ABOVE AND BEYOND MUSIC

Why hearables are not yet the successors of headphones

PROBLEM STATEMENT

How attractive is the adaption of hearing enhancement functions in headphones in the eyes of consumers?

Objectives

- Gain insights on consumer needs regarding the use of hearing enhancement
- Identify meaningful consumer segments that evaluate hearing enhancement in headphones as attractive
- Identify the most profitable segment and provide advice on how to position towards this segment

Hearables

Technically advanced, electronic in-ear-devices designed for multiple purposes ranging from wireless transmission to hearing enhancement

Image: Cloudinary (2021)

MARKET FOR HEARABLES

Status Quo

- **466 million people** currently suffer from hearing loss in the world (GlobeNewswire, 2021)
- Headphones are becoming a key device to interact with the environment – **human and AI**
- Traditional hearing aid manufacturers move into the headphone market by making their products more stylish and music-compatible
- Headphone manufacturers still **focus on noise cancelling** in their communication; yet their products increasingly offer **hearing assistance**
- In August of 2017, the Over-the-Counter Hearing Act was signed into law in order to **increase** both the **accessibility** of **hearing aids and consumers' options.** As a result, the market is starting to see a number of **hearables** that are designed to help people with mild-to-moderate hearing loss (Beck & Danhauer, 2019)

Potential

- Over **900 million people** are expected to suffer from hearing loss by 2050 (GlobeNewswire, 2021)
- 80% of tested hearables show comparable performance compared to hearing aids in regards to **improved speech understanding** accuracy (Reed et al., 2017)
- New technologies might further **enhance the sound experience** or even **make headphones obsolete**

VARIABLE SELECTION

Segmenting Variables

- Purchase intention in the next 1-3 years
- Relevant Features
  Optimization for:
  - music consumption
  - phone calls
  - direct translation
  - hearing health
  - hearing enhancement
- Hearing Aid Preferences

The segmenting variables are selected based on fit with the problem statement, status quo analysis and variance analysis of the survey data. The most distinctive needs and wants are used for creating the segments.

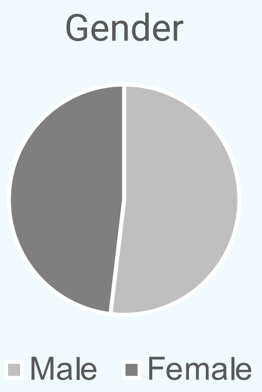
Profiling Variables

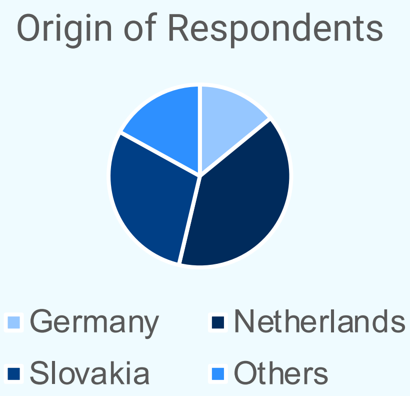
- Age
- Gender
- Degree of hearing loss
- Headphone as hearing aid
- Store preferences
- Media usage
- Willingness to pay (WTP)

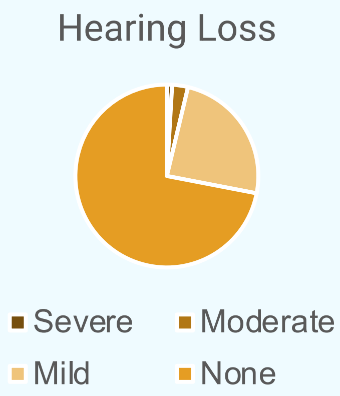
The most economically relevant and distinctive demographics and characteristics are used to create descriptive profiles of the consumers in each segment.

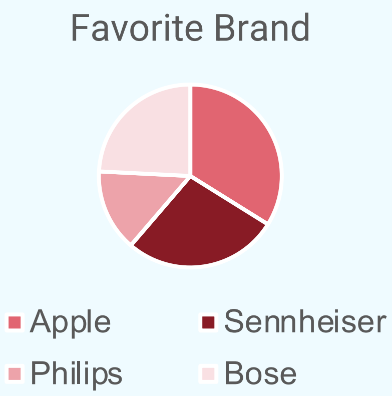
SURVEY OVERVIEW

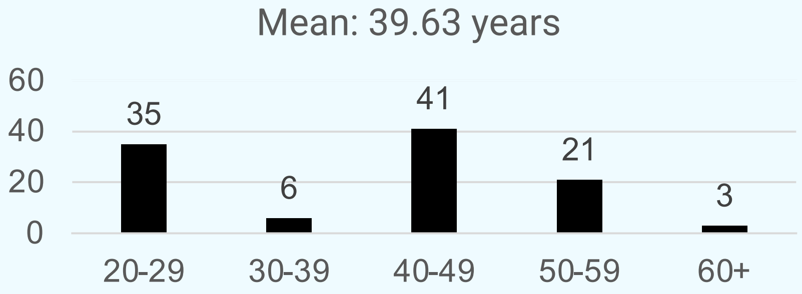
The survey contains a total of 106 respondents, including a specific target group of **40-65 years**.











58.49%

see substantial benefits in headphones with hearing enhancement

SEGMENT ATTRACTIVENESS

Segment 1
Affordable Conservative

Minor hearing loss
Unwilling to use headphones as hearing aid
Prefer offline stores
Low interaction with electronic products on social media
High focus on music and hearing health
Lowest WTP
Willing to pay extra for fitness parameters, speech translation and hearing enhancement

Small segment with lowest WTP.

Interested in premium hearing health and enhancement features.

Most attractive

Segment 2
Opportunistic Headphone Enthusiast

Least hearing loss
Willing to use headphones as hearing aid
Slight preference for online stores
Moderate interaction with electronic products on social media
High focus on music and phone calls
Highest WTP
Willing to pay extra for speech translation and hearing enhancement

Largest segment with highest WTP.

Most likely easy to address due to clear use case and headphone affinity. However, little hearing loss.

Market of the future

Segment 3
Reluctant Unexpressed

Highest hearing loss
Indecisive about headphones as hearing aid
Prefer offline stores
Low interaction with electronic products on social media
No clear use case focus
Below average WTP
Willing to pay extra for speech translation

Smallest segment with below average willingness to pay.
Most likely difficult to address due to low interest in hearables.

Not attractive

OVERVIEW FOR ALL THE SEGMENTS

Affordable conservative seems to be the most attractive segment for now. Opportunistic Headphone Enthusiast is considered as a market of the future because they do not have many hearing problems yet. Please see the appendix for more detailed results.

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Mean Age	46	35	48
Gender Female	70%	46%	32%
New headphone in 1-3 years	Unlikely	Very likely	Unlikely
Headphone ownership	47%	84%	42%
See benefit in headphone with hearing enhancement	Yes	Yes	Indecisive
Trust headphone as hearing aid	Yes	Yes	No
Prefer to buy hearing aid at medical specialist	**100%**	**84%**	**100%**
Prefer electronics manufacturer over medical	No	Yes	Indecisive
Prefer headphone over hearing aid	No	Yes	Indecisive
Headphone as first start	Indecisive	Yes	No
Overall hearing loss	45%	18%	47%
Social media electronics exposure	Less than monthly	Biweekly	Less than monthly
Social media usage	Daily	Daily	Weekly
WTP *Fitness parameters* *Speech translations* *Hearing enhancement*	€83 +20% +32% +37%	€134 +16% +26% +27%	€103 +13% +29% +21%
Segment Size	19%	63%	18%
Value	**€15.77**	**€84.42**	**€18.54**

RECOMMENDATION (I/II)

Segment Selection

- **Segment 1 - Affordable Conservative**

Interested in hearing enhancement and speech translation. Most attractive segment at the moment, even though they have the lowest WTP.

- **Segment 2 - Opportunistic Headphone Enthusiast**

Most attractive segment overall, but since people in this segment do not suffer from hearing loss at this point of time, not attractive for right now. This segment will be highly attractive in the future.

- **Segment 3 - Reluctant Unexpressed**

Not attractive. This segment is not at all interested in hearables and thus has no potential.

Target: Segment 1 - Affordable Conservative

Targeting

People in the **Affordable Conservative** segment are somewhat uninvolved in proactively seeking electronics products. However, they tend to use social media a lot (daily).

How they should be targeted:

1. Gain reputation and trust for hearing enhancement features:
   - Brand alliance with medical specialists
   - Attain quality certificate for hearing enhancement products

2. Approach the segment through the appropriate channels:

Distribution channels
- Mainly through distribution in physical stores (63%), with a focus on medical specialists
- Online distribution via medical specialists and consumer electronic markets such as MediaMarkt, Coolblue, Bol.com (37%)

Communication channels (from most to least important):
- In-store promotion
- Social media: Facebook, Instagram, YouTube
- Online advertising

RECOMMENDATION (II/II)

Positioning

For customers seeking to enhance their hearing, the Headphone Company offers affordable hearables that will let customers live life to the fullest through amazing hearing experiences - regardless of their momentaneous hearing level. In contrast to hearing aids, hearables should not be associated with *loss* but with *gain*.

Communication Message

- The Headphone Company offers **affordable hearables** which will **enhance music consumption** and **improve hearing health & enhancement.**

- **Innovative hearables as a smart way of life:** utilize latest technological developments (e.g., speech translation, hearing enhancement) to improve your life quality in all areas.

- **Persuasion is key:** concerns and reluctances about hearing enhancement/associations with hearing aids need to be lifted before the market can be accessed fully.

Media Channels

- **In-store communication**
  Communication in physical stores to make consumers aware of The Headphone Company hearables and to facilitate purchase of the hearables.
    - POS displays
    - Experiential marketing
    - Merchandising team

- **Social media**: Facebook, Instagram, YouTube
  The use of influencers to facilitate WOM
    - In domains of health, sport, and music

- **Online advertising**
    - Display advertising
    - Google Search

KEY TAKEAWAYS

- **Status Quo:** headphones and hearing aids are two mostly separate markets right now - but due to technological advancements, they are likely to fuse into one market in the foreseeable future. Traditional hearing aid manufacturers have already moved to enter the other market.

- **Market potential:** the new use case of hearing enhancement is not yet associated with concrete consumer knowledge (e.g. WTP). Hence, these prognostications can only serve as first orientation. Age does not seem to be a relevant factor, as we observe similar interests in the segments across vast differences in age.

- **Demand for hearables:** the inclusion of hearing enhancement functions represents an attractive *but* challenging use case for headphone companies in the foreseeable future. 58% of the respondents see substantial benefits in headphones with hearing enhancement functions.

- **Challenges:** persuasion and transfer of associations is needed to successfully enter the market. The Headphone Company must gain reputation for hearing enhancement features (e.g. brand alliance with medical specialists, quality certificates etc.) first, before the market becomes accessible.

Hearables could become the successors of regular headphones in the future, once the headphone companies acquired the necessary reputation for the new features in the minds of the consumers.

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TEAM 5

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May 21st 2021

SOURCES

Reed, N., Betz, J., Kendig, N., Korczak, M., & Lin, F. (2017). Personal Sound Amplification Products vs. a Conventional Hearing Aid for Speech Understanding in Noise. *JAMA*, 89-90.

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APPENDIX I - Needs & Wants

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Consideration when buying new headphones:			
Usecase: Music	Yes	Yes	Indecisive
Usecase: Phone calls	Yes	Yes	Indecisive
Usecase: Voice control	No	Indecisive	No
Usecase: Fitness parameters	No	No	No
Usecase: Direct translation	Indecisive	No	Indecisive
Usecase: Hearing health	Yes	Indecisive	No
Usecase: Hearing enhancement	Yes	Indecisive	No
Purchase:			
New headphones in 1-3 years	Unlikely	Very likely	Unlikely
In case of future hearing problems:			
See benefit in headphone with hearing enhancement	Yes	Yes	Indecisive
Initially refuse to wear hearing aid	No	Indecisive	No
Trust heaphone as hearing aid	Yes	Yes	No
Prefer electronics manufacturer over medical	No	Yes	Indecisive
Prefer headphone over hearing aid	No	Yes	Indecisive
Headphone as first start	Indecisive	Yes	No

APPENDIX II - Demographics & Traits

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
General demographics:			
Mean Age	46	35	48
Gender Female	70%	46%	32%
Country: Netherlands	37%	35%	58%
Country: Germany	16%	17%	5%
Country: Slovakia	32%	27%	37%
Country: Chez Republic	11%	14%	0%
Country: Other	4%	7%	0%
Consumer traits:			
Environmentally friendly	Yes	Yes	Yes
Lastet product seeker	No	Indecisive	No
Early adopter	Indecisive	Indecisive	No
Difficulty accepting aging	Indecisive	Indecisive	Indecisive

APPENDIX III - Lifestyle & WTP

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Lifestyle characteristics:			
Life is perfect as is	Indecisive	Yes	Yes
Challenge seeker	Indecisive	Yes	Yes
Love entertaining family & friends	Yes	Yes	Yes
Healthy lifestyle as priority	Indecisive	Yes	Yes
Work as priority	Indecisive	Indecisive	No
Work-life balance is impossible	Indecisive	Indecisive	Indecisive
Public image is important	Indecisive	Indecisive	Indecisive
Prefer pemium products	Indecisive	Indecisive	Indecisive
High standards	Indecisive	Yes	Indecisive
Money spender	No	No	Indecisive
Willigness to pay for headphones:			
Price	€83,-	€134,-	€103,-
Pay extra for Fitness parameteres	+20% (€100)	+16% (€155)	+13% (€116)
Pay extra for Speech translation	+32% (€110)	+26% (€169)	+29% (€133)
Pay extra for Hearing enhancement	+37% (€114)	+27% (€170)	+21% (€125)

APPENDIX IIII - Hearing Loss

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Hearing loss type*:			
Overall hearing loss	45%	18%	47%
High frequencies	35%	21%	53%
Loss of focus	50%	25%	32%
Tinnitus (noise disturbance)	25%	25%	5%
**Respondents with any degree of hearing loss are merged together due to little variance. The most frequent degree of hearing loss is mild.*			
Further hearing loss identification:			
Hear less compared to past	Indecisive	No	Indecisive
Struggle to hear in noisy environments	Indecisive	No	Indecisive
Watch tv with higher volume	No	No	No
Require others to speak more clearly	No	No	No
Recently went for medical check	No	No	No
Hearing aid expectation	No	No	No

APPENDIX IV – Store & Media

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Store preference			
Prefer to buy headphone offline	63%	46%	79%
Prefer to buy hearing aid at medical specialist	100%	84%	100%
Would consider to buy hearing aid at electronic market	No	Indecisive	No
Behavior			
Browse electrronics products	Less than monthly	Monthly	Less than monthly
Read blogs/ magazines	Less than monthly	Less than monthly	Less than monthly
Seek advice from friends & family	Less than monthly	Monthly	Less than monthly
Social media electronics exposure	Less than monthly	Biweekly	Less than monthly
Social media usage	Daily	Daily	Weekly

APPENDIX V - Headphone Ownership

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
General headphone ownership:			
Overall headphone ownership	47%	84%	42%
Headphone type: on-ear	89%	31%	50%
Wireless	56%	54%	63%
Owns hearing aid	5%	0%	0%
Owned brands*:			
Apple	0%	25%	13%
Beats	0%	2%	0%
Bose	0%	7%	13%
Breyerdynamic	0%	2%	0%
Jabra	22%	5%	0%
JBL	22%	10%	25%
Philips	0%	2%	0%
Samsung	11%	15%	13%
Sennheiser	0%	8%	25%
Sony	33%	3%	0%
Skullcandy	12%	0%	0%
Other	0%	19%	11%

*Out of people that own a headphone

APPENDIX VI - Headphone First Choice

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
First choice brands for headphones			
Apple	11%	24%	16%
Beats	5%	3%	0%
Bose	5%	18%	11%
Breyerdynamic	0%	3%	0%
Jabra	0%	3%	0%
JBL	0%	6%	5%
Panasonic	0%	3%	0%
Philips	5%	6%	21%
Samsung	16%	5%	5%
Sennheiseer	21%	14%	21%
Sony	16%	3%	0%
Other	21%	12%	21%

APPENDIX VII - Hearable Awareness & Purchase

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Hearable brand awareness and purchase consideration respectively			
AKG	5%/ 5%	33% / 5%	5% / 0%
Apple	42% / 16%	64% / 27%	68% / 21%
Audio-Technica	0% / 0%	14% / 6%	0% / 0%
Beats	26% / 0%	56% / 6%	32% / 5%
Bose	37% / 11%	55% / 32%	42% / 16%
BeyerDynamic	5% / 5%	21% / 8%	5% / 0%
Jabra	16% / 5%	15% / 5%	0% / 0%
JBL	42% / 5%	55% / 12%	32% / 0%
Lucid	0% / 0%	8% / 3%	5% / 5%
NUHEARA	0% / 0%	8% / 0%	0% / 0%
Olive	0% / 0%	8% / 0%	5% / 0%
Panasonic	53% / 5%	52% / 5%	53% / 5%
Phonak	5% / 0%	8% / 0%	5% / 5%
Samsung	42% / 16%	55% / 15%	58% / 21%
Sennheiser	26% / 16%	47% / 30%	42% / 26%
Signia	0% / 0%	12% / 0%	5% / 5%
Sony	47% / 16%	55% / 17%	37% / 5%
Skullcandy	5% / 0%	11% / 2%	0% / 0%

APPENDIX VIII - Associations

	Affordable Conservative	Opportunistic Headphone Enthusiast	Reluctant Unexpressed
Sennheiser associations			
Affordable	0%	11%	0%
Customizable settings	0%	21%	16%
Durable	5%	18%	11%
Excellent sound quality	21%	38%	37%
Good price-quality ratio	11%	23%	11%
Health & fitness montironing	0%	2%	0%
Hearing enhancement	0%	5%	5%
Long battery life	0%	18%	16%
Premium products	11%	29%	26%
Stylish	11%	11%	0%