

Reviving Flat-Panel SALES

Video processors, demo techniques and installation expertise allow hybrid dealers to make money amid low video margins.

by Robert Archer

High-performance flat panels like this LCD model from Runco allow savvy dealers to execute a top-down selling approach, marketing better quality to discerning clients.

Fads run in cycles. Remember bell-bottom pants from the 1970s or hair-metal music from the 1980s? They're back. Walk through any high school and you'll find high-school girls sporting bell-bottoms. Meanwhile, many of the boys in those schools are downloading "classics" like

"Every Rose Has Its Thorn" by Poison.

Consumer electronics runs in patterns, too. A few years ago flat-panel televisions were all the rage with electronics installers. These sexy products sold themselves with their sleek industrial designs and room-friendly, wall-mountable dimensions. Then the flat-panel hype died down—at least among integrators—due to the rapid commoditization of the category.

Many custom installers and custom retailers have either abandoned the category or are selling these products at a loss. But those actions aren't necessary. It's possible to sell these products *and* make money.

Today's savvy hybrid dealers are reassessing their flat-panel display sales tactics because there is still money to be made in the category despite the watered-down margins that currently exist. Hybrid dealers looking to crawl back into the flat-panel





A home theater demo room in Hingham, Mass.-based ACT looks ultra-high-end but that projector is relatively affordable at \$5,000. The company likes to explain that performance has to do with installation and calibration—not just pricey products.

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category can draw inspiration from the tidal wave of popularity flat-panel televisions offer the entire electronics industry.

Jim McGall, vice president of sales and marketing for Vidikron, says that if dealers remain focused and do their homework they can operate profitably as long as they tailor their solutions to meet the needs of their clients. “No single automobile fits one’s total driving needs, while offering a wide range of features and performance options,” he says. “This is also the case with the variety of available flat-panel solutions.”

Paul Diggin says his company does pretty well with video products. He’s a co-owner of Hingham, Mass.-based Advanced Communication Technologies (ACT), a custom installation company with a lifestyle vignette showroom. He agrees with McGall, that one way to get

clients to appreciate value in video products is to cater solutions to their needs. “Sell at least one high-performance line, such as Fujitsu, Runco, etc.,” he advises other hybrid dealers. “These will appeal to customers that want higher-end displays with great performance and are willing to pay for them. From there, have step-downs that are quality manufacturers but may fit more cost-conscious customers.”

McGall adds that by offering specialty products, dealers can leverage the bonuses those companies often offer—dealer and customer support, impressive performance, versatile feature sets, Imaging Science Foundation (ISF) and THX certification, and the intangible element of owning a limited-distribution product.

McGall says Vidikron’s dealers emphasize image quality, “especially from stan-

dard video sources like cable, satellite or DVD. Our panels not only incorporate the full ISF certification suite, but some will even meet the stringent new THX video-certification criteria.”

On the sales floor, McGall advises dealers to choose their demo content carefully. “If you want an impressive picture, use the right demo material,” notes McGall. “If it’s available, always showcase the panel’s HD display capabilities by using the latest HD DVD, Blu-ray or satellite feeds. So many customers have never experienced the clarity and breathtaking color palette from a high-definition source, so it’s important to present that in the initial demonstration.”

High-definition DVDs aren’t the right source material for ACT, not yet anyway, says Diggin. “We use high-definition cable and standard-definition DVDs at

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this time," he says. "I'm sure we'll add HD DVD or Blu-ray once we've decided on the better technology and when more titles are available."

SD Video Opens Doors

In addition to using HD content and a properly calibrated video display, many video experts also advocate the use of standard-definition television (SDTV) signals in product demonstrations. The reasoning is that the bulk of the programming offered by cable- and satellite-service providers, as well as the technology behind DVD, is in SD. If it can be demonstrated that regular programming's appearance can be improved by a new video system, that's strong motivation for customers to buy.

ACT takes that point a bit further, contending that there is value in showing less-than-great equipment. It has a two-year old projector in its demo room. "It was \$7,000 when I got it and it's probably about \$5,000 now," says director of operations Keith Bartholomew. "I use it to get the point across," adding that by making a non-top-of-the-line projector look great he can show the value of expert integration. "You're a custom-electronics integrator, not a big-box retailer. Show off your work! Guys like us can really show that we're a better solution."

Offering video processors is another way to bolster video equipment revenues. From the consumer perspective, video processors provide features such as video switching, calibration options and dramatic performance enhancements to SD video, as previously mentioned. For these reasons, Jim Peterson, president of Lumagen, Inc., says video processors are attractive add-ons for hybrid dealers.

Other reasons, says Peterson, include compensating for diminishing video margins—and diminishing video quality. "LCD and plasma display manufacturers are actually reducing the quality of the electronics used to process video and image quality to save costs to meet the aggressive price reduction goals that [are necessary] to survive in the flat-panel display market. This affects both deinterlacing and scaling, as well as the availability of calibration fea-



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Advanced Communication Technologies

PHOTOGRAPHY BY TONY SCARPETTA

tures required to properly calibrate the displays, and processors like ours fill the growing need to improve picture quality from these HD flat-panel displays."

Peterson notes that by adding a video processor to a video system, custom retailers can show huge improvements in video quality due to the product category's deinterlacing and MPEG artifact reduction technologies.

"Most people are used to seeing an improperly calibrated image, and it seems that manufacturers intentionally miscalibrate in order to show a brighter image in the show room," he says. "We can demo good versus bad calibration, and we find that people do notice the improvement when they can see the before and after calibration images once they've been compared."

Along those lines, ACT emphasizes selling surge protection and power conditioning equipment with all systems. "It's highly profitable and will enhance the performance of your customers video systems," says Diggin.

Staying Above the Fray

The differences between a retail and custom electronics buying experience are widening every day. And, while there's no question that the majority of consumers will continue to buy through traditional retail channels, a growing number of consumers will opt to do business with a hybrid retailer because of the peace-of-mind and system performance these types of businesses offer.

That's why Diggin says ACT emphasizes "performance and reliability."

Custom retailers interested in winning over the undecided consumer needs to prove their worth by differentiating their products and services they can offer quality products that are accompanied by expert sales and installation services and supported by add-on sales upgrades that include upgraded cabling, power conditioning and video processing that visibly contribute to a system's improved performance.

"Every manufacturer says its displays and projectors have the latest and greatest specifications," continues Diggin. "The reality is this means nothing as the proof is in the pudding. At ACT we show all our video systems in real life situations and calibrate every display and projector. There is a reason some displays cost more than others and you need to show your customers why."

This collective formula, if executed properly, can yield the desired results that small electronics businesses need to stay above the retail fray to enable long-term success that outlasts any fad or trend within the culture—including bell-bottom pants and hair-metal bands.

Fads and trends are fleeting. Things that are supported with hard evidence don't fleet, so Diggin advises giving it to the clients straight. "Above all, show examples of installed systems and stress your company's expertise. As custom dealers, we always need to remember that it is our expertise and service that sets us apart from the competition." CPR