

# Crunch Talks

In its daily coverage of the global economic crisis, the mainstream media leaves us in no doubt that we've all floated rather a long way up the proverbial creek. So what's the mood really like in our slice of industry? To find out, L&SI has picked the brains of a range of business people . . .

**Name:** Bryan Raven  
**Company:** White Light  
**Company Activity:** lighting rental & sales

Like all companies we are concerned about the current financial situation. So far, the main thing we have seen is a few corporate events being cancelled or down-scaled. Many customers tell us that this is not because they can't afford it, but because they couldn't be "seen" to be spending money.

Our theatre side of the business is as busy as ever; we are busy on the projects and installation sides of things too, though again a few people do seem to be getting 'cold feet'. Timescales and advance notice also seem to be shrinking. We have also seen a general reduction in budgets across virtually every sector (corporate, schools, theatre, music and live event) with no reduction in expectations from the clients!

From an industry point of view, the main things I think that will affect us all will be the lack of bank finance and support and bad debts. White Light has already seen a few customers and suppliers get into difficulties because the bank wouldn't extend any further credit to them. We don't know whether the banks were justified in their decisions, but obviously it can be catastrophic for companies who have been bumping along on their overdraft who then see a small reduction in their income but still have fixed overheads of staff and premises and the bank say "no more".

There is also the impact of currency changes - as the industry imports virtually all the lighting equipment we use. Most manufacturers have put in serious increases this month to compensate for the weak pound.

We then have the dilemma of "pre packs" or phoenix companies - do we deal with them, or not? Company failures leave various creditors with money outstanding, some of whom are freelancers and small companies for whom a bad debt can cause a domino effect. Do you give them credit again and do you expect them to make some contribution to old debts? How many times do you allow this to happen to the same company or people? What can you do to stop it?



**Name:** Mike Goldberg  
**Company:** Selecon Europe  
**Company Activity:** theatre lighting sales

Clearly the world is a different place right now from say 12 months ago, but there is business out there and we continue to grow. The issues might be large but what we do remains the same - look after the customer, focus on where there is business to be had and go out and get it. Customers now understand that buying cheap means buying twice, so they seem to be in a position - when they do actually have money - that they want to spend wisely.

**Name:** Roland Hemming  
**Company:** RH Consulting  
**Company activity:** management consultancy & project management.

Obviously everyone is nervous. However, in installed sound, a lot of people are still very busy due to the lead times on projects: the money was signed off long before the credit crunch. Many people are more worried about 2010 and beyond: installed sound may have a delayed recession.

We must put this in the context that installed sound has grown at an astonishing rate in recent years - faster than the rest of the economy. There are more audio systems around, as people are being entertained in more places. There is improved provision for disability, more provision for voice alarm and increasing integration with other systems. The installed sound sector has sold progressively more equipment and earned higher margins.

On the rental side there has been a meteoric growth in the number of music festivals from less than 50 in 2000 to several hundred today. We have also seen consolidation of pro audio manufacturing and distribution in recent years, which has led to better investment in the development and marketing of new products.

I am seeing a number of people investing their way out of things, putting a lot of effort into business development. This seems a sensible approach. Some people are trying to get more public sector work but we must be mindful that there is only so much of that that can be sustained.

I don't think we should expect the Olympics to solve our problems. Remember that there has been more stadium building in the last four years than there will be in the next four. Some companies will do well of course, but it won't fix everything.

**Name:** James Cobb  
**Company:** CA Event  
**Company Activity:** event production

Our enquiries for 2009 are without doubt more buoyant than ever before; by the end of January we have more confirmed projects than we did at this point in 2008, so we're quietly confident about the year ahead.

However, the theme for 2009 is going to be late confirmation. A pattern is emerging - the work is there with little sign of any downturn, but the commitment in the form of a signature on a contract or cheque is coming later than ever (in some cases even after the event).

Rental companies are already facing a very different environment, where asset-backed finance has all but dried up. If this means that there is less new technology flowing into rental stock, production managers may find, counterintuitively, that in recession their costs are more resistant to downward pressure.

There's an accepted theory that the live events industry lags the economy in a recession. When people first find they can't afford the new sofa or the Caribbean holiday, they cheer themselves up with a concert ticket. When an economy comes out of recession, they can only afford the sofa or holiday again by saving on the concert tickets. We should expect 2009 to be at least a reasonable year for the live entertainment market, but ready ourselves for a lean 2010 or 2011.

The summer of 2009 promises more outdoor events than ever, despite another expected 'shake up'. Maybe the problem is that promoters are happy to think each other should go out of business, but are less likely to accept they should retire from the competition themselves. With a crowded market, and a recession, one wonders if this year might genuinely bring the 'shake up' we've been waiting for.

**Name: David Churches**  
**Company: Batmink**  
**Company Activity: lighting hire & sales**

Other than the repetitive and considerable price increases due to exchange rate fluctuations, the single largest problem is the liquidity freeze. Until the banks start to lend money to small and medium-sized businesses, the market will be slow to recover. Many of our oldest customers are struggling to renew existing overdraft facilities, let alone obtain further bank funding.

It's not all doom and gloom though. We have recently supplied equipment on several substantial installs [see Wills Memorial Hall in this issue for one example] and have numerous similar-sized projects in the pipeline. We have also seen the resurgence of the independent night club - run by the owner who understands his marketplace and is not hampered by the 'corporate machine'. These operators understand the need for investment to ensure the continued success of their venues. The truth is, we can only speculate on what 2009 will bring. The one thing that is certain is that the industry will evolve and emerge leaner and more efficient as a result.

**Name: Graham Eales**  
**Company: Zero 88**  
**Company Activity: lighting control manufacture & sales, worldwide**

We are finding the market to be very unstable at the moment. All the spending trends that we have established over the years seem to have been blown away almost overnight. We sense a lot of people are panicking because of what they are reading in the papers or hearing in the media. The reality is that there is still a fair amount of business being done but it has to be actively won.

The challenge is helping customers through credit issues. It would seem many smaller companies in the UK have had overdrafts pulled or cut, end users are finding it more difficult to find credit to make purchases and are often holding onto money to see what happens in the next few months. Of all the markets that we are active in it is definitely the UK that seems to have been worst hit and also to have been hit the quickest. Other parts of the world seem to be less affected and certainly to have more credit available to them.

Overall though, we are still seeing confidence in our dealers. I think it will be the companies, manufacturers and end user suppliers who are able to adapt to the changes and find ways of using them to their advantage who will be able to ride out the next few months.

**Name: Davies Roberts**  
**Company: Purple Audio Limited**  
**Company Activity: audio rental & sales**

I believe now is actually the time for a well-run business to flourish. As a businessman I look at a recession as a forest fire, clearing the economy of badly managed, overstretched companies who simply grew on expansion created by a boom.

However, it is a sad and stressful time for a lot of people and while I am very positive that we 'need' this recession, at the same time I feel a lot of sympathy for those caught up in it who are paying the price for others' mistakes and excesses.

For the UK entertainment industry, the weak pound means the cost of travelling abroad becomes increasingly out of reach for the average family. This can only lead to more people at UK events, as well as visitors from abroad who need to be entertained.

Touring costs over Europe have increased, but at the same time the costs of using a UK-based touring company have decreased by the same amount. We have seen a sudden increase in quotes for European tours and events asking us to quote on work in Europe.

Places such as Ibiza will almost certainly see numbers fall with the 40% increase in cost of the Euro. This will create a great opportunity for clubs and events in the UK to up their game to cater for the Ibiza dance market. We have already seen a large increase in dance-based events being planned and a number of clubs wanting to install new, higher quality sound and lighting systems.

Many said last year that the Festival sector was over saturated and would collapse this year: I disagreed then and still do. Festivals are good value for money and provide quality entertainment. So long as the ticket price is reasonable and attention is paid towards the quality of production, good festivals will grow and grow for years to come.

Now is the time to network, advertise and do a better job than ever before. If you want to succeed in this market then you have got to be good at what you do and swim against the tide: when the tide turns you will then be way ahead of your competition.

**Name: Philip Norfolk**  
**Company: PRG Distribution**  
**Company Activity: lighting sales, Europe**

Recession is a good time to review and reflect upon the past as well as look forward into the future. Often we hear people say that the outlook is "uncertain" in recession, whereas in fact it is more certain than at other times! In times of downturn we know that money will be tighter, that spending will be closely scrutinised and that in general belts will be tightened. What better time than that could there be then to look at the very core of your business? Are you doing those central business activities the best way possible?

Try not to concern yourself with what other competing firms are doing - you can't affect them. Instead look at your own operations or practices and see if each one is fully optimised. Review past errors and examine whether you have done all you can to stop them appearing again. In short, the things you do well, try and do better, and the things you do badly, try to do less. Your service will improve, you will weed out weak processes and in doing this across any size of organisation the whole team will see the need to make changes, even if they are incremental or minor.

The Japanese practice of Kaizen, making small changes in the right direction, may be a more powerful tool than you know.

**Do you have a comment to make?**

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