

Smart Homes and Home Automation



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68 million homes in Europe and North America will be smart by 2019

Smart homes and home automation are ambiguous terms used in reference to a wide range of solutions for controlling, monitoring and automating functions in the home. Berg Insight's definition of a smart home system requires that it has a smartphone app or a web portal as a user interface. Devices that only can be controlled with switches, timers, sensors and remote controls are thus not included in the scope of this study. Smart home systems can be grouped into six primary categories: energy management and climate control systems; security and access control systems; lighting, window and appliance control systems; home appliances; audio-visual and entertainment systems; and healthcare and assisted living systems.

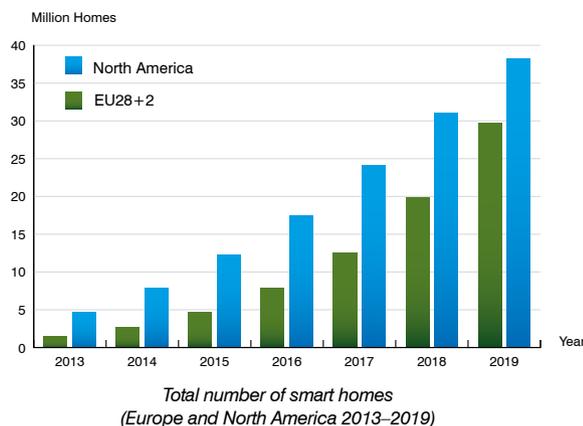
North America recorded strong growth in the smart home market during 2014. The installed base of smart home systems in the region increased by 75 percent to reach 10.2 million at the year-end. An estimated 1.8 million of these were multifunction or whole-home systems whereas 8.3 million were point solutions designed for one specific function. As some homes have more than one smart system in use, the installed base totalled an estimated 7.9 million smart homes at the end of the year. This corresponds to 6.0 percent of all households, placing North America as the most advanced smart home market in the world. Between 2014 and 2019, the number of households that have adopted smart home systems is forecasted to grow at a compound annual growth rate (CAGR) of 37 percent, resulting in 38.2 million smart homes. Market revenues reached US\$ 4.2 billion (€ 3.2 billion) in 2014, an increase of 48 percent year-on-year. The market is expected to grow at a CAGR of 34 percent between 2014 and 2019, reaching US\$ 18.2 billion (€ 13.7 billion) in yearly revenues at the end of the forecast period.

The European market for smart home systems is still in an early stage and 2-3 years behind North America in terms of penetration and market maturity. At the end of 2014, there were a total of 3.3 million smart home systems in use in the EU28+2 countries, up from 1.75 million in the previous year. Around 0.34 million of these systems were multifunction or whole-home systems whereas 2.93 million were point solutions. This corresponds to around 2.7 million smart homes when overlaps are taken into account, meaning that 1.2 percent of all households in the region were smart at the end of the year. The number of European households that have adopted smart home systems is forecasted to grow at a compound annual growth rate (CAGR) of 61 percent during the next five years, resulting ►

► in 29.7 million smart homes by 2019. Market revenues grew by 60 percent to € 0.77 billion (US\$ 1.0 billion) in 2014. The market is forecasted to grow at a CAGR of 58 percent between 2014 and 2019 to reach € 7.6 billion (US\$ 10.2 billion) at the end of the forecast period.

A point solution will in most cases constitute the consumer's first smart home purchase. In fact, point solutions outsold whole-home systems in 2014 by a factor of six to one and generated 59 percent of the combined market revenues in North America and Europe. The most successful point solutions to date include smart thermostats, security systems, smart light bulbs, network cameras and multi-room audio systems. These products are marketed by incumbent OEMs such as Honeywell, Danfoss and Philips; service providers such as SFR, British Gas, Eneco and Protection1; and new entrants such as Nest, Ecobee, LIFX, MyFox and D-Link. In the whole-home system market, traditional home automation system vendors such as Crestron, Control4, Gira and Jung are facing new competition as companies from adjacent industries are entering the market. New entrants such as ADT, Vivint, Comcast and AT&T in North America as well as eQ-3, RWE, Verisure and Loxone in Europe have already established themselves among the largest whole-home solution vendors in their respective regions.

The smart home market is gradually gaining broader consumer awareness. In North America, advertising in mass media has increased significantly in the past year and major retail chains such as Target and Wal-Mart have recently started to sell home automation products in many of their stores. In Europe, the market will be fuelled by the numerous service providers that plan to launch or expand their smart home initiatives with support from large marketing campaigns in the coming year. Another development that will drive the smart home market in 2015 is Apple's commercial launch of HomeKit and the large number of HomeKit-compatible products that will be introduced by smart home product vendors. This will result in increased visibility among consumers that benefits all players in the market.



This report answers the following questions:

- Which are the main verticals within smart homes and home automation?
- What are the drivers behind growth in Europe and North America?
- What are the challenges and roadblocks towards widespread adoption?
- What are the business models and channels-to-market for smart home solutions?
- How are product OEMs and whole home solution vendors positioning themselves?
- What home connectivity technologies are smart home system vendors betting on?
- What is the potential market size for cellular M2M in home automation?
- How will the smart home market evolve in the next five years?

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Glossary

About the Author



Lars Kurkinen is a Senior Analyst with a Master's Degree in Strategic Management from the Aalto University School of Science and Technology, Finland. He joined Berg Insight in 2010 and his areas of expertise include mHealth, smart homes and mobile financial services.

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