

Engaging Consumers: IoT and the Smart Home



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@ParksAssociates has provided market intelligence on smart home, IoT, and connected entertainment solutions for more than 30 years.

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Voice Control

- Voice control is vying to become the **primary user interface** for the smart home and connected lifestyle.
- **44% of U.S. broadband households** use voice controls on Internet-connected devices.
- **Adoption of smart speakers** with personal assistants, including Amazon Echo, Dot, or Tap, or Google Home, is 10-11% of U.S. broadband households, and in 2020, annual sales in this product category will exceed 50 million units.
- **75%-85% of smart product owners** rate voice control of smart lighting, smart thermostats, smart smoke detectors, and smart garage door openers as appealing.
- **More than half (55%) of U.S. broadband households** find voice control appealing for entertainment and smart home devices, and voice control for all devices, including TVs, security systems, and appliances, scores well among consumers when testing use cases.

Security and Smart Home Services

- **38% of professionally monitored security subscribers** have interactive services, such as monitoring through an app and mobile control, and that number will grow to 60% by 2021.

Smart Energy

- **49% of U.S. broadband households** want the ability to monitor and adjust their thermostat remotely.
- **36% of U.S. broadband households** find a system that manages or monitors their home energy usage very appealing.
- **Roughly 50% of consumers** are willing to share data from smart devices for discounts on electricity, and 40% are willing to share data to update and improve their products.

Connected Entertainment

- **44% of U.S. broadband households** have two or more connected video entertainment devices.
- Consumers who pay for multiple subscription OTT video services are also the heavier users of **free OTT video service options**. Only 30% of households subscribing to one subscription service use at least one free, ad-supported online video service. That number jumps to 47% of households subscribing to three subscription services and 63% if a household subscribes to five or more services."

Sales Channels

- **26% of smart home owners** purchased their devices from brick-and-mortar retail stores such as Best Buy, Home Depot, or Walmart, making this channel the most commonly used among U.S. consumers.
- **By 2021, more than 10 million smart home controllers** will be sold in the U.S., and more than eight million will be sold through retail or other related channels.

Smart Home Devices and Appliances

- **By 2020**, more than 12 million U.S. households will have a smart water leak detector, more than 40 million will have a smart thermostat, nearly 50 million will have a smart light bulb, and nearly 14 million will have a smart home controller.
- **Only 5% of U.S. broadband households** currently own smart appliances and growth and consumer adoption has been slow.
- Smart dishwasher use cases that help consumers conserve energy are equally as appealing as those that provide greater convenience. **Fifty-one percent of consumers** found smart dishwasher features that sync the start time of the dishwasher to when electricity rates are lowest to be very appealing—the same number finds automatic dispensing of cleaning agents very appealing.
- **More than one-fifth of smart appliance owners** who set up their appliances themselves encounter problems during the setup process. Of the consumers who set up their smart appliances themselves, 62% report that they would prefer professional help to set up their appliance in the future.

Smart Home Crossover

- **Combinations of smart home use cases** appeal to as many as 70% of U.S. broadband households.
- **48% of U.S. broadband households** find at least one of the health monitoring use cases highly appealing.

Data Security and Privacy

- **Consumers trust insurance, home security, and energy** companies to keep data safe; 63% of consumers rank insurers within the top 3 most trusted companies, compared to 59% of home security providers and 58% for energy providers.
- **The level of trust in Internet service providers**, device manufacturers, and pay-TV providers is considerably lower.

Consumer Strategies

Elizabeth Parks, SVP, Parks Associates



"Traditionally consumer interest in the smart home focuses primarily on safety and security and other pragmatic use cases, with adjacencies in health and energy scoring interest levels around 50%. Innovations such as voice control have increased consumer interest in solutions that enhance the entertainment experience."

"Consumer marketing strategies and technology evangelism by Amazon and Google have created attention for smart home and connected CE devices, creating an opportunity for a big jump in these products this holiday season. Fourteen percent of U.S. broadband households intend to purchase a smart video doorbell, potentially driving this device to similar adoption levels of smart thermostats and connected lighting products."

Smart Energy

Tom Kerber, Director, IoT Strategy, Parks Associates



"As adoption of smart home solutions increases, energy providers have an opportunity to harness and accelerate the trend toward smarter homes. The opportunity for partnerships between energy providers and smart home solution providers is clear. Utilities are increasingly driving the smart home market forward through energy efficiency programs, demand response initiatives, and direct participation in the market."

"Bundling solar with energy services received the most consumer interest—40% of U.S. homeowners in broadband households are interested in bundling solar power purchasing with their electricity bill. Roughly 25% of homeowners are interested in bundling HVAC maintenance services or home warranties with energy services. As retail energy providers experience narrowing margins in their core business, they are examining alternate strategies to build new revenues."

Video and Connected Entertainment

Brett Sappington, Senior Director of Research, Parks Associates



"In the IPTV world, the user experience essentially defines the video service for subscribers, making the UX a critical element in any successful video service. Consumers have multiple options when consuming content, and they expect the same quality experience no matter what platform they are using. Operators face competition from traditional and emerging players where the user experience is the differentiator and the key to effectively competing in this new era of IPTV services."

"Not only are more households subscribing to OTT video services than ever before, but also the average number of subscriptions per household is increasing as well. The OTT video pie getting bigger, and it is getting deeper as well. What we are seeing is consumers adding to the number of sources that they use to access interesting content. This growth is critical. It means that video services do not necessarily have to displace a Netflix or other large service in order to gain market share."

To cross the chasm, the smart home industry will continue to develop new use cases for security, peace of mind, and energy management.

Smart Home Devices

Brad Russell, Research Director, Connected Home, Parks Associates



"Forty percent of U.S. broadband households indicate intentions to buy a smart home device in 2018, and a key way to turn purchase intention into reality is to offer valuable incentives. Among these likely buyers, roughly 75% are interested in a feature that automatically notifies their insurer in the case of damage or a claim."

"Smart home products flourish in face-to-face and consultative sales channels, where an expert can demonstrate use cases and present personalized value propositions to consumers. Brick-and-mortar retailers have an advantage here, and they are leveraging their assets in a competition to be the trusted advisor on connected living."

Voice-first Market

Dina Abdelrazik, Research Analyst, Parks Associates



"Voice recognition and control are enabling entertainment equipment manufacturers to improve the user experience. An emphasis on a voice-enabled UX will be a key trend in connected CE for 2018. In 2016, U.S. consumers bought an estimated 14 million voice-controlled smart speakers with personal assistants, and companies such as Roku, TiVo, and Comcast have debuted voice-enabled remote controls."

"Amazon, Google, Apple, Microsoft, and Samsung continue to announce new product enhancements in order to stay ahead of the demand for voice technologies. As the voice-first landscape expands, we will see voice capabilities embedded into a variety of devices, from appliances to thermostats to lighting. Voice alleviates complexity in the user experience for these products, and as a result, voice will serve as a prime differentiator in the user experience for the smart home."

Privacy and Purchase Plans

Jennifer Kent, Director, Research Quality & Product Development, Parks Associates



"Consumers are somewhat fatalistic about their data, with 64% agreeing it is impossible to keep their data private from the companies that provide their products and services. Data is the fuel that makes smart products smart. The industry needs to ensure consumers see the value that comes from sharing their data, while feeling confident their privacy will be protected."

"Parks Associates' holiday data find 11% of U.S. broadband households have a strong intention to purchase a 4K/Ultra HD TV this holiday season, but overall, device sales of flat-panel TVs have flattened out. As a result, we are seeing new partnerships among device manufacturers focused on ways to improve or refresh the UI of the smart TV, to make the device easy to use and a single point of content in the living room."