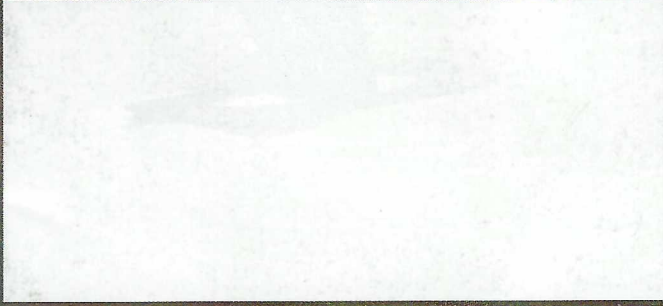
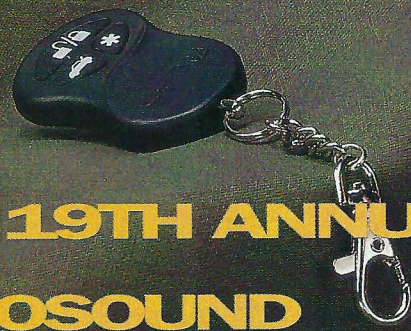
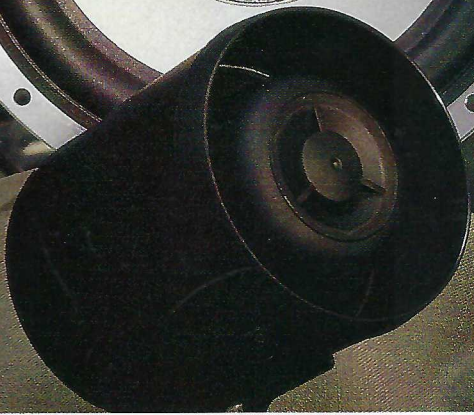


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# State of alarms

*Part of a market segment in transition, aftermarket security suppliers are busy seeking new profit avenues*

BY MICAH SHEVELOFF

**A**s automotive and electronics technologies have evolved over the past decade, the aftermarket auto security industry has had to adjust its focus to accommodate the changing needs of retailers, installers, and the consumers they seek to attract. There is excitement and anticipated growth in certain segments of the business. However, some product categories are already experiencing a decline in sales volumes, and the slowdown is expected to continue. Manufacturers and retailers view some of the issues differently, but all agree that this is a time of change in the automotive security industry, and those who position themselves to adapt to what lies ahead will have the best chance of creating future opportunities for new business.

## Branching out

Directed Electronics (DEI) is the largest manufacturer of aftermarket automotive security products, and has recently expanded with the acquisition of two additional brands: Clifford, and sister-company, Avital. DEI has just under 6,000 retail distributors, and the company builds about 70 different systems in addition to many advanced interface and accessory modules. "DEI has seen stability and even growth in our core security business because we build products that work for consumers and are profitable for our dealers," explained senior vice president of sales and marketing Glenn Busse. DEI has engineered several data-bus interface products, which allow the alarm installer to interface DEI security systems directly into the car's original equipment on-board computer network. Such advancements reduce the difficulty and the installation time required to properly interface the security system into many of today's complex automobiles, thus

improving reliability for the consumer and profitability for the retailer. "We are not waiting for the IDB (Intelligent Transportation Systems Data Bus) to come of age," says Busse. "We are currently expanding our line of data interface modules." The IDB system is an electronic communications pipeline created by the Society of Automotive Engineers designed to become an automotive industry standard, allowing electronic devices to be installed in cars easily and cost effectively. The IDB would allow consumers a vast choice of electronic options they could own in their vehicles, and thus create exciting opportunities for manufacturers and suppliers in the automotive electronics industry, such as DEI.

Busse referred to DEI's core security market as stable, pointing at the 50 to 60 percent of the company's total sales that fall into the \$200-to-\$300 installed retail price category. Retailers around the country are less optimistic, however, about the future of the conventional auto alarm business. Mike Cofield, owner of Custom Sounds, based in Austin, TX, explained that security is merely seven or eight percent of his gross sales, and that is up significantly due to his company's entry into the chilly St. Louis market. Cold-weather climates boost security sales numbers because remote-start products, considered a portion of the security industry, are a more sought-after



Top: Alpine's SEC-8028  
Above: Alpine's SEC-8063

item. Bob Zinno, vice president of Boomer McCloud, a 97-store chain of 12-volt retailers located in New England, New York, and New Jersey, stated that approximately 20 percent of the business being done in his stores is security-related, and nearly half of that total is made up of remote start or remote start/security combo units. Dan Jeancola, an executive at Sound Advice in Dania, FL, explained that automotive security could only account for about two percent of the 12-volt business being done in his firm's installation bays. Retailers agreed that the sales of basic automotive alarm systems are decreasing, and will continue to do so. "Value added products like remote-start devices and advanced telematics have a bright future, however OEM infringement will continue to shrink the market for the basic car alarm system," says Cofield.

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Retailers also spoke of price erosion combined with new-vehicle complexity as factors playing a major role in the decline of basic security sales. The technicians must be highly skilled in order to install these systems correctly, increasing payroll expenses for retailers. Store owners need to get customers' cars in and out quickly enough to maintain profitability at unrealistically low price points, established years ago when cars were less electronically complex



DEI's Model 417A

and fragile. Consumers cling to the unrealistic expectation that an alarm package can be bought and installed correctly for \$199. Retail shop owners and installers agree that providing a security product and a quality installation at such a price point is virtually impossible. Dave Kelly, sales manager at Alarms on the Move in Connecticut, emphasized the point, saying "in order to do the job properly, exercise a measure of quality control on the vehicle, and sell the customer a decent security product, we are unable to compete at that price range. The only ways to get the cost down would be to sell a sub-standard product or cut corners on the installation, both of which we are unwilling to do."

### Telematics excites

"Consumers are excited about the new technologies, such as ONSTAR and other telematics systems that provide emergency communication and vehicle tracking via satellite," reports Alpine's Steve Witt. "The availability of these systems through car dealer-

ships has had an effect on the aftermarket security customer looking for the step-up systems. These consumers now have quality options available to them without having to seek out an independent retailer." Although Witt concurs that the big volume in car alarm sales exists at the entry-level price points, Alpine has no plans to vary from its strategy of offering value-added products at a higher cost to consumers. Alpine currently offers two models of auto security, the less expensive of which has an average installed retail price of \$250 to \$300.

Witt also explained that although Alpine was unsuccessful with its Mobile MayDay telematics system, the manufacturer is hard at work developing a digitally based system that will reduce hardware costs, lower the monthly service charges, and be integrated with emerging multimedia systems, to be offered by Alpine in the coming years. "Our goal is to provide global telematics, navigation, and information delivery from one integrated platform," he says. In order to insure the success of these goals Alpine has entered into a developmental partnership with communications technology leader, Nokia.

Bill Salge is the national sales and marketing manager at Ungo, one of the early pioneers in the auto security industry. "The aftermarket security business is slowing down due to the increased penetration of convenience and security products available to consumers through the OEM," he states. "Ungo is in a growth mode because of a revitalized commitment to the category, featuring seven new models. We studied the demands of the consumers and our network of retailers when we assembled the new line." Salge explained that Ungo has placed a high priority on simplifying installation procedures and improving the dealer and technical support services it provides. Many of the guidelines for this revitalization were derived from a study of 100 dealers, gathering



Ungo's Model MS2007

details on how to improve their position in the marketplace. Salge reports that he has tripled the technical support staff since his arrival there, making every effort to have the phones answered by qualified personnel rather than frustrating voice-mail devices. One feature that the Ungo team is excited about is the two-way communications technology found on its new model MS2007 alarm remote start combo unit. The system transmits signals from the car to the customer's hand-held remote, providing vehicle status data and remote start confirmation, useful information to someone who can not see or hear their car from within the confines of their home or office.

### Which way to go?

There are varying predictions regarding the future of the aftermarket security industry. However, it seems clear that the future lies in the development of new technologies that will provide conveniences as well as vehicle protection. Some manufacturers, such as DEI, have used the strength of their engineering departments to make their products more adaptable to the ever-changing automotive environment. Other suppliers look to enhance their lineups with state-of-the-art advancements, linking consumers' cars to the outside world via telecommunications and GPS satellite technology. Retailers are uncertain which avenue will provide them with a stable profit center for the future, relying on sales of traditional security and remote start systems as a source of revenue while the market settles into the upcoming changes of the 21st century.