What Drives the CE Marketplace?

Trends, Products, and Attitudes

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www.CE.org
About CEA

• The preeminent trade association promoting growth in the $175 billion U.S. consumer electronics (CE) industry.

• More than 2,300 member companies, including:
  o Manufacturers, Retailers
  o Content providers and producers
  o Integrators / Installers

• Producers of the International CES – largest technology event in the U.S.
  o 125,000 attendees, 140 countries
Today’s Conversation

• **Setting the Stage:** Top trends in CE today
• **Hot CE Products:** Key developments and purchase drivers
• **Parting Thoughts:** Consumer attitudes on green purchasing
SETTING THE STAGE
SALES AND TRENDS
# CE Industry Sales and Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Growth</td>
<td>8.1%</td>
<td>7.3%</td>
<td>-6.4%</td>
<td>3.0%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

### U.S. Wholesale Revenues in Billions

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010e</th>
<th>2011p</th>
</tr>
</thead>
<tbody>
<tr>
<td>$156.5</td>
<td>$169.1</td>
<td>$181.5</td>
<td>$169.8</td>
<td>$174.9</td>
<td>$182.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: CEA, CE Sales and Forecasts, July 2010
Current Macro Trends in CE

- Connectivity
- Rise of Software, Services
- Mobility, Portability
- Evolving Command/Control
- Green
Compositional Shifts

% of Total Industry Revenues

1990s
- Home Info: 37%
- Portable Audio: 16%
- Home Audio: 12%
- Video: 6%
- Car Audio: 4%

2010
- Home Info: 39%
- Portable Audio: 31%
- Home Audio: 6%
- Video: 18%
- Car Audio: 4%

* Includes Gaming, Blank Media, Digital Imaging, Accessories
The Rise of CE: # of Products per Home

Total non-discrete CE products owned per household

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.3</td>
<td>2.8</td>
<td>5.4</td>
<td>9.7</td>
<td>13.5</td>
<td>17.4</td>
<td>25.0</td>
<td>25.0</td>
</tr>
</tbody>
</table>

Source: CEA, Household CE Ownership and Market Potential
# Ten Most Owned CE Products

<table>
<thead>
<tr>
<th>Ranked by Household Penetration Rate</th>
<th>% Penetration</th>
<th>Installed Base (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV (any type)</td>
<td>95</td>
<td>324.9</td>
</tr>
<tr>
<td>DVD player/recorder (any type)</td>
<td>93</td>
<td>232.6</td>
</tr>
<tr>
<td>Cell phone (any type)</td>
<td>85</td>
<td>222.6</td>
</tr>
<tr>
<td>Digital camera</td>
<td>80</td>
<td>171.0</td>
</tr>
<tr>
<td>Standard home DVD player</td>
<td>79</td>
<td>164.6</td>
</tr>
<tr>
<td>In-dash CD player</td>
<td>76</td>
<td>164.2</td>
</tr>
<tr>
<td>Basic cell phone (non-smartphone)</td>
<td>75</td>
<td>140.4</td>
</tr>
<tr>
<td>Desktop computer</td>
<td>75</td>
<td>128.3</td>
</tr>
<tr>
<td>Multi-function printer</td>
<td>66</td>
<td>133.4</td>
</tr>
<tr>
<td>HDTV</td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>

*Source: CEA, 12th Annual CE Ownership and Market Potential Study*
HOT PRODUCTS AND PURCHASE DRIVERS
Why Buy Technology?

Reasons Consumers Buy

• Helpful, ‘It Works’
• Fun, Cool
• Increases Productivity
• Necessity

What They Worry About

• Obsolescence
• Hard to Use
• Damage / Replacement
• Interoperability
Today’s Hottest CE Products

- Blu-Ray Players
- Tablet Computers
- eReaders
- 3D TV and Connected Displays
- Accessories
- Smartphones

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3D TV and Connected Displays

**Key Developments**

- Manufacturers jumping in
- Small price premium
- Dearth of content today
- Glasses required

**Key Developments**

- PC on the TV
- ‘Over the Top’ Services
- Wired or Wi-Fi
- Connected platforms (Google TV)
### TV Purchase Drivers – the Eyes Have It

<table>
<thead>
<tr>
<th>Feature</th>
<th>% Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Picture quality</td>
<td>92</td>
</tr>
<tr>
<td>Screen size</td>
<td>87</td>
</tr>
<tr>
<td>Price</td>
<td>86</td>
</tr>
<tr>
<td>Sound quality</td>
<td>77</td>
</tr>
<tr>
<td>Picture resolution</td>
<td>75</td>
</tr>
<tr>
<td>Brand reputation</td>
<td>75</td>
</tr>
<tr>
<td>Warranty</td>
<td>72</td>
</tr>
<tr>
<td>Type of technology</td>
<td>67</td>
</tr>
<tr>
<td>Fits in existing furniture</td>
<td>52</td>
</tr>
<tr>
<td>Thickness</td>
<td>49</td>
</tr>
<tr>
<td>Weight</td>
<td>39</td>
</tr>
<tr>
<td>Ability to hang on wall</td>
<td>29</td>
</tr>
</tbody>
</table>

### Profile of the 3D TV Buyer

- Younger, more affluent.
- Avid consumers of TV shows and movies.
- 43% of these individuals have seen a 3D movie in the theater in the last 12 months.
# Tablets Take Center Stage

## U.S. Unit Sales (000s)

<table>
<thead>
<tr>
<th>Year</th>
<th>AWP (USD)</th>
<th>Rev. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$700</td>
<td>63</td>
</tr>
<tr>
<td>2010</td>
<td>$630</td>
<td>4,347</td>
</tr>
<tr>
<td>2011</td>
<td>$595</td>
<td>8,087</td>
</tr>
<tr>
<td>2012</td>
<td>$565</td>
<td>10,670</td>
</tr>
<tr>
<td>2013</td>
<td>$530</td>
<td>11,766</td>
</tr>
<tr>
<td>2014</td>
<td>$530</td>
<td>13,066</td>
</tr>
</tbody>
</table>

Source: CEA Sales and Forecasts, July 2010
Tablet Buyer = Early Adopter

- Classic ‘Early Adopter’ purchaser
- Adding to mobile computing mix
- Should be big for holiday 2010
- Usage focus: entertainment, ebooks, web

**Apple iPad**
- 9.7” LED Screen
- 1GHz / 64GB
- Apple iOS
- 1.5 pounds

**Samsung Galaxy Tablet**
- 7” LCD Screen
- 1GHz / 64GB
- Google Android
- 0.84 pounds
eReaders: Moving Beyond Niche

- E-Ink technology gives an edge
- eBook library growing rapidly
- Pricing affordable for most (about $200)
- Distribution channel expanding
  - Best Buy gets Nook
  - Target gets Kindle

Samsung E6 / E10  iRiver Story  Interead COOL-ER  B&N Nook

Amazon Kindle  Bookeen Orizon  Sony Reader
## Accessory Purchase Drivers

<table>
<thead>
<tr>
<th>Factor</th>
<th>Top Two Box Score*</th>
<th>Male</th>
<th>Female</th>
<th>Ages 18-24</th>
<th>Ages 25-34</th>
<th>Ages 35-44</th>
<th>Ages 45-54</th>
<th>Ages 55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functionality</td>
<td>87%</td>
<td>86%</td>
<td>88%</td>
<td>79%</td>
<td>83%</td>
<td>91%</td>
<td>94%</td>
<td>89%</td>
</tr>
<tr>
<td>Quality</td>
<td>87%</td>
<td>88%</td>
<td>86%</td>
<td>75%</td>
<td>83%</td>
<td>93%</td>
<td>88%</td>
<td>92%</td>
</tr>
<tr>
<td>Price</td>
<td>83%</td>
<td>82%</td>
<td>83%</td>
<td>74%</td>
<td>79%</td>
<td>86%</td>
<td>87%</td>
<td>84%</td>
</tr>
<tr>
<td>Price relative to CE Device</td>
<td>67%</td>
<td>65%</td>
<td>71%</td>
<td>57%</td>
<td>65%</td>
<td>73%</td>
<td>72%</td>
<td>67%</td>
</tr>
<tr>
<td>Appearance/look of accessory</td>
<td>52%</td>
<td>48%</td>
<td>56%</td>
<td>55%</td>
<td>63%</td>
<td>56%</td>
<td>48%</td>
<td>36%</td>
</tr>
<tr>
<td>Brand</td>
<td>49%</td>
<td>48%</td>
<td>51%</td>
<td>52%</td>
<td>51%</td>
<td>55%</td>
<td>48%</td>
<td>42%</td>
</tr>
<tr>
<td>Recommendations from store sales associates</td>
<td>35%</td>
<td>34%</td>
<td>37%</td>
<td>41%</td>
<td>36%</td>
<td>32%</td>
<td>34%</td>
<td>33%</td>
</tr>
</tbody>
</table>

* Very important / important

Source: Accessories Purchasing in the 21st Century, 2010
PARTING THOUGHTS
CONSUMER ATTITUDES
Key Findings: Shades of Green Study,
1001 U.S. Adults, November 2009

• Consumers are largely aware of issues affecting the environment
  • Terms such as organic, recyclability, and energy efficiency enjoy near ubiquitous understanding by consumers
  • 76% agree that companies should do more to protect the environment
  • 10% of consumers report purchasing a Green computer in the past 12 months
• While price is an important factor in the purchase decision process, environmentally friendly attributes still rank high
  • 74% of consumers agree environmental friendly attributes are important
• Future purchasers of CE are looking for energy efficiency, recyclability, less packaging.
  • 58% of consumers are willing to try a CE company for fulfilling these requirements.
  • 33% of consumers are willing to invest a CE company for being “green”
QUESTIONS?

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