

Technology

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of customers have embraced it.”

SmartThings raised \$1.2 million on **Kickstarter**, the crowdfunding site, last summer. The growing community of hardware hackers, who have come up with many DIY home-automation projects in the past, was drawn to the idea of an open software platform that could be used to build a new class of connected appliances. In December the 30-employee company announced it had raised \$3 million in seed funding from venture capital firm **First Round Capital** and prominent angel investors including Facebook-backer Yuri Milner and actor Ashton Kutcher.

The idea for SmartThings first came to Hawkinson in late 2010 on a visit to his family’s vacation home in Colorado. He arrived to find the electricity was out and the water pipes had burst. Hawkinson, a former executive for online marketing firm ReachLocal who has degrees in computer science and neuroscience from Carnegie Mellon University, wondered what it would take to have the house alert him of trouble before it be-

comes dire. By the next year, he was building prototypes of Internet-connected power outlets and moisture sensors.

The company still faces a chicken-and-egg problem. It can’t get developers and appliance makers to embrace the SmartThings standards without a critical mass of consumers using devices that take advantage of home-networking technology. And consumers won’t get on board unless cheap, simple, and appealing devices such as Internet-connected security cameras, alarm systems, and thermostats are already available.

To seed the market, the company recently started shipping kits to its **Kickstarter** contributors. The kits let users connect their house lights to their home network so they can control them with their phone. It also comes with a motion detector that doubles as a burglar alarm and a moisture sensor that can alert an owner when the basement floods. All the equipment is controllable with SmartThings mobile apps. The \$299 kits include a small white piece of hardware,

the SmartThings hub, that connects to the customer’s wireless router and serves as the radio base station for all of these devices. The company plans to make money selling the kits on its website and, down the road, will take a fee from companies that sell devices using SmartThings software.

The high price for consumers is one reason some analysts question the viability of home-automation systems. “Smart-home products often compete with not as smart, but much cheaper, alternatives,” says Sarah Rotman Epps, an analyst at Forrester Research. “Do I really need a smarter sprinkler if I can buy a functional one with an inexpensive timer on it?”

SmartThings is also entering a market in which one company, thermostat maker **Nest Labs**, co-founded by former Apple executive Tony Fadell, has recently garnered considerable attention. The stylish Nest Learning Thermostat, which adapts to its owners’ daily routines, is one of the best-selling accessories in Apple stores despite its \$250 price tag. SmartThings’ approach—bringing Internet smarts into any device in the home—contrasts sharply with Nest’s strategy of targeting a single product. “When you talk about a smart home or a connected network, people don’t know what they’re getting,” says Matt Rogers, a Nest co-founder. “They want great products that are discreet and easy to understand that will change their lives.”

SmartThings hopes its community of hackers can help deliver that kind of life-changing experience. It recently ran a hack day in Washington, D.C., inviting developers to brainstorm ideas and build prototypes. It’s planning similar events in other cities in coming weeks.

Hawkinson has heard from one developer building an add-on tool that uses SmartThings’ software to connect the FitBit wearable fitness monitor with other electronic devices. The tool lets the wearer program the Fitbit to limit his TV time if he doesn’t meet his fitness goals. Thousands of such scenarios are possible if SmartThings takes off, Hawkinson says. “These are fairly magical experiences to consumers.” —Brad Stone

**The bottom line** With \$3 million in seed funding, SmartThings wants to popularize home automation, a technology that so far has largely failed to catch on.

Publishing

Building a Better (And Pricier) E-Book

▶ Inkling adds interactive features to cookbooks and textbooks

▶ “We’re not interested in pumping a bunch of text files into our platform”

In rock climbing, there’s a maneuver called a “dyno”: When climbers are too far from the nearest hold above, they plant their feet, let go of the rock, and leap upward. It sounds straightforward, but when developers at publisher **Globe Pequot Press** created a digital version of the book *How to Rock Climb!*, they struggled to improve on the static illustration of the dyno. Last May, however, using tools made by software developer and e-book seller **Inkling**, they were able to make the move come to life with an animated sequence of still photos.

Most magazines and newspapers have created tablet apps with slide-shows and videos. But book publishers haven’t been able to capitalize on interactive capabilities because software made by **Amazon.com** and **Apple** doesn’t support much embedded multimedia and can be complicated for developers to use. Many heavily illustrated—and expensive—books are put on devices with little thought to enhancing or animating graphics, illustrations, or instructions.

Inkling, started by Matt MacInnis, a former marketing manager at Apple, gives publishers a way to digitize and upgrade some of their highest-margin books without creating an app for each title. The San Francisco-based startup’s new Habitat software platform, released on Feb. 12 after a private beta test, allows publishers to add high-resolution photos, audible pronunciations of wine varietals, or videos that show how to cut an avocado. “Inkling is going at a unique, high-end interactive experience that you won’t find on many of those

Readers can find excerpts on Google and buy chapters or the full book on the search results page



other platforms,” says Jerome Grant, chief learning officer for the education division at **Pearson**, an Inkling investor.

The company has teamed up with publishers including Pearson, **McGraw-Hill**, and **Wolters Kluwer** to try to gain ground in the U.S. e-book market, which Forrester Research projects will reach \$13.6 billion by 2017. Inkling will take a royalty of at least 30 percent from every sale.

Inkling is focused on textbooks, how-to guides, and cookbooks rather than novels. “We’re not interested in pumping a bunch of text files into our platform,” MacInnis says. Consumers can buy Inkling books on the **Google** search results page (through Inkling’s payment platform), from Inkling’s website, or from another publisher’s online store. The books are readable through the Inkling app on the iPad, iPhone, and computers. On Android devices, users have to access the books through the Web browser.

Starting on Feb. 12, the company

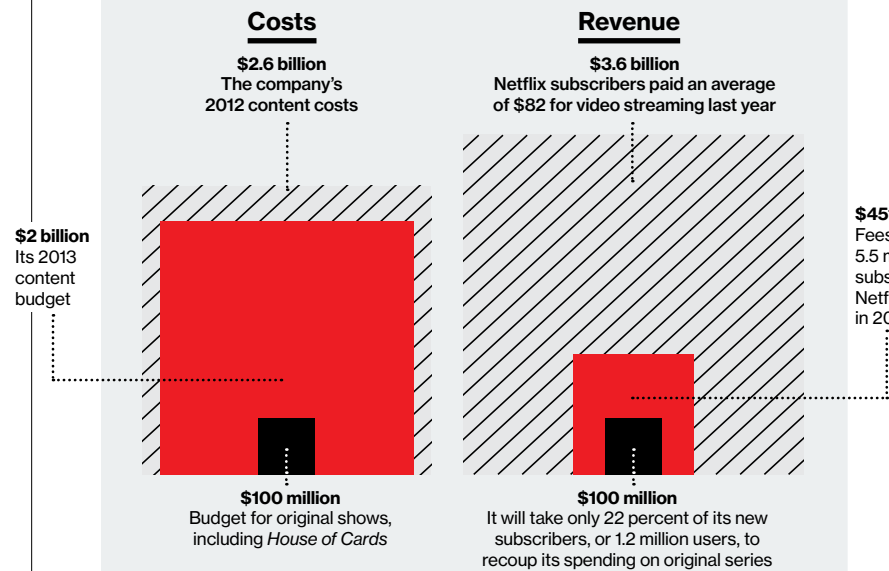
made excerpts of books searchable on Google. When someone searches for treatments for asthma, a chapter from *Pharmacotherapy: A Pathophysiologic Approach* could come up. Readers have five clicks of interactive features within a chapter before they have to purchase the chapter or the book. “Publishers will have direct access to consumers, they’ll have access to data about how their content is performing, and they’ll be able to monetize through the world’s largest storefront, which we think is Google,” says MacInnis, “as opposed to Amazon’s walled garden or Apple’s walled garden.” A Google spokesman says: “Our goal with search is to make information accessible to people and help them get the answers they’re looking for. It’s always a good thing when there’s more information out there.” Amazon and Apple did not respond to requests for comment.

Because of the interactive features, many of the books, whose prices are set by the publishers, are more

Video

For Netflix, Original Shows Are Low-Risk

By producing shows such as *House of Cards*, Netflix is reducing its reliance on pricey content created by movie and TV studios. The cost will likely be offset by fees from the millions of subscribers it adds each year. —Susan Matthews



FROM LEFT: PHOTOGRAPH BY CHARLIE ENGMAN FOR BLOOMBERG BUSINESSWEEK; PHOTOGRAPH BY 731