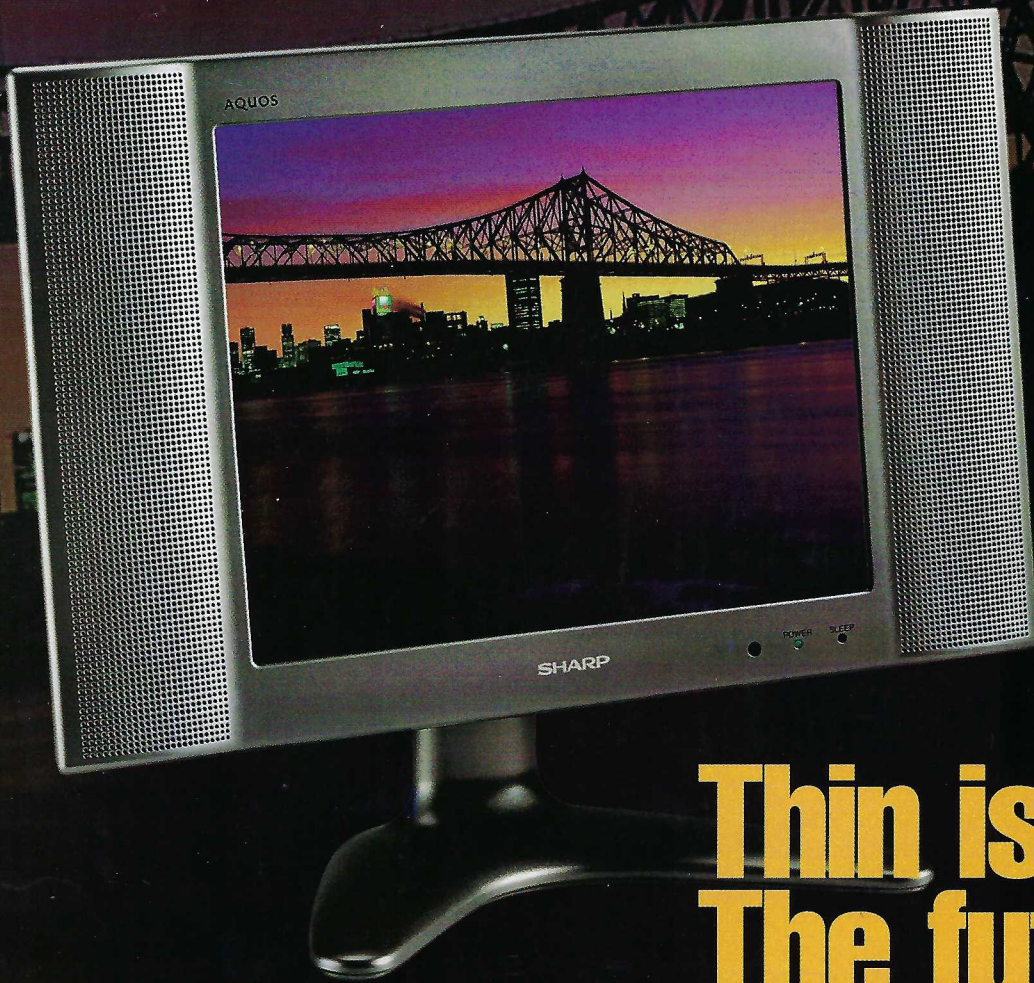


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**Thin is 'in':
The future of
video display**



Selling South Florida

What comes to mind besides hanging chads and orange groves is a diverse community which enjoys the luxury of variety — when it comes to home and mobile entertainment retailing

BY MICAH SHEVELOFF

Mention Southeast Florida, and people think beaches and fresh fruit. Not that such a notion is incorrect, but the region is also home to several fine consumer electronics retail operations, which vary in size and style to an even greater degree than the swimwear on South Beach. Southern Florida has established itself as the definitive gathering spot for successful retirees from all over the United States and beyond, resulting in explosive growth for the service industries. The general population has also expanded in the area, as employment opportunities and a lower cost of living have become the prime attractions. Simply put, Southern Florida is hot — and this is not a commentary on the region's climate.

BrandsMart

Truthfully, I had never seen anything quite like a BrandsMart before: 1,600 parking spaces and 180,000 square feet of TVs, stereo equipment, accessories and appliances. The store I visited was buzzing with excitement, even on a weekday afternoon. In addition to retail and warehouse space, the massive building played host to a fast-food counter, a huge customer pickup area, and several well-equipped car stereo and security installation bays. All of the appliances were located above the main



BrandsMart's goal is to average over \$100 million in revenue per store, says executive Michael Perlman. Left: an install bay. Below: The multi-tiered interior store design

level, arranged neatly around a perimeter mezzanine that looked out over the rest of the retail area. The merchandising strategy for the first floor was also a circular array of TVs and hi-fi gear, with listening rooms available along the outside wall. Accessories and smaller items were located in the center, organized in display cases and shelving units.

BrandsMart was founded in 1977, and president Michael Perlman explained that he expanded slowly, allowing time for the business to become a part of the community. "It takes time to develop a culture," Perlman explained. BrandsMart is in the process of opening its fifth location this June. "Our goal

is to average over \$100 million per store. We will have 30% of the South Florida market share by the end of 2002," added Perlman. As an example of the success BrandsMart has had, the company sold a staggering 22,000 projection TV sets out of four stores in the year 2000. In direct comparison to other markets, consumer electronics prices are an average of 5% to 10% less in Southern Florida than they are in nearby Atlanta, due to the aggressive marketing approach BrandsMart has taken. Perlman also explained that his company thrived when the big chain electronics retailers came to the region. "In addition to a constant presence on TV and radio, BrandsMart runs 23 pages of promotion a week, every week, in the local newspapers. The number is even higher during the holidays," Perlman added. One grand opening was so successful, BrandsMart had to summon demolition contractors back to the store to rip out the exit and enlarge it for a higher volume of traffic. "The store was only three days old," Perlman said, laughing.



Shoppers in South Florida have become accustomed to the presence BrandsMart has created in the community, and the national chain retailers have had their hands full finding a way to compete. "I believe this is the only marketplace in the country where Sears does not hold the number-one spot in appliance sales numbers," said Perlman, who feels that the regionally run chain stores have done a better job of carving a niche for themselves in the face of tough competition. Perlman cited such examples as P.C. Richards (New York), Frye's (California), and Ultimate Electronics (Colorado).

Giant with a gentle touch

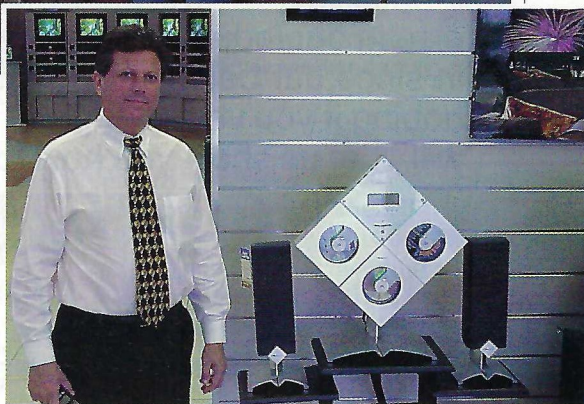
BrandsMart gets involved in community activities, from providing assistance to underprivileged kids and local charities to helping find lost children. The company also sponsors activities and concerts in the area, and is always lending its assistance to the local police and fire departments. Perlman is very aware of the effect his enormous stores have on neighborhoods, and has been careful to plan for parking overflow in an attempt to minimize any inconvenience to local residents during big sales and the holiday seasons.

Perlman also takes great pride in his employees and their achievements. "BrandsMart has employed a forklift operator for over 23 years, since the company started, and the senior VP positions are filled by very talented people as well," he remarked. "I have never once lost an executive who I wanted to keep on board. Salespeople are paid a straight commission, and can create a nice career for themselves at BrandsMart," he added. "We have the reputation for making every deal on the sales floor, and it's my job to keep our overhead low so that we can take every deal. Of course, I am concerned about profit margins, but I am not willing to concede any business to anyone. That's how the competition gets their foot in the door. Our salespeople are trained to take the business and look for better margins from that customer the next time they shop at BrandsMart." Perlman also revealed that he has earned repeat business from many consumers by giving them more than they expected for their hard-earned dollar. "Our sales staff is trained to sell our customers a step-up



Sound Advice interiors are divided into multiple vignettes. At right: executive Michael Blumberg

product at the price they had expected to pay for the next model down the line. The customers get more, and not only do they come back, they bring their friends and family with



'We have the reputation for making every deal on the sales floor, and it's my job to keep our overhead so low that we can take every deal.'
— Michael Perlman, BrandsMart

them." The only portion of the business Perlman is willing to concede to the specialty retailer is the ultra-high-end custom installation sale. "Those customers want you to hold their hand forever," he commented.

Perlman credits much of the success of his strategy to the art of buying — and to keeping a watchful eye focused constantly on overhead. "Retailers rarely train buyers any more," Perlman explained, as he emphasized the importance of recognizing a true step-up product, and being able to position it

for consumers above the price-driven promotional items. "We train our own buyers. It is a very important part of what we do here." Many prominent manufacturers have stopped selling to BrandsMart at one time or another because of highly aggressive promotions and steep discounting. "They eventually come back, however, because they have seen that we were doing the right thing for our business and for our customers," stated Perlman.

Sound Advice

The look and feel of the 33 stores of Sound Advice, which recently agreed to merge with Tweeter Home Entertainment Group, is elegant and palatial. Interiors are divided into many vignettes, allowing the retailer to display most electronic components in a comfortable, room-like setting. The merchandising strategy of the Sound Advice store seeks to create a den, living room, bedroom, or study, giving the consumer visual exposure to the lines of furniture and custom installation capabilities at their disposal. There are "smart" remote

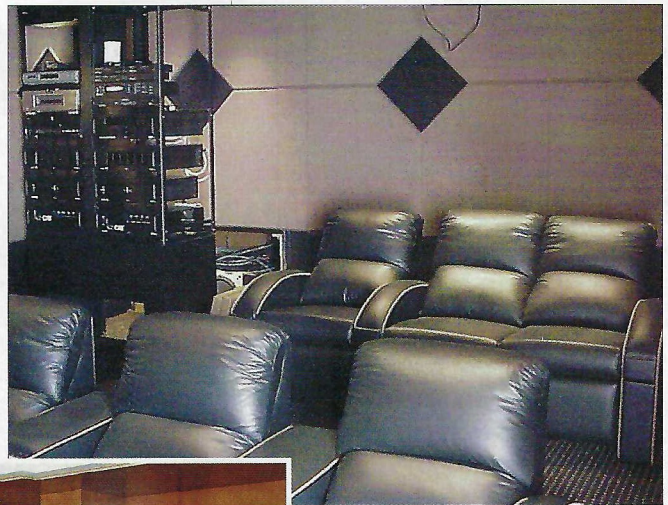
controls, in-wall speakers and subwoofers all integrated along with the plasma TVs and DVD systems.

Michael Blumberg founded Sound Advice in 1974 with three partners, who are no longer associated with the company. Blumberg took Sound Advice public in 1986, in order to facilitate the large, effective showrooms that are his trademark. Sound Advice has now expanded to 24 locations, not including the five Bang & Olufsen stores and one Electronic Interiors store that are operated under the Sound Advice umbrella. Blumberg felt strongly that the large showrooms would help his company compete with the massive chain stores, and allow him the space to display many of the sizable items in the video category. "I can show big-screen TV in a room setting, complete with related electronics all housed in attractive furniture," says Blumberg, who feels the cozy merchandising techniques have encouraged the 'wife acceptance factor.' Each store also displays and installs car audio, security and video entertainment systems, with installation bays on site.

Having big stores and an elegant presentation also requires a polished staff to serve the customers. An average Sound Advice store will employ 11 to 15 audio/video salespeople, four mobile sales specialists, three car stereo installers, an operations manager, a store manager and stock help. Sound Advice provides a three-week training course for new hires, as well as a constant barrage of in-store seminars. There are two Mobile-Regionals, who circulate from store to store, doing weekly trainings for each manager. This allows the managers to then pass along the information to their floor sales staff. Additionally, Sound Advice organizes what it terms a "mini CES" (Consumer Electronics Show) involving manufacturers, who send product displays and training staff. The operation also rotates all sales, installation and design staff through the mini CES, insuring that everyone is up to date on rapidly changing technology.

Promotional strategies are in line with what one would expect from an elegantly understated retailer such as

Sound Advice. An oversized brochure is printed four times yearly, featuring huge color photos. It is direct-mailed to over 500,000 people, and highlights new technology. Items are individually priced and include a brief description. Big,



Above: An Audio Advisors home theater setting. Left: A showroom vignette, under construction

color inserts find their way into regional newspapers six to eight times a year. The inserts often include coupons and a section promoting the Bang & Olufsen or Electronic Interiors stores in that specific area. Customers who walk into a Sound Advice location are treated to a monthly handout featuring new technology on display and a listing of the current specials.

In regard to vendors, it is Blumberg's preference to be loyal to a smaller number of lines, rather than trying to carry every name brand. "We don't hop around [from brand to brand], and we try to be important to those brands that we do sell in order to strengthen our relationship with them," revealed Blumberg. Sound Advice has now grown large enough to serve the entire state of Florida. "The Bang and Olufsen stores have allowed us to go back into markets where there is already a Sound Advice established, and extract several million dollars' worth of additional business out of those same communities. The concept behind the Electronic Interiors store is to showcase the latest technology, and the capabilities of our exceptional custom installers," explained Blumberg,

who noted that he plans to expand both types of outlets. Near-term plans include an Electronic Interiors store, soon to open in the Tampa area. An indication of how successfully the retailer has expanded its reputation throughout Florida is its passionate and proud participation in Blues festivals in communities such as Fort Lauderdale, Sarasota, Tampa, Orlando and Jacksonville. Sound Advice has certainly earned a reputation as a powerful retailer with the machinery in place to grow in, and serve, multiple markets.

Audio Advisors

Jeff Hoover has taken the inside of a traditional shopping space and converted it to replicate the interior of a multi-million-dollar Florida estate. This appointment-only facility, when ready, will feature smart-home components (interfacing the Internet with personal, day-to-day lifestyles) as well as music and video equipment. The rear portion of the Audio Advisors single location in West Palm Beach, though, remains an array of installation bays for Hoover's car stereo business, which was how he got his start in the electronics retail industry, back in 1982. "The first nine years, I strictly did car stereo," said Hoover, who remembered how he struggled when he tried to add a home audio showroom. It was not until 1993-94, when he transitioned his company into the world of custom home installations, that he realized the awesome potential for

growth in his ability to serve the affluent South Florida consumer.

During a visit to Audio Advisors in spring, the new facility was still under construction. "There are three goals I have for this showroom, once it is completed," Hoover explained. "The first is to speed up the process of exposing all of the new technology we sell to our clients, because time is such a valuable asset. I needed a way to demonstrate our capabilities efficiently. The only factor limiting the growth of my company is the available man-hours I can dedicate to serving our clients. The second goal is to provide consumers with an emotional experience and generate a high level of excitement in order to raise the total dollar amount they would be willing to spend. The third objective is to eliminate the intimidation factor many people have regarding new technology by emphasizing simplicity.

"One key part of my strategy," Hoover continued, "is that a young woman will be giving tours of the facility to prospective clients. She does not have any background in consumer electronics, and her orientation is completely non-technical. Her job will be to showcase what is available and how simple it is to operate." The new showroom is being outfitted with beautiful kitchen cabinetry, exotic imported tile, and will even be stocked with fine wines.

"The woman must fall in love with the facility first," insisted Hoover, with a smile. One plasma TV display involved a reproduction of a painting hanging on the wall, which rolls up via motorization within the picture frame to reveal the video screen. "People want the technology in their homes, but they want it to disappear when not in use," explained Hoover.

The new Audio Advisors complex features a massive conference room

training facility, allowing Hoover to keep himself and all of his staff up to date as new products are unveiled. There is also a spacious kitchen counter for spreading out blueprints and discussing proposals in a casual environment, as well as a private room dedicated for the same purpose if the client prefers a more formal setting.

Hoover's playroom

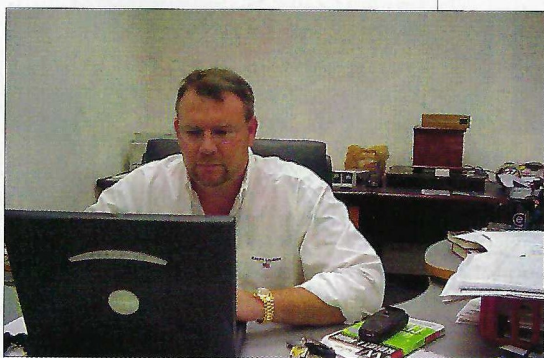
Many clients bring their children along with them as they shop, so Hoover has designed a playroom, with help from Sony, into the facility, with every technological marvel for kids available built in. Not only will it generate an additional profit center by creating ideas for his clients; it occupies the children's attention, allowing the adults to focus on the business at hand. The master bedroom will feature multiple video display concepts, all centered on relaxing in bed. Clients can actually lie down, view each video source as they would in their own homes, and make an educated selection. There is also a working hot tub in an elegant his-and-hers bathroom, also outfitted with video. Hoover has even incorporated a state-of-the-art Panasonic toilet, which sends a daily analysis of waste to the client's doctor's office via the Internet — "great for wealthy retirees who may forget to attend to their health needs," says Hoover.

Many manufacturers were eager to contribute to making Hoover's dream showroom become a reality. Elan, Cinema Tech Seating, Crestron, Sonance, Madrigal and many others have been instrumental in supporting Hoover's efforts. Another byproduct of rapid growth, Hoover has recently purchased an electrical contracting business, and merged with a home security company. Audio Advisors now has a total of 62 employees including 26 installers averaging 11 hours of overtime weekly. "It is imperative that we plan for reoccurring service issues, and are able to dedicate the manpower to our existing clients," explained Hoover. "If I receive a prospective sales call and a service call simultaneously, I will always tell the new client that they must wait while we care for one of our existing customers. We have created our

own brand with Audio Advisors, and the customer service must be first rate. On many occasions, we are forced to provide the consumer with better service than the manufacturer can provide to us." Citing DirecTV as an example, Hoover explained that service problems or equipment upgrades are handled very slowly by the satellite provider; however, he is careful to always stock extra receivers so that his customers never have to wait. "Almost 100% of my customers get satellite TV, and I cannot allow them to have a negative experience," added Hoover. "It inevitably would reflect badly on me and my business. If there is a problem with the DirecTV receiver, we replace it immediately and often eat the cost.

"I want to create the best custom shop that has ever been," stated Hoover, who seems well on his way. Audio Advisors has had to shrink the size of the territory it covers, in order to increase efficiency and properly serve its core customer base in Palm Beach County. "I'd like to think I am pretty smart and take all of the credit for the success of my company, but location is everything. We exist in an ideal location for this type of business," says Hoover modestly. Audio Advisors will not do a proposal without a retainer, and personnel rarely even travel to Miami any more (about one hour south) unless the job is simply enormous. Hoover even contemplates the day when he can cease to operate a retail operation completely, simply drawing from his existing client base, and the related service calls and upgrades that base requires, to keep busy. "I will no longer seek to expand my business once I have maximized my capacity to provide our clients with the level of service they have come to expect from Audio Advisors," stated Hoover.

South Florida plays host to an enormously diverse group of residents, and the consumer electronics retailers in the area have finely tuned their operations to suit every need. From the massive, well-oiled machinery of BrandsMart, to the spacious and elegant showrooms of Sound Advice, to the refined workmanship and unique showroom of Audio Advisors, consumers have the luxury of variety, once they have decided to purchase home or car electronics systems.



Jeff Hoover, Audio Advisors