The Anywhere Consumer

- **Emily Nagle Green**
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  Yankee Group Research, Inc.

Consumers will connect anywhere

Consumer access to content and applications independent of location will further transform marketing.

Who says so?

- Yankee Group is the industry's oldest independent technology research firm
- We focus exclusively on the impact of connectivity change on the network and its users
- We do this with solid primary quant research methods and hard thinking

The Anywhere Consumer

- What's creating the Anywhere Consumer?
- The battle over the anywhere experience
- Marketing to the Anywhere Consumer
- The impact of 'anywhereness'

What’s creating the Anywhere Consumer?

Blame it on the the Anywhere Network:

Every person and every device will be connected – to managed networks and applications, and to the web and its wonders

Ubiquitous connectivity

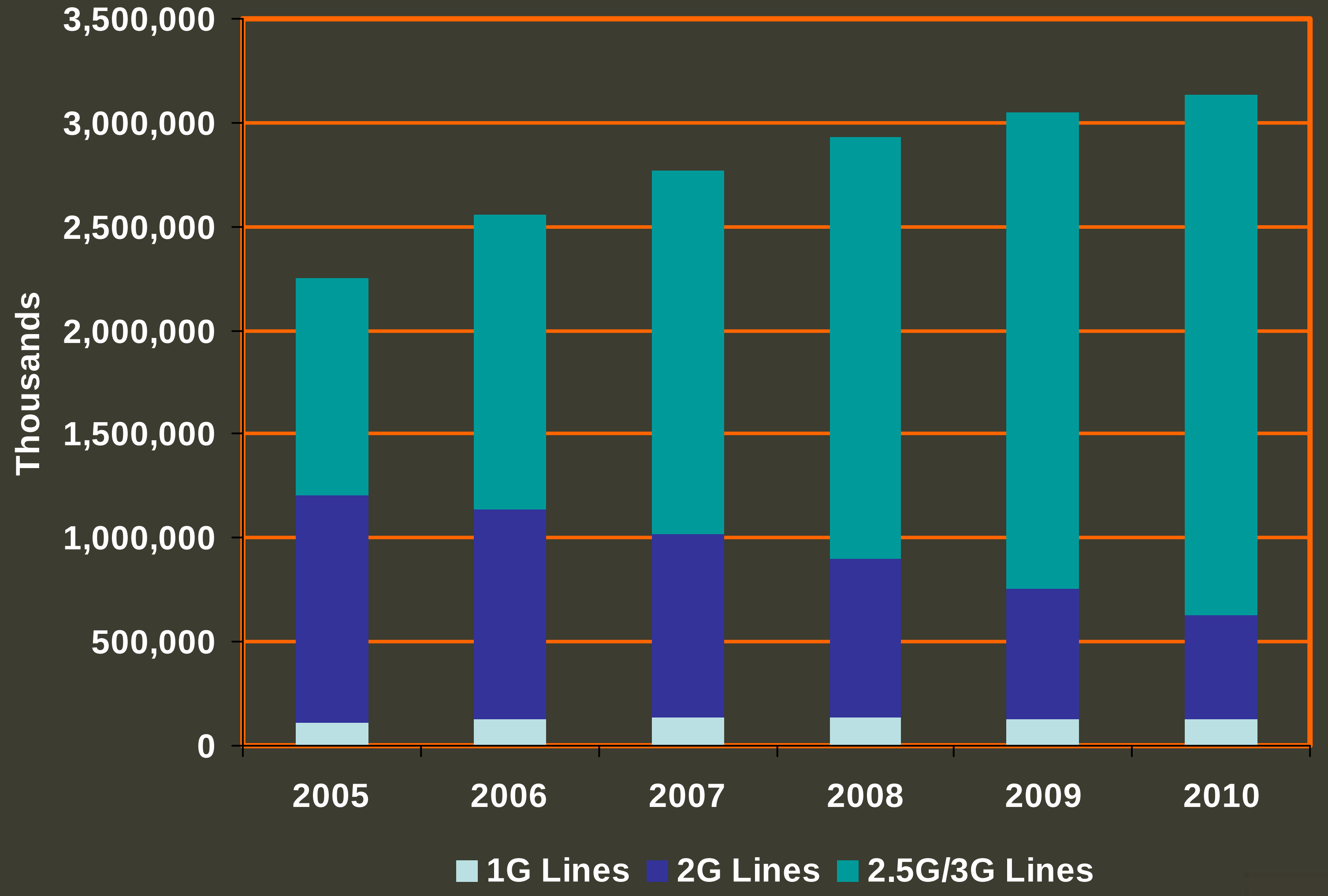
A seamless, far-reaching, ever-present, high-capacity, and highly capable communications fabric.

The Anywhere Consumer Trinity

Mobility

Mobility extends the value of
all consumer services–
voice, messaging, imaging, audio, video, gaming, shopping, socializing, search, networking

Worldwide mobile units & capability grow



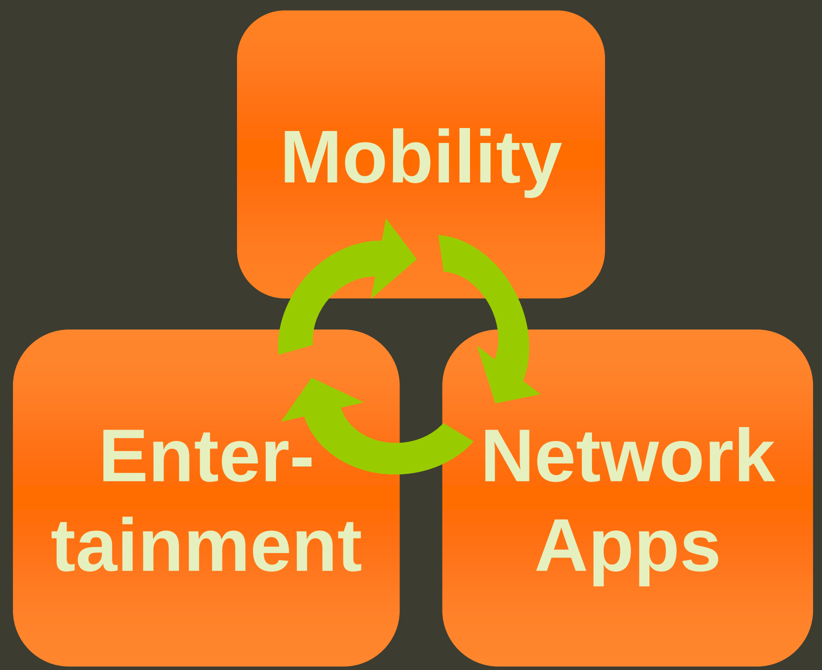
The Anywhere Consumer Trinity

Mobility

Network Apps

The network really is the computer:
The web is the service and content platform for future consumer application development

The Anywhere Consumer Trinity



Entertainment is the motive force behind the next generation of: in-home devices, mobile devices, and consumer electronics, services, and applications

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The battle for control: two forces emerging

Imperialists want to guide consumers to the Anywhere future with a gentle embrace of *connected*, *managed devices* in the home and on the go – accessing a *rich palette of integrated consumer applications* and content via *managed end-to-end networks*

The Imperialists ARE the network

Who: Telcos, wireless operators, cable companies, retailers

Business model: Subscription, phone bill

Primary asset: Consumer context (location, services, profile, usage)

Devices: terminal, handset, set-top box, home gateway

Locus of innovation: Internal

The battle for control: two forces emerging

Imperialists want to guide consumers to the Anywhere future with a gentle embrace of ***connected***, ***managed devices*** in the home and on the go – accessing a ***rich palette of integrated consumer applications*** and content via ***managed end-to-end networks***

Guerrillas believe consumers will reject hegemony of legacy service providers, choosing to select networked consumer electronics and computing platforms, enjoying access to substitutive (VoIP, broadband TV) and new applications, connecting to a variety of networks on an ad-hoc basis

The Guerrillas are ON the network

Who: Portals, Web 1.0, survivors, Web 2.0 entrants, CE and PC vendors, bloggers and podcasters

Business model: Advertising, subscription, transaction, none

Primary assets: Audience, community, open standards

Devices: Laptops, game consoles, DVRs, devices, ???

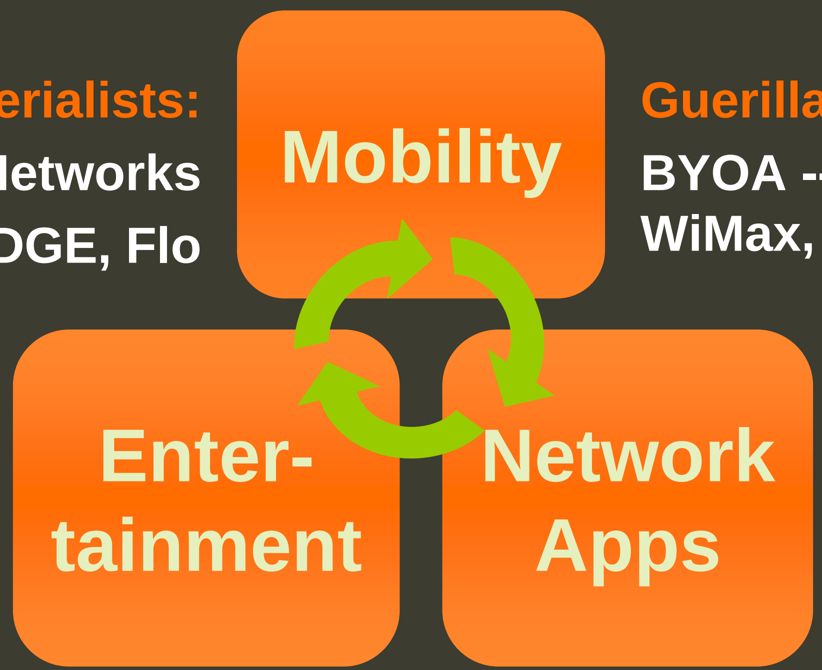
Locus of innovation: The crowd, the start-up, the dorm

The Anywhere Trinity is the battleground

Imperialists:

Wireless Networks

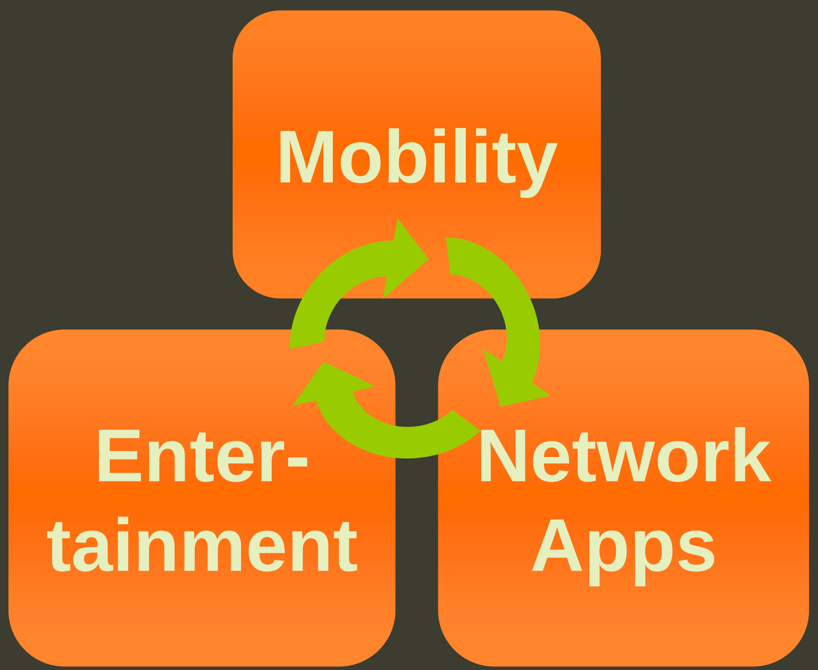
3G, 4G, EVDO, EDGE, Flo



Guerillas:

BYOA -- Ethernet, WiFi, WiMax, Bluetooth

The Anywhere Trinity is the battleground



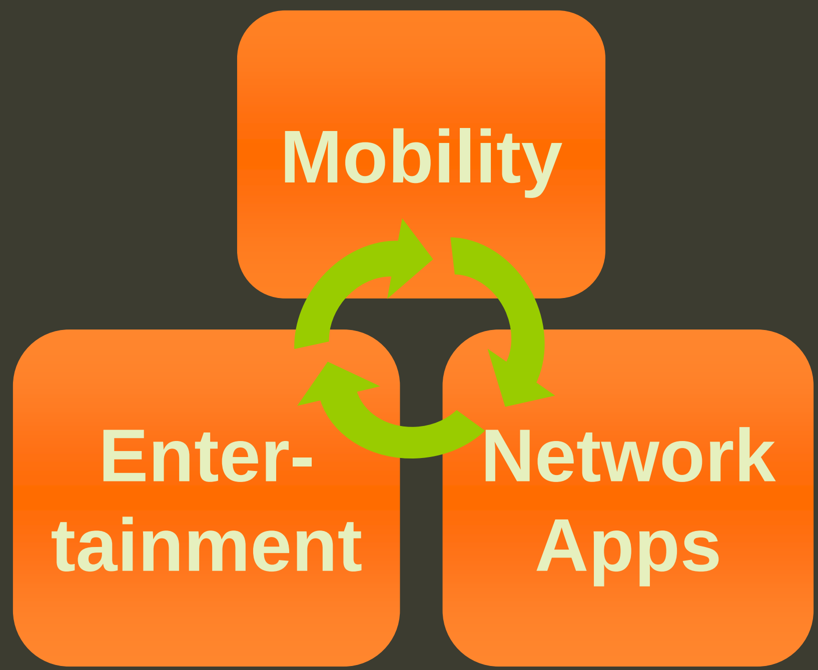
Imperialists:

Managed CDNs -- controlled, predictable; nice masonry

Guerillas:

Chaotic, fluid, unpredictable – producing diamonds in the rough

The Anywhere Trinity is the battleground



Imperialists:

Subscription television, mobile TV, IPTV, HDTV, VOD, DVR

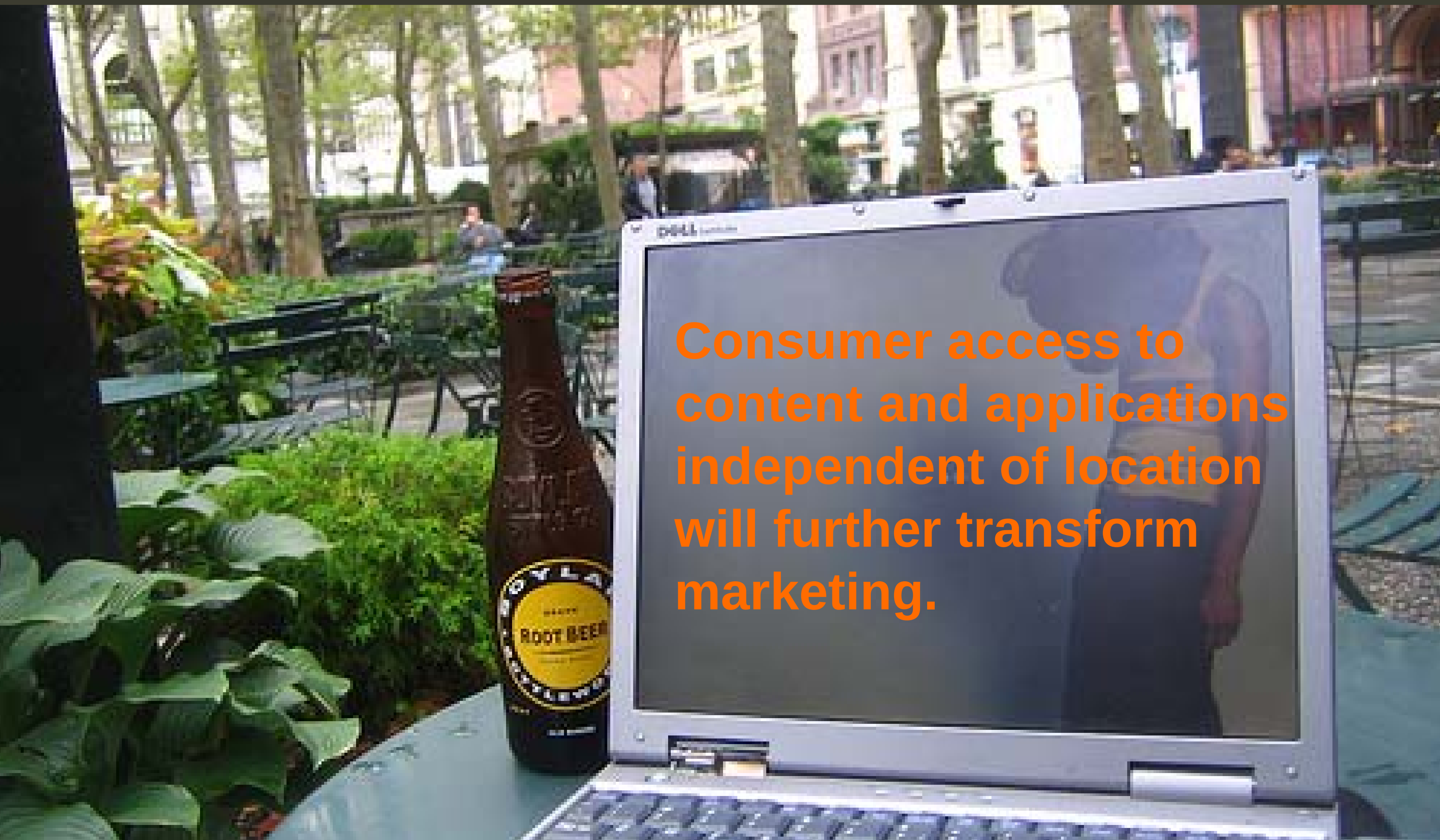
Guerillas:

Broadband video, social networking sites, podcasts, user-generated content, peer-to-peer, garage bands, indy film producers

Winning the anywhere battle

- Imperialists must upgrade networks, placate Wall Street, partner aggressively, protect their bandwidth, cannibalize their own business models, leverage their consumer context… while moving at the speed of the consumer electronics marketplace
- Few will succeed
- As marketers, don’t bet with the walled garden over the long term

Consumers will connect anywhere



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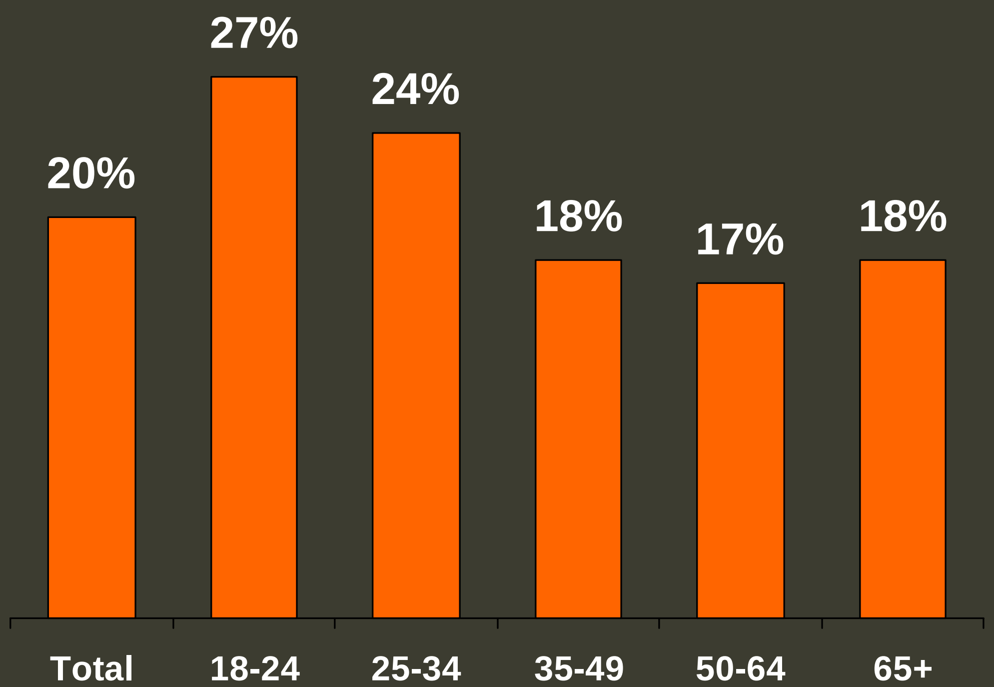
Marketing to the Anywhere Consumer

- **Through broadband TV**
- **Through mobile information services**
- **Through mobile TV**

Broadband TV can reach consumers who migrate from traditional TV

"How interested are you in watching cable channels such as ESPN, MTV, CNN or the Weather Channel on your PC?"

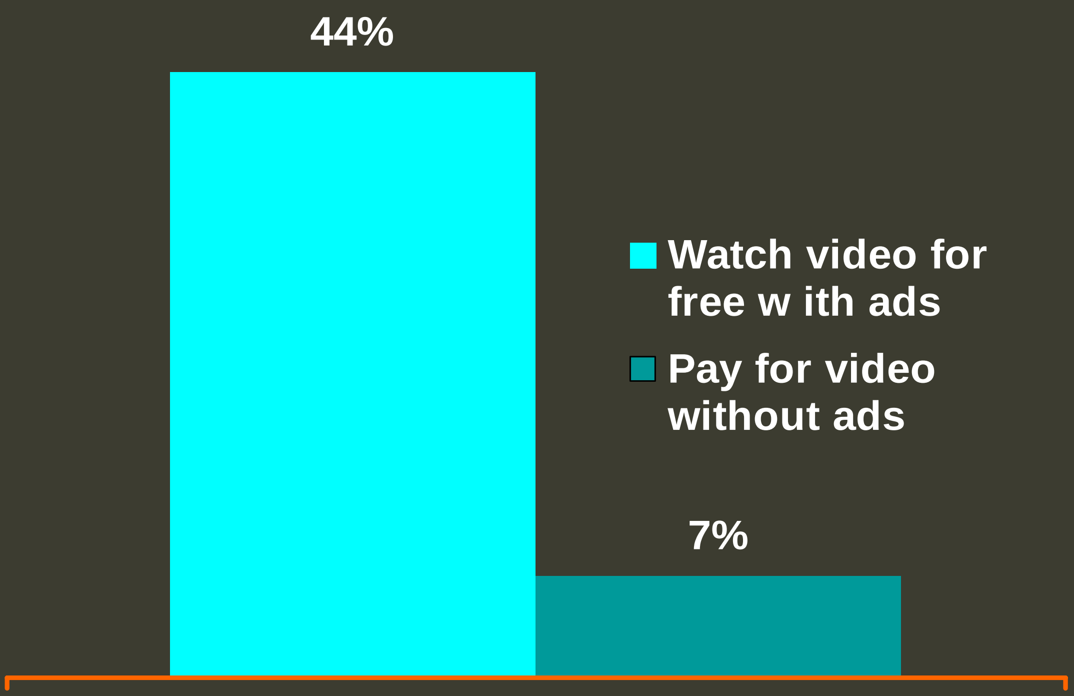


- **26% of men were interested, vs. 14% of women**
- **55% of users likely to buy subscription video were interested in having TV channels delivered to their PC**
- **42% of video enthusiasts were interested in the service**

Source: The Yankee Group 2006 U.S. Digital Home Entertainment Survey

Consumers prefer ad-supported video

"Would you prefer a free online movie service that required you to watch advertisements, or a service with a monthly fee but no ads?"



- **With 18-34 year-olds, preference rises to 54%+**
- **Also prefer download-to-own over monthly fee options**

Source: The Yankee Group 2006 U.S. Digital Home Entertainment Survey

Mobile browsing must get cheaper

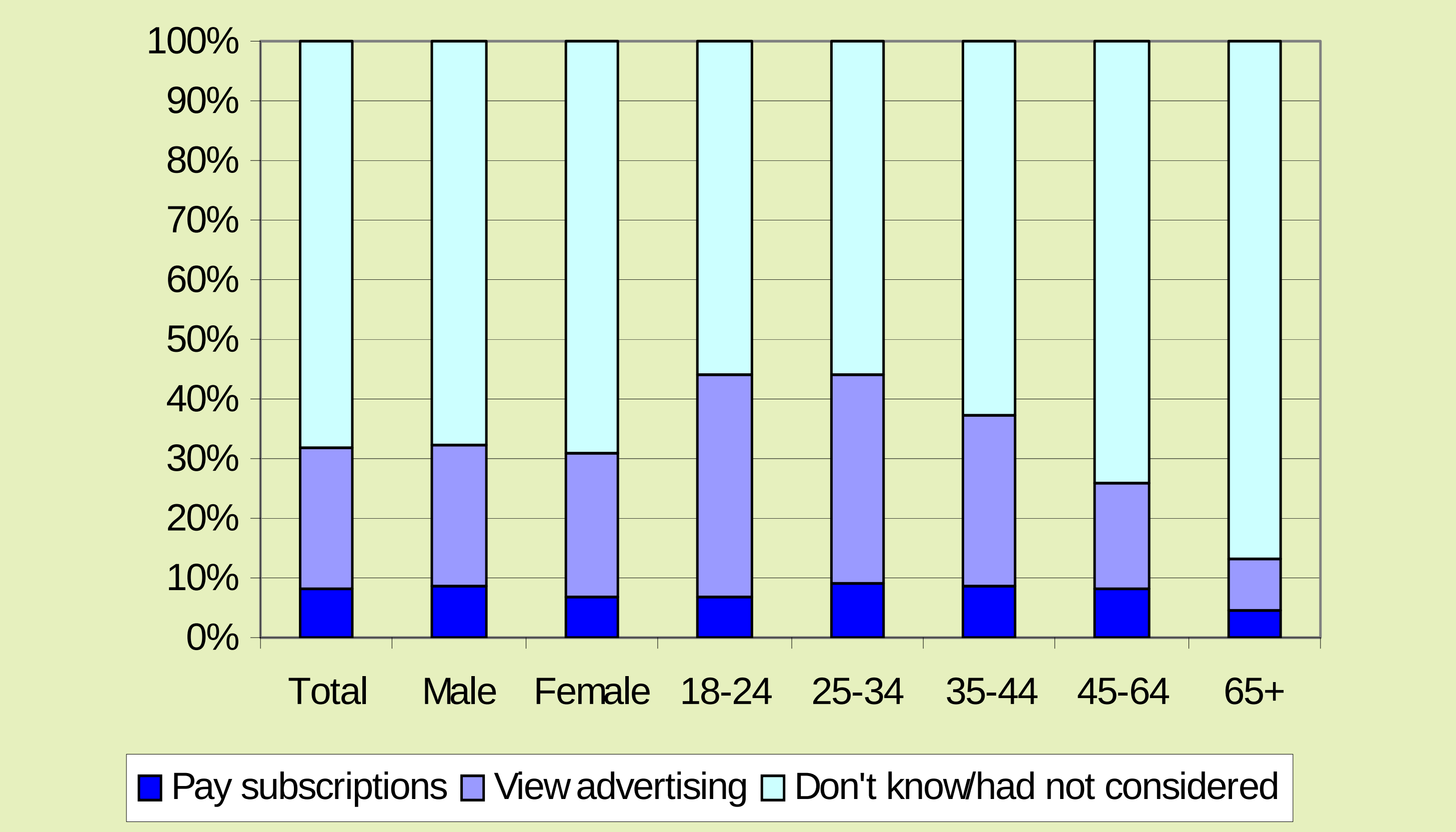
“When you browse the Internet on your mobile phone, what are you searching for?”

- Price is the main barrier
  - 29% say it’s too expensive
  - 16% say that the fact that they don’t know how much it will cost is a barrier
- Speed is more of a barrier than value
  - 18% say it takes too long

Source: Yankee Group 2006 European Mobile Multimedia Survey

Consumers will tolerate mobile ads

"Would you rather pay subscriptions for sports scores, news, weather, and other content you browse on the mobile Internet, or see a banner advertisement and receive the content for free?"

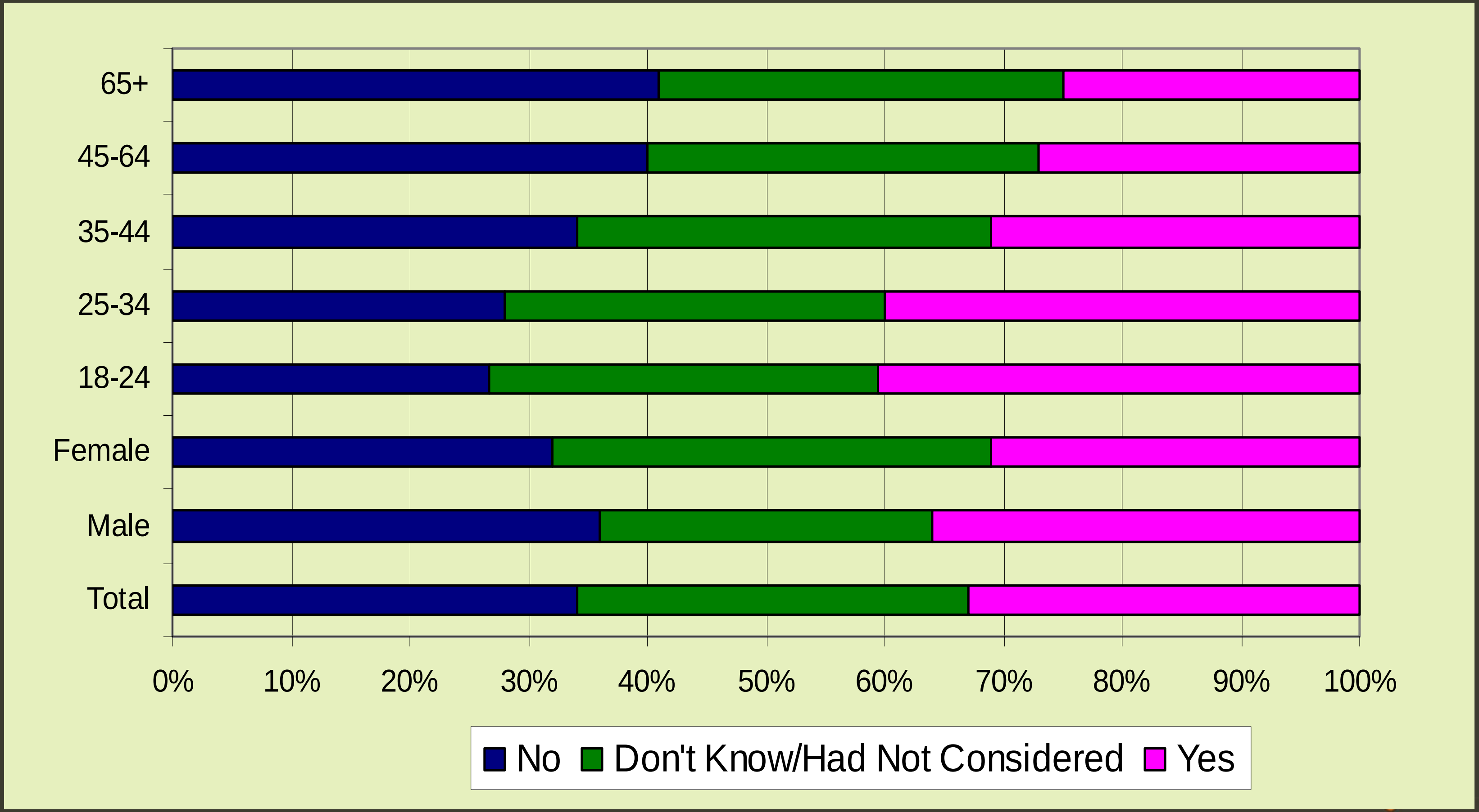


***Base: All respondents (5,300 adults)*

Source Yankee Group's 2006 US Mobile User Survey

Consumers will tolerate mobile ads

“Would you use mobile data services at a reduced price if they contained advertising?”



**Base: Willing to Spend Additional Money (2,809 or 53% of total base of 5,300 adults)*
Source Yankee Group’s 2006 US Mobile User Survey

Mobile TV will get off the ground

Korean market launch

- Drama and music video surpass news and sports
- Usage spikes during commuting hours
- Also an in-home substitute when other TVs in use
- Used in the office during news and sporting events
- Duration: 20-30 minutes!

Market growth factors

- Adoption slow in first markets
- Competing technologies
- Expensive deployment for operators
- Aggregators may lead the way – adding another player in the value chain

Source: ETRI

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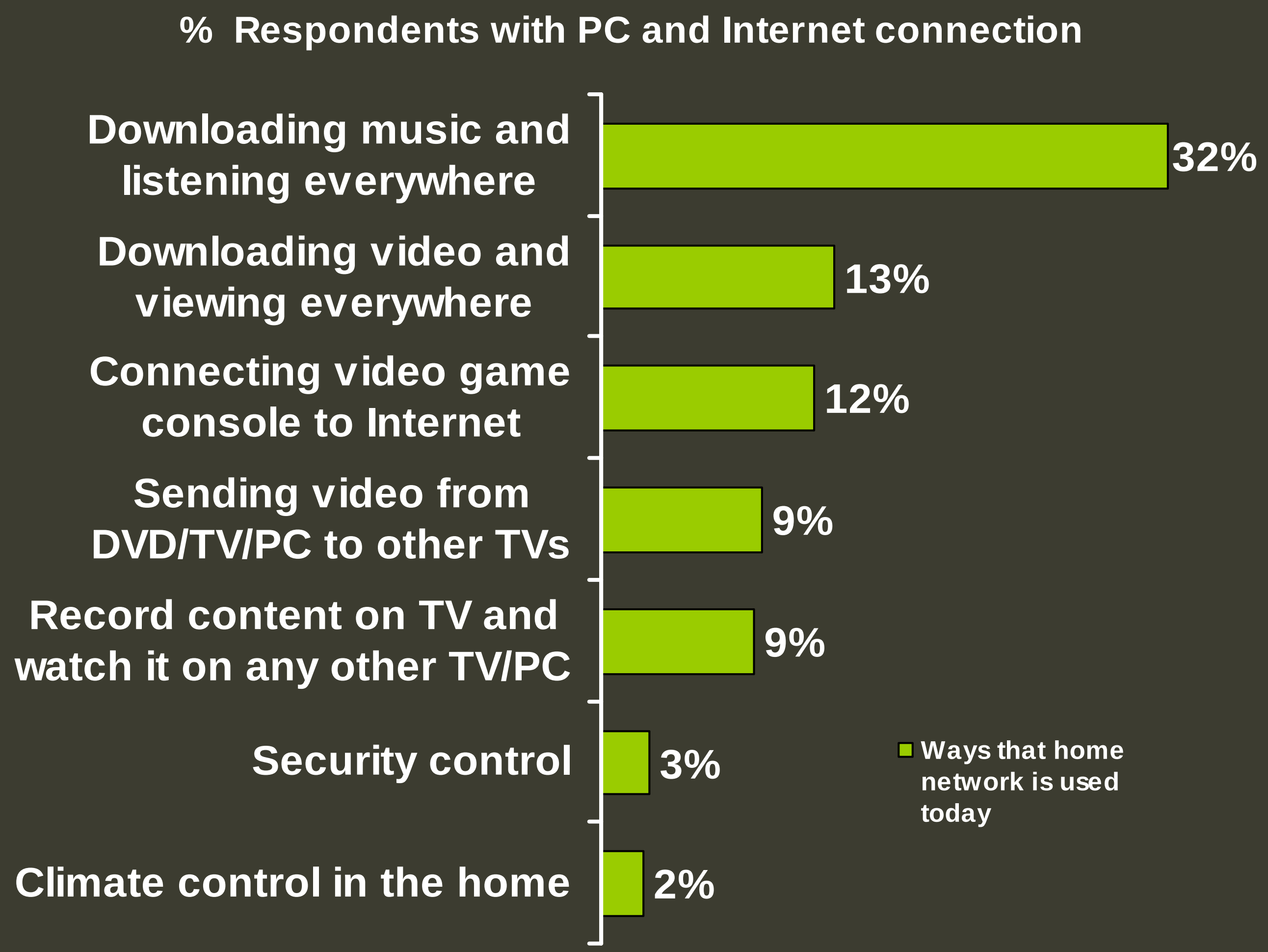
Home networks will drive media fluidity



Source: The Yankee Group 2006 U.S. Digital Home Entertainment Survey

What does ‘out of office’ mean anymore?

The impact of ‘anywhereness’

- Ubiquitous connectivity means that location & platform become increasingly irrelevant
- Instead, an abstraction of the concept of presence
- ‘Here-ness’ = I’m listening
  ‘Not-here-ness’ = I’m not
- Conversations take place in different places and platforms
- But those events will not always be discrete and atomic
- Frequently: threaded and fluid

The impact of ‘anywhereness’

- **Consumers will gravitate to easiest or cheapest way to fulfill a desire**
- **Information about the consumer may be the most valuable asset of a network partner**
- **The user interface and user experience will be the key to scale and success**
- **There will be a *mobility premium* - but don’t overestimate it, as alternatives will abound**

Follow that consumer

Platforms will continue to diversify

Telcos are a near-term partnering strategy

Consumers want ad-supported models

Conversations should be fluid and location-insensitive

Thank you

Emily Green

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