

The Buckeye Backcheck

Newsletter of the Columbus Chapter of the Piano Technicians Guild

Volume 38 Issue 9 November 2013



MESSAGE FROM THE PRESIDENT



So come the first snows of the season. Break out your coats and hats and gloves and treat your leather shoes and find the scraper and get up early to clear the windshield or if you're lucky park the car in the garage but get ready to sweep up the slush and salt from the floor and leave early and drive carefully or just make it a shop day. And - *Don't get mud on the customer's sparkling white carpet*

However, in the words of Carl Sandburg regarding the now distant memory of green summer bliss:

Yet, I have heard a rumor whispered;
Tattlers tell it to each other
Like a secret everybody knows...
Next year you will come again.

Bryan Hartzler, RPT

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Chapter Meeting Minutes October 15, 2013

The meeting was held at North Unitarian Universalist Church in Lewis Center, Ohio.

Attendance:

Bryan Hartzler, John Schmoll, Ron Kenreich, Chris Burget, Chris Altenburg, Kim Hoessly, Keith Scheffel, Victor Wolfe, and presenter Marlene Hartzler.

Treasurer's Report:

The Chapter has \$3,409.83 in checking.

Old Business:

Kim Hoessly designed and sent in a full page ad for the OMTA Pianorama Program Guide.

The Chapter increased the OMTA Summer Scholarship from \$100 up to \$200.

New Business:

The November Meeting will be held at Solich Piano, 6370 Proprietors Road Worthington, Ohio 43085. Formerly the location of the Piano Warehouse.

Possible arrangements for the Winter Dinner were briefly discussed but any decisions were shelved until the November meeting.

SteinwayWorld

William Steinway built an amusement park on the Northern Queens shore in 1886 called the the Gala Amusement Park, and was considered the place to be, even over Coney Island. However, the park went bankrupt and closed in 1929 when the beer hall there was shut down. Everything, including the East Coast's first Ferris Wheel, was destroyed to make way for airfields that eventually became modern-day LaGuardia.

For more, go to: <http://goo.gl/MWkWRA>



Paulson Acquisition Of Steinway Completed

(Reprinted from The Music Trades)

The Paulson Company completed its acquisition of Steinway Musical Instruments on September 19, paying \$40 a share, or \$512 million, for the renowned piano maker and ending a hotly contested bidding contest.

John Paulson, president of the Paulson & Co. hedge fund and the owner of three Steinway pianos, remarked, "Over the last 160 years, Steinway has built an unprecedented reputation for excellence. We will uphold that tradition with the continue uncompromising pursuit of perfection."

The Steinway board's decision to weigh offers for the company earlier in the year sparked a surprising number of rich bids. In July, private equity firm Kohlberg & Company offered \$35 a share for the company, a 33% premium over the 90-day average closing price of the company's shares. During a 45-day "shopping period," Paulson was one of 64 buyers who evaluated the company, and on August 10 he topped the Kohlberg bid with a \$38-per-share offer. A day later, Samick, which already owned 32% of Steinway's shares, upped the ante with a \$39-per-share bid. Paulson made a final \$40-per-share offer on August 14.

Steinway Chief Executive Officer Michael Sweeney stated, "As we look forward, we expect the entire Steinway family--dealers, artists, and employees--to benefit from the continued execution of our business strategies under Paulson's ownership."

Paulson & Company is a hedge fund with \$17 billion under management. It gained fame in 2010 with a complex bet against the housing market that reaped a \$5 billion profit and was described as "the single greatest trade in history."

To view a conversation with John Paulson on YouTube go to: <http://youtu.be/P95iirWXiPw>



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Maintaining A Piano Service Business

For the October presentation, Marlene Hartzler offered tips and recommendations on how to successfully run a piano service business. Marlene and her husband, Chapter President Bryan Hartzler, have both been self-employed individuals for some years now. She is a music teacher and music director at her church, and Bryan, before he made his living as a piano technician, also gave lessons. Along the way, their business practices evolved from just handing an accountant all their paper work in April, before taxes were due, to becoming a LLC filing as a S-Corporation. A lot of ground was covered and her presentation was divided into several categories, including: marketing; client management and retention; legal matters; accounting; taxes; and insurance. Following is a brief overview of what she had to offer.

When it comes to marketing, Marlene says word-of-mouth is often the strongest and most effective way to reach new customers. "Good tunings speak for themselves" and clients will tell friends and acquaintances who did the work. And as a clientele base builds there are more people spreading your name. The Hartzlers have used telephone book ads less and less over the years finding that the amount spent on them versus the number of quality clients diminished. They would rather spend that money on a web presence now because the internet has virtually supplanted the phone book as the place people go to find products, stores and services. They hired a professional to build the site because it is the first impression people will have of the business, and they also invested a little extra for things like search engine optimization which can place a site higher up in search lists. This also gives them diagnostic tools to show how many people visited the site, what regions they are from, how long they stayed on the site and other data useful in marketing. A Google AdWords campaign has also been effective for them. This is a "pay-per-click" ad that shows up on websites and search results lists and ended up costing less money than a phonebook ad. They also occasionally place ads in symphony programs and radio spots twice a year on WOSU Classical, as well. She also showed us marketing materials like business cards, magnets, pens and info packets all employing a consistent look with logos and fonts. The magnets are particularly popular. These were all done with Vista Print.

Getting clients is one thing but retaining them is another. Again, good work often speaks for itself, but it is still important to be organized and efficient in communicating with customers. They maintain a database with all contact info and dates of last service. So, six and twelve month reminder cards can then sent out as needed, as well as friendly "Hello" postcards for those past eighteen months. The database also lists those who would prefer email or phone reminders. Efforts can also be made to schedule the next appointment at the end of a current one. Marlene also stressed the benefits of email scheduling. There's no "phone tag" and a carefully worded email can more clearly convey information and set tone in a positive way. Form letters can also be used to communicate pricing or answer FAQ's thereby reducing time spent explaining these things over and over again to various people. Texting is also gaining in popularity, especially with younger clients, and with many phone providers offering unlimited texting it can be very cost-effective.

The Hartzlers started out as "Sole Proprietors", as many of the self-employed do, but are now an LLC, or "Limited Liability Corporation". Their accountant advised them to do this because it offers some protections and flexibilities. First of all, this separates business assets from personal ones, and offers legal protection to prevent personal losses if a business is held liable for damages, loses a lawsuit, or has outstanding debts to creditors. It can also afford certain tax benefits as well as allow a company to grow, hire employees and allow for the business to be sold, if desired. Other business ventures can also be included under the business umbrella. For instance, Marlene operates her music lessons business under the Hartzler Piano umbrella.

Forming an LLC, like a corporation, means that the business is now its own entity. This alone creates a mental sense of clarity of the line between personal and business, and firmly establishes in the mind that the business is real. They soon opened a business checking account and got business credit cards which are important steps to establishing financial clarity. This separation also makes it easier to justify spending money or buying equipment if it is something that will ultimately bring in a profit.

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(Maintaining continued...)

There can be certain tax advantages too. LLC's can file federal taxes in a number of ways and filing status can be influenced by several, or more, factors including whether it is one individual or multiple members. Without going into lengthy descriptions into all the possibilities, LLC's, by default, are regarded by the IRS as "pass through entities" meaning that they do not pay federal income tax on profits but their members/shareholders do on their individual income tax returns. Doing this results in the need to pay quarterly income taxes on the full profit at the individual tax rate, which can be substantial. So, to counteract this, some LLC's file as S corporations. This means members are paid like employees of the LLC at an hourly wage with all the payroll taxes taken out (FICA, Medicare, Social Security, etc...). This hourly wage is usually as low as possible, yet still defensible to the IRS as comparable to what someone else with similar qualifications may actually get paid elsewhere for similar work. Any other company profits, above and beyond the wages and other expenses, are considered "share holder distributions" which are taxed at the lower capital gains rate. C corporations can do this too but the money is taxed prior to that at the "corporate entity level" before it is passed along as a dividend so the money is "double taxed", so to speak. S corporations avoid that extra layer of taxation. So, there comes a certain point, if the business is profitable enough, that the extra paperwork and initial expenditure of time and money involved is more than worth the expense. And, since all the payroll taxes are regularly taken out, it lessens the amount paid quarterly, along with a lower percentage being subject to the higher self-employment tax rate. Marlene says that, in their case, they spent several hundred more dollars and did have some paperwork and a learning curve at the beginning, but that ended up saving them thousands of dollars that year, and every year after, as a result.

Accounting software is also extremely useful for a number of reasons. Quickbooks is the accounting software of choice that Marlene uses. It is practically an industry standard and virtually all accounting firms use software compatible with it. Marlene can track expenses and payments from customers, send out estimates and invoices, and generate reports complete with flow charts and graphs illustrating a wealth of data. Different aspects of the business can then immediately be studied, quantified, and compared and contrasted. They can also pay themselves and employees and the software will account for all federal and state employment taxes. All of this can then be synced with their accountant, allowing for files to be shared and any changes made are virtually immediate on the other end as soon as files are refreshed. It can also be used to track balances on business checking, savings and credit card accounts.

The next business expense discussed was insurance. Bryan and Marlene, as employees, are both provided health insurance which is paid for by the company. How all of this will be affected by the latest round of healthcare legislation will remain to be seen. As it is already, health insurance for the self employed can be quite expensive, and whether or not their company pays for it, or they purchase it individually, depends a lot on the changing landscape of the health care industry. Marlene, as of the time of this presentation, had done some preliminary research of the exchanges and saw some possibilities for some good deals but still had not come to a firm conclusion.

They also carry commercial insurance which is a property and general liability policy. It basically covers them for any damages to a client's piano or property at the client's home, in transit, or in the shop. It also covers any personal injury or medical expenses incurred. The business equipment is also protected against theft and damages. As with any insurance, there are various levels of protection available and riders can be added to policies for additional protections.

After the presentation there were some brief discussions on other various topics including: recent and upcoming changes in sales taxes; various forms of vendor licenses; accepting credit cards for services; payment through Pay Pal accounts; trade and barter exchanges; methods of accounting; how to avoid bounced checks from customers; and advance payments and accounts receivable.

For more information on LLC's filing as S corporations and the advantages it offers go to these links on sba.gov and bizfilings.com. They are <http://goo.gl/iTVcPr> and <http://goo.gl/7Mrwge>



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www.ptgcolumbus.org



Shannon Wheeler

Columbus Chapter of the Piano Technicians Guild

President Bryan Hartzler, RPT
Vice-President John Schmoll, RPT
Treasurer Ron Kenreich
Secretary Christopher Burget

*Contributions and pictures for
the Buckeye Backcheck and the
web page are always welcome,
(even if they are only
peripherally related to pianos)!
- Chris Burget*

Upcoming Events

Chapter Meeting

Tuesday, November 19, 2013,
7:30 pm

Solich Piano Columbus
6370 Proprietors Road
Worthington, Ohio 43085
Phone: (614) 888-344
solichpianocolumbus.com

Topic: Steinway pedal repair and
Damp-Chaser service

Map Link: <http://goo.gl/maps/4iSd1>
Former location of Piano Warehouse

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Disclaimer:

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