How to Best Plan for An AVL Upgrade, While Contending with Tariffs

by Andres Caamano | Administration, Audio, AVL Projects, CFX Community, Lighting, Production, Video

Many overseas AVL manufacturers today are having to contend with the possibility of rising tariffs from U.S. sales. Those added costs typically affect a company's bottom line, making it troublesome for churches planning an upgrade.

Over the six-plus months since tariffs began gaining so much attention, the initial fear regarding prices hasn't fully played out. Prices have risen, but fortunately, not to where for each one percent of tariff added, that prices jumped in unison.

"We've not been experiencing a 25 percent or 30 percent rise (in cost on imported gear). Manufacturers have been working hard to minimize any increase," explained Josh Holowicki, founder of E2i Design, based in Brighton, Michigan. "There was an inherent fear a lighting console would go up 30 to 40 percent after adding a tariff."

While the increase isn't one-for-one, churches should still plan on tariffs being added to their AVL project budget, noted Holowicki. When planning on the project, he also explained aiming to avoid delays, to potentially save some on the project's cost.

"Churches should also look to do it quickly," he said. "Planning to begin a project in the next eight to 12 months … that's not a valid conversation now."

Aiming to Avoid Any "Chaos"

In terms of the prospect of "chaos" relating to pricing, Brad Duryea, chief technology officer for Covenant Communications said, "For the technical people in a church, they may be aware of pricing fluctuations."

But it's best to keep leadership also in the loop about such prospective increases.

"Are the pastor or others, though, aware of the tariff chaos? The pastor might not be prepared to see the price jump 10 to 20 percent," noted Duryea. "So, it's best to not let it surprise anyone."

How can one manage such pricing issues? The former director of audio technologies at Lakewood Church in Houston noted, "It's best to have a good relationship with an integrator." Where that can help, he added, is to "identify brands that are holding back on pricing versus other brands."

For churches laying out a project's budget, the question is how much wiggle room should be accounted for regarding tariffs.

"In the tariff world, you have to add 7 to 10 percent, on top of what you're thinking," noted David Leuschner, executive director of Digital Great Commission Ministries. "If you have $200,000, you'd can't spend $200,000 (solely on the equipment). Instead, you look to spend $180,000, and plan to spend the rest for tariffs."

The issue is something that Kirk Denson, Willow Creek Community Church production development director, recently dealt with on an upgrade.

"At our Wheaton (Illinois) campus, we're moving across the campus. In the process, we're upgrading our sound equipment and getting a new video wall," he said. From there, the church kept in contact with the manufacturers regarding inventory, and "the percentage changed, so we ended up paying less than we first thought."

What Tariffs Can Add Up?

On July 7, an announcement was made from Washington, D.C., about a plan that has since imposed a new 50 percent tariff on all copper imported to the U.S., beginning August 1. That only is added to the rising price of copper, which has risen 40 percent year-to-date.

Considering how much copper is already used in electronics, it's just one more pressure point when budgeting for a project.

"Where I'm seeing the greatest impact is for wire and light fixtures," noted Holowicki. This issue, though, is nothing new, adding, "copper has been going up regularly for years."

Duryea cautioned the tariff may be pulled back or postponed.

"If it were to stay in place, it would make everything in a project skyrocket. Some projects have $50,000 of cabling in them," he said. "I don't see this tariff sticking. Some other proposed tariffs (that were very high), were backed down to essentially nothing."

Regarding tariffs and timing, Leuschner said, "if that happens (a 50 percent tariff on imported copper), you can't expect to do a budget on Monday and install it on Tuesday. You will need a longer lead time (to complete the project)."

In Denson's eyes, the major shift for audio projects to digital recently has made such projects less reliant on copper.

"In the case with our snakes, they are now CAT cabling or ethernet," said Denson. "We used to have 250 feet of cabling for snakes using copper. That would have had a bigger impact on the budget, not so much now."

Are Savings Possible, By Buying U.S. Products?

With tariffs being placed on products shipped to the U.S., seeking savings on American-made gear seems a logical next step.

Unfortunately, such a solution isn't that simple.

As described by Duryea, "There is no one manufacturing their own microchips. There is going to be some portion of imported material (on U.S. manufactured products). You will have to plan or accept some increase (even on gear built in this country)."

The prospect of having a piece of gear, down to the components, built here is unlikely to happen anytime soon.

"Some companies are building (their gear) here, but no one is in the position to go the route of going fully domestic," noted Holowicki.

Beyond the element of cost, accounting for time is something to pay attention to as well, when scheduling a project.

While the massive supply chain disruptions during the pandemic aren't at that level today, shipping issues still exist.

"Prior to the implementation of the tariffs, there are some manufacturers that won't ship until an item's ordered," said Leuschner. "Some speaker manufacturers are very delayed."

Specifically, the issue often applies to products made in China, explained Holowicki. "Anything they had, they were letting sit (in China, following the announcement on tariffs). It was creating an inventory backlog." Even so, he added, "it was nothing like COVID, which was a nightmare."

What Products Will See the Biggest Increase?

When looking how to best budget for a project, figuring what gear to avoid might help limit the tariff hit.

In the midst of an upgrade on their campus, Denson said, "I'd say video and video walls. The vast majority are manufactured in China, audio not so much."

Among the examples he referenced for quality audio gear made overseas were L-Acoustics, made in France or d&b in Germany. For domestic audio gear, he cited Adamson, but added, "You have the components (that often come from other countries). In those cases, you have to consider that as well."

The trio of Holowicki, Duryea and Lueschner agreed with Denson, how LED walls would likely get the largest tariff hit.

"If you were to take item for item, LED walls have the potential for the biggest increase," noted Holowicki. "We have seen that, or not, depending on the manufacturer."

For Duryea, "We've seen a bigger jump in costs on LED video walls and lighting, but they haven't been massive."

In the eyes of Leuschner, the increase simply revolves around which country such products often come from. "Anything LED would be the most volatile and have the highest tariff. Oftentimes, LED walls are the biggest purchase, so that would have the biggest tariff."

How Much to Plan to Add in Your Budget?

As noted previously, Leuschner noted planning to incorporate 7 to 10 percent in a project's budget. And that would be to simply cover anticipated tariff costs.

That number, though, is up for debate.

When discussing a budget contingency to cover for tariffs, Duryea said, "you might do 10 to 20 percent," depending on your timeline. "You're not having the contingency for fun money. It's for when the inevitable tariff thing happens. Then you don't have to go back to the finance committee to ask for extra money."

From Holowicki's experience, he's seen increases this year, but they are typically less than 5 percent. "On bigger projects, our price for materials has gone up, but it's not been deal breaking," he noted. "It's not like a $700,000 project rises to $1.1 million. It's going up by $30,000."

For Denson, though, having recently encountered the tariff issue on his campus' project, the increase he cited was notably higher.

"I see decisions made almost weekly, where the percentage goes up or down. It's best to shoot for 30 to 40 percent," explained Denson. "I would estimate on the high side. By building that in, I'd rather be pleasantly surprised, than find I have to budget more later."

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