

Jonathan Spangler of Ciari Guitars

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:23] Hello, this is Hall Martin with Investor Connect today I'm here with Jonathan Spangler, CEO and founder of CRT Guitars. CRT Guitars is the creator of The Ascender, the world's first pro play gig Ready Guitar with Photobook Convenience. It's also the only guitar company approved for in airport experiential marketing via music. Oasis Free Guitar Lounge Cantilever detension's the strings and of locks the hinge at the neck, which allows guitar to bend completely backwards as the strings fold, follow the fold, underly tension. The center can fit in a backpack and takes up less space than any travel guitar on the market. It's perfect for all forms of travel, by air, by land, by sea and also great at home for space limited places like apartments, condos, tiny homes, band live, etc.. Jonathan, thank you for joining us.

[00:01:05] Paul, it's my pleasure. Thanks for having me. Great. So tell us more about your background. What did you do before joining Sayari Guitars?

[00:01:13] So I have a somewhat of an odd background insofar as, you know, I am a patent attorney, approximately twenty five years. And so I've been helping innovators, you know, sincerely for over two decades. Innovators take their their good ideas and get them into the marketplace and change lives, not only the entrepreneur, but their customers. And so I spent a good deal of time in the medical device space. I was chief patent counsel for a what became the global leader in minimally invasive spine surgery products. So, you know, just more than a modest departure to go from medical into into guitars. But I've been a passionate music lover and amateur musician guitarist for an equal amount of time, if not more. And so music has always been a profound passion for me. And so I've, you know, essentially three, four years ago, five, I'm coming up now that I think about it. In March, I left my day job and decided to pursue Ciara guitars found and pursue.

[00:02:17] Right. So what's your advice for people investing in this space? What do you tell them to do before they write that check?

[00:02:23] Sure. I would say you really have to look for a few key items. And I say this both as an entrepreneur and investor. I look for innovation, I look for leadership, and then I want to understand its trends that will allow the entrepreneur to to leverage those innovation leadership and in prosper.

[00:02:45] Great. And so let's talk more about investing in this sector. How do you see the industry evolving? Where do you see it going?

[00:02:51] Well, I'm really pleased to say that twenty twenty had a few silver linings. And among the silver linings for the guitar industry is that the pandemic brought about a resurgence and really a warm, huge embrace from those people who had more time on their hands or they simply needed a safe, you know, way to focus their energy when the world is. It has all these variables. You can control the guitar in your hand. And so guitars surged during the pandemic year over year, up over over twenty nineteen, which was something that I don't think anybody really expected in those early, early days of covid. But at any rate, that was that's one big thing that cuts in the favor of the music industry and guitars. More specifically, there was also related to that an explosion of online learning. And of course that that takes many forms. Sometimes it's online school for kids. I have a nine year old and that is certainly part of our our world now. But for guitars and and credit to Fender, they did a phenomenal job in offering free online guitar lessons to customers out there. And it helped to drive new entrants and new guitarists and essentially the compliance that is required to stick with guitar. It goes up the more you practice.

[00:04:23] It sounds self-evident, but I would say the you know, the proliferation of online learning and different apps and the like for for guitars particularly has helped to fuel that surge in guitars. You know, it's worth pointing out that 90 percent this is just Fender Stax. They did some surveys some years ago. 90 percent of people who play guitar for the first time will flame out. They will drop it. And so they basically they're kind of one and done with their and their journey on the guitar spectrum stalls. And so what they did is they invested in that online digital learning platform to increase the number of people who will stick with it by simply giving them wins, giving them wins by allowing them to to learn and get some success and then feel that enthusiasm and walk them down that journey. That can be extremely frustrating at times because you see people playing guitar. Like surfing, you can see people surfing and then go out and try to surf and see how easy it is, it's not. And so at any rate, I think that the online learning will lead to more people sticking with the guitar, which will again rise all boats, including cars.

[00:05:37] Another factor that I think is perhaps more uniquely suited for Ciara is that travel, while clearly air travel, took a mighty hit in 20, 20 other forms of mobility searched, OK? And so other areas like ARV's, motorcycle sales boom, boat and yacht sales boomed, private jets boom. And so while people weren't flying commercially, they still wanted to be safe and mobile and live a little. So I think that that's, if you will, expansion of of other forms. A mode of transportation bodes well because we are perfectly suited not only for air travel, but for any form of travel. And so that's that's one aspect that I think helps us. Some are predicting a travel boom when the vaccines are out there in sufficient at a sufficient level. People start feeling safe to get back on the road and it's going to be private or private.

But personal travel, you know, to get out of the house. And so many in the industry are expecting a kind of a dam to break when it comes to travel. And again, you have a bunch of people who are maybe new to guitar, who have yet to travel, and now we can triangulate and be that perfect solution for when travel opens up in earnest. And of course, that sets aside the fact that it's also just plain and simple, a super convenient guitar, even if you're at home.

[00:07:07] Great. So how many companies are engaged in this space?

[00:07:10] Well, there are a few large incumbents like defenders that Gibson's the Martins, the tailors, Yamaha as another. And then there there's a slew of smaller players. There's been a really a big, big growth in the area of boutique guitars. And of course, there are a number of travel guitars I'll get into, you know, where we fit into the travel guitar spectrum in a minute. But one of the trends that I think is also good for CRT and is a factor in an investment assessment in terms of trends, the fact that you have more and more people who are turning to boutique guitars means that they're not as beholden to the legacy brand know, oh my gosh, I have to buy a Stratocaster because my cool uncle had a Stratocaster or I've always been, you know, idolizing myself, playing a Les Paul. People are more open to these other smaller brands. And so it puts less emphasis on on those legacy, the value of the of those long standing legacy brands. Because, of course, I have nothing but deep and abiding respect for all of those legacy brands. But for new entrants, it allows us to have a increased, you know, enhanced footing because we can rely upon other things like innovation and best in class convenience. But yet, you know, the very first pro play, travel, guitar, you know, things that will allow us to to not have to suffer because you don't have a big brand and legacy behind us. We've got innovation and people seem to be reaching towards that in larger numbers these days.

[00:08:48] Great. So what are the challenges in this space and working with the guitars and what do you see as the big issue there?

[00:08:54] I would say it's differentiation. That's that's one price pressures. Any time you have tons of other guitars out there, oftentimes there they will compete on price. And that's especially the case if you don't have a, you know, a long standing legacy brand that will command that premium. And you don't have any innovation really then that that's a recipe for disaster, because now you're you're a commodity. You're stable article manufacturer in a sea of of other options. And so it kind of goes back to my point about innovation and the ability to differentiate and have a position that's not only different, it's better for certain aspects and and then intellectual property. This is my you know, my patent attorney lens coming clear here. But innovation will help command healthy multiples versus if you are simply selling a, you know, a brand, as it were, or you you're selling the same types of guitars. You just

happen to have different guitarists playing them. That tends to be a lower multiple. And so IP begets multiples. And and so that that's one way to buck the challenges of differentiation or lack thereof and price pressures that again come more so if you have no differentiation.

[00:10:20] Right. So how does the three guitars fit into the. So overall landscape in what's unique about it.

[00:10:25] Well, CRT is in our center and it's more than just the center. We have a platform of patented technology that is folding system that can be applied to not only our Premium Ascender, our first product to market, but also our middle tier offerings. And we have currently in development now a middle tier electric guitar. We already have prototype and then we are developing a carbon fiber acoustic guitar. And so both of those will have a lower price point than our our entry flagship of The Ascender. And so we we seek to have a broader appeal through this segmented product offering. And you have one chance to establish the brand. You think Tesla? Tesla came in high and everybody wanted one, but not everybody could afford one. And then they they navigated their way towards the entry level models, the middle tier, more affordable options. And that's kind of the approach that we are taking. We saw to achieve market making a position with the first ever premium travel guitar with the senator. As you may know, we will see editors pick from Guitar Player magazine in November twenty nineteen. And their conclusion was The Ascender from Our Guitars is the first travel guitar ever that is suitable for professional use. And so that's a big, big deal. And that was probably the biggest inflection point for us because that was us achieving that market making milestone. And now we are going about that segment and offering of going into a lower price point models. Now, that's high level kind of what we did strategically and what we have coming. There are a number of of travel guitars out there.

[00:12:09] I am not a fan of besmirching my competition because I want all boats to rise with the tide. And and they've been fantastically supportive of what we're doing it our guitars, not for everybody. But by the same token, I felt like there were there was some unmet needs out there that our guitar solved. And so really summing it all down, it's quality and convenience without compromise. And and oftentimes the quality and the convenience travel guitars typically have one or the other. But in our opinion, they've never really had both, much less in such a solution that is so easy to operate. Throw of a lever in a top off tune at most in order to go from the Foldit to the unfolded playing state. Seconds of you know, I mean, it's so fast to get off stage when you're done. It also seconds. It can get folded in a in a nice, you know, aesthetically protective branded case, what have you. And you're off the stage and on to the rest of your evening or what have you. So anyway, it's quality and convenience without compromise and in to being tied together. That's kind of how we fit in there. But again, I have great respect for all the incumbents and those who've come before us, the bigs, the MDs and and the Littles

and whether they're doing only standard guitars or tribal guitars, you know, we're all part of a big family. Then in all, boats are going to rise with the tide as we as we see the surge of guitars, the larger companies kind of trickle down to pull us all up, including travel.

[00:13:47] Great. So what's next step for Sierra Guitars? What's going to happen next?

[00:13:51] Well, we have a are we fund or campaign or capital raise underway right now, and it's going extremely well. We are encroaching on six hundred thousand just over a week into it in terms of the public aspect of our of our launch. And with that capital, we have plans to again continue the development of that McTear model to the development and launch of our carbon fibre acoustic and then get on after that to even a foldable base.

[00:14:21] And so for us, it's about capital raise in order to scale our existing business, expand the product line and improve product market fit and really have a very attractive company, product, pipeline, product portfolio. And then also based on our intellectual property that's not only in the US, but multiple issued patents, United States applications in foreign countries as well. On our core technology, I feel like we're going to be well positioned in three to five years to be a great acquisition by a company who wants to really offer their their existing customer base something cool, something that has value and that will allow them to always have a quality guitar by their side.

[00:15:06] Well, that's great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

[00:15:10] Well, I think that that really to me kind of sums up the main messages that I have. I'm of course, I'm happy to field any questions that any of the listeners may have.

[00:15:20] And so I know we're going to. Include my contact information in the show notes, and I would be more than thrilled to field any question, I take suggestions readily as well and and advice. So thank you.

[00:15:33] Great. So what's the best way for them to get back in touch with you?

[00:15:36] My email is probably the best, and that is Jay Spangler, all one string. My first initial last name span are at Sciarra Guitars dot com and that is s.i.r.i guitars dot com.

[00:15:52] Great. We'll put that in the show notes. Want to thank you for joining us today and hope to have you back for a follow up. Thank you Michael. I really appreciate the opportunity.

[00:16:00] Well thank you as well. Investor Canek helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect, Doug. Paul Martin is the director of investor Canek, which is a five one three non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.