

# Pro-AV Business Index

Released July 2017

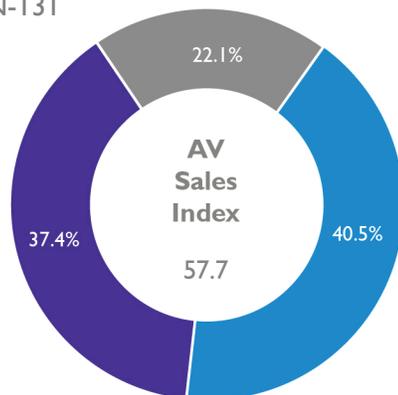
## Industry Continues Growth Despite Slight Slowdown During Summer

The InfoComm International® monthly Pro-AV Business Index has been published since September 2016 gauging the sales and employment indicators for the pro-AV industry. The Index is calculated from a monthly survey tracking trends. Two diffusion indexes are created using this data, the AV Sales Index and AV Employment Index. The diffusion index is calculated based on the positive response frequency from those who indicated their business had 5 percent or more increases in billings/sales from the prior month plus half of the neutral response (an index of 50 indicates firms saw no increase or decline in the business activity, 50+ an increase, - 50 a decrease).

INDEX	JUNE	MAY	PERCENTAGE POINT CHANGE	TREND (MONTHS*)
Pro-AV Sales Index	57.7	62.5	-4.8	3
Pro-AV Employment Index	58.3	60.5	-2.2	1

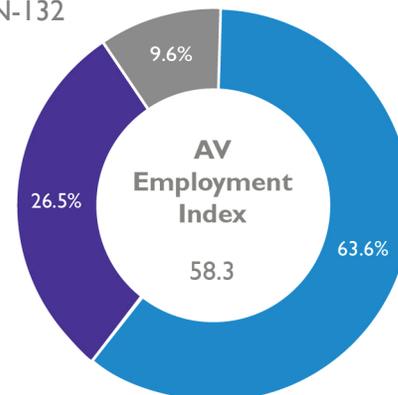
\*Months the index has been increasing or decreasing

N-131



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

N-132



- Greater than a month ago
- Same
- Less than a month ago

Sales/billings at pro-AV firms across the globe have decreased again in June, but there is nothing to fear as the market remains in a growth period as the index is above 50. The monthly Sales Index registered 57.7, down from 62.5 in May. Business activity can be seasonal or cyclical, depending on the vertical-market client base that pro-AV firms are working with. For some industries, such as live events, the summer months tend to be slower, as the heat deters conventions and other outdoor events. Another reason for the slowed growth is continued political turmoil lingering in the U.S., Latin America, and Europe, resulting in a more cautious consumer.

- “We are experiencing a slight summer slowdown attributable to a lack of K-12 education contracts. Political uncertainty may have additional negative impact on local government funding for these projects. A good sign is our bidding has increased marginally, with an expected upturn beginning in late summer to early fall. We already have some new contracts in place.”  
– Systems Integrator, North America
- “There’s a bit of a summer slump, which started in June, and continues through at least the end of August. Our business is mostly corporate and broadcast, and much of our clientele experience a summer cooling period.”  
– Systems Integrator, North America
- “We consistently notice a drop in revenue around this time of year. However, we use the time to prepare for the busy season in Q3/Q4.”  
– Live Events, North America

## Challenge: Finding Qualified Workers

Overall strong hiring conditions in the U.S. continue tightening the workforce. This can have a bearing on finding qualified AV workers. In June, the U.S. unemployment rate stood at 4.4 percent and nonfarm payroll increased by 222,000, with an average gain of 180,000 per month thus far this year. As summer hits full stride, business tends to plateau, which in turn decreases the need for immediate new employment.

The Pro-AV Employment Index fell modestly — about 2.2 points — from 60.5 in May to 58.3. Since its conception, the Pro-AV Employment Index has ranged from 57.3 to 60.5. Given the breadth and pace of innovation, there are strong indications of a widening skill gap between current technology and knowledge of how to implement it. This may put further pressure on organizations of all sizes to rethink their workforce strategies, as the lack of knowledge can directly impact their revenue. The key is remaining up to date on technology and trends, whether through self-teaching, manufacturer training, IT classes, or certification. The U.S. Bureau of Labor Statistics lists the unemployment rate for those who hold any type of certification as 3.4 percent, while those without certification have an unemployment rate of 5.6 percent.

- “We are seeing our business grow, but lack of qualified higher-end technical staff is starting to impact our revenue due to a lack of resources for fulfilling the workload.”  
– Systems Integrator, North America
- “It is getting harder and harder to find quality staff. There is a lot of headhunting taking place, with higher competitive salary offers. The difficulty is trying to maintain consistency with all the technical staff transitions.”  
– Systems Integrator, Asia-Pacific

## Industry Conditions for Next Six Months

When looking toward the next six months, half of respondents remain positive while just over 40 percent remain neutral.

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

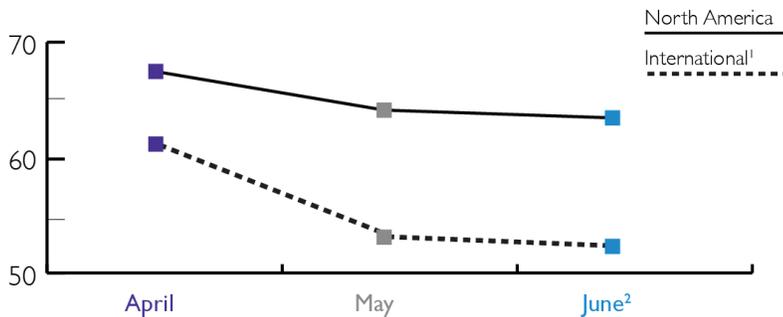


How would you assess your revenue/turnover conditions for your organization in the next 6 months?



## International Outlook

The international market remains positive but continues to slow, as some countries continue to face uncertainty due to shaky markets, taxes, and political flux. Depending on the country, budget cycles can affect pro-AV businesses locally. The international market has seen growth slow since April as the factors cited affect potential projects, investments, and purchasing decisions. The Sales Index for companies based in North America has been flat the last two months; the International Sales Index slid another point and a half from 53.9 to 52.3 in June<sup>2</sup>.



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-month moving average. June 2017 index is preliminary, based on the average of April 2017 and May 2017 and will be final with July 2017 data in the next report.

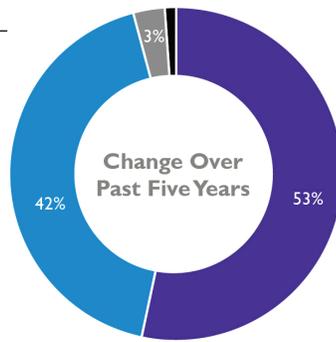
- “The UK election results and the beginning of Brexit talks are negatively impacting the market, making it almost as politically unstable as the U.S. This will impact our inventory and carrying expenditure decisions until the fall. On a positive note, the results in France recently have buoyed opinions and resulted in a stronger European outlook.”  
– Systems Integrator, Europe
- “We in Australia are currently at the end of a financial year, which tends to halt government procurement. We are expecting an upturn in the next couple of months as budgets are finalized and allocated to funding the departments.”  
– Systems Integrator, Asia-Pacific

## AV/IT Convergence

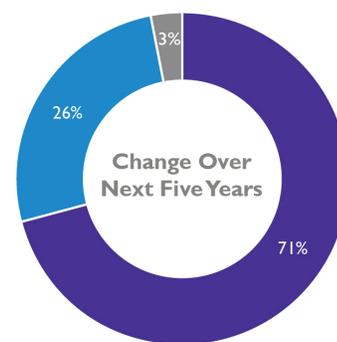
The convergence between IT and AV has been going on for more than a decade, and with more and newer innovative technology, such as the cloud, mobile devices, and unified communications, the two industries have become more blended than ever. Few AV companies have had little need to change how they operate, while the majority — at a minimum — understand that networking and knowledge of IT have become fundamental to planning and installing AV systems. Some companies have AV and IT staff work together, while others like to train one person to do everything. Overall, most in the AV industry agree that keeping up with the latest technology and training in IT are imperative to dealing with the ever-changing landscape of the AV/IT industry.

We asked our panel how much their company has changed over the past five years to accommodate convergence and incorporate IT. Only 3 percent said their company has made no changes, while 53 percent said they have changed greatly. Looking forward, 71 percent of respondents feel their company will change greatly over the next five years as a result of AV/IT convergence.

**How much has your company changed or will change to accommodate convergence and incorporate IT?**



- Changed greatly
- Changed somewhat
- No change
- Don't know

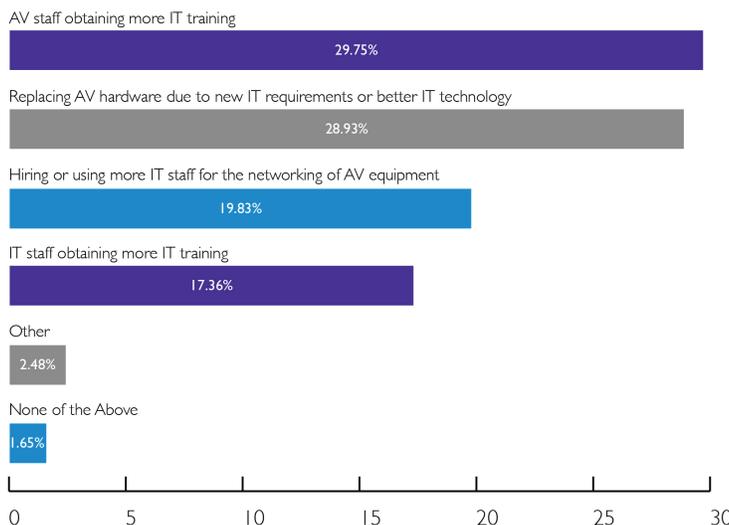


- Will change greatly
- Will change somewhat
- No change

- *“We are continuing to grow our IT work, including bringing on more IT professionals to our staff. We have new branding campaigns focused toward being an AV/IT company and not just an AV firm.”*  
– Systems Integrator, North America
- *“The more convergence that takes place, the more businesses must adapt to accommodate the convergence. No longer will we be able to just be a ‘network shop’ or an ‘AV shop,’ especially with the increase of Internet of Things and AV as a service.”*  
– Reseller, Asia-Pacific
- *“We are training more of our technical staff in networking. They are going through Cisco certification. We are standardizing cable for everything and paying attention to what our education market and clients in general are doing for their network cabling to make sure we are compatible with theirs.”*  
– Systems Integrator, North America

The users/purchasers of AV have also noticed great change in their industries. Nearly every AV component is running on networks, causing the customer to take more time to think about the integration of infrastructures and the issues that may arise. The challenge is to ensure collaboration between IT and AV staffs. Without knowledge of both, installation projects are not able to operate at their full potential. Pro-AV end users are doing everything from updating equipment to taking IT training to maintain the best possible AV experience for their companies.

**“Over the past five years have you seen any of the following in your work place?”**



- *“IT and AV are already integrated. Our AV team has been part of the IT organization for 5+ years. AV products are becoming more IT-based, and to us AV is IT. Most of the AV systems we are deploying now have hardware and an OS, effectively making them IT technologies. They have to undergo the same level of scrutiny as any IT system would.”*  
– End User, Europe

## Index During 2017

	JAN	FEB	MARCH	APRIL	MAY	JUNE
Pro-AV Sales Index	60.5	58.6	71.6	63.4	62.5	57.7
Pro-AV Employment Index	59.8	57.7	59.7	59.1	60.5	58.3

## Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 800 members of the InfoComm AV Intelligence Panel (AVIP) between June 29 and July 10, 2017. A total of 209 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.

## 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).