

# Consumer preference often drives tech

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There may be many great techno ideas out there. But if the consumer is not looking for great ideas and only wants something easy to use, these concepts may never see the light of day. The trick is understanding the consumer.

According to research from analyst firm Ipsos Insight, the future of the technology marketplace will be driven by consumer preferences and what they think is believable, "not by what is technically possible and accessible in consumers' evolving mental model of the digital ecology."

Digital music analyst Matt Kleinschmit and technology trend spotter Todd Board discuss this in their essay, released Tuesday, "Cultivating Desire: Investing in Market Insights to Reap Digital Content Profits."

The essay examines how tech-sector marketers can address the shift in market drivers from the supply side to the consumer-demand side. It appears in the latest issue of Ipsos Ideas, the magazine published by the Ipsos Group.

The authors note that there are several related dynamics that are driving the shift toward purely consumer demand vs. what is technologically possible.

There is what they call the "innovation saturation factor" -- "consumers simply cannot grasp or fully take advantage of the wealth of technology potential available. Even as expanding options accelerate adoption curves for technologies like VoIP and movie downloading, this ramp-up affects

the way consumers assess the next new product on the market."

Kleinschmit and Board write in their Ipsos article that "the more consumers view technology as an experience-enhancing innovation rather than a staple appliance, the more willing they are to invest in learning about new features and benefits and actively consider purchasing new technology."

Also there is the "worth it" hurdle -- the incremental benefit to the consumer "divided by the cost and hassle of experiencing that benefit."

Often as various digital options expand, this hurdle can be set higher and higher, they note.

As an example of changing consumer habits that can be anticipated by primary research, the authors discuss how consumer preferences in digital music acquisition and pricing could be found several years before the big online music boom. The authors cite the 2002 TEMPO quarterly report by Ipsos, which tracks American consumer digital music behavior using "predictive choice-based conjoint modeling to simulate the music downloading market conditions and uncover emerging consumer preferences for online music acquisition."

"Research conducted nine months prior to the release of Apple's iTunes Music Store suggested that a low-cost transaction-based music service that offered flexible usage rights, portability, and burning would have a significant impact on the market," said Kleinschmit.

"In an environment of increasing consumer choice and control, it is critical to unpack the mental model -- how consumers make purchase decisions and brand choices and perceive benefits," added Kleinschmit. "Demand-side understanding monitoring demand-side developments is more valuable than ever."

Board said, "Monitoring markets over time does not necessarily forecast outcomes, but it does frame the big issues and help anticipate key market insights."

He added, "One example is how research is helping tech companies and marketers understand the emerging Digital Den -- the use of media hubs and media servers to connect digital content around the home. Our research shows there is some growth in the Digital Den marketplace, albeit slow so far, along the sequential growth path outlined in the mental model framework. Comparing the results of our 2004 survey with the most recent wave has identified areas of opportunity in this developing field."

The authors note that market strategies that are rooted in well-established measurement and analysis methods, "and filtered through sector knowledge/experience, can decode market perceptions and preferences." The resulting market information can help tech firms and marketers "pursue the opportunities with the greatest return on investment (ROI) potential."

Kleinschmit and Board's other recent tech-related articles that have appeared in Ipsos Ideas include "The Hype is Back! Online Music and the Rise of the Empowered Music Consumer," and "Crouching Confusion, Hidden Hassles Spotting and Managing Market Barriers to New-To-Market Technologies."

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