

The Artist Formerly Known as Print

"Two thousand zero-zero, party over, oops, out of time; But that won't stop us from printing new issues like we did in 1999!" —sung to the melody of the Prince tune "1999"

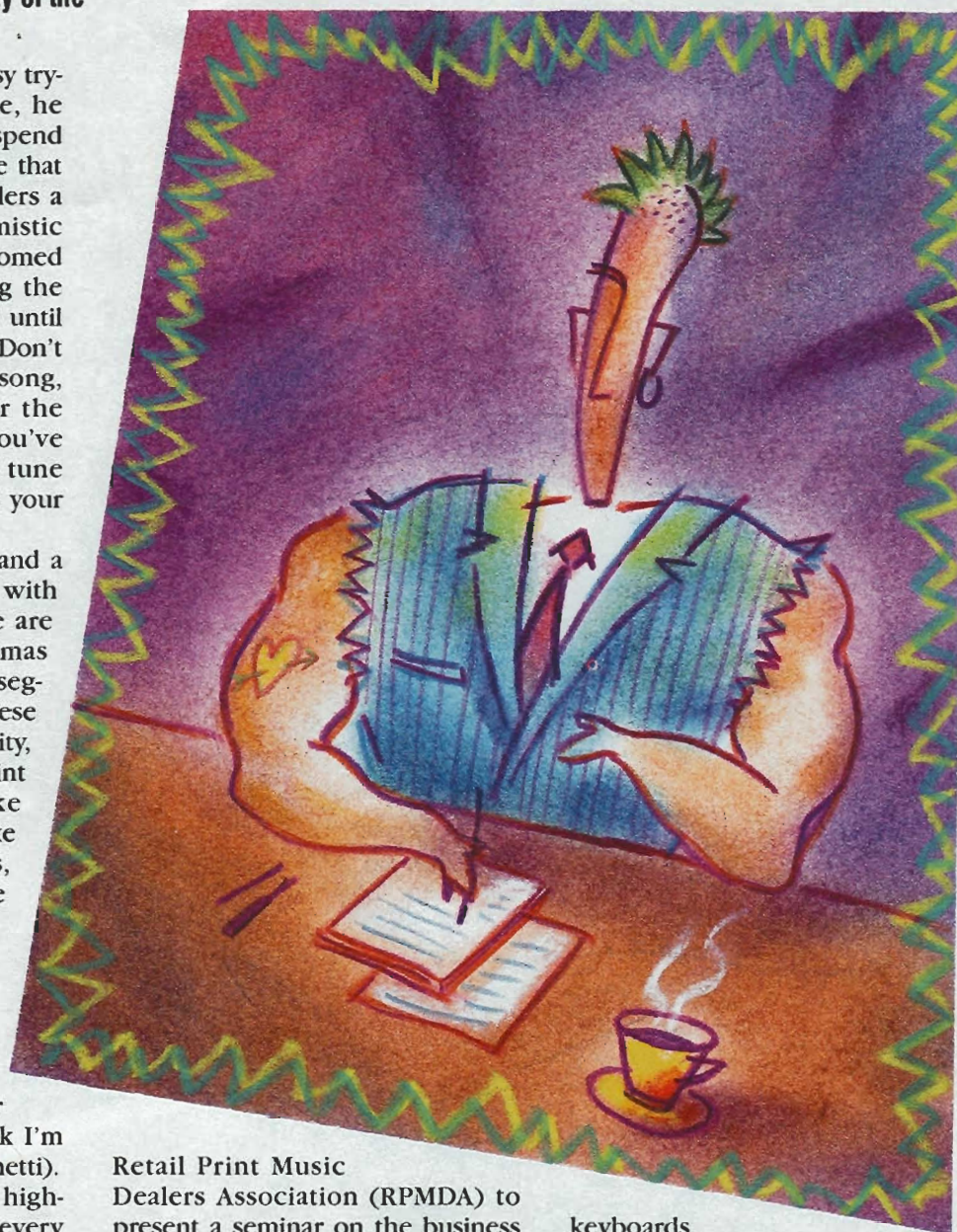
If Prince wasn't so damn busy trying to decide on his name, he might have more time to spend writing another #1 hit. Maybe that would give print music retailers a little something to be optimistic about. But instead, we're doomed to listen to Celine Dion sing the *Titantic* theme for forever or until another top-seller comes out. Don't get me wrong, I liked that song, but not after hearing it for the 3,732nd time. You know you've had enough of a particular tune when "Mambo #5" becomes your new favorite song.

So what do "new issues" and a lack of pop hits have to do with print music retailing? These are just two of the many dilemmas currently facing this niche segment of music retailing. These factors affecting the profitability, viability and longevity of print music are starting to make "MI/combo" retailing look like "diamonds and pearls." Yes, you've guessed it—we're going to talk about the good, the bad and the ugly of print music (the "ugly," of course, will be the moronic Prince references thrown in to either amuse or confuse you, depending on whether you're a fan or you just think I'm talking about a brand of spaghetti).

In short, this article will highlight the opportunities that every music retailer can derive from buying and selling print music, as well as the pitfalls facing print music retailers. Ultimately, I hope to excite and educate music retailers about providing print music products and services.

When Doves Cry (and Print Retailers Scream)

First let me tell you a short story. In May of 1996, I was asked by the



Retail Print Music Dealers Association (RPMMDA) to present a seminar on the business issues facing music retailers. If you think their name alone should have given me a big hint that this was a specialized group of music dealers with specific issues, you're absolutely right. But I was an idiot back then (although some would argue that nothing has changed). So during the beginning of my speech, I highlighted the types of inventory that music retailers generally carry: guitars, amps, drums,

keyboards, pianos, recording and P.A. gear as well as accessories. However, I made the grave error of lumping "print music" in with accessories. So ended my one-hour career with the RPMMDA.

What I failed to appreciate was that print music is not only a major source or revenue for many music retailers, it is the only source for many music retailers. These print music-only retailers range from the

small, specialized dealer (i.e. choral music) to the multi-store, multi-million dollar retailer.

Then, last year, someone at RPMDA had a lapse of memory as well as good judgment, asking me to speak on inventory management. Even though I identified print music as its own category and gave some great inventory buying advice, I once again failed to deal with the specific, unique inventory management and buying issues that face print music dealers.

I think these people were starting to feel sorry for me—or maybe they were just really hard up for entertainment—when I was once again invited to present a seminar at the 2001 RPMDA Convention in Denver. This time I did my homework, and here's what I learned.

My Name Is Print

So what is print music? Print music includes—but is certainly not limited to—sheet music (like popular songs, classical compositions, band arrangements, choral pieces, piano solos and instrumental accompaniments), method books (like *Teach Yourself Drums*, *Learn to Play the Harmonica* and the ever-popular *Yo Whazzupp! Rap Grooves for the Accordion*), anthologies (which is a collection of all the songs of an artist or composer) and a vast variety of other music in printed form (i.e. guitar tablature and fake books).

As I wandered through the print music section of several of my music retail clients, I noticed the manner in which they organized print music varied. Some stores did it by type of print music (single sheet music, method books, pop music compilations, etc.); some by "major categories" (piano, guitar, popular, choral and instrumental); some by "instrument" (piano, guitar, percussion, brass, woodwinds, etc.); and some even by publisher.

Is it an organizational nightmare that's plaguing print music dealers? No, but it does underscore one of the biggest problems facing all music retailers, especially print

dealers. There's too much product.

Little Red Corvette (Impala, Blazer, Tahoe, Suburban)

You think Chevrolet provides a variety of cars and options to choose from? Ha! Clearly, the No. 1 problem affecting print music retailers is the sheer number of choices they must make when selecting inventory. Although this problem is similar to that of other music retailers, print music dealers must not only choose from "hundreds" of publishers, they must also choose from literally "hundreds of thousands" of titles in an attempt to guess what their customers will buy. And the proof of this daunting task is in the pudding, namely inventory turns.

There's a term unique to print music inventory called "new issues." These are the new titles of print music that publishers ask their retailing customers to buy in exchange for deeper discounts. The publishers feel new issues help keep inventory fresh and generate buying interest among retailers as well as their customers. Most retailers agree to take the new issues because they need the added discounts, but often wind up with product that consumers don't want. The result? Poor inventory turns.

There's some retailers, and publishers alike, who argue that the gross profit margin achieved from each print music sale (typically around 50 percent, aided by the general lack of haggling over the price printed on the folio) offsets the effect of poor inventory turns. They're wrong. What these people fail to include in their analysis is that by the time you factor in old inventory that has lost its value and should have been deeply discounted, donated or (you won't believe this one) thrown in the dumpster long ago, their effective gross profit can slip to 35 percent or lower. Again, some think a 35-percent profit margin isn't all that bad, since it's right in line with the rest of the industry. Wrong again. Consider the typical print music retailer who is carrying twice

as much inventory as they need—a direct by product of too much to choose from, aggravated by the constant flow of new issues. Couple this inventory glut with the typical unit sale of a \$10 item, and you simply have way too many dollars invested for way too little return. Don't forget, the name of the game in this industry is not gross profit percent—it's gross profit dollars!

What does this all mean? Print music dealers had better be (a) selling a lot of inventory to generate enough gross profit dollars to cover overhead; (b) guessing right about what their customers want in order to minimize the deterioration of margins from items deeply discounted, still hanging around with increasing storage costs or thrown out at a complete loss; (c) charging their customers additional fees for the freight, payroll and processing costs associated with special orders (usually on a \$5 item); and (d) using current computing technology (i.e. bar coding) to minimize the whole management of print inventory.

Let's Go Crazy

Don't think for a minute that all this inventory mess is the publisher's fault. Overzealous buying, the lack of accounting controls and fiscal irresponsibility by music retailers has directly impaired their cash flow enough for publishers to suffer as well. Slow payment of vendor invoices; the perceived unwillingness of retailers to pay the salaries needed to attract knowledgeable print music sales staff; and the vast majority of a publisher's product line never making it to the retailer's shelf or the consumer's hands has left many publishers extremely frustrated.

Then again, publishers aren't exactly absent of some responsibility either. They boast about the depth of their catalogs—in terms of thousands of titles—but complain that retailers aren't carrying enough of their product. They constantly enter into contractual obligations to publish new titles, but many of these are nothing more

than new variations on an old theme (come on...how many new guitar and piano methods does a retailer really need to carry?). They complain about the lack of knowledgeable salespeople, then produce more product that adds to the retailer's confusion. And finally, in direct response to their frustration, a few extremely frustrated publishers have concluded that selling direct to the retailer's customer is a proper solution. Give me a break! I believe they call this "talking out of both sides of your mouth."

Now that I've enraged both print music retailers and publishers with my highly controversial remarks, to you I say great. If it gets you mad, it will get you thinking. If it gets you thinking, it will get you talking to one another. And if it gets you talking to one another, these issues will soon become problems of the past. My name may be mud, but I will rest easy knowing I did my part to help preserve a vital segment of music retailing.

Purple Rain from Publishers' Pain

Even though retailers are purchasing titles from hundreds of publishers, I find it interesting that the typical print music retailer is buying 50- to 75-percent of their product from the three largest publishers: Hal Leonard Corp., Warner Bros. Publications and Alfred Publishing. What does this mean? I don't know. But I'm pleased to report that these three publishers (as well as a few others) have decided to take their pain—as well as their retailing customers pain—and turn it into something positive. Accordingly, they've allocated the time and resources to research and identify the inventory problems plaguing the print music industry and implement innovative "win-win" programs to help resolve these problems. The following is a synopsis of what I'm talking about.

The New Power Generation

Hal Leonard has put internet technology to good use by provid-

ing a variety of web-based tools to help print music retailers sell through their inventory. Both www.sheetmusicdirect.com and www.halleonard.com let retailers benefit from customers looking to purchase print music. Whether the customer downloads sheet music or is merely looking for a retail store to visit, the retailer benefits from the sale. Additionally, Hal Leonard's FTP site provides retailers around-the-clock access to descriptions and images of more than 45,000 titles in stock.

'Couple inventory glut with the typical unit sale of a \$10 item, and you simply have too many dollars invested for way too little return. Don't forget, the name of the game in this industry is not gross profit percent—it's gross profit dollars!'

Warner Bros. Publications (www.wbpdealers.com) continues to assist dealers in developing an optimal product assortment for all categories of print music in order to maximize turns. By providing sales analysis tools and turn-key racking programs, Warner Bros. helps retailers keep an adequate inventory of fast-moving titles in stock.

Alfred Publishing (www.alfred.com) developed an inventory consignment program using Electronic Data Interchange (EDI) technology. In exchange for the daily transmission of sales data, Alfred will stock a dealer's store with a proper supply of print music inventory that doesn't have to be paid for until it's sold. Their theory is that they can better control print costs if they know what's hot and what's not on a timely basis. This turns into savings that Alfred uses to help subsidize its retailing customers.

To these three publishers, and others who follow their lead, I say bravo. They truly understand the importance of "partnering" with

their music dealer customers.

Raspberry Beret and the RPMDA

Hey, at least it rhymes. If ever there was a trade association that was organized to promote camaraderie, education and problem resolution, it's most certainly the RPMDA. This association of print music publishers and dealers holds an annual trade convention, provides professional education seminars to its members, produces useful and timely resource publications and works behind the scenes to promote and insure the viability of print music. Clearly every retailer and supplier engaged in the sale of print music should be a member. For more information on this association, contact RPMDA's executive director, Madeleine Crouch, at 972-233-9107 ext. 204.

Some Final Thoughts 4 U

There's a few other major issues facing today's print music dealer, like copyright violations occurring on both the internet and the back office copier. Also, the ability to use computer-based archiving and retrieval technology for older titles seems like a great idea, but it's slow in coming. But if retailers and publishers continue to dialogue, finding ways to resolve inventory stocking and management issues, I see a bright future for the print music industry. Or put another way, high profit margins would truly mean something if accompanied by high inventory turns. This would let me change my name from "Alan Friedman" to "The Accountant Formerly Known as Al." And, of course, I would then go by the symbol—\$.



Alan Friedman, CPA, provides accounting and financial services to music industry clients. He is a frequent NAMM University speaker, and can be contacted at 860-521-3790 or alan@fkco.com