centris
market intelligence

The Wireless Trifecta

Access Device, Service Plan, and Usage

The need to know what the wireless telecommunications consumer is doing has never been greater. In a rapidly changing wireless environment, telecom equipment manufacturers and service providers must know not merely what consumers' choices are today but also what they will likely be in the future. When competing with an ever-expanding slate of services and pricing plans, success for wireless companies depends critically on understanding the consumer. Moreover, it is no longer enough to just have information on broad market trends. Instead, consumer behavior must be understood at a micro-level, i.e., how and why individuals make purchase and usage decisions in the places where they live, work, shop, or travel.

Wireless communications in the US are driven by the trifecta of access devices, wireless service plans, and consumer usage. The inter-play of these three forces is critical to the evolution of wireless communications. Market opportunities for any one element of the trifecta depend upon what is happening to the other two. Access devices, including cell phones and other portable devices, are a means to an end (the use of wireless services), not an end in themselves. Which access device is purchased depends on the wireless services that can be received on it. The remarkable evolution of access devices is being driven by the transformation from voice and text-only cell phones to "smartphones" and the convergence of communication technologies. Service plans with pre-specified limits for voice and data usage are changing, moving away from per-use pricing plans and toward flat-rated "bucket plans." Service plans are also becoming more national, rather than regional or local, in scope. Consumer usage too is expanding well beyond simple voice communications. In the era of wireless broadband technology, new services, features, and functions are supplementing, or even replacing, voice calling. They include Internet access, video, music, games, navigation, and even photography. Bucket pricing plans have brought greater certainty about bills, prompted greater usage, and, in turn, driven more efficient network utilization. Understanding the interactions within this trifecta is key. How can that be done?

Centris has the answer…

Centris has Developed a Unique Wireless Survey to Help You Understand

To gain key insights into the actual and prospective behavior of consumers of wireless services, Centris has developed an ongoing, flexible, and wide-ranging survey that is supported by many levels of qualitative and quantitative analysis.

Besides providing valuable business information and insights, the Centris wireless survey offers many unique benefits (especially to Charter members, see box on page 5). Charter members can combine their own proprietary data with survey data and have them custom-analyzed on preferential terms by Centris experts. For example, Centris can develop sophisticated models of consumer behavior that are essential for forecasting and strategic planning. These models pertain both to wireless alone as well as the relationship between wireless and other platforms. Charter members may also participate directly by inserting a limited number of questions of interest into the survey. Charter members will receive all tabulations and underlying statistical results from the survey. Finally, Centris can help to project consumer choice and demand at various levels — from the local (Census Block Group level) market to regional and national markets.

Key Features of the Centris Survey

- Conducted for a representative nationwide panel of households (and individuals within households).
- Designed to be longitudinal, i.e., to follow the same households (and individuals within households) over time (every quarter).
- Records wide-ranging access and usage data (including service provider, service plan, and cell phone handset information), both actual and prospective.
- Records individual-specific demographics, key location information (census block group, designated market area, state and region of residency, etc.).

This design enables the survey to track and project:

- Consumer behavior at the lowest possible level, i.e., the individual consumer of wireless services;
- Subscription, usage, satisfaction, switching, service selection, etc. over time and within local or wider market geographies; and
- Interactions across and substitutions within wireless and wireline access technologies for voice and non-voice communication services, Internet access, and television viewing.

With its pioneering focus on individual consumers of communications services, the design of the Centris wireless survey is both innovative and strategic. Where other industry surveys track technological trends, broad market and financial performance or, at best, limited aspects of consumer behavior for wireless services, the Centris wireless survey is both micro-level and comprehensive. The ability to track and evaluate the decisions and preferences of households and individuals offers the best opportunity to understand the all-important demand side of a rapidly developing — and converging — communications marketplace. Most importantly, this survey offers information on the entire wireless *platform*, (i.e., all forms of communication made possible by wireless devices or technologies), not just the use of cell phones for voice and a limited number of other communication services.

Key Applications of the Centris Survey:
The Wireless Trifecta

For the wireless trifecta, the survey is useful for tracking:

- Consumer behavior at the individual or household level
- Consumer behavior in various markets and geographies (from the census block group to nationwide)
- Consumer choices among a complex slate of access devices, service plans, services (and features and functions)
- Effect of demographics on consumer choice and behavior
- Feasibility of alternative bundling and pricing options
- Creation and delivery of content
- Advertising and search in a two-sided market
- Most productive channels for future investment

Key Benefits of Analysis Based on the Centris Survey

Statistical and qualitative analysis based on the Centris wireless survey sheds light on the wireless trifecta in several ways:

- Explains how consumers change their behavior or adapt as market and general economic conditions evolve
- Explains interactions and correlations (if any) among access devices, wireless service plans, and usage choices
- Projects consumer choice and behavior over both time and space (i.e., different geographies)
- Produces more meaningful trends and forecasts of future multimedia wireless consumption

To understand the wireless trifecta, the Centris wireless survey focuses on three key areas of consumer behavior:

- **Cell phones / mobile devices**
- **Wireless service plans and subscriptions**
- **Usage behavior (wireline, wireless, Internet access, TV)**

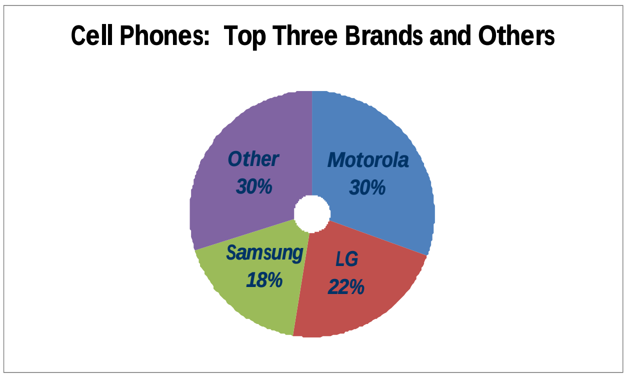
These three areas are featured in detail in Centris' forthcoming comprehensive report on "The Wireless Trifecta." This is a sneak peek into the contents of that fuller report.

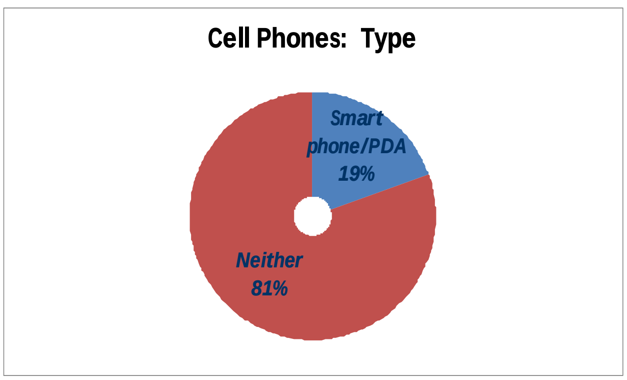
Cell Phones / Mobile Devices

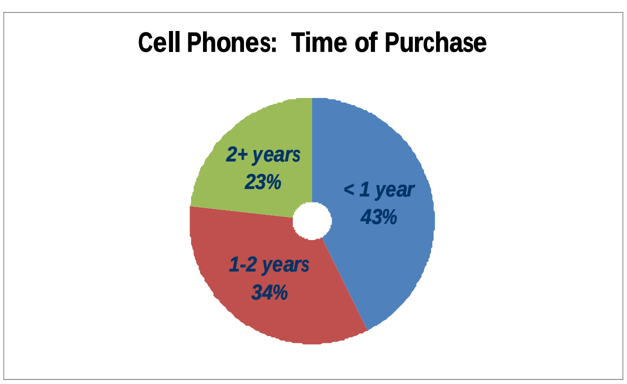
Detailed findings in the comprehensive report cover several topics in this area of consumer choice. All analysis is conducted at either the household or the individual consumer level. Examples of topics analyzed include:

- Ownership patterns
- Reasons for ownership, reasons for non-ownership, and interest in purchasing
- Type, make, and model
- Time (recency) of purchase
- Availability of features/functions
- Availability of Bluetooth capability
- Customer satisfaction
- Availability of mobile devices for high-speed Internet access
- Models that explain cell phone ownership in terms of cell phone (features/functions) and consumer (demographic) characteristics

The panel chart below summarizes current household cell phone purchase patterns – top brands, types of phone, and times of purchase.

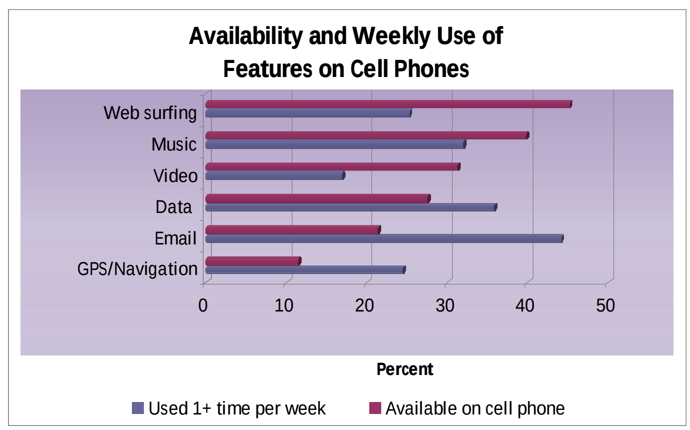






The top-selling cell phone brand is Motorola (30%). Smartphones/PDA type devices are not mainstream yet; only 19% of consumers currently use them. Most cell phone purchases were made within the past two years (77%).

Also of interest are the availability and weekly use of features on cell phones and mobile devices. The chart below shows an intriguing contrast: currently, consumers have far greater access through their cell phones to the web than to email, yet they use cell phones relatively more for email than for web surfing. Understanding why is important because conventional wisdom increasingly sees web access migrating from computers or fixed devices to smartphones and other mobile devices. That understanding is even more valuable when consumer demographics (sex, age, and income) and residency/market locations are taken into account. For more, see the forthcoming comprehensive report on "The Wireless Trifecta," soon to be available for purchase or subscription (see box for Charter Membership on next page).



Web surfing is the top feature available on cell phones (45%), but only 26% of consumers are currently using this feature. On the other hand, while only 21% have email access, their usage is high at 44%.

Wireless Service Plans and Subscriptions

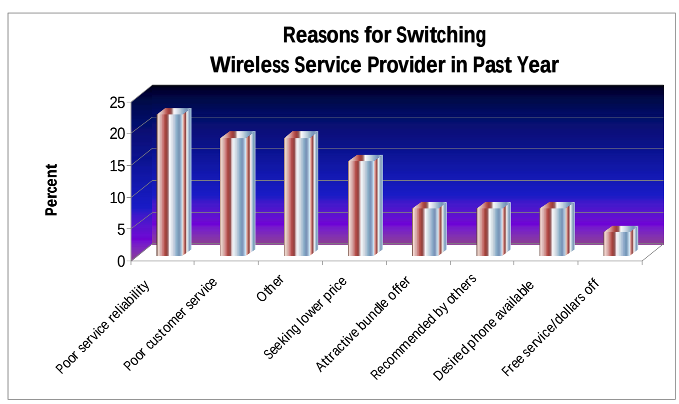
What types of service plans do consumers have currently? How much are household members using their wireless devices? Who are their service providers? This section focuses on household and individual wireless service plans and subscriptions. Examples of topics include:

- Household decision maker regarding wireless service plan subscription
- Wireless service plan subscription patterns (type of plan, distribution across household members)
- Wireless service providers used
- Characteristics of service plans (family, individual, business; by prepaid, postpaid, other), MOU allowances
- Customer spending on service plans
- Availability of features/functions by type of service plan
- Switching (with reasons) among service providers by type of service plan
- Past subscription patterns for individual features/functions
- Models that explain wireless service plan and service provider patterns in terms of plan features/functions and consumer (demographic) characteristics

Knowing why consumers switch service providers is crucial for formulating strategies of customer retention. The chart at right shows that price may not be the main driving factor behind switching among service providers. Could price be the main factor for consumers from a particular demographic sub-group or located in certain market areas? Find out from the forthcoming comprehensive report "The Wireless Trifecta."

Charter Membership Includes:

- Comprehensive syndicated reports in each of three topic areas
  - *The Wireless Trifecta: Access Device, Service Plan, and Usage*
  - *Customer Satisfaction and Loyalty in Wireless Communications*
  - *Consumer Preferences for Wireless Broadband and Next-Generation Services*
- All tabulations based on the survey data
- Ability to customize your data
  - Merge your own data with those from the survey to answer questions of particular interest to you.
  - Insert a limited number of your own questions into our survey. Responses to those questions will be available only to you.
- Expert consultancy
  - Receive additional expert consulting on preferential terms as part of your Charter Membership. Talk to our experts about issues that are important to you.



Poor service reliability is the main factor behind wireless service switching: 22% of consumers switched in the past year for this reason. This surpasses poor customer service, lower price, or 'other' reasons.

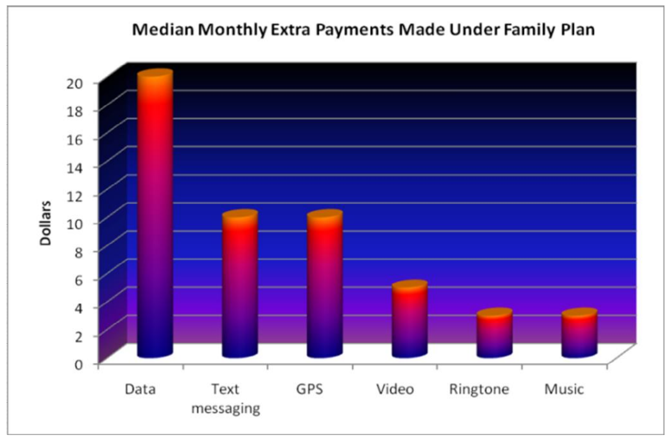
Usage Behavior

This section addresses current usage of wireline and wireless devices. Examples of topics include:

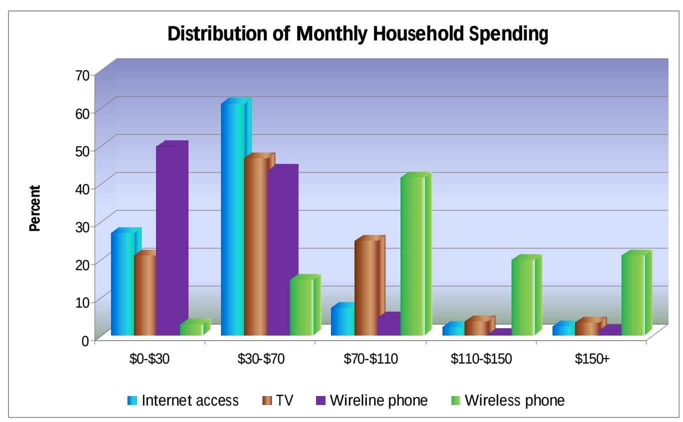
- Daily MOU of wireline service
- Daily MOU of primary cell phone, personal and business wireless services
- Monthly usage of wireless features/functions
- Subscription plans with varying MOU allowances
- Weekly usage by different wireless features/functions
- Monthly bill for wireline service, high-speed Internet access by various means, and TV service
- Extra payments for use of features/functions, by type of service plan
- Expected bill increase from adding new features/functions
- Moels that explain usage (conditional on choice of cell phone and service plan) in terms of features/functions and consumer (demographic) characteristics

How much more do consumers spend on average on various wireless services available through a family plan? How does spending on wireless services compare with that on wireline phones, Internet access (from any source), and TV?

The next two charts answer these questions for all consumers. For breakdowns by consumer demographics and residency/ market locations, see the forthcoming comprehensive report "The Wireless Trifecta."



Median extra spending is highest for data services (email, web surfing), followed by text messaging and GPS.



The vast majority of households spend under $70 monthly for Internet access from any source (88%) or wireline phone (93%). About 67% of households spend under $70 on TV, but 82% spend over $70 on wireless services.

Why this Suite of Research Products is a Compelling Purchase for You …

Other market analysts may be able to provide you with a broad, sweeping view of consumer preferences for wireless consumption. But what Centris can offer you is a comprehensive look at consumer preferences and satisfaction indices (at both household and individual consumer levels) and how they change over time for essentially the same consumers. This is a strategic research package designed to give you consistent tracking information on a nationally representative sample of households, which can be used to project future consumer behavior with respect to wireless devices and services.

Think about the impact that this type of research effort will have on the industry, and what it can do for your business – the competitive advantage that could be gained by signing up for this type of service. This type of research will eventually become a fundamental measuring stick in the wireless arena, as the industry continues to evolve rapidly.

Who would Benefit from *The Wireless Trifecta…*

- Wireless telephone companies
- Wireline telephone companies
- Cable companies
- Broadcast networks
- Internet service providers
- Equipment manufacturers
- Content providers
- Search engine providers
- Advertisers
- Industry analysts

Don't miss out on your competitive advantage. Sign up for Centris' forthcoming comprehensive report on "The Wireless Trifecta: Access Device, Service Plan, and Usage." Become a Charter Member today and enjoy unique Member benefits!

Call us today to find out more about

"The Wireless Trifecta: Access Device, Service Plan, and Usage"
Comprehensive Report

978.263.9031

About Centris

Centris, based in Fort Washington, Pennsylvania, California, is a member of the AUS Group, a top United States marketing research organization. Centris provides market intelligence on consumer preferences and behaviors regarding the purchase of voice, video and data services across all vertical markets. Centris provides national and local information that helps marketers plan and evaluate marketing strategies, track competitor actions, and optimize their marketing mixes.