

The Hidden Costs of Speakers and How You Can Beat the System

By: The Speaker Company (tSc)



Speaker Technology: *New and Improved – NOT!*

It might surprise you that the least high-tech component in your stereo or home entertainment system is the speakers. The loudspeaker usually has the greatest mark up of any other component. This is because loudspeaker technology hasn't changed in decades, enabling manufacturers to keep development costs low and profit margins high.

Like most products, manufacturers change loudspeaker models and designs every year or so to keep the *buzz* going. These changes may produce new looks and sound tweaks, but seldom is there any real technology advances or sound advantages over speakers that were made years ago.

Speaker Prices: *Everybody Gets a Piece of the Action*

Almost all speakers sold in the US are produced overseas in a handful of factories. These



speakers are typically made by, or for a major manufacturer, who then ships them to the US, stores them in a warehouse, markets them to their online and retail resellers, then ships the speakers to the retailer. The reseller then marks up the speakers again and sells it to you, the consumer.

In many cases, smaller dealers (both online and retail) purchase speakers from a distributor that has also marked up the price of the speaker.

Here is how this chain of events looks:

Speaker Factory → Brand → Distributor → Reseller → Consumer
\$100 cost to brand → \$200 → \$250 → \$350 → Consumer pays \$450

Each step of the way, someone adds to the price of the final product to the consumer.

Keep in mind, the above markups are conservative. Let's ignore the marketing costs for now and look strictly at the other costs in selling speakers:

Retail Store

A retailer has to:

- Purchase from the manufacturer or distributor
- Pay for a stocking area
- Pay for a retail building (including heat, electric, insurance, etc)
- Train and pay sales people, then pay employment taxes, health insurance, etc
- Move the product to multiple locations

As you can see, the Retailer has a lot of cost involved after purchasing the speaker from the brand or distributor.

Online Store



An online retailer has to:

- Purchase from the manufacturer or distributor
- Store the speaker

As you can see, the online store has a significant price advantage over the physical store. E-commerce websites, hosting, and operational costs are modest and hardly factor into the equation at all. Typically, the profit margin is higher for the online retailer but the savings is often *not* passed

onto the consumer.

Direct to the Public

Manufacturers with online sales direct to the public have the best chance of giving you the best price.

- Purchase the speaker from the Factory
- Pay for a stocking area

Now, the sales chain looks like this:

Speaker Factory → Brand → Sells directly to consumer → Consumer
 \$100 cost to brand → → Consumer pays \$150

As you can see, the direct to the public model potentially saves the consumer a lot of money. Somewhere in the range of a 40-70% savings is realistic.

The critical factor, of course, is determining which companies are reputable and which are not. It's highly advised that you do your research no matter how sweet the deal sounds.

You can usually tell a company's credibility and reputation through independent reviews. Bigger competitors may bash lower cost offerings in an attempt to protect their profits, so hit a few forums or blogs at least to try to detect a pattern of positive or negative reviews.

Saving money on speakers isn't the only tip here either. Be wary of any mega-high end sounding items in home entertainment. There's nearly always a similar or even better product for a fraction of the price to those willing to do a little research.

Please check out our products at: <http://www.thespeakercompany.com/>