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**HI-FI
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AWARD**

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BALLOT

Hot market in a chilly town

In Minneapolis, the land of the long, cold winter, 'Minnesota Nice' goes a long way toward warming the hearts of consumers hankering for lifestyle electronics guidance

BY MICAH SHEVELOFF

The consumer electronics retailers in the Greater Twin Cities area reflect the true meaning of a self-descriptive phrase used by local citizens: "Minnesota Nice." Upbeat and friendly they were, enthusiastically greeting customers and each other, working to do good business and establish themselves as part of the community. Some were in the heart of downtown Minneapolis; others were nestled far out in the suburbs. Each company had its own, unique way of presenting itself to consumers in the land of the long, cold winter.

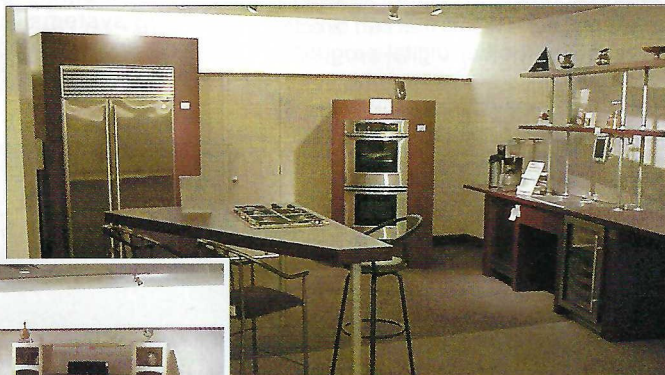
Halsten Entertainment; Mark Halsten

Our primary business is done within the Twin Cities area; however, we do draw customers from as far as 150 miles away from our store. We also maintain a few clients from out of state. The long winters only affect our business minimally, in that construction projects are limited to between December and February. During those months, we focus more on "retro" work. We are seeing an increase in both plasma and two-piece projector sales because the prices of plasma are coming down, and the projectors are getting smaller and becoming

more reliable. The strategy behind selling appliances and furniture is this: We are involved in many remodel-



ing or basement-refinishing projects where appliances may be important to our clients. Additionally, the center of family living is often the kitchen and the adjacent family room. We sell higher-end appliances that are relevant to our customers, not the commodity products [available almost everywhere]. Many customers want an idea of how seating will work with their home theater, and they want



At Halsten Entertainment, there is an increasing number of clients who need higher-end products to make their centers of family living — namely, the kitchen and family room — fun as well as functional

We sell contemporary sectionals and modular recliners, and it works for us.

For the majority of new-home buyers in the Twin Cities area, home automation is too complicated and expensive. At this point, it does little to improve their quality of life and, although that may change in time, I believe it will take many years. Home automation seems to consist of integrating telephone, security, audio/video, and sometimes lighting and HVAC. Very few people here desire such integration. They perceive that it will complicate their lives. If I could sell them a device that cleaned the house or cooked dinner for four, many consumers would buy such a product. Generally, people are very comfortable flipping on a light switch or setting their own thermostat.

Sound Waves; Kelly Kitzman

I initially got into fabrication by building snowmobile parts such as hoods and windshields. All of the display modules in Sound Waves were built by us. Our biggest publicity comes from the show cars we have created, including the 1961 Cadillac six-window DeVille that was recently featured on the pages of a major con-



At Sound Waves, above, the focal point of the showroom is this '61 Cadillac DeVille show car, featuring an Alpine F#1 system. Right: Sound Waves's clearly labeled speaker/head-unit display



something fun! There are not the great furniture showrooms here that you would find in New York or Chicago; consumers are limited to mostly traditional or Early American styles.

sumer publication. The Cadillac features an Alpine F#1 system, and took second place at the last USAC finals in Kansas City. It sits proudly in our showroom. We have carved a niche for ourselves even though we are not in close to the city (Minneapolis), where video is huge. We focus on customer service, quality of workmanship, and my guys sell the aspect that the owner (commonly referred to as "the old guy") is out back doing the work on your car. We are in a small suburban area surrounded by Best Buy, Circuit City, Audio King, and others. We draw our customers from local industry such as a nearby medical center and a beer distributor. Much of our business comes to us by word of mouth, and our show vehicles are constantly at the old car shows, stereo shows, and any other such event. I would estimate that about 30% of our gross sales can be attributed to labor, and we do a fair amount of carry-in business, installing equipment bought elsewhere or on the Internet. People do come in and shop, and then bring back gear that they saw here and then purchased on-line, which can be frustrating. Although the main focus of the 12-volt industry used to be the 17-to-25-year-old male consumer, video and remote starts have somewhat changed that demographic. People really do have a bad taste from having bought bad remote starts or unreliable video systems, and it can be very difficult to overcome those fears the second time around.

**HiFi Sound;
Scott Verbout**

This store was founded back in 1951, so it has quite a history in the area. Being in the Midwest, we are somewhat insulated from the latest

and greatest technology. I grew up with mono and two-channel audio, and two-channel has been our passion



At 51-year-old HiFi Sound, while two-channel audio is still a passion, the staff's goal is to make home theater sound as good as a two-channel system. Left: the showroom. Below: the service center



here at this store. We all own turntables; however, we are not "off the edge" on it, either. We have evolved our business, and sell CD players and home theater systems. Our goal is to do theater using the correct processing, making it sound as good as a two-channel system. In our store, we have one dedicated theater room that is well done but modest, and we are working on a higher-end theater display. Whether it is for theater or a traditional audio system, our focus is about value, great sound, and our excellent level of service. We have



found that some consumers went off into the whole "theater thing," and are now coming back looking for simplicity. Since I have owned this business, we have focused on our relationships with people; it's a real organic thing for all of us. When someone comes into the store, there is always

music playing and they are greeted by a friendly face. If they want to browse, we offer to take them on a tour of the facility. The attitude has allowed us to grow HiFi Sound into a flourishing business. The aging baby-boomers seem to be redeveloping a sense for their musical roots, and we have done quite well doing a cross promotion with our local Neiman-Marcus store. Fall, winter, and spring are when we traditionally do very well, while people tend to be indoors. That being said, the last two summers have been tremendous for us. We promote by doing a newsletter mailing, and sometimes we just pick up the phone and say, "I've got something cool!" We also have events in the store that feature live jazz music. We still deliver everything to our customers ourselves, and we usually listen to some music with them. It gets us into their homes and allows us to give them other ideas about their systems. We create quality and value, and the bottom line is, we love what we do!



Audio King has seen "good, solid growth" since its acquisition by Ultimate Electronics. Mirroring nationwide trends, a product category on fire there is flat panels



**Audio King;
Jason Zoellner**

The Audio King stores were acquired by Denver-based Ultimate

Electronics in the summer of 1997. There are six Audio King locations in the greater Twin Cities area, with two additional stores in adjacent communities. There is a plan to add more Audio King locations in the near future. Since the acquisition, we have seen good, solid growth. Plasma and LCD are hot sellers, and we are aggressively going after new technologies such as satellite and HDTV. Interestingly, we have begun to wonder what we will do with all of the extra warehouse space once flat-panel displays replace big-screen TVs. We see a lot of new construction in our market area, with an average real estate cost increase of about 12% per year. It is very expensive to live anywhere near the cities, so the housing starts in outlying areas are at near-record levels. We are also growing our mobile sales and installations business, largely driven by interest in satellite radio and mobile video. We expect to be using a new mobile video display that has just been installed in one of our Dallas-area stores. Last winter was fairly mild, and we saw a consistent flow of retail traffic throughout the season. When it gets really cold, however, people just do not want to go out, and business can be thin during those times. Audio King does do promotions with the Minnesota Vikings and the Final Four [college basketball tournament]. When we rolled out HDTV, hundreds of people came out to see it for the first time, and have a slice of pizza at the store. Audio King does both radio and print advertising, as well as flyers that are direct-mailed to preferred customers and to random homes based on a ZIP code analysis. We have also dedicated tremendous

energy to custom home installation. We have a red-carpet delivery service (an actual red carpet



At Teckla, an amp display in a see-through floor goes far in promoting the store's "thunder in your trunk" 12v systems. Left: an installer at work. Below: An accessories display bulging with choices



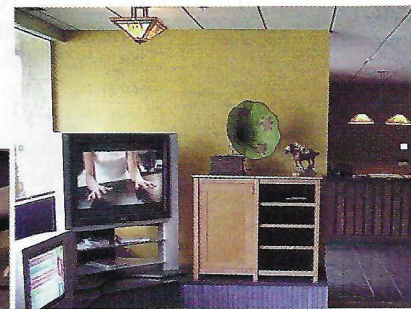
is rolled out from the truck to the front door of the customer's home), and our delivery crews wear booties on their feet to protect the customer's floors. They will hook anything up, even components not purchased at Audio King, and they show the consumer how everything works. Then they break out a selection of soda and popcorn as a complimentary gift for the customer. Our slogan is "Experience More," and we endeavor to give consumers many reasons why they would want to shop at Audio King.



Teckla Car Audio; Doug Shawback

I have an 11-year background in the used-car business, so I truly understand what consumers really need, and I have many relationships with Minnesota-area car dealerships. We are currently in the design stages of a new, larger shop, about

7,500 square feet total. Currently, about 75% of our business is retail, and the limiting factor for our wholesale business is install space. I will focus on increasing business with dealer accounts once we have moved to our new facility. We are very centrally located here in Burnsville, about 20 minutes to either Minneapolis or St. Paul. There is easy access from here to all of the major highways serving both communities. We have three full-time installers and two part-time. One of the keys to our success has been creating a fun atmosphere for our employees, who are the heart of our business. I have found it challenging to hire and train young sales associates who understand the value of first-rate customer service. It's an achievement if they can just get to work on time. Video and big audio systems are major profit centers for us. The kids love to watch headrest monitors, and we have a disclaimer form we make people sign who want front-seat video. The \$2,000-to-\$5,000 "thunder in your trunk" systems are good business for us, also. We do systems for people who have never really heard great car audio, and can't believe the sound



AudioVideo Dimensions caters mainly to the upscale Minneapolis suburbs. Left: A home theater setting featuring KEF's Maidstone speakers. Above, new (a flat panel) and old (a vintage gramophone) co-habit quite comfortably



residential work, we have done projects from coast to coast, but prefer the local ones — unless there is an extra-special client. The winter season has no more effect on business here than the weather in other major cities. In terms of trends, we see that people are tired of getting smoked on stock IPOs or the dot-bombs, so they are more likely to invest in their homes and home systems. For the most part, I feel that control systems can be overwhelmingly complex. We deliver “lifestyle enhancement,” which is basically music, movies and lighting. I try to stay away from interfacing HVAC. If the consumer asks me to simplify their lives, why would I eliminate their easy-to-use HVAC control and make the system more complicated? I am in the business of managing client relationships, and I am careful about not setting the customer’s expectations unrealistically high. Then, once I have the opportunity, I go out and find a way to exceed their expectations. I really don’t like the term “home automation.” It gives the impression that the system can do more than it really can. I have a client who I met who already has a theater in her home. She has no

idea how to even turn the system on. There is a CD changer, but she uses it as a single-disc player because nobody ever showed her how the thing works. We have an advanced design center facility and we also go to our customer’s homes. We are all music-lovers here (there is a full rock-band practice space within the design center) and we demo Foghat on our 8-track tape player. People love it!

StereoLand; Bill Soderholm & Randy Lukanen

Everyone wants flat-panel displays. There is a lot of interest, and the sales will come in time. Surround-sound systems are very popular with our customers. We have had a downtown (Minneapolis) location for 33 years, and our suburban location in Eden Prairie for 2 1/2 years. We have a lot of customers from Wisconsin, and custom installation is hot in our area. We are installing more satellite than cable these days because the satellite networks now offer local programming. Satellite certainly has taken a bite out of the cable business in Minnesota. During the

extreme cold, people try to avoid going out. As a result, they begin thinking about their home entertainment systems in the fall, when we traditionally see a spike in our sales. We currently employ three full-time installers. I would like to compliment Marantz and McIntosh for their bold warnings that appear on their Web sites telling customers not to buy on-line. It shows genuine support for their dealers, and we try to give them the benefit of our loyalty and our business in return. The Internet is a big problem; it erodes pricing and creates false perceptions about what consumers are actually getting. When they come into our showroom, they have this idea that things should cost less. Much of our promotion is through referrals. However, we do a newsletter, mailings, and minimal print advertising. We maintain a veteran sales staff; most of them have been with us for a long time. We are excited about the future and about new products that will be coming to us soon. Our goal is to treat customers differently than most places. We give them a level of expert advice that is difficult to find in most places.

The Twin Cities community plays host to several large and mid-sized corporations. There is a healthy feel to the area, the people really are “Minnesota Nice,” and the retailers are busy serving customers. The electronics stores seem to reflect the creative efforts of those behind the counter — each searching for a way to best represent his sincere passion and enthusiasm for audio, video, and the enhanced-lifestyle home.

Quite frankly, I’d shop there in a heartbeat.



If there was any doubt that the Minneapolis area, home base for Best Buy and Target, is an extremely important market, the presence there of these ubiquitous CE giants' outlets (not to mention Circuit City) within a few miles of one another, dispels the notion

