

TELECOM VANTAGE™

A view of the telecommunications consumer marketplace

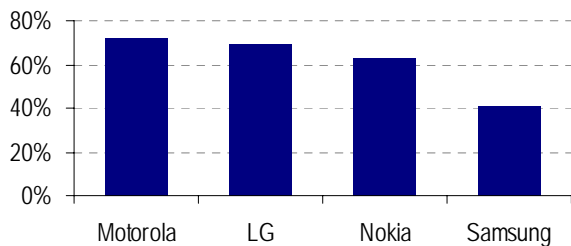
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Why Market Share Doesn't Tell the Whole Story

Understanding conversion is critical to companies looking to efficiently grow market share in an increasingly saturated wireless handset market. In the U.S., however, handset manufacturers have had little ability to track this metric and understand its implications because of separation between handset makers and consumers in this operator controlled market. Understanding the conversion rate of products – the percentage of consumers considering specific handsets that go on to purchase them – gives both carriers and OEMs critical new insight into how to immediately assess a handset's potential in a hit driven market.

Compete calculates Conversion Rate as the number of people who buy handsets from each manufacturer (across channels) divided by the number of people who evaluated handsets from each manufacturer online. With 84% of Internet users saying they will use the Internet to research their next wireless purchase, online consideration has become an accurate measure of overall demand.

U.S. Conversion Rate of Wireless Handset OEMs (2006)



41% of those who considered a Samsung handset ended up choosing it when making their purchase. Samsung's conversion rate was only two-thirds that of Nokia's even though the two competitors have a similar share of the U.S. market. This divergence highlights the different opportunities they each have to more efficiently grow market share in the hypercompetitive U.S. market.

Motorola: The U.S. market share leader also had the highest conversion rate of all the major players in 2006. Motorola's conversion rates are traditionally boosted by the breadth of its product portfolio, with the volume of devices translating into higher sales volumes. While declines in sales at legacy Nextel (where Motorola is the near-exclusive handset provider) hurt Motorola's overall conversion, the success of the RAZR series was the big driver of Motorola's share and conversion growth in 2006. To grow without compromising profitability in 2007, Motorola will need to drive even stronger interest in the new products they plan to launch including the RAZR2.

LG: LG is one of the few companies to have substantially improved its conversion rate over the last two years. With the release of the original Chocolate and expansion of its line-up at AT&T, LG has not only increased the number of people considering its products, but more efficiently converted those shoppers into buyers.

Nokia: Nokia on the other hand, has seen its conversion rate slip over the last year. Historically, its line-up of low-priced phones and strong brand history tended to attract fewer, but more focused researchers than competitors. In the last year, Nokia's share of carriers' handset portfolios has shrunk, hurting conversion by giving shoppers fewer Nokia options to choose from. As Nokia introduces more high-end devices to the U.S., they will need to focus on generating demand without conversion eroding any further.

Samsung: Samsung continues to trail all the other major handset makers in shopper conversion. Samsung's designs attracted substantial shopper interest, but its higher prices meant that fewer of those shoppers ended up buying a Samsung phone. Unlike the other OEMs, Samsung is the one manufacturer who has a real opportunity to grow by turning those already considering its products into buyers.

Improving conversion remains a substantial challenge in the complicated U.S. wireless handset market. Carriers have significant control over the critical areas of end-user pricing, the retail experience and overall marketing (due to their enormous spend). When sales disappoint, handset makers must be able to show carriers that there is still underlying demand for weak sellers or that conversion is high on products with low demand. Similarly, carriers can identify which products to prune from their line-up: those with low interest and low conversion may not benefit from increased marketing or price cuts and are best dropped from the portfolio.

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Motorola had the highest conversion rate of all major handset makers in 2006 at 72%

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

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