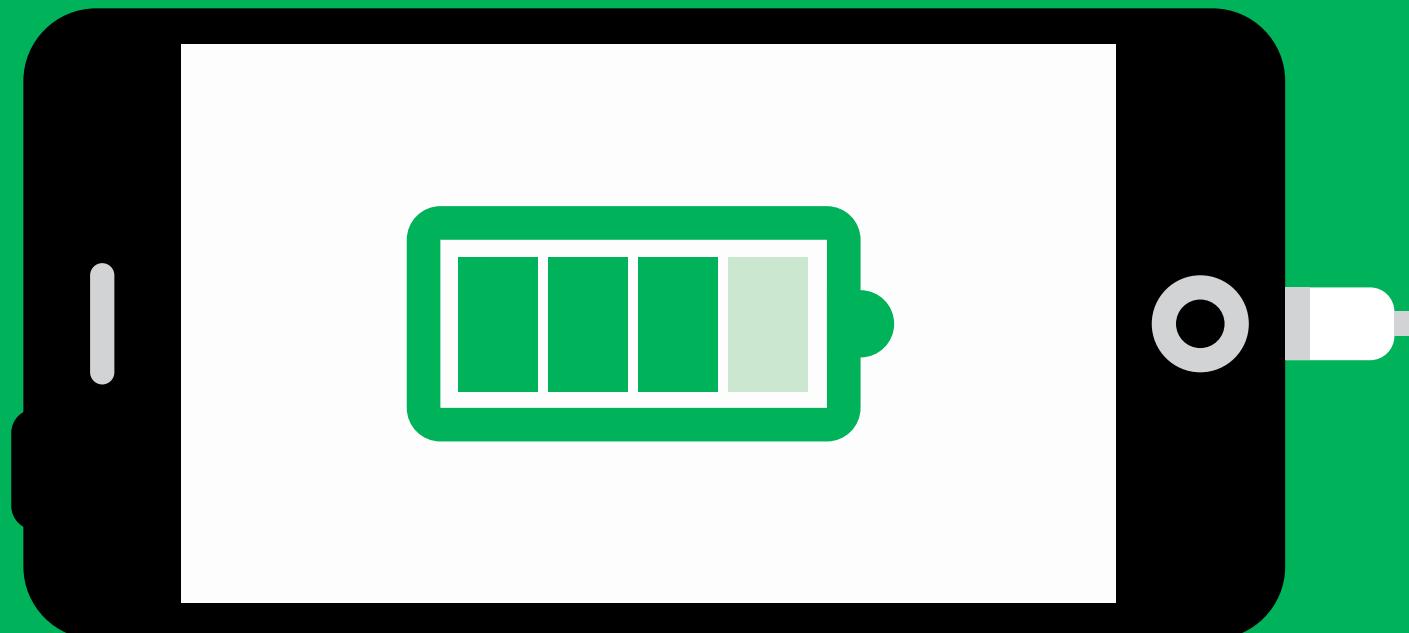


PLUG IN



The Growing
Opportunity in
Home Electronics

If you could be a fly on the wall in a neighbor's home, what would you see? Perhaps the mom is in the kitchen, watching a cooking tutorial on her tablet while her smartphone plays music through a speaker system. The kids are working on homework from their laptops and the dad is video chatting an old friend on his smartphone while scanning through shows on a smart TV.

After dinner, one of the kids adjusts the lights in the living room from a smartphone app and everyone connects their devices to the USB outlets installed in the walls. And before heading out the door, they each grab a portable battery-charger to keep their devices from losing juice.

This family could represent any household or individual in our modern society and it proves a point all retailers need to be aware of: technology is a fixture in today's homes! And if it's in homes, it represents an opportunity for retailers, as most of these products are now incorporated into home improvement projects.

Rather than adding televisions, computers or other big-ticket items into your store, focus on the smaller, home electronics items and accessories that make these larger electronic products complete.

Hardware Retailing polled 1,000 consumers on their home electronics shopping habits, and 50 percent of respondents say they would purchase a home electronic item at a home improvement store.

To find out how home improvement retailers are finding success with home electronics, *Hardware Retailing* spoke with several owners who have discovered how to grow this successful niche.

Whether you already offer a selection of home electronics items or are wanting to find out if they're a good addition to your operation, this article will provide you with valuable advice from retailers who are having success with the niche.

Then, download our selling guide at www.hardwareretailing.com/home-electronics. This will arm your employees with key points they need to encourage add-on sales and promote home electronics in your operation.

SO WHAT ARE 'HOME ELECTRONICS'?

The definition for products such as cables and connectors differs among retailers. Home Depot defines these items as 'home electronics,' while True Value and Ace Hardware label them simply 'electronics.' For Lowe's and Do it Best, the products are separated into subcategories under electrical.



At **B&C True Value** in Grass Valley, California, customer requests and associate feedback continually shape the home electronics niche. Headphones, auxiliary cables and wall outlets are all used to complete home improvement projects.

For the purpose of this article, home electronics can be defined as items that can connect, charge and help improve the functionality of electronic items consumers use on a daily basis.

The retailers we spoke with carry home electronics items such as HDMI cords, smartphone accessories like battery chargers or adapters, audio equipment and even USB outlets that consumers are installing into the walls of



Smartphone chargers, including the portable battery chargers above, are an add-on customers seek out.

their homes. In many ways, these items have become a part of the home improvement projects your customers are tackling.

HELP CUSTOMERS STAY CONNECTED

Customers walking through the door of your business likely know exactly what they need. But as a retailer, you should be finding interesting products that lead to add-on sales and make customers want to shop the entire store.

Home electronics items fit in with other products you offer and help broaden the appeal of your store.

Miller's Ace Hardware in McMurray, Pennsylvania, has had home electronics products on its shelves for many years, but it wasn't until about three years ago that management decided to allocate a specific area in the electrical department to home electronics, says Greg Gold, owner and general manager of Miller's Ace Hardware.

"We had (home electronics) in the store as an unnoted assortment for many years and resisted it initially because we figured there are all these other outlets selling home electronics," Gold says. "What we were finding, though, was that our customers kept asking us if we had cables, adapters, cell phone accessories and so on."

An advertisement for the Eisenwarenmesse Cologne 2016. The background features a collage of various hardware tools and components, including wrenches, screws, bolts, and saw blades. The text "TIME TO ROCK!" is prominently displayed in large, bold, white letters. Below it, the date "MARCH 6–8, 2016" is shown. The website "WWW.EISENWARENMESSE.COM" is at the top right. A call-to-action button on the right says "REGISTER NOW!". The text "EISENWARENMESSE – International Hardware Fair Cologne" is also present. At the bottom, it states: "TOOLS, FASTENERS & FIXINGS, FITTINGS, INDUSTRIAL SUPPLY, HOME IMPROVEMENT. In 2014: 2,787 exhibitors, approx. 44,000 trade visitors from 136 countries, 6 halls with 144,200 square metres". The Koelnmesse logo is at the bottom right.

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So after multiple requests from his customers and suggestions from employees, Gold decided to fully commit to the niche and it has grown each year since.

"We started out with a six-foot set in the store for home electronics using guidance from our co-op," Gold says. "We've allocated space in the most popular part of our electrical department for home electronics and the items we stock come from requests from our customers, associates, family and friends. It's a little different and unexpected, and it stops customers when they see it."

For B&C True Value in Grass Valley, California, home electronics has been a part of the store's offering for many years as well, according to Greg Fowler, manager of the store. While the niche has evolved with changing technologies, it has remained a part of the business and in some aspects, has grown.

"Home electronics items have been in our electrical category for over a decade," Fowler says. "Where we have seen growth is with items like battery back-up units for smartphones and headphones."

At McGuckin Hardware in Boulder, Colorado, home electronics occupies its own, unique area of the store, offering customers products that edge toward the future, according to Louise Garrels, marketing manager for the store.

"We have 3,500 home electronics SKUs," Garrels says. "Customers seem less intimidated asking questions about electronics in a hardware store than a big-box store."



Caleb Booth is one of the many McGuckin Hardware employees that helps customers problem solve in this department.

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The Maker Movement Piques Customer Interest

McGuckin Hardware carries electronic goods its tech-savvy customers embrace, and according to marketing manager Louise Garrels, store employees try to encourage shoppers to make their own electronics-based items.

One example that has become a common D-I-Y project in the home electronics niche uses a product called Arduino.

What is Arduino? According to the Arduino company website, it is "an open-source electronics platform based on easy-to-use hardware and software."

Arduino boards are able to read an input, like the light on a sensor, a finger on a button, or a Twitter message—and turn it into an output—activating a motor or turning on an LED.

McGuckin Hardware employees showcase projects, like Arduino-based projects, in order to encourage customers to make their own electronic creations.

"We put completed Arduino projects on endcaps to pique interest, but they don't sell themselves," Garrels says. "We use events to educate and create 'shopper-tainment'

around these products. We hosted an event to teach customers the basics of soldering items with circuitry and wires. They had pre-packed circuits with a wire and made a little bug light up with an LED bulb."



McGuckin Hardware encourages customers to make their own products with electronics during store events.

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STOCK UP AND STAY RELEVANT

To remain competitive in home electronics, all of the retailers we spoke with agreed the niche requires constant evaluation due to frequent changes in technology, like new chargers for new cellphone models.

"With home electronics, you constantly have to be on top of it," says Garrels. "Within the electronics department, we have seven different sub-categories we offer."

Products at McGuckin Hardware include:

- mini LED bulbs, model bulbs and fuses
- general portable audio devices
- home phones, like cordless phones and landline equipment; cell phone and smartphone products
- home office accessories
- power cords
- assorted electronic products.

"Our top items in electronics include headphones, wiring for speakers, cell phone accessories and a variety of cabling, which is the meat and potatoes of the category," Garrels says.

At B&C True Value, customer requests continue to shape the offerings, which is driven by customers updating their homes with home electronics in mind. For example, to constantly keep phones and other USB-powered devices charged, Fowler says his customers are completing projects in the home that make it easier to access a charger wherever they are.



McGuckin Hardware is located in an active outdoor community, so heavy-duty phone cases from the Otterbox brand perform well.

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*Through the "income approach" to real estate appraisal, as expenses go down, net operating income goes up.
The net result is an exponential increase in appraised value.

Homeowners are frequently adding USB outlets directly into the walls as an easy D-I-Y project.



"We've seen that more and more people want to have an electrical outlet in the wall that includes a USB plug in addition to the three-prong outlet," Fowler says. "A lot of people remodeling want an outlet installed into the wall with the USB port already built in."

As Miller's Ace Hardware has grown its selection, it now dedicates 20 feet of shelf space to home electronics in the electrical department along with top space in the impulse area to promote other electronics accessories.

"Primarily, we sell more common items like HDMI cables, audio cables and headphones," Gold says. "We also have lots of cell phone accessories like protective covers, hands-free items for the car and adapters."

To decide on items to add to their home electronics selection, Gold says they rely on feedback from customer requests, associate opinions and the assortments offered by their co-op. However, Gold explains they have to stay in tune with the category to avoid falling behind.

"We're growing with the category and try to look at it periodically," Gold says. "Electronics is an area that changes pretty quickly, so I have a few guys staying on top of it and doing regular refreshes for the more current items."

POWER UP YOUR IMPULSE

If you want to get started with the electronics category or want to refresh your selection, the retailers we talked to suggested that the main products you focus on include phone chargers, phone accessories, a variety of cable cords, headphones and adapters.

If you aren't ready to commit to a wide offering of home electronics products in your electrical department, you can dip your toe in the niche by adding it to your impulse sections and at the checkout.

"What works well for us is fishbowl displays for smaller home electronics items," Fowler says. "These are USB cords, USB power ports to charge phones in the car and also headphones."



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“Good margins come from these accessories and add-on items...we can help and we always try to take advantage of this impulse opportunity.”

—Greg Gold, Miller's Ace Hardware

McGuckin Hardware promotes electronics as an impulse on endcaps, but the store also tries to make the electronics department have an element of what Garrels calls ‘shopper-tainment.’ For some examples of how they accomplish this through education and events, flip to Page 82.

Gold at Miller's Ace Hardware suggests you take a chance and try home electronics or breathe new life into existing assortments, but only dive in when you're ready.

“I suggest starting small,” Gold says. “Find four to six feet of space and start on an endcap to get some exposure for the new niche. I'd recommend 25 to 30 SKUs to really give it a try.”

In addition to adding a few home electronics products and creating a space either in impulse areas or on your shelves, Gold also encourages you to spread the word about the electronics products you have available.

“You always have to do things in store and through marketing efforts to let people know these products are available,” Gold says. “We do this through monthly newsletters and email blasts.”

Instead of thinking the niche won't integrate into a traditional hardware store, Gold encourages all retailers to consider the high margins available, as they can add up to 60 and 70 point margins in some cases.

“We're always trying to be that one-stop destination for our customers,” Gold says. “We're not going to carry TVs, DVD players and those sorts of things, but our customers will always need the accessories. Good margins come from these accessories and add-on items. If a customer needs a cable, we can help and we always try to take advantage of this impulse opportunity.” □

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