

Cable firms branch out into home-security services

December 7 2011, By Joe Flint

For decades, the only theft the cable industry worried about was people trying to get MTV and HBO without paying for them.

Now some of the biggest [cable companies](#) - including [Comcast Corp.](#) and [Time Warner Cable](#) Inc. - are looking to do more than just safeguard their signals from piracy. They want to use their broadband service to protect your big-screen television, the couch in front of it and even the family jewels with their own home-security systems.

They're not just feeling altruistic. The cable industry is facing myriad challenges to its core businesses. The weak economy has led many consumers to cancel their pay-television service, while others are switching to competing video-delivery options, such as [satellite operators](#), telephone companies and the online services [Netflix Inc.](#) and [Hulu](#).

Finding new ways to keep subscribers hooked up is crucial. "The industry is increasingly looking to squeeze more juice out of their relationship with the customer," said Rich Greenfield, a media analyst with financial services firm BTIG.

The domestic electronic security industry generates \$33.25 billion annually, according to the Gold Book, a publication produced by Security Sales & Integration magazine. About 1 in 5 homes nationwide has some sort of monitored security system, said Don Boerema, chief marketing officer of ADT, the industry leader in home security with 6 million customers, or 26 percent of the market.

Those numbers make home security attractive for cable companies.

"All of our research said it was a good business to go after," said Keith Burkley, Time Warner Cable's senior vice president responsible for the company's Intelligent Home security system. "The market is 20 percent penetrated, and we really believe it is going to grow to over 30 percent."

Cable companies already have a pipeline to a customer base. New wireless technology has made entry into the home-security business cheap.

"The beauty of that pipe they have into the home is that it can offer many services," Greenfield said. "There are a number of ways to drive incremental revenue off the infrastructure that has already been built."

In the past, even the most sophisticated home-security systems were clunky and costly, requiring lots of hard wire, typically connecting to a landline telephone.

Now wireless allows for video cameras, motion detectors and door sensors. Even lights and the thermostat can be controlled from a remote both inside and outside the home through wireless systems.

"It's taking the best of security and marrying it with the cutting edge of technology," said Mitch Bowling, Comcast's senior vice president and general manager of new businesses.

At the same time, the price has dropped. A system that would have cost thousands of dollars to install less than a decade ago now runs only a couple of hundred bucks.

At first glance, the pairing of cable television and home security seems like a combination ripe for parody.

"If they can't show up for an appointment, that doesn't give you a lot of confidence that they're going to let you know if a burglar shows up," said Allen Adamson, a managing partner of Landor Associates, a firm that specializes in brand building.

But cable companies are not sending their own security teams to respond to burglaries. When something is amiss, they alert the owner and the police.

Still, consumers reacted with derision when the Consumerist, a Consumer Reports website, published a piece on Comcast's entry into the business.

"Yes Mr. Smith, we got a report that your burglar alarm is going off, we are dispatching a security officer to your home and you can expect him on Monday between 8 a.m. and 5 p.m.," one commenter wrote.

ADT, which offers many of the same security and monitoring services as the cable companies, is not worried about new competition from cable.

"We focus on customer experience; the cable industry doesn't have a reputation of doing that," ADT's Boerema said. "Trust is a big piece of this, and we think we have an advantage."

A unit of Tyco International Ltd., ADT's North American residential and small-business security arm had revenue of about \$3 billion in the fiscal year that ended Sept. 30.

Boerema also sees a bright side to cable's intrusion. "To be honest, I welcome their marketing dollars," he said. "We think when they get into the business it's going to help us."

ADT must be expecting Comcast to become a bigger player, though.

Tyco Chief Executive Edward Breen had served on Comcast's board of directors but resigned in November, after Comcast got into the security business, to avoid the appearance of conflict of interest.

Neither Time Warner Cable nor Comcast would disclose how many home-security customers they have signed up. Comcast has rolled out its Xfinity Home Security in several markets, including suburban Philadelphia, Nashville, Indianapolis and parts of New Jersey. Time Warner Cable is launching its service in New York, Charlotte, N.C., and Southern California, where it has about 2 million subscribers.

"I was surprised they were in the business," said Colleen Lunden, an Upland, Calif., resident who last month was on the verge of signing up with another security company when she saw an ad for Time Warner Cable's system and figured she'd give it a shot.

So far, Lunden gives the cable company and its service high marks, and said she likes to "sit at work and log into my house and make sure everything is OK."

Security is not the service's only benefit. Comcast's Bowling said a colleague was able to use it to determine that the man hired to walk his dogs was charging for an hour but working just 15 minutes.

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