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The Future of Car Audio and the Independent Specialist

The last three years have not been kind to the mobile electronics aftermarket. Our industry has faced declining consumer demand, the difficult installation challenges presented by newer cars, unauthorized sales on the Internet, commodization of the category, and overdistribution. Sales have been declining for the last three to four years and some within the industry are predicting a 30% decline in the number of selling outlets over the next few years. I can only conclude that this would lead to a 30% reduction in manufacturers and reps as well. Forecasting is a notoriously unreliable activity, but further decline is certainly possible if we don't find the right strategies to avoid it.

Can we be successful in light of all these challenges?

I say "yes" and so do many of the retailers I interviewed in doing research for this talk. There are plenty of reasons to be cautiously upbeat about the future if we all do a good job of recognizing opportunities and acting on them.

I will lay out some personal and shared observations that lead to this conclusion.

Younger people are into music more than ever! Anyone who says "kids don't listen to music anymore" is simply wrong. For one, the club scene is very big and an intense musical experience lies at its core. "House Music" has a huge following and is listened to outside the clubs as well. Music has also become a bigger part of an active lifestyle. Wakeboarders would not think of performing their routine without music; snowboarders are listening to music on their iPods or on outdoor sound systems while on the slopes. Live musical festivals are as popular as ever. Recently, 15,000 people attended the Langerado Music Festival in South Florida for 3 days to listen to classic acts like Taj Majal and Toots & the Maytals along with newer acts like Widespread Panic, Trey Anastasio, O.A.R and others. Tens of thousands jam into Manchester Tennessee every year for Bannaroo, a four day musical festival held in June. Music is and will always be a very big part of people's lives and it spans wide age groups. Music lovers will all say they want to recreate the live musical experience. What does that mean? Clean, loud and fun. In simple terms: properly executed car audio!

Great sounding music in the car is as compelling today as it has ever been. Auto manufacturers are featuring sound systems in their radio, print and TV ads so you know their consumer research is telling them that the mobile audio experience is very important. Fortunately for us, most OEM systems are lacking in performance and leave an informed consumer wanting more. Recently, I listened to the system in a new Civic Si that belongs to one of my son's friends. The owner and I both agreed that there is huge room for improvement. It sounded muddy and couldn't play as loud as he wanted it without distorting. When I asked him why he hadn't upgraded it, he

pointed to the integrated head unit and said that he didn't think it could be upgraded. He was excited to find out that with modern OEM integration products he could upgrade the sound without changing the head unit. We need to do a better job as an industry of communicating this to our customers.

More Choice: The choice and availability of music and the opportunity to personalize it is amazing and exciting. We are no longer confined to Billboard's top 40 or a handful of radio stations to hear new music. We can get any kind of music instantly and inexpensively. If you search for genres starting with the letter A you will find: Adult Alternative, Alternative Christian Contemporary, Alternative Christian Punk, Acid Rock, Alternative Rap & Hip Hop, Ambient Dub, Art & Progressive Rock, Afro-Pop, Alternative Country, Ambient House, Afrobeat, A Cappella, Australian/South Pacific, Afro-Cuban Jazz, Africa, and Alternative Punk. These are just the ones starting with the letter "A" and all these choices are available at the click of a mouse.

Portability is good for business, not bad: People are basically social... They love and need to interact and part of interacting with others is sharing their music. The portability of the device is not a negative but a positive as young and old can bring their music on their iPod or other MP3 players, smart phones, and soon to be shipping iPhones. Yes they like to listen through their headphones but they really like to listen with others in their dorm rooms, homes, and *especially* in their cars! The iPod is not the problem, it is the opportunity.

Older consumers are rediscovering the music they loved growing up. Any person of my generation who is introduced to the iTunes store is likely to spend hours rediscovering all sorts of music that they haven't heard in years... They will also want to play it in their vehicles and many of them will admit that their OEM systems are lacking. There is an excellent opportunity with 35-55 year olds once you open them up to the possibilities.

Welcome to the Recommendation Age: Frog Design, a world famous consulting firm recently stated: "We are leaving the information age and entering the recommendation age." Information gathering is no longer the issue – making smart decisions based on the information is now the trick." Netflix, iTunes and Amazon provide a list of recommendations based on what you have purchased in the past or what others with similar tastes have purchased. With iTunes, you can get celebrity playlists from Hugh Grant, Gnarl Barkley, Diana Ross, Alan Arkin or hundreds of other people. When faced with an overabundance of choices and information, consumers love shortcuts that lead to good decisions – those of us in the car audio business need to take a cue from iTunes and deliver great advice to our customers every day.

So, where does this lead me? To borrow and reframe a phrase used during Bill Clinton's 1992 presidential campaign; I say the answer is "It's the music, stupid!" Music is bigger than ever in the passion it evokes, the choices available and the ease in which it is

purchased, transported and played. With music as the hook, “turning people on” to a great mobile audio experience is the key to success now and tomorrow.

There is nothing wrong with selling remote starts, alarms, navigation and video. They are very cool technologies, but they do not engender the passion and emotional commitment that properly reproduced music does. Once the consumer is hooked on a great sounding system, there is no end to opportunity.

So how do we get there? Some of you have already figured it out but there is always room for improvement. It is not easy and the following is not an attempt to oversimplify what is in front of us... but keep in mind that many predict that at least 30% of you won't be in business in five years... this is for the 70% that will not only survive, but prosper as car audio specialists.

1. **Rediscover our passion for audio.** What probably got all of us into this business was our love of music and cars. Do you still feel passion for great sound in the car? Owners and managers: get out of the back room and get on the sales floor! While you are at it, listen to music. If you and your staff are not passionate about great audio, how does the consumer have a chance of getting what a great sounding mobile audio system is all about? If you are feeling “burned out” take a vacation and recharge because your future may depend on it.
2. **Walk the walk and talk the talk.** Store owners, managers and every salesperson must have an iPod or MP3 player or MP3 enabled cell phone on their person at all times. When you demo, demo with the player. Make sure you have at least a few of the top songs from each of the main genres on your player. For example, house music, rock, Reggae, jazz, hip hop and alternative rock. Make sure you can demo your personal music players on both OEM radios and your aftermarket head units. Use a CD and you are a dinosaur. Use an iPod and you are an expert!
3. **Educate the Consumer:** Take the time to demo great sounding systems in your showrooms and demo vehicles. Once you have given them a great audio demonstration, they will know what they are missing. You will have planted the seed even if they don't buy today. Take pride in your demos, convey the excitement, walk the consumer through the experience. Point out the benefits... For example, “listen to how tight the bass is”, or “how clear the vocals sound when I turn it up”. “Did you notice that the music is not distorted or fatiguing to listen to?” Auto Effects, a Pittsburgh area retailer, literally rolls customer cars into a special demo bay and loads the car with real product in minutes to simulate the “installed experience”. Consumers immediately get what a great system can sound like in their own car. Auto Effects is perceived as the expert.
4. **Embrace new technology.** This applies to all things related to our industry but especially that which involves audio performance and connectivity. Alpine's Steve Witt said this a few years ago and I wholeheartedly agree: “Be the first store in your area to understand and demonstrate what's new on the market.” I don't think Steve was suggesting that you should “throw caution to the wind” and buy a gross of a device with a brand new technology, but get your hands on a few of them to test, understand and demonstrate. Don't wait until the “Big Boxes”

have figured it out. Don't wait until a consumer knows more about it than you do from reading about it on the internet. You need to be the expert. Remember that we are in the "recommendation age" and people will value your recommendations when they are based on knowledge and experience. When a consumer comes in knowing something that you don't, instead of saying "sorry, never heard of it", try to learn from him. Get off your "high horse" and get on your "high-speed" Internet connection, which of course, you all have....right? Go to the product's web site with the consumer so you can learn together. Shouldn't you be one of the first to purchase an iPhone? You should if you want to be perceived as the expert in iPhone integration, don't you think?

5. **Embrace Education/Training:** It is essential that you attend MERA Knowledgefest and every appropriate manufacturer training that is available. Use training videos and the Internet when available. Create a culture of curiosity and reward those on your staff who attend trainings and become proficient. Retailers, if you are not satisfied due to the lack of, the quality, content and/or usefulness of manufacturers' trainings; LET THE MANUFACTURERS KNOW. Do it politely and direct your dissatisfaction to the appropriate person but please speak! Manufacturers and reps value your business and will respond... None of us want to waste money on ineffective trainings. Ask for a preview of the training prior to making it mandatory for your staff to attend. Let the rep or manufacturer know what you need training on, in addition to what they would like to train. This is all about partnership.
6. **Focus on what you deliver to your customer.** Make sure that the system that goes out the door is the absolute best it can be. What the consumer experiences as he drives away from your store with a new audio system is the product of all your work including advertising, demonstrations, salesmanship, technical ability and installation expertise. That audio experience is what you sold... it is your store's reputation. It will determine whether the customer comes back to spend more and if he refers his friends to your store. Does the system perform as promised? Did someone tune it? Did someone check all the settings on the head unit, processors and amplifier? Are the speakers in phase? Does the alarm, remote start, navigation operate as it should? Did someone go over the system with the consumer prior to him/her taking the car? Do you have some system of quality control in your shop where more than one person checks a system before delivery? In doing research for my presentation, I encountered plenty of stories about nightmare installations. There are some in our industry who are not installing products properly and it unfortunately reflects on all of us. These substandard installations are turning consumers off to the aftermarket forever. Are your installers properly trained to do the job? Do they have the right tools to perform the job? Do they know their resources including web sites, databases, and contact info for all your suppliers? Do they show respect for the vehicle and make sure the consumer knows that they have entrusted their precious vehicle to the right shop. In simple terms, does your staff know what it is doing, have the right tools and resources and a strong commitment to customer satisfaction?

When we focus on the musical experience, sell with passion and deliver an extraordinary customer experience, price takes a back seat. The internet can't do this, and neither can the "big box"; only an enthusiastic specialist can do it. If you do it consistently, you will position yourselves as the experts in your market and probably be delivering something no one else in your region can. You will be known as the shop that can create a superb musical experience in any car and you will have a loyal, thriving clientele.

So, in closing... the technology may be changing and the installation methods may be changing, but the fundamental thing we sell has not changed and probably never will:

Listening to your music in your car on a great car audio system is fun, exciting and addictive!