

CONSUMERLAB



CONNECTED LIFESTYLES

An analysis of evolving
consumer needs

An Ericsson Consumer Insight Summary Report
January 2014

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METHODOLOGY

This Ericsson ConsumerLab report looks at how smartphone usage and connected lifestyles influence consumer needs and expectations across three markets – US, Brazil and Indonesia. We collected data in 3 phases, consisting of online qualitative research across 5 target groups, including college students, professionals and parents; 4 focus groups in 3 locations – Chicago, São Paulo and Jakarta; and an online survey of 1,000 interviews in each market. The sample is representative of consumers who have a smartphone and internet access at home, including 92 million in the US, 27 million in Brazil and 23 million in Indonesia. The data is thus representative of approximately 150 million smartphone owners.



THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has close to 20 years experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures.

To be close to the market and consumers, Ericsson ConsumerLab has analysts in all regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

All ConsumerLab reports can be found at:
www.ericsson.com/consumerlab

EVOLVING CONNECTED LIFESTYLES

The digital services market is continuously evolving, offering new apps and solutions that allow users to communicate, socialize, find information, enjoy media and make purchases online. What's more, these services can be accessed on mobile devices anywhere and at any time.

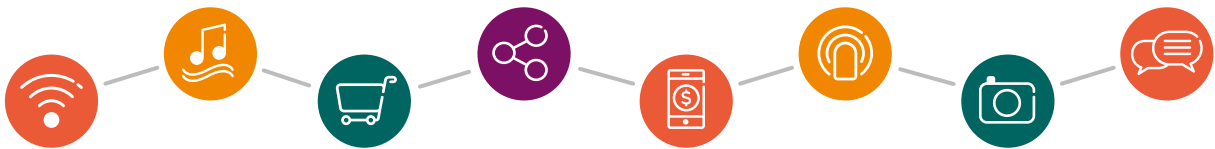
Although the connected lifestyle presents new opportunities for consumers, it can also create complications, such as keeping track of additional bills,

passwords and subscriptions. Users can become frustrated if they experience a drop in connectivity or are unable to find the content they need.

As a result, the connected lifestyle creates new needs and expectations which should be taken into account. For example, many consumers welcome services that simplify life, offer good value for money, and are easy to access and manage.

New expectations are also driving more companies to go beyond their existing offerings, which in turn stimulates the digitization of society.

In this rapidly changing world it is important to understand newly created needs. This Ericsson ConsumerLab report evaluates consumer perceptions and emerging expectations today. By testing concept ideas covering different service areas, the study identifies drivers that will shape the connected lifestyle of tomorrow.



THE CONNECTED LANDSCAPE presents new opportunities for consumers

KEY FINDINGS

> Seven emerging needs areas

Our connected lifestyles generate new needs. This study identifies seven important need areas central to introducing successful services: Instant access everywhere, Customize my world, Switching off, Assisted productivity, Enhanced togetherness, Consumers in control and Location based me.

> Keeping everything in one place

Successful services reduce complexity, are intuitive and integrate seamlessly with overall consumer behavior.

New services need to simplify management of content, prices and actual usage in one place. Shared data plans are an example of how this can be achieved and appealed to 69 percent of smartphone users surveyed.

> Connected lifestyles demand real-time solutions

To fit in with the mobile lifestyle, services need to be customized according to time and location. For instance, location-based services appeal to 52 percent of consumers as this functionality can assist in day-to-day planning.

> Opening up market opportunities

New consumer needs force actors in the connected landscape to look beyond their existing offerings, with a focus on a holistic experience and aggregated services. Consumers who pay for digital services regularly are more motivated by new offerings, from which some service providers stand to capitalize.



THREE MARKETS, THREE REALITIES

Consumers in three countries were interviewed to represent the full spectrum of market maturities. Figure 1 demonstrates that the majority of smartphone users in all 3 markets actively use the internet for more than 3 hours per day. However, as discussed below, connectivity, user demands, and willingness to pay for services varies greatly across the three countries. It should be noted that in countries with low internet penetration, the online population is often dominated by early adopters who are likely to display an equal, if not higher, level of maturity to average users in markets with high internet penetration.

USA

As the most mature market in the study, the network and digital services in the US are well developed and have high penetration. There is an interest in receiving more media content. Any service that could save time and reduce hassle and stress is well received.

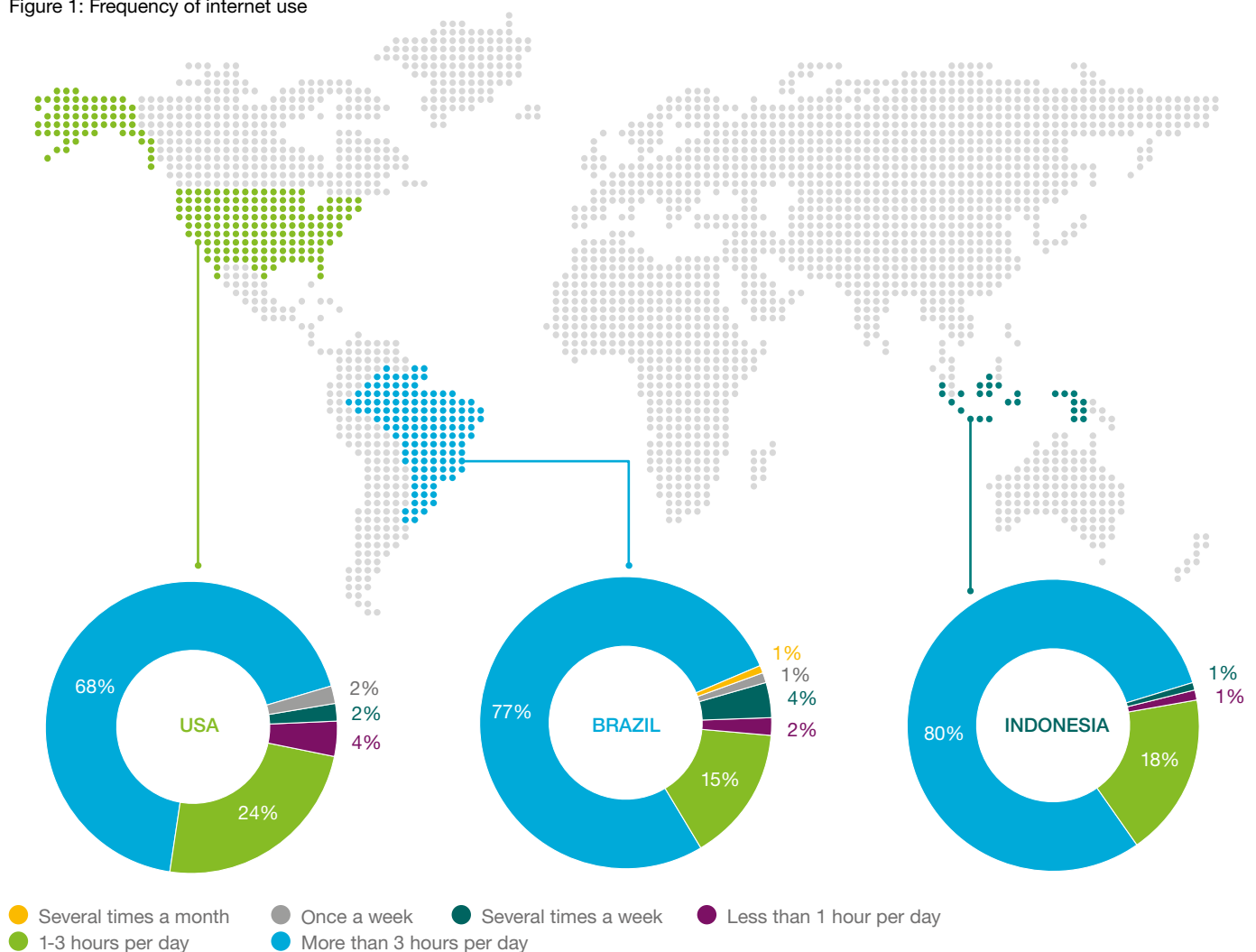
Brazil

This is the second most mature market analyzed. Free services are frequently used and few say that they pay for additional media content other than TV. Overall, people are excited about new technology, but mobile connectivity is perceived as a strong source of frustration in this market.

Indonesia

The least mature market is Indonesia – however technology aspiration is very high in the country. Many of the people interviewed have more than one phone/SIM card. Those surveyed said that price is the deciding factor for additional media services and customers are happy to switch providers to save money.

Figure 1: Frequency of internet use



Source: Ericsson ConsumerLab 2013, Connected Lifestyles. Study base: Smartphone owners in USA, Brazil and Indonesia with internet at home

CONSUMERS DEPEND ON CONNECTIVITY

The research in this ConsumerLab study focused on digital services covering communication, media, online shopping, information and daily tasks along with connectivity – the foundation for the connected

lifestyle. The large majority of consumers in all three markets surveyed use the services for at least three hours each day.

Digital services covered in the study



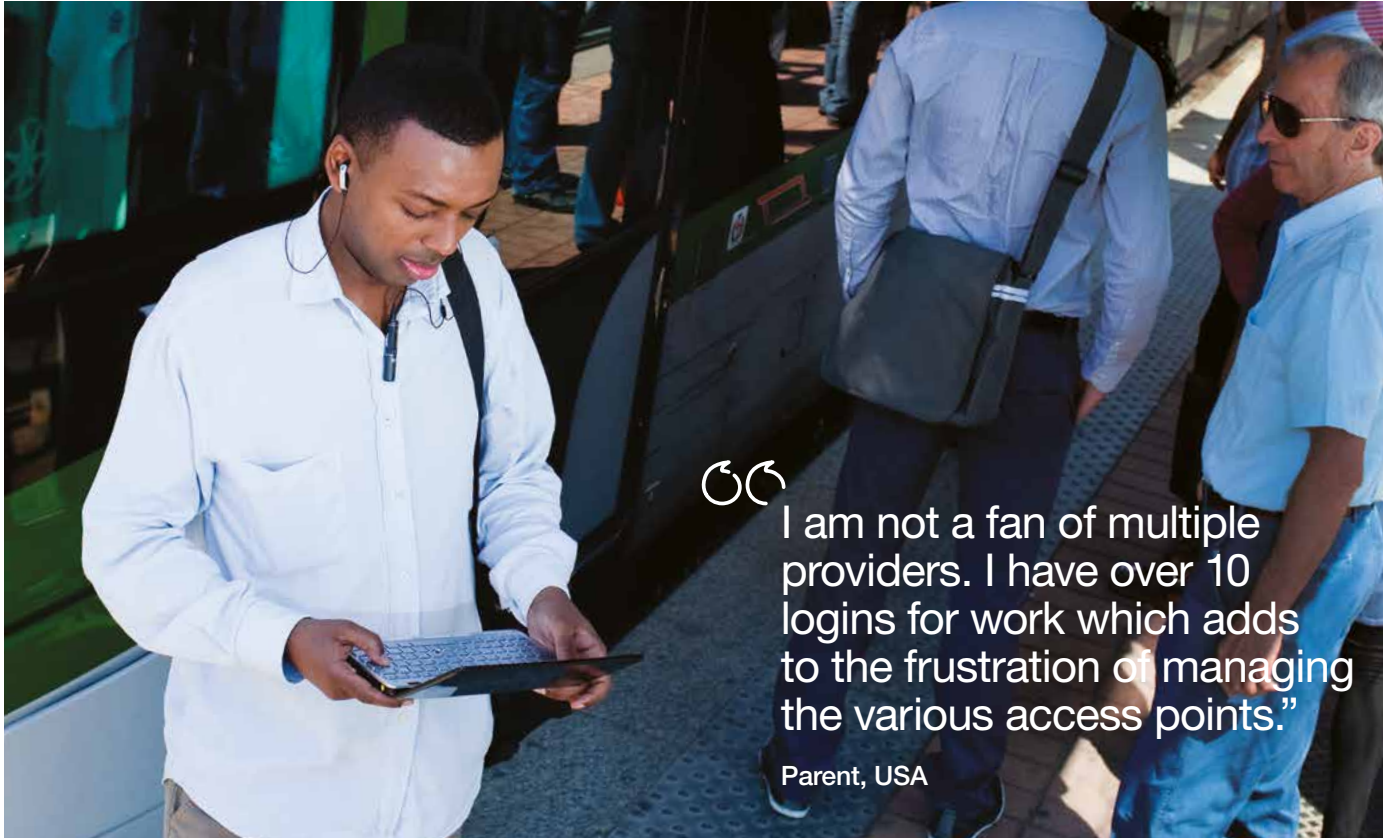
The amount of services, apps, brands, providers and situations for people to choose from is vast, and will continue to grow in the future. This can make it difficult for consumers to decide what type of service they

want, how they access it and who provides it, giving way to a complex connected landscape, as shown below.

A complex connected landscape



GROWING FRUSTRATIONS



I am not a fan of multiple providers. I have over 10 logins for work which adds to the frustration of managing the various access points.”

Parent, USA

ON-THE-GO SERVICES

While the connected landscape is complex and constantly growing, future innovations should simplify choice for the consumer.

One main user expectation is uninterrupted access to a fast and reliable connection wherever they are. This is important for fitting into busy work and life schedules. Consumers say a drop in data connectivity is highly frustrating.

Users want a simple, personalized and continuous experience throughout the day. Managing a large number of services, keeping track of passwords, overlapping content and using different service providers are barriers to a seamless experience. This can lead to frustration, take up valuable time

and cause people to miss out on relevant content and offers. Consumers who pay for digital services such as Netflix and Hulu expressed the need for better solutions to find and manage their viewing content, rather than having to switch between different service providers.

Another troublesome area is payment and business models. When a person's preferred method of payment – whether it is PayPal, credit card or direct debit – is not accepted, it can lead to frustration. Safety in making online payments is also an issue, but consumers will still pay for OTT services as they believe there is no other option.

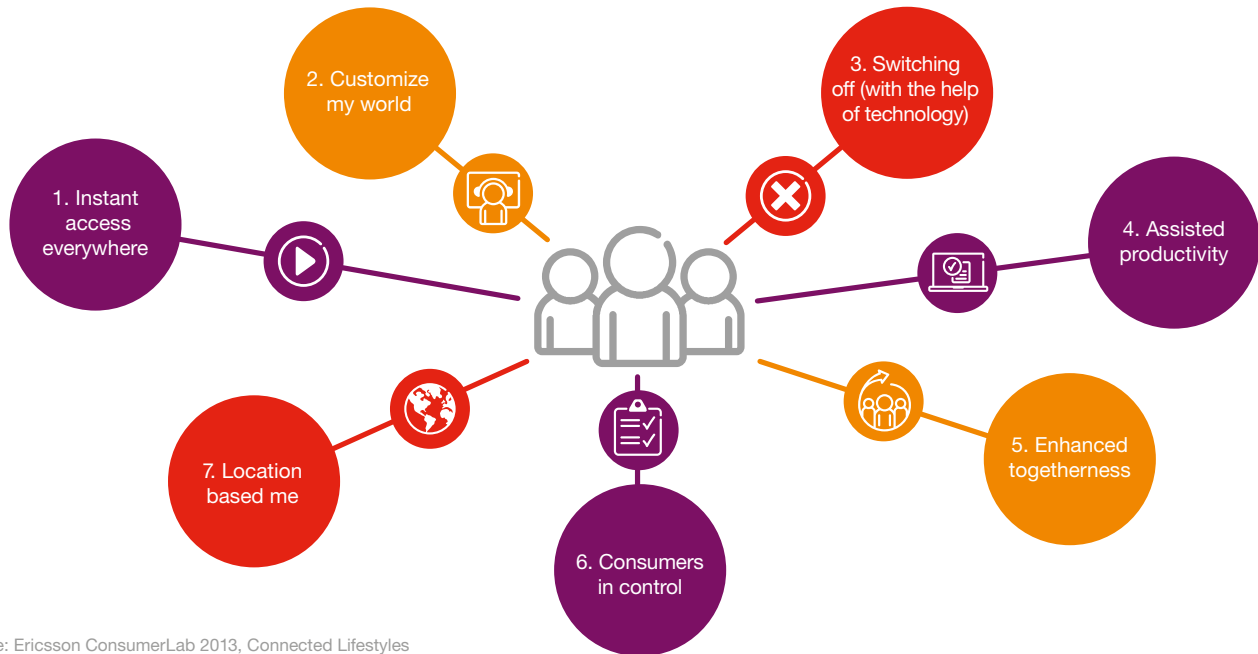


I like to have everything right away. I start panicking if I do not have immediate online access.”

Career-focused person, USA

NEW CONSUMER NEEDS

Figure 2: The connected lifestyle creates new consumer needs areas



Source: Ericsson ConsumerLab 2013, Connected Lifestyles
Study base: Smartphone owners in USA, Brazil and Indonesia
with internet at home

Based on consumer feedback in this study, we have identified seven new needs areas – shown in Figure 2 – that open up new market opportunities.

1 Instant access everywhere

Users expect to be connected around the clock, anywhere and on any device. Busy work/life schedules require instant access without waiting for pages to load or calls to connect. Therefore, people expect a fast and reliable connection to come as standard, across overlapping contexts in multiple environments.

2 Customize my world

With consumers at risk of information overload, relevance of content has never been more important. The study showed that people increasingly welcome the idea of personalized services and alerts as long as they are tailored to their preferences. The need for personalization will continue to grow as greater choice becomes available in the future.

3 Switching off

Consumers will want to balance the need for instant access everywhere by actively making time to switch off, relax and unwind. Consumers expressed an interest in services that can help them to do so.

4 Assisted productivity

In a world of meetings and appointments, consumers will look to their digital services to manage and coordinate their schedules. Consumers want to free up time to allow them to concentrate on more important things, knowing they will never forget or miss an important event.

5 Enhanced togetherness

Friends and family will increasingly rely on technology to keep in touch, wherever they are. Technology-assisted social activity is expected to continue in the future, and people want these services to become more seamlessly embedded into their lives.

6 Consumers in control

Consumers want to be in control of their connected lifestyles, keeping track of spending, data usage and information updates. People will continue to shop online to save time, hassle and money. Safe payment models will also be important to reassure buyers that they are receiving the best possible deal.

7 Location based me

Consumers express a need to get information that is relevant to where they are at any given moment. Also, people will look for new opportunities to interact and gain information about the environments and people around them.

ACCOMMODATING USERS' DESIRES



I would like to be able to watch all of my shows via one service provider.”

Career-focused person, USA

Consumers expect new innovative digital services to integrate with their lives. They will be looking for tailored experiences and personalized services according to their needs. The desire for a seamless experience independent of context, location and device will encourage the use of the cloud and drive the need for constant connectivity.

Location and time

Being able to engage with their immediate environments, access and receive content in any location and set their own schedules are important expectations. Personalization based not only on behavior and preferences, but also time and place, will make for a truly customized experience. Services such as smart notifications, contextual suggestions in real time, augmented reality and geo-tagging will allow people to interact in new ways. Network performance must be adapted to any situation to provide the required connectivity.

Reducing complexity and offering control

Internet access is the basis for all digital services. Consumers want to get online anywhere, at any time and on any device. Additionally, consumers are also interested in simplifying payments and improving control over their spending and usage of data. In Brazil and Indonesia, where the lack of connectivity is a source of frustration, the main desire is for a reliable connection no matter where they are.

Manage and pay for subscriptions

One way to simplify life is to manage and pay for various subscriptions – e.g. communication, internet and media – using one account. Consumers appreciate that such a service would save time and reduce stress through centralized management, which gives better control of spending and usage. In the US – a market where connectivity is more built out – consumers are searching for ways to simplify their life and reduce the hassle of multiple bills.

This also applies to expectations on shopping services. These should provide people with the possibility to keep track of receipts, invoices and transactions, giving an overview of monthly spending. A service that can do this proved popular across all markets, as users welcome anything that can save money or make life easier.

Discover and access content simply

Similarly, for media consumption, consumers are asking for services that aggregate specific media types, such as TV and movies, into one place. This would simplify discovery of and access to different media content. Again, consumers see the benefit of maximizing value for money by only having to pay one bill, and having one central account. Another benefit identified by consumers is a parental control feature, which will ensure younger family members only access appropriate content. Furthermore, having a cloud based service would allow consumers to access all their content on any device.

SERVING NEW NEEDS

When the level of appeal for new services was tested on smartphone users in Brazil, Indonesia and the US, respondents gave positive feedback, seeing a need for the solutions in their everyday lives.

Shared data

69 percent were interested in shared data plans, which was by far the most popular. Consumers appreciated its ability to offer one monthly bill and one connection for all devices to be used anywhere, anytime and between household or family members. Users believe such a service saves money and simplifies life.

Smart subscriptions

The next most popular service was smart subscriptions at 59 percent. This service allows users to view all of their subscriptions, pay for them with one account, and add family members. It gives an overview of actual usage of the different services and offers suggestions for new products suited to the consumer's usage patterns. The high level of appeal for this concept stemmed from being able to simplify payment, and base spending on usage.

Monitor and modify

This service offers an overview of personal financial transactions to keep track of receipts, spending and online purchases – it appealed to 54 percent of consumers. Its creates a complete picture of monthly spending and acts as a tool for managing household finances. Finally, it allows the user to store their usernames and passwords for all services and online shops. Consumers were interested in this service since it manages and aggregates their finances in one place.



Everything will be personalized and relayed to you according to the importance you place on it. You will feel like the center of the world!"

Career-focused person, USA

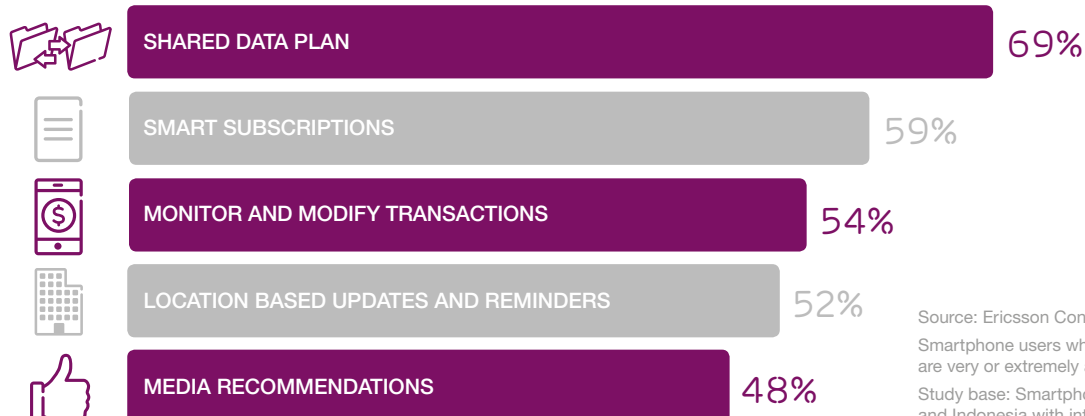
Location based updates

This provides smart notifications based on user preferences, usage and location. 52 percent of consumers thought that it would offer control of data usage and spending. Consumers also saw the benefit of receiving relevant news and alert updates that could help them better organize their day.

Media recommendations

Finally, media recommendations, with an appeal of 48 percent, lets consumers manage media services and websites based on their preferences and usage. The main benefit perceived by consumers was the possibility to discover new content – such as films, music, books or games – and reduce the time they spend looking for such media. Recommendations made to other users, specifically children, can be controlled. An additional benefit of this service is that it suggests modifications to other services or settings to improve performance when viewing movies or listening to music.

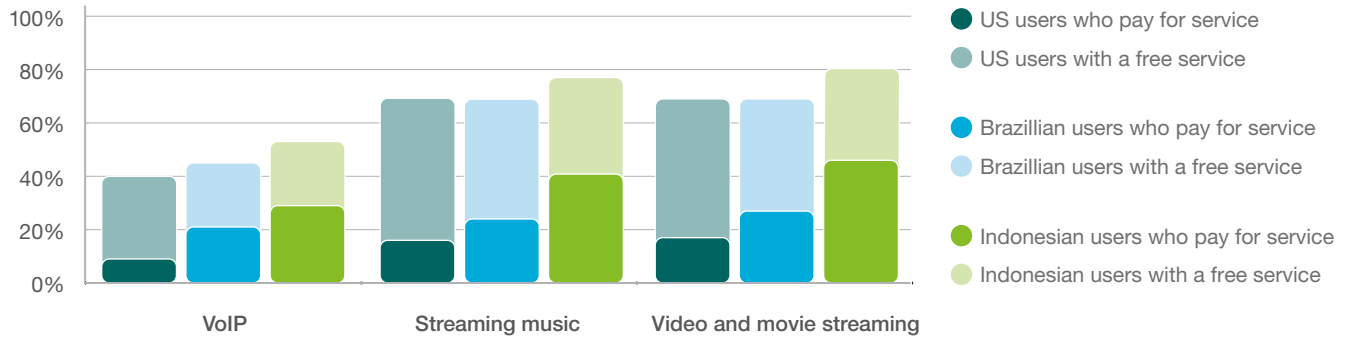
Figure 3: High level of appeal for future solutions



Source: Ericsson ConsumerLab 2013, Connected Lifestyles
Smartphone users who say that the future solutions are very or extremely appealing on a 5 point scale.
Study base: Smartphone owners in USA, Brazil and Indonesia with internet at home

TOWARDS A BETTER CONSUMER EXPERIENCE

Figure 4: Usage of digital services vs. regular payment for digital services



Source: Ericsson ConsumerLab 2013, Connected Lifestyles
 Study base: Smartphone owners in USA, Brazil and Indonesia with internet at home

Motivation among paying consumers

Many consumers have started to pay for digital services. In general, people's willingness to pay for a service increases if they use it often and it addresses specific needs, thereby adding value to everyday life. It should be noted that consumers surveyed in Brazil and Indonesia have more of an early adopter profile, which explains the higher likeliness to pay for services within these markets, as shown in Figure 4.

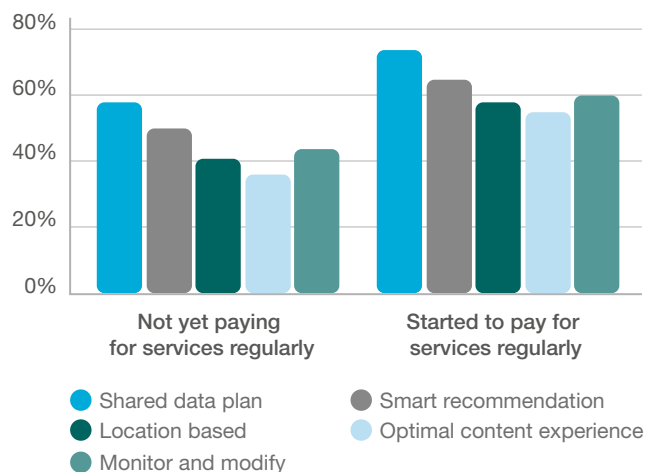
Consumers who have started to pay for digital services regularly to any provider are more motivated than the average smartphone user to try new offerings. The consumer segments most interested in the new services shown are young professionals,

career-focused people and parents with a rational mindset. Figure 5 illustrates that those who pay for services regularly show a higher interest in the future services tested for their appeal below.

Combine the best services

When looking at future offerings, combined services will be important. Connectivity is the main factor behind users' preference for adopting future services, making up more than a quarter of preference share as shown in Figure 6. This is followed by shopping services that include paying with a mobile phone and managing finances such as spending and transactions. Nevertheless, all services are of importance, meaning that there is no single area that will solve all consumers' priorities.

Figure 5: Level of appeal for consumers who pay regularly vs. consumers that don't pay

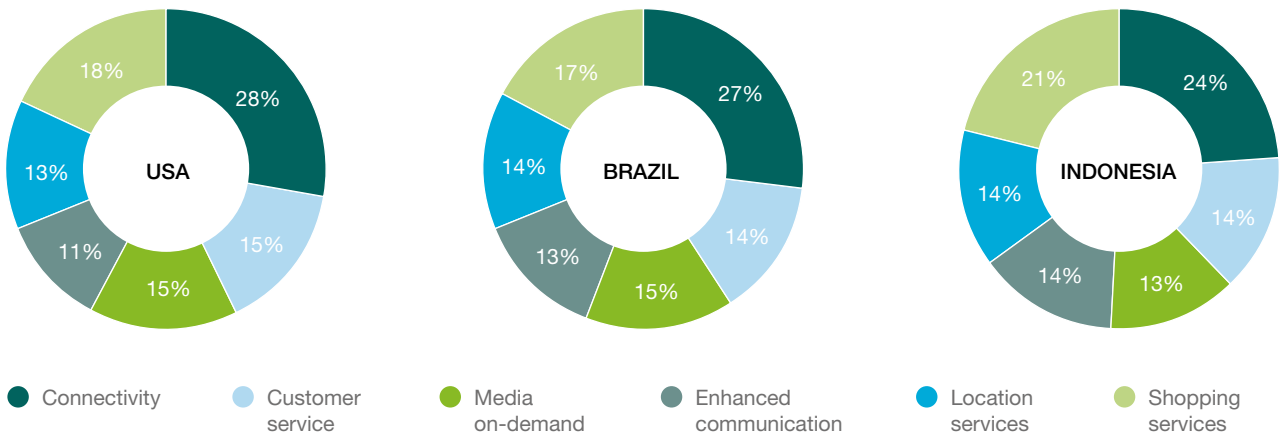


Source: Ericsson ConsumerLab 2013, Connected Lifestyles
 Study base: Smartphone owners in USA, Brazil and Indonesia with internet at home





Figure 6: Share of preference for adopting future services



Source: Ericsson ConsumerLab 2013, Connected Lifestyles
 Study base: Smartphone owners in USA, Brazil and Indonesia with internet at home

Know your consumers

The need for personal, data-centric customer care cannot be overstated. By offering real-time value, a service provider can become more proactive and relevant for when consumers choose new services. Since customization is increasingly important in connected lifestyles, when applied in a user-friendly manner it can act as a differentiator. At the same time, when building services tailored towards consumer needs, behaviors, preferences and location and time, respecting consumers' privacy is vital.

Simplify choice

Services need to offer control and reduce complexity. Aggregated services or cross-industry solutions could help consumers to get a better overview of content in one place and find what they need faster. Such solutions could also gather several services in one place, centralizing management, payment and subscriptions. This means there are opportunities for new offerings and actors to enter the market, while existing actors have the potential to innovate their service portfolio.

The connected landscape is evolving, and the time is ripe for building new, improved and holistic services that address consumer needs.

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We are more than 110,000 people working with customers in more than 180 countries. Founded in 1876, Ericsson is headquartered in Stockholm, Sweden. In 2012 the company's net sales were SEK 227.8 billion (USD 33.8 billion). Ericsson is listed on NASDAQ OMX, Stockholm and NASDAQ, New York stock exchanges.

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