



## Utilities and broadband service providers deploying new value-added services

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### Connected home value-added services encompass a variety of systems:

- Remote monitoring
- Security
- Remote access and control
- Energy management

These markets are different from traditional CE markets because some solutions require acceptance by both consumers and utilities; other solutions require professional installation; and some are viable only when packaged or bundled with existing products and services. Most residential energy management (REM) solutions are not of the type that a consumer can buy at a big-box retailer.

### Value-added services appeal to service providers for several reasons:

- The services extend to their customer base, improving satisfaction and subscriber stickiness
- The services leverage existing provider strengths: communication networks, call centers, field operations, and billing relationships
- The services are outside of core offerings, thereby creating new revenue-generating units
- The competitive market in monitoring services is often fractured, without a single dominant provider
- Recent hardware advances are mitigating previously prohibitive hardware costs for deploying control and monitoring features

Industry fragmentation is high for most of the service areas. Many small players offer solutions specific to their particular industry (security, energy, home control) while others offer software platforms that can encompass multiple service types as desired by the provider. There are a number of firms, including 4Home, AlertMe, Control4, and iControl, offering solutions for broadband-provided home monitoring.

As would be expected, merger and acquisition activity has increased recently. Motorola acquired connected home software platform developer 4Home. AT&T acquired Xanboo, a home automation solutions developer and partner for AT&T's home security monitoring offering. iControl and uControl, two home automation software platform developers, merged to become iControl Networks.

ADT is offering iControl's Z-Wave-based solution through its security channels. uControl's solution (a ZigBee-based solution) is a software platform that encompasses security, lighting, and energy monitoring components. Broadband service providers such as South Carolina-based Comporium are offering it as a value-add.



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### UPCOMING EVENTS

#### CONNECTIONS™ Europe

- November 8-9, 2011

#### Smart Energy Summit

- February 28-March 1, 2012

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## HOME MONITORING/HOME SECURITY

The market for professionally monitored home security is mature with little growth over the past ten to fifteen years, but many operators believe that additional benefits enabled via IP will open the market, **expanding the consumer base while allowing them to tap into the \$9 to \$10 billion consumers pay annually** for professionally monitored security services.

Parks Associates' consumer research validates this strategy, as 12% of U.S. broadband households are highly interested in broadband-provided home security and self-monitoring solutions. Nearly one-third rated remote control of lights, appliances, and thermostats via a PC or mobile phone very appealing, and almost 30% find remotely monitoring security cameras in their home very appealing.

These numbers exceed the 18% of U.S. households currently subscribing to professionally monitored security services, indicating IP capabilities could push security services beyond its traditional and largely stagnant customer base.

Historically, the home security market is littered with failed attempts by service providers to enter this area, but the proliferation of broadband and the growing presence of IP-based CE in the home, as well as the ability to combine security with a suite of control and energy monitoring services, are motivating a new wave of provider-based services.

- Comcast is back in the market with a home security service as part of its XFINITY-branded services.
- Verizon launched a pilot in New Jersey called the Verizon Home Monitoring and Control service, with applications including indoor and outdoor Web cameras, remote locks, and a communicating thermostat. It is also integrated with FiOS TV services, which allows the television to act as an information and control display.

## ENERGY

The market for REM solutions, as well as the broader connected home systems and services arena, continues to evolve.

This growth comes despite early consumer backlash following initial deployments of smart meters in California and Texas, a testament to the strength of the market and the strong consumer demand for energy-saving solutions.

Parks Associates' REM consumer surveys find 80% of U.S. consumers have invested in some form of energy-saving improvement for their current home. This market goes beyond counting megawatts to include home enhancements, controls, and other connected-home offerings.

The utility-based HAN (home area network) ecosystem has expanded accordingly. Several communication standards groups initiated collaborations, including ZigBee, HomePlug, and Wi-Fi as well as the HomeGrid Forum and the Z-Wave Alliance. For example, the

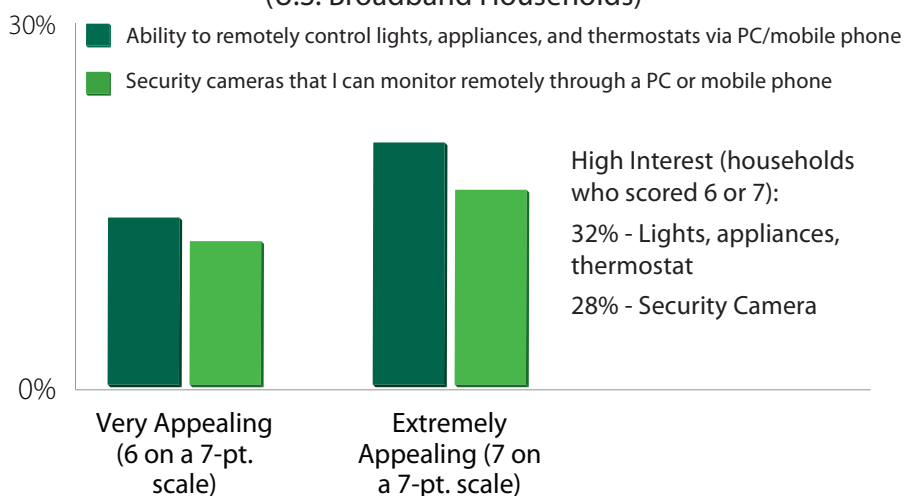
Wi-Fi and HomePlug Powerline alliances have agreed to develop greater interoperability among products using Wi-Fi and the wired HomePlug GreenPHY standard. These types of collaborations among organizations increase integration opportunities and choices for manufacturers, utilities, and consumers.

The market for energy services is not limited to utility-based initiatives. Several major companies have entered the REM market, which will have tremendous beneficial impact on consumer education and early adoption. Companies such as ADT, GE, and Verizon have tremendous reach into residential markets while other large firms, such as AT&T and Motorola Mobility, are poised to enter the monitoring and control market.

These efforts should be highly successful at generating interest as consumer demand for energy-saving solutions is high and not just in areas such as Europe with traditionally high energy prices. U.S. consumers have shown growing interest in energy-related solutions, driven by a variety of factors

## Appeal of Remotely Monitoring Home

How appealing are the following for your home?  
(U.S. Broadband Households)



Source: *Consumer Demand for Technical Support Services* | © Parks Associates

including cost savings, environmental concerns, and enhancements to lifestyle and home value. Aligning energy solutions with the prevalent anytime/anywhere expectations that come with adoption of smartphones and tablets/iPads is the next big step in expanding interest in REM.

Extending REM to these advanced devices is important because their ownership is a significant indicator when segmenting consumer interest in energy monitoring services. Parks Associates' Consumer Motives, Actions and Intentions, an REM survey of U.S. broadband households, found smartphone owners are substantially more interested than non-owners in energy monitoring services. Their significantly higher interest levels sustain even when presented with a hypothetical monitoring service costing \$10 per month extra.

U.S. broadband households subscribing to security monitoring services also score higher interest compared to non-subscribers. These findings underscore the need to bundle REM with complementary service packages and extend the service to emerging devices in the digital home.

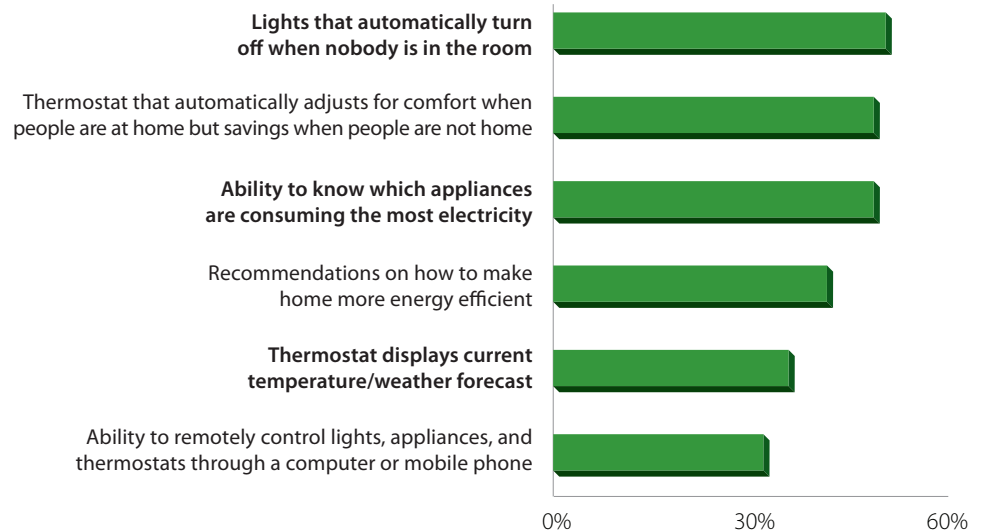
Given the players entering the market ready to undertake these strategies, combined with the strong demand from consumers, Parks Associates forecasts rapid growth in the REM market over the next few years. **The percentage of U.S. households with some form of energy management network will rise from 2% in 2011 to 13% by 2015.** In general, these numbers indicate the REM

market is transitioning from an introductory period to a period of pervasive growth. **Over the next five years, this market will be characterized by the following:**

- Entrance of many more firms with a variety of solutions
- Growing consumer awareness of benefits provided by these solutions
- Significant growth in sales volumes

## Interest in Energy and Remote Control Features

(U.S. Broadband Households)



Source: Residential Energy Management Survey | © Parks Associates

## ABOUT PARKS ASSOCIATES

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, energy management, and home control systems and security.

Each year, Parks Associates hosts executive thought leadership conferences CONNECTIONS™, CONNECTIONS™ Europe, and Smart Energy Summit.

