

Pro-AV Business Index

Released October 2016

Inaugural Pro-AV Business Index Indicates a Healthy 2016

Welcome to the first InfoComm Pro-AV Business Index, a monthly snapshot of the health of the commercial audiovisual industry. The index is built using what is called a *diffusion index* methodology, whereby survey respondents at AV companies report business activity (in this case, sales and employment) relative to the prior month, and the index is calculated to measure perceived change in their sentiment (see the methodology for more information). If more respondents see activity rising than see it declining, the index will be above 50; if fewer see it rising than declining, it will be below 50.

Examples of organizations that employ diffusion indexes include the U.S. Bureau of Labor Statistics (bls.gov), which creates an index for employment that offers insight into the breadth of employment change and can be important for assessing overall economic trends. Another diffusion index is the Purchasing Managers' Index (PMI), a key indicator of the economic health of the manufacturing sector produced by the Institute for Supply Management (instituteforsupplymanagement.org).

Organizations can correlate the InfoComm Pro-AV Business Index with internal sales information and other data used for business forecasting. In its current form, the InfoComm Pro-AV Business Index is actually two indexes: the AV Sales Index and the AV Employment

Index. Both currently sit above 50, indicating positive change by both measures.

Sales/billings at AV organizations are healthy and show positive signs for the remainder of the year.

The first AV Sales Index reading is 64.8, based on nearly 4 in 10 respondents indicating a significant increase in sales month-over-month, and less than one in 10 indicating a significant decrease (Figure 1).

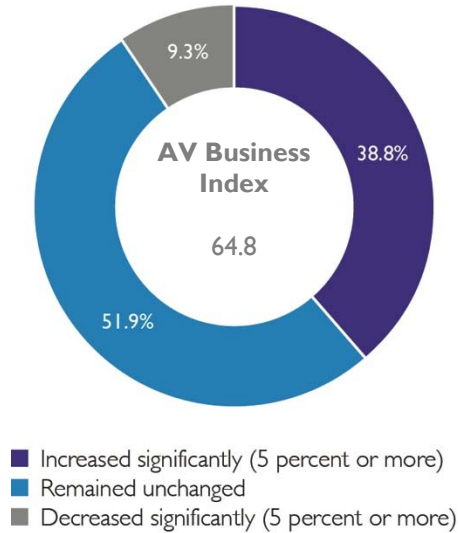
The AV Employment Index also indicates positive trends, although more moderately so, coming in at 59.5. This indicates that there were more employees at firms during the survey period than the previous month. It's worth noting, however, that 63 percent of respondents indicated that employment was flat (Figure 3).

As InfoComm International continues to gather data for the Pro-AV Business Index, more sector and demographic breakouts will be possible. Survey respondents are members of InfoComm's AV Intelligence Panel (AVIP) and have been chosen based on their roles in the industry and their ability to offer specific insight into the business and technology trends shaping pro AV. For more information, and to join the panel, visit infocomm.org/AVIP.

AV Sales Index, Sept. 2016

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

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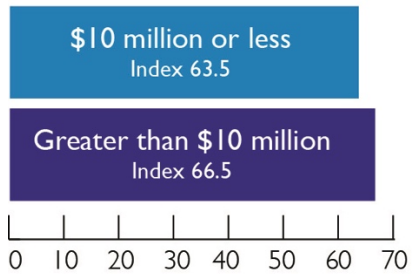


We can begin to segment the AV Sales Index by geographic region and company revenue (Figure 2). For this report, we are able to look at activity as reported in North America (AV Sales Index of 64.7), which is in line with the overall global AV Sales Index (64.8). We can also see that companies with higher reported revenue (greater than \$10 million) have been more positive about sales (AV Sales Index of 66.5) than companies with less reported revenue (AV Sales Index of 63.5).

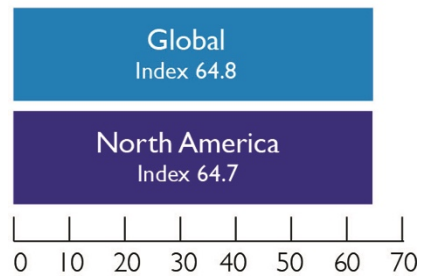
These are trends we will continue to follow and augment in future InfoComm Pro-AV Business Index reports.

Figure 2. AV Sales Index by Segment

Company Revenue



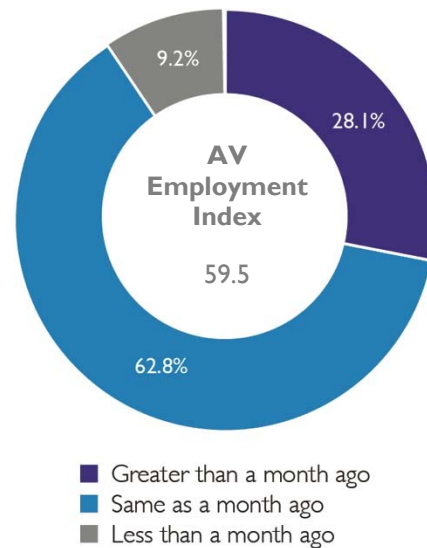
Region



AV Employment Index, Sept. 2016

Figure 3. Compared with the previous month, is the overall employment at your location ...

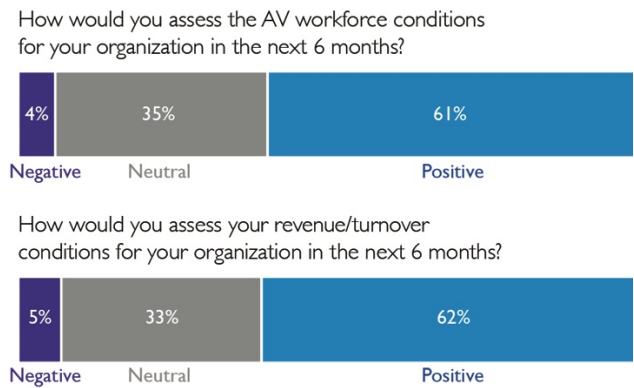
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Future AV Business Conditions

Separate from, but related to, the AV Sales and AV Employment Indexes, which indicate change from the prior month, overall sentiment about future revenue and workforce conditions at AV organizations appear strong. Comfortably more than half of respondents indicated that revenue/turnover (62%) and workforce (61%) conditions would trend positive over the next 6 months. About one-third said conditions would be flat, and only about one in 20 was negative about future revenue and workforce trends.

Figure 4. Industry Conditions



AV Index Sentiment Cloud

The AV Index Sentiment Cloud is based on verbatim answers to questions about business conditions (Figure 4). The answers are put through a computer 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.

Figure 5. Overall business conditions for the AV industry (sentiment cloud)



More specifically, when asked what factors impact their current business conditions and where they see the overall industry headed, respondents' most common areas of focus were:

- Competition, pricing of lower-end products, and IT companies selling AV
- The lack of a knowledgeable, trained workforce
- Companies trying to increase their business by expanding into new areas and products

Overall, the majority felt the industry is stable or growing. Competition has companies striving to keep up with one another. While many feel the industry is healthy, they also understand that it keeps changing, with the convergence of AV and IT and new product areas popping up.

Note: While it does not bubble up in the AV Index Sentiment Cloud, the upcoming U.S. election has some people uncertain of future industry growth – especially those who rely on government funding.

Economic Context

The AV industry doesn't exist in a bubble. As such, it can be important to view data like the InfoComm Pro-AV Business Index report in the context of other economic conditions. For each report, our analysts will highlight different economic indicators. Over time, we will be able to correlate AV index data with other data to assist companies in planning.

According to the **U.S. Bureau of Labor Statistics**, just over 150,000 net payroll positions were added in September, another month of underperformance given the average of more than 185,000 earlier in the year. Construction employment has stagnated, with a loss of 25,000 payroll positions in the sector since March, after adding 68,000 during the first quarter of the year. The latest numbers have not appeared to deter the Federal Reserve from potentially raising interest rates later this year. One reason may be companies largely staying the course on hiring, which the AV Employment Index appears to reflect.

The latest summary of commentary on current economic conditions, commonly known as the [Beige Book](#), was released by the **U.S. Federal Reserve Board** in September. The overview of national economic conditions from their 12 Federal Reserve Districts indicates that national economic activity continued to expand at a modest pace during the reporting period of July 2016 through late August 2016. Most districts reported a "modest" or "moderate" pace of overall growth.

Also reported by the Fed was the fact that commercial real estate activity had expanded in most districts, which could have a positive impact on pro-AV firms. Construction and sales rose only slightly in Boston, Kansas City, and St.

Louis, but grew at a faster clip in Cleveland and Dallas. In the Atlanta district, construction activity expanded moderately, but contractors reported tight supply conditions, with construction backlogs of one to two years. Contacts in Richmond, Va., and New York noted strong growth in industrial construction, and vacancy rates for industrial space fell to 10-year lows in the latter district.

Furthermore, the **Institute for Supply Management's** September PMI, a diffusion index like the component InfoComm Pro-AV Business Indexes, registered 51.5, an increase of 2.1 points from the August reading of 49.4. Its New Orders Index registered 55.1, an increase of 6 points from the August reading of 49.1. The Production Index registered 52.8, 3.2 points higher than the August reading of 49.6. The Employment Index registered 49.7, an increase of 1.4 points from the August reading of 48.3. Two of the seven industries that reported growth in September are Furniture & Related Products and Computer & Electronic Products.

Methodology

The survey behind the InfoComm Pro-AV Business Index was fielded to 452 members of the InfoComm AV Intelligence Panel (AVIP) between Sept. 12 and Sept. 30, 2016. A total of 232 AVIP members completed the survey. Only respondents who 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.

Index = 1.0 x % of positive responses + 0.5 x % 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.