KANTAR WORLDPANEL

An insight Report
by Kantar Worldpanel ComTech

HORSES FOR COURSES: HOW CONSUMERS ARE JUGGLING THEIR PORTFOLIO OF DEVICES

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Executive Summary

This is an age when consumers use different devices at different times for different purposes, for both work and play, and the majority of those devices are continuously connected to the Internet. Consumers pick and choose what they consider the best device for the task being performed – horses for courses, as the idiom goes. New devices don't necessarily replace old ones; they are used in addition to the others as consumers embrace new technology.

Smartphones, for example, have changed the way the world thinks about computing. Mobile technologies have given people unprecedented freedom, not just to roam away from their desks, but to move beyond their homes and offices altogether.

In emerging markets, smartphones have been the first, and for many the only, computing device a person owns. In mature markets, smartphones have become the go-to computing device, especially for the Y generation. Applications have helped accelerate this transition by enabling new ways to engage in social media, report expenses, read, draw, and complete the many other activities of modern life.

This paper describes evolving consumer trends and preferences in mobile device markets, including the emerging wearables sector, and highlights some relevant key results from recent consumer surveys.

Device Portfolios are Growing in Size

While consumers previously relied on desktop and notebook PCs, they now use numerous devices ranging from phones to tablets, smartwatches, and smart TVs. Some tasks are even performed without the user being conscious of what is going on. Think about Google giving an estimated time of arrival at work in the morning and alternative routes home to avoid unexpected traffic in the evening – looking at your calendar and map history without requiring any input from the user.

Industry watchers and vendors alike are wondering whether consumers over time will still need to use desktop PCs. The reality is that, for many users, a desktop PC is already a non-necessity.

Technology continues to advance rapidly, and smartphones now offer similar power, applications, and capabilities as tablets and PCs. Smaller screens on mobile devices remain a limitation, especially around productivity. But as touch technology is deployed on different devices, and people are surrounded with less intelligent displays, these devices will take advantage of the extra real estate on screens in many homes and offices.

TABLE 1: **INDIVIDUAL DEVICE OWNERSHIP BY COUNTRY, (%)**

	USA	DE	IT	FR	ES
Smart TV	16.1	21.1	18.4	10.9	12.7
HD TV	61.1	40.1	31.1	34.0	48.5
4K/Ultra HD TV	0.5	0.7	1.3	1.1	0.5
TV Set Top Box	5.1	4.9	20.0	0.6	15.4
Apple TV	3.5	2.0	2.5	1.0	0.4
ChromeCast	2.7	1.1	1.7	1.1	0.2
Home Cinema System	4.6	12.4	15.3	19.3	11.2
Blu-Ray Player	30.5	22.4	12.5	19.9	6.6
Games Console	33.5	27.6	36.4	37.3	36.9
Laptop	68.5	71.6	71.2	76.2	59.7
Desktop PC	61.6	66.1	50.4	61.3	49.2
ChromeBook	1.7	0.4	1.2	0.4	0.6
Tablet	37.2	27.6	30.5	32.0	30.3
e-Book Reader	21.0	17.5	14.5	5.6	20.5
MP3 Player	30.0	33.9	43.7	16.4	34.5
Smart Watch	0.7	0.7	2.1	0.6	0.6
Wearable Fitness Band	2.8	1.6	1.6	1.1	0.6
None of the above	4.3	2.9	6.4	3.1	13.4

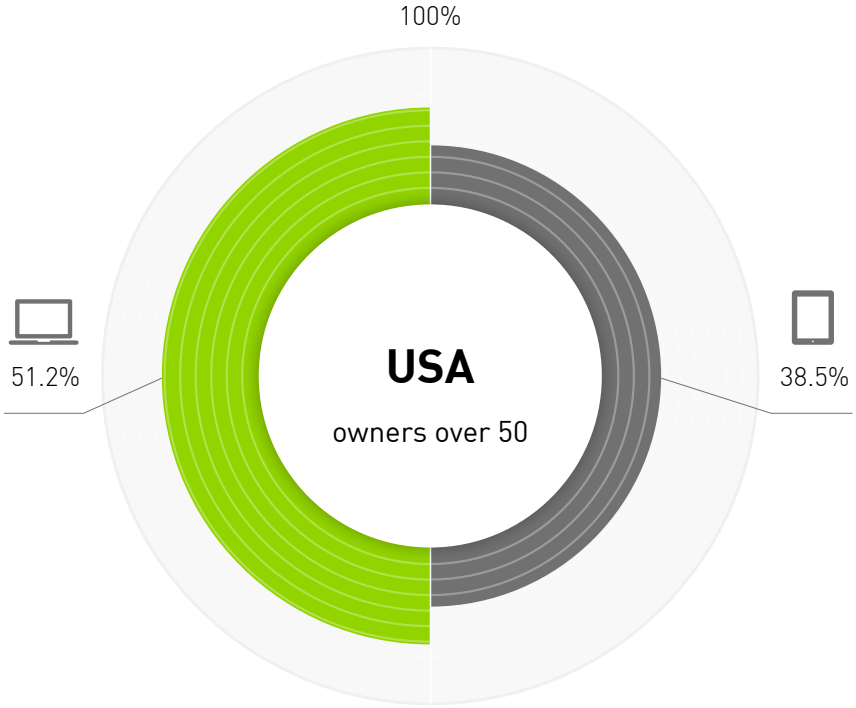
Tablets have broken down the barriers that many over 50 have found for years with PCs

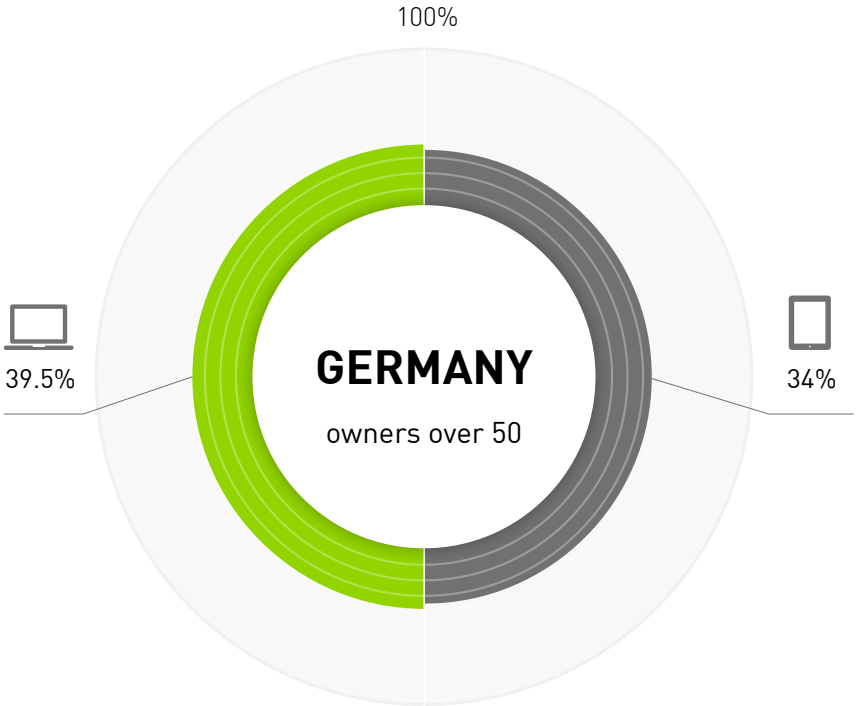
New Devices Challenge Conventional Expectations

Because of the innovation new devices are bringing, historic trends are challenged and laggards become early adopters. This is the case for the 50+ age segment across Germany and the US, where they hold both the largest share of laptop ownership and tablet ownership.

This should not come as a surprise, as tablets have broken down the barriers that many users in this age bracket have found for many years with personal computers – complex user interfaces driven by the need of vendors to differentiate, software updates that do not go smoothly, anti-virus and firewalls that affect performance, and other common user experience challenges.

TABLE 2: **LAPTOP AND TABLET OWNERSHIP BY OVER 50, GERMANY & US**





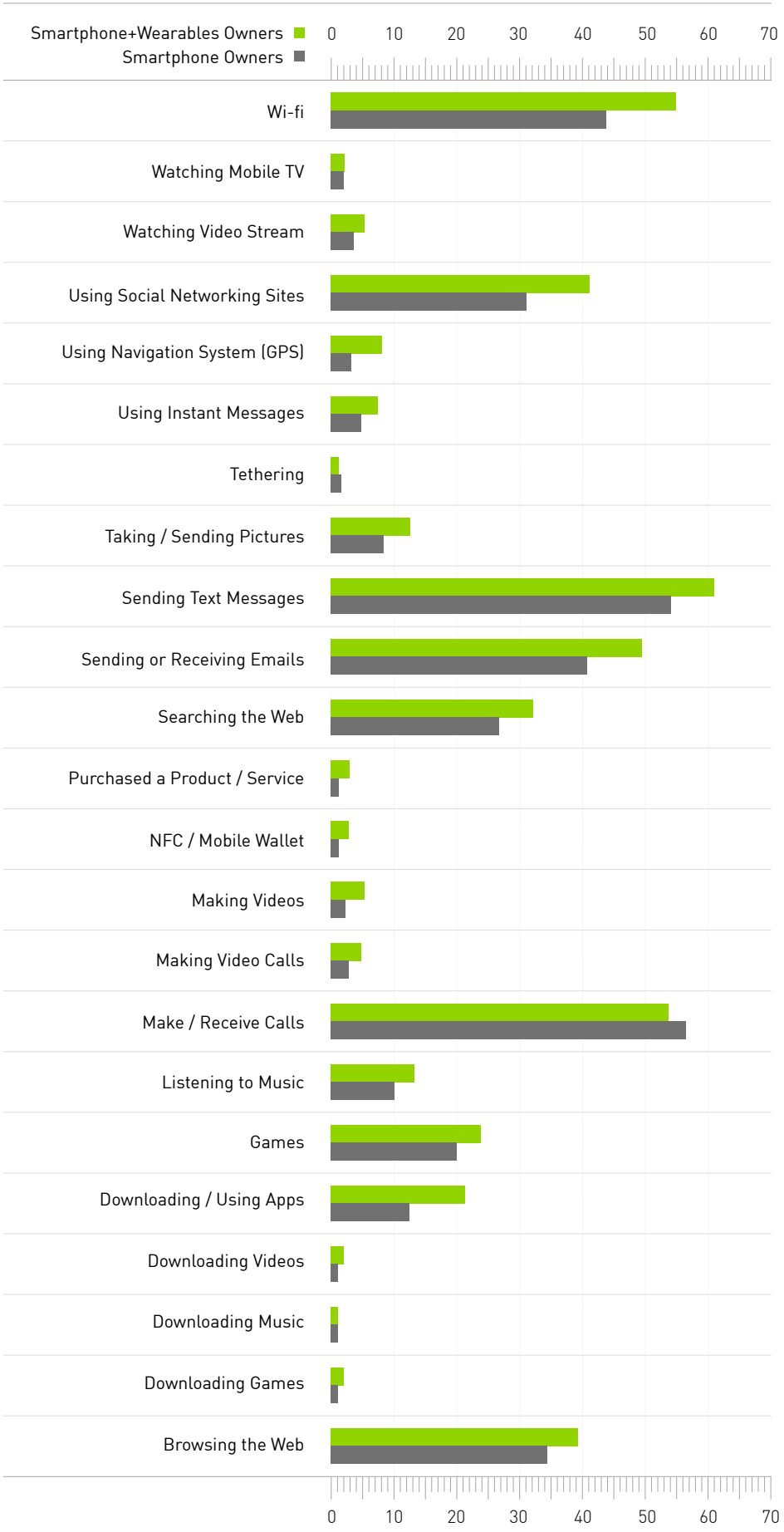
Users who own a wearable device have a higher level of engagement with their smartphone

Using multiple devices within the same ecosystem – and often the same brand – leads consumers to become more engaged. Higher engagement translates into more loyal users and ultimately more profitable customers for vendors and ecosystem owners.

Even devices that at times are aimed at taking the load from other devices – think wearables and smartphones – can actually end up driving higher usage on the devices they were aiming at complementing.

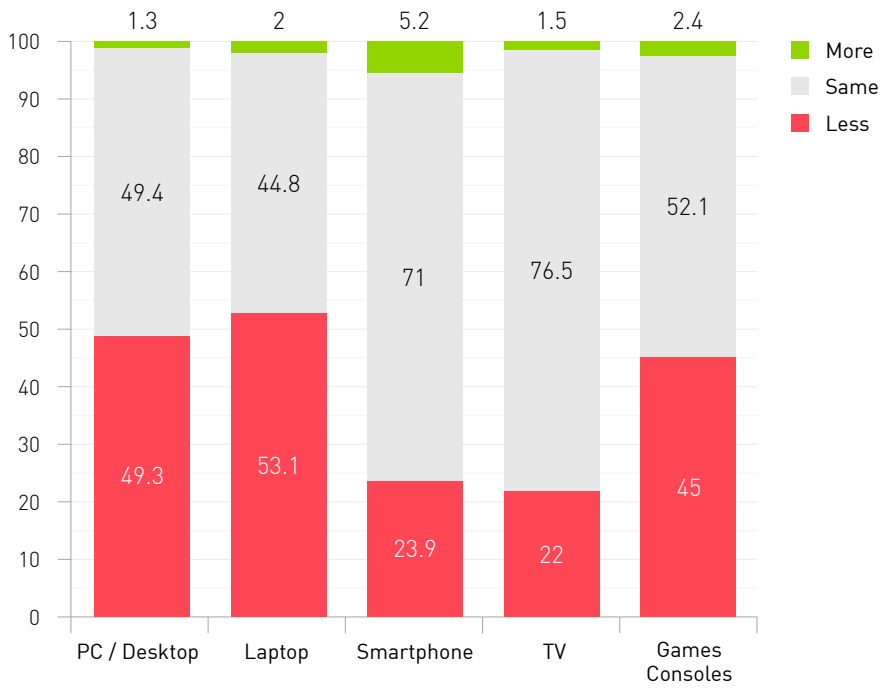
Smartphone owners in the US who also own a wearable are more active across several activities they perform on a daily basis on their smartphones.

TABLE 3: **DAILY USAGE FOR SMARTPHONE OWNERS AND SMARTPHONE+WEARABLES OWNERS BY CATEGORY, US**



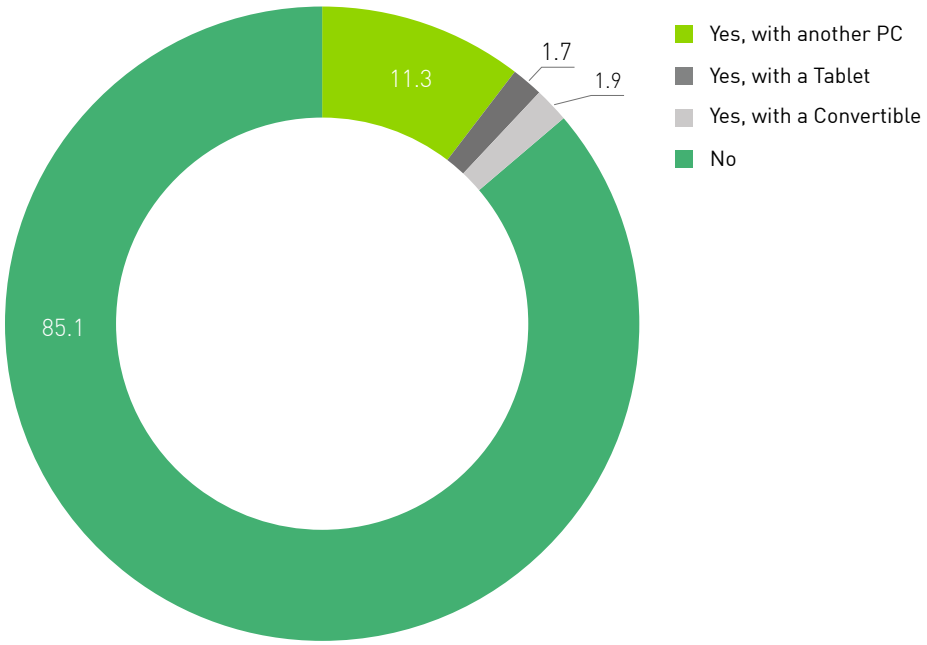
In other cases, adding a new device to a portfolio affects the time spent on devices that previously captured the user's attention. In Great Britain, 49% of tablet owners use their PC/Desktop less since purchasing their tablet, and 53% use their laptop less.

TABLE 4: **TIME SPENT ON OTHER DEVICES SINCE BUYNG A TABLET, GB**



The less time consumers spend using their PCs, the less they feel the need to keep those systems up-to-date, and if they upgrade, they might not feel compelled to buy best-in-class. We asked consumers in the US if they were planning to replace their PCs in 2015, and an astounding 85% said no. Somewhat encouraging for vendors is to see that some consumers are thinking about replacing their PCs with tablets or convertibles (also known as 2in1), but those total numbers are small, less than 4%.

TABLE 5: **ARE YOU PLANNING TO REPLACE YOUR PC IN 2015? (US)**



Over-promising and mispositioning could equally hurt this market

2015 is the Make it or Break it Year for Smartwatches

There's a short window of opportunity for smartwatches and wearables, in our view, perhaps a year or so. Consumers could decide they are not interested because vendors fail to deliver a compelling value proposition. Or, consumers might be disappointed with early device iterations that do not live up to their expectations.

We believe that three key ingredients will determine whether smartwatches become a mass-market opportunity: design, use case, and price. If either of the first two is successfully addressed, the third no longer matters. In other words, if you make it beautiful or extremely useful, consumers will pay for it.

Smartwatch penetration registered at just 1% in Great Britain among 10,000 consumers in November 2014. With many wearables vendors entering this market, finding what makes consumers tick will be key to any brand's success.

The market history of the netbook illustrates the urgency here. Vendors created this category as a way to differentiate themselves and capture a price sensitive segment of the market. They created new products based more on their need to grow revenue than on consumer desire to be more mobile. Many who bought a netbook were disappointed, because they thought they were buying a full-function PC, but the performance failed to impress. The netbook value proposition was based on false pretenses, and the arrival of tablets was the last nail in the coffin for this category that failed both consumers and vendors.

Smartwatches and wearables also face the risk of not reaching the right balance between the three ingredients mentioned above, or of being wrongly positioned as a replacement for the smartphone. Over-promising and mispositioning could equally hurt this market.

For those vendors hoping that wearables will accomplish what tablets could not – deliver good margins and revenue – the road to success will not be easy.

- In Great Britain, 84% of consumers interviewed in November 2014 were not planning to buy a smartwatch. When asked why, the answer came easily: "My phone does all I need," said 41% of our panel.

- Consumers who were interested in a smartwatch put a long battery life at the top of their requirements list (72%). Premium design came second, at 44%.

- When it comes to functionality, notifications were a must-have (47%), with consumers feeling a similar need for a music player (27%), followed by SMS/messaging and navigation (both 26%).

- Even when the checklist is met, British consumers do not seem willing to spend a lot on a smartwatch: 35% were prepared to spend less than $150.

- While ecosystem owners might be counting on smartwatches to lure users away from competitors, we found that only 4% of our British panel were ready to change their smartphone OS to match their smartwatch.

Source: Samsung

Apple is betting on design, making its Apple Watch look very familiar. It even has a crown like an analog watch. Apple is also offering the highest degree of personalization, not just of the screen but of the design, enabling different materials to be used for the watch face and strap.

It is clear that Apple is appealing to the more irrational and visceral part of the consumer purchasing decision with its design. Once the consumer's attention is grabbed, the "stickiness" to the device and the brand will come from the user interface and the user experience.

WITH ONLY 6% OF IPHONE OWNERS IN THE US CURRENTLY OWNING A WEARABLE DEVICE, IT IS CLEAR THAT THE OPPORTUNITY FOR THE APPLE WATCH IS SIGNIFICANT

Appealing to the visceral versus the rational might be a better way to expand the opportunities for these devices. Focusing on key functions such as payments and fitness might make it easier for users to understand the role Apple Watch will play in the portfolio of products they own.

Lastly, providing a health app and a fitness app shows an attempt by Apple to appeal to a broad group of consumers who might want to improve their health levels, but who are not passionate fitness enthusiasts.

At $349, Apple Watch is not for everybody, but with only 6% of current iPhone owners in the US currently owning a wearable device, it is clear that the opportunity for Apple is not small.

Apple's strategy does not seem to be about finding a new use case – as much as digital touch is new and might catch on – but about taking a full end-to-end approach, from the design to the user interface to the apps. The result is a product that is more grounded and has an appeal that goes beyond early adopters and tech-savvy users.

Apple is appealing to the more irrational and visceral part of the consumer purchasing decision with its design

Source: Apple

Selling Multiple Devices vs. Cannibalizing Existing Products

When we look at all the options consumers have today and how most of the devices they are engaging with feature very similar capabilities, it is natural that vendors are concerned about how they can make sure multiple device ownership translates into increased penetration and higher loyalty instead of cannibalization of their own existing devices.

The key is to find one or two critical capabilities that a device can deliver while being good enough with everything else. A good example of this has been the Kindle e-reader family. Despite tablet adoption impacting sales, this line has remained relevant – 21% of US consumers still own e-readers.

Amazon was able to accomplish this by delivering two must-haves that avid readers are not willing to compromise on – long battery life, and high-readability in bright sunlight.

Vendor Mandate: Design, Use Case, Price

It is essential for manufacturers not to become myopically focused on just one type of mobile device. Even if their product line is not broad, they need to be conscious that a wide variety of devices are finding their way into consumer portfolios, and each one has its strengths. There's an appropriate course for every horse.

Those vendors that are not present in multiple device categories need to be highly relevant in the segments where they choose to participate. They must also deliver wide interoperability with other devices, while offering a unique value proposition within the category.

There was a day when users spent most of their computing time on a PC, and it did everything they needed. But now, there are many more options, like reading a digital book, for example. Consumers can read a book on an e-reader, smartphone, tablet, or PC. Those with imagination might even read a book on a high-definition TV. For any particular application, they will select the device that is easily available, most convenient, and delivers the richest experience in a particular context. When someone is traveling, they might be willing to watch a movie on a five-inch smartphone, but at home the first choice will more likely be a large screen TV. This has implications for the content, applications, and services available on all devices and digital touchpoints.

From a consumer perspective, more devices means greater freedom, but also a more complex purchasing experience. Every day, people have to make choices that are not as easy and straightforward as they once were, and making decisions often means that tradeoffs have to be made. For vendors, there are many millions of potential buyers around the world, but ultimately, each one has a limit on how much they are able and willing to spend on new devices. Thus, each new offering has to sport an extraordinary design, compelling uses that consumers will fall in love with, and an irresistible price.

FROM A CONSUMER PRESPECTIVE, MORE DEVICES MEANS GREATER FREEDOM, BUT ALSO A MORE COMPLEX PURCHASE CHASING EXPERIENCE

Note: The data cited in this report was collected in July and November 2014 as part of Kantar Worldpanel's ongoing monthly surveys on Smartphones in the US, Great Britain, France, Spain, Italy, Germany, China, Japan, and Australia.

A full set of data is available covering:

- Penetration, brand and demographics (age, gender, and income segment) for all device categories mentioned in table 1
- Consumer profile for different devices owners and of users who own multiple devices ▪

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About Kantar Worldpanel ComTech

Kantar Worldpanel ComTech is the global expert in the telecommunications field, utilizing huge consumer panels to define the market in granular detail. We know what consumers own; how, when, and what devices they are planning to change to; what they actually change to, and how they use each device over time. We gather consumer's feelings, opinions, and intentions at various stages during their purchase process, and see their ultimate actions. We unlock recommendations that are consumer behavior-led, personal, and measured; and we often challenge accepted views.

Surveying the same consumers over time is the only way to fully understand consumer behavior throughout the purchase and ownership cycle. We build our panels to be representative of populations so that our clients can understand what is happening in context. Our clients are the largest and most successful players in the smartphone, tablet, and "connected consumer" markets.

Operational in 13 countries including UK, France, Italy, Germany, Spain, Russia, USA, China, Japan, Australia, Argentina, Brazil, and Mexico, Kantar Worldpanel ComTech is the reference guide for manufacturers, carriers, content providers, and industry experts.

For further information, please visit us at **www.kantarworldpanel.com**

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About Kantar

Kantar is the data investment management division of WPP and one of the world's largest insight, information and consultancy groups. By connecting the diverse talents of its 12 specialist companies, the group aims to become the pre-eminent provider of compelling and inspirational insights for the global business community. Its 27,000 employees work across 100 countries and across the whole spectrum of research and consultancy disciplines, enabling the group to offer clients business insights at every point of the consumer cycle. The group's services are employed by over half of the Fortune Top 500 companies.

For further information, please visit us at **www.kantar.com**

Carolina Milanesi

Carolina Milanesi is Chief of Research and Head of Kantar Worldpanel ComTech US Business. Carolina joined Kantar Worldpanel ComTech in 2014 after 14 years at Gartner, most recently as their Consumer Devices Research VP and Agenda Manager.
As Global Chief of Research at Kantar Worldpanel ComTech, Carolina drives thought leadership in the area of consumer research and marries her deep understanding of global market dynamics with the wealth of data coming from ComTech's longitudinal studies on smartphones and tablets. Her mission is to deliver strategic insights to C-level executives in the areas of product planning, product marketing, go to market and customer retention and acquisition. As Head of the US operations for Kantar Worldpanel ComTech, Carolina is focused on growing the US client base as well as strengthening the relationships already in place.
Carolina's role as industry expert and commentator will continue as she regularly appears in publications such as The Financial Times, The Economist, The New York Times and the Wall Street Journal.

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