



How can you adapt to your customers' changing digital needs?

Decoding the digital home



The better the question. The better the answer.
The better the world works.



Building a better
working world

Diversity in the digital household

Households are enjoying unprecedented levels of connectivity, transforming their social and home lives as well as their viewing and working habits. This is driving major changes in what they consume and how they do so. But doubts also exist as many seek digital downtime, stick with the familiar and worry about trust and privacy.

In this complex world, one thing is clear: today's consumer will not be satisfied by a one-size-fits-all service. EY's consumer research details these changes in consumer sentiment, providing a platform for TMT companies to create better customer experiences.

Research methodology

Decoding the digital home is the first in a series of findings from EY's latest research into household attitudes to connectivity and content. It draws on insights generated through an online survey of 2,500 UK consumers conducted in August 2017. Building upon our *Bundle Jungle* research studies from previous years, this has enabled a year-on-year comparison of the changing state of the digital home.

The survey contained 54 attitudinal questions, enabling us to segment respondents into eight groups. Additional analysis and insight have been provided by EY's team of technology, media and telecommunications professionals.

Three key considerations

- 1. Connected home is where the heart is** – consumers continue to warm to new products, services and experiences.
- 2. Doubts at the door** – some consumers are experiencing digital fatigue, legacy behaviors remain relevant to many and privacy and security concerns are on the rise.
- 3. Adapting to nuanced needs and attitudes is the key to success** – service providers that cater for the growing diversity of digital home needs will thrive in the long-term. Harnessing the power of the familiar with the attraction of the new is essential.

[ey.com/uk/TMTDigitalHome](https://www.ey.com/uk/TMTDigitalHome)

Follow us on Twitter:

@EY_TMT_UK





Connected home is where the heart is

Households are enjoying unprecedented levels of connectivity, transforming their social and home lives.

Social media and work are now at the heart of the home.

Half of all the households surveyed believe the internet is fundamental to their social lives, up from 48% in 2016. Only a quarter disagree, with the remainder undecided.

The internet has also blurred the boundaries between home and work. 45% of households think the internet is very important to their household in terms of working from home or running a business from home, up from 41% in 2016. This is an important reminder that the modern household's reliance on home connectivity now goes far beyond entertainment.

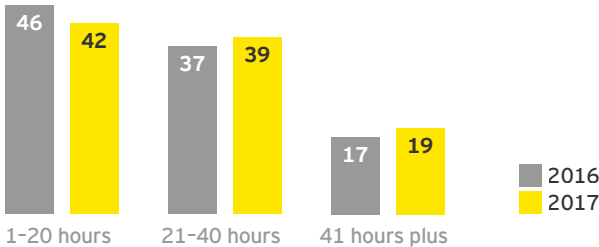


50%

believe the internet is fundamental to their social lives, up from 48% in 2016.

Time online increases

Given these developments it's not surprising that time spent online is increasing, as consumers deepen their engagement with the online world in a number of directions.



Internet wins, but TV shows staying power

For the first time, the internet appears to be grabbing the largest share of household attention. 56% of survey respondents agreed that some household members spend a lot more time on the internet than watching TV, up from 49% in 2016.

But there is some good news for established media players. The percentage of those watching TV on traditional channels is not only sizeable, but is holding up, standing at 46% in 2017, unchanged from 2016.



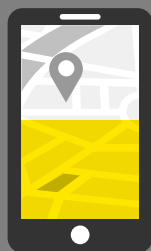
56%

spend more time on the internet than watching TV, up from 49% in 2016.



57%

agree that people in their household watch short video clips online.



51%

agree that they need to access the internet when on the move, up from 38% in 2016.

Mobile devices are changing the game

Smartphones and tablets are changing the way households consume content.

Is mobile becoming part of the furniture?

More people are turning to mobile devices as their primary home internet device. 25% are now using smartphone or tablets as the main way they go online, up from 16% in 2016. Looking at smartphones alone, the figure has almost doubled, from 6% in 2016 to 11% in 2017.

Multi-tasking, not mobility, is the main driver.

Many might expect portability to be the key attraction of mobile devices, enabling householders to watch, work or play anywhere in the home. But the top factor, chosen by 59% of households that use them as their main device, was the ability to use mobile devices while doing something else. Perhaps that's one reason why traditional TV channels are holding up so well despite people's ever increasing time spent online. In a multi-tasking world, there is more screen time for everyone.

Honey, who shrunk the content?

Households' taste for mobile devices is also shaping content, with short form consumption now the norm. In other words, less *War and Peace* and more *World's Funniest Cats*. 57% say that people in their household watch short video clips and only 27% disagree.

Connectivity is on the move

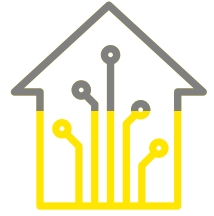
All this added interaction does not stop at the front door, with demand for connectivity outside the home rising. In 2017, just over half (51%) agreed that they need to access the internet when on the move, up sharply from 38% in 2016.

The smart home is starting to resonate

With a surge in both connectivity and mobile devices, it's perhaps not surprising that smart home products are now firmly on the household radar.

49% of households agree they are familiar with the features and benefits of smart home or internet-connected appliances/security products. Only 24% disagree, with the rest ambivalent.

With TMT companies in pole position to deliver many smart home devices, this could be very good news for the sector. But caution is required if they are going to get their foot in the door.



49%

agree they are familiar with the features and benefits of smart home products.





Doubts at the door

While enjoying the benefits of greater connectivity, households also have concerns as they seek digital downtime, fall back on the familiar and worry about trust and privacy.

Consumers are less excited about new gadgets

The first signs of consumer resistance can be seen in falling demand for the latest tech. Only 29% of households agreed they were 'very interested in new gadgets and tended to purchase them before everybody else', down from 34% in 2016.

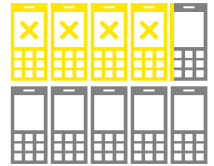
Some are drowning in digital

Just over two fifths (41%) of households actively seek time away from their smartphones and other internet-enabled devices. Only 27% disagree, with the remaining 32% undecided.

While that may seem to be at odds with the positive message around increased connectivity, it is in fact a direct result. As tech becomes more and more central in the home, worries about its impact on family life increase.

Legacy behaviors persist for many

There is no doubt that technology is changing peoples' lives rapidly and irrevocably, but it's important to remember that not all consumers are on the cutting edge. 40% of households still use their landlines every week and do not have superfast broadband, while 36% watch TV when broadcast nearly every day and 31% still rely on the desktop PC as their main way to access the internet.



41%

agree that they actively seek time away from their smartphone and other internet-enabled devices.



40%

of households still use their landlines every week.

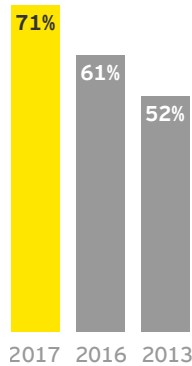
Trust and privacy are top of mind

Nearly three quarters of households (71%) are cautious about disclosing personal and financial information over the internet, even when using a site they know and trust. And this figure is up from 61% in 2016 and 52% in 2013. In other words, despite major improvements in online security, consumers are more worried than ever.

These concerns mean instead of embracing the new, consumers are sticking with the safe. In our 2017 survey, 38% said they only ever use a small number of familiar websites, up from 30% in 2016.

Concern over data privacy and security is rising ...

I am very cautious about disclosing personal and financial information on the internet, even if the website is from a brand that I know or trust.



The world of connectivity and utility are merging

Over three quarters (77%) of households now think of broadband as a utility like gas or electricity, which suggests providers can expect little gratitude for supplying connectivity, but plenty of complaints when it goes wrong.

In this context, the good news is that satisfaction with broadband speeds has increased since 2016, but that may not be the main point for consumers. In this new, utility-like world, 60% of consumers rate reliability as more important than speed.

Another sign that some of the gloss may be coming off the digital experience is that households are taking a more functional attitude towards it: 23% say they only access the internet for a specific reason, up from 20% in 2016.



77%

of households now think of broadband as a utility like gas or electricity.

Attitudes to advertising are in flux

New technologies are helping traditional TV broadcasters retain a significant share of household viewing, but consumers aren't keen on getting advertising as part of the deal. 38% say they are less willing to put up with adverts when streaming their favorite TV programs than they are when watching them broadcast live, up from 32% in 2016.

That puts a question mark over traditional TV's ability to profit from the shift toward streaming. But the solution may already be to hand. Our survey shows more households are willing to pay a premium to avoid ads, up from 13% in 2016 to 16% in 2017.



38%

are less willing to put up with adverts when streaming their favorite TV programs, up from 32% in 2016.



What does this mean for TMT companies?

Building a better understanding of these customer concerns will allow service providers to reshape products and services for the future.

Overhaul your understanding of customers

To succeed in this environment, the first step is to understand customers better. Not all households are moving at the same speed: while some actively seek out new products and services, others are more concerned that existing ones are safe and reliable. Educating and empowering customers has never been more important.

Measure the value of the experience you provide

Trusted relationships pivot on customers engaging with confidence and without friction. The ability to harness different types of data, whether financial, operational or transactional, can drive new understanding of the events that trigger satisfaction, frustration and advocacy. These integrated insights can both guide investment decisions and pave the way for more personalized interactions with customers that together unlock long-term business value.

Take a holistic approach to building digital capabilities

Build capabilities that mutually reinforce one another rather than proliferating a patchwork of new channels and interfaces. By establishing a continuous and iterative approach that harnesses different disciplines – from user research and business model design to analytics, rapid prototyping and technology architecture – TMT companies can increase their relevance to customers and their competitive advantage.

To find out more and discuss how EY can work with you, please contact the TMT team, uk.tmt@uk.ey.com.



60%

of households believe that broadband reliability is more important than broadband speed.



21%

of households are dissatisfied with the response to their broadband issue by customer services.



As TMT customer expectations continuously evolve, they challenge service providers to rethink how they engage, remain relevant and continue to deliver value. We believe the answer lies beyond just pain-point resolution; TMT companies need to deliver an **integrated customer experience**, powered by **digital**. This requires a different way of working that ties together **Purpose, Experiences, Capabilities** and **People** – an approach to transformation that also needs to be iterative and ongoing.

We hope you've found this useful – but it's just the start.

Our upcoming reports on the digital home will focus in depth on specific areas to draw out fresh insights from our research.

Where next in the bundle jungle?

If mobile is becoming more crucial to home internet access, why isn't it more central to the household bundle?

Only 28% of households are likely to add mobile to their bundle.

Are consumers content with your content?

Multi-device streaming is rising sharply and traditional TV holds up well, but there are huge variations according to age.

50% of households believe that traditional channels still show the best programs.

Which segment are you?

We have delineated UK households into eight segments, each with their unique perceptions, needs and attitudes.

16% are Digital Devotees, the youngest segment with the highest appetite for streamed content.

Is customer service more important than ever?

As connectivity becomes a given, customer experience is becoming the key reason for consumers to stay or go.

Nearly one in three households would pay a premium for good customer service.

Are smart homes on the starting grid?

TMT companies are in pole position to deliver the smart home, but how do they gain traction as consumer concerns grow?

71% of households have security fears about connected devices.

For more insight
into the digital home
and how to serve it,
please contact:

Rahul Gautam

UK&I Technology, Media and
Telecommunications Leader
Ernst & Young LLP

Twitter: @RahulGautamEY
rgautam@uk.ey.com

Praveen Shankar

Partner, UK&I Telco
Sector Leader
Ernst & Young LLP

psankar@uk.ey.com

Ioannis Melas

Partner, UK&I
Technology, Media and
Telecommunications
Ernst & Young LLP

imelas@uk.ey.com

Adrian Baschnonga

EY Lead Analyst, Global
Telecommunications

Twitter: @Baschnonga
abaschnonga@uk.ey.com

Andy Edge

Assistant Director,
Economic Advisory
Ernst & Young LLP

aedge@uk.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.

All Rights Reserved.

EYG no. 00235-184GBL

ED None



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/UK