

The US digital home

Executive report

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow chevron shape is positioned above the 'Y'.

Building a better
working world

Step inside the US digital home

Blink and you could miss it. Consumer attitudes around household technology, media and telecommunications are shifting almost as quickly as new innovations arise. How can all of us keep up? We've got you covered.

Ernst & Young LLP conducted a research study across 5,000 US households in 2019 to gain insight into consumer preferences, attitudes and behaviors toward household technology, media and telecommunications products and services.

The results help us to explore end-user attitudes, examine customer relationships with broadband and video and better understand their behaviors around all aspects of digital services in the home.

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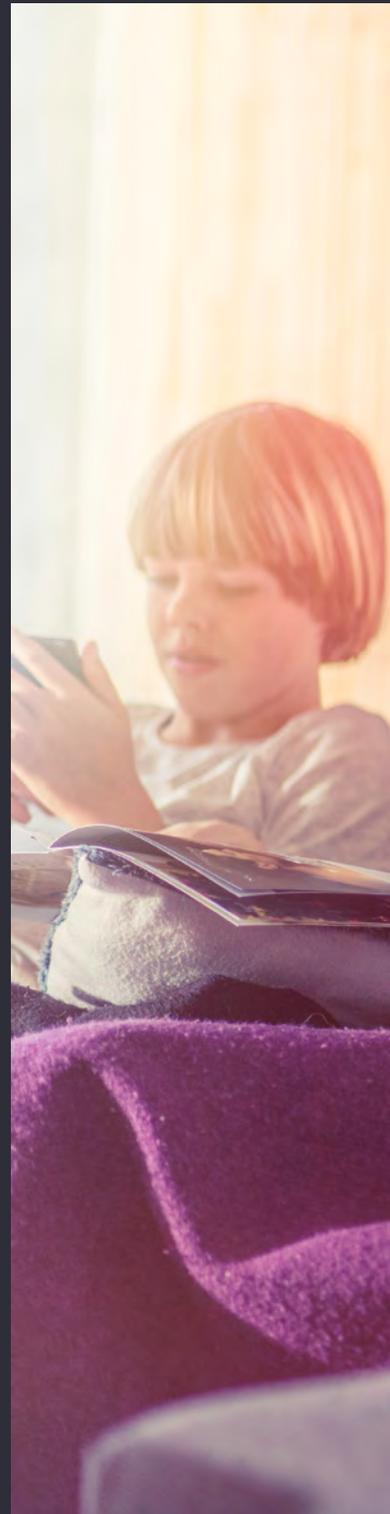
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1 Smart connectivity: the foundation of the digital home

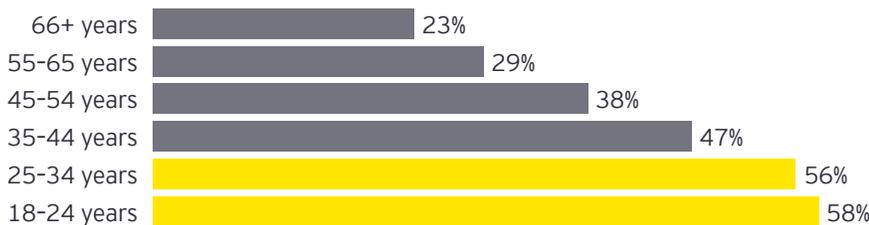
Fast broadband is the foundation

Internet speed is a determining factor when most survey respondents consider cable providers today. Speed is even mentioned as the top factor by the 18-24 and 25-34 age groups.

However, 42% of respondents say that they do not fully understand internet speed tiers, and nearly half of all respondents (47%) are unhappy with the speed they currently have.

Internet service providers are actively working to repackage their home internet offerings based on this trend, and are starting to communicate more effectively in order to provide a better experience for their clients.

Internet speed is the No. 1 determining factor for respondents younger than 35 when choosing a broadband provider.



“More than 15% of Americans now have access to download speeds greater than 1,000 megabits per second. The US is ranked as a top country in terms of average fixed broadband speed, with Singapore, Hong Kong, South Korea, Monaco, Switzerland and a few others.

Adrian Baschnonga, Lead Analyst, Ernst & Young LLP, Global Telecommunications

Consumers are increasingly Wi-Fi savvy and show appetite for innovative internet products

As the availability of Wi-Fi and self-help expands, consumers are getting smarter about their internet connection. Sixty-five percent of respondents agree that equipment quality and location affect internet speeds. Nearly half (47%) were influenced by the quality and functionality of equipment when selecting an internet service provider as well.

Long gone are the times when securing an internet connection to the home is enough. Internet service providers are now evaluated on the end-to-end connectivity experience at home, too.

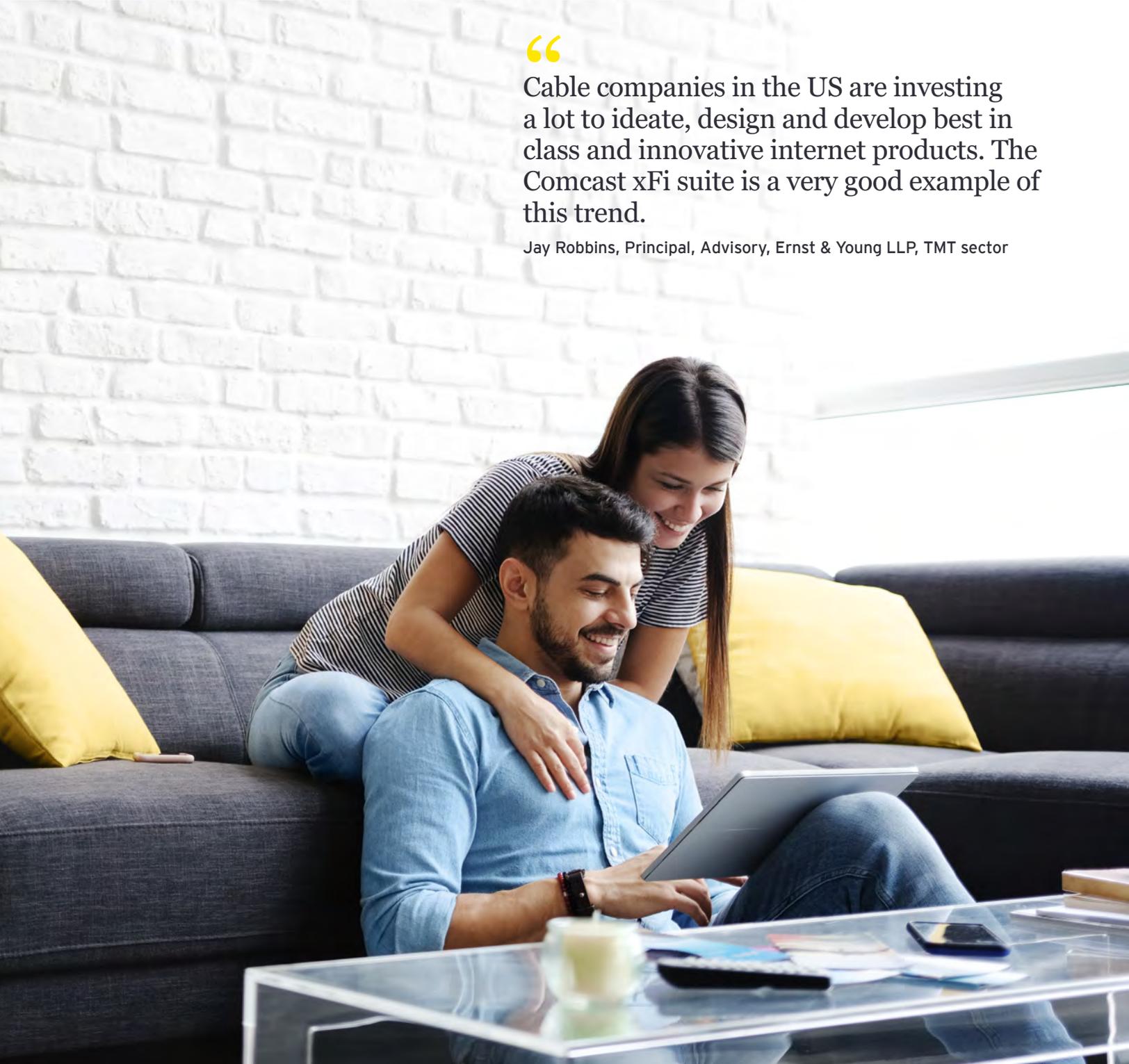
Additionally, with increased consumption and Wi-Fi savviness, consumers have more of an appetite to control their connectivity, and providers have started adapting their offers to fit this attitude. One-third of the total market (32%) consider the availability of convenient Wi-Fi management features (Wi-Fi extender pods, Wi-Fi management application at home) that come with an internet service as important. Fifty percent of respondents age 18-24 and 25-35 feel this way as well. We are entering the era of the smart internet, with more and more innovative products and features expected to improve, control and protect the internet experience at home.

Internet service providers focus on providing best-in-class internet products at home, building more innovative solutions that combine hardware, software and services.

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Cable companies in the US are investing a lot to ideate, design and develop best in class and innovative internet products. The Comcast xFi suite is a very good example of this trend.

Jay Robbins, Principal, Advisory, Ernst & Young LLP, TMT sector





Heavy users favor reliability

Reliability has proven to be the most important factor for consumers in the post-purchase phase. More than half (55%) of all respondents said that the internet connection reliability is more important than its speed. This is perhaps not surprising given that 17% of all respondents spend over 40 hours per week browsing the internet and over half (51%) spend more than 20 hours per week.

of respondents spend more than 20 hours per week browsing the internet.

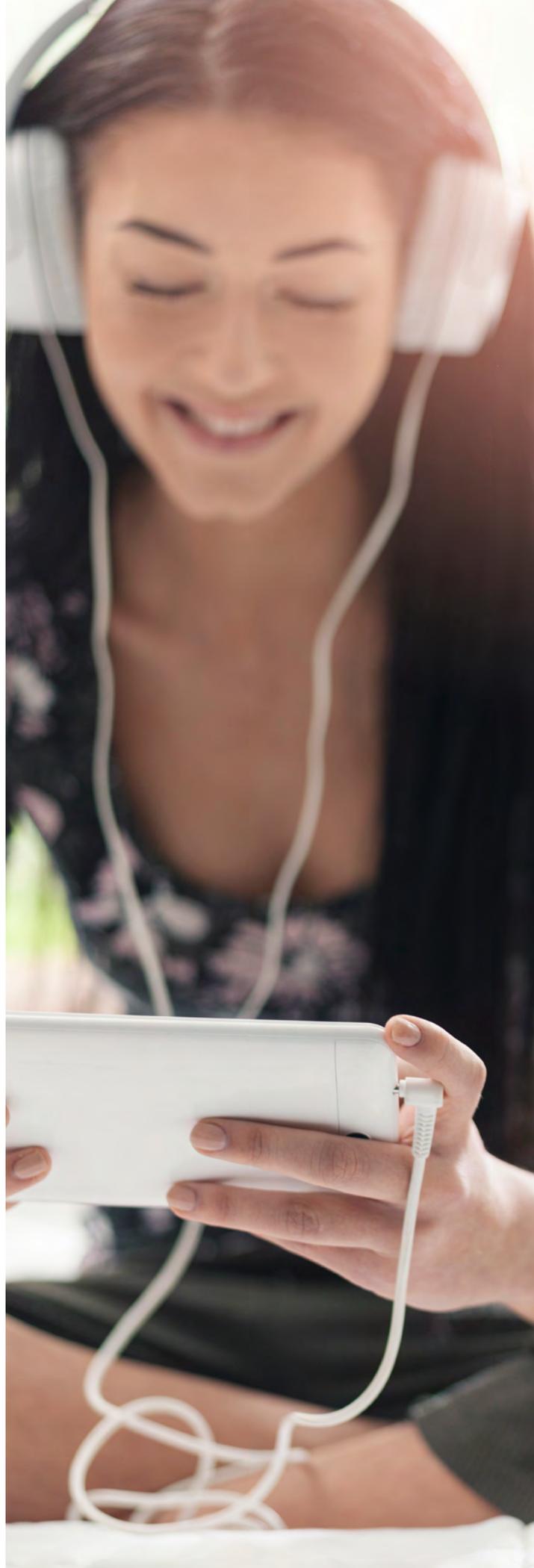
Mobile and fixed connectivity bundles: is there a case?

Traditionally, it has been commonplace for US households to use different providers for mobile and fixed connectivity. Even though converged offerings are only slowly breaking into the US market, 25% of consumers stated that they would be likely/very likely purchase a bundle with both mobile and fixed internet. The reasons behind this vary: 40% of respondents express interest due to the implicit discount that could come from a bundle, while 40% are also interested in having both services on a single bill. At the same time, 35% highlighted the ability to have one, single call center point-of-contact for home internet and mobile.



of consumers state that they would likely/very likely purchase a bundle with both mobile and fixed internet.

This is significantly different than UK consumers, of which only 16% prefer to have mobile included as part of their broadband package. Going to market bundling mobile and fixed connectivity may carry risks though, including revenue erosion and competitive retaliation. However, this offering may also open opportunities for providers to develop more compelling offers and to increase retention rates.



2 The new paradigm of home content consumption



of households spend more time streaming on the internet than watching traditional TV.



of respondents aged 25 and under use their smartphone as the primary internet device.

A nation of streamers

It will come as no surprise that the majority of consumers (58%) spend more time on the internet than watching traditional TV. This is true across all age groups except those over 66, who still spend more time watching traditional TV.

Among younger age groups, broadcast TV viewing is falling heavily. For 18-24 year olds, only 14% watch broadcast TV nearly every day, compared with the 47% that stream content online. It's not just about young people though, with 52% of respondents age 55+ using at least one streaming service as well.

Differing attitudes to advertising

Traditional TV broadcasting has grown up reliant on advertising, while streaming services have not. This has created a sharp distinction in attitudes to advertising.

Thirty-seven percent are much more willing to put up with commercials on broadcast TV than streamed services, rising to 47% for the 18-24 group. This antipathy creates an opportunity, with 20% of overall respondents saying that they would pay a premium to stream catch-up on their TV without advertising. This number is expected to increase year over year.

Multiscreen is the new norm

Younger users are leading the way, with 70% of 18-24 year olds using a multiscreen approach. Half of all respondents own at least one streaming device connected to their televisions, which is increasing as habits change. Thirty-nine percent of households regularly stream video content on multiple devices at the same time.

Mobile internet use grows

Over a third (34%) of respondents aged 25 and under use their smartphone as the primary internet device at home. This means these devices are catching up with laptops (41%) as the device of choice. Desktop PCs (14%) are a long way from their prime, especially for younger generations. With mobile use expected to grow further as Gen Zs begin to head the household, providers will need to keep up.

“

The move to OTT and streaming services is accelerating. We expect most internet service providers to move gradually to a dual-strategy in the TV and video space, maintaining premium services for the high-end segment, while launching and/or aggregating streaming services for the rest of the market.

Vincent Douin, Principal, Advisory, Ernst & Young LLP, TMT sector

3 Rethinking data privacy in the digital home era



of overall respondents are very cautious about disclosing personal or financial information on the internet, even if it's to a brand they know and trust.

Households remain weary over personal data

Three-quarters of respondents are very cautious about disclosing personal or financial information on the internet, even if it's to a brand they know and trust.

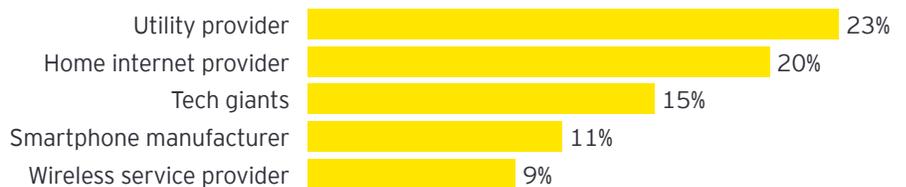
The negligence and consistency of data breaches over the recent years has left a bad taste with consumers: 41% of respondents agree that it is impossible to keep their data secure when using the internet or internet-enabled devices.

Who do households trust most?

When asked which type of company would best keep their personal data secure and use it appropriately, 20% said internet providers, second only to utilities at 23%. Social media ranks the lowest overall at 2%. Younger respondents (18-24 year olds) are the least likely to trust their internet provider, but almost twice as likely as other age groups to trust their mobile phone network provider, with utilities next on the list.

Internet service providers can leverage their standing to establish a solid brand positioning on privacy, building a solid foundation and developing privacy-related products and services.

Which of the following types of companies do you think would best keep your personal data secure and use it appropriately? (top five for overall respondents)



“

Privacy will have a growing role in the way internet service providers manage their customer interactions. New regulations act as agents of change, however, customers are driving innovation as well. Growing client expectations present opportunities for companies to ideate new products and services around privacy.

Nuno Leal, Senior Manager, Ernst & Young LLP, TMT sector

Slow adoption of new security and privacy tools

Just one in five consumers under 35 are using biometrics to protect their data online, dropping to one in twelve for those aged over 55. Similarly, two-factor authentication is used by nearly 40% of those under 35 vs. just 25% of respondents over 55.

However, half of those under 35 admit to using the same password for multiple online accounts, which is much higher than the overall respondent average of 30%. Respondents under 35 are also the least cautious about disclosing personal and financial details on websites.

Privacy concerns and opportunities loom large

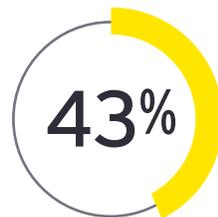
Data privacy is not just a buzzword for consumers – they are well informed about the latest news and trends regarding this topic. Thirty percent of respondents state that they are aware of the recent data privacy regulations, such as GDPR in Europe and California's new data privacy law.

With this knowledge comes continued skepticism, with 32% overall agreeing that the internet should be tightly regulated. As a clear market opportunity, 30% of respondents refer that they are willing to pay for ad-blocking software, especially the younger segments (18-34), who are two times more likely to pay for these products.

Respondents that frequently change their password



Under 35 years old



Between 35-55 years old



Over 55 years old



4 The race for control of the digital home



of respondents report that they would be concerned about the ability for hackers to access internet-connected appliances or security products.

The smart home popularity contest

Today, smartphone payments, voice assistants and speakers are the top three most popular connected devices. But it's video doorbells, currently owned by only 10% of respondents, that are expected to be the most widely owned over the next five years (44%). The popularity of smart "white goods," such as smart fridges, is also expected to quadruple, from less than 5% ownership today to around 20% in the next five years.

Consumers see the benefits but still have concerns

More than half of respondents agree or strongly agree that they are aware of smart home benefits. However, sizable challenges still exist. Security is by far the largest concern, with almost three-quarters agreeing that they worry about hackers. Price (35%) and installation (10%) roadblocks constitute the second and third major issues that are top of mind for consumers.

The smart home: fad or future?

The emerging arena of connected devices has reached an undeniable level of maturity, as 65% of respondents believe controlling white goods through a new device or app is a capability that is here to stay. IoT products at home have significant growth prospects, especially smart ovens and smart locks.

And with that comes acceptability. 45% of respondents believe their home appliances will be controlled by IoT within the next 10 years.

Internet providers in pole position

When it comes to purchasing smart home devices and services, respondents prefer four main provider types: their current internet provider, technology-based websites, specialist technology companies and their household appliance providers.

These supplier preferences are consistent across age, gender and current internet provider. Even respondents less satisfied with their internet providers would still almost always choose to purchase smart products from their existing provider.

TOP FIVE SMART SERVICES

1

Smartphone-enabled payments
30%

2

Voice-controlled digital home assistant
27%

3

Smart or connected speakers
18%

4

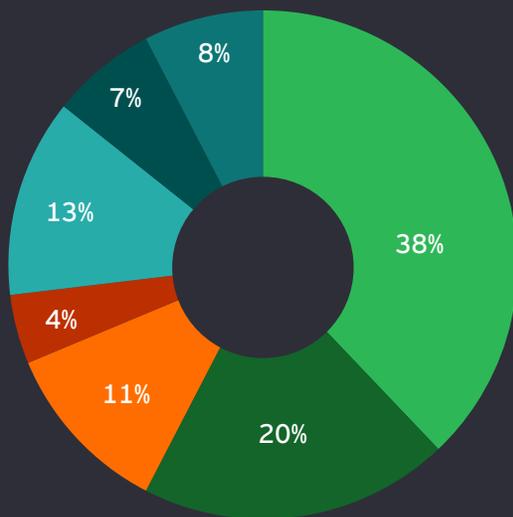
Connected car
15%

5

Smart security system
13%



If you were to purchase "connected home" products (e.g., internet security products or appliances), what type of provider do you think you would prefer to purchase them from?



- Home internet provider
- Tech giants
- Specialist technology company
- Wireless service provider
- Household appliance provider
- Utility company
- Smartphone manufacturer

“

Internet service providers are ideally positioned to play a key role in the digital home. They have an opportunity to act as a prime integrator in a market that is still fragmented and lacks robust standards.

Rahul Gautam, Ernst & Young LLP, Americas, Advisory TMT

5 The endless customer service excellence challenge

Customer service remains an improvement area

On average, 40% of those who use a top five US internet provider have contacted their provider's customer service in the last 12 months – and 36% were not satisfied with the service they received. The top reasons for dissatisfaction include: no issue resolution (35%), long resolution times (25%) and unhelpful customer service staff (24%). Nearly one in five felt that they deserved compensation and didn't receive it.

Customers still prefer to call

When asked what factors are considered when switching internet providers, 36% of respondents mentioned the reputation for good customer service and 20% cited US-based call centers. Other service channels clearly aren't as trusted, with 87% of respondents sharing that they prefer to contact their internet service provider by calling a representative. Of the top five US internet providers, customers of Comcast Xfinity call the least (63% vs. 65% avg) and use the chat function the most (12% vs. 10% avg).

Households will pay a premium for service

Investing in customer service may be an opportunity, as well as a necessity. Nearly half (44%) of respondents under the age of 35 say they are willing to pay a premium for good customer service, compared to 20% of those over 55. This creates an opportunity for providers to create tiered programs that target customers willing to pay a customer service premium.

“

TMT companies have made good progress in making customer service more efficient over the past several years ... they are now facing the challenge of finding the right balance of investments between digital self-service and automation vs. maintaining human-like interactions in the customer service.

David Monize, Managing Director, Ernst & Young LLP, Advisory, TMT

65%

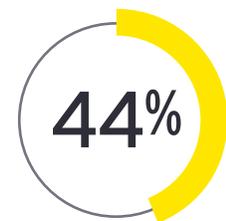
of respondents prefer to call the **call center** for customer service.

29%

of respondents prefer to use **digital channels** to contact customer service (online chat, email, social media).

6%

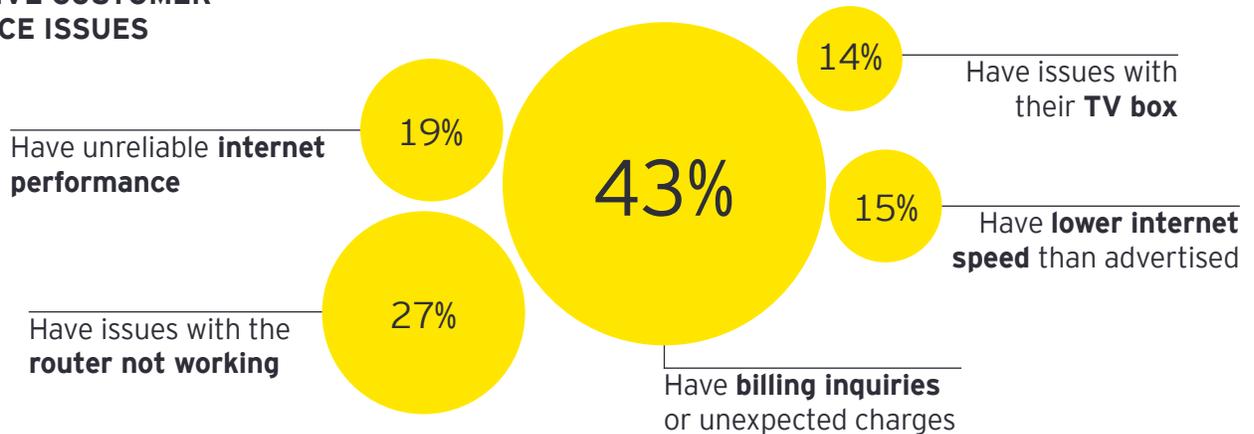
of respondents prefer to visit a **retail store** for customer service.



of respondents under the age of 35 are willing to pay a premium for good customer service.



TOP FIVE CUSTOMER SERVICE ISSUES



Steps to creating winning customer relationships

1

Rethink traditional assumptions

In a world where the role of connectivity and home content consumption is changing, it is clear that traditional assumptions about customer behaviors do not tell the full story. For internet, some segments value control, whereas others value service reliability. For video, traditional TV might still be relevant for some segments, but others see streaming as their defacto TV service, which is not a cheaper alternative.

TMT providers have to continue adopting a client- and segment-driven approach, rejecting generalizations and instead reshaping their products and services to align with differing demands.

2

Focus on simplicity

Customers are already drowning in complexity in terms of connectivity and content options. Take, for example, the number of options for streaming in the market. Customer frustrations often reside in their perceptions and expectations of products and services. Simple and intuitive value propositions are essential if TMT providers are to gain a larger share of customer spend in the future.

4

Prioritize building trust through privacy foundations: envision a new range of products and services in this category

Privacy is clearly a hot topic. Organizations have to be mindful of the way they collect and use data and the way they articulate this to customers. However, privacy brings interesting monetization and differentiation opportunities that internet service providers could capitalize on as well. Privacy will be a huge area of play in the upcoming years. The TMT providers that can most effectively build trust and reassure customers will ultimately gain competitive advantage and revenue uplift in the long term.

3

Keep customer focus, at all times

Even if not a new topic, customer service is still at the foundation of the digital home, and TMT providers should continue to invest in customer service excellence. In a hyper-connected world, a single bad experience echoes across the whole customer base. We should assume the same for positive experiences. TMT providers must find the right balance between automation and technology to offer best in class human interactions that can drive the company's values and message to the market.

5

Leverage legitimacy to pre-empt adjacent areas in smart home, security and IoT at home

Smart home and security needs are real, and we see them across every segment in this study. TMT providers are at the center of opportunity in a market that is still fragmented and lacks robust standards. A compelling value proposition that combines hardware, applications and services could further build the case for a real opportunity in the market.

What's next?

Explore the upcoming reports in our US digital home series for an in-depth look into specific areas from this research study.

THIS REPORT

The current landscape of the US digital home

Overall household preferences across the digital home ecosystem

Internet is our oxygen

How internet remains the hero product: evolving innovation will lead to more sophisticated and advanced internet products and features

Smart home: what's next?

Smart home products are shaping a faster and more connected home

Rethinking data privacy in a trust world

Customer attitudes and behaviors about data privacy

Customer-driven transformations are imperative for TMT players

How will customer expectations drive change in customer service?

Evolution of content consumption in the US

Evolving content demands shift how consumers consume media

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