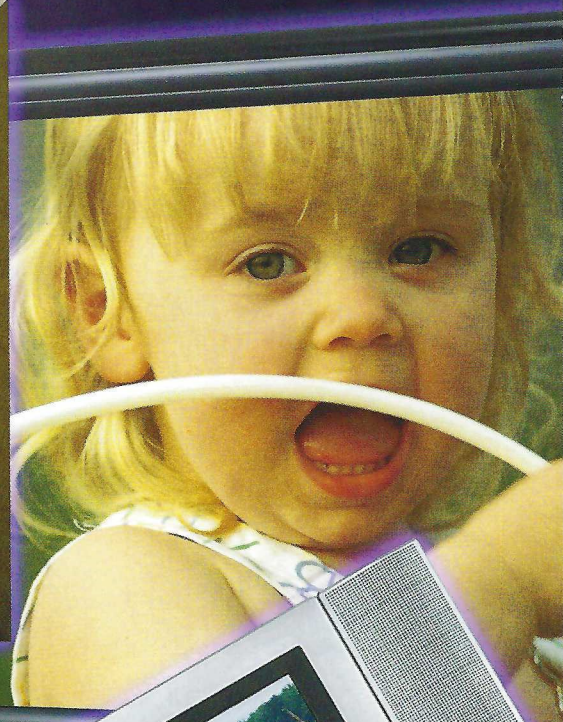


AudioVideo[®] INTERNATIONAL

FOR THE CONSUMER ELECTRONICS RETAILER

A DEMPA PUBLICATION
AUGUST 2003 • \$4.00



*****AUTO**5-DIGIT 06477



AUD 3 S 338 PKG 1640
MICAH SHEVELOFF
425 HILLTOP RD
ORANGE CT 06477-1537

www.audiovideointernational.com



CRUISING THE WATERWAYS OF OPPORTUNITY

**SELL IT TO THE MARINES — OR AT LEAST, SELL MARINE ELECTRONICS.
A LOOK AT A LUCRATIVE PROFIT AVENUE FOR THE SAVVY 12V RETAILER**
BY MICAH SHEVELOFF

It seems logical that those who bear the costs and extra effort to own and operate a pleasure boat would want to enjoy a decent audio system out on the water. Although statistics gathered from the National Marine Manufacturers Association (NMMA) indicate that overall boat sales were down slightly in 2002, it is estimated that over 17 million recreational boats have found a home somewhere in the U.S. The inboard cruiser market, with an average unit cost of \$367,505, accounted for sales of 11,800 vessels in 2002 alone (up 1,000 units from 2001). The marine aftermarket accessory sales figures for 2002 are in excess of \$2 billion, indicating that an opportunity does exist for consumer electronics retailers to provide products and services to an eager customer base.

WHAT THE CHALLENGES ARE

Statistics aside, the marine audio industry does have its challenges, such as seasonal inconsistency in many parts of the nation as well as a prevalence of do-it-yourselfers attempting their own installations. Consumers cannot simply “drive” their boats into most car stereo shops, so it is not uncommon for marina technicians or mechanics to wind up saddled with audio-related installation or repair chores simply



AN INSTALLATION OF KENWOOD AMPS & SUBS ON A FORMULA RACING BOAT. ALL 2004 FORMULA BOATS WILL HAVE SIRIUS SYSTEMS INCLUDING A ONE-YEAR PAID SUBSCRIPTION

by default. There have been traditional car audio retailers who have made a concerted effort to seek out marine business and network within that community in order to achieve success only after gaining a reputation amongst pleasure craft owners in their area. It can be grueling work, hauling inventory and tools down a long pier or even on a shuttle craft out to a large vessel docked in a harbor. On-site installations are the key to building up a marine-based clientele, along with reliable service and system designs able to meet the challenges of life at sea (or lake).

Kenwood has been offering marine electronics to consumers for a long time, and Mike Roberts, director of sales for mobile entertainment products at Kenwood, indicated that new

technologies have had an impact on consumers' ability to enjoy audio while out on the water. “There is huge potential for sales of the Music Keg in the boating industry, because it eliminates the skipping problems associated with CD players on rough water, and it places an enormous quantity of music at the boat owner's disposal,” Roberts explained. The Music Keg is Kenwood's hard-drive component, and the 20-gig Excelon version will hold up to 5,000 songs. The other format that Roberts expects to be popular for boaters is satellite radio, again, because

of its indifference to choppy seas and due to the lack of accessible radio stations once away from shore. Kenwood has introduced a transportable Sirius satellite radio tuner device called the Here2Anywhere, with available docking kits for home and car that would allow boaters to access the service and the broad variety of programming it offers while on the water.

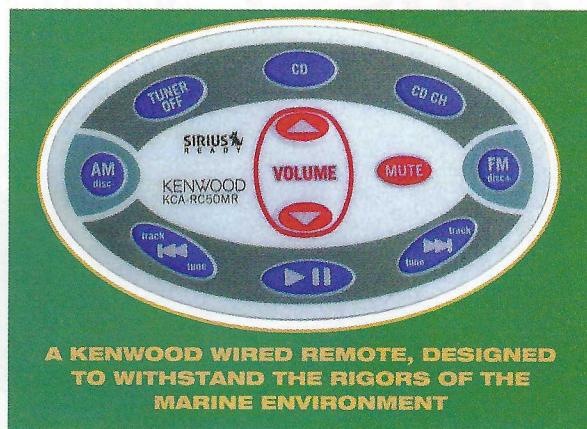
Kenwood also builds Sirius-compatible CD receivers, such as the KDC-3022 (MSRP: \$179). However, in order to prepare the units for the harsh elements of the marine environment, Kenwood relies on a company called Tri Star Distributing to provide a critical process called conformal coating, where circuit boards are removed and coated with a sili-

cone-based epoxy that is then allowed to cure for 48 hours. Once the modifications have been completed, the unit's model number is altered to signify its marine readiness, and the price is increased as well. The Kenwood KDC-3022 becomes the KDC-3022MRCC (marine radio conformal coated), with an MSRP of \$239.99. In addition to the protective process, Tri Star also handles the distribution of Kenwood's marine components in the U.S. market. "We do a huge business in audio," cited Steve Papandrea, marine sales manager at Tri Star. Kenwood's traditional car audio retailers are directed to Tri Star when in need of marine equipment, and boating outlets such as West Marine (over 300 retail stores and a catalog) and Overton's (boater's catalog) rely on the Indiana-based distributor as well. "Audio is usually very important to boaters," emphasized Papandrea, who acknowledged the sizable opportunity that exists out there for the independent retailer. "Although we supply marine components to Best Buy, Circuit City and Crutchfield, it is the smaller businesses that can offer dockside installation, and service is the key to opening doors and being successful with marine audio," he added. "There is a huge opportunity, especially in the summer months," Papandrea said.

Dual is the product name used by Korean manufacturer Namsung America, and marine audio has been a success for Dual in the American market. Dual offers four marine head units (also protected by a conformal coating process) including one cassette player and three CD units, as well as a selection

of application-specific loudspeakers, available in surface or flush-mount varieties. "The units have been designed specifically to address the challenges of the marine environment, such as the constant buffeting and excessive moisture found on a boat," said Clyde Podraza, executive vice president of sales and marketing at Dual. "We offer a single product line that has been designed to accommodate consumers, from an opening price-point to a full-featured unit that will accept multiple wired remote controls (IR remotes are impractical for marine applications due to excessive sunlight).

"Many marine hobbyists know their boat inside and out," continued Podraza. "They are comfortable with doing a basic audio installation themselves because there is usually easy access to the instrument panel and the speaker holes are often pre-cut for them," he added, in analysis of



A KENWOOD WIRED REMOTE, DESIGNED TO WITHSTAND THE RIGORS OF THE MARINE ENVIRONMENT

Bass Pro Shop, as well as Best Buy.com. There have also been efforts to supply the Dual marine products to the OEM boat builders.

Two new marine head units are expected to arrive on retailers' shelves in August 2003 from Dual; they are called the MXD50 and MXD60, and each comes with coated circuit boards and UV resistant faceplates. The silicone-rubber controls on the MXD60 are UV-protected as well, and the step-up unit also boasts a 50-watt-per-channel amplifier section and removable faceplate, along with RCA-style preamp outputs and auxiliary input. The MXD60 has a suggested retail price of \$249, with the MXD50 coming in at \$179. Podraza indicated that an MP3-compatible CD changer would be coming from

Dual later in 2003, and that satellite radio technology could also appear from the brand in the future. "Dual has come to market with a diverse group of products, and the acceptance has been very good at retail. The sell-through has been better than expected," Podraza reported.

MB Quart has been offering its Nautic line of marine loudspeakers for nine years, and for 2003 there are four models, including two versions of a 6.5" coaxial design, a 6"x9" coax, and a 10" woofer. MB Quart is using a special ABS composite that is more UV stable and mold-resistant than in prior years. The speaker grilles are made from yet another composite that is extremely flexible, to prevent cracking. The grilles screw into the

■■■ 'AUDIO IS USUALLY VERY IMPORTANT TO BOATERS....SERVICE IS THE KEY TO OPENING DOORS & BEING SUCCESSFUL WITH MARINE AUDIO.' — STEVE PAPANDREA ■■■

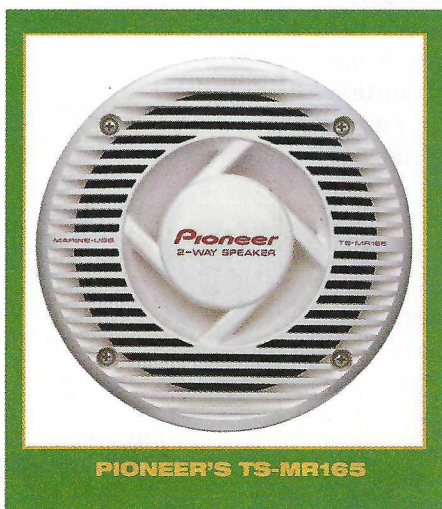
consumer tendencies within the marine market. Dual sells to some regional specialists on a seasonal basis. However, the company relies on distributors who cater to marine outfitters. Additionally, Dual sells its products through major marine retailers such as West Marine and



DUAL MXD60 RECEIVER



boat through the speaker basket to insure that they will not fall off, even in rough waters. "All of the hardware included with the Nautic components is made from stainless steel, and the speakers are shielded to accommodate international boating regulations," reported MB Quart marketing manager Brian Sherman. In the past, MB Quart marine speakers utilized outboard crossover networks, but for 2003, the crossovers have been integrated into the coaxial housing. All connectors are gold plated. "About 20% to 25% of the authorized MB Quart car audio dealers sell the marine line," said Sherman. In order to obtain additional market share, MB Quart has also employed the services of a distributor that sells directly to the boat manufacturers. "Several prominent electronics retailers have had great success with the MB Quart marine products, such as The Specialists, Sound Advice, and Innovative Audio," Sherman explained. MB Quart retailers will soon have a CD receiver for marine use from the brand, with expected delivery this month. The receiver will feature conformal coat circuit boards, a low-battery-voltage indicator, and an option to add a limitless number of wired remote



PIONEER'S TS-MR165

controls. The unit will also incorporate a detachable faceplate that can be permanently affixed for stability over choppy waters. All controls will have a rubberized coating, and there are four channels of internal amplifier power, along with six channels of preamp output and an auxiliary input. MSRP is expected to be \$449. Sherman reported that overall sales in the marine category are up this year, and the company will be making a concerted effort to expand its market share in the future.

Pioneer's success in the marine audio category can be attributed to a few well-engineered products that have earned the brand a loyal following among both retailers and consumers. "We are currently marketing three models of marine loudspeakers and a waterproof radio cover," reported Keith Burnett, vice president of product planning for the car electronics division at Pioneer. The TS-MR165 (MSRP: \$300/pr) is a 6.5" coaxial speaker system with an inverted tweeter and protected magnet structure that has been available from Pioneer for many years. It comes with gold-plated connection terminals and stainless steel hardware, and is rated to handle 120 watts of input power. The radio cover accessory is referred to as the AD-MR92, and employs a vertically opening "locking bubble" design, protecting a standard DIN-sized head unit from the harsh elements of the marine environment. The AD-MR92 comes with stainless steel hardware, and has an MSRP of \$40.

THE LOYALTY FACTOR

"Once you build a product that has success in this category, retailers and consumers seem to remain loyal to them," Burnett explained. Pioneer does expect to bring new products to market next year, based on the increased number of brands targeting the marine audio industry. Burnett attributes Pioneer's initial success with marine audio products to engineering. "Pioneer spent the time and effort to design a group of



MB QUART'S NAUTIC FAMILY

products that would really last in a hostile environment," said Burnett, who also indicated that his company has every intention of putting additional emphasis on the marine category. "There is a golden opportunity for the specialist retailer, because these consumers realize that they need something that will last. The specialist can take the time and get the message across to consumers, explaining the added value of marine-specific components," Burnett suggested. "I see the specialist channel expanding into two categories: performance/cosmetic accessories and marine audio," he predicted, emphasizing the critical importance of a category that offers additional profit opportunity for mobile electronics retailers and a chance to broaden their customer base.

Marine audio appears to be a service-driven segment of the consumer electronics business that could become a substantial source of income for those retailers poised to go out in search of new customers. There is long-term value for retailers that choose to pursue the category, because a large percentage of boat owners have disposable income and have already demonstrated that they are inclined to spend it on lifestyle products. The keys to success in the marine audio arena are twofold: Retailers must have the manpower to dedicate to an effective outside sales campaign that includes boat yards and marinas in their area, and they must be able to deliver reliable on-site installation services in a timely fashion.

In a community with a substantial boating population, this formula is will lead to smooth business sailing on the waterways.