

# Multimedia Handset Features and Functionality

## Executive Summary

In March 2005, In-Stat surveyed 694 wireless users about multimedia phones. There was not a great deal of enthusiasm from the respondents for combined devices at that time. However, a great deal changed within the marketplace during 2005. First, unit sales of MP3 players continued to grow at an unprecedented rate. Table 1 shows the growth of MP3 players.

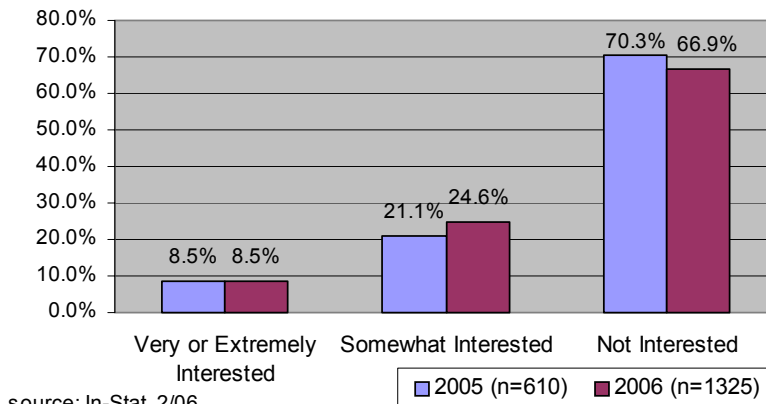
**Table 1. Global Sales of MP3 Players (Units in Millions)**

	2003	2004	2005
Global MP3 Players Sold	6.95	27.83	55.20
Annual Growth Rate	-	301%	98%

source: In-Stat, 4/05

In addition, most major carriers launched branded services offering digital audio and video services running on their enhanced data networks. Major marketing efforts accompanied the product launches. One possible outcome was that consumers would be more open to multimedia capability on their devices, either as a primary multimedia device or as a back-up device.

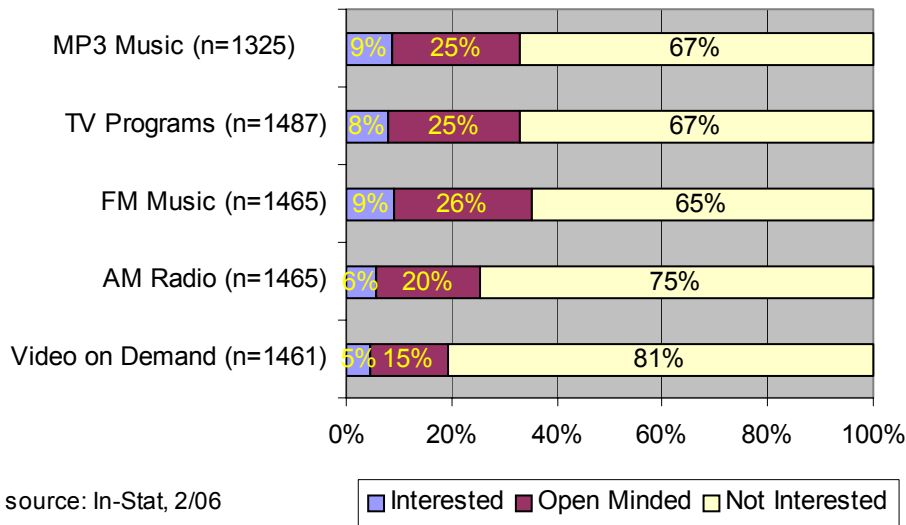
**Figure 1. Change in Interest about MP3 Phone Combination 2005 to 2006**



In-Stat again surveyed wireless users at the end of 2005 and the beginning of 2006 to measure any change in attitudes. Figure 1 illustrates that, in spite of significant changes, wireless users were only slightly more interested in considering a phone with the ability to play digital music.

Furthermore, the ability to play digital music was one of the more popular multimedia applications. Figure 2 presents the level of interest among the different multimedia options in the most recent survey.

**Figure 2. Interest in Multimedia Options by Wireless Users**



Multimedia phones appeal to a relatively small segment of customers that are receptive to the combined use of this mobile device. While 9% of a market is nothing to ignore, neither does it appear to be much a threat to the current MP3 market.

The greatest potential for multimedia applications is for services that offer subscribers news, weather, and sports. Those that are willing to consider such services are willing to pay an extra \$20 for the phone, but believe that \$15 monthly is too much for the delivery of the service.