



TECH- PRENEUR

COREY LIEBLEIN'S
FAST-GROWING
COMPANY
DESIGNS HIGH
AND SELLS LOW

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While the spotlight was fixed on Apple's flashy watch debut last week, Corey Lieblein, owner of Innovative Technology Electronics Corp., was visiting a rather large customer in

Bentonville, Arkansas.

Lieblein's commitment to that customer — Walmart Stores Inc. — and his other retail partners is a prime reason that Innovative's sales grew 34 percent last year to \$39 million.

The Port Washington maker of Bluetooth speakers, retro-look turntables, Justin brand mobile phone battery chargers and

other products forecasts growth of more than 50 percent this year to revenues of about \$62 million, operating in the lower-priced tier below brands such as Samsung and Sony. QVC, Kohl's and Midwest chain Bon-Ton also carry the goods Innovative designs. The company contracts out manufacturing largely to China.

At Innovative's no-frills, single-story office suite at Channel Drive and Shore Road, there are no secretaries. Workers answer their own phones. At lunchtime, all 16 employees turn off their mobile phones and chatter about everything but work. Shop-talk is verboten. Lieblein, 43, picks up the tab, with the menu ranging from takeout deli to Ital-

ian to barbecue. The company also pays full freight on workers' health insurance premiums.

Innovative may be flourishing now, but about 13 years ago the company was just getting off the ground and Lieblein, of Sands Point, was having trouble making his home mortgage pay-

See INNOVATION on A32



The retro suitcase turntable is a popular product.

'STROKE of LUCK'

INNOVATION from A31

COMPANY BORN FROM DVD ORDER

ment.

Lieblein, a tournament poker player, said good fortune helped push him into the electronics business in 2001 when he heard retail chain Linens 'n Things was unable to get 50,000 DVD players for a Black Friday promotion. Lieblein jumped in, recruited a friend who knew the electronics business and delivered the goods on time.

"It was a complete stroke of luck," he said.

Lieblein, the winner of \$9,826 at the 2012 Borgata Winter Poker Open, says that he does not gamble in business, but he is a quick study at analyzing risk and reward. After "making more money than I'd ever seen" on the DVD deal, Lieblein dived into the electronics business.

Seizing opportunity

Karen Sobel Lojeski, an assistant professor in the Department of Technology & Society at Stony Brook University, said that the ability of entrepreneurs like Lieblein to seize opportunity cannot be learned in a classroom.

"You have to be ready to take advantage of your lucky break," she said. "You could drown in the sea of academic literature about entrepreneurship, but at the end of the day, you can't teach it."

Lieblein's drive was apparent in childhood. As a 9-year-old, he shoveled snow, washed cars and mowed lawns in his native Port Washington.

"I've always had the entrepreneurial spirit," he said. When he turned 16 he began busing and



CEO Corey Lieblein, far right, leads a design meeting at Innovative Technology Electronics Corp. in Port Washington with, from left, Cynthia Heyman, director of product development; Gwen Mayers, director of business development; and Lucas Eberle, creative director.

waiting on tables at Louie's Oyster Bar & Grille, a century-old Port Washington restaurant.

"I loved working. It was a great way to make money when I was a kid," he said. The Louie's connection continued through his years at Paul Schreiber High School and during breaks from Syracuse University, from which Lieblein graduated at 21 as a retail and marketing major.

"I assumed I'd go into retail," he said. Out of school, he joined the executive training program at Saks Fifth Avenue. He left

Saks for a sales job in the garment district.

At 24, however, Lieblein started a scrap plastic trading company, aided by contacts from his father, Kenneth "Skip" Lieblein, who owned factories that processed foam to be used as carpet padding.

Though he was following his entrepreneurial path, the plastics business left him cold.

"I became very frustrated," he said. "I was making a pretty good living, but I was never in love with it. I had bigger ideas in

mind."

Then, at 29, he got his break.

As his grandfather, George Lieblein, now deceased, used to tell him: "It's what you do with your lucky breaks that will tell your ultimate story."

Within seven months of closing the DVD player deal — he and his friend got Korean giant Daewoo to make the inexpensive DVD players Linens 'n Things needed — he shuttered his Port Washington plastics trading business.

During the transition from

plastic to electronics, Lieblein was the sole employee of his new enterprise. He did everything and knew precious little.

"I did the buying, the freight, the logistics, the books," he said. "At the end of the day, I'd take out the trash."

'A wonderful foundation'

He learned on the job. When a customer asked for an obscure bit of information, like the HTS (Harmonized Tariff Schedule) code for a shipment, Lieblein stalled. First he had to find out what an HTS was, and then find the answer.

Lieblein calls those one-man-band days a "wonderful foundation" that gave him insight into every part of the business.

He started off walking the electronics trade shows, scouring markets in Hong Kong and buying off-the-shelf CD and DVD players to resell.

But Lieblein wanted to take it further, refining the look and packaging of the electronics. "What I wanted to do was develop Sharper Image-looking products, but come out at price points that were 60 percent lower than Sharper Image."

In the early days, Innovative avoided major product design changes to keep costs down. Tweaking the texture or color of finishes or upgrading speaker quality were pursued instead of wholesale design changes.

Eventually, Innovative stopped modifying off-the-shelf factory products and began designing its own, Lieblein said.



CEO Corey Lieblein says he's "always had the entrepreneurial spirit."

JOHNNY MILANO

That process can take 10 to 26 weeks. Once specifications are finalized, a prototype company makes a sample. If the sample passes muster, the factory tools up over two to four weeks and production begins.

Innovative's markets offer opportunity. Sales of Bluetooth speakers in 2014 hit \$430 million in the United States, up from \$385 million the prior year, according to the Consumer Electronics Association. Sales of headphones and earbuds hit \$1.5 billion.

Of the Justin products that recharge mobile devices, Lieblein said: "Pretty much everyone in the United States has a smartphone in their hands." Retro-look turntables are among the company's most profitable products. Lieblein said their appeal is "transgenerational," spanning baby boomers and millennials.

Not an easy market

But analysts say that swimming in the consumer electronics shark tank is not easy.

Consider Coby Electronics Corp., a maker of low-end TVs, DVD players and tablet computers. Sales at that Lake Success company reached about \$400 million per year at the time of its collapse, according

to published reports, triggered by a 2010 breach of contract lawsuit. That case, filed in New York State Supreme Court, charged that Coby failed to pay DVD patent royalties to Philips Electronics NV.

In 2013, Boston-based liquidator Gordon Brothers Group bought Coby's assets and, according to published reports, agreed to license the brand to a consumer electronics company. Jeff Orr, senior practice

manager for mobile devices at ABI Research based in Oyster Bay, said that electronics companies like Innovative operate on slim margins in a "cut-throat" marketplace where it's "hard to distinguish one vendor from another."

"It's not just a matter of getting on a plane to China and saying, 'I'll take 5,000 of those,'" said another analyst, Stephen Baker, of Port Washington's NPD Group.

Some retailers work on a "pay to play" model, demanding that vendors participate in promotions.

In that environment, Orr said, vendors who make fewer design tweaks in products from their manufacturing partners stand a better chance of reaping profits.

Still, Innovative and jWIN Electronics Corp., another Port Washington electronics company, are able to operate under

the radar of the industry giants.

Baker said that even without a standout brand, companies can compete in the electronics marketplace if they understand the needs of their channel partners — the outlets through which they sell — and offer products with appealing design.

"Not everything is a high-end Beats headphone or Sony speaker," he said. "There are lots of people looking for a lower-priced alternative."

One advantage for discount electronics makers is that they don't have to market products direct to the consumer.

"You're depending on the channel's brand," Baker said. "You're not going to run television ads for your \$20 Bluetooth speaker. You're really acting as an arm of the retailer to fill out product segments."

Offering fresh products

Today, Jessica Stark is the executive in charge of electronics merchandise for The Bon-Ton Stores, a 272-outlet department store chain clustered largely in the Midwest. She said Lieblein consistently offers fresh products. As with any manufacturer, not every item is a winner. In that case, retailers like Bon-Ton often take allowances or credits from vendors for merchandise sold below full retail price.

Stark said Lieblein is willing to share the financial pain.

"Where we've asked for support when an item has not worked, he has stepped up to the plate," she said. "It gives you more leeway to try [new products] knowing there's less risk on our end."

Lieblein said his company's biggest dud was the Golden Solutions line of products for senior citizens. Launched in 2010, the products included a panic alarm, a home phone amplifier and pill bottle magnifiers.

"It's too big a market not to succeed," he recalled saying. "Holy cow, did it bomb!"

The upshot: Lieblein said he gave his retailers enough mark-down money "to buy a nice house in Southampton."

These days, Lieblein pulls up to his office in a Maserati, but the trappings of prosperity did not come easy. Lieblein said the luck of the draw will only get you so far.

"Any entrepreneur who tells you he hasn't failed is not an entrepreneur," he said. And success "takes gallons and gallons and gallons of blood, sweat and tears."

FAST FACTS

COMPANY: Innovative Technology Electronics Corp.

LOCATION: Port Washington

PRODUCTS: Justin brand power banks and cases to recharge tablets and smartphones; Bluetooth speakers; vintage-style turntables; headphones

DATE OF INCORPORATION: 2004

2014 REVENUE: \$39 million

MAJOR RETAIL PARTNERS: Walmart Stores, Kohl's, Bon-Ton Stores, Bed Bath & Beyond, QVC

Source: Innovative Technology Electronics Corp.

