

# Trends of 2011 and the Storylines for 2012

By the Parks Associates Research Team

This issue of Parks Points looks back at 2011 and ahead to 2012. If you are not subscribed to Parks Associates' newsletters, go to [www.parksassociates.com/parkspoints](http://www.parksassociates.com/parkspoints) to sign up.

## Video Services, Pay TV, and OTT

**Consumer viewership of online video dramatically increased in the past few years, and this trend will continue in 2012.**

Nearly 70% of U.S. broadband households viewed online video on their PCs at least monthly in 2011, compared to 38% in 2006.

Netflix recently announced that its members around the world viewed more than 2 billion hours of content in Q4 2011 alone.

Consumers acquired an increasing number of platforms they can use to watch digital video. Throughout the course of 2012, households will consume more and more video on mobile devices like tablets and smartphones.

**In the past twelve months, 12.7% of U.S. pay-TV subscribers downgraded their pay-TV service.**

This trend will impact ARPU and overall revenues and resonate throughout the content ecosystem in 2012.

Operators will continue to explore new and creative ways to monetize their investments in VOD and multiscreen delivery systems.

**Providers rapidly expanded their multiscreen services in 2011 as a deterrent to subscriber and revenue loss due to online video and OTT services.**

By mid-2011, 80% of U.S. pay-TV subscribers could receive on-demand content on a non-TV screen in their home through a service provided by their pay-TV provider.

Growth in multiscreen services will continue in 2012 despite implementation costs and unproven business models.

By the end of 2012, the impact of multiscreen offerings on subscriber churn and business models will be clearer to operators.

## Global Markets—Video & Broadband Services

Of all global markets, Latin America is the fastest growing market for pay-TV services, increasing by 18% between 2010 & 2011.

Fueled by growing economies and foreign investment (particularly from Western Europe), Latin America is a hotbed for television delivery systems and services.

OTT services are also popping up across the landscape to take advantage of the growth potential. As operators in Latin America invest in new technologies, expect to see advanced TV features emerge that rival more mature TV service markets.

**At the end of 2011, approximately 660 million households worldwide subscribed to an Internet service.**

About 583 million received broadband service, representing 31.7% of all global households and 88.3% of all Internet households.

Broadband is growing quickly throughout the world, particularly in markets such as Latin America, Eastern Europe, and Asia. Services in these regions are becoming more widely available, and increased competition is helping to bring prices down to affordable levels for consumers.



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## UPCOMING EVENTS

CONNECTIONS™ Summit at CES |  
January 10, 2012

Smart Energy Summit: Engaging the  
Consumer | February 28 - March 1, 2012

CONNECTIONS™ at TIA 2012 |  
June 5-7, 2012

## LINKS

CONNECTIONS™ Blog

Webcast—2012 Consumer & Technology Trends

Access & Entertainment Services Research

CONNECTIONS™ at TIA 2012



## Platforms & Networks

**Worldwide sales of “fixed” connected consumer electronics such as smart TVs, connected Blu-ray players, game consoles, and digital video media players will grow from 156 million in 2011 to more than 320 million in 2016.**

Regardless of whether Apple enters the smart TV market with its “iTV” product, gesture recognition and voice control will be defining features of the smart TV experience.

Trends to watch in the smart TV space include interactive features between the TV and portable devices, automatic content recognition solutions, applications development, and the impact to all video delivery channels—pay TV, download, streaming, and broadcast.

**Broadband households in North America and Europe own an average of 5.4 and 4.8 connectable devices, respectively.**

By 2016, ownership of these devices will almost double to 9.8 in North America and 9 in Europe.

Increasing adoption of connected platforms capable of accessing this content online will fuel growth in digital media distribution in 2012. These devices include desktop computers, smart TVs, Blu-ray players, game consoles, laptops, netbooks, tablets, and smartphones.

Each device category is at different stages of maturity, and penetration will follow a different growth rate, but overall, connected devices will more than double their presence among broadband households.

## Mobile CE & Services

Global smartphone shipments exceeded 460 million units in 2011 and will reach 1.3 billion units in 2016.

Smartphones drive mobile data adoption, putting more pressure on mobile operators’ network capacity management and data plan pricing models. Smartphone user growth translates into skyrocketing mobile data usage, which will test network capacity as well

as pricing power of the operators. Operators have several solutions to manage this data traffic:

1. Intelligent network policy protocols to prioritize network traffic by type through solutions from companies like Tekelec
2. Traffic optimization tools for data-intensive applications such as video using solutions from companies like Bytemobile
3. Offloading solutions such as Wi-Fi and small cell technologies from companies like Kineto Wireless and IP Access
4. Expand capacity—acquiring spectrum and move traffic to more efficient networks like LTE

Only 58% of U.S. mobile data users are very satisfied with their monthly data quota, and an even lower percentage (41%) are satisfied with the price of their current data plan. How mobile operators address consumer data needs and dissatisfaction with costs will be critical issues in 2012.

**Robust tablet sales point to a dramatic shift in content consumption behaviors in the next few years.**

Worldwide, 56 million media tablets (excluding e-book readers) were sold in 2011, and sales will top 280 million units in 2016, making tablets a major computing and Internet media platform.

Tablets will overtake PCs as the top Internet traffic driver by platform in 2016, when U.S. household penetration will exceed 67%.

## Advertising and Second-screen Activities

Second-screen content and ad integration will take off in 2012.

Almost 20% of U.S. smartphone and tablet owners currently search for TV program information on their device while watching TV, despite the limited availability of synced applications. Creating and enhancing second-screen synergies offer new revenue streams and ad inventory opportunities.

## PREMIER SPONSORS



Consumers are becoming more comfortable with personalized TV and Internet advertising.

Over one-third of TV and Internet users are comfortable with personalized TV and Internet ad targeting techniques, 38% and 34% respectively.

Generally speaking, consumers are more comfortable being targeted by advertisers (involuntarily) and less likely to provide personal information in order to receive ads for products or services of interest.

## Gaming

In the U.S., 135 million people play at least one hour of games per month (compared to 56 million in 2008).

Most of the new gamers belong to more casual segments and have been attracted to the gaming world by smartphones, tablets, and social and free-to-play games.

New devices and monetization models have made it easier for more people from diverse segments to try and play games. Gaming on tablets is particularly popular among owners of these devices.

2012 will be a formidable year for mobile games as penetration of lower-priced devices like the Kindle Fire increases. The Amazon tablet in particular will benefit from a growing app store and the retailer's huge customer base (with credit cards saved in their accounts).



## Digital Home Support Services

U.S. revenues for both consumer and SMB-oriented technical support services totaled \$16 billion in 2011 and will double to roughly \$32 billion by 2015. This is a huge opportunity for support service companies and service providers.

Emerging service areas for both the consumer and the SMB markets include smartphone and tablet setup and configuration, particularly as businesses contend with the rising trend of "BYOD" (bring your own device).

In addition to well-established brands such as Geek Squad, PlumChoice, Support.com, and iYogi, new players to watch include those from the traditional business process outsourcer (BPO) business, which has traditionally provided lower-cost telephone call center agents to help support broadband or consumer electronics companies. Several of these companies have developed remote support capabilities internally and are offering premium technical support services to supplement their traditional Level 1 or Level 2 support businesses.

**Expect to see new distribution of support service offerings in 2012.**

For example, PlumChoice has partnered with the mobile handset insurance companies Asurion/N.E.W. to provide remote support services as part of a traditional extended warranty. In 2012, there will be a growing focus on delivering premium technical support services like remote troubleshooting to a growing number of consumer electronics products such as smart TVs.



Feb 28-March 1 | [www.SES2012.com](http://www.SES2012.com)

The agenda features special consumer research sessions plus presentation and discussion panels with executives and market visionaries from utilities, service providers, and manufacturers.

**Special Presentation:** SMBs and Energy Management Solutions

**Residential Energy Outlook** Post-stimulus

**Engaging Consumers:** Keys to Broader Adoption of Utility-based Energy Management Solutions

**Boosting Consumer Adoption:** New Value Propositions

**What Consumers Really Want:** New Incentives & Business Models

**Growth and Impact** of Energy Management Device Offerings

**2015 Offerings:** New Services, Features, and Pricing Models

**Generating Mass-market Appeal:** Emerging Business Models

**Rethinking the Problem:** Creative Approaches to Consumer Engagement

**Interoperability** & Home Controls

**International Experiences:** Translation for the U.S. Market

**Hybrid Solutions:** Beyond Home Networks

**Pecan Street** Project

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## Connected Home Systems & Services

**Energy management is moving into mainstream markets.**

Smart meter deployments will reach 56 million by 2015, at which time 45% of U.S. households will have a smart meter. Smart meters and the data they generate will enable utilities to add services to improve their relationship with consumers. Energy management systems can mine each customer's smart meter data and provide meaningful comparisons, individualized recommendations, and real-time feedback on usage anomalies.

Broadband and security providers are starting to offer energy management and home controls. Offerings from early entrants ADT and Verizon will be followed by offerings from Time Warner Cable, Comcast, and AT&T.

Among U.S. broadband households, energy monitoring has the highest appeal among possible value-added services, followed by energy management services, but the revenue potential from these services may be limited, as no single payment plan gets the majority of support. As a result, there are several different paths to market, e.g., bundling energy management with remote control and monitoring; offering an energy monitor-

ing service for a nominal fee; and packaging energy management with security and remote control.

Big-box retailers are also entering the market. Lowe's is offering energy management products with the launch of its Iris platform.

**Enhanced capabilities offered by IP-based security will expand the percentage of U.S. households with professionally monitored services to 30% by 2020.**

Of the 30% of U.S. households with security in 2020, more than half will have IP-based services.

Broadband ISPs will capture 80% of the IP-based security market.

**More manufacturers are entering the electric vehicle market.**

The U.S. Department of Energy is providing more than \$175 million to 40 projects across 15 states over the next three to five years to accelerate the development of technologies for energy-efficient vehicles.

Globally, transportation accounts for close to 60% of oil consumption and an estimated 30% of carbon emissions.

The U.S. government is offering a maximum \$7,500 tax credit for the purchase of an electric vehicle.



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## ABOUT PARKS ASSOCIATES

Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes digital media and platforms, entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, support services, consumer apps, advanced advertising, consumer electronics, energy management, and home control systems and security.

Each year, Parks Associates hosts industry webcasts, the CONNECTIONS™ Conference Series, and Smart Energy Summit: Engaging the Consumer.