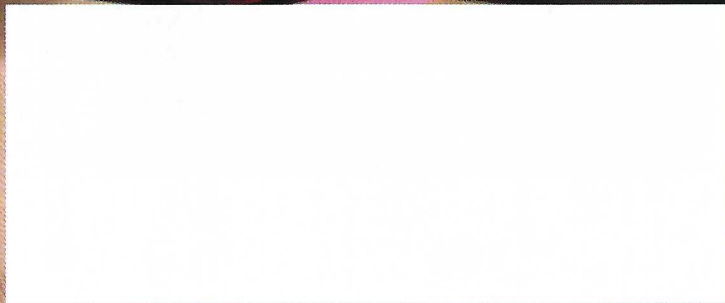


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## Audio's New Directions





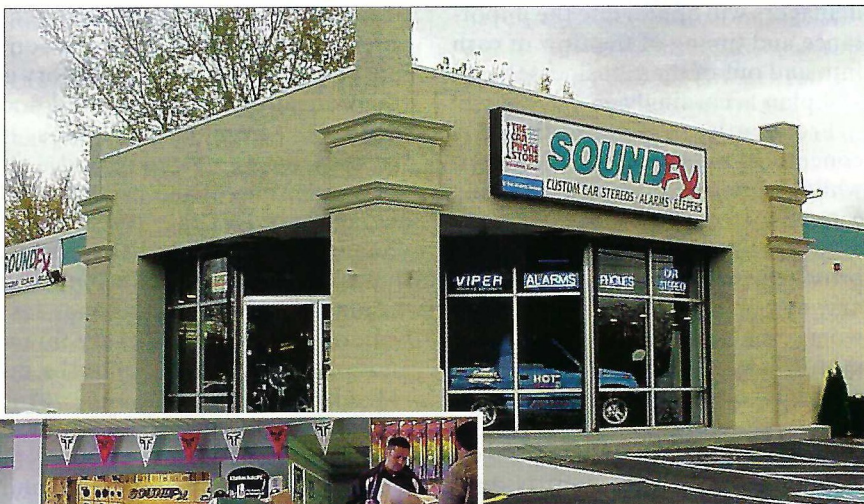
# The New England market

*The region, with its assortment of powerful chain retailers and well-established independents, makes for a fascinating study in CE selling, under the microscope*

BY MICAH SHEVELOFF

New England is a geographically compact market, playing host to some well-established independent stores and an assortment of powerful chain retailers. With Boston as its hub, there are many small communities buzzing with activity. These clusters of population are scattered throughout a region rich with universities, high-tech industry, and diverse cultural heritage.

Providence, RI is located one hour south of Boston and three hours North of Manhattan. Interstate 95 winds through the city, providing easy access to just about everywhere. Defense is a major industry in Rhode Island, although cuts have reduced the size of the work force. The Rhode Island School of Design and Bryant College provide industry with first-rate designers and artists. Other local employers represent the construction, retail trade, and tourism industries, which are all part of the financial makeup of the community. There are over 150,000 citizens living in the city of Providence and more than 650,000 in



**Passers-by are drawn by Sound FX's vehicle in the window (above). Upon entry, they are met with cleanly displayed, well-ordered inventory and willing sales personnel (left & below)**

the surrounding metropolitan area. With unemployment hovering around a healthy 4%, retailers have access to a fertile consumer population.

## Sound FX, Providence, RI

Steve Medeiros is owner of Sound

FX, a 12-volt sales and installation firm with two stores located in greater Providence. Medeiros started his company in 1989, as an ex-employee of Tweeter, etc. His goal was to create a retail environment that was exciting to his customers, and focus his attention on the service and technical aspects of his business, first and foremost. He explained that success in 12-volt retail is dependent on quality installations.

The Sound FX stores reflect Medeiros' commitment to perfection. "My goal was to merchandise like the big guys, and behave like a little guy," comments Medeiros, who refers to MERA trainer Eddy Kay's lesson: "The store is a silent salesperson." The Sound FX showrooms are full of bright, colorful displays rather than floppy POP handouts, and Medeiros is dedicated to keeping the stores neat and organized.

The Sound FX marketing strategy has been to focus on the mid-level and high-end 12-volt customer, with products and technology for both young motorists and the adult crowd.





"It's easier to be focused," says Medeiros. "There are two radio stations in the marketplace. That's it. You have to be willing to give up some people to keep the message straight." In the 12 years Medeiros has been in business, he has seen the car stereo market change with the times. "The 25-to-35-year-old customers are nearly gone," he reports. "I speak to a lot of 'good-enough' customers. The audio systems in their new cars aren't great, but they are good enough." Auto leasing also creates a challenge, because people are reluctant to do anything with a leased car. "Most of the people shopping for audio are either looking for very good sound quality or excessive-bass systems. As the trends change, our success is dependent on how we adapt to the new market." Medeiros explains that his company now offers full mobile video and multi-media systems that are selling quite well. He is thrilled that this category is bringing an entirely new group of customers into his stores. Consumers, who happen to wander in and see the impressive video displays or a completed multi-media installation for the first time, are amazed. "It reflects favorably on the store, and cements our position as skilled professionals," he says. Navigation sales have seen more conservative growth because "\$2,000 for a nav unit seems quite high to most people."

Medeiros is a member of MERA, and is optimistic about the organization's role in the industry, especially in the years to come. "The Knowledgefest events I have attended have been very informative, and I predict that MERA will grow and provide a more broad range of support services." IASCA however, did not receive praise from Medeiros. He feels that the organization and related events offer little benefit to the retailer. "Competition leads to extremes, and away from the mainstream consumer," he says. "The systems are unrealistic for most people (Sound FX scored a first place with a Civic this year) and as a result, can be a turn-off." Medeiros runs three self-sponsored SPL events per store, per year. About 300 to 400 people attend each event and wander around the stores. Six total events in one market create consistency and corporate



**Downtown New Haven, CT features a lively retail community, including Take 5 Audio, founded in 1977**

brand awareness.

Medeiros sums up the Sound FX operating philosophy that has been so successful by pointing to his dedication to remaining a specialist. "We offer personalized attention and

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**'The decisions we make here at the store are based on the needs of the customer.'**  
**— Ralph Cortigiano, Take 5 Audio**

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almost a hobbyist feel to the customers, but we come across as skilled professionals." Medeiros oversees the two-store operation and insures that his displays, products, and accessories are fresh and change with the times. Most importantly though, his staff adheres to the simple mission: Treat the customer right.

### **Take 5, New Haven, CT**

Unquestionably the best pizza in the world is found on Wooster St., the main drag of New Haven's Italian neighborhood. The community is divided over who actually makes the finest pie, Sally's or Pepe's. Either way, there are lines out the doors at dinnertime, regardless of

the weather.

New Haven has other attractions within its city limits, such famous non-culinary establishments as Yale University, Yale/New Haven Hospital, and a historic waterfront facing Long Island Sound. The hub of the downtown area features an expansive green, which is renowned for a late-1960s civil rights demonstration, and currently hosts music and arts events during the summer. Nearly 150,000 people live in New Haven, and the total including the surrounding towns is nearly a half-million strong. Although the high-tech influence on the manufacturing industry has reduced the overall size of its work force, other employers have established themselves in the New Haven region. Health care, business, and financial service companies have provided many jobs within a community located only 75 miles north of Manhattan and 135 miles south of Boston.

Take 5 Audio was founded in 1977 by Ralph Cortigiano, who still owns and operates the store today. Located downtown, just a few blocks off of the historic green, Take 5 has established itself as a strong independent retailer. "The decisions we make here at the store are based on the needs of the customer," says Cortigiano, who distinguishes his methodology from the traditional price- or product-driven stores. "Word of mouth and referrals are a big part of this type of store. If you take care of the customers by making their needs come first and



give them excellent value, profitability is virtually guaranteed.”

Cortigiano explained that most of his customers are either music- and film-lovers, or homeowners searching for multi-room/home theater systems. He comments on the declining interest in traditional two-channel audio systems, noting that many of those customers have reverted to big theater systems. Although Take 5 is across the street from a portion of the Yale University campus, Cortigiano explained that only a small percentage of his business is directly related to faculty, students, or the University administration. His clients seek out his expertise from residential areas scattered throughout the state of Connecticut and beyond. “Architects and builders want to do business with a local retailer who can provide service and support,” added Cortigiano, who outfits many new homes being built along Connecticut’s shoreline.

In addition to audio, Take 5 sells a complete line of video and satellite equipment. The store is composed of several rooms, assembled specifically to illustrate how all of the components could be arranged in a home environment. Such a merchandising strategy encourages customers to audition systems, envisioning how the gear might be integrated into their rooms. Take 5 has also expanded its services to include better-quality telephonic equipment, geared toward the growing interest in home automation.

Cortigiano is an active member of PARA, and is in the process of joining CEDIA. “PARA members share valuable information,” he says. “People feel more comfortable talking to each other when they belong to the same group.” Cortigiano was also complimentary about the benefits PARA brings to the retailer, such as group medical coverage, consumer financing plans, and charge card services. “The PARA conferences are very educational, and well attended. PARA provides valuable training seminars, and I go to learn.” Additionally, he explained that networking is the greatest asset of participat-



**The Tweeter, etc. on the busy Route 1 section of Milford, CT (above). Left: The store’s flat-screen display, wall-mounted right next to the high-tech room display**

ing in industry organizations, providing the retailer with a means to remain current on rapidly changing technologies and new business opportunities. As an example, Cortigiano outlined how the CE retailer is being encouraged to gain control of the “information gateway” by running data wiring during an entertainment system pre-wire. This strategy insures that the retailer becomes “the place to call” for future system upgrades. Cortigiano is looking forward to the revenue potential created when consumers need access to his pipeline so they can download music and video programming from the Web, directly into their entertainment systems.

Cortigiano is very careful with his firm’s approach to Internet sales. “We sell entertainment lifestyles, and we have to know the customer’s real needs. Our clients come to us for detailed information. They prefer to come into the store.” When asked how Take 5 makes use of the Web as a resource, Cortigiano responded that he has constructed a site specifically to maintain the image of his store, taking full advantage of the Internet’s broad reach. “Our site illustrates who we are and what we can do for our customers. I try to keep the site current so that it does

not get stale, and provide new and exciting information so customers come back frequently.”

Cortigiano expressed excitement regarding new technology for sale at Take 5. “DVD is cranking, HDTV works well, and plasma screens solve the problem of space limitations, although they are still quite expensive. I am looking forward to the development of more remote automation products as a growing category for us.”

Take 5 Audio presented a professional environment and an example of an aggressive independent store combining years of experience with a focus on customer care. The store had an approachable feel, highlighted by cozy merchandising and cool gadgets. It was nice to visit a store still finding ways to succeed after nearly three decades in a downtown setting.

### **Tweeter, etc., Milford, CT**

Situated next to an enormous furniture store, Tweeter, etc. on the Boston Post Road in Milford, CT is a very impressive stand-alone retail fixture. Milford is just a few exits south of New Haven on Interstate 95, and just North of affluent Fairfield County. Customers from many of the surrounding suburban communities have easy access to the highly visible store, located on one of the busiest strips in the entire state. Upon opening the front door, consumers are greeted with a colorful presentation



of the world's most desirable gadgets, highlighted by a highway of television sets along the center walkway. Components are neatly arranged on either side of the video display, with the sales counter off to the left. HDTV has been given a dedicated section, and listening rooms are tucked along the right wall. A casual walk through television-avenue exposes an automated room display and a flat-screen TV hanging on the wall. The lighting is aimed strategically to draw attention to the sleek components. The rear of the store is dedicated to mobile electronics, with a demo vehicle and a mobile video display in addition to two traditional sound rooms. The installation bays are located at the rear, providing easy access for sales staff and installers to interact when necessary. The store is exciting, professional, and quite customer-friendly.

The Tweeter, etc. mission statement challenges employees of the company to be passionate about their work, displaying integrity, respect, and friendliness within a customer-focused environment. The statement also speaks of the company's commitment to providing a unique shopping experience, highlighted by knowledgeable salespeople and state of the art stores. "We try to expose consumers to things they may not normally think about," explains Tweeter Home Entertainment Group president Jeff Stone. "A television is not necessarily just a TV on a stand in your living room." Tweeter stores display video systems with a

## 'It's gonna be hot!' Tweeter's Jeff Stone predicts of satellite radio technology for automobiles

big red button, designed to entice curious customers into giving it a push. The button activates a surround-sound system, often providing consumers with their first listen to multi-channel technology. Such an introduction to the world of home theater has often led to sizable system sales, and in many cases, the success has been attributed directly to the allure of the big red button.

Tweeter belongs to both CEDIA and PARA, and Stone commented that any forum for sharing knowledge was valuable to his staff, crediting both groups with helping Tweeter become a force in the ever-expanding arena of custom installation. "I attend PARA and CEDIA events, as do our buyers and installers," Stone said. "We always learn something."

Tweeter has been successful at providing intrigue and interest to new generations of consumer electronics buyers. Although their core customer is still the "Class of '69 and forward," there are many products, such as portable and car stereo components,

which draw a more youthful crowd into the stores. In addition to displaying these items, there has been an effort company-wide to insure that the sales staff knows how to address this valuable group of consumers, gaining their loyalty and trust as an investment in the future, when they become more affluent homeowners.

The year 2000 brought Tweeter over \$7 million in Internet sales through a joint venture with Outpost.com. The only products sold on-line are from vendors who have authorized and support the arrangement. Although the dollar amount does not represent a large percentage of the company's total sales, Stone insists that the Internet isn't going anywhere, and the industry must adapt and learn to deal with it. He warns that companies who obtain unauthorized (gray-goods) inventory and sell it through their Web site will hurt the consumer electronics industry's legitimate retailers. Stone urges industry organizations to address the e-commerce situation and formulate guidelines so that it can become a profitable distribution medium.

Stone adds that expects digital TV to be a monumental area of growth for the company, along with other new digital products. Tweeter does fairly well with the flat-screen television category; however, substantial increases in sales volumes are not anticipated until prices deflate substantially. "It's gonna be hot!," Stone predicts of satellite radio technology for automobiles. "Consumers expect to pay for services these days," such as Internet access, cable TV, and cellular phones. "Static-free music of your choice from Maine to Florida for \$10 a month? It's clearly a winner."

Tweeter in Milford is reflective of the goals established within its parent's mission statement. The store is downright beautiful, there are knowledgeable salespeople waiting to be helpful, and there is almost too much cool technology on display. It appears that the success of the Tweeter, etc. machinery is well founded, exemplified by the corporate dedication to their customers, present and future, and their determination to stand by the core values that have elevated them to national prominence.



Tweeter, etc.'s video display area, built on a ramp situated in the center of the store