



KPMG ANALYSIS

Carriers Cast Eyes on Remote Monitoring Services

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By Dave Pelland, Managing Editor, Technology Insider

As competition intensifies between communications firms and cable companies over bundled offerings, voice and wireless carriers are offering services that monitor consumers' homes on cell phones and Web browsers using cameras and sensors.

"Broadband has become a commodity, so service providers are looking for ways to differentiate themselves by offering value-added services that generate revenue and reduce churn," says Reza Raji, president and CEO of Palo-Alto, Calif.-based iControl Networks, which is testing remote monitoring technology with voice and wireless carriers, cable providers and security companies.

"This is a very sticky, addictive service," Raji says. "We have a subscriber base that logs on multiple times a day to check their family and property."

Remote monitoring services are a part of a broader strategy in which telecom firms, wireless carriers and cable providers offer integrated service bundles that often include each other's traditional products. Such so-called "triple-play" or "quadruple-play" offerings often combine voice, video, Internet access and wireless services on a single bill.

Service providers hope that adding remote monitoring to the mix will help customer retention. For example, if customers can monitor their homes through a Web connection or a wireless handset screen, it increases the value of the broadband connection and cellular services.

Remote monitoring services generally include video cameras and sensors. The cameras provide live images inside the customer's home or yard, while the sensors allow users to check conditions such as the temperature or when a door or window is opened. Systems can be programmed to send text alerts when motion is detected or if a sensor detects water leaking from an appliance.

"You put a bunch of simple sensors around the house and if you never hear from them, great," says Bill Diamond, president of New York-based Xanboo, which provides monitoring technology for AT&T's Home Monitor, Motorola's HomeSight and several international carriers. "If you do, at least you know there's a problem."

The average hardware cost for basic systems generally runs about \$100 for a camera and a couple of sensors, while the monitoring service costs about \$10 to \$15 a month.

"Basically this is a play on offering advanced services over newer phones," Diamond says. "We're offering an application for controlling and monitoring your home, and the system's pretty much plug-and-play."

Service providers say remote monitoring has moved past technology enthusiasts wiring their own equipment toward a broader market of consumers curious about what's going on when they're not home.

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According to research firm Parks Associates, the self-monitoring market in the United States is expected to generate about \$75 million in revenue for hardware and services this year, with services accounting for about \$12 million of that total. Over the next five years, Park expects the overall self-monitoring market to reach \$400 million annually, with services reaching \$170 million.

"[Remote monitoring] has less to do with the revenue [than helping] endear the carrier to its customers and making the carrier's services more sticky," says Bill Ablondi, director of home systems research for Parks Associates. "There's enough competition for video, phone and all the variations, and here's another service they can add to the bundle."

Diamond and Raji say popular uses for remote monitoring include people with elderly parents living alone, or latch-key children at home after school, owners of vacation homes and consumers interested in checking in on their pets.

Over the next couple of years, remote monitoring services are likely to add modules such as tracking appliances' energy use and security-related technologies such as allowing neighbors to share video images for when a out-of-town homeowner has neighbors keep an eye on his home.

Remote monitoring is also likely to add pattern-recognition software that alerts homeowners if specific problems emerge.

"If the camera sees someone entering your house who's over five feet tall instead of your kid, [remote monitoring] could send an alert that prompts you to look at the camera," says Ablondi. "That could be the kind of enhancement that mainstream users would enjoy."

Diamond says the adoption of broadband services in the United States and the release of cell phones with high-speed video capabilities are helping remove the hurdles the remote monitoring market has faced in recent years.

"Being able to monitor your home on a mobile phone is really what's going to drive this market," Diamond says. "It's cool if you can do that on your PC, but if it were only the PC, [the service would be] kind of geeky. The fact that you can do this is on a phone changes a lot."

Users interested in tinkering with the software can combine a series of events, such as when the front door opens, the lights can be turned on in the front hallway and a camera can take a picture e-mailed to the homeowner.

Providers also hope making the technology easier to use will also promote adoption. For basic systems, installation is a 15-minute process that involves installing software on a PC, connecting a device into a router and plugging in the sensors.

"Making something that does all of this is one thing, but making it so someone could just plug it in and use it is the hard thing," says Diamond. "We're hoping this is moving past the hobbyist audience. We don't want to be an early-adopter product."

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