



One-on-one with
Mike Ohman,
President & Founder
BEYOND AUDIO INC
Kelowna, BC
by Wally Hucker



"A kitchen/seating area/bar, where we do a lot of our sales presentations, has a built-in LCD television, internet hook-up, and a cappuccino machine."

Mike Ohman is the President and founder of Beyond Audio Inc, the premier Electronic Systems Contractor in Kelowna BC.

MARKETNEWS: Do you operate Beyond Audio as a retail shop at all, or are you strictly by appointment?

Mike Ohman: We are not strictly by appointment only, but close to it. We are in a heritage home area, on a main street. There are now about a dozen businesses in our block, from lawyers through hair dressing salons and an art gallery; so we do get some walk-in traffic.

MARKETNEWS: You've been in business 15 years. How long have you been at this location?

MO: We've been here 12 years.

MARKETNEWS: Was this your first venture into audio-video electronics?

MO: Not really. I've been a musician since I was a teenager. Then I went to college and got a Power Engineering degree.

MARKETNEWS: What is a Power Engineering degree? Is it electronics?

MO: It's primarily industrial electrical power generation. That's where I learned to do drafting, electronics and electrical drawings, which are really handy skills when you are doing custom A/V work. I was in that field for a few years before starting a sound and lighting equipment rental company. That's where I really learned the ins and outs of audio and lighting control.



"Beyond Audio is physically stationed in a house about 60 years old, which we've essentially redone."

MARKETNEWS: So how did you wind up running a custom design and installation business?

MO: About 15 years ago, I sold my rental business, put the money in the bank, and took two years off. During that time I looked for a business that I would like to do, and could do. When I learned of electronic systems contracting I realized that I already knew a great deal of the technical side of distributed audio, sound systems, lighting control, and related things.

MARKETNEWS: The technical knowledge doesn't instantly make a person a successful businessman.

MO: No. For most of those two years, during which I wasn't working much, I went to night school, studying accounting, business management and marketing etc.

On Location

MARKETNEWS: What made you locate in Kelowna? Were you planning a custom audio-video business, as part of your school project?

MO: Yes, I was. It was a nice little adjunct to the course to put together an actual business plan for this business. I didn't really care where I moved, personally. After studying Canadian demographics, I realized that Kelowna was going to be a hot spot for a while. It is in the middle of a bunch of other smaller towns, so there's some synergy there, and it's a nice place. I could also afford to open here, rather than compete in Vancouver or Calgary. I probably could have done fine in those larger markets, but to have a larger presence there, you need more start-up capital.

MARKETNEWS: How small a job is too small for you?

MO: We take on lots of smaller work. I don't think that there is one that is too small. We often work with a developer or builder. For example, we are doing a golf course development called Gallagher's Canyon, which is not generally super-high end, although some homes are. For this, we are the audio-video and low-voltage systems contractor. Sometimes we do \$200,000 worth of work. Sometimes we just do satellite pre-wiring, because that's all they require.

Nuts & Bolts

MARKETNEWS: Did you ever work from the trunk of a car?

MO: No. I started with a small shop and a couple of vans, and all of the industry accreditations: low-voltage tickets, electrical contractor license; and we've been a CEDIA member for years and members of the Canadian Home Builders' Association.

MARKETNEWS: Do you have a showroom?

MO: A house about 60 years old, which we renovated. We have a showroom and a systems assembly area, an elaborate home theatre and distributed audio-video throughout. There is also a warehouse and a commercial recording studio on the property.

MARKETNEWS: How far afield do you work? Is the majority of your work near Kelowna?

MO: The majority of our work is within a two-hour drive. We also do work in Invermere; at the Panorama ski and golf resort area, about five hours southeast from here. We also work in the interior. We're doing a couple big jobs in the middle of British Columbia and two large scale projects in Vancouver. Plus we were in Torino, Italy, for the 2006 Winter Olympics, designing and installing the electronic system for BC Canada House.

Different Strokes

MARKETNEWS: Do you have office and reception staff?

MO: Yes. As well as a dedicated service department and our technical staff of course.

MARKETNEWS: What exactly does Beyond Audio do? Do you do all the wiring from the ground up? Smart HomeFX of Edmonton, for example, subcontracts most of the pre-wiring.

MO: We do all the wiring, systems designs and engineering from start to finish. We've tried subcontracting, and still do, but very rarely. We do a better job when we are there from beginning to end. It's an interesting business model to hire a subcontractor, for a variety of reasons. The wiring people may move on, or go out of business.

MARKETNEWS: Do other retailers ever subcontract to you?

MO: They try, but not the management so much as the salesmen on the floor; who try to get rid of objections from customers who ask, "How do I get all this stuff installed?" They say, "Oh, you simply phone Beyond Audio." So we get these calls from people who have

purchased items from elsewhere, have essentially been lied to and we have one simple answer. "No". We are far too busy installing items we are selling. Our business model doesn't support that. I don't think anybody's does, really.

MARKETNEWS: Do you see any disadvantages, or advantages to being strictly custom by appointment?

MO: We've structured a business model that best suits our customers and us. I was aided in this by taking a lot of training, including at least 50 CEDIA classes, some of which were about business structure and related topics.

MARKETNEWS: What percentage of your business comes from individual personal residences, verses commercial installations?

MO: Half of the work done is directly with the homeowners, the rest through builders, developers and businesses. 20 per cent would be some of the better restaurants, and quite a few of the wineries have hired us to do what are sometimes very elaborate systems.

A Matter of Course

MARKETNEWS: You mentioned taking 50 or more CEDIA courses and have been quoted as saying that you have too much training or knowledge.

MO: The consumer electronics industry moves very quickly and we do so many different disciplines at a fairly high level, from computer networking to lighting control and audio-video. It takes a lot of knowledge to pull all that off.

MARKETNEWS: Are all your people CEDIA certified?

MO: All of our technicians are required to have their CEDIA certifications within the 1st year.

MARKETNEWS: Can any of your people do any job?

MO: With the exception of high-level programming, yes. All of our people can program all of our hand-held remotes. Not everybody can program Crestron. Half the people can program lighting systems.

MARKETNEWS: Do you have any specialists that only do one job?

MO: Not really, Dieter Planz is the Crestron programmer, so that is as specialized as we get. There are a variety of reasons to be able to send anybody to update somebody's remote, or add a DVD player and reprogram the system. Last Christmas, I gave every person on the technical staff an RTI T2+ home theatre remote. Now, they are really comfortable with the product and how to program it. They can say how great it is from experience.

MARKETNEWS: Many custom specialists say that they build, rack mount, test, and shrink-wrap their systems at their shop before moving them to the customer's homes.

Mo: That is precisely how it should be done, and exactly how we do it. With a small system, it's less important to do all the testing, but if it's a lighting control, touch panel, and more elaborate system, we have no choice. We test everything.

MARKETNEWS: I've read that your company is spending at least \$10,000 a year on training.

Mo: At least. This year will probably be \$16,000 or \$17,000. There is CEDIA's big trade show, and usually a regional trade show yearly. I had three people at Aralex's show in Vancouver last week, training for the Niles and other products. We also have a lot of in-house training with suppliers. Runco comes yearly as do many others.

Building Clientele

MARKETNEWS: You are a past president of the Canadian Home Builder's Chapter in Kelowna, correct?

Mo: Yes. I walked into their office one day, and said, "Hey, I'm a member of the association, and would like to get a little more involved." They replied "That's great. Would you like to take on any one of these projects?" So I ended up being the chairman of the local housing awards show for four years. It was a lot more elaborate and a lot more work than I ever imagined, but I learned an awful lot in the process, they decided that I would make a good President. I was president for two years, from 2000-2002. I also sat on the provincial board for 4 years. When I was Vice President, we won Best Association in Canada, Best Association in BC, so I guess you could argue that I stepped in, and brought it down a notch.

MARKETNEWS: Okay. You said it, not me. Are repeatability and scalability important to Beyond Audio?

Mo: In some respects they are. The more repeatable it is, the simpler for our organization to support.



If we get a phone call two years from now about something that doesn't work, and if we have done dozens of those systems, it's simple to dispatch somebody to take care of it. If it's a one-off custom project, using products we hardly ever sell, it's very difficult.

MARKETNEWS: Do you therefore limit the brand and models of components that you use?

MO: We try extremely hard to limit the brands, but the marketplace keeps pushing us around. If somebody wants an elaborate integrated system, then we use Crestron, even though the customer has never heard of Crestron. Certain product lines are better than others, and we try to stay away from proprietary systems, they can be very problematic, if the company goes out of business or other issues arise. If you use more ubiquitous products that use, say internet protocol, you've got scalability built-in, not in the brand, but how it goes together.

MARKETNEWS: Can we assume that the typical structure you work on is a single-family luxury home?

MO: I would say that it is generally a smaller luxury home. Typically, the scenario is a retiring couple, or semi-retired couple, or a couple with a summer home to which they are going to retire. It's smaller than their family home, because, typically, there are now only two people.

As a Rule

MARKETNEWS: What would be the most common configuration: home theatre only, or home theatre plus multi media and audio distribution?

MO: We specialize in many different configurations and smart home designs. The typical configuration for our jobs is: one spot where they are going to watch TV. Sometimes it's a dedicated home theatre. Sometimes it's a family room. Nowadays, we're usually doing about six zones: two more places with a flat panel TV, to which we may be distributing audio and video, from the central location. There will typically be some distributed audio, perhaps an additional three zones. Most jobs have computer networking now. About 20 per cent of the jobs will have lighting control and such things as internet cameras.

MARKETNEWS: What would be the average cost of a project?

Mo: The average is about \$25,000.

MARKETNEWS: At the outside of the bell curve, what are the high and low ranges?

Mo: The high end is about \$650,000 and the low end would be a few hundred dollars, but both those are pretty rare. These days, almost every project is over \$20,000.

MARKETNEWS: How do you price out your jobs to your customers?

MO: We use a software package called D-Tools. It's a relational database software package, which allows us to present detailed quotes with our labour and accessories included for all items. For example, if I'm installing a 50" plasma, I know I need a bracket and a certain amount of time to get it up, test it, wire it and program it. It also does drawings, project management, and other things.

MARKETNEWS: How and where do you source product?

MO: Almost all of it is directly from manufacturers. We go through very few distributors anymore.

A Matter of Choice

MARKETNEWS: Being the experts, does Beyond Audio solely determine the components for its client's systems?

MO: About 90 percent of the time. Sometimes clients will have certain want or desire, or sometimes a need for a very specific piece of equipment, and we will have to do what we can to accommodate them. In a more elaborate system, like one controlled by Crestron, we tend to require that we specify everything, to ensure that we can deliver what we promise. The fact of the matter is that a lot of this stuff doesn't work well together.

MARKETNEWS: Do you discourage customers from Internet shopping or researching?

MO: Not at all. We welcome it. We use the Internet continuously all day long. Used correctly, it's great.

MARKETNEWS: Does the old adage that 'a little knowledge can be a dangerous thing' apply?

MO: It can. Of most specifications on audio, video, and related equipment, we tend to believe only the size and weight. The rest of the information we do not take as gospel.

MARKETNEWS: Do your customers shop the Internet, and then ask for prices?

MO: Every once in a while they do. Everybody is price conscious. We make sure that the major items we sell, like plasma and flat screens, are price competitive.



It's pretty easy to make sure of that, and I think that if you operate your business properly, it's not a detriment.

MARKETNEWS: How much teaching or handholding is required at the end of a major project?

MO: Our mantra is "If it takes us more than two minutes to teach you any one system, we haven't done our job right," and we deliver on that.

MARKETNEWS: Do you prepare written guides specific to each installation?

MO: No, we do not, as a matter of course. Occasionally we do, but they are not so much instruction sheets as something to get them started the first day. These days, any electronic system with a properly programmed touch-screen, or even a hand-held remote, which anybody can afford, will prompt you through its operation. I don't think you should need instruction sheets.

MARKETNEWS: At this point, I usually ask: "How long will you continue educating the customer without any additional charge?" It sounds like it is a non-issue for you.

MO: We certainly try to make it a non-issue. Here's a typical example: we install a house-wide audio-video system for a customer who moves here from elsewhere in Canada. We can't ask them what their favourite radio or TV stations are, if they've never had digital cable before. If we wait a week or so then the customer can ask informed questions we then address and quickly fix or tweak.

MARKETNEWS: Can we say in general that convergence is good for your custom business?

MO: I would put it a different way, because convergence doesn't describe very precisely what it is. It's the large array of available options that drives people to somebody like us. It's just too difficult to sort out on your own the dizzying array of products and how they could all possibly go together. We have a hard enough time keeping up and figuring it out on a day-to-day basis. I can't imagine how Mr. John Q. Public can do it.

MARKETNEWS: Again, how do all the new products affect your business?

MO: Our project sizes, dollar-wise, keep going up, electronics continue to get less expensive so the number of items people buy goes up which adds complexity. Our challenge is to make things less complicated to operate while continuing to make sure systems are reliable.

Mantras

MARKETNEWS: Who are your main competitors among retailers and custom specialists?

MO: Every large electrical contractor has what they call an audio-video division. It's usually one guy, with a truck with A/V division written on it. For more complex projects we compete with Commercial Electronics and La Scala from Vancouver.

MARKETNEWS: How do you qualify customers?

MO: We have a fairly specific process on larger jobs to qualify customers, so that we don't spend a lot of engineering time before getting the job. We ascertain which systems they would like and a budget range of those different systems. We can usually do this in about an hour.

MARKETNEWS: Are there any differences in the male-female preferences that might surprise us? While you're mulling that over, I'll say that the usual answer is that women are more interested in the aesthetics, while men are interested in size.

MO: That is still part of it, but people building custom homes here have done it before, and the couples are equally concerned with how it looks and functions. Generally, the women will respond more when I say "We are going to make it very simple to use and you do not have a choice in that". That by the way is another of our mantras. We will not sell a system without a universal remote control, at a minimum.

MARKETNEWS: Are you an Apple dealer?

MO: No, but I have two Apple computers and two iPods. I still operate my commercial recording studio using Apple computers. It's also my hobby and I love the stuff, both Apple and the recording process.

MARKETNEWS: Are MP3 and iPod compatibility very important to your jobs?

MO: Absolutely. Of the eight jobs I am designing now, iPods are a factor in seven.

MARKETNEWS: Is satellite radio important to your business?

MO: Yes. I would say that it appears in about 90 per cent of our systems.



MARKETNEWS: Is HDTV pushing custom sales at all?

MO: Absolutely. The dropping cost of flat panel and the ability to distribute HD in a relatively affordable way throughout a house is fantastic. In a master bedroom, for example, all that's required is two built-in speakers and a TV. Everything else is remotely located.

High-def DVD

MARKETNEWS: Many boomers have had the dubious experience of buying a favourite album many times in many different formats, from 8-track tape to music DVD. Do you get any complaints about new DVD formats, and delay of formats?

MO: We get a lot of questions from the early adopters of DVD. I tend to stay away from the bleeding edge of technology. A newer product I find needs a good year or two to fully work out any unforeseen glitches and to become a better value.

MARKETNEWS: Is there too much choice for the customer?

MO: I think a lot of customers come to us to allow us to make, to a large degree, the choices. I think they realize that we deal with this issue thousands of times a year, and that we really do take it seriously, so our advice is generally seen as unbiased. For example, if there are differences between satellite and cable; I don't really care what they use. From the point of view of revenue for my company, it's irrelevant. I care much more for other reasons. Can we implement it properly? Will it do what they want? The same thing goes for DVDs or any of the technologies.

Brand Loyalty

MARKETNEWS: I usually ask if there is any brand loyalty among customers anymore, and how it affects system designs. Do you discourage it?

MO: When discussing systems, a lot of customers want to start talking about specific brands right off the bat. We first need to talk about what they want the systems to do, and how they want things to look and operate. Those things are more important than the brand. There are brands that have a lot of equity built-in. B&W speakers have gotten some very big kudos and Runco does very well, as does Stewart Film Screens, for brand recognition and panache.

MARKETNEWS: Do you have any goals for six to twelve months, or five years?

MO: I have a continuing goal to operate the company in a manner that has integrity, and that the staff has a good, enjoyable working life here. If we accomplish those two things, I know that we're going to serve our customers properly.

I don't really have a five-year goal. If I operate the company properly, and it's fun to work here, then why would I want to change?

MARKETNEWS: Many custom specialists as well as retailers are adding furnishings both as a service, and also for better margins. Do you deal in audio/video furniture at all?

MO: Yes we do. I'm not sure that the margins are all that better, except than on flat panel televisions, because you have to compete with all the furniture stores. We have Salamander Designs. I met the owner at a CEDIA show and mentioned how nice I thought the stuff was, not knowing who he was, and one thing led to another. We also sell Front Row Seating and others.

MARKETNEWS: In addition to CEDIA and the Home Builders' Association, does Beyond Audio have any other affiliations or certifications?

MO: We have ISF (Imaging Science Foundation) certification, and THX Level 2, as well as CEDIA designer and technical certifications. Electrical Contractors License, Lighting Control Design Certifications - I could go on...

A Going Concern

MARKETNEWS: Richard Petit, who operates Kebecson, a B&O store, and distributes Canton speakers, says that many dealers are afraid to try to sell the better goods. Do you up-sell your customers?

MO: No, I don't think I do a very good job of that, personally, from a sales standpoint. Electronics is always cheaper, cheaper, and cheaper. It's part of our culture. Everybody wants the best deal. Most people aren't aware that you can spend \$1,000 or more on a DVD player. I can easily demonstrate the difference, but when they are building a house, and filling it full of stuff, it does add up. Nobody has ever looked at one of our quotes and remarked how inexpensive it was. There is always sticker shock, so I think sometimes that pushes us to use lower cost items to keep overall costs under control. We will however not lower our standards on quality and value below a certain minimum because as a wise man once said the bitterness of low quality lingers long after the thrill of low cost is forgotten.

Panel Discussion

MARKETNEWS: Do you have any preference for selling LCD or plasma?

MO: No, although there is a lot of misinformation out there on this subject. LCD manufacturers who don't make plasma have done a disservice by pointing out the

potential problems with plasma, even though they are basically unfounded. I preface the discussion by saying that I have no personal bias; we sell all technologies and all have their place. Sometimes choice is as simple as size. For 60" we need plasma, for 32" we need LCD.

MARKETNEWS: Dealers usually tell me that they recommend LCD for areas with high ambient light levels. I infer that those are not dedicated viewing areas.

MO: A better design criteria is light falling directly on the panel itself - high ambient light level is hard to quantify. Fast motion, which LCD doesn't do very well, is another potential item to address, as well as cost, connectivity and control issues.

MARKETNEWS: I know that customers, and people in related industries, are concerned with pixel burn.

MO: Yes, but it's a non issue. The phosphor that creates the picture, the same way that CRTs create the picture, is what burns. The chemical process is precisely the same as CRT. Plasma has essentially gotten around the burn-in problem 100 per cent. We've never had one burn-in. I've never heard of or seen one, but it continues to be written about.

The Big Time

MARKETNEWS: Is Christmas a big time for custom sales?

MO: Yes, it is, in two respects. We do get a bump in people "wanting to do something for the family for Christmas" in regards to audio-video. They want a new surround system, or to buy some smaller items. The bigger challenges are the construction related projects, which may have started in any month from March to September, but all have their finish date before Christmas. That Christmas date doesn't get moved very often, because family is coming, and it must be finished. Meanwhile, due to the nature of construction, all the sub-trades that we have had to wait for have had overruns, so we get squeezed right to the end. I've delivered televisions in two feet of snow at seven o'clock Christmas Eve.

MARKETNEWS: What's been your biggest surprise in this business?

MO: Mike Holmes of Holmes on Homes says "80% of contractors either don't know enough or don't care enough". I believe this to be true resulting in a lot of mistrust of contractors. This is sometimes a disappointment for me personally but I work hard to make sure we earn the customers trust.

SHEDDING LIGHT ON THE TORINO OLYMPICS

A 4,000 square foot log building, built of BC lodgepole pine, was erected to function as a meeting, gathering, information, and promotion site in Torino, Italy, during the 2006 Winter Olympic and Paralympic Games. BC Canada House certainly fulfilled its function of drawing attention to BC. Visually striking as a large rustic log building set in landscape of granite rocks and coniferous trees in the centre of a medieval European city, it attracted over 100,000 visitors in three months. Beyond Audio designed and installed all the electronics, including lighting controls for the project. The Building was designed and fabricated by Sitka Log Homes in 100 Mile House, BC and then transported by rail and ship to Italy, where it was erected. Upon closing, BC Canada was donated to the city of Torino by the government of BC.

MARKETNEWS: Beyond Audio designed and constructed the electronics for BC Canada House, a large log house, at the 2006 Torino Winter Olympics. Tell us about the project.

MO: The phone rang one day, and it was a builder we had never met, who was a friend of a builder we had worked with, offering us an invitation to design. "What's the scope of the work?" I asked. He said, "That's what we need you to figure out." It really was a completely open invitation to design. We met with the builder, and determined that there would be lighting control, and three boardrooms; and started to whittle away at it. We had only four weeks to deliver the entire package to the government, and the building design changed three times in three weeks. We spent three weeks, six days a week, 10 hours a day, doing almost nothing else but designing these systems, including electrical, fire, and



safety. Anything that had a wire, we specified. Two other groups submitted designs to the government, and ours was chosen.

MARKETNEWS: Your price for Beyond Audio's portion was about \$265,000. From what I have read, you didn't make a lot of money on this.

MO: We charged for engineering and design, but the house was redesigned three times. Now, we could have submitted a bill for three times the engineering, and perhaps our group would still have been awarded the contract. But part of the challenge was that the government only had a very loose idea of what they wanted. There was no budget set and any time we added to the project, had the potential to sink the project for our group, so we kept costs very tight.

MARKETNEWS: There was also no consumer electronics superstore nearby, just mom 'n pop shops? Having traveled and worked in Europe, I know how difficult it can be to get what we consider the most trivial technical product or service, especially on evenings and weekends.

MO: We needed a TV bracket, and just getting the bracket was a problem. And we couldn't send the TV's over because they needed to be 240 Volt. We had a great liaison with the builder, who assigned us wiring help in advance, and we really did plan it extremely thoroughly, so we had very few challenges.

MARKETNEWS: Did this feather in your cap generate any other business?

MO: I'm not sure how much direct business it generated, but I think that it answers the question, whether posed by our customers or others, "How good are these guys, and can they do our project?" It gives us credibility, and has had a very positive impact on our business.