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STRATEGY

The Fate of the Electric Guitar

by David Salisbury

Electric guitar manufacturers have been in a downward slide for nearly a decade, mirroring rock music's decline in popularity. What are some ways Gibson, Fender, and other players could adapt and innovate to keep up with the rapid changes of the notoriously mercurial music industry?

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The great Jimmy Cliff once said, "The harder they come, the harder they fall." Cliff was part of the 70s ska and reggae phenomenon that inspired such guitar rock titans as The Rolling Stones, The Clash, and Bruce Springsteen. If you're of an older age, you might be well aware of his groovy, jumping guitar tracks and the aforementioned legends he influenced. But if you're of a younger strata, there's a good chance you don't much care about him. Or about any of those legends. Or about guitar for that matter.

This may explain how guitars and rock instrument companies and distributors have fallen on such hard times. A shift of this magnitude seems unimaginable if you saw rock music sweep the nation in the 50s with the likes of Chuck Berry and Elvis Presley. Or voice the 60s Cultural Revolution with the Beatles and Jimi Hendrix. Or become the sound of stadium grandiosity in the 70s. Or serve as the medium for hardcore rage and frustration in the 80s, 90s and 2000s metal, grunge and punk scenes.

The Kids Are Alright (with no guitars)

Alas, young mainstream audiences of the 2010s have decided rock is just not for them, preferring hip hop, rap, electronic, and EDM sounds. Eight of the 10 most listened-to artists of 2017 came from the R&B/hip hop genre, and young fans of these genres who aspire to make their own music in this vein are no longer restricted by their inability to play or afford an instrument - these sounds require just a computer, some editing and mixing software (which can be freely acquired in the file-sharing and pirating age), and some technical know-how to craft songs.

This has been very bad news for the guitar business in particular. In the last decade, electric guitar sales have tumbled from about 1.5 million sold each year to just over a million. Gibson guitars, a once-unshakable music industry icon with countless legends who've made timeless recordings with their instruments, is now $500 million in debt and recently declared bankruptcy. Fender guitars, who boasts Hendrix, Jeff Beck, Kurt Cobain and Stevie Ray Vaughan in its sterling client list, is $100 million in debt. Guitar Center, the world's largest instrument retailer, is rumored to be near bankruptcy and has lost $11 million in investors, forcing the giant to lay off 180 employees.

Tone-Deaf Companies

While generational changes in music taste is certainly one culprit in the fall of guitar companies, it would seem these companies' inability to innovate or respond to this shift is also to blame for their decline. In the early 2010s, while rap and hip hop were significantly gaining in popularity, many of these companies stayed on course with their old business models or just made poor innovative decisions. Gibson in particular made a critical error in trying to make their guitars digital, adding auto tuning technology and replacing their tried-and-true analog craftsmanship with chip electronics to achieve Gibson-style tones. This angered older purists who are loyal to the classic Gibson product, so not only were they uninteresting to young people, who are increasingly making music on computers, they made a move that alienated their core dedicated musician market.

When clear and present shifts in industry trends arise, a company must plan for disruption in their model. A similarly complex and rapid shift in another major industry occurred in the case of big pharma adjusting to biotechnology's ascendency in the early 90s, as described in the California Management Review article: "Responding to a Potentially-Disruptive Technology: How Big Pharma Embraced Biotechnology." Companies that incorporated biotech and organic investment in their manufacturing earlier were rewarded with higher profitability and improved growth prospects than companies that did not commit until later. For example, Swiss healthcare corporation Roche invested heavily in biotech at the onsite of its boom by acquiring biotech company Genentech in 1990; working with biotech pioneer Georges Kohler; and founding an institute dedicated to molecular biology. By the 2000s, Roche had three blockbuster drugs to its name directly due to its heavy, early investments.

Hey Hey, My My

But how should a company whose entire model is based on the popularity of a certain genre of music innovate and compete when that genre of music is fading? Instead of making new gadgets, perhaps Gibson should focus on marketing quality instruments at a reasonable price point to diehard rockers – the indie scenesters who will always want to rock regardless of mainstream trends, but generally can't afford a $3000 Les Paul. They've done so in the past with the affordable Sonex model in the 80s and LPJ-model Les Pauls in the early 2010s which ranged from $400-700, but these runs were brief and limited despite positive reviews from budget rockers. It'd be wise to appeal to the true believers who will always be loyal customers.

Perhaps the guitar-making giants should consider changing the perception of their instruments by reaching out to well-known artists who create within these new genres to discuss how the guitar might be incorporated into their music. Some methods could be through sponsorship deals or promotional concerts featuring live instrumentation instead of just a beat playing on a soundsystem. After all, guitar has been a mainstay in hip hop. From Run D.M.C.'s "King of Rock" to Eminem's "Lose Yourself," there is plenty of inspiration to be drawn from an electric guitar across many music genres. Perhaps this should have been a better strategy to take in the early 2010s when popular music sales were beginning to shift away from rock music. Now that guitars have lost ground in sales and cultural relevance, they could play catch up by integrating with the current popular music landscape.

Therein lies the lesson to be learned: In the face of rapid change, you must move swiftly to keep up. Staying on course when the course is changing is a sure bet for a dead end. Staying competitive within an interrupted industry isn't easy, but whatever innovative approach an organization chooses to remain relevant, it should be fast and embrace the inevitable change.

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