

Home Electronics –
**Product Purchase and
Market Sizing Study**



Study Released: *December 2006*

*Based on survey data collection and analysis performed by EH
Research on responses from CE Pro magazine subscribers*

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Survey Objectives and Methodology

Introduction

Prompted by recognition of the near total absence of objective market information regarding the volume of product specified, purchased and installed by custom electronics professionals, EH Research decided in the fall of 2005 to undertake a comprehensive survey of this topic. The results of this far-ranging study were presented in a special report – the *Product Purchase and Market Sizing Study* – published in November 2005. That first-of-its-kind report is updated with the findings presented here. The information gathered on custom electronics market channel purchases for 5 broad groups of products and for 21 specific product categories further complements information presented in the *Brand Awareness, Use, and Preferences Study* published earlier this year.

Research Study Objectives

- To gather objective information on the dollar value of products, equipment, and systems purchased and installed by custom electronics professionals (CE Pros”);
- To develop estimates of the total dollar value of CE Pro’s purchases from five broad product groups – Audio, Video/Home Theater, Networking/Communications, Automation/Controls, and Security. Taken together, information gathered concerning these product groups provides a comprehensive view of the scope of work in which the vast majority of custom electronics firms are involved;
- To develop estimates of the total dollar value of purchases for 21 specific product categories in the three “core” product groups – Audio, Video/Home Theater, and Automation/Controls – in which the business of custom electronics professionals is concentrated. These products are consistent with the 21 categories focused on in our previous *Brand Awareness, Use, and Preferences Study*;
- To estimate total revenues moving through the custom electronics market channel by combining product purchase information gathered in this survey with previously collected information regarding installation, service and associated revenue generated by installer/integrators;
- To use the base information generated from the survey in combination with estimates and assumptions regarding the number of firms involved in the custom electronics channel to develop informed and well-documented approximations about the size of the total market and its many and varied product components.

Procedures and Methodologies

The *Product Purchase and Market Sizing* survey was conducted over a two-week period during late October of 2006. EH Research developed an online survey questionnaire and solicited responses from the universe of custom electronics installing companies captured in the subscriber files of **CE Pro** magazine. The survey was 14 questions in length. However, since three of the questions consisted of multiple parts (soliciting similar information for specific product categories), a total of 32 unique responses were gathered from survey participants.

For the 5 major and all-encompassing product groups for which product purchase estimates were developed, the following question was posed:

- *“Approximately how much will your company spend on {[Audio], [Video/Home Theater], [Networking/Communications], [Automation/Controls], [Security]} equipment during 2006?”*

Examples of the specific kinds of products that we wished for the respondent to consider when providing these dollar value estimates were presented as part of the introduction to each of these five questions. These examples were intended to serve as a guide to the respondent, and to help ensure a reasonable degree of consistency in product classification.

A similar question (with different, lower-value dollar range options) was posed for each of the 21 specific product categories:

- *“Please estimate the dollar value (at your cost, not including installation charges) of the following [21 separate categories specified] products that you will purchase and install this year.”*

Answer choices for both the 5 broad product group and 21 specific product category questions included the option of reporting “Zero” in recognition of the fact that many respondents perform and specialize in audio/video, security, or other custom electronics work – sometimes to the exclusion of other home electronics system service offerings.

The survey work was managed by EH Research, a business unit of EH Publishing. The sample for the survey was selected from the subscriber database of **CE Pro** magazine, and included all current subscribers for which the database included a valid e-mail contact address.

A list of 13,704 **CE Pro** subscribers was selected to participate in the research survey. This project was conducted entirely over the Internet. The sample of **CE Pro** subscribers was first notified via an e-mail invitation on Wednesday, October 18th, 2006 that they had been selected to participate in this study.

The invitation requesting their cooperation contained a “link” to the website where the survey questionnaire had been posted. The e-mail invitation included notice that – as incentive for participation – survey respondents would have the opportunity at the conclusion of the survey to provide their e-mail address in order to be entered into a random drawing to win one of three American Express Gift Cards valued at \$500 each.

A second e-mail invitation was sent to non-respondents on Thursday, October 26th, 2006. By Thursday, November 2nd, 2006 a total of 620 clean and unduplicated responses had been received, a response representing approximately 4.5% of the universe of the installer/integrator/retailer firms that were initially contacted via e-mail. The margin of error for percentages based on the total answering for each product category asked about in this study is estimated at +/- 7%. The margin of error for the various smaller sample sizes (e.g., for regions and company size cohorts) would be proportionately larger.

Future Studies

EH Research plans to continue to future studies of product purchase and brand awareness on an annual basis. Subsequent surveys will allow us to further refine our estimates of the market size of the custom electronics channel, and to expand the number of market categories covered. Specific product categories surveyed will be adjusted, as necessary, to best reflect the changes taking place in the custom electronics product marketplace and to respond to the research information needs of manufacturers, distributors, and other firms interested in the channel. We welcome your inquiries, comments, and suggestions regarding these future surveys and the ways in which the presentation of survey results can be best tailored to your specific planning needs and marketing priorities.

Key Findings and Survey Highlights

The results of this survey help to document the significant size of the custom electronics market channel today. Once a solid foundation of accurate and comprehensive information about the channel has been firmly established, EH Research will begin to develop 3-5 year forecasts of growth trends for at least the major emerging product groups.

Following is a summary of some of the most significant points that come directly out of the survey results. In the section that follows, we'll extend this information beyond the specifics of the data directly reported by respondents to develop our 'rough' – but documented and well-informed -- estimates of the size of various segments of the market.

- Home systems installers/integrators responding to this survey and providing information about their product purchase characteristics had median annual revenues (estimated for 2006) of \$534,900;
- As a result of the much-higher-than-median revenues reported by a small, but significant, minority of survey respondents, average revenues for firms reporting survey information was more than twice as large: \$1,390,700. A total of 38.1% of respondents estimated that their company's total revenues this year will total one million dollars or more;
- Responding firms reported that they currently employ an average of 14 people (including themselves). Just under half (48.7%) of all firms indicated that they employ four or fewer individuals, while only about 10% indicated that they have 50 or more employees on their payroll;

END OF SAMPLE

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