



# Trutone Electronics Sets Itself Apart

## Independent retailer creates a competitive advantage

Bob Rabbito bought Mississauga, Ont.-based Trutone Electronics in 1984. At that time, it was a TV / stereo system retailer with a 2,000-sq.-ft. showroom and a warehouse of about the same size. The retail landscape was dominated by similar, independently owned businesses each able to carve out a healthy market share. In short order, Rabbito doubled the size of the showroom and the warehouse. It wasn't long, however, before big box retailers such as Best Buy, Costco and Walmart began squeezing out smaller retailers.



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"Fifty per cent of our business is repeat customers," says Bob Rabbito, owner of Trutone Electronics.

In order to set Trutone apart, Rabbito expanded the product line and moved the business into customized automation and home theatres. In fact, Trutone Electronics was one of the first companies to custom build theatre systems onsite in people's homes — a strength that continues to be a competitive advantage and key differentiator.

Today, Trutone Electronics is a one-stop shop for consumers and businesses alike, designing and installing custom home automation and cinema systems, integrated home monitoring systems, plug and play conference rooms, and video walls for restaurants and bars. It carries a premier lineup of electronic brands including Panasonic, Sharp, Sony, Focal, Soundcast, Arcam, Naim, Bryston, Control 4, Crestron and Kaleidescape. Each system is designed specifically for the end-user by Trutone's design team and installed by its Custom Electronic Design and Installation Association (CEDIA) – certified installers.

"The much larger retailers were incredibly aggressive, and television became a commodity that you could buy anywhere. We could no longer be profitable just selling TVs. We had to evolve and change our business model to focus on service and building long-standing relationships with our customers," says Rabbito. "Now when our customers buy a new home, they call on us to prewire it for them and then install the equipment. It's allowed us to build up a loyal customer base. Fifty per cent of our business is repeat customers."

The other 50 per cent comes from its targeted and effective advertising campaigns. Trutone recently hired its first full-time marketing director to revamp its website.

Another key competitive advantage: Trutone is part of two buying groups. Put simply, a buying group is made up of independent businesses in the same industry leveraging their combined purchasing power to receive better pricing and terms on the products they buy. In Trutone's case, it is part of 2001 Audio Video Group Select, a buying group of independent consumer electronic retailers in Ontario. Members benefit from exclusive buying opportunities, a promotion and advertising advantage, and current information about the industry.

"Buying groups are an emerging hot topic among small to medium businesses," says Brad Cherniak, partner at Sapien Capital Partners, a business advisory firm in Toronto.

"Most industries are being Amazonized as giants are crushing smaller players. In fact, Amazon has product listings in the millions. While buying groups can help small companies compete, it's important to do your homework and understand exactly how they work. For example, who takes the credit risk? How are returns dealt with? Who gets what and how fast? Often there is a hierarchy among members. There are successes, and when it clicks, the benefits can be huge."

Rabbito has found buying groups that click for his business. "The 2001 buying group negotiates a volume discount for member retailers with manufacturers," he says.

Trutone is also part of Mega Group, a buying group based in Saskatoon. It has more than 700 members and in addition to volume rebates, purchase discounts and credit card savings, it also offers advertising and merchandising programs.

Rabbito and Trutone also take advantage of the advertising fund electronics manufacturers have set aside for the retailers that sell their products. "This fund supports our marketing expenses and annual sales," says Rabbito.

Going forward, Rabbito plans to continue to keep evolving the business and that includes evolving the product line as well. One of its latest additions is a mirror that transforms into a TV with the push of a button.

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## CIBC Tips: Sizing Up the Competition

When a larger business enters your marketplace, whether it's your geographic territory or your e-commerce space, there are a few key strategies to level the playing field.

1. **Know your business** No one knows your company's core strengths, better than you. Whether it's your specialized knowledge of your customers, your vendor relationships, or your tried-and-true processes; focus on your competitive advantage in order to better service your clients.
2. **Know your clients** The stats may change, but the idiom remains true: retaining clients is far less expensive than attracting new ones. With a focus on customer service and forming long-lasting relationships, you will increase your chances of repeat business. Take this to the next level, and ask clients for referrals, word of mouth speaks volumes.
3. **Know your resources** Maintaining and monitoring your inputs and costs is important, as your company continues to grow. Independently, you may not have the same negotiation clout as larger competitors, but utilizing tactics such as joining a buying group, allow you to operate as efficiently as a much larger company.

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