

DHL Newsletter

The DHL Newsletter presents an overview of initiatives on the wireless connected home market which might have impact on the business development initiatives of many others. In total 9 initiatives are given of which 3 are from the US: Staples, Amazon, and Google. The US initiatives show how the US market is ahead of Europe, how aggressive bigger players develop this market and how important partnerships are. The Newsletter has 10 paragraphs:

Management summary

-  **Deutsche Telekom:** an initiative of a leading European service provider
-  **Philips:** an initiative of a global OEM company focused on one vertical “lighting”
-  **Samsung:** an initiative of a global OEM company with the biggest OEM ecosystem of products; in Europe partner of Deutsche Telekom
-  **Staples:** a US initiative of the top office-supply company in the world and the second largest internet retailer after Amazon
-  **Amazon:** a US initiative of the biggest global online retailer
-  **Saturn/Media Markt:** the first small initiatives of the biggest European CE retailer
-  **HomeWizard:** an initiative of a Dutch start-up of 2011
-  **Apple:** their initiatives within their Amsterdam flag store shop
-  **Google:** internet company to buy Nest Labs for \$ 3.2 billion; Nest Labs is a 2010 start-up OEM company

Management summary

- ❖ Initiatives of the following companies are presented: Deutsche Telekom, Philips, Samsung, Staples, Amazon, Saturn/Media Markt, HomeWizard, Apple, and Google.
- ❖ The initiatives are from service providers, global OEM companies, retailers, and internet technology companies.
- ❖ The most important aspect of many initiatives is to create an extensive ecosystem of as well products as partners.
- ❖ A lot can be learned of the three US examples: Staples, Amazon, and Google.
- ❖ European companies entering the market should be aware of the threads of (US) competitors.
- ❖ The market was a hot topic in Las Vegas on the CES 2014. The market for such devices is estimated to hit \$10 billion this year, growing to \$44 billion by 2017, according to wireless industry group GSMA (growth rate of 60%).
- ❖ The initiatives show no hesitation about the growth rate.
- ❖ For 2014 the decisions/successes of DT (a leading SP), Saturn/Media Markt (a leading retailer), and Samsung (the leading global OEM company) will have an enormous impact on all other players who are investing to get their part of the market share.

Deutsche Telekom (DT)

DT has announced the most impressive ecosystem of partners to develop their connected home solution. They created a new company: Qivicon – the platform for the Smart Home. They indicate 12 different industries/verticals engaging in the smart home: energy, heating/climate, home appliances, trade, home automation, photovoltaics, window/door, telecom, consumer electronics, security/monitoring, health, awning/sun shading

These industries have some common key drivers: differentiation, customer loyalty, growth, advanced remote maintenance, cost efficiency, customer demand. With Qivicon they create a partner-ecosystem. Some of the partners are: Samsung, Miele, EnBW, D-Link, Bitron, and eQ-3. Via the Qivicon newsletter they announced that at the end of December 2013 the first smart home packages are offered to the consumer. These packages are sold by some of their partners: Bitron Home, EnBW, and eQ-3. Of course you can get them also online via Qivicon.

It seems till now that they have not engaged with a retail partner. Will Saturn/Media Markt become their European partner? During the CES 2014 DT's partner "Samsung" announced their own strategy. How will the relationship between Qivicon and Samsung develop in 2014? Will DT be able to export their model to other European countries in 2014?

Philips

Philips is an important player on the global verticals lighting and medical equipment. They develop many lifestyle products and sold their CE activities. We focus on their initiative to develop the market for their unique new lighting product HUE. This product adds a lot of new value to home lighting. Control your lighting from iPhone and iPad, easy-to-install wireless bridge, high-quality bright white light, tune whites and colours, and create light settings based on favourite photos. Their starter packages are part of many of the presented initiatives: Saturn/Media Markt, Amazon, Apple (as from DEC 2012) and Staples. Staples is selling via in-store displays and is able to demo the added value of this new product. Moreover: it is part of a huge ecosystem of products. It seems as if Philips has a lot of first mover advantages with their HUE product. Thanks to a successful B-2-B business development initiative.



During the CES 2014 in Las Vegas Samsung presented their plans to develop the wireless connected home solutions market. One of the comments in the US is added below:

Samsung keen to become the Smart Home platform provider

Newswire
January 15, 2014

For service providers who are still thinking about whether to expand into the Smart Home market, there was a reminder at International CES that there are powerful device makers ready to create the software platforms that will support Smart Home applications on their own equipment and interoperate with other manufacturer brands. Samsung is one of the CE giants that wants to create its own apps/services ecosystem based around Samsung Smart Home, launching on its own devices but later in partnership with third-party device and appliance manufacturers.

This is important news for all European service providers with initiatives this year to enter the market. Should you partner with Samsung or not? DT has done it already. Is Samsung looking for more European SP's partners?

Samsung announced themselves that the Samsung Smart Home brand and the product logo will be unveiled at CES 2014. They confirmed that the Smart Home service will be commercially rolled out across Samsung devices in the first half of the year. Further, the company has also revealed plans to collaborate with partners to expand their service.

The Smart Home's functionality will offer users to control and manage the home devices through a single app by connecting personal and home devices including refrigerators, washing machines, smart TV's, digital camera's, smartphones and the wearable Galaxy Gear device through an integrated platform and server. It will provide three services: 1- device control: customized settings on their devices to monitor and control home devices, 2- home view: real-time views of the home via built-in camera's in appliances, 3- the smart customer service feature: users will be notified about their appliance's servicing requirements, and provider assistance in after-sales servicing.

Commenting on the announcement, Wonpyo Hong, President, Media Solutions Centre, Samsung Electronics said, "With Samsung Smart Home, we are bringing our capabilities as the world's number-one manufacturer of smart devices to make the connected home a reality for consumers today. In the coming days, we will continue to roll out better home services to our consumers to enable them to keep enjoying a brand-new experience of 'Smart Living and Beyond'."



Another important aspect of this initiative is that they are supported by the 2014 Samsung marketing budget of 14 billion dollars. Which other company has that budget? Or: if you can't beat them, join them.



Staples

Staples announced in September their Staples Connect initiative. It went on sale in November in Staples stores or online. At launch it was planned to have 20 devices in stores and a few hundred compatible products at the online store. That list should grow to thousands and the customer will be able to get their hands on the system at in-store kiosks to get an idea of how it all works.

On the CES 2014 in January they announced with Zonoff a broad expansion of the connect home and office automation program (Zonoff is a company that develops technology that connects the Internet of Things to everyone). They presented many new ecosystem partners, support for additional wireless protocols, and the opening of a Manhattan in-store display on Broadway. Industry leaders in both new and existing categories have recognized the excitement around Staples Connect and have agreed to actively integrate and promote the system. Among the partners are: Philips, Lutron, Linksys, Honeywell, GE, and many others not known in Europe. The platform will expand support for Zigbee, Bluetooth and Insteon based products. Already supported protocols are Z-wave, Lutron ClearConnect and Wi-Fi.

“We envision a home in which open standards like WiFi, Z-Wave, ZigBee, Bluetooth and others work seamlessly alongside traditionally proprietary standards like Lutron's Clear Connect,” said Zonoff CEO Mike Harris. “Zonoff’s unique approach creates a single point of control for the customer while respecting, and leveraging, the individual brand experiences within the broader ecosystem.”



Amazon

Amazon announced a new home automation store in September 2013. Mike Strauch, director of Amazon Tools & Home Improvement, explains some aspects of this initiative. The store includes more than a thousand products. The store brings together products from Electronics, Computers & Accessories, Camera & Photo, and Tools & Home Improvement, into a one-stop information and shopping destination where customers can easily discover and purchase products to manage and automate their homes and lifestyles remotely. We have created new educational tools such as videos and buying guides so customers have easy-to-understand information that will help them more easily determine which products will be most useful to them. We will continue to make improvements to the customer shopping experience and add more products and features to the store in the future. We have heard from customers that having one place to search and discover home automation items –from lighting and security to temperature control and entertainment systems- was important. We are seeing tremendous growth in this category and are very focused on making sure our customers have all of the information and tools needed to make informed purchase decisions. We have a team of Home Automation specialists and enthusiasts that are constantly researching the category on behalf of our customers and watching for emerging trends.

Saturn / Media Markt

Without doubt EU biggest CE retailer will become an important player within the wireless connected home market. Till now the shops in The Netherlands don't show any compelling solutions. At the end of 2013 in Germany two OEM companies offered their solutions in the Berlin shop. Philips HUE and the Gigaset DECT products. They are sold without impressive demo's, but seem to be very popular. Gigaset offers a starter kit of € 199,99 with the following elements: base station, door detector and motion detector. The sales slogan is: "Seien Sie auch unterwegs immer informiert was bei ihnen zuhause passiert". You can add a siren to the starter kit of € 49,99. If you want to add lighting you have to add again a base station (HUE Bridge) to your WIFI router. Compare that to the Staples wireless solution.

HomeWizard

The European Space Agency has an incubation program and HomeWizard is one of the results. The company started up in 2011 and their first products were launched in The Netherlands in 2012. They focus on bringing value for money wireless connected home products to the market. Because they can extend the range of products very efficient and at low costs they can add more and more products to their own ecosystem.

They offer themselves B-2-C their ecosystem of products to the consumers. This is a unique business model. They have a successful campaign with TV commercials, which continues during this year in The Netherlands. The following verticals are within their ecosystem: home automation, security, lighting, and energy. The Philips HUE products will be added coming months. Their strategy indicates the weak spot of the European market. Each country needs its own energy and security products. Their set is the broadest in The Netherlands, but because they have an open ecosystem they can easily add new products applicable for other countries.

B-2-B partnerships to help them selling their products are difficult to start, because most partners have difficulties adding value to get enough margin on their sales efforts. Some custom installers sell their products, but need to live with the fact that they don't get margin on the products, and have to earn their money based on the hourly installation rates. Although most of their products are DIY, many people like to pay for assistance with the installation.

Apple

The Apple flag store in the center of Amsterdam offers also some individual wireless products. Philips HUE, a weighing scale (€ 99,95 and WIFI/Bluetooth ready), switch/motion detector for one light (€ 99,95), and a high resolution video camera with wide-angle lens and night vision (slogan: always near your baby : € 249,95). In the Apple shop you can get great demo's of many products (also earphones), but no demo's of these wireless devices. Compare to the Staples example. It seems that Apple is far behind Samsung with creating a wireless ecosystem of products, but in Europe they are at the same level as the other CE retailers.

Google / Nest Labs

Nest Labs is a 2010 start up (by two former Apple executives) connected device maker. It is a poster child for a technology movement known as the internet of things, which is adding sensors, computing and communications technology to make everyday objects more useful. It has two products: 1- a hockey-puck-shaped thermostat that programs itself based on how a user changes the temperature and it can be controlled from anywhere over Wi-Fi; it can also detect, using sensors, when there is no one in the home to lower energy use; the thermostat is in almost 1% of US homes; Nest also generates revenue by working with utility companies to lower energy use during peak usage periods; 2- in 2013 it introduced the Nest Protect smoke and carbon monoxide protector.

Google bought the company for \$ 3.2 billion and yearly revenues of Nest Labs are estimated at \$ 300 million. Goal is to stay ahead of competitors to control the next generation of smart devices, including appliances and doorlocks. It is thought that 50 billion objects worldwide will be connected to the Internet of Things by 2020. It gives Google a head start against tech rivals like Apple and Microsoft.

This last initiative indicates the growth potential of this market and how aggressive US companies develop the market.