

IDEAS

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THE CUSTOMER WHISPERER | BY GREG BILLINGS

SHATTERED!

Recently, my wife, Sara, and I traveled to Fort Lauderdale, Fla., to hear Diana Krall in concert. On the way home, we stopped at Everglades National Park to hike the trail at Shark Valley. There were egrets, turtles and, of course, alligators lurking a few feet off the path. (Alligators don't bother hikers if hikers don't bother alligators.) On our way back, a park ranger informed us that each female alligator hatches up to 50 eggs per year but only about 10 percent survive. This fact got me thinking about my advertising budget.

In a career that has been otherwise richly rewarding, I'd be surprised if 10 percent of my advertising dollars worked at all. I don't think I'm alone. Many dealers who relied mostly on paid advertising to drive their business have failed. I remember visiting the notorious Biasco brothers during their prime and the pride they took in their multipage color circulars in the *Chicago Tribune*. Instrument manufacturers haven't fared much better, leaving a legacy of failed one-time efforts, ranging



The old advertising model is broken. What you should ask yourself before blowing your ad budget

from product placements on "The Price Is Right" to full-page ads in *Life* magazine. Has there ever been a successful retail advertising campaign created by a piano manufacturer?

There was a time when a deli-

cate mix of *Yellow Pages*, classified ads, direct mail and a quarterly sale advertised in the newspaper or on TV made for a reasonable advertising plan. Throw in a few in-store concerts and a booth at the state fair, and it became a marketing plan. Sadly, that system is broken. And when it broke, like a crystal vase, it shattered into a thousand pieces. Now, there are more vehicles, on and offline, to reach customers than ever before, and many are very efficient and inexpensive. But when everyone can talk to everyone else all the time, often for free, rising above the noise becomes a challenge.

The world has changed and we have to make a choice: Devise new strategies to cope and prosper, or stick with the old ways and linger on until we die. But fundamental change is tough. Last year, at a meeting hosted by a manufacturer, the vice president of marketing stood before the dealers and said, "Everything that worked in the past doesn't work anymore," as he unveiled the company's new Internet strategy. Ten minutes later, he introduced new product sheets. When was the last time anyone

used a product sheet? Isn't product information an aspect of an Internet strategy? In all fairness, everyone is having a hard time figuring out what to do in this new environment.

WHY WE FAIL

Music dealers have used traditional channels to drive customers to big events, such as grand openings and college sales. But once the total advertising expense exceeds 10 percent — and it usually does — their profit is sucked down the drain. Yet automobile dealers and grocers and department stores fill the airwaves and newspaper pages with ads week after week. Why does it seem to work for them but not for us?

There are several, mostly technical, reasons why we fail. For any advertising promotion to be successful, the right offer must be directed at the right target, in the right medium, at the right time. It must be focused, measured, refined and repeated. Music dealers usually skip items one, two and three but are really good at four.

First, an ad has to present

a compelling offer. “We’ve got guitars” is not an offer. “Twenty-five years in business” is not an offer. “Quarter Pounders for 99 cents” is an offer. “Free drinks for ladies” is an offer. “Zero-percent financing for five years” is an offer. Many of our ads fail to present an irresistible offer.

The ad also has to be graphically appealing and emotionally engaging. Our competition isn’t other music dealers — it’s other advertisers. A Costco store generating \$200K per day or a car dealer selling \$1 million a month can spend \$50,000 to produce great ads, commercials and even websites that are visually stimulating and emotionally memorable. Think about the tearful Native American who didn’t want you to litter. In our little industry, we’ve seen a few impressive display ads that probably would’ve been successful if they could’ve been repeated often enough to make a sufficient impression, but they were rare. Usually, our production values suck. And poorly produced ads probably do more harm than good, especially on TV.

Most important — and this is where we typically crash and burn — an ad needs to create a sufficient number of impressions before it will move customers to action. Our small ad budgets just aren’t sufficient to reach an impression threshold necessary for success. And those impressions need to be delivered to people who fit our target demographic — provided, of course, that we *know* who our target demographic is and where to find them.

Ironically, if we could spend enough to reach the impression threshold, most of us couldn’t handle the resulting traffic. A *critical mass* must be achieved, and half-measures won’t work.

Fifty percent of the necessary expenditure might get you 10 percent of the desired return, but 110 percent might double your return. Because of the impression-threshold barrier, it’s unlikely small and medium-sized businesses will ever have ad budgets large enough to make newspaper, radio, broadcast TV or magazine advertising pay.

Timing is also crucial. There are times when ads will work and times when they won’t. (See sidebar below, right.) Advertising because business is slow is a pretty poor way to time ads, but it’s a great way to waste money. Bad timing kills more advertising efforts than any other cause, and it’s completely preventable.

The Internet has affected timing more than any other aspect of advertising. People shop and seek online every hour of the day and night, and every day of the year. They buy plane tickets at 3 a.m., and they buy underwear sitting at their desks at work. All the traditional rules used to predict weekly and seasonal shopping trends are obsolete. Thirty years ago, November and December accounted for 25 percent of our annual volume, as they had for generations. May and June were the slump. Today, the Christmas season is a blip, and May can be as good as any other month if a dealer promotes over the Memorial Day holiday and it rains.

One vehicle that has evolved to our benefit is direct mail (to our own mailing lists). With many advertisers switching to electronic media, there’s less junk in our mailboxes and less competition for our customers’ attention. E-mail boxes, though, are stuffed with junk.

And finally, we can’t control what we don’t measure. When’s the last time any of us attempted to measure the effect

of our advertising accurately and honestly? Probably never — because we lack the expertise and the tools. Ad expense as a percentage of sales is not a measurement. It’s a result. It doesn’t tell us the effectiveness of a particular activity. It just tells us how much we spent relative to sales that might have occurred anyway.

CRITICAL QUESTIONS

Buying advertising boils down to big guys versus small guys. Depending on the size of the market, your local newspaper or TV station may have annual sales greater than all but the 10 biggest music retailers and a few suppliers. These vendors are not your friends. They slice and dice their products, so the big advertisers get the cream and the little guys get the chaff. The big guys know how to buy, leaving the leftovers for us. The big guys know how to produce effective ads, when

to run them and how to measure their effectiveness. We don’t.

Every small advertiser should ask the following question before buying an ad: **Will this expenditure generate enough revenue to justify the expense?** Answers along the lines of, “We are raising awareness, generating goodwill, creating an image or planting seeds,” aren’t reasons — they’re excuses. Big corporations may be able to afford feel-good luxury ads, but small advertisers like us could never reach the threshold of impressions and frequency necessary to accomplish any of those lofty goals.

A follow-up question could be, “What would happen if we did nothing?” Even if you don’t spend a dime on advertising, a certain number of customers will find you.

Every hour of every day, your location and sign tell customers where you are and what you do.

➤ Four Elements of Successful Ads

- 1. The target.** Who’s the intended subject? We use demographics to identify them and a media to deliver to them. It could be a mailing list, viewership of a TV program or channel, subscribers to a magazine or newspaper, Googlers of a particular word or phrase, or a hundred other mediums. It’s not enough to look at gross circulation or viewership metrics. If the medium isn’t reaching your demographic, it will be inefficient at best and ineffective at worst.
- 2. The message.** How good is the ad itself? If you watched the Super Bowl, you saw ads that cost millions. Do you remember them? Many magazines have ads with stunning, memorable visual images and some that don’t. The message matters. A common mistake is to spend too much money on buying time or space and not enough on production. We often make this mistake because the vendor throws in free production if we buy enough time. We get exactly what we pay for.
- 3. The offer.** Will the offer cause customers to take action? The reason going-out-of-business ads work, no matter how poorly executed, is because the offer is irresistible. If your message isn’t compelling, or if it doesn’t demand action, money’s being wasted. Really effective advertisers find a way to make their offer appealing. Research indicates that the word “free” is remarkably effective in ads. There are other effective words you can find with a little research.
- 4. Timing.** Get the first three perfect but miss the timing, and you lose! In our business, there are times that are hopeless — the week before Easter and the week after New Year’s. When I was young and people still cashed paychecks, we knew that when the 15th fell on a Friday everybody would get paid and the mortgage or rent would have already been covered. So, we placed ads on triple paydays, and they worked. A little common sense and research will guide advertisers to the proper ad timing. — G.B.

(That's why Target, Wal-Mart and big banks buy the most expensive real estate in town.) Your happy customers, teachers and friends should be sending referrals. Also, for reasons no one understands, as if by hidden forces, a certain number of customers will decide it's time to buy what you sell, and they will

seek you out. Sometimes, customers seem to appear from thin air. There are times, like the week before Easter, when doing nothing is a perfectly good strategy.

Therefore, advertising expenditures must be justified by the incremental business they generate, not just gross

sales — and then only over the period of time they impact.

THE NEW WORLD

It's too bad paid advertising through conventional channels alone can't sustain a business. If it did, we would have spent ourselves to prosperity long ago. But building a successful music store is more often accomplished by providing great service to thousands of customers over time. By being sincere and developing strong relationships with the circles of influence in your community. By nurturing and developing music makers and employees. And by being a prominent advocate for music in your town and making sure everybody knows about it through unpaid stories in the press. Of course, this is more labor-intensive than writing a check.

The mediums of communication have changed, but the fundamentals have not. We are still going to have to present a compelling offer to the right target, in the right medium, at the right time. It's still going to have to be focused, measured, refined and repeated. Fortunately, the playing field has been leveled a little, and new technology is making all these steps more accessible and efficient. Unfortunately, discipline and creativity are still the main factors that will determine who succeeds and who fails.

Elsewhere in this issue of *Music Inc.*, you can discover how your colleagues have found new ways to rise to the challenge in this new environment using new technology. No one has found the one true answer, but little by little, things that work are being revealed. Maybe you can find a nugget that will push your success rate over the 10 percent of our reptilian friends.

I once worked for Verne Netzow, the pre-eminent piano merchant in Milwaukee for more than 40 years. Verne said big advertising promotions were like holding an alligator by the tail. "It works out fine as long as the alligator doesn't bite your arm off." The new era of advertising and promotion lets us communicate our message without the big risks of the past. But it's a new world, and we're going to have to figure out how to make it work. **MI**

Greg Billings whispers to customers at the Steinway Piano Gallery in Naples, Fla. He welcomes questions and comments at greg@steinwaynaples.com.

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