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Matching Energy Management and Controls with Security Monitoring

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As early as the mid 1990s, a new breed of security provider, using the capabilities afforded by broadband communications, began revisiting the notion of “home management.” A spate of providers emerged such as @Security Broadband and Ameritech Home Security. The traditional providers, busy marketing the core broadband capability, and the consumer market, only just adopting broadband, rejected (or were simply unaware of) these offerings, and the idea went dormant. However, about four years ago, interest renewed as broadband diffused and service providers began to aim at more and different paths for ARPU.

Multiple entrepreneurial efforts from players such as Intamac, iControl, uControl, and Alertme.com have caught providers' interest. The core concept is provisioning a software platform that offers monitoring and control across multiple product categories. Alerts and messages transmit via broadband within and from the home while the necessary hardware is wireless in most cases and is either easy enough for DIYers or for quick installation by a professional installer.

The exact usage and terms available to consumers depend on the business model the provider establishes. For example, ADT Security licenses iControl software and collaborates with its programmers for additional features. It has launched ADT Pulse in a few cities for test purposes and will now be rolling the service out nationwide; ADT also has intentions to offer the service internationally over time. ADT Pulse is an IP-based platform that complements the existing ADT proprietary system and is available for homes with no phone line. The system can add new features for existing clients and offer more features to attract new customers.

These new systems can also tap into the growing demand for energy-related applications. Energy conservation is a significant national trend due to several drivers:

- Consumers want to contain rising costs
- Consumers want to demonstrate good environmental stewardship
- The nation seeks to reduce its dependency on foreign oil
- Some politicians and citizens want to lower carbon emissions

To get a sense of the market potential, Parks Associates inserted a few questions regarding energy monitoring in a 1Q 2010 consumer survey. We found the best predictor for those willing to pay an additional \$5, \$10, or \$15 for energy monitoring and information was having experience with similar services. For example, broadband households with security are two times more likely than non-security households to be willing to pay for energy monitoring. Price matters, but the tipping point is somewhere around \$10. Since the demographics of security households are distinctive in terms of home ownership and income, they likely have above-average home energy bills.

Energy Monitoring and Control

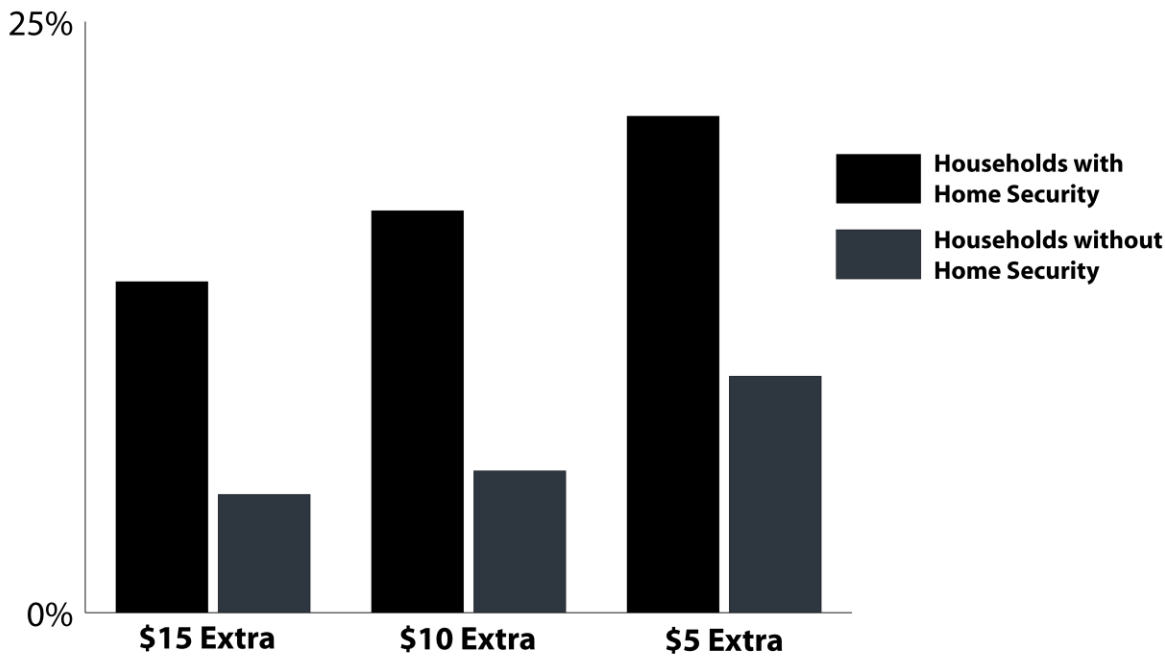
Energy monitoring offers security providers the potential to collaborate with utilities and at the same time gain new customers and increase ARPU. The government has offered billions of dollars in stimulus funds to help electric and gas utilities advance smart grid projects and improve the nation's energy efficiency. In addition, some utilities and the Federal government are offering tax credits and rebates to promote energy-efficient appliances as well as alternative energy via solar panels in the home.

To further their reach inside the home, electric utilities may partner with security providers to provide monitoring information to consumers. Business models may include "free equipment" in return for the energy utilities' authority to cycle equipment in peak periods.

On the downside, security providers lack ubiquity and uniform coverage across a total utility territory. Even giant ADT currently serves only one in ten or eleven households, and

How much extra would you pay for energy monitoring offered with a security service?

(among U.S. BB households willing to pay for this service)



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that is assuming even distribution (which does not actually exist). Nonetheless, for some sets of homes, a combination of rich services may benefit both the utility and the security provider.

Other Players in Energy

The diffusion of broadband capability opens the market for energy services beyond utilities to a variety of different players. Telcos, cablecos, and security companies are all assessing the viability of energy-related offerings – and how to develop energy monitoring and control services that align with current consumer demand. If consumers deem the benefits as worthy because of savings or new conveniences, a segment of households will adopt and are willing to pay a monthly fee for such services. “Non-utilities” can access the actual energy information by reading data off meters, by implementing alternative usage-sensing equipment, or by requiring utilities to supply it in geographic areas in which consumers “own their energy information.”

While security providers often perceive telco and cable providers as possible (and dangerous) competitors, energy monitoring and controls is one area where these potential rivals could form new alliances.

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™ and CONNECTIONS™ Europe. In addition, Parks Associates produces the online publication Industry Insights in conjunction with the CONNECTIONS™ Conference series.

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About the Author

Tricia Parks is the founder and CEO of Parks Associates, a market analyst and research company dedicated to providing meaningful information and counsel to companies offering technology-based products aimed at improving people's lives. She presents worldwide on consumer trends, market requirements, and industry structure, with an eye to meshing visionary and progressive ideas to consumer needs and wants.

Parks Associates hosts CONNECTIONS™, an international conference and showcase for the digital home hosted in the U.S., and CONNECTIONS™ Europe, hosted in Europe and focusing on market opportunities for digital products and services in the many European nations. Tricia Parks also developed the Relevancy Theory, a forecasting model for sales across a broad range of digital electronic products and services.

Tricia has served on a variety of industry boards including CEA's Home Networking and Information Technology division, the National Research Council's Committee for a Partnership to Assess Technology for Housing (PATH), the AMD Board of Global Consumer Advocacy, and CABA. Tricia Parks has a BA from Sweet Briar College and graduate studies from the University of Texas.



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