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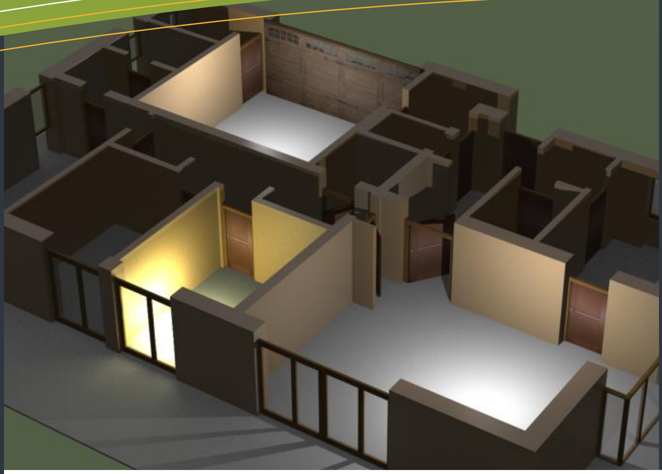

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Integrators and Home Networking

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Each year, Parks Associates surveys installing dealers throughout the U.S. through its ongoing ***Channel and Consumer Monitor*** project, and as we launch our 2010 survey this week, we are taking a look at some of the more prominent trends over the past few years and how they are impacting the dealer market and related industries.

One significant trend has been the rising awareness of home networking, specifically no-new-wires networking technologies as valuable solutions for dealers' businesses. For example, based on our last survey, more than one-half of integrators are familiar with Wi-Fi (based on the 802.11n standard), and 19% are familiar with at least one type of powerline connectivity media (e.g., HomePlug, Powerline HD, HD-PLC).

There are multiple benefits for the installer industry that come from using these solutions, not the least of which is the ability to retrofit existing homes and residences with a home system without tearing out all the walls. This ability opens up new markets for installers, including existing homes and MDUs.

Familiarity is only half the battle, however. When we compare integrator responses from 2008 and 2009 regarding their willingness to use alternative wireless or powerline solutions, we see some lingering reluctance to employ these new technologies for jobs such as multiroom A/V installations. Dealers are generally reluctant to fully embrace these technologies due to the persistent belief that they are not yet mature enough to meet the demands for high-quality sound and video typical of their custom-installation clientele.

In the case of powerline technologies, almost one-fourth of integrators felt that the technology was unable to meet their client's quality expectations. This 2009 finding has moved very little since 2007, indicating a segment of installers is firmly entrenched in its resistance to powerline. Companies in this space have had their work cut out for them to win over these installers. To address this need for more open lines of communication with dealers, and to demonstrate the process of incorporating available connectivity technologies, manufacturers such as NuVo offer integrator resources such as the Renovia Microsite, which features a video demonstration of a system installation featuring Renovia powerline technology. Results of our 2010 survey will show if these efforts have had any impact.

On the other hand, dealer resistance to Wi-Fi is less about meeting client expectations, where only 7% of dealers doubt the media's ability to deliver quality multiroom A/V. Instead, resistance to Wi-Fi revolves more around standardization. One-fourth of dealers in 2009 were waiting for the final standards to become available before trying the technology, and with the 802.11n standard finalized in 2009, our 2010 results will show if that was enough to get these dealers on board with Wi-Fi.

As stated before, both wireless and powerline solutions play a critical role in opening up the retrofit market to dealers. Growth in their renovation businesses will be a significant catalyst to more widespread adoption of "no-new-wires" and wireless networking solutions for entertainment network, home control, and multiroom entertainment installations. Integrators projected that in 2009, 64% of their revenue would be generated through retrofit or remodeling projects. Our survey in the first half of 2009 affirmed this projection. Integrators achieved 62% of their revenue from installations in existing homes, an appreciable increase from 55% in 2008 but not surprising given the state of new-home construction in the U.S. (It is not doing well, and we expect this percentage to increase even more in 2010.)

It is important to note that integrators are not yet looking to powerline and wireless solutions as replacements to traditional Cat5 wiring systems. They view both technology types as good complements to more traditional network connectivity solutions. Over time, as integrators become more familiar and comfortable with alternative connectivity media and as the media become more standardized, this complementary role could easily transform into a replacement role. Wireless and powerline companies need to be ready to move with this market shift, and our 2010 survey will offer important insight into the speed of this transition. Results will show whether dealers remain skeptical of the new technologies or if levels of familiarity and usage regarding powerline or Wi-Fi have spiked, indicating dealers are moving quickly to cover gaps in their businesses created by the down economy.

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, and home control systems and security.

Each year, Parks Associates hosts executive thought leadership conferences CONNECTIONS™, with support from the Consumer Electronics Association (CEA®), and CONNECTIONS™ Europe. In addition, Parks Associates produces the online publication Industry Insights in conjunction with the CONNECTIONS™ Conference series.

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Bill Ablondi is an information technology market analyst with 25 years experience advising computer and related peripheral manufacturers, software publishers, communication service, and Internet providers. He has directed syndicated advisory services and related custom consulting activities for several leading research firms in addition to Parks Associates.

Bill began his information technology career as an engineer and business development manager at Texas Instruments. He holds a BS in chemical engineering from Rensselaer Polytechnic Institute and an MBA from Columbia University with a concentration in management science, emphasizing operations research and finance.

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