

Electronics & High Tech

Staying ahead of the changing marketplace for consumer technology devices and services

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Mobile devices, social networking applications and other consumer-related innovations have gained notoriety and generated significant revenues for high-tech, communications and content companies in recent years. These devices and applications are dramatically reshaping the way consumers communicate, learn and entertain themselves.

However, in the relentless competition of the marketplace—especially during an economic downturn—consumers are also making choices about which innovations are important to them and which are not. Understanding consumer usage patterns, therefore, is critical to industry players as they race to stay one step ahead with offerings that meet existing consumer needs and awaken new ones.

Baby Boomers versus Gen Y

For the last two years, Accenture has conducted primary research into the usage patterns of various types of consumer technology devices and services among US consumers. The most recent round of research, conducted in late 2008 among 3,000 adult consumers in the United States, reveals several interesting trends related to different take-up rates for applications and devices among Baby Boomers (consumers over the age of 45) compared with Generation Y (those aged 18 to 24).

Although the popular image of the consumer technology marketplace seems dominated by the Facebook generation, older consumers are jumping on board at a fast pace. Penetration of the Gen Y population is still much higher for many applications and devices, but our research found that a kind of saturation point is being reached among that age group. Thus companies would do well not

to ignore older consumers: the rate of take-up among Boomers for popular consumer technology applications is now nearly 20 times faster than that of the younger generation.

The Accenture survey also found that the much-anticipated embrace of mobile video by consumers is not yet happening among any age group. Most consumers still see their mobile handset as a communications device. Mobile web browsing is on the rise, but the ability to watch videos or stream content live to their mobile phones isn't stirring consumers' imaginations nor opening their wallets—yet.

Reality check

Usage surveys are often an interesting reality check against marketplace perceptions, which are often driven by an understandable hype about compelling new applications. One of the most interesting questions in the Accenture survey asked consumers to note how many hours they spend during a typical week using various kinds of devices and applications.

The usage patterns that emerged reveal that the "blogging, podcasting, mobile-video-watching, virtual-world-playing" consumer is a fairly rare animal at this point. For example, 91 percent of respondents say they spend zero hours per week participating in virtual worlds; 86 percent say they never watch videos on a mobile device.

So who is actually using what? For younger consumers, the mobile device is clearly king. Fifty-one percent of Gen Yers prefer mobile phones over all of their other consumer technology devices. For that age group, the importance of mobile voice is still rising (up 6 percent) as is mobile data (up 600 percent, though still at a relatively low penetration rate). By

contrast, 50 percent of Baby Boomers prefer their computers—27 percentage points higher than mobile phones.

The booming Boomers

One striking finding from this year's study is that the already high penetration rates among Gen Y for popular consumer technology devices and services means that growth is now actually coming from the older crowd. Boomers increased their uptake of popular consumer technology applications at an average of 50 percent last year—nearly 20 times faster than Generation Y.

For example, Boomers posted a 59 percent increase in use of social networking sites such as Facebook—30 times greater than Gen Y (2 percent). Boomers also increased watching/posting videos on the Internet by 35 percent—while Gen Y usage decreased slightly (down 2 percent).

Even though Gen Y consumers still have higher overall usage rates for these applications, uptake is decelerating compared with Boomers even for those applications that do not have significant usage. For example, use of social networking applications stayed relatively flat at 80 percent of Gen Y—not surprising, given already high penetration rates. However, reading blogs and listening to podcasts also stayed flat among Gen Y, but at a much lower usage rate of 45 percent.

Devices and desires

What do consumers want from their mobile devices? Across all age groups, services beyond voice communications, text messaging and e-mail are not yet generating significant interest. In fact, 79 percent of all survey respondents still view the mobile handset primarily as a means of voice communications and messaging rather than a source of entertainment.

Our research also found that most consumers (54 percent) don't want to use mobile handsets for multimedia connectivity services such as watching videos or streaming content. When participants were asked to what extent availability of mobile content drives them to upgrade their mobile plan, 70 percent said "to a very little extent."

There are some bright spots on the mobile multimedia front, however. Thirty-three percent of consumers say that Web browsing on mobile phones is a top-three mobile application. And almost 25 percent indicated that listening to music on a mobile phone is in the top three.

Igniting consumer interest in the "connected home" is also something that has yet to take place to any significant extent. Survey respondents were asked about the importance they place on consumer technology devices being connected to the Internet, either directly or through a home network. Far more consumers indicated this capability was more unimportant than important for most devices.

However, trend data shows a slow but positive increase in acceptance of networked devices. For instance, the percentage of consumers who consider the networking of TVs to be important rose from 25 to 29 percent. Similar increases were seen for game consoles (from 21 to 24 percent), mobile handsets (from 27 to 32 percent) and portable music players (from 26 to 32 percent).

Implications

What does the 2009 Accenture Consumer Electronics Usage Survey mean to high-tech, communications and content companies? The following points are among the important takeaways from the research.

Time to focus on the Boomers

In terms of the marketing of innovative devices and applications, younger and more technology-savvy consumers have been to this point a kind of low-hanging fruit for many companies. Gen Y users hardly needed to be convinced of the value of technology innovations. Baby Boomers have come along at a slower pace, but that pace is now picking up. Older users are starting to see the value of applications that connect them to their personal and professional networks.

Companies would do well to begin targeting applications and services to the unique needs of the 45-and-older crowd. For example, the right kind of converged mobile handset and computing device (often called the "Mobile Internet Device") may accelerate Boomers' participation in the mobile world.

Don't take Gen Y for granted

The slowdown in Gen Y take-up of consumer applications and services points to a saturation of the population, but also a saturation of interest. As with any product lifecycle, with maturation comes the need for variety. Companies need to step back and ask if they are keeping their applications fresh. Are they experimenting enough to keep products and services relevant to a generation with short attention spans?

New types of mobile data services, as well as extending choices for anytime, anywhere video, are critical opportunity areas given Gen Y usage patterns. At the same time, consolidation and aggregation of applications—pulling them into bundles of services as features, rather than separate applications all to themselves—will be ever more important to retain mindshare in an increasingly crowded marketplace.

Customize consumer offerings

Finally, maturation of the consumer technology marketplace also means that one-size-fits-all offerings will begin to decline in terms of mindshare and revenues. Therefore, it's time for companies to look to more customization of their offerings in the marketplace. Satisfying diverging consumer needs will require consumer technology companies to think differently about their businesses—and to provide greater flexibility in functions from product development to supply chain to marketing.

The Accenture research shows that differentiation and specialization will increasingly be the keys to success in the converged high-tech, communications and content marketplace. By more closely understanding the different needs of different generations, and by refreshing the marketplace with continuously relevant devices and services, companies can gain an edge in the race toward high performance.

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