

**INTEGRATE
AUDIO VISUAL
INDUSTRY
REPORT 2018**

**Insights,
Trends & Impacts**

on the Australian & New Zealand market

INTEGRATE-EXPO.COM

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ABOUT

Data, insights and trends

Based on a comprehensive survey of professionals from within the AV industry, the Integrate Audio Visual Industry Report 2018 presents a snapshot of the current Australian and New Zealand AV market, plus insights and observations on trends and future growth.

INTEGRATE

Integrate is Australia's ultimate event for emerging immersive and interactive technologies.

For over a decade Integrate has built a platform for the industry to converge, bringing together manufacturers, brands and suppliers with leading AV specialists, live event professionals and AV end users. It has become a hub for global and local influencers and brands to share their insights, innovations and drive the future of the AV industry together.

diversified
COMMUNICATIONS ■ AUSTRALIA

Diversified Communications Australia is a third-generation family owned communications company that specialises in delivering industry-specific trade events.

Our teams are strategically located around the world to provide market access, resources, services and education to the business communities in the industry sectors we serve. We have divisions located in the United States, Australia, Canada, Hong Kong, Singapore and the UK.

Diversified events combine traditional media, face-to-face, digital communications, social media and word-of-mouth to create powerful platforms for brands and memorable experiences for guests.

explori

Explori conducted this research on behalf of Diversified Communications Australia.

Established in 2011, Explori has become the event industry's biggest repository of benchmarking data and insight with over two million responses across 1,600+ shows and conferences.

The company serves exhibition organisers in every market in the world, and counts some of the biggest global event organisers as clients.

FOREWORD

From the Event Manager

Welcome to the inaugural Integrate Audio Visual Industry Report for the Australian and New Zealand markets. Our corner of the globe may be isolated but I'm proud of the reputation our local market has developed for adopting innovation and new technologies to become a key player in the global AV market.

However while our digital media space and advertising is among the world's most advanced, there is very little dedicated analysis of just how big our contribution to the global market is and what challenges and opportunities are unique to our mature market sectors.

Analysis of our region is often included alongside our northern neighbours, skewing results and not addressing our region's specific needs. China and Korea may be rapidly expanding and Japan entering into a decline, but closer to home our domestic economic climates are being affected by housing downturns, population growth is putting pressures on the supply chain and general financial and political uncertainty will continue to impact our AV industry.

That's why earlier this year, Integrate undertook to delve deeper into our industry needs by commissioning this report and I'm proud to be able to present it to you.

The survey was designed to analyse current market pressures and client demands, but more importantly help forecast where the future growth and new opportunities lie from manufacturer, supplier and professional perspectives and I hope you find the results informative and stimulating.

What's clear is that our industry has ridden out the Global Financial Crisis and is finding a renewed energy, interest and investment in AV technology. There are exciting growth opportunities in the corporate AV space, with collaboration technologies opening up new markets and new clients to the AV world.

Meanwhile the appetite for increased automation and prevalence of on demand technology in our homes and our lives is driving some interesting opportunities across the market which in turn is inspiring innovation in all sectors.

I would like to thank all those who took time to respond to the survey and offer their insights into the future of the AV industry in the region. Our hope is that this report will become an annual inclusion in this region's planning and provide a litmus test for health and trends in our unique region.

I hope this report is not only informative but continues to be built upon in future reports so that we can continue to help support the AV industry in Australia and New Zealand and celebrate our diverse and unique industry.

Soren Norgaard
Integrate Event Manager

EXECUTIVE SUMMARY

A positive outlook for the industry

Using information sourced from an industry-wide research survey, the **Integrate Audio Visual Industry Report 2018** presents valuable insights into the current AV market, as well as predictions for the next five years and beyond.

Whilst there's in-depth reporting and analysis of the AV industry in the wider Asian market, the ANZ market often gets lost amongst the numbers. This is largely due to the fact that ANZ is not a manufacturing market; therefore the data coming out of countries like China and South Korea tends to distort the figures for Australia and New Zealand.

As such, the data and insights contained in this report identify key opportunities that will ultimately help shape the future of the AV industry in Australia and New Zealand.

It's clear from the research that the outlook is positive, with most respondents expecting the AV industry in Australia and New Zealand to continue to perform strongly. Whether

the respondent was a seller or user, the overwhelming consensus was that the Home Automation/Smart Technology, Streaming Media, Storage and Distribution, and Unified Communications categories would continue to grow over the next five years.

Fuelling this growth is the increasing demand for connectivity, networking and automation – both in the home and workplace – plus the rapid adoption of streaming services. Indeed, streaming services and AV over IP are viewed as key market trends.

We hope you find the Integrate Audio Visual Industry Report 2018 a valuable resource for you and your business.

40%

of respondents indicated they work in the education sector

84%

of respondents purchased or installed audio systems in 2017

95%

of respondents expect home automation to grow over the next 5 years.

95%

of respondents predict AV/IP to have a big impact over the next 5 years



“Australia and New Zealand is a unique market. Our proximity to Asia and deep connections to the North American and European markets has an impact on our buying and demand drivers. This region is also a keen adopter of new technology, so we want to understand where the future lies for the ANZ market as a whole, so that we can address these trends, challenges and emerging technologies.”

SOREN NORGAARD, INTEGRATE EVENT MANAGER

RESPONDENTS

An industry snapshot

The findings presented in this report come from a diverse cross-section of respondents directly involved in the Australian and New Zealand AV industry. From buyers and users through to distributors and suppliers, the research captures a wide range of data, insights and opinions.

40%
of respondents indicated they work in the education sector

When respondents were asked to describe their role within the AV industry, 26% indicated 'Other'. Breaking it down further, this category included roles such as Integrator, Consultant and Installer – all key players in the industry. The next highest category was Purchasers (22%), followed by Users (18%).

In fact, when combining Users and Purchasers with Integrators, Consultants and Installers, the 'Users' group accounted for 71% of respondents. The remaining 29% were considered 'Sellers', which includes Distributors, Suppliers and Manufacturers.

Some of the main products and services being supplied or installed both commercially and residentially included lighting, home automation, home theatre, integration services, and design services.

Interestingly, 40% of respondents said they were involved in the education sector in some way.

As we'll see later in the report, there has been significant growth in this sector, largely driven by the demand for the latest audiovisual technology to be available in schools and universities. The next highest sector was media/entertainment (36%), closely followed by the corporate sector at 35%.

In terms of business size, 32% of respondents said they have less than 10 employees, while 21% worked for a company that had more than 500 employees. The average number of employees across the survey group was 216.

And finally, annual turnover was spread right across the board. 23% of respondents indicated their business had an annual turnover of between \$1-5 million, with 17% of respondents in the \$10-25 million bracket.

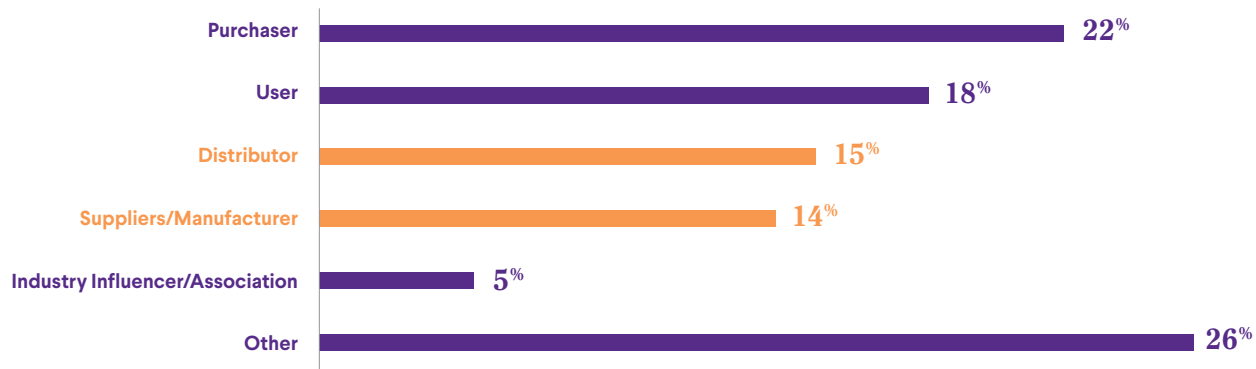
“New technology will continue to drive stronger consumer demand.”

RESPONDENT, 2018



AV Industry Role

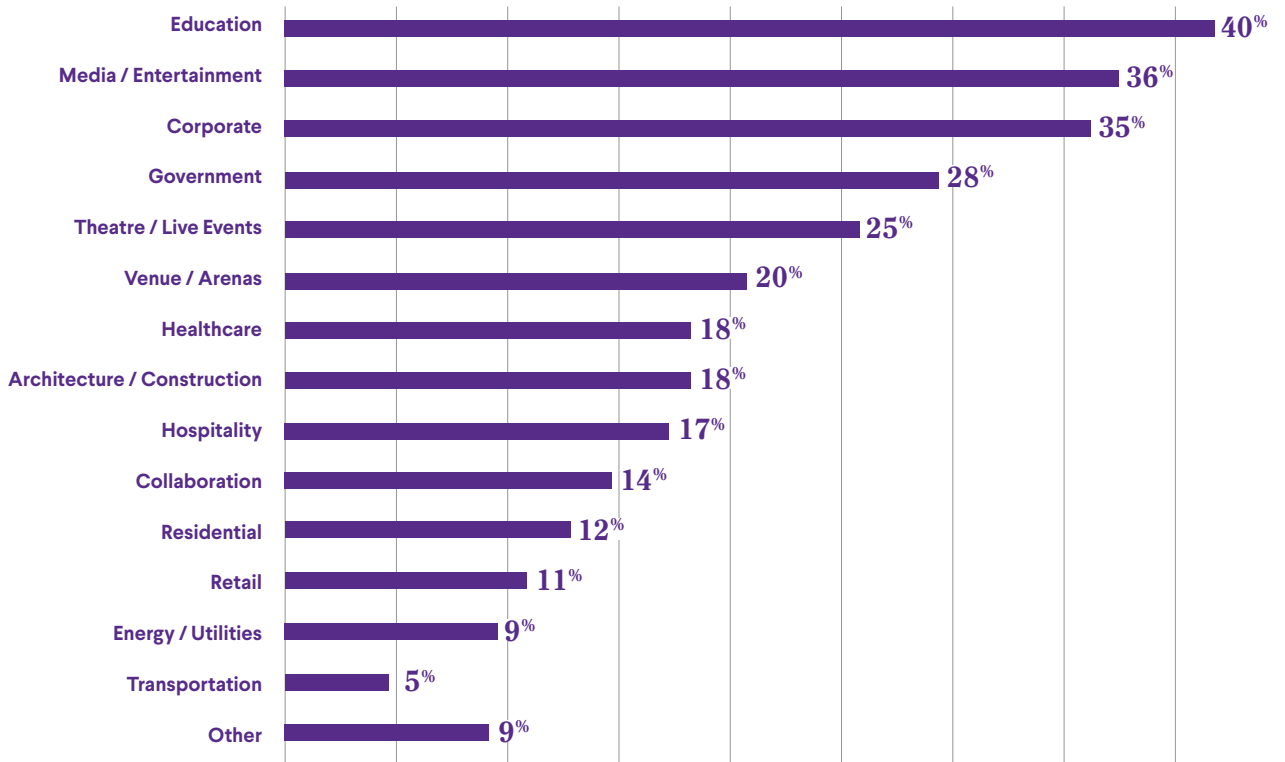
Which of the following best describes your role in the industry?



Purchaser/User Seller

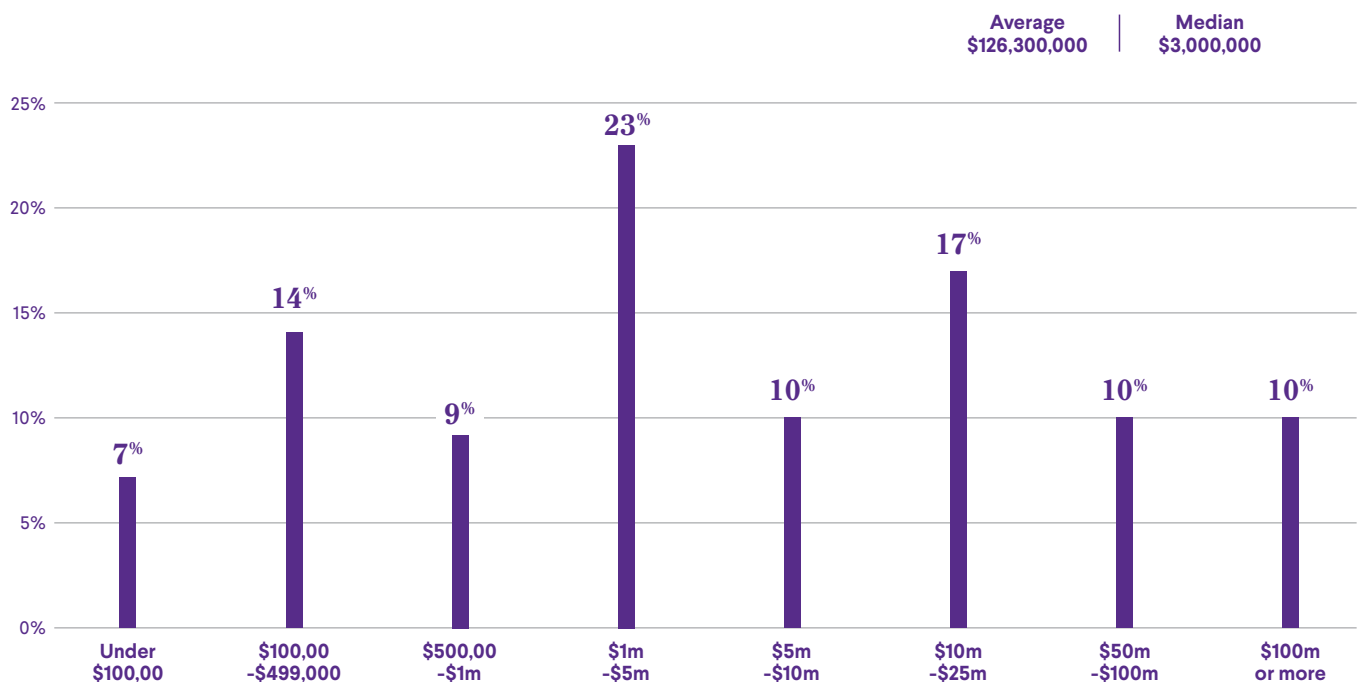
Sector

Which of the following best describes the sector(s) in which you work?



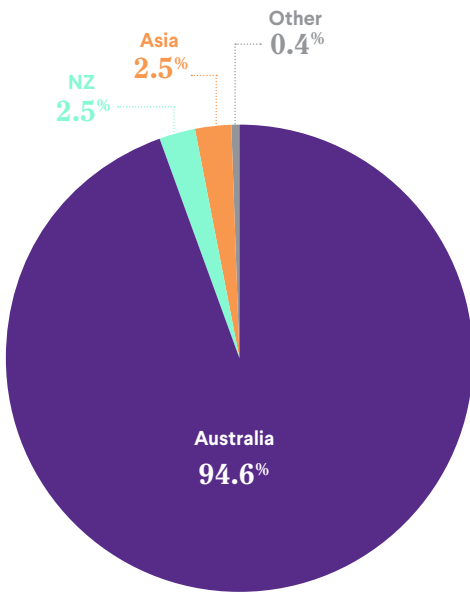
Turnover

What is your organisation's annual turnover in Australia & New Zealand?



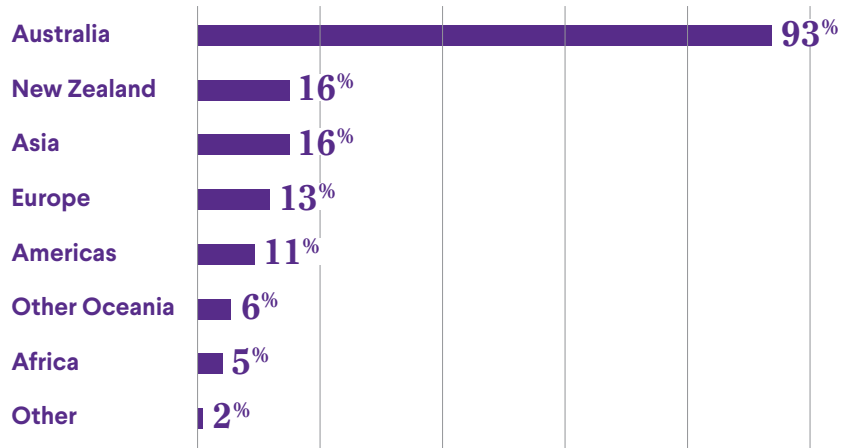
Location

Where are you based for work?



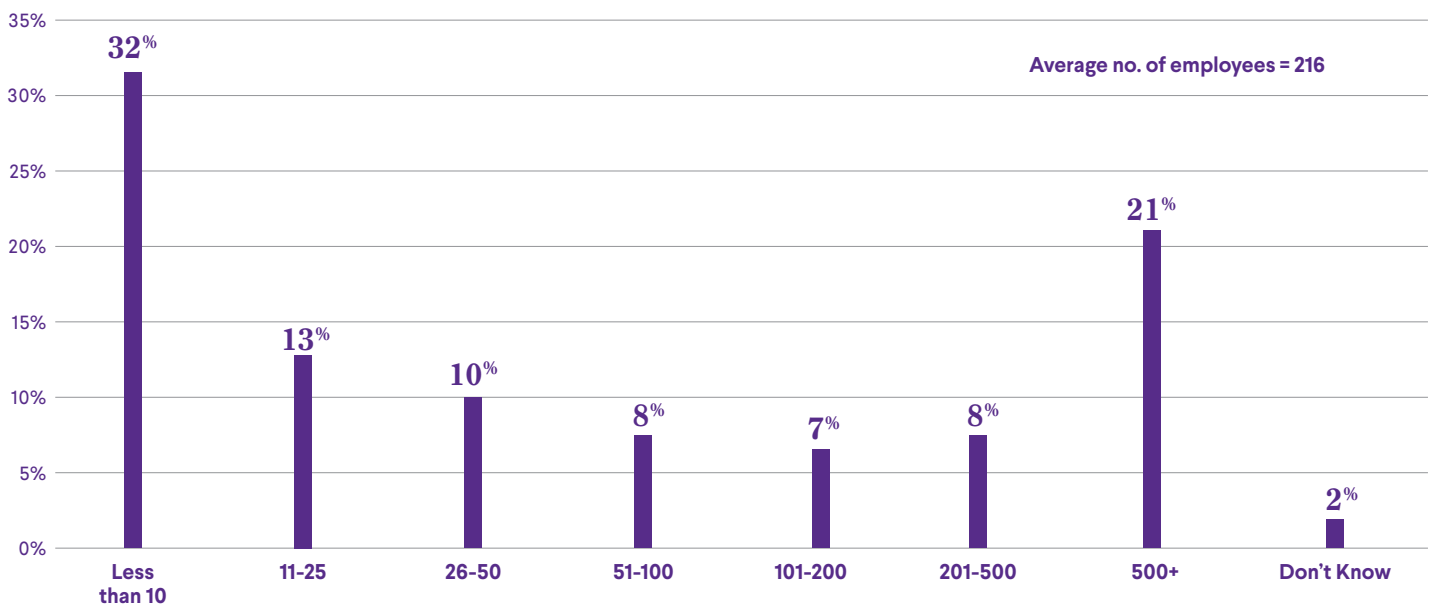
Company Offices

And in which location(s) is your organisation based / have offices?



No. of Employees

How many employees work for your organisation?



BUYERS AND USERS

Switched on to new opportunities

Accounting for 71% of survey respondents, the buyers and users group (which includes Integrators, Consultants and Installers) took a largely positive view on the future direction of the AV industry in Australia and New Zealand.

Focusing initially on the product areas for this group, 84% of respondents said they purchased or used audio systems and equipment as part of their business. Next was video/interactive displays (72%), followed by IT networking/software solutions at 64%.

These figures seem to correlate with the sectors in which many of the buyers and users operate, namely education (40%), media/entertainment (36%) and corporate (35%). In other words, the demand for the latest audiovisual technology (e.g. audio systems, interactive displays, networking solutions etc.) is strong, whether in the classroom, in the boardroom or in the public domain.

The average spend in 2017 for each product area was understandably varied. Infrastructure hardware topped the list with \$726,000, followed by audio systems and equipment (\$575,000), unified communications (\$552,000) and IT networking/software solutions (\$540,000).

All product areas were predicted to grow, with home automation and unified communications leading the way. Indeed, 83% of respondents predicted growth

in home automation in the next 12 months and 90% predicted growth over the next five years.

When it came to the main challenges and opportunities facing the AV industry in ANZ, the buyers and users group of respondents shared a variety of perspectives and predictions.

In terms of challenges, costs and budgets were a consistent theme across the survey group.

Some respondents mentioned restrictive education budgets to purchase more equipment, whilst many highlighted the competition and pricing threat posed by high volume overseas logistics companies such as Amazon and Alibaba (more on this later). Other challenges raised included system compatibility and data storage issues.

On the flipside, respondents were largely positive about the opportunities for the AV industry, including real time collaboration, more innovative ways to use blended data, and the increasing availability of cost effective hardware add-ons.

84%

of respondents purchased or installed audio systems in 2017.

“Offshore buying through platforms such as Amazon and Alibaba will present ongoing challenges for the industry.”

RESPONDENT, 2018

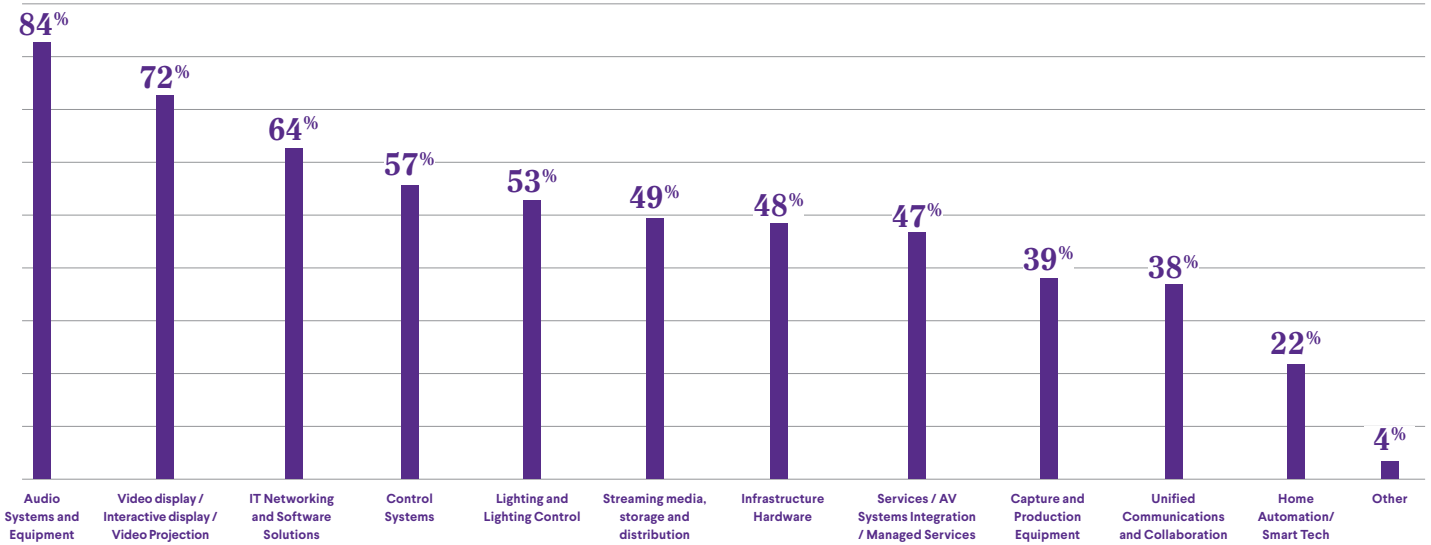
Spend of Specific Product Areas

How much did your company spend in 2017 on each of these product areas?

	Audio Systems and Equipment	Capture & Production Equipment	Control Systems	Home Automation/ Smart Tech	Infrastructure hardware	IT Networking & Software Solutions	Lighting & Lighting Control	Services/AV Systems Integration/ Managed Services	Streaming media, storage & distribution	Unified Communications & Collaboration	Video display/ Interactive display/ Video Projection	Other
Lowest	\$1,000	\$250	\$500	\$500	\$10,000	\$250	\$100	\$5,000	\$3,400	\$5,000	\$1,000	\$200
Average	\$575,310	\$44,137	\$340,317	\$90,733	\$726,042	\$540,184	\$178,488	\$485,000	\$306,470	\$552,467	\$314,302	\$25,100
Highest	\$15,000,000	\$200,000	\$5,000,000	\$500,000	\$5,000,000	\$10,000,000	\$3,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$50,000

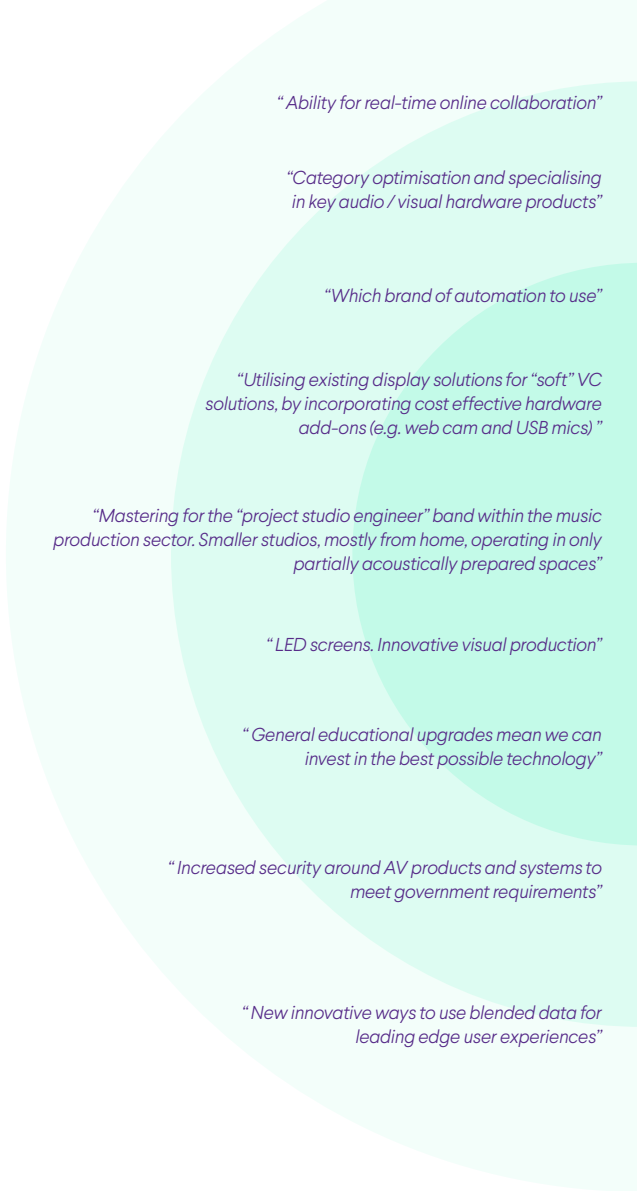
Sector

Which of the following product areas does your company purchase from / use?



Biggest Opportunities – Selected Answers

What is the most significant opportunity in AV facing your company right now?



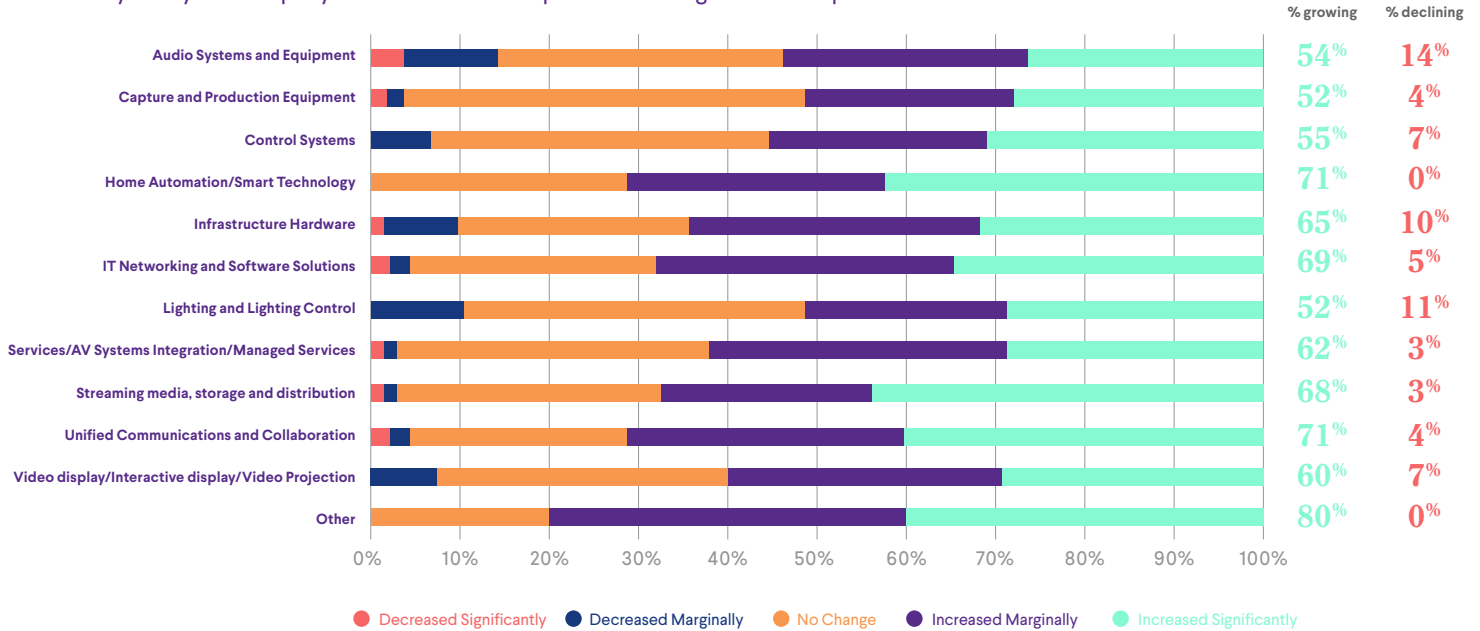
Biggest Challenges – Selected Answers

What is the most significant challenge facing your company right now which could use AV as a solution?



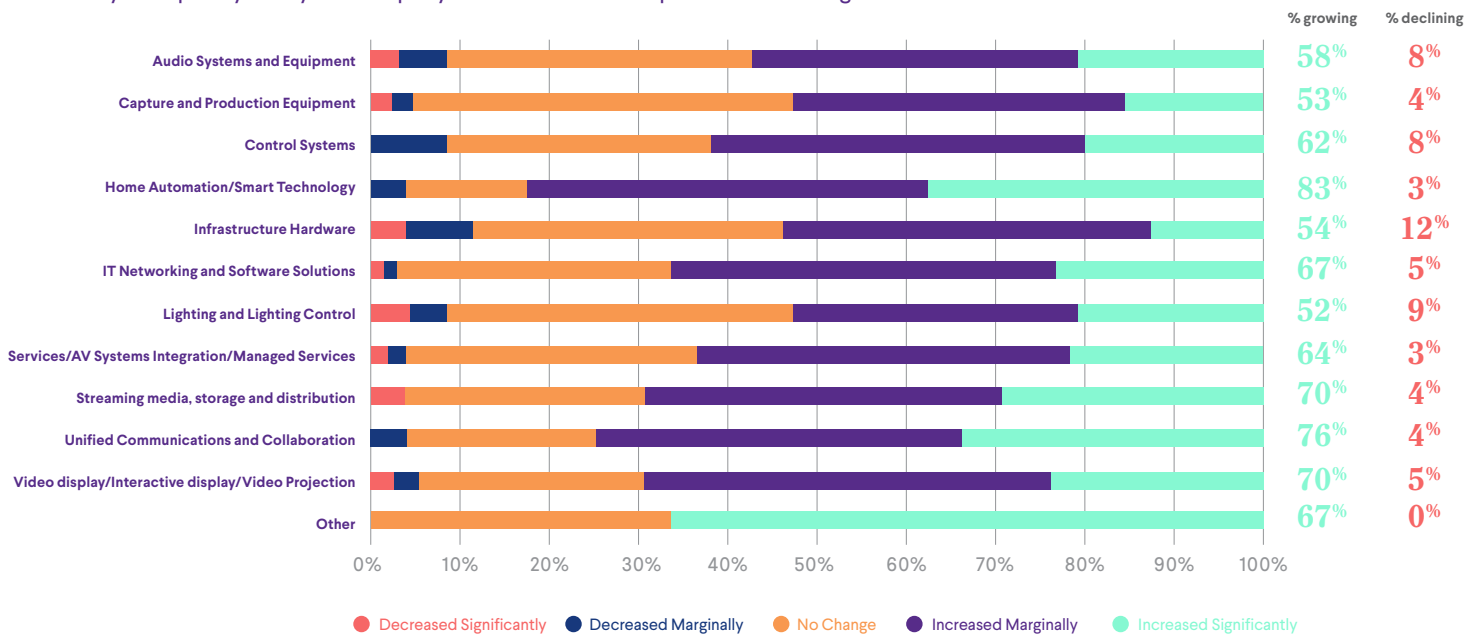
Past 12 months demand changes

How has your / your company's demand for these products changed over the previous 12 months?



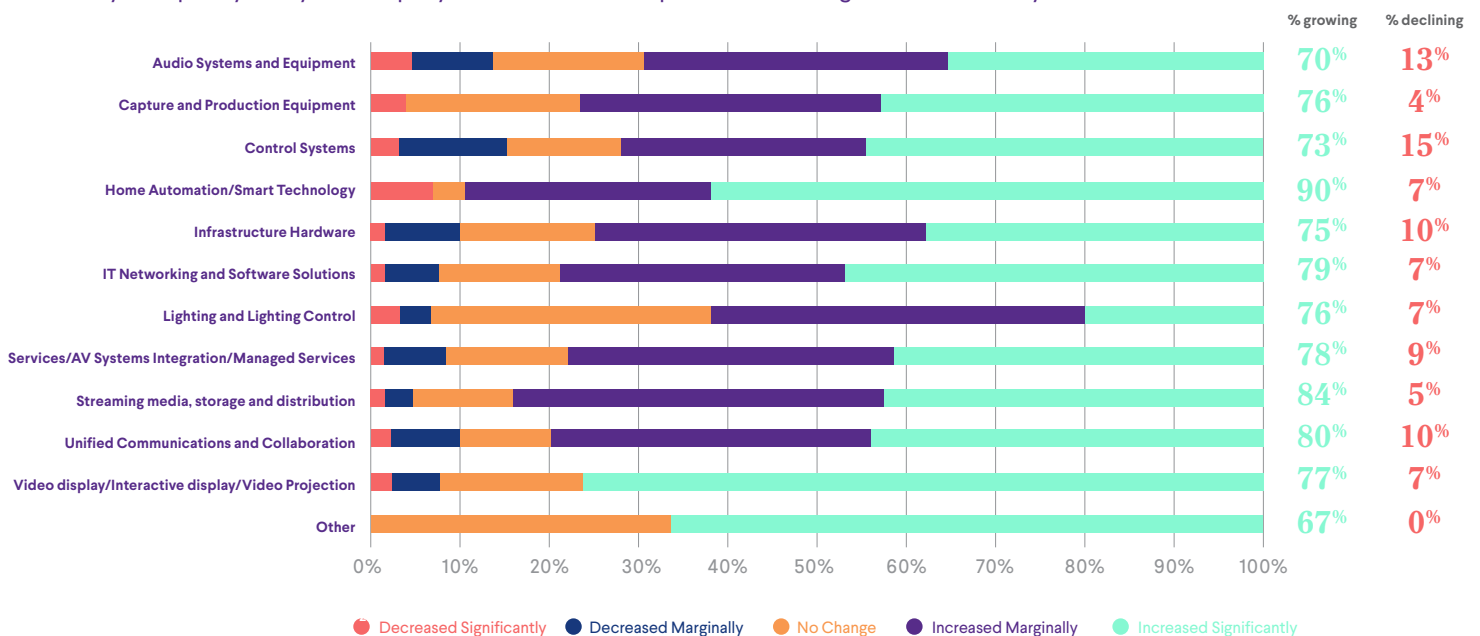
Next 12 months demand changes

How do you expect your / your company's demand for these products to change over the next 12 months?



Next 5 years demand changes

How do you expect your / your company's demand for these products to change over the next 5 years?



SELLERS

Optimism on display

Making up the remaining 29% of survey respondents, the sellers group (which includes Distributors, Suppliers and Manufacturers) were confident of continued growth across most areas of the Australian and New Zealand AV industry.

Particular note was made of the growing demand for Unified Communications solutions in the past 12 months, as well as Video Display/Interactive Display/Video Projection. This demand appears to be driven by end users seeking access to the latest audiovisual technology across the residential, education and corporate sectors.

When questioned about demand over the next 12 months and beyond, the data was resounding – over 90% of respondents predict strong growth in the areas of Home Automation/Smart Technology and Streaming Media, Storage and Distribution. As we'll discuss later in the report, the increasing demand for connectivity, networking and automation is fuelling this growth, with streaming services and AV over IP viewed as key market trends.

On the back of these predictions, 23% of businesses are planning on expanding into the Home Automation/Smart Technology and Streaming Media, Storage and Distribution product categories over the next five years.

Respondents provided some key insights into the challenges facing the AV industry in ANZ. While not insurmountable, many challenges require the industry to develop new and innovative ways to remain relevant and competitive. Challenges highlighted included: achieving real world solutions with emerging technology; the importation of unreliable products; customers moving more and more to subscription-based models; and platform incompatibility.

And as is often the case, challenges can turn into opportunities for savvy operators. The sellers group cited the many opportunities that lay ahead for the industry, including virtual reality, the Internet of Things, home automation, simplified technology operating systems, centralised systems to monitor, assess and report, and leveraging the next generation of decision makers and buyers.

85%

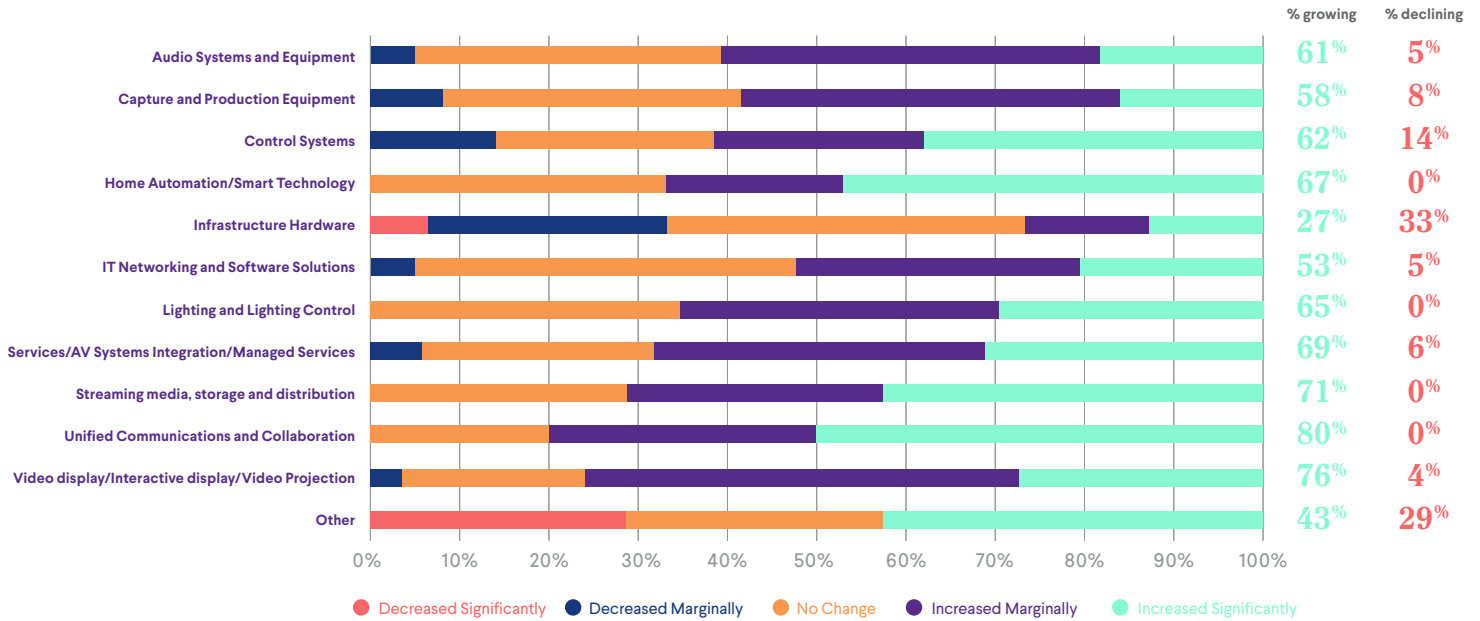
of respondents expect home automation to grow over the next 5 years.

“The availability of centralised systems to monitor, assess and report is a huge opportunity for our industry.”

RESPONDENT, 2018

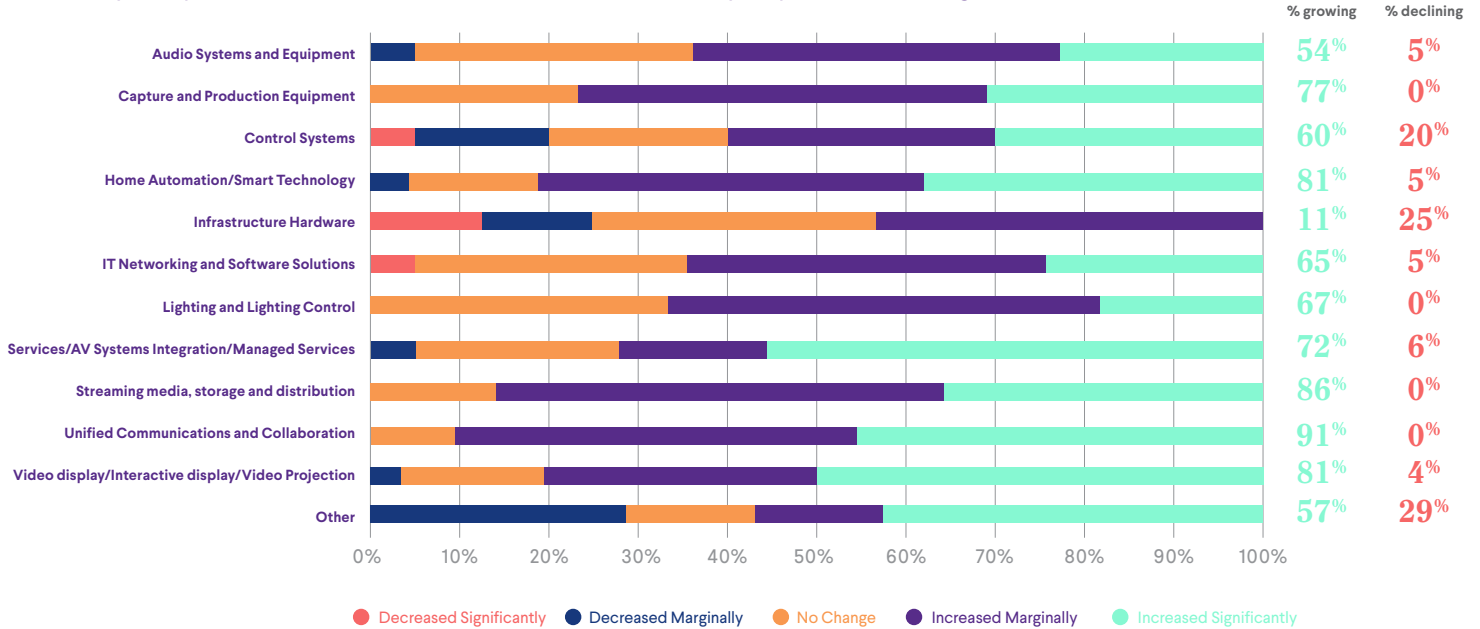
Past 12 months demand changes

How has the demand (in Australia and New Zealand) for your products changed over the previous 12 months?



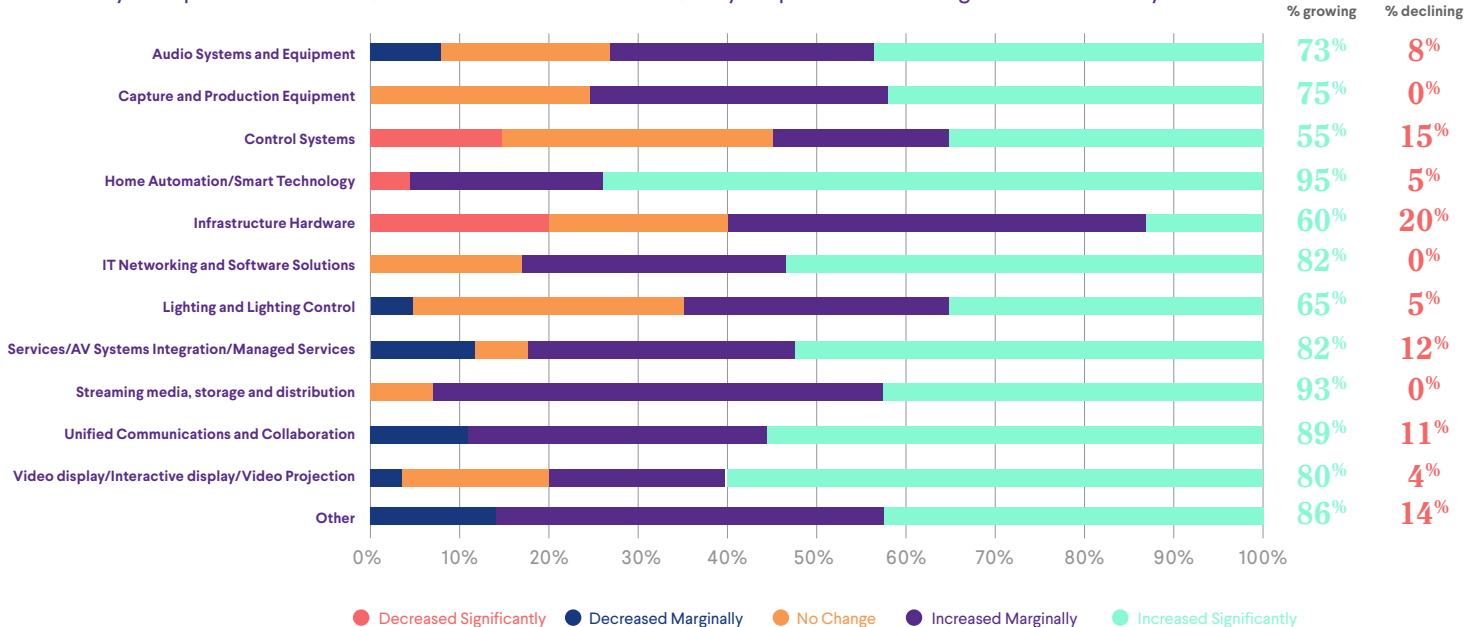
Next 12 months demand changes

How do you expect the demand (in Australia and New Zealand) for your products to change over the next 12 months?



Next 5 years demand changes

How do you expect the demand (in Australia and New Zealand) for your products to change over the next 5 years?



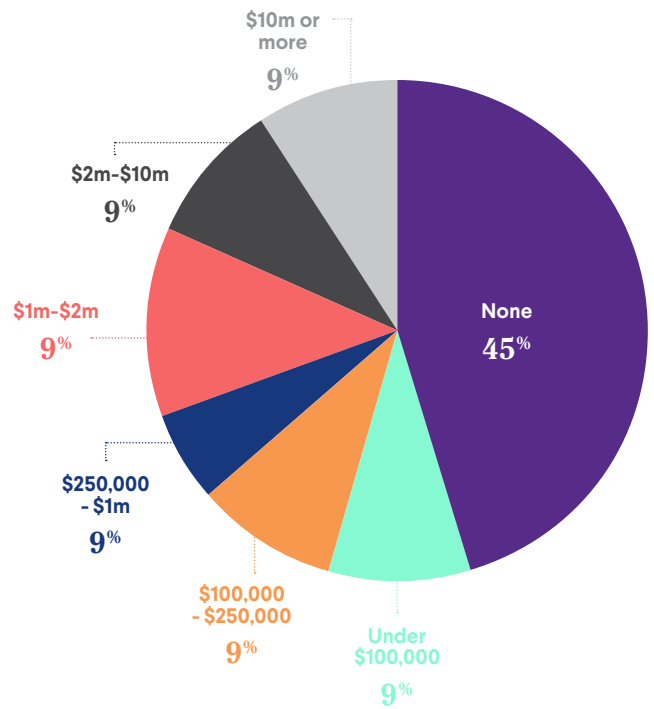
Turnover proportion by industry

Which of the following product areas does your company operate in? Roughly what percentage of your organisation's total annual turnover in Australia and New Zealand comes from each of these product areas?



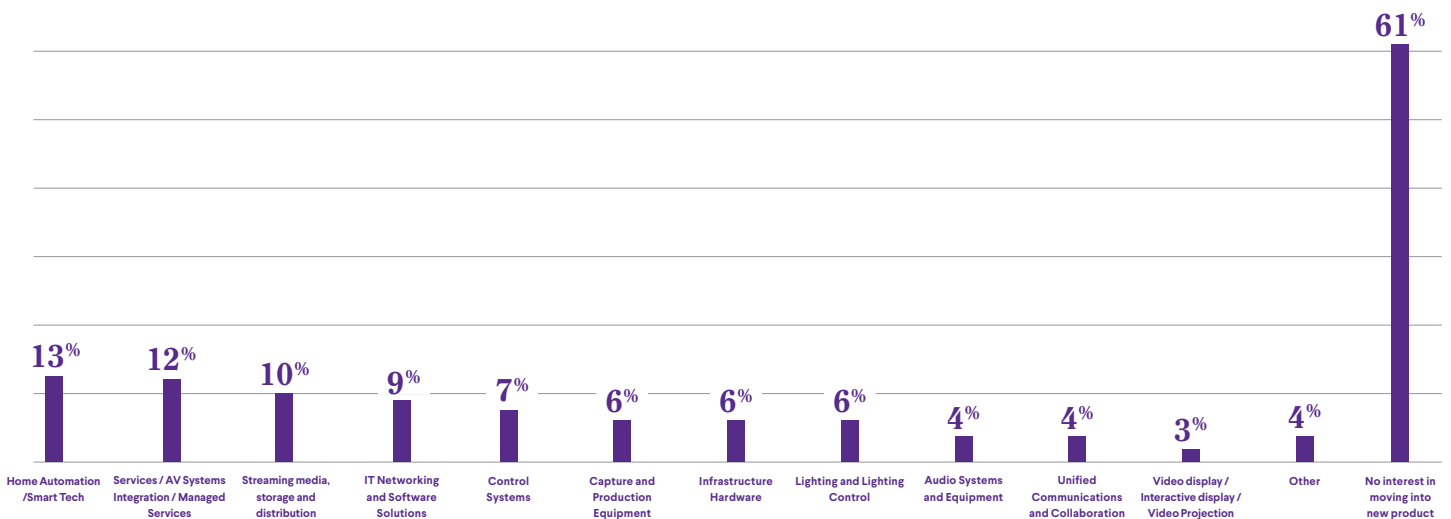
R&D investment

Roughly how much will your company invest in Research & Development over the next 12 months (globally)?



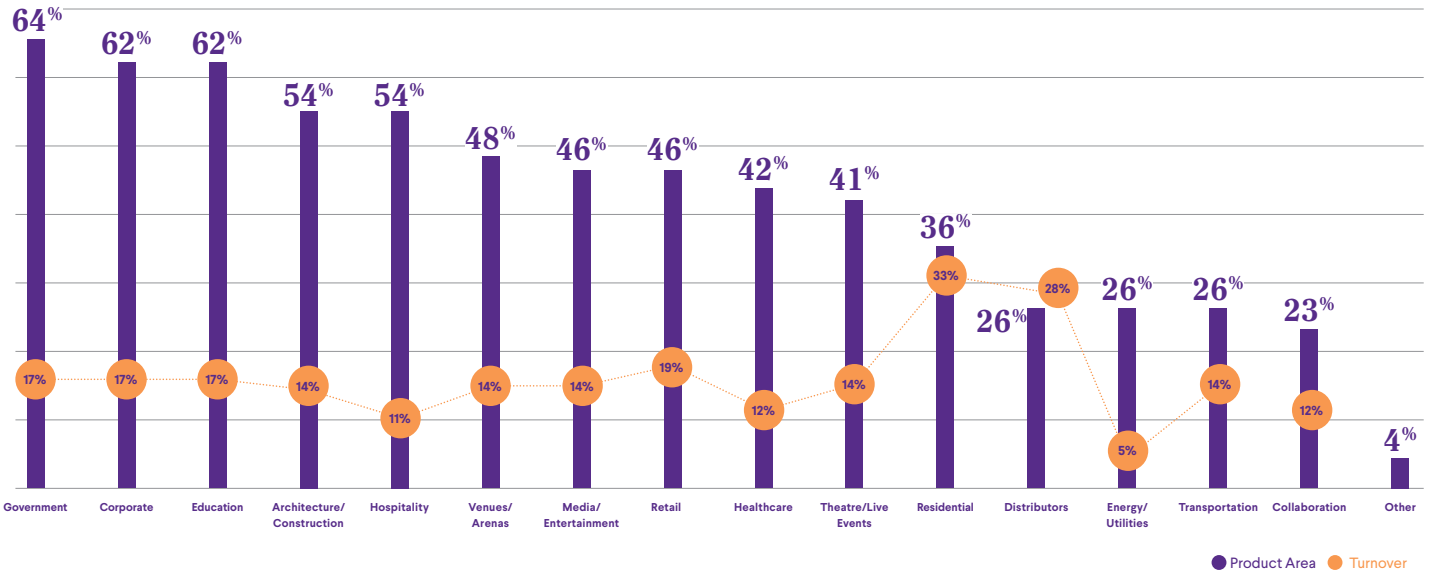
Move in to new product areas

Does your company have any plans to move into any of the product areas you do not currently operate in next 5 years?



Customers and Sales

Which of the following are your organisation's customers? And roughly what percentage of your sales come from each of these customer groups?



Biggest Opportunity – Selected Answers

What is the most significant opportunity facing your customers right now?

- "Technology has ability to develop into anything that their minds imagine"
- "Costs will never be as low as they are now"
- "Advances in technology relating to the VR market"
- "Rethinking the way video / audio and productions are achieved"
- "New and better user experience"
- "Gearing up and waiting for the economy to move and having a better attitude"
- "Understanding next generation of decision makers and buyers"
- "The availability of centralized systems to monitor, assess and report"
- "Figuring out how to take advantage of IOT"
- "Availability of new technology"
- "Simplified technology operating systems"
- "Embracing the move away from appliance to a virtual / cloud based world"
- "Equipment rental rates in the Live Entertainment sector are in free fall currently"
- "The connected home, and realising what this means in regards to performance/capability when comparing out-of-the-box solutions vs. professional applications"
- "Providing services such as maintenance instead of just hardware. moving towards IT model to some extent"

Biggest Challenge – Selected Answers

What is the most significant challenge facing your customers right now?

- "Achieving real world solutions today while considering the emerging technology"
- "Knowledge and integration of ideas to the market place"
- "Less and lower cost hardware being sold as traditional sources"
- "The adoption and understanding of new technology"
- "Streaming content taking over"
- "The imminent recession that Australia will have in the next 2-5 years"
- "Price still is the critical factor and innovation on what products can do other than their intended purchase as value add-ons"
- "Demand and support for obsolete products that we no longer provide"
- "Price vs quality"
- "Import of unreliable products from Asia"
- "Higher overhead costs, power, real estate and sourcing trained staff"
- "Stable networking as the back bone for all IOT devices to work as expected"
- "Knowledge of what's available, and expectation"
- "What to purchase with so much choice and multiple platforms not working together"
- "Complex systems being easy to use"
- "Understanding what it means to have a connected home, and overcoming certain elements of 'Big Brother' feelings"

MARKET TRENDS

Moving quickly downstream

From an overall market trend perspective, advancements in technology, easier solution adoption and increased consumer demand are tipped to drive growth in the Australian and New Zealand AV industry over the next five years and beyond.

Whether the respondent was a seller or user, the overwhelming consensus was that the Home Automation/Smart Technology (95%), Streaming Media, Storage and Distribution (93%), and Unified Communications (89%) categories would continue to grow over the next five years.

Fuelling this growth is the increasing demand for connectivity, networking and automation – both in the home and workplace – plus the rapid adoption of streaming services. Indeed, streaming services and AV over IP are viewed as key market trends.

Other notable trends include Automation, Integration, IoT / Smart products and 4K displays.

When discussing the impact of high volume overseas logistics companies such as Amazon and Alibaba,

it was interesting to note that 59% of respondents believe they would have no impact on their business. In fact, more respondents (17%) said these companies would have a positive impact on their business compared to 11% who predicted a slight negative impact.

While there were natural concerns around price competition and product quality, many respondents pointed out the opportunities that come with the growth of high volume logistics companies, including access to better technology and a wider variety of products, improved integration of products, and even the chance to position their business as a high end, specialised service provider.

95%

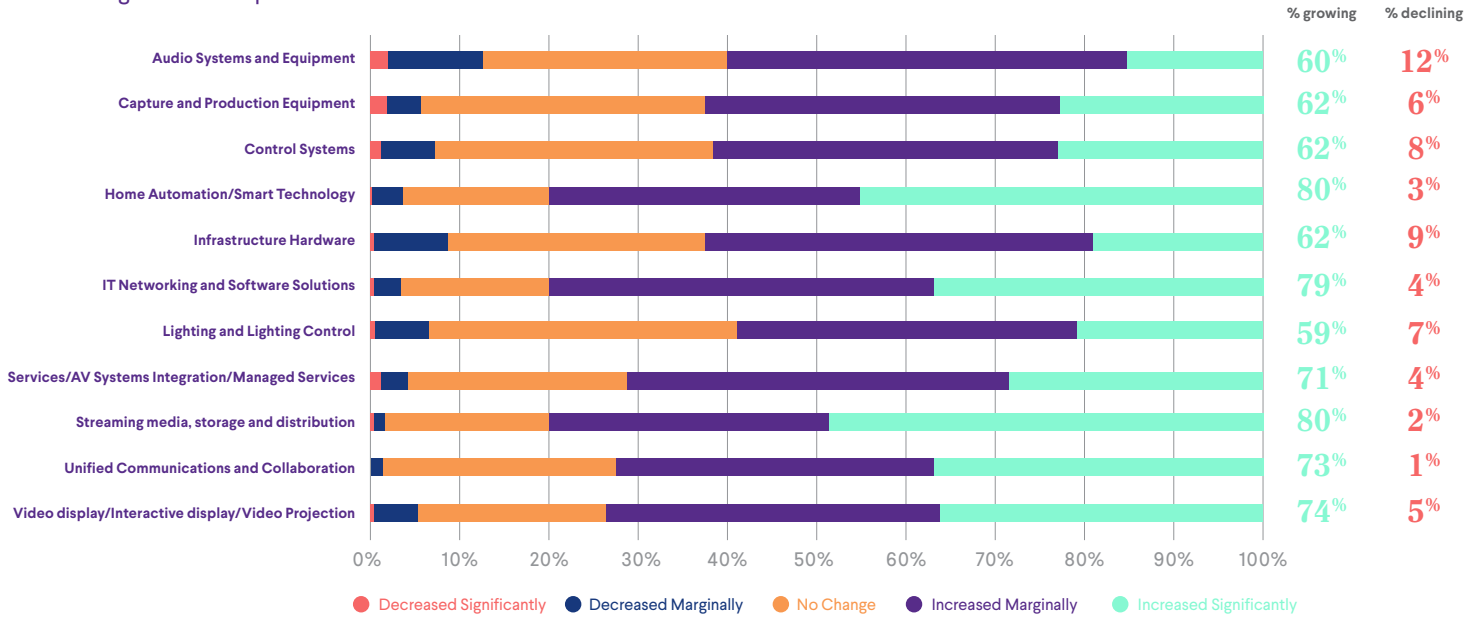
of respondents predict AV/IP to have a big impact over the next 5 years

“Growth will be driven by the IoT, supplier innovation and consumer demand for the connected home.”

RESPONDENT, 2018

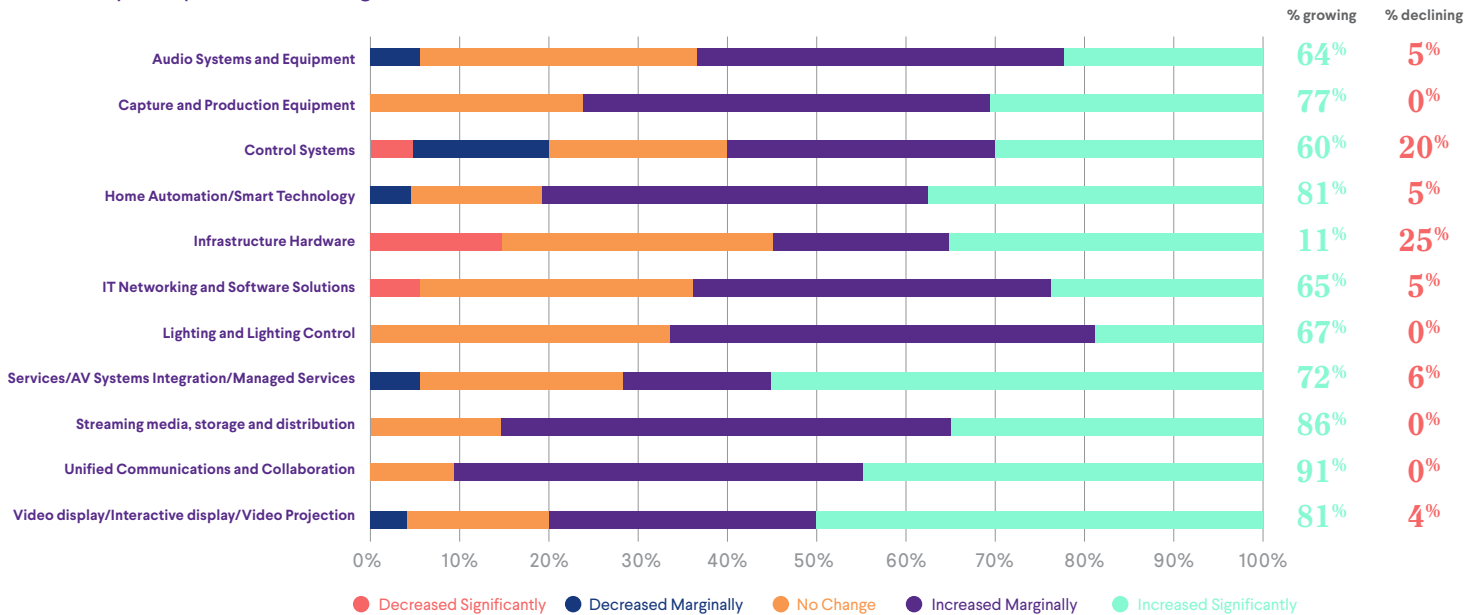
Past 12 months demand changes

Thinking about the AV industry in Australia and New Zealand overall, how do you think the demand for following products has changed over the previous 12 months?



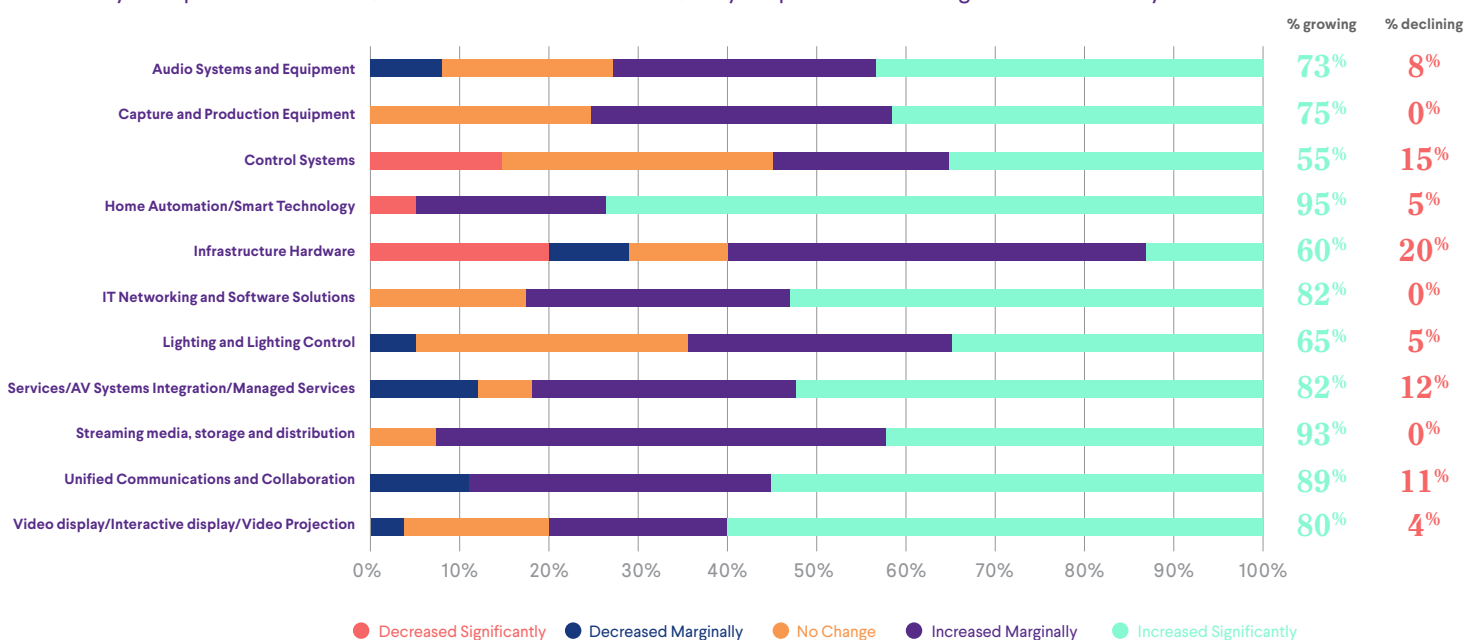
Next 12 months demand changes

How do you expect this to change over the next 12 months?



Next 5 years demand changes

How do you expect the demand (in Australia and New Zealand) for your products to change over the next 5 years?



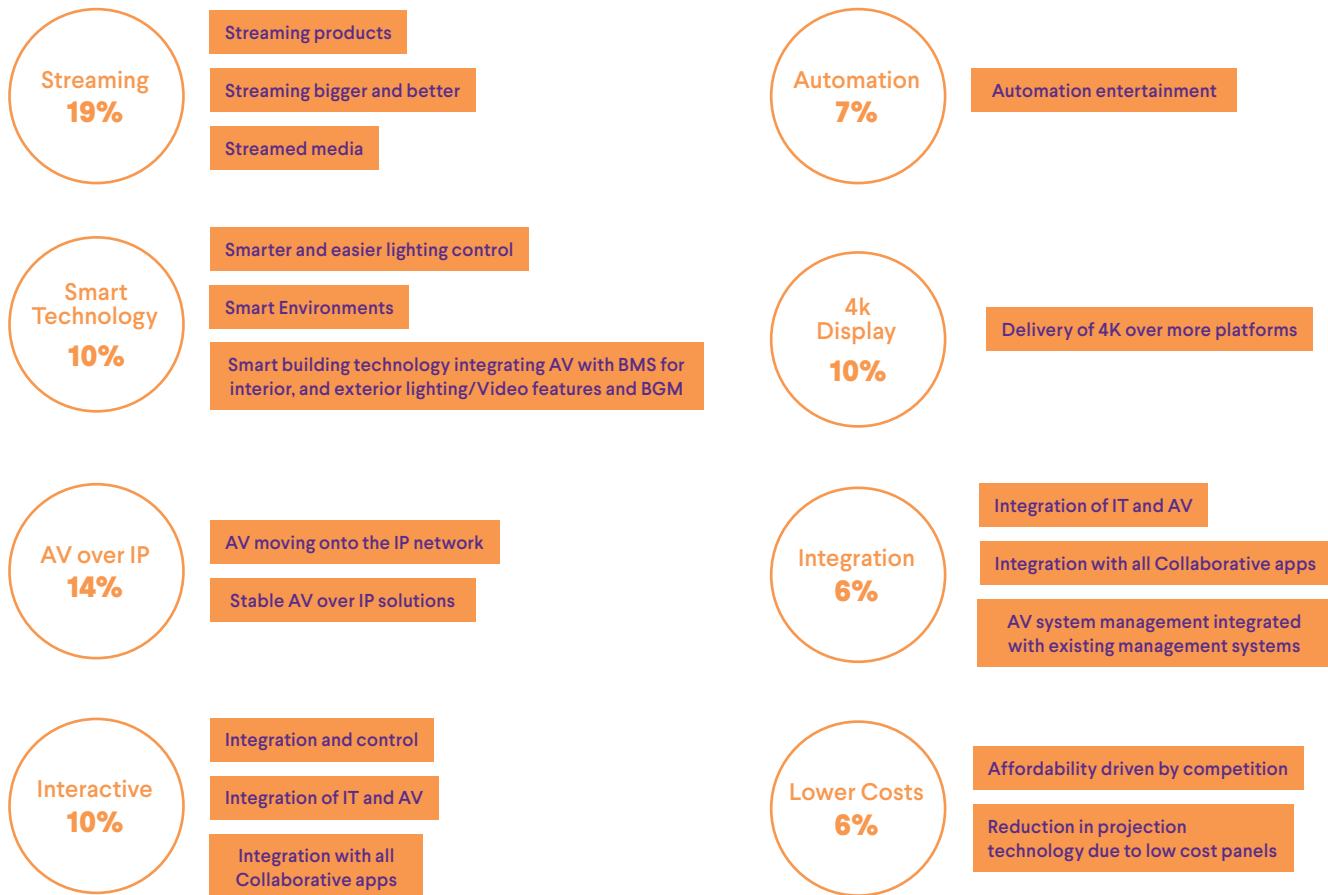
What will drive growth

What do you think will drive this?

<i>"Hunger for new technology implemented into the new home builds"</i>	<i>"New and emerging technology including Bluetooth, wireless and distribution products"</i>	<i>"Price drop in technology is more common in workplace i.e. broader use"</i>	<i>"With newer technology will come with stronger consumer demands"</i>	<i>"Smart technology integration into every day design."</i>
<i>"The demand for streaming services and control of systems that use these technologies"</i>	<i>"Demand from customers"</i>	<i>"Technology advancement For the most part the ease of connectivity . IoT"</i>	<i>"Customer demand - higher electricity prices & time management"</i>	
<i>"Technology changes, the continued move to the cloud and away from on-prem platforms...in my world the move to Microsoft O365"</i>	<i>"Increased demand and use of digital signage, Interactive displays by commercial sectors"</i>	<i>"Increasing demand of home automation, networking and media management"</i>	<i>"The IOT and emphasis on the connected home from consumer demand, and supplier innovation"</i>	
<i>"Consumer demand for more flexibility, and ease of use of integrated AV/IT systems in the workplace and at home"</i>	<i>"Increased awareness/demand for home automation systems and the Internet of Things"</i>	<i>"Consumer demand for more flexibility, and ease of use of integrated AV/IT systems in the workplace and at home"</i>		
<i>"More and more young people demanding streaming infrastructure; NBN ramp-up inducing people to use streaming technologies in place of FTA; IOT technologies becoming more user-friendly and/or useful"</i>		<i>"Simpler more task appropriate technologies and reduced total cost of solutions meaning higher exposure. Greater exposure to technology creates more demand for technological solutions"</i>		

Development 12 months

What will be the most important trends in the AV sector over the next 12 months?



Key Players

Who do you currently consider to be the key player(s) in the AV market in Australia and New Zealand?

Crestron (16%)	Rutledge (8%)	Extron (4%)
Samsung (9%)	AVT (6%)	Sonos (4%)

Development 5 years – selected comments

How do you see the market for AV products developing in Australia & New Zealand over the next 5 years?

"Becoming more sophisticated in the back end, but more 'consumer friendly' in the front. Customers will expect and Alexa/Google Home experience in the office"

"Box moving unfortunately. Big companies having lots of products to stay afloat. Designed solutions will become worse as systems are "pieced" together by people who think they know better"

"I see markets improving their existing hardware with higher quality. With this will come decisions on storage and services"

"High end product will continue to bow down and surrender to lower priced domestic products which can do the same job for half of the price. The challenge is in being able to do this and retain good customer experience"

"Hopefully a consistent and steady increase in demand and revenue as tech savvy millennials age"

"As said before consumerism will have a big impact on this market. Simplifying the way in which systems are bolted together will eventuate"

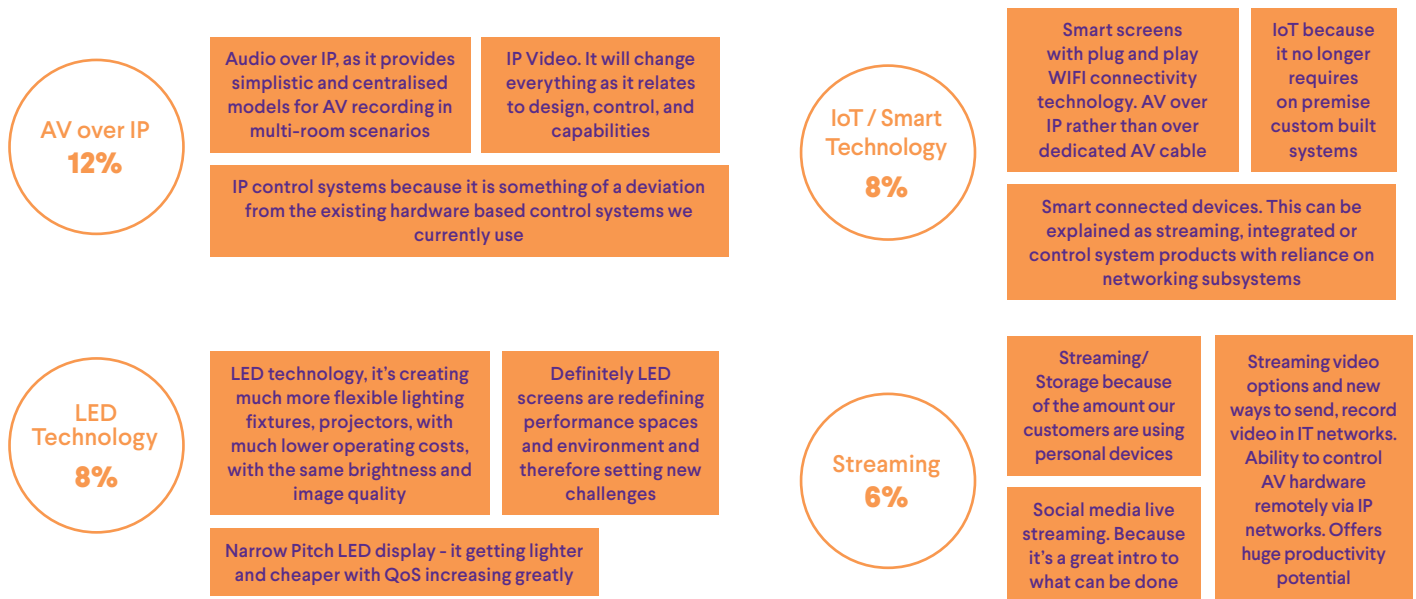
"Australia are always early adopters therefore we should see technological growth"

"The products will not be so separate from each other, functions will be converged and more control provided. Everything will be wireless and will have some measure of control over other devices"

"Increasing in demand as the more reliance on UC platforms take hold. Increase of networking and further integration of AV and IT into one sector"

Biggest current impact

What technology is having the most significant impact on your industry and why?



Growing most right now

Which areas of the AV market do you see as growing the most right now?

Automation
(15%)

Streaming
(14%)

AV & Audio over IP
(11%)

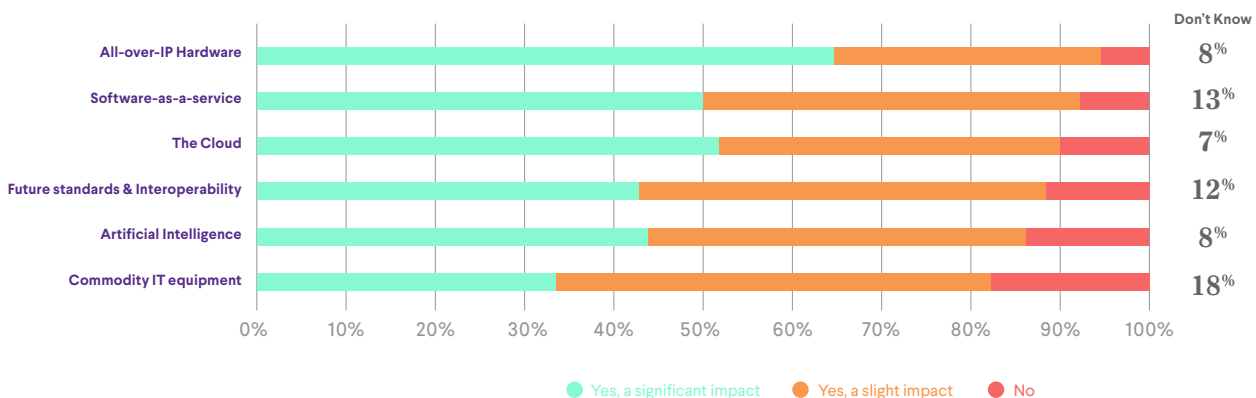
LED Technology
(10%)

Collaboration
(6%)

Digital Signage
(4%)

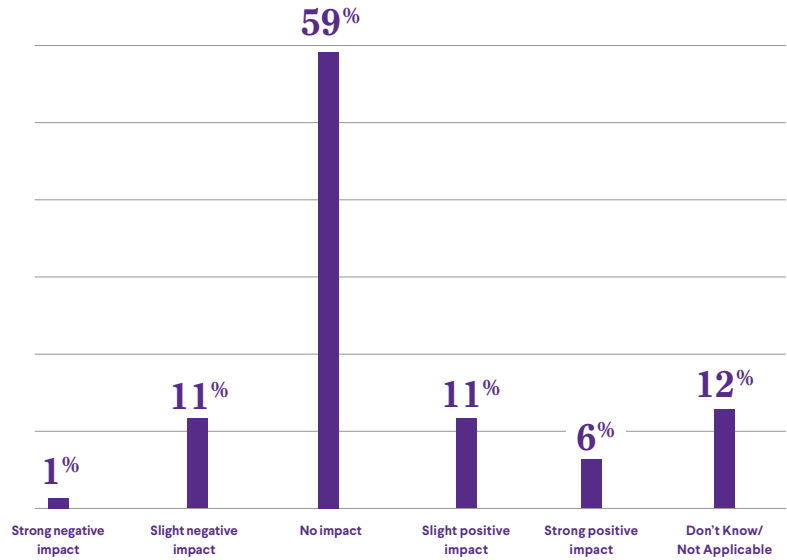
Impact on industry next 5 years

Do you see the following as having a big impact on the industry over the next 5 years?



High volume logistics companies impact

What impact is the growth of high volume logistic companies (i.e. Amazon) having on you / your organisation?



High volume logistics companies impact – Positive impact reasons

What impact is the growth of high volume logistic companies (i.e. Amazon) having on you / your organisation?



High volume logistics companies impact – Negative impact reasons

What impact is the growth of high volume logistic companies (i.e. Amazon) having on you / your organisation?



THE SHAPE OF THINGS TO COME

Looking to the future with optimal clarity

A rapidly evolving technology landscape presents challenges to any industry or market. However, it also offers exciting opportunities for those innovative companies willing to embrace change and adapt their service offering accordingly.

Using information sourced from an industry-wide research survey of both sellers and users, the Integrate Audio Visual ANZ Industry Report 2018 has presented some fascinating data and insights into the current ANZ market, as well as growth predictions for the next five years and beyond.

Simply put, the outlook for the industry is positive, with most respondents expecting the AV industry in Australia and New Zealand to continue to grow. While this opens up new opportunities for all players in the industry, many recognise the importance of investing in research and development to take advantage of this growth.

Whether the respondent was a seller or user, the overwhelming consensus was that the Home Automation/Smart Technology, Streaming Media, Storage and Distribution, and Unified Communications categories would continue to grow strongly over the next five years.


Respondents identified technology advancements and increased consumer demand (both in the home and workplace) as the two biggest drivers of this growth.

This sentiment was echoed across the survey group, with many respondents also highlighting the integration of smart technology into everyday design and the ever-growing appetite for streaming services as key market trends.

And while there were natural concerns around price competition and product quality, many respondents pointed out the opportunities that come with the growth of high volume overseas logistics companies such as Amazon and Alibaba.

These opportunities include access to better technology and a wider variety of products, improved integration of products, and even the chance to position their business as a high end, specialised service provider.

One thing's for certain – it's a dynamic and exciting time to be part of the AV industry!



“Increased awareness/demand for home automation systems and the Internet of Things will continue to drive growth”

RESPONDENT, 2018

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