



# 2023 Smart Home Technology & Market Trends

LANDMARK RESEARCH PROJECT

## EXECUTIVE SUMMARY



ASHB AND THE FOLLOWING ASHB MEMBERS FUNDED THIS RESEARCH PROJECT



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## **Introduction**

In support of ASHB's research and analysis of smart home opportunities, Harbor Research fielded a comprehensive survey on smart home technologies and trends. The 2023 Smart Home Technology Trends Survey includes feedback from over 800 consumers spanning the US and Canada. Our primary objective was to delve deep into residential renter and owner perceptions, preferences, and reservations regarding the adoption and usage of smart home technologies. The insights garnered from this study present a clear picture of the prevailing trends, challenges, and opportunities in the realm of AI integration, sustainability, and overall smart home evolution.

## **Summary of Findings for Smart Home Market Participants**

### **Smart Home Landscape Increasingly Influenced by AI and Data Analytics**

AI-driven features in home energy management and security systems excite more than half of the current smart home users. However, the embrace of such innovation is tempered by data privacy concerns and high costs. The crux lies in balancing "smart living" with "smart saving," where data analytics can both augment user experience and instill trust.

### **Integrated Product Strategy: Usability and Customer Service**

A balanced product strategy is essential, with 51% of consumers valuing robust features and 47% demanding user-friendly interfaces. A notable 27% also emphasize the role of customer service. Hence, a well-rounded customer experience—from acquisition to post-sales support—needs to be integral to a supplier's brand strategy.

### **Security and Energy Efficiency Drive Consumer Investment**

Investment focus remains high in security technologies and energy efficiency, with 52% and 39% of respondents planning to invest in them, respectively. The caveat is that sustainability, although important to 24% of respondents, must be balanced against additional costs for a broader market appeal.

### **ROI Metrics Focus on Financial Savings and Home Value**

Consumer focus is sharply tuned towards financial savings, cited by 63% of respondents as the leading ROI consideration. An additional 28% recognize increased property value as a significant ROI. Suppliers should thus focus on delivering and marketing products that explicitly cater to these ROI concerns for maximized market reach.

## Smart Home Technology Adoption Trends & Challenges

The smart home landscape, from a user experience and competitive lens, is intriguingly fragmented. The data suggests a multi-faceted adoption rate, where 72% of respondents have embraced some form of smart technology, leaving 26% as a yet untapped demographic. While there is a trend of organizing smart home ecosystems around hubs like Amazon Alexa or Google Home, this arrangement risks perpetuating isolated ecosystems that can thwart value creation in the long term due to channel choke points. The focus on sustainability is an emergent competitive differentiator but comes with its set of caveats.

Interestingly, while there's a drift towards organizing these technologies around popular hubs like Amazon Alexa or Google Home, this strategy might have a caveat. It's hinting at the birth of isolated ecosystems, which, if not bridged, could impede long-term value due to channel restrictions. Diving deeper into the reasons some remain hesitant to adopt smart technology, we find high device costs, unclear ROI, and looming data privacy concerns as the primary adoption barriers.

The smart home landscape showcases a distinct divide among consumers in their willingness to trade off data privacy for enhanced utility. A significant portion, roughly 30%, are somewhat at ease with sharing data when they see clear benefits from their smart devices. This group seems to tread a middle ground, recognizing the advantages of enhanced device functionality but also harboring reservations about data privacy. Additionally, a compelling 77% of potential adopters express willingness to welcome AI-driven solutions, but with a condition: they seek transparency, especially regarding how their data will be used. If the industry responds with value-driven education, it might significantly diminish the existing apprehensions around costs by underscoring tangible returns on investment. On the other hand, nearly a quarter of the respondents are firmly against sharing their data, putting privacy at the forefront of their concerns, irrespective of potential device performance enhancements.

Diving deeper into the perceived value derived from sharing data, it's evident that many consumers find merit in performance improvements. This suggests an inclination to provide data if it leads to a more efficient or superior device experience. Similarly, there's a notable interest in predictive maintenance, with users appreciating devices that can preemptively identify and rectify issues or suggest timely repairs. Energy consumption analysis also garners attention, indicating that users have a penchant for insights into their energy usage patterns, possibly aligning with a broader trend toward sustainability. Yet, a smaller segment is amenable to personalized advertising

based on their habits, hinting at a subsection that sees potential in receiving tailored marketing communications. Amidst these trends 23% of respondents are wary and skeptical about any form of data utilization. **This group underscores the need for technology companies to prioritize and champion transparency and segmented data utilization approaches to build trust and foster broader acceptance.**

Sustainability, another cornerstone of modern business strategies, casts its shadow here too. **A notable 60% assert the importance of sustainability, but this enthusiasm wanes when the topic shifts to investing in sustainability certifications.** However, 44% of smart home device users said that they would like to see real-time energy monitoring features in their homes, highlighting a potential bridge – a means to draw users towards sustainable choices if they're assured reasonable costs and data protection.

Age is more than just a number in this narrative. As millennials stake their claim as homeowners and older generations warm up to technological innovations, the demand for a diverse approach to marketing grows. A one-size-fits-all strategy won't cut it. **The need to understand varying demographics and cater to their unique needs, especially around cost and data privacy, becomes crucial.**

## **Conclusion**

The smart home landscape is marked by a robust enthusiasm for AI-driven features, counterbalanced by concerns over data security and high costs. While consumers value user-centric designs and post-purchase customer service, suppliers grapple with meeting security, energy efficiency, and after-sales expectations, all within budgetary confines. Notably, despite AI's allure, high device expenses, and data privacy fears deter many. Sustainability is gaining traction, but financial barriers remain. Interestingly, adoption patterns vary significantly across age groups, emphasizing the need for a diversified approach in the industry, anchored in clear communication and adaptability. Smart home market participants can leverage these insights and data to improve solution and market development strategies, tailoring their approaches to demographics and value propositions of interest.

For more information on the survey and related report, please visit ASHB's website at <https://www.ashb.com/>