

2015 State of the Smart Home Report



INTRODUCTION

In the spring of 2015 Icontrol Networks surveyed 1,600 consumers (1,000 from the United States and 600 from Canada) for our second annual State of the Smart Home report. Our inaugural report last year offered an honest look at drivers and barriers to smart home adoption. The 2015 report shows changes to these adoption indicators and examines consumers' attitudes towards the smart home, their levels of intent to purchase connected devices, and their desires and concerns about owning 'connected' technology.

One thing was clear – we need to ground the smart home in reality. The 2015 State of the Smart Home report showed that simplicity and ease-of-use trump technological innovation – and today's consumers want devices that solve real, everyday problems.

By and large, smart home is here – from connected toothbrushes to appliances and HVAC, consumers can buy connected products online, on shelves and from the service providers that bring cable, Internet and security systems to their homes. However, the recent excitement over the 'Internet of Things' means consumer preferences have taken a backseat to the 'cool factor' of new product launches.

Gartner is predicting a typical family home could contain more than 500 smart devices by 2022, but right now, most consumers see smart home as a nebulous term without a clear value proposition.

It's evident there is a chasm to bridge between the early adopters and mainstream consumers before we see mass adoption. And while a 'Jetsons' lifestyle – which also offers a three-day work week and a talking dog named Astro – may be more buzzworthy, the fact is that the seemingly 'boring' use cases will be the cornerstones of that bridge.

By 2022, a typical family home could contain more than 500 smart devices.
[Gartner]

It makes sense that home monitoring cameras and connected door locks are among the most popular devices when you consider that a burglary takes place every 14.1 seconds in the U.S. and 56% of break-ins are through the front or back doors¹. And with heating and cooling accounting for 48% of energy use in a typical home², we understand why connected thermostats topped the list of the most popular products this year.

In just 12 months, we've seen a rise in the level of excitement about the smart home with millennials (79%) and parents (76%) leading the pack, and 50% of the overall population excited about the technology. Intent to purchase smart home technology is quickly following suit, with 50% of people saying they plan to buy at least one smart home product in the next year (U.S. intent is slightly higher at 54%).

50% of consumers say they plan to buy at least one smart home product in the next year.

Taking into account population size of the 25+ age groups in the U.S. and Canada, this translates to more than 114 million people who plan to buy smart home products this year. Younger adults (those aged 45 and younger) believe the most in the power and the future of the smart home, and will be key to ushering in the next generation of connected consumers.

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SOURCES: ¹FBI's Uniform Crime Report ²Energy.gov



TIME CAPSULE: 2014 VS. 2015

Last year's findings revealed a state of the smart home dominated by security and fueled by the peace of mind that comes from connected home technology. In 2015, this trend has not wavered and *for the second year in a row, 90% of consumers say security is one of the top reasons to purchase a smart home system.*

It's clear from this year's findings that in just 12 months, consumers have become more educated about the possibilities of a smart home, and our research shows that *the more people know about this technology, the more interested and excited they become about incorporating it into their everyday connected lifestyles.*

While security is still top-of-mind for most when considering a smart home purchase, we're also seeing *new trends and interests driving adoption.*

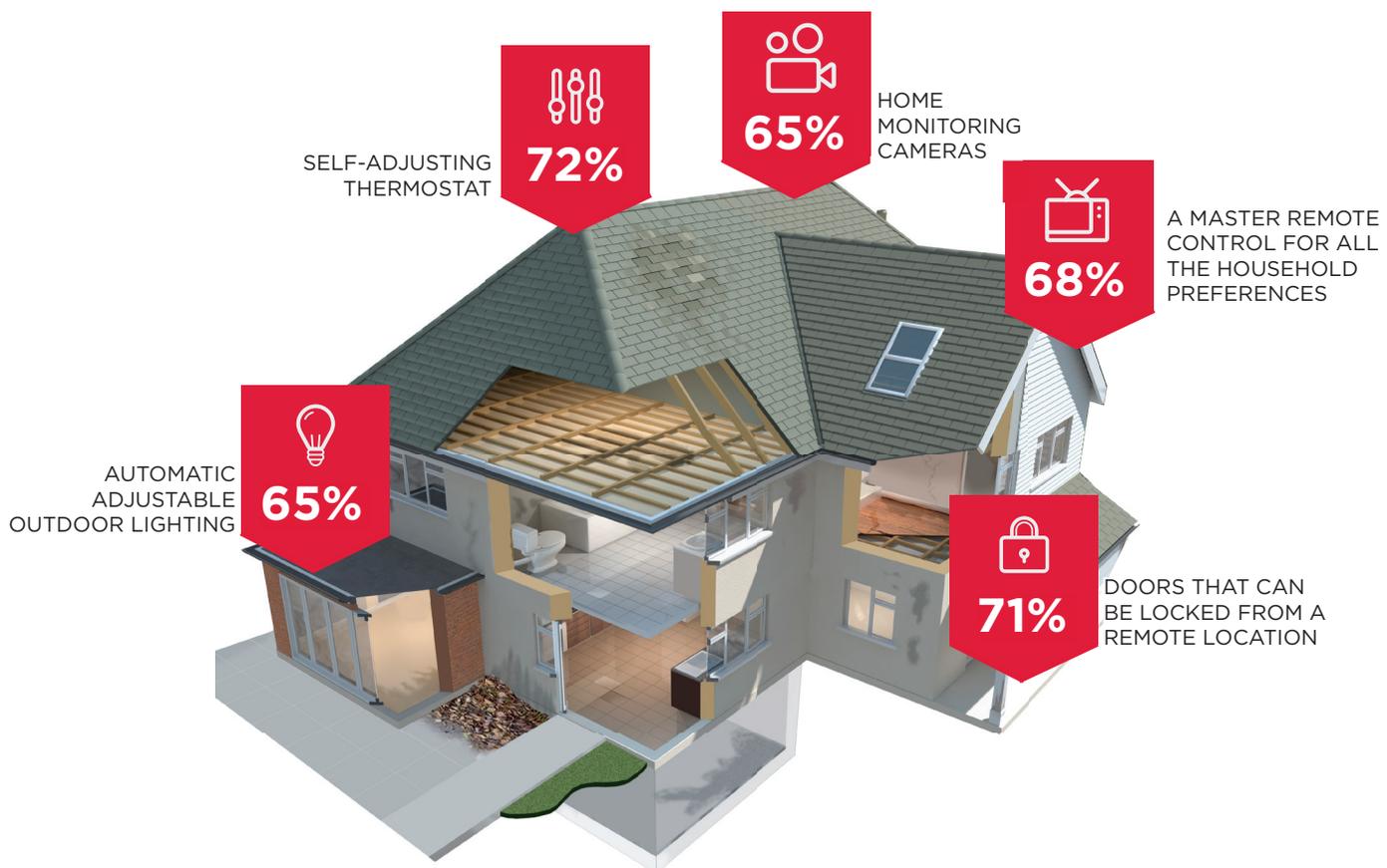
This report details the smart home landscape by age, preference and region, as well as new emerging factors most predictive of consumer preference.

A 'JETSONS' LIFE DOESN'T APPEAL TO ALL

When considering a smart home purchase, consumers agree that user experience – specifically ease-of-use – is more important than technical innovation, and as a result they gravitate more toward easy-to-use devices than complicated technology. That said, acknowledging the 'cool factor' of new connected devices, the majority agree that they're not yet ready to adopt this new wave of technology.

But while consumers may not be ready to receive a text from their refrigerator, our data shows they are ripe to adopt the first wave of home automation – connected thermostats, cameras, lights and door locks.

HERE'S WHAT TOPS CONSUMERS' LISTS FOR THE MOST DESIRED SMART HOME DEVICES:



SECURITY STILL REIGNS - BUT NEW MOTIVATIONS EMERGE

SECURITY REMAINS #1

Personal and family security remains a key driver in smart home adoption for the majority of consumers: 90% agree that security is one of the most important reasons to purchase a smart home system.



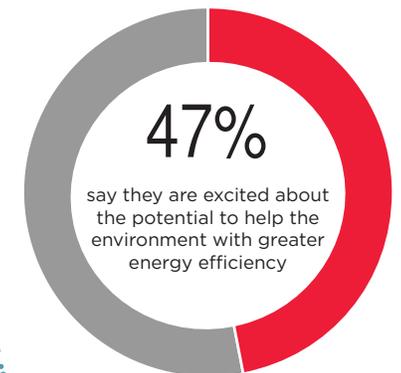
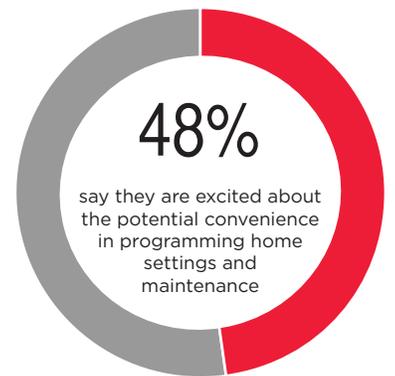
90% *of consumers say personal and family security remains one of the top reasons to purchase a smart home system.*

SMART HOME + ENERGY EFFICIENCY

Our research shows there is also a clear benefit to promoting cost savings and related energy efficiency that comes out of the smart home, with 70% reporting excitement around this factor. Similarly, the potential convenience of programming home settings and the ability to help the environment are also factors that drive excitement among nearly half of consumers.

On the other hand, consumers expressed limited levels of excitement around the following smart home benefits:

- Greater productivity and ability to manage work-life balance: 23%
- Helping to anticipate one's needs: 18%
- Ability to have more interactive features to help connect with people in their lives: 13%

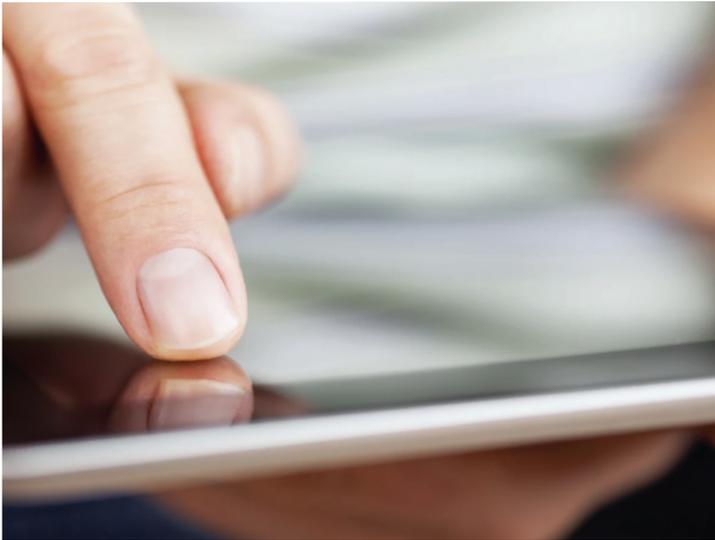


AGE PLAYS A ROLE IN EXCITEMENT

U.S. consumers aged 55+ exhibit a higher level of excitement around the cost savings benefit of the smart home (78% of those aged 55+ expressed excitement about this vs. 70% of consumers overall).

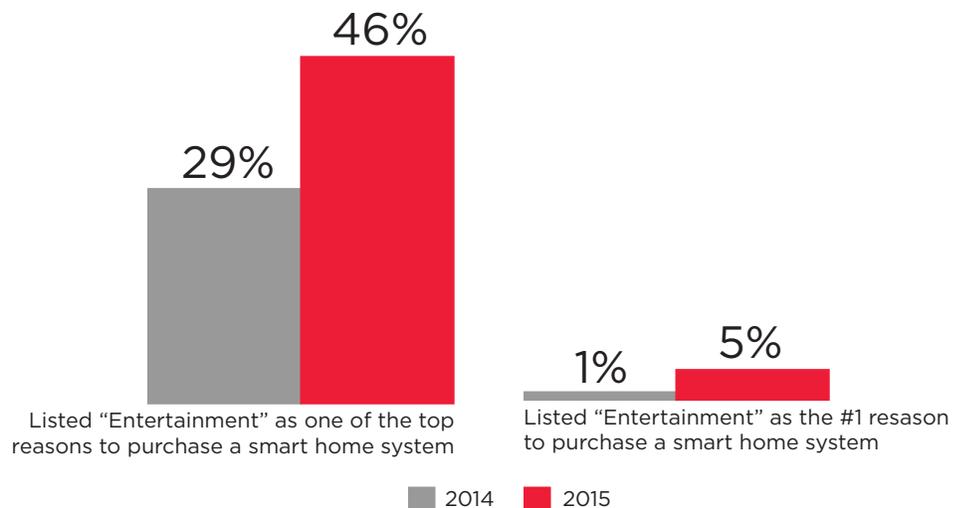
U.S. consumers aged 25-34 express a higher level of excitement around the following benefits of the smart home:

- Greater productivity and ability to manage work-life balance: 40% (vs. 23% of consumers overall).
- Making it easier to enjoy music, movies and web surfing anywhere in the house: 26% (vs. 18% of consumers overall).
- Helping anticipate needs [shopping lists, minor repairs]: 24% (vs. 18% of consumers overall).
- More interactive features that help me connect with the people in my life: 21% (vs. 13% of consumers overall).



ENTERTAINMENT EMERGES AS SMART HOME DRIVER

Entertainment has also emerged as a new and powerful driver to smart home adoption. Nearly half of consumers (45%) in this year's survey list the ability to remotely control and/or monitor their TV and sound systems as one of the top reasons to purchase a smart home system. In fact, interest in entertainment has surged by 55% since last year's survey when only 29% listed this as a top benefit of the smart home.



SMART HOME FENG SHUI

Of all of the rooms in the home, consumers are most excited about connecting their entertainment room to their smart home, followed next by their kitchen and their bedroom.

1 THE ENTERTAINMENT ROOM



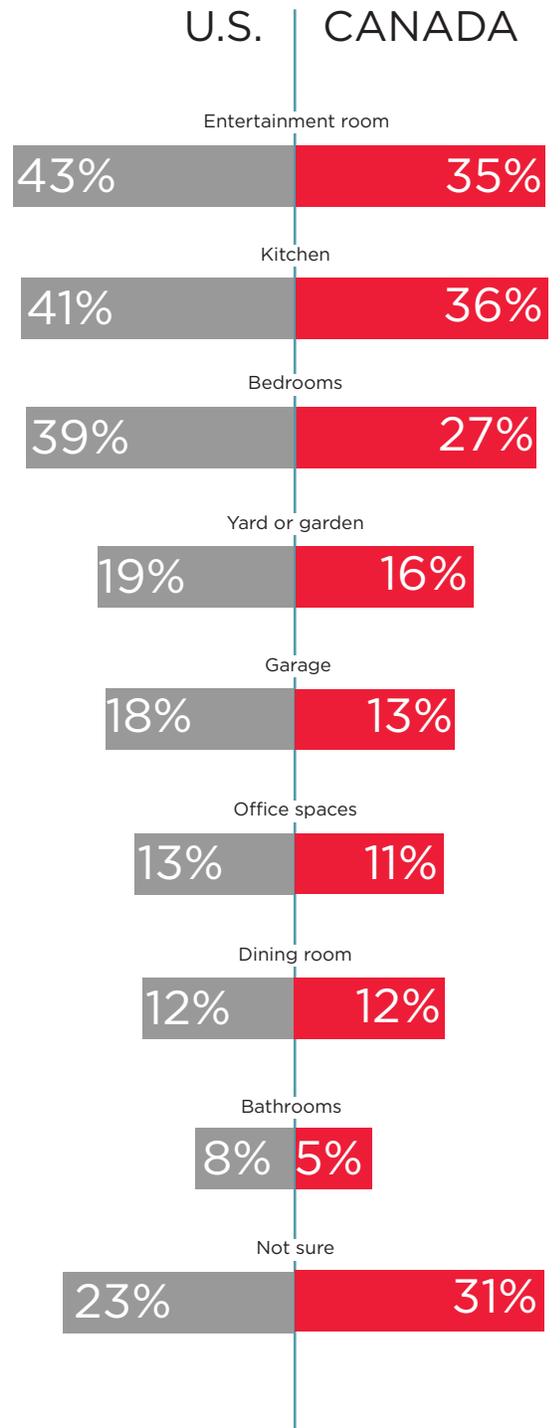
2 THE KITCHEN



3 THE BEDROOM



Which area(s) of the house would you be most excited to connect in a smart home system?



CONSUMERS ARE *ALMOST* READY TO TAKE ACTION

We're at a pivotal point in the smart home journey: in just the past few years, technological advancements, customer interest and education have transformed the smart home from what was once only a futuristic vision to the reality it has become today.

New smart home customers are emerging left and right – with nearly 50% of the North American population likely to purchase at least one connected device in the next year.

Here's what consumers say they are likely to purchase within the next 12 months:

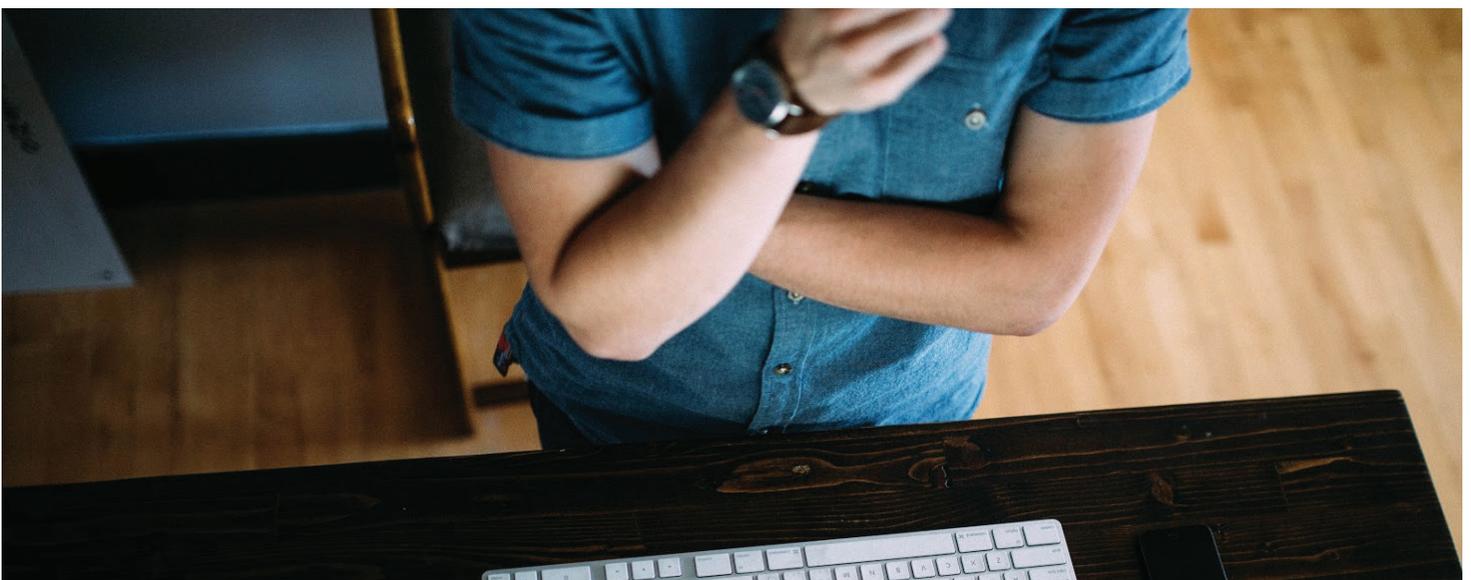


Similar to earlier findings, age differences also emerge as a factor in consumers' likelihood to purchase smart home devices.

Here's what adults aged 25-34 say they are likely to purchase within the next 12 months:



With millennials estimated to spend more than \$200 billion annually starting in 2017, and \$10 trillion in their lifetimes³, we expect these numbers to increase as this younger generation grows older and newer generations begin to naturally embrace this technology.

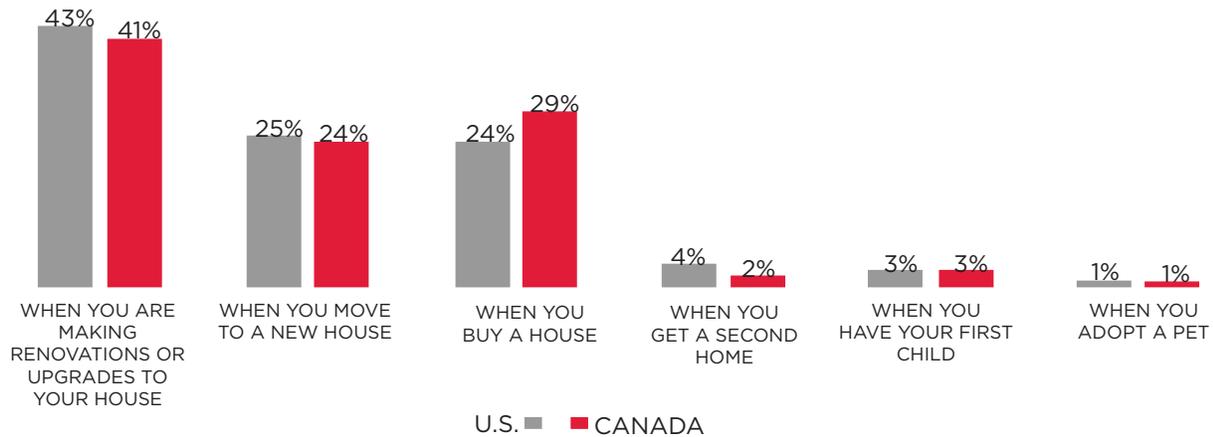


SOURCE: ³AdAge

TODAY'S SMART HOME SHOPPER EXPERIENCE

WHEN TO BUY

Consumers are most willing to adopt smart home technology when they are making renovations or upgrades to their homes, followed next by when they buy a new house or move. Life changes – such as having a first child or adopting a pet – are less likely to prompt someone to upgrade to a smart home.



WHERE/HOW TO BUY

However, once they decide that they want to purchase smart home technology, consumers' experiences vary by age in all stages of the shopping journey – everything from where they are likely to go to make the final purchase, to the level of assistance they want when setting up their devices.

Examining the shopping journey of those aged 45 and younger:



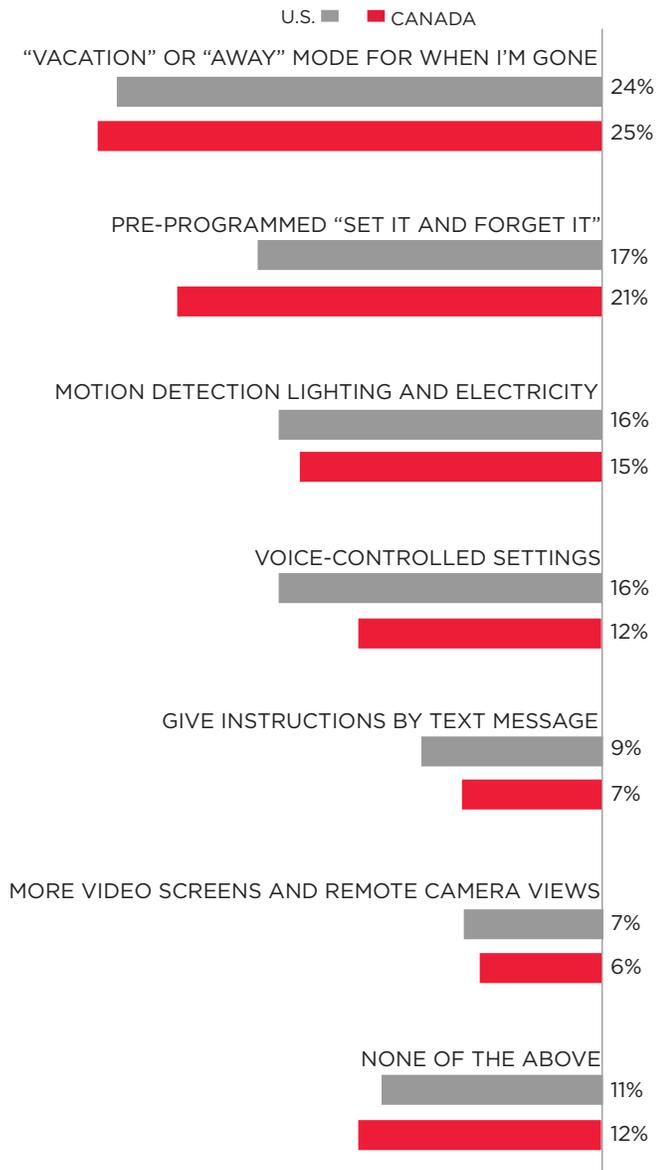
Examining the shopping journey of those above the age of 45:



CONSUMERS WANT SMART DEVICES THAT AUTOMATE THEMSELVES

“Devices doing it on their own.” That’s what nearly 60% of consumers want out of their smart home devices today. They don’t want to have to prompt their devices to complete an action. They want their devices to use data, analytics and sensors to work on their own. However, if the devices are unable to automate themselves, voice-controlled settings and the ability to give instructions via text message are next best scenarios from a consumer point of view.

Which power would you most like to have over your home?



WE ASKED CONSUMERS:
**IF ONE DEVICE COULD READ YOUR MIND
 AND OPERATE ITSELF, WHAT WOULD IT BE?**
 HERE’S WHAT WE FOUND:



Consumers say they most want the indoor lighting system to read their minds, with nearly twice as many selecting this over any other option.



But the coffee pot is not far behind - 10% of consumers selected this appliance as the number one device they would want to read their mind.



The washer/dryer was the third most popular device listed among consumers with 9% selecting this as the top device they wish could read their mind and operate itself.

THE ALTRUISTIC SMART HOME

Gartner predicts that by the end of 2015, 4.9 billion connected devices will be in use, up 30% from 2014⁴. And while all of these devices are exciting on their own, their combined power can make a real difference in the lives of others and in the world. Just ask the 49% of consumers who say they'd sleep better at night if their parents or grandparents had smart home technology, or the 47% who are excited about helping the environment with smart home technology.

ELDER CARE

Smart home technology has the potential to help seniors live happier, easier lives, and can be a great resource for family members to keep an eye on their aging parents – both of which are scenarios consumers are starting to notice.

Nearly 50% of all consumers say they would sleep better at night if their parents or grandparents had a smart home – a number that is significantly higher among younger generations, as well as those who identify themselves as parents. In fact, 72% of consumers aged 25-34 and 74% of parents say they would sleep better at night if their parents or grandparents had smart home technology. That's nearly three out of every four consumers surveyed among these demographics – a number too large to ignore and an opportunity waiting to happen within the smart home industry.

THE TOP 3 WAYS CONSUMERS CURRENTLY KEEP TRACK OF THEIR PARENTS AND GRANDPARENTS:



49%

of all consumers say they would sleep better at night if their parents or grandparents had a smart home.

72%

of those aged 25-34 say they would sleep better at night if their parents or grandparents had a smart home.

74%

of parents say they would sleep better at night if their parents or grandparents had a smart home.

BECOMING MORE ENERGY-EFFICIENT

Consumers are increasingly interested in saving energy the smart home way, which is evident in our data: nearly half of consumers are excited about the possibility of helping the environment by conserving energy.

To identify if consumers were more interested in becoming energy-efficient in order to save money or in order to help the environment, we listed each as a separate benefit. We found that it's a combination of both that excites consumers: while cost savings is of course top-of-mind to most consumers, nearly half also separately list helping the environment as what they believe to be a key feature of the smart home.

SOURCE: ⁴Gartner (November 2014)



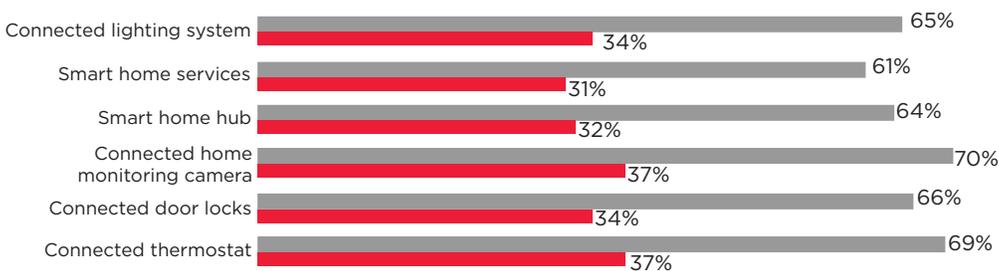
SEEING IS BELIEVING

Consumers who know someone with a smart home are significantly more likely to be interested in home automation compared to those who have never seen the technology in action – a sign that seeing really is believing when it comes to the smart home.

Eighty-five percent of consumers who know someone with a smart home say connected devices are more helpful than annoying – and 83% are excited about the possibilities of the smart home. Additionally, these consumers also indicated a higher likelihood to purchase the following smart home device in the next 12 months: connected home monitoring camera (70%), connected thermostat (69%), connected door locks (66%), smart home hub (64%), connected lighting system (65%) and smart home services (61%).

LIKELIHOOD TO PURCHASE IN NEXT 12 MONTHS

Those who know someone with a smart home ■ Overall consumer population



Likelihood to purchase a smart home device increases by more than 90% among those who know someone with a smart home.

Consumers who know someone with a smart home are 66% more likely to be excited about the possibilities of this technology.

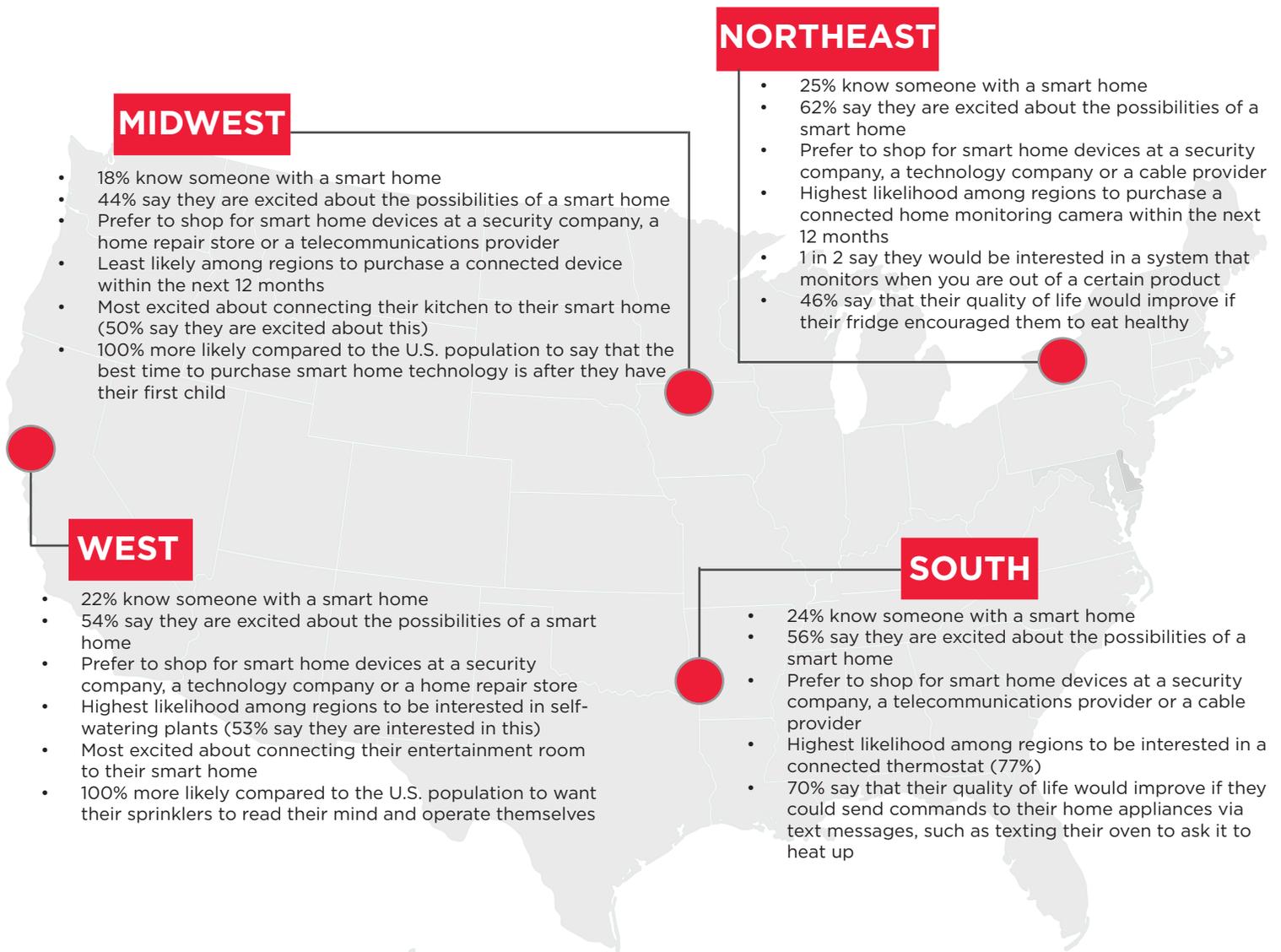
Those who know someone with a smart home ■ Overall consumer population



WHERE YOU LIVE MAKES A DIFFERENCE, Y'ALL

According to our research, a person's regional location may also have an impact on their level of excitement around smart home technology, as well as their preferences in connected devices.

When examining data from the four different regions - South, Northeast, Midwest and West - here's what we found:



EXAMINING TODAY'S OBSTACLES

While cost has historically been the most significant barrier to smart home adoption, a number of new obstacles have emerged raising consumer concerns.

Our data finds two major obstacles for today's consumers: privacy/data concerns and interoperability concerns.

PRIVACY/DATA CONCERNS

Consumers say their number one concern about the smart home is the possibility of a data breach: 71% of consumers share the fear that their personal information may get stolen. In fact, consumers say they are more worried about this than they are worried about the cost of the technology. Other top consumer concerns include: fear that their data will be collected and sold (64%) and fear that their smart home technology will have too many bugs (57%).

CAN YOUR DEVICES TALK TO EACH OTHER?

Overall, 60% of consumers say they wished their devices did a better job of 'talking to' one another and 49% agree that devices not working together causes more stress in their lives.

FINAL THOUGHTS

DON'T OVERLOOK THE IMPORTANCE OF SECURITY

Year-over-year survey respondents marked security as the top reason they are buying a smart home system. Even as consumer awareness of connected devices increases, security remains at the core of the smart home experience. In fact, one respondent in this year's survey explained it best by saying, "*Security is what makes a smart home a smart home.*"

MAKE THE COMPLEX, SIMPLE

Turning everyday products into connected products and linking them into smart home systems is a complex process. But while the technology that runs behind the scenes to enable the smart home is complex, the homeowner's experience must be easy and intuitive. By optimizing for ease-of-use throughout the entire ownership experience including purchase, installation, configuration, operation and management of smart home solutions, we can make smart home technology more accessible for everyone.

ENGAGE ALONG THE WAY

The survey responses tell us that when people experience a smart home in action they are more likely to be excited about its possibilities and buy within the next 12 months. Whether it be an in-store display or an interactive online demo, take advantage of opportunities to show off the power of smart home technology and allow others to experience it firsthand.



Icon Control is defining the connected home marketplace through its software platforms, which are deployed by leading home security companies and service providers, and the all-in-one Piper Home Security device for consumers.

26 MILLION+

In early 2015, Icon Control software platforms managed more than 26 million sensors and devices, representing the most widely used connected home platform in the industry.

100 BILLION+

In 2015, more than 100 billion events, alerts, and commands will be collected, processed, and made accessible by Icon Control platforms.

70%

Of U.S. residents surveyed in this study conducted in early 2015 say they have heard of at least one Icon Control-powered smart home solution.