

WIRELESS VANTAGE™

A view of the wireless consumer marketplace

By Ryan Burke & Miro Kazakoff

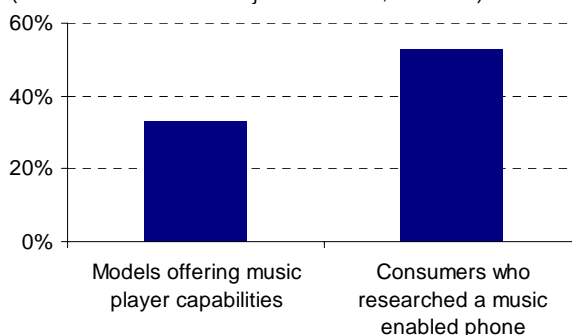
THE MARKET MAY BE RIPE, BUT WILL SHOPPERS PAY THE iPhone PREMIUM?

Shoppers showed strong interest in music-enabled phones over the holidays. While Apple says it will soon reinvent the category with the iPhone, shoppers say price, if not the need to switch carriers, may limit their purchase of the device.

During December, 33% of phone models offered by major carriers featured the ability to load full tracks of music from the user's computer to the phone or the ability to directly download that music over the air. Despite making up only a third of major carrier offerings, 53% of handset researchers viewed a music enabled phone online in December, illustrating the category's popularity. Compete samples online behavior to measure interest, tracking the number of times consumers view product detail for specific handsets at major carrier websites.

Interest in Music Phones

(Online Behavior across major carrier sites, Dec 2006)



While 26% of iPod shoppers said they would very likely purchase an iPhone, only 1.8% said they would spend more than \$400

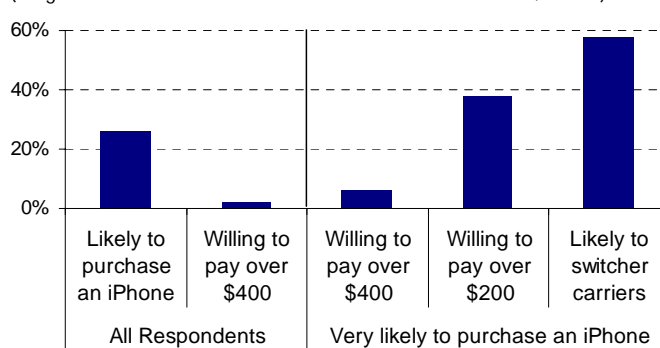
BREAK OUT THE IBATES AND WATCH CONSUMERS SWITCH CARRIERS

When asked, consumers were widely aware of the iPhone one week after its debut and many were interested in purchasing the device. Few, however, said they were willing to pay the premium price Cingular and Apple plan to ask. Having to switch carriers, on the other hand, appeared to be a less significant barrier to purchase.

In the week after Apple announced the iPhone, Compete surveyed 379 shoppers who researched an iPod online to understand the iPhone's impact on their music player and cell phone buying decisions. Seventy-five percent of iPod shoppers had heard of the iPhone, and 20% said they would postpone their next cell phone purchase to wait for it. Separately, 20% said they would postpone their next music player purchase, even though the device will not be available for six months.

Survey of iPod Shoppers

(Targeted those who researched an iPod online in Dec 2006, n=376)



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, and procurement.

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

Among these iPod shoppers there was strong interest in the device, but the expected price discouraged many. Of those surveyed, 26% said they were very likely to buy the device, but only 1.8% of respondents were willing to pay more than \$400 for it. Even among those who said they were very likely to buy, only 6% were willing to pay more than \$400.

The sweet spot for the iPhone appears to be closer to \$200, comparable to the current price of the smaller memory Video iPods and higher end iPod Nanos. Of those who said they would be very likely to purchase an iPhone, 38% said they would be willing to spend over \$200 on the product. The \$200 price point has proven to be powerful lure for consumers to higher-end devices such as the spate of consumer-oriented smartphones released in the second half of 2006.

For Cingular the news is even better: 58% of non-Cingular customers who were very likely to purchase an iPhone said they would switch from their current carrier in order to purchase the device.

Behaviorally targeted surveys combined with observed behavior allow companies to generate rapid insights and craft timely responses by pre-screening consumers for low incidence behaviors and to ultimately target shoppers who are actually in-market for the products discussed.

Want more data on this analysis?

wirelesspractice@competeinc.com

