# Expanding to the Home Network: *The Evolution of Premium Support*

A Parks Associates Whitepaper Developed for SUPPORT.COM

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# The Growth of the Home Network

## Home network routers are quickly becoming a necessity in U.S. broadband households.

Routers have evolved from being a means for computing devices to share an Internet connection, to being the center of entertainment and communication throughout many homes.

**78% of U.S. broadband households now own a home network router, up from 58% in 2009, with adoption forecasted to reach 95% by 2016.**

A primary driver of growth in home networks is the adoption of connected devices.

The average household in the U.S. now has just **over 3.5 connected devices** & will have approximately 4.5 by 2016.

Source: *Global Digital Living Forecast Workbook* | © Parks Associates

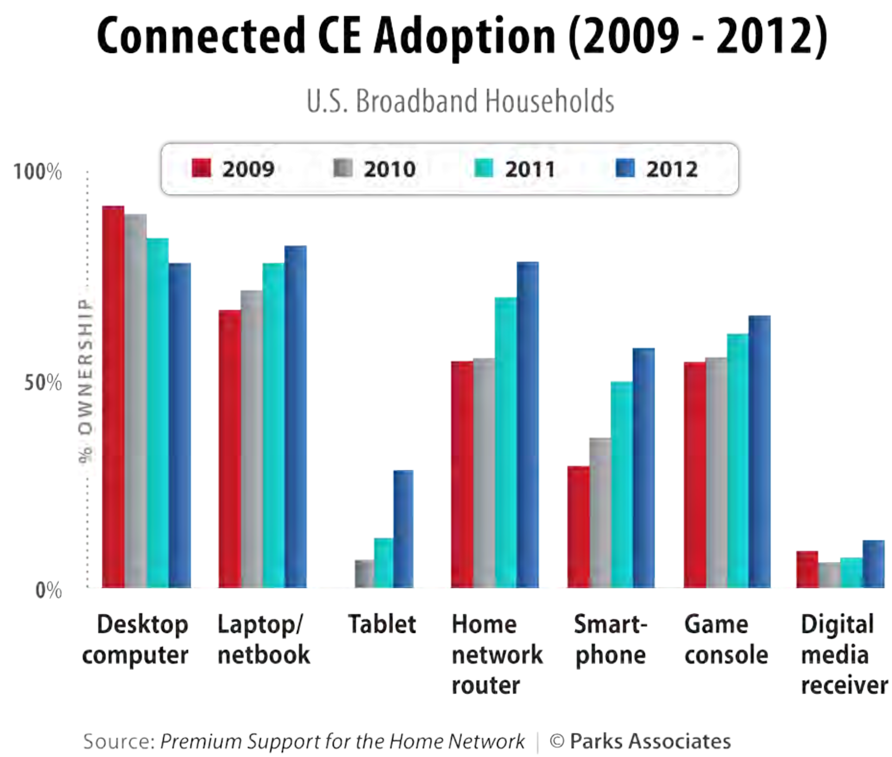



Figure 1: Connected CE Adoption (2009-2012)

Ownership of laptops, smartphones, and game consoles has experienced steady growth since 2009, and tablet ownership more than tripled between 2010 and 2012 (Figure 1). The growth of connected devices in U.S. broadband households will continue in the next few years.

## The number of consumers planning to spend more on consumer electronics than they did in the previous year has been growing steadily since 2008.

Factors that will drive future adoption of home networks include newer services such as home automation, which are now growing in popularity. In addition, homes are experiencing an increase in the variety and quantity of IP-connected devices available, ranging from smart TVs to emerging products for home security and consumer health. Most industry experts believe that all major household CE products and systems will have at least a few models available with IP connections by 2014.

# Consumer Challenges

Consumers' adoption of and increasing dependence on the home network has increased their need for technical support.

Initially, the computer was the only device in the home that was Internet-connectible and was highly susceptible to processing failures and external threats. All other devices generally had independent and isolated functionality.

Now, most devices are Wi-Fi enabled; they have complex processors and share computing resources and information. Not only is the penetration of these devices increasing within the home, but consumers are also using their devices more, especially as CE manufacturers increasingly add new capabilities and functions to these devices.

**CELL PHONES** *for example*

WERE TRADITIONALLY USED TO **MAKE CALLS**

WHEREAS

**TODAY CONSUMERS** use **smartphones** *to...*

- → stream content
- → source information
- → play interactive games
- → record & upload videos
- → remotely program DVRs *and other devices used for home automation*

© Parks Associates

**Consumers want to leverage the capabilities** of their devices but ***often encounter challenges*** when trying to do so, such as connecting devices to the home network and difficulties with interoperability.

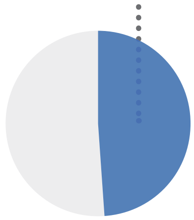
Many devices now have the ability to recognize wireless networks in close proximity and are able to self-configure for initial connectivity. Some devices, however, require additional prompts and configuration, which are too complex for the less tech-savvy consumer.

***Network performance problems can arise*** *when households have insufficient bandwidth to sustain their Internet-based activities.*

These problems can result from consumers with low bandwidth or entry-level broad-band subscriptions that were sufficient for fewer devices and/or less video consump-tion. Today, more households have devices running high-bandwidth applications such as video calls, interactive games, and online videos / movies.

APPROXIMATELY

**49%** of broadband households **now watch movies & TV shows ONLINE**



**1/4 WATCH VIDEO** on a **mobile phone** or **tablet**.

Source: *Value of Video: Shifting Consumer Dollars* | © Parks Associates

# The Market for Premium Technical Support

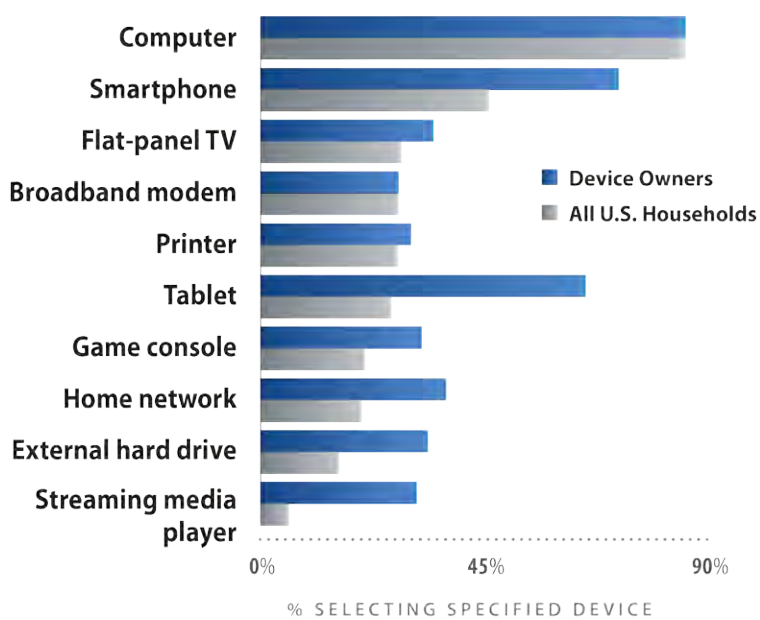
The growing ecosystem of connected devices adds a new layer of complexity to the digital home, creating an opportunity for companies offering premium support services.

**68% of broadband households are interested in technical support services that cater to their devices.**

These households report that they are most interested in using the service for computers, tablets, and smartphones; a substantial number are also interested in support for the home network router, flat-panel TVs, external hard drives, and game consoles (Figure 2).

**Devices Considered for New Technical Support Service**

"If you had a service that did the following, for which devices would you want to use the service?"




Source: *Premium Support for the Home Network* | © Parks Associates

Figure 2: Devices Considered for New Technical Support Service

**THE MAJORITY OF CONSUMERS**
(MORE THAN 72% FOR MOST DEVICES)
**will set up these devices themselves.**

This high figure is not surprising as CE manufacturers and industry consortia have spent the last few years developing solutions that make devices easier to install and configure.

While 74% of individuals who set up their new devices on their own report that the process was convenient…

**Only 51% report that they would prefer to set up devices by themselves next time.**

This indicates that a significant percentage of these people would prefer some kind of initial setup assistance.

*For those who experience problems,* these problems are mainly surrounding difficulty in:

- CONFIGURING SETTINGS
- LEARNING HOW TO USE THE DEVICES
- CONNECTING THE DEVICES TO THE INTERNET

**Approximately 49% of consumers reported problems with computers, tablets, and smartphones in 2012.**

OF THIS NUMBER

**32% used a combination of subscription and one-time premium technical support to solve them.**

Consumers are slightly more likely to use subscription-based technical support for other connected devices than for computers (Figure 3).

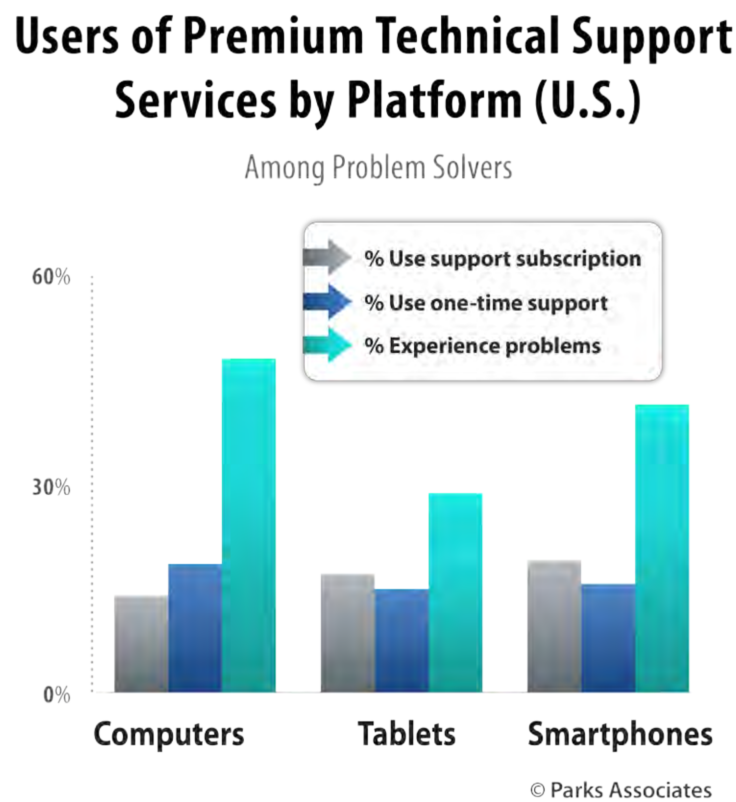



Figure 3: Users of Premium Technical Support Services by Platform

Interestingly, the take rates for subscription-based technical support services increase as the ownership of key devices increases (smartphones, tablets, game consoles, and streaming media players).


Source: *Tech Support Demand Profile* | © Parks Associates

In addition, the number of devices that a consumer owns has a stronger influence on the likelihood of purchasing a tech support subscription than the price of the actual subscription package.

The observed weakness in the relationship between price and demand is reflective of a product that is still in its early stages of market adoption; consumers are largely still unsure of the value of the service.

**The take rate for subscription-based support services has increased substantially over the last 12 months**. Driving this increase are aggressive provider strategies, focused on securing long-term relationships with the consumer.

The average market price for technical support subscriptions in the U.S. is between $9.99 and $14.99 per month.

REVENUES FOR SUBSCRIPTION-BASED SERVICES *will* **INCREASE** from

**$1.57 BILLION** in 2012 to

**$2.7 BILLION** in 2017

a **CAGR** of **14.8%**. © Parks Associates

## The Premium Support Opportunity

For many consumer technology brands, providing technical support has long been a necessary cost to enable and sustain product adoption. Now many of these brands face intense competition and economic pressure, which threaten their dominance in broadband homes.

**Service providers**—including broadband, pay-TV, wireless, and voice operators—**are no longer the sole providers** of communication and entertainment services in the home and now face robust competition from other technology innovators entering the space with less expensive service substitutes.

PARKS ASSOCIATES DATA SHOWS

Brick-and-mortar consumer electronics retailers in the U.S. have been steadily losing customers over the past few years due to the growing popularity of online shopping.

**Online retailers have swayed many cost-conscious consumers with**:

- lower price points for electronics,
- the convenience of shopping from home, and
- the ability to avoid sales taxes.

**AS A CONSEQUENCE**—**retail stores are in some cases being relegated to the role of "showrooms"** by consumers, who seek to carry out more extensive research on a product. Like retailers, product manufacturers ***face declining revenue and margins*** as prices for major consumer electronics have dropped significantly in the past few years.

*These market challenges have forced consumer technology brands to look for new ways to fend off competition and drive business performance.*

## There is an emerging focus on the connected home by many of these brands as a strategy to compete effectively.

Providing premium tech support for the home network allows consumer technology brands to expand their role in the home, with the objective of locking in relationships and influencing consumer behavior and attitudes. In order to achieve these objectives, premium support must adopt a new mandate and move beyond the goal of cost avoidance to the goal of improving customer experience. This action presents providers with several opportunities.

**GENERATE NEW REVENUE**—Providing premium tech support for problems that were traditionally out-of-scope offers providers a chance to generate additional revenue.

**Industry revenue for the support of computers, tablets and smartphones is currently $4 billion and should reach $8 billion by 2017.**

Emerging support needs will arise with the growth of the home management, home security, connected medical devices and online content industries. Based on Parks Associates interviews with support vendors, many providers report having gross margins of between 35% and 50%. These margins will likely improve with increases in service automation and the use of more efficient labor models.

**GROW MARKET SHARE**—Currently, no category of company dominates the premium tech support space for computers and tablets (Figure 5 and 6). For mobile phone support, however, consumers are more likely to seek support from their mobile service provider and, to a lesser extent, the device manufacturer (Figure 5).

Consumers have a more favorable view of and are more likely to purchase products or services from brands with accompanying services, thereby providing an opportunity for companies to grow market share via these services.

APPROXIMATELY **20%** of consumers report that **AVAILABLE TECH SUPPORT** or ***warranty support*** **INFLUENCES BOTH** their **DEVICE** ***purchase location*** & the **BRAND** ***they purchased***.

Source: *Expanding Consumer Tech Support*
© Parks Associates

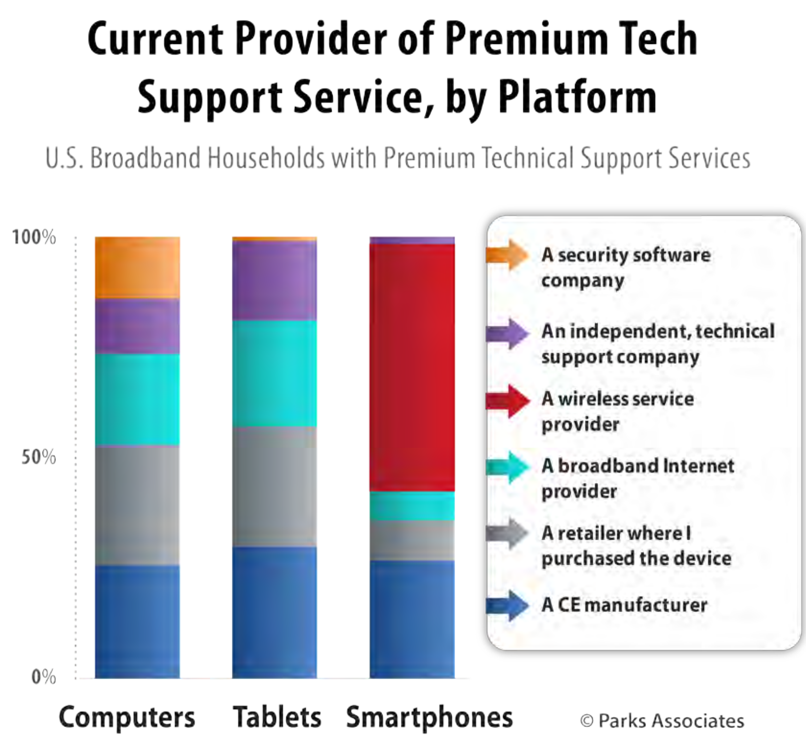



Figure 5: Premium Tech Support Service Provider by Platform

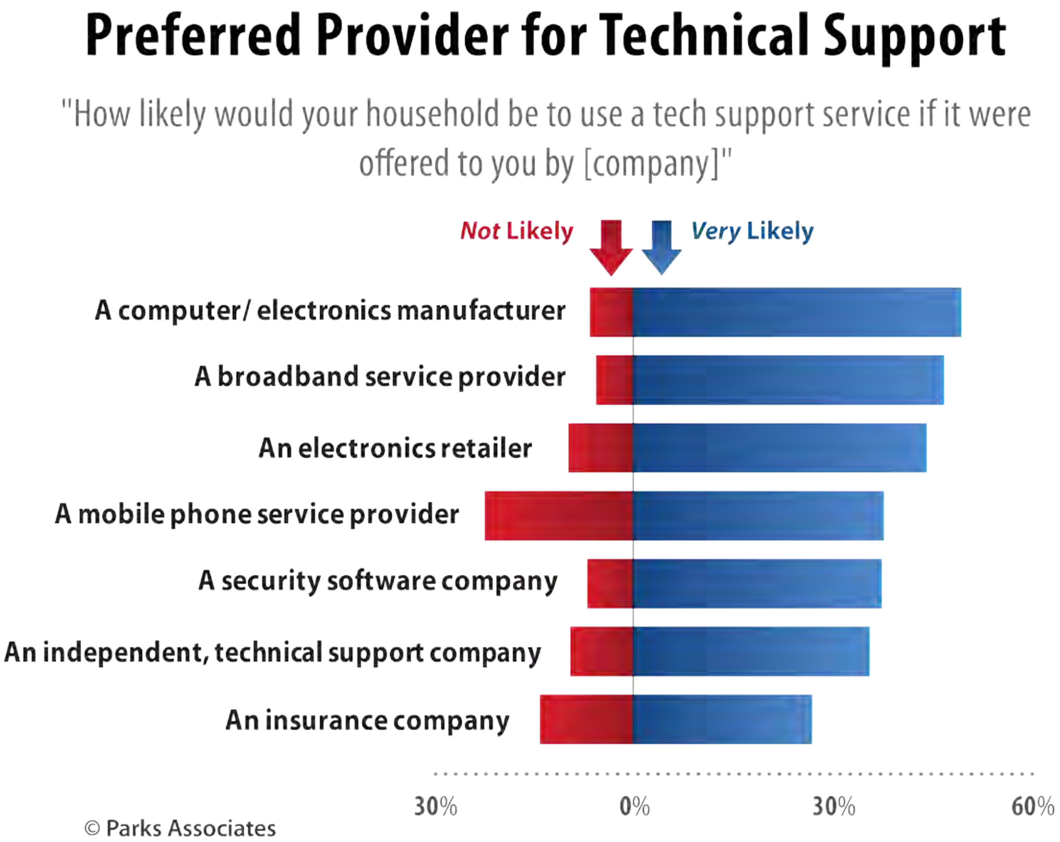



Figure 6: Preferred Provider for Technical Support

**INCREASE CUSTOMER SATISFACTION**—Consumers generally report high satisfaction with the support services they currently receive. At the same time, the market is highly fragmented, and these consumers receive support from a variety of sources, including CE manufacturers, mobile phone operators, retailers, software providers, and broadband ISPs (Figure 5).

This fragmentation presents providers an opportunity to deliver additional value and improved satisfaction, by offering a premium layer of support that displaces and consolidates the components consumers currently use. Consumers want an efficient and comprehensive support solution that covers all of their support needs for computers, tablets, and smartphones.

**72%** of consumers interested in premium support

*want a service that is able to* **SOLVE** **EVERY TECHNICAL** ***problem*** that they have.

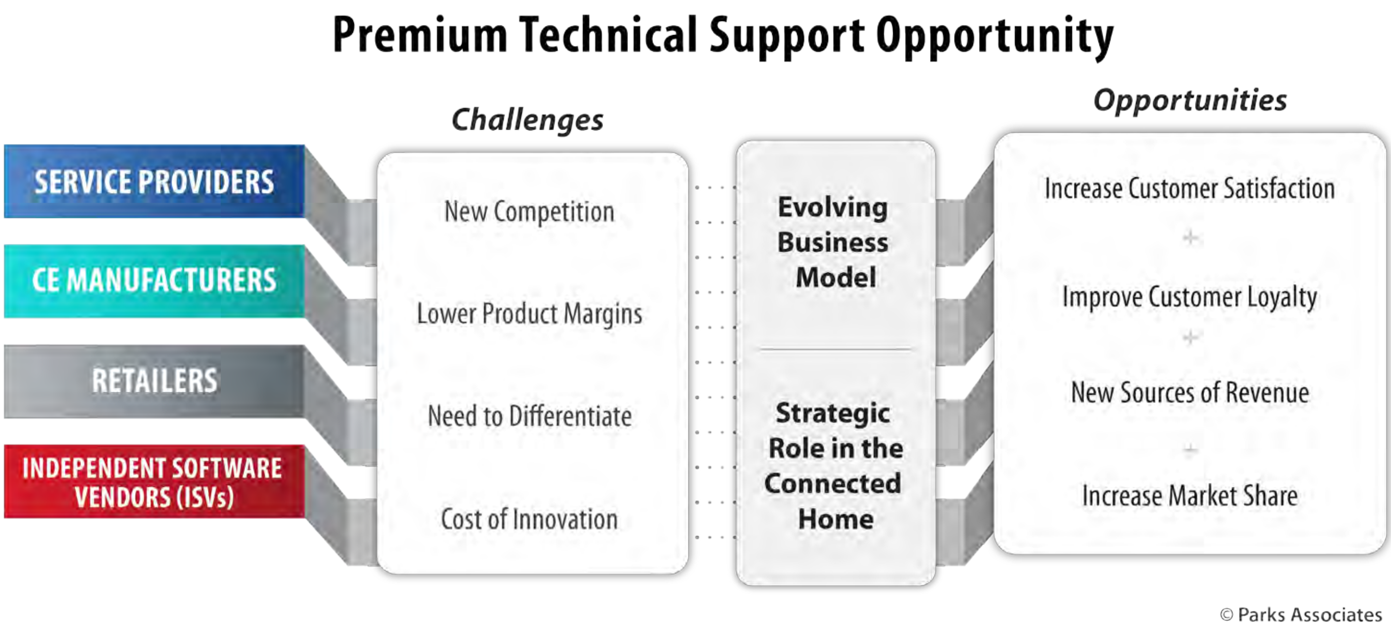



Figure 7: Premium Technical Support Opportunity

# Monetizing Technical Support

The use of premium tech support to drive revenue as well as build and maintain consumer relationships requires a delicate balance of managing consumer expectations and defining a clear demarcation point between baseline and premium support services.

*Having clearly defined criteria for classes of support services is essential to this process.*

Mobile carriers and broadband providers, for example, may offer baseline support for items specifically related to their core service, which may include the following:

- Connectivity issues, which are specific to the company's network
- The use of company-related applications on devices
- "How to" support questions in relation to a company provided device or service

Maintaining these criteria is often challenging as problems in today's connected home are often not device- or network-specific but instead relate to how the devices interact.

- Managing technical support interactions requires clear **communication**. The problem, its causes, and why the resolution is, or is not, the responsibility of the consumer technology brand must be effectively communicated to the consumer.
- The established classification or criteria must not only be fair, but perceived as **fair**, by consumers.
- All support staff require adequate **training** in order to deliver a **consistent** message to consumers about whether or not their support need is one covered by basic support or if the consumer will need to pay for the service.

## SALES STRATEGIES

Premium tech support services are primarily sold at the point of sale of a device or service (referred to as an attached sale) and at the point of pain—that is, when a consumer calls in for help with a problem.

**ATTACHED AND BUNDLED SERVICES**—These are technical support services offered as value-adds on top of a new broadband activation or as an up-sell on the purchase of a new device.

These sales are typically made by the retail sales associate, by a phone-based sales agent, or added to an online cart. For bundled sales, the technical support service is added into price of the device or service or added in the price of other value-added services, such as extended warranties. In the case of the attached sale, consumers make a more conscious decision to acquire the service.

Adoption rates of technical support services at the point of sale differ among devices and software.

**For computers and tablets** *the adoption rate is*

APPROXIMATELY **10% - 15%**.

**The rate for mobile phones** *is slightly higher—*

APPROXIMATELY **20%**.

Source: *Expanding Consumer Tech Support* | © Parks Associates

The adoption rate for attached technical support services has, unsurprisingly, been significantly lower than the adoption rate for services at the point of pain as the value of the service to the consumer is lower at that point.

Some retailers have, more recently, offered shorter-term attached support services (30-90 days), specifically geared towards the introduction of newer devices and services. These service packages include a specific set of service features that cover the common support needs of consumers with new devices. An important consideration for consumers, when evaluating these attached services, is the value of the product in relation to the price of the service. Attached support services also allow providers to gain incremental revenue for lower-margin products, to mitigate no-fault returns of devices, and to extend the relationship with the customer beyond the sale of the device.

**POINT OF PAIN SERVICES**—These services are delivered when a consumer calls in with a device or network related problem.

Provider strategies surrounding the sale of premium technical support at the point of pain have evolved to accommodate provider business strategies as well as the changing technical support needs of consumers. Brick-and-mortar retailers, for example, use pricing strategies to drive consumers to their physical stores—oftentimes making the price points for in-store support lower than the cost of support through the other service touch points. The sales strategies of many providers are designed to steer consumers toward adopting long-term, subscription-based service packages. The price-value relationship of these services encourages consumers to take the subscription option as opposed to using one-time support services.

Leveraging the growing home networking opportunity, some support providers offer subscription packages that cover the support of other devices into a single subscription, which increases the attractiveness and perceived value of the service.

Support providers have also found it more practical to provide "how to" and other advice-related support to consumers through the use of support subscriptions. Although there is a need for this type of support among consumers, providers have found it difficult to monetize such services outside of all-inclusive subscription offerings.

*The result of these initiatives is an overall shift in the percentage of consumers now taking subscription support compared to those using premium support on a one-time or per-incident basis.*

## Conclusion

To truly impact the customer experience, technical support services need to evolve on several fronts.

**TOOLS**—Services must include software tools for consumers and agents that proactively detect and solve problems and accelerate the resolution of problems that can't be automatically fixed. These tools should minimize service interruptions, while maximizing the overall "health" of the home network and attached devices.

**INTERNAL SYSTEMS**—These benefit from involving intelligent CRM systems and standardized workflows to effectively track consumer issues and enable seamless and efficient handoffs between agents as issues are escalated and ultimately resolved.

**BUSINESS MODELS**—Superior services cover the support needs of consumers throughout the lifecycle of their products and services, employing business models that are attractive to the consumer and profitable for the provider.

*As consumer technology brands broaden and deepen their features to extend their role in the home and improve customer experience, their relationships with customers will strengthen. Ultimately the improved brands earn their own position of influence on consumer decisions.*

**WITH THE RIGHT ANALYTICS**—*these brands can recommend complementary products or services that add utility to the connected home.*

## ABOUT SUPPORT.COM

**Support.com** is a leading provider of cloud-based services and software designed to enhance a customer's experience with technology.

We enable our partners to create new revenue streams and deepen customer relationships by offering comprehensive technology service programs for consumers and small businesses. Our programs are offered via channel partners, which include leading communication providers, retailers, technology companies and others.

Our solution includes a cloud-based Nexus® Service Delivery Platform, mobile and desktop apps, a scalable workforce of technology specialists and proven expertise in program design and execution. Our partners can leverage our Nexus Service Delivery Platform in a number of ways, either using our technology specialists or a labor pool of their own choosing. We bring programs to market under our partners' brands with targeted sets of offerings designed to maximize revenue and deepen customer engagement through an overall positive customer experience. For more information, please visit us at: **www.support.com**.

## ABOUT PARKS ASSOCIATES

**Parks Associates** 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 for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

**The company's expertise includes** new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, energy management, and home control systems and security.

Each year, Parks Associates hosts industry webcasts, the CONNECTIONS™ Conference Series, and Smart Energy Summit: Engaging the Consumer.

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## ABOUT THE AUTHOR—**Patrice Samuels**, *Research Analyst*

Patrice Samuels studies digital home technical support services across global markets, with a focus on market trends, business models, and provider strategies. In addition to exploring events and disruptions in the technical support space, she examines pay-TV and broadband services in North America and Europe, digital media, and digital music services.

Patrice earned her MBA from Texas A&M University at College Station and BSc. in Psychology from the University of the West Indies in Kingston, Jamaica.

**INDUSTRY EXPERTISE:** Television Services, Broadband Services, Technical Support Services, International Markets.


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