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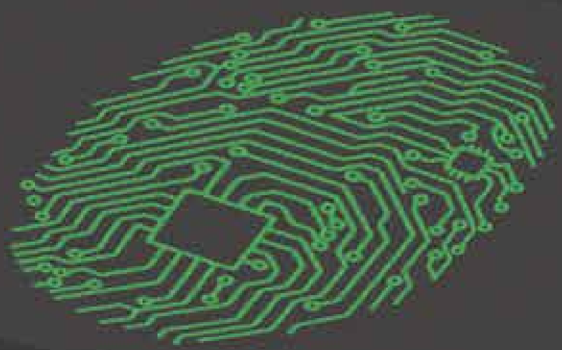

Racing Toward a Complete Digital Lifestyle: Digital Consumers Crave More

Accenture Digital Consumer Tech Survey 2014

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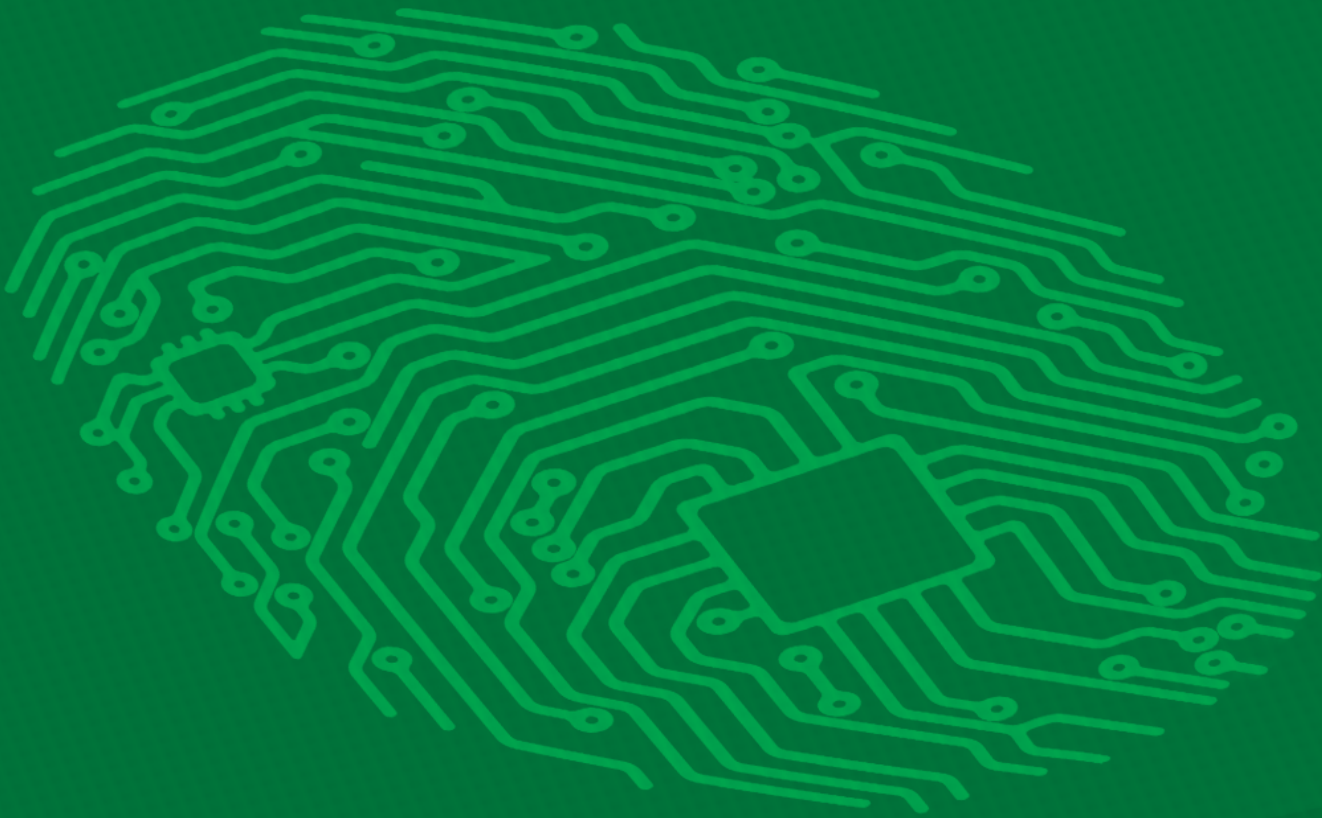


Racing Toward a Complete **Digital Lifestyle:** Digital Consumers Crave More

The consumer electronics industry is undergoing massive transformation as consumers become more connected than ever to an increasing array of digital products and services, anywhere, anytime. As smartphones and tablets become commonplace, the focus of consumer interest is already shifting. Wearable devices, digital health and other forms of digital applications are gaining momentum as empowered consumers add products and services to their digital portfolio.

Accenture's Digital Consumer Tech Survey polled 6000 consumers in six countries on their usage and buying intentions for numerous consumer electronics devices. The research indicates that consumers are creating highly personalized constellations of digital products and services that technology companies must both understand and address to win a place in the consumer's race toward a complete digital lifestyle.

Digital consumers **crave more**

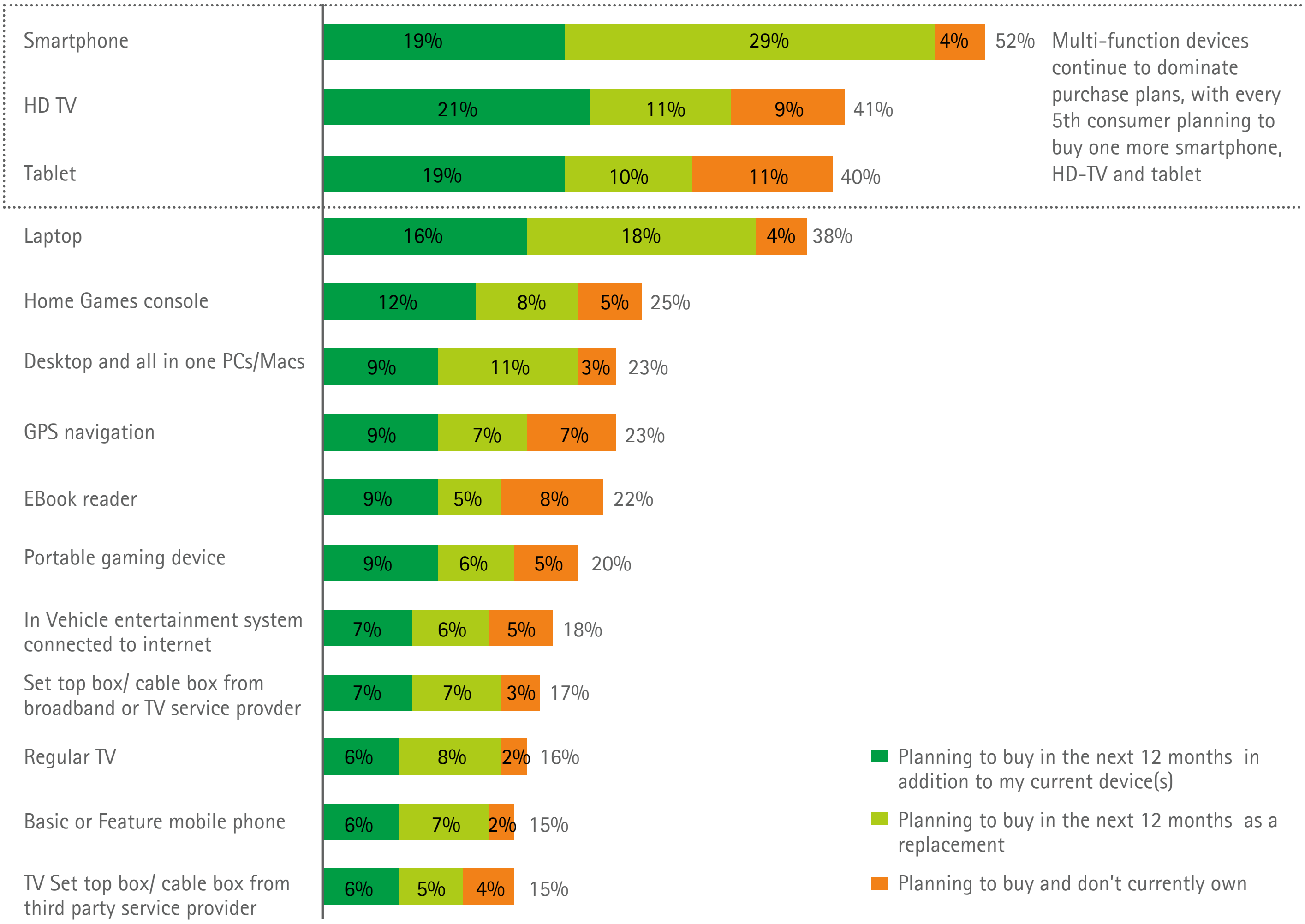
Accenture's research shows that consumers want the newest and most innovative devices, even if they already have a staple of consumer electronics. Not only do consumers plan to fill gaps and replace current products, to a large extent they will add more of the same (Figure 1).

Building on strong growth over the past years, smartphones rank as the second most owned pieces of digital consumer technology among 14 categories in the survey ranging from computers and tablets to televisions and gaming systems. Nearly three-fourths of respondents own a laptop computer, 69 percent own a smartphone, 57 percent own a HDTV, 37 percent own a tablet, and 37 percent own a home gaming system. Yet owning a smartphone does not preclude consumers from owning other connected devices. More than a quarter of all consumers surveyed own the combined set of a smartphone, laptop and tablet–a significant percentage relevant across age groups.

Looking forward 12 months, multi-function devices continue to dominate purchase plans as smartphones, HDTVs and tablets top the list of devices that consumers plan to buy. Of greater interest is that an overwhelming majority of respondents planning to purchase new devices in the next 12 months already own the device. For example, among the 52 percent of consumers planning to purchase a smartphone in the next 12 months, only 4 percent don't currently own one. Twenty-nine percent plan to purchase a replacement for their current smartphone and 19 percent will buy one in addition to the one they currently own.

Figure 1: Purchase intentions

Which, if any, of the following digital devices are you planning to buy new in the next 12 months?



Source: 2014 Accenture Digital Consumer Tech Survey, Base: N=6021

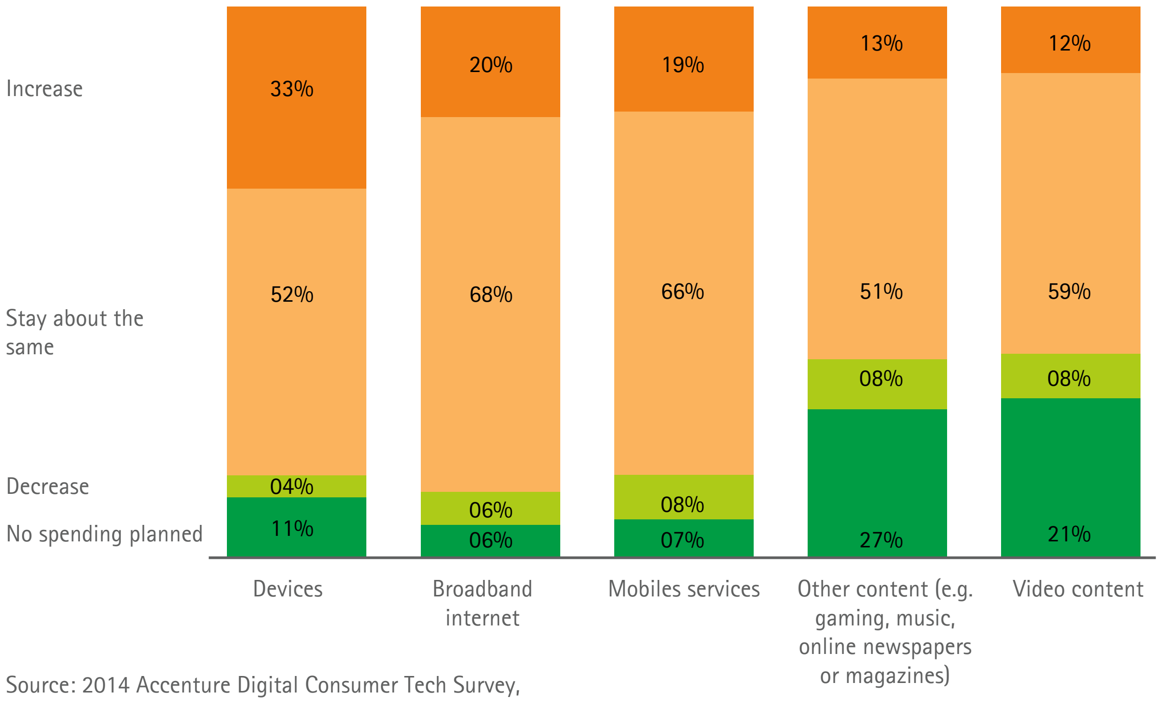
Consumers living in Indian urban areas demonstrated particularly keen purchasing interest. Among them, for example, 80 percent plan to buy a smartphone in the next 12 months, up from 54 percent last year. Nearly two-thirds (65%) intend to buy a tablet, an increase from 32 percent the year before. U.S. findings sharply differed: 45 percent intend to buy a smartphone compared with 35 percent last year. And only 33 percent plan to buy a tablet versus 18 percent last year.

The survey also found that phablets are generating more consumer interest. Combining smartphone and tablet PC functions, phablet screen sizes range from 5-to-7 inches. Standard tablets measure between 7-to-10 inches and smartphones 4-to-5 inches. Of those who said they plan to buy a smartphone in the next year, more than half (51%) said they plan to buy a phablet.

In support of their attraction to the newest innovations, consumers intend to increase spending more on devices than associated content and services. One-third (33%) of respondents plan to increase spending on digital devices in the next 12 months. This compares to only 20 percent planning to boost spending on broadband Internet services, 19 percent on mobile services and 13 percent in video or other content (Figure 2).

Figure 2: Planned spending

How is the amount you spend on digital services and devices below likely to change in the next 12 months?



Source: 2014 Accenture Digital Consumer Tech Survey,
Base: N=5708
(excludes 14-17 years)

Not everyone wants **multiple devices**

Given the above findings it is not unusual that half of survey respondents indicate they prefer to use multiple devices for different purposes. But, almost a third (29%) report they would prefer having just one device housing all the functionality they need. This consumer segment consists mainly of late adopters on the spectrum of technology adoption. Additionally, 21 percent of those preferring a single device profile themselves as early adopters or early majority (see sidebar: Identifying Early Adopters). Furthermore, 35 percent of the 14 to 17 year olds in the survey indicate they prefer to use one single personal digital device on which they could access Internet, e-mail, TV, music, phone calls and more.
This data indicates not everyone is excited by, or interested to own, multiple form factors. Watch this market trend going forward.

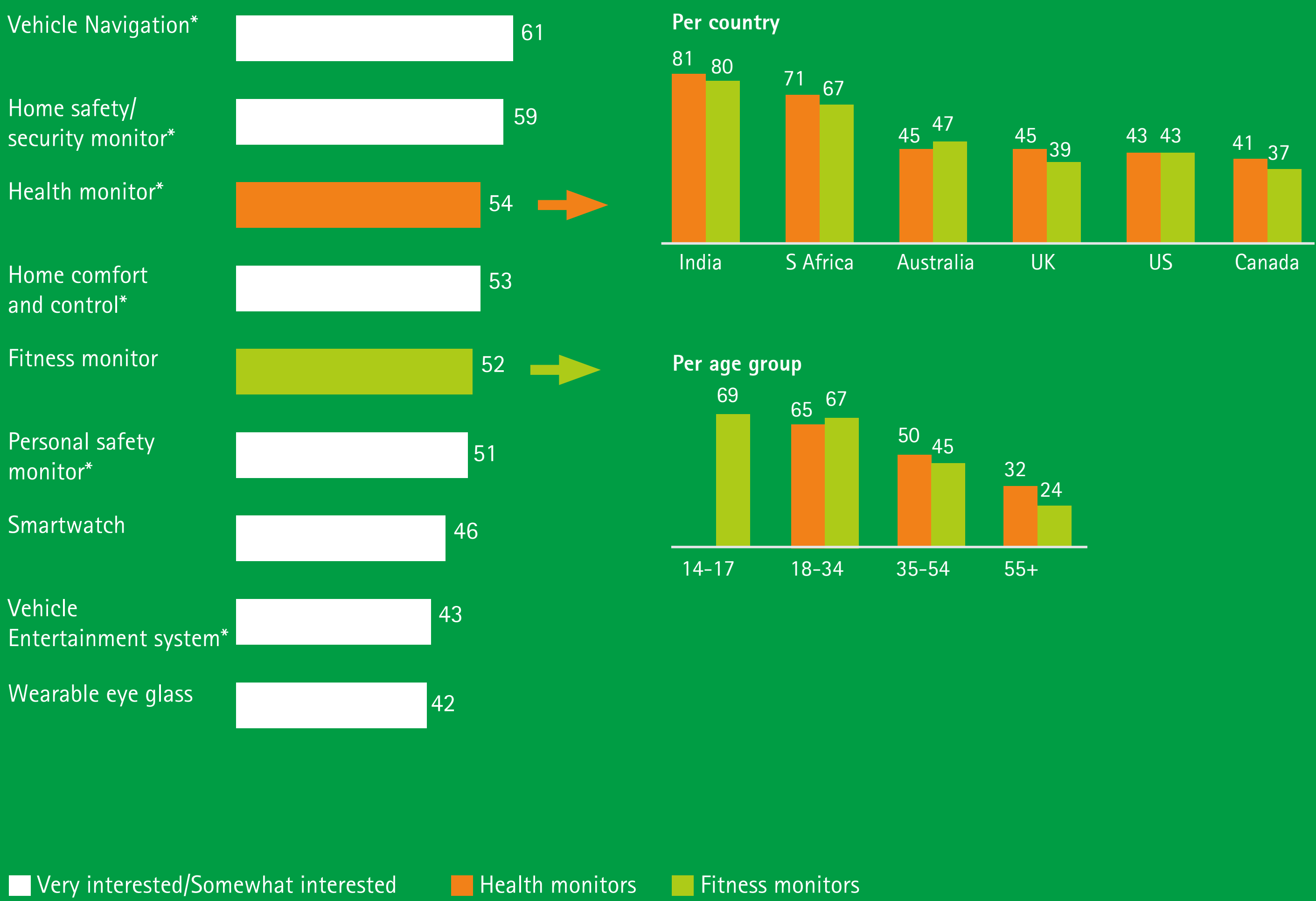
Wearable technology: The new fashion accessory

Consumers gravitate towards new functionality enabled by wearable technology (Figure 3). Across the countries surveyed, almost half of respondents expressed interest in buying the new smartwatch functionality. More than 40 percent are interested in wearable eyeglasses. This is remarkable because the products are, for the most part, not commercially available. The interest in wearable technology underscores the growing consumer desire to be more digitally connected at all times.

Early adopter and early majority consumers are particularly enthusiastic about new functionality, available either as a wearable device or an app. More than 70 percent of early adopters showed interest in buying functionality for everything from vehicle navigation and home security, to personal safety and health and fitness. For these consumers wearable technology crystallizes a complete digital lifestyle.

Figure 3: Interest in digital offerings

Interest in buying as either an application on the phone/laptop/desktop or as a dedicated device



Source: Accenture Digital Consumer Tech Survey, 2014
Base: N=6021
* Sample excludes 14-17 years=5708
Excludes D/N responses
Figures in percentage

Health and fitness: The quantified self

New functionality in wearable devices and apps enables consumers to quantify, measure and access analytical data faster and more ubiquitously, including data about themselves. This spurs interest in personal health and fitness management. More than half (54%) of respondents are interested in buying a health monitor as either an application on the phone, laptop or desktop or as a dedicated device. Fifty-two percent are interested in buying a fitness monitor device or application. Among early adopters these percentages rise to more than three-quarters of respondents. Interest is particularly high in India and among consumers less than 35 years old. These apps and devices can measure all types of physical performance from sleep quality to exercise effectiveness, underscoring intensifying consumer interest in the "quantified self."

The **"appification"** of everything

As apps increasingly offer the functionality that previously required a device purchase, consumer interest in apps of all forms rises. Every app the survey asked about is currently used or planned to be used by more than 50 percent of consumers: Cameras, GPS driving, gaming, e-reading, voice or music recorder, radio, and TV (Figure 4). Thus, despite the large number of product categories owned by respondents, a lot of the functionality they need is being added and more often used via apps on their multifunctional devices.

Figure 4: Interest in apps

'Apps' currently used on mobile devices or planned to use in the next 12 months

Source: Accenture Digital Consumer Tech Survey, 2014
Base: N=6021
Figures in percentage

Digital trust is **negotiable**

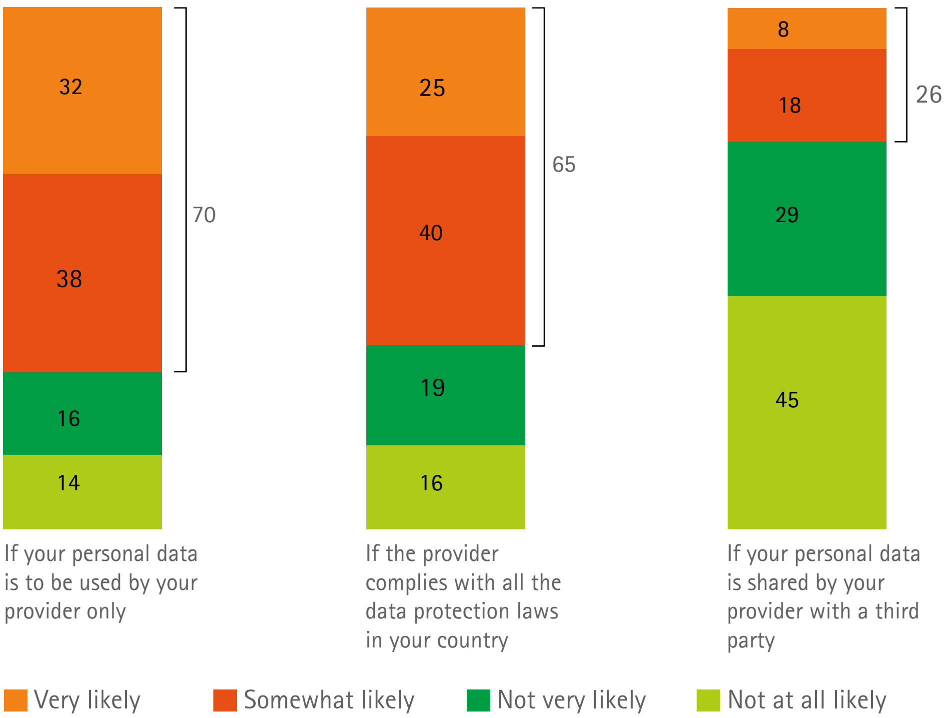
For consumers, the new digital lifestyle comes with one string attached: They may be required to share a lot more personal information so the issue of digital trust has come to the forefront. Accenture's survey shows that consumers are actually pragmatists. Although aware of digital pitfalls related to personal data, they will trade their data for value under specific conditions.

Fifty percent of respondents lack confidence that the security of their personal data is protected on the Internet. However, more than half are willing to share personal data in exchange for a monetary reward (discount or other) as long as some basic rules apply. While 70 percent would share in exchange for a reward if their personal data got used only by their providers and 65 percent would share if the provider complies with data protection laws, only 26 percent would share if the provider intended to share their personal data with a third party (Figure 5).

Early adopters show much stronger confidence in the security of the websites they use than late adopters. Only 24 percent of early adopters are not always confident their personal data is secure on the Internet. This compares to 64 percent of late adopters. The most confident consumers are found in the lower age groups and in India.

Figure 5: Data privacy trade-offs

Some digital service providers (e.g. online service providers etc...) offer additional services or discounts if you agree to provide additional personal data in return (e.g. personal preferences, or areas of interest, preferred locations etc). How likely would you be to participate in such an arrangement if the following applied...?



Source: Accenture Digital Consumer Tech Survey, 2014
Base: N=6021
Excludes D/N responses
Figures in percentage

Implications for **consumer electronics companies**

Consumers are more empowered than ever. With many consumer technologies such as smartphones now in mainstream use and the pervasiveness of small, low cost, innovative form factors, consumers can truly personalize the way they use their range of products and services. Now that they own multiple connected devices intended for specific needs, consumers are creating their own unique constellation of devices and services that fit their personal lifestyles and activities in which they want to engage. The empowerment of the digital consumer to create this level of personalization has significant implications for the strategies, customer interactions and innovation choices of consumer electronics companies.

Ensure your **strategy aligns** to the needs of the empowered **digital consumer.**

Device makers and service providers must understand explicitly how they fit into the digital constellations being created by discrete customer segments. Some innovators and early adopters are building their constellations by combining numerous "best of breed" devices and services. A majority want simplified, fully integrated systems. Providers must ensure they understand how consumers are building their preferences and how products and services fulfill the needs of each consumer segment.

Entire product lines and whole markets are being rocked by new offerings that consumers find so attractive that they will pay a premium for them and render the traditional price-performance trade-off irrelevant. Accenture calls these "big-bang disrupters." To fully serve the needs of the new digital consumers in the era of big-bang disrupters, companies need a strategy for targeting, recruiting and activating a digital ecosystem. For example, companies may choose not to enter the wearable technology segment or to provide health and fitness devices or apps, but they must recognize that these are trends that can't be ignored. Those that don't fill the nascent aspects of their customers' personal constellations may be leaving themselves vulnerable. For example, the device maker that chooses not to produce a wearable device should be thinking about how its products and services will interact with the wearables market so that those consumer experiences can be met. This may involve collaboration with a wearable device company such that the wearable device is more compelling when integrated with its portfolio.

Create a dynamic and interactive **relationship with consumers.**

Consumers want a two-way relationship with their technology providers where there's a mutual exchange of value. Consumer technology companies must develop a rich engagement strategy where both parties give and receive value. This engagement strategy will likely be different for each customer segment. Depending on the segment, consumer technology companies may compete favorably against other digital service providers by enriching the consumer experience. Through differentiated device features companies may increase the value of the data that consumers are generating and willing to share with these companies.

Invest in an aggressive **product innovation** and **product release strategy.**

Consumers are looking for innovation and excitement across consumer electronics in everything from smartphones and tablets to more emerging categories. There is strong intent to purchase in the next 12 months—even among mature devices—as consumers continue to add products to fit their lifestyles. There are also indicators of strong markets for new categories of devices such as phablets, health and fitness devices and other wearable technologies. In short, now is the time for providers to aggressively invest in product innovation. In doing so, they must think about how new products will interact with other aspects of consumers' digital portfolios and the incremental value proposition their new offering can provide within the consumer's digital life.

Racing toward a complete **digital lifestyle**

With objects of all types equipped with minuscule, Internet-connected modules, the "Internet of things" is rapidly becoming a reality and consumers are racing toward a complete digital lifestyle. There is high consumer interest in multiple form factors for multi-function devices, including a strong appetite for wearable computing. As consumers create their personal constellations of devices and services personalized to meet their digital lifestyle, opportunities for consumer technology companies abound. Yet securing a place in the consumer's personal customized constellation of things requires a highly sophisticated knowledge of customer segments. Leading providers will understand how consumers are using each device in the context of others, how to build engaging relationships with customers and how new products can be introduced to fulfill their unmet needs.

Identifying Early Adopters

Accenture asked each survey respondent to identify which one of the following statements best describes them and their attitude toward new devices and services:

- **Early adopters:**
  "I like to have the latest products and services and be the first one in my group to have them"
- **Early majority:**
  "I'm usually one of the first to try out and buy new products and services"
- **Late majority:**
  "I like to buy new products and services but I often wait for others to try them out first"
- **Late adopters:**
  "I usually wait until a majority of people have started using a product or service and can find out how good it is before

Eighteen percent indicated they were early adopters and an additional 17 percent identified themselves as early majority. India and South Africa are overrepresented in the early adopter group relative to other countries as are 14 to 17 year olds.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 281,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is **www.accenture.com.**

About Accenture EHT

Accenture helps electronics and high-tech companies seize the opportunities of the digital world and bridge boundaries to create the future. Accenture has been bringing suitable approaches to electronics and high-tech suppliers, manufacturers, distributors and retailers for more than 20 years. Follow our Twitter Feed @AccentureHiTech.

About the Survey

The online 2014 Accenture Digital Consumer Tech Survey was conducted in October and November 2013 among 6,021 consumers in 6 countries: Australia, Canada, India, South Africa, the United Kingdom, and the United States. Respondents were equally split by gender and were at least 14 years old. The survey polled respondents about interest in buying numerous consumer electronics devices such as: 3D TVs; 4K TVs; basic mobile phones; desktop PCs; ebook readers; GPS navigation devices; in-vehicle entertainment systems; HDTVs; home game consoles; laptop PCs; portable gaming devices; regular TV; TV set-top box/cable boxes; smartphones; tablet PCs, and wearable devices. This research is part of the larger Accenture Digi-Download Survey involving more than 23,000 consumers in 23 countries.