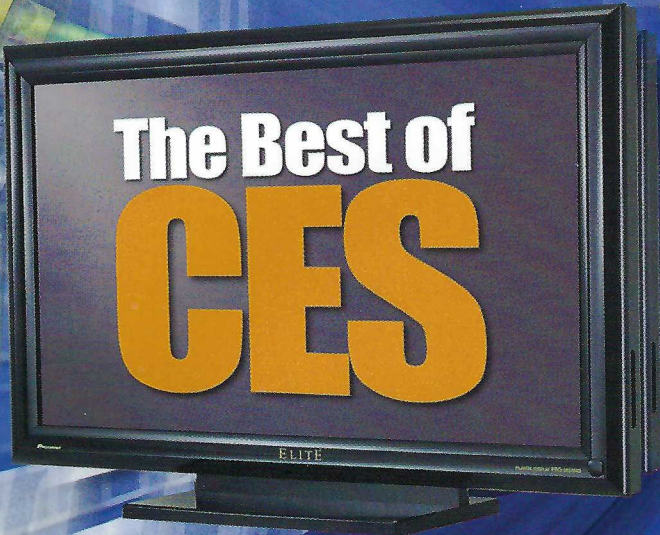
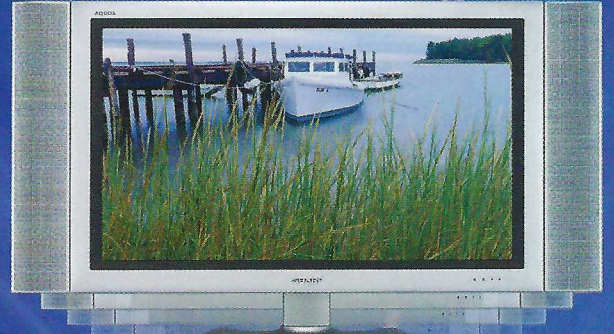
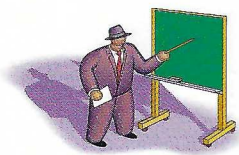


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# 12-VOLT VIDEO MERCHANDISING

ARE CONSUMERS 'GETTING THE PICTURE' AT YOUR STORE? HERE ARE SOME EFFECTIVE METHODS FOR MERCHANDISING IN-CAR VIDEO

BY MICAH SHEVELOFF

One of the biggest challenges for consumer electronics retailers is the rapid pace of change. In the early 1980s, in-car CD players were state of the art, and no mobile electronics specialist had yet conceived of selling DVD players, flip-down LCD screens, or satellite navigation systems. Fast forward two decades, and the CD player has virtually become a commodity item, with 12-volt retailers focused on other categories such as in-car video. Unlike power amps and big woofers, in-car video is drawing the attention of more than one segment of society, thus changing what had once been a predictable demographic of young male consumers shopping for in-car audio/video upgrades. These new customers now include moms and dads as well as high-tech gizmo enthusiasts. In order to make the most of this opportunity, retailers and hardware manufacturers are scrambling to figure out how to display in-car audio/video products to a diverse audience in the most effective manner.

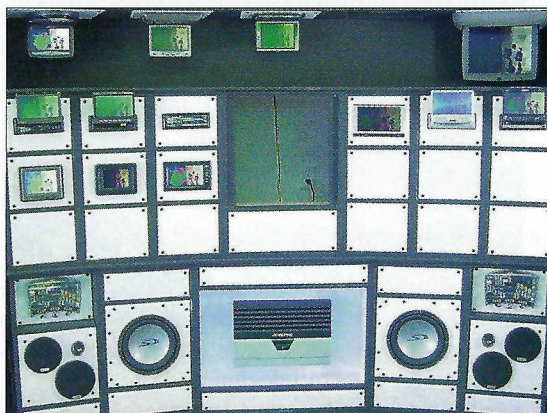
## WHO'S ON FIRST?

Alpine Electronics' vice president of brand marketing, Stephen Witt, explained that the consumer research conducted by his company indicates that there are three distinct groups of in-car video consumers: The rear-seat-entertainment customer (typically a family-oriented purchase), the front-seat-video customer (usually the more traditional mobile electronics enthusiast who has decided that the conventional DIN head unit is

no longer cool), and the full-blown, budget-no-object gadget junkie who could be anywhere from a young driver to someone in their 50s. "It is part of a critical foundation that retailers acknowledge these different groups when they strategize their merchandising of this product category," Witt stated.

"We display mobile video products throughout all of the areas dedicated to car stereo within our stores," reported Dan Johnson, president of Michigan-based Classic Stereo. "We try and entice customers from our home audio/video side to come in and see the in-car products using direct mail," added Johnson. "One year, we actually put mobile video products on display alongside our home video components, an experiment that was not at all successful. Those consumers shopping for home gear seemed not to care about the 12-volt systems, and the customers searching for in-car video could not find it. It simply didn't work for us," said Johnson. One merchandising strategy that has worked well for Classic Stereo has been to bring consumers out to see the video systems already installed in one of the salespeople's vehicles. "One demo vehicle simply was not enough to service our three stores, but the use of the salespeople's cars has been very successful," Johnson explained. "It is about as effective a sales tool as there could be."

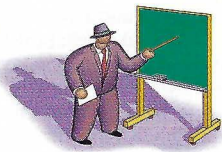
"The rear-seat-entertainment customer is typically very price-



A DISPLAY AT THE NEW HAMPSHIRE-BASED ALPINE DEALER CAR TUNES

driven," explained Alpine's Witt, breaking down the dynamics of the three consumer groups his research has identified. "Typically, those using the rear-seat systems are under 15 years old, so retailers need to understand that they are merchandising this group of products primarily to parents, not the traditional mobile electronics customer," Witt detailed. "Our research indicates that the rear-seat products should not be stuffed into the soundroom along with big amplifiers and bright neon lights. This new group of customers is easily frightened by that environment. It is critically important to show good-better-best solutions, particularly when it comes to the overhead monitors. The rear-seat portion of the business is rapidly becoming both segmented and price-driven, and the step-up products provide a viable opportunity to for retailers to earn additional profits."

"The front-seat video customer is the evolution of the traditional youth enthusiast, driven primarily



by performance differentiation," Witt continued. "Such consumers are well aware of sound quality and system design, but also are seeking the visual attributes offered to them within the category. These customers want better screen quality, simplistic human interface, and the gee-whiz factor associated with the fold-out A/V head units," he said. "As this marketplace (and its group of loyal consumers) evolves, screen quality will become a significant factor in what motivates them to purchase new gear — performance will be judged based on audio/video quality as well as overall design and the application flexibility of the product," added Witt. "The emergence of high-quality VGA-based screens is important in maintaining the advanced technology appeal required for this customer base. A/V head units should also be merchandised using a good-better-best strategy. However, this can be executed within the traditional mobile electronics soundroom because the 'enthusiast' is typically not intimidated by that environment," Witt said.

"Finally, there is the over-the-top crowd, which simply must have the best," said Witt, summing up the last of the three categories denoted by Alpine's market analysis. "This customer is looking for clear differentiation from mainstream products, and usually requires front-seat video, GPS-based navigation, and customized rear-seat entertainment. This customer presents an opportunity for the retailer to show headrest monitors, larger video screens, video games, computer devices, and a high level of service including custom integration skills. An interactive working demonstration is the best way to entice this consumer,

usually by making use of a full-blown system installed in a demo vehicle. Merchandising this category correctly is what serves to differentiate the true 12-volt specialist from the services typically offered by the chain stores. Specialists should never underestimate the importance of being able to provide a complete, in-vehicle demonstration," Witt concluded.

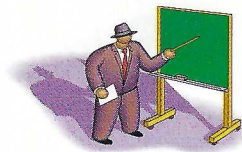
### CONSUMERS CAN REALLY SEE THE DIFFERENCE....

Jerry Dyer, owner and vice president of Auto Extras in the Greater San Antonio area, has had success merchandising in-car video components as an integral part of his car stereo demonstration board. "We show flip-down, headrest, and in-dash video products, and the combination of these items in our soundroom has worked for our customer base," stated Dyer, who is in agreement with the concept of showing a selection of step-up products. "We have been successful with Blaupunkt's video line because consumers can easily see that the screen is of an excellent quality, and the line has an impressive array of features, as well," Dyer added. "We are primarily a truck accessories store that also does car audio/video, so we have a very broad range of products. The showroom is designed to be welcoming rather than intimidating, so moms in search of rear-seat video systems feel comfortable here," Dyer explained. In addition to using DVD as a primary video source in the store, Auto Extras

**“The front-seat video customer wants better screen quality, simplistic human interface, and the gee-whiz factor associated with fold-out A/V head units.”**

also shows wireless headphones and source switchers in its display area, so that customers can get a feel for what is available to them within the entire package they are buying. Another source of business for Auto Extras has been the car dealerships. "One car dealer is giving away a basic installed video system with the purchase of certain vehicles," said Dyer. "They hand the actual video components to the customer as they are taking delivery of their new car along with a voucher for the installation. Once the consumer comes in for the install, we have the opportunity to show them additional features and accessories in an effort to step them up from the basic dealer package," Dyer reported. "We are working on building video displays for our participating car dealers' showrooms."

Ray Windsor, vice president of sales and marketing for Eclipse, has theorized that the in-dash video customer is typically a young male with lots of desire to identify with the brand of product he is choosing, in contrast to the rear-seat-video customer, who is com-



monly older, family-oriented, and price-sensitive. "The rear-seat customer is usually less brand-conscious, less performance-oriented and mostly interested in simply completing the purchase in order to entertain their children," commented Windsor. "The objective of a good merchandising strategy should be to initiate consumer interest in this relatively new group of products," Windsor said.

Barrett Preloger, president and CEO of Winntech (a marketing solutions company), agrees with Windsor: "I use innovative display designs to stop passers-by and grab their attention," Preloger explained. "It is my job to maximize the number of products sold in as few square feet as possible," he added. Winntech offers both standardized and customized displays for retailers in a vast array of styles and budgets. "I recommend that one of our stand-alone displays be used for mobile video products, and be located either at the front of the car stereo section of the store, or in the new-technology area," Preloger said, adding that as with any new category, the merchandising strategy must convey the lifestyle benefits of the products to consumers. "Customers see complicated black boxes and big dollar signs — everyone must be able to imagine themselves using in-car video. Our displays are interactive; consumers can operate the systems and see how they function. It makes the technology approachable, demonstrable, and demystified," concluded Preloger.

Windsor also emphasized the vital importance of having a clean, well lit, and organized showroom. "There is no excuse for having holes in the display, wires hanging out, or cigarette butts on the

floor," said Windsor. "Many of the consumers shopping for rear-seat systems will be women, who often communicate their experiences by word of mouth. The salesperson must have a simple, package-based approach that is easy for the uneducated customer to grasp. A good-better-best array is effective," surmised Windsor, who concluded that in-car video is a very important category to retailers because it brings in new customers and a new profit opportunity. "Mobile video will certainly help retailers grow in a maturing market," Windsor added.

### WHAT WORKS IN 'THE WILD WEST?'

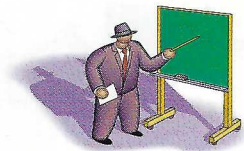
"As far as I am concerned, there is one way, and one way only, to effectively merchandise in-car video: A demo car," stated Isaac Goren, owner of Sounds Good Audio, Security, and Marine in Woodland Hills, CA. "The vehicle should be perfectly clean and well tuned, with a variety of source material on hand for a diverse group of consumers," explained Goren, whose 2002 Chevy Tahoe Z-71 is packed with DVD, a VCR, satellite radio, GPS navigation, several monitors, a TV tuner, and a good selection of DVD movies and music for every conceivable taste or preference. "Give customers an experience that is as nice as you can get, that's what turns them on," Goren urged. "Since I have had the demo car, I have written work orders for new jobs countless times for customers who have wandered in for things like replacement remotes for their car alarm systems. I ask them if



**THIS SOUNDS GOOD DEMO CAR, AN '02 CHEVY TAHOE Z-71, MAKES THE CASE FOR A 12-VOLT VIDEO PURCHASE IN THE MOST CONVINCING WAY POSSIBLE**

they would like to check out the system in the Tahoe, and they end up driving out having purchased a new A/V package. It is truly amazing," said Goren. "The consumer does have to be educated about the difference in quality between the various monitors available to them, even when cost is a big issue for them," he explained. "The market is full of new products, the majority of which are not great," he warned. "The key is to educate the customer before the cost objections are raised," Goren said.

"Our objective was to design a display that would work both at retail and in the car dealer showroom," explained Jim Jardin, director of marketing programs for Directed Electronics (DEI). "It is our assessment that the majority of these video systems are being sold to satisfy children, so we have designed a video display kiosk with graphics acceptable to all demographics of consumer that can be used in the car dealers. If the new-car buyer is willing to spend \$50,000 on a new Lexus, why not add \$3,000 for a video system to insure that everyone has fun on their travels?" said Jardin. The display highlights key features



**THE SCORPION VIDEO DISPLAY BY WINNTECH AT THE GOOD GUYS — WHERE THE 'WOW' FACTOR IS KEY**

such as multi-zone inputs and DEI's unique removable screen technology, which the manufacturer claims reduces the possibility of theft and allows consumers to use the screen in more than one vehicle. The kiosk is also outfitted with headphones, so that the prospective buyer can check out the audio as well as the video. "Our dealers have seen an immediate payoff from a good in-car video merchandising strategy because the products have a visceral attraction — kids can play games or watch a movie while mom and dad shop either in their local electronics store or at the car dealership," Jardin concluded.

"We have had success with

multiple monitor/multiple source systems. "We wanted the 'wow' factor that the Winntech displays provide, although they do require a bit more maintenance because kids are crawling all over them every day," he reported. "That's just part of doing business in this category.

"In-car video is tops in growth percentage for The Good Guys within the mobile electronics segment, although it is still a relatively small overall percentage of our car business. We see the 'married-with-children' demographic, the in-dash video enthusiasts, and the younger 'tuner' market in our stores," Navarro reported. "We have reached out to the tuner

interactive 'live' displays, so that consumers can touch and feel the mobile video products in the stores," explained

Dan Navarro, director of merchandising for car, portable, and communications devices at The Good Guys. The California-based retailer has had success with the Winntech displays for the mobile video category, and they offer everything from video-in-a-bag systems all the way up to the

crowd by constructing an Acura demo vehicle that goes out to all of the import shows, reaching the kids who tend not to see the Sunday circulars," he added. The Acura is loaded with technology, including a big screen mounted in the rear so that people can



**DIRECTED'S VIDEO KIOSK**

play video games from outside the car. "We have found, though, that even more important than the displays is the training of both sales and installation personnel who present and deliver these products to our customer," Navarro reported. "Confident salespeople reassure consumers that they are getting all of the right components that will be able to satisfy their expectations, and that the job will be done correctly," added Navarro.

In-car video is clearly changing the once familiar face of the typically young male mobile electronics consumer. "It is the key driver of profitable business development for electronics retailers," Witt declared. "Understanding the customer segmentation and developing a merchandising strategy that addresses the needs of each group is critical to the long-term development of the 12-volt business," Witt concluded. As retailers embrace new technologies and adapt their showrooms to highlight new products, they also remain intimately aware of the rapidly changing demands of today's mobile entertainment customer.

**“In-car video products have a visceral attraction.”**