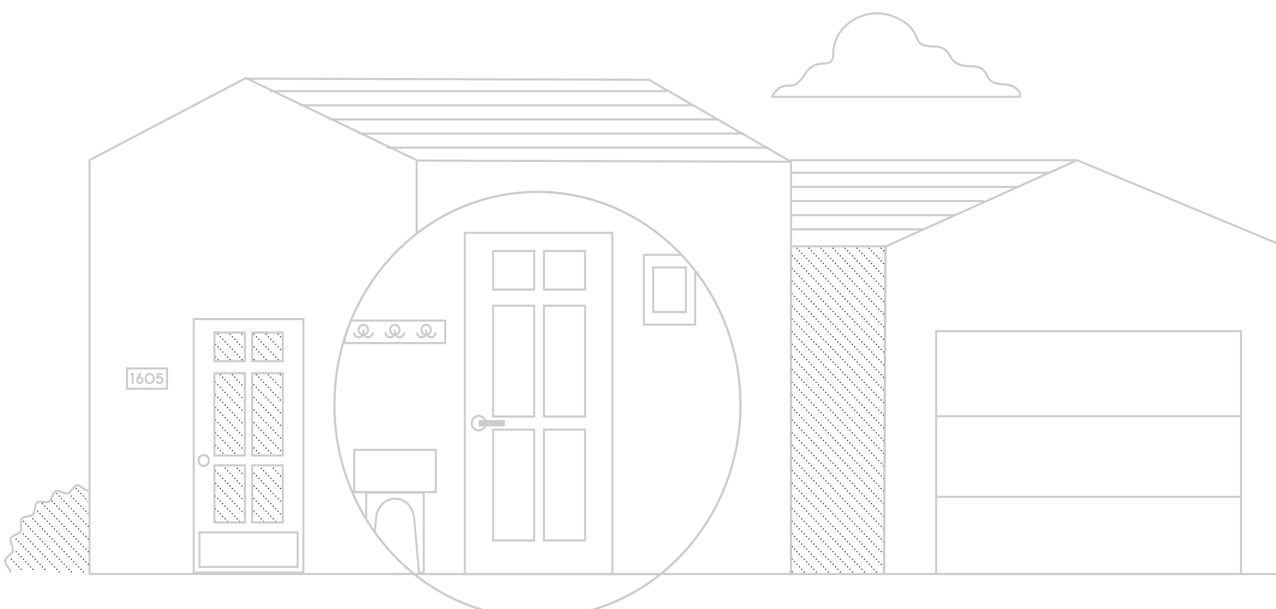
The Safe & Smart Home:

Security in The Smart Home Era



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Executive Summary

While convenience and comfort are the most commonly touted benefits when it comes to the smart home, it turns out the biggest reason consumers adopt the technology is something much more basic: the safety of loved ones. This and other findings were the result of a new study of nearly 1,300 consumers conducted in March 2016 by August Home and Xfinity Home to better understand perceptions of smart home and home security technology in the era of the connected home.

When asked why they would consider adopting smart home technology, 63% of consumers said keeping their family safe is their top motivation. As for just how many plan to add smart home technology, our survey shows that 18% of respondents said they'd likely buy a new smart home product over the next 12 months, including 56% of those who have already installed at least one connected device in their home. And it's not just a case of the smart home rich getting richer, as 12% of those without smart home technology said they were planning on buying a smart home product in the next 12 months, a number which would effectively double smart home ownership within the next year to nearly 30 million households..

The study also showed that motivation for smart home purchase decisions is often dependent on demographics and their related milestones. For example, when asked what life event would inspire them to install a smart home product, respondents between 18 and 29 were most likely to pick moving into a new house as their reason for purchase. They were also more than twice as likely to select the birth of a new baby (14% to 7%) as a top motivation, compared to those aged 30 to 44. For those in their golden years, a burglary in their neighborhood was the overwhelming first choice (64%) when asked which life event would have the biggest impact on their purchase decision.

What smart home devices are they planning on buying? Video is at the at the top of the list with 4 in 10 consumers (40%) saying a connected camera would be the product they'd most likely add to their home, followed by a video doorbell (26%), connected light bulb (19%) and smart lock (13%).

This interest in video in the home was a consistent theme that emerged throughout the survey. When asked which device they'd most like as part of a smart home-powered security system, over 63% of respondents chose a connected video camera inside or outside the home, while 61% of those with a smart home said that a video camera was the device they'd most like to access and control from their smartphone.

Security and well being are two top concerns weighing on the minds of consumers in today's modern society. When asked what was mostly likely to keep them up at night, the state of their finances along with falling ill to a disease and, yes, the Presidential election ranked higher on the list of worries than a home invasion for most consumers.

Introduction

The home security market is undergoing rapid change. New technologies from the Internet of Things, smart home and mobile industries are bringing the consumer exciting new services and capabilities from a variety of traditional and nontraditional providers. But even as the industry moves to embrace innovation, home security customers continue to value traditional features such as 24/7 call center monitoring that have served as the bedrock of the home security market for decades.

This and other findings were evident in a survey fielded in the spring of 2016 by August Home and Xfinity Home of 1,293 US consumers to better understand adoption and perceptions around home security and smart home technology. The survey was conducted online and participants were demographically balanced to represent the age, gender and income mix of the U.S. online adult population. It explored who currently uses home security and smart home technologies, what their motivations and reservations are for utilizing these technologies and services, and how perceptions and adoption of these technologies may change over the coming year.

One message was clear: a majority of consumers are interested in new features and functionality that are enabled by connected home technology. Sixty-three percent (63%) indicated they would be interested in network-connected cameras as part of smart home-enabled security service, while another 62% expressed interest in using a smartphone to arm, monitor and receive alerts about a security system.

This excitemvent about new capabilities is good news for professional home security service providers, many of whom offer these features today. But despite this excitement, adoption of professionally installed home security is only 25% among U.S. homeowners and 4% among those that rent their homes.

To understand the low adoption rates of professional home security systems, we asked non-security consumers the top reasons they don't subscribe to professional home security. While some felt the monthly fee was too high (36%) and some didn't want to sign a long term contract (24%), the biggest reason was more straightforward: nearly half (47%) didn't feel home security is necessary because they feel safe where they live.

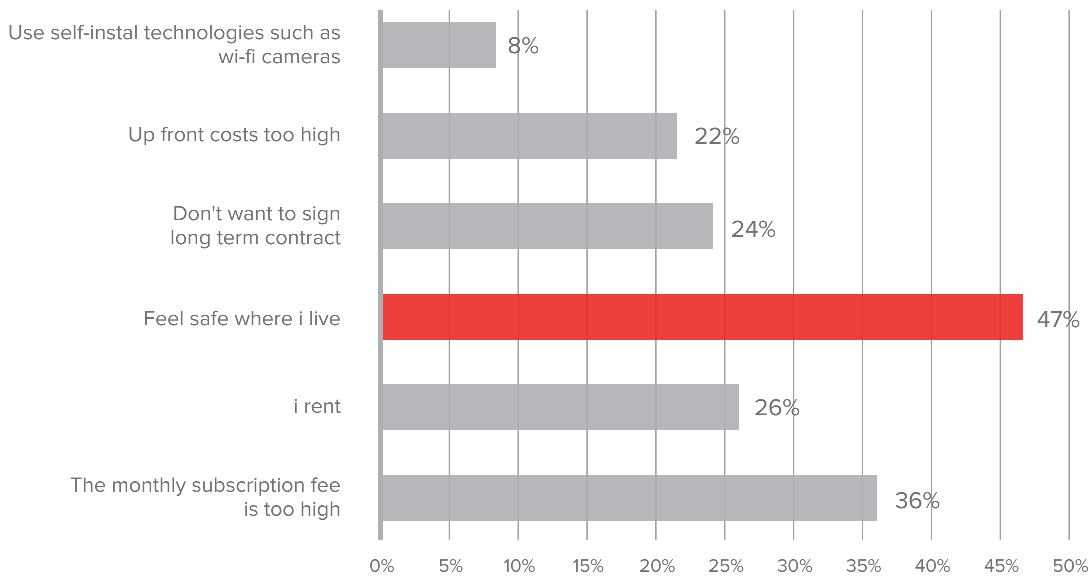
Looking forward, the arrival of new smart home features is likely to both expand the reach of home security and provide consumers with new ways to manage their busy lives. One example of this is the ability to use a smartphone app to control a front door lock and allow various maintenance, delivery and caregivers to access one's home. Fifty-seven (57%) of respondents indicated they open to the idea, but their receptiveness was dependent on who exactly they'd let in. More were open to categories such as house cleaners (41%) and dog walkers (35%), service professionals they'd likely have a longer term relationship with than other impermanent professionals such as package delivery personnel (19%).

The next year promises to be a big one for the smart home. While only 12% of consumers today indicate they are using some form of a smart home product, 56% of current smart home users plan on adding more products to their current setup. On top of that, 12% of non-smart home consumers are looking to buy their first smart home product in the coming 12 months, which would effectively double the total penetration of smart home technology over the next year to nearly 30 million households. The products at the top of the list for all consumers who participated in the survey are network cameras (40%), video doorbells (26%) and smart locks (13%).

Why Not Home Security?

Despite the obvious benefits of home security, roughly three out of four homeowners still don't have a home security system and service in their home today.

FIGURE 1: Why Don't You Have a Professionally Installed Home Security System?



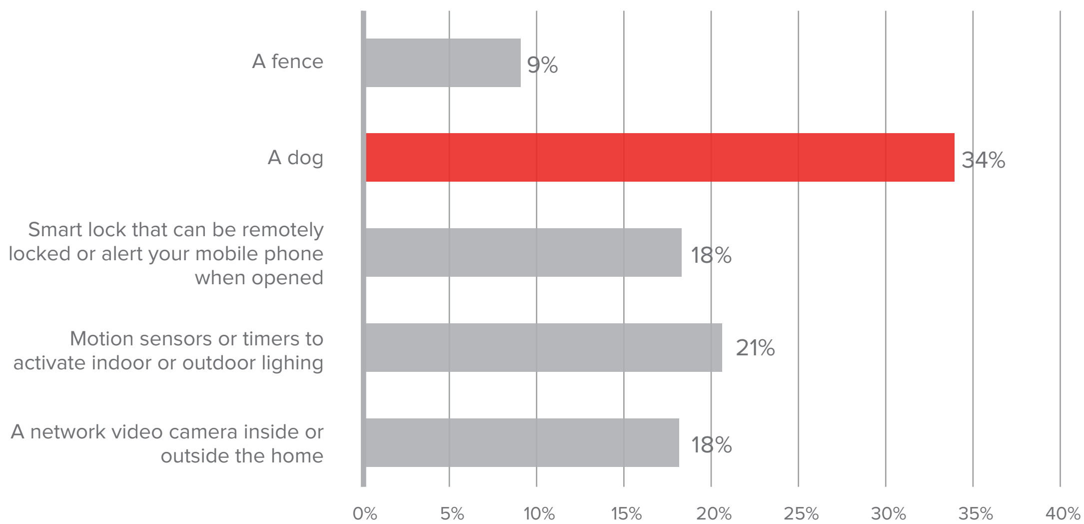
Why is that? According to our survey, the biggest reason consumers don't have home security is pretty straightforward: they already feel safe where they live. Almost half (47%) of those who don't have security said they feel they simply don't need it because they feel safe and secure in their neighborhood.

When asked what would change their mind about home security, flexible pricing in the form of lower up-front costs and monthly fees rose to the top. Both homeowners and renters indicated they would be interested in home security if it were more affordable, while 37% said they'd be more interested in home security services if they were not required to sign a long-term contract. Lower income (making between $25,000-$50,000) and middle income (between $50 ,000-$75,000) also said lower pricing would be the number one reason they'd consider home security services.

Home Safety: Going to The Dogs?

While home security is a great way to make people feel safe and secure, it turns out that it's just one of many ways to achieve peace of mind. When asked about the different ways to make themselves feel safe at home, old-school methods were often just as important to consumers as newer approaches.

FIGURE 2: What Makes You Feel Safe at Home? (Ranking, Top Choice by %)

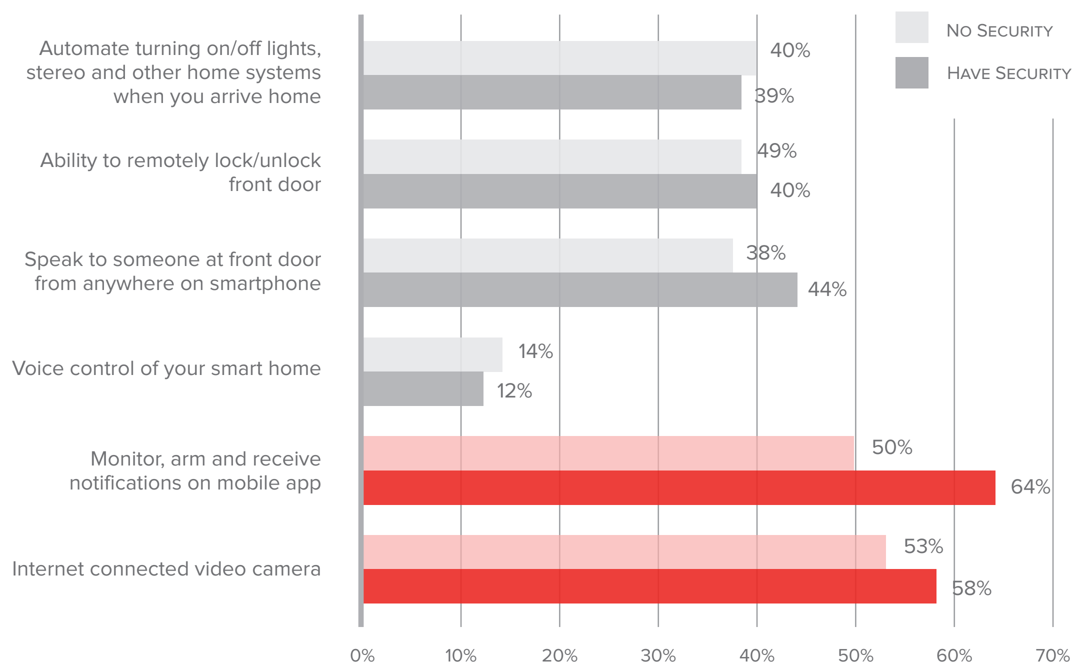


When asked to rank everything from motion sensors to smart locks to dogs to video cameras, Fido was the number one choice of over one-third of respondents. Motion sensors also fared well, the number one choice of 21% of respondents. On the other hand, fences –another old school choice when compared to smart locks and cameras – ranked low, with only 9% selecting this as their first choice.

New Approaches, New Consumers

While traditional home security requires professional installation and often comes with a multi-year commitment and installation, new approaches to home security are rapidly gaining favor with a new generation of technology consumers. Remote control via smartphone apps, video streaming and other new smart home and connected device technology promise to add convenience and lifestyle benefits that will help convert those who previously may not have considered home security. We asked respondents what new "smart security" technology features they would prefer.

FIGURE 3: Smart Security Features Preferences (Segmented by Security Adoption, Top Three Choices)



The most popular smart security feature for those with home security is using their smartphone to monitor, arm and secure their homes, with 64% saying this is one of the features they want most in a smart security system. Non-security consumers are also interested in this feature, with half expressing interest (50%). Internet-connected video cameras enjoy high popularity as a prospective smart security feature among those with and without home security systems - 53% and 58% respectively expressed interested in this technology.

Nearly identical percentage of non-security consumers and security-adopting consumers were interested in the ability to remotely lock and unlock their front door with a smartphone (security-adopting –39%; security-adopting –40%), as well as the ability to automate lighting and stereos (security-adopting –40%; security-adopting –39%).

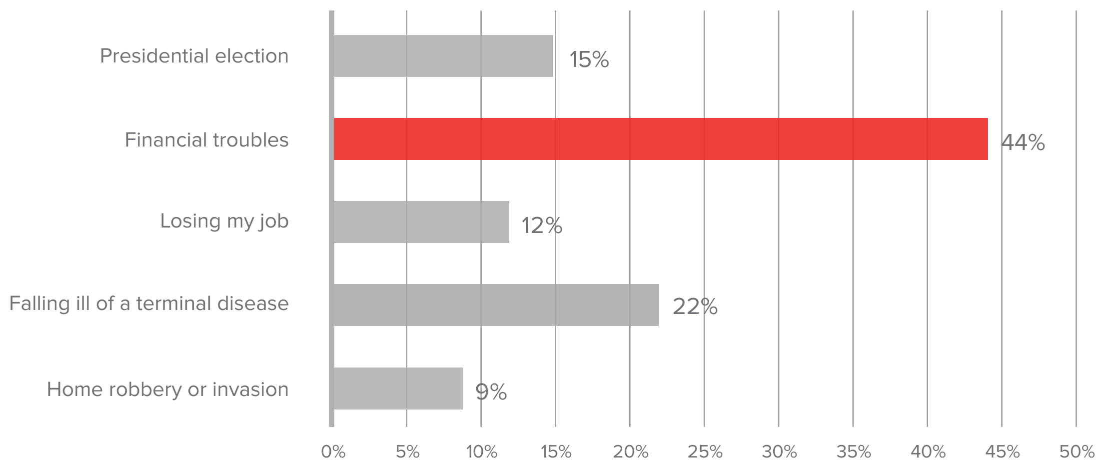
Interestingly, while new voice-controlled devices such as the Amazon Echo have generated lots of buzz over the past year, voice integration in the smart home doesn't seem to resonate with average consumers. Only 9% of our respondents had voice control of their smart home in their top three choices of smart security features.

Smart Home and Smart Security: What's My Motivation Here?

Not only did we examine who is adopting smart security and smart home technology, but also tried to understand their motivations for doing so.

As it turns out, home safety and security is only one of many worries of modern daily life. While nearly everyone is interested in making sure they and their families are safe and secure in their homes, other concerns such as health and finances often weigh even heavier on the minds of consumers.

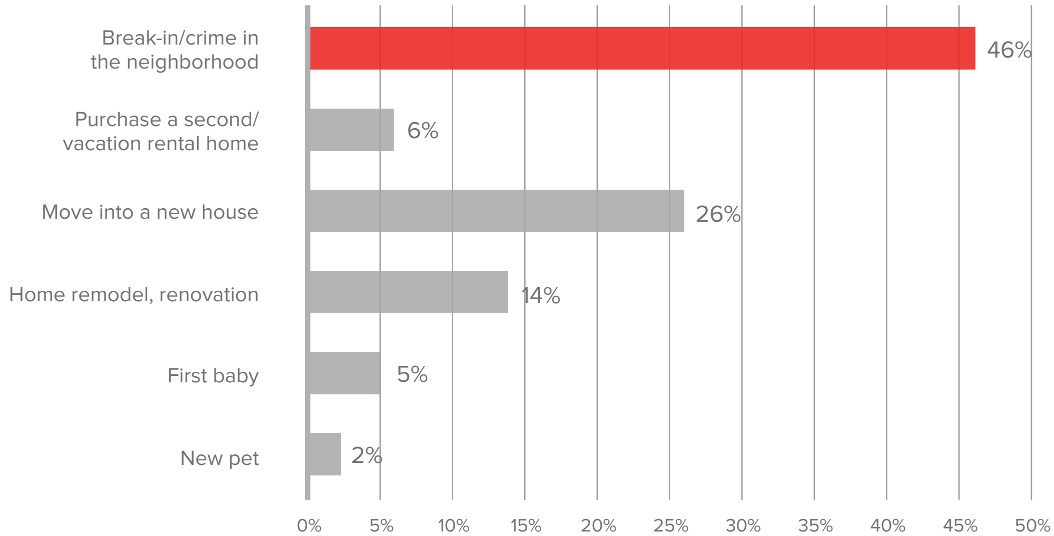
FIGURE 6: What Keeps You Up at Night?



When we asked consumers what worries keep them up at night, financial concerns were top of mind. Over 4 in 10 respondents (44%) said financial troubles were the most likely to keep them up at night, and another 12% said losing their job was a top worry. Falling ill of a terminal disease was the top worry for 1 in 5 of our respondents and kept a third of those aged 60 and above staring at the ceiling. And perhaps as a sign of anxiety about turmoil in the broader political macro environment, 15% said the Presidential election was the most likely reason they would lose sleep.

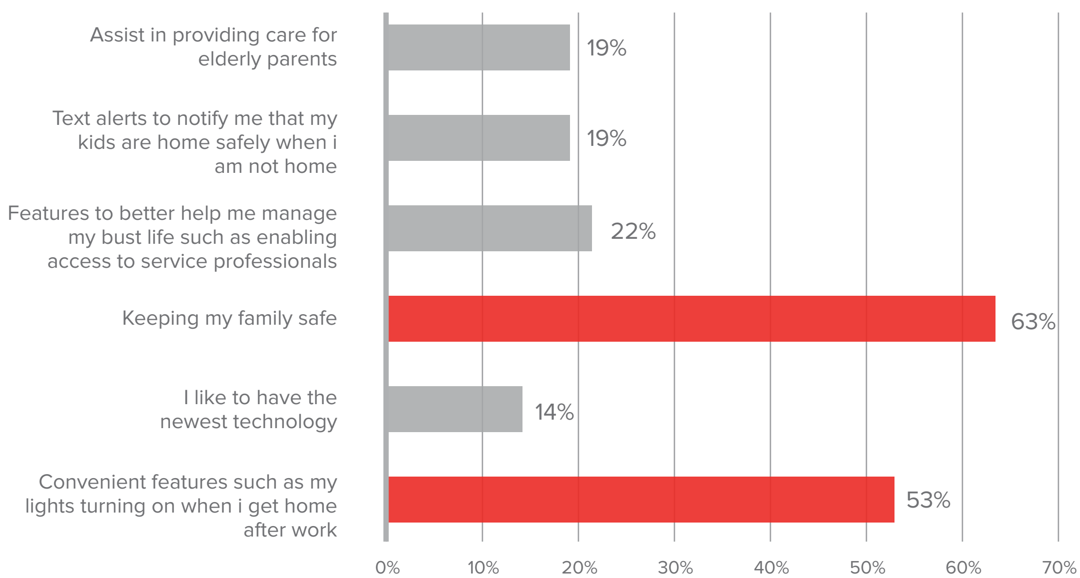
Just 9% of respondents said a home invasion or robbery was their top concern, but considering that home security systems, living in safe neighborhood, or a combination of both helps to largely eliminate this worry for many households, it's not altogether surprising. Other life events that are seemingly out of a consumer's control – whether that's sickness, job security and the outcome of an election – tend to weigh heavily on the mind for most.

FIGURE 7: What Life Events Would Inspire Smart Home Purchase?



While consumers often find themselves worrying about everyday concerns such as finances, it's the bigger life events that can often serve as catalysts for big changes like adopting new technologies. We asked consumers what life event would most likely to inspire them to install a smart home product, and the biggest response (not surprisingly) was a home break-in or crime in the neighborhood (46%). Other less traumatic life events also serve as important adoption catalysts for some, such as moving into a new home (26% of respondents), remodeling a home (14%) or having a baby (5%).

FIGURE 8: What Would Be Your Motivation for Adopting Smart Home Technology?



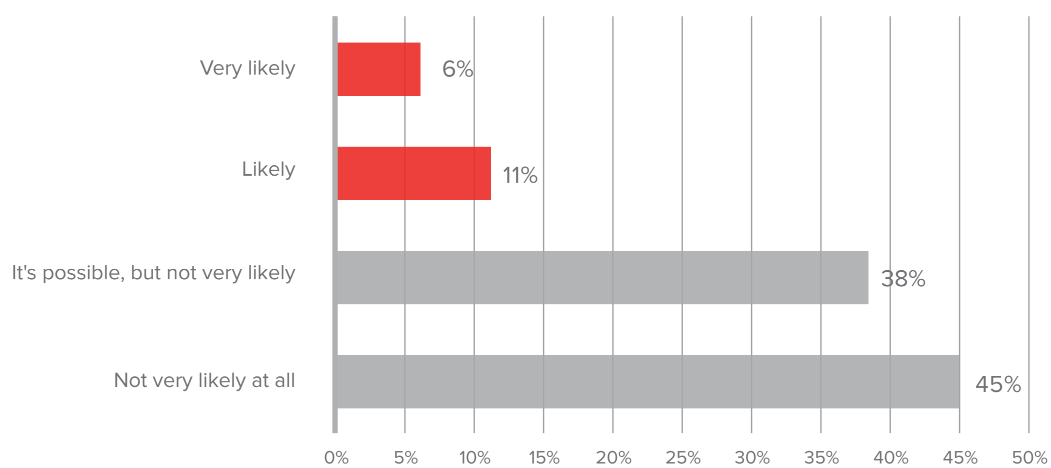
Finally, we asked consumers what would motivate them to adopt smart home technology. While conveniences such as automating lights ranked highly on the list of by over half of respondents (54%), the safety of family members was the biggest motivator of all (63%) for adopting a smarter home. This strong identification many have with smart home technology and home safety illustrates why many manufacturers in the smart home industry put a strong emphasis on the home safety and security features of their products.

Smart Home & Home Services: Answer for A Busy Life?

Smart home technology has always promised to make our lives easier, and while traditional applications such as automating lights and controlling your garage door may do just that, emerging technology such as smart locks promise to enable new ways to help busy adults juggle the demands of a busy lifestyle.

One of these ways is the ability to remotely allow certified professionals into your home via a smart lock powered front door. This capability is intriguing for those who use home services professionals such as housecleaners or dog walkers as a way to balance busy work and personal lives.

FIGURE 9: Likelihood of Allowing Certified Service Professionals Access To Home With Smart Phone Powered Smart Lock



We asked consumers if they would be interested in giving access to service professionals to their home with a smart lock and an app on their phone. While 28% of respondents said they were likely or extremely likely to do so, a slightly bigger number – 29% – said they were not sure. A slight reticence towards enabling access for service professionals shouldn't be surprising, as this is likely not something most consumers given much thought to yet.

It also turns out that comfort level depends heavily on the type of home service provider. The hired help that people feel comfortable giving a copy of their front door key to are unsurprisingly the same people they would feel comfortable letting in via a remote controlled smart lock. When asked to rank which home service providers they would be most comfortable letting into their home, housecleaners and dog walkers performed much better than package delivery or on-demand service delivery employee from a company like Instacart or Postmates.

Lessons Learned

Everyone Wants To Be Safe

Adoption of home security varies depending on a variety of factors such as home ownership and neighborhood, but everyone has the safety of their family in mind and wants to feel secure.

New Approaches Promise to Bring Security To More Homes

Advances in smart security and smart home technologies are showing consumers new ways to monitor their home. At the same time, service providers and device makers are embracing new technologies in the smart home to create new offerings that can reach a wider audience who previously opted out of the home security market.

Smart Home Innovation Promises to Help Manage Busy Lives in New Ways

New connected products such as smart locks and connected cameras are creating new approaches to juggle busy lives. While innovative approaches to traditional products such as home services take time for consumers to understand, over time the benefits of increased convenience often convince consumers to embrace new ways of doing things.

Appendix A: Gen X Leads the Way On Smart Home Adoption

Some consumers are already using smart home technology to make their lives easier. When we asked consumers whether they used smart home technology that allowed them to control and monitor devices such as lights, locks and video cameras from a phone, 12% of respondents said yes.

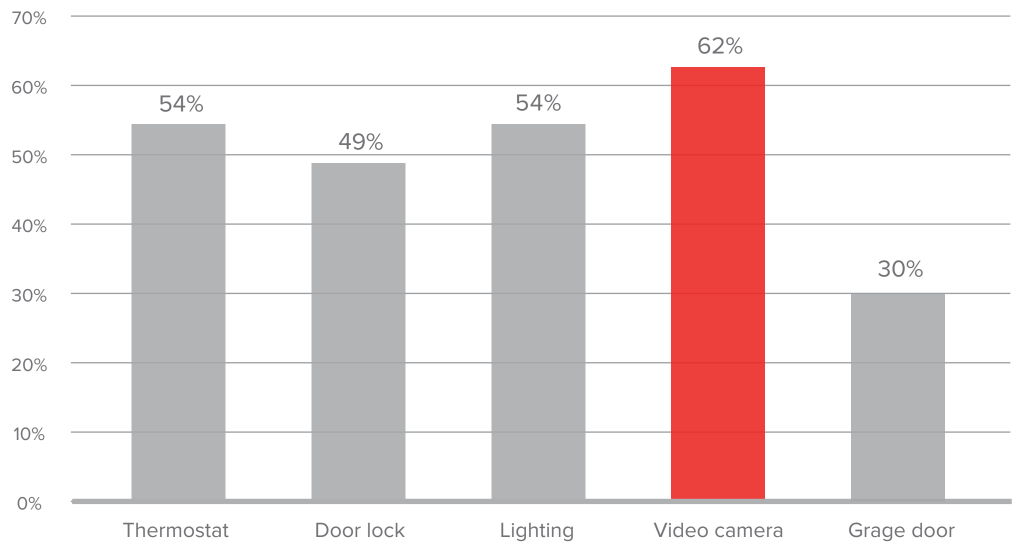
So who are these consumers and what types of smart home technologies do they use?

One of the biggest adopters of smart home technology today are those age 30-44. Nineteen percent (19%) within this age group use smart home products, a low adoption rate in isolation but nearly twice that of millennials (29 and younger) at just 10%. One likely reason for this is financial; those between 30 and 44 are typically in their peak earning years, while younger consumers may just be beginning their careers. However, given millennial natural affinity and comfort with technology, it's safe to assume this group will be one of the fastest growing smart home adopters in coming years.

Higher income consumers are also more likely to use smart home technology. Seventeen (17%) of those making $100,000- $125,000 indicate they use smart home technology, compared to about 6% to 7% of those who make between $10,000 - $75,000 per year.

What types of smart home technology are consumers using today? According to our survey, one of the most popular product categories for current adopters is Internet-connected cameras (62%), with over 6 in 10 smart home households using this technology. Lighting (54%), thermostats (54%) and smart locks (49%)also proved popular among our respondents, while app-controlled garage doors were one of the least popular choices at 3 in 10 smart home households.

FIGURE 10: Which Device Are You Most Interested in Controlling With Smartphone (Top Three Choices, by Percentage)



We also examined near-term purchase intentions. When asked if they were planning on adding a smart home product to their homes in the next 12 months, over 17% of respondents said it was likely or very likely. As with adoption of smart home products, those between 30 and 44 led the way on intended adoption, with 1 in 4 indicating they were planning on doing so in the next year. Men showed a slightly higher interest in adding smart home products over women in our survey (19% of men; 15% of women). And finally, high income consumers showed strong interest in adding smart home products to their lives, with almost 40% of those making over $200,000 planning to buy a smart home product over the next year.

But most interesting is the difference in purchase intentions of those in smart home households vs. non-smart home households. Over 56% of those with a smart home product indicate they plan on adding more over the next 12 months, while over 12% of those in non-smart home households say they plan on adding a smart home device in the coming year. While purchase intentions are not entirely accurate predictors of future behavior, this type of adoption of smart home technology by non-smart home households would double the overall market penetration for smart home technology in the coming year.

Appendix B: Who Uses Home Security Today?

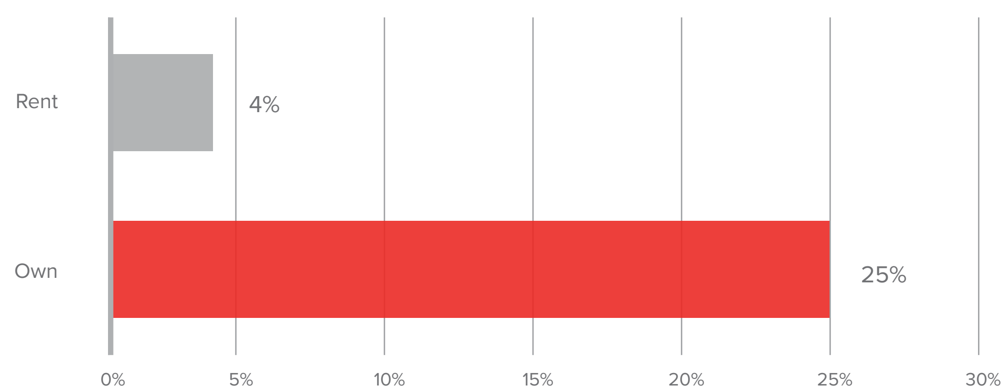
The Home Security Consumer: Homeowners, Older, Higher Income

Today's home security market is changing rapidly. While traditional features such as 24/7 call center monitoring continue to provide peace of mind to security customers, newer features such as smartphone control and video cameras promise to expand the market beyond the traditional home security consumer.

So who exactly is today's home security consumer? Our research shows that age is a strong indicator of monitored home security adoption. Nearly one in four (24%) of respondents over 60 have a home security service, compared with 18% of those 30 to 44 years old and 8% of those younger than 30.

Higher income consumers are also likely to subscribe to traditional home security. Nearly half of those making over $200,000 and one-third of those who make between $150,000 - $175,000 have a home security system installed, compared to just 11% of those who make between $50,000- $75,000 and 7% of those who make between $25,000 and $50,000.

FIGURE 11: Home Security Use, Segmented by Home Ownership



But the biggest indicator of home security adoption is home ownership. According to our research, homeowners are up to six times more likely to have a home security service as compared to renters, an unsurprising disparity given home security has traditionally involved an investment of time and money and been tailored towards long-term residents.

Today's home security consumer is also much more likely to live in a single family home, condominium or townhouse than in an apartment. 22% of those living in detached, single family homes currently have home security, compared with 18% of those in condos and 20% in townhouses. Our survey shows that just 2% of those live in apartments that include home security technology.

A person's perception of their own neighborhood's safety can also determine whether they are adopters of home security. If a respondent feels their neighborhood could 'be safer', there's a 25% likelihood they have home security, while if they view their neighborhood as 'very safe', there's only a 16% likelihood they have home security.

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