



# Homely DOESN'T HAVE TO MEAN UGLY



BY LESLIE STEVENS

Despite multiple forces conspiring against it, the residential market still holds lots of opportunity — if you know where and how to look for it. *SSI's 2009 Residential Market Report* provides you with the keys and tools for success.

**M**onitoring fees have decreased, credit is tight, new home construction has slowed, people are losing their homes, disposable income has disappeared, Tweeter has shuttered all its stores and Circuit City is expected to close 155 locations. It seems the only good news for residential installing security contractors these days is that gas prices have hit their lowest levels in recent years — but how long will that last?

In imminent news, with the arrival of 2009, single station carbon monoxide (CO) alarms are required in new dwelling units in many states, digital signals will replace analog signals this February, and the community networking phenomenon of Web sites such as Facebook, LinkedIn and MySpace is in full swing.

Other trends of note include Radio Shack selling lots of digital TV boxes; increased opportunities for real estate buys for those who have money; consumer electronics products have become utilitarian; video gaming is on the rise; people are forgoing vacations for home entertainment solutions. And according to *SSI's* research, the average number of monthly residential security installations fell almost 51 percent in 2008, while the average price paid for residential intrusion systems (\$1,345) decreased to the lowest level in five years.

What does all this economic commotion mean for your business? Some of you will thrive, others will barely survive and, unfortunately, a few businesses will die. Your success or failure depends not only on your ability to understand these economic



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trends and implications, but also how effectively you manage them. Let's explore how to best meet that challenge.

#### **TRENDS: QUALITY UP, VOLUME DOWN**

If you ask 10 different companies what they're seeing in the marketplace, you'll get 10 different answers. One of the few items most people agree on is that during tough times, the crime rate goes up. Another common belief is that referrals are more qualified because if someone is interested in a product or service, they are more serious and can afford to buy it. Lastly, many people agree that the pool of eligible customers has dramatically decreased.

According to Keith Fisher of Keyth® Security Technology Solutions, a high-end installation company located in Highland Park, Ill., his firm is seeing increased demand for intrusion monitor-

ing services because economic times have led to an elevated incidence of theft. For that reason, Fisher reports it has become easier to sell security systems since homeowners are more concerned about their personal safety as opposed to purchasing because the insurance company mandates it, etc.

In addition to safety concerns, Fisher says he is receiving a higher caliber of referrals. "Existing clients are sending us good referrals because people either want a system or they don't," he says. "They don't have money to burn and are not looking for the sake of it. The only downside we're seeing is that fewer referrals are coming our way."

On the other hand, Fisher cites an increase in monitoring cancellations due to customers cutting monthly expenses. Also, more customers are defaulting on invoices. Usually when bills were past 90 days Fisher could get the money. However, today people are walking away from their financial obligations.

From another perspective, Greg Simmons, vice president of Eagle Sentry, a Las Vegas-based security and A/V company, says his firm's customer base has dramatically changed. In Vegas, production homes have come to a crawl. Instead of prewiring hundreds of unsold tract homes and then selling monthly monitoring services and optional A/V solutions to eventual buyers, Eagle Sentry now sells complete systems to homebuyers once the home is sold. The advantage is that the customer is already a buyer. The disadvantage is there are fewer customers.

According to John Knox, president of Life and Property Security Systems, a Knoxville, Tenn.-based residential and commercial security and A/V installation company, this is the worst selling season he's seen in 20 years. Many builders have gone out of business. To safeguard revenue from steady builders, Knox works exceptionally hard to offer excellent customer service.

In addition, Knox's homebuyer customer base has shown increased interest in home entertainment solutions. He attributes this factor to people staying home more often. Lastly, Knox has

found an opportunity to increase sales by doing subcontract work for national companies that do not have local branches everywhere. Knox has effectively networked with these companies to get a piece of their pie.

#### **CREDIT CRUNCH AND PRICE CONCERNS**

Credit, or lack of, unemployment and foreclosures are the most serious topics facing this economy. The tight belt has affected many buyers' abilities to borrow money. This means fewer customers who can afford home improvement for retrofits or financing for new homes, which includes adding security and A/V options, not to mention monthly monitoring contracts.

As a business owner, you have two financial worries. You need to concern yourself with your company's financial health, and you need to worry about finding customers who have money or credit available to purchase your services. Generally speaking, companies that have the biggest overhead are facing the most financial challenges today. This includes those with showrooms and/or employees with idle time on their hands. Other companies seeing financial hardship are those without cash reserves in the bank.

According to Tom Farinola of Atlantic Stereo, a Costa Mesa, Calif.-based A/V installation company, "We've leveraged our history of success to stay afloat. We have business loans currently available, equity from our home and credit with manufacturers. We also have cash in reserves that we stockpiled during the good times so we could ride out the hard times."

Atlantic Stereo has become more aggressive in its collections. "With so many installers going out of business, it makes consumers hesitant to give money upfront," says Farinola. "That's where longevity comes in and we can secure deposits upfront and along the installation process. We will even allow a customer to do a credit check to see how solid and stable we are."

According to most security companies, having customers move away continues to be the leading cause for

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## 2009 RESIDENTIAL MARKET REPORT



Centrally locating all your technicians into territories and allowing them to take trucks home at night are a couple of ways to lessen your company's fleet fuel costs.

losing accounts. However, customer defaults and nonpayments are on the rise, which is the second-largest hardship on security companies today.

One way to reduce invoice defaults is to create a Credit Card Authorization Form that will allow you to automatically charge payments against your client's credit card. Also investigate QuickBooks Pro software, which features an online credit card payment and authorization service that stores sensitive client information in a password-protected format.

Get creative in your approach to financial salvation. For example, look to manufacturers for opportunities to streamline business costs and practices. A single brand solution enables consolidating suppliers and saves on administrative costs. With increased order sizes, you often get additional benefits such



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as better shipping rates or dealer support programs.

Riverside, Calif.-based Proficient Audio, for instance, recently launched a line of A/V receivers to offer a complete audio system.

"Our new receivers give dealers a single brand solution, making marketing and selling systems easier," says Keith

## Total High-End Home Theater and Multiroom Audio Market\* (End-User Value, U.S. Only)



\*Revenues include installation fees

\*\* Net of overlap between home theater and multiroom audio installations

Adoption of networking technologies is expected to make installed home theaters and multiroom audio systems more affordable for more consumers. Those revenues are projected to top \$11 billion by 2012, with new installations growing 67 percent during that period.

Source: Parks Associates ©2008

Marshall, president of Proficient. “Installers will be able to get all of their audio equipment from one brand and utilize our new end-user marketing materials. This approach really changes the game. No matter if you’re putting in a home theater, a multiroom or outdoor sound system, Proficient will be able to supply the electronics, speakers and accessories you need.”

Distributors like Capitol Sales of Eagan, Minn., stock more than 5,000 products so you don’t have to commit your financial resources to carrying inventory. Product categories include audio/video and security. According to the company, more than 98.5 percent of all orders are shipped the same day they are ordered. Online orders are shipped free when delivered UPS and there is no order minimum.

With respect to fuel costs, the price is down ... today. But that could change tomorrow. So you need to be prepared in the event that gas prices increase again. Establish a process to deal with rising fuel and maintenance costs for vehicles. Some tactics include:

- Centrally locate all your technicians into territories
- Let your technicians take the trucks home at night
- Provide technicians with laptops, printers, fax machines and wireless Internet
- Ship all products and materials directly to your customer’s house

### STAYING AFLOAT IN TOUGH TIMES

Brea, Calif.-based consulting firm Stay-Tuned recently polled 7,651 installers. One question asked was, “What activities are you taking to survive this economic time?” The four top answers were as follows:



John Knox of Life and Property Security Systems says his company is weathering challenging times by placing more emphasis on selling home entertainment systems and taking on subcontractor work.

**1. Expand into new markets** — Many residential companies are expanding into the commercial market. However, not as

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Security companies are expanding into audio/video services and vice versa. A/V companies are installing more sophisticated solutions for higher end homes vs. tract homes. Demo rooms can help sales efforts.

many commercial companies are going into residential. Commercial companies are becoming more specialized, such as focusing on medical facilities.

According to Eagle Sentry's Simmons, "Over the past few years we've been heavily involved in production homes. Since that has dried up, we've expanded into small commercial installations and custom homes. However, this was a natural transition for us as we used to be heavily involved in commercial. Our staff is already highly trained for these types of applications."

Another market to expand into is multifamily complexes and units. New research from Dallas-based Parks Associates indicates high-tech amenities like broadband, security and energy controls positively influence the sale and rental of multifamily properties (*see graph*).

**2. Expand types of services** — Security companies are expanding into audio/video services and vice versa (*see graph*). A/V companies are installing more sophisticated solutions for higher end homes vs. tract homes. Some integrators are expanding into other security services, such as Honeywell's TotalConnect, which features emergency pendants and remote surveillance.

**3. Increase marketing activities** — Although the purse strings have been tightened, many companies report they have stepped up their marketing activities. Many businesses have be-

come creative in their approach to customer communication.

**4. Cut costs** — Companies are finding ways to trim overhead. This includes everything from terminating employees to reducing inventory. According to a poll in the December issue of *SECURITY SALES & INTEGRATION*, the No. 1 method companies are employing to manage costs is minimizing employee raises. The No. 2 means companies are utilizing to control expenses is salary freezes.

#### STRATEGIES TO BOOST REVENUES

Many of you are finding your proposals sitting longer, and those bids

## 10 Residential Marketing Tips

1. Give your customers a few brochures to distribute to other people
2. Send informative e-newsletters that include a "Forward" button or "sign up for newsletter" button
3. Place graphics on your vehicle to increase awareness. Keep your graphics clean. Make the phone number easy to find 
4. Attach a plastic box to your vehicle and stock it with company tri-folds
5. When the job is complete, personally ask your customers for referrals
6. Offer your customers incentives for referrals
7. Utilize the Internet. Keep your Web site up-to-date and easy to navigate. Start a marketing campaign on community sites and post YouTube videos
8. Send personalized greeting cards to your customers. Include a few business cards in the envelop
9. Send hard-copy newsletters with technology trends to current customers. Ask customers if they know anyone who might want to be included on your mailing list
10. Advertise in publications that your customer reads

that get approved are being reduced. To boost your sales, you need an effective sales strategy. According to Simmons, to make it through this recession you need to think outside the box. The goal is to keep core people busy so that they are profitable.

A few strategies to boost sales in this economy include the following:

**Attachment sales** — For example, if you just installed a CCTV system, propose a whole-house modulation system. Or if you just installed a motion detector and door sensors, suggest a smoke detector.

**Upsell** — You might advertise lower cost products to get attention, but once with the customer, discuss other products and services that will give you better margins.

**RMR** — Offer services that include recurring revenue streams. This is not limited to security services. People will pay good money for 24/7 service to help them with their PC networks or TVs.

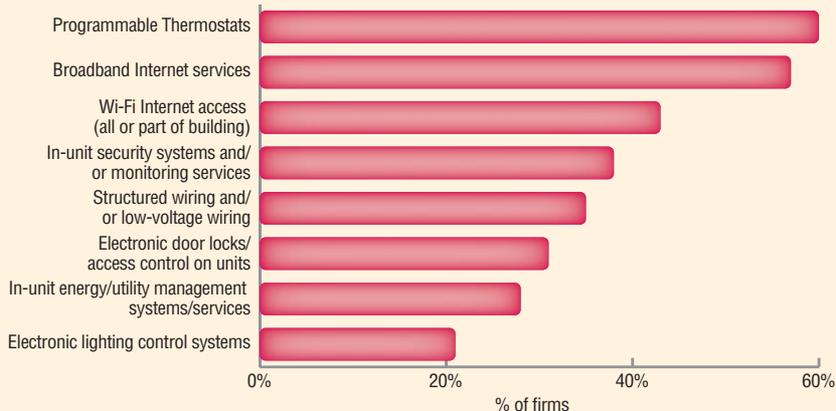
**Repeat business** — Follow up with your customer after the initial installation is complete. Check in with them every six months. According to Keyth's Fisher, clients want to know the newest technology options. Take advantage of this golden opportunity.

#### EDUCATION AND SUPPORT

Many of you never went to business school to learn how to run a company. Fortunately, however, there are many opportunities available to learn how to incorporate better business practices. These opportunities come to you through several forums:

- Workshops and classes conducted at trade shows
- Webinars hosted by manufacturers or other sources
- Articles in trade magazines
- Web sites and e-newsletters sponsored by most every magazine, media outlet and association
- Associations that offer business courses and online resources

## Selected Multifamily Unit System/ Service Offerings



High-tech amenities like broadband, security and energy controls are in high demand in multifamily residences. A survey of executives managing U.S. multifamily dwellings found nearly 50 percent seek new electronic products and services to differentiate their properties.

Source: Multifamily Residences: Opportunities for Digital Systems and Services ©2008 Parks Associates

Also take advantage of the programs offered by distributors. ADI, for example, offers regional Expos. Integrators can attend a number of educational and product training courses (not to mention the food available). Manufacturers absorb most of this cost.

This year will see the introduction of Capitol Sales' Learning Institute. The program will take the supplier's successful factory training offerings on the road to six regions throughout the year. The six events will also offer classes from CEDIA University's On the Road program.

### BUILDING MARKETING CAMPAIGNS

Referral business comes from many avenues. But consider this; referrals are



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the direct result of your entire company pulling together as a team. Your employees should interact with customers on a regular basis, so make sure they are adequately equipped with marketing tools.

For example, employees should be provided with a supply of brochures and business cards. Keep these items handy inside the truck. Tell employees to give customers a few brochures to pass out. Train employees to ask for referrals upon completion of the job.

Develop an action plan ... then execute ... over and over. The goal is to stay in front of customers on a regular basis. It's important to maintain their mind-share in the event that they are asked for a referral. Strategies to employ include direct mail campaigns, such as newsletters or inserts in monthly invoices.

You should also utilize the Internet as much as possible. This includes electronic newsletters, which are a very cost-effective way to communicate since postage and printing are absent. Include a "Forward" button on your E-newsletter. Include informative tech tips and recent trends. Make sure your Web site is up-to-date and professional looking. Be progressive, develop YouTube videos and start interacting on community sites and blogs. In addition, look to Craigslist as a promotional outlet; many professional businesses are on it. ■

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