

Gas Station Attendants and 3x5 Prospect Cards: Gone!



Some of us can remember the day when gas was pumped into the family truckster by an actual gas station attendant. In fact, he was the only person authorized to pump gas, and it was paid for in cash at approximately 24.9¢ per gallon. In those same days pianos were traditionally purchased from music stores with pianos. The store and its employees were considered the authorities on all things piano. Piano shoppers came to the store for information, advice, etc., probably because of a piano commercial they saw on one of the three TV stations in their city or an ad in the newspaper.

Piano sales people tracked their piano prospects with paper and pen, organized in a dated diary book or on 3x5 index cards arranged in a box on top of their desks. Doing prospect management work was to access one's book or card box each day, dial the phone during daytime hours, and talk to the lady of the house; or hang up after several rings because there were no answering devices. A follow up call later in the day would usually result in a conversation. Commitments and appointments were made and kept by all parties concerned.

More than twice as many pianos were sold in these primitive times than are sold today. During the 1960's while gas was pumped by attendants, some professional piano sales people would close \$500,000.00 in annual sales; a few would reach one million dollars or more. One million dollars in 1965, inflation adjusted to 2010, is \$6,920,000.00¹. How many retail piano sales people reached even half of this amount during the most recent economic bubble that ended in 2008? The Music Trades did a cover story in 2008 about one piano retail sales person who was known to reach \$3M in piano sales in a year. One.

So what has changed for the piano retailer since the days of the gas station attendant? EVERYTHING. What has changed inside the piano retail industry during this same time? Nothing much, especially when it comes to prospect management, the nervous system of success or failure for a piano retailer.

The cover story in a recent issue of The Music Trades asks if the sun will shine on pianos again. What should have been asked is if the industry can let a little sunshine into its business practices to see if something can be done from within to help turn sales around out there in the brave new world. The answer is yes, as verified by several enlightened piano retailers that have resisted the general decline of the piano industry. In some cases these companies have actually grown. In no case has a piano retailer that uses the Customer Frontline™ prospect management system gone out of business during the past three years...they are better at qualification, follow up and closing!

As trainers and consultants in the music industry we often walk into a piano store and find piano prospect information scribbled on sticky notes (oh that's right, these didn't exist in the

1960's), loose papers, maybe an index card file. Product and sales training provided by manufacturers seems to have disappeared. Consequently, retail managers and front line sales people are left to face today's brutal selling environment with antiquated tools and very little training. Piano sales people had better odds when attendants were pumping gas.

Prospect management is the art of qualifying the needs of a piano shopper, documenting those needs and then using them to build a case for the shopper to make their purchase. These principles of prospect management have not changed. Pen and paper were adequate tools of the trade when gas was being pumped by "the man with the star". But things were much different then. For example, the average selling price of a vertical piano in 1965 was \$700.00. Inflation bumps that to \$4,850.00 today. Yes, pianos were much more expensive, relative to wages, cars, etc. than they are today. 20 vertical sales per month generated \$168,000 per year which was considered to be an average result for a full time piano sales person. Based on these numbers a sales person with a 50% closing ratio would need to meet and follow up with 40 shoppers per month; that was 40 people with predictable head of household work schedules, a married spouse and one phone number attached to a wire. Prospect management using pen, note cards and a telephone, or an occasional letter with a 3¢ stamp, was a sufficient and effective follow up system back then.

Let's fast forward to today using the same numbers adjusted for inflation. 20 vertical piano sales per month would generate annual sales of \$1,164,000.00 in 2010 dollars. But life is not that simple. Our research indicates the average vertical piano price today is approximately \$3,500.00, not \$4,850.00. Therefore, it would take 28 unit sales each month to reach the monthly sales average of the gas attendant era. Recall that the 20 pianos sold each month back then required a monthly customer traffic count of 40 shoppers, 50% of which were closed. Holding this statistic constant implies today's salesperson needs to meet and track 56 new shoppers each month, a 40% increase in the prospect management workflow. And there is more. Through our consulting work we have verified that the average closing ratio in a piano store hovers at 35%. This is not a surprise given the socio-economic distractions surrounding today's piano shopper compared to shoppers who had someone else filling their gas tanks 45 years ago².

The following calculation drives to the heart of the challenge faced by the piano industry in 2010. By factoring the 35% closing ratio into the prospect management equation today's piano sales person is faced with this prospect management task:

28 pianos divided by 35% = 80 new shoppers per month

This is double the prospect management workload as compared to the good old days - with no real change in how this work is expected to be done. New tools of the trade are required. The 21st Century piano sales person must have the ability to track twice the amount of customers to equal the closing opportunities of our piano sales predecessors.

Prospect Management: 3 Keys to Profits In Piano Retailing

(cont'd)

Prospect Management Database Tools

Let's revisit the prospect management challenge as calculated on the previous page:

28 pianos divided by 35% = 80 new shoppers per month

Our prospect management "equation" is adjusted for inflation and the average price decline of today's vertical piano by using 1965 as the baseline year. Why 1965? Noted economists agree that the American consumer will emerge from the current recession with a re-aligned set of purchasing behaviors. Discretionary buying decisions, such as pianos, will be made on two fundamental criteria: "do we really need this and do we have the money"? Affordability will be determined by money in the bank as opposed to an available credit card or home equity line. Piano sales people will be faced with shoppers that make rational purchase decisions much like 45 years ago, not impulsive credit decisions as in the recent past.

However, this is not 1965. Today's storefront is the internet which compounds the prospect management challenge. Piano sales people will not only have to manage a higher number of prospect relationships as compared to the gas attendant days, they will also need to manage each relationship at a more intense level. A prospect's attention span is likely to be short and prey to the temptations of the internet. Relationships are more critical to an in-store sale than ever before. Relationship management requires customer knowledge...more than can be scribbled and potentially lost on a 3x5 note card. In summary, the 21st Century piano sales person must have the ability to manage a wider customer relationship horizon with more than twice the amount of prospects. The prospect management database in Customer Frontline is the proven solution.

Customer Frontline sales people manage prospect relationships with the speed and accuracy of computer technology:

1. An automated tickler file to make time sensitive contacts
2. A current summary of each prospect's qualifications
3. A database of product specific selling opportunities

In addition, the sales manager has access to these resources in order to audit the initiatives and progress made toward the monthly budget on a salesperson or company wide basis. Piano retailers that use Customer Frontline are not challenged by the prospect management equation calculated above.

The cost of a lost prospect is easy to calculate on the basis that every prospect represents a 35% opportunity to close a sale...the 35% closing ratio. On average, each new piano "up" in your store is a \$1,000.00 sale waiting to happen. How many prospects can your company afford to loose? Here is a better question: how many more of the ups currently crossing your threshold would you like your sales people to close?

Please read the next column for an answer...

Three Keys to More Gross Profits

Numbers: the language of business management. Three key numbers are critical to piano prospect management: 1) Store Traffic Counts; 2) Closing Ratios; 3) Gross Margin.

A change in any one of these three numbers will have an impact on the gross profit, either positive or negative. The presentation below calculates gross profit changes for every \$1M in sales, line A. For simplicity the sample uses vertical pianos with an average selling price of \$3,500.00, as referenced in the prospect management calculations on page one. The starting line is a sample company that sells 286 vertical pianos for \$3,500.00 each at a 38% gross margin to earn a gross profit of \$380,000.00, line E.

The Customer Frontline prospect management system is used by piano retailers to make improvements in each key metric: traffic counts, closing ratios and gross margin. Line F represents an improvement in floor traffic counts because a higher percentage of prospects return to this store to look again, get more information, etc. In addition, a higher percentage of returning prospects are closed based on relationships and qualifications. With these two results the sample company increases unit sales to yield additional gross profit as calculated on line I. The third key number, gross margin, is increased by 1.0% on line J for an added increment of gross profit as seen on line L.

The total gross profit increase for the sample company is calculated on line M: **\$29,500.00** by closing more prospects at slightly better margins. This is a 7.8% profit gain that did not require additional expenses in advertising, inventory, etc. What could you do with a 7.8% increase in gross profits!

SAMPLE PIANO COMPANY		
1,000,000	A)	Annualized Sales Volume
286	B)	Annualized Unit Sales
3,500	C)	Average Unit Selling Price (A / B)
38.0%	D)	Gross Margin
380,000	E)	Gross Profit (A x D)
IMPROVE CLOSING RATIO BY 5%		
300	F)	Unit Sales (B x 1.05)
1,050,000	G)	Projected Sales Volume (C x F)
399,000	H)	Projected Gross Profit (D x G)
19,000	I)	Added Gross Profit (H - E)
INCREASE GROSS MARGIN BY 1.0%		
39.0%	J)	CFL Gross Margin
409,500	K)	CFL Gross Profit (J x G)
10,500	L)	Added CFL Profits (k - H)
\$29,500	M)	Total Added Gross profit (I + L)

Works Cited

¹ www.usinflationcalculator.com

² www.crm-trends.com/ConsumerDemographics.htm

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