What you should know: Sophic Capital is at CES 2016 in Las Vegas. Day one was filled with product announcements (which we didn’t attend). But CES also had several keynote session and panel discussions. We discovered what’s on thought leaders’ minds. Wednesday, though, is when the convention floor opens, and we’ll find out what’s going on in consumer electronics. Preliminary data and conversations indicates that virtual reality, automobile technology, and wearables are at the forefront. More of that to come in the coming days.

Virtual Reality dominates: Consumer Technology Association (CTA) forecasts that US VR sales will reach $540 million in 2016, a 440% increase over the prior year. We spoke with management at Buzz Radar, a firm that captures and visualises social media data to provide intelligent insight, and the VR hashtag is trending number one on CES Instagram and Twitter posts – 43% of #CES2016 posts. Some of the buzz is likely due to Oculus’ announcement two days ago that global pre-orders for the Rift will commence this morning (although at the time of writing we are still waiting for pricing). Surprisingly, Sony did not provide any new insights about PlayStation VR during its press conference. However, PS4 had a huge holiday season for sales and the install base now stands just below 40 million devices sold. However, GearVR, which was outside of the convention floor, had a small stadium set up to show off the platform. Another data point pointing to VR consumer adoption was a keynote speaker who stated that a Dell laptop executive told him that VR was the key for future laptop sales. More on VR from Sophic Capital in the coming days.

Sensors are coming: Sensors were highlighted in several keynotes, including: IoT, artificial intelligence, and tech trends. Decreasing sensor pricing is driving adoption. The first iPhones had accelerometers, used for screen orientation, which added $14 to the bill of materials. Now the sensors cost about $1 and are used in numerous applications including: measuring vibrations, wind loads, and navigation. One executive shared that he expects that by 2022 houses may have as many as 500 connected devices (including sensors).

Television rules! Stats blast: According to CTA 77% of all consumers watch television. Eighty percent of consumers cite screen size as the most important factor in purchasing a tube – screen size has increased or held stable in 17 of the last 18 years. Cable is the dominant source for content (59% of those surveyed). 29% of U.S. households own more than four televisions. There are 323 million televisions in the United States. By 2020, OLEDs and 8K televisions will prevail – one expert expects 8K video to dominate in 3 years. CTA expects 1.03 million OLED TVs to be sold globally by 2018. As of November 2015, there were 7.8 million 4K ultra HD TVs in the U.S. TVs ain’t going away and they will continue to get bigger, thinner, and clearer. They’ll also get cheaper; expect more companies to exit the tv business (i.e. Toshiba exited the U.S. market last year).
Artificial Intelligence (AI) – coders get smarter: We heard all kinds of use cases from a panel discussion. Healthcare appears to be the largest adopter of AI. We had no idea how rapidly enterprises were adopting the technology. One panel member predicted that by 2018, 50% of all developers will work on AI. Consumer apps should follow AI platforms; apps that will likely sense and capture data from ourselves. These apps will adapt and then learn from us.

Drones stay airborne: An industry expert we spoke with noted that there are no consumer underwater drone companies at CES. We made the case for military and industry underwater drones to which he agreed. However, he struggled to make business cases for consumer underwater drones. In the upcoming days, we plan to ask consumer airborne drones their thoughts on the underwater market and get a better sense of where they see the airborne drone market heading over the next five years. So stay tuned.
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