

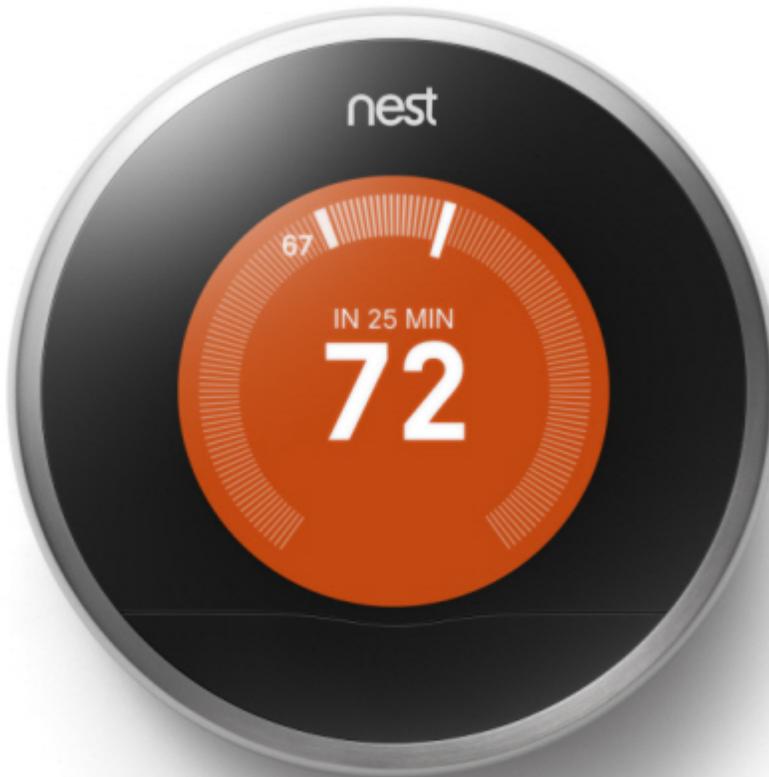
# What's Up with Nest?

By Essie Snell

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Popular smart thermostat manufacturer Nest has been having a rough couple weeks. Major tech news sites like [The Information](#), [Greentech Media](#), and [Re/code](#) have been publishing articles suggesting that the company is struggling to meet its financial targets, facing an “exodus” of employees, and developing a toxic internal culture. Just last week on social news site [Reddit](#), a self-proclaimed Nest engineer wrote an anonymous post in a larger comment thread to say that “sales/growth numbers are dire. ... People fall asleep in corners and cry in the bathrooms, health and marriages are suffering. Already the churn is insane, close to half the company if not more.” That post has since been deleted, but mobile- and consumer electronics-focused news site BGR published a complete copy of the commentary on its website. Although these sources could certainly be exaggerating the severity of the situation—and it’s difficult to find reliable numbers to put these issues into perspective—it’s hard to imagine that these negative accusations are entirely unfounded.



Source: Nest

Adding to the potential internal issues, recent developments stemming from Nest's 2014 acquisition of smart home hub company Revolv may provide additional cause for concern. When Nest first acquired the company, it made it clear that it would stop selling Revolv products so that the team could focus on the [Works with Nest](#) program—a successful initiative designed to facilitate communication between third-party connected devices and Nest products. At the time, Nest cofounder Matt Rogers was quoted in the Re/code article [Nest Acquires Home Automation Hub Revolv, but Will Stop Selling It](#) saying, “We are not fans of yet another hub that people should have to worry about.” The company heavily implied that it hoped its thermostat-centric platform could ultimately become the main control point of future smart homes. (For more information, E Source members can see our reports [Home Energy Management Is Coming: Are You Ready?](#) and [From Smart Devices to Smart Homes: A Review of Promising Home Energy Management Systems.](#))

And yet, at the beginning of March, Nest [announced a partnership with Amazon](#) to let the voice-controlled Amazon Echo device adjust Nest's thermostat. Though the idea of using voice recognition to control thermostats is certainly a very cool one, the problem is that—unlike other smart thermostat manufacturers such as Ecobee or Honeywell—Nest has a vested interest in offering a control point for the smart home. With that in mind, this move seems to largely cede smart home control to Amazon, and it makes me wonder whether Nest still thinks it has an opportunity to be the smart home platform it once envisioned.

On top of that, Nest may be gearing up to set a dangerous precedent by [shutting down and disabling all existing Revolv hubs](#) in customers' homes as of May 15, 2016. Customers who paid roughly \$300 just a few years ago to get a hub will abruptly be left with a nonfunctioning device, even if the hub is currently working well despite the lack of support. Nest has announced that it [will consider providing compensation](#) to affected users, but that's not the only issue at stake. By setting a precedent that manufacturers can remotely render Internet-of-Things devices obsolete and useless at will, Nest not only may hurt its own reputation, but could inadvertently reduce customer trust in connected home devices and create a significant setback to the budding smart home market.

Going forward, I expect Nest's thermostats will continue to sell well, but I'm skeptical whether the company has a clear path to larger success. Nest's next big focus seems to be [home security systems](#), but that's an area where it will face stiff competition from manufacturers like Icontrol, Samsung, Belkin, and Lowe's, not to mention major service-based companies like Comcast and Alarm.com. Nonetheless, given the significant contributions Nest has made to the smart home market, I hope it can work through the myriad issues it's experiencing and continue to drive new smart home developments.