



WHITEPAPER

# A Landscape of Change: Charting New Territory in the Custom Installation Industry

*The PowerHouse Alliance reports the transformation of popular categories through 2020, plus projections for the year ahead from members and vendors.*

Technology innovation happens at a fast pace, but adoption, on average, doesn't. The dealers and integrators of the residential custom installation industry keep their fingers on the pulse of the new devices and experiences that they can offer clients. While there are some early adopters, adoption typically happens slowly, taking months and years. But then there are gamechanger products or categories that become disruptive, driving rapid demand from current clients as well as interest from a new group of customers.

In the last 12 months, the industry has experienced some of the largest and most rapid changes in the last decade. The PowerHouse Alliance, a national consortium of distributor members, observed changes to in-demand products, emerging opportunities, and new categories as they provided stock from local warehouses, online ordering, will-call, support, and more to thousands of dealers across the United States. This whitepaper reports the results of a survey and data collected through the 11 distributor members, who combined have 55 locations across the U.S., to show the custom installation industry the changes experienced at the onset of the pandemic through the end of the year, and their predictions for 2021.

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# INTRODUCTION

*from PowerHouse Alliance Executive Director*

## ***Dennis Holzer***

The custom installation industry is no stranger to change. Over the years, dealers, integrators, and installers have continued to grow and adapt during a recession, Google and Amazon entering the space, the rise of the DIY smart home, and more. In 2020, the industry was on a strong growth trajectory, with demand for smart homes and professional installation at the highest level in years.



The integrator's job site is the home. As COVID-19 brought stay-at-home orders, the state of the industry changed rapidly. Thankfully, the Department of Homeland Security deemed integrators as essential workers to continue supporting and installing systems for their customers. Continuing work in the pandemic changed common shopping habits and required adjustment to ensure safety of both integrators and homeowners. In addition to the necessary changes in daily operations, integrators adapted to support homeowners they began working, socializing, and learning from home.

The pandemic also shook the product landscape, changing the needs of the average family and, consequently, the most requested products and experiences from their integrator. With new in-demand products, dealers and integrators needed to quickly add new products and bolster their stock in the booming networking, display, and audio categories.

The PowerHouse Alliance has been behind dealers every step of the way. With 55 locations across the United States, we had the stock on-hand even when there were shipping delays early on in the shutdowns to give dealers access to the products they needed. Our distributor members stock more than 250 lines ranging from audio products, networking equipment, displays, accessories, plus our own line of A2V products.

Over the course of the year, we've observed changes to dealers' shopping habits and changes to the most-sold products. PowerHouse shares our outlook of recent changes and our predictions for the 2021. Our goal is to support dealers across the country for any installation challenge, and we're planning for growth in the year ahead.

*SIGNED,*

*Dennis Holzer*



# Category Shifts

## *Popular Products Then, Now, and Tomorrow*

Top selling products fluctuate throughout the year, analysts, and businesses continually effort to project changes to demand and acceptance of connected experiences. 2020 delivered dramatic changes in a short period of time, rendering five-year projections futile.

The impact of the pandemic on the custom installation industry began in Q2 2020, when homeowners reprioritized their technology needs. The PowerHouse Alliance experienced these changes as product sales from our warehouses shifted, and we adapted ordering throughout the year to address the new needs of integrators and dealers.

We surveyed our distributor members and vendors about a range of product categories including lighting, automation, networking, audio, TVs/displays, security, accessories, etc. Additionally, we compiled and analyzed data of our national product sales numbers to compare the popular categories from Q2 to Q4 2020.





Q2 2020:

# The State Before the Storm

At the onset of the year, the industry was continuing on a steady growth path. International Data Corporation, Juniper Research, and others projected buildup to continue in the first few years of the new decade. IDC reported security as one of the top categories inciting smart home purchases, and Juniper Research projected home automation revenue growth over 202% by 2024 as a result of the 'Do It For Me' model and demand for smart security experiences.

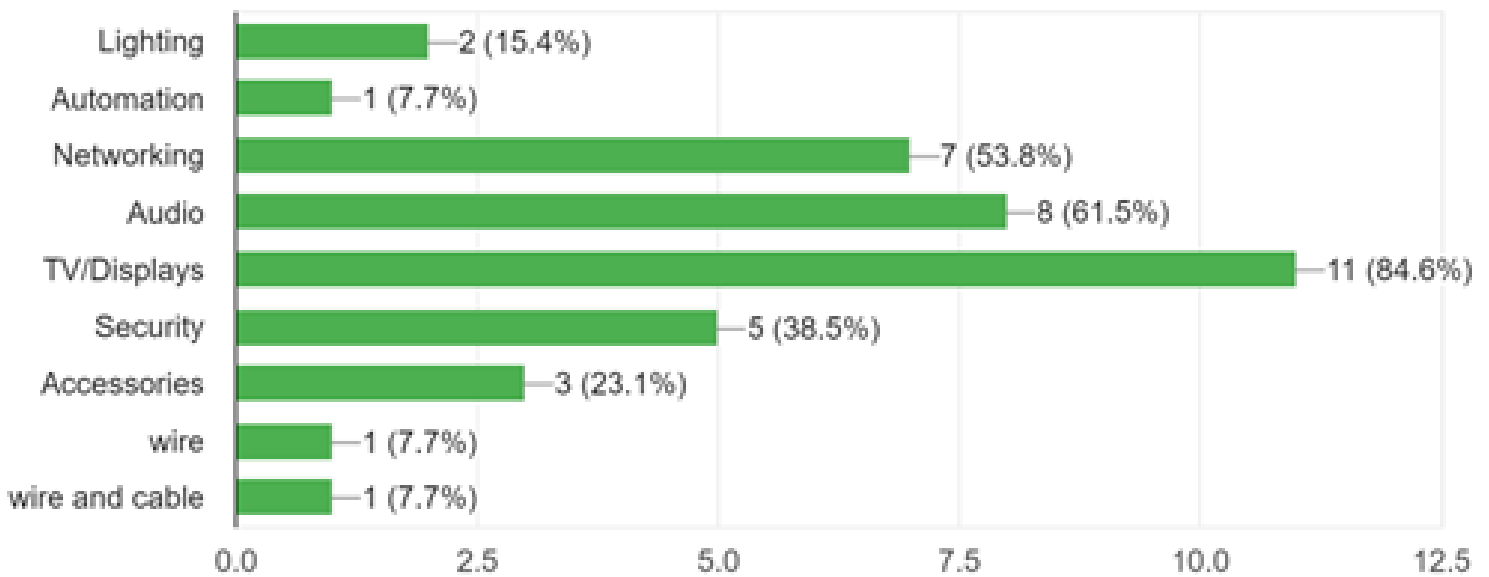


Figure 1: Top-Selling Categories in Q2 2020.

Q4 2020:

# The Opportunities of the Aftermath

The popular product categories changed through the year, where the majority of PowerHouse Alliance distributor members reported moderate to strong changes in dealers' product orders. Whereas only 15% of members reported no change.

Networking was already in the spotlight in Q2. But then, families needed more bandwidth and improved reliability to support the increased demand of working, learning, and socializing from home, adding more devices to the average home network. A rise in required bandwidth and connectivity made networking families' priority upgrade at the onset of the pandemic, with the category tied for the highest popularity with TVs and displays. PowerHouse Alliance distributor members offer a variety of networking lines, including eero, Ubiquity, aruba, Luxul, and others; they reported a 200% increase in networking product sales from Q2 through the end of the year.

"Customers who bought into newer networking solutions certainly grew business. Easy setup (eero) or heavier duty installs (Luxul) were big opportunities in the Corona-economy," according to distributor member Ui Supplies.

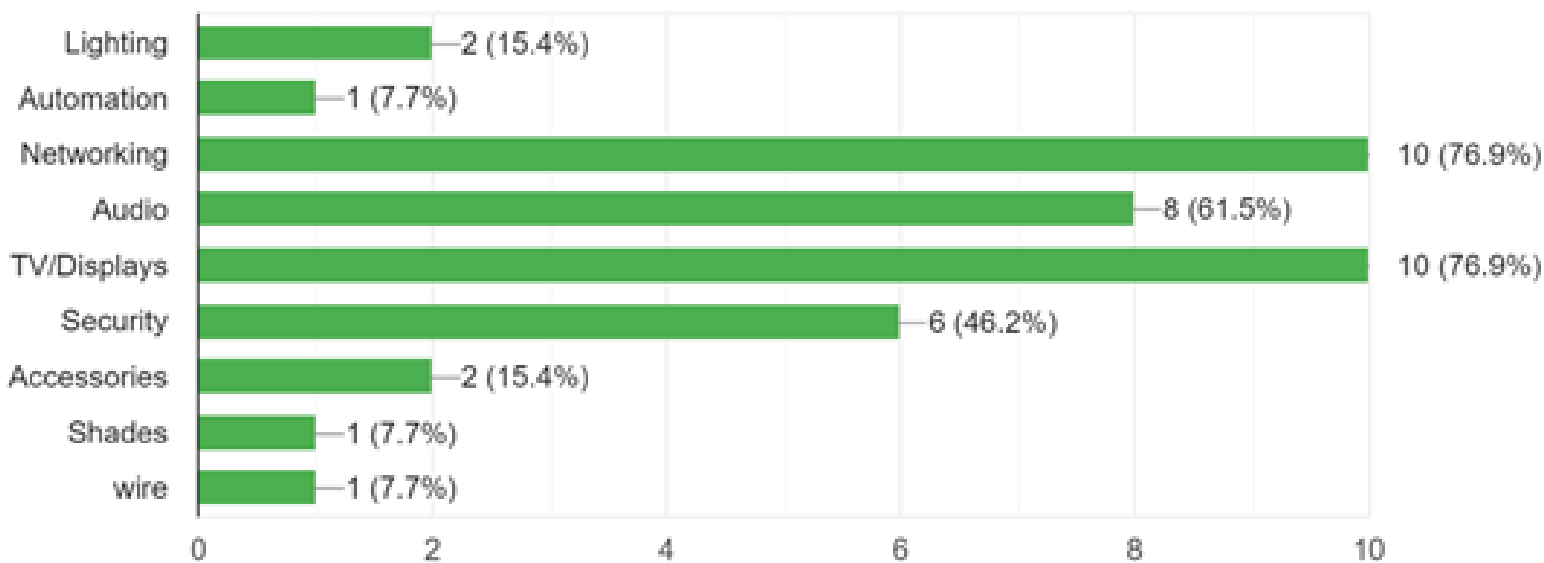


Figure 2: Top-Selling Categories by Q4 2020.

With the demand on networking and remote monitoring proving to be essential, PowerHouse Alliance member Legrand AV developed new support features for dealers. "It's been a busy six months for us and we've launched three products and a Remote Monitoring Management Platform. We launched ProWatch to our integrator channel which helps them provide an exceptional experience to their customers by allowing them to be proactive by resetting power and PoE to devices, get status updates and notification of potential issues with their customer 's network connected devices all without having to dispatch a service vehicle," said Chris Kovacek, Director of Channel Sales, Legrand AV.

By December 2020, PowerHouse Alliance members reported that, while Audio demand was unchanged, it dropped in demand to third place after TV/Displays, while demand for Networking devices continued its upward trajectory. The demand for Audio and TV/Displays can be attributed back to the same source - home entertainment growth. Families have moved their movie nights to in-house streaming premieres, and they want an experience to meet that of their local theater. The PowerHouse Alliance saw a spike in display sales, 30% through the year. Audio equipment and speakers flew off the shelves: there was a 20% increase in audio sales.





# 2021: Projecting Category Demand Trends

Through 2020, homeowner demands and needs changed. The PowerHouse Alliance distributor members predict changes to the top categories in 2021: Networking and TV/Displays will trend upward, while Audio, and Security systems are expected to level out.

When asked to predict the most popular product categories for 2021, members overwhelmingly voted for Networking, at about 54%. Following Networking, members predicted that Home Control/Automation and Audio would have the next-most increase. One member noted that their distribution company is experiencing growth across all categories. (See Figure 3.)

"2020 has been a challenging year for this country and we are no exception. The environment has afforded Nortek Control the opportunity to double down and make great strides in technology and innovation for the variety of markets it addresses, including home automation, audio and video. We are looking forward to 2021, and very excited to see where we can take this business," said Jeff Shaw, Senior Director of Product Management, Nortek Control

Beyond changes in current category demand, the PowerHouse Alliance evaluated advancements and new technologies which would impact the custom installation industry. The members again named Networking as the top technology to impact the industry in 2021, by 61%. 5G and 8K displays were tied for second place at 15% of responses; see figure 5 on page 9.

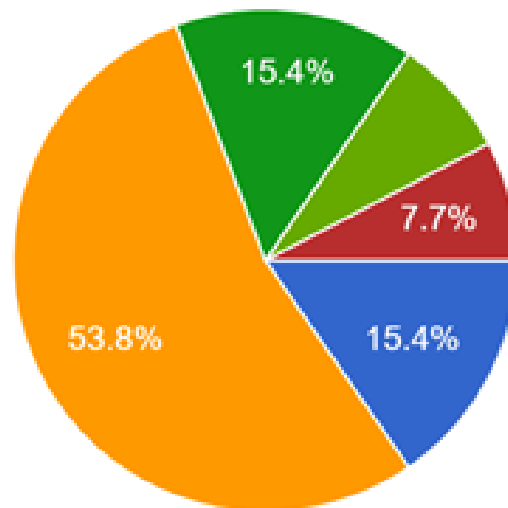


Figure 3: Category growth expected in 2021.

- 4K Displays
- 8K Displays
- Networking
- Home Control/Automation
- Lighting
- Audio
- Security
- Shades
- all, seeing increases everywhere. "big" is loosely defined, is \$ amount, video,...

# Installation Trends and Dealer Habits

The pandemic changed the product landscape for the custom installation industry. It also changed the way many dealers do business, according to more than half of PowerHouse Alliance distributor members.

Pre-pandemic, dealers shopped via Will-Call, Same-Day Pickup, Online Ordering, or In-Person at the PowerHouse Alliance's 55 warehouse locations across the country. Through the pandemic, more than half of the distributor member reported changes to the ways dealers placed orders during the pandemic: Will-Call remained dealer's top choice for shopping with PowerHouse Alliance distributors, followed by Same-Day Pickup and Online Orders. Through the end of 2020, only 15% of distributor members reported no change in dealers' product orders.

Among the changing category popularity anticipated for 2021, PowerHouse Alliance members all projected that dealers would add new products and categories to their repertoire in 2021. See Figure 4. "We had many dealers get into the shades category, which dramatically grew their overall sales on jobs they were doing anyways. Plus, it opened them up to new potential jobs. Some of these jobs were as big as \$80,000 (retail) just in shades," said distributor member Mountain West.

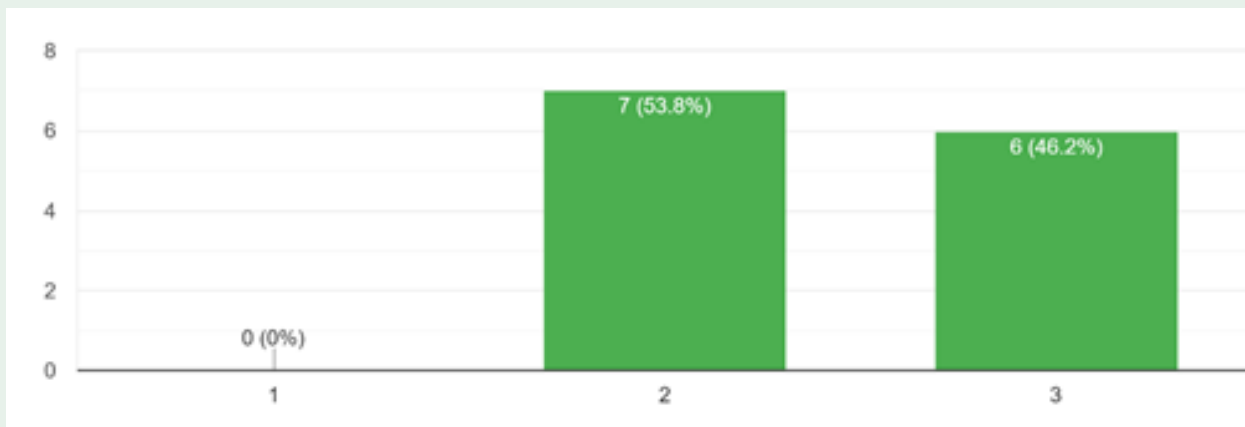


Figure 4: Dealers adding new categories in 2021: None, Some, Most.

## LOOKING AHEAD:

# Making 2021 A Success

Even without the circumstances of a global pandemic, the beginning of each year is a time for dealers to analyze their business performance, operations, and offerings. Dealers who haven't already targeted the new top product categories - Audio, Networking, Home Control/Automation - as identified by the PowerHouse Alliance, should strategize how to add them into their business. To continue the momentum through the year, dealers must also consider new strategies for connecting with former customers, starting new relationships, and offering new and emerging technologies.

## EMERGING TECHNOLOGIES

Displays have been flying off the shelves of the PowerHouse Alliance distributor member warehouses across the country. As one of the first upgrades homeowners seek to make for an improved entertainment experience, dealers should prepare to offer products to upgrade their clients to 4K or even 8K.

Many of the predicted popular products for 2021 will be installed in home offices, living rooms, and home theaters - but the backyard is also a big opportunity. Outdoor technology systems have been on the rise in recent years, and they took off during the spring in 2020 as homeowners sought alternatives to their regular exercise routines and social activities.

Mid-way through the year, Houzz reported the results of the pandemic on popular home upgrades: "June searches for pool and spa professionals up 3X compared with the same period a year prior, and demand for landscape contractors, deck and patio professionals each more than doubling." The backyard is becoming the next big installation site, for which dealers can offer outdoor lighting, audio, TVs, and other entertainment experiences to give homeowners the additional space they need for socializing, at-home school recess, and exercising.

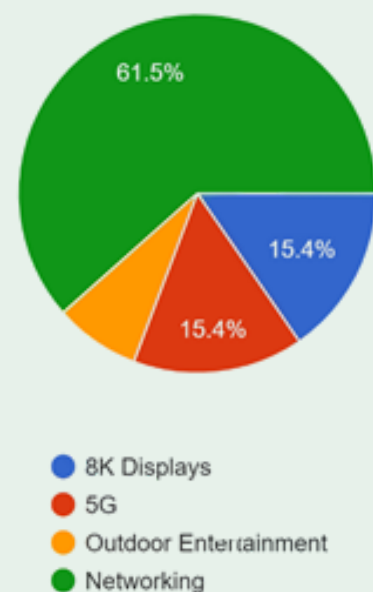


Figure 5: Technology and trends predicted to have the most impact in 2021.



# How to Capture the Opportunities

As shown in the data from PowerHouse Alliance national sales and feedback from the distributor members, integrators have shifted the way they shop, taken on new products, and sought new categories for growth. Changes to the industry over the next year and beyond can become opportunities with the right approach and preparation.

Recent research (shared via CEPro) shows that upgrades are an opportunity: “While the number of installations for both new clients and upgrades for existing customers rose 8.5% in the first half of 2020 compared to 2019.” Because homeowners’ product needs have changed over the course of the year, dealers can tap a high percentage of their existing client base for new business. Networking, audio, and displays have had a resurgence in popularity this year as homeowners work and learn from home offices, move their movie nights to the living room, seek wellness experiences, and consider other home upgrades. As dealers reach back out to former customers to offer upgrades, they can showcase new products and categories that they offer or specific upgrades to existing networking, home automation, or theater systems.

With a virtually universal spike in homebuying across the country, there’s also opportunity for dealers to gain new clients. Staying in touch with existing clients and finding new customers changed this year when showrooms and in-person meetings paused. Though dealers were still able to go into clients’ homes to complete installations, many discussions, follow-ups, and product selections moved to phone or Zoom calls. In addition to digital outreach methods, dealers can also coordinate with design and build organizations to find new client leads.

Fostering relationships with local builders provides an opportunity for dealers to contract dozens of systems, with the opportunity for new customer relationships. By connecting with builders or developers in their area, dealers can install baseline systems, whether networking, home automation, lighting, etc., standard throughout a development. Working with builders can create a stream of new business, both from new developments and through exclusive deals to offer upgrades to the future homeowners.

# Conclusion

Pandemic or not, dealers must always be ready to adapt. While the onset of the pandemic was a challenge for most businesses, it's brought new opportunity and growth to the custom installation industry. Dealers need to be able to quickly add new in-demand product lines and brands to capture revenue and grow their business.

2021 is showing promise for dealers, but it won't be without work and support. Taking on new categories and finding new ways to reach out to customers will be the difference between growth and stagnation over the year. A singular location for all product needs across the top and peripheral categories is beneficial for dealers, saving time on their way to the job site. As a national distributor consortium, the PowerHouse Alliance supports dealers with lines from more than 250 brands available at 55 warehouse locations in the U.S., easily accessible with online ordering, 24-hour will-call, and other shopping options.

The PowerHouse Alliance distributor members are also a partner who can help dealers stay on top of changes in product demand. They're knowledgeable across all of these product categories and offer regular trainings - whether virtual or in-person - for both existing products and their ever-expanding list of lines. The array of brands and products equips dealers for any product scenario, giving them a mix to choose from so they can achieve the right price and fit for every installation, no matter how it changes this year and beyond.





## ABOUT



The PowerHouse Alliance is a national consortium of regional wholesale distributors delivering name brand products for custom installers, specialty dealers, large retailers and industry buying groups in the residential and commercial audio/video, home entertainment, security, networking, IT and consumer electronics accessories markets. With combined annual sales in excess of \$700 million, PowerHouse Alliance member companies represent 850,000 square feet of warehouse space in 55 convenient locations across the country, stocked with more than 250+ product lines including house-brand A2V. Creating cost efficiencies for manufacturers and buying power for customers, the Alliance offers a national footprint with the added benefit of local sales, training and support.

PowerHouse Alliance members include: 21st Century, AlarMax, Next Level Distribution, Davis Distribution, ECD, KOA CCTV, Mountain West, Pioneer Music Company, Professional Audio Associates, Sierra Select, and Ui Supplies.



For more information about the PowerHouse Alliance visit [www.powerhousealliance.com](http://www.powerhousealliance.com).