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On Eve of 'Black Friday,' Survey Suggests a Mixed Forecast for Consumer Technology and Media Sales

- Outlook grim for many electronic devices, as consumers prefer to delay purchase rather than buy cheaper versions now
- Sales of next-generation products including HDTVs, smartphones, DVRs, and Blu-ray players still predicted to grow
- Many consumers consider cutting landlines, but few plan to downgrade Internet or mobile phone plans; more watching movies through home pay-TV
- Many forecasts of spending cuts overlook consumer willingness to exercise spending options, not just cut devices or services

NEW YORK, N.Y., November 25, 2008 – As the holiday shopping season approaches, six out of ten U.S. consumers intend to cut their spending in at least one area of communications and media entertainment – ranging from purchases of PCs, digital cameras, and music players to premium TV channel subscriptions and landline phone service – according to a detailed new survey of consumer sentiment by international management consulting firm Oliver Wyman. Only 21% of survey respondents plan to increase spending in at least one of the areas.

If this snapshot of consumer sentiment were to prevail over the next year, the overall impact for these sectors would be a 5-6% decline in sales, said Mark Teitell, a partner in Oliver Wyman's Communications, Media, and Technology practice. Teitell directed the online survey of more than 500 adults across the country.

Sales of **devices** such as desktop and notebook computers, music players, and digital cameras are the most threatened, with **over 50%** of respondents reporting they plan to spend less on devices over the next year, which equates to about a 10% drop in sales. However, sales of next-generation devices are expected to increase: Blu-ray players by 140%, smartphones by 9%, and HDTVs by 3%.

In most device categories, promotional pricing would increase unit sales but not enough to justify broad discounts. Teitell noted that a discount of 20% could motivate a handful of on-the-fence purchasers to buy, but broad discounts might result in an overall decrease in sales revenue. "Price discounts should be used cautiously and targeted at on-the-fence purchaser segments when used," he said. "There's a risk of cannibalizing revenue from consumers already intending to make the purchase, without drawing sufficient new buyers to increase revenues overall."

Subscriptions including broadband Internet access, mobile phone plans, pay-TV and content subscriptions such as Netflix are the most insulated from the economic downturn. **63%** of respondents expect their spending to be about the same next year as it was this past year, and 9% plan to spend even more. Only **28%** plan to spend less on network subscriptions. However, a 5% sales decrease is still predicted within this category, with premium TV channels being the most vulnerable; **22%** of current subscribers said they are somewhat likely to discontinue premium channels to watch more standard pay-TV.

In the area of **entertainment content**, such as movies, TV shows, and video games, **36%** of consumers intend to spend less, equating to a 5% sales drop. Of these entertainment categories, watching movies in theaters could prove to be most volatile, as it's the most cited category among both respondents who plan increases and those who plan decreases in spending in entertainment.

“Consumers are being selective in where they pull back,” Teitell said. “Delaying the purchase of a computer, digital camera, or music player as a cost-saving measure is easier than canceling or downgrading a subscription for high-speed Internet access or a mobile phone data plan, which consumers may be contractually locked into.”

About Oliver Wyman

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