

Reverb.com, The Musician's E-Commerce Platform

Modeled after Etsy.com, new website offers a commerce platform, with unique search options, tailored for musicians and music retailers

For the past century, brick and mortar retail has been defined by a trend toward specialization, as department stores have continually lost ground

to wave after wave of merchants addressing increasingly narrow market segments. At a time not too long ago, the concept of a viable retail business selling nothing but athletic shoes, or

sunglasses, or vintage guitars for that matter, would have been inconceivable. Today, they're commonplace fixtures. With the launch of reverb.com, an online marketplace devoted exclusively to selling and trading musical instruments, David Kalt is hoping to bring the same specialization trend to the internet.

In concept, reverb.com closely follows the eBay model. Both sites provide sellers the opportunity to present merchandise for a fee while giving buyers access to a wide selection of products with the option of making a bid, auction style, or paying a fixed price. What differentiates the two sites are scale and focus. While eBay processes millions of transactions daily, on everything from automobiles to videogames, reverb.com is devoted exclusively to guitars and related musical products. This narrow focus is what Kalt says will make his site a viable alternative to his much larger rival.

Kalt is the owner of Chicago Music Exchange, a thriving brick-and-mortar store in the city's hip Roscoe Village neighborhood. With a stunning showroom stocked with 2,500 new and vintage guitars, the store is a magnet for guitarists. "My store creates an immediate emotional reaction," he explains. "It's an environment that musicians connect with. We're trying to do the same thing with reverb.com. Create an online environment that says to musicians, 'this is a place where I want to do business.'"

Creating an appealing buying environment at reverb.com starts with organizing inventory in categories that are readily understood by musicians. Site visitors can search using broad product categories like guitars, effects, parts and accessories, amps, and keyboards, or they can get more specific using brand names or price ranges. For vintage buyers, there is also the option of searching products by decade.

However, unusual and constantly changing product groupings are what give the site its distinctive character. Under a recent "Staff Favorites" heading, there was a 1980 Mesa Boogie amp, a 1976 Rhodes Mark I stage piano, new Planet Waves cables, and a volume pedal by LeBg, a boutique manufacturer in Quebec. The "Deals

The screenshot shows the Reverb.com homepage. At the top, there's a navigation bar with "LIST YOUR GEAR FOR" and "Top Shops On Reverb". Below this, a section titled "Hand Picked by Reverb" lists featured items like "Deals and Steals", "The Gear of Led Zeppelin", and "Vintage Guitars - Player Grade". To the left, a "Categories" sidebar lists items such as Electric Guitars (2,250), Effects & Pedals (1,801), Acoustic Guitars (561), Amps (451), Bass Guitars (371), Accessories (350), Parts (327), Drum & Percussion (219), Pro-Audio (112), Parts & Accessories (101), Folk Instruments (50), Other (49), Keyboards (30), and Band and Orchestra (15). Below the categories is a "Top Brands" section with "Fender" listed at 915. The main content area displays a grid of product images and a list of recommended shops with their locations, listing counts, and review ratings. The shops listed are BluesAirmen Guitars (Garden City, MI, 38 listings, 19 reviews), Dave's Guitar Shop (La Crosse, WI, 270 listings, 49 reviews), Chicago Music Exchange (Chicago, IL, 1573 listings, 401 reviews), Southside Guitars (Brooklyn, NY, 211 listings, 18 reviews), American Guitar Boutique (Plymouth, MN, 123 listings, 12 reviews), Vick Audio (Gilbert, AZ, 11 listings, 3 reviews), and SR Guitars (Burlington, NC, 10 listings, 1 review).

Developed by Chicago Music Exchange owner David Kalt, Reverb.com is a place where manufacturers, retailers, and consumers can shop in a "musician-friendly" setting.

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Reverb.com is the creation of David Kalt (center), a hi-tech entrepreneur who now owns Chicago Music Exchange. Although the web platform operates in offices at Chicago Music Exchange, it is staffed by a team of developers who work independently.

and Steals” heading listed a broad range of cut-priced gear including a Behringer Eurodesk console for \$199 and a Harmony guitar for \$75. Other cate-

gories included “British Amp Tone,” “Teles of the ’60s,” and an enormous selection of Electro-Harmonix pedals under the “Big Muff-Madness” heading.

“When you have a search function that accommodates lots of different users, it can’t speak intelligently to every type of user,” explains Kalt. “With our curation efforts—the way we group some different products together—our site screams that we know guitars and music.” Other unique features that demonstrate musical expertise include a real-time price guide similar to the well-known Kelly Blue Book guide for used car pricing, and a blog where staff members discuss gear, music, and other topics of interest.

Kalt hopes to attract a large following with this musician-friendly vibe. However, his site boasts another distinctive feature that has universal appeal: low fees. Unlike Amazon.com, which currently charges a 15% commission on the sale of music products, and eBay, which has fees ranging between 7% and 10%, reverb.com has no listing fees and charges a flat 3.5% commission only when an item is sold. Lower transaction costs are particularly relevant to musicians, who rarely populate the higher income brackets, and instrument sellers, who don’t work on rich margins.

Since its launch in April, reverb.com has steadily gained users and now boasts more than 50,000 friends on its Facebook page. The site was initially populated with products from the Chicago Music Exchange inventory but has since attracted individual sellers as well as product listings from a dozen or so retailers including Dave’s Guitar Shop of La Crosse, Wisconsin, Southside Guitars in Brooklyn, and Carlsbad Guitar, in Encinitas, California.

After his presentation to other retailers, Kalt says they all responded well to the combination of competitive fee structure and an online environment tailored to their customers. He is also finding interest from boutique electronics manufacturers and luthiers looking for an outlet for their products. “Some of these makers are too small and don’t have the infrastructure to develop a real dealer network, but they offer wonderful products,” he explains. “We’re a perfect fit for them.”

An independent m.i. retailer attempting to create a digital marketplace, going up against multi-billion-dollar giants like Amazon and eBay, seems a

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terrible mismatch. However, Kalt's unusual technology and business skills give him a fighting chance. He was a self-described guitar geek through high school and college, but when he realized he lacked the talent to be a star, he went to work as an assistant producer at a Chicago recording studio. Two years of 80-hour weeks turning out commercial jingles for minimum wage soured him on the music industry and he enrolled in computer programming classes at nearby Northwestern University.

He first applied his programming skills to the travel industry, developing a business that helped travel agents match customers with appropriate tours. After selling that business, he developed a program that let individuals trade stock options. "I had taught myself option trading and was doing it on a small scale," he relates. "But Charles Schwab and eTrade treated options like a second class citizen, and it was hard to trade on their platforms." OptionsXpress provided an alternative for independent traders and managed to turn a profit in its first

year. Based on strong sales and earnings growth, Kalt successfully took the company public in 2005. Two years later, though, he stepped down as CEO because "I just didn't enjoy running a large public company." In 2010 Charles Schwab acquired Options Xpress for \$1.0 billion.

Kalt registered the reverb.com domain name in 2006 with the idea of launching a direct response retail business to compete with Musician's Friend. However, he quickly discovered that "you couldn't get access to top product lines with just a business plan." So he bought access to product lines by acquiring Chicago Music Exchange in 2010. The reverb.com project was placed on hold, and he spent much of the past three years refining the Chicago Music Exchange business.

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The success of Etsy.com, a digital marketplace devoted to handmade apparel and housewares, prompted him to rethink reverb.com. Etsy was launched in 2005 and found an immediate audience with its quirky website and selection of unique items. Last year, it processed more than \$1.0 billion in transactions. Kalt is making investments in hopes that reverb.com will experience a similar trajectory. He has a staff of six developers working on the site, is in the process of developing an app for mobile devices, and is spending on search engine optimization to drive traffic to the site. "We'll offer an easy and cost effective way to sell online," he says, "whether it's an inexperienced individual, a dealer looking to reach additional customers, or a boutique manufacturer."

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