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Concierge Direct's Manhattan High Rise Project

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February 27, 2009 By David Dritsas

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There has been quite a bit written about multi-dwelling units in the pages of this magazine and others, talking about the challenges and opportunities this market has to offer. They can be complex projects, dealing with building management, communal electrical wiring and multiple clients in one building, all with different needs. But none has quite yet reached the level of extreme customization as the **995 Fifth Avenue** project in Manhattan, taken on by New York-based integration company, **Concierge Direct**.

"These residences are full-out customized from the beginning," says Nick DeClemente, managing director for Concierge Direct. "There's been constant adjustment. Boundaries were set by the developer but they have been expanded by the clients."



The high-rise at 995 Fifth Avenue is one of the latest luxury high-rises to hit the New York skyline, although it is not entirely new. As in many cities, a developer, Extell, has taken an existing building and converted it into high-end condos, which start, in this case, at \$12 million (one of the most expensive listings in the building is \$31 million). Formerly the Stanhope hotel, built in 1926, 995 has since been re-branded with the address as its name and a complete interior renovation that leaves the building with 26 residences, ranging from 4,100- to 8,400-square-feet.

Big-ticket Manhattan residences like these are nothing new—the city is known for it in the real estate business. But even in the "Big Apple" the condo market struggles with intense competition. "The developer was evaluating market conditions going back two years, when they started selling," says DeClemente, "and they were not getting a great response up front."

Instead of offering a number of similar residences, Extell provided buyers the chance to completely customize their condominium from the ground up. The buyer would pay for a base floor plan and then start creating from there. This meant each apartment could have completely different flooring, walls, tiling—the sky was the limit. But another aim of building was to have technologically advanced concierge systems.

"They were looking for a solution to help distinguish the property," explains DeClemente. "The developer didn't care about audio video [he explained later that this was left up to the client], the developer cared about technology, marketability and the interface [of its concierge services]."

"It's a very unique project that has been extremely difficult to keep pace with," he says. "We're building the system around their customized floor plans and their customized needs." The service staff at the 995 co-op is at the beck and call of its tenants via a building-wide intercom system. This system, which had to be integrated by Concierge Direct, also had to include building-wide HVAC controls.

The project is a good reflection of how Concierge Direct has changed its business model over the past few years. Like many dealers in the CE industry, this company started as a standard A/V integrator, installing A/V gear, security systems and designing smart homes projects that were particularly focused on larger, stand-alone residential homes. DeClemente says most of their jobs were well into the seven-figure range, but that they only took on one or two jobs a year.

But times began to change and Concierge Direct wanted to change with them. "We started looking at how to not

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have to fight the same thing every other integrator was fighting with," he explains, "the advent of the trunk slammer and shrinking margins."

He continues, "What we realized is that audio and video, though the most consistently taken option, are probably the most inconsistent way of making money," says DeClemente. "I can sell somebody something that is really high performance with a lot of great features, but you reach a cap at what people's capacities are to operate this stuff."

It was around the same time that **AMX**, a control system company, soft launched its amenities solution, a package designed specifically for MDUs and sold to either developers or dealers. The package provides a network infrastructure in a building that connects each unit to central services, such as valet service and scheduling reservations or dry cleaning pick-up through a concierge. It can also act as a hub for information, such as weather conditions, news from the condo association or events in the building.

This kind of offering would be the key to how Concierge Direct would market itself going forward. "We've taken AMX's amenities solution and "hot-rodded" and modified it, creating our own plug-in," says DeClemente, "which turns it from an information requesting system with basic fulfillment capability to a fully function back-end solution, down to billing and even complete fulfillment of exotic kinds of concierge requests. These systems live and die in the programming...the control is what gives you the in [with developers]."

The benefit is two-fold: This enables the integration company to offer developers a package that takes smart home technology and makes it mass installable, thus giving buildings an additional selling point. But, once they are in a building, Concierge Direct is able to make money on a recurring basis because of their management of the backbone AMX platform. This gives the dealer an option to get in the doors of the tenants for future business, building a model of obtaining a guaranteed set of clients.

"This gives us the opportunity to sell upgrades and offer custom packages during the building process, which is unusual, specifically in New York City," says DeClemente. "That's given us access to home owners that are typically hard to market to."

He says New York buyers are hard to get in front of because they are very busy, sometimes cynical, smart and savvy, adding that in an MDU building where a dealer is not handling the backbone infrastructure, a company may only be able to get 25 to 30 percent of the business. At 995 DeClemente says they are installing control and additional A/V systems in 90 percent of the residences, 22 in all. And it has paid off in other projects, as well. In a project with the Plaza hotel (see related article on page 40) the company worked on 113 of 161 residences.

There are other advantages, as well. "Because of that built-in clientele, what we've then done is come up with a process for the way we do jobs that is ten times more efficient," DeClemente explains. "Most companies who do half the revenue we do on a yearly basis have twice the staff [Concierge Direct has around 23 employees]."

The 995 project was not without its challenges. DeClemente says that, due to the level of customization the customers were given, change was always inevitable. Lead times were often a problem, as buyers were constantly making adjustments to their design plans, and "People who can afford to live here expect an extremely high level of service," he notes.

Additionally, construction challenges often presented themselves. The building has slab ceilings, which meant that in-ceiling speakers could not be installed. Design-centric touches were also a factor. "You get involved in really high-end finishes," says DeClemente, "things as crazy as stainless steel walls."

Power was also a problem. Wiring in the building was not perfect and the high level of customization was not helping either. Concierge Direct found itself dealing with countless grounding issues, messy noise and bad power in general. There was even one case in which a short in a fuse box was causing televisions to fail. The company turned to **Furman Sound** for power conditioner products and the like to take care of the electrical issues.

But the single biggest challenge in the project was how to store equipment. Even in the largest of residences, space was at a premium and clients were unwilling to give up a room for all of the back-end audio/video equipment. In fact, only one project allowed them to pre-build such an equipment room. Creativity had to come into play building special closets or cabinets.

Despite these challenges, DeClemente says the project had many ideal qualities. One of the biggest was being able to work with clients early on in the process. When a residence is sold, the sales team of the building contacts the new homeowners and Concierge Direct is part of the overall marketing and sales pitch. From there the buyers begin to customize their package and the integrator becomes involved.

"Typically the homeowner contacts us," explains DeClemente. "We meet on site and we have a contract with them directly that is outside of the developer...and we have a separate contract with the developer. They have guarantees to meet building deadlines and so forth."

This gives them the advantage of being involved not only with the homeowner, but the interior designers, as well, often at an advantage. "We knew before the designer knew what we had to do. We would get a floor plan early on and be a part of the design process at the start," he says.

This passes along a lot of responsibility to Concierge Direct, but the developer does have rules, one of which is the assurance that there is no price gouging. "That means everything is open-book and sold at MSRP," says DeClemente.

Each residence has produced a project around \$200,000 on average for Concierge Direct, and there is opportunity for more growth on top of that. DeClemente says that the control systems are just the start.

"I can only sell eight touch panels if there's only eight rooms, so the only way to drive these jobs up, from a sales perspective, is to sell better audio and better video," he says. "The control is what gets you in and the audio/video is what drives it up." •

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