

Pro-AV Business Index

Released May 2017

Pro-AV Business Conditions Remain Strong Entering Busy Period

The April InfoComm International® Pro-AV Sales Index held solid at 63.4, 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 (38) 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 (50.7), giving the value of 63.4 for this month's index (Figure 1).

After gaining double digits from February to March, hitting a high of 71.4, the latest index dropped 8 points to 63.4 in April. The main reason is the beginning of the construction season where significant new projects are starting. A majority of the projects are long term and sales/billings are back to the usual pace for some firms. The April index figure indicates most pro-AV businesses continued to grow from the previous month and are not slowing. In fact, the current index is the second highest since November of last year and 5 points higher than February's index. Those who said their billings/sales increased or remained stable were comparable in April at 88.7 percent with March at 89.2 percent. Comparing the last two quarters, the average index in Q4 of 2016 was 63.2, and Q1 of 2017 was 63.6, just a fraction higher.

"With the construction season kicking-off last month, we had a significant jump in new businesses. Many of our larger projects are long term, so this month's billings are business as usual. We are expected to rebound in the coming months."

– Systems Integrator, North America

"Our portfolio of projects in progress continues to grow as does the gross revenue. This is in large part due to our focus on quality improvement and cost reduction."

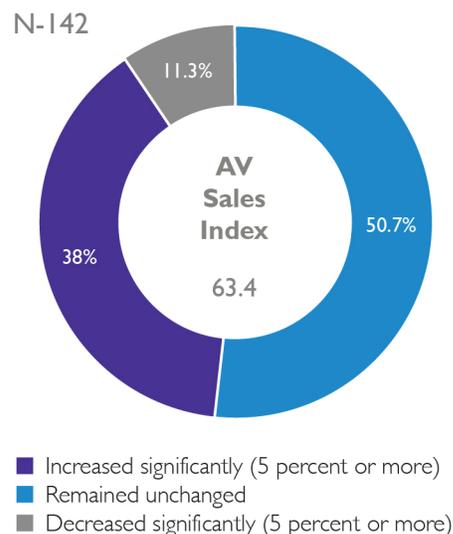
– Systems Integrator, North America

"We are seeing better client and customer sentiment. As a result, we are receiving more inquiries and requests for designs and proposals."

– Systems Integrator, Asia-Pacific

AV Sales Index, April 2017

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



The AV Employment Index has held steady since it began in September 2016. The AV Employment Index has fluctuated between a low of 57 and a high of 59, with this April's index at 59.1. The latest index continues to reflect a positive outlook in the AV market, with just under a quarter (23.9 percent)

indicating growth, and only 5.6 percent reporting a decrease in employment (Figure 2). Seventy percent said employment at their company remained the same.

The U.S. unemployment rate at 4.4 percent is at the lowest since the great recession, and this means organizations are competing for workers. AV firms will compete not just with others in the industry, but also with companies outside the profession for millennials with technical backgrounds or an aptitude for technology. With tight employment market conditions, and continued positive hiring (an Employment Index above 50), it will be a challenge for AV firms hiring, as the construction and education procurement markets peak in the months to come.

“We are working hard on outsourcing some positions to enable us to grow the correct personnel internally. We are doing this to prepare for the growth we are experiencing currently and going forward.”

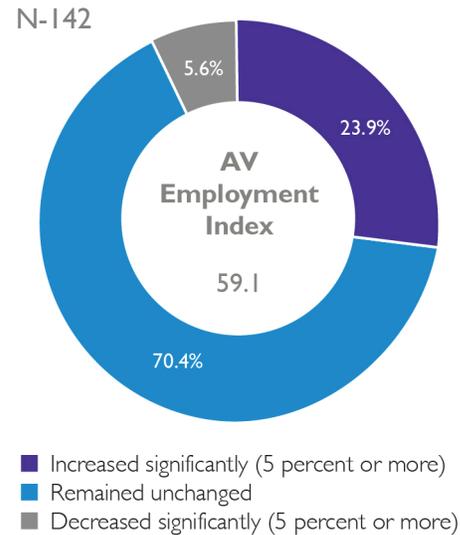
– Systems Integrator, North America

“Our business is strong and continuing to grow. Our workforce is our success and the millennials are a major contributing factor. We try to hire technical personnel with at least a Bachelors and this generation has that natural technical capabilities.”

– Live Events, North America

AV Employment Index, April 2017

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



International Outlook

The AV Sales Indexes continue to rise from previous months both within North America and around the globe, putting the indexes at 67.8 for North America and 65.9 for international (Figure 3). The beginning of the construction season is impacting AV businesses worldwide. The construction season signals positive business conditions in the near future, as pro-AV firms install new innovative technologies and products into the building spaces. Technological innovation is and will continue to be a major factor contributing to worldwide economic growth. According to Jones Lang Lasalle (JLL), a global commercial real-estate investment and management company, the top three drivers of leasing activities are 1) technology, 2) finance and investment, and 3) government organizations.

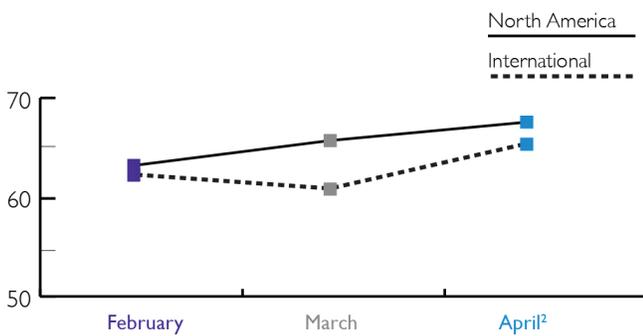
“Our business is robust and with a sustained backlog down the line indicates a positive outlook. Long-term customer investments, such as developing technology road-mapping strategies in new construction, are starting to pay off.”

– Systems Integrator, North America

“The impact of the cloud, IoT and the growth in digital transformation is impacting businesses. The need for AV in buildings to help collaborate and communicate information from across cities to countries will continue to expand. This will likely drive business for pro-AV companies that are researching and investing in these areas.”

– AV Service Provider, Europe

Figure 3. Global Region Sales Index,¹ April 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

Positive outlook continues in the near term, with half of respondents (52.8 percent) seeing their workforce conditions as positive and 59.2 percent taking an optimistic position on their revenue/turnover (Figure 4).

New and approved building projects was a major factor in March at the start of the construction season, especially in the education vertical market. This sentiment flows into April and is likely to carry into the summer. According to the American Institute of Architect’s [Architecture Billings Index \(ABI\)](#) March survey, project inquiries and new

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

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

contracts remained strong, suggesting that design activity will continue to grow. With new project work coming in — and with architecture firms exceeding billings for completed work — architects are seeing their project backlogs grow. In fact, backlogs at firms averaged 6.0 months in March, the highest reading since the AIA began tracking backlogs quarterly in late 2010.

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 7). 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.

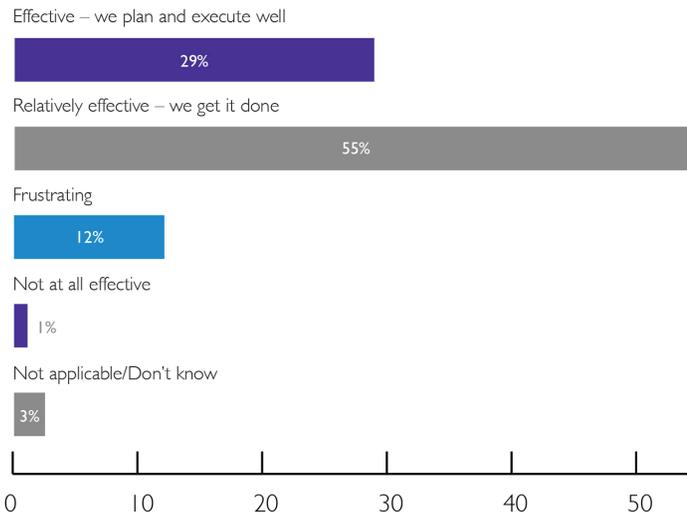
Project Management in Pro-AV

“Over the last decade, the AV integration industry has made great advances in technology and systems. As projects become more complex, managing AV projects that themselves have grown more complex requires greater integrated process and collaboration among numerous entities.”

– [Brad Malone, PMP, Partner, Navigate Consulting, Project Management for AV Professionals.](#)

When panelists were asked about project management for their business, 29 percent said it was “effective” and more than half (55 percent) said their project management was “relatively effective.” One-in-10 said their process was “frustrating,” while only 1 percent said it was not effective at all (Figure 6).

Figure 6. Project Management Process Effectiveness



Project management tools can help make the project more successful in meeting schedules and budget. When it comes to the tools used for project management, the top 3 are Excel, Microsoft Project, and Google Calendar. In fact, nearly half use the two Microsoft tools with over one-quarter mentioning Excel (29 percent), and one-in-five said they use Microsoft Project (Figure 7). At the same time, every project is unique; effective communications and the human factor along with experience plays a critical role in a well-planned project. Firms that have been in the business a long time have figured out what works

for them, and for the newer companies, technology can lend a hand in the undertaking.

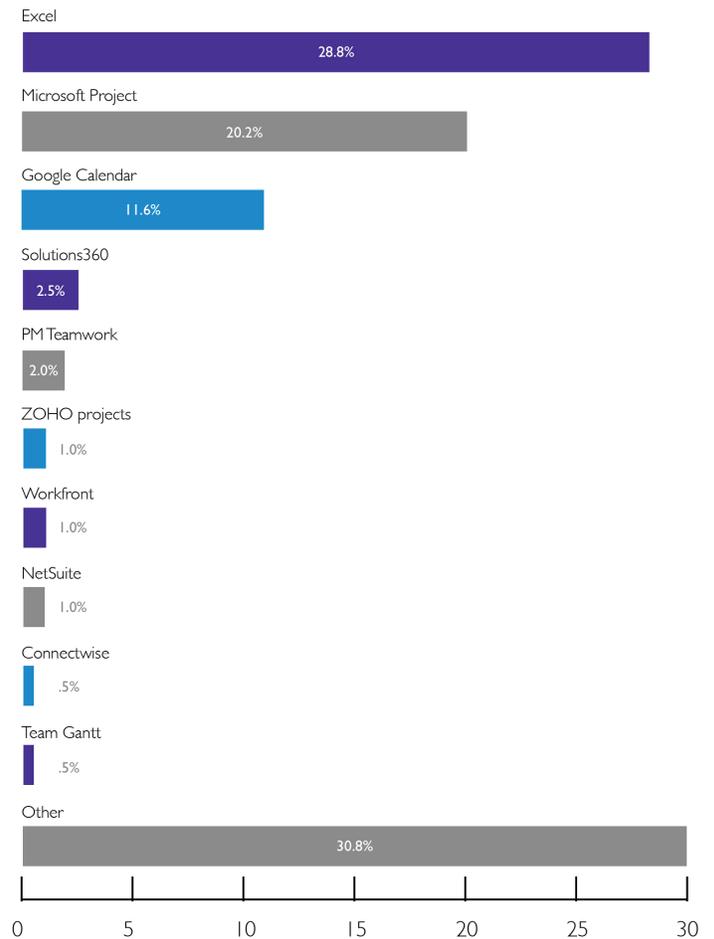
“We have a customized software ticketing system that helps us track and stay on top of solutions and get information to the correct teams in a timely manner.”

– Distributor, North America

“Effective communication is critical and that drives our business. . . . We have weekly meetings and our “system” is each person being responsible for their allocated projects. . . . Good people and history of process improvement makes the process relatively effective. Improvements are always possible. . . .”

– AV Service Provider, North America

Figure 7. Microsoft Dominates Project Management Tools



Pro-AV Business Index

Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 548 members of the InfoComm AV Intelligence Panel (AVIP) between April 27 and May 8, 2017. A total of 211 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.