



The Science and Art of People and Potential®

The Mobile Smart Phone Market:

A Study of Brands and How Buyers Choose Among a Variety of Handset and Carrier Choices

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Imagine a Customer Coming Into a Wireless Retail Store Near You



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This is just how people buy mobile phones every day isn't it?

Objectives and Methodology

Study Objectives

- Part of ongoing research on research
- Test of an innovative method for understanding purchase decisions
- Focused in the smart phone space.

Methodology

- Study of Smart Phone owners/decision makers
- US based sample
- Internet survey
- Data collected in September 2008
- 503 Consumers and 503 Business Decision Makers

Business Sample Composition

By Number of Smart Phones Purchased Past Year



Some Questions to Think About for Our Discussion Today

- How do you define a driver of consideration vs. a driver of purchase?
- What is a table stakes attribute?
- Where do you find an opportunity to differentiate your brand and gain competitive advantage?

This Report Includes Significant Insight Into the Highly Complex and Dynamic Smart Phone Market

Detailed Findings:

- Current state of the smart phone market
- Purchase decision drivers using more precise analyses
- Ownership: preference vs. predicted preference
- Deep-dive analysis of purchase drivers
- Brand differentiation

Key Takeaways – We'll Preface this Presentation with Some of Our Key Learning

- The Carrier decision remains more important than the handset decision by a nearly 2-1 margin.
 - For business buyers the Handset is the more important
- Apple iPhone is a major force and may yet have much growth potential
- Carriers have a fairly unique positioning, but this positioning often does not translate into share
- Handset manufacturers other than Apple and BlackBerry have weak, undefined brands

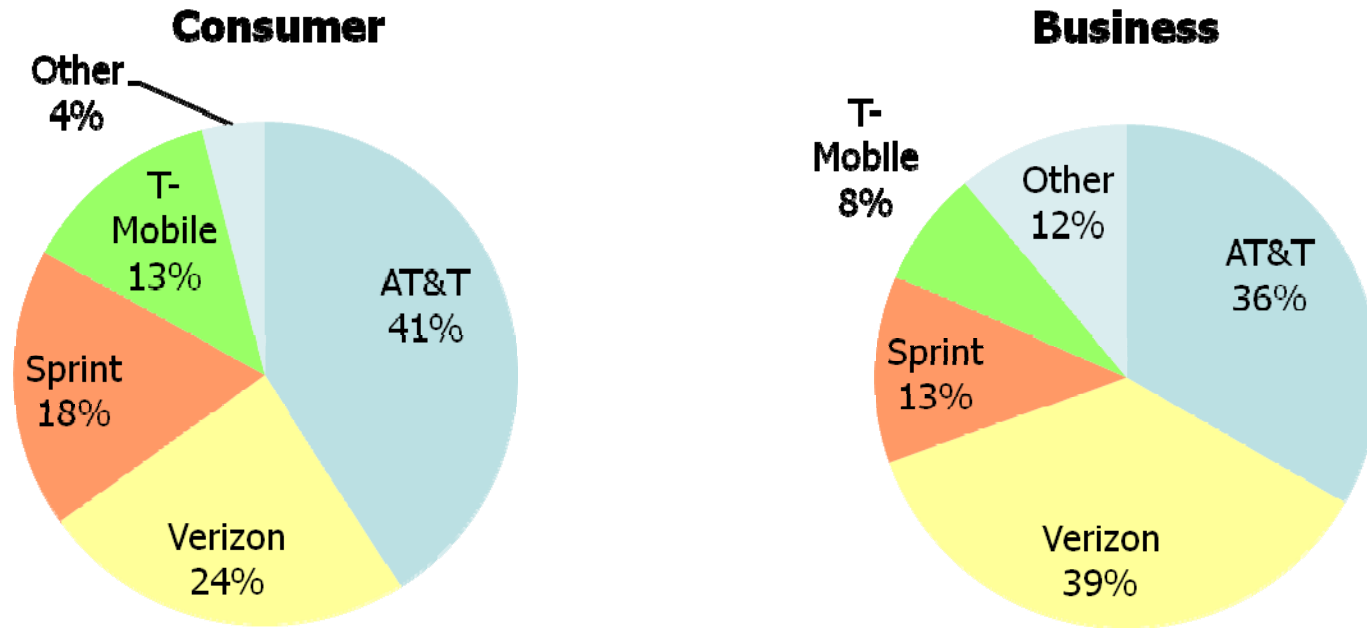
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Reported Primary Wireless Carrier Shows Real Differences between Consumers and Businesses

Primary Wireless Carrier *Consumers vs. Businesses*

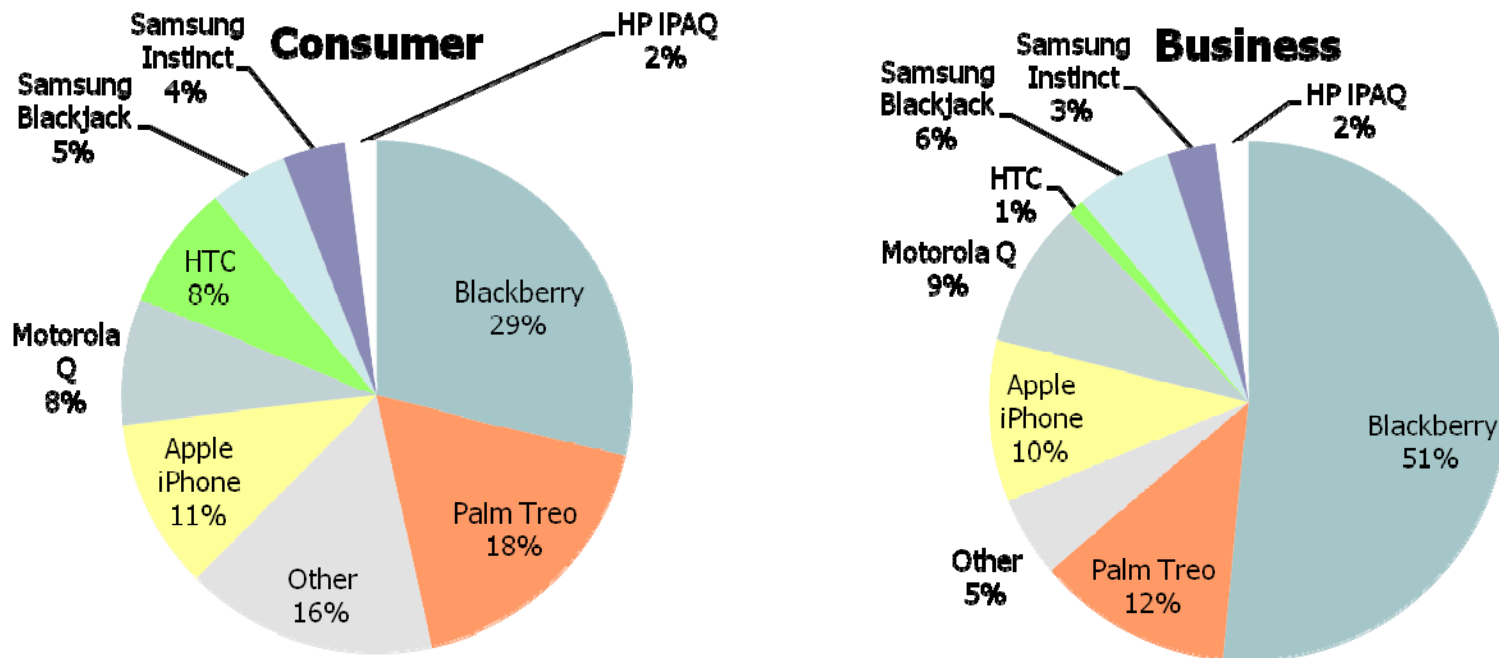


Question: What is the wireless phone carrier for the Smart Phone/PDA you use most often?

Business Smart Phone Share is Dominated by BlackBerry...Consumer Share is More Fragmented

Primary Wireless Smart Phone

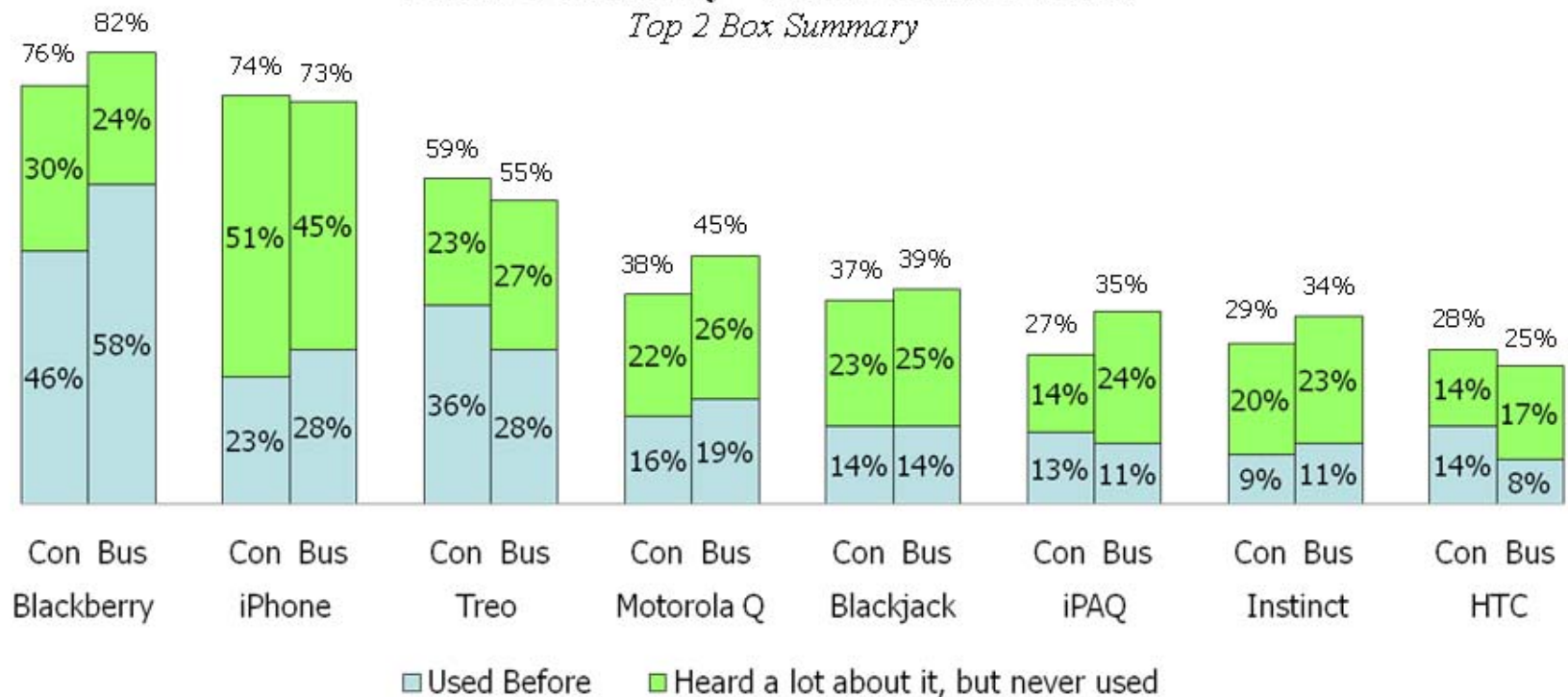
Consumers vs. Businesses



Question: What brand of Smart Phone/PDA do you own? (If more than one, then please select the Smart Phone/PDA you use most often.)

Apple iPhone has a Large Base of Potential Customers that are Aware, but not Yet Tried Its Product

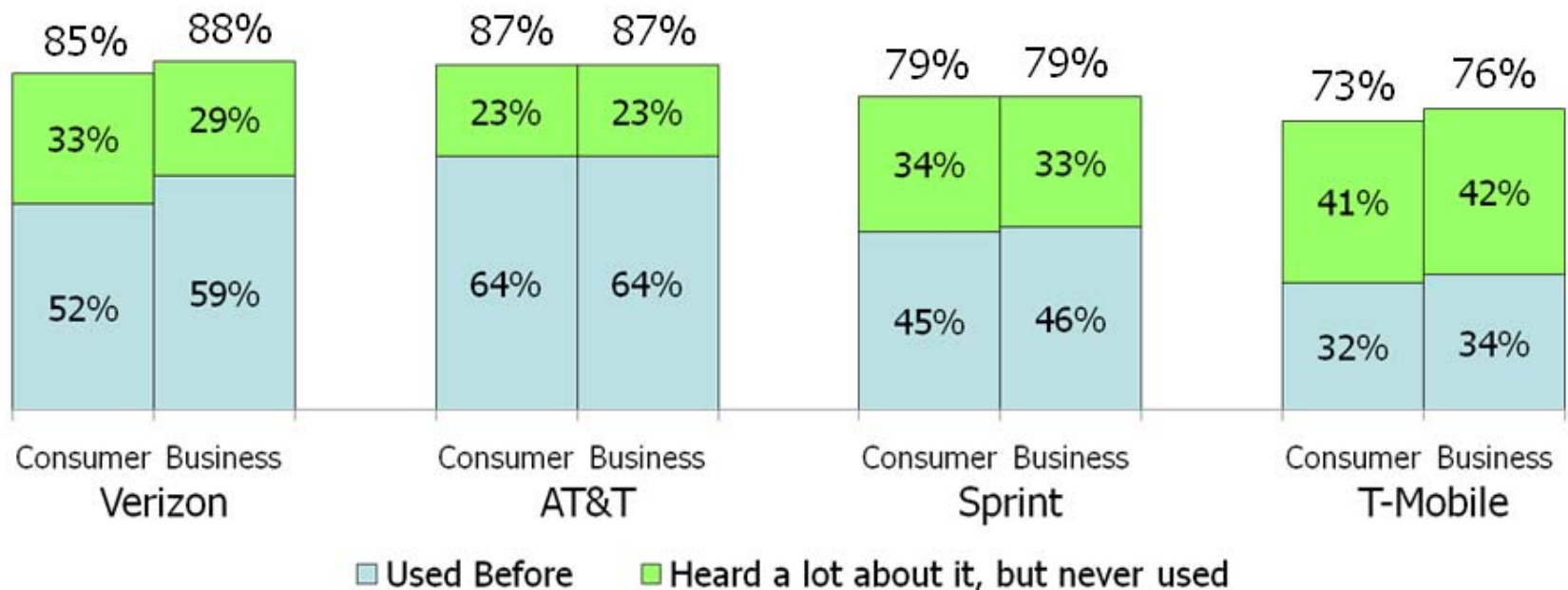
Brand Familiarity – Smart Phone Brands
Top 2 Box Summary



Question: How familiar are you with each of the following Smart Phone/PDA brands?

Cumulative "Used Before" Responses Show that Consumers have Direct "Customer" Experience at Two Carriers on Average

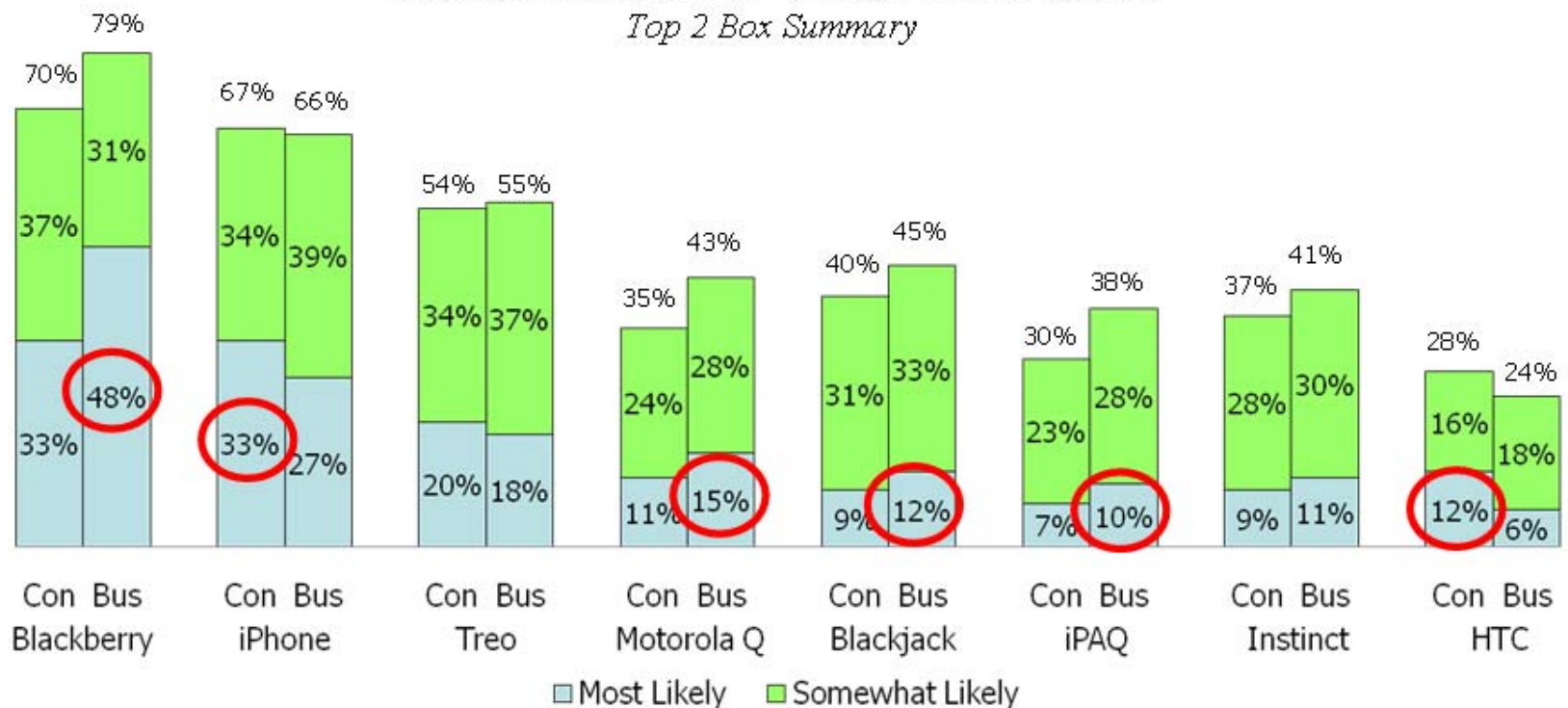
Brand Familiarity – Wireless Carrier Brands
Top 2 Box Summary



Question: How familiar are you with each of the following wireless phone carriers? (Select one response for each carrier)

While BlackBerry is Clearly More Attractive to Businesses than Consumers, the iPhone has Generated Significant Interest Among Businesses

Purchase Likelihood – Smart Phone Brands
Top 2 Box Summary

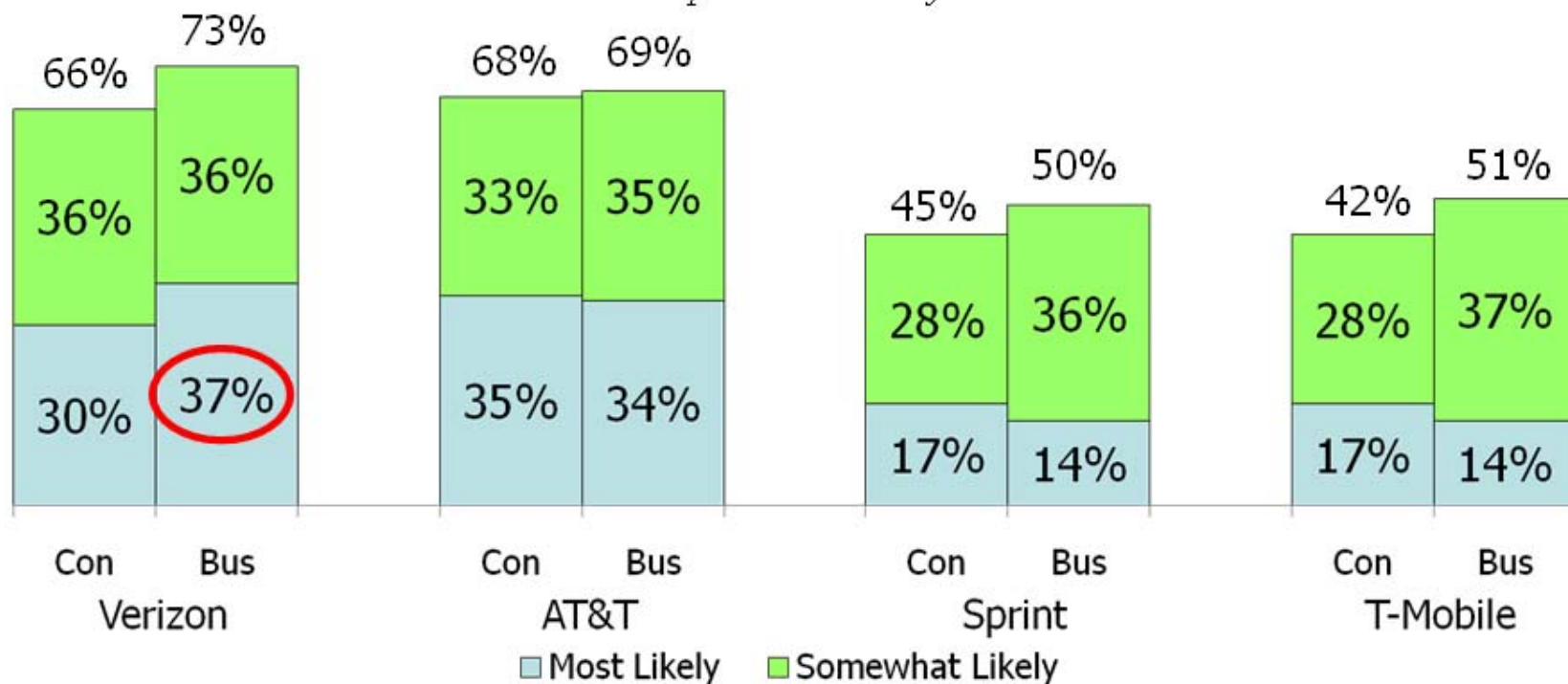


Question: How likely would you be to consider purchasing each brand of Smart Phone/PDA based on your knowledge or experience? (Select one response for each brand)

Verizon is More Appealing to Businesses, While Both Sprint and T-Mobile have Greater Attraction Among Consumers

Purchase Likelihood – Wireless Carrier Brands

Top 2 Box Summary



Question: How likely would you be to consider purchasing each wireless phone carrier based on your knowledge or experience? (Select one response for each carrier)

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Exercise – Make a Choice



	Salary	Travel %	Vacation (weeks)	Bonus %
Package A	1.2	0	2	10
Package B	1.2	25	3	20
Package C	1.2	75	4	30
Package D	1.5	25	2	30
Package E	1.5	75	3	10
Package F	1.5	0	4	20
Package G	1.8	75	2	20
Package H	1.8	0	3	30
Package I	1.8	25	4	10

Imagine Again a Customer Coming Into a Wireless Retail Store Near You



Most decisions are a combination of must haves and tradeoffs

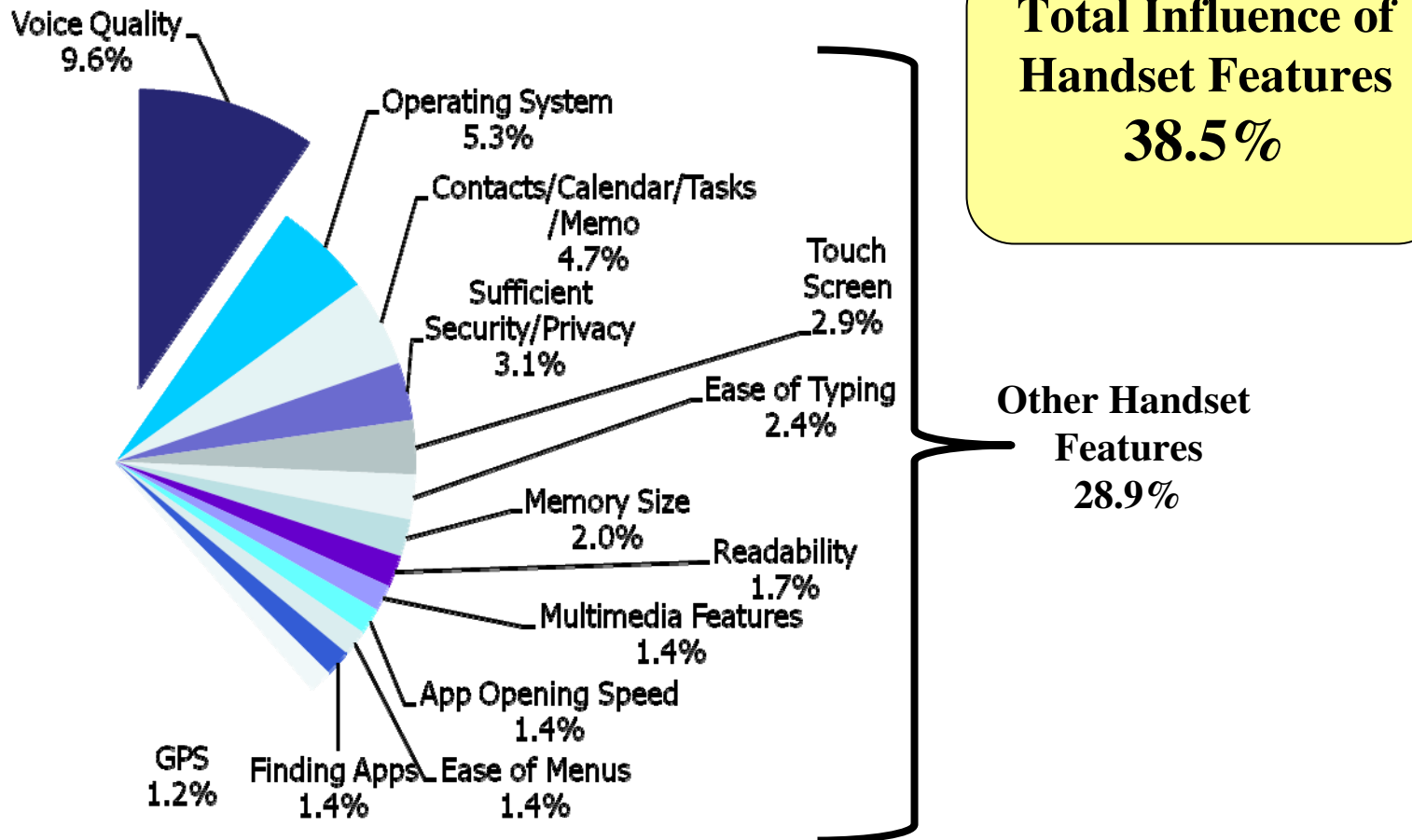
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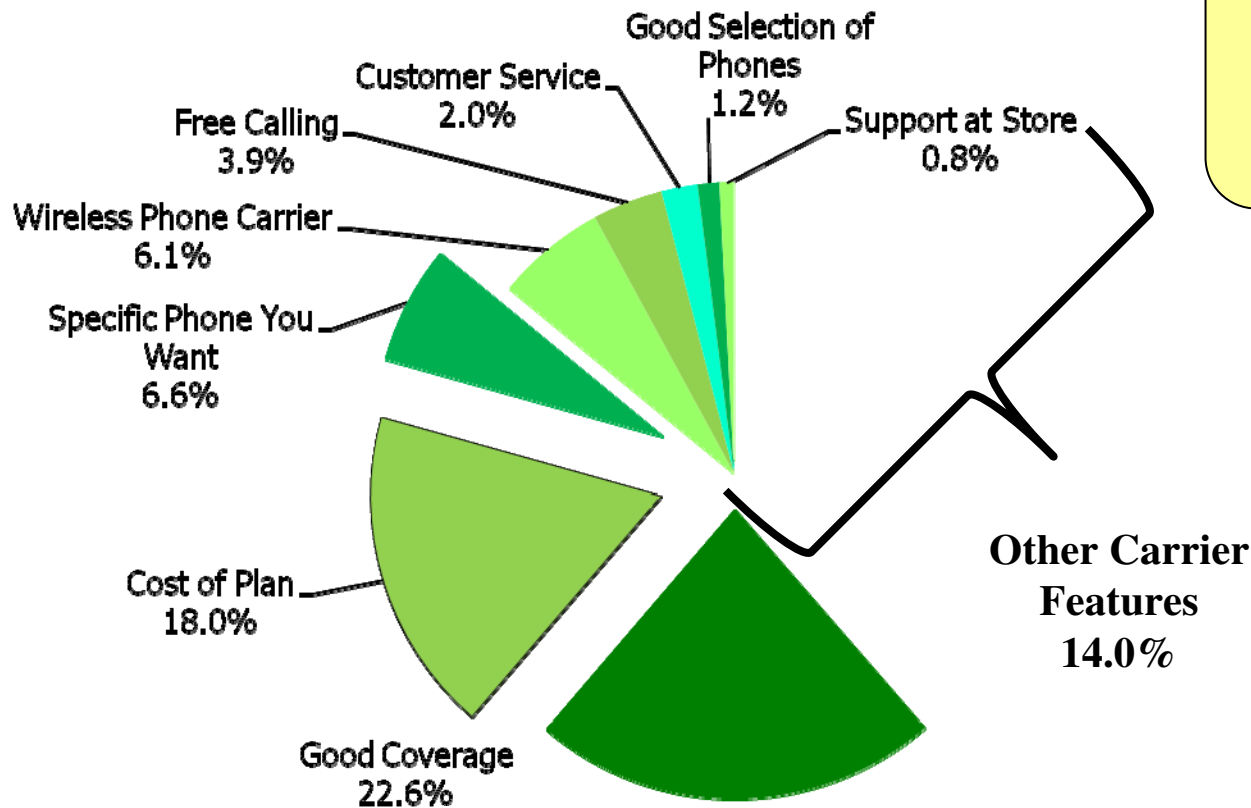
Voice Quality is Shown to be the Most Influential Handset Feature, Suggesting the Importance of Basic, Clear Communication

Handset Features – Driver Analysis *Using Non-Compensatory Approach*



Carrier Related Features are More Influential in Driving the Smart Phone Purchase, with Coverage and Plan Cost as Leading Drivers

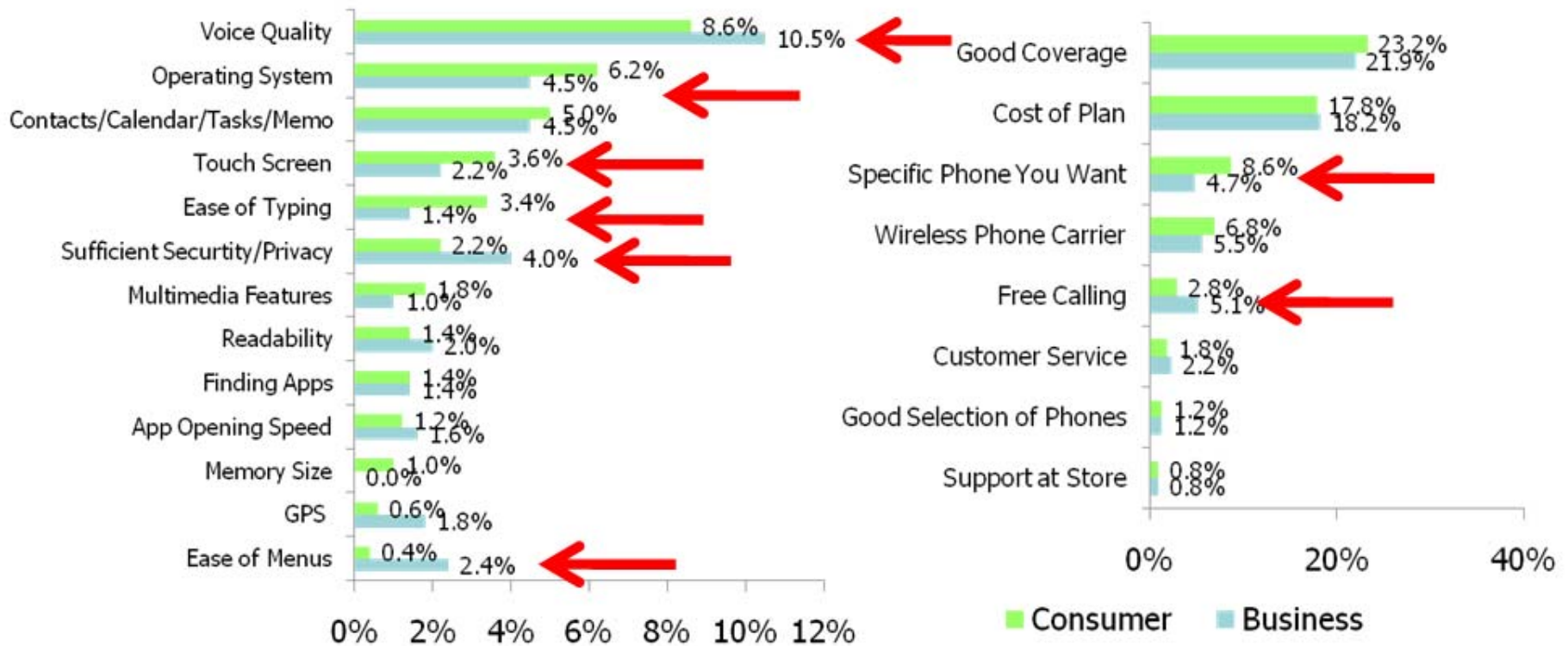
Carrier Features – Driver Analysis *Using Non-Compensatory Approach*



**Total Influence of
Carrier Features
61.5%**

Perhaps the Most Interesting Learning is that Consumer and Business Priorities are Relatively Similar

Driver Analysis Comparison
Consumers vs. Businesses



For the Handset-related Drivers, the Non-Compensatory Model has Greater Face Validity and is a Better Fitting Model Overall

Handset Driver Analysis

Compensatory vs. Non-Compensatory Analysis

Handset Drivers	MNL Compensatory	Non-Compensatory
Operating system	10.9%	
Business oriented features such as contacts, calendar, tasks, and memo pad	8.7%	
Touch screen capability	8.5%	
Ease of navigating menus	8.3%	
Speed when opening up applications	8.1%	
Ease of typing	7.9%	
Provides sufficient security and privacy protection for your transmissions	7.8%	
Ease of finding applications	7.3%	
Multimedia features such as digital camera, MP3 player, streamline video	7.1%	
Memory Size	7.0%	
Voice quality on phone	6.7%	
Readability in various lighting conditions	6.0%	
GPS services	5.8%	

Goodness of Fit	
MNL – Compensatory	35.6%
Non-Compensatory	

Note: Includes both business and consumer sample

The Two Models for Carrier Drivers Yield Dramatically Different results – and Significant Improvement in Fit

Carrier Driver Analysis

Compensatory vs. Non-Compensatory Analysis

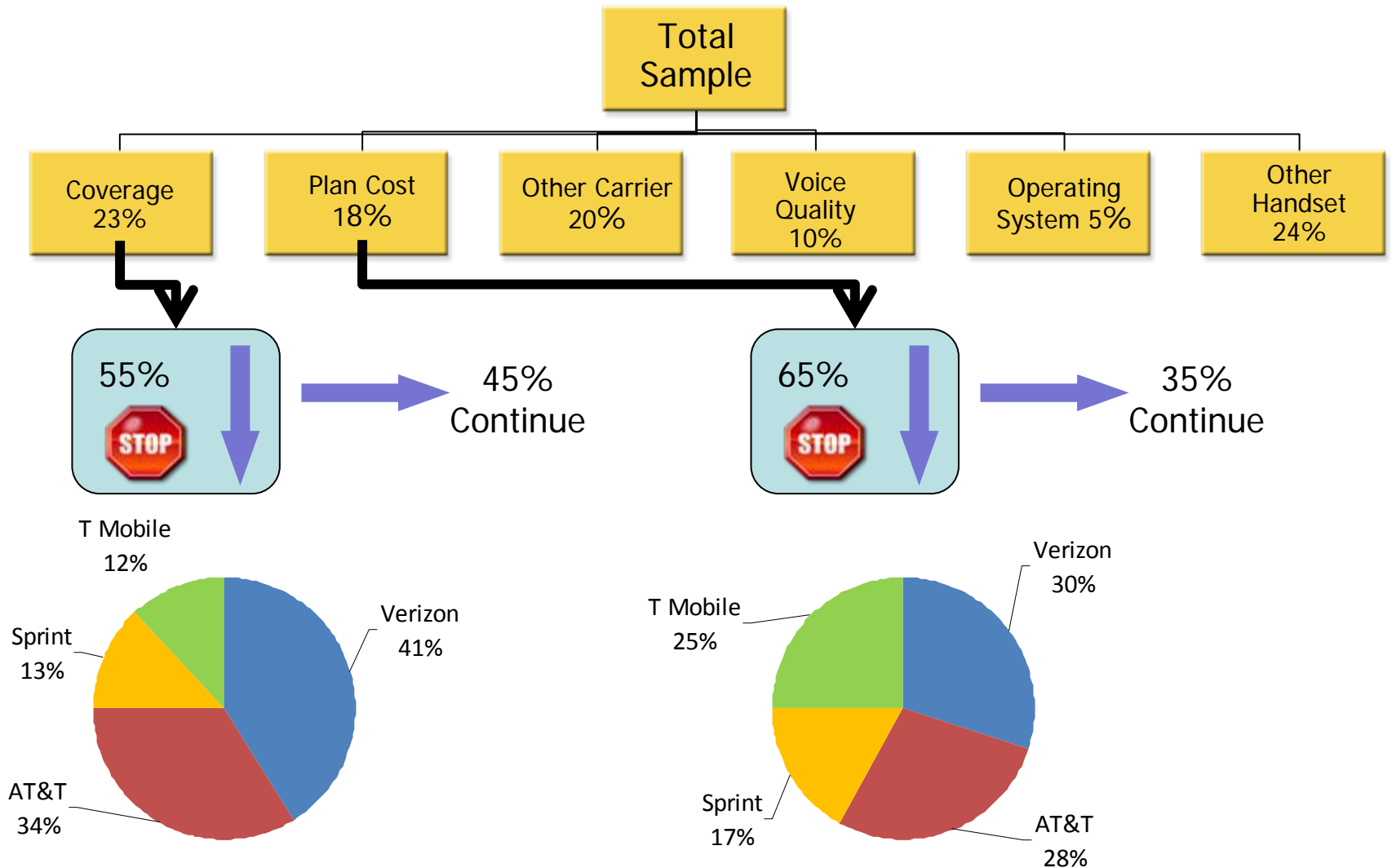
Handset Drivers	MNL Compensatory	Non-Compensatory
Good wireless coverage	37.4%	
The specific wireless phone that you want	20.1%	
Effective customer service representatives when you call them for assistance	11.7%	
Helpful technical support and service at their stores in your area	9.8%	
A good selection of wireless smart phones	7.4%	
The cost of the wireless plan	7.3%	
Free calling feature for friends, family, or others on your wireless network	6.4%	

Goodness of Fit

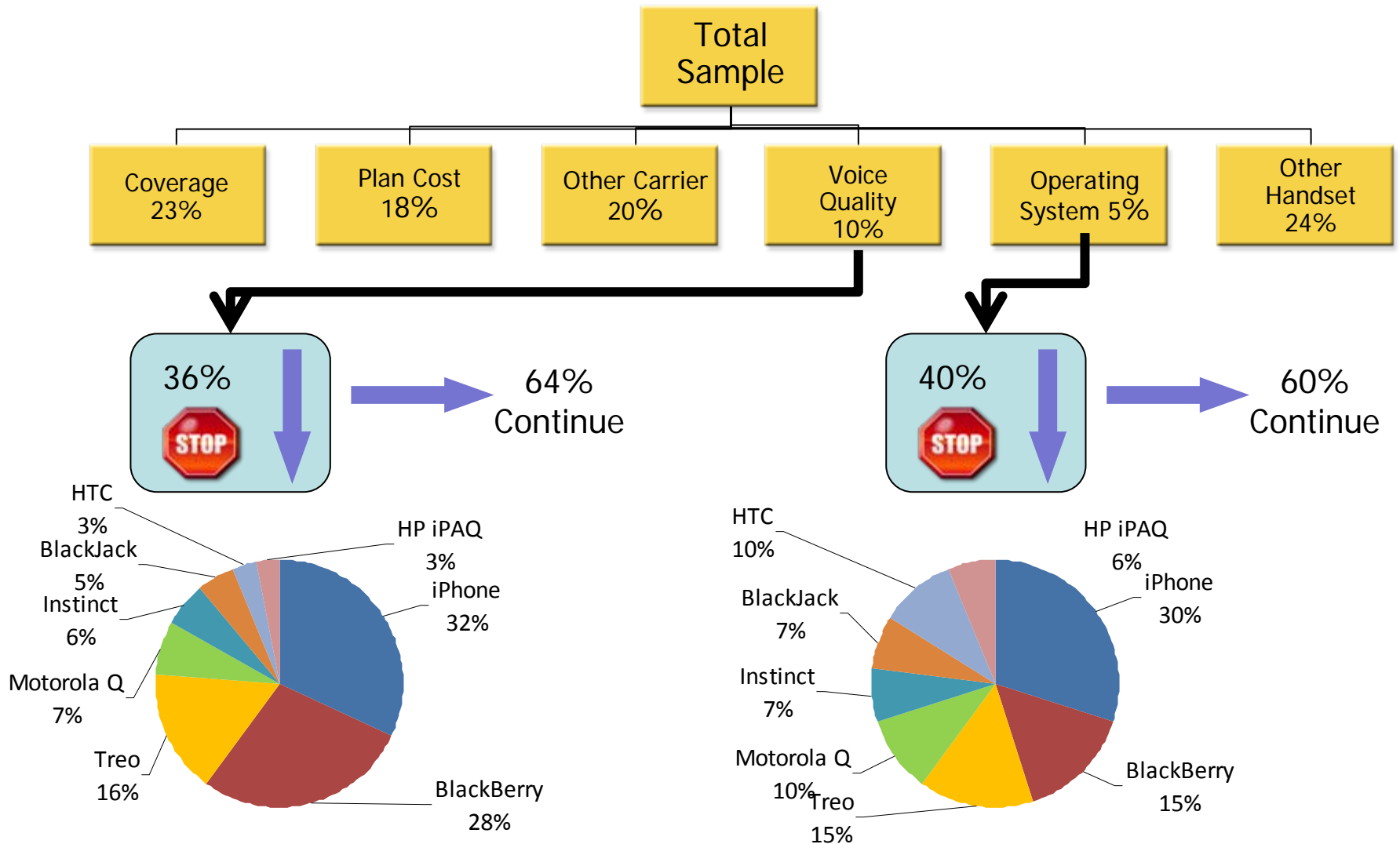
MNL – Compensatory	46.2%
Non-Compensatory	

Note: Includes both business and consumer sample

A Hierarchical Choice Diagram Can be Derived from Non-Compensatory Choice Model



A Hierarchical Choice Diagram Can be Derived from Non-Compensatory Choice Model



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Little Variance is Seen in Predicted Carrier Share vs. Stated Carrier Preference

Wireless Carrier – Purchase Decision *Stated Preference vs. Predicted Preference*

	Stated Preference	Predicted Preference
Verizon	34%	34%
AT&T	37%	33%
Sprint	14%	16%
T-Mobile	15%	18%

Based on the "Choice" Model that was Developed, BlackBerry Stated Preference is Far Larger than Predicted Share

Wireless Smart Phone – Purchase Decision *Stated Preference vs. Predicted Preference*

	Stated Preference	Predicted Preference
BlackBerry	38%	25%
iPhone	27%	33%
Treo	11%	12%
Motorola Q	7%	8%
Samsung Instinct	5%	6%
Samsung Blackjack	5%	7%
HTC	5%	5%
iPAQ	2%	5%

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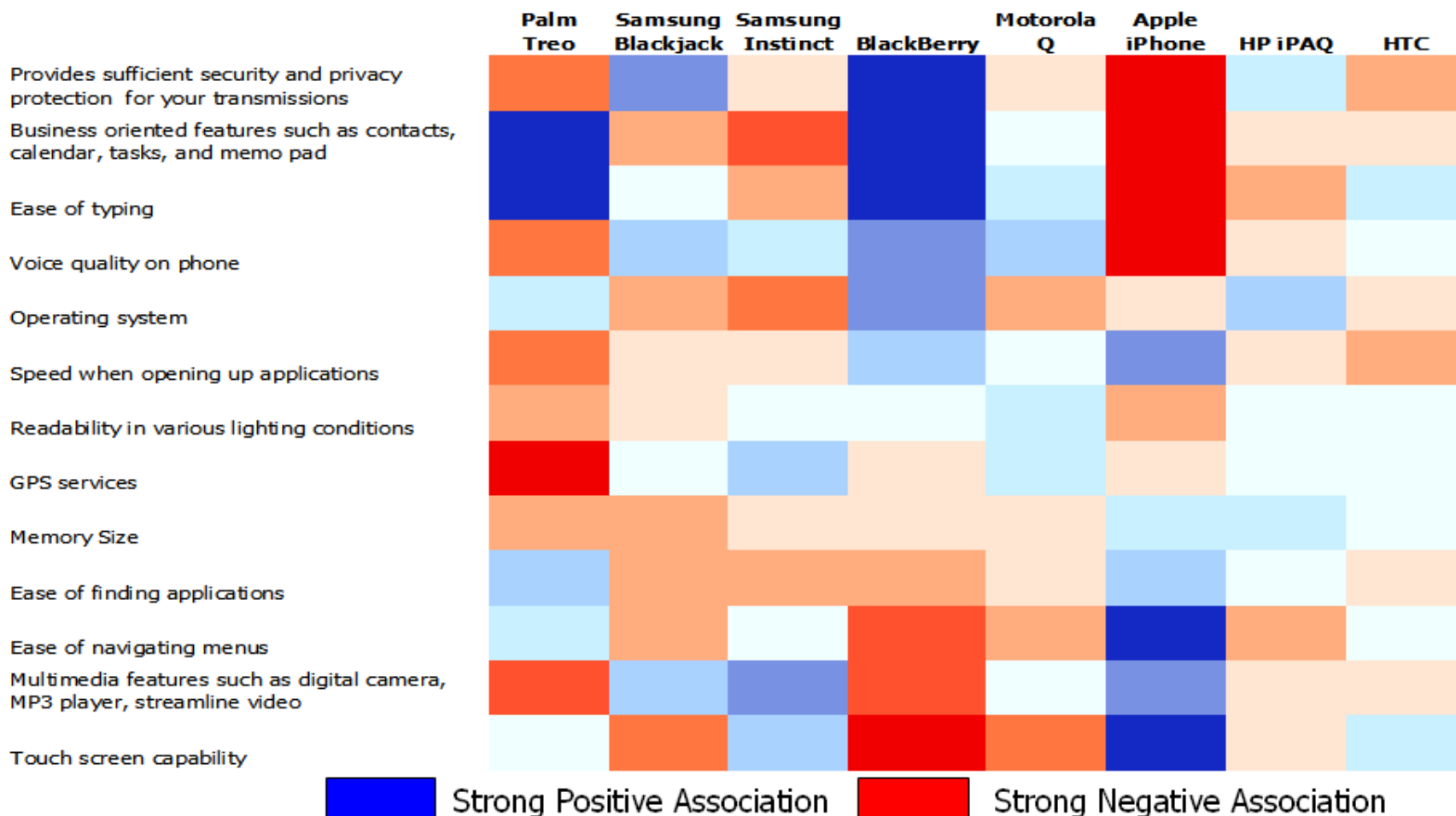
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BlackBerry and iPhone Each have Achieved Clear Differentiation and are Different from Each other; Other Brands are Largely Undifferentiated

Brand Differentiation – Handset Brands

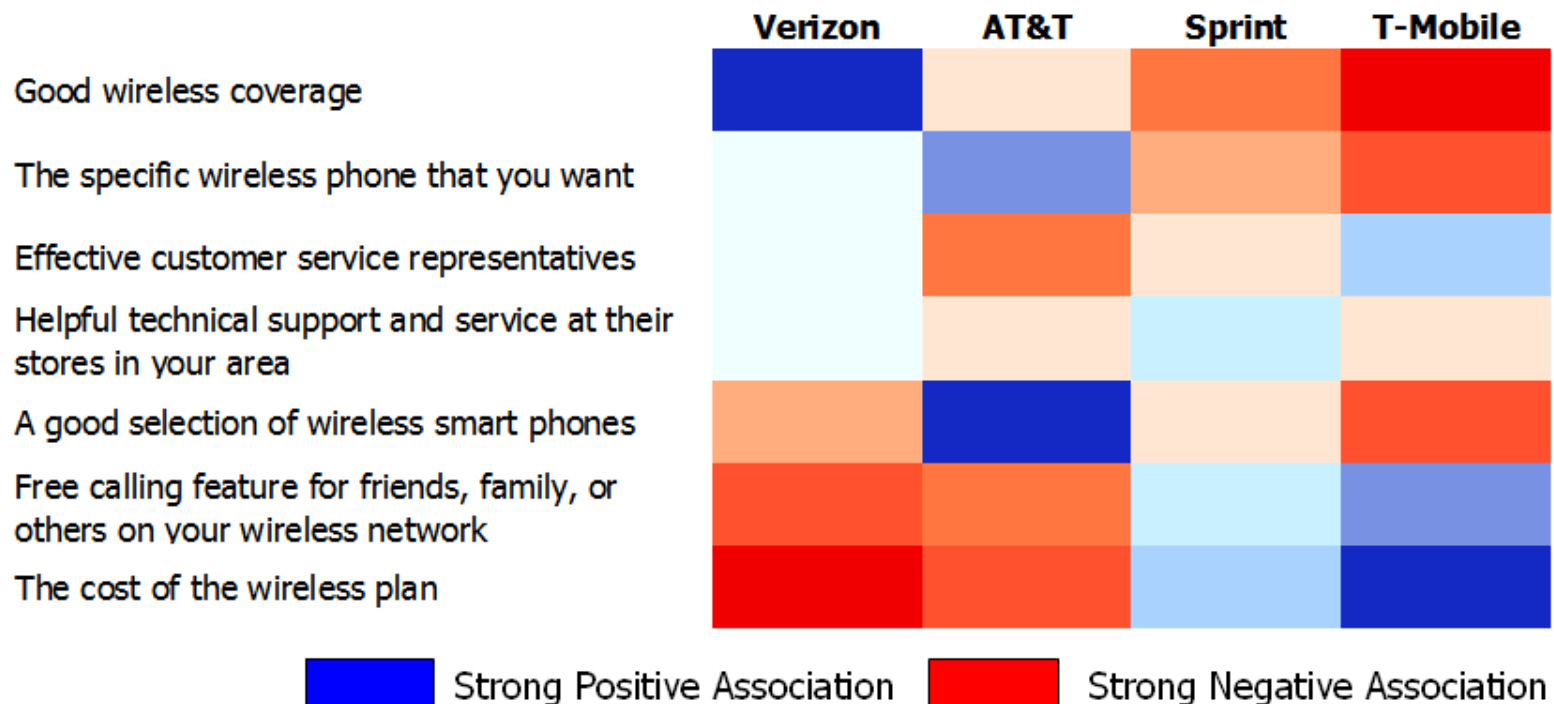
Heat Map



The Carrier Brands are Narrowly Defined, but Clearly Differentiated

Brand Differentiation – Handset Brands

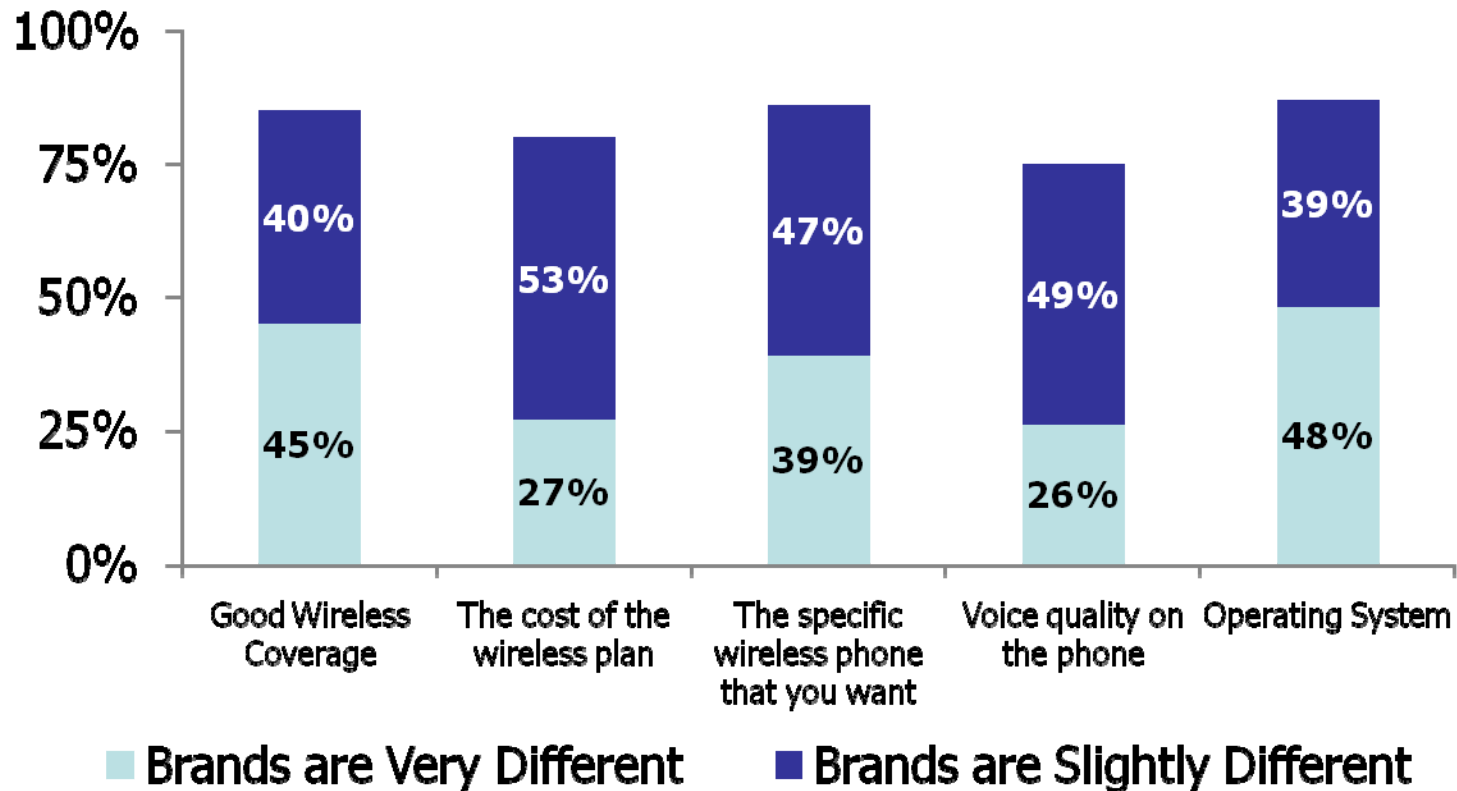
Heat Map



All of these Features are Seen as Differentiating at Some Level

Level of Brand Differentiation – Handset Brands

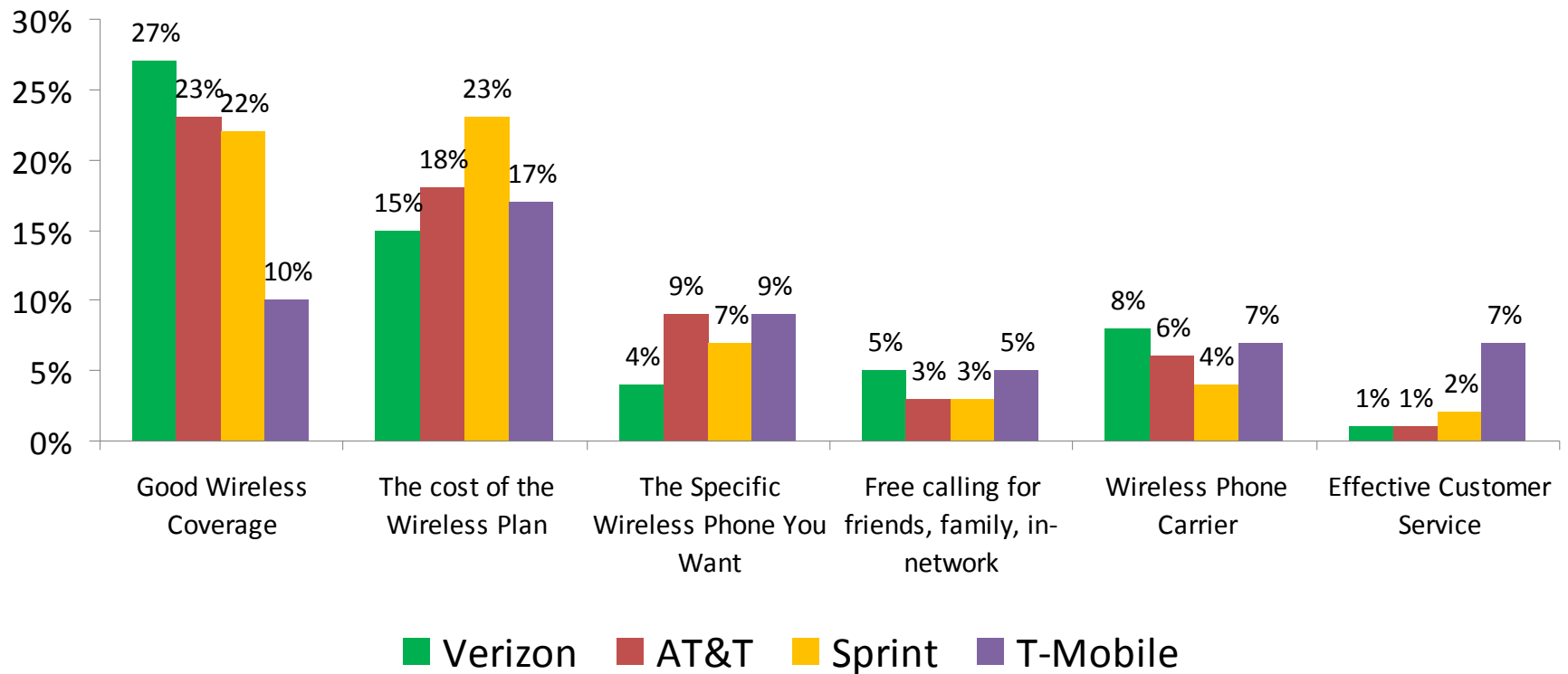
Among top decision criteria



Carriers Clearly Defined Positions Translate to Segment Advantage, not Ownership

Carrier Driver Analysis

Comparison between customer bases of major carriers



Businesses that Buy Larger Volume of Handsets are More Focused on Handset Features than are Smaller Businesses and Consumers

Businesses – Handset Driver Analysis

Buyers of <20 Handsets vs. Buyers of 20+ Handsets

Handset Drivers	<20 Handsets	20+ Handsets
Voice quality on phone	12.5% ←	8.3%
Business oriented features such as contacts, calendar, tasks, and memo pad	2.6% →	6.6%
Provides sufficient security and privacy protection for your transmissions	2.6% →	5.7%
Operating system	3.4% →	5.7%
Memory Size	2.3%	3.9%
GPS services	0.8% →	3.1%
Ease of navigating menus	1.9%	3.1%
Speed when opening up applications	0.8% →	2.6%
Ease of finding applications	0.4% →	2.6%
Ease of typing	0.8%	2.2%
Readability in various lighting conditions	2.3%	1.7%
Multimedia features such as digital camera, MP3 player, streamline video	0.8%	1.3%
Touch screen capability	3.0%	1.3%
Total	34.0% →	48.0%

Coverage and Plan Cost Remain Important to Higher Volume Buyers, However Each of these Features is Less Important

Carrier Driver Analysis *Compensatory vs. Non-Compensatory Analysis*

Carrier Drivers	<20 Handsets	20+ Handsets
Good wireless coverage	24.9% ←	18.3%
The cost of the wireless plan	20.0% ←	16.2%
Wireless phone carrier	4.9%	6.1%
Free calling feature for friends, family, or others on your wireless network	5.7% ←	4.4%
The specific wireless phone that you want	6.4% ←	2.6%
Effective customer service representatives when you call them for assistance	2.3%	2.2%
A good selection of wireless smart phones	0.8%	1.7%
Helpful technical support and service at their stores in your area	1.1%	0.4%
Total	66.0% ←	52.0%

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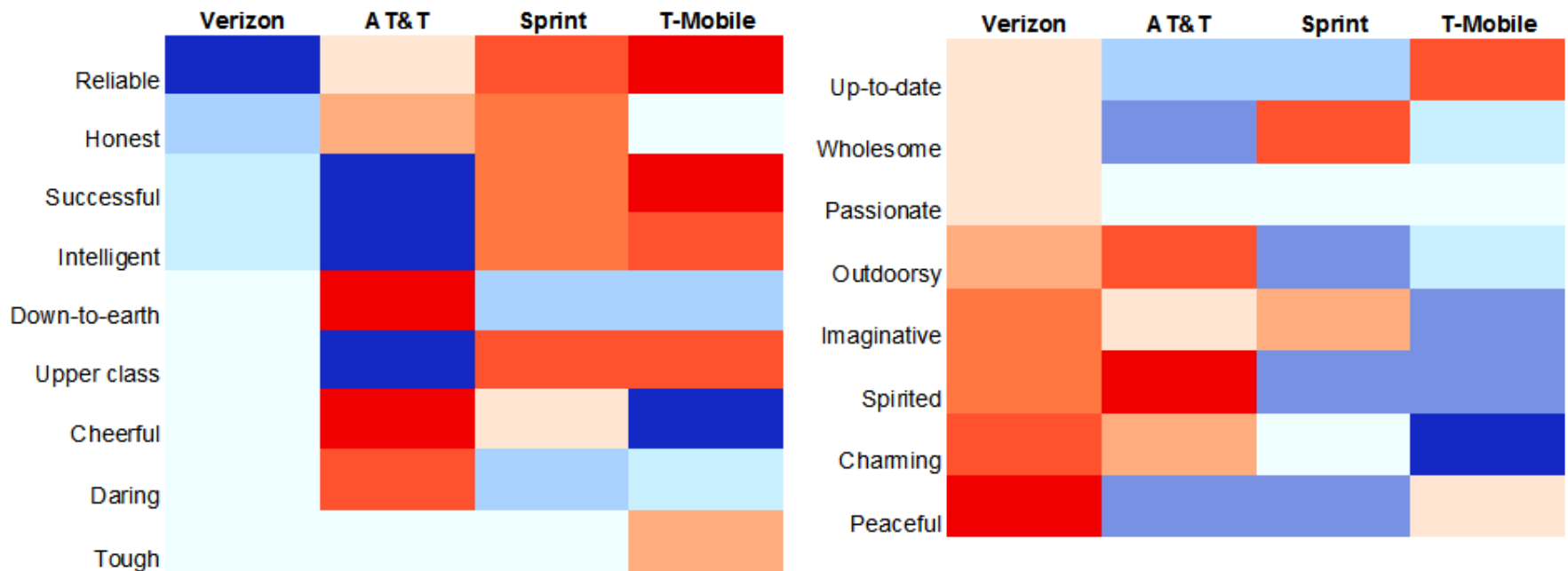
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Verizon's Personality is Very Focused and Business-Like, While AT&T is More Often Seen as Smart or Elitist

Brand Personality – Carrier Brands

Among Consumers Only – Heat Map



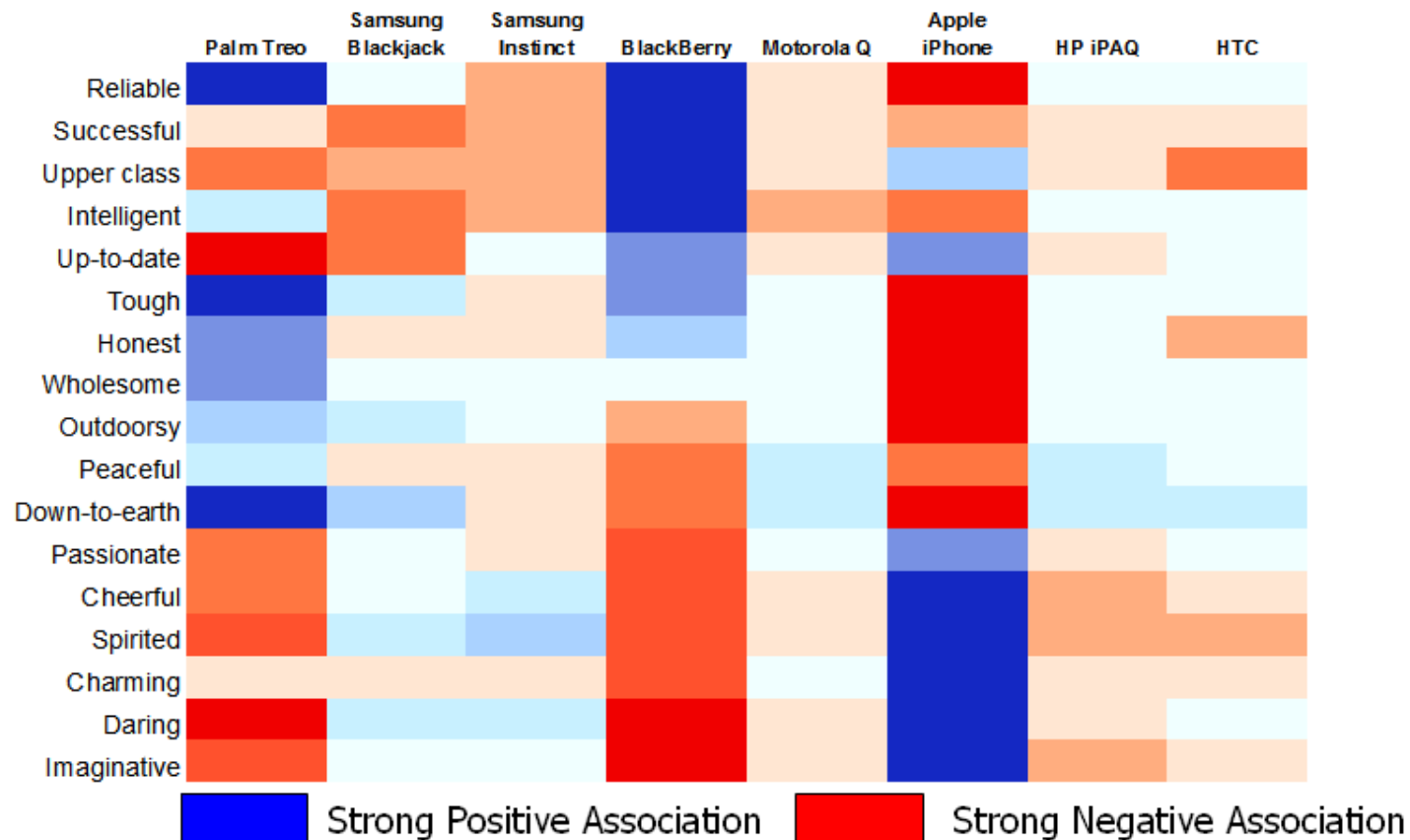
Strong Positive Association **Strong Negative Association**

Question: Based on your knowledge or impression of the brands you have heard of, please select which characteristics describe each brand.

The BlackBerry and the iPhone are Seen as Nearly Polar Opposites of Each Other

Brand Personality – Handset Brands

Among Consumers Only – Heat Map



Question: Based on your knowledge or impression of the brands you have heard of, please select which characteristics describe each brand.

Lets Return to the Questions We Raised at the Start of this Discussion

- How do you define a driver of consideration vs. a driver of purchase?
- What is a table stakes attribute?
- Where do you find an opportunity to differentiate your brand and gain competitive advantage?

Questions? To Learn More About this Research,
Please Contact Us at Any Time

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See you again at our next event

