

# California company seeks audio rebels

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High Fidelity isn't just the name of a movie. For the better part of two decades, consumers have been willing to trade audio quality for convenience, forgoing their high-fidelity home stereos for white earbuds. But a Sacramento company is quickly becoming a player among businesses betting that an audio rebellion has begun.

Aided by two wildly successful "crowdfunding" campaigns, Light Harmonic has launched two portable devices that improve digital audio playback. The [company](#) is hoping to transition from the niche, cost-is-no-concern audiophile market to being a leader in the broader consumer-level personal electronics market, said Gavin Fish, the company's vice president.

"The world just continuously decided that convenience was more important than quality," said Fish. "What we are trying to say is, you don't have to sacrifice quality."

Neither the compact disc - which spawned the development of portable players - nor digital formats like MP3 - which gave us the game-changing iPod and eventually turned smartphones into music players - were designed to hold all of the information from a live recording. This "compression" helped producers get more songs on a CD or keep [digital music](#) files smaller so more could fit on a playback device, but the sound was compromised.

But as digital storage has become cheaper and online downloads have become faster, Light Harmonic is hoping an increasing number of

people will demand higher quality from their digital music.

The company currently makes its revenue selling a \$31,000 device called the Da Vinci DAC. Simply put, the device does a better job of turning digital files into music than the typical DACs (digital-to-analog converters) in computers, CD players and other devices. In addition to making MP3 and CD music sound better, the Da Vinci also takes advantage of the growing market for high-definition digital music files. The product has been lauded by several industry magazines.

"It has definitely made a big impression on hi-fi enthusiasts," said Stephen Mejias, an editor at Stereophile magazine. "It was just taking things further technologically."

The company did \$1 million in sales in 2012, shipping to North America, Europe and Asia, said Fish. Not bad for a company born two years ago in founder Larry Ho's spare bedroom. While industry figures are impossible to come by, Fish estimates that the industry leaders in high-end audio do about \$10 million in sales annually. The limited upside to the market convinced Ho and his growing team - there are eight employees now - that moving into [consumer electronics](#) was the way to go.

"There are only so many people in the world that can afford \$1 million stereos. High-end audio are dinosaurs ... they are going to die off," Fish said. "We had to do something that was more mainstream."

"We are not interested in being a \$10 million company. We want to be much bigger."

The company's foray into consumer electronics began this summer with a campaign on the Kickstarter website seeking backers for a scaled-down version of the Da Vinci DAC called the Geek Out. The device -

still in prototype - is billed as "an on-the-go, high-res DAC and headphone amp that plugs into your computer's USB port."

The Geek Out's Kickstarter campaign had a goal of \$28,000. The earliest supporters were offered the product - which carries a retail price target of \$199 - for \$99. The campaign hit the \$28,000 goal in 10 hours. Backers, from Tokyo to Hamburg, had contributed \$303,061 by the time the monthlong campaign expired. The device is the size of a beefy USB thumb drive, with headphone jacks on the other side. While it will fit in your pocket, it's not designed to be used with phones and portable music players.

In October, Light Harmonic went back to the masses, asking for \$38,000 to fund the tooling for the Geek Pulse, a desktop big brother of the Geek Out. This time utilizing Indiegogo, the campaign raised \$1,174,075. The product is a direct response to consumer demand expressed during the Kickstarter campaign. The Pulse is the size of an external hard drive and is expected to sell for \$499.

Stereophile's Mejias said he was initially skeptical of Light Harmonic's crowdfunding strategy. Why ask the public for \$28,000 when you're selling a \$31,000 product?

"Geek Out was not the first product like that," Mejias said. "There were products out there that already proved what the audience was willing to pay."

Among the chief competitors already selling USB products are Audioquest and Meridian. Audioquest, based in Irvine, makes a \$99 and \$149 versions of its DragonFly USB DAC. England-based Meridian also makes a respected \$299 DAC.

But contrary to intuitive thought, crowdfunding can make sense even for

a company with a proven product, said Joe DiNunzio, a lecturer at the UC Davis Graduate School of Management.

"You are proving there is a market for the product. If you can get people to fork over money before there is a product, you know it's a good investment," DiNunzio said.

Successful crowdfunding campaigns can also be used to generate positive press, DiNunzio said.

That positive momentum was evident last month at the International Consumer Electronic Showcase in Las Vegas, with the company making valuable media connections and causing a traffic jam as people lined up to hear its products.

The CES has benefited Light Harmonic before.

Based on the success of the Da Vinci and a visit to the CES in 2013, Ho and Fish were able to leave Ho's spare bedroom for their current modest space in Rancho Cordova. After their recent visit they expect to move to larger offices within months.

The Rancho Cordova office looks like a Radio Shack exploded, with computers, circuit boards, wires, meters and components cast about in the workshop. On a recent visit, one table contained various Geek Out prototypes, still without a protective case and labeled 1 through 12. On another table was a stack of components for the Da Vinci. Fish's office/storeroom is cluttered with speakers, turntables, and packed boxes awaiting shipment.

Music played through the Geek Out produces a clear difference compared to music processed by the on-board sound card, even to the untrained ear. The music is crisper, bass louder and the different

instruments jump out.

While Mejias said he was skeptical at first, he now thinks the company's move into consumer electronics was smart.

"I just think it's just a brilliant move," he said.

It's a good time to try to take advantage of a high-quality audio renaissance, he said.

While music sales overall continue to slump, interest in high-quality music has grown. Since 2006, the sale of vinyl records has increased. Popular music artists, such as Dr. Dre, have made it hip to sport higher-quality headphones. And more outlets, such as [hdtracks.com](http://hdtracks.com) and [superhirez.com](http://superhirez.com) are releasing music in formats that offer more digital information than MP3s or CDs.

"Vinyl is cool again. Headphones are popular," Mejias said. "People are rebelling against low-quality MP3s."

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