

LESSONS LEARNED | BY GERSON ROSENBLUM

# LEARN FROM THE BEST

**D**o you ever feel as if you're working in a vacuum? Does it seem the decisions you need to make are something like a roulette wheel? If you feel as if you're coaching a game without a playbook, I have a simple solution. Years ago, I learned that if you want to be successful, you should emulate successful people. Make decisions the same way that they would in the same circumstances, and you can expect similar results. For this reason, I'm a big fan of biographies. Getting inside the head of a winner helps to become a winner.

Our industry, not unlike many others, has a tiny handful of superstars from whom the rest of us can learn, and lots of ink is spent on interviews with these luminaries. I recently thought how helpful it would be to not only hear their stories but be able to ask the pointed questions that every retailer would love answered. To that end, Chuck Surack, owner of Sweetwater Sound, was kind enough to accommodate me.

Surack's an all-American success story. He only has a high school diploma, although he was recently given two honorary doctorates. He hasn't benefitted from extraordinary endowments or surprise benefactors. He started modestly from the back of a VW bus with fewer advantages than most people reading this article. Still, he has grown Sweetwater into the third largest music retailer in the country and the



Sweetwater's Chuck Surack (left) with the author

## Lessons from Chuck Surack, founder and president of Sweetwater

eighth largest in the world, with a constant annual growth rate in the 20-percent range.

I recently sat down with Surack to ask him the tough questions. Highlights:

**GR:** *Most retailers find it hard to relate to someone as successful as you. But you were smaller than most of them once upon a time. How did you manage to do what so few seem to be able to accomplish?*

**CS:** It's simple. It's real basic customer service. I never wanted to take a short cut — I always wanted to do what the right thing was. I didn't care about making money in the short term but was more concerned about having relationships long-term with customers and getting that repeat and referral business.

It's one customer at a time,

one transaction at a time and asking for referrals all the time. We train hard for all of that. It's not necessarily giving the customer what he asks for. Sometimes that takes a little bit of educating and negotiating with the customer, but it's giving the customer what he or she truly needs — or at least trying to offer that. Usually, they need different things than they ask for, and they need much more than they ask for. So when they're looking for a keyboard, I'm not selling them just a keyboard. I'm making sure it's the *right* keyboard for their music but also making sure that they get the power supply and the stand and the case and cable and probably lots of other stuff to go with it. And how's their P.A. system? It never ends!

**GR:** *Some dealers will hear this and think it's wonderful advice and really quite lofty. But they'd also challenge you by suggesting that you wouldn't be where you are without the sales tax advantage you enjoy.*

**CS:** I can answer that in a variety of ways. I can tell you

how successful our local store is where we charge sales tax. In a town of about 250,000 people, last year we did just under \$7 million of local business, charging sales tax. That's pretty good for a market that size, and it's based on all the things that we do here, from having a lesson program to a theater where we offer musical events and training events to offering our facility to nonprofit groups to employees serving on local boards and nonprofits. We are absolutely, fully engaged in the community, not just from a musical or musician point of view but from a complete community point of view.

**GR:** *Seven million dollars is a nice piece of business, but you wouldn't be on everyone's radar based on that business. What about all the business you do on a tax-free basis?*

**CS:** I'm not at all opposed to sales tax. With the bad financial state of affairs so many states are in, I think it's a matter of time until [sales tax reform] happens. I think Sweetwater will have a small falloff in business as a direct result, but I would tell the local retailer to be careful what you wish for. At the point that we're collecting sales tax for other states, which I'm happy to do, that also opens up the possibility of marketing specifically in those states. And I personally think that it's not so much about sales tax.

**GR:** *If not sales tax, then what?*

**CS:** I think it's salesmanship that makes the difference. I can't tell you how many times I've heard that dealers have lost the deal to Sweetwater because,

“It had the sales tax advantage.” And then I go back and look at our records. We have them all the way back to 1990 showing every price that’s quoted and everything about the customer, from the spouse’s name to the children’s names to the dog’s name to [the customer’s] dreams, their aspirations, what equipment they have. And I look up the deal and find out that when the customer first called in for whatever the product was, my salesguy did not sell him just that and did not win it just on sales tax. He won it because he outsold the competition. He put the extra accessories with it and really knew the product and how it integrated with the customer’s system.

I get letters every week from customers telling me, “I paid more to buy it from Sweetwater, but I like that you’ve got a service department. I like that you’ll take it back if there’s any issue.” They absolutely will buy it from us because of the relationship we’ve developed with them. The one to five days of shipping time is a negative in many cases. In spite of that, the customers will buy from us when we are arguably the same price as the local retailer.

On the other hand, what local guy is going to admit that he was out-serviced by a mail-order company? I would also say, very politely, if you have a customer in your store and can’t make the sale, then shame on you. It means your salesguy was not strong enough. I really do not believe it’s a sales tax issue.

**GR:** *Would you be willing to give a specific example of how you believe that you out-serve a local store?*

**CS:** We don’t believe in selling on price. In fact, when 800 numbers came out, you could

call the other places and ask for their best price on product X. For instance, when ADATs came out, after a customer had beaten down every dealer for their best price, free shipping, etc., they’d call us for our best price. I’d say, “Hi, my name is Chuck. What’s yours?” I literally would not answer his question about the price. And that, in itself, differentiated me from all the other mail-order places he had called.

Then I would start engaging in a relationship, having a conversation and trying to understand why he wanted an ADAT, what he was going to use it for, how he was going to use it, and understanding that he really needed a mixer to go with it and wiring to hook it up, microphones and microphone stands. The next thing you knew, I took a \$4,000 ADAT sale and turned it into a \$10,000 system sale. Did I undercut other dealers because of sales tax or because of the price on the actual product? No. I out-serviced the other guy that was just trying to sell an ADAT.

**GR:** *Can other dealers survive without the selection of lines you have?*

**CS:** Absolutely. I have always believed “you dance with the ones that brung you.” In my early days, I didn’t have access to the lines. I was operating out of my recording studio in the kitchen of my home, and you can imagine that most of the A lines would not sign me up. But the brands that I did sell we knew really well, sold them as hard as anyone and, consequently, grew my business. I believe that, in some ways, as our line list has grown, we don’t know some of the lines as intimately as we once did. Sometimes, I laugh and say that I wish we had fewer lines, so

my guys would know them even better. But if a dealer knows his products and has a passion and a true understanding of them, there’s a place to sell them.

**GR:** *Do you have the opportunity to see other dealers, and do you see common pitfalls?*

**CS:** I am fortunate that I get to travel a lot, and I walk into music stores all over the country, sometimes incognito, sometimes introducing myself. There are some great stores all over the country.

**‘The customers are not always right, but customers are always customers.’**

I’m not sure that I’m in a position to critique another store. But I’d encourage dealers to find their niches and find out what they do really well, and do it as well as anybody can. I’ve watched many stores across the country, some friends included, try to compete against Guitar Center. I have all the respect in the world for Guitar Center. That’s not the way that I want to do business — that’s not my model. But I’ve watched other stores across the country decide that when GC comes to town, they need to try to out-“Guitar Center” Guitar Center. They open up a big warehouse. Well, you’re never going to do it as well as Guitar Center. So when [Guitar Center is] going left, I’m going to go right. I’m going to find whatever I do best and do it. Find your expertise and the value that you bring to the market and to the community. Do that well, and then Guitar Center

can’t compete against you.

**GR:** *Is Guitar Center your toughest competitor?*

**CS:** I’ve never looked at our competition as being other music stores. Obviously, they are, and I’d be naïve to think otherwise. But I look at our competition as more of the other places that discretionary income can go. I’m talking about businesses like hot tubs or new cars. Those, in some ways, I would consider more competition than other music stores. Frankly, it’s in my own best interest to see other music stores be successful. I would like to see as much success in the music industry as possible, and I’d much rather find business by creating new business rather than stealing business. This is why we do so much education, so much training.

To be crass, I think good businesses should do well, and I believe bad businesses deserve to fail. I recently read a NAMM member report that said that 50 percent of businesses across the country still don’t have a point of sale system. Computers are so inexpensive today. I cannot imagine not keeping track of who my customers are or what they bought. That’s what does it for me. I just invest as much into my business as I can — financially, emotionally and personally.

**GR:** *While dealers everywhere worry about Sweetwater and companies like yours, what keeps Chuck Surack up at night?*

**CS:** I started the company 33 years ago. I remember the early days of having credit cards maxed out, being worried about payroll next Friday and those sorts of things. But it wasn’t very long until I didn’t have to worry about that anymore. What I worried about was did we do the right job for the customer?



It's amazing. Those are easy, trite words to say — to give good customer service. But following through is probably a little harder for most companies. In the short-term, it sounds and feels expensive, but I have found that it's the right thing to do. It allows me to lay my head on the pillow at night. But it's also the right thing long-term to do. We do whatever it takes to make the customer happy. The customers are not always right, but customers are always customers.

**GR:** How do you assess whether these customer service efforts are being well-received?

**CS:** By teaching all my employees that they always need to do the right thing, it makes it real easy to be very visible. I'm on forums and bulletin boards — everything from Harmony Central to the Digidesign user conference to Gear Slutz. I publish my own personal e-mail address. My phone rings to my desk and my assistant, and after hours, it rings to my cell phone and my home phone. I'm able to do that because I feel that we always do the right thing for customers, and therefore, most of the calls I get are people raving about their experience and not upset customers. I absolutely do not hide nor screen calls.

**GR:** So sales tax isn't one of those things that keeps you up at night?

**CS:** Sales tax is certainly a big controversy right now, but I'm looking at that as an opportunity. That may sound too altruistic, but I really think that when they take our handcuffs off and allow us to collect sales tax for all the states, then I'm happy to collect sales tax for those states, and I'd be happy to go into those states and market and do what we do. I think that will allow Sweetwater to go into more homes. This isn't to compete against other music stores — rather a chance to go after people who didn't even know they were looking for a musical instrument. That's where I see the opportunity.

What else keeps me up? I'm always wondering if manufacturers can keep up with our needs as we grow. All the stuff going on with The Lacey Act right now is kind of frightening. The concept of whether product comes from [Asia] or the U.S. is an issue. But not any one of those is an overwhelming challenge.

**GR:** Flash-forward five years. What does your crystal ball tell you this industry will look like?

**CS:** I think the strong players that bring value and offer something extra, something unique will be doing just fine. I think if you think you own a town just because you put up a music store shingle and you don't bring anything extra to it, then watch out! There are too many other smart business

people, either other businesses that will take that discretionary income, or there will be other music stores or other ways to buy musical instruments. No longer do you own the town or some mileage radius just because you hang out your sign. **MI**

Gerson Rosenbloom is managing director of Wechter Guitars. He's the former president of Medley Music and a past NAMM chairman. As a retailer, he competed directly with Sweetwater. As a supplier, he works directly with Surack.

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