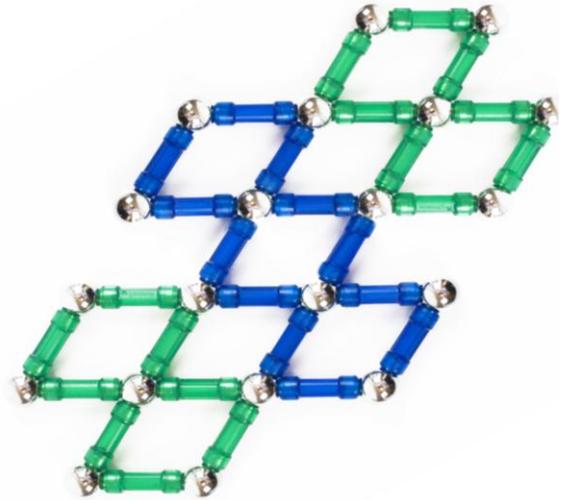


The big picture in mobile 'Macro' insights from the 2013 Global Mobile Consumer Survey

For the past three years, Deloitte's global Technology, Media and Telecommunications (TMT) practice has commissioned an online survey of consumers across 20 countries, with nearly 40,000 respondents – titled the Global Mobile Consumer Survey. The survey is fielded by an independent research firm, and focuses on consumer behaviors, trends and opinions with regard to a broad range of wireless and mobility products and services. In addition to year-over-year trending and key insights, the survey is also designed to highlight differences between consumers across generational divides – capturing findings from five distinct age groups.

This year's survey presented some very intriguing results. The insights below are extracted and analyzed from data corresponding to 2,000 survey respondents within the United States.



The results have been categorized into two major groups: “macro” trends and “micro” trends. Below are the macro trends, which focus on broad-based findings that impact the core network and services used by mobile consumers – and demonstrate, among other things, that reality may not be what we all expect. For instance, consumers with slower connections do not want faster connections as much as those who already have fast connections, apps are showing a decline, and price, while critical for some, is virtually a non-factor for others when it comes to getting the latest and greatest device.

The network is at the heart of the mobile consumer

By definition, what drives mobility is the presence of a wireless network. This is what enables everything else in the world of wireless. At the heart of this year's survey are several keen insights around what type of wireless networks people are using most often, and how they are using them – and the fact that U.S. consumers have access to some of the fastest networks in the world.

Consumers are addicted to speed

We all know that network speed is king. The race bringing us from 2G, to 3G, to 4G (and beyond) is all based on the unambiguous and uncontested principle that faster is better. Hence, the findings that indicate that people want faster connections and better performance are not counterintuitive.

What is surprising coming out of this year's survey, however, is that users who most often seek out the fastest networks available are those who already subscribe to 4G – as opposed to those who have slower speed connections such as 3G. Years ago, on the cusp of innovation in the 4G era, 4G was touted by some to potentially be a “Wi-Fi killer” with throughput that was anticipated to be similar to that of Wi-Fi, but having the benefit of ubiquitous coverage. Yet what we are seeing thus far is exactly the opposite – the people who have already adopted 4G are actually more likely to seek out faster Wi-Fi alternatives when they need better speed/performance and are conscious about the cost of their mobile data plan.

Wi-Fi is growing fast

Wi-Fi has grown significantly in the U.S. marketplace since the 2012 Global Mobile Consumer Survey. In fact, nearly two-thirds of consumers now report that they most often connect their smartphones to Wi-Fi networks as opposed to a mobile network when using the Internet. This now puts the U.S. marketplace on par with most European and South American countries for Wi-Fi usage, whereas previously the U.S. positioning was decidedly more toward greater mobile network use. It also ties to a key finding of the GMCS' sister survey, the State of Media Democracy Survey – in which consumers reported that their most valued household telecom service is home Internet access (where Wi-Fi is very common) – by a long shot.

What is driving this shift in usage patterns? We have developed a number of hypotheses based on market forces. First of all, since last year's survey, mobile data caps and overage alerts have become commonplace in the U.S. – so consumers may now be aware that mobility typically comes at an incremental cost premium. We believe this is a factor driving customer behavior to offload onto Wi-Fi networks. Second, Wi-Fi networks continue to expand so it has become easier to find a network. In addition, a greater number of consumers are using their devices more often, so the overall utility of the mobile device is increasing as network speeds have increased. Hence, in our view, users want the fastest network to complement the greater number of things they are now relying on their mobile device to support.

An interesting consequence of the now regular interaction between mobile and Wi-Fi networks (not to mention all the other chips and frequencies included on a device) is the degradation in battery life having to run multiple chip sets and signal frequencies simultaneously. We believe this has lifted battery life to be one of the top decision factors now (tied for #2) for smartphone device purchases in the 2013 survey.

Also interesting on the Wi-Fi front is *where* people are connecting. Survey results indicate that usage “out and about” and “at someone else's home” is increasing, particularly in comparison to “at home” and “at work”. This may be an indication of new use cases for mobile devices in social settings – perhaps in much more collaborative ways, as opposed to the individual use at home and/or work. There may be a real opportunity here for organizations that can capture the value of this new social interaction, particularly in understanding the generations that have come to expect this ubiquitous connectivity.

4G drives it all

Switching gears back to 4G, the core of the new mobile network, like Wi-Fi, is experiencing dramatic growth in network usage. What are consumers who subscribe to 4G doing more of now that they have faster mobile connections? The answer may surprise you. While an obvious choice could have been anything that requires high-bandwidth and/or intensive network usage (e.g., video streaming, interactive gaming), the answer is in truth, everything. The results of the 2013 survey indicate that usage increased across the board, with some of it coming from video and gaming, but also including email, social networks and navigation (with in fact, email still being the number-one activity for 4G mobile consumers). With better, faster networks, mobile devices are able to do more, and begin to have a displacement effect for non-mobile devices. 4G appears to be the technology that is helping us to migrate toward being an even more mobile society than we were before.

What's happening to the apps?

App saturation?

In contrast to the growth of network connectivity across the board, we see a different story when it comes to apps. The survey reveals that the number of app downloads, as well as per app spending actually decreased from 2012 to 2013 – with the biggest reduction coming in tablets. A true statement, albeit contradictory to general perception. Despite the flood of apps increasingly available on various application stores, consumers report that they are downloading less. The average number of reported downloads per month on smartphones across all consumers in the survey dropped just over 10%, while the per-app spending dropped nearly 15%. This decrease did not only occur in the U.S., but is consistent across other countries surveyed with Brazil downloads decreasing 36 percent, Argentina decreasing 17 percent, Mexico decreasing 14 percent.

The latter per-app spending figures are in line with the app monetization models that have become commonplace which focus on in-app purchases to drive revenue as opposed to the initial purchase price.

Hence, we'd expect to see the average purchase price declining. The number of app downloads, however, is more surprising.

When considering a rationale for this, it helps to take a step back and look at the bigger picture. The concept of app downloads on smartphones is only about five years old – and over this time, consumers on the leading edge who have had smartphones for years have been downloading their favorite apps. So for all but the recent entrants into the smartphone arena, it may be that once a base of apps that cover the basic needs of most users has been downloaded, without new categories of apps or fundamentally better apps, there is less driving need for people to continue to download as much. As a result, many consumers may have become “app-saturated,” at least compared to what they were previously.

How price-conscious are consumers?

That depends on which ones you ask. If you are a standard phone (i.e., non-smartphone) user, the answer is, *very*. If you're a smartphone user, the answer is, *hardly at all* – at least when it comes to the cost of the device. According to this year's survey, when asked which attributes were most important when choosing their phone, there was an unambiguous distinction on cost: it was the number-one most important attribute for standard phone users. By contrast, for smartphone users, cost was dead last in importance among the most common reasons for selecting the device (even less important than camera quality).

What's driving this? We believe there are some obvious reasons, such as cost being one of the barriers that has kept standard phone owners from becoming smartphone owners – hence, defining the dividing line. But even for smartphone owners, cost as the least important criteria will come as a surprise to some. Looking at the bigger picture though, with the U.S. marketplace being one based more or less on a *de-facto* model of phone subsidization, carriers have absorbed many of the costs and weaved them into a myriad of contract-based pricing plans, making the distinction between the less expensive phones and the top-of-the-line phones relatively small. Therefore, attributes other than price become clear differentiators.

As the marketplace tests the move away from subsidies, however, the priorities of consumers could clearly change. We see from results elsewhere in the survey that when the landscape of data plans (with caps versus unlimited) changed, it changed consumer behavior to be more cost-conscious toward data pricing with a move toward Wi-Fi. Will the equipment sector experience a similar situation in the near-term?

To learn more about Deloitte's 2013 Global Mobile Consumer Survey, please visit www.deloitte.com/us/mobileconsumer and follow us on social media at #GMCS2013.

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