March 2010

ESSENTIAL

Brandheld: A report by Essential Research

BRANDHELD

BRANDHELD

OUTLINE REPORT

Section 2

Introduction

Over the last decade, Essential has conducted countless pieces of consumer research with respect to the mobile platform: looking at everything from the targeting and positioning of new handsets, to creative development around new network propositions and price demand modelling of various mobile media services.

More often than not during this period, we have had to be the bearers of difficult, or at least sobering news. A tariff that was difficult to sell in. A handset that was difficult to use. A mobile website that was met with indifference. An unrealistic price point for a piece of mobile media.

But something happened a couple of years ago. The iPhone launched and a new chapter in the history of media and technology seemed to open. It signified a new age of mobile devices, network capabilities, mobile media, content and services. It promised us a new relationship with the mobile platform, with media and technology, and with the world around us.

Working in the London media bubble it is easy to be seduced by this new reality. It is easy to believe that everyone understands the benefits of mobile internet technology. That everyone has (or at least wants) a smartphone. That everyone will be downloading and using mobile apps this time next year.

Indeed, there are plenty of news stories and analyst reports that have helped fuel these expectations, so out of professional curiosity as much as anything, we felt it was time for a completely impartial, wide-ranging review of the reality on the ground. Thus our study, Brandheld, was born.

There are many things that you may wish to take from Brandheld. Whether it's simply having access to robust and impartial mobile internet usage data, learning more about how smartphones impact on other media and technology, better understanding the barriers for would be mobile internet adopters, or learning more about the kind of services that will drive mobile internet adoption amongst different audiences.

Hopefully, you will take all of these things and more from the research, and hopefully you will see it as both a reality check and a call to arms, so that we as an industry are able to fully realise the value potential of the mobile platform.

Acknowledgements

As with our two previous 'House Special' studies (Pandora: PVR Reality, 2006; VoD: State of Play, 2008), this piece of research was born out of consultation with the industry, to understand the perspective and interests of different players.

While this consultation was invaluable in ensuring our research objectives met the needs of the industry, please note that all views expressed in this report are solely those of Essential Research Ltd. and are not meant to represent the views of any other organisation unless explicitly stated.

For their participation in our consultation phase, we would like to thank the following organisations:

3, BBC, BSkyB, BT, Carphone Warehouse, Channel 4, Garmin, Global Radio, Google, IAB, IPC Media, ITV, MBlox, Microsoft Advertising, MTV, NBC Universal, Ofcom, Orange, Saffron Digital, Sony Ericsson, UKTV, Vodafone, Yahoo!

Objectives

A whole range of research needs and desires were expressed during the consultation discussions. Inevitably, not all of these could be accommodated within a manageable research structure. Nevertheless, the key, recurring themes could be distilled into five broad objectives:

1. Understand who is using different mobile internet-based services
2. Identify drivers of usage and perceived value among current users
3. Explore the relationship with and impact on other media and technology
4. Unpick the barriers and potential benefits for currently non users
5. Outline the role that different brands can play within the mobile space

Copyright © 2010 Essential Research Ltd.
All rights reserved.

Methodology

Brandheld is without doubt our most ambitious 'House Special' project undertaken to date. Following on from our industry consultation, fieldwork was conducted between June and December 2009 and comprised three broad areas of activity:

1) Ethnographic Research

As an area of research that we increasingly specialise in, ethnography facilitates a deeper and more meaningful exploration of consumer needs, enabling us to understand what consumers say versus what they actually do, and why they say what they say and do what they do.

Our longitudinal approach also gave us the opportunity to capture and understand real world mobile experiences, courtesy of our easy-to-use, one touch respondent video cameras.

The research method in brief:

- 10 x consumer ethnographic studies, each lasting 10 weeks
- Consumer video diaries (uploaded by respondents each week)
- Various observation and interviewing sessions, both in-home and out-of-home
- Handset placement for 5 of these consumers (2 x iPhones, HTC Hero, Nokia E71, BlackBerry Bold)
- Mobile internet tasks for 5 consumers who were not given new handsets

2) Qualitative research

Building on our ethnographic work, this phase of research allowed us to explore different perspectives on issues such as the retail experience and mobile marketing communications.

The research method in brief:

- 8 x 2 hour discussion groups
- 5 x accompanied shops
- 5 x anonymous interviews with mobile phone store assistants

3) Quantitative research

With our ethnographic and qualitative work behind us, we were able to write a comprehensive questionnaire with a view to testing some of our emerging hypotheses and establishing the services most likely to drive widespread mobile internet adoption.

The research method in brief:

- 30 minute quantitative survey
- 2,018 UK adults aged 16+
- Weighted to the offline mobile-phone-owning universe
- Multivariate analysis, including factor, cluster and regression

BRANDHELD

ESSENTIAL

Copyright © 2010 Essential Research Ltd.
All rights reserved.

Section 3

Exploring current usage of mobile internet services

i Basic access and usage levels

This technology is still in its infancy and usage of different mobile internet services is not a mainstream activity.

Of all UK mobile phone owners aged 16+ years old:

- 24% claim to use an internet-based service via their mobile handset
- 15% claim to use such services at least once per week
- 10% claim to use on a daily basis

Perhaps more surprisingly, 60% claim to not own an internet-enabled mobile phone. And of the 40% who claim to have mobile internet access:

- 31% have never used this functionality
- 24% are infrequent users (accessing such services less than weekly)
- 8% have used this functionality in the past, but have since stopped

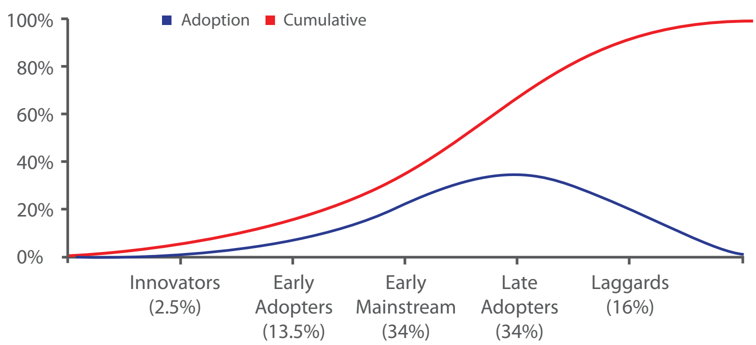
"I tried the internet but it comes up with a game, not the 'internet internet'…so I don't bother with it any more"

Male, 30-39

ii The diffusion of innovations theory

In 1962 the sociologist Everett Rogers popularized the Diffusion of Innovations theory, laying out the consumer adoption process. He described this diffusion as "the process by which an innovation is communicated through certain channels over time among the members of a social system." It still holds weight today.

Rogers classified five types of adopter by their receptivity towards new ideas and technologies: innovators, early adopters, early mainstream, late mainstream and laggards. Innovations diffuse through this categorisation, creating an S-curve of adoption over time:

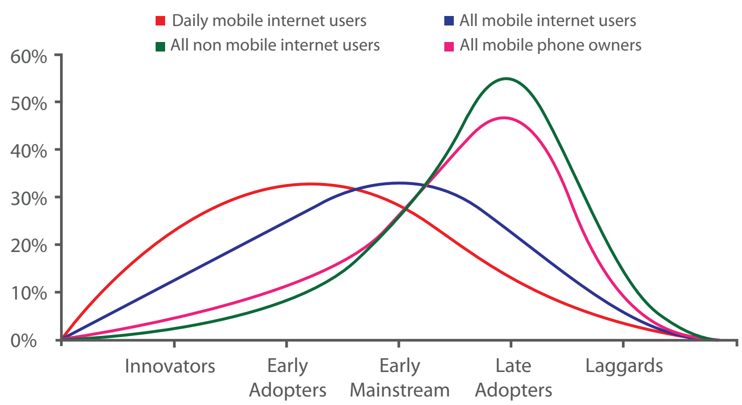


With only 24% of mobile phone owners using the internet at all, and just 15% on a weekly basis, it is clear we are still at the early stages of diffusion.

To continue along the adoption curve and accelerate uptake, we need to recognize whom innovators and early adopters are, why diffusion has spread this far and how they have benefited from mobile. People within the mainstream categories are different – both demographically and attitudinally – meaning communications need to change.

We used a proxy question to place people on the adoption curve – few would label themselves as "laggards". This question was also asked on a nationally representative face-to-face omnibus, and formed part of our weighting matrix to ensure a truly representative sample.

Our figures for the total mobile phone owning population are different to Rogers' theoretical model for two reasons. Firstly, our research suggests that the precise figures – at least in relation to technology – are slightly different to Rogers' model. Secondly, to avoid using too many different weighting variables, we netted together innovators and early adopters, and late mainstream and laggards in our weighting matrix.



Source: Essential Research Brandheld quantitative survey (December 2009)
Question: D10 – Which of the following best describes your personal behaviour
Bases: Daily mobile internet users (406), All mobile internet users (979), All non mobile internet users (1,039), All mobile phone owners aged 16+ (2,018)

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.

iii Characteristics of the early adopter

We identified nine characteristics of current users of mobile internet technology – Rogers proposed six of these to be common to most innovators and early adopters:

1. Younger:
2. Upmarket:
3. Affluent:
4. Socially dynamic:
5. Opinion leaders:
6. Interested in science & technology:
7. Male:
8. Urban:
9. Image conscious:

iv The journey to adoption

By retracing the adoption process of current mobile internet users, we're better able to understand why some people are more pre-disposed to using this technology (and others less so).

Knowledge → Persuasion → Decision → Implementation → Confirmation

Source: Everett Rogers

"Before I couldn't communicate with people on the same level. Now people see your phone and know that you receive emails so they include you."

Female, Young Family, BlackBerry user

"I downloaded some ringtones. Just to make it a bit more funky, a bit more personalized"

Justin, 28, BlackBerry Curve user

"If I could plug my brain into the internet I would do it. But until then, I'll use anything they give me to get closer to that."

Male, 25-29, iPhone user

"It's always when you are sitting, waiting for a bus, and you have got nothing to do. You can watch something from iPlayer for free. Or buy something you want to buy - like a tune."

Male, 25-29, iPhone User

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.

The Wordle chart to the left displays the reasons mobile internet users give for their phone has a whole exceeding their expectations. The larger the word, the more it was cited in responses.

Features and functions are big factors in expectations being surpassed. Alongside these answers is the term "easy" – new features are only as good as their usability.

Focus on the iPhone

No other handset has attracted as much attention as Apple's iPhone and yet only 3% of all mobile phone owners have one (and 11% of all smartphone owners). Perhaps all this attention is less surprising when you consider that:

1. iPhone owners do more than anyone else

2. It offers one of the best user experiences

3. Many people want one

v Current usage of and attitudes towards different mobile internet services

vi Key benefits of mobile internet access

1. Communication & community

2. Information gathering
A. Convenience:
B. Contextual relevance:

3. Shopping and price comparison

4. Entertainment: music, video and gaming

"I find Facebook comes through dead quick on my phone."

Female, Young family, BlackBerry user"

"Instead of sitting thorough the news [on TV] I can just grab the bits that are useful to me. It's upped my daily news intake by about 400%."

Theo, 27, T-Mobile Pulse owner

"I like if I am out and about I can check to see how long is left on the bidding and whether or not I have won it and also you can pay straight through your phone using Pay Pal. It's really good if you are away for a weekend."

Sam, 28, Nokia E71 owner

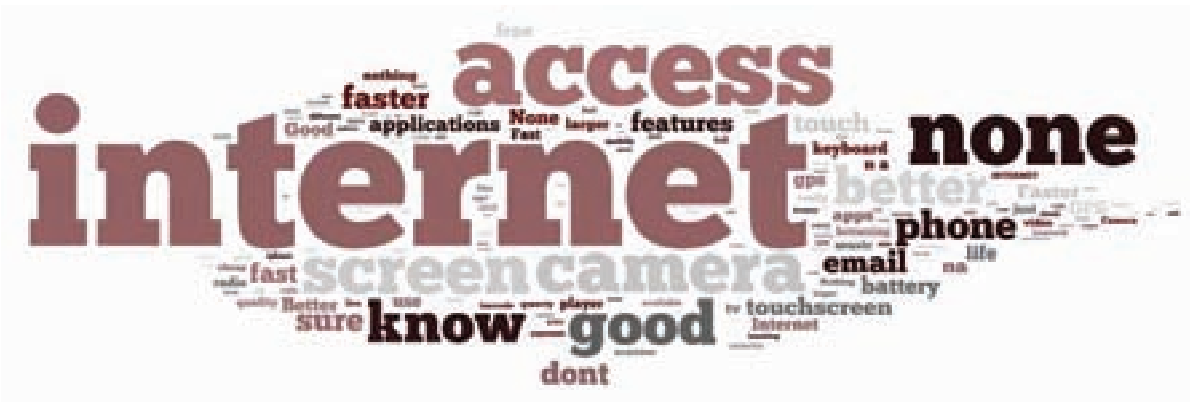
BRANDED

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.

vii: Barriers to increased usage

viii Effects of usage on satisfaction, preferences and perceived value

When asked which services or features that they would specifically seek on their next phone, current internet users were emphatic:



ix Summary

BRANDHELD

ESSENTIAL

Copyright © 2010 Essential Research Ltd.
All rights reserved.

Section 4

Explaining non usage of mobile internet services

i Who isn't using the mobile internet?

ii. Moving along the adoption process

Everett Rogers suggests that there are many points along the path to adoption where a consumer might decide to reject an innovation. Our research tells us that's exactly what is happening right now with mobile internet technology. This section of the report specifically looks at the barriers current non users are facing. Current non users that are likely to adopt in the near future are examined later in the report.

1. Knowledge:

2. Persuasion:

Rejecters

Non-rejecters

A. Perception that tasks can be done with a personal computer -

B. Perception that they don't need to be constantly connected –

Case study: *Martyn, 48, Motorola U9 owner and Nokia E71 trialist, non mobile internet user Martyn lives with his wife and three teenage children in the Chew Valley, south of Bristol. His lifestyle has been the same for many years and his family have adopted most domestic technology quite late – they have only had the internet on a PC for 3 years, a laptop and wireless for a few months. He has only ever owned three mobile phones and before he was given the Nokia E71 to trial and took it for granted how well his Motorola U9 on a PAYG tariff suited him. Martyn's enjoyment of the new phone was erratic and short-lived. He found the buttons fiddly and thought that there was far too much loaded onto the phone; what he recognised, he dismissed because he didn't need it and assumed the rest to be even more pointless. It was surprising and disappointing to him that other people weren't as impressed with it as he thought they might be. He found the internet experience frustrating and very commercially driven. He was sure the phone would be useful for a business man, sitting on trains being able to access emails but maintained that was not his life. All the while his life stays the same, and he has no reason to think it will change; he is happy to use his old phone to make a few calls and send text messages and use his laptop for the internet while sitting in front of the TV at home. By the end, he couldn't wait to get rid of the E71.*

C. Perception that it is not for people like them –

"I just want to phone people and send the occasional text. If only a phone manufacturer would concentrate on doing this well, rather than adding a hundred unnecessary extra functions."

Male, 35-44, Motorola owner

"I just want something basic, I'm not fussed about the internet or complicated features"

Female, 55-64, Nokia owner

"I'm only good with a mouse. My daughter, she's moving this little ball around- she's always moving and clicking. It's too much"

Female, 55-64, Samsung owner

"The ads are, just doing what everyone else is doing with social networking and it gets just a bit boring. Everyone's mentioning Facebook or MSN. Social networking should be such a standard thing that they don't have to advertise it."

Male, 18-25, Internet enabled phone

Copyright © 2010 Essential Research Ltd.
All rights reserved.

ESSENTIAL

3. Decision/Evaluation:

Costs
A.Time and effort in acquiring information -

B. Perceived cost –

C. Time and effort in learning to use the handset –

D. Perceptions among peers -

Benefits
A. Marketing communications –

B. Legacy demonstrations and prior experiences -

C. Lack of relative advantage –

Phone receivers

4. Implementation:

This is where mobile technology falls down in a big way. The current environment is not conducive to experimentation, particularly not for the technologically savvy. There are several reasons for this:

A. Natural reticence –

B. Desire for familiarity -

C. Poor purchase experience -

D. Set up requirements -

E. Compromised user experience -

These usability issues can be off-putting, and even cause some people to reject; 8% of people with internet-enabled phones have tried using the mobile internet, but gave up. There were two broad reasons behind abandoning it:

- Hardware issues –
- Usability issues -

"The Palm Pre ad has big clear pictures of each of the individual functions"

Male, Young and single, Smartphone owner, Hertfordshire

"They're more like entertainment centres now. But when I'm at work I don't want entertainment and when I'm at home I have other things"

Male, Empty Nester, London, Non internet enabled phone

"It's like you've got nine different things in that mobile phone ad… they're are all trying to get so many different messages across, but with the iPhone ad it's just about how it'd integrate into your life"

Male, Student, Leeds, Internet enabled phone

"Nothing is quite straight forward- you can't just search and download. There is always a bit of a process jumping through their hoops."

Ady, 31, iPhone trialist

BRANDHELD

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.

ESSENTIAL

Case Study: *Fiona, 41, Nokia Xpress Music owner, lapsed user*
Fiona is 41 and lives in London with her husband and 2 teenage kids. She is on a £40 per month contract with Orange and always likes to have the latest phones as she likes to keep up with her teenage kids and look 'cool'. She has always had Nokia's as she finds them easy to use and thinks they come out with some lovely designs. She recently got the Nokia Xpress Music and was told she had free internet access on her phone. She has fiddled about with it a few times and got onto Facebook once but found it difficult to use and couldn't really see why she would bother looking on her mobile when she has a laptop in the house which is always on. She also finds the touchscreen fiddly and can't really be bothered to play around with it and learn what else it can do. She is used to only using a small proportion of what her phone can do and doesn't really see that she is missing out on anything particularly special. Recently she has been finding that her phone has been freezing quite a lot so she thinks for her next phone she will go for something a bit more basic. What she'd really love is a newer version of her favourite phone from her past- the Cath Kidston phone.

5. Confirmation:

iii: How will the market grow over the next 12 months?

iv: Who are the next wave of adopters?

v: Summary

BRANDHELD

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.

Section 5

Understanding the impact of mobile internet on other media platforms

ESSENTIAL

BRANDHELD

Copyright © 2010 Essential Research Ltd.
All rights reserved.

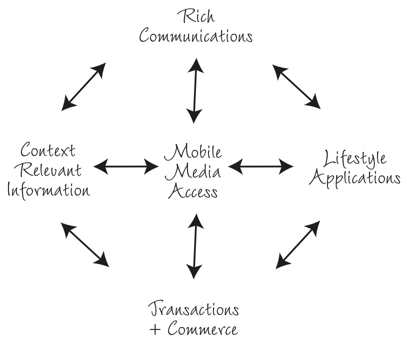
Section 6

Driving interest in mobile internet services

i. Introduction

ii. Creating relative advantage

iii. The components of the mobile internet experience



iv. Factors driving value among current mobile internet users

v. Focusing on consumer needs

vi. The different types of mobile internet consumer

1. Active Adventurers (248 respondents)

2. Bargain Hunters (176 respondents)

3. Entertainment Junkies (532 respondents)

4. Functional Followers (354 respondents)

5. Gadget Dads (148 respondents)

6. Gossip Girls (149 respondents)

7. Rejecters (411 respondents)

vii. Summary

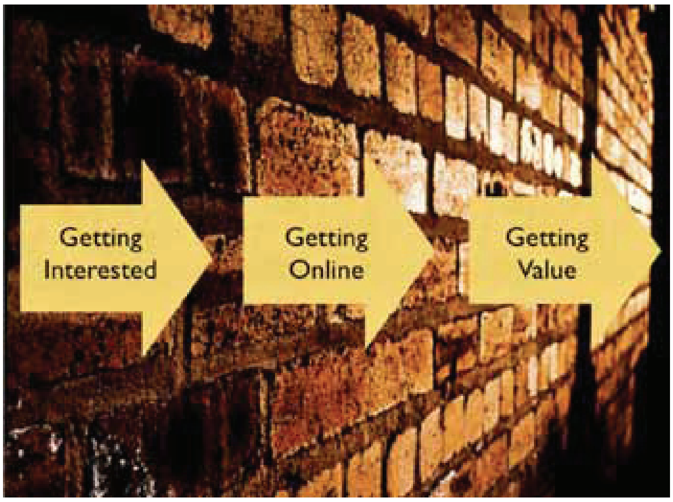
Copyright © 2010 Essential Research Ltd.
All rights reserved.

ESSENTIAL

Section 7

Eliminating barriers to adoption

i. The three stages of targeted assistance



ii. How different organisations can play their part

iii. Summary

BRANDHELD

Copyright © 2010 Essential Research Ltd.
All rights reserved.

Contact details
All enquiries, please contact:

Alex Charlton or Simon Kendrick
Essential Research Ltd.

T: 020 7384 1297
E: info@essentialresearch.co.uk

Copyright © 2010 **Essential Research Ltd.**
All rights reserved.