

Warning: Early-Adopters Have Lukewarm Response to Multimedia Handsets

Executive Summary

The cellular phone industry has been abuzz this year with the promise of music and television services. The hype machine reached full throttle during recent industry trade shows such as CES, 3GSM, CeBIT, and CTIA.

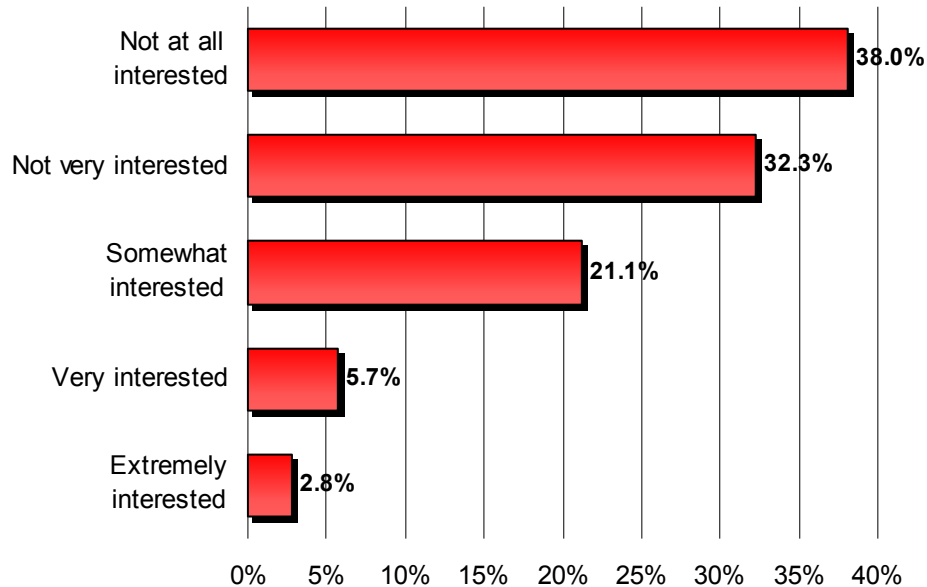
But what do end-users think about music-centric and TV-centric cell phones? A recent survey of In-Stat's Technology Adoption Panel (TAP) members revealed a lukewarm response to these multimedia handsets. Here are some opinions from these savvy early-adopters:

- Fewer than 9% were very or extremely interested in buying a cell phone capable of playing MP3 or other music file formats
- Less than 11% were very or extremely interested in broadcast TV functionality
- Most would prefer to transfer music files from PCs via a USB cable rather than over the air from carriers
- Fewer than 12% were very or extremely interested in Video On Demand (VOD) services, such as Verizon Wireless's VCast
- Very few (below 9%) wanted FM radio capabilities on their cell phones
- The largest group (31.8%) preferred a pay-per-song or video clip scheme over other methods

The result: cell phone manufacturers, carriers and content providers face serious challenges in convincing these end-users of the benefits of music- or video-centric phones.

Figure 1. Just 8.5% of respondents said they were very or extremely interested in buying a cell phone with the capability of playing MP3 or other music files

How interested would you be in purchasing a cellular phone with the ability to play MP3 or other music files?



Source: In-Stat, 4/05

n = 610

Despite the doubts, the survey did reveal some positives from respondents:

- A willingness to spend a modest amount *more* for music or TV phones
- A willingness to pay more for storage
- A strong preference for news and weather content among those at least somewhat interested in buying a TV-enabled cell phone

Though these results are not representative of the total US population, they do offer some early guidance for the stakeholders – handset manufacturers, carriers and content providers – in the mobile multimedia value chain.

Methodology For Data Collection

Technology Adoption Panel (TAP)

- The Technology Adoption Panel (TAP, and also called Wireless Panel): Those identified as using cellular phones were e-mailed invitations to participate in a Web-based survey from March 22 through March 29, 2005.
- The invitation contained a link to the online survey, so that members interested in participating could click on the link and be taken directly to the survey.
- Responses from 694 people were completed.
- The TAP is comprised of more early-adopters and tech-savvy people than the general US population. Panel members were recruited originally as business end-users and decision makers, but most have indicated that they are also willing to be surveyed as consumers.
- NOTE: The panel is *not* fully representative of consumers in the US; some key differences are: most members of the panel (and respondents to this survey) are men, and they tend to have higher levels of education and household incomes than the average US consumer. Despite this, their opinions are valuable as a directional guide to the wireless cellular phone industry.
- If you are interested in joining the Technology Adoption Panel and/or learning more about it, please go to <http://www.instat.com/panels>.