

# Nimble, Secure and Plentiful: The Big Trends for Cell Phones, 2006-2011

## Executive Summary

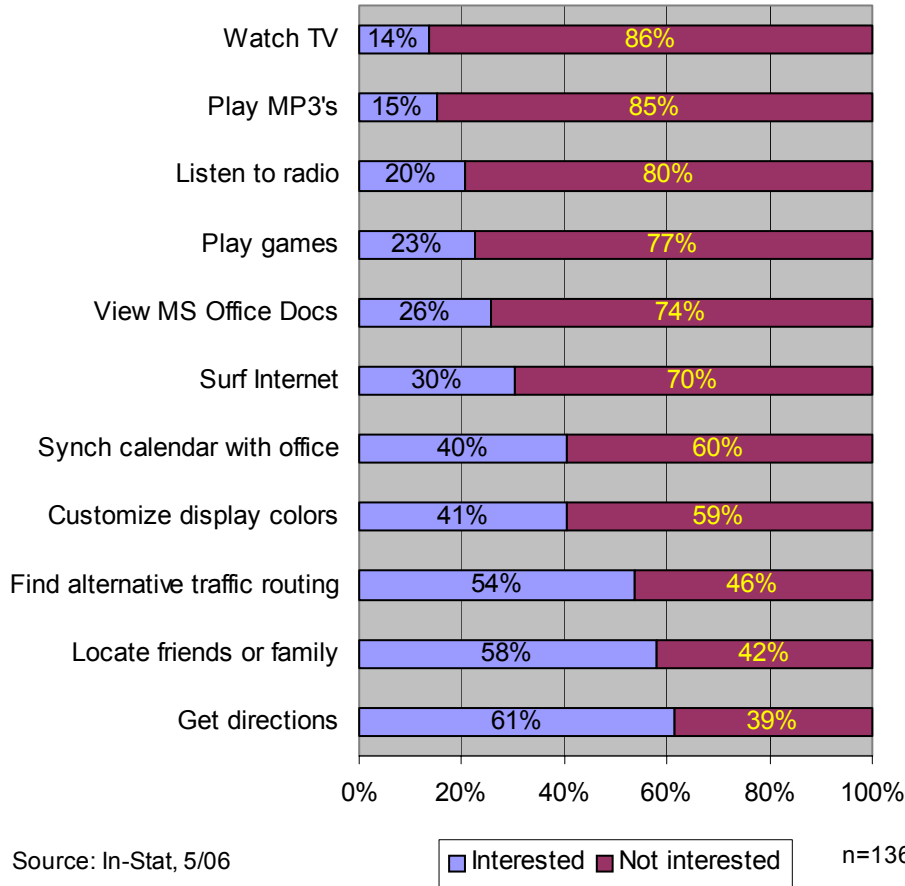
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To anticipate the big trends over the next five years, it is essential too look at the status of wireless phones five years ago and where things stand now. In 2001, no wireless phones incorporated digital cameras or camcorder, could receive email, play music or video, or surf the Internet. Nextel offered Push-To-Talk with its Direct Connect service and there were a few rudimentary games on some higher end phones. Otherwise, wireless phones were very basic by current standards.

In 2006, the majority of wireless phones sold worldwide incorporate at least one advanced feature. Competition among phone manufacturers is primarily based upon a race to add additional features within accepted price ranges.

In-Stat surveyed over 1300 individuals from our Technology Adoption Panel to get a sense of where consumer sentiment is today. Very few users, less than 5%, do not use at least one of the technological innovations introduced in the past five years. Perhaps not surprisingly, many have absorbed these recent advancements and consider these innovations to be a part of a “basic phone.” Figure 1 shows the features that the respondents who said they just want a “basic phone” would be interested in it having.

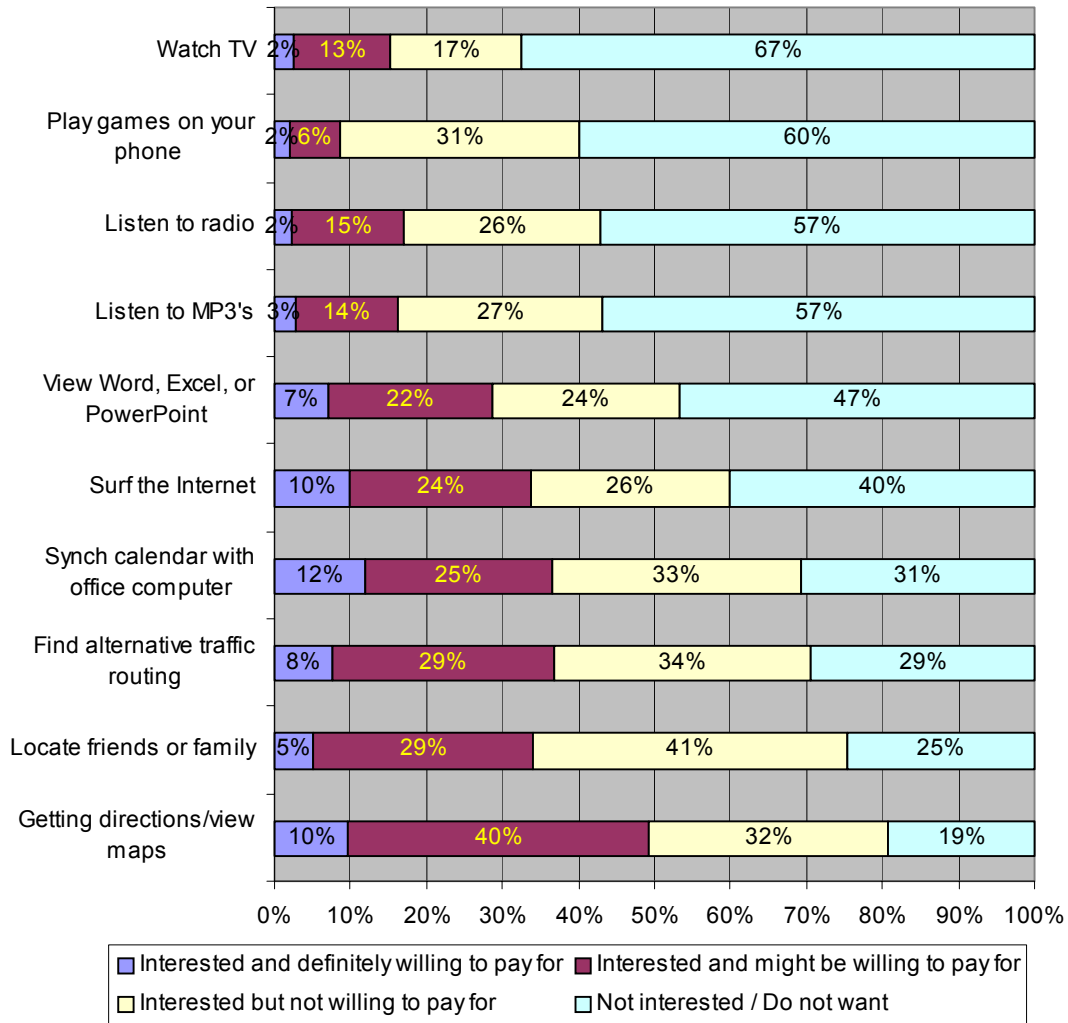
**Figure 1. Interest in Advanced Features among Respondents Wanting a “Basic Phone”**



Looking forward, the cell phones of the future will incorporate features in a combination of what the value chain needs to support its business, what end-users want, and what the different players need as the environment changes. The value chain, which consists of the manufacturer, a distributor, the wireless carrier, and, in about 25% of the respondents, the employer of the end-user, need an ongoing stream of innovation and consumers open to new features. This appears to be the case in spite of some warnings that the wireless phone market will soon be “saturated.”

The end-users wants are more enigmatic. Figure 2 shows that there is little interest in multimedia capabilities while there is significant interest in location services.

**Figure 2. Interest in Services among Survey Respondents**



Source: In-Stat, 5/06

n=1363

The big trends over the next five years include the following:

- Growth in the Use of Defined Application Platforms** - Demand for high functionality SmartPhone will increase among consumers. In addition, manufacturers will find it economical to offer feature phones that stealthily incorporate a phone Operating System and commercial applications as a way to quickly and easily add new combinations of capabilities into the market.
- Greater Company Involvement in Wireless** - Organizations continue to treat wireless service as if it were an employee benefit. As companies add more business applications to the devices they provide their employees, there will be a cultural shift away from wireless phones as a “yuppie toy” and the recognition of its role as a productivity tool.

- **Adoption of Wireless Phones as a Mobile Wallet**-The practicality of using a wireless phone in monetary transactions will overcome whatever consumer resistance exists to this application.

- **Automated Worldwide Searches of the Worldwide Web**-Widespread adoption of Internet surfing from wireless phones will come with the use of more intelligent entry options.

- **Beefier Security**-To make these trends a reality, wireless phones will incorporate biometric security. This will make sure that the information that is accessible on and through a wireless phone is safe. Wireless phones will also become better integrated into the public safety call-taking system, making us all safer.

- **Ascent of Specialized Phones for MVNO's**-Highly targeted MVNO's will work with manufacturers to develop wireless phones that are much more differentiated than the general purpose phones marketed by carriers.

- **Devices Ownership Will Exceed 100%**-It will become more common for users to carry multiple devices that incorporate wireless technology. In addition, as value-added data service will overtake the revenues from voice services, the industry will recognize that believing that one phone per person equates to market saturation.

When society looks back on 2006 when it is 2011, it will be parallel to looking back to society looking at the days of Microsoft DOS. The wireless phone user will struggle to imagine that the primary security protection for a phone was the plastic clasp attaching it to the belt of the user. He or she will forget that there was not as much information available on the device, nor was it as useful.