

LABOR RATES STUDY:
WHAT PROS CHARGE

CHOICE CUTS FOR GREAT
SOUNDBAR DEMOS

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CEPro

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INTEGRATION
AUDIO/VIDEO
NETWORKING
CONTROL
BUSINESS



CONTINUING UPWARD CLIMB:
CE PRO 100 REPORTS 6% BOOST
IN REVENUES, PLUS 60% HIGHER JOLT IN
MEDIAN INSTALLATION PRICE TO \$27K. **PAGE 36**

**FACING THE FUTURE
OF THE INTERFACE:**
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CONTROLS **PAGE 56**

CE PRO 100

REVENUES UP 6%, REACH \$1.8B

The industry's highest revenue custom integration companies also report strong increases in median installation prices.

BY JASON KNOTT

THE CUSTOM electronics industry is still not exactly national in scale, but revenues earned by the largest companies in this longtime mom-and-pop shop business are definitely swelling to proportions never seen before.

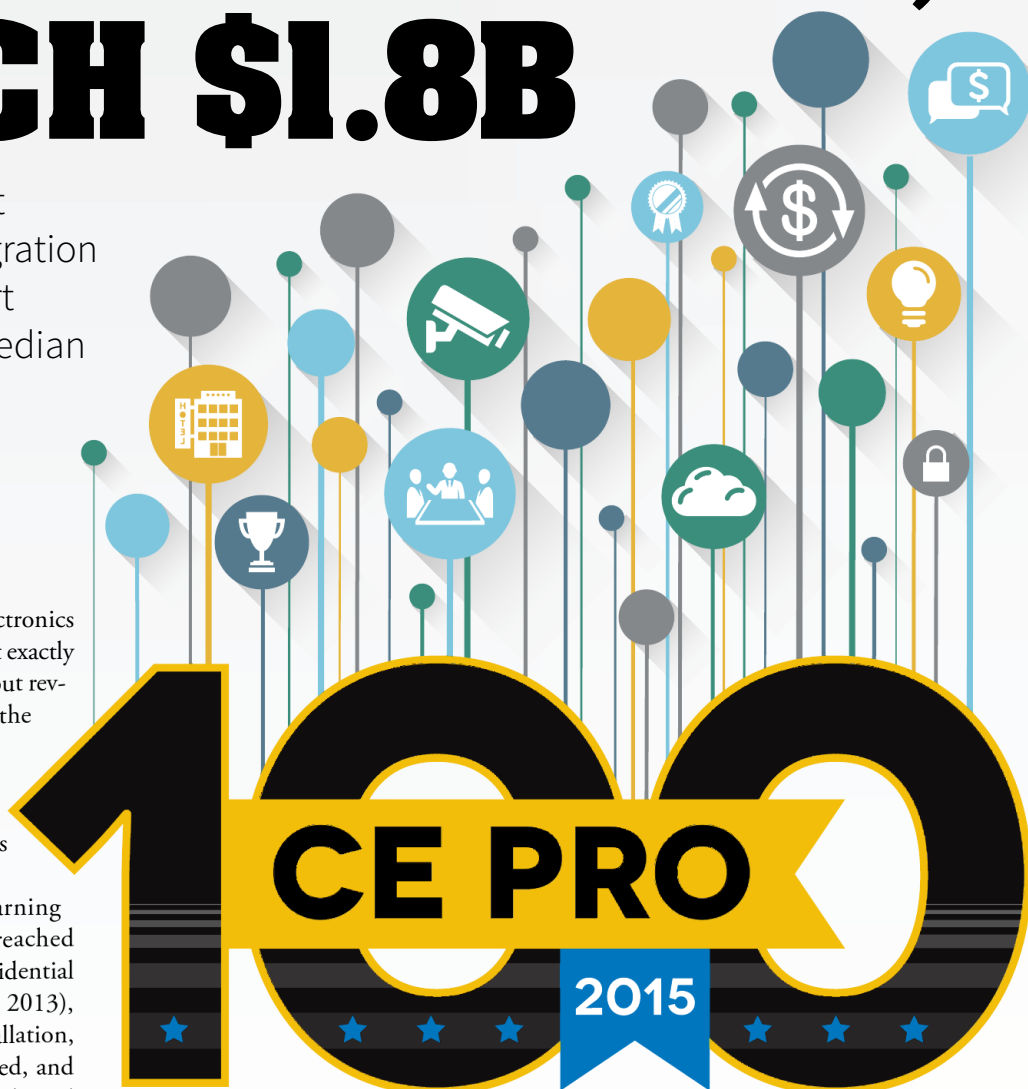
Last year, the 100 highest-earning custom installation companies reached an estimated \$1.843 billion in residential revenues (up from \$1.74 billion in 2013), which includes income from installation, equipment that is sold and installed, and recurring revenue earned from residential accounts. And, that total revenue number is higher despite *CE Pro's* estimate that Best Buy/Magnolia had a drop in number of installations and revenues.

Meanwhile the number of residential installations declined for the second straight year, to an estimated 415,514. That is down slightly (just under 3,000) from 2013. So, using our 8th grade math skills, if revenues are up and total installa-

tions are down, it must mean installation prices are growing. Indeed, the median price (point at which half the responses are higher and half lower) for a custom installation was a whopping \$27,406. That is an incredible \$10,276 higher per installation than 2013, or a 60 percent increase in the median installation price. That is a signal of a very healthy marketplace.

Median is the best statistic to use when

looking at the price points because ADT, Vivint and Best Buy's Geek Squad at the top of the CE Pro 100 greatly skew the average installation, which is only about \$4,437. The average price for an installation has fallen precipitously from previous years when the cottage custom installation industry did not have national players in the game with recurring monthly revenue (RMR) business models.



Another sign of growth is the \$5 million benchmark figure. When the CE Pro 100 was introduced in 1999, the largest company on the list did \$5 million in residential custom installation revenue. Last year, 45 companies on the list exceeded that \$5 million mark, up from 33 in 2013.

With the \$1.8 billion total revenues, that means the average company on the list had \$18 million in residential installation revenue in 2014, up about 6 percent from 2013. Again, median is a more accurate reflection of the typical CE Pro 100 company — in this case, half the companies above and half below the figure of \$4.275 million in revenues. The top three companies on the list are unchanged: Best Buy/Magnolia tops it, followed by Vivint at No. 2 and ADT at No. 3.

As explained in previous years, many of the large players' offerings do not represent an apples-to-apples comparison to traditional custom integrators' solutions. Some continue to argue that they do not represent "custom installation." However, many entrepreneurial integrators on the list are offering identical products and services at their most basic level as the large players are offering. For example, many local integrators do simple flat-panel installations and limited lighting and HVAC control tied in with a security panel.

CALCULATING BEST BUY, VIVINT, ADT

Over the past few years, determining the data for Best Buy, Vivint and ADT has become more accurate, but still not 100 percent exact since none of these megacompanies actually breaks down their financials with the exactitude (multi-subsystem residential revenues) that *CE Pro* looks for to determine the ranking. This year, the estimating process got a bit easier.

No. 3 ADT has seen sales of its ADT Pulse home automation system skyrocket to now represent more than half of its new installations. ADT Pulse sells for more money and requires a higher monthly monitoring fee than the company's stand-alone residential burglar alarm systems. Last fall, ADT reported more than 1 million of its total 7 million clients had opted for ADT Pulse systems. In the meantime,

KEY BENCHMARK NUMBERS

\$1,843,488,213

TOTAL CUSTOM RESIDENTIAL-ONLY REVENUES LOGGED BY THE CE PRO 100 IN 2014

\$18.4 MILLION

AVERAGE CUSTOM REVENUES EARNED BY THE CE PRO 100 IN 2014

6%

PERCENTAGE INCREASE IN AVERAGE CUSTOM REVENUES IN 2014 VS. 2013.

415,514

ESTIMATED TOTAL NUMBER OF MULTI-SUBSYSTEM RESIDENTIAL INSTALLATIONS DONE BY THE CE PRO 100 IN 2014

-2%

PERCENTAGE DECREASE IN THE TOTAL NUMBER OF MULTI-SUBSYSTEM RESIDENTIAL INSTALLATIONS DONE BY THE CE PRO 100 IN 2014 VS. 2013.

147

MEDIAN NUMBER OF MULTI-SUBSYSTEM RESIDENTIAL INSTALLATIONS PER COMPANY IN 2014 (DOWN 3 FROM 2013).

\$153,022

MEDIAN REVENUE PER EMPLOYEE IN 2014 (DOWN 10 PERCENT FROM 2013)

\$27,406

MEDIAN REVENUE PER INSTALLATION (UP 60 PERCENT VS. 2013)

22

MEDIAN NUMBER OF EMPLOYEES PER CE PRO 100 COMPANY (UP FROM 18 IN 2013)

\$648.8

MILLION CUSTOM RESIDENTIAL INSTALLATION REVENUES FOR THE NO. 1 COMPANY.

12

NUMBER OF CE PRO 100 COMPANIES BASED IN FLORIDA

39

NUMBER OF CE PRO 100 COMPANIES WITH MORE THAN ONE BUSINESS LOCATION/STOREFRONT

86

NUMBER OF CE PRO 100 COMPANIES WITH A SHOWROOM

96

NUMBER OF CE PRO 100 COMPANIES DOING COMMERCIAL INSTALLATIONS LAST YEAR

78

AVERAGE NUMBER OF COMMERCIAL INSTALLATIONS DONE BY A CE PRO 100 COMPANY LAST YEAR

the company unveiled at International CES 2015 in January a new DIY product called Total Security. That lower entry-level offering will put an increased premium label on ADT Pulse. For this year's CE Pro 100, ADT is reporting 78,000 installations and revenues of \$128 million for 2014.

Meanwhile, No. 2 Vivint continues to build on its RMR model. The Provo, Utah-based company had total revenue of \$564 million in 2014. Of that, the com-

pany attributes 70 percent (\$394 million) as derived from sales of multi-subsystem home automation systems combining an alarm system with thermostat control, lighting control, IP cameras, and/or dead-bolt doorlock control. That has climbed from 61 percent in 2013 and increased a mind-numbing percentage from 2012 when its home automation revenue was reported at \$130 million. Moreover, existing customers continue to upgrade and

transfer from standalone alarm systems into home automation systems.

Best Buy's custom revenues are the most difficult to determine. The company does not break out its data. According to its annual report, Best Buy earned \$36 billion in domestic revenues in 2014. The company has been trimming and trimming over the past several years and appears to have turned the corner with positive results. For example, the number of employees has dipped from 155,500 to 125,000. The number of Best Buy and Magnolia Hi-Fi stores has been reduced by four since 2013 to 1,052. These measures along with others have boosted Best Buy's bottom line and its stock price, which has held steady in the \$38 to \$40 range since its low point in 2012 of just \$18.

Analysts have reported in the past that 4 percent of Best Buy's total revenues are gleaned from "services," which include all the Geek Squad's computer repair service and its home theater installation service, sales of extended service contracts, and installation services from Magnolia. Again this year in its annual report, CEO Hubert Joly emphasized that the company will be "pursuing a strategy that is focused on delivering advice, service and convenience at competitive prices to our customers. Within this strategy, we are focused on driving a number of growth initiatives around key product categories, life events and services." The primary "services" delivery mechanism is Geek Squad, which Joly called an "under-utilized asset" last year. Its same-store services revenue was down 11 percent in FY 2014.

So, *CE Pro* estimates that roughly half (45 percent) of Best Buy's total "services" figure is directly related to custom installation services. That equates to an estimated \$648.9 million for 2014.

HOW COMPANIES VERIFY DATA

Companies are asked to submit their financial data or have it verified by their accountant for the CE Pro 100. The verification is optional. Companies were required to sign a statement (for faxed or mailed entries) that says, "the informa-

BIG JOB GURUS

TOP 10 HIGHEST AVERAGE REVENUE-PER-INSTALLATION

1. **Showcase A/V** \$533,000
2. **SAVE Electronics** \$300,000
3. **Hometronics** \$264,488
4. **VIA** \$197,035
5. **Sawyers Home Controls** \$186,364
6. **Cloud9 Smarthome** \$175,110
7. **Audio Video Systems** \$167,150
8. **Signals Audio/Video** \$147,112
9. **Maverick Integration** \$134,884
10. **AudioVisions** \$131,579

These companies focus on big jobs that often entail long-term, complex integration of multiple subsystems.

tion provided is accurate and truthful."

Similar to previous years, *CE Pro* has selected gross revenue in multisystem residential installations as the determining factor for the ranking. Keep your eyes peeled for the June issue of *CE Pro* that will include a brand analysis by the CE Pro 100. All entrants in the CE Pro Summit as a hosted guest. It will be held this year in National Harbor, Md., just outside Washington, D.C., from August 17-19.

The list is ranked by the volume of billed, not booked, business from residential systems that incorporate at least three of the following subsystems:

- ▶ Audio (sources, speakers, processors or multiroom distribution components)
- ▶ HVAC control/energy management systems
- ▶ Lighting controls
- ▶ Security systems (alarms, integrated fire, access control or CCTV)
- ▶ Structured wiring
- ▶ Telecommunications
- ▶ Video (sources, monitors, projectors, screens or multiroom distribution components, gaming)
- ▶ Whole-house automation/integration
- ▶ Networking (PC/broadband routers, modems, WAPs, etc.)
- ▶ Window covering controls

OLD SCHOOL ACES

TOP TRADITIONAL CUSTOM A/V INTEGRATORS (CUSTOM REVENUE ONLY)

1. **VIA** \$73.9 million
2. **Audio Command Systems** \$26 million
3. **SST** \$21.9 million
4. **Audio Video Systems** \$20.1 million
5. **Audio Interiors** \$13 million
6. **ETC** \$18.2 million
7. **Vitex** \$13.8 million
8. **AudioVisions** \$12.5 million
9. **Intech** \$12 million
10. **Maverick Integration** \$11.6 million

These traditional A/V specialists have the time-tested business model of working closely with homeowners, architects, interior designers and custom builders to fashion sophisticated integrated systems — one at a time.

RETAIL GIANTS

TOP CUSTOM RETAILERS (INSTALLATION REVENUE ONLY)

1. **Best Buy/Magnolia** \$648.9 million
2. **Just One Touch/Video & Audio Center** \$26.9 million
3. **World Wide Stereo** \$16 million
4. **MODIA** \$15 million
5. **Nebraska Furniture Mart** \$6 million
6. **Bekins** \$5.2 million
7. **Bjorn's Audio Video** \$4.2 million

These integrators sell equipment over-the-counter and/or online to form relationships with customers that lead to installing the equipment.

- ▶ Other (central vacuum, surge protection, irrigation control, satellite, spa controls, acoustical panels, seating, furniture, etc.)

The data includes recurring revenue from multi-subsystem installations. **CE Pro**

PRODUCTIVITY KINGS

TOP 10 HIGHEST REVENUE-PER-EMPLOYEE

1. **SAVE Electronics** \$3,000,000
2. **Intech** \$1,200,000
3. **HIDEF Lifestyle** \$666,667
4. **Hometronics** \$558,363
5. **Audio High** \$541,146
6. **Elite Media Solutions** \$480,000
7. **Campbell Audio/Video** \$475,000
8. **AAMI** \$426,000
9. **Showcase AV** \$400,000
10. **Sound Concepts** \$397,105

These are by calculation the most efficient integrators in terms of maximizing employee productivity. SAVE Electronics uses a business model of using only subcontract employees.

COMMERCIAL CRED

TOP COMMERCIAL INTEGRATORS (BASED ON TOTAL NUMBER OF COMMERCIAL PROJECTS)

1. **Guardian Protection Services** 3,457
2. **Peak Audio & Video/ Peak Alarm** 1,128
3. **SST** 350
4. **Just One Touch** 210
5. **MHS Technologies** 198
6. **Nebraska Furniture Mart** 180
7. **Cloud9 Smarthome** 152
8. **Procom Enterprises** 150
9. **AAMI** 115
10. **All Systems Audio & Video** 148

These integrators have done the most expansion into commercial installations in terms of number of projects. Two companies that entered the CE Pro 100 but just missed making the list based on their residential revenues alone would have appeared very high on this short list of commercial specialists. All Pro Sound (\$31 million) is a primarily commercial company that just missed the list.

Outlook & Challenges for 2015

► “Finding new talent is the single biggest obstacle to growth. We are aggressively looking to find and hire the very best folks in our industry to help us continue our growth.”

—**Eric Thies, VIA**

► “Our biggest challenge continues to be increased competition associated with new entrants, as well as existing competition. The demand for home automation services (lights, locks and thermostats), as well as other remote security services such as cameras, has continued to move the market from traditional security services to a combination of traditional security and home automation services. This certainly yields more revenue, but also presents demands on our business for competitive offers as well as increased pressure on customer retention efforts through upgrade opportunities to existing customers.” —**Richard Yobbi, Guardian Protection Services**

► “The biggest challenge we face is that more and more, inexpensive systems are not requiring installation. As we lose some installation jobs, our programming/automation picks up as clients want easy operation and access to all their electronics by smart-phones, iPads or computer.” —**Joseph Akhtarzad, Just One Touch Video & Audio Center**

► “Challenges: Human resources. Acquiring the talent on all levels and then paying for that talent. The skill set requirement is so much more that it used to be.” —**Bob Cole, World Wide Stereo**

► “Intech understands the ongoing challenges of competing in the HDTV arena. Rather than being concerned about eroding margins of TV and video, we are embracing reality and challenging ourselves to create additional upsell opportunities with home solutions, including HVAC control, lighting control, shade control, irrigation control and surveillance control.” —**Eric Smith, Intech**

VOLUME EXPERTS

TOP SECURITY/STRUCTURED WIRING BASED INTEGRATORS (CUSTOM-ONLY REVENUES)

1. **Vivint** \$394.6 million
2. **ADT Security Services** \$128 million
3. **Guardian Protection Services** \$28.9 million
4. **SST** \$21.9 million
5. **Dynamark Systems** \$11.3 million
6. **Peak Audio & Video/Peak Alarm** \$9.8 million
7. **iWired** \$8.1 million
8. **Eagle Sentry** \$6.5 million

Volume is the key word for these top integrators whose efficiency is based on doing as many jobs as possible in the most efficient manner. Most are security-based and often they work with homebuilders on large housing tracts.

BIG GUNS

TOP INTEGRATORS BY TOTAL REVENUES (ALL SOURCES)

1. **Best Buy** \$36 billion
2. **ADT** \$3.2 billion
3. **Vivint** \$563.7 million
4. **Guardian Protection Services** \$169.9 million
5. **Projector Supercenter** \$106 million
6. **VIA** \$73.9 million
7. **Just One Touch/Video & Audio Center** \$49.9 million
8. **All Pro Sound** \$32 million
9. **World Wide Stereo** \$31.9 million
10. **Audio Command** \$26 million

This list shows total company revenues from all sources, including commercial work, custom installation, retail and security-only.

RANK	VERIFIED	COMPANY	CITY, STATE	CUSTOM REVENUES	RESIDENTIAL INSTALLS	REVENUE/INSTALL	FULL-TIME EMPLOYEES	REVENUE/EMPLOYEE	LOCATIONS	2015 OUTLOOK
21	V	iWired	Scottsdale, Ariz.	\$8,067,962	2,065	\$3,907	39	\$206,870	2	Up 7%
T-22	V	Showcase AV	Calgary, Alberta, Canada	\$8,000,000	15	\$533,333	20	\$400,000	1	Down
T-22	V	HiDEF Lifestyle	Harrisburg, Pa.	\$8,000,000	168	\$47,619	12	\$666,666	1	Up 20%
24	V	Audio Video Crafts	Long Island City, N.Y.	\$7,925,500	91	\$87,093	21	\$377,404	1	Up 5%
25	V	TVTI	Chicago, Ill.	\$7,546,338	188	\$40,140	23	\$328,101	1	Up 10%
26	V	Signals Audio/Video	El Segundo, Calif.	\$6,914,264	47	\$147,112	25	\$276,570	2	Up 5%
27	V	Eagle Sentry	Las Vegas, Nev.	\$6,481,000	490	\$13,226	46	\$140,891	1	Up 15%
28	V	AAMI	Naples, Fla.	\$6,390,000	329	\$19,422	15	\$426,000	3	Up 12%
29	V	Trinity Wiring & Security Solutions	Manassas, Va.	\$6,300,000	2,000	\$3,150	40	\$157,500	1	Up 10%
30	V	Service TECH	Cedar Park, Texas	\$6,287,541	120	\$52,396	32	\$196,485	3	Stable
31	V	Stereo East Home Theater	Frisco, Texas	\$6,277,585	620	\$10,125	30	\$209,252	1	Up 18%
32	V	The Sound Room	Chesterfield, Mo.	\$6,100,000	500	\$12,200	37	\$164,864	2	Up 15%
33	V	Nebraska Furniture Mart	Omaha, Neb.	\$6,000,000	4,320	\$1,389	50	\$120,000	3	Up 30%
34	V	Sound Concepts	Jonesboro, Ark.	\$5,956,573	590	\$10,095	15	\$397,104	1	Up 11%
35	V	Audio Video Design	Westwood, Mass.	\$5,875,000	120	\$48,958	28	\$209,821	4	Up 20%
36	V	Automation Integration	Celina, Texas	\$5,768,587	60	\$96,143	19	\$303,609	1	Up 25%
37	V	Audio Images	Tustin, Calif.	\$5,650,789	45	\$125,573	27	\$209,288	1	Up 20%
38	V	Cloud9 Smarthome	New York, N.Y.	\$5,629,118	32	\$175,909	28	\$201,039	1	Up 25%
39	V	Audio Video Excellence	Homewood, Ala.	\$5,600,000	105	\$53,333	30	\$186,666	2	Up 5%
40	V	Audiotronics	Roanoke, Va.	\$5,342,368	200	\$26,711	42	\$127,199	3	Up 10%