BSNS 6374 – Strategic Marketing Communication
Assignment Two – Target Market Analysis
Unitec, New Zealand

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1. INTRODUCTION

Chips, wires, hardware, software, processors, cables, memory sticks, switches, installers, buttons, Wireless connection, robots, mobile phones, main frames, touchscreens, IPhones...technology has never been used and featured as so important and essential key as it is doing in these present days. More importantly is to assume that this reality has been taking place all around us, from being waked up by clock alarm till brushing your teeth with an electric brush or even setting the sleep timer of your TV set before go to sleep. It can be found in all forms in simply every single action we take in our everyday routines.

Besides that, for having this benefit of an online life, where by being connected to your computer enables you to be aware of what is happening in every part of the world in real time, it is hard to believe that many years ago - more precisely in 1865 - the news about such an event with the magnitude of the Abraham Lincoln’s assassination had taken more than one week till it reached England and Europe by steamship.¹

Therefore, since the technology formed its enormous influence in everybody’s life, the human-beings are continually seeking for its improvement and how to adequate its usage to their household daily tasks. Whereas, behind this idea, there are some issues that must be considered about how to figure out the complex scope of this advent in terms of modifying peoples’ lives and what is the true role of it, once so much trust is being credited in it, qualifying some functionalities which were classified as superfluous to something that could no longer be substituted.

In fact, this all has to do with the reliability and security the conditions of applying such a mechanism allow people to obtain. All the more in this day by day environment whereby a new breakthrough is frequently made, people are starting to think that instead of isolated technologies, the new way of using machines or technological appliances can be made in an

Picture 1: The Jetsons - a futuristic and humorous way of how technology was perceived in the past
integrated method. It means that all pieces of equipment designed and employed to facilitate the daily tasks at home will be able to “converse” to each other by unified their functions in only one and central command.

2. HOME AUTOMATION

The term is already known as Home automation and as the name says it is automation of the home, housework or household activity. The main functions may include central control of lighting, HVAC (heating, ventilation and air conditioning), home theatre equipment, motorized blinds and curtains, irrigation systems and other systems in order to provide not just security as mentioned before but comfort, energy efficiency or simply convenience. Home automation for the elderly and disabled can provide increased quality of life for persons who might otherwise require caregivers or institutional care.

Another way to defined it may be done by the term of Domotics, derived from the Latin word domus and informatics or a contraction of domestic robotics, and it refers to intelligent houses meaning the use of the automation technologies and computer science applied to the home.

There are many other ways to state the topic above and the functionalities this may present are certainly uncountable for who adopts it. In this Target Analysis it will be called Home Automation. Whereas the main picture is possible to be captured out of the conceptual
description which is “If applied properly, advancing technology can make things simpler” (Vanderheiden, 2002)².

2.1. OPPORTUNITY

The concept of House automation or any aspect that might encompass this term can be applied in many areas, such as the following ones: Commercial, Educational, Government, Industrial, Institutional, Municipal Government and Residential. However the idea is to increase the use and consumption of technological devices and apparatus among the households.

Apart from the desire of enjoying all the benefits the technology is able to provide, the usage of it is still perceived and considered as potential. According to the article – which can be seen in appendixes part at the end of this piece of work and describes the challenges and the opportunities of the home automation - even though smart houses have long caught attention of researchers and considerable effort has been put toward enabling home automation, these technologies have not been widely adopted despite being available for over three decades.3 It means that the vast majority of all homes around the world has never installed or applied considerably any item that reminds of the integration of the systems that encompasses the concept of Home Automation.

Regarding the statement showed above and a research done by ABI Research - Market Intelligence Company specializing in global connectivity and emerging technology – that emphasizes and highlights that even though the current market of 1.8 million automated house worldwide by the end of this year seems not to cause any amazement in investors and companies, that number is actually set to rise sharply soon, exceeding 12 million in 2016⁴. Still according to this research the reason for this abrupt growth is the result of standards-based, “no new wire” wireless and powerline technologies such as ZigBee* that drive down system costs and expand the addressable market.
Eco-friendly mentality is another area that the Home Automation industry can explore. As people generally are becoming more environmentally concerned, the idea of combining Home Automation and Eco-friendly houses is one considerable alternative for the business to succeed. By positioning the company as a Green Brand, associating it with environmental conservation and sustainable business practices, the corporation has an enormous chance of being rapidly accepted and this will certainly boost its image towards customers. The applications of this term can have many facets, since saving and reducing the power bills by generating electricity using own solar panels and wind turbines till reducing emissions of carbon dioxide by using special appliances. This is all meant to provide at the same time an ultimate and ecological usage of natural resources along with maximum comfort and security.

In general, this mix of products – which includes hardware, software, devices and machines – and services – visit, installation and maintenance - has global potentiality to increase its usage. Whereas for the assessment of this delivered value to customer, the focus will be concentrated on one specific market, considered a relevant center for further assumptions of success in this business segment.

2.2. CHALLENGES

Despite sounding an exciting idea, the adoption of the concept Home Automation is still considered and judged quite worrying for who do it. Basing on the facts described on the article used to support this Target Analysis, there is some of what they call barriers which are not enabling this technology to become broadly accepted amongst customers. These barriers are defined as: high cost of ownership, inflexibility, poor manageability and difficulty achieving security. They implicate in either new or existing customers. In this particular article, the

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* ZigBee Smart Energy is the world's leading standard for interoperable products that monitor, control, inform and automate the delivery and use of energy and water. It helps create greener homes by giving consumers the information and automation needed to easily reduce their consumption and save money, too.
investigation was based on existing customer, but these barriers are also perceptive to new ones who have a wrong prejudgment about it.

Whereas, the final conclusion of this article mentions that the turnaround for the Home Automation to finally figure as something people can trust is to prove its real useful usage to consumers, this means it will need to overcome these barriers and transfer its results back to them.

2.3. MARKET

Even being recently considered the 24th most expensive city in the World in a survey by Swiss bank UBS\textsuperscript{5} - jumping up from the 43rd position in a period of two year time – Auckland is a multicultural city with 1,354,900 residents, 31 percent of the country's population\textsuperscript{6}. For its importance it is the location for most major international corporations’ office in New Zealand. Its GDP features as the highest in the country and were estimated at US$47.6 billion in 2003, 36% of New Zealand's national GDP, 15% greater than the entire South Island\textsuperscript{6}. For these environmental aspects, Auckland seems to be a good reference in terms of measuring the impact and the results of the utility of this product/service towards consumers.

2.4. COMPETITORS

According to Yellow Pages\textsuperscript{7}, there are approximately twenty three companies, that sell or/and provide products/services related to Home Automation, registered in Auckland. The number seems to be impressive due to lack of consumption this product/service has showed to have. Whereas, these companies are classified for providing at least one product/service that regards automation – for instance electrical services, cabling, etc. For that reason some of them can easily be discredited as actual rivals or direct competitors. Besides that, if the search
considers only Auckland Central, the result drops to nine companies operating in Auckland Central. So the real number of competitors or companies that provide similar service are reduced in this mentioned region. Apart from that, not all are able to offer the same specialized customer service as the new company does (Integration of house automation). Therefore it appears as good location to place the main office.

Even though the central area is relatively occupied of apartments and flats, which has as its main dwellers students or tourists (and somehow they would not be investing in this kind of product/service), the surroundings areas, especially Ponsonby and Parnell, are interesting areas to be nearby. Due to the high standard location these places feature and to purchasing power the people who live there have, by establishing the business in between them, features as an important factor to the future company.

Another perceived and common characteristic on these companies is the opening hours. Most of them operate just on weekdays (Monday to Friday) within commercial hours (9.00 am to 5.30pm). Just a few companies operate at flexible hours or are available at appointments. This also can be one differential point, because consumers normally focus their attention on these issues when they have free time (weekends and non commercial hours). Moreover, considering the unpredictability of the technology, problems can occasionally occur at any time, so it is
expected from the companies to be standing by for customers when this happens. So **flexible hours or even 24 hour-service** is a noticeable opportunity identified within this market

3. **RESEARCH**

For this part of the Target Analysis, a short questionnaire of was developed and given to ten people at random in order to identify their trends related to Home Automation. The questions, in total seven, were about the consumer’s opinion, idea, current situation, preferences, costs, willingness and conditions to adopt the Home automation in their lives. As the concept is still not well-defined nowadays, a brief description of it was given at its beginning to introduce the theme to the interviewees.

The questions 1, 2, 3 and 7 are multiple-choice, with four or sometimes five alternatives available. The remaining questions (4, 5 and 6) are based on a scale of preference, interviewees are asked to judge which topic are more interesting by numbering them from 1 (less relevant) to 5 (more relevant).

A sample of this questionnaire can be seen at the appendix section of this work.

3.1 **RESULTS**

After interviewing, these are the following results collected for each question:
1. Overall idea of Home Automation
- 4 people consider (representing 40% of total) it is an attractive option, but they do not know much of it;
- 3 people (30% of the total) considers it as an article of luxury, functional but not essential;
- 2 people (20%) do not have an opinion about it.

2. House inhabitants
- 5 people (50%) live with more than 3 people;
- 4 people (40%) lives with 2 or 3 people;
- 1 person (10%) lives with another person.
3. Any children (up to 15 years old) amongst this inhabitant number.

- 4 people said YES (40%);
- 6 people said NO (60%);

4. The main reason to adopt Home Automation

- 30% would adopt it to **provide more security**;
- 26% would adopt it for **comfort**;
- 18% would adopt it for **convenience** or in order to **increase life quality**.

![Pie Chart](image)

5. The main reason **NOT** to adopt Home Automation

- 30% thinks it is too **expensive**;
- 21% thinks it **requires too much attention spent** (time and maintenance);
- 19% thinks the **inflexibility** of not meeting requirements or not matching up components.
6. What characteristic would change their opinion about adopting automation.

- 33% prefer the **affordable prices**;
- 23% credits that the **transparency of the investment and costs** would be the reason;
- 22% would change opinion through **regular/timely maintenance** or **effectiveness demonstration**
7. Reasonable amount of money to be spent on this Home Automation to satisfy all the needs

- 60% finds the amount between NZ$1,000 and NZ$5,000;
- 20% finds the amount up to NZ$1,000
- 20% finds the amount between NZ$5,000 and NZ$10,000

![Pie Chart]

3.2. ANALYSIS

Through the extracted figures from the questionnaire, some facts can be pointed out to understand consumer’s behavior in regard to the technology offered.

The first question intends to find out what is the first idea consumers have when the topic Home Automation is discussed. The most chosen alternative involves people who think it is an attractive option, however they do not know much about the topic. Combining this with the people who do not have an opinion about it, it sums 60% of the total. This emphasizes that despite liking the sound of the Home Automation, the concept has not completely reached people’s awareness and it results in lack of knowledge. As a result, this absence of information
could be the explanation the demand might be defined as low and the reason why products/services have never aroused and provoked a great interest on consumers.

Another important point in this questionnaire was related to the users’ main motivation to adopt Home Automation. More than 55% responded that Security (30%) and Comfort (26%) are their favorite option, which can delimit some areas the business can focus its operation on.

Nonetheless, there is a downside which is about their perception around the cost-efficiency. The idea of investment is still distorted and most of them - 30% of the total - associate these products/services with high prices of acquisition, installation and maintenance as the leading cause for not purchasing it. The question number 3 also indicates that by acquiring these technologies, customers’ time might be spent on tasks in order to keep all the devices working properly or as the way they want which is due to maintenance and customization as well. So 21% of the interviewees might consider it superfluous.

Therefore, with the purpose of discovering a possible solution for the cost issue, the question number 6 presents some potential alternatives that might be considered attractive to customers and would make them interested in adopting this lifestyle. As expected, the majority chose Affordable Price as their main aspect with 33% of the total. Following it, we have Transparency of the Investment and Cost, Demonstration of Efficiency and Timely and Regular Maintenance provided by the company with 23%, 22% and 22%, respectively. Even though the Demonstration of Efficiency had a certain balance amongst the other alternatives - apart from Affordable Prices - it is a topic which aroused lots of questions from customers about its implementation and how this demonstration

Another important thing about the Demonstration is it can also be used for another purpose within the company which is involving customer in the design of a product/service. For instance, by building a replica of an automated house and showing and asking their opinion about the range of offerings, they can suggest and recommend changes that would suit them better and these changes may be also internally applied to other consumers, becoming new products/services the organization might offer. It is a kind of Marketing Research in field.
would be like. It can be used as a good starting point for customers to understand and perceive the whole idea of using such product/service. Linked with it, there is the **Transparency of Costs**, which can be placed as the following step after the demonstration part. By understanding and assimilating the functionalities and benefits, customers will be able to judge with more precision what is convenient and useful to them and besides they will be capable of analyzing the cost-investment they are making.

There is another important characteristic related to question 6 which consist of is that although the interviewees judge the Affordable Prices something that would give them a chance to try using Home Automation, the perception of cost-investment is considerably different. This argument can be seen in the question 7 where asked how much of investment would be reasonable for them to cover all the needs with automation. Surprisingly, among all the alternatives - which contained the option “up to NZ$1,000” – 60% of the total said that an outlay between **NZ$1,000 and NZ$5,000** would be considerable to start. This means the majority is conscious that a medium/large investment is necessary to provide decent products/services and they seem to be willing to pay for that. This information is of great significance for the company to elaborate its set of offerings in a way not to launch cheap – which may be perceived as of not good quality - or overpriced, which may become unaffordable to consumers.
4. FINAL CONCLUSION

In conclusion, some findings identified in this target market analysis can be used to drive the company’s strategic towards consumers. The following list gives us some of the highlights already discussed in this work and will probably be used to position and target the market which it will be included:

- Regarding outside researches, the concept of **Home automation has an incredible potential to grow up** by the year of 2016;

- According to the outcomes collected through the application of the questionnaire, **consumers have a positive impression and feeling about the technology**, just seem not to be fully aware of its purpose as well as the costs involved;

- On the same results, it is perceived that for the customers to enter into this market, the companies would need to find an equilibrium between **effectiveness and affordable prices**;

- The aimed market place – Auckland City - has not **many companies specialized in Home Automation**, which is a good chance of how to be positioned at;

- The **competitors also do not work in flexible hours** or hours that may meet consumer’s requirements, which can be defined as differentiated customer-service.

So under these premises, these next phases of this work, such as the “Creative Brief” will be elaborated.
5. REFERENCE LIST


APPENDIX 1

QUESTIONNAIRE
HOME AUTOMATION

But what is that? It is the integration and control of lighting, security, home theatre equipment, motorized blinds and curtains, irrigation systems, climate control and more.

QUESTIONNAIRE

1. What is your overall idea about House Automation?
   a) Attractive option, but I do not know much about it;
   b) Waste of resources (money, time);
   c) An article of luxury, functional but not essential;
   d) I do not have an opinion;

2. How many people do you live with?
   a) 0
   b) 1
   c) 2
   d) 3
   e) More than 3

3. Any children amongst this number (consider only the ones up to 15 years old)?
   a) Yes
   b) No

4. If you adopted Home automation what would have been the main aspect for you to do it?
   (Please rank the items from 1 to 5 according to what is most important, considering 1 the less relevant and 5 the most relevant)
   a) Provide more security (___)
   b) Increase of life quality (___)
   c) Comfort (___)
   d) Convenience (___)
5. What would be the main aspect for you NOT to adopt Home Automation? (Please rank the items from 1 to 5 according to what is most important, considering 1 the less relevant and 5 the most relevant)
   a) Too expensive; (___)
   b) Requires too much attention (time, maintenance); (___)
   c) No complete reliability; (___)
   d) Inflexibility (e.g. Components made from different companies do not match up and do not have the expected functionality); (___)
   e) Hard to manage it; (___)

6. What would change your mind about adopting automation? (Please rank the items from 1 to 4 according to what is most important, considering 1 the less relevant and 4 the most relevant)
   a) Transparency of the investment and costs (___)
   b) Demonstration of effectiveness (___)
   c) Affordable prices (___)
   d) Regular or/and timely maintenance (___)

7. How much would you consider reasonable to spend on this product/service to cover all of your needs?
   a) Up to NZ$1,000
   b) Between $1000 and NZ$ 2000
   c) Between NZ$ 2,000 and NZ$ 5,000
   d) Between NZ$5,000 and NZ$10,000
   e) Over NZ$10,000

THANKS FOR ANSWERING AND FOR YOUR TIME!
APPENDIX 2

ARTICLE