Turmoil in the Smart Home: The Impact on User Experience

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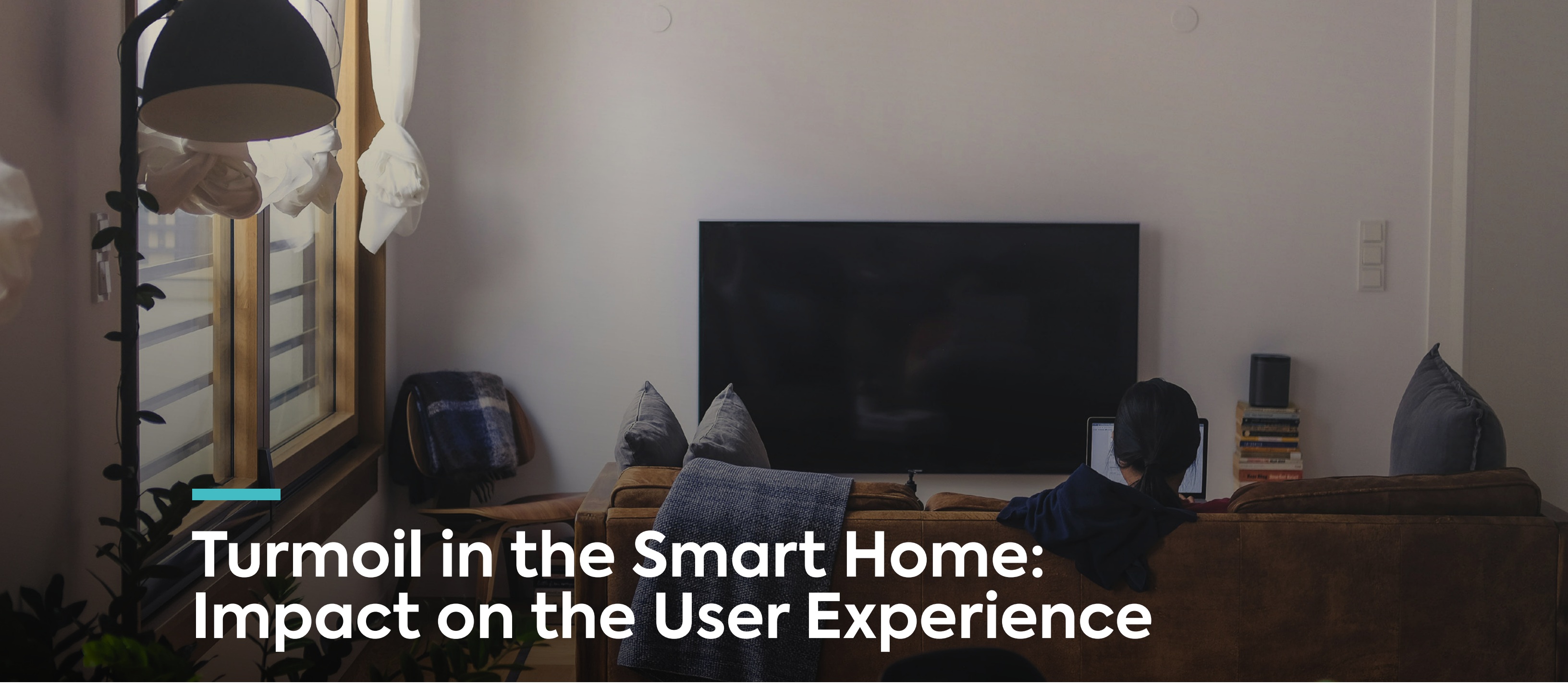

Turmoil in the Smart Home: Impact on the User Experience

The current state of consumer experience for connected households is disjointed and fragmented, creating a more challenging user experience. The main challenges faced by consumers today include issues around connectivity, setup, and products not meeting consumer expectations. And the home continues to get more complex with more and more connected devices. Consumers are navigating multiple ecosystems in their home – appliances, access control, entertainment, security, energy management, health – and the platforms and customer experiences built around these devices are not necessarily integrated.

This fragmented experience creates confusion for consumers when it comes to identifying the source of problems. Consumers also have a lack of awareness and familiarity with tech protection plans and warranties. Consumers are unsure where to turn for help when something goes wrong and instead rely on self-diagnosis. When they do get support, they are often underwhelmed by the experience due to long wait times, low resolution rates, and inexperienced/poorly trained agents. These pain points create a major obstacle to customer satisfaction and long-term loyalty for device makers and service providers.

At the same time, Parks Associates data finds that new customers are entering the smart home market, buying their first devices and systems. Unlike the earliest days of the smart home, in which buyers tended to have high tech affinity, these new buyers are pragmatists and less tech-savvy. This market segment has a lower tolerance for "bugs" and may abandon devices that don't work on the first try.

> Support is a powerful differentiator. If a buyer uses this support to solve technical challenges or even unlocks additional features, that positive experience creates dividends in referrals, higher NPS, and future sales and subscriptions.

Consumers need help throughout their ownership journey, and the industry can be proactive with support by designing a better overall customer experience, which can also bring new revenue opportunities. Consumer uncertainty about device reliability or degree of complexity is an inhibitor, and delivering support throughout the entire customer journey as well as for technical challenges or glitches will enhance the value of product and brand loyalty.

This white paper identifies the issues that consumers face when seeking support for technical issues, including the resolution process and support experience. As the complexity and competition in the smart home market grows, companies can differentiate through the support services, and the overall experience.

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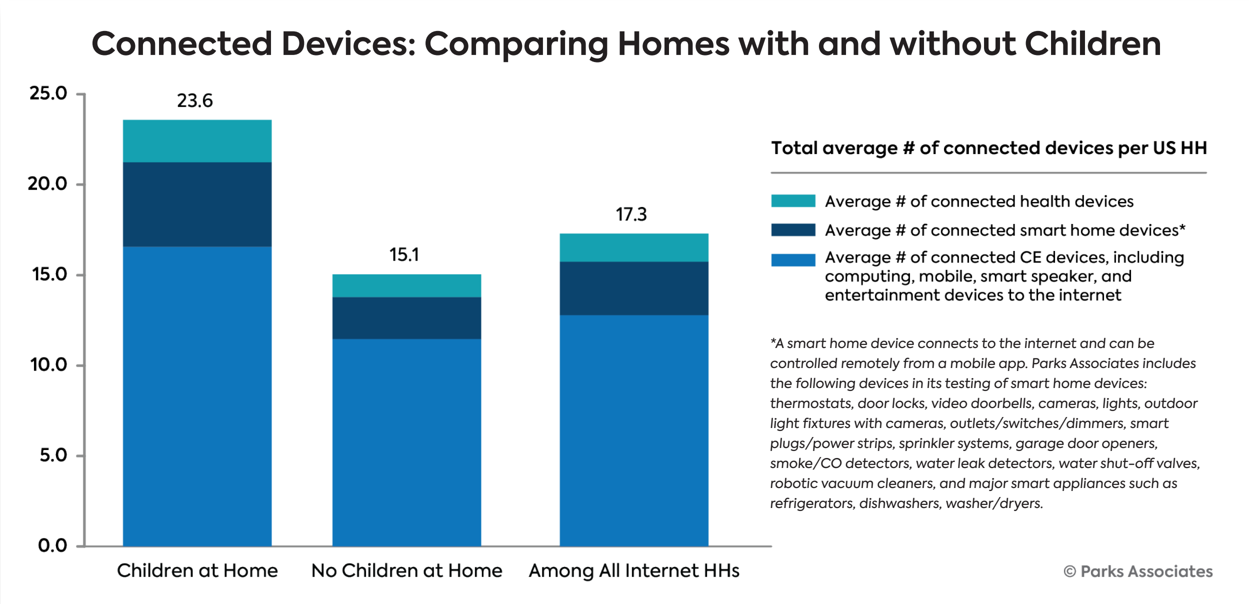
Support Needs are Influenced by Devices in the Home

Technology is pervasive and essential to everyday life for virtually all households. The average number of connected devices per US internet household is now 17, up from an average ownership of 10 devices just five years ago.

The increase in connected device adoption is especially pronounced among households with children—they have an average of more than 23 devices, compared to 15 among households without children.



With more connected devices, households require more broadband capacity and connectivity points. Working from home has led to an increase in the number of computing devices being used in internet households. Currently, 61% of households report at least one person working at home some of the time. Laptops continue to lead in device purchases for the computing and networking category, but home network routers and Wi-Fi extenders show steady growth.

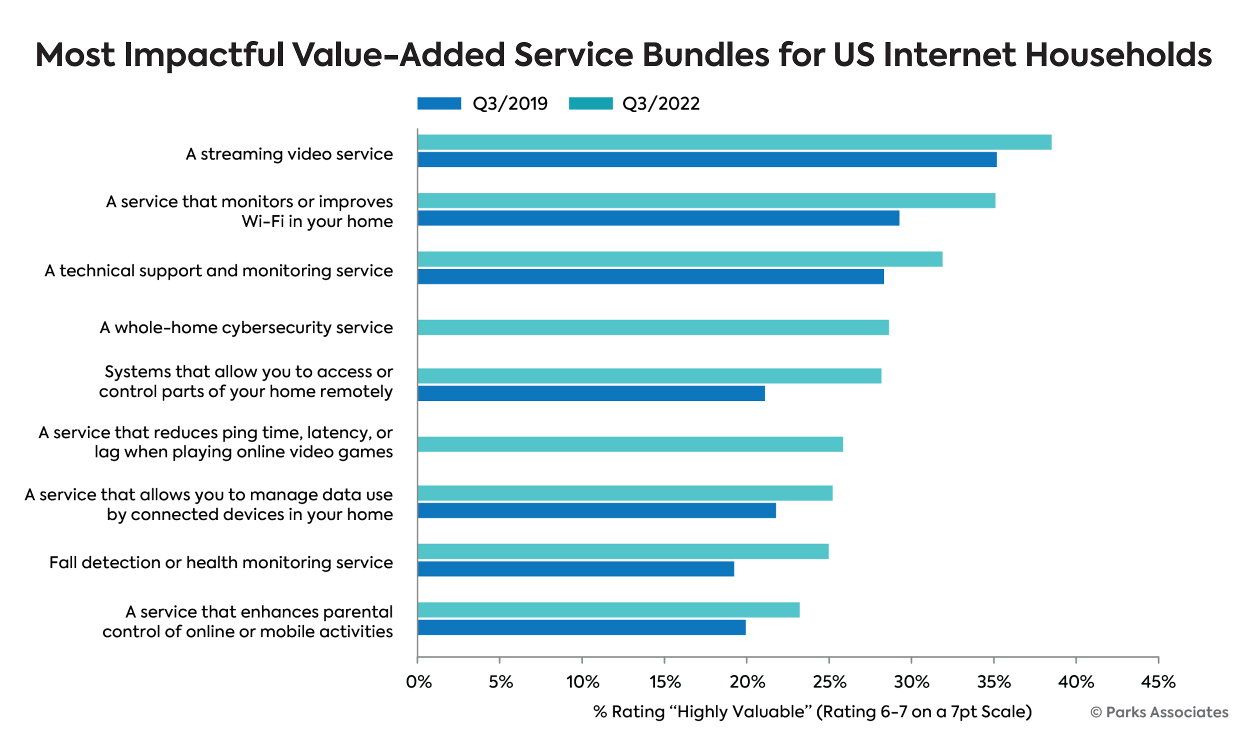
Consumer technical support needs are strongly influenced by the number and type of connected devices owned. As device adoption and the need for broadband continue to grow, the demand for technical support grows also.

Smart Home Enters the Mainstream, with More Competition

The smart home industry is attracting more mainstream buyers, part of the Early Majority market segment. Early adopters are willing to overlook bugs in early-generation products and put in the effort to make their experience just right, but ease of use and top-notch technical support are critical for mass-market consumers.

	Innovator	Early Adopter	Early Majority	Late Majority	Laggard
Technology	Techies	Quick to see benefits of new tech	Can relate to new tech	Not comfortable with technology and thus need support	Fearful of tech so tech needs to be buries in the product
Motivation	Looking for latest and greatest with technology as the chief interest	Visionaries who easily imagine use cases	Practical, pragmatists who buy for marginal improvement	Conservative Limited risk	Skeptics, content with what they have & see connectivity as a hassle, interruption
Pricing	Low cost Beta testers	Least price sensitive	Need ROI based on lower value expectations	New low marginal cost for new capabilities	Commoditized market
Marketing	They find you	Easy to sell Hard to Please	Need proof of value	Loyal, hard to win	Need to eliminate all risk, hassle

COVID caused a rush to develop virtual technical support capabilities, including new video support technologies. Several companies also promote Wi-Fi optimization services to help consumers better manage their home networks. Now, more and more consumers are interested in services that optimize the network.



Wi-Fi Issues are a Problem, Especially for Households with Kids

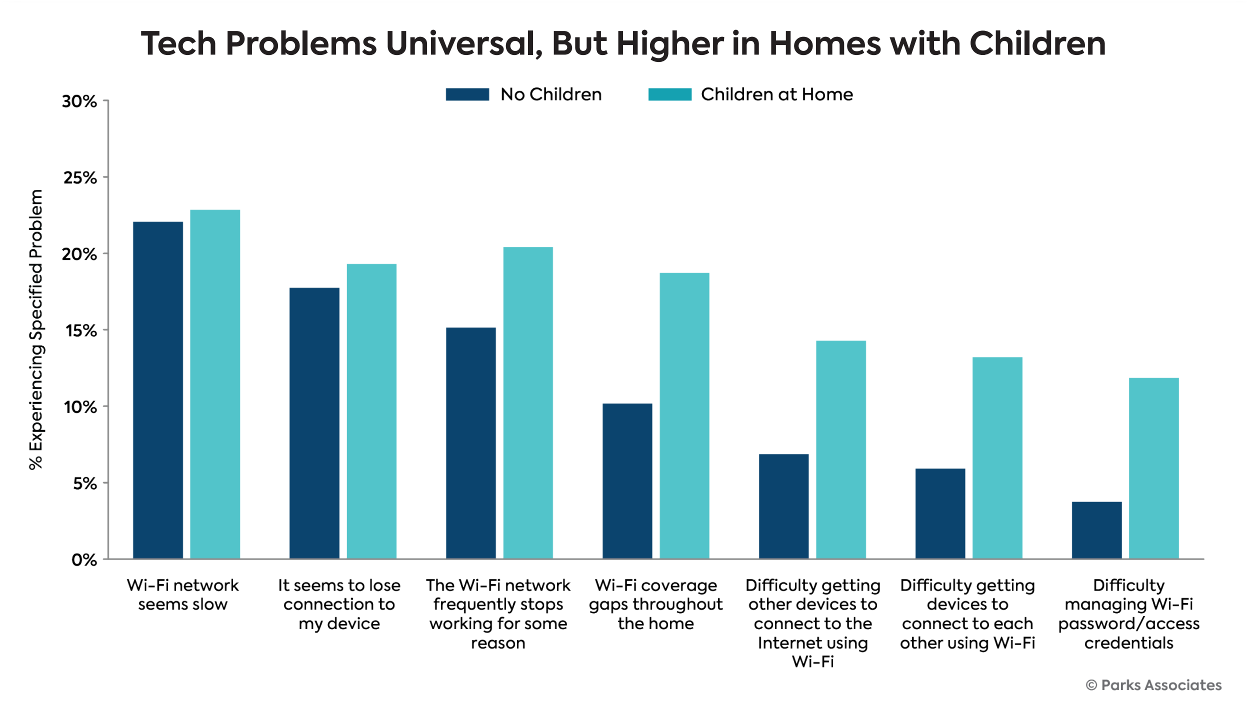
Wi-Fi issues are the most common problems in the home. Roughly one-half of Wi-Fi households experience problems with their networks — slow performance is the leading problem.

Households with children are particularly likely to experience network problems as multiple household members access Wi-Fi through diverse devices.

For households with children, trouble getting products to connect to the internet and getting products to connect to each other nearly doubles. A whopping 57% of households with children have technical problems with Wi-Fi compared to only 37% of households without children at home. These households are top buyers of smart home products and services and a clear target market for premium technical support.

> Households with children are particularly likely to experience network problems as multiple household members access Wi-Fi through diverse devices.

Wi-Fi issues can manifest in different ways, masking its outage as the root cause. For example, if a streaming service isn't loading, the consumer might first assume that the service is down, as opposed to it being an issue with the Wi-Fi.



These problems with devices and connectivity offer new opportunities to provide support for consumers' digital lifestyles. Support can be provided remotely or virtually and offers opportunities for manufacturers to strengthen their brand and gain additional revenue by delivering services that stabilize the home network, optimize device performance, and ensure ongoing reliability of service.

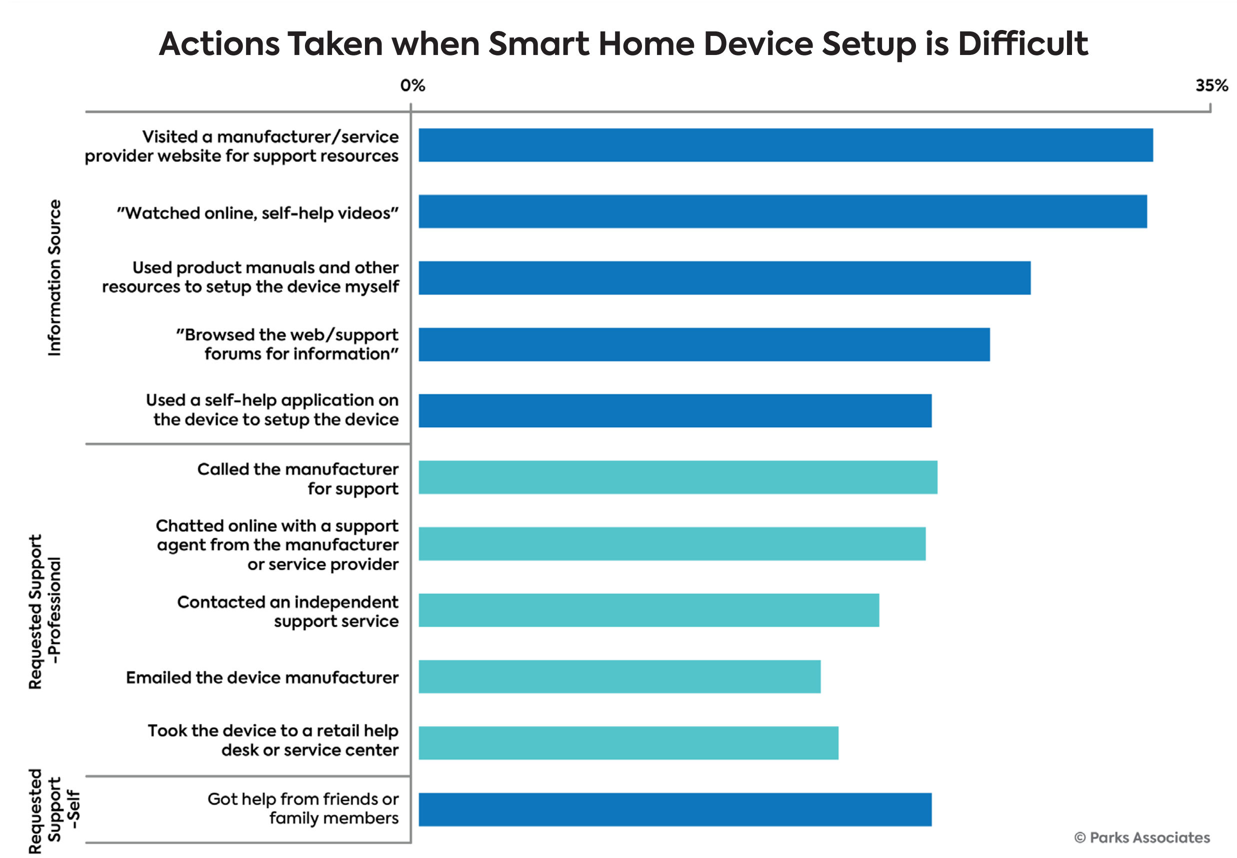
Actions for Support are Mostly DIY

There is a lack of consumer knowledge on what to do when something breaks, with no clear ownership of devices when it comes to customer support. Do you get in touch with the retailer or the brand? Warranty programs are also unclear over what devices are protected and when, and what level of support consumers receive when something breaks.

Self-diagnosing (aka searching information about support) often becomes the default next step, which can lead down rabbit holes of troubleshooting steps of varying quality and accuracy. It also makes a brand's customers vulnerable to counterprogramming or poaching by competitors, who could be buying ad space alongside a tutorial video promoting their product over the one needing help.

Parks Associates' data finds consumers' top five actions after experiencing technical problems with smart home devices are DIY steps, not seeking professional support. Manufacturers' websites and online videos are important sources of self-help for the two-thirds of consumers who seek help when they have trouble setting up a device. Companies must ensure their product manuals and self-help videos are clear, easily accessible, and easy to follow, including directions to resources for extended, in-person help.

Building awareness around the availability of support and warranty services is important as well as clearly conveying when consumers can use the service. More awareness and better proactive communication of good technical support solutions can result in more uptake of services.



Reliability and Support Ensure Satisfaction and High NPS

An important metric for customer satisfaction is net promoter score (NPS), developed by Bain in 2003 and now considered a standard metric to measure customer satisfaction.

To calculate NPS, customers are asked, "How likely are you to recommend a product or service to a friend or colleague?"

NPS is a measure of a user's willingness to recommend a product, service, or brand to friends and family – indicating both satisfaction and loyalty. Any score above 0 means there are more promoters than detractors; NPS 0-20 is good, between 20-50 is great, and above 50 is excellent. Most smart home products score in the 'great' range. Smart speakers and displays, though more widely adopted than smart home products, receive the lowest scores. While smart speakers are recognized as a key product to integrate smart home products together and enable control through voice commands, these devices may now be causing some drag in the experience and aren't viewed as highly by consumers compared to when they were introduced into the market.

According to Parks Associates research, smart home devices earn high NPS among Innovators and Early Adopters, but ratings weaken as consumers' tech affinity decreases. More needs to be done to make the experience compelling for the broader user base. It is notable that in several product categories (garage door openers, smoke/CO detectors, smart plugs, smart lights), Laggards give higher NPS ratings than late majority. In these cases, those who usually actively avoid technology have been delighted by their experience.

Older consumers, who tend to make up the largest share of the Laggard group, find safety and lighting use cases appealing, which is likely influencing NPS scores here. The smart sprinkler category is concerning in the large gap in NPS between Innovator and everyone else. Additional products develop with a focus on the UX may be needed for that category to flourish.

> Companies with higher NPS scores show a higher lifetime value and higher brand loyalty.[1]

The Customer Support Experience Needs to be Personal

According to CMSWire, over 70% of consumers expect personalized interactions from companies, and 76% get frustrated when it doesn't happen. Additionally, upwards of 60% of millennials and 75% of Gen-Zers opt for self-service (Google, or YouTube). This is true even when they are given the option of contacting customer support. Only 19% of Baby Boomers and 43% of Gen X customers prefer the same.

A substantial 59% of those receiving professional support paid for the service. Whichever method employed, consumers are very satisfied with their support overall, with 87% being either satisfied or extremely satisfied.

Asurion data finds that the near parity among support channels indicates opportunity for a tech support solution that offers flexible support options to customers.[2]

Top three tech support channels:

- **31%** - Phone
- **28%** - Live chat
- **27%** - In-person

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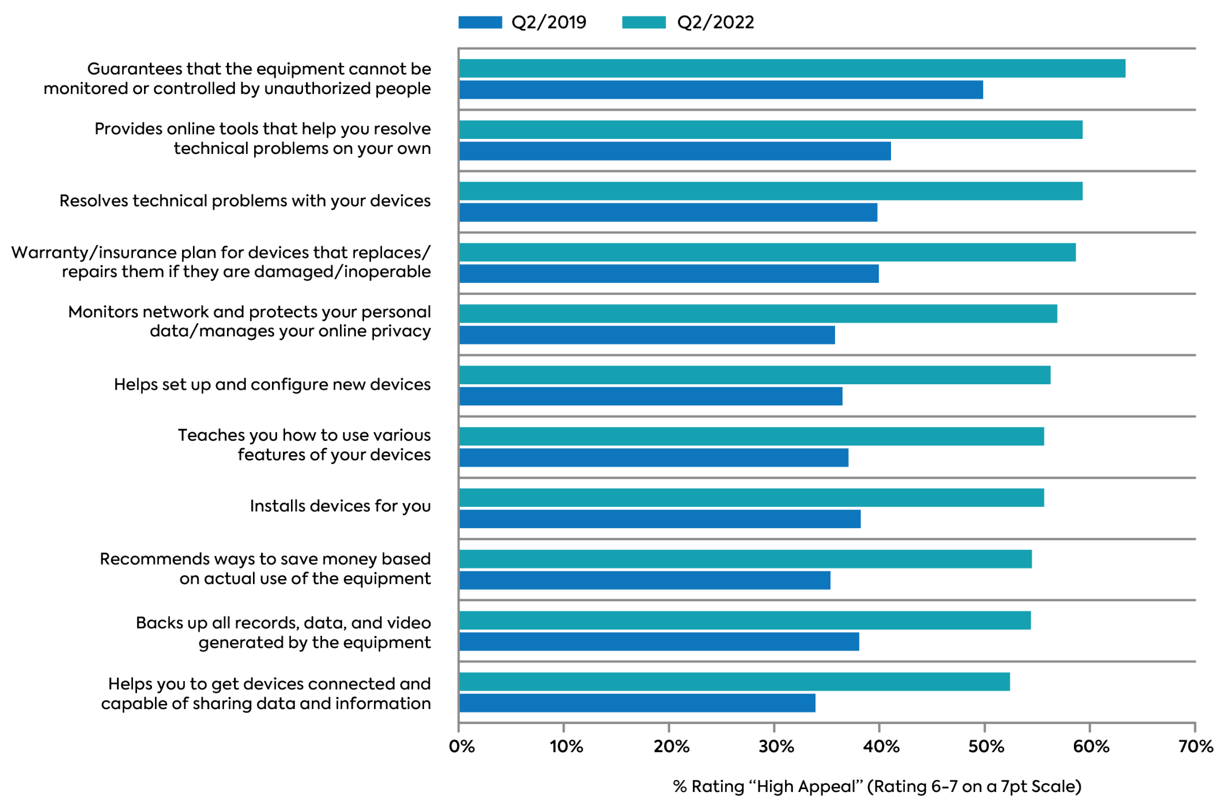
High Appeal of Specific Support Solutions among Smart Home Device Owners



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Consumers appreciate support services and rate many types of support as highly appealing.

Asurion data finds **95% of consumers** who used professional tech repair services in the past 6 months reported satisfaction.[3]

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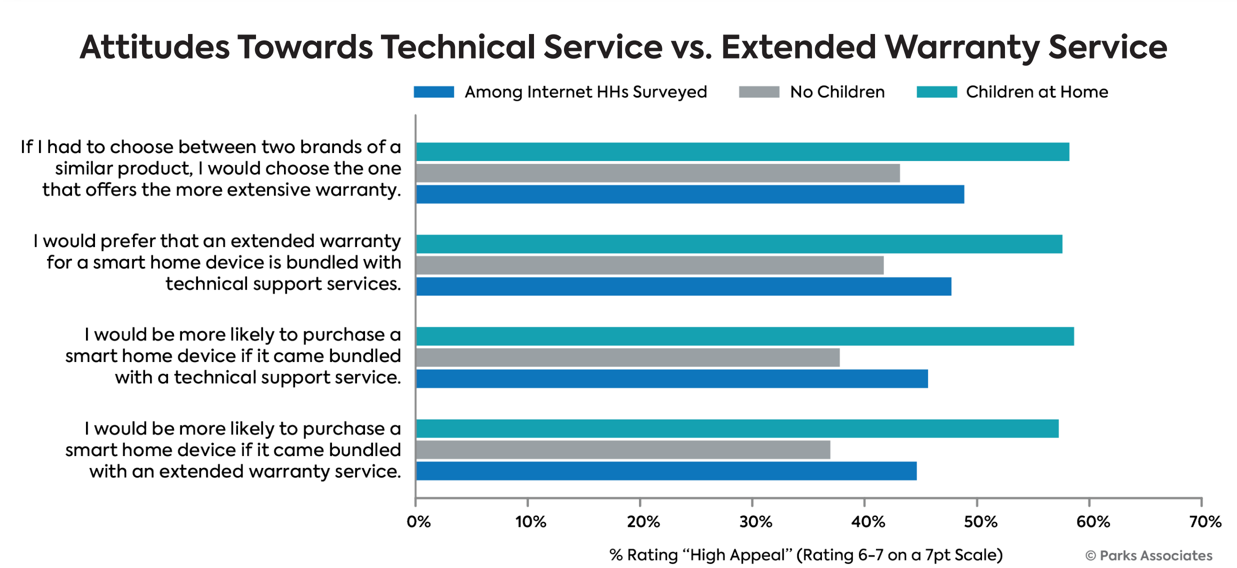
One-third subscribe to a support service, and 42% have an extended warranty. Consumers report high satisfaction with the support overall—87% report they are extremely satisfied with the support services they received in the past 12 months. Unsurprisingly, consumers most want support for the most popular and expensive CE devices, i.e., laptops & smartphones. Laptops & smartphones are often deemed essential to their users. Support and extended warranties reduce anxiety that a user may be without these essential products.

Consumers have concerns about devices that are new to the market or even just new to the consumer him or herself. Extended warranties and available technical support provide that nervous buyer with peace of mind.

Half or nearly half of US internet households report that all things being equal, they will buy the brand bundling support or extended warranties, with the sentiment even stronger among households with children. Further, nearly 50% report that the existence of technical support service to accompany the smart home device can be the trigger pushing interest to a sale.

If choosing between two brands of a similar product:

> 49% of respondents would choose the brand that offers the more extensive warranty.
>
> 48% would prefer an extended warranty for a smart home device that is bundled with technical support service.
>
> 46% would be more likely to buy a smart home device if it came bundled with a technical support service.
>
> 5% would be more likely to buy a smart home device if it came bundled with an extended warranty service.



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Manufacturers are wise to understand that uncertainty about device reliability or degree of complexity is an inhibitor. Including help in normal operation as well as services in the event of technical challenges or glitches will turn the sale to the product including such help. If a buyer has a technical challenge and uses available support to solve it, the experience can become a cause for referrals and brand praise.

Exceptional Customer Service + Warranties = A Match Made in Heaven

48% of consumers would prefer an extended warranty for a smart home device bundled with technical support service. This combination of valuable warranties and truly helpful customer service is a natural yet powerful offering, one that makes consumers' lives much easier when addressing any issue with their smart home ecosystem.

The result is tech care that drives greater customer loyalty and trust, helping to reduce churn rates and develop longer lifetime value.

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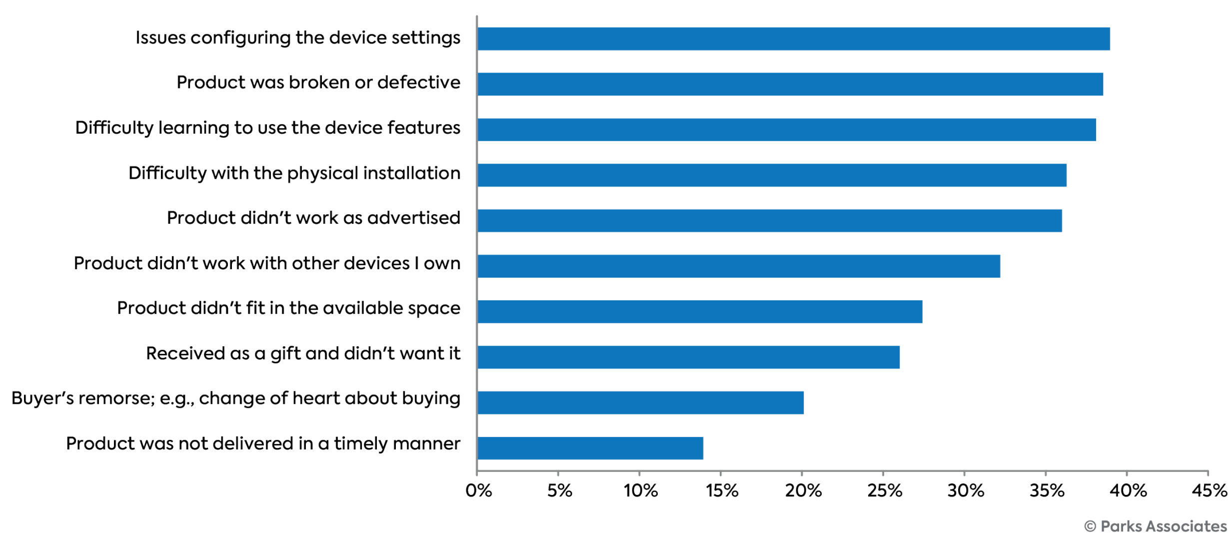
The Relationship is all about the User Experience

Customer support starts at the point of purchase by helping buyers receive the information they need to make the best product selections for their needs. Parks Associates' data finds 1-2% of broadband households return each type of smart home devices purchased over the past 12 months. These returns are from purchase rates of 2-5%. Manufacturers must help consumers better understand and set up the devices they are buying.

> A significant portion of smart home purchases (25-50%) are returned.

Reasons for Returning CE Devices



Manufacturers will benefit from minute details of the sales information provided to potential customers. Product information must be clear, simple to read/watch, and accurate, explaining how device features work and how to enable these features. This quality of information will better set buyer expectations and reduce returns.

In addition, companies can offer proactive, hands-on onboarding and setup for consumers. Buyers have moderate levels of difficulty with the leading categories of smart home products.

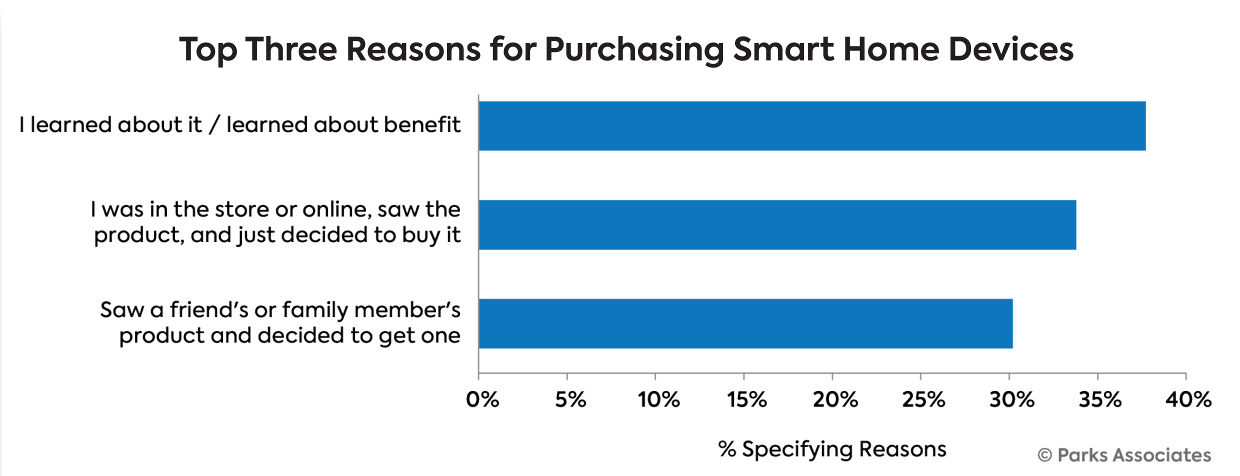
> 21-23% of households buying video doorbells, smart thermostats, networked cameras, or smart light bulbs report installation as "very" difficult.

Building Trust and Loyalty Requires Awareness

Support builds loyalty and trust, helps reduce return rates, and can help with engagement strategies, but traditionally support experiences are underwhelming and frustrating. Traditionally OEM (original equipment manufacturer) support is limited to only the products they've developed. There are also missed opportunities in not providing ongoing or additional benefits outside of technical support.

Reviews and word of mouth are important for brand loyalty and the consumer buyer journey. In the smart home in particular, the purchase journey is dependent on consumer awareness of products through their family and friends. Word-of-mouth referrals and strategic marketing are key drivers; this can help take interest to a sale just through advertising and sharing the benefits and value of the product. Consumers have gaps in their daily activities where technology can help provide convenience, context, and valuable information through these devices. Marketers need to focus on the value proposition more.

> Underwhelming support experiences and lack of integration among products lead to low repurchase rates & customer loyalty.



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Return Rates Impact Revenue

Consumers want a unified experience, but achieving this level of integration is not easy. Consumers are often relegated to using the individual apps for each product, rather than using one control point in a whole-home experience. Currently only 40% of smart home device owners have at least one multidevice integration or routine established, which means most device owners are unable or unwilling to tap into the full value of their products.

> "I'd love to connect my whole house to Alexa someday, but for now the lights and doorbell and thermostat work for me."
>
> - Leslie from Cincinnati[4]

A unified support program can help consumers navigate the complexity of the smart home. Bringing all the devices together can be cumbersome and can raise privacy concerns as well as complicate the interface. Support services can help both sides overcome the barriers to centralized control and interaction, simplifying the process of adding multiple devices and opening avenues for consumers to realize the full value proposition of their devices.

Return Rates Impact Revenue

Return rates continue to grow. For example, 2% or 2.5M US households buy and return a video doorbell each year; of those households, 6% never bought a different device, and 35% report purchasing a replacement device from a different brand. At an average purchase price of $93, that's ~$13.5 million lost for the category per year and ~$79 million per year moving to a competitor.

Supporting the Smart Home Experience

The opportunity to capitalize on the smart home consumer experience is huge. The promise of the smart home is the whole-home experience, and support must extend to all devices and services and all points in the customer lifecycle. Smart home products are moving to the early majority where consumers' expectations are high for products to work, allowing less room for difficulties.

By offering robust assistance and troubleshooting solutions, support services mitigate the complexities often associated with smart technology adoption. The delivery of reliable support fosters a sense of trust and loyalty among consumers, encouraging long-term engagement with the brand and its ecosystem of smart home products. This heightened level of support not only resolves immediate concerns but also contributes significantly to the perceived value of the entire smart home experience, ultimately driving brand affinity and customer retention.

Consumers have concerns about devices that are new to the market or even just new to them. Extended warranties and available technical support provide peace of mind for that nervous buyer. Half or nearly half of US internet households report that, all things being equal, they will buy the brand bundling support or providing extended warranties. Further, households are more likely to purchase a smart home device if it comes bundled with an extended warranty. These services help differentiate products in a competitive market and for consumers who need verification and reliability for products they are buying.

Case Study: An Opportunity for P&C Insurance Providers

A potential set of unexpected heroes in the new connected home era are property and casualty insurance providers. Asurion data has found that 92% of consumers say P&C insurance providers should cover the tech in their home*. With the average household now owning more than $11,000 worth of connected devices and the average number of smart home devices having nearly doubled from just five years ago, demand will only increase for such insurance products that offer complementary coverage of smart home devices. Parks Associates envisions innovative and forward-looking firms in the P&C insurance space to capitalize on this connected home opportunity to create a valuable competitive differentiator and extend more value to their customers.

P&C insurance firms will also leverage connected home technology to offer more proactive and predictive protection of the home. For example, Parks Associates predicts that P&C firms will begin to automatically equip homes with devices such as smart fire alarms which immediately notify customers of any potential fires within the house, thus mitigating losses for the consumer and increasing cost savings for the insurance provider. This tactic is not without precedent: automobile insurance providers have long leveraged driving data to offer variable rates based on the customer's driving record to the benefit of both the customer and the provider. Smart home data may unlock a similar opportunity for P&C insurance firms. While cost and consumer adoption of these new technologies may be an initial hurdle, explorations within the industry are already underway to develop scalable and economically viable solutions that will allow P&C firms to further extend value to their customers in this manner.

*Asurion Protecting What Matters Study; 2Q24. N=250 respondents who own or are open to purchasing P&C insurance.

About Parks Associates

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Parks Associates, a woman-founded and certified business, is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, internet and television services, digital health, mobile applications and services, consumer apps, advanced advertising, consumer electronics, energy management, and home control systems and security.

About Asurion

As the world's leading tech care company, Asurion helps 300 million customers get the most out of their devices, from cellphones, laptops and tablets to TVs, security cameras and refrigerators – and nearly everything in between. Whether you have your devices insured with us or just need a quick fix, we're here to help. We provide tech protection, repair and support, with experts available online or over the phone. We care for people and their tech whenever, wherever and however.

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[1] https:// www.bain.com/insights/are-you-experienced-infographic/
[2] Asurion Attitudes and Usage Tracking; 1Q24. N=3000
[3] Asurion Attitudes and Usage Tracking; 1Q24. N=3000
[4] Asurion Tech in Every Family Ethnographic Study; 4Q23

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