



Ignite Your Home-Automation Business

HIGHER MARGINS AND NEW BIDS AWAIT IF YOU CAPITALIZE ON THIS EMERGING MARKET

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QUOTABLE

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HOME AUTOMATION, from lighting control to other low-voltage work, has long been the domain of audio-visual experts as the popularity of multimedia entertainment systems and their varied offshoots soared in luxury home construction.

As a result, electrical contractors, the logical experts for integrating such systems in the backbone of the home, have been partially left on the sideline. But advances in the technology and the perception of the consumer are drastically changing the playing field and

forward-thinking contractors are already preparing to expand into this market.

The sheer size of the potential market ensures growth over the long term and the subsequent opportunity for increased revenue. According to a 2007 study by research firm Frost & Sullivan, the home-automation market was worth approximately \$1.2 billion in 2005 but is estimated to expand to \$2.4 billion by 2012. More importantly, the higher margins that exist for home automation in comparison with more traditional electrical work offers significantly better profits on individual jobs.

The fact is that any low-voltage system in a



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residence can be centralized and automated, from security to sprinkler systems. Moreover, electrical contractors are uniquely qualified to integrate these systems to more traditionally automated elements such as conventional home entertainment, multi-room audio systems, and LAN computer networks.

While the perception of home automation remains big ticket, the advances in technology are drastically changing that reality. The prices for the equipment have steadily decreased with the leaps forward in the technology. Even more important, the usability of systems has dramatically improved—one of the key hurdles for attracting new customers.

“There is a lot of opportunity and new equipment ready to be used, but there just isn’t a lot being done with it,” says Thomas Glavinich, associate professor of the Department of Civil, Environmental, and Architectural Engineering at the University of Kansas.

That, he says, is likely to change in the next few years as more electrical contractors recognize the opportunity the market represents and more homebuyers recognize the substantial benefit of integrated automated systems in their homes—both in terms of economy and ease of use. The biggest hurdle for growth is the customer’s lack of awareness



➤ **The primary challenges for firms expanding into home automation are**

- finding a competent system designer/salesman,
- adding experienced installers and programmers,
- setting up new vendors for the wide array of products,
- keeping up on the constantly changing technology, and
- training existing electricians.

Source: NECA

of the automation’s potential, Glavinich says.

What is more likely to increase awareness is the need for better energy conservation—either due to the recent push toward more environment-friendly building practices or, more likely, the cost savings due to reduced electrical usage.

There has already been a push in commercial buildings along these lines due in part to the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. Since the U.S. Green Building Council (USGBC) introduced the LEED system in 1998, compliance has become commonplace for commercial structures across the United States. Currently, a formal set of energy codes laden with incentives for maximizing energy conservation is available on the side of residential construction.

But, for the most part, electrical contractors have been unable to access the automation market for commercial structures due to the prevalence of proprietary automated systems. Electrical contractors typically serve as subcontractors or seek opportunities with smaller light commercial buildings.

West Side Electric in Portland, Ore., has targeted the home-automation market for several years as a natural offshoot of the company’s expertise in handling high-end residences. “In many cases we were already pulling the wire for these systems so we had a good feel for how they all work together,” says Karl Jensen, president of West Side

Electric. “It occurred to us that if we added the expertise to design, sell, and program these systems, we could increase revenue and take advantage of the higher profit margins on the equipment and programming.”

The subsequent reduction in subcontractors needed to install various systems helped West Side Electric cut costs and maximize efficiency by eliminating the task of juggling multiple bids, facilitating the resolution of scheduling conflicts and slashing the supervisory requirements.

The key to entering the market, Jensen advises, is finding the right niche to get a toehold and developing the expertise to meet the challenge of established audio-visual companies with solid brand names. Training existing personnel and hiring staff with specific expertise is critical to success, complicated by the challenge of integrating the distinct cultures of audio-visual experts and traditional “pipe and wire” electricians and finding a way to support one another.

The resources for training are already available through the National Joint Apprenticeship Training Committee (NJATC), which has taken the lead in integrating home automation into its electrical training. The investment in training will pay off down the road as the advantages of the market become more apparent. “If a contractor has the ability to put together all of the above mentioned pieces, then there is a huge opportunity for increased revenue,” Jensen says. ⚡