



Connected Life Market Watch: Mobile Consumer

Mobile Internet

Cisco Internet Business Solutions Group
July 2009

Connected Life Market Watch: The Mobile Consumer

Scope	Approach
<ul style="list-style-type: none">• United States• Mexico• Brazil• Saudi Arabia• South Africa• United Kingdom• France• Germany• Spain• Italy• South Korea• China• India	<p>Market Watch Program</p> <ul style="list-style-type: none">• Cisco IBSG's recurring primary research program• Monitors changing consumer behavior to identify key market transitions <p>Methodology</p> <ul style="list-style-type: none">• Broadband consumers• 20-minute online survey• 6,600 total respondents• Fielded Dec. 2008 – Jan. 2009 <p>Segmentation</p> <ul style="list-style-type: none">▪ Used two proprietary scoring methodologies to determine the “Technology” segment and “Prosumer” segment

Source: Cisco IBSG, 2009

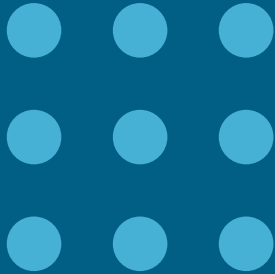
SPs Should Foster Daily Mobile Internet Use To Reach Revenue Targets

Key Findings:

1. Continued mobile data revenue growth is **critical** to service providers' financial stability
2. Many consumers are starting to explore mobile data, but view their mobile data service as **expendable**
3. The customer's spend is optimized and locked in when mobile Internet is integrated into **everyday** life
4. SPs can encourage everyday behavior by **addressing consumer barriers**
5. SPs must take steps to profitably manage the **exponential increase in mobile data traffic** that is expected in the next 3 years



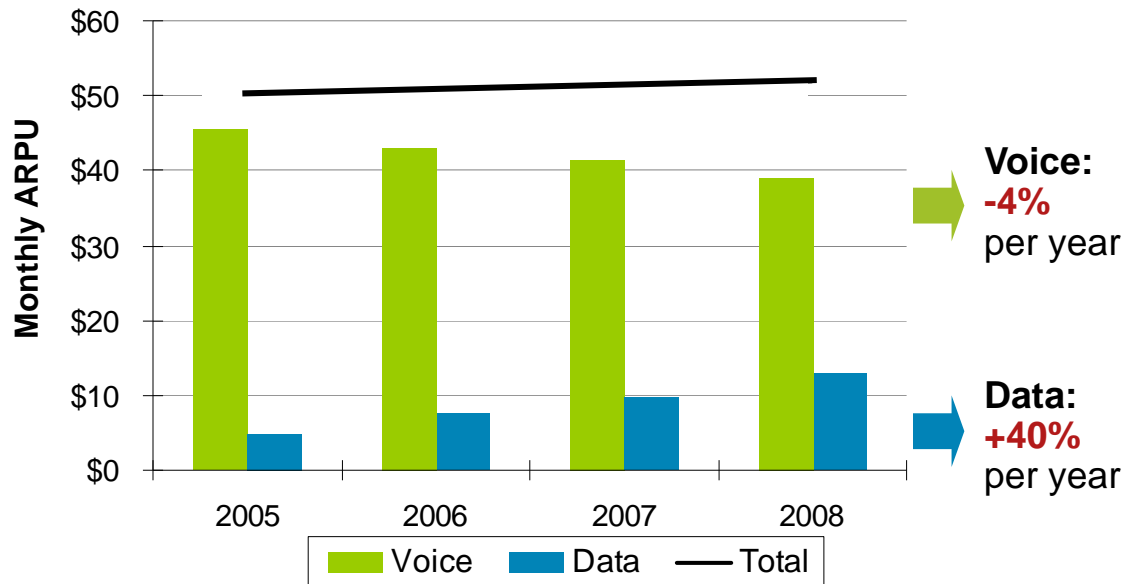
Source: Cisco IBSG, 2009



Mobile Data: The Revenue Growth Engine Is Starting To Take Off

Service Providers Rely on Mobile Data To Fuel Future Wireless Revenue Growth

Average Revenue Per Mobile Subscriber
United States: 2005 - 2008



Mobile data already represents 25% of ARPU

Source: Company Reports; Cisco IBSG, 2009

“Wireless is about to enter a new era.”

Ivan Seidenberg, CEO, Verizon, March 2009

“We lead in wireless data, which is the industry’s best growth area.”

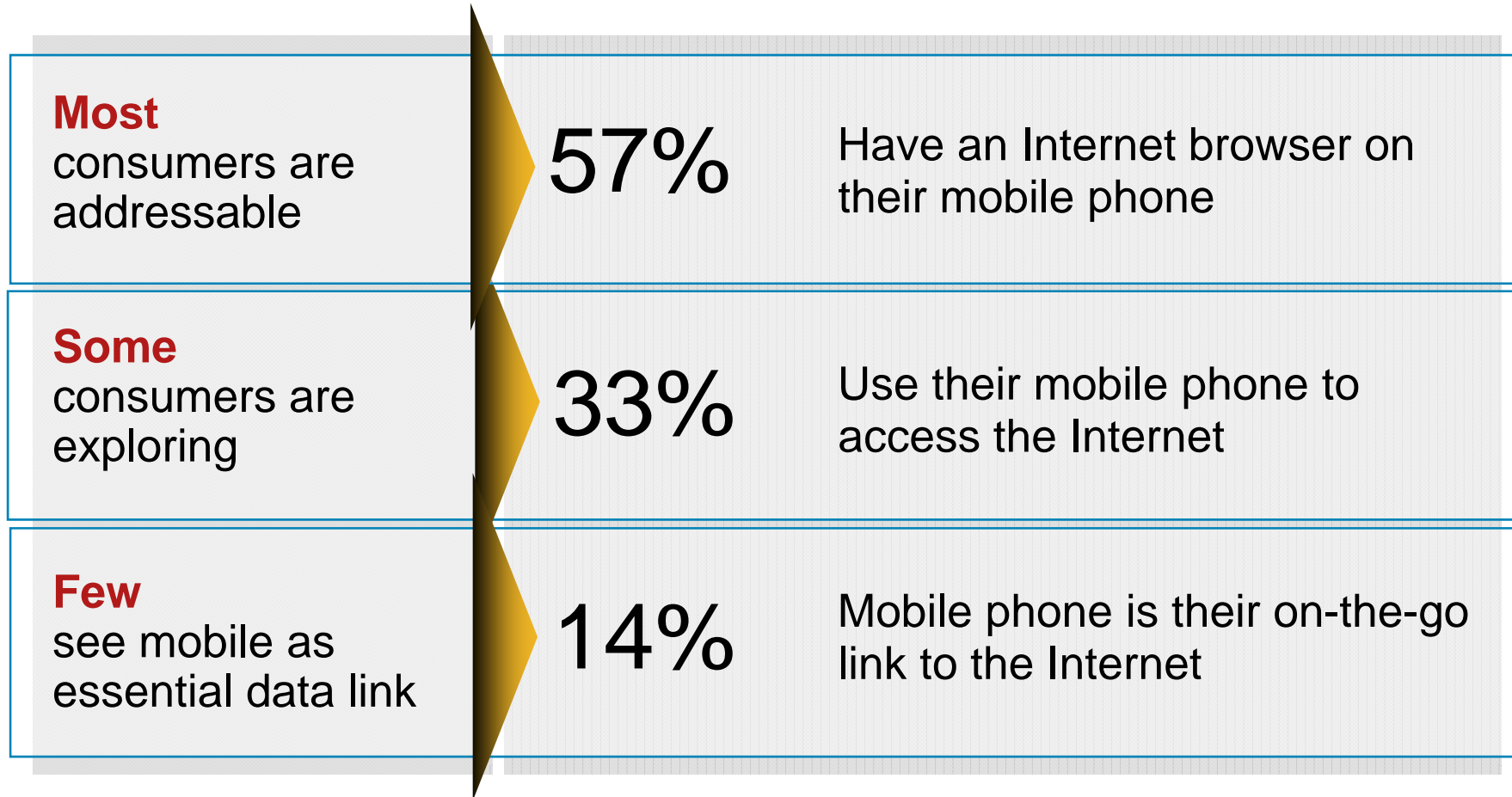
Randall Stephenson, CEO, AT&T, January 2009

“Historically, *wireless growth* has been driven by ... wired voice users. Going forward... it will be broadband data.”

Dick Lynch, CTO, Verizon, March 2009

Few Consumers View Phone as Their “Anywhere” Link to the Internet

Mobile Data Access Does Not Equate to Use



Source: Cisco IBSG, 2009

Note: Results based on panel of U.S. broadband & mobile phone users

Today's Market Includes Different Types of Mobile Internet Users

Everyday Users

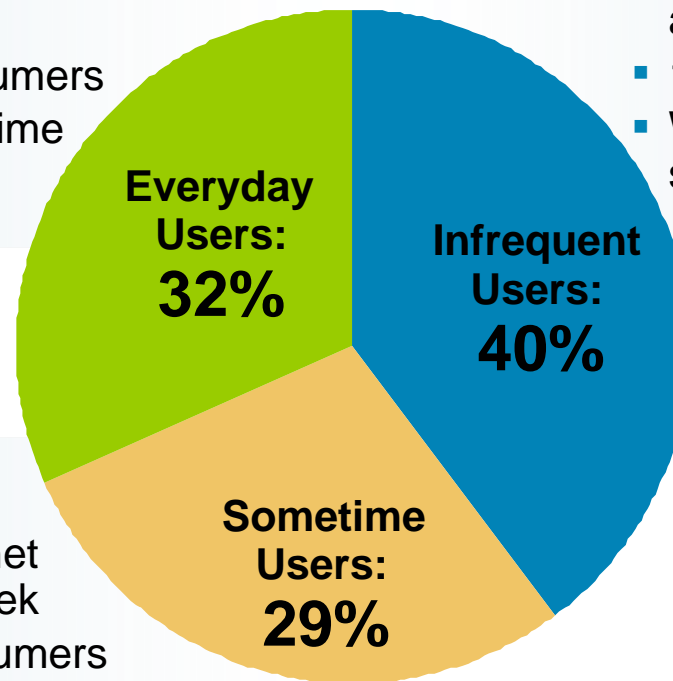
- Use cell phone for Internet access every day
- 11% of broadband consumers
- Weekly mobile Internet time spend: 2 hours+

Infrequent Users

- Use cell phone for Internet access 1 to 3 days a month
- 12% of broadband consumers
- Weekly mobile Internet time spend: 12 minutes

Sometime Users

- Use cell phone for Internet access 1 to 6 days a week
- 10% of broadband consumers
- Weekly mobile Internet time spend: 57 minutes



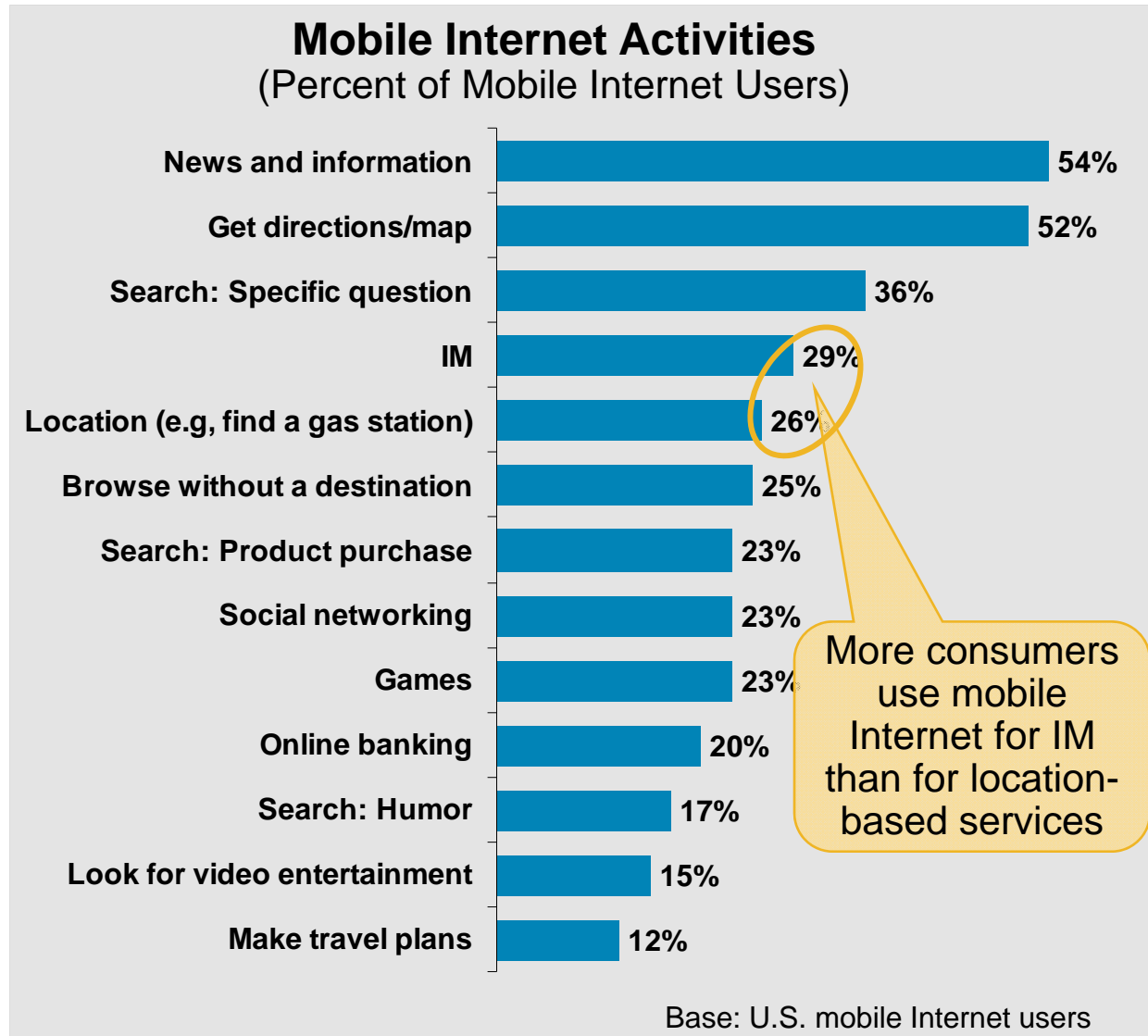
U.S. Mobile Internet Users

Source: Cisco IBSG, 2009

Base: U.S. broadband & mobile Internet users

Beyond Email, Main Uses for Mobile Internet Are News, Maps, and Search

- 86% access email
- Mobile, location-based services have not yet realized full potential



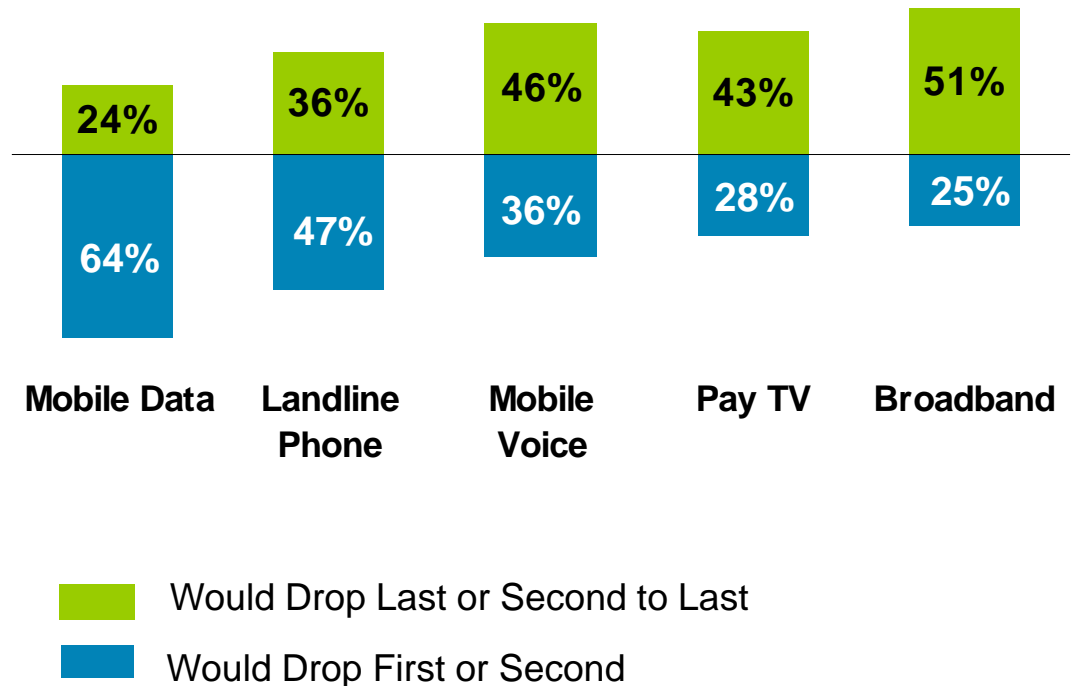
Source: Cisco IBSG, 2009

When Consumers Must Cut SP Services, Mobile Data Is the Most Expendable

- Mobile data still considered discretionary
- Slow economy will accelerate cord-cutting
- SP growth strategy depends on today's landline revenue to fuel investment in mobile data for tomorrow's revenue growth

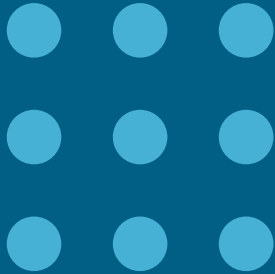
Consumer Spending Priorities

If you had to reduce your monthly household expenditure, which of the following services would you cut first?



Source: Cisco IBSG, 2009

Base: U.S. broadband (BB) consumers



Capture and Lock in Mobile Data Revenue

Mobile Internet Users Are Attractive Customers

Daily Mobile Internet Users Spend \$24 More than the Average Consumer and \$15 More than the Infrequent Mobile Internet User

Customer Characteristics	Average BB Consumer	Infrequent User	Everyday User
Monthly mobile phone bill	\$72.50	\$81.56	\$96.92
Have an unlimited data plan for mobile phone	21%	37%	71%
Mobile video subscription	5%	6%	24%
Monthly cable/satellite bill*	\$68.36	\$75.34	\$78.75
DVR adoption	38%	43%	61%
Premium movie channel adoption	26%	38%	51%

Source: Cisco IBSG, 2009

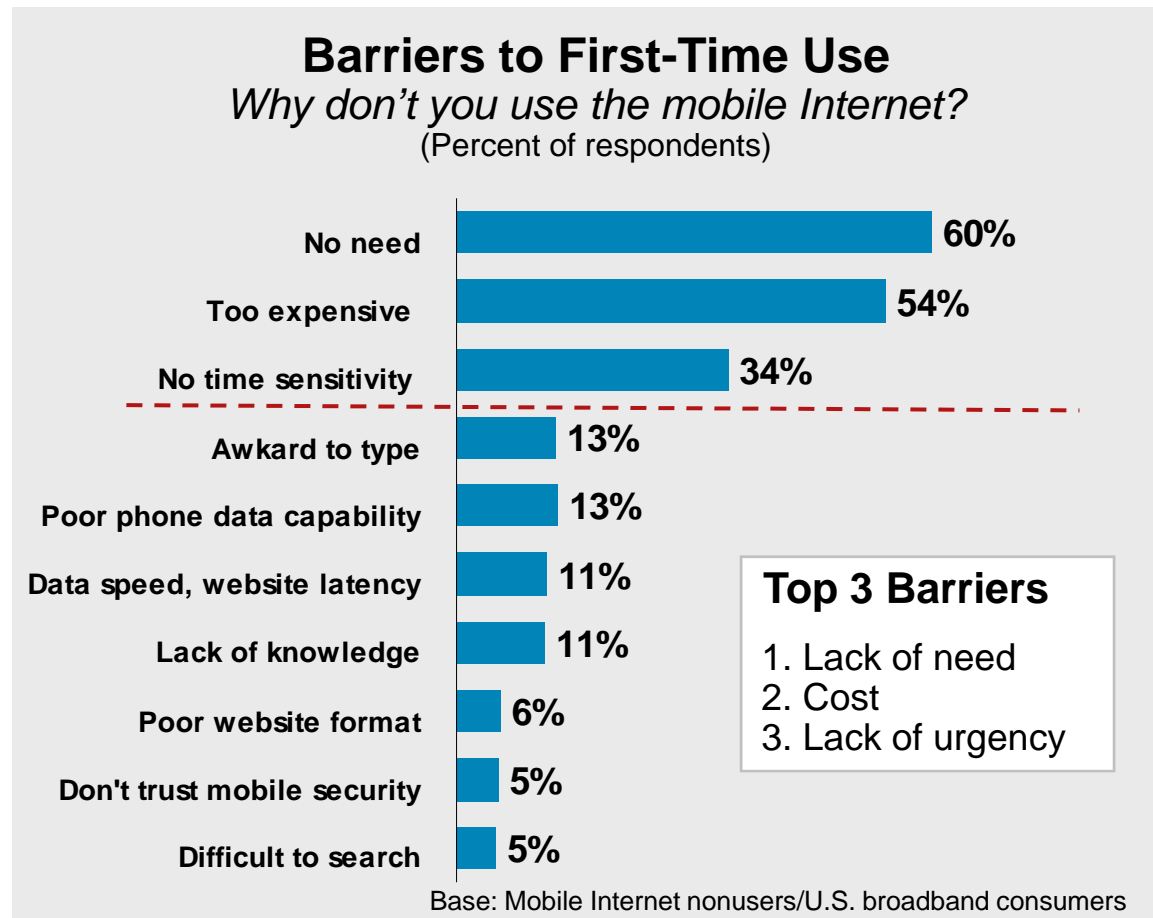
* Spend among subscribers

To Capture New Segments, SPs Must Tap Mass Market and Make It Easy

Mobile Internet Is Still for the Tech-Savvy

- Most consumers (nearly two-thirds) are mass market+
- Only 15% of mass market+ segment has used mobile Internet
- 75% of everyday mobile Internet users are tech-savvy

Source: Cisco IBSG, 2009



To attract new users, SPs can use trials, smartphones, and limited bundles to expose nonusers to the mobile Internet

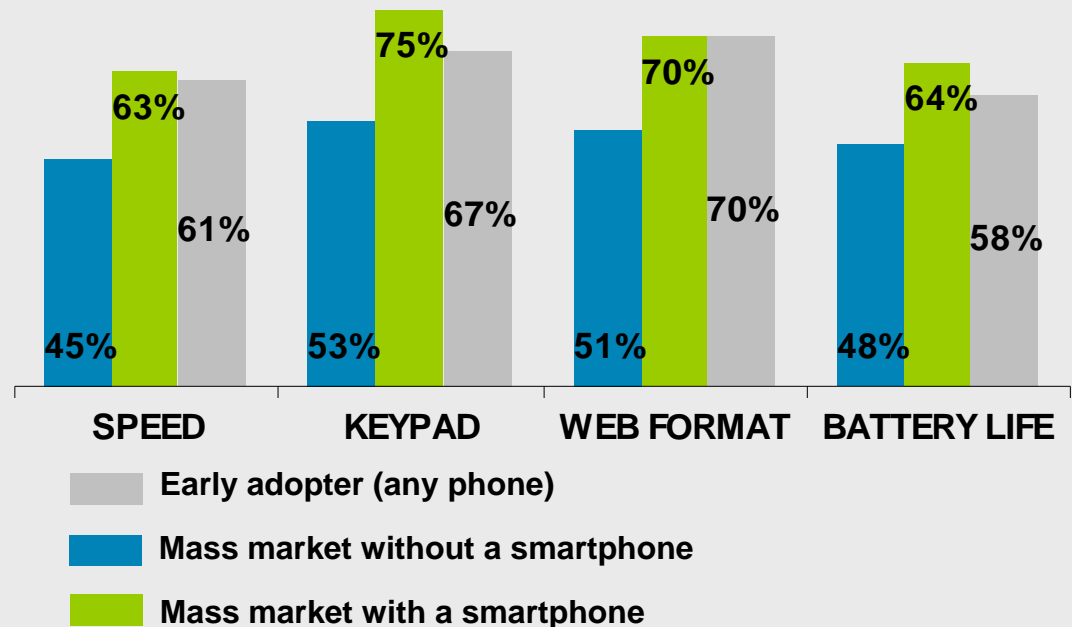
Smartphones Will Help Mobile Internet Penetrate Mass Market

Smartphones Change Consumers' Perceptions of Mobile Internet

- Mass market users are **more critical** than early adopters
- With a smartphone, mass-market users report better mobile Internet experience—even in **non-device-relevant** areas
- With a smartphone, mass-market users' satisfaction **exceeds** that of early adopters

Comparative Satisfaction with Mobile Internet Experience

Early Adopters vs. Mass-Market Consumers
(Percent of respondents very or slightly satisfied)

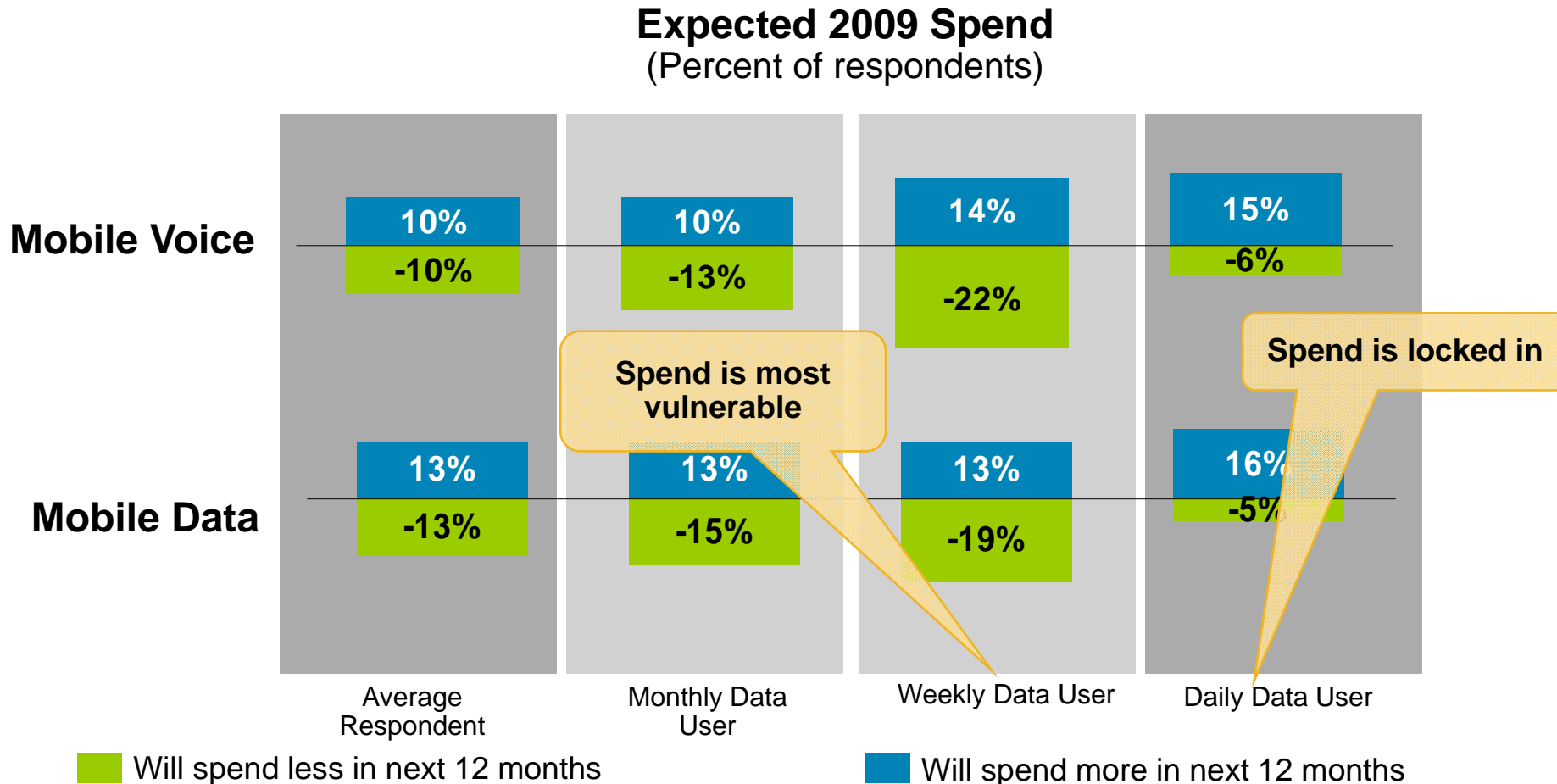


Source: Cisco IBSG, 2009

Base: Global mass market mobile Internet users

However, Adoption Is Only Half the Story

Only Daily Mobile Internet Users Protect Mobile Spend



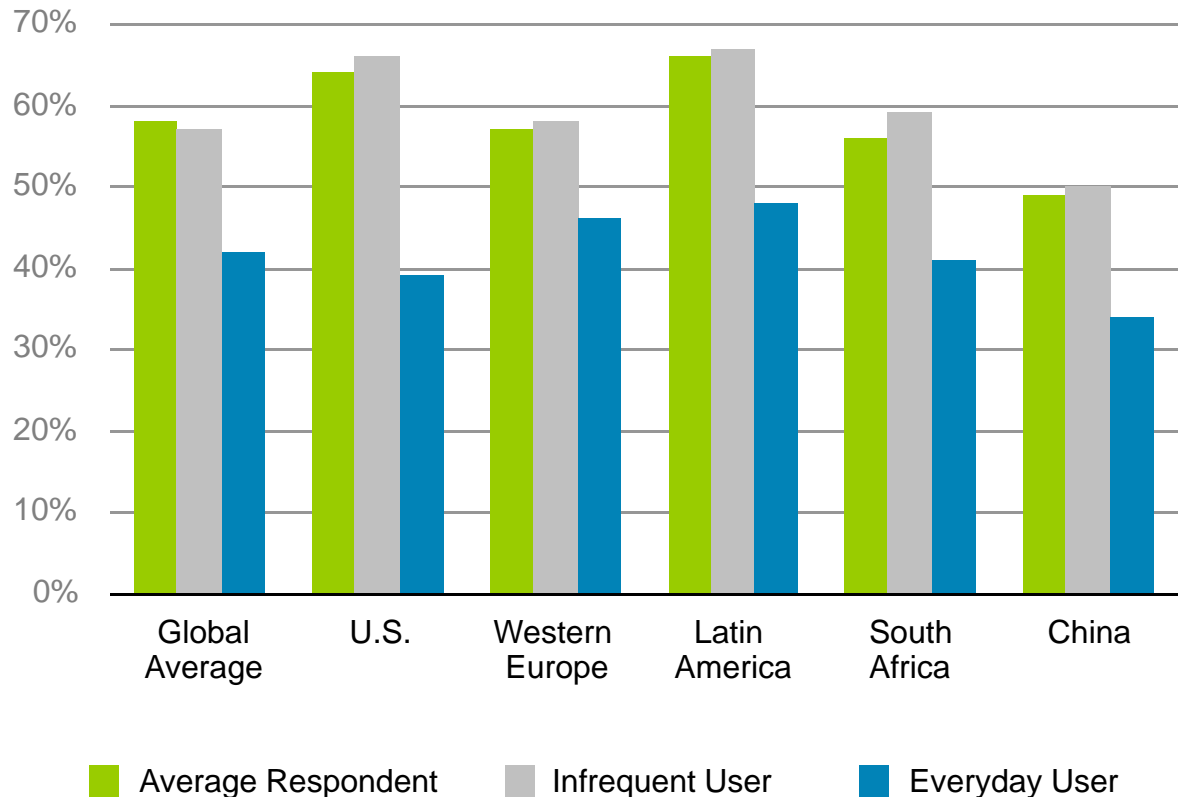
Source: Cisco IBSG, 2009

Base: U.S. broadband consumers with service

Globally, Consumers View Mobile Data as Most Expendable Service

- **Infrequent** mobile data users are just as likely to cut mobile data as the average consumer
- Consumers who **use mobile data every day**, however, are 28% less likely to cut mobile data first

Consumer Spending Priorities: Mobile Data
Percent of consumers cutting mobile data first or second



Source: Cisco IBSG, 2009

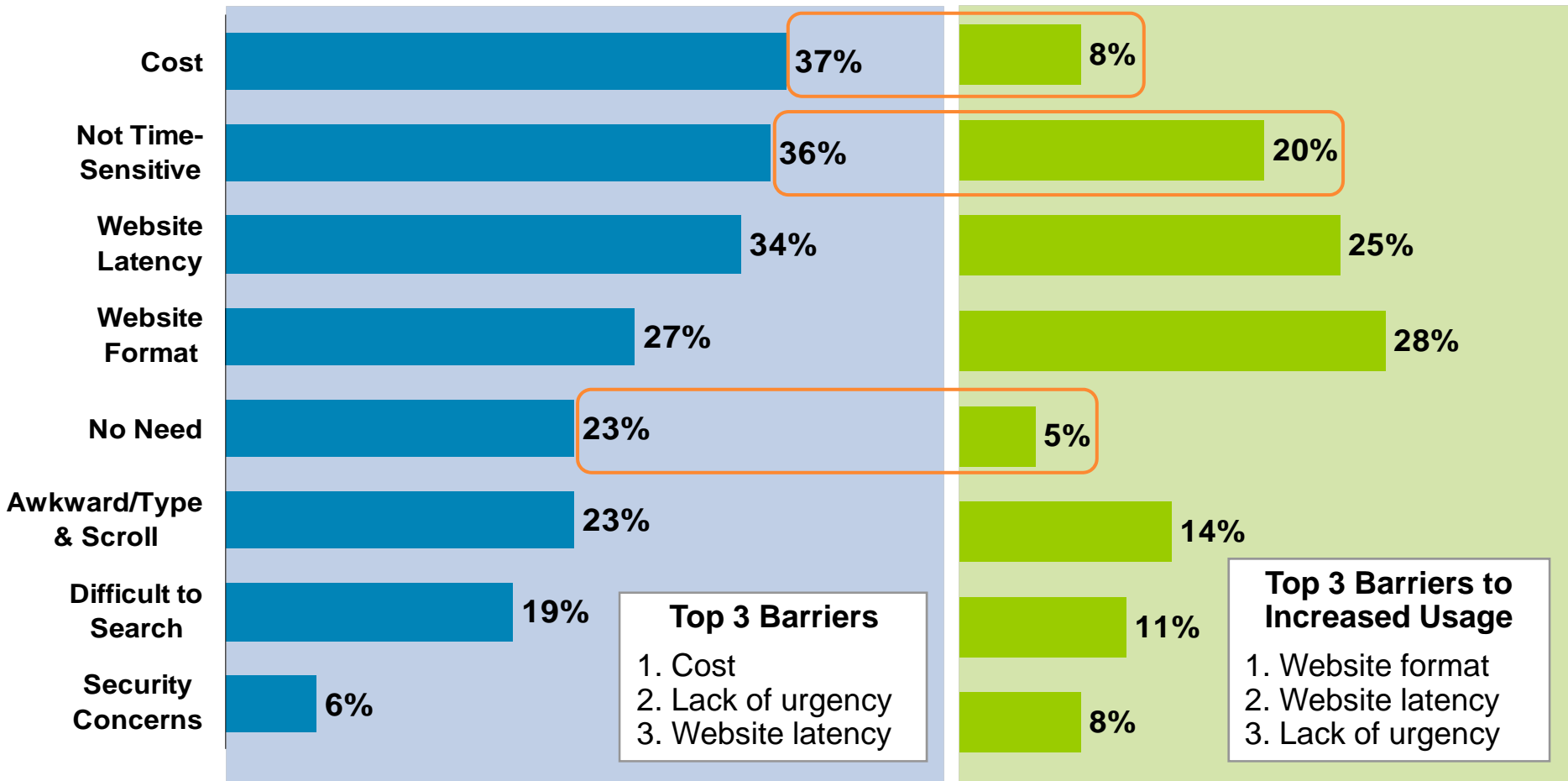
Base: Global broadband users

Everyday Users Perceive Value for Investment

Barriers to Increased Mobile Internet Usage (Percent of Respondents)

INFREQUENT USERS

EVERYDAY USERS

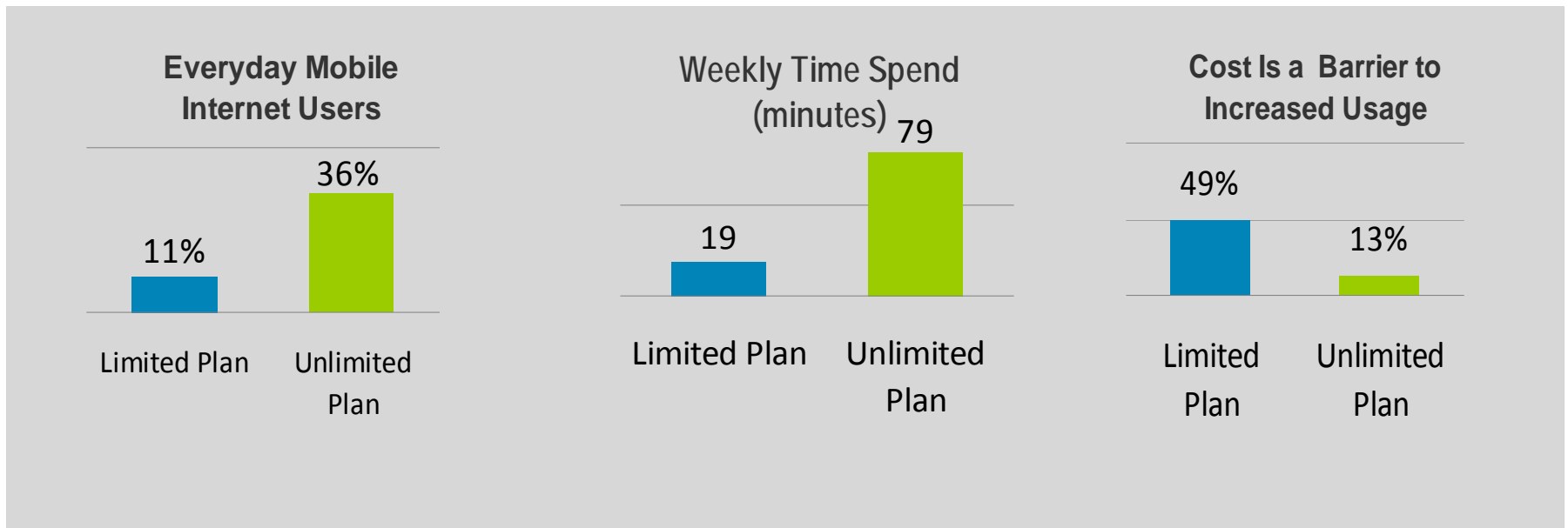


Source: Cisco IBSG, 2009

Base: Mobile Internet users

Unlimited Plans Can Play a Role in Unlocking Usage

Mobile Internet Behavior & Perceptions Limited Plan vs. Unlimited Plan Subscribers

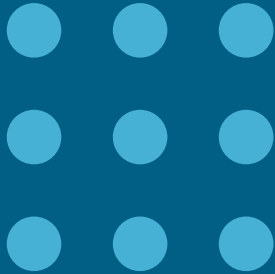


Unlimited subscribers are **3 times** more likely to be everyday users

Unlimited plans defuse cost as barrier to increased usage

Source: Cisco IBSG, 2009

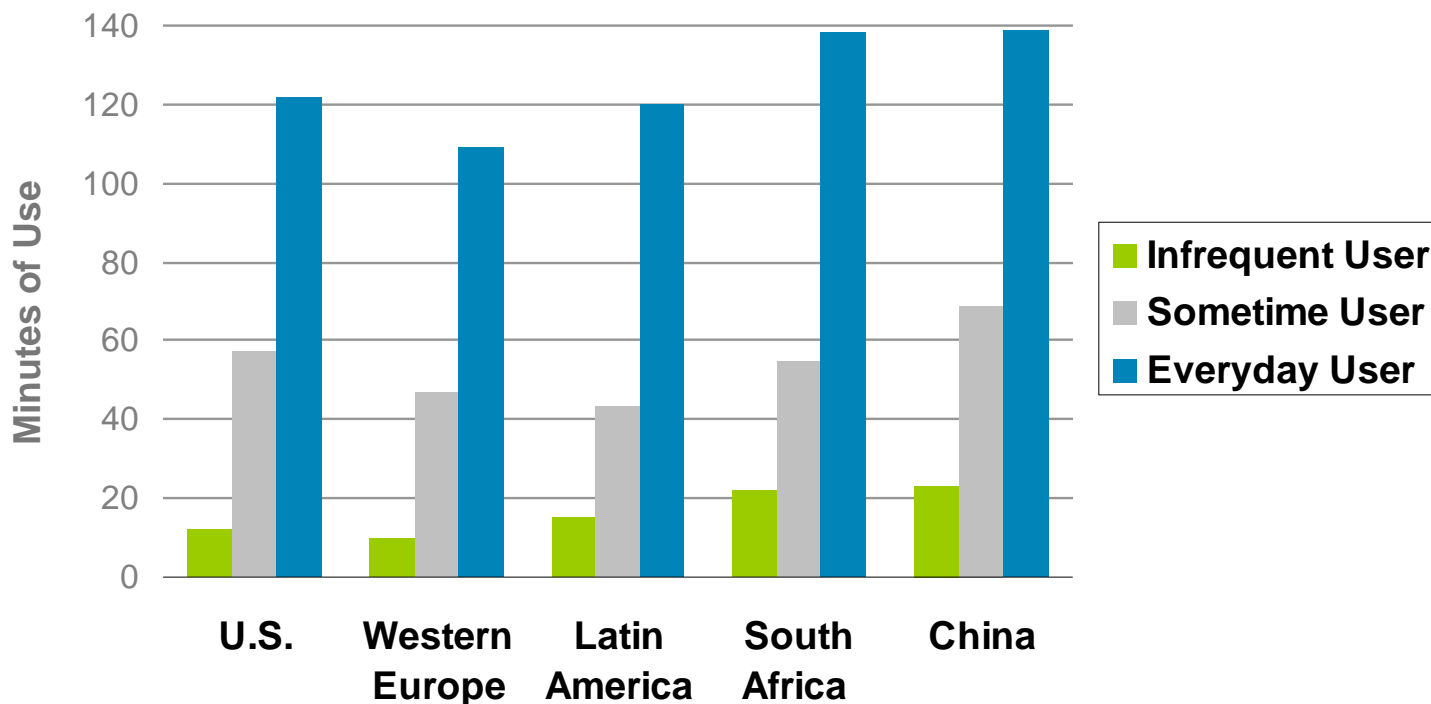
NOTE: Percentages refer to active mobile Internet users only.



Prepare for Mobile Data Traffic To Protect Margin

Everyday Mobile Internet Users Drive More Traffic Than Infrequent Users

Average Mobile Internet Use Per Week



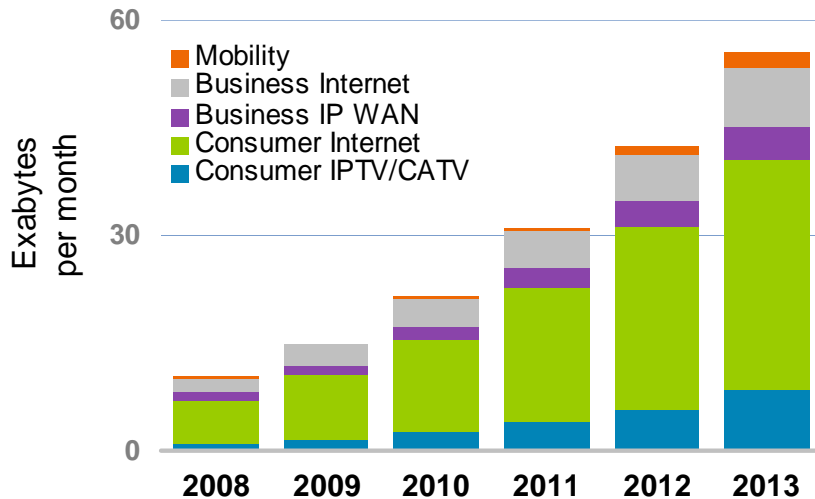
Globally, U.S. has highest percentage (32%) of daily users among current mobile Internet users

Source: Cisco IBSG, 2009

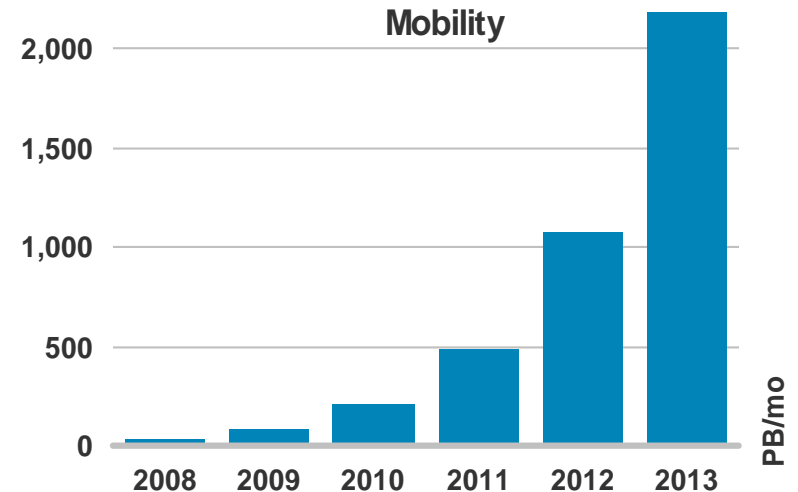
Global IP Traffic Growth

Two-thirds of a Zettabyte Will Cross Global Network Monthly

Global IP Traffic



Mobile IP Traffic



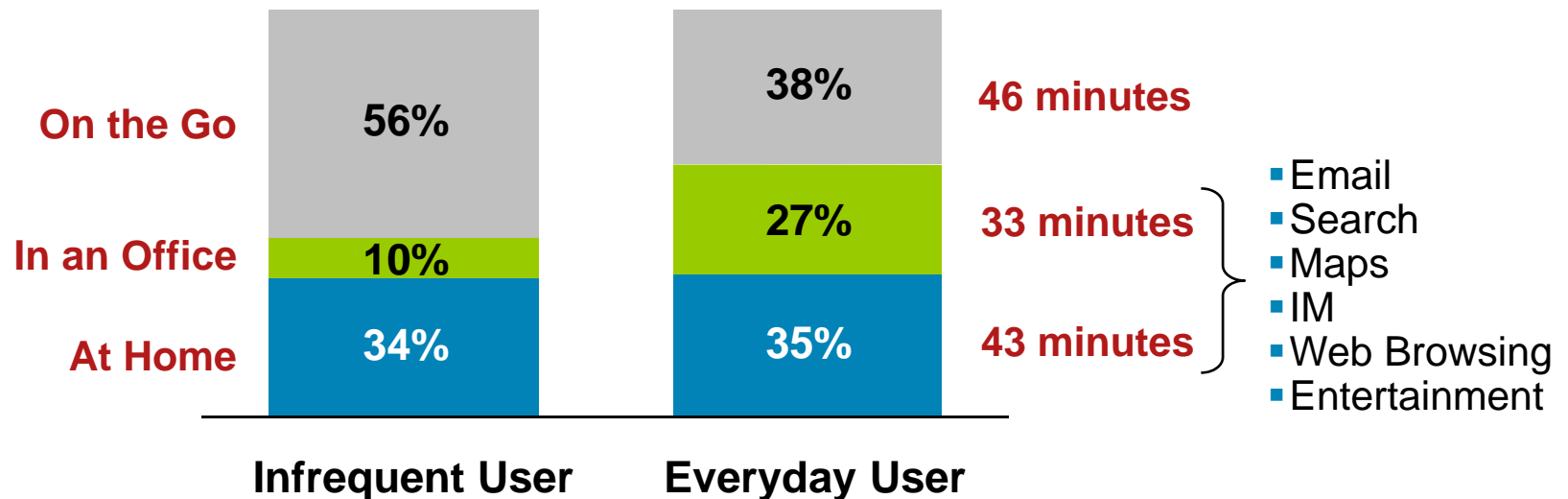
IP traffic will increase fivefold from 2008 to 2013

- Mobile data will represent less than 4% of all IP traffic
- This traffic, however, will increase at 130% CAGR from 2008 to 2012

Source: Cisco Visual Networking Index—Forecast, 2008-2013

Most Mobile Internet Usage Takes Place in Fixed Locations

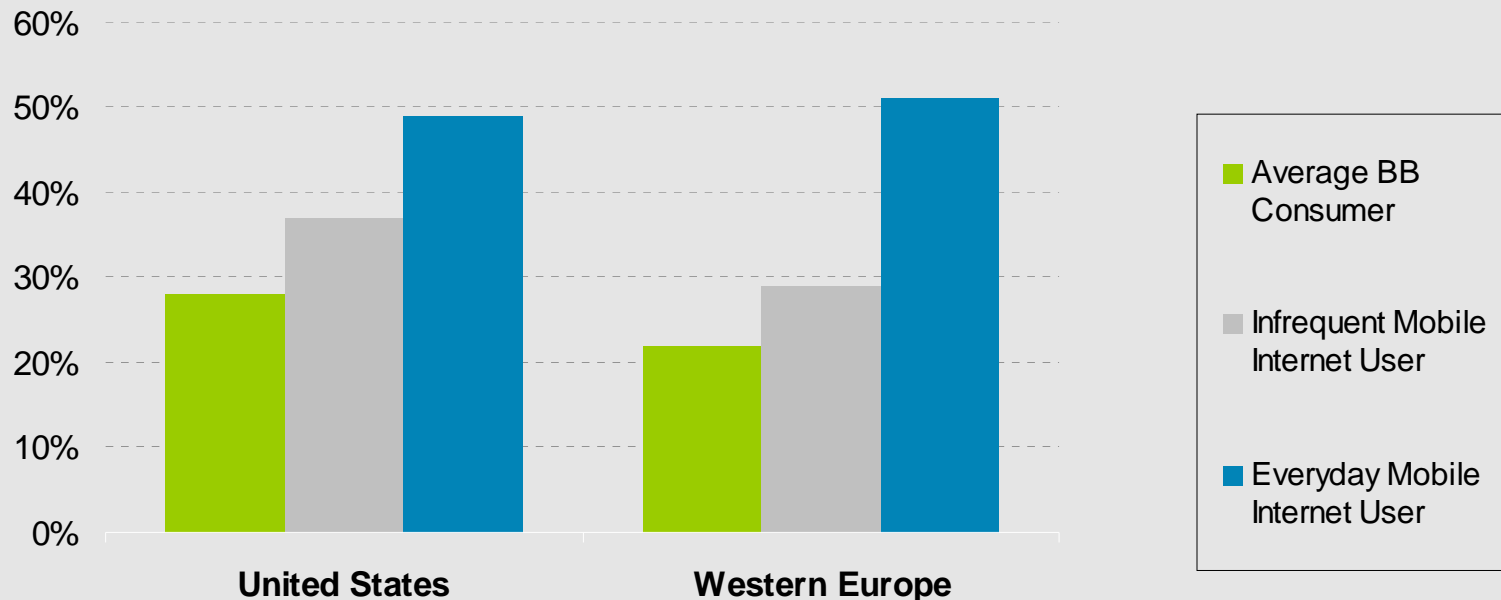
Percent of U.S. Mobile Internet Usage Taking Place in Each Location



76 minutes of data activity per week per user can be offloaded through FMC solutions

Everyday Mobile Internet Users Are Very Interested in FMC Solutions at Home

Interest in “Mobile at Home” Solution
Respondents citing interest at 6-7 on 7-point scale



Source: Cisco IBSG, 2009

Base: U.S. mobile Internet users

Optimizing & Protecting the Mobile Data Opportunity

Make mobile data easy to try

Bundle into voice, offer free trials

Expand utility and ease of use

Encourage smartphone adoption; highlight video, location-based services, and other easy, high-value apps

Set pricing to stimulate use, yet protect SPs

Promote tiered bundles, use alerts to increase customer comfort with spend, clarify usage ceilings in easy-to-understand terms

Use offload solutions to divert fixed-location traffic

Consider FMC solutions that offload in-office and in-home traffic to Wi-Fi networks, with pricing structures that encourage their use for data

Source: Cisco IBSG, 2009

Note: Results based on panel of U.S. broadband & mobile phone users



Daily Mobile Internet Users Are Young, Tech-Savvy, and Working

Customer Characteristics	Average BB Consumer	Infrequent Users	Everyday Users
Less than 34 years old	39%	44%	67%
Income	\$66.7K	\$66.7K	\$79.7K
Gender	M=49%	M=56%	M=65%
Tech-Savvy (Early Adopter or Early Majority)	32%	49%	82%
Time-Constrained: Value Time over Money	9%	8%	23%
Employed (full- or part-time)	65%	68%	79%
At least half of mobile phone calls are work-related	23%	28%	45%

Source: Cisco IBSG, 2009