

Planting

IVY

By Alex Harrell | Photography by Susan L. Angstadt

Though Randy Shayler is a Harvard Business School grad, Zeswitz Music is no ivory tower. The 93-year-old B&O store fought through identity crises, a bankruptcy, and three acquisitions before becoming one of the fastest growing operations in the industry

It's a crisp September night in Reading, Pennsylvania, when nearly 200 kids pour into Perkiomen Valley Middle School for Meet Your Instrument Night.

Hosted by Zeswitz Music, the school's local band and orchestra retailer, Meet Your Instrument Night is meant to simplify the process of renting band instruments. For this evening, Zeswitz has brought 27 different instruments for students to demo, complete with short speeches that break down the five reasons parents should rent from Zeswitz. The instrument meet-and-greet ultimately establishes Zeswitz as a resource for the students, the parents and the school.

"All under the wonderful umbrella of helping students have their first fun musical experience," said Randy Shayler, the owner of Zeswitz Music, with a sly smile.

New sneakers squeak on the freshly waxed auditorium floor as the children race around, testing flutes and saxophones and trombones and clarinets. Donning "band instrument passports," the students of Perkiomen Valley are encouraged to visit or "stamp" at least three instruments on their passports that have different emojis indicating satisfaction levels. Once they've made the rounds to the various instrument islands, parents are encouraged to visit Zeswitz's mobile friendly website and secure a rental of their child's choice.



Zeswitz Music owner Randy Shayler



Top: String Technician Seth Conbeer cleans a violin in the repair shop.
Top left: Band Technician Dylan Hoffer reassembles the valves of a silver-plated flugelhorn. The 12-person repair team services roughly 5,500 returns, according to Shayler.
Bottom left: Zeswitz owner Randy Shayler examines a rental violin returned by a customer who needed a larger size. The 22,000-square-foot building formerly housed Tyco Electronics.

“Helped” is too mild — saved would be more accurate. Since Shayler bought the business in 2013, the Reading-based store has grown more than 10 percent in each year in revenues. New rentals increased 23.9 percent from the fall of 2014 to 2015. Repair revenue grew 33 percent in 2016 over 2015. The company’s turnaround was featured in a 2016 New York Times article and is the subject of a case study examined at Shayler’s alma mater, Harvard Business School’s MBA program as well as the Yale School of Management.

But Shayler is quick to assert that this success isn’t thanks to him and him alone. And he’s not just humble, either.

“We’ve got some tremendous talent,” Shayler said. “When you combine the knowledge of our folks on staff who have been here for a long time with outside perspective and knowledge of how big companies do things, the marriage of those two factors is really what’s made us successful.”

Having worked as a management consultant at Deloitte before attending Harvard, Shayler was adequately prepared to provide Zeswitz with the tools and funds it needed to succeed.

SEARCHING FOR GOLD

After graduating from Harvard in 2012, Shayler established a search fund, Succession Leadership Capital, with a singular mission: to find a business to buy. While it can typically take two years to find a viable acquisition, he found Zeswitz in three months.

“There are a lot of businesses owned by folks who don’t have a son or daughter looking to take them over,” Shayler explained. “They’ve got no succession plan in place. If you can put together the acumen and capital, there’s a big business opportunity there.”

The lack of a succession plan is not uncommon. Three out of five small businesses don’t have a succession plan in place, according to Nationwide’s Small Business Survey released in February.

“What I found interesting about doing this is taking something

THE FIGHT FOR THE 1 PERCENT

“If we’re in a school district and they’ve recommended us for rentals and we deliver 99 out of 100 instruments, a teacher might be happy about the 99. But that one [instrument] belongs to a little girl in the corner of the room, whimpering because she didn’t get her flute. Or she got a clarinet instead of a flute and she doesn’t know why,” Shayler said. “And that’s just not good enough.”

This mindset has made Zeswitz the most successful it’s ever been, according to Shayler. Which is pretty powerful, considering the band and orchestra-centric pseudo-retailer has been around for over 90 years.

“We *fight* for that one percent,” he continued. “We do that with not only a commitment to education but also knowledge and broader perspective of how the industry works; tools and techniques from outside the music industry have really helped us.”

that exists and making it better — it has a different risk profile than starting it just completely from scratch,” Shayler said. “But I wasn’t at all looking in the world of music; I don’t play an instrument.”

But when an investment banker from New York approached Shayler with the Zeswitz Music listing, he realized that — from a financial characteristics standpoint — this was a pretty attractive industry. With only one national player in the market, Music & Arts, and just a few regional operations in the area, Shayler was intrigued ... With a few considerable reservations.

“I was leery of some of the downsides of running a retail business in a shrinking industry; I knew the kind of struggles that Guitar Center had gone through,” he said.

But what made Zeswitz different is that it’s not *really* a retailer, from Shayler’s perspective. For a company that won NAMM’s 2017 Best Store Turnaround Award, Zeswitz looks far more like an industrial warehouse than a retail store. Only about 10 percent of its revenue is retail, Shayler explained. It focuses almost entirely on rentals.

“I realized that this was almost exactly the kind of business that I was looking for,” he said. So at 29 years old, Shayler was the second youngest person on the payroll when he bought the business. Though it may seem like an uncomfortable dynamic, what really “sealed the deal” for Shayler was the incredible team that had his back.

RENEWED RESOURCES

“I think the way we jelled as a team was this understanding that I’m here to make the company better,” he said. “I’m bringing financial resources to buy things and knowledge *outside* the industry.”

Which is something the team of 30 had been without for a while.

“The previous owner wasn’t getting the business the resources that it needed to be successful,” Shayler said. When the Zeswitz family owned the store, it was highly responsive to teachers; the line of communication was only in a few hands. When it was sold to Brook Mays in 2002, that line of communication extended all the way to Texas. Then Brook Mays fell into financial distress, putting further stress on the company. In 2006, Zeswitz was sold to Rayburn Music of Boston — making it even more difficult for customers to get responsiveness from a business within a larger one.

“This business, for a lot of its history, tried to be everything to everybody,” Shayler said. “One of the most important things about corporate strategy is — whether it’s here at Zeswitz or anywhere else — it’s more about what you *don’t* do than what you do.”

For Zeswitz, it’s not being a retailer, per say. By focusing almost all its efforts on the teacher, it’s restored that level of responsiveness and shortened the line of communication.

“We decided what we want Zeswitz to be,” Shayler said. “I want it to be the teacher; our reason to exist is to be valuable to teachers.”

But in the beginning, his main focus was “just answering the

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mail and keeping the engine running,” he said. In order to do so, he needed to learn the products and the services that Zeswitz offered.

He took violin lessons over the course of three months — albeit “with limited success,” in his words — to get a better feel for what the orchestra end-user goes through. He met with clients who were with Zeswitz during the good years. He met with clients who were with Zeswitz during the bad years. He asked them what the differences were between Zeswitz when it’s good and when it’s bad, what it’s like to switch rental vendors, and what needed to improve.

“Boy, those were some tough conversations,” Shayler said with a laugh. “I got an earful about all the things we did wrong, but it was a lot of things that now are very intuitive to us.”

That new institutional knowledge boiled down to three things: deliver on time, provide instruments in tune that stay in tune, and be reliable when teachers need products or services.

“That’s *it*,” he shrugged. So that’s what Zeswitz set out to do.

PHASE I

To hit those three targets, Zeswitz began analyzing and collecting data on how quickly it repairs instruments.

“We found that some of our school districts — probably the ones that complained the loudest under previous ownership — got really fast turnarounds from us,” Shayler said. “We had certain school districts that would get an instrument back within one week, every time, no matter what.”

Naturally, not every school district received this treatment. So, Zeswitz researched the informal process of expediting certain instruments and found that, if it was more efficient with repair methods, *every* school could be guaranteed a one-week turnaround.

“We’re [now] able to achieve over 80 percent back within a week,” Shayler said. “And we know that’s important to the teachers because if that instrument isn’t there, that’s a student who can’t benefit from their teaching. It all ties back to thinking hard about what makes teachers successful in the classroom.”

This led to the creation of the “report cards” that Zeswitz sends out to each of its 55 school districts as another tool for teachers.

“It’s a report with some key metrics for teachers on how we do in terms of our responsiveness to their needs and then just, in general, the reliability of the instrument and the repair work,” Shayler explained. “So when we say we rent quality instruments, it’s one thing to make a claim like that, and it’s another thing to say that, in the spring semester last year, 92 percent of our instruments stayed out all semester without any incidences or needing repair.”

Though Zeswitz implemented software to track this information, it’s less about the tools used — “We could do this with Post-It notes if we wanted to,” Shayler said — and more about *what’s* being tracked.

PHASE II

“We started to focus on the metrics around the things that really mattered to our teachers,” Shayler continued. “We started to understand quality in a different way.”

That included looking at not the cheapest instrument but at the instruments that are cheapest to maintain over the course of a rental. To find instruments that fit this specific criterion, Zeswitz grades the durability of each product it considers carrying on a 10-point scale. The ballot tests the design, material, workmanship, ease of use, expected durability, ease of repair, availability of parts,

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With the beginning student in mind, Zeswitz only carries eight brands. While that sounds like a small number, it's purposeful: Those eight dealers are the ones that have performed best on the ballot.

And while having a system in place for finding the ideal instrument is an important ingredient, it's not going to get those instruments off the shelves, Shayler said.

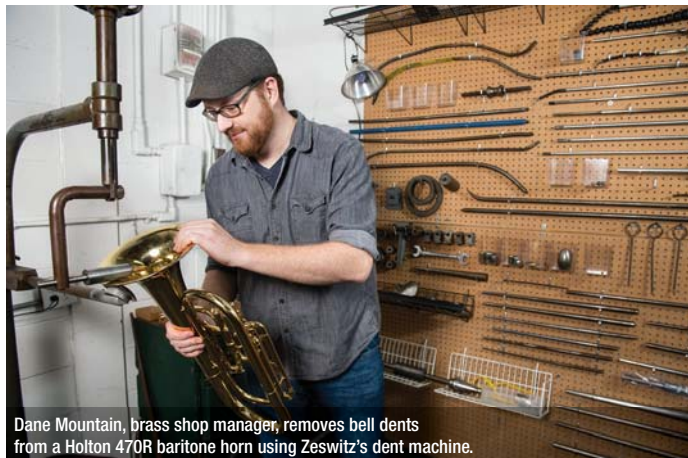
So, what *does* grow the business? Good, old-fashioned marketing.

PHASE III

"The marketing that we do is focused on retaining our clients and bringing new clients into the fold," Shayler said. "And just being a resource. If we can establish ourselves as a resource — as an educational resource for teachers — that's how we're going to be known and how we're going to be successful in the market."

But marketing also includes simpler elements, such as increasing online visibility. Because Zeswitz's website was tied to its previous parent company, Rayburn, it became inactive when it was sold. Shayler had the website redesigned for a modern look that included more functionality for parents, who could now complete rental agreements online. These efforts resulted in 80 percent of Zeswitz's rentals occurring online.

"It's all based on that teacher recommendation," Shayler said. "We're still *at* the school district where the student attends."



Dane Mountain, brass shop manager, removes bell dents from a Holton 470R baritone horn using Zeswitz's dent machine.

Which means that Zeswitz doesn't have to give social media much attention. Its audience isn't looking for the hottest new guitars or constant updates on shipping sales, though it did find merit in tutorials; its Youtube channel uploaded a dozen videos, each a minute or two long, breaking down the set up of its rented instruments.

"It's all designed to alleviate the teacher's burden and try to make the first lesson for the students more effective," Shayler said.

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Zeswitz can focus on expanding into new districts and schools. There are two possible ways for Zeswitz to be involved with a school's music program. The first is on a split-basis, Shayler explained, which means the school has multiple vendors. The one that Zeswitz prefers, however, is what Shayler called a "solo basis," meaning Zeswitz is the only vendor.

"In a solo basis, we're more accountable to the teachers," he continued. "Instead of

making shiny brochures and freebies, we can focus those resources on the teachers, and try to make the program stronger."

Nearly half of its clients rent on a solo basis.

FINDING FOCUS

"A lot of what I do now is preparing the company to scale and operate more independently of me," Shayler said.

When Shayler joined the company, "phase

one" was keeping it together. "Phase two," he explained, was identifying what it is that Zeswitz does that makes it unique, and how to do more of whatever that may be and less of everything else.

"Phase three is, now we know what makes us special," he said. "So how do we scale that? How do we take that and bottle it and sell it in a bigger market?"

It's a burning question for Shayler. It's one that the previous owners of Zeswitz Music considered as well.

Shortly after joining the family business, Bill Zeswitz Jr. wanted to expand on his father's vision and added five more locations. But the plan didn't work. Debt and under-performance forced Zeswitz to close those stores in the 1980s and dramatically reshape the business. Doing so returned the company to success; it's considered one of the best turnaround stories of the era.

"I think the lesson that maybe the Zeswitz family learned is that you need to focus on what you're good at and not try to be all things to all people," Shayler said.

He also wondered what might have been for Brook Mays Music.

Throughout the early 2000s, Brook Mays Music, a major player in Texas, went on a national buying spree purchasing a number of retail operations — Zeswitz included. But the company was forced to file Chapter 11 bankruptcy in 2006 after losing a \$20 million false advertising suit to competitor First Act. It had to sell off or close most locations.

"I think Brook Mays would've been a fantastic success were it not for that \$20 million judgment that bankrupted the company," Shayler said. "I think they might've been successful if it weren't for that."

It's an idea that the MI industry pushed to the side almost immediately following the liquidation. But it's an idea that, when viewed financially focused and from an outsider's perspective, makes sense.

"It's really comfortable just to say, 'Don't expand, and you'll be fine.' But I don't know if that's the right lesson to draw," Shayler said. "I think that the overall lesson that we can learn — we can learn it from Zeswitz's history, maybe from Brook Mays' history — is that it's all about *focus*. Pick which customer you want to focus on so that when everybody comes to work, they're thinking about that customer. For us, it's the teacher." **MI**



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