

Key trends from the smart home market: July 2019

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Ovum view

Amazon expected to launch an Alexa home robot

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Amazon is determined to expand Alexa's reach by ramping up work on its upcoming home robot. Developed by Amazon Lab126, the new Alexa home robot is expected to increase the AI assistant's ubiquity by making it mobile throughout the home, thanks to advanced cameras and navigation capabilities. The new Alexa feature will enable the company to introduce innovative use cases in fast-growing areas such as smart care and security. For the past few years, Amazon has been focusing on developing Alexa not only as a virtual assistant, but also as a personal companion and sitter for elderly people, kids, pets, and the home. A mobile AI-enabled home robot could, however, be a hard proposition to sell when compared to other smart home devices that Amazon has successfully positioned in the market. The smart care and security application areas offer numerous business opportunities for Amazon and its ecosystem, but for the Alexa home robot to succeed, Amazon will have to perfect Alexa functionality as a companion assistant and go to market with an affordable solution that matches its existing product portfolio for the smart home.

Alexa devices outperform during Amazon Prime Day

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Amazon's aggressive pricing strategy for Amazon Prime Day and seasonal sales events has many consumers interested in smart devices waiting to buy at discounted prices. Many popular smart home brands have had a good overall sales performance, but not to the level of Amazon's devices. Like previous Amazon Prime Day editions, the company has provided discounts across nearly its entire smart home portfolio. This time, however, Amazon has been more compelling in terms of device bundling, offering a wide range of deals tying up its smart speakers with other proprietary smart home devices such as Amazon's smart plug, Blink security cameras, and Ring doorbells, among others, with the purpose of stimulating adoption and locking users into the Alexa platform. In preparation for Christmas, Black Friday and Cyber Monday are also expected to be important seasonal events for Amazon devices. But, beyond its device strategy, it will be crucial for Amazon to introduce bundles oriented to promote different types of associated smart home services such as one-off professional installation (for example, doorbell setup) or subscription-based services (for example, video storage such as Ring Protect Plans).

Google updates Google Assistant's smart light control feature

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Google has changed the way in which Google Assistant responds to light control commands, replacing a verbal response for a chime that confirms the task has been performed. The new feature is being rolled out primarily on smart speakers and displays, and only takes place when the voice command receiving device is in the same room as the smart light. This strategy suggests that Google wants to make Google Assistant less chatty, intrusive, and disruptive by improving its responsiveness and behavior at home. Ovum believes this initiative represents a very small but sound step to develop Google Assistant's dedicated functionality for the smart home and a convenient measure to improve

the user experience with regard to smart lighting. Early this year, Google in partnership with Signify (Philips Hue) introduced the “Gentle Sleep & Wake” feature for Google Assistant, designed to mimic the sunrise and sunset through smart lights. It is always a good sign that Google has the support of its partner ecosystem to boost Google Assistant’s smart home functionality, but Google should also focus on developing more company-led actions for other relevant use cases such as smart security if it wants to compete against Amazon’s Alexa and have a real chance in terms of functionality for the smart home.

Apple contractors hear confidential Siri recordings

Michael Philpott, Senior Practice Leader, Consumer Services

Apple has recently played a lot on its reputation for user privacy, even commissioning a billboard at this year’s CES show in Las Vegas, stating: “What happens on your iPhone stays on your iPhone”. The company’s reputation therefore took a bit of a blow when it was revealed that this statement is false, and, for the purposes of improving quality, a small proportion of Siri’s recordings are in fact passed on to third-party contractors. Although these recordings are anonymized, the whistleblower that broke the story claims that because users are not aware at the time that the device is recording, the content can often be of a personal nature, and based on the content, it could be possible to identify specific users if someone wished.

Using user recordings in this way, especially when the users are not aware of it happening, does appear to be a breach of privacy, but at the same time, one of the biggest consumer complaints of voice assistants is the quality of the voice interaction. It is clear therefore that vendors need to continue to work on improving quality but must develop ways of doing so without further damaging consumer trust in voice AI assistants in general.

Centrica’s management shake-up puts smart home strategy under the spotlight

Daniel Gleeson, Principal Analyst, Consumer Technology

Centrica CEO Iain Conn who spearheaded Centrica’s push into the smart home arena announced at the end of July he would be stepping down in 2020 under pressure due to poor financial performance. While Centrica’s troubles stem from its energy supply business, the continued loss of energy customers and its inability to replace the lost business through its Hive connected home business will almost certainly put Conn’s transformation strategy under the spotlight from whatever new management comes to replace him. Centrica’s connected home customer base grew by 49% between the first half 2018 and the first half 2019 from 1 million to 1.5 million, but this is still a very small share of Centrica’s 23.5 million energy supply customers.

Ovum expects smart service revenue in the UK to grow from \$850m in 2018 to nearly \$1.5bn in 2023, while smart device sales will grow from \$3bn to \$5bn. This growth is substantial, but is not likely to be rapid enough to convince Centrica to keep smart home as a lynchpin of its future strategy. Conn had hoped Centrica’s connected home business would reach £1bn in revenue by 2022, but the current target is now only 20% of the original goal.

Appendix

Further reading

Driving New Revenue Out of the Connected Home, CES006-000082 (August 2019)

"There will never be such a thing as a "Google home", CES006-000088 (August 2019)

"Consumers want a Netflix TV, and an Amazon smartphone," CES003-000577 (August 2019)

Consumer AI Forecast Report: 2018–22, CES004-000098 (July 2019)

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