

The Connected Decade:

Insights Into What's Driving Connected Living



Executive Summary

Assurant's latest annual Connected Decade research yet again highlights the importance of connected devices to consumers. The new Connected Decade report, which has been published annually since 2017, illustrates the criticality of keeping consumers connected. The smartphone is regarded as indispensable, not only as a communications device, but also as a remote control to orchestrate other connected devices that span a growing ecosystem.

This year's Connected Decade research, unsurprisingly, found that the legacy of the pandemic has spurred technology usage that shows no sign of slowing down. In 2022, there was a 39% increase in those who said they regularly use their connected products. This marks the third consecutive year where usage has increased.

People are starting to think twice about making new product purchases, however. While most consumers surveyed (60%) connected at least one new or replacement device to their Wi-Fi for the first time in 2022, this was a small decline from 2021 (66%). It's possible that

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the demand for new connected devices has lessened in the wake of the pandemic-driven purchases of the last two years.

Also, during the past 12 months, repercussions of the pandemic – namely inflation and the global cost of living crisis – has pushed consumers to consider their ability to spend on connected devices. The current squeeze on household spending, along with investments made during the pandemic, is slowing consumers' spending on technology.

- Only 39% of consumers are likely to upgrade their smartphones in the coming year, compared to 54% in the previous year.
- Only 30% of consumers are very likely to buy a newer model of their connected devices when the latest version is released, a 23% decrease from 2021.

5G is doing a better job of capturing consumer imaginations as network and device capabilities improve. Consumer intent to upgrade to 5G is up.

- 60% of consumers have already upgraded to a 5G-capable smartphone or are willing to upgrade their device to get 5G capability. This compares to 36% the year before.
- The percentage of people who won't buy a new smartphone just because it's 5G-capable decreased from 25% to 17% compared to the previous year.
- 66% of Apple smartphone owners and 62% of Samsung owners have already upgraded to 5G or are willing to upgrade in order to get 5G capabilities.

Increasing demand for 5G is positive and uptake of 5G-enabled smartphones is set to occur organically as 5G connectivity becomes standard. But the high price of new 5G smartphones is still a deterrent to upgrading. The global cost of living crisis is impacting disposable income and is leading to greater consumer price sensitivity. This, coupled with a greater desire to be more sustainable, is reflected in growing demand for refurbished smartphones.

- 35% of consumers were highly interested in buying a refurbished device.
- 48% of consumers were highly or somewhat likely to pay an optional monthly fee that would contribute to a greener and more responsible tech industry.

Consumers are also seeking guidance, support, and protection in growing numbers as demand for extended warranties and device insurance increases.

- In the latest report, 58% of consumers experienced frustrations with Wi-Fi-connected consumer electronics or appliances.
- 44% of consumers would be more likely to purchase a connected device if it offered a value-added service (like an extended warranty or device protection) to complement the purchase.
- 29% of consumers bought an extended warranty alongside a new connected device purchase last year.

Put simply, more than half of consumers (58%) experience issues setting up or using connected technology and largely anticipate problems, or accept that it will break, at the point of purchase. The most common issues include connecting to phone or Wi-Fi (16%) or “fearing a product would break” (13%). Many customers would gladly delegate technical tasks to a trusted service provider if given the opportunity. Given the complexities of setting up and managing connected devices and homes, there’s an opportunity for manufacturers, broadband companies, carriers, and retailers to deliver a single source for tech support for all the connected devices in the home.

Research Methodology

- Survey of United States owners of Wi-Fi and mobile devices
- A representative sample of 1,000 U.S. adults
- Response data captured using web surveys in December 2022

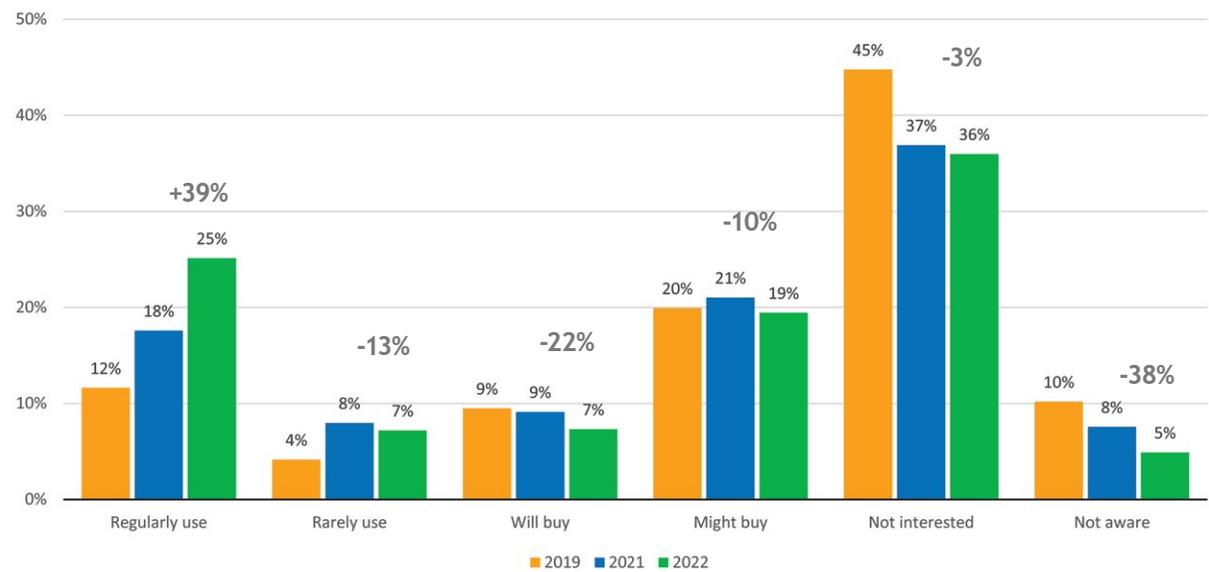
Consumers continue their love affair with connected devices

Today, consumers are more dependent on connected devices than ever before. This is especially true of smartphones, both as communications devices and as remote controls for a number of vital services from entertainment and healthcare to education and banking. This dexterity, flexibility, and portability is unique to the smartphone. More specialized connected devices including sound systems, smart TVs, security systems, and gaming consoles have now

also become central to day-to-day living. There's now a third tier that includes connected thermostats, connected HVAC systems, and energy management systems that can be remotely managed from a smartphone.

With so many new devices and applications becoming commonplace in the home, it's no surprise that there has been a 39% increase in the number of consumers who now regularly use the connected devices they own – up from 18% in 2021 to 25% in 2022.

Level of Familiarity, Interest, or Ownership and Use

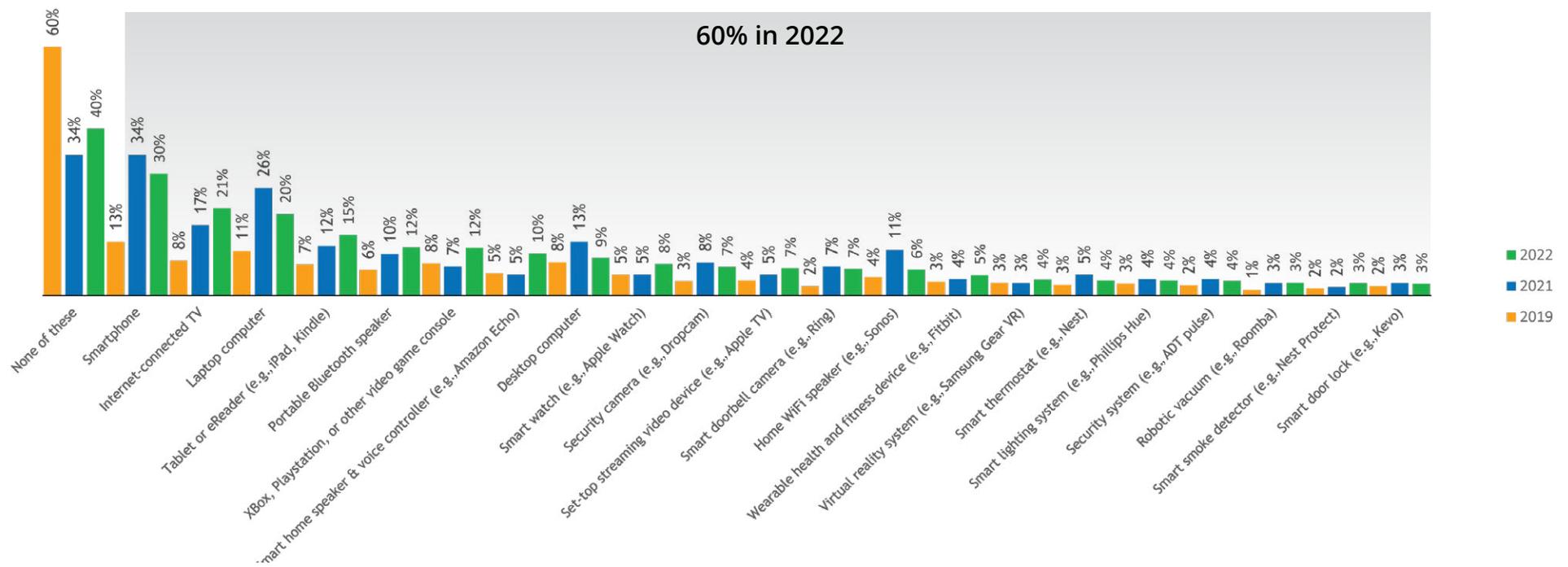


New product connections declined in 2022

While the usage of connected devices is on the rise, the number of new devices consumers are connecting to Wi-Fi for the first time each year is declining. In 2022, 60% of consumers connected at least one new or replacement device to their Wi-Fi for the first time (compared to 66% in 2021). This suggests that the overall market is becoming saturated, with consumers

content to use the devices they have, rather than constantly buying the latest innovations. Findings from Assurant's latest Mobile Trade-In and Upgrade Industry Trends report shows the average age of a smartphone at trade-in stands at 3.35 years. It is fair to assume that consumers may hold on to their connected electronics for at least as long, if not longer.

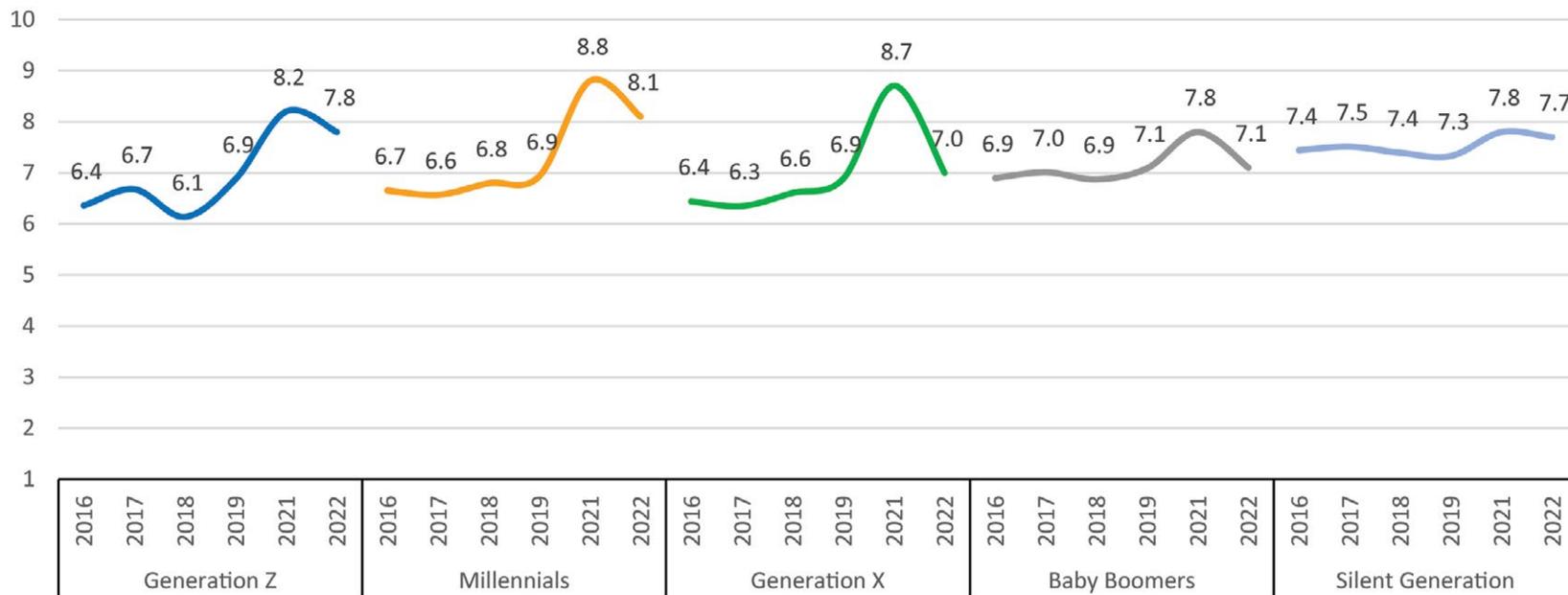
New Devices Connected to Wi-Fi for First Time



Excitement for new technology recedes from historic highs

There's a general acknowledgement across all generations of consumers that technology is life enhancing. However, there has also been a slight decline in overall positive sentiment supporting this claim in the last 12 months. This dip is less pronounced among Generation Z, the youngest generation surveyed. Millennials, Generation X and baby boomers reflected the largest dips, again hinting at increased market saturation for new devices.

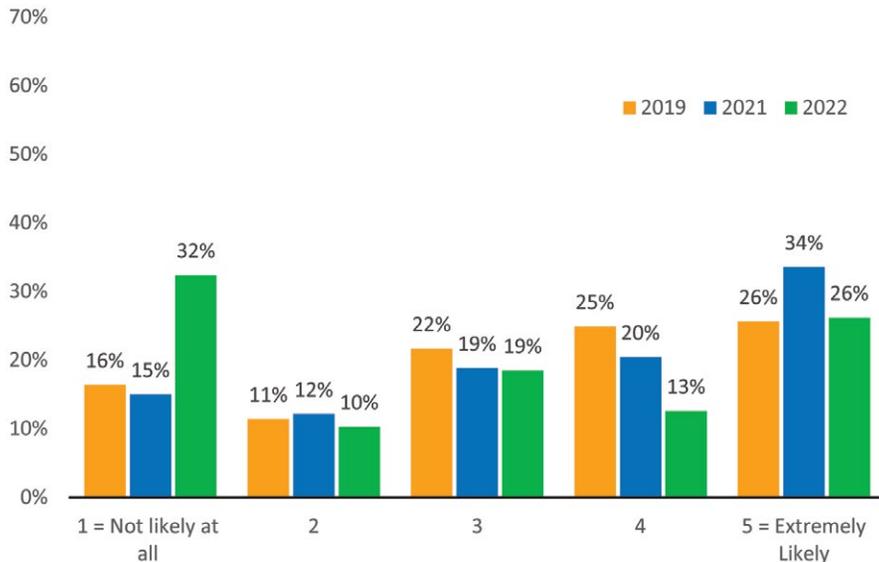
Overall Impact of Tech by Generation



Consumers pause on upgrading their smartphones

There also was a decline in the intent to upgrade smartphones. Only 39% of consumers are likely to upgrade in the coming year. Unsurprisingly, Generation Z shows strong intent to upgrade their smartphones, with more than half (57%) admitting to being “likely” or “extremely likely” to upgrade. Interestingly, millennials are the most likely to upgrade their smartphones, with 61% being “likely” or “extremely likely.”

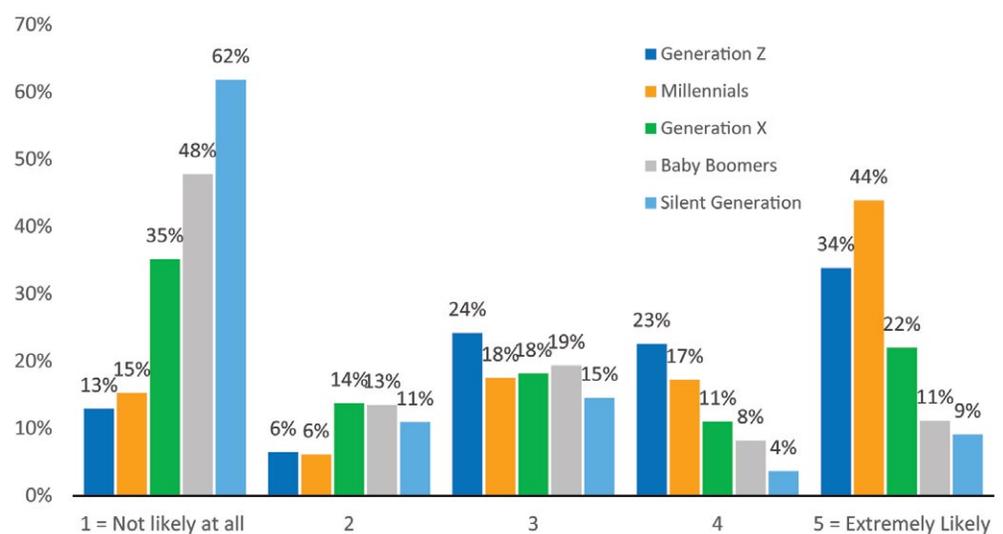
Likelihood of Upgrading Smartphone



Only 30% of consumers are “very likely” to buy a newer model of their connected devices when the latest version is released. This represents a 23% decrease from 2021. Millennials and Generation Z are the most likely to keep up with the latest models.

The biggest reasons for new technology purchases among consumers include entertainment, leisure, and the need to increase security in the home.

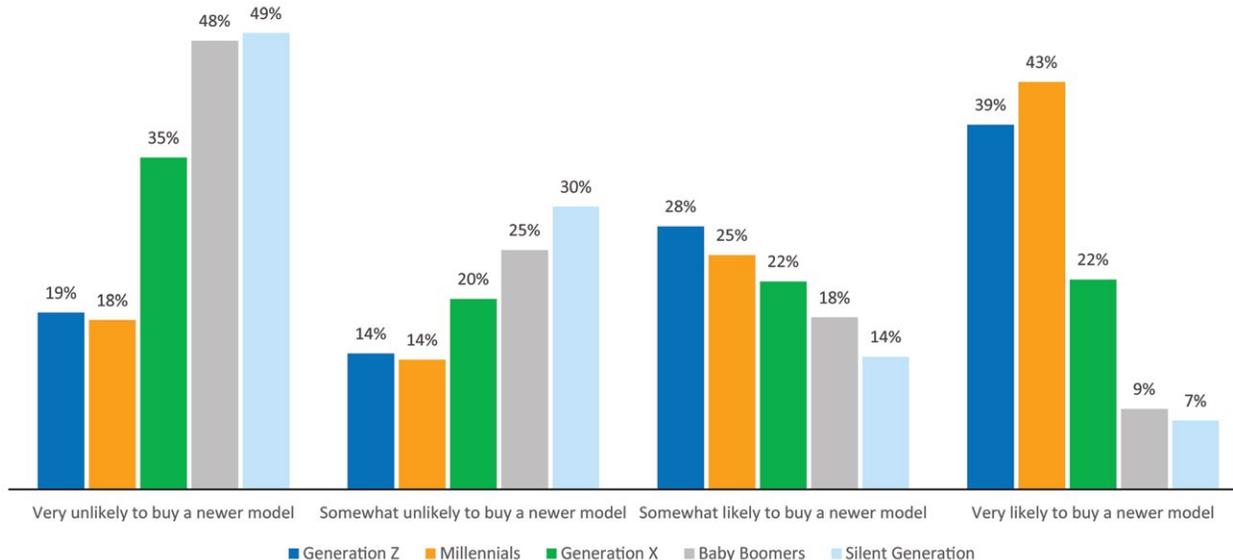
Likelihood of Upgrading Smartphone by Generation (2022)



Consumer enthusiasm for 5G technology grows

2022 definitively represented a tipping point for consumer 5G adoption and enthusiasm. Last year, more people upgraded to a new 5G-enabled smartphone compared to the previous year. The percentage of people who have already upgraded to a 5G-capable smartphone, or are willing to upgrade their device to get 5G capability, jumped from 36% to 60%.

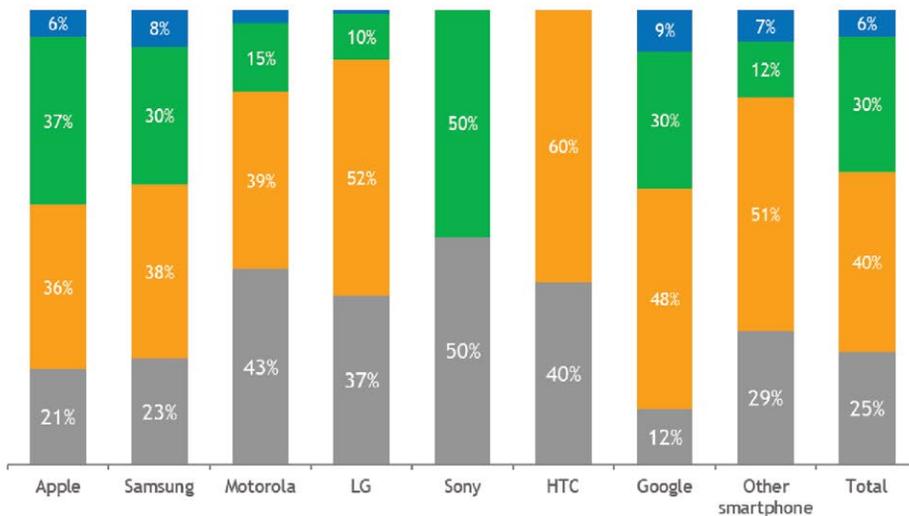
Connected Device Upgrading by Generation (2022)



Skepticism of 5G declines

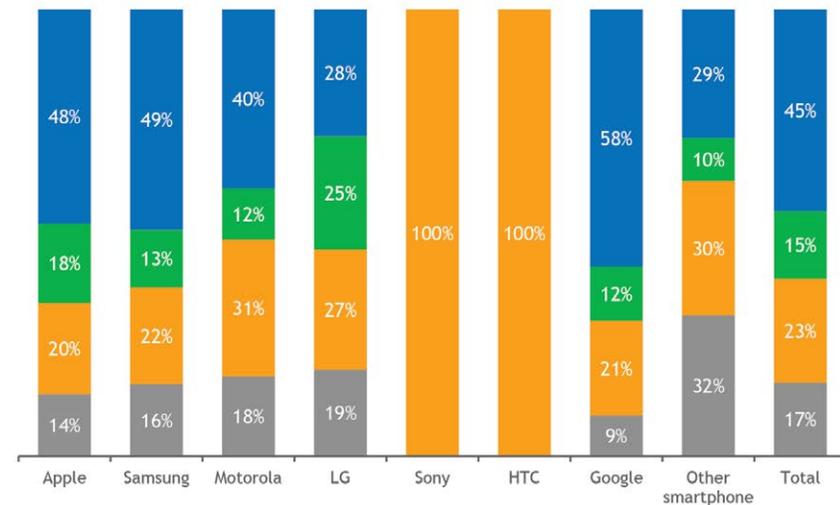
Interestingly, overall consumer skepticism regarding 5G has seen a decline. The percentage of people who won't buy a new smartphone just because it's 5G capable decreased from 25% to 17% compared to the previous year. This indicates that 5G takeup is going beyond early adopters and becoming more mainstream as the technological capabilities continue to improve with advancing networks and supporting applications.

5G Smartphone Upgrade (2021)



- I've already upgraded to a 5G-capable smartphone!
- Yes - I will definitely buy a new phone sooner than I would have in order to get 5G capabilities.
- It depends - 5G is a feature I'm interested in getting, but other considerations matter as much or more when upgrading.
- No - I won't buy a new smartphone just because it's 5G-capable.

5G Smartphone Upgrade (2022)



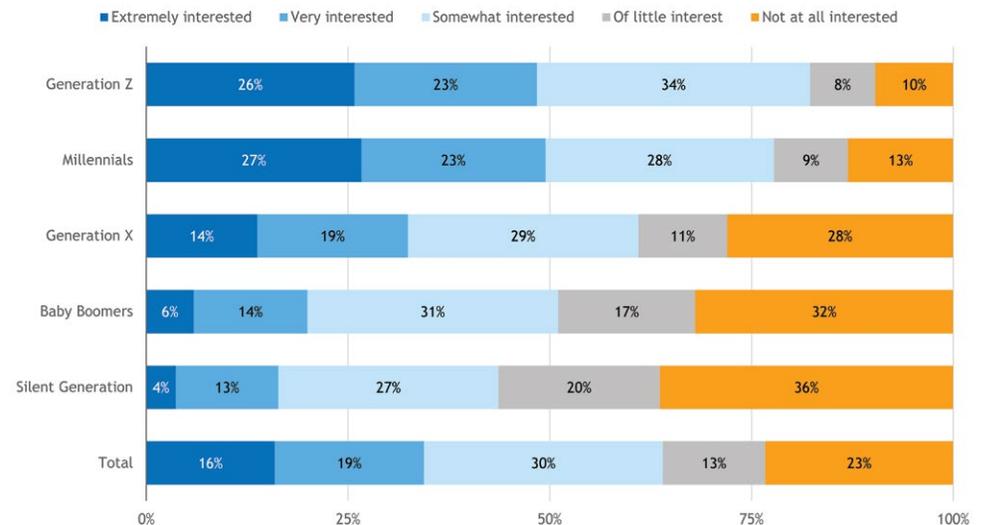
- I've already upgraded to a 5G phone
- Yes - I plan on buying a new 5G phone sooner than I would have to get 5G capabilities
- It depends - I'm interested in 5G, but other considerations matter more
- No - I won't buy a new phone because it's 5G capable

Refurbished devices grow in appeal

The practice of collecting used smartphones and refurbishing them so they can be resold is growing in popularity. What began as a sustainability crusade has evolved into a vibrant and lucrative circular economy that benefits all of its stakeholders. There's a growing secondary device market that's having a dramatic impact on lowering the cost of new smartphones, driving upgrade cycles and protecting the environment. Therefore, it's no surprise that the prospect of buying and owning a refurbished device is growing in consumer appeal.

Figures reveal that 35% of consumers surveyed are extremely or very interested in buying a refurbished device as a way of alleviating the pressure on natural resources associated with manufacturing new devices. Generation Z and millennials are driven by sustainable practices and are most interested in refurbished technology, with half of each group being at least very interested (49% and 50% respectively) in giving it a second life.

Interest in Buying a Refurbished Device to Contribute to Sustainability



Consumers interested in contributing to sustainability

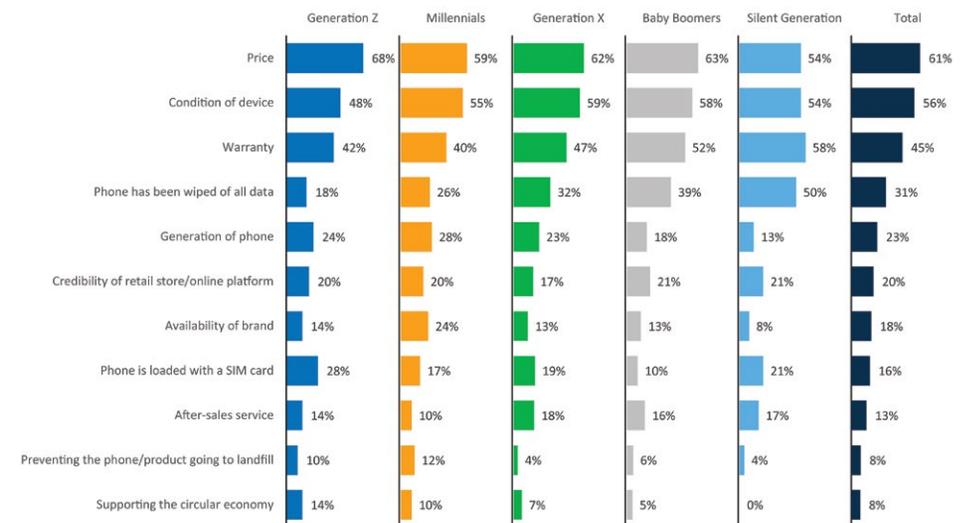
Positive sentiment toward sustainability and the environment is high across all surveyed demographics. As the data suggests, many consumers are open to supporting manufacturers' carbon neutrality initiatives and services: 48% of consumers were at least somewhat likely to pay an optional monthly fee that would contribute to a greener and more responsible tech industry.

Likelihood to Pay a Monthly Fee to Support Environmental Sustainability Initiatives



While there's plenty of evidence of growing support for sustainability among consumers, it's clear that the primary driver for owning a refurbished device is the lower price point compared to new devices. Refurbished devices can often resemble new phones in terms of functionality and condition, but are available for a fraction of the price. The condition of the refurbished device is also a significant factor in driving consumer demand, as is the availability of a supporting warranty for extra protection.

Most Important Factors When Buying a Secondhand Connected Product

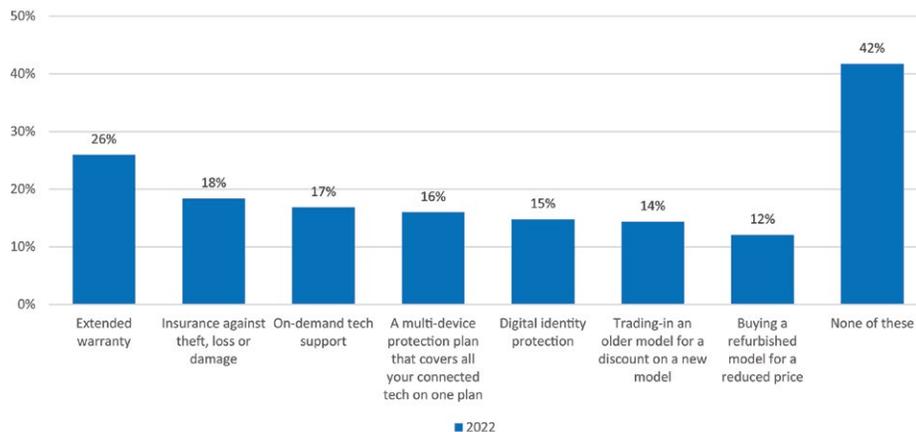


Value-added services spur purchase intent

Connecting a new device to the home Wi-Fi network or setting up a new smartphone is often a source of great frustration for consumers. It's reported that 58% of consumers experience issues with the setup and installation of their connected electronics and appliances. This is often where the availability of supporting value-added services can become an incentive to

drive sales. Almost half (44%) of consumers are more likely to go ahead with the purchase of a connected device if it comes with the promise of further technical support after the sale. Nearly one in five consumers (19%) will buy a product if it comes with an extended warranty. A further 14% will buy a product if it can be insured against theft or damage.

Following Factors Likely to Influence Product Purchase

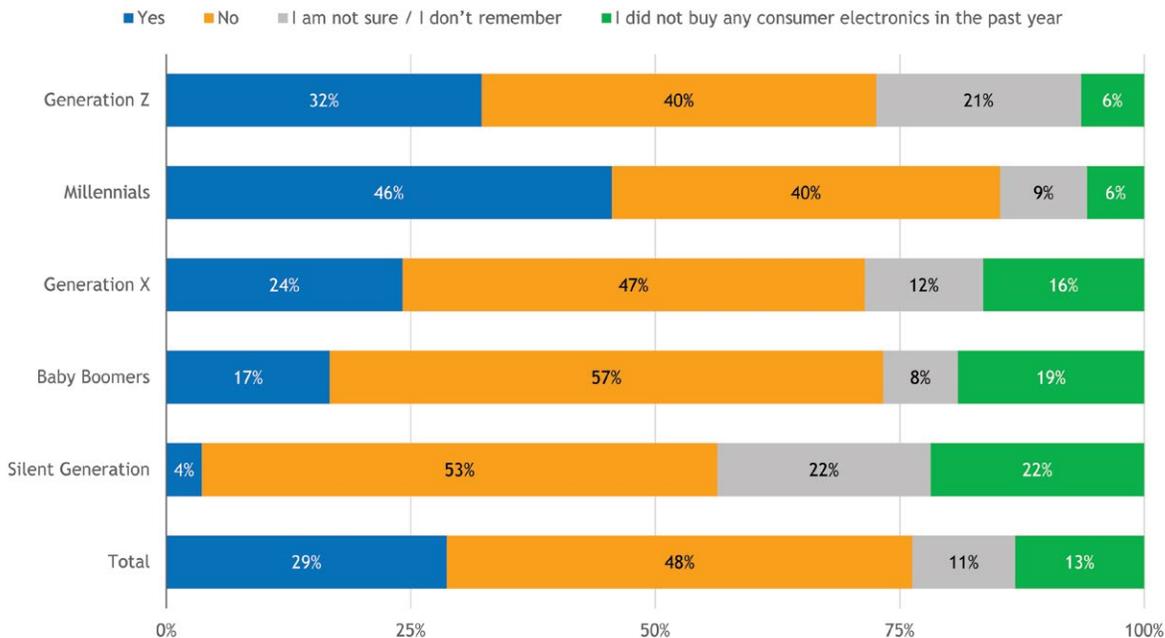


The availability of value-added services, from the manufacturer or through point of sale, may contribute to consumer willingness to buy a device as it helps build trust. It reassures the end user that they won't be abandoned post-sale, and that the organization selling the product is taking customer satisfaction into account.

Extended warranties appeal to younger generations

For every consumer who bought a new device or appliance in the past year, almost one in three (29%) chose to buy an extended warranty for it. The figure is highest among millennials who opted for an extended warranty in almost half of all cases (46%).

Did you buy an extended warranty for any consumer electronics you bought in the past year?

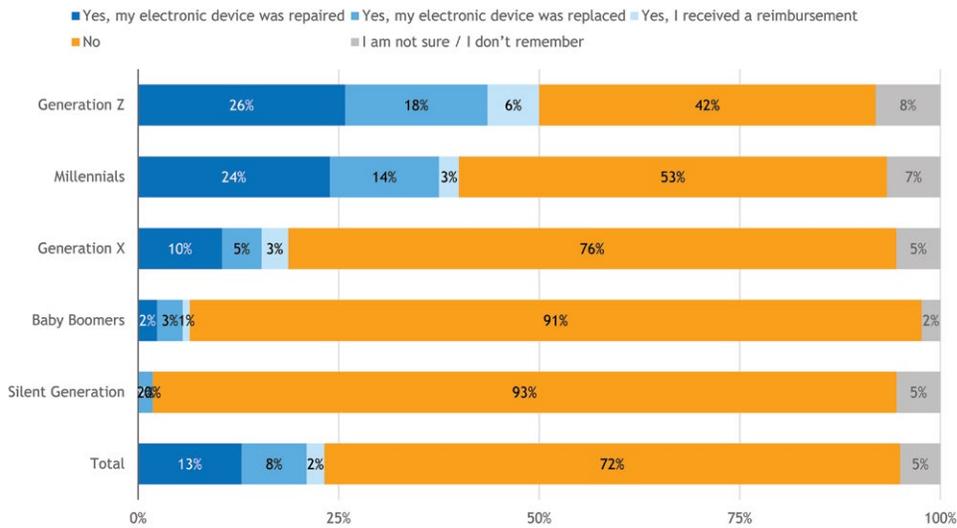


That may be because the younger generations, who are more likely to upgrade their connected products, more readily see value in extended warranty services. Gen Z and millennials are the two groups most likely to have used an extended warranty for their consumer electronics, with 50% and 41% respectively having done so in the past year.

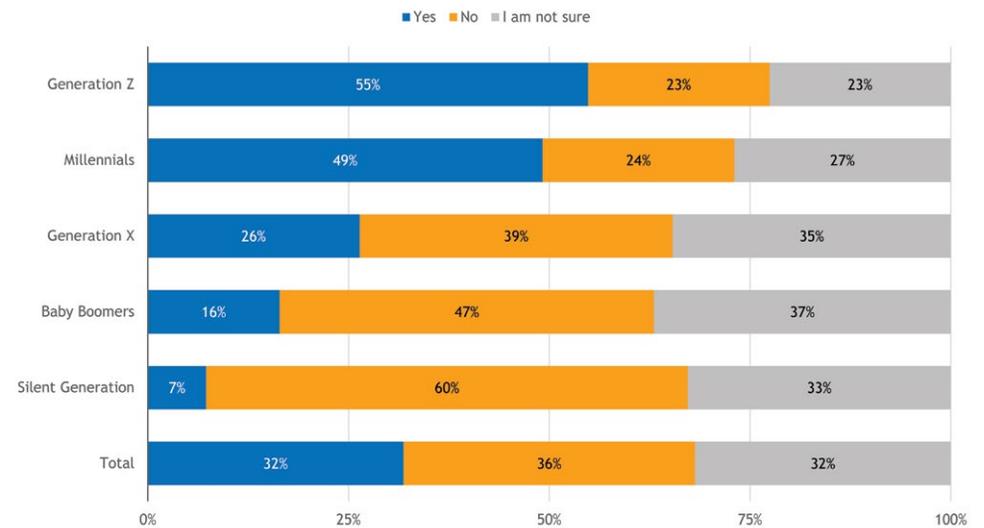
Demand for extended warranties highest among Gen Z

The data reveals that the trend for the sale of extended warranty services is stable given that nearly one in three consider buying the same service with the purchase of their next device. Again, millennials and Generation Z are ahead of the curve when it comes to intent to purchase an extended warranty (55% and 49%).

In the past year, have you used an extended warranty to repair/replace/receive a reimbursement for your consumer electronics?



Do you plan to buy an extended warranty for your next consumer electronics purchase?



Conclusion: optimism and opportunity in the connected device marketplace

Interest and utility in mobile devices and connected products remains high across all demographics as consumers continue to explore and see how such innovations improve the human experience. This generally positive outlook on smart products suggests that consumers have now reached a stable level of contentment with the devices they own and no longer feel the need to seek out the “next big thing” to add to their collections. Meanwhile, the wider adoption of 5G indicates that more consumers are realizing the value of the technology. Now that people understand 5G, many are now purchasing new devices to unlock 5G network accessibility and capability, and the resulting benefits: speed, reliability, and low latency. Consumers are also still looking for ways to be more sustainable as

they look to reduce their personal impact on the planet.

With the clearly pivotal role that connected technology is playing in consumers’ lives, there are greater opportunities for manufacturers, service providers and retailers to meet their ever-evolving needs and expectations. For instance, value-added services incentivize consumer purchases and unlock the full range of benefits of their connected devices over the long term. Trade-in and upgrade programs cater to the needs of consumers who want to explore and embrace new technology without compromising their green ideals. Then, there are growing revenue opportunities associated with providing a single source for support and protection for all connected devices in

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the home. Assurant is at the center of this connected ecosystem, supporting more than 200 million consumers globally, helping them install, configure, use, protect, service, maintain, repair, replace, upgrade, and recycle their purchases.



ASSURANT®

About Assurant

Assurant, Inc. (NYSE: AIZ) is a leading global business services company that supports, protects, and connects major consumer purchases. A Fortune 500 company with a presence in 21 countries, Assurant supports the advancement of the connected world by partnering with the world's leading brands to develop innovative solutions and to deliver an enhanced customer experience through mobile device solutions, extended service contracts, vehicle protection services, renters insurance, lender-placed insurance products, and other products.

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