

The Distribution and Market Size of Musical Instrument Industry in Japan

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1. The complicated industrial structure of the musical instrument market

There are many types of musical instruments, even if we limit them to just Western musical instruments. In addition, players need to prepare accessories for each musical instrument to play them more comfortably. Therefore, shops must have a large assortment of stock for customers. Major retailers have from 2,000 to 3,000 different products in stock. It is impossible to purchase all of these from a single manufacture. Shops order a supply of musical instruments and their accessories from various distribution channels.

Distribution control by major musical instrument manufacturers advanced after World War II in Japan. Yamaha could set up dealers nationwide and successfully control the distribution of their pianos and electronic organs. On the other hand, they utilised wholesalers and big retailers for instruments such as wind and light music instruments. For that reason, it is challenging to create an overview of their distribution system and measure the market size of the musical instrument items. Nevertheless, this paper aims to clarify the distribution of musical instruments in as much detail as possible and to calculate the market size in Japan.

Regarding market size, Kenji Tanaka discussed the problem of official statistical data (Tanaka, 1998, pp. 135–142). This paper will try to calculate the market size after discussing public data issues with reference to his research. Rikuro Hiyama attempted to forecast domestic demand based on 14 preconditions. The domestic demand for musical instruments was 266.1 billion yen in 1985 (Hiyama, 1977, pp. 271–275) - this is not the actual number, but it is helpful to know that the market size can reach the 200 billion yen level. Yamaha uniquely calculated the market size in the 2000s. It was 107 billion in 2004, excluding audio equipment¹). This number referenced new musical instrument sales; it did not include secondhand or vintage items. According to industry insiders, the secondhand market is about twice as large as new ones (Tanaka, 2021, p. 327).

I had the opportunity to conduct extensive market research from 2020 to 2021. The

study was based on a survey questionnaire of manufacturers and retail stores that belong to the Japan Musical Instruments Association. Not all member companies cooperated, but we were able to find figures to estimate the market size. We surveyed the musical instrument industry from multiple perspectives to utilise the data. Using this process, we obtained valuable information about the current distribution system and market size data. This paper will present as much of that information as possible and analyse the Japanese musical instrument industry. We offer precise numbers, but members from the musical instrument industry had understood that the market size was from 200 billion yen to 300 billion yen.

Based on the above research, we will look at the case of Niimi Gakki. The company was established in 1917. They started selling violins and phonographs in Nihonbashi in Tokyo. After World War II, they became a vital wholesaler for Yamaha using their experience in wind instruments. From their history, we can see how wholesalers have survived as manufacturers increased distribution control. Then, we will conclude with the distribution and market size of the musical instrument industry in Japan.

2. The existing market research issues

This paper thinks that the musical instrument market is composed of new and used product sales. Music Trades in the U.S. calculates the market size, including lighting and PA equipment. According to their “The Global Issue”, the top 3 companies in 2019 were Yamaha, Harman Professional Solution and Gold Peak Industries (Music Trades, 2019, p. 15). However, companies other than Yamaha mainly produce audio and home appliances, so we cannot call them pure musical instrument manufacturers.

Similarly, there are some problems with the Japanese survey. The data for existing research materials refer to the Commercial Statistics by METI²⁾ and some private research companies (Fuji Keizai Networks and so on). METI’s survey is shown in Table 1. Annual product sales are the total sales of “musical instrument retailers” in the Commercial Statistics, including record and CD sales. It is not just the sum of musical instrument sales. Many musical instrument retailers built record or CD shops in their shops in the 1960s-1990s. CD sales in the 1990s were robust due to many hit songs, and musical instrument stores benefited from it. Table 1 shows that the market size was close to 800 billion yen in the late 1990s. The musical instrument industry has not been significantly affected by the bursting of the bubble economy in Japan. However, these industry sources indicat-

Table 1 Musical instrument retailers in the Commercial Statistics, 1972–2016

Year	Number of businesses			Number of Employee	Annual Product Sales (B) (million yen)	Sales Amount per Business (B/A) (million yen)	Sore Space (C) (m ²)	Store Space per Business (C/A) (m ²)
	Total (A)	Com-pany	Private Business					
1972	4,659	2,351	2,308	24,809	176,675	38	268,863	57.7
1974	5,376	2,760	2,616	27,879	274,770	51	300,835	56.0
1976	6,147	3,253	2,894	30,632	401,606	65	372,798	60.6
1979	7,381	3,941	3,440	34,772	525,699	71	478,858	64.9
1982	8,518	4,658	3,860	38,792	628,420	74	595,250	69.9
1985	8,086	4,459	3,627	36,376	610,489	75	567,079	70.1
1988	7,478	4,288	3,190	37,551	650,288	87	565,471	75.6
1991	7,600	4,610	2,990	38,241	779,008	103	625,431	82.3
1994	7,116	4,515	2,601	38,563	773,335	109	666,385	93.6
1997	6,843	4,482	2,361	39,552	799,831	117	773,297	113.0
1999	6,875	4,522	2,353	44,175	797,729	116	808,768	117.6
2002	5,849	3,818	2,031	36,197	658,939	113	805,046	137.6
2004	5,366	3,552	1,814	35,344	612,232	114	812,058	151.3
2007	4,327	2,922	1,405	30,151	539,958	125	739,583	170.9
2012	3,461	2,270	1,191	21,830	238,401	69	360,421	104.1
2014	3,230	2,128	1,102	20,744	243,181	75	308,141	95.4
2016	3,026	1,952	1,074	18,323	247,583	82	301,231	99.5

Source: Ministry of International Trade, 1972–1988; Department of Statistics, 2018.

ed that the musical instrument market size was 400–500 billion yen in the same period. Commercial Statistics differ from the real number of musical instrument sales. Kenji Tanaka also points out this problem. The numbers in the commercial statistics do not indicate the size of the musical instrument market because few retail stores specialize in musical instruments (Tanaka, 1998, p. 142).

Table 2 shows Fuji Keizai Networks calculation of the market size. It is close to the numbers in the Commercial Statistics in Table 1. They also present the top 8 retailers in Japan based on the data in Table 2. The sales of the top 8 retailers occupied 47.4% of the Japanese musical instrument market in 2019 (Table 3). The No. 1 retailer is Shimamura Music; their sales are 36 billion yen. Table 3 includes musical instrument sales and the revenue of musical schools according to interviews with people in the industry. Most of Sound House sales consist of PA equipment, lighting equipment and accessories of musi-

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Table 2 The market size calculated by Fuji Keizai Networks, 2016–2019

Year	Sales (million yen)	year-on-year (%)
2016	247,580	–
2017	247,800	100.1
2018	247,300	99.8
2019	253,900	102.7

Source: Mpac (Fuji Keizai Networks, “The survey of distribution”, 2019).
 * The Data in 2019 is assessment figure.

Table 3 Top retailer’s sales and share in Japan, 2019

	Sales (million yen)	Share (%)
Shimamura Music	36,000	14.2
Yamaha Music Retailing	27,500	10.8
Yamano Music	15,600	6.1
Sound House	12,800	5.0
Ishibashi Music	9,050	3.6
Ikebegakki	8,300	3.3
Miyaji Music	5,650	2.3
Mikigakki	5,600	2.2
Others	133,400	52.5
Total	253,900	100.0

Source: Mpac (Fuji Keizai Networks, “The survey of distribution”, 2019).
 * Sales are estimated number by Fuji Keizai Networks.

cal instruments. So, Table 2 and Table 3 do not show the actual number of musical instrument sales in Japan.

The Japanese government annually releases “Yearbook of Current Production Statistics, Textiles and Consumer Goods”. The yearbook indicates shipping-based sales quantity and value data about pianos, electronic pianos and electronic organs, keyboards, wind instruments, acoustic guitars, and electric guitars (Table 4). This statistic is based on a small number of musical instruments and contains various problems. For example, shipments in Table 5 show shipping from domestic factories and their warehouses to the world. It does not include imported products from overseas to Japan. Major manufacturers (Yamaha and Kawai) have been producing low-priced pianos in Asian countries (for

Table 4 Production and shipments of musical instrument in Japan, 2019

Commodity	Production (number)	Shipment			
		Total (number)	Sales (number)	Sales (million yen)	Others (number)
Pianos	36,177	61,656	40,592	25,443	21,064
Electronic pianos and electronic organs	7,357	144,698	139,086	12,516	5,612
Electronic keyboards	11,729	83,123	77,944	3,014	5,179
Wind instruments	116,597	277,183	178,961	21,846	98,222
Acoustic guitars and electric guitars	72,978	165,405	160,380	6,011	5,025

Source: Research and Statistics, 2020.

Table 5 Piano production and shipments in Japan, 2016-2020

Year	Production (number)	Shipment			
		Total (number)	Sales (number)	Sales (million yen)	Others (number)
2016	36,006	60,714	39,408	24,395	21,306
2017	34,587	59,411	38,706	24,263	20,705
2018	34,200	58,554	38,917	24,436	19,637
2019	36,177	61,656	40,592	25,443	21,064
2020	32,111	54,145	35,295	21,850	18,850

Source: Research and Statistics, 2020.

instance Indonesia). These pianos are imported to Japan and sold in the domestic market (Tanaka, 2021, pp. 287-288). There is no data in Table 5 to suggest that imported pianos are sold at domestic markets. Moreover, domestic sales of used pianos may exceed new ones (Tanaka, 2021, p. 326). From this point of view, the figures in Table 5 does not show total piano sales in Japan. This situation is the same for other musical instruments in the government statistics.

Shizuoka Prefecture Musical Instruments Manufacturers' Association produces reports on production statistics, domestic sales and export data in the prefecture. However, it only shows shipping values from Shizuoka. We cannot calculate the total market size in Japan because it does not indicate the situation of other production areas.

Therefore, it is not easy to get complete figures to measure the size of Japan's musi-

cal instrument market through existing market research. At the same time, we do not have an overview of musical instrument distribution due to the closed character of the musical instrument business. We will solve this problem using a survey questionnaire outlined in the following sections.

3. The market research of JMIA (Japan Musical Instruments Association)

It was difficult for people in the musical instrument industry to develop a marketing strategy because they did not have an accurate size of the Japanese market. Calculation of the market size differs depending on the company, and it was impossible to know the correct market share. JMIA (the industrial group of musical instrument companies) could not answer questions about market size from the mass media.

Around 2015, a JMIA staff member investigated the survey items of market size research in the U.S. He focused only on musical instruments and related equipment because the market size research of the Music Trades in the U.S. included equipment not related to musical instruments (e. g., lighting equipment connected to DJ machines). JMIA handed out the survey questionnaire to retailers in 2016 using original survey items. They received responses from 70 companies out of about 350 member companies. According to the survey, the market size was 78,717,503 thousand yen (Japan Musical Instruments Association, 2017, pp. 2, 4). It was a tiny market size because the number of samples was small. Similar surveys were conducted in 2017 and 2018, but there were not enough responses to understand the total market size (Table 6).

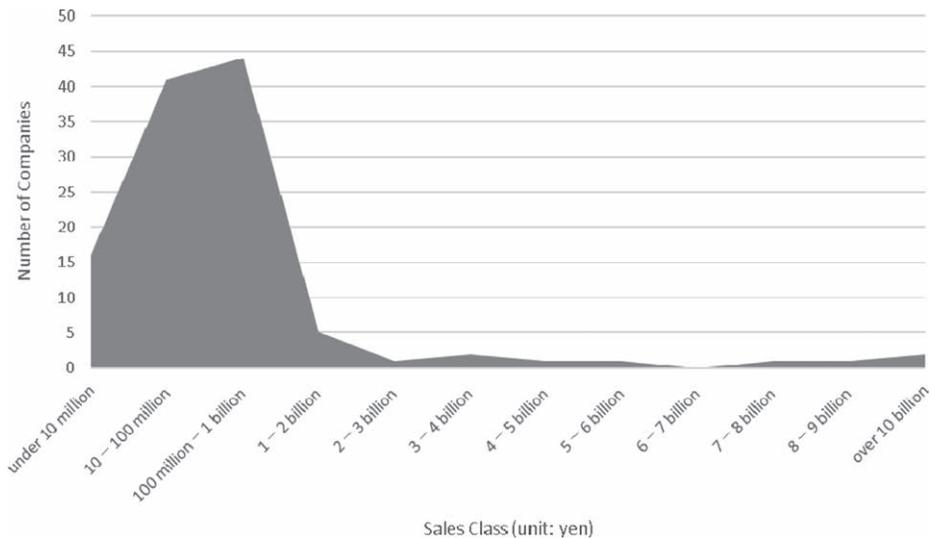
JMIA changed the research method because they were not able to collect all the questionnaires from members. JMIA set up a special research team to calculate the size of the market from limited information in 2020 (I also participated in it). We utilized the questionnaire data about retailers and information from interviews and various statistical data about the wholesale stage.

First, the questionnaires to retailers were collected from July to November in 2020, and 114 companies responded out of 344 member companies. We categorized the 114 companies obtained by sales class (Figure 1). There were many companies with under 1 billion yen in sales. Since the total number of members is 344, 114 times 3.017 is the total number (1). If we multiply the sales of the 114 companies by 3.017, it will give a higher number than what might be considered accurate. That is because there is a tendency to overestimate the number of companies making over 1 billion yen. We already know from

Table 6 Market size findings from the survey questionnaire of JMIA

Fiscal year (April-March in next year)	Sales (million yen)	Questionnaire responses from retailers (number)
2016	78,718	70
2017	78,603	81
2018	86,712	116

Source: Japan Musical Instruments Association, 2017-2019.

Figure 1 The sales class questionnaire of 114 companies

Source: JMIA data in the report of Statistical Survey about the Musical Instrument Industry in 2020.

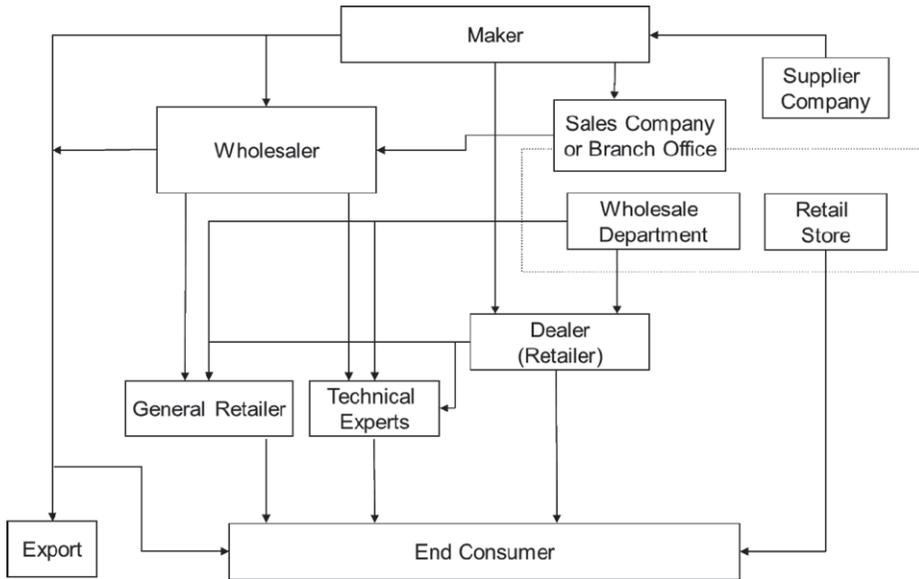
experience that few retailers have sales of more than 1 billion yen in Japan, so we corrected that by using 3.017 times as 0-1 billion yen sales and companies making over 1 billion yen were calculated individually.

The class of 0-1 billion yen was further subdivided into units (α) of 5 million yen, and the number of companies was calculated in each class (β). If we divide the number by 5 million yen, it will be slightly different from the actual number, so we multiply it by the correction value (1.0175³). The formula is shown in (2). The subtotal is 43,299,494 thousand yen (γ).

$$(\text{Number of valid responses}) \times 3.017 = (\text{Total number of members}) \cdots (1)$$

$$\{(\alpha \times \beta) \times 3.017\} \times 1.0175 = \gamma \cdots (2)$$

Figure 2 Distribution system in Japan



Source: “The Musical Instrument White Paper” and interview information.

There were 14 companies classed as making more than 1 billion yen in the questionnaire. Their sum was simply added, it came to 64,115,289 thousand yen (δ). We also considered the companies that had not answered and the more than 1 billion yen-classed non-member companies. The number of these companies was expected to be 11 companies based on various information. These included major internet sales retailers. Their sales were expected to be 92,690,072 thousand yen (ϵ). Finally, we calculated the market size in Japan which was 200,104,855 thousand yen ($\gamma + \delta + \epsilon$).

Second, we analyzed wholesaler’s sales. The distribution of musical instruments in Japan is complicated due to the involvement of many wholesalers. Figure 2 shows its complexity. Manufacturers’ distribution was roughly divided into three types. Type A was a pattern that uses the manufacturer’s branch offices or sales companies. Large corporations (such as Yamaha, Kawai, Roland) used type A for many of their products. Yamaha first distributed products through their sales company (Yamaha Music Japan; YMJ)⁴, and second, it sold products again to dealers who sold to end consumers. This perfect example was acoustic pianos and electronic organs (*Electone*).

YMJ had a special contract with dealers who would be given priority to Yamaha products sales. Some big dealers resell to general retailers and technical experts (piano tuners), but many dealers could not sell them because of special contract provisions with

YMJ. Yamaha manufactured many types of musical instruments; they did not apply this pattern to all their products. For example, Yamaha distributed their electronic piano keyboards through wholesalers. They made a contract with YMJ regarding resale to general retailers. YMJ also sold wholesale to Yamaha Music Retailing (YMR)⁵⁾, their Yamaha Ginza Shop is one of Japan's largest musical instrument shops.⁶⁾

Type B was a pattern that was positively used by wholesalers (Figure 2). Small and medium-sized manufactures used it and did not have sales companies or branch offices. They distribute products through wholesalers and directly sold to dealers. Their products were also exported by wholesalers who had excellent marketing power. Small and medium-sized manufactures became subordinated to wholesalers who had financial resources and marketing information; on the other hand, wholesalers supported them. As manufacturers grew, they avoided the intervention of wholesalers and built their distribution networks to create independent marketing strategies. However, it was difficult for even large corporations to avoid wholesalers altogether because musical retail stores needed various musical instruments and accessories that were impossible for one company to supply. Traffic control of distribution by wholesalers was effective in Japan, where small retail stores with under 1 billion yen in sales were scattered all over the country. This is explained in the later chapter through the case of Niimi Gakki. Of course, there was also a pattern of direct sales by manufacturers that did not involve the manufacturer's branch offices, sales companies and wholesalers (the type C).

Table 7 shows 24 major wholesalers chosen by instruments based on type A and type B. It differed from strong wholesalers regarding each product field. YMJ was the leading wholesaler in many product areas because Yamaha manufactured and imported various musical instruments. For unique musical instruments such as the ukulele, there are specialized wholesalers.

We calculated the market size from the sales of these 24 wholesalers. The sales data was created from the result of a questionnaire survey, interview survey, and internal materials of JMIA. The sales of each company were derived by domestic musical instrument wholesale (3) because some companies exported their products around the world. The market size was calculated from the total number of retail sales, not the number of wholesales businesses. We assumed retail sales to be wholesale prices plus a 30% margin based on the consensus of industry officials (4). We added up each company and calculated the scale of 24 wholesalers sales (5). Other distribution channels consisted of direct sales by manufacturers to end customers (the type C) and direct purchases from foreign vendors

Table 7 Major wholesalers by item in Japan

Item	Guitar	Ukulele	Piano	Cembalo, Harpsichord	Organ	Portable Keyboard
Company	Arai & Co.	Kiwaya	YMJ	Sanso Gakki	YMJ	Casio
	Hoshino Gakki		Kawai		Kawai	YMJ
	Moridaira				SMID	RJM
	YMJ				RJM (Roland)	
	Kyoritsu					
	Yamano Music					
Item	Wind Instrument	Stringed Instrument	Percussion Instrument	Digital Musical Instrument	Reed Instrument, the others	Traditional Japanese Musical Instruments
Company	Global	Suzuki Violin	YMJ	Korg	SMID	MMI
	Nonaka Boeki	Tatsunoya	Nonaka Boeki	YMJ	TMI	
	Buffet Crampon Japan	Maruichi-Shoten	Pearl Musical Instrument	RJM	Zen-On Music	
	Purima Gakki	YMJ	Hoshino Gakki Hanbai		YMJ	
	YMJ					

Source: Internal materials of JMIA etc.

* YMJ = Yamaha Music Japan

** SMID = Suzuki Musical Instrument Distribution.

*** TMI = Toyama Musical Instrument

**** MMI = Mishimaya Musical Instrument

by internet mail order retailers. We assumed that their sales scale was 60–70% of θ based on the opinion of industry officials (6) (7). The market size was from λ to μ (8) (9).

$$\begin{aligned} & (\text{Each company's sales}) \times (\text{Domestic wholesale ratio}) \\ & = \zeta (\text{Domestic wholesale}) \cdots (3) \end{aligned}$$

$$\eta = \zeta / (1 - 0.3) \cdots (4)$$

$$(\eta_1 + \eta_2 + \eta_3 + \eta_5 \cdots) = \theta \cdots (5)$$

$$\theta \times 0.6 = \iota \cdots (6)$$

$$\theta \times 0.7 = \kappa \cdots (7)$$

$$\theta + \iota = \lambda \cdots (8)$$

$$\theta + \kappa = \mu \cdots (9)$$

Note: η = Retail sales, θ = 24 Wholesalers sales, λ or μ = Market size

The result of the calculation is as follows. The result was around 218,833,033 thousand yen to 232,510,098 thousand yen. The value was close to the above questionnaire-based calculation. Therefore, the market size in Japan was nearly from 200 billion yen to 230 billion yen.

$$\zeta = 95,739,452,000$$

$$\theta = 136,770,645,714$$

$$\iota \doteq 82,062,387,428$$

$$\kappa \doteq 95,739,452,000$$

$$136,770,645,714 + 82,062,387,428 = 218,833,033,142 (\lambda)$$

$$136,770,645,714 + 95,739,452,000 = 232,510,097,714 (\mu)$$

This calculation shows that wholesalers are necessary for musical instrument distribution in Japan. Small and medium-sized wholesalers have their own musical instrument strengths and brands and compete with big manufacturer-based wholesalers. Niimi Gakki could establish its position while distributing the same products as major manufacturer-based wholesalers. In the next chapter, we will consider the distribution of musical instruments in Japan by looking at the history of Niimi Gakki.

4. Niimi Gakki aiming for rational management

Western musical instruments began to spread in Japan from the latter half of the 19th century (after the Meiji period). Since the beginning of the 20th century, gramophones for listening to music had been introduced to the Japanese market, and since Victor Company in Japan started the domestic press in 1927, its sales continued to increase.

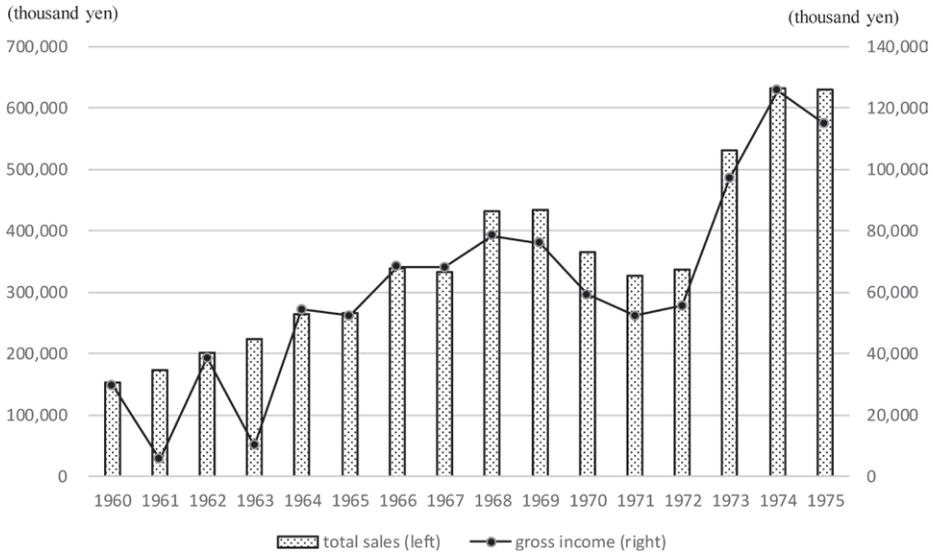
Kiyozuchi Niimi started the business in 1914. He established Niimi & Co., Ltd. (the predecessor company of Niimi Gakki) in 1917 in Nihonbashi Honshirogane-Cho, Tokyo⁷⁾. They were a wholesale company selling violins, gramophones and Taisho harps (Japanese style harp). Next, they sold domestic harmonica and imported instruments from Europe and obtained distribution rights for Nikkan's wind instruments⁸⁾. They planned for growth and expansion by moving their principal shop to Asakusabashi, Taito-Ku and dispatching sales clerks nationwide, to the Korean Peninsula and China in 1930⁹⁾.

After World War II, they began to focus on school uses in the rise of instrumental education, for example, Superio Pipes (Nikkan's recorder), xylophones (Mitsuba Gakki made), harmonicas (TOMBO Music Instrument made), and Merodions (Suzuki's keyboard harmonica) were essential educational products for Niimi Gakki. Superio Pipe was Nikkan's top-selling plastic recorder brand, but Toyama Musical Instrument developed it because Nikkan did not have plastic moulding technology¹⁰⁾. Plastic was a new material for the musical instrument industry at the time, and there was the possibility that it could be used in mass production to meet the high demand for musical instruments. Toyama made the mould for the plastic recorder, and the Superior Pipe was launched in 1954.

Nikkan started to promote its products to educators aggressively, and as a result, recorders became a required instrument for fourth graders at elementary school through the revision of the Ministry of Education's curriculum guideline in 1961. The sizeable musical instrument market in schools was born. Niimi Gakki was one of three wholesalers distributing Superio Pipes (Saito, 1989, p.25). After that, Toyama also produced the plastic recorder, AULOS, which grew into a famous brand. Niimi Gakki became an important distributor for Toyama. Niimi Gakki, having acquired a lot of educational products, built a nationwide dealership network. In the Hokkaido and Shikoku area, special dealerships were formed in the 1960s, and cooperation between Niimi Gakki and retailers was strengthened.

From 1954 to 1973, Japan entered a period of high economic growth, and demand for musical instruments and other consumer durables increased. Moreover, there was the

Figure 3 Sales and income of Niimi Gakki, 1960–1975



Source: Income statement of Niimi Gakki (internal materials).

guitar boom and the piano boom during this time. The Ventures (American instrumental band) and the Beatles (British rock band) sparked a demand for group sounds and electronic guitars in Japan. Niimi Gakki, which had a lineup of classical guitars for a long period, started selling electric guitars in the early 1960s and handled Tesco (Nippon Sonic Industry, Tokyo) products at first. Niimi Gakki took advantage of the guitar boom and sold various guitar brands (for instance Tokai, Suzuki, Tonbo, Firstman Mosrite, ELK) since 1965. Their stocked guitars were immediately sold to retailers nationwide, and piles of guitar boxes lined the front of the Niimi Gakki Asakusabashi store every day. Other light music instruments, such as the drum sets of Pearl Musical Instrument etc. had excellent sales. We can see strong sales for Niimi Gakki from 1960 to 1969 in Figure 3.

On the other hand, there were also social movements for wholesalers that shook their foundations during this era. From around 1960, supermarkets emerged and began to advance the distribution revolution in Japan. The concept of the distribution revolution was spread by Shuji Hayashi, a professor at the University of Tokyo. He supported a shift from traditional distribution channels through multiple wholesalers to short pass distribution and argued that wholesalers were unnecessary. Isao Nakauchi, the president of Daiei, a major supermarket in Japan, aimed to push this distribution revolution and take distribution initiatives. Niimi Gakki as a wholesaler, countered this movement and pressed forward with “the rational wholesale factory”. It was to pursue the role of wholesalers to ra-

tionalize musical instrument distribution. Niimi Gakki took a step toward rationalization by introducing a punch card system that used an electronic computational machine for sales management in 1965. They also established the communication centre, making it possible to arrange the delivery of goods to retailers immediately, and in 1973 introduced a computer system to control data management by product and seller more efficiently. Using these techniques, Niimi Gakki has built the most advanced delivery system in the industry.

The guitar boom ended after the Ashikaga Educational Committee in Tochigi prefecture launched a campaign to expulse the electronic guitar in 1965. The demand for electronic guitars fell gradually because it was determined that bad boys used them. Many wholesalers suffered from unsold guitar inventory. Niimi Gakki rented a warehouse to store their large inventory, but they survived while some makers and wholesalers went bankrupt. Niimi Gakki could minimise loss; their sales and income from 1970 to 1972 fell temporarily (Figure 3) because they had a more efficient distribution system than other companies. The music of the era shifted from Group Sounds to folk songs, and the sales of musical instruments changed from electric guitars to folk guitars. Niimi Gakki also had products from various manufacturers of folk guitars.

There was another problem for the management of Niimi Gakki in the same period. Yamaha took over Nikkan in 1970. Nikkan was a vital business partner for Niimi Gakki, accounting for more than 30% of sales. During the period of high economic growth, Yamaha was promoting distributive integration leading to strong results and did not want to trade with wholesalers. The distribution of Nikkan's product was handled by Niimi Gakki, Shimada Shouten, Miyaji Shouji and a subsidiary of Yamaha. The former three companies were described as Nikkan's three distributors. Some companies wanted an agency contract with Nikkan when sales of Superior Pipe were strong, but they chose to distribute with the three distributors (Saito, 1989, p.25). Yamaha had the option of cancelling its transactions when it merged with Nikkan, but Yamaha decided to continue using them since the three distributors had large sales channels to retailers. Niimi Gakki had the most advanced delivery system at that time, and Yamaha achieved distribution equivalent to or more efficient than its distribution channel through their system. Niimi Gakki succeeded in preventing the vertical integration of manufacturers by pursuing a system of rational management that started in the 1960s.

At organisational and presidential changes, Yamaha often tried to change its transactions with the three distributors and attempted a complete vertical integration of the

wholesale stage. After merging with Niikan, Yamaha continued to manufacture the Nikkan brand for the three distributors¹¹⁾. However, in 1989 Yamaha announced it would discontinue its business of producing the brands of other companies. Miyaji Shoji and Miyaji Shokai were due to receive compensation from Yamaha due to its decision to suspend the supply of Nikkan wind instruments. However, Niimi Gakki hoped to sell their popular wind instruments domestically, and they re-signed with Yamaha after refusing the compensation owed to them. Niimi Gakki offered a special rebate for Yamaha wind instruments, but they had to order at least 50 units per model¹²⁾.

When we look at the current market size, it is clear that it is smaller than in the 1990s. Many shops are making less than 1 billion yen in sales. Manufacturers' sales companies or branch offices are more inefficient than wholesale producers regarding smaller orders from small-scale musical instrument stores. Niimi Gakki, which can make a profit even in transactions with small stores because of its efficient delivery system, is becoming more and more critical now. Other wholesalers also have their brands and commercial distributions, so there is no harsh competition between wholesalers.

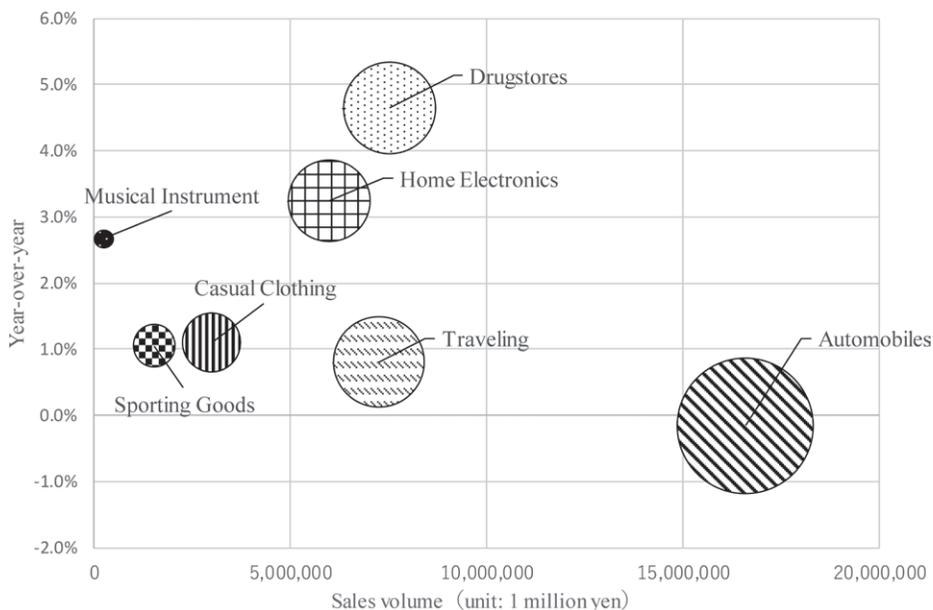
5. Market size and its characteristic in Japan

We saw that the market size in Japan was close to 200 billion yen to 230 billion yen in Chapter 3; we compared this number with other industries (Figure 4). The six industries, excluding musical instruments, were selected for the following reasons: Sporting goods are similar in marketing to musical instruments in that they utilize famous stars to raise awareness of their goods. Casual clothing is one of the most common choices for bonus purchases. In 2019 travel was the number one purchase for bonus consumption¹³⁾. The popularity of drugstores had grown due to the increase of foreign visitors until 2019. These trends were similar to the situation of musical instrument shops. Many Sales for the home electronics industry come from EC sites and mass retailers and is a relevant industry for considering the future of the musical instrument industry. Automobiles are Japan's largest industry and are a competitive export industry internationally.

The market of Musical instruments is the smallest of the seven markets, but its year-on-year growth rate is the third highest. The demand for musical instruments has increased due to the COVID-19 pandemic, which started in 2020. Consumers buy musical instruments to enjoy at home, especially digital instruments and stringed instruments like digital pianos or ukuleles. The potential of the musical instrument market is up to 400-500

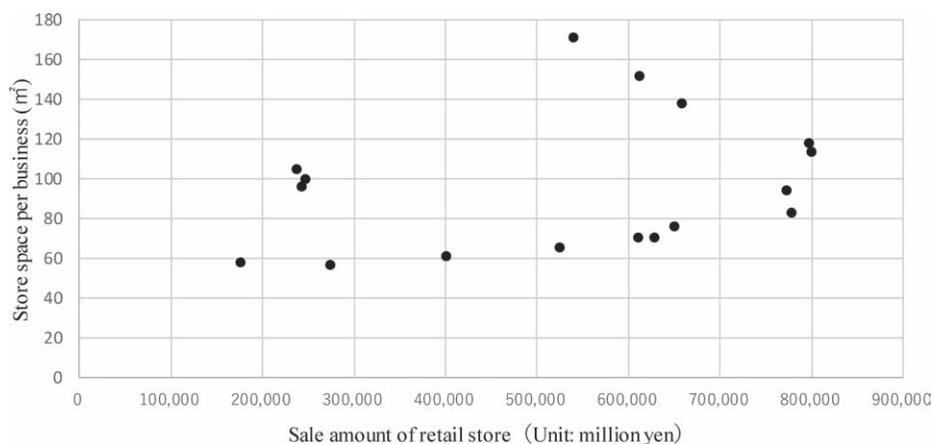
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Figure 4 Comparison of year-on-year increase and sales amount in Japan, 2019



Source: Mpac (Fuji Keizai Networks, "The Survey of distribution", 2019); Internal materials of JMIA.

Figure 5 Comparison of floor space and sales amount of retail store in Japan, 1972-2018



Source: Tabe 1.

billion yen, similar to the 1990s (see Chapter 2). It is a market that is expected to grow in the future.

However, growth in the musical instrument industry is limited by expanding store scale as in other industries. Figure 5 shows total sales biennially at retail stores from 1972

to 2018 and the store space per business. We can see maximum sales when the store space is about 120 square meters, and that sales decrease when it exceeds that. Expansion of store space does not necessarily lead to more significant sales in musical instruments. Many companies with sales under 1 billion yen in Figure 1 could sustain themselves because Japanese consumers do not want large stores when buying musical instruments. The value of wholesalers will increase when small and medium-sized retail stores become mainstream.

The history of Niimi Gakki indicates the usefulness of their existence to makers aiming for distribution control, like Yamaha. We can understand through this research that a characteristic of the Japanese musical instrument market is growth through the promotion of manufacturers while utilizing the efficient distribution of wholesalers.

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Note

- 1) Mitsuru Umemura (2004) “Musical Instrument Business Briefing Session of Yamaha Co.”, Yamaha, p. 24.
- 2) METI (Ministry of Economy, Trade and Industry) is the successor to the Ministry of International Trade and Industry and was established in 2001.
- 3) 1.0175 is calculated from the experimental rule of the questionnaire results.
- 4) YMJ is 100% subsidiary of Yamaha. “The 195 Term Annual Securities Report”, Yamaha Corporation, 2019 (June 25th).
- 5) YMR is a retail store company of Yamaha and 100% subsidiary of Yamaha. Ibid.
- 6) Mpac (Fuji Keizai Networks, “The Survey of distribution”, 2019).
- 7) We don’t know exactly when Niimi Gakki was founded. Their official opinion was 1918, but historical sources proved that they had a store the previous year.”The Record of Business Owner’s Family Name in Japan”, vol. 3 (Nihonbashi-ku), Keishinsya, 1915, p. 60.
- 8) Nikkan is an abbreviation for Nihonkangakki Co. It was largest wind instrument company in Japan.
- 9) We use the “Chronology” (the committee about company history compilation of Niimi Gakki) as a reference about their history.
- 10) “Acclaimed for Bringing the Joy of Music to the World: American Recorder Association Gave Award to President Toyama”, *Music Trades*, 1994 (August), p. 43.
- 11) We are not sure about the changes in the members of the three distributors, but in 1979 they became Niimi Gakki, Miyaji Shoji (Nagoya) and Miyaji Shokai (Tokyo) . “The meeting handout for three distributors”, Nihongakki Seizo (Yamaha), 1979 (November, 27th).

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- 12) "Memorandum", Hajime Niimi (President of Niimi Gakki Co. Ltd.) and Hiroshi Kawakami (Yamaha Co.), 1989 (February 14th).
- 13) "The questionnaire on summer bonuses", AirTrip Corp., 2019.

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