HTSC

PRODUCT KNOWLEDGE BRIEF
Home Technology Scorecard (HTSC)

PKB-HTSC-001
December 13, 1996

HTSC is a drill-down service providing clients with continuous insight into the penetration, purchase plans and behavior, and attitudes toward technology of the U.S. PC consumer market place.

Based upon ongoing field survey research, this program measures and tracks PC, PC peripheral products, and online services reception into the US home market.

HTSC Key Topics:

- What is the size of the US home consumer personal computer market?
- What are the demographics of home PC buyers? Who is using it and what are they using it for?
- What are their future home PC, printer and online service purchase plans? Why?
- What are the demographics of home buyers *planning* to purchase a PC?
- Six months later: Who bought? Who didn't buy? What did they buy? Why did [didn't] they buy?
- How has the home use of PCs, printers and online services changed over time?

The Key Question to ask clients and prospects:

"Do you understand how the changing home PC market will impact your consumer technology products and services opportunities?"

1.0   The Home Technology Scorecard (HTSC)

The Home Technology Scorecard is a statistics-based research program. Each year Dataquest conducts a major survey of approximately 7,000 US households. This establishes a baseline for the current state of PC technology acceptance within American homes. It provides measurement of the current PC products installed base, the intent to purchase PC based products and online services during the next 12 months, and it defines the demographic and attitudinal values of purchase-intender vs non-intenders. This survey also establishes preferred brands, preferred distribution channels, and preferred product configuration specifics for PCs, printers, and online services.

In winter, following the heavy holiday purchasing season, we recontact all of those heads of households who stated their intention to purchase PCs, printers, or to subscribe to online services, to ascertain conversion of intent-to-purchase to actual purchase.

Additionally, we survey the changing use and intended use patterns for both existing PC owners and prospective PC owners. Also use patterns for PCs including personal family use and work at home use including telecommuting.

Online usage data includes service vendor preference, types of activities engaged in and extent of current online commerce usage.

All survey respondents provide valuable insight into their attitudes and beliefs with respect to technology as well as their level of confidence in the current US economy and personal economic outlook. Fundamental demographic details such as age, household income, education, are captured to allow in-depth cross tabulations for market segmentation.

2.0   Business Issue

Vendors, consumer services, and investors:
The US consumer PC marketplace is one of the most complex and fluid environments in which a vendor could do business. Success in this market mandates a thorough understanding of the adoption of new technologies, and rate of user consumption. Failure to understand market trends or to forecast accurately can be instantly catastrophic.

3.0   Buying Center 1 — Vendors

<u>**Hardware manufacturers**</u>
<u>**Software Publishers**</u>
<u>**Online services providers**</u>
<u>**Peripherals suppliers**</u>
<u>**Semiconductor manufacturers**</u>

Who?
VP Marketing
Director of Corporate Strategy
Market Research Manager
Director of Product Marketing
Brand Manager

Key Issues for Vendors:

- What product and market strategies will yield the greatest return on investment?
- What consumer market segments offer the greatest growth potential?
- What products are consumer buying?
- What are the purchase intention conversion profiles for the various consumer segments?
- How does the current home PC market compare to past years?

Anxiety Questions to Ask Buying Center 1

- Do you have enough US home technology consumer market intelligence to make the difficult business decisions?
- How do you measure your success against the industry?
- How will you determine your long term areas of focus, and how will you know which ones to avoid?
- Is the US home PC and technology services market an opportunity or a landmine?

5.0   Buying Center 2 - Second Tier Vendor Contacts

<u>**Buying Center 2 - Investmment Community, Financial Institutions, Venture Capitalist**</u>

Who?
Strategic Planners
Technology Assessment Analysts
Market Researchers
Merger and Acquisition Staff

Key Issues for Buying Center 2

(What keeps them up at night?)
- Sizing of the home PC market and the potential buyer population.
- Confirmation of market trends in the home PC market.
- Measuring the distribution channels serving the home market.
- Sizing of emerging technologies market.
- What is the potential for specific consumer businesses and services?
- What does the buyer for home technology products look like?
- Are there major shifts in the buying trends for the consumer segment?

Anxiety Questions to Ask Buying Center 2
(What questions should sales ask these individuals to create Fear, Uncertainty, and Doubt (FUD) in their minds?
1. Do you know who is gaining or losing mindshare among potential buyers?
2. What are the inherent risks in consumer product strategies?
3. Is your marketing staff targeting the correct segments of the consumer market?
4. What are the attitudianl changes in you target market segments?
5. Are your marketing merssages hitting the current consumer hotbuttons?
6. Do you know how well your pricing strategy maps to your potential customer profile?

6.0 Competition
The following are competitive highlights of how this product is positioned against similar annual research programs offered by our major competitors.

- This product is directly competitive with the offering from IDC Link, a well established IT product vendor in the US market. Recently, however, a number of Computer Systems and Peripherals vendors have begun to question the IDC Link market statistics as their US household PC penetration rate continues to

climb and have begun to look to other sources for this information. In addition Andy Bose, the founder of Link Resources (which was bought by IDC), recently resigned, calling into question the ability of IDC to continue to serve this market. There is an opportunity for Dataquest to enter the market as an alternative source and eventually move to a leadership position in the market.

- Consumer Technology Index is another, similar study. Their survey is only once per year, however, and lacks a follow-on re-survey to separate intention from action.

The Dataquest advantages are:

- Almost 7,000 homes surveyed with no less than 350 PC households identified in any individual regional bell operating company area ensures a highly reliable statistical base.
- Psychographic data covering the technology comfort level of the consumer
- Demographic data by location, education, income, more
- Will confirm purchase intention by re-contacting respondents who planned to purchase and determining what they actually did
- Tremendous synergy between this program and Digital Consumer program.

8.0   The HTSC Research Team

William C. Schaub
Worldwide Director, Quarterly Tracking Programs, Computer Systems and Peripherals Group

Mr. Schaub is currently the director for Dataquest's Quarterly Tracking Programs such as Worldwide PC Quarterly Statistics. Additionally, Mr. Schaub is codirector of Dataquest's U.S. Home PC market research. Mr. Schaub has been associated with the high-tech business solutions industry for nearly 20 years. He has held a variety of marketing and management positions with Xerox Corporation, Wang Laboratories, Compaq Computer Corporation, and Dataquest. For the past few years, key account clients have called upon Mr. Schaub and his associates to participate in product technology road mapping, PC market segmentation, and distribution strategies. Mr. Schaub holds a B.S. degree from California State University Sacramento and an M.B.A. from St. Mary's College of California.

Van L. Baker
Director and Principal Analyst, Distribution Channels Worldwide, Computer Systems and Peripherals

Mr. Baker is Director and Principal Analyst of Distribution Channels Worldwide program for the Computers and Peripherals group at Dataquest. He is

responsible for all facets of distribution channel research for computers and peripherals. This includes quantitative analysis of distribution channel sell-through for systems products offering shipment data segmentable by elements such as form factor and processor. Mr. Baker is also responsible for qualitative analysis of channel and vendor business models for distribution of computers and peripherals.

Mr. Baker is recognized as an industry expert in the field of computer distribution channels. He is quoted in such publications as the *Wall Street Journal, Business Week, Computer Reseller News, VARBusiness*, and local newspapers. Having spent time in industry both on the sales and manufacturing sides of the business, Mr. Baker brings to Dataquest an understanding of the reseller business as well as the manufacturer business and the constraints inherent in both.