Smart Energy Management Systems: Unlocking Opportunities for Growth
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 service-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