Internet goes mobile, where are the consumers?

Uroš Cvetko, Valicon d.o.o.
Internet goes mobile - content

Telecommunications 08
Internet goes mobile - devices
But where are the users?
Word of clarification – what we understand by mobile internet
• **Phone survey, October 2008**
  - Slovenia
  - N=600
  - National representative sample 15-65

• **Internet survey, October 2008**
  - Slovenia
  - N=347
  - Web representative for internet users

• **Desk research, October 2008**
Why the results of our survey are relevant

Internet penetration EU vs. Slovenia vs. region
Percentage of monthly users

EU
Slovenia
Croatia
Serbia
BIH
Macedonia
Two possible reasons for observed slow growth in mobile internet usage

**Hypothesis 1:**
Low mobile internet usage due to small number of users having experience

**Hypothesis 2:**
Low mobile internet usage due to infrequent usage of mobile services

**Usage** = **# of Users** × **Frequency**
30% of internet users use mobile device as one of the access points.

Internet users segments
From where do you access internet
Percent, 100 = all internet users

- Home: 94%
- Work / school: 58%
- Mobile device: 30%

Overlaps between users segments
From where do you access internet
Percent, 100 = all internet users

- Home: 32%
- Work / school: 5%
- Mobile device: 1%

Source: CATI survey, October 2008, n=600
Less than 10% of internet users use mobile internet service on daily basis.

Frequency of usage
How often do you use...?

- **Personal internet usage**: 85%
  - Daily: 12%
  - Monthly: 8%
  - Not use: 3%

- **Mobile e-mail**: 84%
  - Daily: 6%
  - Monthly: 3%
  - Not use: 8%

- **Mobile browsing**: 72%
  - Daily: 18%
  - Monthly: 5%
  - Not use: 4%

- **Internet services on mobile IM, social networks, etc**: 79%
  - Daily: 30%
  - Monthly: 14%
  - Not use: 3%

Source: iprom web survey, method CAWI, October 2008, n=347
With exception of mobile e-mail 2/3 of users of mobile services use these occasionally (monthly)

Frequency of usage among users
How often do you use...? Only among those who use

Source: web survey, method CAWI, October 2008, n=347
Frequency of usage identified as main culprit. Question remains why?

**USAGE = # OF USERS x FREQUENCY**

- 30% of all internet users use mobile device as one of their access points
- Less than 10% of internet users use mobile internet service on daily basis
Top obstacles for not using mobile internet

Reasons for not using mobile internet services
Which are biggest obstacles for not using mobile internet or mobile internet services?

- **Expensive use**: 73% (biggest obstacle), 50% (IBM Mobile Internet Services Survey)
- **Too small screens / convenience**: 42%, 37%
- **Slow connections**: 41%, 40%
- **Expensive devices**: 24%
- **No need for mobile internet**: 16%
- **Hardware lack of devices**: 14%

“Expensive use” is more customer perception issue than real obstacle

Prenovljeni mobilni portal Planet


Mobitelov mobilni portal Planet bo v začetku septembra temeljito prenovljen. Uporabniki bodo po njeni odstanki brezplačno, osvežen bo tudi izgled portala, ki se bo prilagajal zmogljivostim

<table>
<thead>
<tr>
<th>Paket</th>
<th>Povezani 11</th>
<th>Povezani 33</th>
<th>Povezani 55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesečna naročnina</td>
<td>11 €</td>
<td>33 €</td>
<td>55 €</td>
</tr>
<tr>
<td>Klici in video klici v Mobitelovo omrežje</td>
<td>111 minut</td>
<td>333 minut</td>
<td>1.000 minut</td>
</tr>
<tr>
<td>Klici v druga mobilna omrežja</td>
<td>33 minut</td>
<td>100 minut</td>
<td></td>
</tr>
<tr>
<td>Klici v stacionarna omrežja</td>
<td>33 minut</td>
<td>100 minut</td>
<td></td>
</tr>
<tr>
<td>SMS-sporočila</td>
<td>11 sporočil</td>
<td>33 sporočil</td>
<td>55 sporočil</td>
</tr>
<tr>
<td>MMS-sporočila</td>
<td>11 sporočil</td>
<td>33 sporočil</td>
<td>55 sporočil</td>
</tr>
<tr>
<td>Podatki GPRS/UMTS</td>
<td>1 GB</td>
<td>5 GB</td>
<td></td>
</tr>
</tbody>
</table>
Top obstacles for not using mobile internet

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Source: web survey, method CAWI, October 2008, n=347
Convenience remains an issue that operators alone cannot deal with.

Internet DEVICES that can make calls

Ex-email devices

Mobile PHONES with internet
Perceived slow connection due to small share of smart phones.

Smart-phone market worldwide share
Sales in Q2 2008

Source: Gartner, 2008
Top obstacles for not using mobile internet

Reasons for not using mobile internet services
Which are biggest obstacles for not using mobile internet or mobile internet services?

- **expensive use**: 73% biggest obstacle, 50% among 3 biggest obstacles, 50% IBM Mobile Internet Services Survey
- **small screens / convenience**: 42% biggest obstacle, 37% among 3 biggest obstacles, 37% IBM Mobile Internet Services Survey
- **slow connections**: 41% biggest obstacle, 40% among 3 biggest obstacles, 40% IBM Mobile Internet Services Survey
- **expensive devices**: 24% biggest obstacle
- **no need for mobile internet**: 16% biggest obstacle, 16% among 3 biggest obstacles, 16% IBM Mobile Internet Services Survey
- **hardware lack of devices**: 14% biggest obstacle.
End-users are prepared to pay for their smart phone
100-140 EUR

Price sensitivity – all mobile phone users
Which price is so high you would not make a purchase? Which price is so low you would think something is wrong with device? Which price is high, but you would make a purchase? At which price would you say “this is best buy”.

Source: web survey, method CAWI, october 2008, n=347
To meet user price expectations mobile operators will need to continue subsidizing smart phones

2008, October 27

U.S. operator AT&T says it activated 2.4 million iPhone 3G customers in the third-quarter — around 40 percent being new customers — but added that the costs of subsidizing the device had reduced its pre-tax earnings in the quarter by US $900 million.

http://www.telecommagazine.com/
Top obstacles for not using mobile internet

Reasons for not using mobile internet services
Which are biggest obstacles for not using mobile internet or mobile internet services?

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- Slow connections: 41%, 40%
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Source: web survey, method CAWI, October 2008, n=347
The m. versions of internet sites already exist and their appeal correlates with current service use.

Internet services
Use on internet, use on mobile device and intention to use service in next 12 months

<table>
<thead>
<tr>
<th>Service</th>
<th>Uses on Internet</th>
<th>Uses Mobile</th>
<th>Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSN Messenger</td>
<td>64%</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>Skype</td>
<td>34%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Google talk</td>
<td>34%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Yahoo Messenger</td>
<td>23%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>ICQ</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Gmail</td>
<td></td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Hotmail/MSN mail</td>
<td>46%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Yahoo mail</td>
<td>26%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Facebook</td>
<td>20%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Myspace</td>
<td>13%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Hi5</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Flickr</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>YouTube</td>
<td>42%</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Moj Video</td>
<td>13%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Genspot.com</td>
<td>12%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Picasa Web</td>
<td>10%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Slovid.com</td>
<td></td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Najdi.si zemljevid</td>
<td>69%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Google maps</td>
<td>51%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Garmin</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Nokia maps</td>
<td>0%</td>
<td>16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Geo-positioning and location-based services truly capitalize on mobile device advantages.

Low frequency of usage appears to be driven by (mis)perception rather than real issues

 USAGE = # OF USERS X FREQUENCY

BUT there are few REAL obstacles:

- Expensive use - mis-perception
- **Usability** - remains an issue
- Slow connection - matter of phone-replacement
- Expensive devices - operators already subsidizing
- Content - increasingly attractive

30% of all internet users use mobile device as one of their access points

Less than 10% of internet users mobile internet service on daily basis
The last remaining question is what is the potential for mobile internet usage.

Internet users segments
From where do you access internet
Percent, 100 = all internet users

- Home: 94%
- Work / school: 58%
- Mobile device: 30%

Source: CATI survey, October 2008, n=600
Intention to use mobile services reaches 30% of internet population

General types of mobile internet services
Use on mobile device and intention to use service in next 12 months

- Mobile web surfing: 29%
- Mobile e-mail writing & answering: 30%
- Mobile maps: 31%
- Mobile online games: 13%
- Mobile IM: 23%
- Reading & editing documents mobile: 18%
- Mobile banking: 17%
- Mobile TV: 17%
- Mobile prize comparison before purchase: 16%
- Mobile blog writing: 6%
- Mobile product shopping: 6%
- Mobile music shopping: 4%
- Mobile video shopping: 5%


30% short term potential
### Desirability of mobile device capabilities

Which of the following functions of mobile device would you to have on your personal mobile phone?

<table>
<thead>
<tr>
<th>Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced camera</td>
<td>57%</td>
</tr>
<tr>
<td>GPS navigation</td>
<td>56%</td>
</tr>
<tr>
<td>Advanced data transfer (UMTS/HSDPA)</td>
<td>48%</td>
</tr>
<tr>
<td>Browser for regular web sites</td>
<td>46%</td>
</tr>
<tr>
<td>MP3 player</td>
<td>46%</td>
</tr>
<tr>
<td>Additional memory card slot</td>
<td>43%</td>
</tr>
<tr>
<td>Computer synchronization</td>
<td>43%</td>
</tr>
<tr>
<td>Application for e-mail</td>
<td>43%</td>
</tr>
<tr>
<td>Application for IM</td>
<td>42%</td>
</tr>
<tr>
<td>FM receiver</td>
<td>42%</td>
</tr>
<tr>
<td>Install free applications</td>
<td>41%</td>
</tr>
<tr>
<td>WiFi</td>
<td>40%</td>
</tr>
<tr>
<td>Internal memory at least 100MB</td>
<td>40%</td>
</tr>
<tr>
<td>Application for IM</td>
<td>31%</td>
</tr>
<tr>
<td>Install games</td>
<td>31%</td>
</tr>
<tr>
<td>QUERTY keyboard</td>
<td>29%</td>
</tr>
<tr>
<td>Blackberry e-mail</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: web survey, method CAWI, October 2008, n=347

30% coincides with desirability for mobile-service functions on mobile phones

30% short term potential
30% potential is driven by demography of mobile internet users

Age profile of segments of users
Segments by age groups – 15 to 30 years, 30 up to 40 years, 40 to 65

Source: telephone survey, method CATI, October 2008, n=433
Conclusion and summary

- Users are slow at embracing mobile services
  - Despite proliferation of mobile internet content and devices, the growth in usage of mobile internet services is lagging behind the expected pace
- Lack of users with experience is not a short-term issue
  - Moreover, the majority of short-term potential population, estimated at 30% of internet users, is already using mobile internet
  - The threat is however, that “bad experience” will inhibit future growth
- Major issue is, however, low frequency of usage
  - Less than 10% of internet users use mobile internet services daily, compared to 85% for internet
  - 2/3 of users of mobile internet services use them only occasionally (monthly)
- Low frequency is driven mostly by mis-perceptions about the service
  - 4 out of 5 major obstacles to usage are not “real issues” i.e. can be overcome by mobile operators’ marketing activities
  - The only “real” obstacle remains device usability that limits the potential to younger segments, which are, however, price-sensitive
  - And business model, that will motivate content provider to develop attractive mobile content / services
Internet goes mobile, where are the consumers?

is

where is the usage?

THANK YOU!