

Inside SHOWS

The 2009 NASMD convention in Tucson, Ariz., attracted 259 total attendees, including 33 first-timers and new member representatives.

32% The drop in attendance from last year's convention, which brought in 378 attendees.

57 Dealer companies in attendance.

31 Manufacturer/associate companies in attendance.

SHOWS

NATIONAL ASSOCIATION OF SCHOOL MUSIC DEALERS | BY ZACH PHILLIPS

WHAT RECESSION?

Don't envy school music dealers. The instrument rental business is a high-investment, slow-cash-flow endeavor where the rewards are often long-term. But don't feel sorry for them either. In the economic recession, school music remains one of the most resilient music industry segments — a business that, done right, can generate profits many combo dealers would die for.

And the only obvious sign of a recession at the National Association of School Music Dealers (NASMD) annual convention in Tucson, Ariz., this past April was a roughly 32-percent drop in attendance. That may be significant, but it doesn't take into account a more important indicator: Most of this year's attendees

Retailers at NASMD keep up with higher learning to succeed in the tough market

reported a strong, if not up, 2008 rental season.

"I've noticed a very positive and optimistic attitude among those attending, including vendor partners," said Bill Harvey, vice president and owner of Buddy Rogers Music.

"The school music business seems to be holding its own — much better than the non-school music segments," said Joel Menchey, president of Menchey Music Service.

To keep that position, this year's NASMD convention, held at Tucson's JW Marriott Starr Pass Resort & Spa, boasted an array of educational sessions that focused less on survival and more on growth and profitability.

"I thought the programs were exceptional," said Beth Houlihan, president of Kidder Music. "Everyone was talking



1. Music educator Marcia Neel; 2. Summerhays Music's Scott Summerhays; 3. Menchey Music's Joel Menchey; 4. Port Huron Music's Barbara and David Teeple; 5. Paige's Music's Sandy and Mark Goff; 6. Beacock Music's Gayle Beacock; 7. From left: Mississippi Music's Rosi Johnson, Ted Brown Music's Whitney Grisaffi and Buddy Rogers Music's Bill Harvey; 8. Amro Music's Pat and D'Ann Averwater; 9. Creative Music Center's Liz Reisman; 10. John Keal Music's Chris Trombley (left) and Zeagler Music's Grayson Zeagler

about setting up Facebook, MySpace and Twitter pages.”

GETTING VISIBILITY ONLINE

Be it in discussions of marketing, inventory management or business systems, that focus on technology pervaded the convention's sessions. In the seminar “Web Marketing,” consultant Mike Stewart encouraged retailers to keep their online strategy focused on getting found locally. “Now, Google is the *Yellow Pages*,” he said.

To get local search engine hits, Stewart suggested starting with Google Keyword Tools to learn the most popular variations of certain keywords. From there, dealers can try Google's AdWords for pay-per-click advertising. Or, Stewart suggested opting for more creative methods to get free hits. These include:

1. Writing an article about a topic relevant to your business and submitting the piece to EzineArticles.com, being mindful to include important keywords in the text.

“Go home and write down 100 problems your business can solve,” Stewart said. “Then, prove [online] that you can solve those problems, and give away some of that knowledge online.”

2. Making videos on topics relevant to your business, such as caring for a trombone, and submitting them to Traffic Geyser (trafficgeyserrocks.com). Include keywords in the video's title.

3. Using social networking. Create MySpace, Facebook and Twitter pages for your business.

4. Contributing to blogs, video blogs and forums.

“These all get people to your landing page,” Stewart said.

Liz Reisman, director and owner of Creative Music Center, discussed an inte-

grated marketing approach during her session, “Ads That Work.” Not surprisingly, this strategy also included using cost-effective online marketing. This means setting up Facebook pages and sending out e-mail blasts in conjunction with using more traditional methods, such as in-store signage, an in-store event calendar, direct mail, newspaper ads and events.

“Having a Facebook page is not making us money,” Reisman said. “It's another way to establish a relationship with a customer. It's another

way to touch the customer. It takes the capitalist right out [of the interaction].”

DOUBLING PROFITS

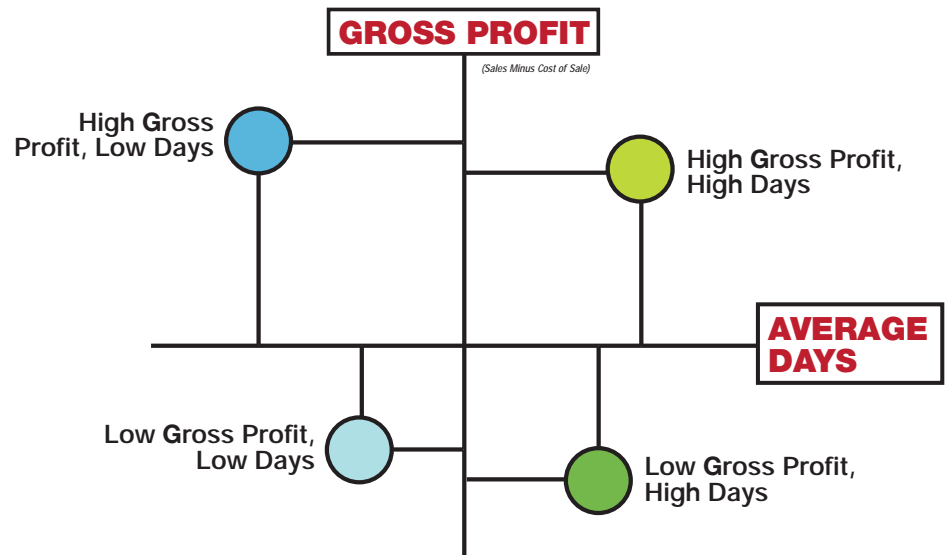
Several speakers aimed to simplify the often complex topic of profitability. Menchey presented “Double Your Profits in Six Months or Less,” based off Bob Fifer's book of the same title. Menchey made the following suggestions:

- **Create a culture for profitability.** Make your organization a meritocracy. Do so by measuring performance by profits.

- **Cut costs.** Cut first, and ask questions later. No cost is too small. Give employees the impression that you're concerned with \$10 expenses, and the larger ones will seem more important to them. Always have employees ask the boss for approval to spend on expenses that aren't budgeted.

Also, take early-pay discounts from suppliers whenever possible. And go to bid frequently with your service suppliers, letting them know that any price increases will trigger a serious, competitive bid.

+ GENERATING CASH



In his session, “Where's the Cash?,” Allan Greenberg, Music & Arts' senior vice president, threw out every awkward financial formula and gave retailers a bare-bones tool for managing inventory and generating profits.

Greenberg suggested dealers break down their inventory into four different categories, depending on gross profit and inventory turns. Then, he discussed how to handle each category to make it more profitable.

- **High Gross Profit, Low Days (upper left)** — These products are cash cows. The goal is to get all product into this quadrant. Also, always look for opportunities to improve these items.

- **High Gross Profit, High Days (upper right)** — These are good products, but you have too many on hand. Lower the number of days it takes to turn them. Also, lower your inventory investment in them.

- **Low Gross Profit, Low Days (lower left)** — These are often small goods. Their profitability can be boosted by raising their prices and lowering their acquisition costs.

- **Low Gross Profit, High Days (lower right)** — This is the purge category. It could include loss leaders that drive customers to more profitable products. But as Greenberg pointed out, “I'm not sure that we need any loss leaders. At least try to break even on acquisition costs.”



• **Increase sales.** Charge customers the most that they're willing to pay. List your top 100–200 products, and see what a difference a 2-

3-, 4-, 5- or 10-percent price increase in those units would be. (Remember: Every price increase goes right to the gross margin.)

Menchey also offered Fifer's five ingredients for closing a sale: show your competence; show that you empathize with the customer; convince the customer that you'll stand in front of a truck for them; make yourself scarce; and use guilt to transform your personal interest in the customer into his personal obligation to you.

INVENTORY IN A BUM ECONOMY

Allan Greenberg, Music & Arts' senior vice president, operations, addressed inventory management in his session, "Where's the Cash?" (See "Generating Cash" sidebar for a full breakdown.)

He recommended keeping inventory extremely lean until the economy picks up again. "These are unprecedented times," he said. "Don't take on any new lines unless it's on consignment or you can return it. And ask [vendors for the deal]. You won't get it if you don't ask."

Greenberg also suggested getting deposits from customers on special orders. And

1. From left: Hal Leonard's Doug Lady, Kidder Music's Jim Kidder and Hal Leonard's Bruce Bush; 2. From left: Music educator Charles Menghini, Quinlan & Fabish's George Quinlan Jr. and Musical Innovations' Tracy Leenman; 3. PM Music Center's Julie and Frank Pampenella; 4. Beacock Music's Russ and Heidi Beacock; 5. Leenman; 6. Music & Arts' Ken O'Brien (left) and Quinlan & Fabish's George Quinlan Sr.; 7. From left: Alta Loma Music's Pete Gamber, Traf Group's Mike Farrell and Music & Arts' Allan Greenberg

as a side note, he praised the value of selling gift cards. "A \$25 gift card, the customer redeems for \$56 at Music & Arts," he said. "We thought, 'Where have gift cards been this whole time?'"

STORE UPKEEP

On the second day of the convention, non-golfers enjoyed a roundtable lunch. (Some nicknamed it "the golfer's revolt lunch.") Gayle Beacock, vice president of Beacock Music, led a discussion on store design and upkeep.

Beacock explained that she has a quarterly clean-up at her store, and employees are required to pitch in. She also creates themed displays regularly. For example, Beacock Music featured "High School

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THE ARTS EDUCATION NUMBER GUYS

Industry veteran and NASMD speaker Bob Morrison announced the formation of Quadrant Arts Education Research at the convention. The company, co-founded with MTD Marketing's Mike Danforth, is an arts education research, analysis and market intelligence firm. It will serve the cultural, commercial, educational and governmental sectors.

Quadrant Arts Education Research has a comprehensive visual and performing arts education database, the Arts Education Data Center. This features dance, music theater and visual arts information for more than 120,000 public and private schools and nearly 15,000 school districts that provide arts courses. Quadrant also offers services to help commercial clients improve their marketing return on investment.

"Quadrant was formed to address the substantial need for more comprehensive data, analysis and tracking systems on school music, theater, dance and visual arts programs nationwide," Danforth said.

"Quadrant represents the culmination of our shared passion for research and data as a tool to improve and expand access to music and arts programs for students, while also helping businesses become more efficient in their approach to the market," Morrison said.

Musical” print music books the week “High School Musical 3” hit theaters. The display included different books and had references to the Wildcats, the high school’s mascot in the movie. “A display [at my store] is never up for more than two weeks,” Beacock said.

‘Don’t take on any new lines unless it’s on consignment or you can return it.’

— Allan Greenberg

Pete Gamber, owner of Alta Loma Music, mentioned his own holiday merchandising strategy during the lunch. This past holiday season, he filled his walls with good-looking, inexpensive guitars. The idea was to show that his store was doing well despite the bad economic headlines. And since the guitars were relatively cheap, he didn’t risk taking on a huge inventory investment.

BEST IDEA GENERATOR

Red Schiff, president of All County Music, took home first prize at NASMD’s “Best Ideas” session, hosted by Beacock. Nearly 30 attendees took the podium to present their winning strategies, and Schiff won for his idea: private high school sale nights.

These sales are exclusive to a particular school and held at Schiff’s store after hours on Fridays. Company employees change literally every tag on the wall with a sale price, the name of the event and the school’s team colors. All County Music employees also hang up signage with the school’s logo. The event is promoted with postcards sent to students, and they must present the postcard or a school ID at the door. All County Music also hosts a drawing for a gift card to the store.

“We haven’t had one night that grossed less than \$8,000,” Schiff said. “We’re looking for ways to get people into the store, and what better way than to invite them? It has generated good business. We lose some margin dollars, but I think we truly make up some of it in volume. And we get sales we may not have normally had.” **MI**



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