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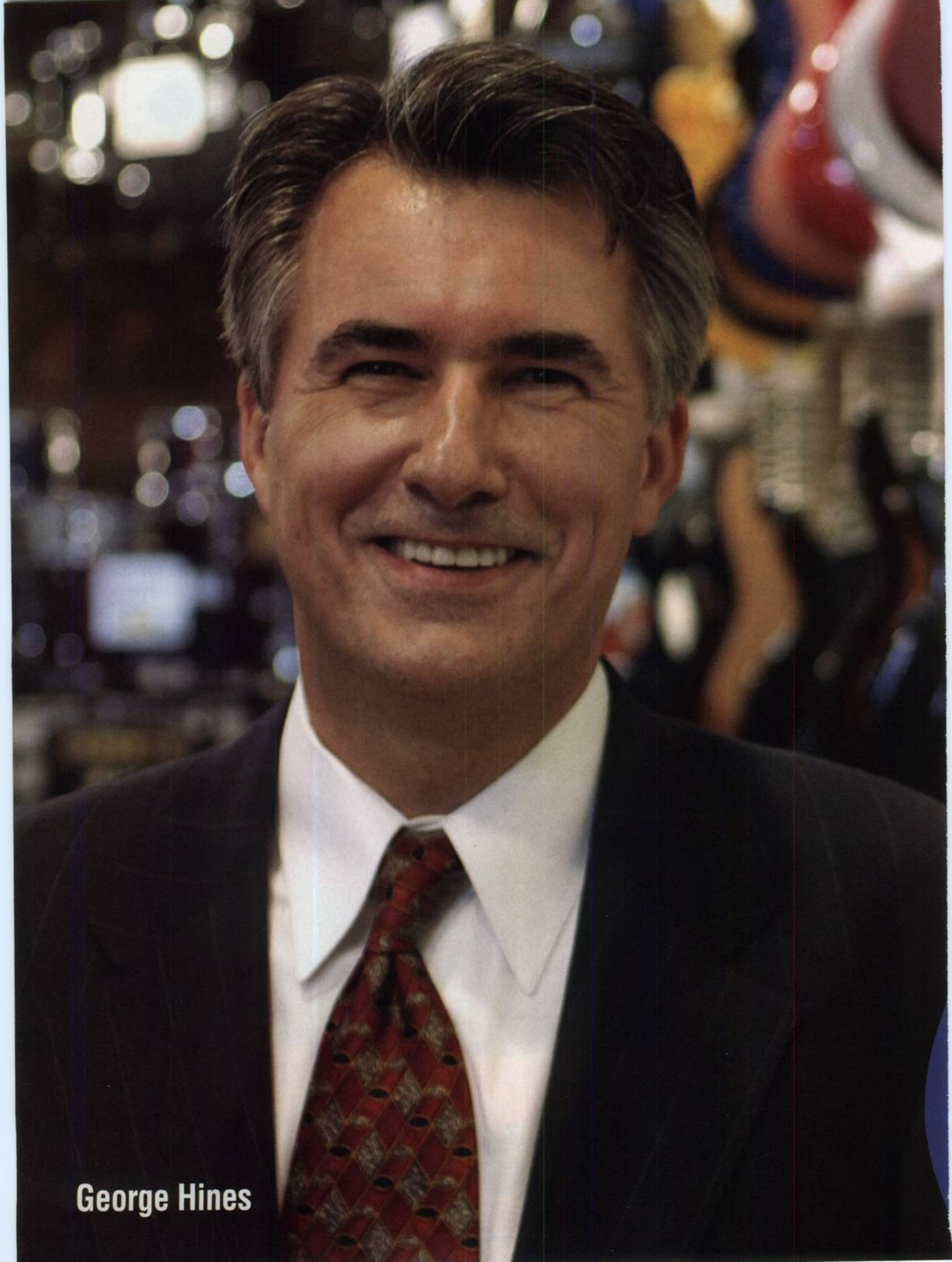


The New Game

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consumer's access to information
drives 21st century retailing*

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George Hines



The New Game

The customer has always been boss, but George Hines recognizes that the consumer's access to information drives 21st century retailing.

***by Michael Matray
photos by Michael W. Heayn***

Walking into one of his greater-Philadelphia storefronts, George Hines is greeted like a popular kid making his way down the high school corridor. Every salesperson stops to say hello, and he responds to each by name. One embraces him with a hug.

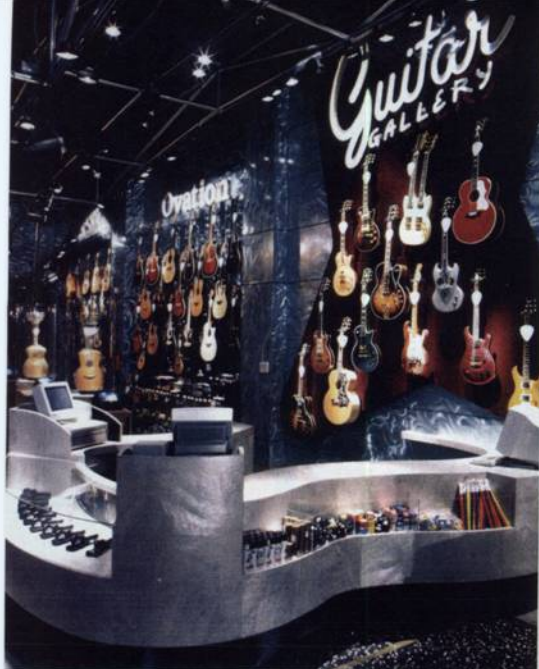
Hines clearly enjoys being on the floor. It's where he got his start as a one-man operation, pulling double duty as salesman and guitar teacher. That was 26 years ago.

Today, Hines is the president/owner of George's Music Inc., an 11-location chain in

Pennsylvania and Florida with more than 100 employees.

A salesperson waves Hines over, introducing him to a young musician as "the George in George's Music." The three talk about the instrument being considered before Hines extends his hand, thanking the boy for being a customer.

"Music retailing has changed dramatically in the last decade," said Hines, sitting down to speak with Music Inc. in mid-May. "I've been in this business for more than 25 years, and during the majority of that time,



vendors controlled the industry by controlling distribution. They decided where the consumer could purchase product.

"In the mid-'90s, that control began to shift toward the retail giants. They began driving the industry by opening more stores. They were exerting more influence because they were ordering more product. But in the late-'90s, that influence quickly began shifting away from the retailer toward the consumer.

"The internet changed the game. Consumers now have greater access to information and purchasing options. Pricing became a driving force. It's important to recognize that the consumer is now controlling the industry."

At George's Music, the customer is the boss. Hines' job is to provide the products, prices and services they demand, while keeping a keen eye on what they might want one year, five years and even further down the line. He aims to keep the boss happy.

The Inverted Pyramid

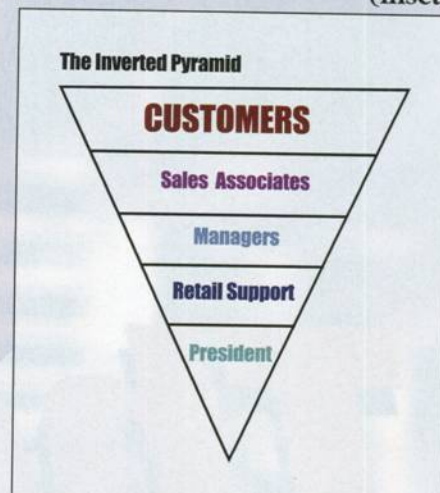
Hines' inverted-pyramid management style is well known within the industry. An illustration of this philosophy (see inset, right) is displayed at his company's corporate headquarters in Berwyn, Pa., as well as his retail outlets. It clarifies the company's mission to provide the best products at the best prices, while maintaining the highest standards of excellence in customer service.

The upside-down triangle places the customer at top, followed by sales associates, managers, retail support and, finally, the president. The visual reminds employees that the entire company is ultimately working for the customer.

"Business does not exist for itself," Hines explained. "Business should exist to serve its customers and the people it employs. Essentially, the company is there to serve. I am working for the people working for the customers.

"With everything the company does, we have to ask, 'How is this good for the customer? How does it

(inset)



serves the sales associates? How does it serve management and company? The only thing that each [level of the pyramid] shares in common is the customer. It's the philosophy that grounds everybody in the company.

"We are performance-based. The better you take care of the customer, the more money you are going to make. That is true for sales associates, management, the retail support team and myself. I tie myself to their success. If they hit their goals, it affects my income. If they miss their goals, it affects my income. Ultimately, I am working for the people working for the customers."

A Foundation for Growth

In 1977, while still a senior in college, Hines began contemplating his future. An education major with a focus in history, he was looking for a career he could be passionate about.

"Music has always been a big part of my life, and I thought it could work," Hines said. "I began looking during my final year of college, and found a little store where I could start. I didn't have any money, so I talked a guy into letting me build out an empty retail space. He supplied the materials, and I built teaching rooms and a storefront.

"The problem was that I didn't have enough inventory to fill the store. The space was around 5,000 square feet, and I had to build a wall so that the place wouldn't look so

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(Pictured left, top to bottom) Inside the George's Music Guitar Gallery, the high-end store that the company operates in Disney World's entertainment district. "Eighteen million people a year come through Downtown Disney, and we figure 15 percent of those people enter the store," said Hines. "That is an amazing number of impressions; a great way to introduce people to our industry."; The newest George's Music, in West Palm Beach, Fla., was previously a MARS Music location.; A Guitar Gallery display highlights a Custom Shop Stratocaster under glass. Notice the F-hole. Very cool.

'Lead, Follow or Get Out of the Way'

A co-founder of AIMM and recent appointee to the NAMM Board of Directors, George Hines has assumed a leadership role as the industry navigates through a "revolutionary time."

In 1997, George Hines' interest in what direction music retail was heading led him to co-found the Alliance of Independent Music Merchants (AIMM). The group, comprised of leading retailers and manufacturers, set out to help grow the industry by improving relationships, operational efficiencies, product development and promotion.

"We founded AIMM during a time of very fast movement in the music product industry," said Hines. "It was a revolutionary time where the consumer was using the internet to get information. The changes were happening so quickly that a lot of people in the industry didn't know how to react to it."

Hines invited his friends and fellow retailers Skip Maggiora of Skip's Music in Sacramento, Calif., and Bob Bankston of ProSound Music Centers headquartered in Boulder, Colo., to spend a week in Orlando, Fla., discussing how to best address the issues facing the industry.

"We came to the conclusion that the industry was changing, and we could either lead, follow or get out of the way," Hines said. "We thought, 'Wouldn't it be great if we could help lead?'"

"We agreed that the consumer was going to control the direction the industry is headed and that we would be able to better serve the customer if we teamed retailers with vendors in order to work closer and faster. As a result, the consumer would buy more and more goods from us."

AIMM began with the three founding members inviting 12 retailers and a handful of vendors to join them in their pursuit. Today, the organization boasts 40 retailers, doing more than \$600 million in business, and a number of the industry's top manufacturers.

"We are developing a culture where vendor and retailer under-

stand each other on a different level. How can the retailer help develop product, point of purchase, box design, communicate a message to the consumer? We are tackling obstacles with a long-term perspective."

AIMM has a password-protected, online library of marketing and advertising materials as well as catalog templates that members can customize to satisfy their store's unique needs. The organization also sponsors educational seminars at its bi-annual meetings and benefits from a group buying power.

"People that don't understand AIMM might see it as just a buying group," Hines said. "Yes, buying is a part of AIMM, in so much as it is a large retail entity with the ability to buy a lot of product. But that is a short-term gain. What AIMM really offers is the opportunity to collectively address how we can best develop the industry and meet consumer needs. We focus on the long-term goals of developing a trust between vendor and retailer. It's half relationship, half business."

Hines intends to bring that same dedication to the NAMM Board of Directors. He recently accepted a position on the Board's Technology Committee and has high hopes.

"When properly used, technology can create a faster, more efficient communication between retailer and vendor, driving down the cost of doing business," Hines said. "As an industry, we are behind the curve in terms of technology. Bar coding is an example. Retailers must insist that all vendors bar code 100 percent of their products. The amount of time, energy and money it takes a retailer to bar code a product is substantial."

"There are some very smart people on NAMM's Technology Committee. Together, I think that we can push changes through that might not otherwise happen." —MM

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The George's Music executive Retail Support Team: (seated, from left) Eric Lacovara, Neal Pomerantz; (standing, from left) Jim Jones, Doris Vermillion, Bill Trevena, George Hines, Todd Lengnick, Molly Delaney, Scot Fisher and Tom Triozzi (not pictured: Steve Rizer, Alan Friedman)

empty. As I acquired more inventory, I would move the wall back."

At first, Hines stocked the store with his own instruments and sold other people's gear on consignment. It took almost seven years to completely fill out the store and completely remove the false wall.

"I learned everything on the job. I read like a maniac, and I've literally read hundreds of [business] books. Whenever I encountered an obstacle, I would get another book that could help me figure out how to overcome that obstacle.

"Failure was not an option. I had to eat, and there was no other place the money would come from. I'm a businessman that doesn't believe in borrowing a lot of money. So I did it the slow way, but it was a very good foundation for future growth."

Eight years to the day after founding George's Music, Hines purchased a vacant 10,000-square-foot store and opened his second location.

"The biggest issue that I faced was how to open another location and do more business while maintaining a similar quality of presentation."

By 1992, Hines had opened five locations in the greater Philadelphia area, replicating the proven model he started 15 years earlier. Hines was ready for a greater challenge.

"By the time we entered the '90s, I felt our documentation was strong enough where I could franchise this [concept]," Hines said. "I wanted to take a store and move it far away, where the line of communication would be difficult. Because if you can do it 1,000 miles away, you can do it anywhere."

In 1995, Hines opened his first location outside of Pennsylvania in Orlando, Fla.

"I wanted to see if I could do it. It was a challenge to move into a different part of the country. People's needs are different from market to market. For instance, we carry DJ gear in some markets, not in others. But you have to maintain a certain consistency, while adapting to the community.

"When expanding, there has to be a singularity of purpose. There has to be a standardized way of interfacing with the customer so that if they go from 'Store A' to 'Store B,' the customer will be treated in a similar manner. That's where my teaching degree probably came in handy—putting systems in place and teaching those systems to my people."

Although Hines did not franchise his company, he did set up an ESOP (Employee Stock Ownership Plan) that lets employees be stock holders after one year of service, sharing in

the company's overall success.

Training Is the Solution

George's Music currently operates storefronts in the Philadelphia, North Florida, Central Florida and South Florida markets, including a high-end shop in Downtown Disney, Orlando, Fla., as well as a recently acquired former MARS Music location in West Palm Beach, Fla. To ensure a consistently high quality of customer service at each store, Hines has invested heavily in employee training. The company has two regional training centers and a training store.

Each new employee receives up to six weeks of training, during which they study volumes of documentation on how the company interacts with the customer and each other. One of the methods that the company employs is a CD-ROM that walks new hires through everything from answering the telephone to placing special orders. Each lesson is reinforced with a video demonstration by Hines or another veteran employee on how-to and how-not-to execute a task.

"Once we started to expand outside the Philadelphia market, I wanted to standardize the message," Hines said. "We have the CD-ROMs in each location so that every employee receives the same message of how to do things.

"Once you begin opening multiple stores, you face the challenge of getting different people in different locations to think in a similar way. It got easier after the fifth store."

Playing the Game

A student of retail, Hines relies on his problem-solving nature and appears to relish the demands of being an entrepreneur.

"[Retail] is like a game," he said. "When you are playing a game, the better the competitor, the better you play. Without that competition, it is easier to relax and not play as well.

"We have strong competitors in all of our markets. I respect each of them, but I don't try to be like them. I try to be different.

"I would give that same advice to anyone entering this business. There is always going to be room in this industry for a passionate musician with good business sense."

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