



## Doctor, Doctor, Gimme the News, I Heard the CODB Is New & Improved

**Nurse:** Dr. Howard, Dr. Howard!

**Doctor:** What is it nurse? And why are you yelling? I'm standing right next to you!

**Nurse:** I can't help it, I'm so excited!

**Doctor:** Well, considering the size of my sigmoidoscope, I can't blame you. You know, I...

**Nurse:** Doctor, I'm excited about the CPR I can get from the CODB.

**Doctor:** Hmmm... if your CODB condition warrants CPR, why don't I just begin chest compressions and mouth to mouth?

**Nurse:** Dr. Howard, please. I'm not talking about Cardio Pulmonary Resuscitation for Cardiogenic Onset of Dyspnea and Bronchiolitis. I'm talking about the new and improved "Company Performance Report" for music product retailers

participating in the "Cost of Doing Business" survey.

**Doctor:** I knew that. But how about those chest compressions?

**Nurse:** Doctor, I don't need a chest compression! What I need is the latest IPR from the CODB.

**Doctor:** That damn CODB condition again. And now you want an inserted probe retractor?

**Nurse:** Doctor! That's not what "IPR" stands for. It stands for "Industry Performance Report" and contains vital information about the financial health of the music products industry.

**Doctor:** Of course, but how about that mouth to mouth I suggested?

**Nurse:** Doctor, I'm reporting you to NAMM!

**Doctor:** NAMM? The National

Association of Music Merchants?

**Nurse:** No, the National Annihilation of Medical Misfits. You, Doctor, are a pig!

**Doctor:** Yes, but how about those chest compressions?

### Mnemonic Fever

Among other things, Dr. Howard is obviously unaware of one of the greatest prescriptions available to music retailers for making their businesses financially healthy. No longer can music retailers claim short-term amnesia as the cause of their poor financial condition. NAMM has just announced a "new and improved" Cost of Doing Business (CODB) survey, which produces an individualized Company Performance Report (CPR) and updated Industry Performance Report (IPR) for all participating music products retailers. The report is compiled by the independent statistical survey firm, Industry Insights.

Why is this big news? Many retailers have been unaware—and therefore failed to take advantage—of the multitude of benefits offered by participating in our industry's annual CODB survey. This was evident by a consistent, but lackluster, 6-percent annual participation rate (approximately 225 out of more than 3,600 retailing NAMM members).

Unfortunately, low participation will tend to distort survey data by not capturing a fair representation of music retailers. Although Dr. Keyboardkian was ready to pull the plug on this program, NAMM wisely decided instead to admit the CODB into NAMM University Hospital for the Terminally Insane to diagnose what was causing low retailer participation.

### Psychiatric Evaluation

Many things could have been causing low participation in the CODB survey—a cumbersome participation form, a retailer's inability to produce key financial data, an inability to generate this data timely, data privacy issues, a retailer feeling



ashamed of their financial results and/or an unawareness of the CODB program. Luckily, they ruled out many of the ailments I've personally suffered from, such as paranoia (my 1976 talk box is starting to talk to me), delusions of grandeur (I'm beginning to think I'm a better drummer than NAMM CEO Joe Lamond) and split-personality disorder (yesterday I was an accountant, today I'm still Joe Lamond).

Accordingly, NAMM membership director Judy Bohlim called in a "cracked" team of specialists to study the symptoms plaguing the CODB. Internist Sandy Cloud (financial consultant) was engaged to figure out what internal financial data needs to be provided by each music store. Then yours truly, proctologist Alan Friedman, CPA, was called in to probe what financial analysis should be generated and reported to help music retailers fiscally manage their business. Finally, plastic surgeon Tom Noon (president of industry insights) was called upon to cosmetically give the CODB participation forms a new look.

After several months of exhaustive research, the "new and improved" CODB emerged with a clean bill of health for 2002. To celebrate its swift recovery, let's explore why the CODB program is so vital to all music retailers, and take a closer look at our patient's new facelift.

### Vital Signs

As a music retailer, your participation in the CODB survey is the single most important thing you can do to assure your industry continues to produce a meaningful "benchmark" against which you can measure the financial management and success of your store against that of your peers.

Briefly, here's 10 of the many benefits and vital signs that can be derived from your participation in the new CODB survey (hereafter simply referred to as "the survey"), and the individualized CPR Report and industry-wide IPR Report (hereafter called "the reports"):

1. The whole thing is totally

"free" for the retailer.

2. It now takes 30 minutes or less to fill out the survey forms.

3. Your participation is completely confidential, as your financial data is sent directly to the independent survey firm, Industry Insights. No one at NAMM or any other industry-related organization will have access to your company's financial data.

4. The reports are the only compilation of meaningful financial statistics for "all" types of music retailers, and are updated every year, which makes them current, timely and more meaningful.

5. The reports provide vital statistics and ratios on profitability, liquidity and sales performance, making them one of the most useful management tools available to music retailers and their advisors.

6. The reports are a great tool for bankers to help give you that loan. Remind your bankers it's often misleading and unfair to statistically compare your business to other types of retailers (like hardware or apparel retailers).

7. The reports will guide you and your bookkeeper on proper product categories and chart of accounts, as well as guide your accountant on proper financial statement and tax reporting of tricky issues—like instrument rental revenue and inventory trade-ins.

8. The reports are vitally important data resources for any professional engaged to determine the dollar value of their business.

9. The reports are great measurement tools to assist your suppliers' credit managers when granting and extending trade credit.

10. The reports are the only true benchmark available to measure how you are performing financially—compared to your peer music retailers, as well as how the music product industry is financially performing as a whole.

Still not convinced? OK, Marcus Welby, let me show you some diagnostic imaging ("clip art", for you non-medical retailers) of the new "easy-to-fill-out" CODB participation form (see page 32).

### Page 1: Why Not Participating Makes You an Idiot

Wow, this is a tough one. Nothing to fill out; just some easy reading on why the CODB program is vital, beneficial, simple and completely confidential. It even includes idiot-proof directions on exactly what to do to participate.

There are, however, two things left out: 1. the old set of line-by-line instructions (the survey is now so simple, you won't need any more instruction than what's already printed on the forms); 2. a list of surgical centers for your lobotomy in case you still fail to see the need to participate.

### Page 2: Stuff You Probably Know in Your Head

This is the first page that needs your input, and asks some easy questions about your store—like how many employees you have, the number of square feet you occupy and what advertising methods you employ.

You'll also notice an important change when you select your "type" of store. Not only is there now a more comprehensive description of store types (to help you accurately determine what kind of music store you run), you'll also notice the addition of a new store type, the long-neglected "Print Music" retailer.

### Page 3: You No Longer Have to Call Your Accountant

The third page asks you to provide amounts reported on the two most important pages of your financial statement—the balance sheet and income statement. If you really don't know what this data is, where to get it or how to fill this page out, I've got good news and bad news.

The good news is you can still participate in the survey. Simply include your most recent "year-end" financial statement or your federal tax return (Form 1120, 1120S, 1065 or 1040 - Schedule C) with the survey forms, and forget about filling out page 3. It's that simple.

But here's the bad news. If someone (like your accountant, con-



**NAMM** The "New and Improved" **The 2002 Cost of Doing Business Survey**

**Deadline: May 1, 2002**

**WHY PARTICIPATE?**

Your participation in the "newly improved" Cost of Doing Business Survey couldn't be easier. In return for your participation, you'll receive, for free, a Company Performance Report (CPR) containing invaluable financial and statistical data about your business and industry. The CPR will allow you to compare your store's performance against that of music stores of similar type, size and location. More importantly, the report is a resource tool that both you and your advisors can use to better manage every financial aspect of running your business, including profit, inventory, sales, expense and cash flow management.

**IT'S EASY...**

1. With the correct detailed information in hand, we estimate it will take you no more than 30 minutes to fill out this form!
2. Simply fill out pages 2, 3 and 4 of this survey. This will also help you better understand the data needed to financially run your business. If you have any difficulty completing the financial statement section on page 3 of this survey, don't worry! You can simply fill out pages 2 and 4 only, and attach your most recently completed financial statements or tax return. Full year data is required, although it does not matter when your fiscal year ends.
3. Fill out the form carefully and be as complete and accurate as possible. Estimate only if necessary.
4. Dollar amounts should be rounded to the nearest dollar; do not use cents.
5. Make sure items add up where they should. The form indicates what items should add to a total.
6. If the answer to an item is zero, enter a zero. If it does not apply to your company, enter "N/A".
7. On page 3, enclose all negative amounts in parentheses ( ), rather than using minus signs.
8. Mail, or fax (614) 442-3302, this completed form no later than **May 1<sup>st</sup>, 2002** to:  
**Industry Insights, Inc.**  
**1585 Bethel Road**  
**Columbus, OH 43220**

**...AND COMPLETELY CONFIDENTIAL**

Because all survey and financial data is compiled, tabulated, analyzed and sent directly to Industry Insights, Inc., **all aspects of your financial data is kept completely confidential, and is seen only by Industry Insights, Inc.**

**PICK YOUR TYPE OF STORE**

For purposes of this survey, there are five distinct types of music stores as described below by the products and services you provide. Make sure you check off the correct type of store that you operate on the next page.

**Full-Line** The majority of dollar revenues is accounted for by piano, organ, band and orchestra instrument, drum and percussion, guitar, amplifier, electronic keyboard, recording equipment, sound reinforcement, sheet music and accessory sales, as well as instrument rentals, repair service and music lessons.

**Keyboard** The majority of dollar revenues is accounted for by piano, organ and electronic keyboard sales.

**School Music** The majority of dollar revenues is accounted for by band and orchestra instrument and print music sales, as well as instrument rentals, repair service and music lessons.

**Combo/Pro Audio** The majority of dollar revenues is accounted for by guitar, amplifier, electronic keyboard, synthesizer, drum and percussion, recording equipment, sound reinforcement and accessory sales.

**Print Music** The majority of dollar revenues is accounted for by print music sales.

**YOUR CONFIDENTIAL SURVEY ID**

Company Name \_\_\_\_\_ Phone # \_\_\_\_\_ Fax \_\_\_\_\_

Store type: ☐ Full Line ☐ Keyboard ☐ School Music ☐ Combo/Pro Audio ☐ Print ☐ Other (Specify) \_\_\_\_\_

End of Fiscal Year for Which this Data Applies: \_\_\_\_\_ (Month/Day/Year)

Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Person to contact with questions about data \_\_\_\_\_ E-Mail: \_\_\_\_\_

Person to whom report should be sent \_\_\_\_\_ E-Mail: \_\_\_\_\_

**GENERAL STORE INFORMATION**

**Line # SALES TRENDS Amount in \$**

1	Current Year Sales	\$ 89
2	Previous Year Sales	79
3	3rd Latest Year Sales	71
4	4th Latest Year Sales	73
5	5th Latest Year Sales	73

**Line # EMPLOYEE DATA**

6	Total number of employees (in full-time equivalents)	199
7	Number of selling employees (in full-time equivalents)	199

**Line # E-COMMERCE**

8a. Does your business currently have a web site? ☐ Yes ☐ No 899

8b. If yes, does your web site support e-commerce (i.e., direct ordering and sales through the site)? ☐ Yes ☐ No 899

8c. If your web site supports e-commerce, approximately what percent of total sales came from e-commerce during the most recent year? % 899

**Line # ADVERTISING Percent**

Please estimate the percent of advertising expense by media.

9	Newspaper	% 149
10	Radio	% 149
11	Television	% 149
12	Direct Mail	% 150
13	Yellow Pages	% 151
14	Other	% 152
15	TOTAL (LINES 9 THROUGH 14)	100.0% 153

**Line # PHYSICAL FACILITIES**

16	Number of Stores	79	79	79	79	79
17	Annual Revenue Sales, Rentals, service income, lessons, net leased department income	\$ 79	89	89	89	89
18	Annual Rent and Shopping Center Common Area Charges	\$ 89	89	89	89	89
19	Total Store Area (Sq. Ft.)	89	89	89	89	89

**NUMBER OF LOCATIONS**

Please answer the following questions for the calendar year 2001 and what you are planning for 2002.

Line #	2001	2002	2001	2002	2001	2002
20	Actual 2001	211	211	211	211	211
21	Anticipated for 2002	212	212	212	212	212

**BALANCE SHEET**

Line #	Assets	\$	Line #	Liabilities and Net Worth	\$
22	Cash	29	31	Open Accounts Payable	37
23	Accounts Receivable (net)	28	32	Floor Plan Payable	36
24	Inventory (excluding rental assets in rental instrument lease pools)	29	33	Short-Term Debt	39
25	Other Current Assets	38	34	Other Current Liabilities	40
26	<b>TOTAL CURRENT ASSETS</b> (ADD LINES 22 THROUGH 25)	39	35	<b>TOTAL CURRENT LIABILITIES</b> (ADD LINES 31 THROUGH 34)	41
27	Rental Instruments in Lease Pools (net of depreciation)	30	36	Long Term Debt and Liabilities	42
28	Fixed assets (store fixtures, furniture, vehicles, etc., net of depreciation)	154	37	Net Worth Equity (LINE 30 LESS LINES 35 AND 36)	43
29	Other Assets	34	38	<b>TOTAL LIABILITIES &amp; NET WORTH</b> (ADD LINES 35 THROUGH 37)	44
30	<b>TOTAL ASSETS</b> (ADD LINES 26 THROUGH 29)	38			
	Must Equal Line 38				

**INCOME STATEMENT**

Line #		
39	<b>NET SALES</b> (Do not include income from lessons, service, rentals, finance charges or other non-sales revenue/s)	4
40	<b>COST OF GOODS SOLD</b> (Be sure to reduce cost of goods sold by any vendor discounts or rebates)	5
41	<b>GROSS PROFIT</b> (LINE 39 MINUS LINE 40)	6
42	<b>Instrument Rental Income</b> Rental revenues less depreciation and direct costs (i.e. repairs and refurbishment)	101
43	<b>Lesson/Studio Rental Income</b> Lesson/studio rental revenues less direct costs (i.e. cost of teachers, supplies)	16
44	<b>Repair and Service Income</b> Repair and service revenues less direct costs (i.e. repair wages, contractors and parts)	22
45	<b>Other Operating Income</b> Delivery, tuning/set-up charges and other sources of operating income	18
46	<b>TOTAL OPERATING PROFIT</b> (ADD LINES 41 THROUGH 45)	66
47	<b>OPERATING EXPENSES</b>	
48	Owners Compensation (officer wages if corporation, owner draws if sole proprietorship, partnership or LLC)	7
49	Selling Salaries and Commissions	8
50	Administrative and Other Salaries and Wages (do not include service, delivery, etc. wages included above)	9
51	Fringe Benefits (payroll taxes, health, life and disability insurance, pension contributions, etc.)	10
52	Advertising and Promotion (net of vendor co-op allowances)	11
53	Occupancy (Rent, maintenance, and utilities)	12
54	Computer, Technology and E-Commerce (internet access, website, software, hardware maintenance, etc.)	13
55	Other Operating Expenses (telephone, office supplies, travel, professional fees and all other operating exp.)	14
56	<b>Total Operating Expenses</b> (ADD LINES 47 THROUGH 54)	15
57	<b>INCOME FROM OPERATIONS</b> (LINE 46 MINUS LINE 55)	16
58	<b>NON-OPERATING OTHER INCOME AND (EXPENSE)</b> (use parenthesis for any negative amounts)	
59	Interest Income and Finance Charges	17
60	Other Non-Operating Income (i.e. gain on sale of fixed asset)	18
61	Interest Expense (including interest paid on floor planning programs)	21
62	Other Non-Operating Expense (i.e. loss on sale of fixed asset)	22
63	<b>Total Other Income (Expense)</b> (LINE 57 PLUS 58, LESS 59 AND 60)	23
64	<b>Net Profit Before Income Tax</b> (LINE 56 PLUS LINE 63)	24

**SALES ACTIVITY BY MERCHANDISE CATEGORY**

Line #	Do You Handle This Product Category?	Annual Net Sales by Category	Annual Cost of Goods Sold by Category	Average Inventory by Category
63	Pianos: Vertical Pianos	104	104	104
64	Pianos: Grand Pianos	219	219	219
65	Pianos: Digital Pianos	229	229	229
66	Organs	119	119	119
67	Portable Electronic Keyboards and Synthesizers	109	109	109
68	Band and Orchestra Instruments	119	119	119
69	Drums and Percussion Instruments	109	109	109
70	Electric Guitars	129	129	129
71	Acoustic Guitars	129	129	129
72	Amplifiers	139	139	139
73	Sound Reinforcement and Public Address Equipment	129	129	129
74	Recording Equipment	149	149	149
75	Sheet Music: Method Books	129	129	129
76	Sheet Music: Pop Titles	149	149	149
77	Sheet Music: Choral	149	149	149
78	Sheet Music: band arrangements and orchestral scores	149	149	149
79	Sheet Music: other	209	209	209
80	Accessories	129	129	129
81	Other Miscellaneous Products	149	149	149
82	<b>TOTALS</b> (ADD LINES 63 THROUGH 81)	144	144	144

**FOR STORES WITH RENTAL PROGRAMS:** Percentage of band & orchestra instruments returned for the most recent fiscal year % 899

**IMPORTANT TO BEAR IN MIND:**

\* Do not include rental income, repairs, lessons and other sources of income in this sales category.

\*\* Only include "for sale" inventory; do not include rental instruments in lease pools. Also, report "average" inventory rather than year-end inventory. You can calculate "average inventory" by simply adding beginning and ending inventory and then dividing by 2.

Congratulations on taking charge of your financial future!

Mail (or fax) this form to:  
**Industry Insights, Inc.**  
1585 Bethel Road  
Columbus, OH 43220  
Fax: (614) 442-3302

**Deadline: May 1, 2002**



troller or bookkeeper) isn't periodically providing you a balance sheet and income statement, then you have no clue what is financially going on with your business. If you get these statements but don't understand them, you've got the same problem.

#### Page 4: the Key to Sales, Profitability & Inventory Management

The last page requires you to provide sales, cost of goods sold and inventory amounts by product category. Already I can hear the grumbling. Frankly, I'm glad the survey forces to you fill out this page, as this data is critically important to your store's financial viability and success. Last month's *Think Tank* ("Dazed and Confused about Financial Analysis," January 2002), illustrated how an analysis of "sales," "cost of goods sold" and "inventory" figures can provide the means to knowing

what product is moving, selling profitably and providing the greatest (or the least) return on your investment. So stop whining, and take the 10 minutes to fill the damn thing out.

#### What Do I Get from My HMO (Heavy Mental Output)?

Here are the two key products you get for participating in the survey: the CPR and access to the IPR. Your CPR gives you an individualized financial analysis of your store, compared to other music stores similar in type and size. You also get web access (or a hard copy report by calling NAMM) to the IPR. The IPR contains the same type of data as the CPR, but for the entire music products industry—reported by store type, size and geographic location.

#### Some Final Thoughts

Don't let another year go by with the health of your business

unchecked. Pull out the No. 2 lead stethoscope and participate in the industry's most important program. If you need any help in the participation process, please don't hesitate to contact Judy Bohlim at NAMM (800-767-6266).

Given the enormity of the benefits that both you and the industry can derive from your participation in the CODB survey, I can't think of a single reason why a music retailer wouldn't take a half hour out of their day to participate in a program aimed at financially bettering their life—unless, of course, you've had brain surgery performed by Dr. Howard.



Alan Friedman, C.P.A., 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.

## Celebrating 25 years of Innovation with Exciting New Products for 2002



Once again, SKB is proud to introduce another exciting array of great products. Two examples are the Spectacular **ATA Acoustic Guitar Roller** - a tough, made for airline transport, roto-molded supercase! The music industry has never seen the likes of this gem. Then, the best gets better. . . SKB world renowned GigRigs are sporting a brand new look for the new year. Form and function reach new levels with these rolling rack systems.

**NAMM 2002  
booth 4210**

**800.410.2024**

sales and marketing headquarters - Orange, CA



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