

Case study: epiphone

Business



Greek louts In 1873. A few years thereafter, Anastasia sailed across the Aegean Sea with his family to start a new life In Turkey. By 1890, his talent and reputation had allowed him to open an Instrument factory and start a family. First to arrive in 1893 was a son, Epiphenomena, followed later that decade by Alex, Minnie and Orpheus. By 1903, the persecution of Greek immigrants by the native Turks had forced the Southampton family to move again; this time to a residence in the lower Manhattan neighborhood of New York.

With Anastasia crafting and selling his instruments on the ground floor, and the family living directly above, the line between work and home life became increasingly blurred. Epiphenomena (known as ‘Pl’) and Orpheus (ripple’) were soon helping out In the shop and learning the business from the ground up. And business was good. It was Anastasia’ good fortune to arrive in New York at the height of the mandolin craze, and this dovetailed with the popularity of his traditional Greek instruments amongst the city’s bustling community. Thanks to the success of their father’s Instruments (now labeled ‘A.

Southampton, manufacturer-repairer of all kinds of musical instruments’, and built In a warehouse on 247 West 42nd Street), the Southampton children enjoyed a privileged upbringing and a good education.

But all that changed in July 1915, when Anastasia died at the age of 52 from carcinoma of the breast. PEP TAKES CHARGE Pep was just 22 when he took charge of the family business. He inherited many of his father’s strengths – including a keen business sense and fierce pride in his work – but combined

this with an awareness of the changing times that would prove vital in the years to come. Crucially, Pep was not just a Luther or a businessman.

He was also a keen musician and socialite. PEP respected the tradition of his father's Instruments, but recognized the importance of moving with the times.

By 1917, he had changed the company's name to the 'House Of Southampton' and began adapting the product line. Mandolins were falling out of favor. In the post-war era, banjos had started to boom along with Jazz, and Pep, with his ear to the ground, recognized this early and armed his company to deal with it. Not only did Pep introduce a line of banjos, but he also developed ten instrument's eagles, patenting his own tone ring Ana rim construction.

It was a sign of things to come. And so, while the market shift caused some companies to flounder, the House Of Southampton flourished.

The firm's structure was re-organized in 1923 as its success snowballed (Pep made himself president and general manager) and even its name was revised to reflect its changing identity. This was the age of possibility, and Pep needed a brand to match. He eventually settled on an amalgamation of his own nickname and a derivation of the Greek word for 'sound'. It was the birth of Pinhole. In 1924, Pinhole released the Recording Series of banjos to universal acclaim.

Indeed, the Deluxe, Concert, Bandmaster and Artist models (plus the budget Wonder model) were so popular that by the following year, Pep had

expanded production and bought out the FAVOR banjo firm to cope with demand.

Thanks to models like the Emperor, and the endorsement of players like Carl Krebs, this side of the business continued to grow along with Pinhole's reputation, to the point where the company's name was changed once again in 1928. For now, it would be known as the Pinhole Banjo company. THE FIRST GUITARS The stock market crash of 1929 drew a line under the age of prosperity.

Combined with the sudden slump in the banjo's popularity, it sounded the death knell for many instrument manufacturers. Once again, Pep was ready for the change.

At the height of the banjo boom in 1928, he had introduced the Recording series of guitars, each one identified only by a letter (A' through ' E') and notable for their unusual body shape. The Recording guitars were a combination of spruce and laminated maple, with either an arched or flat top, depending on the price. The market was certainly ripe, but the Recording guitars were not a success. One problem was a lack of celebrity endorsement.

The other was a lack of volume.

The Recording guitars were too small and arguably too ornate, particularly in comparison to the mighty size and volume of the Gibson L-5. At least Pep was taking notes. It wasn't hard to see the L-5's influence on the new Pinhole archons that followed in 1931, with the Masturbate Series sharing similar f-

holes, bigheads, and even a similar name to the Gibson Master Model range (though the individual model names would be more interesting than Gibbon's serial number system, including the DeLuxe, Broadway, Windsor and Tudor).

Despite taking inspiration from Gibson, however, the Masturbates had their own identities. Their intention was not to emulate the Master Model range, but to destroy it.

PINHOLE VERSUS GIBSON Throughout the asses, the rivalry between Pinhole and Gibson would veer from friendly sparring to all-out warfare. Slighted by the introduction of the Masturbates, and having emerged from its commercial slump at the start of the decade, Gibson returned fire in 1934 by increasing the body width of its existing models and introducing the king-size Super 400 (named after its \$400 price tag).

Not to be outdone, Pep replied the following year with the top-of-the-line Emperor, which raised the stakes with a slightly wider body and a provocative advertising campaign featuring a semi-naked woman. In 1936, Pinhole struck again, increasing the size of its De Luke, Broadway and Triumph models by an inch (making them 3/8" wider than the Gibbons). By this point, Pinhole guitars were considered to be amongst the best in the world, and Pep himself was enjoying the patronage of some of the most respected players on the scene.

Len Pollen snowstorm - now returned to its early location on West Street, Manhattan - was both the company's WHQL and a hangout for famous musicians. On Saturday afternoons, Pep would simply open the display cases
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and allow legends-in-waiting like AY Cola and Harry Evolve to Jam for the benefit of the people watching on the pavement outside. Perhaps this wasn't just an act of benevolence: both players would later go on to endorse Pinhole instruments, along with many others including Less Paul. Pinhole wasn't just gunning for Gibson.

Growing aware of the success of Airsickness's electric models since 1932, Pep made his move on this new market with the introduction of the Electra Series (originally known as Electroplate) in 1935.

The design was strong, with individually adjustable policies on the 'Master Pickup' giving optimum output, and while Gibson had evidently been thinking the same thing (by the following year they had introduced an electric Hawaiian guitar), the Electra line landed a serious blow on Pinhole's rivals, while consolidating their own reputation as innovators. By the summer of 1937, Pep reported that sales had doubled.

As the decade played itself out, the rivalry between Pinhole and Gibson showed little sign of abating. In 1939, the two firms introduced similar 'pitch-changing' Hawaiian guitar designs. That same year, Gibson introduced a line of violins, while Pinhole struck back with a series of upright basses. It took the outbreak of the World War II, and the shutdown of US guitar production, to ring the bell on the bloodiest Luther boxing match of the age.

HARD TIMES The war changed everything. Before the bombing of Pearl Harbor in 1941, Pinhole had been riding on the crest of a wave.

When the last of the fighting ended in 1945, the company found itself without its greatest asset. Tragically, Pep had died of leukemia during the war, meaning that Pinhole was handed down to younger rooters Orphic and Frito, who would respectively be responsible for the financial and mechanical running of the operation. The problems weren't obvious to start with. Pinhole continued to clash with Gibson via the introduction of cutaway versions of the Emperor and De Luke, and raised the bar considerably with the arrival of the electric cutaway De Luke.

Pickups continued to be refined, and famous players continued to appear onstage armed with Pinhole guitars. From the outside, it seemed to be business as usual. But cracks soon appeared, both on the production line and in the boardroom. The Southampton brothers were not getting along, and in 1948, Frito offloaded his share to Orphic. Worse, the company was losing the reputation for craftsmanship and innovation built up during Epic's reign, and the pressures for unionization compounded the problems.

To sidestep this last issue, the Pinhole factory moved from Manhattan to Philadelphia in 1953, but the fact that many of the firm's craftsmen refused to leave New York resulted in a drop in quality and the very real danger of bankruptcy.

THE UNION OF PINHOLE AND GIBSON While Pinhole's problems got worse as the asses progressed, Gibson was going from strength to strength. Its main competition now came from the California-based Fender Company, creator of the Telecaster and Cotoneaster models that had been released earlier that same decade.

If Gibson had a weakness, it was that their upright bass production had stopped before the war and never started again. So when Gibson's general manager, Ted McCarty, received a call from Orphic asking whether he'd be interested in buying out the Pinhole bass business (still a hugely respected Loves AT ten company, aspect its troubles), en Llano's need slang twelve. Mica paid the \$20, 000 asking price and Gibson took control of Pinhole in May 1957. Gibson's original intention was to harness the reputation of the Pinhole bass line.

By 1957, this plan had been scrapped. Instead, McCarty wrote in a memo that year, the Pinhole brand would be revived and a new line of instruments created. These Gibson-made Phones would then be offered to dealers who were keen to win a Gibson contract, but still earning their stripes (the right to sell Gibson models was hotly contested between dealerships at this time). It was the perfect solution. Dealers would get a Gibson-quality product, without treading on the toes of the traders who already sold the real thing.

The Pinhole operation was relocated to Kalamazoo (the same city as Gibson WHQL) and work began.

A NEW BEGINNING Pinhole wouldn't stay in the shadow of Gibson for long. When the new line started filtering through in 1958, it became clear that the brand now had three separate identities. On one hand, Pinhole now listed budget-conscious versions of existing Gibson models. Alongside this, however, there were also recreations of classic Pinhole designs (such as the Emperor, Deluxe and Triumph) and a selection of new models that had never been seen before.

These included electrics like the semi-hollow Sheraton and the solid-bodied Modern Black (alongside a double-cutaway model inspired by the Telecaster), and flat-top acoustics like the Frontier, whose square-shouldered body style was a first for Gibson (it was traditionally a Martin design).

Combined with the introduction of amplifiers, it was becoming clear that Pinhole instruments would be far more than the 'sort of almost Gibbons' many had predicted. The grand unveiling of the Pinhole line took place at the NAME trade show in July 1958, with an electric Emperor as the flagship model.

The show itself would generate orders of 226 guitars and 63 amps (a modest return), but over the next few years Pinhole would get into a swagger, shifting 3,798 units in 1961, and accounting for 20% of the total units shipped out of Kalamazoo by 1965. Even more impressive was the prestige of the guitars themselves. In the early asses, the Pinhole Emperor cost significantly more than the top-of-the-range Gibson Barnyard, while sass's deluxe flat top Excellent was \$100 more than the J-200, and made of rarer townswomen.

The early asses brought the explosion of folk music, and Pinhole was ready to cater to t.

The firm reintroduced its Seville classical guitar (with and without pickups) in 1961, and complemented this with the Madrid, Spans and Entrant models. In 1962, Pinhole also started listing a twelve-string guitar called the Bard, a smaller version known as the Serenaded, and (in 1963) a series of steel-string flat-topped folk guitars including the Troubadour. The strength of the <https://assignbuster.com/case-study-epiphone/>

acoustic range was matched by a number of electric classics, like the double-cutaway Casino, and by the time the Beatles appeared with three of these models (one each for John Lennox, Paul

McCarty and George Harrison), it seemed like the rubber stamp on Pinhole's recovery. The company now listed fourteen electric archons, six solid-bodied electrics, three basses, seven steel-string flat tops, six classical, four acoustic raccoons, tenure Donnas Ana a manhole.

I u The early to mid-60s were boom time for Pinhole, with unit sales increasing fivefold between 1961 and 1965. But the good times couldn't last forever. The rise of foreign-made guitars had caught the US industry napping, and by 1969, these cheap models (often based on existing American designs) had stolen some 40% of the

Pinhole/Gibson market share and closed many companies down entirely. There were other problems. Gibson manager Ted McCarty had stepped down, the quality of the product was thought to have slipped, and union problems were simmering again.

In its weakened state, Gibson's parent company COM was bought in 1969 by the Ecuadorian CELL corporation (whose experience was not in guitars, but beer) and Pinhole found itself in a predicament – perceived to be secondary to Gibson, but too expensive to compete with the foreign imports. The idea of moving Pinhole production to Japan had actually been floated before the CELL takeover.

By 1970, it was a reality, with American production grinding to an abrupt halt and a new line of Phones being exported from the Japanese town of Amoy. But these were not Phones as the world knew them. On the contrary, they were just rehabbed versions of models that were already being produced by the Monotonous Company - with little imagination or respect for the company's pedigree.

Things had improved by 1976, when the Pinhole line was bolstered by the appearance of models like the Monticello, a series of scroll-body electrics, and the new Presentation range of flat tops.

There was also the Nova series of flat tops and three new solidifies named Genesis. By 1979, the Pinhole product list was gathering speed, with over 20 steel-string flat tops, and plenty more besides. THE MOVE TO KOREA Just as Pinhole's Far Eastern operation seemed to be finding its feet, three bombshells dropped in quick succession. The first was the rise of the electronic keyboard.

The second was the rising cost of Japanese production, which led to Pinhole's relocation to Korea in 1983, and collaboration with the Smack Company.

The third took place in the Gibson boardroom at the start of 1986, with three Harvard Mambas (Henry Quickies, David Ferryman and Gary Kibitzers) taking the company off the hands of CELL/Marlin. Reviving Gibson was the priority for the new owners, and with Pinhole making less than \$1 million revenue in 1985, there seemed a danger it would be swept under the carpet and forgotten. But Pinhole was still buzzing with potential. Soon enough, Quickies had identified it as a sleeping giant, and made the trip to Korea to <https://assignbuster.com/case-study-epiphone/>

decide how it could be pushed to match the success of other Asian brands like Charter and Kramer.

As he absorbed Pinhole's pedigree, Quickies started getting results, and soon sales were growing again. Sales weren't the only thing on the move. By 1988, the Pinhole product line was evolving. Pinhole now listed a new PR Series of square-shouldered acoustics, along with an interpretation of Gibbon's J-180, several classical guitars, a banjo and a mandolin. There was also a solid selection of Gibson-derived instruments (from flagship models like the Less Paul and SO to new archons like the Howard Roberts Fusion) and a tip of the hat to Pinhole's past in the form of the Sheraton II.

TAKING ON THE WORLD It was a start.

But as the asses rolled around, Pinhole still had work to do. The line as more than comprehensive – offering 43 different models across a range of styles and budgets – but the lack of historic Pinhole products needed to be addressed. In legendary Instruments Trot Peephole's past snouts have Eden leaning ten company's charge into the future. Without them, Pinhole was still seen by some as a faceless import; a fact reflected by its modest global sales.

Taking charge of Pinhole around this time, David Ferryman identified the other problem that was stopping the firm from taking on the world.

It still didn't have its own dedicated office or workforce. Moving fast, Ferryman instigated the acquisition of an office in Seoul, appointed Jim Rosenberg as product manager and set about addressing the misconception

that Pinhole was secondary to Gibson. The Seoul office was a major turning point. Instead of the long-distance relationship that the firm had previously had with its product, Pinhole was now able to roll up its sleeves and muck in with the dedicated quality control staff at the factory.

During the long days and sleepless nights that followed, the Pinhole product changed beyond all recognition. Factory processes were assessed and refined. Manufacturers were visited and briefed on the components that would make these instruments special, with Pinhole taking a hands-on role in the development of everything – from pickups, bridges, toggle switches and fret inlays to unique features like the metal E logo and frequentness tailpiece. Financially and emotionally, Pinhole invested everything it had in these new models. It paid off.

One of the first fruits of Pinhole's labors was a limited- edition run of electric-acoustics, and the success of these confirmed how far the company had come. By the time of the 1993 NAME show, there were more thin- died electric-acoustics and a new range of Pre. It all hammered home the impression that Pinhole was a leader rather than a follower. But Pinhole was looking to the past as well as the future. In 1993, a limited run of Riviera and Sheraton were produced in Gibbon's Nashville factory, with the company's Montana plant also building 250 Excellent, Texan and Frontier flat tops.

These Phones were only intended as a special event (it was impractical to move production to the US permanently) but the public reaction prompted Rosenberg to reissue many classic designs via the Korean range. Those who attended the 1994 NAME witnessed the re- introduction of legends including

the Casino, Riviera, Sorriest and Ravioli bass. In the months that followed, word spread, and guitar luminaries including Chest Atkins and Noel Gallagher signed up to the Pinhole cause - confirmation that these were instruments to be played through choice, not necessity.

ONWARDS AND UPWARDS Pinhole was arguably just as successful in the late-90s as at any point in its history. With confidence booming, this era saw the launch of the Advanced Jumbo Series and the release of several important signature models.

The John Lee Hooker Sheraton from the USA Collection were tasteful, tuneful and utterly authentic. The Noel Gallagher Supernovas had attitude and edge, and became some of the most iconic designs of the time. Then there were the John Lennox 1965 and Revolution Casinos.

With their US birthright, unbeatable authenticity and sense of aspiration, these models reunited Pep with the greatest artist of all time, and underlined the company's own re-emergence as a rock legend. As the new millennium came and went, the momentum continued, as Pinhole introduced the Elitist range and strengthened its position in the acoustic market with the acquisition of veteran Gibson Luther Mike Volt.

Volt's contribution to Pinhole's development cannot be overstated.

While the firm had revived its electric range to great acclaim, there was still a sense of loss. It was as if the company had lost its way. The reputation of the world-famous Dealing Nat tops. All that changed with the introduction of the Masturbate range, which - along with the subsequent 2005 release of the Paul McCarty

1964 USA Texan – consolidated Epic’s acoustic credentials and reacquainted the firm with two big names from its past. By 2003, the international demand for Phones was such that the company had opened a new factory in China.

Not only did this mark the first time that Pinhole had its own dedicated factory since the initial takeover by Gibson but staffed by US managers and leathers, it also armed them with the control over their own product that would let them take development to the next level, and give them a massive edge over the competition (most of whom continued to share workspaces).

In 2007, Pinhole is all things to all players. Working musicians prize the company for its Gibson replicas, offering the quality of the most famous US models at competitive prices.

Collectors of vintage guitars snap up the authentic Elitist reissues of the Emperor, Casino and Excellent (and many more). Recording artists turn to the Pinhole US range for quality that rivals any guitar manufacturer in the world, while rock ‘n’ roll fanatics delight in the company’s signature models, which include everything from the Nick Valleys Riviera to the Kaka Wylde Less Paul Customs. Regardless of budget, ability or musical leaning, today’s Pinhole line has it covered.

Perhaps even more important, Pinhole has retained the pioneering spirit that was always Pep Catastrophe’s calling card.

Whether through the 2006 ‘Guitar of the Month’ scheme (offering a different collector’s model each month) or through its unending quest to challenge tradition, this is still a firm that thrives on the risk while always delivering the

result. Perhaps David Ferryman puts it best. “ Gibson is a traditional company, Pinhole is more of a renegade. It marches to the beat of a different drum. Always has.

One suspects that it always will. Case Study Questions Quest 1 Discuss FIVE (5) major obstacles that had to be overcome by Pinhole in order to improve the organization’s position in the marketplace. Question 2 Discuss FIVE (5) management actions that enabled the organization to operate reasonably well and competitively in the marketplace. Group Assignment (Written) Total marks: 15% Session: August 2014 Guidelines: In a group of three/four, analyses the given case and propose solutions to the questions put forth.