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From the Archives

Ethics & e-commerce

Editor: The issue of dealers vs the Internet is one of profound importance. In principle, I support Sam Tellig's position: that dealers are essential to high-end audio's survival. But the survival of dealers themselves should not be predicated on the industry notion that high-end consumers should feel a sense of moral obligation to buy from their local dealers.

This notion is partially founded on a valid principle—ethics. The ethics argument involves the practice of customers using dealer knowledge, advice, and products to learn about and audition products, use that valuable experience to make buying decisions, and then purchase over the Internet. Many of us in this wonderful hobby could not morally do this. For whatever reasons, I have found that the vast majority of people associated with the High End, from customers to dealers to manufacturers to the high-end media, are incredibly honest and really nice people! Next to my love of music, this is one of the main reasons why I have found this hobby so gratifying.

But, unfortunately, there are some who will take advantage of this strategy, and, because of the relatively high price of high-end products, the Internet offers the only affordable inroad for many, a great number of whom are from the younger generation of newly inducted audiophiles, and who also happen to be very savvy users of PCs. The industry certainly needs to capture this audience, and comments such as those made by Kathy Gornik are not going to win their support.

However, I believe that the manufacturers and bricks-and-mortar dealers can adopt strategies that would offer a tremendous advantage for themselves against the Internet. Some of the strategies are already, I believe, being formulated. One of the objectives for this manufacturer-dealer relationship must certainly be steady and repeated sales from existing customers. Another objective should also include the induction of new, young, and (initially) less affluent customers.

These first two objectives could be realized by developing a well-defined upgrade strategy that could be provided only by bricks-and-mortar dealers. Manufacturers should develop different levels in quality and affordability by defining specific tiers, from entry-level to reference quality, but within each tier an upgrade path would still exist. This provides the customer the opportunity to trade up to the next level once he has completed his upgrade path, which in turn makes another quality used product available to a potential new customer at an affordable entry-level price.

Two additional advantages to dealers could be in a secondary market of used-equipment manufacturer warranties and trade-up privileges. These two items provide a blanket of security for the newly inducted audiophile and lay the groundwork for future repeat business. And let's not forget authorized dealer repair. If one understands the automobile dealer business, you realize that a significant portion of its income comes from dealer repairs and service. The audio business has nothing to

compare with this, but it certainly could.

I am sure that some dealers are already practicing some of these ideas with great success. I know of one, Holm Audio in Illinois, which, by offering an attractive trade-up policy, has been very effective at bringing back repeat customers. They also offer a very liberal audition policy. I should also acknowledge having had wonderful personal service from ProMusica and **UltraFidelis**. These are the kinds of things that would make a bricks-and-mortar dealer, working constructively with manufacturers, an enterprise that could not be matched or threatened by the Internet. But who will light their fire and get them going? Hopefully, by printing this letter and using its powers of influence, *Stereophile* will be the catalyst.

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