

Technology Research

August 15, 2011

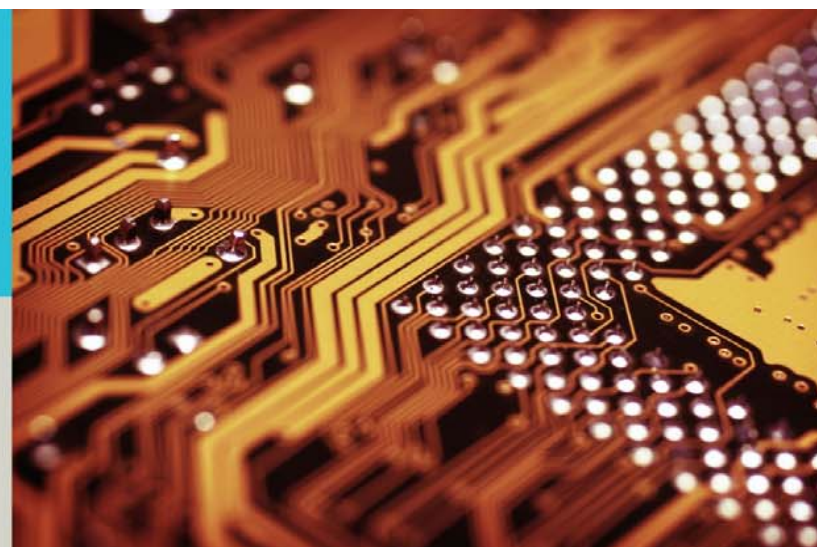
## IT Systems and Networking & Wireless Communications

**July 2011 U.S. Tablet Survey**

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Please refer to Appendix – Important Disclosures and Analyst  
Certification on page 14



# Executive Summary

The logo for BAIRD, consisting of the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background that is tilted to the right.

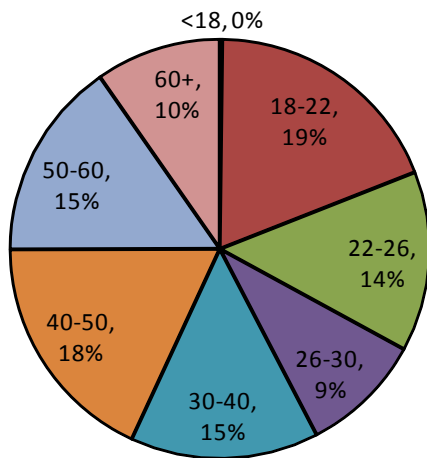
- **Tablet survey of 1,114 consumers, predominately U.S. based.** We note there are a greater proportion of males, central US respondents, and affluent individuals within our respondent pool than official US demographics.
- **Consumer PC refresh cycle.** The average PC refresh cycle based on our sample is slightly less than 3.5 years. Forty-six percent of respondents plan to make their next purchase within the next two years.
- **We estimate the PC cannibalization rate at roughly 17%.** Only 17% of respondents believe they can do without a PC today or in the future. Even of those who have already purchased or plan to purchase a tablet instead of a PC or smartphone, less than 25% say they can do without a PC today. This supports our belief that tablets today are largely incremental devices.
- **No surprise, the iPad dominates.** Approximately 93% of current tablet owners are iPad owners. With multiple responses accepted, 94% of total potential purchasers are looking at the iPad, and interestingly, the HP Touchpad (HPQ-\$32.32-Outperform) came in a distant second (10%). Additionally, Apple (AAPL-\$376.99-Outperform) consumers continue to demonstrate strong loyalty, as 98% of current iPad owners that are considering a second purchase are looking at another iPad.
- **Browser-related activities rank No. 1 for tablet use.** To be expected, Web Browsing/Email/Social Networking take the top spot for tablet use with Photo/Video and eBooks trailing behind in second and third place respectively. We are not surprised that hard content creation (Microsoft Office, Photoshop) finished much lower, as we believe difficulty with heavy content creation is one of the largest inhibitors to more pervasive adoption.



# Profile of Survey Sample

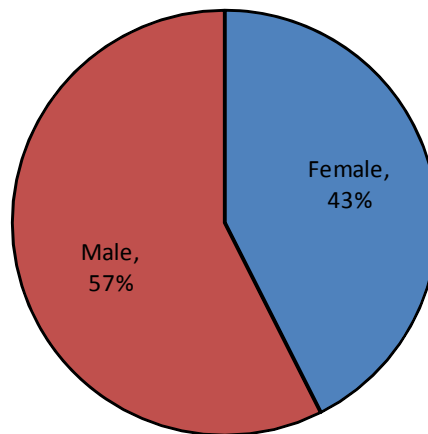
- Sample size: 1,114 survey participants, 98% U.S. based.
- Although we did not ask respondents about socio-economic income, we view our sample as skewed toward a significant higher average income given the percentage of respondents with tablets.
- In addition, our sample reflects a greater proportion of males and the central US than national demographics.

**Age**



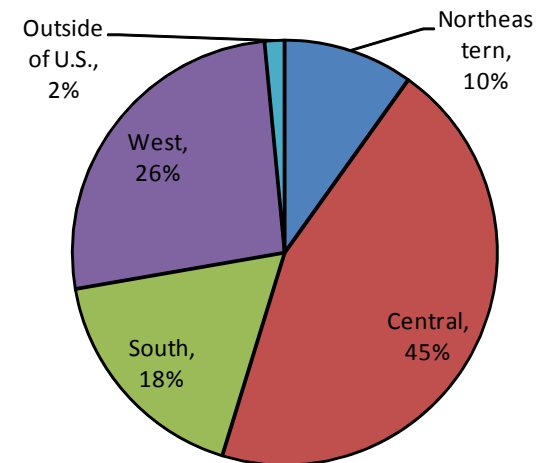
Source: Robert W. Baird & Co.  
Based on 1,114 responses

**Gender**



Source: Robert W. Baird & Co.  
Based on 1,114 responses

**Permanent Residence**

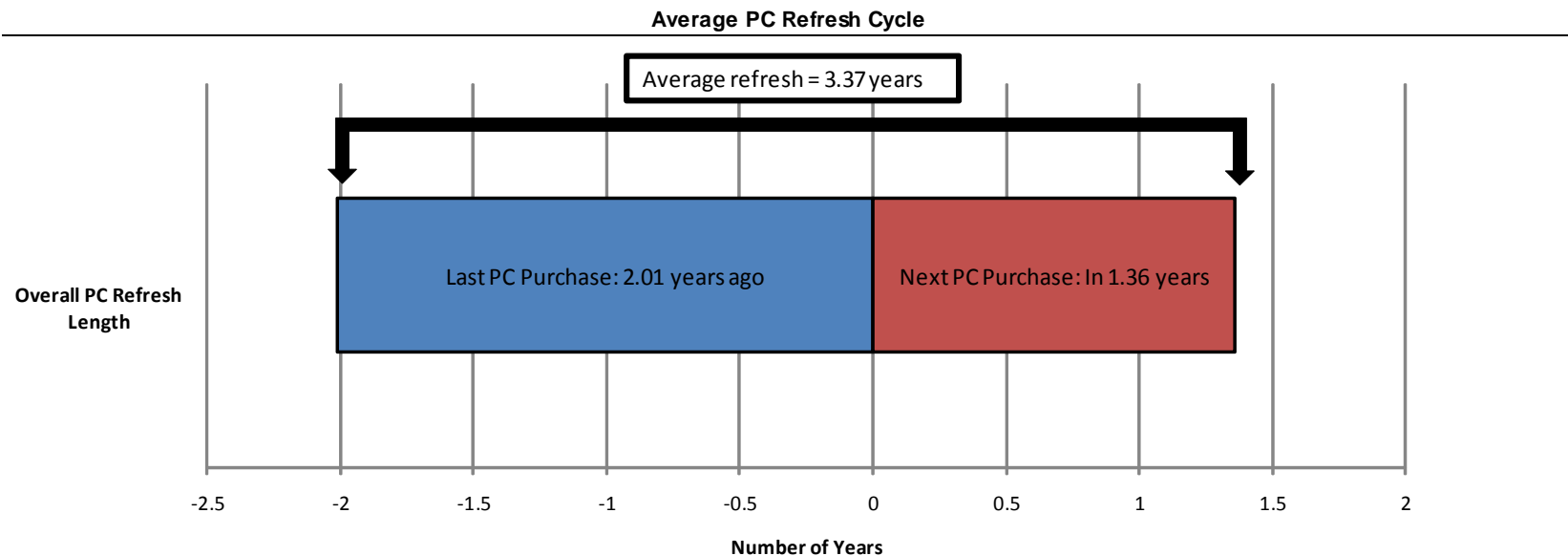


Source: Robert W. Baird & Co.  
Based on 1,114 responses

# Consumer PC Refresh Cycle



- We asked participants when their last PC purchase was. The weighted average response was approximately two years ago.
- On a weighted average basis, respondents anticipate they will buy their next PC in slightly less than 1.5 years.
- Combining these averages indicates a PC refresh cycle of slightly less than 3.5 years for our particular consumer respondent pool. We note this is very in line with our view and PC company commentary of a 3-4 year average consumer PC refresh cycle.



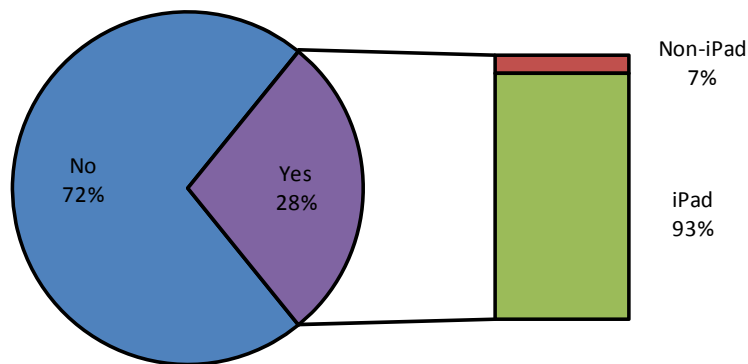
Source: Robert W. Baird & Co.  
Based on 1,114 responses  
Note: The chart above displays weighted averages

# Current and Potential Tablet Owners

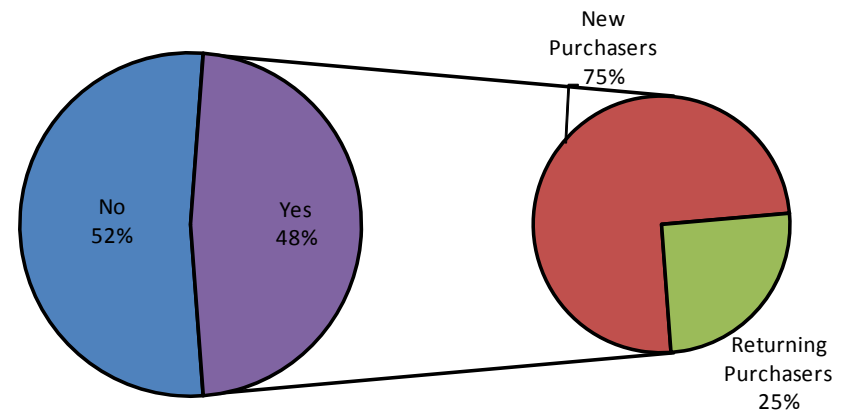


- According to Pew Research, approximately 8% of U.S. adults were tablet owners in May 2011. Within our survey, 28% of participants own a tablet currently.
- Ninety-three percent of tablet owners have an Apple iPad.
- Roughly 50% of total respondents are considering purchasing a tablet; 75% of them would be first-time purchasers.
- Seventy-three percent of current tablet owners and 59% of potential new tablet purchasers are male.
- Of the current iPad owners who are considering purchasing another tablet, all but three participants are considering another version of the iPad.

Tablet Owner?



Possible Tablet Purchaser?



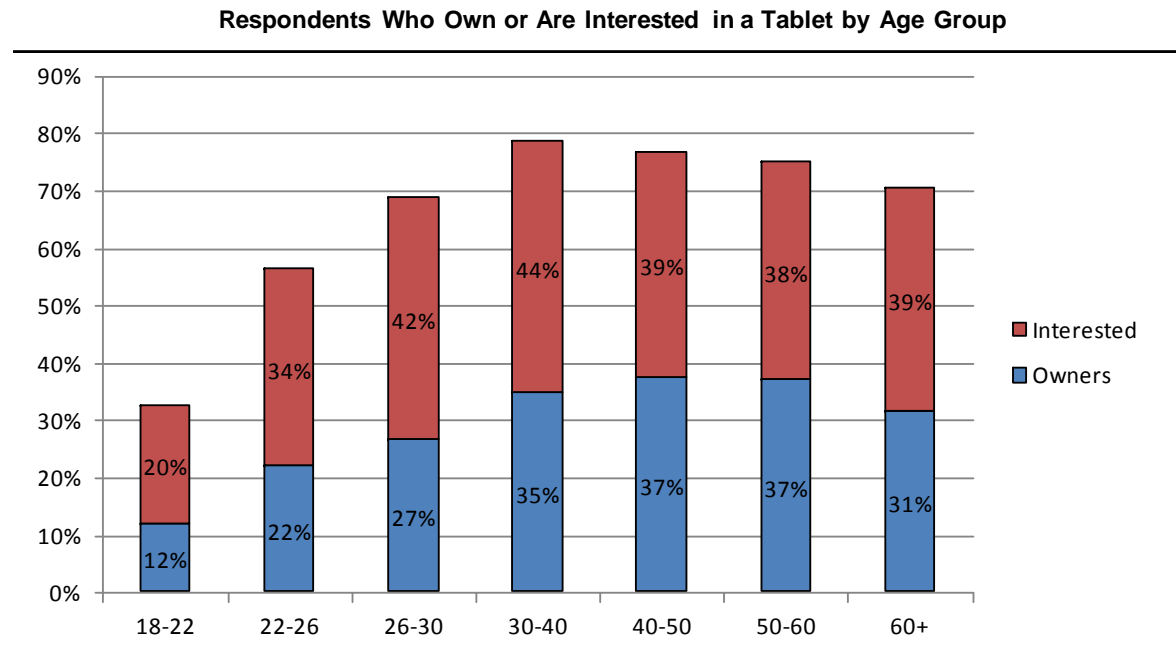
Source: Robert W. Baird & Co.  
Based on 1,114 responses

Source: Robert W. Baird & Co.  
Based on 1,114 responses

# Tablet Consumers by Age Group



- Consumers between the ages of 40-50 and 50-60 led the number of current tablet owners (approximately 37% each), with more than half of them considering the purchase of another tablet. Consumers between the ages of 30-40 are the most interested in purchasing a tablet.
- We note that the most interested age groups are of working age when their discretionary incomes are probably the highest.
- Respondents in the age group 18-22 were the least likely to own/consider purchasing a tablet. We view this as logical as most college students have tight budgets and probably still need a computer for long papers, projects, Excel work etc.

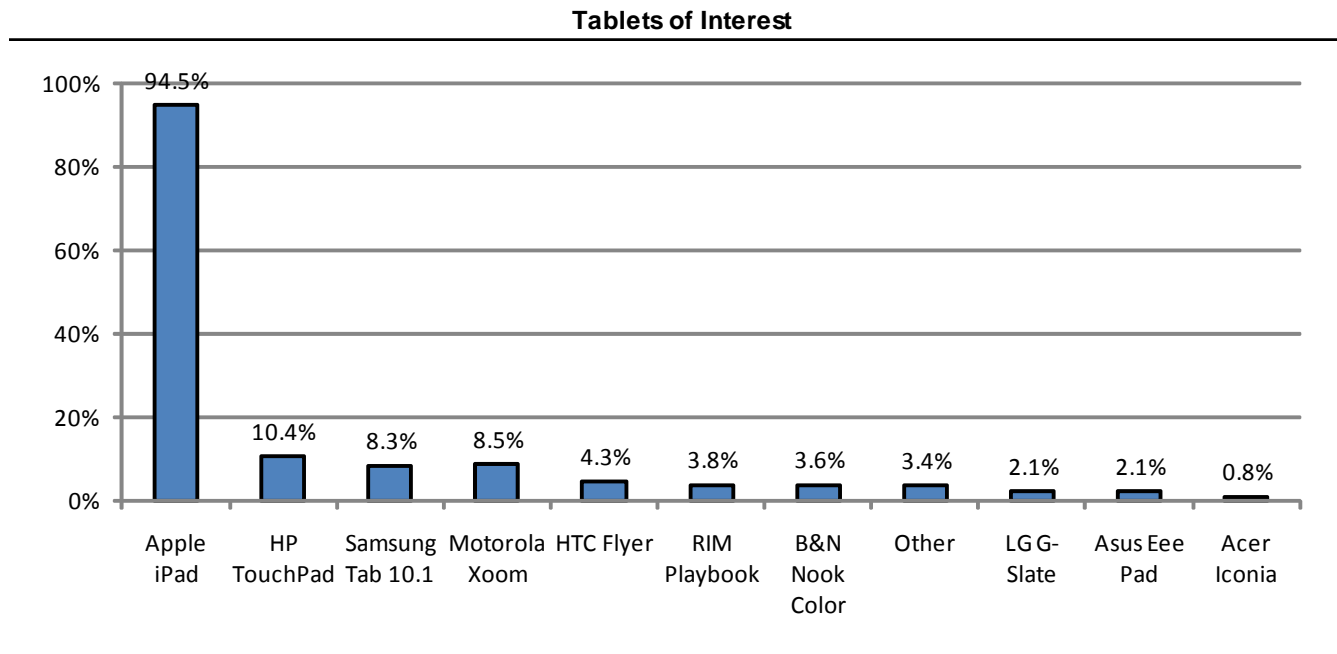


Source: Robert W. Baird & Co.  
Based on 1,112 responses

# Tablet Purchase Choices



- Though not a surprise, Apple remains the top choice among consumers, with 94.5% of potential tablet buyers selecting the iPad as a tablet of interest.
- Lower levels of interest in RIM's PlayBook and Android tablets is consistent recent checks and lower initial sales figures. We continue to believe that improving and differentiating software will be the key expanding the non-Apple segment of the market.
- Perhaps most surprising was that HP's webOS-based TouchPad, released in early July, was the second most selected tablet, albeit by a wide margin. We'd also note that the top four tablets are all 10-inch devices.



Source: Robert W. Baird & Co.

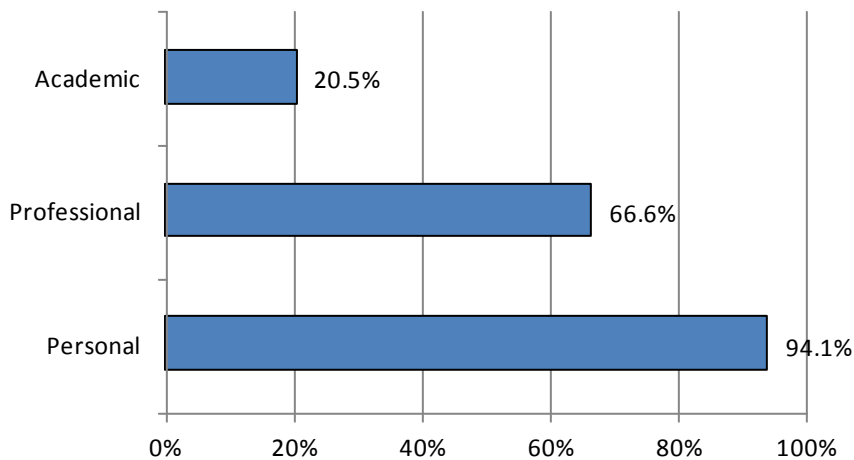
Based on 531 respondents

Note: Multiple answers accepted.

# Tablet Use by Purpose

- We allowed multiple answers to be chosen, but we believe the tablet is mostly a personal device, with 94% of respondents indicating so.
- Approximately 67% of respondents note the tablet can be used for professional purposes. We view this as somewhat worrisome for the PC as we expect this number to grow with the evolution of tablet features. We note however that of the most interested tablet users by age group, 30–60 (who are also of working age), only 41% answered their tablet would be used for professional purposes.
- Only 21% of respondents cited use of a tablet for academic purposes. We note no survey participants were less than 18 years old, but about one-fifth are within typical college ages (18-22). We view the PC as largely still necessary for student work (long papers, projects, Excel work etc).

What type of use would your tablet serve?

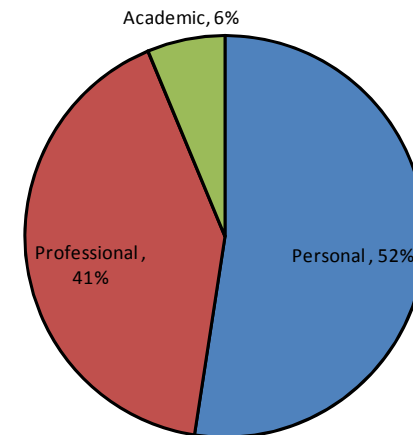


Source: Robert W. Baird & Co.

Based on 1,114 responses

Note: Multiple answers accepted

Use Cases for Tablet: Ages 30-60



Source: Robert W. Baird & Co.

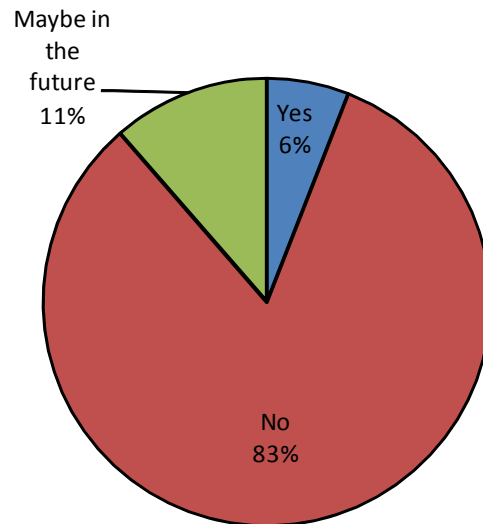
Based on 717 responses

# PC Cannibalization Rate



- Our survey implies a 17% PC cannibalization rate for our sample. Thus, the vast majority (83%) of total respondents do not foresee being able to forego a PC either today or in the future. This response was consistent across age groups.
- Importantly, among current/potential tablet owners who cited purchasing a tablet over an alternative device, 74% still believe they cannot do without a PC.
- Respondents in the 50-60 age group seem slightly less dependent on PCs, with 78% of respondents believing they can do without a computer either today or in the future.

Could you do without a computer today?



Source: Robert W. Baird & Co.  
Based on 1,114 responses

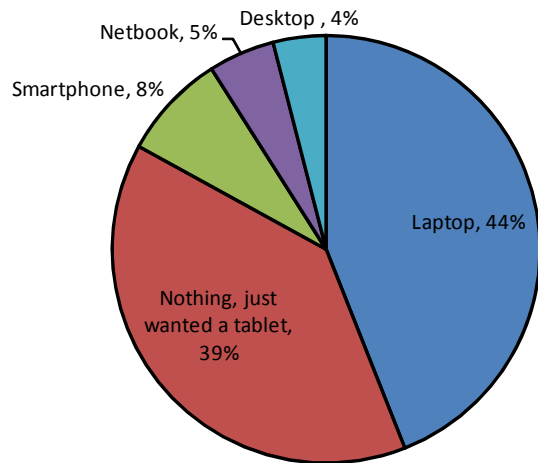
# Wallet Share Data



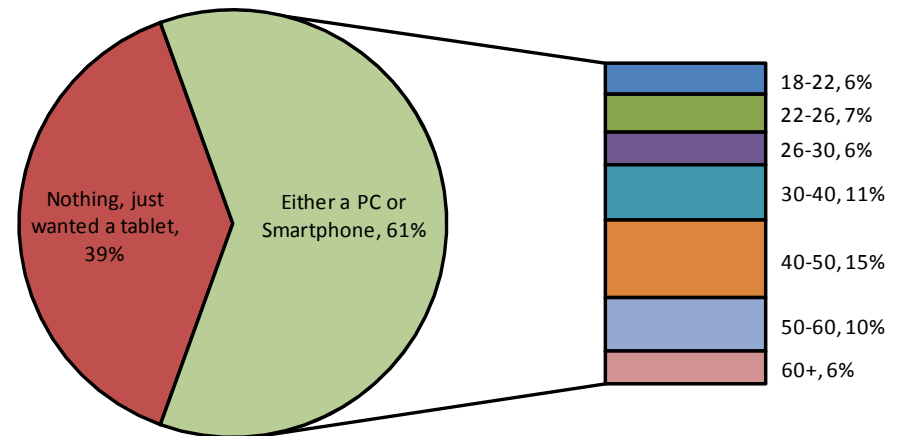
**“If you own a tablet or are considering the purchase of one, what would you have purchased otherwise?”**

- Sixty-one percent of current/potential tablet purchasers believe they would have otherwise bought a PC or smartphone. Among just potential purchasers, the figure increases to 69%.
- We do not view this as indicative of a PC cannibalization rate given roughly two-thirds of this cohort indicated they do not believe they could do without a PC today.
- Thirty-nine percent of current tablet owners simply wanted a tablet and did not choose it over another device.

**What Would You Have Purchased Instead Of a Tablet?**



**What Would You Have Purchased Instead Of a Tablet?**



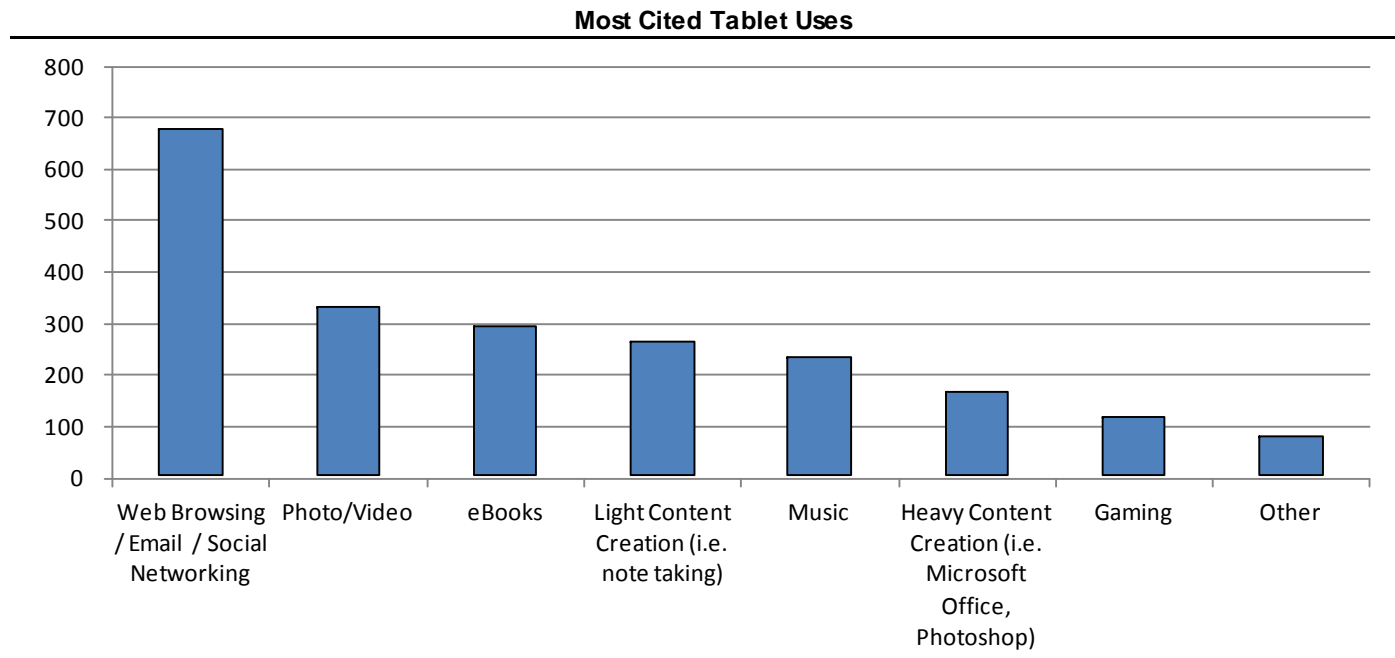
Source: Robert W. Baird & Co.  
Based on 712 responses

Source: Robert W. Baird & Co.  
Based on 712 responses

# Tablet Use by Category



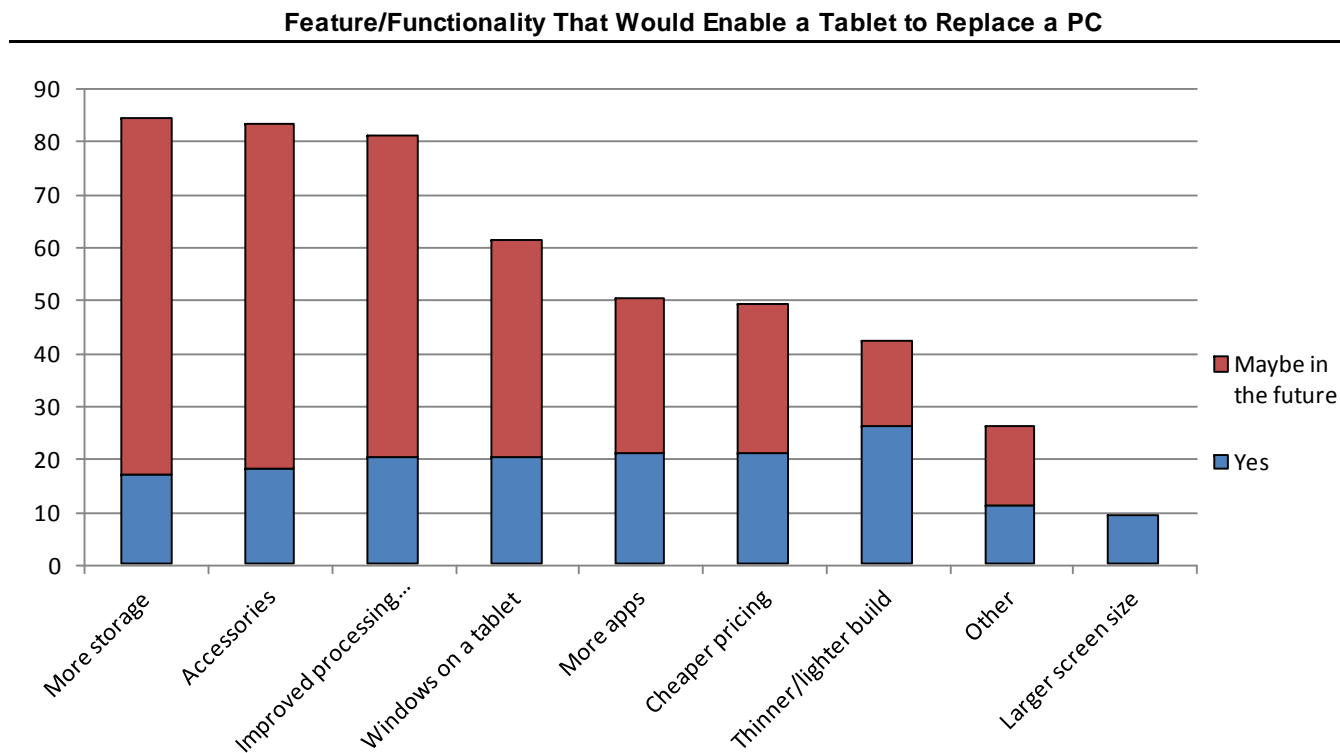
- Unsurprisingly, 67% of tablet users ranked Web Browsing/Email/Social Networking as their number one tablet use.
- Although a higher number of respondents listed eBooks as their number one tablet use, a larger percent of respondents listing Photo/Video use as their number two and three uses, pushing Photo/Video into second place.
- We also note that heavy content creation (use of Microsoft Office, Photoshop, etc.) was at the low-end of responses for tablet usage. We believe difficulty with heavy content creation is one of the largest inhibitors to more pervasive adoption.



Source: Robert W. Baird & Co.  
Based on 713 responses

# Tablet Functionality

- Among respondents who believe a tablet can replace a PC today, the top three features that would enable replacement are: a thinner/lighter build, cheaper pricing, and more applications.
- Those who believe tablets could replace PCs in the future cite more storage, accessories, and improved processing as the top three features that would enable the transition away from a PC.

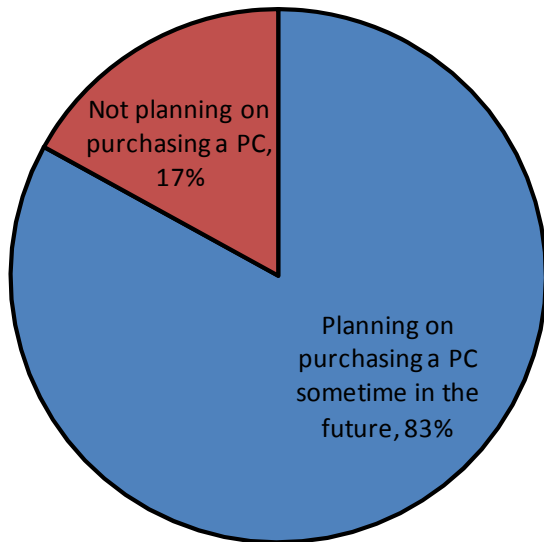


# End of PC Era for Small Number of Consumers



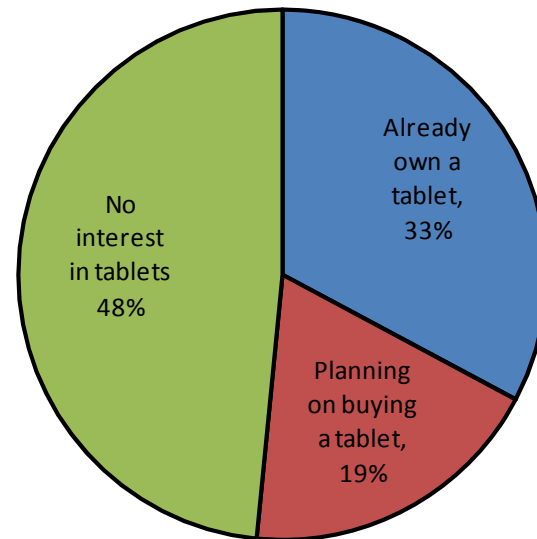
- While the vast majority of survey participants (83%) expect to purchase another PC sometime in the future, 17% of respondents have no current plans to buy a new PC.
- 55% of those with no current plans to buy a new PC made their last PC purchase within the last two years.
- Also of those not interested in PCs, roughly half either own or are planning to buy a tablet.

**Next PC Purchase**



Source: Robert W. Baird & Co.  
Based on 1,114 responses

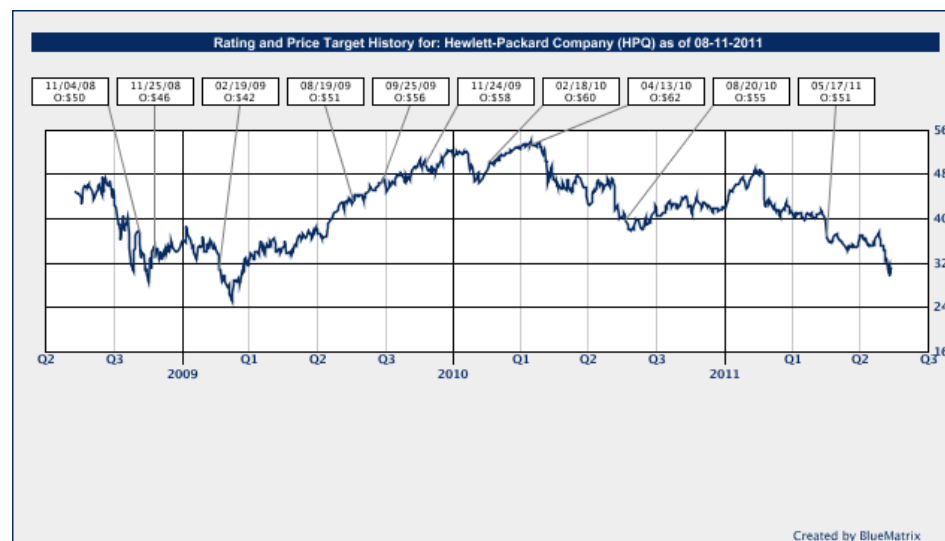
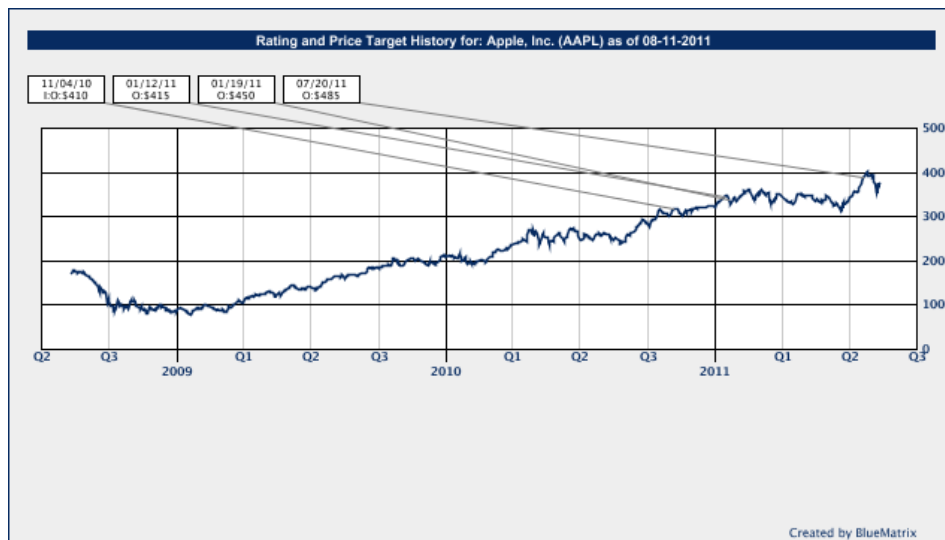
**Not Planning on Purchasing a PC In the Future**



Source: Robert W. Baird & Co.  
Based on 192 responses

# Appendix – Important Disclosures and Analyst Certification

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