Residential Market Trends

- Bill Ablondi
  - Director, Home Systems, Park Associates

Research, Analysis & Consulting

Parks Associates is a market research and consulting firm…

- focused on digital living and connected home
- the segment leader for 20 years
- validating industry data with primary research

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Markets Researched

- **Home Systems & Controls**
  - Security & Access Control Systems
  - Lighting & Environmental Controls
  - Home Theater & Multi-room Audio
  - Structured Wiring & Advanced Home Infrastructure
  - Other Low-voltage products
- Broadband Access & Internet Services
- On-Demand Entertainment (gaming, music, video)
- Home Networking & Residential Gateways
- Wireless Connectivity
- Multimedia Applications & Digital Entertainment
- Consumer Electronics

Primary Research Conducted

Home Systems Integrators

- 11 surveys since January 2002; next survey this month
- 200 to 400 respondents per survey

Residential Home Builders

- 4Q04 Survey > 400 Builders participated
- 1Q06 Survey > 1,000 Builders participated

Residential Security System Installers/Integrators

- Survey I: Characterizing the Security Dealer Channel
- Survey II: Quantifying Low-voltage Opportunities in the Security Channel (Fall 2006)

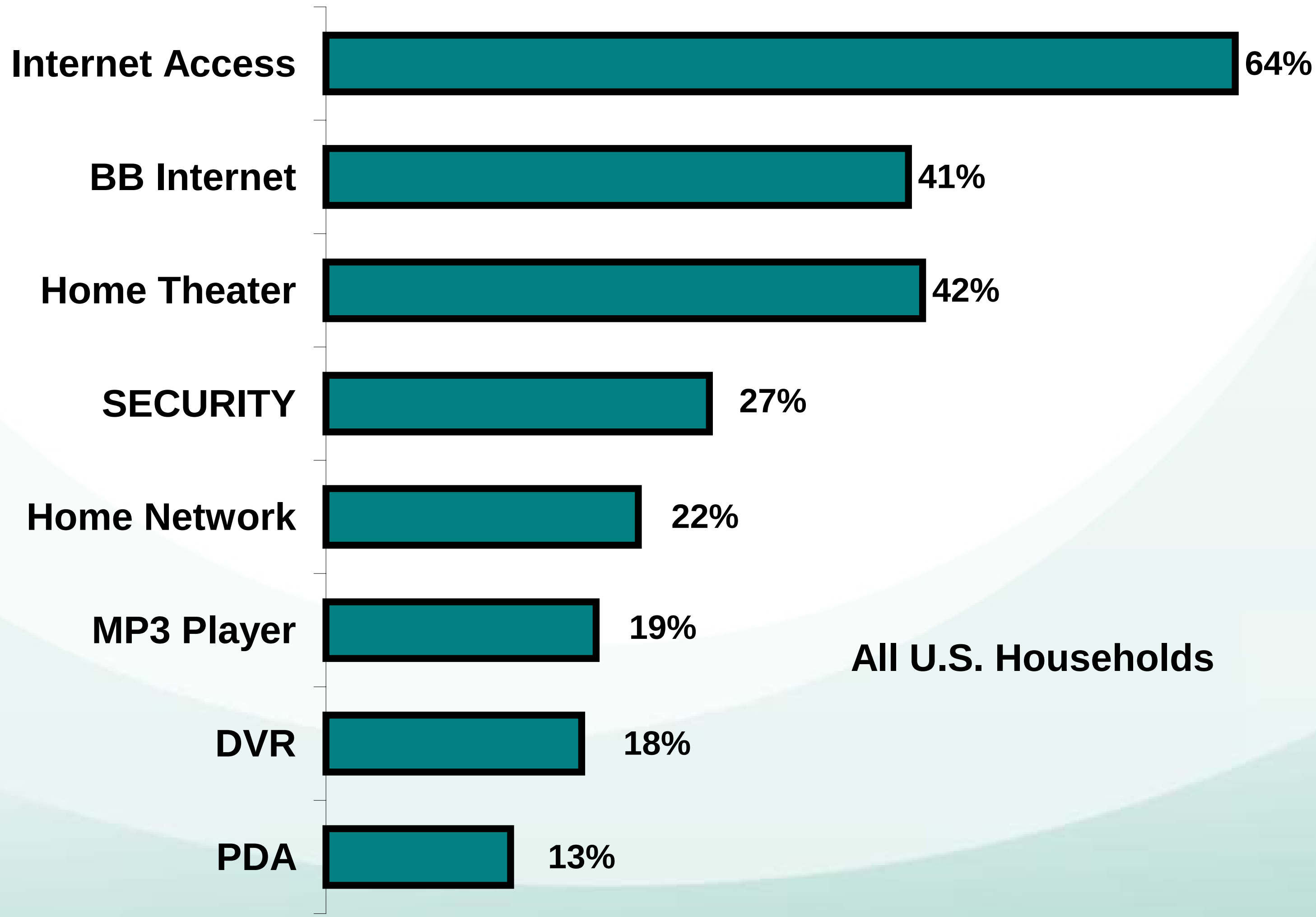
Consumers

- US: ALL Households; Internet HHs; Gamers; etc., etc.
- Global Digital Living: Research in 13 countries

Home System Integrator Research

- Configurations of **Entertainment Systems**; adoption of advanced components
- Probe into **Integration and Installation Processes**
- Adoption of **Internet-connected Audio & Security** systems
- Implementation of **No-New-Wires Networking**
- **Wireless Remote** controls
- **Control Systems**: applications, configurations, technologies employed
- **Certification & Training**
- **Profiles of Dealers' Customers:** demographics, family composition, decision makers/influencers; price sensitivity
- **Media Servers:** brands sold, typical configurations, average selling prices, margins, time to install
- **Integration of iPods and MP3 players** into multi-room audio installations
- **Entertainment PCs**: brands sold, how connected to entertainment/control systems, average selling prices, reasons for offering
- **IT Experience of staff**

Here's Where We Are as of 4Q05



National Technology Scan (2005)

Key Trends

- **Broadband Internet access is becoming pervasive**
- **Online content is challenging all other forms**
- **Consumers want "interoperability"**

BOTTOM LINE

Broadband + Content + Interoperability =

Connected Systems

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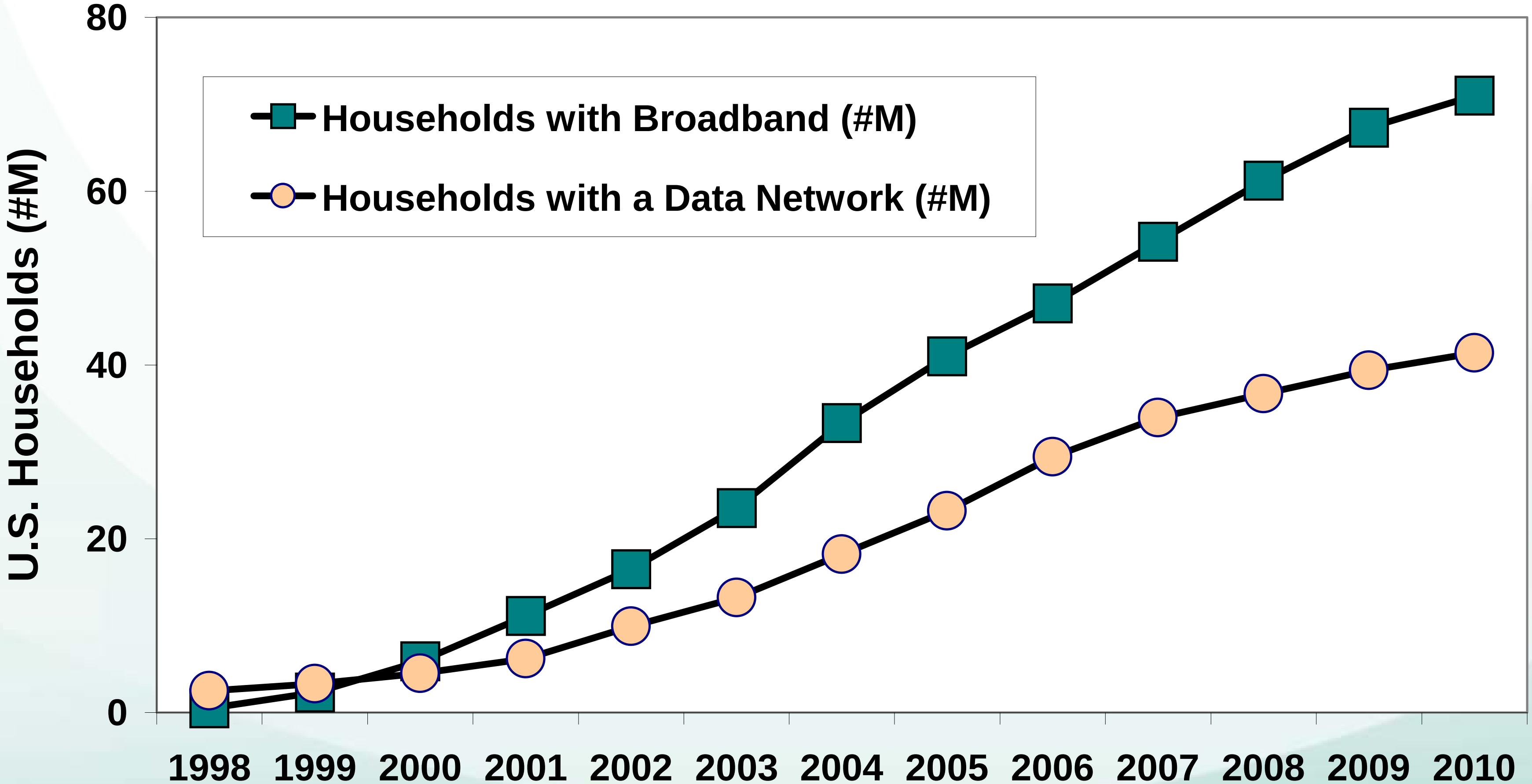
Broadband Adoption Pulls Home Networks



Source : Parks Associates' Research

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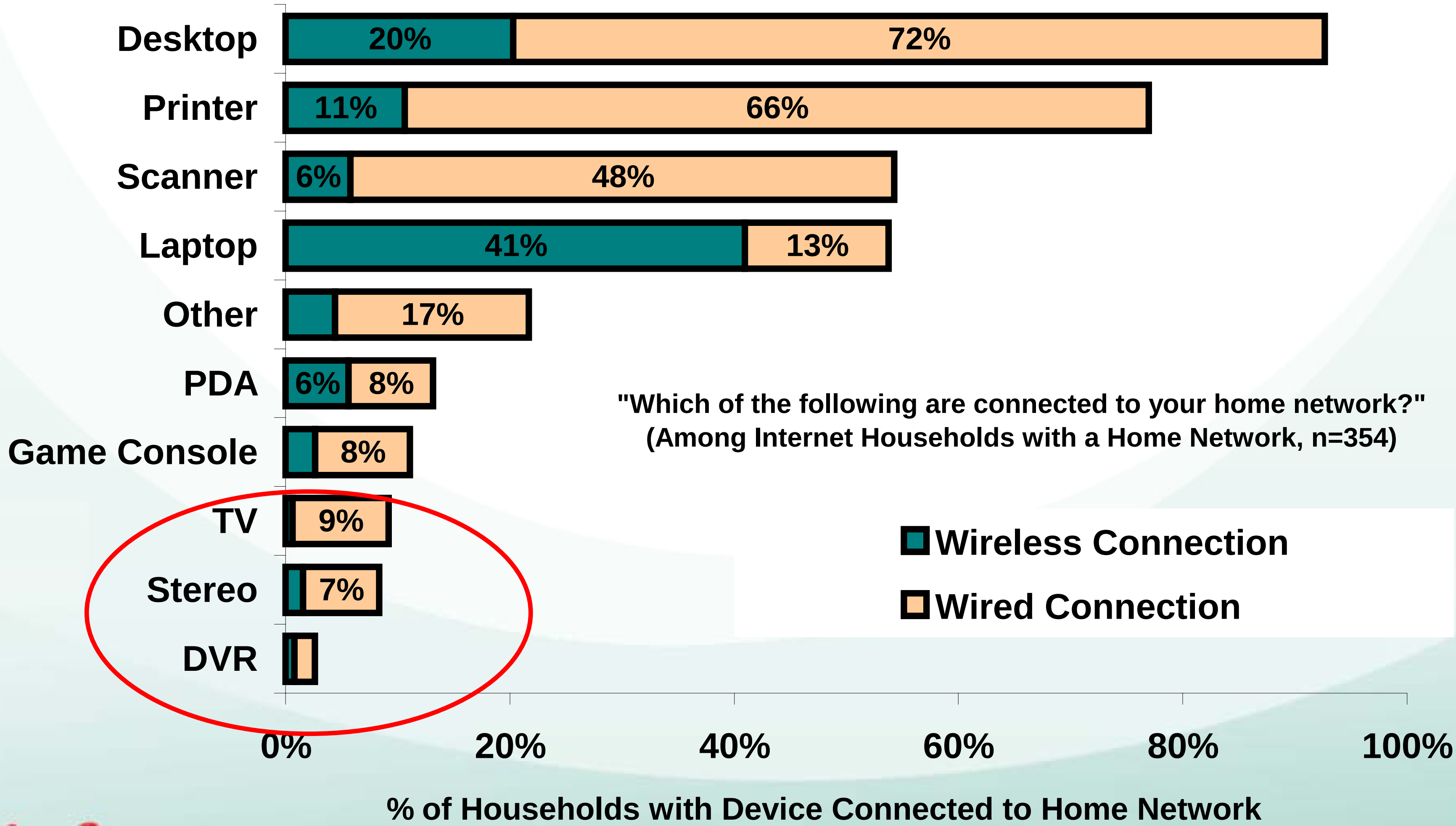
What's Connected to the Network?



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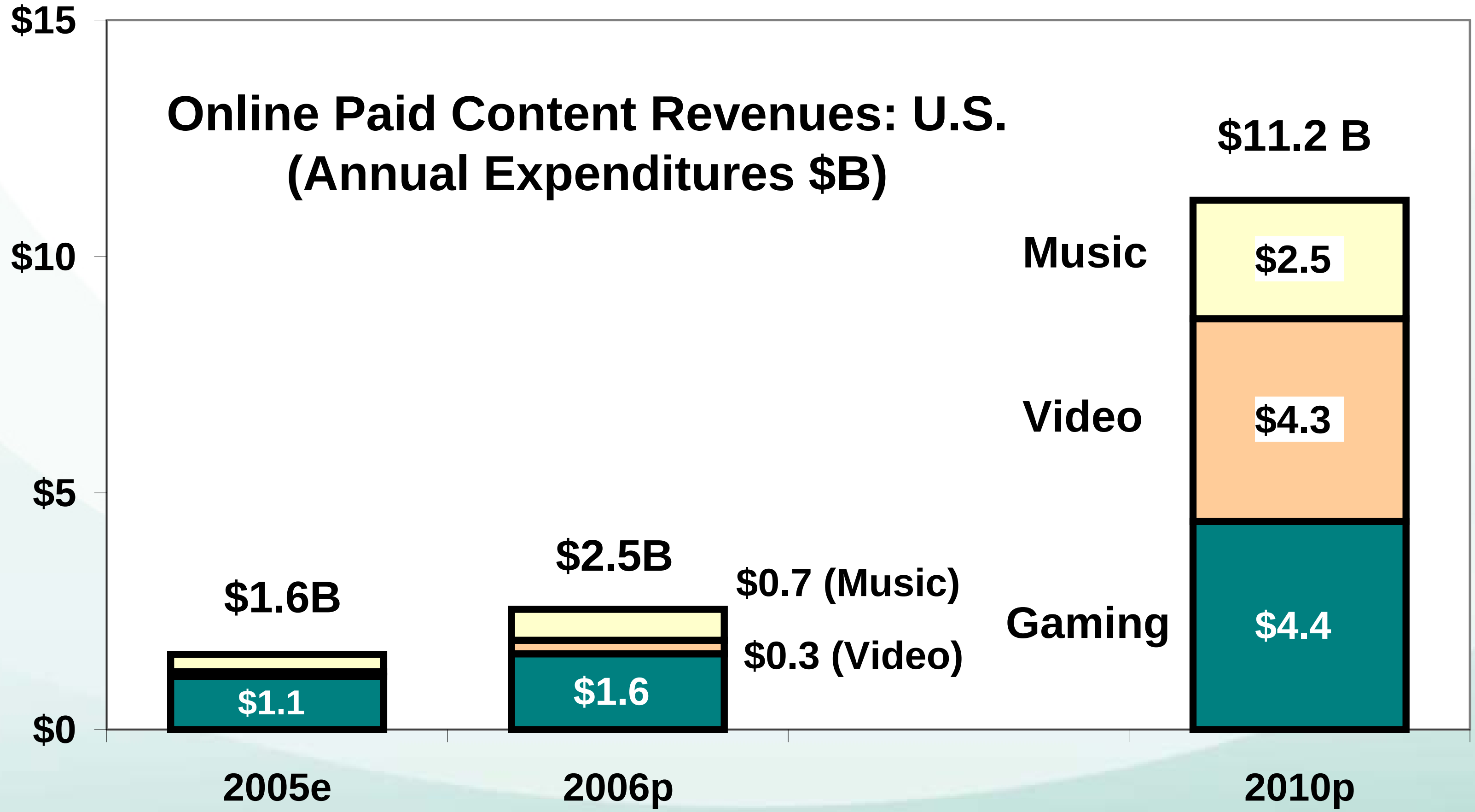
Source: Global Digital Living

Expenditures for Online Content Will Soar



Source : *Digital Lifestyles: 2006 Outlook*

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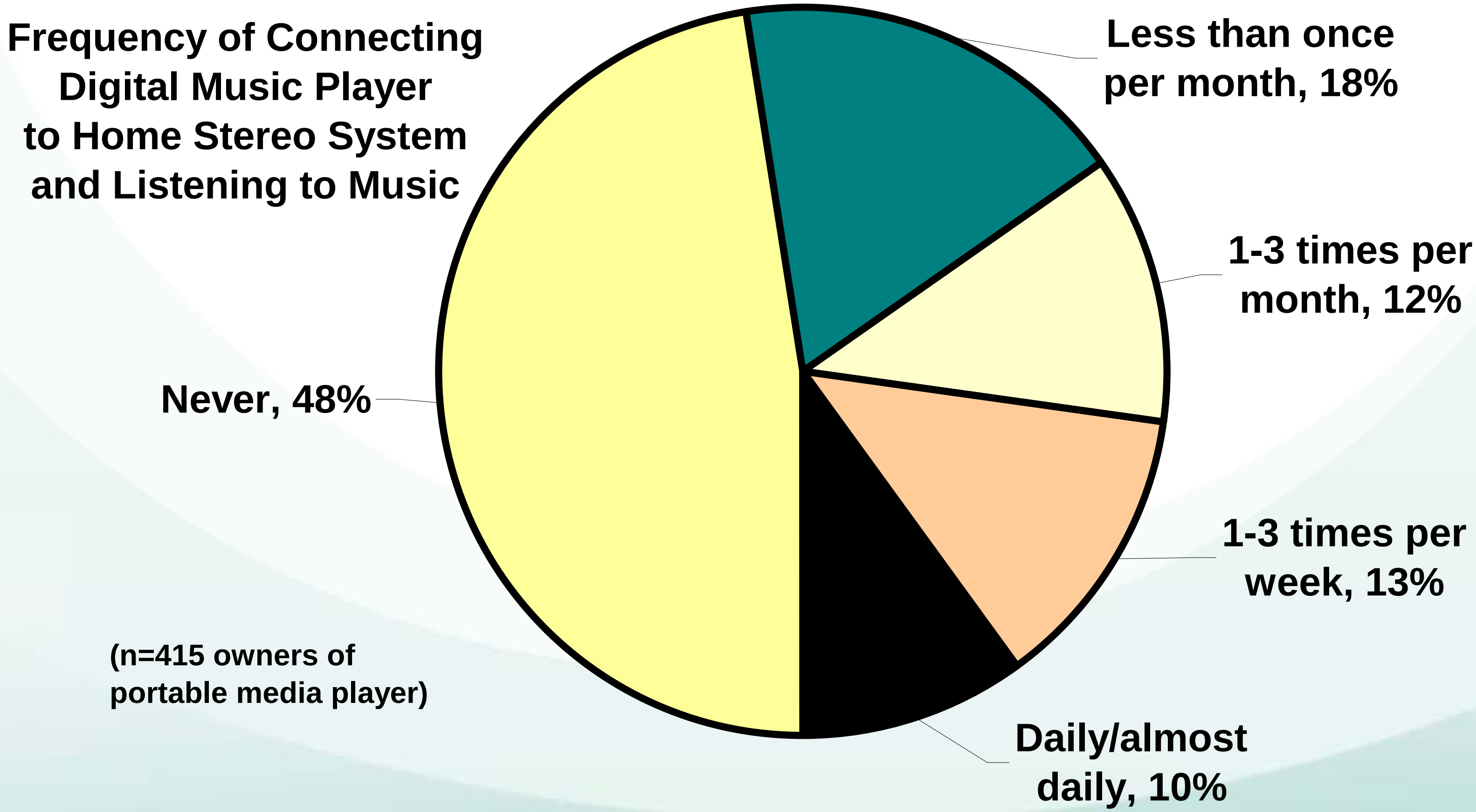
Consumers Are Connecting Digital Devices to Their Legacy Systems



Source: *Mobile Entertainment Platforms and Services,* a survey of 2,112 Internet users

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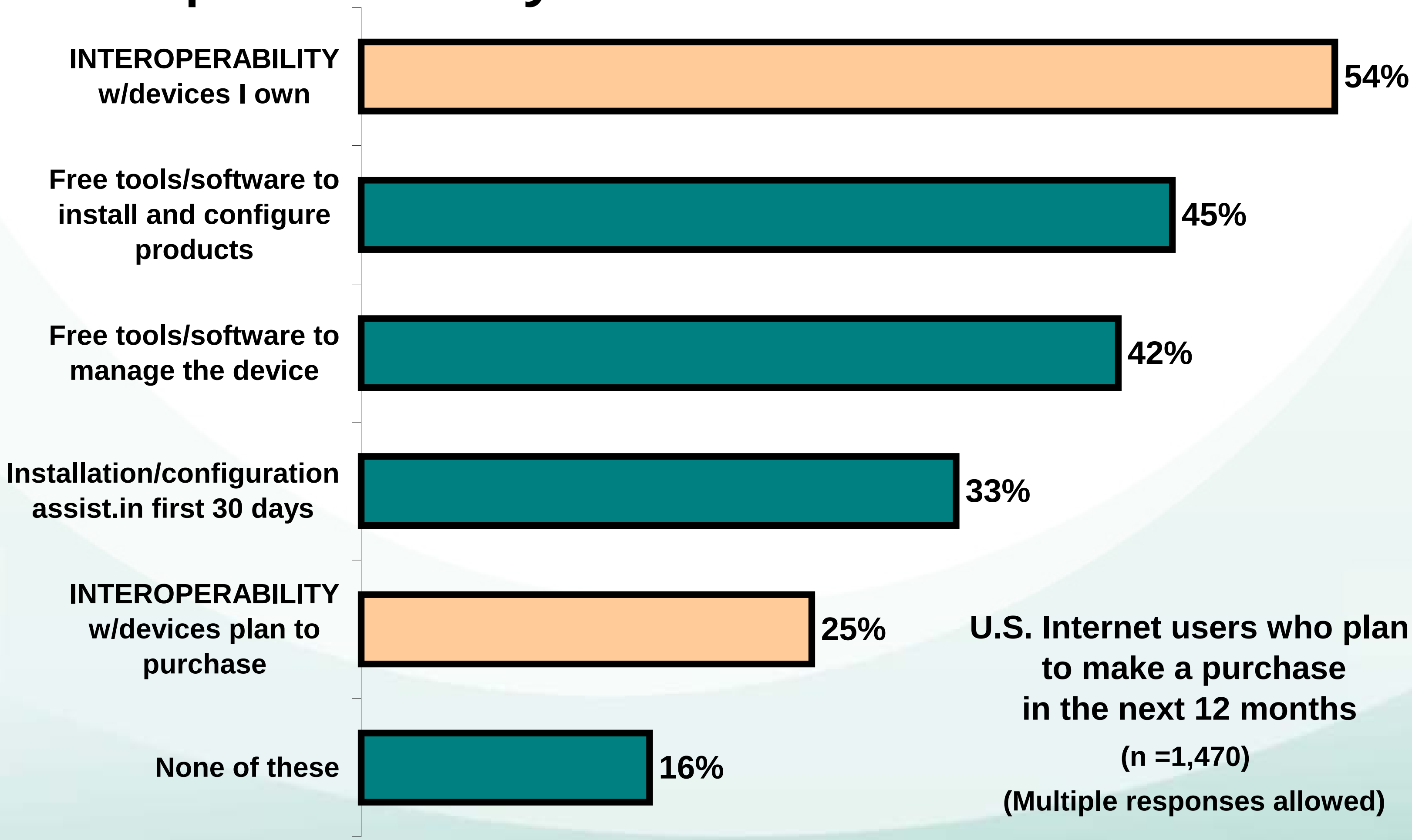
Consumers Are Thinking Interoperability



Source: *Managing the Digital Home* , a survey of 3,400 U.S. home Internet users

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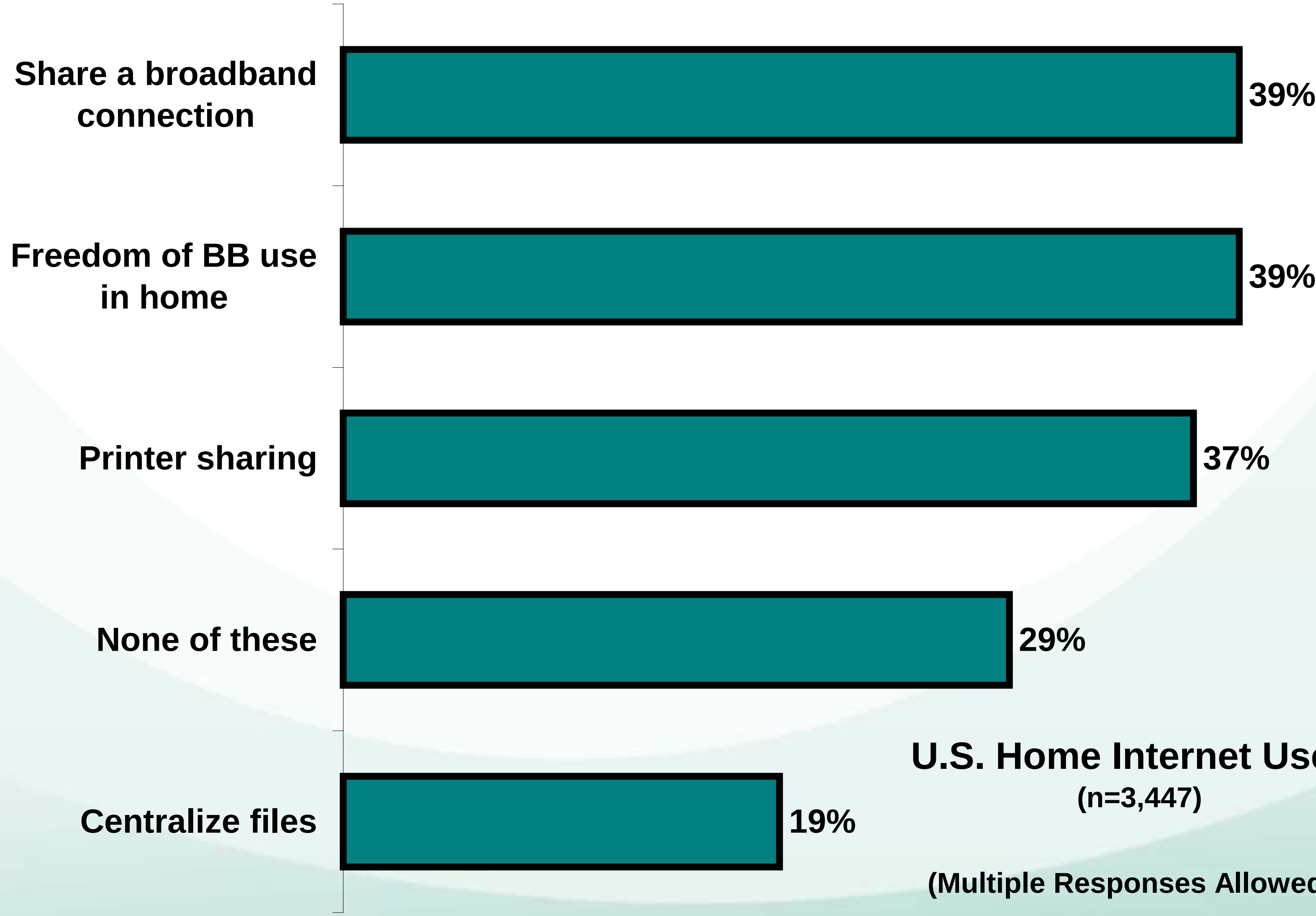
Most Valuable Network Applications

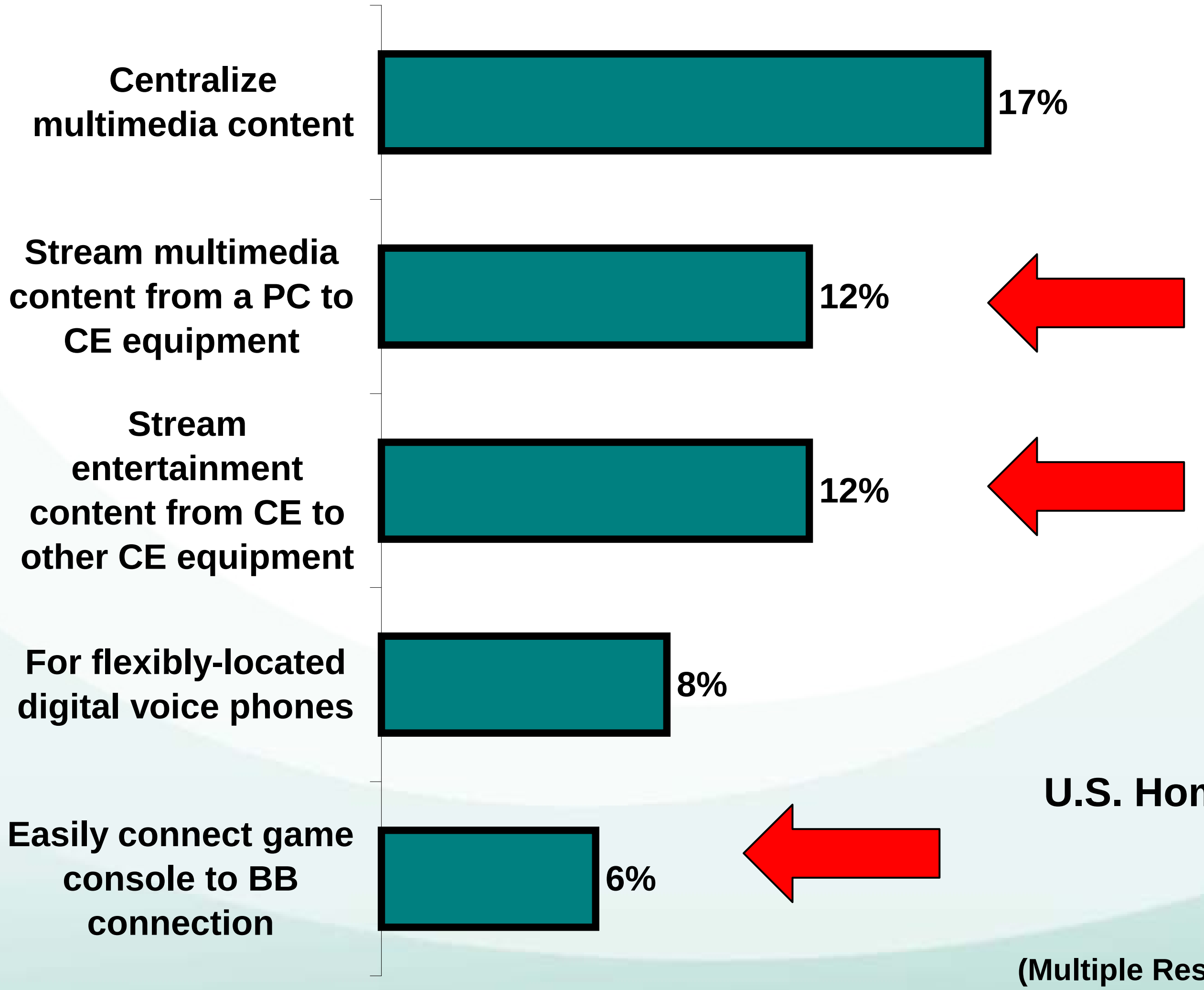


U.S. Home Internet Users
(n=3,447)

(Multiple Responses Allowed)

Source: *Managing the Digital Home*

Most Valuable Network Applications

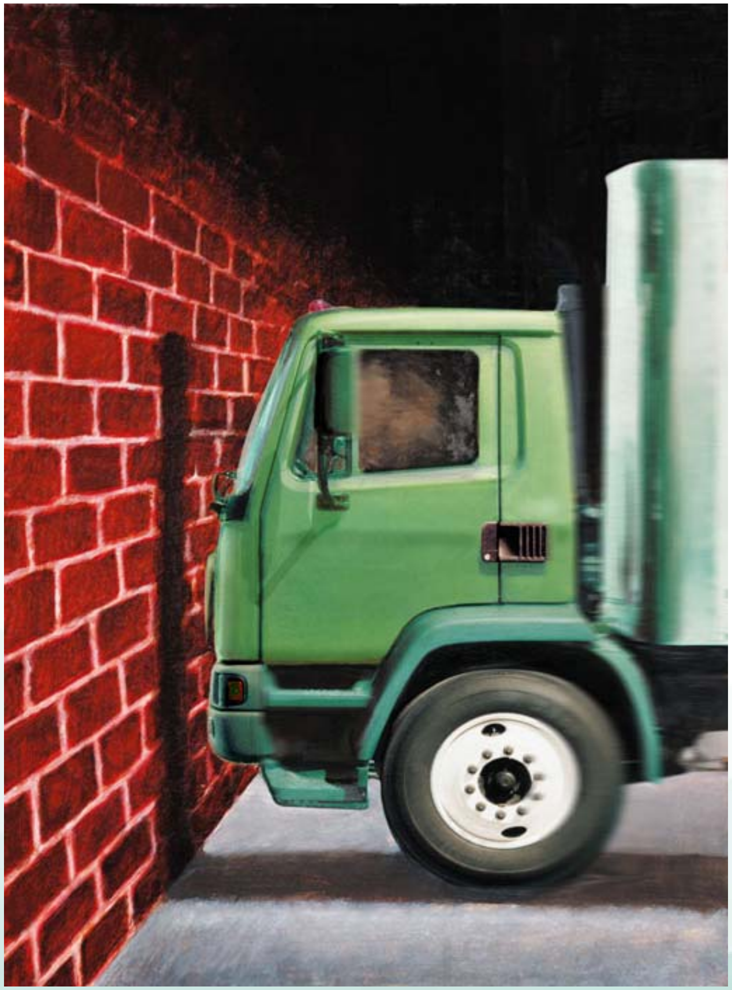


U.S. Home Internet Users
(n=3,447)

(Multiple Responses Allowed)

Source: *Managing the Digital Home*

BUT are we about to hit a WALL…



On the way to the CONNECTED Home?

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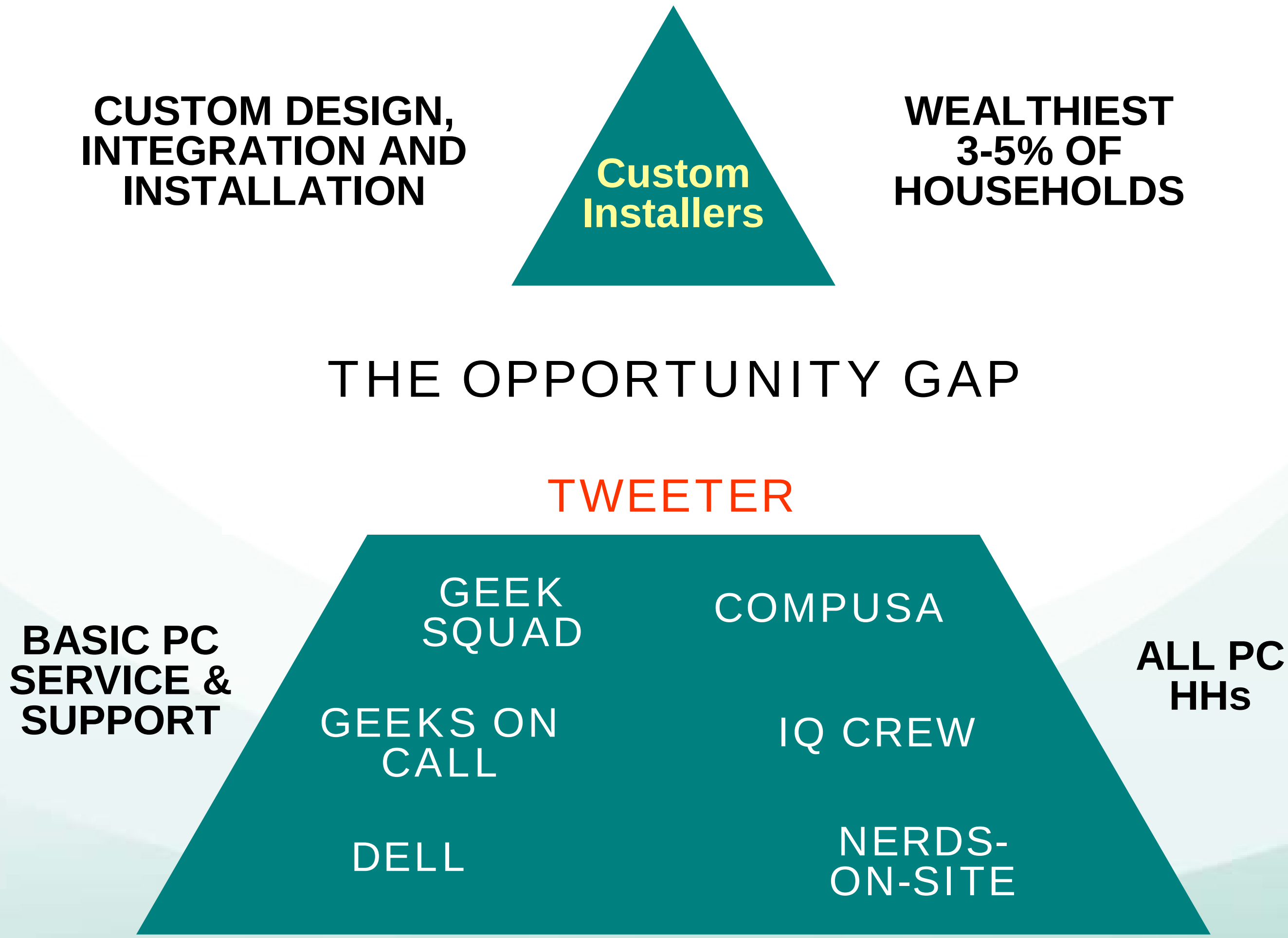
Residential Installation & Support Pyramid



View From the Top of the Pyramid

Channel Revenues

- All categories
- Selected breakouts: Audio, Video

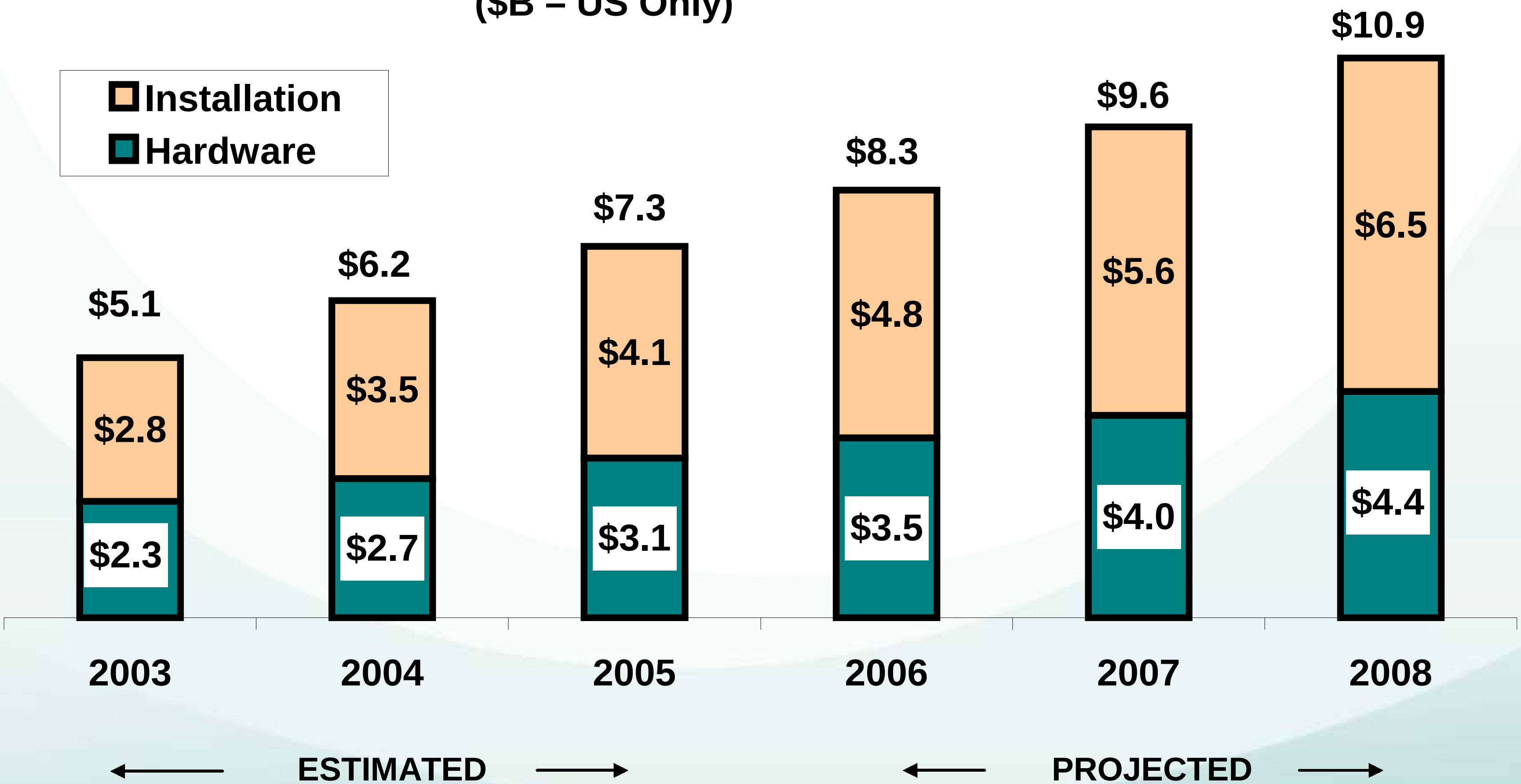
Characteristics of Home System Integrators

- Firmographics
- Product categories sold

Characteristics of Integrators' Customers

- Demographics
- Sales cycle, decision makers, price sensitivity

Breakdown of Revenue*: Hardware vs Installation
High-end Home Systems
($B – US Only)



*Among Installing Dealers Selling into Residential Markets

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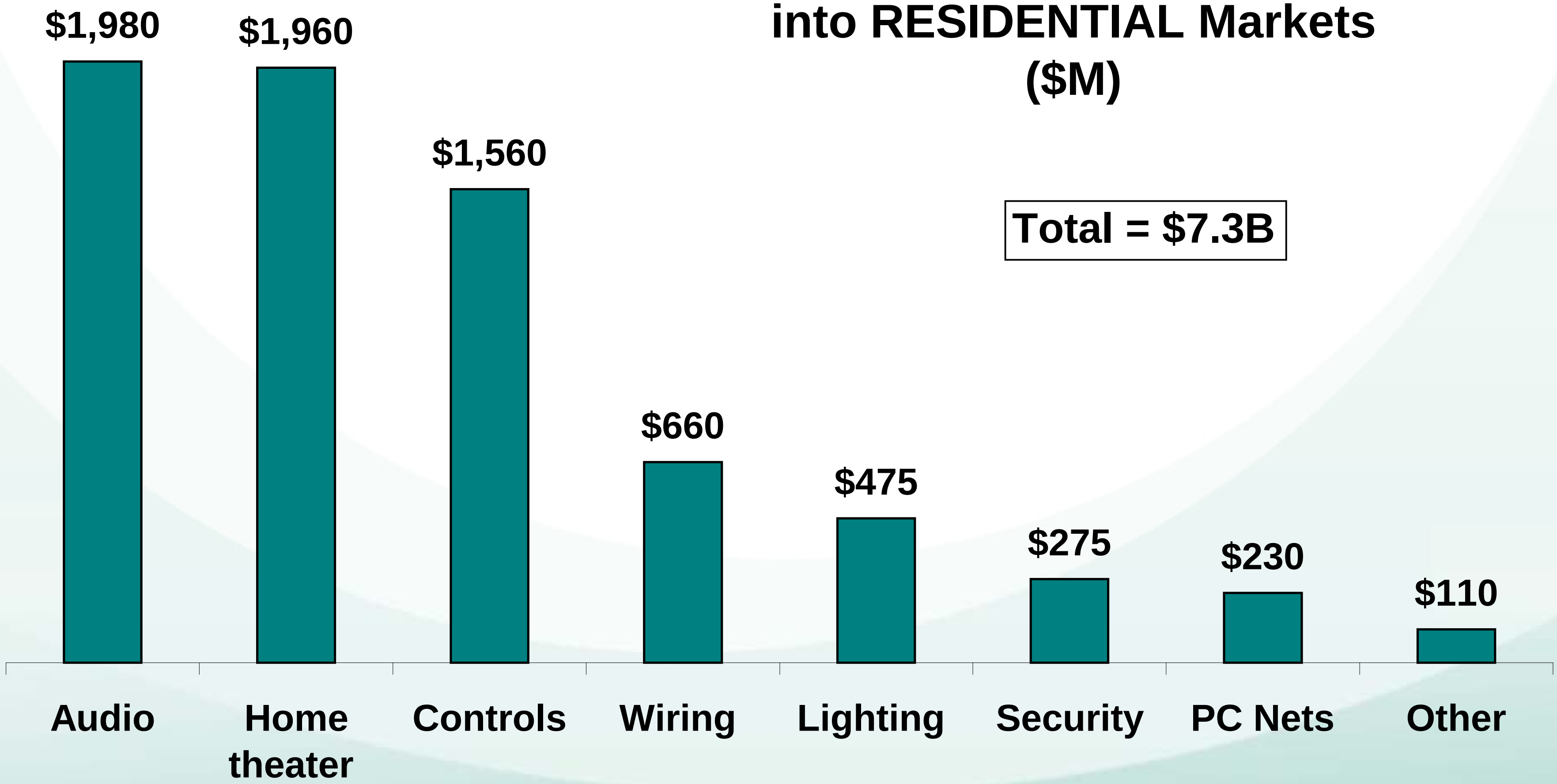
Estimated 2005 Revenues* by Product Category Through Installing Dealer Channel into RESIDENTIAL Markets ($M)



*Includes Installation Revenue

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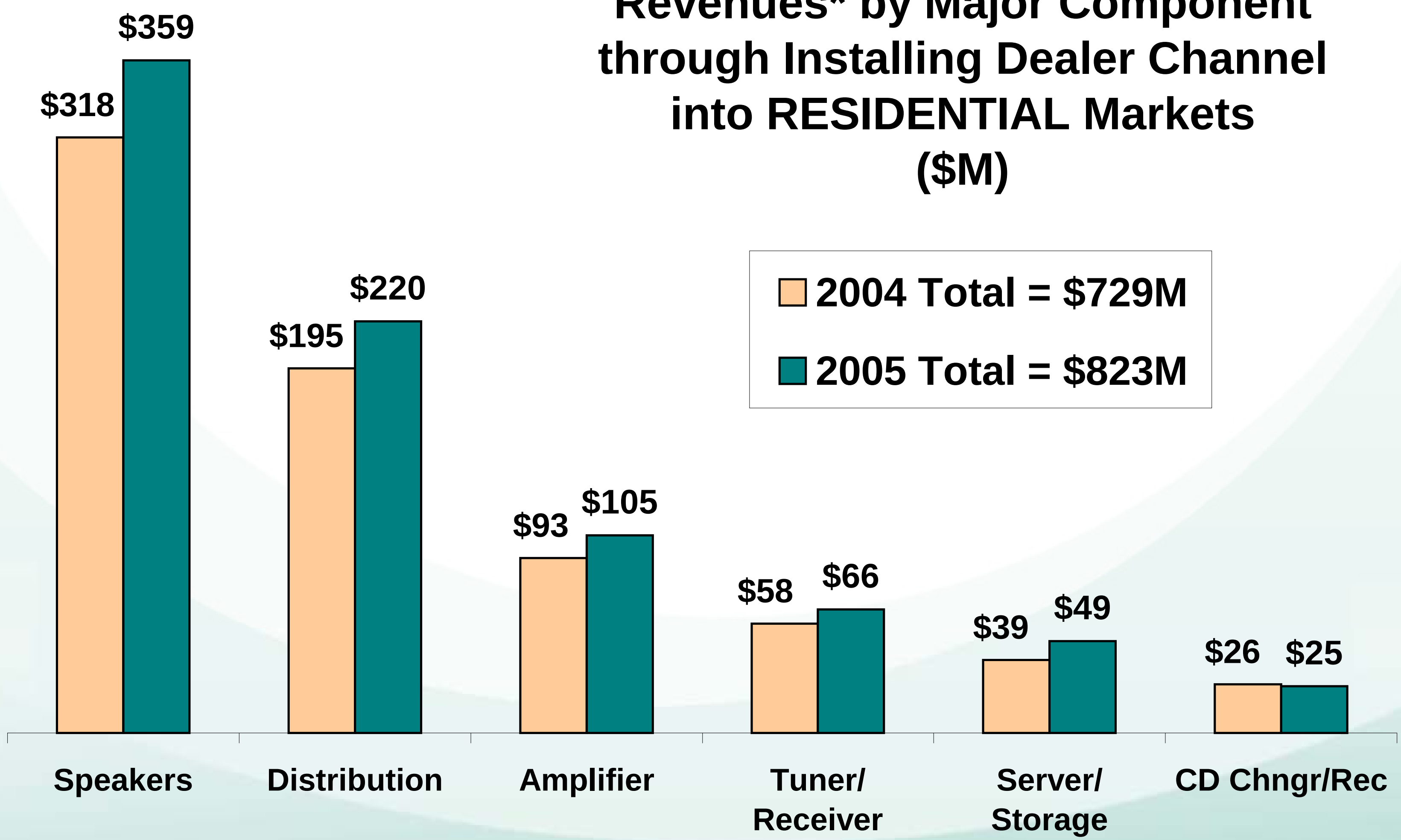
Estimated 2004/2005 Audio System Hardware Revenues* by Major Component through Installing Dealer Channel into RESIDENTIAL Markets ($M)



*Excludes Installation Revenue

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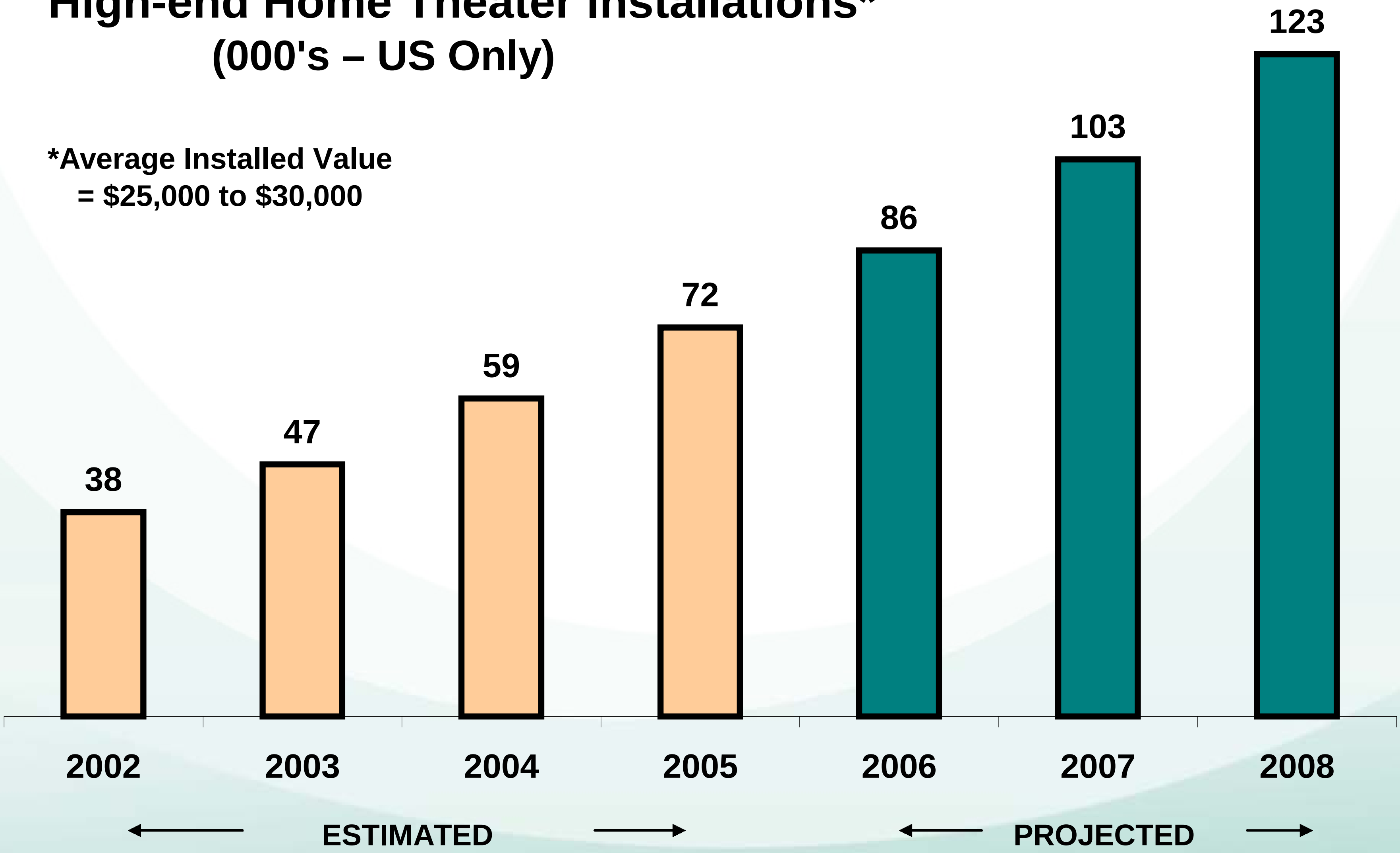
High-end Home Theater Installations*
(000's – US Only)

*Average Installed Value
= $25,000 to $30,000



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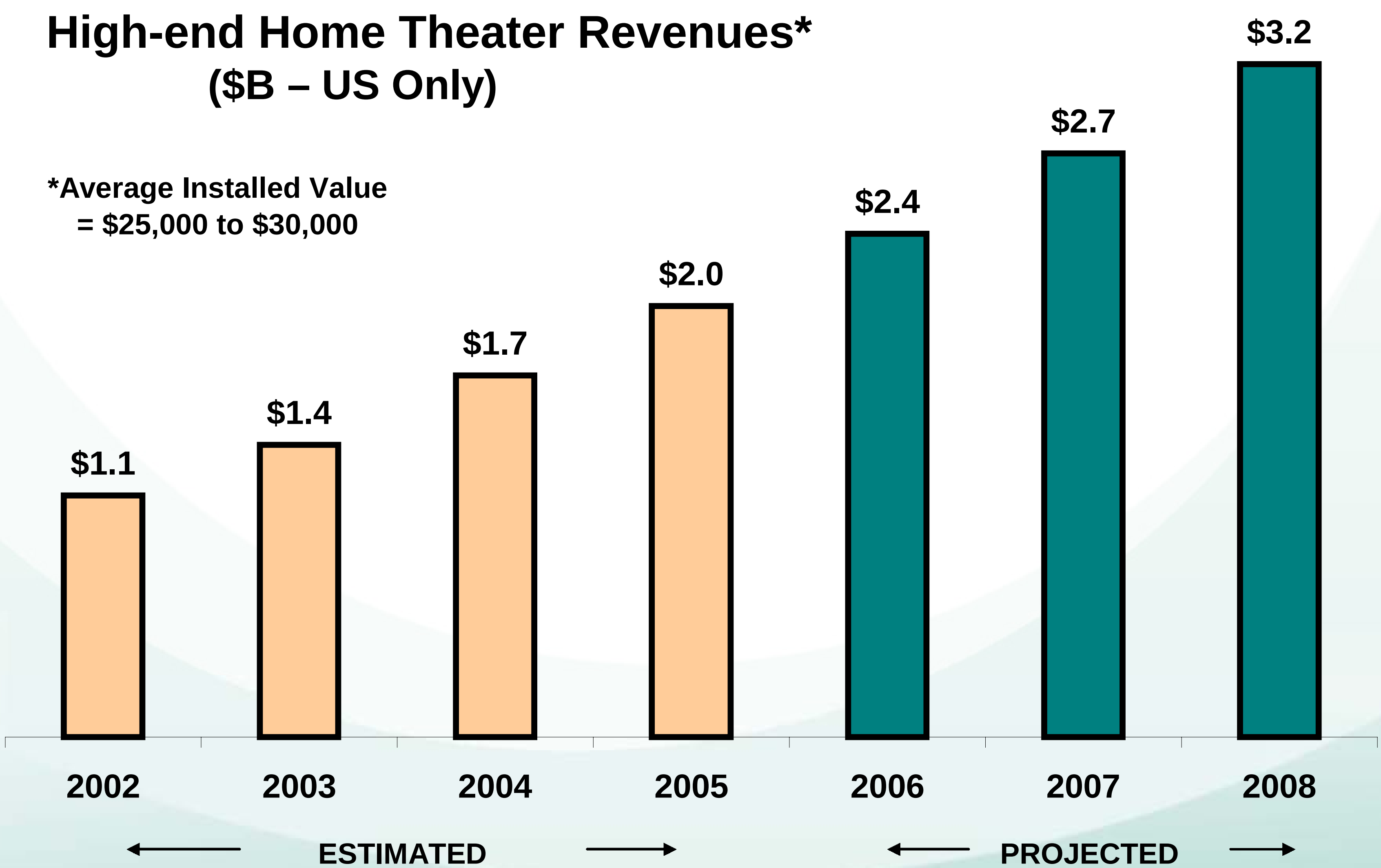

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View From the Top of the Pyramid **(Continued)**

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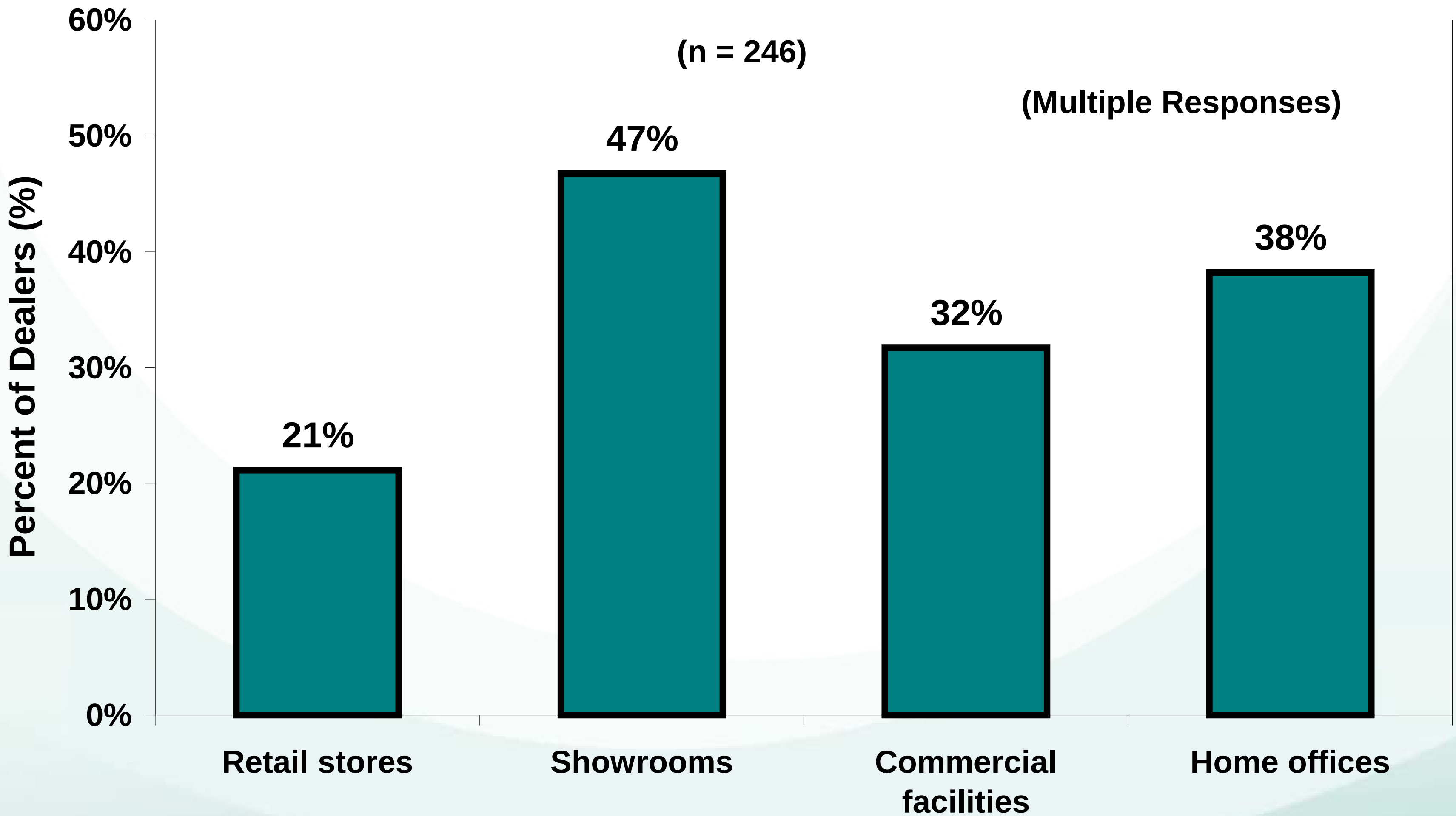
Types of Business Locations Operated



Source: Installing Dealer ePanel -- 2Q05

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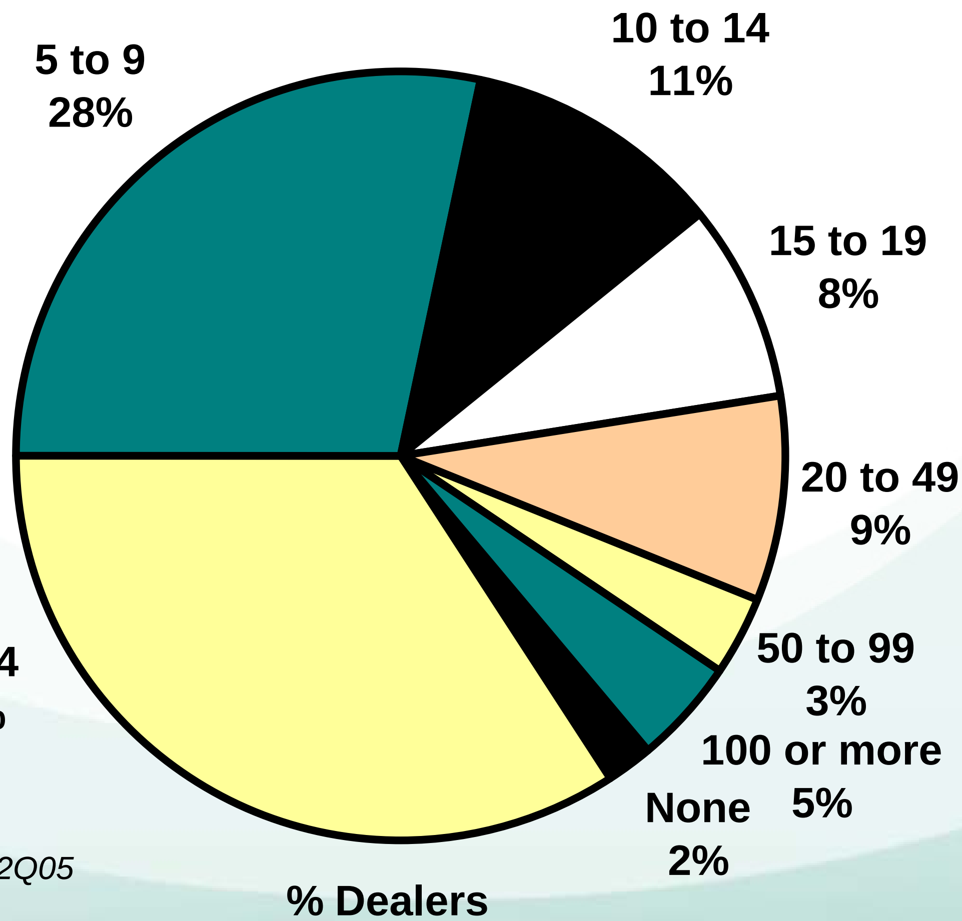
Number of FULL-TIME Employees

(n = 244)



Median = 5 to 9

Source: Installing Dealer ePanel -- 2Q05

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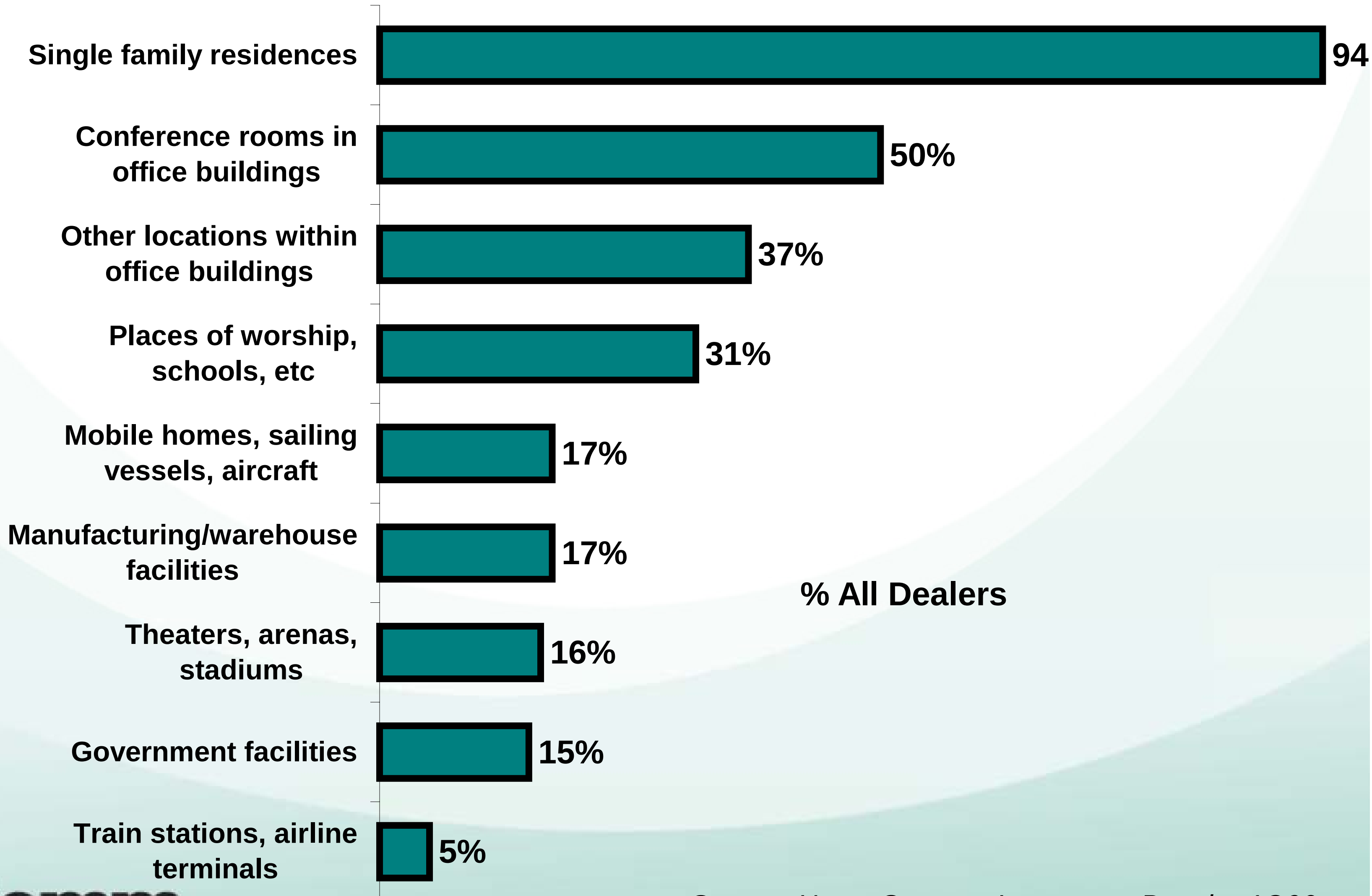
Type of Locations/Facilities in Which Dealers Install Systems

(Among all dealers, n=344)



Source: *Home Systems Integrator ePanel -- 1Q06*

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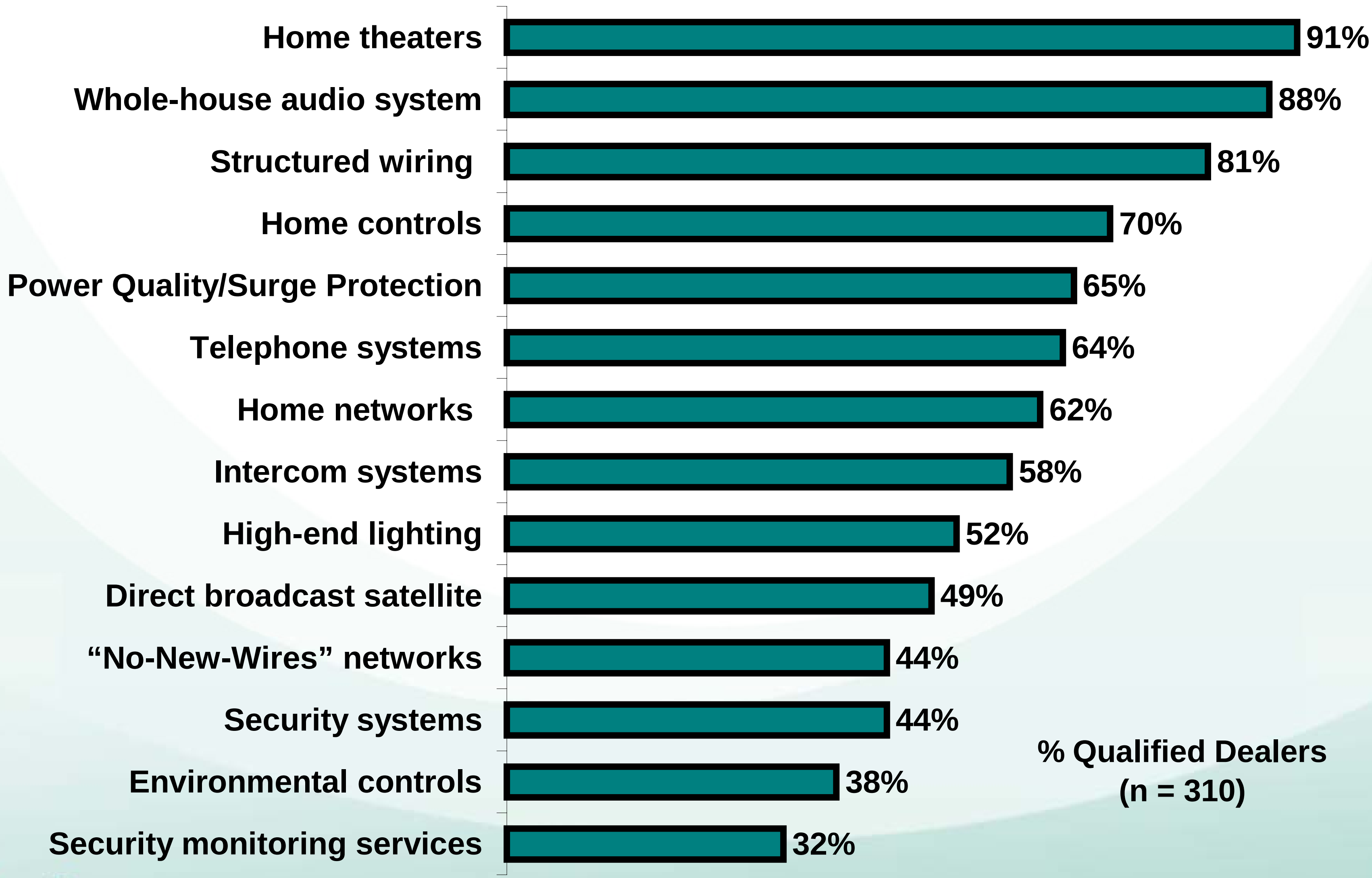
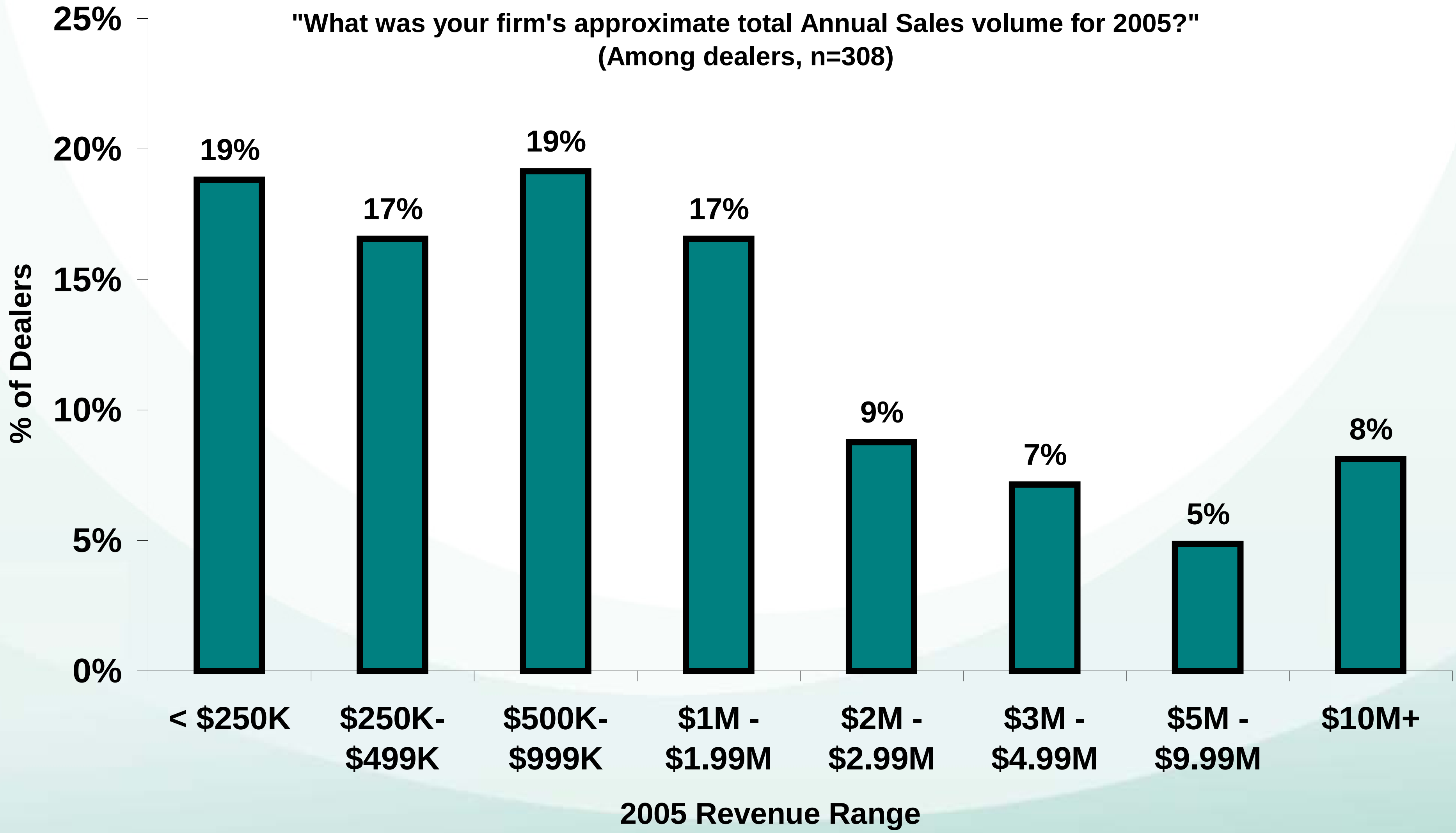
Percentage of Dealers Installing Product Category



Source: *Home Systems Integrator ePanel -- 1Q06*

Dealers' Total 2005 Revenue



Source: *Home Systems Integrator ePanel -- 1Q06*

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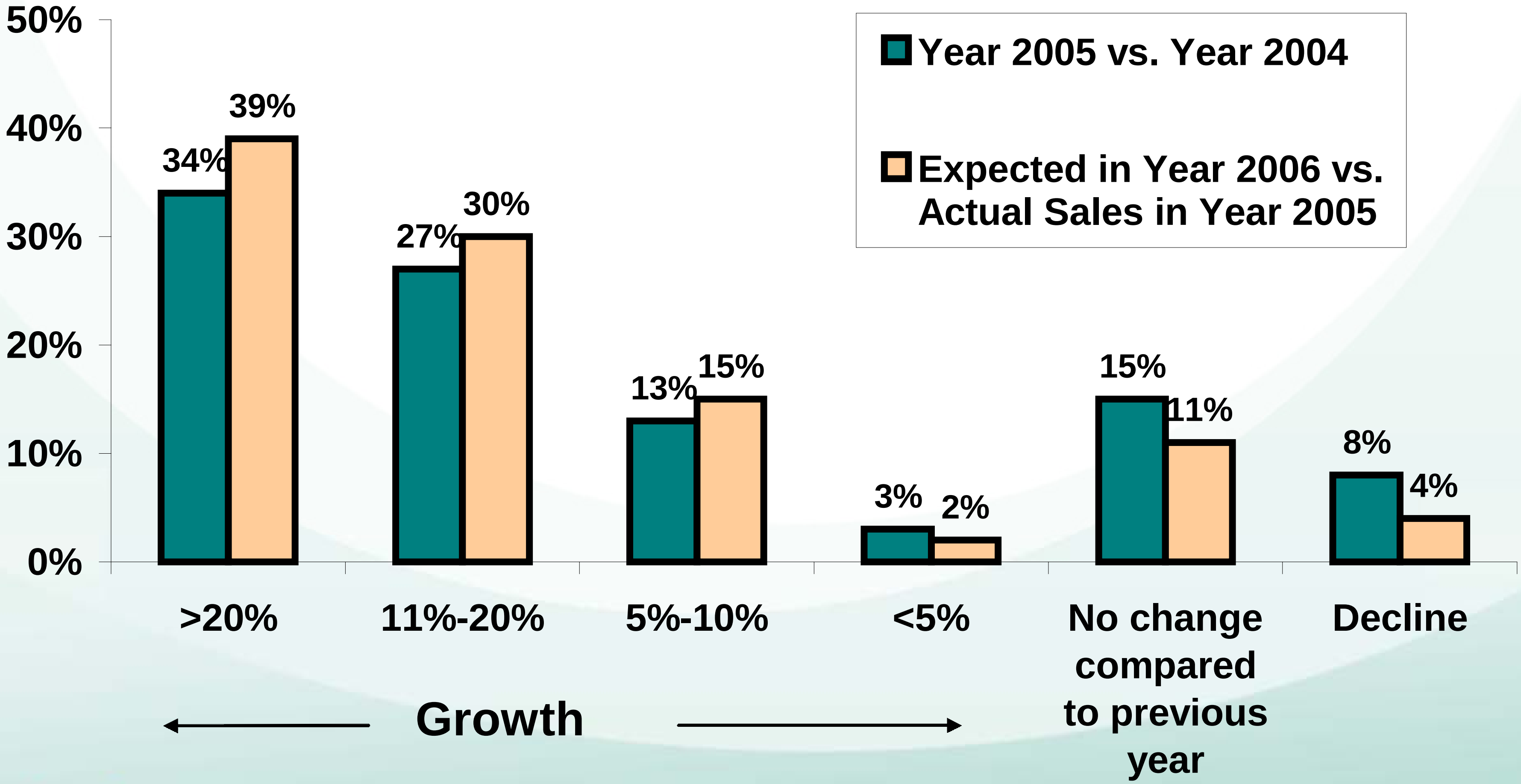
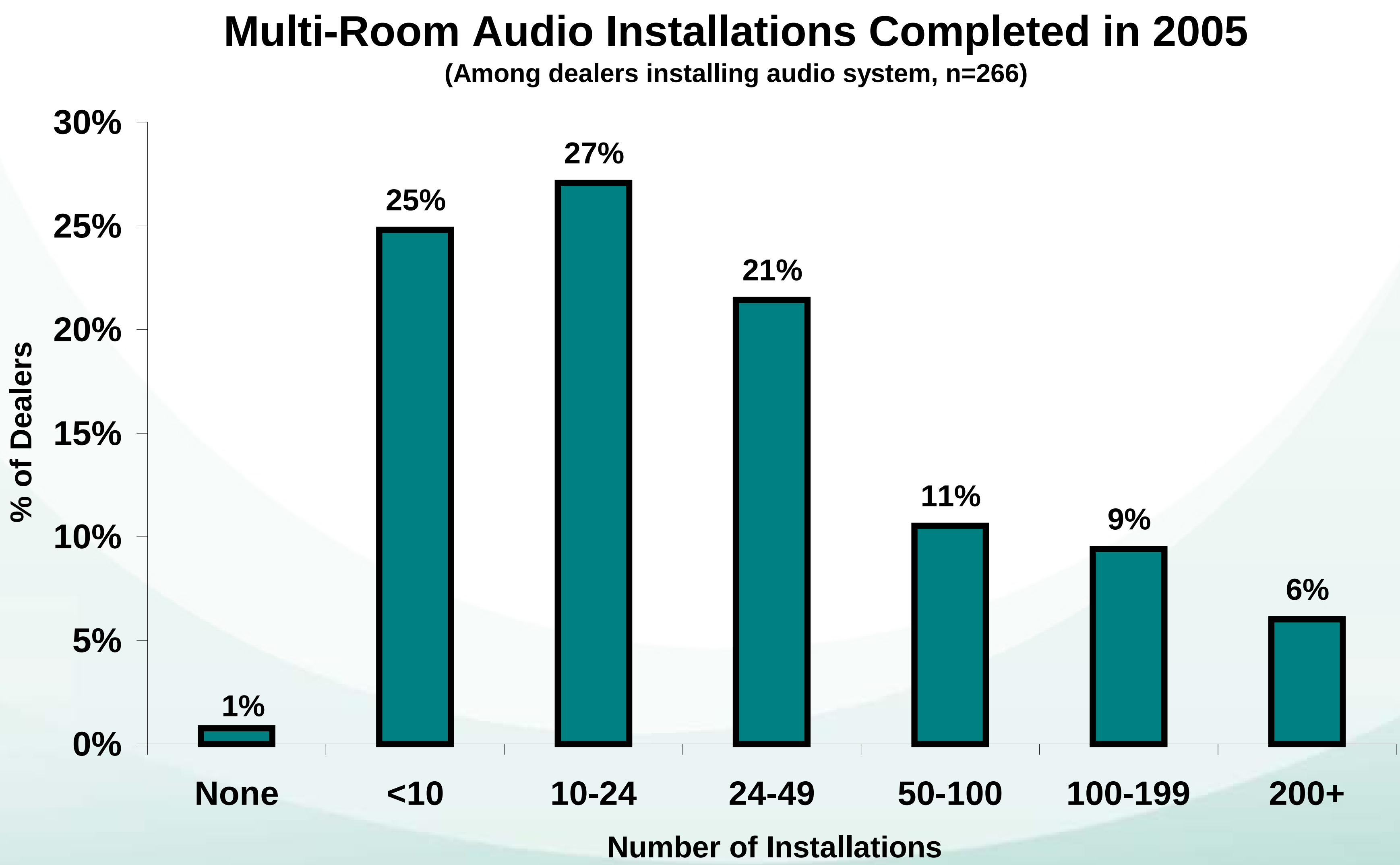
Comparison of Dealer's OVERALL Residential Sales:

"How did overall sales of your residential installation business in 2005 compare to overall sales in 2004? How do you expect sales in 2006?"

(n=198)

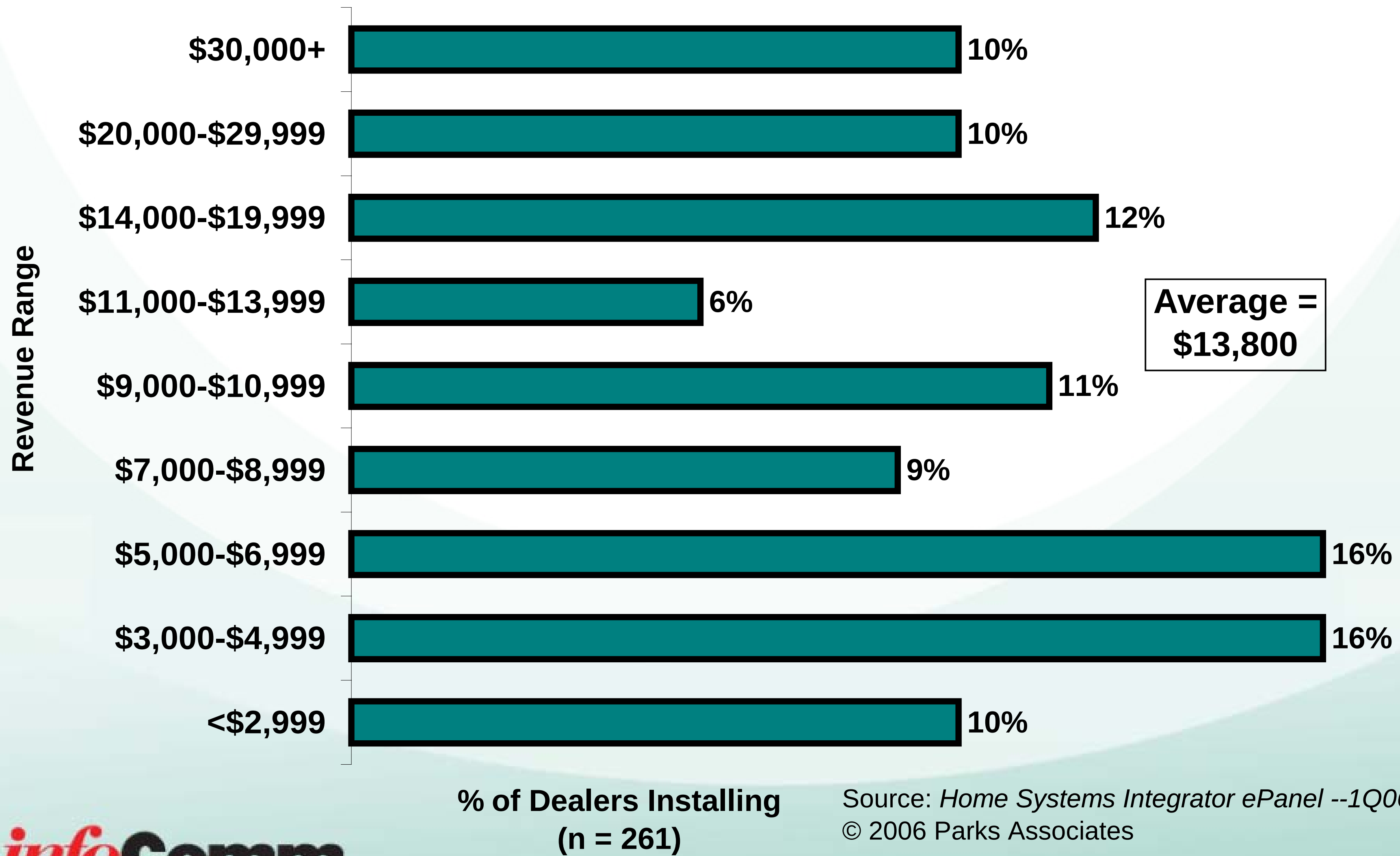


Source: *Home Systems Integrator ePanel*



Source: *Home Systems Integrator ePanel*

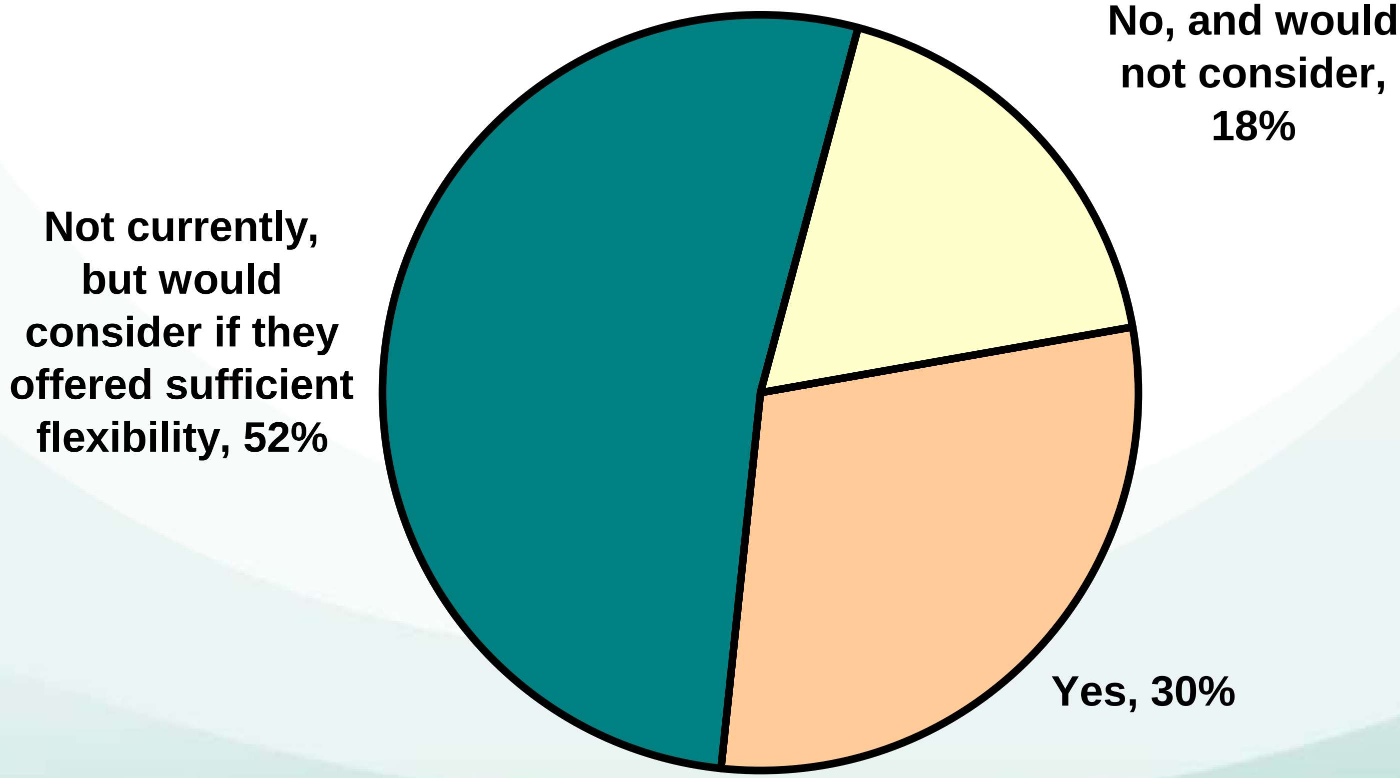
Average Revenue Generated to Install a Multi-Room Audio System in 2005



Source: *Home Systems Integrator ePanel --1Q06*

Do Dealers Sell/Install Pre-Configured Multi-Room Audio Systems?

"Do you sell/install pre-configured multi-room audio systems?"
(n=193)



Source: *Home Systems Integrator ePanel*

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View From the Top of the Pyramid

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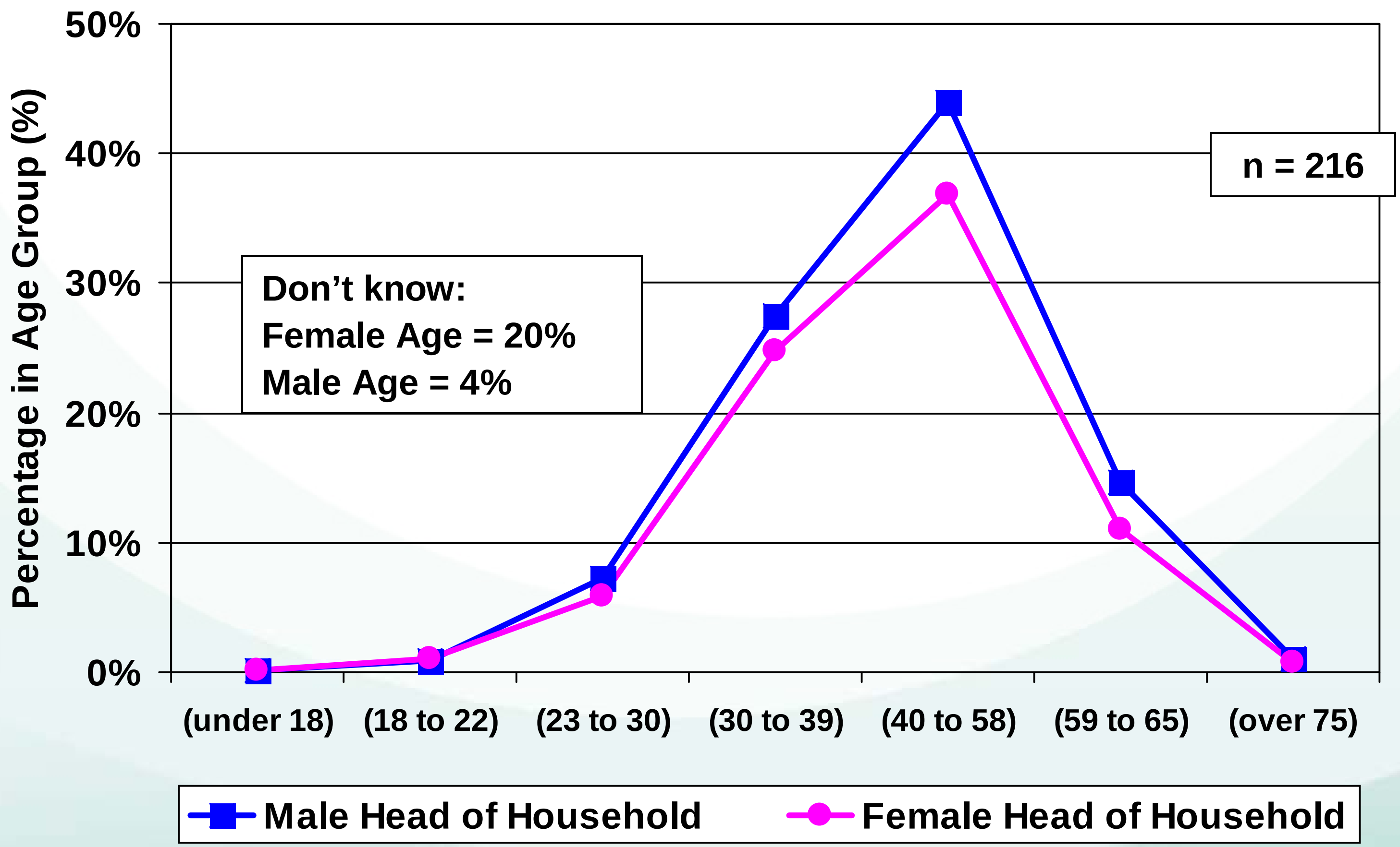
Characteristics of Integrators' Customers

- Demographics
- Decision makers, price sensitivity, lead conversion

What % of customers in each age group ?



Source: Installing Dealer ePanel -- 4Q04

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Who is the PRIMARY decision maker for how much is spent on Entertainment and Control systems?

	Male Head of HH	Female Head of HH	Joint decision
Entertainment systems (n = 193)	49%	18%	33%
Control Systems (n = 154)	50%	18%	31%

Source: Installing Dealer ePanel -- 4Q04

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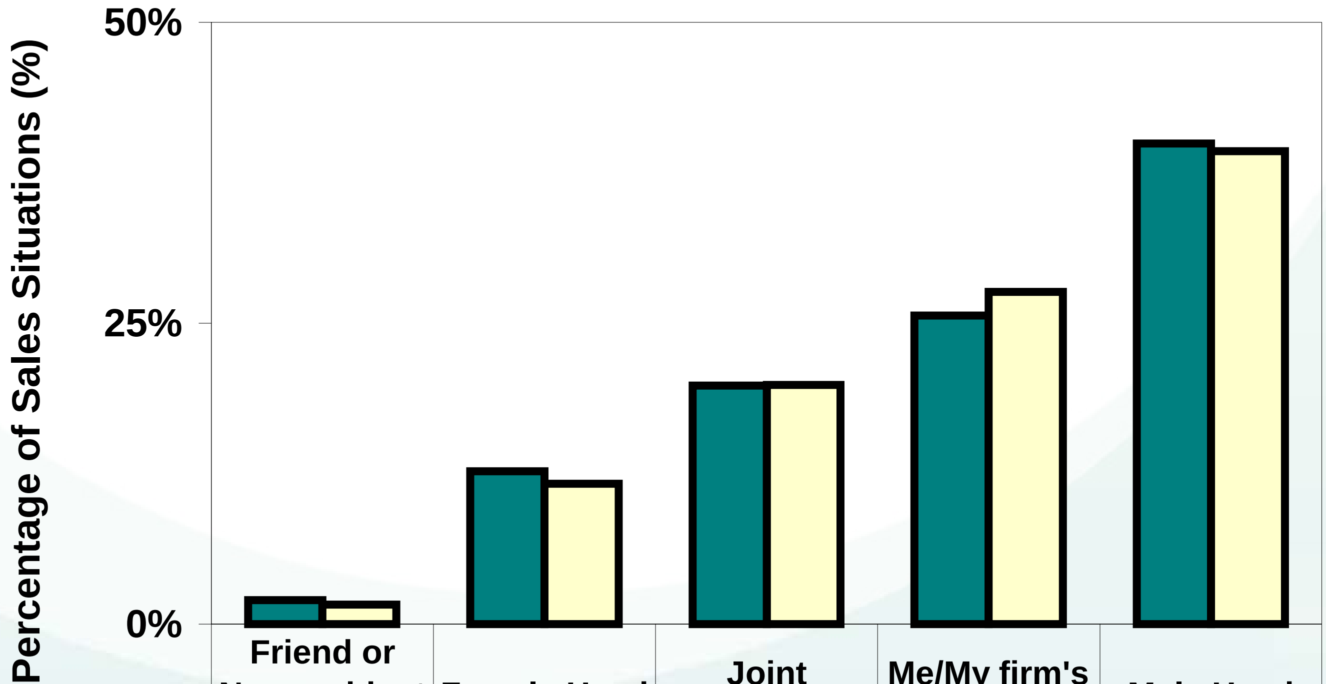
Who is the PRIMARY decision maker for what system components/capabilities are purchased for Entertainment and Control systems?



	Friend or Non-resident Relative	Female Head	Joint decision	Me/My firm's staff	Male Head
Entertainment Systems (n = 189)	2%	13%	20%	26%	40%
Control Systems (n = 152)	2%	12%	20%	28%	39%

Source: Installing Dealer ePanel -- 4Q04

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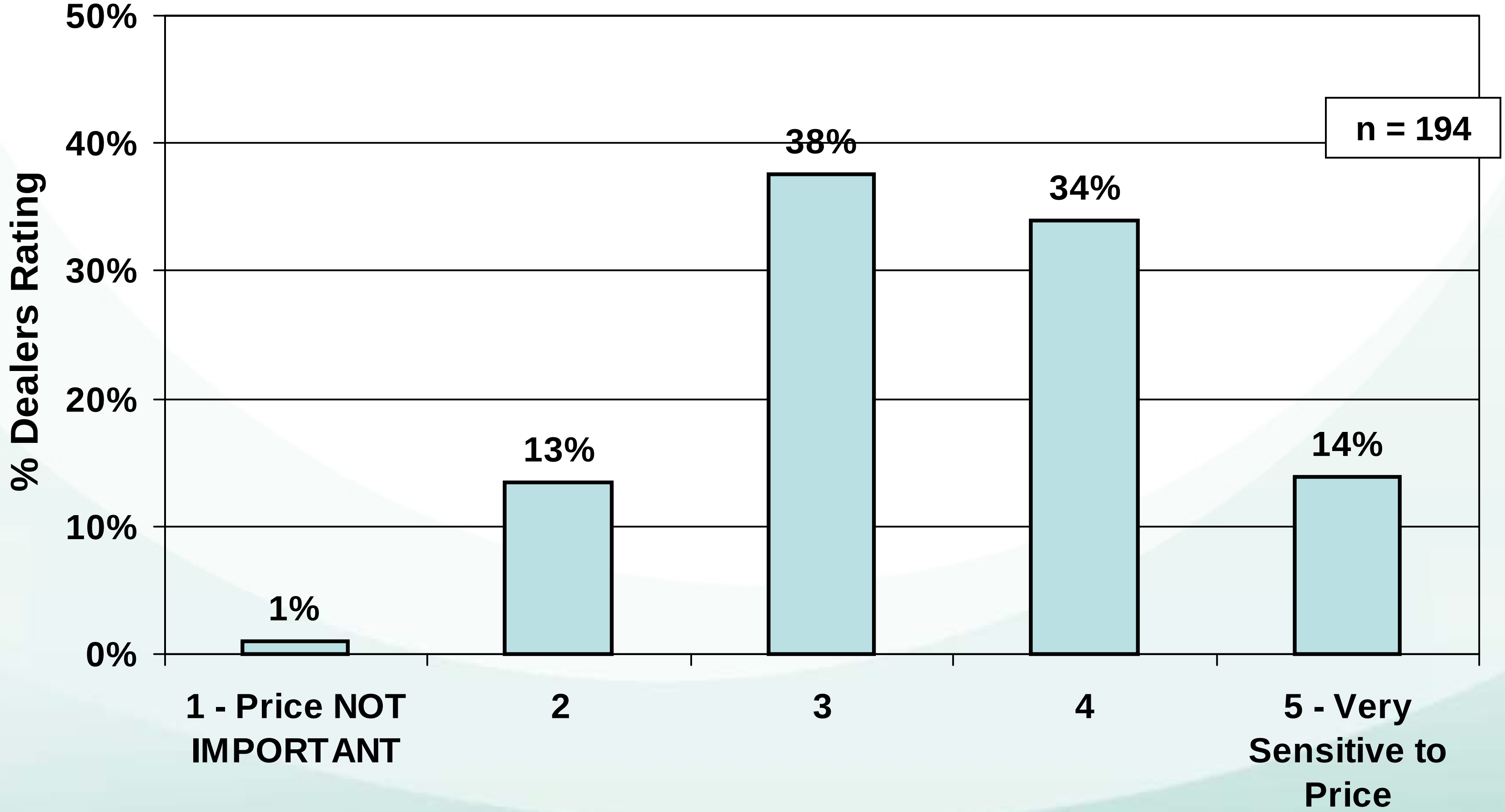
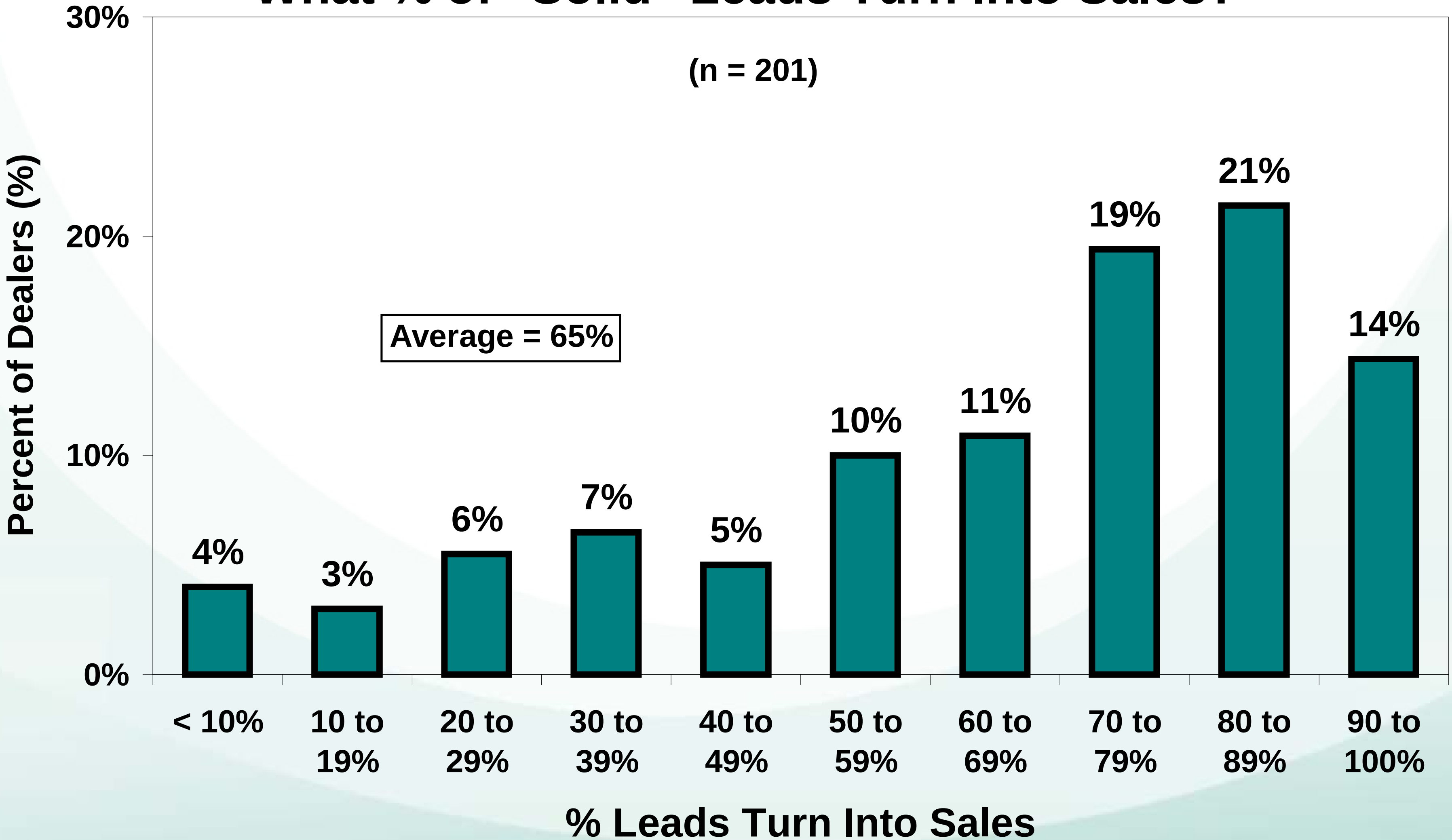
How sensitive are your customers to price ?



Source: Installing Dealer ePanel -- 4Q04

What % of "Solid" Leads Turn Into Sales?



Source: Installing Dealer ePanel -- 4Q04

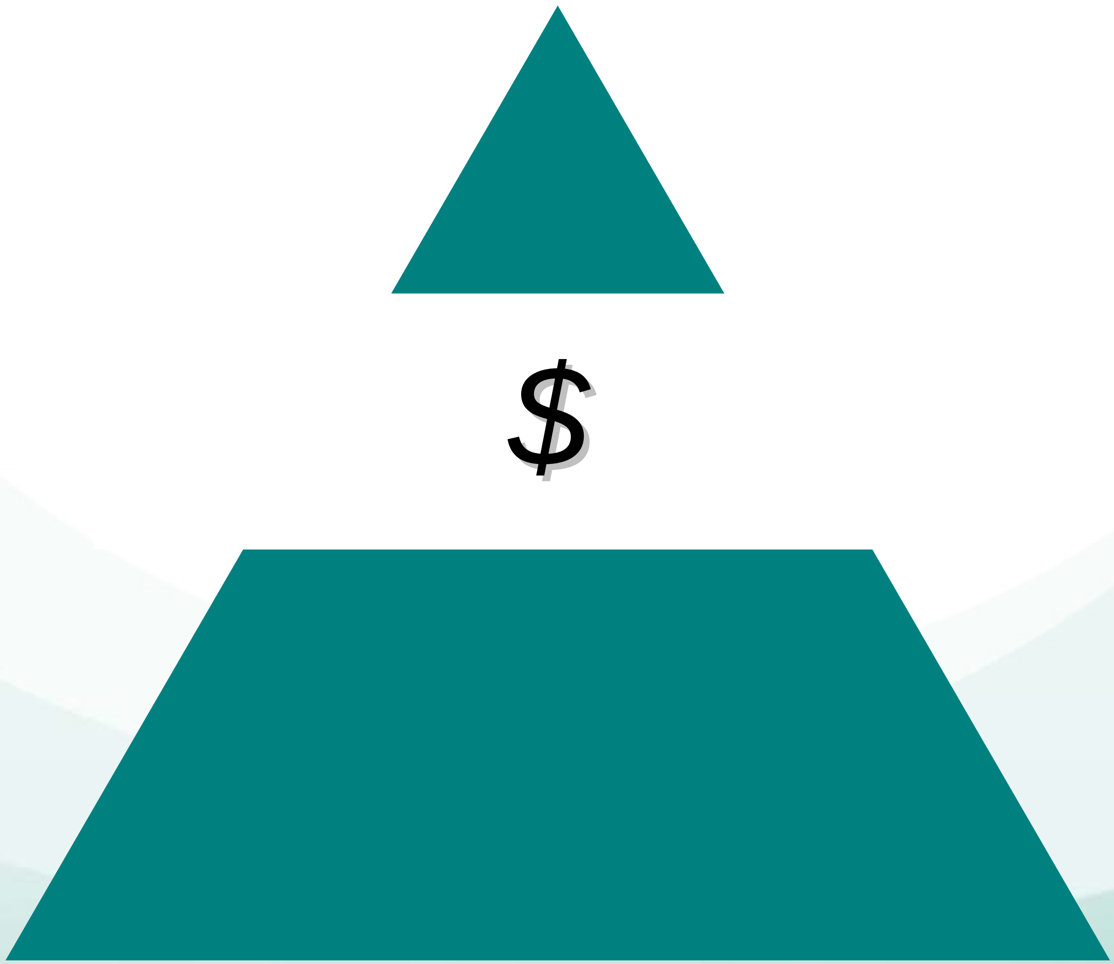
Bottom Line Revisited

Broadband + Content + Interoperability =

Connected Systems

BUT…

Who’s Going to Fill the GAP?



Contact Information

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