Executive Summary

Citizen research conducted by Schneider Electric in 2015 revealed that the need for safe and secure homes is one of the strongest drivers for home owners to consider buying a Smart Home. This single concern is resulting in the growth of Smart Homes as a category. However, now customers are also looking to buy Smart Homes for other aspects such as comfort and energy efficiency.
Introduction

Smart Homes are homes which are powered by computing devices and information technology that connect various gadgets and instruments in the house to provide enhanced comfort, convenience, security, and entertainment to residents in a sustainable way. Once hailed as the domain of the super rich, today most customers seek Smart Homes in some form or the other. The availability of a wide range of high technology products aimed at making life more secure, convenient and comfortable are steadily drawing more and more customers to the concept.

The Smart Homes market is fast evolving in the Indian context. Initially Smart Homes were marketed primarily as homes with advanced security features. The market is now evolving into newer areas like lighting systems, gas leakage detectors, fire detection systems, entertainment systems and energy efficiency systems. Therefore, Smart Homes, apart from providing better security, conveniences and comfort to the resident, also provide significant energy savings.

It is estimated that the Smart Homes solutions market in India is growing in India at a rate of 30 percent YOY. At this rate, the market will double in revenue every 3 years. The market is therefore, likely to explode over the next few years.

Experts believe that security, conveniences and energy efficiency are spurring the growth of Smart Homes in India. With the growing number of working couples in India, especially in metros, more and more homes stand empty for a large portion of the day. This necessitates a large extent of home automation. Increased family incomes are supporting this need.

The awareness of Smart Homes is very high amongst all the customers interacted with. Almost all customers met with as part of this study were well aware of Smart Homes. This is universal in metros but slightly lower in non metros.

The predisposition to go in for Smart Homes is also very positive in urban India. In upper end homes (i.e., outlay of more than INR 5 cr.), almost all home owners want to have Smart Homes. In metros even in middle level homes (i.e., sub INR 1 cr outlay), many customers want to go in for Smart Home solutions. In non-metros, there are however a few instances of customers who do not want Smart Homes. For these customers, the key barriers are a fear of higher prices and a concern that they weren't clearly aware of tangible benefits from Smart Homes.

The biggest contribution to generating this awareness is currently being made by builders. Customers are becoming aware of Smart Homes by way of seeing model flats, seeing brochures that builders put together showcasing Smart Homes. Apart from builders, another key source of awareness generation for Smart Homes has been the internet.

While the category is evolving towards newer products and aspects, customers are still primarily and mostly aware only of security features. All customers interviewed as part of this study were aware that Smart Homes come with security features.
Awareness of lighting control in Smart Homes is also very high (Refer Figure 1). Apart from these two key features, awareness of Smart Homes’ features is quite low. Moderate recall is seen for entertainment control and other electricity controls. The awareness of services provided under Smart Homes is minimal. No customer was aware of any such features spontaneously, while on prompting a few mentioned that they had heard of such facilities under Smart Homes.

Awareness of specific features under Smart Homes

When customers speak about specific features under Smart Homes, they primarily talk about security features. However, they also talk about other features.

Features that customers are aware of in these specific categories are:

- **Security features** – Video (IP) door, Gas leakage, Motion sensors, Dome speaker / Mike. Few mentions of Curtain sensors, Intrusion sensors and Fire control features
- **Lighting controls** – Switching lights from remote control
- **Entertainment** – AV controls. Few mentions of content sharing & information feed
- **Electrical controls** – AC controls. Few mentions of Smart gadgets
- **Communication tools** - Communication with front door and main gate

What do Smart Homes mean to customers?

Thus, when talking about Smart Homes, customers mostly talk about security features, digital security, secured homes etc. However, apart from security, customers also talk about convenience related benefits of Smart Homes. As mentioned by a customer in Mumbai, “It reduces my work, it is convenient to use, if I forgot something means also it will switch off automatically”.

Apart from convenience, many customers talk about energy efficiency that Smart Homes can bring about by saving wasteful energy expenditure. As mentioned by a few customers in this study,

- “It reduces energy and is convenient”.
- “Home is secure, power can be saved like I said and also comfort that it gives”.
- “It saves the power.”

Other associations that customers make when envisioning Smart Homes are of sensors, câmeras, automation and status etc. However, these are fewer in number.
What is driving the acceptance of Smart Homes?

The primary driver for the acceptance of Smart Homes amongst the urban Indian customer is ‘Security’. Of all customers who want to go in for Smart Homes, about half of them are driven by the security assurance that comes with Smart Homes (Refer Figure 3.)

The top motivators driving acceptance of Smart Homes, are:

1) Security
2) Convenience
3) Energy Efficiency

There are no tangible barriers against Smart Homes currently in the Indian market. Those who do not yet want to go for it are driven by 2 key factors:

1) Not sure of cost – fear that it could be very expensive
2) Not sure of what tangible value it would give

What are customer expectations from Smart Homes?

As security is the key motivation driving the acceptance of Smart Homes, security features are hygiene to Smart Homes. Customers expect all features which will aid in making their homes more secure. Non delivery on this parameter will make a solution unacceptable to them.

All electrical controls like AC controls, Smart gadgets and UPS controls are ‘desire’ factors. Non delivery on this will make them dissatisfied with the solution and delivery on this will add to overall satisfaction.

All entertainment controls like AV control, content sharing, content and demand are not really expected by customers and delivery of these features will delight and are therefore ‘delight’ factors. Similarly customers are not expecting any on-campus or off-campus services and information feed and would therefore be delighted to get these facilities.

Customers don’t really care much about curtain controls, video conferencing and communication between rooms, communication across floors etc. Refer Figure 3.
What are customers willing to pay for Smart Homes?

All customers who are positively disposed to Smart Homes are willing to spend 1% or more of the total outlay for the house on the Smart Home solution. Most of the customers interviewed in this study were willing to pay 1% while many were willing to 2 to 3%.

Many customers, especially in the upper end houses (more than INR 5 cr outlay) are willing to spend as much as 5% of their house cost on the Smart Homes solution. They also expect all features and all controls to be incorporated in their Smart Home.

Figure 5
Chart showing what customers are willing to pay for Smart Homes

Conclusion

- Awareness of Smart Homes is very high amongst customers almost universally in metros and upper end target audience segments
- The predisposition is also very positive with almost all customers in upper end homes wanting to go for some extent of Smart Home solutions
- Currently the largest drivers for Smart Homes are 1) Security, 2) Convenience 3) Energy efficiency
- There are no significant barriers, except 1) fear of cost (cost could be very high) 2) not sure of real value they will get
- Acceptable price is ~1% and could go upto 5% of the value of the property