



Protect the Connected Home: Home Security Meets Personal Privacy

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Protecting the Connected Home: Home Security Meets Personal Privacy

The home security market is evolving, and new solutions are helping to expand the market, creating opportunities for both traditional and DIY security service providers. These firms are seeking new ways to attract customers, build on their service revenues, and foster brand loyalty, and addressing personal privacy concerns as a function of home security represents a significant growth area.

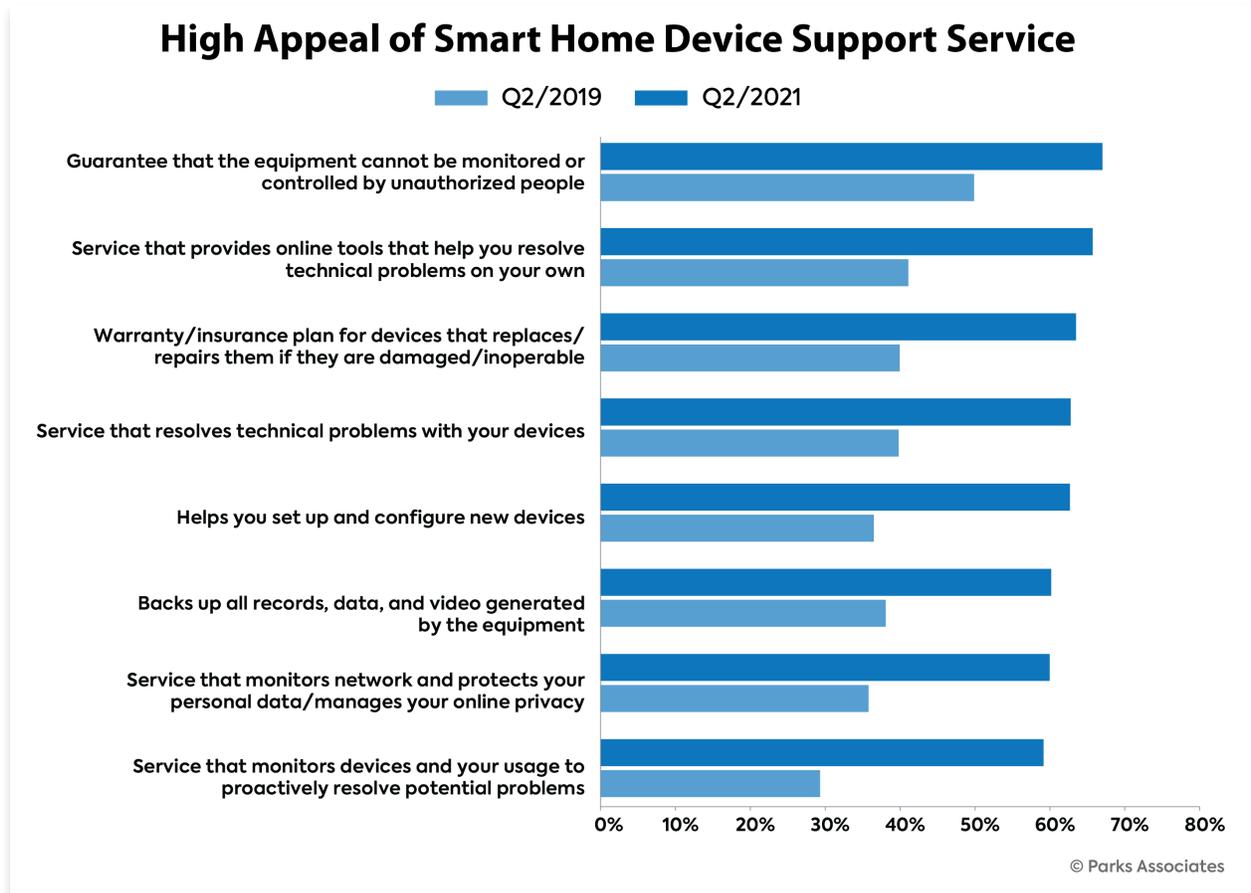
Since the pandemic, consumer and business demand for security solutions that offer peace of mind is higher than ever. Consumers want to know that their homes and families are safe from intruders and that their online identity and personal data – including video and audio captured by smart devices – are safe from prying eyes. News of hacks and unauthorized access to personal data continue to fuel consumer concerns about the vulnerability of connected devices and systems.

One of consumers' biggest fears is that their smart security devices will be hacked, turning their protection solution into a source of vulnerability. By offering data privacy services, security providers can keep their customers' connected devices secure and users safe – and encourage greater adoption of connected devices.

Home security firms are in a strong position to offer personal data privacy and security as an add-on service, much like broadband service providers. Home security owners have already assigned a significant level of trust to their providers to ensure the protection and monitoring of their homes, and protecting the digital aspects of home life naturally aligns with the core security value proposition.

Parks Associates' research finds most consumers (72%) are concerned with the security of their smart home products and their network.

This whitepaper investigates the expansion of peace-of-mind offerings to device protection services. As consumers' privacy concerns are a barrier to smart device adoption, home security providers can offer device protection and data privacy services, enabling them to leverage their skills, assets, and service relationships with customers.





Expansion of “Peace of Mind” Offerings: Protecting the Smart Home

New competition from internet service providers, tech giants, and smart home device manufacturers is growing, with innovation and increasing choices for security solutions helping to advance the market.

About one-third of US households have a security system in their home, and the vast majority have interactive services that include connected devices attached to the system.

Some consumer segments are shifting demand to less expensive DIY alternatives that forgo some added safety yet still feature a baseline of alerts and other security features. DIY benefits can include lower costs of purchase, installation, and ease of purchasing.

Still, many consumers are realizing that their households cannot be fully protected without a professional monitoring service that works in an integrated, complementary manner with DIY hardware.



36% of smart home device owners have difficulty getting software/apps to work properly



39% indicate challenges with getting devices to interact with other devices

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Additional support offerings for these devices will be important, particularly as consumers add more and more devices to their network. These add-on services will entice customers to see new value in monitoring contracts, add stickiness and satisfaction through a bundle, and strengthen brand loyalty.



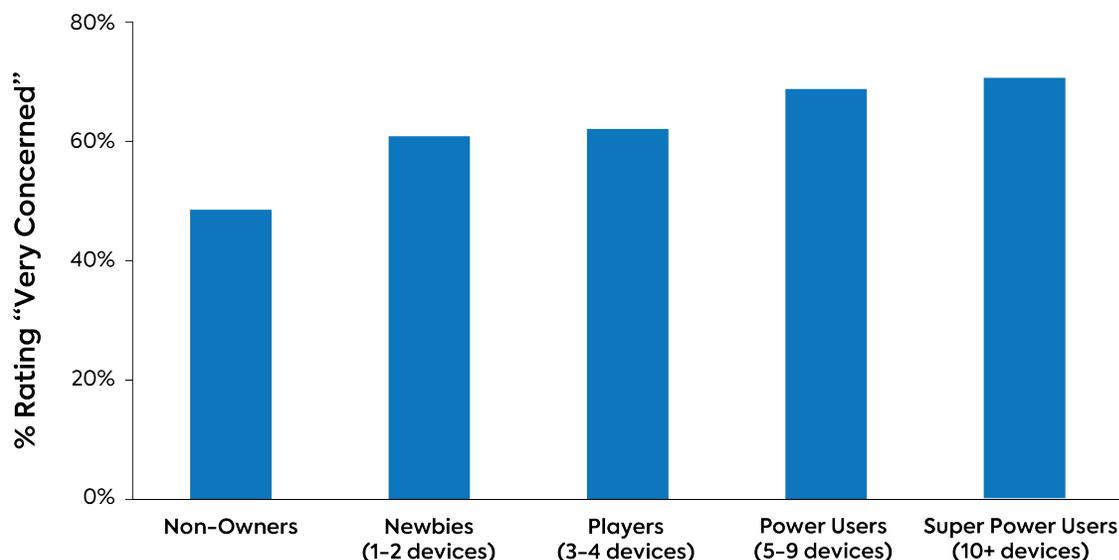
Data Security and Privacy: Critical for the Smart Home

Most consumers are concerned about data security. Roughly one-half have experienced data privacy and security problems. As device users add more products to their ecosystems, the threat of being victimized by acts of privacy invasion and/or hacking also goes up.

According to Parks Associates' consumer data, the average number of connected devices in the home is 16, and smart home device owners own an average of eight smart home devices. The growing adoption of these devices is increasing the level of concern and the number of problems experienced. Those with more smart home devices are more likely to be concerned about data privacy than others.

The growth of the connected device landscape brings with it new threats and vulnerabilities that emphasize the need for comprehensive security and device protection.

Concern About Personal Data Security by Smart Home Device Segments



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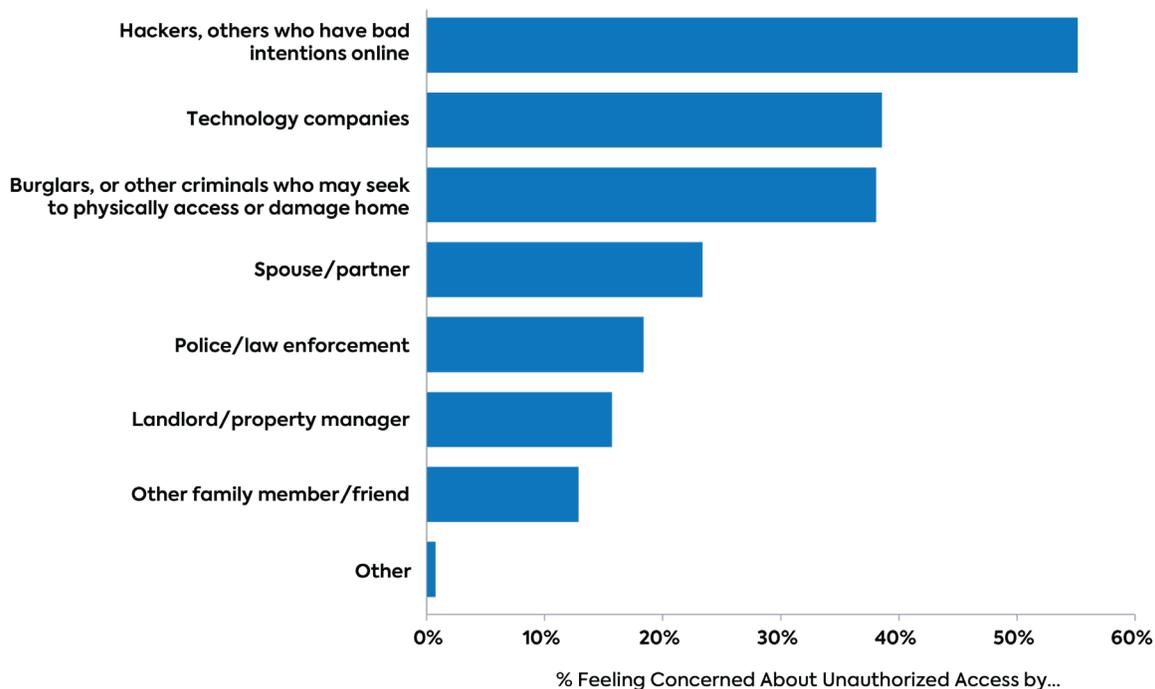
Privacy Concerns Act as Barrier to Smart Device Adoption

Privacy and security concerns and perceptions heavily influence connected device adoption. In many instances, concerns over data and privacy can serve as barriers to consumer purchase of devices. Parks Associates' data demonstrates that 25% of the market is hesitant to adopt technology because of data privacy concerns.

Cybersecurity and other holistic privacy protection features could be instrumental in motivating the "on-the-fence" customer to commit to a device purchase and/or monitoring subscription.

48% of "non-adopters" express concern regarding the security of their personal data, while 62% of consumers feel it is impossible to keep their data completely private.

Concerns About Unauthorized Access to Smart Home Products



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Connected Device Owners' Concerns Grow

The concerns over data invasion and security are not felt solely by prospective purchasers but carry over to current device users as well, impacting not only how they use their smart home devices, but also their propensity to purchase additional smart home devices.

- 49% of those with connected devices have experienced at least one data security or privacy problem, with almost 75% of households displaying concern or high concern about the presence of spyware/viruses on their smart devices.
- 72% of consumers are concerned/very concerned about the security of personal data collected and transmitted by devices as well as concerned/very concerned about someone gaining access or control of smart devices without permission.
- Among smart home device users, 55% of consumers are worried about hackers while 39% fear technology companies having unauthorized access. This continues to be a strong barrier for adoption and one that industry players must address, as fear of privacy violations from legitimate entities has been persistent among consumers. Only 37% of consumers trust the companies that have access to their personal data.

Building Trust in the Smart Home

The continued uncertainty surrounding the safety and privacy of connected devices and their associated data has led to increased interest in add-on security services for smart/connected devices.

These add-on services are applicable in both residential and commercial settings that make use of smart devices. Residential customers see the value of increased protection and privacy in their home, while commercial customers (whether businesses and/or property managers) can augment the security of the devices in their businesses as well as the overall commercial space.

Industry data suggest security providers are not currently leveraging this interest in add-on cybersecurity services — only 21% of security companies that offer pro monitoring say they are likely to add cybersecurity services within the next year.

67% of consumers report interest in a cybersecurity add-on from their security provider that guarantees their equipment cannot be monitored or controlled by unauthorized people.



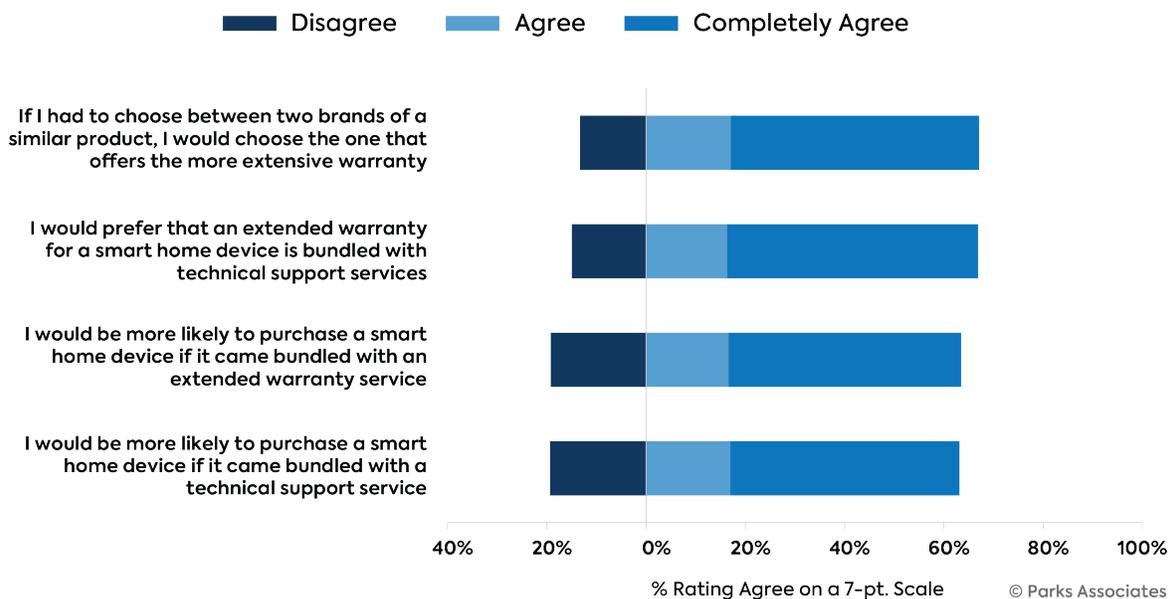


Expanding Beyond Premise Security: Building Loyalty and Services

Pro monitoring companies also have a unique opportunity to offer warranty add-on services alongside their available products and services. Smart device owners are interested in warranties for their connected devices as add-on services in addition to support services. In Q2 2022, 42% of respondents stated that they had purchased an extended warranty/device protection service of some kind, up 15% from Q2 2019. Additionally, 49% of consumers stated that if they had to choose between similar products offered by different brands, they would select the one that offered a warranty.

Parks Associates shows 48% of consumers desire to have warranty services bundled with technical support services for their smart products. Overall, the use of extended warranty and subscription support services among CE device owners has increased substantially in the last twelve months.

Attitudes Towards Technical Support Service vs. Extended Warranty Service



Growing Interest in Warranty and Device Protection

The use of subscription support and extended warranty has also increased substantially among smart home device owners in the last year.

As of Q2 2021, 23% of smart home device users utilize an extended warranty/support service, up from just 6% in Q2 2019. Smart home device owners are also contacting their support service providers more frequently than their CE counterparts when problems arise.

Smart home device owners contacted their support providers 2.8 times on average during the 2021 calendar year, compared to CE owners, who averaged 2.2 times.

While CE users are better able to resolve issues before contacting their service provider compared to smart device owners, CE users are also using support services at a higher rate than in previous years and having more contact before an issue is resolved.

In 2021, 33% of US internet households subscribed to a support plan for a CE device, compared to 16% in 2019.

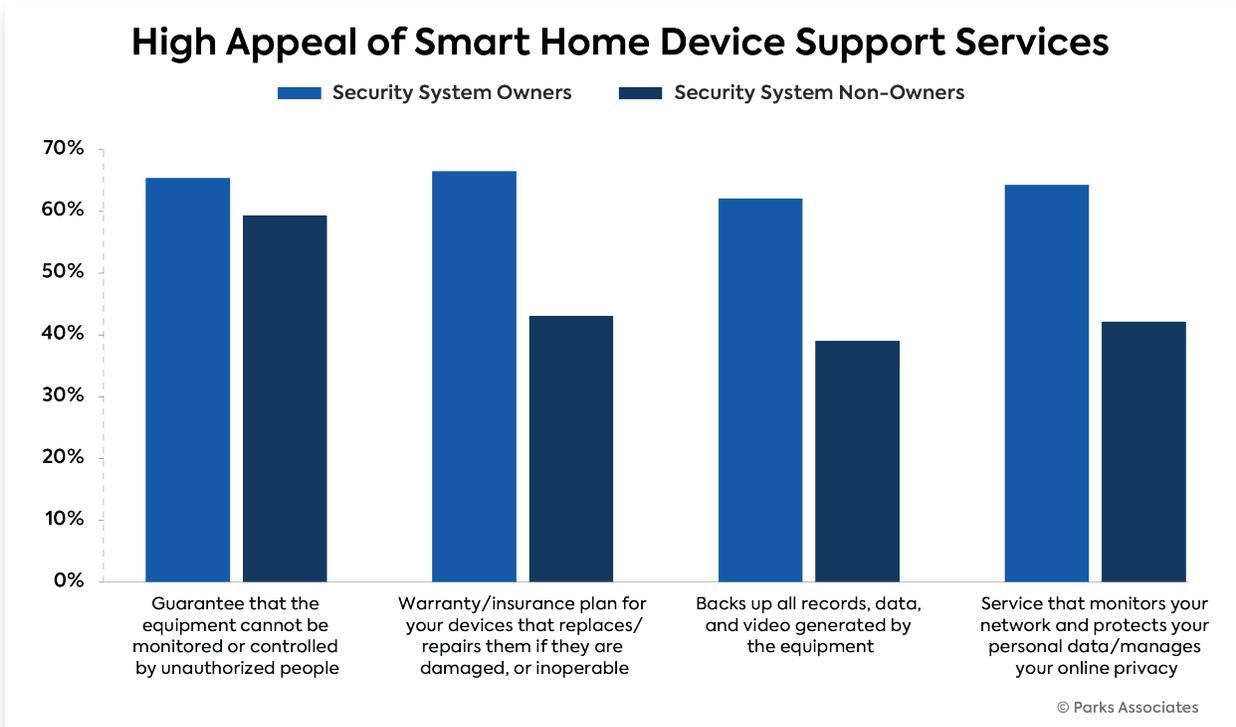
In 2021, support subscribers used the service an average of four times in 12 months, compared to 2.7 in 2019, and had to contact the service an average of 2.2 times before the issue was resolved, compared to 1.5 in 2019.

Support services are especially desirable for smart home users.

In 2022, 63% of smart home device users reported interest in a warranty/insurance plan that replaces or repairs devices in the event of damage or non-function versus 40% of smart device owners interested in such services in 2019.

Warranty and device protection services are even more attractive to security system owners. Parks Associates' consumer data shows 59% of security system owners would choose a brand that offers an extended warranty service over a similar brand/product that does not. Smart home device support services are also highly valuable to security system owners, with 62% of owners showing interest in a service that backs up all data, video, and records generated by the smart equipment.

67% of security system owners are interested in a warranty service that replaces or repairs damaged or otherwise inoperable devices.



Consumer needs for support and warranty services are increasing. As additional devices are purchased and installed in the home, the likelihood of operational or privacy issues arising will increase. Security providers can leverage consumer interest in these services while also offering service(s) that could give them a competitive advantage against other tech giants/device makers.

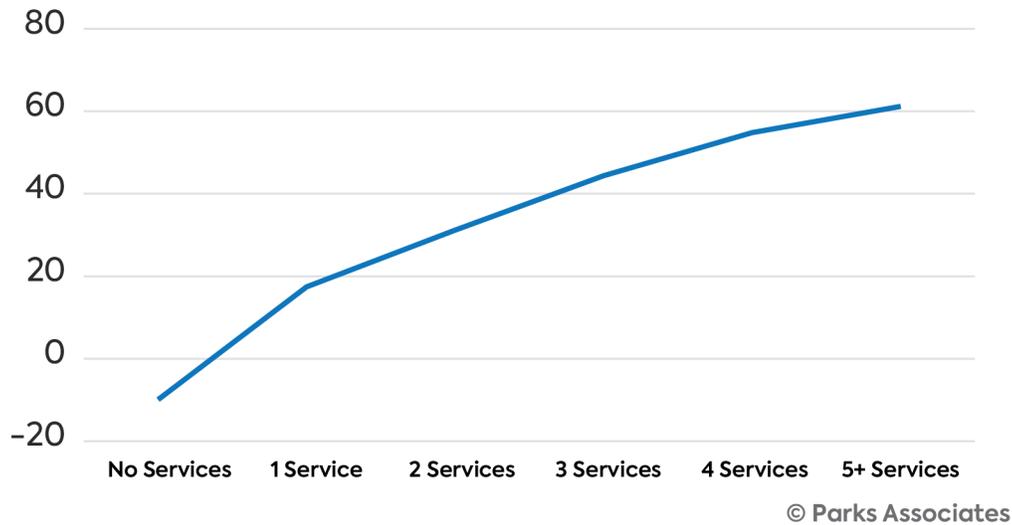
Strengthening Brand with Bundled “Peace of Mind” Services

With an increasingly competitive market, all security providers are seeking ways to enhance customer loyalty and reduce churn.

Parks Associates research finds that when it comes to home services, the larger the bundle of value-added services, the better the customer relationship. In the adjacent home internet service market, internet service providers face their own competitive pressures from new mobile carrier entrants and the demise of the traditional internet + pay-TV bundle. Increasingly, market-leading ISPs offer customers new value-added services, from bundled streaming video services, to smart adaptive Wi-Fi services, parental controls, and premium technical support. Half of US internet households receive at least one of these new types of value-added services from their provider.

Notably, the more services received, the higher Net Promoter Score (NPS) the subscriber gives to their provider.

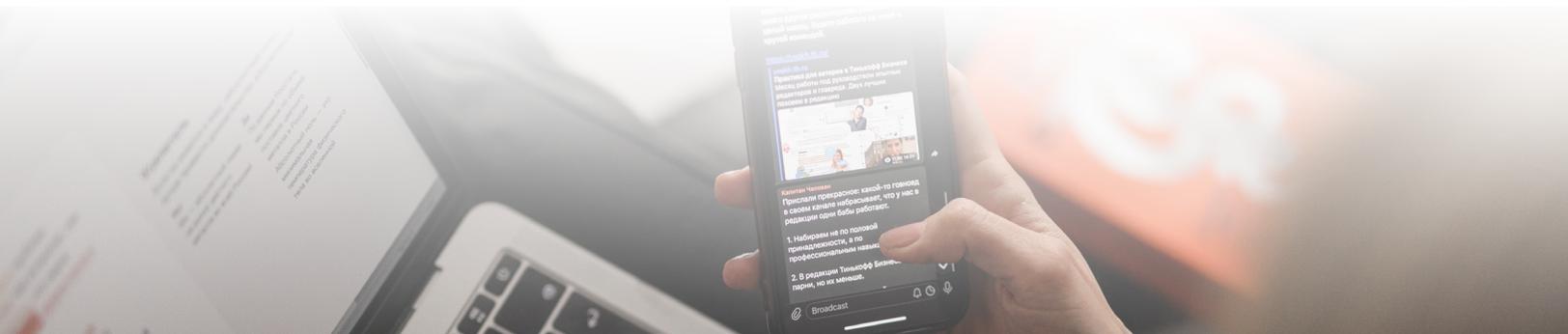
Net Promoter Score of Broadband Service Providers by Number of Value-Added Subscriptions



Security providers have a similar opportunity to add to the value of their service package by expanding beyond monitoring into other service elements that also deliver on the core “peace of mind” value proposition, including self-monitoring alerts, video storage, premium technical support, warranties, and data privacy solutions.

Enhancing Reliability with Product Protection

Smart home companies offer solutions that consumers opt to purchase in lieu of security devices and systems. Today, professional monitoring companies face more competition from tech giants and other device makers than ever before, especially as service and subscription costs remain higher. While smart home device makers can position their products as more convenient and affordable, security providers should aim to focus on comprehensive security, both for the home the system is used in, as well as the devices comprising the security bundle. The connected home is only as reliable as the devices operating within it. Consumers desire peace of mind that their devices are working as intended and that they are not being accessed by unwelcome parties, whether that access comes from malware or big tech.



Future-proofing Services

As smart home and security devices continue to grow in adoption and use, issues concerning warranty and data security will continue to arise. Security system users desire peace of mind and assurance that their devices will operate seamlessly and securely. Device warranty and privacy protection are valuable add-on services that will bolster confidence in both potential and existing users of smart security systems and devices.

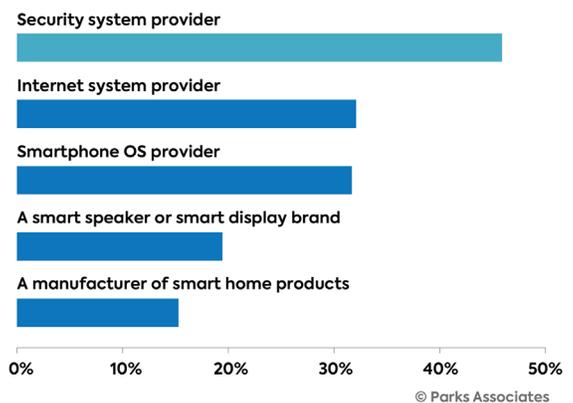
Consumers associate security providers with trust, and this is a critical advantage to have as consumers look for service providers. They trust security providers to keep their homes and families safe, and this sense of trust extends to the protection of their personal data. Parks Associates tested smart home device owners' interest in using a single unified app to control all smart home devices. Trust is the top reason smart home device owners select a home security provider as their preferred provider of a unified smart home app.

41% of those who select a security provider as their preferred unified app provider selected "I trust them with my data" versus just 25% of those who selected a smart home device manufacturer as their preferred unified app provider.

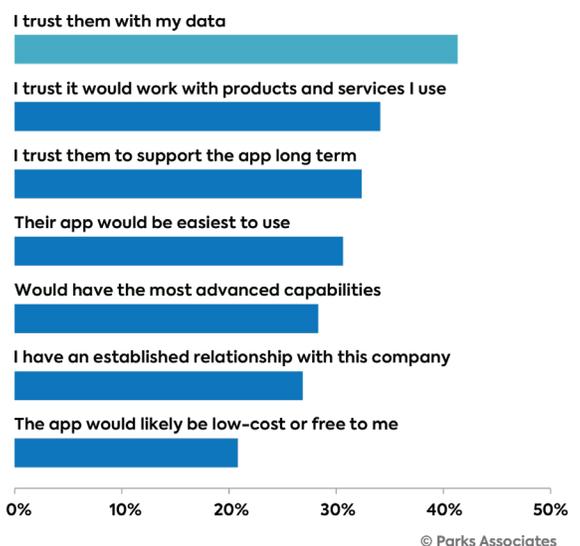
The level of trust that existing users have in their security provider is a strong indicator that add-on services will boost brand loyalty and overall adoption. Professional monitoring companies that offer warranty and privacy protections are broadening their offerings and growth opportunities, while still delivering on the peace-of-mind services consistent with security providers' core value proposition and extending the value of the professional services they already provide.

Trustworthy Company to Access and Manage App Data

US Internet Households Interested in a Single Unified Smart Home Control App



Reasons for Choosing Security Provider as Preferred Smart Home Unified App Provider



Concept



Capitalize on the growing smart home market while addressing the technological needs of your customers.



Insight

The average smart home has 15 connected devices. And consumers are spending an average of \$1,600 upfront for their protection plans. Yet, customers are still struggling to get the full value out of their devices and their warranty plans.

72%

report major frustration with their connected products



74%

have experienced technical challenges in the past year



36%

of smart device owners haven't connected their products simply because they don't know how¹



Solution

Help your customers outsmart their smart home with a monthly plan that covers their connected devices.



UNLIMITED TECH SUPPORT | 99% resolution rate

Help with virtually any smart home issue via live chat in the app or a call with a live agent



HASSLE-FREE PROTECTION | Accidental damage, mechanical breakdown coverage

Protect new and existing devices against accidents, breaks, surges and more



ONE EASY PLAN | Covers unlimited devices for the whole family

Get their smart home devices connected and protected for one low monthly payment

Value

You'll turn the smart home into the simple home for your customers.



BETTER CUSTOMER EXPERIENCE

- Your customers choose how they want to be served
- Seamless support and services make it easy to stay connected
- High rate of success means a high rate of satisfaction



STRONGER CUSTOMER RELATIONSHIPS

- Help your customers make the most of their connected home
- Be the single solution for multiple pain points
- Expand your impact with a complementary solution



MORE REVENUE

- Generous benefit structure adds a source of ancillary revenue
- Capitalize on the \$16B+ market opportunity for protection and support
- Increase loyalty and reduce churn

MULTIPLE DEVICES • ONE SOLUTION • ZERO HEADACHES

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 Assurant



www.assurant.com

Assurant, Inc. (NYSE: AIZ) is a leading global business services company that supports, protects and connects major consumer purchases. A Fortune 500 company with a presence in 21 countries, Assurant supports the advancement of the connected world by partnering with the world's leading brands to develop innovative solutions and to deliver an enhanced customer experience through mobile device solutions, extended service contracts, vehicle protection services, renters insurance, lender-placed insurance products and other specialty products.

About the Authors



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Jennifer manages the research department and Parks Associates' process for producing high-quality, relevant, and meaningful research. Jennifer also leads and advises on syndicated and custom research projects across all connected consumer verticals and guides questionnaire development for Parks Associates' extensive consumer analytics survey program. Jennifer is a certified focus group moderator, with training from the Burke Institute.

Jennifer earned her PhD in religion, politics, and society and an MA in church-state studies from Baylor University. She earned her BA in politics from the Catholic University of America in Washington, DC.



Frank Saldaña, Analyst, Parks Associates

Frank Saldaña is on the Parks Associates research team and is currently working on a variety of projects, including syndicated deliverables such as the Smart Home Tracker. Frank graduated from Tulane University in New Orleans, Louisiana, with a degree in Political Economy.

ATTRIBUTION

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RESEARCH & ANALYSIS

for Emerging Consumer Technologies

With over 35 years of experience, Parks Associates is committed to helping our clients with reliable and insightful consumer and industry research.



Smart Home Devices and Platforms



Digital Media and Platforms



Home Networks



Digital Health



Support Services



Entertainment & Video Services



Consumer Electronics



Energy Management



Home Control Systems



Home Security