Webinar follow up

GETTING OVER ALEXA – SMART HOME WEBINAR

Questions and answers from the smart home webinar by STL Partners

Our presenters:

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Attendees' questions from the session

Here are the questions you submitted during the session and answers from our presenters.

How big is the opportunity?

STL PARTNERS	DT is charging €5 a month for its smart home service, but one way to think about this is it should be part of an Amazon Prime style bundle (connectivity-entertainment-smart home) that brings a lot of value to consumers at a relatively low price, but then allows you to easily sell them additional products and services, such as insurance, financial services, personal transport, pay per view and energy

Will Apple capture a major slice of this market?

T · ·	OTT players like GAFA will enter the market and compete with other players like telcos. As of now the race is open. We presume that several players will take relevant shares of the market
STL PARTNERS	Apple will probably carve out a substantial customer base at the high end of the market by recognising that many wealthy consumers' desire for artificial intelligence and automation will be offset by a desire for privacy. Having been relatively slow to enter the smart speaker market, Apple has made its HomePod system much more expensive than the equivalent products from Google and Amazon. As well as reflecting Apple's premium positioning in hardware, the high price (US$350) of the HomePod and the news that Apple Music will be available on the Amazon Echo are signs that Apple doesn't regard the smart speaker market as being strategically important – the iPhone and iPad (equipped with Siri) already provides consumers with a device through which they can easily monitor and control their smart home. There are 750 million iPhone users worldwide by some estimates

To what extent will telco need to deploy field engineers?

T · ·	DT has a strong field engineer force. We use this relevant asset to enhance our services. For example, the installation of smart home in the customer's home
STL PARTNERS	Field engineers should be part of the overall proposition, but generally as part of a premium plan aimed at high-value customers - this is a potential competitive differentiator for telcos. But the cost implications mean field engineers clearly need to be deployed sparingly – telcos should look for economies of scope and synergies, sending out an engineer to address a household's connectivity/smart home/entertainment needs in one hit

What does DT regard as the key ingredients/success factors for a smart home solution?

T · ·	Support of a broad device portfolio, support of single use cases, seamless customer experience, integration of smart home capabilities into mass market devices, eg Telekom routers

How does DT partner with other players in the value chain?

T · ·	We have different partner approaches: • device partners, such as hardware manufacturers • go to market partner, such as additional retail channels besides DT's own channels • value add service partner, such as insurances

Does DT see any significant regional differences in the smart home market? For example, do some countries place a greater premium on privacy?

T · ·	Yes. Especially in Germany data privacy and security are very important for our customers. We address this matter by complying with the strict German data privacy laws

There is some "fear of missing out" from telcos – that if we don't team with Google or Amazon that we will miss out. How essential are the smart speaker players, and is there a significant enough share of the market that will reject those ecosystems?

T · ·	We don't think there's a fear of missing out. We're working with Amazon and Google to include some of their voice features into smart home, but we believe that there's room for voice interfaces that address the specific needs of DT, such as the interplay with Magenta TV
STL PARTNERS	The internet players' smart speakers are an important smart home interface for some use cases, but they aren't pivotal to a proposition built on peace-of-mind, which is likely to be the biggest demand driver in this market

How can telcos still play the privacy/security card while at the same time having to integrate their offering with Google, Amazon etc?

T · ·	It's the choice of the customer to use Amazon and Google services in connection with SmartHome. Customers must actively opt-in and agree to the terms and conditions of Amazon and Google. Of course, we shall ensure that SmartHome is fully usable without Amazon and Google if the customer chooses not to opt-in to their terms and conditions
STL PARTNERS	Transparency and trust are key – telcos need to be clear with consumers about how their personal data could be used and ensure they and their partners have informed permission

Given the number of partners DT has integrated and the seemingly low price points, is the smart home offering area profitable in its own right? Or is the business case including overall retention?

T · ·	The SmartHome business case includes several elements: hardware sales / value added services and retention for core connectivity business (lock-in effect)

Isn't DT's app interface a little 90´s – who wants to turn on a single light via an app?

T · ·	The app allows customers to set-up individual rules and scenes by combining several connected devices. Customers are free to control their SmartHome via smartphone app, tablet app, voice interface, smart watch and in-car entertainment system (BMW, VW)

Every year we hear that a breakthrough is coming. Do you have any idea why it simply isn't happening?

T · ·	We believe this will change in the future for several reasons: customer education about the possibilities of smart home systems has increased; price points especially of hardware have decreased; technical barriers have been lowered (e.g. integration of smart home functionalities into routers)
STL PARTNERS	The smart home market has seen many false dawns over the past two decades, but is now growing steadily in many developed countries, as consumers seek to bolster security, improve energy efficiency, charge electric cars and increasingly automate appliances. One of the biggest underlying drivers is peace of mind – householders want to protect their properties and their assets, as rising population growth and inequality fuels fear of crime. The growth of the sharing economy is also driving demand for solutions that make it easy for people to rent out their homes, their cars and other assets. These solutions include digital locks that can be remotely controlled and connected monitors that support tailored insurance propositions. At the same time, the cost of connectivity, both in terms of modules and services if falling, making the smart home a more viable proposition for more households.

Smart companion is a potentially huge role for consumer. How do you define what you do and don't do? Does it include all ecommerce? Insurance services? Education? How far will you go?

T · ·	Our vision for the Smart Companion addresses different need categories: energy management, elderly care, smart home control, safety. We will adjust the future feature set and included services based on the customer needs
STL PARTNERS	Ideally, consumers would have a service that shows them the real-time status of everything they care about - where that asset is, whether it is being used, what energy it is consuming, what condition it is in and whether it is insured

Do you still believe the smartphone will have a chance to be the home control in the future?

T · ·	We believe the smartphone will remain an important part of the home control, but other devices and interfaces will gain popularity, eg voice control
STL PARTNERS	Yes, the smartphone will be central to a smart home proposition as it is the ideal tool for remote monitoring and remote control

Next steps

More questions?

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