The Business of Consumer IoT: Product Strategy in a Maturing Market

2025

SYNOPSIS

The smart home market is maturing, with 45% of US internet households owning at least one core smart home device. The customer base is shifting to a more mass-market profile, new competitors continue to enter the market, and category leaders continue to push the envelope of innovation and value to keep their competitive edge.

As the market matures, business leaders must adapt their product strategy, business models, and marketing messages for success.

This research surveys more than 100 executives across the connected home and consumer IoT landscape to better understand their view of the market, changing business strategies, key metrics for success, and top challenges facing the market.
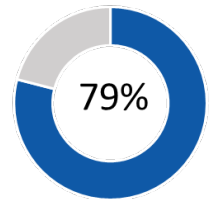
Number of Slides: 62

% Using AI Internally

90%

% Using Consumer-Facing AI

79%
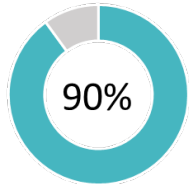
Top Internal Uses of AI

- Market intelligence
- Software developing, coding
- Personalized marketing, customer segmentation
- Customer sentiment
- Product design, UX design
- Quality testing

Top AI Uses in Consumer Solutions

- Support assistants
- Voice, natural language
- Household, behavioral patterns
- Personalization
- Monitoring for performance issues
- Energy optimization
- Safety, security context

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Key questions addressed:

1. Where is the growth in the smart home market today?
2. What business models are most common, and which are most profitable?
3. What are the best ways to acquire and retain customers?
4. How is product marketing and merchandising changing as the market matures?
5. How are solution providers incorporating AI?
6. What will be the defining forces shaping the competitive landscape in the next three years?
7. What are companies' outlook on industry standards efforts, including Matter?
8. What are the greatest challenges facing consumer IoT businesses in the short and medium term, and what are the best strategies to tackle those challenges?

"Great product development is at the core of many consumer IoT businesses, but marketing, merchandising, pricing models, logistics, and other operational factors will become ever more important to staking out a lead position in the market – and a profitable one."
　　—Jennifer Kent, VP, Research, Parks Associates

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