Engaging the Digital Consumer in the New Connected World
The consumer electronics industry, which has historically moved in cycles from innovation to refinement and back to innovation, is at another inflection point. With the Internet of Things (IoT) rapidly becoming a reality and devices connecting every aspect of consumers' lives, the shift to the new connected world signals another tidal wave of industry transition.

The 2015 Accenture Digital Consumer Survey for communications, media and technology companies polled 24,000 consumers in 24 countries. The research indicates that consumers find intelligent devices increasingly relevant to their lives and are inspired by the possibilities of the connected world. Yet to gain the consumer confidence that will move their products and services from early adoption to mainstream use, consumer electronics companies need to do three things:

1. Offer phenomenal customer experiences right out of the box,
2. Break through a crowded marketplace with strong digital brands, and
3. Provide a level of security and privacy that will inspire consumer trust.
An industry in transition

Accenture’s research shows an industry in the midst of transition. There is strong consumer demand and purchase intent globally for a wide range of digital, connected devices. The “big four” (smartphones, tablets, laptop computers, and HDTV) continue to dominate purchase plans, and just like last year, between a third and a fourth of consumers are planning to buy devices in categories where they already own a product.

However, purchase intent indicates the pace of growth may be slowing, particularly in devices such as tablets, and in mature markets. From 2014 to 2015, the percentage of consumers that plan to buy 9 of the 13 products we investigated is estimated to drop (FIGURE 1). For example:

• 38 percent intend to buy a tablet in the next year, down from 44 percent in 2014
• 36 percent plan to buy an HDTV, down from 44 percent
• 54 percent plan to purchase a smartphone compared with 57 percent in 2014.

When measuring purchase intent in total spending, most consumers plan to spend the same as last year on consumer electronics. However, among consumers planning to change their purchase habits, a greater percentage (20%) plan to decrease than increase their spending (16%).

FIGURE 1 | PURCHASE INTENT
In which one of the following areas is the consumer planning to purchase over the next twelve months?

<table>
<thead>
<tr>
<th>Movement from last year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphone</td>
<td>-4%</td>
</tr>
<tr>
<td>Tablet</td>
<td>-6%</td>
</tr>
<tr>
<td>Laptop computer</td>
<td>-5%</td>
</tr>
<tr>
<td>HDTV</td>
<td>-8%</td>
</tr>
<tr>
<td>Home gaming console</td>
<td>0%</td>
</tr>
<tr>
<td>Desktop computer/all-in-one PC or Mac</td>
<td>-1%</td>
</tr>
<tr>
<td>eBook reader</td>
<td>-2%</td>
</tr>
<tr>
<td>Portable gaming device</td>
<td>-1%</td>
</tr>
<tr>
<td>Media dongle</td>
<td>0%</td>
</tr>
<tr>
<td>Set-top box/cable box</td>
<td>1%</td>
</tr>
<tr>
<td>Set-top box</td>
<td>-1%</td>
</tr>
<tr>
<td>Basic or feature mobile phone</td>
<td>-16%</td>
</tr>
<tr>
<td>Regular TV</td>
<td>-1%</td>
</tr>
</tbody>
</table>
Purchase plans for mature devices are beginning to slow.

- **6%** point decrease in number of consumers that plan to buy a tablet in 2015.
- **8%** point decrease in number of consumers that plan to buy an HDTV in 2015.
- **4%** point decrease in number of consumers that plan to purchase a smart phone in 2015.

In 2015
While the new generation of intelligent devices still lag more mature devices in ownership and purchase intent, they have traction (FIGURE 2). As consumers demonstrate a hunger for bringing these products into the constellation of devices in their home, some categories are well positioned to move into the mainstream of consumers’ lives:

• Within the next year, 12 percent of consumers plan to buy a wearable fitness monitor. Within five years, 40 percent plan to do so
• By a year from now, 12 percent intend to buy a smartwatch whereas 41 percent plan to by 2020
• 41 percent plan to buy a home connected surveillance camera and security system within five years
• 39 percent plan to buy a smart home thermostat and wearable health device by 2020
• 37 percent plan to buy an in-vehicle entertainment system by 2020.

With purchase plans for mature devices beginning to slow, and new intelligent devices on the rise, the industry is once again facing a tidal wave of transition as companies determine the products, services and intelligent networks that will help them win in the new connected world.¹

FIGURE 2 | OWNERSHIP AND PURCHASE INTENT FOR INTELLIGENT DEVICES
Which one of the following intelligent devices do you currently own? And when are you likely to purchase one of the following intelligent devices?

<table>
<thead>
<tr>
<th>Device</th>
<th>Current ownership</th>
<th>In the next 12 months</th>
<th>1–3 years</th>
<th>3–5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wearable fitness monitor</td>
<td>8%</td>
<td>12%</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>Smartwatch</td>
<td>7%</td>
<td>12%</td>
<td>17%</td>
<td>41%</td>
</tr>
<tr>
<td>Home connected surveillance camera/security system</td>
<td>7%</td>
<td>10%</td>
<td>17%</td>
<td>41%</td>
</tr>
<tr>
<td>In-vehicle entertainment system</td>
<td>7%</td>
<td>9%</td>
<td>16%</td>
<td>37%</td>
</tr>
<tr>
<td>Smart home thermostat</td>
<td>6%</td>
<td>9%</td>
<td>16%</td>
<td>39%</td>
</tr>
<tr>
<td>Wearable health device</td>
<td>6%</td>
<td>10%</td>
<td>16%</td>
<td>39%</td>
</tr>
<tr>
<td>Home 3D printer</td>
<td>5%</td>
<td>8%</td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td>Virtual reality headset</td>
<td>4%</td>
<td>8%</td>
<td>14%</td>
<td>33%</td>
</tr>
<tr>
<td>Wearable heads-up display</td>
<td>4%</td>
<td>8%</td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td>Personal drone</td>
<td>4%</td>
<td>6%</td>
<td>12%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Totals may not match the sum of the parts due to rounding.

¹ For more on the new connected world and the IoT, see “Industrial Internet of Things – Reimagine the Possibilities”
Getting it right, right out of the box

Amidst this transition, the industry is experiencing growing pains, especially when it comes to the out of box experience. An alarming 83 percent of those purchasing intelligent devices have difficulty using them, finding them too complicated to use, struggling to set them up properly, discovering they did not work as advertised or being unable to connect them to the Internet—all problems which are encountered quickly after the consumer opens the box of the new device (FIGURE 3).

The survey finds that an especially high percentage of consumers have challenges using wearable health devices. For example,

- 24 percent said the products are too complicated to use
- 22 percent said they did not set up properly
- 21 percent said they don’t work as advertised.

Similarly, smart thermostat and wearable fitness monitor use creates challenges: 23 percent and 20 percent of respondents, respectively, said they were too complicated to use.

**FIGURE 3  |  CHALLENGES USING INTELLIGENT DEVICES**
While using your device did you experience any of the following challenges?

- Was too complicated to use: 21%
- Setup did not proceed properly: 19%
- Did not work as advertised: 19%
- Could not connect to the internet: 19%
- Was not visually/aesthetically pleasing: 17%
- Getting accessories/spare parts/consumables was a concern: 15%
- Did not have needed features: 15%
- Was not personalized to user’s preference: 15%
- Could not get customer support when needed: 12%
- Privacy was a concern: 11%
- Did not provide a fun or interesting experience: 7%
- Needed to recharge or change batteries too often: 6%
- Slow — took too long to stream/download: 5%
- Could not be operated remotely from a smartphone/computer/tablet: 4%
- Could not share status on social networks optimally: 4%
- Could not use with/was not recognized by service providers: 2%
- None of above — did not experience any challenges: 17%

**BASE DEFINITION:** All respondents owning at least one of the following devices: in-vehicle entertainment system, wearable health device, wearable fitness monitor, home surveillance system, smart thermostat or smartwatch (n=5964)
33% of consumers said ease of use is the key factor when buying an intelligent device.

Yet an alarming 83% of consumers have difficulty using their intelligent devices.

Owners of wearable health services:

- 24% said the devices were too complicated to use.
- 22% said their wearables didn’t set up properly.
- 21% said the devices don’t work as advertised.
The challenges in using intelligent devices are especially distressing considering that what consumers value most is ease of use (FIGURE 4). When asked what factors have been or would be the most important when making their decision to buy intelligent devices:

- 33 percent said "ease of use"
- 29 percent "features and functions"
- 28 percent a "trusted brand."

In order for new "fit-for-purpose" devices to move from early adoption to mainstream and reach their full market potential, the industry has to address these challenges and do so quickly. Otherwise capturing consumer imagination won’t translate into a happy purchase or loyal customer. Early adopters are key influencers to the broader market and their dissatisfaction is a significant barrier. Particularly in a digital marketplace where social media and word of mouth are highly influential on purchase decisions, early adopters must be satisfied in order for these products to move toward mainstream use.

**FIGURE 4 | FACTORS IN PURCHASE DECISION FOR INTELLIGENT DEVICES**

Which of the following factors have been or would be the most important when making your decision to purchase an intelligent device?

- **Ease of use** 33%
- **Features and functionalities** 29%
- **Trusted brand** 28%
- **Design — look and feel** 18%
- **Compatibility with existing owned devices** 16%

Base definition: All respondents owning or planning to buy an in-vehicle entertainment system, a wearable health device, a wearable fitness monitor, a home surveillance system, a smart thermostat or a smartwatch in the next 12 months (n=9110)
49% of consumers purchase a smartphone based on brand preference.

32% of consumers looking to buy a specific smartphone already own devices from the same brand.
Brand matters: Capturing the consumer

In the consumer technology industry, a tremendous amount of focus is placed on innovation, such as making form and features more interesting, and improving functionality.

Innovation and the differentiation it provides are imperative, but brand is equally important. A positive feeling about a company’s brand is a key selection criterion when consumers purchase new devices (FIGURE 5). When asked to provide the major reasons they are thinking of buying a smartphone from a specific brand,

- 49 percent said “I like this brand,”
- 32 percent said “I already own devices from the same brand,”
- 32 percent said “the design–look and feel of the device.”

Two companies emerged as the preferred brands globally in terms of customer preference: 37 percent of respondents chose Samsung Electronics Co., Ltd. and 24 percent chose Apple Inc. as their preferred brand for smartphones.

Building a brand today is a challenging proposition and equally critical. There are many competitors and much fragmentation, especially with so many new connected devices and categories emerging. With so many choices, consumers do not have the cognitive bandwidth to grow affection for them all, making breakthrough more challenging than it has historically been. Brand management across the entire lifecycle, from product look, feel and design aesthetics to marketing, consumer engagement, and customer support, will be a compelling and necessary capability to master.

FIGURE 5 | REASONS WHY CONSUMERS BUY A SPECIFIC SMARTPHONE BRAND
What are the major reasons why you are thinking of purchasing a smartphone from this specific brand?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I like this brand</td>
<td>49%</td>
</tr>
<tr>
<td>I already own devices from the same brand</td>
<td>32%</td>
</tr>
<tr>
<td>Design – look and feel of the device</td>
<td>32%</td>
</tr>
<tr>
<td>Runs the operating system I like</td>
<td>27%</td>
</tr>
<tr>
<td>Superior battery/screen/keyboard</td>
<td>20%</td>
</tr>
<tr>
<td>Availability of apps</td>
<td>17%</td>
</tr>
<tr>
<td>Superior support and other services from this brand</td>
<td>16%</td>
</tr>
<tr>
<td>Recommended or decided by friend/family member/employer</td>
<td>16%</td>
</tr>
<tr>
<td>Quality of voice communications/signal reception</td>
<td>14%</td>
</tr>
<tr>
<td>Tends to be lower price</td>
<td>11%</td>
</tr>
<tr>
<td>Lightweight – fits in purse or pocket</td>
<td>10%</td>
</tr>
<tr>
<td>Recommended by mobile phone operator (website or shop) I use</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

P9: all respondents planning to buy a Smartphone (n = 11,630)
44% of consumers are cautious about the information they share due to lack of confidence in the online security that protects their personal data.

10% of consumers never share personal data online because they are not confident at all their data is secure.
Safeguarding digital trust

With access to numerous intelligent devices, consumers are gaining control of their quantified self, using the data in their life to empower them to make better decisions.2

This is a compelling value proposition but also a double-edged sword. The litany of security breaches that have transpired in the past year, combined with consumers growing awareness of how much data is collected about their digital life, are driving growing attention on digital security and data privacy (FIGURE 6).

With this context, it is no surprise that established brands are viewed as more trustworthy. The top three most trusted brands globally in high tech are Google Inc., Facebook Inc. and Microsoft Corporation. But overall, consumers show greater trust toward institutions with which they have routine relationships such as their banks and utilities. One-third said their bank is one of the top three companies they trust the most with their personal information—nearly double the percent of consumers trusting their technology companies.

In the new connected world, consumers will need more than just trust that the new device they are bringing online will work securely and as anticipated. They will also need to trust that their new device will not cause problems elsewhere in the network of their connected life.

FIGURE 6 | ATTITUDES ABOUT SECURITY AND DATA PRIVACY
Which of the following best reflects your attitude towards the security of your personal data on the internet (e.g. email address, mobile phone number street address, web cookies, purchasing history, etc.)

I am always confident that the security of my personal data is protected, whatever websites I visit.

I’m not always confident that the security of my personal data is protected, so I am careful about what I share and what websites I visit.

I’m not confident at all that the security of my personal data is protected on the internet, so I never share information this way.

I’m confident that the security of my personal data is protected, but only on the websites I know.

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2 For more on the quantified self see “Racing Toward a Complete Digital Lifestyle: Digital Consumers Crave More”
Take Action

In the new connected world there are three key emotional gates a company must pass through to move a consumer to make a purchase:

**RELEVANCE**
Consumers need to see the relevance of connected intelligent devices and the Internet of Things to their daily lives or companies will not get to even a first interaction with them. Companies have demonstrated relevance to early adopters giving the industry an established position from which to demonstrate relevance to the everyday lives of the broader population.

**INSPIRATION**
Unless the device manufacturer demonstrates the product is something materially better than what consumers currently have, they are not motivated to make a change. Products and services in the IoT need a “wow” factor that compels consumers on an emotional level to want to make the purchase. Companies have done a good job of showing device potential, particularly with early adopters. There is work to be done to amplify what has been an inspiring message into an engaging set of activities where mainstream consumers can experience it firsthand and be awe-inspired.

**CONFIDENCE**
To actually make a purchase, consumers need confidence that it is the right product, that they are choosing the right brand, and that it will work as anticipated even if they are not technologically sophisticated.

To transition from early adoption to mainstream use of connected devices, the industry has to move from relevance and inspiration to confidence. While a complicated challenge, there are specific actions consumer electronics companies can take to instill confidence.
Design a phenomenal user experience

The adage “You never get a second chance to make a first impression” is especially true when introducing consumers to new categories of products.

For innovators of fit-for-purpose devices, it is especially essential to create an exceptional “out of box” experience. An intuitive and engaging user experience becomes critically important, not just for the product bundle but for the packaging as well. This will require improved coordination between sales, marketing, engineering and support and, in some cases, going back to the “drawing board” to reinvent execution strategies to be more integrated and digitally transformed.

Providing a phenomenal user experience also involves making sure the company is responsive to consumers when they have problems. This means revamping customer support mechanisms to deliver exceptional support. Social listening offers a new and relatively untapped area for many companies to get an early read on how consumers are experiencing their product. By combining external social listening with internal social listening in customer support, companies can identify key topics to improve customer support in the short term and improve the product development cycle to remediate systemic problems over the longer term.
Build leading digital brands by applying analytics and digital science throughout the customer lifecycle

Digital brands are built by developing a true end-to-end experience, which encompasses every customer touchpoint across the product lifecycle.³

A key component of engaging with consumers and building the brand is understanding the purchase journey from product discovery to research to testing to deal hunting and ultimately purchase. This fundamental understanding of the purchase journey then needs to be translated into a holistic experience design that seamlessly navigates the consumer through a omnichannel purchase journey up front, and delivers exceptional customer engagement through the customer lifecycle after purchase. Such integrated experiences will differentiate, and inspire loyalty and product advocacy.

Analytics is also a key pillar in digital brand development. By embracing analytics companies can better target and segment their customers in terms of the messaging they are delivering, testing the efficacy of their interactions, and tracking marketing’s return on investment. Digital science can now be applied to identify new opportunities and new ways of engaging consumers beyond traditional advertising.

Especially in a crowded and fragmented marketplace, social listening and engagement become critical to reach targeted consumer segments and deliver a strong marketing return on investment. Companies that invest appropriately can build the right analytical capabilities to segment their customers and deliver the right messages to effectively engage the consumer.

³ For more information on the impact of smart digital services on the real world and the significance this will have on customer experience, see “Trends 2015: Trends Impacting Design & Innovation”
Empower digital trust

Strong digital trust is a cornerstone of brands being able to move buyers from inspiration to confidence.

Certainly this requires designing and building all products and services with a security element in mind. It also involves privacy and data control, offering value in exchange for information and taking accountability for the data in the company's possession. Designing for digital trust begins as early as engineering processes, putting necessary firewalls in place in products and in the cloud to enable consumers to use the product with confidence. It also includes the development of policies to offer consumers trust-related choices during set up. Features and benefits can be more expansive but this typically opens up more potential for security breach. Consumers will expect to be in control of these trade-offs, making informed, conscious and appropriate decisions to get the most out of their product while maintaining a level of protection comfortable for them. An intuitive user interface that guides consumers through those choices will help them achieve the set-up that balances data privacy and security with value, building their confidence in both the device and the brand.

4 For more information on digital trust see “The Four Keys to Digital Trust: Don’t Be Left Behind”
A Battle to Engage the Consumer

The battle is on to engage the consumer and the stakes are high. The industry is showing consumers the relevance of connected intelligent devices and inspiring purchase among early adopters. To achieve widespread appeal and mainstream adoption, consumers need confidence: confidence in the service or device, confidence in the experience and confidence in the brand. By employing analytics and digital science throughout the customer lifecycle, delivering rewarding customer experiences from pre-purchase through device or service end of life, and empowering digital trust, consumer electronics companies will build digital brands that breakthrough the noise and lead the industry as it transitions to the new connected world.
About the 2015 Accenture Digital Consumer Survey

The Accenture Digital Consumer Survey for communications, media and technology companies was conducted online between October and November 2014, with 24,000 consumers in 24 countries: Australia, Brazil, Canada, China, Czech Republic, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Poland, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey, United Arab Emirates, United Kingdom, United States.

The sample in each country is representative of the online population, with respondents ranging in age from 14 to 55 and over. The survey polled respondents about their usage, attitudes and expectations related to digital devices ownership, content consumption, broadband constraints, digital trust and the internet of things.

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