

Moxie Q3-2011 Trends Report

# WHAT IS POST-PC COMPUTING?

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# EXECUTIVE SUMMARY

**Over the past year, a lot of talk within the tech industry has revolved around the idea of “Post-PC computing.”** Here at Moxie, we started exploring the concept which is primarily focused on the declining importance of PCs and laptops as consumers adopt wireless devices like smartphones and tablets to handle their computing needs. Through a primary research panel, we asked smartphone and tablet owners how these devices are already changing their attitudes toward computing. Some of the key findings of our primary research were:

## Tablets Aren't Mobile

Tablet owners are primarily using these devices at home, not on the go. Therefore, tablets shouldn't be part of “mobile” strategy.

## Leapfrogging to Post-PC Lifestyles

Our panel indicated that they are more comfortable using their smartphones and tablets than using PCs and laptops. Other studies have shown that a growing portion of the United States are relying only on their smartphones for Internet access, so this behavior is likely to increase as more people purchase these powerful wireless devices.



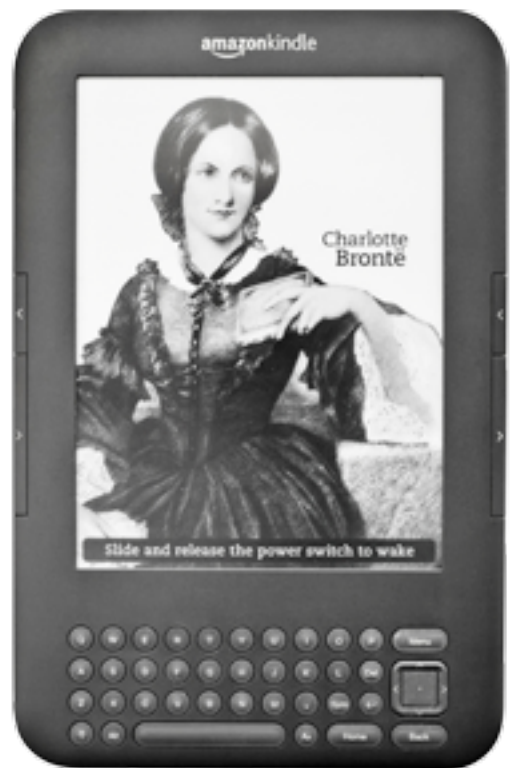


### They'd Rather Read on Tablets

There seems to be a common sentiment among observers of the eReader and tablet markets that people will always prefer reading on books and magazines. Among our panel, this is no longer the case. Within a year of the first iPad's launch, 85% of our respondents indicated that they prefer reading on tablets/smartphones to newspapers/magazines.

### Ad-Supported Hardware Is Appealing

The ad-supported Amazon Kindle is already the highest selling product in Amazon's eReader line. We decided to ask our panel how receptive they are to ad-supported hardware if it results in a cheaper price, and 73% indicated they would be willing to pay for ad-supported devices.



# WHAT IS POST-PC COMPUTING?

**Apple CEO Steve Jobs coined the term “Post PC” in reference to a new era of computing** that takes the PC off its pedestal and makes it just another computing device, putting it on equal footing with smartphones, tablets, eBook readers, gaming consoles, and interactive TVs. Smartphones and tablets in particular are spearheading this wave of change as they shift consumer expectations about computing, data access, and media consumption. Over the next year marketers looking to get ahead of the curve will need to explore new ways to integrate unique smartphone and tablet executions into their campaigns.

Not only have smartphones and tablets brought mobile marketing to the forefront of strategists' minds, but we are also seeing them applied to enhance traditional media such as TV and print to make them more interactive and engaging to audiences. By linking post-PC devices to TVs and print through technologies like audiotagging and visual search, participants have more options for how they choose to interact with video and text content, leading to true three-screen experiences that make a piece of content interactive across phone, TV, and computer.

But moving into a post-PC era presents unique challenges to marketers and brands. Analytics, targeting, and customization best practices need to be applied to traditional media to create enhanced versions of TV shows or customized digital magazines and newspapers. In other cases, marketers will need to learn when to walk away from some digital traditions in favor of creating post-PC experiences from the ground up.



# DRIVERS OF THE POST-PC ERA

This shift toward Post-PC era has been driven by various trends in both technology and society.

## TECHNOLOGY DRIVERS

### Declining PC Shipments, while Smartphones and Tablets Rise

By Q1 2011, 4.8% of U.S. consumers owned a tablet, according to Nielsen, after really only being on the market for a year and eBook reader adoption is 9%, though some expect tablets to quickly overtake that market segment. By comparison, it took two and a half years for Apple to sell 50,000 Apple IIs in the late 70s.

By the end of the first quarter of 2011, global smartphone and tablet shipments had already overtaken PC and laptop shipments. For the first quarter of 2011 research firm IDC has indicated that PC shipment growth is declining, and though not all of this decline can be attributed to smartphone and tablet growth, shifting consumer expectations for computing devices are strong drivers of this trend.

DECLINING SHIPMENTS OF PCs

INCREASING SHIPMENTS OF TABLETS AND SMARTPHONES



### Continued Improvement in Mobile Computing Power

Other improvements in post-PC performance are found in the improved quality of the wireless networks upon which so many of these devices depend. In the case of mobile networks, 3G speeds have become accessible to consumers in major markets across the US, giving most people access to the data speeds needed to use mobile media experiences ranging from apps to mobile music and video.

**With the roll out of 4G networks from global wireless companies, mobile data performance should only increase**, rivaling the speed of the wired Internet connections that most people currently rely on. Improvements in wired Internet also serve to bolster post-PC device performance. For example, tablets are often used in the home since most entry-level tablets are WiFi-only.

## Mobile Media Production

Another technological trend fueling this era is related to development of mobile media in general. Tools like Sencha and others are creating environments that make HTML5/CSS3 implementation as relatively simple as designing in Flash. With the new standards for mobile advertising units and best practices for touch-based experiences surfacing, mobile ad companies have also moved toward a trend of turnkey creative development.



### Sencha Touch

Image courtesy of:  
<http://www.sencha.com/products/touch/>



## Computers Are Everywhere

Technologists are quick to remind people that the computers they carry in their pockets are more powerful than the computers used to send man to the moon. While true, it's also important to keep in mind that these computers are moving beyond smartphones and tablets and into televisions, cars, and even kitchen appliances.

# CULTURAL DRIVERS

**Cisco's Visual Networking Index is forecasting that by 2015, 7.2 billion connected devices will be on the global mobile network, roughly equal to 1 device per capita worldwide.** In fact most of this growth will come from the adoption of multiple connected devices in affluent homes, as people not only snatch up smartphones and tablets but also eBook readers, Internet-connected TVs and other smart appliances capable of sending and receiving mobile data. Meanwhile the global installed base of IPTVs is expected to double from 35 million in 2011 to 70 million by 2015. The post-PC lifestyle isn't only driven by technological change. Consumers are also driving this shift thanks to the creation of new needs and reprioritized values around the quality and nature of social connections, personal lives, and entertainment.



## Real-time Lifestyles

Consumers are inundated with real-time information. Status updates, photos, check-ins, email, text messaging, and chat are communication tools that increasingly demand quick response times and condition everyday people to essentially be “on call” to the demands of their new digital lifestyles.

Proximity-based social networks are another interesting trend within the post-PC space. With untethered devices, it's often more important to be connected to people nearby. This trend emerged early on with the WiFi connectivity of the Nintendo DS, which connected nearby gamers for local multiplayer competitions. New proximity-based social networks can be seen in a service like Color, a small photo-sharing service that groups photos and videos together based on how close people are to each other, making it possible to create large media galleries from live events by aggregating nearby people's content.

## Time-shifted Content Consumption

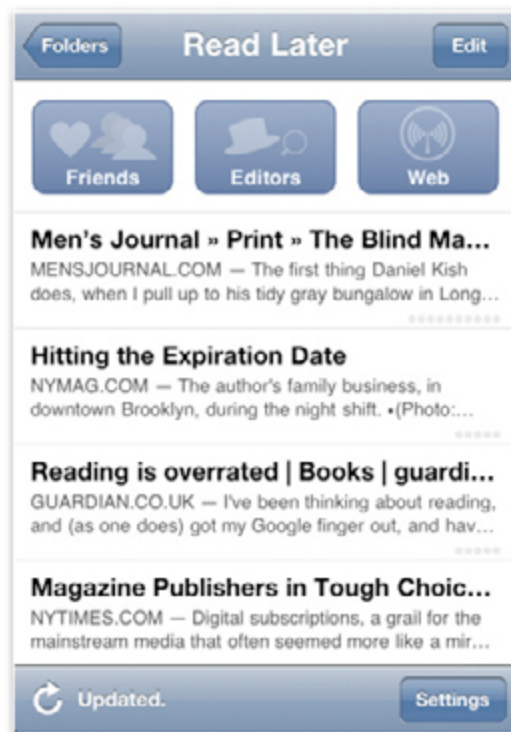
People are enabled to consume content whenever they want to, on any device. Regardless of whether or not DVRs significantly impact TV advertising, the technology has created a consumer expectation of on-demand content that fits into individual schedules. Consumers overcame the restrictions of TV schedules with the DVR, and they have moved that expectation into post-PC media consumption as well.

One aspect of this trend is manifested in continuity across devices. Consumers are now coming to expect that if they begin to watch a program on Netflix on one device such as their Xbox, they should be able to continue to watch it on the go on their tablet after leaving the living room.



### Netflix on Xbox

Image courtesy of:  
<http://www.netflix.com/NetflixReadyDevicesDetails?pdid=5>



### Instapaper for iPhone

Image courtesy of: <http://itunes.apple.com/us/app/instapaper/id288545208?mt=8>

Services like Instapaper and Boxee make it easy for people to click a “view later” button and add it to their personal reading and viewing lists to consume later. Already, startups in this space such as Read It Later are finding that these services are already changing the way their users are reading online content. A recent study from Read It Later showed that tablet owners, who use the app Read It Later, were far more likely to save their online reading they would have traditionally read at work, to the primetime hours.



## Recommendation Addiction

People have come to expect instant access to high quality information. For this reason, people are increasingly turning to trusted data sources before making decisions, which is having an impact on everything from shopping to health related topics.

Whether it's looking for recommendations on what products to buy or where to go eat, consumers are relying more on the advice of friends and trusted Internet sources to help make these decisions. Real-time feedback from sites like Twitter and Facebook make it easy for people to gauge their networks' opinions on what to do and where to go.

Other sites are focusing on becoming trusted sources for curating and personalizing recommendations. Instead of relying on a video store clerk to recommend a movie to watch, Netflix and other sites are using more sophisticated recommendation algorithms to simplify decision-making and increase the quality of the media experience through personalized suggestions tailored to the individual.

## Gone Gaming

Video games have broken free of being media created primarily for teenage boys and young adult men to an easily accessible form of entertainment that now caters to all audiences. Casual games have become more popular, especially in the form of social games played on Facebook, and their popularity has successfully altered the entire gaming industry into one that develops fun gaming experiences for all audiences.

The growth of gaming has also led to new revenue sources for everyone involved in the industry. Advertising revenue within gaming is looking to grow, as more brands are taking in-game advertising seriously when it comes to working with social and mobile games. Whether it's a promotion of branded virtual goods in a game or giving real world rewards such as coupons for beating the boss on level 3, brands are finding new ways to reach aamina audiences, with surprising results.



# A GUIDE TO POST-PC MARKETING

Moxie conducted primary research with a panel of smartphone and tablet owners to get a better understanding of how these devices and their advertising is currently perceived by early adopters. By tracking these lead users, we hope to get a better understanding of the current limitations of these platforms as well as gain unique insights into established usage patterns and other device-specific behaviors. Through this research the Moxie team has been able to provide the following post-pc marketing.



## Tablets Aren't Mobile

If tablets are part of your "mobile" strategy, think again. 76% of respondents indicated that their tablet use takes place in the home rather than on-the-go. Marketers should take note. Tablets are portable, like a laptop, but not truly mobile. From this perspective "Post-PC" isn't just another buzzword for "mobile," but a term that covers everything from mobile to home computing. Marketers will need to think of tablets as living room devices and develop strategies in kind, such using apps that can sync to TV shows or focusing dayparts for tablet advertising on the times when people are home.



## Leapfrogging to Post-PC Lifestyles

75% of our panel indicated that they believed they could accomplish most of their computing needs via their smartphones and tablets, indicating comfort with sacrificing laptops' and desktops' computing power for portability and experience. A recent Pew Internet survey showed that 25% of smartphone owners are using these devices as their primary Internet connection. Marketers will need to begin thinking of how to optimize owned media assets for post-PC devices. Future consumers' first exposures to brands' digital presence will be through these devices, so companies will need to think about how to develop useful native apps, web apps, and tablet and smartphone optimized websites.



iAd

Image courtesy of:  
<http://advertising.apple.com/>

## Marketers Should Try Harder

62% indicated that they enjoy viewing advertisements on tablets and smartphones. Adding stat of how other media channels stack up to this... However, the idea that 38% may find them uninteresting presents an opportunity for marketers to create more enjoyable branded experiences on these devices. Branded content such as videos, games, and music can be ways to deliver more engaging campaigns. Over the past year, smartphone and tablet strategies have settled into mobile banners, mobile apps, or mobile websites. If consumers aren't finding these new ads interesting, brands are missing out on building valuable relationships. Instead of simply creating a mobile version of the website, or buying a bunch of mobile banners, or churning out a half-hearted app, think about creating experiences that can only be experienced via these devices. Just throwing video everywhere won't cut it. Which brings us to our next finding...

## Just Throwing Video Everywhere Won't Cut It

Video doesn't quite have the power to entice post-PC consumers as marketers may think. Our panel was no more likely to engage with an ad just because it had a video to watch. Marketers need to think of what's appropriate for these devices. Just because a smartphone can play a video, doesn't mean your ad needs to include a video. Given the popularity of gaming on these devices, a more game-like experience is likely to result in people spending more time with the brand than they would watching the same 30-second spot they're already seeing on TV all the time.



## Hey Publishers: They'd Rather Read on Tablets

Print loses when it comes to these consumers. A year after the first iPad's release, and 85% of respondents already prefer reading from these devices than from newspapers and magazines. In a world where eBooks outsell physical copies on Amazon, paper may as well be the next vinyl. The mixed media nature of these devices should not be underestimated. Though print content may change little from a print to digital copy, advertisers have an opportunity to add rich multimedia experiences to what would have typically been a static print advertisement.

## Locals Preferred

GPS is available on most of these new devices, so marketers can customize content to a local area. Our survey found that 93% of people prefer receiving localized ads. Though other studies find that people worry about sharing their location data over connected devices, their preference for localized ads may be a signal that using location to deliver more relevant ads trumps privacy concerns in this area. Approaches may range from something as simple as customizing banner and audio ads based on zip code or city to engaging in a campaign on a mobile platforms like Foursquare, Facebook Places, or Instagram to engage with a local audience in a unique way.





## Cheaper Hardware Welcomed

Much of the post-PC future depends on the launch of new Internet-connected hardware ranging from tablets to smartphones to cars to eReaders. Given the popularity of Amazon's ad-supported Kindle plus Special Offers, we asked our panel about their receptivity to ad-supported hardware and 75% of the panel was receptive to the idea. Marketers will need to work with device makers to see if more opportunities within the ad-supported hardware space exist. With more companies manufacturing these devices, the drive to replicate Amazon's success with the ad-supported Kindle could lead to many more companies launching ad-supported hardware in the future.

## Insert Another Stupid Cloud Metaphor Here

Post-PC consumers know what the cloud is, and most have used a cloud storage service. Exposure to cloud services is a natural part of post-PC computing, consumers can increasingly shift media consumption seamlessly from device to device. Advertisers will need to keep an eye on the growing audiences for entertainment services like Netflix and Hulu Plus to capture audiences that may be turning their prime-time attention to these sources, regardless of whether they cancel their cable or satellite subscriptions.



# CONCLUSION

**By looking at our respondents alongside industry forecasts for post-PC device adoption, it is plain to see that these devices resonate with consumers.** Early adopters are already demonstrating that smartphones and tablets are reliable computing alternatives which are gradually replacing laptops and PCs as media consumption devices.

Advertisers need to look for ways to tap into existing consumer behaviors to integrate these devices more appropriately into campaigns. Since our panel indicated that the majority of their tablet use occurs at home, “mobile” strategies should forsake tablets. Instead, tablet strategy should be more closely tied to the living room and how people multitask while viewing TV. By viewing the tablet as a home computing device, many of the mistakes and pitfalls normally associated with a mobile tablet strategy can be overcome.



**Fitbit**

Image courtesy of:  
<http://www.fitbit.com/product>

“Post-PC” will end up being a temporary term for referring to this space, and we’ll find that the future will look more “post-PC” than anything else, with the space expanding beyond smartphones and tablets. The living room is already a space seeing heavy competition among companies trying to bring more information services to the first screen. New advertising platforms like Microsoft’s NuAds for Kinect will make it possible to turn gaming consoles into more effective advertising channels. Wearable devices like the Fitbit will expand post-PC computing into clothing and other accessories as consumers and companies try to introduce new connected devices that fill niches within different verticals like health, cuisine, and travel.

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