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Deloitte's 'Revolutions 2010' Survey: Mobile 'Apps' and e-readers Transform Consumer Behavior

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Smartphones, Tablets with Mobile Apps Threaten Traditional Consumer Electronics; e-readers Drive Increasing Publisher Sales; 3-D TV Success in the Hands of Millennials

NEW YORK, Sept. 22 /PRNewswire/ -- Many consumers are turning to applications (apps) on their smartphones and tablets rather than traditional consumer electronics for their media, entertainment and information needs, according to findings in Deloitte's new "Revolutions 2010" survey, a special "pulse" edition of "The State of the Media Democracy" survey identifying significant trends in consumer adoption of mobile apps, e-readers and 3-D TV.

The survey finds that 42 percent of app users have reduced or completely eliminated their use of MP3 players in favor of smartphones or tablets. In addition, 38 percent of app users have ceased or diminished their use of traditional AM/FM radios; 30 percent are moving away from their handheld videogame consoles; and 28 percent are shunning their stand-alone GPS devices.

Smartphone and tablet owners are also frequently travelling without their laptops and netbooks. More than half (62 percent) of smartphone owners said the presence of certain apps on their smartphone causes them to carry it at times when they otherwise would not. Moreover, 41 percent use their smartphone as a replacement for their laptop or mobile device while away from home and 15 percent do so while at home.

"While the market for mobile apps is still in its infancy, once consumers get a taste, they appear to start using those apps for all aspects of their digital lives," said Phil Asmundson, vice chairman and Deloitte's technology, media and telecommunications sector leader. "What we are seeing is a significant shift in how consumers access media, entertainment and information. The growing demand for smartphones, led by Millennials and Xers, will increasingly threaten to cannibalize many consumer electronics."

Mobile Applications Not Yet Key Driver in Smartphone Sales

Despite the hype surrounding apps, the survey findings indicate they do not yet play a significant role in consumers' decisions when purchasing smartphones.

Approximately 58 percent of consumers who own or plan to purchase a smartphone state that embedded features such as size, quality, camera and keyboard style, as well as price, have the most influence on their buying decision. Only 18 percent of these consumers say that additional features and functionality provided by apps influenced their buying decision.

Indeed, of those that have purchased a smartphone, only 65 percent are actually downloading and using applications at this time.

"Interestingly, apps are not currently the main driver of smartphone sales; rather it's the features and functionality," said Craig Wigginton, partner and telecommunications leader for Deloitte & Touche LLP. "But, as devices continue to add functionality, coupled with consumers increasingly learning about valuable apps, this can save them from carrying multiple devices and grant them better access to an array of media, entertainment and information. We expect far more people to download and use apps in the future, which will have a profound impact on smartphone sales."

e-readers Open the Door to a New Golden Age of Print

According to Deloitte's survey, 10 percent of U.S. consumers have purchased an e-book. Among this group, 56 percent are reading more books in digital format than they previously read in hardcopy, and 61 percent are purchasing more e-books than they did in the traditional print versions.

"The increasing popularity of e-readers is a boon for publishers. Companies that embrace this technology will be leaders in a new golden age for the print industry," said Ed Moran, director, Deloitte Services LP, who advises companies in the areas of strategic planning, product innovation, competitive positioning and digital convergence. "The success book publishers are enjoying with e-books may translate to the newspaper and magazine industry as consumers are increasingly looking for richer features to enhance their e-reading experience."

When deciding to purchase the e-reader version of a newspaper or magazine, more than 50 percent of those surveyed look for the ability to search for related content, additional content not available in print, and video that supplements the stories they are reading. Overall, 46 percent want the ability to purchase the goods and services referenced in the article they just read and 36 percent would like to add opinions and comments.

3-D TV Could Be in the Hands of the Millennials

While major companies are betting on 3-D, the survey finds that a majority of the consumers are not ready to make the transition to what is perceived to be more expensive technology. At a time when 72 percent of consumers have cut their overall entertainment budget (2009 Deloitte "State of the Media Democracy Survey"), the majority of survey respondents — 83 percent — agree 3-D is not important enough to buy a new television. Of flat panel TV owners, 60 percent state that they are not willing to pay any more for a 3-D capable television, and only 21 percent indicate they are willing to spend more than 10 percent or more.

Furthermore, few Americans have experienced 3-D TV first hand. Only 9 percent of those surveyed have actually seen 3-D TV in the last six months, and just 7 percent have purchased 3-D content for the home. Of these, 55 percent say that the 3-D experience met their expectations and 24 percent say it fell below their expectations.

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"3-D TV penetration is at a very early stage and a number of obstacles stand in the way of adoption," said Moran. "3-D glasses are a perfect example. Aside from possibly being uncomfortable and geeky, they are also a barrier to the multitasking that consumers engage in while watching TV, including surfing the web, reading email, talking on instant message, and reading books, newspapers and magazines."

The survey indicates that 3-D glasses are a major barrier to adoption, with 30 percent of respondents who were underwhelmed by 3-D stating that they do not like wearing them. Moreover, 31 percent of consumers who have watched 3-D content do not feel it enhances their entertainment experience in any appreciable way, a clear indication that not everything needs to be in 3-D. The technology itself also has room for improvement, according to the survey: 13 percent of consumers disappointed by 3-D content get physically ill/uncomfortable after watching 3-D programming.

Millennials currently have the greatest enthusiasm for the 3-D experience, with nearly 40 percent stating that they would buy a new TV that allows them to watch programs in 3-D with glasses and 55 percent without glasses.

"Pay attention to the Millennials -- they'll lead the adoption of 3-D TV," said Moran. "Millennials also express the greatest desire to pay a premium for the 3-D experience in both the home and the cinema. They are a viable, near-term market for companies to focus on as the technology and consumer experience evolves."

About the Survey

"Revolutions 2010" is a special "pulse" edition of Deloitte's annual "State of the Media Democracy" survey, focused on smartphones, e-readers and 3-D technology. The survey includes 1,960 U.S. consumers between the ages of 14 and 75 years old. Conducted by Harrison Group, an independent research company, between June 29 and July 11, 2010, the survey results have a margin of error of plus or minus five percentage points. For more information on Deloitte's "Revolutions 2010" survey, please visit <http://www.deloitte.com/us/realitycheck>.

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