

# Landis |Gyr+

## 2014 Global Advanced Metering Infrastructure Company of the Year Award



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

## Contents

Background and Company Performance .....	3
<i>Industry Challenges</i> .....	3
<i>Visionary Innovation &amp; Performance and Customer Impact of Landis+Gyr</i> .....	3
<i>Conclusion</i> .....	6
Significance of Company of the Year .....	7
Understanding Company of the Year .....	8
<i>Key Benchmarking Criteria</i> .....	8
Best Practice Award Analysis for Landis+Gyr .....	9
<i>Decision Support Scorecard</i> .....	9
<i>Visionary Innovation &amp; Performance</i> .....	10
<i>Customer Impact</i> .....	10
<i>Decision Support Matrix</i> .....	11
The Intersection between 360-Degree Research and Best Practices Awards.....	12
<i>Research Methodology</i> .....	12
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices .....	13
About Frost & Sullivan .....	14

## Background and Company Performance

### *Industry Challenges*

The global advanced metering infrastructure (AMI) industry is facing challenges characterized by a slowdown in the North American market and lower than expected market volumes in most other geographies. The European market has performed below expectations, as implementation of European legislation has been slower and less comprehensive than hoped for. An overall contraction in the industry was caused by the postponement in deployment of previously planned smart metering projects. Technological advancements and new supply sources are posing new challenges for power grids, creating a transformation where energy grids are required to be equipped with even more built-in intelligence. The other challenge is related to customization; it is essential for manufacturers to have a clear understanding of the specific needs and circumstances of the individual utilities they serve.

### *Visionary Innovation & Performance and Customer Impact of Landis+Gyr*

#### **Excellence in Addressing Unmet Needs**

Landis+Gyr has been highly successful in helping utilities improve the efficiency of their energy networks, reduce energy costs, and contribute to a sustainable use of resources, ultimately helping them realize the full potential of the smart grid. It is among the few companies in the AMI sector that is capable of providing a truly end-to-end solution. It has a comprehensive product portfolio, which is among the largest in the industry, and it provides solutions that are not only tailored to suit the current needs, but are also designed by anticipating future needs. Its Gridstream solution is a perfect example. It is a future-ready, end-to-end smart grid solution that combines metering, communications, network management, software, grid and consumer applications, and professional services in a single secure and integrated platform. The company has gained a significant edge in the market by constantly updating its portfolio with products and solutions that cater to the evolving needs.

In Q2 2014, Landis+Gyr acquired PowerSense, a smart grid technology company, and GRIDiant, a company that specializes in grid connectivity technologies. This was an effort to enhance its portfolio and to provide utilities with solutions that effectively address the challenges of the future power grids, when variations in power loads, related to both consumption and production are forecast to be much more volatile. The integration of industry-leading connectivity models of GRIDiant, high-quality supervision and control systems, and the optical sensor technologies of PowerSense, with the existing portfolio of Landis+Gyr, is expected to result in groundbreaking next-generation products.

## **Visionary Scenarios through Use of Mega Trends**

One of the key trends in the utility sector is the emergence of an increased use of information and communications technology (ICT). Landis+Gyr is highly equipped to address this trend as it is a pioneer in metrology and networking. It has grown from being a metering business to being a leader in the AMI space over the course of time. One of the key success factors of the company is its ability to envisage visionary scenarios by constantly analyzing Mega Trends and creating revolutionary solutions to address those developments, which puts Landis+Gyr at the forefront. With its expertise in tracking and studying Mega Trends, it was able to anticipate the advent of events such as digitalization of meters, ICT making the meters smart, and finally smart meters becoming the heart of smart grids. In addition to its organic growth, it has made significant strides in mergers and acquisitions to respond to these Mega Trends. Soon after Bayard Capital purchased the company in 2004, Landis+Gyr made 14 different investments in the utility sector, deploying over \$1.2 billion in capital to expand beyond a pure metering company and into the networking and communications space. Over the next 3 years it acquired Hunt Technologies, Cellnet Technologies, and Enermet Group, collectively bringing excellence in communications and managed services combined with a unique track record in providing AMI, SCADA, and DA network solutions. This propelled the company's portfolio to become the broadest in the industry, ultimately becoming the leader in the Advanced Metering Infrastructure (AMI) space. The focus on smart metering technology was further strengthened by the 2011 acquisition of Landis+Gyr by the Toshiba Corporation. Its effort to sustain its position as a forerunner and lead the way in the AMI industry is evident from its acquisitions from 2012 to 2014. It acquired 4 firms during this period: meter data management firm Ecologic Analytics, demand response leader Consert, PowerSense, and GRIDiant, technology leaders in sensors and analytic software.

## **Implementation of Best Practices**

Landis+Gyr has displayed excellence in implementing best practices for visionary innovation. By offering a truly open platform design, end-to-end compatibility, and robust and best-in-class products and solutions, Landis+Gyr has become the pioneer of advanced metering infrastructure deployments globally. The company's success in innovation and resonance with customers can be attributed to its unique approach in innovating, which involves 2 different facets. The 1st is innovation in its standard product offering, and the 2nd is innovation in customized and tailored solutions. It has recognized and capitalized on the need to find a balance between the market requirements and the customer requirements when it comes to innovation.

Its Gridstream solution, which marks a cornerstone in building smart grids, is a great example of its innovative capabilities. It is an end-to-end smart grid solution that combines metering, communications, network management, software, grid and consumer applications, and complementary services in a single, secure, and integrated platform. This seamless integration and flow of technology and information maximizes the effectiveness of utilities' energy management assets.

It is capable of delivering vast amounts of data quickly and efficiently, allowing access to rich, granular data that can be used to better understand and manage distribution networks. This unlocks new levels of command and control. Furthermore, it satisfies the local and individual needs of each utility by customization of each component within the solution architecture, physical network, and communications technology. The key differentiating factor is its unique architecture employing an open standards platform, which would allow for effective interfacing with future choices made by the utility.

### **Price/Performance Value**

In terms of price performance value, the key metric is total cost of ownership. Apart from this, there are other important aspects that drive this criterion, such as meter quality, network capability and attributes, operational capability of the vendor, security, and contractual terms. Landis+Gyr excels in all of these aspects. In addition to offering a wide range of off-the-shelf products and solutions, it is also capable of delivering a custom offering to match the specific needs of utilities. This customizable design option and future proof technology allows for the highest flexibility in the industry. Being a technology leader, it is able to create additional value for the utilities and consumers, allowing them to overcome the challenges of a changing environment, making their operations more efficient. Landis+Gyr has developed groundbreaking technologies to build future-ready smart grids and drives innovation in all business fields, ensuring interoperability along the value chain.

During financial year 2013/14, the company invested a record \$129.6 million (8.4% of its revenues) in R&D projects to strengthen and advance its vision of supporting people to manage energy better. It has the industry's largest installed meter base with more than 300 million devices installed, with more than 49 million fixed network advanced meters deployed and provides managed services for 14 million endpoints. It has 18 R&D labs and 1,135 engineers and scientists globally.

### **Customer Ownership Experience**

Two of Landis+Gyr's core values are customer focus and being a trusted partner. It has over 100 years of experience, over 7,000 customers, and is growing globally. It has achieved such excellence in customer acquisition and retention solely because of its commitment in meeting and exceeding customer expectations. It has a reputation of offering its customers an ownership experience that leads the industry. It ranges from procurement excellence to high-quality after-sales service and is highly effective in maintenance and operation. It partners with the world's best suppliers and the Toshiba procurement team to optimize value for its customers, fostering a collaborative, innovative, and sustainable procurement process across the Landis+Gyr group. It constantly engages with its customers by hosting regular executive forums and customer surveys across regions and maintains a local presence in over 30 countries. The company has long served as a managed service provider to utilities, especially in the United States. It currently collects and reads meters for over 14 million endpoints, which represents 7% of the electricity meters in the country.

This model has helped it establish a strong relationship with its utility partners, creating an essential proximity that allows it to fully understand the needs and requirements of these utilities in various locations.

Its global customer base includes national and multinational European utilities such as British Gas, ErDF, EnBW, E.ON, TreFor, Iberdrola, SydEnergi, Helsingin Energia, and leading utilities in North America including Oncor, AEP, Hydro Québec, Ameren, PG&E, Xcel Energy, and Salt River Project. Additionally, it includes investor and state-owned utilities in Australia, China, India, Japan, and Brazil and in almost every major meter market.

### **Brand Equity**

Landis+Gyr has established itself as an iconic brand in the industry. Its proven experience in the global energy management space is reflected in the success of its brand image. Its brand name is synonymous with technology excellence, innovation, and, most importantly, customer focus. This is evident because it has been extremely successful in acquiring projects across the world.

To name a few recent ones, it provided Tokyo Electric Power Company (TEPCO) with an open-standards-based network for 27 million endpoints in Japan; provided the Gridstream solution to enhance network reliability and revenue protection to Light, one of Brazil's largest utilities; was selected by Salt River Project to upgrade their meters and network to enhance their existing prepayment system; and provided British Gas with over 10 million electricity and gas meters to support their smart upgrade. Among these, TEPCO and British Gas are remarkable achievements as they are the 2 largest deployments in the industry. In 2014, Landis+Gyr retained leadership of the global market (excluding China) with a 44% share, an increase of 11% on 2012. Its current market share is over 5 times larger than its closest competitor.

### *Conclusion*

Landis+Gyr's relentless effort to constantly innovate and deliver solutions with cutting-edge technologies while maintaining strong customer relations is driving it closer to its mission to facilitate better energy management across the globe. Frost & Sullivan finds it intriguing that its innovations are not only targeted at utilities but also at the energy consumers and the environment, and 2014 has proven to be yet another significant step in its quantum leap in the global advanced metering infrastructure industry.

With its strong overall performance, Landis+Gyr has earned Frost & Sullivan's 2014 Company of the Year Award.

## Significance of Company of the Year

To win the Company of the Year award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company's future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact). This concept is explored further below.



## Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on visionary innovation to enhance customer value and impact.

### *Key Benchmarking Criteria*

For the Company of the Year Award, we evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

#### **Visionary Innovation & Performance**

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios Through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

#### **Customer Impact**

- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

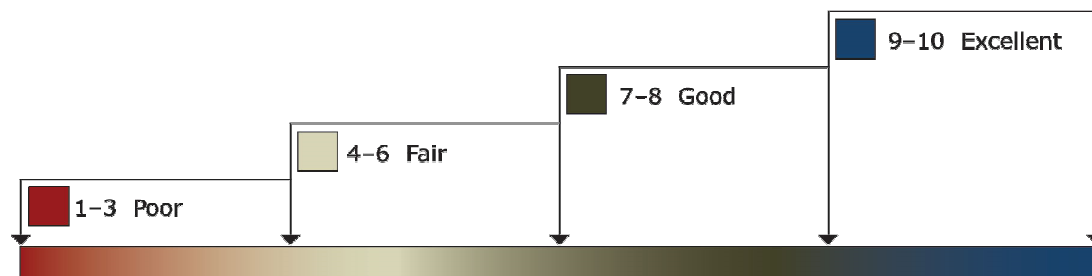


## Best Practice Award Analysis for Landis+Gyr

### Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

#### RATINGS GUIDELINES



The Decision Support Scorecard is organized by Visionary Innovation & Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players in as Company 2 and Company 3.

#### DECISION SUPPORT SCORECARD FOR COMPANY OF THE YEAR AWARD (ILLUSTRATIVE)

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Landis+Gyr	9	9	9.0
Competitor 2	7	6	6.5
Competitor 3	5	5	5.0

## *Visionary Innovation & Performance*

### **Criterion 1: Addressing Unmet Needs**

Requirement: Implementing a robust process to continuously unearth customers' unmet or under-served needs, and creating the products or solutions to address them effectively

### **Criterion 2: Visionary Scenarios Through Mega Trends**

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling "first to market" growth opportunities solutions

### **Criterion 4: Implementation Best Practices**

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

### **Criterion 3: Blue Ocean Strategy**

Requirement: Strategic focus in creating a leadership position in a potentially "uncontested" market space, manifested by stiff barriers to entry for competitors

### **Criterion 5: Financial Performance**

Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin and other key financial metrics

## *Customer Impact*

### **Criterion 1: Price/Performance Value**

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

### **Criterion 2: Customer Purchase Experience**

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

### **Criterion 3: Customer Ownership Experience**

Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

### **Criterion 4: Customer Service Experience**

Requirement: Customer service is accessible, fast, stress-free, and of high quality

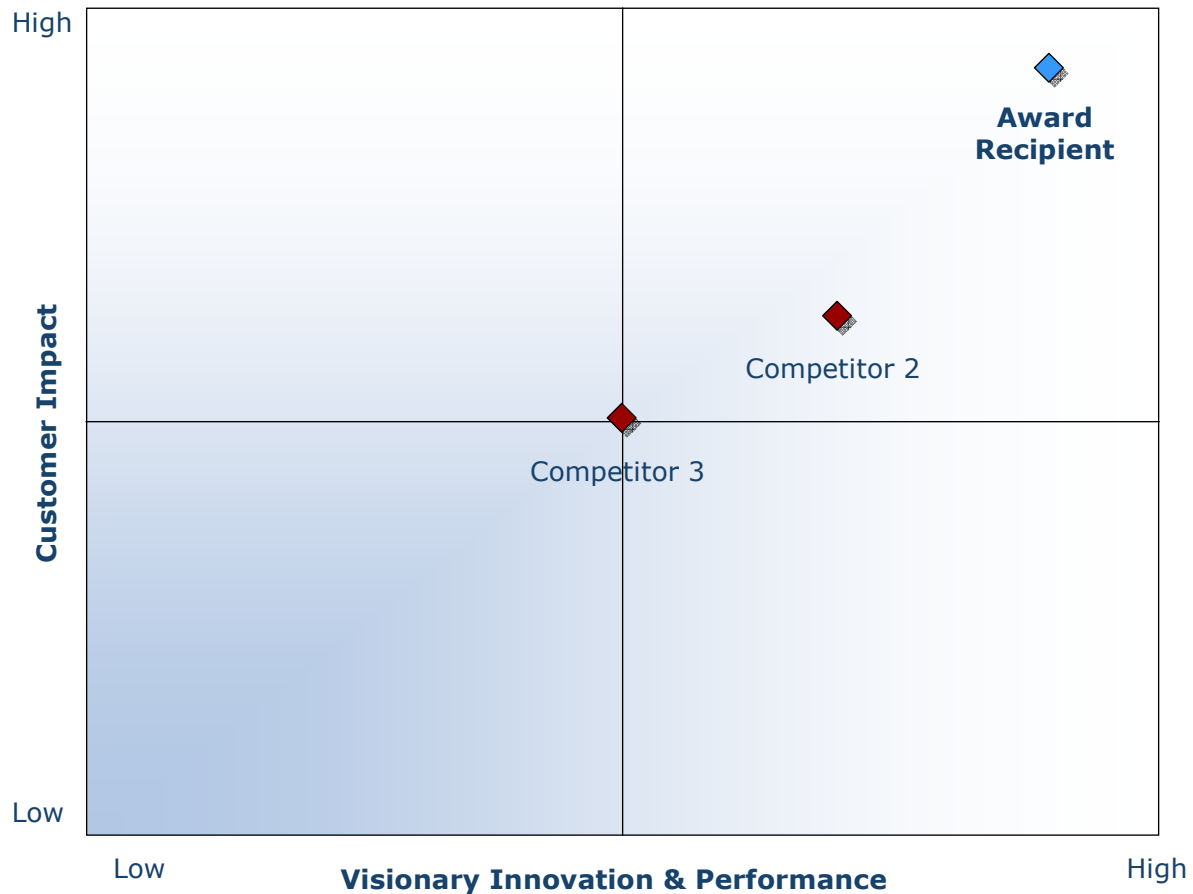
### **Criterion 5: Brand Equity**

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

### Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORT MATRIX FOR COMPANY OF THE YEAR AWARD (ILLUSTRATIVE)





## Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Our awards team follows a 10-step process (illustrated below) to evaluate award candidates and assess their fit with our best practice criteria. The reputation and integrity of our awards process are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 <b>Monitor, target, and screen</b>	Identify award recipient candidates from around the globe	<ul style="list-style-type: none"> <li>• Conduct in-depth industry research</li> <li>• Identify emerging sectors</li> <li>• Scan multiple geographies</li> </ul>	Pipeline of candidates who potentially meet all best-practice criteria
2 <b>Perform 360-degree research</b>	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> <li>• Interview thought leaders and industry practitioners</li> <li>• Assess candidates' fit with best-practice criteria</li> <li>• Rank all candidates</li> </ul>	Matrix positioning all candidates' performance relative to one another
3 <b>Invite thought leadership in best practices</b>	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> <li>• Confirm best-practice criteria</li> <li>• Examine eligibility of all candidates</li> <li>• Identify any information gaps</li> </ul>	Detailed profiles of all ranked candidates
4 <b>Initiate research director review</b>	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> <li>• Brainstorm ranking options</li> <li>• Invite multiple perspectives on candidates' performance</li> <li>• Update candidate profiles</li> </ul>	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 <b>Assemble panel of industry experts</b>	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> <li>• Share findings</li> <li>• Strengthen cases for candidate eligibility</li> <li>• Prioritize candidates</li> </ul>	Refined list of prioritized award candidates
6 <b>Conduct global industry review</b>	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> <li>• Hold global team meeting to review all candidates</li> <li>• Pressure-test fit with criteria</li> <li>• Confirm inclusion of all eligible candidates</li> </ul>	Final list of eligible award candidates, representing success stories worldwide
7 <b>Perform quality check</b>	Develop official award consideration materials	<ul style="list-style-type: none"> <li>• Perform final performance benchmarking activities</li> <li>• Write nominations</li> <li>• Perform quality review</li> </ul>	High-quality, accurate, and creative presentation of nominees' successes
8 <b>Reconnect with panel of industry experts</b>	Finalize the selection of the best-practice award recipient	<ul style="list-style-type: none"> <li>• Review analysis with panel</li> <li>• Build consensus</li> <li>• Select winner</li> </ul>	Decision on which company performs best against all best-practice criteria
9 <b>Communicate recognition</b>	Inform award recipient of award recognition	<ul style="list-style-type: none"> <li>• Present award to the CEO</li> <li>• Inspire the organization for continued success</li> <li>• Celebrate the recipient's performance</li> </ul>	Announcement of award and plan for how recipient can use the award to enhance the brand
10 <b>Take strategic action</b>	Once licensed, share award news with stakeholders and customers	<ul style="list-style-type: none"> <li>• Coordinate media outreach</li> <li>• Design a marketing plan</li> <li>• Assess award's role in future strategic planning</li> </ul>	Widespread awareness of recipient's award status among investors, media personnel, and employees

## About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.