

Packaged Goods

Installs Inc.'s network of technicians executes installation SKUs for retailers—especially the big boxes—as well as manufacturers and service providers.

By Janet Pinkerton

Costco.com in mid-January offered Installs Inc.'s Flat Panel TV and 5 Speaker Installation Service for \$649.99, as Item #961689. Over at walmart.com, Premium Flat Panel Wall Mount and Home Theater Installation (Wal-Mart No. 000598806), also by Installs Inc., was offered for \$698.

If an installation service can be reduced to a stock-keeping unit (SKU), is it then a commodity? "I don't think so," says Lee Hess, co-founder and director of Installs Inc. Over the past 10 years, his Buffalo, N.Y.-based company has developed an installer network that executes home installation services for clients that include retailers like Best Buy, CDW, Costco, Crutchfield, Dell, Home Depot, Sears and Wal-Mart; manufacturers like Panasonic, Philips, RCA and Sony; and service providers like DirecTV, Sirius and XM. The National Football League and the National Hockey League use Installs Inc. for their VIP installations.

"When installs become very easy, you don't sell any," Hess says. "As a product can become commoditized, you lose the market."

Installs Inc. says its target market isn't the custom install job that requires a bid, but SKU-able installation services that are "just a little bit too complex for the consumer to understand," Hess says.

The company is majority-owned by private equity firm Genstar Capital, which purchased control in 2002. Thomas Hunt and Hess founded the company in 1995 as Digivision Satellite Services to do installations for the nascent direct-to-home satellite industry. Roommates at Harvard Business School (class of 1971), both had already built careers: Hunt as partner and general manager of several cable companies, Hess as senior vice president of Wendy's International, direct-ignition franchising, real estate and corporate finance.

Hunt flagged Hess on the opportunities posed by direct-to-home satellite and, after researching the market, the two men in 1994 purchased the

rights to 52 DirecTV territories in 10 states from the National Rural Telecommunications Cooperative. From the onset, Hess and Hunt made the decision to not sell satellite services and equipment, but to instead support satellite retailers selling within its 52 territories.

Because national retailers such as RadioShack and Best Buy already sold DirecTV within their territories, "we did not have to focus on making sales," says Hess. "We focused on developing our call center and giving them great support, and driving customers into the retailers, rather than making the sales ourselves."

The pair decided they could leverage their experience by "helping build the infrastructure for what we saw as a major industry," Hess says. In 1995, they formed Digivision Satellite Services to provide installation services to satellite retailers. "Our first client was Sun TV," he says, recalling cold-calling Sun TV & Appliance. They pitched Service Merchandise later that year. "At that point, we weren't national," Hess says. "Service Merchandise said, 'We like your business model, we like your customer service, but you've got to provide us national services.' So we decided we'd create a national company that was focused on serving the needs of retailers, national retailers."

Tapping Hunt's background as a cable operator and Hess' creating a franchise network for Wendy's, the two began to build a national installer network.

They started fielding installers for satellite installation, but clients prodded them into new markets. "Best Buy asked us to go into home theater," says Hess. "Dell asked us to do computer installation coast-to-coast." Now Installs Inc. works with Home Depot on a variety of product lines that have nothing to do with electronics; it began window blind installation services last year and plans to add other home improvement services in the future.

"Our core expertise is helping national retailers offer installation services where it's a definable SKU," says Hess. "So window blinds are fine. We're ►

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not in garage door openers, but it would be a natural.”

The company also handles installations for manufacturers—“almost from day one,” says Hess, referring to early DBS installs for RCA and Sony. That business has expanded with vendors’ direct sales to consumers. “The manufacturers’ direct sales as a percentage of the total sales of the industry still aren’t very high. Having said that, they are great partners for us; it allows us to keep on top of all the hardware changes and to have relationships with senior people in the industry. We’re there to serve them.”

HOW IT WORKS

Typically, clients make the sale to the customer and transmit that sale via the internet to Installs Inc., either in real time or in bulk, where its system qualifies (by comparing SKU parameters to local installer skills) and selects an installer for the job. The customer contact information is then forwarded to the installer. The installer contacts the customer to schedule an

appointment, as well as go over a pre-install form and the install procedure.

With some clients, such as Wal-Mart, Installs Inc. uses a card-based system; a customer shopping at Wal-Mart or walmart.com purchases an installation card that can be registered online or by phone to initiate a service request. Hess says the cards are typically used in retail environments that lack a salesperson, but he contends that “home theater requires a discussion between a salesperson and a customer to optimize sales.”

The range of services offered by Installs Inc.’s clients “is usually small and very specific,” Hess says. “For example, computers include new unit setup, data migration and simple networking. Our skill set is not like a CEDIA member where you need to go into the house and make a fairly complex bid, and where it’s really the person in the house who is doing the pricing.” In general, Hess says, his clients charge and collect for services, “so they have absolute flexibility on pricing. Moreover, our systems allow for national promotions such as guaranteed installation for the Super Bowl. It enables

retailers to do national programs that would be difficult if they did not have us as a partner."

The technology the company employs to communicate with its retailers and installers has changed with the times, from fax farms ("we called it 'Fax and Pray,'" Hess laughs) to fax servers and now to internet-based systems. "On the installer side," Hess adds, "how we selected and proofed our partners around the country changed too. All systems continually got more sophisticated in parallel with each other."

At one point, when trying to build an installer network to serve Service Merchandise, Hess and Hunt traveled across Florida to personally interview installer candidates. "We quickly realized there's no way of doing that across the 40 states Service Merchandise was in," Hess recalls. "So we started cold-calling installers across the country, cross-referencing our lists with the Better Business Bureau." These days, an installer can apply via an application on the company's www.installs.com web site.

"Once we migrated to a totally computer-based system, we needed installers that were really comfortable with computers," Hess says. "Some people could make that change, and some couldn't."

Quality assurance and control is automated as well. Each customer serviced by an Installs Inc. technician receives an automated quality assurance call. "It's allowed us to call every single customer," says Hess, "and if they weren't satisfied, we follow up with a real-person call and find out what's happening. We also hire an outside person to conduct detailed surveys on what the customer reaction was."

INSTALL SEARCH

So who are Installs Inc.'s installers? "About 25 percent of ▶

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our installations are done by employee-managed installers, and about 75 percent are done by contractor groups," says Hess. Having its own installers allows Installs Inc. "to have onsite quality assurance people spaced around the country," he says, and it also gives the company its own employees to call on retailers. However, he adds, "I cannot tell you that our employee-managed installations are any better than our contractors'. It wouldn't be right." Within a hamburger chain, he says, "the best hamburger restaurants were your franchise ones, not your company ones. There's nothing like owner-operators on premises for providing great service. Local ownership provides the best service, whether it's hamburgers or installations."

In the beginning, Digivision installers tended to be small dealers, often RCA affiliates. Today at Installs Inc., Hess says, very few are legacy satellite or home theater sales organizations. "They're professional installers. The average contractor partner rolls four trucks. We prefer the operation be sufficiently small so that the owner is personally involved." Installs Inc. technicians fall into a variety of skill sets, such as home theater, computer installation and home improvement. "Some installers are CEDIA-certified," Hess says. "Most aren't."

Each of the company's service sectors has its own certification requirements. For satellite, it's by the Satellite Broadcasting and Communications Association's National Standards and Testing Program. For home theater, Installs Inc. has created its own online certification program.

In developing its strategies, Hess says the company's focus has been taking care of national retailers. "We have by far the best online management system to talk to the technician, to talk to the retailer and talk to the ultimate customer if the retailer wants us to," he says. "We have incredibly effective and efficient quality assurance programs. And we never competed with our customers. We weren't in the storefront business. We weren't retailers."

There have been some bumps along the way, tied mainly to the economic health of some of its clients. Now-defunct companies like Sun TV, Service Merchandise, Montgomery Ward, good guys!, StarBand and Voom were past clients. To keep the network going, says Hess, "every time somebody went bankrupt, even though we didn't get paid for a substantial amount of work, all of our contractors did get paid. From day one, we've been known as the fastest pay in the industry. That's the glue in the networks—being such a good pay and taking the risk out for the installer."

Going forward, Hess says, "the strategy is really now to leverage where we're at. We're just now into home improvement business—that's a huge business and we plan to expand the products that we do. And [we need to] just take care of the customers that we have and grow organically."

Technology developments will always drive demand for installation, Hess contends, citing in particular the convergence of broadband with home theater. "Walk around CES," he says. "It's gone beyond talk. That type of offering, for most people, will require a professional installation." **CR**

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