

Statement of  
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Before the  
Subcommittee on Contracting and Technology  
House Committee on Small Business

Impact of DTV Transition on Small Consumer Electronics Firms

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Chairman Braley and Ranking Member Davis thank you for inviting me to appear before your Subcommittee on behalf of Hephner TV and the Consumer Electronics Retailers Coalition (CERC). It is our privilege to offer you our perspective as an independent consumer electronics firm on the progress of the DTV transition in America's heartland.

Transition in the consumer electronics industry is nothing new. Our company was established by my father Lonnie in 1950 – long before Wichita had any TV stations. We have witnessed the transition from radio to TV, from black-and-white to color, from LP to 8-track to cassette to CD to iPod, from analog to digital radio, from VHS to DVD to Blu-Ray, from tube TVs to flat-screen TVs, from Standard Definition to High Definition images, and now from Analog TV broadcasts to Digital TV broadcasts. While technological changes can confuse and frustrate consumers, these same changes eventually enhance consumers' lives and are accepted and enjoyed once they are understood. As probably the smallest member of the Consumer Electronics Retailers Coalition, our management team gets to observe these changes, and consumers' reaction to and acceptance of them, on a daily basis in our own store.

The sheer scope of the DTV broadcast transition is without precedent, leading some small consumer electronics firms to choose *not* to participate in the NTIA Coupon and Education programs. The reasons given are varied, but most of these other dealers have told me that they wanted to avoid the “hassle” of redeeming coupons, providing customer education, and dealing with customer complaints. Our company, however, embraced the transition as an opportunity to provide a needed service to our community, and our experience with the upcoming transition has been very positive.

### **NTIA CECB Program**

Hephner TV was an early participant in the NTIA’s Coupon Eligible Converter Box Program. In partnership with Kyle Rogg & Tyler Brown of CLC Services (part of the IBM Team that is NTIA’s Contractor), we served as a pilot site to test the coupon redemption systems prior to the general public launch. The application process with both the NTIA and the Central Contractor Registration (CCR) are simple and fast for a company of our size. We have redeemed coupons using both the retailer website and the toll free phone number with little difficulty. The CLC Services Retailer Support Center has been responsive to any questions we have had, and we have received our coupon reimbursement payments in a timely manner. We understand that the 90 day coupon expiration may create difficulties for some customers, but it also has some benefits. We’ve found that customers aren’t putting off the purchase of their converter box; thus the demand for the boxes should be consistent over the next 12 months. In summary, we are very pleased with the coupon redemption process as created by the Congress, the NTIA & IBM/CLC Services.

## **Customer Education Efforts**

Our observation is that consumers seem to have a high degree of awareness & interest in the DTV transition. Websites dedicated to the DTV transition sponsored by the NTIA, the Consumer Electronics Retailers Coalition (CERC), the FCC and countless others have provided a wealth of information to any consumer that has questions. National TV ads are beginning to air to inform the public.

In Wichita, we have cooperated with our local TV affiliates on news stories that educate consumers about the transition. All of our local TV stations have ubiquitous “crawls” at the bottom of the screen, directing consumers to call or log on to a website for details about the transition. Our local newspaper, *The Wichita Eagle*, continues to run stories and updates on the coupon program. It is my belief that if someone is unaware that TV is changing, they simply haven’t been paying attention.

However, we also understand that awareness doesn’t always translate to understanding. Creating consumer *understanding* of the transition falls to local retailers like us. We are on the front lines of public education – explaining the details of the transition, offering consumers solutions, and reassuring them that the transition will not be as draconian as some assume. To this end, we are successfully using the free handouts produced by the NTIA on their website. We also use reprints of pertinent newspaper articles as handouts, and post helpful links on our own company website. We have observed that once we educate customers about the transition in easy-to-understand terms, they are relieved that they won’t have to make any changes if they are on cable or satellite, or that the converter box solution is simpler than they imagined.

## **Customer Complaints**

Customer complaints have been surprisingly low. Very few customers have mentioned any problems with the coupon application process. Most customers have had little trouble connecting the boxes. In fact, many customers have been pleasantly surprised that they are actually receiving *more* channels via the digital box than they did with their analog tuners. (KWCH, our local CBS affiliate, broadcasts a 24-hour live weather channel in addition to their regular CBS Programming. The PBS network is now able to offer 3 channels - PBS, PBS-Kids and PBS Create). Overall, we have fielded substantially fewer complaints than I had anticipated.

## **Conclusion**

From our vantage point, the DTV transition is progressing very smoothly. The coupon redemption procedures designed by the NTIA & IBM/CLC Services are easy to use and transparent. We have seen little of the consumer “angst” that was predicted. Our customers understand the transition and are preparing themselves for the day that most analog broadcasts end. We would encourage the NTIA to continue the programs that are currently in place. The existing systems strike a good balance between the needs of the consumer and the retailer, while offering reasonable security against fraud.

At Hephner TV, we are excited to be a part of one of the largest technological upgrades in the last 60 years. The transition has spurred an unparalleled public interest and enthusiasm in the products we sell and in our industry as a whole. We look forward to the coming months with eagerness and optimism. I appreciate this Committee’s interest in us and our concerns, and I hope you will remain in touch with us as this transition moves to its conclusion next year.