

Tweeter Brings the "Ultimate Consumer Electronics Shopping Experience" to Houston, Texas and Wilmington, Delaware

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Premier specialty consumer electronics retailer continues the evolution of its service and installation-focused business model with two new CE Playground stores

CANTON, Mass. -- As the holiday shopping season kicks into high gear, Tweeter Home Entertainment Group continues to take its customers on an educational journey of discovery through the dynamic and exciting world of consumer electronics, with the opening of its fourth and fifth "Consumer Electronics (CE) Playground" concept stores in Houston, TX and Wilmington, DE. The new stores represent Tweeter's efforts to replicate and roll-out the Company's new CE Playground stores throughout the country, providing more and more people with the ultimate consumer electronics shopping experience.

Since their respective openings, Tweeter's new CE Playground stores have outperformed the Company's traditional shops in margin, sales and in-home installations in their respective markets. The stores have given Tweeter a unique model to live along side the traditional grab-and-go box retailers.

"We are very encouraged by the early success of our CE Playground stores," said Tweeter President and CEO Joe McGuire. "Our new business model is clearly resonating with consumers as we have provided an alternative to shopping for home and mobile entertainment products at the historically sterile big box retailers. In addition to providing unique and compelling product assortments and competitive pricing, our CE Playground stores bring the latest consumer electronics technologies to life for our customers, demonstrating for them what is now possible where they work and where they play."

From the latest in audio and video technology - including the new iPod models, Zune and the Polk I-Sonic(TM), to interactive displays featuring the Sonos[R] Digital Music System, Blu-ray and HD DVD players, to Universal and car starter remotes, there is something for everyone.

Like its three predecessors, Tweeter's new Houston and Wilmington stores dazzle the senses and stoke the imagination of not just the most die-hard electronics consumer, but anyone in the market for a new TV or thinking about adding a sound system to their existing TV. People looking to integrate the latest CE technology throughout multiple rooms in their home will be simply amazed by the plethora of possibilities now available to them. The store's unique selling spaces create a consistent "customer journey" that makes shopping for home and mobile entertainment easier and more enjoyable for customers, from the moment they walk into the store.

The customer journey begins with a greeting at the concierge service desk. Replicating the service models seen in five-star hotels, the concierge desk offers trained professionals that ensure the customer is completely satisfied throughout their entire visit to the store. Whether their desire is to browse around at their leisure or accompany a staff member on a guided tour through the store's interactive showrooms, customers are given the opportunity to ask questions and field ideas to best determine the right entertainment solution for them.

The new CE Playground stores showcase whole-home control and automation through sleek and sophisticated notional spaces specifically designed to replicate the rooms throughout a customer's home. A fully-integrated family room, bedroom, bathroom, kitchen, sports bar and patio space are all decked out with the most cutting-edge video/audio gear and controlled by one master remote control. From innovative technologies such as Vision Art that converts a beautiful painting into a plasma TV, from audio/video to lighting and climate control, customers are given the ability to see how an entire home can be controlled from one, centralized location at the touch of a button.

The notional spaces are as much a partner in the early success of Tweeter's CE Playground stores as the new selling processes and technologies expressed inside the spaces. They serve as outstanding complements to Tweeter's second-to-none sales associates as unique, compelling, warm and inviting spaces that really talk to the Company's efforts to express what's possible inside a customer's home.

"We have created an authentic, comfortable place to shop for home entertainment technologies," said Paul Ryan, Tweeter's director of store design and category management. "Notional spaces which demonstrate how the latest CE products integrate into people's lives, cues them to the design possibilities in their own homes and builds confidence in Tweeter's installation capabilities - in addition to our strong product knowledge."

In addition to the notional spaces, customers will also be blown away by the store's gigantic wall of flat-panel TVs, including the latest plasma and LCD displays from Panasonic, Pioneer, Samsung, Sony and Toshiba. The wall's distinctive set-up allows customers to stand and compare the TVs side-by-side, with little effort.

Across from the TV wall is the "On-the-Go" area, which highlights the latest innovations in hand-held and portable devices, as well as mobile installation and integration. At designated technology pods, customers can enjoy a hands-on experience with new technologies, including HD Radio, wireless radios and home audio integration systems.

For people interested in "tricking out" their cars, a mobile installation bay with onsite experts is available to customers to provide immediate install services for all of their mobile needs. Customers are offered three different in-car models of mobile installation capabilities that demonstrate the possibilities of audio, video and digital integration inside their vehicle.

At the back of the store, customers will come across The Big Screen Adventure, an exhilarating home theater experience that offers people the opportunity to sit in D-BOX([R]) Quest([TM])

motion simulator seating, while viewing their favorite movies on a Sony projector with an enormous 120" Stewart screen.

For customers who simply want to explore the possibilities for adding a sound system to their existing TV, the store's Sight and Sound Room features single speaker solutions that are set up and ready to demonstrate. From on-wall, low-profile speaker systems that can be added to complement the low-profile look of a flat panel TV, to in-ceiling and in-wall speakers for people who want great sound but prefer their speakers to be placed out of sight, Tweeter caters to its customer's needs and provides lasting solutions.

In addition to the store's large interactive design center - which gives customers a comfortable place to sit down, design and experiment with different solution sets that fit their needs - Tweeter continues to expand upon its training platform to provide the store staff with more information and tools, fostering a broader depth of quality customer experience, technology education and installation services to the consumer.

"Whether people are just looking for holiday gifts or are planning to outfit their car or home with the latest CE products and technology, we encourage them to come in and visit with us at Tweeter," added McGuire. "We guarantee that they will have the ultimate consumer electronics shopping experience as well as the opportunity to take home more than a box."

Tweeter's new CE Playground stores are located at 5310 Kirby Drive in Houston, Texas and 5333 Concord Pike in Wilmington, Delaware. The stores were designed and brought to life by the Tweeter Design Team.

Tweeter sees future in suites

Battered in price war, electronics seller turns to upscale packages

By **MARK JEWELL**, Associated Press

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BOSTON -- Tweeter Home Entertainment Group Inc. is trying to ease out of the line of fire in a flat-panel television price war over the holidays that has since targeted the Super Bowl.

The electronics retailer's stock plunge has plunged as it struggles to match the price cuts of bigger rivals like Best Buy Inc. and Circuit City Inc.

Now, Tweeter's top executive has an escape plan true to his 154-store chain's traditional high-end niche: drop out of the low-end flat TV market, focus on custom home-electronics installation, and speed up the launch of "consumer electronics playground" concept stores where concierges greet arriving customers and guide them on tours of "interactive showrooms."

Tweeter's president and chief executive, Joe McGuire, said the company will focus on mid- to upper-range TV sets this year and gradually remove low-end flat TVs from its lineup. Tweeter will cede that ground to the likes of Best Buy and Circuit City, bigger rivals better able to absorb the price war's low profit margins.

"A commodity product is far better done by a big-box retailer," McGuire said in an interview.

The plans follow a series of setbacks at Tweeter, including last month's announcement of a 10 percent sales decrease in the latest quarter and the elimination of 70 jobs at its headquarters in Canton, Mass.

The day after the announcement, investors sent Tweeter's stock down 23 percent to a closing price of \$1.62. The shares have since dropped further, hitting a 52-week low of \$1.23 last week.

Last year, Tweeter's shares lost more than half their value despite a cost-cutting plan begun in 2005 to close 19 stores and shave more than 200 jobs.

"They're obviously losing market share, and there don't appear to be any easy answers out there about how to stop it," said William Armstrong, an analyst for C.L. King & Associates in Albany.

Tweeter sold 58,000 TV sets in the final three months of 2006, a 15 percent increase compared with the same period in 2005. While flat-panel TV sales rose 39 percent to offset dropping sales of projection-style sets, flat TV prices plunged 24 percent. Overall company sales fell 10 percent.

Tweeter has stores in Crossgates Commons in Albany and The Shoppes at Wilton on Route 50.

Analysts say Tweeter must adapt to the shifts in the video market, which accounts for 51 percent of the company's sales. Over the holidays, retailers slashed prices on 42-inch flat-panel TVs to below \$1,000, drawing customers who otherwise would have settled for older projection-style models.

Tweeter responded with its own price cuts. But analysts say Tweeter lacks the size to compete for long in a low-price, flat-panel market that has drawn entrants such as Wal-Mart Stores Inc. and The Home Depot Inc.

CEO McGuire said changes are imminent at Tweeter, owner of stores under the Tweeter, hiFi buys, Sound Advice and Showcase Home Entertainment names in New England, the Mid-Atlantic, Southeast, Texas, Chicago, Southern California, Phoenix and Las Vegas.

"We competed across the full spectrum this past year on flat-panel TVs, but this year probably will be our last," he said. "For manufacturers to hit those low price points, they're really stripping TVs of features."

McGuire plans to accelerate a 2-year-old initiative to develop Tweeter's concept stores. Customers are led on tours of rooms decked out in the latest gear, much of it automated and hidden from view by furniture.

Seven such stores had been opened by the end of 2006. McGuire wouldn't say how many more would open this year. But he said enough details about the stores' designs and operations have been worked out to accelerate store openings. So far, the concept stores have outperformed traditional locations in profits and sales.