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THE SMARTER HOME: LATEST TRENDS IN SMART HOME

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The Smarter Home: Latest Trends in Smart Home

This report 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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THE SMARTER HOME: LATEST TRENDS IN SMART HOME

The year 2022 presented an array of challenges for the technology and security industries. Following a period of robust consumer spending on technology and “peace of mind” solutions that drove growth throughout the pandemic and into 2021, a convergence of market forces created a difficult environment. Inflation rose, curbing consumer spending in the face of high prices. In response, interest rates were increased to control inflation, thereby imposing constraints on both home sales and new construction. Because relocation is a time when consumers are likely to invest in products and services for their new home, including security services and smart home devices, growth in these industries has slowed.

Despite these conditions, the number of households that own smart home devices continues its slow-but-steady rise. As of Q2 2023, 42% of US internet households own at least one smart home device, like a smart thermostat, smart door lock, video doorbell, smart lighting, or a robotic vacuum cleaner. This is up from 29% pre-pandemic. Households with a security system continue to be smart home device champions – 72% of security system owners own a smart home device.

Certain categories have displayed resilience in the face of adversity. Video doorbells, cameras, and smart thermostats have maintained strong interest and demand. While the appeal of these core devices remains strong, the greatest potential for growth lies in the bundling of complementary devices and services that support them – an approach that is at the core of the smart security offering today.

Smart home devices go mainstream; consumers seek practicality and value.

The profile of the smart home adopter looks different today than in years past. Historically, smart home product buyers heavily identified as Innovators or Early Adopters – meaning they like technology and actively seek it out. As recently as Q4 2021, 56% of all smart home device owners identified as Innovators or Early Adopters. Today, just 44% of smart home device owners fall in these buckets.

This indicates that more mainstream US consumers are adopting smart home devices. The strategies that attract early adopters may not be sufficient to reach new customers.

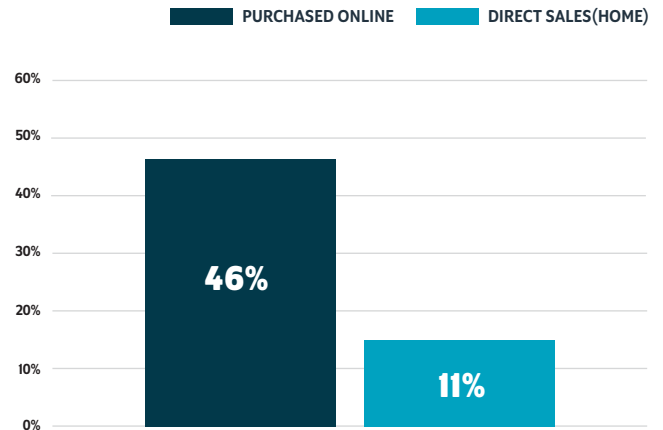


The customer relationship is online and ongoing.

While security dealers have some share in categories most relevant to the services they provide (smart cameras and smart smoke/CO detectors, for instance), the most common channel for smart home devices continues to be retailers. Security system purchasing trends are aligned with the smart home categories. More buyers are going through retail — particularly online retail — and fewer are buying directly from salespeople who come to their homes. 46% of all smart home devices purchased in 2022 were purchased online, versus just 11% purchased from direct sales to the home.

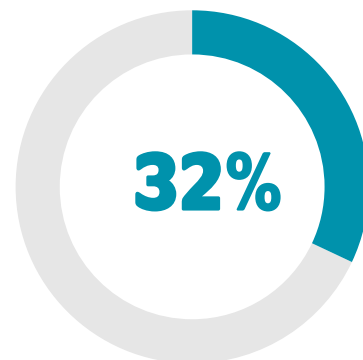
Dealers who rely on door-to-door sales should be intentional in targeting segments who are less likely to shop online and consider investment in online resources to take advantage of the trend toward buying services online. A hybrid approach, where the buyer shops online before receiving advice and in-person demonstrations, could be particularly effective.

Selling smart home devices is also an ongoing opportunity. Beyond basic system components, cameras and video doorbells are the most added devices to the initial package. The opportunity to upsell customers continues after the sale. 32% of security system owners report that they added devices to their home security system after the initial installation, with cameras and video doorbells again the most popular devices. However, one-in-five also reported adding a smart speaker or display, smart thermostat, smart smoke detector/CO monitor, and additional sensors. Though not as common a sale, smart door locks and smart lighting intuitively align with the core purpose of security systems in deterring intruders and managing access points.



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Bundles deliver better value and experiences

Households adopting smart home devices often buy multiple products to create a complete solution and/or to take advantage of the cost benefits of buying or installing multiple devices in a single instance. Bundles are a significant portion of consumer purchases, accounting for one-third of all sales. Most buyers (72%) report they purchased more than one device in the past year, with almost half of those opting for a bundle.

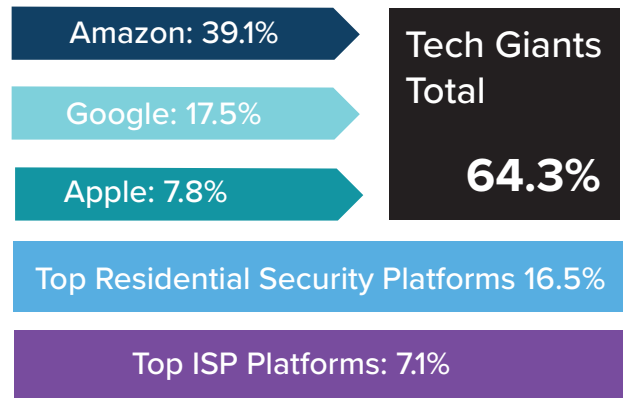
Security packages are, in essence, a bundled device offering. 10% of recent smart home buyers report purchasing a bundle of smart home devices from a security provider. An additional 24% bought a smart home device bundle from a smart home device manufacturer or other retailer. Security dealers can market the value of their package, the convenience of pro install, and seamless integration of devices across categories to attract more customers interested in smart home devices to acquire their bundles through the security channel.

Home control preferences, today and tomorrow:

Today, nearly 2-in-3 smart home device owners cite a platform operated by a tech giant as their primary device control. For security system owners, the option of using a well-integrated platform from their security service provider changes the picture.

64% of all smart home device owners select Amazon/Ring, Google/Nest, or Apple apps as their primary control platform, versus 44% of security system owners.

Most Used Smart Home Devices Control Platform



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While the current usage data indicates that security system owners often favor the tech giant platforms as their primary control, the user base clearly values integration with their security system. The new Matter standard makes it possible for smart home device owners to choose their favorite control application, and security providers want to secure the loyalty of their customers by offering a premium user experience.

Dealers should engage customers regarding their usage habits, preferences, and aspirations. Increased reliance on the security system platform would create more engaged, satisfied, and sticky customers. Any potential problem-solving the dealer could offer would be highly appreciated.

Recommendations and Implications for Security Dealers:

Focus on value and practical benefits: Mainstream households are now buying smart home devices and seek to solve practical problems at reasonable prices. Dealers can emphasize the value of a bundle of devices that work together as part of a security system, solving interoperability headaches.

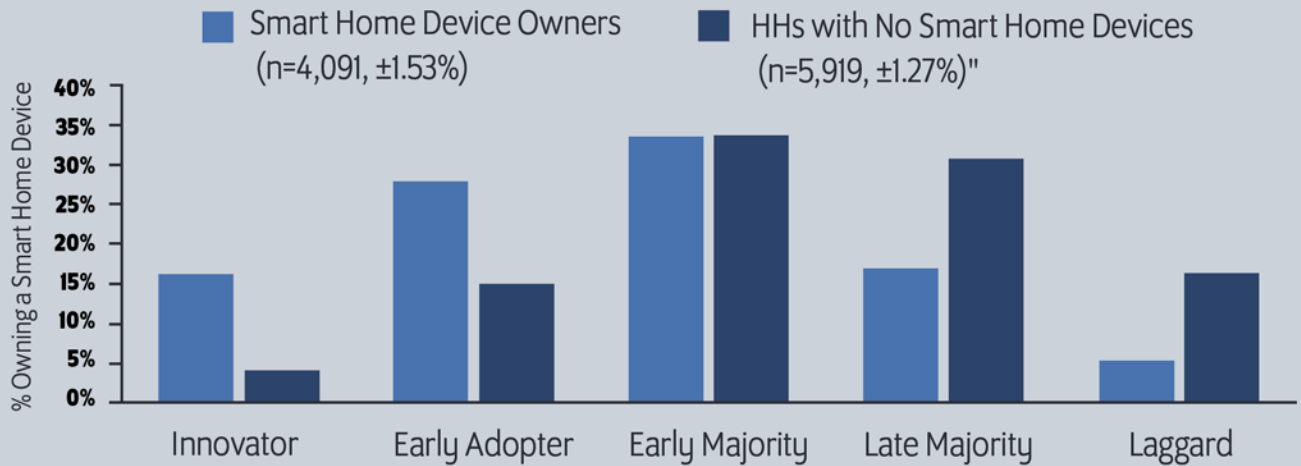
Be prepared to talk brand: Smart home adopters are increasingly mass-market buyers who favor big brand names. Security dealers who can incorporate major brand names into their installation could leverage the brand equity to upsell premium devices with advanced features. By leveraging the inherent brand equity associated with these major brands, dealers can effectively promote the upselling of premium devices equipped with advanced features.

Highlight benefits of alternatives: For dealers who either choose or are obligated to offer lesser-known brands, it is imperative to prepare comprehensive and favorable comparisons. This proactive approach will enable them to effectively address potential customer concerns and highlight the unique advantages and benefits offered by these alternative brands to secure successful sales.

Lead with video: Network cameras and video doorbells continue to lead the smart home space and are both an opportunity and competition for security dealer businesses. Security dealers must present enticing package deals that promote the incorporation of cameras during the initial installation process. This approach aims to minimize clients purchasing standalone video devices subsequently, which may or may not integrate seamlessly with their existing security systems.

Upsell with smart thermostats: Smart thermostats are among the top devices added after the initial system purchase. Dealers can enhance the value proposition of their offerings and capitalize on growing consumer interest in energy management solutions by highlighting smart thermostat installation and integration with the system.

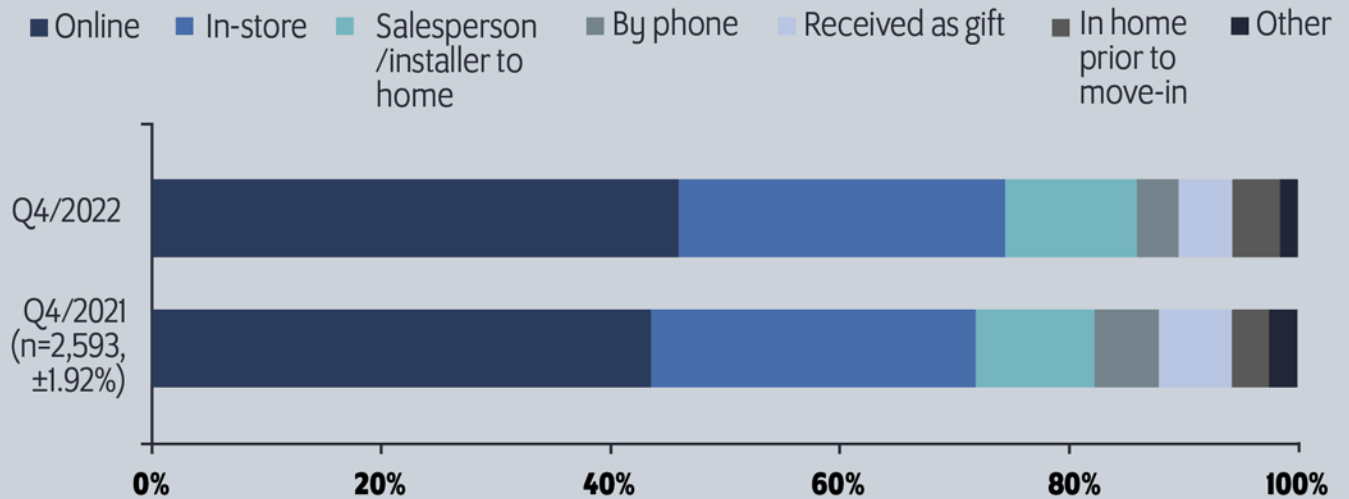
Tech Affinity, By Smart Home Device Ownership



Among US Internet Households in Specified Groups | "ST2601. How many of the following smart home products do you own?" | Source: American Internet Households and Their Technologies Q4 2022 | © 2023 Parks Associates

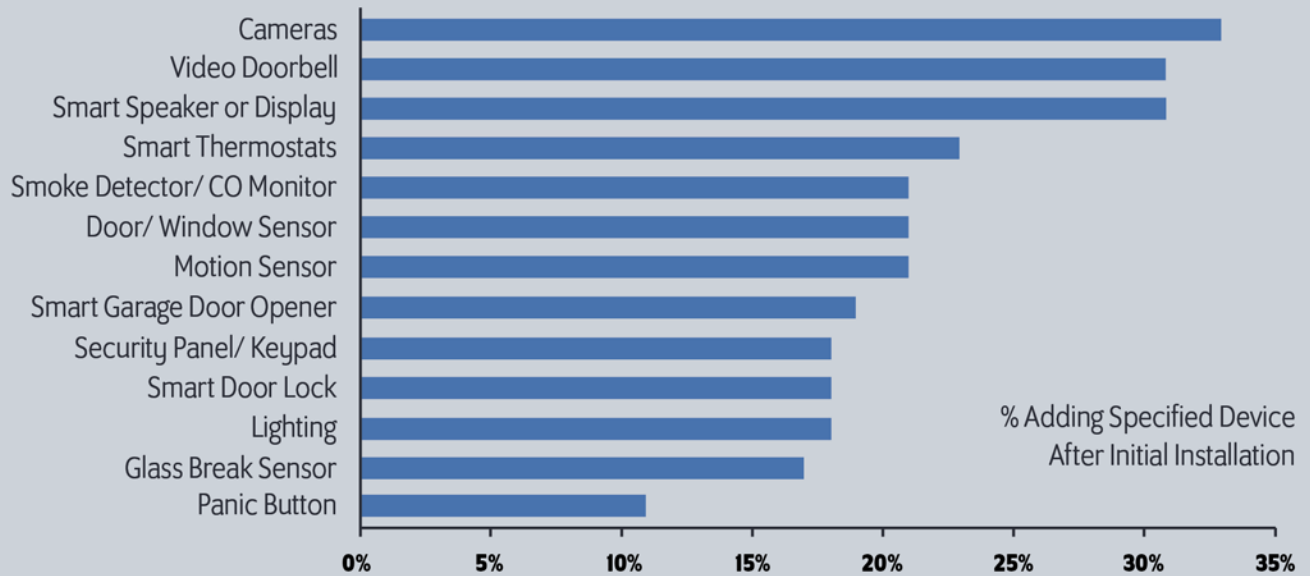
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Smart Home Device Acquisition Method



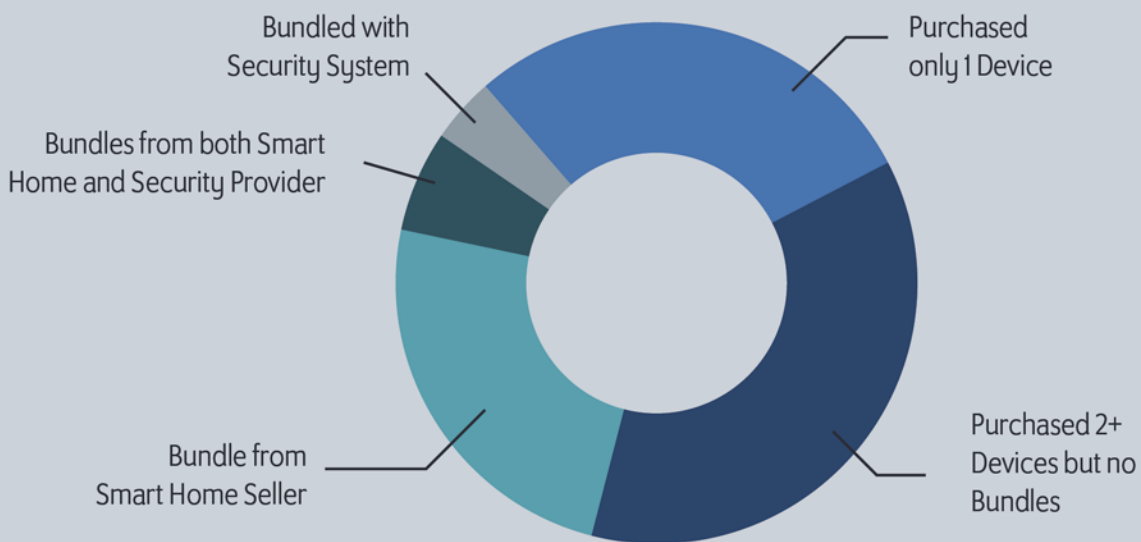
Among Smart Home Device Units Acquired in The Past 12 Months in Specified Groups | "ST2646. How did you acquire this product?" | Source: Multiple Surveys: American Internet Households and Their Technologies | © 2023 Parks Associates

Devices Added After Security System Installation



Among Security System Owners | "S7261. What products have you added to your home security system since its initial installation?" | Source: American Internet Households and Their Technologies 2Q 2022 | © 2023 Parks Associates

Buying Patterns of Recent Smart Home Device Purchasers



Among US Internet HHs That Paid to Purchase a Smart Home Device n=1,004, ±3.09%
 "ST2645. Please tell us how many of these products your household purchased or acquired IN THE PAST 12 MONTHS. ST2646. How did you acquire this product?
 ST2648. Did you select the products individually or packaged together by the seller?"
 Source: American Internet Households and Their Technologies Q4 2022 | © 2023 Parks Associates