

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.

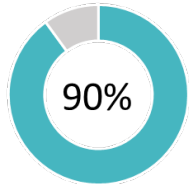
As the market matures, business leaders must adapt their product strategy, business models, and marketing messages for success.

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

AUTHORS

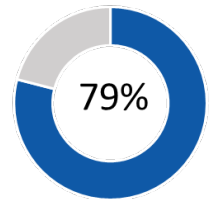
% Using AI Internally



Top Internal Uses of AI

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

% Using Consumer-Facing AI



Top AI Uses in Consumer Solutions

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

© Parks Associates

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

Industry Analyst

Jennifer Kent, VP, Research, Parks Associates

Consumer Analytics Team

Yilan Jiang, Senior Director of Consumer Analytics

Sharon Jiang, Consumer Insights Manager

Yuting Mu, Consumer Insights, Analyst I

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

2025

CONTENTS

Survey Methodology and Definitions

- Business Respondent Profile
- Business Markets
- Connected Consumer Product Units Sold
- Annual Revenue in 2024
- Respondents' Position
- Respondent's Functional Roles

Executive Summary

- Business Expectation for 2025 vs. 2024 vs. 2023
 - Drivers of Positive 2025 Outlook
 - Reasons for Challenged Outlook
- Connected Home Business KPIs
 - % of Units Connected to Internet
 - Engagement Frequency for an "Active" Customer
 - Smart Product Benchmarks
- % of Businesses with Strategic Industry Partners
- How are industry partnerships most beneficial to your business?
- Top 10 Most Impactful Marketing Channels
- Drivers for User Engagement with Connected Devices
- Matter Standard Adoption
- % Using AI Internally
- % Using Consumer-Facing AI
- IoT Market Evolution

Business Profile and Offerings

- Company Product Profile
- Business Models Employed
- Type of Connected Consumer Product Offered
- Types of Business Customers Served

Revenue Models & Channels

- Revenue Models Employed for Connected Consumer Products and Services
- Business Model Most Impacting Profitability
- Services Offered in Connected Home Services
- Paid Service Subscription Adoption
- Paid Service Subscription Retain for 12 Months
- Price of Basic-Tier Smart Products Compared to Traditional Products
- Products Bundle with Smart Products
- Sales Channels of Connected Consumer Solution
- Return Rate of Smart Home Products Compared to Traditional Products
- Most Impactful Marketing Channel
- Business Strategic Partnership

- "In a few words tell us how industry partnerships are most beneficial to your business."
- Important Factors Influencing Vendor Selection

Evaluating the User Experience

- Metrics Indicative of Successful Connected Consumer Products
- Engagement Frequency for an "Active" Customer
- Drivers for User Engagement with Connected Devices
- Average Percentage of Smart Product Units Connected to the Internet
- Effective Methods to Ensure Product Connecting Online
- Services Offered to Help Device Set-up and Installation

Data Strategies & AI

- Products & Services Guided from User Generated Data
- Willingness to Pay Money for Insights Derived from User Data
- AI Usage in Organization
- AI Usage in Consumer Product and Service
- Business Strategy to Computing and Storage Technology

Interoperability & Ecosystems

- Home Automation Standards, X10 to Matter
- Home Automation Standards Supported
- Challenges to Smart Home Interoperability
- Matter Standard Product Adoption
- "What factors do you believe will be most critical to Matter's success in the smart home ecosystem?"
- Attitudes Towards Tech Giants

Business Outlook: 2025 and Beyond

- Business Expectation for 2025 vs. 2024 vs. 2023
- Drivers of Positive 2025 Outlook
- Reasons for Challenged Outlook
- Business Challenges in the Future
- Goals for Connected Product Business in 2025
- "What competitive advantages do you see as most critical for success in the smart home market?"
- Connected Home Market Growth Outlook: 2025-2028

Appendix

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

2025

ATTRIBUTES

Parks Associates
2301 West Plano Parkway
Suite 210
Plano, TX 75075

972.490.1113 phone
parksassociates.com
sales@parksassociates.com

Published by Parks Associates
© 2025 Parks Associates
Plano, Texas 75075

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America.

Disclaimer

Parks Associates has made every reasonable effort to ensure that all information in this report is correct. We assume no responsibility for any inadvertent errors.