

Addicted to connectivity
Perspectives on the global
mobile consumer, 2011



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Methodology

Data cited in this report are based on a 15-country survey of mobile phone users around the world. All research has been undertaken via online research. Fieldwork took place in January and February 2011. In all, 30,454 responses were included in the study.

In France, Germany, Japan, South Korea, the Netherlands, Norway, Poland, Spain, the United Kingdom and the United States, samples are nationally representative and based on interviews with 2,000 respondents or more. In Brazil, China, India, South Africa and Turkey, the online research approach employed results in a high concentration of urban professionals. These are likely to be relatively high earners within their country. All samples in these countries were 2,000 or more except for Turkey for which the target sample was 1,000 respondents.

The questions for this survey were written by Deloitte member firms, with inputs from the wider mobile telecommunications industry (industry associations, operators, handset vendors, infrastructure manufacturers, regulatory authorities, investment banks, industry analysts) and YouGov, which managed the multinational online research program.

The question set for this survey was standard across all countries, except where information about the local market was specifically requested. For example in India we asked specific additional questions about characteristics specific to their market, such as the adoption of dual SIM handsets.

Questions were asked in a local official language in all countries. Questions pertaining to spend were all asked in local currency. Price ranges were tailored to local purchasing power where appropriate.

About Deloitte

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Foreword

Every year, mobile communications becomes ever more integral to our lives: the global mobile network remains the world's most powerful and most pervasive social network with over 5 billion connections and counting. Every year, the ways in which each of us uses mobile telephony evolves; the types of mobile usage grow more varied and stratified. For a growing group of users, mobile communication is now predominantly text, image and video based. But there will always be a significant proportion of the user base that does little but talk over mobile.

An ever-widening, ever more specialized array of mobile devices is emerging, tailored to the diverging ways we are applying cellular mobile technology. In tandem, the mobile network now comprises a steadily growing array of standards such that today's "mobile operator" may be built on up to 10 different cellular network technologies.

In short, usage of mobile is getting more specific, sophisticated and complex, making it the perfect moment to launch a comprehensive survey of mobile usage around the globe.

Deloitte has undertaken a survey of 30,454 users of mobile telephony in 15 countries across five continents. The survey's scope ranges from quantifying ownership of multiple mobile-enabled devices to a ranking of the most popular mobile Internet applications.

The survey also includes a focus on forthcoming revenue streams, such as next generation mobile broadband services, mobile advertising and embedded mobile.

This brief report provides an initial snap shot of some of the insights that the survey has revealed, looking at results from individual countries and from all countries surveyed. We will be releasing further analyses of the data over the coming months. These analyses will be available at www.deloitte.com/tmt/mobile.

We would like to thank the many industry friends who gave generously of their insight to help us draft the questions and analyze the responses to this survey.

We hope you find these initial insights from the Deloitte Global Mobile Consumer survey useful and we would welcome further conversations based on the full data sets.



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Scatter cushion connectivity

Five decades back some were of the view that there was only a market for five computers in the world. Deloitte's current thinking is that it is quite feasible for *an individual* to own five computers. Indeed, on a typical evening, many millions of living rooms around the world now likely boast more computers than cushions.

The era of scatter cushion computing is upon us and the smartphone is a key driver of this.

A similar proliferation is happening in the world of cellular mobile. For several years, it has been common for an individual to have two mobile phones: this is the principal factor for national penetration rates reaching so far in excess of 100 percent.

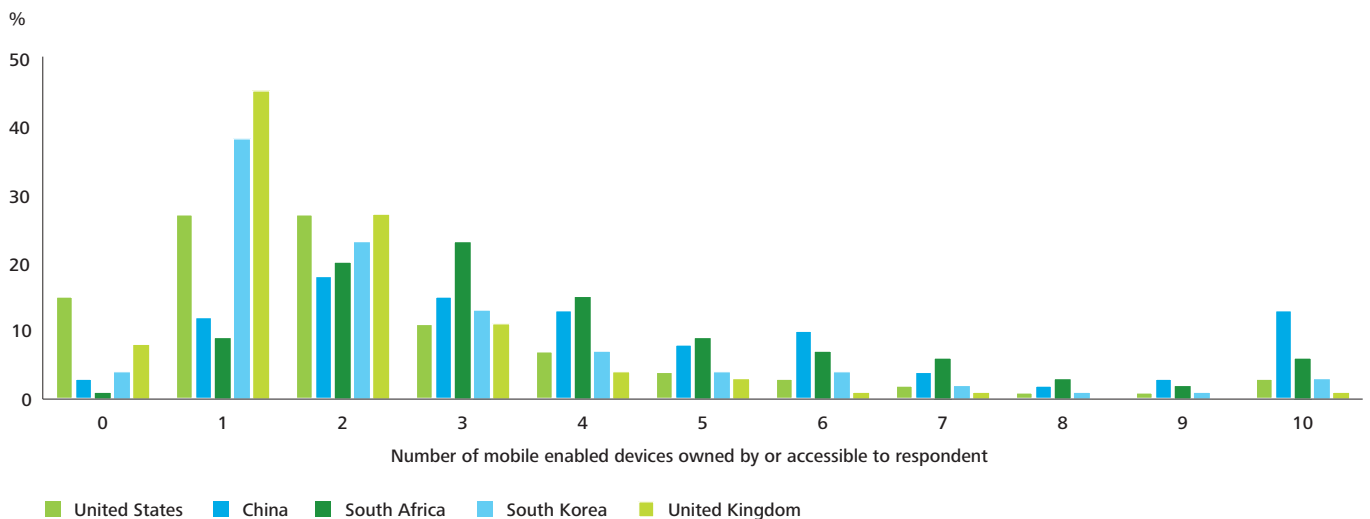
The accumulation of mobile devices has not stopped at just two phones. Indeed, anecdotally many of us will know of people who run two smart phones, one for e-mail and the other for browsing.

Add to this a tablet computer, a lap top computer with integrated cellular mobile, a car with built-in cellular mobile and a back up voice phone for good measure, and an individual could justifiably be running eight mobile devices.

Already the majority of mobile phone owners in three of the markets we researched, the United States, South Korea and the United Kingdom, own more than one phone; over ten percent have three phones, and over five percent have four phones in the United States and South Korea. Those claiming to own more than ten phones are unlikely to be using all these devices and in some cases may be accumulating, rather than disposing of, recently retired phones.

In a year's time, when we run the survey again we would expect the average number of mobile phones owned to have risen further. And the notion of a single mobile device that addresses all our needs becomes less and less likely.

Figure 1. "Scatter cushion" connectivity in the United States, China, India, South Africa, South Korea and the United Kingdom



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all respondents in the United States (2,288), China (2,003), South Africa (2,105), South Korea (2,098) and the United Kingdom (2,047). The base of respondents in the United States, South Korea and the United Kingdom is nationally representative. The base in China, and South Africa was drawn from urban professionals.

Bottom line

The implication of this trend for operators is, overall, positive; there is still plenty of potential in addressing the needs of existing subscribers with just the one mobile device. Therefore while growth in the breadth of the mobile customer base may slow, there is scope for significantly more depth.

As the number of devices per customer grows, the metrics used to measure customer value should adjust accordingly. Focusing on average revenue per user (ARPU) means little in a market if the definition of a "user" is often in reality a subscription, rather than a consumer with multiple subscriber identity modules (SIMs) and numerous mobile devices.

One challenge is likely to lie in how to manage the proliferation of devices. Should all devices, the replacement cycles for which are likely to differ, be on the same bill? Should operators offer a single bucket of connectivity, comprising voice, data and text, which can be used by each and every individual's cellular mobile devices? If the answer is yes, how does this impact device subsidies by carriers on multiple handsets?

Operators also need to consider which networks are best placed, from technical and economic perspectives, to support each type of connected device. One of the fastest growing forms of computer is the tablet computer, one of whose strengths is video. Tablet owners are likely to be heavy data users, but it may be difficult to accommodate many tablet owners' video streaming requests over a cellular mobile network. A growing volume of video usage across a number of devices should prompt operators to consider how best to deliver such data. In some markets, fast growth in video consumption is likely to make Wi-Fi an increasingly strategic part of the connectivity provided by a mobile operator.

One of the fastest growing forms of computer is the tablet computer, one of whose strengths is video. Tablet owners are likely to be heavy data users, but it may be difficult to accommodate many tablet owners' video streaming requests over a cellular mobile network.

As an individual's mobile devices in active usage proliferates, the likelihood is of some commonality in data stored – ranging from e-mail addresses to MP3 tracks to videos – across all devices. As the volume of this common data rises, one of the questions likely to arise is how best, from a network perspective, to update this data across all networks. Should all updating be via a cellular network – or could devices talk to each other directly? Sharing e-mail addresses is a relatively weightless task; but sharing video files across multiple devices could start having a noticeable impact on network performance.

As devices become more specialized, operators' technical support may need to evolve to address diversifying needs. Operators should consider at what point support becomes a premium service rather than a standard, inclusive element of a standard service package. The industry should also consider the extent to which service could become a key driver of revenue and margin growth.

There will be a need not just to advise on which device (or devices) to purchase, but also to assist in getting them to work, and thereafter to interconnect.

Next generation mobile data: identifying a price worth paying for

Mobile broadband has undergone quite a rollercoaster ride in recent years. When first launched, on the back of the first iteration of 3G networks, mobile broadband was typically considered a network of last resort. At 384 Kbit/s and, typically, a premium price per MB downloaded, mobile broadband was what you used if no other connectivity was available and you just had to send that e-mail or download a vital file.

But then mobile broadband evolved rapidly. It started offering multi-megabit download speeds; price dropped to the point where it was competitive with some fixed line broadband packages and all-you-can-eat became the default. Mobile broadband soon entered the mainstream.

Mobile broadband's ensuing popularity prompted two reactions: firstly, the reintroduction of usage-based pricing and secondly an increased focus on next generation networks that can offer faster download speeds based on greater spectral efficiency.

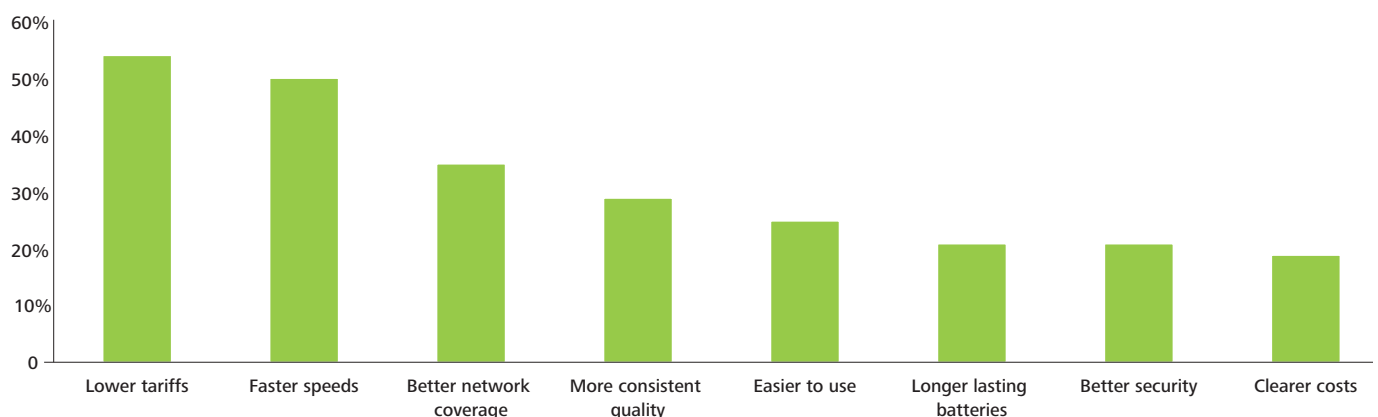
New networks mean new investment, which in turn requires new business plans, a key input for which is forecast revenue.

Pricing a new faster service correctly is a major challenge – and opportunity for the sector. Of all current mobile broadband customers surveyed, the two factors most likely to encourage greater use of mobile broadband were lower prices and faster speeds, cited by 54 percent and 50 percent of this group respectively (see Figure 2)¹.

Deloitte's research included a van Westerdorp price sensitivity meter analysis designed to identify the range of prices respondents would consider acceptable to pay for a next generation mobile broadband service, which was described as²:

"a mobile data service which provided you with very fast mobile broadband speeds (100 Mbit/s), fast enough to download a 30 minute television program in 2 minutes, and 30GB of downloads per month (enough for 30 films or 6,000 songs)".

Figure 2. Factors that would drive greater usage of mobile broadband among existing users across all study countries



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all respondents who have a dongle, modem stick or data card (3,881). Questions were not fielded in India as mobile broadband was not available at the time the research was undertaken.

Respondents were asked a sequence of four questions about the pricing of the hypothetical product:

- At what price would you consider the product to be priced so low that you would feel the quality couldn't be very good?
- At what price would you consider the product starting to get expensive, so that it is not out of the question, but you would have to give some thought to buying it?
- At what price would you consider the product to be a bargain—a great buy for the money?
- At what price would you consider the product to be so expensive that you would not consider buying it?

Figure 3 shows the result of this analysis for four countries in Western Europe: France, Germany, the Netherlands and the United Kingdom³. In these markets, the acceptable range of prices for the service was between the point of marginal cheapness (PMC), at just under \$40 and the point of marginal expensiveness (PME), at a little over \$55 per month. At the PMC, price would be approaching the point at which respondents considered the service too cheap to be viable. The PME is the point at which respondents would lose interest on grounds of cost.

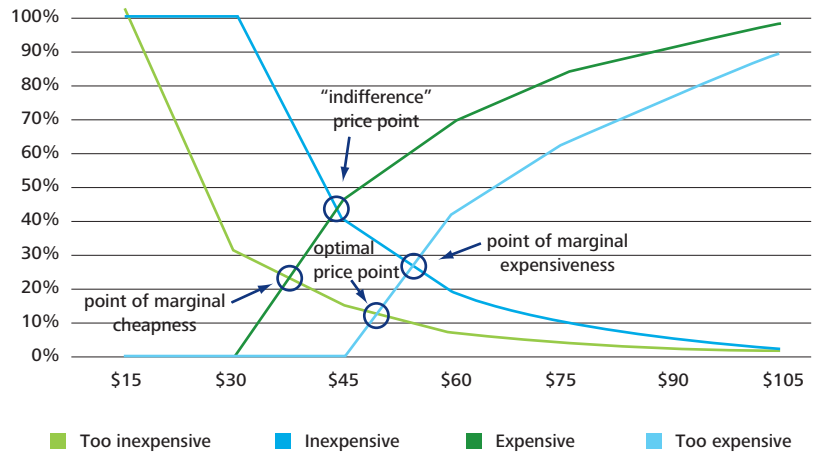
The sweet spot – what van Westerlandorp called the “Optimum Price Point” – would be just under \$50.

Bottom line

Deloitte’s view is that the results from this analysis can be considered in several ways.

One interpretation is that respondents answered the question to the word: the acceptable range of prices given was for a premium data-only service that was exclusive of any allocation of text messages, voice calls, Wi-Fi and a handset. This would suggest users are prepared to pay a premium to current monthly prices, albeit at a lower price per gigabyte than is currently charged.

Figure 3: Van Westerlandorp analysis for hypothetical high speed mobile data service (France, Germany, the Netherlands, and the United Kingdom)⁴



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all respondents with a mobile phone in France (1,712, Germany (1,933), the Netherlands (1,887) and the United Kingdom (1,950).

Those interpreting the question literally may include current “power users” of mobile broadband who are using current mobile broadband technology to the limits of its ability and would be pleased to pay more for a superior service.

A second interpretation is that respondents assumed that the price was for a bundle that offered much faster download speeds and lots of data *as well as* a bundle of voice, texts, Wi-Fi and a payment towards a smartphone. If this is the case, it could be that respondents have a set price in mind for their mobile spend and are not willing to exceed this, even for what is likely to be a significantly improved service relative to their current mobile package.

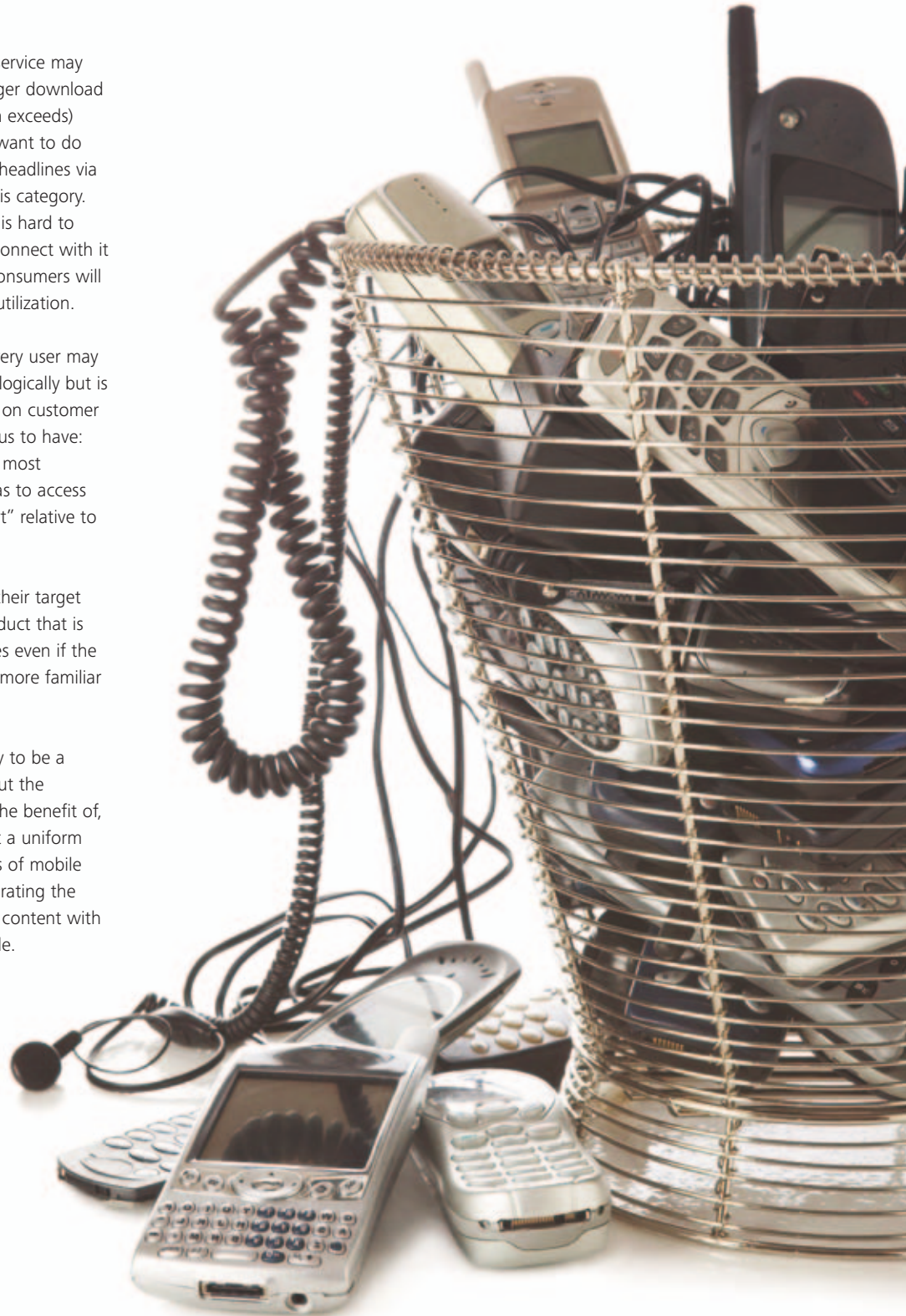
In the brief but intense history of the mobile network, we are now firmly in the smartphone era.

Some of those unwilling to pay more for service may simply not value any greater speeds or larger download limits as current provision satisfies (or even exceeds) current needs. Mobile Internet users that want to do little more than send e-mail or read news headlines via their mobile phone are likely to fall into this category. Or it may be the case that a faster service is hard to value due to a lack of devices which can connect with it as well as a lack of specificity as to how consumers will use faster speeds and greater broadband utilization.

Operators should bear in mind that not every user may want a service that is class-leading technologically but is less impressive in other respects. Focusing on customer support, for example, may be a better focus to have: according to our respondents, the second most common reason for changing operator was to access better "customer services/technical support" relative to the former network.

Carriers could also consider that some of their target customers may not be able to value a product that is defined by download speeds and gigabytes even if the latter is converted into units that they are more familiar with.

Next generation mobile networks are likely to be a major opportunity for mobile operators. But the evolution to needing, or comprehending the benefit of, faster networks, is not going to happen at a uniform pace for all customers. Leading edge users of mobile technology may sometimes be those generating the highest revenues per month, but laggards content with 2G voice services, may be equally profitable.



Don't call time on the text message

A common perception is that the text message has been usurped by mobile e-mail, which in turn is being displaced by social networks. The first thing to check for in the morning is not whether you have received any SMS, but rather to check on updates to your social network.

In the brief but intense history of the mobile network, we are now firmly in the smartphone era.

Getting excited about text messaging – that most profitable of accidental services – now seems passé. A common perception is that the text message has been usurped by mobile e-mail, which in turn is being displaced by social networks. The first thing to check for in the morning is not whether you have received any SMS, but rather to check on updates to your social network.

Yet there still appears to be plenty of life left in the humble text message. The intensity of usage of text messages remains high, and not just among what some might consider as the more conservative of users.

Looking at the UK market, 10 percent of all users text at least hourly, and close to half text every few hours or more. Smartphone owners are even more intensive users, with 84 percent sending a text at least once a day. But the most enthusiastic users are the 18-24 year olds: a third claim they text every hour⁵.

So text messaging continues to thrive, but how is it faring relative to mobile e-mail and social networks?

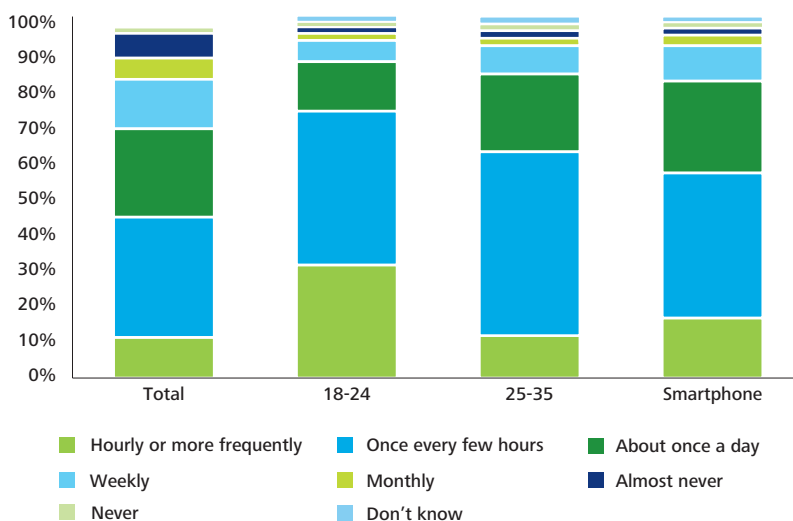
Looking again at the UK market, text messaging remains the most commonly used communication platform. For this comparison, we looked at frequency of usage of social networks, e-mail and SMS among smart phone owners. SMS remains by far the most frequently used communication platform, although it may well have less volume of usage relative to either mobile e-mail or social networks.

A similar analysis for China, based on its urban professional population (in the UK the sample was nationally representative), reveals an even greater gulf, for now, between text messaging and social networks.

Text messaging is also relatively popular among those using their phones abroad. Of respondents who went abroad and took their handsets, 64 percent sent a message at least once a day; a third sent a message every few hours or more⁷.

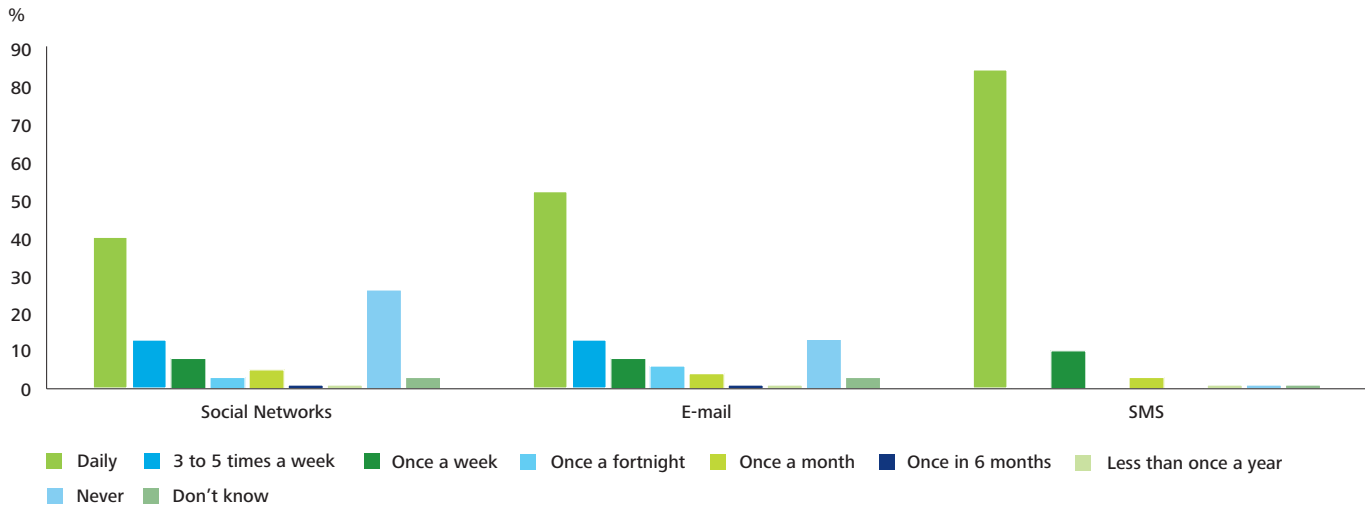
By comparison 28 percent of this base used mobile Internet at least once a day with 15 percent using mobile Internet once every few hours or more⁸.

Figure 4. Intensity of usage of text messaging in the UK market



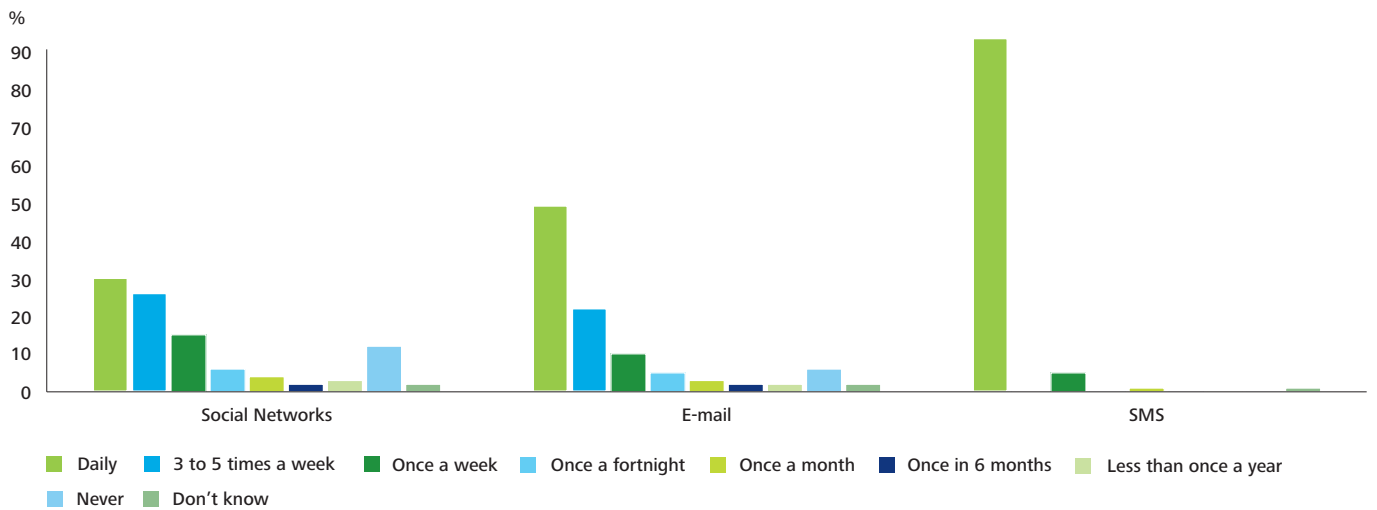
Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all UK respondents that have a phone (1,939 respondents), all UK 18-24 year olds (239 respondents), all UK 25-34 year olds (347 respondents), all UK smart phone owners (589 respondents).

Figure 5. Text versus e-mail versus social network usage in the UK market



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all smartphone owners (589 respondents).

Figure 6. Text versus e-mail versus SMS in the Chinese market



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all smartphone owners (1,211⁶ respondents).

Bottom line

The text message may not be the newest kid on the block, but it is still the most popular. Operators should consider how best to maintain the text message's appeal, drive revenue, and how SMS may serve as an entry point to other forms of mobile data services.

Deloitte's view is that the text message is likely to be sustained, and even enhanced, by the emergence of other forms of mobile communication platforms. In general consumers do not consider forms of communication as mutually exclusive. If a mobile user starts using instant messaging via a mobile, this does not mean the text message is no longer useful.

Deloitte's view is that text messages can readily co-exist with and most likely complement social networks and e-mail. The text message is, like e-mail and social networks, a form of communication. But it is a form of communication that can be distinct from (as well as supportive of) social networks or e-mail. It tends to be far more personal, is generally far more concise, and, may be more likely to elicit or require a response. By comparison social networks are more apt for broadcasting messages while e-mail may work best in work contexts or for communicating with a closed group of users.

Rising volumes of social network or mobile e-mail traffic will not necessarily imply falling text message traffic, in the same way that the growth of the text message in the late 1990s may have served more to drive mobile call volumes, as opposed to displacing them. A recipient of a status update on a social network may prefer to respond via a text message rather than a broadcast message.

Operators should also consider text messaging's role as an introduction to data communications. For most users, of all levels of sophistication, the SMS will have been, or will be, the first type of data service used.

Avid text message users are likely to also become enthusiastic users of mobile e-mail, instant messaging and social networks. Those that start using text messages when outside of their home country may also be more likely to start considering using other forms of data communication abroad. The attraction of using text messaging abroad may partly be due to control: it is easy to understand what it costs to send a text message when abroad, and to comprehend how greater usage implies greater cost. A charge per 10 megabytes of roaming data is less easily understood.

There would appear to be plenty of value in the text message for the cellular mobile industry.



Wi-Fi and cellular mobile: the start of a beautiful friendship

A couple of decades back, most mobile operators' networks consisted of one analogue mobile technology. Today's mobile network operators offer their customers an ever-widening array of network technologies, from 2G through to high speed packet access (HSPA) and, in a few markets, Long term Evolution (LTE).

Every new generation or iteration of network technology has tended to be additive. Only in a few markets has 2G been turned off. In the GSM family of technologies, just one technology, High Speed Circuit Switched Data (HSCSD), a data service based on aggregating multiple GSM data channels, has been discontinued.

All seven network technologies⁹ that a mobile operator could potentially offer have factors in common: they operate in licensed spectrum, are designed for geographic broad coverage, enable hand-over between cells, and incorporate specific support for voice.

Wi-Fi, which operates in unlicensed spectrum, is typically poor at hand-off between cells, has a range of up to 100 meters (but more often less) and variable support for voice calls (ranging from good to weak). For these reasons, Wi-Fi has so far not normally been considered part of a mobile operator's suite of network technologies.

Mobile operators that offered Wi-Fi via public hotspots in the early part of the last decade tended to position this as a standalone product which addressed the complementary need for connecting computers. It was not core to the cellular mobile offer.

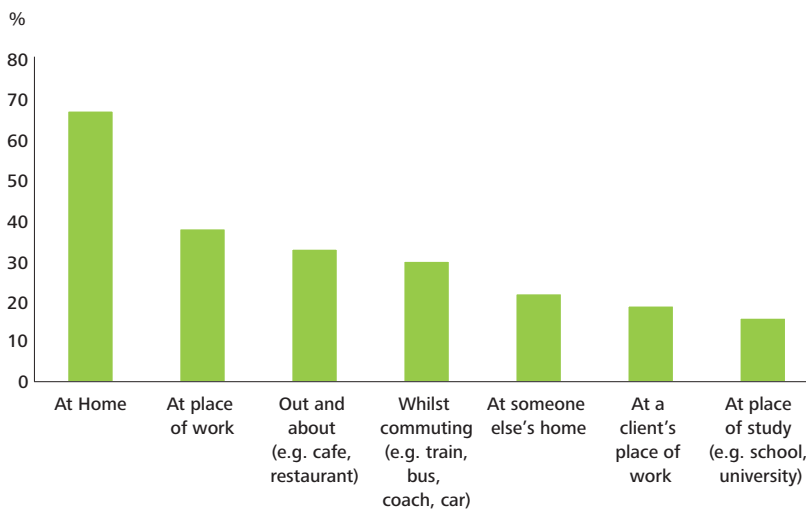
Several developments, starting in the latter years of the last decade, have caused mobile operators to think differently about Wi-Fi and its strategic fit with existing network technologies:

- The rise of the smartphone and the accompanying voracious demand for video and other large data files that this often catalyzes.
- The growing popularity of all-you-can-eat data packages combined with the availability of download speeds which (as marketed) were competitive with fixed broadband speeds and tariffs. This latter development unleashed a wave of demand for mobile broadband which could not necessarily be met, technologically and/or economically by cellular mobile networks in all markets.
- The steady increase in ownership of connected, computing devices.

These dynamics are causing a fundamental change in the nature of consumers' connectivity needs.

Consumers want increasing volumes of connectivity – but the majority of this will be data. And users are likely to pay a premium for the data component of a package; quality of data access (speed and consistency of throughput) is likely to be an increasingly key differentiator among network operators.

Figure 7. Most common locations where mobile broadband is used



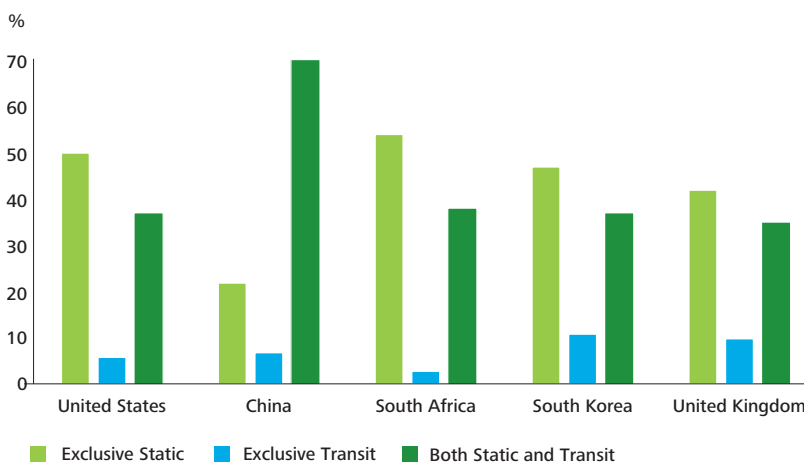
Source: Deloitte Global Mobile Consumer Survey, 2011. Base: All who have a dongle, modem stick or data card, in all countries except India where mobile broadband was not available at the time the research was undertaken (3,881 respondents).

Consumers will carry a growing number of connected devices with them when they are out and about but they may be less concerned about using them when *in transit* than was the case with mobile voice. This implies that the need for cell handover for data connectivity, or even large continuous areas of coverage, is less pressing.

One analysis of our data, based on questions asked of mobile broadband users only, shows the extent to which data connectivity occurs when users are immobile (see Figure 7).

We also undertook a further analysis to see what proportion of users only used mobile broadband when likely to be immobile – and also likely to have access to fixed Internet access. We considered being “out and about”, and “while commuting” to indicate mobile broadband usage to be taking place while the individual was actually moving and likely to require cell handover. This analysis showed that a significant proportion of mobile broadband users only used the service when immobile. A small proportion of users only used mobile broadband (the “exclusively transit” category) when actually on the move.

Figure 8. Mobile broadband usage: split by use when static/in transit



Source: Deloitte Global Mobile Consumer Survey, 2011. Sample: all who have dongles, modem sticks, or data cards in the United States (134), China (400), South Africa (878), South Korea (193), and the United Kingdom (168). Samples in China and South Africa drawn from a base of urban professionals; other samples are nationally representative.

If the majority of mobile broadband usage is occurring when users are not actually moving, and if it remains more expensive to carry a gigabyte of data on a cellular network, mobile operators should look hard at how best to address their clients’ connectivity needs while minimizing their operational expenditure. Wi-Fi’s role in this review of an operator’s network technologies is due to its ability to offload traffic to a fixed network.

Bottom line

The brief and intense history of the global mobile industry has been characterized by reinvention. The mobile industry has evolved from a niche, premium business-to-business offering to the most ubiquitous consumer technology in the world. The earliest mobile operators were judged mostly on their engineering prowess; today’s mobile operator needs to tick that box, directly or via a third-party, and also be a leading-edge retailer.

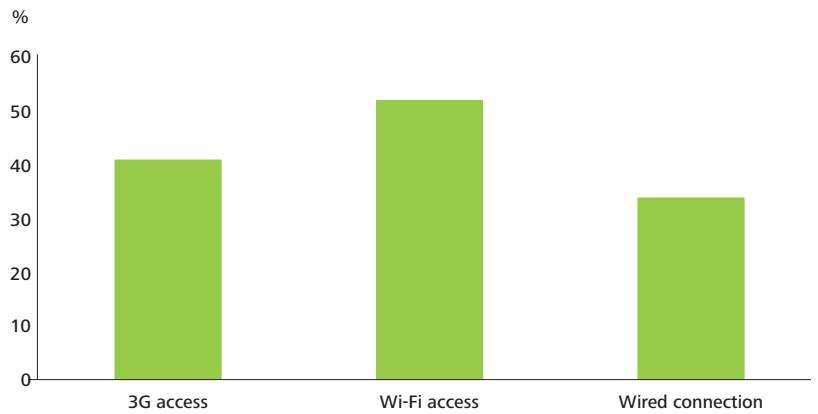
Today’s mobile operator also needs to be versatile and pragmatic when it comes to addressing its customers’ connectivity needs. These are likely to continue growing and diversifying and may not be satisfied by cellular mobile technologies alone. Six out of ten of respondents would, when replacing current devices, seek out models with connectivity¹⁰. Of these a third would pay a premium for connected devices¹¹ with the most commonly requested connectivity being Wi-Fi (see Figure 9).

Consumers, will, most probably, be inclined to choose a connectivity provider which best meets their evolving requirements, regardless of the underlying technology. This likely means that Wi-Fi has to become part of the offer: operators should embrace Wi-Fi while continuing to invest in traditional cellular mobile technologies.

Enhanced provision of Wi-Fi is likely to offer operators more than just the ability to reduce costs, however. It may also offer options for growth: more respondents connected their devices to the Internet via public Wi-Fi hotspots than they did using any other form of mobile broadband connection (see Figure 10 right).

Figure 9. Preferred connectivity in devices

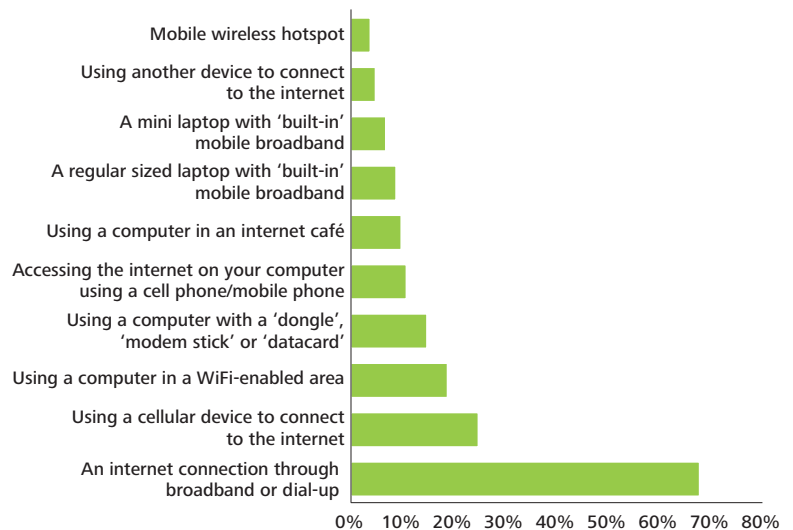
Question: What kind of connectivity would you get?



Source: Deloitte Global Mobile Consumer Survey, 2011. Base: all those who would pay a premium for connectivity for in replacement devices (6,594 respondents).

Figure 10. Devices and networks used to connect to the Internet

Question: Which, if any, of the following devices do you use to access the internet nowadays?



Source: Deloitte Global Mobile Consumer Survey, 2011. Sample: all respondents (30,454).

Mobile advertising's year is soon to come

On the face of it, what's not to love about mobile advertising? There are over 5 billion mobile subscribers. Mobile phones are often cherished devices, accompanying their owners everywhere they go. Mobile networks know where users are. The seemingly unstoppable rise of the smart phone is allowing the mobile adverts to become ever more visually compelling.

But despite this, mobile advertising revenues remain minimal. Estimates of mobile advertising revenues worldwide are at most a few billion dollars in 2011, a fraction of the global \$500 billion advertising sector. Advertising spend per mobile subscriber is likely to be well under \$1 per year in 2011. This compares poorly to the tens of billions of dollars of advertising revenue forecast to be generated by the 2 billion+ Internet users worldwide.

Mobile advertising should be doing better. It has an inherent advantage in driving what advertisers love best: response. There is no other advertising medium that makes it so easy for a target customer to respond.

Recipients of an advert displayed on a phone can click to be taken to a Website, they can click on a link to make a call (switched or VoIP) to the advertiser, they can use the device's navigation facilitation to guide them to the advertiser's store. There is no other advertising medium which offers this versatility.

Over the past few years, many commentators have made (mistaken) calls on the year of mobile advertising. Is 2011 or even 2012 going to set a similar trap? Or are we finally on the cusp of unleashing mobile advertising's value?

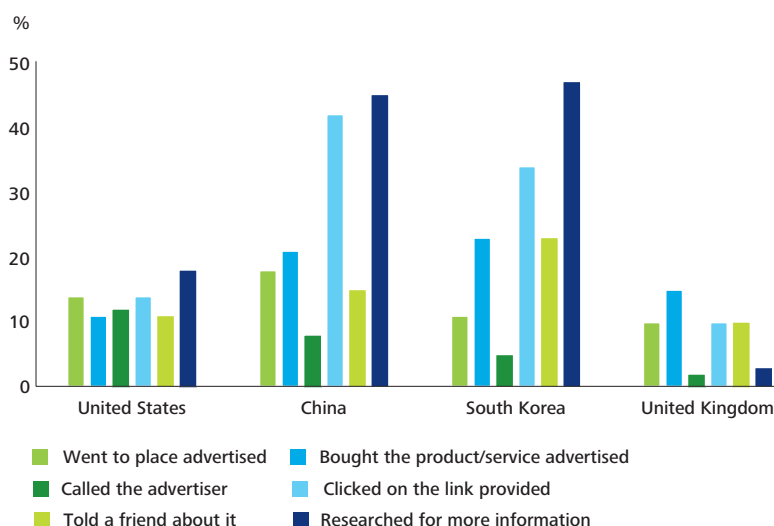
Our data revealed a mixed reception to mobile advertising. The reach and response to mobile advertising varied significantly by country.

Figure 11 shows the spread of reaction in the United States, Korea and the United Kingdom to any form of mobile advertising, be this text based, Web page-based, within an application or search-based.

Looking at the data for the US first, about six percent of all respondents reacted, positively or negatively, to a mobile advert. A six percent response rate is regarded as a strong response to an advertising campaign. What impressed more, however, was the degree and type of response.

The Figure below shows the proportion of individuals who made any of six positive responses to the advert. In Korea, the most common form of response was to click on the link provided, the action taken by just over 45 percent of those who had responded. Similarly, in China respondents fared strongly in terms of strong reactions to an advert: over 20 percent bought the product or service advertised. Reactions to mobile advertising in the United Kingdom and the United States were lower across all forms of response.

Figure 11. Positive responses to mobile advertising among respondents who had received it in the United States, China, South Korea and the United Kingdom



Source: Deloitte Global Mobile Consumer Survey, 2011. Respondents who had received mobile advertising and responded to it in the United States (125), China (660), South Korea (167) and the United Kingdom (60).

We also calculated the proportion of respondents who had any type of positive response (that is any one, or more, of the actions listed). This analysis revealed that 82 percent of respondents in South Korea and 55 percent in the United States had taken one or more positive action (see Figure 12). We also looked at respondents who had made one or more of three strongly positive responses – in other words they had taken a significant action as a result of the advertising received, ranging from calling the advertiser to going to the place advertised to buying the product or service. Among the U.S. respondents, 30 percent fell into this category; in China, the proportion was 38 percent.

The spread of reaction – from relatively enthusiastic in China, South Korea and, to some extent, the United States, to indifferent in the United Kingdom – could be explained by a number of factors. Firstly it could just be that the campaigns run in some countries have been lackluster. There are not often dedicated budgets for mobile advertising: it is more often than not part of a general online advertising budget. The mobile component of this can be starved of talent as well as financial resources. Secondly citizens in some countries may regard advertising sent to what they would regard as a personal device as intrusive and default to ignoring any advertising. If this is the case, location-based mobile advertising to this type of audience may well be counter-productive.

Bottom line

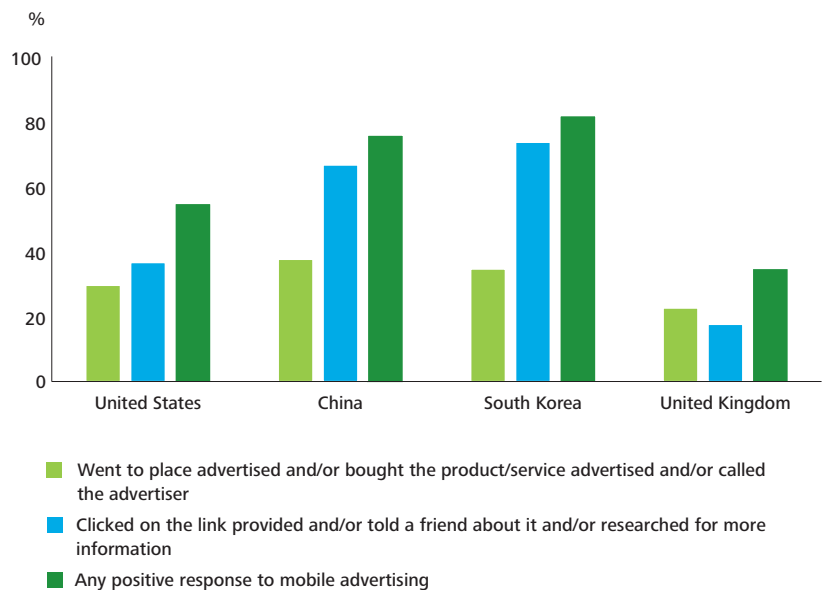
Deloitte’s view is that over time, mobile advertising should become an increasingly powerful medium. But for this to happen, mobile’s strengths and limitations as an advertising medium need to be respected.

Mobile advertising should not be designed to compete head on with all other forms of advertising. It cannot, for example, replace television advertising. A four inch mobile display is never going to have the impact of a high-definition advertisement conceived for a 40 inch screen. But a television advertisement could not deliver a similar means of brand development as a branded mobile app that may elicit hours of branded interaction.

Mobile advertising should also not be considered as a static medium. What you can do with mobile advertising is likely to change every year, as the underlying supporting technology improves. Image based search for example, whereby taking a photo of any product via a mobile phone returns a list of nearby suppliers of that product may be difficult to deliver now but may be feasible in 2012.

The receptiveness to mobile advertising may change over time. If the public’s view on coupons continues to become more positive – historically some individuals may have disdained the use of money-off vouchers – the ability to use mobile as a distribution platform for coupons could prove powerful. When our respondents were asked what would encourage them to accept more advertising on their phone, 27 percent said “if it provides me with a really good exclusive bargain”; 19 percent said “if it provides a real time offer”¹².

Figure 12. Proportion of respondents registering any form of positive response to advertising received: the United States, China, South Korea, and the United Kingdom.



Source: Deloitte Global Mobile Consumer Survey, 2011. Respondents who had received mobile advertising and responded to it in the United States, China, South Korea and the United Kingdom.

A further requirement for mobile advertising to attain its potential is the need for increased investment in experimentation in mobile advertising. For mobile to succeed as an advertising platform, many mistakes have to be made as part of the process of trying to identify what works. What works with one age group may be disastrous with another; what succeeds in one market may be in contravention of regulations in another market. There is still much to be learnt.

Any valuation of the mobile advertising market should combine spend on mobile as a branding platform (today typically apps built around promotion of a brand), as well as more conventional display (e.g. banner advertising) and search.

It may not be mobile advertising’s year in 2011. But the case for mobile advertising is likely to grow ever stronger with every year that passes.

Endnotes

- 1 Total sample 3,881 respondents from 14 countries (India had no mobile broadband services at the time the research was undertaken).
- 2 For more information on this type of analysis, see: <http://www.marketvisionresearch.com/pdf/Price%20Sensitivity%20Meter%202003.pdf>
- 3 Van Westerndorp analyses are available for all other study countries.
- 4 Questions asked to generate the answer to this question were: At what price would you consider the product to be priced so low that you would feel the quality couldn't be very good? At what price would you consider the product starting to get expensive, so that it is not out of the question, but you would have to give some thought to buying it? At what price would you consider the product to be a bargain—a great buy for the money? At what price would you consider the product to be so expensive that you would not consider buying it?
- 5 In this survey, we did not poll any respondents under 18 years of age except in South Africa. However research undertaken by PewResearchCenter found that in the United States, one in three teenagers sends more than 100 text messages per day. 15 percent of teenagers send over 200 text messages per day, the equivalent of 6,000 text messages per month, or 72,000 per year. For more information, see: <http://pewresearch.org/pubs/1572/teens-cell-phones-text-messages>.
- 6 Sample is likely to exhibit a bias towards urban professionals.
- 7 Source: Deloitte Global Mobile Consumer Survey, January/February 2011. Base: all those going abroad or out of state and taking their phones (15,954 respondents from 15 countries). "Out of state" charging may apply in the United States and India.
- 8 Source: Deloitte Global Mobile Consumer Survey, January/February 2011. Base: all those going abroad or out of state and taking their phones (15,954 respondents from 15 countries). "Out of state" charging may apply in the United States and India.
- 9 The seven technologies are: 2G, GPRS, EDGE, 3G, HSPA, HSPA+, LTE
- 10 Source: Deloitte Global Mobile Consumer Survey, January/February 2011. Base: all respondents that have devices (28,436 respondents). Devices were defined as: digital camera (compact), digital camera (SLR), e-Reader, digital photo frame, MP3 digital music player, tablet computer, portable DVD player, television, games console, portable games player, hifi/music system, television set top box, video streaming device, DVD/BluRay player, Personal Video Recorder.
- 11 Source: Deloitte Global Mobile Consumer Survey, January/February 2011. Base: all respondents that will get connectivity when replacing current devices (17,656 respondents).
- 12 Source: Deloitte Global Mobile Consumer Survey, January/February 2011. Responses based on all respondents across all study countries (30,454 responses).

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If the majority of mobile broadband usage is occurring when users are not actually moving, and if it remains more expensive to carry a gigabyte of data on a cellular network, mobile operators should look hard at how best to address their clients' connectivity needs while minimizing their operational expenditure.

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