Independent Market Research:

Global / Canadian
Mobile Phone Accessories
Analysis & Recommendations

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Mobile Phone Accessories Market Summary

The global market for Mobile Phone Accessories is projected to reach **US $84.6 billion by 2018**, primarily driven by strong growth in smartphone sales globally. (Global Industry Analysts Inc., 2013) Another research claims, "The global mobile phone accessories market is expected to expand at a **CAGR of nearly 7%** and reach US$ 121.72 billion in value by 2025. Robust demand for protective covers and power banks will fuel the market." (Future Market Insights, 2015)

The need and purpose of a mobile phone for a consumer is changing at phenomenal pace. Clearly mobile phones have become indispensable devices and an essential part of everyday life, critical in modern fast paced digital lifestyle. As per eMarketer, a market research company, smartphone usage touched the halfway mark of Canadian population in 2014, and continues to grow each year.

Whether we are scanning Internet minutiae or enjoying hit of a Facebook like or checking the latest news, texting with others who are not present, many now routinely interrupt in facetime with loved ones to scratch the itch of online distraction. A study tells that adults check their phones every 6 ½ minutes or approximately 150 times a day. (eMarketer, 2015) Surprisingly the time is not enough to do everything. If given more time to interact with the smartphone, customers will be more than happy.

Some of the factors driving the volume of smartphone shipment worldwide are falling average prices of smartphones, falling costs of mobile services, attractive price bargains for consumers, advancement of mobile network technologies, etc. **The situation provides an excellent opportunity for mobile phone accessories market to boom**. Apart from the comfort and convenience offered by mobile phone accessories, they also help to use the mobile phone to the full potential. (PR Web, 2015)

A popular trend towards personalization of mobile devices is generating market opportunities. The customers' want to alter phone appearance from its generic look to something unique, which compliments the user's personality, is creating opportunities for accessories focused on aesthetics. Accessories that enhance the performance of a mobile phone are also rising popularity and in demand. There also exists increased demand for accessories that will help enhance functionality and performance of mobile phone, such as, smart watches, selfie sticks, fitness trackers, etc.

Top 3 reasons why every retailer that deals with mobile phones wants a pie of this rapidly flourishing mobile phone accessories segment are:

- High growth market segment due to changing lifestyles, technological innovations and the need for effective maintenance of costly instruments
- High profit margins and an increasing demand for mobile phone accessories open doors for many players in mobile handset market to launch their own accessories

- Complements the performance and features of mobile handsets. With stiff competition in this market segment, a retailer prefers to provide a complete solution to customer rather than them buying accessories from somewhere else.

While there are significant growth prospects in the mobile phone accessories market, there exist a stiff competition among the large number of retailers. We performed this market study to better understand the dynamics of mobile phone accessories market segment here in Canada.

Our Research Methodology

In order to clearly understand how mobile phone accessories market segment works, we started off with our primary research by doing mystery shopping. In the table below, you can see the details of the primary research.

Method	Store Survey and Sales Representative Interview
# of Interviews	17 Client / Reps (f2f) + Operators + Accessories Manufacturers + Survey
Stores Visited	TELUS, Bell, Rogers, Wind, Best Buy, The Source, Wireless Wave, TBooth Wireless and Walmart, Hipstreet, Gentel
Kiosks Visited	Virgin Mobile, Fido, Koodo, Itech and Cellicon
Dates	Sept – Oct 2015
City	Toronto, Markham, LinkedIn
Locations	Vaughan, Yorkdale Mall, Markville Mall and Eaton Centre

Table 1: *Primary Research Details - Mobile Phone Accessories*

The best way to gauge consumer trends was to speak directly to the in-store sales representatives. Here are the sample questions we asked to the several sales representatives at stores.

Q. What are your best selling accessories and how do you sell?
Q. Who is currently buying accessories from your store?
Q. How important is price to customers when choosing this type of product?
Q. How can you best communicate offers to the customers you are interested in attracting?
Q. Who is your real competition on accessories business?
Q. What would make customers more likely to buy at your store?
Q. Do you push customers to go for accessory shopping?

We also interviewed several industry experts from the organizations having investments in mobile phone accessories portfolio, to understand the strategic direction and to reassure our primary research findings.

We then conducted the secondary research by referring to several industry reports, e-resources, industry journals and professional discussions to connect the dots of our findings. Based on those findings and identified global trends, we provided recommendations for organizations to keep abreast of the market competition.

Mobile Phone Accessories Market Segment

By Product Type

The mobile phone accessories product portfolio is typically segmented in 6 types:

1. Protective Case
2. Charging
3. Audio
4. Health & Fitness
5. Smart Watches
6. Other (Selfie Stick, Smart Accessories)

In the figure below, you can see the leading brands in each of the product type.

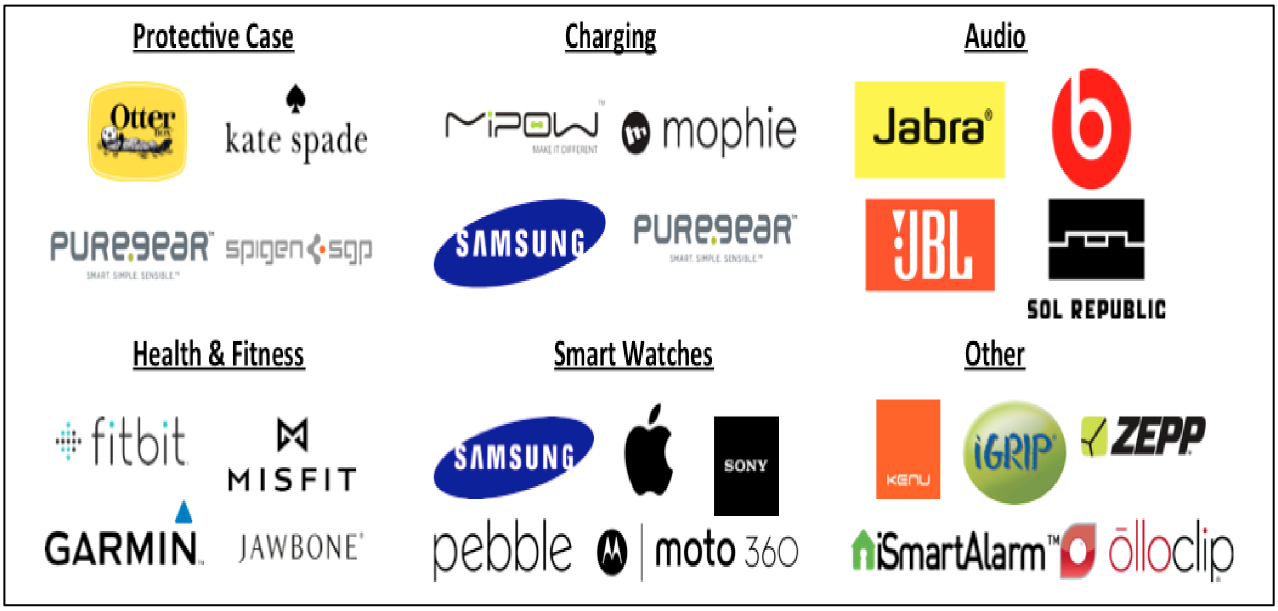


***Figure 1:** Mobile Phone Accessories - Product Brands (By Type)*

By Distribution Channel

In Canada, there are two major distribution channels:

1. Multi brand retail store:
   This can be further classified into three types:
   a. Wireless operator store
   b. Independent retailer (Tier 1 & Tier 2)
   c. Wireless operator/Independent retailer kiosk

2. Online store:
   Wireless operators, independent retailers and product manufacturers all leverage this channel.

In the figure below, you can see the leading brands with retail stores.

***Figure 2:** Mobile Phone Accessories - Retailers*

Findings

Demand is at all time high with margins of upwards of 50% per product. There has never been a better time to push mobile phone accessories. Be it as a compliment with contract to spread out discount or as a Christmas gift to ensure customer is retained. The mobile phone accessories market is overflowing but there are few brands that are ahead in this race.

The days of shelves stacked with cheap finished portable chargers and dodgy power banks, have been replaced with smart watches, fitness trackers, glass screen protector and Beats headphones, to name a few. In a flagship store of one of the three major wireless operators at an upscale Eaton center, I was surprised to see the widespread collection of exclusive mobile phone accessories. I was standing outside the shop, and was attracted to go and explore the products. I am not even the customer of that wireless operator but I wanted to experience that ‘exploration playground’. In the figure (next page), you can see how retailers are indulging in innovating ways to attract customers. The simple idea is to pull customers in store and increase the chances from zero to something. It is fair to say, the mobile phone accessories market cannot be ignored.

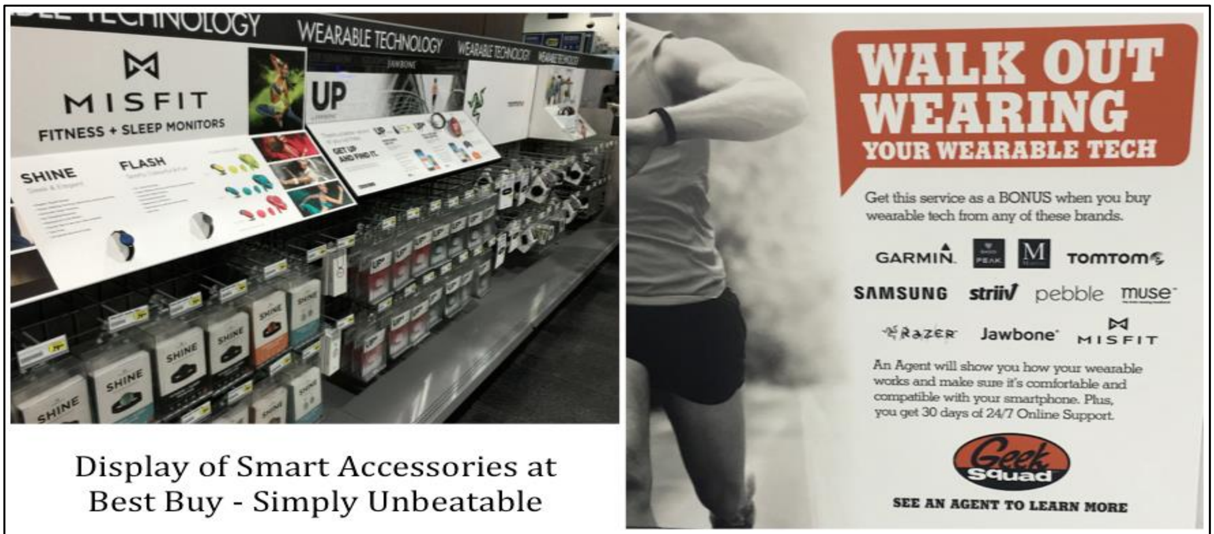
Figure 3: *Mobile Phone Accessories Retail - Exclusive Displays*

If a company deals with mobile phones and is not involved in accessories is simply passing cash to the competition. One of the sales representatives from a multi-brand independent retailer tells, " I don't know anybody who does not buy an accessory for a device. Whether it is a charger for their car, an additional charger for the home, a screen protector or a case. If we do not have what they are looking for, we are giving that business to someone else."

Another Product Manager responsible for mobile phone accessories portfolio at one of the three major wireless operators tells, "Everyone who has a mobile phone at one stage or another will use a type of accessory. If I do not have accessories, I am missing out on selling those accessories and being point of contact. If my customer has to go to Best Buy or another retailer to buy their accessories then I am risking losing them as a customer because they are speaking to another salesperson who will be trying to convince them to switch."

The more products that you introduce the more likely they will get an objection from the customer. It is about being confident in selling the accessories and also selling the benefits of them. If a customer buys a new device, they will buy an extra charger within four weeks – so why not lock that customer at the point of mobile phone sale.

Wearables represent a young but exciting category in Canada - one expected to be valued in the hundreds of millions of dollars in just a few short years as we begin to reimagine everything we put on ourselves. However, as this is such a new market, we have a lot to learn. All wearables are not equal. Fitness trackers have already seen some healthy early adoption thanks to their price and clear value proposition, but other wearables still need refinement with respect to battery life, price points and perceived security and privacy. Thanks to wearable tech, the future looks bright for the marriage of fashion and technology. Earlier this year famed Tory Burch partnered with FitBit to create a range of FitBit Flex accessories that are a fashionista's dream. In the figure below, you can see a rising number of brands with products in wearable tech.



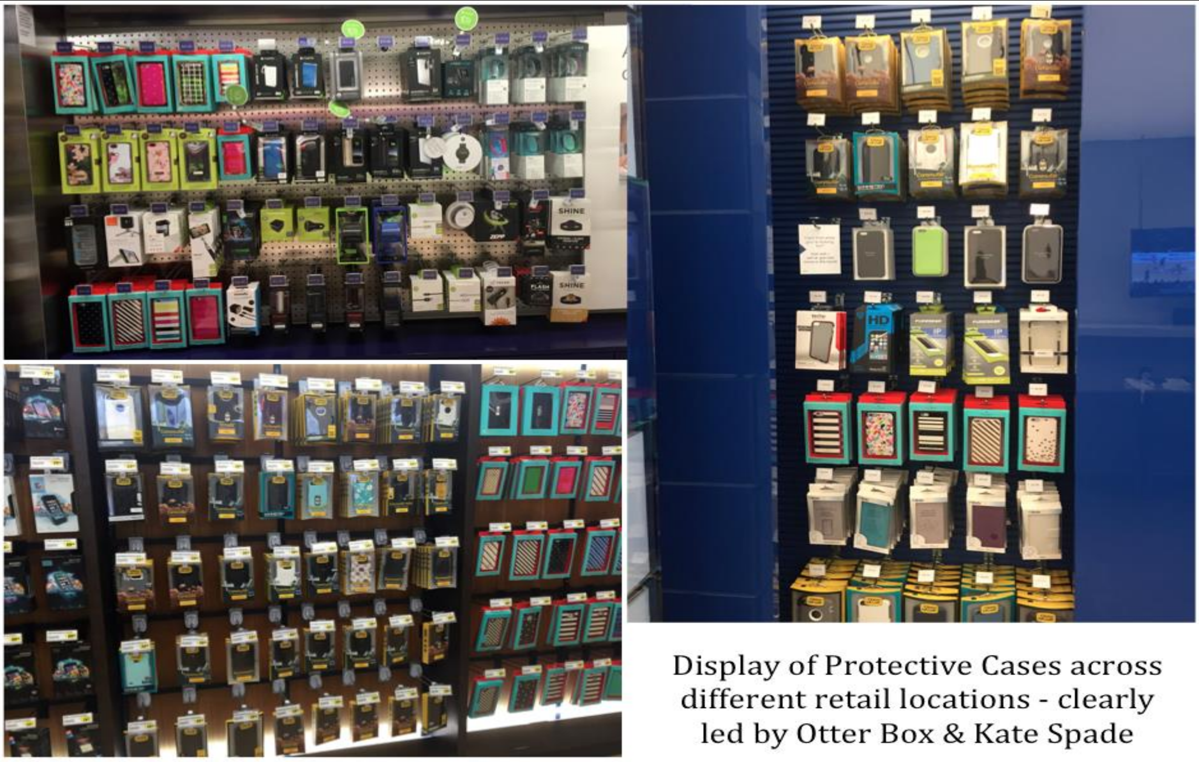
Display of Smart Accessories at Best Buy - Simply Unbeatable

Figure 4: *Mobile Phone Accessories Retail - Wearable Tech*

Lightning cables and chargers are in high demand. One of the reasons this category grew is the large amount of smartphones re-used (traded as second hand or handed down to friends/family) after a new phone is purchased. Charging accessories are necessity products, you don't buy them with handsets, you buy them when you need them. With increased processor speed and display resolution, low battery is one of the biggest issues with smartphones. Power is the key they always sell over time.

ABI Research estimates that there were 557 million protective cases shipped last year worth a total of $13 billion, making it the biggest single category in accessories globally. Recent years have seen a definite trend where people are willing to pay more to protect their expensive devices. The costs of handsets have gone up and people want to pay a little bit more. When it was free phone with the connection and they just paid $50 per month, people didn't care that much. With the introduction of BYOD (Bring Your Own Device), people know the true value of the handset and want to protect that asset.

In the figure (next page), you can see the pictures taken across different mobile phone accessories retail locations. As you can clearly observe, currently Otter Box and Kate Spade are leading this segment. However, as competition in this market strengthens, case makers understand they need to provide more advanced solutions (such as charging capabilities and storage), as a part of the case. Protective case will certainly continue to be in demand.



Display of Protective Cases across different retail locations - clearly led by Otter Box & Kate Spade

Figure 5: *Mobile Phone Accessories Retail - Protective Cases*

Wireless operators have also shown deep interest in mobile phone accessories market segment. In reality, for wireless operators the amount of revenue generated by mobile phone accessories business is very small when compared to other business related to wireless customers. However with the reduced airtime/wireless rates and declining ARPU (Average Revenue Per User), wireless operators are venturing into every possible additional dollar that can be earned. For wireless operators there are many reasons to promote mobile accessories to their customers. In the table below, you can clearly see how each accessory type can help wireless operators increase their revenue.

Product Type	Situation	Effect on ARPU (Avg. Revenue Per User)	
		By Avoiding Accessory	By Using Accessory
Protective Case	Mobile phone damage	No cellphone use	Negative Churn (reduced repair cost); Uninterrupted use of cellular services
Battery Bank	Low battery	Reduced use of mobile voice and data services	Uninterrupted use of cellular services
Bluetooth Headset	Involved in other activity such as driving, cooking, etc.	No cellphone use	Increased use of mobile voice services
Smart Watch	Away from phone	No cellphone use	Increased use of mobile data services

Table 2: *Potential benefits for wireless operators with mobile phone accessories portfolio*

Also wireless operators use mobile phone accessories to maximize brand presence and feel, and to drive exclusive retail experience by providing discounts, offer and gifts. Closely observing the three major wireless operators, we find that they differentiate from the market by only bringing in the top manufacturers/brands. It has the advantage of avoiding poor quality products being pumped out by Chinese factories but also the increased marketing that larger brands do around their products. One of the accessories buyer from one of the three major wireless operators says, “There are loads of stuff that comes out of China but our proposition is always working with tier 1 manufacturers because you are guaranteed that they are massively invested in the market and you can trust that the product is being built to a very specific standard.”

Key Issues in Mobile Phone Accessories Segment

Overall our findings not only help us to better understand the growing demand of mobile phone accessories segment in Canadian marketplace but also enable us to identify the barriers in front of retailers, trying to push forward mobile phone accessories sales. Here are the three main reasons:

Convoluted Market Segment

- # of retailers, operators, OEMs etc.
- No clear winner
- Not considered as mainstream product especially by wireless operators

Handful of Niche Brands

- No brand with products in all accessory segment
- Less product differentiation
- Popular brands available at all retailers

Sales Channel

- Multiple sales channel (direct, retailers (all tiers) and operators)
- No exclusive retailer/reseller

Top 5 Mobile Phone Accessories Purchase Considerations

Below is a list (in priority) of important factors that influence on consumer buying decision.

1. Features
2. Brand
3. User Reviews
4. Retailer/Online Reps Perspective
5. Product’s Appearance

Recommendations for Accessories Marketplace Stakeholders

Currently, the mobile phone accessories market has a number of identity opportunities and challenges. Based on our findings, we propose following recommendations to the organizations planning to grow and to drive sales of mobile phone accessories portfolio.

1. **Enhance in-store experience based on how you want to brand**
   - Select hero products that resonates with your brand values
   - Invest in innovative ways such as interactive display, samples and demos, etc. to make customer-interaction more engaging
   - Educated commissioning rep could be key to success within store

2. **Differentiate products based on lifestyle and branding message**
   - Segment products not by price but by type such as sport, health, etc.
   - For example, retailers that modify their offerings to reflect the health and wellness trend can differentiate themselves from their competitors
   - Understand which wearable devices and platforms are important to your high-value customers and your target market

3. **Segment, target and communicate - pair accessories based on device tier**
   - Regularly update customers about new product addition, and changes in product portfolio and offers
   - Key to success lies in product messaging, device bundling especially if the product already has benefits that have not been actively promoted
   - Communications can help propel a business from a stagnant sector into a new one with significant growth prospects

The New "Health Mania" Opportunity

An increasing number of Canadians are becoming more health conscious, leading many to pursue a healthier lifestyle and integrate preventive health measures into their daily lives. According to the recent BDC-Ipsos survey, while half of Canadians consider the health impact of a product when making purchasing decisions, one-third claim they are willing to pay a premium for healthy products.

Organizations that can modify their offerings to reflect the health and wellness trend can differentiate themselves from their competitors. They are also more likely to increase their margins. The key to success lies in product messaging, especially if the product already has health benefits that have not been actively promoted. Communications highlighting the health properties will help potential buyers understand the product's benefits. This approach can help propel mobile phone accessories business with significant growth prospects.

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