

Smart Energy Management Systems: Unlocking Opportunities for Growth



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Executive Summary

- **The Smart Energy Management System (SEMS) market is an important strategic opportunity for electrical distributors**
 - While still in the early stages of adoption, US residential and commercial SEMS market exceeds \$3.5B today and is forecasted to surpass \$8.3B by 2020
 - Market growth is underpinned by strong and accelerating customer demand, and driven by improved solution economics for customers, regulatory compliance, and environmental sentiment
 - Distributors perceive SEMS as critical to their company's success; it is an opportunity for both competitive differentiation and to evolve traditional distributor business models
 - While most electrical distributors are taking some steps to capitalize on the SEMS opportunity, few believe they are executing against a fully-developed strategy
- **Decision-making complexity within the Commercial SEMS value chain requires distributors to adjust their go-to-market approach**
 - Commercial segment represents a \$3.1B opportunity, the majority of which is in new construction
 - SEMS is a component of a larger commercial smart building trend, and requires distributors to respond to new software- and services-oriented competitors
 - Distributors must navigate complex value chains to reach and influence key decision-makers (e.g., developers, architects, engineers)
 - Transitioning to a segment-specific, solutions sales approach that addresses value chain and customer pain points will be necessary for success
- **Residential segment dynamics present additional challenges, but addressing the pain points of contractors and homebuilders will position distributors for success**
 - Residential SEMS segment is substantially smaller than commercial, but is growing rapidly
 - SEMS is part of the larger Home Automation movement, requiring SEMS to integrate seamlessly with other technologies from non-traditional players
 - Distributors can work within traditional value chains to enable contractors and homebuilders to drive customer demand
- **Successful SEMS strategies will require distributors to stretch beyond their traditional capabilities**
 - Electrical distributors must decide which segments to compete in and which to ignore based on their strategic priorities, financial attractiveness, and current customer base
 - For each segment, distributors should define their aspirations and assess their capabilities against best practices on four key dimensions: the clarity of their SEMS strategy, their offerings, selling and influencing capabilities, and partnerships
 - Distributors should then create a roadmap to execute their new SEMS strategy – recognizing that changes will take time