

Success Factors in the Connected Home



Presented by:

**PARKS
ASSOCIATES**



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Audio Part 1 – Success Factors in the Connected Home Webcast Slides 1 - 7

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Success Factors in the Connected Home

Agenda

- Connected home infrastructure
- Big data and analytics
- Consumer interest
- Early adopter experience
- Market opportunity
- What Sigma has learned

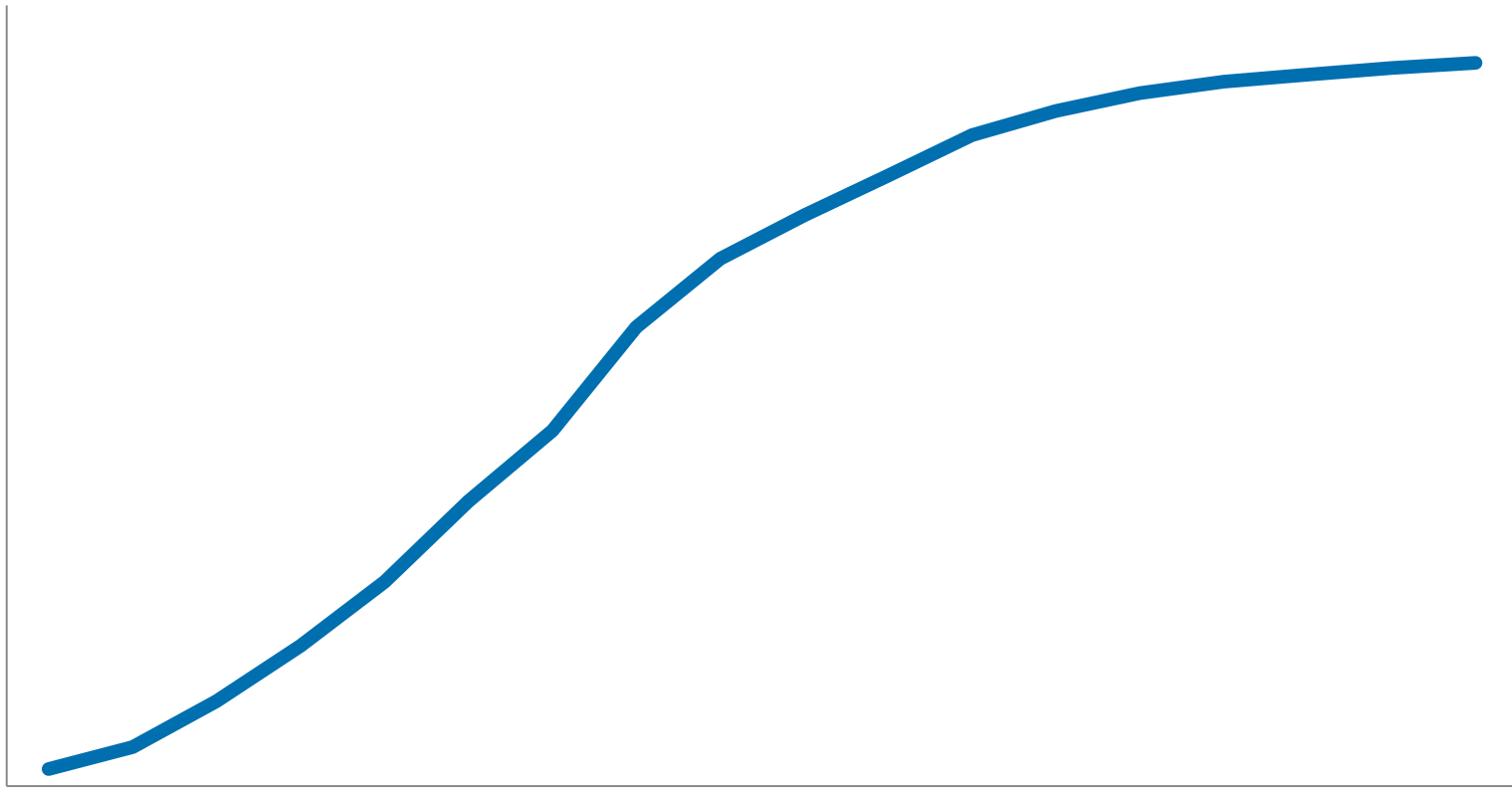
Infrastructure in Place

US Broadband Penetration

% of ALL HH

80%
70%
60%
50%
40%
30%
20%
10%
0%

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

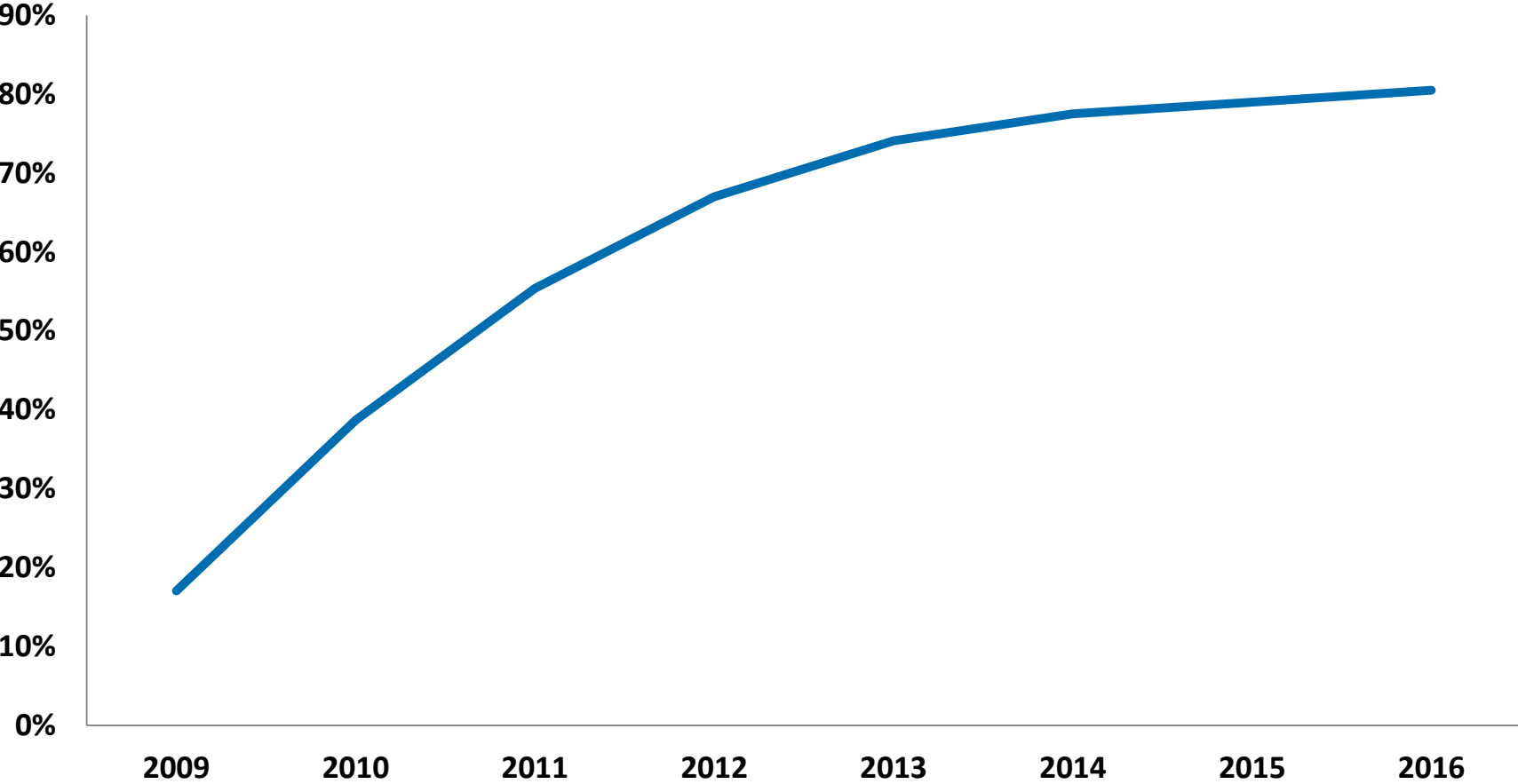


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Infrastructure in Place

U.S. Smart Phone Penetration

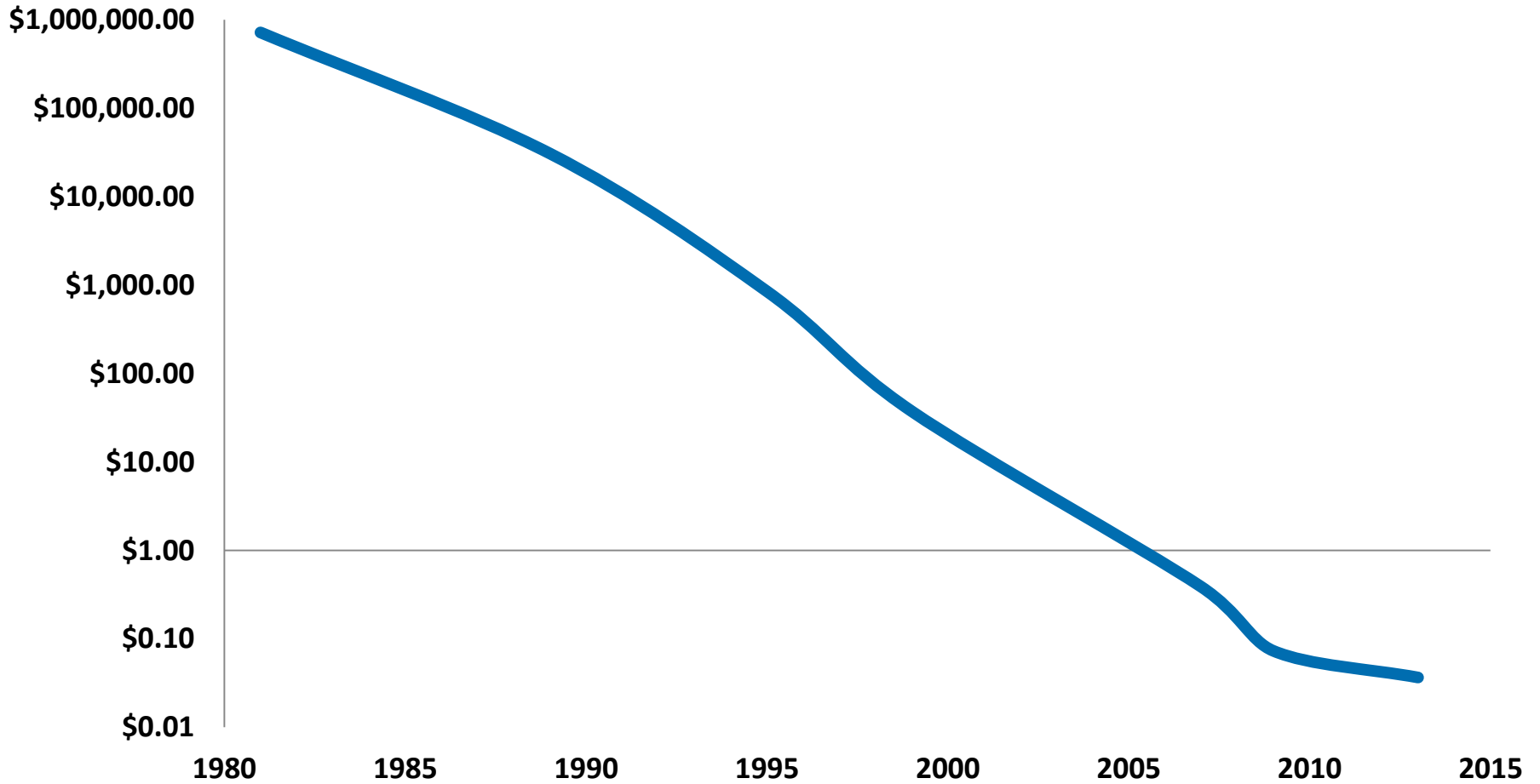
% of ALL HH



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Cost Curves Moving in the Right Direction

Price of Storage (\$/GB)



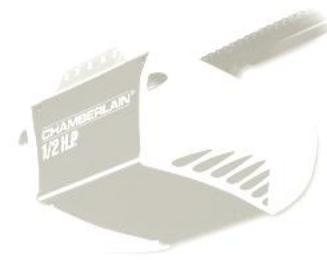
Source: Parks Associates

Connected Home - OEM

Connected Device



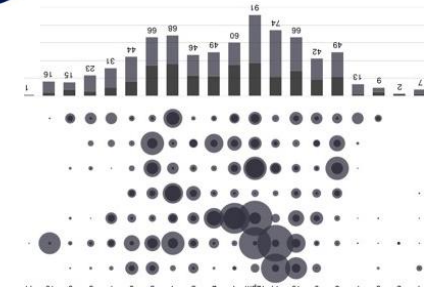
Gateway



Virtual Device



Device Monitoring and Control



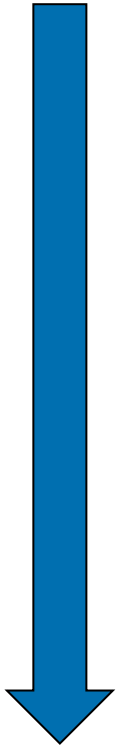
Device Analytics, Modeling and Control



Data Services

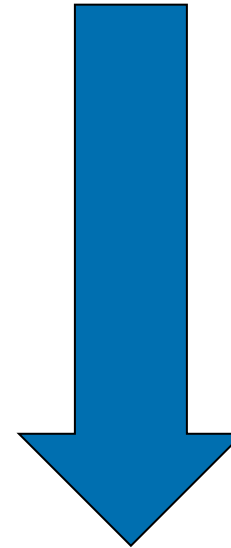
Growing Functionality

Evolution of Capabilities



- Data Collection
- Display
- Reporting
- Modeling
- Notifications
- Prediction
- Intelligent Control

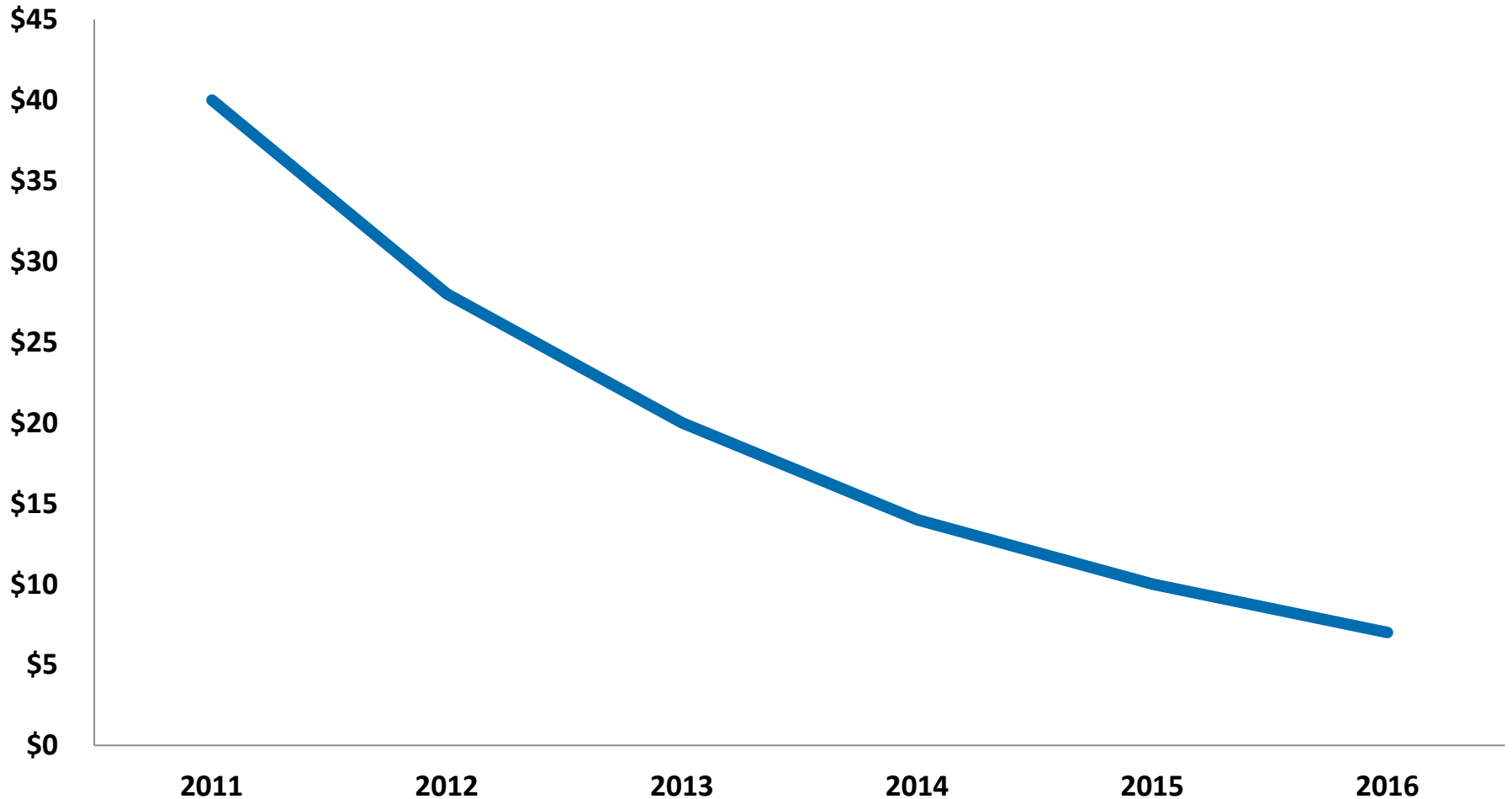
Connected Home



Smart Home

Cost Curves Moving in the Right Direction

Cost Per Appliance



Source: EPRI

Adding Connectivity to Everyday Products

Cascading Connectivity into Products

- Premium Tier (10% of unit volume)
- Mid Tier (20% of unit volume)
- Value Tier (70% of unit volume)

	2013	2014	2015	2016	2017	2018
Premium	1%	2%	8%	22%	50%	80%
Mid			1%	2%	8%	22%
Value					1%	2%

Consumer Demand for Home Systems

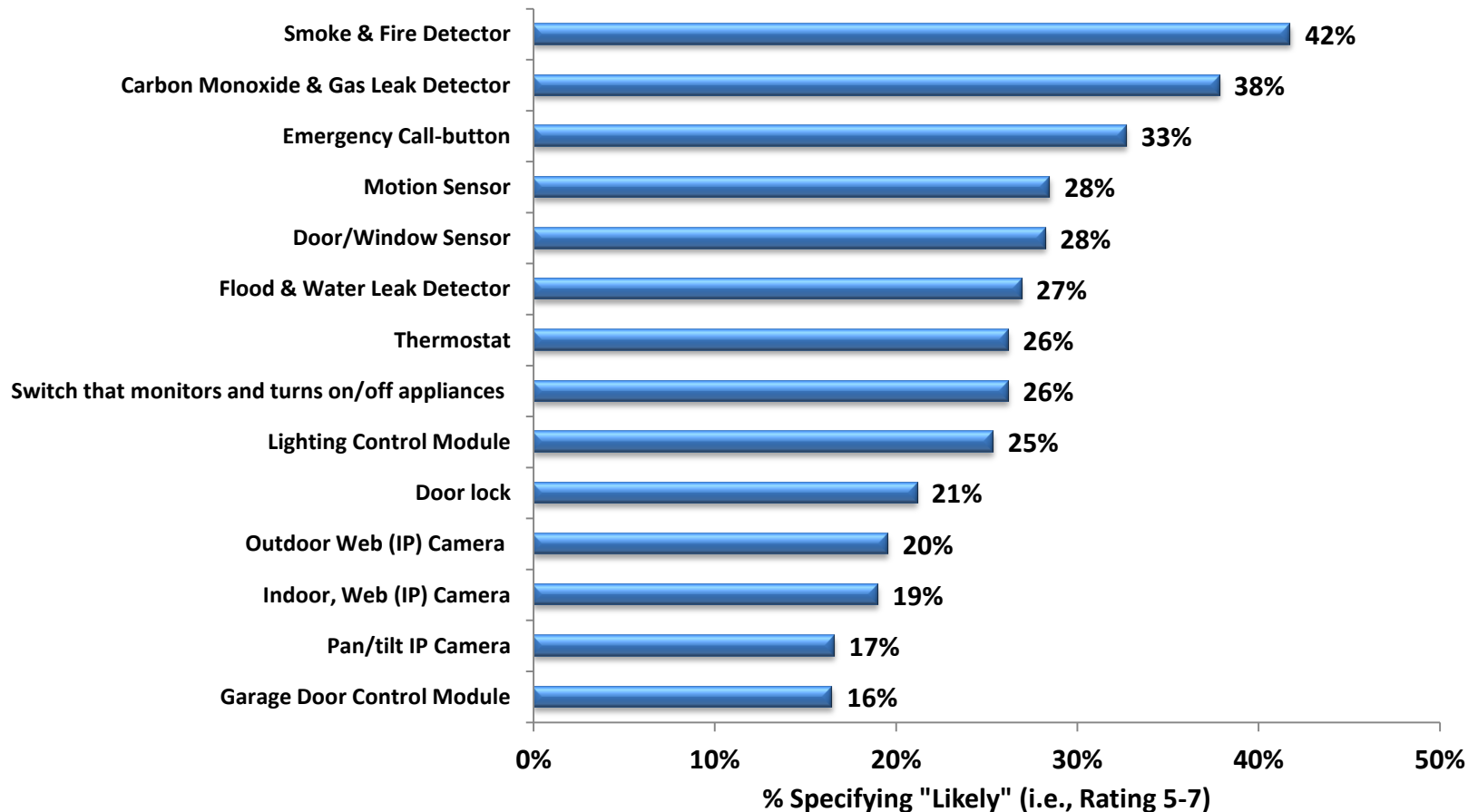
Indoor, Web (IP) Camera	\$ 99.99
Outdoor, Web (IP) Camera	\$ 149.99
Pan/tilt IP Camera	\$ 159.99
Electronic Door lock	\$ 159.99
Lighting Control Module	\$ 39.99
Door/Window Sensor	\$ 39.99
Appliance Switch	\$ 39.99
Smart Thermostat	\$ 129.99
Garage Door Control Module	\$ 89.99
Motion Sensor	\$ 29.99
Smoke & Fire Detector	\$ 29.99
Carbon Monoxide & Gas Leak Detector	\$ 29.99
Flood & Water Leak Detector	\$ 39.99
Emergency Call-button	\$ 19.99

Consumer Demand for Home Systems

Intention to Purchase Home Monitoring Products (Q4/12)

Q7435. How likely are you to purchase the following *if the product can be monitored and managed* from inside your home or while you were away from home using a computer, mobile phone, or tablet?"

(Among BB HHs, n=2,500, ±1.96%)



Telecom and Cable Operators Entering the Market



Strategy: Basic package targets households without monitored security

- » Home Monitoring Kit: indoor camera, lighting module. Add-ons for energy, door locks, appliances, thermostats, etc.
- » TV is the primary interface
- » Self-installation



Strategy: Full featured offering

- » Includes touchscreen UI, professional monitoring, keychain remote, sensors. Opt. thermostats, smoke detectors, and lighting
- » News, entertainment and info content is available on the keypad
- » Professional installation



Strategy: Ease of use and simplicity

- » Professionally monitored security is the core service
- » Add-ons for automation, and energy
- » Sold through 2000+ retail outlets
- » Professional installation



Strategy: Tiered packages and broadband-bundled pricing

- » Basic tier – Professional monitoring, touchscreen control, and security sensors
- » Mid tier – camera and additional security HW
- » Top tier – automation, energy, and lighting
- » Professional installation

Connected Home – Product Ownership

Home Control System (Q1/12)

"Q7005 Which of the following can you control or monitor through the Internet using the home control system for your home ?"
(Among All BB HHs n=10,000, +/-0.98%)



Connected Home – Product Ownership

How likely are you to recommend your home control system to your friends or family?"

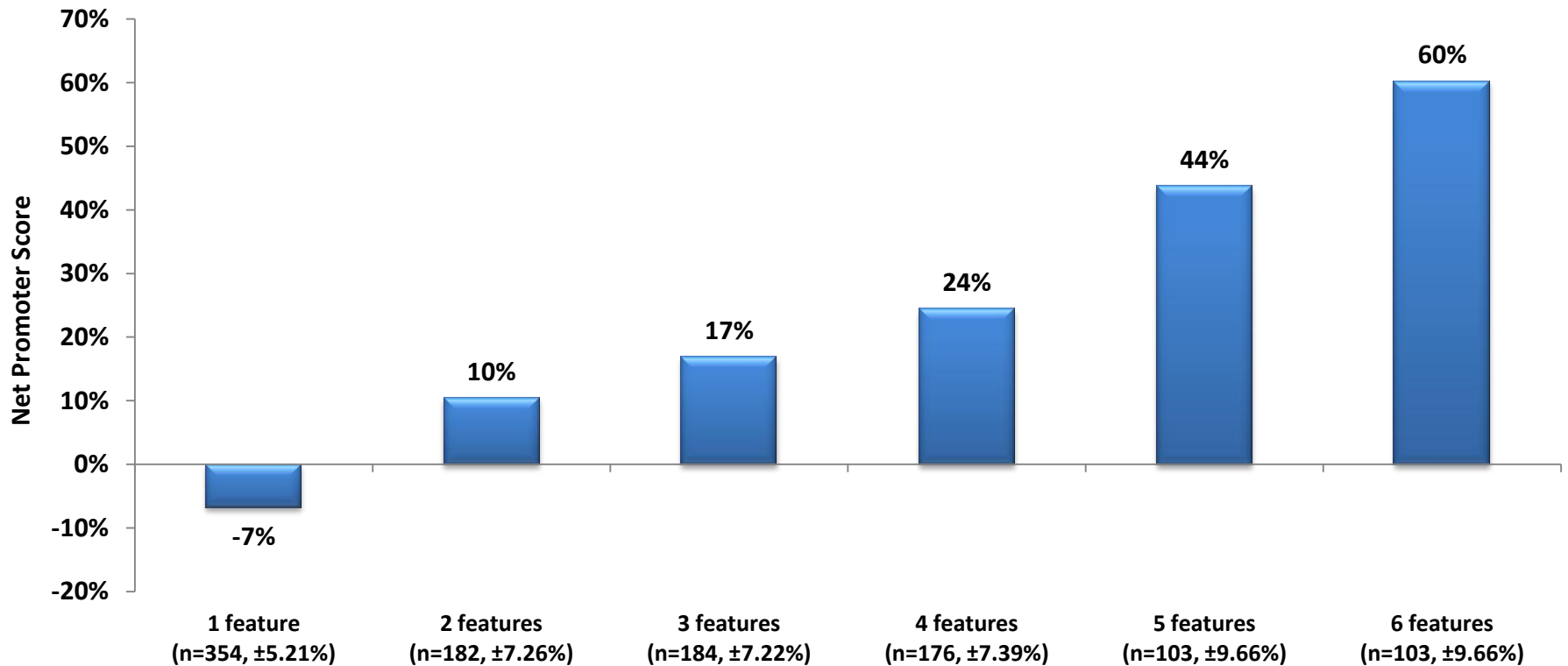
Promoters - **Detractors** = **Net Promoter Score**
9-10 **0-6**

NPS = 16%

Current State of Home Systems

NPS for Primary Home Control System by # of Features Adopted (Q1/12)

"Q7020. How likely are you to recommend your home control system to your friends, colleagues or family?"
(Among BB HHs Having Specified Features)



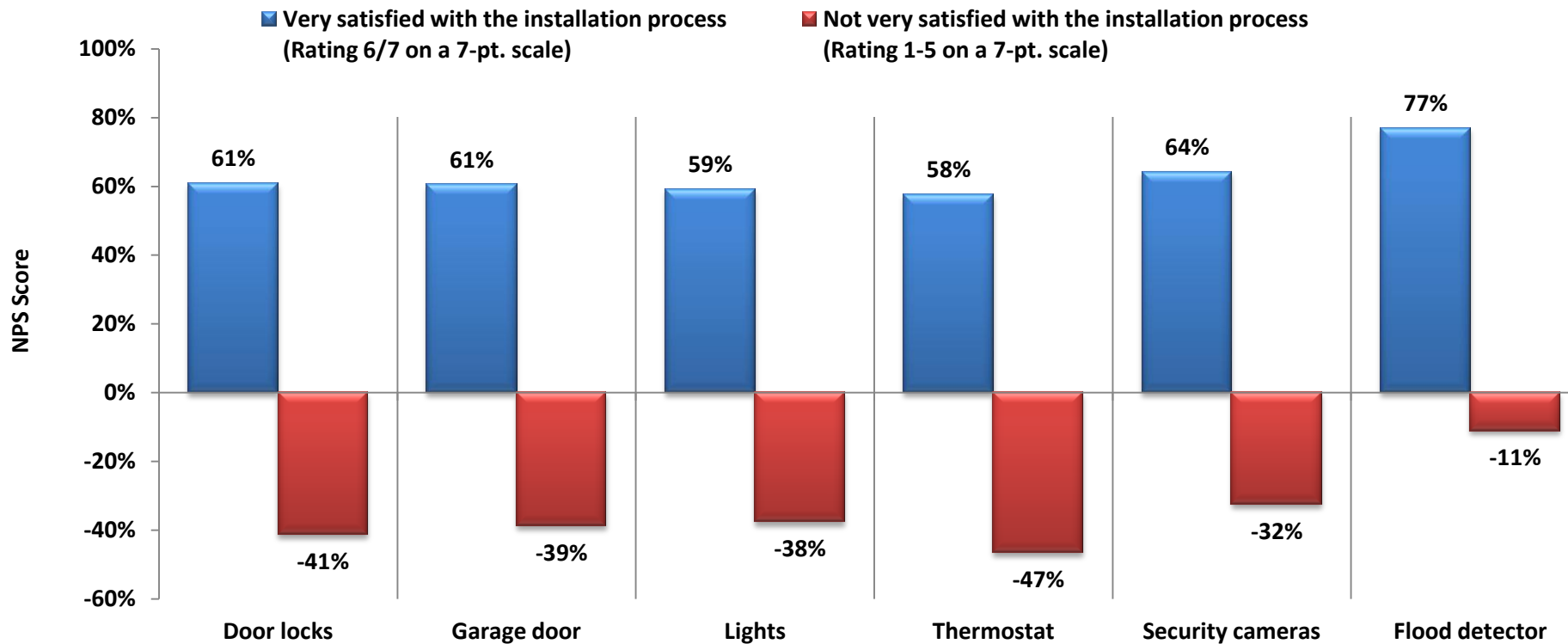
Current State of Home Systems

NPS Score for Primary Home Control System by Satisfaction with Installation Process (Q1/12)

"Q7008. How satisfied were you with the installation process for the..."

"Q7020. How likely are you to recommend your home control system to your friends, colleagues or family?"

(Among BB HHs Having Specified Features)



Success Factors in the Connected Home

Bill Scheffler

Director of Sales North America

May 30, 2013

Key Success Factors

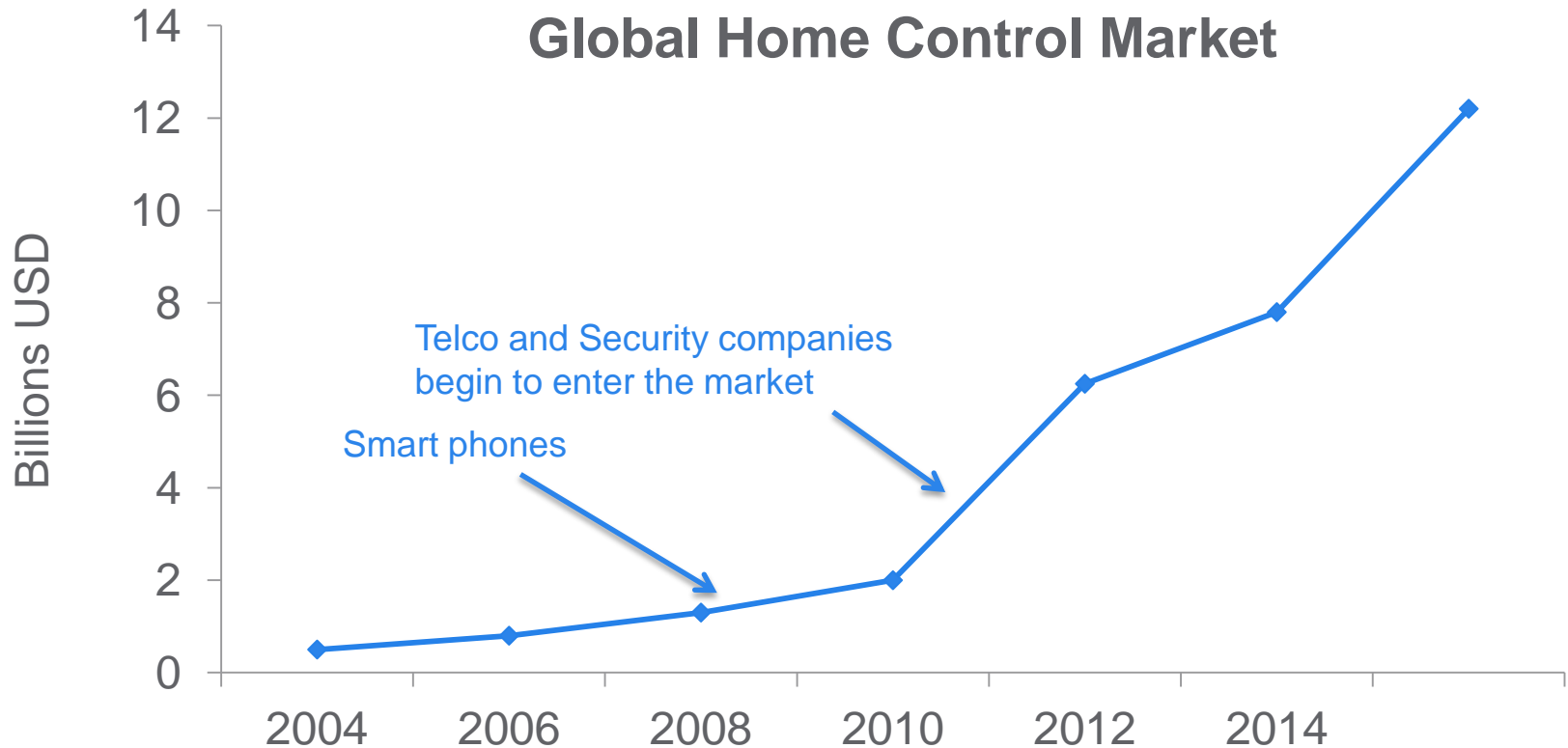
- Timing
- Selecting the right technology
- Working with the right go-to-market partner



The Disrupter



Drivers in the Home Control Market



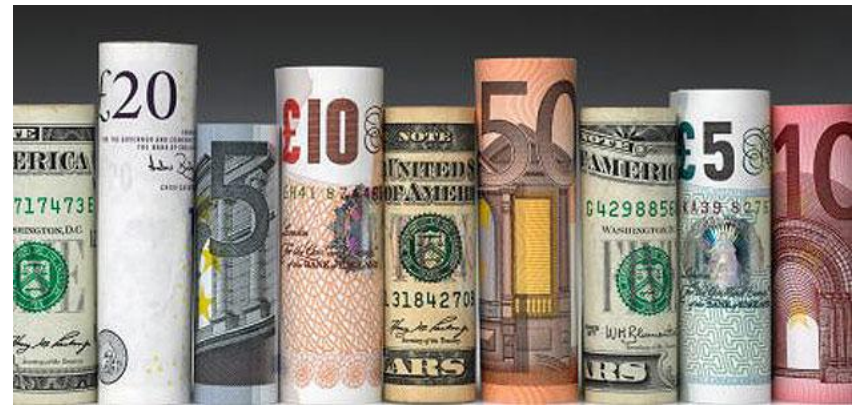
Entering Uncharted Territory

- Paradigm shift
- Competitive landscape
- First mover advantage
- Open to all size companies



Revenue Opportunities

- Customers' expectations are rising
- Analysts expect major growth
- Smart home system shipments expected to increase by more than 600% over next 5 years This equates to more than 38 million households world wide by 2015.(ON World.)
- Service providers and device manufactures benefit



Market is Heating Up

- Consumers are ready and willing to spend
- Smart phones and tablets are everywhere
- Largest industry players are entering
- Home control solutions are becoming mainstream and accessible



ALARM.COM



at&t

Honeywell



vivint. BellAliant

Telefonica



GE Security





“ADT chose Z-Wave as a technology for ADT Pulse® Interactive Solutions connected devices due to the interoperability of the devices across the Z-Wave platform.” - Steve Shapiro, Vice-President, Product Solutions, ADT

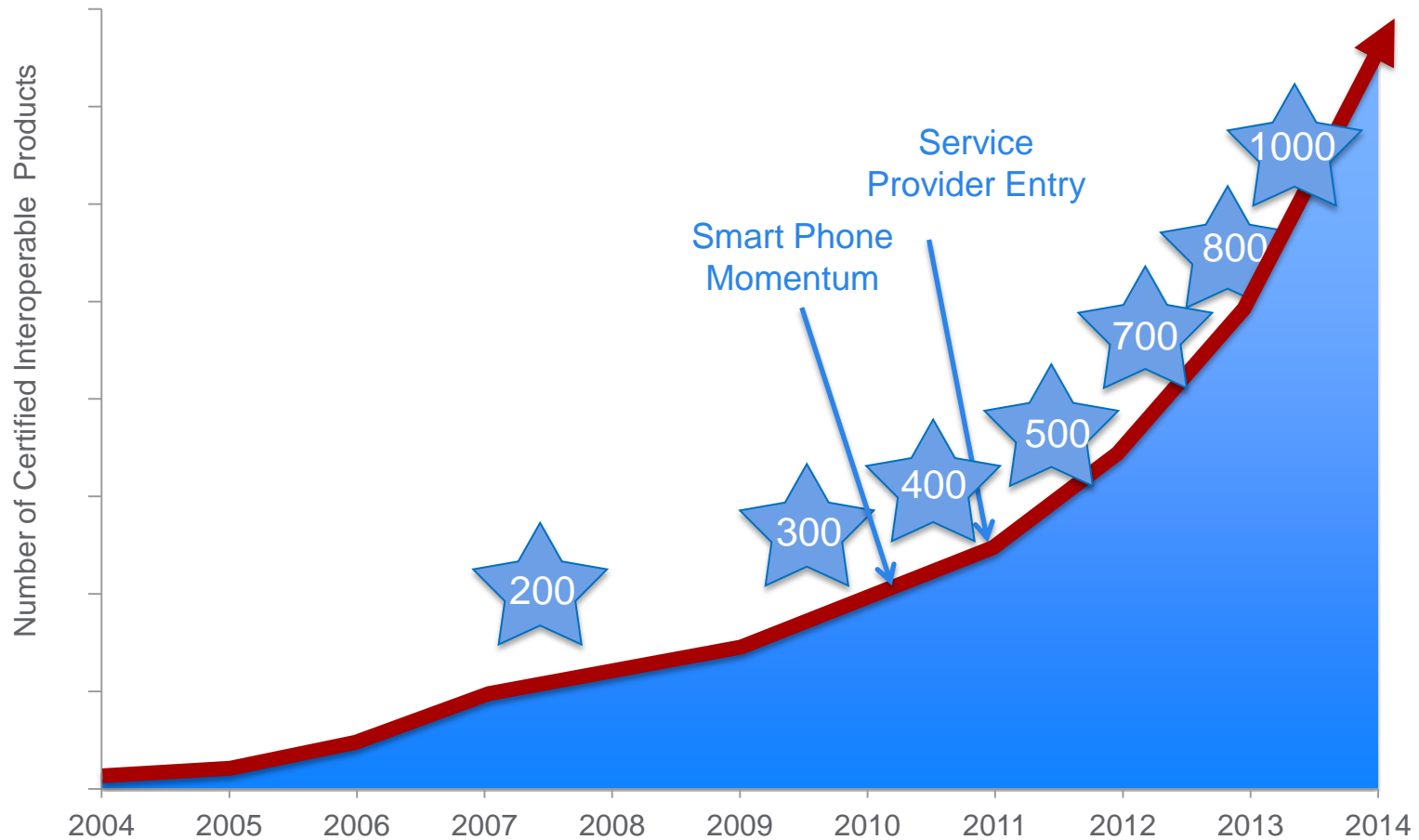


Z-Wave is the Leader in Home Control

- RF solution in a single chip
- Wireless mesh network
- Extremely simple set-up
- Ultra low power
- Interoperable
- Backwards compatible



Z-Wave Interoperable Product Progress



More than 200 Z-Wave Alliance Partners



Why Z-Wave Next Gen ?

- 800+ Devices
- 55+ Countries
- 10 Years Maturity
- Product Interoperability
- Available In All Channels

Internet of Things

Energy Management



Home Security



Home Health



Vivint, ADT, Verizon
Telefonica, AT&T
Alarm.com..

Z-Wave Next Gen
Enabling End-To-End solutions



Ben Garcia

Field Applications Engineer
Sigma Designs

What Sigma has learned

- Speed to Market
- Increased profitability
- Better consumer experience



Z-Wave Next Gen

- Chips
- Modules
- Reference designs



Z-Wave Next Gen Fast Time to Market

- Pin to pin compatible solutions for existing partners
- -Modular solutions for new entrants



Z-Wave Next Gen for Flexibility & Time to Market

- USB form factor to go into any USB device
- Time to market



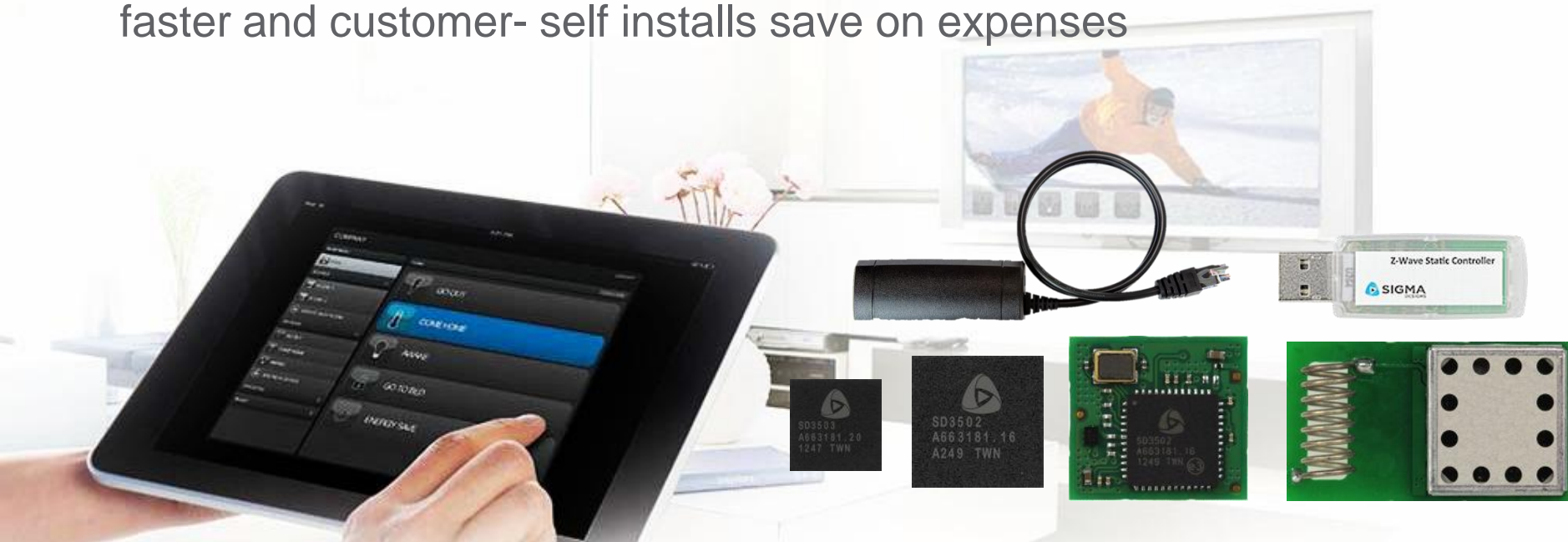
Z-Wave Next Gen Consumer Experience

- Increased range to make coverage even more robust.
- Almost 70% lower power consumption in stand-by mode
- Simpler installation – Z-Wave easier to deploy with network wide inclusion



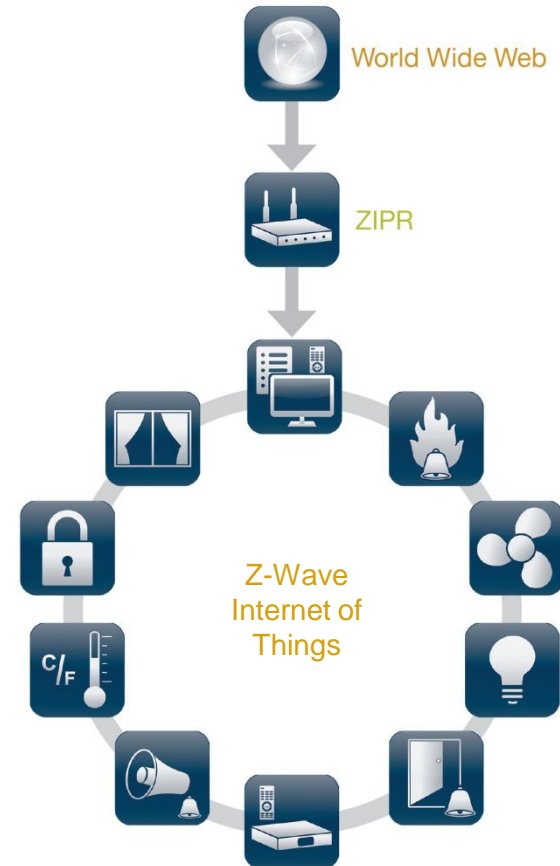
Z-Wave Next Gen Increased Profitability

- 4x larger memory foot print so one chip can do all the work, saving the cost of 2 chip solutions and allowing bandwidth for more features and product differentiation
- Simpler installation – making install time for professionals even faster and customer- self installs save on expenses



Home Control and Internet of Things

- Tapping into the market
- New connected devices
- Devices become remotely upgraded

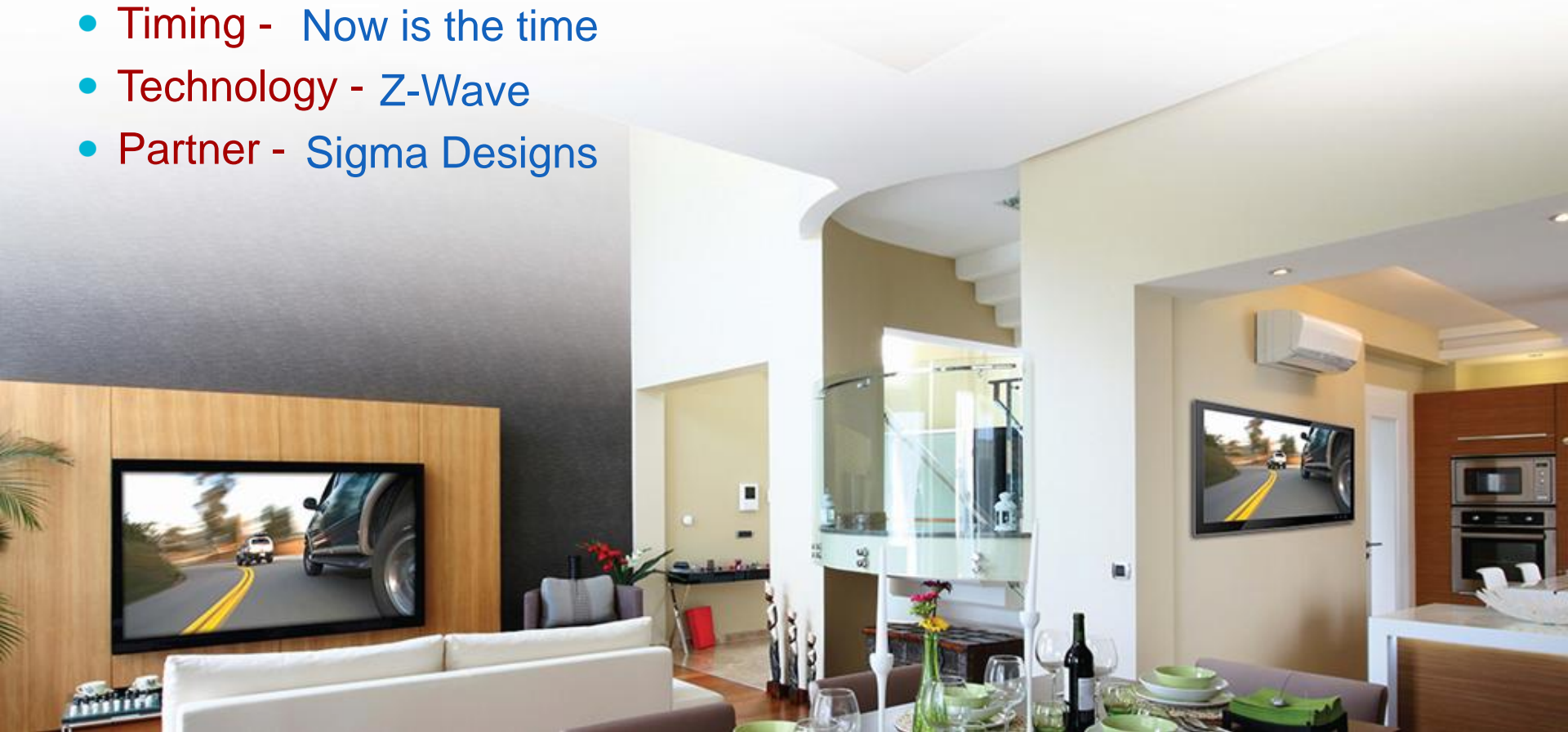


And we do all this while remaining backwards compatible



Key success factors

- **Timing** - Now is the time
- **Technology** - Z-Wave
- **Partner** - Sigma Designs



Thank you

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Thank You!

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Expanding the Home Security Value Proposition

