

# Industry Forecast

## March 2007

**This is a summary of interviews of top industry leaders, conducted by MERA's Issues and Information Committee.**

### **Forecast Advisory Interviewees:**

Chris Cook, AAMP of America  
Stephen Witt, Alpine Electronics of America, Inc.  
Dan Jeancola, CarToys  
Glenn Busse, Directed Electronics Inc.  
Christopher Dragon, Harman Consumer Group  
David Salemi and Bernie Sapienza, Ibiqity Digital Corp.  
Andy Oxenhorn and Manville Smith, JL Audio  
James Geschke, Johnson Controls  
Chris Gibbins, Monster Cable  
Rob Hephner, Mouse Consulting/SouthWestRides  
Robert Lopez, Panasonic  
Rob Wempe, Rockford Corporation  
Rob Granger, UE Media



To: Mobile Enhancement Industry Professionals  
From: Bob Graham, president  
Mobile Enhancement Retailers Association (MERA)  
Date: March 17, 2007  
Re: The latest Industry Forecast

As a result of MERA's board of trustees' last strategic planning session, MERA established a new focus, outlining new goals to drive the association as it aims to elevate the success of specialty retailers in the mobile enhancement industry. One of the stated goals was that "MERA will be the first place retailers turn for industry insight and guidance." To this end, MERA's primary objective is to "increase our ability to collect, categorize and analyze data on emerging industry issues."

With input from select industry professionals who comprise MERA's newly formed Forecast Advisory Committee, MERA has compiled the following "Industry Forecast." This third report provides direction not only for retailers but also for MERA as a trade association, giving us guidance for development of well-targeted workshops and programs. This Industry Forecast focuses on merchandising, training, and communicating the value of the specialist. The interviewees also concur with MERA's recommendation that retailers return to the "tried and trusted methods" upon which this industry was built. Their input includes guidance in "maximizing your current customers" and offers suggestions in the ways in which specialty-retail advertising should differ from that of "big-box" stores ... and the ways in which it should be the same.

The Industry Forecast that follows is certain to help mobile enhancement specialists keep stride in today's knowledge-based society. MERA is positioned to lead you into the future, but you must be open to accepting change and becoming proactive in your drive to keep up with this rapidly changing industry. Ironically, the recommended strategy involves getting back to the basics ... in other words, sticking with the tactics that have proven to work time and again in this industry.

The current series of MERA-CEA Regional Workshops and the annual MERA KnowledgeFest event are designed to meet the unique needs of the mobile enhancement specialist and others in the specialty distribution chain. While different in their offerings, both formats offer workshops in response to the findings of MERA's Industry Forecast compilations, as well findings from a series of industry surveys and occasional MERA-conducted focus groups. Each of these analysis tools enables MERA to be even better positioned to lead you to continued success in the mobile enhancement industry.

# Industry Forecast

Compiled by MERA • March 2007

1. Retailers of the future need to change the traditional ways they merchandise their products so that they can showcase what they do as well as showcase the new technology categories. What have you seen in the real world that you consider being some of the best merchandising ideas?

Retailers need to update their merchandising schemes. The old way of sound rooms and big switchers are a thing of the past. Merchandise and solutions need to be in an open and non-threatening environment. Solution-oriented kiosks for things such as iPod integration or OEM integration need to be displayed with the complete solution presented. These kiosks should be implemented to give the customer a “lifestyle” experience. It should clearly give the customer a complete experience in “vignette” style to convey what the end product will look and sound like. Departmentalize new technologies and solutions into these kiosks and freestanding displays, similar to the custom home model.

Demo cars need to be incorporated in your merchandising plans. The demo car needs to emphasize what you are trying to sell. It's not necessary to show intimidating cars but rather to showcase the needs of the everyday consumer. These cars can also showcase your ability to install a clean, cosmetically integrated and “stealthy” system. iPod integration, OEM integration and lifestyle solutions as well as audio/video should be showcased in basic “parking lot” cars. These cars, like the in-store displays should be presented in a clean, open and non-threatening manner. This is another way the customer can get the total experience.

Conveying to customers your expertise and how you are different from the “big-box” retailer is important. One idea is to update the way in which you display your work. The days of the old tattered and incomplete photo book is over. A large video display with a slideshow of your work is what is needed. The display should be captioned to explain the best points of the project to educate your customers on the finer points of your work. Caption your photos with customer testimonials whenever possible.

Update your merchandising to highlight your solutions to your current customer's wants and needs. Professionalize your merchandising.

2. It is generally accepted that installers and salespersons need to be more informed more technical and to know everything possible about the products they sell and the cars that they interface with, how do you recommend that owners accomplish this training?

Salespeople need to take advantage of industry trainings like MERA KnowledgeFest and MERA/CEA Regional Workshops, manufacturer training and any other opportunity that the industry provides.

Retailers need to engage their suppliers and sales reps for more consistent training programs. In addition, the curriculum of these trainings needs to be structured to teach salespeople how to sell new products, technologies and solutions. System design, OEM integration and delivering on the experience that the consumer is after should be paramount when retailers are training on traditional audio. For installers, a training curriculum that teaches them how and why is important. Owners must first understand what training is needed. Manufacturers must step up and provide training that takes the retailers to the next level.

Contact each of your vendors and find out what resources are available (e.g., web training, databases, in-store training or training videos).

Do you subscribe to any third-party information such as MERA Integration Excellence? Keep an active list of all resources for various products and third-party providers available and posted. For example, “For questions about remote start install, contact ....”

The other thing to do is develop a network of non-competing retailers outside your market (or in) to share information

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and go to with questions or when seeking input. Form email groups or private forums, exchange cell phone numbers, etc. Also, do not let your employees slide on training. They must attend trainings provided by your manufacturers.

It cannot be any clearer: we are in a knowledge-based society. This is driving major change in our business environment. Consumers have Internet; manufacturers are delivering more content on the Internet. Manufacturers are posting information about products, technology and concepts, and many manufacturers are building dealer support websites to deliver information and structure to deliver training to their dealers. The big-box retailers are using these tools at a much greater rate than the specialists are.

It is impossible for each salesperson and installer to possess all the knowledge needed, so retailers must embrace this information channel and take advantage of this. The cost is not prohibitive. Currently, several manufacturers provide online training; the specialists must use these tools. Adoption, by the specialists, of these tools is way too slow; this must increase at a dramatic rate. These tools will help specialists be better at their jobs, and they are available 24/7.

Retailers need to create pay programs that create incentives for successful people who sell more. If they can earn more for selling more, then they will learn what is necessary to excel.

3. We need to change the perception of value regarding installation services in our industry. What do you recommend we do to change this perception? How do you see the retailers marketing their installation services? How should they bill installation services ... by the piece, by the item or by the hour?

We need to change the perception of value regarding installation services with our customers by becoming solution-based, well-organized, customer-focused, knowledgeable personnel.

As specialists, we must show our customers an "I can" attitude. With all of the resources available via vendors, trainings and Internet, our installers should be able to find the solution for whatever our customers want to do with their cars. Some customers want to interface portable solutions, others want to improve an OEM system and still others want the works. Showing photos or videos is a way to say "We can do that!" But it is still important to have demo cars that show completed solutions with great sound and good installation integrity.

It is important for each retailer to have in-store training programs. Also it is important to have installers complete training courses and have access to the Internet to get additional information. With knowledge come confidence and the ability to complete installations with great integrity.

Customers have less time and know what they are trying to accomplish. They are looking for specialty retailers that will listen, translate their needs into the correct product and then integrate the solution into their vehicle with professionalism and integrity.

Billing should be fixed amounts for basic and routine installations and hourly for customization.

Customers are looking for specialty retailers that are knowledgeable and professional. They want to work with a staff that completes the install as communicated in the beginning with no surprises and delivers the car on time and clean.

4. Someone recently said, regarding industry advertising in general, "The industry is not telling the public that we are cool; all we tell them is that we sell our products on price." What do you recommend retailers do to change this image? What should they be saying in their advertising that would communicate that our products are cool?

The overwhelming answer to this question is to focus on how the products we offer can enhance our clients' lifestyle rather than on the price. There are four major areas we need to address:

First, we need to focus on informing our customers. Use your position as the specialist and the expert to introduce new products and technologies. Talk about how the product fits into and enhances their lifestyle. Show the benefits to the

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customer (remember feature/benefit selling?) Offer solutions to problems, or better solutions to problems as they become available. Be first in your market to introduce new solutions. Take the focus off of price by showing the customer how it will make their life more convenient or more enjoyable.

Then, you must understand that price-based advertising only appeals to the customer who already thinks he knows what he needs. They may not know that a new product exists, even though it might be tremendously useful to them.

Next, advertise smart. Few specialists have the advertising money to seriously impact their markets. Make sure the media advertising you do contains the right message (focus on solutions and benefits, not price). Get involved in community events, local shows and auto-related activities.

Finally, follow through on the sales floor. Talk about your advantages as a specialist. Have product displayed, hooked up and working properly in your store. Show the benefit, rather than just talk about it. Use demonstration vehicles.

It's all about selling the experience. Let her see how quietly the kids are watching "Cars" on your video screen. Sync up his phone to your Bluetooth kit and show him how it interrupts the music when a call comes in. Give a great audio demo with music the customer loves, right off his own iPod. Let them press the button and watch your car start from across the parking lot. People are willing to pay for a great experience.

5. MERA is committed to communicate to retailers that going back to "tried and trusted methods" and concentrating on their "core competence" could help to build traditional car audio sales. What do you see as some of those "tried and trusted" methods of creating and sustaining a successful business?

### **Customer Service**

Great customer service should never go out of style. Greet your customers as they come in – even if you are busy – with a smile, a nod, or a wave of the hand ... something that acknowledges their presence. Do not ignore them or otherwise make them feel invisible. Handle price negotiations skillfully. Give them a great experience dealing with you and your store. Keep a file on your current customers. Make note of what they have purchased, what could be added on, upgraded or what else they might need. In approximately two weeks to a month place a courtesy call to make certain that their purchases are working out like they wanted them to, then up-sell them on the next items they need to enhance their experience. This is maximizing your current customers and can lead to a huge increase in sales.

### **Knowledge**

We are the specialists and our product knowledge, expertise, experience and showrooms should set us apart from the "big boxes" (and other) competition. Have good quality sound rooms/soundboards and demo, demo, demo – not only your product but your knowledge. Get your installers involved in the process. Qualify the customers, ask them questions, go out and look at their cars to see what they have. Educate your customer on integration opportunities. Remember the passion you had when you first went into this business and communicate that excitement to your customer.

### **Events**

Historically our industry went in for car shows, bikini contests, warehouse sales – anything to attract the customer into the store and give them a fun experience. Look at what other retailers (both inside and outside of our industry) are doing to promote themselves and bring potential customers into their stores. What kinds of promotions are they running and how are they making them relevant?

### **Advertising**

As specialists it is essential that we advertise, through whatever means possible, and focus on the solution that we deliver to the market, not in matching a big-box price. A specialist delivers a better overall shopping and installation experience. Retailers should enlist their manufacturers and use what they provide for their market categories. There are benefit statements that have been developed for specific product strategies. These strategies have come from many dollars of market research, consumer research, and are invaluable to retailers. Many regional chains and big-box stores recognize the value of these marketing strategies and are adopting them early. We as specialists must take notice of this and start to do the same. We also need to focus on the media in which we choose to advertise and have it reflect current trends. Are we really reaching people through the Yellow Pages anymore or is the Internet where we should spend our

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advertising dollars? Who is our market and what are the best vehicles in which to reach our market?

### **Summary**

We need to get back to basics and show consumers the benefits of doing business with knowledgeable, experienced, qualified people who can fulfill their needs and provide them with fun and a sense of satisfaction at the same time.

6. Is there a question that we should be asking of you, our advisory panel, to help us see the future? Are we missing something or are we not asking all of the questions necessary to bring a comprehensive view of the future? If so, what is that question?

Our panel was mixed in their responses as to what questions we should ask the Forecast Advisory Committee to help us see into the future. Some responded very specifically, urging independent retailers to not immediately dismiss some of the newer lower margin products (e.g., portable navigation, etc.), but to examine them relative to their targeted customer base as a means to remain connected to all their needs. Most of our panel members directed us to asked questions as to the future of our industry in one year, two years, five years. How will Microsoft's direction affect our direction? What future technologies are important to the independent specialist? Does the independent retailer need to adjust his/her business model as the Internet continues its growth?

7. What are the traits of the most successful retailers you know? What would you like to see retailers in general duplicate?

Our panel was almost unanimous when it came emulating the traits of successful retailers: in a word, "professionalism." Customers need to see the independent retailer as professional in presentation, customer service and merchandising. The customer needs to feel that the independent retailer has chosen the right lines and is well trained in the sales and installation of those products and services. The stores need to be set up for easy and informative product demonstrations. They also need to be tuned into industry and technology trends.

There also needs to be realistic self assessment. Do what you are good at. Empower your employees. Communicate clearly both within the business and with your customers.

There was also agreement as to the need to be creative. Try new things. Change the look of your store. Take intelligent risks.

MERA urges you to **also see the July 2006 Industry Forecast**, which covers additional questions and topics ... all of which are still greatly relevant. Go to **[www.merausa.org](http://www.merausa.org)**, click on "What's New" and then select "Industry Forecasts."

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