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INVESTING IN TOMORROW

PM Music Center profits by splurging on customer service and keeping costs lean **{PAGE 30}**

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Frank
Pampenella of
PM Music
Center



investing

in

by Jenny Domine

tomorrow

Frank and Julie Pampenella of PM Music Center keep overhead tight so they can splurge on customer service. The result is a decade of steady growth

Worldwide recession, declining sales and rising unemployment. Sound familiar? No, not really, said Frank Pampenella, who started PM Music Center in Aurora, Ill., in 1982 when headlines reported similar gloom with the added kicker of double-digit inflation.

"It was bad," Pampenella said, recalling the early '80s when he turned his wedding consulting business and basement music studio into a school music dealership. And he added that it was not an entirely smart move at the time.

"I got into the business because I didn't know what I was doing," he said with a smile. "Music programs were being cut, not just shrinking but actually being cut. People were telling me, 'Don't do this. You're not going to make it.'"

Perhaps that rocky start helped make Pampenella more sensitive to the bottom line. Today, PM Music Center is a lean business operation that has bucked current economic trends. While most retailers are looking at flat sales or worse, Pampenella saw 12-percent growth in 2008. His secret? Carefully streamlining overhead without skimping on customer service.

OPERATING LEAN

Pampenella pays close attention to overhead and uses Tri-Technical Systems' AIMSI to manage inventory effectively. He admitted that his business should be housed in

7,000–8,000 square feet of space, but he has found it more cost effective to keep his operation tight. He houses lessons for 400 students, a minimalist retail space, a repair shop and rental storage in 4,200 square feet. PM Music Center also maintains an off-site warehouse down the road for additional instrument rental storage.

The company's 22 employees are expected to work hard and wear many hats. This includes Pampenella himself. He takes customer calls daily and sweeps the showroom floor when necessary.

Pampenella also encourages his employees to lead and actively seeks their feedback and ideas. In December 2008, Pampenella passed out questionnaires to all of his employees asking them how PM Music Center could increase market share, grow the business and cut expenses. The results sur-

prised him. The exercise brought out the experience and unexpected talents of employees in all areas of his business.

"The interesting thing was we got a lot of great information from unlikely people," he said. "For example, somebody in the warehouse had a great idea of how to do something online that could benefit our business."

Despite his cost-cutting measures, Pampenella said there's no reason to scrimp. PM Music Center's in-house repair shop, for instance, has a crew of three full-time technicians. Pampenella said repairs give a big advantage to a small-scale operation even if they don't serve as a profit center. He said it is a necessary ingredient for comprehensive customer service.

"We'll turn around a repair in three days, where some of the competition will take three weeks," he said.

DEFINING EXTREME SERVICE

Still, Pampenella doesn't define customer service as offering repairs, lessons and knowledgeable employees. To him, service is driving 45 minutes to deliver a single violin string. Service is fueling up the van a second or third time to run a trumpet out to a high school band. Service is Pampenella personally venturing through a blizzard to bring a replacement bass to a distraught mother the night of her son's concert. (He has.) And Pampenella does not put a price tag on any of it.

"One of the great things about this business is the relationships," said Pampenella, who still manages one school account. "We don't mind spending a tank of gas to drive

somewhere to make a director happy because that's really what it's about."

His wife and business partner, Julie Pampenella, defines service simply: "If you say you're going to do something, make sure it gets done."

As a leader, Frank Pampenella said he loves new ideas and staying hands-on in his business, but he encourages his staff to take individual responsibility providing customer service with honesty and care.

"[Customers get] to know the owner and get to know people here that don't turn over very often," Pampenella said. "When somebody calls in, they know we'll respond to them."

KEEPING UP WITH COMPETITION

Pampenella said PM Music Center has to provide such extreme service because it faces competition both online and from seven other music stores within a five-mile radius, including Guitar Center, Music & Arts Center, Brookdale Music, Hix Bros. Music, Quinlan & Fabish, Modern Music and Best Buy.

"This is a great community for music," said Pampenella, whose business covers 200 individual schools ranging from 50 miles north of Aurora to the Indiana border. Not that the economy hasn't affected business. School music dealerships face different pressures than, say, combo and piano retailers. "The biggest challenge facing rental programs is the declining numbers of students in school music programs," he said. "It's all about music, but at the same time, you have that teenager who wants to be a rock 'n' roll star. You spend a couple hundred bucks on a guitar, and he plays it for two or three weeks, and

+ TAKING IT TO THE BANK

Pampenella has established a strong relationship with his bank, but he warns fellow school music dealers that banks are under tighter regulation and require more financial information than ever before.

"It used to be a handshake, and they'd set it all up," Pampenella said. "This year, because of everything that has been going on with that industry, [bankers] had to jump through a whole bunch of hoops, and so did we." Here's how Pampenella maintains his bank relationship:

- "We're great about paying our bills on time." According to Pampenella, a dependable track record is key. Banks look at records from the past three to five years, so document everything.
- "Say what you're going to do, and then do it." In other words, don't make promises to banks that you can't keep.
- If you make a mistake, call the bank and tell them. "Don't make up an excuse," he said. "They might be mad at you, but at least you're honest."
- Paying bills on time also makes you popular with vendors. Pampenella added that banks need references, so it's important to have vendors on your side.



Julie and Frank Pampenella

+ BUSINESS RELATIONS

Husband/wife teams are not uncommon in music retail. But when high school sweethearts Frank and Julie Pampenella exchanged “I dos” in 1980, Frank was a gigging drummer, and a business career was not in Julie’s plans.

“I was not very involved with the wedding consulting or PM Studios,” Julie said of Frank’s early business ventures. “I was just a visitor.”

Today, Julie is vice president and co-owner of PM Music Center. She manages accounts payable and oversees all aspects of the business, including answering phones and taking care of customers.

“My growth in this business has been hands-on,” she said. “I am much more confident in what I do.”

In this partnership, Julie said her husband is the idea generator and futurist for the company, while she describes herself as “the doer” — the person who helps bring Frank’s goals to fruition in a practical way.

The Pampenellas often hear people comment on how difficult working with a spouse must be, but they said the benefits far outweigh the challenges.

“When things are good, we celebrate those victories together,” Julie said. “When things are not so good, we help each other get through it.”

Both PM Music Center owners are humble in their shared leadership roles.

“I used to always give total credit to Frank for the success of the business,” Julie said. “I have realized in the past five years or so that I have been a big part of it, as well. Frank tells me that all the time. He has told me that from the beginning.”

it is something he isn’t very serious about.”

Pampenella cited his company’s low rental prices as a major factor in helping parents keep their children in music during an economic downturn. “I think parents are still going ahead and saying, ‘I want my child to have this experience. I want them to know what it is like to be in a band. The education makes you a well-rounded person.’

“When parents don’t want to spend the money, hopefully, they will come to us and see rental prices that aren’t going to strap them, and that makes a big difference.”

A deep selection is important, too. Pampenella said his business is large enough to provide all the major brands but small enough to give personalized service.

“They can pick the brand, they can pick the accessories that they want, but we’re small enough to be able to customize our service and our program to fit the individual director’s needs,” he said. “So if they want us to come out and test the kids on the instruments, if they want a wooden clarinet as opposed to a plastic clarinet, whatever they may want us to do, we go ahead and do for them.”

INVESTING IN PEOPLE

Three years ago, Pampenella decided to invest in a general manager who would keep a closer eye on the numbers. This way, Pampenella had more time to work *on* his business, as opposed to *in* his business.

“I love ideas,” Pampenella said. “I’m always coming up with ideas, but we just didn’t have the time to implement them or, in some cases, didn’t have the knowledge.”

Pampenella met Michael

Schaner at a Yamaha seminar. At the time, Schaner was doing product management and marketing for the supplier. “I remember coming back from that and telling Julie, ‘Boy, there’s a guy I’d like to hire,’” Pampenella said.

Fortunately for Pampenella, Schaner was looking for a reason to move back to the Midwest. When he joined PM Music Center in April 2005 as its general manager, Pampenella had a flow chart ready for him with goals for the store. They haven’t accomplished all of them, but many have come to fruition, including more efficient collections management and launching online rentals.

INVESTING IN TECHNOLOGY

PM Music Center uses Tri-Technical Systems’ AIMSi software to manage accounting, inventory and point-of-sales. According to Schaner, this investment has made a big difference in managing rentals.

“It was clear when I arrived that AIMSi wasn’t being utilized as fully as it could be,” Schaner said. “By implementing more of the program, we increased efficiencies in accounting. They were using Quickbooks and Excel to duplicate things that AIMSi could do.”

Schaner also began using AIMSi to handle procedures and reports that had been done previously by hand. This saved the company time by eliminating duplication and errors.

In 2007, Pampenella invested in Voiceshot, an automated calling service, to contact customers for collections. The service accomplishes in a matter of minutes what previously took a hired temp hours.

“We have it set up to make about 90 calls in about 15 minutes,” Schaner said.



The new system, however, doesn't detract from PM Music Center's human contact. Once the automated message is delivered, the customer pushes zero to connect with a person at the store. At 12 cents a call, this process has produced more accurate, cost-effective collection results because the calls arrive on time, every week. (With the old process, which cost \$120 a week, it was impossible to call the whole collections list in a month.)

"It allows us to concentrate on what we do best," Schaner said. "We can concentrate more on the customer by outsourcing some of the superfluous tasks."

Pampenella had also been dreaming up ways to make online rentals a reality for years, but most Web solutions

were expensive and tough to navigate. Ultimately, Schaner found an independent Web developer that worked with them to create a solution, which brought in 200 online rentals in the first year. The staff updates and maintains the online store, thus eliminating the cost of a full-time Web developer.

The rest of PM Music Center's Web site functions as a second storefront, giving potential customers an overview of the company and its music lesson and rental programs.

"Someone will come in and talk to you about lessons and say, 'I saw this teacher [biography] on your Web site, so I'll go with them,'" Julie said. "[Customers have] already done their homework."

Pampenella hands time-consuming tasks over to technology, so his staff can focus on customer service

PM Music Center extends its service on the Web site through a frequently-asked-questions page and live support online. In an effort to test the potential of online networking, PM Music Center's

"About PM Music" Web page features a yelp link. Yelp is a free, online city guide where locals can review services in their community. Schaner said the yelp link helps extend word-of-mouth buzz about the store online and provides a new way for customers to give feedback.

"More and more customers are doing independent research online," Schaner said. "They are better informed."

The investment in the right technology and people has come back to PM Music Center with steady growth over the past 10 years. The company is poised to weather a more uncertain future, and Pampenella is not resting. "We've got to work a lot harder now to make it happen." **MI**

— Photos by Karen Solem

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