SMART HOME

Insights on consumer attitudes to the smart home

The truth behind the hype

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About GfK

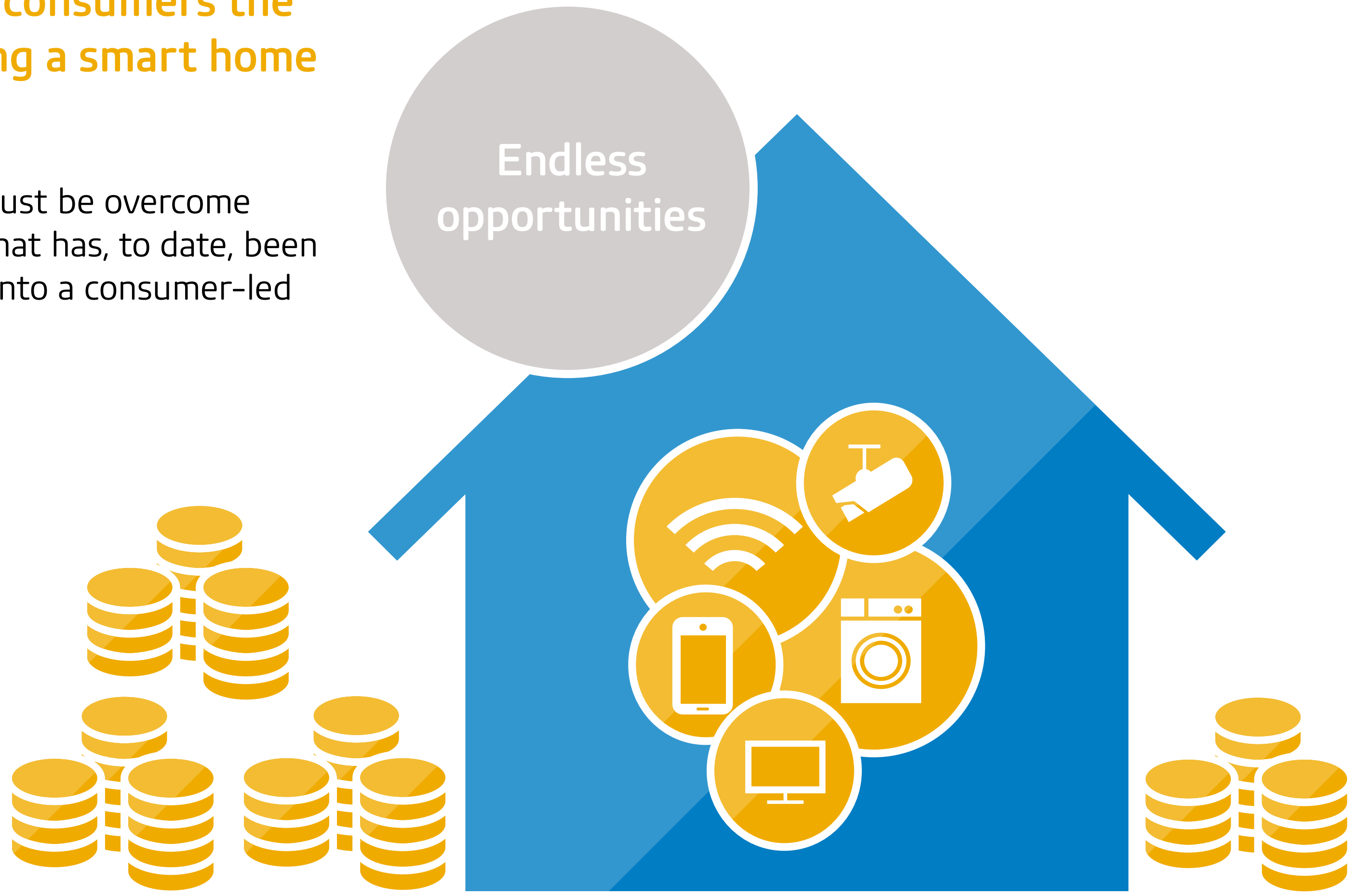
The smart home "gold rush"

There is a smart home "gold rush" happening now as all sorts of organizations look to maximize their involvement in tomorrow's home. No manufacturer, utility company, global technology provider or retailer wants to miss out on the opportunities offered by being a part of the smart home. As a consequence, there's no shortage of smart products and offerings for the consumer. It really seems like the time that home automation and smart home products will take off, but is that the reality?

Currently, the smart home offers a great deal of potential, but it is a fragmented market.

No coherent vision exists to connect the plethora of smart products and services available, and brands are struggling to communicate to consumers the benefits of having a smart home full of them.

Significant barriers must be overcome before we can turn what has, to date, been a tech-led evolution into a consumer-led revolution.



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Smart home from the consumers' perspective

Our global study of 7,000 consumers in seven markets – Brazil, China, Germany, Japan, South Korea, the UK and the US – assesses consumer attitudes towards the smart home:

- What do consumers know and expect of the smart home?
- What are the key areas of opportunity for smart home categories and products? Which features most appeal to them?
- What are the main barriers to adoption?
- How can the smart home best be delivered?

Almost one fifth (17%) of our sample was made up of Leading Edge Consumers (LECs) – those who are early adopters of a product, who are passionate about the category and influence others in the category. Where LECs lead, tomorrow's mass market will follow. So they provide valuable insight into future smart home adoption.

17%
Leading Edge Consumers

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Understanding the smart home

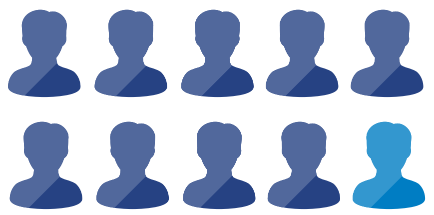
Do consumers understand the term “smart home“?

The smart home certainly has currency. Most consumers (nine out of ten) are aware of the term. While familiarity with the term is high and more than a quarter of people already own one smart home device, the depth of knowledge about the smart home is in fact relatively limited.

Only 16% of consumers globally claim to know a lot about the smart home. We also get a variety of responses when we ask people what it is and about the devices they associate with the term.

“I think of heating and air conditioning.”
US respondent

“Including smart appliance control, intelligent lighting control, electric curtain control, anti-theft alarm, access control intercom, gas leaks and other.”
China respondent



9/10 consumers are aware of the term smart home.

“Devices that you wear and connect to other machines and use to monitor things like your pulse and BP.”
UK respondent

“Refrigerators monitoring stock....that can independently shop for items themselves.”
Germany respondent

Consumer confusion about the smart home is not helped by the fragmented nature of the market and there being no single “hero” product to drive take-up. This presents both a challenge for brands and an opportunity to revolutionize the market by building a smart ecosystem that will drive mass market adoption.

Without this development the market will remain a series of disconnected products and services, and is unlikely to realize its potential.

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Does the concept of the smart home appeal to consumers?

We introduced an overview of the smart home concept to respondents and highlighted the types of categories and products that can be related to this. Armed with this explanation, 40% of consumers globally find the smart home very or extremely appealing as a concept.

However, with only 37% agreeing that the concept fulfills a need they have, better consumer understanding of the benefits of the smart home is needed to further increase appeal and drive demand.

Interest in the smart home is strongest in Brazil (70%) and China (55%), but it also holds appeal for a significant number of US consumers (41%). Reaction to the concept is more cautious in South Korea and Japan where it is newer and there is less belief in its credibility and ability to fulfill a specific need.

Smart home appeal by market

BRAZIL	70%
CHINA	55%
USA	41%
GERMANY	34%
SOUTH KOREA	32%
GREAT BRITAIN	29%
JAPAN	19%

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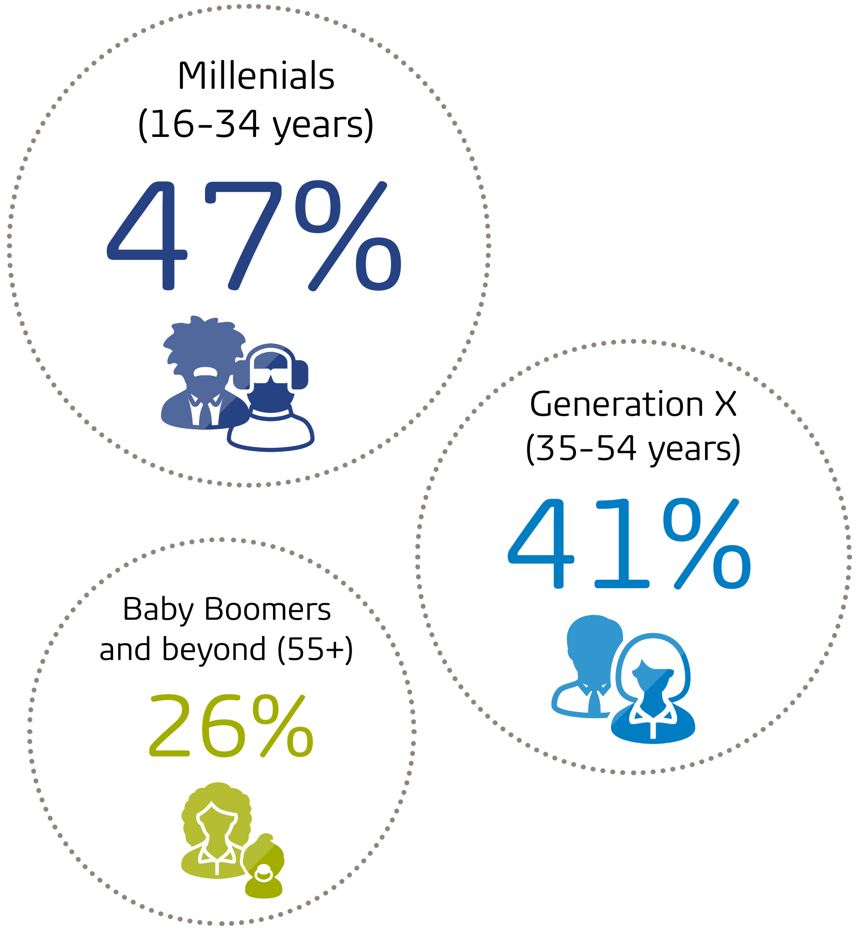
Smart home appeal by demographic

If we look at the age of consumers with whom the concept of the smart home most resonates, we see that it is most popular among Millennials (16-34s) and Generation X (35-54s). Relevance wanes among younger consumers and the 55+ age group, who will require further education on how the smart home could improve their lives. Income also has a bearing on interest in the concept, with 52% of high income households finding it extremely or very appealing compared to 43% of medium income households and 29% of low income households.

The smart home is still a relatively new concept and there is a knowledge deficit. Low income households see it as least relevant and this is an issue.

This perception, coupled with the cost of the new technology and devices associated with the smart home, is a barrier to widespread adoption.

However, taking LECs as an indicator of future take-up of the smart home, the outlook for the market is positive. More than three quarters (77%) find the concept extremely or very appealing and 70% agree it fulfills a need. The signs are that LECs, Millennials, Generation X, and high and medium income households should be targeted first with the smart home.



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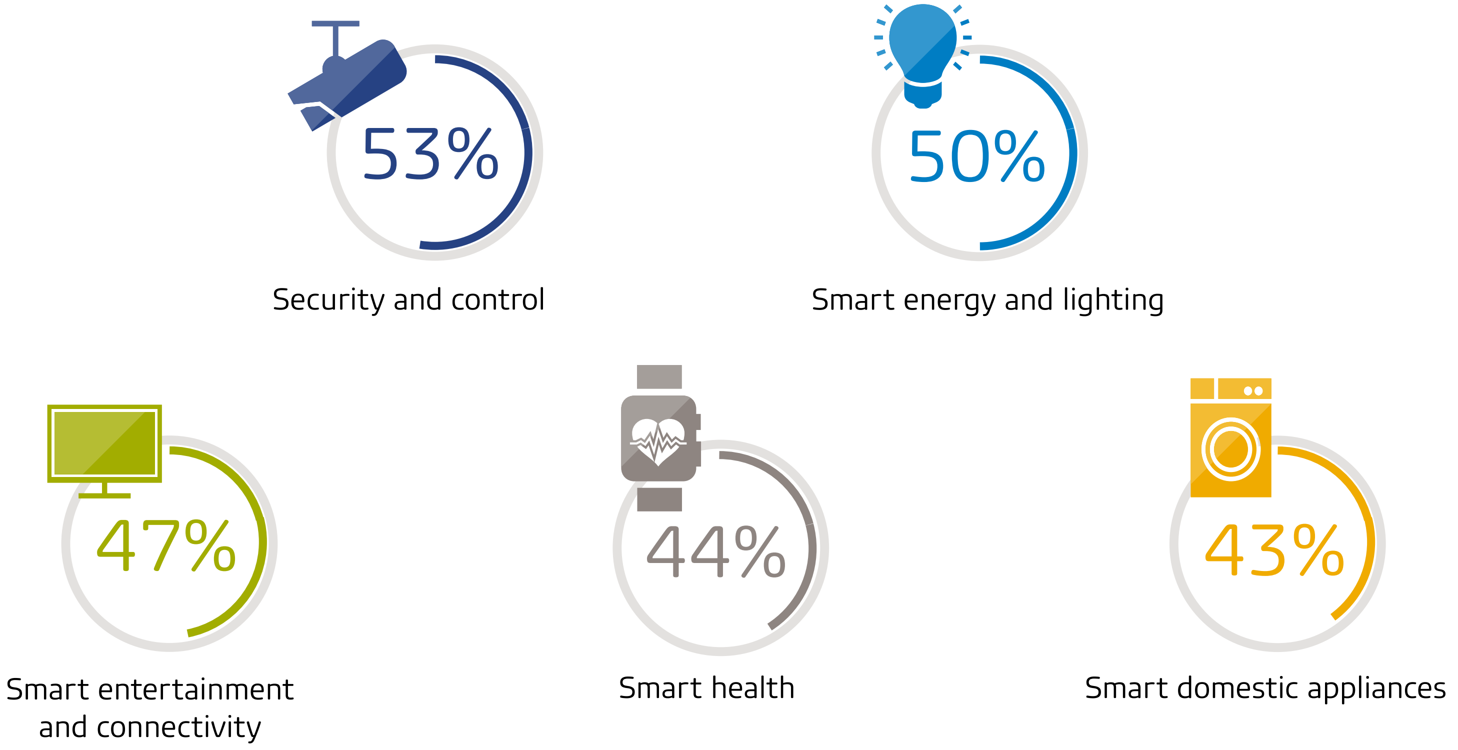
Where are the opportunities? Which categories and products appeal most?

Following on from the concept of the smart home, we tested the consumer appeal of five broad smart home categories. Security and control, followed by energy and lighting, hold most appeal globally, driven by a clear understanding of what these categories cover and the proliferation of devices already available in these areas.

Category appeal is largely consistent across western markets: in Germany, the UK and the US. All categories appeal least in Japan, where smart home adoption is at a relatively early stage and knowledge is at a low level. They appeal most in China and Brazil, where technology is being adopted at a rapid rate. Security and control remains the most appealing category across these markets, but while this is so for only 31% of consumers in Japan, it is the case for 66% of those in China and 81% in Brazil.

Interest in the smart home is strongest in Brazil (70%) and China (55%), but it also holds appeal for a significant number of US consumers (41%). Reaction to the concept is more cautious in South Korea and Japan where it is newer and there is less belief in its credibility and ability to fulfill a specific need.

The appeal of smart home categories



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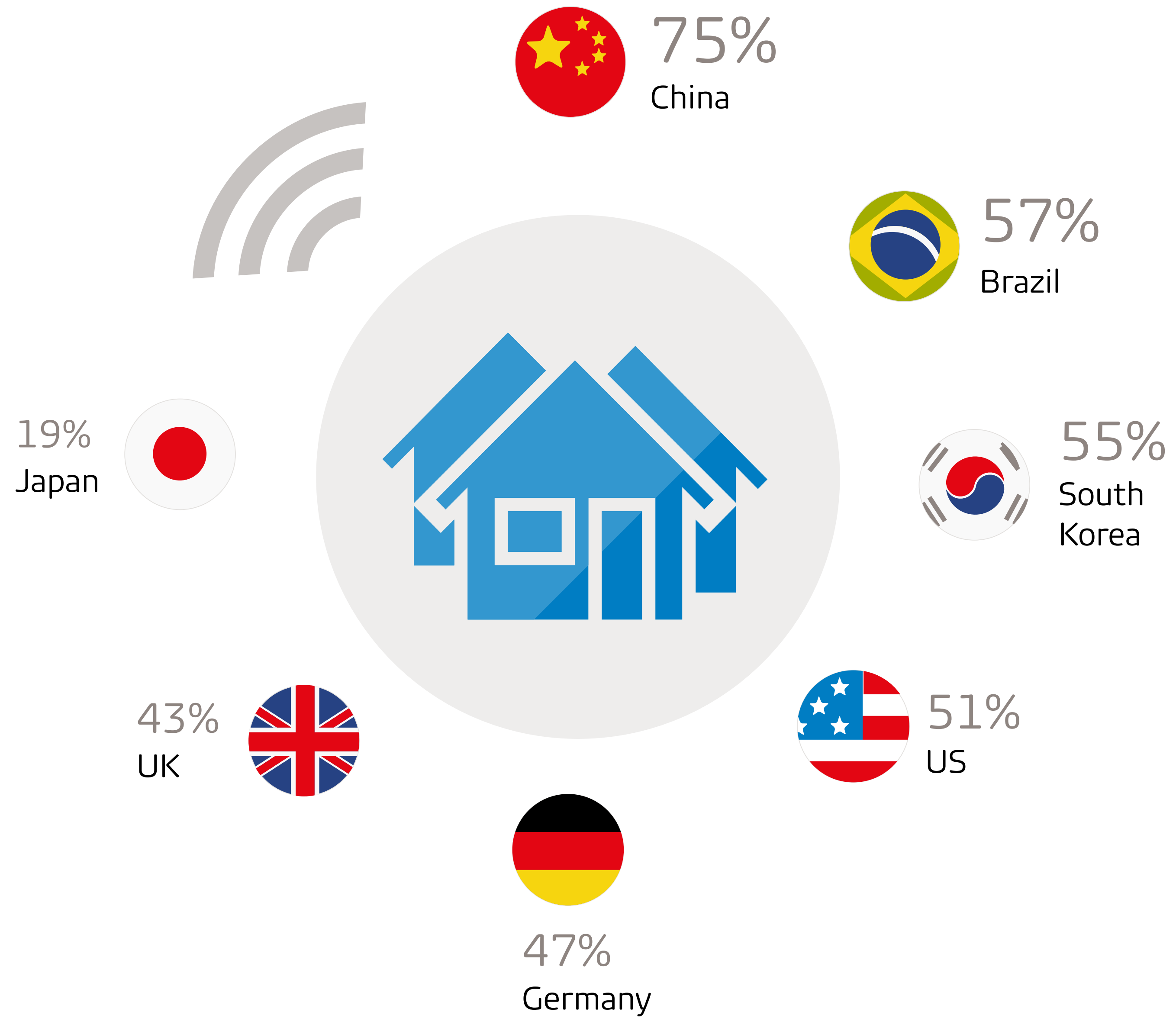
Smart home adoption

While there is a lack of knowledge about the smart home, half of consumers globally believe that it will have an impact on their lives in the future. More than half think this in the US (51%), South Korea (55%) and Brazil (57%), rising to 75% in China.

50%

of consumers globally feel that smart home technology will have an impact on their life over the next few years.



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High awareness isn't enough for widespread adoption

While the majority of consumers state they intend to adopt a smart home device in the next two years, our research and analysis indicates that only 14% will be likely to do so.

Using our MarketBuilder validation approach, we have been able to highlight that adoption of the smart home is likely to be much lower in reality.

14%

of consumers are likely to adopt a smart home device in the next two years, according to our validation approach.

MarketBuilder validation approach

Traditionally, new product and service innovation testing has relied on consumers' stated intention to purchase to uncover the likely take-up of new concepts. GfK MarketBuilder, however, is a more realistic and standardized approach that takes into account how well an innovation will fit into consumers' lives. This provides much deeper insight into the potential success of any new offering. We used this approach to assess the likely extent of smart home adoption.

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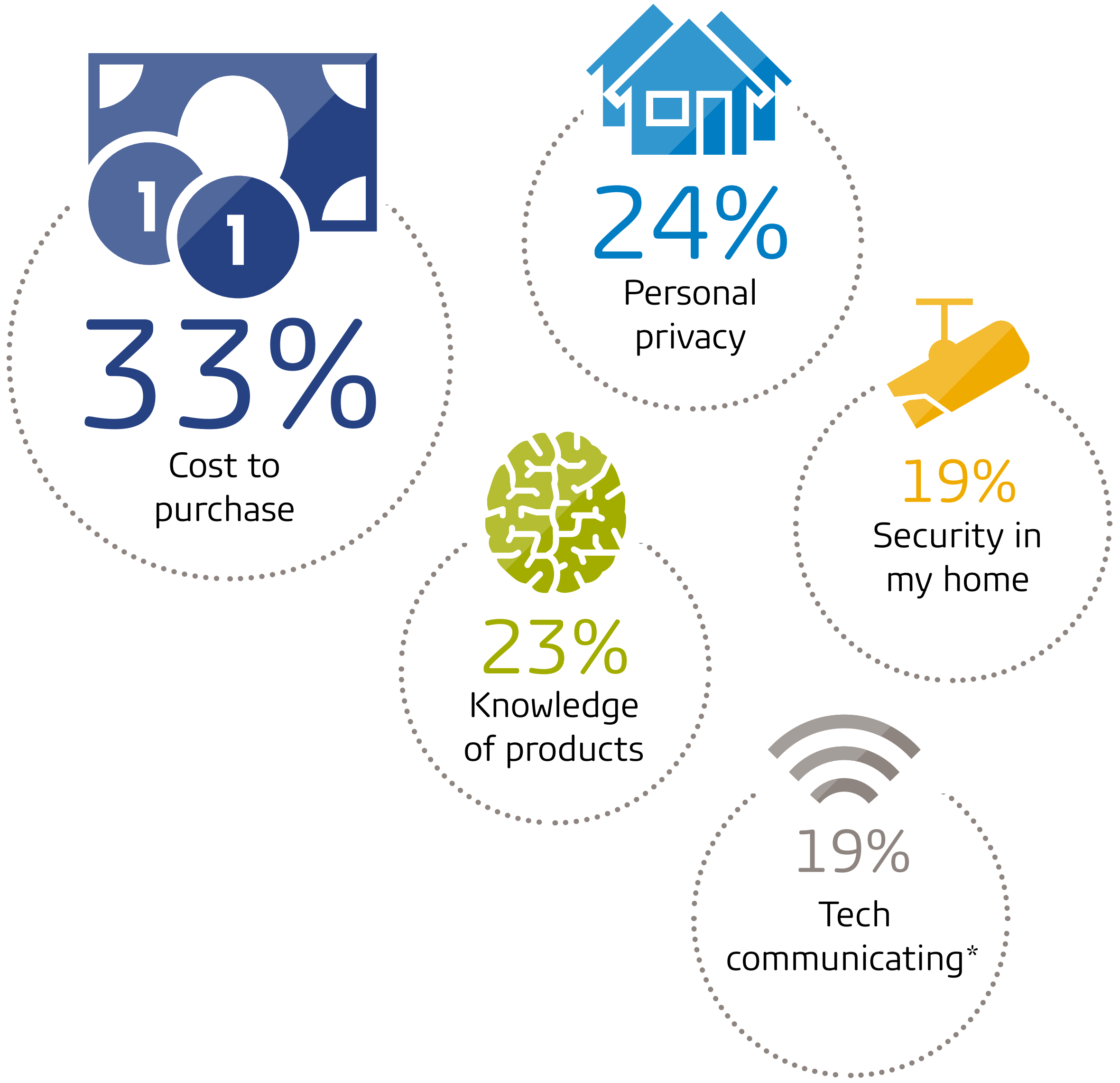
So what are some of the key barriers to adoption stated by consumers?

While cost to purchase is consistently the main barrier to take-up of each category, there are privacy and integration concerns that need to be overcome for specific product groups – most notably security and control, entertainment and connectivity, and health.

German consumers are the most concerned with privacy, with 44% concerned about this in relation to security and control compared to 33% of consumers globally.



*across different systems

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Making it happen

As weve seen with other new technologies, consumers start by being interested in what they understand. Smart home functions like security and control, and energy and lighting resonate with consumers because they understand what they are and can relate to them. LECs' interests in the smart home are broader because they have greater knowledge of the concept.

Entertainment and connectivity in particular appeal to LECs, which reflects their greater use of devices and service subscriptions.

Until consumers generally have the level of understanding of the smart home that LECs do, we expect its adoption to be by increment as they buy smart devices that they understand and know will meet a particular need.

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Path of success

The smart home must be seamless

When consumers think about what the smart home can offer their expectations are high. They believe the smart home should be delivered and managed in a seamless way. They want products and services to work together behind the scenes and expect to operate everything from their smartphone. Many want a single vendor to manage all their smart home products and services, and would pay for a single app to manage every smart device in the home.

To deliver the simplicity that consumers desire and realize the true potential of the smart home, competitors will need to collaborate and unusual partnerships will be formed.

Attitudes towards a single vendor providing all smart home technology

43% would prefer to purchase smart home technology from a number of suppliers.

32% would prefer a single vendor to supply all smart home technology.

25% have no preference.

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"No one can do it all. What we see from GfK's latest study is that it is very important for big global brands and smart home innovators to open up the possibility to work together so we can create a better home."

Vanessa Folkesson, Independent Investment Advisor and former Sustainability Innovation Manager of IKEA.

In summary

Mass market adoption of the smart home can be delivered by:

- communicating how smart home technology will fit in with and enhance people's lives, and ensuring that the user experience is engaging and intuitive.
- allaying concerns around the data collected (via smart home technology) in order to establish trust.
- working together and establishing innovative partnerships in order to deliver greater connectivity of devices and a seamless user experience.
- understanding specific market needs and what drives consumers to take-up new technologies (Brazil: Security, Germany: Energy, etc.)

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GfK is the trusted source of relevant market and consumer information that enables its clients to make smarter decisions. More than 13,000 market research experts combine their passion with GfK's long-standing data science experience. This allows GfK to deliver vital global insights matched with local market intelligence from more than 100 countries. By using innovative technologies and data sciences, GfK turns big data into smart data, enabling its clients to improve their competitive edge and enrich consumers' experiences and choices.

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