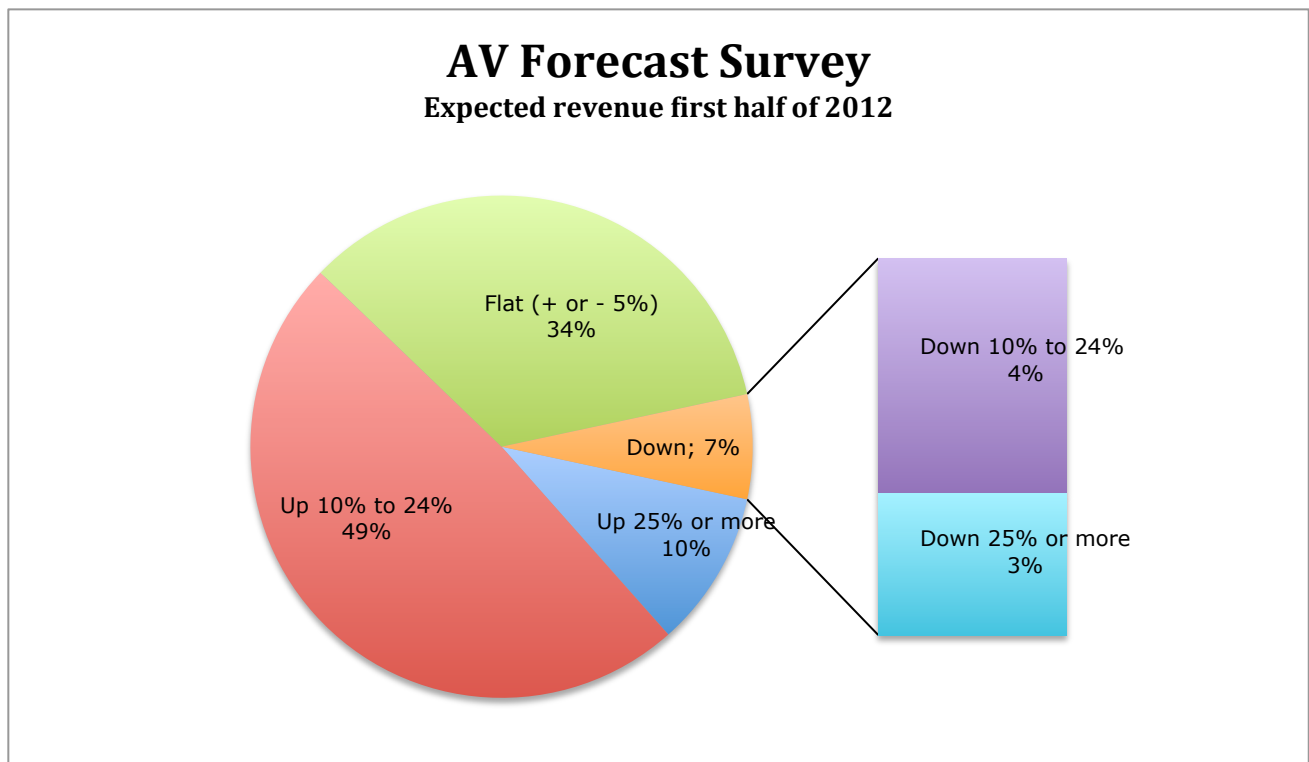




Trends Survey: 2012 Forecast

This survey was conducted in November of 2011 and received 119 complete responses. Approximately 55% of respondents were Rental/Production/Live Event and 40% AV Integration/Contracting. The rest were a smattering of manufacturers and distributors. Having said all that, The Stimson Group presents all responses as anecdotal information that might be used as part of your analysis of business trends.

The chart below summarizes the single quantifiable question: *Which of these best describes your REVENUE forecast for the first half of 2012 compared to 2011?* Almost half of respondents expect between 10% and 25% growth and one-tenth expect 25% growth or more. About one-third expect to be flat. Only 7% of responding companies see a downturn in business. These responses look a lot like forecasts conducted pre-Recession.



The Comments

The best parts of any Stimson Group survey are the written comments. This is where we see what's going on in the minds of our readers. This particular survey drew a higher percentage of thoughtful comments, but clearly there are still many, many folks that have succumbed to negative thinking.

The following comments are parsed by question and have not been edited. The Stimson Group doesn't endorse any comment (much less spelling and grammar) but I will make my own at the end.



1. Which of these best describes your REVENUE forecast for the first half of 2012 compared to 2011?

Comments

less investments

lost some biz last year when competitors low balled shows

2010 Q1 we had pro/superbowl down here in Miami. With that out of the equation, we are up about 10%.

2011 was a great year and remaining flat is ok.

We are launching a number of new sales initiatives which I expect to drive significant new growth.

We enter 2012 with a very healthy overall backlog, but as always would love to spread around more evenly geographically and out accross time. We have been on a rapid pace after a slow Q1 2011, so forecasting more than 10% right now for the first half seems unhealthy. As it relates to 2012 overall, we are projecting closer to 20% growth or more as it relaes to Gross Profit. While realizing the industry keeps score by total revenue growth, we are balancing that with driving efficencies.

We generally have things booked in advance. To date; we have nothing for the new year yet.

May be as much as 10% up, but being conservative, as usual.

As this is my first half of a year (in many) as a freelancer...I am hoping for the numbers to be higher than what is already forecasted.....

+5% We are in a pre-election year slow growth environment. If the status quo continues, we will go into a major recession.

We are seeing a full plate for the 1st qtr already confirmed, with numerous RFP's thru the 2nd qtr.

Still generating new business at a decent clip. Projects are all fast movers with short deadlines.

We are just coming off a very bad "patch" that lasted for two or three years. We are attempting to rebuild our balance sheet and will not attempt to grow more than 10% or 12%. Growth higher than that figure will require added funding for new rental gear.

I am going to remember two things: 1-In business there is cash and

Economy is not stable yet. It moves too much in my field of location sound. Lotta new people. Lotta low rates from newbies.

Word is there will be a lot of layoffs early in 2012.

Many of the yearly/quarterly meetings & events we work on have either been outright canceled, or scaled back so much that they simply "have the hotel handle it"...

we've grown a compound 50% per year for the past three, so 25% is a reasoned projection

It's so hard to predict. Our lead time from clients seems to get cut shorter and shorter.

Peak at year end with Auto Shows in LA and Detroit

Have yet to really dig into work for next year, part of my projects for the upcoming month.

more large projects then we have seen in the forecast before.

This year (2011) we were up quite a bit in the first half, so it will be hard to do much better in 2012



Revs have increased appx 10% over the last 3 years and current bookings indicate similar movement for Q1-12

Cautiously optimistic with the outlook. Building in Toronto has forged on so there's a lot of money circulating.

Clients are still asking questions and getting pricing about projects but are still committing slower than they have in the past. There are usually more revisions and value engineering than we have seen previously.

Wait till November 2012. If there's real change in Washington hang on for explosive growth!

Business has been brisk and increasing, despite the departure of two senior sales people

I have 2 significant shows booked between Jan and March which should start me off on the right foot this year

2. In regard to your previous answer, what do you think are the top 2-3 economic or business trends that will affect your revenue in 2012?

Answer

Stronger competition.

Increased sales/marketing campaigns.

Last minute decision makers.

crisis, less european funds in Poland, weakness of polish zloty

General economic conditions, all play a role

product being sold through distribution to end users are tearing apart the integration model.

low ball bidders

desperate sales people

over saturated marketing

Capital markets and government spending.

As employment gradually rises, people will have more discretionary income to buy my products, which are considered non-necessities by most people.

1. Accelerating adoption of videoconferencing.

2. Necessity to convert legacy five-wire 4:3 switching, distribution and projection systems to EDID compliant and digital video in widescreen and higher definition formats.

3. Pent up demand within larger enterprise to 'modernize' collaboration, training and meeting tools.

We're not counting on any economic trends to grow our biz. We count on our biz dev approach to grow.

Election mania and hopefully an increase in festival and sporting events.

Customers are outsourcing more services.



Tax rates (payroll, sales, use and other "up-in-the-air" considerations), cost of transportation (air and truck) and overall economic confidence.

European Economy, demand on business to do more with less.

1) National Debt

2) Euro

- Continued lack of confidence in economic recovery, from the view of both businesses and individual consumers.

- Continued frustration and uncertainty with US Congress' (in)ability to resolve budget and taxation issues

- Continued restriction and shortage of disposable income for the ticket-buying-public.

Trade show spending and implementation of content services.

Product Differentiation

Foreign Economic Uncertainty

Election Results

More meetings are being held. Plus budgets for meetings seem to be increasing.

We are seeing a good overall bounce back in the area of Corporate Enterprise spending, so avoiding another major economic downturn will be a factor. However many of the roll-outs, are driving global standards around unified communications and viewed as business efficiencies vs. capital investments. The trend of large organizations outsourcing anything not core to their primary products and services has led to opportunity for enterprise deployments and managed services. We expect that trend to continue as a best practice, regardless of the economic conditions and have made the appropriate investments in creating a more scalable Managed Services model.

Government spending was a considerable factor in our growth in 2010 and 2011 as the corporate and other enterprise markets softened some. We are not projecting that to continue to trend upward, so winning more than our share of large government roll-outs of technology will be key in that market.

Pent Up Demand

Technical Advancements

Green Initiatives

European debt crisis and the potential fall of the Euro, Corporate earnings strength, Presidential election lead up.

I think that the economy will continue to limp along and the year will be punctuated with good and bad news. Business and associations will maintain a watchful eye on costs.

companies are investing in boardrooms and classrooms. Again. The Fed is updating facilities



Still business uncertainty.

1. Recovery of TV broadcast and post-DTV budgets.
2. Arrival of Ethernet AVB.
3. Use of social media to help focus marketing

Jobs, and Government

Industry Consolidation.

The economy in Illinois and the Midwest in general continues to be weak with no improvement in sight. With the pending elections in 2012 the politicians are afraid to make any drastic changes so nothing is being done to improve the situation.

New construction in Illinois continues to be minimal. No improvement is forecast for 2012.

Businesses continue to find it difficult to obtain bank financing for expansion or facility upgrades, so many projects are still on hold or being scaled down.

Downward pressures on margins continues, as our competition lowers their prices.

LED's....

We expect:

- corporate business to remain strong
 - higher education to be down
 - auditorium business to be down
1. Depressed (and scared) financial markets, especially from the impact of the crisis in the EU
 2. Un- and under-employment in the US
 3. Reduced business travel to larger-scale meetings and conventions

Holding costs down

Looking for lower cost revenue streams

Holding on to clients

Purchase price is now so low on many of the items we rent, customers just buy it. For installs; we are now competing with people willing to do jobs for a "joint and a sandwich" that have no skills, license, insurance or scrupals. The customer just wants it cheap, cheap, cheap and will look the other way.

I think our growth in 2012 will slow. There are a number of one of jobs that are not returning.

Expanding into creative markets from simply (visual) systems.



Luck

More luck

Trick of the draw

The race for the cloud services market, as it pertains to who is offering the best services for the least cost. Mobile markets, too. Phones and tablets.

staging and corporate

World Commerce and Financials

I DO believe the Occupy Wall Street people will do there very best/worst to affect directly any corporate spending THEY (meaning the Occupy Wall Street people) deem unnecessary

Our Election cycle and Washington's behavior

Consumer Confidence

Global Debt Crisis

GDP Growth

1. Continued federal, state, local government anti-business legislation.

2. Any economic turbulence in the European area - Greece, Italy, France, Germany, etc.

3. Any successful terrorist event in North America.

uncertainty in washington

business' desire to lower costs

continued low interest rates



As a "Rental House" providing equipment and services to other AV companies, our revenue is driven by how busy the other service providers in the industry are. The feedback we are getting is that even though the overall economy is lackluster, the meeting/event forecast is very strong.

The requests for large venue projection, widescreen, LED, HD switching and camera's has more than doubled from this period last year. We see a trend leading towards at least a 50% increase in business. Enough so, that we have made a capital investment of more than \$500k in the last qtr of 2011.

Up Coming elections.

1. What happens in congress will change everything. If there is further time without a budget agreement, the double dip is more than likely to occur as everyone holds money for fear of investment.

2. AV will continue to grow as the ROI on AV systems remains positive. Temporary events (rental and staging) will remain soft due to lessened number of corporate and government events.

3. The IT world will own more of the AV space and try to configure the delivery of AV systems in an IT fashion. Jury is out on how well or not this paradigm can be made to work. Likely, delivery of AV will retain much of its current character but under the auspices of IT department who may not know what they are doing.

Hotels are budgeting more group business.

Focusing energy on new channels

Deficit

budgets

uncertainty

Interactivity and content design for interactivity

Business activity seems to be back to what we experienced before the recession. Typical increases in revenue with new business and current customers willing to spend more on their events.

Business development initiatives are bearing fruit once again as well.

general economic trends - stock market value, consumer confidence, etc.

HD is taking over in the rental world and it is a great opportunity to upsell.



Meeting are starting to happen again.

more meetings and more client needs

Biggest influence will always be the clients perception of the economy. It does not matter what reality is....perception IS their reality.

Changing competitive landscape, world economy and related uncertainty in the market, implementation of needed infrastructure while still needing to conduct business and earn revenue.

Client education - Difficult. They don't necessarily want to know, or they don't know the difference between good and bad.

Available funds - For new production.

The election - If Washington can't figure it out, it's gonna be difficult for business owners to accomplish the task.

US \$ Europe situation

Another year has passed. Confidence is up. Some competitors dropped off.

Many events have switched to an 18-24 month schedule over the past two years and the first half of 2012 are off months.

1. more layoffs probably means less celebrations, but could also mean more training and more "pep rallies"
2. With m&a, there could be additional need for corporate a/v in 2012, but not in the first quarter.
3. presidential election is good for corporate a/v!!!

Client have across the board cut back, and the "In-house A/V" guys have in some cases been literally giving equipment for free, & only been charging for labor...

Also, with the cost of projectors & plasma/LCD screens coming down SO FAR - clients & facilities are simply buying their own...

Also - many of the bigger hotels we work in have INSTALLED quite a bit of equipment, and thus make it nearly impossible (cost wise) for outside companies to come in...



1 - Number of players getting into our market that only know how to cut pricing which sets the future tones with many customers for the time ahead. It is relatively easy to get into a commodity market the way the ITRA is recruiting and the way it is run pitting member against member against outsider. Then giving the business to the non-member.

2 - Political dynamics of the economy are forcing more organizations to borrow and borrowing money is not easy, is not cheap no matter what "out of touch Obama professes - he should come work for one of us and try to borrow money without showing his face or his name - just based on the businesses good performance. He might learn his teleprompter is not correct.

the EU and US economies

Government spending down will slow down the DC pace

slightly increased volume

clients booking ahead

slightly increased budgets

Corporate staff changes - forced or golden handshake.

New competition - small, nible and low overhead.

Renewed competition with the wholesale company offering full-service staging - staffing plus equipment.

Waiting to see what the pharmacy industry is going to do. That is our biggest variable. Increased sales and marketing has us confident we can offset any downturn there

We have taken the stance - only one thing is worse than no business - Bad Business .. so we have been rejecting Bad Business

Election Year

seeing signs of companies opening up their pocket books...everyone is tired of no movement

1. Shortening time between RFP and event start

2. Continuing budget pressure from end clients pushes agencies that add little value to an event production out of the game.

Not sure, everything in the country is so dynamic right now. Politics & business usually have a predictable separation but lately the gap keeps getting smaller. In an area where there's a good chance to get work via the DNC but think it will be a complete cluster.

Slugish economy

Pressure for larger shareholder return. which results in tighter Budgets

world economic unrest

corps and universities doing more large events.

Everyone wants to do more for less. And the sad fact is there is someone out there that will do it for less...less quality...less equipment...less professionalism.



Unfriendly business efforts by govt. Higher taxes and more economic shocks as connecticut, the us and europe fail to adequately face their entitlement overspending.

US getting it's financial house in order

Europe getting it's financial house in order

LED projectors becoming more available and being requested. LED lighting for stage.

Lots of state and federal government projects have been stalled or nixed. Corporate projects are making up for the falloff in public-sector work.

Videoconferencing is driving the corporate market.

I think the money will start flowing in January. Fiscal budgets are out Q42011 and seeing shopping and pricing for purchases after holidays.

People aren't spending more money, but we are booking more shows. Don't know why?

Increased emphasis on meeting and convention business in Dallas is increasing opportunities locally. The opening of the convention center hotel and a concerted sales effort by the City are bringing more meeting planners and associations to the area.

Additionally, more sales organizations are growing and training their sales force in an effort to gather market share. This trend is bringing in more meeting and event services as they focus their troops on rebuilding revenues in the slowly recovering economy.

Last minute bookings/decisions

Market uncertainty

Fiscal restraint/tight budgets with high expectations

Money being poured into the local economy by government due to the 2012 summer games and 2015 Pan Am Games still under construction. 134 high rise condominiums being built right now. Slowing worldwide economy does dampen things though.

I have seen a trend from our clients to push and demand for more technology and creativity for the same if not about 10% less than the previous years event budget. We have had to offer production management as a "value add" to maintain our customers as well as a loss leader to sustain growth.

Congress agreeing on a budget

Getting out of 2 wars

War with Iran

Increase in international Oil & Gas exploration and production as well as capital expenditures in that market. We are also seeking to capitalize on the increased shale gas activity.



Competitive pricing - the competitor is not always to blame, there but a number of clients are moving to a Procurement Department model and fewer decisions are being made on differentiation.

Credit continues to be tight for people starting construction projects - it has almost wiped out Church Installs, for example. Only smaller self-funded projects and service contracts are left in that area. Universities and Healthcare are very active however.

Labor rates are still under pressure - there is diminished value from the customers viewpoint for us to get increases in past years pricing.

Client budgets and economic outlooks.

1)The 2012 election:

I think we'll see another "hit the brakes" phase if Obama pulls ahead, then we'll see the circling of the wagons as everyone prepares to have as little taxable income as possible as he promises to tax everything that moves.

If he drops behind anyone with a pro-growth agenda I think we'll see a hold phase waiting to see if it really can be believed, followed by an explosion of growth as people won't be afraid to earn income and invest in the future.

2)The banks:

They have dropped almost to irrelevancy. Most everyone is going to have to stay internally funded or funded by friends and family.

1.) Our business prospect are more open to cond sider competitive bids

2.) by the same token, retaining some clients has required more competitive pricing

3.)Overall, people are returning to pre-recession meetings schedules, BUT they are still more frugal than pre 2008 days.

Energy sector doing well, but general economy also.

Further recession recovery.

Election coming - ramping up, and anticipation for change to a more business friendly administration, typically the year prior to an election always brings economic good, especially when administrations have been asleep at the wheel for 3 years, or even hostile....

Consumer Pessimism

Corporate Conservatism



3. Bonus Question: If you could have a "do-over" for 2011, what would you have done differently in your business?

Answer

more sales team

All in all, 2011 was a decent year, not quite at the level of past years, but certainly an improvement over 2009 and 2010. Not much I would change.

Dropping prices sooner...

nothing

Hired and retained better technical resources, created a better technical training program.

I'd have worked a little harder; I spent a lot of time dithering about the right moves to make. I should have just made a decision and forged ahead (which is what I'm doing now, hope it's the right thing!)

Hired more skilled staff sooner to create greater scheduling and capacity elasticity.

nothing

Offered a larger bulk discount for long term repeating events.

Hired more aggressively at the end of 2010 and beginning of 2011.

Not discounted as much -- especially to new clients.

I would have hired additional sales staff earlier in the year.

Spend more time in the pre-production/planning stages for events. This is where the real upsell can happen.

Started trying to sell surplus AV equipment sooner.

Converted my 401K before it returned to a 301K (at least not a 201K)

Mentor and lead managers/leaders better in a fragile economic climate. Watched the financial result details more closely, improved procurement process and policies and utilized outsourcing better.

Well, we are still living through 2011 and obviously have responded and evolved with what we feel are the right strategies that have facilitated rapid growth and positioned us well for 2012.

If I could go back to Q1 of 2011 or into 2010, when backlogs were softer and there was even more economic uncertainty, I would be more aggressive with earlier and larger investments in evolving our organization, project management and sales leadership from legacy industry structures and strategies to ones that embrace the global AVIT world we operate in today.

Oh, I would also buy a bunch of stock in Apple in early 2010.

Considerably stronger efforts aimed at New Business Development.

Spent more on capX

I would have opened up the purse strings for equipment purchases.



laid off people sooner

Nothing

Pushed our social media agenda faster.

Cut expenses and overhead

Made our sales staff more accountable and let go the non-performers sooner.

Pushed for more market share.

Would have personally spent more time with key clients.

1. Spent less time chasing small potential deals, and more time on larger prospects

2. While I reached out by phone more than ever to prospects in 2011, given a "do-over" I would have made even more calls to clients, prospects and potential referral sources.

NOTHING!

Laid off more people earlier. Cancelled all phone book ads. Subrented more of our space. Unloaded more older equipment and vehicles. Not purchased any new equipment. Placed a fee on credit card purchases. Charged for site visits and quotes. Worked harder on our website. Spent more time "one on one" contacting existing and potential new customers.

Fired people earlier in the year. There were 2 employees (1 sales, 1 tech) that were given to much time to improve. Listening to your gut is important in all aspects of life.

Shouldn't have stalled on making tough long-term decisions for the sake of short-term work. It's tough for a smaller company to keep an eye on the horizon when all resources are focussed on "getting it out the door".

Take more time for myself and ignore all the guys with the crystal balls.

Some more hiring of the right people would have been a good move. It remains difficult to find the right people, but more time needed to be put into those searches.

Cost containment continues to be good, but can never be as good as you would like.

nothing, it's a great year for us.

Worked at better marketing myself as a freelancer.

Positioned the company as a trend leader in Social Network Trends and marketing them for business theatre usage.

pay more attention to detail to learn from the good as well as the not so good

We would have invested even heavier in 1st qtr 2011 to cut back on cross rentals later in the 2nd/3rd qtr. It has been a banner 2011 and looks to be an even bigger 2012.

Do a better job of continuing our diversivacation in the various feilds we pursue.

Job pricing was more evident as THE deciding factor than inpast years. What we could win with our reputation and qualifications and minor increase above the low bid no longer wins; we would have been ore aggressive on some project oppourtunities that we lost. We would also have worked more on marketing to those clients to demontstrate our abilities and their value cover simple cost concerns.



We would have offered more commission to proposals.

We could have asked for more referrals.

Nothing,

Mabe tried to publish / publisize more.

Hired 4-6 more full time technicians instead of relying so heavily on freelance labor. The business warranted the hires but we did not have the confidence to make the hires because so much of the corporate business comes in with limited notice (4-6)weeks. As it turned out the uptick in business was consistent throughout the year and the added staff would have increased our productivity and quality.

2011 is a pretty good year. The "do-over" year would have been 2009. I would have paid more attention to my banking relationship.

I read that banks were "screwing" everyone---I just did not think they would screw me!

If I live long enough to see another bank crisis I am going to write a lot of letters to any one in power to let the banks fail.

nothing.

Did not have any major hiccups in 2011. Still...there is always room for improvement regarding customer service.

I have many more 'do overs' from 2008-2010 that impacted 2011.

Been cheaper on some big job quotes - the bigger the gig, the smaller the margin was the rule last year.

1. More shameless promotion of my experience, knowledge, abilities, and capabilities in the field of sound.

2. Made an effort to accommodate some of the LOWER independent production budgets. Still hate to put in the same hours and provide the same quality for half the price.

3. Maybe more networking. I hate the term and find that most instances involve attending functions made up of my peers, who will NEVER hire me for a job. Also networking with people who are not qualified to be in "showbiz" by any stretch of the imagination. How do you reach the uneducated to bring about change?

Control Japan re products advise bigger is better. I would direct more business to Universities

Worked more to expand into different markets.

Hired a dedicated sales person.



What I will be doing more of in 2012? - Finding more recurring revenue products that do not involve dealers that only know how to price cut, but involve manufacturers that have implemented minimum advertised pricing and other pricing controls that legally helps keeps the cheepsteers back in the swamps from damaging a market.

For one - Rentals and leasing is a great market for both the customer and the dealer - but it takes more than just price to understand that market. T's and C's and adjustments, creativity, wher both sides win goes beyond pricing - and there the swamp pricers hurt everyone and everything for the sake of two dollars...

actually ...nothing

Nothing

bolstered our project management team and systems sooner.

hired another salesperson

I would have terminated under-performing staff earlier.

I would have spent more time on marketing and promotion.

I would have called Tom Stimson more often for advice or a pick-me-up.

Fired my sales force earlier

Hired several sales people

Focus on our service business

Better market company achievements. Awareness of great events production is low, though can not inspire potential clients. As well, production agencies do much better job in getting the news out than AV providers do.

Not sure, had two large project cancellations & was able to rebound. I'm thankful for being able to press on for the year.

reduce end user discounts

planned better for a profitable year, worked on capital purchases earlier in the year.

Make a list and stick to it...in the way of priority of ways to harvest new business. Update website and market our brand.

Sold it..and gone to work for somene else or th state..

Would have purchased add'l equipment

Been more organized and focused. I took on jobs that we normally do not do and that caused major stress.

Hired more people to cut down on overtime pay for our key employees during the season.

I would have raised prices. Although the prevailing thought is that times are hard and discounts are needed to close customers, I was beyond capacity in 2011 and a recent increase in rates did not slow things down. I could have raised rates and used the additional revenues to build a little quicker.

Laid off employees through the summer. I think everybody decided to take a break from everything this past summer, all my forecasts were out the window.

I would have gone after business in our best market segment. Festivals and Sporting



competitions.

I would have shifted my focus to more seasoned and experienced job hires. I feel it would have eliminated a lot of the frustration I had with employees for getting the results I expect.

There are a lot of unemployed people but I have yet to find new hires that have the experience and demeanor that don't want big salaries.

Marketed middlemen producers more

Prospected and marketed more aggressively.

Management of personnel - a number of companies are making moves to realign their team skillsets with newer technologies and we were not as aggressive as we would have liked to be.

Focus more on building my client relationships, and on my business instead of in my business.

Nothing.

1.) I would have fought harder to retain one of our departing sale persons

2.) Focus on pursuing new prospects and referrals

3.) Put more focus on expanding existing business

Paid more attention to employees, some have been poached.

Nothing!

I think I would have purchased switching equipment the toughest thing dealing with it is the constant change in what is considered good gear. I would have liked to pick up a panasonic switcher and robotic HD cams

Tom Stimson Comments about Comments

Part of me wants to edit out all the useless comments, but on the other hand I believe it is good to know what your competition thinks about these things. I can't help but be disappointed in the folks that are quick to blame anyone but themselves for their condition. In my opinion, the economy tanked over four years ago – that's old news. Whether the recovery is going well or not is a moot point. At the very least, you have had three years to adjust your business model by reducing expenses, improving processes, and selling more services.

To the folks that blame the competition for "lowballing", remember that if all things are equal any sane customer will take the lower price. When things are not equal, the customer will consider other signals about which supplier to choose. In other words, if you lose to lowballers then, 1. Either you are one yourself and don't realize it; 2. You do a very poor job of differentiating your value proposition, or 3. The customer is a price shopper. There have always been lowballers. The rise of successful lowballing is a sign of the times, but one you can counter.

To the many respondents that cite macro-economic circumstances (national debt, the Euro, unemployment rates, government regulation or lack thereof, politics in general), I encourage you to get some perspective. The mostly negative news industry tracks these stories and ties them to everyday outcomes to build viewership. By giving you something/someone to blame, you take comfort that you are not responsible for your situation. This in turn reassures you that there is nothing you can do about it



– except complain. Instead, you should be taking advantage of your competition’s self-imposed helplessness and reinvent your business to thrive in the new economy.

To the folks that “get it”, thank-you for sharing your responses. You may in some small part be helping your colleagues, but because you “get it” you know that strong competition is better for your business than a bunch of bad examples that devalue the industry. I hope the readers consider your comments carefully.