



5,504 smartphone  
consumers can't be wrong

7 new mobile service  
opportunities

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## **5,504 SMARTPHONE CONSUMERS CAN'T BE WRONG**

It's been only 8 years since the Apple iPhone rocked the mobile world and the era of the smartphone began. The adoption rate of smartphones has been unprecedented. By 2020, according to a recent report by GSMA Intelligence<sup>1</sup>, two out of every three mobile connections will be made by a smartphone (excluding machine-to-machine). The smartphone also gave birth to the app industry, resulting in over the top (OTT) competition expanding from fixed to mobile communication services, and a need for Communications Service Providers (CSPs) to invest heavily in the network to keep pace with the ever-increasing demand for mobile data.

Mobile average revenue per user (ARPU) remains under pressure from OTT voice and messaging competition, the widespread use of Wi-Fi® for data, a slowdown in subscriber growth and markets often saturated with many CSPs who struggle to differentiate. Strong demand for mobile data and connecting secondary devices, such as tablets, partially offset these declines. However, CSPs' ability to monetize data remains a key challenge. Their focus has been on cost savings and network coverage to combat the revenue decline and capture as many data users as possible. That is no longer sufficient for long-term success. CSPs are now expanding their focus to include diversification of services. But which services to choose?

<sup>1</sup> GSMA Intelligence's study, "[Smartphone forecasts and assumptions, 2007-2020](#)"

To answer this question, [Alcatel-Lucent](#) worked with [Penn Schoen Berland](#) (see [Methodology](#) section for more detail) to conduct primary market research in the first quarter of this year (2015) among 5,504 smartphone consumers in the United States, United Kingdom, Japan and Brazil. Interest, expectations and willingness to pay for several near-term and future service concepts were evaluated by this research.

## **7 NEW MOBILE SERVICE OPPORTUNITIES**

The research uncovered seven major communications opportunities for CSPs in today's smartphone era. We will cover the detailed research and key recommendations for each opportunity in a series of reports. Here we discuss the topics covered by the research and provide a few key findings.

## OPPORTUNITY 1

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### “I see you!” – From voice to video

While CSPs sometimes view Voice over LTE (VoLTE) as a service they must offer due to competition, the research shows that VoLTE is also likely to positively change consumers' calling behavior. Across the four countries, an incredible 72% are interested in using an HD voice service if available. The VoLTE platform also allows CSPs to offer their own mobile video calling service. When those who use an OTT app to make voice and video calls were asked to name their favorite app for this purpose, Skype™ is the leader in the United States, the United Kingdom and Brazil, while LINE holds the lead in Japan. FaceTime® video calling and Google Hangouts™ communication platform also receive notable shares of OTT calling. The research shows those using video calling today and the expected 5-year growth. The research also explores what people want to use video calling for and on which devices, how much consumers really care about quality over price, and the importance of ease of use to compete with popular OTT services.

More than 30% of United States consumers expect having VoLTE HD voice will lead them to make more or longer calls.



66% of those aged 35 and under in Brazil make at least one video call each month whereas only 26% of Japanese aged 35 and under do the same.



49% and 51% of consumers in the United States and United Kingdom expect to use video calling more over the next 5 years. An impressive 80% of Brazilian consumers say the same. Japanese consumers are less enthusiastic, with only 21% expecting to make more video calls over the next 5 years.

## OPPORTUNITY 2

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### “Set the bar high” in Wi-Fi calling

As CSPs continue to invest and build out the most advanced mobile networks, Wi-Fi calling services are now a “hot” offer to attract and retain customers. For the CSP it helps fill coverage gaps and offload network traffic. For consumers, the research indicates compensating for poor cellular coverage and saving voice minutes are the primary motivators. Depending on the country, between 76% and 84% of consumers are aware that their OTT calling activities on the cellular network consume the data plan and the OTT experience has set an expectation that Wi-Fi is free. To understand the CSP opportunity, we explore smartphone consumers' motivations, demands and expectations around Wi-Fi calling, especially expectations around handover between cellular and Wi-Fi.



Across the four countries, between 78% and 97% say they will use Wi-Fi calling if it is offered by their CSP. Addressing areas of poor coverage is the primary motivator in the United States, United Kingdom and Brazil, while saving minutes in the voice plan is the top driver in Japan.

### OPPORTUNITY 3

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## “There’s an app for that!” – Mobile calling and texting

Consumers love their messaging apps. Facebook™ Messenger, Skype, Google Hangouts, WhatsApp and LINE are the Fab Five messaging apps, capturing the majority of usage today. The most important properties a messaging app can have are “people I know use it” and “free domestic messaging.” In the United States, United Kingdom, and Japan the biggest deterrent to using a messaging app is a subscription fee. In Brazil, slow message delivery is the number one deterrent, followed by a subscription fee. CSPs have an opportunity to evolve their calling and texting services using app-like functionality that will help them be more competitive. However, minimizing impact on the data plan will be of paramount importance.

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At least 60% of consumers are interested in using an app from their CSP to make and receive voice calls if it does not consume mobile data.

### OPPORTUNITY 4

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## “Revenue ahead” – Service innovation ideas

Voice and messaging services are under attack from OTT alternatives. Service providers are eager to find new sources of revenue. The era of mobile IP communications opens up many possibilities, but which to choose? The research explores several new value-added services and, globally, approximately 70% of respondents said they would use such services. They also express a high willingness to pay for these value-added services. In the era of social networking, tremendous amounts of information are freely shared by individuals on the web. The research explores how CSPs can differentiate using social information.

### OPPORTUNITY 5

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## “Disposable me” in the era of privacy

Today, people use their phone numbers for calls and text messages. We examine whether they might in some cases be more interested in using handles/usernames or hyperlinks. We also look at their feelings about giving out disposable contact information, instead of their phone numbers, to protect their privacy and minimize unwanted calls. There is genuine interest from smartphone users across all four countries in using handles/usernames and hyperlink addresses as their contact information, but the interest is significantly higher if they can also keep their phone numbers. Interest increases even further, for one-time, disposable, anonymous identities.

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Across all markets, approximately half of respondents are open to using a handle or user name (e.g., JohnDoe@call.chat) in addition to phone numbers to place calls.

## “Kick it up a notch” in business-to-consumer interactions

Mobile services are not only a big part of our consumer lifestyle, they also play a significant role in businesses and enterprises. Depending on the type of enterprise and the reason for communicating, consumers today most often reach for their phone, email or go to an app or website for a “do-it-yourself” solution. Video calling to enterprises is a rare occurrence. In each country, home monitoring services have the highest use of video calling with their customers at a very modest 2% in the United States, 1% in the United Kingdom, 1% in Japan and 4% in Brazil. Despite relatively low usage today, more than 60% of consumers in all countries are open to using video calling to interact with enterprises. As CSPs explore revenue diversification, mobile business revenue continues growing its share. To better understand the opportunities for CSPs in the business market, we take an in-depth look at how smartphone consumers interact with seven industries and why.



More than 60% of smartphone consumers in the United States, the United Kingdom and Brazil are interested in using video calls to interact with enterprises.

## “Call me – maybe” – The Internet of Things

The Internet of Things (IoT) will enable an unprecedented number of objects and devices to interact and share data. These interactions will spawn new applications and create exciting business opportunities for enterprises. Virtually anything – cars, houses, smart energy meters, wearables, dog collars – will be able to trigger voice and video calls or send messages to smartphone consumers when the situation warrants. We take an in-depth look at consumers’ expectations and appetites for using communication services embedded in these emerging “things,” including vehicle-based services and wearables.



More than 60% of United States, United Kingdom and Japanese smartphone consumers are willing to pay for machine-triggered communication services. The number is much higher in Brazil.



85% of smart glasses owners, 90% of smart watch owners and 87% of activity tracker owners use their devices at least a few times per week.

# Who are the 5,504 smartphone consumers?

We have also published a separate demographic report to analyze who these smartphone consumers are, where they live, what their spending patterns are and what the most popular smartphones are among different age groups, etc. For example, Samsung Android™ smartphones are the most popular smartphone brands for people who are 36 and older across the United States, the United Kingdom and Brazil, with the iPhone making inroads with United Kingdom 18 to 35 year olds. Japanese smartphone consumers are more fans of the Apple iPhone in both 18 to 35 and 55 and older generations. (See Figure 1 for the detail.)

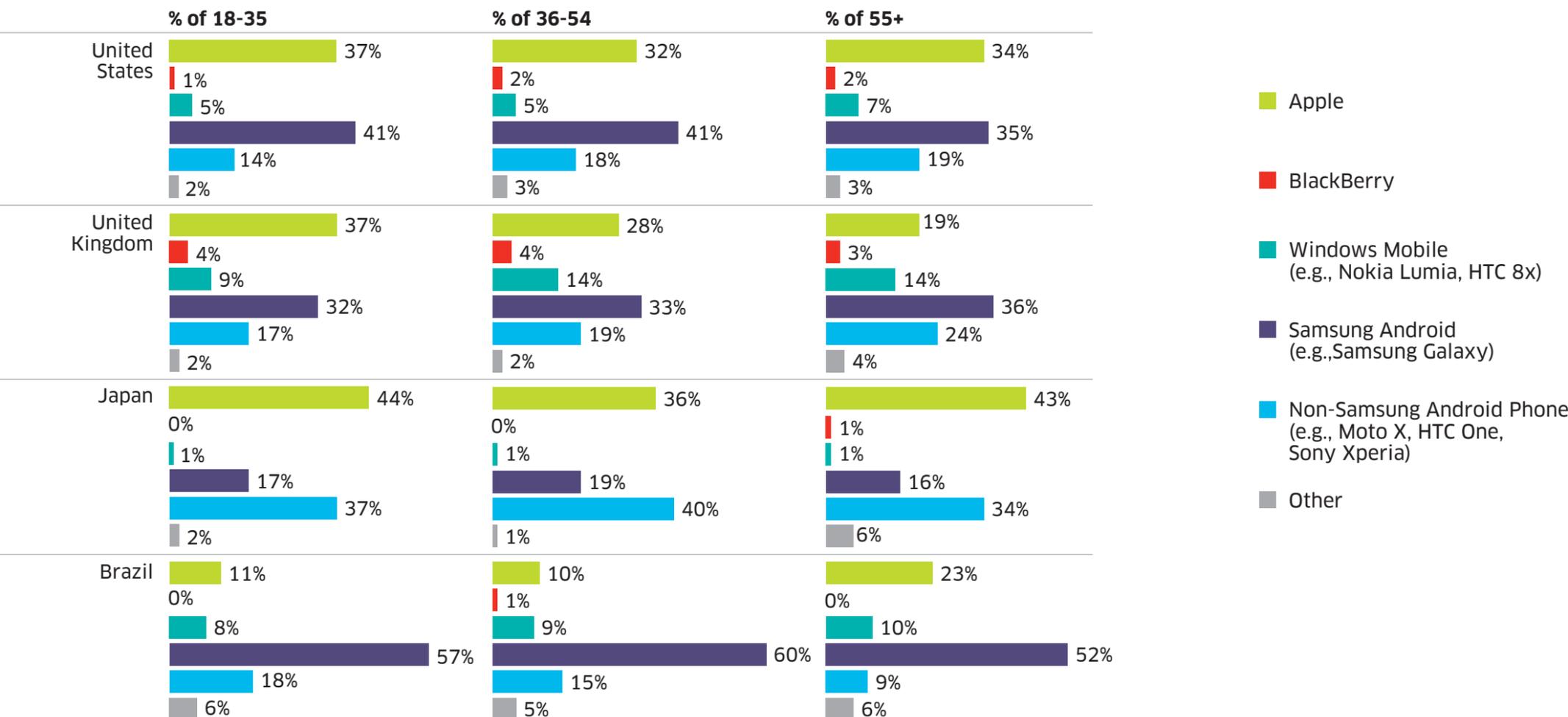
Another finding is that cord cutting is poised to reshape converged CSPs' revenues in the United Kingdom, Japan and Brazil. Approximately 40% of United States smartphone owners have already cut the cord, and the trend is continuing. In contrast, nearly 90% of the smartphone owners in the United Kingdom, Japan and Brazil still have a home phone. Those markets are about to embark on cord cutting, with 31% of Japan, 40% of the United Kingdom, and 49% of Brazil respondents considering getting rid of their home phone service entirely. Converged CSPs in those countries must urgently find ways to boost their comparably low mobile ARPU. The seven opportunities explored in this study provide a means to counter the lost revenues of cord cutting.

The results will be issued in a series of seven reports, plus a demographic overview of the 5,504 smartphone consumers who were surveyed. If you are interested, please register here to receive the series of exclusive insights as they become available.

If you would like Alcatel-Lucent to contact you, please [click here](#).

**FIGURE 1**

Smartphone popularity among age groups in the United States, the United Kingdom, Japan and Brazil



\* Due to rounding of decimals, not all numbers will add up to exactly 100% per country.  
Source: Alcatel-Lucent, "5,504 smartphone consumers can't be wrong," 2015

## METHODOLOGY

Penn Schoen Berland conducted this primary market research on behalf of Alcatel-Lucent in four countries in the first quarter of 2015. It was conducted among 5,504 smartphone consumers, aged 18 years or older, who are decision makers or have strong influence when it comes to communications purchase decisions. The research was localized and conducted in the United States, the United Kingdom, Japan and Brazil.

**United States** – 2,502 online interviews among smartphone consumers (age 18 and older) in the United States from January 24–30, 2015, with an overall margin of error of +/- 1.96% at the 95% confidence level and larger for subgroups.

**United Kingdom** – 1,001 online interviews among smartphone consumers (age 18 and older) in the United Kingdom from February 20–24, 2015, with an overall margin of error of +/- 3.10% at the 95% confidence level and larger for subgroups.

**Brazil** – 1,000 online interviews among smartphone consumers (age 18 and older) in Brazil from February 27 to March 6, 2015, with an overall margin of error of +/- 3.10% at the 95% confidence level and larger for subgroups.

**Japan** – 1,001 online interviews among smartphone consumers (age 18 and older) in Japan from March 5 – March 12, 2015, with an overall margin of error of +/- 3.10% at the 95% confidence level and larger for subgroups.

### About Penn Schoen Berland

Penn Schoen Berland (PSB) is a global strategic communication advisory rooted in the science of public opinion that specializes in messaging and strategy for blue-chip political, corporate, and entertainment clients. PSB has over 40 years of experience leveraging unique insights about consumer opinion to provide clients with a competitive advantage, what we call Winning Knowledge™. Penn Schoen Berland serves Fortune 100 corporations and has helped elect more than 30 presidents and prime ministers around the world. PSB is a part of Y&R Brands and WPP.

## ABOUT THE AUTHORS



### Daisy Su, Marketing Director, Alcatel-Lucent

Daisy's major responsibility is to help service providers build market leadership in delivering new mobile experiences by [mobilizing data plans](#), [driving new business model innovation](#), and [moving into cloud-optimized communication and collaboration offers](#). She has conducted numerous customer workshops to help C-level and senior leadership take actions on mobile-data-centric business models.



Previously, Daisy represented Alcatel-Lucent in GSM Association initiatives to drive market adoption of new technology and services. Ms. Su, an inventor with three United States patents, a [co-author in the Bell Labs Technical Journal](#), and an author of various Alcatel-Lucent [TechZine](#) articles, has strong systems engineering experience in both the telecommunications and IT industries. She received her MS in Telecommunications from DePaul University in Chicago, Illinois, and her BS in Computer Science from the University of San Francisco in San Francisco, California.



### Rich Crowe, Marketing Director, Alcatel-Lucent

As a marketing director with the Alcatel-Lucent Product and Solution Marketing organization, Rich leads the global marketing activities for the Alcatel-Lucent IP Platforms portfolio. Appointed to his current role in January 2013, Rich previously led the product management and marketing activities for the Alcatel-Lucent IMS end-to-end solution.



During a career spanning over 20 years, Rich has also held senior roles in product management, product marketing and business development covering a wide variety of technologies, including wireless, IMS, softswitch, and digital switching. Rich is the author of [“The Six Degrees Of Mobile Data Plan Innovation” eBook](#) and blog series. He has consulted with numerous service providers on evolving their data plans and business models for growth in a data-centric world. The Consumer Mobility Opportunity Study is the fifth primary market research effort Rich has led.

Rich is the recipient of numerous corporate awards for his contributions to product leadership and new product launches. Rich holds a BS in Applied Mathematics with a concentration in Computer Science from Carnegie Mellon University and an MS in Computer Science from the University of Virginia.

# ABOUT ALCATEL-LUCENT RAPPORT COMMUNICATIONS FOR SERVICE PROVIDERS

[Alcatel-Lucent Rapport™](#) helps service providers remove the complexity of today's communications and make them simple again. Rapport allows you to deliver compelling and innovative user experiences – and grow your business into new markets. With Rapport, the communications network becomes a platform for innovation, enabling the creation of new contextual communications, where fundamental services such as voice, chat, video conferencing and sharing become functions available to any application, website or connected object. Alcatel-Lucent Rapport is a cloud-optimized communication and collaboration software platform equipped with robust APIs and software development kits, simplified packaging, and an open ecosystem of application partners. Rapport gives you the tools you need to focus on service innovation and market expansion right now.

## ABOUT ALCATEL-LUCENT

Alcatel-Lucent (EURONEXT PARIS AND NYSE: ALU) is the leading IP networking, ultra-broadband access and cloud technology specialist. We are dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. Our mission is to invent and deliver trusted networks to help our customers unleash their value. Every success has its network. For more information, visit Alcatel-Lucent on: <http://www.alcatel-lucent.com>, read the latest posts on the [Alcatel-Lucent blog](#) and follow the Company on Twitter: [@Alcatel\\_Lucent](#).

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