

The Connected Decade: Insights Into What's Driving Connected Living

GERMANY



Executive Summary

Assurant's latest Connected Decade research yet again highlights the importance of connected devices to consumers. The new Connected Decade report 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 found that the legacy of the pandemic has spurred technology usage that shows no sign of slowing down. 64% of German consumers agree that internet-connected consumer technologies have made life better, with 74% of Generation Z and 70% of Millennials agreeing with this statement. Unsurprisingly, smartphones (72%), internet-connected TVs (53%), and laptops (48%) are the most used Wi-Fi- or Bluetooth-connected products.

During the past 12 months, repercussions of the pandemic – namely inflation and the global cost-of-living crisis – have pushed consumers to consider their ability to spend on 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.

devices. The current squeeze on household spending, along with investments made during the pandemic, is slowing consumer spending on technology. That said, the research highlights that:

- 51% of consumers are likely to upgrade their smartphones in the coming year, increasing to 60% for Generation Z and 61% for Millennials.

- Consumers are very likely to buy newer models of smartphones (29%), smart doorbell cameras (28%), virtual reality system (25%), security systems (23%), and gaming devices (23%) when the latest versions are released.

5G is doing a better job of capturing consumer imaginations as network and device capabilities improve.

- 51% of consumers have already upgraded to a 5G-capable smartphone or are willing to upgrade their device to get 5G capability.
- 82% of Apple smartphone owners and 78% 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.

- 45% of consumers were highly interested in buying a refurbished device, increasing to 62% for Generation Z and 53% for Millennials.
- 45% of Generation Z and 40% of Millennials were extremely or very 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, 60% of consumers experienced frustrations with Wi-Fi-connected consumer electronics or appliances.
- 49% of consumers would be more likely to purchase a connected device if offered a value-added service (like an extended warranty or device protection) to complement the purchase.
- 24% of consumers bought an extended warranty alongside a new connected device purchase last year.

Put simply, more than three in five German consumers (67%) 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 problems include initial setup challenges (20%), physical installation challenges, and connecting to Wi-Fi or smartphone (19% each other). Many customers would gladly delegate technical tasks to a trusted service provider if given the opportunity. Given the uniqueness of a household environment and the complexities of setting up and managing a multivendor connected home ecosystem, there's an opportunity for manufacturers, broadband companies, mobile network operators, and retailers to deliver a single source for extended post-sale support.

Research Methodology

- Survey of German smartphone owners
- A representative sample of 1,000 German adults
- Response data captured using online surveys in January 2023

Consumers continue their love affair with connected devices

Today, consumers are more dependent on connected technology 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 specialised connected devices including sound systems, smart TVs, security systems, and gaming consoles have also become central to day-to-day living. There's now a third tier that includes connected thermostats, 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 109% increase in the number of

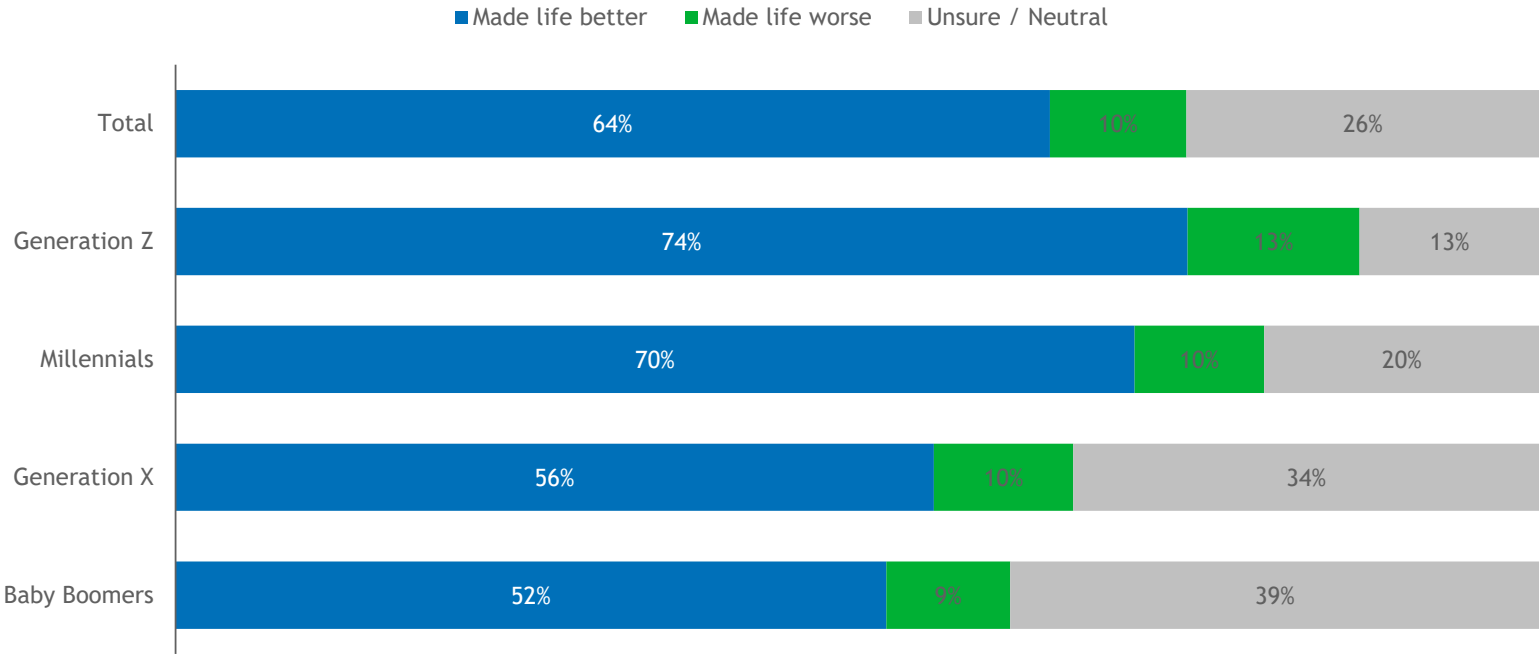
consumers who now regularly use the connected devices they own – up from 11% in 2021 to 23% in 2023.

Consumers continue to see the positive benefits of technology

There's a general acknowledgement across all generations of consumers that technology is life enhancing. The Connected Decade research highlights the continuation of this trend over the last two years. In 2021, 57% of consumers thought internet-connected consumer technologies made life better, because

they made life more convenient, entertaining, economical, informed, or safe. This figure rose to 64% in 2023, with 74% of Generation Z and 70% of Millennials agreeing that technology has had a positive impact on their lives.

Impact of Internet-Connected Consumer Tech by Generation



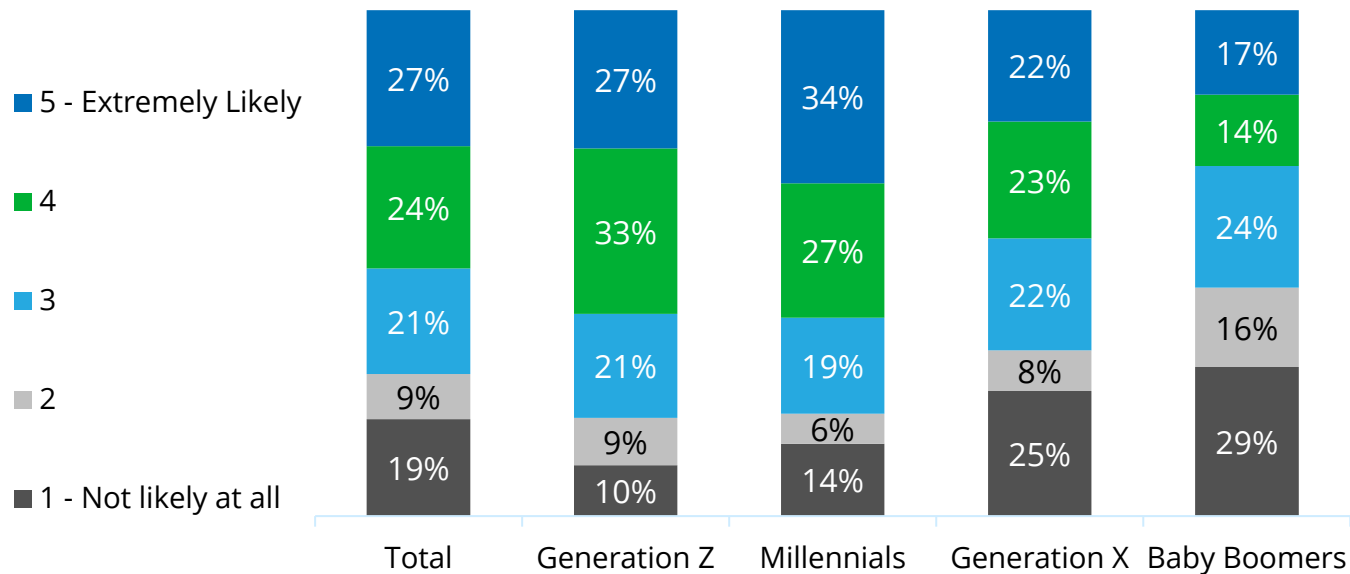
More than two in five consumers intend to upgrade their smartphone

51% of consumers are likely to upgrade in the coming year. Unsurprisingly, Generation Z shows strong intent to upgrade their smartphones, with three in five (60%) 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.”

22% of consumers are “very likely” to buy a newer model of their connected devices when the latest version is released. 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 energy efficiency, the desire to have more durable technology, entertainment, and leisure.

Likelihood of Upgrading Smartphone by Generation



Consumer enthusiasm for 5G grows and scepticism declines

2023 definitively represents a tipping point for consumer 5G adoption and enthusiasm. This year's research shows that more people have upgraded to a new 5G-enabled smartphone compared to 2021. 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 20% to 51%.

Interestingly, overall consumer scepticism 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 46% to 23% compared to 2021. This indicates that 5G take up is going beyond early adopters, and becoming more mainstream as the technological capabilities continue to improve with advancing networks and supporting applications.

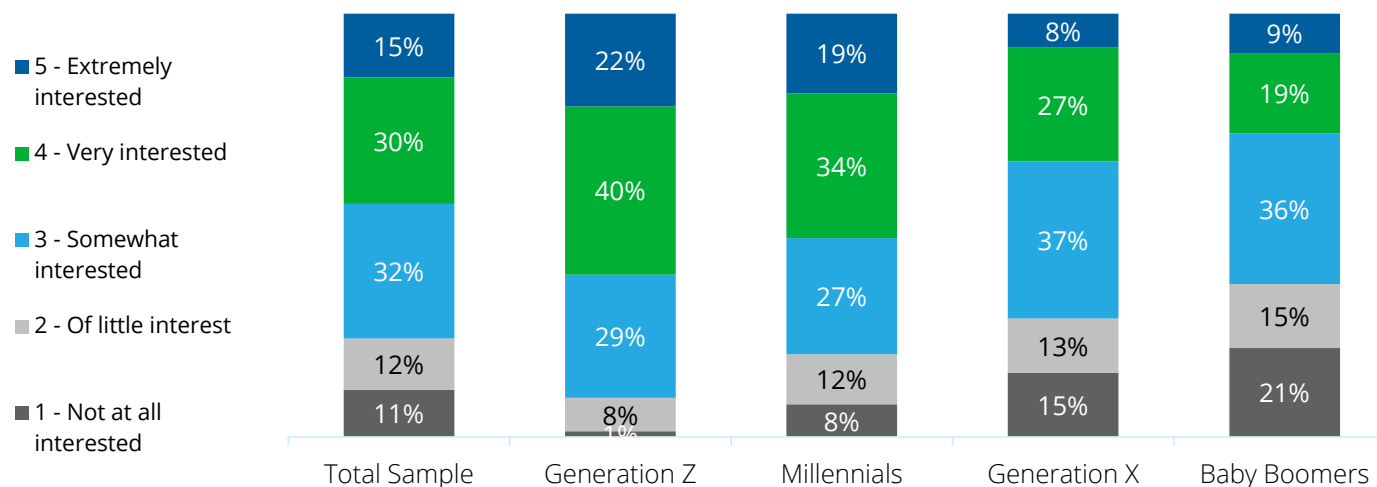


Refurbished devices grow in appeal

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 45% 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 more than half of each group being at least very interested (62% and 53%, 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 towards 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; 55% of consumers were at least somewhat likely to pay an optional monthly fee that would contribute to a greener and more responsible tech industry.

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

| | |
|--|-----|
| Price | 47% |
| Condition of device | 46% |
| Warranty | 38% |
| Phone has been wiped of all data | 20% |
| Generation of phone | 17% |
| Credibility of retail store/online platform | 17% |
| After-sales service | 16% |
| Availability of brand | 14% |
| Preventing the phone/product going to landfill | 11% |
| Phone is loaded with a SIM card | 10% |
| Supporting the circular economy | 9% |

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 67% of consumers experience issues with the setup and installation of their connected appliances. This is often where the availability of supporting value-added services can become an incentive to drive sales.

Almost half (49%) 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. One in five of consumers (21%) will buy a product if it comes with an extended warranty. Additionally, 19% of consumers will buy a product when provided with the options of on-demand support or digital identity protection, with both choices garnering an equal percentage of interest.

The availability of value-added services, either on the part of the device manufacturer or on the part of the sales delivery support chain, 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 organisation 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, about a quarter (24%) chose to buy an extended warranty for it. 52% of Generation Z plan to buy an extended warranty for their next consumer electronics purchase.

That may be because the younger generations, who are more likely to upgrade their connected products, more readily see value in extended warranty services. Generation Z and Millennials are the two groups most likely to have used an extended warranty for their consumer electronics, with 63% and 34%, respectively, having done so in the past year.

Conclusion: optimism and opportunity in the connected device marketplace

Interest and utility in mobile devices and connected products remain 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 underlines the fact 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 realising 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 incentivise consumer purchases and unlock the full range of benefits of their connected devices over the long term. Trade-in and upgrade programmes 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

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 all connected devices in the home. Assurant is at the centre 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.

Learn more at www.assurant.de.

Contact Us

For more information on Assurant's solutions and offerings, please [click here](#).

© 2023 Assurant, Inc. This report is the property of Assurant, Inc. All information contained herein and any related material thereto is considered proprietary. The content cannot be replaced without the prior consent of Assurant, Inc. The content cannot be duplicated, distributed, shared, or conveyed either in whole or in part, electronically or in hard copy to any third parties without citing Assurant, Inc. as the original author.