

B The 24-hour digital day: Tablets

No singular piece of digital technology better exemplifies the degree to which TMT players have become interdependent than the new tablet. This device also demonstrates consumer desire across segments to quickly adopt new technologies, an attitude confined to a niche segment not so long ago.

In the first nine months after launch, 14.8 million iPads were sold – a rate faster even than the iPhone and more than five times faster than many analysts predicted. To put things in perspective, it took three months to sell one million iPhones but just 28 days to sell as many iPads. In fact, the iPad is on its way to becoming the fastest-selling consumer electronic device ever – and this in its first year on the market.

In retrospect, the success of tablets was certainly not obvious when Apple decided to develop one. It was an outright audacious innovation because it was positioned as a “third device” – somewhere between the smartphone and the laptop. There was no evidence at all that consumers were clamoring for a third device. There was also very real concern that this new device could eat into the sales of Apple’s other products. Needless to say, that didn’t happen.

McKinsey recently conducted extensive research in order to understand how people use their tablets, and what they like and dislike about them. This research included quantitative analysis in addition to 90-minute interviews with a variety of users and several “safaris” – in-home ethnographic explorations with iPad users and their families. This served to provide insights that could prove highly beneficial for TMT companies.

How owners use their tablets

For all the bells and whistles associated with tablets, the most common uses are the most basic: browsing the Web and watching videos/movies. A few other trends will help TMT players better understand the role of digital media in the lives of the average consumer:

Partial PC replacement. The presence of a tablet at home means that desktop computers (and even laptops) begin to get short shrift. Since a tablet does not need to be plugged in or booted up, it displaces PCs for quick searches, watching videos/movies, or checking e-mails (the most common uses). In addition, it is easier to use in bed to watch television or videos. In iPad households, the PC is getting a reputation as a workaday machine, while the iPad is used more for fun and leisure activities.

Reading and gaming. People who love reading love reading on tablets. This was observed from the start with the iPad, as it included all the e-book stores and provided instant access to newspapers and magazines. For gaming, tablets are introducing a whole new generation – i.e., grown-ups – to the fun, while still appealing to young users and even to hard-core gamers. Other home uses are emerging, such as making the tablet a remote control for other devices. In fact, the longer owners have a tablet, the more willing they are to experiment with it: 57 percent of iPad owners in the survey stated they use their tablet more now than they did in the first three weeks of ownership. Only 4 percent said they use it less.

Applications. Unsurprisingly, a key driver behind increased usage is applications: 60 percent of iPad own-

ers have downloaded ten or more apps. Early adopters spent EUR 27 on apps in their first month, confirming their economic potential. This could only be the start. The vast majority of the 300,000 apps available were created for the iPhone and do not fully exploit the capabilities of an iPad. By contrast, iPad-dedicated applications lead to higher user satisfaction and generate greater demand – and users want more of them.

At home versus on the go. The tablet is used most often in the home or a family environment and less often as a mobile device. Only 16 percent of users most often or always take their tablets with them when they leave home. They cite their reluctance to take along a device they see as expensive and somewhat flashy when there are mobile alternatives, such as smartphones. The desire for permanent (e.g., 3G) connectivity is limited, and many who bought the device with 3G connectivity say Wi-Fi is sufficient. Almost a third of those who bought a 3G-enabled iPad, for instance, did not subscribe to a 3G offer. Still, we see nomadic usages developing. First, some reasons for not taking the tablet outside the home will disappear. A number of iConsumer participants told McKinsey they didn't want to be seen as showing off, a concern that will diminish as tablets become more widespread and affordable. Second, some already see the tablet's potential as a travel companion.

What people love about tablets

Among the iPad owners McKinsey surveyed, 98 percent said they were satisfied with it and 95 percent said they would recommend it to their friends. There are not many products that can boast these figures. How do owners love their tablets? Let us count the ways.

First, they love these devices for being intuitive and easy to use. iPad users surveyed praised the speed, screen quality, and reliability. Another pleasant surprise is that the devices come out of the box ready to use. The more users learn, the more they like. The most delighted users are those who have discovered new uses for themselves.

Second, users love that they can – and in fact do – use it almost everywhere. The tablet may not make it out of the home often, but it is taken to and used in virtually every corner of the home – the kitchen, the living room, the bathroom, the bedroom – whether seated or lying down.

Third, they love that the device can be shared easily. In fact, it reintroduces a social aspect to some of the

activities that are often performed individually. On our domestic safaris, we noticed children playing together on the family tablet. One ten-year-old girl told us that she preferred using Facebook on the tablet because she could do this in the kitchen with her mother rather than being on her own in the study.

As a result – although many people initially bought a tablet without knowing what they would do with it – the vast majority consider it worth the price. Almost two-thirds (64 percent) of iPad owners called it an extremely good value and 33 percent a somewhat good value.

How tablets miss the mark

Based on what iPad owners stated, the device enjoys a fantastic reputation, but it still has shortcomings. The key frustration is concerned with the inability to easily connect and share data with other devices. It has no USB ports; instead, it has a single Dock Connector. Thus, it is not possible to directly plug in a camera or printer. This is an issue for a product designed to view pictures and watch videos. Users who do not already have a Mac at home lose out in terms of functionality and ease of use.

Beyond the connectivity downside, users regret the lack of storage capacity and processing power that would make it either the central hub at home or simply a better device for personal use. Owners also question using a touch screen keyboard for extended periods.

Furthermore, people express frustration when it comes to entertainment. The tablet is not ideal for music, for example. It is too big to be practical for on-the-move music, which remains the territory of the dedicated devices. Beyond this, the quality is not good enough for in-home music, where users say better options exist. Finally, the iPad is incompatible with Adobe Flash, so users cannot view some Web videos or play Flash games.

No surprise: the most recent tablets on the market already address many of these shortcomings.

Implications for players

Players in the tablet and tablet-adjacent fields should act now to seize short-term opportunities, while preparing for and shaping the longer-term evolution of the device. The reading app, for example, could inject new life into old media based on subscription and aggregation services for newspapers, magazines, and radio providers. It

could also benefit e-tailers like Amazon as digital book distribution increases.

In addition, there is real monetization potential in using video, interactive graphics, and other features that take advantage of the tablet's capabilities, backed by an easy payment process. So far, such great expectations have yet to be fulfilled. At Wired Magazine, for example, downloads dropped sharply after a few months as the tablet novelty wore off. More work is needed to tap into a tablet's full potential, designing offers that attract new readers and enhance loyalty among current customers.

For telecoms operators, tablets could bring a number of opportunities – once they figure out how to generate more mobile network usage. We believe that current data plans, in many cases, do not meet the demand for occasional usage. High data prices are a deterrent, as is

spotty Wi-Fi coverage. To turn Wi-Fi visitors into loyal, high-value customers, operators must create appealing plans for mobility, for example, by bundling it with Wi-Fi access; creating plans for occasional 3G usage (e.g., prepaid); and offering one-click purchasing. Finally, telecoms operators should look into opportunities to leverage tablets for the promotion and the sale of their own products and services and should aggressively pursue the large enterprise opportunity.



Potential for tablets is likely huge, particularly if the shortcomings described can be addressed. The implications for other industries – particularly media and telecoms – are intriguing. Predicting the future is an excellent way to be proven wrong. What is certain, though, is that the tablet's journey has only just begun.



Jean-Baptiste Coumau

is a Principal in McKinsey's Paris office.
jean-baptiste_coumau@mckinsey.com



Georges Desvaux

is a Director in McKinsey's Paris office.
georges_desvaux@mckinsey.com



Bengi Korkmaz

is an Associate Principal in McKinsey's Istanbul office.
bengi_korkmaz@mckinsey.com



Jean-Hubert Lenotte

is a Principal in McKinsey's Paris office.
jean-hubert_lenotte@mckinsey.com