

Google builds a 'Nest' for future of smart homes

January 15 2014, by Michael Liedtke



In this Tuesday, Oct. 1, 2013, file photo, Tony Fadell, Founder and CEO of Nest, poses for a portrait in the company's offices in Palo Alto, Calif. Google said Monday, Jan. 13, 2014, it will pay \$3.2 billion to buy Nest Labs, which develops high-tech versions of devices like thermostats and smoke detectors. (AP Photo/Marcio Jose Sanchez)

When our Internet-connected gadgets and home appliances all learn to talk to each other, Google wants to be at the center of the conversation.

This imagined future is still a few years away, but Google is already preparing with its \$3.2 billion acquisition of high-tech thermostat and smoke-detector maker Nest Labs.

The surprise deal [announced this week](#) will provide Google Inc. with more tools to build a valuable hub for homes. It's a world of networked toasters and tea kettles, or a so-called "Internet of Things," that is destined to reshape society, experts say.

The research firm Gartner Inc. expects more than 26 billion objects to be connected to the Internet by 2020, a figure that doesn't include personal computers, smartphones or tablets. That would be a nearly 30-fold increase from roughly 900 million Internet-connected things in 2009.

Google is getting ready with the help of Nest Labs, a 300-employee company started less than four years ago. Tony Fadell, Nest's founder, is an Apple veteran who helped design the iPod and the iPhone.

As influential as smartphones have become, their role in understanding people's habits and preferences could be eclipsed once everything in the home has a computer chip and is connected to the Internet.

"Google bought Nest in order to learn about this world where even more information is going to be accessible by computers," said Forrester Research analyst Frank Gillett.



In this Tuesday, Oct. 1, 2013, file photo, the Nest smoke and carbon monoxide alarm is shown at the company's offices, in Palo Alto, Calif. Google said Monday, Jan. 13, 2014, it will pay \$3.2 billion to buy Nest Labs, which develops high-tech versions of devices like thermostats and smoke detectors. (AP Photo/Marcio Jose Sanchez)

Nest Labs quickly won over gadget lovers with its 2011 release of an Internet-connected thermostat that learns to cool and heat homes to suit the needs of the inhabitants. Late last year, the company followed up with a smoke and carbon-monoxide detector equipped with voice technology and the ability to communicate with the company's thermostat.

Nest hasn't said how many of its devices have been sold, though analysts believe they are in just a small fraction of homes. The products have only been available in the U.S., Canada and the United Kingdom.

Google hasn't disclosed its specific plans for Nest, but analysts anticipate an entire line of Internet-connected home products will be coming to countries around the world. Some of those Nest devices could be melded with existing Google services in an effort to make people's lives easier.

Such a move also would provide Google with the means to gather more insight that could be used to sell the digital advertising that generates most of the company's revenue.

In a blog post about the Google acquisition, Nest Labs co-founder Matt Rogers promised that customers' personal information will only be used for "providing and improving Nest's products and services. We've always taken privacy seriously and this will not change."

Google still makes most of its money from advertising tied to search requests. Acquiring and developing products with Internet connections and environmental sensors can only help Google get an even better grasp on people's interests.

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