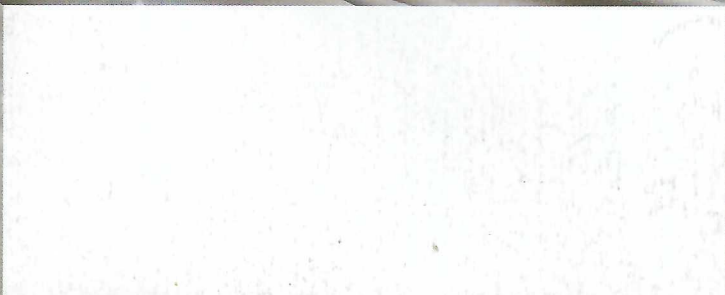


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# Tough topics in 12-volt

*E-commerce and transshipping, viewed with some of the more unjaundiced eyes in the mobile electronics business*

BY MICAH SHEVELOFF

In the complex, ever-changing world of 12-volt electronics retail, issues such as e-commerce and transshipping have come under the scrutiny of many of the industry's top executives. In an effort to maintain a fair and profitable business climate for all involved, manufacturers are busy reassessing their distribution strategies and making future policy decisions that will enhance their brand marketing efforts and bring eager consumers to the point of purchase.

Infinity has authorized two retailers, Crutchfield and Car Toys, to sell their mobile products on the Internet. Mike Giffin, senior vice president of sales and marketing—mobile division of the Harman Consumer Group, indicated that the retailers Infinity has chosen to represent their products on line must adhere to rigorous standards of performance. "Our e-commerce partners must thoroughly understand the 12-volt category and provide a first-rate experience for the consumer," emphasized Giffin, who highlighted several factors contributing to such an experience. "The retailer must have products in stock, and be able to process orders efficiently. They must also be able to provide consumers with accurate fit guidance and responsive toll-free customer service, including installation support, kits, and accessories," said Giffin. Jim Warren, vice president for

Seattle-based retailer Car Toys, had this response: "Car Toys has committed in a big way to e-commerce customer service, and we have even employed the 'push to talk' feature on our Web site, which allows customers to be able to converse with a live customer service representative as needed."

## Strictly enforced guidelines

Another set of guidelines was constructed to make certain that Infinity's e-commerce strategies did not de-motivate its traditional "brick-and-mortar" retailers from supporting the product line. "Our participation in e-commerce sales, with our carefully selected e-commerce retailers, enhances the profitability of the Infinity line and adds to overall sales by increasing the visibility of our products in a quality context," explained Giffin. Car Toys' Warren agrees, stating: "e-commerce has provided great synergy with our walk-in traffic. By providing consumers with our Web site, we no longer dictate when our customers can shop. In the stores, we even provide e-commerce kiosks, which allow customers to shop for hard-to-find items." Infinity has selected the retailers it does e-commerce with in part because Crutchfield and Car Toys have demonstrated that they possess the financial resources and the stability necessary to make the

long-term commitment required to do e-commerce effectively. Both retailers have expended resources to properly maintain an exciting Web site, boosting the product image in the marketplace and creating opportunities for all retailers. "The sites must competently present the Infinity product line and provide a detailed presentation of expensive-to-stock items that are often difficult for consumers to find on display. Our e-commerce partners are held responsible for properly qualifying customers so that returns are limited to true defectives," added Giffin.

Infinity has approached the e-commerce challenge by authorizing two of the most respected retailers in the country and creating a set of operating standards designed to insure that traditional retailers are unharmed by the e-commerce venture. "E-commerce has evolved to become a legitimate venue that some consumers prefer. We can no longer ignore its presence," stated Giffin. Car Toys' Warren adds, "We believe that the more we go out of our way to provide a quality shopping experience on the customer's terms, the better off we will be in the long run." Car Toys maintains its Web site with at least weekly updates, and daily changes are not uncommon.

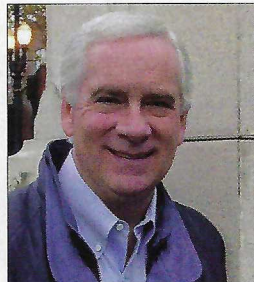
Other retailers with a Web presence seem to agree that high standards will benefit everyone in the



Mike Giffin  
Harman



Jim Warren  
Car Toys



Walt Mulvey  
Goodguys.com



Keith Lehmann  
MB Quart



Isaac Goren  
Sounds Good



long run. "We present products on our Web site to the public based on our vendor's requirements," explained Walt Mulvey, CEO of Goodguys.com. "We are just a conduit, going to market with our suppliers. It is the e-tailer's responsibility to recognize the position and the reputation of the vendor. Our suppliers have made every effort to make sure that the territory is free from transshipping, gray-market goods, and loss-leader items. The relationship between manufacturers and retailers is a two-way street. E-tailers must cooperate in maintaining the cleanliness of the marketplace," added Mulvey.

Additionally, Mulvey commented that retailers and manufacturers alike must be careful to distinguish between e-shoppers and those consumers who prefer to visit a retail store. "Customers on the Internet are in search of knowledge and convenience. These are the primary reasons consumers look to the Web. Many customers seek to bone up on the newest products via the Internet, feeling less intimidated as they head into the retail stores to make their final purchases."

Internet sales have taken on many flavors, as both retailers and their suppliers seek to create innovative marketing for the new media — a magical formula for attracting new e-consumers to the Internet as well as those already immersed in the World Wide Web. As pioneers of e-commerce search for answers, 12-volt consumers continue to explore the Internet as either a supplement or an alternative to visiting their local retailers.

### **The transshipping issue**

Realistically, transshipping is something manufacturers hope to control, rather than eliminate. "It is the rep's obligation to keep us aware of where problems exist," reported Keith Lehmann, president of MB Quart, who explained the critical difference between sustaining the value of a brand and exploiting it. By establishing brand value, a manufacturer can set up distribution from territory to territory and maintain profitability for each retailer. Transshipping threatens to upset the delicate balance as manufacturers lose

control of distribution channels. The brand value begins to decay, as does the profitability. One of the most common reasons that retailers seek to transship exclusive products is the dreaded overstock situation. "Retailers should contact manufacturers for help [if an overstock situation occurs]," added Lehmann, who suggested that some are too arrogant to reach out. "We invest heavily in the infrastructure, our reps and our dealers. We will seek out an opportunity to make in-field transfers (i.e., moving overstocked product to another authorized retailer). Any reputable brand should have the resources to assist a dealer with an inventory problem."

"Transshipping is a big no-no! It halts the growth of a particular product line," said retailer Isaac Goren, president of Sounds Good Audio,

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Security, and Marine of Woodland Hills, CA. "Retailers that are authorized to sell a given line order huge quantities of product — amounts that they could never sell through their daily retail business," related Goren, who further explained that manufacturers should recognize such buying trends as a telltale sign of a potential transshipping problem. "Either the manufacturers know what's going on, or the reps aren't doing their jobs," said Goren.

Goren says his store's bottom line is directly effected by transshipping in his territory. "Consumers find products out there at dramatically reduced prices, and they are trying to save money. We spend time to recommend a specific system, and they show up a few days later with boxes in hand, looking for an installation. We have had to cut back on the quantity of inventory we carry, because although our overall business and profitability has grown, our product sales have not. Because of transshipping, normally exclusive product

lines end up in unethically run stores, and such places tend to sell the gear very cheaply. The manufacturer still sells product, and the transshipper still makes his money. It's the authorized retailer who winds up getting hurt, which is ironic because we were the ones who initially supported the brand."

Retailers we interviewed who do transship products agreed with Goren's theory that many manufacturers are aware of the problem, but do little to solve it. "More often than not, the local reps are helping us move the goods," said one transshipper. "If all transshipping were to cease tomorrow, manufacturers would lose a huge percentage of their business," he said.

"They (the manufacturers) are looking for that yearly growth at seemingly any cost," remarked Goren.

The other harmful effect of transshipping materializes in the form of dissatisfied customers. "Consumers come into our store for the first time, and they are already in a bad mood," says Goren, who often has to try and help people who have bought gear on the Internet or from some illegitimate retailer, and have a serious problem. "Sometimes the products are defective, installed incorrectly, or simply wrong for their application. In order to remedy the situation, we have to charge them to work on their car. We are the ones who have to give them the bad news," Goren added.

### **Climate control**

E-commerce and transshipping affect the overall consumer electronics retail climate. Policies are created, with the intention of protecting the marketplace for retailers who are given the opportunity to thrive. Although transshipping is a rogue offshoot of accepted behavior, many retailers claim that they would have difficulty surviving without it. Others insist that it reduces profitability and tarnishes the entire image of the 12-volt industry. E-commerce is in its infancy; however, consumers are already catching a glimpse of future shopping trends, and it appears that business on the Internet is more likely to enhance the traditional "bricks and mortar" of 12-volt retail in the coming years, rather than replace it.