CONNECTED LIFE SERVICES CONCEPT TEST

A study by GfK to test the appeal and potential take-up of a new multi-service IP gateway offering from Cisco

Prepared by: Ranjiv Dale
INTRODUCTION

Increasingly, companies are looking at ways to deliver services around the connected home. As consumers demand more cross-platform consumption of media and content, it is opening up further opportunities for service providers, utilities and retail businesses to offer additional services to the connected consumer. Cisco commissioned GfK to conduct a study in 2013, which tested appeal and potential uptake of the Unified Gateway, part of the Connected Life Services Concept Test, in the US, UK, and Germany.

The Unified Gateway is a new type of device that will unify the video, telephony and internet/Wi-Fi services that are currently being supplied via multiple devices/boxes in homes. With this new service, each household member can access their service provider content and utility services more easily, and with an enhanced user experience.

The study looked at price expectations around four concepts tested, as well as consumer attitudes on the overall appeal, uniqueness, relevance, and ease of understanding the product. Through analysis of these findings, this paper will therefore offer optimal pricing strategies, and potential figures for uptake and revenue, for the Unified Gateway in each of the three markets.

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1 Introduction
2 Executive summary
3 Methodology
4 Main findings
5 Conclusions
2 EXECUTIVE SUMMARY

Key themes that will be covered in this paper include:

2.1 There is a price expectation around the amount of extra money consumers are willing to pay, yet this varies between Germany, the UK, and the US. When considering which price points are most likely to produce the greatest potential revenue in each market, there is price expectancy across most of the markets. The US has the most potential to set a high price point of $16. Germany is interesting in that price sensitivity plateaus at €8 ($12), so potentially a service provider could charge up to €18 to maximize revenue. However when factoring in barriers to up-take we would suggest €8 as optimal. UK is the most price sensitive, with willingness to pay dropping considerably from £6 ($9) onwards.

2.2 Home management and video content have the highest potential to sell in each market, with take-up most likely amongst a more tech oriented audience. Once factoring in the potential barriers to up-take, home management and video content have the highest potential to sell in each market. The US and UK show the most interest in these offerings with 23% willing to take these up at $16, and £6 ($9) respectively. People who show interest in up-take of these services tend to be early adopters, and are most likely to own multiple devices and so see the benefit of remote management and content viewing.

2.3 Peace of mind, versatility and control are key to positioning the benefits of video content and home management. When asked what the benefits were of home management and video content, the audience considered that versatility and peace of mind were key to improving their lives. The versatility aspect comes from being able to monitor and manage your home and view content across multiple mobile devices, and allows for consumers to have more control over their time and what they do with it. Peace of mind comes from being able to know that you are able to remotely manage your heating, energy, appliances and home entertainment. These aspects will be important to communicate to increase up-take amongst a wider audience.
2.4 However, there are concerns around privacy, cost and complexity for these services that may need to be addressed to widen appeal and up-take.

Concerns are mentioned in verbatim around how invasive these services could be; for example, being able to monitor activity in the house as well as recording people’s viewing habits enables the potential for abuse/hacking etc. Some also mentioned that the service sounded complex and not something people would have the time to learn about, and that the cost for such services may be too high. It will therefore be important to not only communicate the benefits of the service, but to also consider ways to mitigate concerns around these issues.

2.5 Device monitoring potential is amongst niche “concerned parents” audience; benefits around protection for children and control, but could be considered invasive.

Up-take of device monitoring is potentially lower than video and home management; it also appeals to a different audience, mostly “concerned parents”. The audience appreciated the benefits of being able to monitor and control children’s content viewing, with some mentioning worries about the type of content available to children currently. However, there were strong concerns around how invasive this type of service could be, and the lack of privacy for children. It will be essential for the success of this service to treat people’s privacy with sensitivity, perhaps considering the depth of monitoring that is available as well as allowing some levels of privacy for people being monitored.

2.6 Personalized advertising is most appealing to early adopters, however there are concerns about being monitored.

While the difference in potential up-take is marginal for personalized advertising versus other services, this is nonetheless the service least likely to be purchased. Verbatim from respondents centered on the lack of relevance to their lives, and concerns around their habits and viewing behaviors being tracked to enable personalized advertising. Those that could see the benefit said that they forget events and important occasions, so having a
2.7 In summary, this product offers the potential to add additional services on top of current Pay TV and Home Movie content; whilst no one service is likely to achieve wide take-up, their niche appeal to various audiences will no doubt allow for increased revenue streams on top of current services.

While each service displays niche appeal, these services are only at early stage of development and release. Given that these are likely to be additional and “bolt on” to current viewing and channel offerings, it is likely that up-take could improve as households come to learn about the benefits of such services, and realize that payment is iterative on top of what they are already paying.

For those audiences outside of the early adopter targets it will be an educational process, and it will therefore be important for providers to communicate the lifestyle benefits as well as mitigate perceived complexity via simplified user interfaces. It will also be important to limit the potential for invasion of privacy, with fail-safes in place and up-dated security systems to assure potential customers that their information and access will be safe. Giving control over the extent of personal versus public information will also be key to widening appeal.

With further education and communication of benefits, appeal and up-take could also improve over time as audiences outside of the tech adopter target become more accustomed to understanding how these services work.
3 METHODOLOGY

3.1 Background and Objectives

The basis of this white paper are from an ad-hoc study to investigate the potential of the Cisco Unified Gateway as a major opportunity to develop extra revenue and service appeal for service providers.

Objectives:

- Assess appeal and relevance of four different use cases as well as at the product as a whole.
- Establish optimal price points and potential up-take at these various price points.

This white paper covers the results from the study as well as background information on the potential for each of the services tested.

3.2 Methodology Overview

GfK conducted a 3 market study amongst a nationally representative audience in each market.

The quantitative survey was conducted online, testing a new “unified gateway” concept amongst consumers in each market. The concept test included 4 scenarios, with 3 shown to each respondent, as well as a description of the overall concept.

The overall concept:

- Service providers will soon be able to offer a new type of device that will unify the video, telephony and internet/WiFi services that are currently being supplied via multiple devices/boxes in your home.
- It will provide the ability to use all these services via an application or software that can be accessed via cable boxes, Smart TVs, Smartphones, PCs, Laptops, and Tablets. Each of these devices can access the same service via an optimised menu system, or application to ensure the best user experience for that device.
- This means is you will be able to access home media, broadcast content, telephone, broadband and utility (heating, air-con, home security, electricity) monitoring services via this one box.
Then – 4 possible services that could be offered by a company utilizing this concept; these were presented as scenarios/use-cases:

- **Video content** - demonstrating the ability to personalize your video content and use it across multiple devices. As the service is on the “cloud” it can save which programs you have watched and how far you are in watching them. You can then flip access between devices.

- **Home management** - demonstrating the ability to remotely (via tablet, PC or smartphone) control their children’s television and internet usage, including the being able to switch their devices off at bed-time.

- **Device monitoring** - demonstrating the benefit to parents, where they can remotely (via their tablet, PC or smartphone) control their children’s television and internet usage, including the being able to switch their devices off at bed-time.

- **Personalized recommendations** - demonstrating how the service can link up different services to personalize recommendations to each user. In this case, you can set reminders for special occasions such as anniversaries, where adverts appear that are relevant (such as for flowers) you can then directly link to the provider via the advertisement to purchase the relevant gifts.

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**3.3 Sample Frame and Study**

500 interviews were conducted in UK, US and Germany during May 2013.

Individual respondents were randomly selected from a nationally representative population in each market.
4 MAIN FINDINGS

4.1 There is a price expectation around the amount of extra money consumers are willing to pay.

Price sensitivity plateaus at €8 in Germany, however, once factoring in barriers to up-take, sensitivity increases post €8. 23% are willing to purchase at €8, a healthy level of up-take. The potential price is highest in the US at $16. UK consumers are the most price sensitive, at £6

Figure 1

Consumers in Germany are sensitive to price up to €8 ($12), at that price point 20% would be willing to pay.

Whilst there is a lack of sensitivity from €8 ($12) to €18 ($27) in Germany, it is worth considering whether this would be a feasible price point as potential barriers to uptake increase.

Figure 2

US consumers are price sensitive yet have a relatively high threshold of $16 before willingness to pay drops.

Figure 3

UK consumers seem the most price sensitive with optimal price seen at $9 (£6), although willingness to pay only drops considerably from $15 (£10). Potential up-take is at 30% making it the market with the most potential to for mass market appeal.
4.2 Home management and video content have the highest potential to sell in each market, although these possibly lack relevance amongst the wider market. Overall, video content and home management have the most potential to sell; scoring above average on appeal, with home management doing well on uniqueness. However only c. 50–60% consider them relevant, suggesting that they are more likely to appeal to niche audiences. Those willing to up-take TV content tend to already be proficient at using content and services across different devices. For home management, the target audience tends to also be early adopters who already monitor their home security. Service providers will need to consider ways to educate the wider audience as to the benefits of using these services and how to use them.

Figure 4
Video content is considered appealing, unique and easy to understand, both services are considered unique, and appealing. However there is a perceived lack of relevance amongst the wider audience.

Figure 5
In Germany, up-take potential for video services and home management is at 7% at the €18 ($24) price point. This increases to 19% at €8 ($12) despite lack of price sensitivity.

Figure 6
Consumers in the US are likely to see video content and home management as appealing: uniqueness and understanding are relatively high. However, relevance is relatively low.

Figure 7
Potential up-take is high in the US, particularly for Home Management, although video content is most appealing amongst TV enthusiasts. Those who find Home Management appealing tend to be high value subscribers.

Figure 8
Consumers in the UK are likely to see video content and home management as appealing, unique, and understanding is relatively high. However, across all services relevance is relatively low.

Figure 9
In the UK potential for up-take is 22% for video and home management, with video content and personalized advertising showing the most potential. The target for these services is likely to be those who are highly involved with online services, and use a plethora of devices.

<table>
<thead>
<tr>
<th>VIDEO CONTENT</th>
<th>HOME MANAGEMENT</th>
<th>SERVICE AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal</td>
<td>69%</td>
<td>74%</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>76%</td>
<td>72%</td>
</tr>
<tr>
<td>Needs fit / Relevance</td>
<td>51%</td>
<td>53%</td>
</tr>
<tr>
<td>Understanding</td>
<td>83%</td>
<td>87%</td>
</tr>
</tbody>
</table>

**Figure 4: POTENTIAL BARRIERS TO UP-TAKE OF THE NEW SERVICES IN THE GERMANY**

**Figure 5: POTENTIAL UP-TAKE ONCE BARRIERS ARE CONSIDERED IN GERMANY**

<table>
<thead>
<tr>
<th>VIDEO CONTENT</th>
<th>HOME MANAGEMENT</th>
<th>SERVICE AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal</td>
<td>81%</td>
<td>78%</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>78%</td>
<td>83%</td>
</tr>
<tr>
<td>Needs fit / Relevance</td>
<td>62%</td>
<td>63%</td>
</tr>
<tr>
<td>Understanding</td>
<td>89%</td>
<td>91%</td>
</tr>
</tbody>
</table>

**Figure 6: POTENTIAL BARRIERS TO UP-TAKE OF THE NEW SERVICES IN THE UK**

**Figure 7: POTENTIAL UP-TAKE ONCE BARRIERS ARE CONSIDERED IN THE UK**

<table>
<thead>
<tr>
<th>VIDEO CONTENT</th>
<th>HOME MANAGEMENT</th>
<th>SERVICE AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal</td>
<td>71%</td>
<td>75%</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>75%</td>
<td>85%</td>
</tr>
<tr>
<td>Needs fit / Relevance</td>
<td>57%</td>
<td>59%</td>
</tr>
<tr>
<td>Understanding</td>
<td>89%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Figure 8: POTENTIAL BARRIERS TO UP-TAKE OF THE NEW SERVICES IN THE US**

**Figure 9: POTENTIAL UP-TAKE ONCE BARRIERS ARE CONSIDERED IN THE US**

<table>
<thead>
<tr>
<th>VIDEO CONTENT</th>
<th>HOME MANAGEMENT</th>
<th>SERVICE AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeal</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td>Needs fit / Relevance</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td>Understanding</td>
<td>58%</td>
<td>58%</td>
</tr>
</tbody>
</table>

**SIGNIFICANTLY ABOVE AVERAGE**

**ON PAR WITH AVERAGE**
4.3 Peace of mind, versatility and control key to positioning benefits of video content and home management.

Those interested in taking up video content and home management services expressed the versatility and flexibility of these services. Peace of mind was also mentioned in being able to record or pick up watching shows on any device, as well as being able to switch off appliances remotely.

From the verbatim analysis, key motivations to appeal are centered on the convenience and versatility when considering video content.

“You can always be up to date with your favourite series even when on the go, no more boredom!” – 35-55, Bundler, Germany

“It sounds extremely convenient and may actually mean that I watch adverts rather than make a drink or fast forward through them.” – 35-55, Bundler, UK

“I think it would be fantastic if my wife and I weren’t relegated to watching the same thing on the same TV. If I wanted to watch a game, it would be great to be able to access it from my phone or tablet.” – Under 35, Bundler, US

Verbatim around home management center more on being able to save money, having control from one device, and peace of mind in being able to monitor your home remotely.

“It pleases me to think that I can control my home functions, which will help me to increase my safety and comfort.” – 35-55, Bundler, Germany

“I often worry that I have forgotten to turn things off when on holiday and this could reassure me. Also turning heating on remotely rather than a timer is good if my plans change and I can turn it on before it is otherwise due.” – 35-55, Bundler, UK

“I like that it could save money on energy and that it would be able to control many things in your home even though you aren’t there.” – 35-55, Bundler, US.
4.4 However, there are concerns around cost and complexity for these services, and potential for hacking/abuse that may need to be addressed to widen appeal and up-take.

It is important to mitigate the concerns, particularly around lack of privacy; this could be approached via setting levels of control applicable to situations. Ensuring customer service options where those losing devices can immediately disable access to their home services via that device would also help.

The verbatim suggest that some consumers do not see it as relevant or find it complex.

“No-one needs this kind of thing, it’s not the end of the world if you miss a TV show- there are dozens of ways to catch up.”
- Under 35, Non-Bundler, UK

“It seems complicated and I can’t believe that there is anything I wouldn’t be able to watch using catch up TV.”
- Over 55, Bundler, UK

For home management, people are concerned about having too much control from one device or multiple devices, in case someone steals their device or hacks it. There were also concerns around complexity; it appeared some consumers couldn’t really understand it.

“I don’t think I would like having control of everything in one place. It could be stolen or that device goes wrong.”
- Under 35, Non-Bundler, UK

“The entire concept of having everything connected in that way is beyond unappealing. Opening your household up to having control of everything, including your oven and other appliances, possibly stolen, is reckless. And doing so in exchange for such little in return is just lazy.”
- 35-55, Non Bundler, US

4.5 Device monitoring amongst niche “concerned parents” audience, can position benefits around protection for children and control, but could be considered invasive.

Most potential for device monitoring can be seen in the UK and US, although across all markets it’s parents audience who are most interested in the service. Allowing the ability to monitor viewing and also control device behaviors would be key to selling this service so parents have the level of control they need for peace of mind. Service providers may need to consider the level of monitoring and control allowed as there are concerns about privacy. It may be worth ensuring those being monitored are at least made aware of the fact when it happens.

“No-one needs this kind of thing, its not the end of the world if you miss a TV show- there are dozens of ways to catch up.”
- Over 55, Bundler, UK

“It seems complicated and I can’t believe that there is anything I wouldn’t be able to watch using catch up TV.”
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“For home management, people are concerned about having too much control from one device or multiple devices, in case someone steals their device or hacks it. There were also concerns around complexity; it appeared some consumers couldn’t really understand it.”

“Under 35, Non-Bundler, UK”

“This service would be helpful to prevent children always sitting on media devices.”
- 35-55, Non Bundler, US

“Under 35, Bundler, Germany”

“Under 35, Non-Bundler, UK”

“Under 35, Bundler, Germany”

“35-55, Non Bundler, US”

“It is ideal for me, when it comes to monitoring our 14 y/o half of the time we do not know what he is watching- we trust him, and he is sensible lad but personally I need some sort of control when to switch off the internet connection since he tends to stay up late.”
- 35-55, Non Bundler, UK

“Under 35, Bundler, Germany”

Potential for up-take is lower compared to video content and home management. Only 13% would be willing to buy at €8 (€12) in Germany, and 19% at £6 ($9) in UK or $16 in the US.

Device monitoring appeals to parents of children still living at home, who would like the ability to monitor their children’s activities and control their viewing.

Positive comments around being able to protect children and having more control over household entertainment consumption in general.

Base = those tested for each concept
(minimum Germany =396, UK=381, US= 371)

Figure 10: POTENTIAL UP-TAKE ONCE BARRIERS ARE CONSIDERED FOR DEVICE MONITORING

13% 16%

19% 20%

19% 21%
However, there are concerns that it would be invasive, and potential for spying on other family members. Possibly lack of relevance for those who do not have children.

“No need for the service when there are programs to monitor children’s online activities anyway, seems to create a lot of hysteria over nothing.
– Under 35, Bundler, Germany”

“I don’t like the idea of mixing lots of devices into one and making things more complex, also I don’t much care for a constant control over others.
– 35-55, Bundler, UK.”

“Others being able to access what I have been doing online, & conversely- I do not want to check up on what the other adults in my household are/have been doing.
– Over 55, Bundler,”

4.6 Personalized advertising is most appealing to early adopters, but there are concerns about being monitored.

Personalized advertising is the least likely to be purchased at the optimal price point, although it is only marginally behind device monitoring. This service is applicable to those who lead busy lives and need reminding of key events and recommendations for relevant products. While this is a core benefit there are also concerns around being monitored, and will therefore need to be assurances in place about confidentiality of information etc. to help mitigate potential negative impact on people purchasing the product as a whole.

This service shows some initial potential, 12% taking it up at €8 ($12) in Germany, 18% at $16 in the US, and 19% at £6 ($9) in the UK.

Figure 11

It is key to position around aiding people to remember events and personalized items they like to buy.

“I like that the offers are personalized and I will not see advertising that does not suit me or I will not be interested in.
– 35-55, Bundler, Germany”

“It’s less time consuming as everything is in front of you. And it means you wouldn’t need to watch so many adverts during a programme.
– Under 35, Bundler, UK”

“You could instantly buy things off your tablet instead of saying you’re going to do it and then forgetting.
– Under 35, Bundler, US”

There are concerns that it could be intrusive, reminded some people of “big brother” type of monitoring, and being “over-advertised” to.

“I am increasingly aware of the intrusion of advertising into my browsing, working and entertainment times and resent it.
– 35-55, Non Bundler, Germany”

“I’m sorry, but this is too intrusive for me and the words ‘monitoring your browsing history’ make my blood run cold. Also I like to be challenged by new things, not just flooded with more of the same.
– Over 55, Bundler, UK”

I do not like personalized advertisements or tracking of my internet activity. It is intrusive and invades privacy. Also, I may be missing information I may be interested in if they target to what they think are my interests.
– Over 55, Bundler, US”

Figure 11: POTENTIAL UP-TAKE ONCE BARRIERS ARE CONSIDERED FOR PERSONALIZED ADVERTISING

<table>
<thead>
<tr>
<th>Country</th>
<th>Under 35</th>
<th>35-55</th>
<th>Over 55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>12%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>US</td>
<td>18%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>UK</td>
<td>18%</td>
<td>21%</td>
<td></td>
</tr>
</tbody>
</table>

Base = those tested for each concept (minimum Germany =396, UK=381, US= 371)

It is key to position around aiding people to remember events and personalized items they like to buy.

“I like that the offers are personalized and I will not see advertising that does not suit me or I will not be interested in.
– 35-55, Bundler, Germany”

“It’s less time consuming as everything is in front of you. And it means you wouldn’t need to watch so many adverts during a programme.
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I do not like personalized advertisements or tracking of my internet activity. It is intrusive and invades privacy. Also, I may be missing information I may be interested in if they target to what they think are my interests.
– Over 55, Bundler, US”
5 CONCLUSIONS

In summary, this product offers the potential to add additional services on top of current Pay TV and Home Movie content. With further education and communication of benefits, appeal and up-take could also improve over time as audiences become more accustomed to understanding how these services work.

Video content and home management show the highest potential for purchase. However, each service appeals to niche audiences. It will therefore be important to offer this product with a variety of “bolt-on” services to enable customization.

It is also worth noting that these products are in the early phase of release. However, there is potential that as adoption increases and consumers come to learn that these services are available as additions to current viewing products they use, that appeal will widen to late majority adopters.

With that said, it will be key for providers to educate their current customers and potential new customers as to the benefits of these services, as well as address concerns around complexity, and invasion of privacy via building in simplicity and security into these services while assuring customers of their presence.

When positioning the product, benefits around convenience, control, versatility and money saving are likely to appeal, but need to mitigate issues around lack of privacy and concerns around people hacking or stealing devices to access content.

For more information please contact:

Ranjiv Dale
Director | GfK Business & Technology | GfK UK
ranjiv.dale@gfk.com
T +44 (0)20 7890 9133

JT Taylor
Senior Manager | Marketing | Cisco SPVTG
taylorjp@cisco.com
T +1 770 236 3657