



Reverb.com CEO David Kalt wants to remove the “friction” from the online selling experience.

# REVERB.COM

## Removing “Friction” From Online Selling

Fast growing e-commerce site is the alternative to eBay, with lower fees, unique content, and a musician-friendly vibe that keeps customers coming back

Most people who visit marketplace websites such as Amazon and eBay have a pretty clear idea of the products they’re about to buy. The objective of such platforms is to get consumers to click “buy now”—now. Relative newbie Reverb.com, which is exclusively dedicated to music products, is growing rapidly with a very different

m.o.: capturing the sense of exploration, discovery, and joy associated with browsing the aisles of a beautifully merchandised, impossibly well-stocked brick-and-mortar store. What’s more, sellers, including many retailers, have taken note that moving gear on Reverb.com is *a lot* cheaper than on competitors such as eBay and Amazon.com.

The Reverb.com marketplace has amassed around 400,000 registered users and attracts about 3.5 million unique visitors every month. Retailers listing inventory on the site include Sam Ash, Full Compass, and Cascio, as well as many smaller independents. Transactions conducted on the site topped \$38 million in 2014, and founder David Kalt projects that figure to climb to \$140 million this year and \$300 million in 2016. About 60% of those sales were of used products; 40% were new. Kalt says he always conceived of the site as serving the entire m.i. space, “with a sweet spot for affordable, quality used gear,” and that vision has been realized in its prodigious selection of guitars, drums, DJ equipment, and pro audio gear. Over the past two years it has also significantly expanded its band & orchestra inventory. “Sometimes inventory moves between b&o dealers through a broker,” he says. “We can remove some of that friction so that a dealer with a rental program can buy instruments from Reverb.com.”

According to Kalt, more than 45,000 sellers have used the site since it was launched in January 2013. Around



Located across the street from Chicago Music Exchange (also owned by David Kalt), Reverb.com's modern offices accommodate a technology team of 25, plus 12 men and women in "customer engagement."

3,000 of those would be considered dealers. The remainder are mainly individuals, from musicians wanting to upgrade their only instrument—"we always want something, but to get it, most of us have to get rid of something else"—to a "huge community" of "flippers" who buy and sell instruments as a hobby or avocation.

On the surface, Reverb.com may appear to be occupying the same general commercial space as eBay and Amazon. But from its much more affordable sales commissions to its carefully constructed buying and selling experiences, Kalt has fashioned it to be the *un*-eBay: focused, personal, engaging, and super-easy for both sellers and buyers. Users can save their searches, with their own choice of search terms, and they can create their own media feed with the product attributes that interest them.

For retailers, love at first sight starts with Reverb.com's 3.5% sale commission, a stark contrast to Amazon's 15% and eBay's 10%. The rate was determined "very strategically," says Kalt. "There was way too much friction at anything above about 7%. I realized that if I could build a profitable business

with a low enough commission, I would remove any friction in the selling process that might lead sellers to skirt the platform." Retailers find that level reasonable, he adds, "like accepting a credit card for purchases. What they like even more is that we bring the buyers to them, 'credit card in hand,'—and then we send them the money. All they have to do is ship the product and service the sale. That's Reverb's value proposition."

But the lower rate is only the beginning of that value proposition. Beyond making the site very user-friendly and easily navigable, Reverb.com is becoming known for its Price Guide, which Kalt characterizes as "a

Kelley Blue Book for musical instruments and pro audio gear." The Guide enables site visitors to see and compare historical prices of the products, both new and used, that they're browsing. This resource is good for especially reassuring inexperienced buyers (and for related reasons equally helpful to sellers) that the prices they see are reasonable—that they're not at risk of being fleeced. Currently including about 11,000 listings, the Guide is maintained

**TRANSACTIONS ON REVERB.COM TOPPED \$38 MILLION IN 2014, AND ARE PROJECTED TO CLIMB TO \$140 MILLION THIS YEAR AND \$300 MILLION IN 2016.**

by a team of three staffers focused on collecting reliable pricing information based on current transactions.

A guitarist and self-identified "guitar geek" since his youth, Kalt spent two years as an assistant engineer at a recording studio before training his computer programming talents on the travel and stock option trading industries. He launched OptionsXpress in 2000, took it public in 2005, but grew bored "running a large public company" and stepped down as CEO in 2007. (Three years later Charles Schwab purchased the business for \$1 billion.)

In 2010 Kalt registered the domain name "reverb.com," with plans to launch a site to compete with Musician's Friend. Unable to secure major product lines without an established business, he acquired Chicago Music Exchange in 2010 and spent the better part of three years aligning its operation with his vision for an ideal guitar store.

Focusing on acoustic and electric guitars and basses, amps, effects, and drums, Chicago Music Exchange is expected to ring up \$32 million in sales this year. CME is known for its impressive stock of American-made boutique and vintage instruments, but its inventory covers everything from high-end to entry-level products, and by design its vibe is "never intimidating; it's very egalitarian. Even if you can afford a \$30,000 guitar," says Kalt, "you may still want to buy or sell a \$200 pedal. I've been fortunate to have had financial success in previous businesses, but I want the same things as my hard-working blue collar customers want. I'm sick of the elitist attitude you encounter in some music stores."

Kalt's success in replicating that welcoming vibe on Reverb.com is reflected in testimonials from both buyers and retailers. According to Brian Douglas, owner and general manager of Cream City Music in Milwaukee, Wisconsin, the site engenders "a great sense of community among the buyers and the stores. Our connection and relationship with buyers is much more direct and intimate than with platforms like eBay and Amazon. Also, its fee structure is exceptional; a retailer can make a decent margin selling product on Reverb."

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categories, Reverb.com's staff of around 45 includes a technology team of 25 and 12 men and women in customer engagement—"what other businesses call customer service," Kalt explains. "If you have a problem on eBay, you can't get through to anyone. We resolve issues, we help both buyers and sellers, and we make the process really, really easy." Ten of Chicago Music Exchange's 45 employees spend most of their day on email, instant messaging, web chat, or Reverb.com, relaying communications between sellers and buyers on specific details about the products. About 50% of all Reverb.com transactions involve the same kind of correspondence.

To ensure a good shopping experience for buyers, Reverb.com's sophisticated software analytics and vigilant content team identify and remove content deemed fraudulent, counterfeit, or having questionable descriptions, bad photography, or a price that's out of line with historical norms. Similarly, for sellers, it bans buyers with "flaky" shopping tendencies—for example, making many (often lowball) offers but never buying—that sellers characterize as "noise" on more established platforms. "Some sites have become very buyer-centric," says Kalt. "We want to connect our sellers with really good, interested buyers. We weed out the annoying players so sellers have as good an experience as our buyers."

The shopping experience is further enhanced by what Kalt calls "curation," which groups products by both conventional and potentially more compelling criteria. For example, 1980s Japanese electric guitars could be grouped into a collection, or a Ludwig Vistalite drumset could be included in a Led Zeppelin exhibit. The goal is to create hundreds of engaging narratives around the vast array of products. Some items are grouped into the "Deals and Steals" and "Price Drops" sections of Reverb.com's site, whose "narratives" have nearly universal allure among buyers and "give motivated sellers a great way to move gear."

Another lure to the site is a growing body of educational articles written by Reverb.com employees or outside experts. Examples include a well-written piece on how recording interfaces

work that is linked to the recording interface product page, and the entertaining “Totally Crazy [Vintage] Effects” by Dave Hunter. “Our content team is very knowledgeable and objective,” says Kalt; “they have no agenda. We really want to help musicians figure out what they want and need, and we want to make it fun to browse for gear.” Other attractions include videos featuring product demos, store and manufacturer profiles, and even instruction such as how to play Cream’s “Sunshine of Your Love.”

Rich, informative content also serves Reverb.com’s goal of search engine optimization. This is especially important since Google and other major search engines began to correlate each site’s ranking to the usefulness of its content as reflected by the number of visitors it attracts.

One of Reverb.com’s fastest-growing constituencies comprises boutique guitar, amp, and effects pedal manufacturers. “Let’s say you’re a boutique amp maker trying to unload a bunch of B stock,” says Kalt. “You put them on Reverb.com, and lo and behold, a bunch of retailers make offers on them.” Some suppliers sell “direct” through Reverb.com as they might through Amazon, as well as through their dealers. Success on the site has helped some manufacturers establish or augment their dealer networks. Kalt recounts how Paul Reed Smith browsed Reverb.com’s Top Shops section, which lists its top 200-300 best-performing retailers, and referred his reps to those dealers. “A number of small manufacturers encourage their dealers to sell their products on Reverb.com,” he continues. “And some of them ask us how we can help their dealers increase their sales on Reverb. They help us with information on new products, and we write articles highlighting them or post video demos, all of which direct consumers back to one of their dealers.”

In another area where Reverb.com is making e-commerce easier, the company has developed extensive data importing capabilities, recently integrating with other platforms such as Shopify, Bigcommerce, and Magento. Retailers

**FOR RETAILERS, LOVE AT FIRST SIGHT STARTS WITH REVERB.COM’S 3.5% SALE COMMISSION, A STARK CONTRAST TO AMAZON’S 15% AND EBAY’S 10%.**

can basically push a button and have all or any portion of their inventory data copied from their own e-commerce platform to Reverb.com.

From its Price Guide to its data management tools, Reverb.com is all

about removing the friction in online selling. “As long as people want to buy on Amazon and eBay, many brick-and-

mortar dealers have determined they have to sell there,” says Kalt. “But over just the last couple of years, more and more buyers are saying that they love the Reverb buying experience—our content, our Price Guide, our customer engagement. Retailers who aren’t selling on Reverb are missing a huge audience of buyers, the ones who have experienced a robust marketplace designed specifically for their needs as m.i. retailers.”

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