

# Pro-AV Business Index

Released June 2017

## Pro-AV Business Index Remains Solid Heading Into Summer

The May InfoComm International® Pro-AV Sales Index stands on solid ground at 62.5, down modestly from 63.4 in April, but remaining well above the 50 benchmark (an index of 50 indicates firms saw no increase or decline in their business activity). The diffusion index is calculated based on the positive response frequency (43) from those who indicated their business had significant increases in billings/sales (5 percent or more) from the prior month plus half of the neutral response (38.9), giving the value of 62.5 for this month's index (Figure 1).

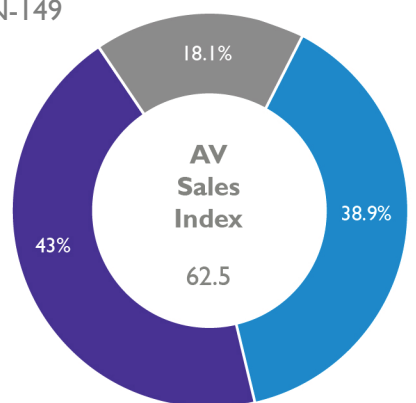
*"We are ramping up for the school project season – these are our highest invoiced and busiest months from June to September. We are looking for temporary staffing to fulfill the multiple projects already scheduled."*

– Systems Integrator, North America

## AV Sales Index, May 2017

**Figure 1. Compared with the previous month, have the billings/sales at your location ...**

N-149



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

The AV Employment Index increased modestly and remains strong at 60.5 (Figure 2). The strength of the AV industry is creating a tight labor market, as qualified workers are hired at a fast pace. This is excellent news for job seekers, but on the negative side, there are fewer qualified people to fill current openings as they become available.

In the current report, a greater share of respondents said that employment at their company had increased significantly from the previous month, up to 32 percent from 24 percent. At the same time, more respondents than in the prior report said employment had decreased significantly (11 percent versus 6 percent). For context, the overall U.S. unemployment rate continued to slowly fall to 4.3 percent for May.

*"The labor force of our customers continues to be a bottleneck. Growth will be dependent on the industry's ability to attract talent and capitalize on the opportunity."*

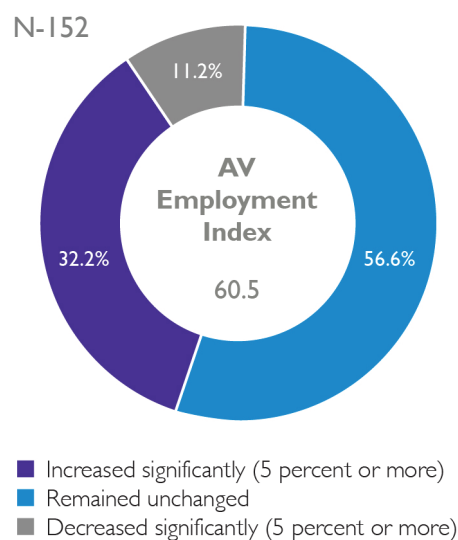
— Manufacturer, North America

*"It is hard to find good quality employees, and when you do, you have to constantly be putting incentives in place so they don't leave."*

— AV Service Provider, Asia-Pacific

## AV Employment Index, May 2017

**Figure 2. Compared with the previous month, is the overall employment at your location ...**



## International Outlook

Although still in positive territory, after significant gains in April, the international sales indexes in April and May are showing signs of a slowdown. The international AV market and business in general have experienced political and economic volatility. The index reflects that downward trend, impacted by the EU Brexit vote and the UK government now in limbo.

The instabilities in multiple countries' governments in South America are creating economic concerns in that region. While Asia is showing growth, there

are reservations as governments are assessing new monetary and financial regulations, and trade deals that may impact their local economies.

*"The local recession has to do with the government budget cuts and restrictions on spending. Investing instability among this customer base is a major concern and affecting our business."*

— AV Systems Integrator, Latin America

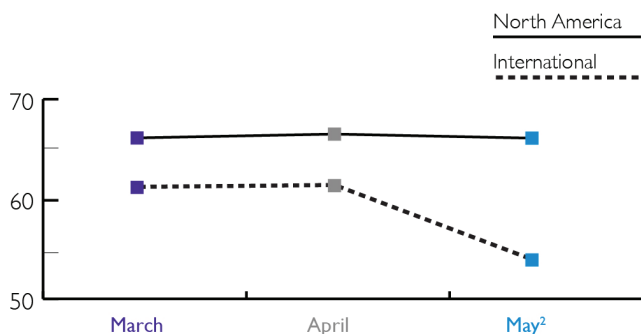
*"As the price of oil comes down, clients are cost conscious and cutting their budgets. We are seeing many projects being cancelled, which is hurting our business. On the other hand, we hope the market will have a temporary boost with FIFA World Cup projects in our area."*

— Value-Added Reseller, Middle East

*"We are waiting for the changes in financial regulations, and the taxes are likely to go up due to introduction of Goods and Services Tax (GST) in India. Businesses will brace for this change and they expect a slow growth this year."*

— AV Systems Integrator, Asia-Pacific

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



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

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

<sup>2</sup> Due to the small sample, the North American and International indexes are based on a 3-months moving average. May 2017 index is preliminary, based on the average of March 2017 and April 2017 and will be final with June 2017 data in the next report.

## Future AV Business Conditions

Just like last month, the positive outlook for the next six months continues, with half of respondents saying workforce conditions look positive and 53.9 percent maintaining a positive outlook for their revenue/turnover (Figure 4).

**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?



**Figure 5. 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 5). 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.

## Is Pro-AV Moving to a Service/Solution Centric Industry?

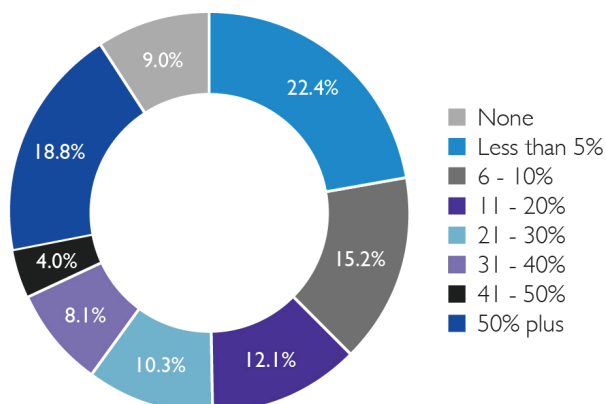
The line between dedicated service providers and systems integrators has been less clear during the past several years. Customers are increasingly looking for the full package of products, software, training, and ongoing support from a single preferred vendor. The challenge for the "do-it-all" company is finding the balanced approach to earning revenue from service contracts while maintaining product margins and delivering maximum value to clients.

*"We offer one-year warranty & support on all our AV installations, which can reduce your profit margin, if there are multiple requests for service within the first year of installation. However, during subsequent years, offering service contracts gives us additional revenue streams."*

— AV Systems Integrator, Asia-Pacific

When we asked panelists this month how much of their business is service offerings, less than one in 10 (9 percent) said they do not offer any services. More than one-third (37.6 percent) said 10 percent or less of their business comes from services, and one-third (34.5 percent) reported that their services offerings accounted for between 11 and 50 percent of their business. One of five panelists (18.8 percent) indicated more than half of their business was from service offerings (Figure 6).

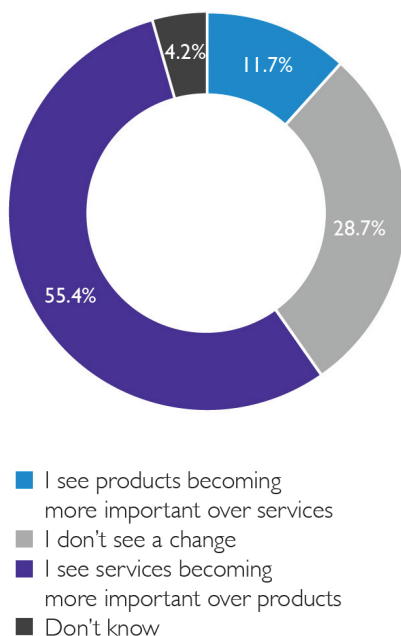
**Figure 6. Percent of business is service offerings**





As service offerings become more mainstream, will products remain as important to the customer and to integrators' overall profit margin? More than half (55.4 percent) of panelists said they see services becoming more important than products for their business, while one in 10 (11.7 percent) said products would be more important than services (Figure 7). There are many different ways companies can add services to their offerings, such as via help desks, maintenance contracts, warranties, and training.

**Figure 7. Do you foresee the relationship between pro-AV products and services changing during the next year?**



*"We offer service and support on a remote basis. We are also doing monitoring for customers, so we can catch the potential errors up front. These services are*

*sold as contracts, which adds to our profit margin and bottom line."*

*— Product Reseller, Europe*

*"Our company offers service-level agreements and virtual meeting room services as value added to major AV installations and projects for our customers. These services are generally profitable and have a significant effect on our profit margin."*

*— Systems Integrator, Middle East/Africa*

## Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 548 members of the InfoComm AV Intelligence Panel (AVIP) between May 30 and June 7, 2017. A total of 248 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
- 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).