

Video Killed the Custom Installer

In 1979 the Buggles released what I believe was their only hit — “Video Killed the Radio Star.” If memory serves correctly, MTV launched its programming with the music video of this song and, outside of these tidbits, I don’t know much about the band, the song or how well it sold. All I know is that I love the name, as it embodies my opinion of video and its affect on custom installation.

One of the best parts of my job with Audio Design Associates (ADA) is that it permits me to interact with some of the best custom installers from all over the world. If there is one trend in recent times that has both benefited and at the same time robbed these individuals of their potentially long-term success it is the tremendous growth of video. More specifically, what I mean is that video has killed skills that made the salesmen of yesteryear great.

From flat panels to high-definition, from the “i” to the “p,” from single chip to a bag of chips, video has become the rage to the point that you really don’t have to work too hard to sell it. Just pop a display above a fireplace and you’re set to go. People want flat panels so much that work that once required salesmanship has now evolved into mere fulfillment. You figure out how many rooms need a TV, determine how big is just shy of too big, add up the totals and propose. Naturally, at the end of the day, the question to ask yourself is whether you actually made any money selling video.

The Blame Game

So, is video killing the custom installer? Is the problem that plagues video margins creeping into other profit centers of custom installation? Are speakers the next commodity affected? Or will it be electronics?

Here is a test: Ask yourself if the lowering of prices for video displays dampened the size of the rest of the package? Today with projectors and plasmas providing more screen for less money,

are your customers placing that savings into more expensive audio? Somehow I doubt it. I would also venture to say that a customer who is spending a certain amount on video would only feel comfortable spending a similar amount on audio, and they can’t understand how you can spend more on the audio than on the video display. To prove my point, look at how many spectacular installations featured in our industry’s publications focus on a home theater propped up by an A/V receiver.

Margins are the name of the game in our industry. Margins drive profits, they make it possible for the expansion of business and they pay for engineering, labor, marketing, vacations and everything else. What would happen if margins disappeared? Some may say that could never happen to installers, and they may be correct. However, from all indications, the margins are shrinking on key items ranging from home theater and multiroom systems to media servers, touchscreens and video. Margins are becoming an endangered species, and while you can mark up your products beyond the 10 percent that’s typical in retail, is the 35 to 50 point markup the same net number it use to be?

Skills Drive Profits

If video killed the salesman, then it is our mission to bring him back from the grave. A good salesperson can sell anything, and thankfully there are products out there that can generate healthy margins. Certainly video is a graveyard for most custom installers, but does audio have to suffer the same fate? If the answer for your firm is “yes” then you will need to do one of the following to make your business model work: do more jobs more efficiently; lower your overhead



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so the falling margins cover your company's costs; diversify your business beyond its current state to include services and products that permit you to capture more revenues; or all of the above.

The bottom line is that without the ability to make up for lost margins, video will kill your company.

Now if you aren't willing to implement these models to save your business from sliding into the abyss of commoditization, there are still a couple of things that can be done to avert disaster. To begin with, you will need to get your sales staff back into the habit of selling in the "old school" tradition. Second, you will need to gain access to quality products that are not commoditized and those that provide differentiation from mainstream products. Additionally, these products will have to incorporate the margins necessary to maintain a custom business.

Most importantly these elements need to be combined. This means that sales professionals need to understand the nuances of the components they sell; they have to experience these products' benefits first hand so they can explain that experience. At the end of the day, customers are buying into an experience that someone from your firm creates. A great storyteller needs a great story to tell.

Conviction: The Heart of Sales

For those of you who come from the world of hi-fi sales this will be a flashback, but it is this world of experience that most closely resembles the custom salesperson of today. In the good old days of hi-fi, or high fidelity, I recall with fondness the way a highly anticipated new pair of loudspeakers would arrive at the shop. Upon checking them into inventory, the pair would be quickly unboxed and whisked into the premier listening room. Here they would be connected to the best preamp/amp combo, turned on and then everyone would leave the room, closing the sound-proof door with the system still playing to initiate the break-in process. Following several days of break-in, the moment of

truth would arrive — the critical listening experience where all would gather with their favorite records in hand. From bizarre arias, to the sound of plucking on something that most closely resembles a canoe, hours would be spent just listening and comparing opinions. Wine would be poured, occasionally substances in the form of a cigarette would be passed and the legend of this great new pair of speakers would be born and carried by all in attendance. Subsequently these speakers would then be sold many times over.

The lesson in this memory is clear: in order to sell the best, you have to have lived it, absorbed it and fully understood it. When a customer asks what you would suggest, you have to reach for that product as if you were reaching for your favorite jacket when leaving the house. You have to exude the confidence that this is the only thing worth talking about, selling and buying. It doesn't matter whether it's an expensive projector, because not all video products are true killers. The salesperson doesn't have to create desire; the customer already has that. Instead, the salesperson has to develop aspiration.

A founding father of ADA, Peter T. McKean, had a wonderful technique when it came to upselling. He would blatantly walk the customer past the most expensive gear making certain to stop in front of it without drawing attention to it. He would then lead the customer to the next best solution and say to the customer, "what's that?" with a quick, "oh, that's not for you, it's too expensive" or "that's not in your budget." More often than not, he sold the expensive system not because he pushed it, but because he let the customer aspire to it. This was salesmanship at its best.

Fast-forward to today and you'll find that most sales people are conditioned by the concept of the customer's budget. Usually, there are two factors at play here. The first is a fear of losing the sale because the proposal is too expensive. This is utter nonsense. People elect to use

a customer installer for myriad reasons least of which, typically, is price. Price, in fact, is a flexible factor that can be negotiated and worked around. Your company's demonstration experience environments, reputation and brand are rigid factors that are most likely to influence sales. If you run a good ship, with a reputation for providing quality installations and support, then your salespeople should have the motivation to not undersell.

The second factor, which also happens to be a psychological biggie, is the unfortunate affect of placing one's own perception of money into the sales process. To be clear, I am simply stating that if I earn "X" amount of money each year, I will be comfortable only spending a "Y" percentage of that money on electronics. Needless to say, our customers earn multiples of "X" each year and one should never attempt to perceive their spending limits. If you can't imagine spending the money to buy it, how can you expect to project confidence in your presentation to a potential customer? This factor alone is responsible for much of the down-selling that is taking place in the industry, and it is what I am exposed to the most.

Act Now

It is time to take control of your destiny. Custom installation is not a perpetual ship and you have not been granted "forever" status onboard. The industry is on the rise and it has attracted the attention of corporations with brand names that everyone knows. These companies will change the landscape as they develop products for our market. The affects of these products on our businesses are clear.

Our future lies in the hands of the salespeople able to upsell. These salespeople, when armed with specialty products, will hold the line against margin erosion. It's this combination that will prevent video from killing the custom installer. ■

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