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Starting and Managing a small retail MUSIC STORE

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Starting and Managing a small retail MUSIC STORE
By Ray S. Erlandson
SMALL BUSINESS ADMINISTRATION

PROCUREMENT AND MANAGEMENT ASSISTANCE

ABOUT THE AUTHOR

This booklet was prepared in cooperation with the National Association of Music Merchants. Ray S. Erlandson, the author, is a past director and president of the Association. He has had a long and distinguished career in education, business, writing, and public service, much of it in the field of music.
Contents

1 This Music Business
   Opportunities in the retail music business—Are you qualified?—What kind of music store for you? 1

2 Location Problems
   Types of merchandise—Location and types of music merchandise—Shopping centers—Selecting a site—Buy or rent?—A survey of music store locations 6

3 Leased Departments
   Advantages and disadvantages—A typical leased-department arrangement 12

4 Your Building and Equipment
   The rooms you need—Interior finishing—Your display window—Your outdoor sign—Furniture, equipment, and supplies—Delivery equipment 17

5 The Studio Operation
   Types of teacher arrangements—Commissions to teachers—Studio lesson plans—Physical facilities 21

6 Your Starting Capital
   Your basic needs—How much money do you need?—Sources of capital 26

7 Your Merchandise
   Sources of merchandise—Rental instruments—Information about sources 32

8 Financial Management
   Types of expenses—Basic record books—Financial statements—Analyzing your financial statements—Inventory turnover—Recording trade-ins and repossessions in inventory—Rental accounting—Customer credit 36
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This Music Business

Good planning + capital + the right person = a successful music store. Do you have what it takes?

Music stores are of many kinds and varieties. Formerly, the high-grade music business in the community featured pianos or was solely a piano store. Other stores handled only the smaller musical instruments.

Today, too, many stores handle musical instruments and accessories but do not sell pianos. Some of these were begun by music teachers who opened teaching studios for accordion and guitar or by band directors for teaching band instruments of all kinds. At first, they handled only the sheet music used in the studio, but gradually their activities covered a wider and wider range. Some developed small bands or orchestras. Some taught baton twirling.

With the growing popularity of the phonograph and the aggressive promotion of record manufacturers, many of the better music stores undertook the sale of records. By now, there are

1 Throughout this booklet, references to "musical instruments" will exclude pianos and console organs, which are known in the trade as "keyboard instruments."
many shops that specialize in records and in high-fidelity record and tape reproducers as well as the many accessories now on the market. This is a multimillion dollar industry. Quality phonograph and reproduction systems with many loudspeakers, installed to specifications, are elaborate and costly projects. And never has there been such a large and varied selection of recorded music.

The early 1930's brought rapid expansion of the radio industry. When people had only to turn a knob to receive their music free, the sale of pianos especially went into a slump. Radios, on the other hand, could hardly be built fast enough to supply the demand.

Many music stores became radio stores during that period. Later, combination radio-phonographs were featured and then, of course, television receiving sets.

Many music stores not only handled all these items but took on also the many new electrical appliances that were brought out in the 1930's and 1940's. Some people still tend to think of a music store as an all-purpose shop that handles electrical appliances, radios, television sets, musical instruments, sheet music, records, and accessories. The beginning dealer, however, should avoid this approach.

Opportunities in the Retail Music Business

There has never been a time with so many opportunities in the retail music business as today. True, there is some tendency on the part of large dealers and manufacturers to set up chains of retail music stores; and many other types of retailers—including mail-order houses, department stores, drugstores, food markets, and others—handle goods formerly pretty well restricted to music and record stores. But as yet these are not discouraging factors. There is no question but that opportunities in the music business are increasing as people have more leisure time.

As a music merchant, you will be in a position to serve your community well. You will deal mostly with the cultural element in the community. Your sales will be largely semiluxury
items, and quality is relatively easy to sell. If you run a music studio, you will meet many parents who are vitally interested in their children's welfare. If you sell records, there will be buyers in your store all day long.

For the careful operator, profits in the music business are as good as the average in other businesses. Furthermore, the small retailer can handle his operation with a minimum of help, and the work is pleasant.

Are You Qualified?

Most music dealers are independent small businessmen. They started with limited capital, but they had a general knowledge of some aspect of the music business—as a former teacher, school music director, or salesman in a music store.

But not everyone is qualified to own and manage a music store even with capital and experience. John Hayes, an excellent piano and organ salesman, went into business for himself. He sold pianos on time. Some of his sales the bank financed; some were turned down.

But Hayes was a better salesman than financier. He thought his banker was too tight on credit, so he began to carry some of the paper himself. He'd sell, for a $50 down payment, a $700 piano that had cost him $350. This meant that he needed $300 to replace that one piano.

It was only a matter of time before his reserves were gone. He went out of business because he was too good a salesman, too poor a manager.

The owner-manager of a music store needs training and experience in management as well as in some phase of the music business. A small dealer must understand financial management or he will fail.

Nor need everyone interested in music own his own business. The compensation to salesmen, both retail and wholesale, is above average. Many branch-store managers are earning good incomes without the financial responsibility that ownership car-

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3 Names in all examples have been changed.
ries with it. So consider carefully whether you really want to take on the responsibilities and risks that go with owning and managing a music store of your own.

What Kind of Music Store for You?

Suppose you've decided that you really do want to own and manage your own music store. Very early in your planning you should make up your mind just what kind of music store you are going to have. This decision will depend partly on you—your background and what you'd like to do, partly on where you decide to open your store, and partly on how much capital you have to start with. Sometimes two of these factors are involved, sometimes all three. The first two are involved in the following case.

Robert Thomas, a band director in a community of 10,000, got the idea that since he wasn't very busy in the summer, he'd open a small music store in his town. He planned to feature recreational instruments, which are inexpensive and don't require too much capital, and popular records for young people.

He began selling guitars, other stringed instruments, and records. Soon he found that he could repair band instruments, and then he gradually added new band instruments to his inventory.

For a time the business prospered. The town, however, was too close to a larger city. The competition of the city stores, plus the fact that Thomas didn't want to give up directing his band, caused him to close shop. Basically, he was not retail store-owner material.

Kinds of music stores. Music stores can be classified according to the types of merchandise they handle as follows:

1. Pianos and organs (keyboard instruments) only, new and used
2. Pianos, organs, and musical instruments only
3. Musical instruments and accessories only
4. Musical instruments and band and orchestral music
5. Pianos, musical instruments, and sheet music
6. Studios and sales (piano, organ, or other)
7. Records and sound equipment only
8. All musical merchandise—a music department store

To these eight basic groups can be added radios, television sets, and appliances, plus service in any or all areas.

Limit your field. It’s easy to make the mistake of expanding with lines for which the demand in your area is too light to be practical. If your music store is in a small community, remember that you can get from the wholesaler or manufacturer on short notice almost any article in the lines you carry. You don’t have to stock items for which you rarely have a call.

As a small music dealer, you must study carefully the lines you will carry, and not just from the investment and turnover angle. You must also remember not to spread yourself too thin. Ask yourself these questions:

“Why am I in this business”
“‘What do I want to do and how best can I do it?’”

If you are a teacher with limited capital, don’t try to carry too broad an inventory. If you are a salesman and want to go into business for yourself, beware of having too many irons in the fire.
Location Problems

Where to establish your store?
Other questions have to be answered before you're ready to decide.

One of the first decisions to be made in preparing to open a retail music business is where to open your store. A small dealer with little capital can't afford a mistake in selecting his location. You must study very carefully the factors that make a location good or bad for the type of store you want to open. Even a musical-instrument dealer who will be calling on band directors and can draw prospects to his store by personal contacts must pay careful attention to location problems.

Types of Merchandise

In thinking of a location for your music store, keep in mind the buying habits of the people you hope to win as customers. Buying habits are the basis on which marketing experts classify goods as convenience goods, shopping goods, or specialty goods.

Convenience goods are usually purchased often and at the most convenient place. The price per unit is relatively small, and the customer doesn't want to put too much time or effort
into making the purchase. A supplier of these goods therefore tries to offer them where as many customers as possible will be sure to see them.

Convenience goods are sometimes bought on impulse and therefore should be sold where they are exposed to heavy buying traffic. This type of buying has increased greatly in the last few years, and a great variety of products are now offered for impulse buying. Popular phonograph records are often bought on impulse. The same is true of recreational musical instruments, musical toys, and even popular sheet music.

*Shopping goods* are items for which the buyer wants to compare styles, price, and quality. He usually visits several stores before he finally makes a purchase.

A music dealer may choose to combat this desire to shop around by playing up his studio facilities and superiority in teaching. Otherwise, good locations for a shopping-goods store are in downtown districts, regional shopping centers, or near competitors.

*Specialty goods* are usually high priced, and exclusive in style and quality. They are purchased for long-time possession.

Stores handling items of this kind rely on reputation and prestige. The purchaser will go out of his way to find the items or stores. For this reason, a location near such stores may be a good one for a new music dealer.

**Location and Types of Music Merchandise**

Pianos, organs, and musical instruments are generally considered shopping goods, except for the highest priced instruments. Most music dealers, however, handle other items along with these, so a music store can be said to carry shopping goods and some convenience goods.

If you are interested only in the sale of pianos and organs, you should consider locations near similar stores. Retail "grouping" is of two kinds. One is the grouping of stores of the same general class. That is, piano and organ stores can group with furniture stores, antique shops, jewelry stores, and so on. The other grouping is competitive grouping, where each store
can profit from being near stores handling similar items. This is often the situation in downtown areas.

Many music stores begin as music studios. For a teaching studio and sales center, a neighborhood or suburban shopping center, near schools and easily reached by prospective students, is a good location.

A small music store that caters to band directors and supplies band instruments to schools should be near the downtown area. It should be easily reached by car and have considerable space for storage and/or repair. Such stores are usually located in low-rent areas, however, because much of the owner's time is spent out in the field calling on band directors.

If you are planning to open a band-instrument store, be sure you are in an area where there are plenty of bands to service. Also, you must be in a position to handle repairs either in your shop or through a nearby repair center, or perhaps through a large general repair center such as can be found in many large cities.

If yours will be the only store selling records in a small community, choose a downtown location. Complete music stores, too, are usually in the downtown area, though many of those in big cities are branching out into the suburbs.

**Shopping Centers**

Many music stores and studios, like other retail and service stores, are finding that shopping centers are profitable locations. There are three types of shopping centers.

*Regional shopping centers*, enclosed or open, are usually built around one or more large department stores and supermarkets. They provide parking for more than 500 cars and usually have a motion picture theater. Because of the high credit rating required, however, it is usually very hard for a new, untried business to get into one of these centers.

*Community shopping centers* are smaller, but they still offer a wide variety of retail outlets. They usually serve a population of from 25,000 to 100,000 people and are excellent locations for studio operations.
A neighborhood shopping center usually has one supermarket and a few facilities for daily needs, such as a shoe-repair shop, a laundry, a barbershop, and so on.

Selecting a Site

Every community has different problems for the prospective owner of a music store seeking a location. If your store is to be in a small city or town where you are likely to be the only business of your kind, the best location is in the center of the retail area or near it. Parking isn’t too great a problem. If you plan to be in a large city, it may be wise to be near your competition if a cluster has already been established. If there are shopping centers in your area, you may choose one of these for your operation.

Study the market. When you have decided on the general area in which you want to open your music store, study the market you will serve. List available sites and estimate the potential sales volume for each one. Real-estate men are usually willing to help a potential buyer get the information he needs.

Some old techniques are still useful in making a preliminary survey of the market for a given site. These include observing such points as the following: traffic flow, or the number of persons passing the site in a given time; the nearness of the site to similar or comparable stores; improvement or deterioration of the neighborhood; and so on.

Other factors to be studied. The following factors should also be considered for each site:

Site economics. The rent or cost of operating the physical plant and how it relates to your potential sales.

Trading-area potential. Number of people, their income, the size of their families, the number of children, school enrollment, area newspapers, banks.

Convenience of the location. Highways and thoroughfares, bus routes, parking facilities (time limits, number of units, and rates).
Probable future growth of the community. For business growth, it is better to be in a city or area with increasing population and income. The trend in your trading area can be learned by studying residential building permits; connections for gas, water, electricity, and telephones over a 5-year period; school census studies over the same period; and so on. The local chamber of commerce may be able to give you some helpful data on retail sales volume and other factors.

Trend in character of the neighborhood. Is it stable, improving, or deteriorating?

Zoning and street patterns. Do community plans include any changes in zoning or traffic flow that would make the site unsatisfactory?

Buy or Rent?

Are you going to rent the building for your music store or buy it? If your capital is limited, this question answers itself—you'll rent, of course. But there are other reasons for renting instead of buying. For one thing, it relieves you of many problems and responsibilities you'd have if you owned the building. Also, it keeps you flexible as far as location is concerned.

Your business may outgrow the location you start with, or you may decide to diversify in a way that calls for a different location. Or the neighborhood may change.

Some people believe that the downtown areas in large cities are becoming blighted areas. Others take the opposite view. They believe that the downtown of tomorrow will be a dynamic marketing area because of the increase in downtown apartment buildings; that shoppers from the surrounding rural areas will come downtown to do a variety of shopping. If this happens, it will be important for stores selling pianos, organs, television, musical instruments, phonographs, and so on to be in the heart of the city or within easy reach of it.

On the other hand, it takes time and costly advertising for a store to become associated in the prospective customer's mind with a specific location. So use great care in choosing your location and change it only if there is no other solution to your
problem. Stability of location is an important asset in the retail music business.

A Survey of Music Store Locations

A survey of more than 20 music centers in a city of 800,000 brought out the following facts. Most of the piano stores were in or near the downtown area. Musical instrument stores, including those serving school bands and having repair facilities, were also in or near the downtown area. Guitar, accordion, and organ studios were in wealthier outlying areas. There were record shops in the downtown area but also some in regional and area shopping centers.

The largest music department stores were either downtown or in easy-to-reach locations not too far away. Some of these were beginning to branch out with suburban stores in regional malls and were offering organ and guitar lessons. Only four of the music centers owned the buildings they occupied.
Leased Departments

If you choose this sort of operation, study the contract before you sign—the advantages—the disadvantages.

Some music retailers, some wholesalers, and even some manufacturers operate leased music departments in department stores. The basic reasons for a retail store’s leasing one or more of its departments are these:

To get expert merchandisers in areas not familiar to the department-store owner.

To expand without more inventory investment and with the least possible capital outlay.

To get superior purchasing facilities.

A number of leased music operations have been very successful in large department stores in cities of 100,000 or more throughout the country. Even some music retailers have used leasing arrangements in order to offer merchandise for which they lack know-how or capital.

Sheet-music wholesalers, for example, have leased departments in music stores and in radio and phonograph stores, as well as in department stores. Piano and organ departments have also been operated as leased departments. So have record departments, music-instrument departments, and music studios.
Advantages and Disadvantages

If you plan to start your retail music business as a leased department, you should know the advantages and disadvantages of such an operation. One of the biggest advantages to you—the lessee—is that the store—the lessor—pays the cost of preparing the premises. Other advantages include these:

1. You start with a location in a developed market where traffic is assured.
2. You gain the prestige of the store’s name.
3. Credit and delivery services are usually already established.

There may also be some disadvantages, however. The less favorable points include the following:

1. You aren’t sure of a permanent location—the store may not renew the lease when it runs out.
2. You don’t have as much chance to build personal good will.
3. You have to accept the store’s credit terms, collection procedure, employee rules, and hours. (In some cases, leased teaching studios have been located in such a way that they could be open at hours when the rest of the store is closed.)

The charge paid by the lessee varies from 12 to 25 percent of the net sales.

A Typical Leased-Department Arrangement

If you are considering a leased department, study all provisions of the lease very carefully and have your lawyer go over it with you. Be sure you understand exactly what your rights and responsibilities are. Following is an outline of a typical leased-department contract:

Clause 1 describes the location of the premises to be leased and lists the merchandise covered.

Clause 2 states the basis of the charge to the lessee—what percentage he will have to pay of sales less returns and repossessions, less occupational taxes, less trade-in allowances, less carrying charges and interest.
Clause 3 provides that the lessor shall take charge of all funds, keep accurate records, and provide the lessee with monthly financial statements on or before the 15th of the month following the period covered by the statements.

Clause 4 provides that charge and deferred-payment sales are to be treated as cash sales.

Clause 5 provides that the lessor may change the location of the department in his store and that he is to pay the cost of any such change.

Clause 6 states that the lessee is to supply the necessary fixtures; that the fixtures are to be approved by the lessor as to style, color, design, and so on, so that they will harmonize with the rest of the store; and that the lessee is to contribute a specific amount on any new construction said to be the property of the lessee.

Clause 7 provides that the lessor is not liable for damage to lessee's property by fire, water, or other casualty, or theft.

Clause 8 states that the lease is not assignable and the leased department cannot be subleased or transferred.

Clause 9 states that if the lessee moves, he may not advertise that his stock was formerly on the premises of the lessor.

Clause 10 states that the lessee shall employ his own employees and may pay them their salaries, including uniforms if any, but that these employees shall agree to abide by the rules of the lessor. If any employee is objectionable to the lessor, he shall be removed.

Clause 11 specifies that the lessor shall supply light, heat, electricity, elevator service, cashier service, wrapping service, wrapping materials, porter service, salesbooks, local telephone service, and delivery service (except pianos) in metropolitan areas. This clause also provides that lessee is to deliver all merchandise to alley loading platform of lessor, and lessor is to deliver it to location.

Clause 12 provides that insofar as the public is concerned, the department is to be conducted as an integral part of the business of the lessor. The lessee has no right to incur any debt or other liability in the name of the lessor, however.

Clause 13 states that the lessee is to advertise in the name of the lessor but is to pay for the advertising himself. The lessor is
to approve all advertising, which must conform to the type and style used by the lessor.

Clause 14 states that in case of fire the lease will terminate if it is impossible to carry on the business.

Clause 15 provides that if either party goes bankrupt or makes assignment for the benefit of a creditor, the lease is to terminate.

Clause 16 provides that the lessor is to fix the hours the leased department will be open.

Clause 17 reserves to the lessor the right to make adjustments or settle claims of customers.

Clause 18 provides that the department shall be conducted in a first-class manner and kept adequately stocked with representative merchandise at all times.

Clause 19 provides that window space shall be available to the lessee for advertising.

Clause 20 states that lessee will indemnify and hold lessor harmless of any act of commission or omission on the lessee's part.

Clause 21 requires that lessee carry adequate workmen's compensation insurance and public-liability insurance indemnifying lessor.

Clause 22 provides employee discounts for lessee's and lessor's employees and provides that lessor shall be paid the lease percentage on these accounts.

Clause 23 states that the lessee shall pay all taxes arising from operations of his departments.

Clause 24 states the lessor's agreement not to sell merchandise similar to that of the lessee.

Clause 25 provides that the lessor will deduct and retain carrying charges on time-payment or other credit accounts.

Clause 26 states that the lessee shall repurchase goods sold by him and repossessed, and provides for determining the balance due lessee and lessor when repossessed goods include goods purchased from both.
W... RESTROOM, WOMEN
M... RESTROOM, MEN
S & C... SALES OFFICE AND CLOSING ROOM
Your Building and Equipment

The home for your business—
keep it simple—
but pleasant and comfortable.

The size of your store will depend partly on the volume of business you expect to do. Size is related to rent, and your rent should be based on what you estimate your sales volume will be after a year's operation.

Occupancy expenses—that is, rent plus such expenses as maintenance salaries and supplies, repairs, insurance, heat, light, power, and so on—shouldn't total more than 5 percent of gross sales. So if you expect sales to level off at $100,000 at the end of the year, you can figure on $5,000 a year, or $400 a month, for occupancy expenses.

The size of the store is also directly related to the kind of merchandise you carry. If you sell only pianos and organs, 1500 to 2000 square feet will be enough to start with. A frontage of 20 feet with a depth of 100 feet will give you room for handling a representative line of pianos and organs as well as for office and repair facilities. If you plan to carry other instruments as well, you'll need more room. If possible, the store should open onto an alley in the rear for receiving and shipping. A typical
The layout for a retail music store selling pianos and organs is shown on page 16.

The Rooms You Need

Your business office and, of course, the repair room should be separated from the sales floor. Especially if you sell organs, it is well to have soundproofed studios for teaching individual beginners. Group or classroom teaching can be carried on in the evening when the store is closed for regular business. The studio operation is discussed further in chapter 5.

A couple of small closing rooms will give the salesman a place to take his customer for the final steps in a major sale—drawing up the contract for time payments, recording credit information, and so on. Two chairs and a simple desk are all the equipment you need in each closing room. Keep the desk clear, with contracts and other information filed away conveniently in the drawers.

Interior Finishing

The floor of your show window should be about 8 inches above the selling floor. It's a good idea, too, to elevate some of the spinets on the floor itself. If possible, have your floor carpeted to give a warm, homelike atmosphere.

The interior color of the store and the lighting are important. Warm pastel colors are best. You'll need adequate lighting fixtures of a type that brings out the best in the wood of the instruments. Consult a good electrical-goods supplier or the electric power company in your community for advice as to the best kinds of light for your products.

The store should be air conditioned and should have good acoustic properties. Ventilation is important in all rooms.

Your Display Window

Everyone passing your store will judge it from your show windows. They are the face you present to the passersby. They must be clean and attractive and protected against moisture,
condensation, frosting, fading, and heat damage. You'll need awnings or marquees, or perhaps tinted glass. The floors should be carpeted. Have the windows cleaned daily, and change the displays every week.

The background of the windows can be open, partly closed, or completely closed. Most music stores favor an open back, but this means that the entire store can be seen from the street. The layout behind the windows as well as the windows themselves has to be carefully planned.

The lighting of your display window is important. You'll need plenty of light, but the lights themselves should be concealed. There should be no shadows on the merchandise. Display windows are discussed further in chapter 11.

Your Outdoor Sign

An attractive outdoor sign is a must. It should be illuminated and well positioned to identify your store and attract attention. Install a timing control that will light the sign at sundown and turn it off at midnight.

Furniture, Equipment, Supplies

You don't need—nor want—many pieces of furniture on the sales floor or in your display window. If you want to have a brief display showing a room layout, you can borrow the furniture and accessories you need from nearby dealers. Just be sure to display a card crediting the merchants.

Office equipment you'll need consists primarily of desks and chairs, a typewriter, an adding machine, and—if you carry small cash items such as sheet music, records, or accessories—a cash register. Get a good, fire-resistant file cabinet with a lock. After the first year, you'll need transfer files.

You must have recordkeeping materials, but don't invest in them until after you've talked with an accountant. Here the National Association of Music Merchants can give you some help. Their standard accounting manual, for instance, can be used as a basis for discussing with the accountant the exact records and forms you need.
Delivery Equipment

You may find it cheaper to farm out your deliveries than to own a truck and man it. Every community has commercial delivery firms who will pick up and deliver pianos and organs. They will also unload pianos shipped by freight.

If you plan to sell in rural areas, however, you’ll have to lease or buy a van. If your community has no automobile agency that handles lease arrangements, go to the nearest large city and check the rental facilities there before you buy a truck.
The Studio Operation

A store studio is part of the sales effort. It is important to make the best possible use of it.

For the prospective music merchant with limited capital—and especially if he has teaching skill—a studio-sales operation may be the quickest and simplest way to get started. Some studio operations produce income from the rent collected from independent teachers who contract to use the studio facilities. The income from studio instruction, however, usually goes to the teacher, although in some cases the music merchant may withhold a small amount for his recordkeeping expenses.

Despite its small income-producing potential, the studio operation is an important adjunct to the music store. It produces the traffic necessary to sell both keyboard and other musical instruments.

The music studio may be a part of a musical-instrument store or of a store selling pianos and organs only. It may be in the downtown area, in an outlying neighborhood, or in a shopping center. In the piano, guitar, or band and orchestra instrument field, it should be located where children of elementary-school age have easy access to it. Organ studios, on the other
hand, can be located in business areas, since their appeal is to adults as well as children.

**Types of Teacher Arrangements**

Music-studio operations are carried on with two types of teacher arrangements. One is the independent contractor teacher, sometimes called the free agent. The other is the studio-employed teacher.

The independent teacher pays rent for the studio at an agreed-upon rate per lesson or per hour. A written contract covers all essential points of the arrangement. (Members of the National Association of Music Merchants can get a typed form of such an agreement by writing the association and requesting the comprehensive *Store Studio Manual*.)

The other type of teacher is an employee of the studio. Under this plan, teachers are paid by the lesson, by the hour, or by the week.

It is generally agreed that teachers should confine themselves to teaching. However, the store studio is basically a part of the sales effort of the retail music merchant. When a beginning instrument is sold or a rental plan started, the pupil should be assigned to a salesman, who should have free access to the teacher. The better teacher and salesman understand each other and their objectives, the better opportunity both have to profit.

The store manager must know at all times the status and progress of each student. Orchestras should be encouraged and pupils urged to take part in them after the first few lessons. Beginning bands also stimulate interest.

**Commissions to Teachers**

The matter of paying commissions to studio-employed teachers for selling instruments has been debated for many years. A small commission of from 1 to 3 percent for the teacher when a student buys a better instrument than he started with can usually be justified. More sales are likely to be made if everyone is constantly aware of the fact that the studio is in reality a sales
office. Some teachers have a special ability to create new and higher sales.

Sometimes studios limit the number of lessons offered to the number necessary to get the best instrument sold and the customer satisfied. They then turn the pupil over to an independent teacher or even to a school of music for more advanced teaching.

Some music dealers do business through school-band directors who may or may not be paid for sales made. In a few instances, outside piano teachers have received commissions in sales made with their help. Many retailers publicly condemn the practice of paying commissions to band directors and teachers, but the fact remains that it is still carried on in many areas. Generally, it is an expensive policy, and it does raise ethical questions. Some States have laws prohibiting salaried officials of a government agency (which school-band directors are) from accepting payments of this kind.

**Studio Lesson Plans**

There are two basic plans for teaching and selling any instrument, from piano to organ to drums or guitar—a rental lesson plan and a sales lesson plan. From the standpoint of costs, it is important to get the fullest possible use from the studios, regardless of the type of plan used. Most studios will be very busy after school hours on weekdays (from 3 or 3:30 p.m. till 6 or 7 p.m.) and all day on Saturdays. As much as possible, adult instruction should be scheduled in the morning or early afternoon.

**Rental lesson plans.** In the rental lesson plan, the studio grants the student the use of an instrument for the duration of the course. These loan plans may run as long as 20 weeks. Lessons may be group or private, or a combination of the two. A downpayment is usually required to apply on the last lessons.

Fees vary, depending on whether all group or all private lessons are offered. Usually, in these beginning rental plans, the full fee goes to the teacher, although, as previously mentioned, a small amount is withheld in some cases to cover recordkeeping.
expenses. Prices for private lessons on the piano range from $1.00 to $5.00 per half hour. Group lessons are usually less.

**Sales lesson plans.** Sales plans are often used to sell beginning musical instruments. Here is a typical beginning deal for a low-priced instrument:

- Selling price of merchandise $89.00
- M.L.R.¹—25 lessons at $1.00 25.00
- Carrying charge 4.00
- Tax on $89.00 at 3 percent 2.67

$120.67

¹ Music lesson reserve, the account set up for payment to the teacher.

Typical payment terms would be a downpayment of $14.00 and $4.00 a week for 26 weeks.

At the end of the 25 lessons, another 25-week lesson course may be sold for $25.00, or the pupil can be placed in a band or orchestra. A charge may or may not be made for participation in the band or orchestra. If there is a charge, it is usually very low. When the student's progress suggests that he is ready for a better instrument or the teacher recommends it, a more expensive instrument can be offered.

**Organ lesson plans.** Lesson plans are widely used with organ sales, rentals, or trials. If a sale is made, it will be a substantial one, and so the dealer may offer a prospective buyer the chance to learn to play at little or no cost. Sometimes an organ is placed in the home for a trial period at a very low rent, and lessons are given in the organ studio at the store. Organ manufacturers have many practical suggestions for promoting sales.

**Piano lesson plans.** There is no reason why the piano, too, can't be promoted as the basic music instrument and leased or sold with lessons. Class lessons with groups of 4 to 10 can be handled easily by a competent teacher.

The past few years have seen the introduction of the electronic piano and the rapid development of class piano lessons not only in public schools but in dealer studios. A new day is dawning in the teaching of piano, and piano manufacturers are actively promoting it.
Physical Facilities

Studio sizes vary, depending on the type of instruction being offered. All, however, should be well ventilated and sound-proofed. This is not always easy, since air conditioning and heating vents are sound carriers.

For private lessons on band instruments, the accordion, and the guitar and other fretted instruments, the studio room should be just large enough to accommodate teacher and pupil comfortably. Larger rooms are necessary for private instruction on marimbas, drums, pianos, and organs, although size is not too important for beginning students.

If plans call for class instruction in groups of four or more, obviously larger studios are necessary. Group instruction on musical instruments should usually be limited to 6 students—10 in the case of the guitar.

Rehearsal hall. There should also be a place for band or orchestra rehearsals. A recital hall isn't absolutely necessary. Recitals can usually be arranged in schools, lodge halls, church halls, or even homes. But it is an advantage to be able to hold the recitals in the store studio. The buyer traffic (parents) it creates is good, and the opportunity for you or your salesman to visit with the parents is valuable. It's also a good chance to display better instruments.

Electronic equipment. With the growth of class teaching and a decline in the number of qualified piano teachers, new group electronic teaching devices have been developed. Electronic techniques are now being used in both organ and piano teaching. As many as 24 pupils can be taught as a group. Confusion is avoided by the use of earphones.

Many leading piano and organ manufacturers have perfected instruments and courses of study. Schools of music and music departments of public schools, colleges, and universities are adopting the new methods.

Even the small music merchant should look into the opportunities in this area. For more information, write the National Association of Music Merchants, 222 West Adams Street, Chicago, Illinois 60606.
Your Starting Capital

It takes money to make money. Know how much you need before you start looking for it.

Many a beginning dealer has failed because he wasn't farsighted enough to plan his money requirements accurately or because his expected financial support dwindled or disappeared. Others have sold themselves into bankruptcy by trying to expand sales faster than they could finance with the credit they had. Or changed economic conditions made loans harder to get, and their reserves weren't large enough to carry them through.

How much money will you need to get a retail music store safely started and to support it and yourself until it begins to make a profit? The answer to this question depends on many factors—the kind of merchandise you plan to sell, your location, current business conditions, the size of your operation, your fixture and equipment needs, even the time of year you plan to open for business.

Consider the following table showing a typical distribution by months of annual music-store sales of $100,000—obviously you'll need a larger starting inventory if you open your store in the fall than if you open in the spring:
January $8,100    July $ 6,500
February  6,900    August  7,800
March    7,800     September  8,500
April    7,200     October  9,100
May      6,200     November 10,100
June     6,600     December 15,200

Any figures mentioned in this section, therefore, are intended only as a guide to what must be considered. You'll have to work out yourself the estimates of what you will need in your particular situation.

Your Basic Needs

If you are opening a new music store, you'll have to provide for the following basic needs:

1. The building and its preparation for your use
2. Store fixtures and equipment
3. A starting inventory of merchandise
4. An accounting system and forms
5. Stationery and office supplies
6. Personnel
7. Delivery arrangements
8. Insurance
9. An advertising plan and program
10. A budget for 1 year—expense and income
11. A bank connection
12. Licenses, permits, utilities deposits, and so on
13. Legal and accounting services in connection with getting started
14. A reserve fund large enough to take care of your expenses—business and personal—until the business can bring in enough money to do the job

How Much Money Do You Need?

You can only estimate how much starting capital you'll need; but for that very reason, you should get all the information you can on which to base the estimate. Once you have a good idea
of what size and type of store you want to have, you can get help in figuring how much you need for various items. Consult suppliers, real estate people, your banker, local authorities, and so on.

**Inventory.** Probably the largest single item in your estimate will be your investment in inventory. One way of figuring the cost of your beginning inventory is to break down the total sales you expect for the year by departments and work back from those figures. This method is illustrated in the following example:

**Complete Music Store**
*Annual sales volume $100,000*

<table>
<thead>
<tr>
<th>Department</th>
<th>Estimated sales (1)</th>
<th>Gross margin (2)</th>
<th>Cost of merchandise (3)</th>
<th>Inventory turnover (4)</th>
<th>Inventory requirements (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pianos</td>
<td>$18,000</td>
<td>39</td>
<td>$10,980</td>
<td>2</td>
<td>$5,490</td>
</tr>
<tr>
<td>Organs</td>
<td>22,000</td>
<td>37</td>
<td>13,860</td>
<td>2</td>
<td>6,930</td>
</tr>
<tr>
<td>Music instruments</td>
<td>20,000</td>
<td>42</td>
<td>11,600</td>
<td>1.8</td>
<td>6,440</td>
</tr>
<tr>
<td>Accessories</td>
<td>6,000</td>
<td>32</td>
<td>4,080</td>
<td>1.8</td>
<td>2,270</td>
</tr>
<tr>
<td>Radio and phonograph</td>
<td>10,000</td>
<td>30</td>
<td>7,000</td>
<td>2.5</td>
<td>2,800</td>
</tr>
<tr>
<td>TV</td>
<td>12,000</td>
<td>25</td>
<td>9,000</td>
<td>2.5</td>
<td>3,600</td>
</tr>
<tr>
<td>Sheet music</td>
<td>5,000</td>
<td>30</td>
<td>3,500</td>
<td>2</td>
<td>1,750</td>
</tr>
<tr>
<td>Records</td>
<td>7,000</td>
<td>30</td>
<td>4,900</td>
<td>2.2</td>
<td>2,230</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$100,000</strong></td>
<td></td>
<td><strong>$64,920</strong></td>
<td></td>
<td><strong>$31,510</strong></td>
</tr>
</tbody>
</table>

1 Percent of sales \[\frac{\text{Col. 1 \times (100 - Col. 2)} \times 100}{\text{Col. 3 + Col. 4}}\]

As explained in the discussion of inventory turnover beginning on page 44, if you can achieve a higher turnover, you can invest less in inventory. Because of uncertainties in shipping and the possibility of manufacturing shortages, however, you should start out with at least a 4 months' supply.

**Operating expenses.** You should have enough cash available to take care of your operating expenses for at least 2 months. First-year expenses, based on sales of $100,000, would probably run something like this:
<table>
<thead>
<tr>
<th>Type of expense</th>
<th>Percent of sales</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and commissions, including your own</td>
<td>16</td>
<td>$16,000</td>
</tr>
<tr>
<td>Occupancy</td>
<td>5</td>
<td>5,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>5</td>
<td>5,000</td>
</tr>
<tr>
<td>Receiving and shipping</td>
<td>2</td>
<td>2,000</td>
</tr>
<tr>
<td>Office and administrative costs</td>
<td>6</td>
<td>6,000</td>
</tr>
<tr>
<td>Service</td>
<td>1</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>$35,000</strong></td>
</tr>
</tbody>
</table>

**Startup costs.** Lay out as little cash as possible on your physical setup—you’ll need all you can save for expenses such as merchandise, advertising, and service. You can probably do much of the interior decorating yourself. Fixtures should be plain but attractive, chairs and desks primarily functional.

As for your opening day, you may be able to get a school-band group for a relatively small cash outlay. Or your future teachers will play. If you carry a single first line of pianos or musical instruments, the manufacturer may supply a name performer without charge.

Throwaways announcing the opening can be printed and distributed. If you own or lease a truck, have it carry an announcement sign. Window mobiles can be obtained from suppliers. A dignified newspaper advertisement will bring visitors if light refreshments are served.

You don’t need to spend more than $500 on your opening. Painting, fixtures, and furniture should be held to $1,000.

**Expected cash income.** With these estimates of inventory requirements and expenses, you can figure your monthly outgo. Cash income for the year by months is much harder to estimate, but you should set up an income budget as well as an expense budget. You need to know how much cash the business is likely to generate in order to know how large a reserve you must have to carry you through.

**Expect the unexpected.** Be sure to allow a cushion for unexpected expenses. Most prospective businessmen underestimate the amount of capital they need, and the results can be disastrous. It’s better to err on the conservative side.
Sources of Capital

The person who wants to buy or start a business must have money of his own before he takes the plunge. To be a good salesman isn’t enough; to be a good teacher isn’t enough; to be an accountant—or all three of these—isn’t enough. You must have capital. You may not have all the capital actually on hand, but it must be available. Sources of capital include these:

1. Personal savings
2. Loans from family or friends
3. Partnership or incorporation
4. Loans from financial institutions
5. Trade credit from suppliers
6. Loan from the owner if you buy a going business

**Personal savings.** The more money of your own you can put into the business (equity capital), the greater your chance of success will be. During the early period, while you are getting started, your income from the business will probably be slow, your cash limited. The less you have to put out for interest and loan payments, the better. Also, loans are usually easier to get if you are making a substantial investment yourself.

**Family or friends.** This is a commonly used source of funds, but it can cause a lot of trouble unless some precautions are taken. The lender should understand clearly the risks that every new business must face. He must also accept the fact that all decisions are to be made by you, that he may not interfere in the running of the business.

The loan agreement should be in the form of a written note that specifies the amount of the loan, how it is to be repaid, the renewal possibilities, the interest rate, and any other conditions. Don’t depend on verbal or unwritten understandings even with your closest relatives or friends. Business is business—and should be. All contracts and agreements should be expressed in detail in proper legal form.

**Partnership or incorporation.** Sharing the ownership of the business is a possible source of funds. If you can find the right
partner, it can also be a way to bring into the business abilities or experience that you yourself may lack.

The process of incorporation is regulated by law; the formation of a partnership is not. This leaves a partnership wide open to trouble unless the partners sign a detailed agreement. The agreement should be drawn up by a lawyer who is familiar with the problems that can arise in a partnership.

Advantages and disadvantages of the various forms of ownership are discussed in Chapter 13.

Financial institutions. Before you apply to a bank or other financial institution for a loan, be sure to have your plans carefully drawn up and well presented. It may be wise to get help from someone who knows loan-application procedures.

The banker will want a lot of information—how much is going to be invested in the business altogether, how much of it is coming from your personal funds, what qualifications you have for managing a retail music store, what collateral you can offer as security for the loan, and so on. There is no reason to resent his questions. The money he lends is other people’s money, and it’s his duty to be careful with it. However, his final judgment is after all a personal judgment. Don’t give up if the first bank you approach decides not to grant the loan. Another banker may see the picture differently.

Trade credit from suppliers. Credit is usually available from suppliers of equipment and merchandise. This can be an expensive form of credit, however. It should be used with care.

Former owner of the business. If you buy a going business, the seller will probably let you pay for the business over time. Usually, assets of the business serve as security. One problem is that you may find it harder to get funds from other sources when the seller has first claim on the assets of the business.

Small Business Administration. If you are unable to get a loan elsewhere at reasonable rates, the Small Business Administration may be able to help you. And in any case, the SBA offers management counseling at no charge. Get in touch with the nearest SBA field office early in your planning.
Your Merchandise

*Pencil and paper can carry your planning only so far. For some information, you have to go where the action is.*

With several hundred manufacturers and distributors selling various lines of merchandise, you may feel overwhelmed with high-pressure salesmen, each one wanting to sell his company's products. Many dealers make the mistake of overstocking and carrying too many lines. This slows down turnover and restricts your credit.

Generally speaking, it is best to do business with a few reliable, well-established distributors or manufacturers who will be sincerely interested in your long-time growth and success. Some lines are exclusive, others are not. Usually, if you are granted exclusive representation, you will have to sell a stated minimum quantity within a given length of time in order to keep the franchise. This can be a dangerous commitment unless you know your market potential, the quality and popularity of the product, and how strong the competition is in your market.

All other things being equal, it is wise to deal with a source that isn't too far away. You can't stock everything you might have a call for. To be able to phone for what you need and get overnight delivery often makes the difference between adding a
new customer and losing him. One test of a good supplier is his concern in filling emergency needs, whether the order is large or small. (This doesn’t apply to pianos and organs, since they usually come directly from the manufacturer.)

**Sources of Merchandise**

The electrification of musical instruments of many types is evidence of the growing market for modern musical merchandise. As a prospective dealer, you should acquaint yourself with all these developments and with the principal sources for both the new and the more traditional types of merchandise.

**Pianos and organs.** Dealers in pianos and organs usually deal directly with the manufacturers. Because of the limited sale of these items, many manufacturers appoint only one dealer in a city or sales territory.

Changes in dealerships are constantly being made, however. If you are interested in a specific line of merchandise, write directly to the factory or seek out a traveling representative of the manufacturer. Or you can contact the manufacturer at the conventions of the National Association of Music Merchants.

**Other musical instruments.** Many kinds of nonkeyboard instruments, such as accordions, band instruments, and guitars and other fretted instruments, are sold through distributors, though some manufacturers deal directly with franchised dealers. Hundreds of salesmen travel over the country representing the many lines of music merchandise.

**Sheet music.** Sheet-music stock for small music stores consists of (1) popular vocal, piano, and organ music; (2) teaching materials; (3) the music on contest lists; and (4) band, orchestra, and choral music for schools and colleges. The best thing for you to do is to have a representative of a music publisher or distributor visit your store. Discuss the matter with him thoroughly before you venture into promoting and selling sheet music. In many market areas, the field has good possibilities. Study the opportunity in your community.
Sometimes a retail dealer supplies space for a rack jobber. The rack jobber sets up the racks, supplies the merchandise, and services the racks regularly to keep them up to date. The dealer sells the music, collects for it, and makes a regular accounting to the rack jobber, who then pays the dealer a commission.

Phonograph records and tape recordings. Phonograph records, tape recordings, and the instruments for playing them are highly specialized in their distribution. They are discussed separately in chapter 12.

Rental Instruments

The renting of pianos, organs, and other musical instruments is common in the music business. Some dealers rent only used merchandise; others rent both new and old. Many rent either new or old merchandise with option to buy.

A project of this kind requires a sizable investment of money, but you can begin on a small scale and plan a steady expansion. A rental stock is usually accumulated over a period of time by adding from 1 to 10 pianos to the rental "bank" each year.

Information About Sources

A good source of information about suppliers or music merchandise is The Purchasers Guide, published every year by The Music Trades Magazine, 111 West 57th Street, New York, N. Y. 10019. This guide to the music industries—which every music dealer should have—lists the following:

- Manufacturers of musical instruments, pianos, organs, and chimes
- Harpsichord manufacturers and importers
- Sources of piano, organ, and tuner-technician supplies
- Piano-organ schools and literature
- Used and rebuilt piano wholesalers
- Publishers and wholesalers of sheet music
- Music engravers and printers
Musical merchandise manufacturers and wholesalers
National music trade associations
Trademarks of the music industry
Trademark manufacturers' code

In addition to this guide, there are many monthly trade journals and magazines that will help to keep you abreast of the new and rapidly changing merchandise and marketing techniques in the music industry.

As soon as possible after you decide to open a retail music store, you should attend a convention of the National Association of Music Merchants and visit the manufacturers' exhibits. These conventions are held every year in June. They bring together not only the leading music dealers in the United States but also manufacturers, importers, and distributors of every type of music and music merchandise.

Pianos, organs, band instruments, stringed and fretted instruments, accordions, violins, sheet music, accessories of every description, both group and individual teaching methods and equipment, pianos and organ supplies, service equipment and parts—all are on display with salesmen to explain them. In addition, many sessions of the convention are given to discussions of the problems of music dealers, including financial matters, advertising, personnel, promotion, and general management.

Regional conferences are also held each year. These meetings, too, are challenging and informative.
Financial Management

Good financial management requires good records and good judgment.

Financial management begins with good records. Unless you have had accounting training, one of your first steps should be to make a connection with a good, reliable accountant. He will help you plan and set up your accounting system and will explain its use.

If your records are well planned, reasonably accurate, and kept up to date, they will serve many purposes.

• They can show the financial status of the store at any time.
• They show trends in the store as a whole and in individual departments.
• They keep important facts about your business available at all times. This is especially important when you need a loan.
• They help you supply a distributor or manufacturer with information on which to establish your credit.
• They give you basic information with which to compare your business with similar businesses.
• They make it possible for you to plan intelligently.
• They will help to establish your claim for loss with your insurance company in case of fire, theft, or other loss.
• If you should decide to sell your business, they will help establish the price.

Many businesses have failed because their financial records were poorly organized or not kept up. Danger spots that good records would have brought to light were not discovered until it was too late. Too, some outside agencies have a right to be concerned about the company's facts and figures. Banks, bond companies, and other lending agencies must know what financial shape their clients are in. The city, State, and Federal governments are also concerned because of taxes and other matters.

Types of Expenses

A beginning music dealer often doesn't realize how many different items of expense have to be kept track of in the operation of a complete music store with teaching studios. A functional list of items you'll need to account for each month, with monthly and year-to-date figures, is shown in the box on page 38.

You'll need an accounting system that will provide for recording these expenses as well as all types of income. The system should enable you to keep your records up to date with the least possible expenditure of time, yet in a form that makes the information easy to use in managing your business. Without good records, you can be losing money and not even know it.

There are many advantages in using a standard accounting system. One of them is that you then have a basis for comparing your business with similar businesses. The National Association of Music Merchants has prepared such a system—the Standard Accounting Manual for Music Stores. The manual was developed from and tested in actual experience.

Basic Record Books

You'll need at least three basic record books: a journal, a ledger, and a checkbook.

The journal (sometimes called a daybook) is a chronological record of the transactions of the business. Each entry in the journal shows (1) the date of the transaction, (2) a brief de-
scription of it, (3) the amount of money involved, and (4) the accounts affected by the transaction. (An account is a record of the increases and decreases in one type of asset, liability, capital, income, or expense.)

The ledger is the most important record in the accounting

<table>
<thead>
<tr>
<th>Types of Expenses in a Music Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Commissions</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Prizes and awards</td>
</tr>
<tr>
<td>Receiving and shipping</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Depreciation (e.g., truck)</td>
</tr>
<tr>
<td>Credit</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Telephone and telegraph</td>
</tr>
<tr>
<td>Postage</td>
</tr>
<tr>
<td>Credit reports</td>
</tr>
<tr>
<td>Taxes</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Donations</td>
</tr>
<tr>
<td>Depreciation—furniture and fixtures</td>
</tr>
<tr>
<td>Interest on loans</td>
</tr>
<tr>
<td>Reserve for bad debts</td>
</tr>
<tr>
<td>Occupancy</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Rental</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Repairs</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Heat, light, power</td>
</tr>
<tr>
<td>Credit—leased departments, etc.</td>
</tr>
<tr>
<td>Music school</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Supplies</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Teachers' fees</td>
</tr>
<tr>
<td>Band lessons</td>
</tr>
<tr>
<td>Credit—music tuition</td>
</tr>
<tr>
<td>Credit—rent to teacher</td>
</tr>
</tbody>
</table>
system. It is a book or file in which a number of accounts are kept together. Each entry made in the journal is later transferred, or posted, to the proper account in the ledger. This groups the information in such a way as to make it easier for you to use.

Record in your *checkbook* all payments you make except those made from the petty cash fund. Also record all bank deposits. The checks should be prenumbered and the stubs should have enough room to record the purpose for which each check is written and the account to which it should be charged. *All receipts should be deposited daily.* Have a separate checking account and checkbook for your personal funds.

If small cash payments are sometimes necessary, use a petty-cash fund set up (and replenished when necessary) by cashing a check made out to "Petty Cash." Be sure to keep an accurate record of all additions to and withdrawals from this fund.

If you have any employees, you'll also need a *payroll record.* You can get a book for this purpose at any office supply store. This record will show each employee's gross earnings; the amount and nature of all deductions, including Social Security and withholding tax; and the net payment to the employee.

**Financial Statements**

The end products of your financial records are the reports known as financial statements. Two of these reports with which every businessman is concerned are the balance sheet and the profit-and-loss statement.

**The balance sheet.** The balance sheet shows the financial condition of the store at a given point in time, usually at the close of business on the last day of the month and the last day of the year. It lists the assets and liabilities of the business and the owner's equity, or proprietorship.

The liabilities may be thought of as the creditors' rights to the assets and the owner's equity as the owner's rights to the assets. The total of all the rights to the assets must, of course, equal the assets. This gives rise to what is known as the balance-sheet equation: assets = liabilities + proprietorship. Or,
changing the order of the equation: Proprietorship = assets – liabilities.

A balance sheet for a small music store might look something like the one shown below. Current assets are assets that are normally converted into cash within a short time, usually a year or less. Fixed assets are those that are more permanent, such as buildings or equipment. Current liabilities are debts of the business that are payable within a year. Long-term liabilities

| XYZ Company |
| Balance Sheet, December 31, 19- |
| **Assets** |
| Current assets: | |
| Cash | $20,000 |
| Accounts receivable | $6,000 |
| Less doubtful accounts | 1,000 |
| Merchandise inventory | 30,000 |
| Total current assets | $55,000 |
| Fixed assets: |
| Office and store furnishings | $1,000 |
| Shop equipment (net) | 2,000 |
| Total fixed assets | 3,000 |
| Total assets | $58,000 |

| Liabilities and proprietorship |
| Current liabilities: |
| Bills payable | $5,400 |
| Notes payable | 1,800 |
| Taxes payable | 600 |
| Interest payable | 100 |
| Total current liabilities | $7,900 |
| Long-term liabilities—loan | 10,000 |
| Total liabilities | $17,900 |
| Proprietorship or net worth | 40,100 |
| Total liabilities and net worth | $58,000 |
are debts that run for at least a year. Proprietorship, or net
worth, is simply the difference between the assets and liabilities
listed, as shown in the second of the above equations.

**Profit-and-loss statement.** The profit-and-loss statement sum-
marizes the store's operation over a given period and shows
how much profit or loss resulted. It shows how much merchan-
dise was purchased and sold, the cost of the goods sold, the
gross margin, various types of expenses, any income other than
that from sales, and the profit or loss for the period. A typical
profit-and-loss statement is shown on page 42.

**Analyzing Your Financial Statements**

You can get certain clues from your financial statements that
will help you understand better just how your business is
doing. These clues will reveal the trend of your business from
month to month or from year to year, and you'll be able to see
how you are doing in comparison with other music retailers.
Some of the most helpful of these clues are the following:

**Working capital.** Your working capital is the amount of your
assets that can readily be converted into funds needed to run
your business.

\[
\text{Working capital} = \text{current assets} - \text{current liabilities}.
\]

For the XYZ Company (see page 40), this will amount to
$55,000 - $7,900, or $47,100.

**Current ratio.** The current ratio is one of the best known
measures of financial strength. The main question it answers is
this: “Does your business have enough current assets to meet
its current debts—with a margin of safety for possible losses
such as inventory shrinkage or uncollectible accounts?”

\[
\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}.
\]

The XYZ Company's current ratio is $55,000 + $7,900, or 7
to 1.
### XYZ Company

**Profit and Loss Statement for Year Ended December 31, 19—**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales:</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>$116,200</td>
</tr>
<tr>
<td>Less sales returns and allowances</td>
<td>2,550</td>
</tr>
<tr>
<td>Net sales</td>
<td>$113,650</td>
</tr>
<tr>
<td>Cost of goods sold:</td>
<td></td>
</tr>
<tr>
<td>Merchandise inventory, January 1, 19—</td>
<td>$ 25,600</td>
</tr>
<tr>
<td>Purchases</td>
<td>$76,105</td>
</tr>
<tr>
<td>Less: Purchases returns and allowances</td>
<td>$3,420</td>
</tr>
<tr>
<td>Discounts</td>
<td>1,285</td>
</tr>
<tr>
<td>Net purchases</td>
<td>$71,400</td>
</tr>
<tr>
<td>Merchandise available for sale</td>
<td>$ 97,000</td>
</tr>
<tr>
<td>Less inventory Dec. 31, 19—</td>
<td>23,175</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>$ 99,825</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Selling expenses:</td>
<td></td>
</tr>
<tr>
<td>Salesmen</td>
<td>$11,950</td>
</tr>
<tr>
<td>Advertising</td>
<td>4,050</td>
</tr>
<tr>
<td>Supplies</td>
<td>620</td>
</tr>
<tr>
<td>Depreciation—store equip.</td>
<td>740</td>
</tr>
<tr>
<td>Delivery and miscellaneous selling expense</td>
<td>1,400</td>
</tr>
<tr>
<td>Total selling expense</td>
<td>$18,760</td>
</tr>
<tr>
<td>General expenses:</td>
<td></td>
</tr>
<tr>
<td>Office salaries</td>
<td>$ 6,120</td>
</tr>
<tr>
<td>Office supplies</td>
<td>438</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,600</td>
</tr>
<tr>
<td>Bad debts</td>
<td>615</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,727</td>
</tr>
<tr>
<td>Depreciation—office equip.</td>
<td>620</td>
</tr>
<tr>
<td>Rent, including utilities</td>
<td>1,800</td>
</tr>
<tr>
<td>Repairs</td>
<td>420</td>
</tr>
<tr>
<td>Total general expenses</td>
<td>$13,340</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$32,100</td>
</tr>
<tr>
<td>Net income from operations</td>
<td>$ 7,725</td>
</tr>
<tr>
<td>Other income:</td>
<td></td>
</tr>
<tr>
<td>Studio rental</td>
<td>$150</td>
</tr>
<tr>
<td>Other expense:</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$500</td>
</tr>
<tr>
<td>Net subtraction</td>
<td>$ 350</td>
</tr>
<tr>
<td>Net profit</td>
<td>$ 7,375</td>
</tr>
</tbody>
</table>
A generally popular rule of thumb for the current ratio is that it should be at least 2 to 1; that is, that your total current assets should be twice your current liabilities. But this is not a hard and fast rule. Whether a specific current ratio is satisfactory depends on the nature of the business and the characteristics of its current assets and liabilities.

**Acid-test ratio.** The acid-test ratio is similar to the current ratio, but it is much more exacting. In figuring the acid-test ratio, inventory is not included in the current assets—only cash on hand (including your bank account), Government securities, and receivables. It helps to answer the question, “If all sales revenue should disappear, could my business meet its current obligations with the readily convertible, ‘quick’ funds on hand?” An acid-test ratio of about 1 to 1 is usually considered satisfactory if the accounts receivable collections are good.

\[
\text{Acid-test ratio} = \frac{\text{cash + Government securities + receivables}}{\text{current liabilities}}.
\]

For the XYZ Company, this becomes $25,000 + $7,900, or about 3 to 1.

**Average collection period.** The average collection period of receivables shows how many days’ sales you have tied up in your accounts receivable.

\[
\text{Average collection period} = \frac{\text{receivables}}{\text{average sales per day}}.
\]

The XYZ Company for the year reported had average sales per day of $113,650/365, or $311. The average collection period is then $5,000/$311, or 16 days.

**Return on owner’s equity.** This measure shows the return you received on your own investment in the business.

\[
\text{Return on owner’s equity} = \frac{\text{net profit}}{\text{net worth}}.
\]

For the XYZ Company, $7,375 + $40,100 = .184, or 18.4 percent. Since only one net worth figure is given for the XYZ
Company, that figure was used. Usually, an average net worth is used. Average the 12 individual months if you have prepared monthly financial statements. Otherwise, average the net worth figures from the year’s beginning and ending balance sheets.

**Inventory Turnover**

Inventory turnover is the ratio of the cost of goods sold to average inventory—that is, the cost of goods sold divided by the average inventory. Usually, inventory is taken at the end of the fiscal year and the ending and beginning inventories averaged.

The turnover rate shows how fast your merchandise is moving—how many times your stock is sold and replenished in a given period of time—usually a year. A report published by the National Association of Music Merchants gives the following annual turnover ranges for complete music stores with sales of $100,000 to $250,000 a year:

<table>
<thead>
<tr>
<th>Department</th>
<th>Turnover range</th>
<th>Typical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pianos</td>
<td>1.5 to 2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Organs</td>
<td>1.2 to 2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>1.0 to 1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Accessories</td>
<td>0.9 to 1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Sheet music</td>
<td>1.1 to 2.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Records</td>
<td>1.8 to 4.2</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Inventory turnover is an important clue. It is a measure of merchandising efficiency. If you can improve turnover, you can invest less in inventory. There is no greater waste of capital funds than in merchandise that doesn’t sell.

Increasing the rate of stock turnover is probably more important in the music business than in many other businesses because the price per unit is high. Here are some of the advantages of a higher turnover:

- Your money is used more efficiently. The higher the turnover, the smaller your capital investment can be in proportion to sales. For example, suppose you are aiming for annual sales of $100,000, with the cost of goods sold at $65,000. If you can achieve a 5-time turnover, you’ll need to invest only $13,000 in stock. With a 4-time turnover, you’d need $16,250 to reach the
same sales level; with a 2-time turnover, $32,500. The small dealer with limited capital needs to watch his inventory and sales figures very carefully so as to make every dollar count.

• Interest, some taxes, insurance, and other expenses are lower in relation to sales. Less floor space is required, and handling costs per dollar of sales are reduced.

• Markdowns are fewer because with a faster turnover rate goods remain in stock for a shorter time. There is less physical deterioration.

• New styles can be offered more quickly.

It's possible, however, to overemphasize turnover rate. If you carry too little merchandise, so that you don't have a representative line to offer, you'll lose sales. It's wise to watch the experience of the trade as shown in national averages.

Recording Trade-ins and Repossessions in Inventory

Merchandise acquired through trade-ins or repossessions should be included in your inventory at its estimated purchase price in the local secondhand market, regardless of the amount allowed for the trade-in or the unpaid balance on repossessed merchandise. If you can't estimate the price of a similar secondhand unit accurately, use the following formula: estimated selling price minus profit margin and reconditioning cost = inventory price. For example:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated selling price</td>
<td>$395.00</td>
</tr>
<tr>
<td>Profit margin (40 percent)</td>
<td>$158.00</td>
</tr>
<tr>
<td>Reconditioning cost</td>
<td>175.00</td>
</tr>
<tr>
<td>Inventory price</td>
<td>$ 62.00</td>
</tr>
</tbody>
</table>

Rental Accounting

If most of your rentals, or a large percent of them, do not develop into sales, record the rental in the rental-income account. If many do result in sales and you apply the rent received as payment on the merchandise, you'll find it easier to record the deal as a sale in the first place.

Depreciation of rental pianos is handled as follows: Set up in your ledger a separate asset account, "Rental Pianos." Now sup-
pose you buy a piano for a wholesale price of $500. From the
date of purchase, the piano is carried in the “Rental Pianos”
account as a fixed asset. It is then treated in the same way as
office equipment or any other asset subject to depreciation.

First, establish the probable salvage value of the piano—say,
20 percent of the wholesale price, or $100. The basis for record-
ing depreciation of the piano will then be $500 minus $100, or
$400. Writing this amount off over 10 years at 10 percent a year
gives a depreciation expense item of $40 a year. This $40 is a
tax-deductible item each year until the piano is depreciated to
its salvage value.

If you can rent the piano for $25 a month, your income from
it will be $300 a year. The piano will soon pay for itself and
provide a good income.

Customer Credit

A small dealer can’t “handle his own paper”—that is, carry
his own time-payment accounts—unless he has more than the
usual amount of cash. Usually, he has to set up a line of credit.
This is done either with a local bank or finance company or, in
some instances, with the manufacturer or even the wholesaler.

The wise dealer establishes a line of credit at his bank. This
makes it possible to take discounts on his own purchases when
it pays. He also arranges to sell or pledge his accounts receiv-
able. Since most pianos and larger musical instruments are sold
over a 12 to 36 months period, you will want to know your
banker well and he will want to know all about you.

When you make a time-payment sale, be sure to get from the
customer all the information the banker will want. After you
have this information, check with the local retail credit bureau.
Then, before delivery is made, call on your banker and show
him the deal.

Many dealers don’t fully realize what happens when they
make a time-payment sale. If you buy a piano that sells for
$1,000, you pay $600 for it at best. If you sell it for 10 percent
down, you get $100 in cash. How will you continue to buy pi-
anos for cash when you won’t get your cost out of the sale for at
least a year?
The banker will loan you up to 90 percent on an extra good deal of $900 or less. But if the customer doesn't keep up his payments to the bank, you must take the deal back and your profit has been lost. Most paper (time sales or deals) is sold with recourse, which means that the dealer must either buy back from the bank any sale that falls through or replace the sale with a new one.

Many dealers have been better salesmen than credit evaluators and have gone broke by selling too many poor risks. Your local banker is your friend. It's better to take less good business than more poor business. It's better to get your banker's advice before you close a deal than after.

Some State savings and loan associations advance money on time sales. So do national credit companies. But charges tend to run high. And be sure to read all the fine print in your financing agreement before you sign.

Here are some of the weaknesses that have led many small businessmen down the path toward failure:

- Too little capital
- Carelessness in granting credit
- Poor recordkeeping
- Personal extravagance
- Unwise buying
- Too high a \*\* overhead
- Too high trade-in allowances or discounts
Other Management Concerns

Success in a retail business is largely a matter of merchandising ability—and good management.

One of the first management lessons you must learn is to maintain a businesslike attitude in all that concerns your store. This applies to all aspects of your business—how you handle your finances, your personal habits, your handling of employees, the appearance of your store and merchandise, and many other areas.

It is important to keep your business affairs strictly separate from your personal affairs. This is especially true in money matters, but it also applies to time and energy. Too many new business owners fail to keep separate from the expenses of the business such items as living expenses, payments for personal expenses, loans to relatives, cost of meals and of gasoline for the car, and a score of other personal items. And often a man who was careful about his appearance and punctual about work hours while he was responsible to someone else neglects these matters when he is responsible only to himself.

The added responsibility of owning and managing your own business should increase your determination to keep personal
expenses completely separate from business expenses, to obey all schedules strictly, and to look at all times like a successful merchant. Responsibility should be reflected in all your relations with customers. As for your employees, whether you have 1 or 20, you should develop a certain type of impersonal relation with them that will earn both their respect and their confidence.

Personnel

If you start with pianos and organs only, you'll probably be able to get along with one or two employees at the beginning—a salesman for one, or, if you yourself are a salesman, an office manager who can handle the books. You should be able to find part-time cleaning people and delivery men. As soon as possible, hire a second salesman to handle either organ sales or piano sales so that each line will be well represented. Selling costs, however, including your salary, should not go above 11 to 12 percent of sales.

If possible, get a tuner-technician and also a teacher for the piano and one for the organ. These positions should be self-supporting.

Every employee, whether you have one or many, is entitled to know just what his responsibilities are, what you expect of him, and what he can expect from you. The easiest way to handle this is to mimeograph or print a statement covering such policies as the following:

<table>
<thead>
<tr>
<th>Working hours</th>
<th>Payroll deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacations</td>
<td>Insurance</td>
</tr>
<tr>
<td>Sick leave</td>
<td>Employee discounts</td>
</tr>
<tr>
<td>Absenteeism</td>
<td>Other employee benefits</td>
</tr>
<tr>
<td>Method of salary payment</td>
<td></td>
</tr>
</tbody>
</table>

A brief store manual should also be prepared explaining overtime, lunch hours, use of telephone, legitimate expenses, and so on. (The National Association of Music Merchants has a brief manual, called You and Your Job, that fills this need well and is free to members. The Association also has "Application for Employment" forms available.)
Finding Salesmen

Selling musical instruments, pianos, or organs is a pleasant and satisfying activity. To sell the benefits a musical education can bring to a child or an adult is to engage in work that is truly a worthwhile service.

Salesmen can be recruited from the encyclopedia, mobile home, insurance, and house-to-house selling fields, as well as among teachers and specialty salesmen of every type. Men and women who have initiative, who have creative, active minds and the ability to speak enthusiastically, make the best salesmen.

Run classified ads in your local paper—the Sunday edition if there is one. Inquire of your friends. Be on the lookout constantly for the type of person you need.

Interviewing. Interviews with applicants should be thorough. Try to evaluate the prospect’s interest, reliability, sincerity, and past performance. It’s better to have no salesman at all than a poor one. A man with the qualities to succeed in this field must be a high-grade individual, a good mixer, with initiative, good manners, a pleasant manner, and a sense of humor.

Experience in selling music merchandise isn’t necessary. A prospect without experience may become a better salesman than one who has worked in the music business for years but who never got anywhere or is “burned out.”

Training. Don’t hire a salesman until you have in mind a definite plan for training him, especially if he is inexperienced. Every manufacturer of music merchandise has modern, practical sales-training material. The major manufacturers or their distributors have trained representatives who not only supply materials but actually work with a new salesman in the field.

Compensation. Beginning salesmen should be paid a salary for at least 90 days—and it should be a living salary. Just what the amount will be depends on economic conditions, your location, the size of your city, and competitive factors. Men with the qualities to succeed in this field are not cheap, but they will
help you to succeed. After the first 90 days, the salesman should have developed enough skill and confidence in himself to want to go on a commission plan of some kind.

Servicemen

Good piano and organ servicemen are very hard to find. You may find it necessary to attend or have your salesman attend an organ-repair seminar. Such a seminar will be offered from time to time by the company whose line you handle. It's a good idea to visit the factory before you open your store. Make yourself familiar with the problems you are likely to meet and the techniques needed for emergencies. This is especially important for organ repair.

A piano tuner is essential. Often transient tuners are available, and sometimes tuners retire from active work to smaller cities. If the community is large enough, there will always be opportunities for someone who is both a good piano tuner and a good repairman to make a good living, but such a man may be hard to find.

A small dealer is better off to buy his used pianos from firms that specialize in overhauling and selling used pianos than to try to operate a piano repair shop himself. The refinishing problem is especially difficult. Refinishing requires special equipment, ventilating fans, and a heavy investment of money that can hardly be justified until your business is well established and you have considerable sales volume. You may be able to find a man or shop to refinish pianos in your community. Occasionally, a piano repair shop is available.

Much refinishing and repair of hand instruments is handled by the manufacturer of the instruments or by special service and repair companies recommended by the manufacturer or listed in The Purchaser's Guide mentioned earlier. For a small dealer, this is the most economical method of handling these repairs. Prices are listed and can be quoted to school band directors.

The time element must be taken into account when you have work of this type of be done. The repair agencies are extremely busy during the summer months.
Store Housekeeping

Customers receive an impression of your store the minute they step through the door—and first impressions are lasting ones. It is your responsibility as manager to see that this impression is a favorable one. An attractive, well-kept store; airy, clean studios; and a well-planned window display will do much to increase your sales and promote good will among your customers. A dirty store, an untidy atmosphere for your students, and uncreative or poorly kept displays are just a few of the factors that will help you lose money.

A dirty store is a discourtesy to your customers. Nothing can affect their attitude more unfavorably than finger marks on the walls, smudged showcase glass, cigarette butts, and disorderly piles of merchandise. A spotless floor, on the other hand, carefully arranged merchandise, and a well-ventilated and lighted salesroom will put customers in a receptive frame of mind and give you and your employees a more pleasant place in which to work.

Apply the same standards to your studios as to your selling area. Often parents come with their children. Why run the risk of offending a customer by letting a student take his lesson in an untidy studio or one that is improperly lighted, heated, or ventilated?

Care of Merchandise

The merchandise you carry is expensive and fragile. Instruments are often scratched and dented through sheer carelessness. Many employees don't realize what a financial burden such carelessness puts on the store.

Take particular care of your piano stock. It is good practice to keep pianos open during business hours, but some dealers close them during the night to keep them as free of dust as possible.

Don't allow unrestricted playing of your pianos. If you do, they are bound to get scratches that will lower their value.

Many teachers like to hold jam sessions after store hours. Have them use their own instruments, to eliminate the risk of
injury to your stock. And don't loan instruments overnight either to employees or to prospects, no matter how much you'd like to do it.

Shipping Records

You can't assume that you'll automatically get the best and cheapest transportation service or that errors won't creep into shipping transactions. You yourself must keep adequate and specific records.

No music dealer should be without the *Transportation Manual* published by the National Association of Music Merchants. Just a listing of some of the subjects it covers will give you an idea of how complex the shipping operation is: terms of purchase; routing; receiving the shipment; shipping associations; loss and damage claims; auditing—overcharge claims; auditing—invoice and order; returns to vendor; insurance on shipments; best ways to ship; a glossary of technical terms; forms of delivery receipt; freight bills; standard forms for presentation of loss and damage claims and claims for overcharge; record form for shipments received.

The *Manual* is free to members of the Association. It will help you avoid mistakes and save you a great deal of time, money, and worry.
Selling

Know your product.
Know your customer.
Know how to use your knowledge to sell.

Salesmanship isn’t the whole company, someone has said, but the whole company is salesmanship. Many people have tried to define salesmanship. It’s not an easy concept to pin down, but here is a good definition: Salesmanship is the ability to interpret product and service features in terms of benefits and advantages to the buyer and persuade and motivate him to buy the right kind of product.¹

A music merchant must be a salesman—there’s no question about that. He must have, or hire, the characteristics needed to persuade prospects to buy his products. And he must have the initiative, or drive, to constantly seek out new prospects. Most people like music, but nevertheless music merchandise requires hard selling.

Knowledge of the product is an important requirement for a salesman, but it isn’t enough. He also needs to understand human nature, and he needs skill in using his knowledge of product and people to accomplish his objective.

It's important to get the customer's viewpoint before you try to persuade him to buy. Salespeople often overlook this. Some very successful salesmen first take a prospective customer into a room and sit down with him for a while. This informal, unpressured conversation gives the salesman insights of great value. The information he gains helps him plan his approach and forestall objections. Often it prevents him from making serious mistakes later in his presentation.

When salesmanship becomes a problem-solving task, it becomes exciting. Selling pianos, organs, and musical instruments is a profession worthy of any salesman's entire time and effort. He must be a specialist. He must know the product—its history, what it is made of, how it is made, its use, its special features. And he must have the same information about the leading competitive products.

But this knowledge in itself will never sell. It is the use of the knowledge that is important, and this requires an understanding of the customer, his economic condition, his needs, his authority to buy, his peculiarities, interests, hobbies.

Most buyers in a music store are parents, there because of their children. Here are some of the things these parents hope learning a music skill will do for their children:

- Give the child fun as he plays.
- Help him grow socially as he plays in recitals, contests, and festivals, or with small groups.
- Discipline and develop the child's mind.
- Develop his self-confidence.
- Build initiative, leadership, a sense of responsibility.
- In short, build character and make for constructive use of leisure time.

What You Should Know

As a music-store owner, you don't have to be an accomplished salesman if you can hire someone who is. You yourself may be a better finance man, or a specialist in organization, service, or teaching. But even so, you should become familiar with the elements of salesmanship, and you should have a working knowledge of the construction of your musical merchandise.
The piano has been selected as a basic instrument to use in the following discussion, but the same general techniques apply to all musical instruments.

*Know the basic qualities of the instrument.* The piano has four basic points of merit embodied in its construction: tone quality, responsiveness of action, beauty of appearance, and durability. These are the qualities that make a piano worth owning. The more pronounced these qualities are, the better the piano.

The action of a good piano is the delight of an accomplished musician. It is quick to respond to the touch, and even the most intricate and rapid arpeggios can be executed perfectly. This is due to the great care and high-grade materials used in the construction.

Appearance has always been important in pianos. Beautiful tone and perfect action won't appeal to the prospective customer unless the instrument is housed in a case that is pleasing to the eye and constructed with exacting care. Good pianos tend to be simple in design.

Durability will be an important point to the careful buyer. Pianos are built to last. They must give years of faithful service because they represent a relatively large expenditure.

*Know the line you carry.* Study the literature of the piano factory. Acquaint yourself thoroughly with the reasons why your line of pianos is outstanding in the qualities discussed above. You should develop at least a speaking acquaintance with the subject of piano construction and with the various types of pianos in the line. Learn about the materials used in the pianos, how the wood is seasoned, the importance of the hidden parts (action, sounding board, strings, and so on). You should have this type of knowledge about all the musical instruments you carry.

**Seven Fundamentals for Music Salesmen**

1. *Follow a plan.*

A plan is the only way a salesman can protect his most valuable asset—time.
2. **Canvass systematically for prospects either by phone or by personal contact.**

Most sales are made to prospects found this way. Many people don’t respond to advertising and must be hunted out. Also, canvassing locates people who are considering other makes of instruments. It’s the only way to find potential customers who have been attracted by your advertising but whose interest isn’t strong enough to bring them into the store.

3. **Talk to at least 10 people each day.**

Every sale begins with a contact. The salesman who uses this rule ensures himself a steady flow of sales.

4. **Find at least one new prospect each day.**

A prospect must be found before a sale can be made. The successful salesman works constantly to add new prospects to his list. There will be days when several promising ones are found, but the salesman should be determined every day not to quit until he has found at least one real prospect. This will enable him to maintain an average of 10 real new prospects each week, which should be his minimum goal.

5. **Keep up your contacts with present owners.**

People who already own one of your pianos are among your chief sales aids. They provide the names of prospects, furnish testimonials, and advertise your store by word of mouth.

Keep in touch with them. Never let a day go by without at least one call on an owner.

6. **Be prepared to make evening calls.**

A piano or organ is a major purchase to the average buyer. The decision must be made by husband and wife together. For this reason, it’s usually necessary to talk to the husband in order to get the order.

Evening calls, when the salesman can talk to the husband and wife together, produce more sales than daytime calls. A salesman who doesn’t use evenings for calling on prospects is losing an opportunity to increase his earnings.

7. **Know your sales story—and believe it!**

A salesman must know his sales story thoroughly. He must have a ready answer to every question. But above all, he must believe the story he is telling. If he doesn’t believe what he tells
Selling Points for Parents

The selling points are here applied to pianos and organs, but most of them can be applied equally well to other musical instruments.

- The piano and organ combine fixed pitch and tone, rhythm, melody, and harmony. They provide thorough and complete musical study and training.
- The piano and organ are easy to play.
- Piano and organ lessons under our plan are economical, and the cost of upkeep for these instruments is low.
- The piano or organ will be an object of pride in your home.
- The piano or organ may be the means of discovering a fine musician in your child. It may open the road to fame and fortune and in any case will increase his enjoyment of life.
- Learning to play the piano or organ can build poise and self-confidence in your child.
- It can help your child win or maintain a place among his peers.
- It can better his opportunities in life.
- The piano or organ may help your son earn his way through college.
- The piano or organ may develop talent in your daughter that will enable her to earn her livelihood as a music teacher.
- The piano and organ are complete musical instruments—they do not require any other instrument for accompaniment or ensemble. At the same time, they increase opportunities for group activities.
- The piano or organ will help keep your children home, in safe and wholesome surroundings. It will tend to lead your children into better associations and higher ambitions.
- Learning to play the piano or organ will bring your child joy and pride of accomplishment.
the prospect, he'll have a hard time making the prospect believe it. Sincerity and enthusiasm communicate themselves to the prospect.

Comparison of Piano and Organ Sales

The sale of a piano for the home is usually to parents who have the teaching of a child in mind. For adult pleasure, probably more organs than pianos are sold. A great deal of national advertising has gone into promoting organs, and new teaching techniques have made it seem easy for an adult to learn to play. However, the same basic knowledge of the instrument is required for the organ as for the piano. The same appeal can be made for both instruments.

Piano sales organizations may only rent studio space to teachers. Or they may keep a list of qualified teachers to whom they can refer purchasers in various neighborhoods. Stores promoting sales of organs, on the other hand, always offer beginners a teaching plan and have facilities in the store for organ beginners.

In addition to homes, the organ market includes the vast field of churches, clubs, lodges, hotels, auditoriums, schools, and colleges. Many of these, of course, are also good prospects for pianos.

Selling Costs

Music-store owners whose volume of business is around $100,000 a year usually pay themselves salaries ranging from $6,000 to $10,000 a year. Establish a practice of monthly or semimonthly payments to yourself and draw this salary regularly. Only part of this, of course, will be actual selling cost—you will be spending part of your time on other aspects of the business.

Compensation to piano and organ salesmen. A report prepared for the National Association of Music Merchants stated that stores with sales of $100,000 a year or less paid from 10.2 to 17.2 percent of their net sales as net earnings to sales personnel.
Methods of paying salesmen vary—salary, salary plus commission, draw against commission, straight commission. Most dealers pay some form of commission. Salaries are most often paid semimonthly; commission, monthly.

If salesmen have to use their cars, mileage is usually paid. Sometimes, however, it is paid only on calls outside the city limits.

Salesmen tend to feel that if the accounting department approves a sale and it is accepted, the salesman is entitled to his commission even if the customer makes no further payments. Management, on the other hand, feels that "chargebacks" should be made against the salesman's account unless the buyer has made one, two, or three payments. Whatever policy you adopt, be sure that it is made clear to the salesman when he is hired. There should be no room for misunderstandings.

Some dealers who make chargebacks to their salesmen are inclined to be more lenient about credit than they would otherwise be. This is a mistake. Every credit sale should be decided strictly on the ability of the customer to pay out the account. Accepting questionable credit risks is dangerous, especially for a beginning dealer.

Many small stores use part-time help in selling pianos and organs. Some stores have special trucks built to hold a number of different demonstration pianos. These trucks are used to cover the rural areas and small towns. The salesmen who man these trucks are paid commissions of 10 to 15 percent, plus all expenses while they are away from home. Organ sales are also sometimes handled this way.

**Selling costs for musical instruments.** Selling costs for musical instruments need to be considered separately from those for pianos and organs. To get good musical-instrument salesmen, the general practice is to pay a salary plus commission.

Usually, the incentive pay or commission is based on sales. However, such a plan may cause the salesman to quote prices without concern for profit. For this reason, some dealers tie the incentive compensation to the gross margin. In these cases, the commission may run from 10 to 20 percent of the gross margin.

Most school-bid business is done by the store's owner, or by
the department manager if the store has one. Since these bids are very competitive, the sales commission must be kept low. The usual commission is from 1 to 3 percent.

**Rental commissions.** Commissions on the rental of instruments vary from none at all to as high as 10 percent. The reason for this is that some dealers have a rental plan that is only preliminary to a sale. It is in the nature of a trial—for example, "Learn to play the guitar—$20.00 pays for 10 weeks of lessons and the use of the instrument." The salesman is paid only after the sale is completed. Other stores pay commissions on the initial trial lesson or rental plans.

Occasionally, outside salesmen are employed to interest parents in music lessons for their children and in renting or buying instruments. These men work on leads or canvass house to

<table>
<thead>
<tr>
<th>Selling Points for Adults</th>
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<tbody>
<tr>
<td>• Playing a musical instrument provides an invaluable avocation.</td>
</tr>
<tr>
<td>• It gives complete change from daily routine.</td>
</tr>
<tr>
<td>• It provides a hobby involving active participation.</td>
</tr>
<tr>
<td>• It offers an opportunity for creative expression.</td>
</tr>
<tr>
<td>• It relieves nervous tensions.</td>
</tr>
<tr>
<td>• It increases the joy of listening to music.</td>
</tr>
<tr>
<td>• It offers both individual and group enjoyment.</td>
</tr>
<tr>
<td>• It is a hobby the whole family can enjoy.</td>
</tr>
<tr>
<td>• It brings a feeling of personal accomplishment.</td>
</tr>
<tr>
<td>• It can bring contacts with groups of congenial people.</td>
</tr>
<tr>
<td>• IT'S FUN!</td>
</tr>
<tr>
<td>• With modern teaching methods, it offers fun from the beginning.</td>
</tr>
<tr>
<td>• It can continue to give pleasure throughout life.</td>
</tr>
<tr>
<td>• You're never too old to start. It's fun at any age.</td>
</tr>
</tbody>
</table>

*Many of the points listed on page 58 for parents can also be used with other adults.*
house. Adults are similarly solicited for trial organ sales. The total sales cost—whether salary, commission, or salary plus commission—should not exceed 10 percent of sales.

**Other sales costs.** Salaries, commissions, prizes, and bonuses aren't the only expenses chargeable to sales. Travel, selling supplies, delivery costs, teachers' commissions, free service on new merchandise, some telephone expense, entertainment, and so on can add to your selling costs. In a sense, they are indirect selling expenses, but they must not be overlooked.

**Special Sales**

Music retailers do not have the same need for special sales as other retail businesses because their merchandising techniques are different. Most music stores content themselves with an Anniversary Sale, an Inventory Reduction Sale, and a Fall Opening Sale each year. Some large stores have only one sale a year.
Bringing Customers Into the Store

The aim of advertising is to move goods out of your store.

Advertising has been called the “voice of business.” Through advertising, you tell people about the goods and services you have for sale. You try to convince them that your merchandise is of good quality and that they want it. Advertising is the principal source of customers for a music store, and it is particularly important for a new one. The first year's cash budget must provide for it whether the expected income seems to justify it or not.

The aim of advertising is to move goods out of your store. It should create a desire for your merchandise, keep the interest of potential customers alive, and impress them with the values and services you offer.

Advertising also creates good will and identification so that people think of your store when they think of music. For this reason, consistency is an important element in advertising.

Your Logo

Since identification is such an important factor in advertising, you should adopt a logo for your store. A logo, or logotype,
is a word, symbol, monogram, or design that is yours and yours alone. It's purpose is to set your store apart in people's minds as distinct from all other music stores.

The logo contributes to your store's image. It should appear on your letterheads, in advertisements, on cards, signs, trucks—in fact, wherever your store name is used. It should be simple, distinctive, eye catching.

A commercial art studio, a good printer, or perhaps a creative newspaper copywriter can help design a logo suitable for your store. It may show only your name and address and the lines of merchandise you carry, or it may also include a slogan or design.

Your Calling Card

You will need an attractive, distinctive calling card to give to all who come into the store or on whom you or your salesmen call. The card should have a reproduction of the logo—and be sure your telephone number appears in large, easy-to-read figures. Many manufacturers supply, free or at low cost, cards pre-printed on one side.

Advertising Media

Advertising media—the various types of vehicles or devices used to reach customers—include the following:

| Newspapers | Catalogs          |
| Magazines  | Throwaways       |
| Radio      | Novelties        |
| Television | Store Display    |
| Calendars  | Specialties      |
| Direct mail| (matches, key     |
|            | tags, pens, blotters, |
| Outdoor advertising | coin purses, rulers, |
| Transportation | songbooks, and so on) |
| advertising | Samples          |

Generally speaking, most music merchants use local newspapers and direct-mail advertising more than they do any of the other media.

64
Help in Preparing Your Advertising

Since the preparation of advertising is time consuming and requires special skills, you may need the professional help of an advertising agency. If this is impossible, however, there are other sources of help.

Manufacturers and sometimes wholesalers of music merchandise provide many dealer helps—window and interior display materials, inserts and handouts of various kinds, advertising copy, mats, layouts, suggestions for special holiday displays, background material for pianos or organs, scripts, catalogs, cuts, and so on. The National Association of Music Merchants can also supply valuable material, including a basic course in advertising fundamentals (Total Selling Service—Music) with many constructive ideas.

If you want more personalized material, you'll have to work it out yourself or hire someone to do it. Many newspapers have staff specialists in their advertising departments who will help you with the copy and layout. They may also have mats or reproduction proofs of illustrations. But you should have a clear idea in your mind of what you want the ad to accomplish and approximately what you want to say.

If you decide to produce your own direct-mail piece, you'll probably have to write the copy yourself. The printer may be able to give you some help in selecting the type and in planning the layout. For a more elaborate piece, you'll need professional help.

Classified Advertising

Every newspaper—daily or weekly—carries classified advertising. In many papers, it is as important as the news and sometimes more so. In fact, some neighborhood papers are predominantly classified advertising and are distributed free.

The music industry has long been a frequent user of classified ads. Some dealers use no other newspaper advertising. Buy some Sunday metropolitan newspapers and study the methods, techniques, and wording used, not only in the music sections, but also in ads for appliances such as radio and television. Some
newspapers, usually in large cities, permit several sizes of type in classified ads and sometimes logos or small linecut illustrations.

In general, the music industry has held to high standards of advertising copy. "Truth in advertising" is a slogan you'll find pays off in the long run.

Point-of-Purchase Advertising

Point-of-purchase advertising includes displays in the windows and inside the store. It includes display cases, turntables, counter displays, premiums or giveaways, contests, samples, and so on. You'll be using a number of forms of point-of-purchase advertising—just which will depend on what you advertise.

Window Displays

Make the most of your display window! It is one of the best tools you have for promoting sales at the store itself. A recent poll showed that 93 percent of the customers interviewed had window-shopped before they bought a musical or keyboard instrument. So arranging displays that will sell is a real challenge. Through your windows you can show the character of your store—the image you want to place before the public. You can emphasize quality, or price and economy. You can display only one article or many.

Most manufacturers prepare window displays and make them available to dealers. Use them occasionally but don't overdo it. Be especially careful not to overcrowd or clutter up your window.

You don't have to be an artist to trim your window so that it will bring people into your store, but if you have an employee with experience in window trimming, get him to help you. When you dress your window, do it with a sale in mind. Then when you are finished, look at the window from the outside. See what the passerby sees. Would it make you stop, look—and enter?

The sole purpose of any window display is to attract customers from among people passing by. If you don't get any drop-in
business, you'll find it easy to put the blame on the location of the store or the nature of the business. A smart store manager who feels a lack of drop-in trade, however, will lay some of the blame on his window display and do something about it.

Windows vary in size and display space and therefore in how they can be used to best advantage, but there are a few simple rules that have been followed successfully.

• Look at your window every day. Inspect it often for cleanliness. Is the plate glass perfectly clean? Is the floor of the display space spotless? If the space is carpeted, have it swept regularly. Keep your instruments in shiny attractive condition—see that the instruments and their cases are dusted often. Nothing detracts so much from a window display as dirt.

• Guard against injury to your merchandise in the window, either from too much sunlight or from tilting instruments in such a way that they may fall. If the sun shines on your merchandise for any length of time, consider getting a protective awning or shield to be used at that time of day. Too much sunlight injures the finish on instruments and on cases.

• Keep your window well lighted.

• If you have a lesson-loan plan for organ, piano, guitar, or other musical instrument, be sure that it is always advertised in your window. Put a sign explaining the plan in a prominent place in the window. Usually the spot most easily seen by a passerby is not in the center of the window but off to one side. Put the sign where you think it is most visible to passersby.

• Don't clutter your window. A few instruments neatly grouped will attract more attention than a maze of all varieties of instruments. If you must have many instruments on display, use a plan. For instance, a window display featuring all the instruments you loan with the 20-week lesson-loan plan would be good, but group the instruments around a placard explaining the plan.

• Don't show price tags except to advertise special buys—instruments on sale for a limited time. You will usually have such instruments in your store, and by all means advertise them, with prices, in your window. But remember, the purpose of
your window is to draw people inside your store—not to tell them the whole story.

• ** Invite the public to attend your band rehearsals,** if you have them. You can do this by a small sign in your window drawing attention to student activity in the store. This publicity will help you get new enrollments.

• ** Learn by trial and error.** If a window display of one type instrument results in sales, use this sort of display often. If you find that a single very fine instrument attractively displayed in your window brings in a prospect, use that method. You should be able to find out after a short time just what type of window display draws best in your locality.

• ** Change your window once a week.** Many of the passersby will be repeaters—people who must pass your store. Is it good salesmanship to give these people a chance to lose interest in your window? At least, move items around and change your signs.

• ** Study the displays of other successful merchants in town.**

• ** Take advantage of the seasons to add interest to your windows.** At Christmas, Thanksgiving, St. Valentine’s Day, and other special seasons, get some holiday cheer into your windows to attract attention. Also keep in mind special local events (such as Homecoming), Red Cross Week, United Fund Week, national holidays, and so on.

• ** Harness your window displays to your other advertising.**

**Demonstrations**

Demonstrations at home shows, boat shows, stock shows—wherever people come in numbers—are a successful advertising technique. Here you can show how easy it is to learn to play an instrument like the electric organ. At the same time, you can tell about trial lesson plans for other instruments.

**Making Your Advertising Work**

It is important to understand the purpose and uses of advertising. Costs are constantly increasing, and the questions of which media to use and how to use them are not easily decided.
Not only is advertising expensive; much of it is ineffective. It has been said that half of what a business spends for advertising is unproductive. The problem is to find out which half it is.

The purpose of local retail advertising is to bring about immediate buying action. For this reason, you shouldn't spend too much of your advertising funds creating a demand for the general product—that is, for pianos rather than for the specific lines of pianos you carry. However, your competition isn't just with other music dealers. You'll be competing with many other forms of entertainment—boating, fishing, travel, TV sets, and so on and on.

Your job is to get an increasing share of the industry sales for the lines you carry. In general, this is done by stressing the distinctive qualities of your lines, the characteristics that make them stand out from other lines. Sometimes your ad will try first to arouse a desire for the product (pianos, for instance) and then show the advantages of the specific line you handle. Appeal to strong emotional buying motives.

But buying a major musical instrument requires spending a considerable amount of money. It takes more than advertising to bring about a buying decision of that importance. The persuasive powers of a salesman are needed. Also, dealers often make use of such incentives as a piano lamp, a bench, a painting, free music instruction, or even a special price reduction to spur the decision.
The Record Department

Records— to sell or not to sell them? 

Talk to record salesmen

and other music retailers.

If a record department is to show a profit, it must have the intensive interest of a skilled manager. Unless you can find such an individual to supervise this activity, you had better delay opening a record department until your store is well established.

The tendency today is to regard record sales as a specialized activity, too involved for the small dealer. Many record shops are being established quite apart from a music store. Handling records of all speeds and sizes, tapes, tape recorders, phonographs, and cassettes, together with remote control, extension speakers, and all the accessories used in this field, requires special skill and training.

Some Problems in Record Merchandising

Here are some of the problems of record merchandising faced by a music dealer:

1. Record departments usually require prime space on the main floor. This space might be used for the display of more profitable merchandise.
2. The increasing sale of records in drugstores, discount houses, record nooks, neighborhood shops, and so on has cut down on the volume opportunity for music stores.

3. Cut prices have, in many instances, reduced the profit margin for music stores that try to compete. Yet failure to meet the competitive prices brings a cut in sales.

4. On special occasions such as Christmas and Thanksgiving, many mail-order houses, gasoline manufacturers, book clubs, and others offer records at low prices as premiums. This has distorted the price concept in the mind of the buyer.

5. The number of record manufacturers has increased tremendously. A recent count of album best sellers in Variety Magazine showed 8 different labels among the top 10 albums, 16 among the top 25. In the single-record field, 7 different labels appeared among the top 10 and 18 among the top 25. More than 600 so-called labels of long-playing records alone are distributed.

6. A host of technical processes and devices have complicated the record picture to a degree unheard of 10 years ago. This has led to the conviction that record merchandising is a specialty-shop business, or at least a field requiring a skilled and knowledgeable leadership, and that the small dealer should be very careful in his approach to this field.

7. It is hard for a music store to be in the record business and not go into record-playing equipment as well. This requires a substantial amount of capital, a display area, and soundproof rooms for demonstration purposes. Record booths are also needed, though many stores provide only one or two and some none at all.

8. There is always considerable inventory loss in the record department. Small records are easily hidden in shopping bags, briefcases, purses, and so on. Needles and accessories are high priced and easily stolen.

9. If access to record players is too easy, they may be in constant use by teenagers, some of whom aren't able to buy. On the other hand, this group as a whole offers a large market potential. The record specialist in time gets to know which ones are good prospects.
Talk to Others

If, in spite of the problems pointed out above, you want to go into the record business as a part of your music store, contact a major distributor of records and equipment. The major distributors are found only in metropolitan cities, but they have traveling salesmen who will call on you if you are in a smaller community.

These representatives of the major record manufacturers will help you plan and lay out a record and/or tape department. They will suggest accessories, booth size, machines, and so on.

It's also a good idea to visit a record dealer in a nearby non-competitive area. Have a frank discussion with him of the problems and opportunities in this specialized field.

Record Merchandise

Generally, records are classified as popular, dance, classical, spoken, opera, folk music, ballet, jazz, or religious. They are also classified as single records or albums. As this is written, the current issue of a popular catalog that lists only long-playing records has more than 35,000 entries from over 600 manufacturers (labels).

New releases of popular records are often made, and many manufacturers permit return of unsold labels within stated time limits. These return-for-credit privileges are usually based on your sales volume during a given period. In the field of popular records, the return dates must be strictly observed.

Classical records and album collections have a longer life than hillbilly folk music, jazz, and popular records. Standard selections by recognized performers—operas, symphonies, concertos, and so on—are in more or less steady demand. But here again, you must know your clientele and the purchasing habits of your community before you invest too much in inventory.

Specialty Shops

Many record shops are opening that cater only to the record buyer. They have extensive catalogs and carry almost every rec-
ord made commercially anywhere in the world, in any lan-
guage. In addition, they handle tape-recorded music, cassettes,
and players. They may have facilities for recording by the indi-
vidual, either in the shop or through a nearby studio. They
carry accessories, phonographs, remote or extension speaker de-
vices, and automatic-control equipment—in fact, every item
that might be needed or wanted in the home-recording, listen-
ing, and entertainment field.

Some of these specialty shops have recording facilities with
which individuals or groups can make single or multiple re-
cordings. Multiple-recording, however, is a complicated process.
It is best done by special recording studios, since special facili-
ties and equipment, trained technicians, and soundproof stu-
dios are needed. Most large cities have such studios. Single tape
and record recordings are easily made in the home with equip-
ment available in most phonograph stores.
Your Business and the Law

*Even a small businessman has many legal requirements to interpret. You'll need help.*

Many laws and regulations—city, State, and Federal—will apply to your business. They have to do with permits and licenses, taxes, zoning, social security, safety and health standards, unemployment insurance, workmen's compensation, and many other areas of running a business. You must know what is required of you and what your rights are.

But it is almost impossible for the average small businessman to interpret and apply all these legal measures without help. You should have the counsel of a good lawyer. No one should attempt to start a business venture today without one.

Form of Business Organization

Your business may be organized in any one of three general forms: sole proprietorship, partnership, or corporation. These forms of business organization are discussed only briefly here. Go over the advantages and disadvantages of each one carefully with your lawyer before you decide which one to use for your music business.
Sole proprietorship. A sole proprietorship is the easiest form to get started. There are fewer legal restrictions, and you don't have to share control or profits with anyone else.

On the other hand, there are some serious disadvantages. You'll be liable for the full amount of the debts of the business. You'll be risking, not only the amount you invest in the business, but your nonbusiness assets as well. And it's usually harder for a sole proprietor to borrow funds for the business, since he has only one person's assets to offer as collateral.

Partnership. Bringing in a partner makes it possible to increase your capital and the skills available to your business. However, the partnership form is the one that can lead to the most problems.

Any act your partner has performed in carrying on the business is binding on you whether you knew what he was doing or not. Except in some special forms of partnerships, each partner is individually liable for the full amount of the debts of the business. And personality problems may cause trouble. Partners may start out assuming that their friendship will ensure smooth cooperation, only to find out that in the stress and strain of competitive business much more is needed.

If you decide on a partnership, it's very important for you and your partner to sign a written agreement even though it isn't required by law. Have your lawyer help you draw up an agreement that covers at least the following points:

1. Names of the firm and the partners
2. Location and type of business
3. Life of the contract
4. Amount of capital contributed by each
5. Method of distributing profits and losses
6. Salaries or drawing accounts for each partner
7. Amount and method for withdrawal of money and/or goods by each partner
8. Definition and limitations of powers of each partner in managing the business
9. Provision for a standard accounting system
10. Procedures for admission and withdrawal of partners, and ending of the partnership.
Incorporation. Generally speaking, a corporate setup is best even for a small business. The principal advantages of this form are as follows:

1. Each stockholder or owner of the business risks only the amount he invests in the business. If the company fails or is unprofitable, the creditors can't look beyond the assets of the company. The individual stockholders are not personally liable.
2. The owners can sell or otherwise transfer their stock to other individuals at will—provided they can find a buyer—without affecting the activities of the corporation.
3. The life term of a corporation is not affected by the death or withdrawal of a stockholder.

There are other advantages in the corporate form of organization and also some disadvantages. The principle disadvantages are the cost of organizing a corporation, the so-called "double taxation," and closer governmental regulation.

Your Lease

Before you sign the lease for your store building—or the purchase contract if you are buying the building—be sure to have your lawyer read it. Have him explain anything you don't understand so that you'll know just what you are getting into.

Insurance

Every business needs a number of kinds of insurance. You'll probably need the following kinds. They are available in package form except for workmen's compensation.

1. Fire and extended coverage (lightning, windstorm, and so on)
2. Automobile
3. Workmen's compensation and employer's liability
4. Comprehensive casualty and liability
5. Burglary and theft
6. Glass breakage
7. Fidelity bond
Other types of insurance are available. Get acquainted with a good, reliable insurance broker and discuss your overall insurance program with him. He'll be a valuable adviser.

Study the provisions and conditions of your policies so that you know what you must do and what you can expect. If the fire-insurance policy, for instance, includes a coinsurance clause, be sure that the amount of the insurance is the required percent of the total value of the property. Otherwise, the insurance company will not have to pay the full amount of any loss by fire.

One small music merchant learned the value of his insurance when a customer accidentally tore a fur piece on a projecting nail in the store. The customer brought suit, alleging irreparable damage to her valuable mink stole. Fortunately, the dealer had insurance covering the damage.

"Truth in Lending"

The Consumer Credit Protection Act—the "Truth-in-Lending Law"—is intended "to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and to avoid the uninformed use of credit." Since you will doubtless be extending credit to your customers, you will be affected by the law. (You are excluded from compliance if payment in full is required in four or less installments and there is no finance or other additional charge for using the deferred payment plan.)

The law requires you to inform customers of all direct and indirect costs they have to pay when they buy on credit, whether you extend, arrange, or just offer term credit. Advertising of credit terms is also covered. For most consumer-business transactions, compliance with the law is under the general supervision of the Federal Trade Commission. That Agency has been given the responsibility for enforcing Regulation Z, which implements the Truth-in-Lending Law.

It is important for you to understand this legislation. Write to the Board of Governors, Federal Reserve System, Washington, D.C. 20551, for the free booklet, What You Ought To Know About Federal Reserve Regulation Z.
For Further Information

*Before you start and after you start—know your business—the industry of which it is a part—the economy in which you operate.*

In addition to being well informed before you open your own music store, you'll have to keep informed after you start—about new merchandise, new equipment, new methods. This is not an easy task at a time when changes are coming faster than ever before.

A publication the size of this booklet can do little more than suggest areas you must be familiar with. You'll need some good sources of ideas and information about managing a business in general as well as about the music industry.

There's a lot of hard work in managing a retail store, particularly when you're just getting started. But don't keep your nose to the grindstone to such an extent that you cut yourself off from what is going on around you. Be as well prepared as possible before you open for business. Then keep in touch with other businessmen, other music retailers; take time to talk with your suppliers, your customers, your employees. Join your trade association and attend its conventions. Keep up with what is being published about the music business.
As references throughout the booklet have shown, the National Association of Music Merchants—trade association of the retail music business—is an important source of information. This and other possible sources are listed below.

**Books**


**Trade Associations**

**National Association of Music Merchants**, 222 West Adams St., Chicago, Ill. 60606.

**Guitar and Accessory Manufacturers Association of America**, 4600 South Kolin Ave., Chicago, Ill. 60632.

**National Association of Electronic Organ Manufacturers**, 2040 Northwest 272d Ave., Hillsboro, Ore. 97123.


Record Industry Association of America Inc., 1 East 57th St., New York, N.Y. 10022.
National Association of Band Instrument Manufacturers, Box 424, Elkhart, Ind. 46514.

Trade Magazines

Accordion & Guitar World, 11 Railroad Ave., Bedford Hills, N.Y. 10506.
Billboard, 165 West 46th St., New York, N.Y. 10036. Weekly, $25.00 a year.
Down Beat, 222 West Adams St., Chicago, Ill. 60606. Biweekly, $7.00 a year.
High Fidelity/Musical America, Great Barrington, Mass. 01230. Monthly. $12.00 a year.
Musical Merchandise Review, 373 Fifth Ave., New York, N.Y. 10016. Monthly. $5.00 a year.
Music Trades Magazine, 111 West 57th St., New York, N.Y. 10019. Monthly. $3.00 a year.
PTM Magazine, 434 South Wabash Ave., Chicago, Ill. 60605. Monthly. $4.00 a year.

Education Magazines

American Music Teacher. 1831 Carew Tower, Cincinnati, Ohio 45202. Published 6 times during the school year. $4.00 a year.
Instrumentalist, 1418 Lake St., Evanston, Ill. 60204. Published 11 times a year. $6.00 a year.
Music Educators Journal, 1201 Sixteenth St., Washington, D.C. 20036. Published 9 times during the school year. $6.00 a year.
School Musician, 4 East Clinton St., Joliet, Ill. 60431. Monthly. $4.00 a year.

Small Business Administration

The Small Business Administration offers management counseling to persons who are thinking of starting a business of their own and to those already in business. If you want this service (there is no charge for it), get in touch with the field office nearest you. Field offices are listed on the inside back cover of this booklet.

The SBA also issues booklets and leaflets about small business management. You can get lists of these publications free from your SBA field office or by writing to the Small Business Administration, Washington, D.C. 20416. Ask for SBA–115A: Free Publications and SBA:–115B: For-Sale Booklets.
SMALL BUSINESS ADMINISTRATION FIELD OFFICES

Agana, Guam
Albuquerque, N. Mex.
Anchorage, Alaska
Atlanta, Ga.
Augusta, Maine
Baltimore, Md.
Birmingham, Ala.
Boise, Idaho
Boston, Mass.
Buffalo, N.Y
Casper, Wyo.
Charleston, W. Va.
Charlotte, N.C.
Chicago, Ill.
Cincinnati, Ohio
Clarksburg, W. Va.
Cleveland, Ohio
Columbia, S.C.
Columbus, Ohio
Concord, N.H.
Dallas, Tex.
Denver, Colo.
Des Moines, Iowa
Detroit, Mich.
El Paso, Tex.
Fairbanks, Alaska
Fargo, N. Dak.
Harlingen, Tex.
Hartford, Conn.
Hato Rey, P.R.
Helena, Mont.
Honolulu, Hawaii
Houston, Tex.
Indianapolis, Ind.
Jackson, Miss.
Jacksonville, Fla.
Kansas City, Mo.
Knoxville, Tenn.
Las Vegas, Nev.
Little Rock, Ark.
Los Angeles, Calif.
Louisville, Ky.
Lubbock, Tex.
Madison, Wis.
Marquette, Mich.
Marshall, Tex.
Miami, Fla.
Milwaukee, Wis.
Minneapolis, Minn.
Montpelier, Vt.
Nashville, Tenn.
Newark, N.J.
New Orleans, La.
New York, N.Y.
Oklahoma City, Okla.
Omaha, Nebr.
Phoenix, Ariz.
Pittsburgh, Pa.
Portland, Oreg.
Providence, R.I.
Richmond, Va.
St. Louis, Mo.
Salt Lake City, Utah
San Antonio, Tex.
San Diego, Calif.
San Francisco, Calif.
Seattle, Wash.
Sioux Falls, S. Dak.
Spokane, Wash.
Springfield, Ill.
Syracuse, N.Y.
Toledo, Ohio
Washington, D.C.
Wichita, Kans.
Wilmington, Del.

For addresses and telephone numbers of the field offices, look under “United States Government” in the appropriate telephone directories.