Tablet Market Outlook

- Tablet Research Study, Wave 2

April 2011 (with Addendum – July, August 2012)

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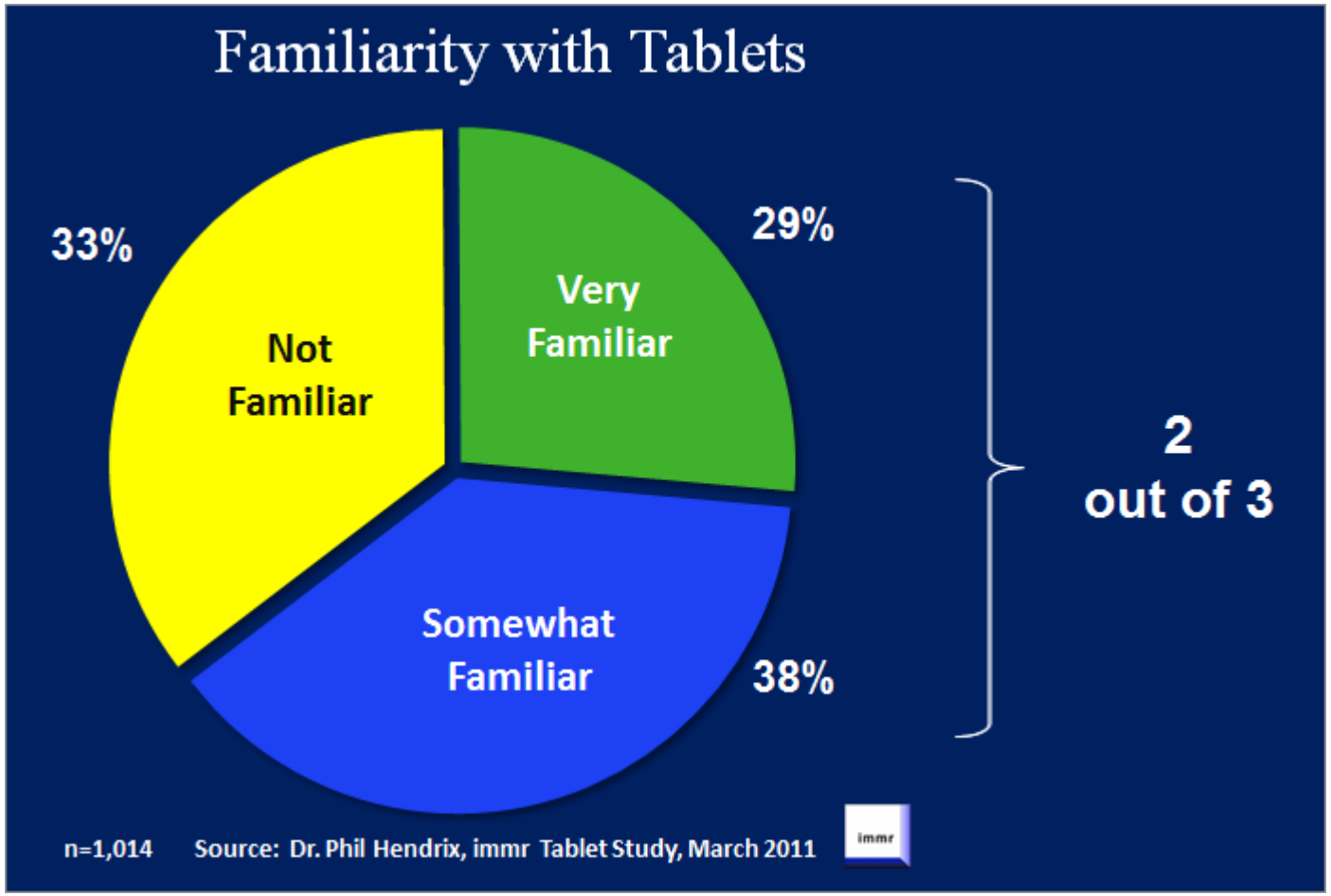
URL for document:
www.immr.org/downloads/immr_tablet_market_outlook_201104.pdf

Contents

How Familiar are Consumers with Tablets?

- **Nearly 3 out of 10 consumers are very familiar with Tablets, while two out of three are at least "Somewhat Familiar"**

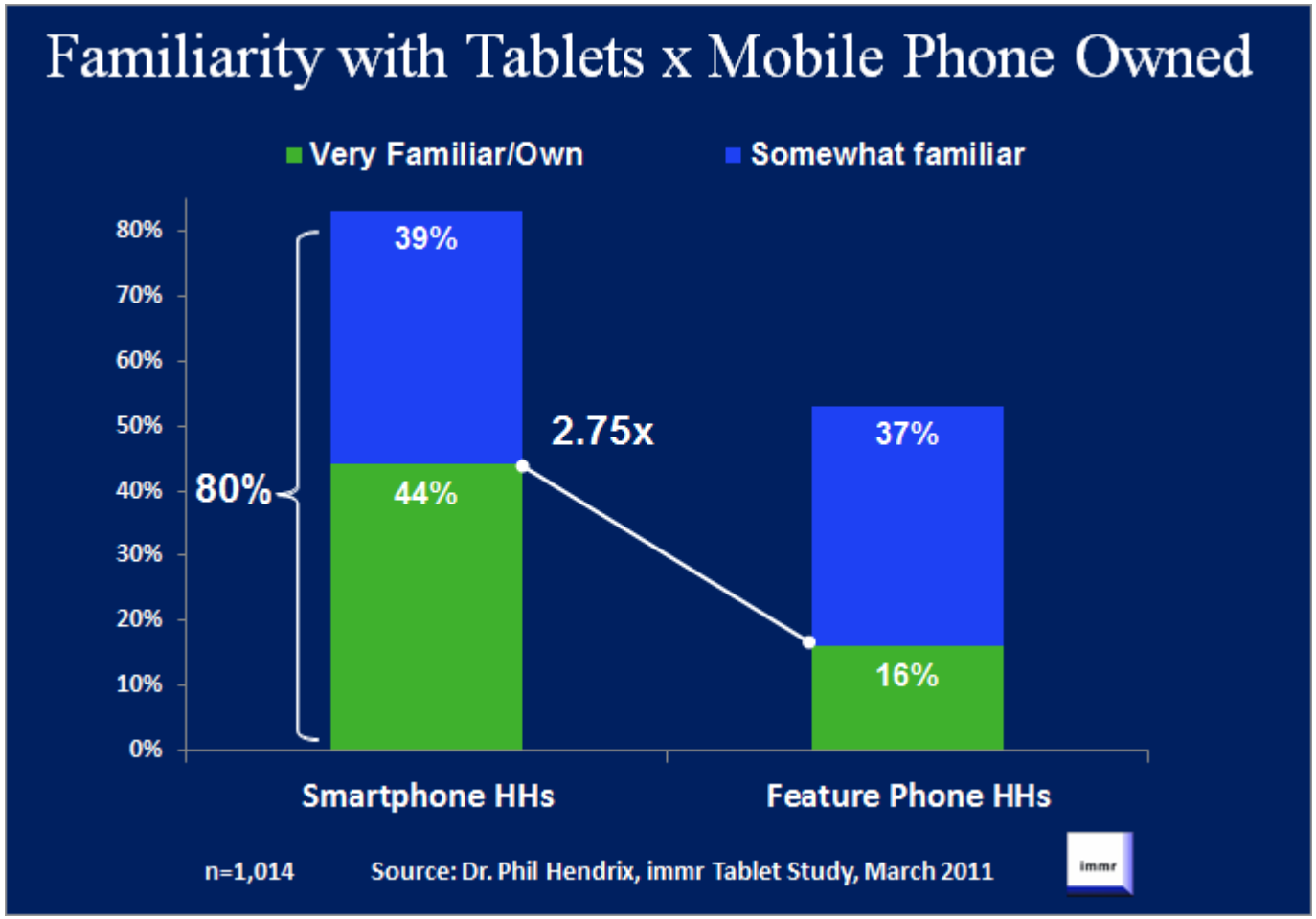


Text	*Tablets (also known as Tablet PCs) are a new type of PC that includes the Apple iPad, Samsung Galaxy Tab and other models. How familiar are you with Tablets?*

Source	Tablet Research Study	Date	March 2011	Question	QC01	Segment	Total Sample	n = 1,014

How Familiarity Varies by Type of Mobile Devices Owned

- **Compared to Feature Phone owners, Smart phone owners are much more familiar with Tablets**

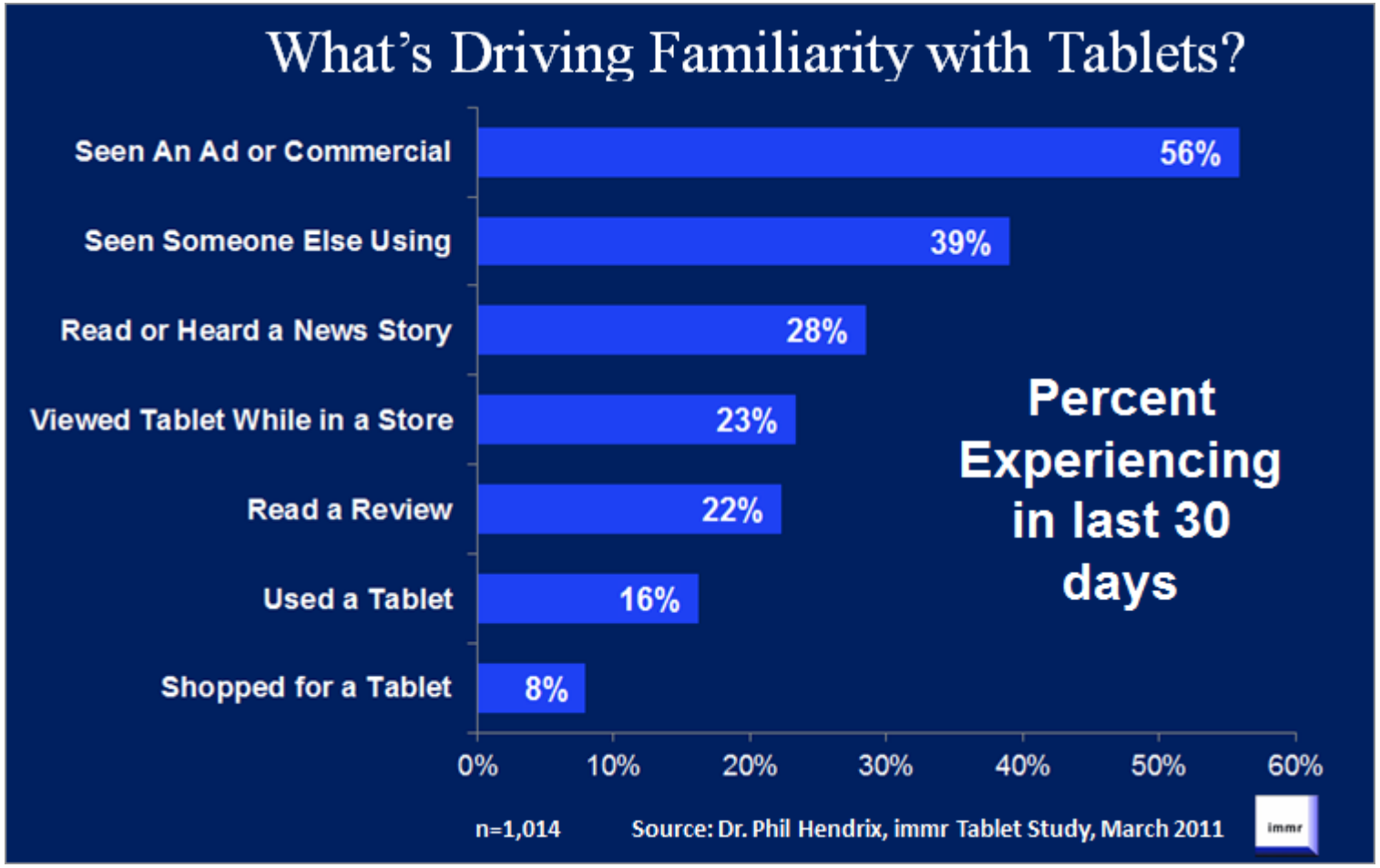


Text	*Tablets (also known as Tablet PCs) are a new type of PC that includes the Apple iPad, Samsung Galaxy Tab and other models. How familiar are you with Tablets?*

Source	Tablet Research Study	Date	March 2011	Question	QC01	Segment	Total Sample	n = 1.014

What's Driving Familiarity with Tablets?

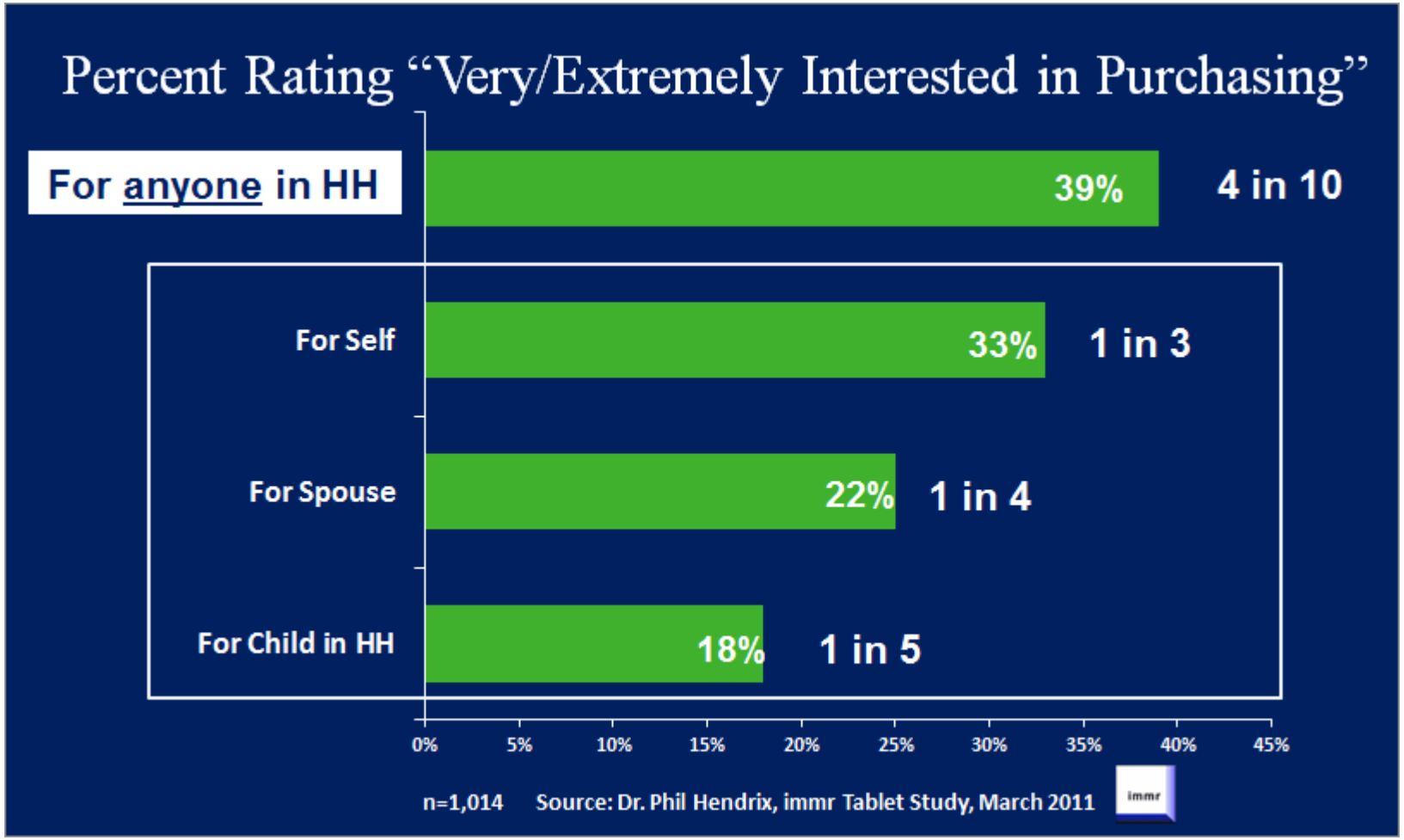
- **Consumers are being exposed to Tablets through OEMs, the media and other users. In the last 30 days, over half have seen an ad or commercial for a Tablet, while 4 in 10 have seen someone else using a Tablet.**



Text	*In the last 30 days, which if any of the following experiences have you had with Tablets? (check all that apply)*							
Source	Tablet Research Study	Date	March 2011	Question	QC02	Segment	Total Sample	n = 1,014

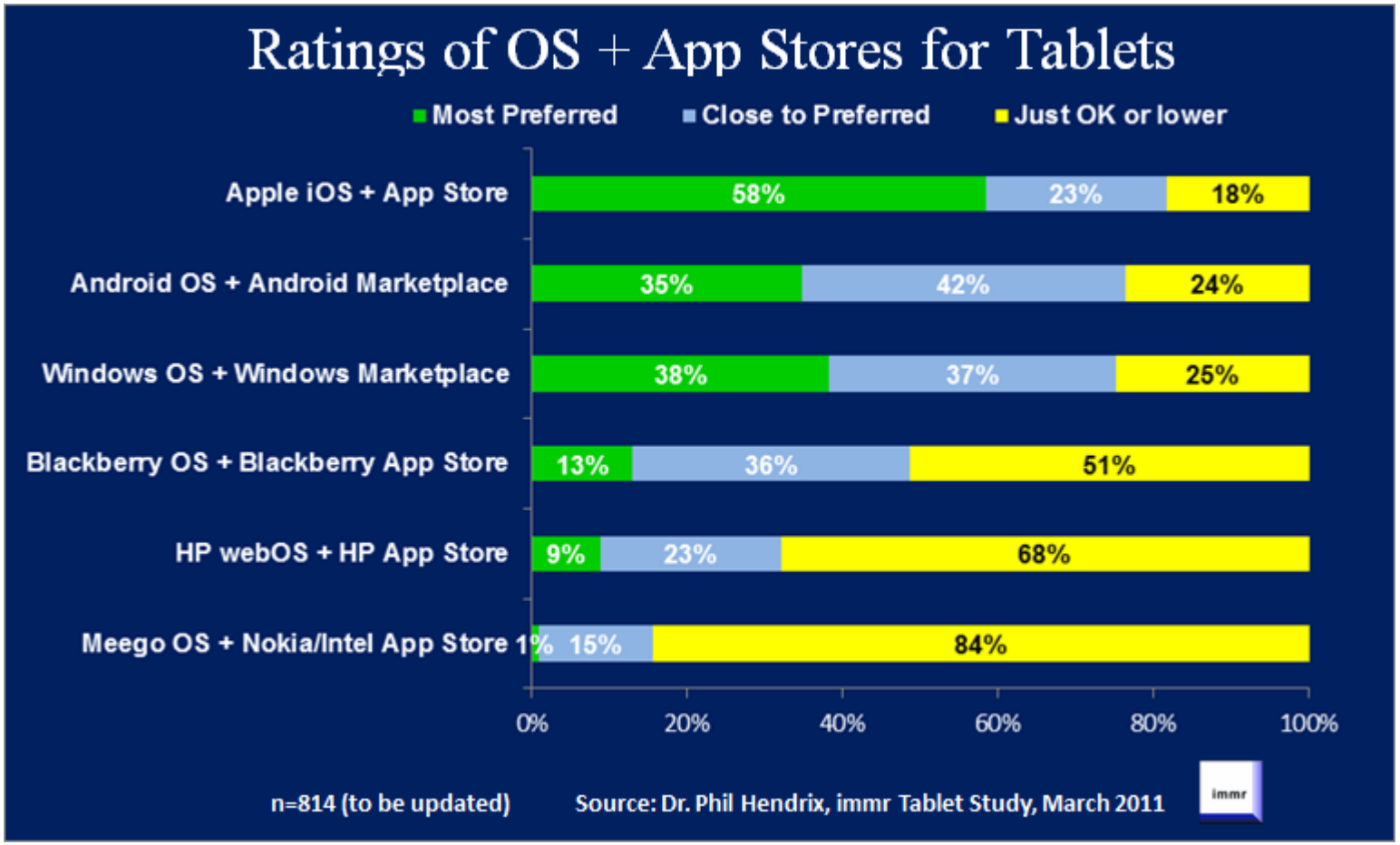
How Interested are Consumers in Purchasing a Tablet?

- **Four out of ten consumers are very or extremely interested in purchasing a Tablet**



Text	*Overall, how interested are you in purchasing a Tablet for… (a) yourself; (b) your spouse (if married); (c) for your child(ren) age 7-12; 13-18; 19-24 (if present) (Scale: Not at all interested; Somewhat interested; Fairly interested; Very interested; Extremely interested)*								
Source	**Tablet Research Study**	**Date**	**March 2011**	**Question**	**QC06**	**Segment**	**Total Sample**		**n = 1,014**

Who's Winning the OS + App Store Battle?

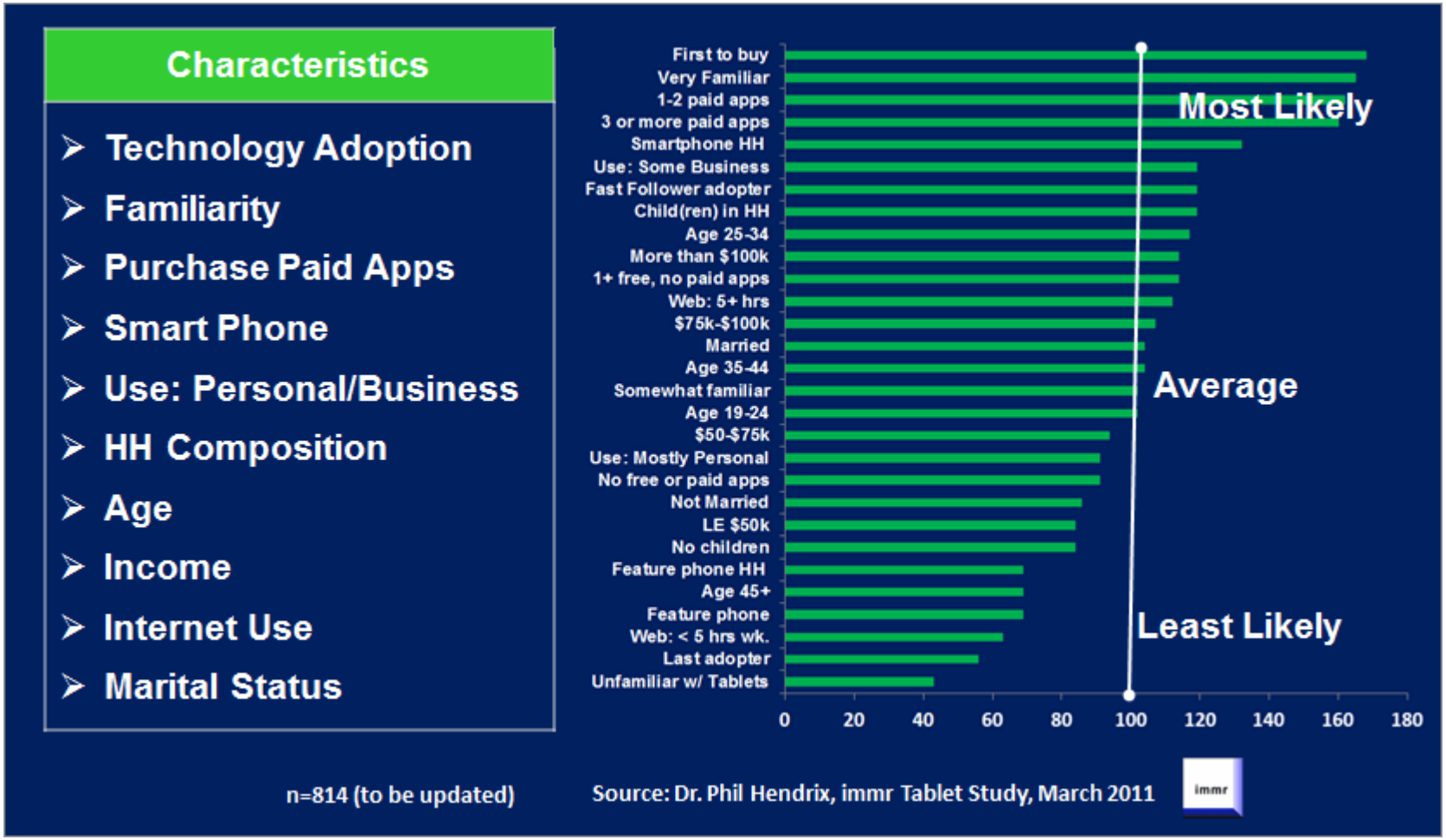


Note:	Ratings of Tablet OS and App Store combinations; ties permitted

Source	immr Tablet Research Study	Date	March 2011	Question	QE02…	Segment	Total Sample	n = 814

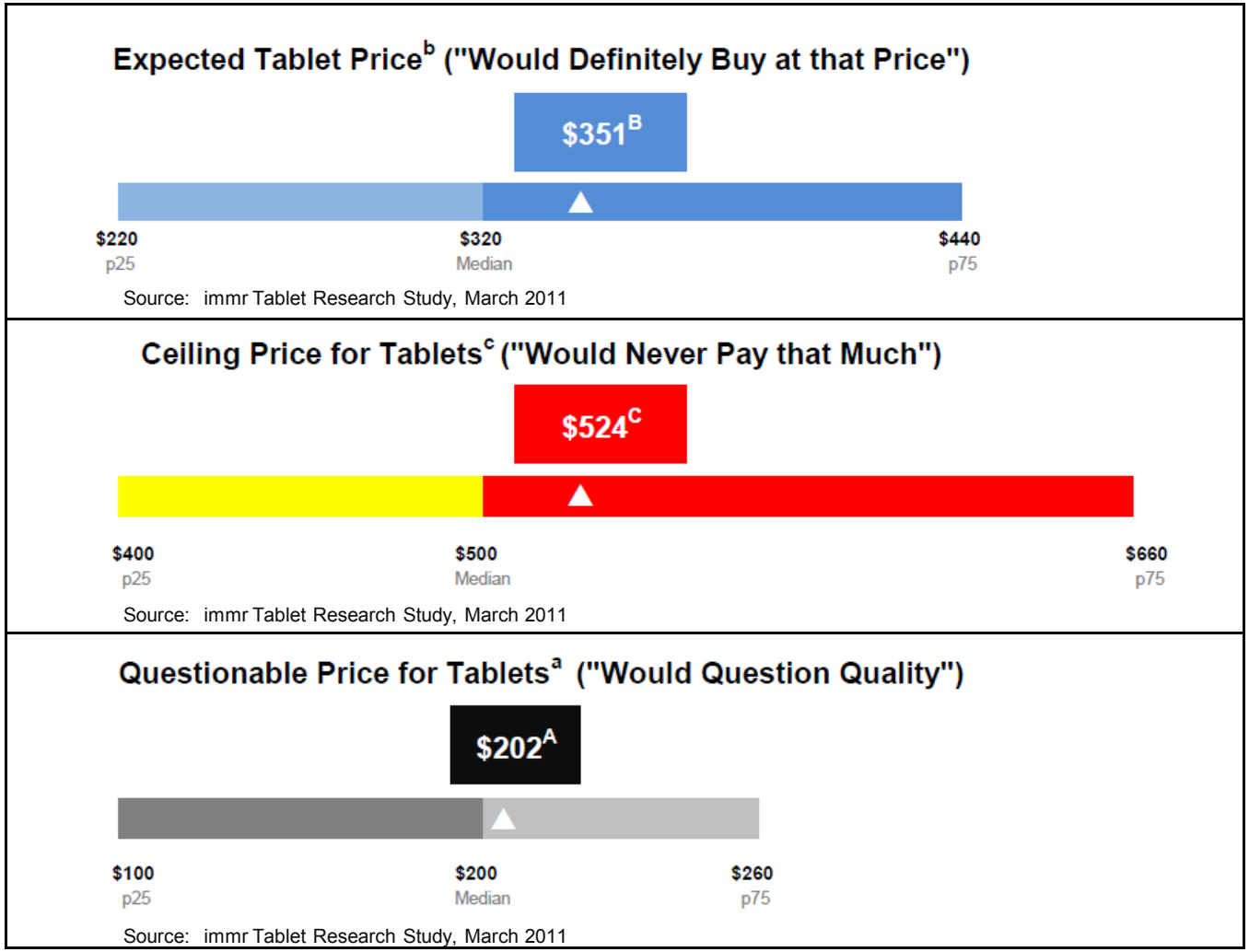
Characteristics of Likely Tablet Purchasers

- **Likely Tablet Purchasers are distinguished by a number of characteristics. Smart phone HHs, for example, are 1.5x as likely to be interested in purchasing a Tablet, while individuals age 45+ are only 75% as likely, compared to the average (index = 100).**



Source	Tablet Research Study	Date	March 2011	Question	QC06	Segment	Results within Segments Shown	n = 814

How Much Will Consumers Pay for Tablets?



Note:	A, B, and C are mean of responses to questions shown on next page; p25 is 25th percentile; p75 is 75th percentile response.

Source	immr Tablet Research Study	Date	March 2011	Question	QE03	Segment	Interested in Purchasing Tablet	n = 314

How Much Will Consumers Pay for Tablets? (cont'd.)

Discussion

- For prospective Tablet buyers (e.g., those "very or extremely interested" in purchasing a Tablet for themselves or a household member), $350 is the "sweet spot" in Pricing. At that price, the average prospective buyer would definitely buy.
- As prices rise above $350, prospective buyers view Tablets as "getting expensive" and would have to weigh the costs and benefits more carefully before buying.
- For the average Tablet buyer, $525 represents a ceiling beyond which they are unwilling to go. While there are "premium buyers" willing to pay more, those buyers represent a small segment of the overall market.
- At the other end of the market, prospective buyers question the quality of Tablets priced below $200.
- Additional findings re: price sensitivity and elasticity included in final report.

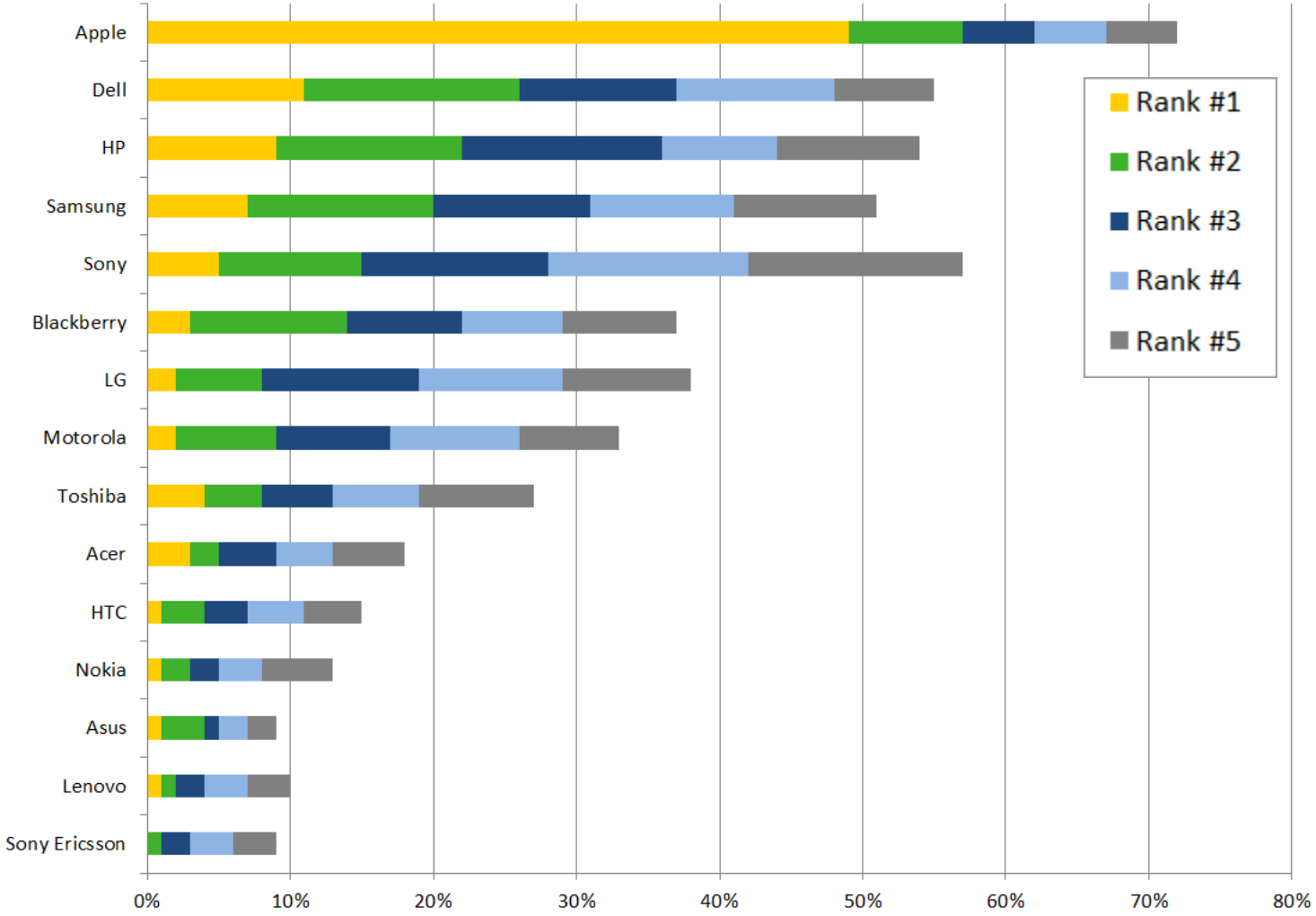
Text of Questions:

[a]A Tablet priced below $____ (A) would cause you to question its quality and believability.

[b]Tablets priced between (A) and $____ (B) represent such a good value that you would definitely purchase one.

[c]Tablets priced between (B) and $____ (C) are starting to get expensive - you would have to carefully weigh the cost-benefit before purchasing. Prices higher than (C) are much too expensive - you would NEVER consider buying a Tablet that cost more than C, regardless of its features.

Likelihood of Considering Brands for Tablet Purchase



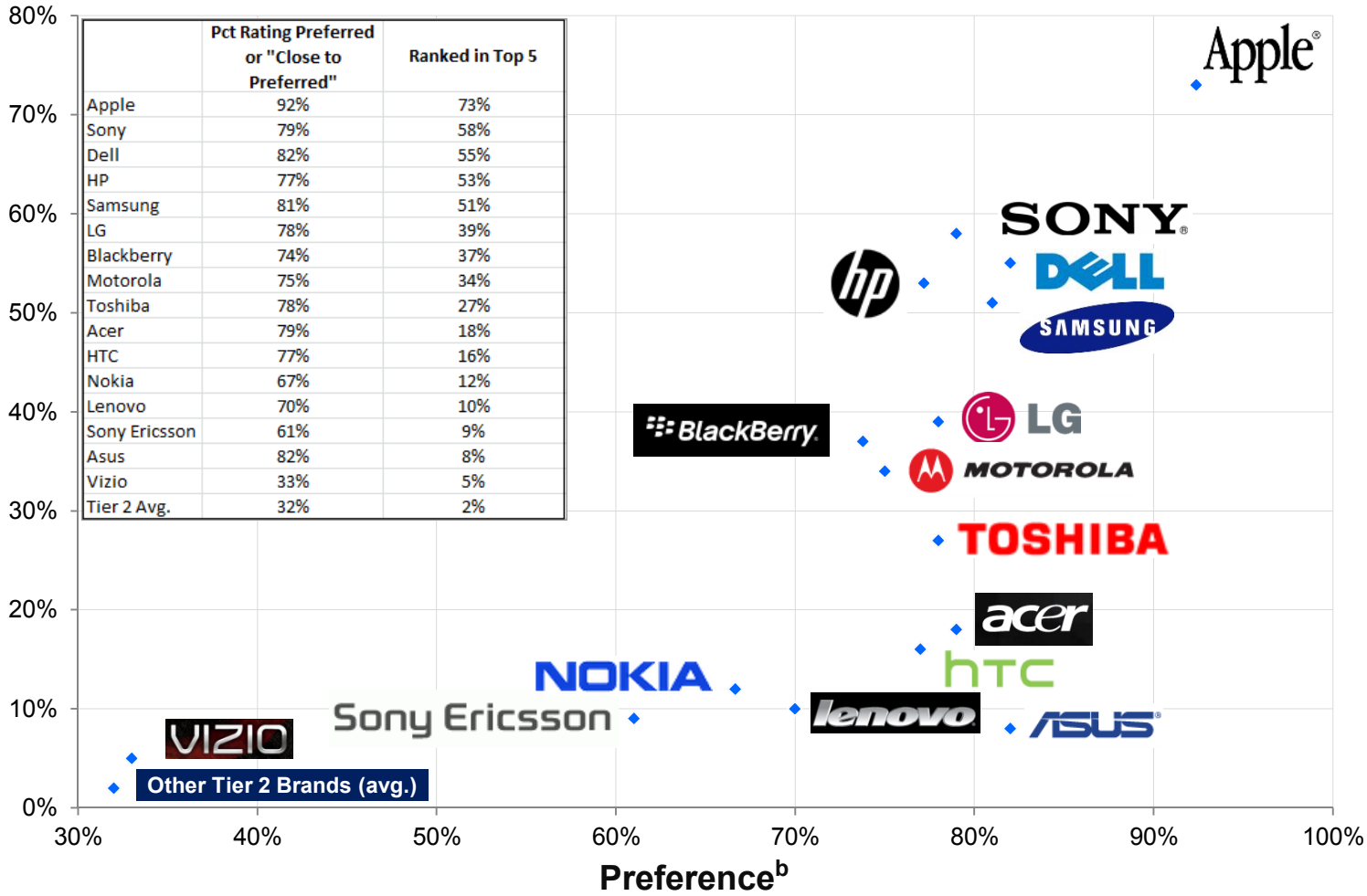
[a]Percent Ranking Brand #1, 2, 3, 4, or 5 of Top 5 Brands They Would Consider for a Tablet

Source	Immr Tablet Research Study	Date	March 2011	Questions	QD04:1_15	Segments	Total Sample	n = 1,014

Brands Most Likely to be Considered, Preferred for Tablets

Consideration[a]

	Pct Rating Preferred or "Close to Preferred"	Ranked in Top 5
Apple	92%	73%
Sony	79%	58%
Dell	82%	55%
HP	77%	53%
Samsung	81%	51%
LG	78%	39%
Blackberry	74%	37%
Motorola	75%	34%
Toshiba	78%	27%
Acer	79%	18%
HTC	77%	16%
Nokia	67%	12%
Lenovo	70%	10%
Sony Ericsson	61%	9%
Asus	82%	8%
Vizio	33%	5%
Tier 2 Avg.	32%	2%

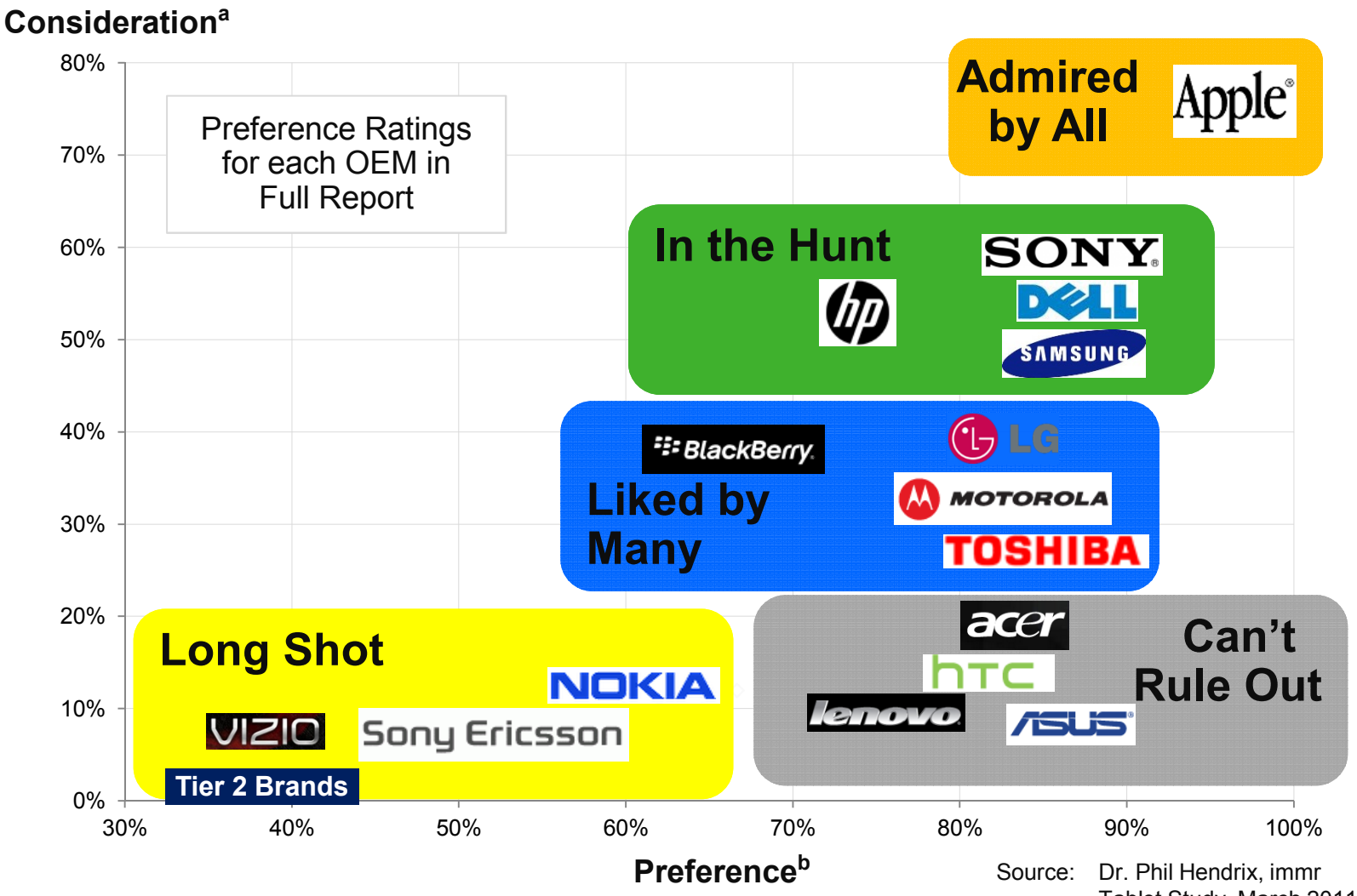


[a]Percent Ranking Brand as 1 of Top 5 Brands They Would Consider for Tablets

[b]Among respondents who ranked Brand in Top 5, percent rating "Preferred" or "Close to Preferred" on 5 pt. scale

Source	Immr Tablet Research Study	Date	March 2011	Questions	QD04 and 21	Segments	Rank Brand in Top 5	n = 1,014

Which OEMs Are Best Positioned to Win the Tablet War?



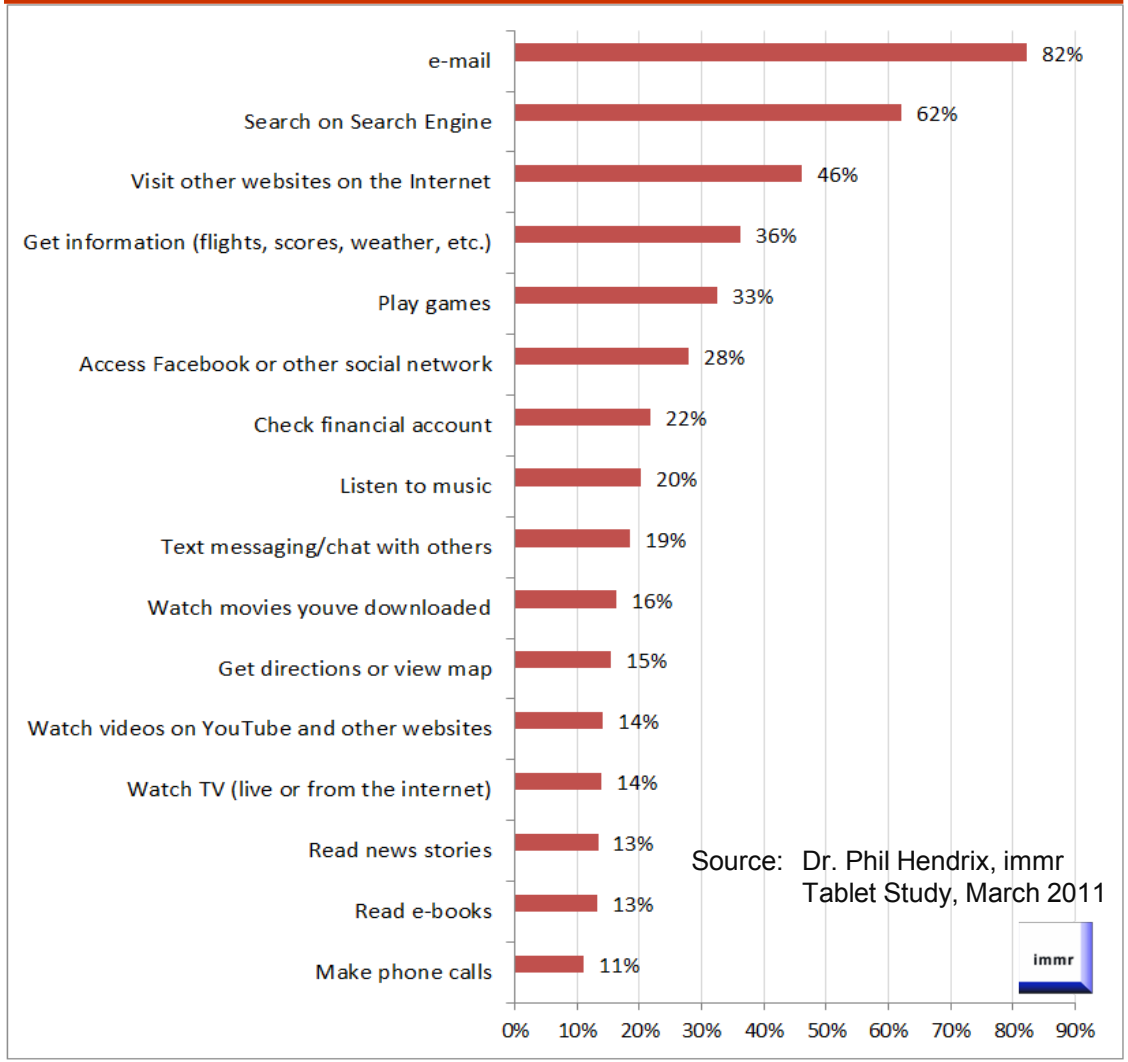
Source: Dr. Phil Hendrix, immr Tablet Study, March 2011

[a]Percent Ranking Brand as 1 of Top 5 Brands They Would Consider for Tablets (n = 1,014)

[b]Among respondents who ranked Brand in their Top 5, percent rating Brand "Preferred" or "Close to Preferred" on 5 pt. Scale (n varies by brand, from n=1,014 for Apple, HP, Blackberry and Nokia to 100-700+ for other brands)

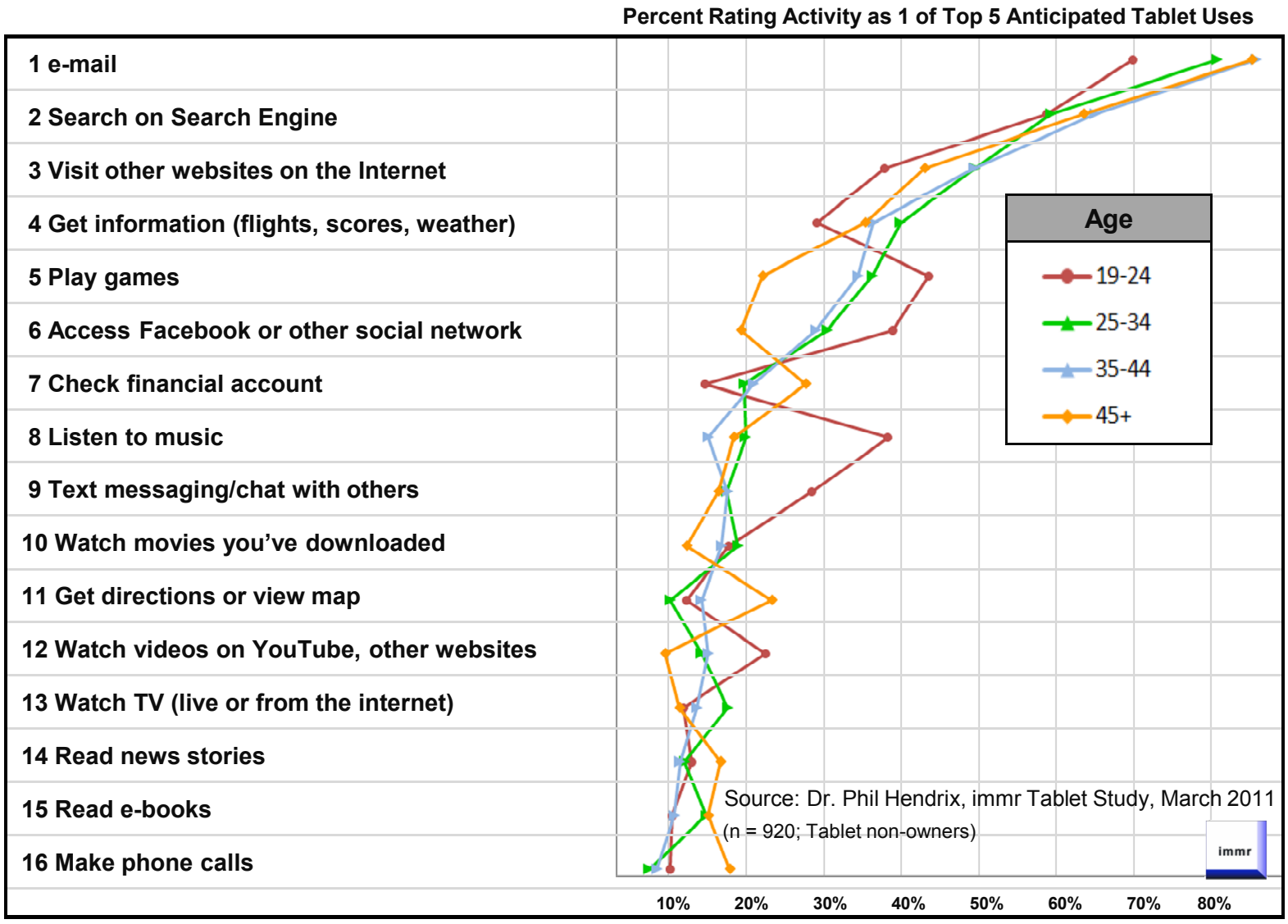
Anticipated Uses of Tablets – Overall

Percent Rating Activity as 1 of Top 5 Anticipated Tablet Uses



Source	Immr Tablet Research Study	Date	March 2011	Questions	QX04:1_29	Segments	Tablet Non-owners	n = 920

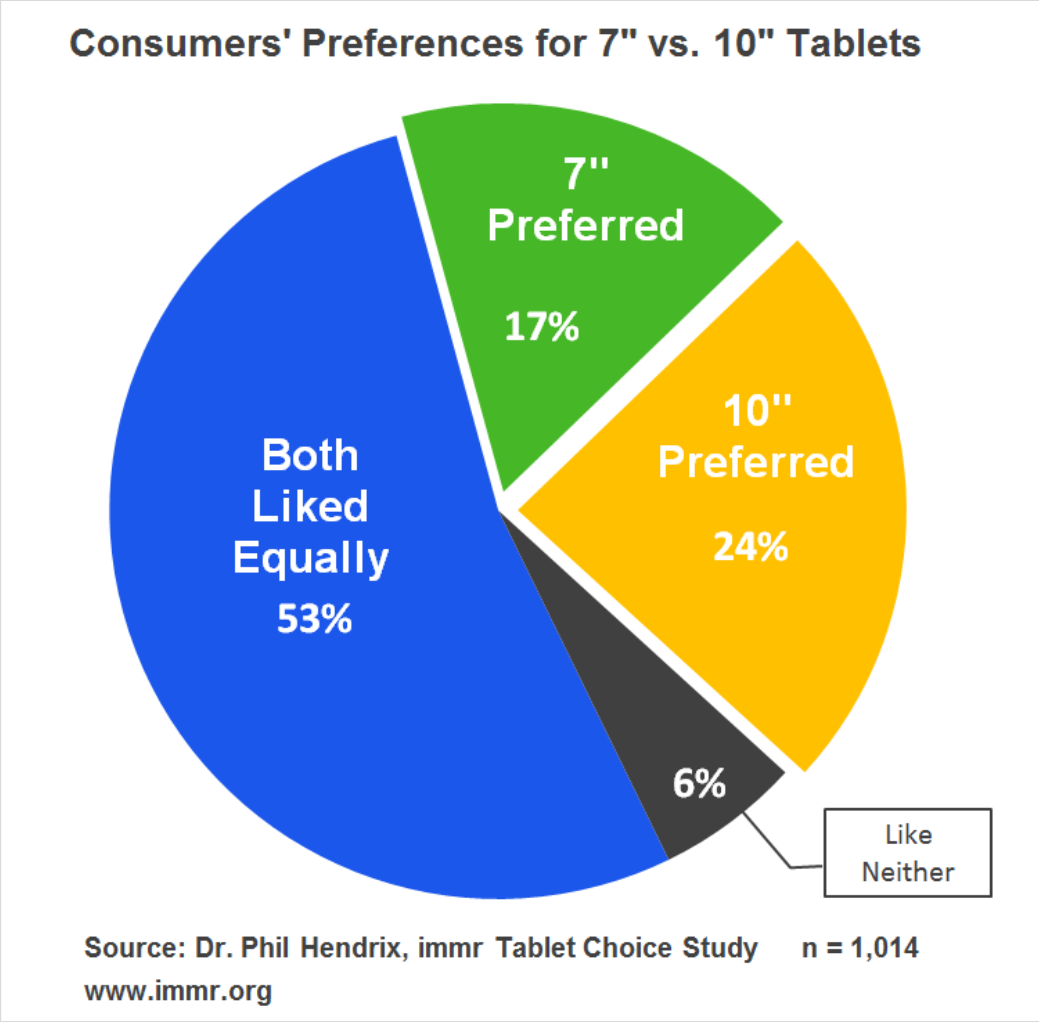
Anticipated Uses of Tablets x Age Group



Screen Size Pros and Cons
Explanation given to Survey Respondents

Screen Size	Measured diagonally, 7" and 10" Tablets are the most common sizes	
Which Tablet Size is best for you?		
	Pros	**Cons**
7"	▪ Lighter, easier to hold ▪ Small enough to display most apps ▪ Natural size for e-books ▪ Fits more easily into purse, glove box	▪ Web sites can appear shrunken or require fiddling to resize ▪ Keyboard can be cramped for two-hand use, too large for one-hand ▪ Too large for most pockets ▪ Viewing some content/magazines requires more zooming in/out
7" Tablet Examples: Samsung Galaxy Tab; ViewSonic ViewPad 7; Barnes & Noble Nook Color.		
10"	▪ Web pages require less zooming and resizing ▪ More natural size for digital magazines, larger e-books appear at a more natural size ▪ Touch screen keyboards are nearly laptop-size ▪ Larger area and detail available on maps ▪ Increased legibility for creating and editing documents and spreadsheets ▪ Easier to share video, photo, and game experiences with a group of people.	▪ Less portable than smaller devices ▪ Heavier, not as easy to hold for extended periods ▪ Not as large as most standard laptop screens ▪ Apps designed for the smaller screens of smartphones often appear awkwardly large or pixilated ▪ More screen means more room for smudges.
10" Tablet Examples: Apple iPad; Motorola Xoom; Toshiba tablet; ViewSonic G Tablet.		
Source: CNet Tablets Buying Guide		

Preferences for Tablets x Screen Size



Text	*Please rate your preferences for tablets with the following Screen Sizes: 7" and 10" (Scale: Most Preferred; Close to Preferred; Just OK; Consider Reluctantly; Reject)*								
Source	**Tablet Research Study**	**Date**	**March 2011**	**Question**	**QC01**	**Segment**	**Total Sample**		**n = 1,014**

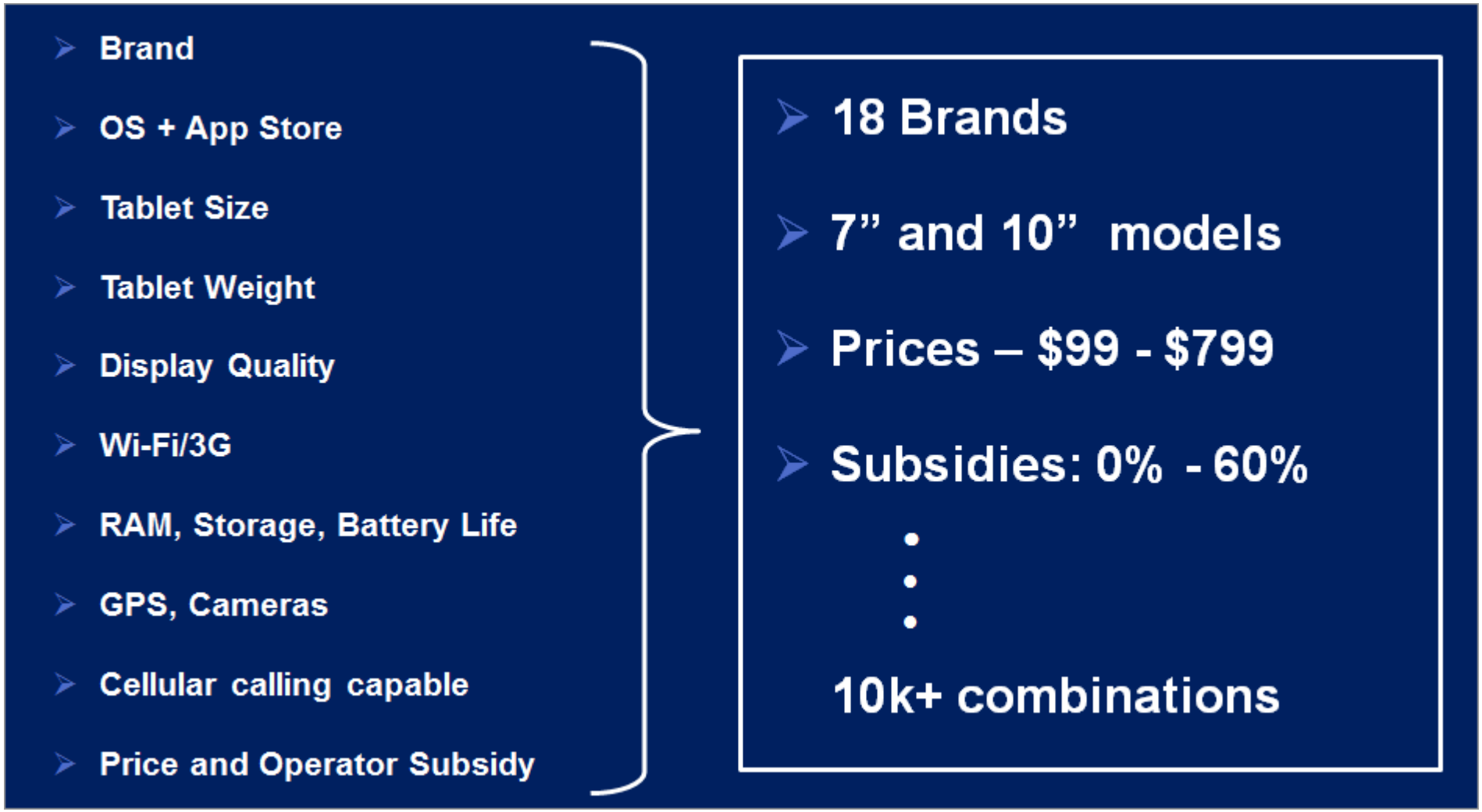
Tablet
Choice Model

Tablet Choice Study

The Tablet Study also includes a Choice Model exercise to better answer the questions below.

Choice Modeling	Questions Answered
➢ Respondents shown series of Tablets ➢ Tablet features and prices varied according to an experimental design ➢ Respondents indicate likelihood of choosing ➢ Statistical modeling used to estimate impact of features, brands, pricing ➢ Effects incorporated into simulator, using to do "what if" analyses	➢ Demand and Market Share ➢ Market share x Brand ➢ Share x Model (size; Wi-Fi/3G; etc.) ➢ Feature value/impact ➢ Price elasticity ➢ Impact of Operator Subsidy ➢ Modeling competitive scenarios

Features Examined in Tablet Choice Model



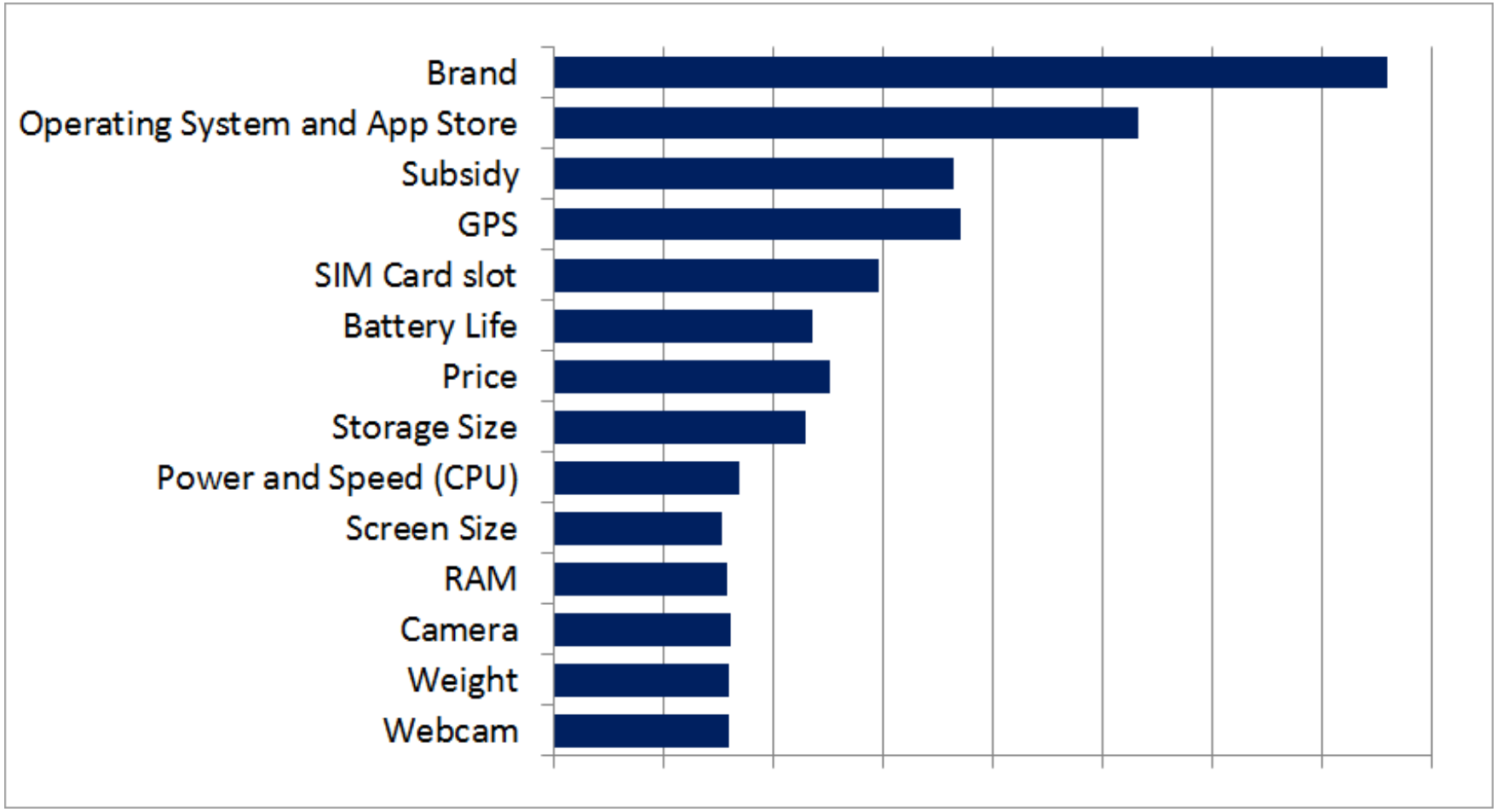
Examples – Tablets Shown in the Choice Task

Feature	
Brand	HP
Screen Size	10"
3G/Wi-fi	Wi-Fi Only
Operating System	HP webOS
App Store	HP App Store
Processor Speed (CPU)	1.2 GHz
Weight	1.10 lbs.
Profile	Lean Profile Model
Display Quality/Readability	Better
Battery Life	8 Hrs
RAM	2 GB
Internal Storage	16 GB
GPS	Included
Camera (for photos)	3 Mp
Webcam (for webchat, video calling)	1.2 Mp
Cellular Calling Capable	No
Price (no data plan required)	$399

Feature	Tablet 6 of 10
Brand	Motorola
Screen Size	7"
3G/Wi-fi	Wi-Fi + 3G
Operating System	Android OS
App Store	Android Marketplace
Processor Speed (CPU)	1 GHz
Weight	0.85 lbs.
Profile	Regular Profile Model
Display Quality/Readability	Best
Battery Life	8 Hrs
RAM	1 GB
Internal Storage	8 GB
GPS	Included
Camera (for photos)	3 Mp
Webcam (for webchat, video calling)	1.2 Mp
Cellular Calling Capable	Yes
Price (no data plan required)	$329

Illustrative Results from the Choice Model

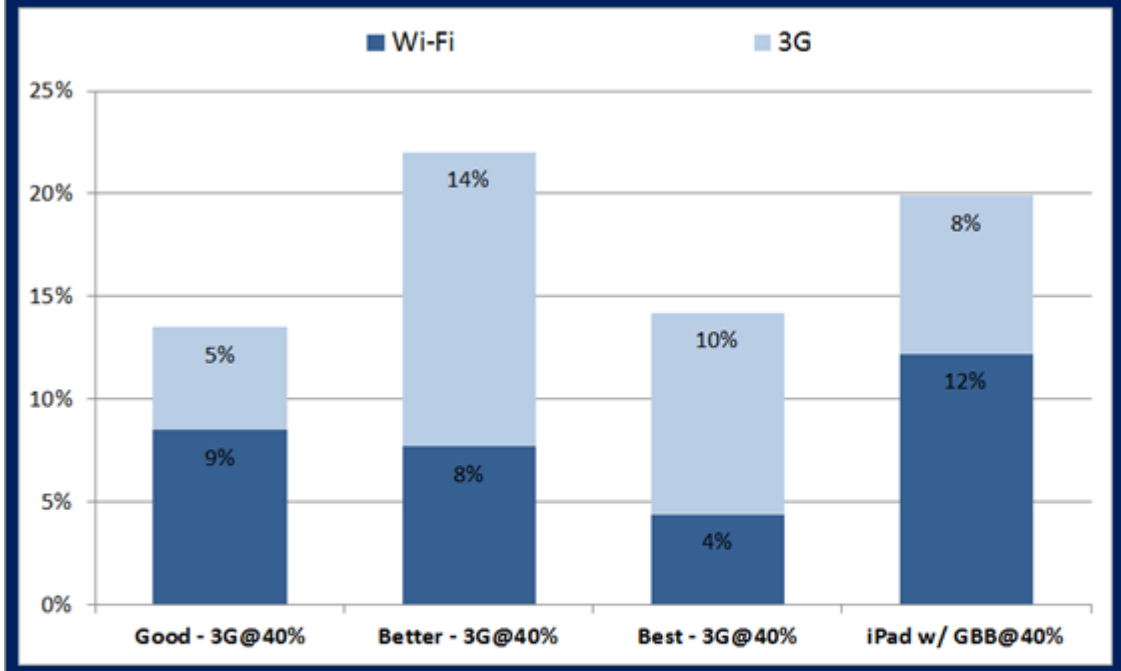
Tablet Feature Impacts on Consumer Choice



Source	immr Tablet Research Study	Date	March 2011	Question	Choice	Scenario	Across All	n = 1,014

Illustrative Results from the Choice Model

Scenario B: 3 Models + iPad, Wi-Fi and 3G@40%



3G vs. Wi-Fi	
3G	37%
Wi-Fi	33%

By Brand	
ipad	20%
Premium	14%
Mid-	22%
Low-	14%

n=814 (All Respondents – Wave 2) Source: Dr. Phil Hendrix, immr Tablet Study, March 2011 – Choice Model Scenario

The Future of Tablets Conference – CTIA – Orlando – March 22, 2011

The Future of Tablets

Dr. Phil Hendrix

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Source	immr Tablet Research Study	Date	March 2011	Question	Choice	Scenario	Across All	n = 814

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Thank You!

Additional research findings available – for more info contact Dr. Phil Hendrix.

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Appendix

Overview of Research

Research Objectives

- Estimate Tablets market potential
- Calibrate consumer preferences for Tablet models and features
- Estimate price and feature elasticity
- Profile Tablet buyer segment

Research Approach

- Online survey with national sample of consumers
- Choice Modeling methodology to calibrate brand and feature preferences
- Simulator to model share under various model x feature scenarios
- Data collection Feb. – March 2011

Sample Characteristics

- Mobile phone owners age 19+
- n = 1,014 (including supplement from immr Wave 1 study)
- Quotas for:
  - Age
  - Gender
  - Region
  - Feature and smart phone owners

Survey:

- Online survey (length ~ 20 mins.)
- Survey questions plus
- Choice Model

[a]Addit'l criteria applied in selecting sample: Annual HH income; Responsibility for selecting consumer electronics for HH; Employment status

Dr. Phil Hendrix – Bio

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Dr. Phil Hendrix is the founder and director of immr, a research and consulting firm focused on "very new" product and market opportunities, and an analyst with GigaOm Pro. He specializes in helping organizations identify, verify, and capitalize on opportunities for products that are new-to-customers and very often new-to-market. Dr. Hendrix has developed perspectives and research-based tools to uncover customers' unmet needs, reveal hurdles slowing adoption, trigger interest and accelerate purchase, and determine features and pricing to maximize market penetration. He has extensive experience adapting and applying research approaches, both qualitative and quantitative, to amplify weak market signals and help clients innovate successfully.

Phil has led significant engagements with numerous startups (such as Company.com) and multiple business units of Fortune 100 clients in telecommunications (AT&T, Verizon, Sprint, Sony Ericsson, and others), financial services (American Express), transportation (UPS), insurance (Allstate, United Healthcare), healthcare (Meridian Health, US Oncology), and others. He has worked closely with senior management and client project teams on issues ranging from "traditional marketing" (segmentation, positioning, branding) to innovation, user experience, and customer retention. Over the course of his career, Phil has helped clients conceive and successfully launch dozens of new products, businesses, and brands. He has extensive experience in B2C and B2B (SMB) markets. He is also a frequent speaker at industry and academic conferences.

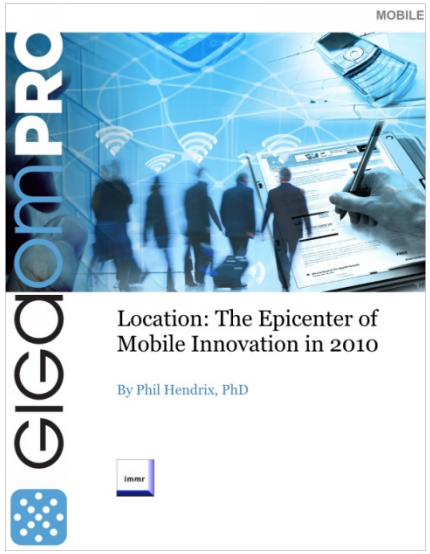
Phil brings a unique combination of academic rigor, strategic perspective, and hands-on experience to his work. Before founding immr, Phil was a partner with DiamondCluster (strategy and technology consultancy), founder and head of IMS (Integrated Measurement Systems), and a principal with Mercer Management Consulting. He has held faculty and research positions at Emory University and the University of Michigan, where he taught courses in research design and analysis, buyer behavior, and marketing strategy, and the Survey Research Center at U. of Michigan. After receiving his PhD in marketing from the University of Michigan, Dr. Hendrix completed post-doctoral studies in applied statistics and mathematical psychology.

Overview and excerpts from Phil's recent publications are available at Slideshare (www.slideshare/pehendrix), with additional information available at www.immr.org and GigaOm Pro.

Dr. Phil Hendrix – Recent Reports and Publications

Excerpts available at www.slideshare.net/pehendrix

Copies available at http://pro.gigaom.com/

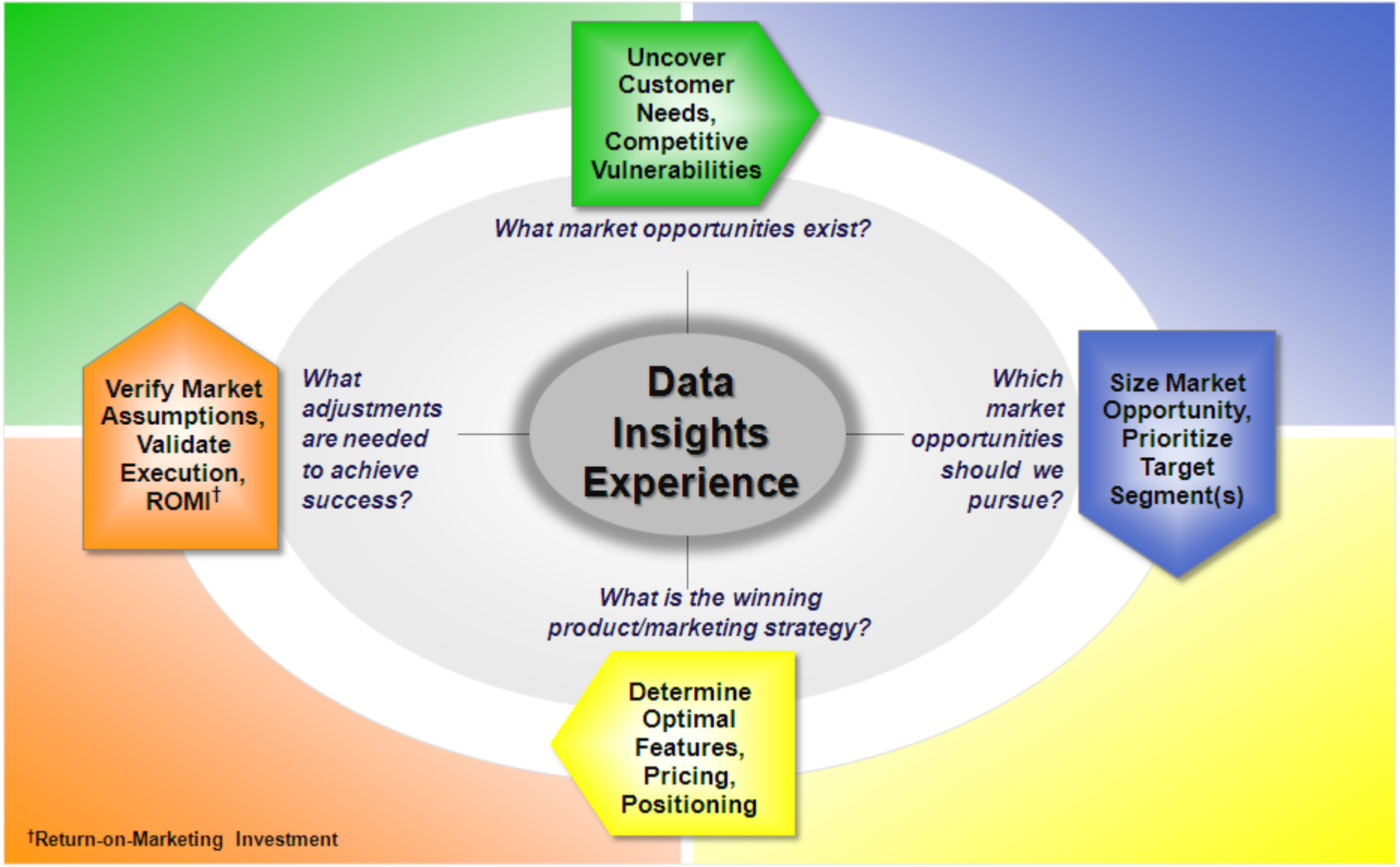


Recent Presentations, Conference Participation

GIGAOM BUNKER SESSIONS	**Workshop – Monetization Models for Location, Augmented Reality and Context Services**[a] April 28, 2010 – San Francisco
GIGAOM STRUCTURE 2010	**Dealing With The Data Tsunami: The Big Data Panel**[a] June 23–24, 2010 – San Francisco
GEO-LOCO CONFERENCE	**The Futures of Location-based Services**[a] **The Future of Geo-loco Investment**[a] July 21, 2010 – San Francisco
The Location Business Summit USA	**Build Sustainable LBS Business Models for 2011 and Beyond**[a] Sept. 14 – 15, 2010 – San Jose
Location-Based Marketing Summit	**Trends and Numbers - Where is It All Going**[b] Sept. 29-30, 2010 – New York
MOBILIZE GIGAOM	**Apps vs. Web: The Fight For The Future**[a] Sept. 30, 2010 – San Francisco
iPad & Tablet Publishing and Entertainment Apps	**If we build it, will they come? Consumer Demand and Preferences for Tablets in the iPad Era**[c] Oct. 5, 2010 – San Francisco
CTIA Enterprise & Applications WCA	**WCA Presents: What's Hot about LBS?**[a] Oct. 8, 2010 – San Francisco
ad:tech new york	**Local at the Bleeding Edge + Making Money with Location-Based Services**[a,b] Nov. 3, 2010 – New York
wtf Wireless Technology Forum	**Visions for 2011 – M-Commerce**[b] **Wireless Technology Forum** Nov. 18, 2010 – Atlanta
wtf Wireless Technology Forum	**Are Tablets Taking Over?**[a, c] **Wireless Technology Forum** March 18, 2011– Atlanta
The Future of Tablets CTIA	**Market Outlook for Tablets**[c] **Future of Tablets Conf.** March 22, 2011 - Orlando

[a]Moderated session/panel [b]Participating on Panel [c]Presenting

immr Helps Clients Verify and Capitalize on Market Opportunities



Selected Clients

Selected Clients with Whom We've Worked

Products, Services and Issues Examined

General	Network/Operators	Devices/OEMs	Services/Apps
▪ Market Segmentation ▪ Market sizing ▪ Competitive Positioning ▪ Branding ▪ Product configuration	▪ Bundling ▪ Plans and pricing ▪ Wi-fi/Hot spots ▪ Customer Service/ Self-Service ▪ Customer Retention ▪ Web Interface (functionality/usability)	▪ Smart phones ▪ MIDs (Mobile Internet Devices) ▪ Channel strategy ▪ Promotional strategy	▪ Innovation and new product development ▪ Mobile Apps (wide range) ▪ MVoIP (Mobile VoIP) ▪ Location-based Services ▪ Unified Messaging ▪ Speech Recognition