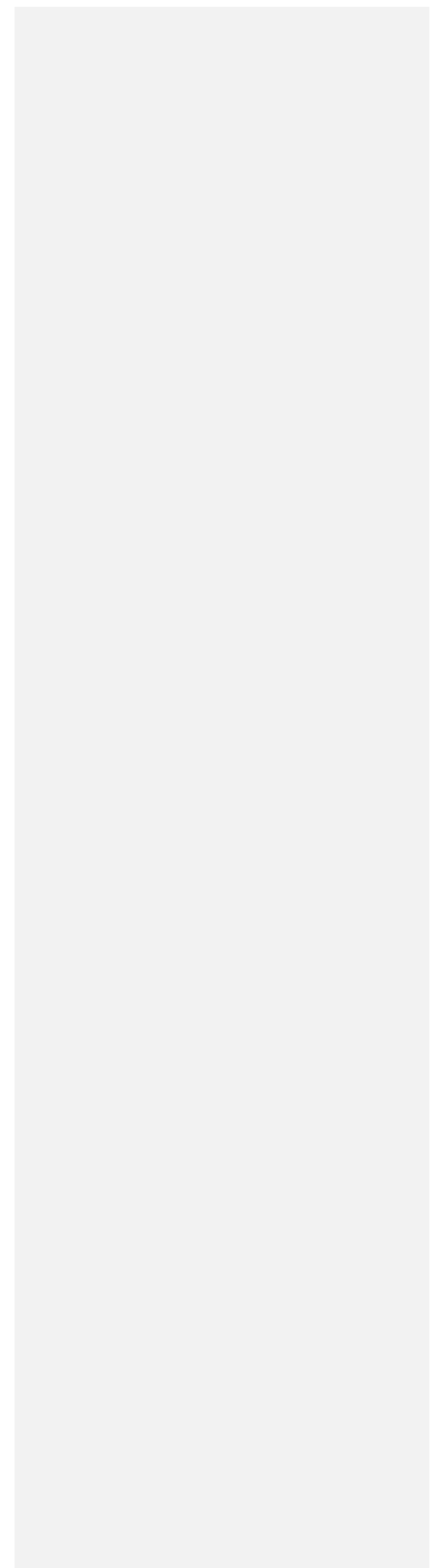


An Artist Creates Art that Creates Art: Paul Reed Smith Guitars

Sample Student

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“Everything affects everything.” The words written on whiteboard in Paul Reed Smith’s office have been a personal and company credo for 30 years (Winslow, 2012). From the materials used in making the instruments, to the people whom he employs, Smith’s care and attention to detail have served him well. He started building guitars as a way to earn independent study credits in college (Burrluck, 2007), and his perseverance and dedication to the art of luthiery has not only made his company the third largest guitar manufacturer in the United States (Shalal-Esa, 2009), but earned him and his product the unique honor of being permanently included in the New York Metropolitan Museum of Art’s musical instrument collection (PRS Guitars Officially a Work of Art, 2013). Musicians from diverse backgrounds, professionals and hobbyists alike, have taken Smith from being a lone builder in his parents’ home to the owner of his own company and state-of-the-art facility dedicated to furthering the art and science of guitar manufacturing (Burrluck, 2007).

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Smith officially launched Paul Reed Smith Guitars in 1985 (PRS Marks 30th with Anniversary Models, 2015) in Stevensville, MD with one production model available, the Custom 24 (Burrluck, 2007). Thirty years later, Smith has grown his passion into a multi-million dollar private company (Hoover's Company Records, 2015), offering over 30 different electric models in addition to acoustic guitars, amplifiers and a budget line of import models (Winslow, 2012). Depending on the source, Smith is reported to currently employ between 190 (Hoover's Company Records, 2015) and 280 people (Winslow, 2012). Executives and other leaders in the company are often culled from the existing talent pool within the company, rather than sourced from outside. Current national sales manager Jim Cullen initially started with the company in 1997 as a finish sprayer, and was promoted due to his intimate knowledge of the

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products (PRS Guitars Names Cullen Sales Manager, 2013). The executive staff is very small, comprised of just three people: Smith, as owner, President Jack Higginbotham, and Executive Manager Geoff Jacobsen (LexisNexis, 2015).

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When Smith had first started making guitars for his idols, the \$1000+ market for electric guitars did not exist (Schneider, 2003). Smith's designs, based on the classics produced by American guitar manufacturers Fender and Gibson (Burrluck, 2007), and built using premium woods, created the market for a high-dollar electric guitar. The instruments produced by the Paul Reed Smith guitar company were not only popular with celebrity musicians, but with well-heeled hobbyists too. Smith's instruments quickly became a prized status symbol amongst those who could afford a luxury item solely for the purpose of recapturing youthful aspirations, much like a Harley-Davidson motorcycle (Schneider, 2003). The average price of a guitar in the Paul Reed Smith line is \$2,750, and the most exclusive models can go for as much as \$70,000 retail price (Shalal-Esa, 2009).

The aforementioned Fender and Gibson companies definitely took great interest in what Smith was doing with his instruments. His biggest influences soon became his biggest competitors. Although Fender and Gibson had spent much of the seventies and eighties cutting costs and producing instruments that were vastly inferior to their fifties and sixties prime (Burrluck, 2007), the upstart company pushed the two older manufacturers to re-examine their standards. Both Fender and Gibson started "custom shops," a separate line of instruments utilizing top-quality materials and manufacturing practices to compete alongside with Paul Reed Smith in the market that they had created (Schneider, 2003). In the high-grade guitar category, the Paul Reed Smith company currently captures approximately 40% of the market

share (Shalal-Esa, 2009). In order to compete with foreign manufacturers like Samick (which manufactures budget-line instruments for many other companies, including Fender and Gibson), Paul Reed Smith offers a line of sub-\$1000 electric guitars under the SE moniker. The instruments appeal to aspiring players and working professionals alike, who may not have the resources to purchase the high grade models. In 2008, it was reported that the Paul Reed Smith company brought in \$38 million in revenue from their model lines (Shalal-Esa, 2009).

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One of the most successful strategies that Paul Reed Smith Guitars has used to capture and retain market share, as well as the hearts and minds of present and future devotees of the instruments, started and remains as a grass-roots level event. Starting in 2007, "Experience PRS" is an annual event where celebrities and common people alike congregate for a weekend near the Stevensville plant, and are immersed in all things Paul Reed Smith. Famous endorsers like John McLaughlin, Neal Schon and Brent Mason give live performances as well as up-close and personal clinics to fans. New lines of instruments are revealed at the weekend event, before they are shown to the music press. Factory tours are given, offering attendees the opportunity to watch as instruments go from raw wood to final form. Paul himself walks through the Experience PRS event and speaks directly with his customer base. He feels that the event has helped to retain market share, even with a rough economy that has left people with less money to spend on luxury items. Since its inception in 2007, attendance has grown at the event from 700 to 3,000 people (Guitar Legend McLaughlin Stars at Experience PRS, 2012). It's expected that the events see 400-500 instruments sold in the weekend, and revenue can total over \$1 million from sales (Winslow, 2012). The success of the Experience PRS events have led the company to offer a video tour of the plant for those who are unable to attend in person.

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The virtual tour offers a look at aspects of wood selection, finishing, and final assembly for those interested in how the guitars are made. Paul Reed Smith employees are enthusiastic about the roles they play within the organization, and their excitement shows in the videos (Video Campaign Takes Viewers Inside PRS Plant, 2010). In addition to the Experience events and video tours, the Paul Reed Smith company has created goodwill in the industry by donating instruments to the Musicians Institute College of Contemporary Music for use in their classrooms and studios. The idea behind the donations is to get the next generation of songwriters, musicians and studio engineers familiar with what the company has to offer (PRS Donates Guitars to Musicians Institute, 2011). Although the company had reported some declines from 2003-2008 (Hoover's Company Records, 2015), their strategy of marketing has kept them from experiencing the 20-30% yearly losses suffered by competitors (Shalal-Esa, 2009).

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With all the accolades earned and a massive base of guitar players swearing by their Paul Reed Smith instruments, one would think it safe to assume that the company's founder would be content to rest on his laurels and let past successes continue to propel the company. This is indeed not the case. A common theme with Paul Reed Smith, the man and the company, is that the best is yet to come (Burrluck, 2007). Smith passionately believes that the classic electric guitars that inspired him to build his own in the first place, albeit fine examples of the art, don't possess any ethereal qualities that can't be recaptured or improved upon in modern times. The reason that the old guitars are so well-loved is that over newer versions isn't necessarily a component of age, but instead, at some point their manufacturers gave up on improving, or even maintaining quality. They elected to cut corners in order to bring down

costs. The issues that plagued Fender after being acquired by CBS, or Gibson by Norlin, are well-documented and discussed frequently by guitar collectors and aficionados alike. Corporate greed drove quality down. The Paul Reed Smith company maintains private ownership. This allows them to continually re-examine and improve upon their designs, with no one to question costs and profits. This is the long-term strategy, to not find final satisfaction with the current product, but always be improving the instruments (Guitar Legend McLaughlin Stars at Experience PRS, 2012).

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“Everything affects everything.” It’s easy to relate this motto in the context of manufacturing a Paul Reed Smith guitar. When one steps back and looks at how the company has operated and continues to operate, the simple philosophy resonates even more. The Paul Reed Smith company has thrived on not compromising, building a superior product, cultivating employees and customers alike, and never being content with the present state.

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