

**2007 Business Development Strategy
Leadership Award**
Award Recipient: Adapt Control Solutions

2007

FROST & SULLIVAN

Business Development Strategy Leadership Award

AWARD DESCRIPTION

The Frost & Sullivan Award for Business Development Strategy Leadership of the Year is presented each year to the company that has demonstrated excellence in business development within the industry. The Award recognizes the company's ability to best perceive consumer needs, develop products and/or services that meet consumer needs, successfully introduce products or services to the industry, and identify new market segments to expand the existing customer base. Through a combination of vision, technology, and successful marketing, the Award recipient has demonstrated superior market growth skills.

RESEARCH METHODOLOGY

To select the recipient of this Award, the analyst team tracks all the major participants in the industry, paying close attention to their business development efforts. This process includes interviews with the market participants and suppliers, along with extensive secondary and technology research. The companies' business development efforts are then analyzed based on the number of new customers, new segments, and commitment to business expansion. Industry participants are then ranked based on the predetermined measurement criteria. The Award recipient is ranked number one in the industry.

MEASUREMENT CRITERIA

In addition to the methodology described above, there are specific criteria used in determining the final ranking of industry competitors. The recipient of this Award has excelled based on one or more of the following criteria:

- Market penetration and market share growth in existing market segments
- Development of new applications for existing products
- Market share position in new market segments
- Number of new customers
- Participation in industry trade groups with goal of expanding market potential
- Establishment of programs which allow its partners to grow, thereby improving its own performance
- Increases in customer loyalty

**I. Market Overview/Key Challenges**

Home automation systems can have a profound impact on life inside the home. Benefits include increased energy efficiency, convenience, comfort and security. Home automation systems can raise the lights as you walk to the bathroom at night; vary the climate in different parts of the home over the course of the day; even transform a lounge into a home cinema at the touch of a button. The possibilities are almost endless.

The European home automation market was \$232.6M in 2006 with over 50,000 systems installed. However with 160M existing homes in Europe and approximately 1.5M new homes constructed each year there is huge potential yet to be tapped.

Though historically a product for the rich and glamorous, home automation is creeping into the main stream with a growing presence in new property developments. The market is characterised by rapid expansion, high fragmentation and numerous new entrants. Industry participants have diverse backgrounds and include manufacturers of electrical distribution components, audio-visual components and industrial automation and control systems.

Technical change is rapid with developments in associated markets and industries such as building automation, information communication technology and consumer electronics quickly adopted. For example wireless communication protocols are being utilised to reduce installation costs, media servers are being used to provide distributed entertainment and the internet is providing remote control through online portals.

For the market to reach its true potential a number of Key challenges must be addressed. These include reducing the overall cost of systems, raising awareness of the benefits of home automation and developing effective sales and distribution networks.

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II. Award Categories & Relevance

With a large number of market players, competition is intensifying but costs particularly installation costs remain relatively high. This is partly due to each system requiring customisation to each different house and user. However it is also caused by the product being very young in evolutionary terms with a large variety of products with different functionality from a diverse range of manufacturers. With such diversity in system design and relentless technological development in closely related industries there is great opportunity to improve costs and functionality and drive the market forward.

Sales and distribution channels are also of great importance given the complex nature of home automation systems. Dealers require excellent product knowledge, business development and technical skills. They are also key in raising awareness through first hand demonstration of the possibilities of home automation to potential consumers.

For the European home automation market to continue to grow innovative companies are needed to develop new competitive products to push down costs, increase product functionality and develop effective sales and distribution channels to deliver new products to the market. This future depends upon successful product innovation and business development strategies.

III. Award Recipient

According to research conducted by Frost & Sullivan, the last three years has seen Adapt Control Solutions successfully develop and implement strategies to expand its presence in the European home automation market. From a modest start in 1998 as a systems installer Adapt has developed its own unique product, the Adapt Home Controller and in the last 3 years has established a significant market presence growing rapidly and successfully competing with established companies. This profound

growth is anticipated to continue as Adapt maintains its aggressive growth strategies and expands into new national marketplaces.

Identifying a New Opportunity

While building custom solutions for its clients, Adapt realised that there was substantial opportunity for a home automation controller that was competitively priced, easy to program and easy to use. To meet this demand and carve a new market segment for itself, in 2006 it launched the Adapt Home Controller. Combining its controller with technology from strategic partners including lighting components from Lutron and audio-video components from Elan, Adapt delivers systems that are not only cost effective but also provide functionality similar to the systems of the most prestigious manufacturers.

Meeting customer requirements

The Adapt Home Control system has all the functionality that is currently possible from a professional home automation system - Distributed video and audio; control of HVAC (Heating, Ventilation and Air Conditioning), lighting, shutters and blinds; even remote control and programming via the internet. The system is particularly user friendly. Not only does it have a clear and intuitive graphical interface but it allows the end user to independently create personalised programs. For example, it is possible for the user to create their own lighting scenes or create a time sequence of events for a morning routine by recording macros. Importantly, this can be achieved without a visit from a qualified programmer. Adapt systems also employ a combination of wired and wireless technology, utilizing the benefits of each, depending on the application. For example, wireless communication is employed for control panels and lighting systems that reduce the footprint of the installation, whereas wires are utilised in audio-visual distributions systems to ensure reliability and quality.

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Sales and Distribution

Adapt has from its base in Oslo, Norway expanded into Sweden, Ireland, Bulgaria and the UK, a key country in the European market. From this base of 10 outlets it is well on its way to achieving its target of 100 within five years. It is currently setting up a distribution centre in Amsterdam and has set its sights on expanding into Spain, Germany, France and Greece, other rapidly growing markets.



Figure I. Adapt's Penetration in the European Home Automation Market.

This expansion is being achieved through an effective marketing plan including considerable presence at trade shows, such as the T3 smart home show in March 2007 at the National Exhibition Centre in the UK, and membership of the Custom Electronic and Design Installation Association (CEDIA). Adapt has also been very selective in the establishment of a network of dealerships helping to

maintain quality while enjoying rapid growth. Adapt ensures that its partners have an appropriate skills base and commitment to adopt its business philosophy. In return, they join a close and supportive organisation where training, support and healthy margins are given. This has resulted in an exclusive distribution channel providing quality service to all clients.

IV. To Conclude

In the last two years Adapt has shown remarkable growth penetrating the European home automation market through successfully developing and implementing innovative business development strategies. Impressively, the company has developed its own hardware, the Adapt Home Controller; provided tailored solutions to meet specific customer needs and is continuing to expand its network of high quality distributors. All of which will contribute to Adapt further establishing itself in the European Home Automation Market.