



CEPro
deepdive

**2022 Home
Entertainment Report**



Can Integrators Turn Up the Volume in Home Theater Business?

CE pros boost prices for both dedicated and multipurpose-room home entertainment spaces, but exclusive research finds median number of projects dips slightly due to supply chain problems. **By Jason Knott**

The microchip shortage is so acute that the only chips showing up in many integrators' home theater projects over the past year are Doritos and Lay's. Undeniably, the home theater category is especially susceptible to the supply chain crisis because there are so many individual components necessary to complete a professionally installed home entertainment system.

Projectors, displays, audio/video receivers (AVRs), Blu-ray players, amplifiers, pre-amps, streaming media servers, active speakers with digital-to-analog conversion/built-in amplification are just some of the home theater components held hostage by the ongoing microchip shortage. But it doesn't stop there — the supply chain shipping situation has even made it more difficult to get screens, seating and mounts, according to dealers.

Even despite that ongoing problem, the once-forgotten “home theater” category continued its strong comeback in 2021 likely driven by the ongoing house-bound public due to the COVID-19 pandemic. According to the data, the average integrator completed 10 theaters in all in 2021 — four dedicated theaters (down from five in 2020), and six multipurpose room theaters (the same number as the previous year).

But it is number of “uncompleted” theaters that stings. According to the 2022 *CE Pro* Home Entertainment Deep Dive Study, CE pros report they would have completed a median of four MORE theater installations last year had they been able to get access to the gear. That equates to an incredible 40% more home theater installations — both

HOME THEATER FAST FACTS

4 Median number of dedicated home theaters/private cinema rooms installed in the past 12 months

6 Median number of multipurpose-room home theaters installed in the past 12 months

4 Median number of additional cinemas dealers say they would have completed over the past 12 months if not for

the microchip shortage and supply chain problems

6 Median number of loudspeakers per home theater

5 Median number of seats in a dedicated home theater/private cinema room

79% Percent of home theater installations that include a subwoofer

39% Percent of home theaters that include projectors

61% Percent of home theaters that have TV displays

38% Percent of home theaters that include a soundbar

\$50,357

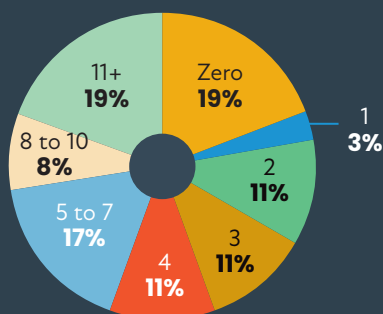
Average price point for a dedicated home theater/private cinema

\$27,500

Median price point for a multipurpose room theater

7.25% Predicted increase in home theater business for the next 12 months

Supply Chain Effect on Home Theater Business (Number of Incomplete Theater Projects)



In all, dealers report the inability to get products inhibited them from installing a median of four additional home theaters over the past 12 months.

Most Difficult Home Theater Equipment to Obtain

1. Pre-amps and processors
2. AVRs
3. Media servers
4. Controls/interfaces
5. Blu-ray Disc players
6. Mounts/Screens/Seating
7. Loudspeakers
8. Cable

Pre-amps, processors and receivers topped the list as the equipment that caused the biggest bottlenecks to obtain over the past year from the supply chain nightmares.

dedicated theaters and multipurpose room entertainment systems — if they just could have obtained the equipment. Ouch!

According to the research, the most difficult equipment to obtain are pre-amps, processors, AVRs, media servers, controls/interfaces, Blu-ray disc players, mounts/screens/seating and other associated gear.

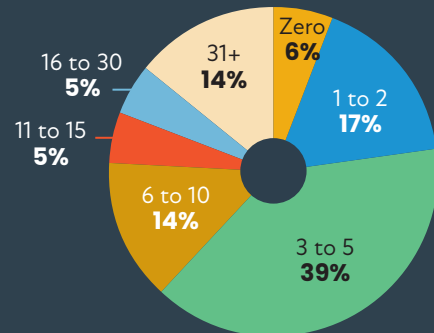
Those unfinished theaters represent real lost money, as dealers struck gold in terms of being able to elevate their home entertainment installation price points. For dedicated theaters, which can include basements in some cases, the average end-user price charged in 2021 was a healthy \$50,357. That is an incredible 77% increase compared with 2020, when the average price point for a dedicated theater was \$28,227.

The same trend appears in multipurpose room theaters, such as dens/family rooms, living rooms, great rooms and in some cases basements. The average price point for a multipurpose room setup rose to \$27,500, up from \$17,312 the previous year. That is a solid 59% increase.

The data mirrors a similar trend gleaned from the annual *CE Pro* State of the Industry Study in January and the *CE Pro* 2022 Outdoor Entertainment Study in April that showed CE pros doing fewer jobs but for much higher average prices. *CE Pro* is using the same definition for “home theater” that is used by both the Consumer Technology Association and the National Association of Home Builders in their annual joint State of the Builder Technology Market Study, which is a “minimum 42-inch display with surround sound.”

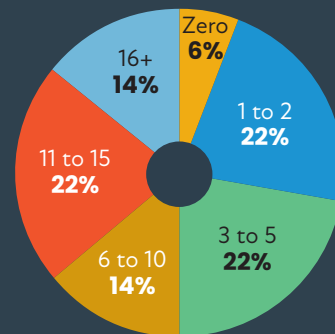
There are several obvious reasons that CE pros were able to charge such premiums for their home theaters. First, most integrators have raised their labor rates due to the

Dedicated Home Theater Installations



The median number of private cinema room installations performed during the past 12 months is four, one fewer than the year before.

Multipurpose-Room Home Theater Installations



The median number of multipurpose-room home theater installations performed during the past 12 months is six, the same number as the year before.

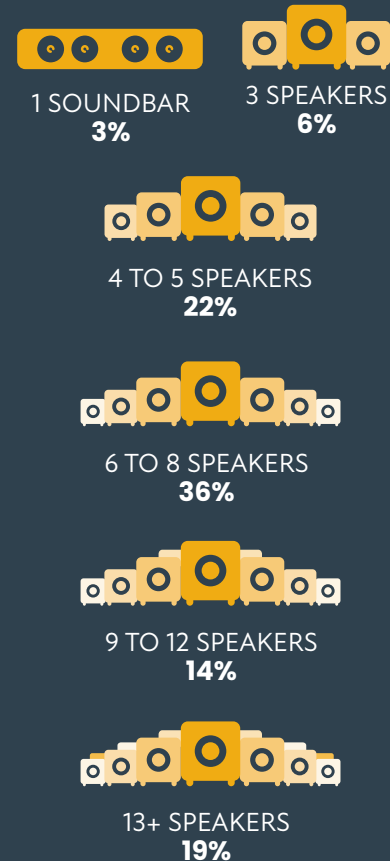
pressures of inflation that began hitting the economy in the spring of 2020. Since inflation is an everyday challenge for consumers with food, gasoline and other services, it greases the skids for integrators to boost their rates. Second, the adage that scarcity breeds demand applies to this situation, enabling integrators to charge more for the equipment that in some cases is taking more than six months to be received once ordered. Third, lack of manpower is continuing to allow dealers to be selective in the projects they choose. Logically, it makes the most business sense to choose larger, presumably more profitable projects.

As noted last year when the world was still in the grips of the pandemic, home theaters migrated from being “nice to have” luxuries to almost necessities for consumers trapped in their homes seeking some solace for their mental health. Perhaps for the first time ever, the desire for a home theater was not merely a luxury amenity sought after only by the affluent crowd, but a fundamental imperative that helped consumers maintain some semblance of sanity in an insane situation. And that thirst for home entertainment was further assisted by the available income that many consumers suddenly had as they could no longer spend money on travel and dining out.

The resurgence of home theaters represents quite a comeback for a category that was once thought a remnant of a bygone era. But what will the future hold? For 2022, integrators predict a 7.25% increase in the business. That is even higher than the modest 5.3% median increase they anticipated heading into 2021.

For some integrators, 4K TVs and ultra-short-throw (UST) projectors have offered the opportunity to sell and install dozens of home theater systems. According to the data,

Loudspeakers Per Home Theater



The median number of loudspeakers (excluding a subwoofer) per home theater installation is six. In all, 79% of home theater installations (both private cinemas and multipurpose rooms) include a subwoofer.



WHITNEY KAMMAN

Custom integrators earned 77% more on home theater projects in 2021 vs. 2020, but had a median of four projects uncompleted due to ongoing supply chain woes.

8% of dealers expect their home theater business in 2022 will be more than 50% higher than last year. On the flip side, 14% of dealers expect the number of home theater they install to drop in 2022 compared with 2021. More than one in four (28%) expect their home theater business to be flat. Only 6% of integrators say they did not install a single home theater over the past year.

Home Theaters Require Amalgam of Equipment

As every integrator knows, a home theater is not simply a TV, speakers and some wire and cable. The number of product categories that integrators incorporate into a home theater is highly diverse, which is what makes the category such a compelling one.

In terms of audio, the median number of loudspeakers in a home theater is six, which includes the surround sound — whether those be architectural, floorstanding, bookshelf or inclusive of a soundbar — and a subwoofer. Nearly eight out of every 10 theater projects (79%) included a subwoofer. In yet another strong indicator for the market, two out of every three theaters (68%) installed systems supporting immersive audio using either Dolby Atmos, Auro-3D or DTS:X.

The advent of soundbars has enabled many integrators to use the single-chassis speakers as the LCR for their cinemas, in combination with a sub and rear speakers in most cases. However, with soundbar manufacturers touting the surround-sound capabilities of their speakers, there are a small percentage of installations that solely rely on the soundbar for all audio. According to the data, 38% of theater projects included a soundbar, but only 3% of those projects use ONLY a soundbar as the sole source of audio, meaning dealers are frequently combining soundbars with either floorstanding or architectural speakers.

Further breaking down the speaker usage, standard-bezel architectural in-wall/in-ceiling speakers are the most popular audio choice, deployed in 60% of home theaters. Of those, 14% of them are small-aperture or hidden speakers. Meanwhile, freestanding speakers are used in 40% of theaters.

On the video side it is a mix of display-based vs. projector-based solutions. Just over one in three (39%) cinemas uses projectors, with TV displays being used for the remainder (61%). About one in five theater projects (21%) features a motorized screen, with 19% having a motorized TV mount.

In terms of sources and separates, AVRs and amplifiers are deployed in well over half of all home theaters, with preamp/processors used in more than one-third of jobs. Blu-ray disc players are also installed in just over

KEF: THX-Certified Music Lounge Ideal for Dolby Atmos Demos



Currently, consumers are looking to bring the theater home, and are willing to spend big if they're shown what could be done in their space, regardless of size. A proven pitch is to present a "good/better/best" scenario. Start with the best and give the client the opportunity to step down.

KEF's Music Lounge in its Marlboro, N.J., office is accessible to KEF Authorized Dealers to demonstrate a variety of audio performance levels in an environment akin to a luxury home. The theater on site, which recently received THX Certification and is the only publicly accessible certified theater in the country, is available to show off KEF's theater design chops. It has been a terrific laboratory, as over the past several months dealers have brought their clients when the potential for investment was significant.

In every instance when demonstrating the high-end THX theater speakers vs. smaller speakers, the customer chose to immediately switch from the 6.5-inch \$300/pair to the 8-inch \$800/pair to \$1,600/pair option on their own. They were in awe of the performance. How could they not go for it? The starting point at which they were willing to invest increased x2.

We walk around with \$800 smartphones that get traded in every 24 months because the phone companies have us trained: The words "new technology" mean "upgrade immediately!" Dolby Atmos is now a commonly requested audio coding.

When presenting Atmos as "new technology," you are triggering something people have been trained to understand. Atmos speakers are a no-brainer upgrade to an existing room and a worthwhile addition to a pending theater quote. Show them what's possible — you won't regret it. —**David Kroll, VP Sales USA, Ci Product Manager Global, KEF**

one-third of projects and media servers are in one-in-four theaters.

For controls, less than half of cinema projects (47%) had an integrated multifunction remote control, which means many of the installations were single-room projects versus part of a whole-home control installation. It also indicates that dealers are letting clients rely on the out-of-the-box remote control that comes with the display, media server, projector, etc.

When it comes to additional amenities, lighting control is the most popular, as 43% of home theater projects included integrated lighting control that dims the lights and sets the mood for movie-watching. Other popular amenities that integrators installed during the past 12 months include acoustical treatments (30%), home theater seating (29%) and starfield ceilings (20%).

HDR10+: Seek Out Suppliers Supporting Migration to Ultra HD

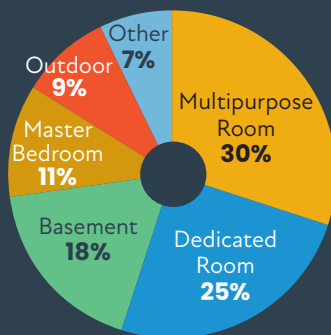


The expanding migration of the creative community and distribution platforms to Ultra HD holds a number of implications for the custom integration industry. In addition to 4K and 8K resolution, higher frame rates, deeper color and wider color gamut, there has been an emphasis on HDR10+ high dynamic range applications. This has had a major impact on leading streaming services like Amazon Prime Video, Hulu, and YouTube.

The HDR10+ Technologies LLC is focused on promoting the many benefits that HDR10+ provides, including not only improved video quality, but robust standardization, global certification and seamless compatibility with the established HDR10 ecosystem.

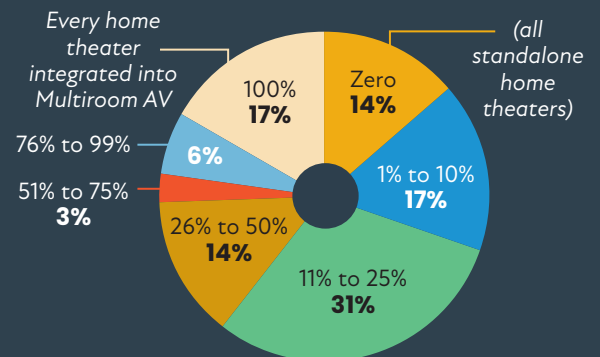
All of this is why HDR10+ is supported by a growing number of AV companies, many of whom play a key role in CI. These include Denon, Epson, JVC, Marantz, Panasonic, Samsung, TCL and others. —**Bill Mandel**, Co-Manager, HDR10+ Technologies LLC

Home Theater Locations



Multipurpose/great rooms remain the most common location for a home theater, but there has been a resurgence of dedicated private cinema rooms. “Other” includes additional bedrooms, garages and other secondary room locations.

Home Theater Integration into Whole-House AV
(Percent of Home Theaters as a Multiroom AV Zone)



Nearly one in five home theaters (19%) installed over the past 12 months are also integrated into a whole-house AV distribution system as an individual zone.

Home Theater Room Locations

Multipurpose rooms continue to be the primary room location for home theaters. In 2021, 30% of home cinemas were stationed in a den, family room, living room or great room. One in four cinema installations was in a dedicated room, while just under one out of every five projects (18%) was in a basement. Master bedrooms (11%), outdoor areas (9%) and other locations such as garages and secondary bedrooms (7%) round out the rest.

The median number of seats per home theater is five. About 6% of theaters have 11 or more seats, which is triple the percentage from last year when only 2% of cinemas had that large level of seating capacity.

Similar to last year's data, about one in five home theaters (19%) is an AV zone extension of a distributed AV system, which is not surprising since many home theaters these days are in multipurpose rooms.

In terms of what integrators are looking for to boost their home theater business, the quality of audio and video within the components are the highest priorities. According to respondents, audio quality and video quality are by far the most important elements,

Home Theater Equipment/Component Usage (Percentage of Home Theaters That Include:)

AUDIO ELEMENTS

Subwoofer	79%
Immersive Audio	67%
Architectural In-Wall/In-Ceiling Loudspeakers (standard bezel)	59%
Freestanding Loudspeakers	39%
Soundbar	38%
Hidden/Small Aperture In-Ceiling Speakers	14%

VIDEO ELEMENTS

4K Display	61%
Blu-ray Disc Player	41%
Media Server	39%
Projector	39%
Motorized Screen	21%
Motorized TV Mount	19%

CONTROL ELEMENTS

Integrated Remote/Touchpanel	47%
Integrated Lighting Control	43%

ELECTRONICS SEPARATES

AV Receiver	59%
Amplifier	58%
Preamp/Processor	41%

AMENITIES

Acoustical Wall Treatments	30%
Home Theater Seating	29%
Acoustical Ceiling/Starfield Ceiling	20%

The types of equipment installed in both dedicated and multipurpose-room theaters is quite diverse, which is why the home theater category has been especially hurt by the supply chain situation.

Number of Seats in Dedicated Home Theaters


3 SEATS OR LESS
14%


4 TO 6 SEATS
61%


7 TO 10 SEATS
19%

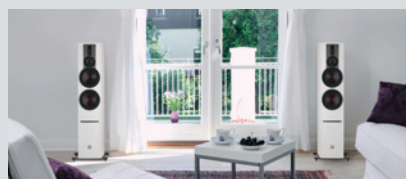

11 SEATS OR MORE
6%

The median number of seats per dedicated home theater room is five.

followed by price, equipment reliability and feature sets. Integrators cite equipment margin, tighter timeframes between theatrical releases and in-home availability, and the ability to conduct a demo as the least important criteria for boosting their home theater business.

Meanwhile, integrators say their clients are most focused on the experience.

DALI: High-Performance Speakers Meet High Design Criteria



DALI's Home Theater solutions go beyond traditional box speakers

and combine high-performance audio with designer, CI-oriented goals. DALI eliminates the clutter of wires, facilitates installation, and can even help avoid invasive wall cuts with an expansive collection of wireless, architectural, and on-wall audio solutions.

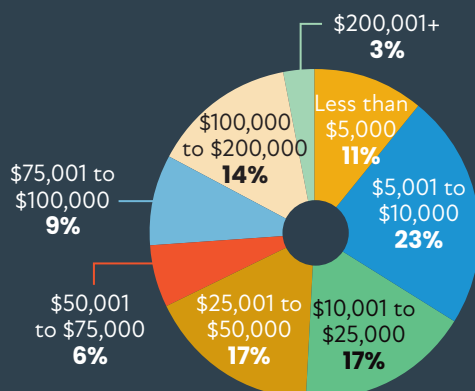
The DALI OBERON C Series makes wireless home theater simple for the modern hi-fi enthusiast, with a unique ability to perform at a level equivalent to passive systems. Features like easy positioning, low latency, optimized amplification, and patented SMC give the OBERON C active two-way speakers the ability to be dynamic and commanding yet still easily and cleanly integrate into a contemporary lifestyle setting. Step up to the RUBICON C Series for even more power, precision, and stirring performance. The SOUND HUB and optional HDMI card allow up to 7.1 surround, while the NPM-2i card can provide both BluOS and Airplay II. The SOUND HUB Compact is the perfect alternative for those seeking classic two-channel reproduction.

In the luxury, expansive CI speaker realm, the DALI PHANTOM Series presents an extensive portfolio of in-ceiling round (PHANTOM E and K), in-wall rectangular (PHANTOM H-R), in-wall LCR (M375 and M250), and a unique square in-wall and in-ceiling option (PHANTOM H). Near invisible design elements, wide dispersion sound and an easy installation process make this series a contemporary CI gem.

DALI has impressive on-wall speakers in the OBERON, OPTICON and RUBICON series. They offer full-range ability in a slim design, easily wall mounted along flat TVs.

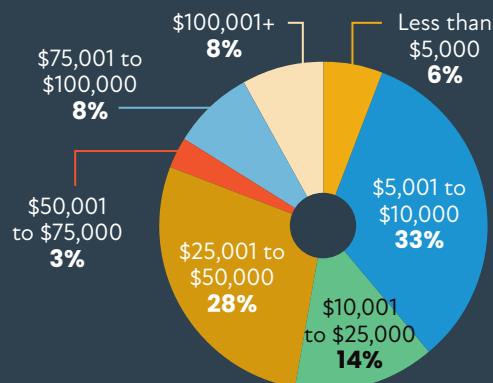
—Jason Zidle, Brand Manager, DALI North America

Dedicated Home Theater Price Points



The average price point for a dedicated home theater/private cinema installation in the past 12 months was \$50,357.

Multipurpose Room Home Theater Price Points



The median price point for a multipurpose room theater installed over the past 12 months was \$27,500.

Similar to last year, when asked what their clients desired most in a home theater, dealers said customers want a cinema-like experience first. That is followed by aesthetically pleasing design, price and ease of use. Another element of importance to customers includes the ability to use the theater for other experiences besides just watching movies, such as playing video games and listening to music. Finally, powerful bass, support for high-resolution audio formats, and brand name of the gear round out the list as the least important factors to clients.

Additionally, the survey dug deeply into the features that integrators find most important in a media server, such as Kaleidescape, Apple TV or Roku. User experience was the most important, with specifically the “speed

Vanco: Why Audio Is More Important to Home Theater Than Video



Controversial opinion: audio is more important than visuals in creating a truly sublime home

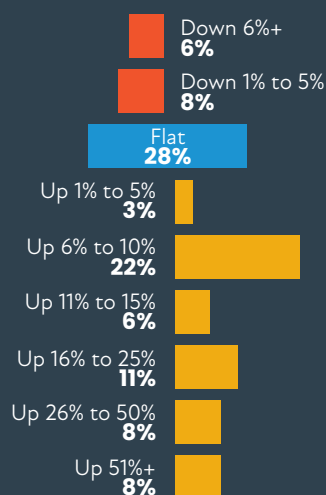
theater experience. In part, that’s because stunning visuals — with dynamic HDR, high contrast, and 4K resolution — are now the default expectation of our clients, making audio the more effective differentiator. More than that, though, audio has the power to fully immerse the audience in the world of the film.

Object-based audio and immersive surround sound can create truly transporting effects. The audience can feel an explosion in the pit of their stomachs or hear footfalls approaching stealthily from behind. Far more than the fad of 3D video of the mid-aughts, 3D audio enables suspension of disbelief, without cumbersome glasses or constrained viewer positions.

One of the principal challenges of bringing theatrical sound into a home is confining the sound to the room, both so that the audience gets the experiential benefit of all that sound energy, and so that adjacent spaces aren’t disrupted. It doesn’t matter how powerful your sound system is if you have to keep it turned down to 20% to avoid waking your spouse. Beale Street’s Sonic Vortex speakers are designed to do exactly that — directing all sound energy into the room, with no bleed through.

Great home theater experiences don’t just come from a box — though using reliable pro-quality components like Beale Street speakers is an excellent start. A truly immersive experience comes from thoughtful implementation that surrounds every member of the audience with powerful, intelligible sound. —**Randy Blanchard, Director of Audio Products, Vanco**

Home Theater Business Expectations for Next 12 Months



Integrators predict a solid 7.25% median increase in their home theater installations over the next 12 months.



at which you can access movies” as the top response. Access to streaming content, DVR storage capacity, ability to play DVDs or Blu-ray discs, and “audiophile-grade sound” rounded out the top five most desired features. Other important features include 4K UHD Blu-ray playback, ability to access digital music files or streaming audio, ease of use of the interface, and integration with home controls. ▲

10 Most Important Factors to Help Boost Home Theater Installation Business

- | | |
|-------------------------------|---|
| 1. Audio Quality | 7. Equipment Availability |
| 2. TV/Projector Video Quality | 8. Overall Room Design |
| 3. Price | 9. Manufacturer Brand Names |
| 4. Equipment Reliability | 10. Ability to Conduct In-Person
Demos for Clients |
| 5. Equipment Feature Sets | |
| 6. Manufacturer Support | |

Audio and video quality continue to be the most influential factors that will help dealers boost their home theater business.



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