

IDEAS

➤ My Turn by Richard Rejino ➤ Issues by John Rogers ➤ Retail Resources

ASK ALAN | BY ALAN FRIEDMAN

The Issue with New Issues

In my experience, almost every print music dealer is puzzled by “new issues.” Countless times I’ve heard the following:

Q: Alan, I always seem to wind up with a fair amount of leftover new-issue print music. Are new issues worth it?

A: I’ve just returned from what has become my annual appearance at the Retail Print Music Dealers Association (RPMMDA) Convention—a very groovy tradeshow put on by a very hip organization dedicated to keeping print music publishers and retailers profitable as well as on the cutting edge of good business practices. That said, you have to wonder why they ask me speak.

Well, speak I did. Always looking to cause some controversy and healthy dialogue, I tackled the too long-avoided taboo subject of new issues, making my definitive statement about their overall worth. For those of you not familiar with new issues, let me explain what they are and their potential effect, both good and bad.



‘The financial benefits provided by a retailer’s commitment to new issues are definitely worth the risk. That’s as long as he or she monitors inventory levels, turns and profitability in a timely manner.’

WHAT’S THE ISSUE WITH NEW ISSUES?

It’s a well-known fact that most retailers suffer from an over-abundance of inventory, causing an under-abundance of cash flow.

This industry-wide problem stems from a variety of quirky factors, “too many product choices” being one of the major offenders. But unlike most retailers who have scores of suppliers and products to choose from, print music dealers must choose from hundreds of publishers and literally hundreds-of-thousands of titles, trying to guess what their customers will buy.

The proof is in the pudding, namely our industry’s poor inventory turns. And to make matters a little more complex, print music retailers have to decide whether to carry new issues.

New issues are the pop titles, method books and band arrangements that publishers introduce each year, asking their retailing customers to buy in exchange for deeper discounts.

Publishers feel, and I agree, that new issues are vital to keeping inventory fresh enough to

generate buying interest among retailers and their customers. Most retailers agree to take the new issues because the added purchase discounts provide greater gross profit dollars and bottom-line income. But because these are “new” products and untested in the marketplace, a fair amount of inventory winds up sitting around for a while and sometimes never gets sold. There goes the added profitability.

WHOSE FAULT IS IT?

My RPMMDA seminar on this subject was titled “It’s Not What You Sell, It’s What You Don’t Sell.” Here’s why.

Many retailers and publishers alike will argue whether the gross-profit margin achieved from each print music sale (typically around 50 percent, aided by the general lack of haggling over the price printed on the print music) offsets the effect of slower inventory turns on new issues. What they often fail to include in their analysis is that by the time you factor in old inventory that has lost its value and should have been deeply discounted, donated or (you won’t believe this one) thrown

in the dumpster long ago, their effective gross profit can slip to 35 percent or lower.

If that's not bad enough, think about the typical print music retailer who carries twice as much inventory as they need in light of the typical unit sale of a \$10 print music item, and you simply have way too many dollars invested for way too little return. Don't forget, the name of the game in this industry is not gross profit percent—it's gross profit dollars!

IT'S THE PUBLISHERS' FAULT, ISN'T IT?

Don't think for a minute that all this inventory mess is the publisher's fault. Over-zealous buying, a lack of accounting controls and fiscal irresponsibility by retailers impairs their cash

flow enough for publishers to suffer as well.

Slow payment of vendor invoices, a perceived unwillingness of retailers to pay the salaries needed to attract a knowledgeable print music sales staff and the vast majority of a publisher's product line never making it to the retailer's shelf nor the consumer's hands has left many publishers feeling extremely frustrated.

AND THE ANSWER IS...

So are new issues worth it? After careful analysis, consisting of 15 minutes with an Excel spreadsheet and a big glass of Merlot, I concluded the financial benefits provided by a retailer's commitment to new issues are definitely worth the risk. That's as long as you mon-

itor inventory levels, turns and profitability in a timely manner.

Otherwise, new issues, coupled with a lack of inventory management, will undoubtedly cause inventory levels to grow and cash flow to diminish. In the simplest of terms, by managing your inventory with useful analytical tools like GMROI (see *Ask Alan*, August 2003), you can identify where product is moving and generating profits or stagnating and hampering cash flow.

HIP, HIP HOORAY FOR THE RPMDA

If ever there was trade association organized to promote camaraderie, education and problem resolution, it's most certainly the RPMDA. Any music retailer who is looking to improve the sale, promotion

and profitability of his or her print music section should attend next year's RPMDA Convention. This annual trade show provides education seminars to its members, produces useful and timely resource publications and works behind the scene to promote print music.

Clearly every music retailer and supplier engaged in the sale of print music should be a member of the RPMDA (www.print-music.org). Tell them Alan sent you, guaranteeing me a ring-side seat at next year's RPMDA love-fest. **MI**

Are financial questions keeping you up at night? E-mail yours to askalan@musicincmag.com. Please include your name and company.

Alan Friedman, CPA, provides accounting and financial services to music industry clients. He is a frequent speaker at NAMM University seminars, and can be reached at 860-521-3790.

FURMAN
PURIFY YOUR POWER

"We wrote the book on Power Conditioning Technology"

Series



Summer NAMM
Booth 538

The world's most advanced surge suppressor, delivering the purest power and most comprehensive protection available.

LED Rack Lights
Long lasting and produce no heat

Heavy Duty Chassis

8 Rear Conditioned Outlets

Over-Voltage Shutdown
Automatic at 137 Volts RMS

Series Mode Protection
Non-sacrificial surge suppression

Rear BNC Connector
Gooseneck LED or incandescent light connection for rear rack illumination

Linear Filtering Technology
Dramatically lowers AC line noise to unprecedented levels

We've increased the features, not the price.

For more information, specifications, and images of all of Furman's Series II line, visit www.FurmanSound.com