



## Partnership Opportunities in Energy Management

Tom Kerber, Director, Research, Home Controls and Energy, Parks Associates

Energy management systems are entering the market through retailers, service providers, and utilities.

The opportunities for these channels are massive and include generating reoccurring revenues, reducing customer attrition, offering value-added services, and engaging the consumer in new ways with energy management solutions.

### New Partner Channels to Deliver Energy Management:

- **Huge market reach:** security services, broadband, telephone, television services
- **Move products to market quickly:** contractors and dealers that provide home automation or HVAC maintenance

The \$4 billion in smart grid stimulus helped spawn many new start-up companies that view energy management with a fresh perspective.

Unfortunately, the demand bubble created by the stimulus spending in the U.S. is slowly starting to deflate, and the transition from pilot programs to large-scale deployments is a slow process.

The widespread adoption of smartphones, broadband services, and smart meters and the emergence of interoperable connected devices have created market opportunities for retailers, security service providers, telecoms, and cable operators. Many of these players are developing home monitoring, home control, and energy management systems that enhance people's lifestyle.

The marketing strength of these new entrants, coupled with their strong brand and huge customer base, will drive broader

adoption of home monitoring, control, and energy management systems.

Partnerships can reinforce messaging, engage consumers, and enhance offerings, ultimately expanding adoption.

Given that wide deployment of energy management solutions is a shared goal of utilities, retailers, and service providers, the opportunity for partnership is evident.

### UTILITIES

Utilities have a unique position in this equation. There is little risk in partnering with service providers, retailers, and OEMs whether through rebates or other incentives. Part of the utilities' energy-efficiency programs is to meet regulatory goals and add to their demand-response assets. The majority of consumers also view the utility as the preferred provider of energy management services, so their involvement adds credibility to service provider programs.

### BROADBAND SERVICE PROVIDERS

Broadband service providers are a good partner for utilities because of the existing relationship with the home owner and the mass penetration of broadband services in U.S. households. With broadband access now in nearly 80 million U.S. households, manufacturers can leverage that connectivity to add new functionality to existing appliances and bundle energy, security, and monitoring services with their current video and communication services.



### IN THIS ISSUE

#### Partnership Opportunities in Energy Management:

- New Partner Channels to Deliver Energy Management
- Utilities
- Digital Home Management Solutions
- Hardware and Software Vendors
- OEMs
- Security Providers
- Big Box Retail
- Data Chart: Preferred Provider of Energy Management Service Bundle
- Partnership Opportunities

### UPCOMING EVENTS

#### Smart Energy Summit

- February 28 - March 1, 2012

#### CONNECTIONS™ at TIA 2012

- June 5-7, 2012

### LINKS

[Smart Energy Insights Blog](#)

[Webcast—Digital Distribution](#)

[Energy Research](#)


[Smart Energy Summit](#)


**Broadband ISPs see their infrastructure as an asset** that can be more fully utilized by adding these value-added services, and energy monitoring and management have high appeal for U.S. consumers when selecting among value-added service alternatives.


In addition, Parks Associates' consumer research shows **35% of U.S. broadband households are likely or very likely to switch broadband providers** to get these valued home services, meaning these offerings are important as retention/churn tools.

## DIGITAL HOME MANAGEMENT SOLUTIONS

**Broadband service providers now are offering first-generation digital home management solutions** such as security, monitoring, and climate and lighting control capabilities:

 **COMCAST**—Comcast's XFINITY, which incorporates iControl Networks' platform, offers a professionally monitored home security service, which includes remote self-monitoring with video cameras offering text and email alerts, and climate and lighting control capabilities that can be incorporated in a utility energy management program. Consumers can monitor and control the devices on the system via a smartphone, tablet, or PC.

 **Verizon**—Verizon FiOS Home Automation Service includes self-monitoring, energy management, and home control tools and uses the 4Home platform & Z-Wave devices from Ingersoll Rand & others. The energy control kit includes a gateway device, a smart thermostat, an appliance switch, an energy reader, & a remote control.

 **AT&T**—In November 2011, AT&T announced plans to launch a new business division called Digital Life Services, which will offer home security, home monitoring, energy management, & remote healthcare.

## HARDWARE & SOFTWARE VENDORS

**The hardware and software vendors that already have relationships** with utilities and understand the regulatory framework and

energy programs process are in a good position to broker a deal between service providers and utilities. Vendors that supply the technology that provides great value to consumers will eventually be part of the service provider's energy management system. They can then leverage the service provider's scale to provide demand-response solutions to the utility in the future.

Well-positioned companies include EcoFactor, which can easily add its energy modeling engine on top of existing telco platforms like iControl or 4Home to provide value both to the consumer, in the form of cost savings on heating and cooling, and the utility, in the form of load-shifting demand-response solutions.

## OEMS

**Manufacturers like LG and Samsung are using connectivity to add features** to appliances. One example is a refrigerator that keeps track of items by scanning a grocery receipt with a smartphone. It suggests recipes than can be made from those ingredients, sends notices if something is expired, and even allows the owners to order items for delivery. These appliances also have features that automatically adjust operation to save consumers money during periods of high energy demand, when energy prices are higher.

## The breadth of connected devices that are on the market is growing

Consumers can purchase...

- A connected outlet strip that allows them to track energy usage
- A connected garage door opener that lets them control the system from a smartphone. They can also check the door status to assuage any fears of having left the door open after a particularly hectic morning.

**The technology to add connectivity to a device is becoming very affordable.** More and more companies are offering a connected version of their products that offer consum-

ers differentiated features like convenience, remote monitoring, control, and energy management. Both OEMs and utilities would benefit from working together to allow these devices to be added to demand-response and energy-efficiency programs.

## SECURITY PROVIDERS

**Security service providers have been seeking ways to expand** their business & so have been developing web-enabled services to complement their traditional security offerings.

Several incumbent security providers including ADT and Protection One have added web-enabled capabilities to their offerings. Other companies such as Alarm.com and Vivint are bringing a new generation of IP-based energy offerings and business models into the residential security industry.

**Security providers can leverage their long-term relationship** with their customers, a segment that has good overlap with the utility segment of large energy users, and offer them systems that enhance their lifestyle and reduce demand without sacrificing comfort. Security service firms would benefit from a partnership to help utilities engage this important segment.

## BIG BOX RETAIL

**Retail is developing into an important channel**, with abundant partnership opportunities. Retail channels are ideally suited for the do-it-yourself (DIY) market. For products that may need additional support services, retailers such as Best Buy, which offer technical support through Geek Squad, are an option. For products requiring professional installation, retail providers like Home Depot and Lowe's that have agreements with electricians and other contractors are an option although most products that require professional installation are generally sold through distribution.

**Partnerships or bundling of other products or services** within the retail space may be re-

quired in order to overcome price sensitivity of energy management products. Retailers may elect to partner with utilities to promote and sell products that are part of energy-efficiency or demand-response programs.

Similarly, in restructured markets, retailers may partner with energy retailers to bundle products and energy service contracts.



Lowe's announced in January 2012 its Iris™ cloud-based home management system, which will give customers the ability to control interact with their home from anywhere using a smartphone or PC. Technology partners include Genability, AlertMe, and Blue Line Innovation.

With the proper marketing efforts toward consumer education and explanation, retail could also emerge as an important sales channel.

In previous surveys, home-improvement and discount retailers scored only behind consumers' electric utility provider as the most preferred source to purchase an energy solution, and almost 75% of all U.S. broadband households had "home-improvement stores such as Home Depot & Lowe's" in their top-three choices.

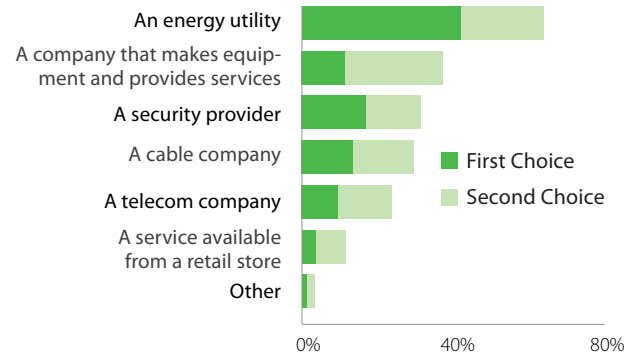
## PARTNERSHIP OPPORTUNITIES

Utilities, OEMs, retailers, and service providers may share a common goal to expand the market for energy management, but their approaches are very different. Their business models are unique and complementary.

OEMs, retailers, and service providers are marketing monitoring, convenience, and control. Energy management plays a role but is not front and center in their marketing efforts. It's more about allowing smart devices to make decisions on consumers' behalf, thus making their lives easier. Their business models rely on hardware sales or service contracts.

In contrast, the utility business model is focused on energy programs that reduce overall consumption or impact peak load as a lower cost alternative to power generation, and it is this difference in business models that makes the opportunity for partnership so compelling.

## Preferred Provider of Energy Management Service Bundle (U.S. Broadband Households)



Source: U.S. Electric Utilities and Value-added Services | © Parks Associates

## ABOUT THE AUTHOR



### Tom Kerber, Director, Research, Home Controls and Energy

Tom has been a client of Parks Associates' REM service (2010) while serving Lennox Industries as Corporate Director, Advanced Engineering and as Director of Product Management.

Tom has previously worked in the utilities industry, the consumer goods industry and for Motorola in the telecom industry.

He holds a MS in Software Engineering from the University of Texas and a BS in Systems Engineering from the United States Naval Academy.

His roles in product strategy for a home controls company as well as experience in the utilities industry and the telecom space provides him with very strong qualifications to serve our energy and home controls clients' needs.

## ABOUT PARKS ASSOCIATES

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, energy management, and home control systems and security.

Each year, Parks Associates hosts executive thought leadership conferences CONNECTIONS™, CONNECTIONS™ Europe, and Smart Energy Summit.