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SMART ECOSYSTEMS BEGIN TO FEED SMART APPLIANCE INVESTMENT

by Jonathan Collins

IFA BERLIN SEES A SWATH OF SMART APPLIANCES

At IFA Berlin, the annual European consumer technology show that draws worldwide exhibitors and attendees in August, smart home and other consumer goods industries demonstrated their new products and strategies ahead of the key fourth quarter. From a smart home perspective, the show not only leaned heavily toward renewed commitment of appliance manufacturers to bring connectivity to their offerings but also signaled how that connectivity will underpin a host of additional consumer partnerships and how vendors are no longer focusing on connectivity for service and Customer Relationship Management (CRM).

SMART APPLIANCES MOVING TO CENTER STAGE

A host of major vendors chose IFA to launch and promote smart appliance products and strategies. Samsung featured a smart refrigerator and washing machine offerings in a banner that wrapped around an entire building. At their press conference, Samsung's president and Chief Executive Officer (CEO) of consumer electronics Hyun-suk Kim showcased Samsung's ability to pull its smart appliances into a Samsung smart home integrated with its own TVs and smartphones as well as Samsung's smartphone virtual assistant Bixby and its Artificial Intelligence (AI) platform. Italian appliance Original Equipment Manufacturer (OEM) Candy CEO Beppe Fumagalli announced that Candy began shipping smart appliances in 2014 and highlighted the key role of connectivity in the company's offerings and its current Alexa integrations. Bosch revealed extensions to its HomeConnect platform that pull together its growing list of connected appliances, while Haier launched a range of connected refrigerators with cameras fitted into the doors and demonstrated its U+ platform. For its part, LG launched a range of premium and smart appliances as well as a line of Wi-Fi-enabled smart appliances and a Google Assistant-powered display.

SMART APPLIANCES, PARTNERSHIPS, AND THE WIDER CONSUMER ECOSYSTEM

Smart appliances have been touted at trade and consumer shows for years without these products always making it to market or winning consumer attention. ABI Research has written before about how voice control changes the value and appeal of connected appliances for consumers. The IFA show was evidence that this appeal is translating into broader availability for smart appliances across the industry. But the show also revealed a broader theme about how players are looking to push their connected appliances further into consumers' daily lives and, most importantly, how connectivity demands new functionality and partnerships extending well beyond the appliance itself.

For example, at this year's IFA, Samsung, Bosch, Candy, Haier, Philips, and others all highlighted recipe applications that integrate into their smart home plays. Samsung has its MyRecipes app; Bosch has partnered with the Kitchen Stories app; and Haier has built its recipe app into its Link Cook series refrigerators. Even smaller appliances remain within the purview of recipe apps. Philips launched a connected blender—the High-Speed Connected Blender alongside its Philips NutriU app, which suggests recipes for the device.

The extension into recipe apps is both a small step and a larger indicator of market direction. Recipes are simply a way of making the idea of a connected appliance a little more appealing and useful to consumers. OEMs have regularly included recipe guides with their new appliances. But these apps are more than just an update to that sales strategy; these apps also place manufacturers at the heart of their customers' day-to-day lives and extend their long-term, recurring revenue stream. The ability to integrate individual meal preferences with grocery ordering weaves the appliance provider into an essential part of consumers' lives; it positions the OEM as a key influence for what groceries are purchased and from where they are purchased. An average U.S. household spends 6.4% of their annual income on food consumed at home. That rate is even higher in many Western European countries—including the United Kingdom (8.2%), Switzerland (8.7%), and Austria (9.9%), according to World Economic Forum data. The United States and Western Europe remain the key focus for most large smart appliance vendors, despite Asia-Pacific gaining ground.

At IFA, Bosch extended its smart appliance play into grocery supplies by announcing its partnerships with European food delivery service Eismann. At the same time, the integration of Alexa support into a broad swathe of smart appliances clearly opens the door for Amazon to leverage those appliance partnerships for the benefit of its Whole Foods grocery business. The shift to valuing smart appliances by their role in a wider smart home ecosystem was exemplified at IFA by Candy's Fumagalli, who asserted, "In the future, company value will be based on the number of users connected."

With greater commitment to smart appliances and the availability of a rich partner ecosystem wrapped around the use of those appliances, OEMs are facing more and more pressure to partner with a wide range of suppliers to expand their new smart appliance ambitions. Candy, for example, highlighted key partnerships with Silicon Valley vendors STMicro and Expressif, Google smart home and Human-Computer Interaction (HCI) units Google Home and Google Dialogflow, and Amazon's smart home voice platform Alexa and grocery replenishment service Amazon Dash.

Some aspects of OEM smart appliance strategies still revolve around pushing consumers into single-vendor multi-appliance installations, where smart functionality stems from turning toward a single OEM throughout the kitchen and beyond. Haier, in one example, demonstrated how its recipe app—integrated into its smart refrigerators—can scan the refrigerator's contents to create potential recipes, then automatically set Haier ovens to the required heating and enable recipe viewing on a small screen on the Haier range hood. Although such vertical integration can stifle the appeal of many of these features, the overall push of connectivity in appliances is well underway for the short term. Smart appliance sales are starting to gain real traction in the market, not only in just the largest appliances but also in a growing range of small countertop offerings. While appliances will still be judged by a host of features and aesthetic options, increasingly those appliances from OEMs that have developed and cemented the best partnerships and have integrated themselves in the most useful smart ecosystems will see the greatest return.

ABI Insight

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