

ALARMS & MONITORING

The Case for Video Verification

BY KEITH JENTOFT ON JAN 15, 2015




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If you haven't already heard, the alarm industry is in transition: a steam roller of change whether we like it or not. We have spent the year watching Google spend \$4 billion on Nest and Dropcam as they attempt to hijack the home automation market. Apple's new iOS comes preloaded with a home automation app that builds on Z-Wave Alliance open architecture product lines.

For both these giants, "security" is only a bolt-on service to check among their list of lifestyle convenience features, a watered down security offering and a free app. If we look the other direction, there's a new wave of "Do It Yourselfers" hitting the market with inexpensive, easy-to-install systems that are actually monitored by the same top-tier, UL-listed central stations that we use at half or a third of the price of a traditional alarm system.

These new DIY companies charge month to month, without a multi-year contract. Companies like SimpliSafe and Scout advertise a monitored traditional alarm at one-third the price on prime-time radio, and it is working. They have already sold more than 100,000 systems to value-hungry consumers. They really don't offer anything more than a traditional alarm — they simply changed the business model and cut out the dealer/installer.

Tradition is under attack. As both Google and DIY erode the historical RMR business model, how does the typical dealer deliver incremental value consumers are willing to pay for with a long-term contract? It is time to do something, but what? A renewed focus on police response is one answer; in fact, some dealers have focused their efforts to sell ONLY verified alarm systems.



Dealers who Make Video Verification Work

Neither Google nor DIY systems provide professionally monitored, video-verified alarms. The best their cameras do is send video to the customer's personal smartphone — that is, if those customers are even available to view the message. The alarm video is never even seen by a central station for police dispatch.

The value of verification is the central station linked to priority police response — strengthening the traditional business model. Consumers are still willing to pay for “real security,” and these dealers can prove it. Each of the following companies are mainstreaming verified alarms and are making profits by drawing a clear distinction between themselves and Google or DIY systems:

American Video and Security is a traditional alarm dealer/installer located in Las Vegas, primarily selling commercial security in a verified-only response city. While the American sales team had been leading with CCTV-based verified alarm systems, the \$90/month RMR was perceived as too expensive and they only had an attach rate of 50 percent. The balance of their clients would opt for a traditional alarm linked with guard response.



Owner Larry Folsom recently made the decision to ONLY sell verified alarms. “We had a crisis point that cleared my mind,” he says. “American’s central station dispatched the guard service after receiving a traditional alarm. Apparently after driving by the property, the guard reported the incident as a false alarm. Our customer later arrived to find a broken window and significant loss. We obviously changed guard companies, but we still lost the account. I asked myself, ‘why not sell ONLY video verified alarms?’”

That is what they did. American standardized on an integrated video alarm that delivers identical creation multiples as before with a third of the hardware costs of the CCTV system. Their two main product lines are Honeywell and Videofied. This means that Folsom can charge one-third less for RMR and make it the standard service offering. Now, Folsom reports that selling only video-verified alarm systems is working.

Kimberlite, one of the largest Sonitrol franchises with seven regional offices in northern California, has been selling ONLY verified alarms since the early 70s. “Sonitrol is the original verified alarm,” says Kimberlite President Joey Russell. “We never looked to install non-intelligent alarms that don’t get police response and don’t catch the bad guys.”

Kimberlite’s main product lines are Sonitrol, Videofied, CheckVideo and iView-Now. Selling only verified alarm systems has been a successful model that includes many enterprise-level customers with up to 500 sensors in a single site. The average client remains 14 years and pays a 30-percent premium on traditional RMR. Recently, Kimberlite expanded to add video to its successful audio-based offering. “While we used to be exclusively audio-impact verification, we now also sell video verification,” Russell confirms. “Video compliments our audio in large installations. Perhaps more importantly, the new video alarm systems open new markets to us that require a lower price point. This means we can profitably sell better security to the standard small commercial account at a lower price point.”

BCI Technologies of Texas is now expanding into California and other large markets with its verified alarm program. BCI, already a successful integrator for large-scale systems, hired industry veteran Sean O’Keefe to build an RMR business unit targeting small commercial and residential applications.

A core element in O’Keefe’s strategy was to create a sales culture and message that underscores priority police response and greater security found in video-verified alarms. His team encourages prospects to call their local police directly to learn about the benefits of a video verified alarm; and in every call, police have confirmed BCI’s message and have even provided referrals. “While we still have a ‘fallback’ with a standard alarm, this is a minor part of the business,” O’Keefe explains. “We have an 85-percent attach rate for video verification at a 30-percent



premium over a traditional \$30/month alarm system. Our customers understand the benefits of reduced false alarms, faster response and better relationships with law enforcement.”

O’Keefe has three product lines: Videofied, 2Gig and Interlogix. His team designs the install to optimize effectiveness, with MotionViewers at every entry; in fact, in half of the residential installs they combine 2Gig and Videofied technologies into a seamless system.

“In our standard contract, we state that in the event of an alarm where the video shows no human presence, this will not be dispatched but only called to the consumer,” O’Keefe explains. “It really is a culture change, and BCI is expanding hiring experienced salespeople outside the alarm industry that are not chained to tradition. BCI is not just another alarm company, we are better because police come faster to our video verified alarms than they do to a traditional system. We explain this well and consumers are willing to pay for it.”

Why Go Exclusively to Video Verification?



There are two major reasons that selling verified alarm systems is moving mainstream. The first is faster police response, which is a real differentiator from the competition. Law enforcement is really looking to partner with technology as a force multiplier to fight crime and keep their communities safe — and video cameras are already a primary crime-fighting tool. For law enforcement, video-verified alarms mean more arrests — something they truly understand. That makes dealers selling video-verified alarms partners, and the dealers are building a business on that public/private partnership.

The second reason is that it really is more profitable for security dealers, who are finding that selling ONLY verified alarms consistently produce 30 percent more RMR and long-term contracts. These dealers have less competition and greater support from law enforcement. Beyond simple profitability, their companies end up being worth more. Creation costs are similar, the sales process is similar, the hardware/install costs are similar, the monitoring costs are similar — but the RMR is higher — meaning the traditional metrics used to value security companies still work, and company valuations grow.

Twelve major law enforcement agencies recently worked with the alarm industry to create the PPVAR best practices — outlining how central stations should monitor and report a verified alarm (visit www.ppvar.org for more info). These standards are helping to quantify the value of a professionally monitored, video-verified alarm system.

Free Google apps and month-to-month DIY contracts not only bring fast police response, but they also do not fit historical valuations or financing models for your business. All indications are the future belongs to verified alarms.

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