The State of Play

Consumer audio trends, attitudes and purchase drivers

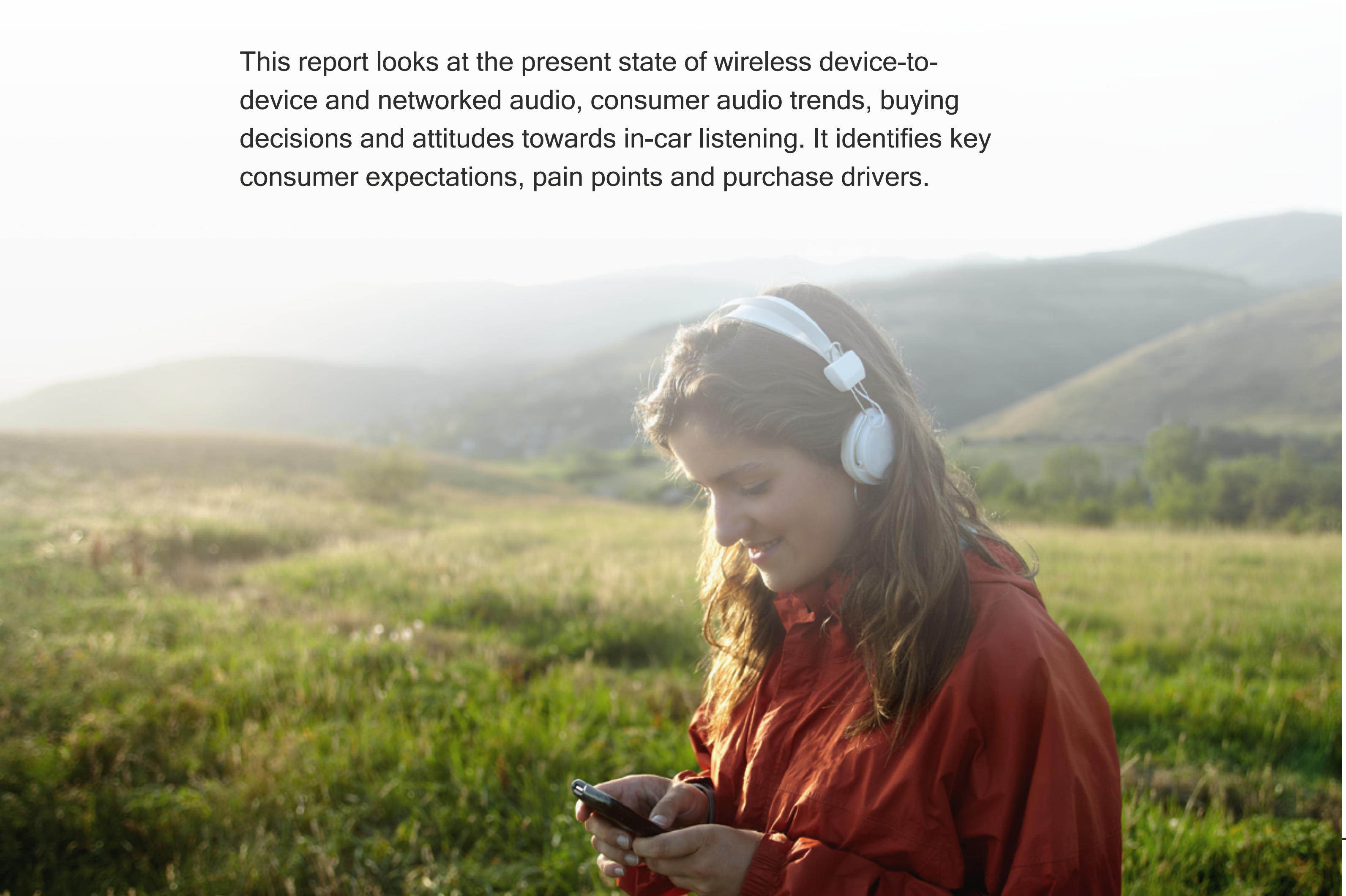
Report 2016

The consumer audio space is moving fast

In the last two years, buyers have become more discerning about audio quality than ever before. They now expect to be able to connect to their music wherever they are, enjoying full compatibility between their devices, regardless of brand.

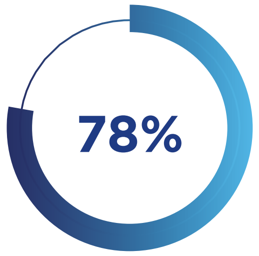
Bridging the gap between user expectations of technology and what can be delivered is a big task. However, with consumers willing to pay for products that meet their needs, manufacturers and developers stand to benefit from a huge opportunity. Improving sound quality and compatibility can lead to a wider, committed customer base, and a vital edge in a competitive market.

This report looks at the present state of wireless device-to-device and networked audio, consumer audio trends, buying decisions and attitudes towards in-car listening. It identifies key consumer expectations, pain points and purchase drivers.

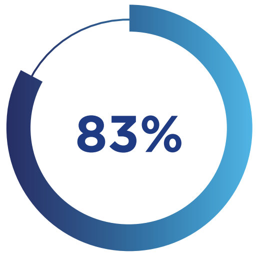


Key findings

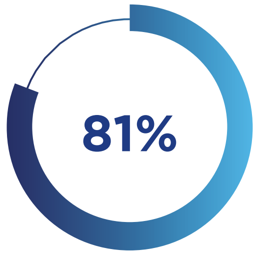
The vast majority of consumers in the wireless audio market agree that both connectivity and sound quality are of paramount importance. This represents a great opportunity for audio manufacturers, as they are able to take advantage of new technology to alleviate many of today's consumer pain points.



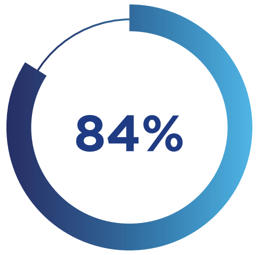
say compatibility with other brands is important to their purchasing decision, and that they expect all music devices to work together.



say streaming music is now the norm, and that sound quality is important when doing so.



unsurprisingly, use a smartphone device to store and connect to music regularly.



are concerned about compromised sound quality.

The report that follows drills down into the key areas outlined above to provide more insight into buyer needs. As well as highlighting areas of opportunity for audio manufacturers looking to keep up with fast-changing trends.

Networked speakers

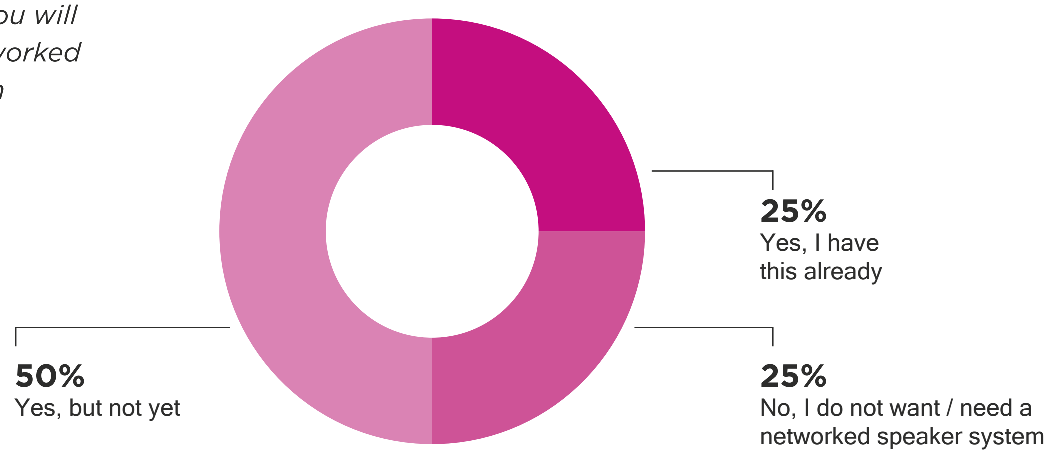
High demand and high expectations

The research found considerable consumer demand for networked speakers, with 75% of people either owning or planning to own a networked speaker system. Because of that, networked speakers are the third most popular listening device, behind the car stereo (72%) and wired headphones (64%).

However, expectations around interoperability are extremely high. If a networked speaker system is only compatible with equipment of the same brand, or does not support enough streaming media options, 82% of shoppers would either reconsider buying, or not buy at all. Furthermore, 73% say they would only choose audio equipment that is compatible with other brands.

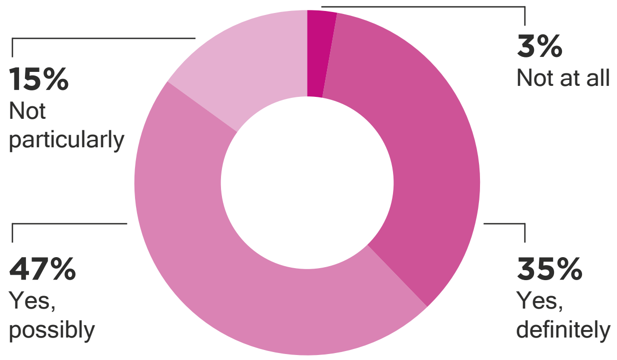
Networked speakers in the home

Do you think you will move to a networked speaker system in your home?



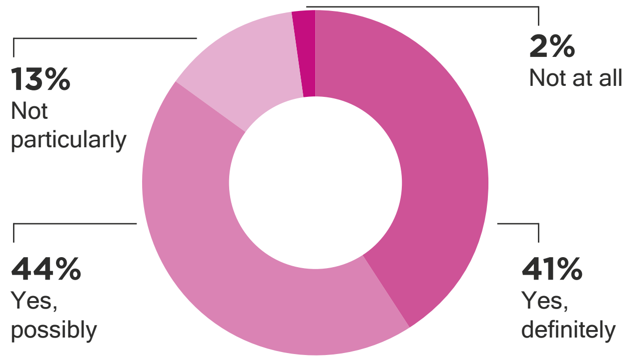
Networked speakers – the barriers

Would you be put off from buying a networked speaker system if it would only ever work with speakers of the same make/brand?



Networked speakers – the barriers

Would you be put off from buying a networked speaker system if it would not support all of the streaming media services that you use?



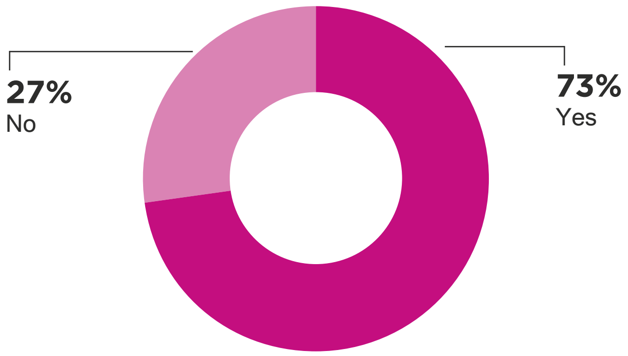
Put in context with each other, the statistics show room in the networked speaker market for manufacturers that meet both interoperability and connectivity requirements.

Compatibility issues

At present only 27% of consumers are 'very satisfied' with how compatible their current equipment is.

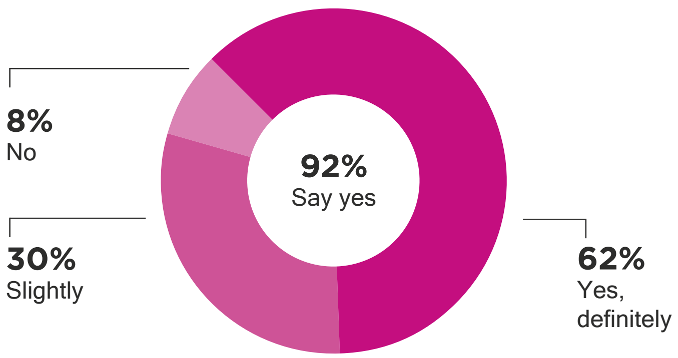
Device compatibility expectation

Do you expect all of your music devices to be compatible with one another?



Device compatibility frustration

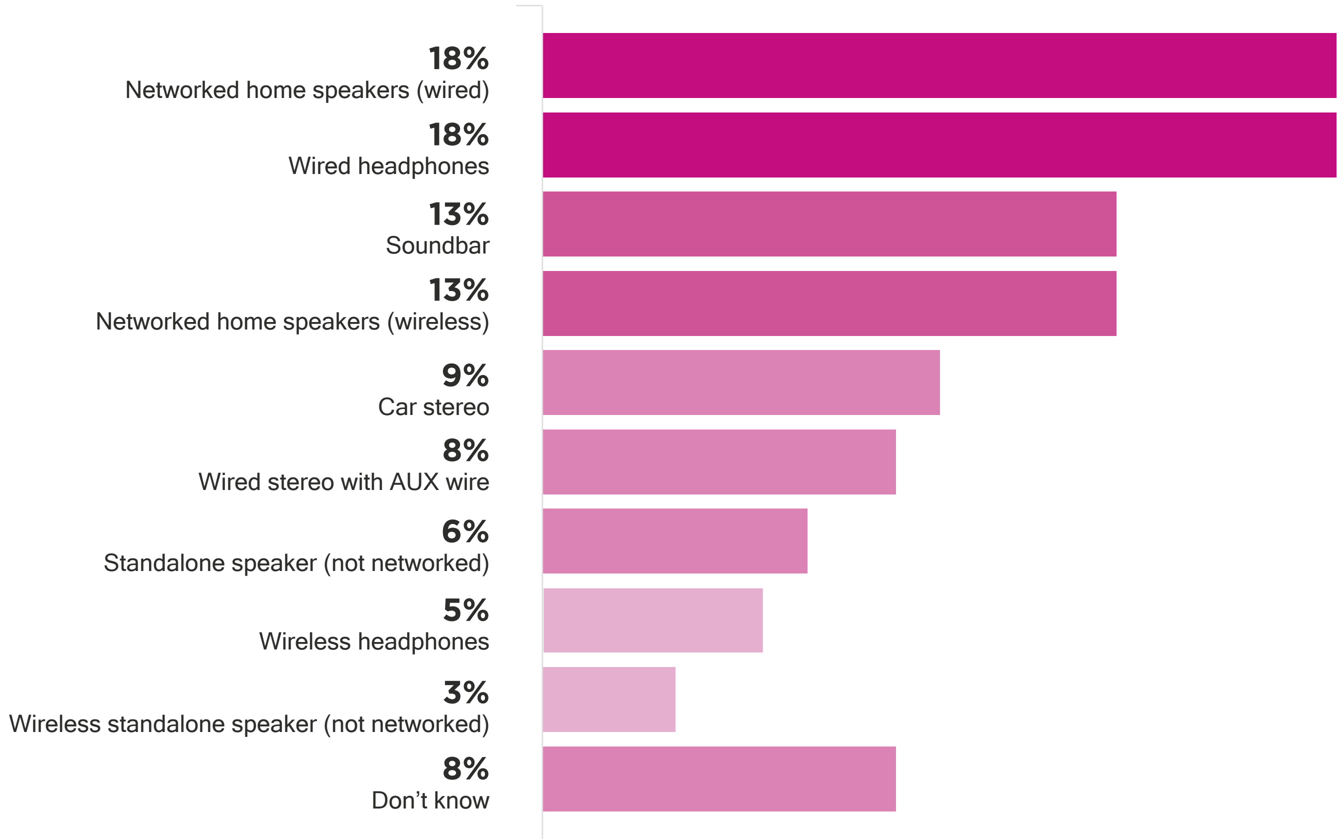
Do you / would you find it frustrating if your music will not play easily over your chosen headphones or speakers?



Yet 78% say they would willingly pay for audio technology that will easily work with the other brands they use, which means the majority of consumers are prepared to pay for their needs to be met with updated technology.

Speaker sound priorities

Almost three-quarters (72%) of respondents expect the sound quality through wireless speakers to be the equivalent of wired. However, at present, respondents rate the sound quality of wireless networked speakers as worse than wired equivalents.



In spite of that, when asked about what device has the best sound quality, more respondents pointed to networked speakers (both wired and wireless) than standalone speakers. Which explains why 57% of potential shoppers expect to pay more for a networked speaker than a standalone.

Graph: Percentages may not add up to exactly 100%, as they are rounded to the nearest percent

Listening preferences

Convenience is key

Consumers are becoming ever more tech-savvy.
The consequence of that in the music listening sphere is most people (75%) are using more than one device in a typical day, with an average of two devices used across the entire research sample. For manufacturers, that means interoperability and wireless connectivity is increasingly important, whether over Bluetooth or Wi-Fi.

The below graph shows the technologies used by listeners at least once a week

> *Which of these devices do you use to store and connect to music regularly (at least once a week)?*

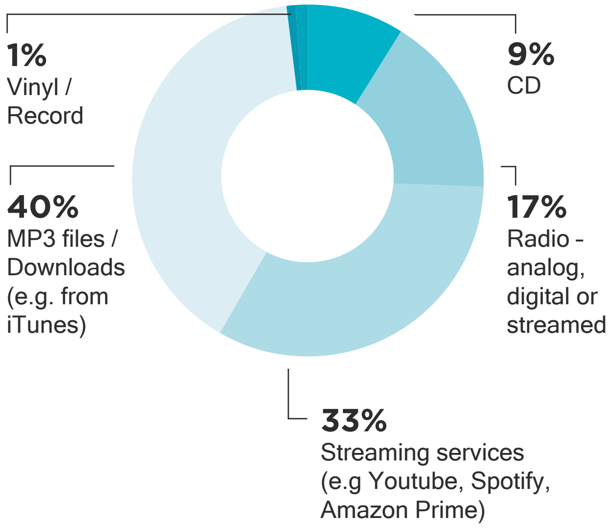
Formats and files

Ease of use is by far the biggest driver in music file format choice, with 67% selecting their audio format based on convenience. This point is further emphasized by 71% saying that they use streaming media to listen to music on their smartphone, and that 83% think the practice is now the accepted norm for listening.

That said, as the graphs on the following page demonstrate, manufacturers should be aware of the importance of broad compatibility in their devices, across formats, files and audio delivery platforms. Although the popularity of streaming is growing, it is still slightly behind MP3 as the most popular format choice overall (except amongst 18-24 year-olds, for whom streaming rises to 42%). And music is not the only media that listeners focus on. Podcasts and Audiobooks are also cited, and innovators should be mindful of the rise of social media content streaming.

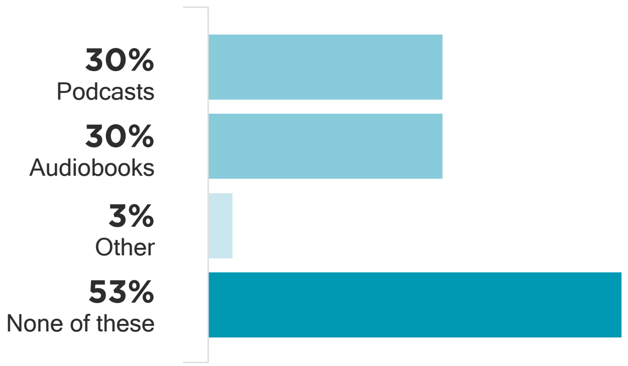
Most-used music formats

Which format do you listen to most often?



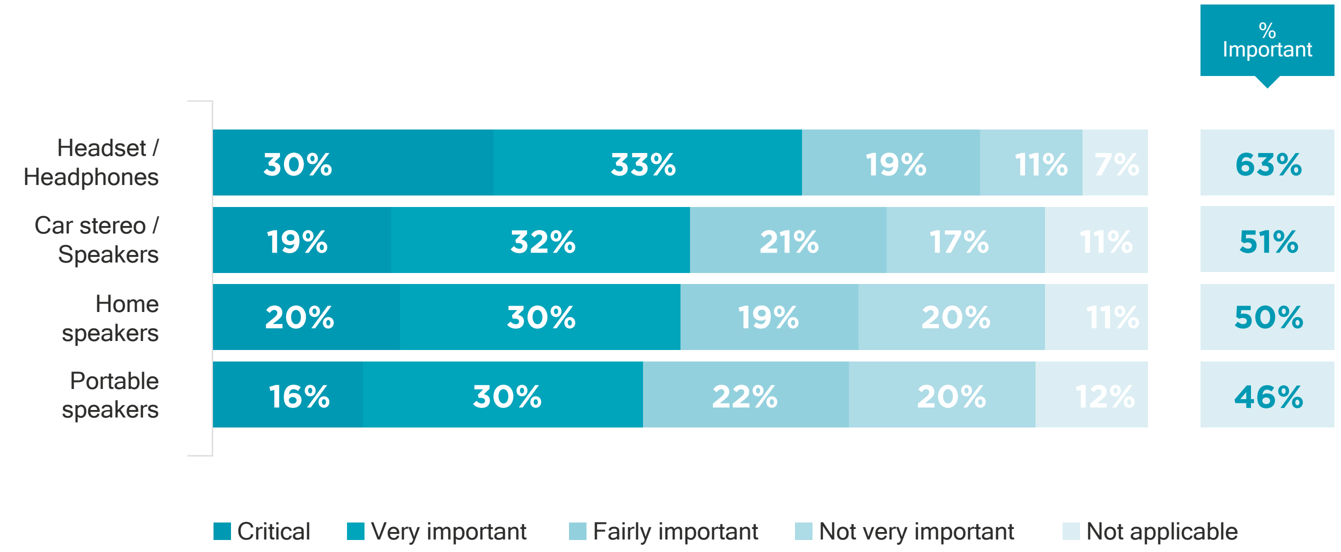
Other audio listened to regularly

Aside from music, what else do you listen to regularly (at least once a week)?



The importance of connectivity between phone and listening device

When using your smartphone for listening to music / podcasts / audiobooks, how important is it that you can easily connect to the following?

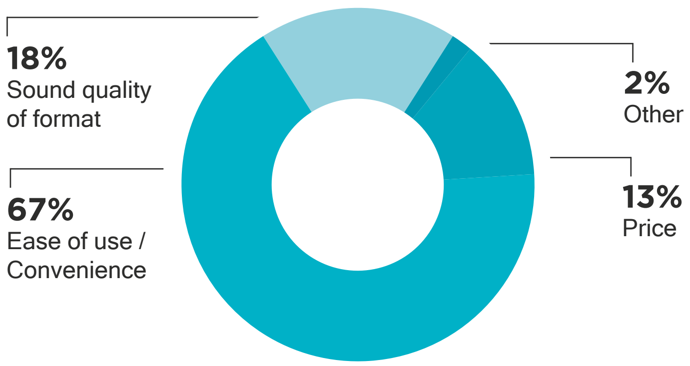


Mobile connections

As was detailed in the previous section of the report (see page 3), smartphones are the most popular device (81%) for consumers to store, share and listen to music on. Accordingly, they place more importance on the quality of the connection between phone and headphones than they do for any other listening device.

Desire for convenience

What is the main reason you prefer to listen to music in this format?



The rise of streaming

Since 2014 music streaming has enjoyed a significant jump in popularity (21% up). 83% of listeners now consider streaming to be the normal way to listen to music, and 33% cite it as a preferred way to listen.

Smartphone popularity is driven by convenience. So it's no surprise that almost all users (92%) find it frustrating when the connection between player and headphones doesn't happen. And, with research showing that the problem occurs all too frequently, (84% say it's a concern) connectivity joins sound quality at the root of the gap between acceptance levels of wired and wireless headphones.

Sound quality

Essential throughout the audio chain

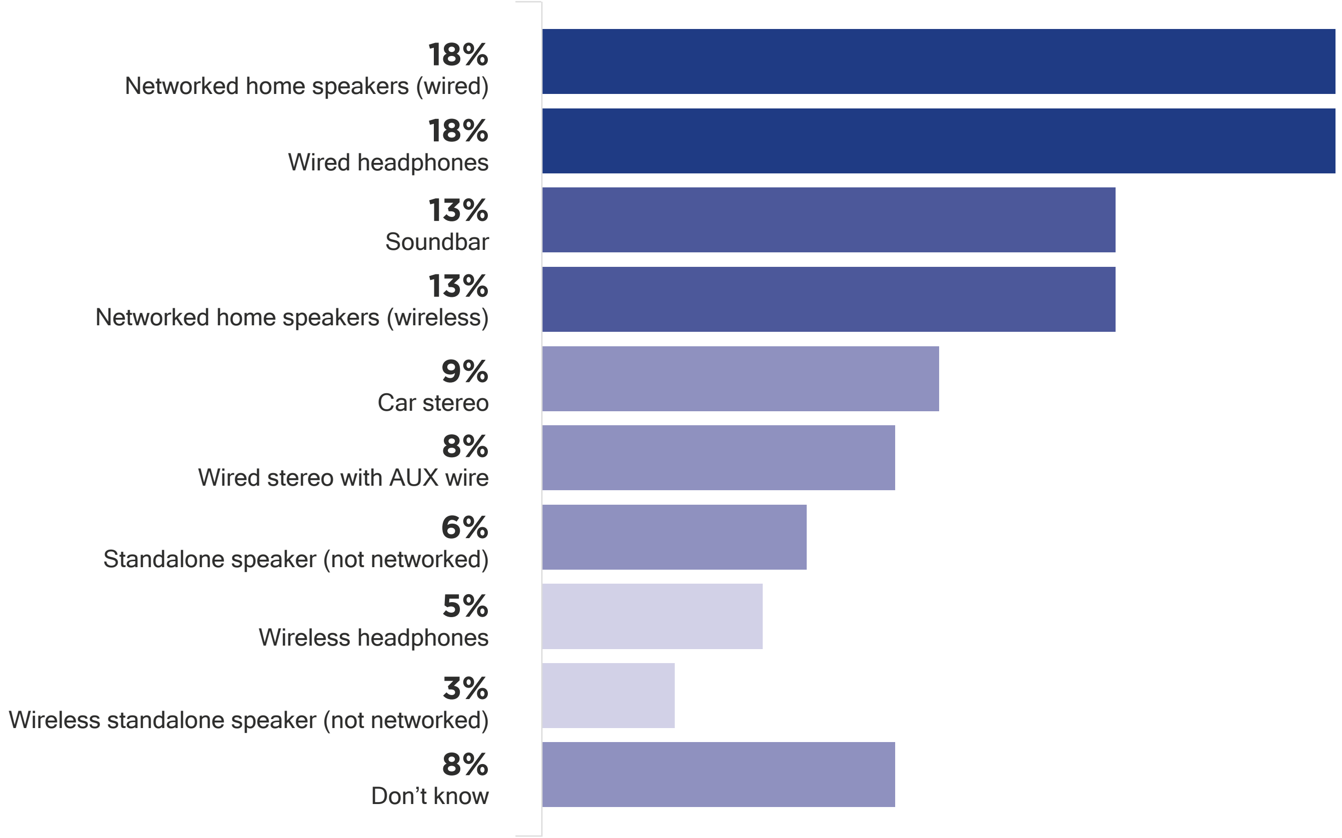
Consumers place a great deal of importance on sound quality. And they are increasingly discerning. Today, over half (54%) say they can recognize that sound quality varies across their devices. While 66% believe they can tell the difference between technologies based on the sound quality.

The priority for achieving good sound is particularly relevant to headphone shoppers, almost 90% of whom say that sound quality is important.

Best sound quality

As the graph below shows, wired products have the highest quality ratings. And, although 18% does not look like a huge number, it grows in significance when put alongside the finding that 66% of respondents are confident in their ability to assess the standard of audio products based on sound quality alone.

Which devices do you think give you the best sound quality when listening to music?

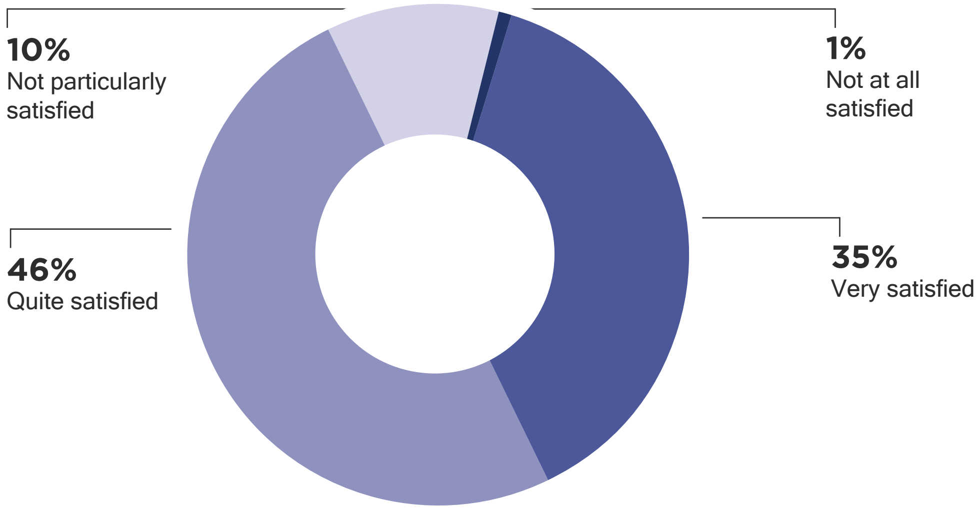


It follows that listeners want to see improvements in wireless device sound quality. The research shows that 58% want to use Bluetooth, but do not think the sound quality is good enough, and only 23% are very satisfied with the sound quality from wireless headphones.

The graphs on the following page show the different satisfaction levels experienced by users of wireless and wired headphones.

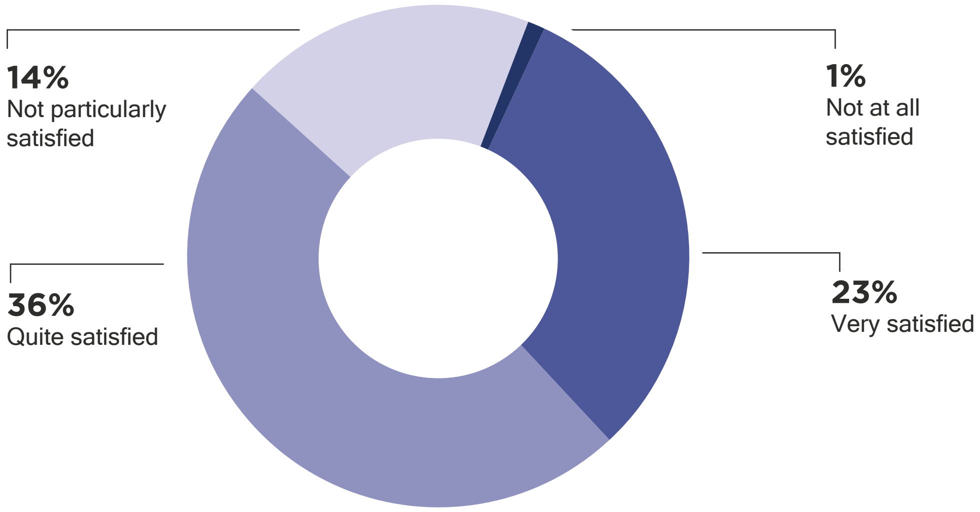
Graph: Percentages may not add up to exactly 100%, as they are rounded to the nearest percent

Wired headphones



How satisfied are you with the sound quality when you use wired or wireless headphones?

Wireless headphones



Graphs: Excludes respondents for whom not applicable

The buying decision

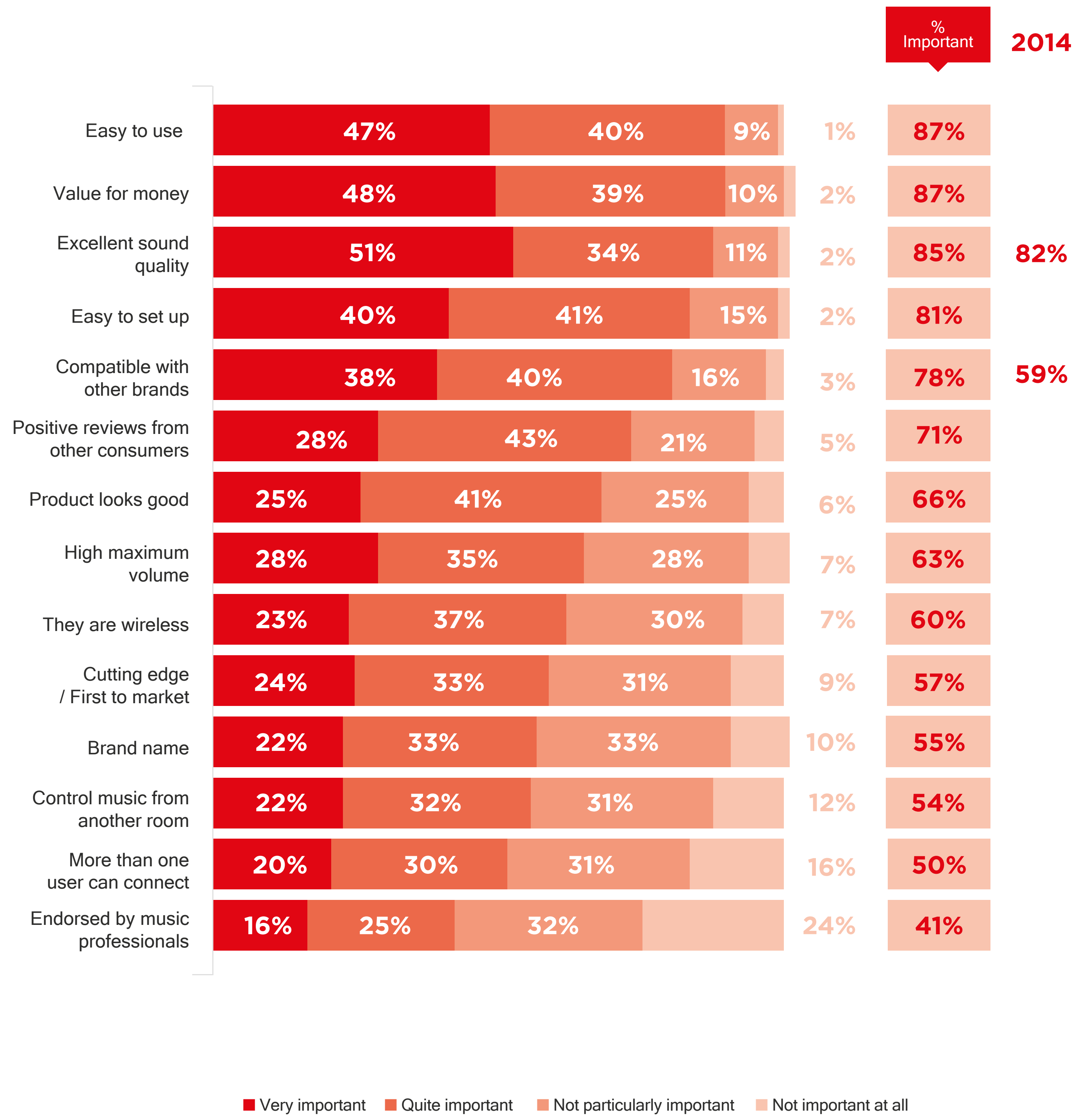
Quality versus value

Convenience in both set-up and use, value for money and excellent sound quality emerge as the most important factors for consumers when deciding which audio devices and technologies to buy.

The charts in this section show the key drivers of customer decisions and what validation they look for in stores or in reviews. It's important to note that the numbers for purchase drivers are similar to audio consumer satisfaction markers.

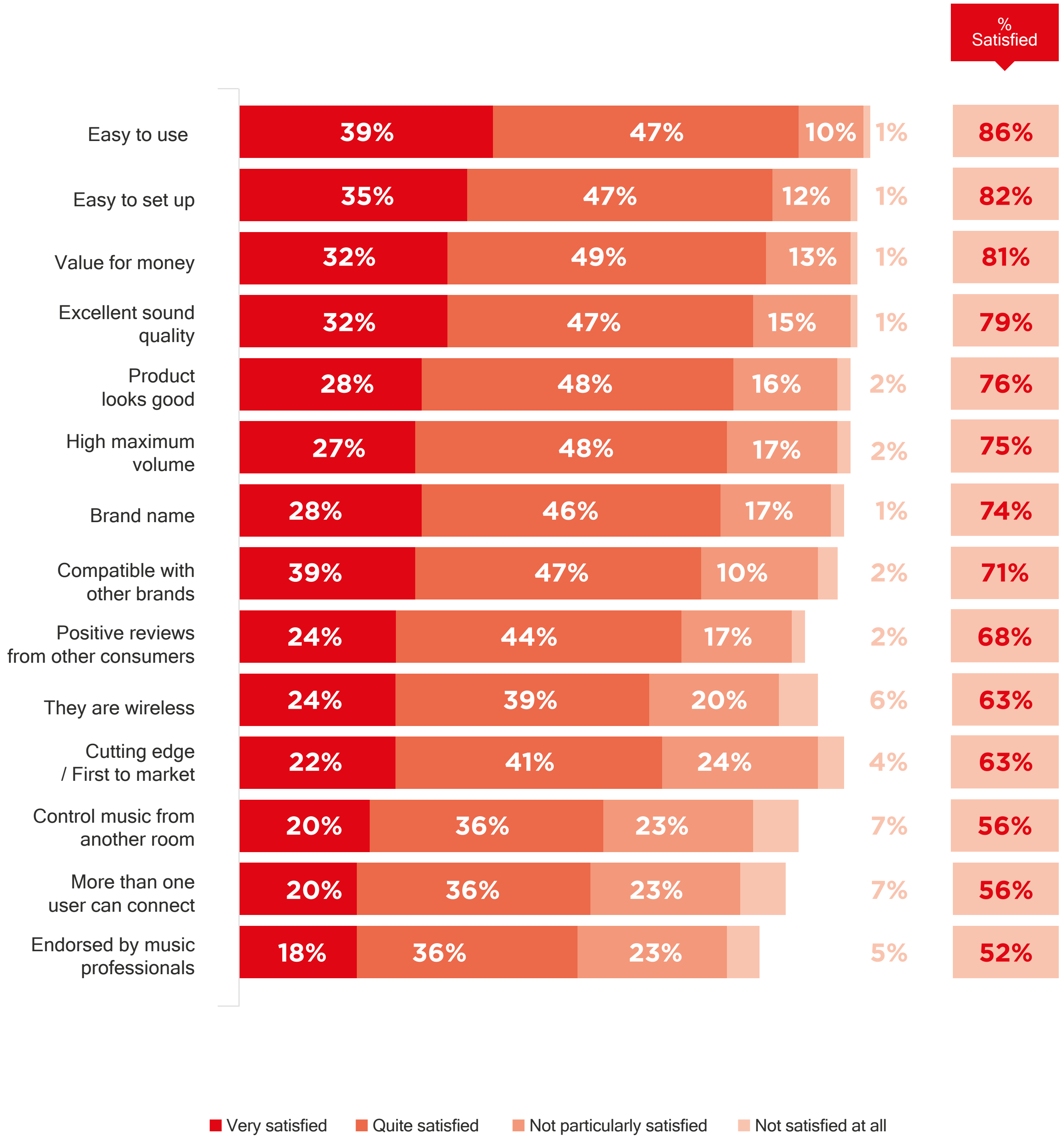
Purchase drivers

When it comes to audio devices and technology you use, how important are each of the following in deciding which devices to buy?



Audio device satisfaction

How satisfied are you with the current audio devices and technology you own in the following areas?



Making the decision

In the speaker market, specifically, the ability to try before they buy is the most important decision-making factor for consumers across all age groups (59%), indicating that bricks and mortar retailers are still very important to the buying cycle.

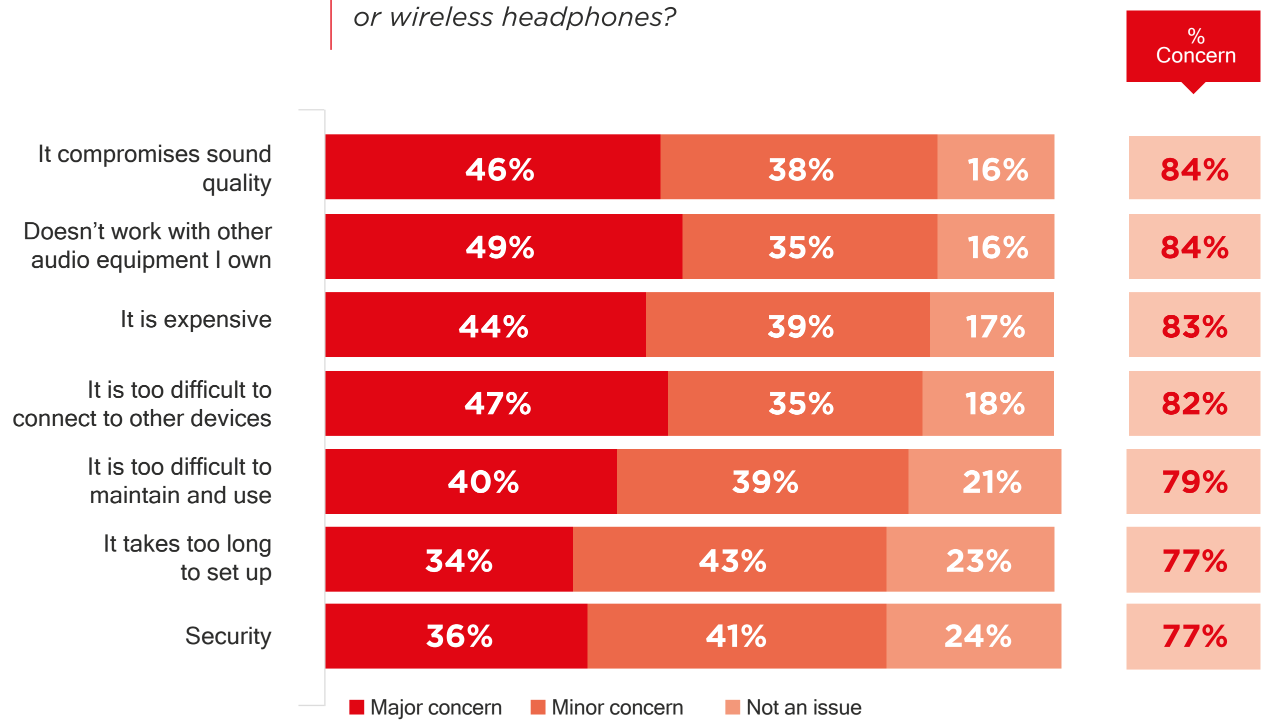
Online reviews are the only other purchase influencer to matter to more than half of respondents (59%).

Wireless challenges

According to the research, 56% of consumers think wired headphones will be obsolete five years from now. However, there is a perceived disparity in the consumer listening experience between wired and wireless headphones.

Wireless concerns

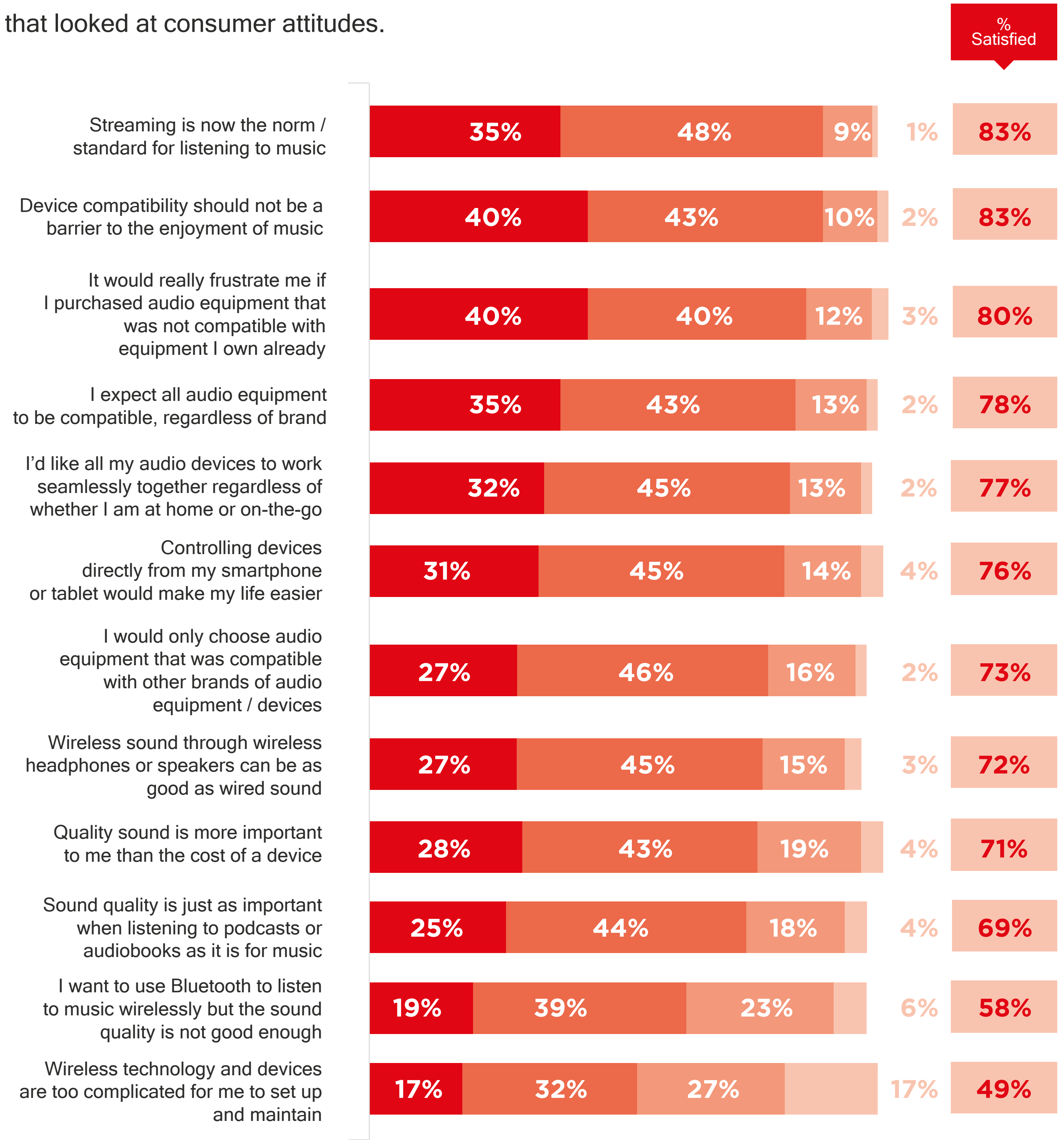
How satisfied are you with the sound quality when you use wired or wireless headphones?



The consumer decision to stick with wired headphones, rather than moving to wireless is based on two factors: connectivity and quality of sound. As manufacturers improve connectivity and quality there is clearly an unmet demand for their products.

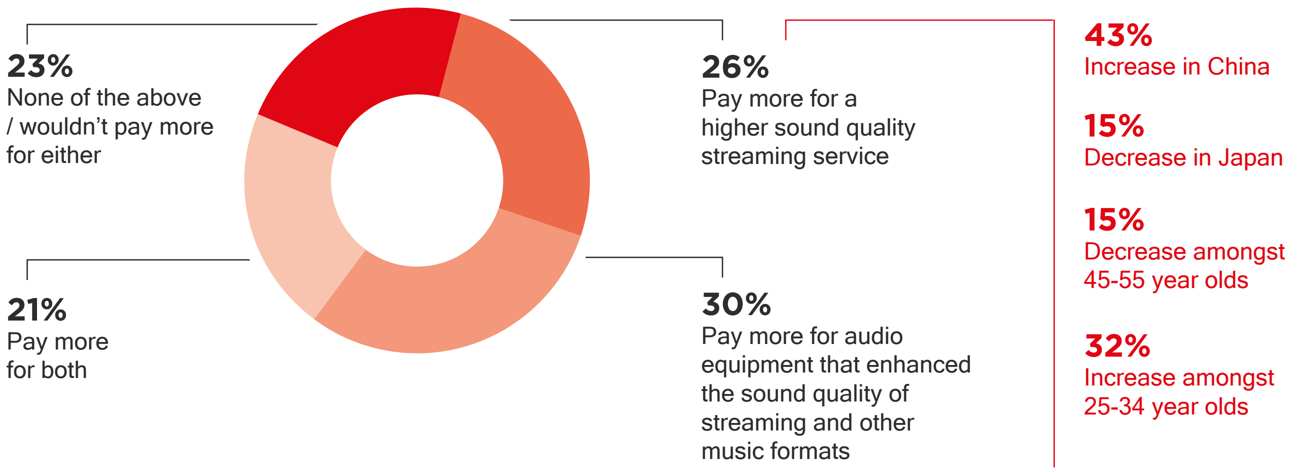
Consumer picture

Building a picture of the wireless consumer, based on their concerns and priorities, does not stop at sound and compatibility. Makers of wireless Bluetooth headphones can see other purchase drivers and satisfaction markers for their potential customer emerging in the chart below. This data is taken from the section of the research that looked at consumer attitudes.



Willingness to pay more for high quality sound

Would you be willing to pay more for a streaming service or for audio equipment that delivers high sound quality with streaming and other music formats?



Quality and price points

71% of users think that quality is more important to them as a purchase driver than the cost of their device.

Results elsewhere in the research suggest that the vast majority of respondents would willingly pay more for equipment that meets their expectations around quality, paving a clear path to achieving a committed customer base.

In the car

Bluetooth connected devices

Research shows that car stereos are by far the most popular listening device (72%). And in-car audio is now so important to three-in-five consumers that it is actively influencing purchasing decisions related to the cars themselves.

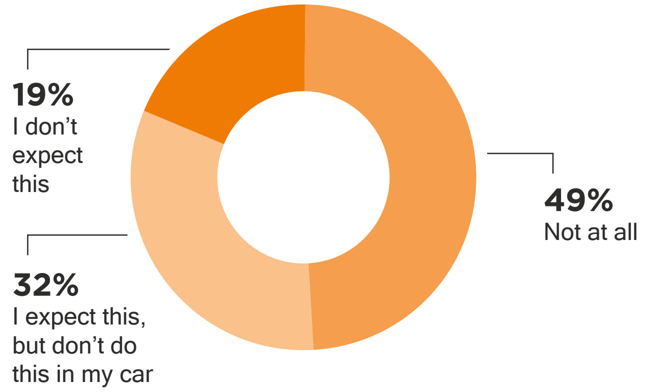
The power of quality car audio should be of interest to both car manufacturers and audio innovators, who stand to become preferred suppliers with technology that can connect seamlessly and work across ecosystems.

Car connectivity

Unlike speakers or headphones, car stereos are measured by consumers on two metrics. One is music and audio playback, the other is phone usage. For both, smartphone compatibility and connectivity are crucial.

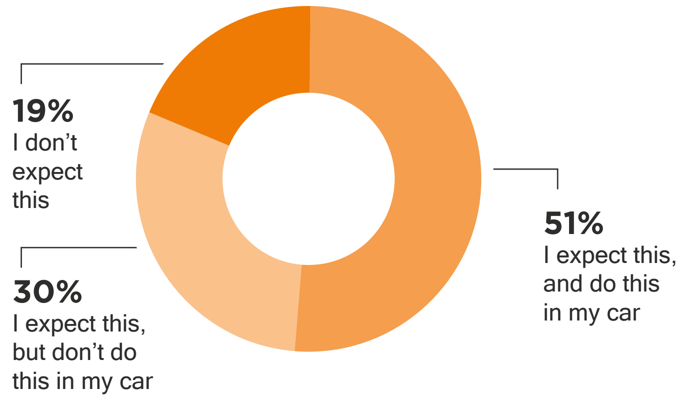
Connectivity for music

Do you expect to be able to wirelessly connect your smartphone to your car stereo / speakers in order to listen to music?



Connectivity for calls

Do you expect to be able to wirelessly connect your smartphone to your car stereo / speakers in order to make uninterrupted / high quality phone calls?



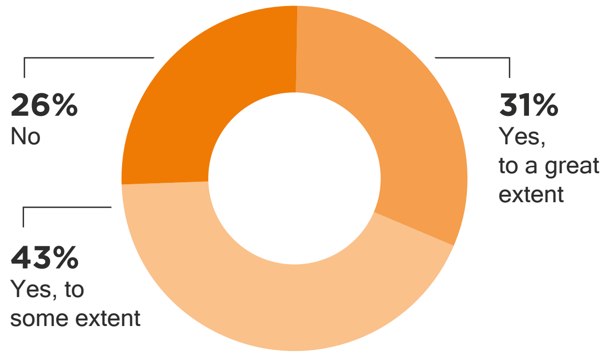
As the graphs show, there are sizeable numbers of consumers either not having expectations met, or with low expectations around car audio.

In-car sound

Over a quarter (26%) of respondents pinpoint car stereos as having the worst sound quality of any device (second worst is wireless headphones at 13%). That's hugely significant when almost three-quarters (74%) say that stereo quality directly influences their decision of what car to buy. And 82% say they would actively choose a car with a better stereo.The three following graphs outline the influence of connectivity on car purchases, as well as the levels of willingness to pay for better systems.

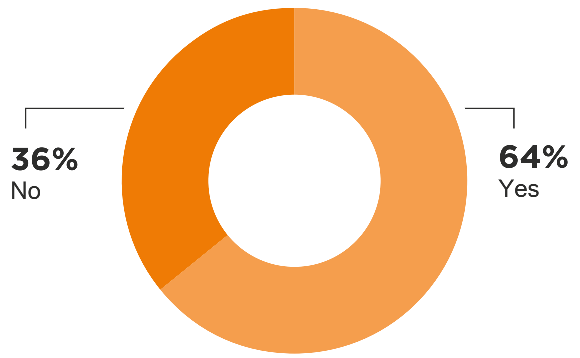
Connectivity influence

If you were buying a car would you be influenced by the quality of connectivity options that come with the car?



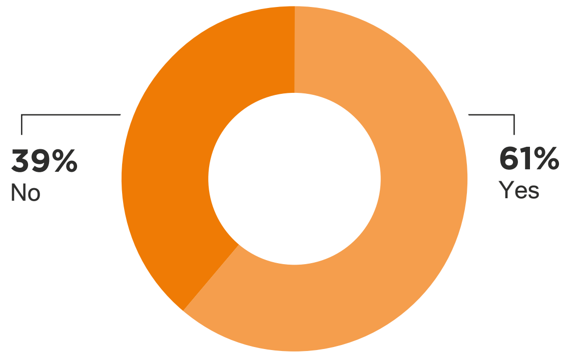
Willingness to pay more for better audio quality

Would you be willing to pay more for better audio quality in the car?



Willingness to pay more for better connectivity

Would you be willing to pay more for better wireless connectivity in the car?

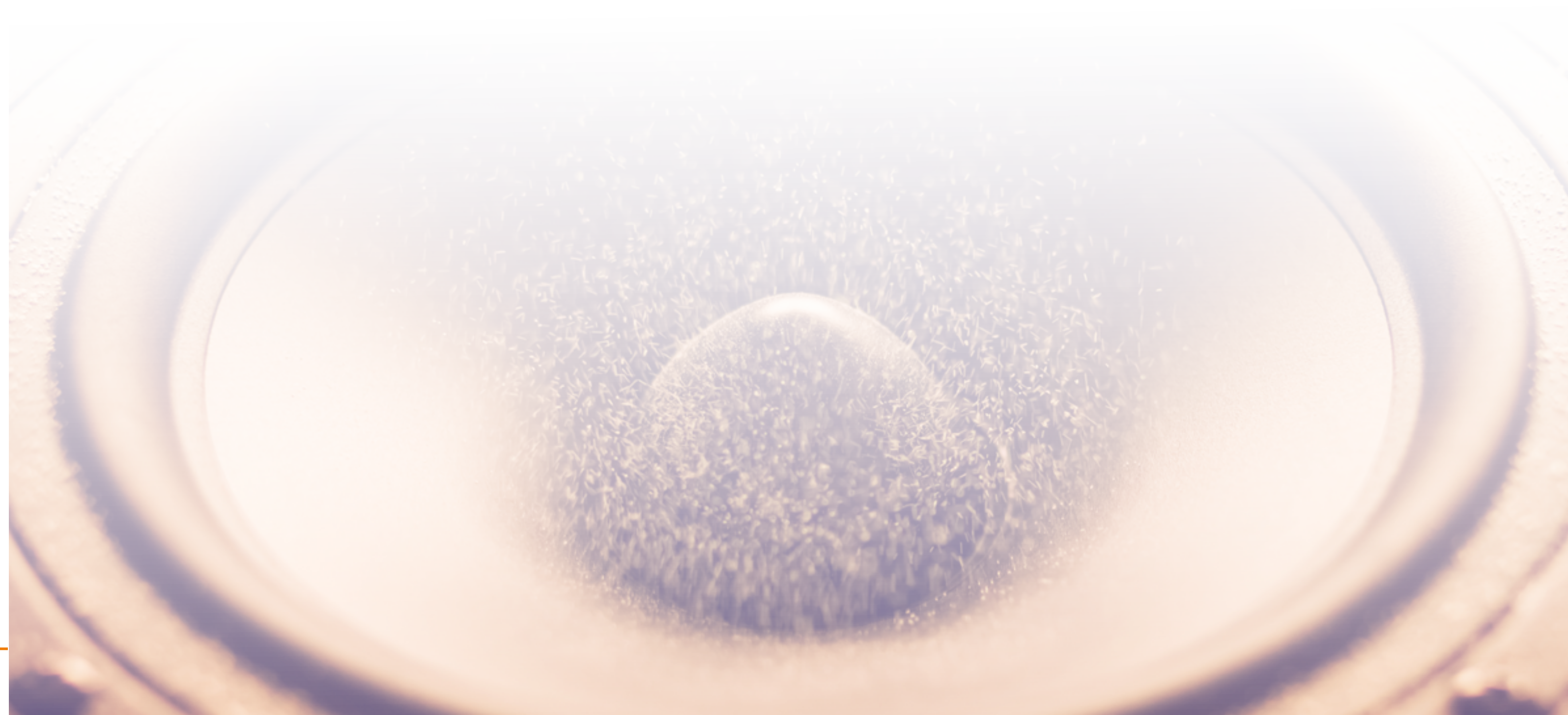


A sound direction for the future

Audio technology has come a long way in a short time. Today, streaming is becoming the dominant format over which music is listened to, overtaking MP3. And wireless speakers and headphones are growing their market share every year, to the point that many users believe that soon there will be no wired alternatives in the consumer market.

For all of that good news for manufacturers, there remains some way to go. The research has revealed that consumer expectations around device compatibility and sound quality are becoming ever greater, but in many cases they are not always being met. Closing the gap between expectation and reality presents audio manufacturers with a huge opportunity to increase sales and grow their customer base. However, for that opportunity to be fully realized, it is imperative that they upgrade and update their product offering with new solutions that boost connectivity, compatibility and sound quality, then highlight these improvements to consumers.

Research confirms the consumer is willing to pay when their needs are met. The question is, is the market ready to deliver?



Global variances

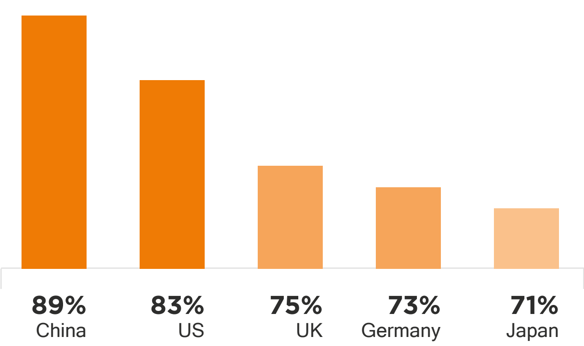
Regarding compatibility, this research identified that different global regions have slightly different priorities.

- While consumer in all regions feel that audio equipment should be compatible regardless of brand, this is more pronounced in some countries. China (89%), the US (83%) and the UK (75%) had the highest expectations, in comparison to Germany (73%) and Japan (71%).
- Furthermore, consumers in China (76%), the US (64%) and the UK (59%) expect to pay more for a networked speaker than a standalone speaker, compared to Germany (49%) and Japan (22%).

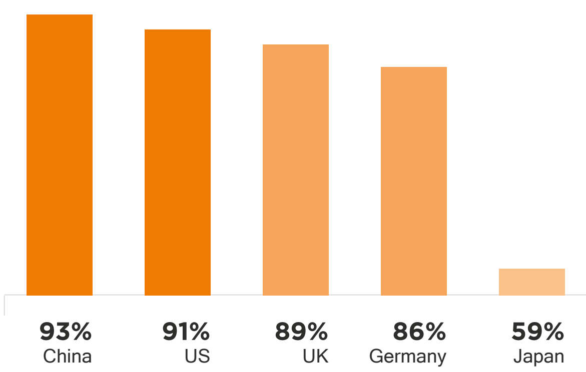
There are similar regional variances for expectations concerning the sound quality of audio devices.

- The proportion of consumers who say excellent sound quality is important in deciding which audio devices to buy is higher in China (93%), the US (91%) and the UK (89%) than in Germany (86%) or Japan (59%).
- 92% of consumers in China say they are willing to pay more in order to get excellent sound quality for listening to music, significantly above consumers in the US (78%), the UK (74%), Germany (61%) and Japan (46%).

All audio equipment should be compatible, regardless of brand



Excellent sound quality is important in deciding which audio devices to buy



Research methodology

This State of Play report 2016 is the second research project Qualcomm Technologies International, Ltd has commissioned, working together with London-based research agency, Loudhouse. We spoke to over 3,600 consumers who own and use a smartphone, and who identified themselves as being music lovers or listeners. Respondents were sourced from five countries and across four age ranges. 54% of respondents were female and 46% male.

About Qualcomm

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