

ELECTRO-HARMONIX

Rock 'n' roller, serious about business

SO MUCH HAS BEEN said about Mike Matthews the music products pioneer, the capitalist ambassador to the former Soviet Union, the equal-opportunity foe of club-wielding union thugs and the Russian mob, it's easy to lose sight of his core motivation. Matthews admits that he is first, at heart, a salesman. As a six-year-old living in the Bronx, he recalls, he fished baseballs out of the sewers...to sell!

Compared to Matthews' other personae, salesman may seem a bit...mundane, but it is actually at the root of all his more colorful endeavors. While simultaneously earning an electrical engineering degree and an MBA from Cornell University, Matthews made a business of promoting such top acts as the Lovin' Spoonful, the Byrds, the Rascals, Chuck Berry, and the Isley Brothers. When he "stumbled upon" the circuit that would help guitarists sound like his buddy Jimi Hendrix (whom he booked, as Jimi James, to open for Chuck Berry)—and hence "usher in the era of overdrive"—he personally took his LPB-1 Linear Power Booster to the 1969 NAMM show in Chicago, knowing that no one could sell the device to a skeptical market better than he could. A decade later, when he radically showcased a six-piece band at a trade show in Russia (with himself on Hammond organ), Electro-Harmonix was one of only two American companies exhibiting. His strategy established connections that would pay significant dividends in later years: In 1988 he diversified into vacuum tube production under the New Sensor Corporation banner, directing one of the music products industry's first manufacturing operations in Russia. When he twice later stood his ground against Russian racketeers, it was to maintain ownership and control of his factory in Saratov. Today, the New Sensor vacuum tube factory is the largest in the world and one of only three worldwide that still make vacuum tubes. (In



Electro-Harmonix and New Sensor Corporation CEO Mike Matthews in his New York City headquarters. — photo by Mike Chiold

addition to selling tubes to music stores and many top amp manufacturers, the company sells tubes, capacitors, transformers, jacks, and switches to amp and stereo repair shops worldwide.)

Of course, the flagship symbol of Matthews' sales genius is the Electro-Harmonix line of stompboxes. Knowing that nothing makes selling easier than starting with a killer product, over the years he has engaged some of the industry's top pedal designers to develop iconic-sounding circuits (and in the digital realm, unique algorithms) that are unequalled in the category. The brand's hits are too many to list, but highlights include: the Big Muff fuzz tone, played and driven to popularity by the likes of Hendrix, Carlos Santana, David Gilmour, and Billy Corgan; the Memory Man analog delay; and the Small Stone phase shifter. Modern-era top-sellers include the POG Polyphonic Octave Generator series, the Cathedral reverb, the PitchFork Polyphonic Pitch Shifter, and the "9" series (B9, C9, Key9, Mcl9, and Synth9) keyboard emulators.

EHX's brisk product development pace

is backed by a highly recognizable brand image, with graphics, product names, and ads that appeal to all generations, and a unique blend of traffic-driving multimedia promotion. The effectiveness of its stellar YouTube demo videos, for example, is evidenced by such consumer comments as "anyone know where to sell a kidney? I have no more money ehx," and "Shut up and take my money!" Commenting on the company's product release track record, Matthews says, "Our dealers jump on announcements of our new offerings."

Electro-Harmonix pedals are sold all over the world; in fact, only 40% of its sales are in the U.S. After a sluggish first quarter, Matthews reports a very strong growth cycle beginning in July. He attributes the surge to homerun product releases including the Super-go Plus Synth Engine/Multi Effect, the Slammi Plus Polyphonic Pitch Shifter/Harmony Pedal, and the Wailer Wah.

Another aspect of Matthews' formidable business acumen raises the paradoxical image of a fiscally conservative rock 'n' roller. Back in the 1980s, when synths ruled over guitars, Electro-Harmonix found itself outgunned by malicious union operatives, and Matthews was forced to shut it down. After selling personal property, regaining ownership of the trademark in 1991, climbing back with reissues for a few years, and eventually resurrecting his pedal business to be one of the strongest, most creative in the industry, Matthews resolved to run a super-lean operation and has stuck to that philosophy ever since. When sales flatlined due to the 2007 recession and 2008 global economic crisis, EHX remained debt-free, eschewing bank loans. In this way, Matthews has been able to maximize profitability—the lifeblood of aggressive product development—even during slow-growth stretches.

His bad-boy image aside, Matthews is—and has been since selling those second-life baseballs—dead serious about business. His long-term strategy? "Stay conservative and be ready to rock 'n' roll when a new Beades, Rolling Stones, or Jimi Hendrix inspires kids to dream again of becoming rock 'n' roll stars!" www.ehx.com