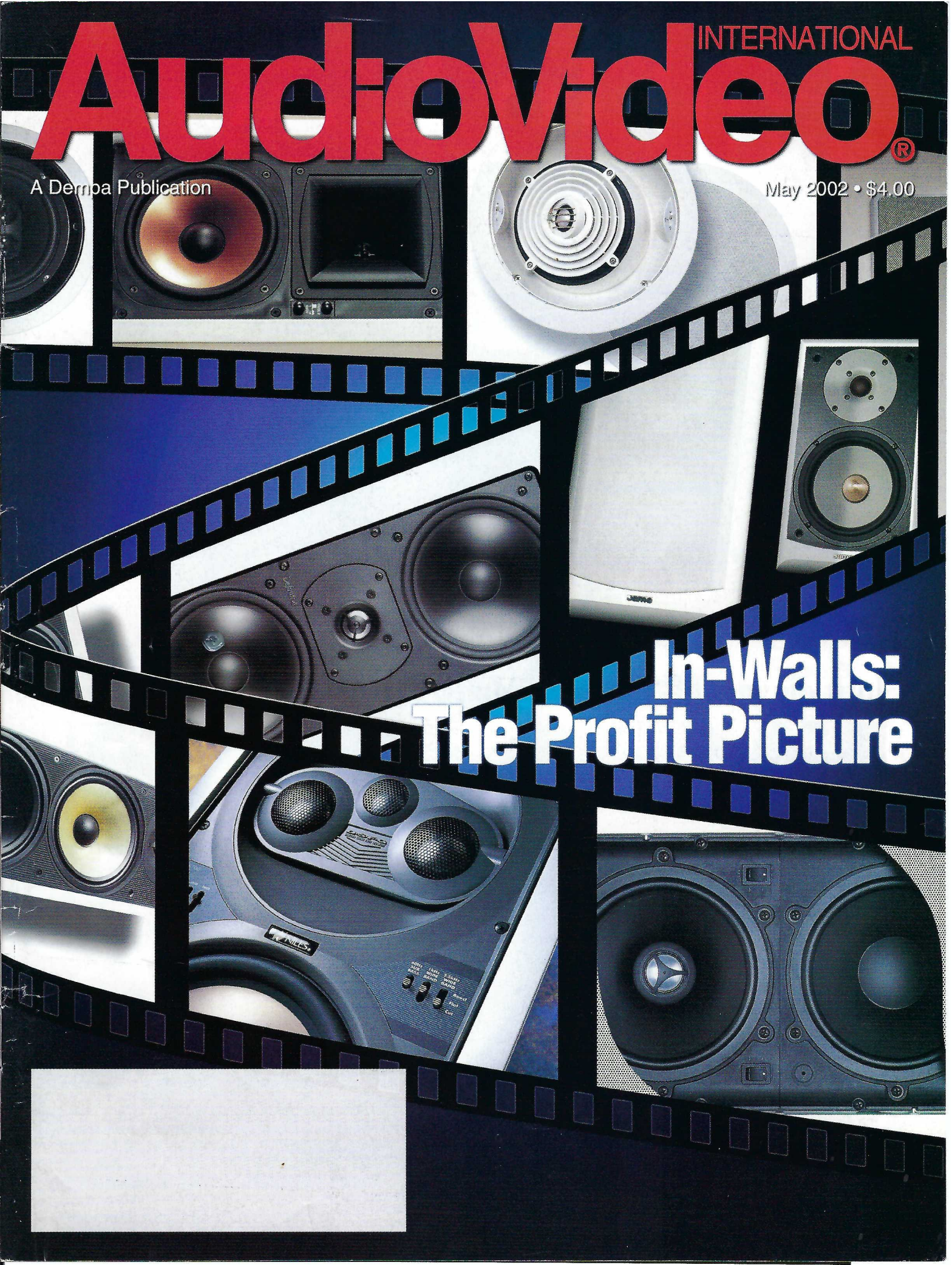


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In-Walls: The Profit Picture



An emphasis on independents

After successfully gaining increased market share for Clarion in Canada, Tony Verheggen is poised to strengthen relationships with Clarion's distribution in the U.S. market, emphasizing the independent retailer. Here, he discusses where Clarion is headed in the future.

Sheveloff: What do you see as your most immediate challenges?

Verheggen: There is an immediate need to communicate to everyone, mostly our dealers, that Clarion is here to stay. I even heard rumors as far north as Canada that Clarion was thinking of exiting its retail business, and nothing could be farther from the truth. Once rumors start, the fires are easily fueled. We have grown our market share for each of the last 10 years in Canada, and we are a key full-line supplier to our independent dealer base there. In no way do they feel like we are exiting the business. That is a false perception limited to the dealers here in the U.S. I think that retailers should remember that there are only a handful of full-line 12-volt manufacturers in existence. We will be successful in the U.S. market with a strong line of mobile electronics, our core business.

Sheveloff: There was talk at the Clarion press conference held at the 2002 CES that the emphasis going forward would be on the independent retailer. Does that remain your primary focus for future business?

Verheggen: Absolutely. That is a North American strategy. In Canada, we are focused 100 percent on independent dealers however, when we did go into a national chain, it had absolutely no effect on our independent dealer business. We continued to do business with the independents and they continued to support us 100 percent. Now, our North American strategy will be to focus on the independent retailers, providing them with the services and the resources they need to be successful.

Sheveloff: Is the infrastructure in place that would allow Clarion to provide timely products, customer service, and technical support to your dealers?

Verheggen: Yes! We recognize what we have to do not only to be competitive, but to win within this arena. We have to be the best at providing every-



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thing to our dealers, such as service and tech support, and we have to be able to ship our products on time. We have to do all of the little things, and we will make it happen. I look at the success we had in the Canadian market, and all of the things we did there very effectively. That's how you win!

Sheveloff: Can you highlight any of the new strategies that you plan to employ, going forward?

Verheggen: Well, one of the many reasons that I am in this chair is because I have traveled here [to the United States] many times, and I know everyone here and how the company functions. There will be no six-month learning curve while the "new guy" gets up to speed. I will transition into the job very quickly because I knew what the issues were, what the challenges were, even before I took the position. In terms of what we are going to be doing, we are not going to get complicated. There are some things with the Extranet that we are looking at, but our main focus will be making it easier for the dealer to do business with us. Yes, we will be out there training and providing tech support to both our dealers and our sales force.

Sheveloff: Comment on plans for

training dealers in the future.

Verheggen: I am a big believer in training and educating our dealers, not just on Clarion products, but on the scope of the entire industry, and I will push for that. It has been sporadic in the past, and we need to be more consistent with our training efforts in the future.

Sheveloff: Address the concerns of retailers who have suggested that Clarion will jump-start sales on the backs of the independent dealers, only to revert back to the national chains for distribution in the future.

Verheggen: Well, that is a tough topic, but I feel like it must be addressed. We no longer have a standard line and a Pro Audio line; it has all been combined into one group of products that have been slated for distribution through our independent dealers. We have no plans in the foreseeable future to add any kind of mass merchandiser into our mix of distribution. Remember, we are a company that does business at retail and in the OEM market, so we have two sources to obtain market share. This affords Clarion some flexibility in terms of how much total business we have to do in order to remain competitive at retail. Our commitment is to the independent retailer. You never know what the future will bring, but our experience has proven that Clarion has been successful in relying on an independent dealer network for retail distribution. We will focus on executing and delivering our strategies going forward in such a way that the retailer feels good about Clarion as a business partner. Product-wise, we are ready to go, and the line will only get stronger. From a multi-media standpoint, we are very strong this year. Our head units are excellent, and we must not forget that we are a full-line supplier. Our subwoofers and amplifiers are solid as well. We have our Ungo brand on the security side, which is a super product. All we have to do is make sure our dealers understand what the brand is all about. We also have incredible market share with our marine products, so there are a lot of positives with this company. The future for Clarion, and the retailers who support the Clarion line in America, is looking very bright.