DIGITAL TRENDS (BRANDS): INCL IMPACT OF COVID-19

CANADA, MAY 2020

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Contents

OVERVIEW

What you need to know

The digital tech industry is often talked about in terms of overall trends; what devices and services consumers want and why. But within the landscape of product and service trends exists a highly dynamic battle between brands. And some of those companies have gotten so large and diverse that the line between hardware and digital service brands has started to blur; brands like Apple, Google, Amazon and even Nintendo produce both hardware and software/digital services.

As the COVID-19 crisis makes the entire consumer market even more competitive – with economic challenges bringing additional scrutiny to every dollar spent – brands will have to be particularly nimble navigating this new world.

As this Report will show, certain digital brands have already established product ecosystems that give them more stable long-term prospects than others – but at the same time, price could surpass brand as a factor for consumers as budgets tighten. As a result, the stakes of brand competition in this industry are higher than ever because they are battling for an increasingly scarce resource – disposable income – yet the sale of just one device could ultimately result in years of brand loyalty from a consumer across many different products.

Key issues covered in this Report

- The impact of COVID-19 on consumer behaviour and digital trends and brands
- How digital brands will fare post-COVID-19
- Focus on the realities of the market aside from the pandemic to provide a clear understanding of the dynamics of today's digital brands without the uncertainty brought on by such an unprecedented event
- A more granular insight into the strategies used in the digital tech market, as well as highlighting valuable lessons that can be learned from some of the most successful brands in the world.

This Report was written on April 6, 2020 and updated on May 20, 2020 with the COVID-19 implications.

Definition

This Report covers digital tech brands and uses the following definitions of these terms:

- Digital tech: a broad term used to refer to consumer electronics and digital services, including but not limited to hardware, software, digital streaming and ecommerce
- Ecosystem: a set-up in which a consumer owns multiple products or services from the same brand or company – and those products and services work more efficiently and effectively with each other than they would with a similar product or service from another brand.

EXECUTIVE SUMMARY

> DIGITAL BRANDS ARE SUDDENLY AT THE FOREFRONT AS THE WORLD GRAPPLES WITH COVID-19. APPLE AND GOOGLE HAVE PARTNERED TO CREATE CONTACT TRACING APP SOFTWARE, AMAZON IS EXPERIENCING SHIPPING DELAYS AS A RESULT OF A SURGE IN DEMAND FOR ONLINE SHOPPING, WHILE NINTENDO IS SELLING OUT OF CONSOLES AND NETFLIX IS KEEPING THE WORLD ENTERTAINED WITH TIGER KING. DIGITAL TECH AND GLOBAL PANDEMICS ARE OSTENSIBLY UNRELATED – BUT THE WAY CONSUMERS ARE DEALING WITH THE CRISIS HAS MADE THESE BRANDS AS IMPORTANT AS EVER.
>
> AT THE SAME TIME, THOUGH, THERE ARE EXISTING BEHAVIOURS AND LOYALTIES THESE BRANDS HAVE ESTABLISHED THROUGH YEARS AND EVEN DECADES OF STRATEGY. THERE IS A REASON PEOPLE IMMEDIATELY LOOK TO APPLE, GOOGLE AND AMAZON FOR HELP DURING THIS CRISIS. BUT WHILE THEIR CURRENT POSITIONS HAVE BEEN YEARS IN THE MAKING, WE COULD BE IN THE MIDST OF A TURNING POINT FOR THESE BRANDS DEPENDING ON HOW THEY NAVIGATE THE COVID-19 CRISIS AND ITS FALLOUT.

Scott Stewart, Senior Tech & Media Analyst

Digital tech brands can be a part of the solution to COVID-19

Just like the rest of the consumer market, digital tech is facing and will continue to face challenges as a result of COVID-19.

Not only will an economic downturn likely lead to lower sales for many products, but the worldwide shutdowns to curb the spread of the virus have already caused major disruptions to supply chains.

And with respect to leading brands in particular, a recession could make consumers more price-conscious and less focused on the name brand of the device or service they use – meaning years of effective branding strategy could lose ground to value brands.

However, digital technology is also in a position to help consumers through this crisis and beyond. Already, 17% of consumers are saying that they have put a higher priority on technology and communications during the crisis.

Furthermore, 14% have signed up to a video streaming service, 10% have made a video game purchase and 7% have purchased a computer, tablet or TV.

It is not just the immediate short term, either. Lockdowns have forced consumers into using video calls to socialize, online grocery services for food delivery and third-party apps like Uber Eats to access restaurants.

And as germs and hygiene become more salient concerns – even after the end of this pandemic – touchless payment options and hands-free digital assistants are ready-made solutions for these emerging problems.

The important steps for brands in digital tech categories will be to react tactfully and strategically to this new normal. Certain kinds of digital tech may be more valuable today than they were a year ago – but these brands still live within the economic realities of this crisis.

For that reason, brands should realize that their digital technology can help people through this crisis and into the future – but they will need to position themselves as a necessary tool that improves the lives of consumers, rather than a superfluous nice-to-have gadget that is seen as an unneeded expense.

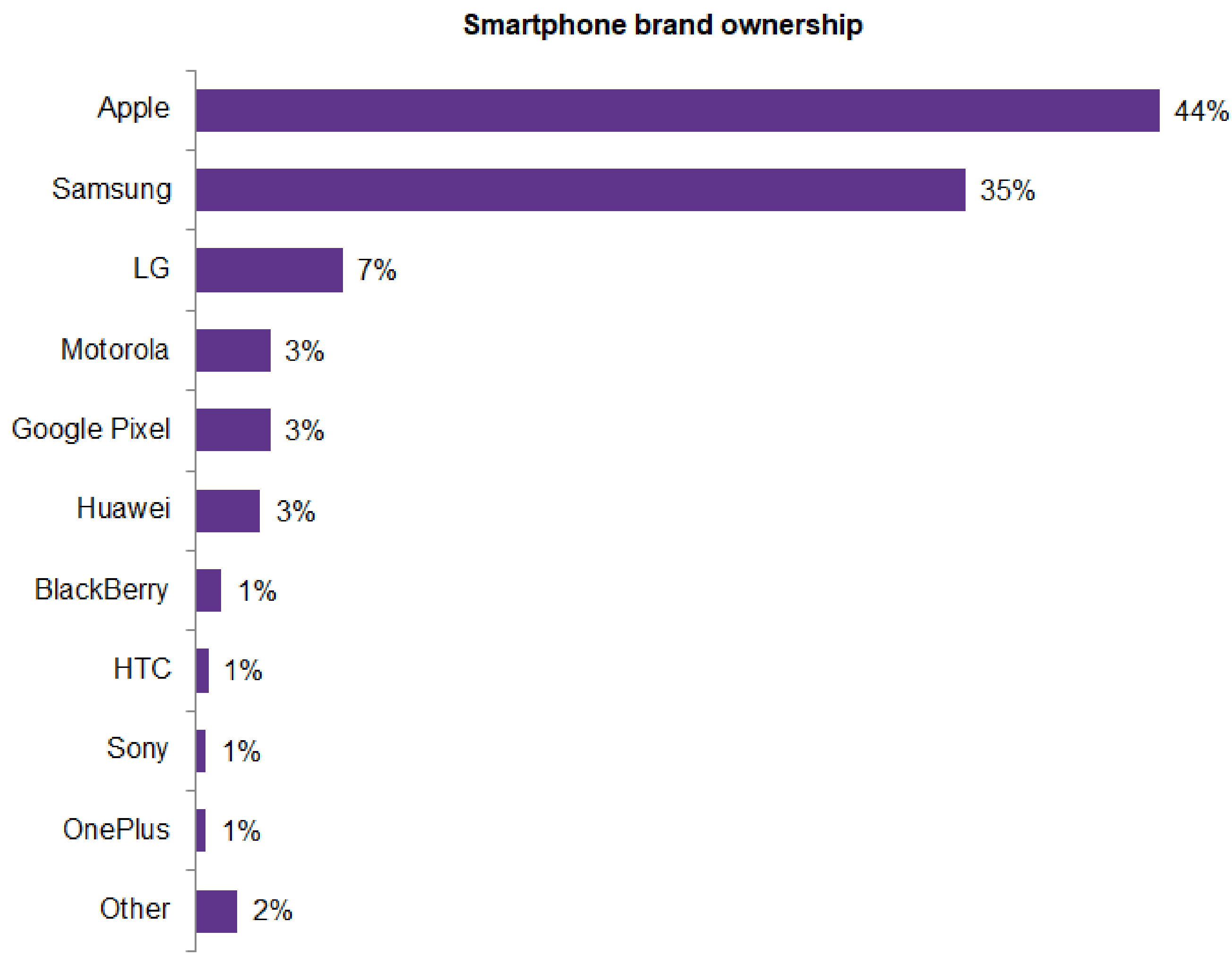
Apple and Samsung are the most owned mobile device brands

There are many different brands that produce smartphones and tablets, but Apple and Samsung are far and away the most successful.

In the smartphone market, four out of every five smartphone owners have either a Samsung or Apple device – leaving the other brands to battle each other for the remaining fifth of consumers.

FIGURE 1: SMARTPHONE BRAND OWNERSHIP, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

The tablet market is very similar. Half (49%) of tablet owners have an Apple iPad, while 29% own Samsung – meaning that these two brands control four fifths of the tablet category as well.

And since many consumers want to own multiple tech devices from the same brand – to optimize their interconnectivity – the success of Samsung and Apple in mobile devices should help drive more success in other categories they expand into.

Amazon and Uber have leveraged tech into becoming dominant brands

Amazon and Uber are two brands that provide very different products and services, but they are similar in the way they have utilized digital technology to establish strong positions in their respective markets.

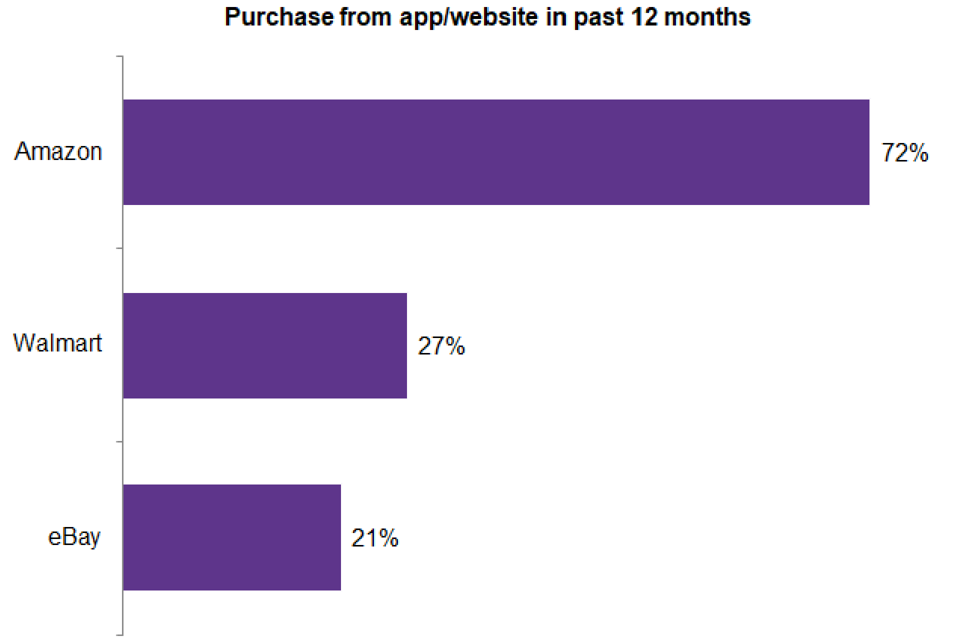
Amazon's general merchandise online retail store is used by the majority of consumers; three quarters of Canadians have purchased from its website/app in the past year.That is nearly three times as many consumers as Walmart has using its ecommerce site/app. The way it has been able to integrate its online shopping experience with its shipping logistics has turned it into one of the biggest retailers in the world.

Though used by far fewer people, Uber is another example of a company that is not a tech brand on its surface, but has utilized digital tech and algorithms – along with a first-mover advantage – to dominate its market. Overall, there are three times as many consumers who have used Uber (16%) than have used its chief rideshare competitor, Lyft (5%).

These two examples illustrate how it is not just manufacturers like Apple, Microsoft and Google that play a role as digital brands. Many successful brands today are ones that built themselves on the efficiency of technology, even if their products or services are not specifically tech-related.

FIGURE 2: ONLINE RETAILER PURCHASES, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

Consumers have unique perceptions of leading digital brands

Four of the leading digital brands in Canada – Apple, Google, Microsoft and Amazon – are all perceived by consumers to have unique positions in the market.

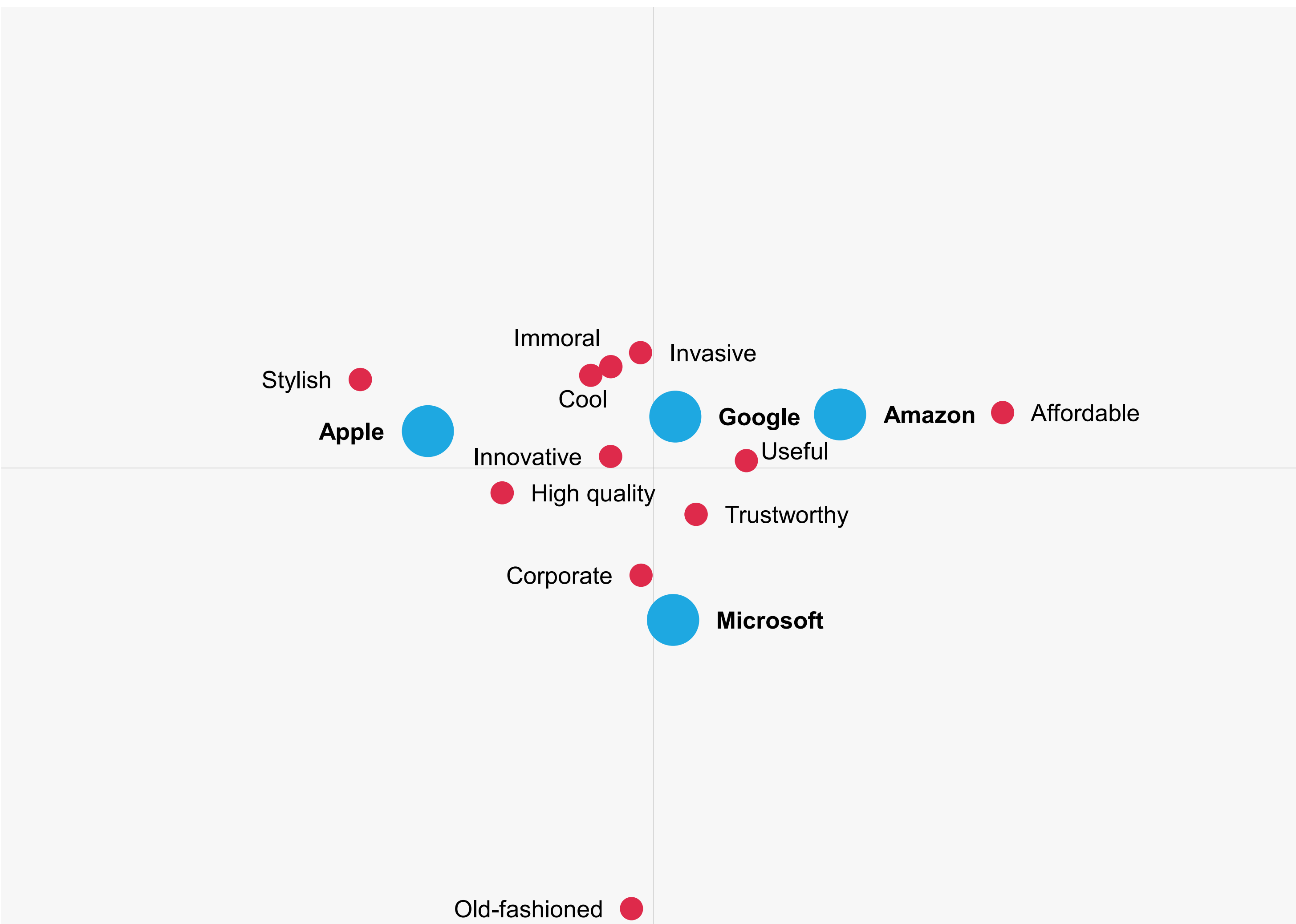
Apple is generally thought of as stylish, innovative and high quality while Microsoft has corporate and old-fashioned perceptions – but is also considered trustworthy. Amazon's position is more utilitarian, considered affordable and useful, whereas Google's position is somewhere in between the other three.

This suggests that it is generally difficult for a brand to change its consumer perceptions – which is illustrated by Microsoft's "old-fashioned" image despite constant innovation at a similar rate to its competitors.

Therefore, these brands should generally try to win from their position in the marketplace rather than trying to be something they are not.

FIGURE 3: CORRESPONDENCE ANALYSIS – SYMMETRICAL MAP – BRAND CHARACTERISTICS, FEBRUARY 2020

"Which of the following characteristics do you associate with each brand? Please select all that apply per brand."



Base: 2,000 internet users aged 18+
Source: Lightspeed/Mintel

Brands strive to create loyalty using product ecosystems

The ultimate goal of tech brands is to create such optimal interconnectivity between devices that consumers will buy exclusively from one brand in order to create an "ecosystem" of products.

Apple is the quintessential tech brand when it comes to loyalty and ecosystem; its proprietary operating system motivates its iPhone users to choose iPad tablets and MacBook computers over the competition.

But it is not just the brands that want this. Consumers also see value in this brand consistency across products. Half prefer to have tech devices from the same brand, while the majority are using the same smartphone brand as their last one and most are convinced their phone brand is the best on the market. A brand that can develop an effective ecosystem can create a mutually beneficial relationship with its consumers.

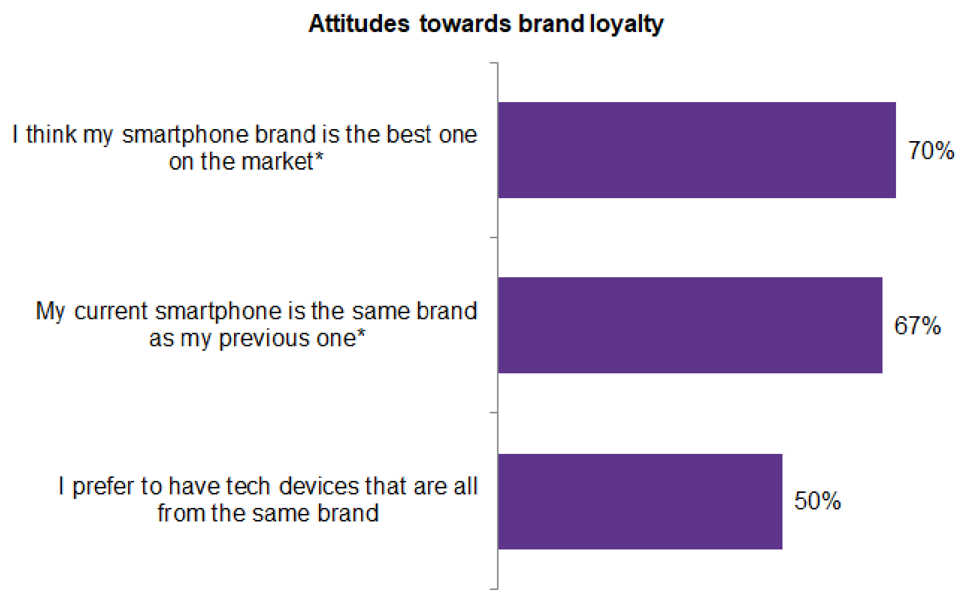
Some brands are still trying to establish the kind of ecosystem that Apple has built over decades. While Apple leveraged the iPod and iPhone to attract new consumers to its brand, Google and Amazon are hoping their services can have the same effect.

Google's Gmail is widely used and correlates to Android smartphone ownership, while Amazon Prime members are more likely to own Amazon smart speakers. These brands hope that these free/affordable platforms can be the catalyst to get consumers increasingly loyal to their other tech.

Looking ahead, brands will continue to make it their goal to create these ecosystems and loyalty. Some will be more successful than others, but it should be assumed that any new innovations from these brands will be launched with the goal of broadening the reach and impact of their ecosystems.

FIGURE 4: ATTITUDES TOWARDS BRAND LOYALTY, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 2,000 internet users aged 18+/*1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Mid-sized telecom brands differ greatly in consumer demographics

Within Canada's mobile network provider industry, there are three leading brands that stand apart from the rest: Rogers, Bell and Telus. However, their usage rates are similar overall and there is minimal difference between their consumer bases in terms of demographics.

Among the slightly smaller telecom brands (most of which are sub-brands of the above leading companies), there is considerably more divergence among each brand's consumers.

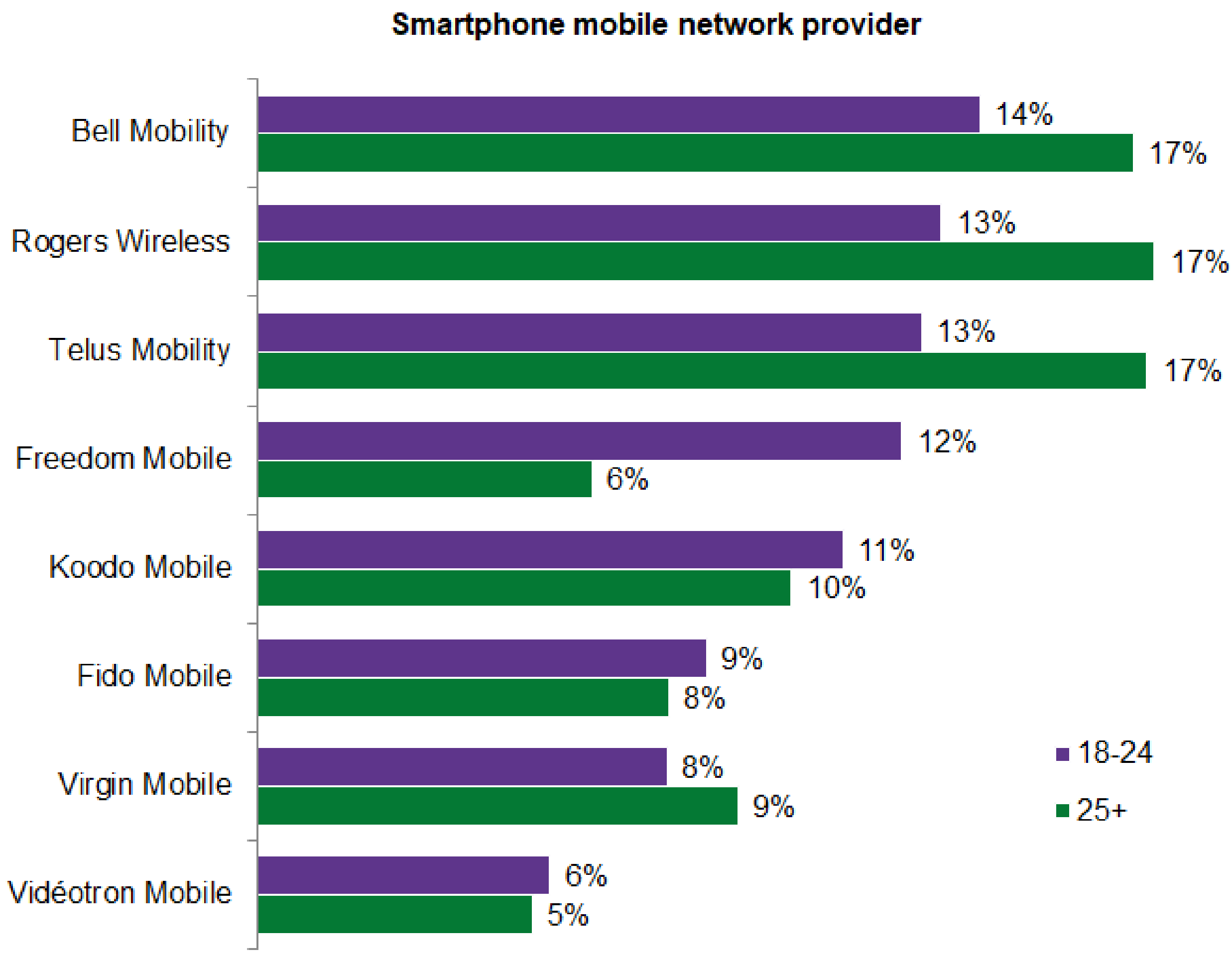
For instance, Vidéotron is the leading provider in Quebec, but its lack of presence anywhere else in the country means its national usage rate is relatively low.

Looking at age groups, Freedom Mobile is used by 12% of 18-24s compared to just 6% of over-25s. Meanwhile, Fido is used by 16% of non-White/Caucasian consumers but only 6% of White/Caucasian consumers.

These sub-brands give the parent companies more flexibility to target very specific consumer bases. While Rogers, Bell and Telus have to take the approach of being everything to everyone, the smaller brands can tailor their messages more acutely. It is therefore no surprise that there are so many differences among this second tier of providers – but it highlights that overall usage rates do not tell the whole story in the telecom sector.

FIGURE 5: MOBILE NETWORK PROVIDER FOR SMARTPHONE, 18-24S VS OVER-25S, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

What it means

Competition between brands in the consumer tech industry is intense because there is so much at stake. Many consumers want to have the same brand across their devices – meaning that winning their loyalty can be incredibly valuable.And it is not just the brands selling tech that play a role in the digital market – brands like Amazon and Uber leverage new technologies to offer traditional services like retail and transportation in an efficient, optimized way. Increasingly, we are seeing tech brands expanding into products and services that they have little or no experience in.

Whether it is Amazon making tablets or Apple making speakers, the race to be the go-to brand for consumers has forced these companies into new categories. This trend is unlikely to change in the years ahead as the competition continues to increase.Brands in this market need to balance the importance of remaining true to their brand identity with the necessity of expansion into new areas. This is a challenging task for these companies that need to ensure not to spread themselves too thin – but it seems to be the new reality of the consumer tech market since any brand that limits itself to a few specialized categories is becoming less and less likely to dominate in any of them as consumers increasingly value digital interconnectivity.

The Impact of COVID-19 on Digital Tech Brands

Summary

The breadth of different products and services in the digital technology industry means that it never moves in just one direction – making it difficult to simplify exactly how something like COVID-19 impacts it.

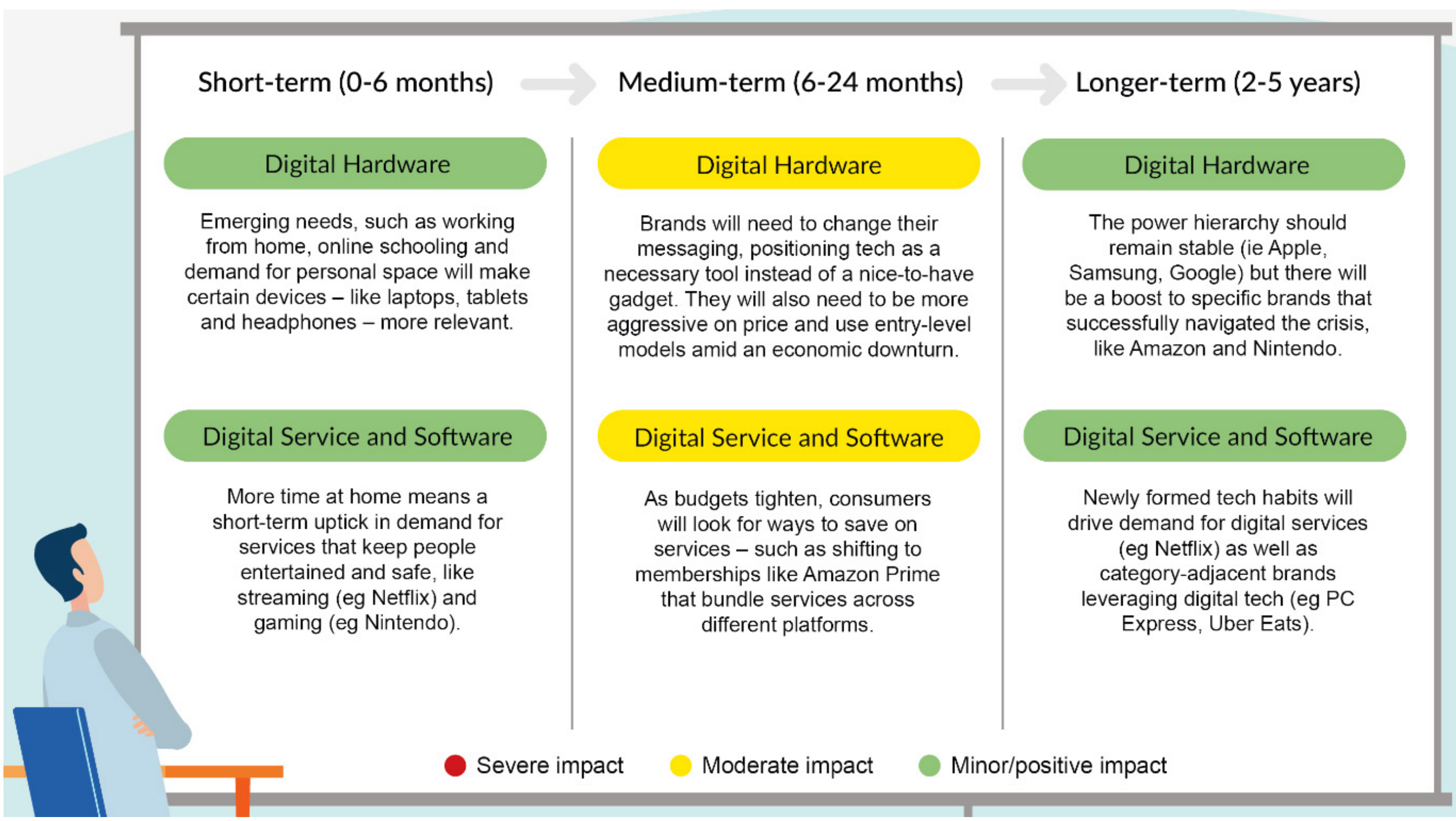
For instance, the inevitable economic downturn will increase unemployment, reduce disposable income and tighten spending throughout the market.

Yet, as is shown below, many consumers are actually prioritizing tech and communications; some have even bought tablets, computers, TVs or signed up to streaming channels in response to COVID-19.

What is true for all of digital tech, however, is that brands will need to react to COVID-19. Just because a certain category like video streaming services is suddenly more relevant because consumers are staying home does not mean that brands like Netflix or Disney+ can get complacent.

As the world gradually settles into its new normal over the coming months and years, digital technology is one of the few categories that is positioned to solve many emerging problems that consumers will find themselves with – the challenge will be for individual brands to find the opportunities and effectively communicate with consumers during this challenging time.

FIGURE 6: SHORT, MEDIUM AND LONGER-TERM IMPACT OF COVID-19 ON DIGITAL BRANDS, MAY 2020



Source: Mintel

Opportunities and Threats

Stay-at-home measures are forcing trial of digital platforms and services

As consumers spent more time at home during the COVID-19 crisis, many of them started using digital services that they may not have otherwise used. As will be discussed later in this Report (see Usage of Competing Online Platforms section), prior to the COVID-19 crisis only 6% of consumers were using PC Express online grocery ordering while just 2% used Instacart and 2% used Grocery Gateway.

But according to Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020* findings, 22% of consumers are buying more groceries online than they were before (likely driven by the 70% who say they are visiting grocery stores less often). The opportunity for these companies is to show new consumers how valuable their services can be and then establish habits and familiarity around online grocery shopping that continue after the pandemic has ended.

Similarly, this Report found that only 13% of consumers were using Uber Eats prior to the crisis. But Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020* found that 15% of consumers are using food delivery services (like Uber Eats) more often as a result of the pandemic.

And Mintel's *Global COVID-19 Tracker – Canada, May 11-15, 2020* research also showed that 24% of consumers are using curbside pick-up/click-and-collect more as a result of COVID-19, providing further evidence that they are leveraging technology and ecommerce in reaction to the pandemic. Like the online grocery industry, this is an opportunity for these digital services to create habits with consumers who have suddenly found themselves in need of these platforms.

Furthermore, as per Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020,* 14% of consumers signed up for a digital streaming service as a result of the crisis. With so much extra time at home, there is increased demand for content to help pass the time – meaning platforms like Netflix, Prime Video and Disney+ are in a strong market position.

Mintel's Global Trend Drivers track seven fundamental catalysts of consumer choice and change. These drivers and underlying pillars can help explain the key behavioral changes likely to impact consumers in the years ahead. Mintel's Trend Driver *Technology* is particularly relevant here, as its *Digital Entertainment* pillar found that nearly half of consumers (45%) said most of their leisure activities involved digital tech prior to the crisis – and that proportion is likely even higher now.

In fact, Amazon is in a uniquely advantageous position amidst this crisis. As this Report shows, seven in 10 consumers were already shopping on Amazon. But given the company's breadth, it has the capability to respond to the increased need for delivery of grocery and general merchandise as well as a streaming platform to keep consumers entertained. And it could ultimately leverage those businesses into success for its hardware like the Fire tablet and Echo smart speaker if it can create more loyal, Prime-subscribing Amazon users.

Taking a step back, Mintel's *Global COVID-19 Tracker – Canada, May 11-15, 2020* found that 17% of consumers were actually putting a higher priority on technology and communications spending as a result of COVID-19. However, that is a slight dip from the 22% who reported higher spending priority for those categories from April 24-30 – suggesting some of the immediate momentum in reaction to the crisis could be slowing down for the industry.

Nevertheless, that nearly one fifth of consumers are actually prioritizing tech spending amid this pandemic and economic downturn speaks to how important a role the digital world plays right now. Digital platforms are in a position to entertain consumers and help them get the products they need in a safe way during this crisis.

Many of their capabilities are uniquely relevant at a time when social distancing is the new reality – and Mintel's data shows that many consumers are realizing that and shifting their priorities as a result. Ultimately, this means these companies have a chance to show their value to many new consumers and create loyal customers for the future.

Price could eclipse brand as a decision factor during a recession

According to Mintel's *Smartphones – Canada, May 2019* Report, 56% of smartphone owners chose their device because of the brand – which is slightly more than the 51% who said price was a deciding factor.

And the findings from this Report show that smartphone and tablet ownership skews heavily to the leading brands, Apple and Samsung – the same is also true for smart speakers, where 64% of owners have a Google device. These top-heavy categories highlight how important a role brand plays in digital hardware.

But a threat to these leading brands is that price could become more of a factor as Canada heads for an economic recession as a result of the COVID-19 crisis. Of course, sales of these tech products in general could decline – but even among those consumers who do make a purchase, their desire for a name brand like Apple or Samsung may not be enough to justify the price premium.

To protect against this threat, these leading brands will need to consider aggressive pricing to align with the new economic realities. For example, Apple's $599 iPhone SE is priced nearly $400 lower than the iPhone 11 – and while it was not created in reaction to COVID-19, it illustrates the type of steps these brands may need to take to maintain their dominance.

For brands not willing to use pricing as a tactic, they will need to reiterate the value of investing in them. Mintel's Trend Driver *Value* is built upon pillars which show that value is not just about the price tag, but on the quality and utility of something that will justify the purchase. The *Convenience* pillar finds that 73% of Canadians say they are always on the lookout for something that makes their lives easier, while the *Quality* pillar finds that 60% think it is worth paying more for high quality products.

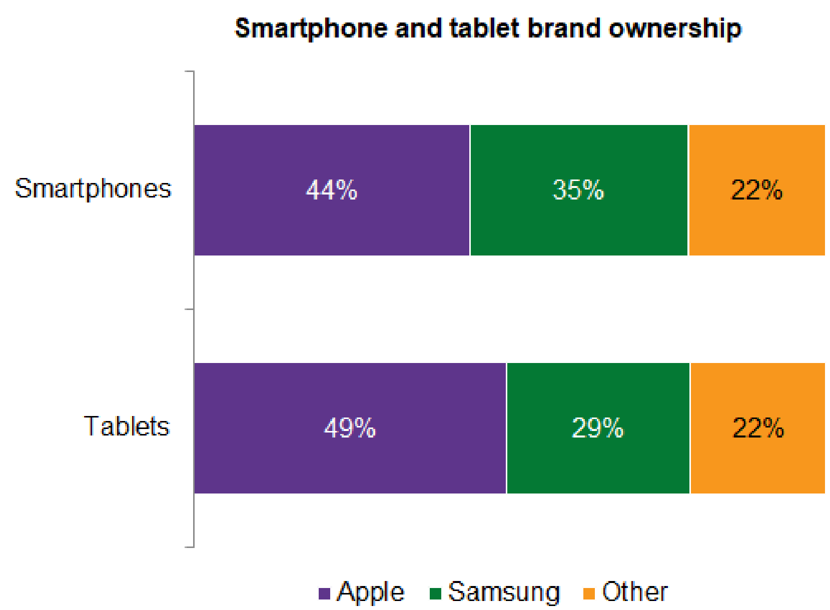
While pricing will always be a major part of the value equation for consumers, this shows that brands that do not want to battle on price can do so by illustrating their intrinsic value built into the quality and convenience of their products and services that ultimately pay off in the long run.

For instance, using the tablet category as an example, Apple's iPad costs a consumer more than twice as much as an Amazon Fire HD 10 tablet. Rather than attempting to match Amazon's low price, Apple's messaging should instead focus on how the investment of a couple of hundred more dollars will give the consumer higher quality hardware that will make the device last longer than its budget-friendly competitor – along with access to a suite of exclusive apps that will allow the consumer to use the device for more tasks.

For brands not wanting to use price as a tactic, they need to be abundantly clear with consumers about what their products and services offer that their competitors do not. Otherwise, these brands could start seeing more budget-friendly options threaten some of their sales.

FIGURE 7: SMARTPHONE AND TABLET BRAND OWNERSHIP, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own (ie not a business phone). If you own two phones personally, select the one that you use most."
"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone/1,186 internet users aged 18+ who own a tablet
Source: Lightspeed/Mintel

Impact on the market

Specific parts of the digital tech industry are seeing gains while others lose

As is discussed later in this section, the economic downturn resulting from COVID-19 lockdowns will have a massive effect on the entire consumer industry – including digital hardware and services. But there is evidence that certain brands and categories are actually succeeding in the first few months of the crisis and could leverage that positive performance into longer term success.

For instance, Nintendo doubled its sales of Switch consoles in March 2020 compared to the same month a year earlier (according to *Digital Trends*) and *Nasdaq* reported that the gaming company's Q1 2020 more than tripled its profits from the previous quarter. That performance was driven by sales of Nintendo Switch consoles as well as a highly successful launch of the game *Animal Crossing*. And with Microsoft and Sony launching their newest Xbox and PlayStation consoles later this year, there is good potential for the gaming industry to see further growth as a result of this crisis.

Meanwhile, *CNBC* reports that Amazon is expecting year-over-year Q2 growth of between 18% and 28%. And in the US, Walmart's year-over-year Q1 ecommerce sales jumped by 74% (according to *Business Wire*). Finally, Netflix announced nearly 16 million new subscribers in Q1 2020 and predicted another 7.5 million subscribers in Q2.

These gains are not consistent across the entire digital market, though. *Engadget* reports that Q1 2020 saw the largest year-over-year drop in worldwide smartphone sales on record. Furthermore, Deloitte is forecasting a 10% decline in global smartphone sales in 2020. And category-adjacent brands like Uber and Airbnb are in difficult positions as well.

While Uber Eats has been particularly useful for consumers amid lockdowns, the decline in rideshare demand resulted in Uber laying off a quarter of its workforce since the beginning of 2020. Similarly, with the travel industry struggling, Airbnb had to lay off about a quarter of its staff too.

These differences show that the breadth of the digital tech industry means that some brands and categories will thrive while others will need to make major strategic changes to stay in business. Therefore, while individual brands will need to strategize in order to perform optimally amid the COVID-19 crisis, it is clear that some have found themselves in significantly better positions than others.

Digital tech will face supply issues

The supply chain will be a concern for digital stakeholders across the industry. For instance, *CNBC* reported that Apple's iPhone launch is expected to be delayed this year – in part because of supply chain disruptions in Asian markets where iPhones are made.

Sony released a statement warning that its supply chain was affected too; its production in China had been shut down for a significant amount of time, which disrupted its supply of electronics. Furthermore, Sony's PlayStation gaming platform announced the delay of one of its premiere titles, *The Last of Us Part II*, from a February release to June instead.

It is not just physical tech, either. Many media industries have stopped production too; Netflix announced it would stop all production in response to the COVID-19 outbreak – which will likely result in less supply of content once its current pipeline empties.

For media stakeholders, there are a few different avenues they can use to help solve this challenge. One tactic is to revive classic shows and movies to leverage their older libraries. *Nostalgia*, one of the pillars of Mintel's Trend Driver *Experiences*, is a key motivator for consumer behaviours; 69% of Canadians say that they enjoy things that remind them of their past.

Another potential short term tactic is to move up releases that were planned for the future – such as Disney releasing *Hamilton* on Disney+ in July 2020 rather than in theatres in October 2021, as originally planned.

Netflix and ESPN actually used both of these tactics with recent success. *The Last Dance* – a 10-part documentary on Michael Jordan and the 1990s Chicago Bulls – was originally planned to premiere in June, but was moved up in response to COVID-19. This mix of nostalgia and a reactive reschedule resulted in the most-watched documentary in ESPN history, according to *CNN*.

Alternatively, companies could look elsewhere for existing content. For instance, prior to the COVID-19 crisis Netflix added two seasons of UK science fiction show *Black Mirror* to its library, then ultimately purchased the rights and produced three more seasons; an example of how platforms and studios can use international markets as a resource.

More recently, in May 2020, Apple paid Sony Studios approximately $70 million for the rights to premiere Tom Hanks' latest movie, *Greyhound*, on its Apple TV+ platform; the film was originally scheduled for theatrical release in June 2020. These kinds of creative solutions will become more necessary as companies look for ways to keep viewers engaged with their platforms.

A decline in demand for hardware or services as a result of an economic recession may render this concern moot; a production issue is not meaningful unless there is more demand than supply. But since the broader digital industry is so nuanced – and some products and services may actually see increased demand – it is reasonable to expect that at least some categories will experience issues associated with supply.

It may be immediate for some and later for others – depending on the size of their current pipeline and stock – but it should play a role for most of the digital tech industry in the months ahead and could ultimately lead to lost opportunities for brands that have created demand, but are unable to fulfill orders due to lack of supply.

Shifts in consumer behaviour

New hygiene concerns could affect long-term demand for touchless tech

According to Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020,* 84% of consumers have washed their hands more often as a result of the pandemic – and 38% have worn a face mask in public as of May 11-15, 2020. While these behaviours will likely decline when we eventually get past the crisis, there has been an increased focus on everyday hygiene.

Suddenly, consumers are aware of the potential for germs to be passed at a crowded restaurant or via cash handed over at a grocery checkout. By the end of March, Metrolinx – a leading transit agency in the Greater Toronto Area – went entirely cashless as a way of improving hygiene and protecting against the spread of COVID-19.

For the digital tech industry, this should put a greater focus on the innovations that can minimize these contact points and improve personal hygiene. For instance, Apple Pay and Google Pay mobile payments both provide touchless options at stores and would likely benefit from a heightened awareness of hand cleanliness in public.

Similarly, once everyday life returns to normal, rideshare services like Uber and Lyft – which process payments automatically through their apps and require no interaction with the driver – could be seen as a better option than traditional taxis that require cash or credit card payments.

The digital side of the food industry could also see a change in demand. As discussed in this Report (see Usage of Competing Online Platforms section), McDonald's and Starbucks were already successfully rolling out their mobile ordering apps. With more concern about hygiene, these could have increased value to consumers as a way of minimizing the amount of time spent inside a restaurant.

And food delivery services like Uber Eats could benefit from consumers becoming more aware of the potential risks of visiting a restaurant at all – instead using the service to have a driver bring it directly to their doors.

Even the digital hardware industry could see increased value. While smart speakers are designed to stay in the home – meaning they have no impact on one's personal hygiene in public – the increased focus on washing one's hands could make these devices more relevant. Now that consumers are so aware of the importance of clean hands – even around their own house – a smart speaker could be a way to avoid constantly touching a tablet or smartphone that could carry germs and make the user have to wash their hands again.

Ultimately, hygiene will become another consideration factor for consumers when deciding on what products and services to use. As discussed earlier, *Value* is still a key driving factor for consumer behaviour – built on pillars of *Quality*, *Budget*, *Convenience* and *Premium* – meaning brands will still need to prioritize these aspects of their strategies.

But a device or service's ability to help one's hygiene – specifically by minimizing contact with people, places and things that could spread germs – will suddenly become something that consumers think about before making a purchase.

Brands that already have products that can help – such as the aforementioned contactless payment, pre-order apps or hands-free voice control – should focus on messaging to ensure that consumers realize the benefits of their products and services.

And for brands that do not yet offer these hygiene-friendly solutions, their new product/service development should start to take it into consideration in the same way they would other important purchase decision factors.

How the crisis will affect key consumer segments

Older consumers are familiarizing themselves with technology

Younger consumers are typically the main target of the digital tech industry since they are generally more interested in those products than older consumers. For instance, only 74% of over-55s own a smartphone (vs 94% of 18-54s), while just 18% own a smart speaker (vs 33% of 18-54s). There are other examples of this throughout the industry, suffice to say that over-55s are not as quick as younger consumers to adopt new tech.

But the COVID-19 crisis has forced all consumers to re-evaluate how tech can help them in their day-to-day lives. According to Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020*, 31% of over-55s are spending more time on social media as a result of the COVID-19 crisis. Furthermore, 13% of them are playing more video games, 12% are ordering more groceries online, 8% signed up for a digital streaming service and 4% ordered more from food delivery services. While these proportions are lower than 18-54 year olds for the same metrics, they still illustrate that there are significant proportions of older consumers who are using more tech and familiarizing themselves with digital products and services.

Knowing this, tech brands can be supportive of older adults as they familiarize themselves with these innovations. For instance, in response to the demand for video calls during COVID-19 social distancing, Google released its Meet platform for free to all users.

But there was one small feature that was clearly meant to cater to older users; Google included its automatic live captioning capability for free – something particularly useful to those who are deaf or hard of hearing.

More broadly, brands can leverage younger consumers as a way of introducing older family and friends to their tech products – such as referral programs that give perks to current users who help sign up others in their personal networks.

Looking ahead long term, this crash course on these platforms could make these older consumers more consistent users of things like social media, video games and digital streaming – but today brands need to be strategic about how to win these older consumers by standing out from the rest.

Future demand will be different for the employed vs unemployed

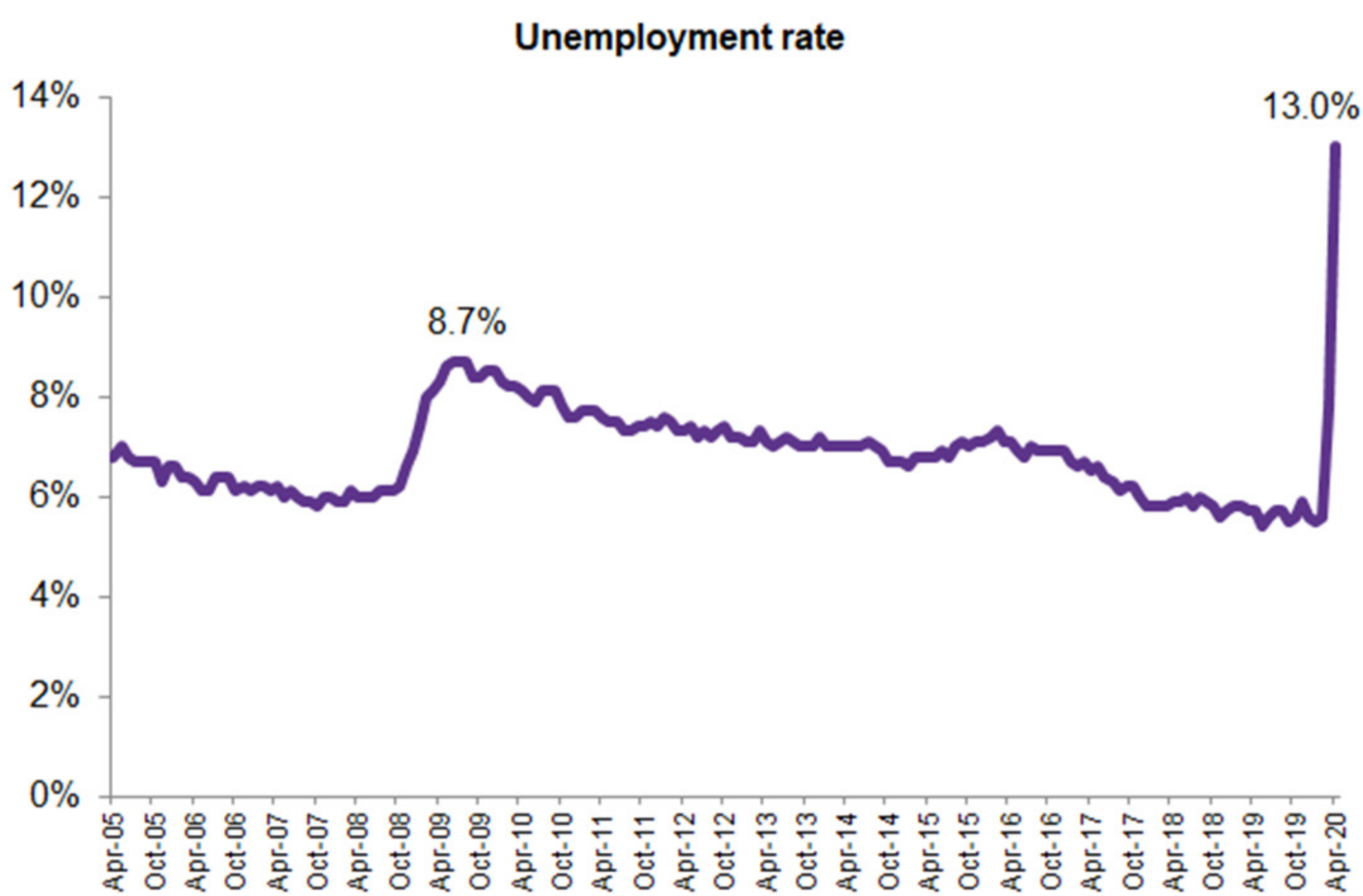
Employment status has always been an important factor in consumer tech because it is closely connected to household income, which ultimately determines one's purchasing power. But the difference in demand between the employed and unemployed consumers should become even starker due to COVID-19.

According to Statistics Canada, Canada's unemployment rate jumped to 13% in April 2020 – the first full month of lockdowns.

To put that in perspective, the highest unemployment rate this country saw during the financial crisis was 8.7% during the summer of 2009.

An IMF report released on April 14, 2020, provides some optimism going forward – it expects Canadian unemployment to go back down to 7.5% by the end of 2020 and 7.2% by the end of 2021. However, the current market is still in uncharted territory in terms of unemployment today – and 7.2% unemployment would still be significantly higher than the 5.6% unemployment rate in February 2020 prior to lockdowns.

FIGURE 8: CANADIAN UNEMPLOYMENT RATE, APRIL 2005-2020



Source: Statistics Canada/Mintel

At the same time, during the week of April 12 there were approximately five million Canadians who worked most of their hours from home – and 3.3 million of them typically did not work from home prior to COVID-19.

So while millions of Canadians who have lost work will be living with a much tighter budget, those who kept their jobs may actually have more cash in their pockets since their transit, foodservice and other day-to-day costs have dropped significantly.

There are multiple implications here for the digital tech industry. The most obvious is current demand for hardware, software and digital services. According to Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020,* 43% of consumers have cut spending drastically due to COVID-19; but that proportion is only a third of consumers in healthy financial situations compared to half of those who are tight/struggling/in trouble.

And Mintel's *Global COVID-19 Tracker – Canada, May 11-15, 2020* found that 19% of consumers who are still employed have put a higher priority on technology and communications as a result of COVID-19 – which is significantly higher than the 12% of unemployed who are prioritizing tech and communications. In the short term, the financial realities for these two groups mean that one is much more likely to be able to invest in tech than the other.

But there could be indirect results of this shock to the labour market as well. For instance, the gig economy came as a result of the 2008 recession, when unemployment was high and some consumers were trying to find work while others were looking for ways to save money on things like hotels and cab rides.

Challenging economic times often spark innovations that eventually become the norm over time. For instance, the pandemic has created sudden demand for online grocery, which is also increasing the demand for paid shoppers. Therefore, long term online grocery behaviours could be partly fuelled by the labour market that resulted from the crisis.

Companies need to be aware that Canadians are experiencing two very different realities as a result of the COVID-19 crisis, depending on whether or not they remained employed amid shutdowns. For that reason, marketing efforts need to be sensitive to the fact that many are out of work and focused on paying for the essentials – while also finding opportunities to connect with those who may have a bit extra discretionary cash on hand.

Parents are dealing with unique challenges

While the COVID-19 crisis has made day-to-day life challenging for everyone, parents are facing the reality of having to both entertain and educate their children who are no longer going to school or day care. And although Mintel's *Global COVID-19 Tracker – Canada, April 13-17, 2020* found that parents with kids under 18 are more likely to have cut spending drastically as a result of COVID-19 (50% vs 40% of non-parents), there are other indicators that they may be more likely to spend on digital products and services.

For instance, though they are more likely to have cut spending, they are also more likely to have signed up for a digital streaming service (23% vs 11% of non-parents). They are also more likely to have purchased a computer, tablet or TV as a result of the pandemic (11% vs 5%).

And according to Mintel's *Global COVID-19 Tracker – Canada, May 11-15, 2020*, 22% of parents with kids under 18 have put a higher priority on technology and communications spending as a result of COVID-19 – which is significantly higher than the 14% of non-parents who have prioritized tech and communications.

So while parents may be more likely than others to feel the pinch financially as a result of COVID-19, they have the unique challenges of having to keep their kids educated and entertained – which could therefore drive demand for digital products and services in the short term.

Looking ahead, tech brands that can walk the fine line between these two factors for parents – an increased need for tech but a growing concern for budgets – will be the best positioned. For instance, Google Chromebooks are typically priced lower than similarly sized PC and Apple laptops. And Amazon's Fire tablet starts at just $89.99 for the 7-inch version – compared to $199.99 for the Samsung Galaxy Tab A 8-inch tablet and $529 for the Apple iPad Mini. These types of entry-level, budget-friendly products align perfectly with what parents need today.

It is not just hardware, either; software companies will also need to cater to this new reality for parents. If parents are using more tech hardware like tablets and PCs – as well as streaming services like Netflix and Disney+ – as tools for their kids, many will want some control over usage. Norton Security is an example of a brand already putting more focus on its software services that can help monitor and control children's online activity.

FIGURE 9: NORTON SECURITY INSTAGRAM POST, MAY 2020

Source: Instagram – NortonSecurity/Mintel

It is clear that many parents are looking to digital technology – both hardware and software/services – to help them through this crisis. Knowing this, brands need to communicate the ways that their products and services can make family life easier and safer – but in a way that respects and appreciates the financial realities that these parents are facing as a result of COVID-19.

How a COVID-19 recession will reshape the industry

Economic downturn will shift tech from a toy to a tool

Canada is already experiencing an economic slowdown as a result of the COVID-19 pandemic and is likely to see even more challenges in the future. According to Statistics Canada, unemployment jumped to 13% in April 2020. But perhaps the more concerning metric is that when lost hours are also taken into account, 36.7% of Canada's potential labour force either did not work or worked less than their usual hours in April – more than triple the rate from February (11.3%).

So not only have lots of Canadians lost their jobs, but many of those who have kept them have seen a reduction in hours. The result is that household budgets will tighten as income levels drop.

The challenge for digital tech is that much of the industry is driven by nice-to-have purchases that could be the first cutback for consumers looking to trim budgets. For instance, according to Mintel's *Smartphones – Canada, May 2019* Report, 56% of smartphone owners typically get a new smartphone every two years or so. In an economic recession, it is unlikely that so many consumers will buy such expensive devices with that level of frequency – rather, many will look to stretch the lifetime of their phones.

Furthermore, according to Mintel's *Digital Trends (Hardware) – Canada, November 2019* Report, 31% of consumers say they are always looking for new technology to buy and 57% say that new tech devices are typically only useful for a few years.

These attitudes will likely come under increased scrutiny amid an economic downturn; it is unlikely that many consumers will be able to justify spending their money on new technology for the sake of it, or on an expensive device they only expect to last for a few years.

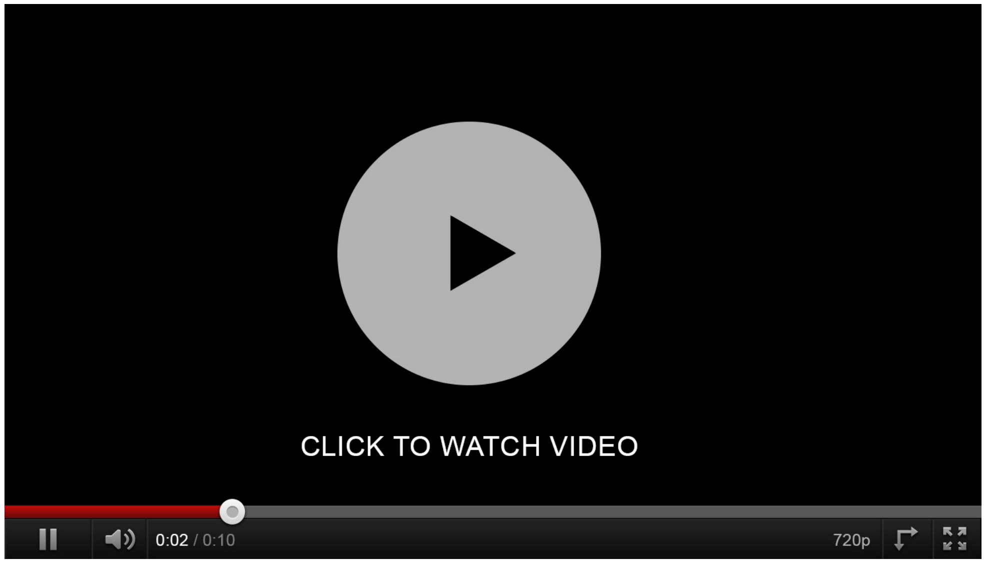
This does not mean that tech hardware will be irrelevant to consumers, but that it will likely need to be positioned differently. It will be important to show that these devices are useful tools that make life better and easier rather than superfluous gadgets that are fun, but unnecessary.

For instance, a recent Google Nest advertisement positioned its products as a way of contributing to a healthier environment. While that messaging is not directly about COVID-19, it nicely illustrates how a brand can pivot tech into a utilitarian tool that can actually save money and energy in the long run.

Even the partnership between Apple and Google represents one way that tech brands are highlighting the utility of the products. The two competitors announced in April that they would work together on a contact tracing software that leverages smartphone Bluetooth technology to keep track of who users have been in close contact with – and alerts them if they have been close to someone with a confirmed case of COVID-19. Though this initiative will not sell more smartphones, it creates goodwill for Apple and Google while also showing the world that smartphones can have a useful, positive impact.

Mintel's Trend Driver *Value* finds that consumers are looking to find tangible, measurable benefits from what they invest in. As discussed earlier in this section, *Convenience* and *Quality* are key pillars that motivate Canadians. But Mintel's *Budget* pillar shows that personal finances also play a role: 67% say they have a budget that they try to stick to as much as possible.

FIGURE 10: LITTLE THINGS ADD UP, APRIL 2020



Source: YouTube – Google Nest/Mintel

As the anticipated economic downturn takes shape through the rest of 2020, tech brands will need to use a message that caters to that demand for products that make life easier while also respecting the importance of a budget in challenging times.

Innovation opportunities for digital tech

A chance for augmented reality to shine

Before the COVID-19 crisis, consumers were relatively indifferent about augmented reality technology. According Mintel's *Attitudes Toward Technology and the Digital World – Canada, December 2019* Report, only 36% of consumers thought AR would have a positive impact on society, while 19% thought it would be negative; nearly half (45%) thought it would be neither positive nor negative. For sake of comparison, only 27% of consumers had that level of indifference about wearable technology.

But there is reason to believe that COVID-19 could be the spark that makes consumers see the value in AR. Today, home décor and furniture companies like IKEA and Anthropologie use AR applications to let consumers see how their products would look in their homes. Warby Parker, an eyeglasses retailer, has a Virtual Try-On tool in its app that lets shoppers see how each frame looks on their face from the comfort of their own homes.

FIGURE 11: WARBY PARKER TWITTER POST, MARCH 2020

Source: Twitter – Warby Parker/Mintel

Before COVID-19, these innovations were more about novelty than utility; they were impressive, but most consumers still preferred the real in-store experience. But now that in-store experiences have changed so drastically – limited store capacities, lineups out the door, general anxiety about germ exposure – there is significant value in these AR tools.

Augmented reality has a real opportunity to step up as a solution to a new problem. If consumers get more comfortable and familiar with it, it could become a standard feature on many websites and apps in the future. Even after the COVID-19 crisis passes and shopping can begin to look like it did in the past, many consumers would likely still opt for AR options since they have seen the power of those tools.

If AR does take off, it would have widespread implications in the digital world. One is that retailers would need to include AR as table stakes in their apps and websites – and not simply as a gimmick, but as a way of giving real value to the consumer.

Furthermore, smartphone, tablet and computer brands would need to sell devices that are fully capable of running AR applications without lag or massive battery drain. And it could also help usher in demand for 5G connectivity and higher telecom data plan limits if consumers are running augmented reality applications while outside of their home Wi-Fi networks.

There is historical context for this kind of spark for an existing innovation. According to *Fortune*, Citibank installed ATMs all around New York City in 1977, but struggled to gain traction as consumers were hesitant to trust a machine with their money. Then, when a blizzard hit the city in January 1978, ATM usage jumped 20% when banks had to remain closed but consumers needed cash – and that sudden surge helped make ATMs as ubiquitous as they are today.

AR could be in a similar position; it is an existing technology that consumers have been slow to adopt, but suddenly has immense value due to an unforeseen, unavoidable natural event. Looking ahead, digital brands should plan their strategies with an expectation that augmented reality will be used by more people and will become a part of everyday life.

COVID-19: Canadian context

This update was prepared on May 20, 2020.

The first COVID-19 cases were confirmed in the Canada at the end of January, with a small number of cases in February. On March 10th, 2020 The Public Health Agency of Canada released guidelines to slow domestic transmission of the virus while the country continued to operate fairly normally.

The WHO (World Health Organization) declared COVID-19 as a pandemic leading to school closures across all provinces and limitations on non-essential travel starting on March 13th, 2020.

The various provinces have seen varying impact in the rise of cases leading to slight differences across the country, ordering the closure of non-essential businesses at slightly different times.On March 23rd, Ontario and Quebec became the first provinces to mandate this action with other provinces following suit shortly thereafter.

In light of the increasing strain business closures have and will have on the country, Prime Minister Justin Trudeau signed an $82 billion emergency response package for Canadians and businesses and announced the launch of CERB (Canada Economic Response Plan) on March 25th, 2020.

The government continues to provide support including the announcement of an investment of $675 million to give financing support to small and medium-sized businesses that are unable to access the existing COVID-19 support measures on April 17th and on April 21st announced an investment of $350 million to support vulnerable Canadians through charities and non-profit organizations that deliver essential services to those in need.

In May, some provinces started to loosen lockdown restrictions. Starting May 19th, restaurants in BC were allowed to open their dining rooms to customers. But other provinces have been slower to reopen; on May 19th Ontario announced that children would not be returning to schools before summer vacation.

At the time of writing, the number of confirmed cases in Canada reached 79,502 cases as of May 20th. The continual rise in numbers renders plans of easing up preventative measures like physical distancing uncertain.

THE MARKET

What You Need to Know

Loyalty is established through consistent product quality

While there are many different tactics that brands can use to build loyalty with their consumers, it is important to remember that product quality should be the primary focus. Past research has shown that consumers are more responsive to organic loyalty built through product quality rather than manufactured loyalty through rewards programs. So while other tactics can help cement loyalty, brands need to build trust as a high-quality producer first.

Popularity of online shopping creates opportunity for digital brands

As more consumers use online shopping, brands that are seemingly not involved in the tech market are suddenly gaining digital aspects. The most obvious example is Amazon, which has evolved from a book retailer to a retail and tech giant. But other brands like Uber, McDonald's and Loblaws – which are ostensibly not digital brands – are all using emerging consumer behaviours around online shopping as a reason to develop ecommerce as a part of their broader business.

New government regulations in the digital age

Government regulations dictate the rules that companies must adhere to, but digital brands in particular face a unique situation since lawmakers are often working to keep up with new innovations. For instance, Uber's labour force of gig workers has resulted in lawsuits about what defines an employee compared to a freelancer – and Uber's business could be majorly affected by the results of those rulings. Similar uncertainty faces data collection practices of major tech companies. Therefore, digital brands need to be aware of current regulations and anticipate potential changes to be sufficiently prepared for the future.

Market Factors

Loyalty is established through consistent product quality

Part of this Report investigates the loyalty that certain brands are looking to build with consumers (see Brand Loyalty and Product Ecosystems section). In general, it shows that brands are using different tactics – specifically product ecosystems of interconnected devices and platforms – to make consumers more likely to buy their products in the future.

Mintel's *Loyalty Programs – Canada, July 2019* Report sheds more light on the general strategies companies can use to build loyalty with consumers. In particular, it highlights the importance of product quality.

When asked to choose the factors that are most important to building loyalty with a brand, more than twice as many consumers selected reliable product quality (61%) as those who chose loyalty program membership (27%). Furthermore, factors that revolve around a brand's ethos – such as environmental responsibility (11%), ethical business practices (10%) and shared values with consumers (8%) – are relatively ineffective in driving loyalty.

This means that brand loyalty is ultimately a simple equation for companies: provide good value by building reliable, high-quality products and services on a consistent basis. Certain tactics that will be discussed further in this Report – such as inter-device optimization across a brand's products or membership programs to encourage future purchases – can have some impact on a consumer's purchase decisions and loyalties.

But the universal truth of the consumer market is that brands ultimately have to deliver dependable quality in order to organically gain a consumer's trust and loyalty; meaning quality should be the top priority for companies before using any other kind of tactic designed to instigate loyalty.

Popularity of online shopping creates opportunity for digital brands

Online shopping has experienced massive growth in Canada. According to Statistics Canada, Canadians spent $57.4 billion on online shopping in 2018 – compared to just $18.9 billion in 2012. And according to Mintel's *Online Shopping – Canada, July 2018* Report, 25% of consumers shop online at least once a week and 61% do so at least once per month.

This online shopping activity is having an impact on brands in the digital market. The most obvious is Amazon, which is benefiting directly from online shopping activity. But as is discussed in this Report (see Evaluating Techniques to Build Tech Loyalty section), Amazon is also leveraging its online shopping success – specifically its Prime membership – to create demand for its tech products like Echo speakers and Fire tablets.

Other tech brands do not have the same retail footprint that Amazon has, but brands like Google, Apple and Microsoft sell their products directly through their own websites – giving them more control over the shopping experience than if they were to depend completely on third-party stores.

At the same time, the success of online shopping is motivating traditionally non-digital brands to leverage more technology. Restaurants like McDonald's and Starbucks are using online shopping in the form of mobile ordering to streamline their operations. And grocery delivery services like PC Express and Instacart are the direct result of this growth in online shopping.

As consumers become more comfortable with online shopping and use it more often, the definition of what a digital brand is will blur. Amazon started as a book retailer, shifted to general merchandise and now competes with the likes of Google and Apple in consumer tech.

Uber is ostensibly a cab company but is actually a tech brand that built a powerful rideshare algorithm into its mobile app. And traditional retail brands like McDonald's and Loblaws are establishing an online, digital presence to remain modern. While market leaders like Apple, Microsoft and Google will continue to be emblematic of digital tech brands, the future will see most consumer-facing brands establish a digital aspect of their business.

New government regulations in the digital age

As digital technology evolves, government regulations have had to change in order to keep up. The impact for digital brands is that the rules they play by could change as new regulations come in, which could have a major impact on their business models.

For instance, the gig economy that fuels the sharing economy with labour is currently under review in order to establish fair rules for workers. Today, an Uber driver is technically a freelancer or independent contractor in the eyes of the company – meaning they do not have the same rights as an employee would.

However, workers are currently fighting against that technicality; a case is in front of the Supreme Court of Canada after an Uber Eats worker tried to sue the company for avoiding vacation pay and minimum wage. The ruling from that court could have a major effect on the entire gig economy and require a change in pricing model to compensate for the higher labour costs.

In May 2019, a representative from Amazon faced questions from Canada's House of Commons privacy and ethics committee, according to CBC News. Members of Parliament questioned the company on its smart speakers' ability to listen in on and record personal conversations without the knowledge of a consumer.

Similar concerns exist for other digital assistants like Google Assistant and Apple Siri. As governments continue to focus on the privacy issues surrounding new tech, regulations could change and force brands to shift their tactics.

Finally, a more forward-looking example of these regulatory question marks is drone delivery. While it is an innovation that is still in trial stages, companies in this space have needed to work directly with Transport Canada authorities to build and test drone routes that adhere to Canadian laws.

Ideally, these regulations would be established prior to launches from these drone companies so that they are fully aware of the rules of their market and can plan accordingly – but it still highlights the challenges of emerging digital tech brands.

Overall, this shows that brands with new, cutting-edge digital technologies cannot only consider the consumer relevance of their products or services – they have to also think about current laws and even anticipate how government regulations may adapt in the future.

Uber, Amazon, Google and Apple will all face significant hurdles if new laws dictate their labour policies or their ability to collect data. As a result, companies in these markets need to plan ahead to be prepared for changes handed down by government bodies.

KEY PLAYERS

What You Need to Know

Tech brands are broadening their product portfolios

Within specific product lines, tech brands are realizing that their consumers want choice. Whereas both Apple and Samsung started their smartphone lines with one phone each year, they are now releasing multiple types of each new version. Google and Amazon are doing the same – suggesting that there is no longer a one-size-fits-all solution in tech.

Mergers and acquisitions are consolidating power in digital tech

While not always obvious to consumers, mergers and acquisitions have had a major impact on the consumer tech industry. Leading brands like Apple, Google and Amazon have all acquired the companies that created some of their best-known products – such as Siri, YouTube and Alexa, respectively. Expect this to continue as these companies leverage their massive resources to acquire more innovative products and services.

Marketing messages can sometimes look the same

A by-product of a few leading brands all selling the same tech devices is that there has been considerable crossover in marketing tactics. At this point, it can sometimes be difficult to differentiate an iPhone ad from a Samsung Galaxy one – or an Amazon Echo commercial from a Google Home one. Similarities in advertising are inevitable, but it is a continued challenge for these brands to stand out in the eyes of consumers when their marketing messages can be so similar.

Brands will continue to diversify into new categories

In pursuit of growth, tech brands are expanding into new categories instead of depending entirely on their current products and services. Apple did so with its Apple CarPlay automotive feature and its Apple TV+ video streaming platform. And Amazon's smart speakers and video streaming platform are also examples of tech brands entering categories entirely new to them. Expect to see more of this as brands look for white space growth when they see their own products reaching the mature parts of their lifecycles.

COVID-19 will force brands to change some messaging

The COVID-19 crisis has forced brands to alter their messaging to consumers. In the immediate short term, tech brands have communicated to consumers about the ways they are helping to stop the spread of the virus and keep people informed. Looking ahead, the longer-term effects of the crisis will likely impact tech categories differently – but expect these brands to acknowledge it in their messaging to consumers.

What's Working?

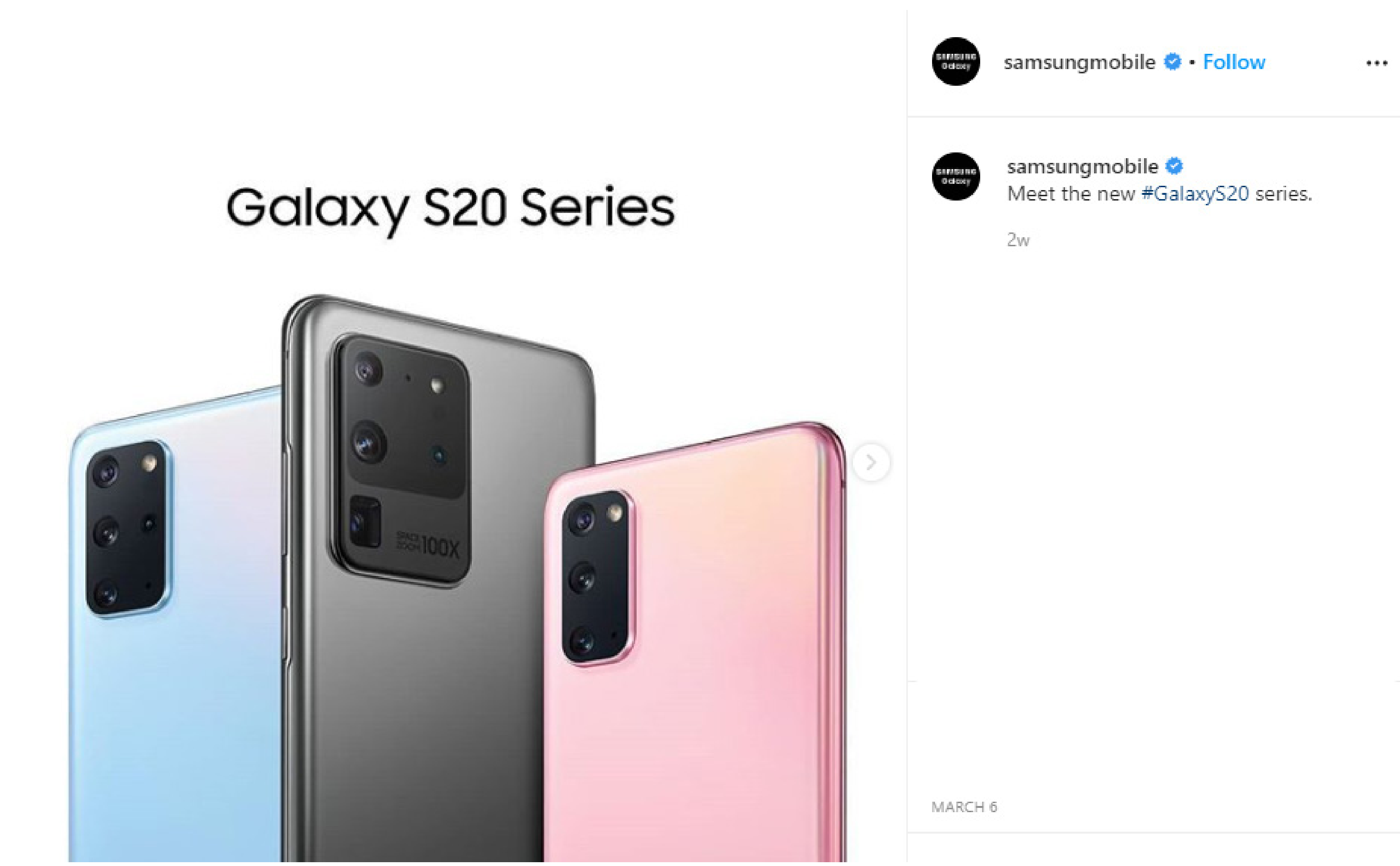
Tech brands are broadening their product portfolios

Leading tech brands like Apple, Samsung, Amazon and Google are now seeing the benefits of offering consumers a wide array of product choices. Using smartphones as an example, Apple launched its first iPhone in 2007. It went on to release one new iPhone each year – the 3G in 2008, 3GS in 2009, 4 in 2010 and so on – so that there was only ever one new product to choose from. It was not until 2013 when Apple launched the iPhone 5S and 5C that its customers had a choice between what new iPhone to purchase.

In recent years, each iteration has had even more options available; the iPhone X is also available as the XS, XS Max and XR, while the iPhone 11 can also be purchased as an 11 Pro or 11 Pro Max. Similarly, Samsung launched the Samsung Galaxy S in 2010, and now has four different Galaxy phone product lines: the flagship S, the entry-level A, the larger phablet Note and the new folding Z.

In fact, the S-line alone currently has three different new versions: the S20 5G, S20+ 5G and S20 Ultra 5G. Put simply, established tech brands are competing by giving consumers more choice for their specific needs – rather than prescribing one specific product for everyone.

FIGURE 12: SAMSUNG MOBILE INSTAGRAM POST, MARCH 2020



Source: Instagram – Samsung Mobile/Mintel

Emerging hardware tech brands like Google and Amazon have evidently learned from these strategies, since they both offer many different versions of their smart speakers. Amazon produces the Echo, Echo Dot, Echo Studio, Echo Show and Echo Flex for varying needs and budgets. Google currently sells its Nest Mini, Nest Hub and Nest Hub Max – as well as its Google-branded Home, Home Max and Home Mini (before it made Nest its smart home brand).

It is clear that tech brands have realized that they cannot risk alienating any consumers as a result of not having the specific type of product they need. The idea of a one-size-fits-all tech device was an ideal that no longer fits with the customized lifestyles consumers lead. The result is that these brands are taking steps to grow their position in the market by giving consumers so much choice that they will happily stay loyal to that brand rather than looking elsewhere for a more suitable device.

Mergers and acquisitions are consolidating power in digital tech

The leading tech brands have maintained their powerful positions over the years partly due to their aggressive mergers and acquisitions strategies. As much as they use their own research and design to innovate, they have also expanded their product portfolios and tech capabilities by acquiring smaller companies.

For instance, Apple purchased Beats Electronics in 2014 to bolster its music and audio capabilities. Furthermore, Apple's digital assistant, Siri, was actually a third-party app that was released on iOS in 2010, only to be purchased by Apple shortly thereafter and turned into its proprietary voice assistant.

Alphabet Inc, Google's parent company, has made many significant purchases over the years that have helped make Google what it is today – such as Android in 2005, YouTube in 2006, Motorola in 2011 and Waze in 2013. Furthermore, IMDb, Alexa, Audible, Twitch and Ring have all been purchased by Amazon over its 25-year lifetime.

These highlight just a few of the mergers and acquisitions that have taken place with these major companies, but they help to illustrate an effective strategy that leading brands use to stay on top. For consumers, this type of consolidation can be useful because it means that multiple different services can be packaged together for optimal utility – such as an Amazon Prime membership that offers benefits for Audible and Twitch while connecting directly with Alexa and Ring smart home products.

And of course these tactics benefit the companies that leverage their significant resources to get even larger. Expect these mergers and acquisitions to continue – keeping these leading brands in power – into the future as emerging new innovative companies are taken on by bigger brands in order to remain ahead of the curve.

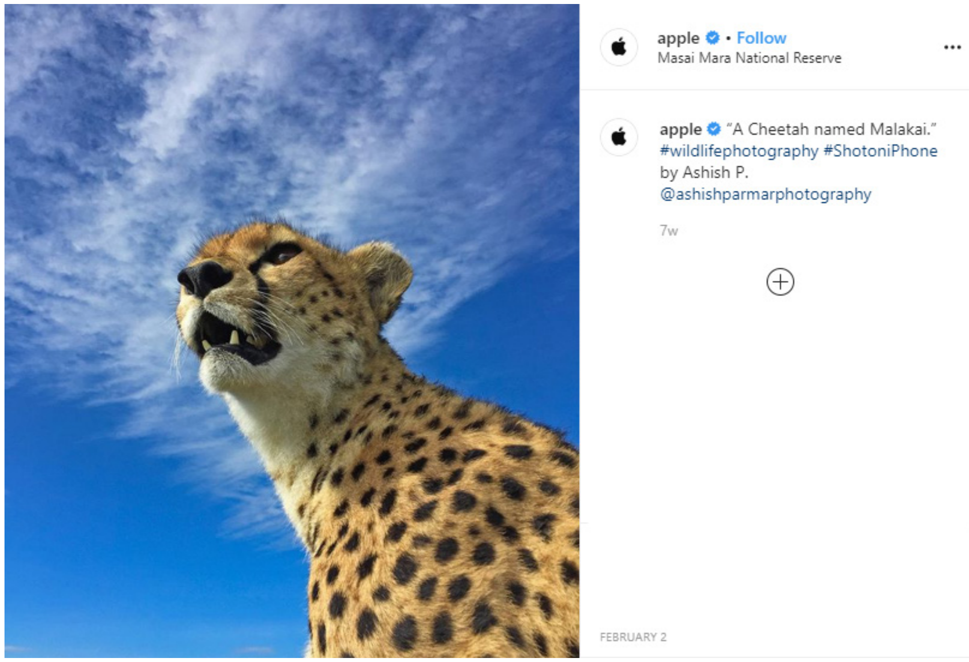
Challenges

Marketing messages can sometimes look the same

As much as digital tech brands want to differentiate themselves from each other and occupy a unique position in the market, the challenge is that many of their marketing techniques have looked similar – making it harder for consumers to tell the difference. For instance, one of Apple's marketing tactics for its iPhone is to show off its high-quality camera by posting photos to social media under the hashtag #ShotoniPhone.

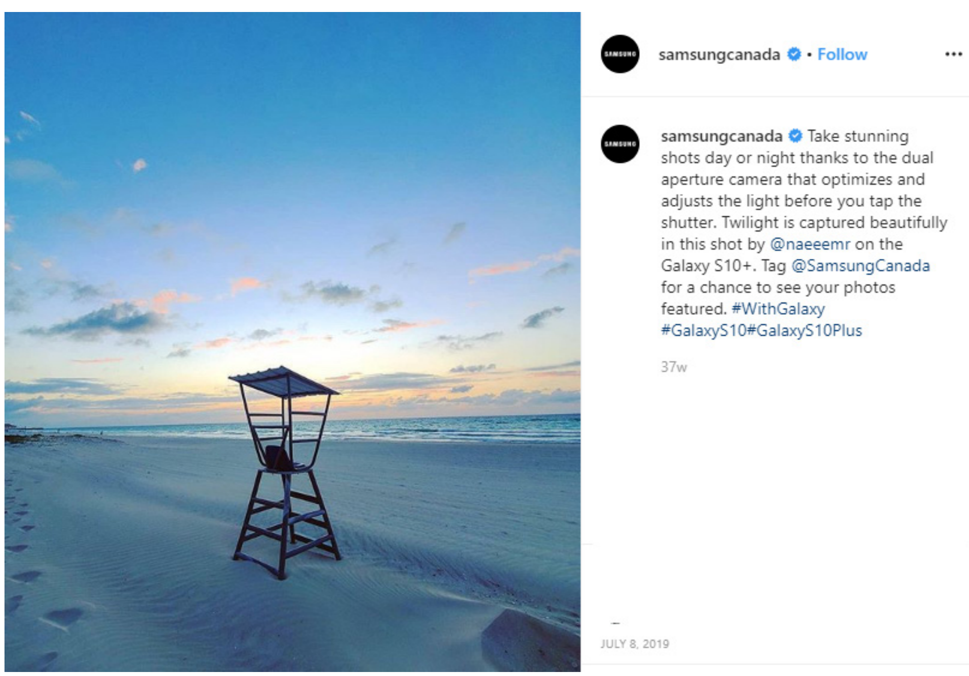
However, Apple's top smartphone competitor (Samsung) uses a very similar tactic on social media. Its #WithGalaxy hashtag shares photos taken by Galaxy smartphones with the exact same goal as Apple's marketing – to highlight the quality of its camera. Such similar messaging could make it difficult for these brands to differentiate for the average consumer who sees these ads in passing.

FIGURE 13: APPLE INSTAGRAM POST, FEBRUARY 2020



Source: Instagram – Apple/Mintel

FIGURE 14: SAMSUNG CANADA INSTAGRAM POST, JULY 2019



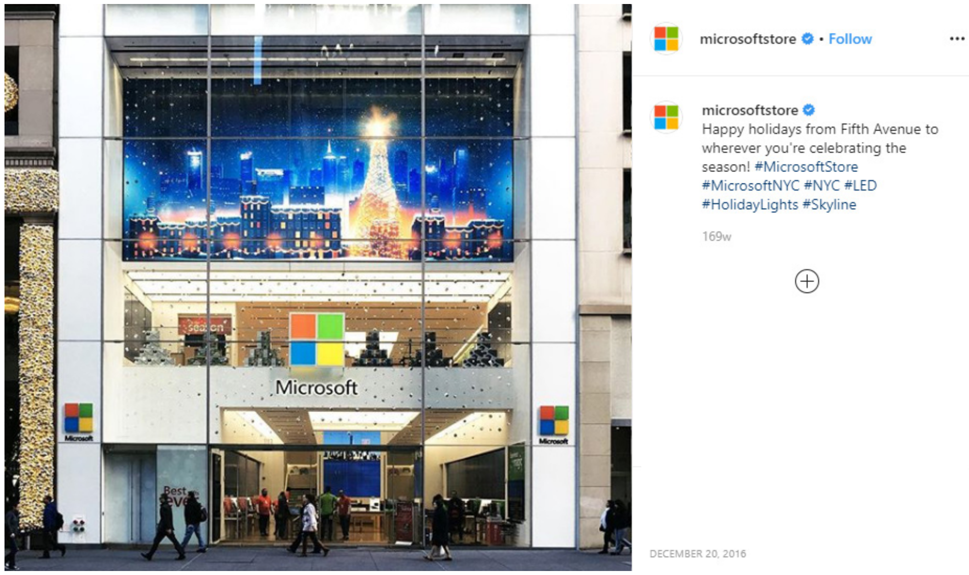
Source: Instagram – Samsung Canada/Mintel

In another example, Microsoft has developed a retail store concept that seems to be heavily inspired by the Apple Store. Apple's simple, clean retail store outlets first launched in 2001 and were an extension of the brand's product design.

In 2009, Microsoft opened its own retail stores that bore a striking resemblance to its competitor's stores. While imitation is the sincerest form of flattery, Apple likely did not appreciate the similarities due to concerns that it was encroaching on the brand position it had already established.

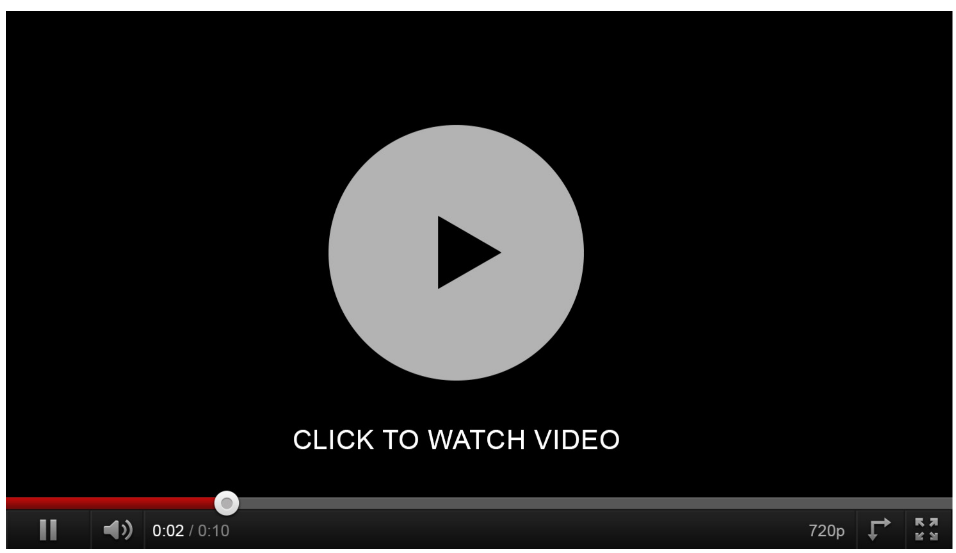
A final example involves two emerging digital hardware brands, Google and Amazon. These two are currently the top two smart speaker brands in the market – but some of their ads have had very similar messaging. In these examples, they both utilize celebrities in their homes speaking to their digital voice assistants. While "Hey Google" and "Alexa" are heard throughout, little else differentiates the brands – creating an unclear message of differentiation for consumers.

FIGURE 15: MICROSOFT STORE INSTAGRAM POST, DECEMBER 2016



Source: Instagram – Microsoft Store/Mintel

FIGURE 16: GOOGLE NEST HUB | HELP AT HOME, OCTOBER 2019

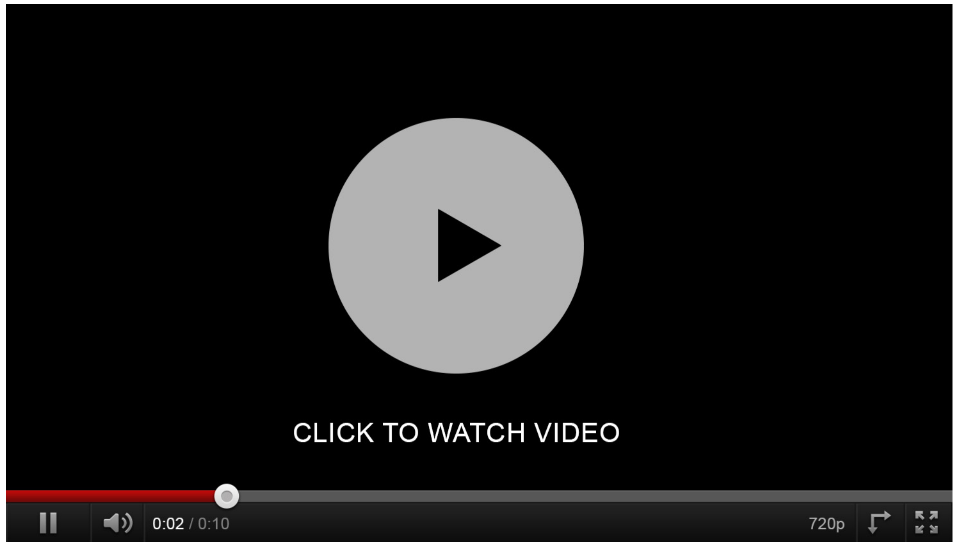


Source: YouTube – Google Canada/Mintel

Although all of these brands certainly have their own nuanced approaches to the market that give their names meaning and differentiation, these examples of similar messages highlight a challenge they are facing.

These leading brands will likely continue to battle each other at the top of the market and many of them are selling the same devices – such as smartphones, tablets and smart speakers – making it difficult to create an entirely unique message. However, digital brands that want to stand out in the eyes of the consumer will need to find ways to market themselves in distinct ways that can help them differentiate and avoid the risk of becoming noise for consumers.

FIGURE 17: AMAZON SUPER BOWL COMMERCIAL 2020 – ELLEN AND PORTIA “TEMPERATURE” TEASER, JANUARY 2020



Source: YouTube – Amazon/Mintel

What's Next?

Brands will continue to diversify into new categories

Leading digital tech brands have continued to seek out ways to grow by expanding into new areas of business rather than simply battle each other for share in their current categories.

The result has been a degree of familiarity for consumers; their smartphone brand is suddenly a key selling feature for their car, or creating original TV content. As Mintel's *Extend My Brand* Trend points out, trust is an important factor for consumers – so well-known brands can leverage their existing trust into success in new areas.

As an example, Apple has expanded into the auto industry with its Apple CarPlay application – which essentially replicates the iPhone user experience on the vehicle's touchscreen display and through its speakers.

FIGURE 18: APPLE TV INSTAGRAM POST, SEPTEMBER 2019

Source: Instagram – AppleTV/Mintel

And in November 2019, it launched Apple TV+ to compete directly with Netflix as a video streaming service; it even leveraged its resources to develop content with accomplished actors like Steve Carell, Jennifer Aniston and Reese Witherspoon.

Not only did these tactics give Apple more ways to generate revenue, but they also strengthened the overall Apple ecosystem so that Apple users could access more services while remaining loyal to the brand.

Google has taken similar steps. It used YouTube to launch YouTube Music as well as its Google Play platform that sells music and video content. And like Apple, it developed Android Auto as a way of getting into consumers' vehicles. Finally, its recent foray into gaming – specifically its Google Stadia platform – is another way that it has expanded into new categories in search of growth.

Amazon's development of Prime Video, Amazon Music, Amazon Drive and Amazon Echo illustrates its brand expansion. And Microsoft has used Mixer, Skype and Teams to broaden its reach with consumers.

This strategy will undoubtedly continue into the future since it is so beneficial for brands to increase revenue potential as well as increase the value of joining their ecosystem. In the future, look for these large companies to keep entering categories that may seem unfamiliar to them, but that they quickly play a significant role in.

COVID-19 will force brands to change some messaging

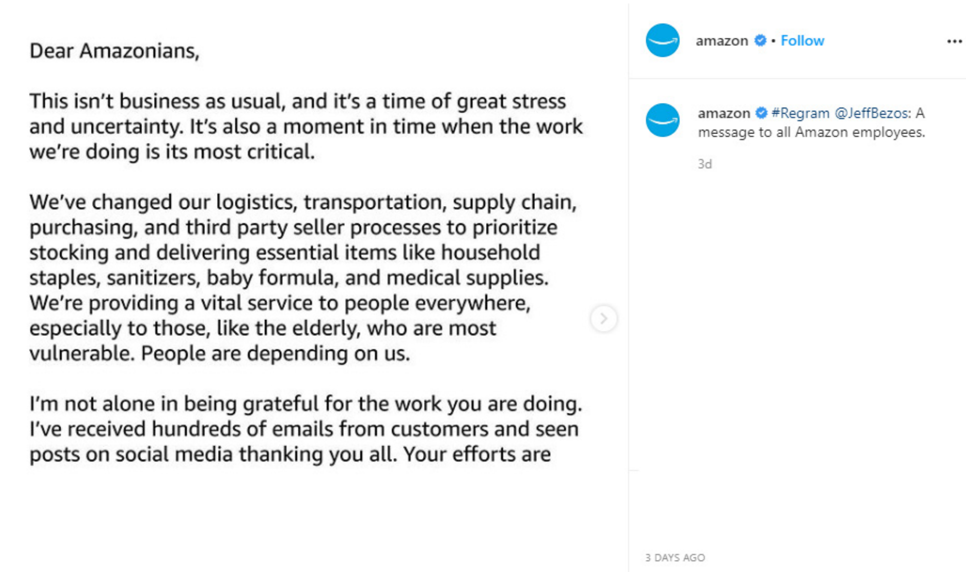
The longer-term effects of the COVID-19 pandemic crisis will not be fully known for years, but it is already clear that brands cannot ignore its impact. As discussed above (see The Impact of COVID-19 on Digital Tech Brands), the economy will likely struggle after the crisis ends, giving tech brands a challenging consumer market to operate within. But they will likely also start catering their messages to acknowledge the crisis rather than ignoring it.

On March 13 (one of the first days of significant closures in North America), for instance, Apple announced that it had already donated $15 million to causes related to COVID-19 and would match its employees' donations two-to-one going forward.

It also closed all of its retail stores in an attempt to help slow the spread of the virus. Google leveraged its position as an information resource to launch google.com/covid19, which provides health information, safety tips and up-to-date information on the global crisis.

Amazon experienced a surge in demand as the crisis kept consumers at home – thanks to its delivery service – but the brand was also proactive about its messaging and operations.

FIGURE 19: AMAZON INSTAGRAM POST, MARCH 2020



Source: Instagram – Amazon/Mintel

It began prioritizing the restocking of essential items in its warehouses, gave consumers the option to select "no rush" shipping to help the company focus on vital deliveries, and took steps to prevent any price gouging from its third-party vendors.

It is very difficult to predict exactly what will happen next as a result of this crisis. But it seems that tech brands have already taken steps and communicated with their consumers. In the months ahead – even after the crisis has ended and its effects are better understood – expect these tech brands to continue marketing by using COVID-19 as a central issue in their messaging.

THE CONSUMER

What You Need to Know

Tech brand ownership

In a mobile device market with dozens of brands, two stand above the rest: Apple and Samsung. In both the smartphone and tablet markets, four in five consumers own one of these two brands. This success is no coincidence – their mobile devices have been designed to work optimally together. Conversely, the smart speaker market is unique because it is driven by relatively new entrants: Google and Amazon. So while Apple and Samsung are leading tech brands, there are categories where they trail.

Usage of competing online platforms

Digital brands are not limited strictly to those that produce consumer electronics. There are also brands in traditional markets that have leveraged digital technology either to build their entire model, or at the very least give them an advantage over competitors. Amazon and Uber have used digital tech to disrupt markets historically dominated by Walmart and taxi cabs – while McDonald's and Starbucks are using digital tech to sell more burgers and coffee. This illustrates the reach of digital tech and its impact outside of just hardware and software brands.

Consumer perceptions of tech brands

Four of the biggest brands in the tech market – Apple, Microsoft, Google and Amazon – are all perceived of differently by consumers. Apple is stylish and high quality, Microsoft is old-fashioned but trustworthy, Amazon is affordable and useful, while Google is somewhere in the middle. While brands should play to their strengths and remain true to their brand identity, a look at younger consumers suggests that brands can shift their images over long periods of time as new generations come along.

Brand loyalty and product ecosystems

Tech brands are increasingly working to build product ecosystems, wherein consumers become loyal to a brand because devices from one brand are designed to work with each other optimally. Evidently, many consumers also see the benefits, with a considerable proportion trying to keep a consistent brand across their devices. Apple and Samsung are by far the most successful at this today – especially Apple – while other tech brands can learn lessons from these brands but will likely struggle to attain their level of loyalty for the foreseeable future.

Brand competition in the telecom sector

While there are only a few major companies providing mobile network service in Canada, the number of sub-brands at each company means that the brand landscape is broad from the consumer's perspective. Overall, the big three brands – Rogers, Bell and Telus – have generally similar market penetration and consumer demographics. The second tier of brands, though – such as Koodo, Fido and Freedom – have much more nuanced demographics. This suggests that the parent brands use these sub-brands to specialize their messaging and more nimbly attract specific consumer groups.

Evaluating techniques to build tech loyalty

Companies' aspirations of creating loyalty and product ecosystems have leveraged some unique tactics. Specifically, Google and Amazon are promoting their smart speakers in hopes that they spark usage of their digital assistants across devices. And even things as simple as Gmail and Amazon Prime can be used to attract consumers to buy more products and services from these brands. While they have not yet reached the success of Apple in this regard, it illustrates how brands are getting creative in pursuit of sustainable consumer loyalty.

Tech Brand Ownership

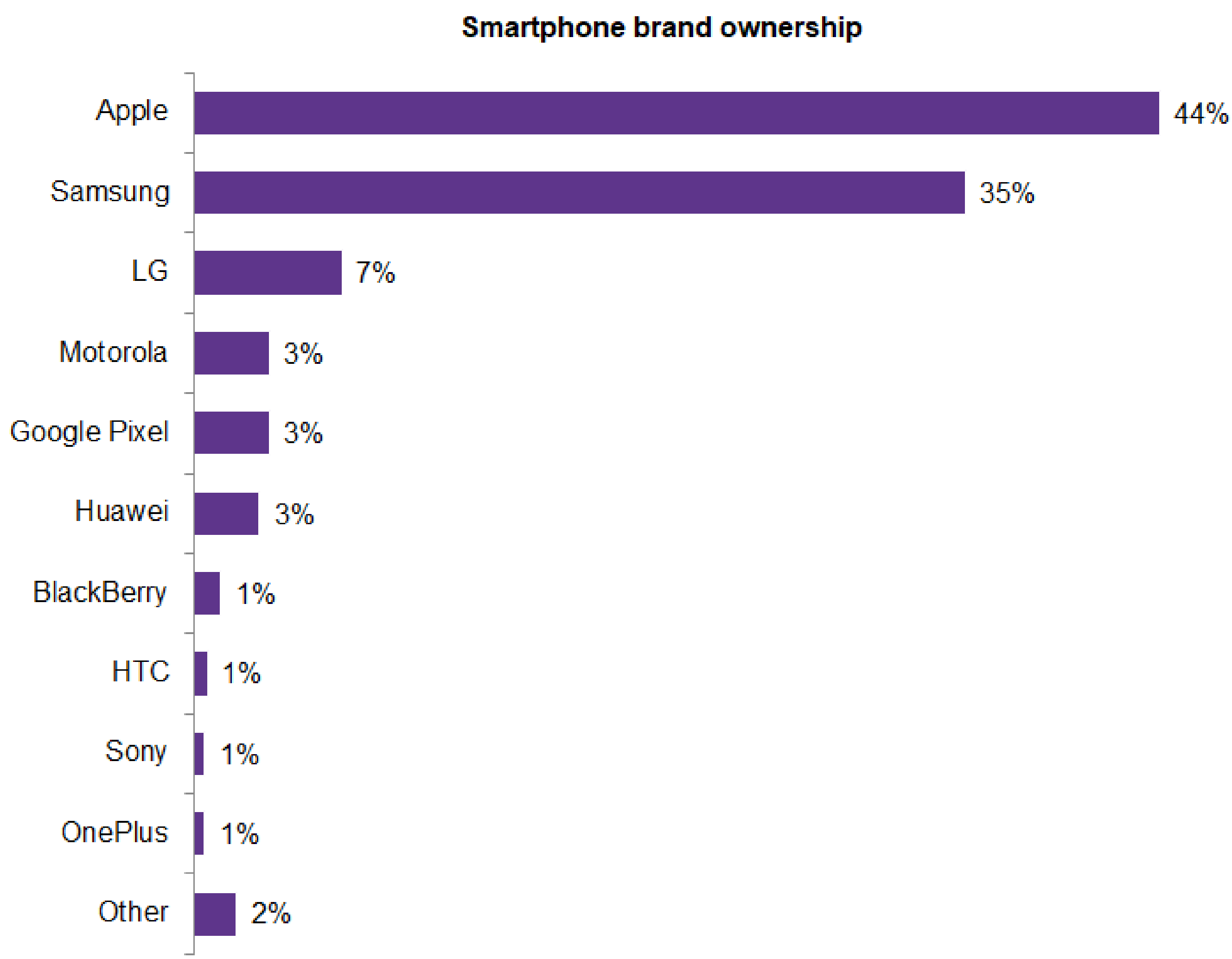
Apple and Samsung are the clear leaders in smartphones

The smartphone market is a crowded one in terms of how many brands are available; Mintel's research found 10 different brands with at least 1% ownership. However, while there are a number of brands available for consumers to choose from, there are two that stand out as the clear leaders: Apple and Samsung.

Among smartphone owners, nearly four in five have either an Apple or Samsung device. That leaves the other brands like LG, Motorola and Google to battle for the other one in five consumers. LG does hold a slight advantage over the other brands, but is still nowhere close to one of the top two spots.

FIGURE 20: SMARTPHONE BRAND OWNERSHIP, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone

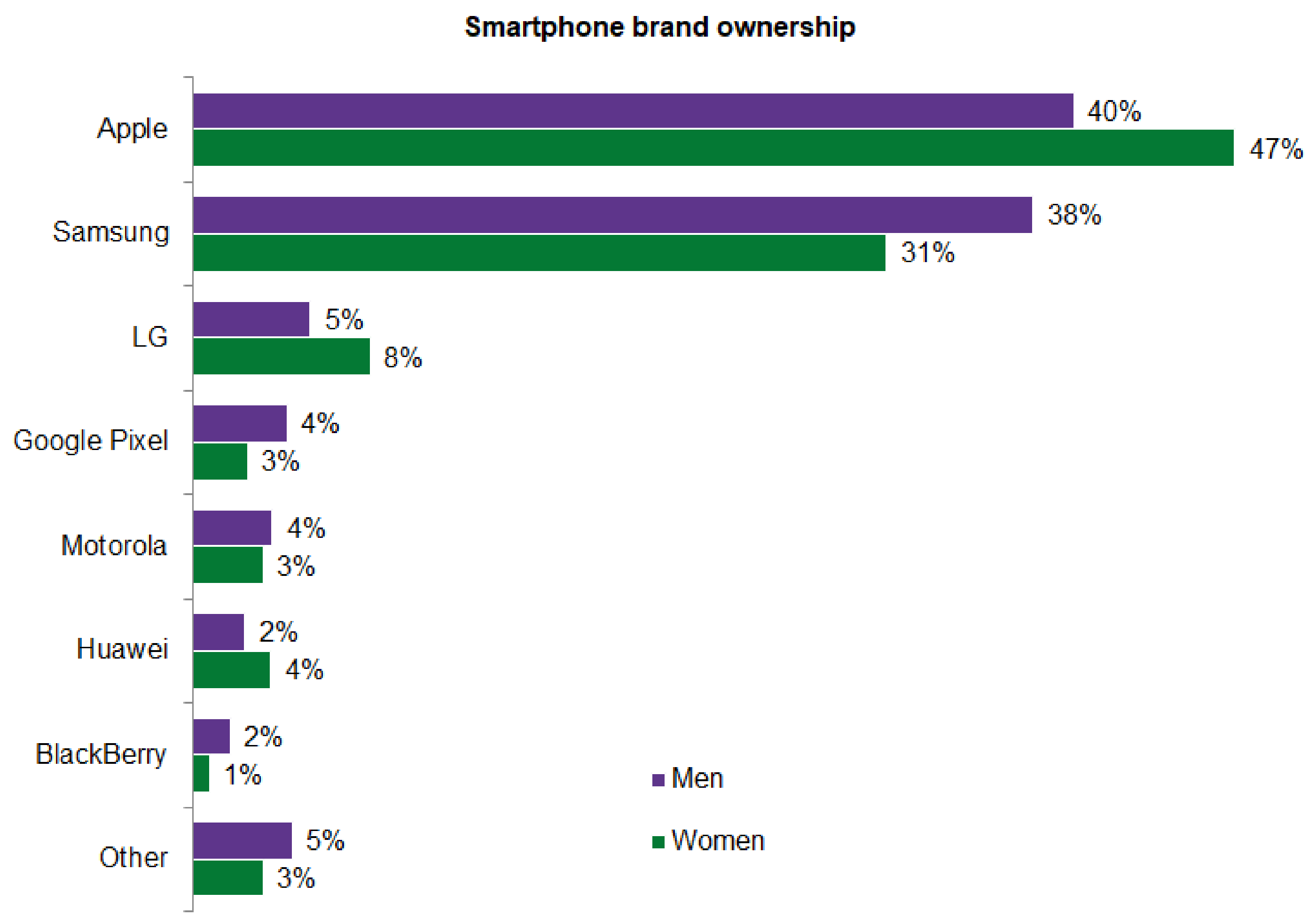
Source: Lightspeed/Mintel

Apple smartphone ownership is higher among women, while Samsung skews to men. But it is notable that the total combined proportion of Apple and Samsung ownership is the same for both genders.

So while there is some difference in the battle between these two brands among men and women, neither gender is particularly likely to look beyond Apple or Samsung for a smartphone.

FIGURE 21: SMARTPHONE BRAND OWNERSHIP, BY GENDER, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



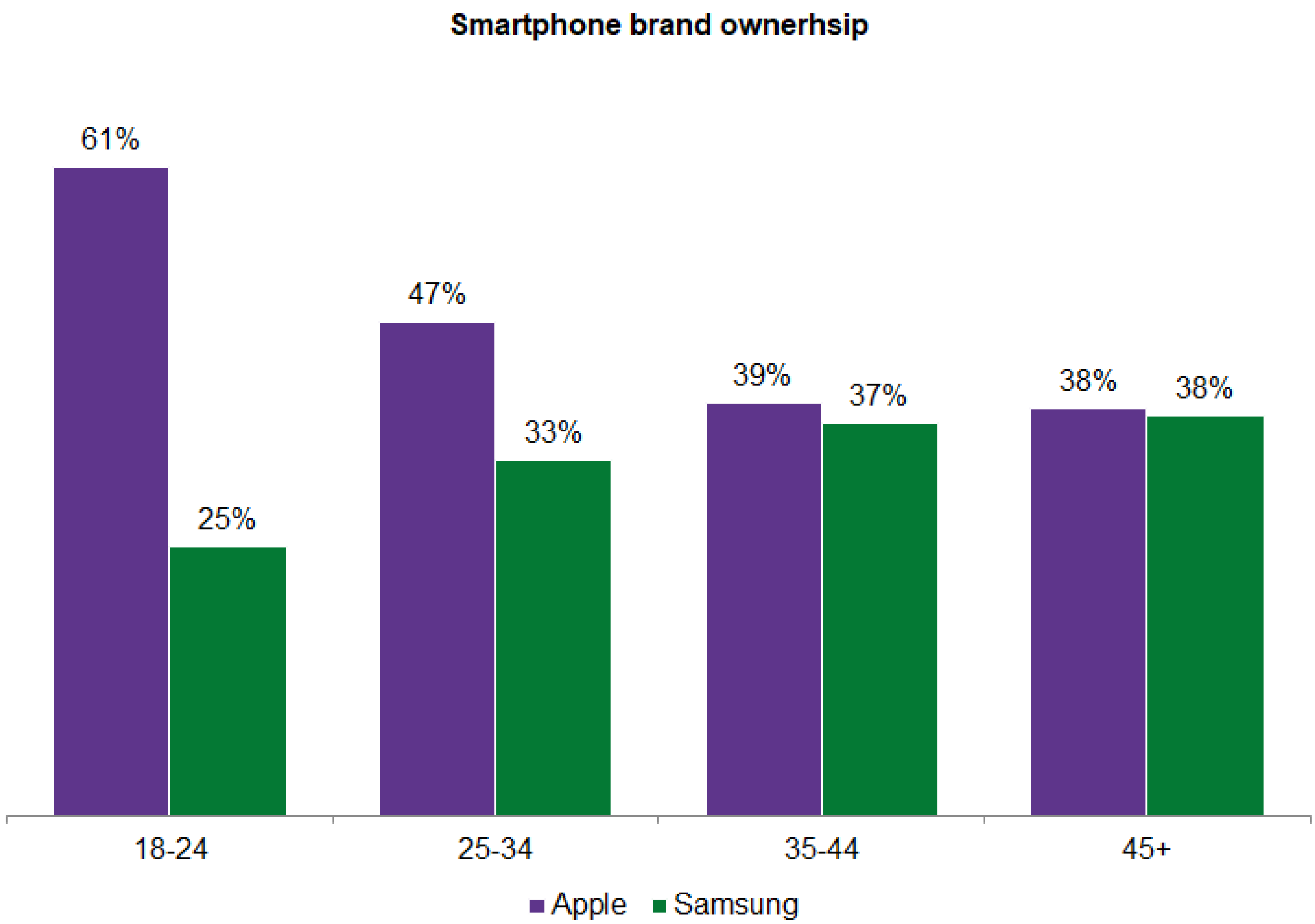
Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Age demographics highlight where Apple has been able to establish its lead over Samsung. The two brands are essentially neck-and-neck among over-35s – but there are twice as many 18-24s with Apple phones as there are who have a Samsung phone. The gap narrows among 25-34s before disappearing among older consumers. These unique age trends for each brand present concerns and opportunities for both Apple and Samsung.

FIGURE 22: SMARTPHONE BRAND OWNERSHIP, BY AGE, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

For Samsung, the good news is that it is relatively consistent across age groups. The challenge, though, is that it trails by so much among 18-24 year olds. This is a particularly tech-savvy age group who have their whole lives ahead of them – meaning establishing loyalty at a young age is much more lucrative than winning over a consumer at an older age.

The concern for Apple is perhaps less obvious, but still significant. Its relevance with younger consumers gives it a major advantage over Samsung – but its drop-off as consumers get older suggests that they are leaving the brand as they age. It could be argued that this is a generational difference rather than a declining age trend – but it is more likely driven by age since the iPhone has been available for over a decade and continues to struggle with older consumers.

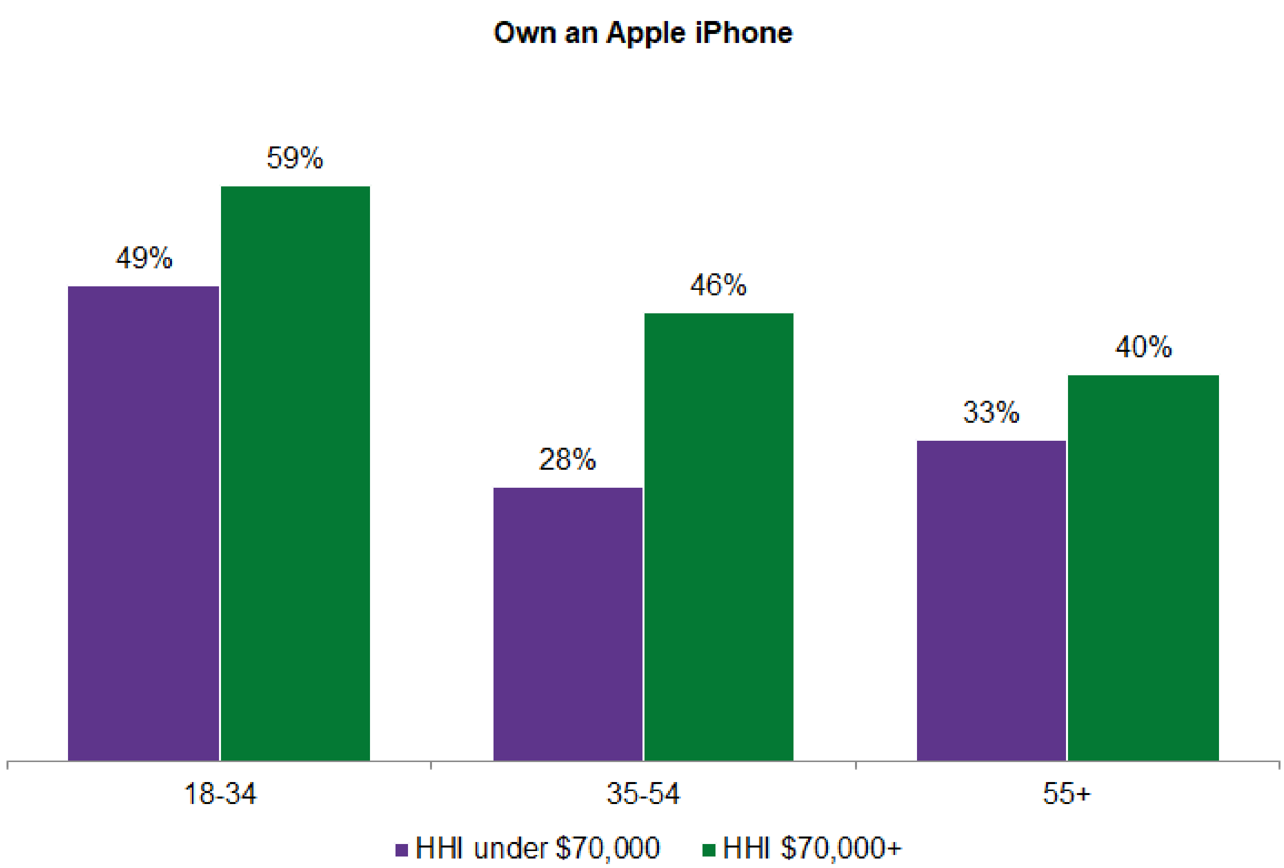
In other words, there is no reason why iPhones would resonate so much with this generation of 18-24s and not past generations (ie today's 25-34s), meaning its lower ownership is probably the result of consumers switching away from the brand when they get older.

One reason for that behaviour could be Apple's pricing. The latest Apple smartphone is the iPhone 11, which ranges in price from $979 for the base model up to $1,519 for the iPhone 11 Pro Max. In comparison, Samsung's line-up has a broader price range; its Galaxy S20 Ultra 5G costs $1,849, but its Galaxy A20 that launched in 2019 is only $349.99 on Samsung's website. It could be that consumers like the Apple brand, but when they take on more financial commitments as they get older many shift away from the premium iPhone and towards more affordable options.

This hypothesis is supported by the finding that – while Apple smartphones skew to higher-income consumers in general – the income disparity is the most significant among 35-54 year olds. In other words, at an age when consumers have a number of financial commitments – such as children and mortgage payments – household income plays a bigger role in the ownership of an iPhone.

FIGURE 23: OWN AN APPLE IPHONE, BY AGE AND HOUSEHOLD INCOME, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Further evidence can be found when looking specifically at the core iPhone consumer: 18-24 year olds. While based on a small sub-sample, 71% of 18-24s who live rent-free (eg with their parents) own an Apple iPhone. However, among 18-24s who rent (ie are responsible for monthly housing costs) only 53% have an iPhone.

Similarly, consumers whose smartphones are part of another person's plan (eg their parents) are significantly more likely to own an iPhone (50%) than those who are on their own plan (41%). Put simply, it seems that Apple's iPhone has good brand value and is a leader in the industry – but its pricing model means that many consumers shift away from the brand when they take on other monthly expenses.

The brand's launch of the iPhone SE in the spring of 2020 – priced at just $599 on its website – is evidence that it has identified this challenge and is broadening its product range as a result. Nevertheless, its pricing strategy up to this point helps to explain the noticeable drop in ownership as consumers age while Samsung sees much more stability across age groups.

Cultural differences in Apple iPhone ownership

Aside from gender, age and income, it seems that demand for smartphone brands differs on certain cultural variables. Across races overall, there is little difference in Apple ownership; 49% of Asian consumers with a smartphone own an iPhone compared to 44% overall. However, some 56% of Asian consumers who were not born in Canada own an iPhone – which is significantly higher than among Asians born in Canada (38%, based on small sub-sample).

This suggests that Apple's global marketing strategies have been effective in Asian regions; twice as many Asian consumers born outside of Canada own an iPhone than own a Samsung smartphone (28%).

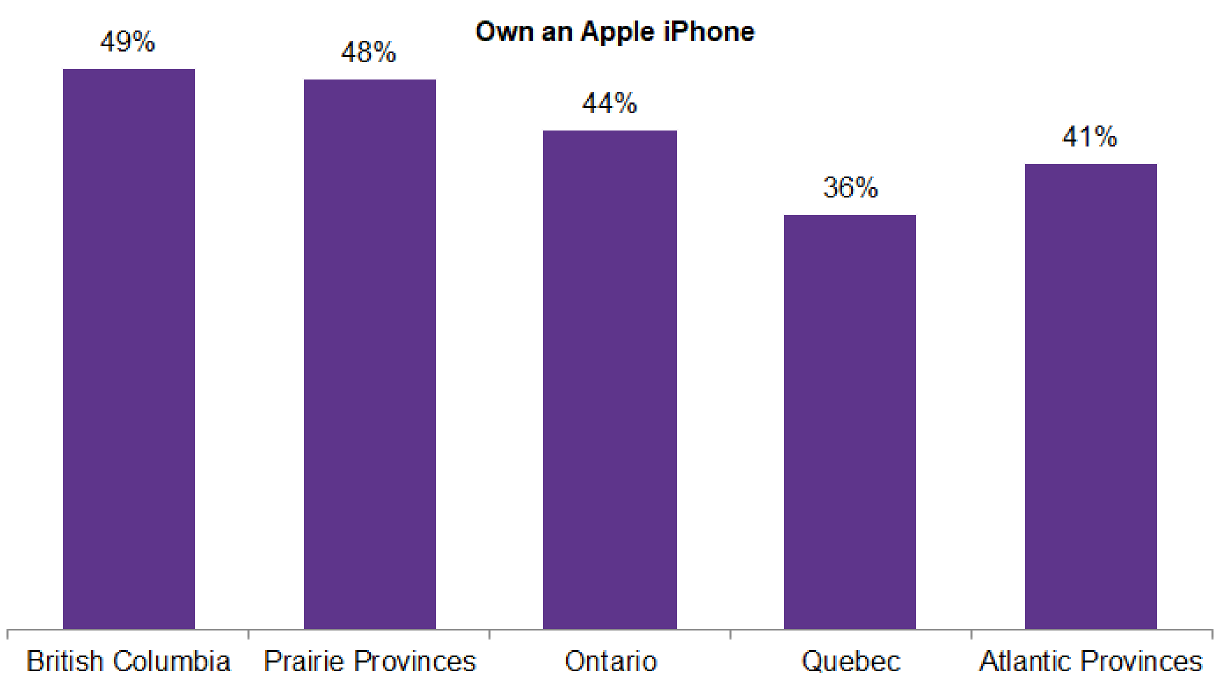
According to Mintel's *Mobile Phones – China, February 2017* Report, Apple's smartphone lead over Samsung in that country is significant (30% vs 18%), suggesting that these preferences for Apple in Canada could be driven by attitudes in Asia – and China specifically.

Another noticeable difference in iPhone ownership is regionally across Canada. Specifically, Quebec consumers are particularly unlikely to own an iPhone. And Samsung is not benefiting in Quebec; it is actually LG that sees the biggest regional increase (12% ownership in Quebec vs 7% overall).

This could partly be driven by providers, since 24% of Quebec smartphone owners use Vidéotron Mobile and only 26% of Vidéotron Mobile subscribers have an iPhone. Of course that could also be driven by low overall interest in iPhones within Quebec, but it highlights that smartphone brands depend on telecom providers to promote their devices – and one region with a particularly powerful telecom could see its smartphone brands impacted depending on how that provider chooses to sell its products.

FIGURE 24: OWN AN APPLE IPHONE, BY REGION, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Nevertheless, this shows that while Apple is the leading smartphone brand overall, there are some consumer groups with significantly different levels of demand.

Asian consumers who were not born in this country show a particular affinity for the iPhone – which is an opportunity to further leverage with targeted marketing – while Quebec seems to be a region that the brand has struggled to establish its lead in.

As will be seen in the next section, the tablet market follows similar demographic patterns but also highlights the complexities of a tech market where brands are increasingly looking to build ecosystems of multiple products.

Apple and Samsung also dominate the tablet market

Demographic differences are similar to smartphones

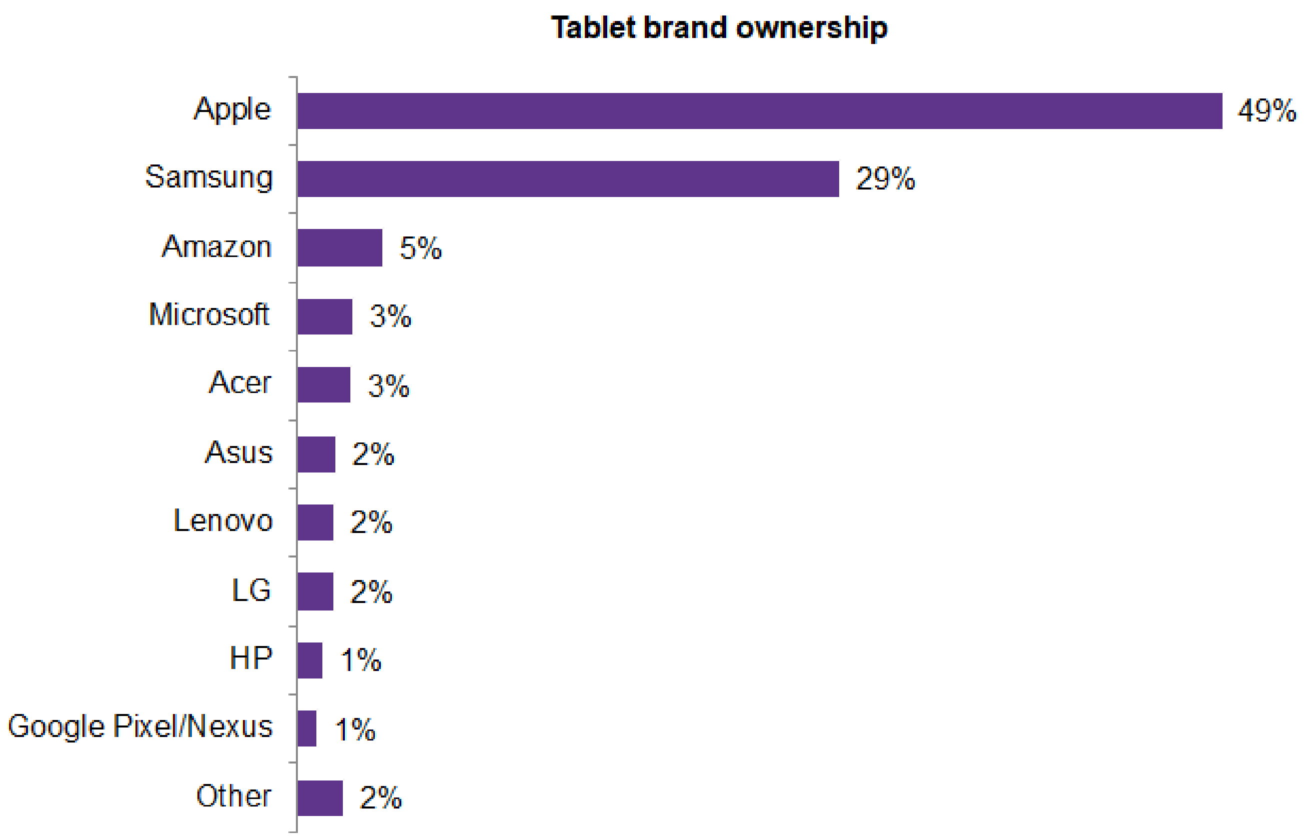
As different as the tablet market is from the smartphone market, there are some striking similarities. Consider that there are many brands making tablets that do not produce smartphones – such as Amazon, Microsoft, Acer, Asus, Lenovo and HP. Yet despite a very different competitive landscape, Apple and Samsung's positions are nearly identical in both markets.

Combined, 78% of tablet owners have an Apple or Samsung product (compared to 79% of smartphone owners). And while Apple's lead in the tablet market is slightly larger than the smartphone market, it is still quite similar.

This highlights how well these two brands have been able to create an entire mobile platform that helps them succeed with both smartphones and tablets.

FIGURE 25: TABLET BRAND OWNERSHIP, FEBRUARY 2020

"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,186 internet users aged 18+ who own a tablet

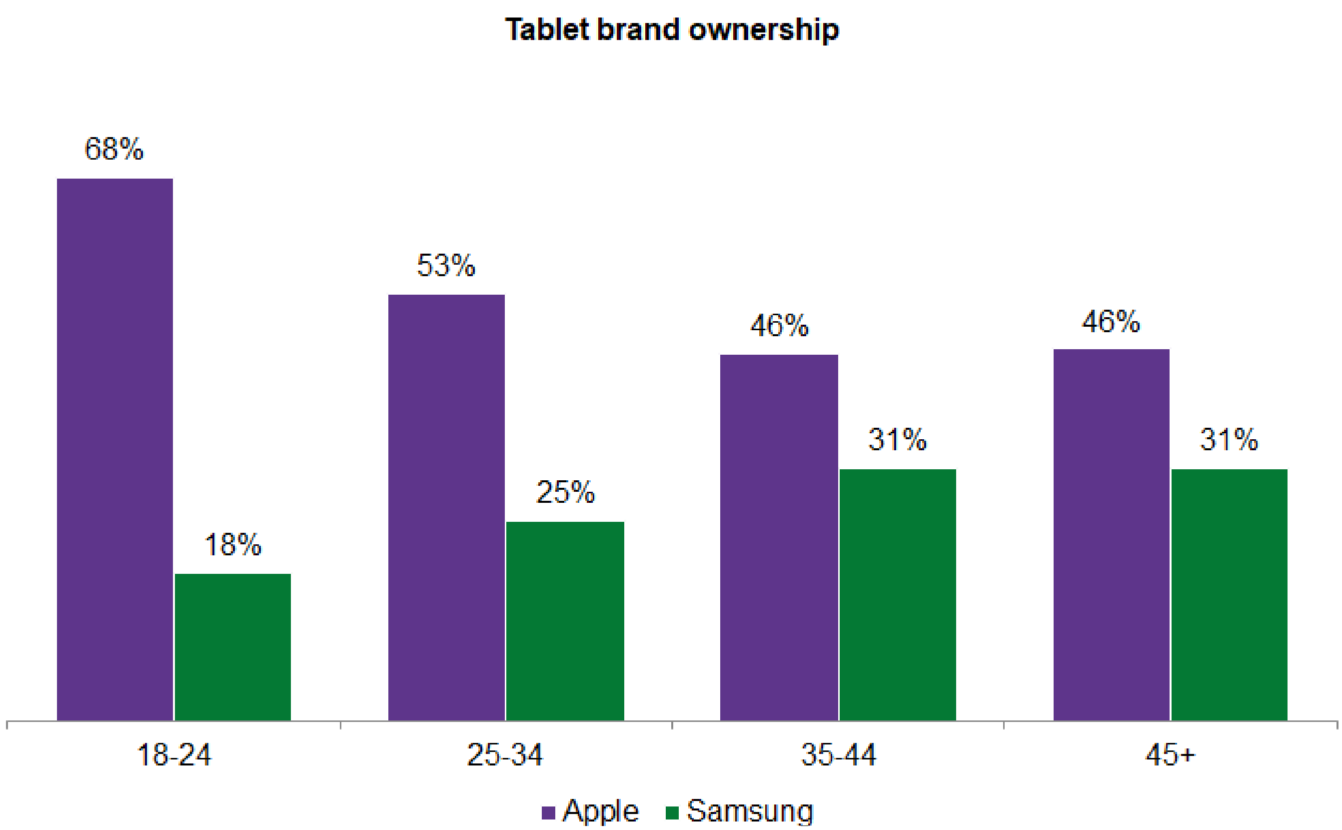
Source: Lightspeed/Mintel

Demographic comparisons between these leading brands are similar to smartphones. Apple is much more successful among younger consumers, while Samsung skews older.

However, one key difference in tablets compared to smartphones is that, even though Apple ownership is lower among older age groups, it still holds a noticeable lead over Samsung.

FIGURE 26: TABLET BRAND OWNERSHIP, BY AGE, FEBRUARY 2020

"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,186 internet users aged 18+ who own a tablet

Source: Lightspeed/Mintel

Apple iPads also skew to Asian consumers (62% own an Apple tablet vs only 19% own a Samsung tablet) – and like smartphones, this is driven by Asian consumers not born in Canada. Apple iPad ownership also skews to higher household income (55% of tablet owners with household income over $100,000 vs 49% overall), which may be driven by its higher price points.

iPads start at $429 and can go all the way up to over $1,249 – while Samsung tablets start as low as $199. Like smartphones, Apple has branded itself as a premium product while Samsung's pricing range makes it more accessible for a wider group of consumers (35% of tablet owners with household income under $25,000 have a Samsung tablet vs 29% overall).

There are also regional differences for tablet ownership. Like in the smartphone market, Apple's ownership rates in Quebec are relatively low. In Quebec, 43% of tablet owners have an Apple iPad while 34% have a Samsung.In comparison, BC tablet owners are twice as likely to have an iPad (59%) as they are to have a Samsung tablet (26%). This is further evidence that, while Apple is successful in Quebec, it has not penetrated that region in the same way as it has other parts of the country.

Smartphone and tablet brand choices are closely connected

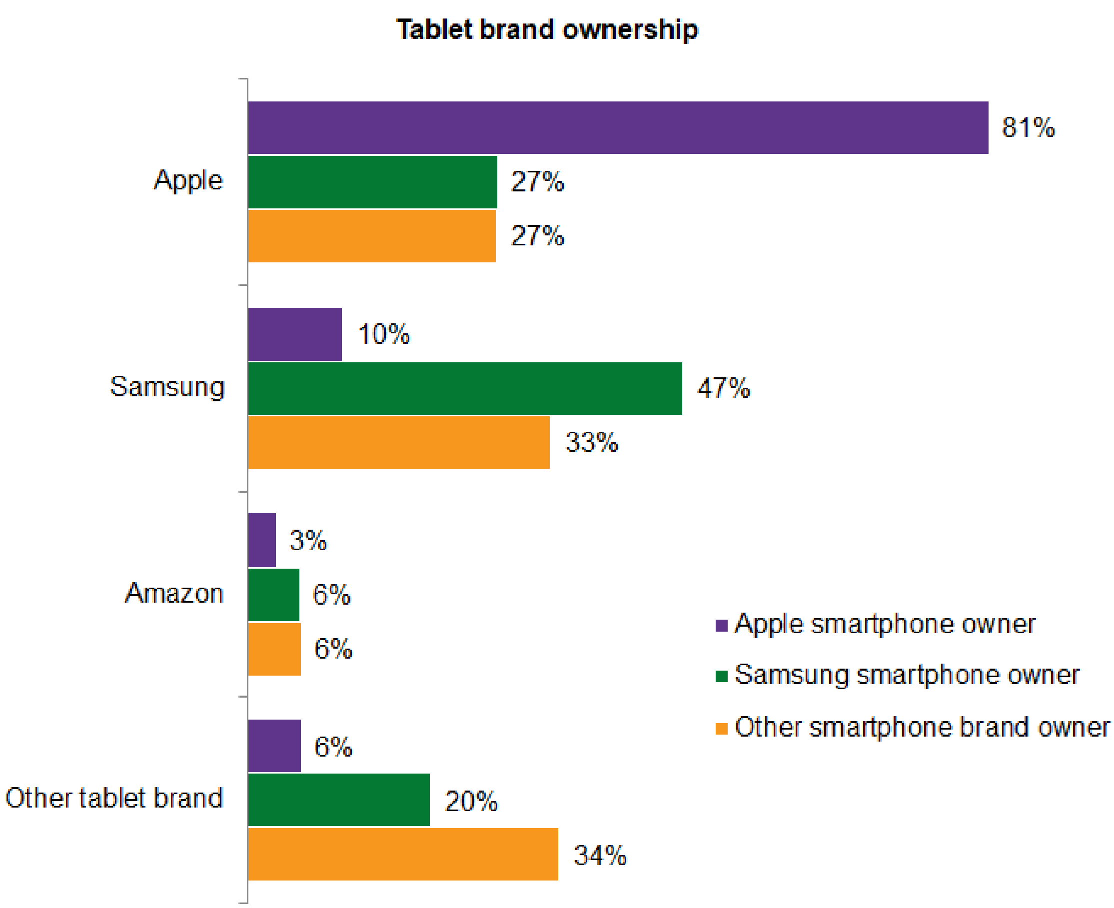
Considering the same two brands dominate both the smartphone and tablet markets – and that these devices are designed to work optimally together when made by the same brand – it is not surprising to see a correlation between brand ownership of smartphones and tablets. Apple has the strongest connection, with 81% of tablet owners who have an iPhone using Apple's iPad. In comparison, only 27% of consumers who own a tablet and have a Samsung phone also own an iPad.

The effect is similar, though not as significant, for Samsung's smartphone consumers. Nearly half of tablet owners with a Samsung smartphone own a Samsung tablet, too.

Interestingly, Amazon's Fire tablet struggles to establish itself with all consumers. Meanwhile, the other tablet brands (eg Asus, LG, Acer) depend mostly on smartphone owners who do not have an iPhone – likely driven by the familiarity of the Android platform across devices.

FIGURE 27: TABLET BRAND OWNERSHIP, BY SMARTPHONE OWNERSHIP, FEBRUARY 2020

"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,068 internet users aged 18+ who own a tablet and smartphone

Source: Lightspeed/Mintel

The product ecosystem that brands hope to attain – which is illustrated here – will be investigated more thoroughly later in this Report (see Brand Loyalty and Product Ecosystems section).

But in the current discussion about leading brands in the smartphone and tablet markets, it is important to acknowledge that these two types of devices are closely connected and that a brand's success in one can help it in the other.

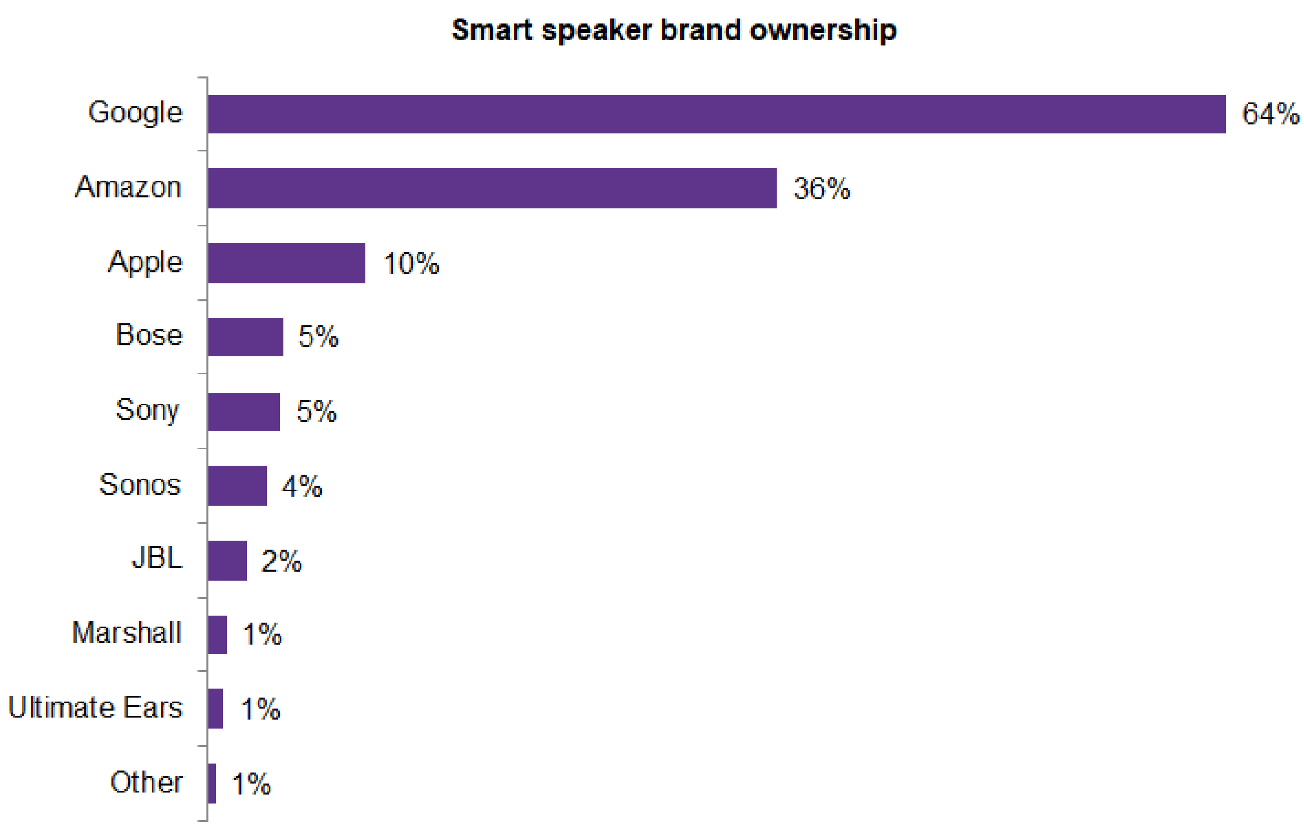
Smart speaker market is driven by Google and Amazon

Much like the smartphone and tablet markets, there are two clear leaders in the voice-controlled smart speaker market. However, unlike those devices, neither Apple nor Samsung are at the top.

Rather, smart speakers are currently dominated by a software company and an online retailer. While Google and Amazon have evolved far beyond their origins in software and retail, respectively, the fact that they lead the market over audio brands like Bose and Sony as well as a tech brand like Apple highlights how the consumer electronics market has changed in recent years.

FIGURE 28: SMART SPEAKER BRAND OWNERSHIP, FEBRUARY 2020

"What brands of voice-controlled smart speaker do you own? Please select all that apply."



Base: 565 internet users aged 18+ who own a voice-controlled smart speaker

Source: Lightspeed/Mintel

One interesting finding is how low Apple's ownership rate is in this market considering how well it does with its smartphones and tablets. Even among iPhone owners, only 15% of smart speaker owners have an Apple HomePod, while 58% have a Google speaker.

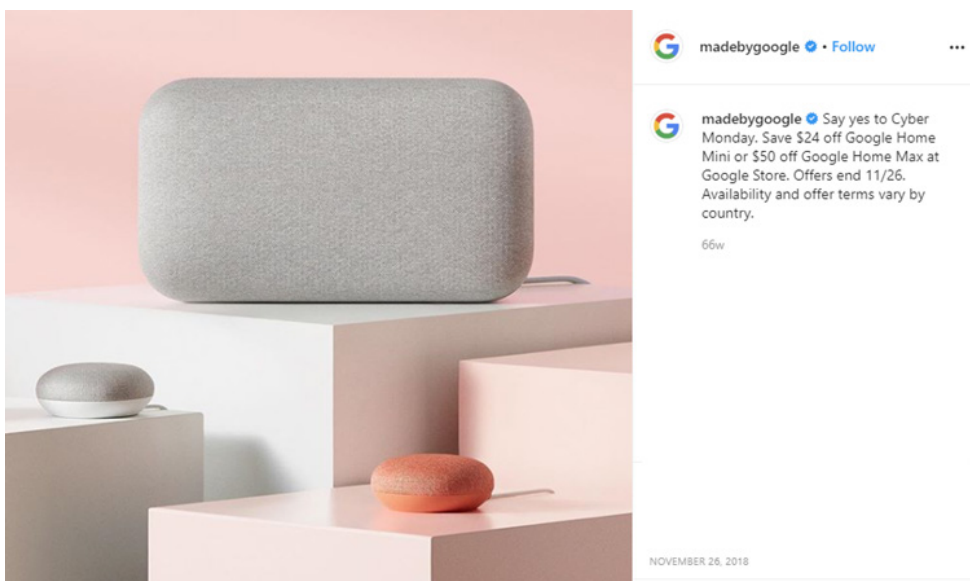
Part of the challenge for Apple is that it focused on one product at a high price point ($399), while Google and Amazon have a wide range of smart speakers – including some that are available for less than $100. This is exacerbated by the fact that these smart speakers cannot truly be smart home hubs until consumers invest in other smart devices – like smart thermostats, security cameras and appliances. Therefore, the high-priced models from Apple and other audio brands may be too much to spend on something that still has minimal smart home value without further investment.

But this still raises the question: how did two brands that do not lead any other hardware market find themselves dominating one of the most innovative categories of consumer electronics? Marketing and product development have played a major role in their success. For instance, Google has a wide range of different products and regularly promotes how they can make homes smarter.

FIGURE 29: MADE BY GOOGLE INSTAGRAM POST, NOVEMBER 2018

Source: Instagram – madebygoogle/Mintel

FIGURE 30: MADE BY GOOGLE INSTAGRAM POST, NOVEMBER 2018



Source: Instagram – madebygoogle/Mintel

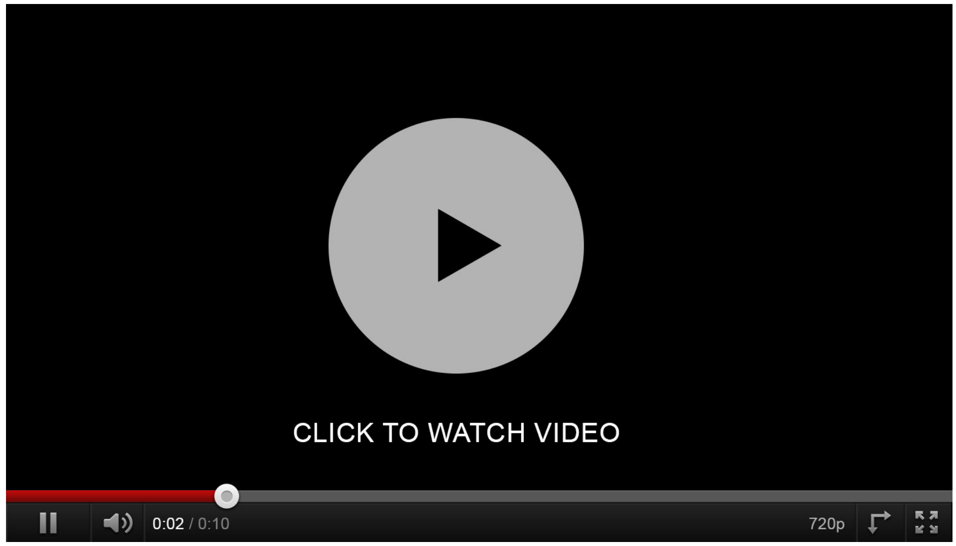
In fact, Google has consolidated its smart speakers under its smart home brand Nest, renaming its products Nest Mini, Nest Hub and Nest Hub Max. Nest – the brand behind smart home products like thermostats, smoke alarms and security cameras – positions these smart speakers as part of a broader smart home instead of a standalone tech product. This branding and positioning have no doubt helped Google establish its leading position in smart speakers.

Amazon has used a similar strategy, advertising its Echo products as part of a smart home rather than simply an audio speaker. Amazon's ownership of Ring – a smart home brand that competes with Nest – as well as the ubiquity of its digital assistant, Alexa, have helped Amazon establish itself alongside Google as a smart speaker leader.

Of course, it is also important to acknowledge that pricing promotions have played a major role in the success for Google and Amazon in this category. Three quarters (76%) of smart speaker owners say they own a smart speaker that they did not pay full price for (eg it was a gift, discounted) – and it is the same proportion for both Google and Amazon owners.

Google has actually given away many of its Mini smart speakers for free – such us through promotions with Google Play Music and Spotify. And some smart home service companies have used these speakers as incentives to sign up to a monthly smart home subscription. Amazon also regularly leverages online discount events such as Black Friday to significantly lower the price of its Echo speakers.

FIGURE 31: AMAZON ALEXA: PRACTICE HOURS, APRIL 2019



Source: YouTube – Amazon Alexa/Mintel

Whereas tech and audio brands like Apple and Bose see their smart speakers as products to be sold, Google and Amazon appear more willing to use them as loss leaders to establish brand loyalty and product ecosystems – which is likely contributing to their lead in the market.

Overall, the smart speaker category is much smaller than either the smartphone or tablet markets. Only 28% of consumers own a voice-controlled smart speaker compared to 87% with a smartphone and 59% with a tablet. Therefore, brands like Apple and Samsung are likely happy with their dominance of product categories with such high ownership rates and relevance for consumers.

However, the smart speaker market shows that brands which are not primarily focused on tech hardware can establish a dominant position if they put enough focus on their marketing and product development.

Google and Amazon's objectives in this category go beyond simply selling speakers, which will be discussed further in this Report (see Evaluating Techniques to Build Tech Loyalty section). But even aside from those motives, the smart speaker market has a brand landscape unlike any other one in the consumer tech hardware industry.

Usage of Competing Online Platforms

The digital market is not just about those brands that produce tech devices. In recent years, many companies in traditional categories have leveraged digital technology in order to improve themselves and be more relevant to consumers – especially the more tech-savvy ones. As a result, it is worth investigating some of the competition between brands that are taking advantage of digital technology.

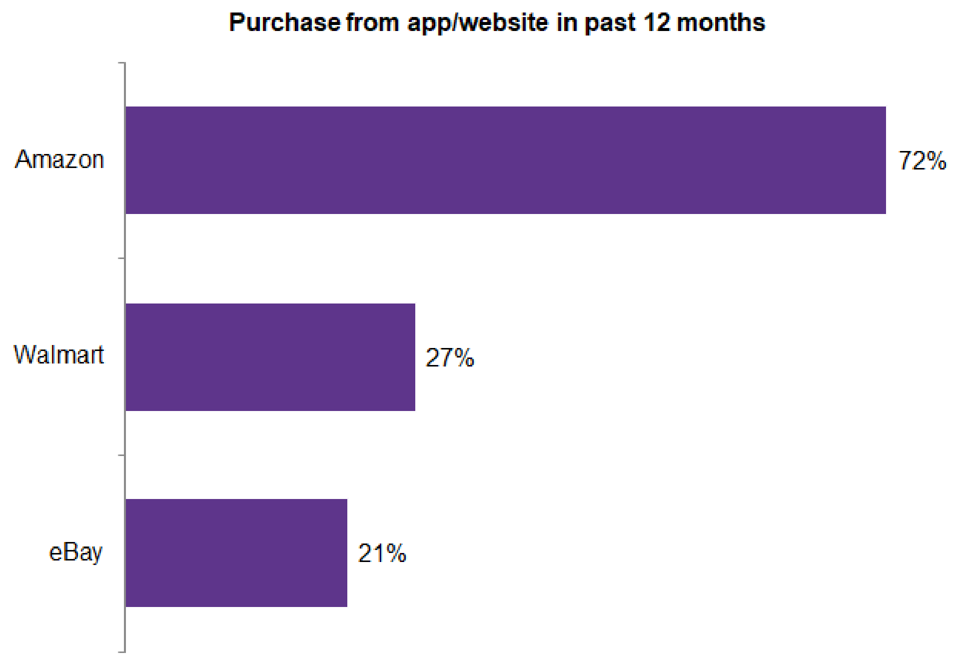
Amazon is dominating the online retailer market

According to Mintel's *Online Shopping – Canada, July 2018* Report, 24% of consumers shop online at least once a week; 60% are shopping online once a month or more. And amid the COVID-19 crisis, 7% of consumers said that they were shopping online more than usual during the first part of March (March 3-12, 2020) and that proportion jumped to 44% by the end of April (see Mintel's *Global COVID-19 Tracker – Canada, April 24-30, 2020*). This illustrates how important ecommerce has become in the broader retail landscape – which is why Amazon's position in that market has helped make it the powerful company it is today.

For comparison's sake, it is worth looking at Amazon's position in the online market compared to one of the leading general merchandise retailers in Canada, Walmart. According to the Retail Council of Canada, Walmart had over $24 billion in sales in 2019 – putting it only slightly behind Costco as the top in sales in the general merchandise category. But despite such a significant position in the overall retail market, many more consumers are using Amazon than Walmart when shopping online.

FIGURE 32: ONLINE RETAILER PURCHASES, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

FIGURE 33: ONLINE SHOPPING: AMAZON VS WALMART, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."

Base: 1,525 internet users aged 18+ who have shopped online at Amazon or Walmart in the past 12 months

Source: Lightspeed/Mintel

A more indicative metric of Amazon's dominance in this space is how consumers use both Amazon and Walmart. Among those who shop at either online store, two thirds use Amazon but not Walmart.

In comparison, only 6% are shopping at Walmart but not Amazon – while the other 30% use both. This means that the majority of Walmart's online shoppers are also using Amazon, whereas Amazon sees relatively few of its shoppers also using Walmart.

One clear advantage for Amazon over Walmart is its free shipping. Walmart's shipping policy requires a minimum $50 purchase before a customer can get free shipping; Amazon only requires $35. Furthermore, a subscription to Amazon Prime means that shoppers get free shipping with no minimum on eligible products.

Mintel's research found that 61% of consumers will generally not make an online purchase if it includes shipping fees. Therefore, Amazon's willingness to offer more free shipping to shoppers than Walmart could be a major reason for its success in the online retail marketplace.

There are a few key takeaways here. The first is the massive reach that Amazon has attained; three in four consumers have purchased something from Amazon in the past year. The second is how successfully Amazon has positioned itself as a one-stop shop for its consumers.

Among all of the consumers who have shopped at Amazon in the past year, only 32% also bought something from Walmart's app/ website. This suggests that many shoppers are looking to Amazon for their online purchases without any cross-usage of one of the site's chief competitors, Walmart.

The biggest takeaway, though, is how well this positions Amazon for the future in the general merchandise retail market. According to Statistics Canada, ecommerce sales growth in 2019 was 22.5% and ecommerce's share of total retail sales hit 4.6% during the holiday season – which set the record as the highest share of retail sales ever.

While in-person shopping continues to account for the majority of retail sales, the massive growth of online shopping and Amazon's dominant position in that market mean that the company should continue to see gains in the years ahead. This is especially true with the increase in online shopping activity during the COVID-19 crisis. It also highlights the importance of traditional retailers strategizing for the future of retail where online shopping plays an increasingly vital role – perhaps looking to Amazon for lessons on how to succeed with the online channel.

Uber is the clear leader in ridesharing

Like Amazon, Uber is a company that has capitalized on consumers adopting more digital technology – like smartphones – and becoming more comfortable with making online/in-app purchases. And Uber is particularly illustrative of the benefits of the first-mover advantage. Uber first launched in Canada in 2014, while its main ridesharing competitor Lyft came three years later in 2017. Based on consumer usage today, it seems that the head start was very beneficial for Uber.

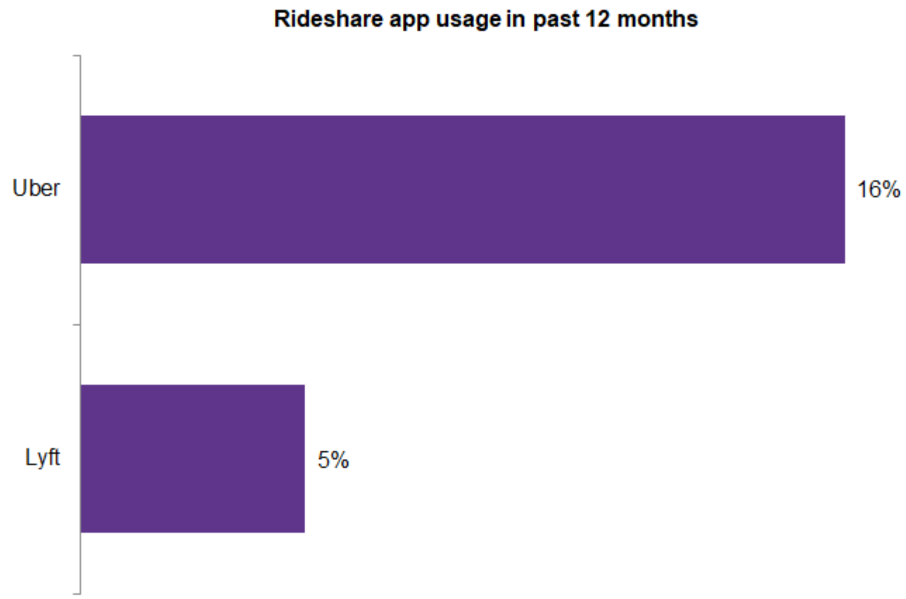
According to Mintel's *Ride Sharing and Mobility Services – Canada, March 2020* Report, ridesharing services like Uber and Lyft have nearly caught up to traditional taxis in usage. That Report found that 20% of consumers have used a rideshare service in the past year compared to 26% who have used a taxi; and among 18-24s, rideshare (33%) actually has the edge over taxis (27%).

Within this category, Uber has a significant lead over Lyft – with three times as many consumers using the former as the latter. In fact, among all consumers who used at least one of these apps, 93% used Uber; even among Lyft riders, 73% have used Uber in the past year.

This means that Uber is the far and away leader of this category while Lyft is mostly dependent on occasional usage from people who already use Uber. In total, 73% of rideshare users only use Uber, 20% use both and only 7% use Lyft exclusively. Suffice to say, Uber is dominating the Canadian rideshare market.

FIGURE 34: RIDESHARE APP USAGE, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

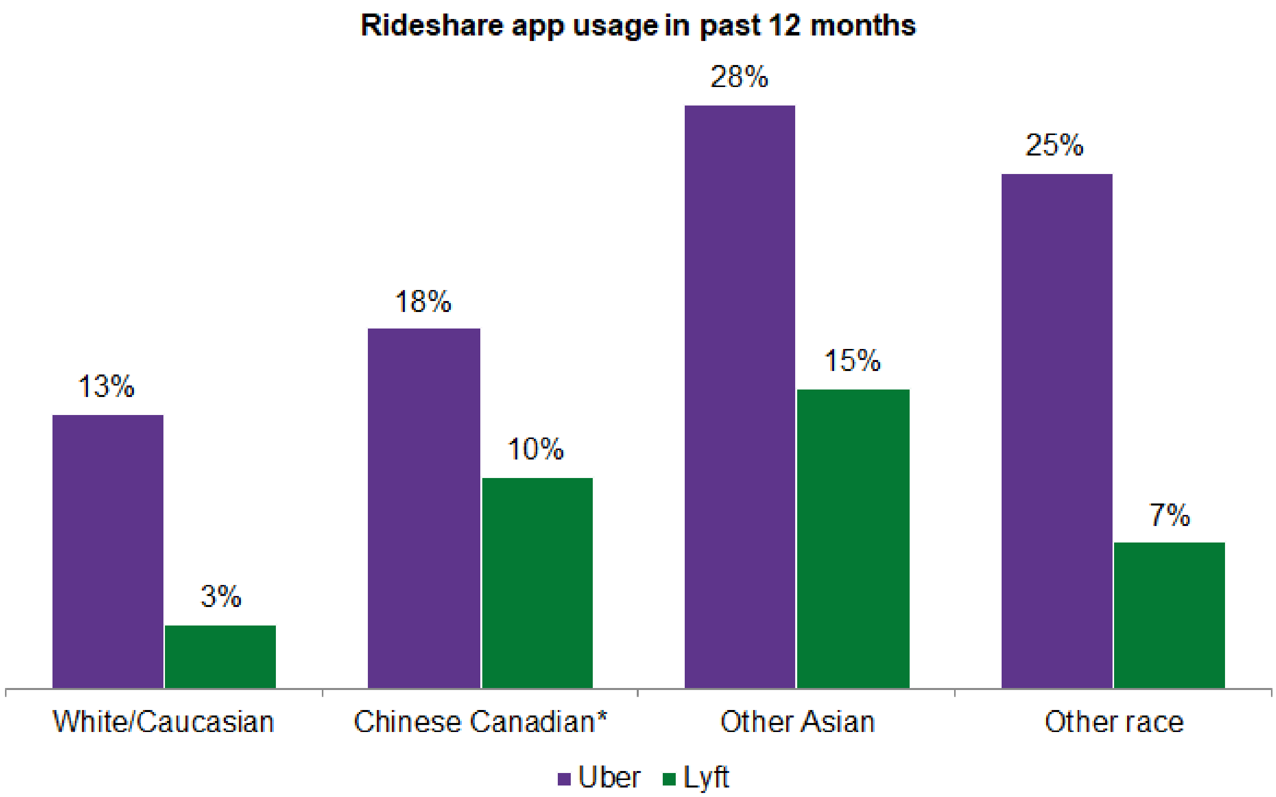
Interestingly, it seems that many of Uber and Lyft's drivers are actually the same people. According to a *Business Insider* report that interviewed a man who drove for both services, most of these drivers work for Uber and Lyft at the same time – with the goal of increasing their chances at getting ride requests.

This creates a unique situation where each brand is using the same labour force and the same vehicle fleet – meaning the competition comes down to their marketing and their app experience.

While Uber outperforms Lyft across all demographic groups, one particularly interesting one is race. Overall, ridesharing app usage is highest among non-Chinese Asian consumers and other non-White/ Caucasian races. Lyft usage is especially high among non-Chinese Asian consumers. For comparison, they are about twice as likely as White/Caucasian consumers to use Uber, but five times as likely to use Lyft.

FIGURE 35: RIDESHARE APP USAGE, BY RACE, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

* small sub-sample (75-100)

Source: Lightspeed/Mintel

Part of this difference is likely driven by the cities that these companies operate in. Lyft's website lists 11 different cities it operates in across two provinces (Ontario and BC). But a closer look shows that many of the different cities are part of a greater urban area. More accurately, Lyft operates in Vancouver, Ottawa, Toronto and Hamilton. Therefore, its consumer demographics would be more reflective of the diversity in those four cities than of Canada overall.

Uber, on the other hand, has leveraged its longer time in Canada to establish itself in more cities. Uber is currently available in 19 different cities – including their adjacent suburbs – across six different provinces. As a result, it is no surprise that Uber has higher usage overall and that it is less reflective of the demographics of major urban centres like Toronto and Vancouver.

One hurdle for Lyft to catch up with Uber is the impact of pricing on consumers' decisions. According to Mintel's *Ride Sharing and Mobility Services – Canada, March 2020* Report, only 28% of rideshare users say that they use whichever service is cheaper.

That means Lyft's frequent discounts for current users – typically offering a few dollars off of rides for a week or two – will likely only resonate with about a quarter of consumers while the rest remain loyal to what they are currently using. This further highlights the advantage that Uber has created for itself by being the first to market.

All of this shows the uniqueness of this market – and how digital technology can disrupt and overturn a traditional category; the taxi cab industry ran into a highly efficient digital algorithm in the form of an app and it changed transportation entirely.

And from a brand perspective, it illustrates the benefits of being the first to market and highlights that brands entering the market at a later time must find a way to differentiate significantly since offering a very similar product or service will make it extremely difficult to ever surpass the original brand.

Food is going online in both foodservice and grocery

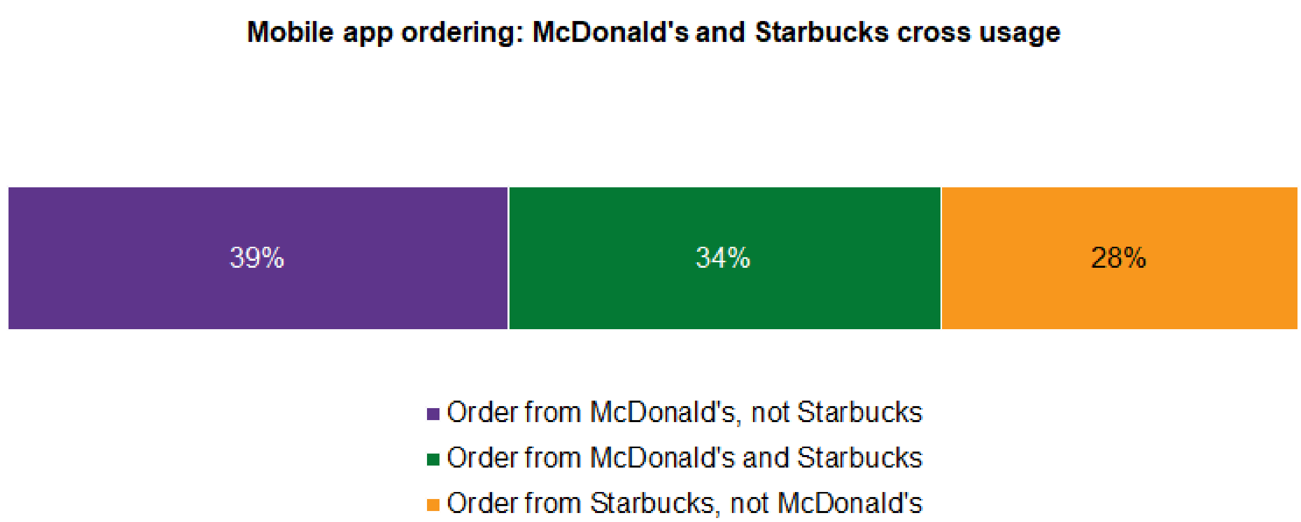
McDonald's and Starbucks are both building their app usage

While many foodservice companies now offer in-app and online purchases, McDonald's and Starbucks are two brands that have been at the forefront. McDonald's introduced mobile ordering to Canada in 2017, allowing consumers to order ahead and pay in its app, skipping the line entirely. Starbucks integrated mobile technology to its restaurants even earlier; in 2012 the company introduced payments using mobile phones, followed by mobile order and pay in 2015.

A quarter (26%) of consumers have made an in-app/online purchase from either McDonald's or Starbucks in the past 12 months; and both apps perform similarly, with McDonald's used by 19% and Starbucks 16%. Furthermore, there is healthy cross-usage between these two brands, suggesting that they are not both pulling from the same pool of consumers, yet there are still many people using both brands' apps to order ahead and make purchases.

FIGURE 36: MOBILE APP ORDERING: MCDONALD'S VS STARBUCKS, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 516 internet users aged 18+ who have made an in-app purchase from either McDonald's or Starbucks in the past 12 months

Source: Lightspeed/Mintel

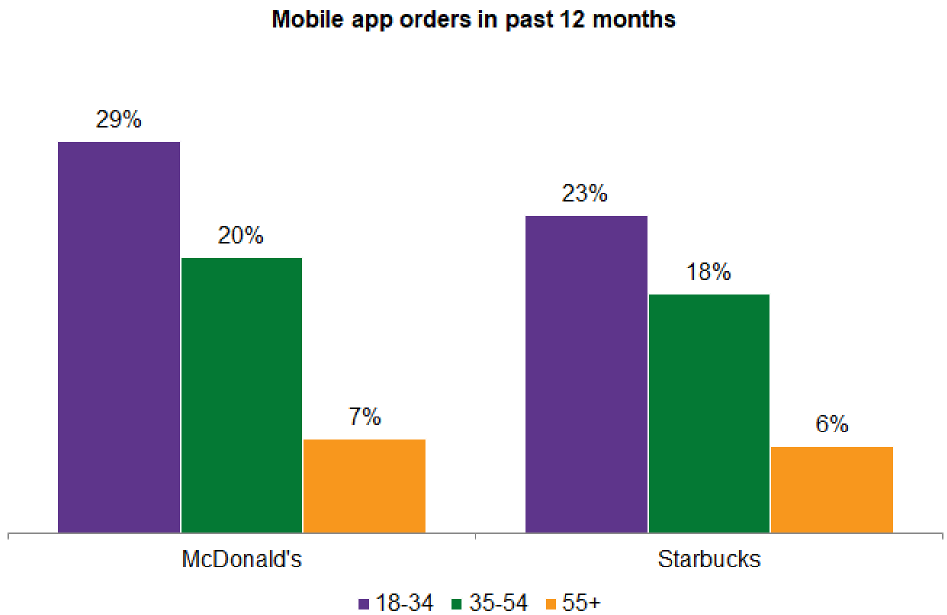
Not surprisingly, mobile app orders skew younger for both McDonald's and Starbucks. This is to be expected since 18-34s are typically the most tech-savvy, but there does seem to be potential to attract more 35-54s to these mobile platforms. That is because 93% of 35-54s own a smartphone and 90% of them visit QSRs (see *Quick Service Restaurants – Canada, June 2019*) – which are both in line with 18-34s.

Therefore, this middle age group has the tool to make mobile orders and they visit QSRs enough to use it, yet do not do so at the same rate as 18-34s. Targeting mobile app messaging at these 35-54 year old consumers – highlighting the convenience and the ease of use – would be an effective way of driving up overall usage of these applications.

As an example of how to do that, last year McDonald's had an advertisement that communicated the ease of use of its app – and the convenient benefits it offers. More of this kind of messaging on channels that 35-54s are more likely to use – such as traditional cable/satellite TV – as well as clearer examples of how quick the experience can be from opening the app to completing the order are tactics that can potentially drive more usage.

FIGURE 37: FOODSERVICE MOBILE APP USAGE, BY AGE, FEBRUARY 2020

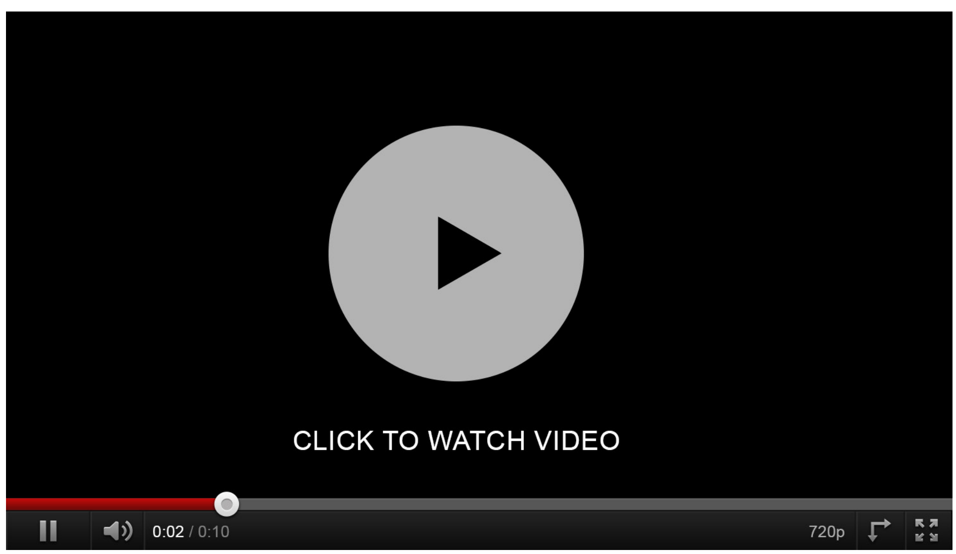
"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

FIGURE 38: MCCAFÉ MOBILE ORDER AND PAY | SINGING, MARCH 2019



Source: YouTube – McDonald's Canada/Mintel

The time-saving benefits of these mobile apps can be used as a key marketing tactic to get more users. Parents are much more likely than non-parents to use the McDonald's app (30% vs 15%) and the Starbucks app (23% vs 13%). And full-time workers are also more likely than average to use both the McDonald's app (25% vs 19% overall) and the Starbucks app (22% vs 16% overall).

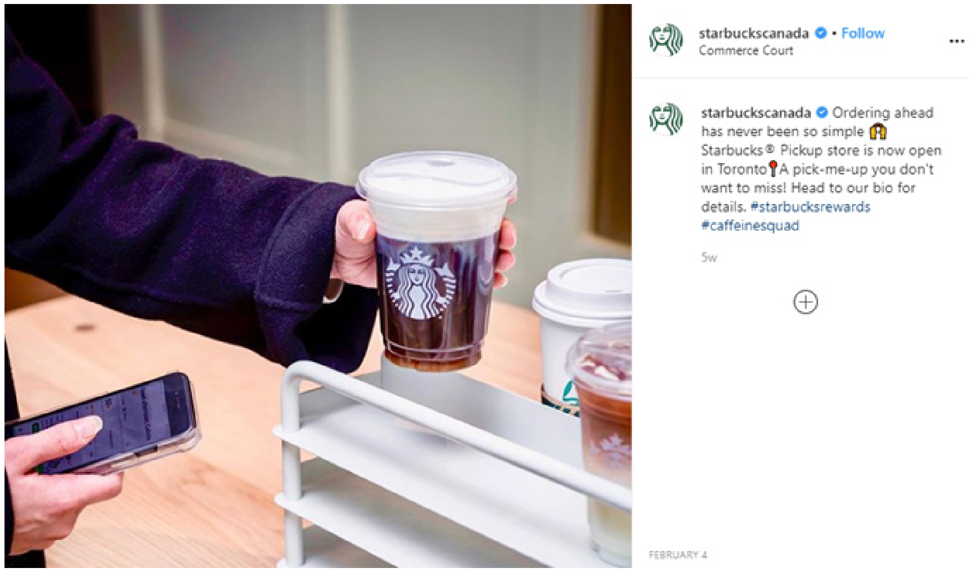
This suggests that time-strapped consumers – like those with kids and strict, full-time job schedules – are the ones most likely to see value in these mobile orders. Starbucks is putting even more focus on its mobile platform, launching pick-up locations that dedicate the entire space to mobile orders to speed up coffee purchases for those consumers.

McDonald's and Starbucks are far from the only restaurants that offer mobile orders. Perhaps the most disruptive brand in this space is not even a restaurant: Uber Eats. Leveraging its rideshare platform and fleet of drivers, Uber Eats offers delivery service from a wide selection of different restaurants – including McDonald's, in fact.

Overall, 13% of consumers have used Uber Eats in the past year – but 18-24 year olds are actually more likely to have used Uber Eats than to have ordered from the Starbucks app (26% vs 20%). This highlights how relevant this type of service is to those who are comfortable and familiar with it, offering a broad choice of foods to be delivered to one's door at the press of a button.

The COVID-19 crisis will likely have a significant impact on these services, too. The foodservice industry has been one of the most affected parts of the entire economy, but these digital platforms could help to alleviate some of those challenges.

FIGURE 39: STARBUCKS CANADA INSTAGRAM POST, FEBRUARY 2020



Source: Instagram – Starbuckscanada/Mintel

For instance, as discussed earlier in this Report (see The Impact of COVID-19 on Digital Tech Brands), 15% of consumers say they have used a foodservice delivery app like Uber Eats in response to the pandemic.

But once more businesses begin to re-open, mobile ordering apps like those from McDonald's and Starbucks could become even more relevant. Rather than just being a timesaver, these apps can limit the amount of time a consumer spends inside a restaurant, thereby limiting exposure to others and assuaging concerns about contracting the virus.

Taking a step back, it seems that digital purchases and foodservice – especially quick service – are very complementary. Quick-service restaurants have been built on a foundation of speed and convenience; mobile applications simply help facilitate those tenets.

Furthermore, the apps require relatively little behaviour change for consumers as long as they are comfortable with their smartphones. The only difference compared to a traditional QSR visit is that they spend a minute or two entering their order into their phone rather than speaking to a cashier – the rest of the experience remains mostly the same.

As a result, it is not a surprise that McDonald's and Starbucks already have app usage approaching one in five consumers. And while 51% of consumers say they have not used third-party delivery apps and are not interested (see *Quick Service Restaurants – Canada, June 2019*), Uber Eats could see increased usage as a result of the COVID-19 crisis. Looking forward, the competition between foodservice brands to develop the best app experience and drive the most mobile traffic will be a worthwhile battle to track.

Online grocery orders are much slower to take off

Unlike foodservice, food retail has not seen the same success from digital purchases. Three of the most established online grocery shopping programs on the market – PC Express, Instacart and Grocery Gateway – have combined to be used by just 8% of consumers in the 12 months prior to February 2020.

In addition to these three brands, Walmart offers a grocery shopping service (pick-up or delivery) and Amazon offers many packaged goods that are typically found in grocery stores (eg coffee, cereal). And Mintel's *Straight to You* Trend suggests that consumers now expect products and services to be brought directly to them, wherever they are. But despite all of this, it seems that consumers have been slow to adopt it.

The demographic most likely to use these service is moms with kids under 18. Some 18% of them have used at least one of these services in the past year, led by PC Express (14%). This skew to moms is likely driven by their greater responsibility for grocery shopping. According to Mintel's *Grocery Retailing – Canada, August 2018* Report, 72% of moms are solely responsible for their household's grocery shopping (vs 62% overall and 58% of dads). But it still highlights them as a key target group for these services.

There are two important questions that come from these overall findings: why is usage of these services so low and how is PC Express outperforming its competitors?

The answer to the first question is that many shoppers seem uncomfortable with such a major change to their habitual grocery shopping. According to that same *Grocery Retailing – Canada, August 2018* Report, 46% of grocery shoppers have never tried online ordering and have no interest in doing so.

Furthermore, 46% say they are concerned about the freshness of products they bought online while only 20% perceive grocery shopping as a chore. This suggests that many consumers fear the drawbacks of online grocery shopping (eg less freshness), while relatively few have a problem with the traditional way of shopping that needs fixing. Add in the fact that most of these services charge an extra fee on top of the grocery bill and it is clear why so many would avoid it.

Unlike foodservice where mobile apps require little behaviour change for users and offer clear benefits with minimal drawbacks, the experience of shopping online for groceries is seemingly too different for many consumers to be comfortable with. That significant change in behaviour is likely a key contributor to why online food retail struggles while online foodservice ordering is resonating.

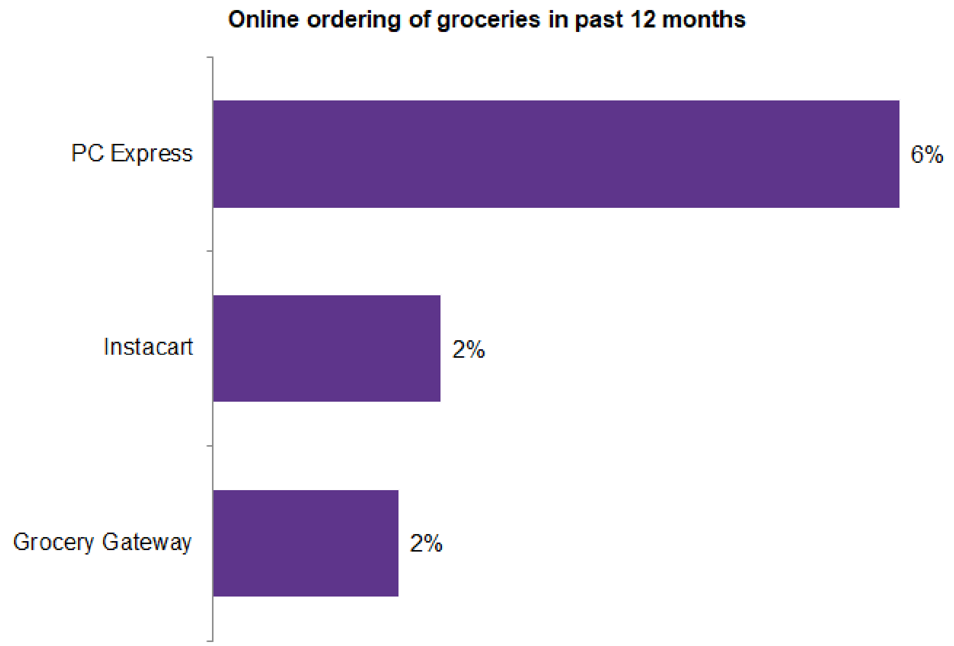
When it comes to PC Express' relative success, it could be driven by its breadth of options. Since it is owned and operated by the Loblaw Companies, it has access and pick-up availability at Loblaws, Real Canadian Superstore, No Frills and more store brands across the country. It has also established pick-up locations elsewhere – such as at transit stations so that commuters can grab their delivery on the way home. And since the service fee is relatively low – typically $3-5 per order – compared to a competitor like Instacart, its pricing attracts more users.

Grocery Gateway is owned by Longo's and also offers pick-up services – as well as delivery services that cost upwards of $7.99 per order – but its product selection is smaller than PC Express' due to the latter's access to so many stores. Put simply, PC Express has been able to leverage the vast Loblaw network of grocery stores – and invest in a large number of pick-up locations – to offer a convenient experience while keeping fees down.

Of course, it is important to note the impact of COVID-19 on this category. This research was done prior to the crisis and therefore illustrates a baseline for these services – but demand has spiked as consumers try to stay home as much as possible.

FIGURE 40: ONLINE GROCERY ORDERS, FEBRUARY 2020

"Which of the following apps/websites have you made an online purchase from in the past 12 months? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

As discussed earlier in this Report (see The Impact of COVID-19 on Digital Tech Brands section), 70% of consumers are visiting grocery stores less often and 22% are buying more groceries online because of the crisis.

The result is that many people are trying these services who may never have done so in the past – creating an opportunity for brands like PC Express and Instacart to establish loyal customers.

Nevertheless, it is important to remember how these services performed prior to COVID-19. At that point, there were nine times as many consumers who had ordered from Amazon in the past year as who had ordered from any of these three grocery services; Grocery Gateway was purchased by Longo's 15 years before Uber Eats launched in Toronto, yet six times as many people were using Uber Eats pre-COVID-19.

There is reason to believe that these services can increase usage long term now that so many consumers have tried them – but when the market eventually returns to normal, these brands will need to be proactive to retain as many customers as possible since these baselines suggest few consumers want these services outside of a once-in-a-century pandemic.

Consumer Perceptions of Tech Brands

Apple, Amazon and Microsoft have distinct brand positions

A correspondence map analysis helps illustrate how the average consumer perceives four of the biggest tech brands in the market today: Apple, Amazon, Google and Microsoft.

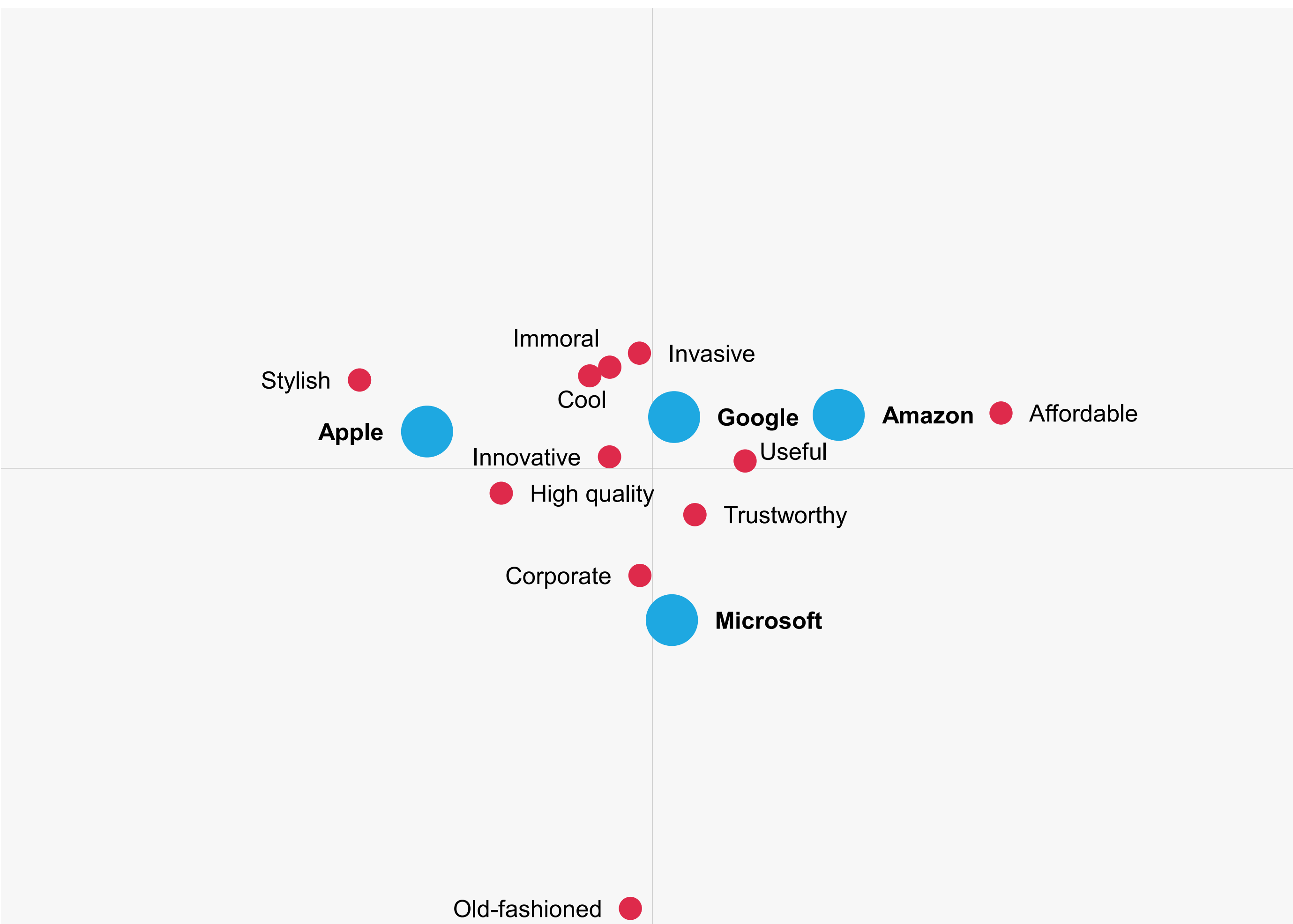
A quick glance at this map shows that Apple, Amazon and Microsoft stand out in their positions, while Google exists in a space between all three of them.

To use this correspondence map, imagine a line drawn from a brand to the centre of the map then to a given characteristic.

The smaller the angle between those two lines, the more closely connected that brand is to that characteristic. So, for example, Apple is closely associated with “stylish” and “innovative”, but not “affordable”.

FIGURE 41: CORRESPONDENCE ANALYSIS – SYMMETRICAL MAP – BRAND CHARACTERISTICS, FEBRUARY 2020

“Which of the following characteristics do you associate with each brand? Please select all that apply per brand?”



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

The characteristic associations with Apple indicate that their branding strategies are working. Consumers see Apple as stylish, innovative, high quality and cool. It is worth noting, however, that the brand trails others in perceived usefulness – suggesting that its focus on style and design has taken away from its perceived utility and functionality.

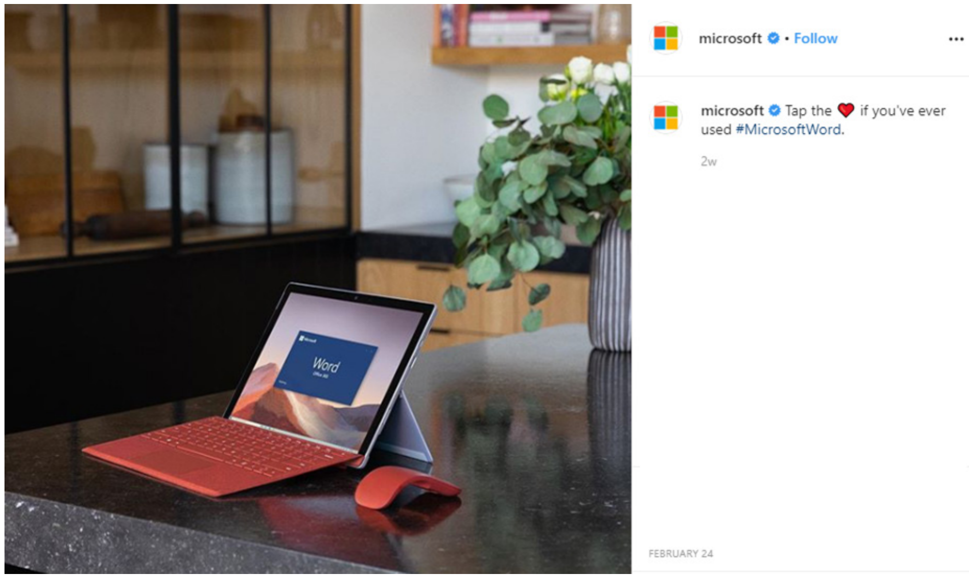
Microsoft, on the other hand, is more closely associated with "corporate" and "old-fashioned" – but also is positioned well with respect to being "trustworthy". The brand has made an effort to be more stylish in recent years with sleek designs for its hardware; it also introduced a new, simpler logo in 2012.

However, even though characteristics like old-fashioned and corporate are not necessarily ideal for a brand, Microsoft's stability and trustworthiness put it in a unique market position. That is, its longevity gives it an advantage over newer entrants like Amazon and Google, while its practicality and affordability differentiate it from Apple. Therefore, Microsoft may be best maintaining its current brand position rather than attempting to turn into something it is not.

Amazon has established itself in an interesting position within this market. It is seen as affordable and useful, which is likely driven by its general merchandise retail business that helps consumers shop conveniently for the best prices. But it is not as closely associated with being innovative, stylish or high quality. This highlights the challenge for a brand that is trying to be so many things.

On one hand Amazon is the site to visit to buy a book or subscribe to regular deliveries of coffee pods. But at the same time, the brand also wants to sell smart speakers, tablets and smart TV platforms. In a tech market where brands are trying to increase their reach, it will become more difficult to maintain consistent brand messaging for consumers. In fact, Amazon's situation is similar to another major tech company that has expanded into the hardware market: Google.

FIGURE 42: MICROSOFT INSTAGRAM POST, FEBRUARY 2020



Source: Instagram – Microsoft/Mintel

The Google brand has some contradictory meaning for consumers

Unlike the other three brands, Google's consumer perceptions are middling. It does not have one particular characteristic that consumers uniquely associate it with – aside from some minor concerns about it being invasive and immoral. This is both good and bad for the Google brand. It is good because Google is not pigeonholed into a specific identity, meaning it has the opportunity to reach most consumers. But without a unique angle in the market, it also makes it difficult to stand out in the eyes of the consumer.

One characteristic that is particularly illustrative of Google's market position is "affordable". Consumers perceive Google as more affordable than Apple, but less affordable than Amazon – while it is in line with Microsoft. The challenge, though, is that Google's pricing model has a very broad range that makes it difficult to determine whether the brand is affordable or premium.

Google started as an ad-supported search engine and then evolved into other online software programs that are freely accessible to consumers – such as Gmail, Google Maps and Google Docs, among many others. As it moved into hardware, it built off of this accessible, affordable brand image to bring more devices to the average consumer at a good price.

The Chromebook is positioned as a stripped-down laptop with a focus on internet usability. By taking away the software and memory hardware that consumers were no longer using, the Chromebook could be priced very competitively.

Today, some Chromebooks are available for under $300, while Windows-based laptops typically cost at least $400 and Apple MacBooks are priced at over $1,000. Similarly, Google Chromecast dongles convert TVs into smart devices that can stream content from essentially any mobile device – and they cost just $45.

However, Google's Pixel product line went in another direction. The Google Pixel 4 currently starts at $999 – going up to $1,259 for its 128GB XL version. In comparison, a Samsung S10 starts at $979 for its 128GB version. Even the base model iPhone 11 is available for $979.

It is worth noting that Google has a mid-range smartphone, the Pixel 3a (and soon Pixel 4a) that are priced much lower than the Pixel – but it is still an instance where the brand is pricing its best product at the same level as established premium brands like Apple and Samsung, which could confuse brand perceptions for consumers.

As with Amazon, Google's size and breadth have put it into a challenging spot to create a clear, cohesive brand message; there is no simple solution. But the consumer feedback that positions Google in the middle of the other brands – with no defined, differentiating characteristic – suggests that it may need to work on clarifying its identity and make it easy for consumers to know exactly what the Google name means.

iPhone owners' brand perceptions are similar to most consumers'

One interesting discovery in this characteristic analysis was how Apple iPhone owners compared to consumers overall. For years, the Apple brand has been associated with cult-like stereotypes.

In 2015, *Business Insider* reported on an NYU professor who said that Apple is "obviously a cult". The reasoning behind this opinion was that Apple consumers are more like fans or followers than customers; they have an inflated opinion of the Apple brand and its quality.

This Report looks further into Apple consumers and their perceptions of their own products and finds that they do have a high opinion of them – but this characteristic analysis shows that it is not unlike the average consumer.

FIGURE 43: CORRESPONDENCE ANALYSIS – SYMMETRICAL MAP – BRAND CHARACTERISTICS, APPLE IPHONE OWNERS, FEBRUARY 2020

"Which of the following characteristics do you associate with each brand? Please select all that apply per brand."

Base: 761 internet users aged 18+ who own an Apple smartphone

Source: Lightspeed/Mintel

Like the previous correspondence map, iPhone owners associate the Apple brand with being stylish, cool, innovative and high quality. While these characteristics are more exaggerated for iPhone owners compared to the average consumer, the general perceptions are similar. And these similarities highlight how successful Apple has been at branding itself to the masses.

There are two possible explanations for Apple having such a similar image among all consumers and iPhone owners. The first is that iPhone owners do not have any particular unique loyalty to the brand – or "cult-like" behaviours – and therefore think of Apple in the same way as someone without an iPhone would.

The second, and more likely, explanation is that years of marketing and innovation have resulted in the average consumer viewing Apple in the same way as Apple product owners. For instance, 33% of all consumers say Apple is stylish; the next closest brand is Google with 14%.

Similarly, 48% of all consumers say Apple is high quality, while only 35% say the same thing about Microsoft. Whether consumers have purchased Apple's flagship iPhone product or not, it seems that the average consumer has come to associate the Apple brand with positive characteristics like quality and style. So while Apple product owners may be particularly positive about their brand, the company has done a very good job of ensuring that the average consumer shares similar sentiments even if they do not own an iPhone.

Younger consumers have some different opinions about brands

Young consumers provide an interesting perspective on today's tech brands. For 18-24 year olds specifically, all four of Apple, Google, Amazon and Microsoft have existed in their current form for most, if not all, of their lives. That means that the actions of Microsoft and Apple in the 1980s and 90s should have little bearing on their current brand perceptions – while the relative newness of Amazon and Google compared to Microsoft and Apple is imperceptible to these young consumers. As a result, their opinions of these brands provide an interesting glimpse into how they have positioned themselves since the turn of the century.

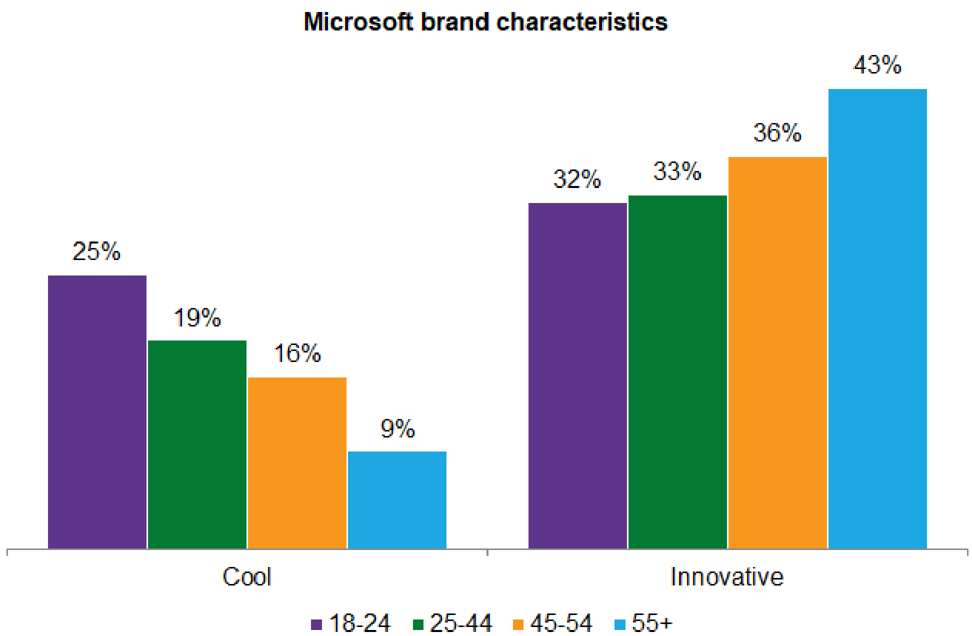
One notable example of changing perceptions of a brand is Microsoft. Younger consumers are more likely than older consumers to perceive Microsoft as cool – while they are less likely to think of them as innovative. The reason is likely because some of Microsoft's most innovative years – such as the development of the most widely used operating system in the world, Windows – happened before they were born.

And in the past 20 years, most of Microsoft's activity has been based on updates to its Windows platforms, developing hardware products that follow other brands' moves – such as the Surface tablet to combat the Apple iPad – and even launching retail stores that bear a striking resemblance to Apple Stores.

Yet these tactics also seem to be helping Microsoft appear cooler to younger consumers. It has developed sleek and stylish hardware, its retail stores are clean and simple and its move to more cloud-based services like Office 365 has kept it relevant with on-the-go lifestyles. Of course, its coolness factor is still well below competing brands like Google and Apple – but the different opinions among age groups suggest that the brand has made some incremental progress in recent years.

FIGURE 44: MICROSOFT BRAND CHARACTERISTICS, BY AGE, FEBRUARY 2020

"Which of the following characteristics do you associate with each brand? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

Another example of differing brand opinions among consumer age groups is Google. Google began as a search engine but has grown into one of the most powerful tech companies in the world. As of March 2020, its parent company (Alphabet Inc.) had a market capitalization value of $840 billion.

According to CNBC, Google had over 114,000 employees by Q3 2019. Google's CEO has an annual salary of $2 million and could earn an additional $240 million in stocks if certain performance levels are hit, according to *Business Insider*. Put simply, Google's amazing growth in the past two decades has made it an extremely valuable, large corporation.

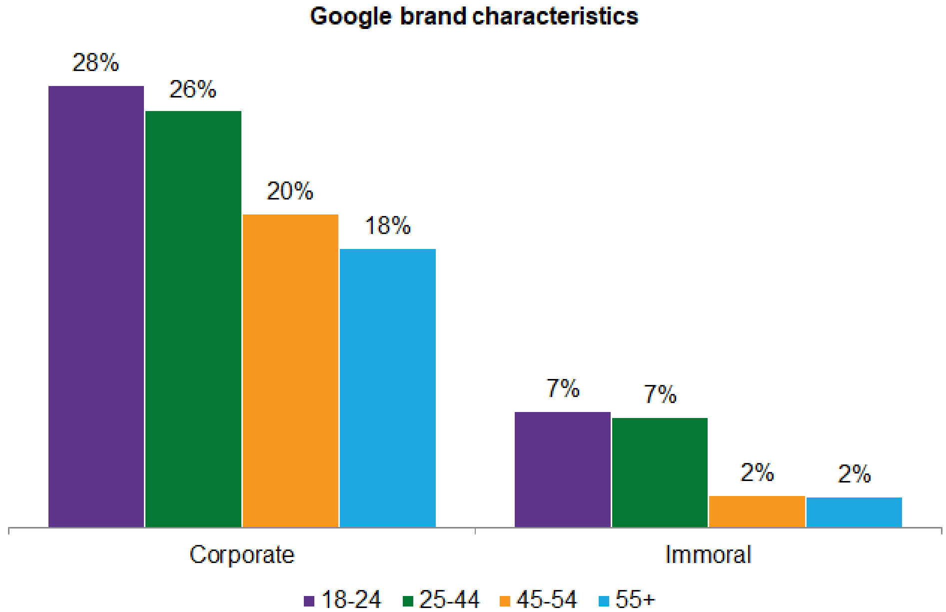
Evidently, younger consumers are aware of this size. Under-45s are significantly more likely than older consumers to perceive Google as corporate. And while it is still a small minority, younger consumers are also more likely to think the brand is immoral.

Like Microsoft, these perceptions are not necessarily redefining the brand – after all, nearly three times as many consumers think Google is useful (61%) as perceive it as corporate (23%). Nevertheless, these differences in perceptions among age groups can be used as indicators of how a brand has changed over time.

The key takeaway here is less about these specific brands and more about what these age differences mean for brands overall. It shows that it is possible for a brand to gradually change its image over time. It may be difficult to change an individual's perceptions of a brand, but new generations can help evolve overall opinions of brands because they are only aware of how that brand has operated recently. As a result, brands looking to improve their image should make long-term plans with incremental tactics to get there over time – while brands currently in good positions should not rest on their laurels, acknowledging that consumers will eventually forget what they did in the past and focus more on what they have done recently.

FIGURE 45: GOOGLE BRAND CHARACTERISTICS, BY AGE, FEBRUARY 2020

"Which of the following characteristics do you associate with each brand? Please select all that apply."



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

Brand Loyalty and Product Ecosystems

Many consumers want to have tech devices from the same brand

The modern day strategy for consumer technology brands is to maximize profits by using a broad portfolio of products in order to increase potential sales. Rather than specializing in one item that may only be bought every few years, they produce entire suites of products so that they can constantly be in the consideration set of consumers.

Furthermore, their goal is to establish loyalty with their current consumers so that when they do go to buy a new tech device, the brand is top of mind. As Mintel's *The Suite Life* Trend puts it, "*with more gadgetry on hand, there is a rising need for devices and services to work in tandem to help consumers achieve more and with greater simplicity.*"

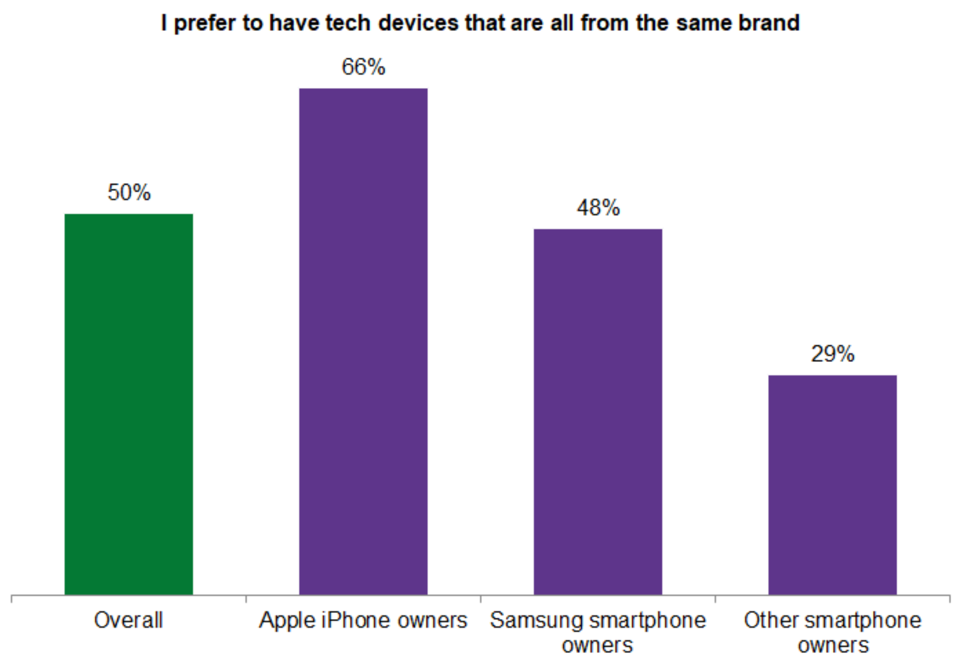
While this logic seems obvious, it is the foundation of product ecosystems in the tech market today. Apple was the first to use these tactics, driven by the fact that it kept its operating system exclusive to its hardware rather than licensing it out, as Microsoft did with Windows.

The result was that if a consumer wanted a laptop that worked best with their iPod, they would be wise to invest in a MacBook. And if they wanted a tablet to go along with their iPhone, the iPad was their best choice. These ecosystems – where purchases of one brand beget more purchases of that brand – can be beneficial to consumers since they optimize devices, but are designed with the brand in mind.

That said, consumers are receptive to these ecosystems and see the benefits. Overall, half (50%) of consumers say that they prefer to have tech devices that are all from the same brand. Not surprisingly, Apple iPhone owners are the most likely to have that preference

FIGURE 46: PREFER TO HAVE TECH DEVICES ALL FROM THE SAME BRAND, BY SMARTPHONE BRAND, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 2,000 internet users aged 18+

Source: Lightspeed/Mintel

– while relatively few of the consumers who have neither an iPhone nor a Samsung phone seem to care about developing an ecosystem. Qualitative feedback from iPhone owners about why they chose that specific phone illustrates the influence that the Apple ecosystem has on their decisions:

"I am too deep into the Apple ecosystem right now to consider changing. I appreciate their innovation and feel safe using their products."
– **25-34 year old, Prairie Provinces male**

"I like the Apple brand. Most of our tech devices in our house are from Apple."
– **55-64 year old, Quebec male**

"I love how easy Apple is to use. It's pretty much universal with any application."
– **25-34 year old, Quebec female**

This reflects the success of Apple's long-term strategy, since two thirds of its iPhone owners want brand consistency across their products; and since they already own an iPhone, it is likely that consistent brand would be Apple. As further evidence of this, 81% of tablet owners with iPhones have an iPad (vs 27% of tablet owners without an iPhone) – while only 10% have a Samsung tablet.

Younger consumers are particularly likely to want tech devices all from the same brand. And this is not just driven by Apple, which skews to younger consumers. Among Apple iPhone owners, 73% of 18-34s want tech devices from the same brand (vs 66% overall).

This suggests that marketing messages around the benefits of product ecosystems should be directed more at younger consumers – while also indicating that the future could have more brand loyalty among consumers as this generation ages.

Consumers in high-income households are also more interested in using the same brand across devices – 62% among those with household incomes of $150,000 or more. This is likely because they have the means to afford to invest in the same brand across all of their products rather than making price-dependent decisions for each product.

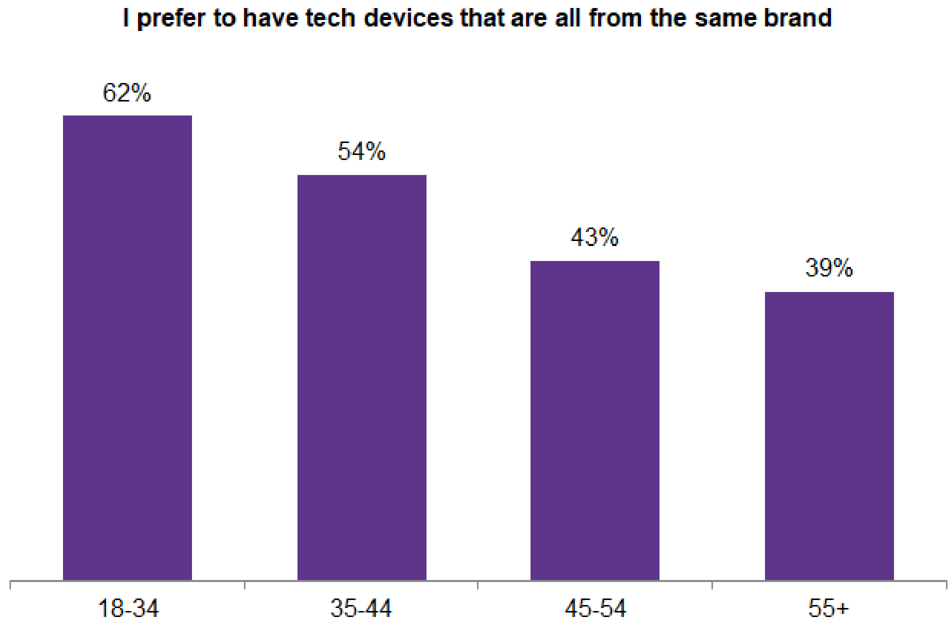
Overall, this shows that it is not just brands that want to establish loyalty and product ecosystems. When asked if they try to buy the same brand across their tech devices, consumers' qualitative feedback shows that they understand how products from a brand are optimized when working together, which impacts their purchase decisions:

"Yes so that everything is compatible together. I don't like having to try and make things work together by installing random apps to do so."
– **25-34 year old, Quebec female**

"Yes as I feel they all work well together and more compatible and easy to use."
– **55-64 year old, British Columbia female**

FIGURE 47: PREFER TO HAVE TECH DEVICES ALL FROM THE SAME BRAND, BY AGE, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 2,000 internet users aged 18+
Source: Lightspeed/Mintel

"I do, because they all link to each other and you know what to expect."
– **45-54 year old, Atlantic Provinces male**

"Yes because these days nothing is compatible with other brands, every accessory is brand specific."
– **25-34 year old, Prairies Provinces female**

However, the relatively low interest among consumers who do not own an Apple or Samsung smartphone suggests that not all brands are positioned to use this strategy. Smartphone brands like LG, Motorola or Huawei would likely have minimal success trying to get their consumers to buy into a product ecosystem – meaning the companies would be better served by trying to sell their products individually than trying to connect them to each other.

Nevertheless, given how mutually beneficial these product ecosystems can be, expect to see more strategy around it from brands as they battle for consumer loyalty.

Most consumers think their smartphone brand is the best

Brand plays a very important role for smartphone owners. According to Mintel's *Smartphones – Canada, May 2019* Report, 56% of smartphone owners chose their device based on the brand – which is even higher than the proportion who decided based on price (51%). That finding is reflected in this Report too; 70% of smartphone owners believe that they have the best smartphone brand on the market.

This attitude is driven primarily by Apple and Samsung smartphone owners, while owners of other brands are less convinced of their devices' superiority. This is further evidence of the effective marketing that Apple and Samsung have both done.

Of course, it is to be expected that consumers believe that their product is the best on the market – it is likely a reason they chose to buy it – but it is also an indicator of the loyalty these companies are able to establish through branding.

Not surprisingly, this attitude is closely connected with loyalty. Among consumers who believe their smartphone brand is the best on the market, 76% currently own the same brand as their previous smartphone – compared to just 48% of repeat ownership among those who do not believe they have the best brand. The logic here is obvious – if you believe you have the best brand, you will likely continue buying it – but it illustrates how valuable this perception is for brands that can establish it.

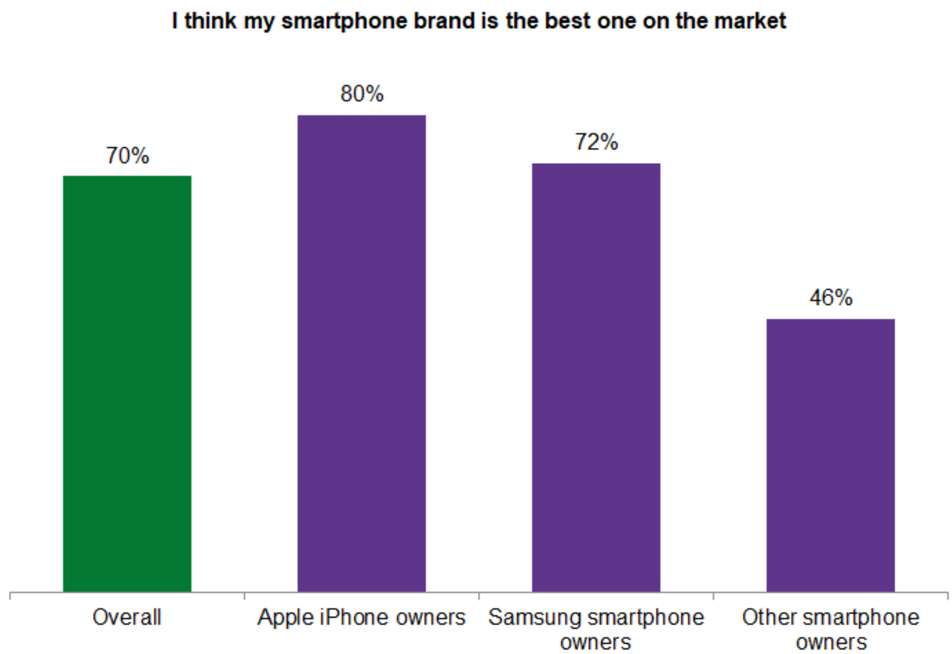
There is also evidence to suggest that this attitude helps drive purchases of a brand's other devices. For instance, among consumers who own an Apple iPhone and a tablet, those who believe Apple is the best smartphone brand are significantly more likely to own an iPad than those who do not believe Apple is the best smartphone brand (83% vs 70%).

In other words, excelling in the smartphone market can help a brand establish itself in other devices too – which is illustrated by the fact that the top two smartphone brands are also the top two tablet brands. Notably, there are no meaningful demographic skews for this metric. That means that a similar proportion of consumers believe their smartphone brand is the best available, regardless of age, gender, race or other type of consumer group.

Therefore, these takeaways about loyalty and belief in a brand are universal, meaning brands should aspire to convince consumers of this kind of superiority, as it can lead to success in categories outside smartphones as well.

FIGURE 48: THINK SMARTPHONE BRAND IS THE BEST ON THE MARKET, BY SMARTPHONE BRAND, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Majority of consumers purchase their smartphone brand again

As insightful as consumer attitudes can be – such as preferences to use one tech brand across devices or being convinced of their smartphone's superiority – it is also important to evaluate actual behaviours to assess loyalty.

One way of doing so is to determine what proportion of smartphone owners are using the same brand as their previous smartphone – a clear indicator of brand satisfaction and at least a certain degree of loyalty.

Overall, two thirds of smartphone owners have the same brand as their previous smartphone. But that large proportion is driven by two brands: Apple and Samsung. While four in five iPhone owners are repeat buyers and seven in 10 Samsung owners had the brand's smartphone before, only 38% of all other smartphone brand owners went back to the same brand.

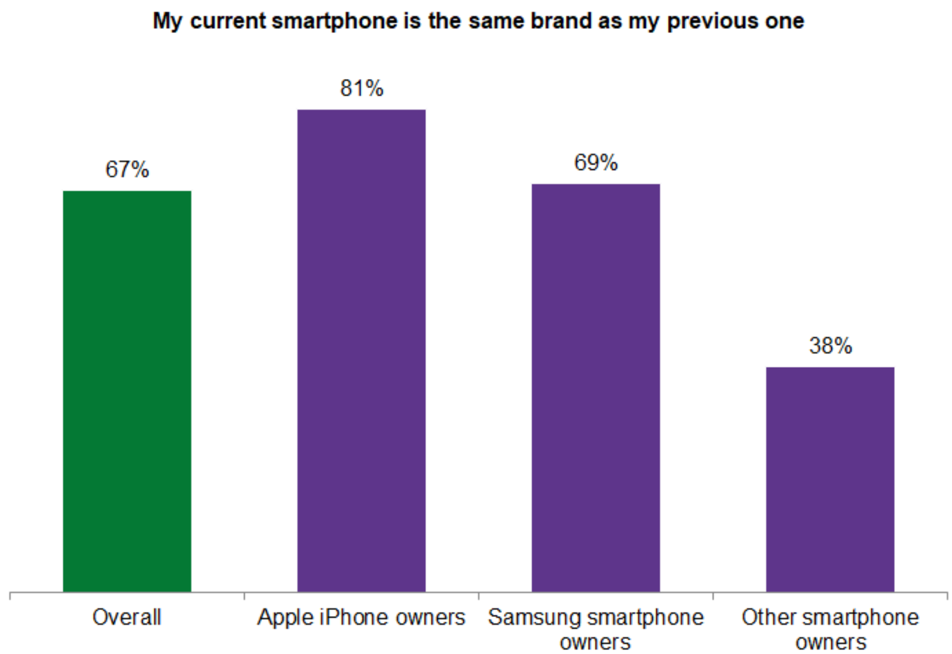
This is further evidence that Apple and Samsung are in a league of their own in terms of smartphone branding and loyalty – while also highlighting that other producers cannot depend on their brand names to drive sales in the same way as the leaders can.

One clear advantage for Apple is its unique operating system, iOS. According to Mintel's *Smartphones – Canada, May 2019* Report, 61% of smartphone owners say it is difficult to switch to a smartphone with a different operating system (ie iOS vs Android).

Since switching from Apple to any other smartphone brand means using a different operating system, this commitment to a familiar system is a built-in protector of Apple's loyalty. Samsung, on the other hand, does not enjoy that extra security; since it runs on Android, users could switch to essentially any other non-Apple brand and have a nearly identical OS interface.

FIGURE 49: CURRENT SMARTPHONE IS THE SAME BRAND AS PREVIOUS ONE, BY SMARTPHONE BRAND, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Furthermore, that same Report found that 50% of smartphone owners say it is important for them to have the same operating system as friends and family (eg Android, iOS) – and it is higher among iPhone owners (60%).

Considering that there are important apps that are exclusive to Apple – namely, FaceTime and Apple Calendar – that are designed to be shared between family and friends, it makes sense that some would be hesitant to switch away from it even if they wanted to. This is further evidence of how Apple can leverage its exclusivity to create loyalty with its consumers.

This loyalty skews towards younger consumers (72% of 18-34s own the same smartphone brand as their last one vs 67% overall) and consumers in households with income of $150,000 or more (74%).

However, these demographics are also more likely than average to own an iPhone – meaning their likelihood to buy the same brand again is driven more by their brand choice than their demographic differences. Therefore, like the attitudes around perceived superiority of one's smartphone brand, this repeat purchase behaviour seems to be relatively universal in the market.

There are two key takeaways from this analysis. The first is how valuable consumer loyalty is in a tech market where brands are looking to expand across a range of products.

With ecosystems a goal for brands and some consumers, the building block to get to that point is brand loyalty. And once it is established, it is incredibly valuable and relatively secure since consumers have invested so much in the brand ecosystem.

The second key takeaway is that Apple has been extremely successful in its branding strategies. Its consumers are the most likely to want products all from the same brand, think their smartphone brand is the best, and have purchased the same brand of smartphone multiple times. Samsung is close on these metrics, but Apple is clearly ahead.

Considering Apple was the leader in establishing product ecosystems – and has effectively kept its operating system exclusive for decades – it is not a surprise that it stands above the rest.

But this analysis is a useful illustration of just how successful Apple's branding strategies have been and quantify how far ahead it is of the competition. Other brands in this market should look to Apple for lessons in how to succeed, but also acknowledge that Apple has put itself in such a unique market position that it can do many things (eg proprietary operating systems, unique USB ports) that no other brand could do.

Brand Competition in the Telecom Sector

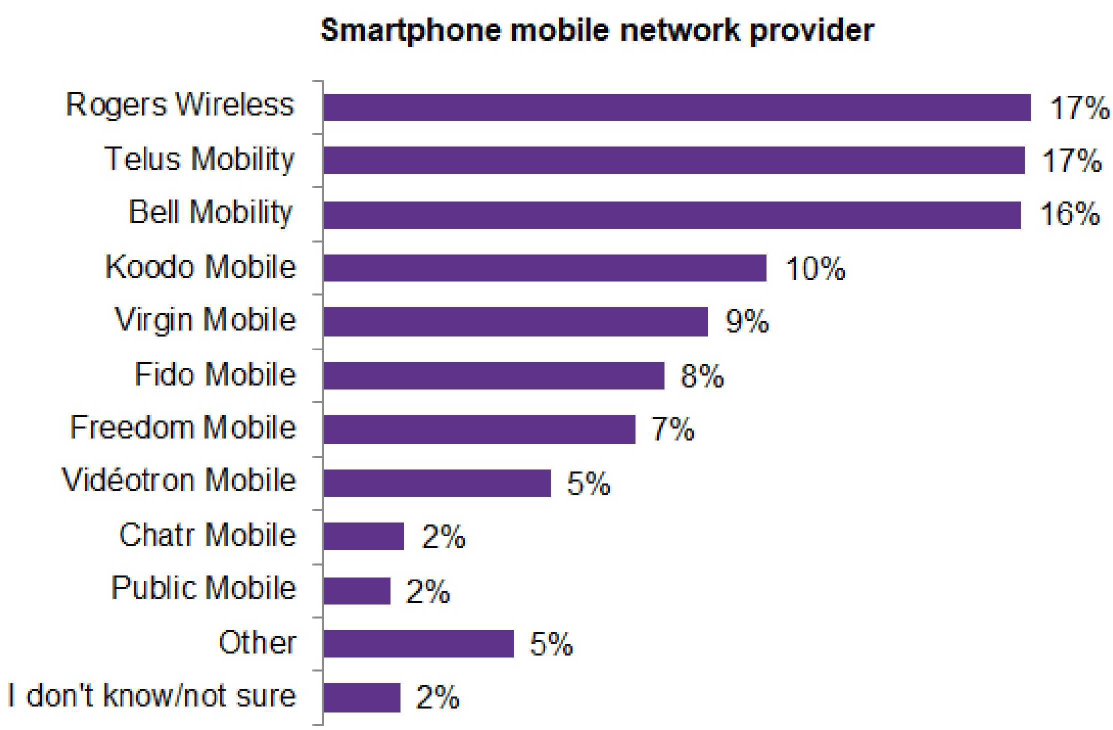
Rogers, Bell and Telus all have similar market position

From a telecom company perspective, the Canadian mobile network marketplace is dominated by three players: Rogers, Bell and Telus. However, from a brand perspective – which is how consumers view the market – there is a lot more complexity. With each major telecom owning sub-brands to cater to different consumers, there is considerable competition.

Nevertheless, those parent brands are still the leaders in the market – though no single brand has so far been able to separate itself from the others. All three brands are used by a similar proportion of smartphone owners and are clearly ahead of the next tier of mobile network brands.

FIGURE 50: MOBILE NETWORK PROVIDER FOR SMARTPHONE, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



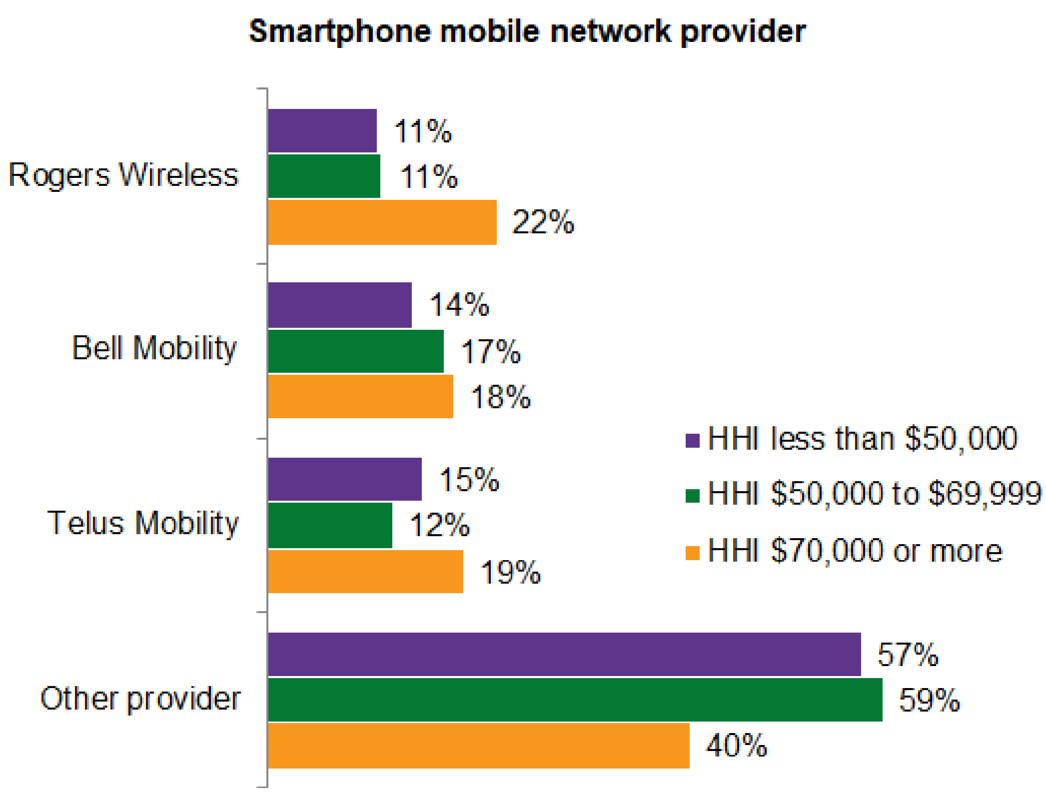
Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

As would be expected, these three brands all skew to consumers with higher household incomes. Their price points are generally higher than other brands that focus more on discounts and affordability – such as Koodo or Fido – meaning they would attract consumers with more disposable income. For instance, Rogers and Bell both offer 10GB data plans that start at $75 per month – while Koodo starts its pricing at $45 per month for 1GB of data.

FIGURE 51: MOBILE NETWORK PROVIDER FOR SMARTPHONE, BY HOUSEHOLD INCOME, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



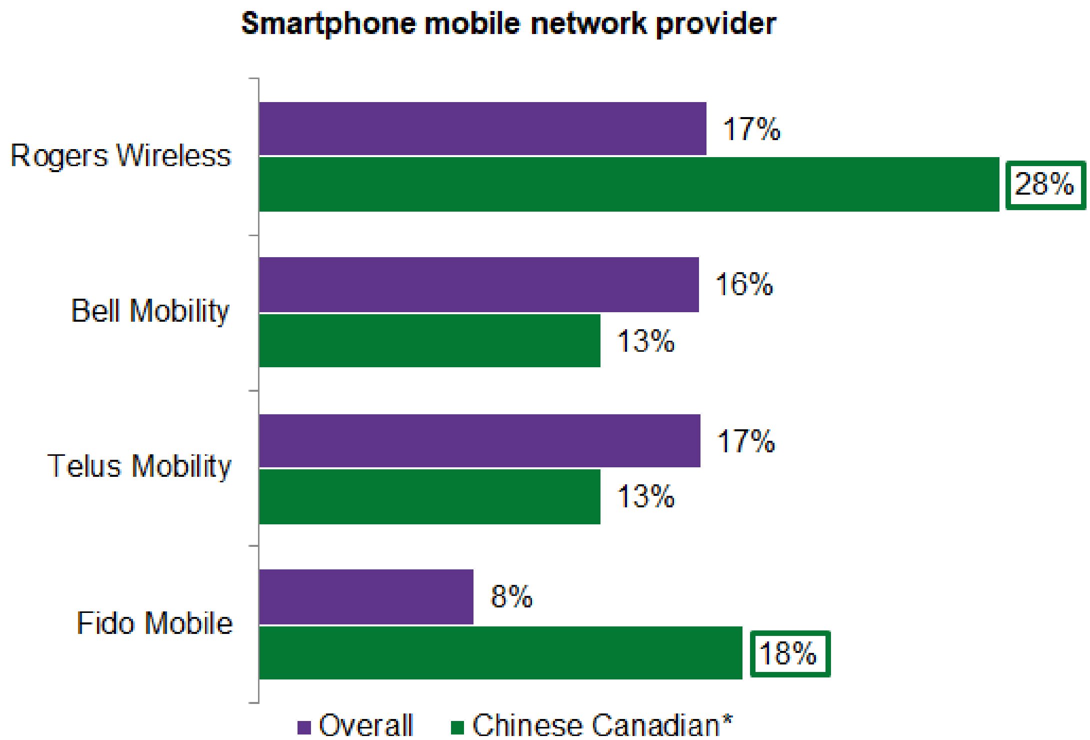
Base: 1,748 internet users aged 18+ who own a smartphone
Source: Lightspeed/Mintel

One particularly noteworthy skew is consumer race. Chinese Canadian consumers are significantly more likely than any other race to subscribe to Rogers as their mobile network provider.

Furthermore, they are also much more likely to subscribe to Fido (18% vs 8% overall) than the average consumer – and Fido is a sub-brand of Rogers.

FIGURE 52: MOBILE NETWORK PROVIDER FOR SMARTPHONE (SELECT), CHINESE CANADIANS VS OVERALL, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



Base: 1,748 internet users aged 18+ who own a smartphone

* small sub-sample (75-100)

Source: Lightspeed/Mintel

There is not one clear indicator of exactly why Chinese Canadians skew to Rogers and Fido. For instance, only 34% of Chinese Canadians get their mobile network service and home internet from the same brand (vs 41% overall) – meaning their usage of Rogers Wireless is not driven by the brand's home internet service.

One possible explanation is the marketing strategies of these companies. For instance, Fido Mobile regularly advertises directly to Chinese consumers. Therefore, the success of Rogers and Fido with Chinese Canadians could be the result of a concerted effort to target that consumer group.

Aside from some of these small differences, though, the top three mobile network provider brands are relatively similar in their market positions. However, as will be seen next, there is considerably more nuance among the brands that exist in the next tier of providers.

FIGURE 53: FIDO ADVERTISEMENT, FEBRUARY 2020

Source: Comperemedia/Mintel

FIGURE 54: FIDO ADVERTISEMENT, NOVEMBER 2019

Source: Comperemedia/Mintel

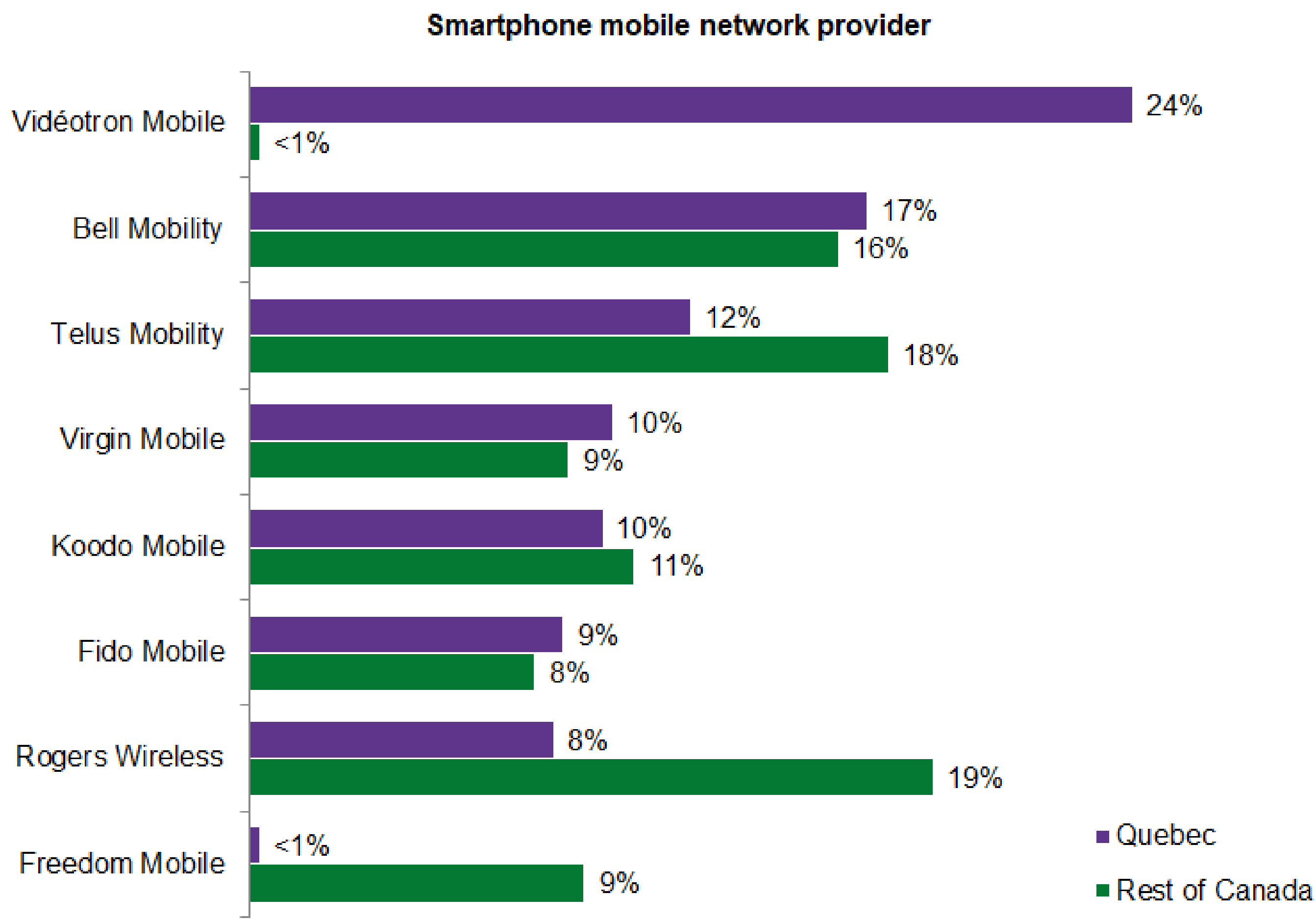
Koodo, Virgin, Fido, Freedom and Vidéotron make up the next tier

Outside of the three leading mobile network brands, there are five other brands with subscription levels of 5-10%. But despite how close their positions are in terms of usage, there are some significant differences among the consumers who use them.

For instance, region plays a significant role – especially in Quebec compared to the rest of the country. Vidéotron Mobile is actually used by more consumers in Quebec than Bell, Rogers or Telus – but it has no presence elsewhere in the country, which is why its national proportion is only 5%. Conversely, Freedom Mobile does not have any presence in Quebec, which is also impacting its overall national proportion. This example illustrates how several brands that have such similar performance on a national level can be so different among certain consumer sets – with regional proportions being a particularly notable difference.

FIGURE 55: MOBILE NETWORK PROVIDER FOR SMARTPHONE, QUEBEC VS REST OF CANADA, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Another instance of this noticeable difference is among 18-24 year olds compared to older adults. Among 18-24 year olds, Freedom Mobile has nearly the same proportion of subscribers as Bell, Rogers and Telus.

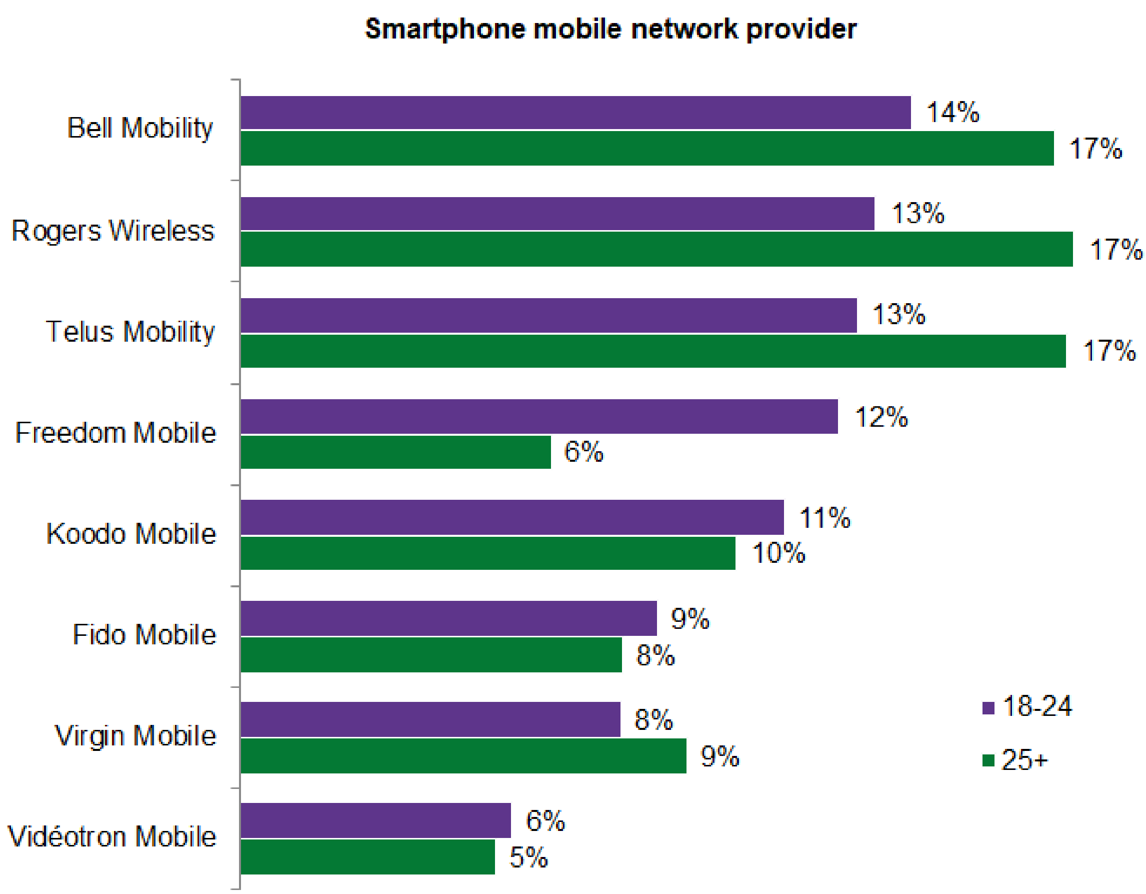
Yet its proportion among over-25s is only half of their share of 18-24s. Part of the reason this brand resonates with younger consumers could be its focus on data plans. For instance, a $50 monthly plan includes unlimited data (with speeds slowed after 10GB of usage) and unlimited texting – while charging $0.05 per minute of phone calls. Considering 39% of 18-24s say they would prefer to make a video call than a traditional voice call (vs 26% overall), it is no surprise that a lack of basic talk minutes would not be a concern for them in exchange for more data (see *Attitudes Toward Technology and the Digital World – Canada, December 2019*).

Another possible reason for Freedom Mobile's success with younger consumers is its network model. Unlike many other providers, its networks are based in urban centres – such as Toronto, Ottawa, Calgary, Edmonton and Vancouver. Travelling outside of these areas switches the mobile service to a network partner – which means a reduced amount of data usage.

In other words, Freedom Mobile is designed to be used in urban and suburban areas – where younger consumers are more likely to live – which is another reason why it resonates with them.

FIGURE 56: MOBILE NETWORK PROVIDER FOR SMARTPHONE, 18-24S VS OVER-25S, FEBRUARY 2020

"Which of the following telecom brands provides your mobile network service for your smartphone?"



Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

Freedom Mobile is also successful with certain races. In particular, 23% of non-Chinese Asian consumers get their smartphone mobile service from Freedom – compared to just 7% overall. While based on a small sample, a more granular analysis suggests that this is driven by South and Southeast Asian consumers.

Freedom Mobile usage is also higher among consumers who were not born in Canada (13%). A look into Freedom's marketing tactics shows that it has used a multicultural marketing approach – such as using a diverse group of models for its ads and using languages to resonate with particular groups. For instance, some of the brand's advertisements are posted in Hindi, which is likely a key factor in attracting new Canadians and specifically Asian consumers.

There are other small differences among brands in this second tier. For instance, Virgin Mobile struggles to attract Chinese Canadian consumers; only 1% of Chinese Canadian smartphone owners use Virgin as their mobile network provider, compared to 9% usage among all consumers overall.

And as discussed above in this Report, Fido is particularly successful with a diverse range of consumers – 16% usage among non-White/Caucasian consumers – but has much lower usage among White/Caucasian consumers (6%).

Overall, this highlights the unique competition among this tier of mobile network brands. While their overall shares look similar, it is clear that many of them have taken a targeted approach to their strategies. And considering that most of them are sub-brands of larger providers, it is likely that these smaller brands were designed to be more nimble and attract specific groups – compared to the large brands like Rogers, Bell and Telus that take a broader approach.

In the end, it shows that the brand competition in the mobile network market is highly nuanced and that different brands have varying strengths and weaknesses.

FIGURE 57: FREEDOM MOBILE ADVERTISEMENT, APRIL 2018

Source: Comperemedia/Mintel

Consumers are loyal to their mobile network providers

In the last section, brand loyalty to certain tech devices was discussed (see Brand Loyalty and Product Ecosystems). That level of loyalty is also evident in the mobile network industry. Overall, 78% of smartphone owners expect to renew with their current mobile network provider when their contract is up.

For the most part, that planned loyalty is similar across providers, too. While it ranges from 75% (Koodo) up to 83% (Virgin), there is no significant difference across brands. At the same time, both Apple (79%) and Samsung (79%) smartphone owners have the same level of loyalty towards their current mobile network providers – suggesting that this attitude is relatively universal.

One interesting finding is around consumers who have multiple services with one brand. Among smartphone owners who get their mobile network service from the same provider as their home internet, 81% say they expect to renew their mobile service. But while that is significantly higher than among those who do not use the same brand for their mobile network and home internet service (76%), the difference is still quite small. This suggests that bundling helps, but that mobile network consumers have a generally high level of loyalty overall.

This indicates that the mobile network market is relatively stable from a brand-switching point of view. According to Mintel's *Smartphones – Canada, May 2019* Report, 56% of phone owners typically get a new phone every two years or so – meaning there is ample opportunity for them to regularly swap from one brand to another depending on pricing, promotions and other factors.

But the findings from this Report suggest that – while brands should certainly be active in increasing customer satisfaction and trying to attract new subscribers – the majority of consumers are already planning to renew with their current provider.

Evaluating Techniques to Build Tech Loyalty

Smart speaker promotions are used to create product ecosystems

As discussed earlier in this Report (see Tech Brand Ownership), there are two brands that account for the majority of smart speakers in the market: Google and Amazon. This is a unique instance of an innovative new tech device being dominated by two brands that have very little experience making hardware.

Consider that the smart speaker market is driven by a search engine and an online retailer – while established audio and hardware brands like Apple, Bose, Sony and Sonos battle for what is left. The reason that these two brands have made such an effort to be on top of this market is that they see it as an opportunity to spark a product ecosystem in consumers' homes. Half of consumers (50%) say they prefer to own tech devices from the same brand – and that proportion is higher among smart speaker owners (59%).

Therefore, the logic that these brands are using is that if they can get their smart speakers into homes – including their digital assistant software, Google Home and Amazon Alexa – it would motivate consumers to continue buying that brand's products in the future. Whether it is more smart speakers from that brand, tablets, computers or even services – such as Google Play Music or Amazon Music Unlimited – these brands see long-term potential if they can win the smart speaker battle today.

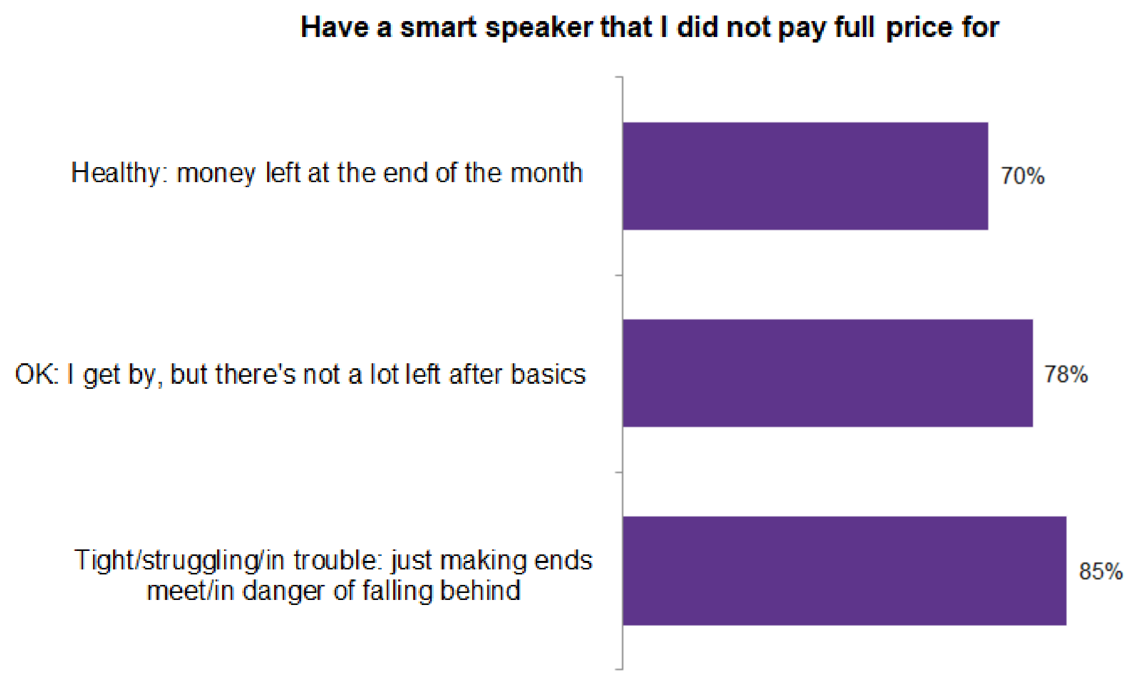
Therefore, it is no surprise that both brands have been so aggressive at promoting their smart speaker products and making it easy for consumers to get them into their homes.

Overall, 76% of smart speaker owners say that they have a smart speaker that they did not pay full price for (eg a gift, discounted). That proportion is essentially the same for both Google (77%) and Amazon (74%) owners – suggesting each brand has used a similar approach.

Not surprisingly, these free/discounted smart speakers are more common among consumers in difficult financial situations – likely because they were not willing to pay full price given their finances.

FIGURE 58: HAVE A SMART SPEAKER I DID NOT PAY FULL PRICE FOR, BY FINANCIAL SITUATION, FEBRUARY 2020

"Do you agree or disagree with each of the following statements?"



Base: 565 internet users aged 18+ who own a smart speaker

Source: Lightspeed/Mintel

An example of the gifting tactics that these brands have used is their positioning of the products around the holiday season. For instance, here is an ad from Amazon positioning its Echo Show as a good gift to give for Christmas. Its gifting and discounting strategies often converge at Black Friday each year, too.

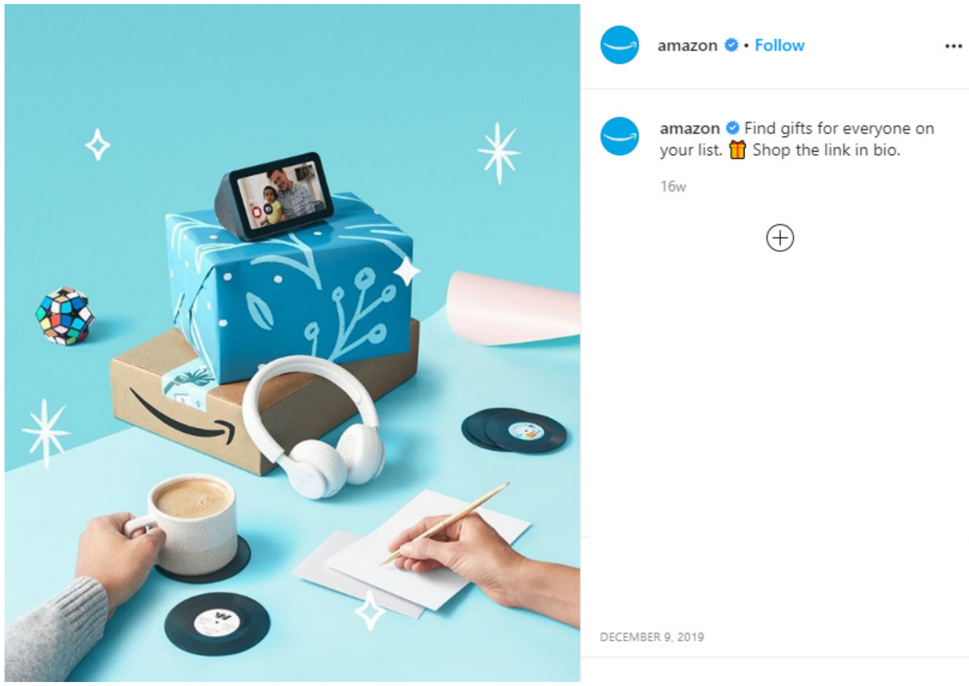
Since Amazon is a retailer and can set its store prices, it makes Echo smart speaker products a key discounted feature of Black Fridays – so that consumers can buy them as gifts for the Christmas season or else buy them on sale for themselves. As an example, Black Friday 2019 saw the Echo Dot – an entry-level Echo speaker – available for just $30 from Amazon. Even as of this Report's writing, the Echo Dot is on sale for $54.99 (regularly $79.99).

Similarly, Google often has discounts on its products too. As of this Report's writing, its Google Nest Mini is discounted from $69 down to $49. And its Nest Hub (a smart speaker and tablet hybrid product) is discounted from $169 to $129. However, the Nest Hub Max ($299) and Google Home Max ($399) are not discounted.

While this is just a single snapshot of the current prices, it aligns with the finding that many consumers got these products at a discount – and that these brands are using their lower-priced models to hook consumers onto their platforms, with hopes they will eventually invest in their more expensive, full-priced versions.

Perhaps the most extreme example of these aggressive discounts is the free giveaways of Google smart speakers. At different times, Google Home Minis have been given away for free to Spotify, Google Play Music and YouTube Premium subscribers; clearly targeting streaming service users who would use a smart speaker and present a lucrative long-term opportunity if Google can become their go-to digital assistant platform.

FIGURE 59: AMAZON INSTAGRAM POST, DECEMBER 2019



Source: Instagram – Amazon/Mintel

Qualitative consumer feedback highlights how many are leveraging these promotions and discounts when they finally decide to get a smart speaker:

"There was a Black Friday sale at Visions [Electronics]*, so I opted to treat myself."*

– **25-34 year old, Prairies Provinces male**

"I saw a demo in a store for this [Google Home]*, and then suggested it as a leaving gift from my previous job."*

– **45-54 year old, Prairies Provinces female**

"It [Amazon Echo] *was on promotion with my Sirius subscription."*

– **35-44 year old, Atlantic Provinces female**

Put simply, Amazon and Google have both identified that a large product ecosystem like Apple's is the ideal position for their businesses to be in. And they see their digital assistants – particularly in the form of smart speakers – as their "foot in the door" to start building that ecosystem. Their hope is that consumers will get entry-level smart speakers, use them frequently then invest in other parts of that brand's smart product portfolio in order to optimize each product.

The main risk here is that such aggressive promotions could artificially inflate the proportion of consumers with these smart speakers compared to how many are actually using them. Mintel's research found that 28% of consumers have a smart speaker at home – but if three quarters of them got them for free or at a discount, it may not be a valued device to them (as opposed to a tablet or smartphone in which they invested hundreds of dollars).

Therefore, it will be interesting to track smart speaker usage in the years ahead to see if Google and Amazon's strategies have paid off. And as will be seen next, these two brands are using other tactics in hopes of attracting long-term, loyal consumers.

Four in five consumers have a Gmail account

Google's email service, Gmail, is getting to the point of being so ubiquitously used that it is almost a surprise when someone does not have an account. According to CNBC, there were 1.5 billion active Gmail users as of October 2019. And Mintel's research for this Report found that 81% of Canadian consumers have a Gmail account.

The reason that this is relevant to this discussion is that a service like Gmail is actually another tactic that can be used to build consumer loyalty and establish brand ecosystems. While Gmail is just an email account platform, it connects directly to a wide selection of other Google applications – such as Google Drive, Google Docs, Google Hangouts, Google Calendar and Google Photos.

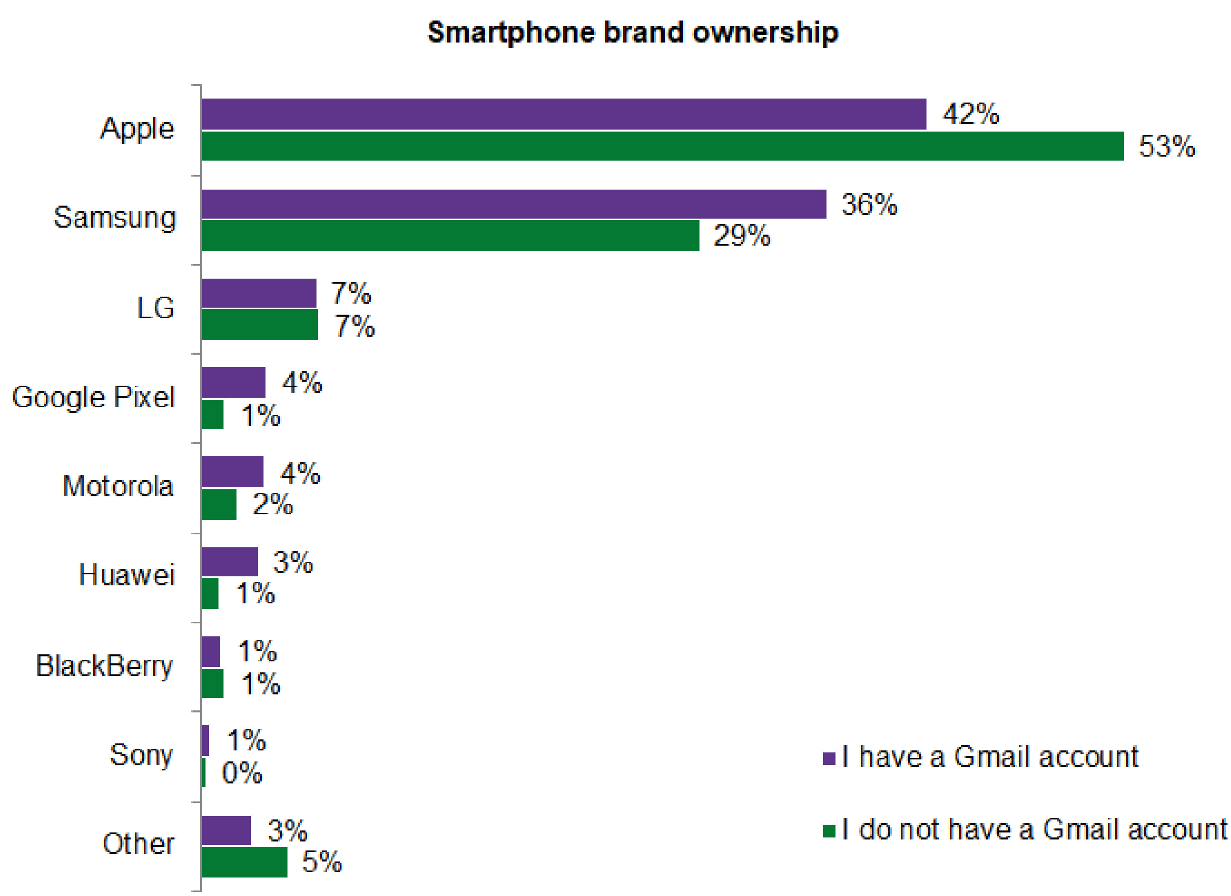
By making Gmail a central part of consumers' days, it gives Google the opportunity to attract more users to these other apps – which could eventually drive more usage of its Android and Google Home platforms, its Google Play services and its Google and Nest hardware.

In other words, a free-to-use email service has the potential to be leveraged to create brand loyalty across a wide array of increasingly expensive products and services. The question is: does it successfully do that?

In the smartphone market, there seems to be a clear connection between Gmail users and the Android operating system. Samsung benefits the most from this relationship; Gmail users are significantly more likely to use a Samsung smartphone than non-users. Google's own phone (the Pixel) also sees higher ownership rates among Gmail users – but the proportion is still very small. Nevertheless, Gmail usage does evidently relate to the type of smartphone someone owns.

FIGURE 60: SMARTPHONE BRAND OWNERSHIP, BY GMAIL USAGE, FEBRUARY 2020

"What brand of smartphone do you own? If you have more than one phone, select the phone you personally own. If you own two phones personally, select the one that you use most."



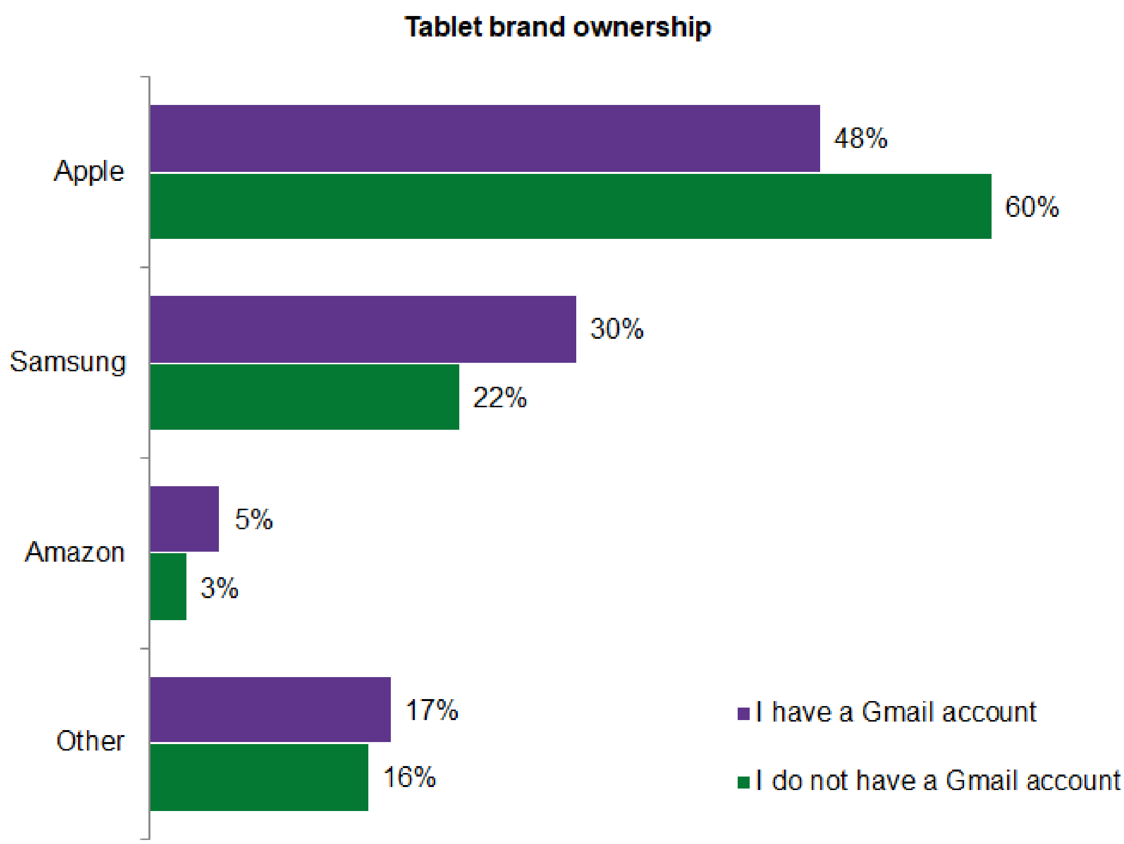
Base: 1,748 internet users aged 18+ who own a smartphone

Source: Lightspeed/Mintel

The same is observable in the tablet market. Gmail users are significantly more likely to own a Samsung tablet than non-users, and Apple iPad ownership is highest among consumers who do not use Gmail.This suggests that there is a definite connection between Gmail and the Android platform – likely because Android is designed to optimize Gmail and its suite of products whereas iOS treats Google as an external app developer.

FIGURE 61: TABLET BRAND OWNERSHIP, BY GMAIL USAGE, FEBRUARY 2020

"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,186 internet users aged 18+ who own a tablet

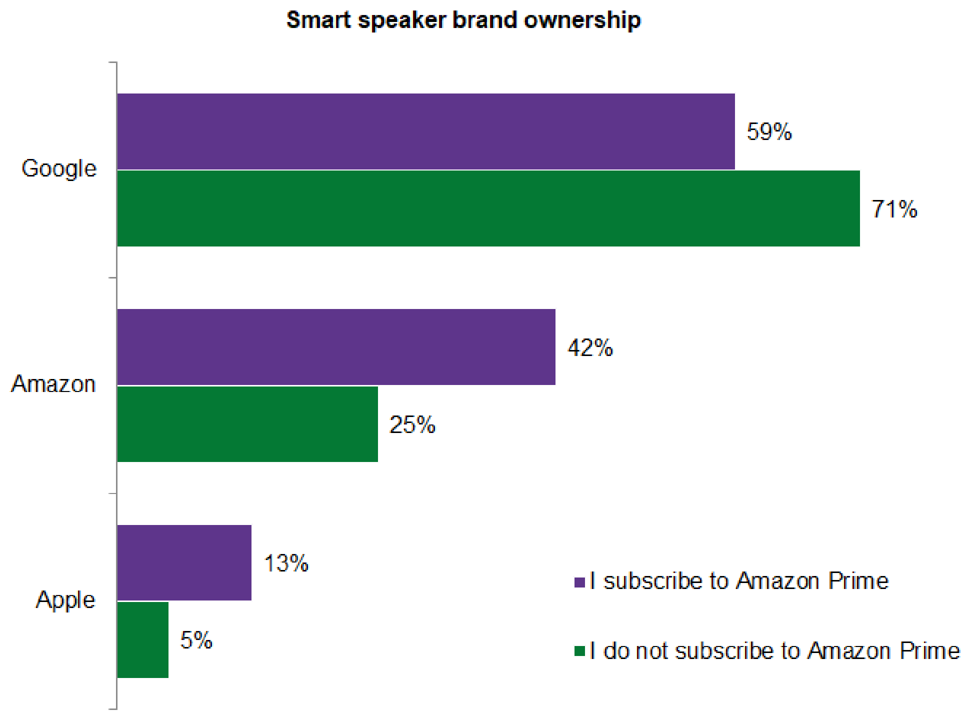
Source: Lightspeed/Mintel

Another noticeable difference in Gmail users is their usage of Google's Shopping tab. This tab is included in Google's search engine page and allows users to search for a product and see its price and availability across a wide range of retailers – acting as a sort of one-stop shop for consumers who know what product they want. Of course, usage of this tab is beneficial for Google because it attracts traffic to its site and, more importantly, allows it to sell sponsored spots to retailers for prime listings. And it seems there is a connection for Gmail here as well; 29% of Gmail users use the Google Shopping tab compared to only 12% of people who do not have a Gmail account.

Yet the key takeaway overall is that something as simple as Gmail has a distinct connection to other products and services. While causality cannot be confirmed – whether Gmail usage makes people buy Android products or vice versa – the correlation illustrates the possibility for one free service to drive success for an entire brand. As will be seen in the next section, Amazon is not using the same free service model as Google – but does have a program that it hopes will drive loyalty.

FIGURE 62: SMART SPEAKER BRAND OWNERSHIP, BY AMAZON PRIME SUBSCRIPTION, FEBRUARY 2020

"What brands of voice-controlled smart speaker do you own? Please select all that apply."



Base: 565 internet users aged 18+ who own a voice-controlled smart speaker

Source: Lightspeed/Mintel

Amazon Prime leverages free shipping to create brand loyalty

Amazon Prime is a membership program that offers a number of perks to its users for $79 per year – including Prime Video, Amazon Music, access to free digital books and perks on its livestreaming site Twitch. But Prime's main draw for online shoppers has been its free shipping.

On eligible items, Prime members get free one-day or same-day shipping on orders of over $25 and free two-day shipping on orders of any amount. In comparison, non-members can only get free shipping on orders of $35 or more – and without the two-day guarantee.

The reason this is so relevant for consumers is that 61% say that they will generally not make an online purchase if it includes shipping fees. As simple as free shipping sounds, it clearly resonates with a consumer base that have become accustomed to shopping online without paying fees for delivery.

Like Gmail, Amazon does see a connection between usage of its service and ownership of certain devices. In the smart speaker market, Amazon Prime members are significantly more likely to own an Amazon speaker than those without Prime. And while Google is still the leader among Prime members, the race is much closer than among those who do not subscribe to Prime.

Qualitative feedback from one consumer highlights the ideal decision process that Amazon is looking to create with its Prime program:

"[I chose an Amazon smart speaker] *because we have Amazon Prime so we use it for Amazon Music and asking questions if needed."*

– **35-44 year old, Ontario male**

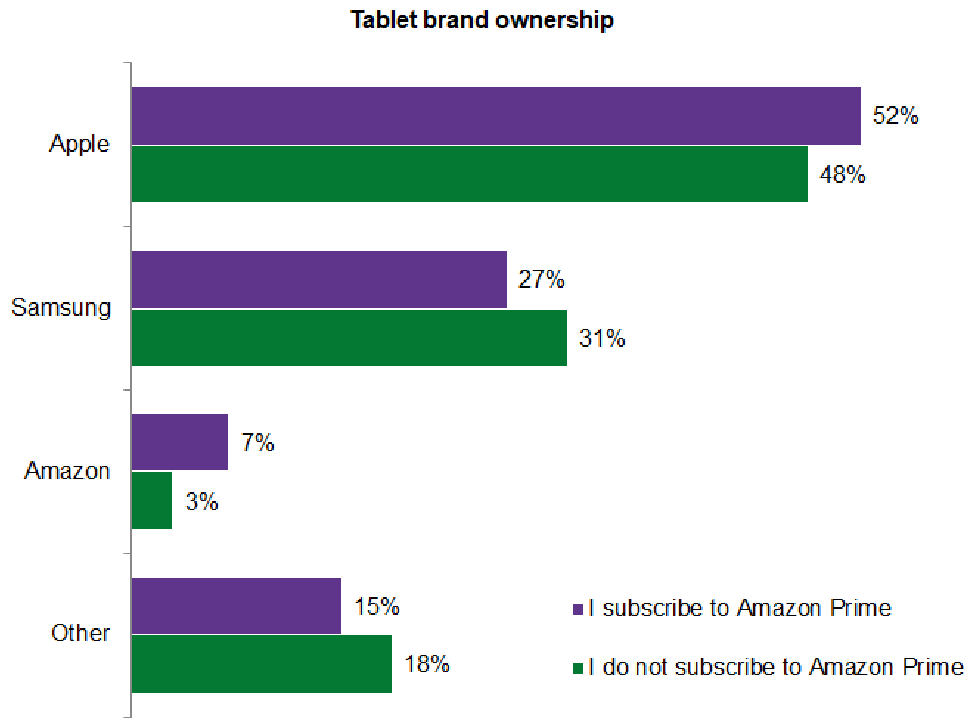
In an instance that is similar to Google's Pixel ownership among Gmail users, Amazon's tablet ownership is significantly higher among Prime members than non-members – but is still quite small. In fact, even among tablet owners who have an Amazon smart speaker, only 8% own an Amazon Fire tablet. Like Google's Pixel, this suggests that Amazon's hardware is still struggling to break into the established smartphone market – even when it has the advantage of its membership.

Of course, a major motivator for Amazon's Prime program is its retail business rather than its digital tech. Not surprisingly, Prime members are more likely than non-members to have bought from Amazon's site/app in the past 12 months (86% vs 63%). However, Prime members are also more likely to have shopped online at Walmart (35%) than non-members (22%).

And Prime members are more likely to use the Google Shopping tab (38%) than non-members (17%). This suggests that Prime membership does not necessarily drive loyalty in the sense that it makes Amazon the go-to destination for members; the more likely scenario is that Prime is used as a tool among heavier shoppers, and that those heavy shoppers are also utilizing other options at the same time.

FIGURE 63: TABLET BRAND OWNERSHIP, BY AMAZON PRIME MEMBERSHIP, FEBRUARY 2020

"What brand of tablet do you own? If you have more than one tablet, select the one you personally own. If you own multiple tablets personally, select the one that you use most."



Base: 1,186 internet users aged 18+ who own a tablet

Source: Lightspeed/Mintel

Looking at both Amazon and Google, it is easy to see what their long-term goals are and the tactics they are using in order to get there. And given how basic their tactics seem on the surface – an email platform and free shipping – it is impressive that they have been able to leverage them into some of the success they are seeing today.

But when compared to what Apple has built – in terms of the loyalty of its users and the pride they have in the brand – it also highlights how effectively that company has developed its current market position. In the future, expect more brands to aspire to Apple's product ecosystem in which device sales lead to even more device sales as a function of their strategy.

More tactics like Gmail, Prime and low-priced smart speakers will be used to get into consumers' daily habits in hopes of creating long-term loyalty across many devices and services. But as can be seen today, that end goal is much easier said than done – meaning brands will have to work extremely hard year-over-year to reach that level of loyalty and commitment from consumers.

APPENDIX

Data Sources and Abbreviations

Data sources

Consumer survey data

For the purposes of this Report, Mintel commissioned exclusive consumer research through Lightspeed to explore consumer behaviours and attitudes towards digital tech products, services and brands. Mintel was responsible for the survey design, data analysis and reporting. Fieldwork was conducted in February 2020 among a sample of 2,000 adults aged 18+ with access to the internet.

Mintel selects survey respondents by gender, age, household income and region so that they are proportionally representative of the Canadian adult population using the internet. Please note that Mintel surveys are conducted online and in English and French.

Consumer qualitative research

In addition to quantitative consumer research, Mintel also conducted an online discussion group among a demographically mixed group of adults aged 18+. This discussion group was asynchronous (ie not run in real time), functioning like a blog or bulletin board, with questions remaining posted for a predetermined period of time.

This method allows participants to respond reflectively, at their leisure, or to log off to think about any issues raised, and return later to respond. Participants were recruited from Lightspeed's online consumer panel with responses collected in February 2020. Relevant quotes are included verbatim, and as such, include typos and other grammatical errors as they originally appeared.

Correspondence analysis

Correspondence analysis is a statistical visualisation method for picturing the associations within and between rows (eg attributes, attitudes) and columns (eg brands, products, segments) of a two-way contingency table. It is generally used to display information in a complex crosstab (eg attitudes related to a certain product or attributes consumers associate with a brand) in a joint space that is easy to understand by simply interpreting proximities. The significance of the relationship between a brand, for instance, and its associated attribute is measured using the Chi-square test.

There are two types of maps produced as a result of a correspondence analysis. Across both types of maps, generally the further away a data point is from the centre of the map, the more differentiating it is. The *symmetrical* map shows the relationship between row and column data points. The angle formed by drawing a line from a row data point to the centre of the map and back out to a column data point indicates the relationship between the two.

Positive relationships are shown by smaller angles, while negative relationships are shown by larger angles. In the *principal* map, relationships between data points *within* rows and columns are analyzed by their proximity to each other. Row data points (eg attributes) that are have similar response patterns are found closer together on the map, as are column data points (eg brands) that are more similar to each other.

Abbreviations and terms

The following is a list of terms used in this Report.

Abbreviations

AR	Augmented reality
ATM	Automated teller machine
BC	British Columbia
CEO	Chief executive officer
CERB	Canada Emergency Response Benefit
GB	Gigabyte
HP	Hewlett Packard
NYU	New York University
OS	Operating system
PC	Personal computer
QSR	Quick-service restaurants
UK	United Kingdom
USB	Universal serial bus
WHO	World Health Organization

Terms

Amazon Prime	Subscription-based membership program that gives access to Amazon perks as well as other online services
Android	Operating system owned by Google and licensed to third-party smartphone producers
Black Friday	Annual day of discounts prior to American Thanksgiving
COVID-19	Disease caused by the novel coronavirus
Gig economy/ workers	Workers who enter formal companies that provide on-demand services – typically based on delivery
Google Hangouts	A Google messaging application that includes video capabilities
iOS	Operating system owned by Apple and proprietary to Apple mobile devices
Office 365	A Microsoft platform that provides cloud-based access to applications and programs using a subscription model
Transport Canada	Canadian government department responsible for transportation regulation, including air space
Zoom	A video conferencing software service

RESEARCH METHODOLOGY

Canada Research Methodology

Mintel is an independent market analysis company that prides itself on supplying objective information on a whole range of markets and marketing issues.

There are six main sources of research that are used in the compilation of Mintel reports:

- Consumer research
- Social media research
- Desk research
- Trade research
- Statistical forecasting

Mintel reports are written and managed by analysts with experience in the relevant markets.

Consumer research

Exclusive and original quantitative consumer research is commissioned for almost all Mintel reports. In addition, qualitative research is also undertaken for a large proportion of reports in the form of online discussion groups. Mintel invests a considerable sum each year in consumer research, and the purchaser of a Mintel report benefits, as the price of an individual report is less than the cost of the original research alone. The research brings an up-to-date and unique insight into topical issues of importance.

Consumer research is conducted among a nationally representative sample of internet users in Canada and is carried out by Lightspeed. The results are only available in Mintel reports. Note that Mintel's exclusive research is conducted online in both English and French.

Starting in July 2017, Mintel's consumer research has been conducted using a device agnostic platform for online surveys (ie respondents can now take surveys from a smartphone in addition to a computer or tablet). This methodology change may result in data differences from previous years; any trending should be done with caution.

Sampling

Online Surveys

Lightspeed

Founded in 1996, Lightspeed's double opt-in U.S. online consumer panel contains approximately 1.27 million U.S. consumers. Lightspeed recruits its panelists through many different sources including web advertising, permission-based databases and partner-recruited panels.

Note: Lightspeed GMI was re-branded as Lightspeed in September 2016.

Mintel sets quotas on age and gender, region, and household income. Specific quotas for a sample of 2,000 adults aged 18+ are shown below.

Please note: these quotas are only representative of a standard General Population survey sample of 2,000 internet users aged 18+. Sample size, targets, and quotas may vary per report. Please see the Report Appendix for further details.

Age groups by gender	%	N
Male, 18-24	8.1%	161
Male, 25-34	10.3%	205
Male, 35-44	8.1%	161
Male, 45-54	8.6%	172
Male, 55-64	7.6%	153
Male, 65+	7.4%	148
Female, 18-24	6.1%	121
Female, 25-34	8.4%	168
Female, 35-44	9.0%	181
Female, 45-54	8.7%	175
Female, 55-64	9.6%	192
Female, 65+	8.2%	163
Total	**100**	**2,000**

Region	%	N
Ontario	39.5%	789
Quebec	23.3%	466
British Columbia	12.7%	254
Alberta	11.8%	236
Saskatchewan	2.7%	53
Manitoba	3.7%	74
Atlantic Provinces (New Brunswick, Newfoundland/ Labrador, Nova Scotia, Prince Edward Island)	6.4%	128
Total*	**100**	**2,000**

*Mintel does not include rural regions such as the Yukon or the Northwest Territories (including Nunavut) in its research. Thus the consumer research data does not reflect opinions and behaviours of the population living in those areas.

Household income	%	N
Less than $25,000	14.0	281
$25,000 - $49,999	20.8	416
$50,000 - $69,999	15.0	300
$70,000 - $99,999	17.8	356
$100,000 and over	32.4	647
Total	**100**	**2,000**

Secondary Data Analysis

In addition to exclusively commissioned surveys, Mintel gathers syndicated data from other respected consumer research firms. This allows Mintel analysts to form objective and cohesive analyses of consumer attitudes and behaviours.

Qualitative Research

Recollective

Recollective provides Mintel with online qualitative research software. This allows the creation of Internet-based, 'virtual' venues where participants recruited from Mintel's online surveys gather and engage in interactive, text-based discussions led by Mintel moderators.

Further Analysis

Mintel employs numerous quantitative data analysis techniques to enhance the value of our consumer research. The techniques used vary form one report to another. Below describes some of the more commonly used techniques.

Repertoire Analysis

This is used to create consumer groups based on reported behaviour or attitudes. Consumer responses of the same value (or list of values) across a list of survey items are tallied into a single variable. The repertoire variable summarises the number of occurrences in which the value or values appear among a list of survey items. For example, a repertoire of brand purchasing might produce groups of those that purchase 1-2 brands, 3-4 brands and 5 or more brands. Each subgroup should be large enough (ie N=75+) to analyse.

Cluster Analysis

This technique assigns a set of individual people in to groups called clusters on the basis of one or more question responses, so that respondents within the same cluster are in some sense closer or more similar to one another than to respondents that were grouped into a different cluster.

Correspondence Analysis

This is a statistical visualisation method for picturing the associations between rows (image, attitudes) and columns (brands, products, segments, etc.) of a two-way contingency table. It allows us to display brand images (and/or consumer attitudes towards brands) related to each brand covered in this survey in a joint space that is easy to understand. The significance of the relationship between a brand and its associated image is measured using the Chi-square test. If two brands have similar response patterns regarding their perceived images, they are assigned similar scores on underlying dimensions and will then be displayed close to each other in the perceptual map.

CHAID analysis

CHAID (Chi-squared Automatic Interaction Detection), a type of decision tree analysis, is used to highlight key target groups in a sample by identifying which sub-groups are more likely to show a particular characteristic. This analysis subdivides the sample into a series of subgroups that share similar characteristics towards a specific response variable and allows us to identify which combinations have the highest response rates for the target variable. It is commonly used to understand and visualise the relationship between a variable of interest such as “interest in trying a new product” and other characteristics of the sample, such as demographic composition.

Key Driver Analysis

Key driver analysis can be a useful tool in helping to prioritise focus between different factors which may impact key performance indicators (eg satisfaction, likelihood to switch providers, likelihood to recommend a brand, etc). Using correlations analysis or regression analysis we can get an understanding of which factors or attributes of a market have the strongest association or “link” with a positive performance on key performance indicators (KPIs). Hence, we are able to identify which factors or attributes are relatively more critical in a market category compared to others and ensures that often limited resources can be allocated to focusing on the main market drivers.

TURF Analysis

TURF (Total Unduplicated Reach & Frequency) analysis identifies the mix of features, attributes, or messages that will attract the largest number of unique respondents. It is typically used when the number of features or attributes must be or should be limited, but the goal is still to reach the widest possible audience. By identifying the Total Unduplicated Reach, it is possible to maximize the number of people who find one or more of their preferred features or attributes in the product line. The resulting output from TURF is additive, with each additional feature increasing total reach. The chart is read from left to right, with each arrow indicating the incremental change in total reach when adding a new feature. The final bar represents the maximum reach of the total population when all shown features are offered.

Social Media Research

To complement its exclusive consumer research, Mintel tracks and analyses social media data for inclusion in selected reports. Using Infegy’s Atlas software, Mintel ‘listens in’ on online conversations across a range of social platforms including Facebook, Twitter, consumer forums and the wider web.

Atlas provides rich consumer insight via the analysis of commentary posted publicly on the internet. The system performs comprehensive and broad collection of data from millions of internet sources, working to ensure a faithful and extensive sampling of feedback from the widest range of individuals. The dataset contains commentary posted in real time, as well as a substantial archive dating back through 2007.

Trade research

Informal

Trade research is undertaken for all reports. This involves contacting relevant players in the trade, not only to gain information concerning their own operations, but also to obtain explanations and views of the strategic issues pertinent to the market being researched. Such is Mintel’s concern with accuracy that draft copies of reports are sent to industry representatives, to get their feedback and avoid any misrepresentation of the market. These comments are incorporated into reports prior to final publication.

Formal
Internally, Mintel's analysts undertake extensive trade interviews with selected key experts in the field for the majority of reports. The purpose of these interviews is to assess key issues in the market place in order to ensure that any research undertaken takes these into account.

In addition, using experienced external researchers, trade research is undertaken for some reports. This takes the form of full trade interview questionnaires and direct quotes are included in the report and analysed by experts in the field. This gives a valuable insight into a range of trade views of topical issues.

Desk research

Mintel has an internal team of market analysts who monitor: government statistics, consumer and trade association statistics, manufacturer sponsored reports, annual company reports and accounts, directories, press articles from around the world and online databases. The latter are extracted from hundreds of publications and websites, both Canada and overseas. All information is cross-referenced for immediate access.

Data from other published sources are the latest available at the time of writing the report.

This information is supplemented by an extensive library of Mintel's reports produced since 1972 globally and added to each year by the 500+ reports which are produced annually.

In addition to in-house sources, researchers also occasionally use outside libraries such as Statistics Canada and the Canadian Grocer. Other information is also gathered from store and exhibition visits across Canada, as well as using other databases within the Mintel Group, such as the Global New Product Database (GNPD), which monitors FMCG sales promotions.

All analysts have access to Mintel's Market Size and Macroeconomic Databases – a database containing many areas of consumer spending and retail sales as well as macroeconomic and demographic factors which impinge on consumer spending patterns..

The database is used in conjunction with an SPSS forecasting program which uses weighted historical correlations of market dynamics, with independent variables, to produce future spending scenarios.

Statistical Forecasting

Statistical modelling

For the majority of reports, Mintel produces five-year forecasts based on an advanced statistical technique known as 'multivariate time series auto-regression' using the statistical software package SPSS.

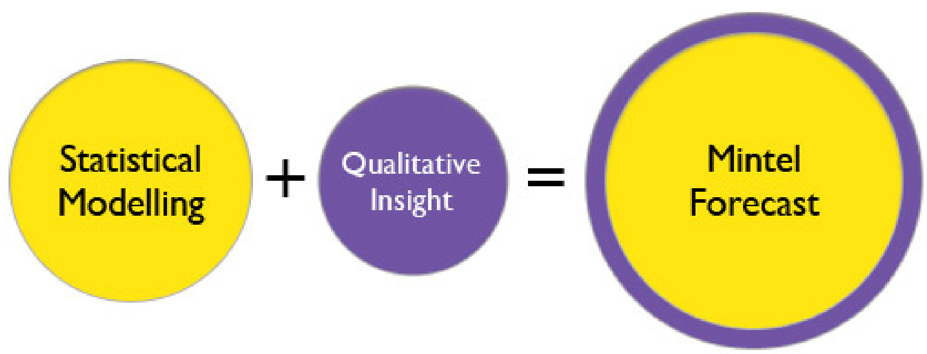
Historical market size data feeding into each forecast are collated in Mintel's own market size database and supplemented by macro- and socio-economic data sourced from organisations such as Statistics Canada, The Bank of Canada, The Conference Board of Canada and the Economist Intelligence Unit.

Within the forecasting process, the model searches for, and analyses relationships between, actual market sizes and a selection of key economic and demographic factors (independent variables) in order to identify those predictors having the most influence on the market.

Factors used in a forecast are stated in the relevant report section alongside an interpretation of their role in explaining the development in demand for the product or market in question.

Qualitative insight

At Mintel we understand that historic data is limited in its capacity to act as the only force behind the future state of markets. Thus, rich qualitative insights from industry experts regarding past and future events that may impact the market play a crucial role in our post statistical modeling evaluation process.



As a result, the Mintel forecast allows for additional factors or market conditions outside of the capacity of the data analysis to impact the market forecast model, using a rigorous statistical process complemented by in-depth market knowledge and expertise.

The Mintel fan chart

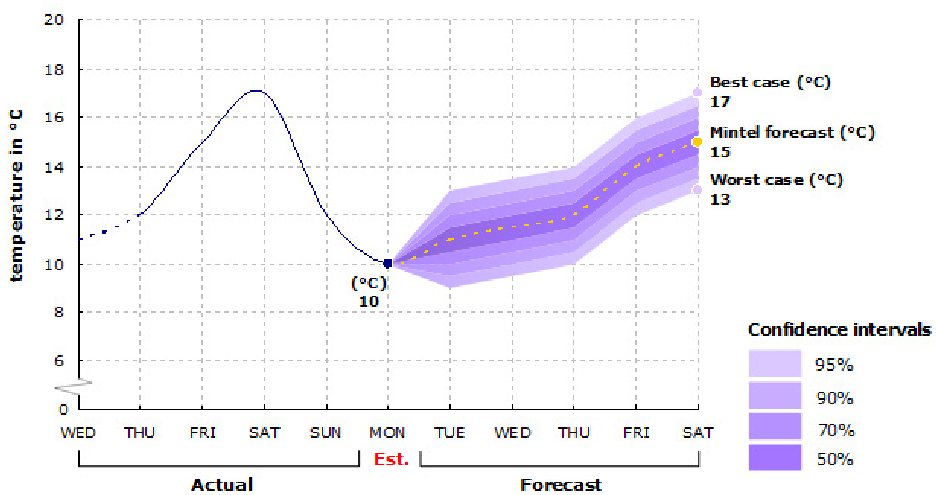
Forecasts of future economic outcomes are always subject to uncertainty. In order to raise awareness amongst our clients and to illustrate this uncertainty, Mintel has introduced a new way of displaying market size forecasts in the form of a fan-chart.

Next to historical market sizes and a current year estimate, the fan chart illustrates the probability of various outcomes for the market value/volume over the next five years.

At a 95% confidence interval, we are saying that 95 out of 100 times the forecast will fall within these outer limits, which we call the best and worst case forecasts. These, based on the statistically driven forecast, are the highest (best case) and lowest (worst case) market sizes the market is expected to achieve.

Over the next five years, the widening bands successively show the developments that occur within 95%, 90%, 70% and 50% probability intervals. Statistical processes predict the central forecast to fall within the darker shaded area which illustrates 50% probability, i.e. a 5 in 10 chance.

A general conclusion: Based on our current knowledge of given historic market size data as well as projections for key macro- and socio-economic measures that were used to create the forecast, we can assume that in 95% of the time the actual market size will fall within the purple shaded fan. In 5% of all cases this model might not be correct due to random errors and the actual market size will fall out of these boundaries.



Weather analogy

To illustrate uncertainty in forecasting in an everyday example, let us assume the following weather forecast was produced based on the meteorologists' current knowledge of the previous weather condition during the last few days, atmospheric observations, incoming weather fronts etc.

Now, how accurate is this forecast and how certain can we be that the temperature on Saturday will indeed be 15°C?

To state that *the temperature in central London on Saturday will rise to exactly 15°C* is possible but one can't be 100% certain about that fact.

To say *the temperature on Saturday will be between 13°C and 17°C* is a broader statement and much more probable.

In general, we can say that based on the existing statistical model, one can be 95% certain that the temperature on Saturday will be between 13°C and 17°C, and respectively 50% certain it will be between about 14.5°C and 15.5°C. Again, only in 5% of all cases this model might not be correct due to random errors and the actual temperature on Saturday will fall out of these boundaries and thus will be below 13°C or above 17°C.

(To learn more about uncertainty in weather forecasts visit: http://research.metoffice.gov.uk/research/nwp/ensemble/uncertainty.html)

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