

The Value of the inside track Supplier Loyalty Survey: ■ Attested to by a Dozen Industry Vendors ■ Demonstrated by 74 Dealers Sharing Survival Stories

With the inside track Supplier Loyalty Survey Period Still Continuing through 11/23 ...

... I've decided to pull together an intermediate report - based on the first 100 respondents in the 2010 inside track survey - on a high interest topic: **How Specialists and Custom Integrators have been surviving the Recession of 2009.**

Specifically, the survey asks dealers "*which asset or action has contributed most to your business's survival in 2009?*" For this interim report I am setting aside the responses in the Vendor Relationship section and will zero in on how dealers have leveraged their own strengths and where, in the face of often serious financial constraints, they have still invested and how, therefore, they have managed their businesses to survive these extraordinarily challenging times. It is truly noteworthy that of the first group of 100, 74, or almost exactly 3 out of every 4 respondents, elaborated on the questions in this section.

"WE LIVE OR DIE ON WHO WE ARE"

A New Jersey dealer had entered this comment as his first principle, and 14 dealers - in business for between 18 and 60 years (including two retailers whose companies are 40 years old, one whose business has been around for 53, and another with a 60 year track record) - stressed that their reputation and the very longevity of their businesses is the foundation on which they have built their company's survival. "*Eighteen years of being in the same location, with the same philosophy, same principles, lent safety and credibility to us during hard economic times,*" wrote one dealer. Others wrote, "*we promote our longevity and the expertise that comes with it.*" "*Over 40 years of service to our customers,*" "*Being in business for 19 years has helped us weather the economic storms. We have a relatively large existing customer base that trusts us.*" "*Twenty-five years in business. If you do good work, you'll have business!*" Their reputation for honesty, expertise and service to their clients, these dealers said, is the solid bedrock on which their businesses are founded.

"I HAVE LASTED THROUGH THIS ONE BECAUSE OF MY PEOPLE"

Nine dealers specifically singled out the value of a great staff. "*Knowledgeable staff with a willingness to learn more, has been [crucial] to my business's survival.*" "*We have been reinforcing our employee relationships - letting them know just how important they are to our survival.*" Along with valuing the staff goes the realization that this asset requires continuous upgrading, too. "*Training and reinvesting in our staff is of great importance. We have to improve the experience a customer receives when he enters our store.*" "*We provide training on a regular basis and have a standard design book for each employee that we have invested in, so that we don't make mistakes on variability,*" one dealer wrote. "*Our customers love the way we approach projects with everything color-coded and organized. We just started with a new builder this morning - and he can now display this [design book] to his potential clients, [and it becomes] a differentiator for quality home building.*" Two other dealers indicated that they had "*streamlined the installation side of the company*" and "*improved our quality controls for installations.*"

"MAKE SURE YOUR PLACE OF BUSINESS IS CLEAN, FRESH, INVITING AND UP-TO-DATE WITH DYNAMITE DISPLAYS AND DEMOS"

Twenty-one of the first 100 participants have invested in this area. Comments here included, "*made sure our showroom is clean, functions, and has current product to demo,*" as well as "*made changes to the interior, cleaned up the clutter, replaced lighting with T8 natural lights.*" "*Addressed look and performance of demo systems throughout the store; added new high end demo room environments.*" "*Improved the showroom.*" "*Remodeled.*" "*Upgraded/updated with the latest equipment,*" and similar comments along those lines. One dealer stressed that

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updating/upgrading should be a recurring activity. He suggests “some small or big store front change every few years to make the store look different for previous customers. This is particularly important in this economic climate.”

The next comment mentions specific manufacturers, but clearly belongs in the upgrade/demo category: “We have invested in a complete **Control4/SpeakerCraft** demo CONDO for a real-life feel that potential clients can experience. We continually upgrade and install the latest Control4 has to offer to show what is possible, since most customers are new to automation and easy to use systems like Control4.”

A Canadian retailer stressed the importance of “Products on the floor. It is very important in this economic climate to have regular levels of inventory on the floor/display areas,” he wrote. “A bare store is a barometer for the consumer who walks into your store and it’s looking like you are going out of business. A robust amount of inventory suggests that you are doing well, and customers want to buy from a store that looks like it’s staying in business in the years ahead.”

One dealer included in the “Investment” section, “re-did outside signage,” while another one wrote, “purchased new truck with hot new graphic design on the side.”

“OUR CLIENTS ARE OUR MOST IMPORTANT ASSETS”

If your own reputation is the bedrock on which your business is built, “we must always keep in mind that our clients are the reason we are still here.” So - staying in touch with, taking care of, and re-contacting existing customers was mentioned by 26/100 dealers as having been absolutely essential to their survival. “We stayed in contact with them better than ever.” “We stayed in close contact with the customer base.” “We stayed in touch with and took care of existing customers.” “Personal attention and follow-up.” “Lots of service.” “Service is everything!” “Got back to basics,” wrote one dealer, “did the things we did every day and with every customer when we first opened our doors. Greeted each customer enthusiastically. Thanked every customer. I carry business cards everywhere I go, etc.” As to the manner in which they stay in touch, most dealers use emails, company newsletters or periodic direct mailings and, sometimes, follow-up calls.

“WE FOCUS ON THE HIGH END”

“I’ve tried to ignore the doom and gloom prediction of industry veterans,” wrote one dealer. “We are confident in our abilities. I positioned us to survive and even prosper in this environment by concentrating at the highest end of the marketplace, and we merchandise only those products that are profitable. I do not understand “margin.” Businesses survive and prosper on profit. 30% of a \$100 item is useless. I’d rather make 20% of a \$10,000 item (duh!!)”

Another dealer put it this way: “We’ve survived because we have stayed true to our core business: high end. I think most companies went after everything they could get their hands on during the boom. We stayed with fewer projects, but higher

dollar. These projects often take years to complete, not months, so when you have enough of them going, they can propel you through bad times - almost a forced savings account. We will have a lag 3rd/4th quarter next year, because there was a good gap the past year on new projects getting started, but we have been prudent in our financials and have enough cash in the bank to weather any downtime. This, of course, is if everything stays status quo. I would expect by this time next year more projects will be underway that haven’t even been drawn yet, and if so, there wouldn’t really be a down time for us next year.” A number of other dealers also noted that they focus on “high end services” and “high end clients.”

“ASK FOR AND GET REFERRALS”

Twelve of the first 100 dealers wrote that they specifically ask their current customers to recommend them to their friends. “Referrals to friends have widened our reach, so we continue to grow into new areas, when existing relationship sales are down.” “Referrals really were a main contributor to our survival.” One dealer noted that he had “a referral program for past clients,” while 5 dealers stressed close relationships with, and referrals from, architects, builders and interior designers. One integrator said he “started a subcontractor referral group of quality, like-minded tradespeople to refer business back and forth.” Yet other dealers are either “more active in Builders Association,” or work their long term relationships with these professionals via hosting/attending events for architects, builders and interior designers “to keep our name in front of them.”

“INVITE YOUR CLIENTS TO AN EVENT”

Difficult times notwithstanding, hosting a variety of events has strengthened business for many independents and integrators. Among the first 100 respondents 15 specifically mentioned this. “We were involved in several charity show home tour events this year, which allowed us to contribute not only to a good cause, but offered excellent exposure to our ideal potential clientele.” “We held two private events that were successful.” “Held multiple events at our store with remarkable results.” “Held numerous events. Heavy involvement with charities.” “Had a 30th anniversary party for our best customers.” “Had a new technology educational event.” In fact, several dealers reported holding seminars. A car audio dealer held “several competitions throughout the summer months.” One dealer wrote, “We still held events, but fewer - because fewer manufacturers had travel budgets to allow visits.”

Instead of events, five dealers reported having improved their websites and Internet presence. One dealer said he invested in a new computer system and software.

“KEEP ADVERTISING; CONTACT FORMER CLIENTS TO UPGRADE OLDER SYSTEMS; DIVERSIFY”

“Keep advertising and stay cheerful” was one dealer’s recipe. Several said they continued to advertise “through a small and consistent campaign on radio with some print advertising,” or

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"maintained our advertising budget." One dealer hosts a monthly radio show.

Quite a few dealers said they "follow up with previous clients," "worked harder at getting back to people ASAP," or, just in general, are "working harder" and "pounding the pavement." To relieve the unrelenting stress that goes along with this severe economic downturn, one dealer (tongue in cheek) wrote that he and his crew "drank really good beer," while another joked that he "waits for the phone to ring :-)"

On a more serious note once again, seven dealers wrote that they had coped with declining sales in their core businesses by branching out or diversifying - some are now doing more commercial work, some have expanded into areas such as cameras and photography. One dealer said, "we picked up additional lines to round out what we carry. Now we can sell the room!" Along the lines of thinking creatively, one dealer said he displays his products in an interior decorator's showroom, while another dealer has his actual business inside a furniture store.

"WATCH YOUR EXPENSES AND DON'T DO ANYTHING STUPID"

Cutting costs is usually the first thing people do when they face declining sales. After all, inflows and outflows of money have

to be kept in balance. But cutting too much and too deep can undermine and destabilize a business. While fourteen of the first 100 dealers stressed cost cutting measures, they were clearly aiming for a sustainable equilibrium in the face of reduced revenues. "We eliminated all unnecessary overhead and learned to operate lean and mean without sacrificing customer service and quality," one dealer wrote. "We keep our business operations as lean as possible while at the same time trying to be good, cheap, and fast," said another dealer. Cutting costs, improving efficiencies, managing inventory optimally, striving for a sustainable balance as a lean, but still a quality, operation, was clearly the goal here.

Several dealers said they had to let people go or did not replace those who retired or left. One dealer described his approach this way: "Reduced head count, reduced office/warehouse space by 40%, reduced expensive media, used work-share program to soften 20% pay reductions across the employment board." A California dealer summed up his experience in these words: "It was a bunker year. Tighten processes. Trim fat. Look towards 2010!"

And then there were four enviable entrepreneurs - maybe there are more, but only four made these specific claims: "No new investments - but we own our premises." "We bought our own building." "Built and moved into our own building." "I own my own building free and clear - for many years!"

Why should dealers spend the time to participate in the inside track Supplier Loyalty ...

... survey? For years, vendors have told me how valuable the survey results are, how they guide the vendors' actions. So this year, with participation down because dealers are more than occupied trying to assure their own survival, I thought it might be helpful to pull together some of the appeals vendors have sent out to their dealers, asking them to be sure to participate. In fact, earlier this month I had asked each and every inside track subscriber - dealer, manufacturer, independent representative, distributor or PR agent - to help me get the word out that the survey is available at www.inside-track-online.com with, for the first time ever, a special incentive offered to those who participate.

The very first person to respond to my appeal was **Liz Kershaw**, one of the principals at **Creative Marketing Associates** in Nashville, TN who briefly described the survey to the dealers in her territory and then added, "This is your one chance to really have your voice heard. Believe it or not, many of your vendors take this survey very seriously and have altered policies, products, programs, etc., all based on your feedback. The more dealers who participate, the better and the more accurate the results." Amen! And thank you very much, Liz, for your independent corroboration.

As you will have noticed, a number of vendors urge their dealers on their websites and in dealer newsletters to participate in the inside track survey. **Paradigm/Anthem**, for example, shows the

sweeping hands of a giant clock, stresses that time is running out, and urges dealers to VOTE! VOTE! VOTE! **Tributaries** explains the survey in the latest edition of its dealer e-newsletter and points out that "the inside track Supplier Loyalty Survey gives dealers the chance to grade all their suppliers on how they perform each year ... This survey is like a report card for vendors, and it is in no way a popularity contest. Each vendor, in each group, is graded on multiple aspects ... each dealer should give honest feedback."

Many vendors - as they do every year - had submitted their top 50 or 100 (or all of their) dealer contacts to inside track for inclusion in the inside track master dealer email list from which invitations to participate in the survey were sent. The **Harman Group**, for example, then sent a follow up email to its top dealers, saying that "inside track runs a valuable survey each year, gathering important industry feedback from a select group of dealers. You were included in our list of dealers to survey, so your participation is crucial."

Just as an aside, while vendors may submit only their best dealers to inside track, all independent specialists and custom integrators who are authorized to carry a particular brand are eligible to grade that brand. Internet-only, discount, and big-box dealers are, however, not eligible to participate in this survey.

Triad founder and president, **Larry Pexton**, commented that

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“the inside track survey is the only source we have which systematically presents us with our strengths and weaknesses in our dealers’ eyes. It has been very accurate in our case. When we get low grades, we know the reason, and it reinforces our determination to improve that area. Participation by our dealers is very valuable to Triad. I urge our dealers to fill out the survey. It helps us get better. I know you are busy, but please make the time to fill out the survey online.”

In a similar vein, **Joaquin Rivera**, Director of Sales, North American Consumer Products, at **Stewart Filmscreen** says that participation in the survey by Stewart dealers is *“CRITICAL for Stewart Filmscreen, as we consider our dealers’ input key to our growth. If we can improve on what dealers say is a weakness and continue to build on what they see as our strengths, we will always be the leader in our category or, better yet, in the industry. We, the Board of Directors,”* Rivera continued, *“meet once a year, and we let ourselves be guided by the results of the inside track survey to not only improve, but also to set goals for the coming year. Because of our dealers’ input we are now where we are, and have been able to create many programs and products. We want to know how to best serve our dealers, and that is not possible without their input.”*

Then there is **Lutron**, like Stewart Filmscreen a powerhouse on the world market. Yet like Stewart, Lutron pays close attention to the feedback from its Residential Systems dealers in the inside track survey. *“We save each and every inside track Supplier Loyalty Survey from year to year,”* said **Jeff Zemanek**, Director, North American Residential Sales, at Lutron. *“This report is our benchmark to determine how we are performing in our accounts’ eyes on each parameter. We work on our deficiencies and celebrate our positives. We compare all of the past Supplier Loyalty Survey results to ensure we are not making inaccurate assumptions or missing trends.”*

Dean Miller, President at The Quest Group, maker of AudioQuest cables, wrote that *“we take the inside track survey results quite seriously. The forum that inside track provides for this evaluation allows the dealer to honestly evaluate and critique their vendors performance. We have been tracking our performance on each criterion for over 5 years now. We review the results with everyone in our company (during one of our monthly All Company Meetings). It’s a matter of great pride, and a work ethic that we try to foster, to receive nothing less than top marks. Since the survey criteria are broad and well rounded, we actually have a bit of inter-department rivalry. Now more than ever,”* Miller concluded, *“you cannot take anything for granted. You have to perform and earn the dealer’s business ... every day.”*

SpeakerCraft President, **Jeremy Burkhardt**, had this to say: *“Dealer feedback is the lifeblood of our company. No other source of feedback is greater than Gisela and inside track.”* Big or small, high end or mid-market, all vendors have a deep interest in this industry-wide survey. **Richard Stoerger**, VP and COO at **Audio Design Associates (ADA)**, also explained the aims of the inside track Supplier Loyalty Survey to his dealers, noting that *“the survey covers many elements of the relationship between vendor and dealer. Many manufacturers not only*

monitor the survey results, we actually respond through improvements in the way we do business.”

The survey also asks car audio dealers for their input, and the vendors in that part of the industry are as interested in their dealers’ feedback as the Home Audio, Video, and Custom Installation vendors. **Sheri Aliabadi**, Marketing Promotions Manager at **Clarion Corporation of America** told the company’s dealers, *“your feedback on our industry and how we do business is of utmost importance and will help us to better understand you and your needs. Please do not miss out on this chance to have your thoughts and concerns heard by the industry.”*

For as long as the inside track survey has been conducted - and this is our 25th year - I have been urging dealers to grade fairly and not show how much they like a vendor by indiscriminately awarding an undifferentiated string of superlative 4’s or 4.5’s. How does that show a vendor where his strengths and weaknesses from the perspective of the dealer are?

Mal Hollombe, President of **Soundcast Systems**, a new inside track subscriber this year, whose company is not even listed yet on the survey, still noted that *“Soundcast dealers or not [participation generates] valuable information for the industry, and it may prove valuable to the dealers as a way to assess their vendors. While many manufacturers would rather not know some of the things that come out of this survey, I can assure you that it is better to be aware of them and have a chance to take corrective action, than to not know what the market says about your company and your products.”*

In addressing his dealers, **Wendell Diller**, Marketing Manager at **Magnepan**, clearly gets across that he is interested in honest, accurate feedback. *“We all have observed,”* he wrote, *manufacturers making some marketing decisions which are probably due to the financial stress they are experiencing. If you don’t like the decisions of our politicians, they need to hear about it at the voting booth. What Gisela Schoell at inside track provides is the equivalent, and there is nothing like it in our industry. But if you don’t take the time to vote, will the CEOs really get the message? Believe me,”* Diller continued, *“we manufacturers don’t like to ‘get taken to the wood shed,’ but the discipline is good for us. I expect to see a lot of tough grading in this year’s survey, but we manufacturers have it coming. In the long term, we will all be better for it. – Get out and vote!!!”*

This entire issue is meant to convey one thing: That dealers who participate in this survey are spending their time wisely, that vendors listen and will take action, that sharing “the wisdom of the survivors” can benefit all. If we have strong participation, everyone will win. As of this writing we still need 91 additional survey responses to at least pull even with last year. It is my great hope that we will make it!

*So much for today.
Yours sincerely,*

*Gisela Schoell
Editor*