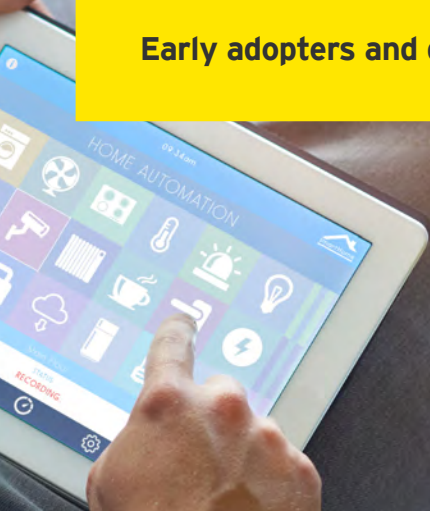


Decoding the digital home 2019

Early adopters and digital detoxers



Building a better
working world

What's happening in the digital household?

Decoding the digital home 2019 is the first in a series of findings from EY annual research into household attitudes and habits towards technology, media and entertainment and telecommunications (TMT) products and services within the home. The insights from the online survey of 2,500 UK consumers, conducted in September 2018, opens the door into the nuances of today's digital household.

This year's research reveals a number of fascinating findings, highlighting both the opportunities and challenges facing TMT providers in the digital home.

In this report, and those to follow we will recommend steps that TMT providers can take to create winning relationships with their customers.

ey.com/uk/tmtdigitalhome2019

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1 The rapid evolution of the digital home

Consumers take a shine to new products, services and experiences.

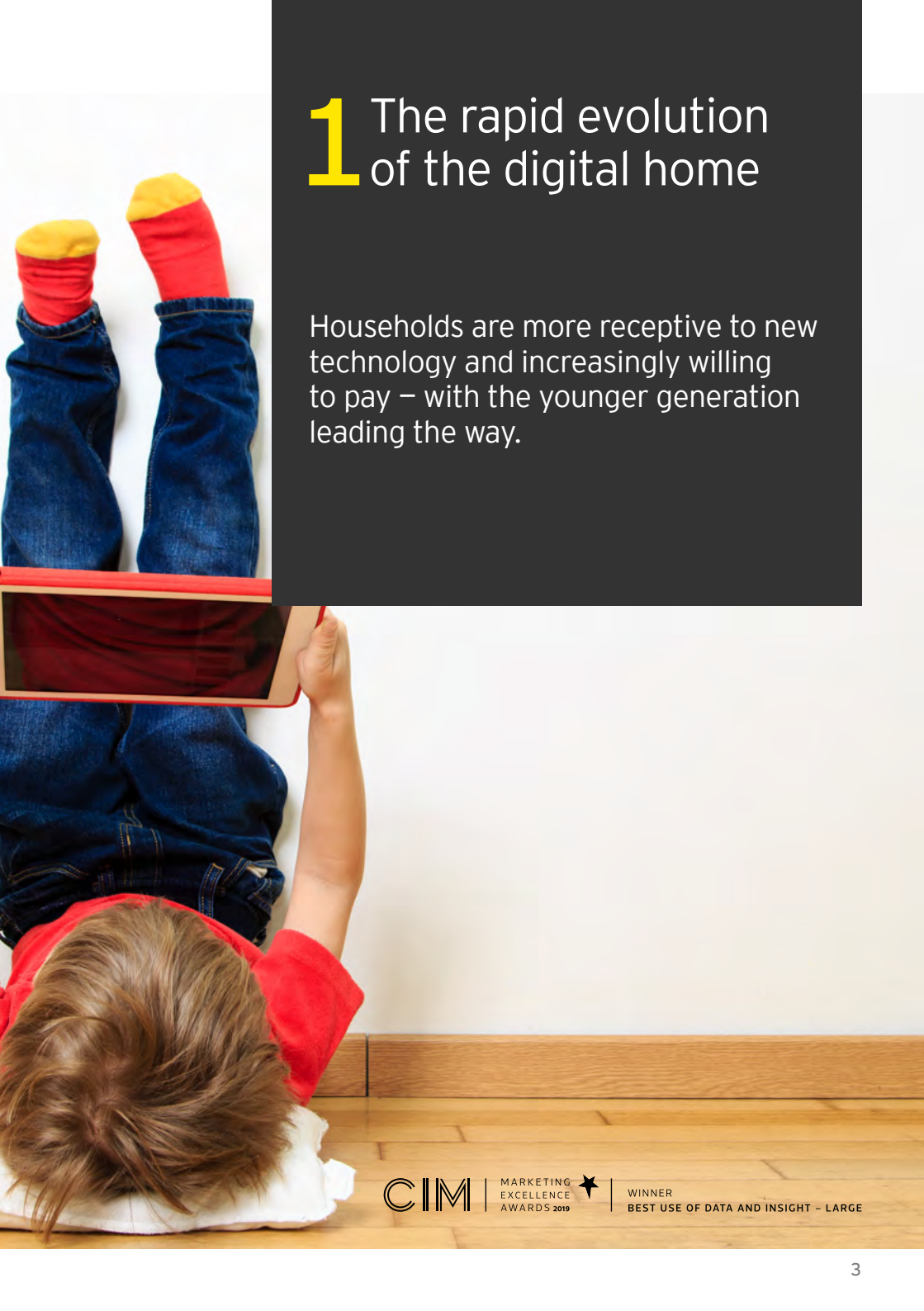
2 Digital anxieties are on the rise

Households experience digital fatigue, worry about data security and retreat to the familiar.

3 What does this mean for TMT companies?

As old assumptions are challenged, those who understand their customers best will succeed.





1 The rapid evolution of the digital home

Households are more receptive to new technology and increasingly willing to pay – with the younger generation leading the way.

CIM

MARKETING
EXCELLENCE
AWARDS 2019

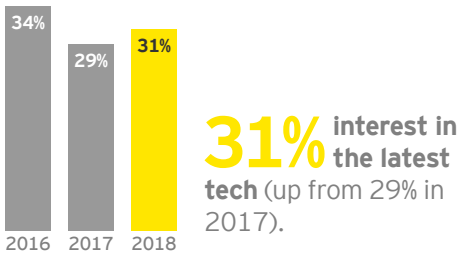


WINNER
BEST USE OF DATA AND INSIGHT – LARGE

Opening the door to digital

Demand for the latest tech is recovering

Interest in the latest technology and gadgets is on the up, reversing 2017's downward trend. 31% of households agree that they are interested in new gadgets and tend to get them before everyone else, up from 29% in 2017.



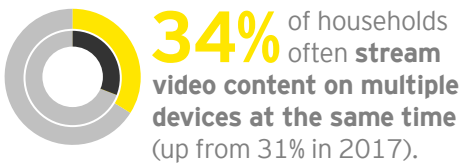
The smartphone is at the heart of the home

Households' increased receptivity to new technology is also influencing the way they connect to the internet. 15% now use smartphones as their main way to go online, up significantly from 11% in 2017. Laptop connectivity went in the other direction, with 39% now using it as their main device for accessing the internet, down from 44% in 2017.



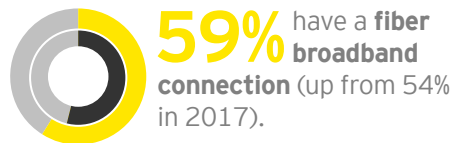
Becoming a nation of streamers

How we spend our time online is also changing. Just over a third of households (34%) often stream video content on multiple devices at the same time, up from 31% in 2017. Meanwhile, 30% of households say that streaming is now the primary way they watch television at home.



More fiber, more satisfaction

Alongside changing device and content consumption trends, new forms of connectivity continue to grow. Fiber broadband adoption now stands at 59%, up from 54% in 2017. Crucially, rising take-up is partnered by higher levels of satisfaction with broadband speeds: 61% of households are happy with the speed of their connection, up from 58% in 2017.



■ 2018 ■ 2017



Households are willing to pay more than before

More prepared to pay a premium

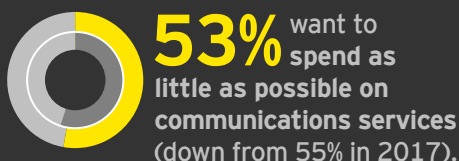
Despite ongoing concerns about consumer confidence in the UK, the good news for providers is that householders are actually willing to pay more than before. 18% said they would pay more to stream advert-free catch-up TV, up from 16% in 2017. There was a similar rise in those saying they would pay a premium to get the latest gadgets before everyone else: from 19% in 2017 to 21% in 2018.



18% would pay more to stream advert-free catch-up TV (up from 16% in 2017).

Less cost-conscious than before

At the other end of the spectrum, those who say they try to spend as little as possible on communications services (e.g., broadband, telephony) are shrinking, down from 55% in 2017 to 53% in 2018. This sign that digital services are becoming more highly valued extends to the smart home as well, with nearly a quarter (23%) believing that the price of connected home products and services are reasonable, up from 19% in 2017.



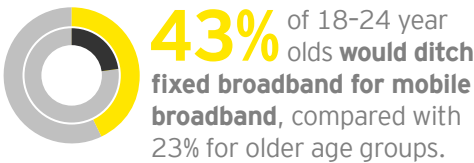
53% want to spend as little as possible on communications services (down from 55% in 2017).

■ 2018 ■ 2017

Young users: receptive and ready to spend

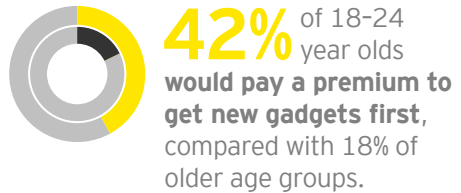
Prepared to drop fixed broadband for mobile data

With younger users' high receptivity to new value propositions and operators preparing to launch 5G, there is scope for mobile broadband to take on a much greater importance in the home. Looking at all ages, 25% would be willing to ditch fixed broadband for an effective mobile broadband connection. For 18-24 year olds, this significantly rises to 43%.



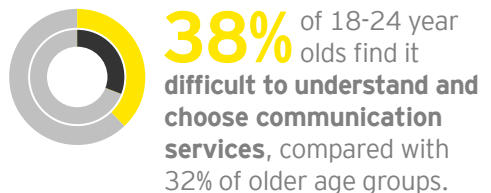
Even happier to splash the cash

The young may generally have less money to spend, but they are increasingly willing to splash out on tech. While 42% of 18-24 year olds are happy to pay a premium for new gadgets, the figure for the over-25s is less than half that (18%).



Not as digitally self-sufficient as you think

It's tempting to think that Generation Z are full-on digital natives, taking in tech as naturally as the air they breathe. That's not true. The proportion of 18-24 year olds who find it hard to choose the right communication services is at 38%, higher than their older peers (32%). Having grown up on Wi-Fi, it's perhaps surprising that Generation Z are behind older household members when it comes to understanding how the location and quality of the router affects broadband speed (65% vs. 68%).



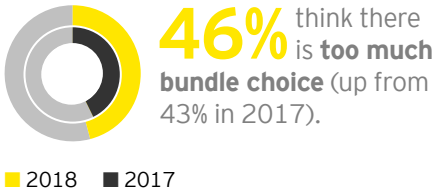
■ 18-24 year olds ■ Older age groups

2 Digital anxieties are on the rise

While enjoying the benefits of greater connectivity, households also articulate anxieties as they seek digital downtime, fall back on the familiar and worry about trust.

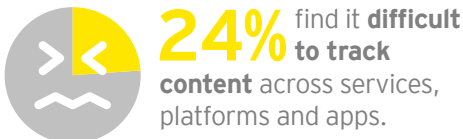


Complexity causes confusion



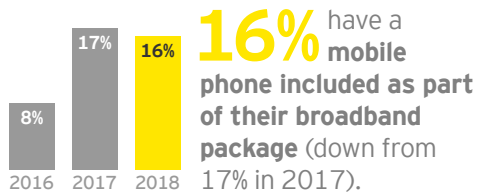
An overload of platforms spoils the entertainment

Providers have invested in making their content available across a variety of different services, platforms and apps, but it is confusing customers. 24% of all households said they found it difficult to track the availability of their favorite content across different services, apps and platforms. Notably, that rose to nearly 39% for 18-24 year olds.



The bundle jungle: still overgrown

Nearly half (46%) of households think there is too much choice in terms of different bundles of broadband and content, up from 43% in 2017. That may be one reason why many are reluctant to add more to their bundles, with the proportion of households taking a mobile phone as part of their broadband package falling to 16% in 2018. That represents a major setback when you consider that between 2016 and 2017 the uptake of mobile bundles more than doubled from 8% to 17%.



Too much choice, too little engagement

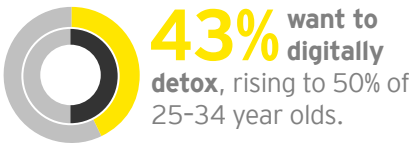
From bundles to platforms, consumers have never had so much choice, yet 36% of households think there is very little difference between the services offered by different broadband providers. Inertia is also apparent, with 26% saying it's not worth the effort of changing broadband provider. The answer may be that for many householders, choice equals complexity and that complexity is limiting engagement.



Fears of digital overexposure

Digital detox is top of mind

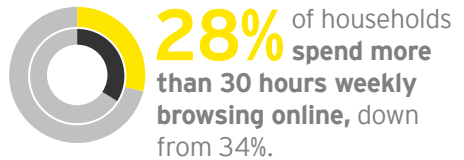
As tech becomes more and more central to our lives, worries about its impact increase. 43% of households are actively seeking time away from their smartphone and other internet enabled devices, up from 41% in 2017. Interestingly the figure is even higher for younger and perhaps more digitally savvy users. Half of all 25-34 year olds are looking to digitally detox.



■ All respondents ■ 25-34 year olds

Browsing has peaked

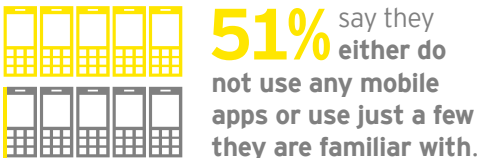
Heavy internet users are cutting back. Just over a quarter (28%) of households admit to spending 30 or more hours online weekly. It was closer to a third (34%) in 2017. In contrast, the proportion spending 10 hours or less rose from 18% to 21%.



■ 2018 ■ 2017

Seeking a smaller digital universe

The move away from browsing is partnered by the desire for the familiar. 41% say they only use a small number of websites that they are already familiar with, up from 38% in 2017. That also applies to mobile apps, with over half (51%) either not using any apps or just a few that they are familiar with.



Trust and security concerns loom large



Data security is top of mind

Headlines about large-scale personal data breaches and online fraud have raised concerns. Nearly three quarters (72%) say they are very cautious about disclosing personal financial information online, even to a trusted brand.



72% are very cautious about disclosing personal and financial information online.

Too little trust, too little protection

Headlines about fake news have not gone unnoticed. 44% of households say they now only trust traditional news sources. An increasing number of households now believe action must be taken, with 56% saying the internet should be very tightly regulated, up from 50% in 2017.



56% believe the internet should be very tightly regulated to restrict what people can access online (up from 50% in 2017).

■ 2018 ■ 2017

3 What does this mean for TMT companies?

TMT companies need to go beyond their traditional assumptions to forge closer connections with consumers.





1

Revisit traditional assumptions

In a world where early adopters may also be looking to digitally detox, it's clear that traditional assumptions about customer behaviors do not tell the full story. Reshaping products and services to align with changing household segments will help TMT providers deliver more meaningful value propositions that reflect a new wave of needs.

2

Focus on simple propositions

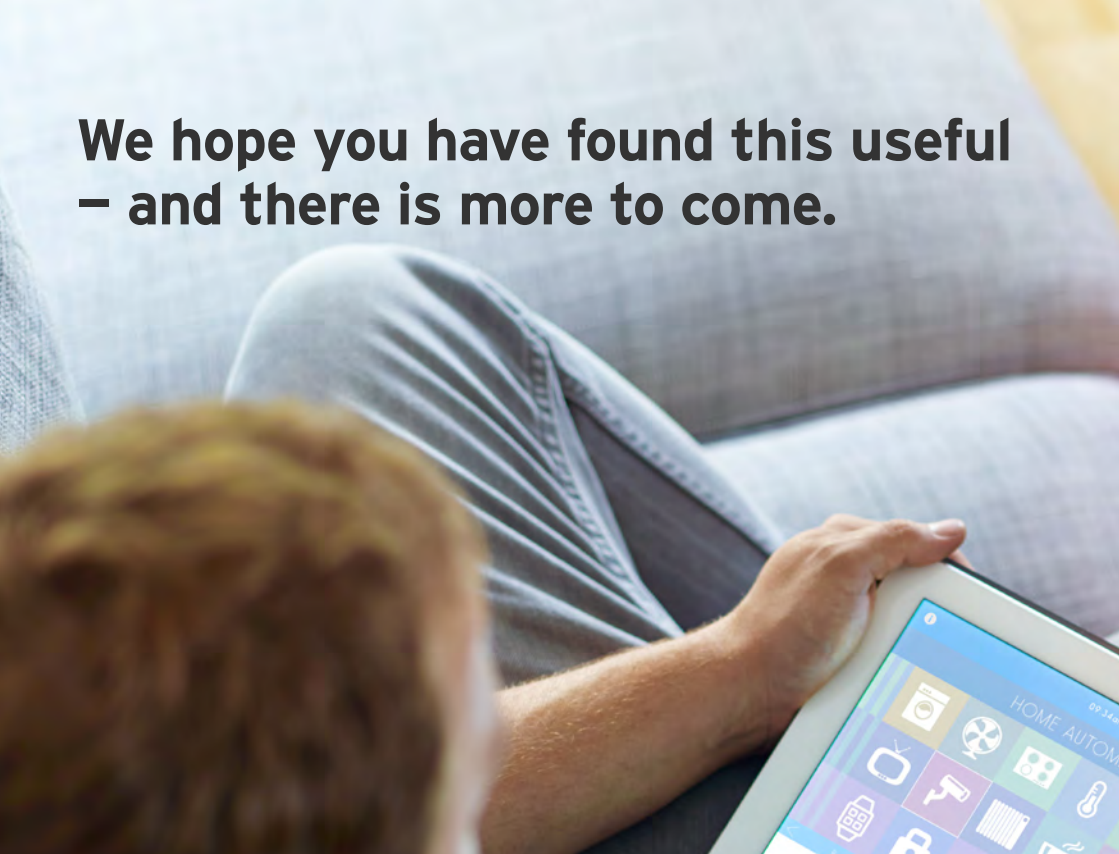
Growing receptivity to premium services is good news for TMT providers. However tapping into this demand means more than charging extra for a bigger bundle. Customers are already drowning in complexity, meaning simple and intuitive value propositions are essential, supported by clear and consistent communications. This is true for all products, whether premium or entry-level. Simplicity is essential if TMT providers are to gain a larger share of customer spend.

3

Prioritize and deliver on trust

Privacy and security fears are not a temporary consumer concern – they risk undermining levels of adoption, satisfaction and loyalty. Building trust must be at the center of your approach because, as the survey clearly shows, it is the biggest obstacle to the continuing growth of the digital household. TMT providers that can reassure customers effectively will gain competitive advantage and revenue uplift in the long term.

**We hope you have found this useful
– and there is more to come.**



The following upcoming reports on the digital home will focus in-depth on specific areas to draw out fresh insights from the research. Take a look at what you can expect to come and an extra sample of the findings.

1 Zooming in on household viewing habits

51%

of households mainly watch TV programs on the five traditional TV channels, up from 46% in 2017.

2 Taking new steps into the smart home

32%

of households would like to control their home appliances through a new device or app.

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3 Putting trust at the heart of the digital home

43%

agree that GDPR will significantly improve the security of their personal data.

4 Dispelling the myth of the digital native

53%

of 18-24 year olds like to have the most up-to-date smartphones compared with 23% of everyone else.

5 Exceeding customer expectations

32%

of households would pay more for their broadband in return for good customer service.

For more insight
into the digital home
and how to serve it,
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