

Executive Summary: Wi-Fi Phones

To gain a better understanding about the market for Wi-Fi Phones, In-Stat conducted an online survey among members of its Technology Adoption Panel (TAP) on the topic. The two different types of Wi-Fi phones are basic Wi-Fi handsets and the emerging category of Wi-Fi personal communication devices. The survey resulted in 1,174 total respondents, with 28 disqualified immediately for not utilizing a cellular phone for personal (i.e. non-business) use, and another 249 respondents disqualified for being unfamiliar with what VoIP services are and the communication capabilities that they can enable. This left a base of 897 respondents, all utilizing a cellular handset for personal use and having a basic familiarity with VoIP services.

Key Findings of the Survey

General Interest in Wi-Fi Phones

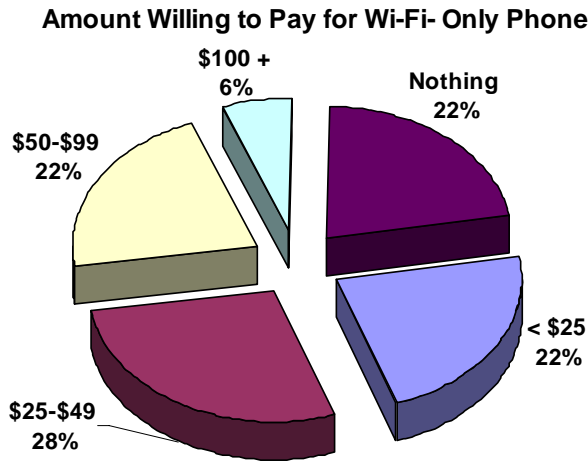
While consumer awareness and use of Wi-Fi as a broadband data technology is quite high, it is much lower for voice over Wi-Fi. Although Wi-Fi-Only handsets have been on the market for about three years, the uptake has been extremely limited. This survey provided insight into consumers' thoughts around Wi-Fi phones.

Out of the base of 897 respondents, 21 percent indicated a definite interest in using a Wi-Fi-Only phone, with 55 percent indicating that they were "maybe" interested in using a Wi-Fi-Only phone. Interestingly enough, only 24% of respondents indicated that they had absolutely no interest in using a Wi-Fi-Only phone. Respondents with no interest indicated that they were happy with their cellular phone, and didn't need another mobile phone device.

Optimal Pricing

Respondents were quite clear in their reluctance to pay more than \$100 for a Wi-Fi phone. In fact, among survey respondents with at least some interest in using a Wi-Fi-Only phone, only 6 percent indicated they would be willing to pay more than \$100, with 50 percent indicating that they would be willing to pay less than \$50, and another 22 percent saying they would be willing to pay nothing for such a device. In-Stat believes that this expectation of getting a handset device for no charge is rooted in the increasing situation where consumers get cellular handsets for "nothing," in exchange for an uptake or renewal of a cellular service agreement. Respondents here indicated that they expected that the VoIP service provider, for example Vonage or Skype, would provide the Wi-Fi phone for free with an uptake or renewal of a VoIP service plan.

Figure 1. Amount Respondents Willing to Pay for Wi-Fi-Only Phones



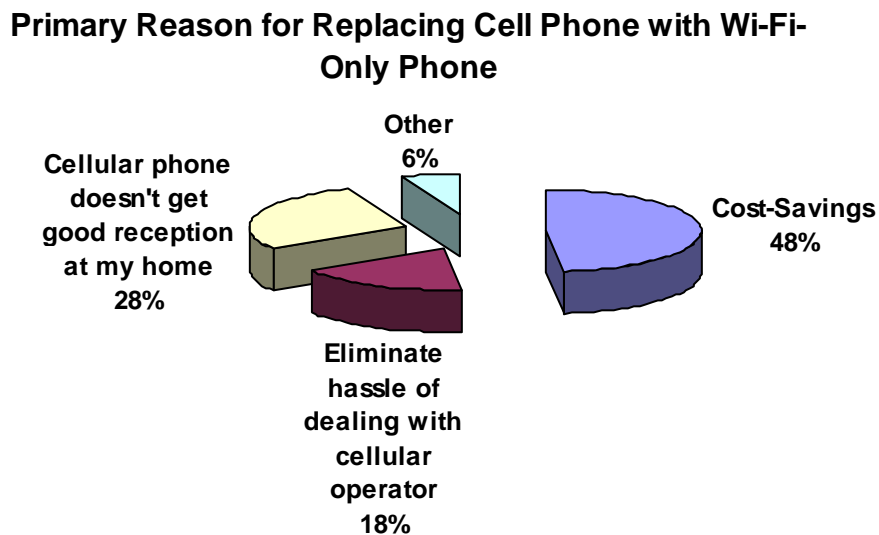
Source: In-Stat, 12/06

n=683

Cellular Handset Replacement

54 percent of respondents indicated an interest in replacing their cellular handset with a Wi-Fi-Only phone, with the remainder indicating that they would have a Wi-Fi-Only phone only IN ADDITION to their cellular handset. Primary reasons for wanting to replace their cellular phone with a Wi-Fi-Only phone were overall cost-savings, poor cellular phone reception in the respondents' homes, and the ability to eliminate having to deal with a cellular service provider.

Figure 2. Top Reasons for Replacing Cellular Phone with a Wi-Fi-Only Phone



Source: In-Stat, 12/06

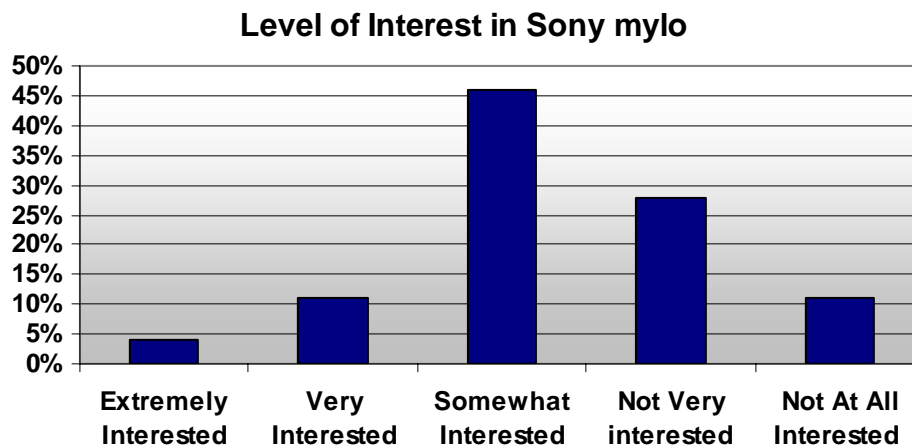
n=363

The overwhelming reason why respondents did want to replace their cellular phone with a Wi-Fi phone was Wi-Fi's limited range compared to cellular's fairly ubiquitous coverage, with the secondary reason being a concern with Wi-Fi Quality of Service (QoS) issues.

Wi-Fi Personal Communication Devices

Survey results indicated only a mild interest in Wi-Fi personal communication devices, i.e. those devices, like the Sony mylo, which offer Voice over Wi-Fi along with advanced features such as a web browser, additional storage for music and videos, support for IM, etc.

Figure 3. Level of Interest in Sony mylo



Source: In-Stat, 12/06

n=897

However, those respondents with at least a mild interest in the Sony mylo device indicated that they would be willing to pay a higher price for such a device, compared to a basic Wi-Fi-Only phone. Almost 30 percent of respondents indicated that they would be willing to pay between \$100 to \$200 for such a device, with more than 35 percent saying they would be willing to pay between \$50 and \$99. This was, perhaps, the most interesting finding of the survey, i.e. that respondents perceive a difference between a standard Wi-Fi-Only phone, and a Wi-Fi personal communication device, which can function as more of a crossover portable Internet tablet and a portable media player, with the ability to support a VoIP call wirelessly.