



## Getting Their Bearings

With the economy staggering toward recovery, AV pros share what they've learned and why things will be better next time.

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As hard to ignore as a hum in the line, the economy throughout 2009 was an ever present topic in mainstream discourse, as well as in pro AV industry circles. Rightly so. The recession influenced myriad decisions and commanded focus both on a macro, global level and on a local, enterprise level. There's no denying that our industry is affected directly by general economic wave patterns, but in some cases, pro/commercial AV markets tend to follow patterns of their own.

As some industries are now talking "rebound," what's happening in our market? How are firms recalibrating their staffing for the coming year? How is the financing crunch affecting the industry, from end-user decision-makers to AV integration firms? What are companies doing to retool their operations and their marketing? Most importantly, what lessons have we learned from this recession that will carry our industry into the future?

To find out, all you have to do is talk to integrators and technical design consultants around the country. Their experiences shed light on the impact of the economy on the pro AV industry. They also provide a roadmap for exiting the woods of the recession and emerging again when business is better—in 2010 and beyond.

### Rebound or Recovery?

Though some general economic indicators are improving, there's not yet a lot of rebounding going on in the economy generally, nor in the AV industry specifically. "Recovery" might be a better term for what AV pros describe their short-term prospects.

"'Rebound' wouldn't be in my vocabulary at this point," says Mike Landrum, managing principal of Technical Innovation in Norcross, Ga. "Last year we were concerned about how far down it would go, and it didn't. It's been a flat year for us compared with other years, but the mix has changed. Some markets are rebounding slightly; some continue at a reduced level, so it's a complex situation.



Photo: Susana Raab/Aurora Select

**Jeff Loether of Electro-Media Design near Washington, D.C., sees a business rebound under way, with projects that previously were stuck on hold finally beginning to shake free. "Bidding has been competitive and healthy."**

There is a prolonged period where there's some positive momentum in our southeast market."

Landrum says that for his company, government markets are strong and education is holding steady. "The broadcast market is also strong, as studios seek to change their business models and obtain systems that reduce operating costs through technology that allows more functionality with less staff. These projects are fundable because of the ROI," Landrum says.

From the vantage point of the upper midwest, Stefan Svard, president of Audio Video Electronics in Maple Grove, Minn., says his company's core market—houses of worship—is struggling to right itself. "Now churches are going ahead," he explains. "But there's a new conservative feeling. Clients are still saying things like, 'We still have some people coming to church who are unemployed, so we shouldn't buy a new expensive chandelier.' Even if they have the funding for a new sound system, they're perpetually dragging their feet."

In New England, Catherine Shanahan, president of Shanahan Sound in Lowell, Mass., says the company recently has seen proposals and requests for proposals, but like elsewhere, the progress isn't widespread. "There's decent activity in religious organizations, and it looks like there's an upturn there," Shanahan explains. She also says that the K-12 market is showing some upside, albeit inconsistently. But overall, Shanahan Sound's region is characterized by its balance. "It seems when one's down the other's up," she says. "As for corporate clients, the larger ones are steady, but decision-making is longer."

Count Jeff Loether, president of AV consulting firm Electro-Media Design in Gaithersburg, Md., among those who'd use "rebound" to describe what he's seeing. Loether's company is based in the Washington, D.C., suburbs, where the federal government's spending is felt more acutely than elsewhere in the country.

"There is a rebound happening for us," Loether explains. "Bidding has been competitive and healthy." Loether says that Electro-Media Design saw a sharp decline in project starts beginning in fall 2008. Moreover, some larger projects that were already under way proceeded along to a significant milestone then went on hold, but even that's beginning to turn. "Some of those projects are restarting now," he says.

How did we get where we are today? Starting in the fourth quarter of 2008, and well into 2009, pro AV firms followed national patterns by trimming staff and reducing head count. As painful a process as this was, it forced some owners and managers to think through their organizational structure, job functions, and employee performance and to apply the best practices that arguably should have been followed all along. One manufacturer who laid off 10 employees admitted that the positions were performing only marginally anyway—recession or not. "We probably should have done this long ago," said a representative who asked not to be named talking about layoffs.

The optimal timing of staff adjustments varies from firm to firm. Landrum says that Technical Innovation acted quickly. "November 2008 and then again in the first quarter of 2009, we made sure we were properly adjusted," he says. "We didn't make reductions we felt would hurt our core business."

Other firms held out as long as possible. Svard says, "We held on to everyone until late summer [2009], but then we had to let two people go."

Not surprisingly, since many of today's pro AV firms are small, closely knit companies, managers feel personal regret over letting people go. They worry about the effect on the rest of the staff and look forward to reversing course. "We had four layoffs including a project manager and a salesman," says Shanahan. "But we've started bringing them back. We've had to do everything to keep morale up."

But keep in mind, restaffing involves strategic business planning, from how much to grow a staff, to when and in what positions. Move too quickly and you may be forced to reduce head count again. "We're always balancing resource growth with revenue growth," Landrum says. Technical Innovation has already hired sales people to address new or growing markets.

Loether is in the same boat. "We have been hiring and are continuing to grow." Electro-Media Design has hired a chief operating officer, an administrative assistant, and an AV operations manager and the company is now seeking two more staffers.

Still, as business ramps back up, more firms than usual are outsourcing work rather than hiring back full-time employees. "With a leaner staff, we're outsourcing more for our engineering," says Svard.

But outsourcing for the sake of outsourcing would be shortsighted. The decision needs to be seen as part of a bigger strategy. "We use a reasonable supply of subcontractors," says Landrum. Technical Innovation's decision to outsource is driven in part because the company has multiple locations and using subcontractors, Landrum explains, "keeps utilization rates high from one office to another."

In the short-term, Svard says, turning a cost center into something more variable reflects what lots of companies are doing these days, and that helps Audio Video Electronics stay flexible.

#### Project Management—New Challenges

Beyond staffing, the recession is likely to change the way pro AV firms operate going forward. Industry pros say project management is being stressed more than ever, presenting fresh challenges that likely will continue into the future. End-user decision-making will likely continue to be more erratic than it was in the past, and leaner staffs at AV integration firms will, for the foreseeable future, constrain logistics and tax the firms' resources.

"It's been hard to do our own forecasting and it's hard on project management," says Shanahan. "We've had a lot of proposal activity, but clients are not pulling the trigger. Or we put it out there and then they say they have to have the system in 10 days." To further complicate business management, Shanahan says proposals are going through multiple hands for approval. Sometimes they end up on the desks of top management. "When we call to follow up, we get, 'It's on the director's desk.'"

The nature of pro AV work during this recovery is likely to be different than it was before the recession, in large part dictated by the larger economy. In some cases, clients will be anxious to spend money quickly once they have it. In others, they'll be looking to outfit the space they're in rather than building new.

"We're getting more stuff that's just-in-time, rather than longer term design [projects]," says Svard. "We're also getting more retrofit jobs and less new construction."



Photo: Susana Raab/Aurora Select

**Catherine Shanahan, president of Shanahan Sound, has begun the process of rehiring and sees 2010 as a year to revamp marketing efforts. "We're doing everything we can to manage our expenses and keep getting the business," she says.**

In any business climate, project management is critical to success, and engaging the customer in the process is key. Landrum says, "It's our job to manage all the variables of the project. Our aim is to help our customers understand the process. We manage and set expectations at the outset."

### Tooting Your Own Horn

Setting expectations reaches all the way back to how an AV firm promotes its skills. For many AV companies, the recession proved a wake-up call for reinvigorating their marketing efforts. No business climate is more conducive to targeted and well-thought-out promotion than one in which end-user clients are either stalled or rethinking their AV systems needs. When things get quiet, forward-thinking AV firms pipe up.

Shanahan Sound decided that for 2010, it wants to communicate to the market that it is charging ahead. Seeing a better business climate in the offing, the company wanted to get an edge on its competition through fresh marketing.

"January 1 was a new look for us. We invested in a new logo and design for our trucks, our website, and our other materials," says Shanahan.

Electro-Media Design is also redoubling its marketing efforts, including updating its website and all collateral. It has also taken advantage of the recession to focus its efforts on coordination. "Over the next year, I think our marketing will be evolving more towards partnering and collaborative teaming opportunities," Loether explains. "And [we'll be] deepening our relationships with our existing clients."

### Access to Capital—In The Same Boat

Speaking of partnering, nothing better illustrates the interconnectedness of stakeholders in the pro AV industry than issues of financial capital—the money that helps stock inventory and keep vans moving. And the group most caught in the middle of money matters is integration firms.

AV integrators say that at the client level, several things are happening to affect cash flow. While customers are starting to entertain multiple proposals for AV systems, it takes longer than before to commit to a project. Moreover, they won't purchase equipment right away in order to preserve their own credit lines. And when they do finally greenlight a project and sign an order? "Clients are taking longer to pay," says Shanahan. "Ninety days is not unusual, but of course we have to pay all the vendors in 30 days."

At that vendor level, credit is also still tight, which could pose problems as business recovers, clients drag their feet, and dealers need a little leeway in their cash flow. Some say that if a recovery in the pro AV market is to gain steam, a lot will depend on the deals between manufacturers and dealers. Those with the strongest relationships will be seen as partners rather than companies that are simply interested in filling orders.

"Some manufacturers are good. Some are shortsighted and rude—these are the ones I don't need anymore," says Shanahan. "The credit manager at the manufacturer is the key. They need to be able to suss out who the good dealers are."

Therefore AV professionals must pull their weight, too, and spend the extra time understanding manufacturers' businesses and demonstrating their ability to move products, integrate successful AV systems, and maintain happy clients.

### Are We Any Wiser?

Overall, the pro AV industry is learning that complacency is the enemy of success, and that market vigilance is more important than ever. It's the lessons learned (see "[10 Lessons Learned from the Recession](#)") that can help sustain an AV company the next time the economy sours. "It worries me when others say we could have another dip," Shanahan says. "We're doing everything to manage our expenses and keep getting the business."

A recurring theme of the Great Recession—and a strategy easier vocalized than executed—is the need to remain bold. More than one AV integrator has sworn that when there's an economic downturn, while everyone else is pulling back, their company seizes the opportunity to invest in training, infrastructure, and marketing. "We need to never let up on our marketing activities," Loether says.

"There's no better medicine than to make swift and decisive business decisions when you see the storm clouds on the horizon," says Landrum. "You just don't wait around to make changes. Now the challenge is not to let your guard down or relax too much, but to keep the intensity up and protect profitability at all costs."

All while the AV industry continues undergoing fundamental change. As AV becomes a more business-critical way for clients to work and communicate, AV pros will have to adjust their operations in the limelight, with a target on their collective back. "We haven't yet learned how to sell value and hold out against low-cost producers' competition," warns Landrum, "We have new competition from outside the AV industry. This is a reality that won't change."

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### 10 Lessons Learned from the Recession

As the economy in general, and the pro AV industry specifically, turns the corner from recession to recovery, it's important to learn from the hard times. The lessons we take away can help accelerate growth during a rebound, as well as cushion the blow next time the economy shrinks. In a series of in-depth conversations, AV professionals from around the country offered their collective wisdom. We picked the 10 most oft-repeated pieces of advice as the keys to success in the new, recovering economy.

1. Sell ROI. Box houses sell only gear. Some integrators sell only systems. Smart integrators sell solutions. And the smartest and wisest integrators sell return on investment to the client. Any new system solution that increases efficiency, saves time and headaches, and improves communication and the "AV experience" is a good investment and can be positioned as such. This changes a customer's motivation to buy from "nice to have," to "need to have," to "foolish not to have."
2. Right-size and right-skilled staff is essential. The recession has forced companies to think through all the positions in their firms and to look at their organizational structures strategically for maximum efficiency and effectiveness. This is a basic, good business practice in any economy.
3. Marketing is an every day thing. Getting the company message out has to be a unified, integrated, ongoing process. Every contact with the customer base, whether in print, on the Web, in person, or by phone, reflects the brand. The recession has inspired many firms to amp up their marketing efforts—another good business practice in any economy.
4. Go deeper with your customers. In addition to providing systems and solutions, approach each job as an opportunity to become more important to your client. This could take the form of services that create recurring revenue (see [proavmagazine.com/services](http://proavmagazine.com/services)) or other low-voltage systems in a client's building that could present any opportunity for future sales, such as mass notification



systems ([see www.proavmagazine.com/lifesafety](http://www.proavmagazine.com/lifesafety)).

5. We're all in the same boat. All the AV industry stakeholders—and their customers—navigate the same economy together. Successful integrators have learned how to partner with their customers and work with them to provide the solutions scaled to their individual needs. Integrators have the right to the same collaborative relationship from their suppliers. Now is the time to evaluate your vendor relationships.

6. "Variable-ize" expenses whenever possible. Staying lean is an attitude that translates into many business behaviors, including keeping expenses controlled. For some firms, efficiencies are achieved with outsourcing. Keeping expenses (especially a portion of labor) variable, contingent on revenues, allows for tighter fiscal control.

7. Make a case for your expertise. Just a reminder: Make sure you're selling your firm's capabilities along with the AV systems. The value of a relationship far exceeds the value of a single job.

8. Stay atop of technology. Said another way, invest in training. Even during the recession, technological innovation in the AV industry has continued to advance. Having cutting-edge technology expertise is essential, and being able to explain the technology in understandable terms to the client is a competitive advantage.

9. Do the planning. While it may sound counterintuitive to focus on planning during uncertain times, there's no more compelling time to think strategically. Scenario planning based on what-ifs ensures agility in the market no matter how it changes. Being able to take swift action in response to the changing business environment is a competitive advantage.

10. Assert your leadership. In personnel management, the continuum goes from supervision to management to leadership. Now more than ever, employees need real leadership in order to boost their confidence and keep them motivated. Leadership through uncertain times keeps morale up and creates the conditions for everyone to do their best work.

— *Jeanne Stiernberg*



