

Revenues Don't Equal Profits

If you missed the headlines that sprawled across the Florida newspapers in early May, you may not have heard about the collapse of e-house, the Jacksonville-based integrator that claimed \$4.8 million in revenues in 2001. The now-bankrupt company, which was No. 33 in the *CE Pro* Top 100 in the May 2002 issue and was profiled in the April 2002 issue due to its unique support from a corporate angel, lost the air under its wings.

You may be thinking, "So what! Companies go out of business all the time. It just means more business for the rest of us." In fact, it hurts us all. Vendors get stingier with their credit, and customers are a tougher sell because they had a friend with a "smart house" gone wrong.

As many of you know, the market for structured wiring pre-wires and trim-outs is already very competitive. Builders are pitting integrators against each other in an effort to get the lowest bid. Pre-wires that once cost more than \$2,500 are down under \$1,000 (including security) in some cases, according to several integrators in the Florida area.

When the integrator is being squeezed to produce a "connected home" for such low cost, he cuts corners. Florida dealers allege that some e-house installations included wall plates that were not trimmed out. In some cases, the builder never even knows about the inadequate wiring until after the homeowner moves into the new home and tries to plug something into a wall outlet that doesn't even have wires run to it.

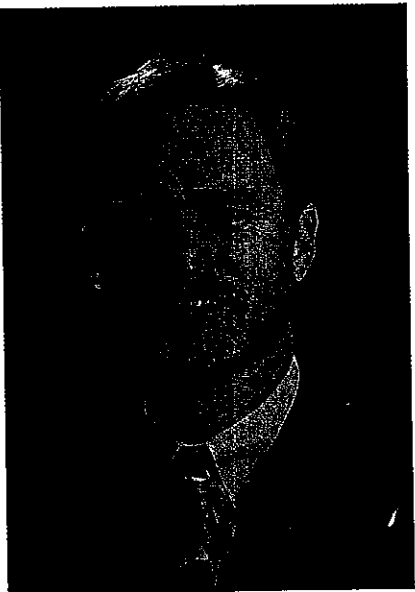
As you might expect, that produces an irate homeowner. Unfortunately for consumers, many builders refuse the responsibility of fixing an inadequate infrastructure, especially if the homeowner negotiated their wiring package directly with the integrator. A homeowner who wants the system brought up to par has to pay another integrator to come in and fix the mess.

What's the reaction of homebuilders and homeowners to the next integrator who knocks on their door proposing to do structured-wiring installations? "Beat it! We have already been burned once before!"

What can an integrator do? You can't go around bad-mouthing the competition, of course, but you can point to the importance of corporate vitality. Integrators who consistently underbid projects without a viable plan to recoup their losses will fail, leaving homebuilders and consumers in the lurch. If you have nothing to hide, then offer to show your books to prospects in a competitive-bid situation. If that's not a wakeup call to get your business plan in order...what is?!

On a positive note, the Florida fiasco has brought out the best in dealers, who have begun to communicate with their competitors about mitigating the e-house mess, and others like it. Manufacturers are rising to the occasion, as well. One of e-house's largest vendors (and creditors), a speaker manufacturer, swiftly put several technicians on its own payroll to complete some installations in new housing tracts.

My attempts to speak with former e-house executives were unsuccessful, so we don't know the exact cause of the company's demise. Still, the e-house story offers a lesson to every dealer and the home systems community at large.



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