	\$53,406,525
Grand Pianos	9201200011	41,444	\$189,246,161
String Musical Instruments Played with a Bow	9202100000	341,016	\$30,070,162
Guitars Under \$100, Excluding the Value of the Case	9202902000	2,292,043	\$82,391,206
Guitars, Nesoi	9202904000	220,493	\$42,595,046
String Musical Instruments, Nesoi	9202906000	529,046	\$16,373,440
Keyboard Pipe Organs	9203004000	155	\$11,097,609
Piano Accordions	9204104000	42,806	\$2,697,255
Mouth Organs	9204200000	376,957	\$8,479,933
Brasswind Instruments Valued Not Over \$10 Each	9205100040	35,044	\$77,231
Brasswind Instruments Valued Over \$10 Each	9205100080	148,287	\$43,627,452
Bagpipes	9205902000	4,234	\$572,851
Clarinets	9205904020	100,794	\$18,798,378
Saxophones	9205904040	95,614	\$39,496,672
Flutes and Piccolos (Except Bamboo)	9205904060	382,429	\$13,062,297
Drums	9206002000	1,950,590	\$93,110,748
Cymbals	9206004000	620,440	\$16,163,786
Sets of Tuned Bells, as Chimes, Peals or Carillons	9206006000	881,907	\$9,549,842
Percussion Musical Instruments, Nesoi	9206008000	2,970,521	\$19,351,777
Musical Synthesizers (Under \$100 Each)	9207100005	66,632	\$988,291
Musical Synthesizers (\$100 Or Over Each)	9207100010	85,785	\$51,813,093
Keyboard Instrument (More Than 1 Keyboard Under \$200)	9207100045	5,810	\$74,793
Keyboard Instrument (More Than 1 Keyboard \$200 or Over)	9207100055	2,178	\$4,273,821
Keyboard Instrument (More Than 1 Keyboard Handheld)	9207100060	178,434	\$7,735,262
Keyboard Instrument Except Accordions (1 Keyboard Under \$100)	9207100065	1,079,619	\$50,321,089
Keyboard Instrument Except Accordions (1 Keyboard \$100 or Over)	9207100075	365,074	\$136,657,332
Fretted Stringed Instruments	9207900040	2,639,960	\$198,059,769

U.S. Imports of Music and Sound Products

Industry Summary 2004

Description	Commodity Code	Quantity	Value
Fretted Stringed Instruments	9207900040	2,639,960	\$198,059,769
Musical Instruments, Electrically Amplified, Nesoi	9207900080	296,455	\$15,903,302
Music Boxes	9208100000	10,889,718	\$62,490,291
Other Musical Instruments	208900040	130,630	\$375,141
Mouth-blown Sound Signaling Instruments, Nesoi	9208900080	32,049,779	\$10,338,929
Metronomes, Tuning Forks and Pitch Pipes	9209100000	-	\$8,186,391
Mechanisms for Music Boxes	9209200000	698,339	\$644,076
Musical Instrument Strings	9209300000	12,706,930	\$28,360,525
Parts and Accessories for Pianos, Nesoi	9209918000	-	\$21,133,074
Mutes, Stands and Music Holders of Stringed Instruments	9209922000	-	\$2,226,149
Tuning Pins for Stringed Instruments	9209924000	2,652	\$1,216,592
Parts of Bows, Chin Rest and Parts for Instruments Played with Bow	9209926000	-	\$11,612,418
Parts and Accessories For Stringed Instruments, Nesoi	9209928000	-	\$24,368,187
Parts and Accessories for Pipe Organs	9209934000	-	\$10,450,133
Other Parts and Accessories for Keyboards	9209938000	-	\$503,001
Collapsible Keyboard Instrument Stands	9209944000	-	\$6,655,507
Other Parts and Accessories for Keyboard Instruments	9209948000	-	\$33,420,922
Mutes, Pedals, Dampers, Spurs for Drums Pedals	9209991000	-	\$36,497,383
Parts and Accessories for Bagpipes	9209992000	-	\$300,310
Parts and Accessories for Woodwind Instruments	9209994040	-	\$29,068,685
Parts and Accessories for Other Wind Instruments	9209994080	-	\$7,001,489

* Nesoi: Not Elsewhere Specified Or Indicated

Source: The U.S. Census Bureau, 2004

	2004	2003	Difference	% Change
Import Values	\$3,290,691,302	\$2,848,224,161	\$442,467,141	15.53%
Export Values	\$1,473,108,891	\$1,279,805,552	\$193,303,339	15.10%

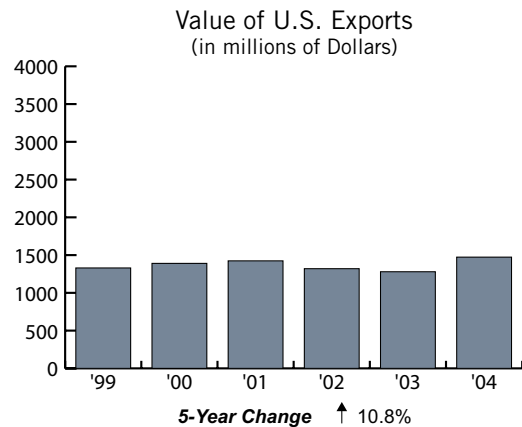
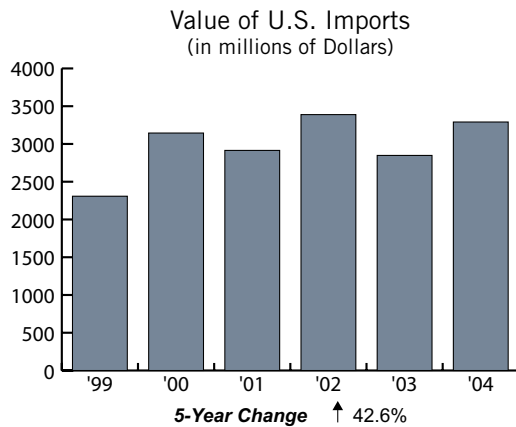
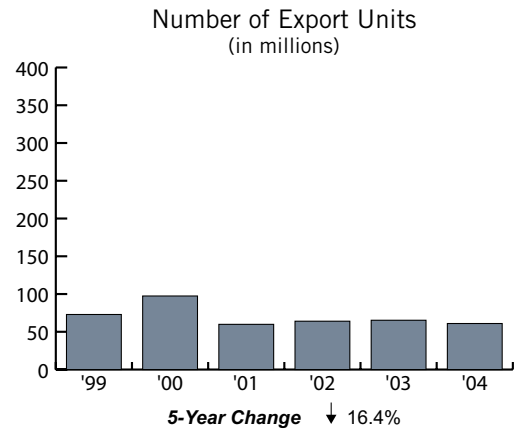
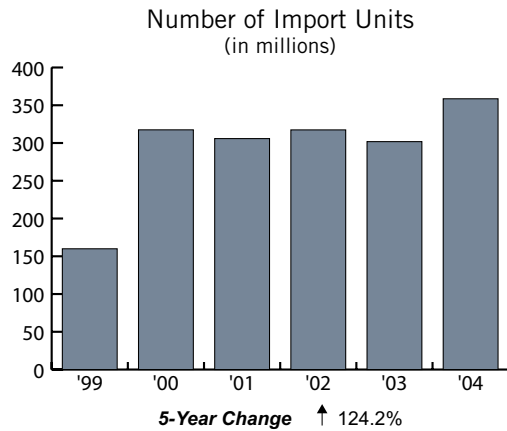
U.S. Exports

U.S. Exports of Music and Sound Products Industry Summary 2004

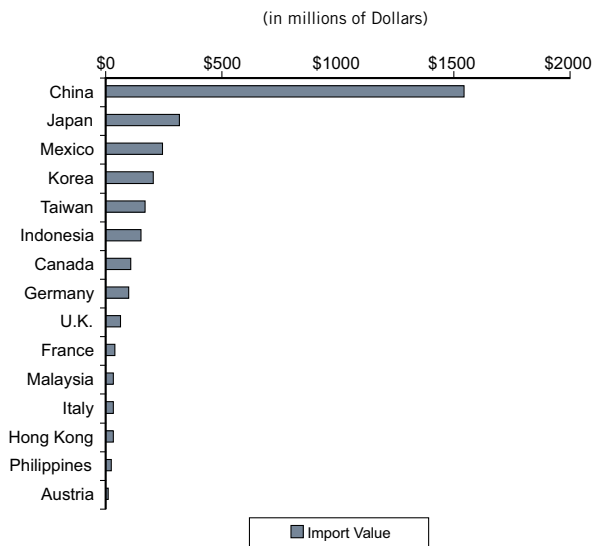
Description	Commodity Code	Quantity	Value
Microphones and Stands Thereof	8518100000	-	\$61,040,885
Single Loudspeakers, Mounted in Their Enclosures	8518210000	5,065,246	\$133,934,171
Loudspeakers, Nesoi *	8518290000	27,468,746	\$232,842,255
Headphones, Earphones, Microphones/Speaker, Nesoi	8518302000	5,132,639	\$80,694,795
Audio Frequency Electric Amplifiers, Nesoi	8518402000	2,600,849	\$318,449,056
Electric Sound Amplifiers Sets	8518500000	777,677	\$59,392,564
Microphone, Loudspeaker and Amplifier Parts	8518903000	-	\$189,917,403
Upright Pianos	9201100000	1,595	\$2,830,215
Grand Pianos	9201200000	980	\$5,132,465
Pianos, Nesoi	9201900000	3,278	\$2,837,823
String Musical Instruments	9202100000	4,608	\$2,106,564
Guitars	9202903000	152,346	\$72,937,449
String Musical Instruments, Nesoi	9202906000	83,511	\$12,809,861
Keyboard, Pipe Organs, Etc, with Free Metal Reeds	9203000000	10,442	\$2,161,133
Accordians and Similar Instruments	9204100000	3,420	\$869,388
Mouth Organs	9204200000	47,016	\$294,042
Brasswind Instruments	9205100000	48,936	\$16,589,634
Woodwind Instruments, Nesoi	9205901000	61,905	\$10,474,182
Wind Instruments, Nesoi	9205906000	174,582	\$5,532,183
Percussion Musical Instruments	9206000000	1,406,449	\$37,366,262
Music Synthesizers, Other Than Accordions	9207100020	17,771	\$3,062,032
Keyboard Instruments, Other Than Accordions, Nesoi	9207100080	28,347	\$7,318,584
Fretted Stringed Instruments	9207900040	117,752	\$53,474,676
Musical Instruments, Electrically Amplified, Nesoi	9207900080	370,149	\$37,741,455
Music Boxes	9208100000	175,748	\$5,160,047
Mouth-Blown Sound Signaling Instruments, Nesoi	9208900080	906,658	\$7,547,210
Metronomes, Tuning Forks and Pitch Pipes	9209100000	-	\$1,085,368
Musical Instrument Strings	9209300000	16,813,246	\$47,426,152
Parts and Accessories for Pianos	9209910000	-	\$3,862,002
Parts and Accessories for Fretted Instruments	9209920000	-	\$29,660,996
Parts and Accessories for Keyboards	9209940000	-	\$21,249,905
Other Parts and Accessories	9209990000	-	\$38,131,940

U.S. Imports & Exports of Music and Sound

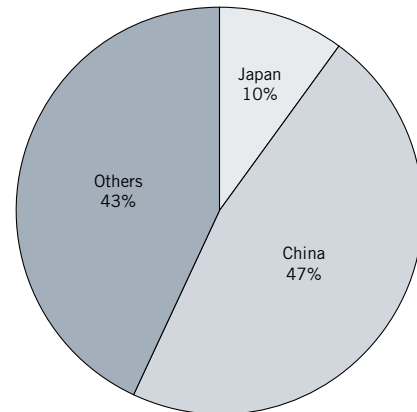
Industry Summary 2004



Top 15 Sources of Music Product Imports to the United States

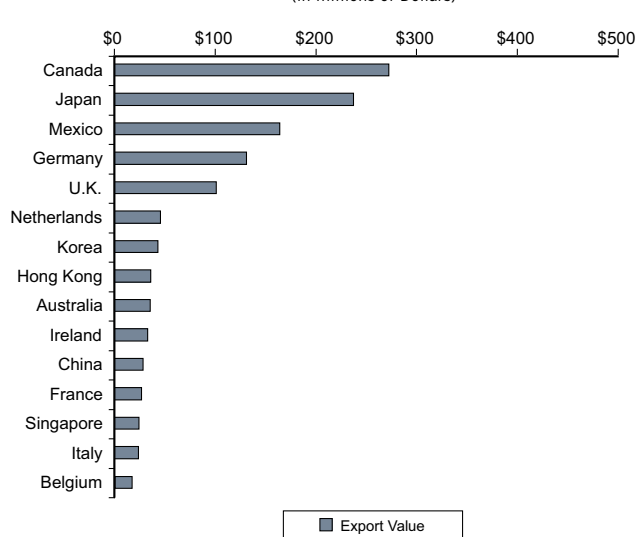


Import Value

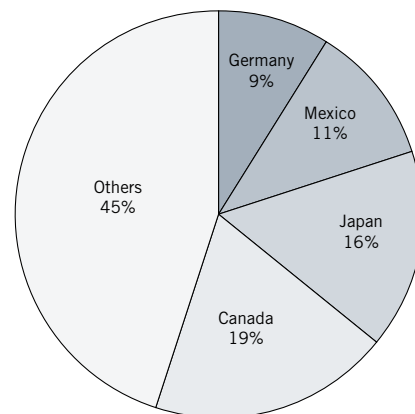


The United States imported music products from a total of 106 countries in 2004.

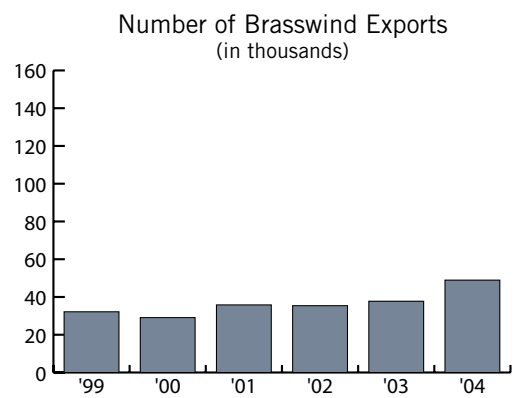
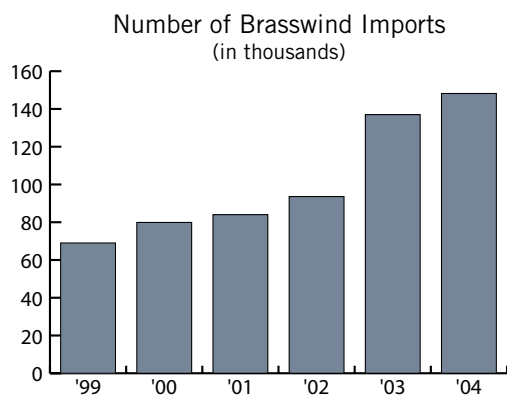
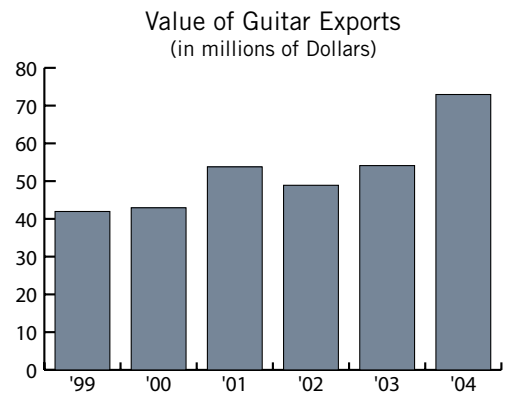
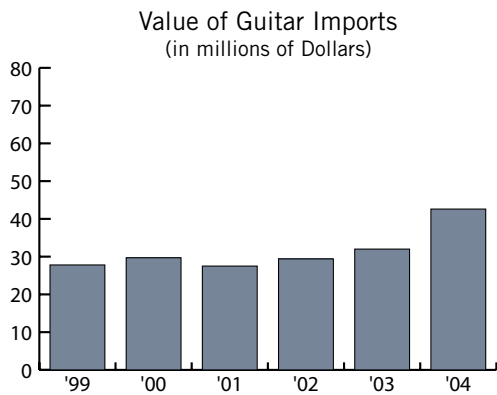
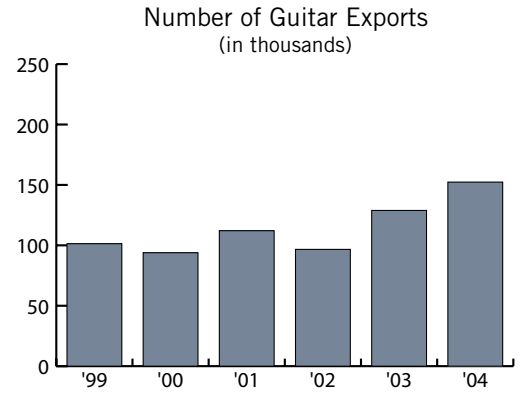
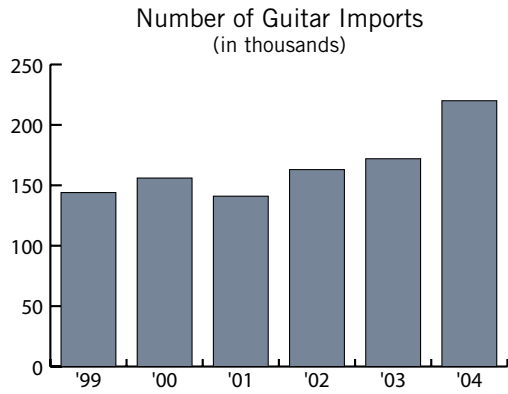
Top 15 U.S. Music Product Export Destinations



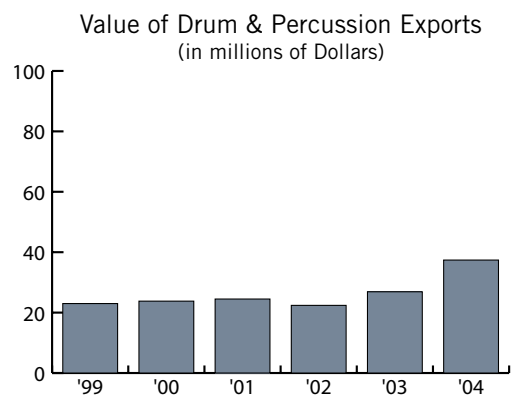
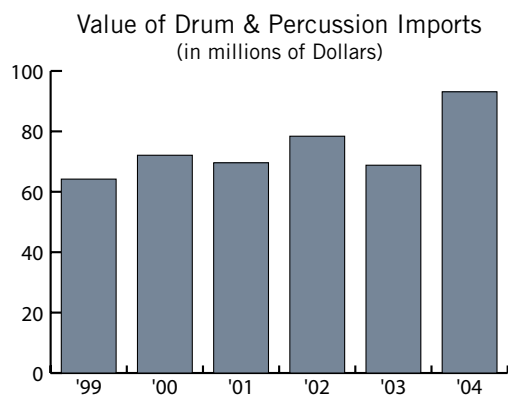
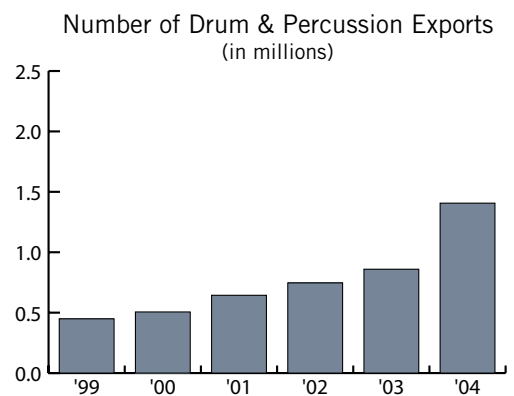
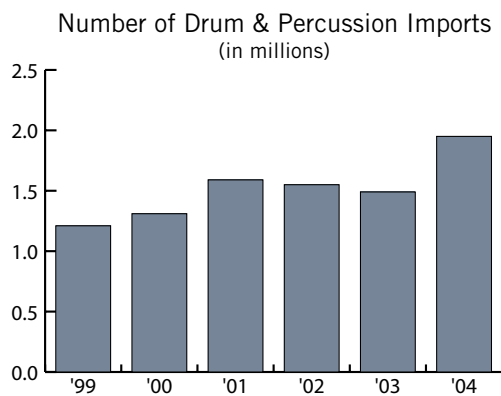
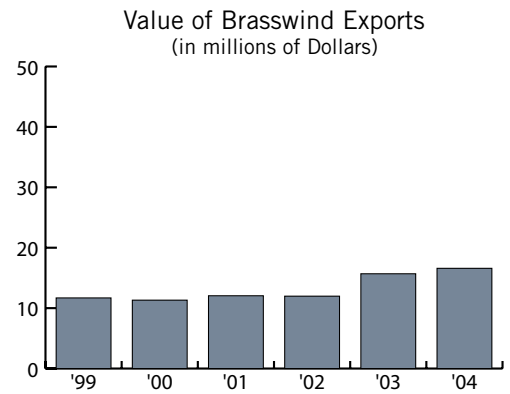
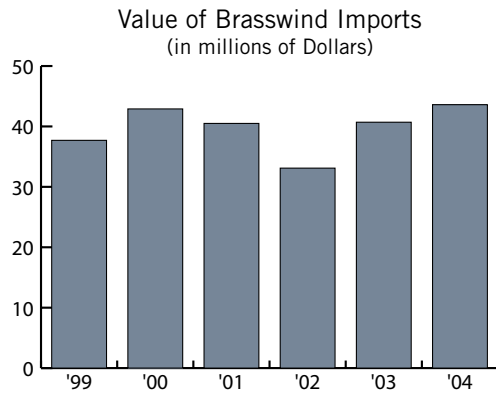
Export Value



The United States exported music products to a total of 175 countries in 2004.



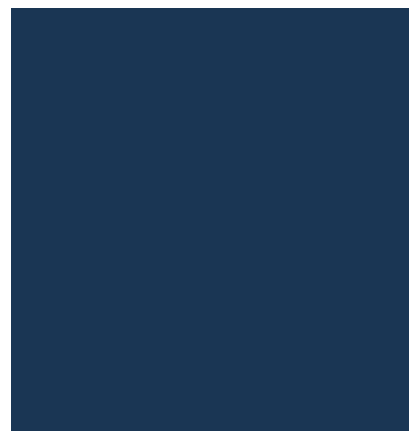
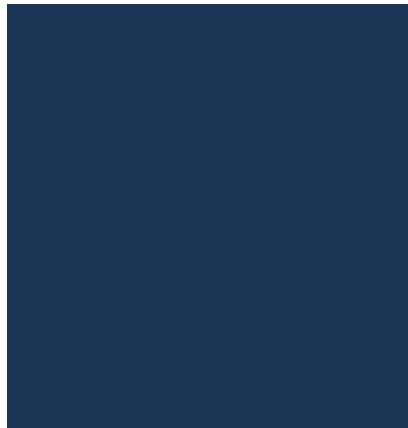
U.S. Imports and Exports



International Data

“Where words fail, music speaks.”

-Hans Christian Andersen



Understanding the International Data

To offer a global overview of the music products industry, we are pleased to feature seven countries in the international section this year: Australia, Canada, China, Japan, Italy, Spain and the United Kingdom. Regarding the source and nature of the data:

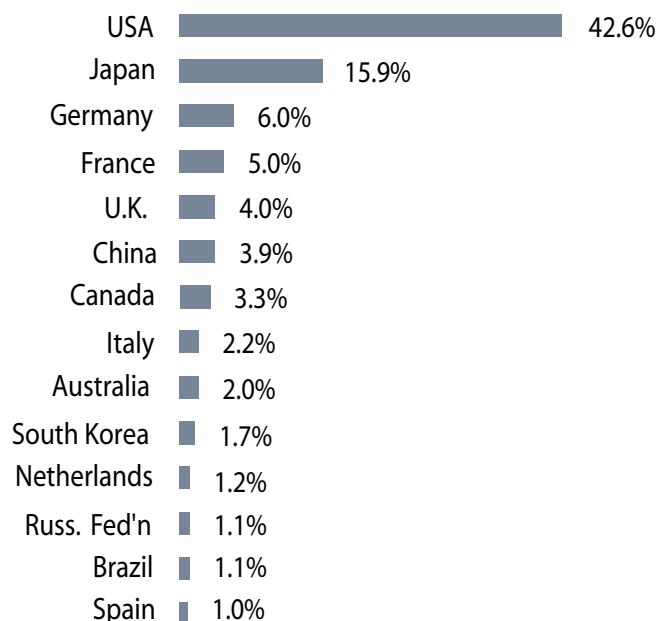
Australia, Canada and the U.K. – The numbers are derived from import units and values as an indicator of the domestic markets. Retail values are calculated by applying different margins to various product categories. Data is provided by the Australian Music Association (AMA), the Music Industries Association Canada (MIAC) and the Music Industries Association, U.K. (MIA).

China – In China, domestic sales information is hard to gather, so this section concentrates on export and import data. This section also provides information about where Chinese music products were exported in 2004. Data is provided by the China Music Instrument Association (CMIA).

Japan – Aside from domestic sales in Japan, it is also important to see the trend of Japanese exporting activity. This section adds new information and compares the Japanese domestic market with the country's export sales. The data is provided by the *Japan Music Trades* magazine.

Italy and Spain – The numbers reflect the Italian and Spanish domestic market. Data is provided by the Italian music industry association, *DismaMusica*, and the Spanish Music Products Association (Comúsica).

Top Global Market Sales Share





The Australian music products market continued to show solid growth during 2004. Import volumes rose by 11 percent compared to the previous year with an accompanying 7 percent increase in import value. The 7 percent rise in import value being approximately twice that of the annualized GDP result for the country overall.

A number of factors are at play, the most significant of which are:

- **A strong economy and high levels of consumer confidence**
- **A greater presence in popular music of artists who are playing instruments – particularly the guitar, but also the piano**
- **The value for money of products increasing as a result of price deflation**

Nowhere was the combination of these factors so evident as in the guitar market where unit imports rose by 17 percent in 2004 compared to the previous year. The effects of price deflation can be seen in falling average unit values resulting in a modest (compared to change in unit volume) 9 percent growth to the guitar category value.

The three factors of a strong economy, the role of instruments in popular music, and price deflation are largely environmental factors, which the local industry, especially one the size of Australia, (which consumes around 1 percent of the worlds music product manufacturing output), has next to no control or influence over.

What we can affect is the presence, profile and status of music making in our own community, and our market development efforts, through the Music Makers program, are beginning to have some positive impacts, including:

- A national review of school music education being undertaken, which is the first time such a review has taken place and on which the Australian Music Association has a place on the steering committee
- The federal government has included musical instruments and facilities in a \$700 million infrastructure grant to schools
- Music making, through our public relations activities is attaining a higher profile in the media than previously enjoyed. This includes for the first time, stories that link music making to health and well-being.

Looking to the immediate future we can expect a lessening of growth in 2005/6 if the Australian economy slows as anticipated. On the plus side we would hope that the strong presence of popular music artists who play instruments continues to motivate people to start to play, and that, coupled with the continued impact of price deflation and our music awareness and advocacy activities, will help to keep the industry moving forward.

The following charts are based on import data collected by the Australian Bureau of Statistics (ABS) in association with the Australian Music Association (AMA)

Commentary by Ian Harvey, Executive Officer of the Australian Music Association.

Snapshot

Australian Snapshot

International Data
Australian Snapshot

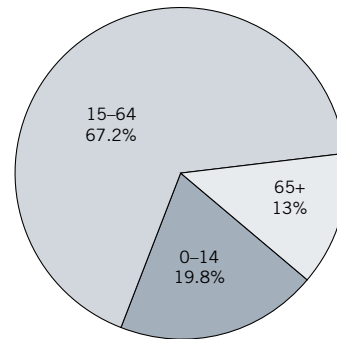
Demographics

Population in millions 20.1

Age	Male	Female
0-14	2.04	1.94
15-64	6.82	6.70
65 & Over	1.15	1.45

Median Age 36.6
Population Growth .87%

Demographics

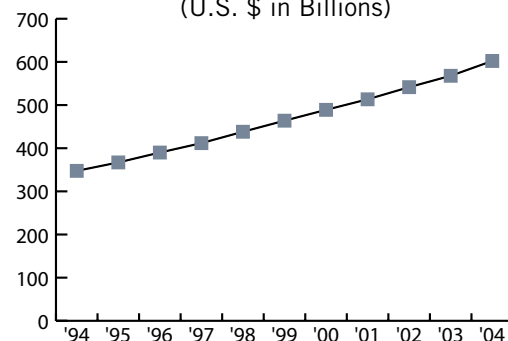


Economy

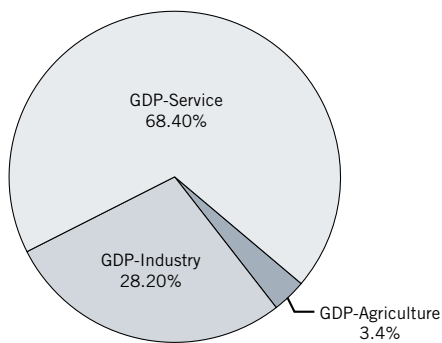
GDP (PPP)	\$602 Billion
GDP Per Capita	\$29,682
GDP-Real Growth Rate	3.50%
Unemployment Rate	5.50%
Inflation	2.30%

Data Source: Demographics and Trade from CIA, Economy from IMF, Music Industry from the Music Trades
GDP (PPP): Gross Domestic product based on purchasing-power-parity (PPP) valuation of country GDP.

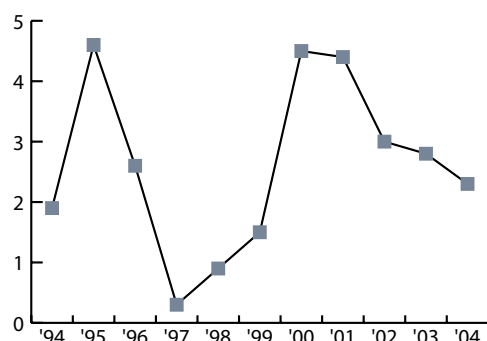
Australian GDP
(U.S. \$ in Billions)



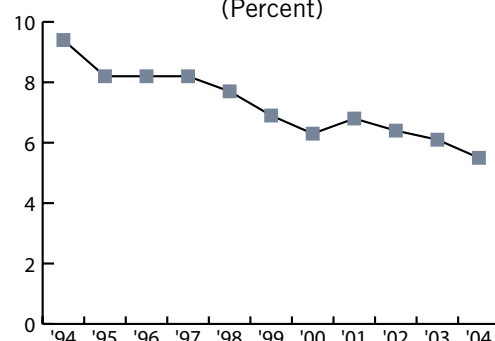
Economy



Inflation (Annual Percent Change)



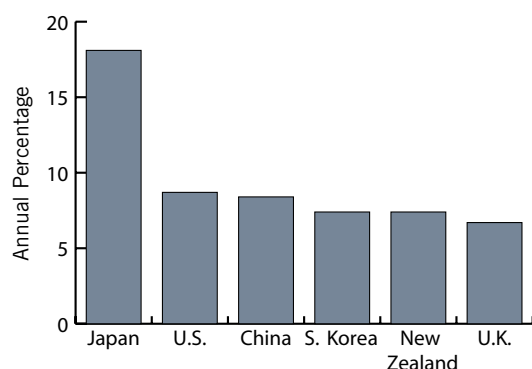
Unemployment Rate
(Percent)



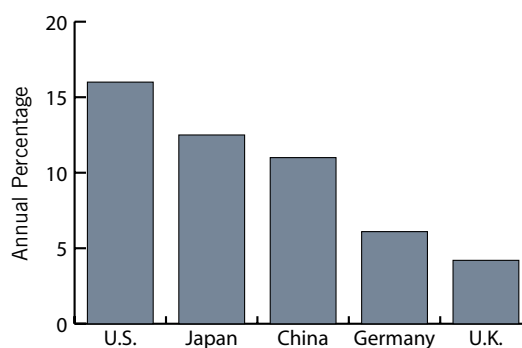
Trade

Total Export	\$86.89 billion	Export as % of GDP	14.20%
Total Import	\$98.10 billion	Total Import as % of GDP	16.04%

Export Partners (2003)



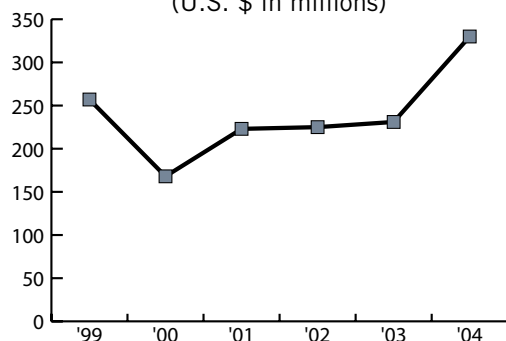
Import Partners (2003)



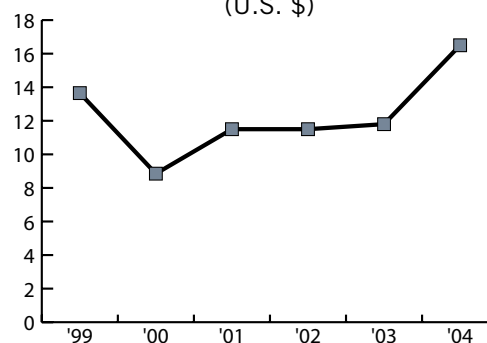
Music Industry

Music Market	\$330 million
Sales Per Capita	\$16.50
Global Share	2.02%

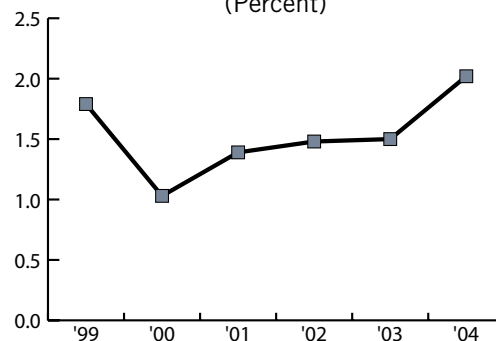
Australian Music Market
(U.S. \$ in millions)



Music Sales Per Capita
(U.S. \$)

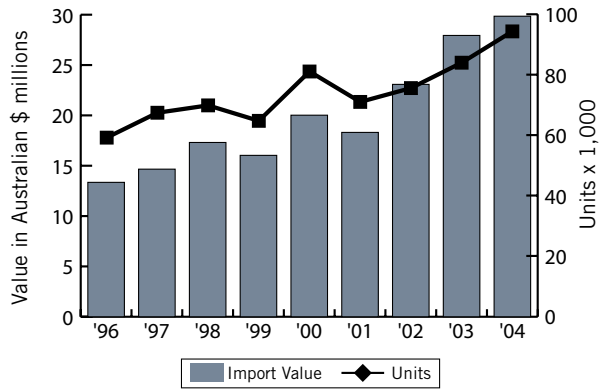


Share of Global Music Market
(Percent)

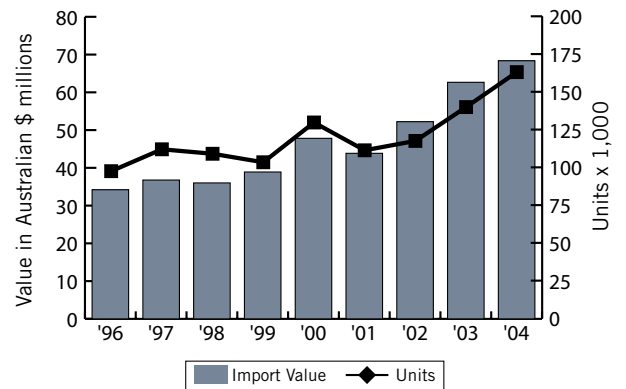


Please note that the value of Australian dollar has been rising steadily against the U.S. dollar in the past years and this may affect the trends showing in the above charts.

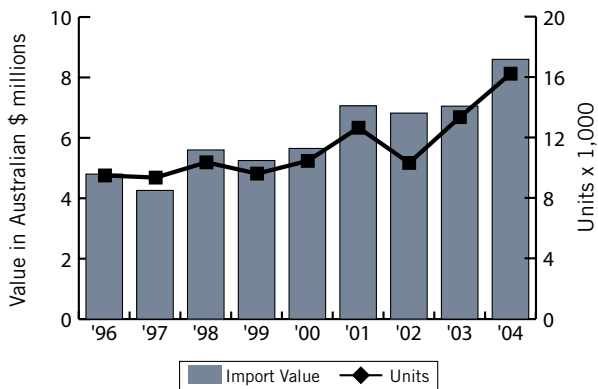
Acoustic & Acoustic-Electric Guitars



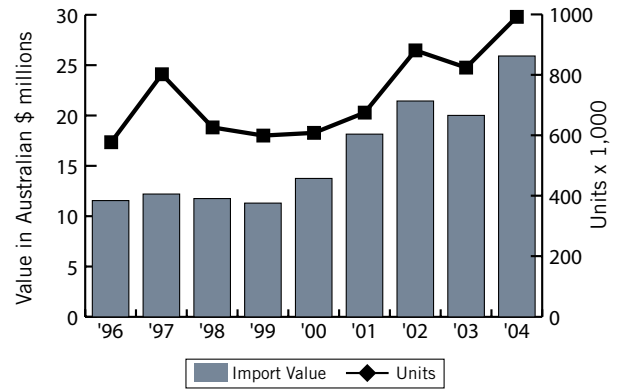
Total Guitars



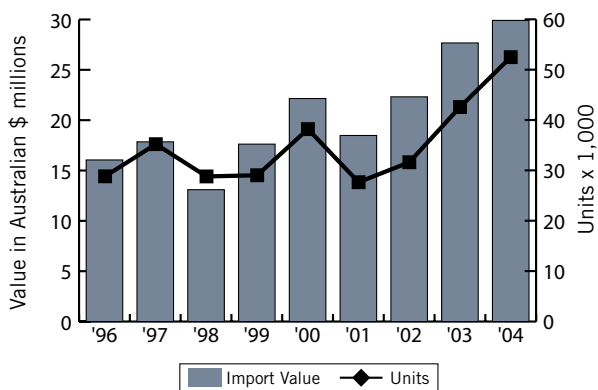
Bass Guitars



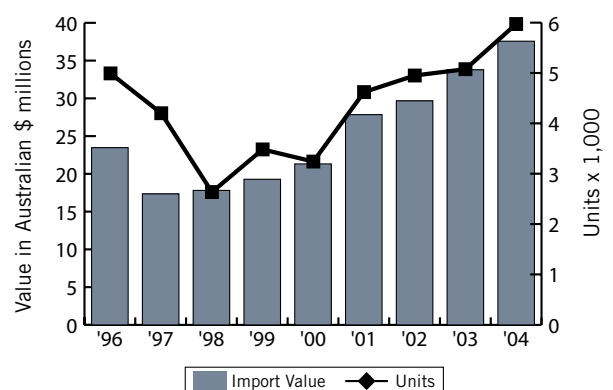
Grand Pianos

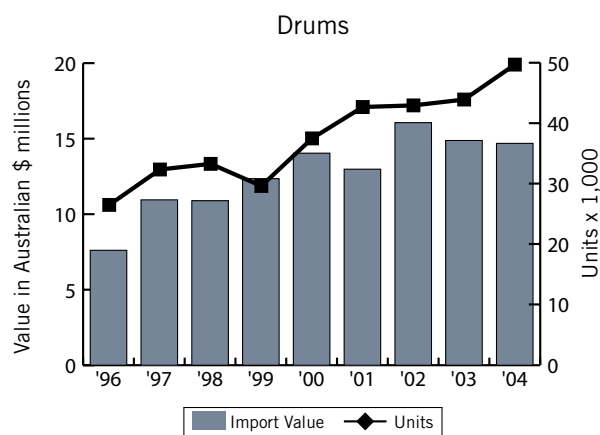
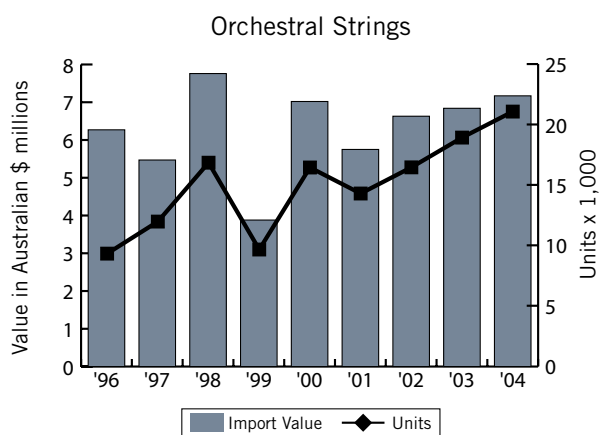
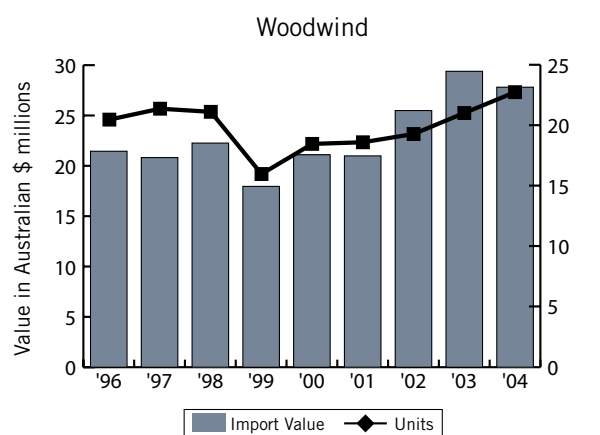
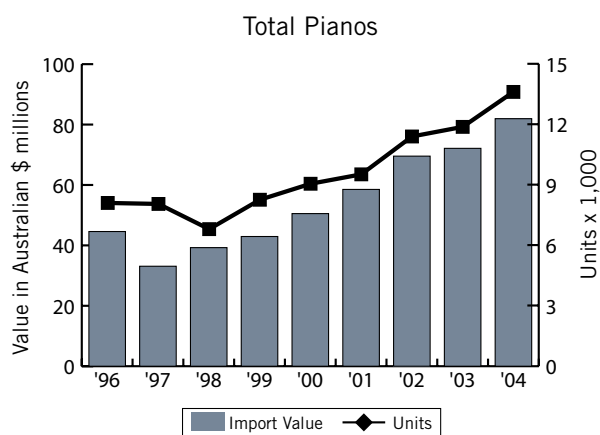
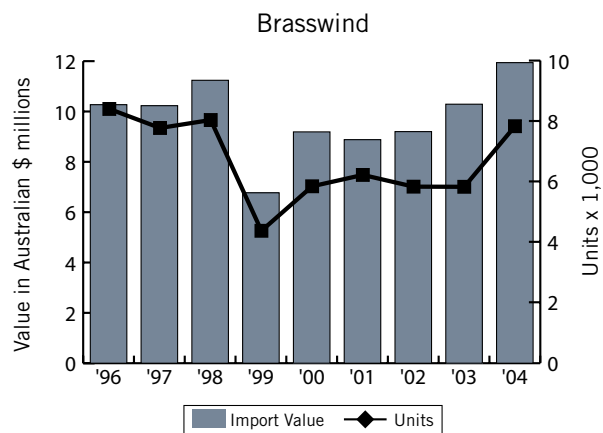
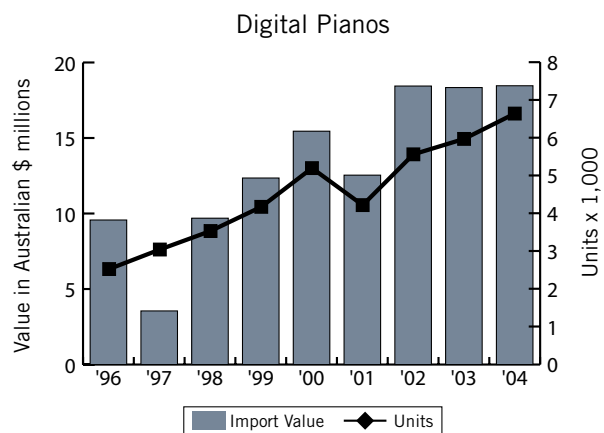


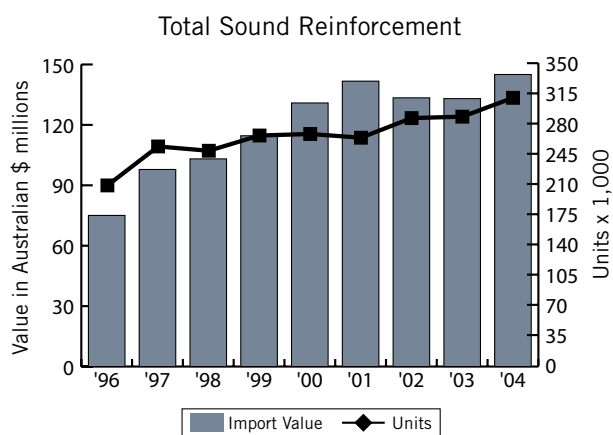
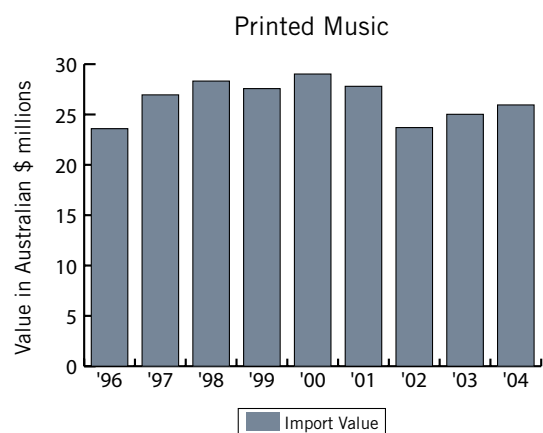
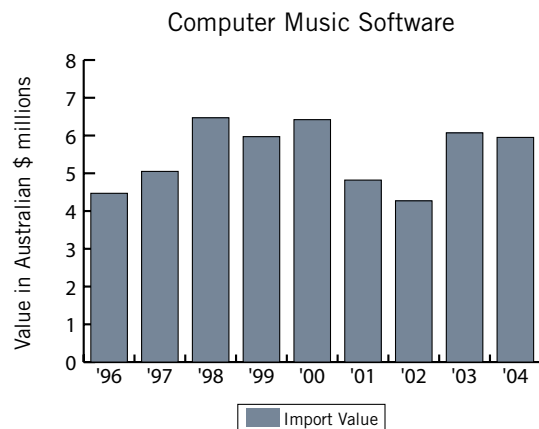
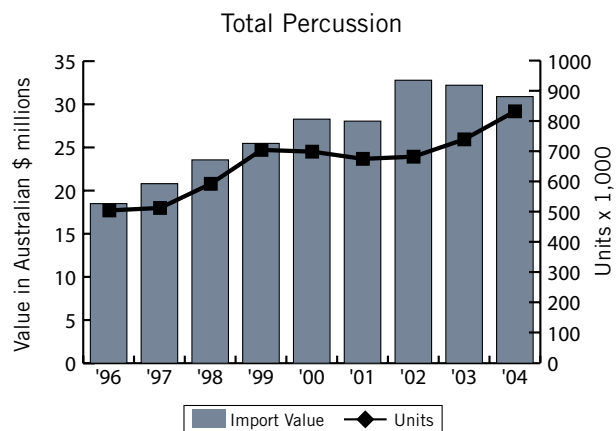
Electric Guitars

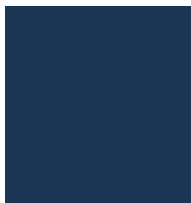
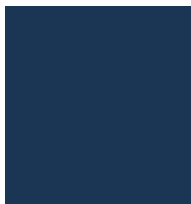


Upright Pianos









Canada's global market position for music and sound products was adjusted in 2003–2004 to seventh place as a result of the growth of China's exports, which moved it into sixth position. (The top five markets are the U.S., Japan, Germany, France and the U.K.)

Figures published in the December 2004 issue of *The Music Trades (U.S.)* magazine indicate for 2003 (latest available), Canada's annual sales in music and sound products was \$545 million US, up approximately 2 percent over 2002. Trend information for 2004 via MIAC "Select 12" industry reports indicated growth for 2004 was in the 5+ percent range.

Surprisingly, Canada's survey ranking "per capita" improved to the No. 3 position at \$17.10 per person based on a population estimate of 32 million. Only the United States (\$25.06) and Japan (\$20.51) had higher per capita totals, while Australia (\$16.55) and France (\$13.57) followed Canada with lower totals.

The survey numbers indicate a steady growth pattern for Canada over the past several years, which keeps it at the forefront of global music and sound product markets. World market share for Canada is currently estimated at 3.34 percent.

Five Canadian companies are now ranked among the world's top 225 suppliers, according to *The Music Trades*. These companies are JAM Industries (\$116 million in sales), Godin Guitars (\$39 million), Yorkville Sound (\$38 million), SF Marketing (\$25 million) and Sabian (\$21 million).

Recent import trend information provided by Statistics Canada for 2004 in various value categories is as follows:

Acoustic Guitars	+23%
Electric Guitars	+32%
Upright Pianos	+27%
Grand Pianos	+03%
Digital Pianos	-12%
Stringed Instruments with Bow	-05%
Total Woodwind	+12%
Total Brass	+30%
Portable Keyboards	+04%
Percussion	+17%
Printed Music	-02%

Current economic projections for the Canadian market in 2005 indicate a growth range of approximately 4 to 5 percent which will keep the country solidly placed among the leading music and sound products markets of the world.

The following charts are based on import data provided by Music Industries Association Canada (MIAC). Commentary by AL Kowalenko, MIAC Executive Director.

Demographics

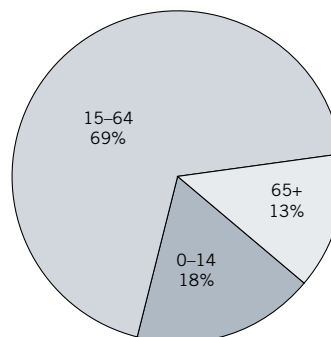
Population in millions 32.81

Age	Male	Female
0-14	3.02	2.87
15-64	11.36	11.24
65 & Over	1.84	2.48

Median Age 38.5

Population Growth .90%

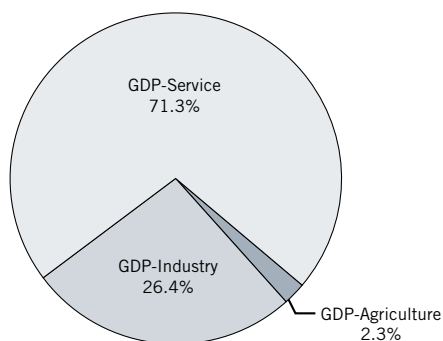
Demographics



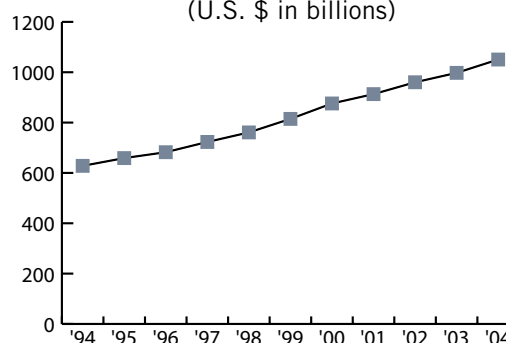
Economy

GDP (PPP)	\$1,050 Billion
GDP Per Capita	\$ 32,921
GDP-Real Growth Rate	2.40%
Unemployment Rate	7.20%
Inflation	1.80%

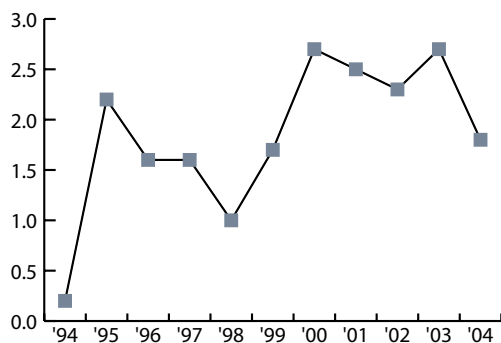
Economy



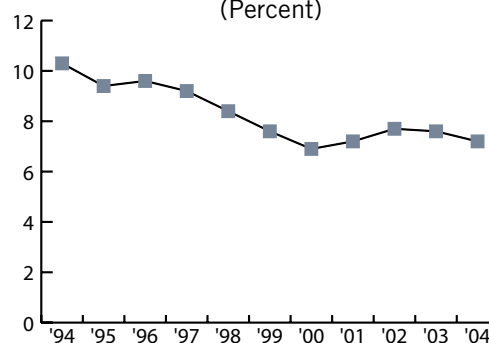
Canadian GDP
(U.S. \$ in billions)



Inflation (Annual Percent Change)



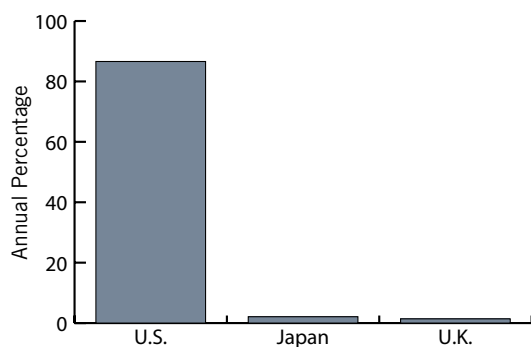
Unemployment Rate
(Percent)



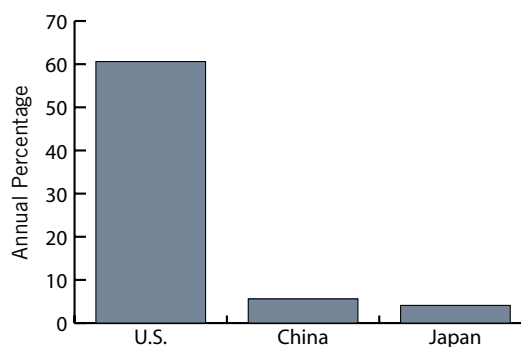
Trade

Total Export	\$315.6 billion	Export as % of GDP	30.85%
Total Import	\$256.1 billion	Total Import as % of GDP	25.03%

Export Partners (2003)



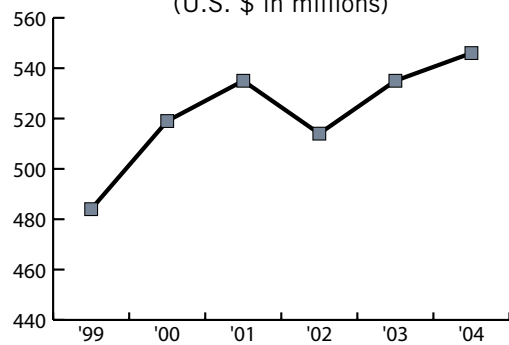
Import Partners (2003)



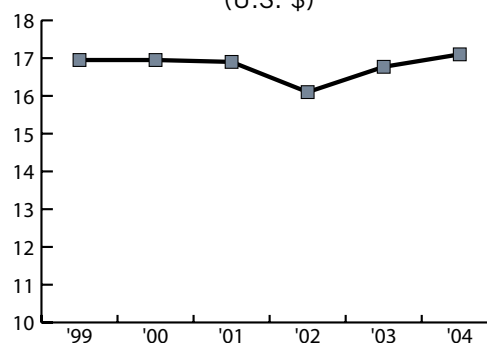
Music Industry

Music Market	\$546 million
Sales Per Capita	\$17.10
Global Share	3.34%

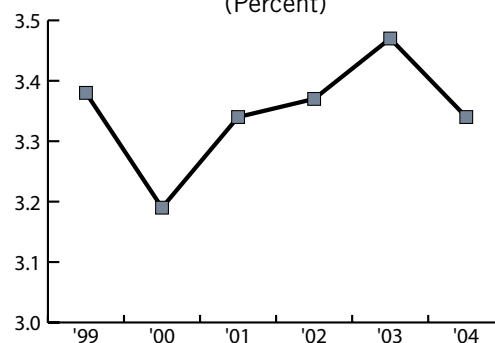
Canadian Music Market
(U.S. \$ in millions)

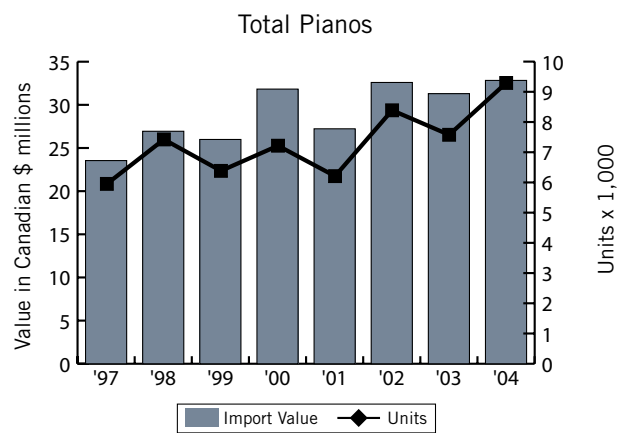
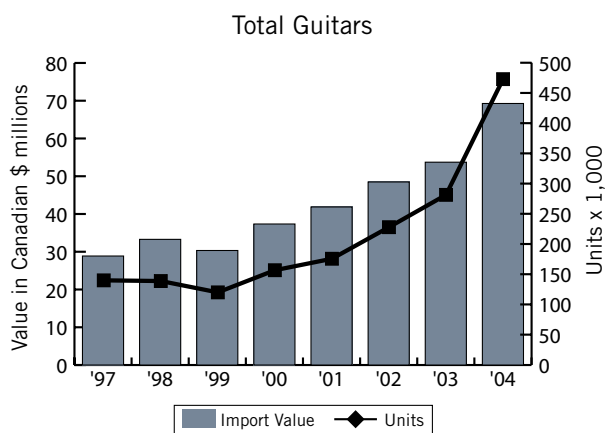
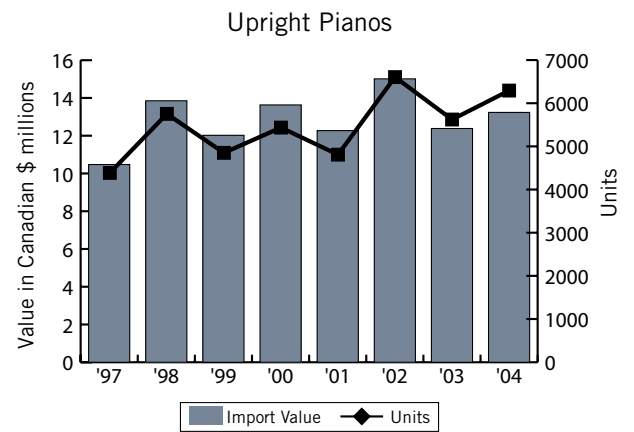
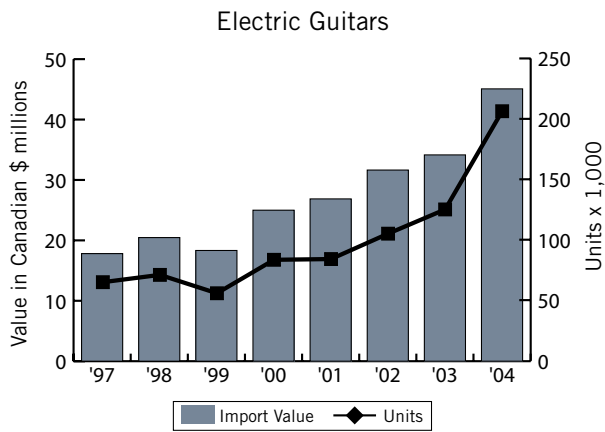
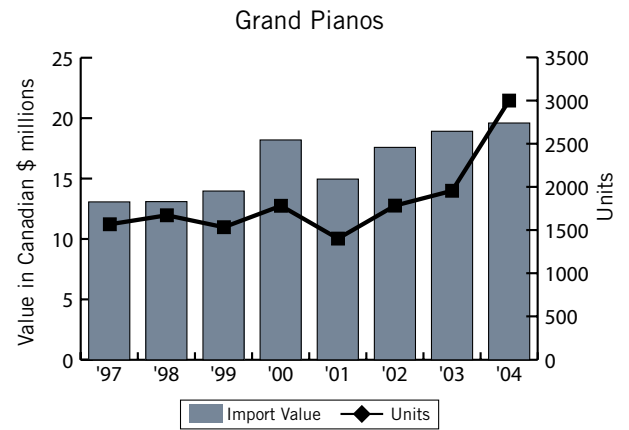
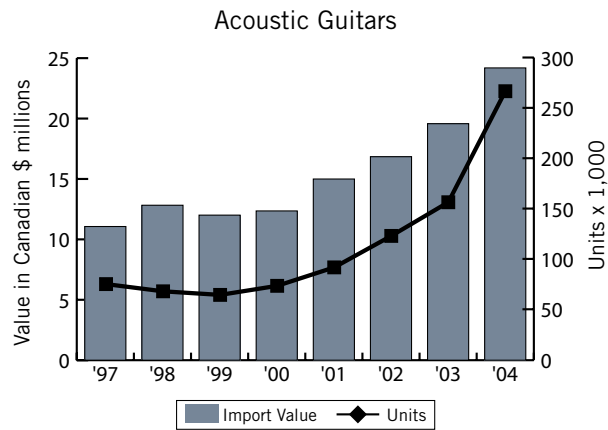


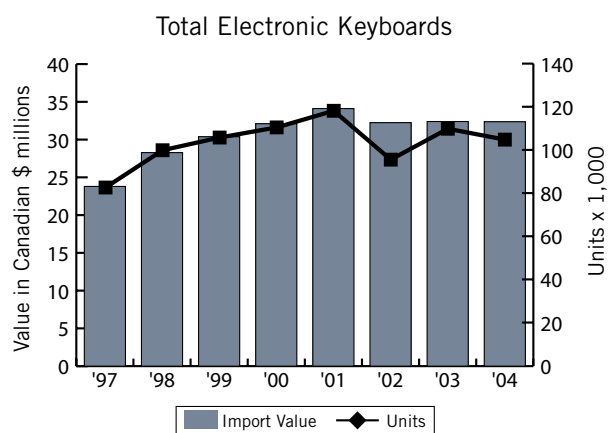
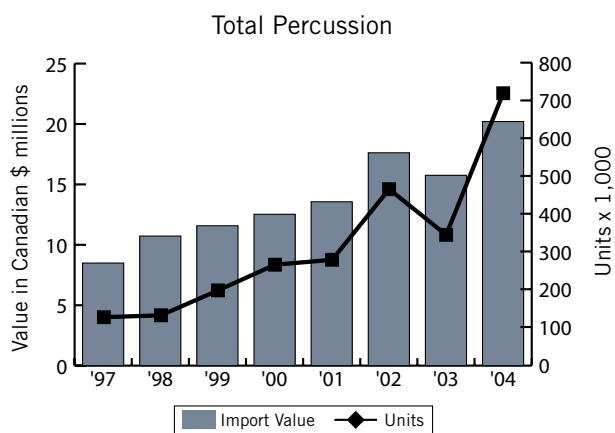
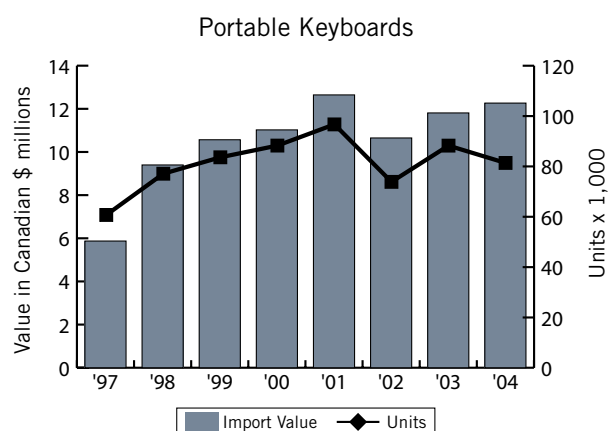
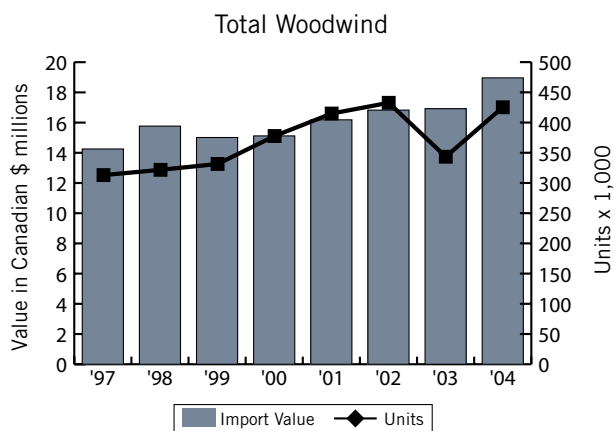
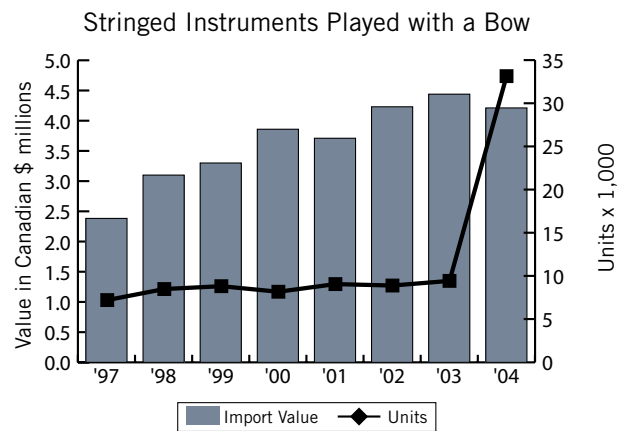
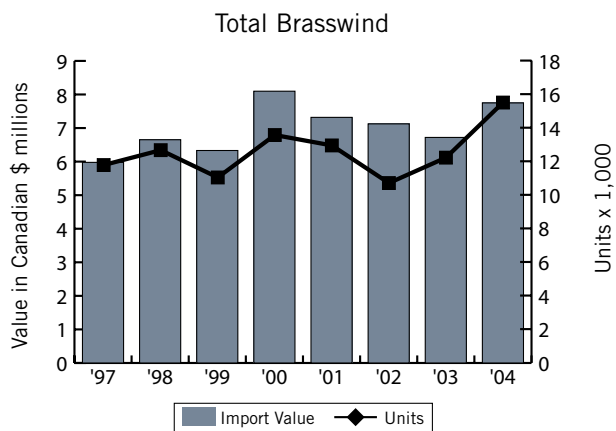
Music Sales Per Capita
(U.S. \$)

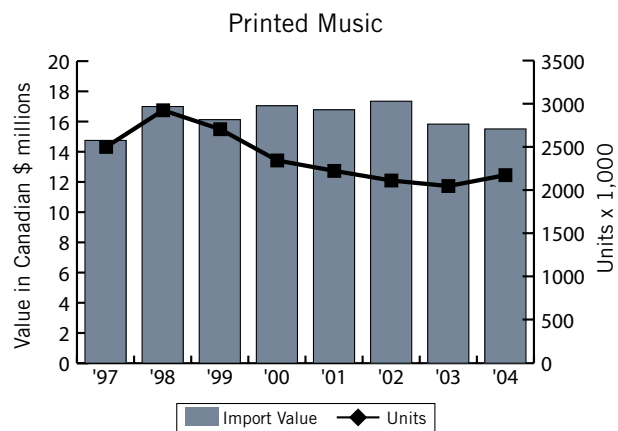
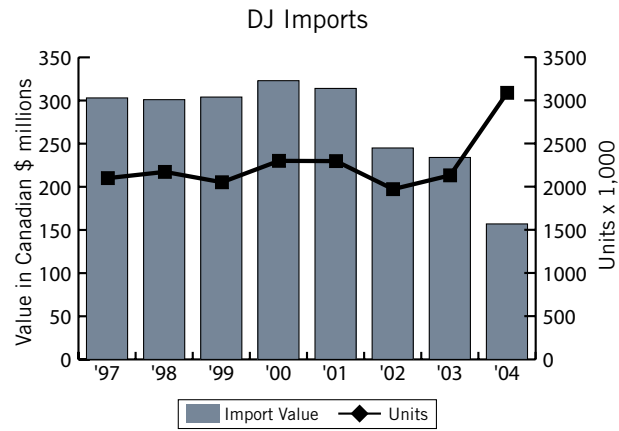


Share of Global Music Market
(Percent)











China's economy enjoyed average annual growth rates in excess of 9 percent over the past two decades. The rapid economic growth and accelerated industrialization have increased pressure on many industries globally, as well as the music products market. In 2004, the Chinese music industry showed the following key changes:

- Chinese music product exports soared in 2004. According to the Customs General Administration of China, export values reached \$799 million, a total increase of 33.8 percent compared to 2003. This double-digit percent increase record has continued since 1998.
- The China Music Instrument Association (CMIA) compiles data on those manufacturers whose annual sales revenues exceed RMB (Chinese currency) million \$600,000. These manufacturers raised the total sales revenue to \$971 million in 2004, a 17.2 percent increase from 2003.
- The music product manufacturers have developed a closer connection with cultural sectors, with active involvement in various social activities to promote the importance of music making.
- The music industry has been included in the National Environmental Protection System. The government encourages music product manufacturing under circumstances that protect natural resources and wild animals.
- Since entering the World Trade Organization (WTO), Chinese music manufacturers have developed into three major types, the state-owned, collectively-owned and foreign-invested. According to the National Bureau of Statistics, foreign (includes Hong Kong, Taiwan and Macau) invested manufacturers produced \$515 million sales revenue in 2004, sharing 53% of the total. Now thirty percent of the Global 225 companies have set up branches in China. Meanwhile, Chinese manufacturers have established sales networks in 75 percent of the countries in the world.
- The Chinese music industry started to implement a "Brand-Name Strategy" in order to regulate the manufacturing of counterfeit instruments and offer a healthier business environment for the market.
- Piano manufacturers have greatly improved instrument quality and achieved another record in exports. Upright piano exports increased 47 percent, and the grand piano exports increased 78 percent.

In 2004, MusicChina (Shanghai) moved to the Shanghai New International Exhibition Center for its first time, with tremendous success. The trade show demonstrated the scale and internationalism of the Chinese music market. The Chinese music industry is continuing to increase its influence and share of the global music market.

The Chinese charts are based on statistical data compiled by the China Music Instrument Association (CMIA) and published in the 2002–2003 and 2003–2004 yearbooks and the January, February and March 2004 issues of the Musical Instrument of China. Commentary is summarized from the January, February and March 2004 issues of the Musical Instrument of China and used with permission.

Snapshot

Chinese Snapshot

International Data
Chinese Snapshot

Demographics

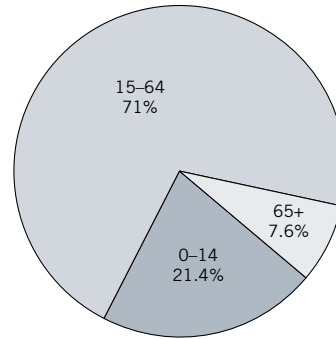
Population in millions 1,306

Age	Male	Female
0-14	148.13	131.05
15-64	477.18	450.66
65 & Over	47.40	51.89

Median Age 32.3

Population Growth .58%

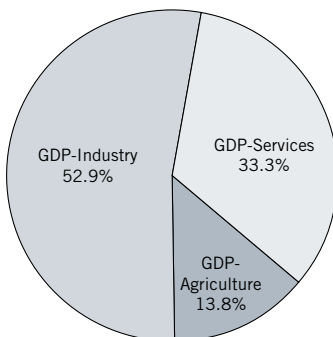
Demographics



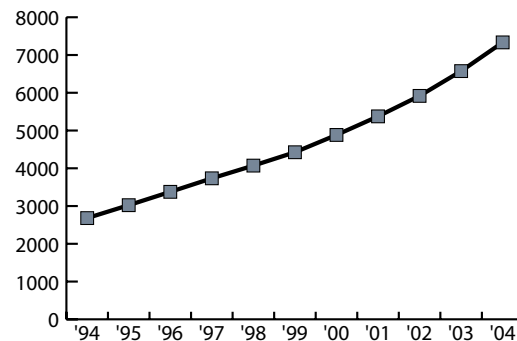
Economy

GDP (PPP)	\$7,334 Billion
GDP Per Capita	\$5,642
GDP-Real Growth Rate	9.10%
Unemployment Rate	9.80%
Inflation	3.90%

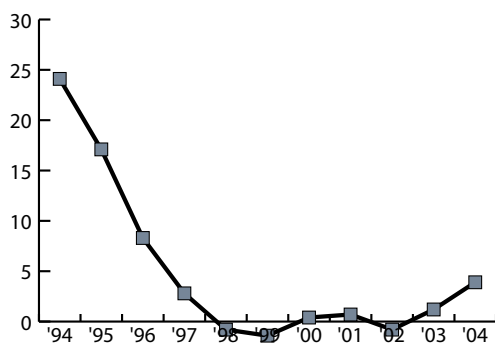
Economy



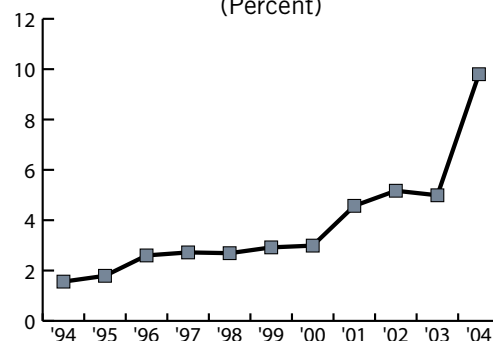
Chinese GDP
(\$ billions)



Inflation (Annual Percent Change)



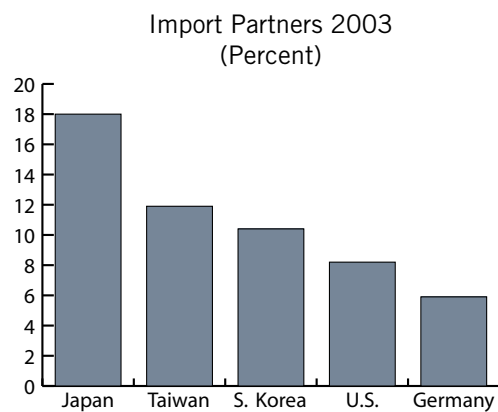
Unemployment Rate
(Percent)



Trade

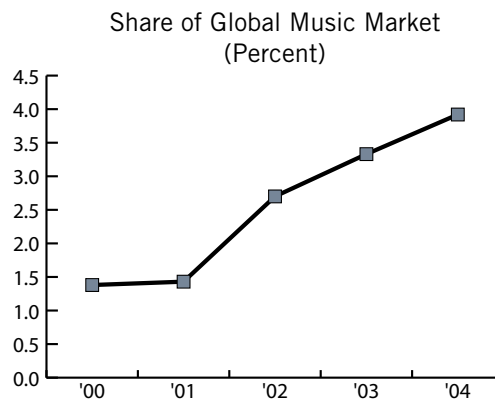
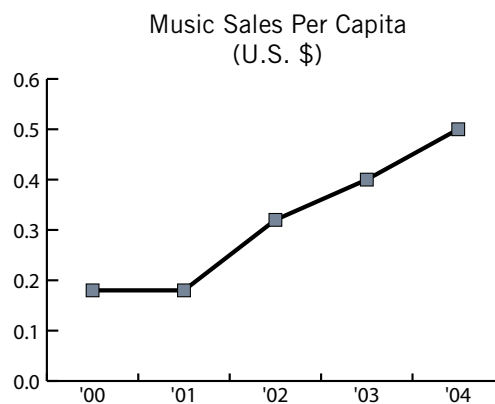
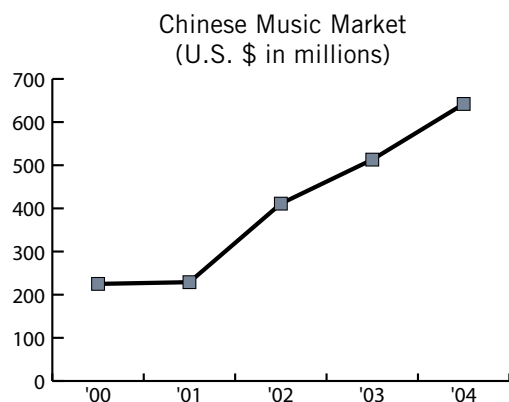
Total Export	\$583.1 billion
Total Import	\$552.4 billion

Export as % of GDP	8.03%
Total Import as % of GDP	7.61%



Music Industry

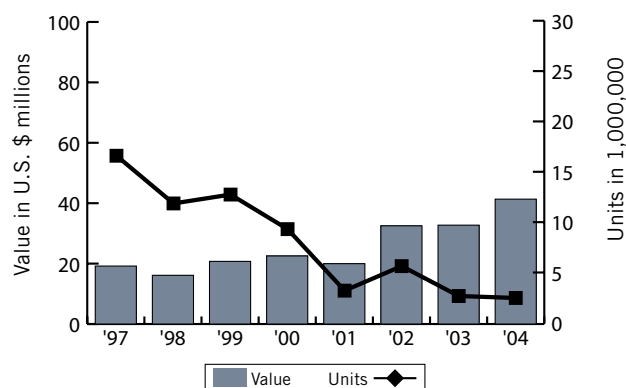
Music Market	\$642 million
Sales Per Capita	\$0.50
Global Share	3.92%



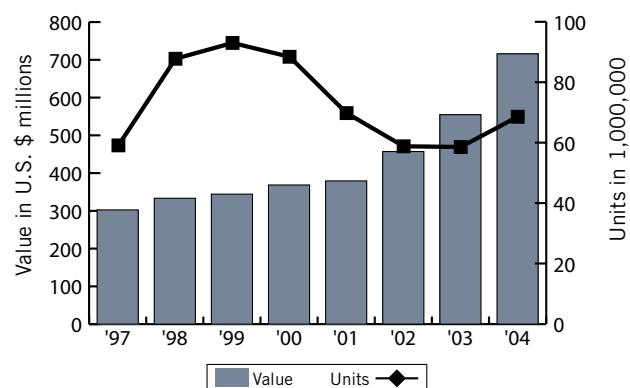
Imports and Exports

* The data received by NAMM was calculated in U.S. Dollars

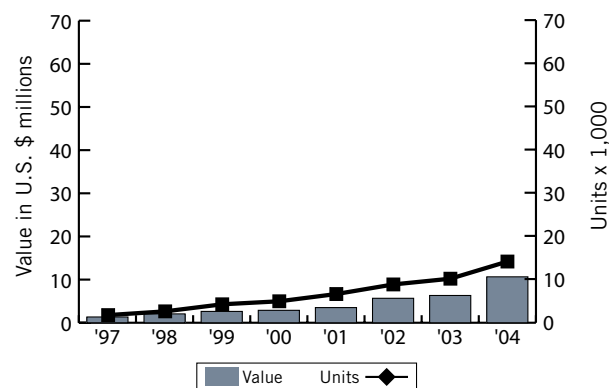
Total Imports



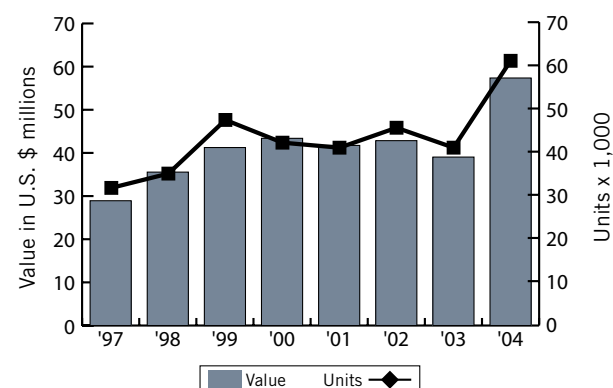
Total Exports



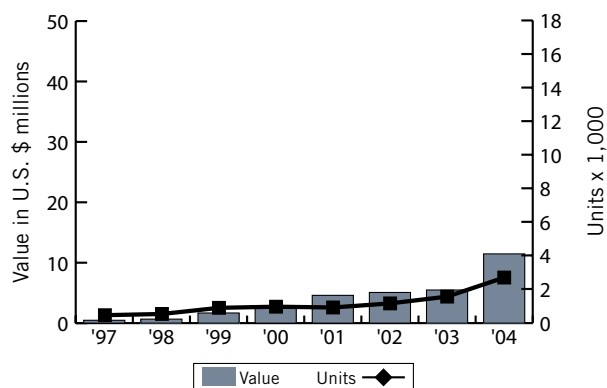
Upright Pianos-Import



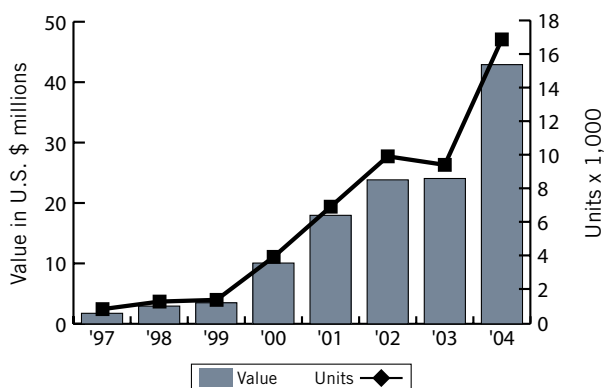
Upright Pianos-Export



Grand Pianos-Import

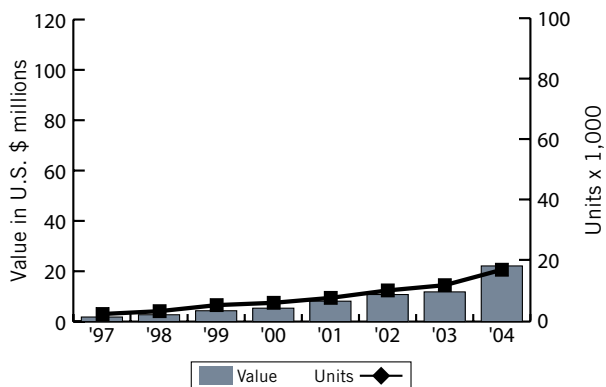


Grand Pianos-Export

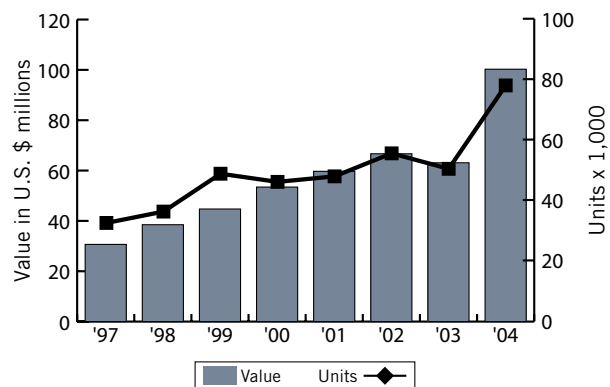


Imports and Exports

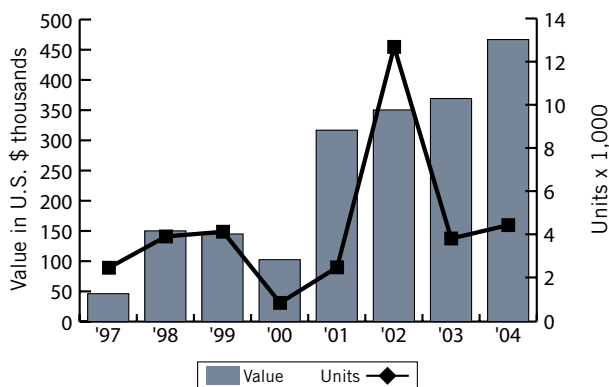
Total Pianos-Import



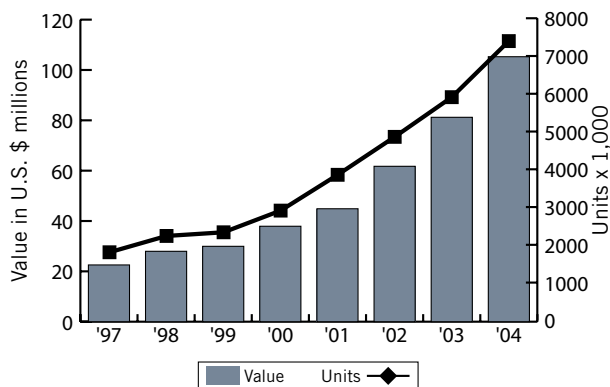
Total Pianos-Export



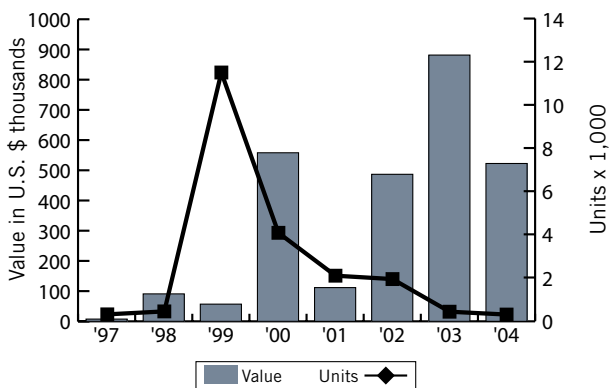
Guitar Instruments-Import



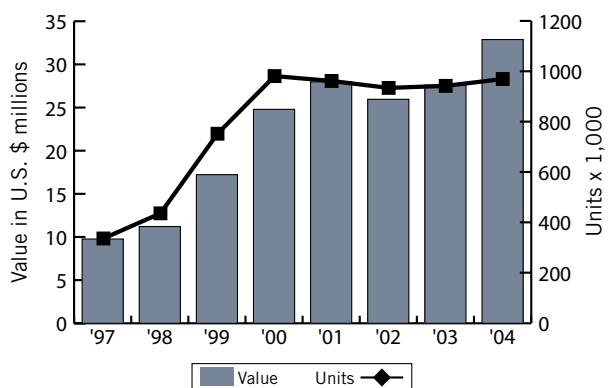
Guitar Instruments-Export



Stringed Instruments with Bow-Import



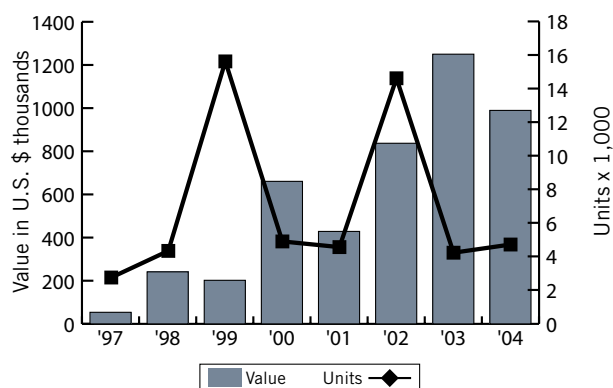
Stringed Instruments with Bow-Export



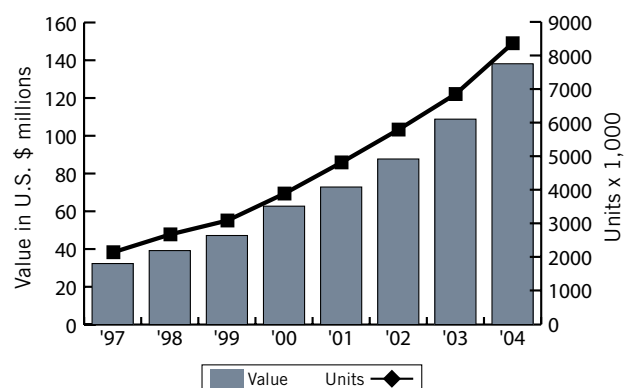
Imports and Exports

Chinese Imports and Exports

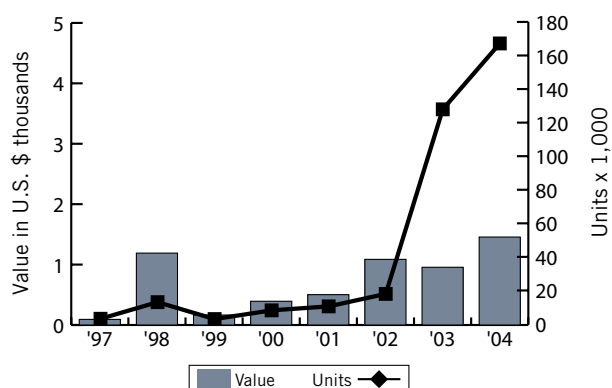
Total Stringed Instruments-Import



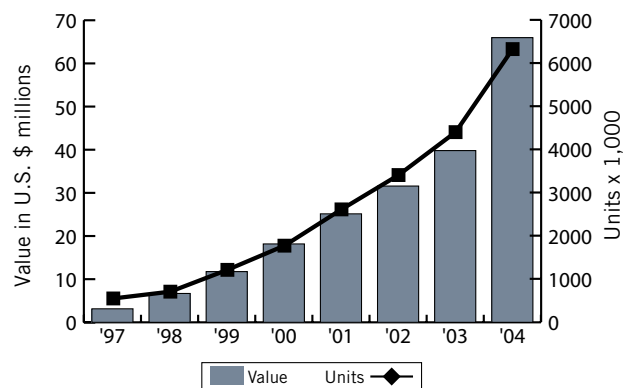
Total Stringed Instruments-Export



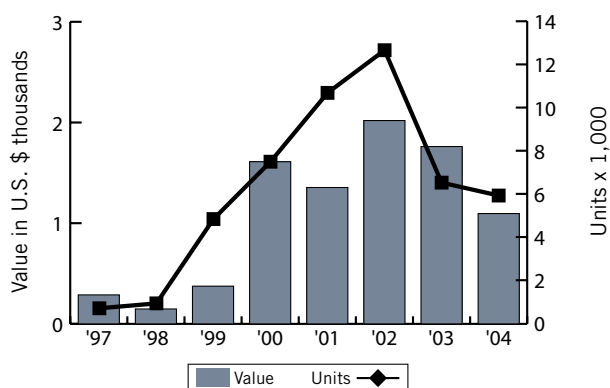
Percussion-Import



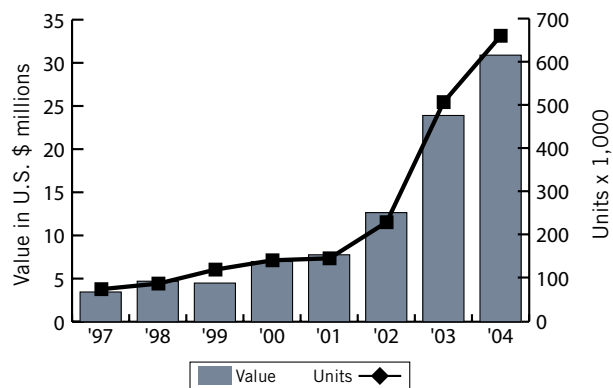
Percussion-Export



Brasswind-Import

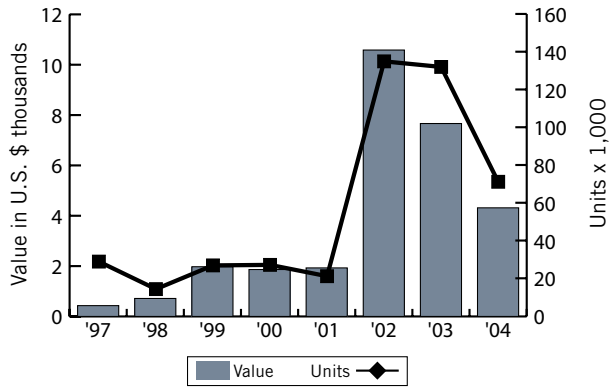


Brasswind-Export

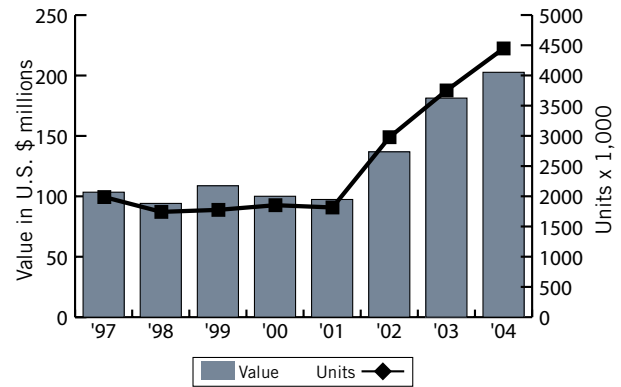


Chinese Imports and Exports

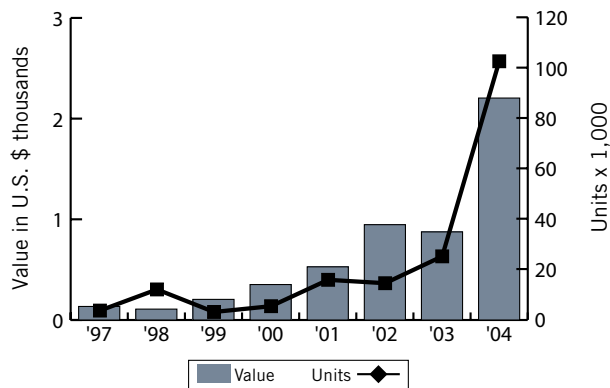
Electronic Keyboards-Import



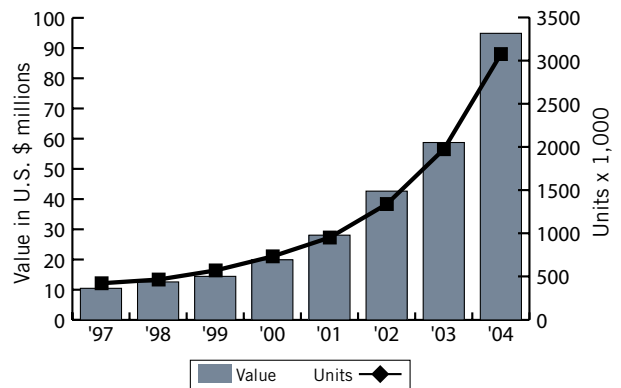
Electronic Keyboards-Export



Total Electric Instruments-Import

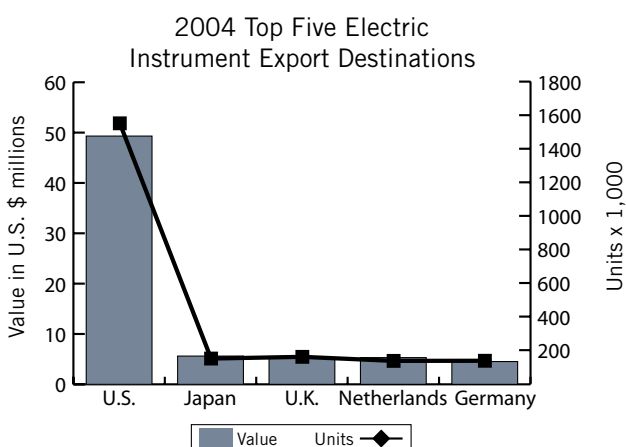
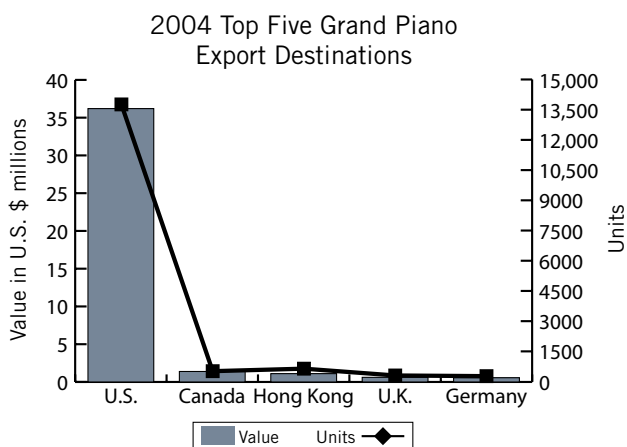
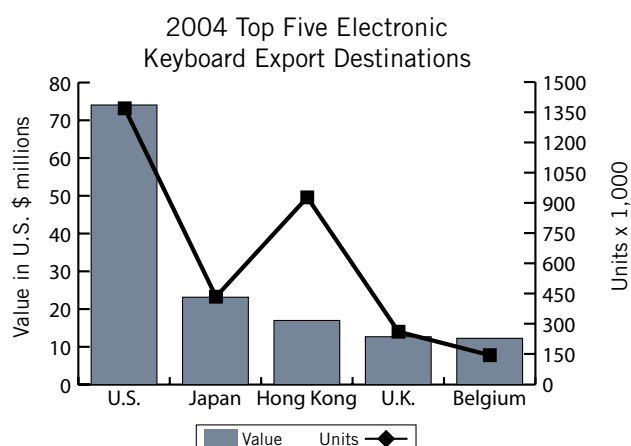
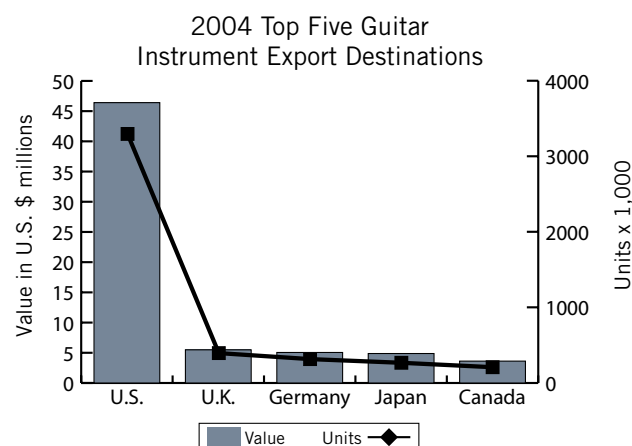
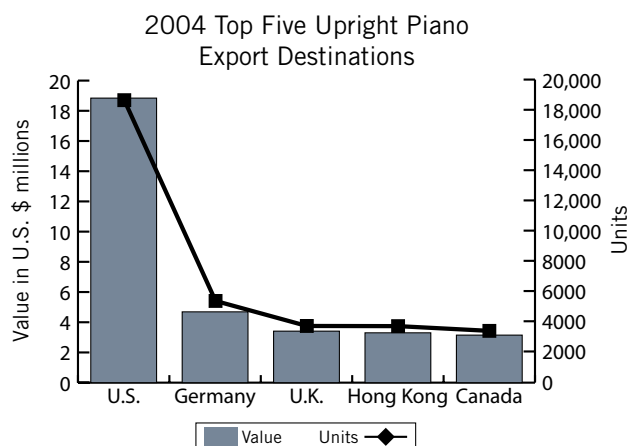
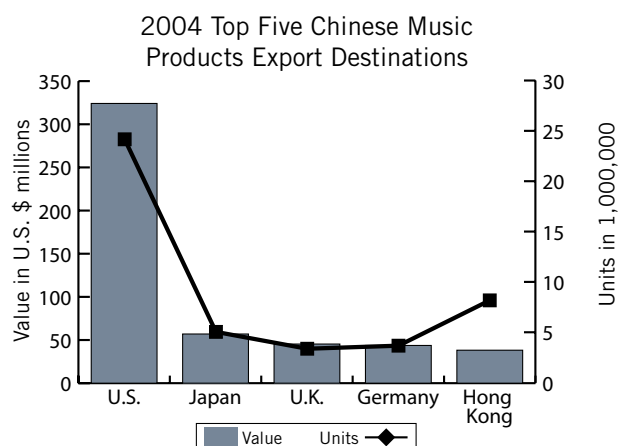


Total Electric Instruments-Export



Imports and Exports

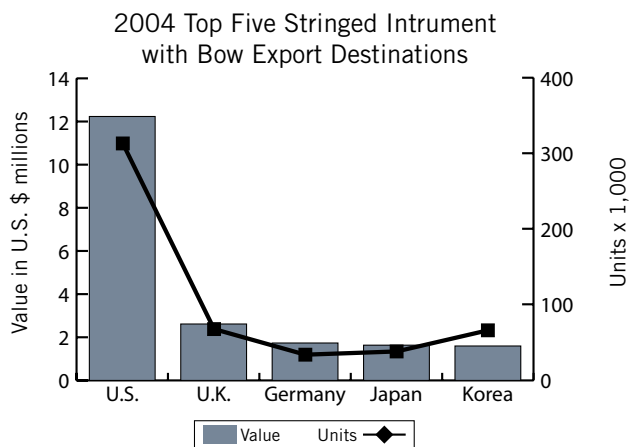
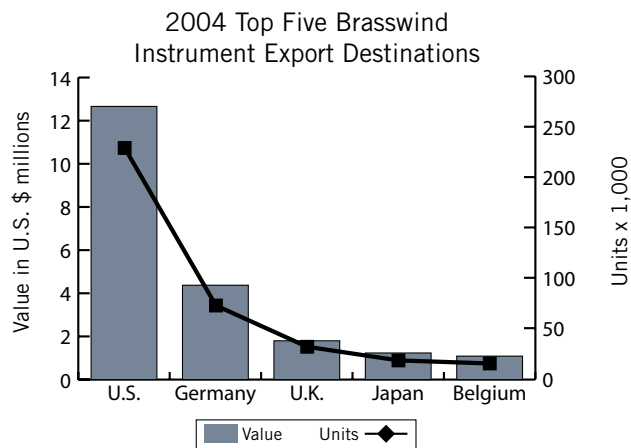
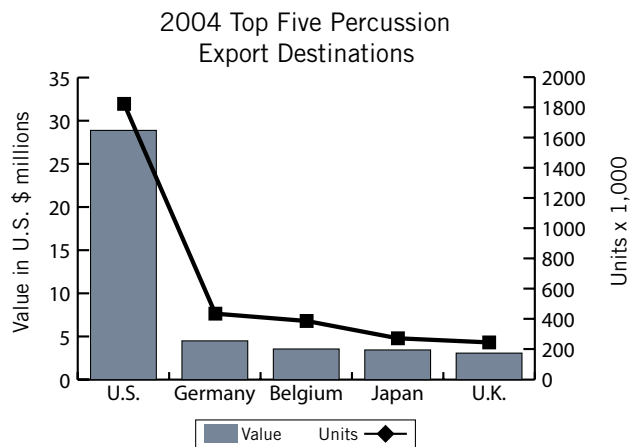
Top Five Chinese Exports Destinations Where do Chinese Music Products Go?



Imports and Exports

Top Five Chinese Export Destinations

Where do Chinese Music Products Go?



In 2004 Italian consumers spent 175.5 million euros (U.S. \$221.13 million), including 19 percent V.A.T. (Value Added Taxes) on musical instruments, representing a decrease of 0.6 percent from 2003, an increase of product sales of 3.5 percent and a reduction of average prices of 3.9 percent.

The total market, including amps, computer music and music scores publications, has reached 341 million euros (U.S. \$429.66 million) with a decrease of 0.6 percent as compared to the year 2003. The fluctuation of average prices is highly variable from sector to sector, depending on technological variations and currency fluctuations.

Specifically, upright pianos confirm a declining trend with a 13 percent decrease. As for digital pianos, both professional and amateur, the trend shows a strong increase with 32 percent, and over 17,000 pieces sold, but showing a significant price decrease of 14 percent. The average price is equivalent to 18 percent of the average price of an acoustic piano.

It must be noted that when the total number of pieces per product sold in one year is less than 10,000 units, some factors (such as a slight delay in the presentation of a new product or the presentation of a new product with very different characteristics) may create substantial variations that may lead to erroneous understanding of the trend in the market. When we are discussing just a few hundred of products sold, the data is merely indicative.

In the category of wind instruments the numbers are stable (–2 percent) with a slight increase (+5 percent) in average prices. In the category of string instruments with a bow, an increase in numbers (+8 percent) with a decrease in the average price (–12 percent) over 2003. In the percussion sector, the numbers have gone up 4 percent with a stable average price of –1 percent less than 2003.

The total musical instruments data indicate an increase in numbers of 3.5 percent with a decrease in the average price of 3.9 percent. Therefore, the total value is decreasing 0.6 percent.

Instrument amplifiers are decreasing in numbers by 4 percent with the average price increasing 3 percent. In the voice amplification sector there is 5 percent increase in numbers with the average price decreasing 6 percent, with different values for different items. Computer music shows an increased value of 16 percent.

The entire Italian musical instrument market decrease of 0.6 percent in value is due to an increase of the number of products sold with a decrease of the average price due to the introduction of products with significantly lower prices compared with 2003. However, the increased number of pieces sold indicates a slight growth of interest in music making by Italian consumers.

The following charts were created by NAMM based on statistics provided by the Italian Music Industry Association, DismaMusica. Commentary is summarized from the 2004 DismaMusica Italian Market Research Report and used with permission.



Demographics

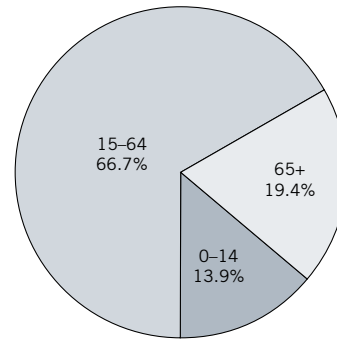
Population in millions 58

Age	Male	Female
0-14	4.17	3.92
15-64	19.55	19.17
65 & Over	4.7	6.6

Median Age 41.8

Population Growth 0.07%

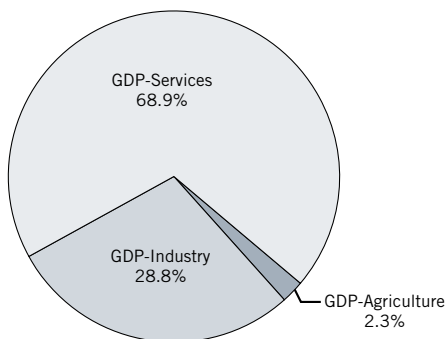
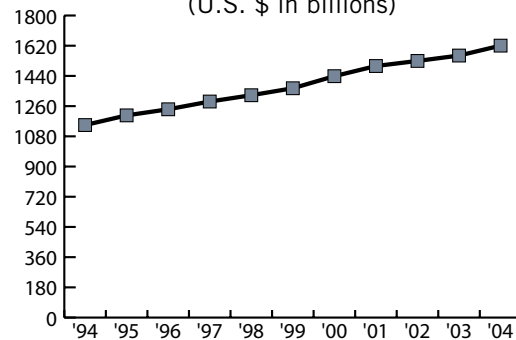
Demographics



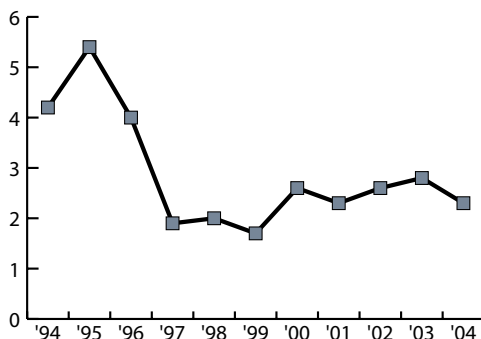
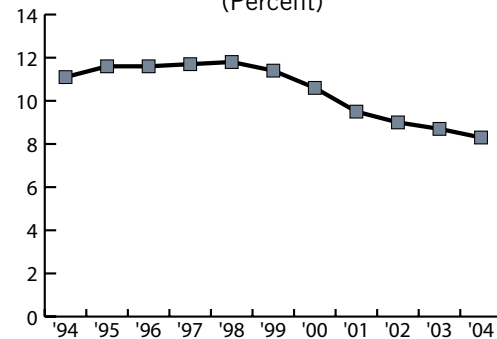
Economy

GDP (PPP)	\$1,620 billion
GDP Per Capita	\$28,172
GDP-Real Growth Rate	1.30%
Unemployment Rate	8.30%
Inflation	2.30%

Economy

Italian GDP
(U.S. \$ in billions)

Inflation (Annual Percent Change)

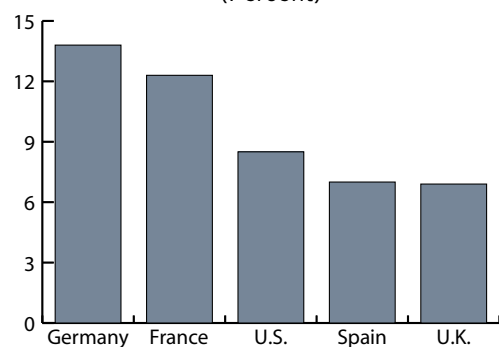
Unemployment Rate
(Percent)

Trade

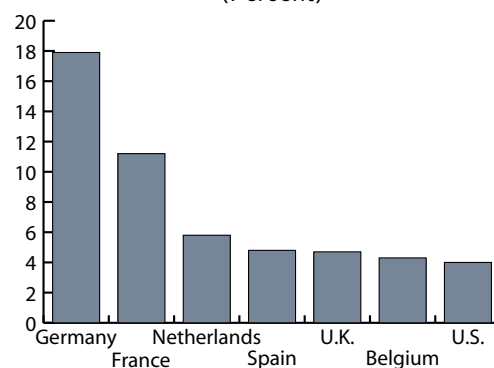
Total Export	\$336.4 billion
Total Import	\$329.3 billion

Export as % of GDP	20.91%
Total Import as % of GDP	20.47%

Export Partners 2003
(Percent)



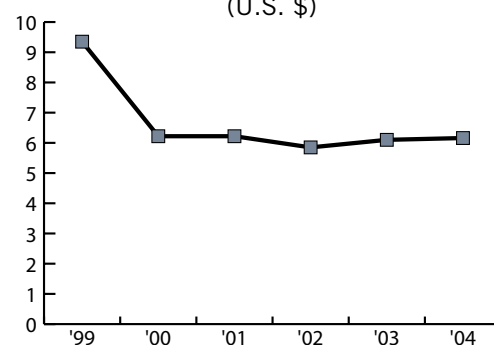
Import Partners 2003
(Percent)



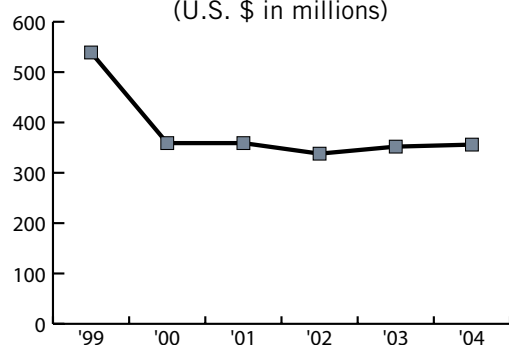
Music Industry

Music Market	\$356 million
Sales Per Capita	\$6.16
Global Share	2.17%

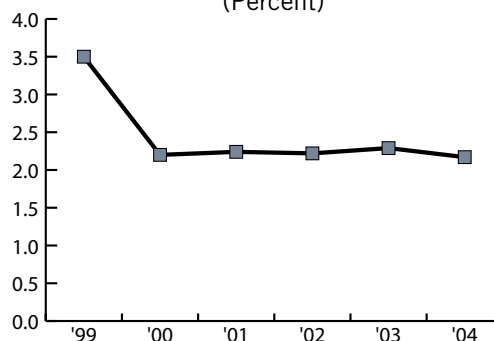
Music Sales Per Capita
(U.S. \$)

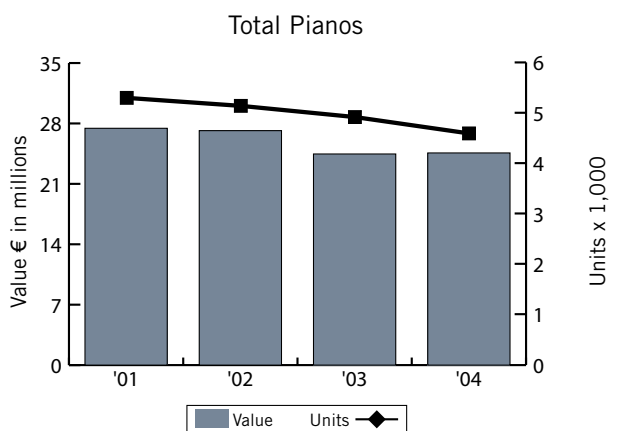
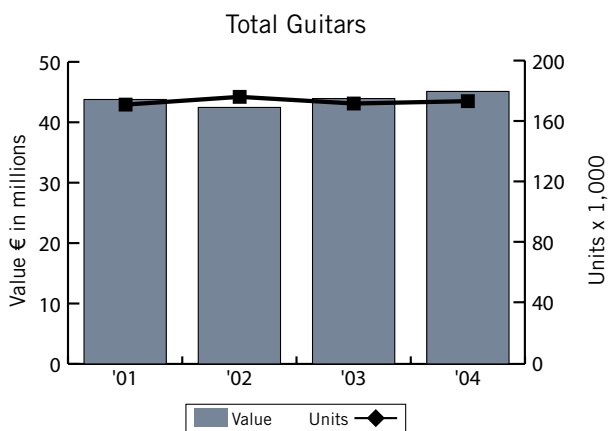
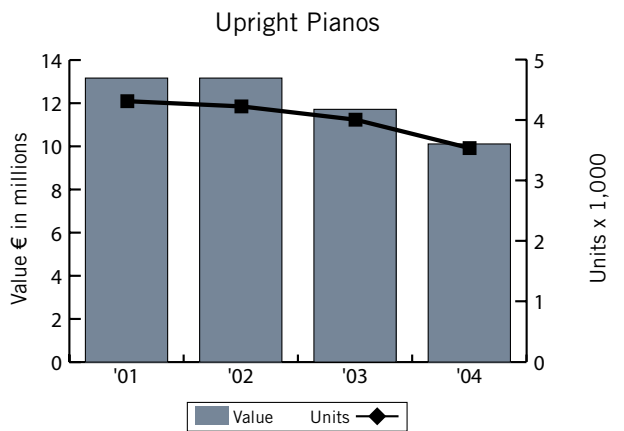
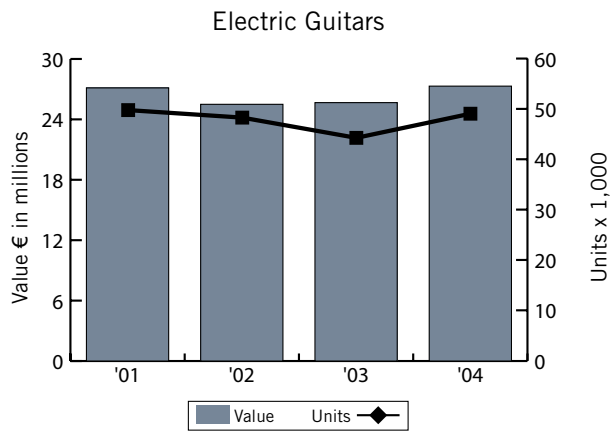
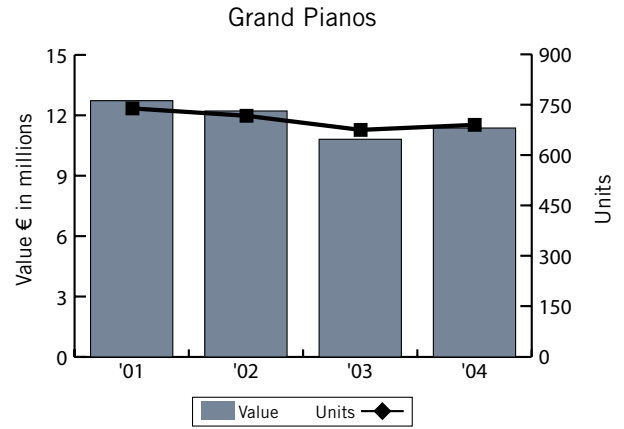
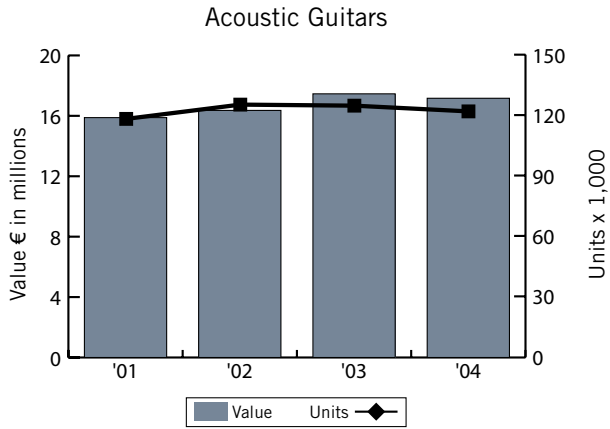


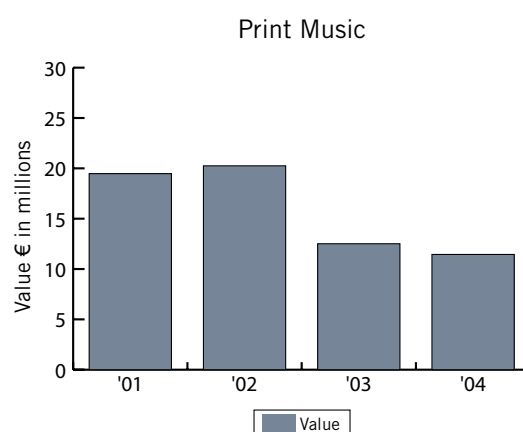
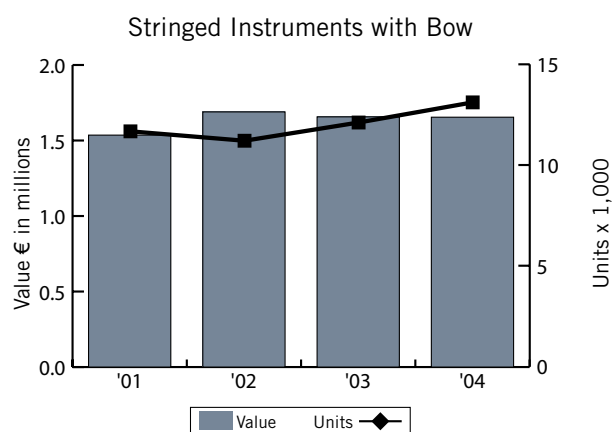
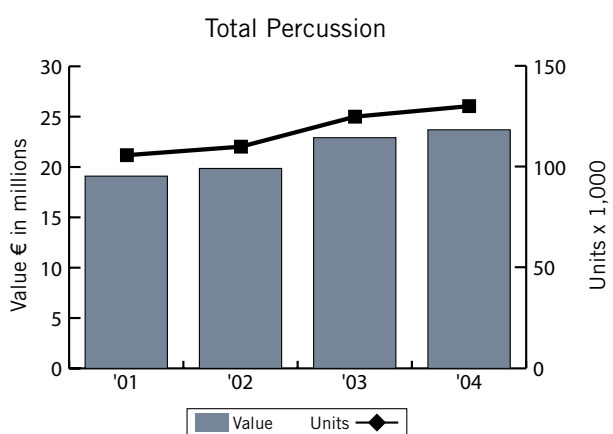
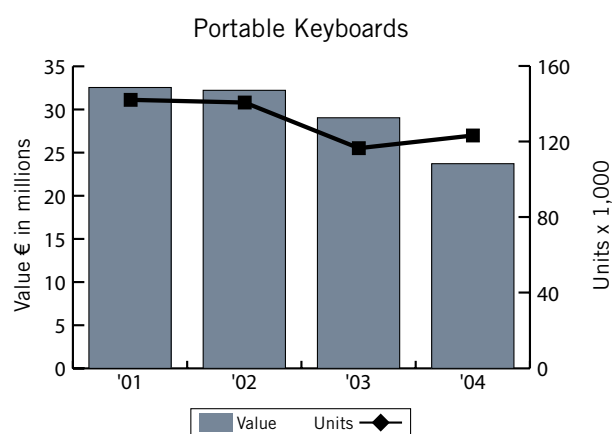
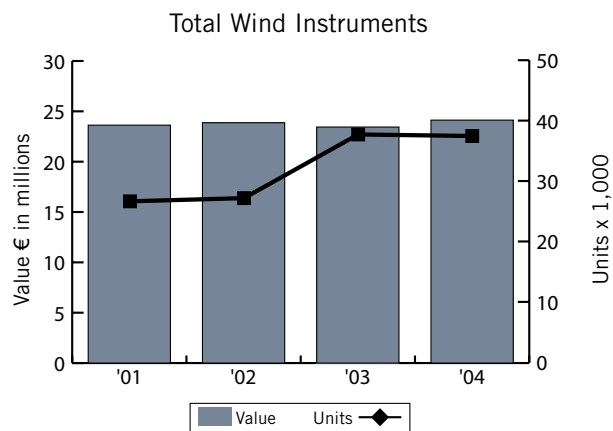
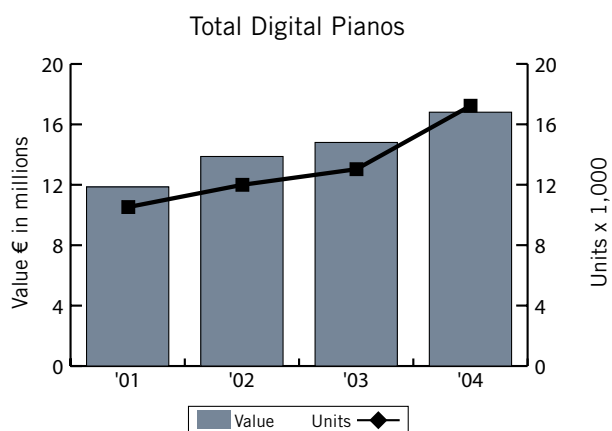
Italian Music Market
(U.S. \$ in millions)



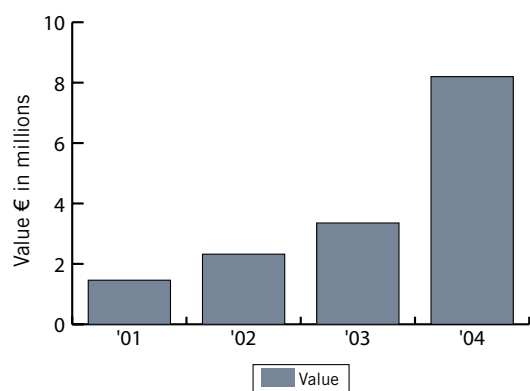
Share of Global Music Market
(Percent)



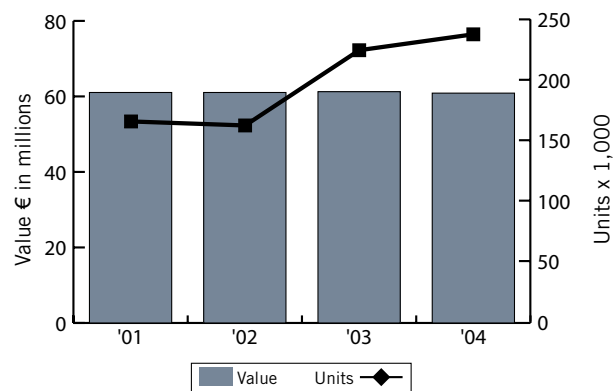




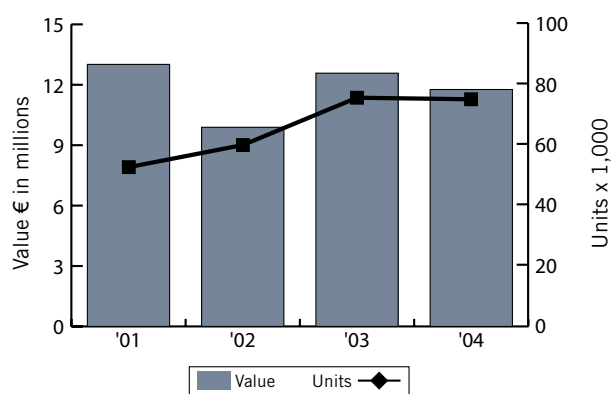
Computer Music Market



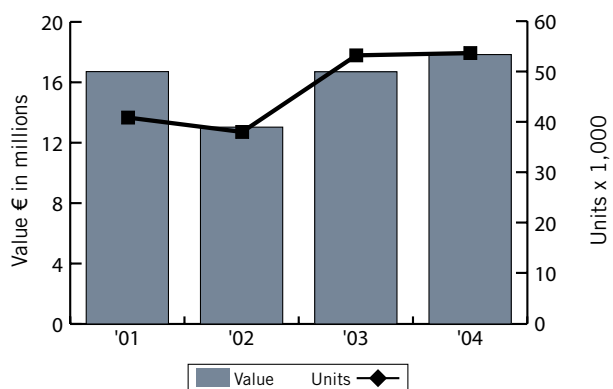
Amplifiers for Voice



Signal Processing Market



Amplifiers for Instruments



Japan

Japan Musical Instruments Manufacturer's Association (JMIMA) announced that the Japanese music products industry manufactured and sold 193.7 billion yen (U.S. \$1.84 billion) worth of musical instruments and related products in 2004, an increase of 5.3 percent over the previous year. After four consecutive years of decline, the industry has experienced a surge of production and sales since 2003. Domestic sales went down slightly in terms of units, but rose 4.6% in value to 70.5 billion yen (U.S. \$0.67 billion) over 2004. Exports increased by 5.7 percent in value and although the market is still struggling, the industry took a positive step forward in 2004.

Some product lines increased sales in the domestic market in 2004. The value of electronic organ sales went up to 1.055 billion yen (U.S. \$10 million), even though the number of units went down 9.5 percent. Sales of flute, clarinet, saxophone, other woodwind instruments, trombone and other brass instruments surpassed their 2003 numbers both in units and value. Only trumpets declined little in terms of units. The violin family of instruments, concert drums, glockenspiel, mini keyboard and amplifiers for musical instruments also recorded increased sales in units as well as in value. Sales of marching drums, xylophones and electric guitars slightly dropped in units, but increased in value.

On the contrary, upright and grand pianos, acoustic guitars, Taishokotos, jazz drums, other percussion instruments, table-top xylophones and glockenspiels, harmonicas, accordions, recorders, keyboard synthesizers and other electronic instruments dropped both in units and value in the domestic market. Pianos recorded their largest sales in 1985 when the industry started compiling statistics. The category went down in 2004 to 15 percent of the 1985 sales in units.

The statistics compiled by the Customs Bureau (the Ministry of Finance) show that musical instrument imports in 2004 greatly increased in such categories as upright and grand pianos, harpsichords and other large keyboard instruments, harmonicas, violin family instruments, pipe organs, electric guitars, and other electric and electronic musical instruments.

The Japan charts are based on statistical data compiled by the Japan Musical Instruments Manufacturer's Association (JMIMA) and published by Japan Music Trades.

Commentary is from the May 2005 issue of Japan Music Trades and used with permission.



Japan

Japanese Snapshot

Demographics

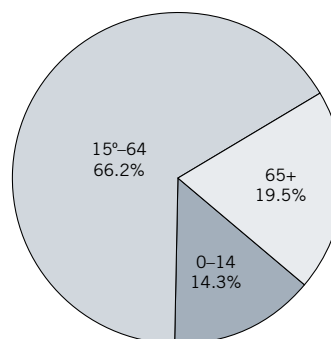
Population in millions 127.4

Age	Male	Female
0-14	9.33	8.87
15-64	42.46	41.94
65 & Over	10.44	14.38

Median Age 42.6

Population Growth 0.05%

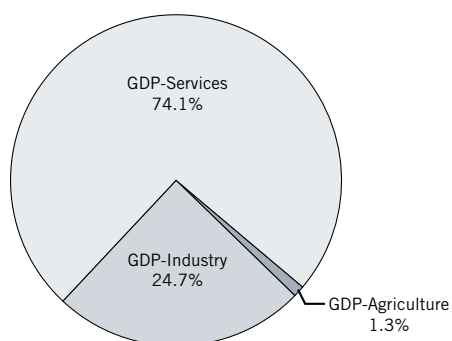
Demographics



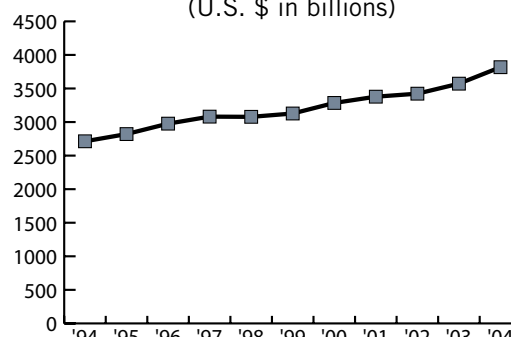
Economy

GDP (PPP)	\$3,817 billion
GDP Per Capita	\$29,906
GDP-Real Growth Rate	2.90%
Unemployment Rate	4.70%
Inflation	0.00%

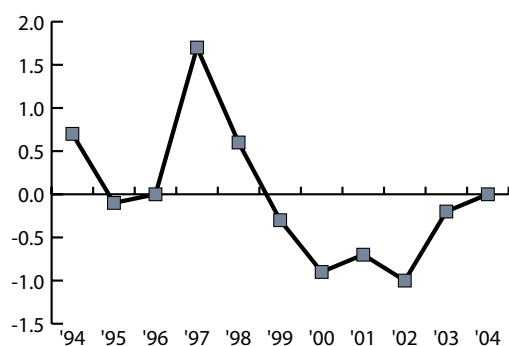
Economy



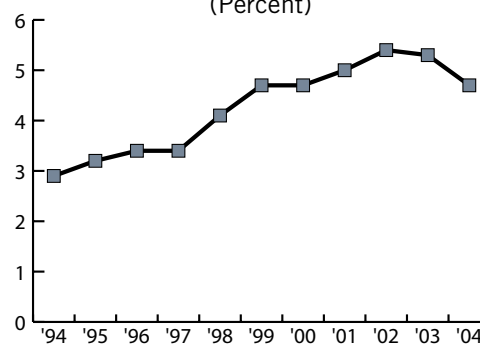
Japanese GDP
(U.S. \$ in billions)



Inflation (Annual Percent Change)



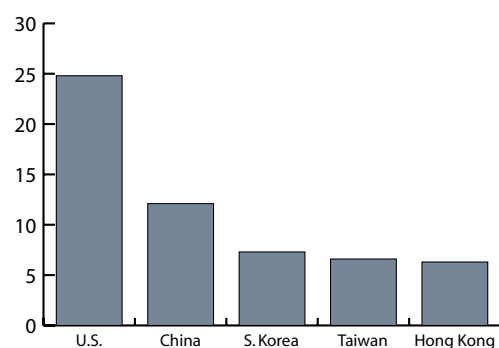
Unemployment Rate
(Percent)



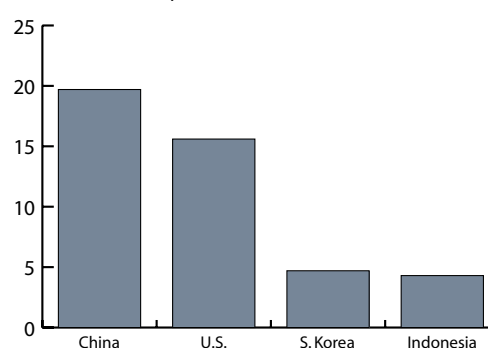
Trade

Total Export	\$538.8 billion	Export as % of GDP	14.39%
Total Import	\$401.8 billion	Total Import as % of GDP	10.73%

Export Partners (2003)



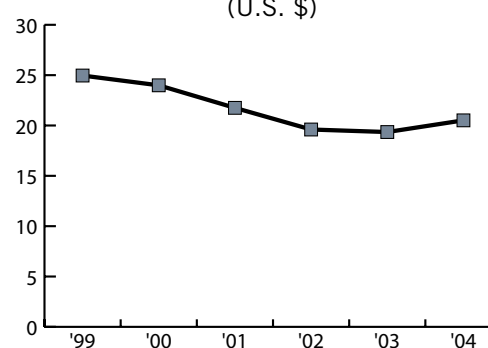
Import Partners (2003)



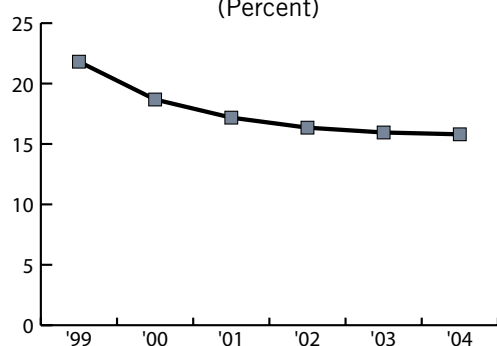
Music Industry

Music Market	\$2,604 million
Sales Per Capita	\$20.50
Global Share	15.80%

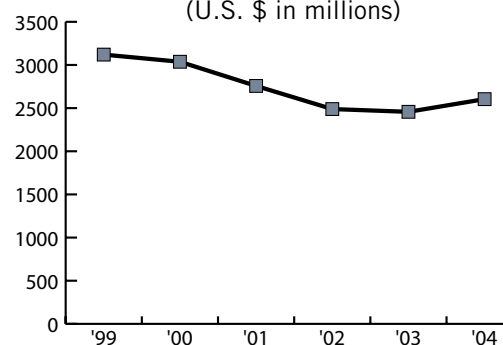
Music Sales Per Capita
(U.S. \$)



Share of Global Music Market
(Percent)

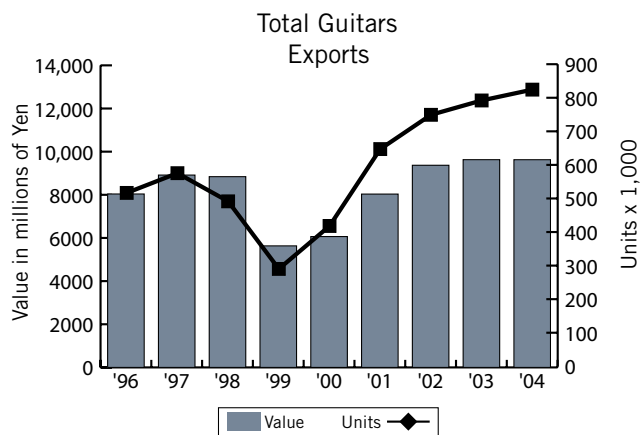
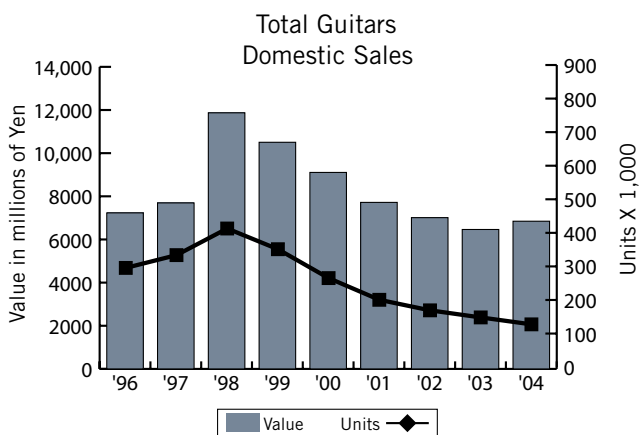
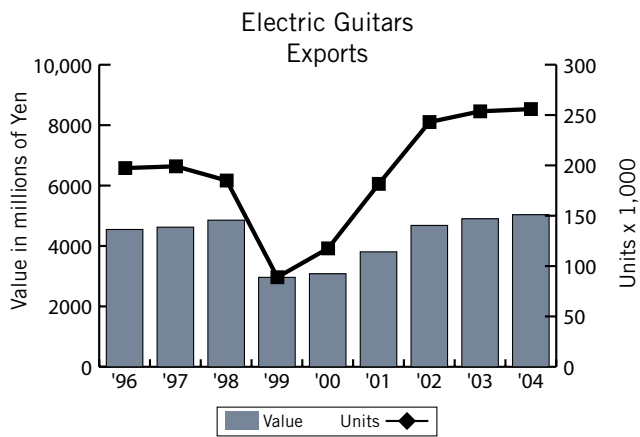
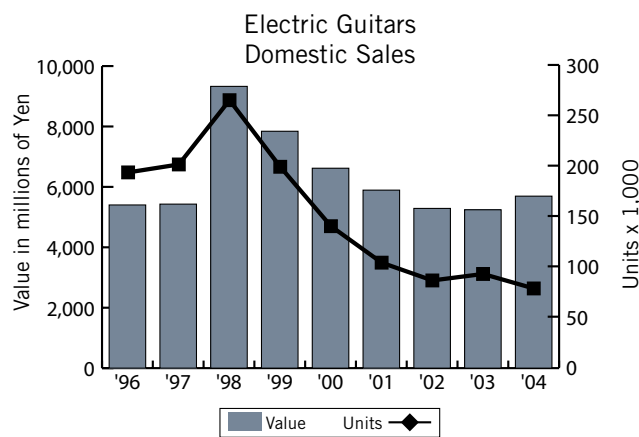
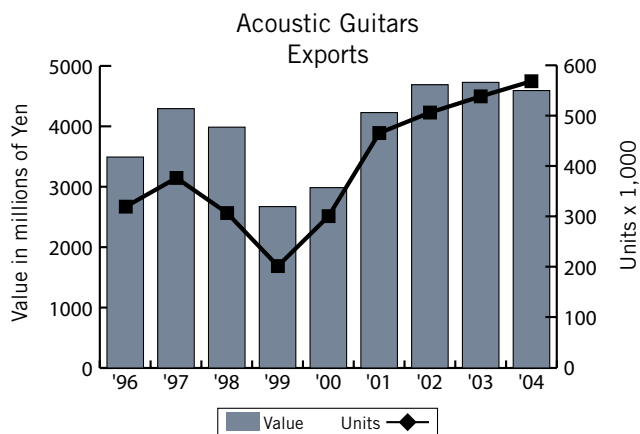
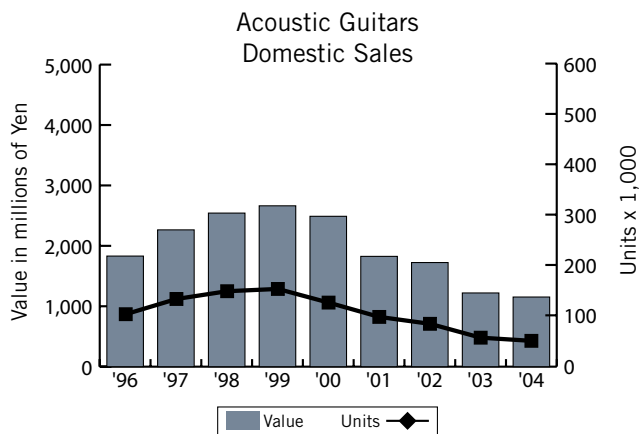


Japanese Music Market
(U.S. \$ in millions)



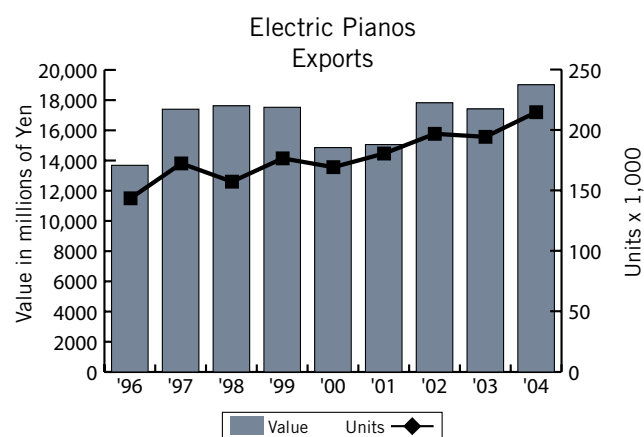
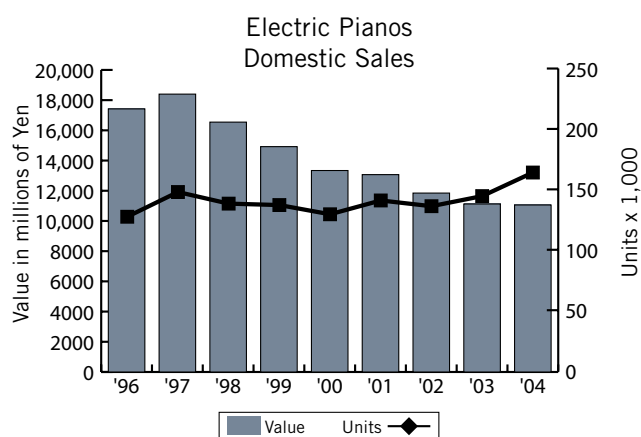
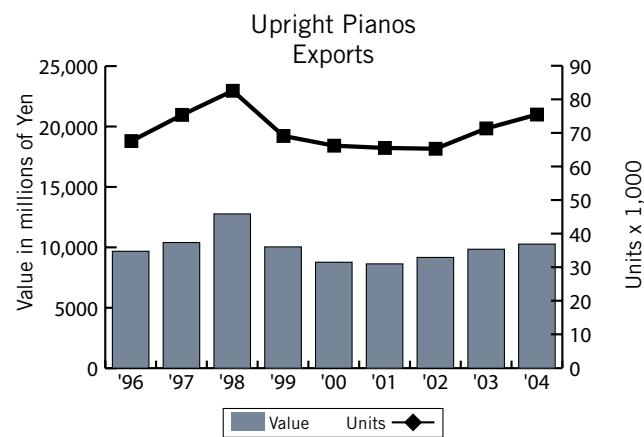
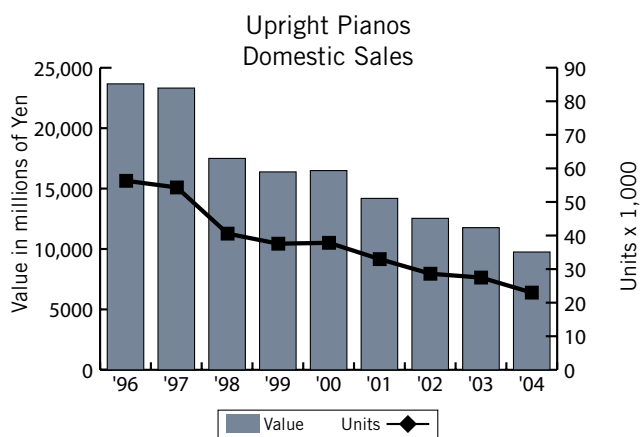
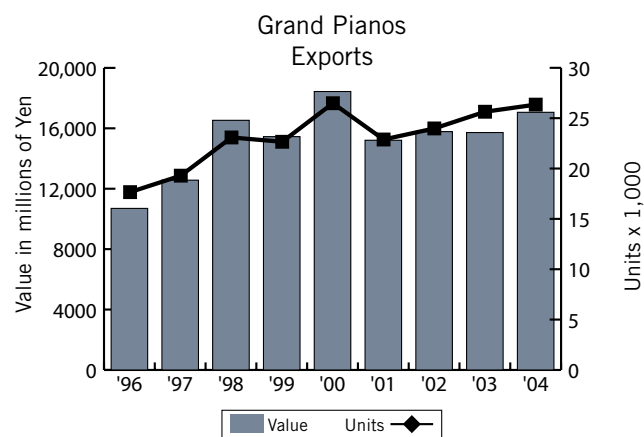
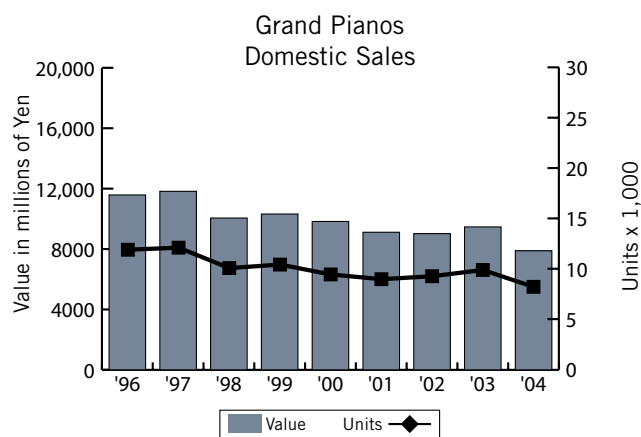
Domestic Sales

Japanese Domestic Sales and Exports



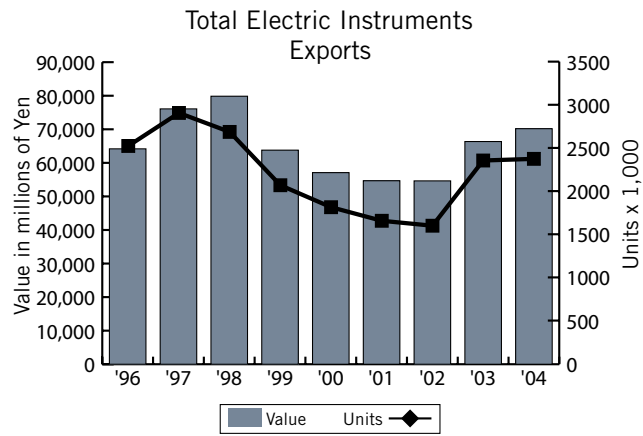
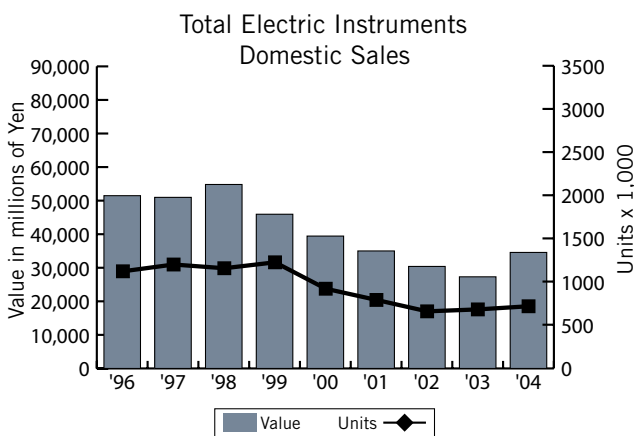
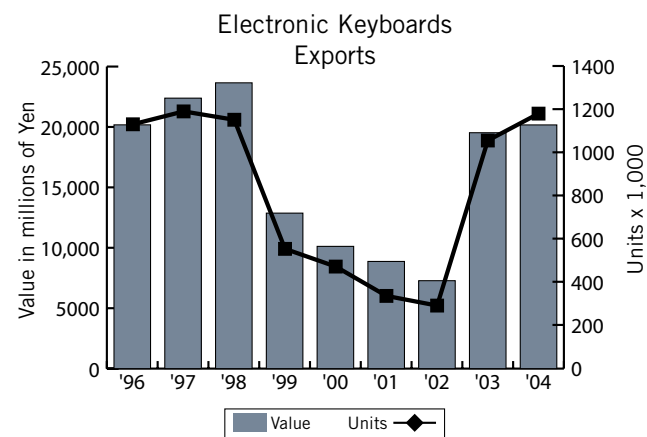
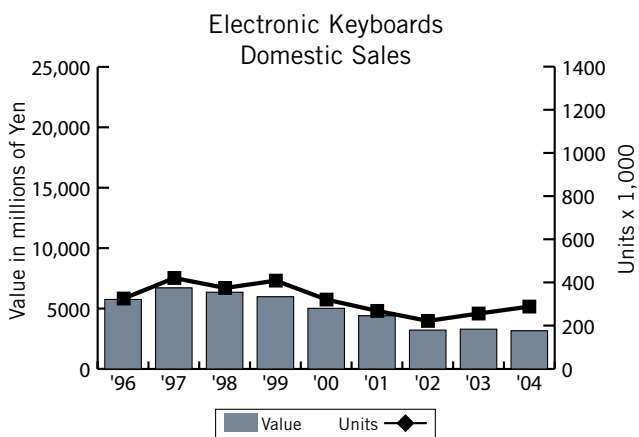
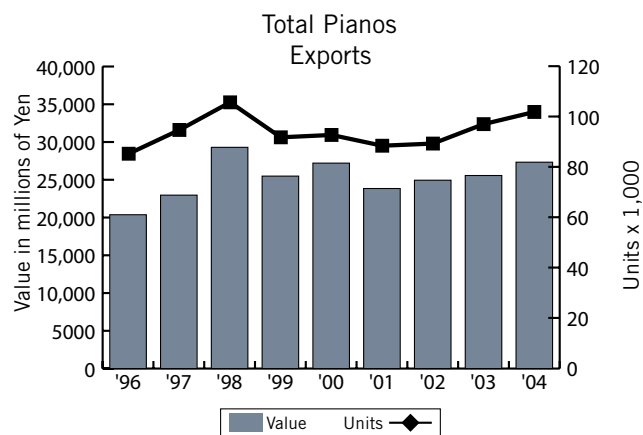
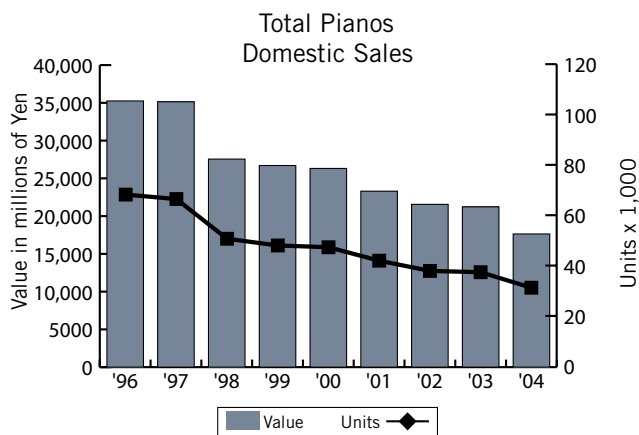
Domestic Sales

Japanese Domestic Sales and Exports



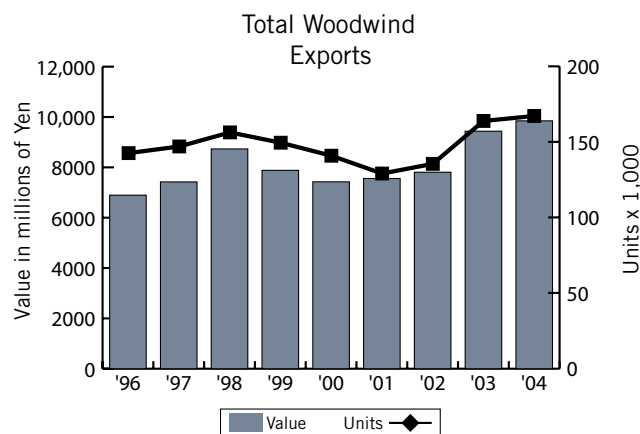
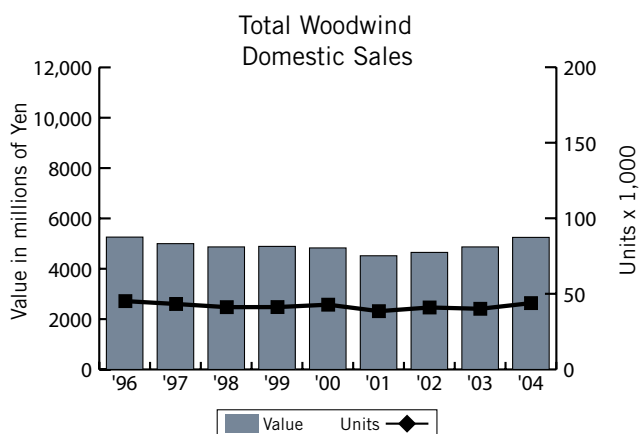
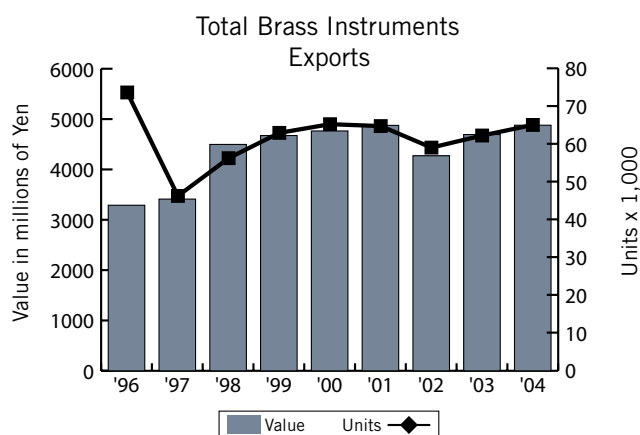
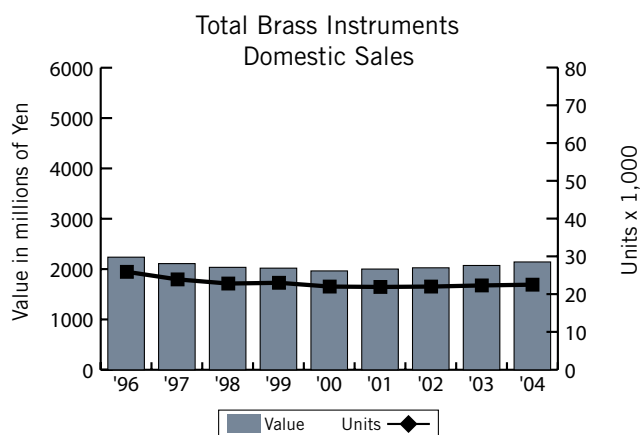
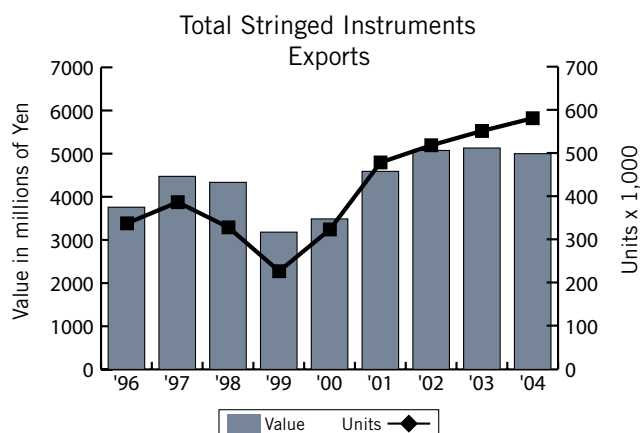
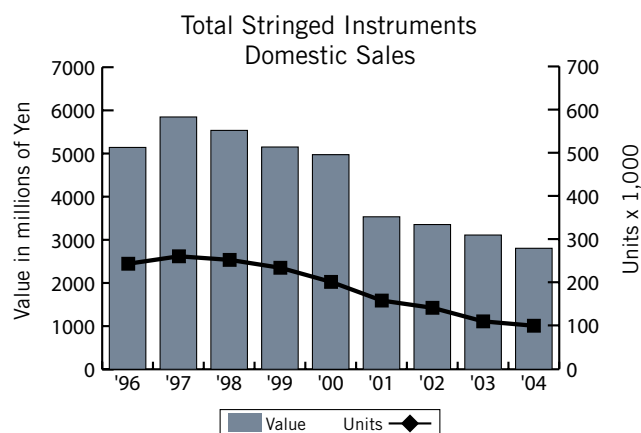
Domestic Sales

Japanese Domestic Sales and Exports



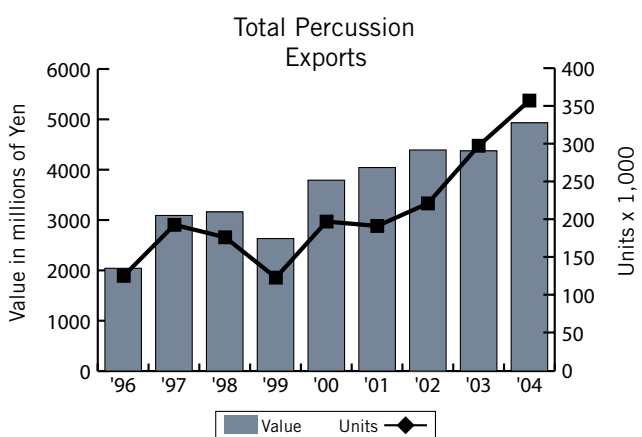
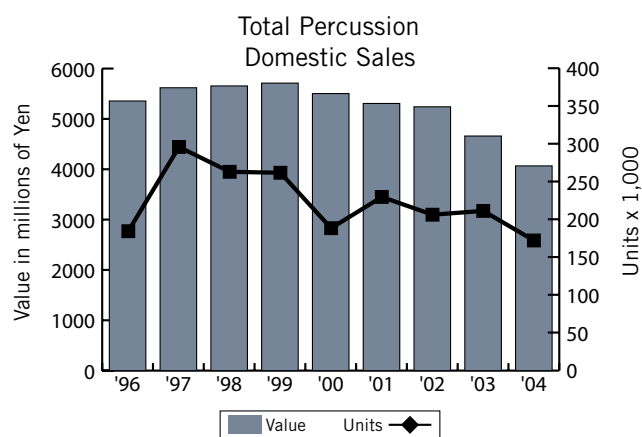
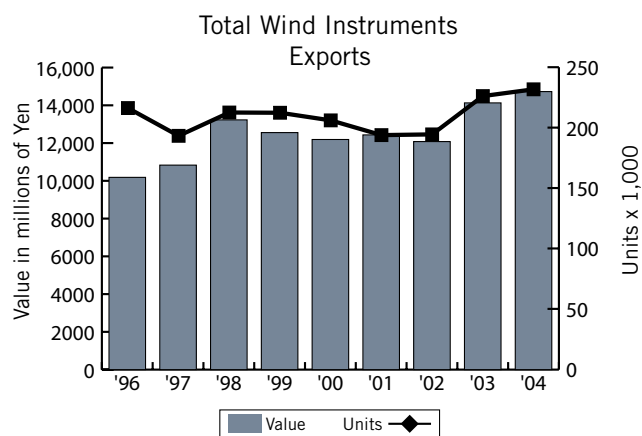
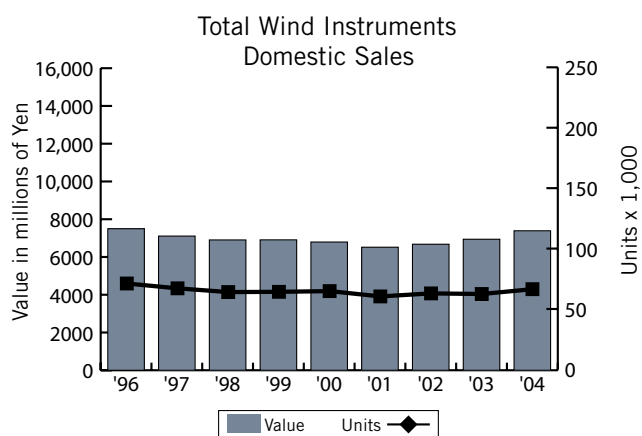
Exports

Japanese Domestic Sales and Exports



Exports

Japanese Exports



Spain

The Spanish music industry in 2004 continued to be one of the world's largest music markets. According to *The Music Trades'* annual "Global 225," this year Spain ranked 14th, down from 12th last year, replaced by Russia and exceeded slightly by Brazil. However, some product categories performed very well.

Guitar is the primary instrument manufactured in Spain. Although guitar sales have declined since 2001, in 2004 they not only stepped out of the downward trend but also achieved significant growth in both value and unit sales. The general trend shows that unit growth exceeds value growth, which indicates a declining unit price in line with the global industry trend. However, it is worth noting that acoustic guitar sales had exceptional growth with value exceeding units.

Acoustic guitars	value +40% units +30%
Electric guitars	value +41% units +54%
Electroacoustic guitars	value +27% units +33%
Electric basses	value +20% units +39%

Total percussion sales value declined slightly by 3 percent but grew 9 percent in unit sales. Drums have been selling well through different price ranges except for drums priced between 900 and 1800 euros. Drums in this price range dropped 44 percent in sales value and 42% in units. It also should be noted that drums over 1800 euros have jumped 32 percent in sales value and 11 percent in unit sales.

The music industry in Spain is optimistic but has some challenges. Like the rest of the world, the unprecedented challenge for Spanish manufacturers is imported musical instruments.

COMUSICA, the Spanish association, is a not-for-profit organization composed of Spanish musical instrument manufacturers, importers and retailers. In its 27th year, it makes up 80 percent of the Spanish market and has almost 150 members.

The following charts were supplied by Comúsica, the Spanish Music Products Association.



Spanish Snapshot

Demographics

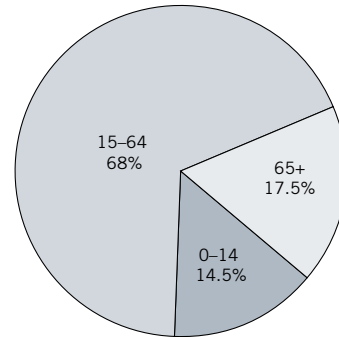
Population in millions 40

Age	Male	Female
0-14	2.9	2.8
15-64	13.7	13.6
65 & Over	2.9	4.1

Median Age 39.5

Population Growth 0.15%

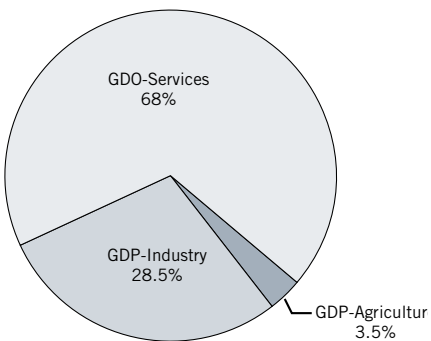
Demographics



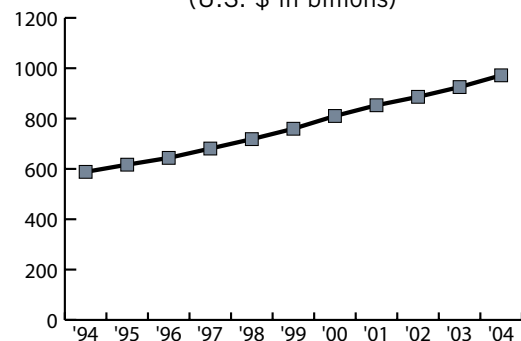
Economy

GDP (PPP)	\$972 billion
GDP Per Capita	\$23,627
GDP-Real Growth Rate	2.60%
Unemployment Rate	10.80%
Inflation	3.10%

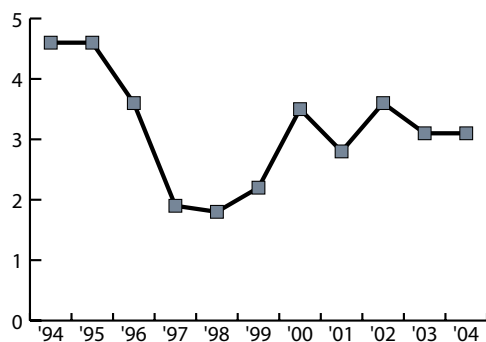
Economy



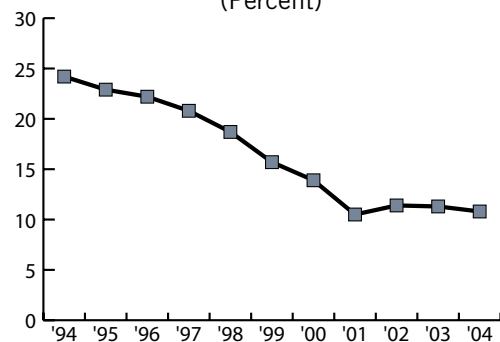
Spanish GDP
(U.S. \$ in billions)



Inflation (Annual Percent Change)



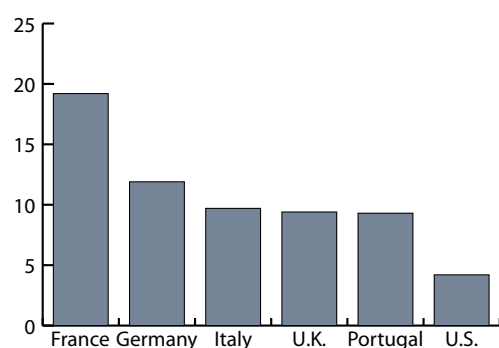
Unemployment Rate
(Percent)



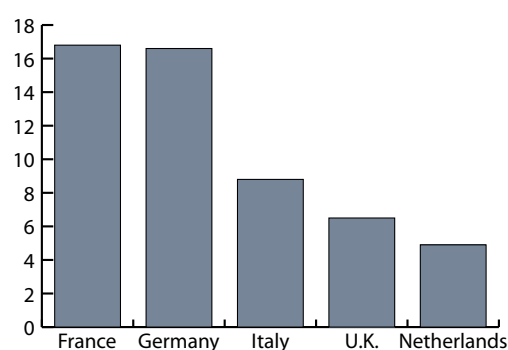
Trade

Total Export	\$172.5 billion	Export as % of GDP	17.75%
Total Import	\$222 billion	Total Import as % of GDP	22.84%

Export Partners 2003 (Percent)



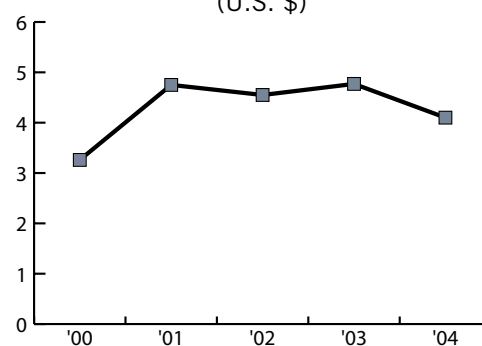
Import Partners 2003 (Percent)



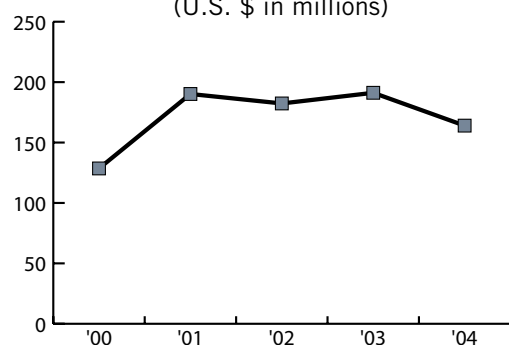
Music Industry

Music Market	\$164 million
Sales Per Capita	\$4.10
Global Share	1.01%

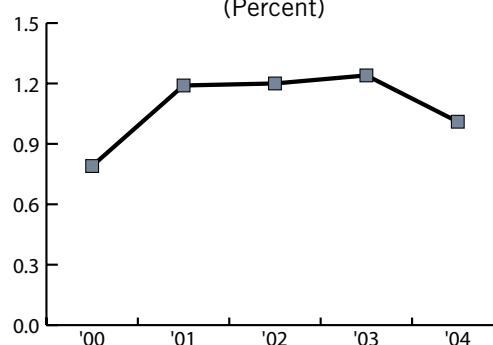
Music Sales Per Capita
(U.S. \$)

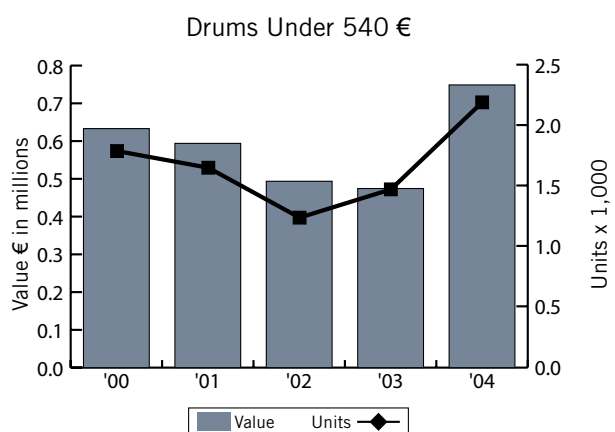
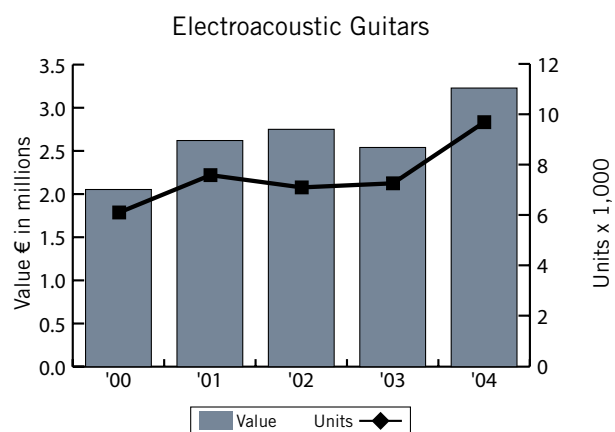
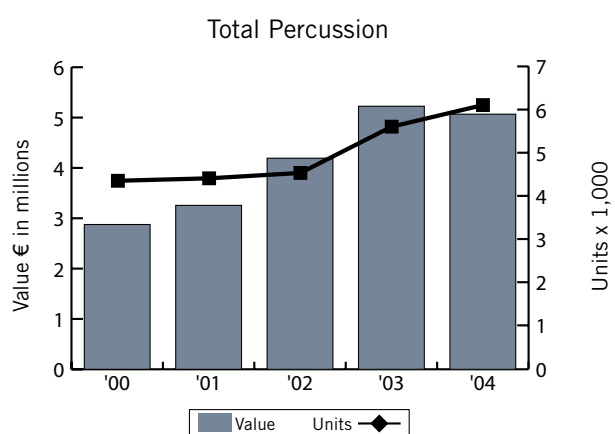
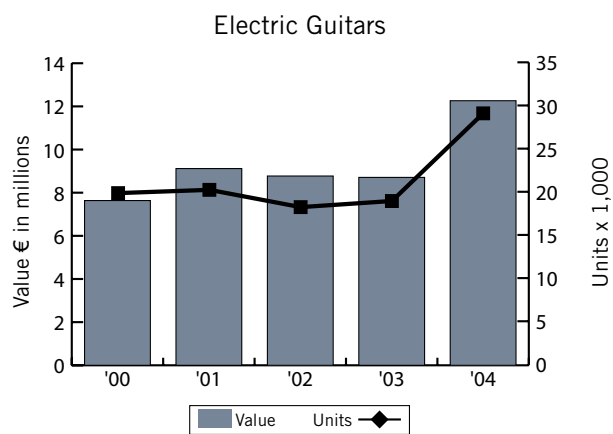
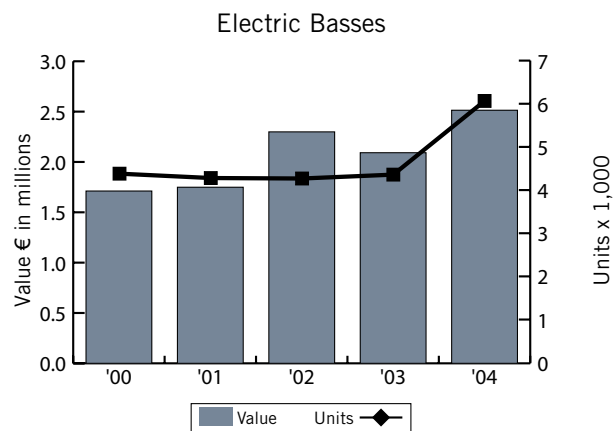
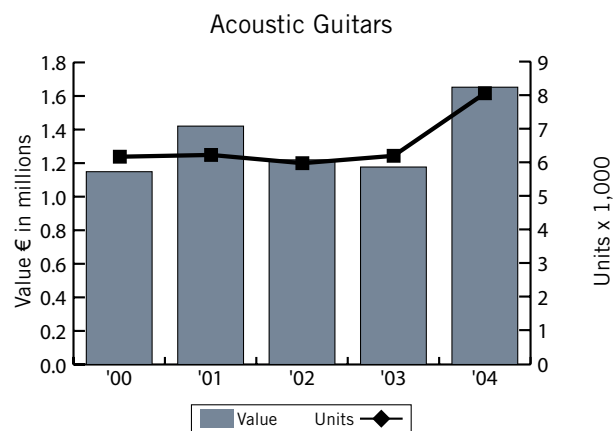


Spanish Music Market
(U.S. \$ in millions)

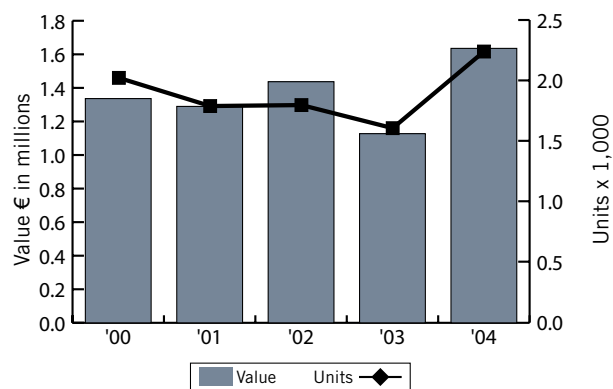


Share of Global Music Market
(Percent)

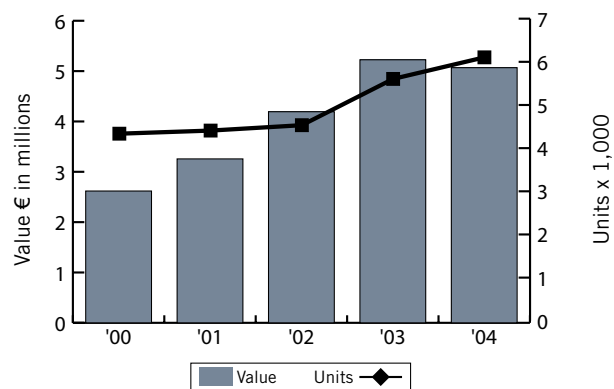




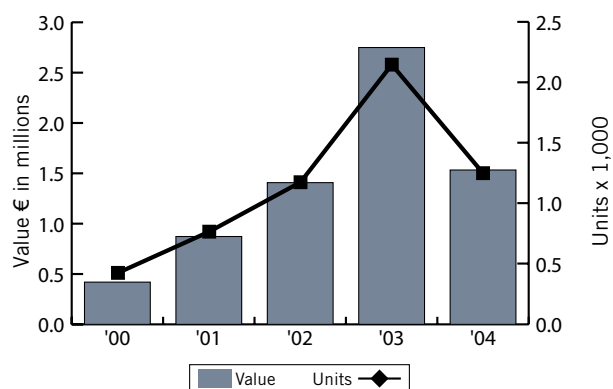
Drums 540 €–900 €



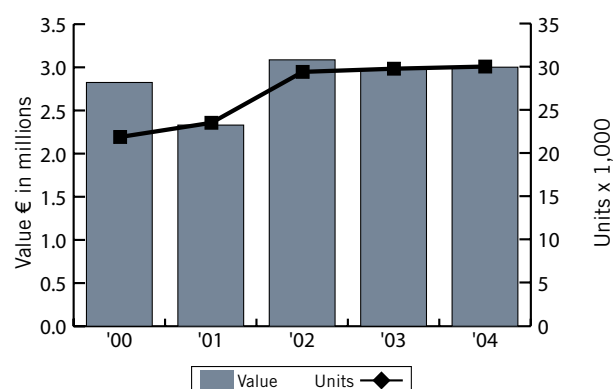
Total Drums



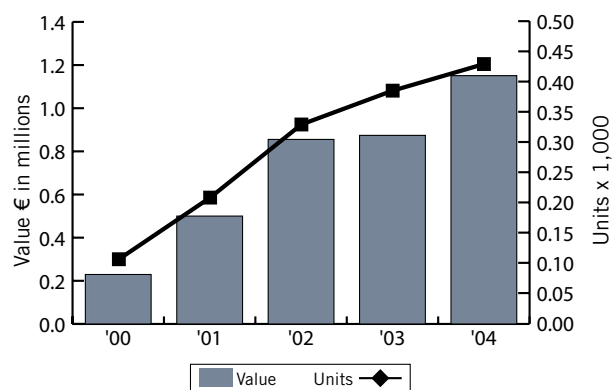
Drums 900 €–1800 €



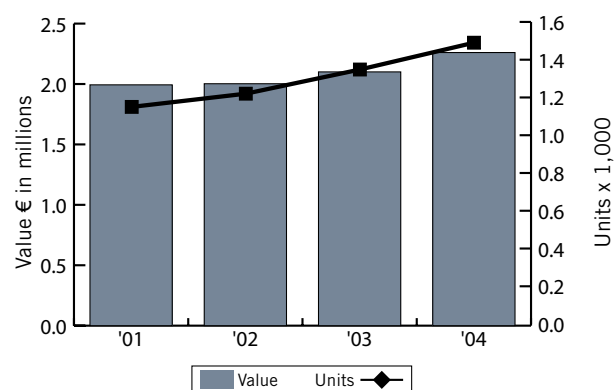
Cymbals



Drums Over 1800 €



Keyboard Synthesizers & Digital Organs



United Kingdom



The U.K. market over the last two years has shown a sustained growth, despite the undercurrent of change that is influencing much of the European market.

The continuing influence of Chinese manufacturing predominance is changing home-built U.K. brands into net importers of goods in order for them to remain competitive. This is especially true in the low price pointed electronic sector.

Another underlying trend in the U.K. is the emergence of the multiple chain store, where unlike Germany and other European markets, we seem to be mirroring the U.S. music retail sector.

The continuing dominance of the guitar as the staple foundation of our industry has continued to help nurture the growth over the past two years. Other sectors continued to fall or remained relatively flat in their sales performance.

The integration of the computer into the mainstream of music making and recording continues, and remains a potential growth area for high-tech products, with interfaces and control surfaces taking market share where synthesisers used to predominate.

The current forecast for the U.K. economy in 2005 is for a recession to start. The first quarter indices are showing an overall downturn in retail sales of approx 4.7 percent in the major main street retailers. The U.K. has been immune to the recessionary problems that have hit other major markets such as Germany and Japan. It seems we may be entering our next recessionary cycle.

*Commentary by Alan Greensall, Statistics and Trends Committee
Chairman at the Music Industries Association (MIA).
The charts were created by NAMM based on data from MIA.*

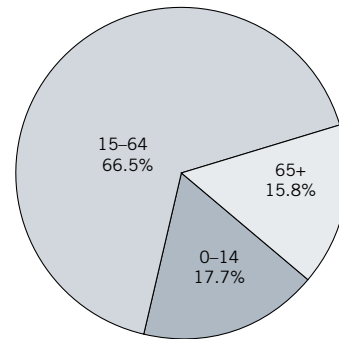
Demographics

Population in millions 60

Age	Male	Female
0-14	5.5	5.2
15-64	20.3	19.9
65 & Over	4.1	5.4

Median Age 39
Population Growth 0.28%

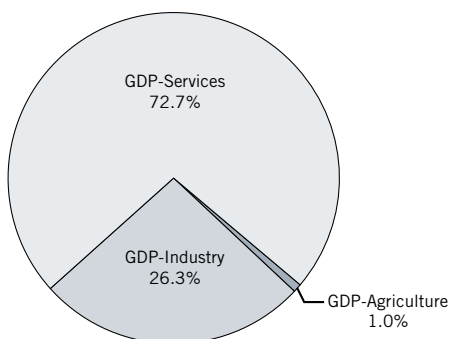
Demographics



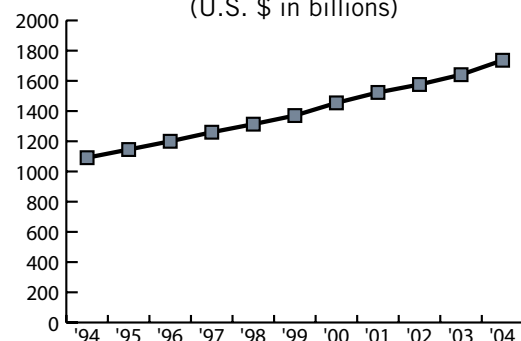
Economy

GDP (PPP)	\$1,736 billion
GDP Per Capita	\$28,968
GDP-Real Growth Rate	3.20%
Unemployment Rate	4.80%
Inflation	1.30%

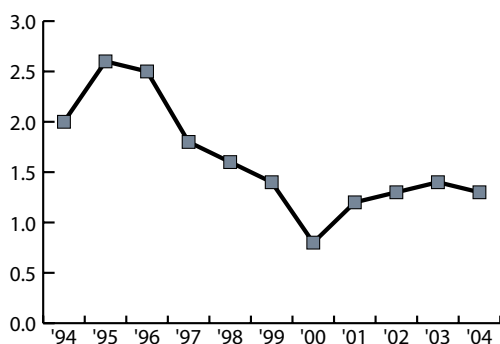
Economy



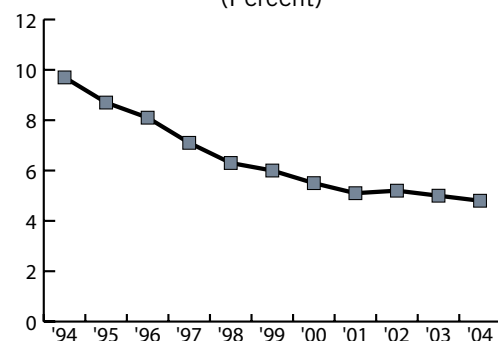
U.K. GDP
(U.S. \$ in billions)



Inflation (Annual Percent Change)



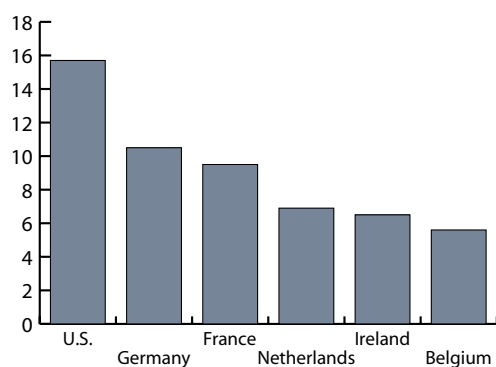
Unemployment Rate
(Percent)



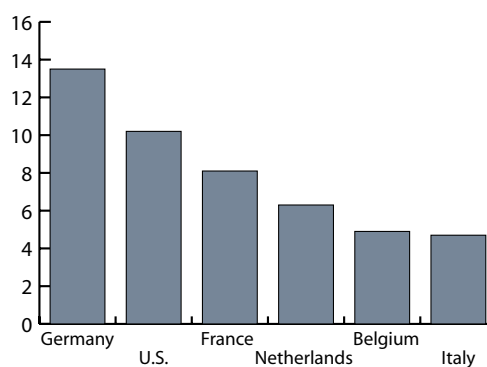
Trade

Total Export	\$347.2 billion	Export as % of GDP	20.00%
Total Import	\$439.4 billion	Total Import as % of GDP	25.31%

Export Partners (2003)



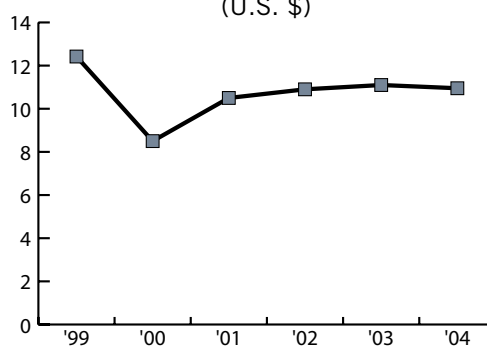
Import Partners (2003)



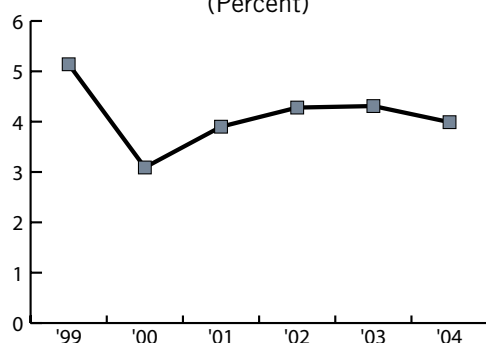
Music Industry

Music Market	\$653 million
Sales Per Capita	\$10.95
Global Share	3.99%

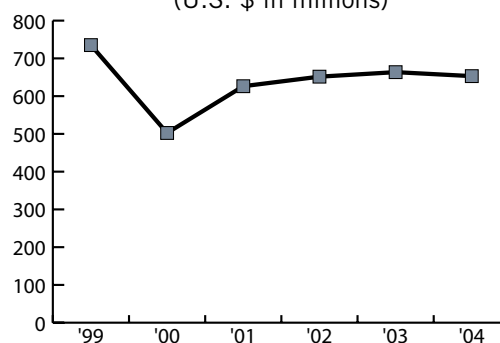
Music Sales Per Capita
(U.S. \$)

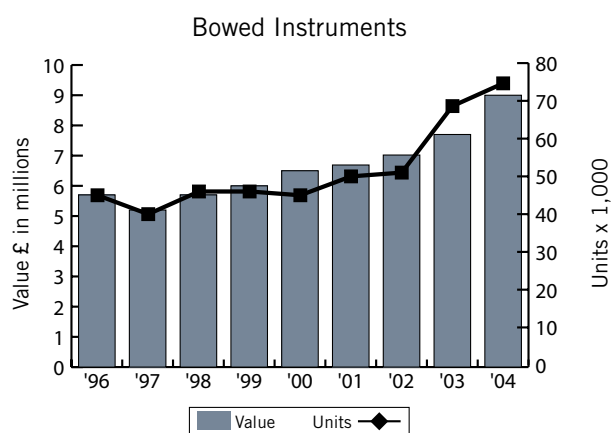
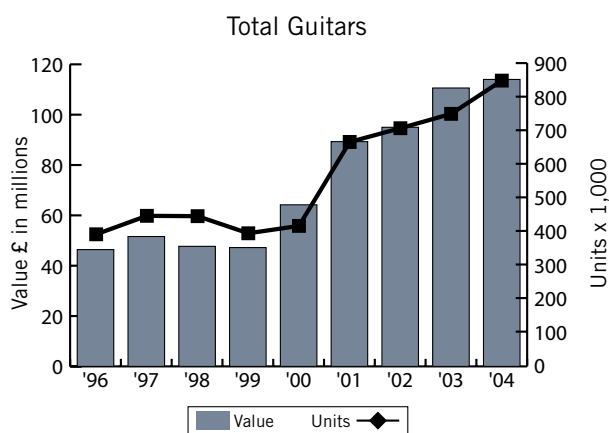
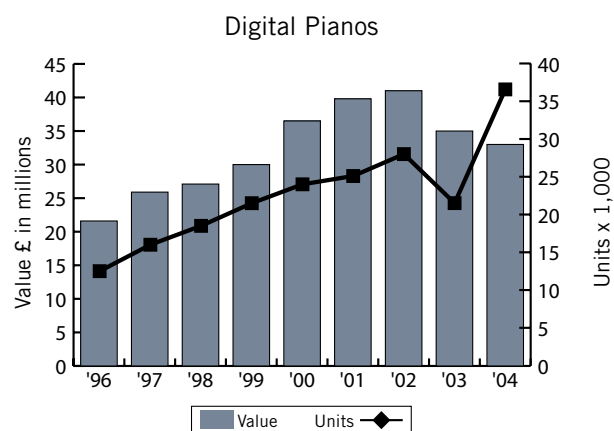
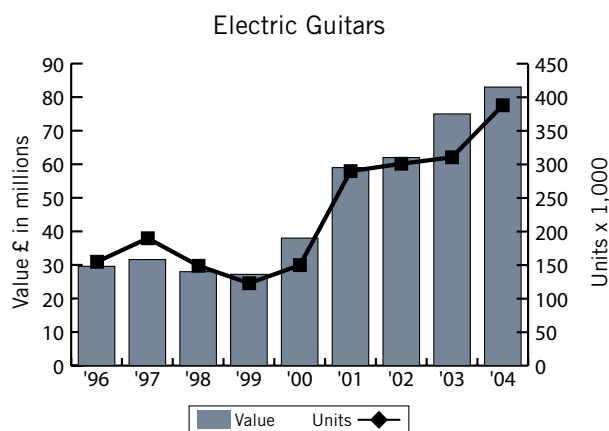
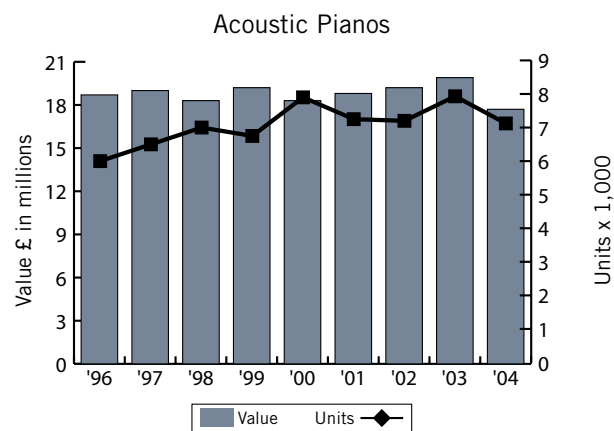
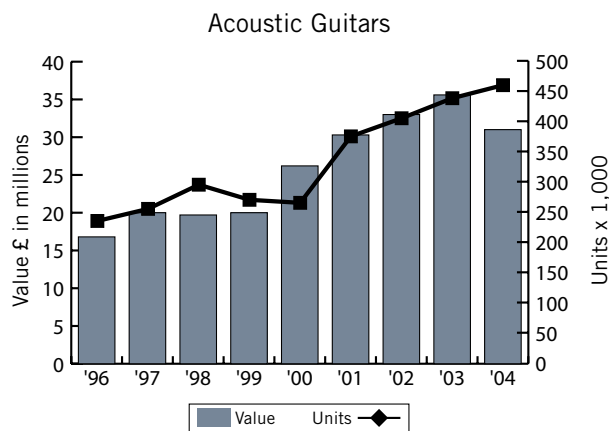


Share of Global Music Market
(Percent)

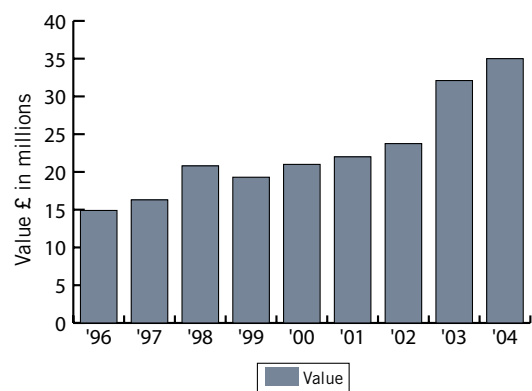


U.K. Music Market
(U.S. \$ in millions)

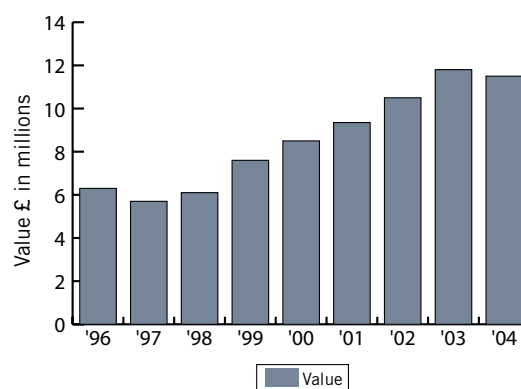




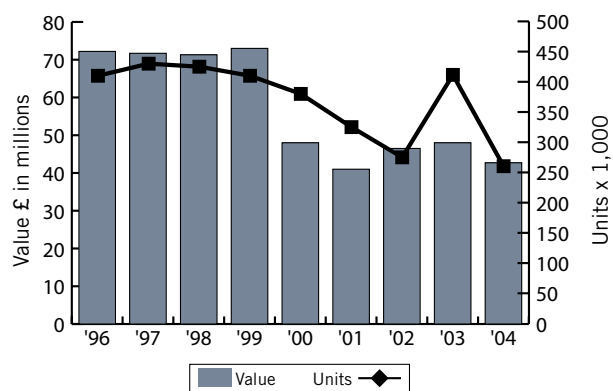
Percussion



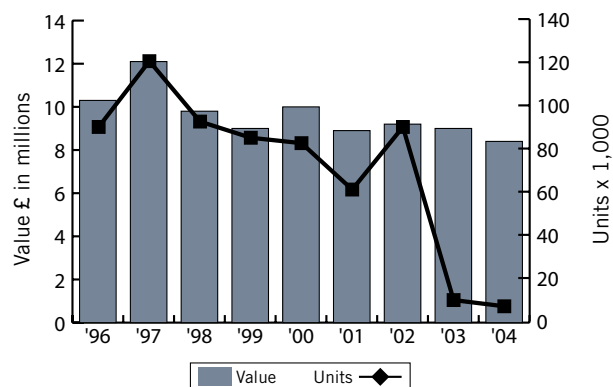
Strings



Portable Keyboards



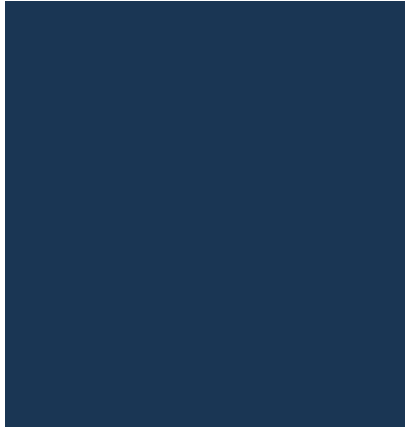
Keyboard Synthesizers



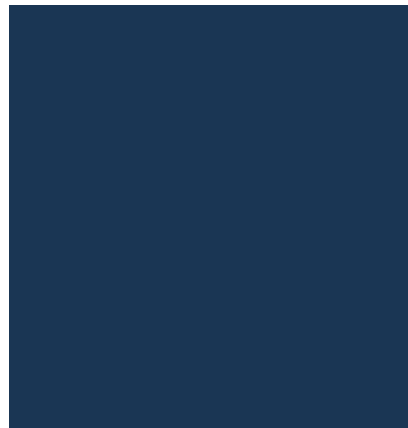
Attitudes

People's Attitudes Toward Music U.S. Gallup and Australian Nexus Surveys

"In music one must think with the heart and



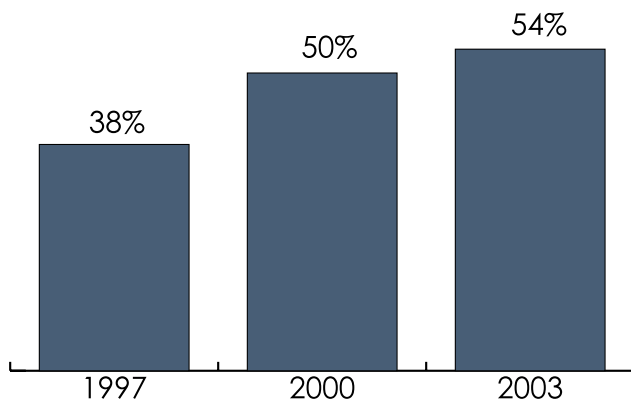
feel with the brain." -George Szell



Gallup Survey

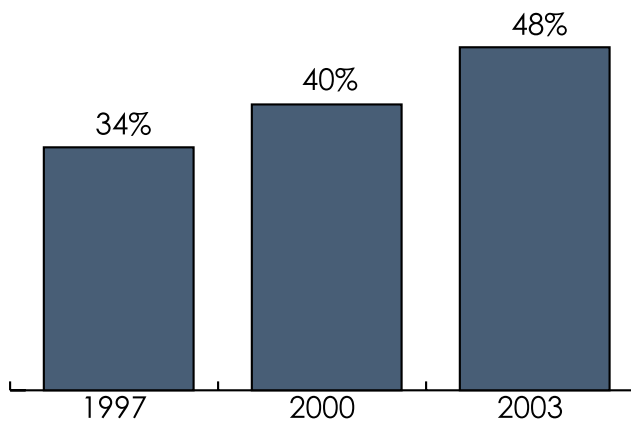
Every three years NAMM, the International Music Products Association®, commissions the Gallup Organization to conduct a national telephone survey to profile household participation and attitudes regarding the playing of musical instruments and, where appropriate, compare these findings to previous national surveys.

PERCENTAGE OF HOUSEHOLDS THAT CURRENTLY
HAVE AT LEAST ONE MUSICAL INSTRUMENT PLAYER



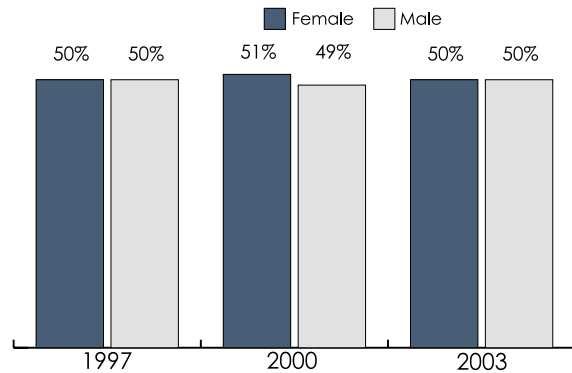
More than one-half of households (54%) have at least one person, age five or older, who currently plays a musical instrument. This is the highest figure since this study began in 1978 (51%).

PERCENTAGE OF HOUSEHOLDS WITH
TWO OR MORE PLAYERS



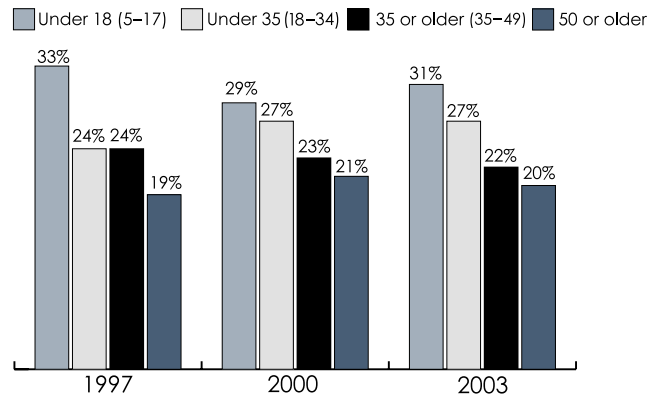
Also, in 48% of households, two or more persons play a musical instrument, compared to 40% in 2000.

GENDER OF PERSONS AMONG HOUSEHOLDS
WITH AT LEAST ONE MEMBER WHO PLAYS



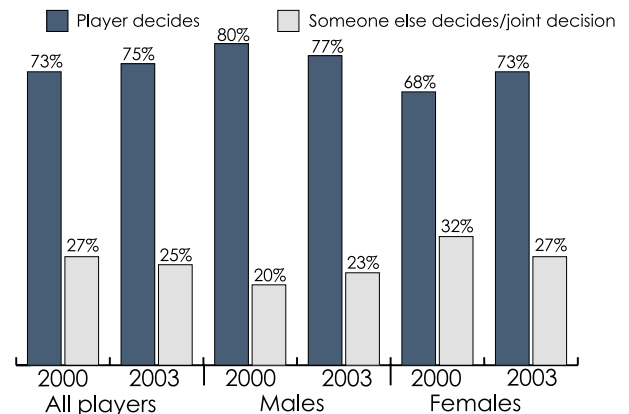
The gender breakdown among those who play musical instruments is 50% males and 50% females.

AGE OF PERSONS AMONG HOUSEHOLDS WITH
AT LEAST ONE MEMBER WHO PLAYS



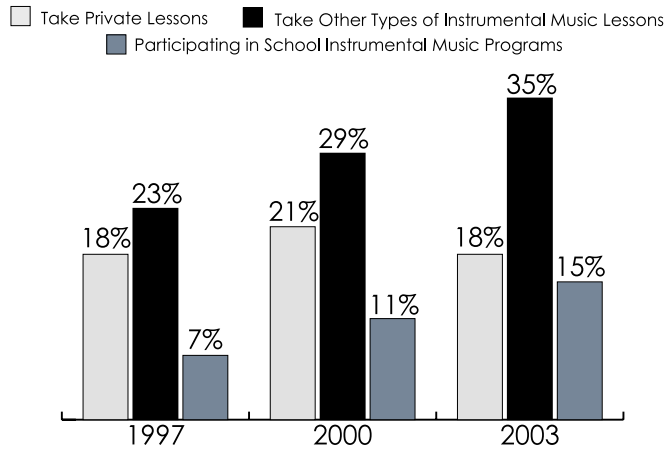
While there is an increase in the number of players under the age of 18, there is a slight decline in the number of players over 35.

WHO DECIDES WHAT INSTRUMENT SHOULD BE PLAYED?



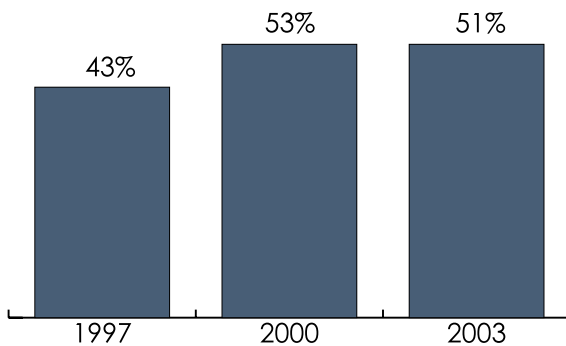
Most players continue to decide for themselves what instrument they will play. By gender, males continue to decide for themselves more often than females.

PLAYER PARTICIPATION IN FORMAL MUSIC ACTIVITIES



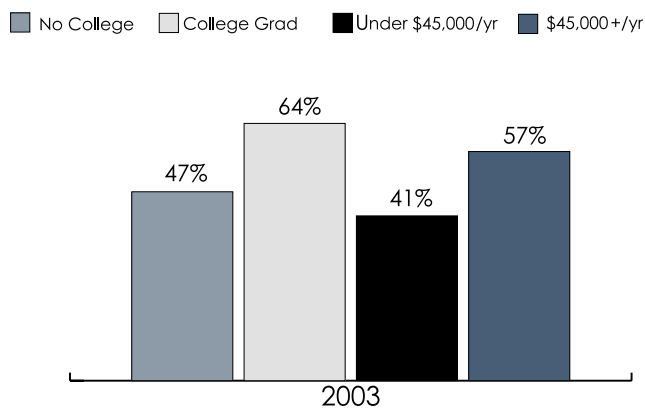
The number of people participating in school and other types of instrumental music activities has increased substantially since 2000.

SOMEONE IN HOUSEHOLD OWNS A MUSICAL INSTRUMENT



Over 50% of households in 2003 owned at least one musical instrument, compared to 43% in 1997.

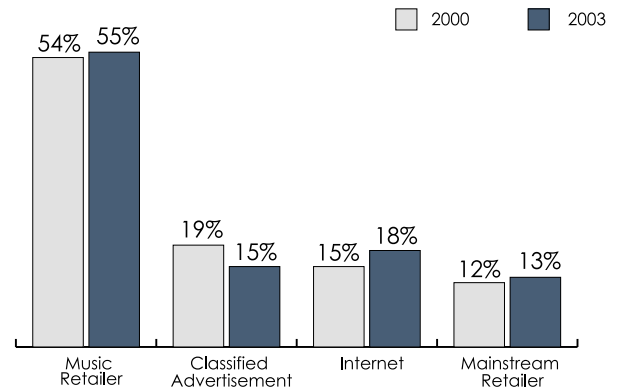
SOMEONE IN HOUSEHOLD OWNS A MUSICAL INSTRUMENT (By education and income)



The highest percentage of musical instruments are owned by households with college graduates and those with incomes over \$45,000 per year.

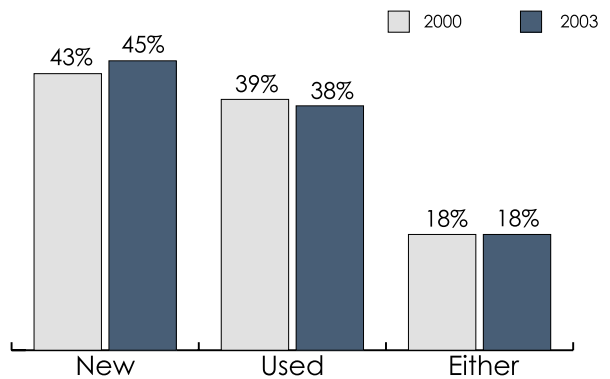
SOURCES WOULD MOST LIKELY CONSIDER IF SHOPPING
FOR OR BUYING A MUSICAL INSTRUMENT

Over half of those surveyed prefer buying a musical instrument face-to-face in a specialty retail environment.

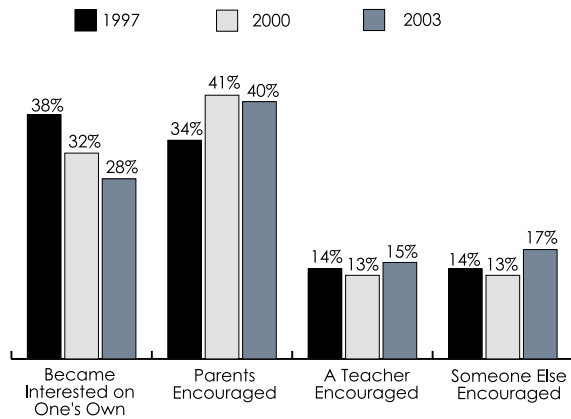


WOULD PURCHASE NEW VS. USED WHEN SHOPPING
FOR OR BUYING A MUSICAL INSTRUMENT

More people surveyed would purchase new musical instruments as opposed to used.

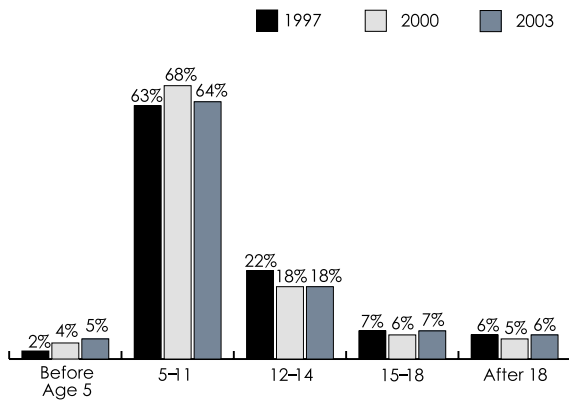


WHAT MOTIVATES PEOPLE TO START PLAYING?

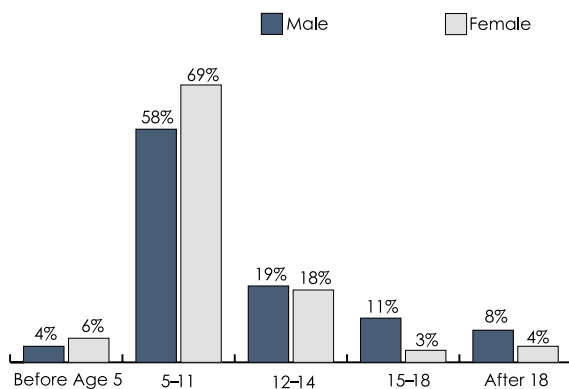


More people were encouraged by a teacher or someone else than in previous years. Fewer became interested on their own or encouraged by their parents.

AGE AT WHICH FIRST LEARNED TO PLAY



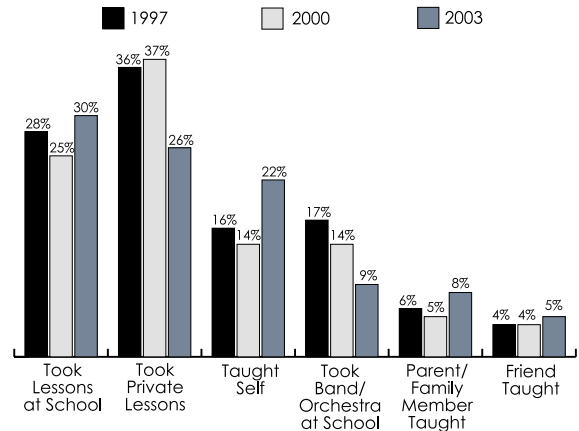
MALE VS. FEMALE (Age at which first learned to play)



In 1997, 2000 and 2003, the typical ages for first learning to play a musical instrument were between 5 and 11. In all years, females were significantly more likely than males to first learn to play during these pre-teenage years.

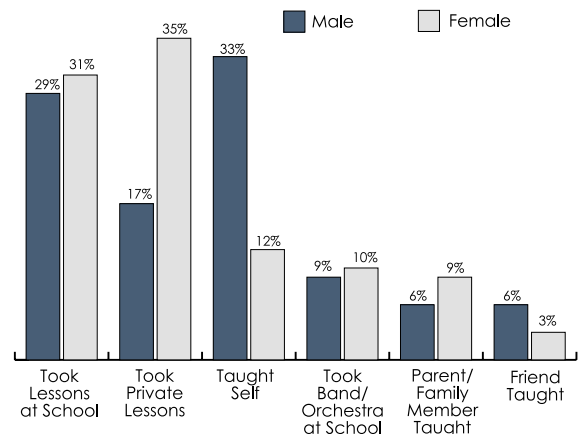
HOW DID YOU FIRST LEARN TO PLAY AN INSTRUMENT?
(All current or former players)

As in 1997 and 2000, most people in 2003 said they first learned to play a musical instrument either through lessons at school or private lessons. More players taught themselves than in 2000.

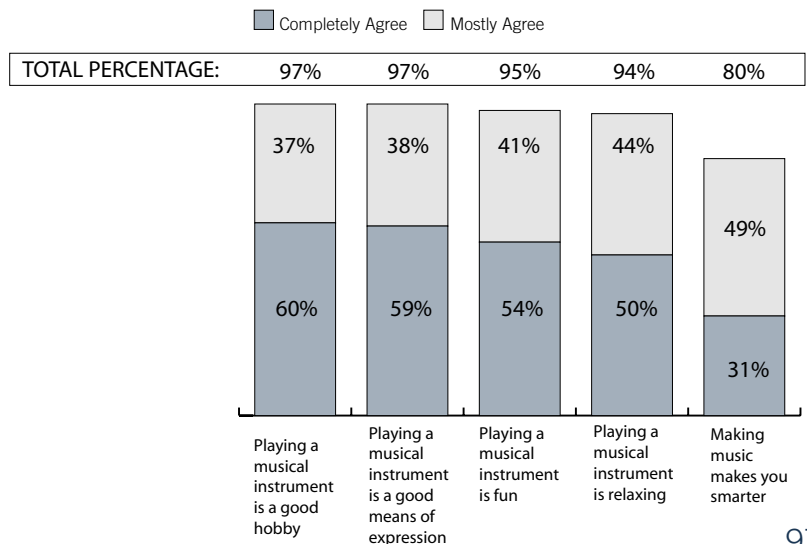


MALE VS. FEMALE
HOW DID YOU FIRST LEARN TO PLAY AN INSTRUMENT?
(All current or former players, by gender)

In all surveys, females were significantly more likely to take private lessons than were males.



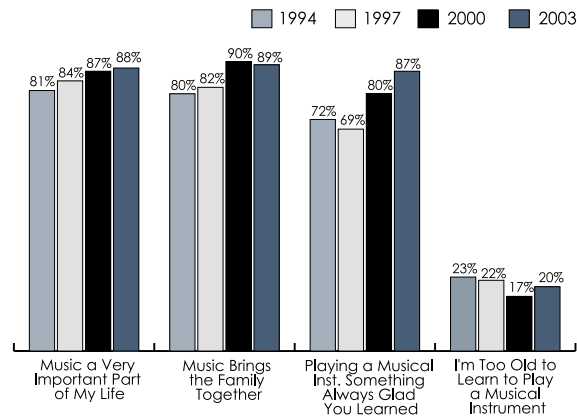
AGREEMENT WITH ATTITUDES ABOUT LEARNING TO
PLAY MUSICAL INSTRUMENTS
(All current former players)



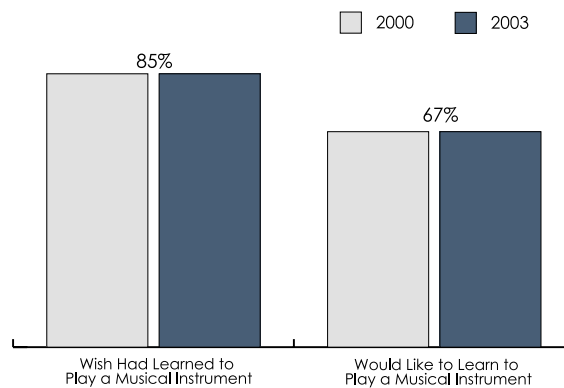
American Attitudes

American Attitudes About Music Making

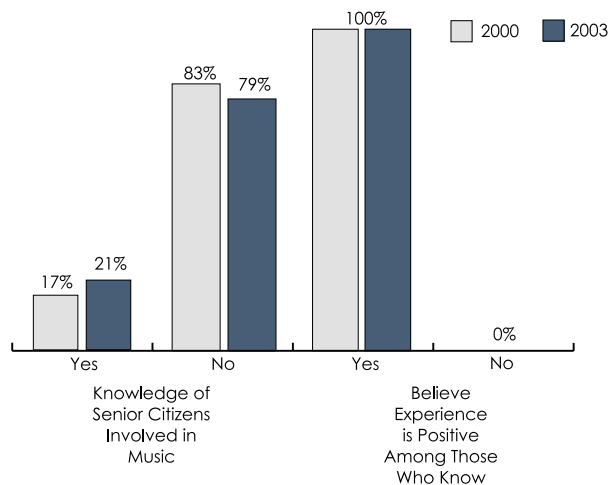
PERCENTAGE OF RESPONDENTS WHO AGREE



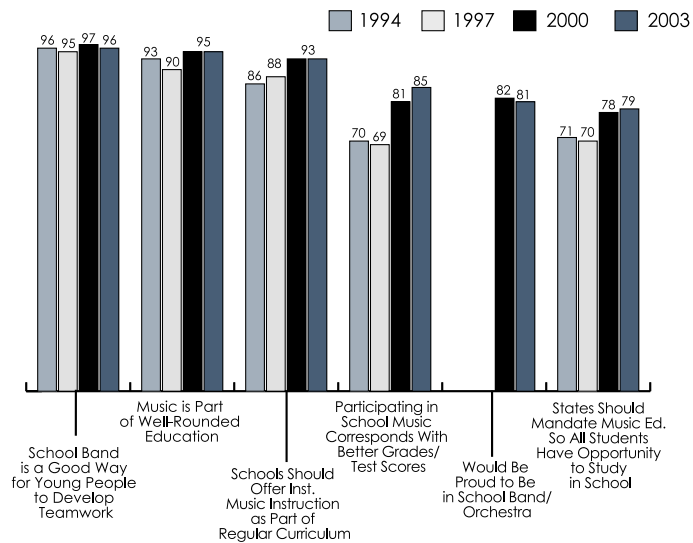
PERCENTAGE OF RESPONDENTS WHO AGREE



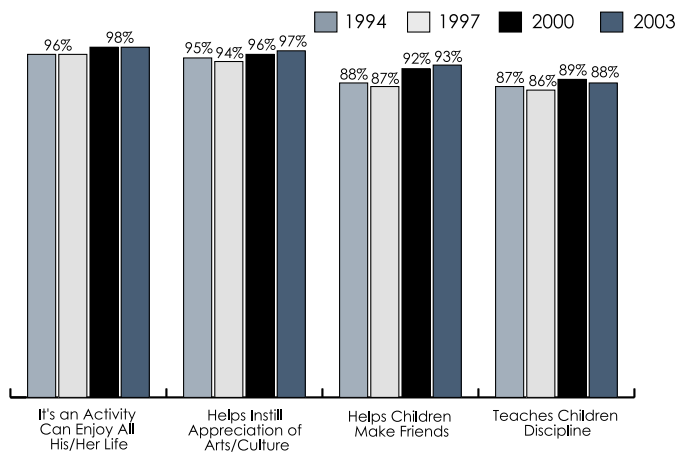
KNOWLEDGE AND OPINION ABOUT SENIOR CITIZENS BEING INVOLVED IN MUSIC



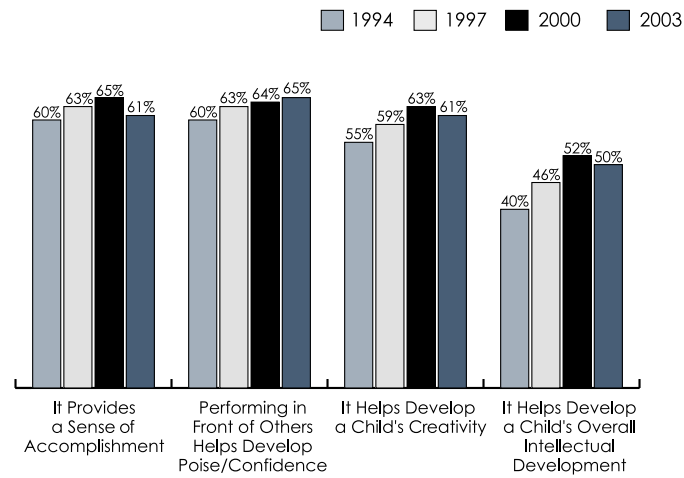
AGREEMENT WITH ATTITUDES ABOUT MUSIC
EDUCATION IN SCHOOLS
(Percentages who “completely or mostly agree” among all respondents)



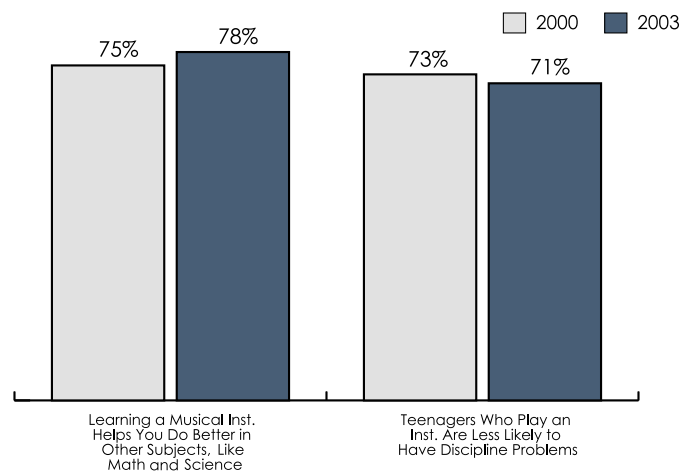
WHY SHOULD CHILDREN LEARN TO PLAY
MUSICAL INSTRUMENTS?
(Percentages who “completely or mostly agree” among all respondents)



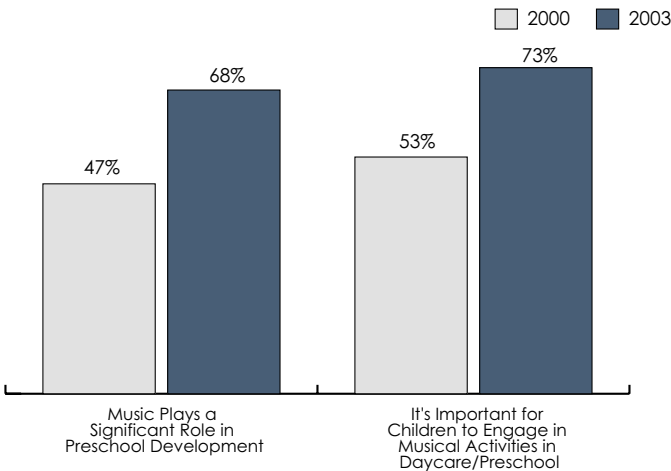
AGREEMENT WITH OTHER ATTITUDES ABOUT REASONS
A CHILD SHOULD LEARN TO PLAY MUSICAL INSTRUMENTS
(Percentages who “completely agree” among all respondents)



PERCENTAGE OF RESPONDENTS WHO AGREE

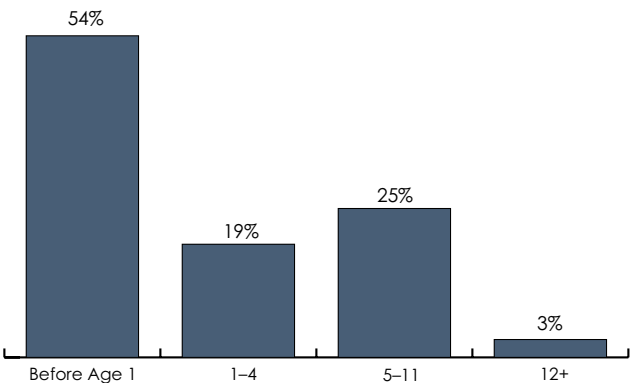


AGREEMENT WITH ATTITUDES ABOUT MUSIC
AT THE PRESCHOOL LEVEL

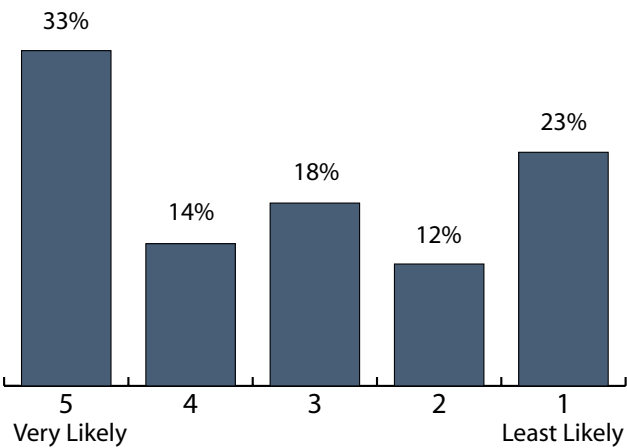


AGE BELIEVE CHILDEN SHOULD BE EXPOSED TO MUSIC

A vast opportunity exists for tapping into the preschool-age market, since almost three-fourths of respondents believe children should be exposed to music by the age of 4.



HOW LIKELY WOULD YOU BE TO WANT TO LEARN
A MUSICAL INSTRUMENT IF MUSICAL INSTRUMENT
COST LESS TO OWN OR RENT?

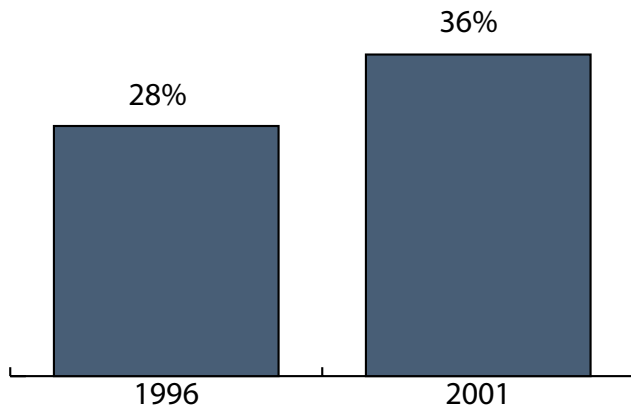


Australian Nexus

Australian Nexus Survey

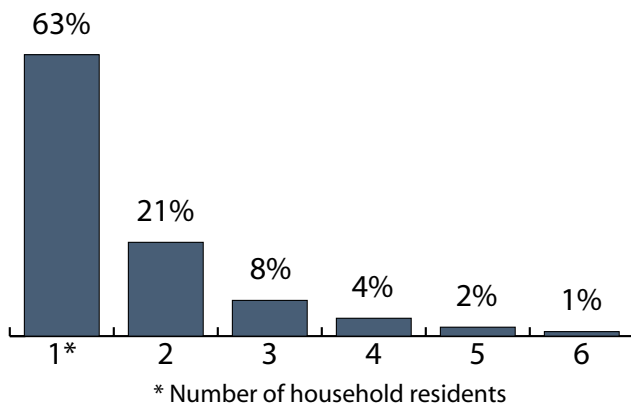
The Nexus Survey commissioned by the Australian Music Association (AMA) and conducted in 2001, presents results from a study of Australian households in order to provide a platform for an advocacy program promoting the value of music. The results are based on 1,000 interviews with households randomly selected across all of Australia.

PERCENTAGE OF HOUSEHOLDS THAT CURRENTLY HAVE AT LEAST ONE MUSICAL INSTRUMENT PLAYER



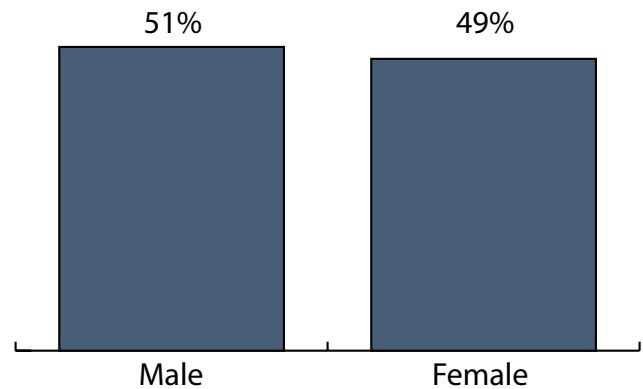
36% of households are found to contain at least one person who plays a musical instrument. This compares with a figure of 50% in the United States in 2000 but an increase from 28% in Australia in 1996.

PERCENTAGE OF HOUSEHOLDS WITH TWO OR MORE PLAYERS



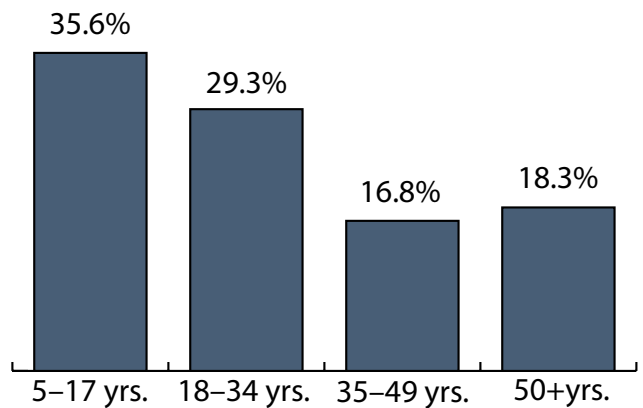
The chart shows the distribution of the number of people playing an instrument within instrument-playing households. The average number is 1.6 people, which compares with an average of 2.7 household residents in total.

GENDER OF PERSONS AMONG HOUSEHOLDS
WITH AT LEAST ONE MEMBER WHO PLAYS

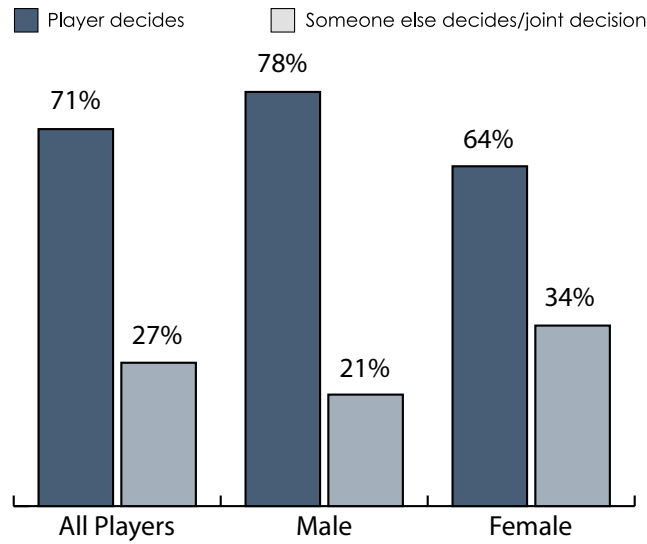


AGE OF PERSONS AMONG HOUSEHOLDS WITH
AT LEAST ONE MEMBER WHO PLAYS

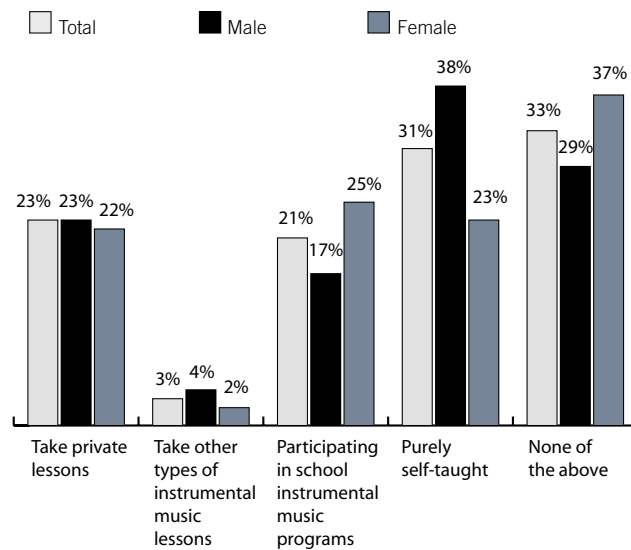
It can be seen that the 5–17 years age group accounts for over 35% of all people playing a musical instrument. If the full age range of 5–34 years is considered, this accounts for some 2.5 million players, or 65% of total players.



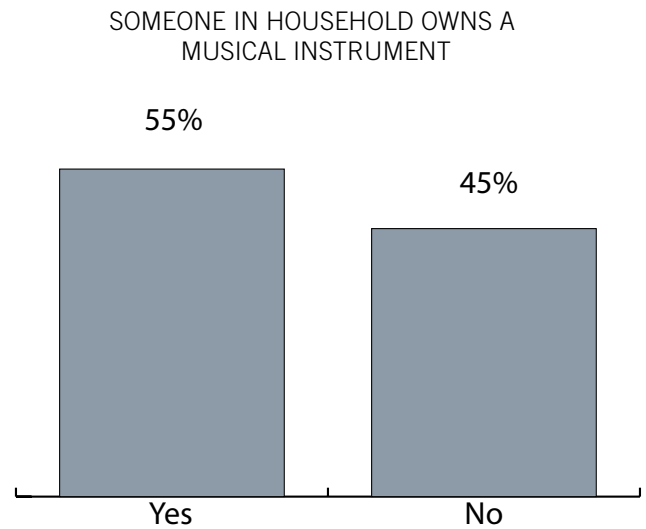
WHO DECIDES WHAT INSTRUMENT SHOULD BE PLAYED?



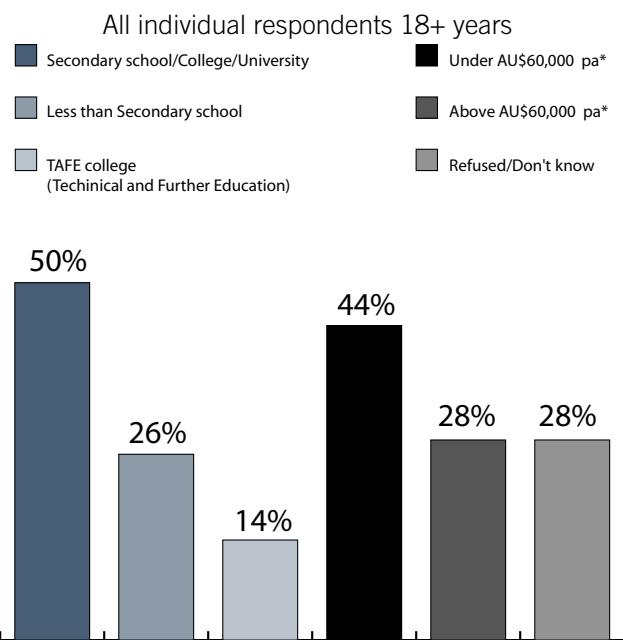
PLAYER PARTICIPATION IN FORMAL MUSIC ACTIVITIES



The majority of Australian households possess at least one musical instrument.

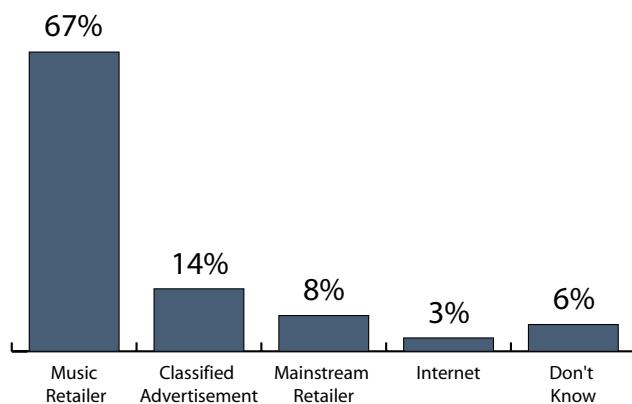


SOMEONE IN HOUSEHOLD OWNS A MUSICAL INSTRUMENT (By education and income)



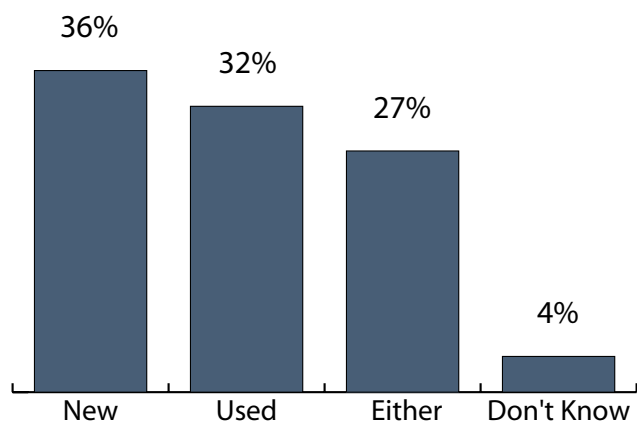
* pa: per annum

SOURCES WOULD MOST LIKELY CONSIDER IF SHOPPING FOR OR BUYING A MUSICAL INSTRUMENT

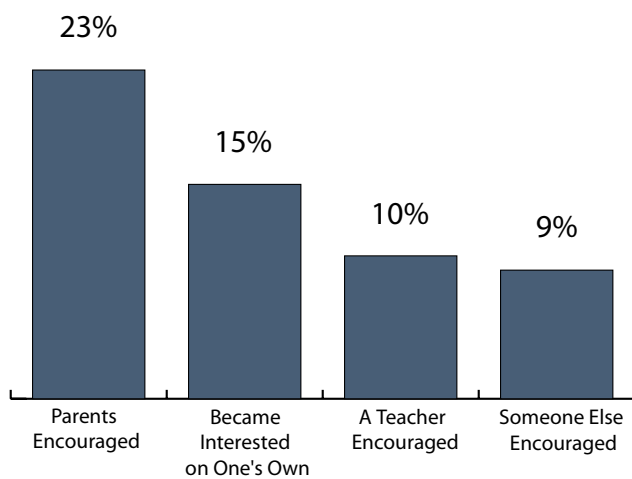


The most popular destination was a specialist music retailer, cited by two out of three individuals.

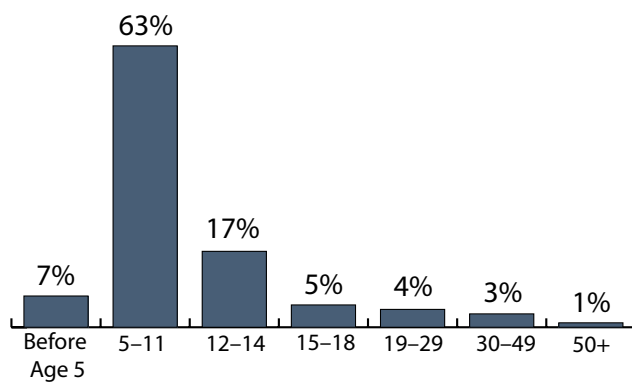
WOULD PURCHASE NEW VS. USED WHEN SHOPPING FOR OR BUYING A MUSICAL INSTRUMENT



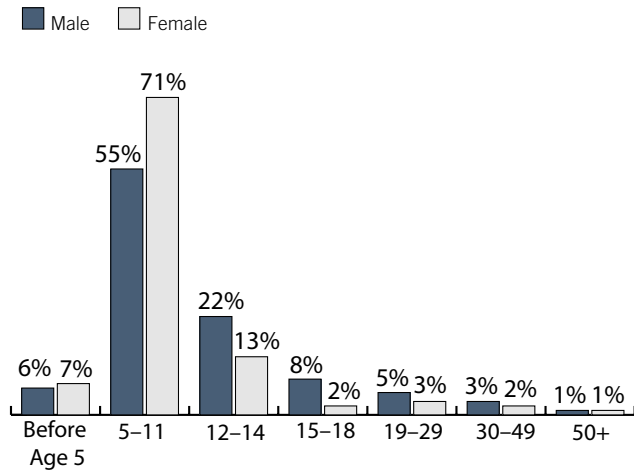
WHAT MOTIVATES PEOPLE TO START PLAYING?



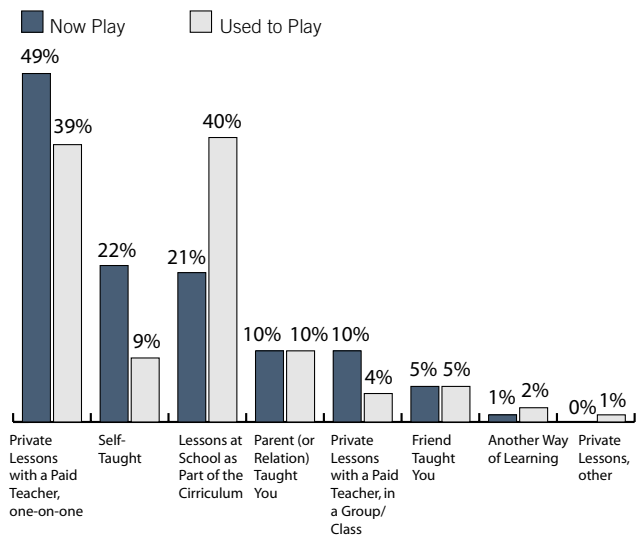
AGE AT WHICH FIRST LEARNED TO PLAY



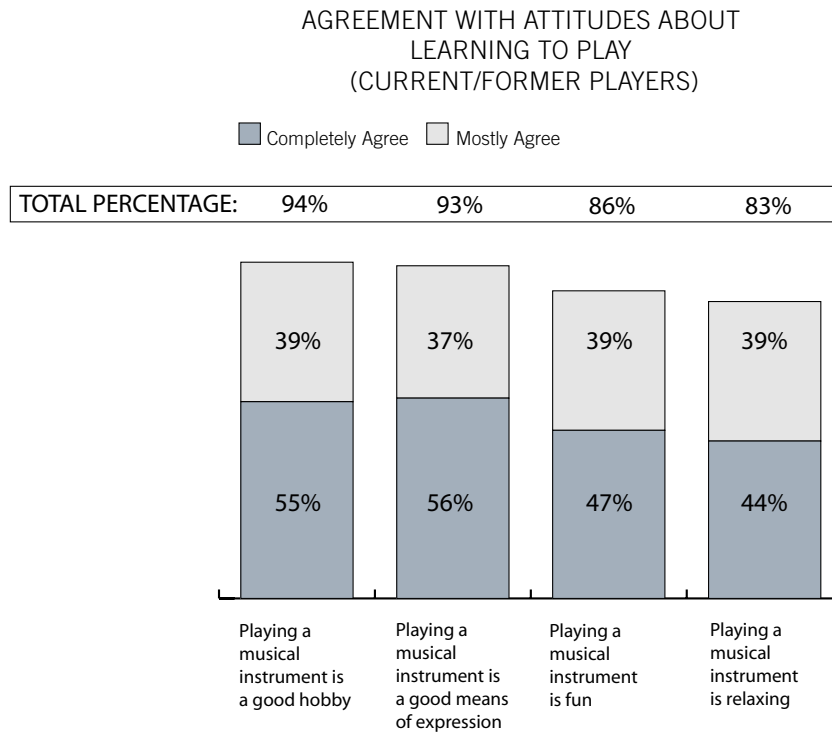
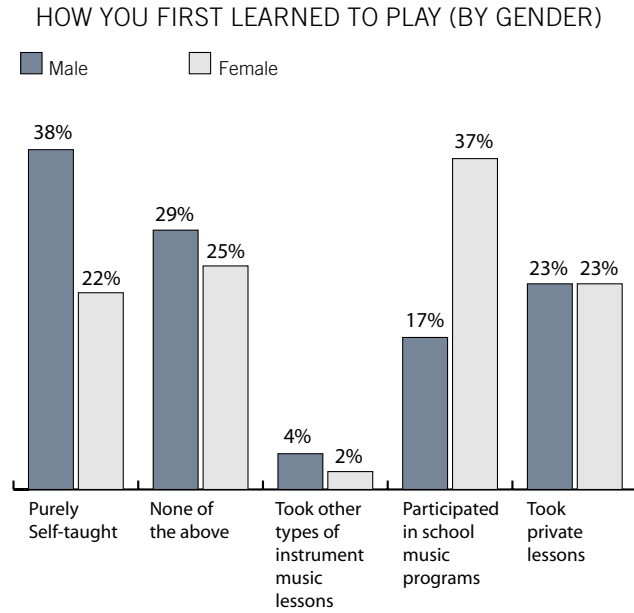
AGE AT WHICH FIRST LEARNED TO PLAY



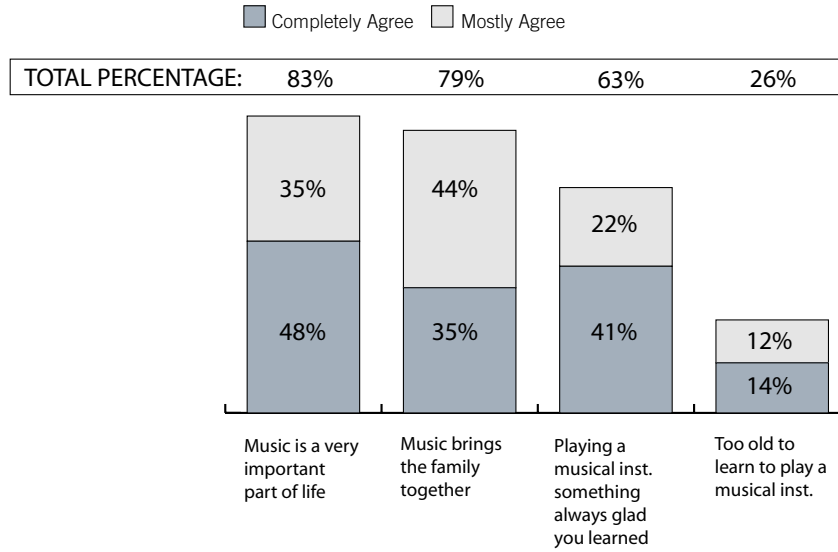
HOW YOU FIRST LEARNED TO PLAY



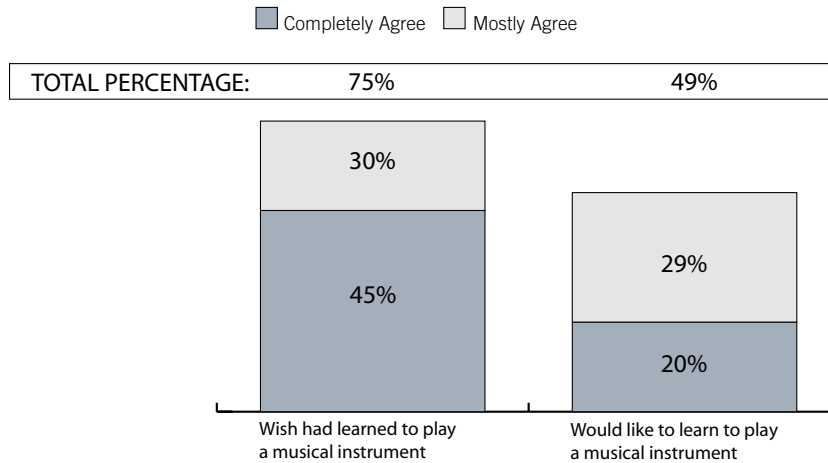
It is an interesting statistic that almost half of those current players (49%) commenced with private lessons from a paid teacher one-to-one. On the other hand, those who had lessons as part of their school curriculum are more likely to be lapsed players.



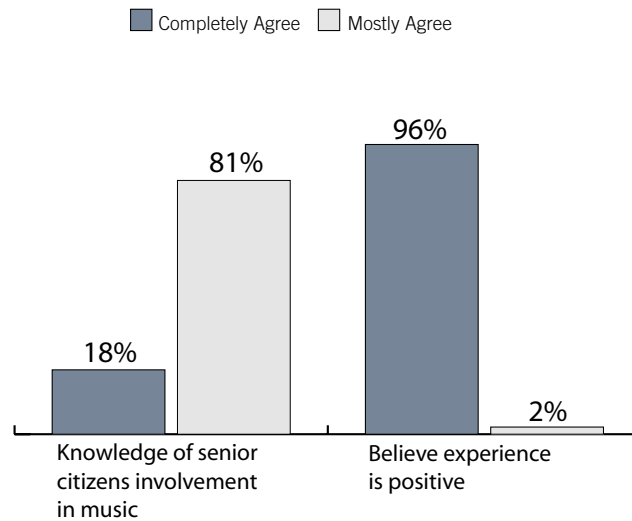
PERCENTAGE OF RESPONDENTS WHO AGREE



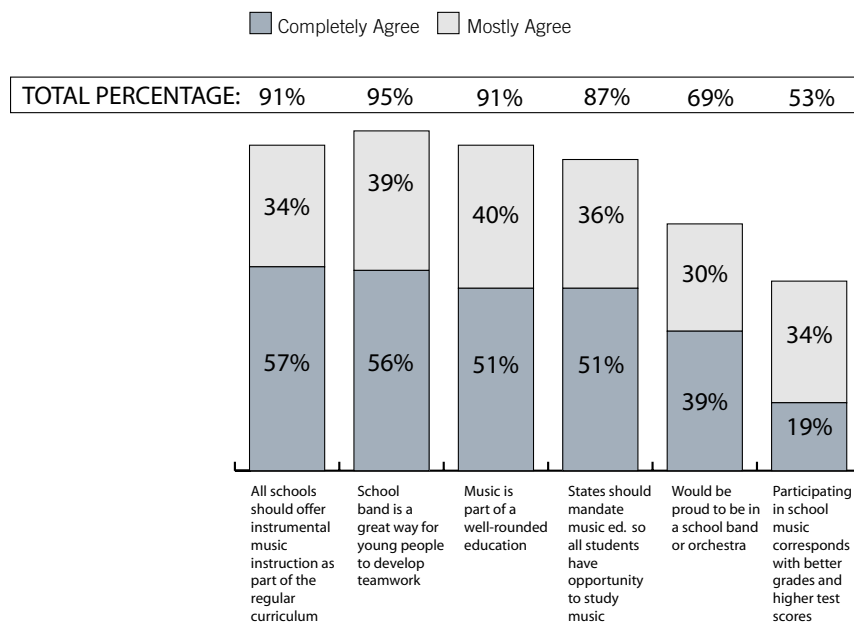
PERCENTAGE OF RESPONDENTS WHO AGREE (ALL THOSE WHO NEVER STARTED PLAYING)



KNOWLEDGE AND OPINION ABOUT SENIOR CITIZENS BEING INVOLVED IN MUSIC

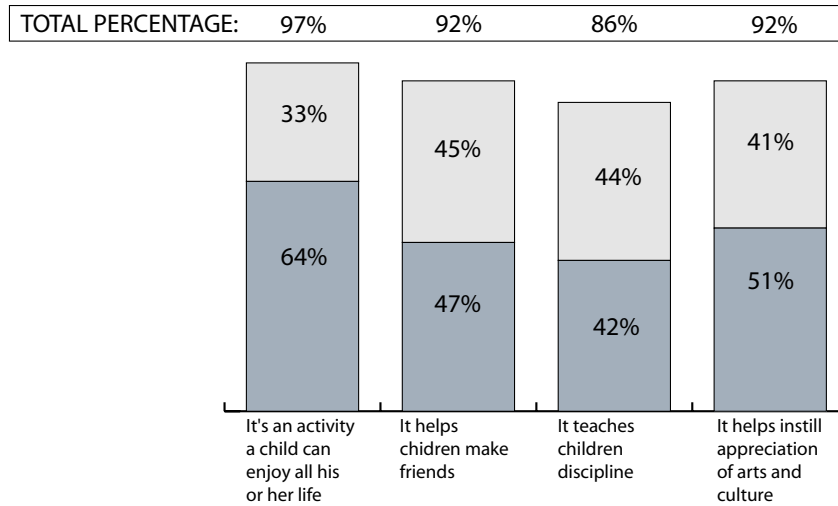


AGREEMENT WITH ATTITUDES ABOUT MUSIC EDUCATION IN SCHOOLS



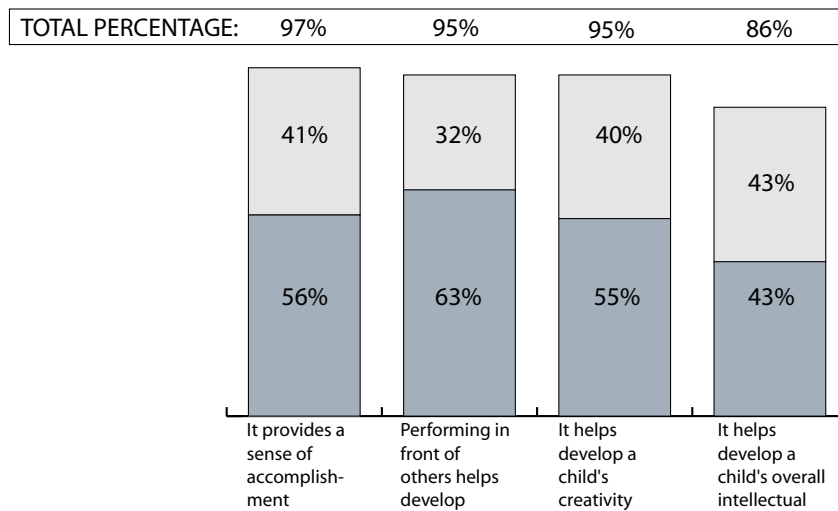
WHY SHOULD CHILDREN LEARN TO PLAY MUSICAL INSTRUMENTS?

Completely Agree
 Mostly Agree



AGREEMENT WITH OTHER ATTITUDES ABOUT REASONS A CHILD SHOULD LEARN TO PLAY MUSICAL INSTRUMENTS

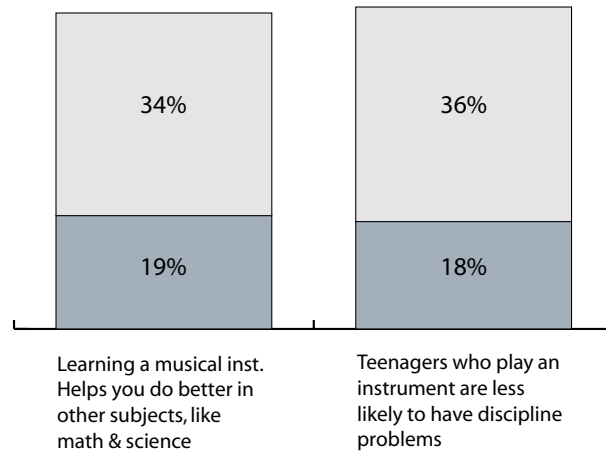
Completely Agree
 Mostly Agree



PERCENTAGE OF RESPONDENTS WHO AGREE

■ Completely Agree ■ Mostly Agree

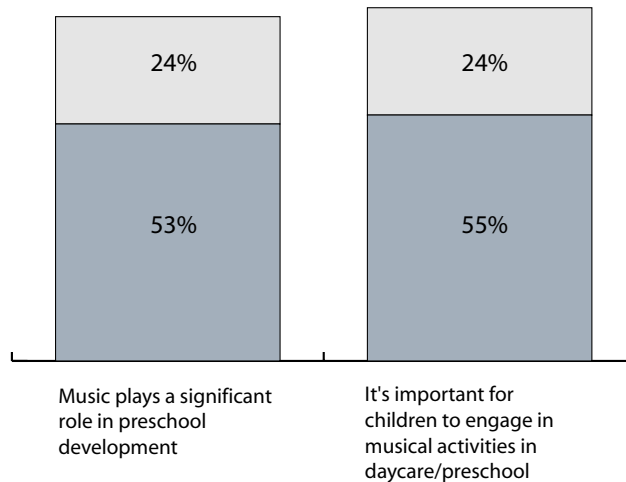
TOTAL PERCENTAGE:	53%	54%
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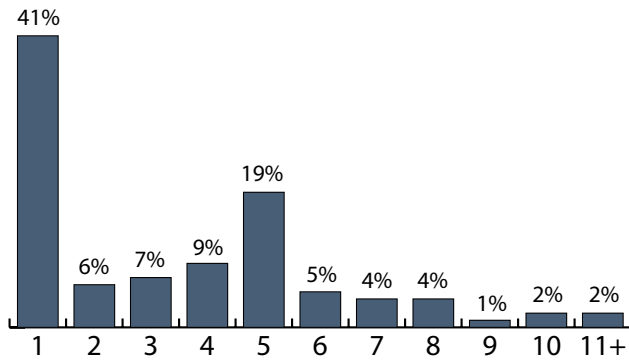
AGREEMENT WITH ATTITUDES
ABOUT MUSIC AT THE PRESCHOOL LEVEL

■ Completely Agree ■ Mostly Agree

TOTAL PERCENTAGE:	77%	79%
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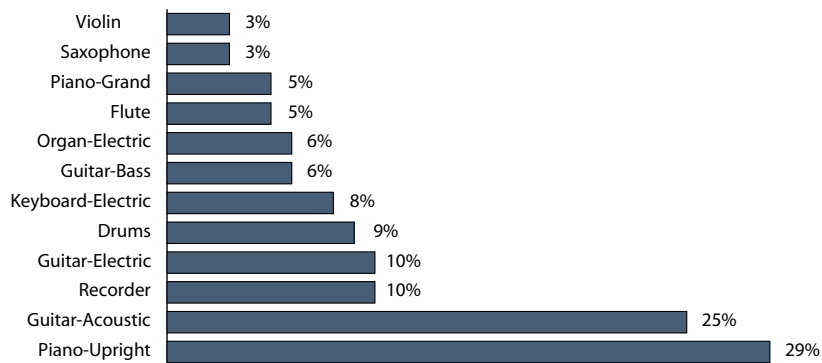


AGE BELIEVE CHILDREN SHOULD BE EXPOSED TO MUSIC



The most common view was that children should be exposed to music by the age of 1 (41%), followed by the age of 5 (19%). The average was 3.5 years of age.

WHAT MUSICAL INSTRUMENTS DO YOU PLAY? (TOP 12 KINDS)



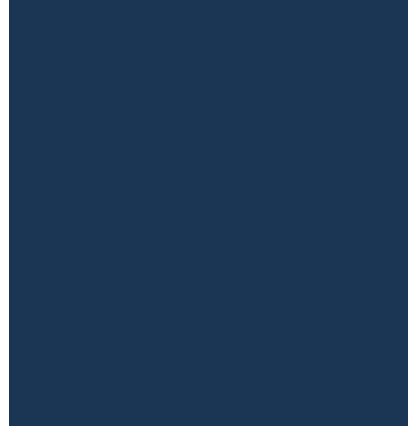
Upright pianos are the most popular instrument, used by almost a third of players.

Music Retailing

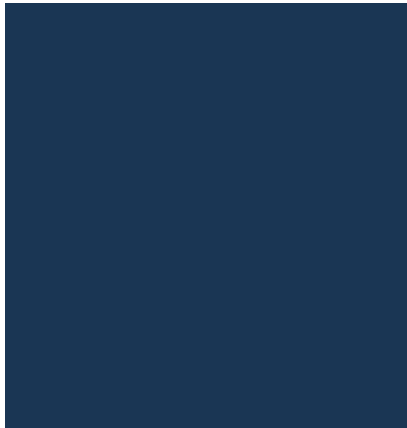
Music Retailing 2003

Cost of Doing Business

“Without music, life would be a mistake.”



-Friedrich Nietzsche



Music Retailing

Music Retailing 2003

Cost of Doing Business

This year's Cost of Doing Business section is in a different format than previous years. For this edition, we have created charts showing the key trends and compared some of the components that contribute to the profitability of each type of retail operation.

This is a very small sample from the annual *Industry Performance Report*, which provides the most comprehensive overview of the financial status of retailing in the music products industry in the U.S. today. The full report provides an in-depth analysis of each segment—Full Line, Keyboard, School Music, Combo/Pro-Audio and Print Music—not only by sales volume and store type but also by geographic market breakdown.

Each segment examines the gross margin and inventory turnover you can expect from a wide range of music products, from pianos to guitars and sound reinforcement to print music and accessories. It shows how much you should pay for retail space and the amount of revenue that you should be able to generate per square foot. It also examines owner's compensation levels, how much salaries should be as a percentage of total expenses, the cost of personnel and how much revenue each employee should be able to generate. In addition, the report explains how to calculate key performance ratios, how to record rental transactions, how to diagnose your company's financial health and calculate how much your dead inventory is costing you.

This is the report that successful retailers use to increase their profitability and outperform their competitors. It is also the document your bank manager needs to see if you are planning to expand your product lines, plan a re-model or open a new store. The *Industry Performance Report* is the essential guide to profitability in today's music retail industry.

The latest Industry Performance Report is now available for purchase by calling NAMM at 800-767-6266. NAMM Retail Members can receive a free copy of next year's edition by completing a confidential "Cost of Doing Business" survey. For more information, contact the Membership department at **membership@namm.com**.

Profitability

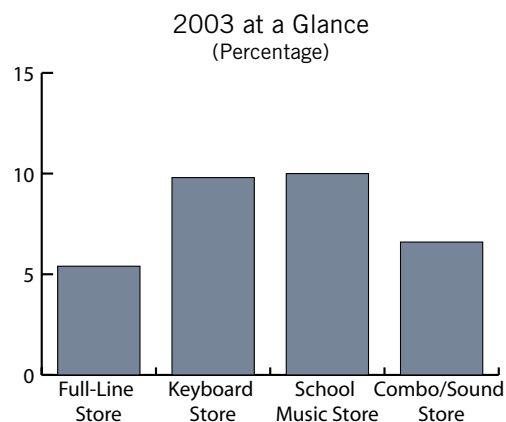
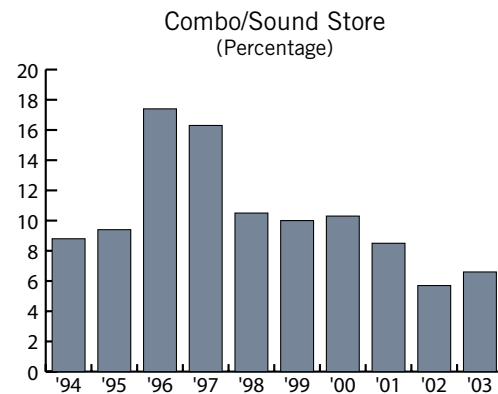
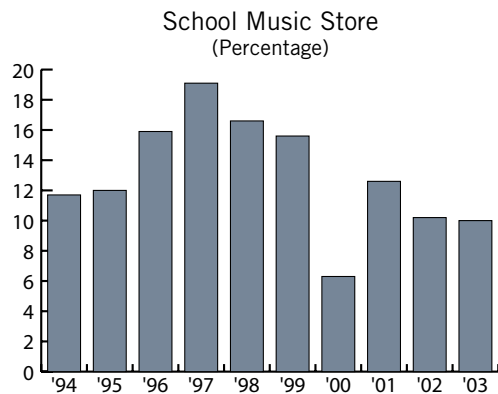
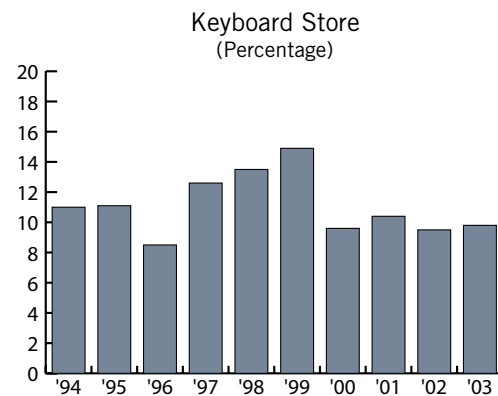
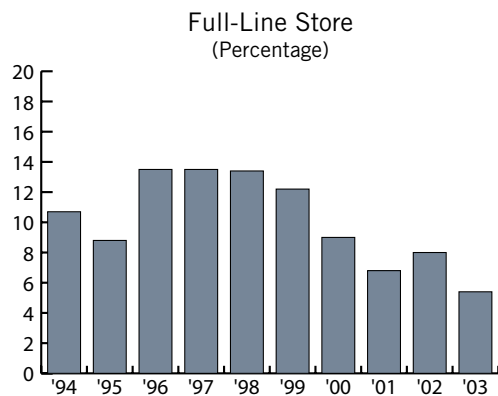
EBIT to Total Assets

EBIT: Earnings Before deduction of Interest payments and income Taxes

Profitability

EBIT to Total Assets

EBIT, **E**arnings **B**efore deduction of **I**nterest payments and **T**axes, represents the amount of cash that a company will be able to use to pay off creditors (also called operating profit). EBIT to Total Assets is the return on total assets, which measures the efficiency with which the long-term capital has been employed. Calculation: EBIT divided by Total Assets.



Profitability – EBIT to Total Assets

Profitability has fallen off sharply for all music retailers since the late 1990s. The chart above shows Earnings Before Interest and Taxes as a Percentage of Total Assets reported in 2003. A pick-up in sales and gross margins over the last few years has not translated into higher profitability. This is primarily due to a rise in expenses and particularly selling payroll as a percentage of sales.

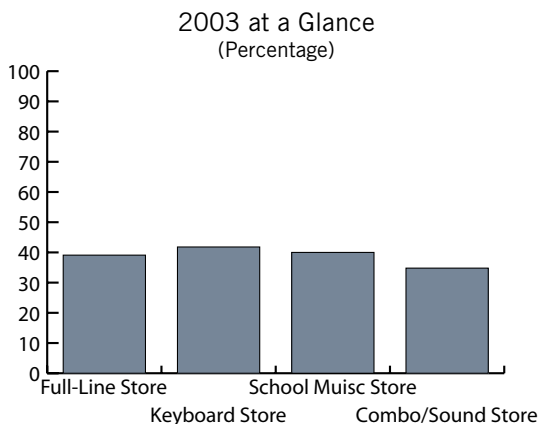
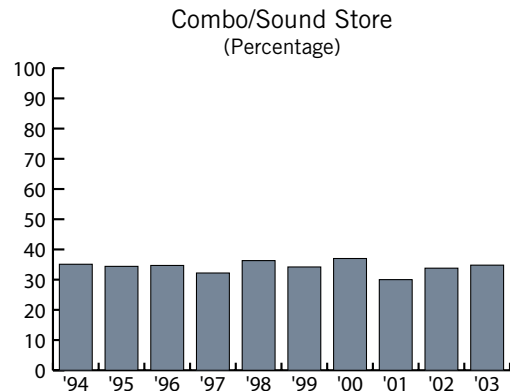
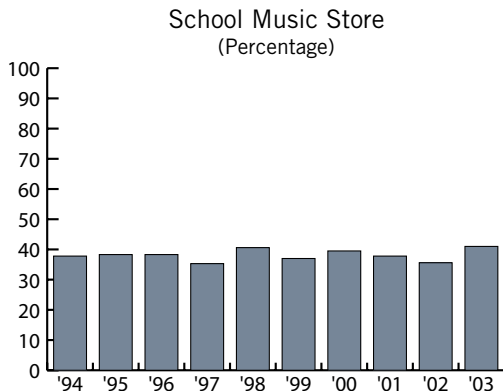
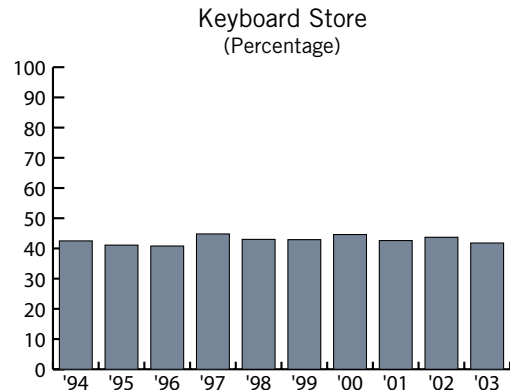
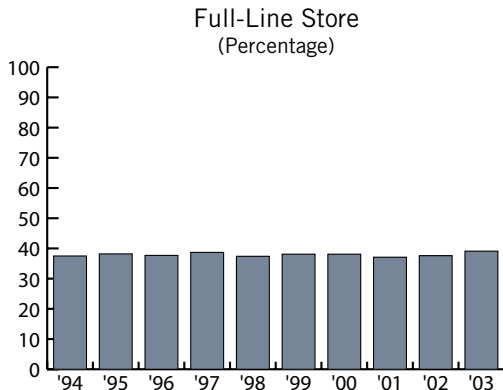
Profitability

Gross Margin

Profitability

Gross Margin

Gross Margin is the ratio of gross profit to sales revenue (also sometimes used as a synonym for gross profit). For a manufacturer, gross margin is a measure of a company's efficiency in turning raw materials into income; for a retailer it measures their markup over wholesale. All things being equal, the higher a company's gross margin the better. However, retailers are always faced with finding a gross margin level that sufficiently supports their cost structure and doesn't curtail sales growth.



Profitability – Gross Margin

Historically, Keyboard and School Music retailers have earned higher gross margins (sales less cost of goods sold) than their Full-Line and Combo/Sound counterparts. In 2003, Full-Line, School Music and Combo/Sound retailers achieved gross margins near or above ten-year highs.

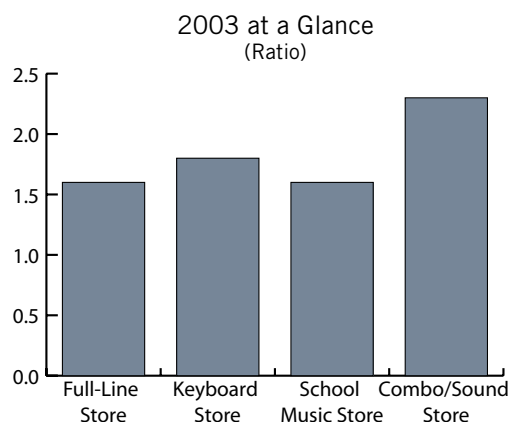
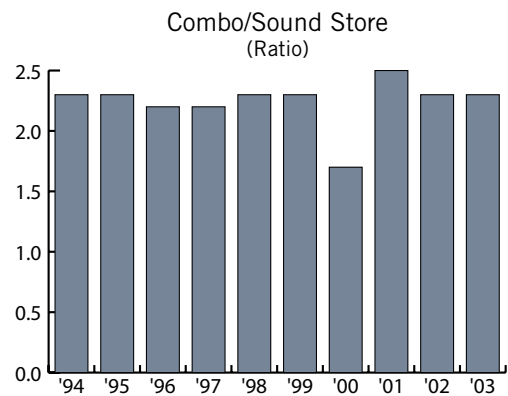
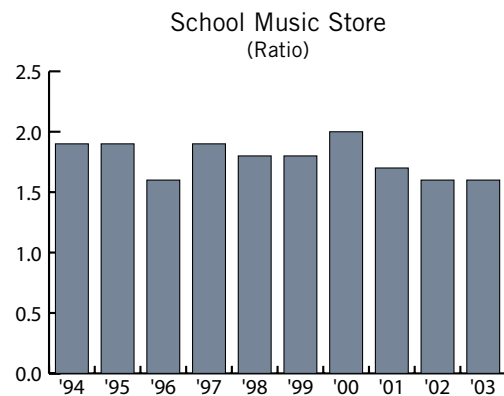
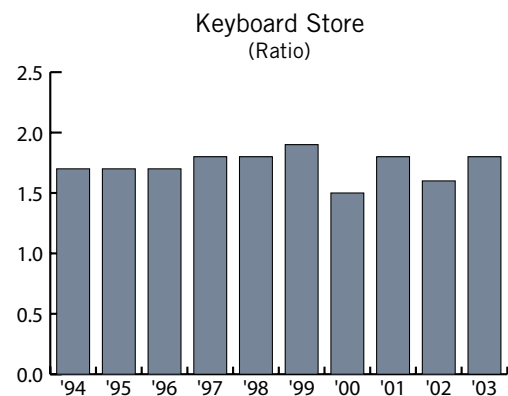
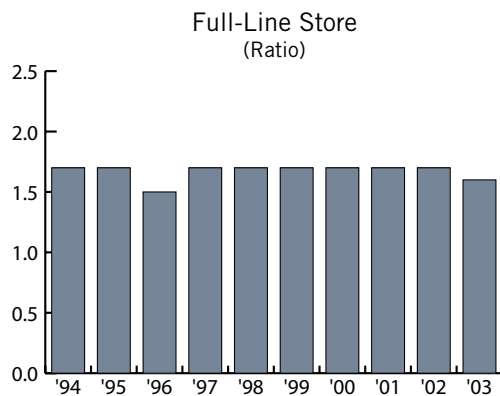
Inventory Productivity

Inventory Turnover

Inventory Productivity

Inventory Turnover

Inventory Turnover is effectively measured by computing the cost of goods sold compared to the average inventory. It gives the number of times that the stock has been turned over in the period, which indicates how fast stock is moving. It is also useful for comparing your firm to the industry average over time, as well as to compare the relative profit contributions from various product categories. When the turnover is too low, it could indicate either lack of volume or an overstocked condition. Excessively high inventory productivity generally means too little inventory is in stock and may be suppressing sales. Promotions, dropped product lines, etc., can help improve product categories with low inventory productivity.



Inventory Productivity – *Inventory Turnover*

Combo/Sound retailers have historically been able to turn their inventory over at a faster rate than other music retailers, which helps support their relatively low gross margin levels.

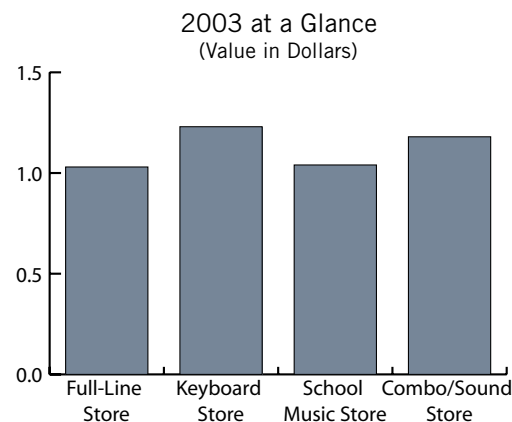
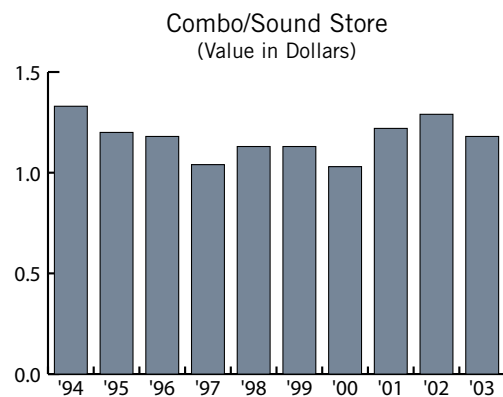
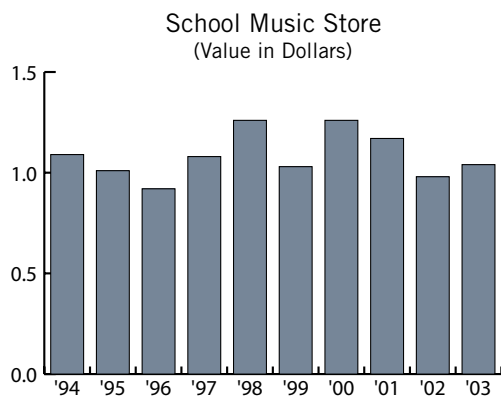
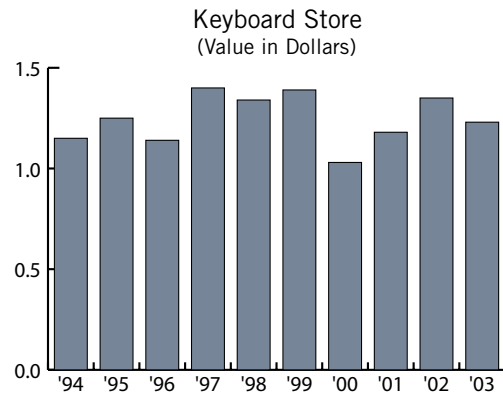
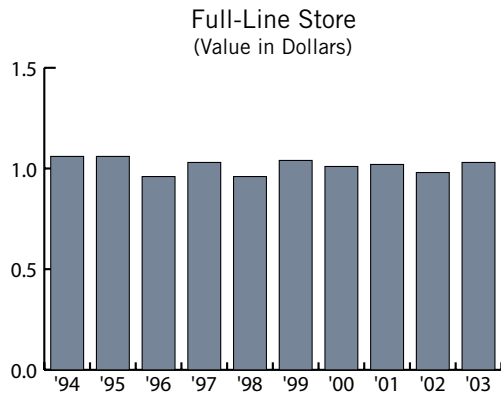
Inventory Profitability

Gross Margin Return on Inventory

Inventory Profitability

Gross Margin Return on Inventory

Gross Margin Return on Inventory is an overall inventory profitability measure that essentially combines both gross margin percentage and inventory turnover into one indicator. It is calculated by dividing gross margin, in dollars, by average inventory. GMROI will indicate whether an adequate gross margin is being earned compared to the investment in inventory required to generate those margin dollars. This measure is particularly useful for analyzing the profitability of various individual product categories.



Inventory Profitability –

Gross Margin Return on Inventory

Keyboard and Combo/Sound retailers have achieved similar gross margin returns on their inventory, albeit through different approaches. Keyboard retailers tend to achieve higher gross margin levels and lower inventory turnover, while the opposite can be said about Combo/Sound retailers. As a whole, Full-Line retailers have the lowest inventory profitability, achieving neither high gross margins nor high inventory turns.

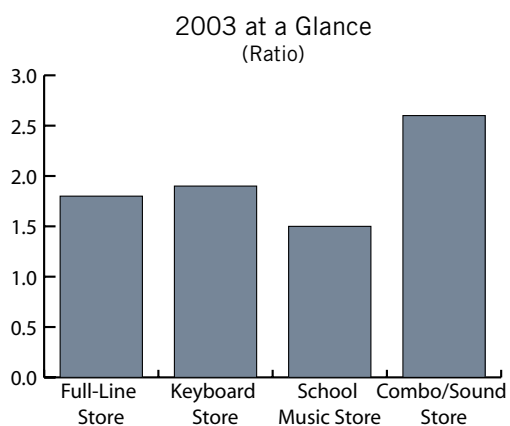
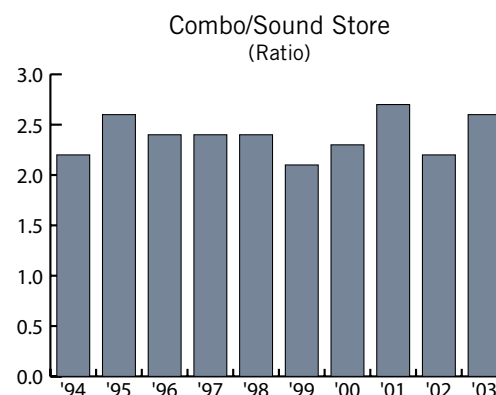
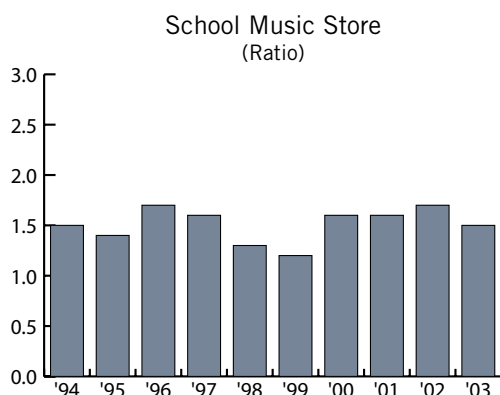
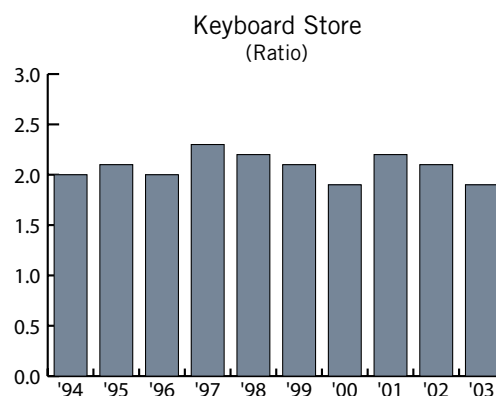
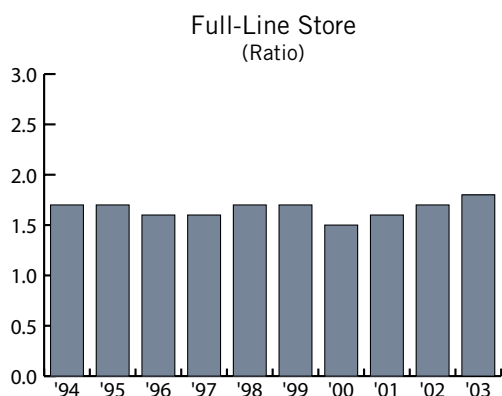
Total Assets

Asset Turnover

Total Assets

Asset Turnover

Total asset turnover presents a good overall indicator of total company productivity. It is the ratio of total revenue to total assets. The ratio tells us how many dollars in revenues are being generated by each dollar of assets employed in running the business. Low asset turnover can signal a need for more attention to the productivity (space, inventory, personnel). However, if you own rather than rent the majority of your stores or have an extensive in-house credit program, this could explain the deviation from typical ratios presented below.



Total Assets – Asset Turnover

Combo/Sound retailers have consistently reported the highest asset turnover among store types, while School Music retailers have reported the lowest.

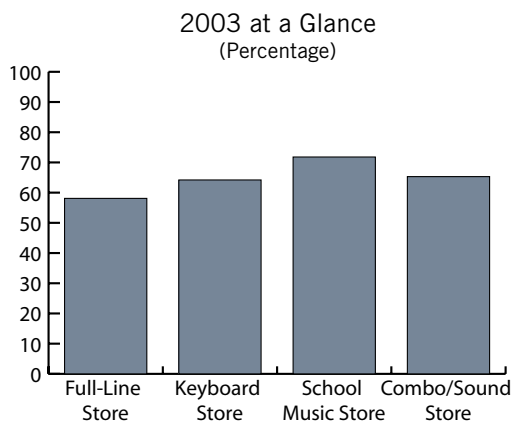
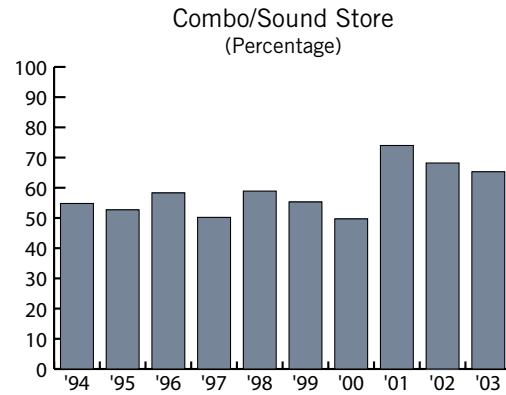
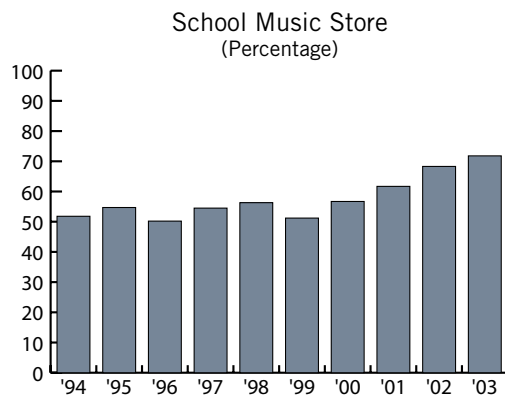
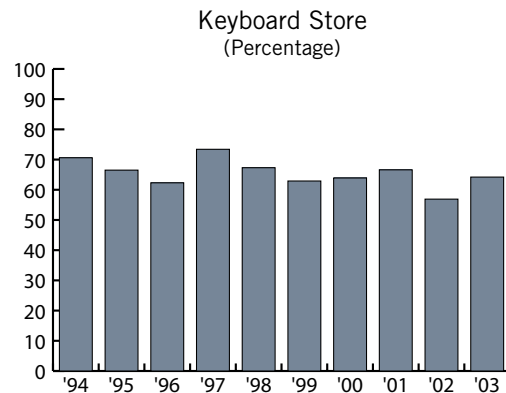
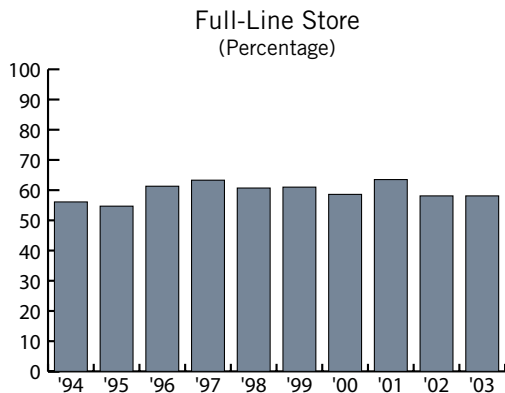
Financial Management Leverage

Total Debt to Total Assets

Financial Management Leverage

Total Debt to Total Assets

Leverage is the extent to which a company is financed by debt as opposed to the owner's funds. It is the amount of liabilities in relation to the amount of net worth on the right hand side of the balance sheet. The most significant ratio of overall company leverage is Total Debt to Total Assets, which measures the asset coverage for all outstanding indebtedness. The higher this ratio is, the higher the proportion of debt compared to net worth is. When the leverage is too high, it will severely curtail your ability to attract new borrowed funds. If it is too low, you have excess capacity for debt should it become necessary to borrow.



Financial Management Leverage—

Total Debt to Total Assets

Debt levels at School Music retailers have been increasing since 1999 and surpassed 70 percent of total assets. No trend exists among the other store types, although total debt as a percentage of total assets has typically been in the 50 percent to 60 percent range.

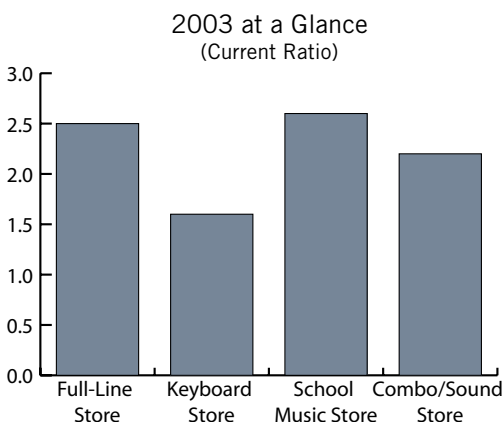
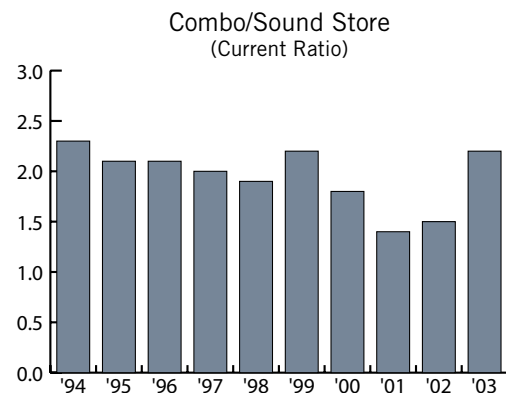
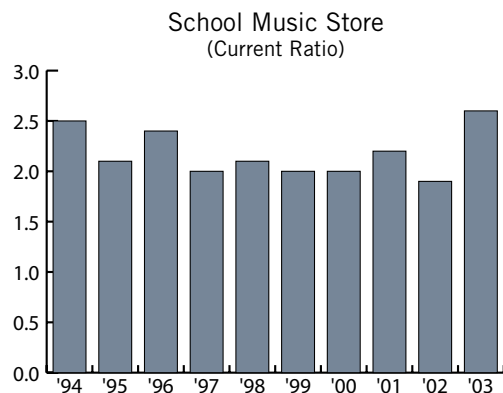
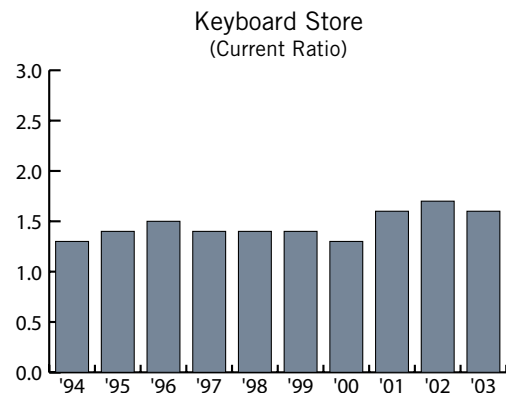
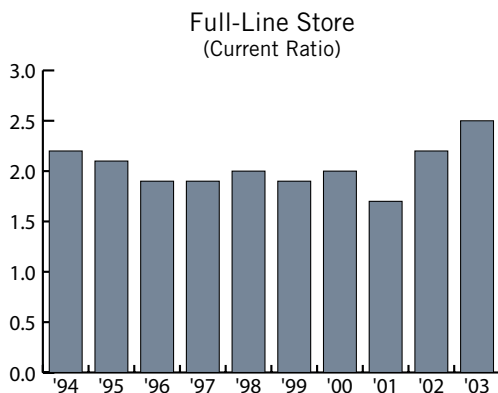
Financial Management Liquidity

Current Ratio

Financial Management Liquidity

Current Ratio

Current ratio is the ratio of current assets to current debt. It is an excellent overall measurement of liquidity, which represents the short-term financial strength of your business. Liquidity is the ability to meet short-term debt obligations with currently available funds. As with financial leverage, each company must determine its own optimal liquidity position to meet its own goals. The higher the ratio, the greater the liquidity. If liquidity is exceptionally high, it is possibly a sign of excess inventories and receivables. Check productivity ratios for these items. If it is too low, it is possible you are operating with insufficient liquid capital. Liquidity can be increased by using more long-term financing and/or by leaving more profits in the business.



Financial Management Liquidity–

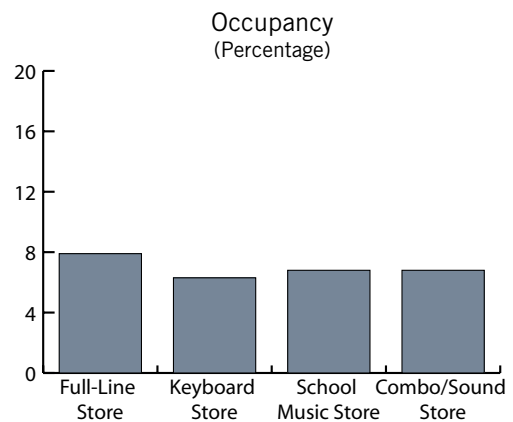
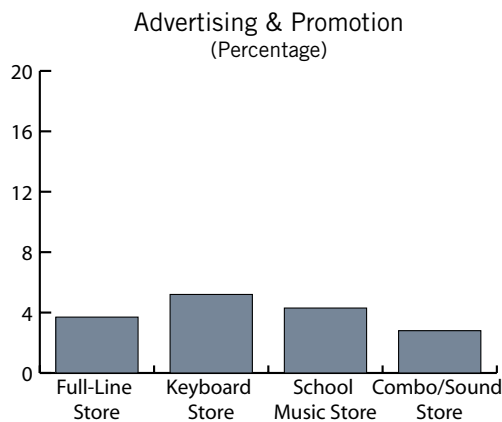
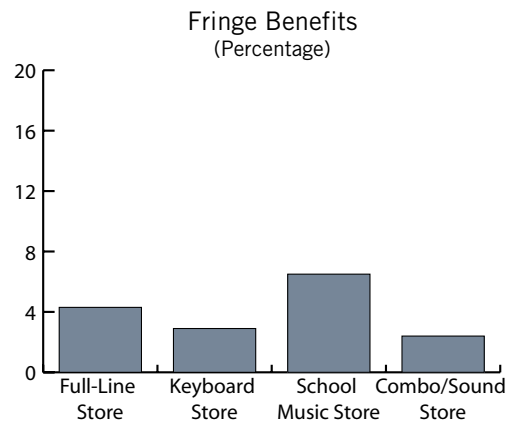
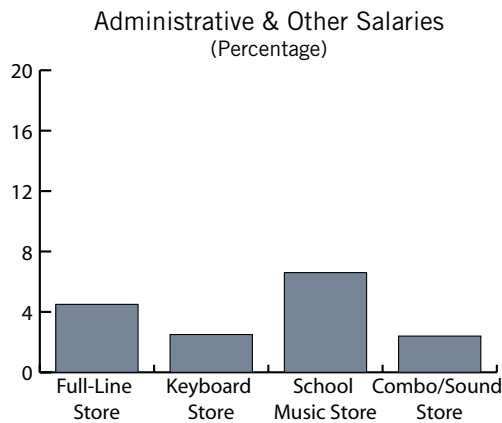
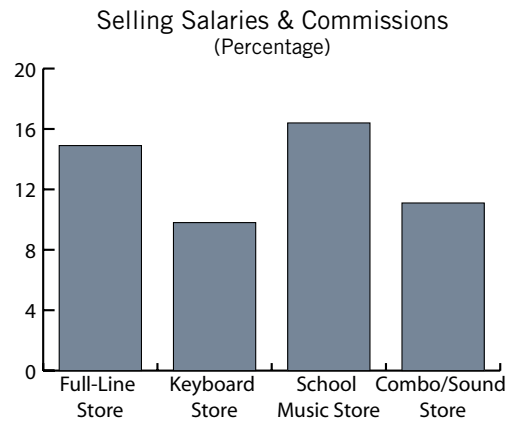
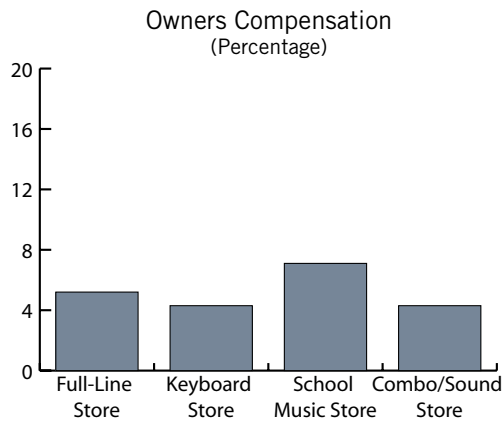
Current Ratio

Full-Line and School Music retailers reported an average current ratio of around 2.5x in 2003. Keyboard retailers have historically reported the least liquidity among store types.

Operating Expenses

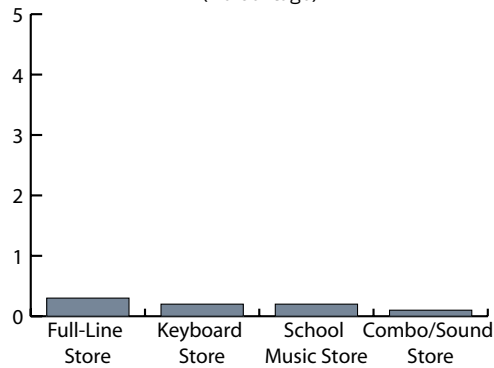
2003 Operating Expenses at a Glance

Expenses associated with running a business but not considered directly applicable to the current line of goods and services being sold. These may include Sales and Marketing, Fringe benefits, and General and Administrative costs (including the salaries of people working in these areas), etc.

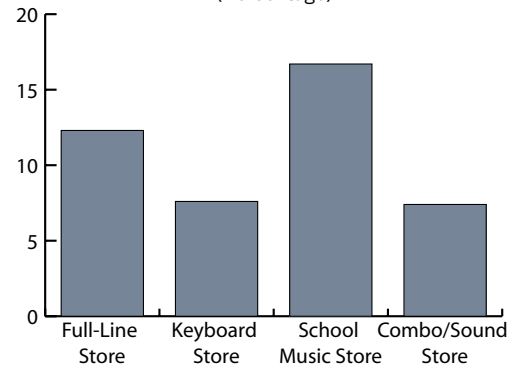


Operating Expenses

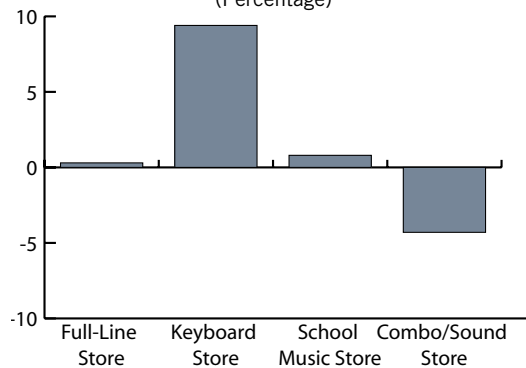
Computer, Technology & E-Commerce
(Percentage)



Other Operating Expenses
(Percentage)



Retail Music Store Sales Growth
2003 vs. 2002
(Percentage)



Operating Expenses

Results from the NAMM Cost of Doing Business Survey have always shown that expense management is a critical component of successful music retailers. Store owners and managers should consider comparing their expense structures to those of similar store types.

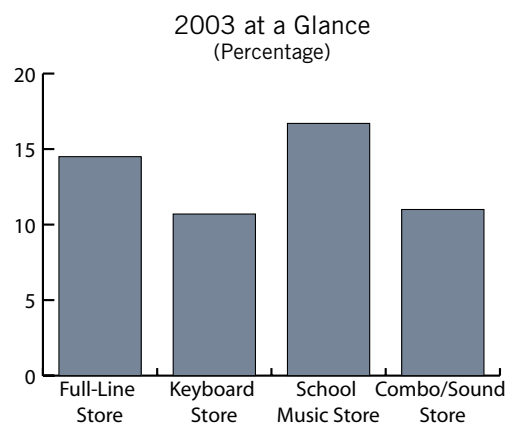
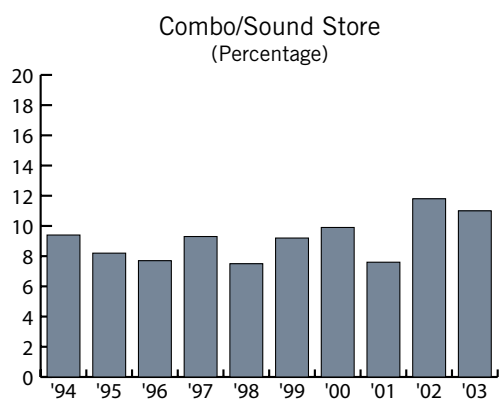
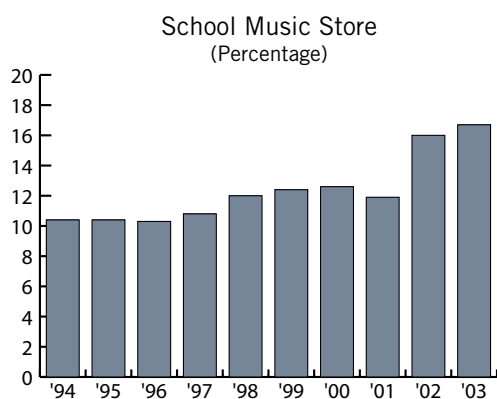
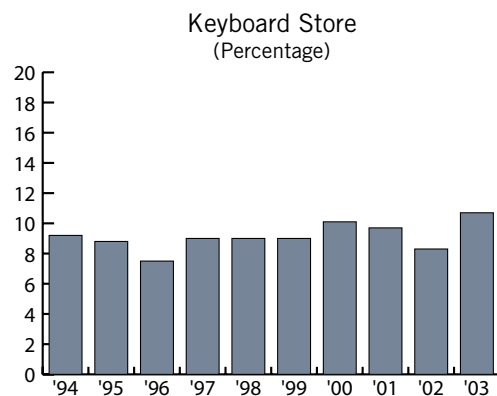
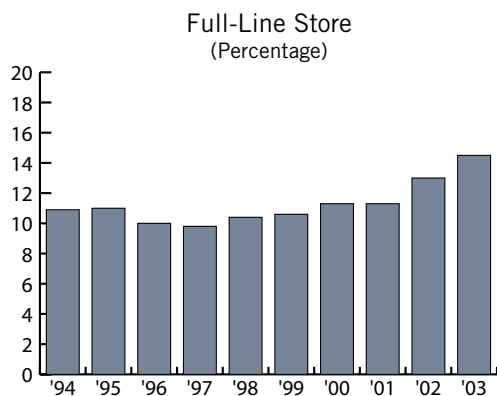
Personnel Productivity

Selling Payroll as Percentage of Merchandise Revenue

Personnel Productivity

Selling Payroll as a Percentage of Merchandise Revenue

Selling salaries and commissions as a percent of merchandise revenue, which adds the dimension of compensation levels instead of just number of salespeople, measures the employee efficiency by determining the proportion of sales paid out in employee costs. This indicator is not distorted by inflation.



Personnel Productivity – Selling Payroll as a Percentage of Merchandise Revenue

Compensation paid to sales staff as a percentage of merchandise revenues has been rising significantly for all music retailers. This trend has had a negative impact on profitability. School Music retailers have seen their selling payroll as a percentage of merchandise revenues rise from around 10 percent in 1994 to over 16 percent in 2003.

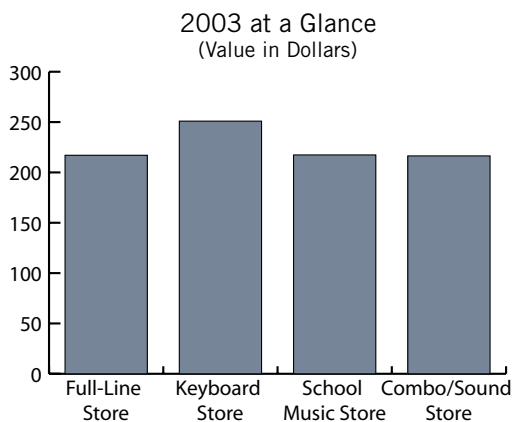
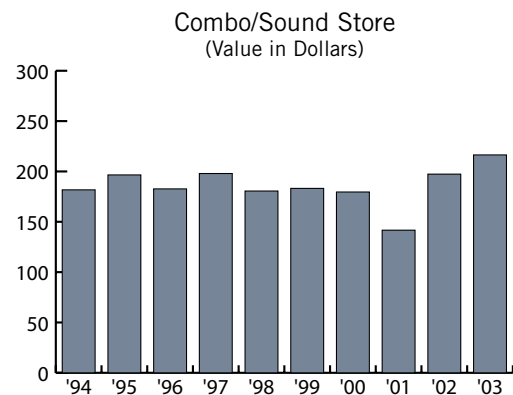
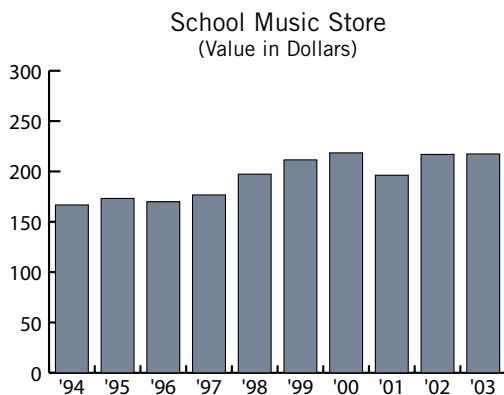
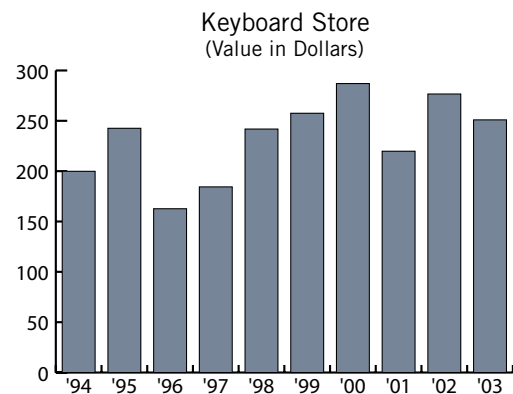
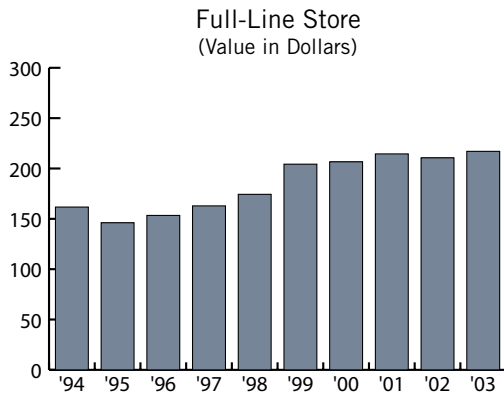
Space Productivity

Total Revenue per Sq. Foot of Total Area

Space Productivity

Total Revenue per Sq. Foot of Total Area

Total Revenue per Sq. Foot of Total Area is a primary measure of space utilization and productivity. Since many occupancy related expenses (such as rent, utilities, maintenance) are relatively fixed or at least do not fluctuate greatly with sales volume, a key to greater profitability is to generate more sales from the existing facility. When using sales per square foot of total area, it is important to keep in mind that the ratio is distorted by inflation when comparing year-to-year data. Low space productivity during normal business conditions may indicate that you have too much space for the volume of sales generated.



Space Productivity – Total Revenue per Sq. Foot of Total Area

It comes as no surprise that keyboard retailers generate the highest total revenue per square foot, as their sales are largely made up of “big ticket” items. Again, as mentioned above, caution should be used when analyzing these numbers over a 10-year period because they can be distorted by inflation.

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2005 music usa

FEATURING THE **NAMM Global Report**
A STATISTICAL REVIEW OF THE MUSIC PRODUCTS INDUSTRY



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