



# HOME SECURITY: A REDEFINED MARKET

A Parks Associates Whitepaper

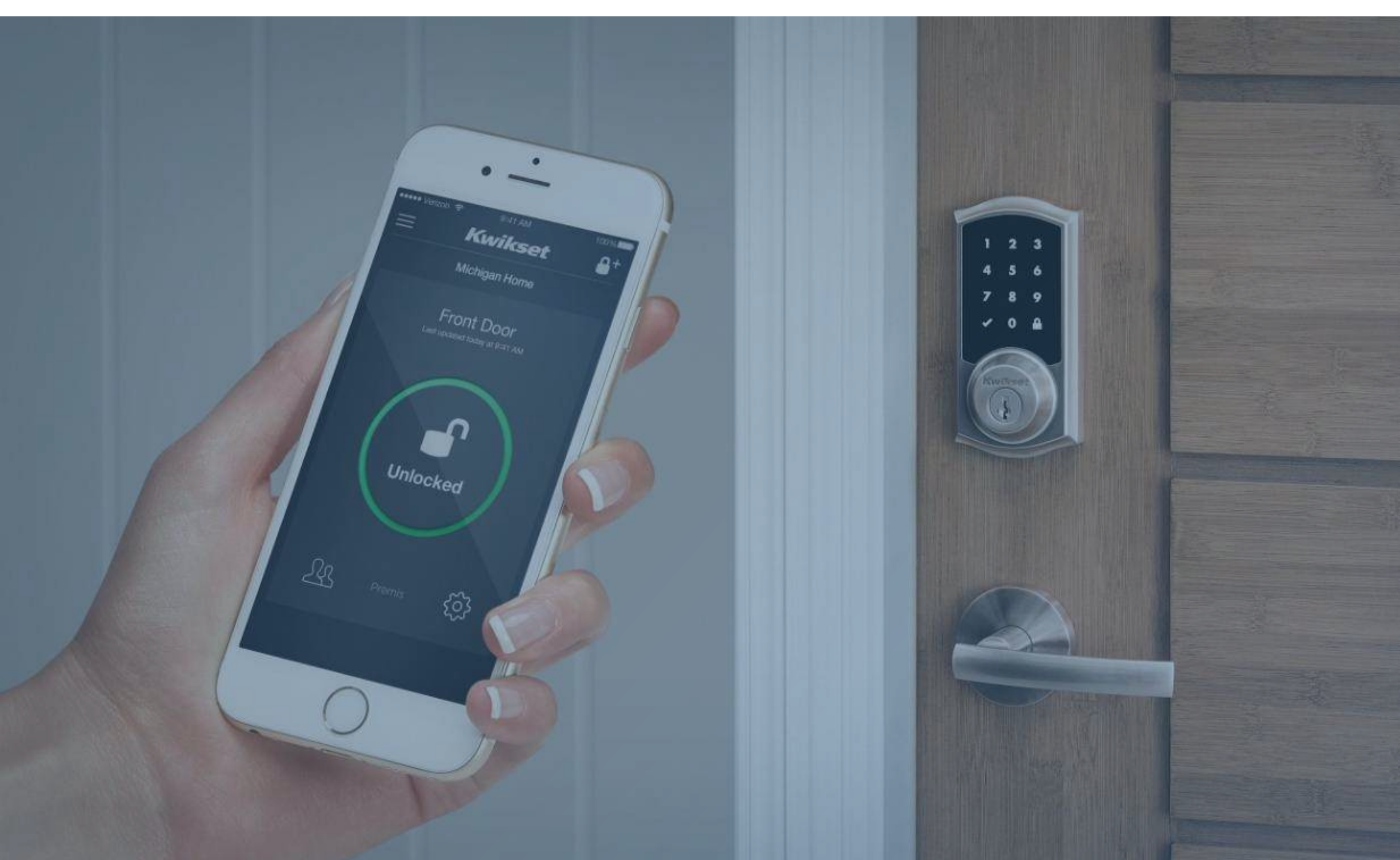
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# Home Security: A Redefined Market

COVID-19 has redefined the market for security and related smart home devices, with both positive and negative factors emerging in this new environment. From the very beginning of the pandemic, many people, unwilling to risk exposure to COVID-19, have avoided circumstances where an installation or repair technician would enter their home. This cramps growth for traditional security systems but heightens the willingness to acquire self-install security systems.

Countering this downward pressure for traditional security systems are strong new-start home sales with higher than-average adoption of security. The security system and adjacencies such as IP cameras can go straight on the mortgage, with the option to continue monitoring services. In addition, sales of second homes in vacation areas have increased substantially as households, particularly those in large cities, seek to escape to tranquility. These market conditions have driven new opportunities and alliances among builders and security players; for example, ADT has entered a partnership with D.R. Horton, the nation's largest homebuilder by volume.

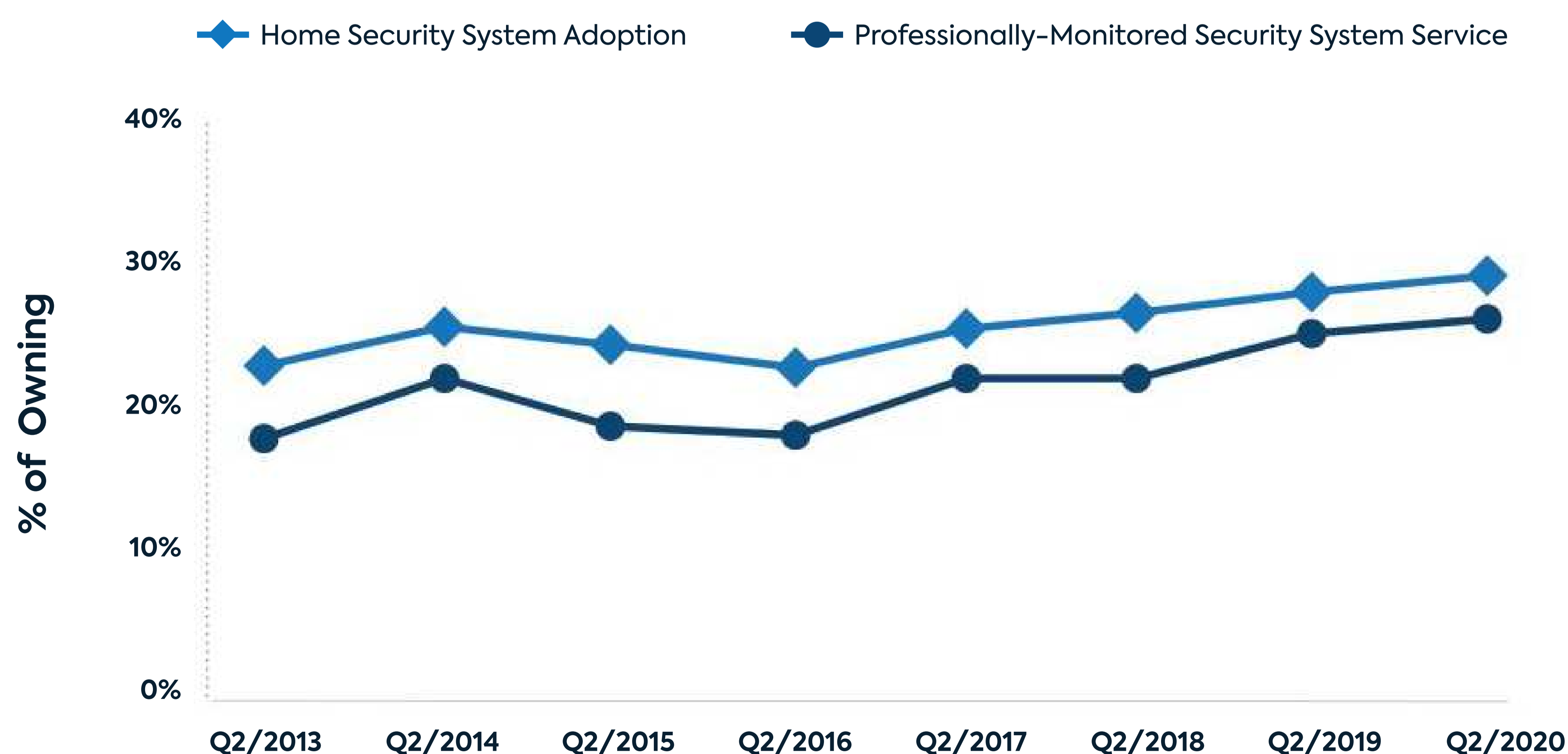
Overall, slow and steady growth continues for adoption of home security systems and professional monitoring.



In recent years, adoption of security systems has experienced growth even in the face of attrition continuing at an average rate over **12%**.

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## Home Security System Ownership in US Broadband Households



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## Key Industry Trends

One of the biggest trends in the industry is the rise of **DIY installation of security systems**. The installation method for newly acquired security systems and smart home devices has trended towards self-installation for several years, and COVID-19 has hastened the transition as households seek to avoid risk of infection.

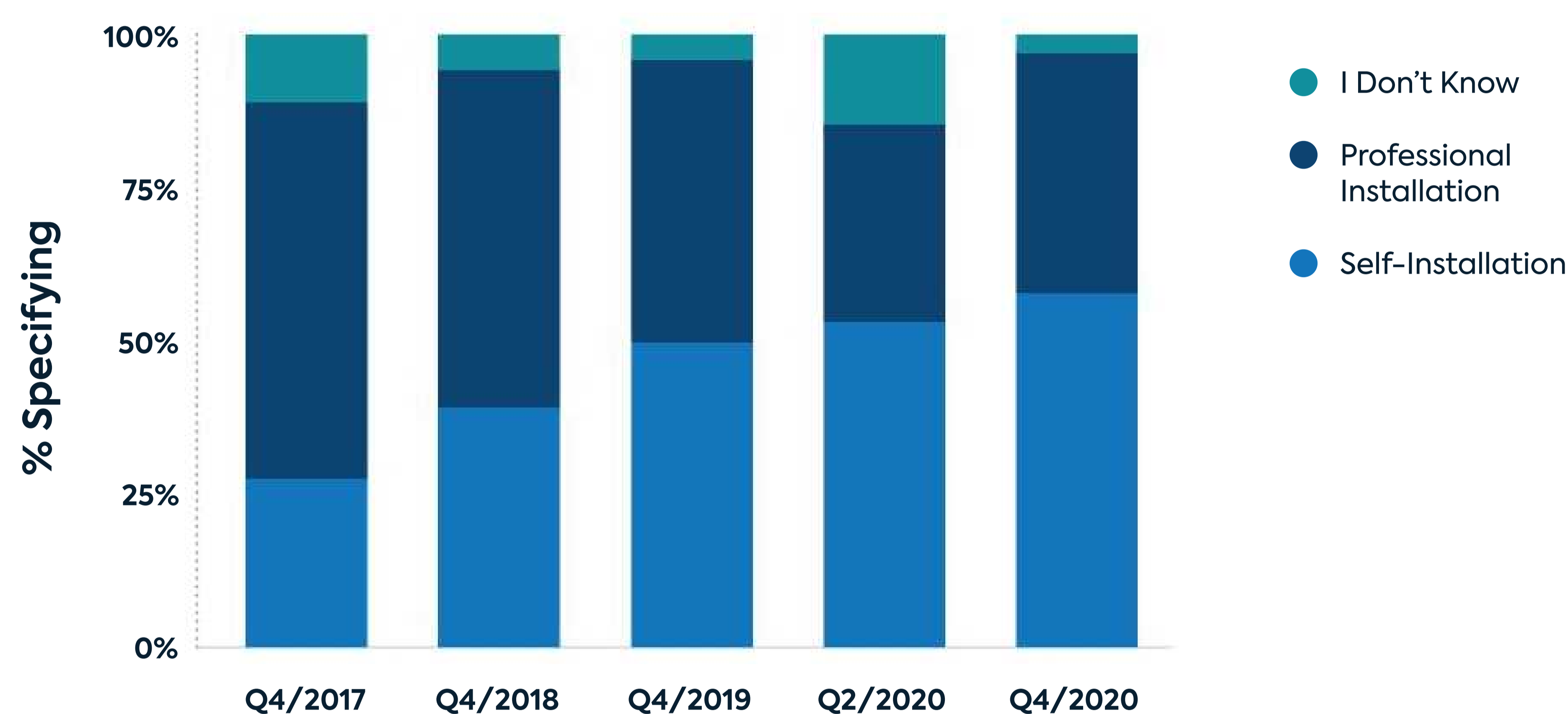
About one-third of security system owners and intenders report concerns about COVID-19 caused them to avoid professional installers due to the discomfort of having a stranger in the home.

Self-installation of newly acquired security systems has increased from **40%** in Q4 2018 to **55%** in Q2 2020.

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### Self Installation vs. Professional Installation

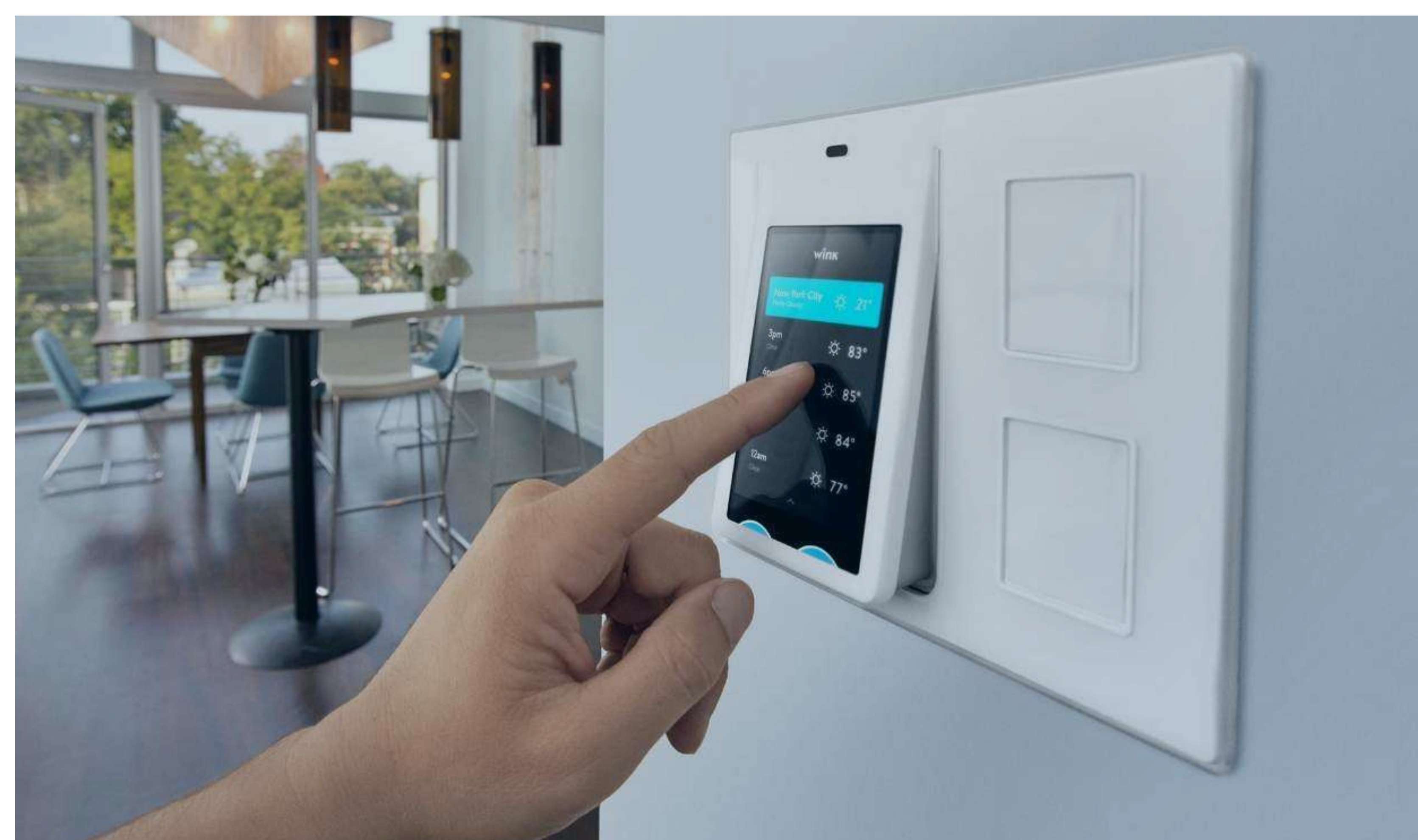
US broadband households with professional monitoring who acquired their home security system less than one year ago



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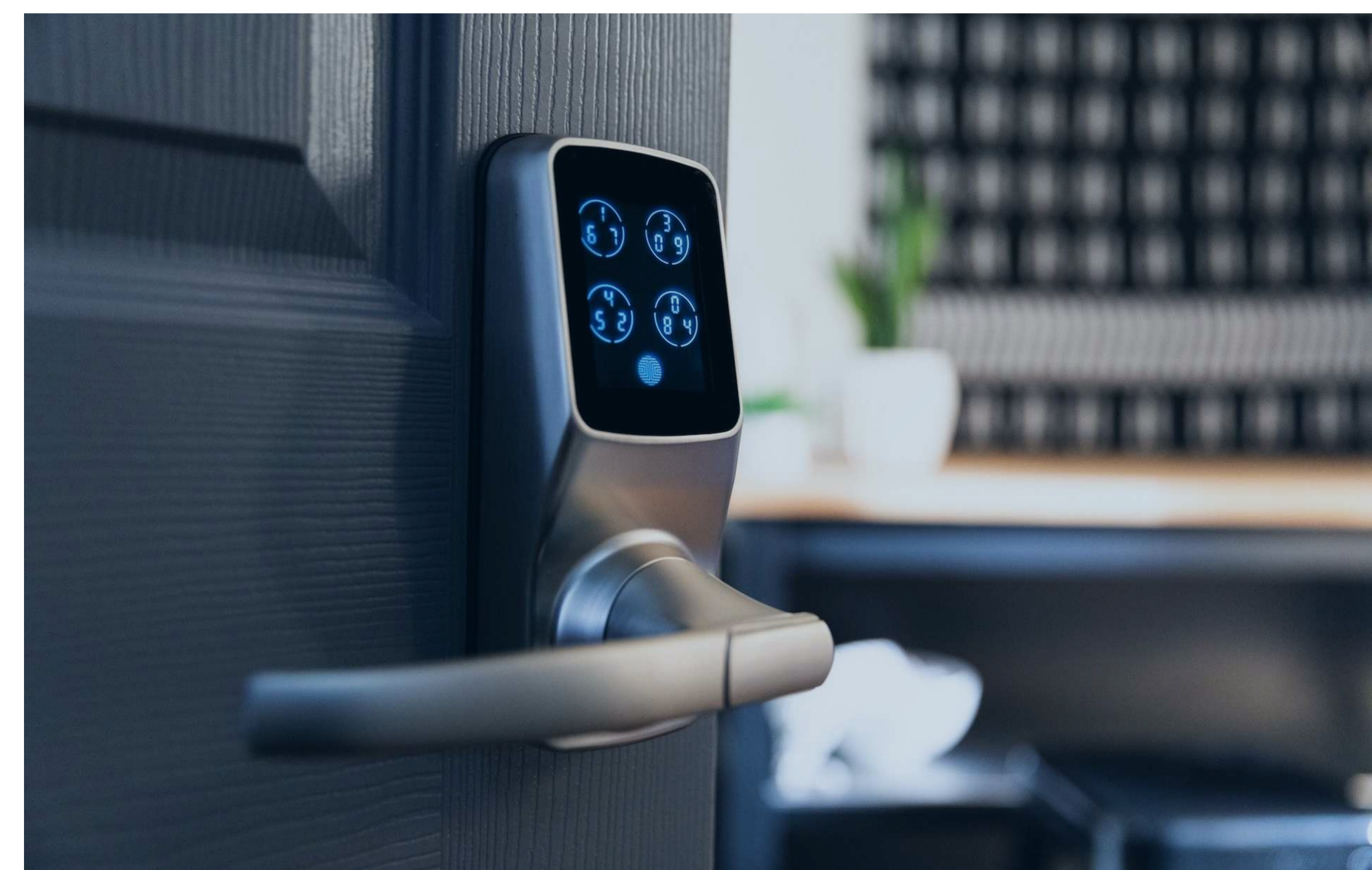
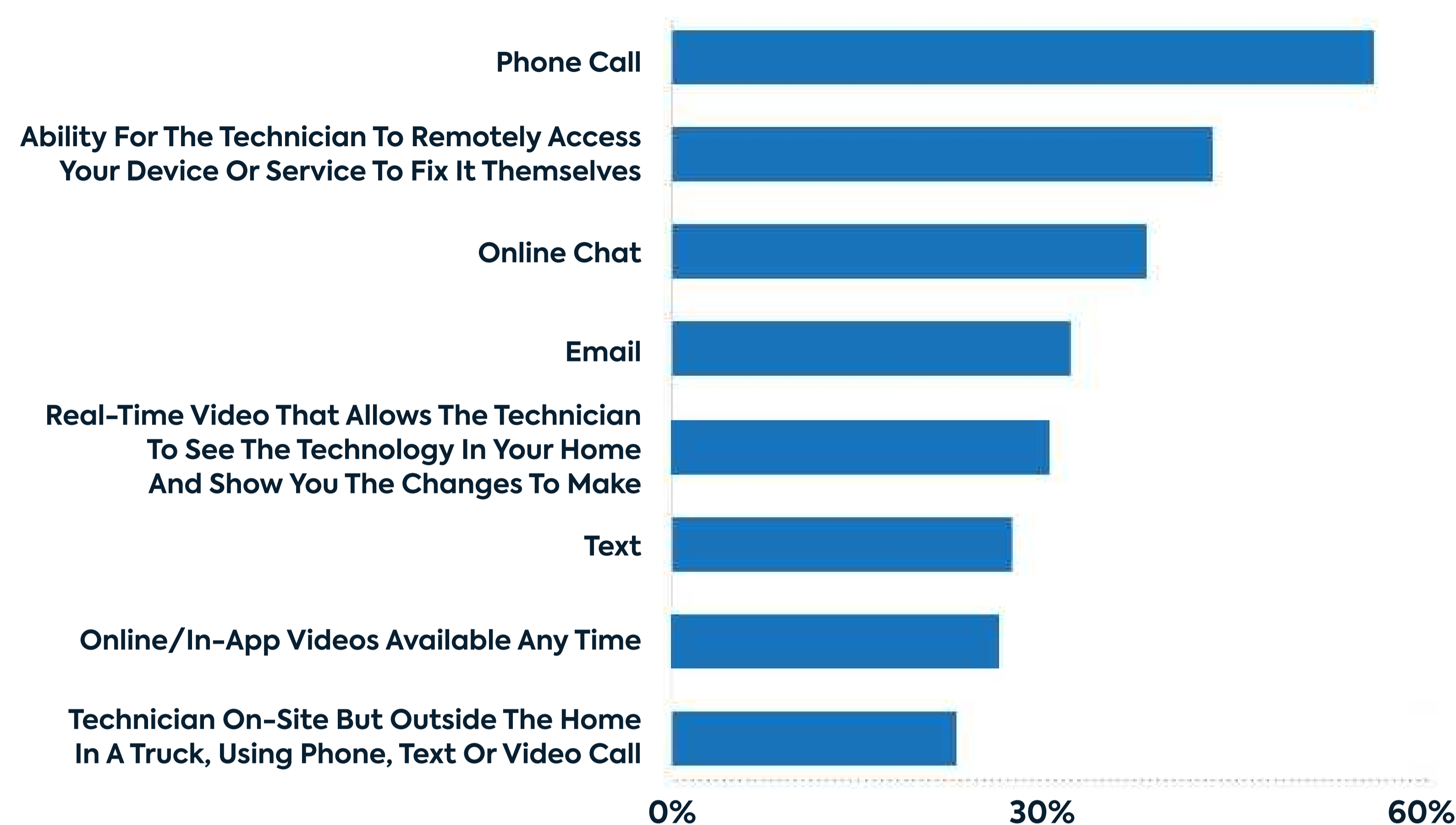
COVID-19 has accelerated consumer desire for remote technical support. Parks Associates research shows that during summer and fall 2020, at the height of the COVID-19 pandemic, consumers preferred remote support for maintenance and nearly 30% were hesitant to have an installer in their home. This trend of remote technical support will likely not recede post-pandemic. Instead, consumer interest will continue to grow due to the added convenience.

As consumers move towards online/digital services, security dealers must continue to develop more tools to help support customers remotely, such as YouTube video tutorials and do-it-with-me installation help via video, phone, or chat.



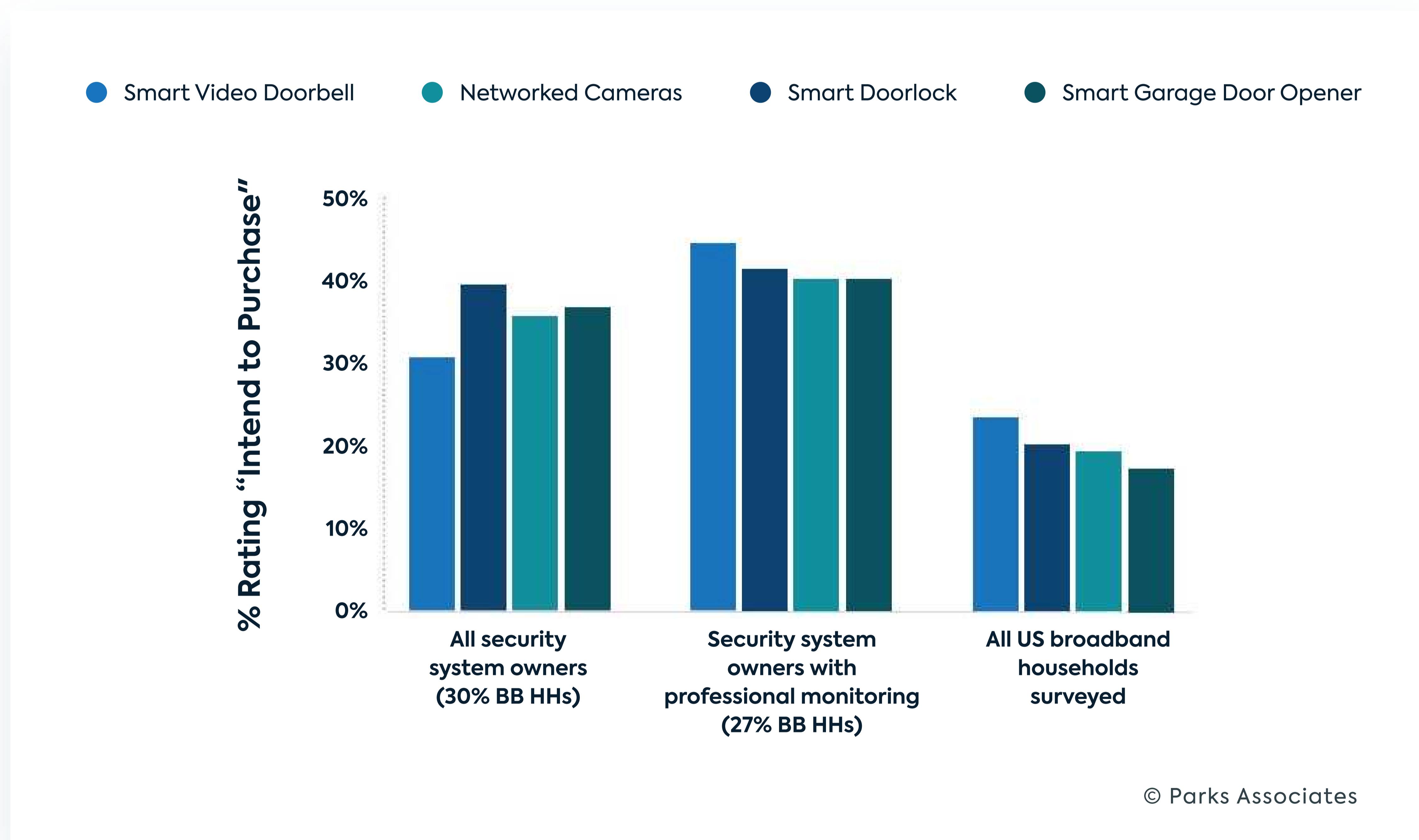
# Preferred Method of Receiving Remote Support in Future

US Broadband Households



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## Smart Access Device Purchase Intention by Security System Ownership



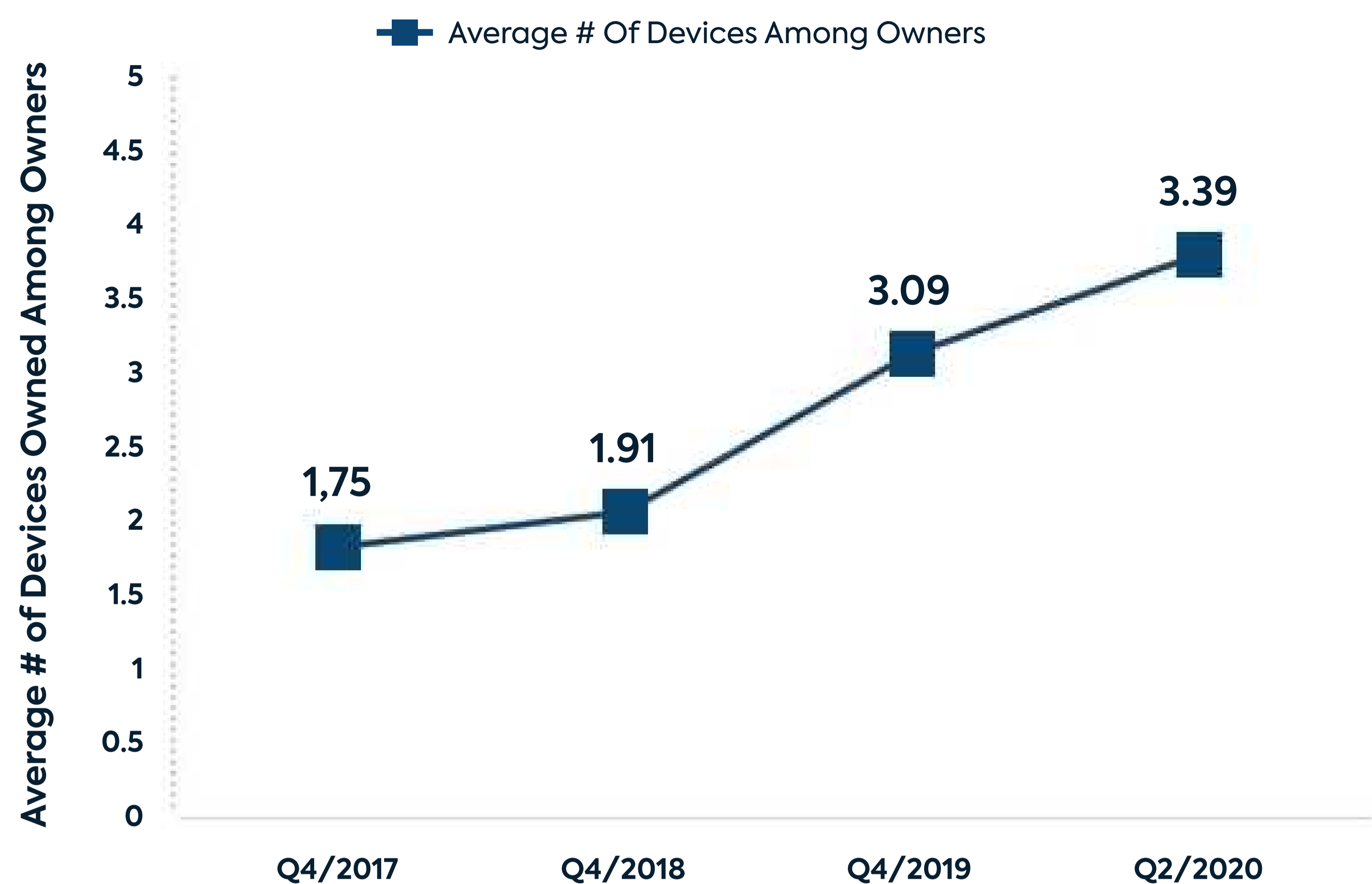
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**Another trend is the continued rise in adoption of interactive security services.** Approximately two-thirds of security system owners, which equates to 20% of US broadband households or about 20 million households, have an interactive security system.

Consumers expect their security systems to provide basic interactivity that enables them to access and control the household security system remotely as well as receive notifications as scheduled or requested. These capabilities can occur via smartphone, tablet, PC, or smart speaker. Both DIY and professionally installed systems usually offer basic interactive features, which are now considered a necessary offering among security providers.



## Networked Camera Ownership



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## COVID-19 Impact on Home Security Industry

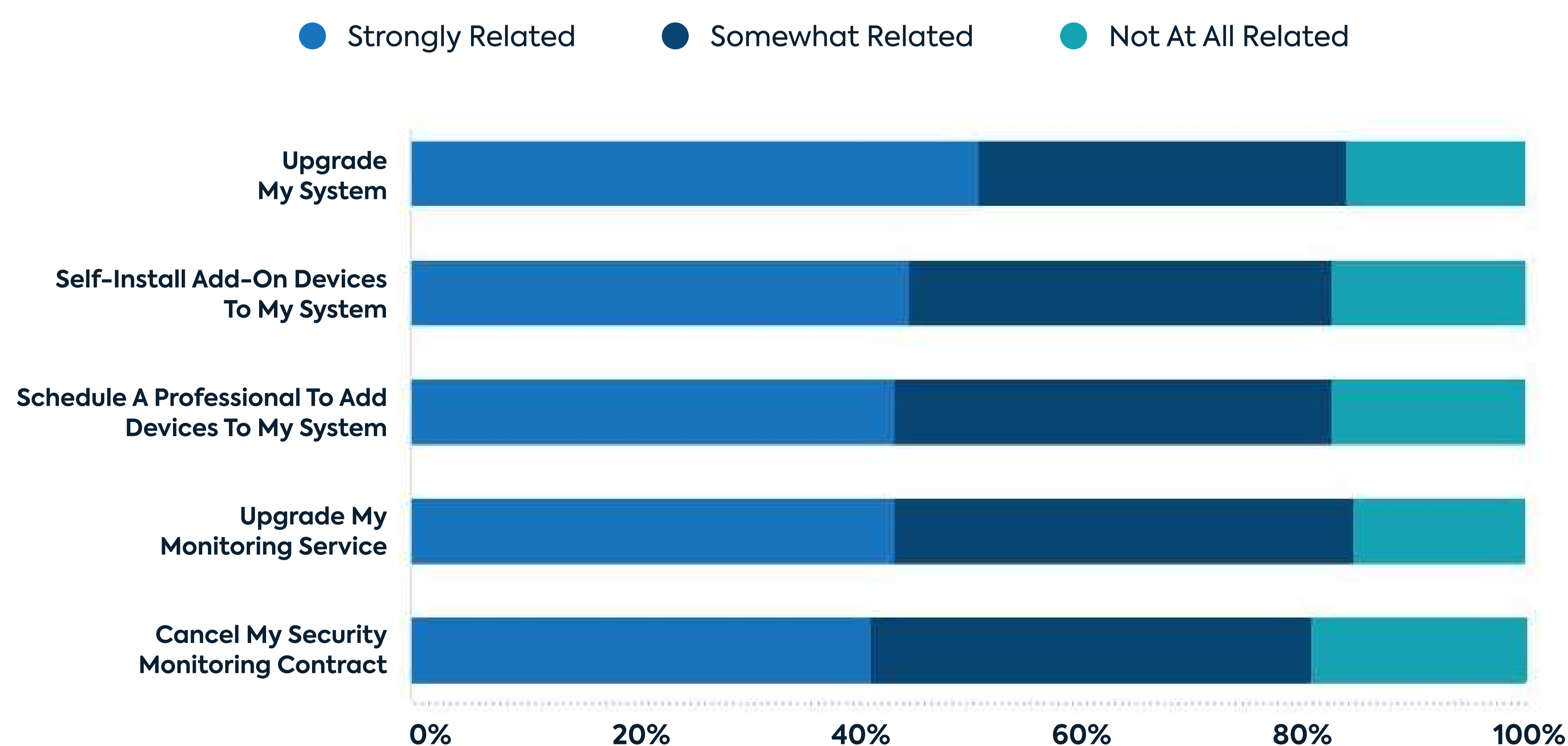
In 2020, the pandemic inhibited in-home installation, placed financial pressure on some customers, and required new precautions and procedures for company employees. A Parks Associates consumer survey in July 2020 found that COVID-19 has influenced many security system owners to plan changes to their system.

Forty percent of security system owners are planning to upgrade their system, and more than 50% report these plans relate to COVID-19.

In 2020, low purchase intentions reflected uncertainty about the economy across the majority of households and economic struggles in specific segments due to COVID-19, with purchase intentions down from 2017 across categories.

## Influence of COVID-19 Pandemic on Planned System Changes

US Broadband Households with Professionally Monitored Security Likely to Make the Following Changes



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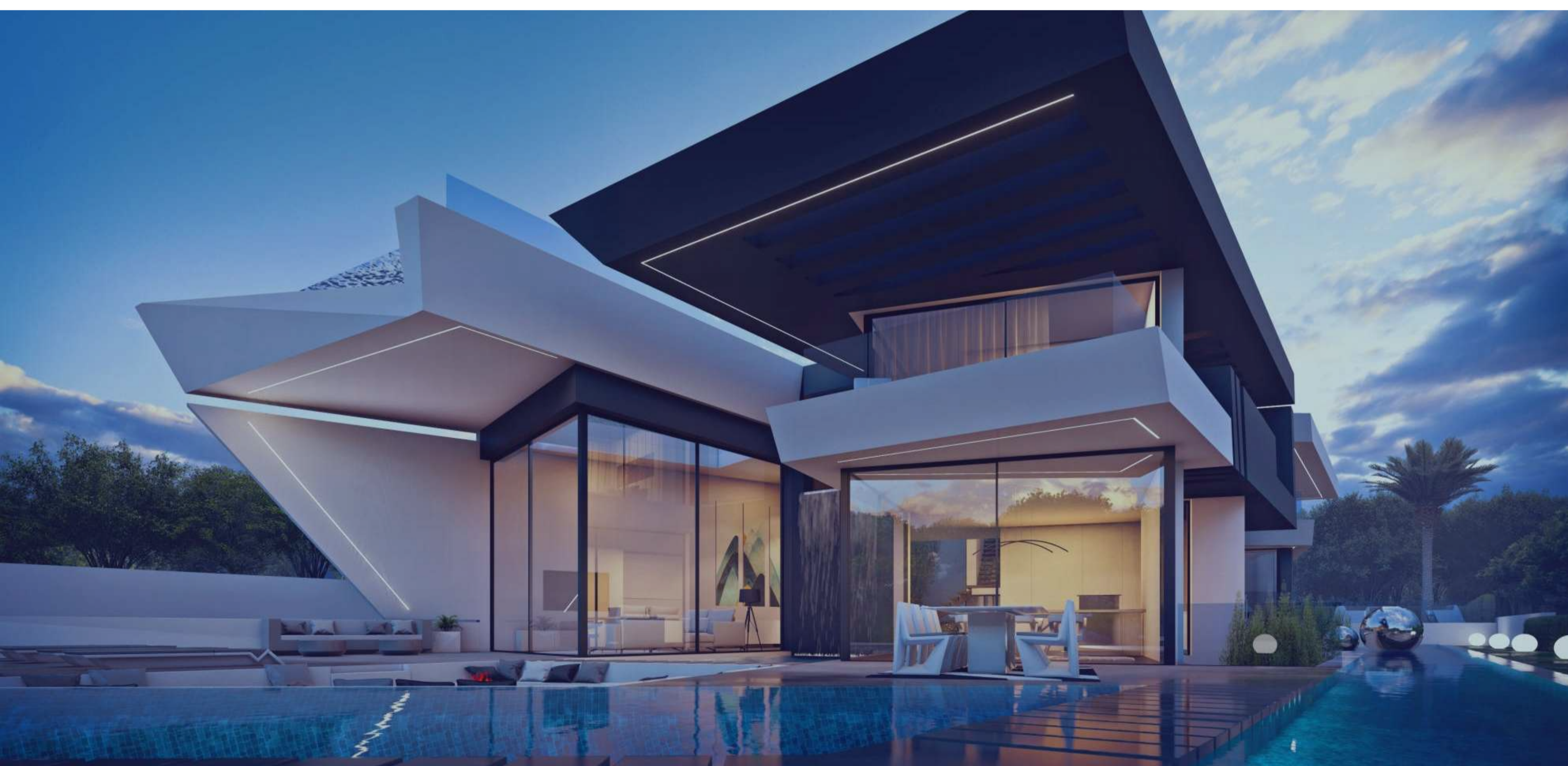
# Factors Contributing to Industry Growth

Since COVID-19, security system and smart home device owners have reported higher-than-average rates to start a home renovation project and to purchase at least one smart home device.

- According to Parks Associates research in July 2020, about 20% of security system owners and intenders are likely to start a home improvement project in the next six months.
- Approximately 30% of security system owners and intenders report completing a home improvement project because of having more time at home.

Those highly intending to make changes to a home express a higher inclination of buying smart home devices in the near future, with 69% planning to buy at least one smart home device, compared to 40% on average.

The vaccine rollout has also greatly contributed to potential growth in the coming year. With all US adults now eligible for the COVID-19 vaccine, a return to normalcy and an economic boom do not seem like a stretch.

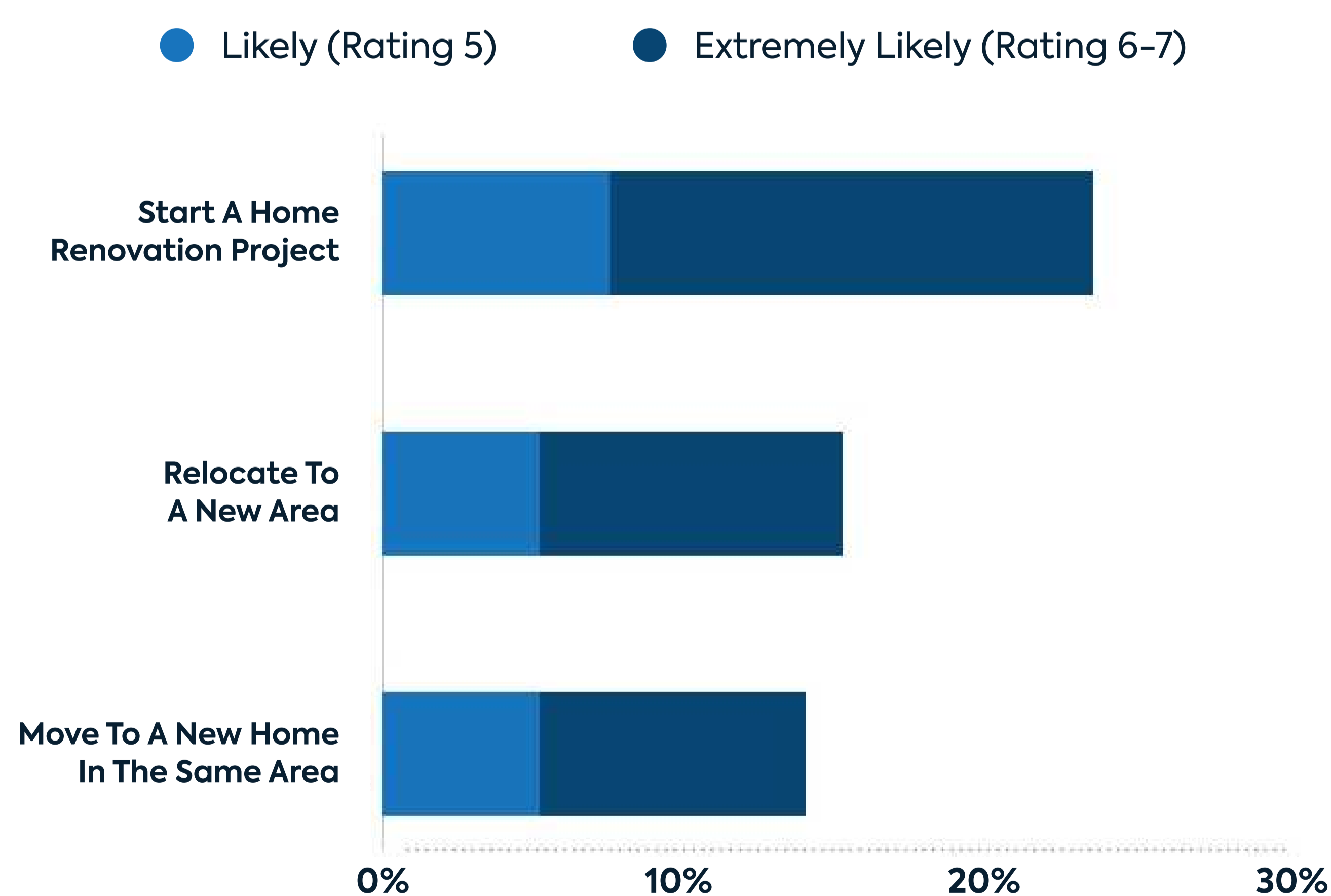


## Factors contributing to growth in home security:

- Strong new-start home sales with higher-than-average adoption of security
- A rise in home renovations with more time spent at home
- Increased second home sales in vacation areas

## Likelihood of Making Change to Home in Next Six Months

US Broadband Households



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## Factors Contributing to Industry Growth

COVID-19 factors are still hindering growth and affecting trends in home security. Reluctance to have installation and repair technicians enter the home cramps growth for traditional security systems, while competition from DIY solutions, smart products, new business models, and new entrants gives households viable alternatives to the standard security system. For instance, the emergence of smart home products helps extend the value of a security system, but it also increases competition, as smart devices are often sold independently of a traditional security system.

**Consumer privacy concerns, and the resulting regulations, could also affect growth and usage of many new security system options.** The industry is exploring video analytics and biometric authentication to enhance many services tied to video doorbells, IP cameras, and other smart home devices on the outside of the home or business, and these come with privacy and security concerns, especially as the use of facial recognition technology expands. At the end of 2020, a new law in Massachusetts limited the use of facial recognition technology by police in the state, following restrictions in other parts of the US limiting the use of facial recognition technology in public. The target of legislative bans focuses primarily on use by law enforcement officers and agencies, but restrictions on private companies could impact security market efforts in the SMB, MDU, and enterprise markets.

**Another threat from the regulatory side is the potential for fines from false alarms.** Local jurisdictions are starting to experiment with fining alarm monitoring companies for false alarms that call for responders and cost the city money. Typically citizens are charged for false alarms after one or two warnings, but collecting fines can be difficult. As a result, cities are trying to hold the monitoring company responsible since their role is to vet the alarm event and determine if it's a valid security event.

In Q3 2020, the 11th US Circuit Court of Appeals upheld a controversial ordinance enacted by the city of Sandy Springs, GA, which fines alarm companies for false alarms generated by their customers. However, the state government intervened with legislation that “bans counties and municipalities from fining alarm companies for false alarms that are generated through



no fault of their own.” This law represents is a big win for the industry and reduces the fears over millions of fines each year for industry players, although challenges from false alarms will persist.

**Finally, Parks Associates smart home research finds high perceived prices remain a top barrier to smart home adoption, with providers and manufacturers working to bring lower-priced products to market and discontinue specific premium products.** The firm’s Smart Home Tracker finds 20.5 million, or 44% of consumers who do not own or intend to purchase a smart home device, report expensive prices as their reason to forgo adoption, followed by perceived lack of benefits and data and privacy concerns. To overcome the cost barrier, Apple is offering a smaller form factor for its Home Pod, and Google is offering a new Nest thermostat with fewer features and a smaller price tag.

**Perception of high prices is a key barrier to smart home device adoption, but it is also tied to the perception among non-owners that smart home devices do not offer any benefits to the lifestyle.** Device manufacturers in the smart home market are evaluating multiple strategies to address the leading adoption barriers. Companies are betting that getting one device in the home, even as a loss leader, will convince consumers of the value of smart home devices and inspire future purchases. Parks Associates research indicates this is a sound strategy — households that own at least one smart home device have an average of seven devices. Companies such as Eufy are offering lower-priced models that retain most of the features of their higher-priced models, knowing there is a good chance that their customers will buy more products following this initial purchase.

## Market Opportunities and Optimism for the Future

The COVID-19 era has renewed the emphasis on comfort and peace-of-mind value propositions in the consumer mindset. Security service providers now have the opportunity to build on their core offerings by addressing security-adjacent use cases that cultivate these benefits.

Parks Associates' consumer surveys consistently find that peace of mind ranks in the top three smart home benefits that most influence purchasing. Among security system owners and non-owning purchase intenders, these valuations extend beyond personal space and the home to protect cars, electronics, and pets. COVID-19 has raised interest in a variety of security-adjacent use cases and products, such as monitoring vacation homes or rental properties, monitoring family members and pets, and allowing for protected package, grocery, and delivery services when no one is home.

Protecting the exterior of a home is a natural extension of an internal security system. Alarm.com's Flex IO cellular sensor and Ring's Outdoor Siren extend security outside of the home to include protection of the yard and outdoor items. With new releases, including new car security solutions, Alarm.com and Ring progress further into security adjacencies, generating new opportunities to build upon their core capabilities and create new revenue streams.



2021 and 2022 will be years of further expansion for the industry, with consumers adopting and experimenting with innovative and useful solutions. COVID-19 has changed the way most Americans live, work, play, and go to school, and the security industry, like many others, faces a variety of opportunities and challenges. With consumers at home most of the time, many pay more attention than normal to the condition of their homes, which drives new investments and interest in specific home services and products.

Expectations are that the pandemic will be followed by a period of strong growth as businesses reopen and Americans return to normal activities outside the home. At the same time, the past year, with the pandemic, economic downturn, and social unrest, has resulted in renewed interest in health, safety, and security.

## Steady Market Growth Continues

Consumers continue to embrace technology, and while their lives are forever changed as a result of the pandemic, they are turning to connected products and services to accommodate these changes. Parks Associates sees continued slow and steady growth for the home security and smart home industries, with continued technology innovations, innovative partnerships, and integrations between products and services.

Security dealers need to continue to seek solutions that are unified, have low support costs, and that provide value for the customer.





## 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 through market reports, primary studies, consumer research, custom research, workshops, executive conferences, & annual service subscriptions.

The company's expertise includes IoT, digital media and platforms, entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, support services, consumer apps, advanced advertising, consumer electronics, energy management, and home control systems and security. [www.parksassociates.com](http://www.parksassociates.com)

The logo for Parks Associates, featuring the word "PARKS" in a large, blue, serif font above the word "ASSOCIATES" in a smaller, blue, serif font.

For more information, visit [www.parksassociates.com](http://www.parksassociates.com) or contact us at **972.490.1113**, [info@parksassociates.com](mailto:info@parksassociates.com).

## About The Author



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Amanda joined Parks Associates as a research intern after graduating from Brown University with a BA in Economics in 2020. She has experience in consulting, influencer marketing, and economic research with companies located in Dallas, California, South Korea, and Brazil. At Parks Associates, she assists with investigating trends, market dynamics, and outcomes for the connected home technologies & services marketplace.

#### ATTRIBUTION

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# RESEARCH & ANALYSIS

for Emerging Consumer Technologies

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Smart Home Devices and Platforms



Digital Media and Platforms



Home Networks



Digital Health



Support Services



Entertainment & Video Services



Consumer Electronics



Energy Management



Home Control Systems



Home Security