

Pro-AV Business Index

Released September 2017

AVIXA, the Audiovisual and Integrated Experience Association™ has published the monthly Pro-AV Business Index since September 2016, gauging 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).

Pro-AV Business Rebounds From the Summer Lull

With the summer concluding, the sales index rebounds to healthy conditions with a score of 58.4 this month. The comments are mixed, ranging from slow seasonal factors to upsizing warehouse and office space to accommodate the growth. While the summer slowdown sentiment remains, a majority of the panel indicate positive growth from the previous month. In the near term with typical seasonal trends, where areas that were booming from construction and higher education installs could see a softening in the market. At the same time, once the exterior construction is completed, interior fabrication will take place and others will see growth with the summer months behind them and year-end spending on the horizon.

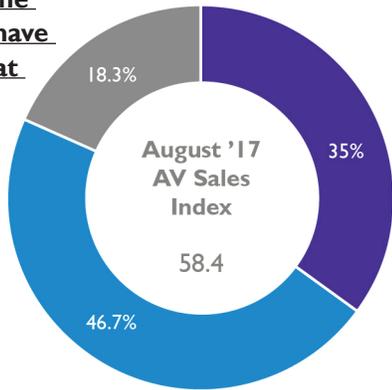
While the U.S. unemployment rate continues to hover at a historic low of 4.3 percent, the Pro-AV Employment Index continues to show growth for this month at 54.6. It is important to note that this data point has been on a slow downward slope since May's report as the market could be near saturation. Many panelists are seeing workforce shortage as their business expands, and are having more difficulties finding qualified staffing to support the growth. In fact, nearly three-quarters (74.2 percent) of the panel reported that their staffing remains unchanged this month compared with just over half (53.6 percent) the previous month.

INDEX	AUGUST	JULY	PERCENTAGE POINT CHANGE	TREND (MONTHS*)
Pro-AV Sales Index	58.4	50.9	7.5	1
Pro-AV Employment Index	54.6	57.7	-3.1	3

*Months the index has been increasing or decreasing

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

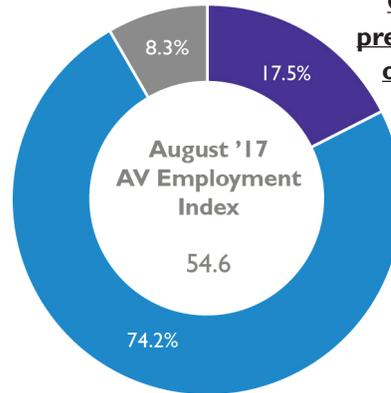
N-120



- Sales increased significantly (5% or more)
- Sales remained unchanged
- Sales decreased significantly (5% or more)

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

N-120



- Employment increased significantly (5% or more)
- Employment remained unchanged
- Employment decreased significantly (5% or more)

- “We are very busy in the corporate environment as we are getting into the later months of the year. Many companies are ramping up AV spending to meet this year’s remaining allotted budget.”
– Systems Integrator, North America
- “August is almost always slower than the rest of the months during the year. It’s the calm before the storm of the fall months for our business. We are positive and optimistic for the remainder of the year.”
– Live Events and Staging, North America
- “It is hard to find skilled personnel to fill key roles required for our business expansion and opportunities for growth. At the same time, there is more competition and increase in labor cost due to getting qualified workers to meet our project demands.”
– AV Service Provider, Asia-Pacific

Industry Conditions for Next Six Months

When looking at revenue for the next six months, half of panel members remain positive while just under 40 percent remain neutral. Panel members see their workforce conditions improving the next six months with 48 percent saying they will be positive compared to 36 percent last month.

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?



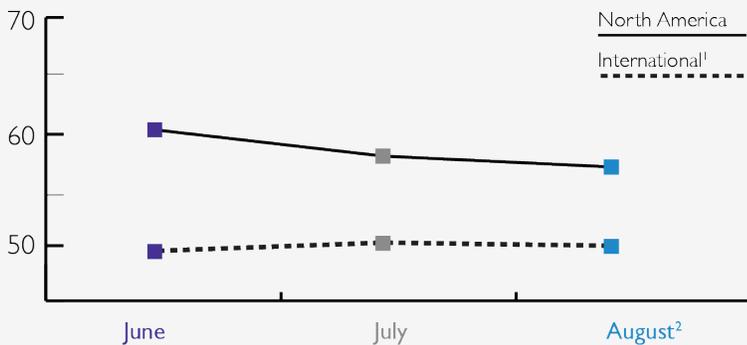
International Outlook

The International and North American preliminary August Sales Indexes remain unchanged from the previous month at 50.0 and 57.3, respectively. The foreign exchange can have a positive or negative impact on businesses internationally. Currently, the foreign exchange rate is favorable in Latin America while having a negative impact in Europe.

- “The exchange rate is currently favorable for us and stable. Some companies are investing again in projects that were stopped due to increased cost from the exchange rate factors.”

– Systems Integrator, Latin America
- “The currency fluctuation has had a negative impact for our business and that is partially due to the looming Brexit negotiations. The sterling pound/euro does not help our business, with UK clients having events in other parts of Europe where our Swiss clients are affected less.”

– Live Events, Europe



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

¹ Global 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-month moving average. August 2017 index is preliminary, based on the average of July 2017 and August 2017 and will be final with September 2017 data in the next report.

Business Development

Repeat business is critical to keep up a company’s profit margin. According to the panelists, on average nearly two-thirds (64.8 percent) of their business is from either non-compete and competitive bids on

projects from existing clients. Just one-in-five (21.9 percent) projects is typically from competitive bids responding to RFPs and RFIs from new clients.

Average percentage from...



- Noncompetitive repeat clients
- Competitive repeat clients
- Competitive new clients
- Noncompetitive new clients

Business development can come from various sources, from paid advertising to word of mouth. When asked to rank their top five sources for business development, more than half (55.3 percent) of the respondents ranked “Repeat work” either their top or second highest ranking. Firm reputation/word of mouth follows closely with 54.2 percent, ranking this source in the second spot.

TOP 2 RANKING (1-5 RANKING)	
Repeat work	55.3
Firm reputation/word of mouth	54.2
Referrals	42.9
Marketing/sales team	34.8
Request for inquiries or proposals	29.6
Paid advertising	23.7

Pro-AV End-Users (Purchase Decision Makers)

Pro-AV end-users or clients of AV service providers can be found in a variety of vertical markets and industries from healthcare, education, and government to the retail sector. These professionals typically perform a wide array of tasks including research, purchasing, and managing the installation and use of AV communication within their companies. This month AVIXA asked about end-user involvement in the final AV purchasing process, with respect to the specific titles at their organization. When asked about the role of Technology Managers, the end-user panel indicated this role is one of the main product/equipment “Decision Makers” nearly two-thirds (64 percent) of the time. Half of the respondents

(49 percent) said when IT Managers are involved in the project, they would likely be the buying decision maker, and another 40 percent said they would be influencers. Although Project Managers and Facilities Managers were not often listed as the primary decision makers, they may be influencers on the purchasing decision-making process.

What position(s) are involved in the final AV purchasing decisions as a decision maker or influencer at your company? In other words, who decides what products and services you purchase, not necessarily who pays or signs the check for them.

	DECISION MAKER	INFLUENCER	NEITHER
Technology Manager	64%	34%	2%
IT Manager	49%	40%	11%
CEO	21%	35%	44%
Project Manager	16%	61%	23%
Facilities Manager	12%	55%	33%

Project ROI Metric for Clients

When end-users were asked if their company sees or measures a return on their investment of AV equipment and services, more than one-third (39 percent) said they have some type of metric system they use to determine the value for their investment. However, rather than specific financial calculations of the actual return on the investment, the measures

are unsophisticated metrics based only on intangible benefits. For example, the education sector looks at the student usage and use feedback from student satisfaction surveys. Other measures include tracking service calls, analysis of survey data, and support ticket analysis.

Pro-AV Business Index 2017, Historical Data

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY
Pro-AV Sales Index	60.5	58.6	71.6	63.4	62.5	57.7	50.9
Pro-AV Employment Index	59.8	57.7	59.7	59.1	60.5	58.3	57.7

Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 658 members of the AVIXA AV Intelligence Panel (AVIP) between Aug. 28 and Sept. 4, 2017. A total of 202 AVIP members completed the survey. Only respondents who are service providers 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. Any score above 50 indicates an increase in sales/billings.

About the AVIXA AV Intelligence Panel

The AVIXA 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, AVIXA 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 AVIXA AV Intelligence Panel is designed to be a global community, representative of the entire commercial AV value chain. AVIXA 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 avixa.org/insight/marketintel/AVIP.