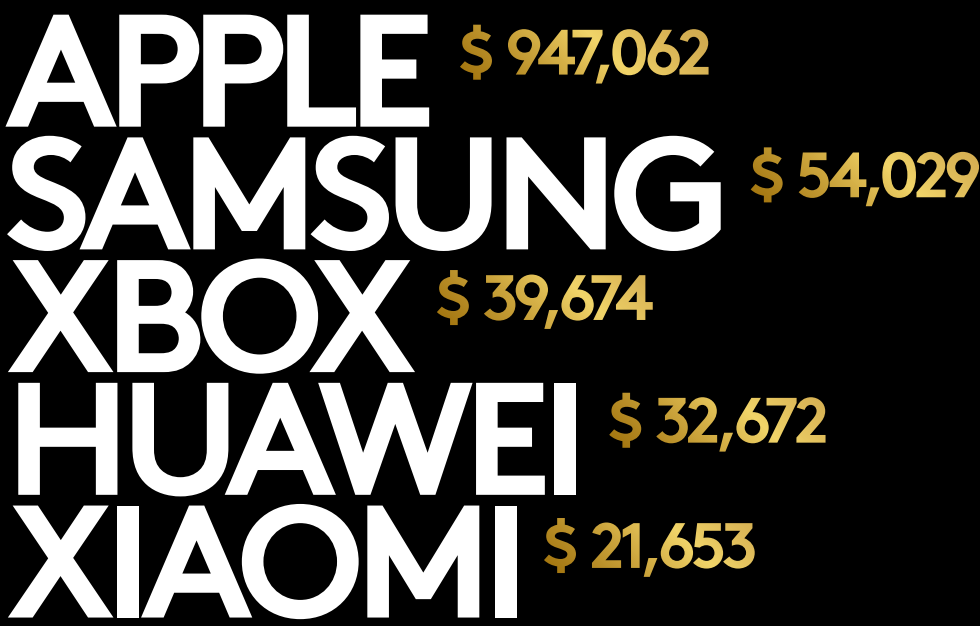


CONSUMER TECHNOLOGY

KANTAR BRANDZ

CONSUMER TECHNOLOGY TOP 5:



Brand Value \$ (US) millions

DEFINITION:

The consumer technology category includes manufacturers of consumer electronics products, including TVs, home audio equipment, game consoles, digital cameras, phones, personal computers, laptops, printers, keyboards, etc., as well as other electronic products used at home.

TECH FOR ALL/
LEADING PLAYERS
DIVERSIFY THEIR RANGES

Category Brand Value
Year-on-Year Change

+46%

Consumer Technology Top 5
Total Brand Value

\$ 1,095,090 m

CONSUMER TECHNOLOGY

The world's top consumer technology brands gained a combined 46% in value this past year as smartphone sales recovered and people's lives moved even further onscreen. Were it not for chip shortages and other manufacturing hurdles, it's likely that smartphone shipments would have surpassed pre-pandemic levels entirely.

As it is, top tech brands have used this transitional period to build up the middle levels of their smartphone ranges - and to prepare for a near future in which widespread 5G begins to power a truly mainstream "internet of things," as well as an emergent metaverse.

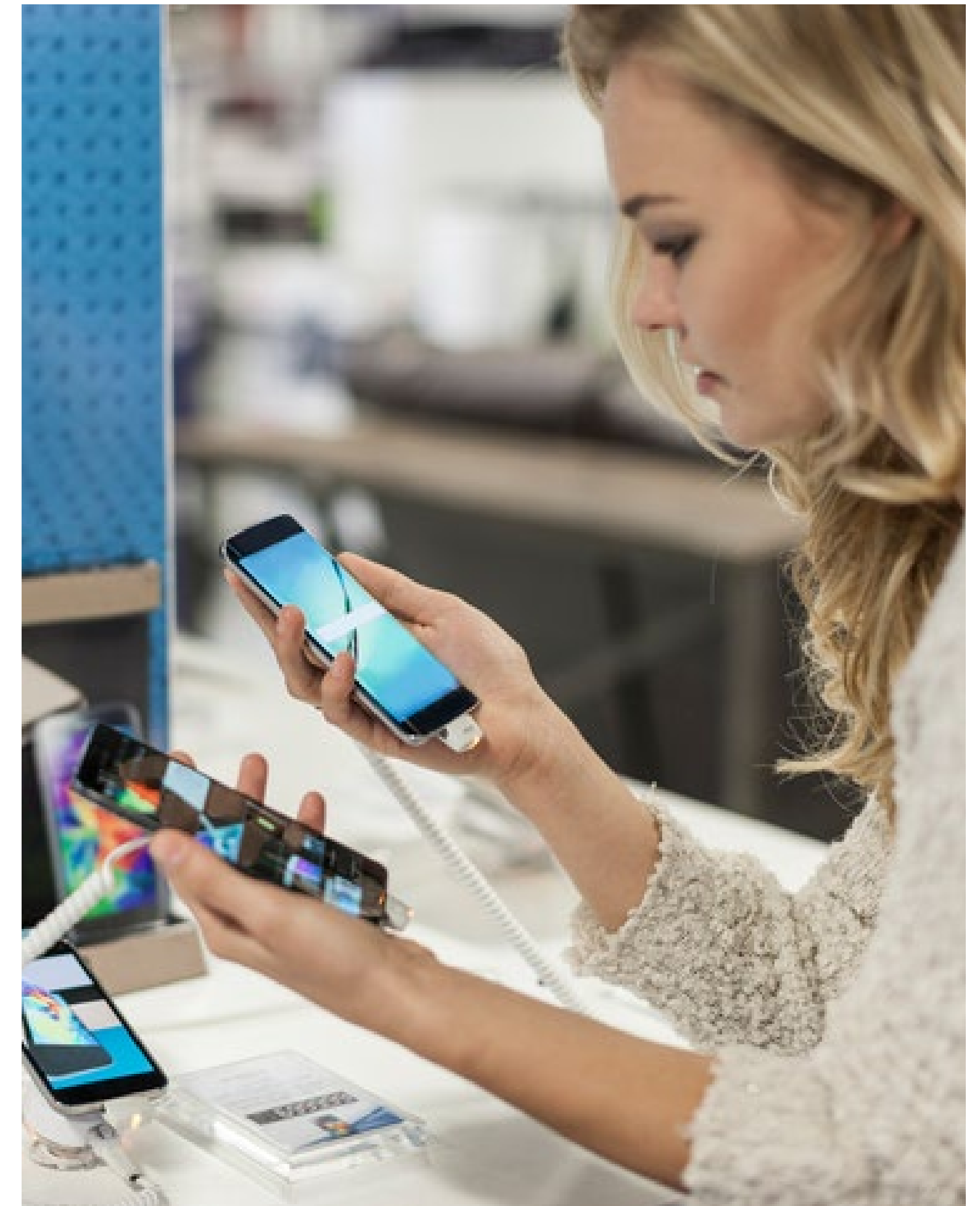
For much of the last decade, the rivalry between category leaders Apple and Samsung focused on who could debut the most feature-laden, ultra-high-end phones. These brands' "upper-middle" tier offerings, meanwhile, sometimes struggled with a perception of being "unexciting" or "a step down." This reputation that was reinforced by conspicuous design divergences (plastic backing versus glass, for instance), as well as confusing naming conventions.

For a while, these perceptions were hardly a drag on Apple and Samsung's growth, especially in the absence of credible midrange competitors. The cellphone industry, some thought, would largely remain split between luxury handsets on the one end, and entry-level smartphones on the other; competitors might do brisk business in emerging markets, but posed little threat to Apple and Samsung's ability to command premium margins among wealthier shoppers.

Since the start of this decade, however, it has become clear that consumers were taking longer and longer to upgrade their old smartphones - all while the price of Apple and Samsung's top-flight handsets began to regularly top the imposing \$1000 threshold. At the same time, competitors like Google, Xiaomi, Huawei, Oppo, Vivo, and OnePlus began to offer well-designed premium smartphones at half that price.

While not quite as fast or powerful on a sheer computing level, these challengers have aimed to match (or even exceed) luxury brands' performance on the features that customers care most about: capabilities like 5G streaming and gaming, or the ability to take great pictures and video (whether that's through proprietary algorithms, like Google Pixel's AI image processing, or through third-party lenses, as in the case of OnePlus's partnership with Hasselblad). This, then, was the state of play as the pandemic hit.

And what's the state of play now, nearly a quarter of the way into the 2020s? Perhaps surprisingly, nearly every major smartphone brand has emerged from the pandemic having made real progress their core strategic imperatives - all while moving plenty of units, besides.



CONSUMER TECHNOLOGY

This may seem surprising, at first: even mid-tier smartphone models cost a considerable sum – and you’d think people would hold off on big-ticket purchases during times of economic uncertainty. But consider that consumers have also been cutting back on discretionary expenses like traveling, restaurants, and out-of-home entertainment – which perhaps freed up more disposable income to spend on smartphones. Consider, too, that during lockdowns, smartphones themselves felt anything *but* disposable. Indeed, they became people’s main link to the wider world of sociality and entertainment. What’s worth spending money on, if not that?

What *has* changed is that the industry has become unmistakably diversified. For starters, many Chinese smartphone brands – especially Xiaomi and the BBK Electronics stable (which includes Oppo, Vivo, OnePlus, RealMe, and iQOO) – have continued to increase sales and build brand equity globally. In tech research firm Gartner’s most recent estimates of 2022 global smartphone sales by unit, Samsung and Apple retained their top two spots – but Xiaomi, Oppo and Vivo were close behind, in that order.

India and Southeast Asia have been especially lucrative arenas for Chinese smartphone brands. India is a country that has seen hundreds of millions of new smartphone users come online in the last few years: a place where rural villagers have skipped landlines and televisions, and have progressed straight to streaming soap operas and gaming on their smartphones. According to the latest “ICUBE” report from The Internet and Mobile Association of India (IAMAI) and Kantar, India’s total number of mobile internet users will rise 900 million by 2025 – up from 622 million in 2020.

India is also a country where no one smartphone brand dominates; instead, more than a dozen competitors are jockeying for market share.

From the Indian example, it’s become clear that Chinese smartphones can attract new buyers outside of their home turf – and can do so on the strength of attractive features and brand appeal, rather than merely low prices. (Indeed, the lower tier of the Indian market is being much more aggressively courted by a homegrown telecom disruptor, Jio – which has partnered with Google to offer a budget smartphone priced at around \$75).

In a sign of South Asia’s importance future of the smartphone industry, some Chinese brands have recently begun to open up manufacturing facilities directly in India. These products are then offered for sale in-country – as well as for export to other nearby emerging markets. That’s another sign of Chinese success: consumer technology brands that originated in “the world’s factory,” are now opening their own factories in other parts of the world.

Among Chinese tech brands, Xiaomi’s success is notable for the way it has embedded its smartphone business in a larger corporate project of building out connected investment. From the start, Xiaomi has aimed to create a linked universe of smart appliances and home wares – a universe that today, encompasses everything from vacuums to luggage to Segway scooters. Next on the horizon? Electric cars.

One exception to these general trends is Huawei, which spun off its phone sub-brand, Honor, in 2020 amid trade tensions that made it harder for Huawei to market its products abroad. Even at home, Huawei is now investing more in non-consumer-facing solutions like localized industrial 5G networks, which can be used to automate factories and mining projects.

The Big Two

Samsung, the world’s biggest smartphone manufacturer by market share, has been busy pursuing a strategic realignment of its own, partly in response to the rise of these Chinese challengers. Over the past two years, Samsung has successfully worked to enhance its upper-middle tier offerings – a feat it had to accomplish without cannibalizing sales of Samsung’s top-flight luxury models.

Today, Samsung’s \$800 Galaxy S22 model stands as a genuine “co-flagship” model alongside its more expensive S22 Plus and Ultra offerings. The brand has accomplished this feat by loading the S22 with the Galaxy Range’s most advanced processors and OLED screens; it has also, this year, replaced the phone’s plastic backing with glass. (At the same time, Samsung has retained its most premium camera features, and its biggest screens, for the Galaxy’s higher tiers.) What’s more, even amid rising commodity costs and shipment delays, Samsung has committed to holding the price of the Galaxy S22 steady at \$800, the same as the S21 the year before.



CONSUMER TECHNOLOGY

In other Samsung news, the brand merged its mobile and consumer electronics operations - while still keeping its chipmaking business separate so that it can contract with other smartphone manufacturers. On the consumer electronics side, Samsung's home offerings have advanced the brand's reputation for cutting-edge design and cross-brand compatibility. The brand's "lifestyle televisions" - the Serif, the Sero, and the Frame - are some of the few genuinely differentiated television models left in a category that's become largely commoditized; you can also, now, stream content to your Serif via Apple Airplay, simply by resting your iPhone on the TV's bezel. Similarly, Samsung's Family Hub smart hub refrigerator now includes Alexa voice support as well as Samsung's own Bixby voice assistant - and comes in a mix-and-match range of colors that include sunrise yellow, morning blue, and clementine, all a far cry from the gray minimalism that characterised tech design in the 2010s.

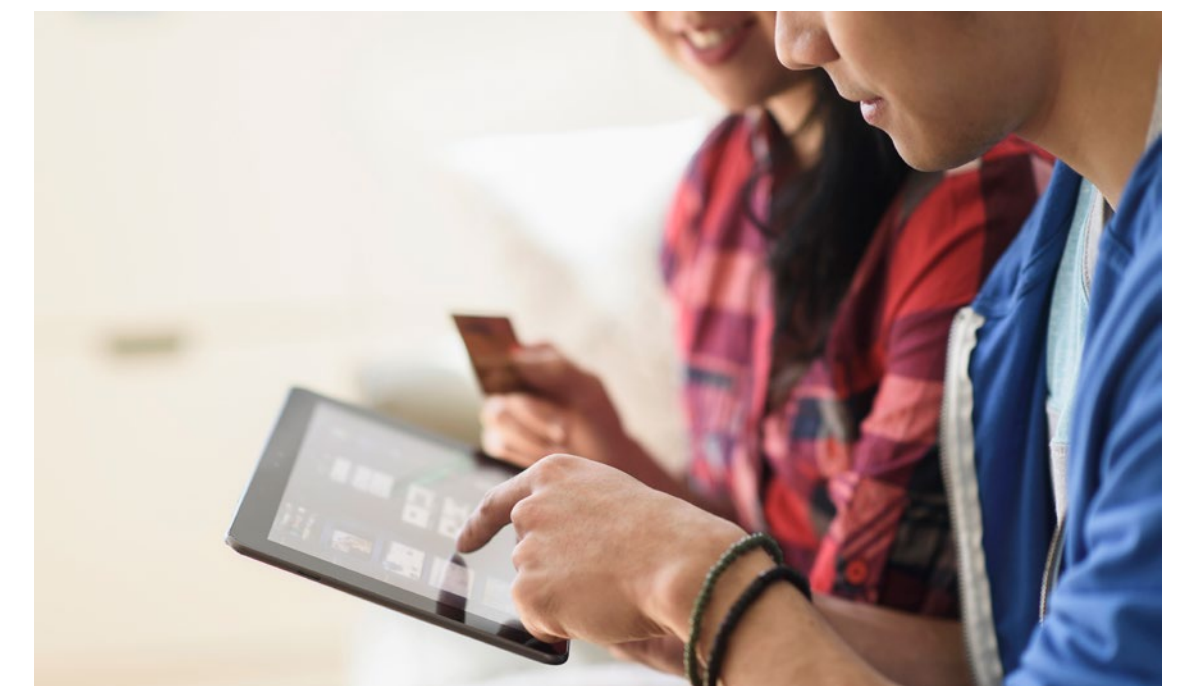
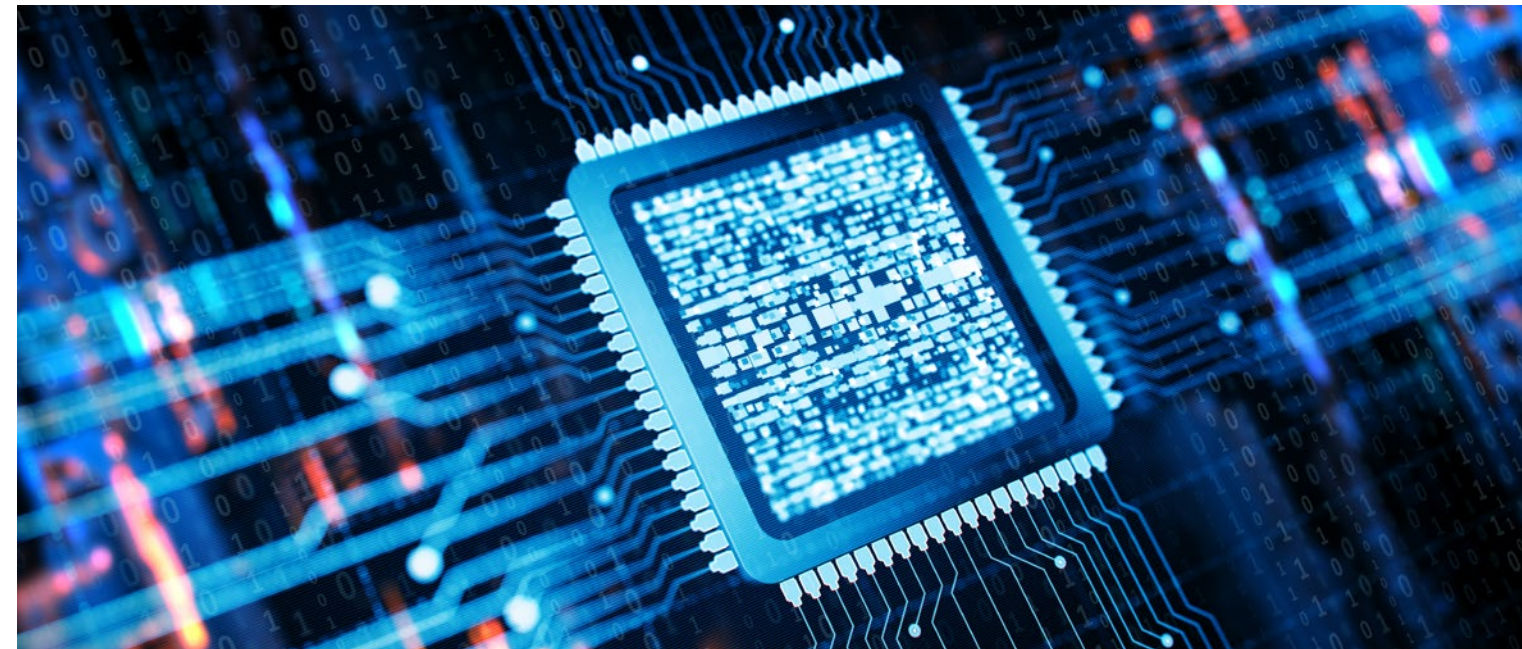
Apple, meanwhile, has also smartly rebranded its handset range. It's upper-mid-tier smartphone now holds the flagship "numbered" designation - iPhone 13, iPhone 13 mini - and boasts the same ultrafast A15 chip as the higher-priced iPhone Pro line (while the Pro has more and better camera lenses). Just like Samsung, Apple has also decided to absorb rising manufacturing costs in order to keep the price of the iPhone 13 at \$800, the same as the preceding year's iPhone 12. That's a sign of just how important it is these days to be a credible player in the \$500-\$800 smartphone range - even for a luxury brand like Apple.

None of this should suggest that Apple has been forced onto the defensive. Apple remains, by far, the biggest consumer tech brand in the BrandZ rankings. Among *all* brands globally, it retains a sterling reputation for innovation and difference.

Indeed, this past year has seen Apple flex its power in new and notable ways, especially on the issue of privacy. Along with Google, Apple has led the industry in offering new ways to provide on-device machine learning, with the goal of minimizing the amount of personal data that needs to be sent to the cloud. And its 2021 mobile software update, which made it easier for users opt out of in-app data tracking, has fundamentally altered the economics of doing business on the Internet.

In-store and online, Apple has also begun to foreground and streamline its device trade-in process, with the goal of speeding up the industry's stagnating upgrade cycles. At the same time, the brand has begun touting its phones' exceptional durability (achieved thanks to water resistance adaptations, and Apple's use of "Ceramic Shield glass). In a way, these are Sustainability benefits - it's better for the planet, after all, if devices both last longer, and are also more easily traded-in and recycled when they finally do wear out.

Interestingly, though, these features are not really being marketed as being sustainability initiatives per se - which does get at a peculiar feature of the consumer technology category in 2022. Even as leading consumer tech companies continue to grow in brand value, their sustainability scores have more or less reached a plateau. Could they be doing more?



CONSUMER TECHNOLOGY

BRAND SPOTLIGHT



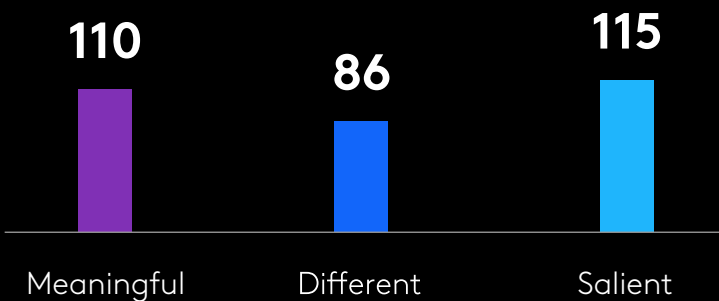
Two decades in, Microsoft’s long-term strategy to build a new brand in gaming has created a massive new value stream for the company. The brand has become a major player in the content side of gaming, acquiring major studios like Bethesda and Activision; meanwhile, with its popular Gamepass offer, Xbox stands at the forefront of a possible industry-wide shift into subscription services.

2022 BRAND VALUE

\$39,674M

2021 Brand value \$30,398m

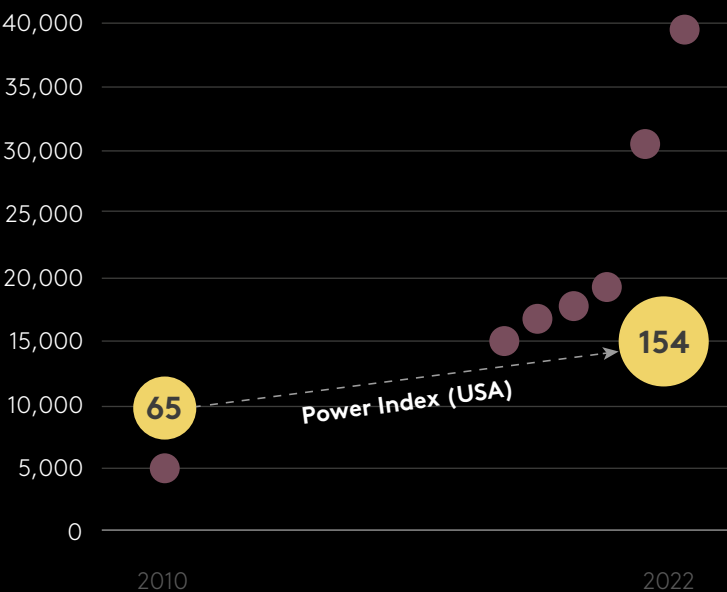
+31% year on year



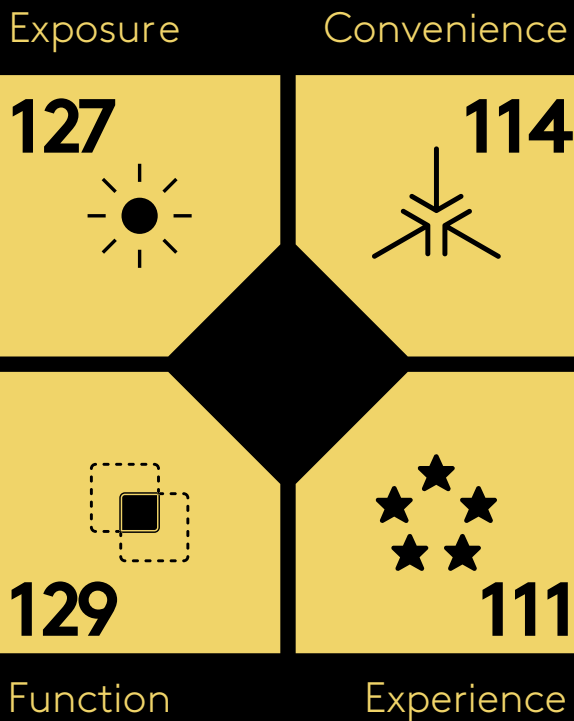
Xbox is incrementally winning over players

We’ve just learned that if we put the player at the center and try to build an ecosystem that works around their needs and creator needs, that the platform dynamic will take off.
- Phil Spencer, Xbox

Xbox Brand Value (US\$m)



Strong fundamentals support the brand’s equity’



Key attributes :
Well designed
Superior
Positive word of mouth
Leading



CONSUMER TECHNOLOGY

ACTION POINTS/ BRAND BUILDING

1

FUTURE- PROOF

There’s an increasing desire among some consumers to break out of the tech’s rapid obsolescence cycle – and to move instead toward buying devices that last. Messages around future-proofing can resonate with value-conscious customers, and are especially important when marketing for the connected home (no one wants to buy a new refrigerator every two years). And there’s a sustainability element, too, which is highlighted in some brands’ refurbishment and repair programs. Going further, Nokia now sells phones that feature multiweek battery life and near-indestructible casings, with marketing that explicitly highlights the products’ “eco” bona fides.

2

INTO THE METAVERSE

A full-fledged metaverse likely won’t be a part of most people’s lives for quite some time – and nor do they necessarily want it to be. But consumer technology brands can lay the groundwork for the metaverse by implementing new breakthroughs in sound, haptic, and body sensor technology – which should also provide users with a more immersive, differentiated entertainment experiences in the here and now. Gaming equipment brand Razer, for instance, has integrated haptics into an at-home entertainment chair that rumbles and wobbles in sync with the games you play. And Apple, for its part, took a quietly significant step in acclimating its users to the metaverse in 2021 when it rolled out spatial audio as the default playback form on its Apple Music platform.

3

GO DISCREET

One of the strongest emerging design trends this decade has been for more “hidden” or “discreet” tech – tech that offers consumers a respite from the glare of ultrabright screens. It’s telling, for instance, that one of Samsung’s most impactful announcements at the 2022 Consumer Electronic Show was of a new matte glass coating for its Frame TV range – a coating that lets these devices blend in more unobtrusively with their owners’ surrounding wall art. LG, for its part, announced new uses for transparent screens that give home tech a lower profile when not switched on. In other “un-gadget-like gadget” news, routers and range extenders can now be embedded in LED light strips, and voice assistants have been incorporated into a variety of household furnishings.