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THE SMART HOME OPPORTUNITY: ROOM-BY-ROOM

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The Smart Home Opportunity: Room-By-Room

The Report, **The Smart Home Opportunity: Room-By-Room**, is a Parks Associates Research Report commissioned by ESA and sponsored by Resideo to deliver the latest facts and trends to help you make informed decisions on capturing new customers through careful business strategy evolutions.

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SMART HOME: A ROOM BY ROOM ANALYSIS

Smart home device manufacturers continue to sell solutions addressing specific problems and needs, creating technology siloes throughout the home.

Manufacturers, service providers, and security dealers now need to find ways to leverage the connectivity in each room to the benefit of the whole home through partnerships and product integrations that provide additional consumer value. Various players are currently working to achieve this goal in three ways:

Custom smart home controller installation.

Focusing efforts and resources on pro-installation, these companies use their self-install solution as a complement to the existing business – as a tool to close more sales. This model takes a reactive approach to a consumer's needs. For instance, self-install is offered as an option in areas a provider may not service, if a consumer balks on price, or if there's a backlog or delay in technicians available. When sales personnel hope to close a sale rather than lose a consumer on price, they will offer self-install as an option. The key is selling the right product, at the right time, to the right consumer.

Cooperative platform by a service provider.

These companies actively generate and target leads for their DIY offering rather than use it as a fall back to the preferred pro-install consumer. This solution is introduced alongside the pro-install offering. Pro-install companies find that they are able to leverage this model without cannibalizing their pro-install offering. They argue that customers interested in DIY systems are slightly different from a pro-install customer.

The Smart Home Opportunity and the Growth of Smart Home Devices

DIY products.

Voice-based platforms (i.e. Amazon Alexa, Google Assistant) are increasingly used as the de facto hub in the connected home. These voice-enabled devices allow consumers to build a personalized ecosystem by incrementally adopting compatible point solutions that require little or no installation effort and provide a simplified, lower cost path into the smart home ecosystem.

Security dealers have an opportunity to leverage the momentum in the smart home and thoughtfully install smart home devices by evaluation of each room in the home. Looking at the connected device landscape in different rooms throughout the home allows security dealers a more comprehensive view of the smart home ecosystem and how consumers are utilizing connected technology in each room. By knowing what devices are used where, security dealers know where to recommend a smart home installation to customers and enhance interoperability capabilities, allowing for an increased presence in the home and the opportunity for increased revenue. For instance, security dealers charge an additional \$10-\$15 for interactive services with smart home control capabilities.

A key smart home device that has the highest attach rate with security systems is the networked camera. Penetration of these devices within specified rooms in the home is as follows: 41% in the living or family room, 39% in the patio or outdoors, 29% in the master bedroom, 25% in the hallway or entrance, and 24% in the kitchen. While networked cameras offer significant value, indoor cameras in particular can expose sensitive images. Dealers need to be mindful of privacy and security concerns. Over a third of smart home device non-owners and non-purchase intenders report that data privacy and security concerns are inhibiting from purchasing a smart home device.

In-demand Features



Over 80% of consumers find at least one action associated with an “away from home” routine appealing.

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Exterior Placement



Nearly 40% of both network and all-in-one camera owners report placing these devices on the exterior of their home.

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Penetration of these devices within specified rooms in the home is as follows:

41% in the living or family room

39% in the patio or outdoors

29% in the master bedroom

25% in the hallway or entrance

25% in the kitchen.

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The challenge for security and safety smart home devices is to apply the value of these devices to specific, existing needs recognized by homeowners. For instance, what are the everyday challenges these devices can address, while also providing protection for the outlier possibilities of burglary or fire? Video doorbells, as an example, serve as entry-point security to ward off would-be burglars, but also can identify when the kids come home or if a package is delivered.

Smart door locks protect against lost/stolen keys, but they also provide remote access to guests and neighbors or automated lock/unlock functions based on owner proximity. Motion sensors could be triggered in the rare occasion that an intruder threatens property, or they can be embedded with sensors that help improve a home's air quality every day.

In these examples, peace of mind is derived less from security-specific uses than from safety or welfare use cases that free the owner from worry by keeping them informed about the status of their home or loved ones. Value propositions for safety and security devices will be strengthened when consumers perceive everyday connections.



Value propositions for safety and security devices will be strengthened when consumers perceive everyday connections.

***Implication for Dealers:** Security dealers can greatly benefit from including smart home devices into their service offerings. Thoughtful consideration, especially of privacy issues, and understanding of where devices are most popularly placed will enable dealers to be empowered to make recommendations to consumers. Moreover, dealers can implement whole home smart home installation approaches. This will require dealers to articulate the value propositions that smart home devices can provide as an adjacent security feature with security systems.*

In addition to finding universal value propositions, the beauty of the smart home is that it can provide solutions to personal and unique use cases. The multiplicity of use cases for these devices suggests dealers must carefully mesh marketing messages to specific segments such as young renters, families with young children, families with teens, aging adults and their caretakers, urban and suburban locations, and consumers undergoing life transitions (birth, marriage, divorce, death).

Also, the segmentation may not be so much demographic as it is a common concern shared by a group of consumers. Enabling device and system personalization is one way to address a variety of use cases. The more consumers can uniquely configure their security devices and services to fulfill their needs, the stronger the value proposition.



Over 80% of consumers find at least one action associated with an “away from home” routine appealing.

Security and energy-related actions are the most appealing, representing an opportunity for residential security and utility providers offering solutions with smart home interoperability.



35%

of smart home device non-owners and non-purchase intenders report that **data privacy and security concerns** are inhibiting them from purchasing a smart home device.

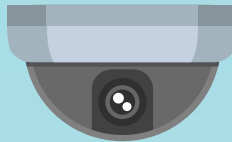


28%

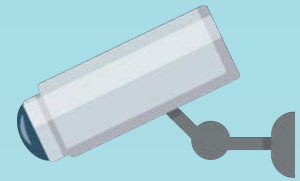
of US broadband households owned a smart home device in Q2 2019. **This rose to 29% at the end of the year.**



Nearly a third of all-in-one camera owners report placing the device in their **hallway or entrance** the same is true for 25% of network camera owners.



Over 1/3 of consumers intending to purchase network cameras in the next 12 months report that the camera will be placed in a **hallway or entrance**



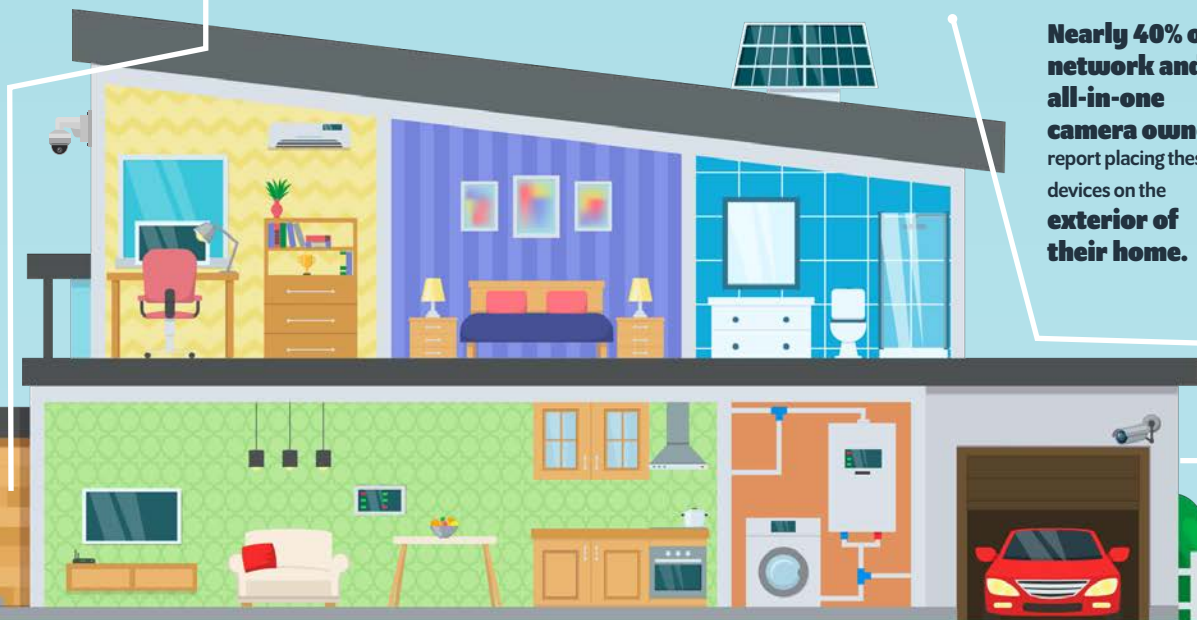
Consumers intending to purchase a network camera are more than

2x as likely to place the device on a patio or outdoors

than any other device. Security – enhanced by smart lighting options – is a top value proposition for the outdoor space of a home.



As of Q2 2019, 4% of US broadband households reported owning at least one **smart door lock**, and more than 20% of US broadband households reported an intention to purchase one of these devices in 2019.



Nearly 40% of network and all-in-one camera owners report placing these devices on the **exterior of their home.**

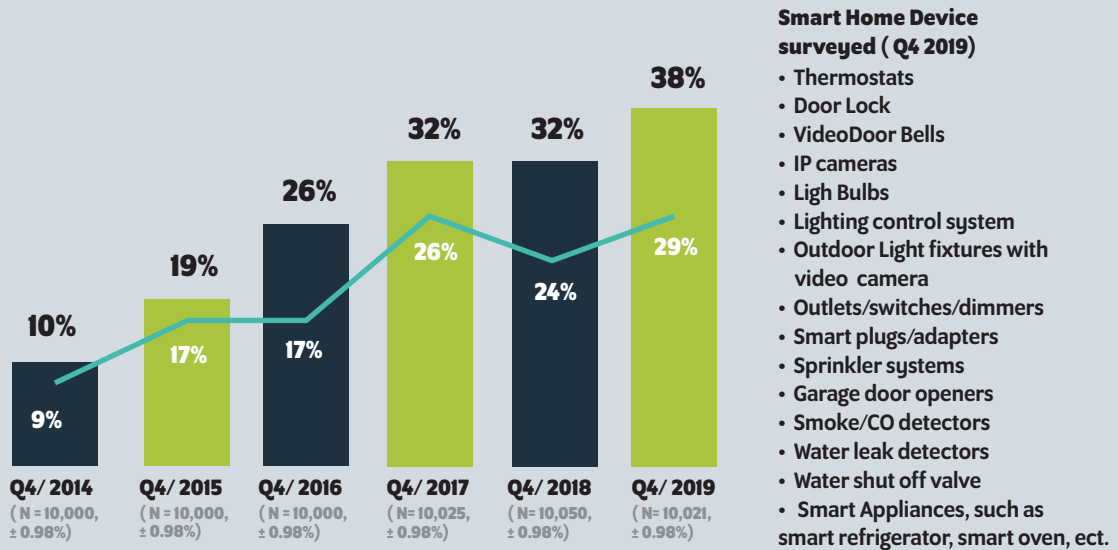
Penetration of networked cameras within specified rooms in the home:



Smart Home Device Ownership (2014 - 2019)

Among ALL US BB HHS

The green line (29%) is the percentage of broadband households that own at least one of the listed smart home devices you see on the list on the right. The blue bar (38%) shows the percentage of those who own a remotely monitored internet-connected device so this could be a connected health device, connected entertainment device, etc. N=10,000 means that there were 10,000 respondents in this sample.

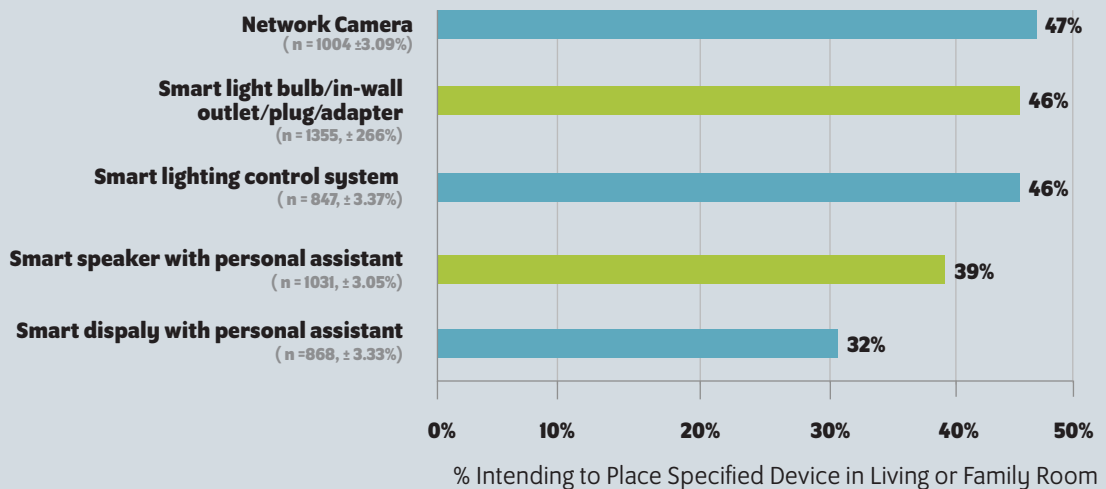


"Q2600. Can anything in your home... be turned on/off or controlled using a smartphone, tablet, or computer, or ... send you automated alerts by email, text messages, or through a smartphone app, or be monitored from outside your home using a smartphone, tablet, or computer? | ST2601. How many of the following smart home products do you own?" | Source: Multiple Surveys: American Broadband Households and Their Technologies © 2020 Parks Associates

Non-device owners who intend to purchase and intend to place in their living /family room

Smart Home Device Placement Intention By room - Living or Family Room

Among US BB HHs Intending to Purchase Specified Device

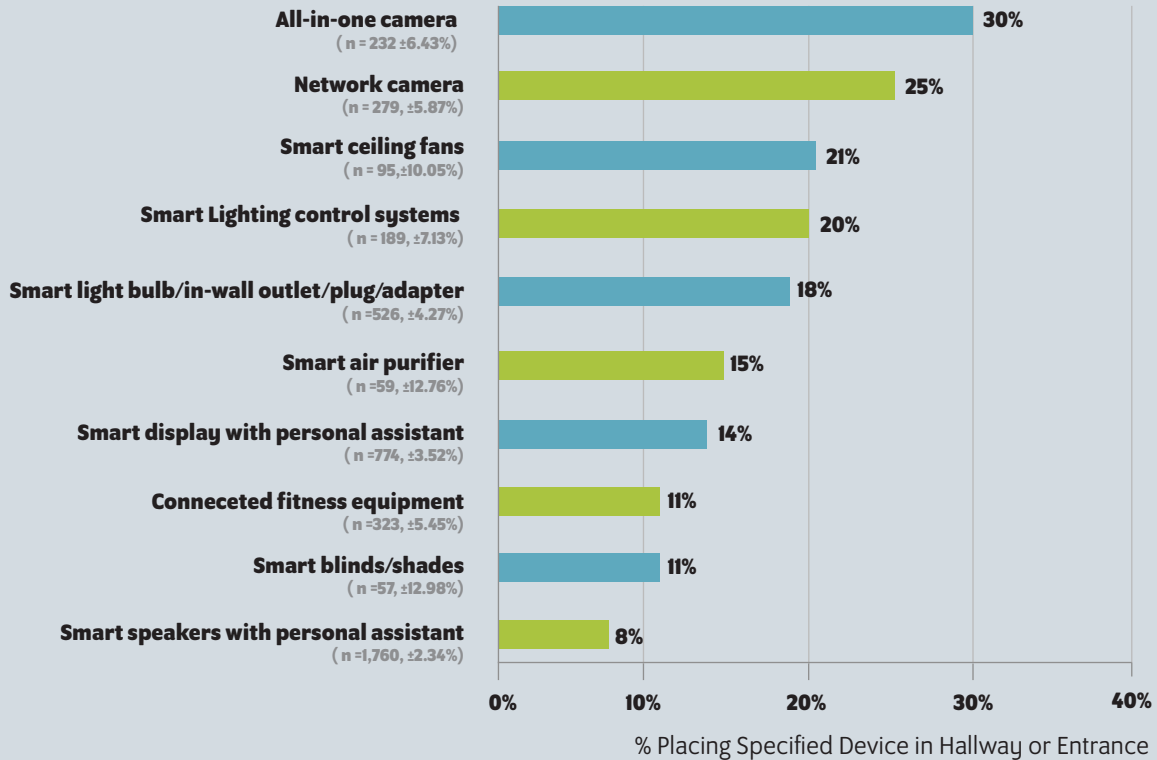


"ST2610b. In what rooms will you place the smart home device/s you intend to purchase? If you intend to put the device/s in more than one room, select more than one room." | Asked of a Subgroup of 5,003 US BB HHs | Source: American Broadband Households and Their Technologies Q2 2019 | N = 10,000, ±0.98% | © 2020 Parks Associates

Smart Home Device Placement by Room - Hallway or Entrance

Among Smart Home Device Owners Who Own Specified Device

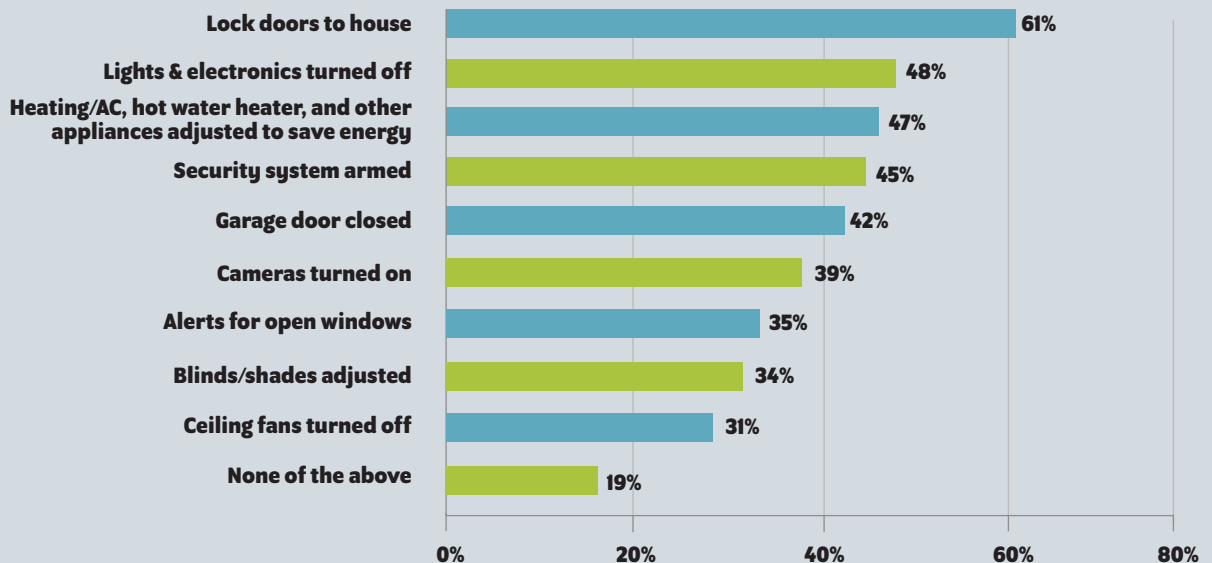
This Chart is of Device Owners that have placed these devices in the hallway/entrance (tied to the room by room chart)



"ST2610a .In what rooms have you placed your smart home devices? If you own more than one of a device, select each room that has one." | Asked of a Subgroup of 5,003 US BB HHs | Source: American Broadband Households and Their Technologies Q2 2019 | N = 10,000, ±0.98% | © 2020 Parks Associates

Appealing Actions for Away Routine

Among All US BB HHs, N = 10,003, ±0.98%



"ST2685. Which of the following actions are appealing for an "Away" routine?"
Source: American Broadband Households and Their Technologies Q2 2019 | N = 10,003, ±0.98% | © 2020 Parks Associates

Room-by-Room at a Glance – Smart Home Device Room Penetration

	Network Camera	All-in-One Camera	Smart Blinds/Shades	Smart Ceiling Fan	Smart Air Purifier
#1	Living or Family Room 41%	Patio or Outdoors 38%	Living or Family Room 47%	Master Bedroom 53%	Master Bedroom 37%
#2	Patio or Outdoors 39%	Living or Family Room 34%	Master Bedroom 44%	Living or Family Room 44%	Living or Family Room 36%
#3	Master Bedroom 29%	Master Bedroom 31%	Home Office 39%	Other Bedroom or Kitchen 27%	Garage 31%
#4	Hallway or Entrance 25%	Hallway or Entrance 30%	Other Bedrooms 37%	Play or Entrance 22%	Home Office 29%
#5	Kitchen 24%	Patio or Outdoors 23%	Kitchen 35%	Hallway or Entrance 21%	Bathroom or Kitchen 27%

Rooms tested include the following:

- Hallway or Entrance
- Living or Family room
- Kitchen
- Utility or Laundry Room
- Master Bedroom
- Bathroom
- Other Bedrooms
- Patio or Outdoors
- Garage
- Home Office
- Play or Media Room
- Attic
- Basement

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	Smart Lighting Control System	Smart Light Bulb/ In-Wall Outlet/ Plug or Adapter	Smart Speaker w/ personal Assistant	Smart Display w/ Personal Assistant	Connected Fitness Equipment
#1	Living or Family Room 51%	Living or Family Room 52%	Living or Family Room 48%	Living or Family Room 33%	Living or Family Room 27%
#2	Master Bedroom 44%	Master Bedroom 50%	Master Bedroom 37%	Master Bedroom 29%	Master Bedroom 23%
#3	Kitchen 25%	Kitchen 27%	Kitchen 33%	Kitchen 26%	Other Bedroom 20%
#4	Hallway or Entrance 20%	Other Bedrooms 25%	Other Bedrooms 17%	Home Office 18%	Basement 21%
#5	Other Bedrooms 19%	Home Office 19%	Home Office 13%	Other Bedrooms 16%	Garage 19%

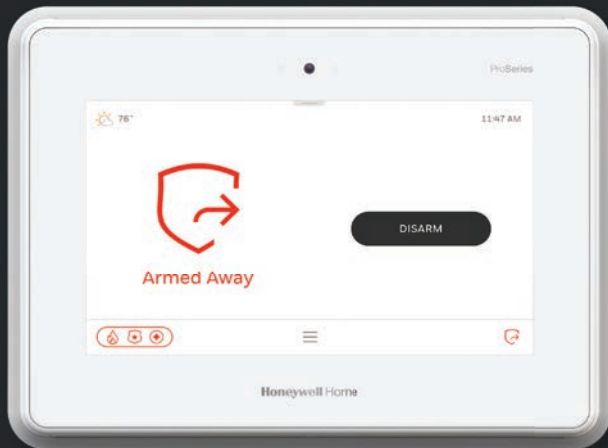
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