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FOR WHAT COMES NEXT

The State of the Connected Home | 2023

Smart Solutions, Savvy Consumers: Embracing Connected Home Tech during a Cost of Living Crisis

June 2023

Contents

1.Overview

Welcome to the seventh edition of our annual State of the Connected Home report. Every year we survey a nationally representative sample of 1,000 adults across the UK to understand their levels of familiarity with smart and connected home products, their current ownership of such devices, how they interact with them, and their interest in adopting further connected home devices in future.

Our research with consumers is also informed by GfK Market Intelligence data from consumer-facing retailers to provide a comprehensive perspective on the current state of the market. This year's report is based on sales data from April 2022 to March 2023 and consumer attitudes drawn from fieldwork, primarily a survey conducted in April 2023. We extend our gratitude to GfK for their continued partnership and support for this project.

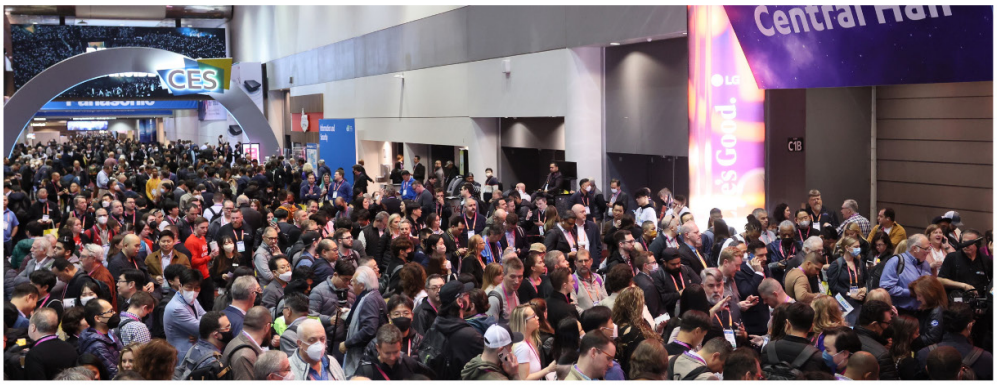
Overall, the UK connected home market is performing robustly despite challenging macro-economic headwinds and low consumer confidence. While total sales have seen a decline of approximately 2%, ownership levels across the various product categories are catching up to familiarity levels, which hover around 80%. This slight decline in sales of connected products for the home should be understood within the context of declining sales for home devices more generally – total sales in the

same categories are down by 7% when both connected and non-connected devices are taken into account. The UK connected home market continues to comfortably outperform pre-pandemic figures, suggesting a more lasting uplift in consumer interest in connected home devices.

This year's research has identified a growing group of consumers that we call 'advanced adopters', i.e. consumers who own more than three connected home devices. This group represents an increasingly large minority in the UK connected home market. Advanced adopters are typically very positive about the devices they own, and they are more likely to report high levels of satisfaction with their connected home products. They are also more likely to say that they will spend more on smart home devices in the future. We continue to see strong levels of growth in some of the newer connected home technologies such as smart doorbells, smart detectors, smart thermostats, smart lighting, and connected alarm systems, suggesting that an even greater proportion of consumers will soon fall into this advanced adopter category.

While we generally aim to keep questions consistent across editions to enable year-on-year comparisons, we do include some new questions in response to key emerging themes. Given the current cost of living crisis and the increasing cost of energy bills, we have introduced questions in our survey to understand how consumers perceive connected home devices in relation to energy saving.

The results reveal an interesting trend, as many consumers expect to save on energy bills as a result of investing in connected home products. As energy prices rise, the expected 'payback period' where savings exceed the initial cost of the device gets shorter. This means that consumers are increasingly motivated to invest in energy-saving smart home products, as they see it as a way to reduce their energy bills over time. High energy prices are accelerating changes in consumer behaviour that also support the longer-term need to use energy more sustainably as part of the net zero transition. Several reports have shown that consumers are incorporating sustainability into their buying decisions and device sustainability is now factored in to many review sites. As such, we anticipate that energy-saving features will become an even more important consideration for consumers when selecting new connected home devices.



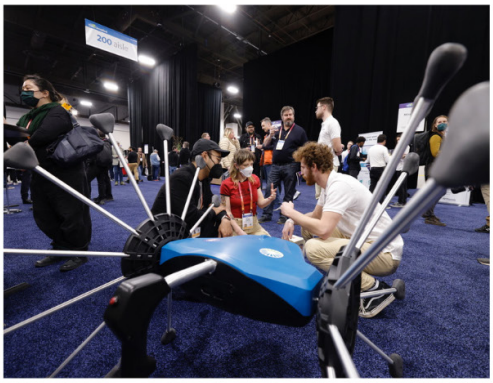




Photo credits: Consumer Technology Association

techUK @ CES 2023!

techUK was this year back at CES, the world's largest global consumer electronics and consumer technology trade show, to learn about the most exciting smart and connected home innovations that are being created by companies around the world. This annual trade show, held in Las Vegas, provides first-hand experience of the ways in which products that are newly on or soon to hit the UK market have the potential to make our daily lives more convenient, efficient, secure, and cost-effective.

In the **Smart Entertainment** segment, a very high proportion of new televisions are 'smart' / 'connected', and this sector remains the largest driver of value in the smart home market. LG performed very well in this year's innovation awards lists, particularly for a new Signature OLED TV that is the first in the world to receive all of its audio and video wirelessly, providing users with easier installation, better circular economy benefits, and more design freedom.

Samsung have been doing some very interesting things to make use of the television's central role within the home and apply this to the healthcare space. Some of their newest range includes a new TV-based health monitoring service that is capable of detecting a user's heart rate, heart rate variability, respiratory rate, oxygen saturation, and stress index. Should medical assessment be required, the Samsung Telemedicine app can help users to describe their symptoms, find available doctors, and facilitate large-screen telemedicine appointments via videoconferencing.

In the **Smart Security & Control** space we saw a lot of efforts to integrate artificial intelligence into devices - while connected cameras and detection monitoring systems have been around for a number of years, the newest models are capable of distinguishing between 'routine' and 'non-routine' events within the home and are therefore able to reduce the number of false alarms. Smart locks continues to be a popular category with improvements to aesthetic design and greater automation through connectivity to phones, smart tags, or facial recognition.

Highlights in the **Smart Health Monitors** domain include intelligent air quality monitors and shower filters that can evaluate water quality, as well as smart mattresses capable of optimising temperature and resistance to improve sleep quality. Some of the more innovative products we saw on the floor include a smart baby monitor capable of 'interpreting' a baby's cries to communicate its needs, and a 'urinalysis' device that can monitor a range of health metrics from the toilet bowl.

Smart Energy & Lighting devices also featured prominently, and again a major theme here is building machine learning into connected devices. We experienced home lighting systems capable of learning individual preferences and routines over time, and similar capabilities being rolled out across heating devices and smart blind shades in order to optimise energy performance without impacting the user experience. This theme continued into the **Smart Domestic Appliance** domain, where Samsung unveiled an intelligent washing machine that optimises washing performance for each load by automatically detecting fabric type and soil levels and adjusting wash time and detergent amount as needed.

2. The Connected Home Market in 2023

Consistent with previous years, our report covers five major product categories for connected home technologies: smart domestic appliances, entertainment devices, energy and lighting systems, health monitors, and home security apparatus.

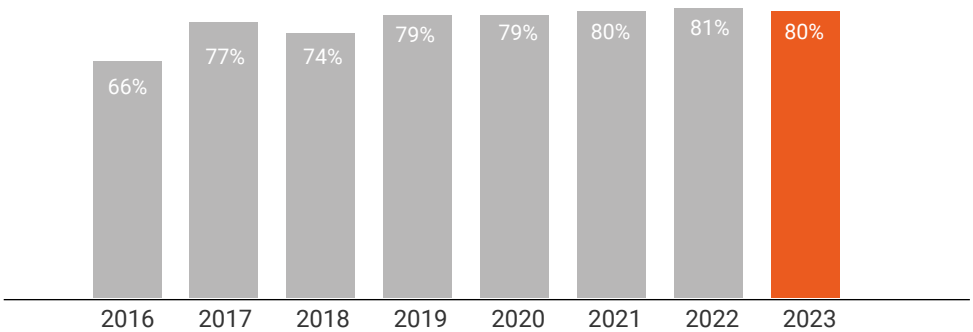
Survey coverage: product list for 2023

Smart Domestic Appliances	• Smart kettle/smart coffee maker • Smart refrigerator • Smart washing machine • Smart oven/hobs
Smart Entertainment	• Smart speakers (e.g. Google Home/Amazon Echo) • Smart TV
Smart Energy & Lighting	• Smart thermostat • Smart plugs • Energy management service/app • Smart lighting (smart lamps)
Smart Health Monitors	• Smart monitor for specific health conditions • Smart fitness & activity tracker • Smart connected scales • Smart connected toothbrush
Smart Security & Control	• Smart/connected alarm system • Motion camera sensors for external doors/windows • Internal cameras for baby, pets or security • Smart access control (digital keys) • Smart doorbell • Smart detectors (for smoke and gas leak)

2.1 Consumer awareness of connected home technology

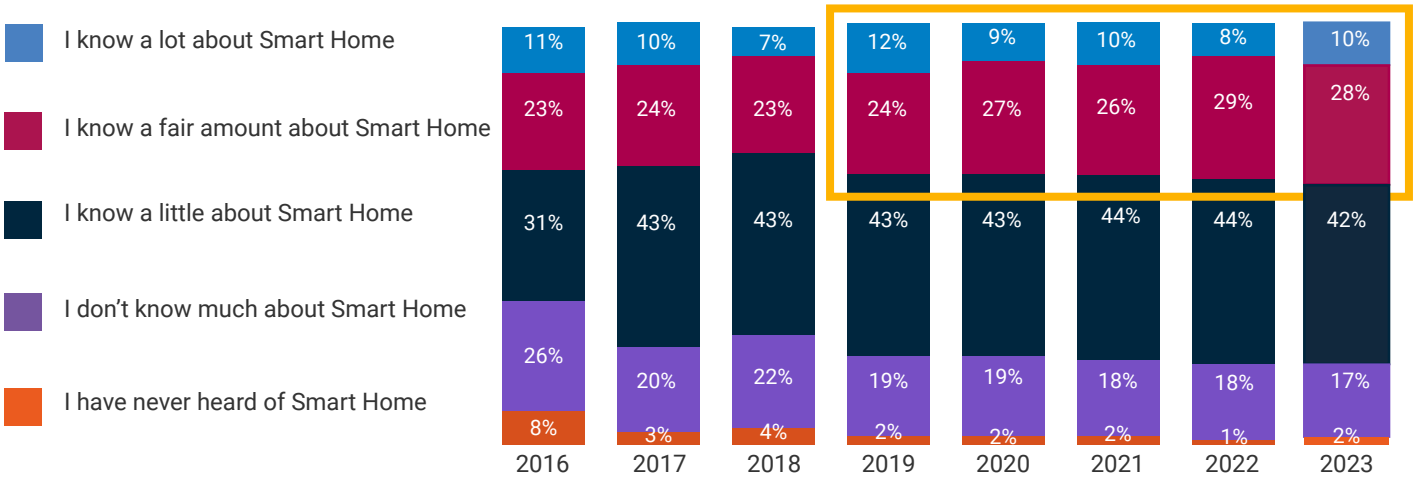
Our survey results suggest that the proportion of the general population familiar with ‘connected home’ or ‘smart home’ technology has plateaued. After a period of growth from 66% in 2016 to 79% in 2019, driven in part by rapid growth in smart speaker adoption during those years, we have now seen consistently over the past five years that around 4 out of 5 people in the UK have some knowledge of the product categories covered by the survey. This figure can reasonably be expected to increase further in future as ‘digital native’ generations come to represent greater proportions of the overall population, however the lack of progress with the unfamiliar 20% over the last half decade suggests this will be a slow transition.

Familiarity has been consistent over the last few years, with 4 in 5 people having some knowledge on smart homes.



This being the case, we do see steady and continued growth in the percentage of consumers that feel that they know ‘a lot’ or ‘a fair amount’ about smart home technology. We have seen 1% increments in this segment in both 2022 and 2023, and this figure now sits at 38%.

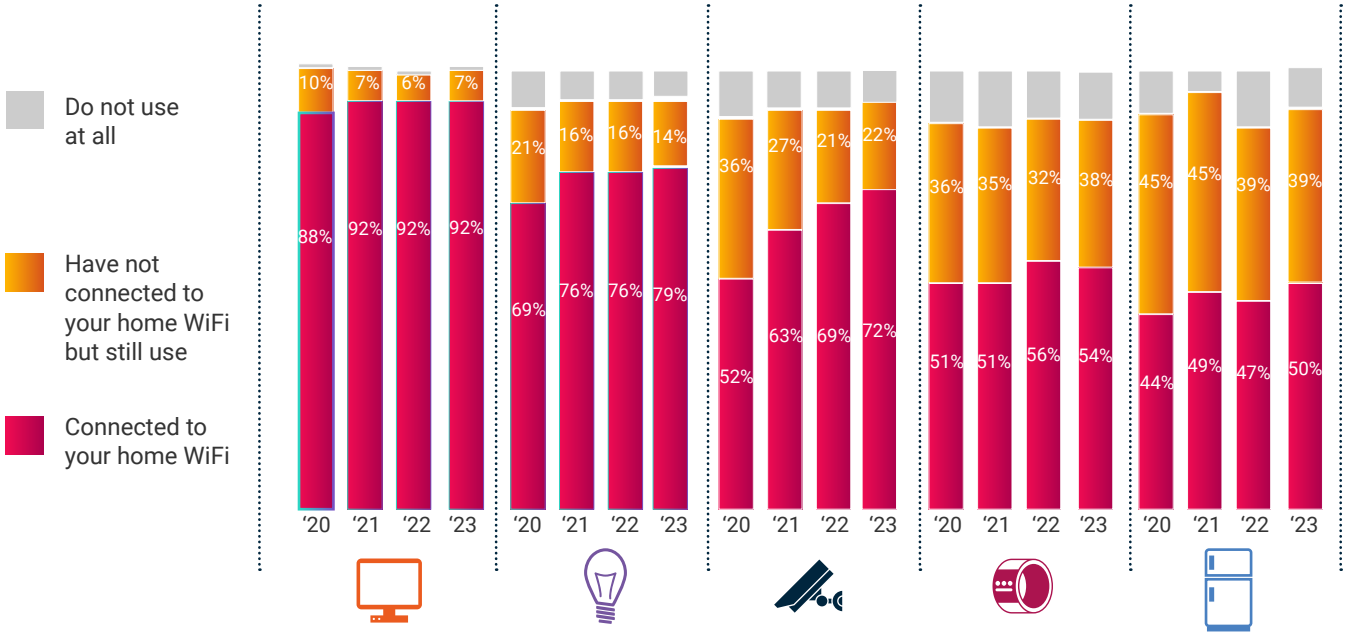
More than a third of consumers feel they know a lot/a fair amount about smart home technology – continuing to creep upwards



Consistent with the growing proportion of consumers that are becoming more knowledgeable about connected home technology, we have seen quite significant levels of growth in the proportion of connected devices that are being connected and controlled via WiFi. 79% of those who own smart energy & lighting devices now connect to home networks (compared to 69% in 2020). Over the same period, this figure has grown from 52% to 72% for smart security devices, and from 44% to 50% for smart domestic appliances.

One area where there is no real growth in the proportion of owners connecting their smart devices to WiFi is wearables and health devices, which we believe is related to the increasing roll-out of smartwatches with 4G and 5G capabilities.

This year we see further increases in smart products being connected to WiFi, except for a drop in wearables / health devices, possibly related to smart watch 5G connectivity.



Taking these three data points together, the survey results suggest that gains in connected home sales are more likely to come from offering additional functionalities and enhanced utility to existing users as they become more familiar with new types of connected home devices, though there remain untapped opportunities in converting non-users into first-time users.

2.2 Adoption levels

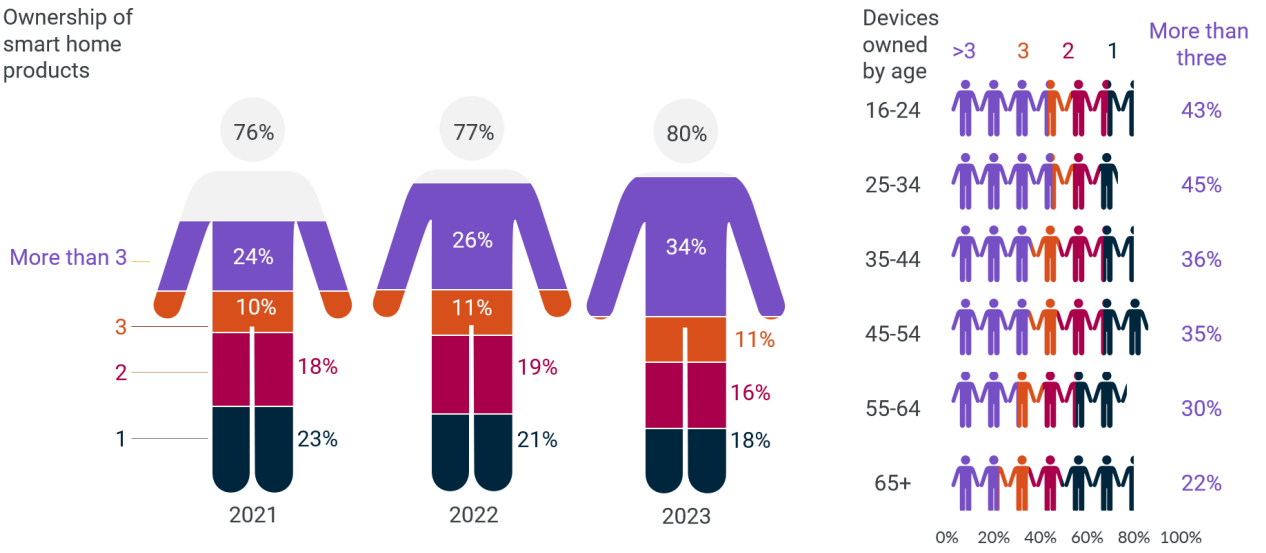
While the proportion of people who are familiar with connected home technology has been relatively consistent over the past few years, this year's survey has found considerable growth in actual adoption levels.

The total percentage of UK adults that own at least one connected home device now sits at 80%, a full 3 percentage points higher than our 2022 edition. As the connected home market matures, adoption levels have risen to meet familiarity levels which have sat at around 4 out of 5 for several years. This suggests that there is a time lag between people first becoming familiar with connected home tech and then ultimately purchasing their first connected home device.

Significant growth in the number of 'advanced adopters' is one of the key findings from this year's survey. 'Advanced adopters' are defined as people that own more than 3 connected home devices. This year's survey found an impressive increase in the proportion of 'advanced adopters' from 26% in 2022 to 34% in 2023. This is double the 2020 figure, which was just 17%.

This growth can also be attributed in part to increasing familiarity levels, as people are more likely to be aware that products they purchase have connected capabilities. This is supported by a strong correlation between growth in the number of people who believe that they know 'a lot' or 'a fair amount' about smart home technology and growth in the proportion of 'advanced adopters'. However, as will be seen below, we also believe that the increasing cost of energy and users' understanding of how connected home technology can help to manage or reduce consumption may also be a driving factor.

4 in 5 consumers own at least one smart home product, and a third own more than 3 – rising to more than 40% of under 35s.



Adoption of any connected home device shows relatively little differentiation across age groups– all age groups sit close to the 80% average, with slight increases at the 45-54 range (perhaps due to greater economic resources), and a reduction at the 25-34 range which could be due to this age group having left their parents' households but investing less in connected tech as fewer of them own their own homes.

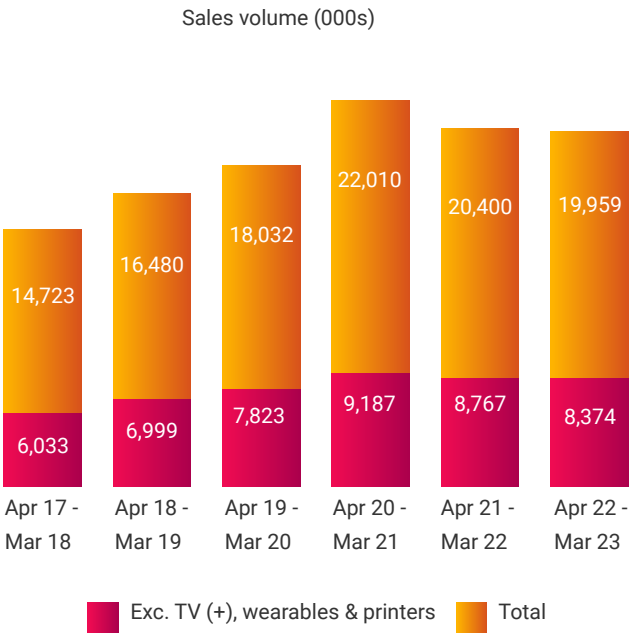
However, there is much clearer variation when looking at the number of devices owned across age groups. Where 34% of UK adults say they own more than 3 devices, this is over 40% for those aged 16-34 and only 22% for people aged 65+. Much of the overall growth in 'advanced adopters' has come from these younger age groups.

Proportion of 'advanced adopters' within age groups

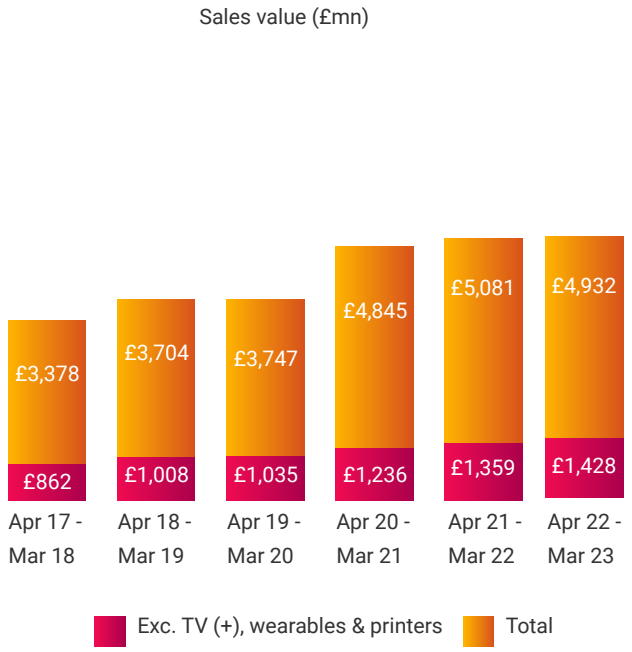
Age Group	2022	2023	Growth
16-24	26%	43%	+17%
25-34	28%	45%	+17%
35-44	36%	36%	-
45-54	25%	35%	+10%
55-65	24%	30%	+6%
65+	18%	22%	+4%

2.3 Size of the market

In addition to our consumer survey, each year we are able to assess the overall size of the UK connected home market through GfK's points of sales tracking data, which captures all of the main business-to-consumer (B2C) retail channels.



Total volume down ~2% year-on-year; down 4% for the narrower definition exc. consumer electricals, printers & wearables



Total value down 3% year-on-year; but up 5% for the narrower definition

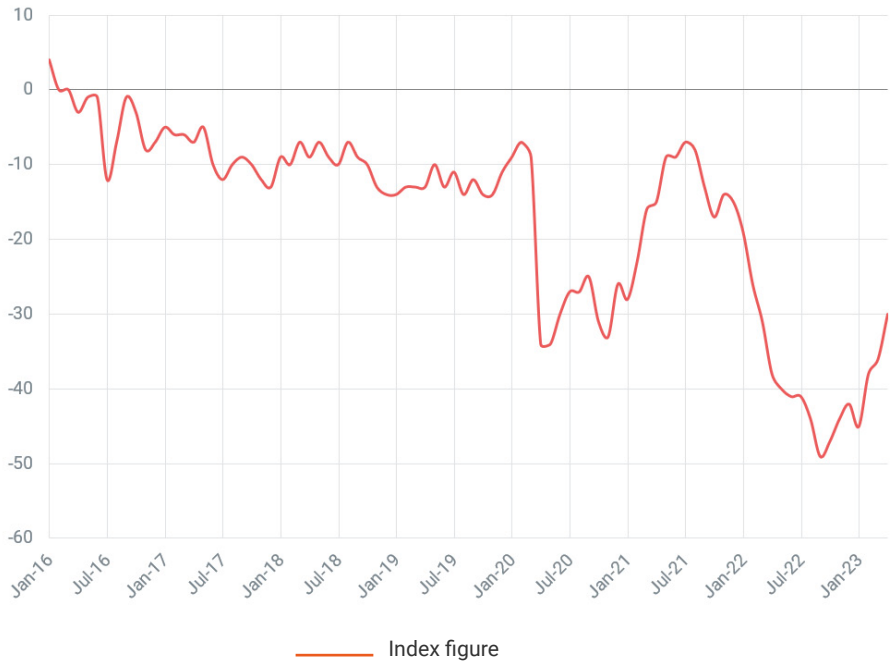
Sales figures captured between April 2022 and March 2023 suggest that the total volume of sales has declined by around 2% year-on-year, dropping below 20 million units. Similarly the total value of sales has fallen by approximately 3% from £5.08bn in the period ending March 2022 to £4.93bn for that in March 2023.

Breakdown of UK Connected Home Sales (2023) by Sub-Category:

	Volume (unit sales)	Value (£)
Entertainment	41%	58%
Domestic Appliances	9%	17%
Health	18%	12%
Other	*11%*	*7%*
Security & Control	15%	5%
Energy	5%	1%
Grand Total	19.96m	£4.93bn

Reduced sales figures are no surprise given the challenging economic climate, with historically low levels of consumer confidence throughout this period culminating in the lowest ever Consumer Confidence Index (CCI) score for British consumers in September 2022.

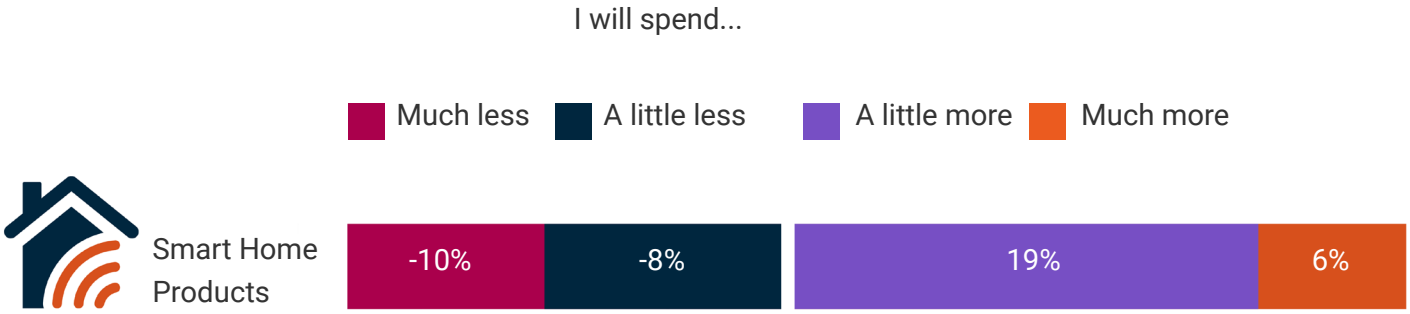
Consumer confidence was at all-time low levels through much of 2022, but has partially rebounded despite erosion in real incomes



This being the case, the latest market value figures remain considerably higher than the size of the market in 2018 and 2019. This does provide some cause for optimism for those interested in the UK connected home market - while the rapid year-on-year growth rates triggered by the pandemic and lockdowns have now entirely subsided, there appears to be sufficient consumer demand to generate sales that consistently outperform pre-Covid levels.

Looking forward, our survey also asks consumers to project how much they think they will spend on smart & connected home devices over the coming 12 months, and the findings are broadly positive. 25% of consumers expect to spend more than last year on smart devices, and this figure increases to 40% among 'advanced adopters'. Only 18% of consumers expect to spend less on smart home devices next year.

1 in 4 say they will spend more than last year on smart devices.



For those that expect to spend more next year, 55% of them are advanced adopters that already own more than 3 devices. This group also skews towards younger age groups, is disproportionately male, and is more likely to have signed up to subscription services to enhance the connected device experience.

2.4 Product categories

In our 2022 edition we were excited to see device ownership data suggesting that the UK's connected home market was developing beyond the initial market drivers (smart TVs and smart speakers) towards a much wider range of connected home devices.

Intriguingly, this year's figures suggest a continuation and indeed an acceleration of this trend towards product diversification, despite the slight reduction in overall sales figures. Whereas sales figures are based on year-on-year comparisons of discreet time periods, our measure of ownership among product categories is cumulative (i.e. if somebody purchased a smart device in 2020 and still owns it today, this would count towards the 2023 ownership figures for that device).

We see strong levels of growth in reported ownership across a majority of the connected home products covered in the survey. While smart TVs and smart speakers continue their consistent upwards trends, this year saw some surprising star performers:

+8%

smart doorbells

+6%

smart detectors

+4%

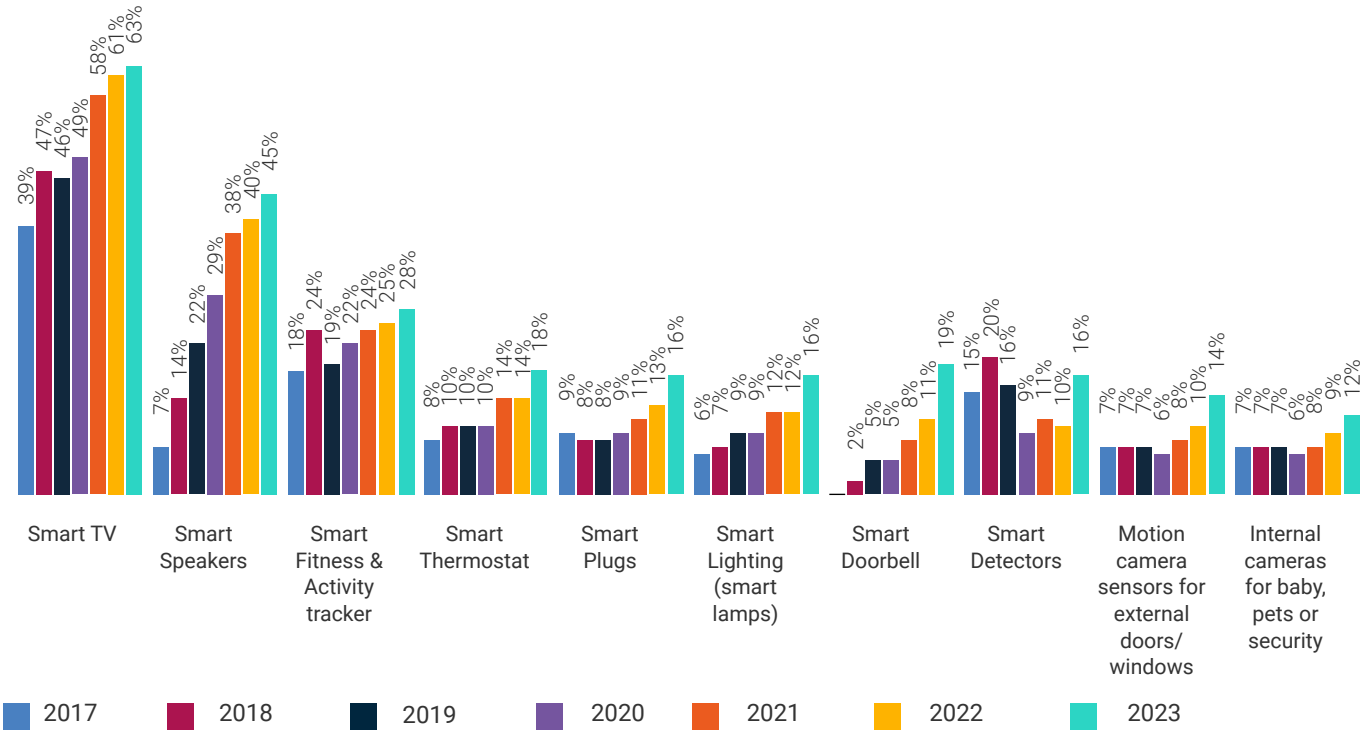
smart thermostats, smart lighting, connected alarm systems

+3%

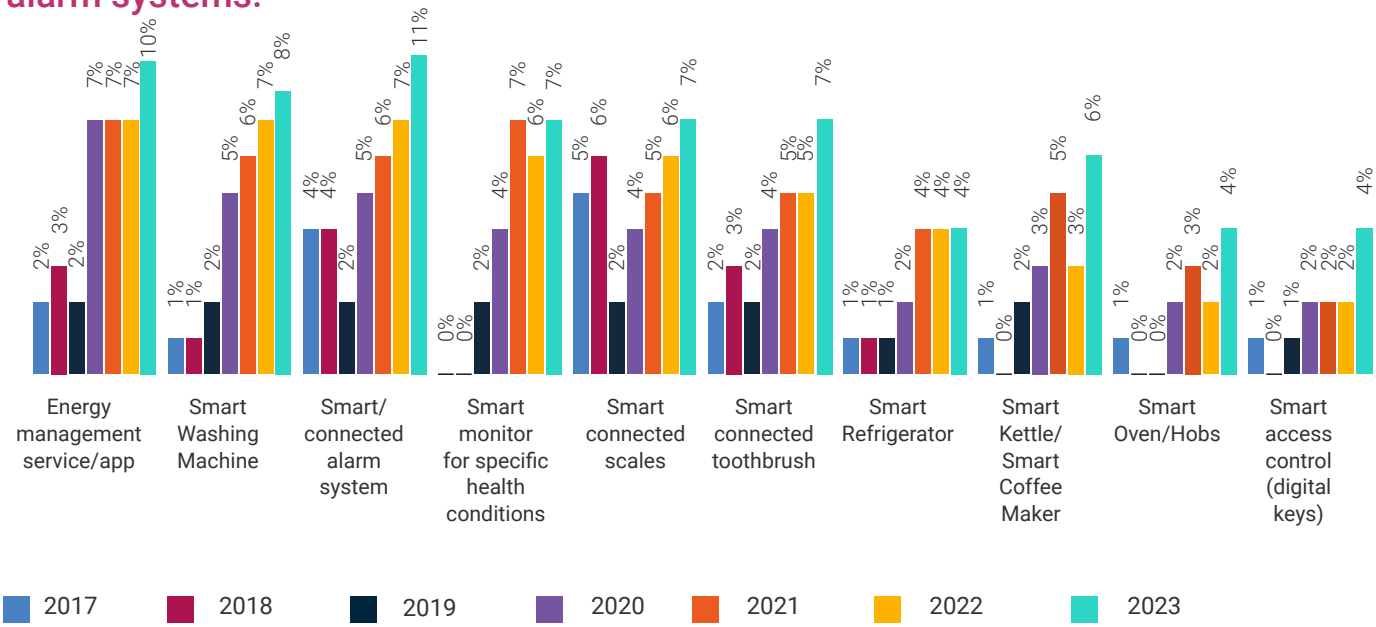
smart wearables, smart plugs, internal cameras, energy management apps, and smart kettles

Over the coming years we expect these product categories to continue to increase in popularity and come to represent a larger proportion of the overall size of the UK connected home market.

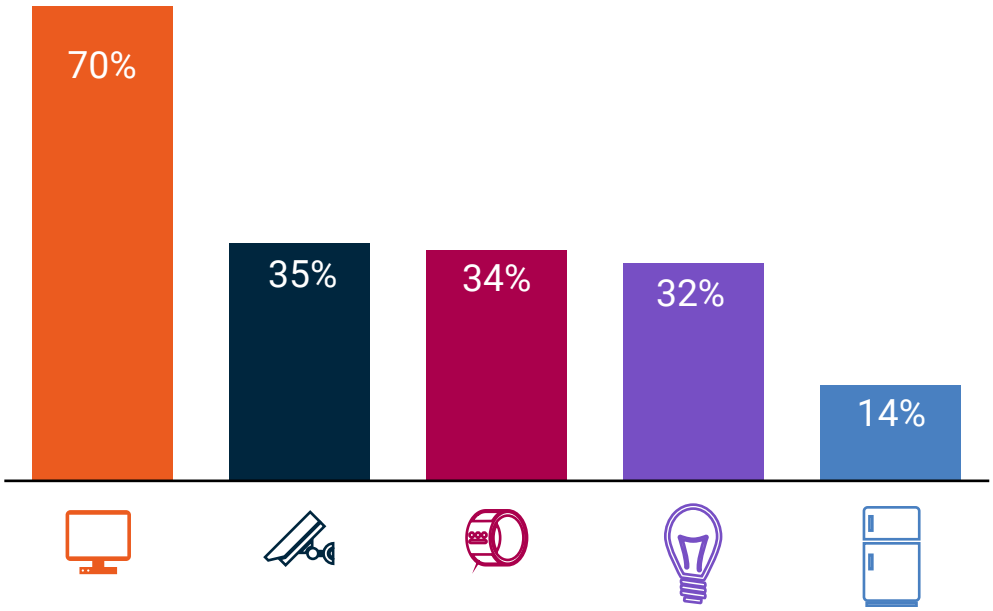
Smart TVs and speakers continue their consistent upward trends, whilst the past year shows a large rise in uptake of smart doorbells.



Further growth across a number of other categories, with some sharper increases in energy management apps and smart kettles, as well as connected alarm systems.

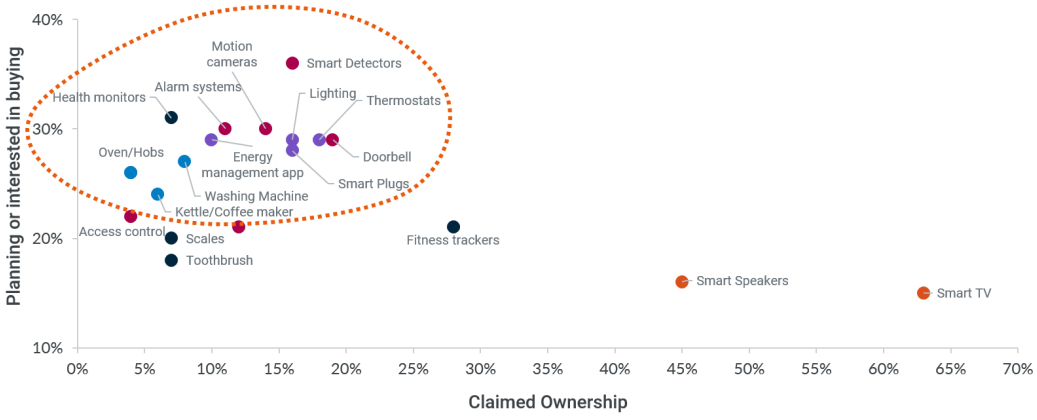


Taken overall, the following proportions of consumers claim to own at least one device in each category:



Our survey asked consumers to identify product categories that they either use or are interested in using. As can be seen in the graph below, smart speakers and smart TVs scored highly on ownership levels, and therefore lower on future purchase intent. A high number of consumers are interested in purchasing smart security and energy management devices, and to a slightly lesser extent smart domestic appliances. This level of interest in these product categories is consistent with the picture that we've seen over the last few years, and suggests that there is plenty of potential for further growth if vendors are able to activate consumer purchase intent.

Smart security and energy management remain of high interest to consumers



As the UK's connected home market matures, we anticipate that consumers may consider taking out subscription plans encompassing connected home devices alongside supporting services and software to deliver a more holistic user experience. This year we introduced a new question into the survey that asked consumers:

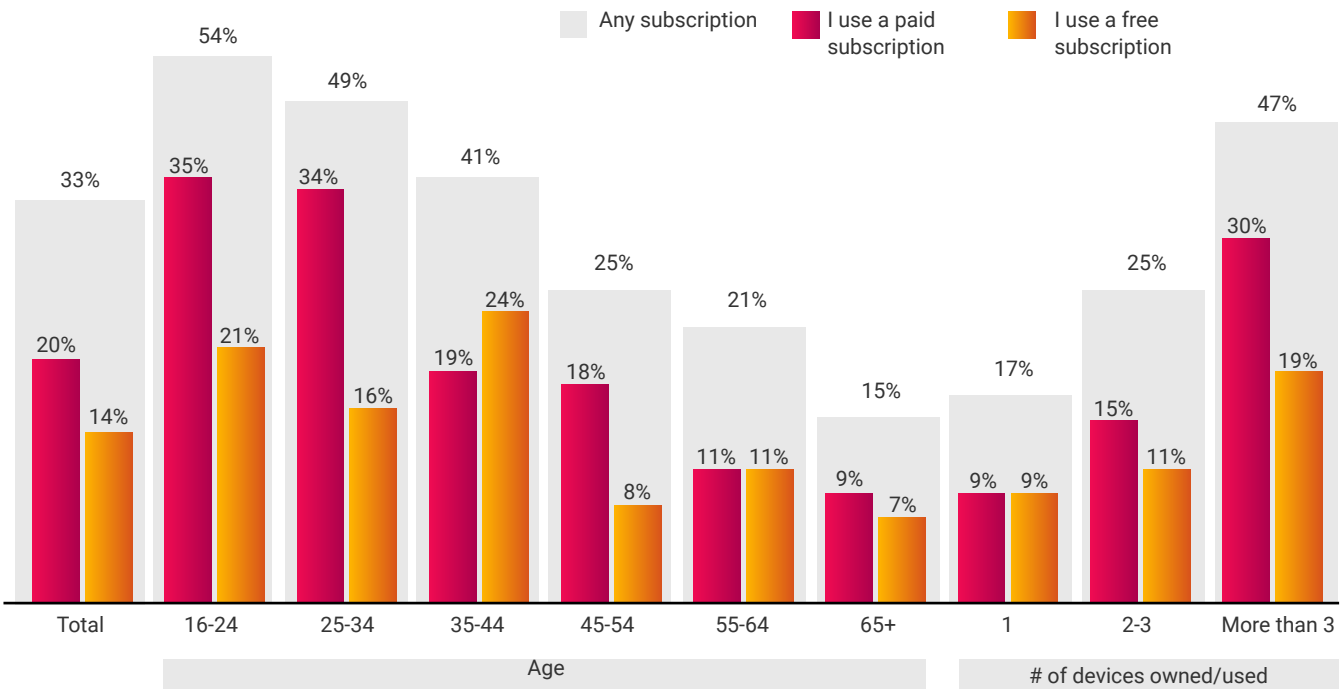
Do you use a subscription-based service to access additional features of your smart products?
(e.g., to look at security camera footage remotely, to store data securely, to turn appliances on/off, to receive phone alerts, to activate facial recognition or to control a speaker remotely)

Please select from:

- *Yes, I use a paid subscription*
- *Yes, I use a free subscription*
- *No, I do not use any subscriptions for my smart products*

Overall, we found that around 1 in 5 people are using paid subscription services alongside their connected home devices. Perhaps unsurprisingly, this figure is higher among advanced adopters, sitting at around 30%, representing a significant potential market for companies offering services relating to connected home devices. We also note that younger people (aged between 16 and 34) are much more likely to be willing to pay for subscription services.

1 in 3 connected device owners say they use subscription services, with 1 in 5 doing so on a paid basis



Case study: Octopus Energy's 'Zero Bills' proposition helps consumers save by removing energy bill costs

Our homes and the way in which they're being designed is changing for the better. They're becoming smarter, and greener, and consumers are able to understand their energy usage and how they can reduce their bills – and carbon footprint.

Homes are starting to look different too – be it by using more sustainable materials or installing solar panels – and architects and developers are realising the importance of involving green technologies as much as possible; the UK Government's 2025 Future Homes Standard* requires all newbuild homes to be highly energy efficient and use low carbon heating.

Octopus Energy's 'Zero Bills' is a world-first smart proposition that allows customers to move into homes which are fully kitted out with green energy technology – including solar panels, home batteries and heat pumps. The tariff means homebuyers and tenants moving into a 'Zero Bills' accredited home pay no energy bills for five years, guaranteed.

Octopus is calling on all housing developers to join its ‘Zero Bills’ revolution. The company assesses developers’ eligibility for the ‘Zero Bills’ accreditation via its proprietary assessment model. To be eligible, new developments will need solar panels, home batteries, and heat pumps (or other forms of electrified heating). Many newbuild homes are already fitted with these clean energy technology solutions as standard.

Once approved, Octopus will integrate the low carbon devices with its proprietary Kraken technology to optimise its energy consumption and deliver a zero bill.

Electrification is the key to a smarter home, greener grid and a better protected planet.

This smart proposition isn’t just beneficial for the homeowner. Excess green energy is able to be imported back to the grid. Renewable energy generation means we don’t need to rely on fossil fuels.

All of these are ways in which we can drive down costs for consumers, smarten the grid and use green energy as much as possible.

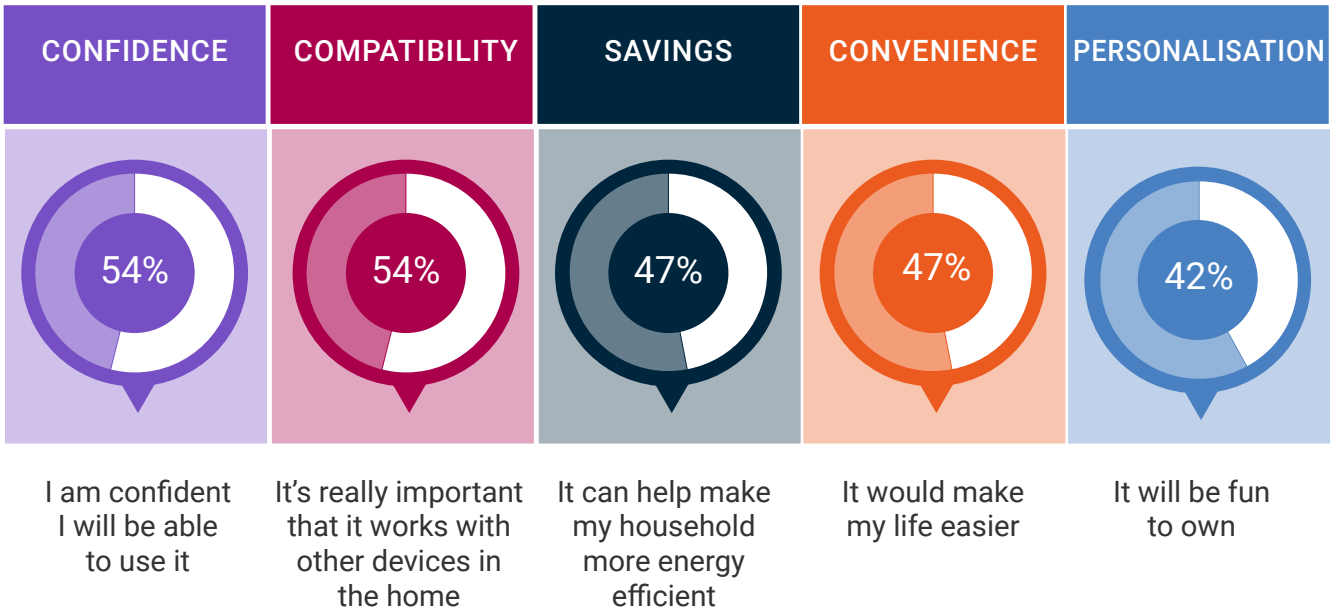
Octopus Energy’s ‘Zero Bills’ proposition represents a significant step forward in the fight against climate change – with residential heating representing around 13% of the EU and UK’s total carbon emissions.**

* Future Homes Standard
** Energy Conversion and Management – February 2023

2.5 Adoption drivers and barriers to adoption

Companies looking to market connected home devices in the UK will be interested in the key adoption drivers that consumers reported. These key benefits that drive British consumers to purchase connected home devices have remained relatively consistent over time.

Ensuring understanding and cross-device compatibility are equally key to uptake.



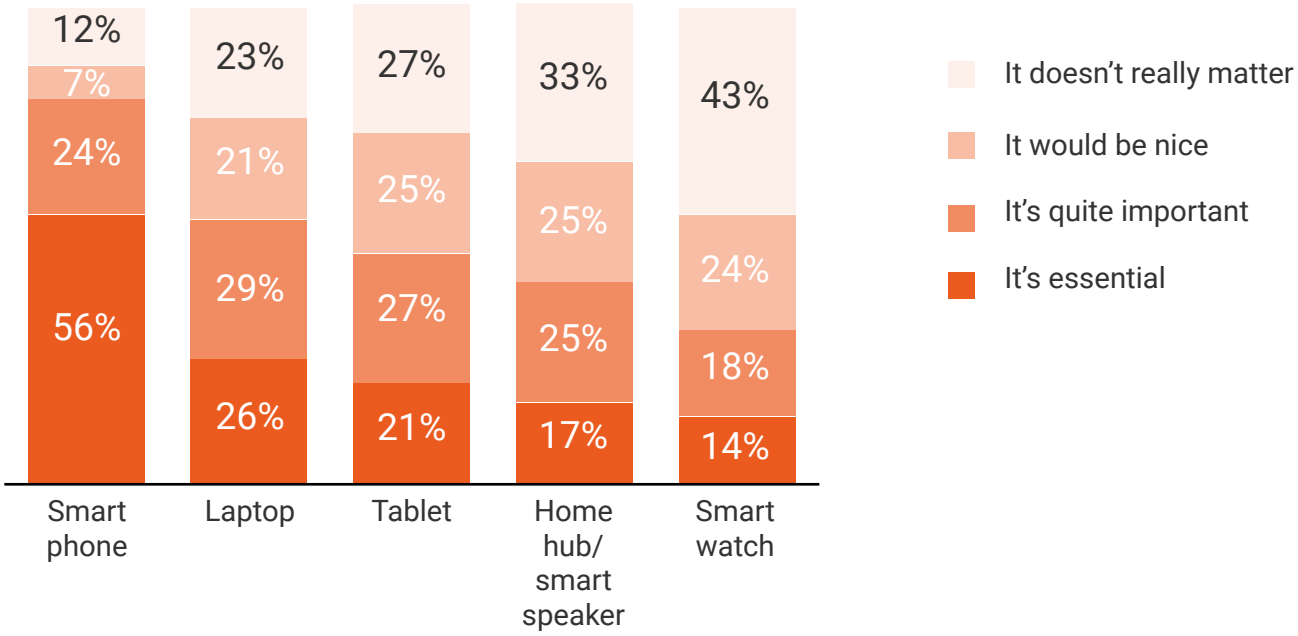
One interesting observation is that consumers are placing increasing levels of importance on the interoperability of their prospective purchases (i.e. will the device be able to connect with and interact with other smart devices within the home?). This aligns with the aforementioned trends that see consumers owning greater numbers of devices and a wider range of connected home products.

Smartphone connectivity remains the clear priority for consumers, with 80% of people saying that connecting to a smartphone is essential or quite important when considering a new smart product for the home. The ability to connect to other devices (such as tablets or smart speakers) to control their connected home products is considered much less important for most consumers.

For 'advanced adopters' with more than 3 smart home devices, nearly all (96%) say that connecting to a smartphone is essential, with 69% saying the same for their smart speaker. This is a key point of difference between advanced adopters and other connected home owners, who are more likely to prioritise connectivity to laptops and tablets over smart speakers. This suggests that only the more enthusiastic and knowledgeable smart home consumers are using smart speakers as control hubs for the home.

Smartphone connectivity remains the clear priority for consumers.

Next time you look for a smart product for the home, how important is it that you are able to connect it to each of the following devices?

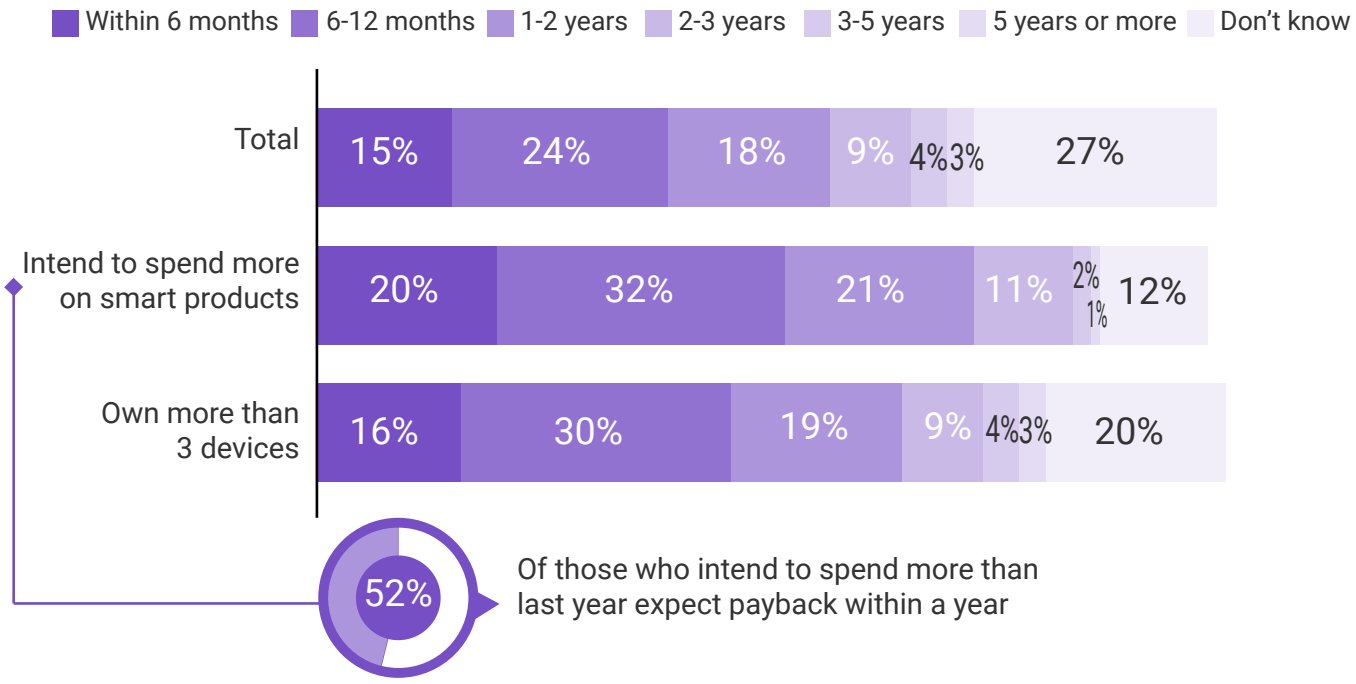


The cost of living crisis, and energy prices in particular, have loomed large in the national conversation over the past 12 months. Since energy prices rapidly rose in 2022, consumer advice from Which?, MoneySavingExpert and national media listed smart thermostats and other energy saving tech as ways to reduce energy bills. Accordingly, we have added some additional questions to dive deeper into how consumers perceive the relationship between connected devices and optimising their energy consumption.

Our hypothesis was that, as energy prices increase, consumers may be more interested in purchasing devices that can help them to reduce energy consumption in order to save on energy bills. Consumers would realise a positive net financial outcome once the energy savings that the device enables exceeds the cost of purchasing the device.

We asked consumers how quickly they would expect to make enough saving on their energy bills to justify the additional spend on the smart product, and around two fifths of consumers said that they expect the cost of purchasing energy-saving smart appliances to be recovered within a year through lower energy bills. Among those consumers that reported that they are likely to spend more on smart products over the next 12 months, 52% expect to recover their expenditure within a year, suggesting that concerns around energy prices are indeed driving interest in energy-related connected home devices.

Two fifths of consumers expect the cost of purchasing energy-saving smart appliances to be recovered within a year through lower energy bills



This trend is reflected in the overall breakdown of adoption drivers across product categories. Energy efficiency and long-term Return on Investment (ROI) relate particularly to smart energy products, whereas smart entertainment over-indexes in being fun to own, despite perceptions of energy inefficiency.

Energy efficiency and long-term ROI relate particularly to smart energy products, smart entertainment over-indexes in being fun to own, despite perceptions of energy inefficiency.

	Total					
I am confident I will be able to use it	**54%**	53%	55%	56%	52%	54%
It's really important that it works with other devices in the home	**54%**	55%	53%	56%	55%	49%
It can help make my household more energy efficient	**47%**	48%	43%	53%	42%	n/a
It would make my life easier	**47%**	47%	48%	49%	49%	43%
It will be fun to own	**42%**	43%	49%	42%	38%	36%
It has a significant benefit over traditional alternatives	**42%**	38%	39%	44%	44%	43%
It can save me money in the long run	**39%**	43%	35%	48%	37%	31%
I trust the brands that promote it	**35%**	31%	39%	34%	35%	38%
I read and hear a lot of good things about it	**34%**	28%	35%	35%	35%	36%
I've seen advertising that really stimulates me to buy it	**24%**	19%	22%	22%	28%	27%

Cost of living concerns also feature prominently within the barriers to adoption identified by consumers – 61% of consumers identified cost factors as a barrier to adoption, representing by far the highest score among potential barriers, and an increase of 4% compared to 2022. Concerns around personal privacy also increased from 46% to 50%, suggesting that there is competitive advantage in developing a strong reputation for protecting consumers' data rights.

Barriers to Smart Home products - 2023

	Total					
I think the cost to purchase products in this category would be too high	**61%**	65%	59%	60%	60%	60%
I would be concerned about personal privacy	**50%**	52%	51%	44%	52%	49%
I don't know enough about this category	**44%**	45%	37%	42%	49%	49%
I am concerned about this technology and the impact on security in my home	**38%**	39%	36%	40%	40%	33%
I don't believe this technology could meet my needs/expectations	**31%**	34%	27%	32%	31%	33%

3. Regulatory Landscape & Policy Developments

techUK supports our members not only in evaluating the market and identifying new consumption habits as it grows and matures, but also in understanding relevant legislation that they need to comply with when putting devices onto the market. In this section we summarise the policy developments most relevant to the connected home market over the past 12 months, as well as some changes that we expect to come in the near future:

- **Product-level cybersecurity.** This year we have seen Government pass the Product Security and Telecommunications Infrastructure Act. This is the latest important step in the UK's leading Secure-by-Design agenda which has seen the Department for Science, Innovation and Technology play a leading role in strengthening the resilience of Internet of Things (IoT) devices. Once regulations come into force in 2024, we will see three key security requirements mandated in all consumer-IOT products for the first time, aligned with the widely-recognised international standard EN 303 645. With similar plans existing around the world, including the proposed EU Cyber Resilience Act, it is vital the UK continues to play a leading role in standards development and ensuring strong levels of international alignment in what are genuinely global supply chains.

- **Amended Data Protection and Digital Information Bill.** In May 2023, the Government published a revised Data Protection and Digital Information 2.0 Bill, outlining reforms to the UK's data protection regime which builds on the key elements of the existing UK General Data Protection Regulation (UK GDPR). We welcome the Bill, which maintains the core principles of the GDPR which ensures that all personal data is collected, processed and shared in ways that uphold consumers' privacy and data rights. The Bill also strikes a sensible balance between reform and maintaining good data flows with key international partners, such as EU, which is vital given that many connected home companies manufacture for European or global markets – to diverge significantly from the EU's data protection model would add additional costs to consumers in the UK.

  We also welcome Part 3 of the Bill which introduces an enabling framework for Smart Data schemes, which will encourage the sharing of customer data between private sector firms to boost competition, consumer choice and innovation in the market. Once the Bill is passed, we

strongly advise the Government to conduct thorough impact assessments and cost benefit analyses when prioritising which areas to introduce Smart Data schemes to, such as in connected homes products. This will ensure any future schemes offer a return on investment for businesses and bring consumers tangible benefits.

- **Product Safety Regulations.** In November 2022, the UK government agreed to continue to recognize the European Union's 'CE' product marking in Great Britain for a further 2 years, providing businesses the option to use CE markings when placing new products on the GB market up until 31 December 2024. This announcement partly eases industry concerns about the transition to UK Conformity Assessed (UKCA) marking, which was created as the UK exited the European Union.

  At time of writing, we are expecting the imminent publication of the UK Product Safety Review. The government's Call for Evidence Response relating to the UK Product Safety Review was published in November 2021, recognising the need for greater clarity around connected consumer devices, including product liability, and the need to align product safety rules with new cybersecurity requirements (see above). Overall the commitment to a pro-innovation, outcomes-focused and risk-based approach is encouraging and we look forward to continue working with the government in developing this framework.

- **Draft Media Bill.** A draft Media Bill was published on 29 March 2023, putting forward a series of regulatory interventions in the UK's media and broadcasting space. Some of these measures are relevant to the Smart Entertainment sector, including a new regulatory regime to ensure the prominence of Public Service Broadcasters' on-demand service players on smart televisions, and new requirements on smart speaker platforms in relation to radio streaming. techUK has emphasized to the government the need to ensure that proposals are pragmatic and proportionate, and enable platforms to continue to innovate and deliver exciting new formats to UK consumers.

- **Draft Digital Markets, Competition and Consumers (DMCC) Bill.** Part of this Bill is intended to update consumer rights regulations and will be of relevance to smart device companies offering subscription services. Companies will be required to provide clear information about terms and conditions to consumers before they enter a subscription contract, to provide mandatory reminders before contract renewals or expiry of a promotional/trial period, and to provide a straightforward way to exit subscription contracts. techUK are supporting members in understanding how they can demonstrate compliance with the pre-contractual information requirements, and raising questions about how these new rules would apply to specific scenarios and business models.

- **Changes to e-waste and Extended Producer Responsibility (EPR) legislation.** The UK is reviewing e-waste, batteries and packaging legislation which will create new obligations for device manufacturers. Manufacturers will now need to report on their packaging use via the new packaging extended producer responsibility scheme and at the end of 2023 government will make proposals to update battery waste. On waste electronics, the UK government is reviewing the waste electrical (WEEE) rules to make major changes in how e-waste is collected and managed to ensure more recovery and reuse occurs.

4. Policy Recommendations

Our top 5 recommendations to the UK government to support the continuous healthy growth of the connected home sector, realising a range of financial, security, and lifestyle benefits to British consumers:

1

Support industry-led accreditation and certification schemes

Government should facilitate and provide financial support to the development of industry certification schemes that demonstrate compliance with UK laws and build consumer trust in connected home devices. Industry-led schemes are implemented more quickly than mandatory regulatory initiatives.

2

Adopt interoperability and connectivity standards

Ensure that devices placed on the Great Britain market meet relevant standards relating to device interoperability, meeting consumer demand for smart home devices that are able to be easily connected to other devices within the home.

3

Harmonise regulation to meet environmental aims

Harmonise regulation on eco-design and the repair/reuse of connected home tech to lower the cost to consumers and support the UK's journey to Net Zero. Provide support and awareness campaigns to consumers to help them learn about using connected technology to improve energy efficiency in the home.

4

Integrate connected home tech in new-builds and social housing

Given the proven energy and cost savings presented by adopting smart appliances, smart thermostats and connected home tech should be in every social home, government building, and new-build property.

5

Avoid unnecessary divergence from the European Union

Most connected home device manufacturers operate across international markets. If the UK chooses to diverge from the regulations of the European Union, it ultimately costs more to place products on the UK market, which increases prices for consumers. The government should ensure that proposals to diverge from EU regulations are subject to thorough regulatory impact assessments, and seek to agree a mutual recognition agreement for conformity assessment to avoid duplication of certification or testing.

5. Conclusions

Against an economic backdrop that has been far from ideal, the UK's connected home market maintains a sense of critical momentum and robust performance figures. Familiarity levels are no longer increasing, but the 80% of consumers that are aware of connected home devices are getting more engaged. Consumers feel that they know more about the sector, they are purchasing a variety of new devices, and they are more likely to connect these devices to their home networks.

Many consumers have indicated a willingness to spend more on connected home devices over the next 12 months, and are clearly receptive to learning about the benefits of new types of connected home product. Articulating the added value of smart features will be key to supporting the overall performance of the sector.

This is all the more true for the 'advanced adopters' (owning more than three connected home devices), who are now around half of the population aged under 55, and have a considerably higher willingness to invest in additional devices and/or subscription services.

Our survey found high levels of interest in purchasing smart security and energy management devices, and to a slightly lesser extent smart domestic appliances. At the same time, consumers consider cost to be the most significant barrier to adopting additional connected home products. To overcome this barrier, vendors would be well advised to focus on the energy-saving and/or energy optimisation features of these devices as consumers respond to cost of living concerns and calculate whether the upfront investment in new devices will deliver significant savings over the short to medium term.

We are also seeing a lot of movement in the regulatory space, some of which can be helpful in building consumer trust around key themes such as cybersecurity and data privacy. We see this as a largely positive development for the sector, and encourage companies to engage early with incoming legislation and secure accreditation and certification from trusted and credible schemes to demonstrate their compliance both to regulators and consumers.

We're excited to see which new product categories will emerge as smart home companies integrate artificial intelligence and machine learning into their devices, and how an increasingly well-informed and enthusiastic consumer base responds to these innovations. Looking forward, we expect the sector to continue to perform well as vendors adapt their messaging to reflect changing consumer priorities and convert strong 'willingness to purchase' levels into actual sales.

techUK
FOR WHAT COMES NEXT

About techUK

techUK is a membership organisation that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. We collaborate across business, government, and stakeholders to fulfil the potential of technology to deliver a stronger society and more sustainable future. By providing expertise and insight, we support our members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.

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At GfK, we take market intelligence to the next level. By providing always-on access to the latest insights and recommendations for their markets, we enable our clients to make better, faster, and more accurate decisions on how to accelerate their business growth. For over 85 years, our reliability and quality of insights has earned us the trust of major clients around the world, providing them with a complete understanding of their consumers' buying behaviour, and the dynamics impacting their market, brand and media strategy.

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info@techuk.org