

## **Gary Shapiro's 2014 CES Keynote**

Welcome to the 2014 international CES, where innovation comes to market. Thank you for coming. I know many of you had challenges getting here due to the weather.

CES is the highlight of the year – its energy, excitement, ideas, new products and even celebrities – and CES is home to innovators, thought leaders and disruptors.

It's where the best of the best in our industry gather to celebrate innovation and come to do business. These new products and services are creating new industries overnight.

In fact, each year on this stage we release our annual sales forecast. For the first time, we can prove that new products are driving industry growth.

This year the U.S. industry is forecast to grow 2.4 percent to a record high of \$208 billion driven by product categories that didn't even exist in a meaningful way a few years ago.

This year we will see \$6 billion in sales of new categories such as 3D printers, wireless health and Ultra HD – an innovation basket of new technologies that CEA is now tracking.

To give you context – in new sales \$6 billion is larger than the entire U.S. machine tool industry.

Our industry is reinventing itself.

But innovation often goes hand in hand with disruption. Some legacy businesses get excited by the opportunities. Others get scared by new innovation. Disruption is uncomfortable but disruptive innovations improve our lives.

New companies and technologies that threaten the establishment are resisted –sometimes by regulators, sometimes by old laws misused by legacy industries. But as history shows, disruptive innovation is essential for economic growth, creates new jobs and benefits consumers.

At CEA, we embrace and fight for innovation. It is too important to be choked by laws written long ago. It is especially important today because we are at the beginning of a new age of innovation. New companies like Snapchat, Shutterfly and Yelp are changing how we communicate. Others like Aereo, Uber and DISH have launched new models to provide consumers with innovative services.

What all these CEA members have in common is they threaten the status quo. And all of their technologies are game-changers.

You will see examples of innovative disruption all across the show floor at CES – for example, the Internet of Things, 3D printing, Ultra HDTV, driverless cars, MEMS and companies in Eureka Park – are improving consumer lives with new services, lower costs and greater convenience. They are creating entirely new industries.

So when the show officially starts, to me it's like that moment in the Wizard of Oz where Dorothy leaves behind a grim, black and white world and opens the door to a full color multidimensional experience.

CES is that moment for me. In an hour the doors will open on a show floor full of surprises and innovation that will wow any journalist willing to walk the floor.

I'm a cheerleader for innovation. CES is a five sense experience.

Some of the most serendipitous moments will happen when you least expect them. You might be walking the show floor and see a person, product or technology or get an idea that will change your business or even your life.

I love CES. It brims with optimism for our future. We design CES so that different industries converge, new alliances can form and innovation can flourish. CES helps our industry. Our industry exists to create a better world.

CES also gives insight into the future. Last night we heard Intel's new CEO Brian Krzanich introduce a range of innovative products including wearables, an incredible baby monitor and an amazing dual-processor chip. Products like these will improve lives.

One catalyst for many innovative products at CES is micro electromechanical systems called MEMS. This disruptive sensor technology is inside smartphones, tablets and products like wearable technology and digital health care devices. For the first time we have a special TechZone at CES focusing on how these sensors make devices smarter and even more capable.

Devices are increasingly talking to other devices to make us safer, save energy and solve everyday problems. Indeed, the Internet of things is also showcased at CES, highlighting the networked connection of people, processes, data and objects.

Cisco not only has a major exhibit here at CES, but John Chambers will be keynoting on this stage later today to explain how the Internet of Everything will transform our lives by making us more efficient, safer and healthier.

All of this data collected by devices helps people measure themselves and their health and progress towards goals. The quantified self is a movement to use technology to self-monitor, for example, what we eat, our performance levels and health, and even our mood, using wearable sensors – to improve our lives. Wearable technology includes everything from fitness tech to smart watches and it is all here at CES.

Innovation is also changing our cars. The automotive electronics portion of our show is bigger than ever with nine top car companies exhibiting. We are seeing astonishing breakthroughs in auto technology at CES. Last night Audi introduced an amazing Quattro concept car which gets 90 miles per gallon and has power, lighting and connectivity.

CEA's "Innovating Safety" campaign promotes new technology like blind spot detection, drowsiness alerts and advanced entertainment systems to make driving safer. And we also have the single largest group of stakeholders working to develop best practices to design CE products to ensure driver safety.

But distracted driving issues go away as we inevitably shift to driverless cars. At CES, several companies will present their vision of how driverless cars and other technologies will enhance our experience in the future – another example of a disruptive technology that will provide new and valuable benefits.

Another area that promises huge growth and potential is 3D printing. The new 3D Printing TechZone, which didn't even exist in 2013, had to be expanded three times. More than 30 companies are sharing 3D printing innovation at CES. This technology is transforming manufacturing.

CES is also where hardware and content intersect. In recent months, an array of deals have emerged, as studios, networks, producers and others look for ways to deliver movies, on-demand TV shows and enhanced video experiences to an expanding number of CE products, including smart TVs. At CES we bring these communities together in our Brand Matters and Entertainment Matters tracks.

On the show floor you will see the latest with curved, OLED and Ultra HD 4K displays. These sets offer dazzling, pristine images and an immersive viewing experience with four times the resolution of HDTV. Our latest research – to be released later this week – shows that once consumers see Ultra HD, they love it!

Also you can experience the advances in high resolution audio at the Hi-Res Audio Experience TechZone.

The future is exciting but the start of a new year is a great time to look back and recognize those leaders who have come before us. In 2013, we lost some of our brightest visionaries.

Last year we lost leaders from Recoton, Bose, Dolby, Kenwood, the inventor of the computer mouse and a former speaker of the house who was an advocate for technology.

Each of these leaders made a difference. They knew that innovation defines us. It is who we are. It separates humans from other animals.

Since Thomas Edison first discovered electricity and invented the light bulb, we have hurtled toward the future with electronic technology making us healthier, allowing us to communicate around the world in seconds, research almost instantaneously and advance in every area of human endeavor from agriculture to transportation.

Our technology has changed the world. We have made it safer. We have empowered people.

Walk the floor and you will see this. Whether it's the rapidly growing digital health area or a new section focused on research from universities, CES represents the idea that as humans we must reach higher in every endeavor.

Soon every citizen of the world will have access to the richness of life through the Internet and our wireless products.

Our products not only allow anyone with an idea to create a global business but we run CES so anyone with an idea can become a successful entrepreneur.

Eureka Park launched two years ago for young companies to launch their products. Today we have more than 200 startups. Their passion, energy and out-of-the-box thinking defines the vision of CES.

The only constant in our industry is change. We plan the show to embrace change and disrupt traditional thinking. That's why each CES is different than the last.

This year's show is breaking records on every level – we have more exhibitors and more product launches across the largest show floor in CES history. There are so many new and emerging areas this year that I am happy to announce that this is our largest CES ever with more than two million net square feet of exhibit space!

Our doors will open this morning to 20 TechZones dedicated to emerging markets, 300 conference sessions with 850 speakers. CES is bursting with new ideas and new technologies.

Digital health and fitness exhibits have increased by 40 percent. This CES is also the world's largest app event with the CEA Hackathon, our Wall of Apps and a Mobile App Showdown. And we have a special area designated for authors of books connected to innovation and entrepreneurship.

But CES is just a one-week reflection of an industry that operates all year round.

Our industry helps solve some of the biggest problems in society.

For example, our products are making the lives of the elderly and disabled more productive and allowing both to build relationships despite limitations. We have an area of the show focused on products for the disabled and we are working to create standards so these products can be designed and sold. CEA also has a foundation focused on using technology to empower the disabled and the elderly to improve their lives.

Our show is international but our associations' primary focus is on the United States. So if our international guests can indulge me for a moment, let me share some of our U.S. efforts.

We care about the one million military men and women who serve our country and are now transitioning back to the civilian workforce. They are heroes, tenacious problem-solvers, disciplined, mature beyond their years and many have strong technology skills.

The technology industry needs many of them as employees. Tomorrow we'll have a major announcement with several associations in the tech community on how we are going to help our veterans find jobs.

CEA is a non-profit trade association committed to the cause of bettering our world through innovative consumer technology. Our 150 employees work in Washington to ensure that our industry can continue to innovate. We face battles as entrenched industries and interests fight to preserve the status quo.

Innovation requires free trade, a flexible work environment, attracting the best and the brightest and a marketplace that encourages investment and risk-taking.

Innovation also means dismantling outdated rules and regulations that no longer make sense. Earlier this year, CEA worked with other stakeholders to convince the FAA to allow the use of electronics devices during takeoff and landing on commercial flights. For all those who enjoyed your tablet or e-reader on your entire flight to Las Vegas, you're welcome.

However, while reading your e-book at 30,000 feet makes sense, torturing your seat mate by gabbing on your mobile phone may not. We ask airlines to use commonsense and while allowing use of our products – ensure also that all passengers not have to endure other traveler's loud conversations.

Keeping America as the world's leading innovator also means attacking obstacles to job creation.

Every nation wants to highlight innovation and many of the necessary ingredients for innovation are clear. That's why we fight for free trade especially the Information Technology Agreement which removes tariffs on most of our goods.

We are baffled why China blew up the recent negotiations with a protectionist position. We urge China to rethink its position, and recognize that true international leadership means responsible engagement in the world's economic system.

Removing barriers to innovation is crucial. Awesome innovations are being swamped by bogus litigation from patent trolls – lawyers who do not produce any product or service but simply sue those who do. Last month the House of Representatives stood up and, with an overwhelmingly bipartisan vote, passed a strong bill to put an end to the patent troll extortion racket.

Unfortunately, this is Washington, and some in the Senate say we should slow down and wait before addressing patent abuse. We say no – this is extortion, it is killing American jobs and it must stop immediately.

“Believe in innovation” should be our national strategy. I encourage you to sign up for the Innovation Movement – a quarter million of Americans already have. Every policy or new law must be measured by whether it helps or hurts innovation.

For example, we know Americans love the wireless connectivity our products provide. This connectivity requires additional spectrum. We supported the law requiring the FCC to create an auction for broadcasters wishing to sell their spectrum. We ask all our leaders in the broadcast community, especially the NAB, to use their bully pulpit to support these auctions.

As an industry, we also owe future generations a healthy environment. We are on our way towards our goal of recycling a billion pounds of consumer electronics a year in the U.S. and recently announced an expansion of our agreement with the cable industry to cut down set-top box energy usage.

As always, we are socially responsible as we envision a future where innovation flourishes. The magic of our industry and CES is that something new is always just around the corner.

That’s why we are pleased to announce the new Extreme Tech Challenge. Code named XTC, the challenge is a new era of active investment and incubation by the world’s leading innovators to empower entrepreneurs.

Industry luminaries such as Sir Richard Branson; Samsung President Young Sohn; Lars Rasmussen, inventor of Google Maps; venture capitalist Bill Tai and Red Bull Athlete, Susi Mai will lead this challenge. Stay tuned.

CES is full of transformative technology. Enjoy the full spectrum of the tech ecosystem from gesture recognition and augmented reality to eye-tracking tech. And from wearable tech with jackets that adjust to outside temperatures and solar-charging handbags to health monitoring devices and body sensors – these are just a few of the breakthrough technologies you will see on the show floor.

At CES you will see the creative disruption that promises to transform and improve our lives. I guarantee you will be energized and inspired.

We always kick off CES in a big way, and this year is no exception.

Our opening keynote is Sony, a brand synonymous with consumer electronics. In any consumer technology category you can think of, Sony either already has a product people love, is currently driving product innovation or plans to make a product that will re-define the next wave of the consumer experience.

Sony leads the way in shaping how consumers enjoy their music, movies, TV shows and games and delivers new ways for consumers to receive information. And Sony has the most options for consumers to create their own content and then watch it on any type of device.

From the earliest days of the Trinitron and the Walkman, to the dawn of the digital and high-definition eras, to 3D and now Ultra High-Definition TV and Hi-Resolution audio, and across any type of platform, Sony is always a leader, out in front.

And of course, Sony always has one of the biggest and most exciting exhibits here at CES every year.

Its breadth of resources is unrivalled: in addition to its consumer electronics reach, add a movie studio that regularly produces box-office favorites, music labels that showcase the best in every genre and a professional group that covers everything from Hollywood to network news.

Sony ties it all together into an intuitive and seamless consumer user experience.

But don't just take my word for it. Our speaker this morning has personally been involved in many of Sony's achievements.

Like Sony itself, Kazuo Hirai, president and CEO of Sony Corp., is a man of many talents.

He's seen consumer electronics from all sides, from his successes with Sony's PlayStation business to international work with music artists to his leadership of Sony's networked products and services initiatives.

He also was the 2013 ESA Champion Honoree where he was recognized as one of the most influential executives in the entertainment industry.

He is uniquely qualified to continue Sony's leadership at the forefront of consumer electronics innovation.

Please welcome, Sony's Kazuo Hirai!