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John Zettel, CFO (left), Martin Schaffel, founder and CEO (center), and Stephenie Scanlon, executive vice president of systems integrator Audio Visual Innovations Inc. (AVI), at their Tampa, FL, corporate headquarters.

INSIDE AVI

Acquisitions and mega-projects drive unprecedented growth at Audio Visual Innovations.



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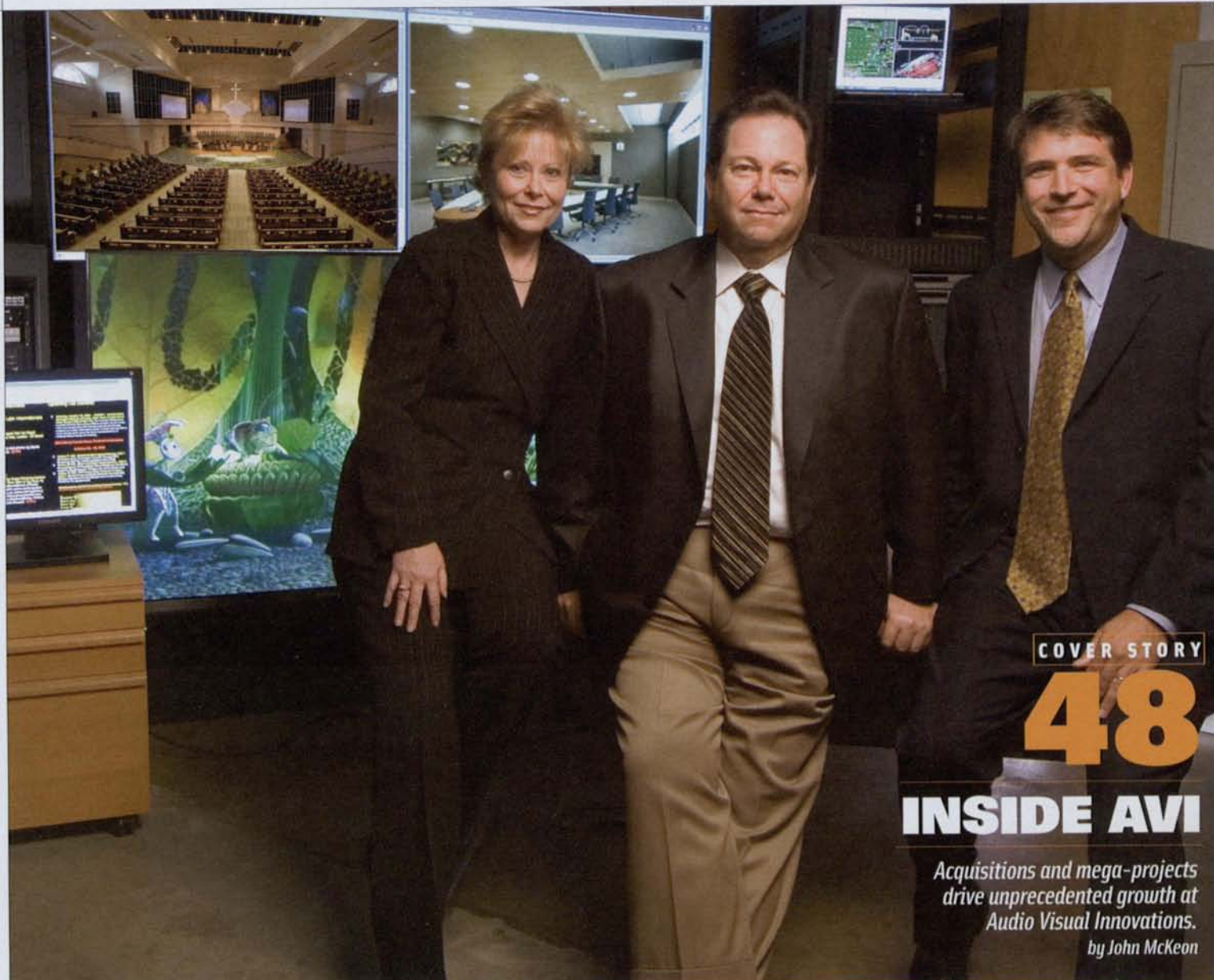
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On the Cover: While many pro AV industry companies have struggled over the years, Tampa-based systems integrator Audio Visual Innovations Inc. (AVI) has experienced unprecedented growth.

Cover Photo: John Coletti



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INSIDE AVI

Acquisitions and mega-projects drive unprecedented growth at Audio Visual Innovations.

by John McKeon

At a time when many AV firms are finding it difficult to grow at all, the last three years for Tampa, FL-based Audio Visual Innovations Inc., have been nothing short of phenomenal. According to the company's executive management team, AVI will bring in about \$200 million this year, an increase from about \$170 million in 2004 – and double the company's revenues from only three years ago.

In early November, AVI announced a new acquisition that company founder and CEO Martin Schaffel expects to help continue this pattern of rapid growth, which has already made the company one of the most successful and well-known firms in the industry. By acquiring Dallas-based AVKM, a 23-year-old firm with broad design, installation, and rental capabilities – and a particular strength in government and military applications – AVI inherited the Battle Command Information System (BCIS), a patented AVKM product that AVI believes will be a significant addition to its own resources.

"We view this as a strategic acquisition," says Executive Vice President Stephenie Scanlon. "We went after a unique military product that we felt would make sense to add to our offerings."

photos by John Coletti



According to Schaffel, acquisitions have been a key part of the company's growth strategy. In particular, he notes, "a lot of our growth came from some demises in the industry," such as when AVI acquired parts of MCSi after the company's breakup in 2002. "We also picked up about \$25 million in rental business when Caribiner imploded."

Although these acquisitions brought in some immediate revenue streams, Schaffel says a far more important factor was the leadership personnel AVI was able to add to its own team.

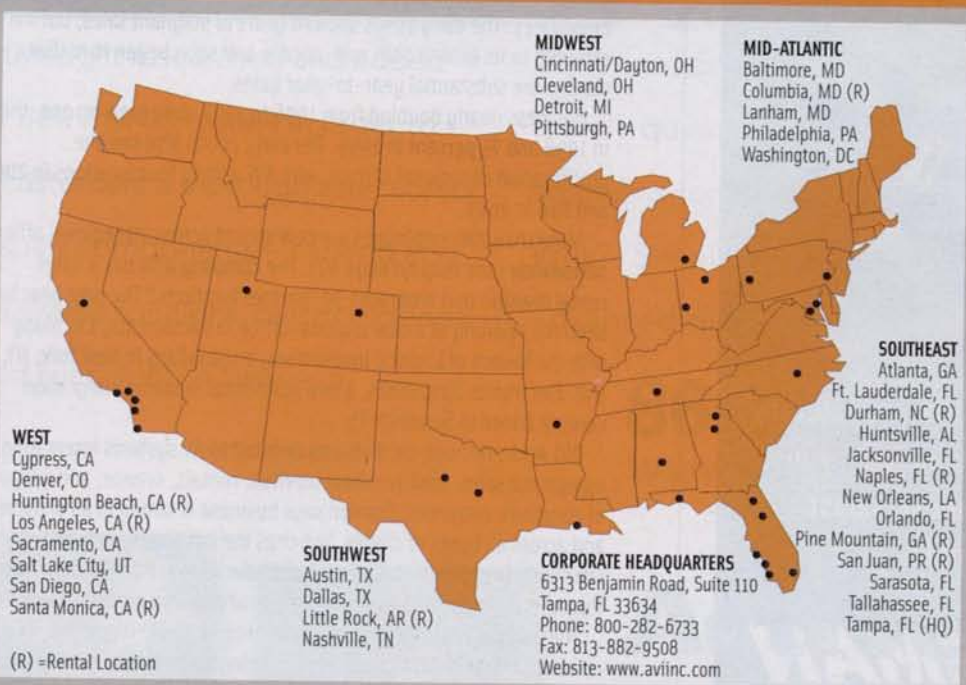
AVI plans to continue acquiring other firms. "I get a request every other day from one of the smaller entities, often from a company that wants to do systems integration but can't handle the finances," he says.

Still, Schaffel adds that over the years, acquisitions have accounted for only about 10 percent of the company's growth, while core businesses have generated the rest.

Peer perspectives

Vendors who work with AVI attribute much of the company's success to the personal direction and attitudes of its founder. Schaffel "gets up every

AVI OFFICES

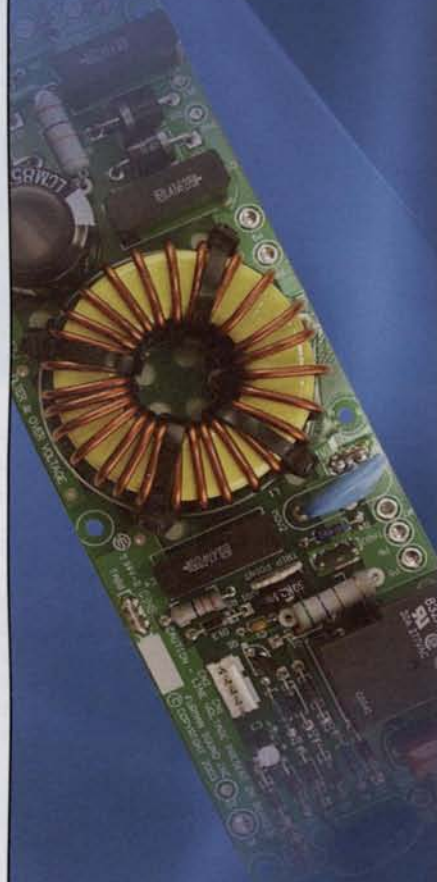


AVI's executive management team, led by John Zettel, CFO (left), Stephenie Scanlon, executive vice president (center), and Martin Schaffel, founder and CEO (right), has grown the company at an unprecedented pace over the last two decades.

John McKeon is an independent consultant and writer based in the Washington D.C. area. He can be reached at jjmckeon@comcast.net.

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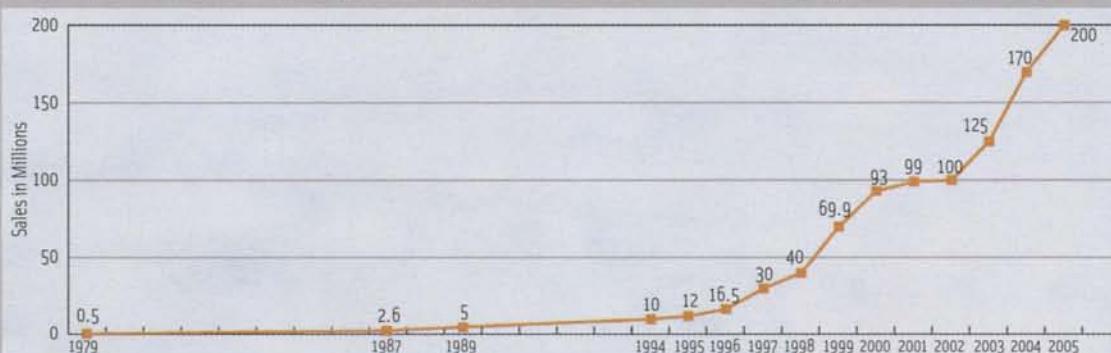
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INSIDE AVI

AVI SALES GROWTH

AVI's growth over the last 25-plus years is striking in an industry that abounds in struggling, cash-challenged companies.



morning and seems to work for AVI every waking moment," says Randy Klein, executive vice president at Crestron Electronics Inc., headquartered in Rockleigh, NJ. "His spirit and will to succeed are unmatched. But most noteworthy of all is his courage — to go new places where others don't even think of going, to put his resources on the line everyday, and above all, to trust and believe in his people to do the job and complete his vision. We should all take a page out of Marty's book."

Andrew Bergdoll only recently encountered AVI when he became president of Liberty Wire & Cable, Colorado Springs, CO, in early 2005. Nevertheless, this short association has already impressed him.

"After just six months I feel I know AVI well," Bergdoll says. "Marty really reaches out to his suppliers and makes himself available. He has extremely high expectations of his suppliers, and is very demanding. He tells you the good and the bad, but does it very directly."

AVI also doesn't hesitate to put its vendors directly in touch with its top salespeople, Bergdoll says, citing AVI's semi-annual incentive trips, to which the sales force competes for invitations based on performance. Vendors support these gatherings and are invited to attend, giving them an opportunity to interface with top management and the most productive salespeople in a relaxed environment.

Business breakdown

Schaffel founded AVI in 1979 in Lakeland, FL, and set up its corporate headquarters in Tampa in 1981. The first regional office followed in 1985 in Ft. Lauderdale. By 1987, eight years after its founding, the company had annual sales of about \$2.6 million and 25 employees. The early 1990s showed years of stagnant sales, but AVI returned to its growth path mid-decade and soon began to realize much more substantial year-to-year gains.

Business nearly doubled from 1996 to 1997, then grew by one-third in 1998 and 75 percent in 1999. The early 2000s also saw the proliferation of regional offices, with AVI adding four locations in 2002 and five in 2003.

More than 700 employees are now spread across 20 regional offices nationwide (see map on page 49). The company also has a hotel rental division that embraces 30 "partner locations." The past year has seen the opening of a new regional office in Sacramento, CA, along with the launch of Logistic Innovations, a subsidiary in New York, NY, and Electronics Specialists, a new residential systems integration venture based in Sarasota, FL.

AVI works through six divisions devoted to AV systems integration, equipment sales, creative show services, rentals, service, and support of corporate extranets. Scanlon says business is strong in all divisions and across all types of clients, but cites the hospitality industry (particularly casino installations) and education — from kindergarten through the university level — as arenas of ongoing robust growth.

The Gaylord Texan Resort and Conference Center in Grapevine, TX, is a recent example of AVI's capabilities. Scanlon terms it both "a very large and complex project." The project included networked AV, conferencing and signage systems throughout a convention center exhibit hall, meeting rooms and ballrooms, center stage and pre-function areas,

along with the hotel common areas, lobby, and a sports bar. AVI also designed and installed systems in staff training rooms, high-end suites, and boardrooms, and put a large Barco LED display in a bell tower that's part of a 4.5-acre indoor complex of gardens, lobbies, and pathways. There's also digital signage throughout the facility. The Gaylord Texan is AVI's largest project to date, and the company calls it one of the largest AV systems in the world. It's all linked by an IP-based Crestron control system.

Focus on mega-projects

The ability to handle large, complex projects is one of the key advantages AVI brings to its markets, Schaffel says.

Bergdoll notes that AVI "picked up very early" on key shifts in the industry that would put a premium on design and construction expertise as well as the ability to handle the financial risks of large projects.

"There are only a handful of companies who have the bondability and expertise to run a mega-project," Schaffel says, referring to projects worth \$2 million and up. "We have the wherewithal to see a project all the way through, including the financial ability to buy all of the necessary equipment in advance."

Scanlon also points to the company's detailed knowledge of the construction process. "Any integrator who wants to work in the mega-project area needs a good understanding of construction best practices," Scanlon says, adding that AVI actively looks for construction savvy in hiring prospective project managers.

It also dictates some specialized marketing tactics. "We reach out continuously to specifiers and other key influencers," she says, noting AVI communicates regularly to build relationships with architects, AV consultants, general contractors, and other key construction industry players.

"Many times, AV is an afterthought in large projects," Scanlon says, adding that "getting in there early is what we have tried to do."

Covering the whole field

At the opposite end of the spectrum, AVI has also tried to reach out to customers shopping for small orders of projectors and similar equipment through the Internet. But Schaffel dissents from the common view of Internet shopping as price-driven.

AVI launched ProjectorPeople.com in 1999, and has never actually experienced the negative impacts some industry observers predicted from the growth of web-based sales. Specifically, Schaffel feels

ProjectorPeople.com has neither helped commoditize key products nor undermined AVI's other businesses. "It's an entirely different arena," he says. "It's very rare for our people in these two divisions to bump into each other. The Internet is not only about price. A lot of people buy on the Internet for convenience, but they still want to know they're dealing with a good company, and if there's a problem it will be fixed. This battle won't be won on price."

Moreover, no matter how large AVI has grown, it still strives to behave like a small, entrepreneurial company in many respects. Schaffel particularly notes that AVI has developed a technology infrastructure that enables its diverse elements to stay in close touch. "Every employee in our company is a four-digit extension from me," he says of the phone system linking AVI's many locations. All centralized business data and functions can equally be accessed from anywhere in the firm.

"We've developed a whole infrastructure designed to support the operations of a \$500 million company," Schaffel says.

With sales growth at 20 percent annually, he adds, this goal isn't far off. But he still means to be directly



Founded in 1979 in Lakeland, FL, AVI set up its corporate headquarters (shown above) in 1981 in Tampa.

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involved in most operations. "He's running this huge company, but he has never lost touch with the sales process," Bergdoll says. "He knows what every salesman is working on, and he's familiar with every job the company is bidding on."

People, though, are more critical than technology. Scanlon notes that AVI has always put great emphasis on training its employees, and this has helped the company maintain low turnover over many years. In 2000, AVI launched AVI University, an annual multi-day training program that brought people together from throughout the company.

"We've always believed in providing excellent education, and this also builds team spirit and camaraderie," she says.

Three years ago, AVI decided to expand the University with a customer day, providing some equipment, systems, and management basics to client personnel. It was immediately popular and remains a key feature of AVI University. "This has been one of the most rewarding projects I've worked on in nearly 20 years at AVI," Scanlon says.

Schaffel says AVI's future growth, like its past success, will hinge on the company's ability to respond to big changes in the industry. One of the biggest transformations is the emergence of networking as the basis of many of the industry's largest new jobs and most important opportunities.

"The heart of an AV system used to be an expensive display device," Schaffel says. "Now that device is a minor expense, and the system is the product."

Continuing to succeed in this changed environment means AV companies have to expand their knowledge well beyond their traditional grounding in video, audio, and control systems. Mastery of networks, and the ability to work effectively with information technology specialists, will be key. But for companies able to make this transition, growth and profits are still out there. **AV**

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For more details on AVI's Gaylord Texan Resort and Conference Center project, see "Hotel Bar Sports Winning AV Installation - New \$1-million AV system in a 7,500-square-foot sports bar at the new Gaylord Texan Resort and Convention Center allows for control of seven independent audio zones and multiple video displays from a single location," May 2004