

Origin Live views on discounting

We hear frequent requests to offer discount on our products. Some people have a general perception that discounting is a good thing - It is seen by some dealers as a necessity and buyers think they've got a good deal. To clarify the controversial issues surrounding discounting we have set down the pros and cons as follows. Hopefully this will provide an honest look at an area that is often misunderstood as everyone has a tendency to want a "bargain" along with high quality and value for money.

ARGUMENTS FOR DISCOUNTING

From a buyers point of view:

- It introduces competitive pricing that drives prices down providing better value for money
- If a large order is placed then it deserves a discount and incentive
- Customer loyalty deserves to be rewarded with discounts

From a shop's point of view

- Other dealers do it, so everyone must follow suit or lose business
- For those with low overheads such as mail order, the customer expects a discount and certain stores can afford to do it – particularly chains with large buying power or mail order operators

From a manufacturers point of view

- If other products are discounted then they are obviously better value so everyone should follow suit or lose out on orders and dealers who want to discount

ARGUMENTS AGAINST DISCOUNTING

Having spent a good number of years in the industry it is interesting to look back at a little of the history of hi-fi discounting (which has always been around). When Linn introduced the idea of single speaker demo rooms with proper equipment comparisons, most of the magazines wrote almost monthly comments about the costs of high quality service and the dangers of discounting for both customers and the industry in general. Linn, Rega, Naim and other long standing companies were applauded for their stance on not allowing dealers to discount their products. It is worth re-iterating the arguments that outline why discounting with certain products is not in anyone's long term interest – these might be listed as follows.

From a buyers point of view:

- It enables an accurate perception of value for money. If a product is worthwhile and competitive it is will still outperform discounted products without resorting to discounting. An uncompetitive product needs to be discounted to create an illusion of value for money. The question to ask is always "is there a non-discounted product better at this price?" For example you may hear of £500 off a £2000 tonearm. This sounds like an amazing bargain until you actually audition it against an arm costing only £600 with no discount, which sounds far better. The £600 arm is superbly priced in the first place and offers far better value than the heavily discounted item. Some people will still ask for discount on the £600 item under a misguided impression that it must be overpriced because some other product offered a massive discount. The truth is that most high value for money items have already been "discounted" and simply cannot come lower without sacrificing long term viability.
- The other thing to bear in mind is that some manufacturers offer their products with very low trade prices but relatively high retail price. This is great for a shop as it increases a shop's profit margin – however it is usually poor value for the consumer for obvious reasons. Sadly this is an obvious financial incentive for a shop to favour these "high margin" goods and has the effect of giving room to manoeuvre in terms of offering a "discount". The drawback is that it also gives a corrupting bias towards certain products that is not based on value for money or performance but on profit margin. If a manufacturer is offering low dealer prices to the shop, the customer is usually the loser because the product needs cost cuts to manufacturing and design to maintain the manufacturers profit.
- Dealers provide an important service. The best dealers carry certain overheads that prevent them discounting – It takes investment cost and risk to stock equipment along with the time and trouble to put on proper demonstrations – this aspect of hi-fi is different to much of the general retail trade as it can be extremely time consuming and demands considerable expertise and experience. People deserve the right to compare equipment by auditioning it but it is tough and wholly unfair on good dealers if they put on a

demonstration and are then undercut by an internet site that is incapable of putting on a demonstration. This is not to condemn internet sites but rather the practice of price cutting that ultimately destroys the better dealers and good buying decisions based on personal audition. This situation is further exacerbated because of the need to educate people in listening and further complicated by the fact that the right choice of equipment can depend on room acoustics, a persons hearing / taste in music and the equipment they already have.

- The better shops may close - If discounting is allowed the service oriented shops lose out to “box shifters” and may close.
- It means people don't have to rely on reviews – in the area of sound reproduction, magazine reviews are helpful but are by no means always reliable. All reputable reviewers will recommend you listen to equipment for yourself – Why?
 1. Everyone's hearing is different to varying degrees – Some people have hearing loss in the higher frequencies (including dealers & reviewers who are often untested). Hearing loss is not a function of old age so much as exposure to loud sound levels – machinery, discos etc. Hearing loss can occur at a young age and leads to a different perception of how equipment sounds as it can be the equivalent of stuffing cotton wool in your ears for treble sounds.
 2. Rooms vary considerably – larger or “dead” rooms tend to favour bright equipment.
 3. Equipment varies in tonal balance and sometimes requires careful matching with other equipment.

From a manufacturers point of view

- In the end, the better dealers prefer to do business with companies that dislike discounting – the reasons are outlined elsewhere in this document.
- It takes a phenomenal level of time and research to launch leading edge products and this investment deserves to be recouped – leading edge design is not usually reflected in discounted prices – obsolete, uncompetitive, poor value, end of line products are characterised by discounts. Some manufacturers actually feel it is a slight on their character to be asked for a discount and the reasons for this are not usually understood – it is often perceived as being rigid, uncompromising, arrogant, mean spirited etc. Hopefully the above points will go some way to providing an explanation that there are strong ethical reasons for not discounting and that discounted products are frequently just an illusionary saving.

From a shop's point of view

- It is a fairer system - People like to see and hear a product, so they go to a shop for a demonstration. However if they can then order from a cut-price mail order company there is an issue. It is simply unfair on the dealer who has done all the hard work in providing the demonstration & consultation.
- It takes a long term view - Dealers that discount, do so to secure sales by gaining a short term advantage over other dealers or drive them out of business. Although this sometimes works, it is in our view a short sighted policy and damaging to the industry -
 1. Firstly it is the service oriented dealers who suffer.
 2. When a dealer discounts, it obliges everyone else to follow suit - there is then no competitive edge for the first shop who decided to discount – the next step is that this first shop may decide to offer an even bigger discount - so then everyone else has to follow suit and viability sinks lower and lower – you can see where this is leading – everyone loses out, including the customer at the end of the day – one simply cannot have something for nothing.

Exceptions

End of line products – There are cases when discounting should be encouraged in our view – when a product is being superseded or phased out there is a changeover period. Once the replacement product is out on the shelves then it is only fair to discount the end of line product or there will be large losses incurred which benefits no-body in the long run.

Slightly damaged / marked goods or ex demo products are other obvious examples.