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Always On, Always Connected

Finding Growth Opportunities in an Era of Hypermobile Consumers

The 2012 Accenture Consumer Electronics Products and Services Usage Report

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Table of Contents

Introduction	3
Smart and Mobile	5
The Consumer Cloud Uplift	9
Ubiquitous "App-etite"	11
Where in the World? Globalization and the Ongoing Shift in Purchasing Patterns	12
Multichannel Purchasing is Preferred	14
Taking Action on the Trends	15
Conclusion	15
Appendix: Additional Charts of Interest	16

The data is in and the findings are clear: The movement to mobility is at full throttle. Smartphones and tablets are the "power players" in technology growth rates, helping consumers use their virtual network to access a growing portfolio of content, services and apps. In fact, four of the five most common weekly activities performed on consumer electronic devices are network-based and almost two-thirds of consumers are now downloading apps.

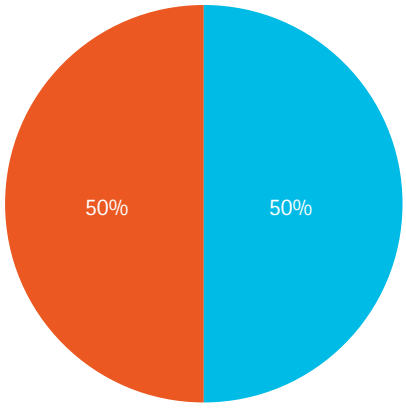
For five consecutive years, Accenture's Electronics & High Tech industry group has studied preferences for consumer technologies and services. This annual research is intended to help consumer technology executives better understand the purchase patterns and use of consumer technologies and to gain deeper insights into global differences.

Our 2012 study, which is based on a September 2011 survey of more than 10,000 consumers across 10 countries (Figure 1), shows consumers enthusiastically making their networked lives more robust: connecting in more than one way and on multiple devices, consuming more content, and doing it all on the go. Specifically, our research has identified five trends for manufacturers and service providers to consider as consumers strive to be "always on, always connected":

- **Smart and mobile:** Consumers are reaching a state of "hypermobility," rapidly adopting mobile technologies and downloading apps that keep them connected anywhere, anytime. As a result, TV viewing and purchase intentions are declining.
- **The consumer cloud uplift:** Consumers are increasingly reaching into the network and modifying their behaviors as they rely on cloud services.
- **Ubiquitous "app-etite":** Consumers' use of electronics is more and more dependent on the exploding number of apps now within their reach.
- **Where in the world? Globalization and shifting purchase patterns:** Emerging markets lead the growth of many consumer technologies, but these markets are not uniform in consumers' device purchase and use.
- **Multichannel purchasing is preferred:** While consumer electronics retailers remain the dominant choice for device purchases, other channels (namely other retailers and online) have made significant inroads in the past five years.

On the following pages, we explore these findings in more detail and discuss the implications they have for companies looking to capitalize on the emerging opportunities in this era of the always on, always connected consumer.

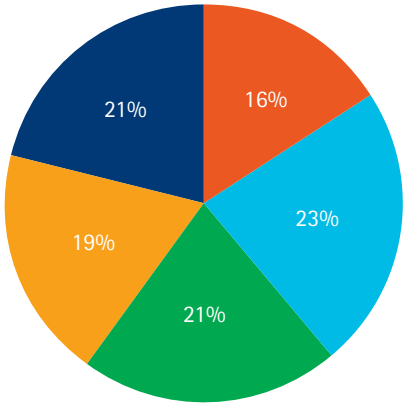
Figure 1: Survey Demographics



Gender

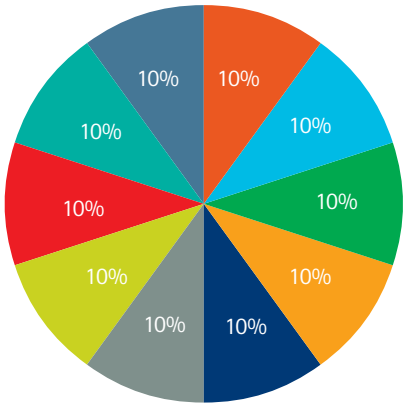
- Male
- Female

Note: Our research is statistically representative of the general population in every country except in Brazil, China, India, Russia and South Africa, where the sample is representative of the urban populations.



Age

- 18-24 years
- 25-34 years
- 35-44 years
- 45-54 years
- > 55 years



Country

- Brazil
- China
- France
- Germany
- India
- Japan
- Russia
- South Africa
- Sweden
- United States

Smart and Mobile

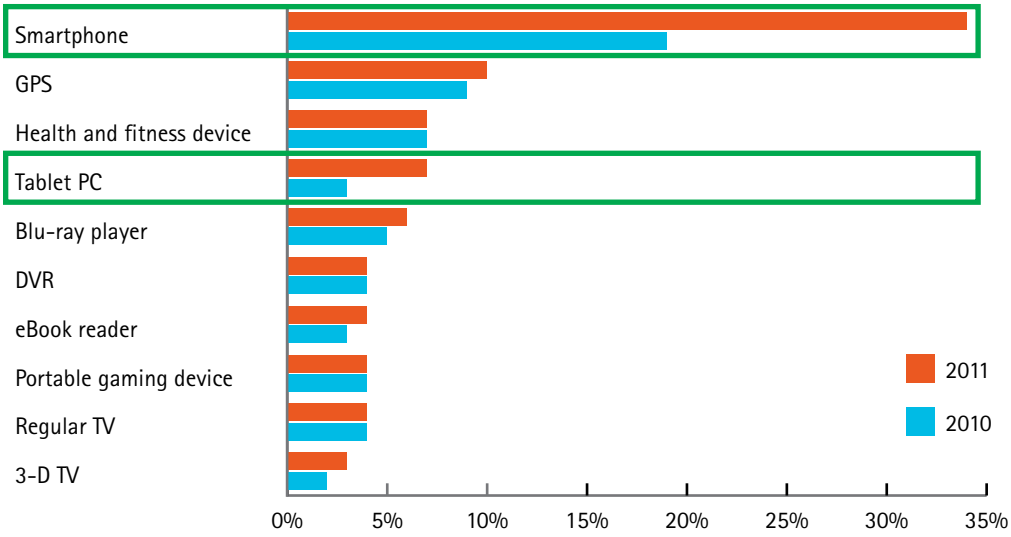
Consumers are adopting mobile technology so rapidly that the mobility trend is in hyperdrive. While consumers still have strong ownership and usage of desktop or laptop computers (90 percent own them), purchase intentions for computers are slowly declining.

At the same time, smartphone and tablet PC ownership are rising steeply. In fact, in the past 12 months, the percentage-point increase in smartphone and tablet PC purchases almost equals the purchase decrease of computers and mobile feature phones (Figure 2).

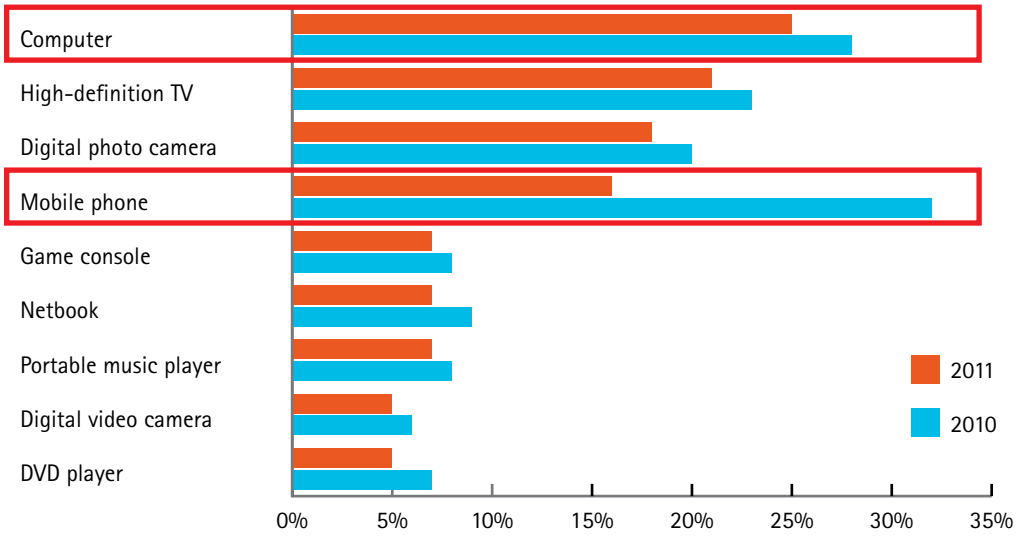
Figure 2: Consumer Electronics Purchased in the Last 12 Months

Which of these consumer electronics have you purchased in the last 12 months?

More or equal purchases 2011 vs. 2010



Fewer purchases 2011 vs. 2010



Smartphone and Tablet Computer Ownership and Purchase Plans Growing Exponentially

As a growing number of consumers replace mobile feature phones with more sophisticated Internet-connected options, smartphone ownership has increased significantly. In fact, smartphones have quickly moved from being "new" to "mainstream" as the phone of choice. More than half of consumers we surveyed now own a smartphone—up 25 points in the past 12 months, or a growth rate of 89 percent over the previous year (Figure 3). One-third of consumers purchased a smartphone in 2011, an increase of 15 points in comparison with the previous year.

While tablet computers are still in their infancy, ownership of these devices grew by 50 percent last year (from 8 percent of consumers owning them to 12 percent). Tablet computers are also the hot prospect for sales in the coming months. Intentions to purchase tablets in the next 12 months have doubled from last year—the largest relative gain among the 19 technologies surveyed (Figure 4). Interestingly, as consumers buy highly mobile tablets, they increasingly view their laptop PC as a more stationary device. Fifty-eight percent of those owning or planning to buy a tablet said they were motivated to purchase a tablet computer because it's more mobile than a laptop. (See sidebar, "Learning from the Early Adopters.")

Younger consumers (those 35 years of age or younger) are leading the adoption of new technologies. Product categories most recently introduced to the market, such as smartphones and tablets, are to a higher extent owned by younger consumers (Figure 5). Furthermore, younger consumers are more ambitious in their purchase intentions: A greater percentage of younger than older consumers intend to purchase products in each of the 19 consumer electronics categories in the next 12 months. Finally, younger consumers are more active on the consumer electronics they own. When asked "Which of the following do you do in a typical week on your consumer electronics devices?" those 35 or younger lead the older generation in any activity except more traditional ones such as emailing from a PC or mobile device.

Figure 3: Consumer Electronics Currently Owned

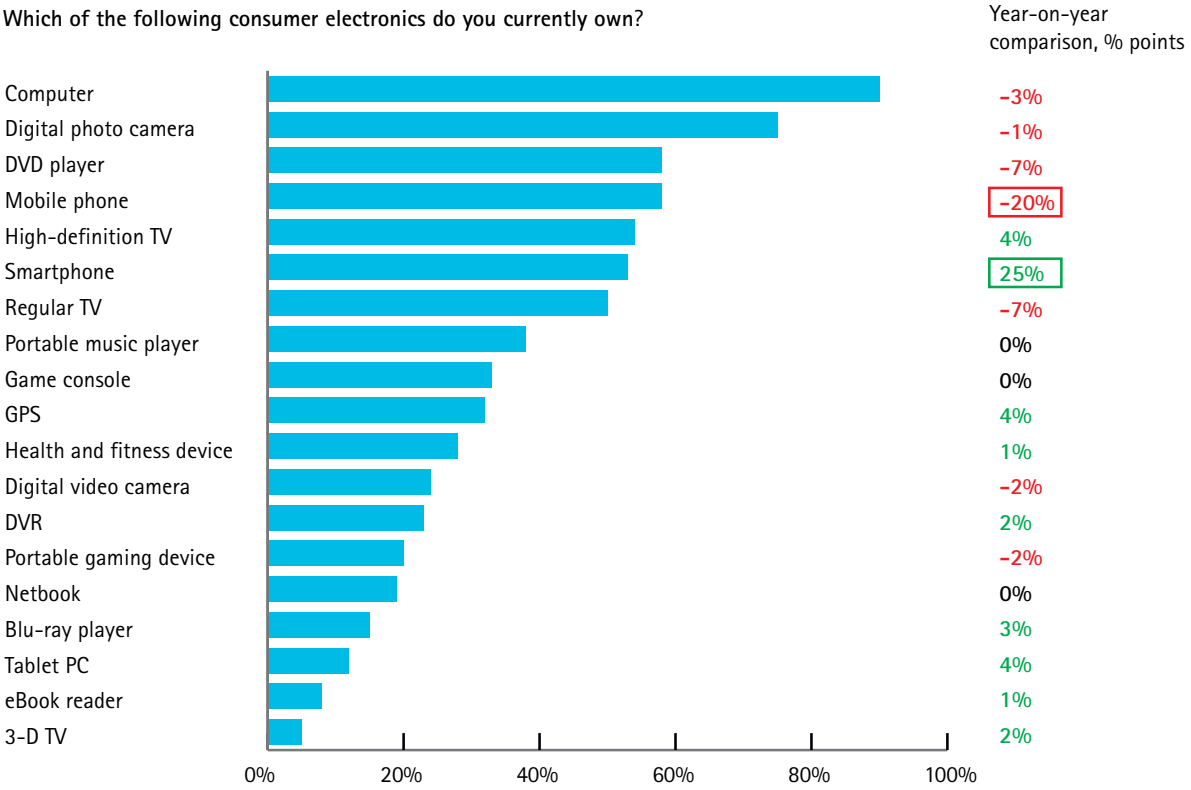


Figure 4: Plans to Purchase Consumer Electronics in the Next 12 Months

Which of the following consumer electronics do you plan to purchase in the next 12 months?

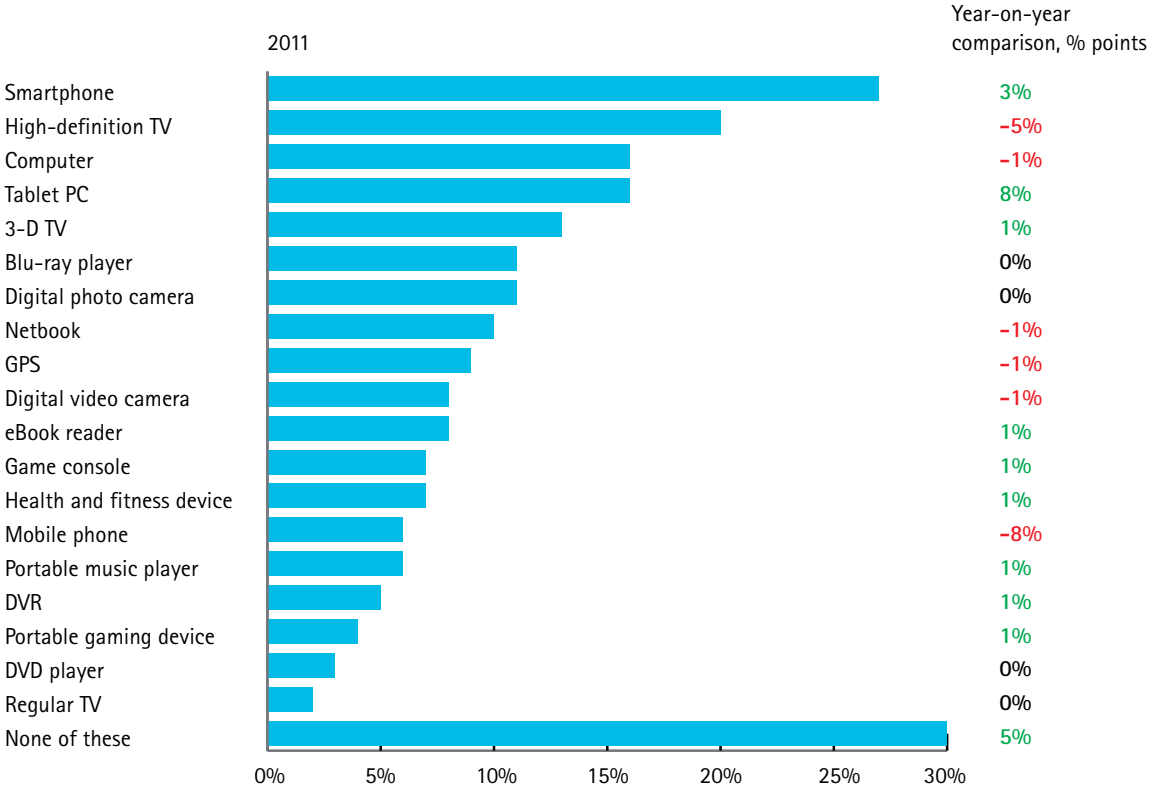
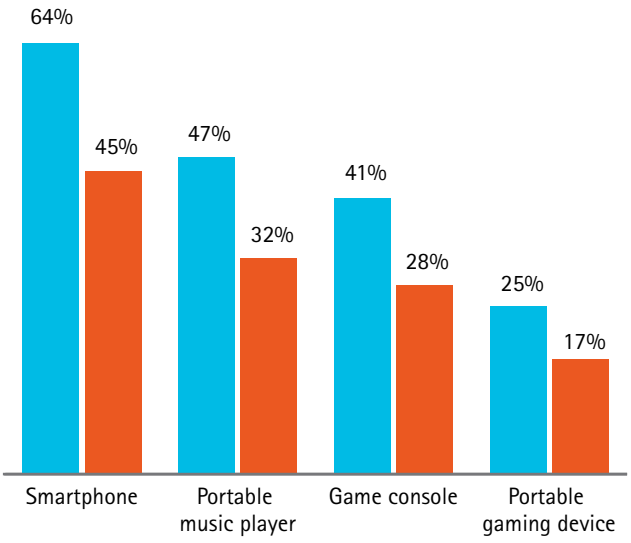


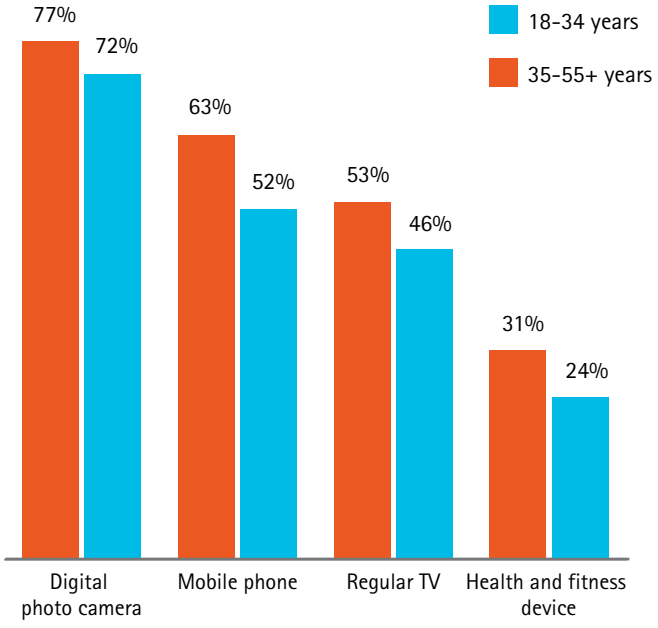
Figure 5: Differences in Consumer Electronics Ownership by Age

Which of the following consumer electronics do you currently own?

Differences: 18-34 consumers own more devices when compared to 35-55+ consumers



Differences: 35-55+ consumers own more devices when compared to 18-34 consumers



Note: Differences shown are on items where there is the largest gap between age groups.

TV Viewing and Purchase Intent Declining

As consumers can consume entertainment via more devices, apps and cloud services, their television use and purchase intent are declining. In countries where a year-to-year comparison can be made from our research data (United States, France, Japan, China, India), our survey found the percentage of consumers watching broadcast or cable TV shows, movies or videos on TV, in a typical week, plummeted from 71 percent in 2009 to 48 percent in 2011. Consumers are using multiple devices for entertainment, including to watch shows and videos. In a typical week, 33 percent of consumers now watch shows, movies or videos on their PCs, and 10 percent are watching such programs on their smartphones.

These trends are reflected in consumers' purchase intentions for TVs. The percentage of survey respondents intending to purchase any kind of TV (regular, high-definition, or 3-D) in the next 12 months fell to 32 percent this year, down from 35 percent in 2010. For high-definition TVs specifically, 20 percent of consumers plan to make such a purchase in the next 12 months, down from 25 percent forecasting they would purchase one last year.

Power Rankings Confirm the Hypermobility Trend

Accenture's Consumer Electronics Power Rankings compare purchase intent in the next 12 months to purchase history and, in so doing, provide a high-level indication of relative growth trends among consumer technologies. This year, the power ranking leaders are 3-D TVs, tablet computers and eBook readers (Figure 6). These technologies are forecasted to have the highest growth in purchases in the next 12 months relative to their purchase rate last year. While 3-D TVs have the lowest ownership of all 19 technologies, consumers' purchase expectations are driving the positive power trend. Mobile feature phones, DVD players, regular (CRT) TVs, digital cameras and computers have the largest negative power rankings, representing the greatest decline in anticipated purchasing relative to their purchases last year.

Interestingly, the smartphone power ranking has flipped from positive in 2011 to negative in 2012. Purchase intentions for smartphones continue to be very strong, especially among younger consumers, but at a slightly declining rate relative to the surge in purchases last year. The flattened power ranking reflects the realities that more than 50 percent of consumers now own the device and that it is moving toward mass adoption in many regions of the world.

Country variations are also evident and in some cases significant: For example, despite a very high global power ranking (125 percent) for tablet computers, Brazil's power ranking is almost three times higher (at 317 percent), representing their optimism about future tablet purchases.

Figure 6: Consumer Electronics Power Rankings

2011 Rank[1]	Product	2011 Power Trend[2]	2010 Rank	2010 Power Trend
1	Computer	-35%	1	-39%
2	Digital photo camera	-38%	3	-45%
3	DVD player	-46%	4	-57%
4	Mobile phone	-60%	2	-56%
5	High-definition TV	-6%	6	9%
6	Smartphone	-19%	10	26%
7	Regular TV	-42%	5	-50%
8	Portable music player	-13%	7	-37%
9	Game console	3%	8	-25%
10	GPS	-8%	11	11%
11	Health and fitness device	-3%	NA	NA
12	Digital video camera	72%	12	50%
13	DVR	36%	14	0%
14	Portable gaming device	0%	13	-25%
15	Netbook	29%	15	22%
16	Blu-ray player	72%	16	120%
17	Tablet PC	125%	17	160%
18	eBook reader	102%	18	133%
19	3-D TV	321%	19	500%

1 Ranked by ownership, 1=highest

2 Power trend calculated as (% intending to purchase next year - % purchased last year) / % purchased last year

The Consumer Cloud Uplift

Consumers increasingly are reaching into the network for services and content. In fact, only 12 percent of respondents reported that they don't use any online services.

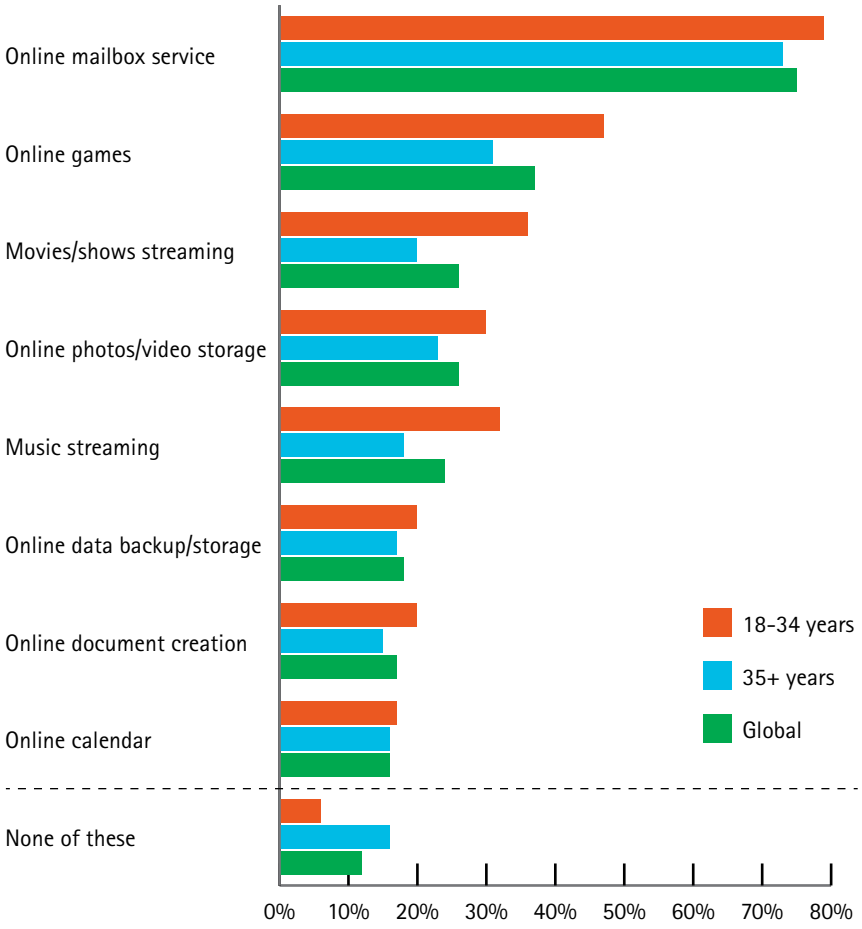
The online mailbox is by far the most common online or cloud service that consumers use. Online games are ahead of movie streaming, photo and video storage, and music streaming in usage (Figure 7). However, there are significant differences by country. For example, Brazil, Sweden and South Africa use online mailbox services more than other countries do, whereas China, the United States and Russia are more likely to use online games.

As consumers experience the cloud, a majority (56 percent) are changing the choices they make and how they behave. The most frequently cited change was related to entertainment, with 32 percent citing they had stopped or almost stopped renting or buying DVDs.

Among the younger generations, an even greater proportion of consumers (67 percent) have changed their behavior due to their use of cloud services. Thirty-eight percent of younger consumers have stopped or almost stopped renting or buying DVDs, and 16 percent said they had terminated or were considering terminating TV subscription services. This is consistent with our finding that younger generations are using more entertainment services in the cloud than their older counterparts.

Figure 7: Use of Online Services

Which of the following online services do you use?



Learning from the Early Adopters: Tablet Computer Purchasers

A deeper analysis of the interests and behaviors of consumers owning or intending to own a tablet computer within the next 12 months (whom we refer to as tablet purchasers) shows they have a voracious appetite for the use of all forms of technology and applications.

As a consumer group, tablet purchasers are leading spenders on consumer electronics. They have spent more on consumer electronics in the past 12 months than their non-tablet-owning peers, and they are planning to spend more on consumer electronics devices in the next 12 months. It's no wonder, then, that tablet purchasers are more likely to use numerous devices, including smartphones, high-definition TVs, netbooks, 3-D TVs and eBook readers.

Tablet purchasers are also heavy users of the technologies they own. They are more likely to do a large variety of technology-based activities, download more apps and utilize more cloud services than those who are not tablet purchasers.

More specifically, they:

- Conduct a wider range of activities on the electronic devices they own, especially tweeting/microblogging, downloading apps, emailing from their mobile devices and reading electronic books.
- Utilize more cloud-enabled online services, more specifically streaming movies and TV shows, data backup/storage or online document creation.
- More frequently download apps and currently use a wider variety of apps, especially those involving leisure activities, fitness and health, or traveling.

As they attempt to fulfill their "app-etite," tablet purchasers are not loyal to any one source for downloads. A higher proportion of tablet purchasers download apps from all sources, including device manufacturers, software providers' app stores, websites and wireless provider/telecom companies' app stores.

In summary, our data shows tablet owners to be significant spenders on consumer electronics of all kinds and aggressive users of a variety of apps from a variety of sources. This group could present significant opportunity for targeted marketing and cross-sell/up-sell initiatives.

Ubiquitous "App-etite"

With the quest for mobility comes the quest for apps. Increasing adoption of smartphones and tablets is causing rapid uptake in mobile media consumption, and 64 percent of consumers now download apps. Among this group, 49 percent have downloaded apps at least once a week in the past 12 months. Younger consumers are downloading more apps than older consumers and do so more frequently. Fifty-five percent of younger consumers have downloaded apps at least once a week in the past 12 months, compared with 44 percent of older consumers.

Information apps (such as news, sports or weather) are the most mature app category among consumers who have downloaded apps, followed by networking (social/professional networks) and entertainment (such as music, single or group games, or videos) (Figure 8). Younger consumers are more likely to use networking and entertainment apps, while older consumers lean toward financial apps and apps for traveling. Regardless of age, the majority of consumers (73 percent) who download apps typically download those that are free.

Manufacturers' and device software providers' app stores are the preferred download locations (Figure 9), with far fewer consumers currently downloading apps from their wireless provider or telecom company.

Figure 8: Types of Apps Used

Are you using any of the following types of apps?

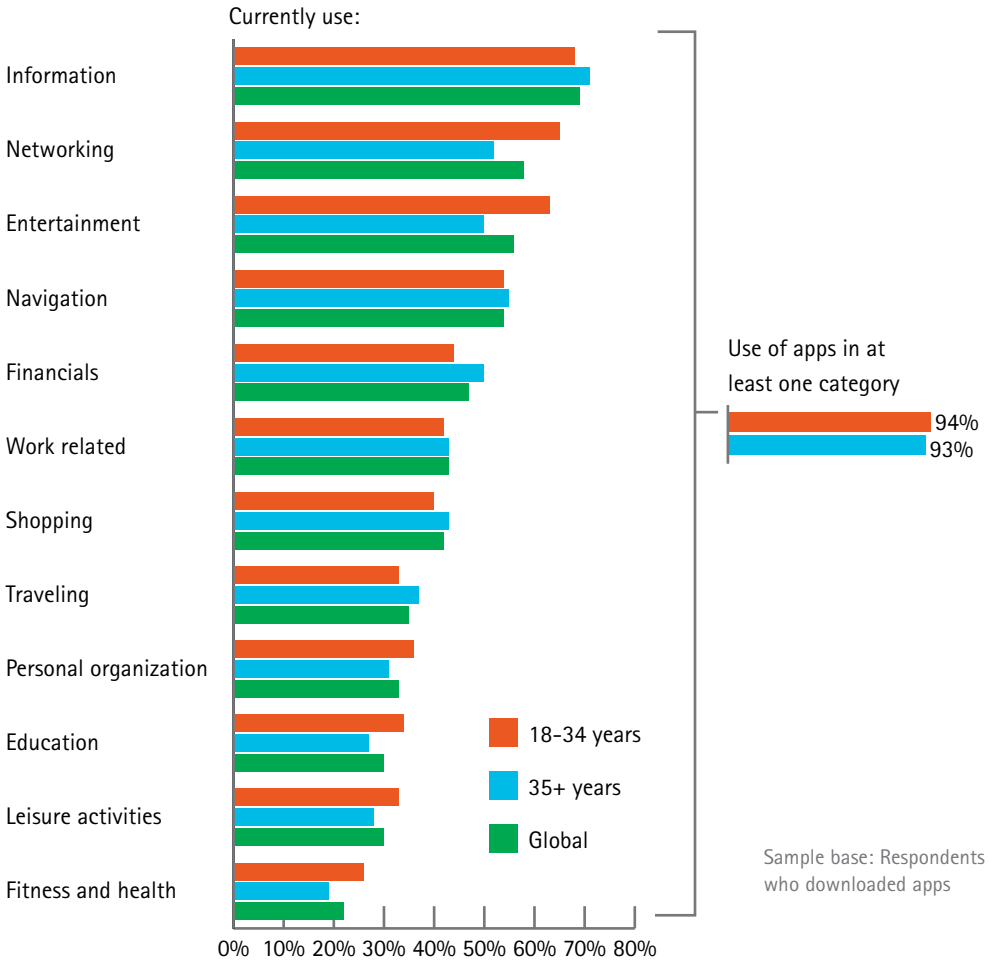
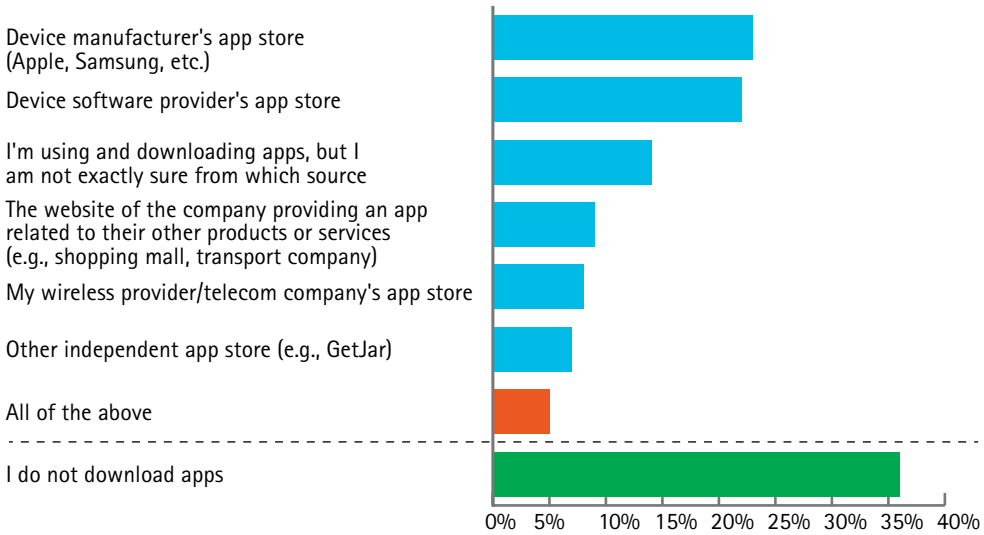


Figure 9: Where Consumers Download Apps

Where do you usually go to download apps?



Where in the World?
Globalization and the Ongoing Shift in Purchasing Patterns

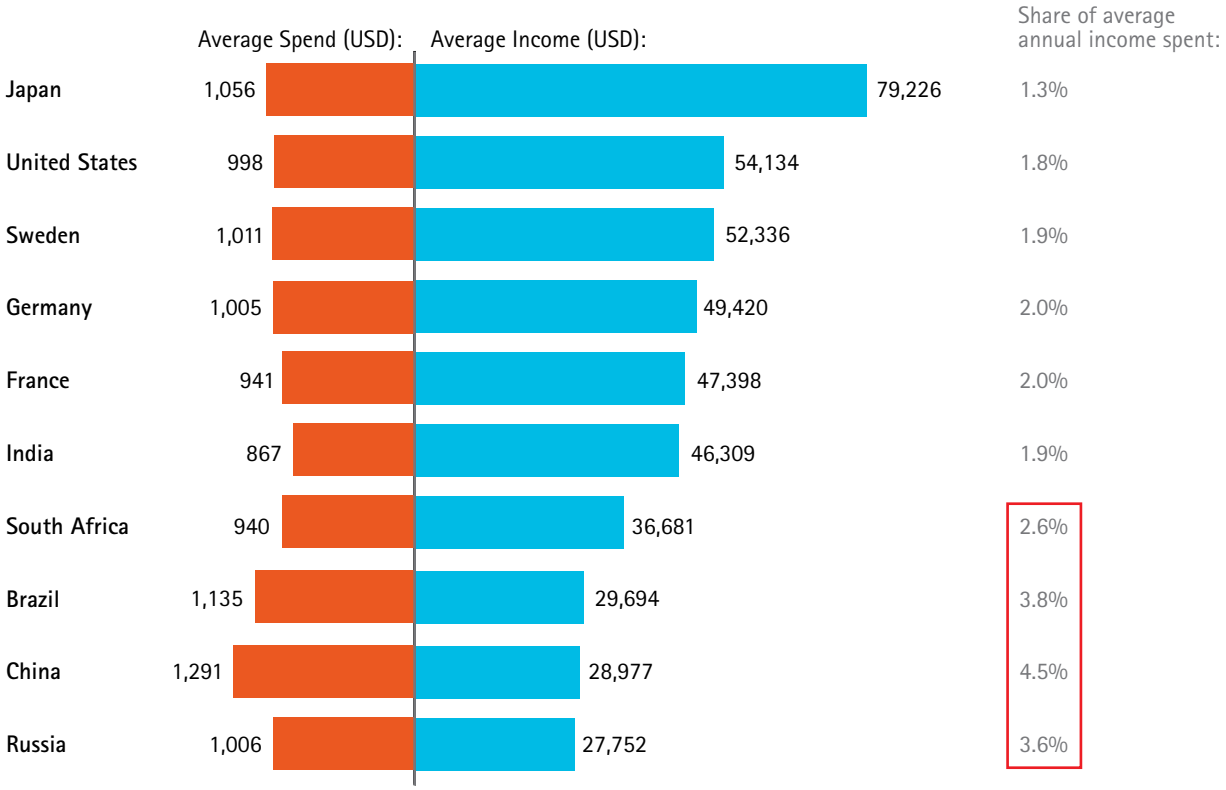
Emerging markets in aggregate show a continued thirst for the latest technologies, as they lead the growth in ownership and purchase intent for many newer types of devices. With the exception of India, consumers in urban areas of emerging markets have spent a greater percentage of their annual income on consumer electronics devices in the past 12 months than have those in mature markets (Figure 10). Chinese urban consumers, already allocating the largest share of their income toward consumer technology, plan to slightly increase this share again in the coming year.

Along with greater ownership of the latest consumer electronics, younger consumers in every country but China spent a greater percentage of their income on consumer electronics in the past 12 months than did their older counterparts. In South Africa, for example, younger consumers spent 2.8 percent of income on consumer electronics purchases compared with older consumers, who spent 2.3 percent.

Figure 10: Spending on Consumer Electronics

In the past 12 months, approximately how much have you spent on purchasing consumer electronics, such as the ones listed previously?

Average spend vs. average annual income in the past 12 months:



Sample base: Respondents who purchased electronic devices

So what newer electronics are driving increased spending within emerging markets? Different preferences exist across countries.

- **Smartphones:** More urban consumers in South Africa have smartphones than any other country. For instance, 75 percent of urban South Africans own smartphones, compared with 20 percent of consumers in Japan. While demand for smartphones is certainly strong in South Africa, Russia had the greatest growth in ownership year-over-year, reporting 34 percent growth in those who own smartphones since 2010.

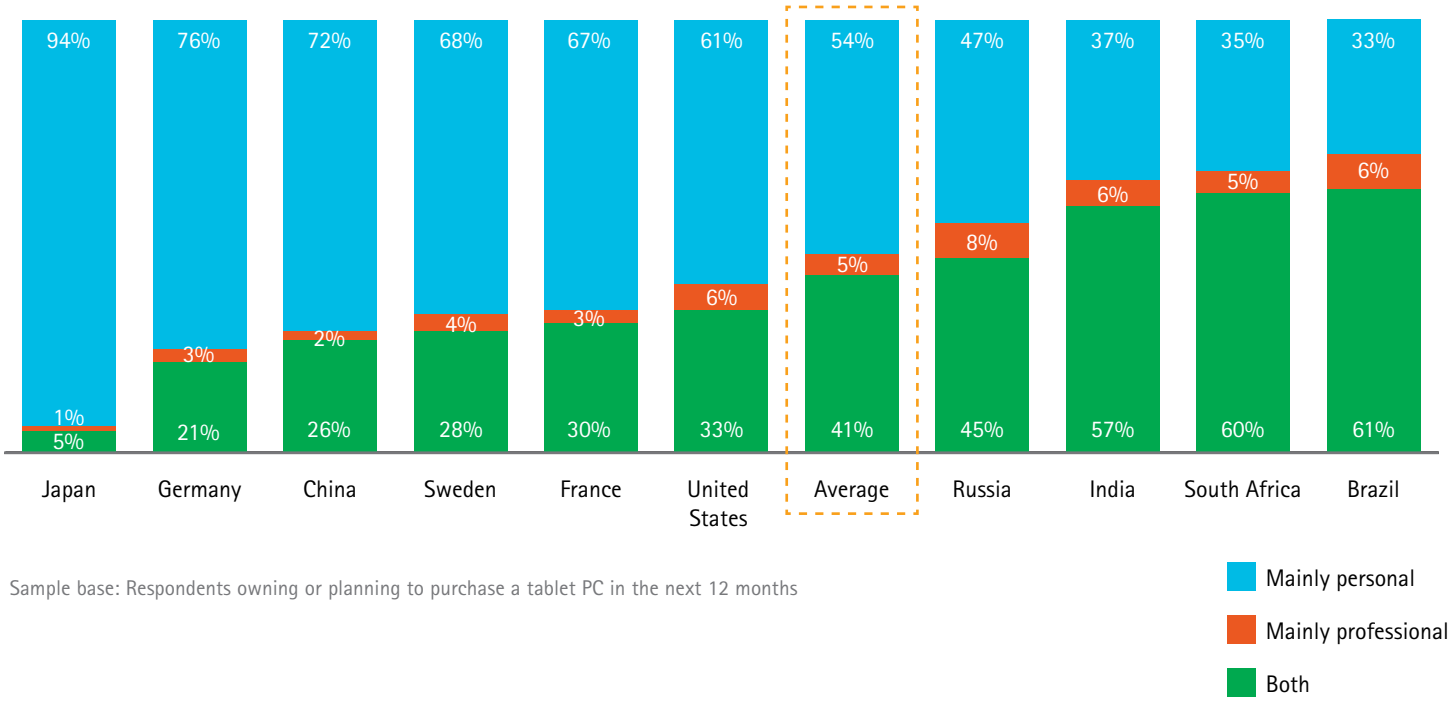
- **Tablet computers:** Tablets for personal and professional use are important across all urban emerging markets. China has the greatest ownership percentage (27 percent), while Brazil, China and India have the greatest purchase intentions for tablets in the next 12 months, citing its portability (relative to a laptop) and its status as the latest innovation in consumer electronics as reasons for their purchase. Perhaps most interesting, consumers in emerging countries are using tablet computers much more often for professional use—in several cases three times as much as mature countries. In Brazil, South Africa and India, in particular, tablets are used extensively for both personal and professional reasons (Figure 11).

- **High-definition and 3-D TVs:** Japan has the highest ownership percentage for high-definition TVs, but India had the greatest year-over-year percentage increase in ownership of these devices. Russia had the greatest share of its population owning a 3-D TV, as well as the most increase in ownership year-over-year. Interestingly, 3-D TVs appear to be most important in South Africa. That country has, by far, the highest power ranking for 3-D TVs at 855 percent—perhaps influenced by a massive 3-D TV advertising campaign initiated for the 2010 FIFA World Cup soccer tournament and still ongoing. Even for TVs, Internet connectivity is a driver of purchase plans. In Brazil, Russia, China and India, more than 30 percent of consumers reported that connectivity is a reason for buying a new TV.

Once they own devices, consumers in emerging markets also use their devices extensively. A higher proportion of consumers in emerging markets (such as China, Russia and South Africa) than in mature markets (such as Germany and Japan) are conducting activities weekly on their devices. To do these activities, emerging-market consumers are much more often downloading free apps than paid apps. And they are taking advantage of online services more often than their mature-market counterparts. Urban consumers in China, India and Brazil are the largest users of online services (from online mailboxes to online data storage, photos/video storage and document creation), with Russia and South Africa close behind.

Figure 11: Use of Tablets Personally and Professionally

Do you use/consider using your tablet computer for personal or professional usage or both?



Sample base: Respondents owning or planning to purchase a tablet PC in the next 12 months

Multichannel Purchasing Is Preferred

While consumer electronics retailers remain the dominant choice for purchasing new devices, other channels (namely other retail stores and online) have made significant inroads in the past five years. Fifty-six percent of consumers made purchases only in a physical retail channel last year, compared with 20 percent who purchased only from an online channel (24 percent bought from both).

Just over half (51 percent) of consumers making purchases last year, did so at a consumer electronics retailer's store. The consumer electronics retail store is highly favored for purchases in Russia, Japan and China (Figure 12)—in these countries, more than 60 percent of those making purchases chose electronics retailers for their purchases. The preference for the physical store does not vary by age group, suggesting younger consumers have the same need to touch, feel and test products as older generations do.

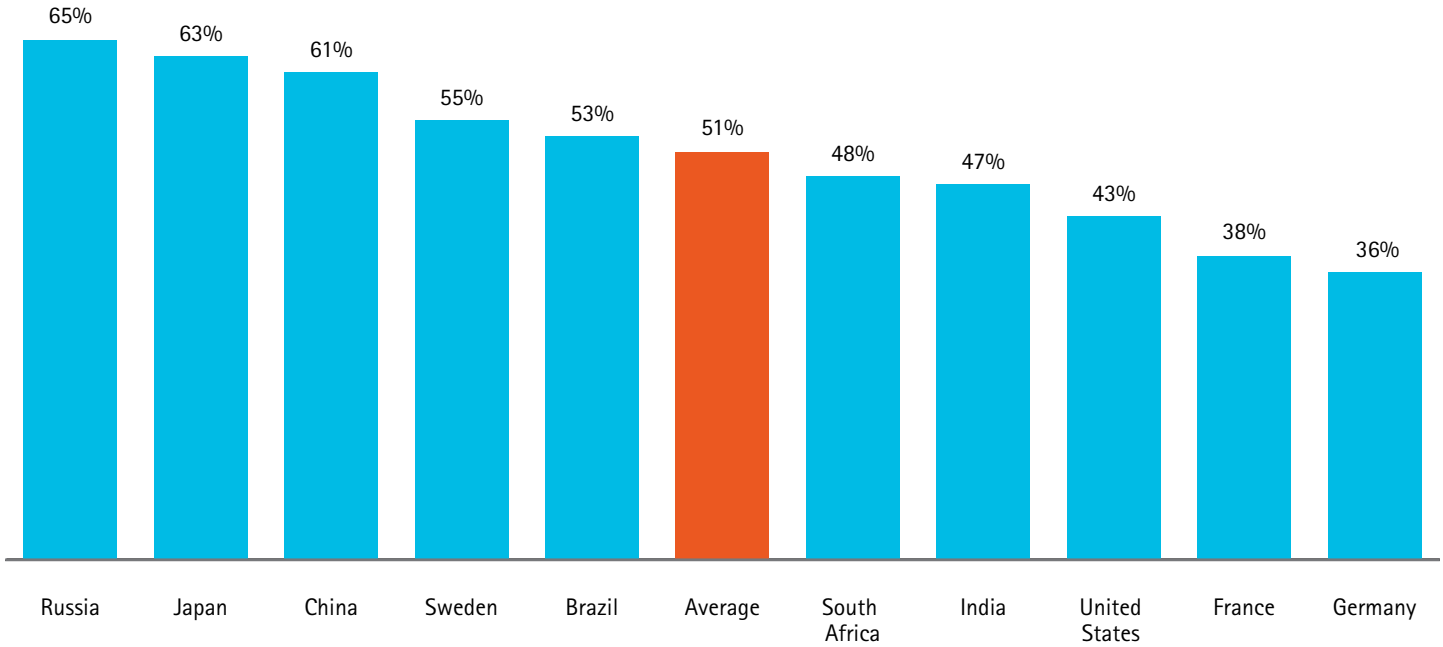
Nonetheless, other channels (namely other retail stores and online channels) have made significant inroads. Twenty-four percent bought at other retailers such as department stores and discounters, while 23 percent bought from a manufacturer's branded store and 18 percent made purchases at a telecommunication service provider's store. Consumer electronics retailers' investments in their Web presence are also bearing fruit. Eighteen percent of consumers purchased from an eCommerce pure-play, while 14 percent purchased from the website of a brick-and-mortar consumer electronics retailer.

While the desire to test and touch products remains a strong influence on where consumers purchase new technologies, a multichannel experience ultimately drives greater sales success. Numerous studies have shown that even if consumers ultimately buy products in a store, many research products online prior to making their in-store purchases.

Figure 12: Purchase Made at Consumer Electronics Retailer

In the last 12 months, where did you make your consumer electronics purchases?

Purchases made at a physical store:
Physical store – consumer electronics retailer (i.e., specialized electronics store that carries many brands)



Taking Action on the Trends

The data in this survey paints a picture of consumers around the world striving to get and stay connected wherever they are via mobile technologies, abundant app choices and a growing set of service alternatives from the cloud. The era of hypermobility has numerous implications for consumer electronics companies as they work to capture the greatest share of wallet among their target customers.

For instance, the younger consumer is eager to spend, especially on newer and mobile technologies, and particularly in emerging markets. But our research also shows that while older consumers plan to buy fewer devices, they will spend in aggregate almost as much money next year as younger consumers—forming potentially highly profitable segments for providers to target.

Additionally, while emerging markets lead the growth of many consumer technologies, these markets are not uniform in consumers' device purchase and use. The consumer base and buyer values are fragmented due to demographics (especially age and geography), social factors and more. Thus, companies must be careful to target unique customer segments based on their behavior and preferences and not as a single "emerging market."

With consumers highly valuing increased mobility, the cloud is an important component of manufacturers' portfolios of content, applications and more. As consumers switch to cloud-based services, manufacturers should consider adding entertainment services to their portfolio to capitalize on the high use and growth opportunity this category represents. Furthermore, they should make it easy for consumers to switch between devices (such as having a common user interface) as consumers become increasingly device-agnostic in their daily technology-based activities.

The mobile apps market likely will develop in different ways in various regions based on factors such as smartphone penetration, smartphone platforms and operator strategies. But one thing is clear: Consumers have come to expect everything to be "appified" and will increasingly seek new apps to help organize and manage their Internet access and mobile experience.

Furthermore, almost half of tablet owners globally are using tablets to some extent for professional use. This is despite the fact that large corporations are struggling with issues of security, integration into existing IT environments, user support and more. As consumers increasingly use tablet computers in the workplace, enterprise app development for smartphone and tablets will become a bigger necessity, not to mention a new source of potential revenue.

Finally, profitable product portfolios will have a focus on devices that meet consumers' preference for mobility, from smartphones to tablets, while extending other categories such as the PC with new form factors (e.g., ultrabooks) and televisions with "connected" experiences.

Conclusion

In the past five years, Accenture's Consumer Electronics Study has confirmed consumers' love affair with electronic devices. And as innovations in such technology continue, it doesn't appear that this affection will fade anytime soon. In fact, with mobility now the latest consumer technology darling, providers of related devices and content enjoy a booming market that shows no signs of slowing, at least in the foreseeable future.

In fact, as consumers connect in multiple ways across multiple devices, and consume more content via cloud services and ubiquitous apps, consumer electronics providers are challenged to keep pace. Leading providers will need to combine continual innovations in products, cloud services and application offerings with sophisticated targeting of profitable consumer segments to win the hearts and wallets of today's hypermobile consumers.

Appendix: Additional Charts of Interest

Figure A: Consumer Electronics Used Most Often

Which of the following consumer electronics do you currently own?
Of the consumer electronics you currently own, please rank the top 5 that you use most often.

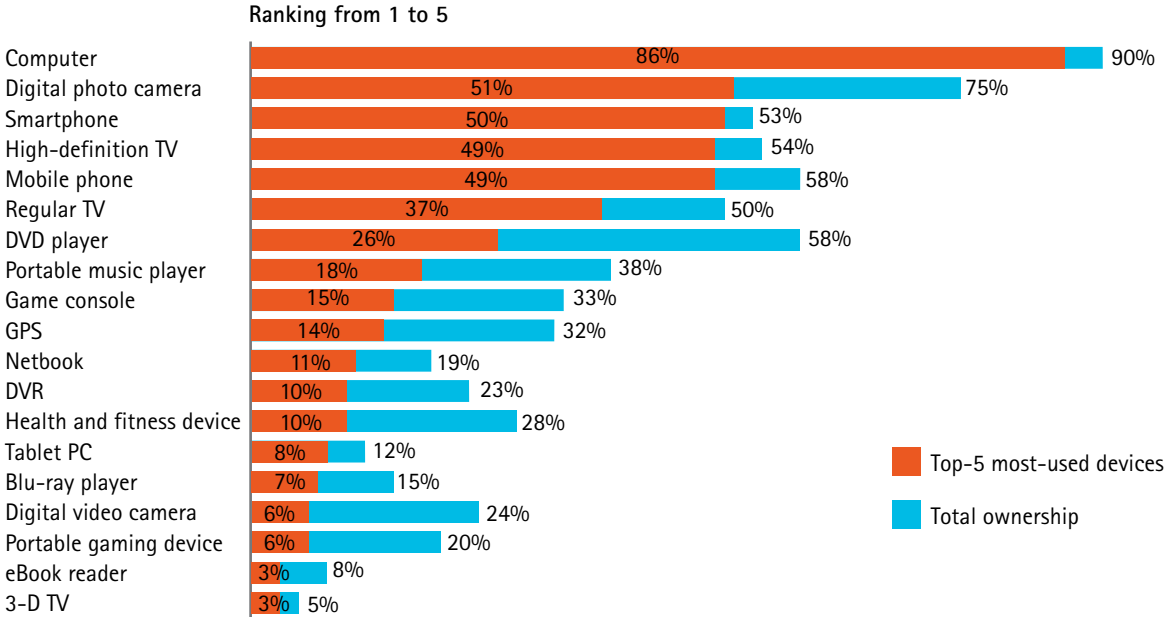
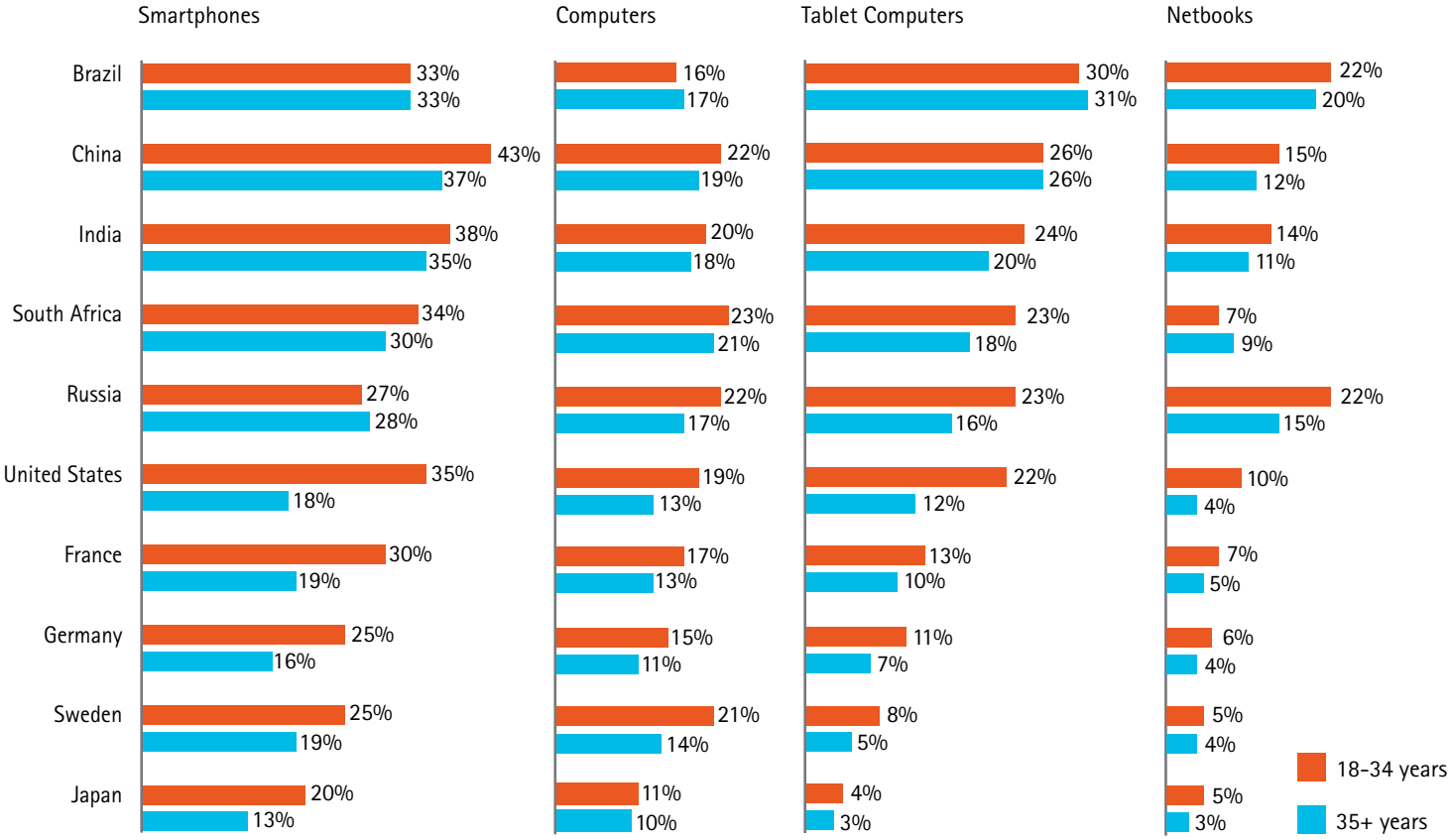


Figure B: Country-Specific Purchase Plans for Selected Devices

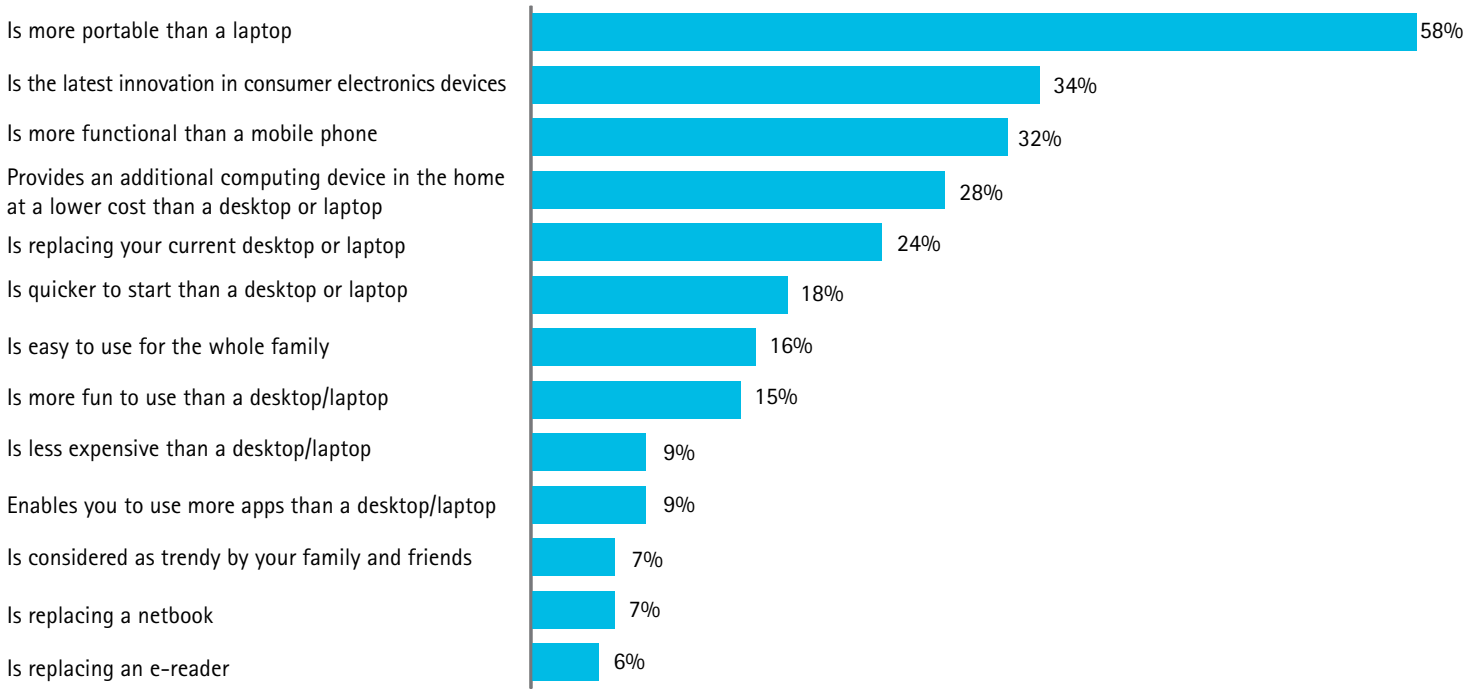
Which of the following consumer electronics do you plan to purchase in the next 12 months?



Sample base: Total sample

Figure C: Motivations for Purchasing a Tablet Computer

What main reasons have motivated/are motivating your choice to purchase a tablet computer?



Sample base: Respondents owning or planning to purchase a tablet PC in the next 12 months

Figure D: Consumer Electronics Purchase Locations

In the last 12 months, where did you make your consumer electronics purchases?

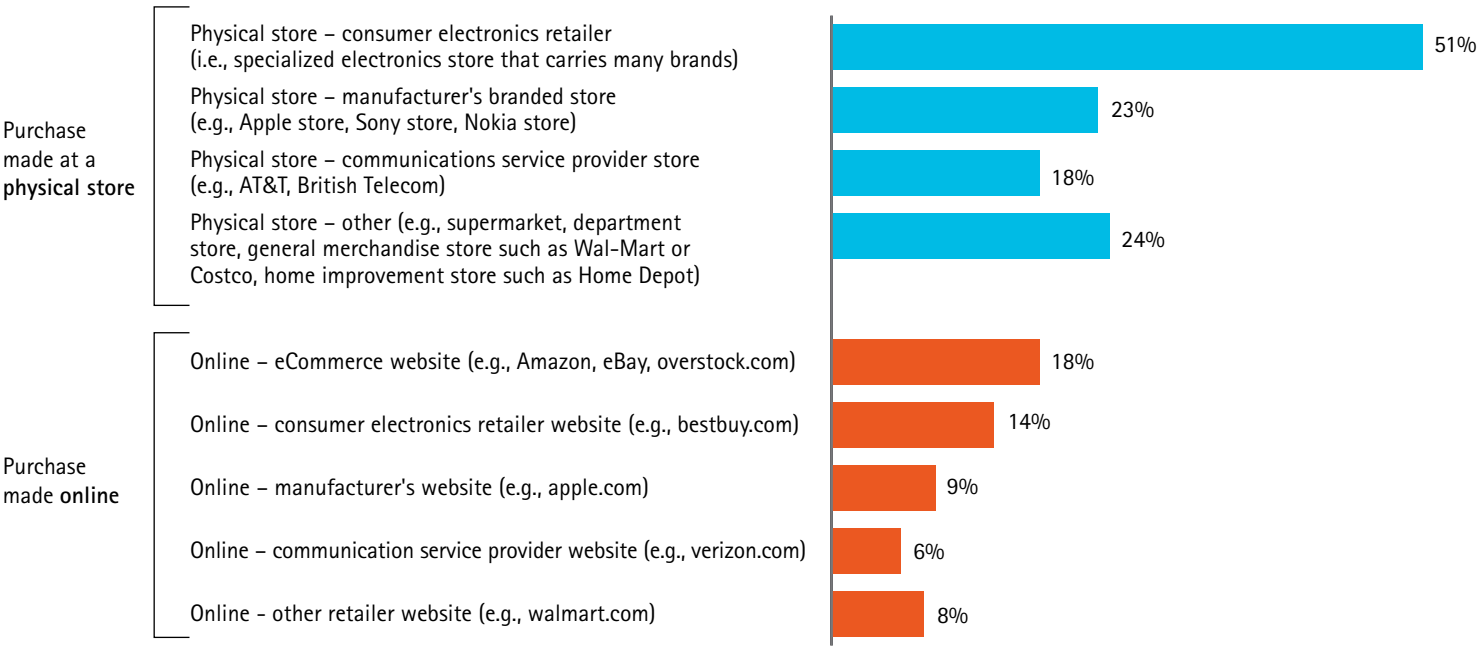


Figure E: Frequency of Conducting Activities on Consumer Electronics

Please indicate approximately how frequently you conduct each of the following activities in a typical week?

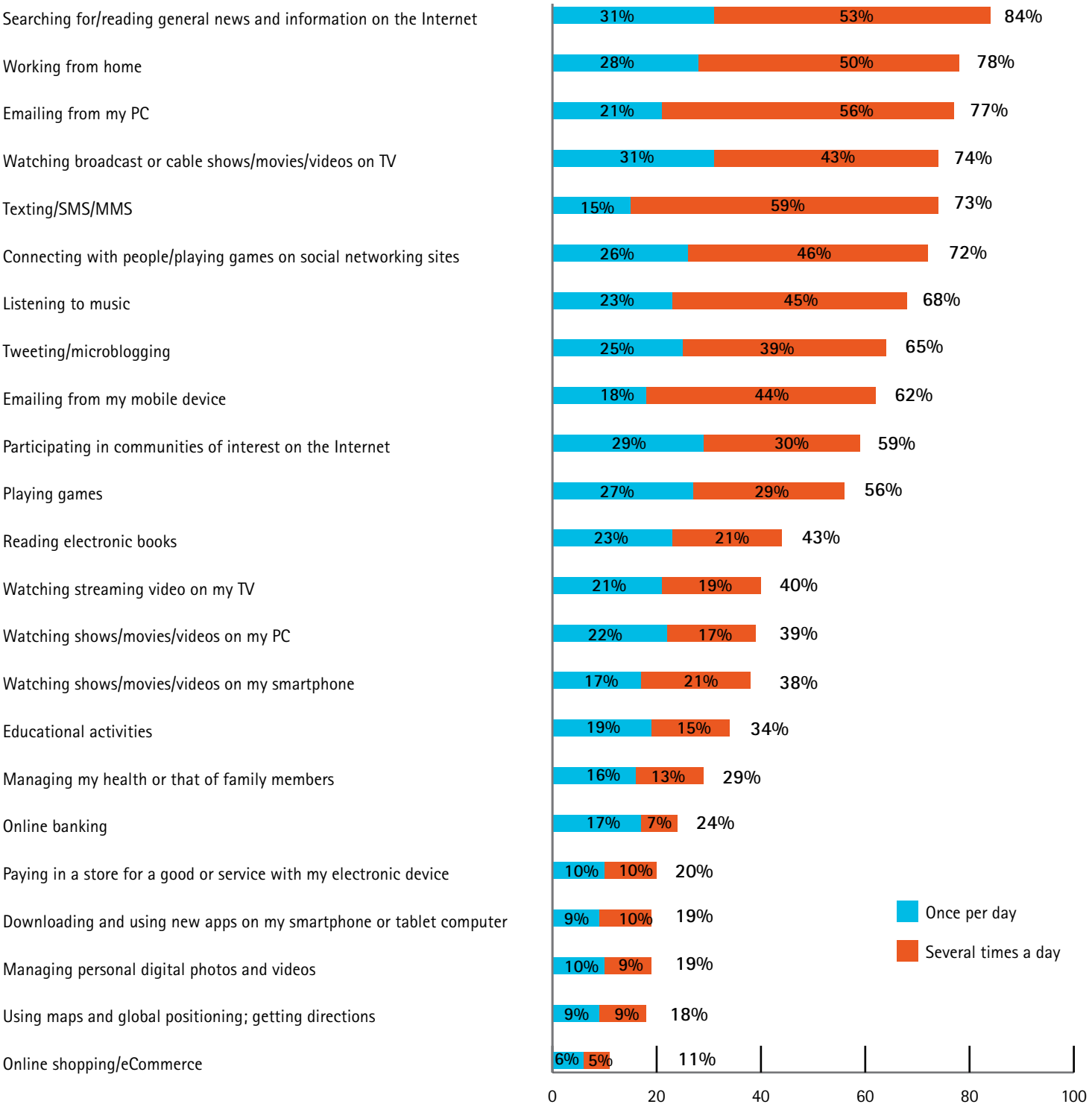
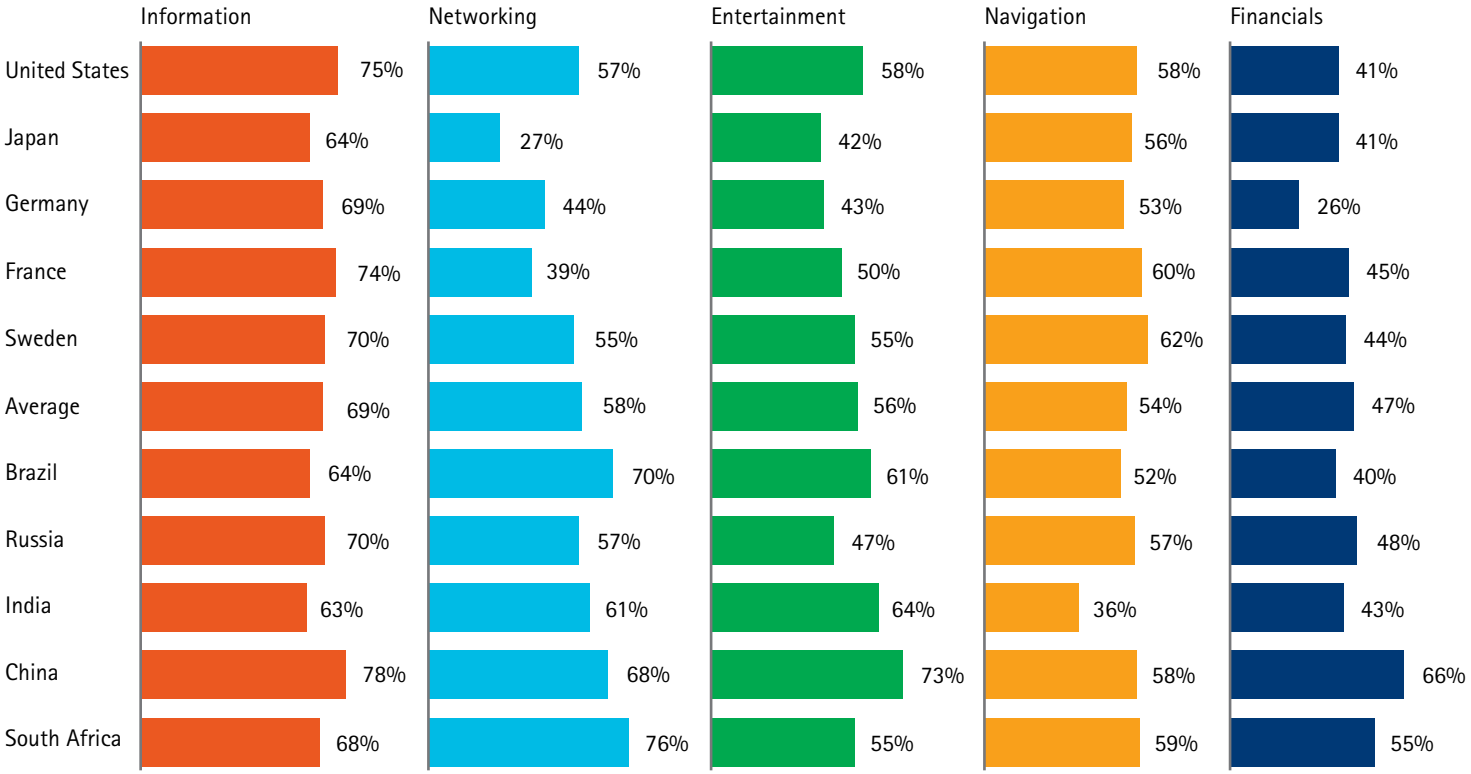


Figure F: Use of Selected Apps by Country

Are you using any of the following types of apps?

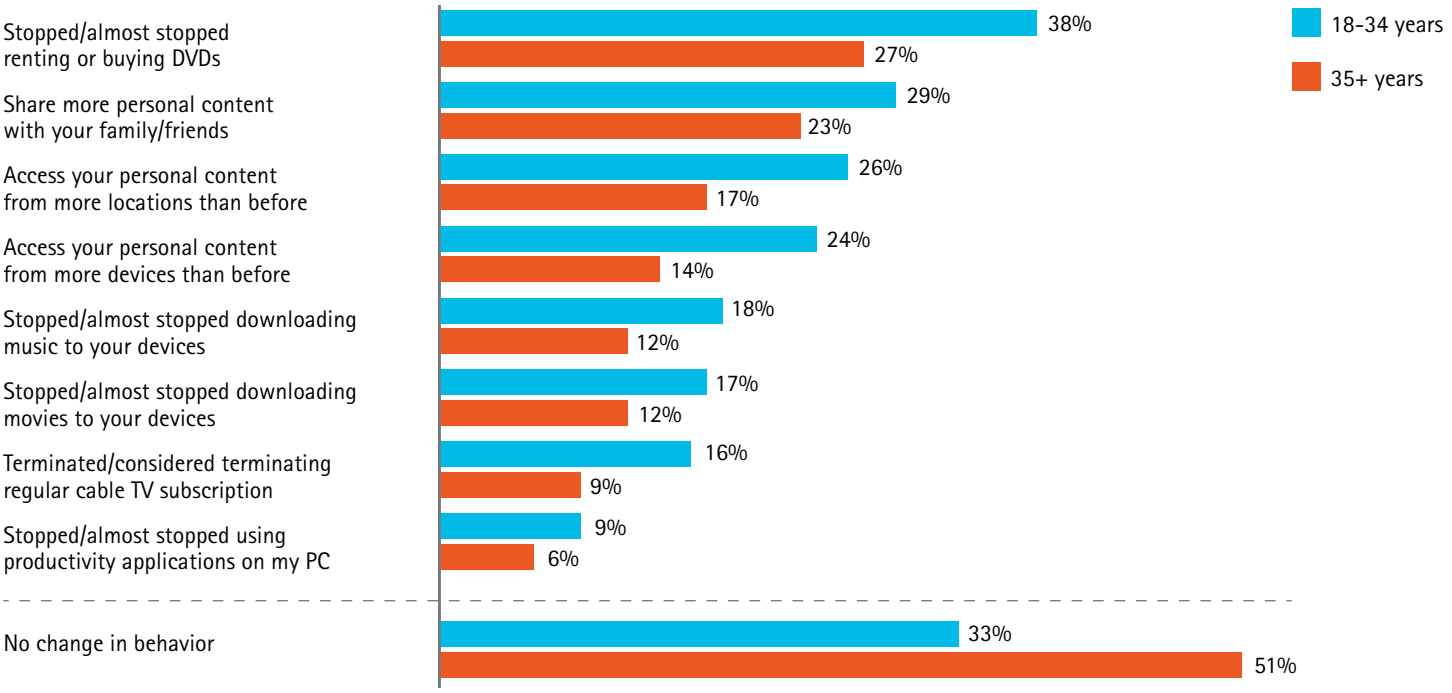
Apps **currently** used: Country comparison on **Top 5** apps



Sample base: Respondents who download apps

Figure G: Behavior Changes Resulting from Using Online Services

Has your use of these online services changed your behavior in any of the following ways?



Sample base: Respondents who use online services

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