

Custom Electronics Installation Business Profile Study



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*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

During 2003 and 2004, EH Research conducted comprehensive surveys designed to document the characteristics of custom electronics installation businesses operating throughout the United States. The results of these far-ranging studies were published in special reports (the *Electronics Installation Business Profile* studies) during February 2003 and March 2004.

Since that time, a variety of more focused surveys have been conducted by EH Research. These surveys have gathered information on the dollar value of specific product purchased by custom electronics installation businesses, their brand awareness, use, and preferences for specific products, and the characteristics of product specified and installed in both new and existing homes. From this information, preliminary estimates have been developed on the size of the entire U.S. custom electronics market sector and on the specifics of that market by product category.

The survey results discussed in this report are the product of a survey initiative designed to gather information on those aspects of the custom electronics business sector that have not been otherwise covered in special studies undertaken since the time of the *2004 Electronics Installation Business Profile* study. As such, the specifics contained in this report are more focused and less extensive in overall scope than the information published in the reports of 2003 and 2004.

Research Study Objectives

- To gather information from businesses operating in the custom electronics installation market sector that will provide useful background, profile, and planning information for use by:
 - ⇒ Installer/dealer/integrator firms currently in the sector that wish to compare characteristics of their specific company with like characteristics for the market as a whole;
 - ⇒ Manufacturers and distributors seeking a more complete understanding of the characteristics and dynamics of their primary customers – the installer/dealer/integrator firms serving the custom electronics market channel;
 - ⇒ Companies currently outside the industry that are contemplating entry into the custom electronics market sector, as well as investment banking, venture

capital and similar entities seeking to value and evaluate potential opportunities for capital investment in this market sector.

- To most effectively serve the identified information needs of users, information gathered and published will include specifics within the following general subject areas:

- ⇒ Characteristics of businesses operating as installer/dealer/integrator firms within the custom electronics market channel, including years in business, number of employees, total annual revenues, compensation rates for employees, physical facilities, market sectors served, and region/state of principal business operations;
- ⇒ Number and average cost of residential installations, average profit margins realized for specific types of jobs, and specific characteristics and value of home theater installations;
- ⇒ Anticipated changes between 2006 and 2007 in average total revenues for installer/dealer/integrator firms, in the number of employees working for these firms, and in relative anticipated growth rates for specific types of installation projects.

Procedures and Methodologies

The *Custom Electronics Installation Business Profile* survey was conducted over a three-week period during August of 2006. EH Research developed an online survey questionnaire and solicited responses from the universe of firms captured in the subscriber files of *CE Pro* magazine. The survey was 28 questions in length.

The collection of this extensive amount of detail from installers/integrators allowed for the cross-tabulation of survey results. The cross-tabulated relationships deemed to be of greatest potential interest and value to custom electronics installers/integrators, retailers, manufacturers, and distributors are included in this report.

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 classified as installer/integrator firms or associated businesses, specifically excluding subscribers that identified their primary business as being manufacturers or distributors. To be eligible to receive notification of the survey, subscribers also had to have previously provided an e-mail contact address.

A list of 15,076 installer/integrator email addresses was compiled for the initial solicitation for participation in the research survey. This project was conducted entirely over the Internet. The sample was first notified via an e-mail invitation on Tuesday, August 1st, 2006 that they had been selected to participate in this study. This notification was successfully delivered to 14,096 email addresses, or 93.5% of the preliminary sample.

The invitation requesting participation 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 two American Express Gift Cards valued at \$500 each.

A second e-mail invitation was sent to non-respondents on Tuesday, August 8th, 2006. A final follow-up reminder/invitation was sent to all non-responding firms on Tuesday, August 15th, 2006. The survey was closed out on Monday, August 21st, 2006.

A total of 378 clean and unduplicated responses were received, a response representing approximately 2.7% of the universe of installer/integrator addresses that were initially successfully contacted via e-mail. The margin of error for summary responses to each question posed is estimated to be +/- 7.5%. The margin of error for the various smaller sample sizes (e.g., for regions/states, dollar volume of business revenue, etc.) cannot be calculated precisely, but would be proportionately larger than for the summary responses.

Although the relatively low rate of participation among *CE Pro* subscribers was a disappointment, and limits the extent of analysis that can be performed on the most detailed, cross-tabulated response, we still have a reasonably high degree of confidence in the summary conclusions presented in this report. Monitoring the flow of response over the three-week collection period revealed an encouragingly consistent distribution of answers to the core questions. Consequently, summary relationships for all questions have been judged to be of publishable quality, and both the profile characteristics and outlook projections are valid (within the previously-defined limits of sampling error) from a national perspective.

Nevertheless, the low overall response rate does make it more problematic to assign as much confidence to the cross-tabulated data relationships, particularly those specific to regional variations. Thus, we recommend that the user employ caution when interpreting and assigning significance to these more detailed survey results, and suggest that any tentative conclusions be verified by subsequent corroborating research.

Future Studies

EH Research plans to conduct future studies of installer/integrator brand awareness, and will conduct additional studies on specific product purchase with the goal of further refining previously-developed estimates of the size and characteristics of the custom electronics installation market sector.

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 meet your needs of marketing/strategic analysis and planning.

Key Findings and Survey Highlights

RESPONDENT PROFILE

- ❖ Approximately two-thirds (66.1%) of all survey respondents identified their *Primary Business* as that of “Installing Dealer/Integrator, Home Systems”. Almost all other respondents were involved in closely-related custom electronics market work; only 2.1% indicated that their primary activity was that of manufacturing or distributing.
- ❖ More than one-quarter (25.9%) of all survey respondents indicated that their business was located in the state of **California**. Another 14.6% of businesses completing the survey were located in the state of **Florida**.
- ❖ Respondents indicated that they had been in the custom electronics installation business for an average of 10 years, although a significant share (almost 24%) said that they had been in the business for two years or less. Half of all responding businesses have been doing custom electronics work for 6 years or longer.
- ❖ Companies were asked to estimate what their *total revenues* will be for full-year 2006. Those expecting for revenues to exceed \$1 million represented 34% of the total, resulting in average revenues for all responding firms of nearly \$1.58 million.

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