



**DEEPDIVE**

**RESIMERCIAL  
SPECIAL REPORT:**

**EXCLUSIVE RESEARCH**

**CEPro**



## ‘RESIMERCIAL’ PROJECTS DIP DURING PANDEMIC; COMEBACK ANTICIPATED

***CE Pro’s* first-ever Resimercial Deep Dive shows 6% drop in commercial work in 2020, but residential integrators predict steady growth in this sector over the next 5 years.**

***by Jason Knott***

The trend of residential custom installation companies delving into light commercial work continues to grow, though the coronavirus COVID-19 pandemic appears to have slowed the pace in 2020. The trend first picked up steam during the Great Recession that started in 2008 with the collapse of the housing market.

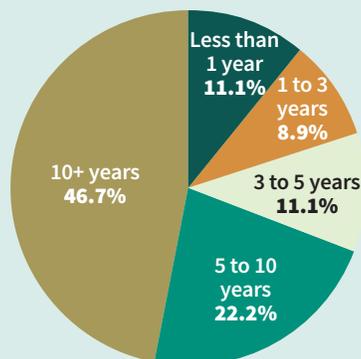
Indeed, according to the new *CE Pro* Resimercial Deep Dive Study, integrators report on average they have been doing commercial work for just over eight years, coinciding with the recession. The trend has continued to today, where, according to Steven Rissi, director of technical training at CEDIA, 95% of residential custom integration companies now report they do some level of commercial projects.

But the blurring of the lines between commercial and residential work is not just about integrators doing light commercial jobs anymore. With the advent of increasing work-from-home and distance-learning needs due to COVID-19, more integrators find themselves bringing commercial-grade equipment into the home. Thus, the term “resimerical” is now in vogue.

So what exactly does “resimerical” mean? *CE Pro* defines it as:

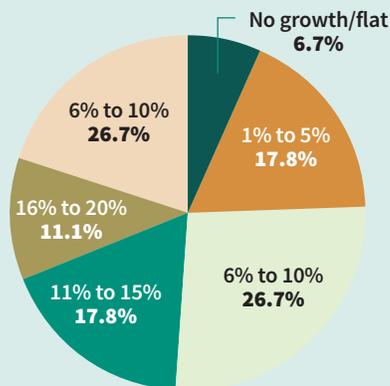
- › A light commercial application performed by a residential custom integration company, such as in bars, restaurants, small retail, corporate boardrooms on a small scale. These projects can include audio, video, security, energy management, control and more.
- › A large-scale multi-dwelling unit (MDU) residential structure (apartments, condos) that is managed like a commercial project, even though its ultimate use will be residential. Also, that MDU project will often include commercially oriented equipment in the common/public/lobby areas, such as gate intercoms/access control, video surveillance, and even digital signage/ videowalls.

### Years Doing Commercial Work



On average, residential integrators have been working in the commercial market since 2011. That timeframe coincides with the Great Recession that drove CE pros from the collapsing housing market to more stable commercial work.

### Expected Resimerical Growth Rate 2020 to 2025



Despite the slowdown in 2020, CE pros are bullish about their resimerical work over the next five years, expecting 11% growth on average.

### Commercial Work in 2020 vs. 2019

Down 50% or more	11.1%	Same/No change	31.1%
Down 21% to 49%	13.3%	Up 1% to 5%	4.4%
Down 11% to 20%	6.7%	Up 6% to 10%	8.9%
Down 6% to 10%	4.4%	Up 11% to 20%	6.7%
Down 1% to 5%	4.4%	Up 50% or more	8.9%

The typical integrator reports his commercial work is down 5.9% in 2020 due to the pandemic.

## Elan Platform Ideal to Seamlessly Integrate Resimerical Subsystems



TODAY'S UNIQUE business environment — coupled with the flexible Elan automation platform — has created an opportunity for integrators who previously may have classified themselves as either commercial or residential to service both markets.

Elan control systems provide an all-in-one solution for the “resimerical” space. For more than 30 years, Elan control solutions have been trusted throughout the world to bring together advanced control for audio, video, building access, security, climate, lighting, shades and all the rest — into one seamless system.

The Elan automation system is designed to be intuitive to install and configure in both residential and light commercial spaces. Elan products integrate seamlessly with best-in-class automation subsystems and enable complete personalization without programming, saving dealers time and money.

This technology is ideal for a smart home system, and can easily be integrated into sports bars, conference rooms, classrooms and more to create places of transformative technology where everything is connected.

Integrators can now broaden their target market thanks to Elan systems. This crossover of residential integration into light commercial installation brings additional opportunities for the residential dealer and opens entirely new channels, using already proven products.

When paired with the NSC's brands like SpeakerCraft, Panamax, Gefen AV-over-IP and other brands, our portfolio of products provide comprehensive solutions that can be tailored to meet every need. —*Richard Pugnier, vice president of marketing, Nortek Control*

➤ A residential application of enterprise-grade equipment, such as a robust home network, high-end home recording studio, or a home office with high-end teleconferencing/unified communications equipment.

With those definitions as a backdrop, *CE Pro* undertook its first-ever Resimercial Deep Dive Study in August 2020 to help integrators gauge some of the nuances of resimercial work including project sizes, lead time, points of contact at the end-user level, margins, manhours, equipment and more. The results are an eye-opening look at this commercial/residential space.

For example, a residential integrator who wants to work in commercial environments needs to be prepared to respond to spec, possibly engage in a competitive bid process, be able to work flexible off-hours, have a large enough crew to complete a project quickly, have bonding and insurance, among many other requirements.

## FAST FACTS

**\$17,242** — Median price for a resimercial project done by a CE pro

**7** — Median number of resimercial projects done by a CE pro integrator per year

**-5.9%** — Percentage decrease in overall commercial project business in 2020 being performed by residential integration companies.

**95%** — Percentage of residential custom installation companies working in light commercial area, per CEDIA

**8 years** — Average number of years residential integrators have been doing commercial work, coinciding with Great Recession

**11.3%** — Predicted growth rate over the next 5 years in commercial work by residential integration companies

**19%** — Percentage of resimercial work that was derived from a referral by a residential client

**8%** — Percentage of resimercial work in which the dealer is responding to an RFP and bidding on the project

**2%** — Percentage of resimercial projects in which integrators are being asked to provide insurance bonding

**28%** — Percentage of integrators reporting they are GSA certified to work on government projects

**23.6%** — Average profit margin on a resimercial job

**1%** — Percentage of resimercial jobs in which service agreements are sold

**3 months, 18 days** — Average lead time from initial contact to starting work on a resimercial project

**40 hours** — Median number of manhours necessary to complete a resimercial installation

## Metra's 4x1 HDMI Multi-Viewer Enables Major Video Versatility



METRA HOME THEATER GROUP has developed flexible AV accessories for both residential and commercial environments to help solve today's technology challenges and add convenience to everyday life. The CS-4X1MVU 4x1 HDMI multi-viewer (pictured) has been a popular choice due to its versatility.

Instead of finding space for more screens, requiring more mounts, cables, and installation time, one large screen can now show four sources of content at once. For homes, it means everyone can watch what they want on the big screen, whether it's streaming from a satellite or cable box, online video platform, gaming console, computer, or Blu-ray player. Or keep an eye on the kids from a surveillance feed while still watching your show.

For the commercial market meanwhile, restaurants and bars can now show different games on one screen at the same time. In conference rooms, a slideshow presentation can stay in focus while still showing video calls with remote participants. In lobbies, displays can show news and messages all at once.

Key features of the CS-4X1MVU are the ability to select which input's audio is sent to the display, plus inputs and an output that supports 720p, 1080p, 1440p and 4K@30Hz. This product's control system drivers allow for easy integration into major automation systems that may already be in place.

This fall, Metra's multi-viewer will have a "Pro" option with RS232 and IP control, plus an individual video passthrough output for four of the inputs to use systems with an AVR or matrix.

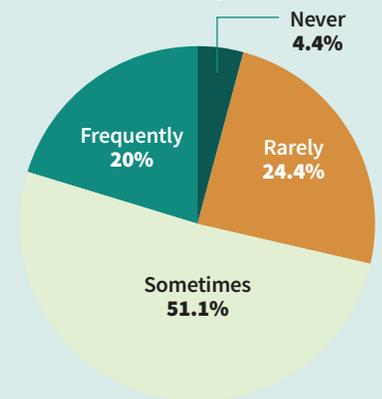
### Digging into the Data

Much of the move by residential integrators into commercial work was simply being driven by demand, prior to the pandemic. Manufacturers such as Nortek Security & Control, Metra Home Theater Group, Crestron, URC, RTI and others have particularly focused on this crossover opportunity. One manufacturer told *CE Pro* that commercial AV-centric integrators are focusing more and more on larger projects, leaving markets like small corporate office spaces with fewer than five boardrooms to turn to integration companies that previously focused just on residential work.

Interestingly, 96% of integrators report installing equipment that was originally designed as a residential solution on a commercial project. However, just one in five CE pros admit they do that on a regular basis; half of dealers say they “sometimes” do it; and 24% of integrators say it is “rare” when they use residential-grade equipment on commercial jobs.

According to the study, home offices are by far the most common area of resimercial work, followed by corporate offices, bars/clubs/restaurants, MDU common areas, and then healthcare. Beyond installing strong networks for home offices, audio distribution systems are the most in-demand category of equipment installed in commercial locations, followed by audio conferencing systems and unified communication/collaboration systems. Also, dealers are embracing AV-over-IP as the primary means of distributing media in resimercial work.

### Frequency Installing Resi Gear on Commercial Projects



Many dealers admit they install residential-grade equipment on their commercial projects.



Bars and restaurants are the third-most-common venue for resimercial work.

### Top 10 Most Frequently Installed Resimercial Sectors

1. Home offices
2. Corporate boardrooms
3. Bars, clubs and restaurants
4. MDU common areas
5. Healthcare
6. Education
7. Houses of worship
8. Gyms/fitness centers
9. Pro sound facilities (recording studios, concert facilities)
10. Hotels

Showing how diverse resimercial work is, home offices and multi-dwelling unit condos/apartment complexes are among the top areas where dealers install commercial-level gear, with the remainder of the markets being traditional commercial venues.

### Top 10 Most-Installed Resimercial Equipment

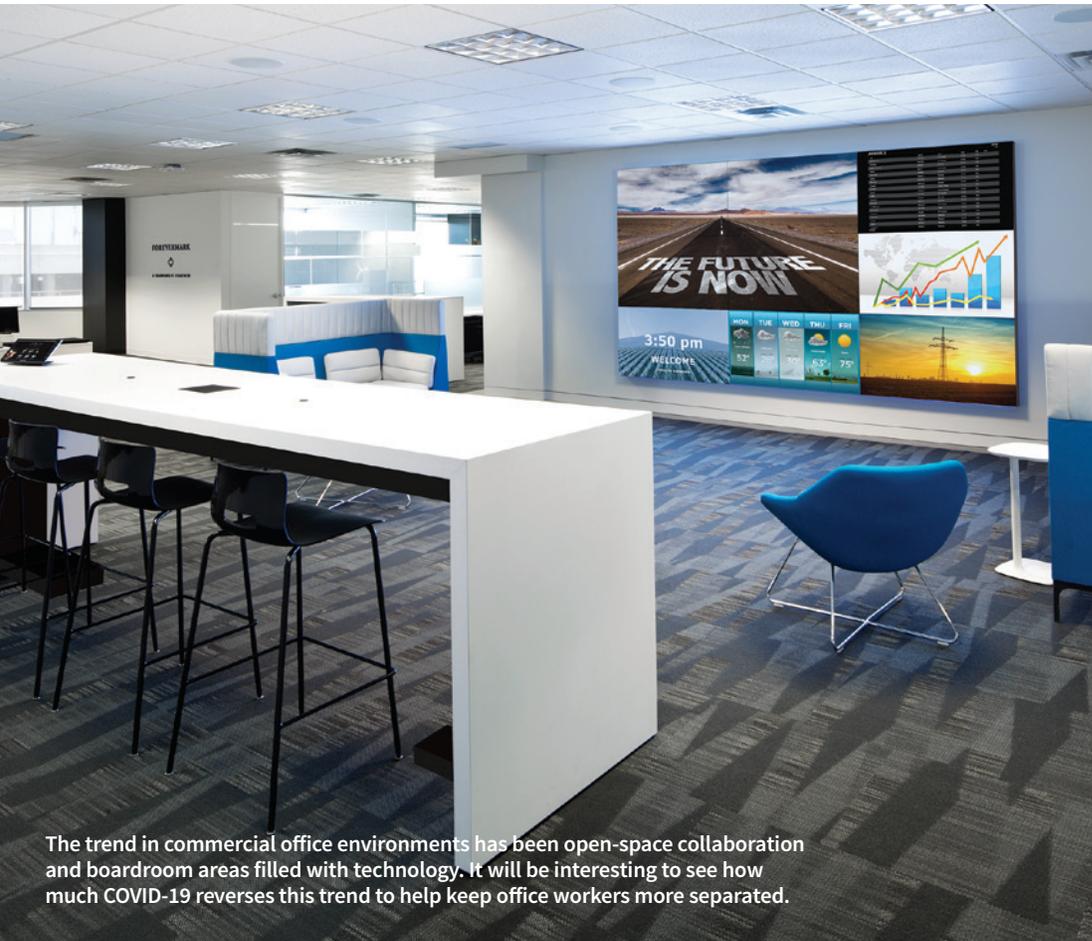
1. Enterprise-grade networks in homes
2. Audio distribution systems in businesses
3. Audio components and processors in businesses
4. Architectural speakers in businesses
5. Audio conferencing solutions
6. Unified communications/collaboration systems
7. Videowalls
8. Video components (processors)
9. Touchscreens in businesses
10. Building management/control systems

Other than installing robust networks in homes, the rest of the list of most-installed resimercial equipment is for commercial locations.

The study shows that the typical resimercial project is smaller by comparison to the jobs done by large commercial AV integration companies that focus on large venues and facilities like schools, stadiums, concert halls, amusement parks or big corporate campuses with multiple boardrooms. The median price paid for a resimercial project done by a CE pro is \$17,242, according to the data. That price point shows that the typical projects are smaller in nature than what would normally be associated with a commercial project.

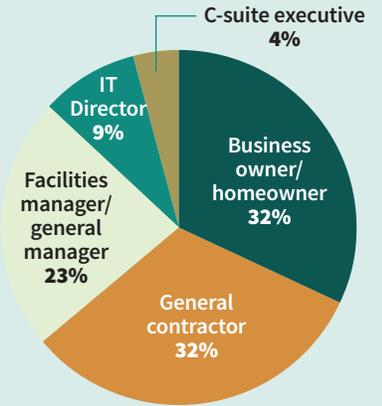
General contractors, business owners and facilities directors are the three most common points of contact for resimercial projects, with referrals most often coming out of residential work. That could be from the owner of a business who had work done in his or her home and decided to engage with the integrator at his or her place or business, or simply a referral from a residential client to another person who is a business owner or decision-maker.

The lead time from first encounter to “breaking ground” on a resimercial project averages between three and four months. That timeframe is a bit more prolonged than the average commercial project; however, nearly half (48%) of resimercial projects are started within two months of first contact, according to the Deep Dive data.



The trend in commercial office environments has been open-space collaboration and boardroom areas filled with technology. It will be interesting to see how much COVID-19 reverses this trend to help keep office workers more separated.

**Primary Point of Contact for Resimercial Work**



Integrators report that one of their favorite elements of doing resimercial work is the more-business-like approach to the job via the point of contact.

**Sources of Resimercial Referrals**

Residential client	19%
Commercial client	18%
Builder/GC	14%
Designer	10%
Manufacturer	9%
Cold call/prospecting	8%
RFP/open bid	8%
Architect	7%
Online lead	7%

A resimercial referral could be from the owner of a business who had work done in his or her home and decided to engage with the integrator at his or her place or business, or simply a referral from a residential client to another person who is a business owner or decision-maker.

A typical resimercial installation requires 40 manhours of work. So that could be one technician on the job for one full week, or two technicians for 20 hours each.

One area where CE pros appear to be lagging way behind commercial AV integrators is in obtaining service agreements with their commercial end-user clients. The data reveals that just 1% of resimercial projects had a service agreement sold. Many commercial AV integrators are having success selling service agreements, especially for large corporate boardroom installations, in which the agreement tracks product usage and by whom. That data helps end users determine the most used products (i.e., audio conferencing equipment vs. teleconferencing, displays, projectors) in the boardroom and therefore can influence future room designs and equipment purchases. For integrators that are able to sell service agreements, the median price is \$70 per month.

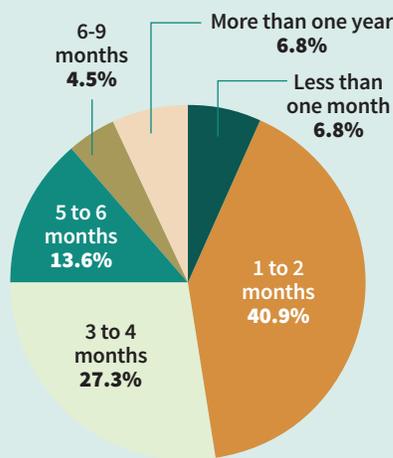
Interestingly, dealers report that resimercial projects are not as profitable as pure residential jobs. Survey respondents report earning an average of 23.6% profit on resimercial work. That compares less favorably to the average 31% profit dealers earn on residential jobs, according to the *CE Pro 2020 State of the Industry* report. But the difference makes sense, especially since residential jobs might entail expensive loudspeakers, projectors, big-screen displays or other luxury products that often carry higher margins.

**Average Price Points for Resimercial Projects**

Less than \$5,000	9.1%
\$5,001 to \$10,000	22.7%
\$10,001 to \$20,000	25.0%
\$20,001 to \$35,000	13.6%
\$35,001 to \$50,000	4.5%
\$50,001 to \$75,000	4.5%
\$75,001 to \$100,000	4.5%
\$100,001 to \$250,000	6.8%
\$500,001 +	9.1%

The median price point for a resimercial project is \$17,242. Dealers also report earning 23.6% gross profit on these jobs.

**Average Lead Time for Resimercial Projects**



On average, there is a gap of 3 months and 18 days from first point of contact until starting on the project.

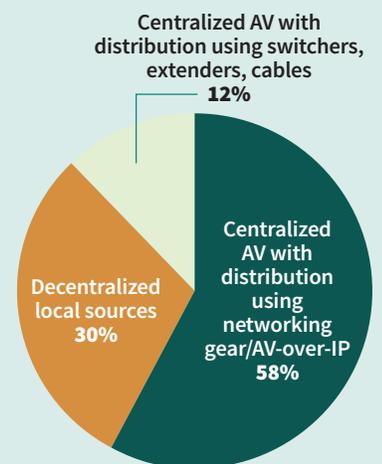
**Top Resimercial Work Challenges**

1. Maintaining cashflow
2. Tight installation timeframes
3. Competitive bidding
4. Gearing up with enough manpower
5. Oddball hours for installation

There is often a large outlay of money required for the equipment on a resimercial job, and often corporate clients have standardized payment schedules. Both situations can put stress on cashflow.

**“All [end users] want to do is get a project done. They want somebody to come in, get it done and have everything work when they leave.”**  
—Jon Robbins, HTSA

**Resimercial AV Distribution Methods**



Integrators are definitely embracing AV-over-IP solutions for their resimercial work.

### Cashflow and Competition Challenges

Not surprisingly, maintaining cash flow is the biggest challenge. Tight installation windows and competitive bidding are also hurdles dealers say they encounter on resimercial work. On the positive side, dealers say they like the larger projects and not having to deal with the “picky homeowners” that often come with residential jobs.

Another related trend to keep an eye on is the move by commercial integrators into resimercial home office work driven by the pandemic. According to Jon Robbins, executive director at the Home Technology Specialists of America (HTSA), the buying group’s members are already reporting seeing commercial AV integrators delving into the residential space.

“It’s already happening,” says Robbins. “There are commercial AV guys that are eating up some of this crazy [residential] business.” He says many clients don’t really have a firm understanding of what it takes to get a project completed properly.

“All they want to do is get a project done. They want somebody to come in, get it done and have everything work when they leave,” Robbins says. “The [end-user clients] don’t really understand the various skillset. I think there are probably [commercial AV companies] out there already grabbing up some of this residential business.”

