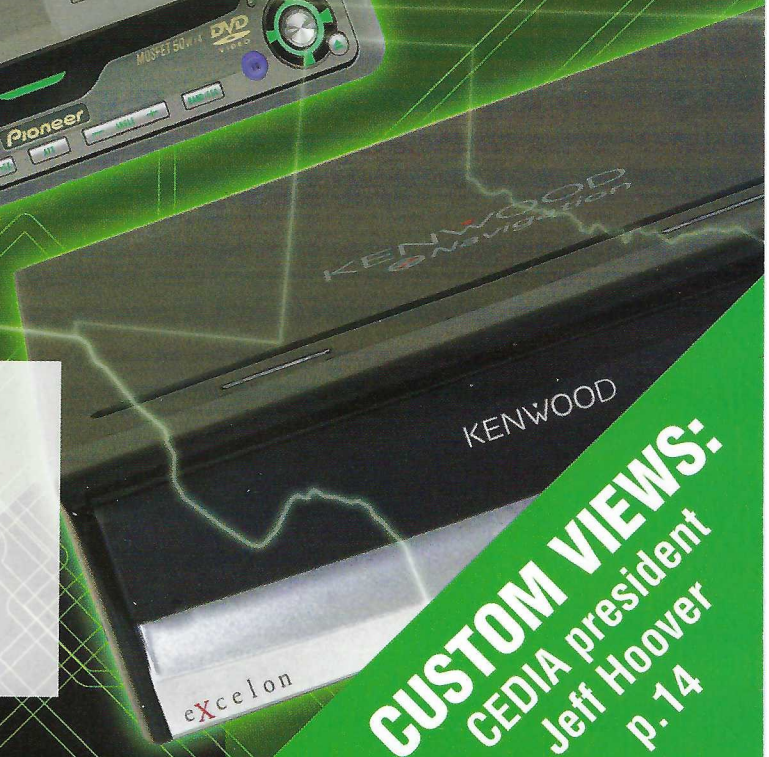


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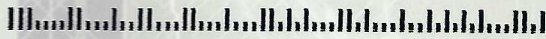
FOR THE CONSUMER ELECTRONICS RETAILER

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## Navigating the 12-Volt-Market Road



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**CUSTOM VIEWS:**  
CEDIA president  
Jeff Hoover  
p. 14





# THE ECONOMICS OF INSTALLING YOUR CUSTOMERS' GEAR

**12-VOLT RETAILERS DISCUSS LOST HARDWARE SALES  
& RECOVERED REVENUES BY MICAH SHEVELOFF**

**G**one are the days of regional exclusivity for 12-volt retailers, when desirable brand names drove consumers into select showrooms within a given territory. Today, the sales of aftermarket electronics systems have undergone an evolution that has forever altered the economic structure of the market segment. Although retailers compete fiercely to obtain hardware sales (head units, amplifiers, speakers, subwoofers, alarm/remote starts, etc.), a much larger percentage of the gross income must be generated in the installation bays. Consumers are using the Internet not only to

try to educate themselves, but also as a source for both new and used equipment. On-line sales are now a reality for retailers of every size, and we spoke to several of them about how they have adjusted to this changed business climate.

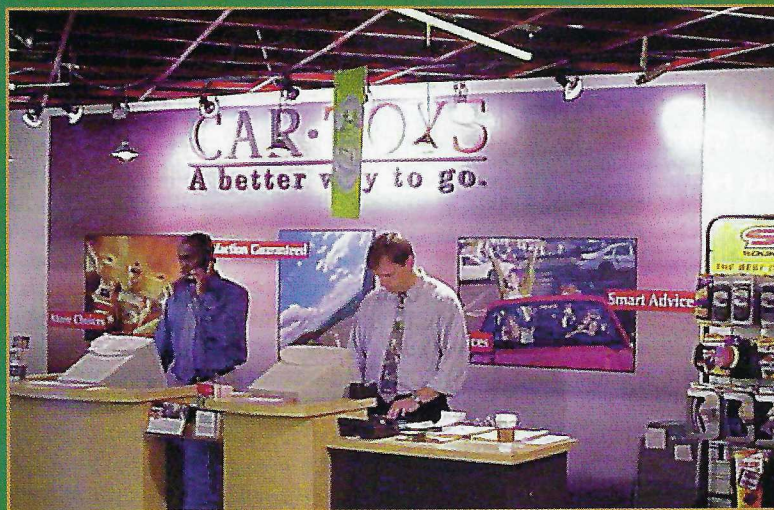
**MARC SPATZ,  
TWEETER HOME  
ENTERTAINMENT  
GROUP, CANTON, MA**

We don't have any strict policies about the installation of equipment not purchased from us; however, we typically will only install products that are from vendors that we

also carry in our stores. If the install bays are slow, the individual store/install manager makes the decision [to do or not do a given installation]. If the bays are packed with our own customer's cars, we will try to schedule them for an upcoming appointment rather than displace the vehicle of a customer who has bought both the gear and an installation from us. We do watch accessories and labor sales numbers very carefully, and we employ a dedicated trainer who teaches our installers to build boxes, beauty boards for amplifiers and fiberglass components that produce a customized finished product, hoping that the customer will come back to make future purchases. We stock Monster Cable and cosmetic trim pieces — any accessory that makes the system better and provides additional profit. Opportunities to show off the skills of our installers are always good. Of course, we obviously want the customer to purchase the product from us as well.

**DON CIARDULLO,  
SOUNDWERKS,  
PHOENIX, AZ**

I work the sales floor quite frequently, and I have noted that customers are using the Internet to look at products and get a feel for price. It has taught us to qualify our customers more carefully in order to discover if they have been shop-



**CAR TOYS, SAYS SPOKESMAN JIM WARREN, BELIEVES IN  
ADJUSTING TO THE CUSTOMER — AND THAT PHILOSOPHY AP-  
PLIES TO INSTALLING PURCHASES MADE ELSEWHERE ON-LINE**



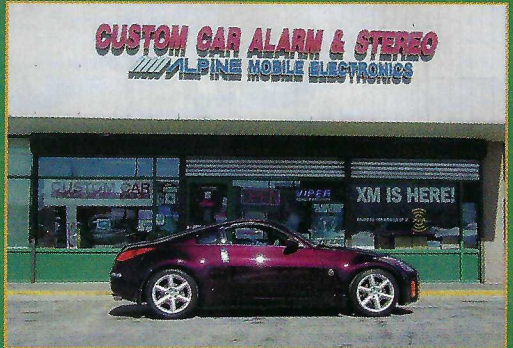
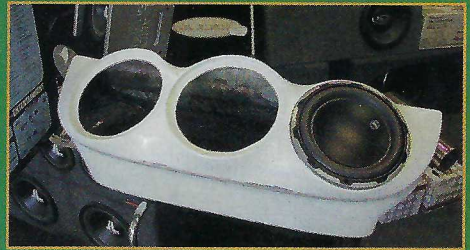


ping on-line. I have found that if they have seen a product we sell being discounted, we often end up negotiating from the bottom up, selling our services and warranty policies as a justification for a slightly higher price. I look at it as relationship-building; if you try to make every sale more and more profitable, you wind up making less money in the long run. We don't want to turn away customers and lose sales opportunities—I'm looking to negotiate upward and get the labor and accessories sales. If the product price is completely outrageous, I'll get the factory rep on the phone and have them explain directly to the customer the risks involved in making such a purchase. Although we are not responsible for equipment that fails during the warranty period if it was not purchased from us, we will typically try to help the customer in order to maintain the relationship. Gaining a new customer along with the labor and accessories sale is quite valuable. We want to be known as nice guys, as customer-friendly. That being said, there is no doubt that the Internet is creating lost profits at retail in this product category. We make some back with labor and accessories, and we refuse to harp on the Internet as a negative. I suspect that it will make us better retailers in the long term.

**JIM WARREN,  
CAR TOYS,  
SEATTLE, WA**

Car Toys believes that it is fruitless, as a retailer, to try to shape or adjust customers' buying habits by

**AT CUSTOM CAR ALARM & STEREO, SAYS NAZAR DEMIR, CUSTOMIZED SUB BOXES, LIKE THE ONE SHOWN HERE FOR THE NISSAN 350Z, ARE CREATED & SOLD AS AN ADDITIONAL PROFIT AVENUE**



withholding services. Instead, it is the job of the retailer to accommodate the needs of the buying public in whatever manner we are capable. Whether this is in the install bay, on the selling floor, or both, it is our job to adjust to the customer, not the reverse. Car Toys believes that we must be careful not to confuse our role as a specialty retailer. Experimentation with new-product ideas or branding campaigns that extol the virtues of our industry are good things if they share concepts and products with the buying public and allow customers to make a purchase decision on their own. If cus-

vide installation services to these customers, but our lifetime installation warranty does not apply to used merchandise or goods that were purchased from non-authorized dealers.

**STEVE MULLEN,  
CIRCUIT CITY,  
RICHMOND, VA**

We do install equipment brought to us by consumers, we are more than happy to do that as a service to our customers. Our managers are trained to use their discretion if there is a level of unfamiliarity with the gear, to insure that the job is done properly. Our product specialists are trained to know what parts and accessories are necessary in order to complete a job cor-

**■■■ '...IT IS FRUITLESS, AS A RETAILER, TO TRY TO SHAPE OR ADJUST CUSTOMERS' BUYING HABITS BY WITHHOLDING SERVICES.' — JIM WARREN, CAR TOYS ■■■**



tomers choose to purchase an item on-line from an authorized dealer and then bring it to us for installation, we are happy to help the customer in whatever manner we can. Problems can arise with used merchandise, gray goods, and a host of other challenging situations. Our managers do a fine job of explaining the extent of the role we can play in such a scenario. We will pro-

rectly, and the data is available to them if there is a vehicle that they are unsure of. We have added some new cosmetic, or "image," accessories, such as exhaust tips and brake and gas pedals. These items provide yet another option for consumers shopping in our stores. All of our installations carry a lifetime warranty, and we remove anything we install at no charge. If a product





not purchased at Circuit City became defective during its warranty period, our removal policy could be applied to that item. It is not something we run into often.

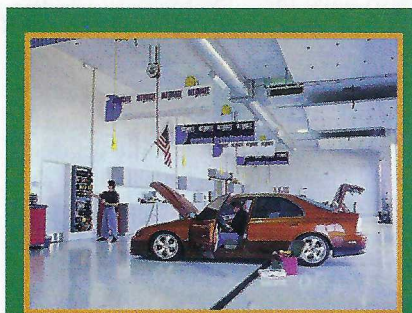
**NAZAR DEMIR, CUSTOM CAR ALARM & STEREO, PLAISTOW, NH**

Of course, if we have a chance to talk the customer out of buying something elsewhere, we take advantage of it. I would rather sell the unit, but I will not turn the labor away. We are always courteous, hoping to earn their business the next time they make a purchase. Our labor rate is an additional \$10 per hour on equipment not purchased from us. We make sure our customers understand that they will not receive the same service from us as someone who purchased their system from our store. They will be charged to remove defective components, even if they are under warranty. Customers are getting smarter, though; they tend to know what is likely not to break, and that is often what they buy on-line. We explain to consumers why we cannot match Internet prices, and if they can't understand it, we walk them right out the door. I do not perceive the Internet as the worst problem we face. I have local competition that slashes prices lower than what people see on-line. There is business out there, if you go after it. Don't sit around and complain about the Internet. We have developed a fiberglass subwoofer enclosure for the new Nissan 350Z, and we sell it on-line (with no woofer installed in it). We have pulled customers from outside of our traditional territory who drove to us because of this enclosure. We have hosted 350Z club meetings and got-

ten sales that way. As a general rule, we pass on doing any off-brand alarm or remote-start installations. We install the brands we sell and are familiar with. If something goes wrong with one of those items, we end up being the bad guy. It's just not worth it.

**GREGG THOMAS, ULTIMATE ELECTRONICS, THORNTON, CO**

We have actually seen a decline in the regularity of mainstream mobile electronics products being purchased elsewhere and brought to us, as consumers realize that they need installation and they need interconnect cables and the proper dash kit. We see more customers bringing in used gear (which we always bench-test first to be certain that it works properly) and off-brand components for installation. These customers present us with a huge opportunity — we can educate them, help them get the things that they really need for their systems, and sell them installation and accessories. Internet shoppers often come in with a limited amount of knowledge, and frequently have bought the wrong components for their car, such as a round speaker for an oval location. We see this as an opportunity to solve their problems for them and treat them to a high level of service. We are careful to explain to consumers that if their own components break, we cannot provide warranty service for them, and they understand that. Consumers are not showing up at our installation bays with either security or mobile video products



**AN INSTALLATION BAY AT ULTIMATE ELECTRONICS**

that they have bought on-line, and we are finding that most all of our alarm customers sell their car without transferring the system to the new vehicle. Audio systems, however, do get transferred from car to car quite frequently. We do not see Internet sales of 12-volt products as a huge problem because the business is so install-oriented. We continue to match the component prices of authorized retailers for our customers.

**BILL ALI, BEST BUY, RICHFIELD, MN**

We have only noted a small increase in the amount of consumers bringing us components to install. It has been our longstanding policy to provide installation services to those customers without making them jump through hoops or pay an additional surcharge. The manager has the final say, if the equipment is missing critical parts or wiring, to decline doing the job. We have test benches to make sure that the pieces are functional before we begin work on the customer's car. Although we have noticed a small uptick in the number of consumers looking for installation services, most of our 12-volt business is still being done at retail. The Internet still represents a small percentage of the overall pie. It is our concept to provide a complete solution to the customer, selling any parts or accessory items that will enhance the performance of the product or increase its life expectancy. It is all about being customer-centric — showing the consumer the value of the services we are delivering to them. We want them to experience getting good quality service at Best Buy — we are proud of it, and it helps increase foot traffic in our stores.

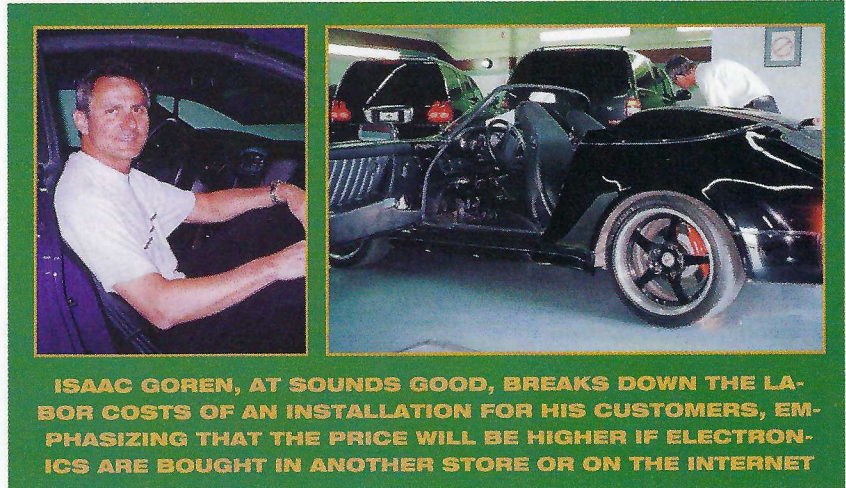
**ISAAC GOREN, SOUNDS GOOD AUDIO, SECURITY & MARINE, WOODLAND HILLS, CA**

Consumers are not just buying on-line; they are in search of knowledge, and are often misled by one bias or





another. They are getting advice that is not specific to them and their needs, and as a result, they end up coming in to my store with the improper equipment. Consumers too frequently assume that the information they get on the Internet is accurate, when in most cases, it is not. They come in having already made a purchase, and as soon as you point out that this or that item is not correct, they no longer want to trust you. Then we have to explain to them that if something breaks, they will have to pay to have it serviced even if it is under warranty. Between the added hassle and the shipping charges, how much money did they really save? Not much. That being said, we are losing product sales to the Internet, even though our total sales are up this year. It is my approach to educate consumers about buying on-line with an eye toward the future. This trend has forced us to quote labor very accurately; there is no room for error when you are not making the margins on the components. We break down the quote to show labor, materials and products, and emphasize that the labor will go up if the electronics are purchased elsewhere. We are also much more careful about giving away the knowledge we have. We charge \$75 for a system estimate, which is deducted from the purchase price once the customer comes back and completes the sale. If they do not come back, at least I was paid for my time. It's been retailers like me who have been dedicated to promoting the aftermarket, and for the most part, the manufacturers don't care whether the consumer buys from me, an on-line store or an OEM system. They love it! They make the sale either way.



**ISAAC GOREN, AT SOUNDS GOOD, BREAKS DOWN THE LABOR COSTS OF AN INSTALLATION FOR HIS CUSTOMERS, EMPHASIZING THAT THE PRICE WILL BE HIGHER IF ELECTRONICS ARE BOUGHT IN ANOTHER STORE OR ON THE INTERNET**

**ED SANTACRUZ,  
AUDIO EXPRESS,  
SCOTTSDALE, AZ**

If an Internet customer comes to us for installation, it allows us the revenue generated by the labor and accessory sales we can make. In reality, most Internet customers buy because of brand-name recognition and price. If the Internet gives them that, then all we can offer as brick-and-mortar sites is the install and

that a customer must sign that holds us blameless for performing an install with products purchased outside of our stores. Furthermore, we explain to Internet people that our customers come first in the bays, in terms of scheduling priority. We have found that Internet customers turn out to be loyal future customers, and make additional purchases while in our stores. We are trying to build a "blue-chip company": ethical, honest, helpful, and yes, profitable. We will go out of our way to make an Internet customer a customer of ours for life.

■■■ **'WE HAVE FOUND THAT INTERNET CUSTOMERS TURN OUT TO BE LOYAL FUTURE CUSTOMERS.'** — **ED SANTACRUZ, AUDIO EXPRESS** ■■■



add-on business. That's where the money is, anyway! Accessories and add-on items such as security, shop supplies, wiring and installation kits are all high-margin products. We also have the added benefit of talking to consumers and educating them. The result is a customer for life — if all goes well. Consumers like the Internet for convenience, but they need the 12-volt products they buy on-line to be installed. That's where we have the edge over any Internet retailer. Today, cars are complex, and installing mobile electronics equipment is a formidable task. We generally charge an Internet customer full-fare install rates — no deals. We have a release

As a former 12-volt retailer, I can see clearly how dramatically the business landscape has changed, and how the role of the mobile electronics retailer/installer has evolved in the marketplace. Success will come to those who operate clean, orderly installation shops, and have discovered the formula with which to run them profitably. Customer service, operational efficiency and innovative installers will be the defining points for those who wish to gain ground on the competition. Making the most of the opportunities presented by all types of consumers will be the key to recovering revenues lost to the Internet — and assuring the stability of an ever-changing industry.