



THE ART OF LEARNING

CONFERENCE PROGRAM

Market Openness

The New Era for the Wireless Industry

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Goals

- Introduce Compete, Inc. and recent developments in Market Openness
- Understand consumers' demand for openness
 - In relation to their wireless experience
 - In relation to their experience with traditionally non-wireless (cellular) consumer electronics
- Review a summary of findings



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Compete's Approach



Compete leverages its online consumer database to study behaviors, profiles and attitudes

- 2 MM consumers representative of the US online marketplace
- 80 million page views per day
- 100 terabytes of data
- 360-degree view of consumers



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In brief



- In 2007, the Wireless Industry moved toward market openness
- The industry is reeling, but consumers are unaware of this movement
- Wireless shoppers don't want more devices, services or applications, and those that do are unaware of all that is available
 - Wireless shoppers say it is increasingly difficult to find the right wireless product
 - Price and customer service are more important than the flexibility offered by open access
 - Carriers can win in this market by outsourcing the development of new services and focusing on marketing the most profitable services
- Shoppers for other CE devices are ready for connectivity
 - Laptop and GPS shoppers want to connect these devices the most
 - Shoppers are willing to pay a premium for connected devices and for connectivity services



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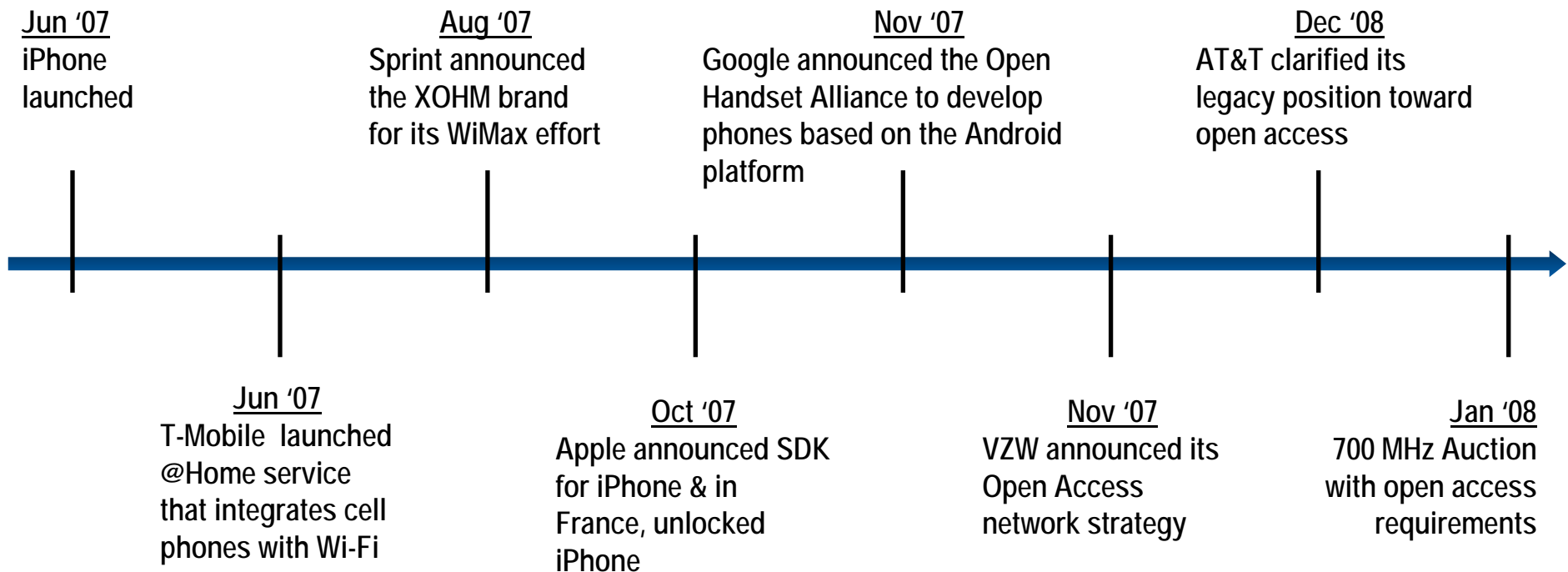
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In 2007, the Wireless Industry moved toward market openness



- For 10 years, the developer community has been asking U.S. carriers to open their networks; in 2007, it started to happen



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Unanswered Questions

- What is Open Access and how will it work?
- What does this movement mean for consumers?
- What does it mean for the wireless industry?
- What does it mean for traditionally non-wireless (in the cellular sense) CE players?



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Research Methodology



- Analyzed U.S. consumer electronics online shopping behavior from Compete's 2MM user panel
- Targeted survey to recent (2007) online shoppers of portable and connectible CE devices:
 - Wireless / cellular phones
 - Laptop / notebook computers
 - Digital audio / video players
 - Satellite / high definition radios
 - Navigation / GPS devices
 - Digital camera / camcorders
 - Video game systems
- All survey findings are representative of the population of U.S. online shoppers of each product, not the consumer market as a whole; results should not be projected to represent the entire consumer market
- All findings are based on what consumers say relative to their existing experience; Consumer behavior and attitudes can and will change as open access takes shape



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Consumer Demand for Open Access

- Wireless Experience
- Other Consumer Electronics



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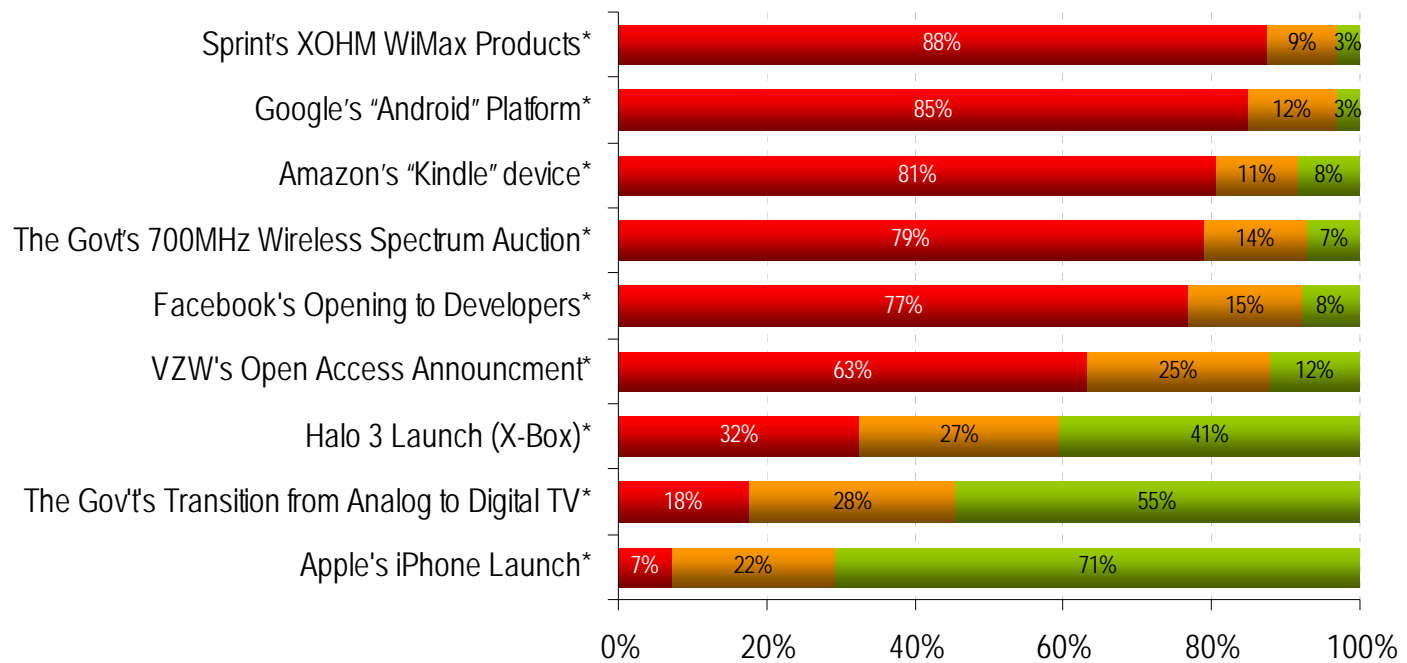
Consumers don't know much about the market openness movement



- Other than iPhone, consumer report low levels of "aided" awareness of open access developments

What is your level of awareness with each of the following?

(Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007, N=881)



*Answer choices are truncated to make them fit on this slide; respondents were given more detailed explanations / definitions in the actual survey

■ I'm not aware of this at all ■ I've heard about this, but I'm not sure what it means ■ I'm familiar with what this means



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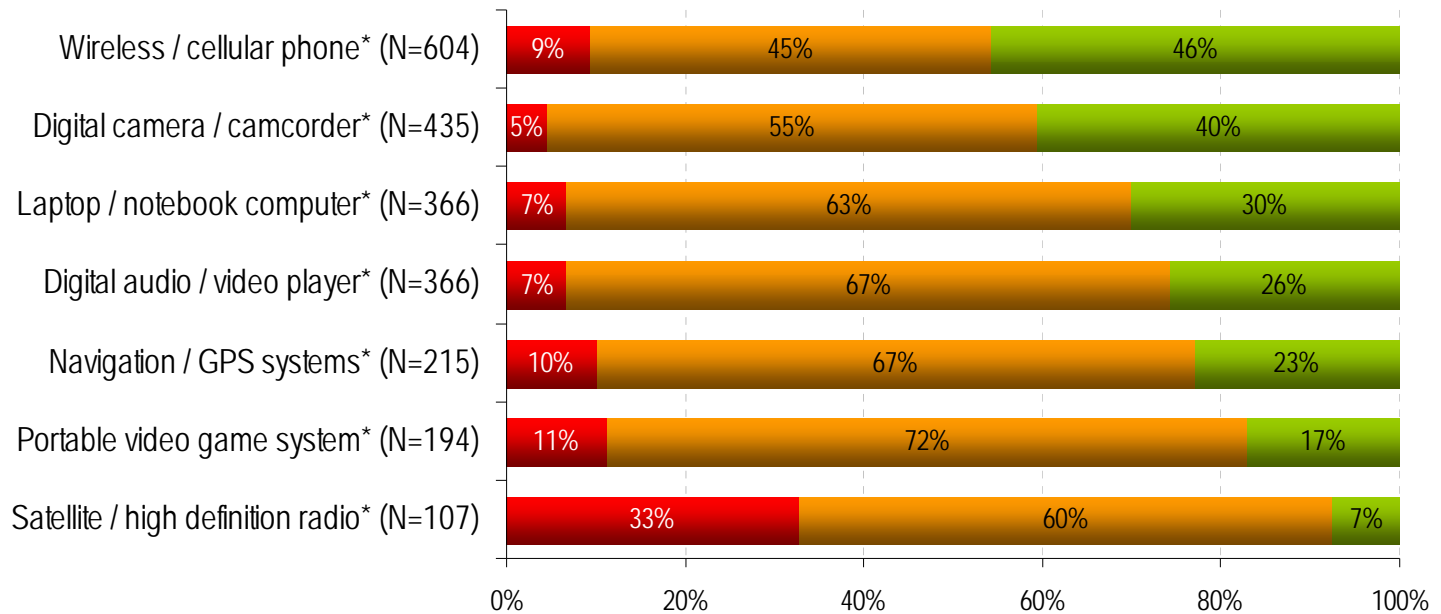
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There are enough wireless products in the market



- More so than those of other CE devices, wireless shoppers feel that there are enough, and in some cases, too many products from which to choose

When you were shopping for each of the following in the past 12 months, did you think there were not enough products, just enough products or too many products available to find the right one for you? (Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007)



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■ Not enough*

■ Just Enough*

■ Too Many*



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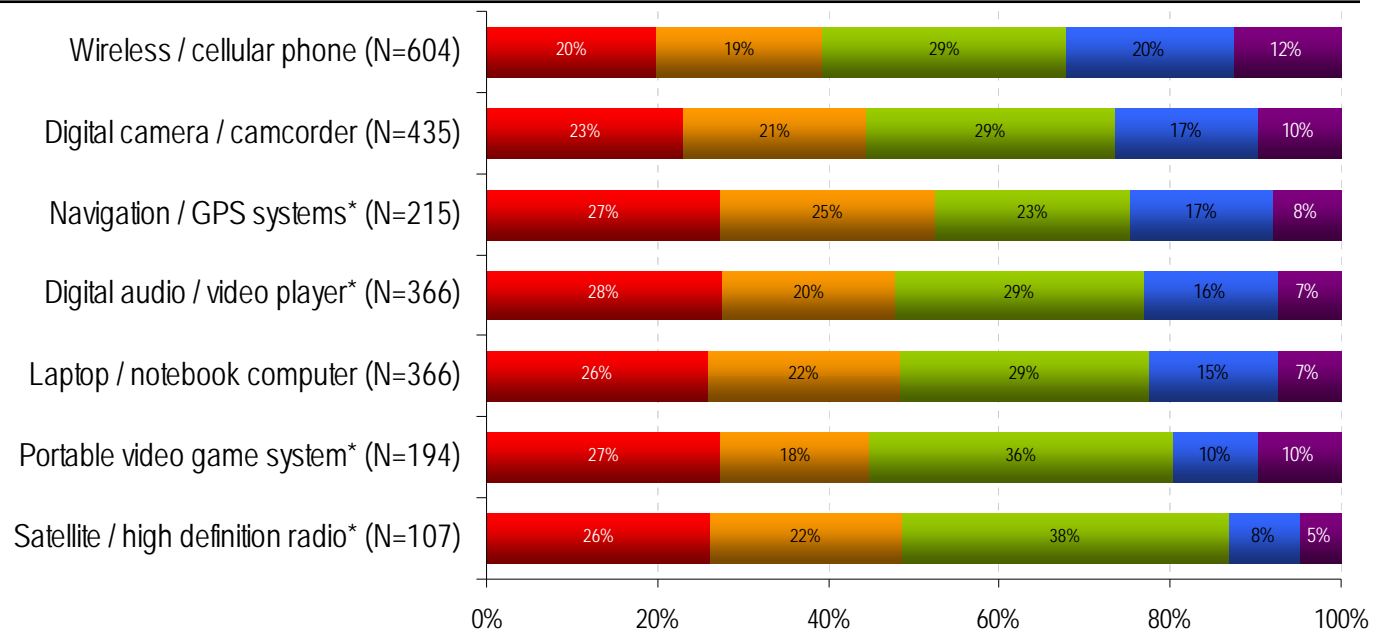
It's gotten harder to shop for wireless products ...



- The abundant selection of products and services is making it more difficult to find the right product

In the past 2 years, would you say it has gotten easier or harder for a consumer like yourself to find the right product for each of the following categories?

(Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007)



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■ 1 (Easier) ■ 2 ■ 3 (No Difference) ■ 4 ■ 5 (Harder)



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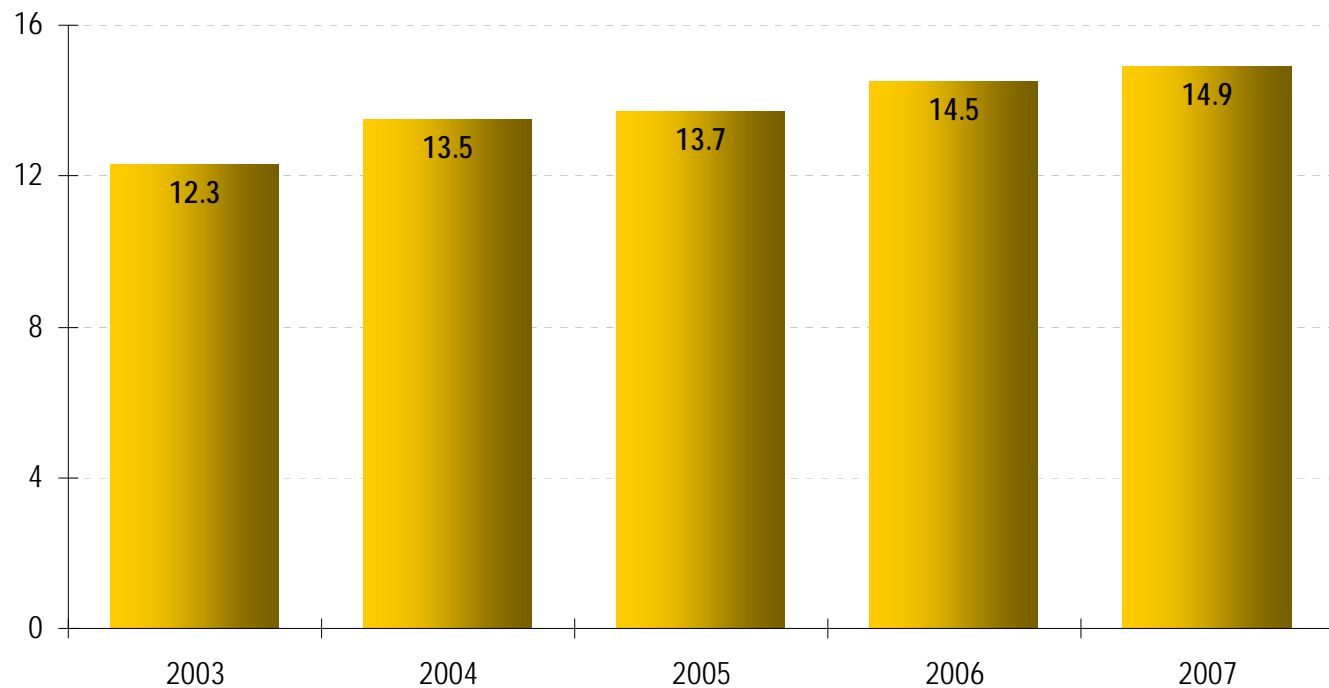
... and it shows in consumer shopping intensity



- More so than those of other CE devices, wireless shoppers feel that there are enough, and in some cases, too many products from which to choose

Prospect Shopping Intensity

(Average Monthly Prospect Pageviews per Unique Visitor on Tier-1 Carrier Websites, 2003-2007)



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Consumers face increasingly complicated issues as they seek the right wireless solution



New Platforms



New Brand Campaigns

T-Mobile stick together



New Categories Of Services



MVNO brands here & gone

Disney



Amp'd



ESPN



New forms of unlimited calling

AT&T Unity

metroPCS. Unlimit Yourself.

my circle

my Favest

UNLIMITED boost mobile



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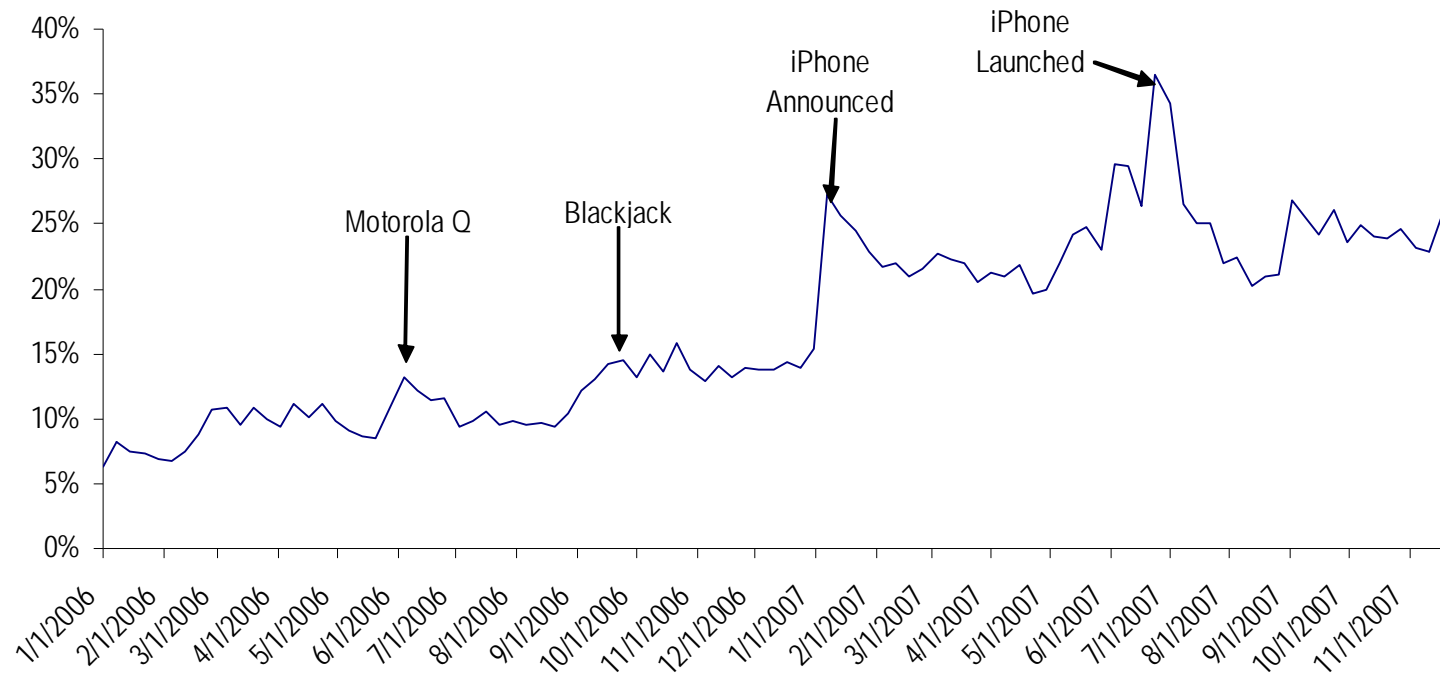
While they report increasing difficulty, consumers are shopping for more complicated products



- Growing interest in smartphones is driving consumers to have more difficulty finding the right product

Smartphone/iPhone Interest

(Percentage of handsets researched online that are smartphones or the iPhone, Weekly, Jan 2006 – Nov 18 2007)



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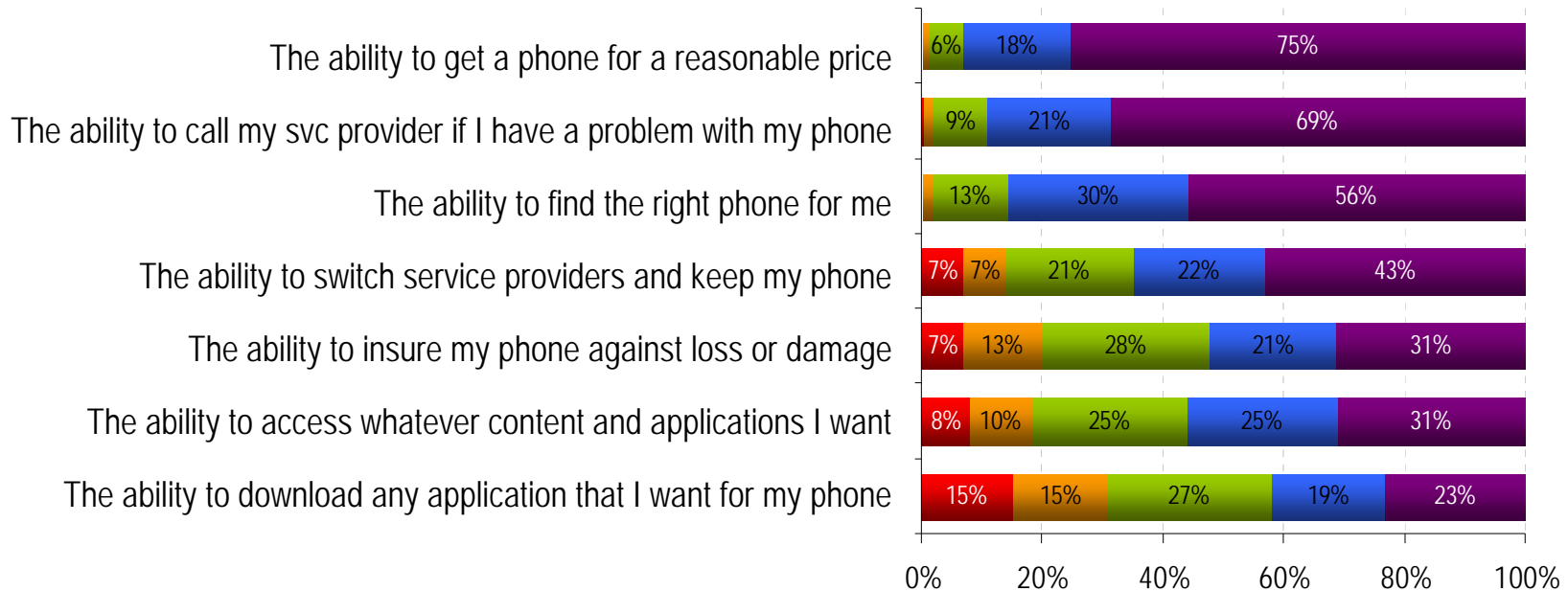
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Consumers care more about price and customer service than flexibility



- The appeal of open access devices and applications will be limited assuming that they are more expensive (unsubsidized) and less supported by carriers

On a scale from 1-5 where 1 means not important at all and 5 means very important, how important are each of the following aspects of a wireless/cellular phone to you?
(Asked of Recent Wireless Shoppers, December 2007)



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1 (Not at all Important) 2 3 4 5 (Very Important)



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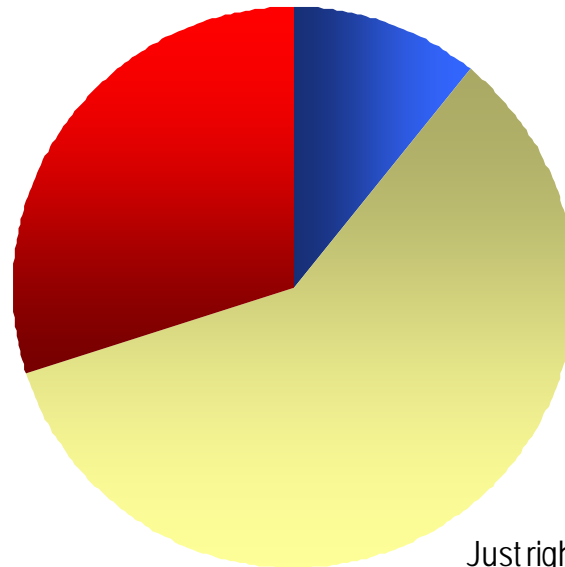
Wireless users say there are enough services and content to meet their needs



Which of the following statements best represents how you feel about the selection of content and services that your wireless / cell phone service provider offers?

(Asked of Wireless Users, December 2007, N=832)

Too many – There are too many content and services options to select from
30%



Too little – There are not enough content and services options to select from
11%

Just right
59%



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Most of the additional services consumers want are already available

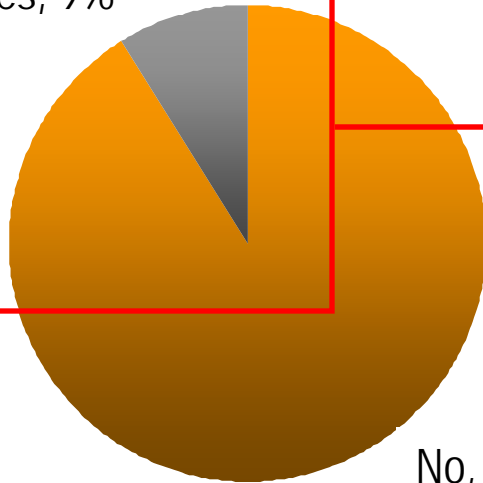


- Consumers' wanting of services that are already available indicates that there is a gap in awareness or accessibility of these services

Are there any other services that you would like to use your wireless/cell phone for that your service provider does not currently offer?

(Asked of Wireless Users, December 2007, N=832)

Yes, 9%



No, 91%

If you could add one service or application that is not currently available, what would it be?

(Asked of Wireless Users Who Want more Apps / Services, December 2007, N=73)

Sample Open Ended Response Categories

- GPS, navigation
- Internet
- Business applications
- Mobile payments
- TV



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Services do not need strong user experiences to achieve mass market adoption



Text and Picture Messaging represent examples of weak experiences that achieved mass market adoption

- Text Messaging
 - Requires triple tapping and has 160 character limits
 - 41% of users regularly send text messages as a result of carrier interoperability, viral marketing and American Idol
- Picture Messaging
 - Has poor resolution and complicated interface
 - 22% of users regularly send picture message as a result of free camera phones and viral marketing



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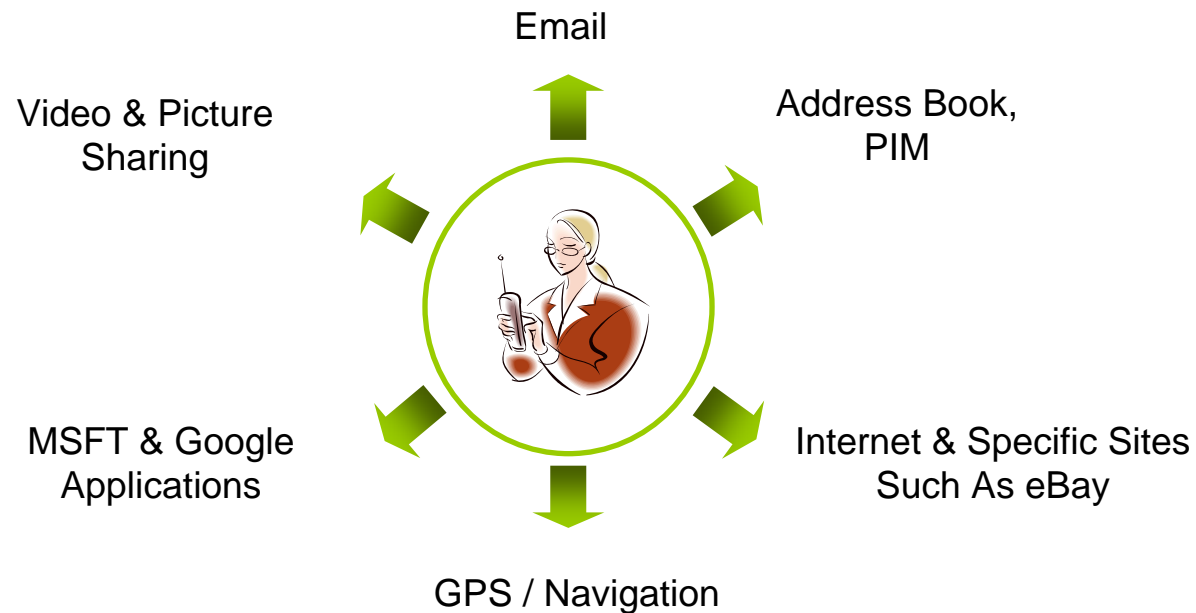
Most of the PC applications that consumers would want on their phones are already available



If you could add one program or application from your personal computer to your wireless/cell phone, what would it be?

(Asked of Wireless Users, December 2007, N=832)

Sample Open Ended Response Categories



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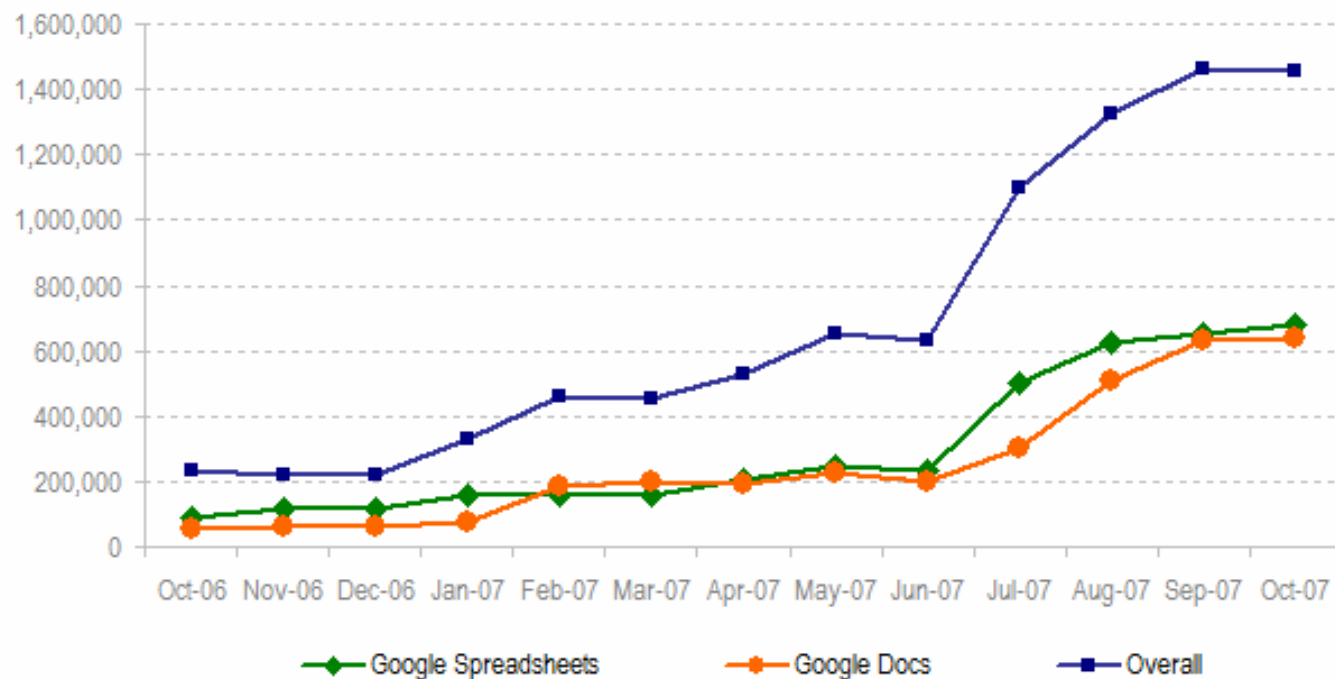
Google's success at driving the adoption of web applications serves as a model for 3rd parties



- Google's June user interface overhaul and marketing ignited traffic to Google Docs and Spreadsheets

Google Docs and Spreadsheets

(Monthly Unique Visitors, Oct '06 - Oct '07)



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Methodology: Connectivity Descriptions



In order to gauge consumer demand for connecting CE devices, Compete asked recent shoppers to respond to questions about the following connectivity scenarios:

Product Category	Description
Laptop / notebook computer	Browse the web and access email from anywhere (e.g., in the car, on the train, etc.)
Portable digital audio / video player	Download music and video and sync play lists over the air
Portable satellite / high definition radio	Sync with preferences and play lists from your PC over the air
Navigation / GPS system	Update map information without buying a CD, sync your contact information over the air so you don't have to manually input addresses
Digital camera / camcorder	Send or upload pictures and videos from anywhere
Portable video game system	Upload scores and interact with other players over the Internet



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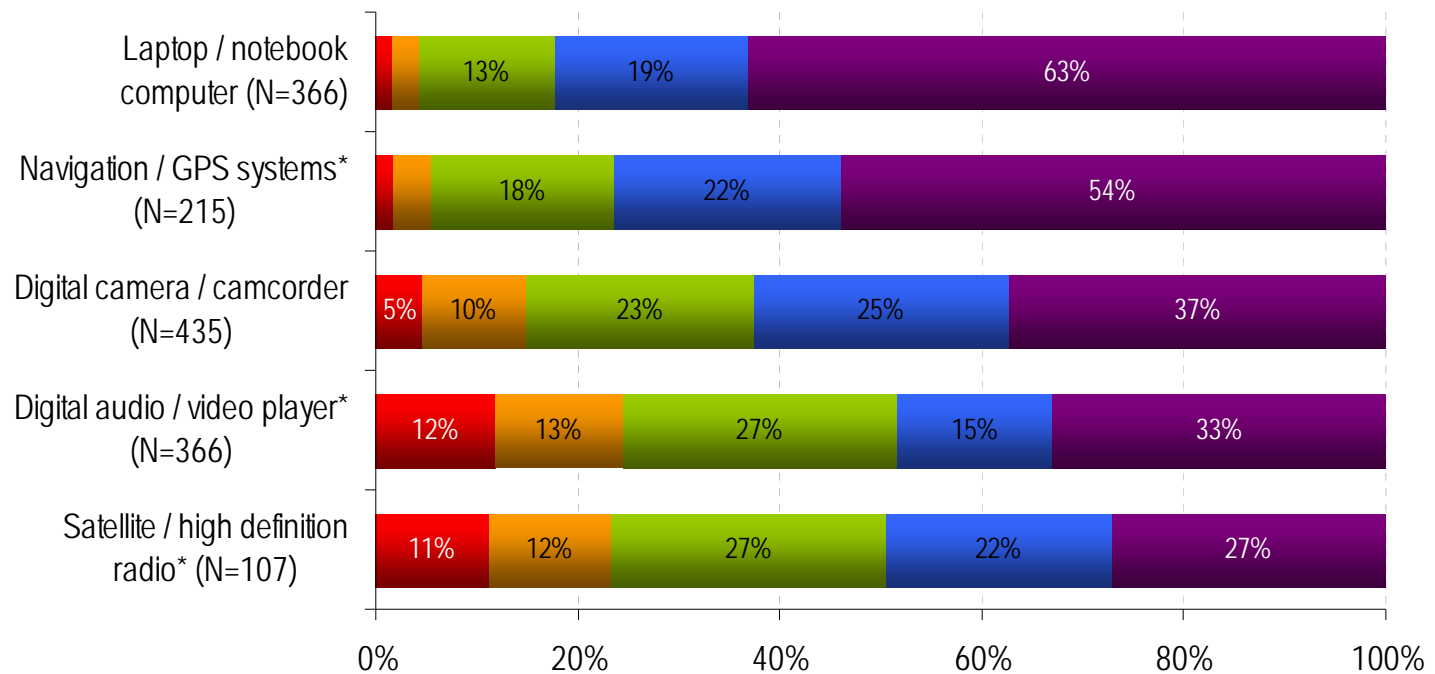
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Laptop & GPS shoppers are the most interested in connectivity



On a scale from 1-5 where 1 means not interested at all and 5 means very interested, how interested would you be in having each of the following products connect to the Internet if it enabled you to do the following things with each? (Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007)



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■ 1 (Not Interested at All) ■ 2 ■ 3 ■ 4 ■ 5 (Very Interested)



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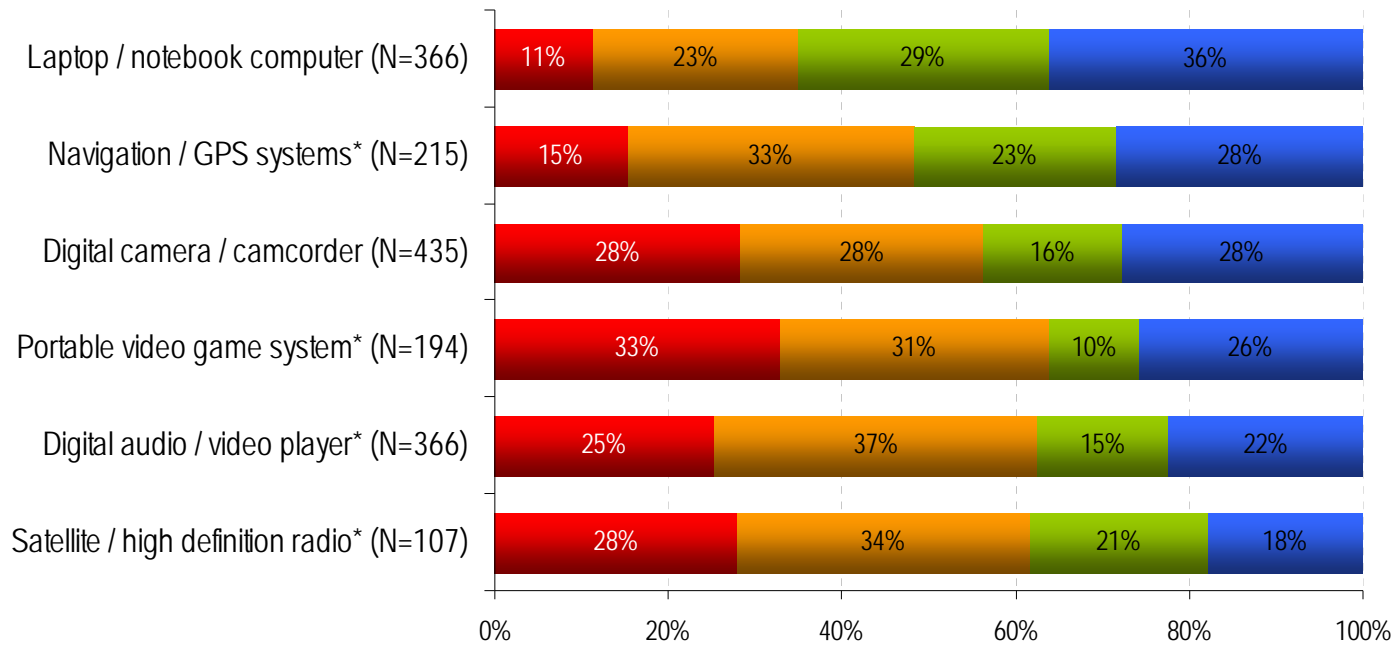
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Laptop & GPS shoppers are the most willing to spend more on their device for connectivity



On top of the actual price of the product, what is the most amount of money that you would spend at the time of purchase to ensure connectivity to the Internet for each product?

(Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007)



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■ \$0 ■ \$1 to \$25 ■ \$26 to \$50 ■ More than \$50



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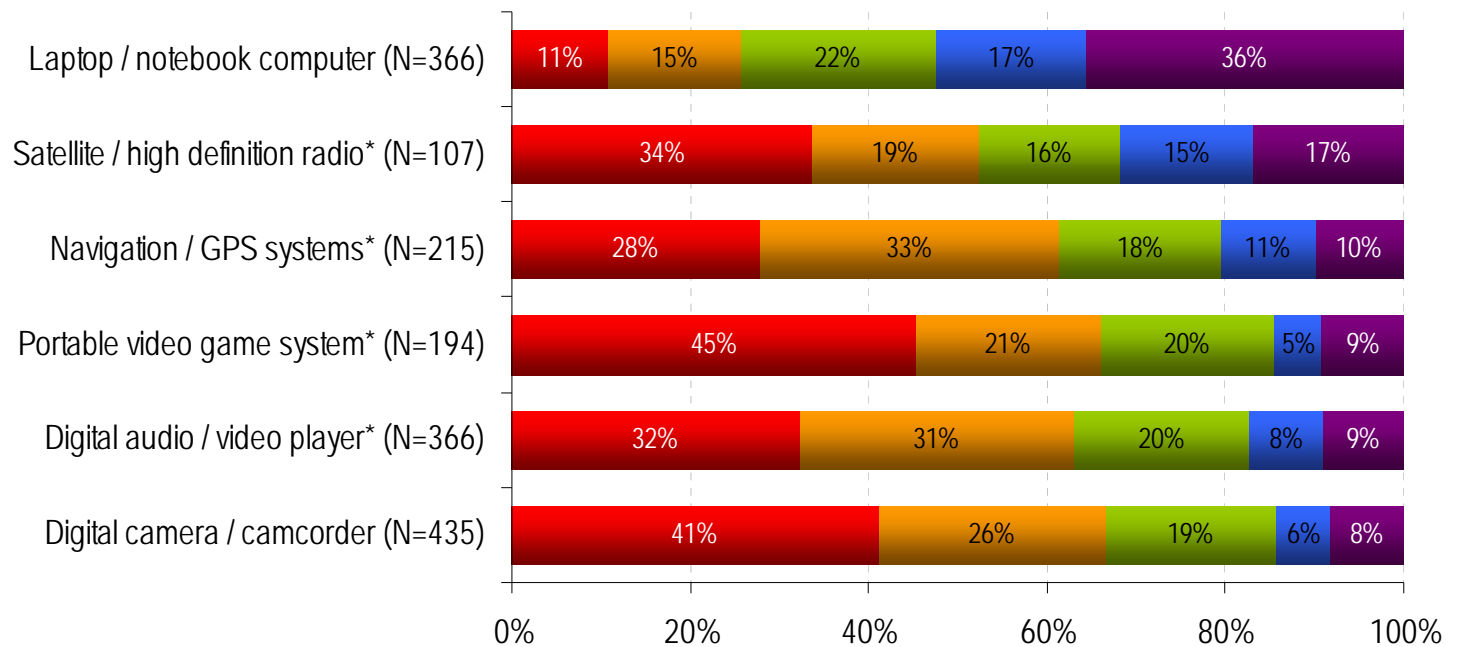
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Laptop and Satellite radio shoppers are the most willing to pay additional service charges



What is the most amount of money that you would consider paying each month for this kind of Internet connectivity for each product?

(Asked of Recent Shoppers of Each Consumer Electronics Category, December 2007)



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■ \$0
 ■ \$1 to \$5
 ■ \$6 to \$10
 ■ \$11 to \$15
 ■ More than \$15



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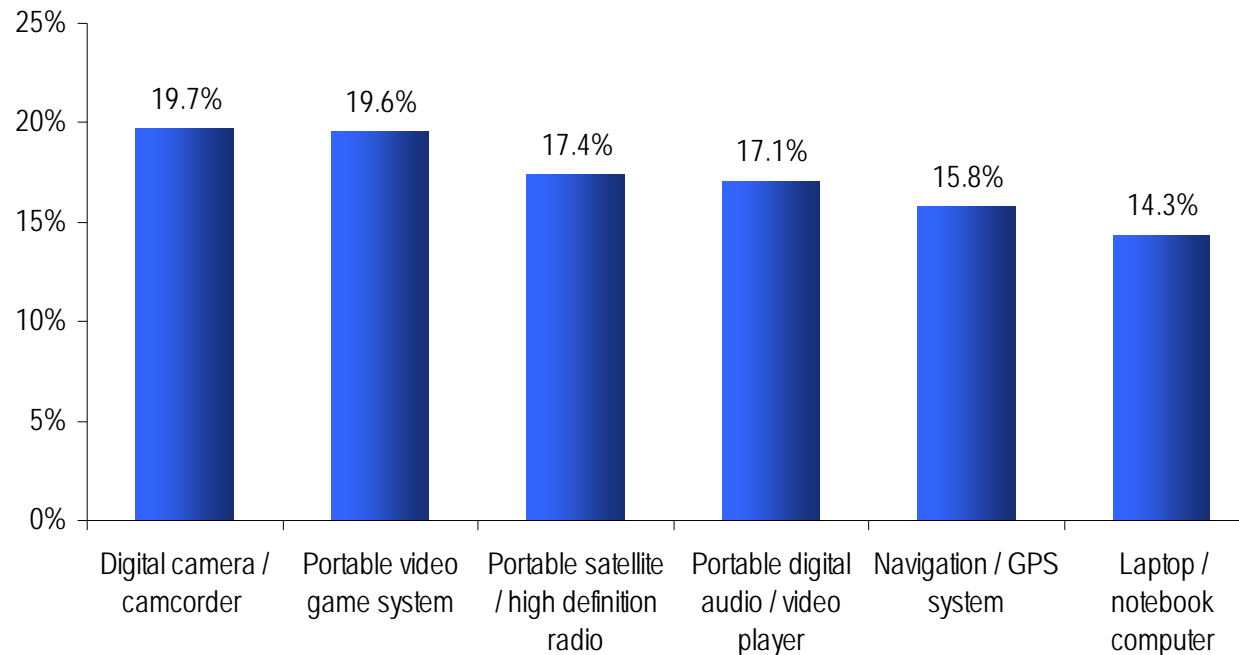
There is an opportunity to upsell Laptop and GPS buyers with a connectivity solution



- Laptop and GPS shoppers are less likely to be concurrently in-market for a cellular plan, so there may be a higher probability of upselling them “connectivity” with their laptop or GPS

Percentage of online shoppers of each category of consumer electronics products also shopping for cell phones in the same month

(Projected from Compete's 2M consumer online panel, July – December, 2007)



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