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STORY

## COVID-19 NAVIGATING THE NEW NORMAL



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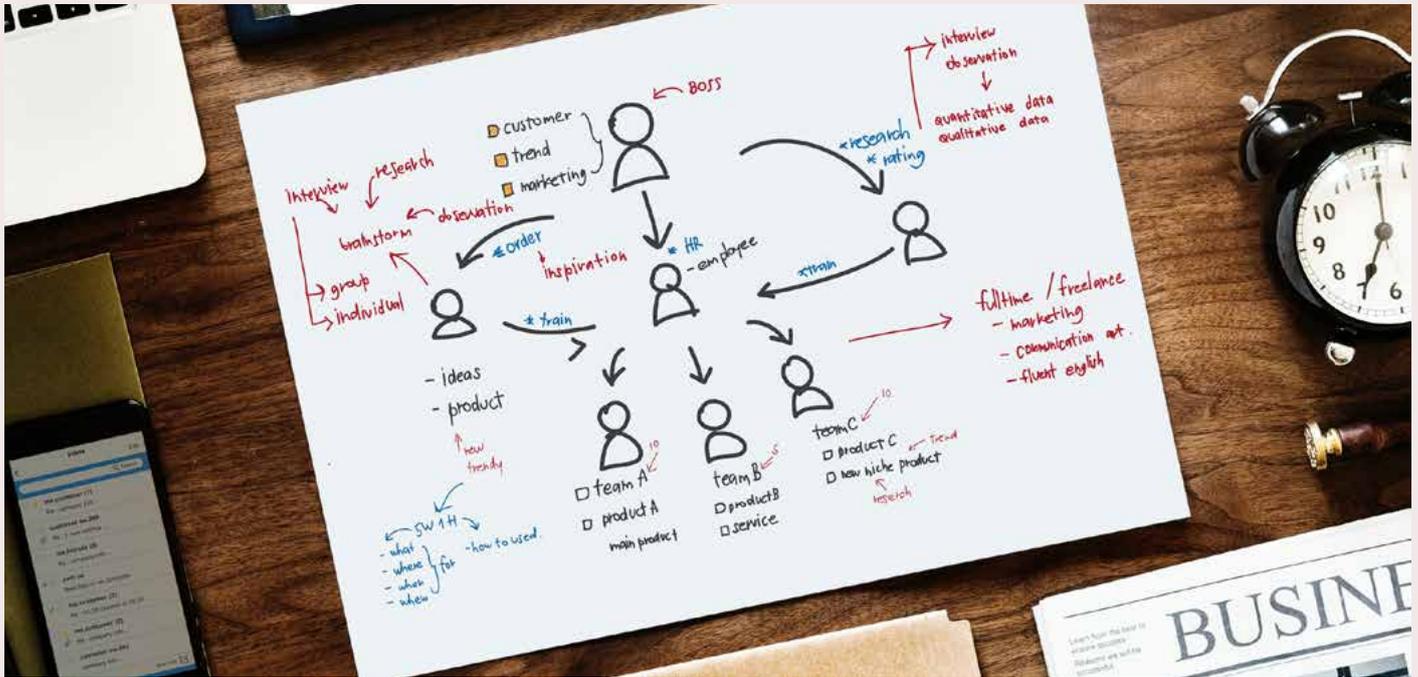
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## View from the IME Region: A New Normal in the Making for AV Industry

By Ram Bhavanashi



It may be back to the drawing board post COVID-19 in terms of new business plan for the AV industry

With almost six months of trial and tribulations with the COVID-19, the world has come to reconcile with the fact that the novel coronavirus is going to stay with humanity for an undeterminable future. It has now come to the reckoning that people have to live with it, with or without pain, even after the supposed success in developing vaccines in near future. With developing immunity against the virus being the only visible solution, "it's like learning to 'live with the enemy,'" quipped an industry senior. "We don't like it; but we cannot avoid it."

SI Asia presents a perspective from the IME region. Read on:

'When was the last time human living has had a vastly redefining change?' was a question posed to this writer by a sociology expert even as the writer was preparing to ask him the most common question today- how has COVID-19 been impacting life in general, and at work.

Easing out on the pondering over the 'big' change, he said- "the coming of Smart Phone/gadget." The touch-sensitive smart gadget – first invented by IBM, then revolutionized by the likes of Steve Jobs (Apple) and Andy Rubin of Android – changed the human living more than anything else in post-Internet decades.

"It stuck to human hand & mind with such effect that it unleashed a heavily touch-sensitive living," he continued. "It's indeed a doubly touch 'sensitive' world today, but with a difference- thanks to novel coronavirus. It's a new world order today."

The implications meant some really defining assumptions:

\* The contemporary world would have to be considered in essentially two periods: Pre- and Post-COVID-19 periods

\* Human living shall never be same again; it's a total transmutation for life and business for at least foreseeable future- even if the COVID-19 disappears from the planet

\* A massive polarization of market players – particularly in the small and medium enterprise category

\* The world order is in for a 'new normal' the dynamics of which are still emerging, and will continue to shape up for at least two years

\* The 'new normal' will mean a replacement of some conventional models of life and business by the unconventional- which in turn means emergence of new domains of business

"They do not need a great explanation; they all are self-explanatory," felt a top AV User. "As many as 90 days of business lost globally with as much as 90 per cent of world nations coming to stand still due to lock-downs all over," he said. "The emerging scenario of life and business looking like a Sci-Fi movie, it's going to be a whole new order now."

That the world citizenry would look like toned-down aliens (with masks, gloves, head garbs, and sanitary gear), communicating with one another mostly in virtual space with AI, AR and VR for much of their day, life may indeed look like frames from Sci-Fi flick for a foreseeable future, if not more.

Most industry makers opine that while the AV professionals don't quaint anti-infection safety gear, and embrace remotely connecting technology fare in their transition towards the 'new normal' environment, three essential factors would determine the shape and scale of the industry future:

- Ability to survive the liquidity challenge
- Ability to maintain the employee connect
- Ability to create newer opportunities and competencies

### Liquidity Challenge/Revenue Loss:

That is both simple and complex, they say. Simple, because companies who have strong fundamentals and not necessarily depend on demand-supply revenue flow are expected to stay 'immunized' to the potentially infectious market situation. Complex, because the factor of liquidity is different in different markets, and also depends upon the size and nature of investments companies have made into the business.

That the AV industry – like the most other industries worldwide – getting hit really hard is a forgone conclusion now. How deep or big is the impact is still a matter of changing calculations and combinations. AVIXA, the industry's global apex body had been presenting the industry with weekly COVID-19 Impact Survey for various domains since the beginning of the 'lock-down season,' and the stats emerging have not been same.

According to the survey the apex body did during early stages of the lock-down (end March-early April) the percentage of AV Providers reporting negative impact peaked at 88 per cent, and the same for AV End Users stood at 83 per cent. Since then, it's been dabbling between 70 per cent and 60 per cent over the past two months, with a certain indication at a significant percentage of dent to global businesses.

The early May AVIXA survey stated: the longer that economies have remained closed, the more drawn-out the effect on business. In this most recent survey, of AV providers feeling a negative impact from COVID-19, 75 per cent said they'd seen a decline in revenue — the highest that figure has stood since the survey began — and 71 per cent cited slowing sales.

The AVIXA Impact Survey for the week actually said some companies were apparently surviving on a shoestring; 17 per cent of AV providers characterized the hit to their revenues in the 91 to 100 per cent.

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*Social distancing norms, health and hygiene consideration will be a major consideration in our designs, going forward. This will increase the technology requirement in modern offices'*

—Senior Director, KGD Architecture, CoA



“How much you think the business loss is?” asked **Chadi K Foury, Founder-Director of Smart Entity**, top most AV systems designer-integration firm in Kuwait. “Our sources tell us the overall loss is not less than US\$ 5 trillion by end March globally; it would be still much more now,” he says, “at least 20 per cent of that loss is from the Middle East and Africa (MEA) region.”

As for the ProAV business in particular, “it is estimated that anywhere between US\$ 1.5 to US\$ 2 billion money got struck,” he informs, “it doesn't look to come back so easily or so soon.”



Notes **Maged Amin, Design Head(AV) Techno Q**, one of the top AVSI from Doha, Qatar: “with practically all kinds of events getting cancelled or rescheduled, the events industry, perhaps is taking the brunt. One big challenge is the disruption in client site access.”



Says **Prashant Govindan**, formerly Senior Director-Operations (India & Sri Lanka) at Harman Professional, and one of the top referrals to India's ProAV industry: “irrespective the region, it's the MICE (meetings, incentives, conferences and exhibitions) that is suffering the most, and those with liquidity problem or large overheads will have the toughest road.”

UFI, the association for global exhibition industry, has estimated that the global economic damage for exhibition industry is 81.6 billion euros of total output loss for just exhibitions only.

Like Middle East, like elsewhere and like India. With the lock-down meaning everything coming to grinding halt, the MICE took the first, or, perhaps, the largest bite.

According to an Indian Exhibitions Industry Association (IEIA) statement, over 90 events got cancelled or rescheduled, resulting in a loss of over INR 3750 crore (US\$ 500 million approx.) till now(and counting).



Just as a matter of a spec or two, the Indian exhibition industry which IEIA pegs at INR 23,800 crore (over US\$ 3.1 billion approx.) with over 550 big and small events in the organized sector, already stands at over 90 of them cancelled.



According to **Felix Remedios, Managing Director of Reynolds Inc.** it's been total zero for the events industry. (AV) Projects industry may have been some 20 per cent better, he observes, one need to re-assess the whole situation once things begin to improve.

"Many companies have taken loans to buy equipment and have invested heavily into both equipment and warehousing, apart from their pool of technical staff which is very important to their business," explains Felix. "Sustaining the business over the next six months will be critical," he asserts. "Smaller companies would have lower overheads, larger companies would have larger overheads; so will be the struggle for existence."



The Reynold's chief's impression has some endorsement, but with a difference in the words of **Swadesh Khetawat, Managing Director of Green Sources** in India, and chief of Taxan Gulf in the Middle East.

"Small or big in size, companies with large overheads will certainly have tough time. The less the overheads, the less is the stress."

"Fortunately for us, ours being a zero-debt company, we have been able to take this impact," Swadesh asserted. "We believe we will sail over the crisis too, with our strong fundamental and connect with our work force on one hand and market network on the other."

"In fact, I have to say that we held a video conference with all our work force on day one of the lock-down, and assured them of no drastic measures on their salaries," he asserts further. "We have also been in regular connect almost like a normal official processes with our sales and marketing teams, and other support staff, engaging them with online training and orientation tasks that we would have otherwise done physically."



It's always great to look at things ethically rather than financially, feels **Kelvin Ashby-King Principal Consultant, T2 Technology**, at the Bengaluru-headquartered transnational AV consulting enterprise with a sizeable work force.

"Till now, we have been able to ensure that our staff is on full pay, but the lock down locked out our cash flow too," Kelvin said. "We need to see how long we can stay healthy; most companies in the SME segment die due to cash-flow issues and that might compel managements to go for uncomfortable considerations."

That's more or less the same situation with most systems integration firms as well. Companies that have been known for strong fundamentals and low, or nil overheads have also been finding the impact a little too heavy due to the business getting struck in lock-down.

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*The traditional offices are also going at a pace towards 'work-from-home' requirements and collaborative tools. There will be increase in demand for data speeds and tools for unified communications. This will call for data security and privacy challenges'*

– **Prashant Agarwal, General Manager at Aditya Birla Group**



Says **Deepak Sreenivas**, one of the two **Founder Directors Sigma AVIT**: "It's been real tough time owing to the no project execution and billing over the last three months affecting the revenue flow." That

the company has grown exponentially over the last few years from few dozens of employees to over 300 today is a critical factor in the lock-down fallout situation. It is therefore, working out strategies of load-sharing and long-sustenance.

"We needed to decide whether we continue the pre-lockdown comfort pay mode now and take a larger beating soon, with reduced work force, or implement a load-sharing strategy and have full workforce together," Deepak said. "We are meeting all the essential requirements of Sigma's 300-employee family; For us, ensuring long and sustained staying together of 300 families is a larger interest than the prided splurging now, and allow our resources to deplete to difficulties later."

According to the company, a 'load-sharing' strategy is being worked out to ensure a little, or no-pain sailing over the crisis.

It's just the same story with the Delhi-based AV Science Technologies- spending with extreme prudence, and saving the resources for future requirements. This, despite their ability to execute a few big projects moved through the billing, but the lock-down preventions.



“We have a workforce of over 100 professionals characterizing our dynamism in the market; ensuring all the staff families are taken care of with essentials is of higher priority, than going for the pride of full pay now, and exhaust the already stressed reserves,” says **Gopi Ram Malik , Managing Director of AV Science.** “We cannot go for staff-cutting measures now just because the revenue flow got struck,” he maintains. “We cannot get them back once the business pick up again.”

The hard measures of staff-cutting exercises will not only hurt the morale of the employees, but also they may migrate elsewhere, and may not want to comeback due to the broken confidence, he observes. “We, therefore, have decided to be prudent, and save the best for future times, just in case they get tougher.”

It appears more or less similar situation for most other AVSIs both in India and Middle East, with companies strategizing load-sharing measures for sustained financial health.

### OEMs – Mixed Fortunes

The big, major hindrance of ‘no access’ to client site being an across-the-spectrum factor, AV equipment manufacturers obviously cannot be different from the rest. While every member of the segment has had their own share in the revenue loss, the OEM segment – along with the distribution segment – understandably took the brunt of the business disruption, mainly owing to the liquidity/inventory factor. This, apparently has been a major issue for them.

Also, that a good number of OEMs stock a majority of their products not in their own warehouses but rather in those of their partners/distributors, estimating who suffered how much is not easy. “We cannot make a generalized assumption on the extent of monetary loss for the simple fact that the segment doesn’t have uniform size of players,” said an industry observer. “It is directly proportional to the size of inventory and workforce one has; the bigger the inventory the bigger is the liquidity problem,” he opined. “In percentage terms, it would be easily between 60 to 80 percent.”

Having said that, one visible factor appears to be on the visual solutions side.



For Christi Digital Systems, the market leader in India for most of its products, it’s been a significant disruption. Says **Rishubh Nayer, Director-India operations,** “A lot of our markets we cater to is about entertainment- be it Cinema, Theme Parks, Staging and Events; so they have taken an imminent hit.”

Christie too had been on a re-consolidation in India, after those critical structural changes the Canadian visual major made late last year. So those plans may still be needing time for completion.



Epson India – who had been enjoying a very enviable position of market leadership, with its projection business leading from front – is among the majors with a perceptible dent in business. “Overall (including all business domains), there has been a disruption of approx. INR 500 crore (approx. US\$ 65.8 million) till now,” informs **Harish A K, Business Head (Visual Products),** Epson India. “While we are back to our office functionality for a few weeks now, the market is not open yet, and that may further extend the disruption.”

AOTO Electronics, one of the most aggressive LED solutions players in India and outside, it’s more or less the same story- though the figures do not apply. The company had actually drawn up a very ambitious expansion plans in India, and had opened an expansive office and Experience Centre in Bengaluru, just after the ISE 2020 in last February. They were to recruit new technical and marketing staff. However, thanks to Covid-induced lockdown and business disruption, nothing moved forward in terms of business continuity and revenue flow..



“We have been following up with our clients to ensure that the connects too are not disrupted- let alone our billing with them,” said Anoop Chandran, AOTO’s India Sales Manager. “Fortunately for us, AOTO being a strong-fundamentals company, it’s been able to sustain the impact. So far so good; we have been getting our full salaries till now; but we never know how the coming weeks and months will pan out.”

Companies, irrespective of their having a direct presence or through Partner presence in the country, have all been in the same league of business disruption and revenue losses. However, no OEM has given an impression of staff reduction and / or reduced salaries.

### Riding on Past Experience

As if for a change, Delta Displays appears to have largely managed to sail over the crisis. Despite being in the same space and environment as with its league of market players, the multi-discipline manufacturer has been able to execute some important job tasks, ship their products and maintain their revenue flow as well.



“This is largely due to some clever planning and preparedness (for the ensuing situation) that is essentially backed up by the experience and foresight of our Taiwanese headquarters,” informs **Hemant Agarwal, Business Head at Delta Displays India.**

According to him, Taiwan’s previous experience with pandemic situation – owing to the SARS outbreak 11 years ago – and their successful warding of the COVID-19 scares in early January itself had a huge amount of knowledge and expertise how to handle the situation in India, and that paid off well.



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*There is ray of silver lining in this dark period, India has huge potential to come back. It is up to us to take these challenges with optimistic approach. Technology has the solutions to address all the post COVID-19 requirements.’*

– **Bharat Kumar, Managing Director, Kramer India.**

Aided by their HQ, they knew what they needed to do; they were fortunate to have some big customers who were willing to ease out shipments with special permissions from the government, and then release their payments.

“We cannot say we were not impacted,” Hemant clarifies, “but not on a scale that most others suffered or were scared about.”

### Creating Opportunities

Thanks to work-from-home model, it has now become the norm, and the new normal format. Practically every company – particularly the OEM and their partners/distributors – quickly got into the action, and devised their strategies of webinars, online trainings, focused product exposures, and more. As the lockdown period intensified, it only resulted in increased dosage of online tractions and interactions, with at least one webinar, or some other model.

Green Sources in India, and Taxan Gulf in Dubai have been engaging their workforces in both India and the Middle East in different online interactions of product demos and exposures with Partners, apart from internal meets.

The company has also been pushing its product promos quite aggressively through digital marketing thereby ensuring that their connect with the customers.

“Even as businesses took a beating, they are benefited in a blessing in disguise, by freebee offerings of online training courses and ‘teaming’ licenses,” informs Chadi K Foury. “Google Suites, Hangouts have long back made their licenses free till July,” he details. “Companies like Crestron are anyway doing it; now Microsoft, CISCO are coming line too.”

That may be a clever strategy on part of those companies, says the Smart Entity chief, but it does offer newer

opportunities for takers. Consultants, and SIs from across the world can capitalize on that to upgrade their skillsets and expand their talent pools.

AVIXA had announced in April that it is giving free access to its online training material in various streams. That’s a very key move by the industry’s apex body, since it stands to benefit hundreds of aspiring professionals from across the world.

“The new business demand is shifting towards a remotely-connected format,” opines Maged Amin of Techno Q, Doha. “We are beginning to see increased demand for remote-learning, collaboration systems, data sharing and remote connectivity, cloud-based solutions, all technologies supporting remote working/learning requirements.” So, solution developers involved in remotely operable technologies have a big business area cut out for them.

Christie Digital is finding new opportunity in Control Room solutions. Says Rishubh Nayar: “While we wait for businesses to be back and running, we have ensured that we are ahead of the curve, with all the products made available for our partners. A lot of avenues which have gained importance now- like Control Rooms are some markets for which we would be offering our end-to-end integrated solutions.”

That social distancing and mask-wearing is almost certain to continue for at least next few months, and given India’s population numbers and COVID-19 related treatment, Delta Displays is looking at the opportunity of ventilators and mask making machines.

“Delta makes components that go into developing those ventilators and mask-making machines,” revealed Hemant. “We are keenly exploring that opportunity,” he said, “when it happens, it would be a win-win situation for the company and the country.”

### Focus on Taking Advantage of Change



“Not all is lost,” sums up **Abdul Waheed, Managing Director of EYTE Technologies** from Mumbai. “Yes, it is a crisis,” he says, “but then, in Chinese language, the word ‘*crisis*’ is composed of two

characters, one representing ‘*danger*’ and the other, ‘*opportunity*,’ he sees a guiding light in ambiguity.

“Already we heard and read a lot about the first part,” Abdul asserts. “We now need to focus on the second part of it- the ‘*opportunity*.’ Everything happens for a reason. ‘Change’ is the word around this. “change is the only constant in life.”