

TELECOM VANTAGE™

A view of the telecommunications consumer marketplace

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TELECOM PURCHASE PREFERENCES: CONSUMERS ARE ONLINE, BUT WHERE'S THE MONEY?

At some point in time, nearly every US adult will purchase a telecommunications product or service. While consumers in regional markets generally have only a few providers to choose from, consumers have a number of choices when it comes to *how* they purchase these services. In August, Compete surveyed 1,511 recent telecom shoppers online about researching and buying products and services in four categories: mobile phones/plans, broadband/high-speed Internet, home phone/landline and paid TV service. The main finding of this study: online consumers view the Internet as the preferred purchase channel for most telecom products, but would rather buy their mobile phones in a retail store. For providers, distinct differences in ARPU by purchase channel type could be the key to successful cross-channel integration strategies.

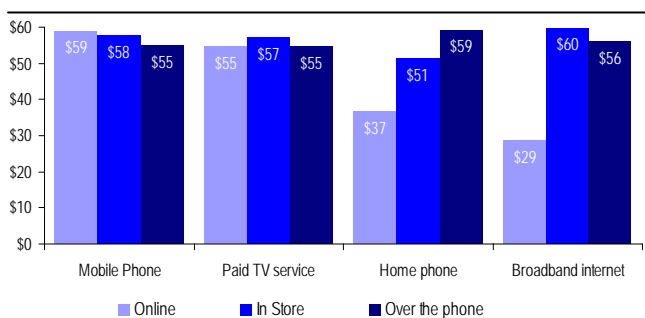
BUYING TELCO? BUY ONLINE

Consumers of the three "non-mobile" categories (high-speed Internet, home telephone and paid TV) tend to have similar purchase preferences for each; the most-preferred channel is the online channel.

Purchasing over the phone is a clear second choice, with purchasing in a retail store a distant third. For paid TV purchases, the primary channel preference is actually even at 36% for both online and over the phone. The survey was conducted online so we might expect to see a preference for the online channel. The relative differences still show preferences by this group for specific channels. All values were self-reported.

Contrary to the other categories, mobile phones and service plans seem to follow a different model. The majority of those surveyed still prefer to purchase in a retail store (51%) though the online channel is growing (29%). Previous Compete studies have shown that consumers feel apprehensive about buying a product they will carry with them every day without viewing and handling it in person. When asked which factors

Self-Reported Monthly Consumer Spend (ARPU) by Channel
Aug 2007 (n=1511)



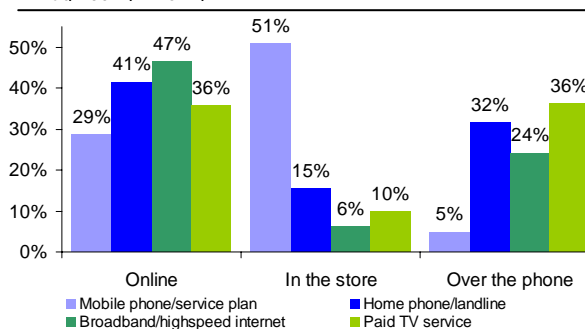
were most important in their decision to use the online channel, most online purchasers said they prefer that channel because of its convenience (67%, multi-response). This could be an opportunity for providers of all services to expand online capabilities and highlight the convenience of purchasing online (while helping to maintain margins).

purchase channel type. For example, consumers who buy broadband Internet in a retail store on average spend more than double that of those who buy online. Similarly, those who buy their home phone service over the phone spend on average 59% more than those that buy online. Self-reported spending levels are inclusive of offers and promotions, and bundled purchases could drive down ARPUs. 76% of respondents that reported they purchased a bundle of services did so online.

Large differences in ARPUs based on purchase channel preference could have implications for telecom providers' cross-channel integration strategies. The online channel should not only be used to drive conversion in a cost-effective manner, but also as a way to create additional touch points for up-selling and cross-selling across *all* channels. For example, new wireless customers in a retail store could receive a call-to-action to purchase home service via the provider's telesales channel. Leveraging one channel to cross-sell into another could be a way for providers to maintain high ARPUs while satisfying different segments of consumers. Overall, it appears that investment in the online sales channel is worth the investment, for both consumers and the telecommunications providers.

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Thinking about the next time you plan to purchase [each service], where will you likely purchase [each service]?
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Consumers who purchase broadband Internet services over the phone spend 93% more on average per month than those that purchase online.

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.

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