



European Consumers Are Ready for a Connected Life

Cisco Internet Business Solutions Group (IBSG)
Primary Research

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We are now entering the world of the “Connected Life,” where users are creating their own desired experiences—consuming and interacting with multiple sources of content and services when they want, where they want, via their devices of choice. Advances in network technologies, inexpensive devices, and the proliferation of Web 2.0 business models are creating new and exciting content and experiences for consumers.

Connected Life solutions provide a complete, converged framework encompassing a broad range of services for storing, managing, and using a household’s digital media and other content via any device—anytime, anyplace. Household content can include TV, films, calendars and address books, digital photos, video clips, and music.

While many consumers are embracing the Connected Life culture, however, many more are hesitating—they are wary of the complexity and technical jargon that surround the “connected” experience. Important questions about the full potential of these new technologies need to be answered:

- Are consumers ready for a Connected Life?
- Which behavioral changes have triggered an increased demand for a more connected experience?
- Which kinds of solutions appeal to most consumers?
- How do service providers keep pace with this rate of change to stay relevant to consumers?

To test Western European consumers’ readiness for a holistic, Connected Life solution, the Cisco Internet Business Solutions Group (IBSG) developed a survey that was fielded July 24-August 2, 2007 to an online panel of more than 1,500 broadband consumers in Spain, the United Kingdom, Italy, Germany, and France. The sample surveyed is representative of the broadband population in each country, matching the range of age distribution and gender. This study is an extension of a previous survey conducted by Cisco IBSG in the United States in December 2006, thereby providing transatlantic comparisons. In fact, this new research indicates that broadband users in Western Europe may be even more interested in living the Connected Life than U.S. consumers.

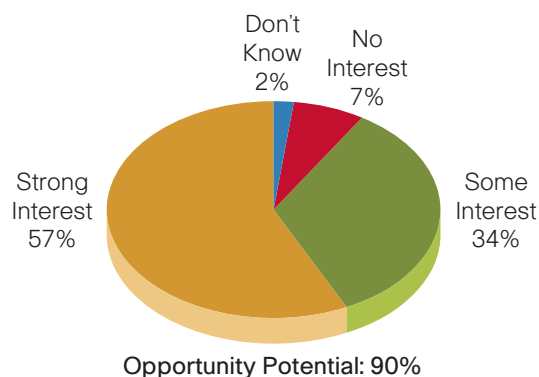
The Consumer Is Ready for a Connected Life Solution

Consumers have invested in new technologies ranging from broadband services to MP3 players and laptop computers. As they integrate these technologies into their lives, their behavior is changing in both anticipated and unanticipated ways.

The cumulative impact is pushing the limits of today's solutions. Consumers value technology and have grown to expect and depend on connectivity. They need solutions that make it easy for them to manage their expanding digital content, while at the same time meeting their growing expectations for simple, ubiquitous access to that content in their increasingly busy lives. With time a precious commodity, any solution in this area must be simple and not require a significant time investment by consumers. Key survey findings included the following:

- **Connected Life readiness:** 90 percent of broadband consumers expressed interest in a Connected Life solution that enables seamless access and storage of digital home content (Figure 1), and 42 percent said they would spend €3.5 per month for this service (Figure 2).
- **Consumers are tech-savvy:** 90 percent of broadband consumers enjoy technology; 52 percent believe technology helps them be more productive and organized; and 43 percent believe technology helps them organize their lives.
- **Busy lives increase need:** People are on the go, spending more than four hours away from fixed home and work locations every day running errands, commuting, and socializing. The line between work and home life is becoming increasingly blurred in Western Europe:
 - 35 percent of employed respondents work from home at least once a week
 - 36 percent (52 percent in Spain) of broadband users always carry their music with them
 - 78 percent check e-mail whenever possible
- **Always on:** 56 percent of broadband consumers always need to be accessible to family and friends; 31 percent need to be connected anywhere and everywhere.

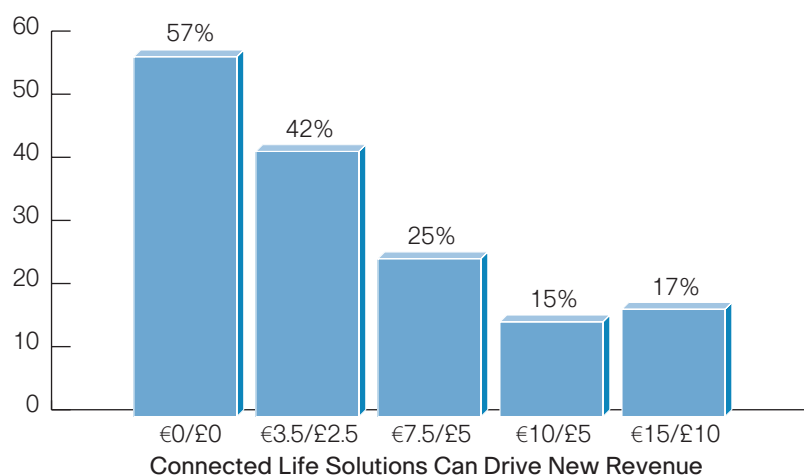
Figure 1. Interest in Connected Life Services



Base = Broadband Users

Source: Cisco IBSG, 2007

Figure 2. Willingness to Pay



Base = Broadband Users

Source: Cisco IBSG, 2007

Service Providers Need to Keep Pace with Consumer Demands

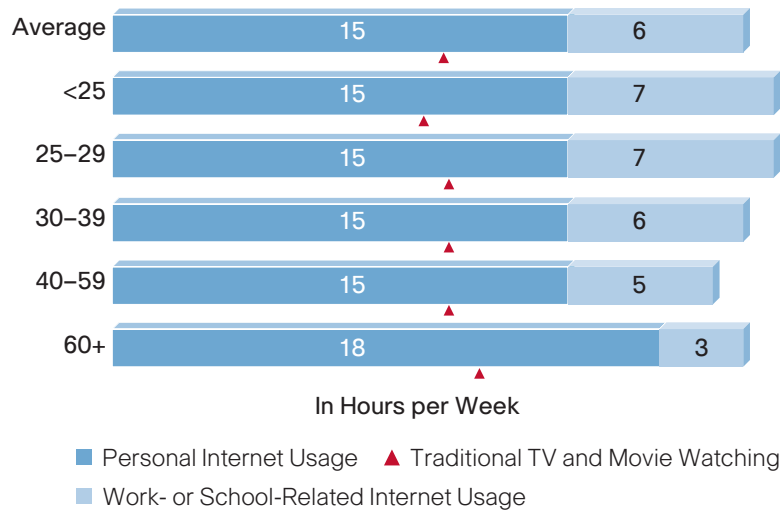
The Connected Life opportunity is significant—and it's here today. By understanding consumer behavior and demands, service providers can shape their business models to harness this unique opportunity.

- **Simplicity is key:** Service providers must develop solutions that ease the complexity of technology, not add to it. Seventy-eight percent of broadband consumers either think it would take too long to set up a Connected Life solution, or aren't sure how long it would take. This perception is a key obstacle to adoption. While most consumers enjoy technology, few are willing to devote unlimited time to setting up a new service. In fact, more than two-thirds (64 percent) of broadband consumers will devote only a limited amount of time to installing new technology.
- **Online video usage is increasing:** Consumer behavior can change rapidly, as evidenced by the growth of online video usage among consumers of all age groups in Western Europe. Sixty-nine percent of all broadband consumers watched or downloaded an online video in the 30 days before the survey was fielded. Online video, however, is not just about new content—it is impacting viewing patterns because consumers are turning to online sources for traditional TV and movie content in high numbers.
- **Internet is the primary entertainment vehicle:** The Internet has surpassed TV as the dominant channel for reaching consumers. Time spent watching TV is significantly lower than time spent on the Internet, even when Internet time is reduced to include

only personal time. In addition, the Internet is further encroaching on TV viewing time—23 percent of the time that Western European broadband consumers are watching TV, they are also on the Internet (Figure 3).

- **The most advanced consumers have outpaced available solutions:** The most advanced technology group in the survey is the Mobile Media Innovators. They lead their peers in using and experimenting with new technology and digital media. Despite their leading technology and media behaviors, however, their interest in the Connected Life solution is lower than that of some of their peers, namely the Extreme Interest group. This lower interest is likely due to the fact that Mobile Media Innovators have outpaced available service provider offerings and have already developed their own way of supporting their advanced technology needs. An example of this occurs in Spain, where the “store-and-go” behavior is so strongly developed (with 52 percent of broadband consumers carrying their music with them wherever they go) that interest in a solution that enables remote access to music is diminished (with only 29 percent of under-30-year-olds expressing interest, versus 45 percent of under-30-year-olds in the United Kingdom). Spanish youth have less need for a remote music service because they’ve already figured out a way to carry their favorite music with them. To tap the Mobile Media Innovators, who represent 14 percent of the broadband consumer market in Western Europe, service providers must catch up.

Figure 3. Time Spent on Internet and Traditional TV



Base = Broadband Users

Source: Cisco IBSG, 2007

Music Paves the Way for Video

Music can be a leading application for Connected Life services, but service providers need to evaluate a more holistic Connected Life strategy—both to stay ahead of the curve and to develop a viable business model. Western Europeans' music behavior leads consumers' growing need for—and expectation of—anytime, anywhere access. Music has historically been a more portable, on-the-go experience compared to video. That behavior is only increasing in the digital age. While video is still a fixed-location experience, this behavior can change over time as music paves the way:

- 36 percent of broadband users carry their music with them at all times.
- 19 percent stated that the content they want most when away from home is music.
- Among broadband users under 30 in the United Kingdom, 45 percent stated that the content they want to access most is music.

Service providers can broaden the appeal of their solution by extending its reach beyond music to other forms of digital content, including personal productivity information such as shared calendars, address books, or banking information:

- 14 percent of survey respondents indicated that they would pay €3.5 per month for access to their music while away from home, while 42 percent would pay €3.5 per month for access to all their digital content while away from home.

While online video is primarily viewed at home, and is all about controlling the experience and accessing unique content, this behavior could change rapidly, just as it did for music:

- 73 percent of online (broadband) video users stated that a primary location for viewing online video is the home.
- 12 percent of broadband consumers said that they view their video clips and TV whenever they can, regardless of location.
- 24 percent of broadband consumers choose some type of video as the household-based content they most want to access while outside the home.

Video is on the cusp of becoming more important, and people are going to invent new ways of using, editing, interacting, and even collaborating with it. As all content effectively becomes available and manageable via multiple devices using the network, consumers will also expect a truly connected solution, where everything successfully “talks” to each other.

A Connected Life Across Countries

- **French** broadband users are much more likely than their counterparts in other countries to share TV and video content between PC and TV. In addition, they have an above-average interest in accessing video files while remote. They are twice as likely to order television through the same provider who provides their telephone. Thirty-four percent have slightly lower price expectations; they would expect to pay €6 a month (half the average) for the service. France is the only country where the majority would rather pay a monthly fee to a service provider for use of the necessary equipment, rather than purchase it up front.
- **Germans** are less enthusiastic about technology, but more family-oriented and involved with basic PC-centric technology and tasks. German broadband users are much less likely than their peers to embrace advertising to defray a subscription cost—only 44 percent, versus 62 percent on average. Forty-eight percent would choose not to subscribe at all.
- **Italian** usage and ownership of media is higher than that of the average European broadband consumer, and notebook usage is much more frequent than other countries. Italians feel more strongly that technology helps them be more organized and productive. They are also slightly more likely to believe that they need to be connected anywhere and everywhere. With above-average interest in accessing music and video files remotely, Italian broadband consumers are more active online—posting to blogs, listening to music, and so forth.
- **Spanish** broadband consumers enjoy media and technology to a larger extent than their peers in other countries. They also tend to spend slightly more time on-the-go and socializing with friends, with slightly higher levels of portable-device ownership. Spanish households have the highest concentration of network usage. Much more active with media subscriptions and activities, Spanish broadband consumers are especially likely to download full-length movies from the Internet. They are the most likely to share and download videos, music, and pictures, and are more likely to use MP3 players on the go. Among respondents who indicated that they would benefit from a Connected Life service, the largest number were from Spain. They also indicated that storing all household digital media content in a central location would make them more secure.
- The **United Kingdom's** usage levels of media and technology are consistent with those of other countries. UK broadband households are slightly more likely to have wireless networks installed at home. They have stronger perceptions about the benefits of technology, with higher agreement that technology helps them be more productive, allows them to stay in touch with friends and family, contributes to more active participation in family activities, and offers them the freedom to organize their lives more effectively. UK broadband consumers are cell-phone-centric and more advanced at using cell phone applications. Ownership of digital decoders, PVRs, and high-definition televisions is widespread, and UK broadband consumers download more music from Websites.

Service Providers Must Act Now

As this research confirms, the Connected Life opportunity is significant—and it's here today. But consumer behavior is constantly evolving, and service providers have a limited window of opportunity to develop simple solutions that make it possible for consumers to live the connected experience. Service providers must act now or consumers will pass them by.

Next Steps

These are just some of the highlights of the Cisco IBSG European Connected Life Survey. For more details, including findings on Internet video usage patterns, broadband consumers' storage location preferences, or segmentation analysis, please contact Simon Aspinall at +44 20 8824 9373 or saspinal@cisco.com

More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps Global Fortune 500 companies and public organizations transform the way they do business—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>



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