

Taking stock of the smart home

Consumer attitudes towards
connected home technology



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. EY's consumer research details these changes in consumer sentiment, providing a platform for technology, media and telecommunications (TMT) companies to create better customer experiences.

Research methodology

Taking stock of the smart home is the third 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. 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.

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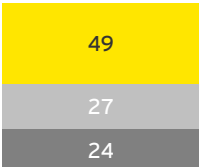
The smart home is starting to resonate

While bundles of connectivity and content are a mainstay of today's digital home, a new wave of products are making their presence felt – smart home services that enliven all aspects of home life, from entertainment through to utility services and household appliances.

Households are starting to welcome the new forms of convenience, control and efficiency heralded by these products. Around half of UK households recognize their features and benefits – with the cost-saving potential of smart home devices also established in the mind of the consumer.

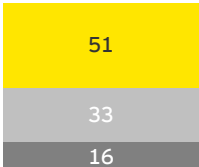
Smart home: consumer awareness

I am familiar with the features and benefits of smart home products



■ Agree ■ Neither agree/disagree ■ Disagree

Smart home (e.g., smart meters) can help you save money



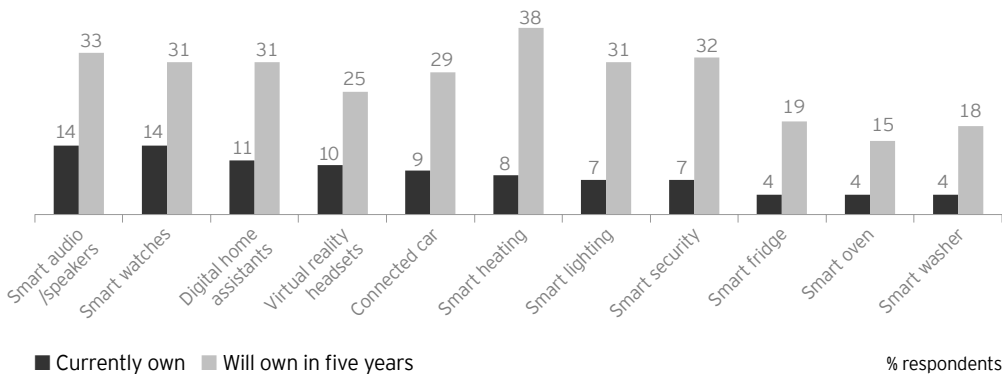
% respondents

Smart utilities and security: the most promising adoption profiles

While eye-catching lifestyle products – from smart speakers and watches through to digital home assistants – are the best-established product categories right now, a more prosaic range of capabilities show the best long-term growth profile.

More than 30% of households believe they will likely own smart heating, lighting and security services in five years' time, achieving parity with – and in some cases leapfrogging – today's leading-use cases.

Current and future take-up of smart home products and services





High prices and practical anxieties are acting as drags

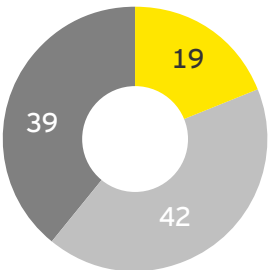
While the outlook for smart home adoption is promising, a number of factors risk undermining consumer receptivity. Price is one key consideration: less than one in five consumers agree that the prices of smart home products are reasonable.

Interestingly, 42% of respondents are ambivalent on smart home pricing, suggesting there is plenty of scope for service providers to sharpen their value propositions.

However, consumers are more emphatic about the more practical considerations that could limit the appeal of new technology for the home. Installing new hardware is a tall order for many, while fears concerning the security and integrity of smart home devices are even more pronounced:

Statement: The prices of smart home or connected appliances/security products are reasonable

% respondents



■ Agree ■ Neither agree/disagree ■ Disagree



71% of households agree that they would be **concerned about the ability of hackers to access their connected appliances.**



37% of households agree that they would **not feel confident in installing an internet-connected household appliance or device.**

The smart home supplier ecosystem in focus



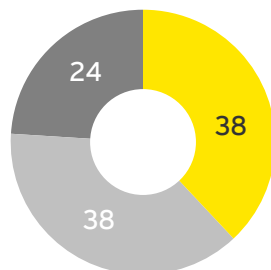
As households benefit from an ever-wider array of smart home offerings, many service providers are keen to offer added levels of convenience by providing an ecosystem of connected devices within the home.

These approaches are designed to deliver a seamless experience across a range of use cases, generating greater customer loyalty in the process. The good news for providers is that a significant proportion of households are warming to this idea, although a one-stop shop will not suit all.

Consumer preferences regarding their ideal smart home provider vary. Crucially, there is no clear leader – broadband providers, utility companies, appliance manufacturers and different types of technology provider are all in the mix. However, mobile operators, application developers and social media platforms are far less favored.

Statement: It makes sense to have all smart home devices controlled by a central ecosystem

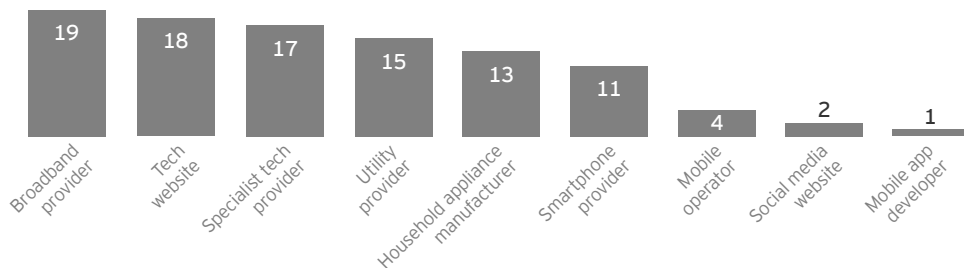
% respondents



■ Agree ■ Neither agree/disagree ■ Disagree

Question: If you were to purchase connected home products, which type of provider would you purchase them from?

% respondents



Segment specifics: who is leading the adoption curve?

Our segmentation of survey respondents sheds further light on the complex nature of household receptivity and demand for smart home services, both now and looking ahead.¹ Affluent, tech-savvy consumers unsurprisingly lead the adoption curve, yet there are nuances to their connected home needs that provide plenty of food for thought for companies refining their smart home propositions.



Beyond the bundle

Overall attributes: Experienced and informed, they are knowledgeable about connectivity and content services, but do not see value in all-in-one bundles. Self-reliant, they are the least likely to contact customer services with an issue.

Preferred smart home suppliers:

Tech-based website, specialist tech provider, household appliance provider.

Smart home specifics:



42% of this group will own a digital home assistant in five years' time, compared to 29% of the rest of the market.



Premium and proud

Overall attributes: Hungry for the latest gadgets on offer, they are receptive to premium bundles of content and connectivity, including mobile services. However, they are also happy to switch providers despite their high satisfaction levels.

Preferred smart home suppliers:

Tech-based website, specialist tech provider, utility provider.

Smart home specifics:



43% believe the prices of smart home products are reasonable, compared to 16% of the rest of the market.



Digital devotees

Overall attributes: The youngest segment, they are committed to streamed content and are the most smartphone-centric. They prize flexible interactions with their providers and are open to paying a premium for better customer service.

Preferred smart home suppliers:

Tech-based website, broadband provider, household appliance provider.

Smart home specifics:



48% would like smart home devices controlled by a central ecosystem, compared to 36% of the rest of the market.

1. "Segmenting the digital household," EY, February 2018, ey.com/uk/tmtdigitalhome.

Creating a winning customer journey into the smart home

Our survey findings highlight many positives that service providers can draw on as they formulate and refine their smart home propositions. Households recognize the merits of new services that simplify their lives across a range of use cases, from energy management to home entertainment.

Yet this should not conceal the reality that many have ambivalent attitudes to the smart home. The sheer breadth of smart home opportunities means that value propositions are necessarily fluid and evolving. Ensuring that awareness matures into adoption and, ultimately, loyalty will require patience on the part of service providers.

We believe there are a number of steps that service providers can take to strengthen their smart home offerings and the customer journeys that underpin them.

Position the customer at the heart of your approach

A holistic view of the experience you are creating is essential. Households desire practical solutions to real-world needs – impressive technology alone may not equate to an attractive product. Value propositions must be clear in order to justify price premiums, while bearing in mind that consumers want convenience and reliability in equal measure.

Engage with and reassure customers in more meaningful ways

Consumer concerns regarding installation and security cannot be treated as afterthoughts. Clear communications, supported by flexible customer interactions, should exist before, during and after the point of sale. Prioritizing feedback loops will help ensure that early adopter demand translates into mass-market adoption, and less tech-savvy segments will require particular focus.

Regularly assess your role in an evolving supplier ecosystem

No single entity owns the customer in the digital age. Successful partnerships will be vital as service providers create and refine new ecosystems. The landscape of potential partners will shift over time and will require connected home providers to sustain a regular dialogue with a range of innovating entities.

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