

LESSONS LEARNED | BY GERSON ROSENBLIOM

Never Rule Out Selling

In the Oscar-winning film “The Curious Case Of Benjamin Button,” Brad Pitt plays a man born in an elderly body who gets younger with age. Imagine if his mind followed suit — born with wisdom and growing more innocent through the decades. This is the first installment in a series of columns that aims to bring you the benefits of that scenario.

I’ve been immersed in the music products industry for the past four decades. Before that, I spent after-school hours and Saturdays at my parents’ music store. I did plenty right, and my company prospered for 54 years. But like almost everyone I know, I made my share of mistakes. With hindsight, the things I would have done differently were the best teachers. Let’s begin.

HOLD OR FOLD?

We are in an industry of small, family-run businesses. Many of us aim to grow the company, maximize profits and exist for the benefit of future generations, just because that’s all we think we know how to do. And that’s where a little piece of insanity is imbedded in our collective psyche.

Remember Kenny Rogers’ song “The Gambler?” (“You got to know when to hold ‘em, know when to fold ‘em.”) All business-people need to evaluate their company’s health regularly to decide whether to “hold” or “fold.” The boards of publicly traded businesses expect the companies’ decision-makers to grow the ROI. It’s their responsibility to bring valid tender offers that allow a return greater than near-term, anticipated growth.

We all understand this basic tenet, so why do small companies often ignore it? Why don’t we add the option of selling the company to its financial performance evaluations? Now that I have closed my store, I can speak from personal experience about this concept, which is foreign in our industry.

MISUNDERSTANDING BUSINESS CYCLES

All companies experience cycles. I became very good and very practiced at controlling my business’ low points in that cycle. But when we’re at a high point, we seldom put as much effort into managing that part of the cycle.

I failed in one area: evaluating my company’s marketability at those high points. I was holding three aces, and I decided to wait for a fourth. Perhaps I was concerned for future generations in the family business. Maybe I was respecting my parents’ toil in starting the company, or it

could’ve been that the 70-hour workweeks made me tired enough to think I was seeing extra zeros on the financial statements. Whatever the reason, I missed an opportunity to sell my business more than once. I was blinded by being too close to the situation.

Here’s the irony. At the top of the business cycle, I would have added to my personal and family wealth by selling at even a “bargain” price. I may have been riddled with a sense of defeat, but it could have been a huge financial victory, especially compared to liquidating at the bottom of the cycle. Unfortunately, music retailers are not wired that way. When I later decided that the business’ foundation had become shaky, I was willing to accept about any offer as I cleared the assets.

It’s an odd psychological phenomenon that has its roots in timing issues. When we’re riding high, we feel like we have forever to make decisions. When we’re faced with failure, time is of the essence. I submit to you that the weight of the decision is as pressing in the good times as in the bad. The value that you place on your business is nothing more than numbers on a page until you turn it into cash. **MI**

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