

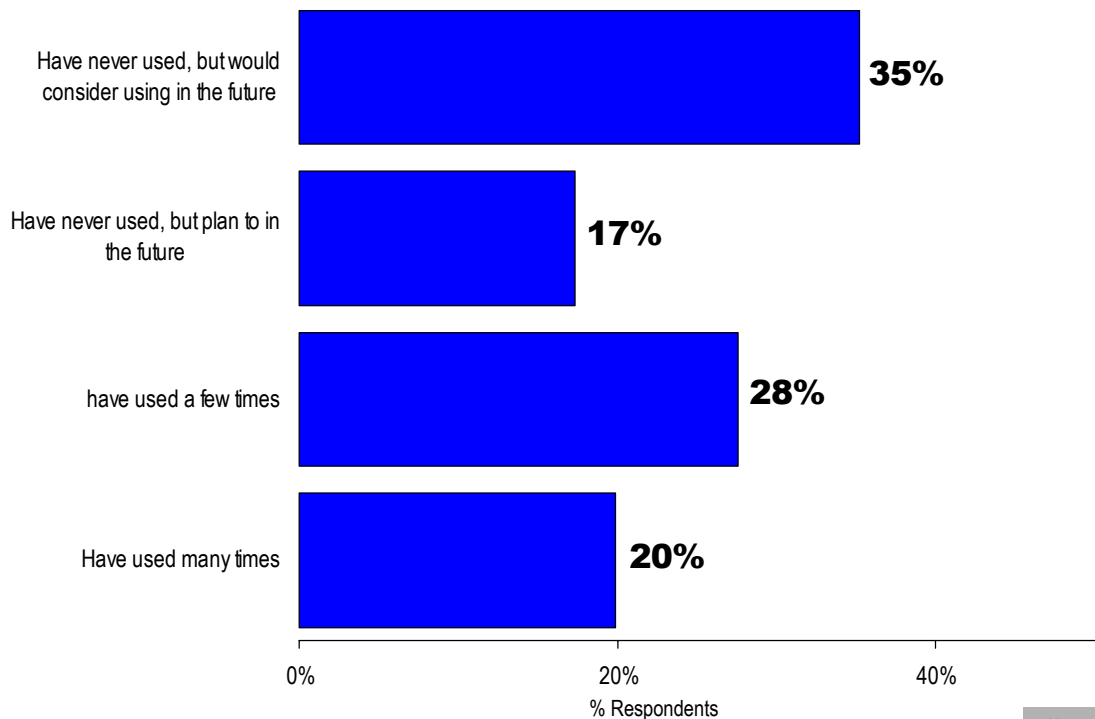
TAP Survey Executive Summary: Hotspots (June 2005)

Hotspot usage is on the rise. One of the key concerns with the hotspot market over the past several years was whether there was a large enough audience of potential users for this service. While usage has increased over the past several years, there seems to be a more marked jump in usage this year. Many players report double digit usage growth month to month, and providers that have been very guarded on usage rates, such as T-Mobile, are now releasing information, which signals a positive shift in usage. This sudden trend in increased usage is largely a North American phenomenon, as Asia Pacific usage has always been fairly robust, and Europe continues to have lower usage rates (often associated with the higher cost of access in that region).

Current and Anticipated Usage

According to the Q2 2005 In-Stat Hotspot End-User Survey, nearly half of the 579 respondents use or have used hotspot services. Furthermore, 20 percent of respondents use these services frequently. While still slightly over half of the market has not used hotspots in the past, all respondents at least might consider using the service, with 17 percent indicating strong intent to do so.

Figure 1. In-Stat Survey Respondent's Use of Hotspot Services



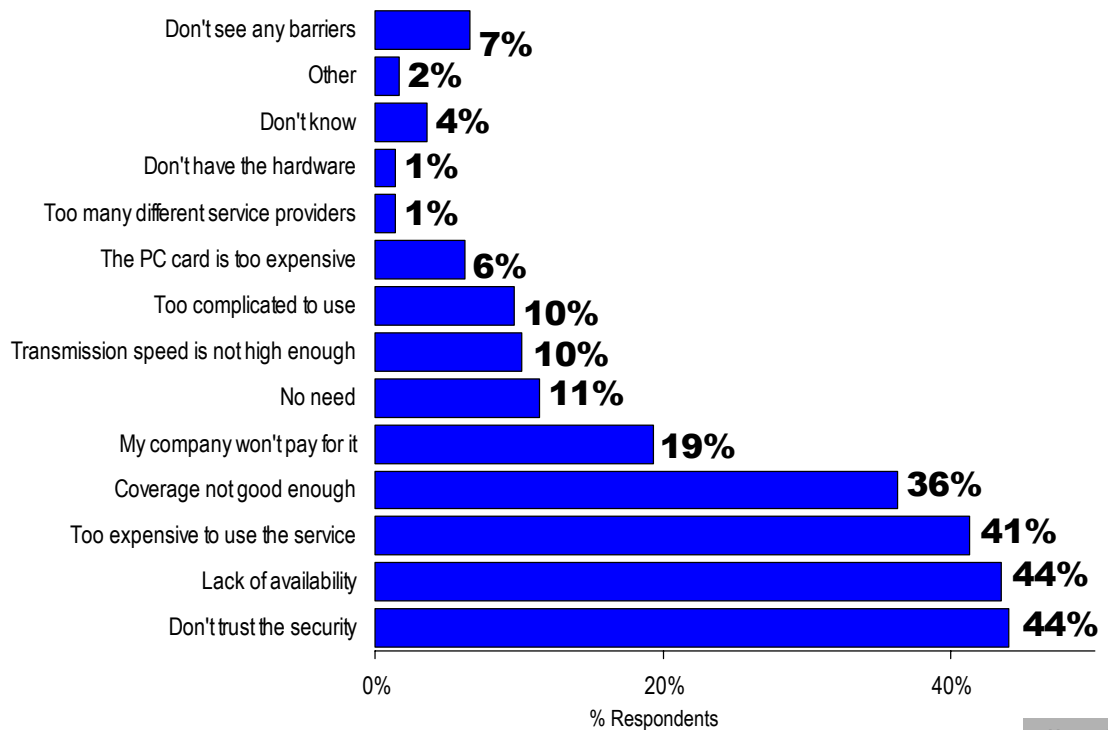
Source: In-Stat, 7/05

N = 579

Why Not: Barriers to Usage

Security has always been a concern in the hotspot market, and according to In-Stat's latest research, continues to be a significant issue for potential users. Respondents to In-Stat's survey indicated that security was the top reason for potentially not using hotspots. Nearly half of respondents had a lack of trust in hotspot security. However, availability and expense were similarly as prohibitive of usage, suggesting that security is a concern, but it is not necessarily stopping people from using these networks.

Figure 2. What are the Barriers to Hotspot Usage



Availability and expense at the top of the barrier list present a challenge for the future of the hotspot market. If users want more access locations, providers will need to continue to invest in network build-out. However, for providers to recover the expense of such a build-out, access fees will need to remain at current levels. However, if the expense of the service is a barrier to use, this could present a significant challenge to the hotspot market going forward.

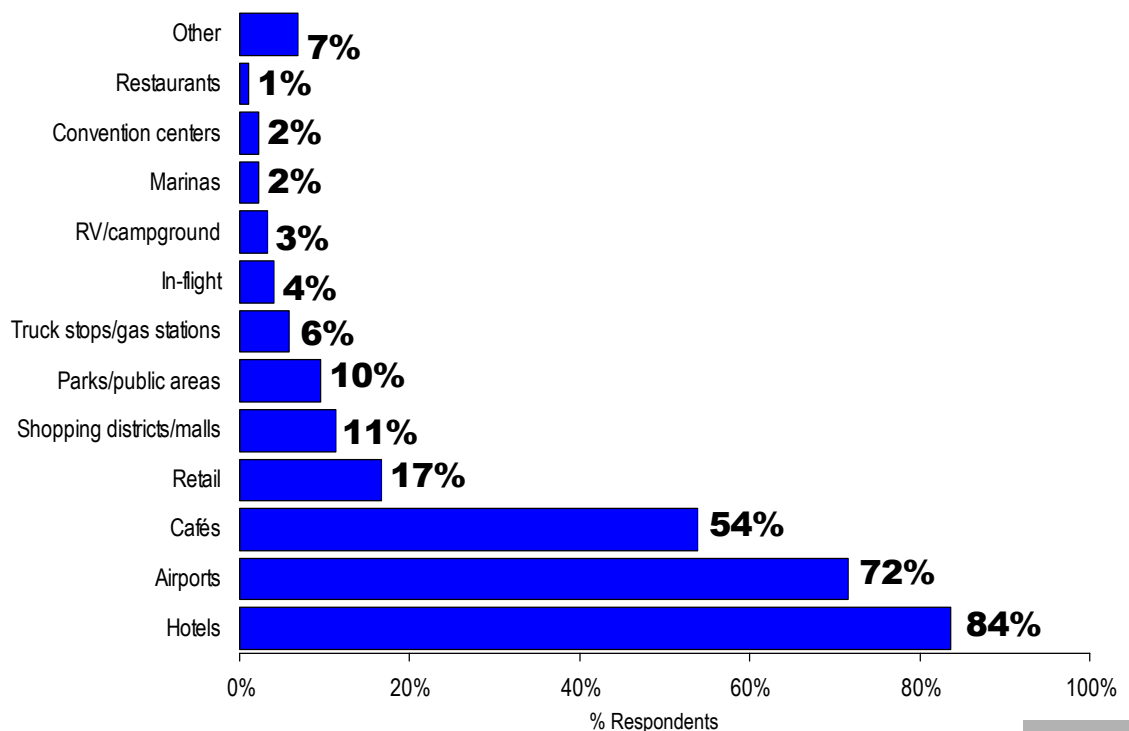
Survey results did indicate that technological barriers were a less significant concern to the market. From dissatisfaction with connection rates, to concern over complicated usage, to not having the appropriate hardware, less than ten percent indicated such barriers prevented use. Thus, according to survey results, the barriers that providers must address continue to be security, followed by coverage and costs.

Where Are Users Accessing?

Hotspots initially were focused on a relatively few types of locations, but have since spread to numerous types of environments. Hotspots can be found everywhere from RV parks to airports. However, just because the service is available in lots of locations, doesn't mean that each location type is equally attractive or will receive the same degree of traffic.

According to In-Stat survey results, the original three venue types--hotels, airports, and cafés--continue to be the most attractive locations. Of the 275 respondents that had used hotspots, hotels and airports were by far the most commonly used. These are the locations that appeal most to business travelers that wish to stay connected while away from the office.

Figure 3. Top Locations for Hotspot Access

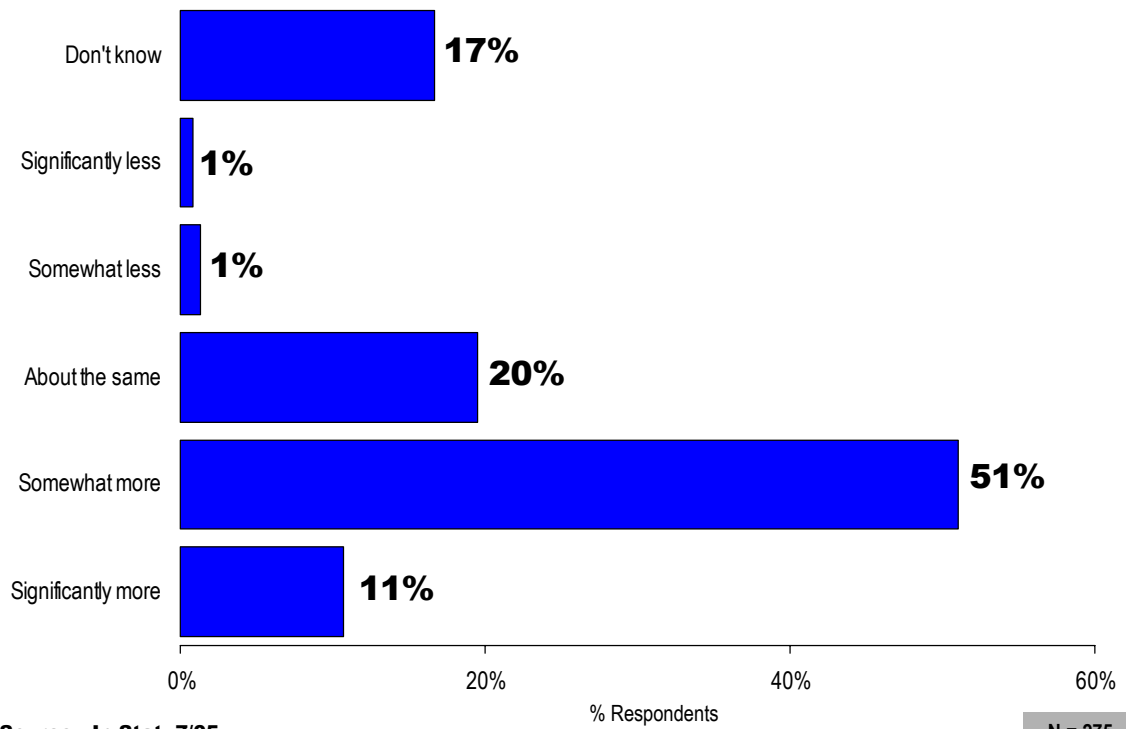


Cafés also had a significant usage rate of over 50 percent, but were still perceivably less used than airports and hotels. Cafés tend not to be quite as conducive an environment for laptop access, as they are often crowded, and the visitor tends to spend a relatively short period of time at the venue. Nevertheless, hotspot usage at cafés is on the rise, which In-Stat attributes to increased user awareness of the service. There is a growing expectation that hotspot service will be available at cafés, and thus more people are visiting with the intention of using the hotspot service. Nouveau venue types, such as truck stops or campgrounds still have a relatively low incidence of usage among respondents.

Future Plans For Hotspot Usage

The future for hotspot usage looks bright. Service providers have reported significant increases in usage over the past year, and according to In-Stat survey results, that trend is likely to continue. Nearly two-thirds of survey respondents that have used hotspots indicated plans to use the services more in the future. While 20 percent anticipated using the service at about the same level as they currently do, only 2 percent had plans to use the service less. This is a good indication of continued healthy growth in usage. While usage is expected to grow, it is possible that some of this growth in usage will be in the free access venues that are appearing, rather in the for fee locations.

Figure 4. Future Plans for Hotspot Usage



Source: In-Stat, 7/05

N = 275