



# Phoenix, revisited

*A fresh look at this rapidly changing consumer electronics market landscape*

BY MICAH SHEVELOFF

A Spring 2002 visit to the Phoenix/Scottsdale area confirmed that electronics retailers, mobile electronics specialists, and custom/home theater facilities are reaping the benefits of being situated within a growing, prosperous community. The consumer electronics business in Greater Phoenix provides an exceptional visual laboratory from which other retailers around the country can learn and harvest ideas. A healthy economic climate opens the door of opportunity for those brave enough to be innovative in their approach to advertising, merchandising, and their long-term plans for remaining competitive.

## Ultimate Electronics David Workman:

"Phoenix is a good marketplace. It is the first major market we expanded into, and it is highly competitive with Fry's, the national chains, and the independent stores, all in an area slightly larger than the Denver market. We have been very successful using radio to target specific demographics in the community, and we do a ZIP Code analysis to see where the business is coming from. Greater Phoenix is a TV-hungry market, with big screens/big tubes doing very well — even better



One custom area where Showcase Home Entertainment exhibits its expertise is in converting areas in large homes designed for other uses into home theaters. At left, a custom niche in the showroom

## Showcase Home Entertainment Michael Hagg:

"I have been doing this for 31 years, and the fantastic weather finally drove me to the Phoenix area. I absolutely love designing a great store. I have watched as Phoenix went from being an under-served market to one that is now oversaturated. There are lots of part-time residents in the area, and there is some industry moving in. I have found that the people in this market are more open to buying quality-of-life items. We present options to the many consumers who come in inquiring about home theater, such as lighting control and active displays. Our largest speaker vendor by far is one of our in-wall suppliers. We have also had success showing a very high-performance in-ceiling home theater system. Out here, your patio is as important a part of your living environment as any, so we do quite well with outdoor speakers. People love the beauty of the desert and spend a lot of time outside. We show them great music systems for outdoors. We

than expected. The custom builder segment is very strong, and we are busy in that marketplace. Mobile electronics is coming along slowly, the pace attributed to several fine competitors in the area, such as Audio Express. As a result, it takes longer to establish yourself. It is a very good car market, however, and for us it is a work in progress.



A pristine installation bay at Ultimate Electronics Phoenix

build a lot of entertainment wall niches in the Southwestern motif. Many of the large homes out here have three- or four-stall garages, so one idea we came up with is a turnkey garage-to-home-theater conversion for \$40,000. We deliver about 70% of what we sell, and install about 50%. There are currently four Showcase stores, in addition to a Bang and Olufsen store. A second B&O store is in the works. Showcase is part of the Tweeter Home Entertainment Group.

### **Audio Express Ed Santacruz:**

Audio Express was founded in 1974, and now boasts 39 mobile electronics sales and installation facilities, with nine in the Phoenix area. In one store we had, the installation bay was the shade from a Palo Verde tree. Our worst on-the-job injuries back then were bee stings. We know who our customers are, and how to serve them. We build exciting stores using high-performance displays in multiple rooms, so that more salespeople can work the floor simultaneously. We do quality installations using quality installation parts, but discourage our people from selling complex custom jobs that sit in the bays for weeks at a time. We have our own niche, and the competition locally has actually made us stronger. Phoenix is an attractive place to live; there is a strong entrepreneurial spirit here, in a market of over



**Audio Express welcomes local competition. President Ed Santacruz says it has made his 39-store operation a stronger force in the marketplace**

three million people. All 39 Audio Express stores are linked digitally

**'We discourage our people from selling complex custom jobs that sit in the [installation] bays for weeks at a time. We have our own niche... we know who our customers are.'**  
—Ed Santacruz

for phone, fax, and computer, so that our staff can rely on each other as a vast resource. They send digital installation photographs back and forth, and are generally a big help to each other.

### **Best Buy Jenny Roberson:**

Phoenix is a great place to live, featuring wonderful weather, and as a result, there has been much development and expansion in the area. People have moved to Phoenix from all over, and we are seeing huge growth in the video, audio, appliances and computer categories. The Pavilions Best Buy was actually built on land belonging to the Salt River Indian Reservation, so we have the opportunity to supply

computers to the kids who live on the reservation. Best Buy currently operates eight stores in the Phoenix area, each employing an average of 100 to 120 people.

### **Sounds Like Music Dave Wiggs:**

The new Sounds Like Music store has been constructed in a Scottsdale shopping complex next to a 66,000-square-foot bar/nightclub. A 15-foot screen fed by a Runco projector plays videos until 10:00 p.m. in the store's front window. Every room in Sounds Like Music is automated using Crestron panels: Everything comes on when the store opens, and turns off 30 minutes after closing. Automation is key to our position in the marketplace, and we maintain a high-level programmer on staff who was once a VP at Honeywell. We subcontract a furniture builder for custom cabinetry. Sounds Like Music currently employs 11 full-time installers. There is much new construction in the Phoenix area, a lot of high-end homes, and many wealthy people building a second residence here. Our goal is to deliver systems to consumers that actually work correctly. Crestron is not only a big part of what we do; it is a big part of the future. We have even gone so far as to create our own customized software, allowing various components to work seamlessly together that would not have otherwise. This is the type of store that should appear in advanced markets across the country

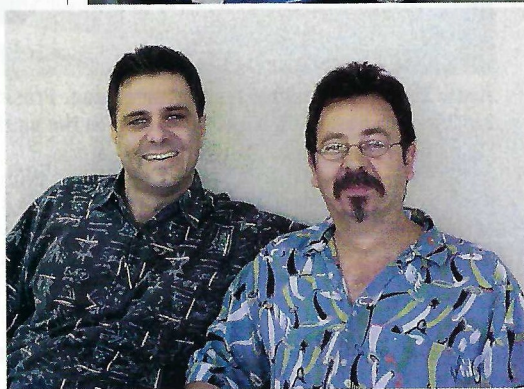
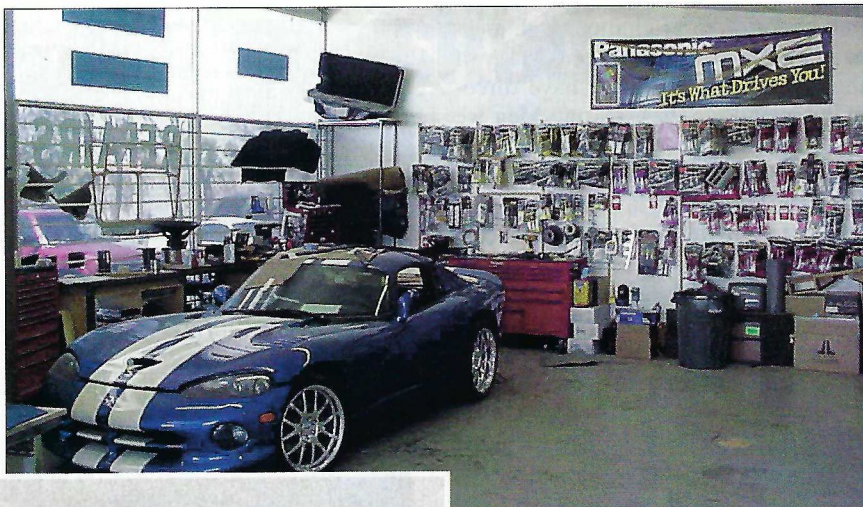


**The road to profits at Audio Express is paved with high-performance displays**

— anywhere that consumers grasp the concept of lifestyle benefit. The appeal will eventually extend to a larger market as time and technology progress, and costs come down.

### **Soundwerks Don Ciardullo:**

Soundwerks was opened in 1989 by founder and president Guy Filipelli, who continues to operate two locations at this time: one in Phoenix and the just-opened Scottsdale store. Much of our market is the traditional 16-to-25-year-olds, along with the high-end clientele; however, there has been a trend towards the mainstream due to the arrival of so many chain store operations. Soundwerks realizes about a 20% yearly growth, attributed to the broadening of categories such as video, navigation and satellite radio. Our goal is to maintain the same level of growth while keeping up with changing technologies. I also see that it is critical to have a diverse group of customers, maintaining stability even if sales in one category fall off. I want to create a buying experience for everyone who walks in the door, because once they have made a purchase, even for a \$10 widget, I believe they will come back. There is a high rate of car theft in the Phoenix area, so security is a good business. I am always looking for ways to improve my merchandising

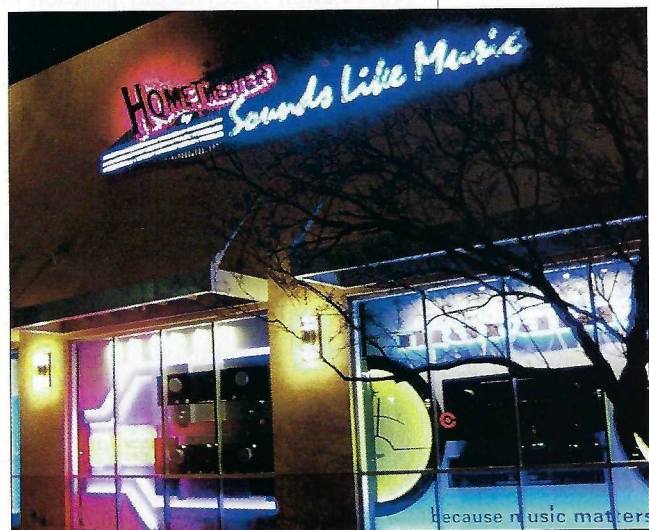


**Above: An install bay at one of Soundwerks' two locations. Left: Don Ciardullo (l.) and founder Guy Filipelli**

### **Circuit City Rich Casillas:**

strategy, having seen an increase in the sales of specific categories for my efforts. Additionally, I have found that in-store events also drive sales, and I will do more of them now that we are operating two locations. The new Scottsdale store is about 3,500 square feet. Soundwerks advertises using The Yellow Pages, the local alternative paper and direct mail.

There are currently eight Circuit City locations in Greater Phoenix. The Arrowhead Circuit City store is actually in Peoria, a suburb of Phoenix. Our objective is to engage and excite. Our broadband station shows consumers the difference between Internet providers and the various speeds of the available equipment. We offer both the hardware and the service agreements. The broadband station features customized software that illustrates to consumers what providers are available to them where they live (by ZIP Code). Our success in this rapidly growing community is based on our



**The new Sounds Like Music store exterior, festooned with neon, is designed in tune with the bar/nightclub it is next to**



**Sounds Like Music owner Dave Wiggs says every demo room in his store is automated — and shuts off a half hour after closing**

commitment to the customer. We have friendly, knowledgeable salespeople, a local service center, and we provide delivery and both basic and customized installations. We are improving the quality of our sales associates through training, including on-line courses. Our salespeople have taken over one million classes in the first year alone, and it has given us a new enthusiasm about our products that can be shared with our customers. The Circuit City showroom also features Super Audio CD and Bose Lifestyle demo stations.

**AudioVideo Innovations  
Wes Johnson:**

I came out here to attend college, and stuck around. I opened for business in September 2000. We are a 10-to-12-projects-per-year custom/home theater company, and we do not do any advertising. Most of our customers come from out of state, and they are building their second or third home. It is the type of business that is virtually recession-proof. We have developed a reputation for our work with control systems, and that has earned us a lot of word-of-mouth business. We do our documentation packages all in-house, and often work directly with builders and architects. We use both AMX and a home-grown system, both PC-based. We use a fixed markup system plus time and materials, and the client is billed hourly.



Even “under construction” (above), AudioVideo Innovations’ “showroom-in-progress” exhibits signs that the designers take the store name seriously. Left: Resource manager Jeff Austin (l.) and store president Wes Johnson pose near an electronics array typical of the type used in one of the lucrative custom installs that this company prides itself in

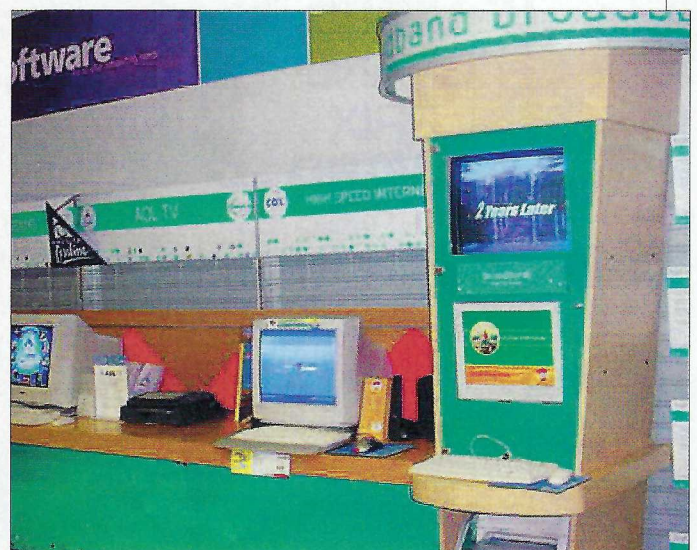


The customer knows all of our costs ahead of time. Our first step is to do a DSA (design services agreement), for which the customer is charged a fee. The DSA includes a system design and engineering drawings, so the client is getting real value for

that initial cost. In the new showroom we are constructing, there will be a 12-seat theater, a media room, a rack building facility, two conference rooms, a warehouse, nine offices, and an exercise room with a full audio/video demo and a shower.



Nobody does home-theater-in-a-box quite as comprehensively as Best Buy — as is shown in the Phoenix store’s organized display



Arrowhead Circuit City, in a suburb of Phoenix, has a broadband station designed to show customers what providers are available to them in their ZIP Code