451 Research

VoCUL
VOICE OF THE CONNECTED USER LANDSCAPE

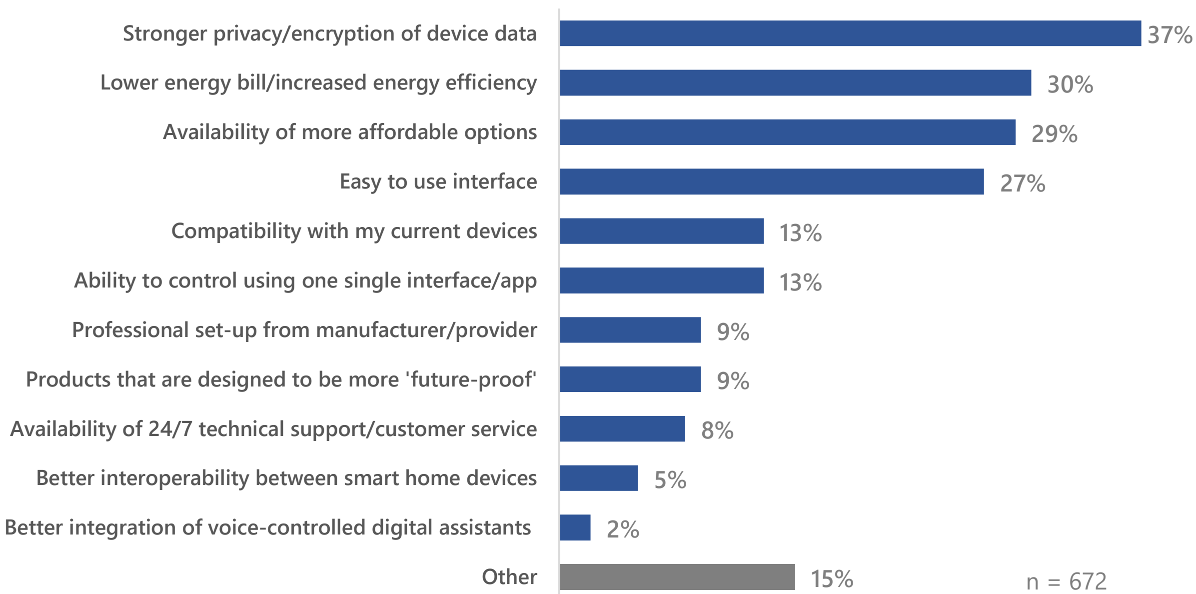
CONNECTED HOME REPORT | JANUARY 2018

Privacy Concerns Stifle Wider Smart Home Adoption

Executive Summary. Consumer adoption of smart home devices has grown at a steady pace over the past year, and continues to be driven by the early adopter population. Despite this steady stream of new consumers, persistent concerns over privacy and security of personal data collected by smart devices remains a major barrier to wider adoption.

Stronger Privacy/Encryption Could Be the Biggest Catalyst to Wider Adoption

Q. Which of the following factors - if any - would encourage you to purchase a smart home device? (Choose No More Than Three)



Completed in October 2017, *Voice of the Connected User Landscape's (VoCUL)* Smart Home survey polled 3,808 primarily North American respondents from 451 Research's *Leading Indicator* panel composed of a targeted group of business and tech professionals, as well as early adopter consumers. In addition to regular quarterly topics, this survey focuses on the nature and pace of smart home adoption as well as perceptions around privacy/security of data.

THE 451 TAKE

The smart home market is still very much in the hands of early adopters despite a steady growth in overall consumer interest during the past year. That overall device ownership is higher among respondents from VoCUL's *Leading Indicator* panel than a survey of general consumers is expected. What is surprising, however, is that two-thirds of *Leading Indicator* adopters still own at most two types of devices.

For these consumers, use of a pair of single-purpose devices like thermostats or cameras appears to be sufficient. Their buying plans however indicate higher aspirations – nearly a third plan on buying at least two additional devices in the future. Purchase intentions are higher among the super-adopter population (i.e., owns three or more devices), as more than half plan on adding two or more devices.

That said, just one in five non-adopters plan on buying their first device. Concerns over privacy and security of personal data continue to curb enthusiasm towards connected home products. Energy savings, more affordable options, and unified control/interface have all been touted as best ways to encourage adoption, but these factors rank behind privacy/security needs in the current polling. Survey respondents who don't own *and* have no plans to buy devices say stronger privacy safeguards and data encryption would go the furthest towards changing their opinions and purchase intentions.

Consumers, when faced with adoption of new technology, have always been willing to make trade-offs between privacy and convenience. Though roughly three in four smart home owners, including super-adopters, say personal data collected by their devices made them uneasy, their adoption behavior demonstrates that conveniences offered by smart home devices are often worth the trade-off.

As more affordable options become available in the marketplace, that convenience will be within reach for a broader base of consumers. But for wider adoption to become a reality, stakeholders not only need to better articulate the value proposition of connected devices, but also address concerns around collection, encryption and distribution of data from smart devices.

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RESEARCH METHODOLOGY

This report represents data collected across two waves of the 451 Research's *Leading Indicator* panel: the Q4 2017 wave, conducted October 3-23, 2017, and the Q3 2017 wave of the panel, conducted July 1-21, 2017. A total of 3,808 primarily North American respondents participated.

451 Research's *Leading Indicator* panel is composed of 25,000 accredited business and technology professionals – as well as early adopter consumers – working in companies across a range of industries. Individuals accepted as panel members have submitted applications for inclusion that identify them as having a high share of wallet towards personal technologies and a high readiness to try new products and services. The Leading Indicator report series captures consumer and business spending via weekly demand-side tracking surveys and delivers a continuous view of user perceptions and purchase activity as new products and services enter the market.

The *Leading Indicator* panel is a key component of 451 Research's **The Voice of the Connected User Landscape (VoCUL)** service, which uses a dual lens approach to monitor the impact of technology changes and product introductions on end-user purchasing and usage patterns.

Where the *Leading Indicator* panel makes up the first lens, the second lens uses an identical set of surveys across a US *Population Representative* sample to test how the trends translate in the mass market while also providing demographic segmentation views.

Together, the dual lens approach provides a unique and continuous view on buying behavior that provide insights on how well the early success of products and services will manifest among the larger population.

For all published VoCUL research reports, go to: **451's Voice of the Connected User Landscape**

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