

THE CUSTOMER WHISPERER | BY GREG BILLINGS

# Are You Better Off?

Are you better off now than you were four years ago? It's an interesting question, and the only people who ask it are those who want you to give a negative answer. It's a question we would never ask ourselves, but once asked, it resonates like a Ludwig snare drum. And it's a question music dealers and other small-business people should ask themselves every year, whether there's an election going on or not.



If you really want the answer, there are a few things you need to know. First, and obviously, how were things four years ago? Purely for the purpose of this column — and thanks to the miracle of QuickBooks — I printed out 8/31/08 financial reports and compared them to current reports. That's a lot of pages and numbers, so I narrowed my attention to five areas: sales, profit, inventory, debt and owner's equity.

## PULL THE NUMBERS

Human memory is notoriously defective — so defective that innocent people get convicted of crimes based on eyewitness testimony, only to be released from prison thanks to purely objective DNA evidence. Our memories are so bad that judges now routinely caution juries that witness memories are not video recorders and aren't necessarily reliable.

Neurological research is discovering the complexity of memory. It's a fascinating subject, but for our purposes, let's just say that because of the way hormones react in our brains, we are more likely to remember how we *felt* about an event than the details of the event itself. For example, there are hopelessly conflicting reports from people who were in Dallas about how many shots were fired

at President Kennedy. But everyone remembers how they felt.

So unless we pull out a P&L and balance sheet from Q4 2008, we might not know exactly how things were four years ago. But I remember how I felt. It was a scary time. This is unusual because I don't frighten easily. The prospect of the national economy falling off a cliff, the collapse of the housing market

and how it could destroy the business we had spent 40 years building had a chilling effect.

## ANALYZE THE NUMBERS

It turns out that compared to four years ago, we aren't doing that bad, especially when you consider the housing crash that hit Southwest Florida harder than anywhere else and a piano market that's off by about 50 percent. Our sales are about two-thirds of what they were in 2008, but because of changes forced upon us by the Great Recession, our profit is up 78 percent, debt is down 79 percent and equity is up 41 percent.

Looking back four years, though, is a bit arbitrary. Music stores don't react to broad economic trends in real time. They lag. We continue to close deals and deliver previously ordered merchandise as the economy slows, but we come back slower when it recovers. My 2008 financials are a look backward at the final days before the bubble burst. The Dow is up just 16 percent from four years ago, but it's double where it bottomed out after the crash that fall. So, I repeated my analysis, this time using 2009 as a base year.

Oh my God!

Compared to the year the crash set in (and excluding a big, non-repeatable institutional sale), 2012 sales are up 91 percent. We have a healthy

**It's time to ask yourself whether business is better than it was four years ago**

profit rather than a loss and very little debt. And because of continued low interest rates, the mortgage cost on our building is nearly \$40,000 less than it was in 2008 and '09.

**QUESTION THE NUMBERS**

The final thing we need to ask is: better than what? Are we talking about business or personal finances? Security, health, family or attitude? Four years ago, my wife and I had two kids in college, one struggling with her career and one starting a business. Things are calmer now, and there are two additional grandchildren. Four years ago, we had a few aggravating competitors who are gone.

Are we better off than we

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were four years ago? Speaking for ourselves, we would have to say “yes,” and more important, the changes we’ve been forced to adopt put us in good shape as our market continues

to improve. Ironically, we are better off because of the pain we went through.

I’d guess that most of the music retailers who survived the turmoil of the Great Re-

cession have a similar story. But they won’t really know if they’re better off unless they revisit their financials. As for those who didn’t make it, maybe it was more than economic conditions that caused their demises.

Even the largest of us are small fish swimming in a big ocean with sharks who would swallow us in a moment. The economy gets better and it gets worse, but our attitude, how we manage our financial affairs and how well we serve our customers have more to do with our long-term success or failure than economic conditions. **MI**

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

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