

BUSINESS

ALABAMA



JAMES BUSBY, RIGHT, AND SON JIMMY SAW A MARKET FOR ADVANCED LIGHTING AND HOME AUTOMATION SYSTEMS THAT WITH THE PRESS OF A SINGLE BUTTON COULD LIGHT THE WAY TO A MIDNIGHT SNACK, FOR EXAMPLE, OR ALLOW USERS TO TURN ON THE AIR CONDITIONING ON THE WAY HOME FROM WORK.

A Bright Idea

In 1997, Jim Busby parlayed his previous entrepreneurial success into CentraLite, which produces automated lighting and home control systems for the budget-conscious housing market. With outgoing Mobile Mayor Mike Dow set to join in the fall and thousands of possible sales in the pipeline, Busby predicts that 2005 will be the year when prospects turn into profits.

BY NEDRA BLOOM

When Jim Busby founded Quality Micro Systems in 1977, the company began designing and

building some of the finest printers in the marketplace — printers for oversized bar codes, color laser printers, and

printer/fax/copier combos. Along the way, he and his team of engineers would develop high-tech add-ons for each new model.

Familiar faces are back at CentraLite

When Mobile Mayor Mike Dow leaves Government Plaza this fall and rejoins his brother-in-law Jim Busby in business, the sense of déjà vu will be nearly complete.

A walk through CentraLite's West Mobile headquarters reveals some familiar faces from Busby's first success story, Quality Micro Systems, or QMS. Phil Cahoon is handling finances, again. Sharon Eisworth is handling marketing, again. Even the women snapping

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components onto circuit boards are the same. Busby estimates that three-quarters of the CentraLite work force is made up of former QMS employees.

There is a prominent face missing: Don Parker, another Busby in-law, who headed engineering at QMS. Parker is leading a digital publishing company, his own spinoff from the old printer manufacturing firm.



There's also one prominent new face: Jimmy Busby, son of the founder. Like his dad, he's an engineer. In fact, he was the instigator for the new company. With a fresh new degree in aerospace engineering and finance from the University of Alabama, the younger Busby wanted to be an entrepreneur like his father.

He and two friends were looking for just the right business. At the time, an Internet company sounded good. But before they "dot-corporated," they turned to the elder Busby for advice. If they'd gone that route, "we might be billionaires," reflects the elder Busby. "But we might be bust like 90 percent of them."

He instead advised his son to choose something more "solid," and Jimmy was intrigued by the centralized lighting control system his father had designed and installed in his West Mobile home. Like a light bulb switching on, both recognized the control system as a very marketable product.

The elder Busby credits Jimmy, the newcomer, with the idea for the company's central product, but he's banking on the business acumen of his tried-and-true team, which already struck it rich once.

—Nedra Bloom

The printers routinely earned industry awards for quality and innovation. And just as routinely, shortly after a new QMS model hit the marketplace, its chief competitor would introduce a budget version.

Although Busby made his first fortune with QMS, the firm later struggled financially and eventually moved to Japanese ownership. Today it's part of the Konica-Minolta conglomerate, and its Mobile operation is a fraction of the size of QMS in its heyday.

Twenty years later, Busby vowed that he wouldn't make the same mistakes with CentraLite, the new lighting and home control systems company he founded with his son, Jimmy. For starters, the senior Busby targeted the budget price point this time. And when he's ready to take the company public, he says he'll avoid the New York Stock Exchange.

Business Modeling

How does one team find the creative energy to start an entirely new business? Aside from the product and a determination not to repeat his earlier mistakes, Busby Sr. says the two businesses are otherwise very similar. "You don't develop technology for technology's sake," Busby says, "but for

what it does for people. You make it do something useful for people, to make people's lives better."

CentraLite's primary product is a centralized lighting control system. "For a hundred

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years, houses were wired the same way, with 110-volt electricity for the lights going up and down through the walls to a breaker box and electrical switches," Busby Sr. says. "Now, the switch is just a messenger to the computer."

With the CentraLite system, homeowners still have switches in every room, to maintain a familiar feel. But the switches are connected to a system-wide computer, rather than a room's lighting fixtures, so

they offer options such as lights that come up gradually or a dimmer feature without a dial or slider.

CentraLite's system plays up the versatility that comes with computer controls instead of simple switches, offering an array of one-touch "scenes." For example, touch the "goodbye" switch and turn off all the lights in the house, or conversely, touch the "welcome home" button to turn on all the lights. An "entertainment" button can adjust all of the lights in public areas of the house, so no guest inadvertently upsets the lighting, but leaves bathroom switches unaffected. A "pathway scene" turns on the lights from the bedroom to the refrigerator, helping guide users to a late-night snack.

Idea Began At Home

Developing the budget line is not a matter of reverse-engineering competing products, the elder Busby says, but of rethinking them from a fresh perspective. He had an advantage there, because he designed a system for his own home before he paid much attention to the commercial products on the market. Turning on his good ol' boy drawl, Busby Sr. notes that his own home is large and says, "All I wanted to do was turn off all the lights when I went to bed at night."

The younger Busby saw the value, and the two worked together to develop the product and the company that would build and market it. Now, with the elder Busby's leadership, they have built a team that's remarkably similar to the old QMS team — the business that paid the bills for a house so big it needed centralized lighting controls.

Once they decided to go ahead with the new business venture, Busby Sr. took a more serious look at the competition, searching for ways to provide the same results with a much simpler product. As he relaxes in the company's West Mobile headquarters, he cites examples of ways the new firm is rethinking the market. For instance, the typical system has keypad controls in every room, each with a built-in computer. "That's just too many computers," he says. By contrast, CentraLite systems have central-

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ized controls and only one computer, so they're easier to work with and less expensive to build and install, he says.

Award Winner

CentraLite's higher-end product, the Elegance model, is designed to highlight details inside and outside the house and to tie in with a home security system. Its LiteJet, which won *CE Pro* magazine's Product of the Year award, offers 29 programmable scenes, timed scenes, a real-time astronomical clock and other features.

The CentraLite product costs about \$3,000, plus \$500 for installation, the elder Busby says, noting that competing systems average \$60,000. You can lose that high-end price in the "white noise" of building a multimillion-dollar home, he says, but for more modest homes and for apartments and

condos, the lower price point tends to be more realistic.

Does that sound like what Hewlett-Packard did to QMS? Busby Sr. just sits back and smiles, then acknowledges: "Our biggest mistake at QMS was not going for the mass market. In the end," he says, "the lowest price wins."

Since lighting is hard-wired in existing homes, CentraLite has been limited to new homes — though Busby says he personally retrofitted a system in brother-in-law Dow's historic Midtown Mobile home. This fall, the company plans to introduce a new product allowing existing homes to be retrofitted more easily. In Mobile, CentraLite also operates an installation business.

In addition, the company's new CenDI product offers controls for air conditioning, heat, music systems, home entertainment and more — all in a remote that you can click while watching TV. "It's the ultimate couch potato toy," Jimmy says. You can even call home with it and turn on the AC before arriving. "It's the icing on the cake," his dad quips, "but it's not the cake."

High Hopes For Growth

Business has grown rapidly since the outset, and it's now on the verge of profitability, Busby says. They expect \$5 million in revenue this year and hope to quadruple their growth. "Even if we don't do well, we'll probably double."

They've recently finished an install for 34 condo units in Orange Beach and hope to have 1,000 units in progress by the end of the year. "Sales is like a funnel," Busby Sr. says. "You need so much at the top working to make sure something falls through the bottom." To help fill the top of the sales funnel, they have negotiations in progress for two 300-unit projects, for another 160 units in Washington State and for 84 in Baltimore, plus several thousand more in earlier stages of negotiations. Busby Sr. estimates that the company may be working on 10,000 prospective sales currently.

Closing the Big Deals

Busby hopes his brother-in-law, Mobile Mayor Mike Dow, will be instrumental in pushing those sales from the top of the funnel into the real world of contracts and installs. Dow will join the team this fall

when his term as mayor ends. Busby expects him to close the major deals — condos, housing developments and such — that are in the works now. And that expansion should take the new company into the realm of profitability, Busby says.

Busby Sr. pumped a lot of personal funds into the initial development of the company but has since attracted some outside private funding.

"Our top-line growth has been pretty good," he says — about 30 percent for the past couple of years and 100 percent expected this year. Bottom line? Well, he hopes to make a profit for 2005. With continued growth, the outlook is bright, he says, because "gross margins are on the north side of 65 percent." QMS' margin had dropped to 15 percent before the end, he says. "Margin is the most important thing because overhead does not expand anything like sales do."

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Once CentraLite turns a profit, Busby says he will consider a public offering, although in some ways, the decision to go public was the beginning of the end for QMS. When its profits dropped, shareholders demanded changes. But the mistake, Busby believes, was choosing the New York Stock Exchange. It offered a fine degree of respectability but made the company vulnerable to outside pressure. "The New York Stock Exchange backfired for us," he says, "but going public was very good. The firm was much more valuable when it went public."

Busby Sr. plans to take full advantage of this chance to start over with a new company. Despite his success, he recognizes that he made mistakes at QMS — and he's learned from them. "We'll make a whole bunch of new mistakes," he says, "but not any of the same ones."

Nedra Bloom is a freelance writer and regular contributor to Business Alabama. She lives in Mobile.