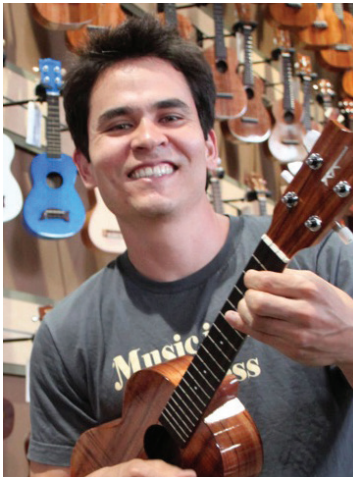


ECONOMIC RHYTHMS | BY PETER DODS

# Amazon Cometh

The other day, I got an e-mail from a customer asking about a set of studio monitors. He was curious about everything from input options to my opinion on the quality. After about eight back and fourths, the customer asked if I could price match the item. I told him to send me the link of what he was looking at, adding that I might have to take any shipping charges into account. We are located in Hawaii, and not everything ships for free.



He sent me a link from Amazon.com. The product was eligible for “Prime,” so shipping was free and two-day air no less. I did a quick calculation. The sale came out to a 5 percent margin. Adding insult to injury, the customer asked if he could demo the monitors in-store. We’re always willing to help people like him in hopes that they eventually buy something at a decent margin and recommend our store to friends. Still, we can’t survive making 5 percent profit margins.

I imagine there’s a short-term gain in selling to Amazon and letting it move product at whatever price it pleases. Demand curves for most products are downward sloping, and any decrease in advertised price increases the amount of units sold. Manufacturers selling to Amazon don’t have to pick small shipments, and they only have to deal with one buyer. I can see how this is a tempting route. I understand that maintaining production quantities, especially in a down economy, is also important.

However, I’m not sure what manufacturers think the end game is on Amazon, so I’ll spell it out. If they continue selling to Amazon and don’t enforce MAP policies, they risk losing their physical representation in a storefront. If this continues across the board for all lines and all products, the showroom will indeed

disappear. (Big-box stores have already played a large role in removing the weak players from the industry.)

We plan to switch to another monitor brand, but what happens if the other brand gives into the mounting downward pricing pressure? If one person breaks MAP online, Amazon’s system automatically lowers its price. What happens when all manu-

facturers fall into this trap? My customer wanted to hear the speaker first. He wasn’t about to buy something he couldn’t demo, and he was looking for someone to connect the dots for him on the hookup side. What would’ve happened if he didn’t find a local store to help him? Could he call Amazon and ask questions? Good luck with that. Could he call Amazon and hear how the speaker sounds in a real studio setting? Hardly.

So what does this future portend? When the dust settles and all the showrooms are gone, I predict the industry will be less than half of what it is today. Manufacturers may be able to hold out longer than independent stores, but for how long? Where will the industry be when the inspiration, the demo, the vibe and the service disappear?

Yes, customers have the best of both worlds right now. They get me, my staff and a free demo and can quietly go home and buy for less on Amazon. But how long can this last?

Strong adherence to MAP is necessary, and in the long run, it protects the manufacturers as much as it does the dealers. I think a lot of manufacturers don’t get that these days. Let’s hope they figure it out before it’s too late. **MI**

Peter Dods is the owner of Honolulu-based Easy Music Center.

**Manufacturers, wake up. Selling to Amazon.com and not enforcing MAP will hurt you as much as it does your dealer base**