

# CRAIN'S DETROIT BUSINESS

http://www.craindetroit.com Vol. 20, No. 2

JANUARY 12 - 18, 2004

\$1.50 a copy, \$59 a year

©2004 Crain Communications Inc. All rights reserved.



CEO Tony Fallon said moving beyond stereos and televisions into home theater helped Pecar Electronics survive.

## Different tunes

JOHN F. MARTIN



3732 Rochester Road Troy, MI 48083  
248.528.2710

## Retailers: Electronics dealers specialize to survive

BY BRENT SNAVELY  
CRAIN'S DETROIT BUSINESS

As a wave of last-minute Christmas shoppers flooded national electronics retailers in December, two small local retailers were vying for sales with two completely different strategies put in place in 1998.

Five years ago, Dearborn-based **Adray Appliance Photo & Sound Inc.** decided to go after the camera and photography market by opening a second store for the first time in its 48-year history.

Meanwhile, **Pecar Electronics Inc.** stuck with its single store in Troy and has concentrated on marketing its home-theater design expertise, a strategy that has taken Pecar into the world of customized theaters that range in price from \$25,000 to more than \$500,000.

Both companies decided to pursue new strategies because of the growing power of electronics retailers such as **Best Buy Co.** and discount retailers such as **Wal-Mart Stores Inc.** as well as the continuing price declines of electronics.

Founded in 1955, Adray sells appliances, televisions, cameras and even jewelry and collectibles (such as watches, gold chains and Waterford crystal) at its 20,000-square-foot flagship store in Dearborn.

But in 1998, Adray opened **Adray Camera** in Troy. A second Adray Camera store followed in Canton Township in 2001; a third opened in Ann Arbor last April. The camera stores are smaller, between 3,600 and 4,000 square feet.

George Bednar, vice president and general manager of Adray, said the company pursued the camera specialty because even though the major elec-

tronics retailers sell lots of digital cameras, they carry few high-end digital cameras and don't sell the digital cameras used by professional photographers. Plus, there still is a significant market for 35mm cameras, and most major retailers offer only a limited selection of them.

"We don't have the competition in cameras that you have in appliances and electronics," Bednar said.

Although Bednar said all three camera stores are doing well, Adray's Christmas sales fell about 10 percent compared with last year.

Bednar anticipates that Adray will finish with about \$17 million in sales this year, also about 10 percent less than in 2002.

That compares to an estimated 6.7 percent increase in holiday electronics sales nationally from Nov. 29 to Dec. 24, according to estimates from **MasterCard Advisors**, a unit of **MasterCard International**.

While MasterCard Advisors said total national retail sales increased by 6.5 percent over the same period, total retail sales in the upper Midwest increased by just 3.4 percent.

Bednar said the rapidly decreasing prices of products ranging from plasma televisions to digital cameras made it difficult to maintain the same revenue. For instance, the same plasma television

### TALE OF TWO RETAILERS

**Company:** Adray Appliance Photo and Sound Inc.

**Founded:** 1955 by Mike and Louise Adray.

**Today:** Owned by daughter Debbie Adray, president.

**Estimated 2003 revenue:** \$17 million.

**Company:** Pecar Electronics Inc.

**Founded:** 1946 by Alan Pecar.

**Today:** Owned by son-in-law Tony Fallon.

**Estimated 2003 revenue:** \$3 million.

that sold for \$8,000 in 2002 was selling for \$3,999 in December, and digital cameras that sold for \$699 in 2002 sold for \$399 in December.

Some product categories, such as DVD recorders and plasma televisions, sold well. But "the manufacturers couldn't ship enough of the most popular models," Bednar said.

While the national economy improved in 2003, the local economy didn't begin to recover until late in the year. That makes Bednar optimistic that sales will increase this year.

For Pecar, Christmas sales are now far less important than they once were. Still, Tony Fallon, president, CEO and owner, said

Pecar's December sales were about 5 percent to 6 percent more than last year's.

Founded in 1946 in Detroit, Pecar moved to Troy in 1967 and kept its Detroit store open until the early 1990s. Pecar also has a design studio near its store on Rochester Road in Troy.

Fallon said he re-evaluated Pecar's business five years ago and decided he didn't want to depend on "the box business," a term he uses to describe the sale of a single stereo component or television.

The result: 65 percent to 70 percent of Pecar's sales are now from custom-built home theaters that range in price from \$25,000 to well over \$500,000.

In addition to the electronics and the plasma televisions, Pecar helps the customer select chairs, lights and carpeting and also does the installation. Pecar also will design electronic systems that distribute sound throughout the home and have multiple control panels.

Sales for Pecar have increased from about \$1 million in 1998 to \$3 million in 2003, Fallon said.

Fallon said he investigated the custom home-theater market and discovered that there were few competitors.

"I felt that I had at least as much capability as anybody else in this market, if not more," Fallon said.

At first Pecar was marketing its expertise mostly to repeat customers. But last year Fallon hired a marketing director to help the company make inroads with architects and home builders. Already more than 30 percent of Pecar's sales come from homes in the early stages of construction.

Frank Carnovale, owner of **Carnovale Associates Architects Inc.**, a builder and architect in Birmingham, said he has worked on three home-theater projects with Pecar and ranks the company as among the best in metro Detroit for custom theaters. Carnovale said he and Pecar have begun work on a \$100,000 theater for a home in Orchard Lake.

Carnovale said lots of retailers will work with home builders to provide good out-of-the-box sound systems.

"But if you really want the true audio and visual control and integration, then you need to go to a specialized company like Pecar," Carnovale said.

Fallon said his company is making a profit and is optimistic that Pecar's sales will increase to more than \$5 million within a few years.

"If I had stayed on the course that I was on, I would not have been able to say that," Fallon said.

Brent Snavely: (313) 446-0405, bsnavely@crain.com