Decoding the digital home 2021

More demand, more anxiety, in the wake of COVID-19

Building a better working world

Assessing the impact of COVID-19 on the digital home

'More demand, more anxiety, in the wake of COVID-19' is the first in a series of findings from EY's annual research into household attitudes and behaviours involving technology, media and entertainment (TMT) products and services within the home.

In this report we cover the impact of COVID-19 and how it has dramatically altered the landscape of products and services consumed by households. There is good news: levels of digital inclusion have increased and perceptions of TMT providers are largely positive. However, long periods spent at home mean that signs of overload are apparent, with concerns around data protection and digital well-being on the rise.

An online survey of 2,500 UK consumers, conducted in December 2020 and January 2021, informs our perspective. This proprietary data derives from of a broader research programme surveying 18,000 households across six markets. This included Canada, France, Germany, Italy and the US alongside the UK.

Contents

1 The digital upside of lockdown

Connectivity and content have never been more important to households as the pandemic prompts a surge in new digital activities. Perceptions of TMT providers are largely positive, auguring well for the future.

COVID-19 has prompted a surge in new digital activities

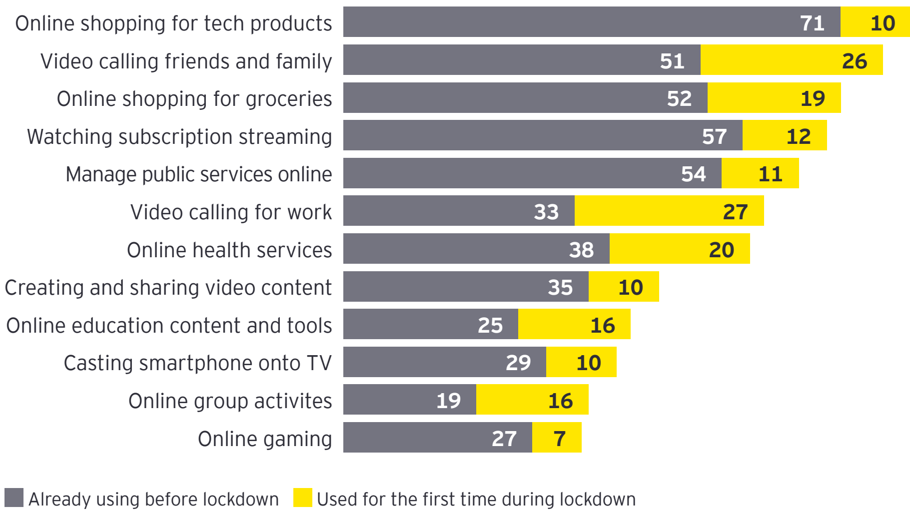
Video calling leads the way as shopping and healthcare shift online

Households have adopted a number of services for the first time since the UK Government began issuing advice to stay at home, in March 2020. Video calling leads the way, while grocery shopping and access to health and education services are going digital at pace. First-time adoption trends in the UK are broadly in line with levels observed in other markets, with the surge in video calling even more pronounced. Twenty-six percent of UK respondents have called friends and family via video for the first time, compared with 22% of households across all markets surveyed.

Figure 1: Adoption of digital services during COVID-19

Which, if any of the following have you or your household done or used for the first time since the Government began issuing advice to stay at home due to COVID-19?

% households



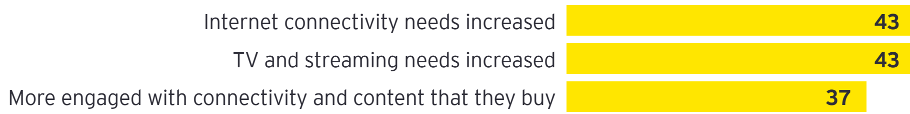
Connectivity and content needs are rising

Households are also more engaged with service providers

Alongside this rapid shift to online products and services, households recognise that their connectivity and content needs have increased in tandem. Growing reliance on the digital home has largely translated into greater engagement with the connectivity and content that they buy. Growth in both demand and engagement is reasonably well aligned, indicating that customers are responsive to offers in the market as they look to serve their changing needs.

Figure 2: Demand for connectivity and content during the pandemic

% agree



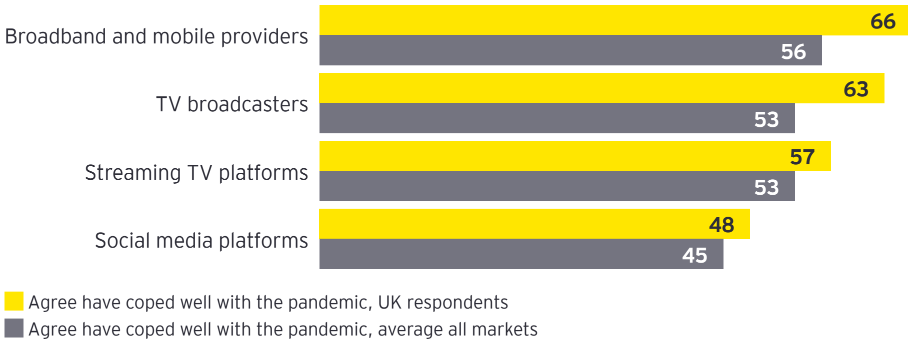
Most households believe service providers have coped well with the crisis

Telcos generate the most positive perceptions

Meanwhile, households largely believe that connectivity and content providers have coped well with the crisis. Broadband and mobile providers lead other types of service provider – reflecting the goodwill created by COVID-19 relief packages – while social media platforms lag behind other types of service provider, highlighting ongoing challenges around fake news. Even so, just 11% of households disagree that social media providers have coped well with pandemic. Moreover, UK consumers have a more positive perspective compared with households in other markets.

Figure 3: Consumer perceptions of TMT provider performance during the pandemic

% agree



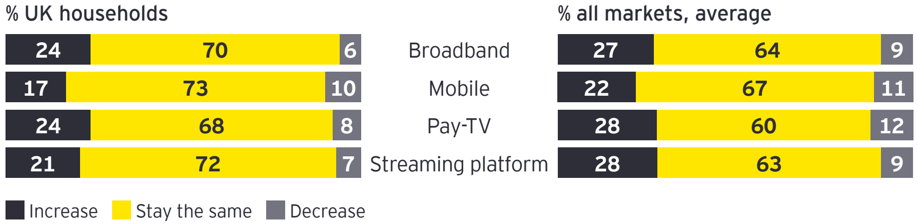
Spending intentions are encouraging

More households expect to increase rather than reduce spend

The outlook for monthly spending is broadly encouraging – there are more users prepared to increase rather than cut back on spend. Compared with other markets in our survey programme, appetite to increase spend is a little more muted in the UK; however, this is offset by lower willingness to reduce spend.

Figure 4: Spending intentions for connectivity and content services

Do you expect your monthly spending on each of the following to increase or decrease, or do you expect it to stay about the same?



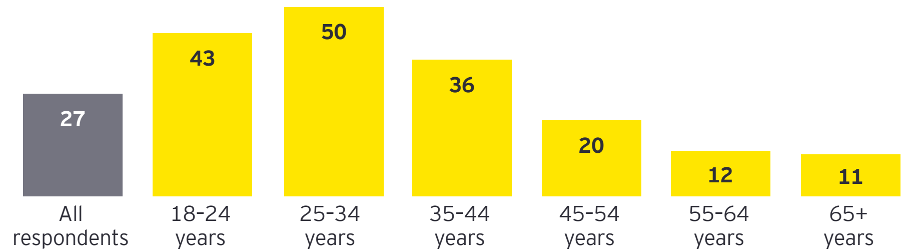
Some households show appetite for upgrades and a 'one stop shop'

Younger groups are the most receptive

These positive spending intentions are echoed by interest in high-end packages, with 22% of customers open to paying a premium for Super HD content, for example. In many cases, the pandemic is acting as a catalyst: 24% agree the crisis has made 5G more appealing and 24% agree it has also highlighted the importance of upgrading to gigabit broadband. Meanwhile, 27% of households now see the benefits of taking all connectivity and content from a single supplier, with younger groups showing the greatest appetite for a 'one stop shop'.

Figure 5: Attitudes to purchasing all connectivity and content from a single supplier

% agree that the pandemic has made them realise it's better to get all their connectivity and content from a single supplier



Broadband providers score well as custodians of customer data

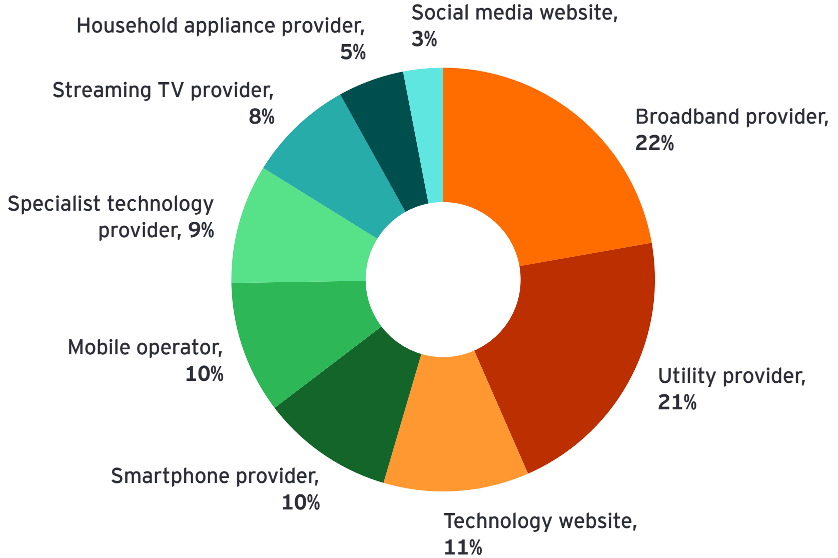
They rank ahead of other TMT providers

Beyond their ability to meet higher levels of demand, it is vital for service providers to ensure their data protection credentials are as good as they can be. Consumer perspectives on who they trust most to look after their data are revealing. Broadband and utility providers score highest, well ahead of different types of technology provider and platform.

Figure 6: Attitudes towards service providers' data protection attributes

Which of the following types of company do you think would best keep your personal data secure and use it appropriately?

% households



While this is good news for connectivity providers, results broken down by age tell a different story. Streaming TV providers top score among 18–24 year olds, while smartphone providers are among the most trusted types of company among both this group and 25–34 year olds. The landscape of trust perceptions is a fluid one and younger users require particular focus since they are typically heavier users of digital products and services.

2 Pressure points in the digital home

Digital needs are on the up, but anxiety around data protection and digital well-being has risen in tandem during the pandemic. Digital over-exposure is also a clear concern as consumers consider the negative implications of an increasingly virtual world.

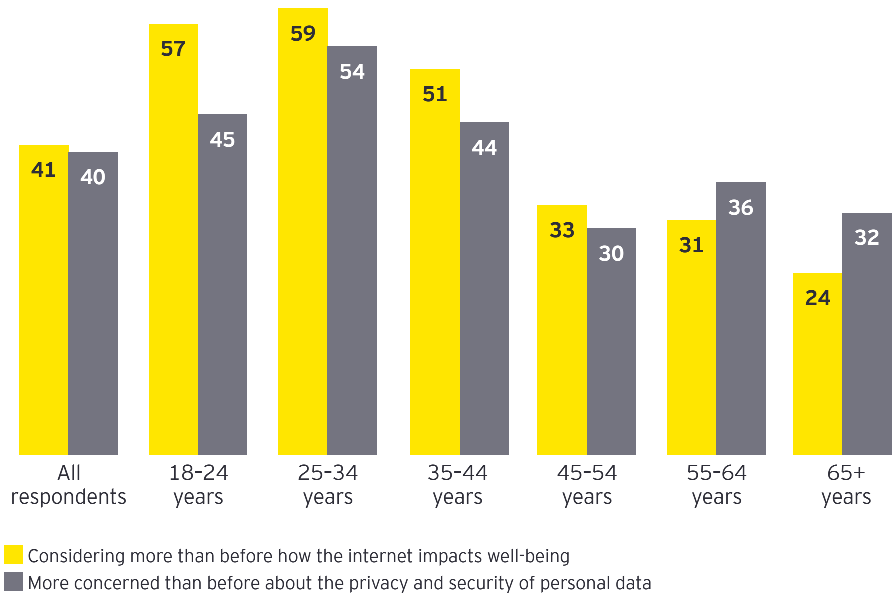
Digital well-being and data protection concerns are growing

Younger groups are most exposed to these fears

Despite rising service adoption and largely positive perceptions of service providers, the pandemic has heightened fears regarding personal data and the effect of the internet on well-being. Seventy-one percent of UK households are very cautious about disclosing personal data online. Our research reveals that the pandemic is heightening pre-existing anxieties, with four in ten households more likely to be considering their digital well-being or more concerned about personal data privacy compared with before the crisis. This uptick in concern is particularly pronounced among younger age groups.

Figure 7: COVID-19's impact on well-being and digital trust

% agree



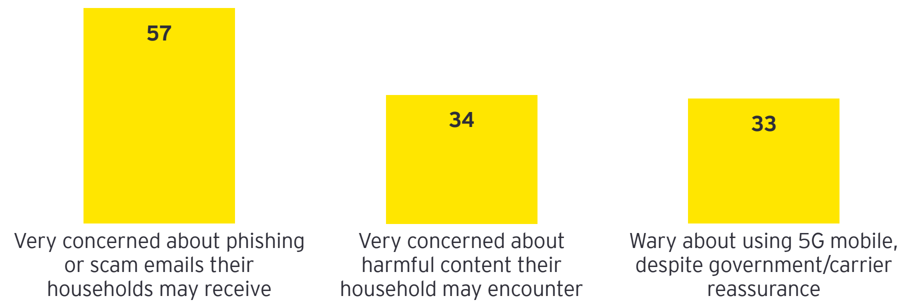
Fears surround specific types of content and connectivity

Digital safety concerns are pronounced

Households are highly aware of threats that are present in the online world: more than half are very concerned about scam emails, for example. They also have specific grievances with heightened relevance for content and connectivity providers. One-third of consumers are very concerned about harmful content their households may encounter and are also wary of using 5G mobile, despite government and telco assurances of its safety. Once again, younger users stand out: 45% of 25-34 year olds are sensitive to these issues.

Figure 8: Consumer distrust of content and connectivity

% households



Willingness to share personal data is dropping

Households want their data under control, not traded for tailored services

The pandemic's impact on attitudes to data protection and disclosure is also reflected in falling receptivity to share personal data in return for customised services, compared with our household survey conducted one year earlier. Rising anxiety during lockdown periods is clearly putting pressure on the concept of value exchange between consumers and online brands.

Figure 9: Consumer willingness to share data

% willing to exchange personal data in return for tailored online services

Cost control is a dominant factor at play for consumers

The desire for savings and value is more pronounced than propensity to spend more

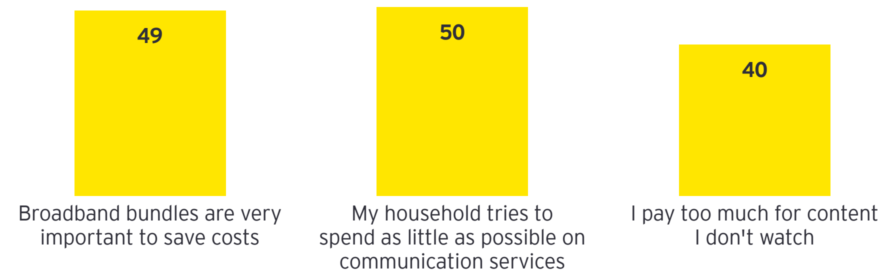
While up to a quarter of households are prepared to spend more on connectivity and content, and three in ten are open to the concept of a ‘one stop shop’ in the wake of the pandemic, cost control remains the dominant household mindset. Half of households try to spend as little as possible on communications. A similar proportion see bundles as a route to savings, while four in ten think they already pay too much for content that they don’t watch.

This is a critical issue for TMT providers since customers expect more support from them: 41% of UK households across markets don’t believe their broadband provider does enough to ensure they are on the best deal, for example.

While households’ spending predictions paint a positive picture, their underlying attitudes tell a different story.

Figure 10: UK household perceptions of overpayment and cost savings

% agree



Feelings of overload and confusion are pronounced

The digital household could be nearing a saturation point

Our research has identified tensions in the digital home, with demand partnered by anxiety. Meanwhile, positive spending profiles and openness to premium offerings are overshadowed by value-consciousness regardless of product or service. The survey findings also suggest many households are at saturation point. Forty-six percent are seeking downtime from smartphones and other internet-enabled devices. And consumers are doing more than voice the need for ‘time away’ — many are opting for the familiar by only using a small number of websites while some are keen to reduce the number of streaming platforms they use.

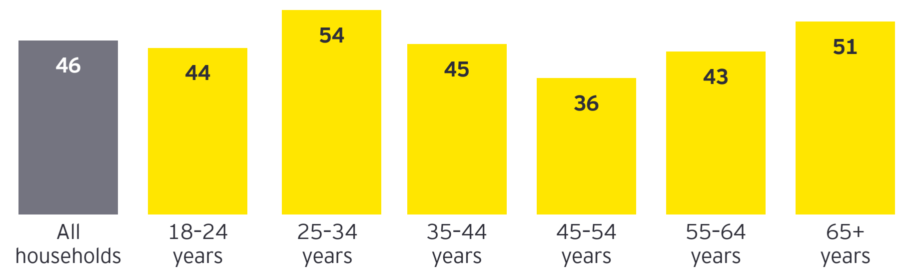
Figure 11: Household attitudes towards online exposure

% agree, all markets average

Importantly, these feelings of fatigue and overexposure extend beyond products and services to relationships with service providers themselves. More than four in ten households agree there is simply too much choice of different service bundles, with younger groups often more overwhelmed than older groups. Meanwhile, 53% of UK households agree that introductory offers complicate their assessment of value, highlighting how price plans themselves are responsible for confusing customers.

Figure 12: Consumer attitudes to choice of connectivity and content packages

% agree there is too much choice of bundles of connectivity and content



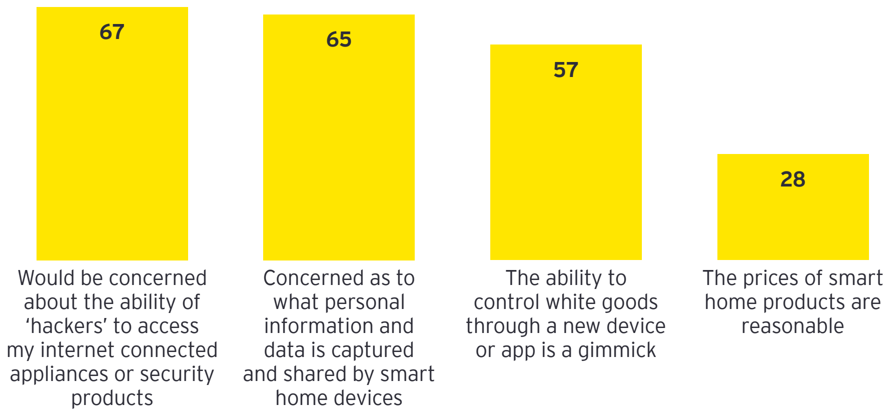
Trust and value concerns limit the appeal of the smart home

The latest home technologies still lack appeal

If service providers ignore these warning signs regarding data protection, value and digital fatigue, then new products and services will fail to gain traction. More than half of households see the ability to control white goods via devices or mobile apps as a gimmick or fad, while even more are concerned about potential security flaws and limited data protection controls of smart home devices. Added to this, only 28% of consumers believe that smart home products are reasonably priced. Unless addressed, these stark attitudes risk limiting the adoption of the very latest technologies for the home.

Figure 13: UK household attitudes towards smart home

% agree



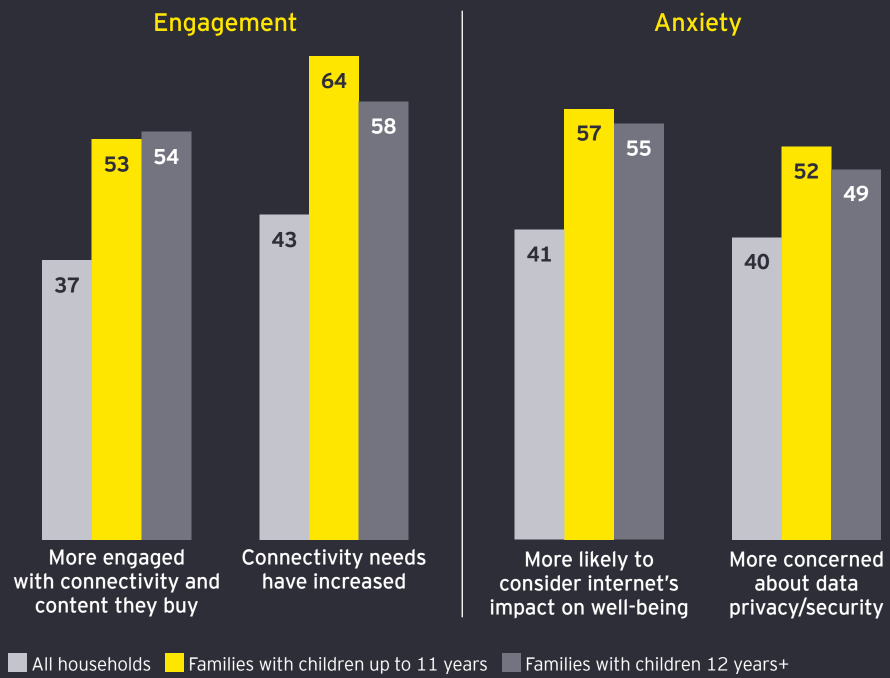
More demand and more anxiety are critical attitudes impacting the digital home

These twin sentiments are most pronounced in households with children

The positive correlation we have identified between rising demand for connectivity, and content and increasing digital anxiety is most pronounced among families with children. All considered, the most demanding users of the digital home are also those who are most sensitive to its potential shortfalls and downsides.

Figure 14: Digital demand and anxiety indicators among families with children

% agree



What does this all mean for TMT providers?

The four actions that TMT providers can take to make the most of unprecedented times

1

Build better relationships based on trust

Meet new expectations for service integrity

TMT providers have a unique opportunity to make the most of the goodwill they have created during the pandemic. Consumers may think that TMT providers have coped well during the crisis, but there's a difference between coping well and delivering better. And while demand has risen, positive engagement with service providers isn't guaranteed. Constructing a new kind of relationship based on trust can help you meet new expectations around service integrity — and build an even more resilient connection with your customer base.

2

Keep things simple

Reduce customer overload and improve well-being

Interaction with the digital world has increased but this dependency is fuelling anxiety, while many households feel overwhelmed with everything that's on offer. A more manageable digital universe is vital, one where quality of experience is more important than quantity of service options or features. TMTs should reassure customers and communicate with empathy. Simple and intuitive services will reduce customer fatigue and make you stand out. Better collaboration can also help provide industry-wide solutions to well-being challenges.

3

Review your segmentation

Don't take digital natives for granted

The forced shift to digital has uncovered pain points that disproportionately affect certain groups. Younger groups are not always 'digital natives', in fact they outscore older groups on data protection fears driven by the pandemic. Families with children encapsulate the tension in the digital home where higher demand is partnered by greater well-being challenges. Resolving these pain points is essential and these groups are prepared to spend more for the right products and services.

4

Deliver new forms of value

Convert higher demand into enduring growth and loyalty

Looking ahead, there are signs of interest in service upgrades, supported by a resilient spending outlook. Yet the desire for value is present everywhere and these deep-rooted attitudes may have more say in customers' future spending levels. Ultimately, customers need better rationales to spend more. New value propositions supported by tangible customer promises will help attract and retain customers in the long term.

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

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