

# Consumer Electronics Industry Overview



People love their electronic gadgets and toys. This \$700 billion market is chugging toward the trillion-dollar mark in annual revenue and should top that milestone before the end of the decade. What began with the introduction of the radio in the 1920s evolved gradually and then exploded with the advent of the digital revolution.

Some of you will remember things like black and white television and screw-in car antennas for early mobile phones. Others have never lived outside of the digital world, but even for this cohort, the pace of innovation has been astounding:

- Dial-up Internet service was still mainstream in the early 2000s
- Flat-screen televisions came out in the late 90s, albeit at a price that was prohibitive for most consumers
- CDs went from standard equipment in cars to obsolescence in about 20 years

Today, we take the presence of ubiquitous technology for granted. There is even a condition called nomophobia, the fear of being separated from one's mobile phone or in an area without connectivity. That aside, the industry is a busy marketplace that includes laptops, gaming software, and video streaming services in addition to smartphones. Usage will keep ticking upward as more people gain web access and more things are available to those who already have it.



## ***Did you know***

- Motorola introduced the first publicly-available cell phone in **1983; it cost \$3,995**
- More than **50 million** tons of electronic waste are generated annually
- There will be **75 billion** Internet-connected devices by 2025

The one evident trend in this industry is that there will be continued growth and further innovation. New products coupled with emerging markets and further extensions of connectivity guarantee that. From our standpoint, more people using more things more often creates more of a demand for customer and technical support. Also, as technology becomes more complex, so can the service issues that arise.



## Other trends

Few industries are moving quite as fast as this one, and several parallel developments are occurring. They range from technology to the user experience to how consumers interact with their preferred brands. Whether these changes reflect consumer expectations or drive them is an open question, and perhaps one exploring in a different forum. In the meantime, the things to watch are within a few clearly defined subject areas:

### Technology

- The emergence of 5G and the rise of the Internet of Things: these two are intertwined as the higher capacity and greater bandwidth of 5G facilitate the connection of more devices to the web. The use of smart devices will only grow in residential and commercial applications, providing convenience, greater efficiency, and improved security.
- The role of artificial intelligence: the applications are limitless, from analyzing the mounds of data that every organization collects to predicting consumer behavior to the rising use of wearables, smart appliances, and virtual assistants.
- The potential of augmented and virtual reality: whether used in headsets for more immersive video game experiences or in education through interactive models and 3D views, the technology keeps improving and shifting how people interact with each other and the world around them.

### The nature of transactions

- **Click and collect:** also referred to as “buy online, pick up in store,” this is part of rejuvenating the popularity of storefronts. It will not replace pure ecommerce, but this approach reduces abandoned shopping carts and exposes customers to the brick-and-mortar side of operations.
- **Hybrid purchasing:** this is a variation of the previous item in that consumers research products online but buy them in person. This allows for digital comparison shopping and customer reviews to instill confidence in purchasing decisions. It also allows shoppers to physically see goods before committing to buying them.
- **Buy now, pay later:** it’s the digital version of layaway, except consumers can take ownership of their products while making installment payments. It is visible among more expensive products and also avoids the service charges that come with credit cards. It is among several new payment options that go beyond traditional models, using apps and other means of transaction settlement.

- **Mobile and social commerce:** mobile buying is a reflection of so much else happening within the mobile environment. Brand apps are everywhere, websites are optimized for mobile use, and marketers can take advantage of geotargeting. Similarly, social commerce takes advantage of social media consumption, especially among younger shoppers.

## The experience

- **Personalization:** this is another way through AI and machine learning can be incorporated into the shopping journey. It can include alerts about things individual consumers are seeking, using data to advertise preferences, or used in customer support to keep track of a consumer's buying history.
- **Omnichannel:** integrating the multiple channels an organization deploys makes transactions convenient, which also applies to customer support. Product users must be able to reach you through their preferred channel and, often, on their schedule.
- **Livestream shopping:** instead of written reviews, think of people engaging with your customers. These people can be influencers or internal product experts; either way, they need to come across as authentic rather than as paid spokespeople.

One final trend is sustainability, which covers areas such as product packaging, component sourcing, and energy efficiency. Several governments are mandating rules on environmental sustainability, particularly with recyclables and the use of plastics. The one missing piece is how to address issues with mining the components necessary for producing electronic goods.



## Industry challenges

No product is made in a vacuum, including consumer electronics, which are susceptible to supply chain disruptions, inflation and how that impacts discretionary income, and geopolitical strife. That last point includes China, where so many things are pieced together. First, wages in China have doubled in the last few years, making the economics less attractive than before. Second, shipping costs globally are far higher than they used to be, which has created renewed interest in reshoring production, but that takes time.

### Other issues include:

- **Security:** this will be a bright, waving red flag of concern for any industry that works in or uses technology, which is pretty much every organization in every industry. Ever-increasing digitization means more data is accumulated, which is very attractive to cybercriminals. Plus, the growth of interconnected devices always carries the potential of an exploit being discovered.

- **IT talent:** no matter the answer to the previous question, companies need bright and talented people to keep pushing the evolutionary curve. And after someone imagines it, someone has to develop it and ensure it works. A survey from Gartner ranks talent acquisition as a more significant issue than security or cost.

One potential remedy to the talent and production issue is acquisitions and partnerships. Very few organizations try to do everything in-house. Some functions are better outsourced, others are ready-made for partnerships that synergize the partner's respective strengths, and others provide the smaller party with much-needed resources. Whichever route is taken, one thing that is certain about technology is its ability to continue evolving.



### *Where do we fit?*

Anytime technology is mentioned, there is a place for us, either in supporting clients' customers or lending our technological horsepower to their development projects. Our client list includes several firms operating within different sectors of this vast marketplace.

- We support a maker of multimedia and navigation systems for off-road vehicles, particularly for specific models of Jeeps, Chryslers, Dodges, and Toyotas. One thing to note here is that when a customer contacts us, he or she is likely miles from everywhere. Our ability to respond quickly to any issues impacts the product experience.
- This client is a disruptor who merges a meal delivery subscription service with the Internet of Things. This means our teams have to be adept at resolving technical issues and versed in customer care, such as logistics, sales, and product education.

We are familiar with cloud integration because we do it daily, and we have guided several clients through their own digital paths. Support and service increasingly matter as more people use more tools more often, and the growing complexity of those tools makes resolving customer issues vital to operations.

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