HVACR insights-



Capturing Opportunities in the Smart Home Market

BY BILL ALDERSON

he home of the future no longer brings to mind the space-age abode that the Jetsons' called home. A new, more approachable "smart home" has emerged in cities of all sizes across the United States and abroad thanks to the growing home-automation market, which is comprised of a number of players—both established brands and startups.

According to a February 2014 report from Juniper Research, a mobile-industry analyst firm, revenues from smart-home products and services should reach \$71 billion by 2018. Similarly, a January 2014 report by Allied Research found that the global smart-homes and buildings market is expected to grow at a compounded annual growth rate (CAGR) of 29.5% between 2013 and 2020.

Smart homes appeal to homeowners of all walks of life, allowing users to automate everyday tasks ranging from checking that the garage door is closed, to turning on the coffeemaker in the morning, to unlocking the front door from anywhere.

While convenience might be the initial attraction to smart homes, the highest potential for the home automation market is greater homeowner energy savings via devices that help users monitor energy consumption. By far the biggest opportunity for such energy savings lies in smarter management of heating, cooling and water heating, which together consume 65% of a home's total energy use according to the U.S. Energy Information Administration.

Understanding the homeautomation landscape

The Nest Learning Thermostat was the first to overhaul the design of the common heating and cooling thermostat in decades, creating significant awareness of the impact of HVAC on energy costs. Its early entrance to the market is likely part of the reason Google acquired the Nest technology in January 2014, at a cost of \$3.2 billion.

Nest isn't the only player in the HVAC home automation marketplace. Tenured thermostat manufacturer Honeywell recently unveiled its Lyric smart thermostat, a rival to Nest's product. Rheem also offers EcoNet, an integrated air and water comfort system that connects WiFi-enabled Rheem and Ruud heating, cooling, water heating and pool/spa heating systems into a single network that can be controlled at home or remotely via a free mobile app. They are joined by Wink, a home-control and automation software company, offering smart-thermostat and mobile app options that connect a large number of products including HVAC systems, water heaters, locks, lighting, security cameras and more.

Some of the world's leading technology companies also have a significant stake in home automation. Apple's Home-kit will support connected gadgets in homes with iOS-based devices. In August 2014, Samsung acquired SmartThings, which also allows homeowners to sync smart-home appliances using a mobile device, and in September 2014, Logitech extended its Harmony Smart Control to include a new mobile app to control connected devices. Experts also predict that home automation will be a significant topic discussed at this month's Consumer Electronics Show in Las Vegas.

Opportunities for HVAC/ plumbing contractors

As more brands invest in smart home technologies and products, HVAC and plumbing contractors can apply their expertise in installing and servicing energy-intensive products to become increasingly valuable home automation consultants to homeowners. Smart appliances designed to track and deliver usage statistics and data help homeowners better manage their energy consumption, but they also benefit contractors by providing more accurate, time-stamped diagnostics for servicing.

Today, a homeowner can call a contractor with an exact product error code and the contractor can arrive on-site with the right tools to complete the job in shorter timeframes. Soon, contractors can expect smart HVAC and water heating products to communicate with them directly—sending a push notification to a mobile device when a customer's equipment triggers an error code. Contractors can then proactively call the homeowner, alert them to the situation and schedule a service call.



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Data may soon be made available to send usage alerts directly to contractors, allowing them to monitor a device's lifecycle or note when it's approaching a service milestone. The increased convenience, speed and accuracy offered by such advantages will likely lead to more maintenance agreements between contractors and homeowners purchasing smart-home-enabled products, and may also boost new equipment sales.

Contractors that can educate homeowners on WiFi-enabled HVAC and water heating products and their accompanying apps will have an advantage among smart-home consumers. Essentially, with the proliferation of smart hubs and apps that connect WiFi-enabled HVAC and water heating systems comes the proliferation of opportunities for contractors to become key partners in creating, connecting and maintaining these devices as part of whole-home automation systems.

Training and education

Considering the evolving home-automation market, contractors looking to stay competitive need to keep abreast of major changes and learn about tools that can position them to better educate homeowners. Staying in touch with equipment manufacturers that produce smart products for the HVAC and water heating industries and distributors will help ensure a healthy flow of regular information. In addition, keep a look out for training opportunities—both

online and in-person—from manufacturers as well as groups like RSES in 2015.

However, some of the best training is hands-on experience. That's why it's a good idea to purchase new home automation products as they become available. This way, a team of contractors can interact with and use these technologies in a real-life setting. This first-hand interaction can yield valuable anecdotal insights to prospective customers, thereby asserting your expertise and authenticity.

Plus, contractors should stay current with major news that affects home automation, and discuss customer-driven questions and trends with equipment suppliers. Distributors can then take these insights back to manufacturers to see how indemand products and technologies can be integrated into new platforms to better meet contractors and homeowners' needs.

Capitalizing on the opportunity

With a multi-billion dollar market emerging in smart-home products, contractors can harness this opportunity for profitability. As with all new technologies, customers adopt change at different paces. Educated service technicians and contractors can share their experiences with and knowledge of these new products, ultimately better serving early-adopters while providing the information necessary to drive interest and decision-making in later-adopters.

Equipment manufacturers that offer the most effective products and training can help spur demand from an increasingly aware homeowner market to drive both sales and service contracts for distributers and contractors alike. Together, HVAC and water heating manufacturers and industry professionals can capitalize on the opportunities presented by home automation, while delivering smarter comfort for their customers.

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