



## **Rusty Shaffer | CEO & Founder, Optek Music Systems, Inc. (Fretlight Guitar)**

This month's "Five Minutes With" holds perhaps even greater interest than usual because our interview subject, Rusty Shaffer, CEO and Founder, Optek Music Systems, Inc. (Fretlight Guitar), tackles head-on some of the most vexing issues currently facing the music products industry. From the sometimes-troubled relationship between large manufacturers and scrappy mom-and-pop stores to the "ego" that can crop up in some music circles, straight through to the continuing challenge of cultivating the next generation of musicians, the issues Shaffer raises can be thorny...and a few eyebrows might be raised before this story wraps up. But let's be clear about one thing: Shaffer passionately believes in both the music products industry and the cause of making music, and Fretlight's doing some cool, innovative things that, if Shaffer is right, will both strengthen our market and improve its future prospects.

**The Music & Sound Retailer:** Let's start by discussing your own background. Touch on the highlights of your personal story as it relates to the music products and technology industries, as well as simply to music. Tell us about the career path that you've traveled, bringing us right up to the present day.

**Rusty Shaffer:** The interesting story is, when I was six, my parents tried to get me guitar lessons. And, at six years old, your hands aren't big enough. They bought me an old classical guitar, and it just didn't work. I took one or two lessons and quit. Their dream of me becoming Glen Campbell went out the window! I always loved music, though. Remember, going to high school in the late '70s and early '80s...rock music and guitar music was just peaking. Today, we refer to them as the "legendary bands"! There were lots of big influences for me, music-wise. I had some friends who played, but I never really picked it up until college when I had a friend teach me. Once I strummed my first three chords, I was hooked! I mean, I was literally hooked. The guitar spoke to me like nothing else I had ever done.

I'm pretty much self-taught...just a strummer. I started playing in college at the University of Connecticut with other people, in bands, at open mic nights and in coffee houses. I was always the singer and rhythm player. After college, around 1987, I landed back in San Jose CA. I was out there as a flight instructor teaching flying and working as a Mechanical Engineer for United Technologies. All of a sudden, I wanted to play this thing called "lead guitar."

Somebody said to me, "Well, here, you've got to look at this book. See all these dots? This thing's called a scale. You've got to memorize all these dots. These are all the places you need to play on the neck." Well, I'm a pretty impatient guy. I think I gave it all of 30 seconds. I was sitting in my apartment, looking at this book, and I said, "This is ridiculous. Why doesn't somebody take this information and just put it on

the neck of my guitar? That way, while I'm learning it, I can actually be playing at the same time and kill two birds with one stone." That's when the light bulb went off for the Fretlight Guitar.

Like most people, and still today, I was a gear junkie...always looking for something to try to help you improve. We all do that and the industry relies on that a lot. You buy gear. I knew what was out there in the stores, and it was plain to see that there was nothing that could really help you get better. So, I'm sitting around thinking, "This is a pretty good idea. I know I have to protect it. I think I'll figure out how to make a prototype and then I'll go down to Fender and sell it!" Of course, I was a kid out of college and didn't know anything about running a business. I ended up calling a patent lawyer out of the phone book. People need to understand this is all pre-Internet and pre-Google. So, I grabbed a phone book and called an attorney. I remember this attorney saying to me, "Sure, we can help you get a patent. I'll just need a \$10,000 retainer." I said, "I've got about \$452 in my bank account currently." Click!—that wasn't going to work. I kept calling, and the 41st attorney I called asked me, "Can you make payments?" I replied, "You mean like on my Sears Master Charge?" I had, like, a \$500 limit or something, and I said, "I can do that." That's the American way! I could make payments. So, that started the patent process.

I didn't really have any special training in electronics or building circuit boards, so back to the phone book. "I need help with this," I would say. "How do I do that?" I remember there was a retail chain we used to have called Service Merchandise. It was more like a Target or a Best Buy, and they used to sell Harmony guitars. I bought a Harmony guitar and ripped off the fretboard, bought a Warmoth fretboard and had a luthier put it all together. Next, I made a circuit board, finished the prototype and it worked!

In 1987, Fretlight didn't do what it does today; it only had three knobs. It plugged into the wall and it was a regular guitar, but it would light up fingering positions. One knob, you selected chords, scales or notes; the second knob was all your keys; and the third knob was your scale type. So, you picked scales, A-sharp, Minor Pentatonic. And there it was—everything from those chart diagrams—right where I wanted it...right on the fretboard.

So, I flew down to Fender, and I'll never forget this. I won't say the name of the person I talked to, but he's probably still there. I showed him my great invention and thought, "You know, I'm gonna hold out for the case of beer. They have to throw that in...it's really important." After about a half-hour of talking to a couple of guys, they looked at me, punched some numbers into the calculator and said, "It's not going to work. It's gonna add \$42 to retail." My jaw dropped, because I didn't expect that. This was back in 1989, and they were still down in L.A. before the move to Arizona. I was just flabbergasted.

I said, "Wait a second, you guys. Do you know those new Apple Macintosh computers? Those things are gonna do music someday. I don't know how, but they are. They're going to be everywhere. We're all going to use one. Someday, a Fretlight's going to plug into that and it's going to be incredible." And they looked at me like, "That's it. This kid is from Mars. We've got a nut job in the building. Please escort him out." I flew back to San Jose and I was dejected as hell. I remember at the time looking through a catalog and seeing Fender's Jimi Hendrix model and, in the caption, it said, "We've taken great pains to make this vintage. We've even pre-rusted the screws." I immediately thought, "I'm not going that way. I'm going in a different direction from these guys." I decided right then and said, "You know what? I'll show 'em! I'll do it myself!" I didn't know how, but I said I was going to do it. That really thrust me into the bull-in-a-china-shop mode to get this done as an inventor.

**The Retailer: What's the best part of coming to work each day now?**

**Shaffer:** Customers. I still answer the sales phone once in a while. I love to hear people's stories and to learn where they are in their playing. I can tell them exactly how Fretlight can help them. I love answering the phone when we have customers call back after they've gotten their Fretlight. I'll hear, "Do you guys know you sent me a real guitar? This thing's amazing! Do you guys know how amazing this is?" I'll say, "Yes, we built it. We know." [Laughs.] But it's great. Customers...and changing people's lives, that's the best part. Our customers are amazing. Each one has a different, unique story. Much like all of us in our musical, guitar-playing journey. Everybody's at a slightly different point, right?

You get one customer who says, "I hurt my hand in an industrial accident. I never thought I could play again. Fretlight helped me re-learn stuff." Another customer says, "I didn't have the time and I never thought I could play lead guitar! Oh my god! I'm still not that good, but this is amazing." To hear that something you invented changes people—even just a little—is special. It's not the cure for cancer. But, to change somebody's life and to have an effect like that...it's pretty profound. It's definitely our customer experiences that keep me coming back.

**The Retailer: Let's talk about Optek in broad strokes. Provide a 10,000-foot overview of the company, summarizing its growth and development. Discuss some of the key characteristics and qualities the company embodies. Give us some insight into your corporate culture.**

**Shaffer:** Well, it was really tenacity and perseverance in those early days to keep going. And whenever a time had come along, whether it was the '90s or the 2000s, where I just wanted to say, "Forget it! It's too hard," it's the customers, once again, who kept coming back...who kept me making guitars. I would say the biggest effect, besides customers, has been technology. I think it's pretty well established that Fretlight was very, very ahead of its time in 1989 and 1990. We were very forward thinking, especially for guitars. The recording industry just zoomed ahead with how you can record: computer, iPad, all of that. But it took a long time for guitar players to embrace using a computer with their instrument. A very long time. But every advancement in technology helped us: USB helped us; the Internet helped us because I was still selling direct at the time. All these advances, you could say, came along at just the right time to bump us up to the next plateau.

This is now Fretlight's 25th year. At the last NAMM show, I had people coming up to me telling me that those first guitars made back in the early '90s—the ones that plugged into the wall and had knobs to select chords and scales—they said, "I had one of those. If I hadn't used it, I wouldn't be the guitar player I am today." So, I think you've got cycles of use out there from Fretlight. It's been an amazing 25 years.

**The Retailer: When you look at Optek as it currently exists, what are you proudest of? What makes the company—and the company's products—stand apart? How do you differ not only from direct competitors but, more broadly, just from other companies in the music products space?**

**Shaffer:** I think I'm proudest of our employees: of us as a group and of our company philosophy. We don't believe in the words "no" and "can't." Whether it's somebody who says, "I want to learn the Phrygian scale," or a new marketing tack we want to take. I've tried to instill that our mission is far from over. We really do want to change the way the world learns to play. I think what sets us apart from the industry is that we want everybody to play guitar.

We define "guitar player," I think, a little bit differently from the industry. If I put a guitar in somebody's hands and all they ever do in their life is play "Smoke on the Water," and they don't have any idea of what notes they played, we call them a guitar player. And why not? Why not? They enjoyed it. They

accomplished what they wanted. Maybe it was on their bucket list. Who cares? There's no ego involved there.

And so, this really comes back around. The instrument spoke to me. I want to give everybody a chance for the instrument to speak to them. I know it won't speak to everybody that way. But the problem is our society today is so fast-paced. Kids are so used to pushing buttons...getting on Xbox or the Internet. Learning the old way isn't going to work these days. If we can't help them pick up a guitar today, they may never have that moment...that chance to strum a couple chords and see if the instrument actually speaks to them.



A behind-the-scenes peek at the tech bench.

You have to ask yourself, "Where's the next Eric Clapton? Where's the next Mark Knopfler? Where's the next David Gilmour?" These guys were iconic heroes and songwriters, and they used the guitar as the focal point in their songwriting. Where is that happening today? Where is that in the last 10 or 15 years?

And so, that's a really huge gap that's out there. We have to figure out how to motivate kids to do something other than play a video game or screw with their cell phone. How are we going to get them to play guitar? How are we going to get them to develop and have a chance to connect? It's kind of scary. The industry stats, as you know, show guitar sales overall have been declining. I don't think it's a price issue. Lowering the price by \$10 isn't going to make little Jimmy play any better or faster, or even want to play. You're gonna have to help him get there. That's what we think we do.

Now, you know once you get into this crazy hobby...this wonderful hobby...you end up owning several guitars. I think the average guitar player owns about five or six, and that's great. I applaud all the other guitar companies that are doing their part on that level. What upsets me is the lack of new guitar players, and what really drives my passion is creating new guitar players. We have to.

**The Retailer: Detail Optek's philosophy as regards working with dealers and through the dealer channel. How does Optek work with brick-and-mortar dealers? How do the two sides of that relationship benefit one another?**

**Shaffer:** Again, it's out-of-the-box thinking. We came up with a program called the Fretlight Showroom program. We looked at traditional brick-and-mortar, and there's a twofold problem with mom-and-pops: yeah, they're being driven out of business by the bigger guys, but everybody's being driven out of business by people shopping online. Everybody's being "showroomed." Customers go in to check out a product and then they go look online to see if they can get it cheaper, get it delivered faster, not pay tax, etc. That's one thing. Also, the mom-and-pop retailers have a cash-flow problem. It's really tough for them to lay out thousands of dollars for inventory. The big guys kind of keep them locked up. They kind of have to do that. You have to be a Fender dealer or a Gibson dealer, because those brands drive customers into the store. It makes it very hard to try new brands. It's hard to take on cool products. So, we said, "You know what? That model's broken." So, we came up with the Fretlight Showroom program. We said, "You're being showroomed anyway. Why don't you get paid for it?" If someone comes into one of our showrooms and sees our guitar with its demo running, but they go home and order from us, we pay our showroom a commission. They might not even have talked to anybody. Maybe they just wanted to go in and see if the guitar was real. Maybe the store was busy, and the customer walked out. If the customer buys direct from Fretlight, we share the profits with that showroom.

That showroom also has the option to engage the customer. They can say, "Hey, would you like to order one? Let me tell you about it." We pay the showroom even more commission for that. We don't force them to carry inventory. They'll order what they need. We'll give that customer free shipping to the showroom. The dealer will take that profit right away; it's sort of an instant pay. And shipping it to the dealer a couple days later gives that dealer another touch point with the customer. It's another opportunity to sell and say, "Hey, let's talk about an amp you might need. Let's talk about a strap. Let's talk about this. Let's talk about that." A second touch point for that customer to come in and be satisfied by that dealer. So, we think we're trying to forge something different...something that works for the independents. We have about 170 showrooms across the United States—all independents—and it's still growing!

**The Retailer: How much convincing have dealers needed to embrace this Showroom program? Is it something they've come to eagerly, or did it take some persuasion to make them see the value proposition?**

**Shaffer:** I personally called the first showroom, and the next 10 after that... It really took a conversation of more than just a couple of minutes. Because, on first pass, you know, it's kind of like, "What did you say? Tell me that again." And so, it took some explanation...some convincing. It gets easier and easier, of course, with the slew of showrooms that we can point to. And, of course, we're sending these commission checks out every week! But, you know, it's still tough. The problem with the independents is, they're still in that 1970s mindset and it's kind of a doom loop for these guys. They want more business, but the bigger chain is down the street. They want innovative products, but they've got to carry Fender. So, they're kind of stuck in this broken model, and some of them can't get out. The ones that are trying to get out have to be open-minded. They have to.

**The Retailer: Do you have any suggestions for the dealer channel that would help retailers themselves, in addition to helping your company and the broader market?**

**Shaffer:** Well, I do think the model's broken. I think the independents are at the mercy of the buying power of Guitar Center and Sam Ash. That's a given, right? An independent still needs to be the neighborhood store, with neighborhood value. Brick-and-mortar in general is disappearing, and it's sad. I

used to love to go to CD stores and browse CDs. You'd stand there and go through the letter "B," and then move to the letter "C." The problem with buying online is there's no peripheral vision; we only see what's right in front of us. Nobody buys albums anymore. I buy one song at a time...quick hit, and there's never a chance even to get to know this artist with their other music.

So, here's my suggestion to dealers: just do what you can do better than anybody else can do. I don't care how much money they have and how much they can undercut you. Offer your service, your passion and yourself. I would've loved to have had a better experience when I was younger...when I didn't know anything about gear...when I didn't know anything about guitars. Instead of treating me like an outsider to the club, welcome me in! Do like the golf industry does. You know, "We don't care if you shank the ball. Come on in!" Or, "We don't care if you can't ski. Come on in!" Embrace the guy who just wants to play "Smoke on the Water." Who cares?

But, you see, the problem is, there are a lot of egos with guitar. A lot of egos...from manufacturers, to dealers, to teachers, to everybody. And those get in the way of this industry advancing. When I was a flight instructor, if somebody didn't get what I was trying to teach them on the first pass, it wasn't their fault; it was my fault. And so, I had to say, "OK, plan B. And if you don't get plan B, I have to go to plan C." You put the burden on yourself. This industry puts the burden on the customer. "Yeah, here's a book published in 1950. Good luck!" It's not the way it should be.

#### **The Retailer: Is there anything I've forgotten to ask?**

**Shaffer:** I would like to say that Fretlight's gonna keep pushing the boundaries. So, we have our wireless solution happening next January...hopefully, we're going to announce it at January NAMM. The guitar will wirelessly connect to the iPad and iPhone. Because even we have constraints of trying to meet customers' expectations of, "I've gotta get playing in 30 seconds, or else I'm going to go do something else." And so, we're doing that. We're embracing our teachers with our GT Control program. We have software and we've partnered with Fishman and their TriplePlay MIDI pickup. A guitar teacher with a regular guitar and a Fishman can plug into the computer, and the student plugs into the computer, and that teacher can instantly—in real time—light up the student's Fretlight. So, no reaching across in lessons. No bending the kid's fingers. No having the student crane their neck to figure out what the teacher's playing. It's all right there. So, we're trying very, very hard to bring more people into playing guitar.

This industry's been a little bit beaten up, you know? Guitar Hero and Rock Band were perceived as possibly good. It backfired, because playing regular guitar isn't as easy as pushing colored buttons. It really exposed guitar for how difficult it is. And kids just said, "Forget this!" As a company and an industry, we have nowhere to go but up. And I would love to take part in, and contribute to, a resurgence. Like I said...to give people an opportunity to see whether this instrument speaks to them like it spoke to me.