

Key Issues for the Retail of Musical Instruments Made from African Blackwood (*Mpingo*) in the UK



Paul Harrison

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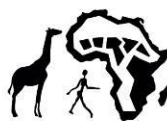


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Abbreviations and Acronyms

CAB	Certified African Blackwood
EAT	Environment Africa Trust
FFI	Fauna & Flora International
FSC	Forest Stewardship Council
FSC-CAB	FSC Certified African Blackwood
FLO	Fairtrade Labelling Organizations
MCP	Mpingo Conservation Project
MIA	Music Industries Association
MSC	Marine Stewardship Council
PFM	Participatory Forest Management
VLFR	Village Land Forest Reserve

Executive Summary

1 Background

The African Blackwood tree (*mpingo* in Swahili) is one of the rarest and most valuable timbers in the world. Dark, lustrous heartwood makes it the medium of choice for wood carvers and strong international demand comes from producers of musical instruments including clarinets, oboes and bagpipes. Extensive demand and poor forest management has already led to its commercial extinction in much of East Africa.

Concern for biodiversity aside, the impetus to develop the correct institutional infrastructure for forest management, sustainable harvesting of African blackwood and effective product marketing is the potential to generate sustainable livelihoods and raise living standards for poor forest based communities in Tanzania. Guaranteeing prices for communities and ensuring environmental best practices in management in trade can be ensured by supplementing community forest management with certification by the Forest Stewardship Council (FSC), so that products can be labelled as made from blackwood which has been felled sustainably from community-managed forests, and for which a fair price has been paid.

Founded in 1995, the Mpingo Conservation Project (MCP, registered Tanzanian NGO No. 1739), has been carrying out practical work to develop PFM in the south-east of Tanzania since 2004. MCP is working in partnership with the Environment Africa Trust (EAT, UK Charity No. 1025443) in order to develop new opportunities in fair trade for African blackwood. EAT and MCP's shared vision is to continue to develop the work in Tanzania, securing long term livelihoods for the forest communities based upon sustainable management of their forest resources.

In July 2007, EAT was awarded a Project Development Grant from funders Comic Relief. The project development grant was utilised for EAT & MCP's ongoing work in understanding and developing the processes required for certification of community managed forests in Tanzania and resultant sustainable trade between communities and end-users in the UK. This report is an output from that work, building upon ongoing work by MCP, EAT and other partners in both the UK and Tanzania in the development of a sustainable trade in African blackwood from community managed sources, by assessing the retail market.

2 Key Findings

The total UK market for woodwind instruments in 2005 was around £11M, having peaked at £29M in 2002. Mirroring the wider retail market, the woodwind market declined through 2006 and was reported to be weak in 2007, with further decline expected in 2008. At a current estimated market size of £10M, the UK woodwind market comprises a little over 2% of the total UK music industries market in 2007, falling from a peak in share of 6% in 2002. Woodwind thus needs a new product to breathe life into the sector. However, the wider retail market is expected to rise again after 2010 in good time for the projected arrival of the first FSC-certified instruments which, in turn, could boost the musical instrument market.

A survey of selected retailers gave an indication of the factors which would both encourage and discourage retailers from trading in certified blackwood instruments. The primary reasons which would encourage retailers to trade in certified instruments were first fair trade, and secondly environmental or conservation concerns. Testing a new supply route and seeking better quality timber were also deemed important. However, the perceived extra cost of certification and the related concerns about additional administration were cited as potential reasons why retailers might not wish to trade in certified instruments. Overall, retailers expressed a strong interest in the future product but remarked that the real influence lies with the manufacturers and the musicians themselves.

Because of the high level of work required in making an instrument, purchasing the timber represents only a small fraction of the total cost of an instrument (approximately 6% of the retail value) and as such there is considerable opportunity to increase the cost of the raw material with minimal impact on the final price, at least within a niche market.

3 Recommendations

Maintaining the highest degree of quality of product will be essential if a niche product is to be marketed. The market for fairly traded, FSC certified African blackwood instruments (FSC-CAB) will only be at the high end of the woodwind market. As blackwood is considered the highest quality wood, and wood in turn is considered to be of higher quality than the plastic alternative, keeping that attention to quality and premium will not be a hard sell, thus FSC-CAB will take a natural place at the high-end providing timber conditions and instrument manufacturer are to the highest levels of quality.

In assessing the market it is essential we understand if by boosting the cost of the timber whether it is just the cost that goes up or whether it is also the margins. If it is only the cost, that will be absorbed relatively easily into a premium. However, if the margins at the stage of the supply chain increase, the premium could be considerably more expensive, to the extent that it may not be marketable. Depending on what prices can be brought forward across the supply chain from the forest starting-point (see the sister report on the supply chain), the musical instrument retail market will react accordingly. If the margins for a premium are based on volume of timber, the more expensive the product, the lower the proportion of the premium. An ideal premium of 10% is suggested, which would indicate a high-end product only. This could go up to as much as 25% on the standard retail price, however is unlikely to be competitive if it does.

In the current eco-conscious consumer market, asking buyers of musical instruments to pay a significant price premium is a realistic proposition (as has been noted in the sister consumer values report).. Retailers of all types are willing to be involved in this process providing their margins are covered in any price increase and that any paperwork related to the Chain of Custody process for certification is not laborious.

A price premium on the expensive, top end of the oboe and clarinet market has the greatest potential for generating benefits for producer communities. Channelling the limited supplies of FSC-CAB to manufacturers of top end instruments has the potential to generate greater benefits for producer communities than if supplies go to manufacturers of less expensive instruments. Given the restricted supply of FSC-CAB, the priority must be to feed available timber into the production of premium quality, expensively priced instruments at the top end of the market.

Buyers of musical instruments simply have to pay a small price premium and in doing so can make a real difference to the lives of some of the poorest people on earth. Effectively communicating the benefits for producer communities to consumers will be essential in achieving consumer willingness to pay the price premium. Retailers will be able to play a key role in this with word of mouth recommendations and stories of the product and eye catching point of sale material in shops.

The decline of the woodwind market and musical instruments sales in general is a considerable limitation. However, the launch of FSC-CAB has the opportunity to reawaken the market at the high end, which has, in any case, resisted some of the limiting factors that have ill-effected the market overall, particularly over-supply at the lower end.

Context

Natural resources are the most valuable assets of most developing countries; the recent global commodities boom has significantly boosted the economies of countries throughout sub-Saharan Africa. However often the benefits of exploitation are captured principally by economic and political elites, with little trickle down to the communities living in, on and around the natural resources being exploited, and who typically remain mired in poverty.

One potential solution to this problem is community-based management of natural resources, which has been tried and developed across the global South over the last twenty years. Repeatedly, the biggest challenge has been to ensure real and direct benefits to the rural communities who are being passed the burden of management responsibility. This is no different in Tanzania, where a programme of Participatory Forest Management (PFM) has achieved noteworthy successes in giving rural communities rights over their local forests, but thus far few communities have realised significant financial benefits. Poverty is widespread in rural Tanzania, and PFM must contribute to community social and economic development in order to be relevant.

The most valuable species found in the forests of south-eastern Tanzania is African Blackwood (*Dalbergia melanoxylon*), also known as *mpingo* in Swahili and *grenadilla* in Spanish. It is a highly valuable timber in international trade which is used in the manufacture of high quality musical instruments. In the UK, blackwood is used in the manufacture of clarinets, oboes, flutes, recorders, whistles, smallpipes and bagpipes. In Africa, it is used extensively for the production of carvings. The first step to ensuring a sustainable supply of blackwood in future is to entrust the management of blackwood stocks to communities in Tanzania who will benefit from a sustainable trade in this timber. One cubic metre of billets can fetch up to \$18,000 on the export market, making it one of the most valuable timbers in the world. The Mpingo Conservation Project (MCP) was formed to leverage that incredible value for the benefit of local communities. However illegal logging is widespread, with some 96% of timber emanating from the region not properly licensed.

Communities wishing to manage their own forests must thus compete in a market flooded by unrealistically cheap timber. The project therefore seeks to supplement PFM with certification by the Forest Stewardship Council, so that products can be labelled as made from blackwood which has been felled sustainably from community-managed forests, and for which a fair price has been paid. Musicians, thereby able to distinguish ethically-sourced instruments, will be able to support the industry in improving its practices through buying power. At the same time communities will benefit from the substantial revenues that they can earn from selling logging rights, the profits of which can be invested in locally-prioritised development actions for the benefit of all community members.

Aims and Objectives

Comic Relief funds were divided between work in the UK (managed by EAT) and Tanzania (managed by MCP) and have supported a number of key activities. One of these was to research the supply chain of African blackwood with particular emphasis on the retail market for musical instruments. This report is an output of that research.

This report builds upon ongoing work by MCP in Tanzania, EAT and FFI in the UK, and other partners in both the UK and Tanzania, by assessing the retail market. As blackwood is particularly renowned as the best timber for the manufacture of woodwind instruments, especially clarinets, oboes and bagpipes, the retailer market assessed is that of the musical instrument sector.

This report is intended to provide background information that will support MCP, EAT and partners in their objective of seeing a fairly traded, certified supply of African blackwood which can be made into musical instruments.

In order to best promote sales of fairly traded, certified musical instruments MCP and EAT need to understand the supply chain, particularly the retailer aspect. In response to this requirement, Kilimanyika were contracted to assess the main companies and links between them, assess market size and shares, to understand key market trends, prices and margins and provide recommendations as to how best to proceed if certified instruments were made available to the retail market. As part of this research future partnerships are suggested where appropriate.

Specific aspects of this work were to, where possible, evaluate existing data on timber suppliers and supply chain (this is managed in a separate sister report on the supply chain (Harrison, 2007)); assess factors of supply and demand and drivers of growth; evaluate the market for music instrument retailing, understand market size through volume of sales and evaluate any key trends and issue. Additional aspects were to evaluate the niche market of Fair Trade, certified and other green/ethical brands evaluate the key players in the musical instrument market, understand market shares and main and niche players; interview selected retailers for insights and economics of both normal and ethical/niche markets; evaluate opportunities for certified blackwood musical instruments; assess and compare prices and competitiveness of normal against ethical/certified brands. Other aspects were to assess margins for musical instruments for both normal and ethical (in supply chain report); assess marketing channels – how manufacturers and retailers reach their target market and summarise opportunities and feasibility.

Market Background

1 *Blackwood's Niche*

In the global musical instrument industry, blackwood is used principally in the manufacture of woodwind instruments. According to Jenkins *et al.* (2002) the “single most important export market for African blackwood timber is that to supply manufacturers of musical instruments, principally woodwinds, and particularly clarinets, but also oboes, bagpipes, wooden flutes and, in lesser amounts, other instruments or their parts.”

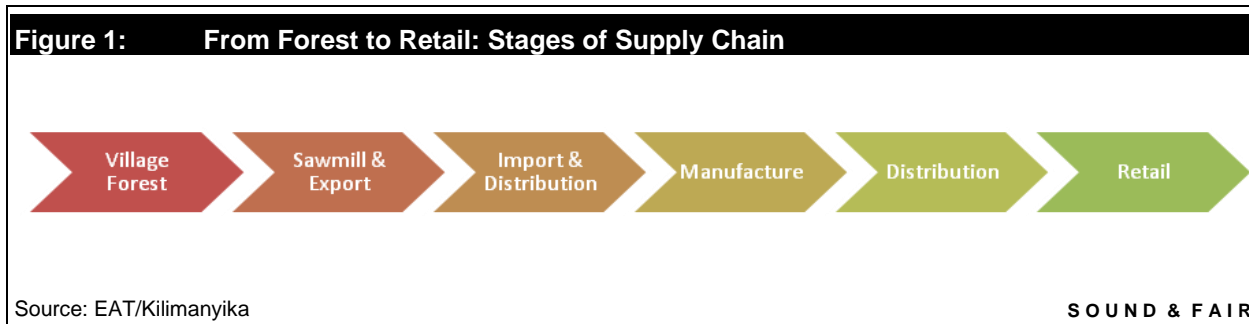
The manufacture of musical instruments is a precise enterprise and as such, according to Cumine (2006), manufacturers are demanding customers, wanting only the darkest wood, and billets which must be free from faults which would cause the wood to split. Consequently only a tiny proportion of blackwood billets may be used to make musical instruments.

Because of the high level of work required in making an instrument, purchasing the timber represents only a small fraction of the total cost of an instrument (approximately 6% of the retail value) and as such there is considerable opportunity to increase the cost of the raw material with minimal impact on the final price, at least within a niche market.

It is apparent that this niche market has sufficient scope and leeway to see a reassessment of the supply chain and margins without causing damage to existing market dynamics. Indeed, new approaches may well breathe life into a relatively sluggish market.

2 *The Supply Chain*

The supply chain begins with community managed forests in Tanzania, moves through a process of harvesting logs which are turned into billets, shipped and made into musical instruments.



Defining the Retail Market

1 *The General UK Retail Market*

According to UK Government statistics, the overall UK Retail market showed no significant growth during 2005 (MIA, 2006). The combination of a weak housing market, slowing levels of economic activity, fragile consumer confidence, concerns about debt and tax burden increases have had a combined impact. Since 2005, tougher trading conditions and greater competition in the retail market have continued through 2006 and 2007, culminating in the consumer belt tightening that followed the credit crunch of Q4 2007 and that looks set to continue into 2008. Indeed, the overall retail market is not expected to recover until after 2010, with 2009 expected to be the low point for the sector overall.

2 *The UK Market for Woodwind Instruments*

Relative to many other retail markets, where chains of retailers are increasingly common and highly fragmented market, there is very little consolidation, very little branding, and very few chains in the musical instrument retail sector. There are broadly speaking, three types of retailer:

- Manufacturers who also retail their products (specialist)
- Specialist woodwind retailers, often with a close connection to manufacturers
- Non specialist retailers, such as are found in high streets in regional towns

The Music Industries Association (MIA) valued their retail market at approximately £430M in 2006, having peaked at £450M in 2004 (MIA, 2006). The industry has continued to decline since. The industry sold 11% more products in 2006 than 2005, however revenue dropped by 4% (*ibid.*). When overall price inflation is taken into account this implies a real price deflation of 16% in one year. From 1988 to 2006 cumulative inflation totals 90.4% (*ibid.*). In effect, retailers are having to turnover nearly double in order to have the same revenue stream as 1989.

Thus, for the music industries retail sector, unit sales values have steadily been decreasing, with MIA reporting that there is little possibility for products to be sold any cheaper. Music industry retailers are thus relying on increasing margins to generate any growth in their businesses.

Whilst unit sales prices have dropped, sales volumes have increased. This is a dynamic that according to MIA, reflects the pattern of increasing imports from China. An influx of cheaply produced instruments is the result of a growing trend by MI manufacturers, distributors and retailers to source their products in China; a trend that is reflected in the wider UK retail sector over the last two to three years.

With the influx of cheaper products in increasingly larger volumes, the emphasis in the MI retail sector is on being the cheapest. Price competition between retailers has increased in an attempt to gain market share over high volume, low cost, and hence low margin products. In contrast niche players have tended to emphasise quality. The continued decline of the US Dollar against Pound Sterling has also made it harder for MI retailers to compete in international markets, especially in the USA.

2.1 **Market Values by Product – General**

The electric guitar is the core of the musical instrument industry, providing, according to MIA, £70M of sales and representing over 15% of the total market. The renewed interest in guitar-centred bands is a key reason for continued growth in the electric guitar (and associated accessories) market, supported by the relatively low cost of the instrument (the average retail price in the UK is £150 and continuing to fall). Acoustic guitars are also very popular, relatively easy to learn and typically retail at £70. They had a market size of nearly £40M in 2005, again a significant chunk of the overall musical instruments market and are one of the few products in this industry enjoying sustained growth in sales. (MIA, 2006)

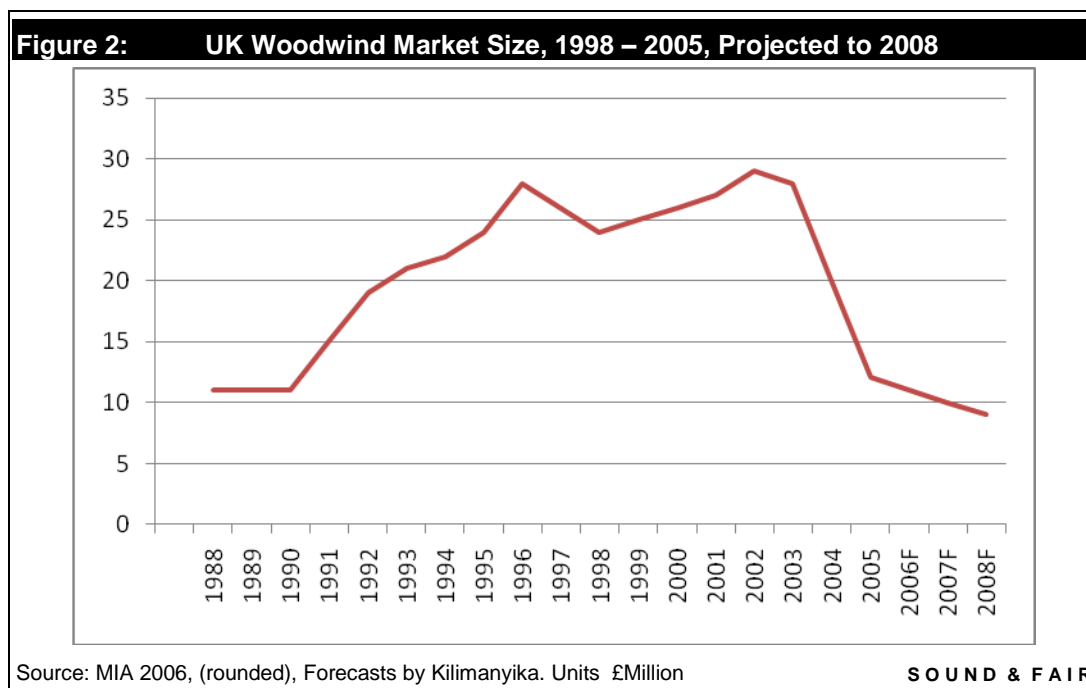
The market for keyboards has, on the other hand dropped considerably from £90M in 1989 to £30M in 2005. The acoustic piano market peaked at a little over £30M in 2001 and has been declining ever since to under £20M in 2005. Likewise, the market size of digital pianos has dropped in the same period from £35M to a little over £20M. Percussion, both electronic and acoustic, is enjoying a surge, having grown 50% in size since 2000, and with a market size in 2005 of £30M (MIA, 2006).

According to MIA, 2005 saw the start of a decline in sales of string instruments, largely because of a lack of funds for the purchase of instruments in schools and a shortage of music teachers. MIA state that funds have been allocated for the purchase of instruments, a lack of confirmed orders, and the high incidence of deferred orders which suggests the lack of funds remain an issue for schools. The general downturn in high street sales has contributed to reduced sales overall. The market for bowed string instruments peaked at a little above £9M in 2004 and fell to near £8.5M in 2005. String sales have also started to decline from a peak of £12M in 2003 to nearer £11M in 2005, but this has been blamed on a market is increasingly open to highly competitive internet trading. Nonetheless, as a high turnover product, string sales remain relatively buoyant (MIA, 2006).

Again, according to MIA, brasswind and woodwind are both products where sales have been in a consistent state of decline; since 1997 for brasswind, and since 2003 in the case of woodwind. The brasswind market peaked in the region of £14M and had descended to £9M in 2005 (MIA, 2006) with the decline expected to continue.

2.2 Market Values by Product – Woodwind

The market size of the woodwind market in 2005, in the region of £11M, was nearly as low as in 1988, having peaked at around £29M in 2002 (MIA, 2006). Adjusted to 1988 values the woodwind market is smaller still. The market continued to decline through 2006, and was reported to be in a weak state in 2007, with continued decline anticipated in 2008. With a current estimated market size of £10M, the UK woodwind market is estimated to make up a little over 2% of the total UK music industries market in 2007, falling from a peak in share of 6% in 2002.



MIA (2006) makes the following statement on the reason for the decline in the woodwind market:

The influx of poor quality instruments into the market is exacerbating this already declining market. Many purchasers, including local authorities, are suffering from buying on price alone in a sector where quality control is paramount to playability and longevity. There are some indicators that the Far East manufacturers are learning the lessons...some of the Chinese products... are good already.

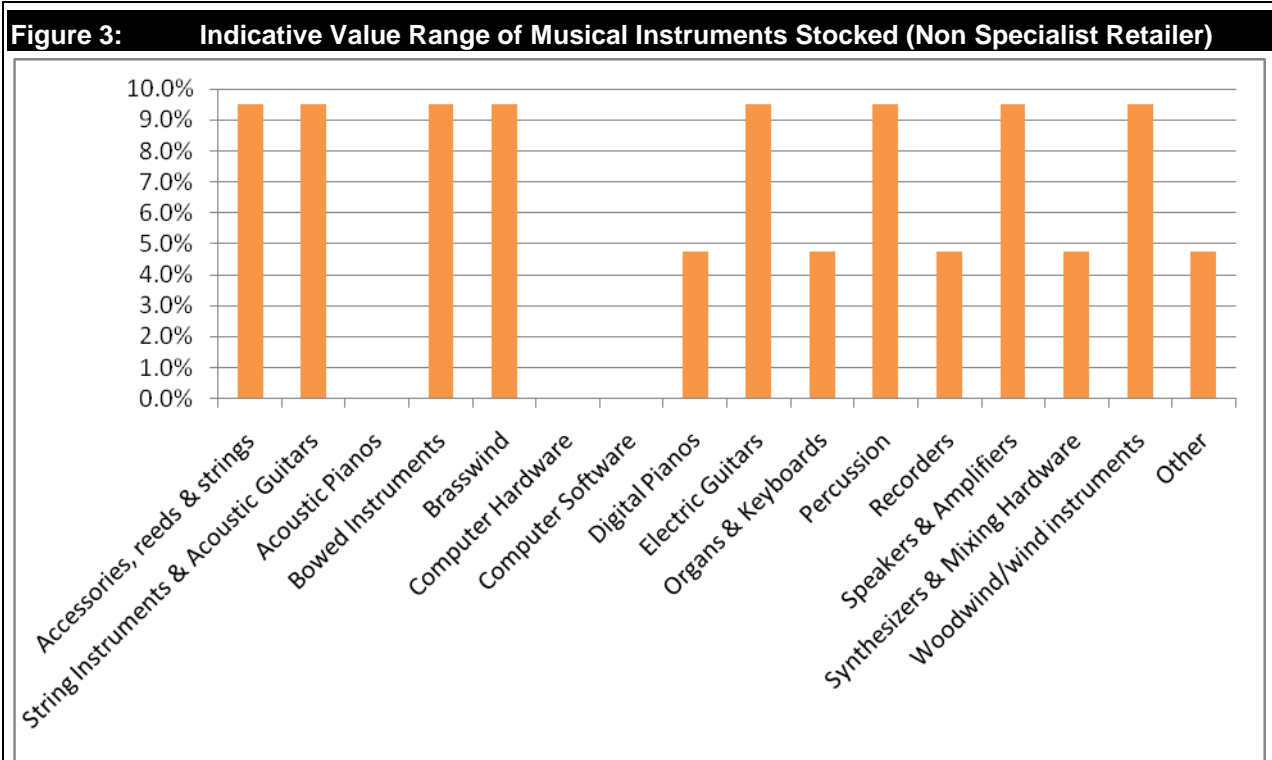
For the non specialist retailer, the flood of cheaper products makes it harder to sell quality products unless there is a huge jump in quality. For the specialist retailer, there is an opportunity to focus on premium high quality products and draw away from the high volume, cheaper goods, which carry lower margins.

3 Retail Market Dynamics

3.1 Range of Instruments – Non Specialist

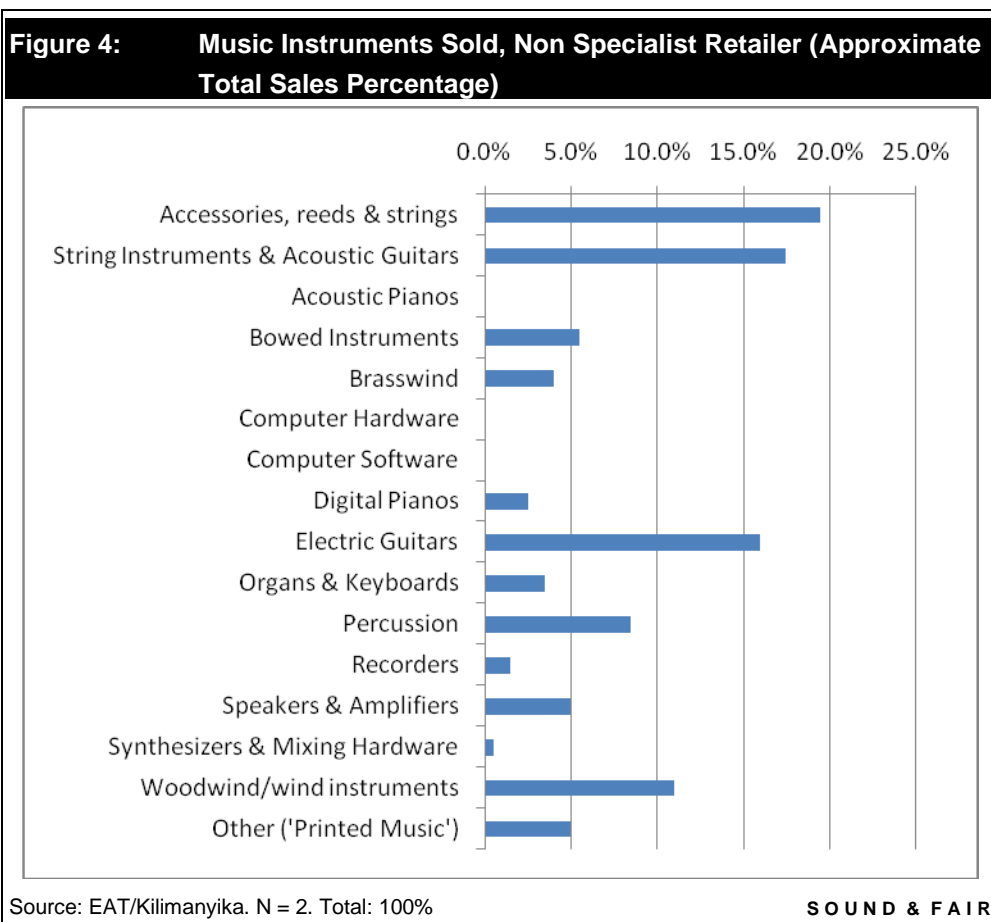
For the non-specialist retailer, woodwind instruments are just one class of a broad range of musical instruments and accessories stocked. A typical musical instrument retailer stocks a mix of string instruments, bowed instruments, acoustic and electric guitars, brasswind, woodwind, pianos, organs, keyboards, percussion, early music notably recorders, various software, hardware and specialist sound equipment and a range of accessories, reeds and strings.

For these retailers, which make up the majority of the musical instrument retail market, guitars are the most common musical instruments sold, both acoustic and electric. For many such music shops, guitars provide the volume of sales that make the difference between profitable enterprises or otherwise and as such can be seen as the bedrock instrument for the music instrument retail sector. Brasswind, woodwind, bowed and stringed instruments and percussion are also of importance to sales. However, accessories, reeds and strings which are high volume items are most significant of all in terms of typical sales percentages.



Source: EAT/Kilimanyika. N = 2.

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3.2 Range of Instruments – Specialist

Specialist retailers tend to focus on one type of instrument such as woodwind alone, or a combination of just woodwind and brasswind. Others focus on a range associated with a certain period, such as early music, whilst others focus on a very specific type of instrument such as highland bagpipes and smallpipes, reflecting the fact that bagpipes are a significantly different market sector from classical music, and the strong cultural association of the instruments.

For those manufacture-retailers who directly sell the instrument they produce, the market is a highly bespoke one, built more closely around client-manufacturer relationships, and the manufacturer-retailer will sell only specific instruments, often to particular specifications, materials and quality levels.

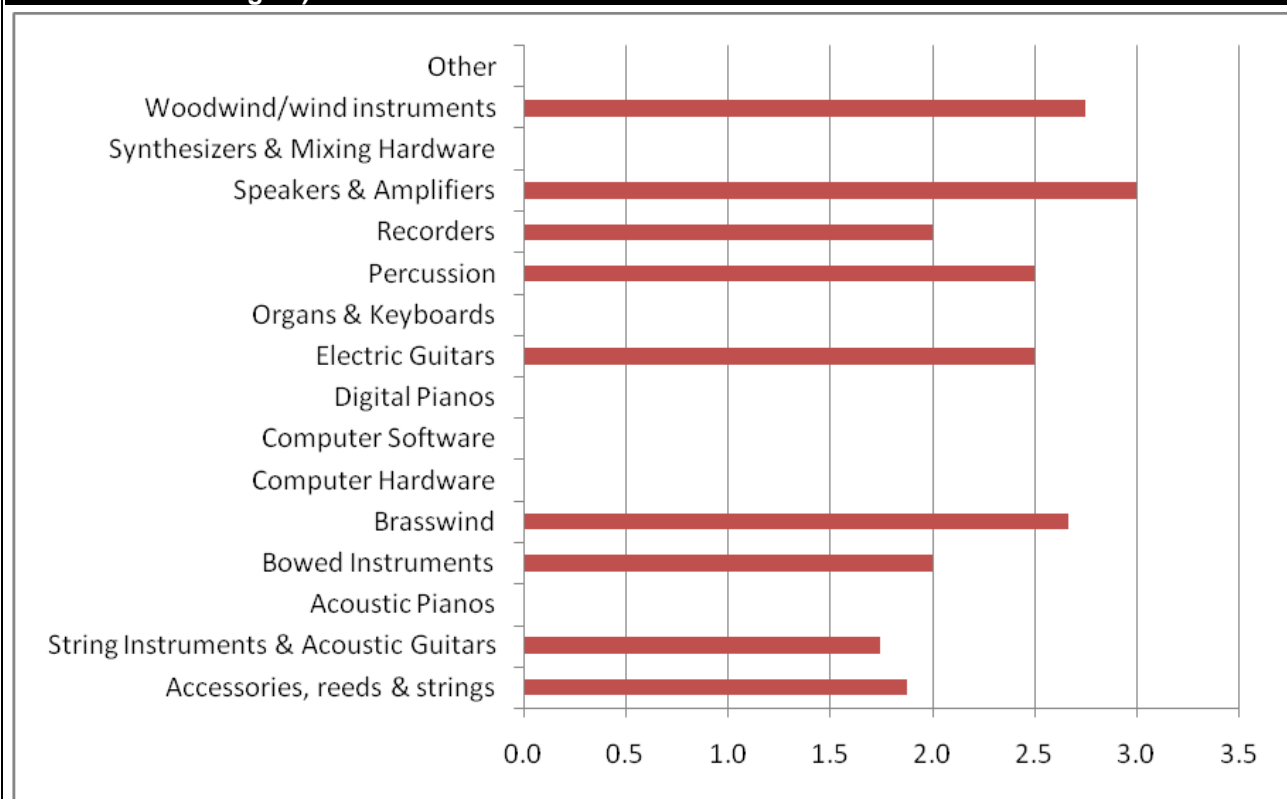
For the non specialist retailer, the volume of sales shifts according to the stock. Clearly, for a woodwind specialist retailer, the woodwind instruments make up the greater proportion of sales with a degree of sales support from accessories.

3.3 Profitability of Instruments

Retailers' margins on musical instruments have dropped steadily over the past few years, especially since 2006 with the considerable import of cheaply produced instruments from China. This is also due to the relative costs of production for woodwind instruments and a lower rate of turnover in this relatively specialist market.

According to surveyed retailers, woodwind instruments – alongside brasswind and synthesisers and mixing hardware – are considered the least profitable. Typical margins for woodwind instruments are considerably lower than for other instruments. Accessories, reeds and strings are profitable because they are usually high value (relative to size), high turnover items on which it is easier to increase margins, whilst bowed string instruments are considered as about average in terms of profitability. Acoustic guitars are highly profitable, and their strings also (relatively speaking). Retailers say that, in comparison with the guitar market, the market for woodwind does not allow price mark-ups.

Figure 5: Profitability of Musical Instruments (1 = very profitable, 2 = average, 3 = limited margins)



Source: EAT/Kilimanyika. N = 4

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For specialist retailers, woodwind margins are also reported to be low. For some, the answer to increased margins lies in the production of high quality, premium instruments which can be sold with greater proportional gains.

3.4 Consumer Types

Retailers were asked to indicate what kinds of customers were buying particular musical instruments. Their answers are summarised here. Private individuals represent a full range of musicians from amateur, to semi professional, to professional. Another common type of buyer are educational bodies who often purchase in large quantities for teaching purposes. Musical associations such as military bands also buy in substantial quantities.

Table 1: Main Types of Consumer by Instrument

Instrument	Customer Types
Oboe	Private individuals
<i>Cor Anglais</i>	Private individuals; semi-professionals; educational institutions
Clarinet	Students; amateurs; professionals; schools and higher educational Institutions; private individuals
Guitar	Private individuals; schools; teaching body representatives/buyers
Smallpipes	Private individuals, music associations;
Highland Bagpipes	Private individuals; music associations; military bands

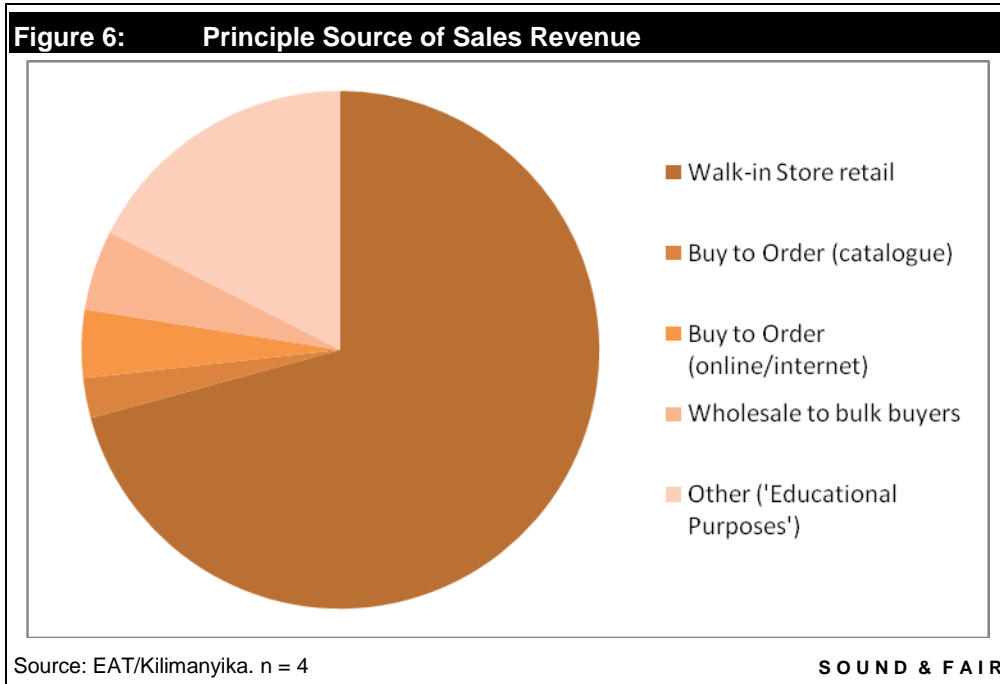
Source: EAT/Kilimanyika.

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3.5 Sources of Revenue

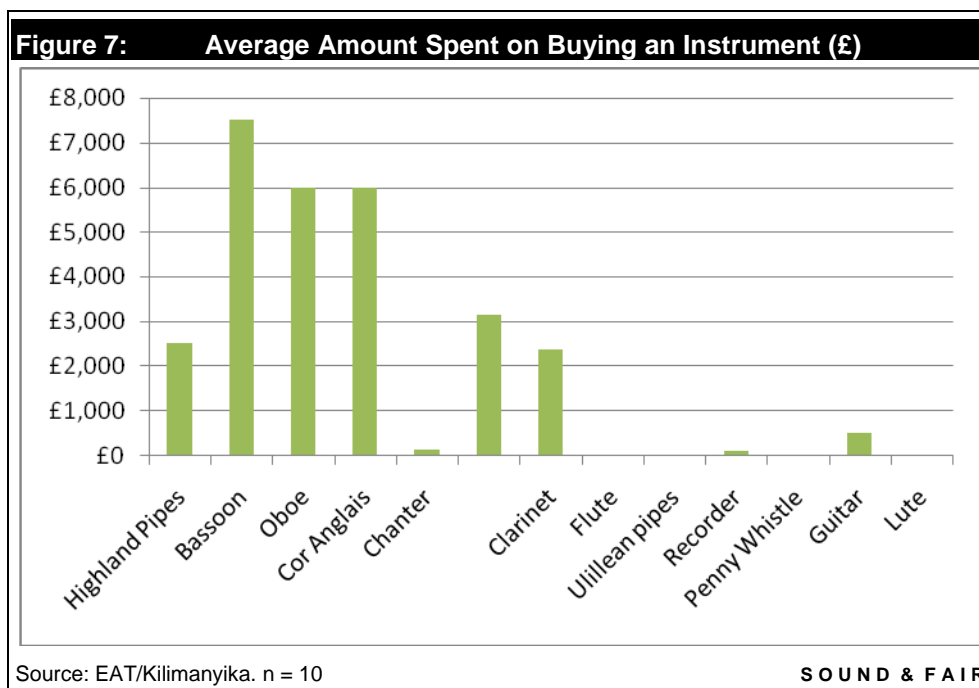
Location is highly important for a music instrument retailer for much the same reasons as it is for retailing as a whole. Getting customers to walk into the store and purchase is by far the most significant means of generating sales. Store penetration is key to sales success, followed by having the right mix of point of sale material, stock and knowledgeable staff to ensure a sale.

Catalogue sales are also significant and supported by growth in online sales to the extent that internet buying is now greater in terms of sales volumes than by catalogue. Wholesale is an important market, especially to specialist organisations such as music associations, orchestras, chamber ensemble and civil and military bands. Sales to educational institutions are highly important, especially for specialist retailers.



3.6 Amount Spent on Instruments

According to sampled musicians carried out for a sister EAT report on consumers (Harrison, 2008b), an average clarinet costs £2,370, an oboe or *cor anglais* £6000, a bassoon £7,500, highland bagpipes £2,500, smallpipes £3,125, a chanter £125, and a recorder £90, see Figure 7. This compares with £500 for a guitar.



There is a significant distinction between the market for high quality bagpipes and oboes / clarinets in terms of sale prices, for example:

- Bagpipes: £468 - £2,549 (Quality Bagpipes, 2007)
- Clarinets: £1,460 – £13,776 (Howarths, 2007)
- Oboes: £2,555 - £5,725 (Howarths, 2007)

Those in the sample above are tending to purchase at the higher end of the market. The purchase of a premium oboe or clarinet represents a major investment and instruments are usually repaired rather than replaced, but the wear and tear on woodwind means they are replaced more regularly than say string instruments. Buying a musical instrument is, in retailing parlance, a ‘wants’ rather than a ‘needs’ purchase. Typically the need for a functional instrument is outweighed by the aspirational aspect of buying an instrument, a purchase that makes the musician feel that not only are they investing in quality, and they are improving themselves and benefiting their audiences by paying extra for a better product.

4 Key Players

As has been noted above, there are, broadly speaking, three types of musical instrument retailers:

- Manufacturers who also retail their products (specialist)
- Specialist woodwind retailers, often with a close connection to manufacturers
- Non specialist retailers, such as are found in high streets in regional towns

For the former two, specialising in instrument sales such as clarinets or bagpipes often enables these players to work in a high-end market, avoiding therefore some of the fluctuations in the mass production and cheaper instrument markets.

With the exception of those specialists who make their own instruments or buy from individual manufacturers, in contrast, large international manufacturers supply markets worldwide. The principal manufacturers include:

- **Yamaha** – A Japanese company with significant UK presence
- **Le Blanc** – a US owned manufacturer with French origins
- **Buffet Crampon** – a French manufacturer
- **Selmer** – a French manufacturer

These manufacturers supply distribution agents who supply retailers, particularly non specialist retailers.

4.1 Non Specialist Retailers

Boosey & Hawkes is well renowned as one of the leading musical instrument chains, although it is not the only such chain. Of greater significance in market size, in what is still an unconsolidated industry, are the independent musical instrument shops with one or two shops only. MIA, through their website www.mia.org.uk and annual publications produce a comprehensive list of musical instrument retailers (their members), as does the website <http://www.musicalinstrumentsales.co.uk/>. For the non specialist retailer, bagpipes are unusual stocks and woodwind sales make only about 2% of total sales.

4.2 Specialist Retailers

Specialist retailers are those who retail only in certain musical instruments or types of musical instruments, for example in woodwind, in highland bagpipes or in early music. Examples of such specialists are Howarths, Woodwind and Reed, Dolmetsch and Quality Bagpipes.

4.3 Retailer - Manufacturers

Manufacturers will either sell to distributors or retailers or, because of their specialism, will commonly retail directly (Cumine, 2006). They make instruments to order according to musicians' specifications. This is an expensive process because of the specialist work involved and low economies of scale. As such, manufacturer-retailers form a very small but often high-end section of the market.

Key Issues

1 Key Trends

Two contrasting themes emerge. One is the move towards opulence, greater quality and fair trade on one side of the affluent or professional consumer, keeping demand for high end products if not constant, at least ongoing. Two, the influx of cheap end consumer goods from China, making woodwind prices fall considerably on the lower side of the market. The overall result: a decline in the woodwind market except at the premium end.

There is also a sense, expressed in MIA's *Signposts* (2006), that the music instrument market has lost some of its innovation when compared with other retail sectors such as consumer electronics.

Consequently the industry is well placed for the arrival of an innovative new product such as fairly traded and certified musical instruments, however niche this may be. The upper-middle to high-end will be the best placed area because of overall decline in the woodwind market at the low end.

1.1 Decline of Woodwind Market: Growth of Cheap Imports

Price deflation and shrinking margins have led to a substantial decline in the woodwind industry. As one non-specialist retailer noted:

Group gear and guitar related is where we major in the marketplace. It is much felt within the industry that woodwind and brass is becoming more endangered though specialist shops thrive better on it than we have ever done. (Anon, 2007)

As with society in general, the public demands cheaper and cheaper products. Chinese products are said to be flooding the market and are considerably more in demand than traditional quality instruments. This has watered down the low-end and considerable weakened the mid-end, making the market highly competitive and squeezing margins. The result has been a decline in middle quality instruments, and an increase in plastic instruments.

1.2 Premium products Remain Stable

Premium products tend to remain stable because of less fluctuation in new products and the market is bearing up well. This puts specialist retailers focused on the high end in a relatively good position even as the woodwind market declines elsewhere. However, the market at the high end is not risk free, as one specialist retailer noted:

As we are a specialist brass & woodwind dealer, we have managed to resist some of the cheaper instruments that are flooding the market. However it is worrying for the future as these manufacturers will undoubtedly improve their products. We have not found that any of our premium brands have been affected, but some of the previously cheaper brands have been almost eradicated from the market due to these Chinese imports. (Anon, 2007)

1.3 Seasonal Market

The market is a seasonal one. In general, autumn is very busy, due to beginners learning at schools and universities. Winter months are typically positive for musical instrument sales; Christmas is very busy as are the January sales. From Easter to August are the quieter months, typical for UK retail in general.

1.4 The Digital Age

The computer is of increasing importance for the young in the leisure activities of music making and sampling. Aside from the traditional ensembles, the digital age is bringing a range of options to musicians, with which the non-specialist retailer in particular has to keep abreast. Digital music takes a proportion of musicians away from playing traditional instruments. However, it also teaches an ever widening range of young people the pleasures of music, opening imaginations for some into the classical music world.

2 *Fair Trade*

The ethical/fair trade market is “exploding” (Duncan White, *pers comm.*), and the ‘green’ labelling becoming increasingly important to market players and consumers. Consumer awareness of ethical and fair trade is growing all the time. There have been a number of key milestones such as the choice of Marks and Spencer’s (M&S) to sell only Fairtrade coffee in late 2005. Indeed, Fairtrade coffee is now a relatively mature market, with 20-25% of roast and ground sales in the UK being Fairtrade.

The growth in demand for Fairtrade products is forcing suppliers to reassess their strategies across a whole range of markets. The Fairtrade Foundation has seen a huge growth in sales across their product range of approximately 50% year on year (Duncan White, *pers comm.*).

Moving away from the increasingly established Fairtrade markets of food and beverages, the Fairtrade Foundation has started to produce Fairtrade cotton with the support of retailer Marks & Spencer’s. A growing interest lies in bringing Fair Trade principles to the timber markets although this is some way away as yet. According to the Fairtrade Foundation, at present there are no FLO standards in development in this area, whilst on the issue of handcrafted products the Fairtrade Foundation currently refer people to the International Federation of Alternative Trade (IFAT) network which is where most of the fair trade organisations involved in artisanal crafts try to work together and peer review good practice (Barbara Crowther, *pers comm.*).

With food, if the volumes and the economics are right, a fair trade product can be targeted within a range of market segments, such as at the low end (with other products selling at 30p for example), or in the middle-range (selling at £1 with others of the same bracket), or at a premium or quality brackets for £2 for example. This is possible with many (but not all) Fairtrade products because of the economies of scale involved. With a highly specialised timber-made musical instrument this is a different case because of the economies of scale. The growth in the market for Fairtrade products has been spectacular with sales in 2007 exhibiting a 46% increase over 2006, and the annual value of the Fairtrade products sold has seen an increase of over 1,000% since 1999.

However, the growth of ethical and fair trade markets does not simply reflect a growth in altruism. Many companies see it as an opportunity and rebrand themselves without necessarily going through the hoops in terms of supporting their suppliers in developing countries or, in the case of green labels, improving the natural environments in which the products are grown.

There are essentially two types of ‘fair trade’ products on the market, those with genuine ethics that can prove the *traceability* of an ethical product down to the roots of the supply, and those that can get away with a “whitewash”. Different rules and different labels dictate the degree to which a product can be verified as fairly/ethically traded. The fact that it is possible to have both private ethical/eco labels and independently verified labels within one market is confusing for the consumer. Without detailed research it is difficult to see whether the label is simply a marketing gimmick or a verification of an ethical and/or ecologically sustainable product.

The Fairtrade symbol has developed considerable brand recognition over the past eight years. In a 2005 Mori poll, 50% of the UK adult population were able to identify their mark, and were able to correctly associate the Fairtrade symbol with the phrase “guarantees a better deal for third world farmers”.

Although less widely recognised as a consumer brand, FSC’s certification principles are widely acknowledged in the industry as a international quality standard in the management and supply of documented and sustainably produced timber. Environmental sustainability pledges along with the associated additional costs of management and chain of custody administration are often expected to be able to generate a price premium as certified products move towards the consumer. However, in many cases, the price premium for FSC-certified timber is small, and the greater benefit is in market access, with more and more market segments being closed off to non-certified produce, though other certification schemes may be accepted (Kevin Jones *pers. comm.*).

Like Fairtrade, but thus far to a lesser degree, FSC is steadily growing into a major worldwide brand. Over US\$5 billion worth of raw, semi-finished and finished wood and paper products originating in FSC-certified forests and bearing the FSC logo were sold in 2004/5, and more than 10% of commercial forests worldwide are certified as well-managed according to FSC principles. However, most of these are plantations in

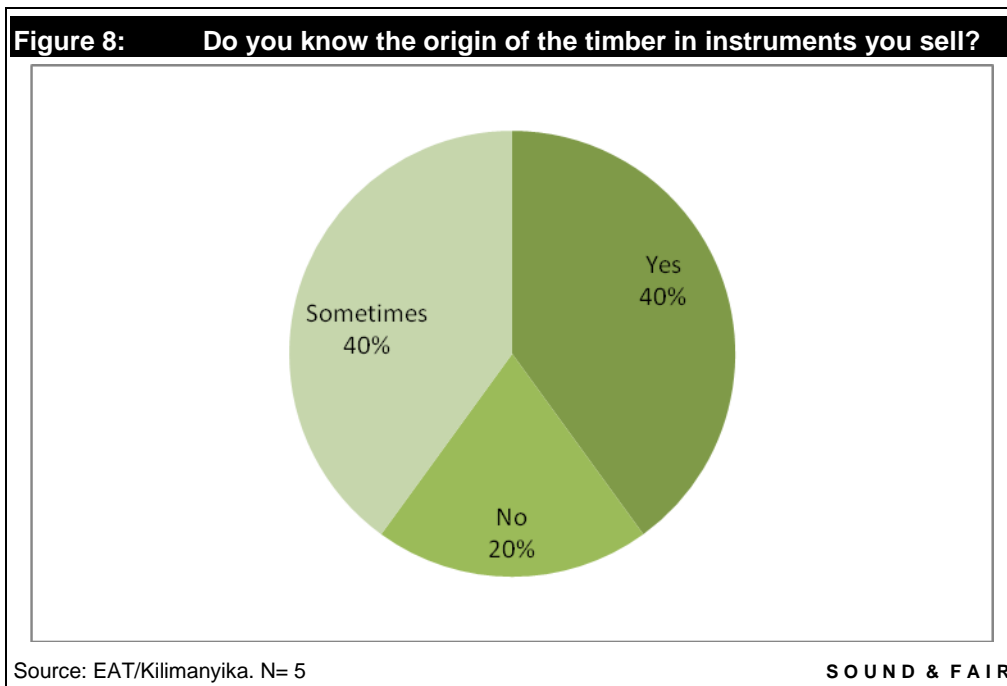
developed countries rather than natural forest in tropical countries which were the initial goal of FSC’s founders. Like other ethical products, the brand is expanding rapidly with a 67% increase in FSC products sold in the 3 years to 2004 (FSC 2005).

3 Timber Origins

According to the music retailers consulted in writing this report, the origin of the timber used is not always known. Such knowledge depends primarily upon two factors.

Firstly, it depends on the relationship the retailer has with the supply chain: non-specialist retailers, often dealing with a wholesaler/distributor are less likely to understand the origin of the timber in their instruments compared with retailers who either manufacture themselves or have a close relationship with the manufacturer. In short, the greater the degree of specialism, the more likely the retailer will know the source of timber.

Secondly, there is a variation between instruments supply chains and the different types of timbers used in each instrument. Some retailers have a better grasp of the timbers and their origins for some instruments than others.



When asked which kinds of wood used, those retailers who know the origin of the timber were also likely to know the types of wood used in making instruments. Their answers as summarised here.

Table 2: Types of Wood used in Instruments – Retailer Perspective

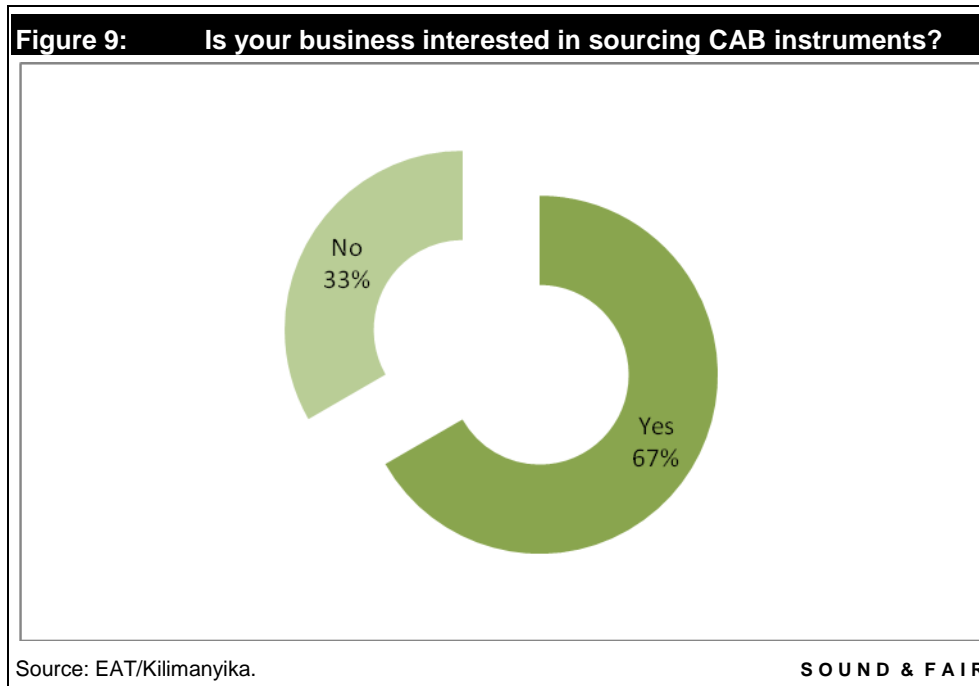
Oboe	African blackwood
Cor Anglais	African blackwood
Clarinet	African blackwood
Recorder	Maple, Fruitwoods
Clarinet	African blackwood
Guitar	Indian Rosewood, Canadian Maple, Cedar & Spruce. Sapele/Mahogany

Source: EAT/Kilimanyika.

SOUND & FAIR

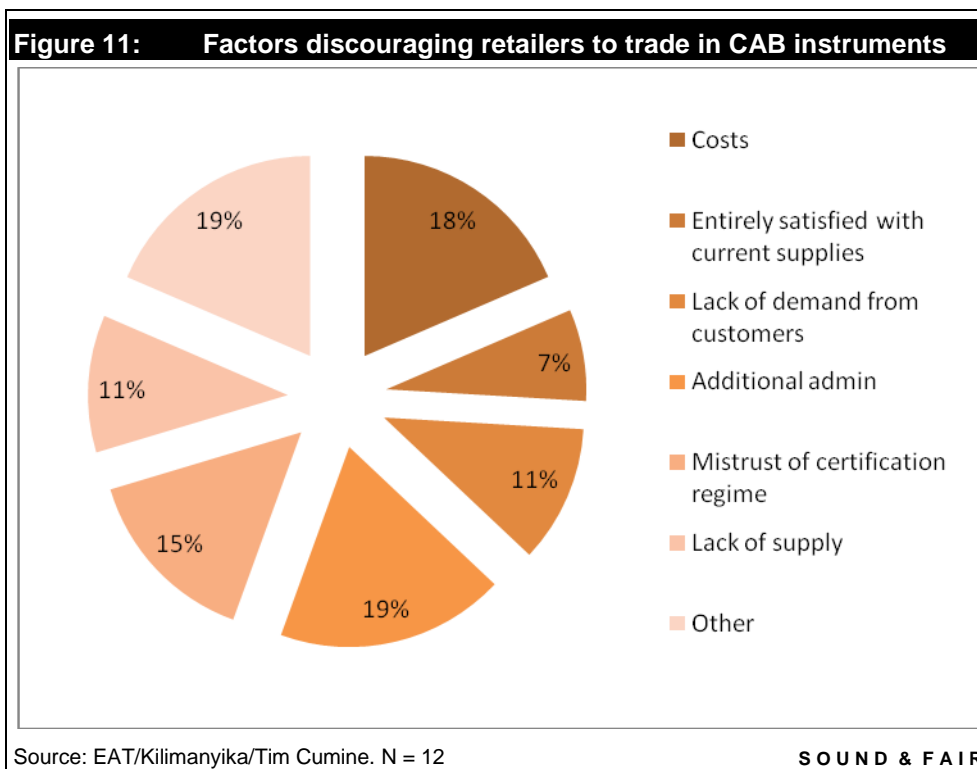
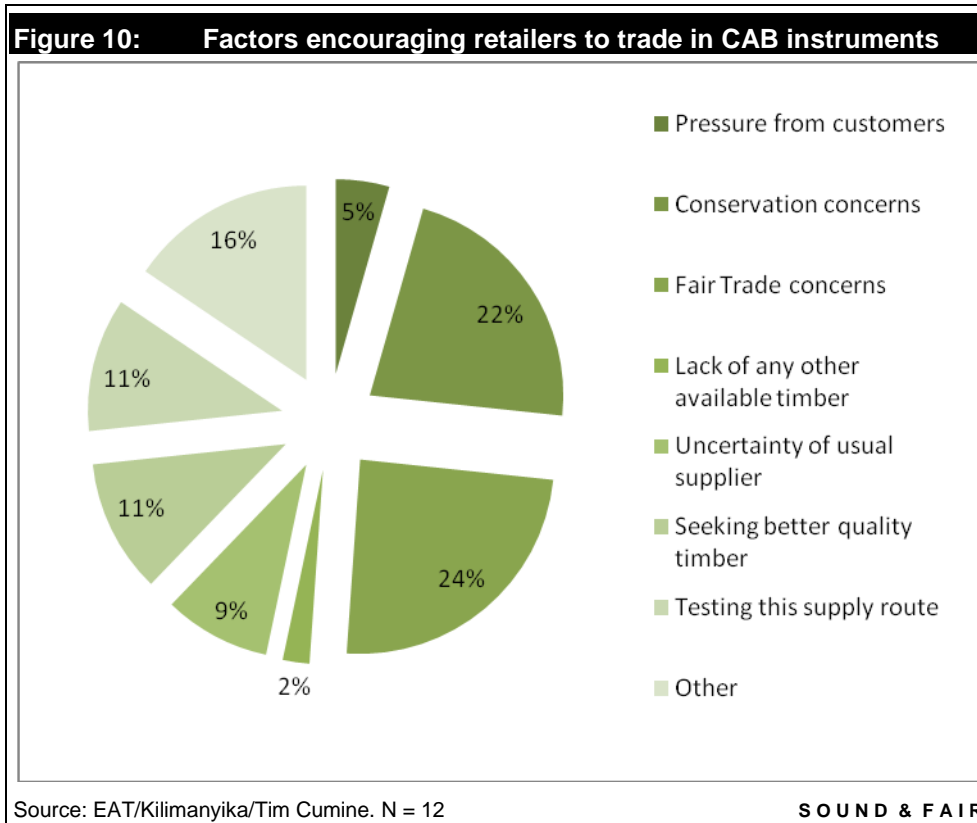
4 Interest in Certification

Half of the retailers consulted stated they had heard about timber certification, the other half had not. Two thirds of respondents were interested in sourcing certified African blackwood instruments, indicating a strong interest in what MCP and its partners are trying to achieve.



A selection of two non specialist, two specialist retailers and nine manufacturer retailers gave an indication of the factors which, in their opinion, would both encourage and discourage retailers from trading in certified African blackwood instruments. These are set out in Figure 10 and Figure 11 below.

The primary reasons encouraging retailers to trade in certified instruments were first “Fair trade concerns”, indicating a growing interest in fair trade issues, and second environmental conservation concerns. Testing a new supply route and seeking better quality timber were also deemed important. However, the perceived extra cost of certification and the related concerns about additional administration may dissuade retailers from trading in certified instruments.



5 Importance of Quality

African blackwood has few peers as a timber for making musical instruments. Because of the demands placed on them, very few woods are considered suitable for the manufacture of woodwind instruments, and the quality of the timber is of utmost importance:

The wood must be flawless, even-grained and capable of being worked to very fine tolerances. It must also resist the stresses of playing: when blown into, the air inside the instrument changes in humidity and temperature, creating stresses between the inside and the outside of the instrument which may cause the wood to distort or split at points of weakness, such as between the keyholes. The dense, close-grained nature of African blackwood and its natural oiliness ensure that it meets these criteria better than any other known timber.
(Jenkins *et al.*, 2002)

Cumine (2006) agreed, declaring that “beyond any concern for sustainable supply, without exception, makers put their first concern as being the quality of the timber which is supplied to them.” Equally, the second step from the quality of the timber is the quality of the manufactured musical instrument.

Just as timber quality is paramount for manufacturers, so instrument quality is the critical factor in musicians’ purchasing decision, outweighing price, the origins of the wood, and its social and ecological (Harrison 2008). In this, qualities of sound, of feel, of function, and of material are all essential to the buyer.

Quality dominates the demands of the manufacturing process, which itself dictates the supply to the retailer, and quality dominates the demand side – the aspirations of the consumer themselves.

Discussion and Recommendations

This report makes the following recommendations.

Maintaining the highest quality of product will be essential if a high-end niche product is to be marketed. As blackwood is considered to be the highest quality wood, and wood in turn is considered to be of higher quality than plastic, maintaining that attention to quality and premium will not be a hard sell, thus FSC-CAB will take a natural place at the high-end providing the timber and instrument manufacturer themselves meet the highest quality standards.

In assessing the market it is essential we understand that by raising the cost of the timber, is it just the cost that goes up or does it also the margins for companies at different stages in the supply chain? If it is only the cost, that will be absorbed relatively easily into a premium. However, if the margins at each stage of the supply chain increase, the premium could be considerably more expensive, to the extent that it may not be marketable. Depending on what prices can be brought forward across the supply chain from the forest starting-point (Harrison, 2008a), the musical instrument retail market will react accordingly. If the margins for a premium are based on volume of timber, the more expensive the product, the lower the proportion of the premium. An ideal premium of 10% is suggested, which would indicate a high-end product only. This could go up to as much as 25% on the standard retail price; however it is unlikely to be competitive if it does.

In the current eco-conscious consumer market, asking buyers of musical instruments to pay a significant price premium is a realistic proposition (Harrison 2008b). Retailers of all types are willing to be involved in this process providing their margins are at least covered in any price increase (and preferably greater margins provided), and that any paperwork related to the Chain of Custody process for certification is not laborious.

A price premium on the expensive, top end of the oboe and clarinet market has the greatest potential for generating benefits for producer communities. Channelling the limited supplies of FSC-CAB to manufacturers of top end instruments has the potential to generate greater benefits for producer communities than if supplies go to manufacturers of less expensive instruments. Given that the initial supply of FSC-CAB will be limited, the priority must be to feed available timber into the production of premium quality, expensively priced instruments at the top end of the market.

By paying a small price premium buyers of musical instruments can make a real difference to the lives of some of the poorest people on earth. Effectively communicating the benefits for producer communities to consumers will be essential in achieving consumer willingness to pay the price premium. Retailers will be able to play a key role in this with word of mouth recommendations and stories of the product, and with eye-catching point-of-sale material in shops.

The decline of the woodwind market and musical instruments sales in general is a considerable limitation. However, the launch of FSC-CAB has the opportunity to reawaken the market at the high end, which has, in any case, resisted some of the limiting factors that have negatively affected the market overall, particularly over-supply at the lower end.

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Appendix: Retailer Questionnaire

GENERAL QUESTIONS:

Individual Name: _____ Store Name: _____

Branch Name: _____ Store Location (Town): _____

Is this Store Part of a Chain? Yes No Name of Chain: _____

Position/Occupation:	Tick One
Chain Owner	
Individual Store Owner	
Franchise Owner	
Store Manager	
Store Assistant	

Instruments Stocked

Musical Instrument Types Stocked	Tick as many as apply
Accessories, reeds & strings	
String Instruments & Acoustic Guitars	
Acoustic Pianos	
Bowed Instruments	
Brasswind	
Computer Hardware	
Computer Software	
Digital Pianos	
Electric Guitars	
Organs & Keyboards	
Percussion	
Recorders	
Speakers & Amplifiers	
Synthesizers & Mixing Hardware	
Woodwind/wind instruments	
Other	

Best Selling Musical Instruments: Relative Volume of Sales (estimated)

Musical Instrument Types Sold	Approx total sales % by type
Accessories, reeds & strings	
String Instruments & Acoustic Guitars	
Acoustic Pianos	
Bowed Instruments	
Brasswind	
Computer Hardware	

Musical Instrument Types Sold	Approx total sales % by type
Computer Software	
Digital Pianos	
Electric Guitars	
Organs & Keyboards	
Percussion	
Recorders	
Speakers & Amplifiers	
Synthesizers & Mixing Hardware	
Woodwind/wind instruments	
Other	
	100%

Wood-based instruments sold (including composite/mixed)

Types of Wood Instrument Sold	Tick as many as apply
Highland Pipes	
Oboe	
Cor Anglais	
Chanter	
Scottish smallpipes	
Clarinet	
Flute	
Ulillean pipes	
Recorder	
Penny Whistle	
Guitar	
Lute	

Best Selling WOOD Musical Instruments: Relative Volume of Sales (estimated)

Types of Wood Instrument Sold	Approx total sales % by type
Highland Pipes	
Oboe	
Cor Anglais	
Chanter	
Scottish smallpipes	
Clarinet	
Flute	
Ulillean pipes	
Recorder	
Penny Whistle	
Guitar	
Lute	
	100%

Relative Profitability & Margins (estimated)

Musical Instrument Types Sold	Profitability (1 = very profitable, 2 = average, 3 = limited margins)
Accessories, reeds & strings	
String Instruments & Acoustic Guitars	
Acoustic Pianos	
Bowed Instruments	
Brasswind	
Computer Hardware	
Computer Software	
Digital Pianos	
Electric Guitars	
Organs & Keyboards	
Percussion	
Recorders	
Speakers & Amplifiers	
Synthesizers & Mixing Hardware	
Woodwind/wind instruments	
Other	

Wood based Instruments: Main types of consumer/buyer

Types of Wood Instrument Sold	Main Type of Buyer (e.g. Individual musician, school, army etc) – please list
Highland Pipes	
Oboe	
Cor Anglais	
Chanter	
Scottish smallpipes	
Clarinet	
Flute	
Ulillean pipes	
Recorder	
Penny Whistle	
Guitar	
Lute	

Main sources of sales by channel

Main Market Sources	Enter as approx % of total sales
Walk-in Store retail	
Buy to Order (catalogue)	
Buy to Order (online/internet)	
Wholesale to bulk buyers	
Other	

What are the key trends in musical instrument retailing these days? (please elaborate/explain)

How is the market for premium or quality products bearing up against the market for low cost, cheaper imports? (please elaborate/explain)

Which is more profitable for you, Premium, mid range or Low cost?

Premium Mid-Range Low Cost No difference

SUSTAINABILITY & CERTIFICATION QUESTIONS:

Do you know where the timber in instruments you sell comes from? Yes No Sometimes

Types of Wood Instrument Sold	List Type of Woods/Timber Used if Known & Country of Origin
Highland Pipes	
Oboe	
Cor Anglais	
Chanter	
Scottish smallpipes	
Clarinet	
Flute	
Uilleann pipes	
Recorder	
Penny Whistle	
Guitar	
Lute	

Do you know about the timber certification process? Yes No

Is your business interested in sourcing instruments made of certified African Blackwood? Yes No

Why trade in certified instruments?

Which of the following would encourage you to trade in instruments made of certified timber:	Tick as many as apply
Pressure from customers	
Conservation concerns	
Fair Trade concerns	
Lack of any other available timber	
Uncertainty of usual supplier	
Seeking better quality timber	
Testing this supply route	
Other	

Why NOT trade in certified instruments?

Which, if any, of the following discourage you from trading in instruments made from certified timber:	Tick as many as apply
Costs	
Entirely satisfied with current supplies	
Lack of demand from customers	
Additional admin	
Mistrust of certification regime	
Lack of supply	
Other	

Many thanks for your time.

Would you like us to use your name or would you prefer this information to remain confidential?

Yes, use my name and the shop name Yes, use the shop name but not my name Confidential

Email (optional) : _____