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Home Security: Choice is the Ultimate Value Proposition

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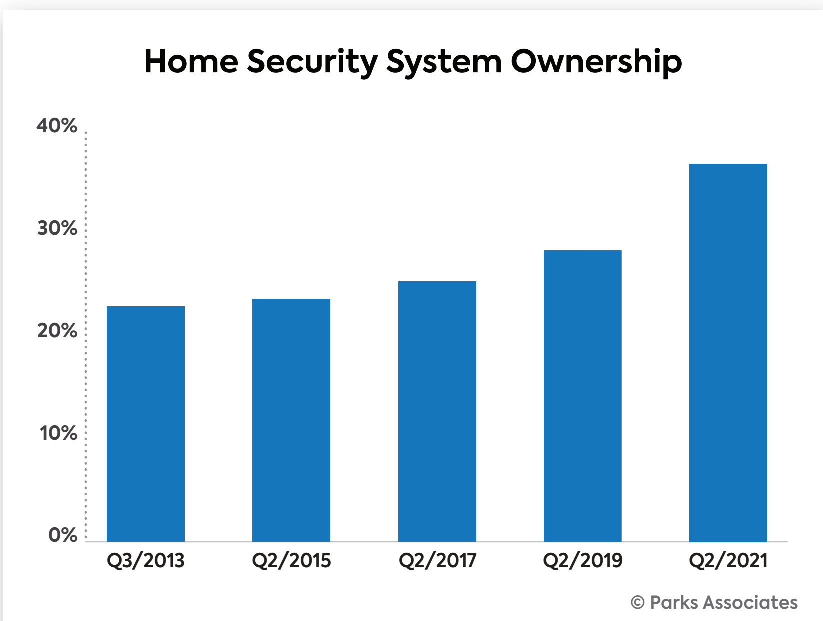
Demand for Safety and Security is Strong and Rising

The uncertainty caused by COVID-19 has heightened consumer anxiety about the safety and security of their families and homes and expanded the volume and type of consumers searching for safety-related home solutions. At the end of 2020, 27% of broadband households strongly agreed with the statement, **"I am far more concerned about the physical security of my home than I was five years ago"** — and that number rises to 43% among households with children.

While residential security system adoption held steady at 26-27% from 2014-2017, a 10% increase moved the needle to 36% adoption as of Q2 2021.



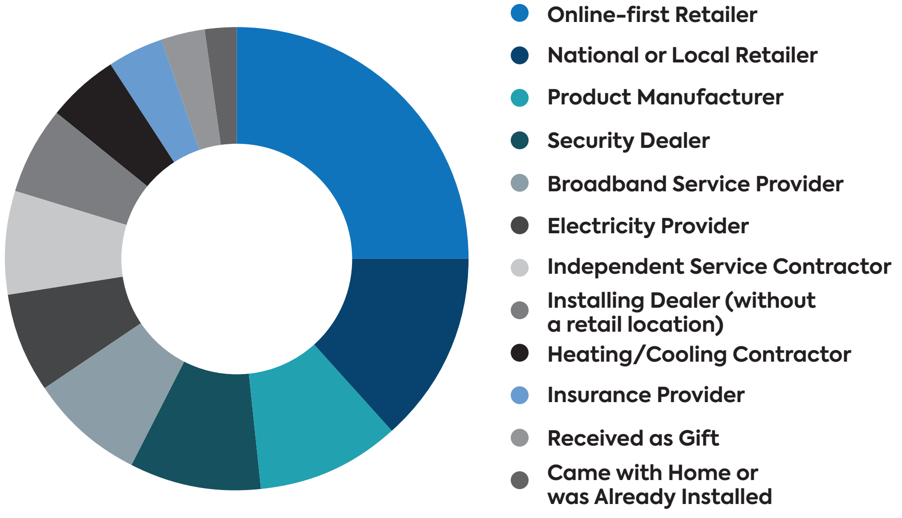
Smart home and security device adoption is also rising in broadband households, and consumers are embracing standalone devices and DIY home security solutions. Smart home security devices like networked cameras and smart doorbells have grown to over 10% adoption each in all broadband households as of 2021. DIY installed security systems, like Ring Alarm, SimpliSafe, and Abode, and DIY offerings from national brands such as Comcast and ADT, have expanded consumer familiarity with the category.

Lower prices, no contract offerings, and these new installation and services options provide consumers with the ultimate choice in home security, automation, and monitoring services. Consumers can determine the optimal combination of installation, monitoring, and automation that provides a sufficient level of security and convenience for their household — a package that is "safe enough" for their needs.

Where consumers buy these products and services is also shifting. The security channel is highly fragmented, with relatively few national security providers. These players have worked for years to leverage expertise, scale, and adaptability to add new devices to their security offerings, driving use and demand of interactive services and increasing monthly revenue fees successfully.

At the same time, broadband service providers have expanded their value-added service offerings to include additional devices, support services, and applications for consumers, including home automation and home security solutions. In 2021, the retail channel is now dominating as the top channel for stand-alone smart home devices, with 25% of broadband households reporting their purchase of smart home devices at an online or national retailer. Security dealers are an important secondary channel for smart safety and security devices, while HVAC contractors are an important channel for smart thermostats.

Purchase Channel for Top Smart Home Devices



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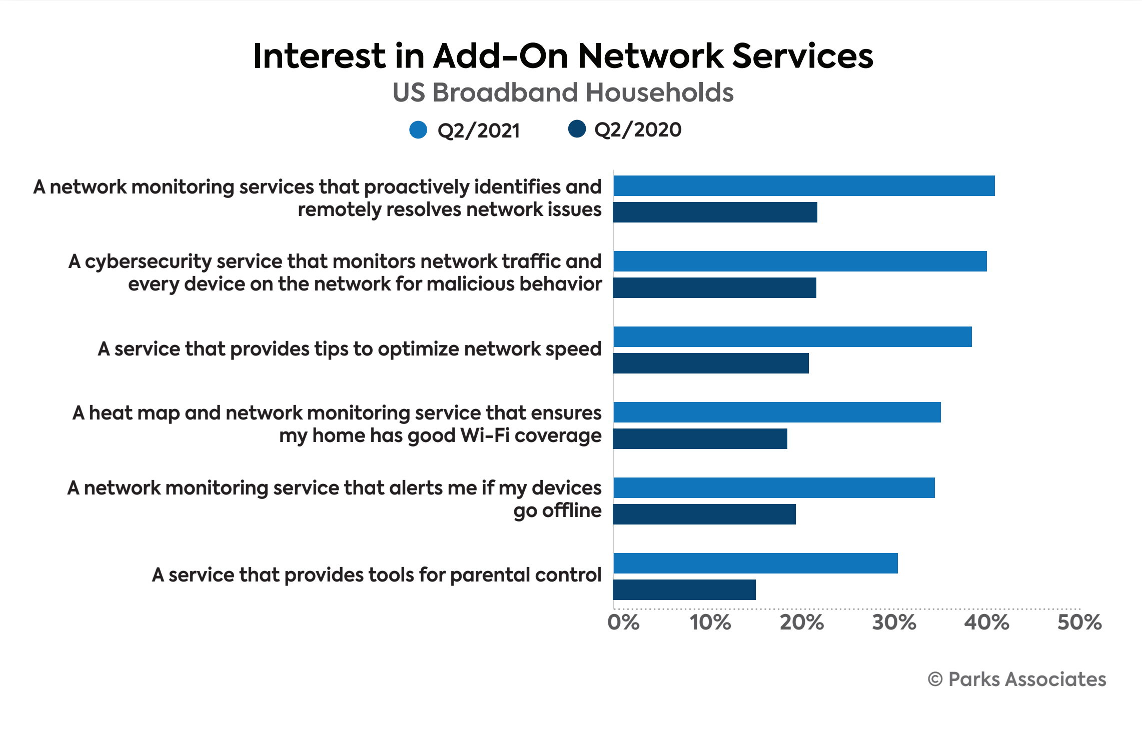
Consumer interest has also risen for adjacent services related to the performance and security of their home connectivity, such as smart Wi-Fi management, parental controls, and cybersecurity. As demand increases for smart home and security solutions, broadband service providers are well positioned to provide consumers with the next generation of home automation and security services catered to their specific needs, fulfilling their perceptions of what is safe enough for their household and their need for value-added services that ensure a safe and reliable connected home experience. These value-added services include professional monitoring for energy usage, risk mitigation from flood and fire, health monitoring, asset monitoring, and appliance maintenance monitoring.

In addition, consumers are beginning to show interest in whole-home security and add-on network services. The role of managed services for consumers will continue to grow along with additional network protections, including cybersecurity, networking monitoring services, and other features like parental controls.



Choice in Security: Pro vs. DIY

New installation and monitoring offerings have expanded options for consumers. Smart home devices and DIY security systems have delivered an alternative option to provide adequate security and safety. While consumers feel "most secure" with home security systems, almost half of all broadband households surveyed find smart home security devices make them feel "safe enough."

Further, new options allow consumers to add a professional monitoring service to a specific device, rather than to a full security system. Over one-half of smart home device owners believe there is value in paying for specific devices to be connected to a professional monitoring station. Particularly viable devices include network cameras, smart door locks, smart garage doors, or a combination of these devices. These devices represent the heart of access control for the home and complement the core pro-monitored security offering: premise security.

Newly introduced self-install security solutions are designed from the ground up to be installed by the consumer and represent new business models with low or no monthly services. These low-cost options are also changing the user interface. They replace the keypad with apps to control and arm/disarm the systems or use sensors and automation to infer when systems should be armed and then execute these functions for the consumer.

In addition, these new DIY systems provide a "foot in the door" to the home, giving consumers the experience with self-monitoring and opportunities for service providers to upsell and provide more value to consumers through professionally monitored services. Companies are including premium features that will entice consumers to adopt related premium services, including interactive monitoring, storage, and more robust video analytics.

There are clear tradeoffs between professional and self monitoring and between professional and self installation.

	Pro Monitoring, Pro Install	Pro Monitoring, Self Install	Self Monitoring, Self install	Self Monitoring, Pro Install
Benefits	• 24/7 coverage • Faster response times • Pro support in an emergency • Pro consultation on best system for home layout • Correct installation and training on system use	• No install costs • No installers in home • Shorter or no contracts • 24/7 pro support in an emergency • Faster response times • Quick buying process	• No install costs • Low monitoring costs • No installers in home • Shorter or no contracts	• Low monitoring costs • Shorter or no contracts • Correct installation and training on system use
Drawbacks	• Install costs • Higher Monitoring costs • Long term contracts • In-home installers • Long buying process	• Risk of installation issues, higher support needs • May purchase devices/system not adequate for space	• Self-reliance in emergency • Risk of installation issues, higher support needs • May purchase devices/system	• Install costs • In-home installers • Self-reliance in emergency

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Professional Monitoring Continues to Dominate, Expands in Value

Security systems with 24/7 professional monitoring are the foundation of consumer familiarity with home monitoring services. These traditional services set the standard for safety, theft prevention, and detection for homes and businesses and have a straightforward and robust value proposition that resonates with consumers and companies. Currently, 33% of broadband households have professional security monitoring.

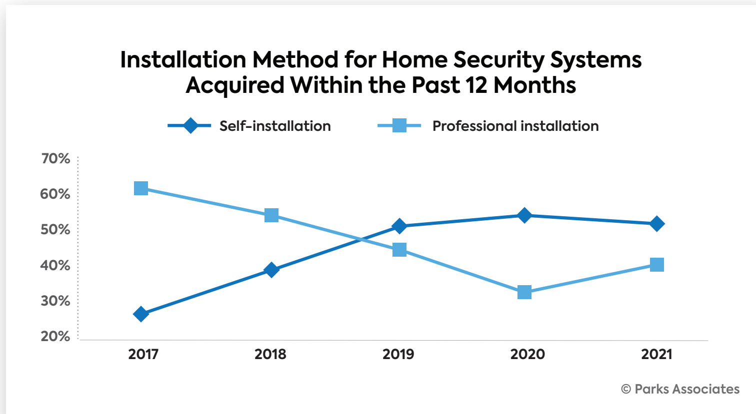
Part of the rise is the separation of professional installation from professional monitoring. Self-installation provides a new way for consumers to buy with lower upfront costs. Self-installation of newly acquired security systems has dramatically increased from 40% in Q4 2018 to 55% in Q2 2020. The entry of tech giants, with low-cost solutions and big marketing budgets, has raised awareness of DIY systems.

In recent years, service providers have driven new revenue by converting legacy security system customers to interactive services and adding sales of connected devices like networked cameras, smart doorbells, and smart door locks. In many instances, standalone smart home devices and services offer solutions into these same areas, enabling users to self-monitor conditions with mobile, automated alerts. However, consumers aren't always available to respond, or want the assurance of professional medical or safety to arrive, and thus see the value of a full professional monitoring service.

Broadband households with safety concerns are much more likely than all broadband households to have a professionally monitored security system; this is especially true among households concerned for their vacation or rental property safety.

House monitoring, emergency response, and smoke/fire monitoring are the most appealing features of home security systems by current owners. These also align with the strongest value proposition for professional monitoring — serious emergencies demand professional response.

As aspects of daily life get more connected, remote work continues on for many, and new technologies enable advanced applications, consumer's interest in smart home devices and expanded professional monitoring services will continue.



Professional monitoring providers continue to push the envelope and broaden their value proposition by adding new lines of service:

- energy usage monitoring
- risk mitigation from flood and fire
- tracking of valuables
- appliance maintenance monitoring
- monitoring the safety and health of aging relatives
- vehicle monitoring

Professional Monitoring Service Subscription

US Household Adoption

19%	33%
2016	**2021**

Value through Choice: Life Stages Influence Purchases

Consumers' views on home security installation and monitoring have shifted as more options are provided. Households are experimenting with different offers from security providers and standalone devices, ultimately expanding adoption. Understanding the choices consumers make for home security solutions based on their stage in life helps with better understanding.

New Household: represents householders ages 18-29, without children or younger siblings living at home. Likely a newly formed household, the householder is commonly engaged in college or post-secondary education and/or seeking to build a career.

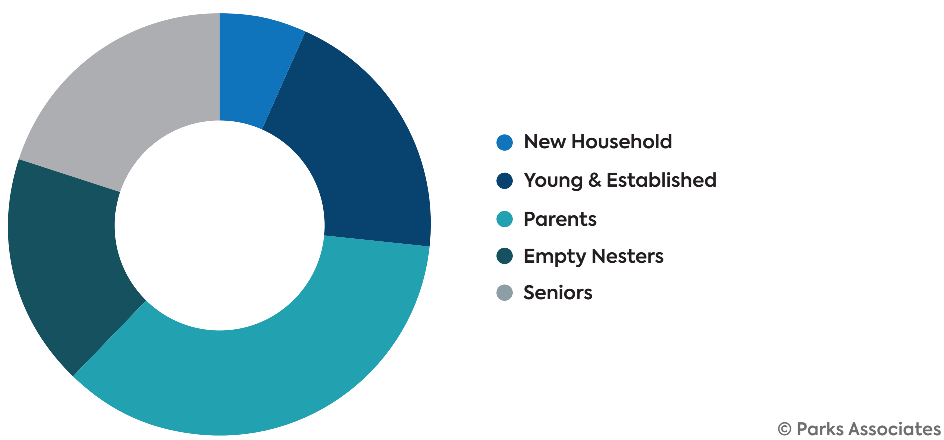
Young & Established: represents householders ages 30-54, without children living at home. Likely established in their careers but doesn't need to meet the needs of children.

Parents: all households containing a child under the age of 18. The householder needs to keep children safe and may have additional connectivity needs related to education, entertainment, and privacy.

Empty Nesters: represents householders ages 56-64, without children living at home. Commonly empty nesters, likely still working.

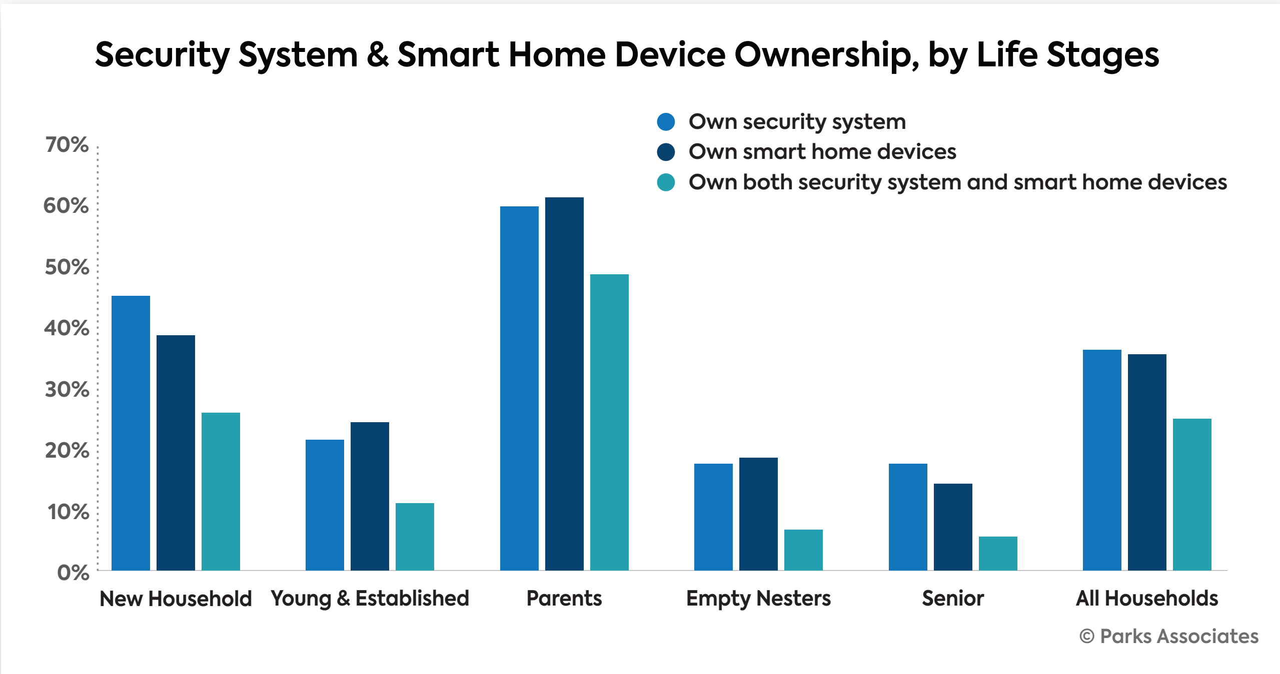
Seniors: represents householders ages 65+, without children living at home. Likely retired.

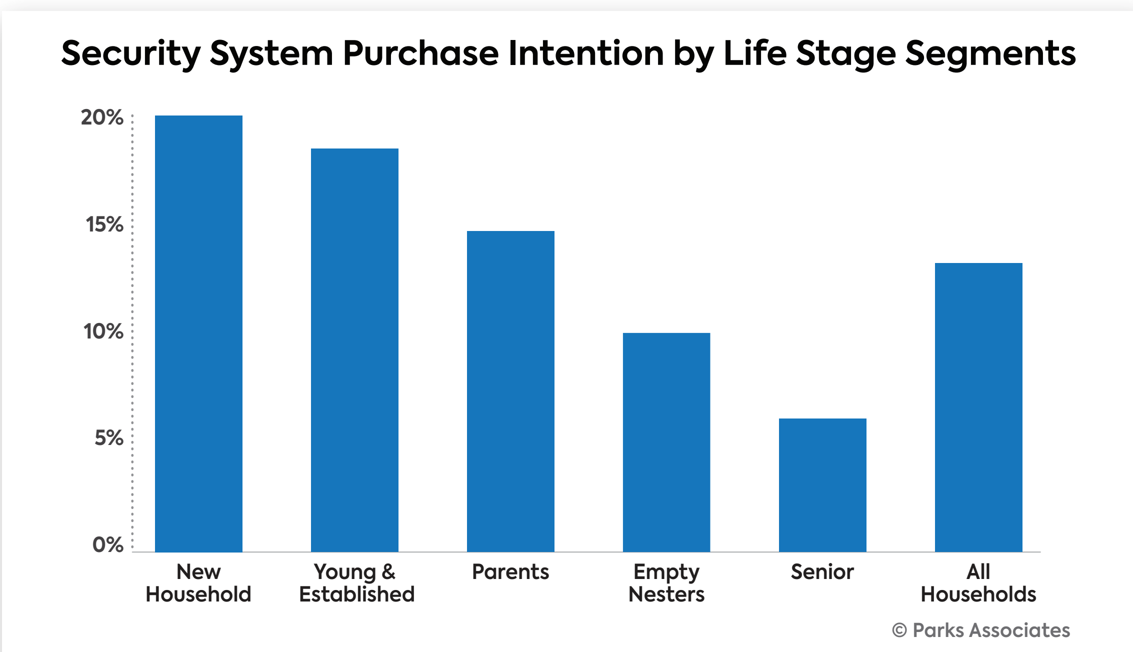
Life Stage Segments, Distribution in US Broadband Households



Security System and Smart Home Device Ownership

Households with children have always been a dominant group for home security systems. Brands have an opportunity to drive recognition and value with the New Household and Young & Established groups, many of whom will become Parents looking to adopt a security system and other relevant services like parental controls. Though the Young & Established group trails these other segments in security adoption today, they show higher security system purchase intentions than parents, suggesting some latent demand that is not yet being captured in sales.





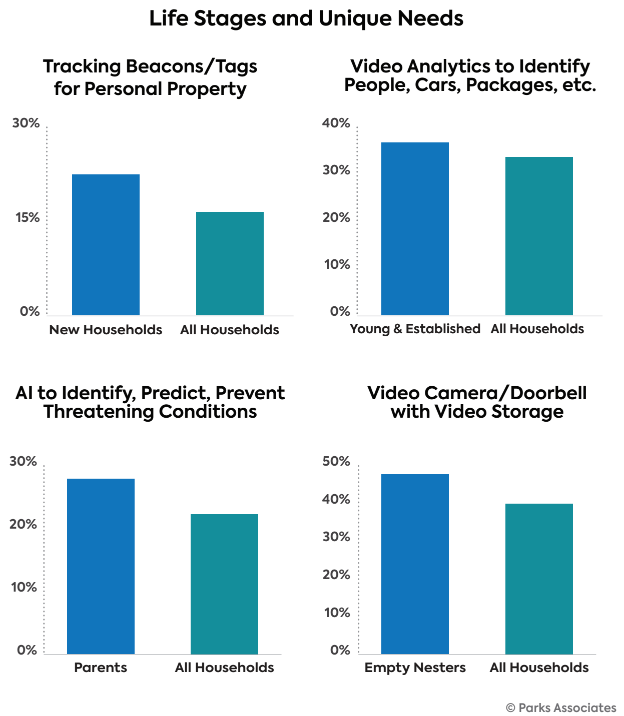
Security System Installation

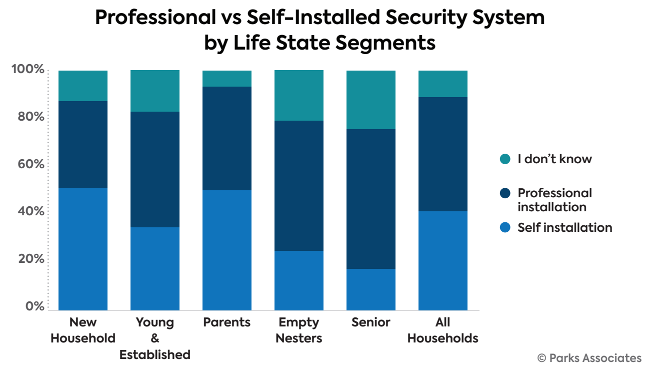
Self-installation, a new option for consumers, has become popular and widely adopted. Fifty-six percent of all new security system installations in the past year are self-installed. Parents and New Households are more likely to self-install their security systems while Seniors and Empty Nesters use professional installers. To meet the needs of consumers across all life stages, security providers are wise to offer both installation options.

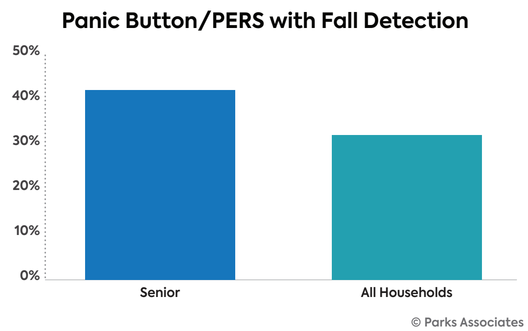
Next-Generation Security System Features

Each consumer segment also seeks to solve unique needs for their household. For instance, beyond intrusion detection, the number one condition Seniors seek to detect or prevent is fire. For Empty Nesters, it is neighborhood crime, while new households most desire to detect or prevent vehicle theft or damage.

Similarly, consumers at different life stages are attracted to different security system features and functions. When ranking their top three desired security system features, all security system owners and purchase intenders rank professional monitoring and smart alerts/notifications among their top features. Yet, each consumer segment also over-indexes on a unique feature, distinct from other segments. New Households show particular interest in asset tracking tags, Young & Established and Parents are interested in video analytics and AI features, Empty Nesters are particularly attracted to video camera/doorbell integration, and Seniors show strong interest in fall detection solutions. To meet the needs of today's security buyers, providers need to offer a variety of feature choices.

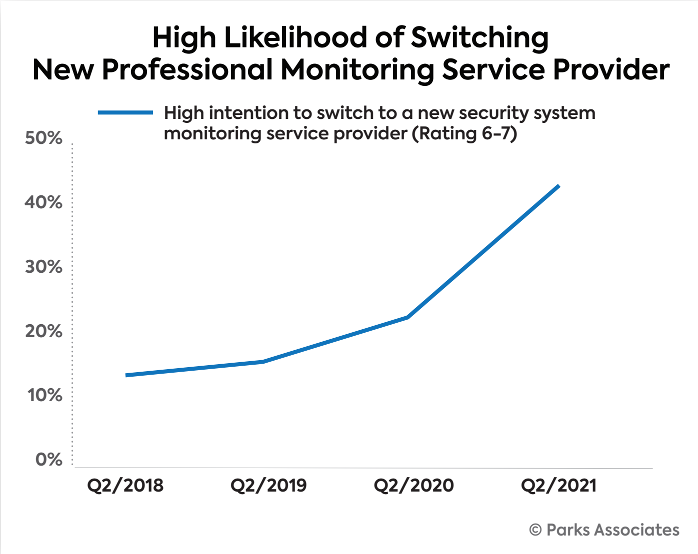






Attract and Retain Subscribers: Meeting Customer Needs

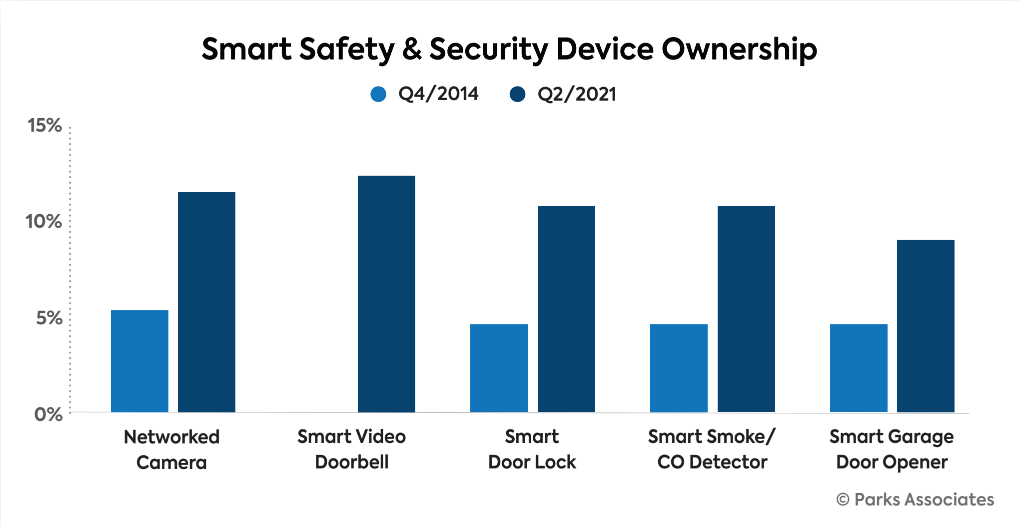
With so many new and established brands offering security, and contract lengths in decline, consumers have more choices of providers than ever. The likelihood of switching providers dropped in 2020 but rose again in 2021. Subscribers to professional monitoring received offers of financial relief during COVID-19 and also reported satisfaction with the services they received from home security providers throughout the pandemic. Special care with installers for safety concerns and considerations given pandemic conditions has served these business well with creating positive attitudes with consumers. However, high intentions to switch professional monitoring services have grown dramatically. Providers across the spectrum of security solutions must work to meet consumers where they are, including options on installation, length of contract, and add-on devices.



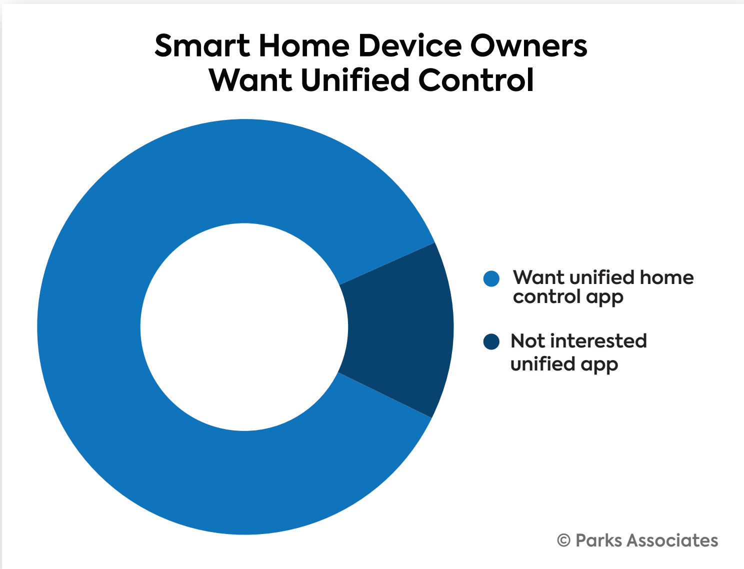
Consumers Seek a Unified Control Experience

Smart home security devices have similar value propositions as traditional security systems and may service as an alternative to these systems due to the low cost and easy DIY installation options. While security systems with professional monitoring provide more peace of mind and safety to consumers, smart home devices do not fall far behind. At the same time, interoperability and installation issues continue to be a problem for consumers.

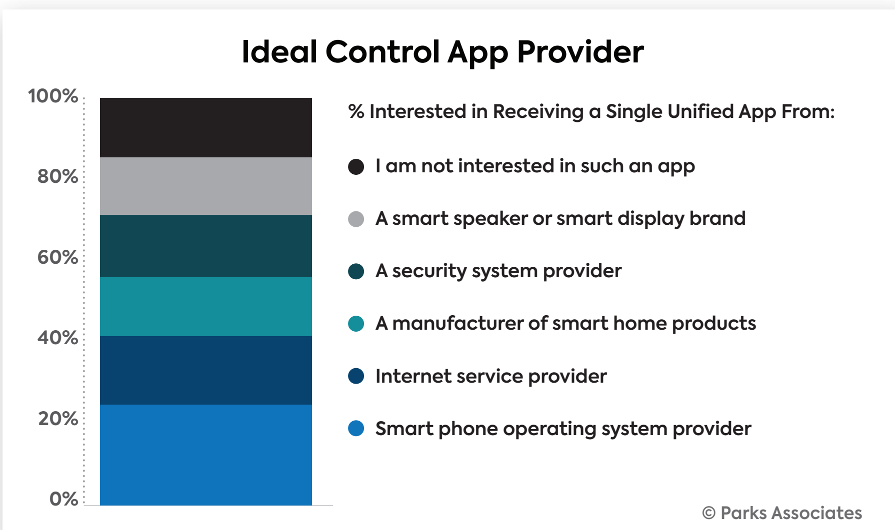
As of Q2 2021, 36% of U.S. broadband households owned at least one core smart home device, and 25% owned three or more. The vast majority of smart home devices are self-installed, but almost one-third of consumers have these devices professionally installed.



Overall, acquisition of smart home devices is typically incremental rather than all at once. As consumers add devices, they are actively seeking products that will work together and are controlled by one app. Eighty-six percent of smart home device owners indicate they want a unified app to control their devices. This will become an increasingly important point as consumers continue to add devices to their network.



Consumer preference for the provider of a unified app is fragmented, indicating the critical role of home control provider is still anyone's game. Eighteen percent of smart home device owners indicate preference for controlling their smart home products through an app provided by their broadband service provider, the second highest category behind the provider of their smartphone operating system.

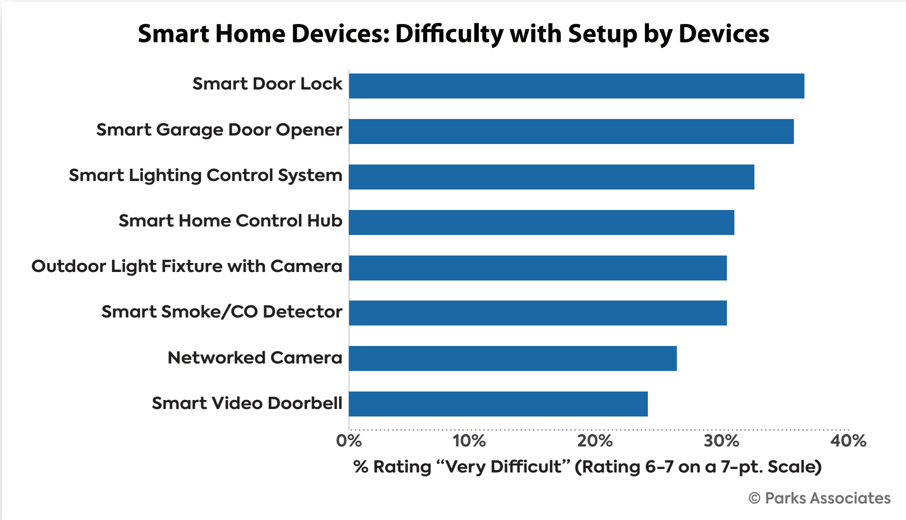


Consumers Want Choice in Contract Lengths

Traditional professionally installed, professionally monitored security systems included long contract terms. This model allowed providers to lower the upfront costs of the security system hardware and installation and recoup the costs over the contract term. DIY systems remove the installation cost and commonly include lower-cost hardware; as such, monitoring contract need not be as long, or may not be needed at all. Now, some professional service providers are reconsidering their traditional contract lengths, as well as financing options, to help provide consumers with more options and choice. This creates an opportunity for consumers to reconsider their provider and new opportunities for service providers to share the value of advanced services with consumers.

Consumers Need Support

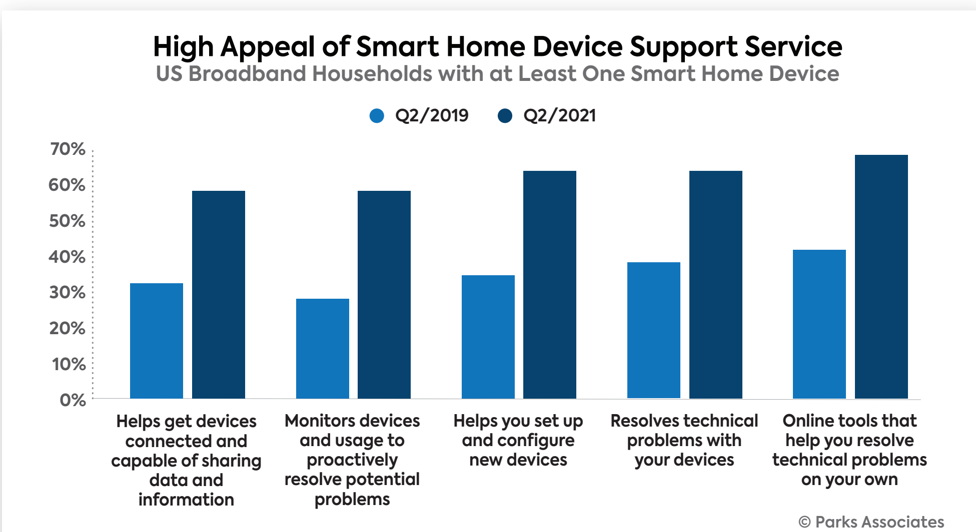
Smart home devices increasingly have DIY setup, but with that comes an increase in technical issues. Overall, 21% of smart home device owners and 34% of CE device owners experienced at least one problem in the past year. Of the consumers setting up smart home devices on their own, **36% of consumers experience difficulty.** Of those, 76% of consumers who experience setup difficulty seek professional support. However, the return rates for smart home devices have also increased, which represents lost opportunities to attach additional services to that solution.



The likelihood of experiencing technical problems strongly correlates with the number of smart home devices owned and with age, peaking among 35-44 year olds. Those experiencing technical problems seek help through various means, including the manufacturer, product manuals, and support forums. The use of self-help apps and professional technicians is growing, and companies need to develop support channels for consumers.

As product adoption expands beyond tech enthusiasts and early adopters, support services will become more valuable. New users will need assistance with setup and ongoing support to ensure continued value and to minimize product returns or service cancellations.

New work-at-home and school-from-home activities make home network dependability even more critical than before. These trends are driving high willingness to pay for support services that ensure a seamless experience. Service providers have expanded opportunities to support consumers' new virtual lifestyles. They also can partner with small businesses who are invested in services that promote business continuity as employees work from home.

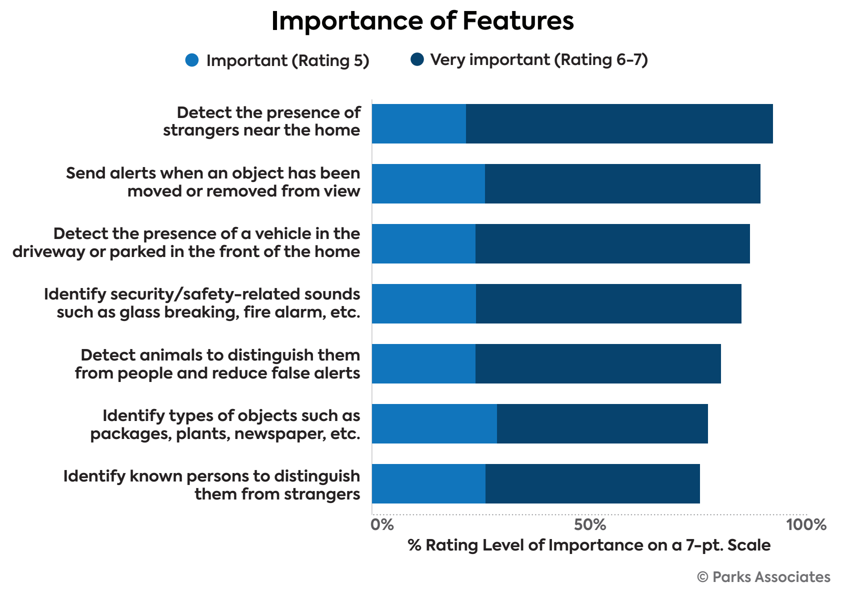


Consumers Want Automation: Enhance Value through Artificial Intelligence

Artificial intelligence and big data applications continually add value to smart home and IoT solutions at the application level, often without requiring substantive hardware changes. Consumers continue to report the importance of features that are enabled by AI and/or video analytics.

Networked cameras leveraging video analytics for residential and commercial security can identify people, objects, animals, packages, license plates, and other visible subjects of interest to interpret the meaning and context of their presence near or in the home.

Additional sensors measuring motion, temperature, video, audio, humidity, light, and more provide more context for device control, ultimately feeding artificial intelligence applications with data that can provide more predictive and personalized automation. These sensor-based technologies help set the stage for the next generation of services for consumers. For example, when multi-sensor devices are integrated into and managed by smart home or security services, they create value that can be captured by whole-home energy management services, connected health monitoring services, or insurance risk mitigation services.

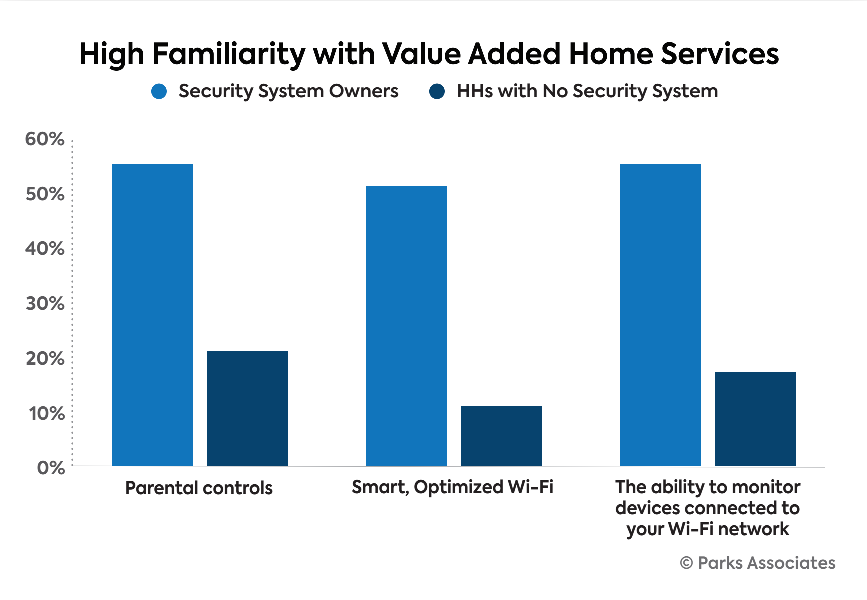


Consumers Value Whole-Home Services Including for the Network

Consumers depend on reliable broadband internet for work and daily living. Broadband providers are investing in their network evolution and deploying fiber to the home to boost uplink and downlink speeds. They are also expanding access, with a renewed focus on connecting the unconnected population and expanding value through home security, automation, and health and wellness services.

Several home services that traditionally fall outside the residential security offering are, in fact, complementary to it. ISPs now offer advanced device recognition, smart Wi-Fi, whole-home cybersecurity, Wi-Fi motion, and parental controls to their subscriber footprints, all of which touch upon consumer peace of mind or home controls and automation.

In Q3 2020, Parks Associates found that roughly one in five US broadband households reported receiving a service that monitors or improves Wi-Fi in the home or a service that protects devices from viruses and hacking. Generally, most consumers receive these services "free" with their internet subscription, although roughly a quarter of users show a willingness to pay an additional fee.



The use of routers/gateways as a delivery mechanism for services offers various advantages to ISPs. These new gateway-based solutions help extend the applications for connected devices in the home, like outdoor video cameras, video doorbells, and other surveillance solutions. Parks Associates data finds that home security system owners have much higher familiarity with such solutions than other households do, indicating a strong opportunity for bundling security with adjacent home services.

Choice in Security: The Ultimate Value Proposition

The residential security market has exploded with new options for consumers in how they buy, what they buy, what they monitor, and who performs the monitoring. Consumers have responded to the power of choice, with new consumers driving growth in a market that had reached a plateau. Security providers across the spectrum, and ISPs in particular, have a big opportunity to attract customers and drive revenues by offering the consumer choice in installation, monitoring, support, system configuration, smart device attachment, contract length, and the ability to append additional network-related services to meet their personalized household needs.

About Parks Associates

Parks Associates, a woman-founded and certified business, 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 apps, advanced advertising, consumer electronics, energy management, and home control systems and security. **www.parksassociates.com**

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About Comcast Xfinity Home

Comcast's Xfinity Home, powered by Xfinity Internet, is one of the fastest growing home security providers in America. Not only does it offer peace of mind with 24/7 professional monitoring with battery and cellular backup, but it also includes smarter home security features like video monitoring and the ability to manage and control an increasing number of third-party smart home devices from a phone, tablet, the Xfinity Home touchscreen, or via the X1 Voice Remote. **www.xfinity.com**

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