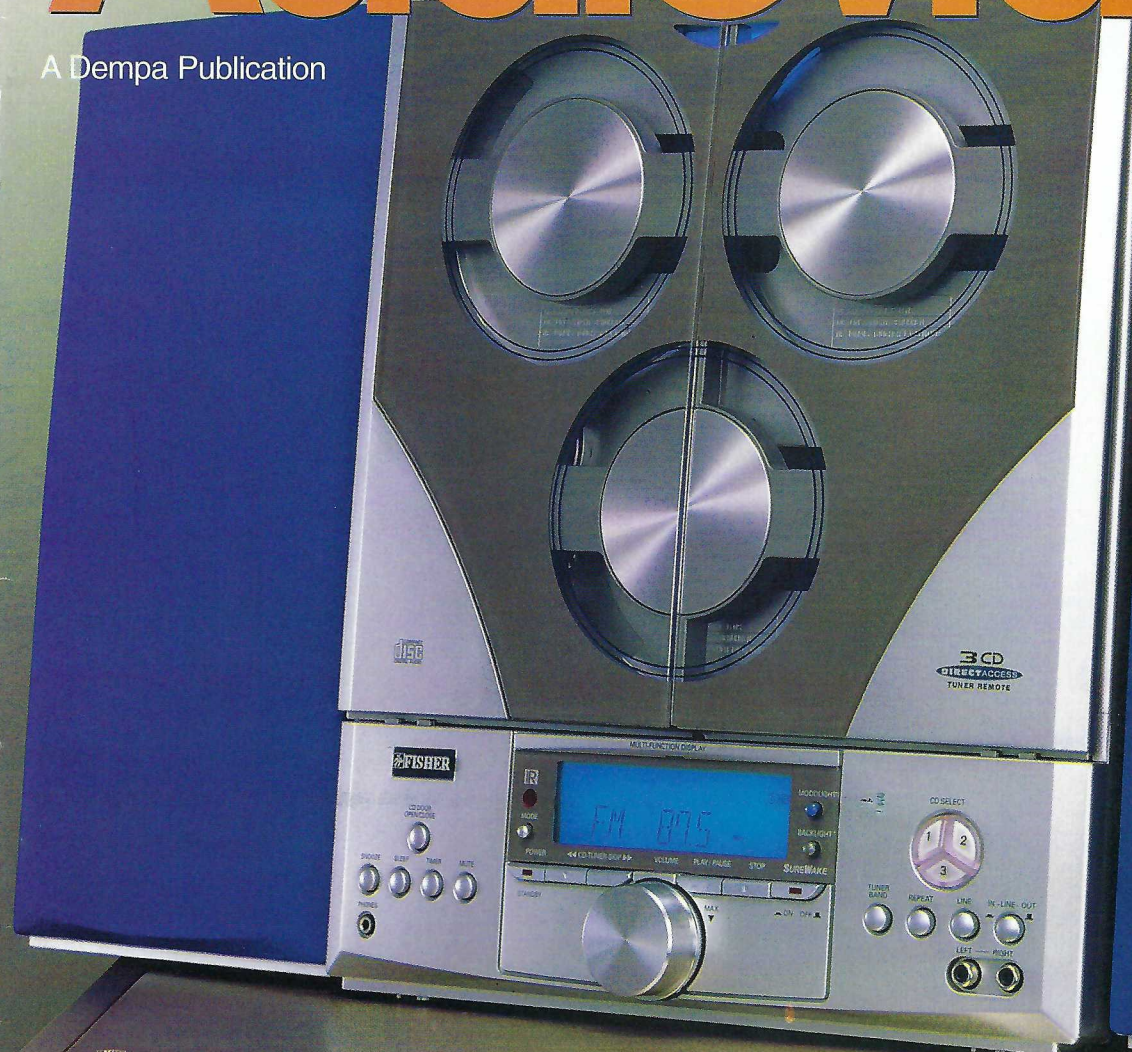


# AudioVideo<sup>®</sup> INTERNATIONAL

A Dempa Publication

June 2001 • \$4.00

**PLAYERS  
IN  
HOME  
THEATER**



**CAR AUDIO SYSTEMS  
&  
EQUIPMENT  
PAGE 25**





# WATCHING THE DEFECTIVES

**THE FRUSTRATION, WASTED RESOURCES AND SHEER DOLLARS EXPENDED ON PROCESSING & REPAIRING RETURNED 12-VOLT PRODUCTS ARE SUBJECTS FOR STUDY — & PROPOSED SOLUTIONS**

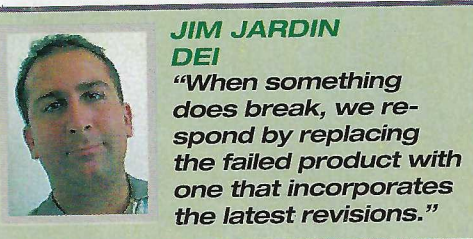
BY MICAH SHEVELOFF

**O**ne Saturday, Loyd Ivey, CEO of the Mitek Corp., was working at his factory when the phone rang. Upon answering the call, Ivey encountered a consumer seeking help with a complicated active crossover for a car stereo system. "It just does not work," moaned the customer. Ivey spent time explaining the functions of the device and discovered that the do-it-yourselfer had wired the unit improperly. "Oh, great!" exclaimed the man. "This is my fifth one of these crossovers. Now I won't need to exchange this one."

The frustration, wasted resources, and sheer dollars expended in the 12-volt industry on processing and repairing defective products are astounding. Wasted installer time, increased shipping charges, and the burden on retailers forced to maintain additional inventory so that they can cover warranty exchanges are primary examples of how this problem impacts the entire 12-volt community.

"Defectives are the number one biggest problem we face in our indus-

try," says Ivey, who attributes the unnaturally high return rate on a standard created by department stores years ago. "Retailers have been forced to adopt aggressive return policies in order to keep pace with Sears and Wal Mart," Ivey explained, who offer satisfaction or your money back. Adding to the frustration, 80% of the returned items received at Mitek fall into the "no-problem-found" category — which means retailers are not doing their jobs in qualifying the customers or testing gear that has been returned. Jim Warren of Seattle-based Car Toys agrees, saying: "Overall, returns are more of a retailer problem than a [failing on the part of the] manufacturer." Warren explained that Car Toys, with cooperation from their manufacturers, has had success addressing the returns issue by emphasizing the need for careful qualification at the point of sale, as well as educating the customer when he takes delivery of a purchase. Warren also credits manufacturers for creating pro-active cost-cutting systems for retailers, such as returns allowances that eliminate freight charges on legitimately defective products, while the retailer maintains responsibility for preventing 'good' items from heading back to the factories unnecessarily. Retailers benefit from this process by creating an opportunity for consumers to buy addi-



**JIM JARDIN  
DEI**

**"When something does break, we respond by replacing the failed product with one that incorporates the latest revisions."**

tional products and installation services, as well as insuring that they are satisfied with what they have purchased. Warren also emphasized the importance of trained professional installers in reducing the returns percentages. In addition to providing reliable installations at the point of purchase, a savvy installer will also diagnose problems accurately, taking the necessary time to distinguish a component failure from an installation error. "Car Toys encourages involvement in MECP — most Car Toys installers are first-class-certified or higher," added Warren. "Dealers who fully embrace professional installation enjoy higher levels of customer satisfaction and fewer returns. This is good for everybody."

Retailers unanimously agree that the return rate for equipment sold over the counter (uninstalled) is at least 50% higher than the gear sold with a professional installation. Many car stereo consumers are in a younger age bracket and cannot afford to pay the fee for a quality installation. Although



**JIM WARREN  
CAR TOYS**

**"Overall, returns are more of a retailer problem than a [failing on the part of the] manufacturer..."**





their intentions are good, they often create a frightful mess doing the work



**ANDY  
OXENHORN**  
**JL AUDIO**

*"Abuse is not something many consumers really comprehend, and it is difficult to hold them accountable for it."*

themselves, making the job twice as hard for a certified installer to clean up. Additionally, components such as speakers, amplifiers, and head units are often damaged if installed improperly. Such a scenario is responsible for a large quantity of warranty-defective car stereo gear. "Our Web site (which is [www.mitekcorp.com](http://www.mitekcorp.com))," added Mitek's Ivey, "is 2,400 pages deep! There are instructions and tech-support documents for consumers who have purchased an Xtant, MTX, Coustic, Streetwires, or any of the other products that fall under the Mitek umbrella. We have not yet been able to attribute a reduction in returns to the presence of the Web site because it is relatively new, and many people are not yet aware of it. We are using the site as an educational tool for both our retailers (via a password) and the general consumer." Ivey explained that dealer-training efforts have had a limited effect on the returns problem because of the rapid turnover of employees at the retail level. The Web site is a resource that is always available, even as salespeople and installers come and go. As part of an effort to educate consumers, the Mitek site offers an on-line testing process. "We even offer a prize to customers who take an on-line test and pass, in an attempt to send them away better qualified to install their equipment," explained Ivey, who is certain that purchasing car stereo gear on the Internet

is not what the consumer is after. "Our customers want to touch and feel the components in a store — good, old-fashioned bricks and mortar," assured Ivey.

Mike Cofield, President of Austin, TX-based Custom Sounds, estimates that it costs his establishment approximately \$45 every time there is a piece of defective product. Seeking to make the best of a bad situation, Cofield sees an opportunity to show off his exceptional customer service policies when something does break, being certain to minimize the inconvenience to the customer. Cofield also explained that consumers rarely return to the shop with an installation-related problem. "Our corporate culture emphasizes install quality, and we do not accept time constraints as an explanation for installation error," he said. In addition to maintaining a well trained staff of installers, Custom Sounds bench-tests every component that comes back broken. "It takes about five minutes to do, and testing defective gear allows us to help our consumers and our manufacturers," added Cofield. "Seventy-five percent of what we take in as defective has no actual problem with it. We save huge administrative costs, and very often it can help us further satisfy a potentially frustrated customer. Bench-testing is a must." Another area that Cofield points to as a simple way to better the situation is to generate an industry-standard worksheet for defective products. "Manufacturers often get an amplifier back with 'BLOWN' written on a cocktail napkin. Precise explanations would assist service technicians trying to locate a component failure, especially in the case of an intermittent problem," says Cofield. "Why not create a simple service form, universally used by all retailers? It is a common sense way of reducing the confusion for everyone involved in the diagnosis and repair process. Retailers and manufacturers must work together to minimize the impact of defective products on everyone."

Audiobahn general manager Ray

Windsor has focused on some of the things that manufacturers can do to decrease the chances of a component coming back broken. "We make the product uncomplicated and intuitive to install correctly." Says Windsor. "We also have improved our installation and owner's manuals, and plan to dramatically increase the quality and quantity of our retailer training," he explained. "In an effort to minimize the unjustified costs created by defective products, Audiobahn will study the items that are returned to us in an effort to establish any trends." Despite the magnitude of the defectives issue, Windsor is confident that his manufacturing standards are better than ever, stating that: "Product quality has improved over the years, and consumers demand both quality and a high degree of value from their car audio purchases."

Dan Johnson, president of Grand Rapids, MI-based Classic Stereo, emphasized the paramount importance of having quality installers. "Our installers are MECP-certified, and we pay them a higher commission rate in accordance with their certification level," he explained. "Manufacturers that provide longer warranties on their products when they are professionally installed have created a powerful tool with a policy that helps support the retailer and reduce the incidence of defective product," added Johnson.

Automotive alarm systems can create a nightmare if there is a technical problem because they are capable of sounding sirens late at night and preventing even the rightful vehicle owner from starting their own car. Jim Jardin, marketing and sales support director for DEI (makers of Viper, Hornet, and other security products), is quite proud



**LOYD IVEY**  
**MITEK**

*"Retailers have been forced to adopt aggressive return policies in order to keep pace with Sears & Wal Mart..."*

of its less-than-one-percent return rate. "DEI engineers security systems to be durable, and they are built with quality





parts," he explained. "Not all alarm systems are built to the same standards. DEI's focus on quality, innovative patents, and manufacturing efficiency has made us the number 1 aftermarket brand worldwide. Additionally, when something does break, we respond by replacing the failed product with one that incorporates the latest revisions, so the consumer is back out on the road with the most up-to-date technology; 90 percent of our service units are turned around and back to the retailer in one day," he explained. Jardin added that any DEI product returned for warranty service is carefully examined to determine what caused the initial failure, and then destroyed. Another way that DEI attempts to insure the reliability of its products is by urging consumers to have their security systems professionally installed. DEI expends enormous resources on training, and providing retailers with unparalleled technical support services. No DEI security products are authorized for sale on the Internet. Consumers can interact with the comprehensive DEI Web site; however, they are inevitably referred to an authorized dealer for installation and delivery of their security system.

Andy Oxenhorn, president of JL

were to interpret it strictly. These products are damaged by abuse, however we accept that abuse is a part of the business we are in. Abuse is not something many consumers really comprehend, and it is difficult to hold them accountable for it. We have always had a lenient return policy. It is factored in as part of the cost of doing business, and it is reflected in the prices of our products." Mitek's Ivey agreed, stating that: "Consumers will take advantage of an opportunity to return an item, regardless of how it was damaged. Prices must go up to account for it. Consumers end up paying, in the end."



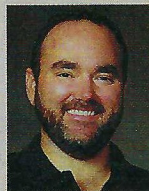
**RAY WINDSOR  
AUDIOBAHN**

*"We make the product uncomplicated & intuitive to install...We also have improved our installation & owner's manuals..."*

Ivey and Oxenhorn also added that they are out to protect their retailers by engineering the most reliable products ever built, even within the constraints of being cost-competitive. "Our retailers are our first line of defense against customer misuse of JL Audio products," added Oxenhorn. "We have several factory people out in the field doing training, as well as regional reps keeping our dealers informed." JL Audio provides technical information to its retail network because the better-informed dealers have shown a decrease in product return numbers.

"We analyze warranty-returns data compared to gross sales numbers," said Oxenhorn, "and send our training staff out to retailers demonstrating an unusually high rate of defective products sent back to the factory." He also explained that it


is an immense engineering challenge to design more reliable products and keep prices in line with what consumers will pay. "Many of our patents are directly related to thermal and



**DAN JOHNSON  
CLASSIC STEREO & VIDEO**

*"Manufacturers that provide longer warranties on products when they're professionally installed have created a powerful sales tool."*

mechanical reliability," said Oxenhorn. JL Audio products have had a reduced rate of failure every year, as new models are introduced. The items that are returned from the field provide the most valuable information on how problems manifest themselves, and guide engineers as to what design changes are required for future products. Many innovations have been born at JL as a result of carefully studying failed products returned from the rigors of the real world. JL strips and re-cones loudspeakers, if the baskets and magnet structures are in good physical condition, and then offers them to their retailers as remanufactured products. "Our speaker baskets and magnets are too valuable a resource to just toss in a landfill," he added.

Despite the varying viewpoints from around the 12-volt industry, it is apparent that returns are a major factor in both the retailer's and the manufacturer's costs of doing business. Cars get cold, and they get hot. They are invariably damp, and exposed to dust and grime. Most people who listen to music in the automotive environment at least play it loud enough to compensate for road and engine noise, if not considerably louder when they are out having fun. Retailers agree that they can minimize returns by educating the consumer and being careful to qualify them correctly. Manufacturers concede that innovative product engineering and relentless retailer training efforts have also had a positive effect on the problem. To a certain degree, it appears that many consumers treat car audio like sporting goods equipment, putting it through a tortuous and abusive existence with generally unrealistic expectations. Consumers inevitably pay rising prices for products that must remain profitable for both retailers and suppliers, in an industry where watching the defectives has become a critical part of the bottom line. 



**MIKE COFIELD  
CUSTOM SOUNDS**

*"Manufacturers often get an amp back with 'BLOWN' written on a cocktail napkin. Precise explanations would [help.]"*

Audio, stated that: "Ninety-eight percent of the warranty-defective products returned to JL Audio should not be covered, because they would not apply to the terms of our policy if we