

The Top GROWTH STORIES Of 2002

Sure The Market Was Tough, And Competition Was Brutal. Nevertheless, A Handful Of Companies Managed To Rack Up Impressive Sales Gains. Below, A List Of Who Outperformed The Market, And How They Did It.

WAVES LTD.
+40.24%

Currently celebrating its tenth anniversary, Waves Ltd. made its name by pioneering digital audio plug-ins with its innovative Q10 ParaGraphic equalizer. Designed specifically for use in Digidesign's Pro Tools audio editing environment, the Q10's powerful signal processor surprised the industry by providing sound quality comparable to expensive hardware EQs. Since then, Waves' team of engineers, all with backgrounds in music performance and/or recording, have developed more than 30 processors that have become popular in music production, post-production, film recording, broadcast, and computer games. Its products have been used on recordings from numerous high-profile artists and on many films, commercials, and television shows, and its new MaxxStream audio capture, conditioning, and encoding system has been a hit among those creating content for streaming audio on the internet.

Waves' crest was initiated when Gilad Keren, a sound engineer who recorded and produced hits for major Israeli



Meir Sha'ashua (left) and Gilad Keren with Waves' L2 Ultramaximizer.

artists, and Meir Sha'ashua, an accomplished musician and master audio engineer, met in 1982. The two began developing DSP audio tools in 1988. Two years later they were working for a short-lived start-up called AudioAnimation. After that company folded in 1992 they formed Waves simultaneously in Israel and the U.S. The company's North American headquarters is in Knoxville, Tennessee. Keren is its CEO, and Sha'ashua is its chief technical officer.

In addition to its strong start with the Q10 and subsequent product innovations, Waves has benefited from the fact that its core business is ideally suited to

current industry trends. "The professional audio market continues to migrate toward digital processing solutions and software signal processing tools," explains Gilad Keren. "Whether you work in a large production facility or a small project studio, native signal processing software on both computers and dedicated, ProTools-type DSP hardware is more cost-effective than traditional hardware rack-mount systems because it can support a wide range of algorithms and can be easily upgraded via software."

Unlike other plug-in vendors, Waves hasn't ventured into audio editing systems. Instead, it focuses on developing audio processing algorithms and user interfaces, which Keren calls "the tools that offer the palette of colors necessary for the creativity of today's audio professionals." Consequently, maintaining close partnerships with audio editing firms ensures that Waves products are well supported on every major audio editing platform.

Waves claims to offer the industry's most comprehensive range of plug-ins. Beyond the obvious advantage of addressing all conceivable customer needs, enabling "one-stop shopping" facilitates improved productivity through common controls and user interfaces and significantly reduces the

likelihood of computer system compatibility issues.

Indicative of the reputation Waves has earned, the company's signal processing algorithms have been licensed by numerous consumer manufacturers including Microsoft, Motorola, Samsung, and Sony. And in 2000 Yamaha's Professional Audio Division invested into a minority position of Waves. "Waves has an excellent work relationship with Yamaha," Keren notes. "We developed an add-in DSP card with several of Waves plug-ins for their line of audio workstations. Yamaha sells this Waves system through their distribution channel, usually with the workstation."

Waves' dramatic rise over the past decade has been tethered to—and fueled by—core values upon which the company was founded. Concludes Gilad Keren, "Over the years we've gotten a lot better at what we do, and have not lost the most important aspect of our business: making our customers happy and continually supporting them."

M-AUDIO
+35.71%

Formerly known as MidiMan, Arcadia, California's M-Audio has resided at or near the top of *The Music Trades* Top Growth list for three years. According to M-Audio President Tim Ryan, 2002 was a year of infrastructure expansion and improvement as well as growth in nearly every area of the company, although part of its sales growth can be attributed to the explosion of the digital recording products market in general. Ryan observes, "Just as all folks using typewriters switched to word processors, nearly all the musicians who were using tape have switched or are switching to computer-based recording." Commenting on the potential size of the market, he adds that nearly everyone involved in music creation is interested in recording, including pro and hobbyist musicians as well as amateurs creating music with loop programs and software such as Propellerhead's Reason or Ableton's Live.



M-Audio CEO Tim Ryan.

M-Audio has grown and profited from its focus on the development of computer sound cards and drivers that enable its hardware to work with the broadest-possible range of the market's products. Anyone who has attempted to keep up with changes in basic home computer hardware and software over the past decade has had a glimpse at the important role M-Audio serves in the realm of music creation, which is younger and still much less homogenized. "When a customer buys a computer-based recording product, they aren't buying a one-time product like a mic or speaker," Ryan explains. "Instead, they're buying a product for which they'll eventually need tech support and updated drivers. Every time a computer operating system changes or some new computer standard is introduced, it's likely that users will need a driver update to accommodate that change. Many customers are learning this the hard way. But we spin new drivers on an average of once a week, and many customers know and are learning this too. M-Audio's commitment to ongoing updates and driver excellence is a big part of our success."

While M-Audio's goal of making its products interface seamlessly with other digital audio products isn't unique, neither is it universally observed within the industry. "There are forces in the marketplace that would like to see product compatibility go away," Ryan suggests. "We believe that compatibility is in the interest of our customers. Non-compatibility can be a short-term, shortsighted goal for other companies looking for market advantages. When compatibility diminishes, the market begins to collapse." For thinking retailers and consumers, M-Audio's distinction in this

area serves as an effective selling feature for its products.

Another essential element of M-Audio's success over the past several years is its strong, material commitment to providing unsurpassed tech support. "Installing a computer music/sound interface is one of the most difficult things many musicians have to do," Ryan says. "We spend a higher percentage of our sales revenue on tech support than any other MI company I know of to make it as easy as possible."

End-users aren't the only beneficiaries of M-Audio's industry-leading driver compatibility and tech support; indirectly, retailers are served too, and grateful retailers are another reason for the company's exceptional performance. "Dealers want to know that when they send a customer home with a computer-centric music product like a sound card, it won't be coming back. This means that the robustness of our drivers, the quality of our tech support, and our overall ability to satisfy our end-users weighs heavily on every dealer's mind. We understand this, accept this, and strive to improve in these areas, which is underscored by the number of driver writers and tech support personnel we have added to our payroll each year."

Ryan admits that supporting large growth over the last three years has presented a myriad of system challenges. To meet these them, the company recently added a layer of VP-level managers with experience at companies much larger than M-Audio. "With these changes we are also concerned with preserving the in-company culture that we value so highly. The challenge is to keep what has made us successful and add structure that will support our future growth and allow us to service our customers more and more. Scalability is one of our current watchwords. We anticipate large growth again this year, and we need to be prepared for it."

THE MUSIC LINK
+31.15%

This is The Music Link's fourth consecutive year on *The Music Trades'* Top Growth listing. Its