



ProSource Summit Focuses Its Members Toward Premium Offerings

3/5/2015 3:37:00 PM



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A group shot of the 200-plus dealer and manufacturer m

The ProSource Summit buying group meeting kicked off in unique fashion this week at Marriot's World Center in Orlando, as a three-member percussion group called Get Rhythm led the 200-plus attending dealers, manufacturers, and press in a warm-up activity. Every seat in the ballroom featured a drum, shaker, or tambourine, and the entire group participated in the rhythmic exercise. The business message? Each individual within a company adds value that others in that group don't provide. It also proved an effective way to engage the audience in the morning presentations and set the tone for the conference.

After the drums and shakers were quietly tucked away, ProSource CEO and president Dave Workman took the stage and provided an update on the merger between PRO Group

and HES that was finalized last year. He noted that the two groups were successfully joined now and effectively serving the needs their 450 CI channel members, ranging from its 45 Power CI members (\$5-million plus in revenue) and 23 Pro Level member companies including Crutchfield and B&H Photo (this group has a separate summit later in the year), and 300-plus CI dealers with sales ranging from \$1-5 million. ProSource now represents more than \$4.5 billion in CE retail sales. Workman noted that sister buying group BrandSource, now led by former ProSource co-president Jim Ristow, would begin the process of streamlining and improving its organization, while remaining partners. Ristow briefly took the stage and thanked members for their support and further explained his shift in responsibilities.

Workman noted that ProSource is carrying its momentum from last year into 2015 as the economy continues to improve. He acknowledged, however, that “not all boats are rising” in the economy, so it is important for dealers to “know their niche,” because its doesn’t pay to try to be “all things to all people.”

While acknowledging that the two biggest drivers of the consumer electronics business were smartphones and tablets (which ProSource members don’t typically sell), there has been \$580 million in wholesale sales in home automation products, he pointed out. The adoption curve in this category is expected to grow to 2.2 billion in the next two years, with no slippage in price point.



ProSource president/CEO Dave Workman awards Ryan Herin, Sound Concepts as ProSource integrator of

Workman also noted the growth in the wireless audio category, with Sonos leading the way by becoming a \$1-billion company last year for the first time. He also emphasized the potential for success in 4K TVs, where 1.2 million sets were sold, and in soundbars, which continue to sell well. He said that the CE industry considers these successes to be “base hits in an industry that covets home runs,” acknowledging that the middle market continues to struggle, with Radio Shack filing Chapter 11 and hhgregg and Sears “having difficulties.”

Looking ahead, he said that technology, market, and real estate trends favor the high end, with forecasts predicting \$5-10 billion in wireless multi-room audio growth in the next five years, and 4K and OLED early adoption curves coinciding with economic improvements on the high end, and technology “refreshments” due in the TV market.

Workman boasted ProSource’s strength as a full national member-owned organization and the only buying group that regularly ventures to Asia to meet with vendors such as Sony, Denon/Marantz, Harman, Samsung, and LG.

In conclusion, Workman said his goals for the group in 2015 included a continued effort to build on its strategic partnerships with key

vendor, growing its share in legacy audio products with focused strategies in the market, developing a clear merchandising strategy for multi-room audio, and continuing to grow in home automation, control, and security.

As the morning progressed, executives from select ProSource manufacturer partners took turns presenting their value propositions to members in the audience. Most notable was Frank Sterns, who leads the Sony's new CI business group. He clarified Sony's recent decision to "split out" its TV/Home Entertainment Group, saying that it's not a "sell off" but instead a corporate strategy to allow that division to have its own budget and P&L to focus on premium products/partners/channels.

Sterns noted that in his 18 months leading his new group, he had convinced Sony to broaden its definition of "CI" from a narrow core of CEDIA-type integrators to include a greater number of smaller custom integrators and larger specialty retailers. With this structure in place, he can essentially play the role of traffic cop when it comes to procuring inventory for dealers, rather than having various groups within the same company competing for products to ship out. He's also built a larger team to focus on the channel, including three new regional managers, and 80 handpicked "cream of the crop" independent sales reps. As a result of these efforts and partnerships, the group has experienced a 202 percent growth in 4K, 124 percent in projectors, and 47 percent in ES receivers. Sony's big product push for the CI channel includes with the new 2-Series ES AVR, the VW 350 ES 4K projector (for under \$10,000), IP control for integration with Crestron, Control4, AMX, and Savant, a complete assortment of hi-res audio players, amps, and headphones, and the premium-priced VPLGT21 4K short-throw projector for residential and commercial installations.

Next up, D&M CEO Jim Caudill and VP of Americas Kevin Zarow explained how their company, which owns the Denon, Marantz, and Boston Acoustics brands, has been evolving from a mostly hardware-focused engineering company to one with much more software development. Caudill's goal is to change his company culture to become much more "customer facing" and closer to market and cultural changes, with better access to the "unfiltered truth" about products in real time.

Last year, Zarow explained, the company combined its three separate brands' dealer programs into one plan. This year, the company is looking to reward dealers more for growing sales with the brands.

Last up for the manufacturer presentations was new ProSource partner, Jeremy Burkhardt of Origin Acoustics, who reiterated his personal story and that of his co-founders, about how they set out to create a new architectural loudspeaker brand that was more profitable for CIs. Boasting that he believes that his is the most profitable line in the entire ProSource group, Burkhardt explained the concepts behind his in-ceiling speakers' zip-tie mounting design (which, he says, cuts nine minutes off the time it takes to install each speaker), and the products' improved dispersion from a small enclosure (because the company wasn't committed to using the same installation brackets that everyone else in the category had been using forever).



Origin Acoustics' Jeremy Burkhardt introduced ProSource Studio brand.

In conclusion, Burkhardt encouraged the audience to do as his company has: get rid of old ways of thinking and try new things, make their culture their way of life, practice tactical domination (cultivate referrals from past customers and their friends), find ways to constantly improve, and realize that if what you're doing "isn't fun, then it's wrong."

As part of the Monday morning presentation, ProSource awarded Ryan Heringer of Jonesboro, AR-based Sound Concepts with the award for integrator of the year, Justin Johnston of Twilight Solutions in Walnut Creek, CA, with innovator of the year, and Brian Gibson of Elite Media Solutions in Wellesley Hills, MA, with the MVP award.

Tuesday's schedule included a roundtable discussion on common industry challenges, and an afternoon on the show floor as all ProSource and BrandSource vendor partners displayed select products in a mini-CEDIA EXPO setting.



ProSource vendor partners exhibited in a mini trade show setting. Summit this week in Orlando.

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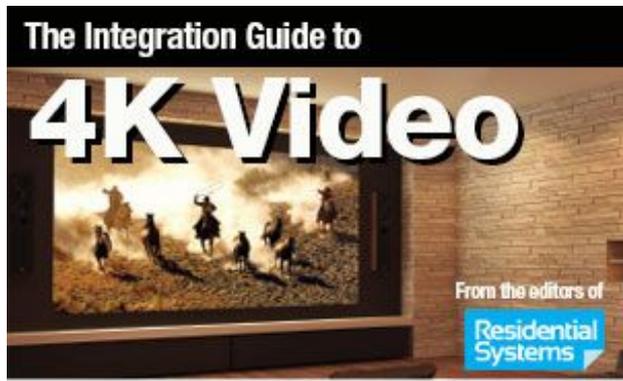


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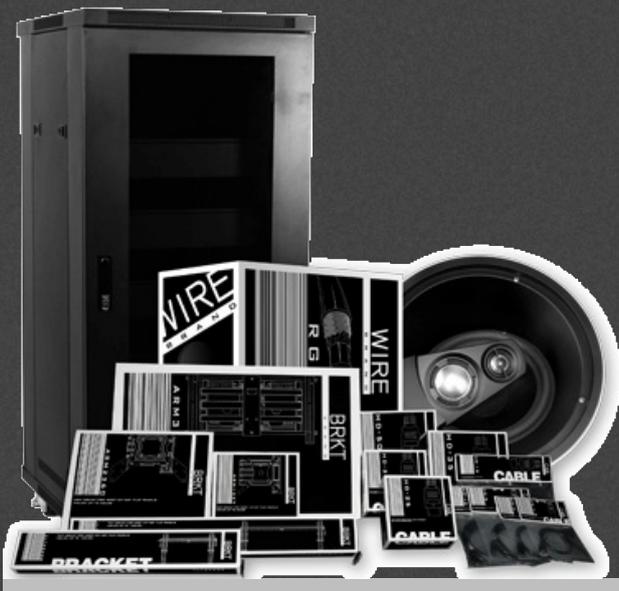
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