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A Dempa Publication

April 2001 • \$4.00



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# The name game

*Established manufacturers are increasingly seeking to expand market share at the high end with new brands*

by Micah Sheveloff

**C**onsumer electronics manufacturers have two avenues available to expand their business: By increasing distribution or creating new products for consumers to buy. After establishing themselves in a particular market segment, it is not uncommon for factories to seek out new business by constructing a supplementary upscale or downscale brand within their existing framework. Kenwood, Onkyo, and Krell have chosen to explore the benefits of such a strategy by adding new lines called Sovereign, Integra Research, and Krell KAV.

"Our goal with Integra Research was to create world-class products by co-develop-

ing them with other companies known for state-of-the-art technology," explained Mark Friedman, senior vice president at Onkyo. Integra Research engineers teamed up with a company called Apogee to integrate an ultra-precise digital to analog converter into both the Integra Research RDC-7 pre-amp processor and the RDV-1 DVD player. "Apogee is the company that builds many of the D-to-A converters for the recording and film industries, and they are known for their exceptional product quality. We felt that they would be an ideal resource for the development of Integra Research components," added Friedman. The RDC-7 offers 7.1-channel THX Surround EX, Dolby Digital, DTS, MPEG, and THX Ultra certification. The processor is also future-proof, capable of being upgraded to accept new formats and technologies via a bi-directional RS232 port. The RDV-1 is also THX Ultra-certified, meeting the highest standards set by THX for home theater applications. The Integra Research processor is also equipped to play DVD, DVD-Audio, CDs, and CD-R recordable discs. The video portion of the circuitry provides a progressive-scan video output as well as Dolby Digital and DTS compatible digital outputs. The third and final component in the Integra Research line is the world's first THX Ultra-certified seven-channel amplifier, called the RDA-7. In order to insure that the design would satisfy both discriminating audiophiles and home theater enthusiasts, Onkyo turned to Balanced Audio Technologies of Wilmington, DE and chief amplifier



**Krell's Bill McKiegan, with a rack of KAV gear incurring the wrath of the burn-in process**

designer Victor Khomenko. The BAT design is simple and efficient, employing a symmetrical design and very low levels of negative feedback. The RDA-7 stores over 600 joules of energy and delivers 160 watts into 6 ohms out of its seven channels. There are standard RCA-type inputs as well as a low noise balanced input stage.

#### **Profitability at retail**

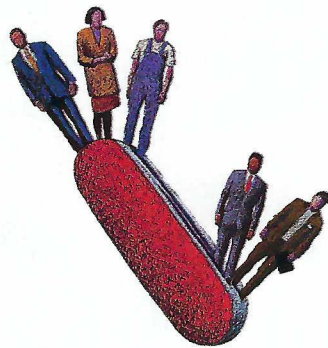
Buzz Jensen, president of Buzz Jensen's Sound Advice in the Phoenix/Scottsdale area, has found that adding the Integra Research line to his product mix has been a very popular decision with his sales staff: "We needed a line that we could champion, something that is not in every store, and that we can make a living with." Jensen further explained that distribution of Integra Research is limited, thus creating a profitable retail environment for authorized dealers. Alan Pace, store manager in Buzz Jensen's Phoenix location, explained that he does have to introduce consumers to Integra Research, because very few have ever heard of it before coming in to the store. "It has not been a seri-

ous obstacle, however, and Integra Research has been a very good addition to our mix and very profitable," said Pace. "We were provided with a comprehensive and separate training program for Integra Research, as well as excellent tech support. We feel quite confident selling the line." Friedman noted that in distributing Integra Research, he sought out the best salon retailers and the most skilled integrators, about 60 to 70 stores total within the U.S. market.

Friedman was also able to highlight some of the ways in which the Onkyo product line had benefited from the technology developed for the Integra Research project. "One example is the upgradable surround sound decoders, designed for the RDC-7 preamplifier, which were adapted for the new Onkyo TXDS 989 receiver," he explained. Capable of handling more than the processor data, other likely upgrades include DVD-Audio and DSP algorithms. "I refer to Integra Research as our motor racing division, where the latest technology is developed and tested," said Friedman.

Krell is a company with exactly the same goals as Onkyo in terms of market expansion. However, Krell's growth was achieved by creating several products in a lower price category than its initial offerings. The KAV series was launched five years ago to broaden the accessibility of Krell products while maintaining the performance and workmanship standards associated with Krell. The KV 300i two-channel integrated amplifier sold for \$2,350, a small fraction of what it had cost to get started with Krell components before the introduction of KAV. The KV 300i received much praise for its sound quality and world-class fit and finish, and immediately thrust Krell into favor with a new group of eager retailers. Currently, KAV is a thriving lineup, including a five-channel amplifier, home theater preamplifier, an integrated amplifier, a CD player and a DVD player. "We feel like the Krell brand name gets stronger as a result of KAV," explained Bill McKiegan, director of North American sales and marketing at Krell. "We have established ourselves with a more broad base of consumers, who will likely buy more Krell in the future. Once they're in [as Krell customers], they stay Krell customers."

Ron Kinnear, co-owner of Thirsty Ear Hi Fi in Bozeman, MT, wholeheartedly



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agrees. "Many of our initial KAV customers are now aspiring to purchase upper-level Krell products. The KAV line says Krell, sounds like Krell and looks like Krell. We have converted many customers who were considering a \$2,000 to \$3,000 all-in-one component to grab the bar and step up a level to Krell KAV. Krell is our 'go-to' line in the store, and KAV is displayed everywhere," he says. Kinnear commends Krell for its ability to assess a weakness in the marketplace and create such an appropriate array of products in response. "I wake up in the morning and say to myself, 'Who am I going to sell Krell to today?'"

Franklin Karp, president of New York-area-based Harvey Electronics, has been doing business with Krell for about three years, and also thinks highly of Krell's ability to market its products. "Our involvement with Krell and KAV," he says, "has been a success story; they have been excellent business partners from the start. Of course, discussing KAV with consumers can also lead to their interest in other Krell products." McKiegan reported that there are future KAV designs planned, based on the success of the initial offerings: "The line may expand to

include seven to nine different SKUs in the foreseeable future." Krell has been strategically promoting its products, running advertisements in *Forbes* and *FYI*, and receiving a testimonial from New York Mets slugger Mike Piazza.

Kenwood certainly has a broad reach into the consumer electronics marketplace, offering a diverse selection of entertainment products over the course of several decades. In 2001 however, Kenwood will unveil a new line called Sovereign, targeted to the home installation and integration specialists. Kenwood vice president of sales & marketing Bob Law explained that the line will start out by including four receivers, one digital audio server, and two DVD players. In order to create the digital audio server, Kenwood partnered with Open Globe, a division of Escient Corp. "Open Globe was involved in the engineering process, and provided the Internet portal built inside the digital audio server," explained Law. The server is designed to be capable of accessing Internet radio, a CD database, and even e-commerce sites that sell music on line. The server also contains a hard drive for storage of compressed or uncompressed digital music files. "The Sovereign digital audio server is designed with home networking in mind, featuring RS-232 connectivity to other Sovereign components, allowing them all to work together. A CD-R is also built into the server, allowing for the transportability of music throughout the home and the automotive environment," Law added. The addition of Sovereign will be an instrument for Kenwood to take advantage of retailer and consumer excitement in the home theater, integration, and automation segments of the market.

#### **On target**

In an effort to broaden their reach to consumers, many home electronics manufacturers have assessed current trends and expended resources in order to bring relevant products to market, even if it means a shift in focus away from their core business. According to retailers, their efforts have been widely successful, leading to specialty lines with limited distribution and state-of-the-art technology. Consumers with less esoteric requirements are likely to benefit as well, as research and development efforts trickle down into mainstream components. Clearly, manufacturers' efforts to commit their brand equity to a larger audience have been right on target.