

News Release

Tel: +1 212 492 4000
Fax: +1 212 492 4001
www.deloitte.com

Carolyn Vadino
Global Communications
Deloitte Touche Tohmatsu Limited
Tel: + 1 917 574 5367
E-mail: cvadino@deloitte.com

Deloitte 2015 TMT Predictions: In-store smartphone payments take off, but don't take over and enterprises lead in adopting new technologies

- *Millennial readers preferring print to digital, helping 2015 sales to be five times higher than eBook*
- *A million drones predicted to be in use worldwide by end of 2015*
- *For the first time ever, the smartphone upgrade market predicted to exceed one billion*

New York, 13 January 2015 –This year in-store smartphone purchases worldwide will increase by more than 1,000 percent from last year. While the mobile wallet won't replace the traditional wallet yet, 2015 will be a tipping point toward wider consumer adoption of in-store smartphone payments. This is according to the 14th edition of Technology, Media & Telecommunications (TMT) Predictions, a report by Deloitte Touche Tohmatsu Limited (Deloitte Global). Additionally, Deloitte Global predicts that print books will continue to dominate the publishing industry and account for 80 percent of all book sales by dollars and units, and that 2015 will be the year where enterprise will be ahead of consumers for adoption of new technologies such as 3D printing, Internet of Things (IoT) and drones.

Also, counter to previous industry predictions around the smartphone reaching a plateau, Deloitte Global predicts there will be 1 billion upgrades in 2015, signaling that the market has not yet matured or stagnated.

“Smartphones are already being used to check balances, transfer funds and transact online, but they have not reached a ‘mobile wallet’ status globally,” said Jolyon Barker, Managing Director, Global TMT Industry, Deloitte Global. “We predict 2015 will be the first year that all mainstream mobile requirements will be addressed, making smartphone payment options easier, with user friendly security in place.”

Consumers don't always lead the way: The pendulum swings back to enterprise innovation

Last year signaled a shift away from a decade-long trend of consumerization of Information Technology (IT), for example, with a modest consumer uptake of wearable technology like smart glasses. In 2015, however, Deloitte Global predicts the pendulum to swing further toward enterprise led adoption with wearables, 3D printing, drones and the IoT meeting more needs and generating higher sales for business than consumers.

Additional highlights and details of this year's TMT predictions to impact the marketplace in 2015 include:

Technology

- **The end of the consumerization of IT?** In 2015, the pendulum of technology adoption will begin to swing back to the enterprise market, reversing a decade long trend that went the other way - when mass adoption of technologies like large screen smartphones and tablets started with consumer adoption first.

- **The Internet of things really is things, not people** – In 2015, over 60 percent of the one billion global wireless IoT devices will be bought, paid for and used by enterprises - despite media focus on consumers controlling their thermostats, lights, and appliances (ranging from washing machines to tea kettles). The IoT-specific hardware is predicted to be worth \$10 billion, but the big story is the enterprise services enabled by the devices: about \$70 billion.
- **Drones: high-profile and niche** – In 2015, drones will have multiple industrial and civil government applications. Deloitte Global predicts sales of non-military drones (also known as unmanned aerial vehicles or UAVs), to be about 300,000 units, driving the installed base to over a million. Although consumers or prosumers will buy the majority, most of the real value will come from enterprise use.
- **3D printing is a revolution: Just not the revolution you think** - In 2015 nearly 220,000 3D printers will be sold worldwide, with a dollar value of \$1.6 billion, but it is unlikely that there will be a “factory in every home.” Deloitte Global estimates about 80 percent of the value of all 3D printers will be for companies instead of consumers, meaning the real revolution will be in the enterprise market.
- **Smartphone batteries: better but no breakthrough**– Longer battery life is likely to remain a key factor for consumer’s choosing their next smartphone. The rechargeable, lithium ion (Li-Ion) battery technology used in all smartphones will improve only modestly in 2015, with no more than 5 percent greater unit charge or milliampere hours (mAh) compared to a 2014 model of the same dimensions and voltage.
- **Click and collect booms: a boon for the consumer, a challenge for retailers** – The number of click and collect locations in Europe will reach half a million in 2015, a 20 percent increase on the previous year. Click and collect provides shoppers with the option to pick up items purchased online from locations such as a special section in a store, a shopping mall, or a secure locker located in a transit station.
- **Nanosats take off, but they don’t take over**- By the end of 2015 over 500 nanosatellites (nanosats, under 10 kg in mass) will be in orbit. Nanosats are attractive for many reasons: they are cheaper than conventional satellites, lighter, easier to build and test, and easier to launch. Although increasingly capable of more complex tasks, they are likely to be additive to the existing large satellite market, and not replace it.

Media

- **Short form video: a future, but not *the* future, of television** - The total time spent watching online short-form video clips and other programming of less than 20 minutes in length, will represent less than 3 percent of all video seen in the year globally. Deloitte Global does not expect short-form online content to usurp long-form traditional television. It is a future, but not the future, of screen-based entertainment; and Deloitte Global predicts it is unlikely ever to be the predominant video format, as measured by hours watched or revenues.
- **The ‘generation that won’t spend’ is spending on TMT** – North American Millennials will lead the way in 2015 and spend an average of \$750 per person for content, both traditional and digital. What are Millennials spending on? Pay TV, music, computer games, books, live sports, streaming video, and even print newspapers.
- **Print is not dead, at least for print books** – Sales from print books will be five times the sales of eBooks. eBooks have not substituted print books in the same way that sales of CDs, print newspapers and magazines have declined. Young people (age 18-34) are as attached to print books as their elders and read at about the same rate than older demographics, and they are willing to pay for them.

Telecommunication

- **Contactless mobile payments (finally) gain momentum**-The end of 2015 will mark the tipping point for the use of mobile phones for in-store payments around the world. It will be the first year in which the multiple prerequisites for mainstream adoption – satisfying financial institutions, merchants, consumers and device vendors – have been sufficiently addressed. In 2015, about 5 percent of the base of smartphones worldwide will be used to make an in-store payment at least once a month, compared to less than half a percent (led by early adopters in Japan) of about 450 million smartphones in mid-2014.
- **For the first time, the smartphone upgrade market will exceed one billion.** 1.35 billion smartphones will sell worldwide in 2015, but over a billion of them will be upgrades – new phones for those who already have

one. The upgrade cycle may be lengthening, but screen size, speed, storage, software and design will continue to drive growth for smartphone refreshes.

- **The connectivity chasm deepens as gigabit Internet adoption rockets** – Globally, the number of homes with broadband Internet will grow by about 2 percent to 725 million, and average broadband speeds in most countries will increase by 20 percent. The gap between those with access to the fastest broadband speeds and those on basic speeds will continue to widen in 2015, providing a varied experience from home to home, especially for high bandwidth applications like streaming video. All broadband is equal...but some is more equal than others.

Now in its 14th year, Deloitte's annual Global TMT Predictions provides a 12-18 month outlook on key trends in the technology, media and telecommunications industry worldwide. Full details about the global TMT Predictions are available here: <http://www.deloitte.com/Predictions2015>.

About the DTTL TMT Predictions

The TMT Predictions are based on worldwide research supported by in-depth interviews and input from Deloitte member firm clients, Deloitte alumni, its industry analysts, leading TMT executives, and thousands of Deloitte member firm TMT practitioners across its global network. The focus of Predictions varies from year-to-year, but one theme appears constant: the impact of TMT on our behavior steadily deepens.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax, and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 210,000 professionals are committed to becoming the standard of excellence.

###