

***DigitalHome* Background - The Beginning (10/9/08)**

Although home building has its ups and downs, the long-term prospects call for increases in total home square footage and intensified interest by home owners in high technology devices. New home owners, especially young professionals, are interested in living in houses that have “smart” features that automate and facilitate energy efficiency, entertainment delivery, communication, household chores, and home security. The design and construction of such dwellings relies on the latest technology (devices with smart capabilities, distributing computing, wireless and web communications, intelligent agents, etc.).

HomeOwner. is the largest national retail chain serving the needs of home owners in building, furnishing, repairing, and improving their homes. With over a thousand stores distributed throughout the U.S., *HomeOwner* has been a leader in innovative management and marketing, and has built a reputation for delivering high value at an affordable price. Its founder and CEO, Robert “Red” Sharpson, has always challenged his management team to “think out of the box” and “stay one step ahead of the competition”.

In August 2008, *HomeOwner* held its annual strategic planning retreat. During these one-week sessions *HomeOwner* officers and other upper-level managers concentrate on new initiatives that will advance the *HomeOwner* position as the industry leader in household product retailing.

On the first day of the 2008 retreat, Dick Punch (VP of Marketing) and Judy Fielder (Chief Information Officer), made a presentation about the latest craze for “smart” technology and the market for building dwellings that integrate smart technology into every aspect of home living (environmental and energy control, security, communication, entertainment, household chores, etc.). Punch and Judy argued that the potential market for these “smart” houses is tremendous, and although there are a number of marketers for smart home devices (including *HomeOwner*), there is no national company that develops and markets the infrastructure technology (computer and communication system) needed to combine and control the smart technology in such a way that best serves the needs and desires of today’s new upwardly mobile professional.

Red Sharpson loved the smart house idea and decided to devote the rest of the week to formulating plans for this new initiative. After days of discussion and debate the following decisions were made:

- Establish a new *DigitalHomeOwner* division of *Homeowner*, to be headed by Jose Ortiz (currently Deputy CIO).
 - Develop a five year strategic plan for the division.
 - Assemble a staff for the division.
 - Develop a one-year division budget plan.
- In the next year, *DigitalHomeOwner* will carry out the following activities:
 - With the assistance of the Marketing Division, *DigitalHomeOwner* will conduct a needs assessment for a *DigitalHome* product that will provide the computer and communication infrastructure for managing and controlling the “smart” devices into a home to best meet the needs and desires of homeowners.
 - Choose, some aspect of the *DigitalHome* product to develop as a prototype to illustrate how the a *DigitalHome* needs will be met. It is envisioned that this will primarily be a “software effort”, with simulation being used to represent dwelling structures, hardware devices, and communication links.
- Deliver a report on the *DigitalHome* efforts at the August 2009 strategic planning retreat.