

THE ARIZONA REPUBLIC

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BUSINESS SECTION

Hearing aid firm thriving

Raises \$30 mil to expand

By JJ Hensley

THE ARIZONA REPUBLIC

Sam Thomasson can hold a future industry for Mesa in the palm of his hand.

His Mesa-based hearing-aid company, Zounds, has facilities in Arizona and Florida, and he is preparing to open four more stores in Florida and St. Louis by the end of May. A new store in King of Prussia Mall outside Philadelphia opened Friday.

Within a few years, Thomasson, a southeast Valley resident, wants the company to be the LensCrafters of the hearing-aid world, with sales centers in malls throughout the country.

Part of Zounds strategy relies on the home-grown technology used in the earpieces, which was developed and perfected at Thomasson's Acoustic Technologies Inc. lab. That reduces the cost of the hearing aids, at about \$1,000 each, to a fraction of what other major manufacturers charge.

"To have the impact of the price point, we have to go build stores," he said. "That's the factory-direct component."

Thomasson said the average hearing-aid store sells about 14 pieces a month, but the Zounds store in Super-

High-tech advances, low cost spur growth

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stition Springs Center — there's another in Arrowhead Towne Center — has sold that many in a single day.

"We know we're the low-price leader and the technological leader. We're not interested in selling 'cheap' hearing aids," he said. "This thing has a great shot at being a huge business. We're in a \$9 billion market."

And with more and more baby boomers joining that market each day, it's only growing.

Thomasson and Zounds investors have plans for the company to grow along with them. That investor confidence was evident last week when Zounds received an additional \$30 million in capital through Signature Capital and private investment. "That's the capital for us to continue to roll out our strategy," said Thomasson, who also announced a new behind-the-ear product that was released Friday.

But, Thomasson insists, it won't be a reckless kind of growth.

"Our objective is to build this out and roll it out in a disciplined way," he said. "We came into Phoenix and built these two stores and focused our advertising. We have competitors that have 15 stores here; we have two stores."

Those limited numbers have customers commuting from across the Valley and even farther to buy Zounds hearing aids, which come with a rechargeable battery and remote control device that allows the user to adjust volume, bass and treble on each piece.

But Thomasson said it's the



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Zounds founder Sam Thomasson will expand his hearing-aid business.

price that's most attractive to his retired customers, whose median annual income is in the \$27,000 range.

"The price point is very good. The typical aid costs \$5,000 to \$8,000 (for a set). Ours are under \$2,000," Thomasson said. "We asked, 'How do we lower that threshold so anyone can buy the product?'"

The presentation in each store is as atypical as the hearing aids themselves, with a soundproof theater and a room that duplicates the noisy atmosphere in a restaurant, the retail locations take on the feel of a stereo store.

Of course, for Thomasson, the ultimate success came when his 16-year-old daughter, Kate, could use one of the Zounds products without the disturbance and discomfort that have come with every other hearing aid she has used.

She is why Thomasson started the company.

"That's what makes me tick," he said.

A version of this story may have appeared in your community Republic.

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1st-quarter deals

The first quarter of 2007 was golden for Arizona startups seeking venture capital.

During the period, six companies received a total of \$74.7 million in venture funding, according to the Quarterly Venture Capital Report released last week by Dow Jones VentureOne and Ernst & Young.

■ Zounds

Product: Hearing aids.
Amount received: \$25 million.
Provided by: Signature Capital.

■ Andigilog

Product: Laptop heat control.
Amount received: \$17.8 million.
Provided by: Western Technology Investment.

■ Cayenne Medical

Product: Medical devices.
Amount received: \$12.7 million.
Provided by: MB Venture Partners.

■ Response Analytics

Product: Consumer/business services.
Amount received: \$4.25 million.
Provided by: Peninsula Equity Partners.

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