

# When Your Business is Music Retailing



# There's no business like the music retailing business.

That's why we specialize in it. We're not just accountants. We're business consultants. And we've learned more than any other accounting firm about how to be profitable in the music retailing industry. Do any of these business woes sound familiar?

## CASE I.

This year my sales increased by \$100,000 over last year, but my cash flow is worse than ever and I'm on credit hold with many of my vendors.

### Why is this happening?

## CASE II.

I continue to need money to finance the growth of our instrument rental pool. But my banker won't lend me any more money because he doesn't understand the financial statements my accountant prepared, even though they show a profit.

### What do I do now?

## CASE III.

My sales salaries are continuing to increase even though sales are stagnating. I don't want to lose any of my valuable employees, but my profit margins are shrinking and my overhead goes up every year.

### What am I doing wrong?

## TOP 10 MUSIC INDUSTRY PROFIT KILLERS

If you answer "yes" to one or more of these questions, you're not making as much money as you could be and are possibly headed for financial trouble.

- 1) Do you think you have too much inventory?
- 2) Do you have too much of one product and not enough of another?
- 3) Are you unsure how to account for your rental instrument program?
- 4) Do you pay employees straight salary or a commission based on gross sales?
- 5) Do you think one or more of your employees may be stealing?
- 6) Do you try to provide products and services for all types of customers?
- 7) Do you think your business is worth millions, yet have no one identified to sell it to or leave it to?
- 8) Has your bank extended you a line of credit to buy rental instruments?
- 9) Are you using multiple accounting software programs, or do you avoid tracking and counting inventory because it's too time consuming?
- 10) Do you view professional fees as an "expense" rather than an "investment"?

A "yes" answer to just one of these questions could be costing you thousands. Friedman Kannenberg and Company, PC is the only business consulting and accounting firm that specializes in the music retailing industry. We know how to fix the problems draining your profits. Call us at 860.677.9191 or email us at [info@fkco.com](mailto:info@fkco.com).

# When your business is music retailing

## **You need more than an accountant**

You don't just need someone to do your accounting, prepare your tax returns and tell you how much you made or owe in taxes. You need someone to show you why you're not making enough money or why you're paying too much tax. While some issues may appear obvious, there are often much larger problems lurking deep in the inner workings of your business routines. A few insightful changes in the way you manage your business can mean the difference between success and failure.

## **Poor cash flow is not the problem**

Many music retailers suffer from poor cash flow and believe this is their number one problem – it's not. Poor cash flow is merely a symptom of the real problems plaguing your business, such as:

- Excessive inventory levels and poor mix of product
- Erroneous instrument rental accounting and taxation methods
- No measurement of cost centers (repairs, lessons, rentals)
- Poorly structured debt and floor planning abuse
- Inappropriate employee compensation programs
- Employee theft, internal fraud and excessive shrinkage
- Obsolete computer systems and accounting software
- Absence of a store identity and business plan
- No succession plan or exit strategy

## **Our expertise comes from our experience**

Staying on top of trends in the music retailing industry and helping you build your bottom line is more than a full-time job. You need information that's relevant and timely to your retail operation. Even in music retailing, there are distinct differences between full-line, combo, school music, keyboard, print and pro-audio stores. With our vast experience and proven success in guiding music retailers, large and small, across the United States, we can help you identify and capitalize on financial opportunities that may otherwise go unrecognized.

## **The company we keep**

Friedman Kannenberg and Company's proven success in helping our music retailing dealers and instrument supplier clients increase their profitability and cash flow has earned us recognition from various trade organizations and publications like the National Association of Music Merchants (NAMM), Retail Print Music Dealers Association (RPMDDA), Music Inc. Magazine and the Keyboard Insights Group (KIG), to name just a few. In addition to music retailers, our list of clients includes music instrument and product manufacturers, professional recording studios and engineers, music schools and education facilities, professional musicians and bands, independent record labels, music management companies and other music support services.

## **It's an easy decision**

To quote a client, "It's better to have an accountant 3,000 miles away who truly understands my business, than to have one right around the block who can't help me." Once you decide to work with Friedman, Kannenberg & Company, PC, you're on your way to success. We'll help you solve problems and structure your business practices to optimize your profit potential. There are no tricks; just a better way of doing things.

**If you want to discover the true potential of your business, call Friedman Kannenberg and Company for a consultation at 860.677.9191.**

**Also, check out our web site at [www.fkco.com](http://www.fkco.com).**



## THE PROCESS

### How we work:

There are two ways you can benefit from the music industry expertise Friedman Kannenberg & Company has to offer: "On-Site" and "On-Call." Whether you choose a full business review and evaluation, or want to focus on a few core problems, you'll get practical, applicable solutions focused right on your bottom line.

### On-Site:

Prior to an on-site engagement we'll ask you to send specific documents related to your issues of concern. That way we'll know a lot about you before we get there. The on-site process occurs in two distinct phases during which we systematically review your operations, identify problems and weaknesses and make specific recommendations to correct them. Phase I is an evaluation of your retail operations, inventory management and accounting systems. This phase can also be done by having us provide you with our year-end accounting and financial statement services. Phase II is a comprehensive analysis of the information uncovered in Phase I, with specific recommendations to remedy the problems and issues we find.

### On Call:

You can also purchase our consulting services by the hour. This arrangement enables us to help you anytime throughout the year via phone, e-mail and/or fax. Whether we review your financial statements to identify sales and gross profit trends, analyze inventory data to evaluate levels, product mix and purchasing policies, or assist with employee compensation, financing or tax issues, we will contact you within a few days of your initial call with the answers you need.

### What we do:

- Business accounting and financial statement preparation
- Tax planning and preparation of income tax returns
- Loan acquisition assistance
- Inventory analysis and purchasing advice
- Rental instrument accounting and analysis
- Accounting system hardware and software selection advice
- Employee compensation analysis and planning
- Business valuations and succession planning
- Business management advice

*"There are obviously some fine accounting firms to choose from, but none that offer the industry-specific advice we get from Friedman Kannenberg and Company, and you can't put a price on that. The money we spend on these vital services pays for itself ten-fold through the cost savings benefits we receive."*

**Brett Palen, President and  
Daniel Jobe, Chief Financial Officer  
Palen Music Center, Inc.  
Springfield, MO**

*"For our store's first 15 years in business we used a local accountant who had no knowledge of the music retailing industry. We then met Alan Friedman at a NAMM trade show who confirmed our use of an incorrect accounting and tax method for our rental instrument pools. Now five years later, Alan and his firm have helped us grow our rental program, minimize taxes, restructure our debt, control inventory levels and devise a comp plan that works."*

**Tom Scognomiglio, President  
GT Music, Inc. (d/b/a The Music Den)  
Landing, NJ**

*"We use Friedman Kannenberg and Company exclusively to perform our year-end accounting, financial statements services, income tax preparation and business consulting. Alan Friedman and his firm truly know the music retailing business. His experience and warm, family-like treatment of our family business has made Friedman, Kannenberg and Company our biggest asset!"*

**Liane Rockley, Vice President  
Rockley Music Company, Inc.  
Denver, CO**



# Experience is the key to success

---

## **Alan M. Friedman, CPA**

A co-founding partner of Friedman Kannenberg and Company, Alan Friedman appears regularly as a guest speaker at professional education seminars for NAMM and RPMDA trade shows, and regional NAMM University programs and retail dealer meetings held throughout the country. In addition, Alan is a featured writer for Music Inc. Magazine and frequently contributes to other music business publications. A long-time musician and recording artist himself, Alan has become a leading expert in accounting services for the music industry and is a member of the American Institute of CPAs and its Information Technology Group, and the Connecticut Society of CPAs and its Internet and Governmental Affairs Committee.

## **Donald A. Kannenberg, Jr., CPA, CVA**

A certified public accountant, certified valuation analyst and co-founding partner of Friedman Kannenberg and Company, Donald Kannenberg oversees the valuing of music stores and other closely-held businesses for purchase, sale and family transition purposes. Don manages both the firm's accounting and its quality review compliance programs. He is a member of the American Institute of Certified Public Accountants, the Connecticut Society of Certified Public Accountants and the National Association of Certified Valuation Analysts.

**Visit our website at [www.flkco.com](http://www.flkco.com) to learn more about us and the ways we can help boost your company's profit potential. Then give us a call at 860.677.9191 and let's get started.**





friedman kannenberg  
and company pc

Certified Public Accountants

17 Talcott Notch Road  
Farmington, CT 06032  
Tel: 860.677.9191  
Fax: 860.674.9602  
[info@fkco.com](mailto:info@fkco.com)  
[www.fkco.com](http://www.fkco.com)