FYI

FREE YEAR-ROUND INSIGHTS

MOBILE EDITION #3 OCTOBER 2011

Will we keep taking the tablets?

Ipsos OTX MediaCT

Introduction

In February of this year we wrote an FYI asking "Are we going to take to the tablet?"[1]. Back then there was a huge amount of buzz about the upcoming launch of the iPad 2, so it wasn't a great surprise for us to come to the conclusion that there clearly was a market for the iPad.

We went on to pose the more difficult question of whether there was a tablet PC market, rather than an iPad market. We could see some potential for other brands to make it into the market but it was clear that it wasn't going to be easy. We suspected that the category would develop along similar lines to the smartphone market, in that eventually one or more of the competitors would break through. At that time we were not convinced that any of the available brands was the one that would do it, however.

We also explored the idea that tablet PCs could change what we understand "computers" to be. We suggested that the iPad was already driving a change in focus from the "information super-highway" to a content consumption computing model.

It's now over six months since we wrote our initial FYI. With the holiday period coming up, and yet more challengers to the iPad launching by the day (including the recently announced Amazon Kindle Fire), we thought we'd take another look at the tablet PC market. It's a good time to revisit our conclusions and see how we did; it's also a good time to look forward and see where we might be in another six months.

In short, will we keep taking the tablets?

[1] http://www.ipsos-na.com/knowledge-ideas/media-content-technology/fyi/?q=fyi-are-we-going-to-take-to-the-tablet

The Author

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On the verge of becoming mass market?

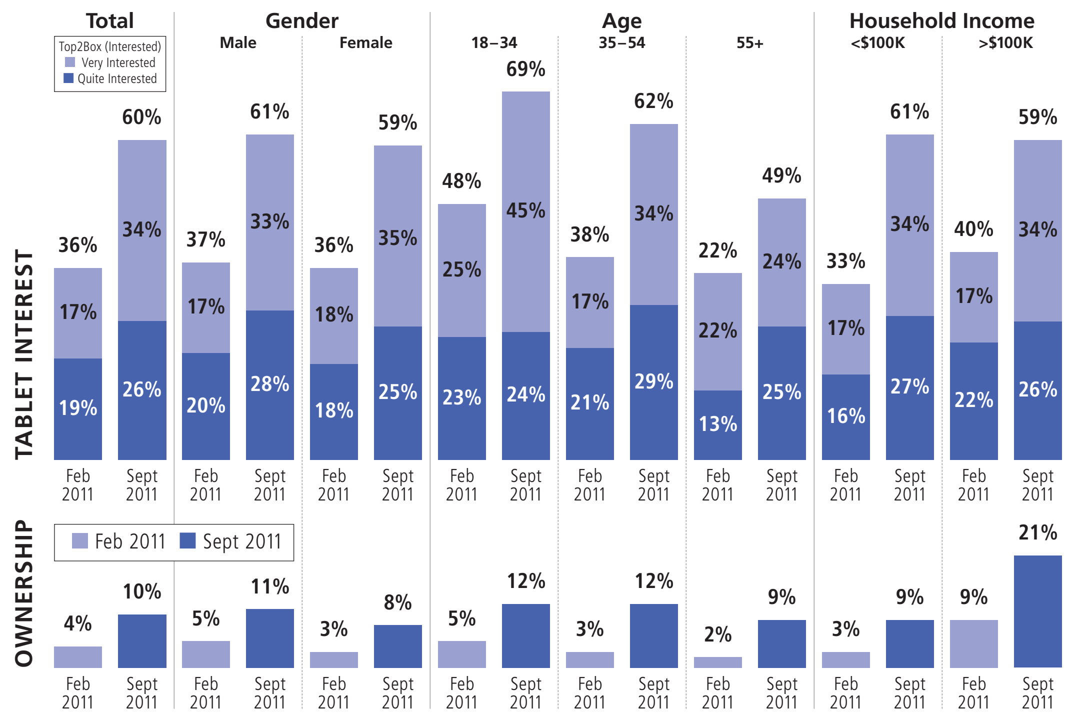
In the February FYI we suggested that the tablet was still something of a luxury purchase. LMX data from Fall 2010 (then the most recent wave) showed clearly that households with incomes of over $100,000 were much more likely to own a tablet than those earning at a lower level. Despite this slant towards higher earning households, the evidence suggested that the tablet was going to become more mainstream as time went on. Interest in the device was high in all income groups and across all ages.

Six months on, it looks like this beginning to happen. It's true that higher earning households are still more likely to own a tablet – the data from LMX's late Spring 2011 wave shows that they've doubled their likelihood to own the device. Lower earning households, however, have also increased their rates of ownership dramatically too. With the age profile flattening, and gender relatively well balanced, the tablet is on the way to cutting across most segments of society.

The question is whether the tablet PC will push on and dramatically increase its rate of ownership. Here again the evidence is that there is every chance that it will. Six months ago we were impressed at what we called the "huge" demand for the tablet PC, with over three in ten consumers expressing an interest in owning one. Could this level of interest be sustained as consumers learn more about the devices?

Evidently the answer is yes, yes and yes again. Levels of interest have actually increased markedly, with six in ten consumers wanting to own a tablet PC. This level of interest is shown by just about all groups – affluent, middle income, young, old, male and female. Every group wants to get their hands on a tablet PC. (**Please note:** September 2011 data were collected **before** Amazon's introduction of the Kindle Fire, though at that point there had been much press speculation and expectation that Amazon would soon enter the fray.)

Q1 How interested are you in owning a 'tablet' (sometimes referred to as a 'tablet PC')?
A tablet is a personal computer designed to be lightweight, very portable and operated with a touch screen.
They have become popular in the last year, with several new models coming out in the last few months.



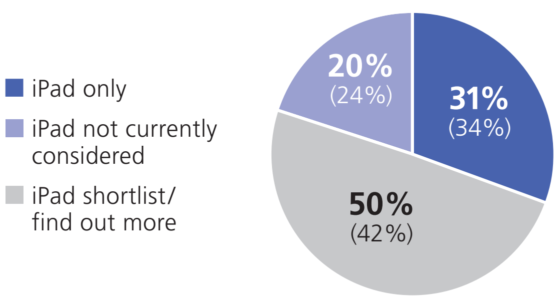
A tablet PC or an iPad?

Back in February we were wondering whether the tablet space would end up being an iPad vs. Android battle. With the market characterized by a lack of consumer knowledge, we suggested there could be room for a new tablet to catch the imagination of a segment of the population and build from there.

As we re-visit our earlier FYI it feels safe to suggest that we are still waiting for that new tablet to catch the imagination, though as you will see in the coming pages, Amazon represents a fresh new face. As we said back then, it would be "interesting" times for brands that don't have 'Apple' in their name. With the well documented move by HP and Apple still dominating world-wide sales,[2] it certainly must have been "interesting" for those trying to compete in this space.

Talking of Apple…

The bad news for the competitors is that Apple doesn't look like they will be losing their tablet crown for the foreseeable future. Three in ten potential tablet owners say that the iPad is the only tablet they are considering. Another 50% would have the iPad on their shortlist. Essentially 80% of the potential tablet market is at the very least going to give serious thought about purchasing the iPad. Just 20% of the potential market is iPad-free, therefore, and that's before a potential competitor has to consider all the other options out there. As backdrop for these statistics, it is important to note that variables such as price point, screen size, etc., were not called out for consumers – so these responses are influenced by more generalized brand perceptions.



(September 2011 figures)

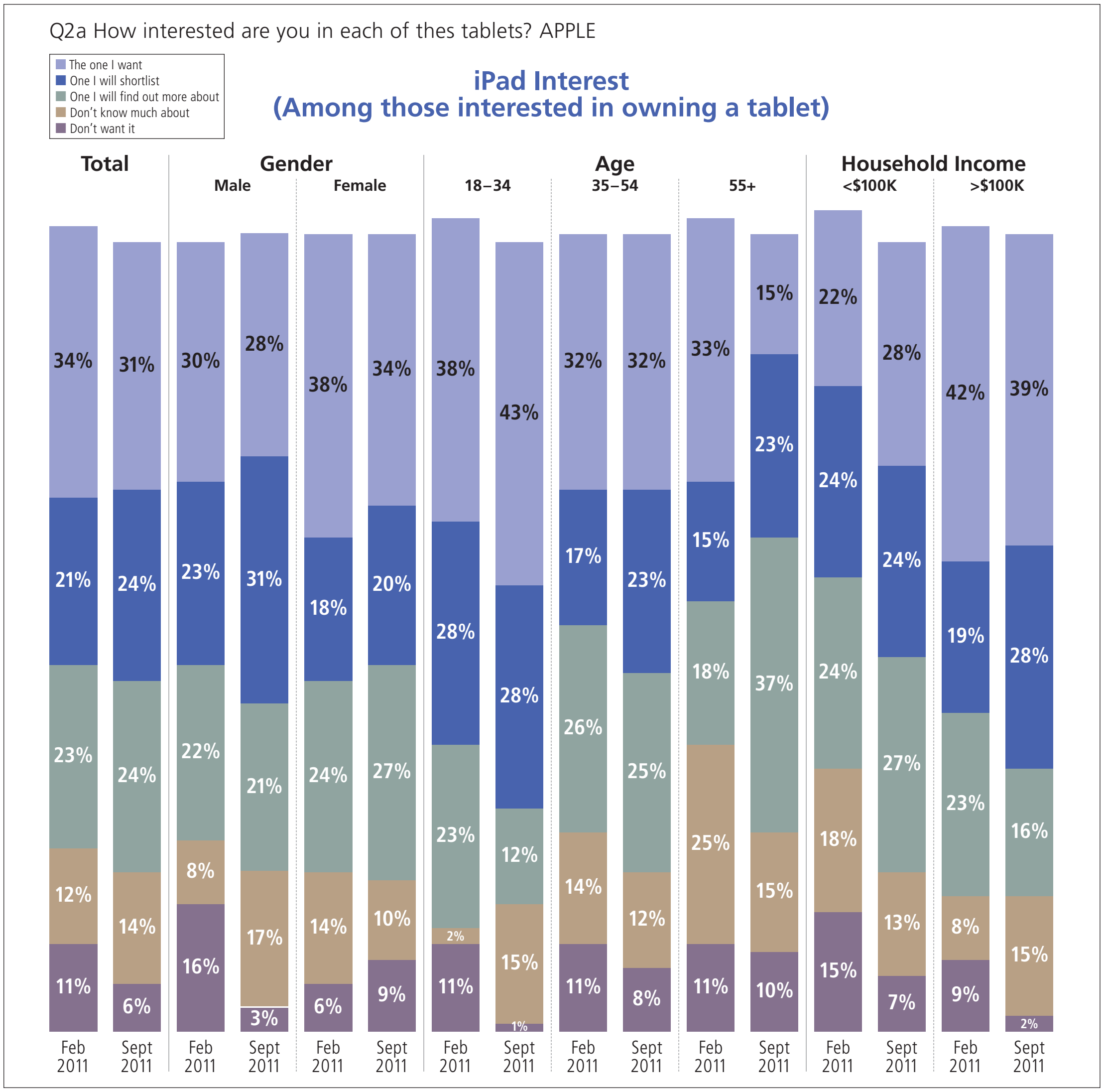
Three in ten of the potential 'tablet' market will only consider an iPad.

Another 5 in 10 will either shortlist the iPad or make sure they find out more about it when they are in the market.

The proportion of the market which is truly 'tablet', not iPad focused, is potentially just 20% of the overall 'tablet intender' group.

So even six months later, with competing devices launched to (sometimes) great fanfare, Apple is still in a very strong position. In fact, what's fascinating is just how little the picture has changed since February. A look at the September pattern of interest in the iPad shows an almost identical situation as seen in February. Apple still has a larger lead with households earning over $100,000 – the people most likely to purchase a tablet – than amongst the rest of the population. They still have a lead with females, a key decision maker in what is increasingly a family purchase. In short, they are still out in front and they look very hard to catch.

[2] http://www.idc.com/getdoc.jsp?containerId=prUS23034011


Q2a How interested are you in each of thes tablets? APPLE
The one I want
One I will shortlist
One I will find out more about
Don't know much about
Don't want it
iPad Interest
(Among those interested in owning a tablet)
Total
Gender
Male
Female
Age
18–34
35–54
55+
Household Income
<$100K
>$100K
Feb 2011
Sept 2011

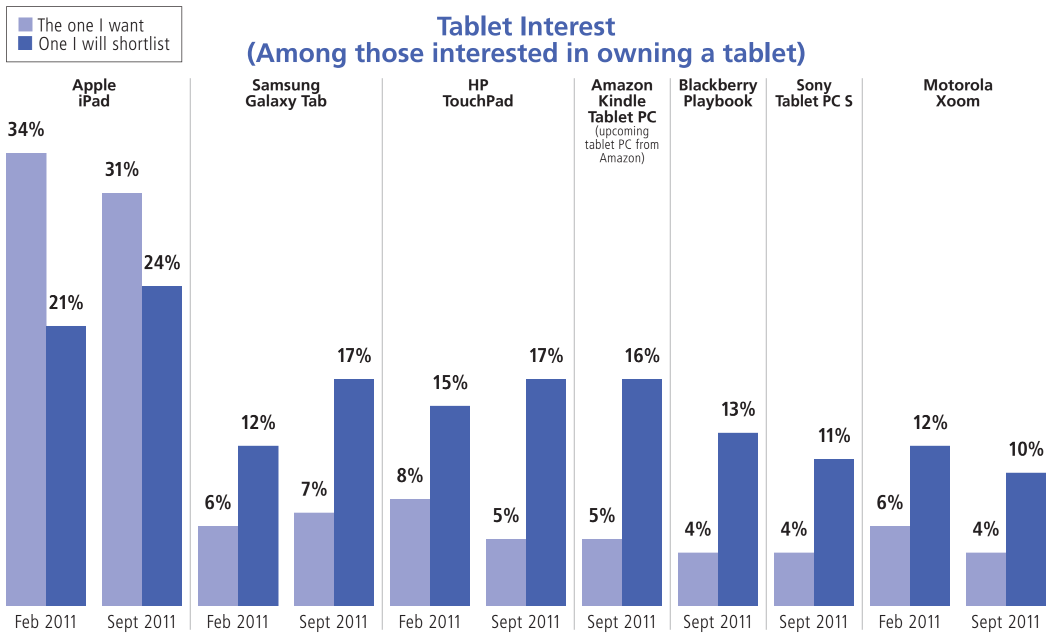
Can anyone catch Apple?

Back in February the only other brand of tablet PC to shuffle forward from the pack was the HP Touchpad. Interest wasn't overwhelming but something about it – potentially the strong HP brand – put it to the top of the potential iPad challengers.

Despite the recent news,[3] the HP Touchpad is still seen by consumers as one of the leading challengers to the iPad. This may be the impact of the price drop still filtering through, or perhaps the increased chatter around the brand has helped with awareness. Either way, it rivals the Samsung Galaxy for the role of number one challenger right now.

That could all change, now that Amazon's entrance into the market has been announced, complete with an aggressive price point, and link to Amazon's robust commerce ecosystem. With a presence and reputation in content delivery that could be seen as the equal of Apple's, and a huge cloud computing infrastructure already in place, the Amazon Kindle Fire[4] does feel like a credible challenger. The numbers back this up to a degree, with pre-introduction interest running at similar levels to the more established Samsung and Blackberry devices. The one note of caution is that this is roughly the same level as the HP Touchpad was running at in February, so while there is an opportunity there is still plenty of work to do.

Q2a How interested are you in each of these tablets?



[3] http://www.bloomberg.com/news/2011-08-31/hp-to-make-final-run-of-touchpads-to-meet-flare-up-in-demand.html

[4] http://www.bloomberg.com/news/2011-09-28/bezos-portrays-pocket-sized-fire-as-service-not-tablet-in-ipad-challenge.html

One factor that we suggested wasn't getting enough attention at the start of the year was gender. In our first report, only Apple had strong appeal with females; the rest tended to be heavily skewed towards males. The picture is still very much the same six months later, with Apple's lead among females being more pronounced than with males. It feels as if females in particular are not engaging with the tablet market as a whole and, even more than males, have decided that the iPad is the tablet PC. This still looks like a key strength of Apple's and one any serious competitor will have to deal with. The competitor who has the most balanced interest and the 'best of the rest' amongst females? Amazon – and again this is before the Fire tablet had even been introduced.

Q2a How interested are you in each of these tablets? LEAGUE TABLE – WANT/SHORTLIST/FIND OUT MORE

September 2011 (want/shortlist/find out more)		Gender		Age			Household income	
	Total	Male	Female	18–34	35–54	55+	<$100K	>$100K
Apple iPad	81%	80%	80%	85%	80%	76%	79%	78%
HP Touchpad	56%	62%	51%	58%	55%	54%	58%	52%
Amazon Kindle Tablet PC (the upcoming tablet PC from Amazon)	54%	54%	53%	59%	49%	55%	54%	55%
Samsung Galaxy Tab	52%	60%	45%	62%	48%	43%	54%	46%
Sony Tablet PC S	48%	57%	39%	46%	50%	48%	48%	47%
Blackberry Playbook	41%	47%	35%	41%	41%	43%	41%	41%
Motorola Xoom	41%	51%	33%	45%	43%	33%	42%	40%

Base = 360 internet users aged 18+ expressing interest in owning a tablet PC (from the Ipsos Online Omnibus)

The tablet season?

We've already seen that interest in owning a tablet PC is rocketing upwards. Six in ten US online consumers want to own a tablet PC at some point. Does this mean that we're in for a wave of tablet-fever over the holiday season?

The chances are that we will, although not to such a large extent as might be thought based on simple interest in owning. Almost one in five US online consumers (17%) say they are likely to purchase a tablet PC before the end of the year, although just a third of these are 'definitely' going to do so. Money is obviously playing a part here, as purchase intention amongst those with higher incomes is much stronger than those on lower salaries. In fact, while the tablet has certainly struck a chord with all demographic groups, the most likely purchasers are still skewed a little male, 18–34 and to higher income groups. The holiday season will be tablet season for some, but not for all.

Q1 How interested are you in owning a 'tablet' (sometimes referred to as a 'tablet PC')?
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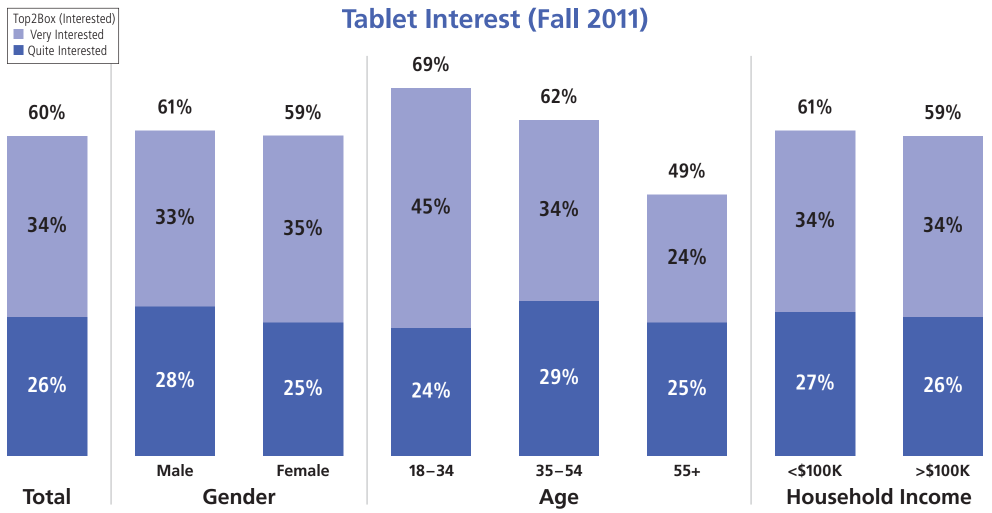
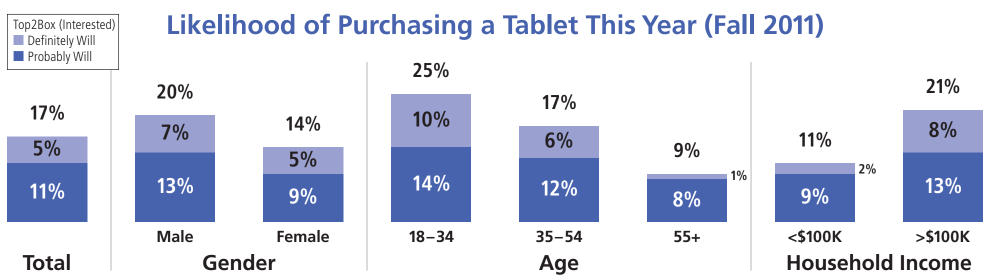


Q1b And how likely are you to purchase a tablet PC before the end of this year?



'Tis the season to be Apple?

Demographics aside, it's clear that large numbers of tablet PCs will be purchased this year. The problem for anyone other than Apple however, is that the iPad is still the clear favorite for the majority of potential purchasers. This group is obviously a little more engaged than those who simply aspire to owning a tablet one day – they are more enthusiastic about all of the tablet brands – but they still lean towards Apple in large numbers.

Another boost for the iPad comes in the form of the two brands next most appealing to potential purchasers. One, the HP Touchpad, is unlikely to be available in large numbers during the holiday period. The other, Amazon's newly announced Kindle Fire, still has to make it past the gauntlet of journalist and consumer reviews. Particularly as the Kindle Fire intentionally departs from the iPad 2 model in important respects (including price, 7" screen, absence of 3G, and absence of built-in camera and microphone), it remains to be seen how much overlap there will be among those intending to buy and iPad 2 and those intending to buy a Kindle Fire.

Q2a How interested are you in each of these tablets? LEAGUE TABLE – WANT/SHORTLIST/

September 2011 (want/shortlist)	% of those interested in owning a tablet who would at least shortlist the brand	% of those likely to purchase a tablet this year who would at least shortlist the brand
Apple iPad	56%	68%
HP TouchPad	24%	39%
Amazon Kindle Tablet PC (the upcoming tablet PC from Amazon)	23%	33%
Samsung Galaxy Tab	21%	31%
Sony Tablet PC S	17%	30%
Blackberry Playbook	15%	26%
Motorola Xoom	14%	29%

Base = 690 internet users aged 18+ expressing interest in owning a tablet PC / 185 internet users likely to purchase a tablet PC before the end of this year (from the Ipsos Online Omnibus)

What impact are tablet PCs having on laptops?

In February we suggested that the tablet had the potential to change how laptops were used. Six months later we can see that tablet activities are focused on information searches, socializing, consuming media content and playing casual games. In almost all cases this appears to be at the expense of the laptop computer in the household, with tablet owners less likely to turn to their laptop for these activities. The laptop does seem to be at risk of becoming the less cool, older brother of the tablet PC; used only when the tablet isn't available or suitable for the task in hand.

Q What do you use your tablet PC for?

	Owners – past 3 month use of PC	Reduced laptop use
Search For Info	49%	
Visit Social Net	33%	↓
Read Online Content	31%	↓
Play Social/Casual Game	28%	↓
Email	26%	↓
Listen To Music/Audio Content	25%	↓
Stream Media Content	24%	↓
Post/Make Comments To Blogs, Websites, Social Networking Sites	19%	↓
Watch Movie	19%	
Watch Amateur Video	18%	↓
Watch Full TV Prog	17%	
Play Video Game	17%	
Watch Prof Video	17%	
Share Content Such As Pictures Or Videos Online	16%	↓
Video Conference	10%	
Watch Live Event	9%	

Base = 579 iPad/iPad 2 owners/186 Non-iPad Tablet owners from LMX Spring 2011

A potential driver of the iPad's popularity?

Looking at what the tablet is used for also sheds some light on one potential driver of its popularity. Put simply, owners of iPads use their devices for many more activities than do owners of other tablet PCs. This could be a function of the type of person who purchases an iPad compared to other devices, or it's due to the nature of the devices. Most likely it's a mixture of the two. Either way, iPad owners appear to make more use of their tablets and presumably this gives them more to talk about, helping spread positive word of mouth around the device.

Q What do you use your tablet PC for?

	iPad	Other tablet
Search For Info	53%	28%
Visit Social Net	37%	18%
Read Online Content	36%	14%
Play Social/Casual Game	33%	12%
Email	30%	12%
Listen To Music/Audio Content	29%	11%
Stream Media Content	26%	15%
Post/Make Comments To Blogs, Websites, Social Networking Sites	21%	10%
Watch Movie	21%	12%
Watch Amateur Video	19%	11%
Watch Full TV Prog	19%	11%
Play Video Game	19%	10%
Watch Prof Video	18%	12%
Share Content Such As Pictures Or Videos Online	18%	7%
Video Conference	9%	8%
Watch Live Event	9%	5%

Base = 579 iPad/iPad 2 owners/186 Non-iPad Tablet owners from LMX Spring 2011

In summary – do we have a tablet PC market yet?

Six months on from our original paper and the tablet is still increasing in popularity. A majority of internet users now want to own one of the devices and many plan to purchase one before the year is out. Forecasts of the tablet PC making up a large proportion of computer purchases in the near future are not hard to believe.[5]

For us, the really astonishing fact is not the popularity of the tablet per se, but the potential for one brand to dominate this emerging field. In February we were confident that the tablet market would develop along the lines of the smartphone sector – Apple enters, shakes things up dramatically and dominates for some time. After a while, a number of other manufacturers manage to overtake Apple under the banner of another competing operating system. Apple still takes a very large slice of the pie but many other manufacturers also get a place at the table.

In all likelihood this is still what is eventually going to happen in the tablet market. Any doubt stems from the lack of a major competitor so far and the continued hold the iPad has on the minds of potential purchasers. Consider this: Looking back at the smartphone market, it really didn't take very long for Android to pass the iPhone. Sure, focusing on the 'smarter smartphone' market, Apple had things to themselves for a while. Once Android was released and stabilized however, it only took about a year for it to pass Apple's market share.[6]

We're about 18 months into the new tablet market and so far the iPad hasn't been seriously troubled. Can the other manufacturers wait four years for Apple to be overhauled? Rather than this being a replica of the smartphone market, what happens if the tablet sector behaves more like the MP3 player category? Here again Apple wasn't the first to think of the device. Once they did, they quickly became dominant and built up a lead so great that few even use the term MP3 player these days, simply calling it an iPod.

It still seems that the way the iPad can be challenged is on use case. Owners of other devices simply do not seem to get as much use out of their tablet PC. The much-discussed 'eco-system' is obviously very important here, just as in the smartphone market, so Android appears to have it easier than less well supported operating systems. Fighting on this ground alone, however, may be to fight the new battle with the weapons of the last.

The tablet is rapidly becoming the go-to media device, so content availability, integration and consumption are as important as any other factor. A player with heritage in this area, such as Amazon, may well have as good a chance as any of breaking the iPad's hold. Particularly if the Kindle Fire can (for at least some consumers) meet content expectations, while also leap-frogging iPad 2 into the robust Amazon "commerce ecosystem," this re-framing of the tablet use case may be the most serious threat to the iPad 2 thus far. This is particularly worth watching given the Fire's cloud-assisted Silk browser, and rumors of an ad network in the offing based on behavioral targeting.

[5] http://blogs.forrester.com/sarah_rotman_epps/10-06-17-steve_ballmer_right_pc_market_getting_bigger

[6] http://www.businessinsider.com/chart-of-the-day-ipod-touch-apple-android-share-2011-4

Methodology

This paper contains selected results from LMX, the biannual cross-media study run by Ipsos OTX MediaCT. This is a syndicated study used by many media owners and technology companies to understand current behavior and get an insight into what the future may hold. Each wave of LMX speaks to 7,500 'digitally forward' consumers, those with more internet and media interests than the 'average' consumer.

The paper also contains results from a set of omnibus questions asked in February 2011 and again in September 2011. In each case the questions were asked of a representative sample of 1,000 US online consumers aged 18+.

Please get in touch with Kevin Thompson (kevin.thompson@ipsos.com) for more information.

About Ipsos OTX MediaCT

Ipsos OTX MediaCT works with leading companies in technology and all sectors of media – TV, digital, print, outdoor, radio – helping owners and advertisers to better understand different audiences, the content they consume, the media channels they use to consume it and the technology they use to discover, talk about and access this content.

We do this through industry-leading products and services such as LMX (Longitudinal Media eXperience) and the Ipsos Mendelsohn Affluent Survey; as well as through custom research to answer specific and often complex, questions from our clients. Many of these questions are focused on cross-platform evaluation and the relationship between different media channels. They also cover the consumer's relationship with new technology and how it impacts on their behavior and thought processes. Answering them requires an innovative approach to market research together with sector experience and ultimately, thought leadership.

The senior team at Ipsos OTX MediaCT has extensive experience of working with and for media owners, agencies, advertisers, technology and entertainment companies, allowing us to look at the issues from all angles. The techniques we use to answer research briefs encompass a wide range of approaches from the humble survey or focus group to semi-ethnographic online techniques, biometric testing and the use of virtual reality.

Ipsos OTX MediaCT is a specialist division within the global market research group, Ipsos. Ipsos has offices in 67 countries, generating revenues of over 1bn Euros in 2010. Alongside media, content & technology, Ipsos has specialist practices in advertising, loyalty, marketing and public opinion research.