Who Will Control Your Business?

Ever since the Phoenicians invented it in the 7th Century B.C., money has proved to be a powerful motivating force. A growing number of manufacturers in the music industry have recognized this and have adopted the practice of paying cash "spiffs" directly to retail salespeople for selling specific products. We're all for rewarding good performance on the sales floor, and we applaud promotional efforts that are jointly financed by retailers and manufacturers. However, we have serious reservations about manufacturers overtly attempting to override retail compensation programs with spiffs.

In every segment of the music industry, the recommendation of a salesperson is one of the single most important factors that influences what the consumer buys. When a retailer permits a manufacturer to directly influence his sales staff with spiffs, he is, in effect, giving the manufacturer control over what gets sold in his store. Spiffs will undoubtedly make salespeople happy, and they may help a manufacturer stimulate volume over the short term. However, they can wreak havoc with a retailer's well-thought-out plans to achieve an adequate return on his inventory investment.

Manufacturers do not offer spiffs to enhance a retailer's image in the community, to improve his bottom line, to help him develop a good competitive strategy, or to balance his inventory. They do it simply to boost the sales volume of their product. In theory, there is nothing wrong with this goal. However, in practice, it often leads to marginally profitable sales that enrich the manufacturer but leave little or nothing on the retailer's bottom line.

Spiffs to salespeople also present something of a legal problem. Manufacturers who pay out spiffs are required by law to file a Form 1099 with the Internal Revenue Service, indicating how much was paid and to whom. Salespeople are also required to include this 1099 with their tax return. If our observations serve as any guideline, manufacturer spiffs are generally treated as "under the table" money and are not administered within the guidelines of the law. Aside from imperiling profitability, they could subject store owners and their personnel to stiff penalties from the IRS.

If a manufacturer offers spiffs to your salespeople, ask him to take the money and use it for advertising support, price concessions, or other types of marketing assistance. That way, you will maintain control over your destiny, and you should have additional funds available for remunerating your sales staff and enhancing your overall operation.

Brian T. Majeski
Editor

Accordion Lessons

Over 250,000 accordions were sold in 1955. Since then sales have declined steadily, to their present level of around 7,500 units per annum. The accordion may have been superseded by electronic keyboads that offer more features and value for the dollar; however, the sales and marketing methods that built the accordion market are as valid today as ever.

In his column this month, Bob Popyk outlines how shrewd retailers utilized aptitude tests, lessons plans, and various musical ensembles to generate accordion sales. Successful purveyors of accordions were acutely aware of the fact that unless you showed a prospect how to enjoy and benefit from music, promotions stressing low prices and great products served little purpose.

Today's music dealer should take a lesson from the accordion dealers of the past and devote some renewed energy to cultivating the desire to participate in music.

Paul A. Majeski
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