



WILSON[®] AUDIOFILES

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Recent and Upcoming Events

January 7-10, 2004
Consumer Electronics
Show

Las Vegas, Nevada
Wilson Audio
at The Mirage

Displays Using
Wilson Speakers
include VTL, Halcro, CJ,
Hovland, and Lamm

Nov. 21-22, 2003
Europe Audio Diffusion
France

Alexandria X-2
Debuts in Europe with
Dave and Sheryl Wilson
and Peter McGrath

Nov. 24-25, 2003
Audio Components
Germany
Dealer Training with
Dave and Sheryl Wilson
and Peter McGrath

Dec. 16, 2003
Music Lovers
Berkely, CA
Dealer Training with
John Giolas

Specialty Marketing: Defining the High-End Culture

By John Giolas

2003 has been a volatile year for the high-end audio/video industry. Segments of the economy faltered into recession. International markets struggled due to fear of SARS and the war in Iraq. As a result, our industry saw a bit of capitalistic Darwinism; many of the weaker audio/video dealers and manufacturers were compromised; others failed outright. We have also witnessed the demise of some of the iconic giants of high-end manufacturing.

Several beacon high-end audio/video companies lost their direction. These manufacturers, in a frantic effort to grow quickly, abandoned their core high-end business values and culture, moving down market and/or vending their products in chain stores. Others exploited their brand equity, leveraging their reputation in dubious strategic partnerships in the field of car audio. Similarly, some manufacturers moved into markets that were out of their core areas of expertise (such as amplifier manufacturers moving into video, loudspeakers, and control).

And yet Wilson Audio, along with several other fortunate manufacturers and specialty dealers/installers, continues to thrive and grow despite adverse market conditions. Perhaps, in this uncertain time, it is good to reexamine what it means to be a “specialty company.”

The twenty-first century found our industry fattened on the abundance of the previous decade – an abundance that was created by a boom tech market and record economic growth. Unprecedented new wealth and discretionary income generated a high-end market that was ripe for our industry to harvest. And harvest we did. The opportunities seemed endless. In the 1990s, many specialty audio/video retailers shifted their business model to capitalize on the new luxury home market artificially inflated by an influx of wealth. The custom install industry was born. Many specialty retailers adopted a business model which eschewed the necessity of a strong retail organization as they devoted their limited resources to the (sometimes overwhelming) tasks required in a custom install organization. In the process, many traditional high-end audio retailers abandoned their core constituency of high-end, repeat-buyer clients. These retailers worked to replace these clients with sales in the form of larger and larger custom installations.

The belief that germinated from this success was that it was no longer necessary to engage in the challenging process of specialty marketing. Just as the body’s muscles atrophy if not exercised, the high-end retailer’s specialty marketing skill-set began to soften and shrink through lack of use.

This diminished our industry’s ability to market high-end products at the retail level. The custom install transaction focused on a sales model designed, by its nature, for permanence – not repetition. The most important specialty marketing concept – the repeat client sale – was substituted with gigantic, one-time custom install business. The only repeat business that came from these sales were the inevitable service calls (usually performed at no cost to the client) that complex custom installations require over long periods of time.

During this time, a large portion of our industry lost site of its core mission. Some specialty companies began to espouse ideas that are, at their roots, central to the world of mass-marketing. Symptomatic of our industry’s flirtation with mass-market ideals is the evolution of a pervasively held misconception about the nature of specialty audio/video products. This misconception being that the specialty audio/video market is part of a large market continuum populated by mass-produced and marketed products at the bottom, “mid-fi” products in the middle, and high-end products at the top.

The idea that the high-end audio industry is part of this contiguous hierarchy is, I believe,

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one of the most dangerous and destructive belief systems currently perpetuated within our industry. Those that attempt to market high-end products using the good/better/best approach inevitably fail. For example, try selling a hand-made Swiss watch, let's say a Patek Phillipe, by marketing it to the potential customer as a "better" watch than the mass-produced Seiko. By taking this approach, the seller risks comparisons within an irrelevant, "fact" driven hierarchy in which the Patek's value is greatly diminished. Some of the irrelevant "facts" uncovered from this type of comparison are: the Seiko keeps more accurate time, has more features, never requires winding, and yet costs one twentieth the price. Needless to say, this approach fails to differentiate the Patek as a relevant high-end product.

It would be similarly difficult to sell the Wilson Audio WATT Puppy System 7 (or any high-end Audio/Video product)

using this approach. Imagine trying to sell the Wilsons based on its better frequency response or lower total harmonic distortion as compared to, say, a B&W 802. Because it fundamentally misses the point, this approach is doomed to failure. Until a client is exposed, i.e.; has the chance to taste, touch, feel, and of course listen to the WATT Puppies; the potential client will have no understanding of its inherent worth. It is the *experience* that the WATT Puppy provides, utterly uniquely, that creates its intrinsic *value*.

It is a tactic of the mass-market to superficially mimic specialty products. Consider all of the Ferrari/Rolux/Wilson knock-offs. We add to the confusion when, as an industry, we fail to differentiate between high-end products and cheap, mass-produced imitators. The mass-market approach attempts, by its nature, to appeal to the lowest common dominator. Part of

this approach involves creating the illusion of getting something (or the same thing) for nothing. Using this approach, the mass-market distills and oversimplifies all in its path.

Conversely, marketed properly, the specialty market occupies a separate world where the rules of mass-marketing do not apply. In fact, evidence suggests that the rules of the mass-market are corrosive and destructive when applied to the specialty market. Witness the large, well capitalized audio/video conglomerates that have attempted in recent years to make aggressive inroads into the high-end audio/video market. These efforts have been met with consistently disastrous results as these giant entities apply their business model to specialty manufacturing and marketing. It has been sad for our industry to witness the destruction and demise of some of the most important and innovative specialty
(See SPECIALTY pg. 3)

Hard Work and a Certain Sense of Purpose

by Sherri Burge

America's Deep South has long been known for her roots in tradition and family values. A product of Montgomery, Alabama, Wilson Audio's Director of Manufacturing, Korbin Vaughn, exemplifies an excellent work ethic, well-polished human-relations skills, and strong family values.

Growing up as the sixth child in a family with eight children, Korbin is no stranger to hard work. One of his early childhood memories is of washing his family's cars, usually at least six, and often some of the neighbor's cars, every Saturday 7:00 am.

Korbin's manufacturing experience goes back to his dad's factory where they made camping gear. As a child working for his dad, Korbin did everything from sweeping floors to picking up supplies at a local store.

At age eight, Korbin went into business for himself when he started a paper route that he kept until he turned 16. Korbin's next venture was to work at a local grocery store, where, at 16, he started as a bag boy and worked his way up to managing the dairy and frozen food sections.

Eventually, Korbin moved to Utah in order to attend Brigham Young University, where he majored in Business with an

emphasis in Finance.

Needing to finance his education, Korbin began looking for employment. His brother had a friend who worked in the testing lab of "this company that produced world renowned speakers." Before long, Korbin had a position in production at Wilson Audio.

Wilson was so small then that there were only about 20 employees. Korbin's work ethic and previous experience in purchasing paid off when after only a year he was offered a position as the purchasing agent.

The Wilson's keen sense of quality isn't limited to speakers or cars, but includes knowing quality personnel as well so they were willing to accommodate Korbin's full-time school schedule. Korbin was grateful for the opportunity to work full-time at Wilson while he completed his education.

Once he graduated, Korbin was promoted to Director of Manufacturing. This position is a natural for Korbin because of his love for organizing and also because of his exceptional people skills. Korbin's quick wit and one-liners often dispell tension and keep things running smoothly.

British Prime Minister Margaret

Thatcher once defined success by saying "I think it is a mixture of having a flair for the thing that you are doing; knowing that it is not enough, that you have got to have hard work and a certain sense of purpose."

Korbin's family is the sense of purpose that fuels his commitment to excellence and hard work. He and his wife have three children, including a brand new baby, a three year old girl who defines the term "spitfire," and a five year old boy. Among other things,



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manufacturers, such as Madrigal, when mass-market companies apply their culture to our industry.

By their nature, true specialty products provide a fundamentally different, lifestyle enhancing experience from a mass-market product. “Specialty” in marketing terms is synonymous with “different”; i.e., distinctly separate from the mainstream. Specialty products are created to achieve an extraordinary experience that transcends mere function. They have depth and layering and can be enjoyed over long periods of time. At their best, specialty products become a highly valued form of machine art. Long term high-end sales can only be realized when these specialty products are positioned as utterly separate from the general market continuum. This is best done by passionately proselytizing in combination with exposing potential clients to the lifestyle enhancing *experience* which the specialty product *uniquely* provides.

Oddly and ironically, there exists a group of resellers that have developed an antipathy for the high-end audio experience itself. This group pejoratively disdains high-end ideals as old-guard nonsense, an era that our industry has grown beyond.

They further maintain that the specialty market is dead, failing to account that it is they who have, in reality, deserted it.

Of course, our success, and the success of other high-end manufacturers that have remained true to their core high-end culture, flies in the face of this misconception.

Perhaps the most important variable in the specialty market equation is the committed independent specialty retailer. Specialty retailers are, as my good friend Mark Goldman says, “where the rubber meets the road.” Unlike the mass-market where products are advertised to the collective public (read: the lowest common denominator) with the goal of the greatest en masse market penetration, specialty products are marketed one convert at a time. Key to this conversion is exposure to the unique

experience that specialty products provide. This is a meticulous and arduous process, one that our industry still best achieves through the independent specialty retailer.

Currently, there is a group of retailers and custom installers that recognize the singular importance of distinguishing themselves from the mass-market by providing service and products that achieve a genuine lifestyle enhancing experience. The most successful of these specialty



Educating dealers in the philosophy of high-end audio and exposing them to the art of Wilson products is one of David Wilson's gifts. Often he uses an A-B demonstration to accomplish this task. Sometimes the demonstrations compare a Wilson product with a competitor's corresponding product and other times they compare two Wilson products.

retail/custom installer businesses have maintained the art of demonstrating the stunning experience of great sound (and beautiful video images). In most cases, the businesses that have remained true to their specialty mission have grown despite the economic hardship of the past few years.

Here are characteristics shared, in some measure, by all successful high-end establishments:

Responsibility – A seemingly rhetorical but often overlooked element of entrepreneurial success is the fundamental core belief in the achievability and viability of the business creator's vision for his/her business. All things being equal, the more passionate the belief held by a business leader, the more likelihood there is that this leader will be successful in his business

venture.

More importantly, in order for any business to achieve long term success, the leader of that business must take responsibility for his/her business's success or failure. The business leader that looks to outside forces (market conditions, demographics, market size) and attributes success or blames failure of the business goals on these forces take themselves out of the control loop. In order for any business leader to achieve their business goals, they must first believe that they are responsible for achieving these goals. It is by taking responsibility that one empowers oneself to achieve the remarkable.

And yet, this deceptively obvious concept is missed by many small business leaders. When confronted by their lack of success, they are quick to blame everyone and everything. I was amazed when I confronted a dealer about his poor sales performance with Wilson products and he responded by insisting that, despite his store being located in one of the largest markets in the U.S., there really wasn't a market for Wilson products in his city. The irony of his assertion eluded him. Why did he waste his valuable resources in promoting our products if he

believed he had no chance of succeeding in his market? Needless to say, he is no longer a Wilson dealer.

The Controlled Demonstration – Chief among the skills abandoned by a large group of dealers during the nineties was the art of exposing potential clients to a compelling experience through the arduous process of the controlled demonstration. The cornerstone of the specialty marketing is the practice of effectively exposing potential buyers to the *distinctive, lifestyle-enhancing experience* provided by high-end products. A well-choreographed demonstration is still the most effective method of exposing clients to that experience.

When asked about Wilson Audio's

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unprecedented success in our market segment, various company attributes come to mind – culture of passion, products that have remained cutting-edge, great service organization, and others. All of these factors have contributed enormously to Wilson’s success. But, arguably most important of all, has been Dave Wilson’s past and ongoing commitment to effective, relevant, educational, and in some cases, paradigm shifting demonstrations of Wilson Audio products. Those demonstrations continue to change non-believers into Wilson zealots (the zealots that most effectively sell our product) and are ultimately an important key to Wilson’s success.

Gathering Place – Implicit to the concept of effective product demonstration is the store (be it custom or traditional retail) setting. The most successful retail venues are those that become a gathering place for like-minded enthusiasts.

In my town, there is a wonderful, independent store that sells high-end and professional photographic gear and related accessories. The owner populates his sales staff with individuals who are passionate about the art of photography. In turn, it has become a gathering place for professionals and advanced hobbyists; it’s a great place to experience great gear among those who have a love of that world. This store is immensely successful. And I buy loyally from them even though there isn’t a single piece of gear there that I couldn’t easily purchase over the internet.

Lead from the top with passion – As stated above, converts come to the high-end one individual at a time. Successful specialty retailers mentor key individuals in their organization, and, in the process, indoctrinate these employees to the culture of the high-end experience. Great leaders literally convert their employees to the high-end philosophy. Mentoring is key to the specialty retailer’s long-term success.

Great high-end leaders also determine product direction, especially in the high-end. They vigilantly ensure that their sales staff understand and support that direction. Specialty leaders actively engage in product training, education, and indoctrination on the store’s key high-end products.

Focus – Good specialty marketing comes from a conviction of beliefs. Evidence of this conviction is a consistent story being

told. Those stores that use the smorgasbord approach by carrying a dis-focused array of high-end product inevitably dilute their authority with the specialty consumer. The message sent to the high-end client with this business model is, “I don’t know; you decide.” Authority and credibility is at the core of the legitimacy and viability of an independent retailer. Great specialty marketers realize that, by definition, they can never be all things to all people. They focus their resources to the task of only exposing their clients to the products they genuinely believe in.

Drive the market – Successful specialty marketing organizations drive and create markets. Mass-market organizations, conversely, respond to (perceived) market demand. Specialty retailing by and large is a pioneering effort. They create new markets through committed, passionate indoctrination that comes from a love of the experience that their industry creates.

Unwavering philosophy – Great specialty leaders are confident with their core philosophy (as it relates to product choice, store profile, service, etc.). This being said, it is easy to be knocked off-center by bad press or negative feedback from a client, etc. Confidence exhibited, especially in adversity, builds credibility and client confidence in the long run. Again, a great dealer understands that they cannot please everyone all the time.

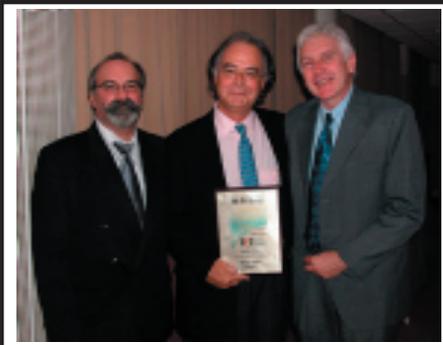
Loyalty – Long term success is always accompanied by loyalty. This is especially important with the specialty market where a constituency of clients invests in that high-end store’s philosophies, direction, and of course, products. They become a part of that organization’s culture with a perceived vested interest in what happens within the store. Therefore, clients feel a genuine and justified sense of betrayal when a dealer tries to reinvent itself with new products or a new business direction that are incongruent with the perceived culture of that organization. I am dismayed by the number of high-end clients that largely have been abandoned as our industry (sometimes ineptly) attempts to re-invent itself. Our industry has devoted their limited resources to things like smart-home programming and a host of related custom-install tasks that have distracted small business owners from their core mission.

Our industry is in danger of making the same mistake that BMW is making in the automobile industry. BMW has veered off mission with iDrive, a “smart” user interface for the secondary functions of the vehicle. The irony of this new, “smart” control system is that it actually gets in the way of the driver accessing several of the simple functions of the car. What once took one step (changing the radio station, for example) now takes three or four; three or four steps that inevitably distract the driver from the primary task at hand – driving the car. This in a car that bills itself as the “Ultimate Driving Machine.”

Whenever an industry (whether it is high-end automobiles or high-end audio/video) endorses technology for technology’s sake, and promotes products, which are designed to provide access to the experience, over products that provide the central experience itself, that industry is in danger of alienating its core supporters.

Service – A key to any successful specialty retail organization is a very high level of service. The best high-end establishments engage in becoming true service organizations and in turn, it’s the service, not the products they carry, that generates a sense of customer loyalty. Service is one of the most effective ways a specialty retailer can distinguish themselves from the mass-market.

Wilson Audio is committed to the core ideals of specialty marketing. It is true to say that our continued growth – even during difficult economic and world conditions – has been, to a large degree, attributable to this commitment. Our commitment comes not from a philosophical perspective alone; it comes also from the belief that it is the only way for our industry to truly enlarge our market over the long run. If we, as an industry, attempt to take the mass-marketing short cut, we are doomed to failure. The evidence of this truism currently surrounds us. We, at Wilson Audio, are optimistic that our industry will refocus its resources on a marketing approach congruent to our industry’s specialty mission. It is already beginning to happen, and in those instances, the fruits are swiftly coming to bear.



From left, Ken Kessler, Peter McGrath holding the Hi Fi News 2003 Product of the Year Award, and Hi-Fi News Editor Steve Harris. This prestigious British award has been earned by only one other American-made product -- the WATT/Puppy 6 in 2001.

Excerpted from ***Stereophile* Sept., 2003**
“Wilson Audio Specialties WATT/Puppy 7 loudspeaker”
by Michael Fremer

“...the ability of such a compact design to produce all but the very lowest musical notes with such notable clarity and control, and deliver it on an expansive, transparent, and coherent three-dimensional picture, is an impressive accomplishment. It helps explain why the WATT/Puppy has stayed in production all these years. Add to that the speaker’s ability to play loudly without strain, deliver unlimited dynamics at both ends of the scale and the fine gradations in between, and its believable harmonic accuracy, and you have a relatively small speaker that does almost everything you could want, with minimal compromise. With the WATT/Puppy, even a space-constrained audiophile can have it all -- or at least most of it.”

“... the WATT/Puppy 7 has so many positive attributes and so few negative ones that I do not hesitate to say that it’s one of the finest-sounding and -performing speakers I have had the pleasure to evaluate. It does just about everything you could want from a speaker of any size. Is it “perfect”? No. But it’s surely good enough!”

Excerpted from **“Wilson Audio Specialties Sophia Loudspeakers”**
by Wes Phillips

Published on line June 1, 2003 at www.onhifi.com, a part of The Soundstage! Network

“While Peter McGrath seemed happy with the sound we were getting, he proposed a shocking -- scandalous by audiophile standards, even -- notion. ‘Got any great-sounding cheap gear?’

‘I bought the Linn Classik I reviewed,’ I replied.

‘Perfect! Let’s hook it up to ‘em,’ Peter urged me. . . .

“Even if you believe that the speakers are the most important article in any high-resolution audio system, that seems far too unbalanced an approach to consider serious. Yet, when I followed through on my promise to Peter, I was amazed at what I heard.

“The 75Wpc CD player/tuner/integrated amp drove the Sophia’s with authority and finesse. The bass was deep, the midrange sang like a bell, and the top end was clear and extended--maybe it didn’t have that same level of microtonal precision (or that preternatural sense of tones in space) as the Musical Fidelity/Shunyata combo, but it was completely satisfying. In fact, if an audio store had convinced me to spend \$15,000 on a system by combining the Linn, Shunyata Constellation speaker cables, and the Sophias, I would quite likely thwart their long-term upgrade strategy by staying right where I started. I could work very hard and pay a lot of loot for only incrementally better sound.”

“... However, if you can afford to contemplate buying a pair without weeping -- say it means driving the same car for an extra year or two, or spending a vacation at home rather than in Cancun this year -- I can certainly think of worse things than buying a pair of Wilson Sophias. *Not* buying them, for instance.”

The Absolute Sound

December 2003/January 2004

2003 Golden Ear Awards

by the editorial staff: Robert Harley, Harry Pearson, Wayne Garcia, and Jonathan Valin

“Wilson Audio WATT/Puppy 7”

“This classic loudspeaker has taken a significant jump in performance with the new 7 version. Although modest in dimensions, the WP7 has the big sound associated with much larger systems. With astonishing dynamic impact and coherence, coupled with deep bass extension and gorgeous rendering of inner detail, the WP7 is enormously rewarding musically.”

“Wilson Audio Specialties X-2 Alexandria”

“This recommendation must be considered preliminary; it is based solely on RH’s 90-minute private audition. Nonetheless, those 90 minutes strongly suggest that the X-2 is not only a breakthrough product for Wilson Audio, but a landmark achievement in loudspeaker design. Easily besting the X-1 (which was on-hand for the comparison) in every respect, the new Alexandria has seemingly unlimited dynamic capabilities and bass extension, yet also exhibits a finely nuanced rendering of timbre and inner detail. The stunning industrial design and gorgeous finish quality complete this serious contender for the state of the art.”



Alexandria® X-2 arrives in seven crates. The shipping weight for the complete system is 2286 lbs. (1041 kgs.). The approximate weight for one channel is 700 lbs. (317 kgs.).



Anthony Di Marco (left), a writer for Soundstage!, and Jeff Fritz, Soundstage! managing editor, carefully remove the finish-protecting Frisk in preparation for speaker set up in Fritz's



Jeff Fritz attaches the Group Delay Alignment Plate to the woofer module. It is important to first thread the two appropriate length tether bolts through the plate before securing the plate.



Peter McGrath (right) assists Jeff Fritz in positioning the lower midrange module (LMRM) within Alexandria's wing assembly. The LMRM rests upon the Adjustable Group Delay™ alignment plate.



As part of the Adjustable Group Delay™ technology, each upper module comes with three alignment spikes. The two short spikes fit into the front alignment tracks and the longer back spike fits a detent position determined by a table provided by Wilson Audio.



With the wing attached, the upper modules in place and the cables connected, it is time to use the Wilson Audio jack to assist in removing the casters and installing the spikes. Before installing the front spikes, be sure to lock the rear casters so the speaker doesn't move. Also, have another person stabilize the speaker.



Because the spike assembly is shorter than the casters, a second person must stabilize the front of the Alexandria while the rear spikes are installed. Grant Samuelson, of Shunyata, assists Jeff Fritz by stabilizing the speaker as Jeff takes care not to cross thread the rear spikes during installation.



After completion of the setup, Jeff Fritz, Peter McGrath and Andrea Fritz pose in the listening room of the Fritz's new home. The room was designed and built specifically with the Alexandria's in mind. Concrete piers were built under the subfloor where the 700 lb. speakers are located. This provides a rock-solid base upon which the Alexandria's rest.