

# Pro-AV Business Index

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## Pro-AV Business Index Edges Down

February's InfoComm International® Pro-AV Sales Index dropped nearly 2 points from January to a reading of 58.6. Although the index still remains positive, it reflects a declining trend over the past five months. Nearly half (48.9 percent) of the respondents said their billings/sales remained unchanged from January, which is greater than in last month's survey, and roughly one-third (34.1 percent) indicated an increase in sales, a figure that's down from 38.3 percent, accounting for the drop in the index.

The diffusion index is calculated based on the positive response frequency (34.1) plus half of the neutral response (48.9), giving the value of 58.6 for this month's index (Figure 1).

AV/IT integration is leading to growth as well as challenges globally. Companies are focusing on building their brands through new technologies and products to stand out among the world of AV providers, while focusing on the changing needs of the end user.

*"Commoditization of products/technology has greatly increased competition. Rivalry from new technology entrants (Google, Apple, Microsoft, Cisco) further compounds this landscape. Additionally, customers are now more informed of technology and choices, augmenting their purchasing influence of AV products and services."*

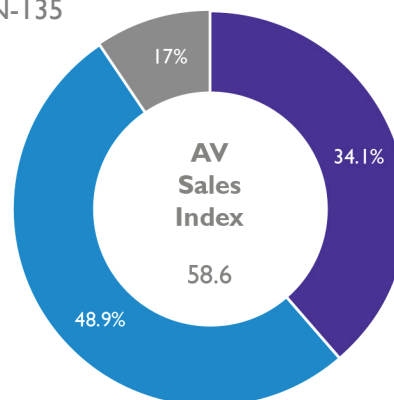
— Distributor, Asia-Pacific

*"Both the Industry's struggle with IT/Network technology and the pace of technology change continues to present challenges and opportunities. End/technology users know what they want and the pro-AV industry wrestles with how to present and deliver what should go into a project, versus what the client requests."*

— Distributor, North America

**Figure 1. AV Sales Index, February 2017**

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- Increased significantly (5 percent or more)
- Remained unchanged
- Decreased significantly (5 percent or more)

While also down about two points from last month, the AV Employment Index remains positive at 57.7. The latest index reflects a significant increase in companies citing flat staffing trends, offsetting a significantly smaller share of respondents indicating growing employment. (The share of respondents saying employment declined was down significantly.) Almost three-quarters of respondents (74.5 percent) indicated their staffing remained unchanged from the previous month. Just one-in-five (20.4 percent) indicated increased employment at their firm, while just 5.1 percent said employment at their business decreased (Figure 2). Several panelists in the survey pointed to a typically slower first quarter, with planning taking place at the beginning of the year — both internally and by their customers.

Some panelists described how an overall positive AV business environment could create dual pressures on employment planning: On the one hand, growing business leads to more hiring and increased personnel costs. On the other hand, some firms had to decline jobs because of a lack of qualified staffing. (Darned if you do, darned if you don't.)

*"We are a manufacturer and sell to integrators. Some of our customers in this segment (integrators) are turning down jobs because they can't scale their staff properly. Finding talent and onboarding are a challenge for them and this will have implications for our business as well."*

– Manufacturer, North America

*"We have a solid group of technicians that have all been here over 18 months. We are continuing to work with them to keep them. We are working on open communication between all levels of the company to keep it an even playing field among the staff at our organization."*

– Systems Integrator, North America

*"Political uncertainty, inflation, currency exchange rates are making business more expensive. This along with a sea of too similar AV products from various vendors makes for very competitive times."*

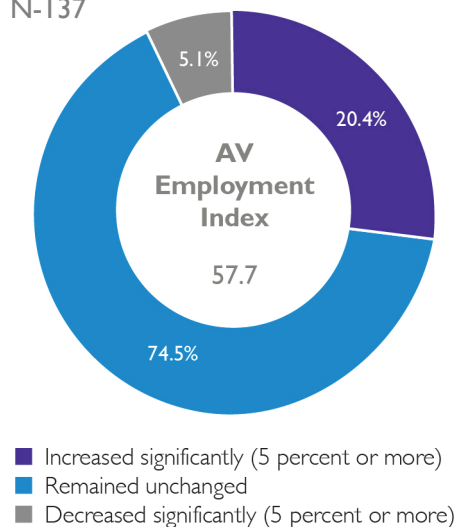
– AV Service Provider, Europe

*"Exchange rates ... make incoming work expensive for clients, but with opportunities as well. Not much impact from Trump's migration order anymore as it has started to settle. Clients are very cost conscious, but unaware of local issues unique to the country, such [as the] economy, labor laws, and work conditions. One must be aware that the way[s] of doing business within the countries in Asia are not identical."*

– AV Service Provider, Asia-Pacific

**Figure 2. AV Employment Index, February 2017**

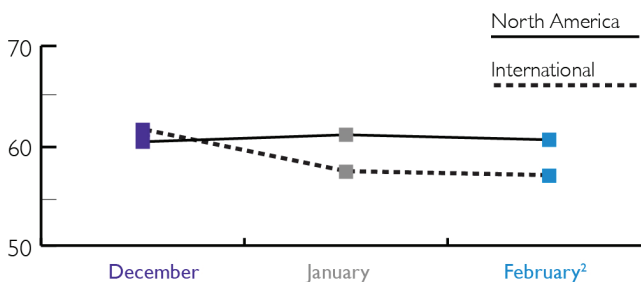
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## International Outlook

The AV Sales Index for companies inside North America and outside North America both dropped about a half point from the previous month, putting the indexes at 60.6 for North America and 57.0 for International (Figure 3). The Sales Index remains positive, but uncertainty continues to characterize companies outside the U.S.

**Figure 3. Global Region Sales Index<sup>1</sup>, February 2017**



Global regional indexes are three-month moving averages (based on prior, forward and current months) due to relative small sample size.

## Future AV Business Conditions

The majority of respondents have a positive outlook for the next six months regarding their sales and workforce. Half (52.2 percent) see their workforce conditions being positive and more than three-in-five (66.7 percent) have an optimistic position on their revenue/turnover.

<sup>1</sup> International – regions include Europe, Latin America, Middle East/Africa, Asia-Pacific

<sup>2</sup> February 2017 index is preliminary, based on the average of January 2017 and February 2017 and will be final with March 2017 data in the next report

*“We are ramping up for our busy season to begin. So far we seem to have the same workload as last year, but we will have some bigger jobs coming up. We are going to [be] increasing our staff as we project a much larger growth from last year than anticipated.”*

— Live Events, North America

**Figure 4. Industry Conditions for Next Six Months**

How would you assess the AV workforce conditions for your organization in the next 6 months?



How would you assess your revenue/turnover conditions for your organization in the next 6 months?



## 2017 Business Expenditures Outlook

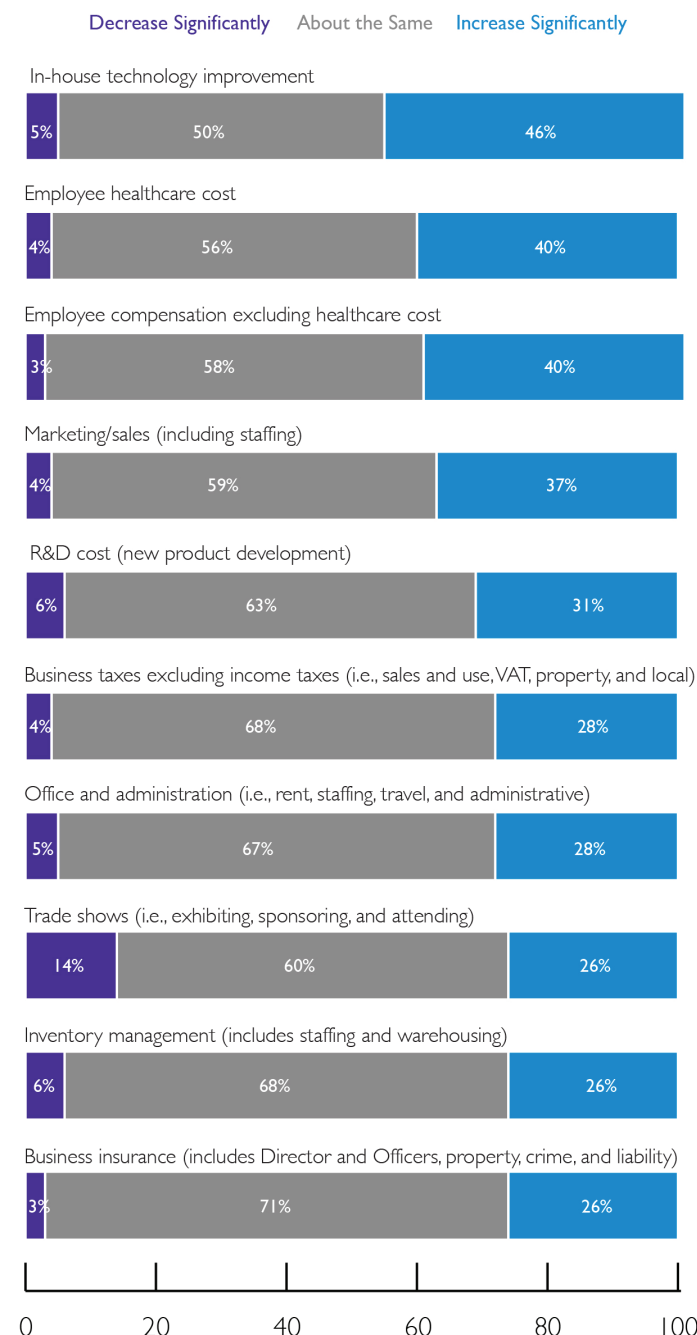
For this most recent Pro-AV Business Index Report, we asked panelists about their budgets. Comparing expected 2017 business expenditures to 2016, the majority felt their overall expenses would remain relatively the same this year (Figure 5). That said, with the fast pace of new technology entering the market, the competitive environment and growth in hiring, 46 percent said their in-house technology expenditures are projected to increase significantly. One factor cited for this increase is the need to create efficiencies in the workplace.

*“We continue to invest in productivity and communications technologies to improve our internal processes, prevent hiring unnecessary staff and lower our cost of delivery of services to our clients.”*

— AV Service Provider, North America

As expected, when looking at just U.S. companies, they see health care costs continue to rise — even more if the Affordable Care Act (ACA) is repealed. Half (51 percent) of U.S. respondents versus 40 percent overall, say they expect a significant increase in employee healthcare costs.

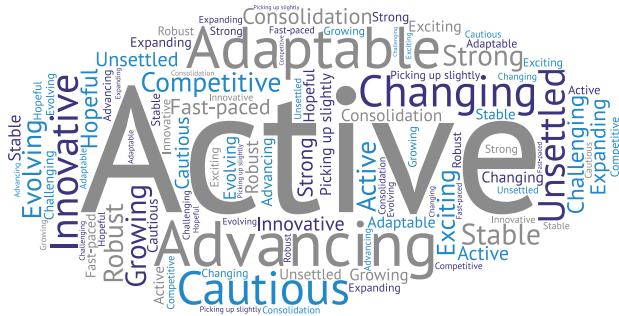
**Figure 5. 2017 Business Expenditures Outlook**





# Pro-AV Business Index

**Figure 6. Overall Business Conditions for the AV Industry (sentiment cloud)**



The AV Index Sentiment Cloud is based on verbatim answers to questions about business conditions (Figure 6). The answers are put through a computer Pro-AV Business Index system and a cloud is generated based on the frequency of words used in respondents' answers. The cloud is a visual representation of how AV organizations describe the industry at a point in time.

## Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 548 members of the InfoComm AV Intelligence Panel (AVIP) between Feb. 28 and March 8, 2017. A total of 187 AVIP members completed the survey. Only respondents who are not end users and said they were “moderately” to “extremely” familiar with their companies’ business conditions were factored in Index calculations. The AV Sales and AV Employment Indexes are computed as a diffusion index, with the monthly score calculated as the percentage of firms reporting a significant increase, plus half the percentage of firms reporting no change. Comparisons are always made to the previous month. Diffusion indexes, typically centered at a score of 50, are used frequently to measure change in economic activity. If an equal share of firms report an increase as report a decrease, the score for that month will be 50. A score above 50 indicates that firms in aggregate are reporting an increase in activity that month compared to the previous month, while a score below 50 indicates a decrease in activity.

$$\text{Index} = 1.0 \times \% \text{ of positive responses} + 0.5 \times \% \text{ of neutral responses}$$

## About the InfoComm International AV Intelligence Panel

The InfoComm AV Intelligence Panel (AVIP) is a research community of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the panel are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Surveys may be taken via your phone or computer.

In return for their time and effort, InfoComm AV Intelligence Panel members will be eligible to:

- Earn points toward Amazon online gift cards
- Preview the survey results prior to public release
- Attend a recognition reception at InfoComm trade shows
- Include select questions of their own in panel surveys

The InfoComm AV Intelligence Panel is designed to be a global community, representative of the entire commercial AV value chain. InfoComm invites AV integrators, consultants, manufacturers, distributors, resellers, live events professionals and AV technology managers to get involved. If you would like to join the panel, enjoy benefits and share your insights with the AV industry, please apply at [infocomm.org/AVIP](http://infocomm.org/AVIP).