Home automation could be the next billion dollar consumer segment within the cable industry. The industry is well positioned to use its existing infrastructure to add home automation as its fourth product offering to complement its existing offerings of voice, video and data – thereby converting the industry’s triple play into a homerun. The home automation market in 2013 is estimated to have generated $17.2 billion in revenue (inclusive of the $13 billion home security market) and represents a new field of opportunity to grow revenue. As video revenue growth continues to lag, the new higher margin home automation products could serve to replace that industry growth. The home automation (non-security) portion of the market alone is poised to grow in excess of a 10 percent annual rate over the next five years due to the widespread availability of high speed data (HSD) in homes as well as the wide recent introduction of a variety of innovative home automation devices.

New Growth Sector

Historically, the typical form of home automation has been a home security system, with limited home monitoring and on-call security. However, with the recent development of a wide variety of innovative home automation products (e.g., “Nest,” the high profile wireless thermostat recently acquired by Google), public awareness of the new automation features has grown considerably. Consumers are just now becoming cognizant of the wide variety of home security and other automation offerings on the market that integrate with their smart phones but rely on their existing HSD connection. However, as consumers have become progressively more comfortable with sophisticated security monitoring, such as home cameras used to watch kids and pets remotely, they have begun to realize that these other home automation features, such as thermostats and light controls, offer an added convenience and improve the quality of their home life. With the abundance of HSD in customers’ homes, the opportunity now exists for more cable industry players, as a major home internet provider, to offer a competing home security service.

Having matured, the cable industry is in need of a new growth sector to satisfy shareholders. With the lower margin video segment continuing to contract, home automation offers a tremendous growth opportunity for the industry as it embraces HSD as its centerpiece. Cable’s video segment revenue growth has slowed to less than 1 percent a year (as of 2013) and is expected to generate only $556 million in new revenues for the industry in 2014, while the overall cable industry grows at just over 3.1 percent. Consequently, the prospect of double-digit home automation growth which would more than offset video losses and generate billions of dollars in new revenue is very attractive.

Offering home automation would allow the industry to benefit from marketing the service as part of a bundle, adding it to the existing triple play offerings and thereby increasing the “stickiness” and reducing customer churn. The aggregate cable industry has approximately 53.2 million existing residential customer relationships, and home automation presents a potential boost for this lagging industry. While the majority of growth for cable companies recently has come from the commercial enterprise sector, home automation presents a new opportunity for cable to