

TELECOM VANTAGE™

A view of the telecommunications consumer marketplace

by Adam Guy & Elaine Warner

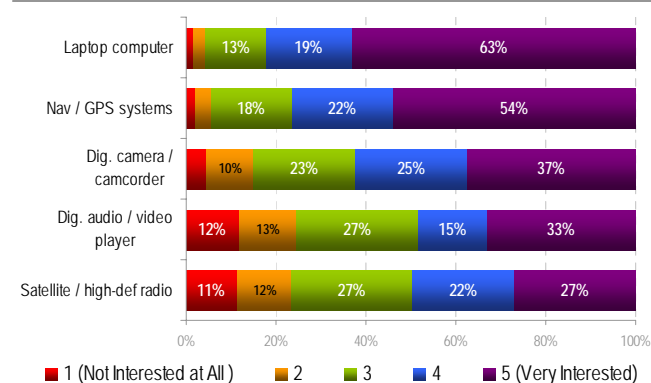
COULD OPEN NETWORKS BE TOO MUCH OF A GOOD THING?

In 2007, the wireless industry reached a tipping point in the movement towards market openness. Apple launched the iPhone. Google announced the Open Handset Alliance to develop phones based on the Android platform. VZW announced its Open Access network strategy. The 700 MHz Auction requirements included open access provisions. The industry is moving from its traditional "walled garden" approach where carriers had predominant control to one where access is open to third-party developers and all devices and applications are compatible with each network. This concept of open networks allows carriers to focus on marketing profitable features and services while outsourcing device and content development to third parties. This shift towards decentralization should benefit the consumer with empowerment through choice as companies specialize and release new products and content. But is that what consumers really want?

While most consumers aren't even aware of the current open network movement companies need to prepare now. Five years ago, consumers already faced a bevy of wireless choices: six nationwide carriers and dozens of regional ones, dozens of devices and tiered usage plans. Open networks will increase that complexity exponentially. How can the average consumer keep up and make informed decisions?

There's a study called "The Paradox of Choice", in which psychologist Barry Schwartz discovered that too much choice becomes "not only unproductive, but counterproductive—a source of pain, regret." We see similar patterns in our research of online wireless shopping behavior. In December, Compete asked online shoppers of consumer electronics devices about their shopping experiences in multiple device categories. 59% of respondents told us that their wireless carrier already has enough content and service choices, and half of those said that there were actually too many choices. Considering technology advancements and increased marketing dollars, one would expect the shopping experience to get easier over time. Yet only about half of respondents in each category thought that was the case (those who chose 1 & 2 on the scale).

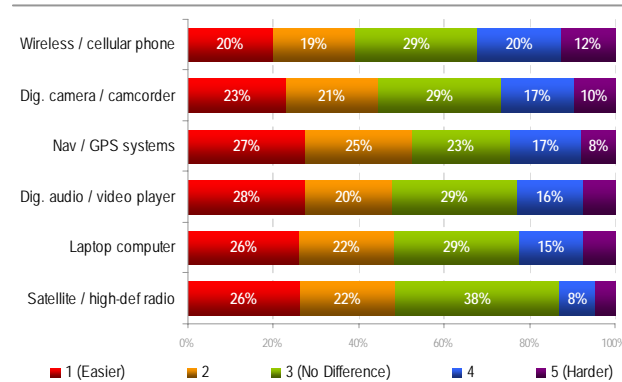
"Are you interested in Internet connectivity for these devices?" (Asked of Recent Consumer Electronics Shoppers, December 2007)



than 50% of laptop and GPS shoppers were very interested in devices that enable enhanced connectivity through open access. A follow-up question revealed that consumers are also willing to pay for this connectivity, with about 25% willing to pay over \$50 at the time of purchase to include this feature.

Consumer choice will continue to explode, but it shouldn't take an advanced degree to purchase a digital camera, cellular phone or laptop computer. Part of the challenge will be to determine which products truly meet consumers' needs. Does it really make sense to turn a mobile phone into an all-in-one device? Or would it be better to bring network connectivity to other existing devices that consumers are accustomed to and enjoy? Currently more questions are being raised than answers. But no matter the answer companies must act soon because the era of open networks is upon us.

"Has it become easier to find the right product since 2005?" (Asked of Recent Consumer Electronics Shoppers, December 2007)



59% of survey respondents feel their wireless carrier has enough content and service choices

Wireless / cellular phone (N=604)
 Digital audio / video player (N=366)
 Navigation / GPS systems (N=215)
 Digital audio / video player (N=366)
 Laptop / notebook computer (N=366)
 Satellite / hi-def radio (N=107)

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