



accenture

High performance. Delivered.

2009 Consumer Electronics Products and Services Usage Report

Agenda



- About Accenture
- Executive Summary
- Survey Highlights, Key Themes & Implications

About Accenture

Accenture is one of the world's leading providers of management, outsourcing and technology consulting services and solutions



Accenture

- **US\$23.39 billion** for fiscal 2008 (12 mos. ended Aug. 31, 2008)
- **More than 177,000** (including more than **4,800** senior executives) in **52** countries

- **US\$2.98 billion** for R&D investment
- **US\$0.68 billion** for employee training

- In past 5 years, **18,000** projects with more that **4,000** clients

- Include **96** of the *Fortune Global 100* and more than **75%** of the *Fortune Global 500*

- In addition, of our top 100 clients in fiscal 2008, based on revenue,
 - **99** have been clients for at least **5** years
 - **87** have been clients for at least **10** years

Value Proposition

- **Healthy and energetic company grows with client's success**
- **Integrated global competitive advantages**
- **Best customer solutions and elites**
- **Global company with the advanced tools and best service**
- **Align the consulting capabilities with customer needs to achieve the best value and effectiveness**

Accenture deliver high performance solutions tailored to our clients' industry



Services We Offer

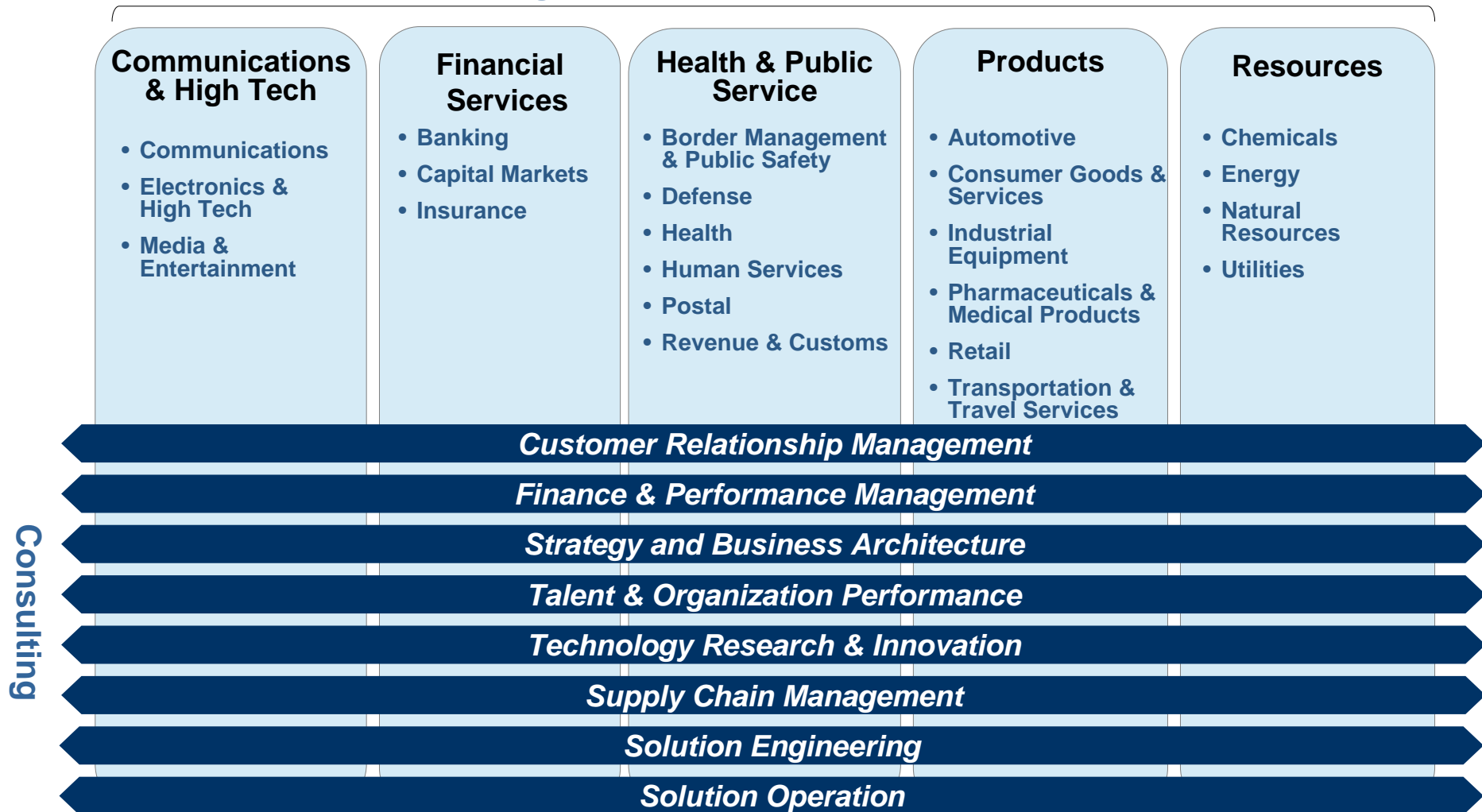


- At Accenture, we use our **industry and business process knowledge**, our **service offering experience** and our **insight into existing and emerging technologies** to identify new business and technology trends. We help clients work toward:
 - Identifying and entering new markets
 - Increasing revenues in existing markets
 - Improving operational performance
 - Delivering their products and services more effectively and efficiently
- Services we offer include:
 - Management consulting
 - Technology consulting
 - Systems integration
 - Application outsourcing
 - Infrastructure outsourcing
 - Business process outsourcing

Accenture delivers its services and solutions through focused industry groups in five operating groups



Operating Groups and Industries Groups



Executive Summary

Research Objectives



The research focused on the following objectives:

- Develop an awareness of consumer preferences for digital products and services
- Understand technology purchasing and usage behavior across age groups
- Project future technology trends based on current behavior
- Identify key “lifestyles” emerging from behavioral changes

Executive Summary: 8 Key Themes Emerge from the Latest Survey on Consumer Electronics and Services....



Theme

1. Consumer Electronics and services grow up - Boomers are the fastest growing segment in adoption of Consumer Electronics and related services
2. Possible fatigue - Gen Y usage of CE & related applications plateaus indicating end of phenomenal growth rate
3. Mobility gains steam however challenges remain – Significant growth in usage of data services for connecting laptops and mobile phones but legacy phones, price perception hinders growth of usage
4. Diverse preferences - Gen Y strongly prefers Gaming, Mobile phones, Texting, Social networking and contributing (blogs, posting videos etc.) while Boomers prefer Computers, Emailing, Home Internet service, E-commerce (shopping, trading etc.) and consuming (e.g. online news)

Impact

- New growth drivers play a role to capture Boomers
- Reexamine consumer marketing strategy
- Understanding needs and managing attention determines success
- Opens opportunities for niches that better align with interests
- Significant opportunity in mobile broadband connectivity of devices, laptops
- Mobile and laptop will converge as mobile hardware capability increases
- Mobile software platforms might reduce to 3 or 4 as application developers and device makers align resources for financial gain
- Bundled offerings becomes attractive
- Trickle down phenomenon
- Mobile is a critical touch point to reach Gen Y

Executive Summary: 8 Key Themes Emerge from the Latest Survey on Consumer Electronics and Services



Theme

Impact

5. Usage of Digital Home concepts lacks traction - Majority still don't value connectivity among digital home devices

- Interoperability of platforms, devices, content, applications is critical

6. New means of media consumption continues to grab market share – Purchase of CDs, DVDs and reading print continue to loose ground across all consumers while on-demand entertainment and online video gain share

- Increased convenience and choice due to online and on-demand will further erode physical format demand

7. Convergence and Divergence of devices happening at the same time – Some categories (mobile phones) are successfully converging while strong sales of vertical products (iPod) and innovations (eBook reader) show specialization and divergence

- Consumer centric convergent, focused pure-play products and services will be successful
- Brand convergence has to be explored by companies developing convergence products

8. Economic climate amplifies changes in consumer behavior and payment preferences – Significant change in consumer spending plans for first half of 2009

- Companies that adeptly reallocate dollars released in cost cutting to fund development of new capabilities and products will thrive when the economy rebounds
- Opportunity to experiment different revenue models

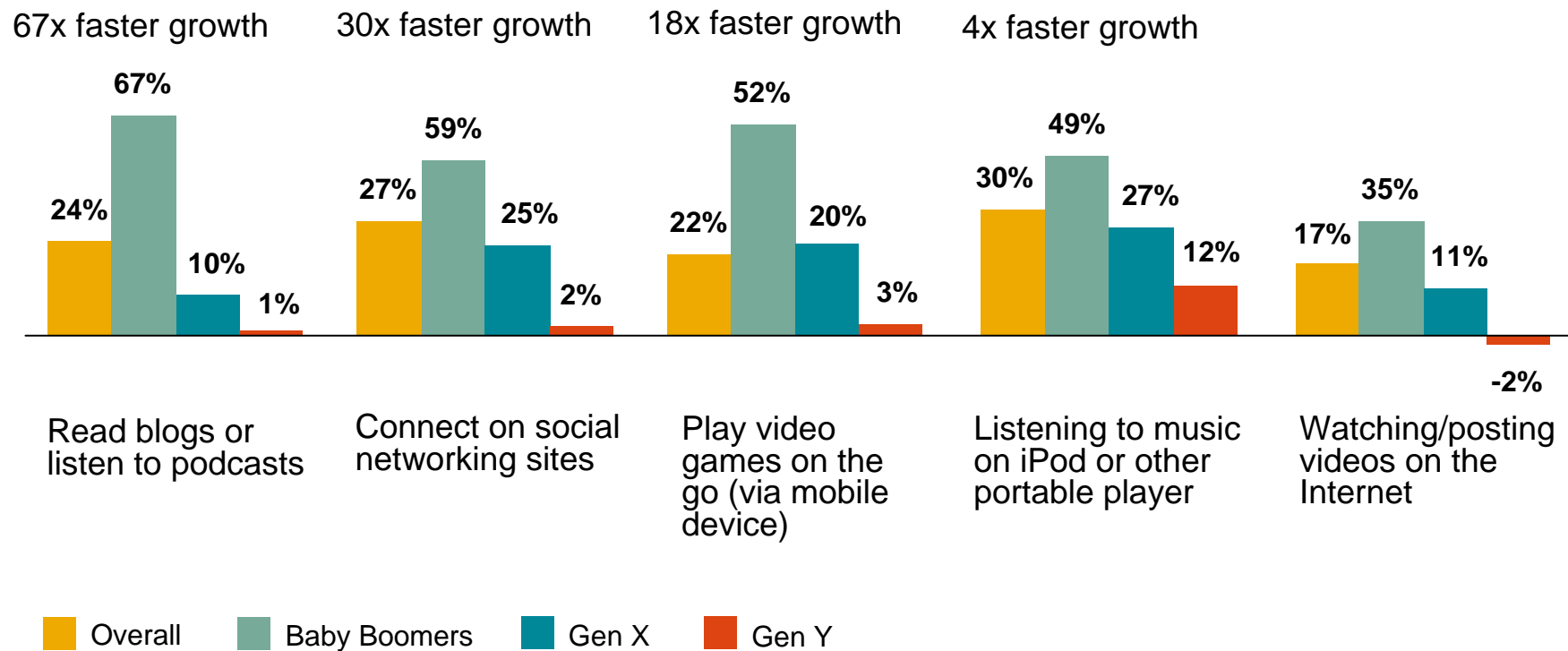
Survey Highlights, Key Themes and Implications

1. Baby Boomers Averaging 20x Faster Annual Growth rates in Adoption of New Consumer Electronics–Related Services Compared with Gen Y



Adoption of New Services by Generation

(% change from 2008 study)



1. Potential Implications of Consumer Electronics and Services Growing Up



- Untapped Boomers will drive future growth and increase Consumer Technology market potential since they have more disposable income to spend than Gen Y
 - Rational reasons (wanting to remain technologically literate, versatile and competitive in the job market) and emotional reasons (staying connected with family) will influence Boomers choice of products and services
 - Boomer growth will benefit existing Consumer Technology brands due to better recognition
 - High-Performing Consumer Technology companies will reexamine their consumer base as it evolves and adapt to the needs of Boomer audience such as ease of use, privacy policies, trust, familiarity, word of mouth and habits
 - Marketers across the board have to identify most effective sales and marketing mediums for reaching customers given the shift in demographic behavior
 - Opportunities exist to further penetrate the segment by bundling device and service offerings (e.g. Triple, Quad play) with other lifestyle choices

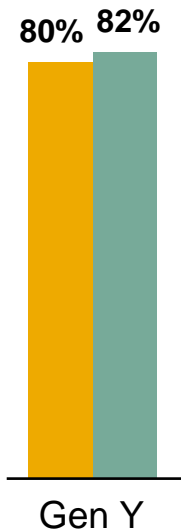
2. Gen Y showing widespread plateauing and some declines in consumer electronics and related services usage....



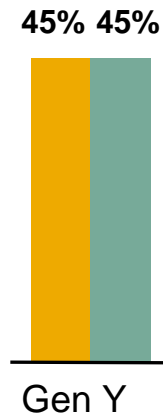
Among Gen Y the survey exposed an annual slow down and, in some cases, a flattening or decline in consumer electronics and related services usage compared with Boomers.

Trends in Gen Y's Consumer Technology Applications usage

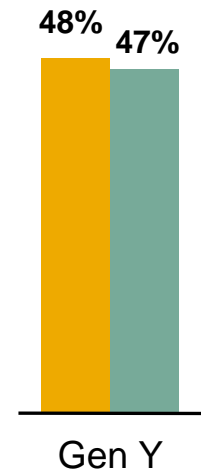
Connect with People on Social Networking Websites



Read Blogs and/or Listen to Podcasts



Participate in Communities of Interest on the Internet (e.g. Yahoo Groups)



Virtual world participation



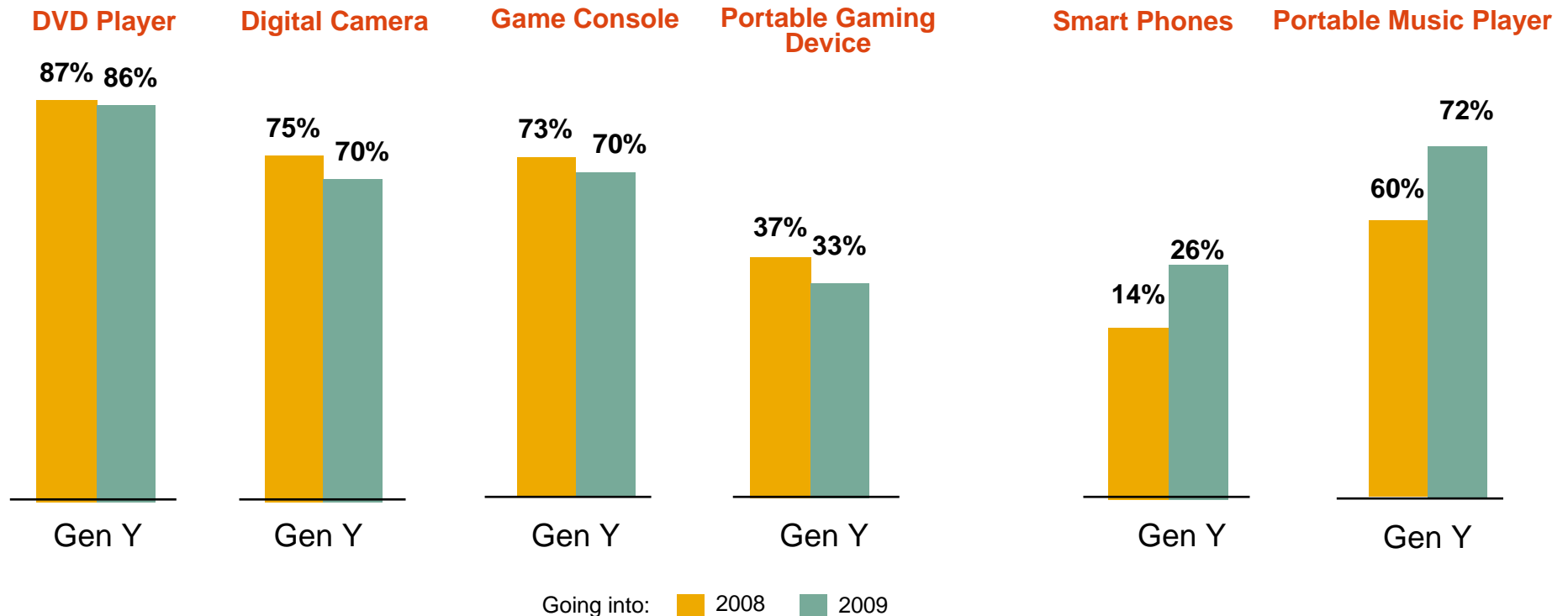
Going into: ■ 2008 ■ 2009

2. Gen Y showing widespread plateauing and some declines in consumer electronics and related services usage (Continued)



Flattening and some declines can be noticed in Gen Y's device ownership in some categories as well. However, Smart Phones and Portable Music Players show 20+% year over year growth

Trends in Gen Y's Consumer Electronics ownership

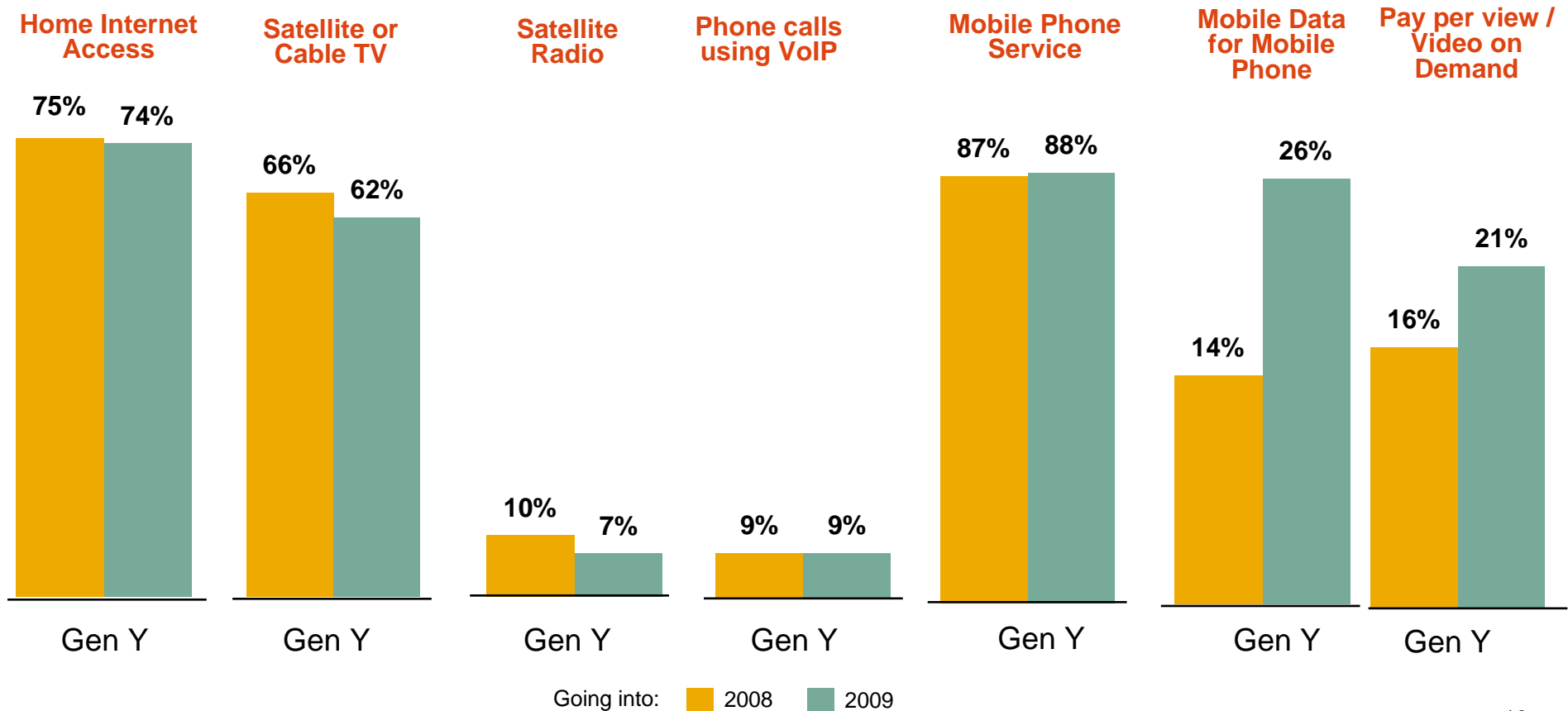


2. Gen Y showing widespread plateauing and some declines in consumer electronics and related services usage (Continued)



Survey reveals some declines and flattening in services usage. However Mobile data and Pay per view show 20+% year over year growth

Trends in Gen Y's Services usage



2. Potential Implications of Possible Fatigue Among Gen Y Users



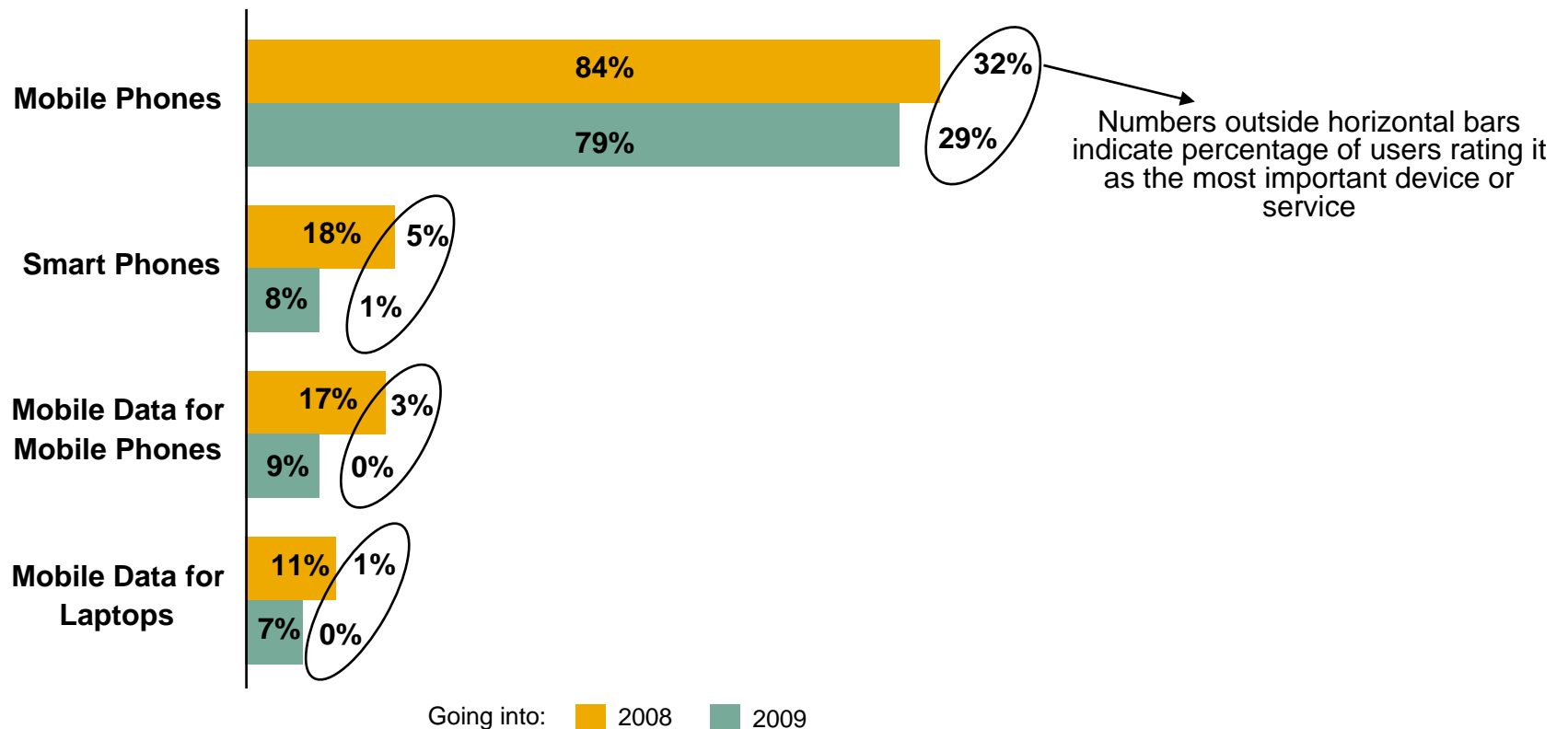
- Plateauing and some declines in Gen Y's consumer electronics and related services usage indicates end of phenomenal growth rate, importance of product life cycle management and potential market share fragmentation
 - Consumer technology companies need to innovate on new services or rapidly evolve the products as novelty has possibly worn off for the early adopters
 - Some applications with no broad appeal have to consolidate functionality and integrate into other applications
 - Over commercialization and reduction in sense of exclusivity associated with primary social networking communities such as Facebook or MySpace opens opportunities for niches that better align with Gen Y's interests
 - Understanding Gen Y's desires, why they use services and applications and managing their attention determines future success for Consumer Technology companies
 - Innovation opportunities exist to fuse social networking with Mobile phones and develop "Socially" oriented Consumer Electronics and services
 - Consumer technology companies need to generate awareness towards responsible use of technologies, communities and discretion needed in its use
 - Companies have to be more strategic in product or service portfolio management and life cycle management (e.g. line extensions) for categories that are still showing growth

3. Mobile devices and services category has tremendous potential but challenges exist as well ...



Usage of data services growing at 60+% and preference as the most important device increasing at 10+%. Preference as the most important service rose from 0 to 3% in a single year!

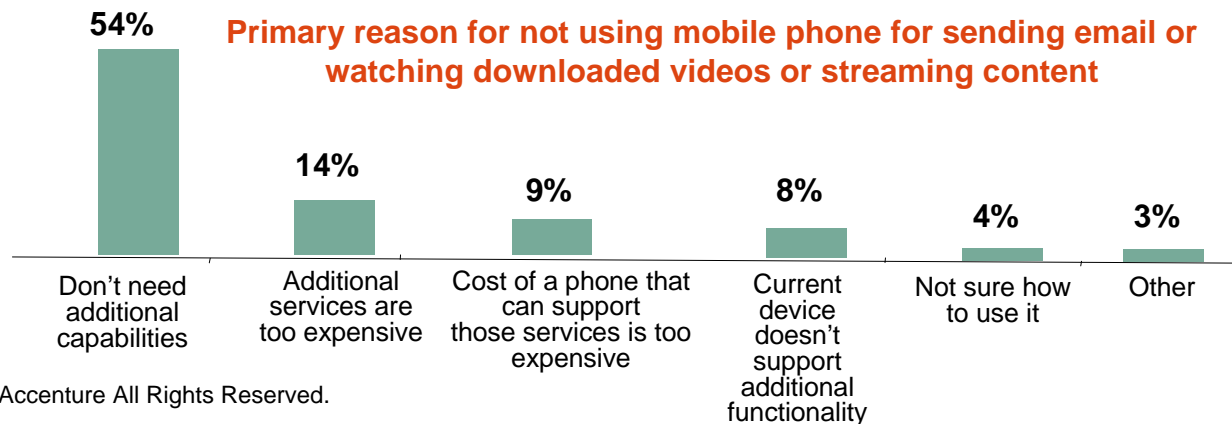
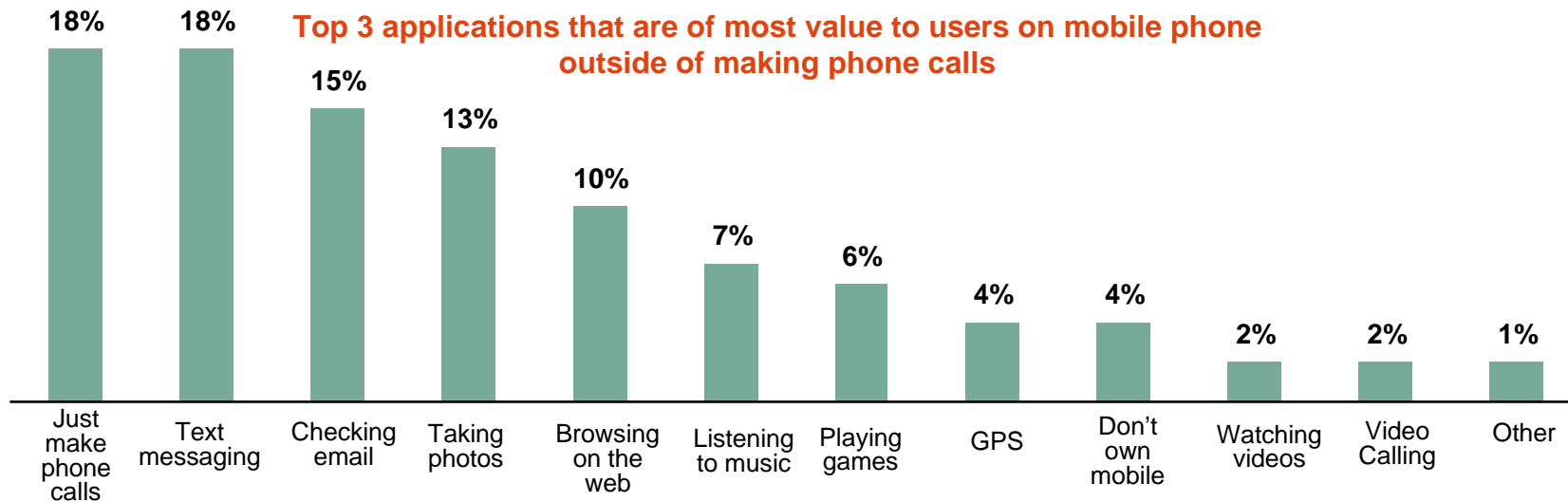
Percent of users owning a mobile phone and using mobile data services



3. Mobile devices and services category has tremendous potential but challenges exist as well (Continued)



Survey also reveals that more work needs to be done to realize the full potential of the category as majority (>50%) don't use device for entertainment or beyond the well established features such as voice calls and SMS



3. Implications of Mobility Concept



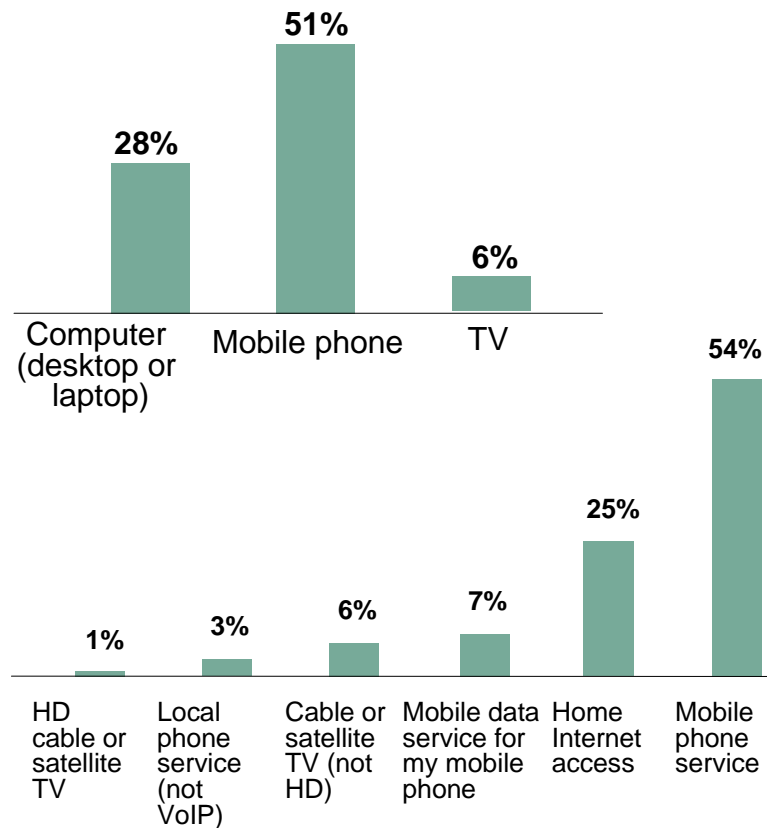
- A general trend towards uptake in mobile data services will continue but services providers and device makers should fix issues to increase adoption of multimedia and other advanced services
 - Service providers have to upgrade legacy phones that don't support advanced services, sharpen segmentation, improve mobile phone plans, explain benefits to resolve poor price perception and communicate value proposition effectively to drive adoption of mobile entertainment and other advanced services
 - Consumer adoption of Mobile broadband connectivity of devices and laptops presents significant growth opportunity for Service providers, Retailers in the Consumer Technology industry
 - To drive mass market consumer adoption of advanced features and applications, mobile device makers should find acceptable price points for devices by leveraging open platforms
 - Number of mobile software platforms might consolidate to 3 or 4 strong contenders as 3rd party application developers and device makers best align their resources for maximum financial gain and to remain competitive
 - Mobile devices will converge with portable computers that provide consumers with “good enough” experience due to increase in software platform capabilities, reduction in hardware costs and closing of performance gap (e.g. battery, MHz, Display size, Storage) between mobile and portable devices
 - Companies across the value chain should collaborate to enhance 360 degree consumer experience covering pre-purchase stage, ownership (device usage, user interface, service, billing, support experience) and disposal stages

4. Boomers and Gen Y have diverse preferences for Consumer Electronics, Services



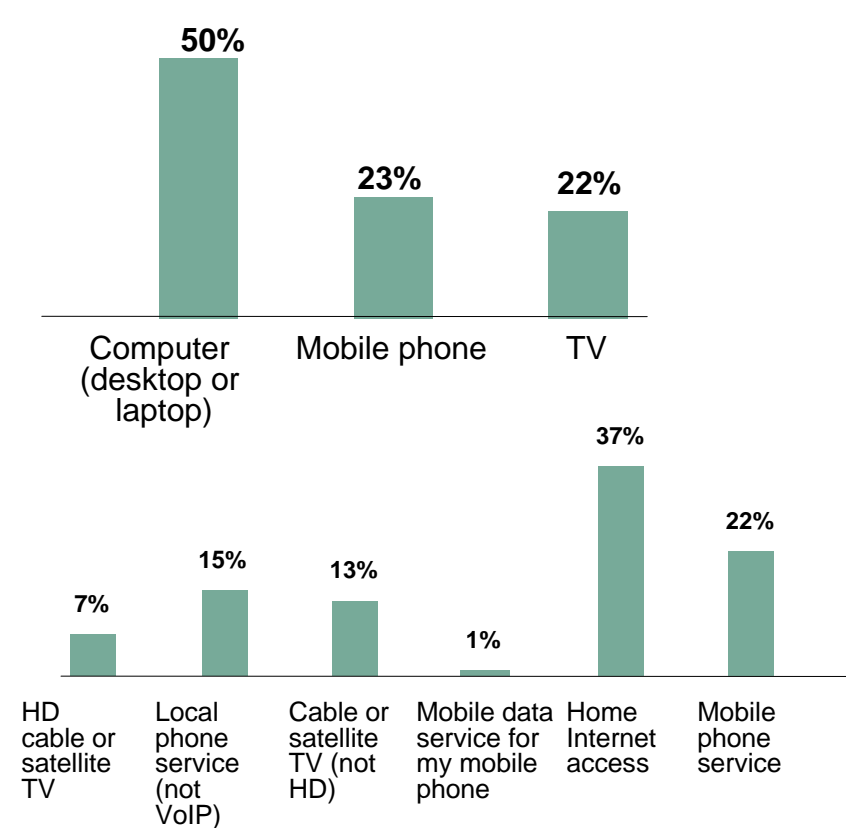
Survey exposes diverse preferences – Gen Y is a Mobile generation where as Boomers are Computer generation.

Gen Y – Preferred Consumer Electronics



Gen Y – Preferred Consumer Services

Baby Boomers – Preferred Consumer Electronics



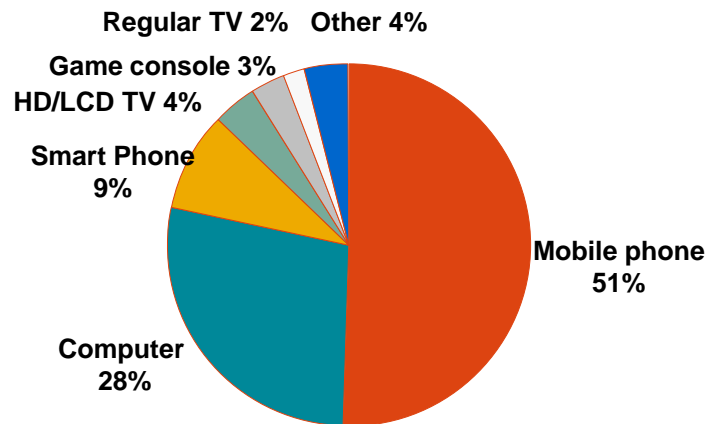
Baby Boomers – Preferred Consumer Services

4. Boomers and Gen Y have diverse preferences for Consumer Electronics, Services

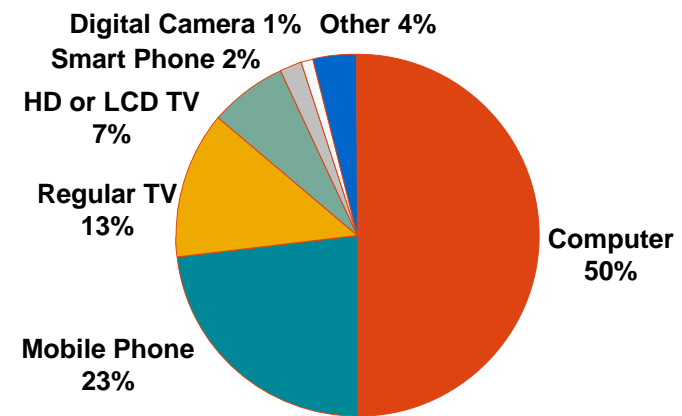


Survey exposes diverse preferences – Gen Y is a Mobile generation where as Boomers prefer computers

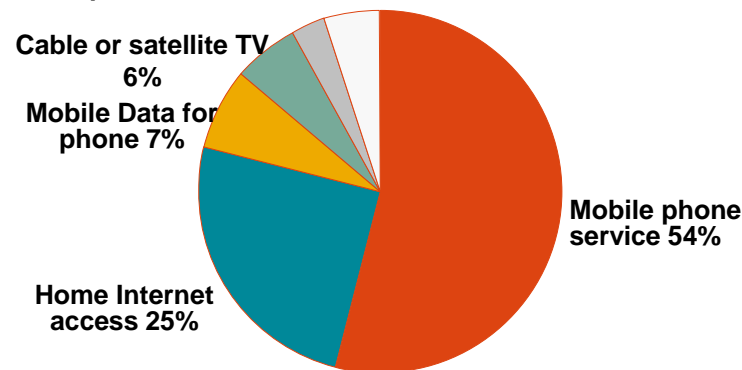
Gen Y – Preferred Consumer Electronics



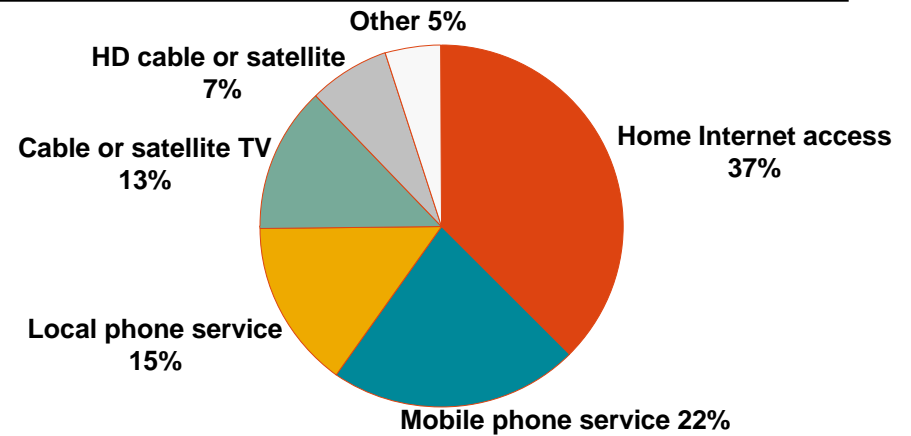
Baby Boomers – Preferred Consumer Electronics



Gen Y – Preferred Consumer Services



Gen Y – Preferred Consumer Services



Baby Boomers – Preferred Consumer Services

4. Implications of Diverse Preferences Across Demographics



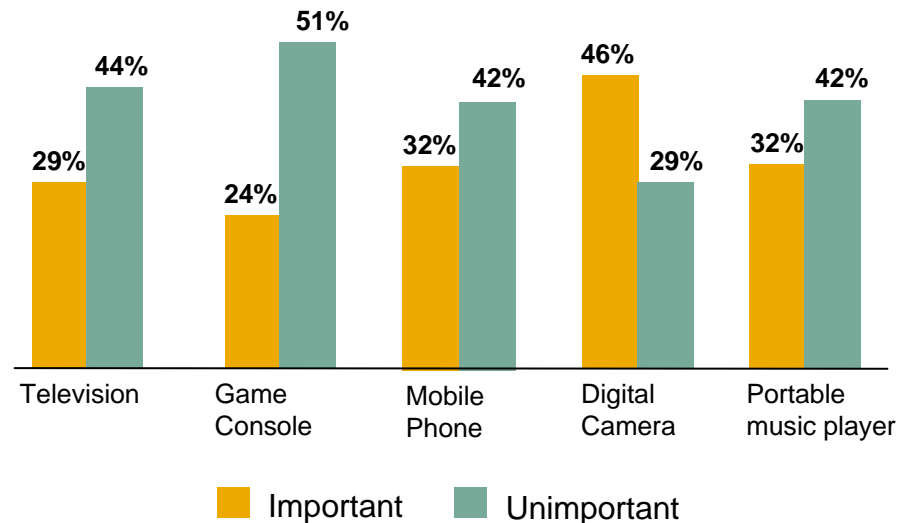
- Diverse preferences across demographics shows that one size doesn't fit all and presents as many opportunities and challenges for Consumer Technology companies
 - Boomers will continue to move up the online activity pyramid by gradually evolving from passive activities such as information seeking (search, email), e-commerce (shopping, finances) to more complex pursuits such as entertainment (blogging, online video) and social connectivity
 - Companies across the spectrum should incorporate mobile into strategy and marketing planning processes and use mobile as a touch point to increase customer interaction, whether it's for mobile marketing or for providing services through mobile
 - Mobile phone will continue to gain status alongside other in-home screens (TV and Computer) offering opportunities for Mobile Devices and Services companies to focus on innovative experiences
 - A future device that merges specific needs of Boomers and Gen Y'ers would be a small, portable mobile handset/computer hybrid with wireless connectivity
 - Gen Y's preference for technology-mediated communication (IM, Mobile, Texting, Social networks and Status updates via social networking sites) compared to face-to-face exchange will become norm in terms of their consumer preference

5. Adoption of Digital Home Concept still Don't Gain Traction



Survey exposes consumer preferences for advanced concepts in Consumer Electronics and Services such as Connected Home, mobile multimedia

Importance of consumer electronics products having the ability to connect to the Internet either directly or through a home network



5. Potential Implications of Lack of Traction for Digital Home Concepts



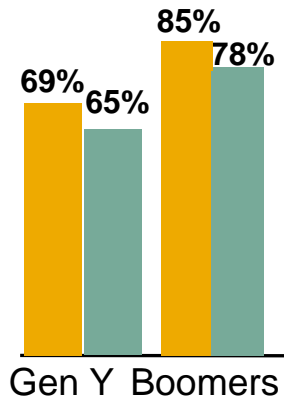
- Digital Home is not yet a lost-cause but overcoming barriers such as proprietary standards, lack of integrated approach is key to capturing Converged Consumer
 - Digital Home Consumer Technology manufacturers should offer complete solutions to consumers, even when certain products and services fall outside their core business by developing partnerships
 - Digital Home uptake can be accelerated by developing an integrated value proposition of network, service, devices and applications and marketing efforts around them
 - Ecosystem evolution (open standards, partnerships and open platforms) and interoperability amongst devices and applications are cornerstones for future success of Digital Home and main stream adoption

6. New means of media consumption continues to grab market share

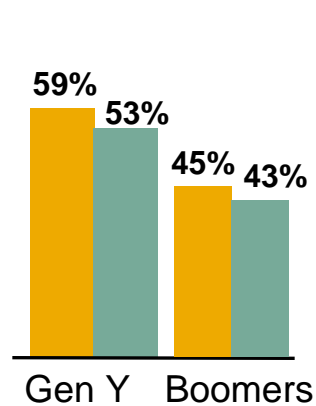


Survey shows the decline in sales of CDs, DVDs and time spent on print formats across all demographics while watching videos online and DVR ownership shows increase

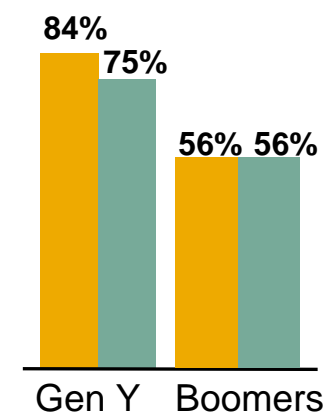
Watch TV at scheduled time



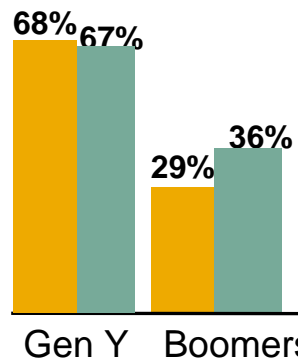
Purchased CDs in the last 6 months



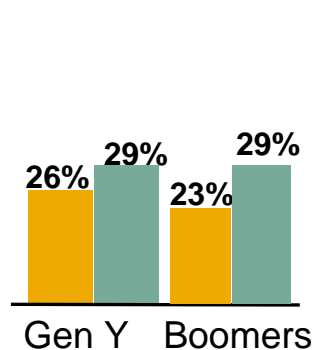
Purchased DVDs in the last 6 months



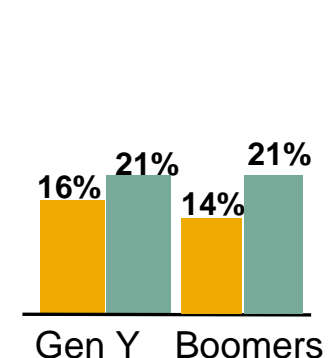
Watch / post videos online



DVR ownership



Pay-Per-View / Video on Demand



6. Implications of increase in market share of new media consumption

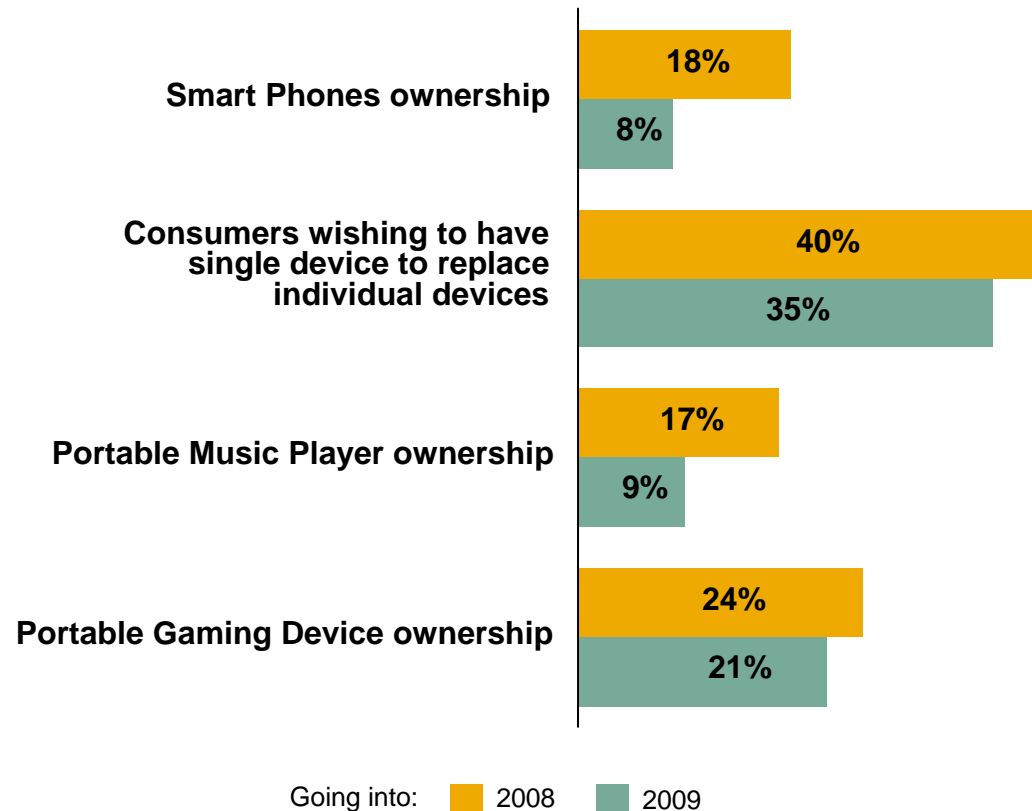


- Increased convenience and choice due to online and on-demand entertainment will further erode physical format (DVDs, CDs, Books) sales
 - Anytime, Anywhere convenience offered by on-demand will result in greater adoption of DVR services and also act as a major driver for moving content across three screens (TV, PC, Mobile)
 - Social networks will play an increasingly important and controlling role in distribution, viewing, listening of video and music (e.g. user ratings, recommendations)
 - Consumer Technology companies have new opportunities in developing Filters, Tools and Technologies that connect consumers with relevant content that appeals to their interests
 - Established brand names and Content Aggregators (e.g. Hulu, YouTube) will act as a filter for consumers to sift through endless availability of free online content
 - Economic downturn offers an opportunity for labels and studios to come up with new business models and partnerships to syndicate content to Aggregators and Social networks
 - Further innovation opportunities exist as more and more physical formats move to digital (e.g. Kindle)

7. Convergence and Divergence Coexist at the Same Time



Survey also reveals that consumers wishing for a convergence device and usage of convergence device such as smart phones is on the rise. At the same time, ownership and usage of divergent pure play devices such as music player and portable gaming devices is also on the rise



7. Potential Implications of Convergence and Divergence Coexistence



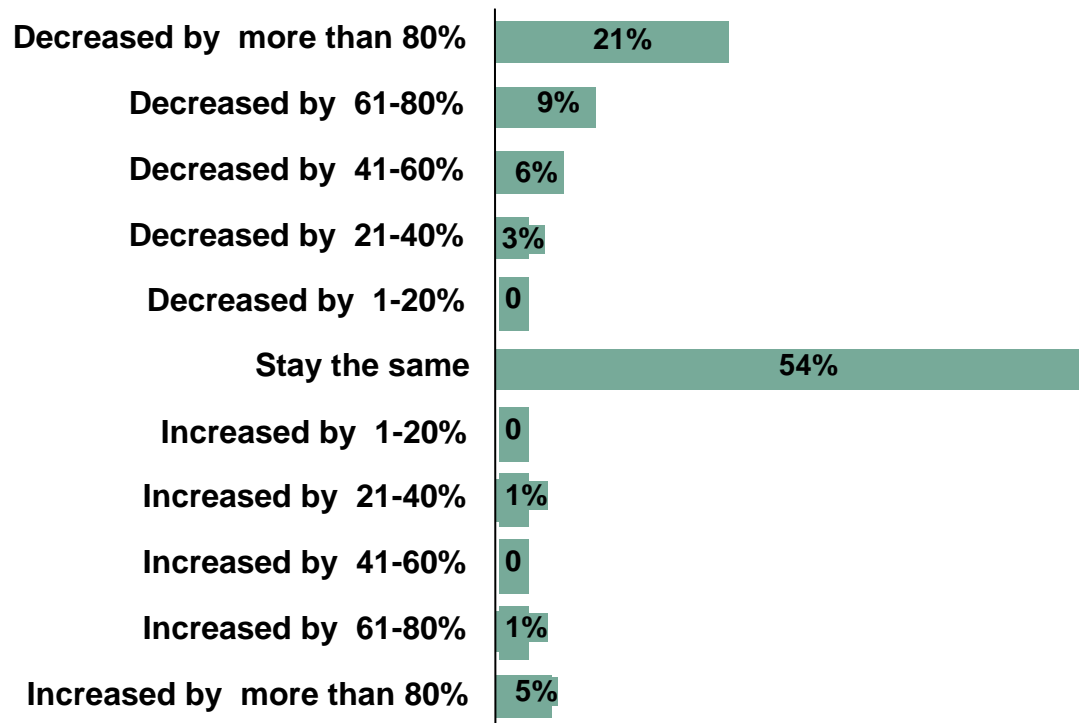
- Successful convergent products will lower entry barriers, continue to blur industry boundaries and are consumer centric, while technology limitations, stripping away the non-value added functionality lead to successful pure-play services or products
 - For convergence products and services, Consumer Technology companies need to evaluate the viability of co-branding or Brand convergence (ingredient branding) where partnering with other brands (e.g. iPod + Nike) or Category specialists (e.g. Motorola + Kodak, Nokia + Carl Zeiss for imaging oriented phones) makes it easy for consumers to associate benefits and leads to higher value creation
 - Consumer Technology companies have to monitor and respond to the pace at which convergence is moving from experimental to essential in consumers preferences
 - Power is converging at consumer level as the attention scarcity increases due to content explosion and more device choices are available
 - Developing targeted and better divergent product or service by identifying different consumer segments and tailoring products to their needs by stripping away the non-essential features is the key to achieving adoption and success

8. Economic Context Amplifies the Changes in Consumer Spending and Payment Preferences



Survey highlights that average spending on Consumer Technology products and services decreased by 30%

Change in spending plans for first half of 2009 before and after economic crisis



8. Implications of Macroeconomic context



- Increased focus on critical areas such as customer acquisition and retention, strategic and sustained cost reduction, operational excellence and effective M&A will fuel future growth
 - To acquire customers and manage churn, Consumer Technology companies need to reevaluate the value equation through effective propositions, right pricing strategies, aggressive point of sale tactics and retraining sales force
 - Strategic cost reduction can provide companies flexibility to experiment with innovative ways for financing consumer purchases and experiment with different revenue models such as pay-per-view, subscription, rental, software-as-service and advertising-in-lieu-of-charge
 - Consumer Technology companies should evaluate opportunities to consolidate and acquire new capabilities and products that will fuel future growth through effective M&A
 - Consumer Technology companies should focus on operational excellence to bring right products and services to market at the right price and right time