TELECOM VANTAGE™

A view of the telecommunications consumer marketplace

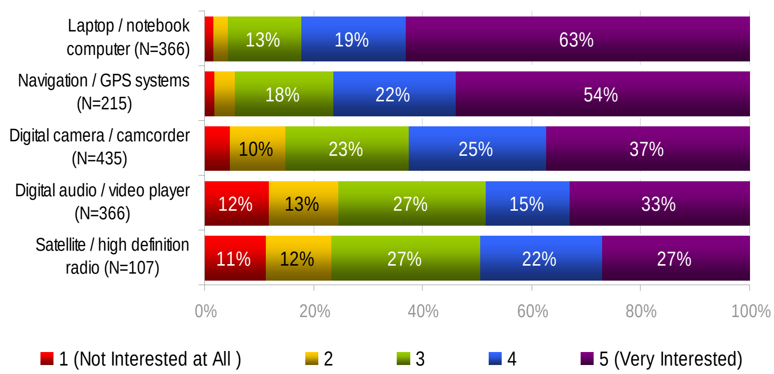
by Adam Guy & Elaine Warner

CONSUMERS (STILL) WANT LOCATION-BASED SERVICES

In 2008, the wireless industry appears poised to continue its move to a model where access is open to qualifying third-party developers and handset manufacturers. With this shift should come continued proliferation of applications, content and services for mobile phones.

Back in June 2006, Compete surveyed online wireless shoppers about their interest in and current use of mobile services and applications. The results suggested that consumers were interested in a number of different services and features (including web browsing, personalization, entertainment and others) but had begun adopting only a few. Location-based services (LBS) took the top spot as to what consumers were most interested in (28%), but also had the largest gap between interest and actual usage.

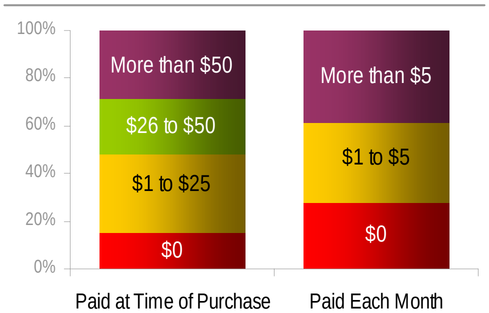
"Are you interested in Internet connectivity for these devices?"
(Asked of Recent Consumer Electronics Shoppers, December 2007)



Almost two years later, not a lot has changed. Consumers are still clamoring for LBS but struggling to adopt it. In a similar December 2007 Compete study, GPS and Navigation ranked second behind Internet connectivity as the service in which consumers are interested but don't currently receive. Unlike previous years, however, consumer electronics companies are now entrenched in the GPS & Navigation space, and consumers are finding their demand for LBS could be met by these companies. In December 2007 Compete asked those shopping online for consumer electronics devices about their interest in connecting certain devices to the Internet.

GPS/Navigation devices were second only to laptop computers in terms of consumers' interest in connecting them to the Internet. If consumers are willing to connect a separate GPS device to the Internet, one would think they would be interested in receiving LBS through a connected device they already own and use: their mobile phone. Carriers have an opportunity in 2008 to control this process and drive LBS usage through applications on the phone rather than with separate devices. If they choose to ignore this opportunity, carriers should expect device manufacturers to continue to enter the LBS market and potentially steal first-mover advantage.

What would you pay for internet connectivity to a GPS Navigation device (N=215)
(Asked of Consumer Electronics Shoppers, December 2007)



The resulting business opportunity is largely dependent on consumers' willingness to pay, which is something the industry has experimented with but certainly not perfected. In the same consumer electronics study, we asked consumers about their billing preferences for GPS and Navigation systems.

The results indicate that consumers are very willing to pay for connectivity, and appear to prefer a month-to-month payment plan for LBS service. 28% of consumers said that they were willing to pay over $50 in a lump sum at the time of purchase (beyond device purchase price) to include LBS/GPS capabilities, while 39% said they would pay more than $5 monthly for these services. Capitalizing on consumers' willingness to pay will be an essential component to increasing LBS adoption in 2008.

Consumers have said that they are interested in LBS for years now, yet adoption still lags. Are consumers unaware of current capabilities? Are the pricing models unappealing? Has the technology not yet advanced? Is the delivery model flawed? No matter the reason, wireless industry players should spend the energy and resources necessary to work out these issues. Consumers are asking for LBS and appear willing to pay for them, which, if the consumer electronics device manufacturers don't get there first, could open up a new world of opportunity to target.

76% of survey respondents are interested in connecting their GPS/Navigation device to the Internet

Compete's intelligence and targeting services analyze consumer behaviors and competitive best practices to help companies maximize their returns on marketing, product development, and procurement.