Executive Summary

OEMs have an opportunity to deliver superior experiences, and when these are showcased, they enable greater consumer experience and device satisfaction.

IDC’s research shows that while display-related components drive approximately 45% of a mobile device’s costs, audio makes up less than 5% of costs. Based on IDC’s ConsumerScape 360° studies, we know that consumers who are more satisfied with their device’s audio are also more satisfied with the video experience and with their device overall.

Today, only 34% of smartphone owners are highly satisfied with their phone’s audio compared to 67% of smartphone owners being highly satisfied with their phone’s display. Despite this, the industry has educated consumers to look for advancements in mobile technology like display size, megapixels, and even memory, yet the industry has not taken steps to educate consumers how mobile audio can improve their entertainment experience.

THE COST OF DISPLAY MODULE ACCOUNTS FOR 45% OF THE COST, COMPARED WITH AUDIO—WHICH ACCOUNTS FOR JUST 4-5%.
Executive Summary, Continued

Given audio’s relatively small impact on cost and the tremendous number of owners that are not highly satisfied with their device’s audio experience, audio technology should become a new focus area to greatly improve overall customer satisfaction.

6 out of 10 consumers across the globe purchase a mobile device in the store, so it is critical that retailers and operators create environments that showcase the benefits of better audio for an overall improved device experience.

Prioritizing the entertainment and audio experience can be done at flagship stores and make a marked difference in influencing consumers. And when technology improvements are coupled with affiliate marketing efforts—partnering with an audio technology leader, a media streaming partner, or the right musician—the effectiveness is materially improved.

CUSTOMERS ACROSS THE GLOBE PURCHASE A MOBILE DEVICE IN A STORE.
Based on IDC’s research, only 1 in 3 users reports being highly satisfied with their phone’s audio quality, leaving 67% of the market with a sub-par device experience.

To seize this opportunity, OEMs need to take advantage of the tremendous number of devices sold at retail. 59% of phones and 51% of tablets are sold in the store. Given this opportunity to educate and evangelize the benefits of a premium audio experience, retailers need to shift from selling specs to selling experience.

So how does the industry do this?

- Educate consumers and evangelize the benefits of improved audio experiences as part of the entire entertainment ecosystem—for more immersive TV/movie, gaming, and sports viewing.
- Demonstrate in the store the difference that better audio technology can make. Focus on flagship stores and high-traffic locations with interactive experiences.
- Partner with audio technology brands and/or entertainment companies and artists to drive greater association with audio quality.
Phones & Tablets: Outlook Mixed

An Industry Under Continuous Pressure

While smartphone sales are being fueled by strong demand for large-screen phones, the sub-$200 segment is growing from just over 20% of the market in 2014 to approximately 60% of global phones sales in 2018. The end result is increasing pressure on ASPs* and profits. Simultaneously, tablet demand has softened, but 2-in-1s help buoy ASPs.

Worldwide Smartphone and Tablet ASPs*

China will account for 46% of all smartphones shipped by 2018, with ASPs of $198.

Rapid growth markets of India and Indonesia will see prices in 2018 hit $123 and $156, respectively.

*Note: ASP refers to average selling price
Audio: Driving Higher Customer Satisfaction at Minimal Cost

Back to basics—consider the cost of device components

On average, a smartphone display can cost $38, accounting for as much as 45% of the cost of the device. By comparison, smartphone audio components cost approximately $3.79 or 4% of the cost of the device. Although display specifications provide headlines for press releases, our consumer research clearly demonstrates that improvements in audio drive greater satisfaction of the video experience and higher overall device satisfaction. And given audio’s low cost, even a modest investment can dramatically improve the user experience.

2014 Smartphone Component Costs

Display: 45%
Audio: <5%

62% of smartphone owners are highly satisfied with the display.

…but 67% are not highly satisfied with the audio.

Quality audio requires minimal investment but opens the door to opportunity.
Why Make the Investment? Because Experience Matters

Audio/Video Entertainment Quality Affects Device Satisfaction

Consumers’ satisfaction with their mobile device relates to their satisfaction with the device’s audio and video. Though secondary to video, satisfaction with device audio strongly relates to and helps predict consumers’ satisfaction with their mobile device.

Size of bubble indicates relative impact of video and audio satisfaction on device satisfaction.

Relation of bubble to total device satisfaction (how far along the arrow each bubble is) represents how strongly correlated each is to total device satisfaction.

Only 1 out of 3 smartphone users is highly satisfied with audio entertainment quality.
Mobile Entertainment Adoption Across the Globe Is Stunning

IDC forecasts phenomenal growth in the number of people using their mobile devices to play games, watch videos, and listen to music. The impact goes beyond driving device sales and mobile data plans and is driving tremendous growth of consumer spend on streaming mobile music, TV, and movies—with expected growth from $1.4 billion in 2014 to over $7 billion in 2018.
How We Listen

Variation Because of What, When, Where…

Given the relatively high use of built-in speakers, OEMs have an opportunity to differentiate on the design and speaker quality. Some OEMs recognize this and are addressing it by adding more and better speakers to some models.

For the entertainment we listen to, the content creation ecosystem is essential. From capture to postproduction, mastering, distribution, and display, sound quality is integral for consumers’ audiovisual experiences of music, video, and gaming content.

* DK = don’t know

Source: IDC ConsumerScape 360°, 2014
Retail Trumps Online: Educate & Evangelize

Retail continues to drive the majority of mobile device sales, and with these physical channels comes the opportunity for OEMs, retailers, operators, and others to demonstrate a differentiated experience at the point of sale. In-store demonstrations should be prioritized at flagship or high-traffic stores. IDC research found that partnerships with audio technology companies, well-recognized entertainment companies (TV, movies, OTT providers, etc.), and artists can be very effective in educating, evangelizing, and validating superior audio experiences that improve overall mobile entertainment experiences.

“There are several examples where OEMs have successfully integrated strong audio brands and well known music artists.”
– VP Marketing, Mobile Carrier

“Consumers don’t know what the standard in audio quality on mobile is—despite its importance to satisfaction with the entertainment experience and device satisfaction.”
– GM, Mobile Carrier
In Conclusion

Making Audio Matter

As mobile entertainment consumption becomes more a standard around the globe, the audio experience intrinsically becomes more of a valuable component leading to mobile device satisfaction. While gains in technology performance abound, OEMs have not focused on the ingredients required to make great mobile experiences, both audio and video. Storytelling experiences on mobile will require higher-quality content to better engage consumers. Now more than ever, each stakeholder—OEMs, mobile carriers, content producers, content distributors (OTT), and retailers will be expected to play a role in emphasizing audio.
Audio ... Something You Need to Experience

“You need to show them—or let them hear it—for themselves...”
– Experience Product Manager, US Mobile Carrier

“They’re skeptical until they hear it.”
– VP Product, Major Mobile OEM

“Demonstrating the value to consumers is a challenge today—because consumers are not familiar with standards.”
– VP Product, Major Mobile OEM

On driving high-quality audio value proposition in retail: “No replacement for the experience.”
– Director Marketing, Major Mobile Chipset Supplier

IDC’s interviews across carriers and OEMs are littered with the theme, “They get it when they hear it.”
In This Study

In this IDC report, brought to you by Dolby, we leveraged IDC’s vast syndicated research and conducted new primary research. IDC did a series of in-depth interviews with stakeholders from across the mobile ecosystem, including OEMs, chipset makers, mobile carriers, and IP licensing organizations; we also utilized secondary research from the industry.

IDC leveraged its ConsumerScape 360° consumer survey research—with more than 50,000 consumers surveyed across 26 countries—as well as syndicated research and forecasts from IDC’s Mobile Phone Continuous Information Service (CIS) program, IDC’s Tablet CIS Program and IDC’s Mobile and Wireless Tracker® + Data Products as well as other IDC research and tracker products.

This study was designed to gain insights into the role audio plays in delivering quality entertainment experiences via mobile devices and the opportunities and challenges this presents to the industry. Communications (i.e., calls) were not the focus of this research and report.