

WIRELESS VANTAGE™

A view of the wireless consumer marketplace

By Miro Kazakoff

ARE PARENTS READY TO GIVE THEIR GRADE SCHOOLERS A CELL PHONE?

Parents say that between the age of 10 and 12 is the most appropriate time for a child to get his or her first mobile phone, according to a new study from Compete, Inc.

Compete assessed interest in the new category of kid-friendly phones as well as the drivers and inhibitors of purchase. Compete findings suggest makers and marketers of kid-friendly handsets need to convince parents that the benefit of a reliable line of parent-to-child communication outweighs any discomfort in giving mobile phones to young children.

In December, LG's Migo joined the Firefly in the fast growing category of kid-friendly handsets, targeting one of the last under-penetrated segments for mobile phone use. To capture this segment, manufacturers have produced small, durable, brightly colored phones featuring simplified interfaces that only dial from a limited list of pre-programmed numbers.

Kid phones are generating growing demand in the overall market, driven mostly by curiosity. In the nine weeks ending January 7, the Migo and Firefly saw a sharp jump in demand after their introduction. Migo demand has continued to grow, supported by television advertising. During the first week of 2006 the Migo achieved a 2.9% share of Verizon demand, making it the 12th most shopped for Verizon device. The number one device, the RAZR, captured 18% of interest followed by The V (LG's X9800) at 7%.

Compete analysis of consumer behavior shows Verizon Wireless shoppers are most likely to consider the Migo along with the RAZR and The V. These shoppers appear to be browsers, evaluating the most popular devices rather than shopping for something specific. If most shoppers were serious about purchasing a phone for their child, we would expect them to compare kid-friendly phones with other limited feature ones.

FUTURE KID-PHONE PURCHASERS NEED TO SEE VALUE TO OVERCOME DISCOMFORT

In order to understand why people shop for and purchase kid-friendly phones, Compete surveyed* consumers who had evaluated a kid phone online or visited parent-oriented web sites and were familiar with the category.

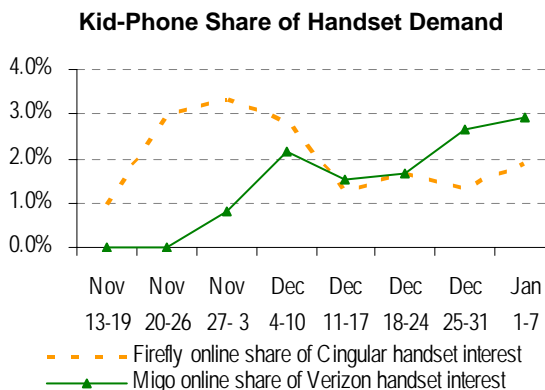
Segment	Key finding	
In-market parents	Median age at which parents think that kids should get a phone	11
Kid phone buyers	Median age of children for whom parents bought a kid phone	9
Kid phone buyers	% of kid phone buyers spending less than \$50 per device	55%
Potential kid phone buyers	% of potential buyers expecting to spend less that \$50 per device	89%
In-market parents	% of parents willing to pay for child locator services	75%

Kids getting these phones are younger than the average age at which parents overall think children should get their first mobile phone, implying that kid phones are appealing to the younger end of the pre-teen segment.

Past purchasers differed from potential purchasers in their reasons for considering kid-friendly phones. Purchasers said they chose a kid-phone after deciding that their child needed a phone but wasn't ready for a full-featured phone.

Potential purchasers, on the other hand, were more interested in the ability to control whom their child could call. Specifically, these parents indicated they were interested in the phone for emergency use and/or exclusively for parent-to-child communication. Given the differing motivations, we expect that after the initial burst of

market interest, selling these handsets will require a targeted approach emphasizing low cost and safety.



Unlocking the market for kid-friendly phones is about convincing parents that the benefits of a reliable line of parent/child communication outweighs any discomfort parents have with giving young children a phone.

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

To read the latest wireless research from Compete and sign-up for Vantage™, Compete's newsletter for wireless executives, visit www.compete.com/wireless

Want more data from this study? wirelesspractice@compete.com

*Compete received responses from 768 members of its panel of two million online consumers who were observed shopping for kid-friendly phones or visiting an education, kid-oriented hobby site or toy shopping site. Potential purchasers, over 90% parents, were those who indicated familiarity with kid-friendly handsets.

