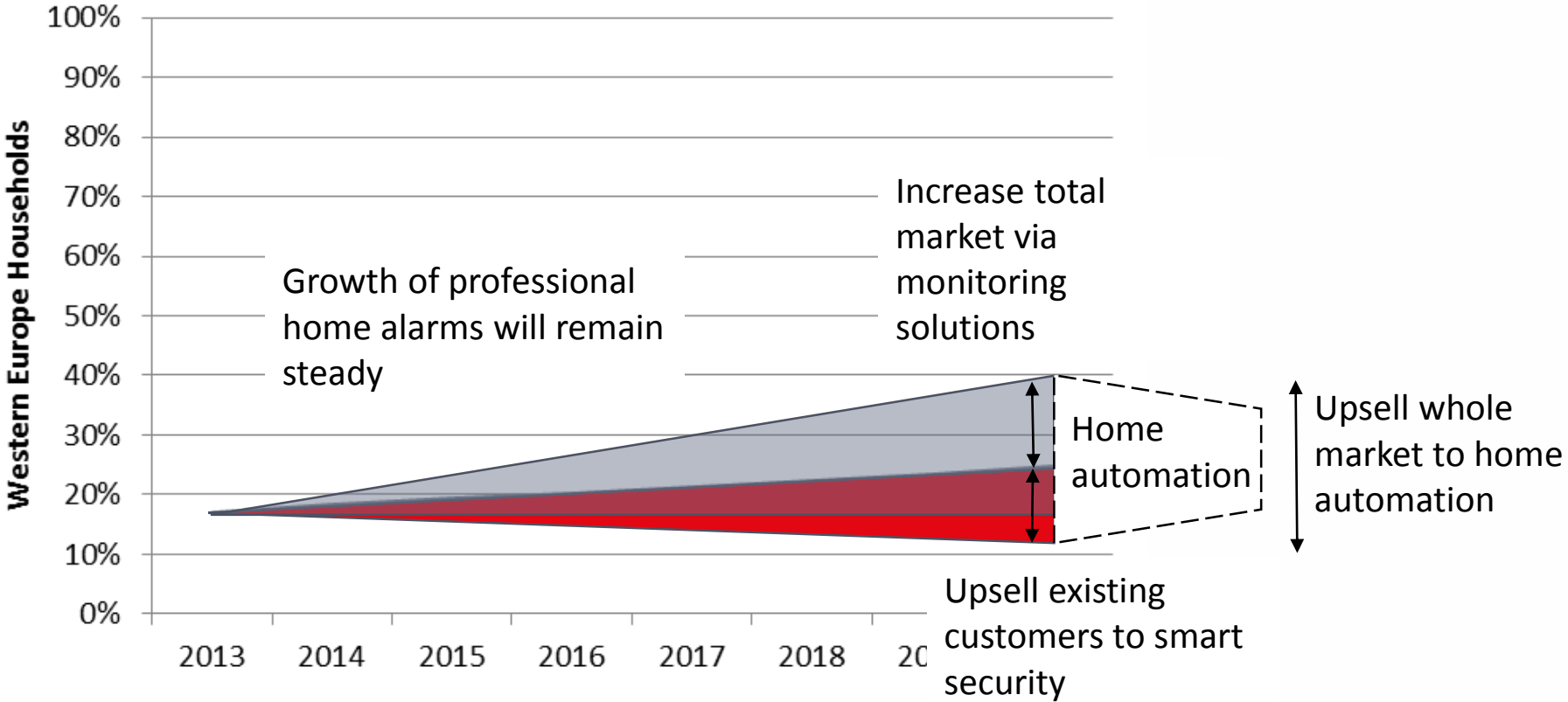


Smart homes of the future – expanding beyond home security

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Smart home will drive customer upsell and new growth in the home security market



Smart home essential to new revenue growth



Why has the smart home taken this long?



Need to make life fundamentally BETTER or CHEAPER

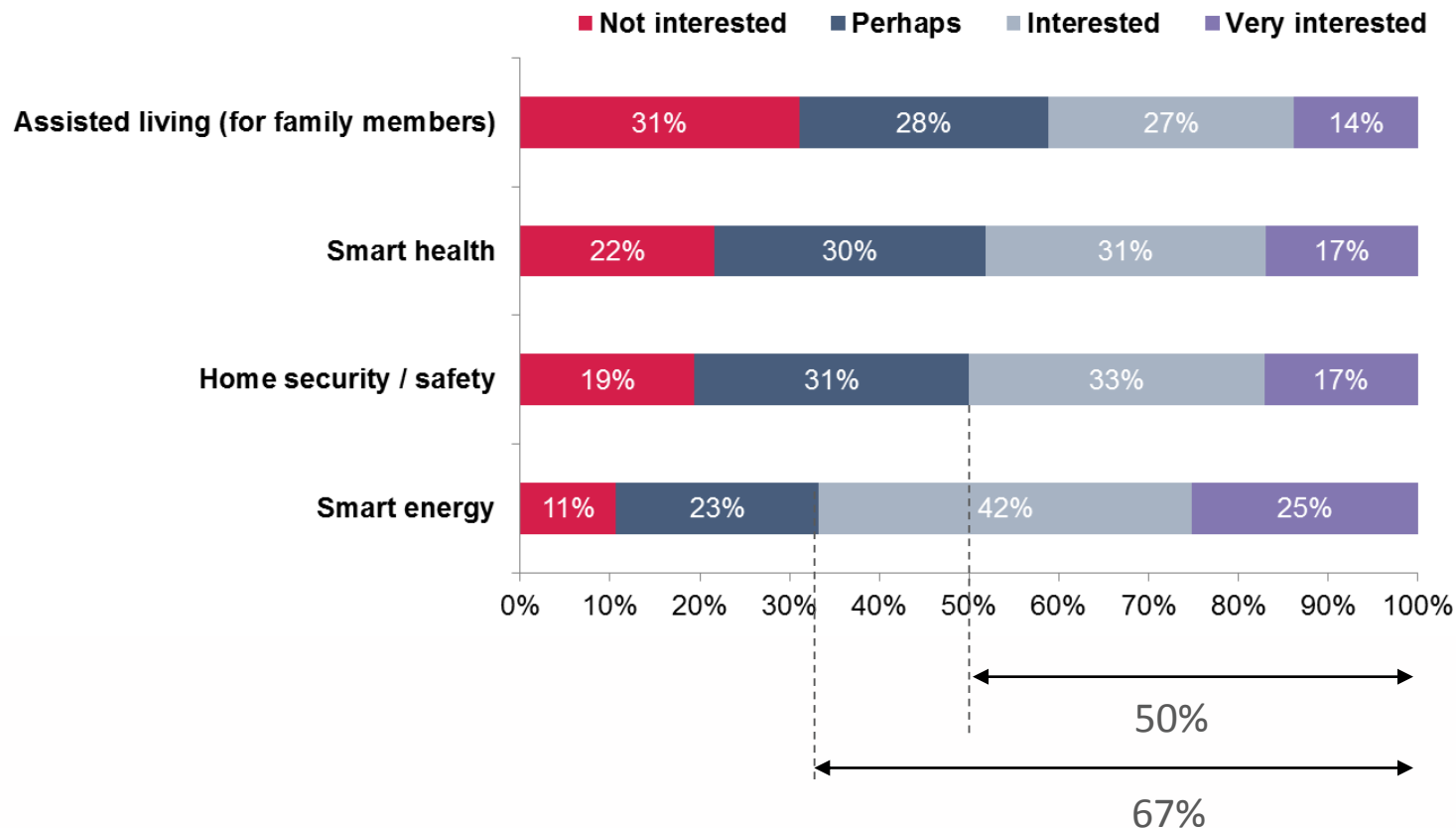


What the industry needs to do to stimulate the smart home market



1. Create solutions that bring true value

Would you be interested in using any of the following type of Internet services in the next 24 months?










- Feeling safe in your home is a fundamental need
- Interest doesn't mean they will pay
- Traditional segment is the low hanging fruit
- Rest of the market will require much more work!

Source: Ovum Consumer Insights, Q2 2015 (Europe large 5, n=2,500)

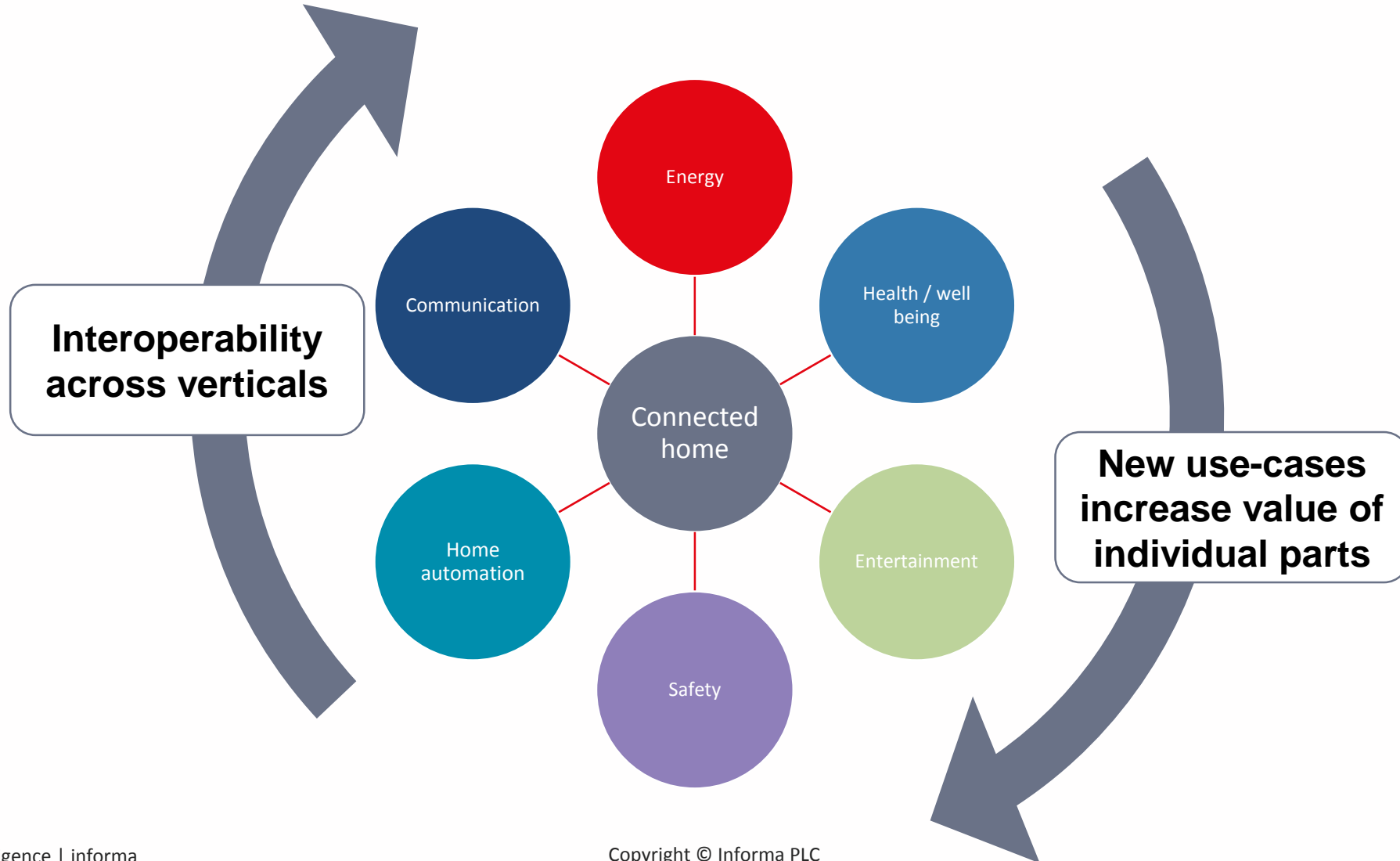


2. Develop flexible solutions to meet the needs of different market segments

| | | | |
|-----------------------------------|--|---|---|
| Use-case |  |  |  |
| Typical service provider offering |  | | |
| More tailored solutions |  |  |  |



3. Enable users to create new use cases that will better meet their individual needs



4. Create more innovative business models that will appeal to a wider segment



Today's business models

- Retail sales
- Monthly subscriptions

Emerging business models

- Loyalty
- Replenishment
- Premium discounts
- Pay-as-you-go

Future business models

- Product as a service
-

Broaden the revenues opportunities as well as the potential customer base

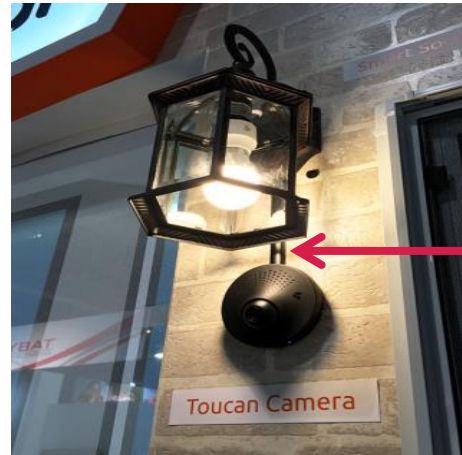


5. Remove concerns that create purchasing barriers

- Reliability
- Security
- Health & safety
- Trusted business ethics



6. Make it simple



Screw in bulbs. Download App. Done!

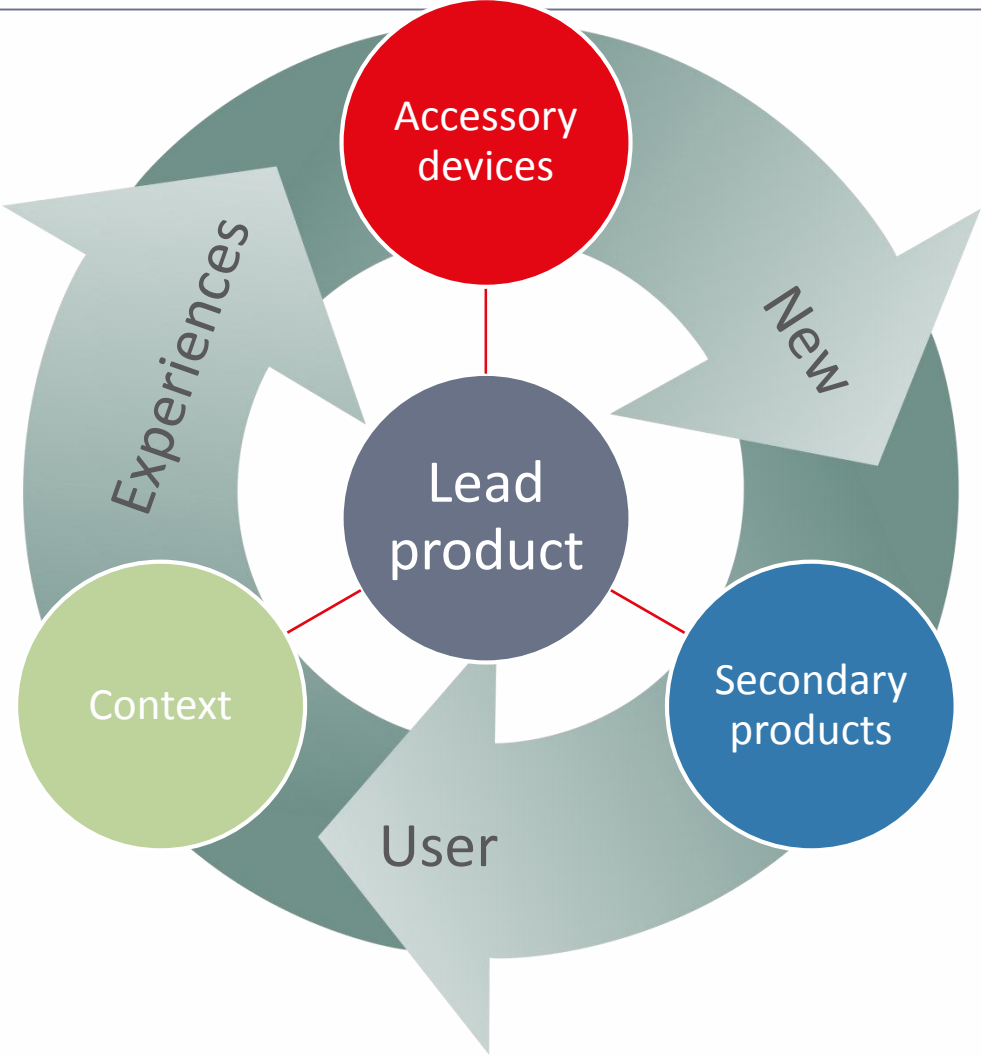
OR...



Putting home security at the heart of your smart home strategy



Creating new use cases to stimulate new demand

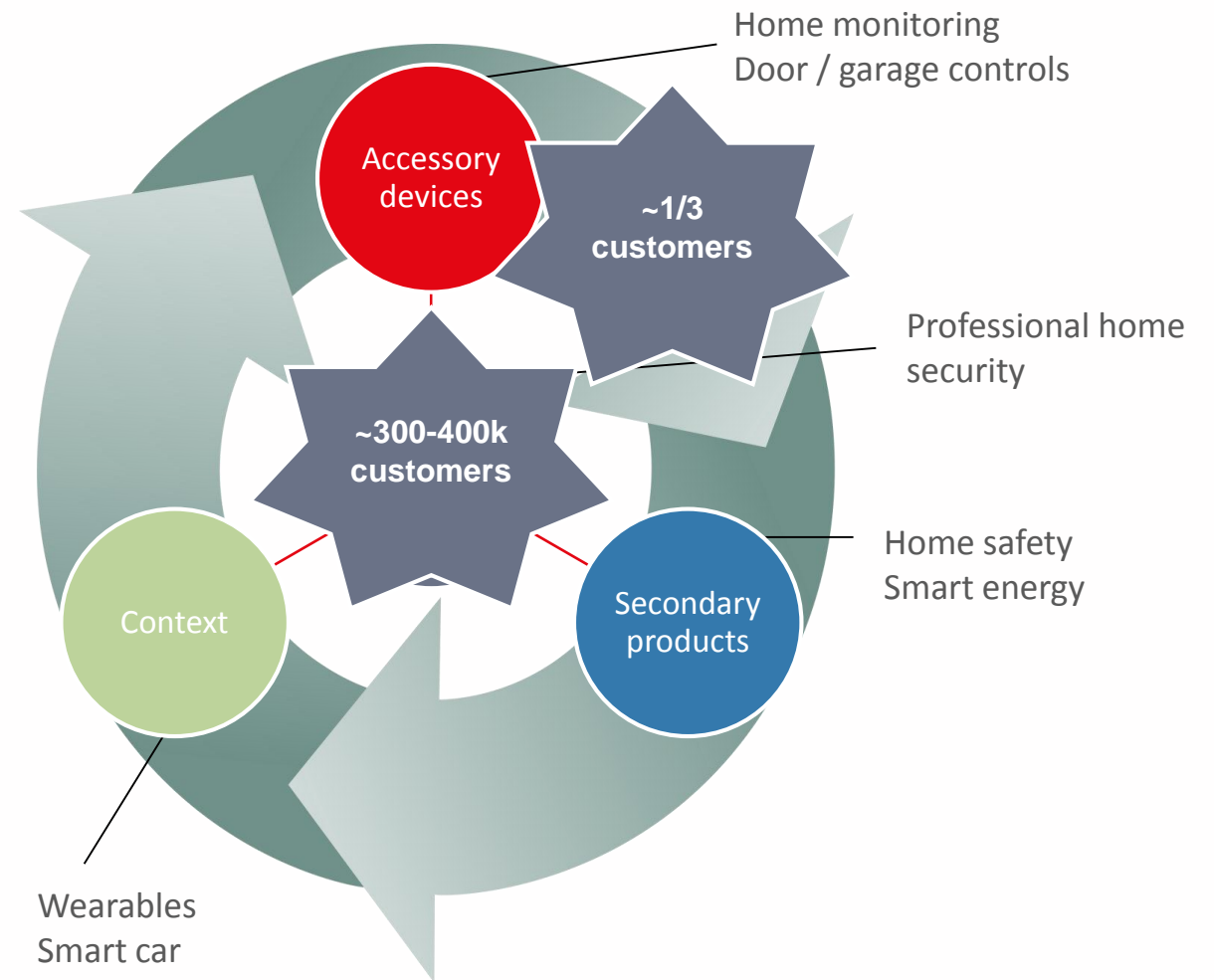


AT&T example

“Once [customers] have a number of different items – want to link them together...”

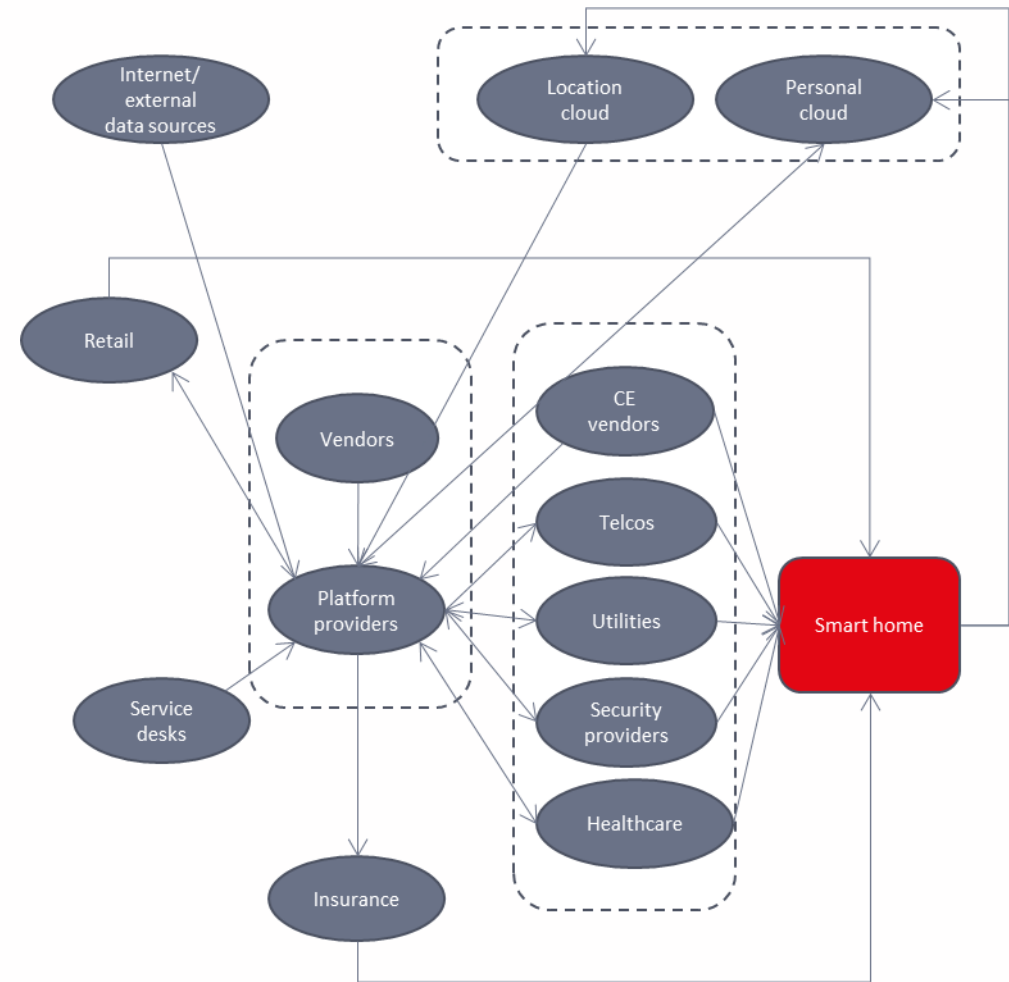
“...expand digital life outside of the home”

Kevin Petersen, Senior Vice President - AT&T Digital Life



An open platform with trusted partners

- Only an **extensive ecosystem of partners** can provide flexibility and choice required
- The home needs a **single platform**, or at least a controlling platform with bridges to others
- Different stakeholders need to **work together** – this is NOT a one horse race
- There needs to be some form of control in order to maintain a **secure and trusted solution**



Platform example

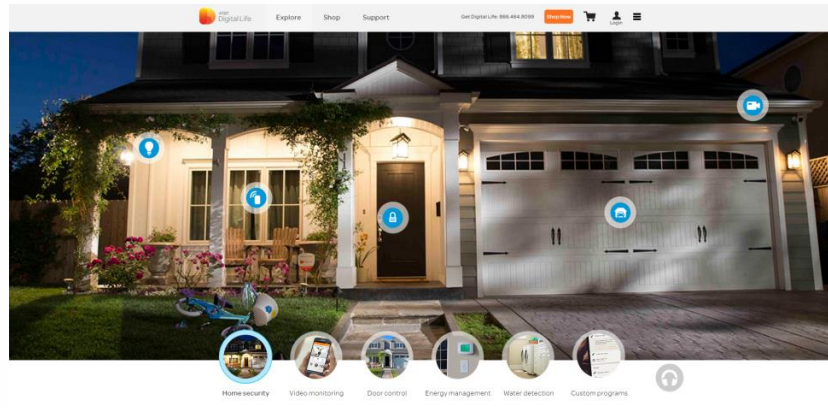


- Developed by Deutsche Telekom based on an open platform from day 1
- Over 40 partners such as Miele, Sonus, Samsung, Philips
- Integrated partner developer ecosystems such as Philips Hue
- Struggled with the 'gateway barrier' to start with
- 2015 only 40,000 customers
- Will expand throughout Germany – 200,000 by end of 2016
- And through Europe – EWW (Austria), KPN (Netherlands)
- Aim is to be the #1 platform in Europe



The importance of marketing

- A focus on selling products



- But consumers really **get it**?



- Sell **use cases not products**

- Philips example:

- Don't come home to a dark home
- Decorate your home
- Enhance the experience
- Live healthier



Summary and recommendations

- Smart home is a good opportunity for security companies to enhance their portfolio as well as widen their target market
- Traditional market is used to paying for home security and forms the low hanging fruit
- There is a greater opportunity to expand the market, but the industry needs to:
 - Develop products that drive true **value**
 - Create more **flexible** offerings
 - Enable **interworking**
 - Create **reliable, safe** and **secure** solutions
 - Don't break the consumers' **trust**
 - Develop more **innovative business models**
 - Make things **simple**
- There will be a single platform, or at least a controlling platform, per home. Stakeholders need to **work together**
- Consumer need educating to the benefits of the smart home – **sell use cases not products**



Thank you!

