

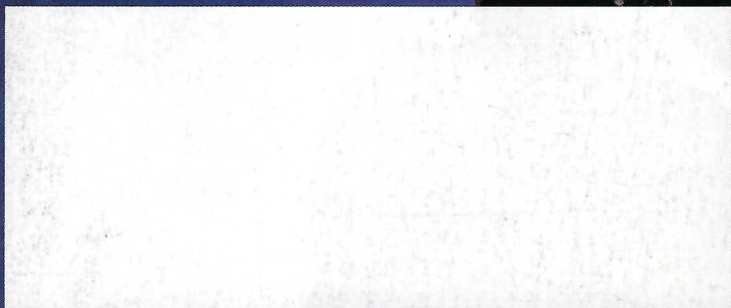
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# Home theater in a box finds a home with retailers

BY MICAH SHEVELOFF

Some consumers simply like to point and shoot: "I'll take that one, right there!" Regardless of how much disposable income they have at the moment, many people just do not have the energy or the desire to labor through what they perceive to be a complex learning process. They would like to have a decent, functional, home theater system in their living rooms. They want to unpackage it, set it up, and watch a DVD movie after dinner. Tonight! Thankfully, many manufacturers have grasped this opportunity and created Home Theater in a Box (HTIB) systems, so retailers can easily satisfy this group of hungry consumers.

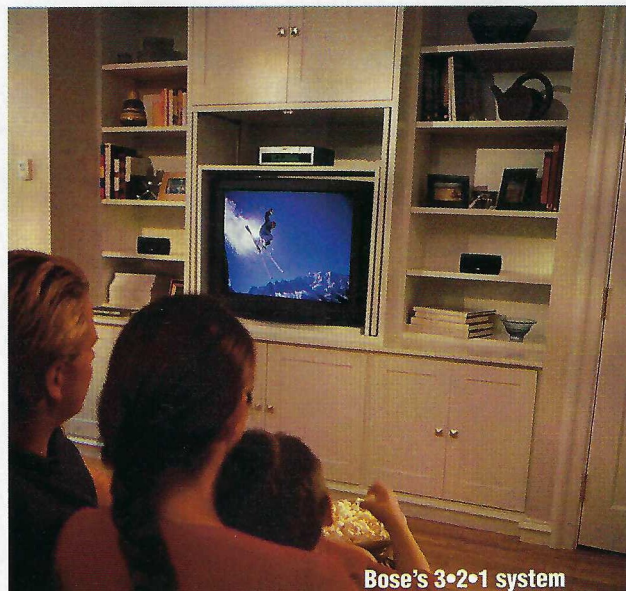
"We are seeing massive growth in the HTIB segment relative to other categories," reports David Bales, marketing manager for Pioneer. "For many years, we were the rack system guys," Bales reflects, referring to Pioneer's dominant position in the rack system marketplace. As technology has shifted to digital, and consumers are in search of such wonders as plasma displays, DVD players, and high-definition-compatible TVs, the sales of HTIB systems has also taken a dramatic upturn. "It seems like the magic price point for the mass merchandisers is \$499," said Bales. Pioneer carries a system at this price called HTD-510DV, which offers consumers 400 watts of total system power in a Dolby Digital/DTS 5.1 receiver, five satellite

speakers, a subwoofer and a five-disc DVD changer. "Consumers and retailers have both embraced the HTIB concept," explains Bales. "Pioneer packages its HTIB offerings in an attractive and colorful box, highlighting the features with bullet points next to a big picture of the complete system on the outside of the carton. Retailers stack 'em up [in showrooms], and they sell quite well."

## Simplicity is the key

"Pioneer has also put as much effort into simplifying the step-by-step setup and operation of the system as any other part of the HTIB development," Bales says. All Pioneer HTIB systems include intuitive guides and color-coded wires, plugs and speaker jacks. The emphasis on simplicity helps to overcome the fear consumers traditionally have regarding the assembly and setup required with any technology item they purchase.

Pioneer offers two additional step-up HTIB systems, providing consumers with better technology while reducing the size of the components and showing off innovative cosmetic design. At \$699 suggested retail, the HTZ-77DV swaps the five-disc DVD changer from the HTD-510DV package for a



slim, single-DVD player, and the system is controlled via a sleek remote display panel, says Bales. Another strategy Pioneer uses to reduce the intrusiveness of the HTZ-77DV is to locate all of the amplifier circuitry inside the subwoofer enclosure. "The system almost completely disappears," adds Bales, "and brings a 'cool-factor' to the overall room decor." In order to enhance sonic performance, Pioneer uses better-quality speaker and crossover components as well, in an effort to achieve a flat frequency response for greater accuracy in soundtrack reproduction.

The HTS-910DV is the flagship of the Pioneer HTIB offerings. The upgraded loudspeakers are housed in aluminum enclosures, and an ultra-slim single-DVD player is used incorporating digital progressive scan. A compact but powerful Dolby Digital/DTS 5.1 receiver controls the system. The HTS-910DV retails for \$999 complete, including five satellite speakers and a subwoofer. Bales points out that Pioneer has taken the opportunity to engineer the HTIB

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Panasonic's SC-HT70

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systems and their individual components to work optimally together. In order to maximize the performance capabilities of assorted components and still remain cost efficient, Pioneer has tuned these systems through equalization and careful component matching to insure that consumers are pleased with the Pioneer-branded products in their homes. "With our assortment of three HTIB packages, Pioneer is providing complete systems for which there is a strong consumer demand, without interfering with the higher-margin component and accessory sales that retailers count on at the price points beyond the HTIB range," adds Bales. Pioneer anticipates a bright future for its family of complete system solutions, as DVD home entertainment becomes the accepted standard in the homes of the mainstream consumer.

### Expectations: High performance, low maintenance

The same consumer mentality exists even for the specialty retailer, who is likely to attract a customer with expectations of high performance, while maintaining the desire for elegance and simplicity. Polk Audio has endeavored to address that specific need with the introduction of the DS7200 HTIB system. Polk Audio has included a Dolby Digital/DTS preamp/processor, a single-DVD video player with a unified remote control, five satellite loudspeakers, and a vented subwoofer enclosure that also houses the 350



Pioneer's HTS-910DV

watts of amplification. With a suggested retail price of \$2,599.95, the DS7200, Polk Audio finds, actually co-exists in a price category with some separate, component-based systems. "We rely on the salesperson to determine if the consumer is looking for both high performance and high convenience," explains Polk executive Paul DiComo. "Specialty salespeople have the ability to qualify the customer properly, rather than alienate them either by underselling them an off-the-shelf package that won't meet their needs, or burdening them with expensive and complex components that are beyond what they were looking for," he adds. DiComo explains that the mistake salespeople often make is assuming that the high-convenience customer is not concerned with performance. "It is simply untrue," says DiComo. "Our strategy with the DS7200 is to provide all of the simplicity and convenience within a high-performance, full-featured home theater system."

### Are you 'experienced?'

How do you interest consumers in a more costly home theater solution? "This is an experiential sale," explains DiComo. "You play it for them!" It is quite possible that an HTIB system might outperform a component system, once it is in the customer's home, because the engineers have had the opportunity to work with all of the components together, and make adjustments. The performance of the Polk DS7200 system benefits from having been optimized. "No added worry about component matching; the factory does it for you," DiComo says. The DS7200 incorporates preset and optimized bass management as well, and the package also comes complete with an easy-to-use learning remote control that even allows the consumer to adjust subwoofer level. The key to selling HTIB as a specialty retailer is accurate qualification of the customer. "If they came in for a separate component system, sell them components," DiComo insists.

DiComo also reflects some frustration with an industry that has made the road to good home theater much more treacherous than it needed to be. "Home theater is something to be enjoyed by the whole family," he states. "Our industry should be working to get a decent system into every household, but many consumers have been scared off by format wars and the needless complexity of the components. Most people are lost simply trying to hook up a typical multi-channel receiver. All-in-one systems help get around the complexity, an obstacle for so many potential customers," DiComo adds. The three key steps to successfully selling the Polk Audio HTIB



Polk Audio DS7200

system, he says, are: 1) properly qualify the customer; 2) don't automatically undersell the convenience-minded consumer; 3) provide the customer with a great demo of the system.

Panasonic is yet another brand with impressive offerings in the HTIB category. Alberto Reggiani, national marketing manager for Panasonic and Technics, reiterated that consumers are overwhelmed with the complexity of home theater technology. "People are looking for simple solutions, and home-theater-in-a-box systems answer that need," he explains. The Panasonic HTIB solutions also solve the problem of how to get the effects of a big theater in a smaller room. The components are compact, allowing consumers to enjoy the benefits of surround technology, even with the reality of limited space. The SC-HT70, with a suggested retail price of \$599, is a full-featured "beginner" home theater package with a five-DVD changer and Dolby Digital surround technology. Total system power is rated at 240 watts, and the remote control (included) operates all of the system functions, including subwoofer-level attenuation. Reggiani explained that all of the wire and connecting terminals are color-coded to simplify the setup process. "The emphasis is on overcoming the obstacles that exist in the minds of the home theater customer," Reggiani adds. "Consumers are in stores to replace older components with DVD players, because they realize that these new machines will also play their CD collection," he says. Panasonic's HTIB line for 2001 has some form of DVD player in each system. New models expected to be introduced in the near future will also

## This is a category where form is becoming almost as much of a factor in the purchase decision as function

have the capacity to play DVD-Audio along with video programming, CD-R, CD-RW and MP3 files. New HTIB introductions will also incorporate progressive-scan technology, Dolby Digital, and DTS.

The SC-HT290D is the step-up HTIB system offered by Panasonic. The 600-watt receiver incorporates Dolby Digital and DTS, and a five-DVD changer is also included. In order to add a level of comfort for the consumer, Panasonic has designed and installed a user-friendly "help" button. Once setup has been completed, the receiver can perform several basic self-diagnostic functions, assuring the end user that the system has been wired properly. The satellite speakers and subwoofers handle higher power than in the lower-priced system, and the learning remote control (included) is code-ready to operate many brands of TVs and VCRs. The SC-HT290D carries a suggested retail price of \$799, and consumers get numerous features, performance, and simplicity from a single package.

One company that has gone as far as any in helping to articulate consumer convenience in product design, Bose, recently introduced an HTIB "solution" that is quite unique. The Bose 3•2•1 system (\$999) comes with an integrated media center that includes a DVD/CD player, an Acoustimass sub-

woofer and two speakers. Bose manages to substitute two loudspeakers for the traditional five needed for surround sound by making use of specially tailored signal processing in conjunction with specially designed loudspeakers. The media center has an internal

equalization circuit that eliminates the need for complex user adjustments, and the DVD player will also accept CD-R, CD-RW, and MP3 files. The 3•2•1 system will decode Dolby and DTS 5.1, as well as the Bose Videostage 5 technology. It was designed, says Bose, to answer the need of consumers who want to avoid hiding wires and realize maximum

performance while sacrificing minimal shelf space.

### Brand synergy in HTIB

Kenwood and Boston Acoustics have teamed up to take advantage of the expertise of both manufacturers. The joint venture has produced an HTIB system called Unity, selling for between \$1,000 and \$1,200 at retail. Kenwood provides an integrated DVD/CD player/receiver unit that also houses the surround processing circuitry. Kenwood has included Dolby Digital, DTS, and Dolby Pro Logic 2 decoders. All related wiring is neatly color-coded to ease setup for the consumer at home. The versatile Kenwood centerpiece is accompanied by four compact satellite speakers, a center channel, and a high-powered subwoofer unit. All of the speakers are built by Boston Acoustics, and benefit from the company's BassTrac equalization circuitry, which unifies the output and minimizes distortion. The Unity system is compact and stylish in design, yet delivers performance that rivals more costly components. The tandem effort between the two manufacturers has been so successful that dealers can expect to see similar pairings in the near future.

Home-theater-in-a-box systems were conceived to demystify the home theater concept for consumers, and provide retailers with a sure-footed first step from which to launch the theater concept with their customers. There is a wide variety of interest in multi-channel system technology, from the vast and expensive custom-built theaters to the efficient, yet clever, HTIB packages. Consumer demand would indicate that the HTIB concept is an effective way to break down barriers of fear and cost, introducing an entire world of consumers to the exciting possibilities of home theater.



Kenwood/Boston Acoustics Unity