

*By Katie Kailus*

# SELLING SMART

With no succession plan in place, PM Music Center's Frank Pampenella went out and found a buyer for his 40-year-old B&O dealership. Approximately six months after the deal officially closed, new owner 76T and Pampenella are working hand-in-hand in what they've dubbed "the perfect deal."

**I**n 2016, Frank Pampenella was ready to slow down. A self-proclaimed planner, he knew he didn't have a succession plan for his B&O dealership PM Music Center, and he didn't want to have to figure a way out at 70 years old.

"I have three daughters, and they're all grown up, they all have jobs and they've all moved away and have families," said Pampenella, who started the Aurora, Illinois-based company in 1982 with his wife Julie. "So, I knew I had to do something, and I wanted to start sooner than later."

So, Pampenella began by reading some books, first the popular "Built to Sell" by John Warrillow, and then a book called "Traction: Get a Grip on Your Business" by Gino Wickman, which Pampenella said really resonated with him.





Julie Pampenella, Lewis Shender and Frank Pampenella





Top left: PM Music Center puts an emphasis on cleanliness and organization throughout its 9,000-square-foot location. Top right: PM Music Center stocks a selection of ukuleles, which it also offers lessons on. The retailer currently sees about 279 students, down from pre-pandemic levels of around 425 students, in its 13 on-site lesson rooms. "We're starting to really come back from the pandemic with our in-store lessons," said founder Frank Pampenella. Center: The store moved into its current showroom in 2009, which, according to Pampenella, it's quickly outgrowing. Bottom left: The store features a dedicated string room where it showcases intermediate stepup instruments and conducts sizing. Bottom right: PM Music Center still heavily stocks print music. "Because we stock what teachers want, they're still sending their students to come in and buy it," Pampenella said.

"I loved the concept of the business running itself and me having a smaller and smaller part in it," he said. "We started doing a couple things, but first I started going ahead and developing this traction system where each department had basically control [of] what was going on with their team, and then we would go and meet up on a weekly basis and talk about our goals and our to-dos."

Pampenella said he believes implementing this system early on helped increase the value of his business.

"If I'm not around, the team still has those meetings and still has the template of what we're doing for the year," he said. "You don't want to be *the* business."

## FINDING THE RIGHT BUYER

Three years later, in 2019, Pampenella began doing the preliminary work of finding out what PM Music Center was worth.

"I had the business evaluated, figured out what an accountant would cost, what an attorney would cost, what kind of taxes we would pay between our capital gains tax and ordinary tax and what our EBIDTA

[earnings before interest, taxes, depreciation and amortization] was," Pampenella explained. "You need to know all that to even know if it's worth selling."

Then it came time to find a broker. Considering a daunting task for most interested in selling their business, Pampenella knew he could be in a bad situation if he chose the wrong person, so he set three parameters for selecting a broker and stuck with them. He looked for someone with experience, someone with a fixed cost and someone who could bring him multiple buyers.

"I wanted to see their track record and see how many sales they'd done," he explained. "And I wanted to find someone who I knew how much it was going to cost me. Having that fixed price was important. I didn't want someone saying it would be \$2,000 a week until they found a buyer."

After much searching, Pampenella found Illinois-based firm Pursant, offering a flat-rate and a solid track record.

"Our broker, Scott Glickson, at Pursant was amazing," Pampenella said. "For retailers interested in selling their business, if you decide to go the broker route, find a

broker with integrity. It's very important. Scott was very sincere and totally honest."

Julie agreed, adding that they felt confident every time they spoke with Glickson. "When the deal was all said and done, I said to Frank, 'I'm going to miss him,'" she laughed. "It was just a nice experience. Whenever we would talk, you felt confident that he knew what he was doing."

Right off the bat, the Pampenellas had about 35 buyers interested in their business. They boiled it down to four potential buyers, one of which was 76T, a private-equity firm based in Chicago.

"We went through the interview process — they interviewed us, and we interviewed them and learned that 76T partner Lewis [Shender] is very focused on helping children and loved the idea of what PM Music Center does as a business," Pampenella said.

So, they negotiated a price with Shender, and his business partner, who's Shender's longtime friend and investor, and pushed to close in December 2019.

"I still kick myself today that it didn't happen. We pushed it back to March 2020,

and well, you know the rest,” Pampenella said. “To their benefit and my detriment, COVID-19 started, and they weren’t ready to make the plunge at that time.”

However, moving the close to March 2020 allowed Shender time to attend The 2020 NAMM Show and get a feel for the new industry he was getting into. Shender had extensive experience in private-equity firms, previously serving as CEO of an indoor tanning business and a plumbing business, but had no experience in music retail.

“The thing they all have in common is they’re multi-unit retail services,” Shender said. “So, I told my partner, ‘Let’s focus on multi-unit retail services.’ And we just fell in love with PM Music Center immediately. We put some bids on some businesses, and thank goodness [those] didn’t work out because this one came along, and I just loved it immediately.”

### A ‘PERFECT DEAL’

Throughout the rest of 2020, Pampenella and Shender kept in touch.

“Due to COVID-19, the problem from our perspective was that the numbers were going to go down dramatically, and we didn’t want to renegotiate, so we thought we’d take a break and see what happens with [COVID],” Shender said. “But, we kept in touch with Frank and Julie and talked every month or so.”

Pampenella said he knew his business was still valuable and would bounce back.

“So, we just had to play the waiting game, and sure enough, it started coming back, and Lewis was still interested,” Pampenella explained adding that 76T was “wonderful throughout the whole process.”

“Our broker told me, ‘I don’t want to jinx the deal, but this couldn’t be any more perfect. This might have been the most perfect deal I’ve ever done.’ Everything had fallen into place the way it was supposed to,” Pampenella continued. “There wasn’t a lot of back and forth. Everyone was very agreeable.”

The deal officially closed on Dec. 31, 2021.

“We just loved the business, and we just loved Frank and Julie,” Shender said. “It just felt right. Both the industry and PM Music Center.”

### THE MAKINGS OF A GOOD BUSINESS DEAL

With a heavy amount of experience working with small businesses, Shender said one of the aspects of PM Music Center that he was most impressed with was the

staff.

“Frank and Julie are two of the best partners you could have ever imagined, and we love the team here,” he said. “I’ve worked in some smaller businesses, and for the size of the business, it’s just an outstanding leadership team. They’re people who are really passionate about the business, who make really good decisions and have really good relationships with each other and the customers, and that was really important to us.”

In addition to a healthy rental business — PM Music Center currently works with

about 300 individual schools — Shender said looking at the relationships a retailer has established in its local community is one of his keys when considering purchasing a business.

“I went to a school sign-up the other day, and it was great to see all the hands go up when asked if someone has rented from PM Music Center before because of an older sibling,” Shender said. “The parents came up, they were happy and smiling and saying they were so glad PM Music’s here. That was amazing to see.”

Another important aspect to Shender

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Frank Pampenella and Lewis Shender

## FRANK & LEWIS' KEYS TO SELLING YOUR BUSINESS

### 1. IMPLEMENT A 'TRACTION' SYSTEM.

"You don't want to be *the* business. Make sure your employees can run the show when you're not present," Frank suggested.

### 2. FIND THE RIGHT BROKER.

"Shop a few different brokers. I shopped a couple, and they're not all the same. I could have been in a very bad situation if I chose the wrong broker," Frank said.

### 3. THINK OF YOUR CUSTOMERS.

"Sellers want to consider the legacy they're leaving behind with the schools, parents and students they serve. For many prospective sellers, the relationships they've built with music directors, parents and employees have been a big part of their journey, and it will be important for them to pass the baton to a buyer who has an ongoing commitment to the highest level of customer service and a local focus rather than a cookie-cutter approach," Lewis suggested.



PM Music Center is located about 35 miles west of Chicago in Aurora, Illinois.

was the presentation and cleanliness of PM Music Center's 9,000-square-foot location.

"When we first walked into the store, we noticed right away that you could eat off the floors in here," Shender said. "That made a huge impact on us. You could tell this is a quality organization that is proud of what they do. Every store you walk into in this industry isn't like that."

Pampenella said keeping an organized showroom is something retailers should always focus on maintaining, not just for potential buyers and customers, but for school music directors as well.

"I don't think retailers realize how important it is to make a [good] impression on a director," he said. "If a director walks into your store for the first time, and there's boxes all over the place and the floor is dirty, are they really going to want to do business with you?"

### OSCAR & FELIX

Almost six months since the deal closed, PM Music Center continues to operate status quo, with the Pampenellas taking on the title of founders and Shender taking on the title of president.

When searching for the right buyer for their business, a few things were front of mind for Frank and Julie, including keeping the PM Music Center name and maintaining the same service PM's customers were used to.

"It was important to us that our school music directors would continue to be served the way we wanted them to be served," Frank said, adding, "I plan on staying around for quite some time."

With the Pampenellas still active in the business, their industry insight has been invaluable to Shender, and his extensive experience in business has shed new light for PM Music Center.

"Lewis has been bringing some insight that we didn't have previously, because we didn't have a formal business education, although our knowledge is beyond a formal education at this point," Pampenella said. "Lewis has brought to our attention some aspects that we weren't even aware of. It's been a great partnership."

"We have a little bit of an Oscar and Felix thing from *The Odd Couple* going on here," Shender laughed. "We balance each other out well. I'm doing some back-end work, like infrastructure, financial reporting and things like that. One of the things I know is I'm never going to know the industry as well or the nitty gritty of working with music directors as well as the people who work here already do. Frank and Julie hired such smart, passionate people that I have to see where I can add value and sometimes you have more value by sitting back than trying to direct, but I love coming into the store. My original plan was to come in three days a week, but I've been coming in four."

Julie said having Shender in the store has been beneficial as he slowly takes over the reins of the business.

"He's been steering the boat at this point — saying let's go down this path, let's go down that path," she said, but Shender added that he doesn't want to interfere with the Pampenellas' work, preferring to take an observational approach.

"It's been very interesting because I don't want to interfere with anything, but I know that Frank and Julie want to slow down, too," he said. "I've walked into businesses before that are struggling or there were issues, and so you have to come in and assess the situation and make decisions. And that's just not the situation here. I'm old enough now to be adaptable and say, 'This is a different situation, and they're doing a great job, and I can learn

a lot more from them than they can learn from me.' I'm just enjoying that. I love the collegiality. We have the luxury of not having to fix anything instantly. The business is doing really well. We're very excited with how 2021 ended up, and we're very excited about how 2022 has started. And we only see it accelerating as schools are coming back. I have the luxury of listening and not having to direct as much as I'm used to. And that's really nice."

While all school music businesses have been heavily affected by the pandemic, Pampenella said he's anticipating the 2022 rental year to be similar to the 2019 rental year.

"The year 2019 was very strong for us," he said. "The thing I don't see coming back on line this year is the way teachers are going to go about it. Not everyone is going to allow us to come into the school and allow kids to test out the instruments and blow into them. The places that have done it, it's definitely the most effective. The kids get excited, and they see their friends doing it so they want to try it. That's what's made me so upset over the last few years, all these potential Mozarts and Bachs or Lennons and McCartneys [who] missed out on the opportunity to play. And how sad is that, if the world missed out on something like that? I believe school music is going to come back, but it's just not going to be in the same way."

## LOOKING AHEAD

Part of the 76T investment hypothesis was not just to grow PM Music Center's business organically, but grow it through future acquisitions.

"There are a lot of people in Frank and Julie's place who are either getting to retirement age or want to do something different, and we thought we could use PM Music Center as the base to start growing the company through acquisition," Shender said, adding that currently the Upper Midwest region is 76T's "oyster." "Ideally, we'd want to build up a bigger base here [in the Chicagoland area] first as we learn to scale. But, ultimately, we'd look at such [states] as Wisconsin, Minnesota and Iowa."

At present, Shender said any new additions in the Chicagoland area would carry the PM Music Center name, but acquisitions in a different area could maintain the name of the original store to continue to foster the relationship that store has in its community.

"Re-naming everything is not important to us," Shender said. "We still want to be your hometown music store and support

the local community."

When looking for potential additions to the portfolio, Shender said the principles and core values PM Music Center adheres to are a main focus.

"Service is something we really believe in. Treating our customers with respect. Being honest and transparent with them. Treating each other internally with respect. We don't want to sacrifice any of those things as we grow," he said. "We want to like the people whose businesses we potentially acquire. If we like them, then that

means they probably created an environment that is built on trust and all of that. Relationships are so critical. What Frank and Julie have built here, including with the staff and externally with the music directors and the parents, is so important."

Pampenella said the relationships created over the last 40 years have been his focus.

"You don't want to grow just to be big. You want to grow to be great," Pampenella said. "If maintaining greatness is only growing to an intermediate-size business, then that's great." **MI**



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