

## Communications & High Tech

# Helping consumers manage their digital homes: The importance of premium technical services

By Larry Socher

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Just as the home is the center around which people's personal and professional lives move, so has the digital home become the center around which a number of key trends in computing, consumer electronics and mobility are circling.

The digital home is an interconnected and interoperable network of computers and a variety of communications and consumer-electronics devices, all aimed at enabling a seamless environment for using and sharing digital media and content, including video, music and games. It's a big market opportunity. One report estimated 2007 revenues for the digital-home device markets to be \$268 billion.<sup>1</sup>

However, the digital home marketplace is also experiencing some troubling trends that could seriously impede financial growth. Consumers are having trouble dealing with the technical complexity of the digital home. Connectivity problems are rampant; return rates for unused equipment are high.

If steps cannot be taken to boost consumers over the hump in terms of installing, connecting and using the relevant devices and technologies, take-up of digital home solutions will be delayed, costs will rise (because of a high rate of electronic equipment returns and an increasing number of support calls) and revenue growth will slow.

Accenture believes that if consumer electronics companies and service providers are to successfully leverage digital-home trends as a means of pursuing profitable growth, they need to rethink their

business models, organizations, processes and systems for helping the consumer sort through the technical complexities of the digital home. Part of the answer to helping consumers maneuver through this complexity lies in new ways to make devices and networking easier to use and manage. Another part is in rethinking the business model for providing premium technical services for in-home support. Traditionally seen as a cost drain, in-home support can now be a means for driving high performance—generating revenue and reducing churn by creating more satisfied customers.

### Growth in digital-home technologies

The digital home is among the most dominant trends being discussed by consumer-electronics companies and service providers today—and, significantly, in the broader information technology industry. A digitally connected home also opens up possibilities for value-added services in a number of other areas. For example, digital medical services are being aggressively pursued by the health industry, providing health services to those who may be homebound or otherwise looking for immediate attention to non-urgent medical issues. Home-security monitoring is also a rapidly maturing market, as homeowners seek new technological methods of detection, tracking and communications for security and observation purposes.

### Challenges to broader take-up

At the same time, all is not necessarily well when it comes to supporting broader take-up of digital-home services and the kinds of revenue generation that can drive high performance. Two types of impediments are of most concern:

<sup>1</sup> "Digital Home Entertainment Devices: Global Market Forecast Q407," 27 December 2007. Copyright 2007, Strategy Analytics.

- **Compatibility:** Sending digital content from one device to another is still hard to do. If the components—PC, television, video camera, digital video recorder, etc.—are from different manufacturers, the process of moving content around might take hours and require multiple conversion steps.
- **Complexity:** If you've ever visited the home of a friend who is a technology expert or power user, you may have the impression that the sky is the limit when it comes to digital-home capabilities. However, the reality for the vast majority of people is that technical complexity is, at the least, compromising their ability to reap the full benefits of digital connectivity. At the most, it is preventing them from even getting out of the gate.

As a result of consumer frustrations in setting up and maintaining their digital home, service providers and electronics companies are bearing the brunt. Connectivity problems are rampant. Millions of consumers each month report difficulties with home Internet connectivity, security, hardware and software, often requiring expensive in-home calls from service providers.

Return rates for equipment are also high. Recent Accenture research found that the average return rate for consumer-electronics devices ranges between 11 percent and 20 percent. Of those returns, 68 percent can be characterized as "no trouble found." That is, the device met the manufacturer's specifications but not the customer's expectations—people had no use for it, could not figure it out or otherwise found the purchase not valuable. In the United States alone, the total cost of consumer-electronics returns has now reached almost \$14 billion, 20 percent of which is due to processing costs of "no trouble found" devices. That's a huge cost drain.<sup>2</sup>

### A premium for digital-home technical services?

Clearly, consumers need help setting up and then maintaining their digital homes. But who will pay for such support? A presumption at the heart of the business model for service providers and electronics companies has been that companies must subsidize in-home support—configuration, set-up and management—simply as a cost of doing business.

However, our research suggests otherwise: consumers are actually willing to pay to have a provider remove some of the technological complexity of the digital home from their lives. A majority of respondents in Accenture's recent Digital Home Survey indicated their willingness to pay for premium services such as in-home installation, technical phone support, back-up and remote monitoring services. And almost 50 percent of consumers would be willing to pay a provider a monthly fee to manage their digital home.<sup>3</sup>

To date, however, companies are not stepping up to provide the usability and "plug and play" features that would make a digital home network easier to set up and manage. Nor are they offering the in-home set-up and maintenance services that would give customers the confidence they need to create their own home networks.

### Keys to success

The keys to driving high performance through offerings related to the digital home go well beyond basic technology capabilities. Companies should consider the following imperatives when it comes to providing effective digital-home services.

#### **Make it easier to extend and integrate devices and services across platforms and with one another through standard interfaces and protocols.**

A key to making the digital home a reality is better hardware and software integration, and improved interoperability between devices based on standard technology protocols and consistent user interfaces. Web services and other interfaces and protocols will be critical to making components of the digital home "speak" effectively to one another.

#### **Design effective packages of premium technical services, including installation, management and support of devices.**

Instead of regarding customer service as a drag on bottom-line profitability, companies must determine how to transform the consumer experience by embedding services in their offerings. We believe that enormous benefits await companies that can achieve this transformation, from improved differentiation to greater brand loyalty and new revenue streams.

#### **Provide an easy to use "softpanel" for configuring, interacting with, and**

#### **managing devices and services in a consistent way, including a device/services dashboard.**

Because it is increasingly difficult to pack both functionality and usability into a consumer-electronics device, an emerging paradigm is to use softpanel controls as part of what Accenture calls a "trivergence" architecture—where the device is technically separated from the data and the controls. An Apple iPod is an example of such an approach.

#### **Provide more effective, end-to-end service management for devices and services.**

Making technology work for the consumer can be an expensive proposition. Home visits are a potential drain on profitability. To be successful, companies should incorporate troubleshooting and repair mechanisms into their solutions, and provide better instrumentation to the service provider's management systems.

If consumer-electronics companies and service providers are to leverage digital-home trends as a means of pursuing profitable growth, they need to rethink their business models, organizations, processes and systems for helping consumers sort through the technical complexities of the digital home. Effective service and in-home care are not just costs; they can be a means of differentiating your business and sustaining high performance.

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<sup>2</sup> "Big Trouble with 'No Trouble Found': How Consumer Electronics Firms Confront the High Cost of Customer Returns," Accenture 2007.

<sup>3</sup> Accenture, "Global Digital Home Study," [http://www.accenture.com/Global/Research\\_and\\_Insights/By\\_Subject/Convergence/DigitalHomePoll.htm](http://www.accenture.com/Global/Research_and_Insights/By_Subject/Convergence/DigitalHomePoll.htm)