

Wireless Panel Summary

September/October Survey: Push-to-Talk

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The Outlook for Push-to-Talk in the US Market

At the end of 2003, many US cellular companies were extending their capabilities and reach, in an effort to compete better with Nextel. For years, Nextel has been the “other” carrier – different, because its service did not run over the standard CDMA, TDMA or GSM networks that the other cellular carriers had selected. Different, because its roots were in Specialized Mobile Radio (SMR) technology – the type used by taxicabs and other local, mobile operators. (Nextel’s network is based on Integrated Digital Enhanced Network (iDEN) technology, developed by Motorola.)

The fact that Nextel was different gave it a strong competitive edge. For about a decade, its network technology allowed it to, essentially, define and drive the “Push-to-Talk” walkie-talkie service-like market, where no other cellular operator competed. As a result of some very keen research and marketing efforts, it placed a strong lock on the market, especially for blue-collar workers who wanted to get in touch with individual employees at a moment’s notice, and to also be able to get in touch with them all at once, if it wished. In this case, “different,” also meant that Nextel was able to extract a higher Average Revenue Per User (ARPU) out of its customer base than any other carrier could. Nextel offers its Push-to-Talk (P2T) DirectConnect service, initially on a local level, and now on a national basis. It also offers GroupConnect, for connecting up to 25 people all at the same time.

Technology finally became available over the past year that allows cellular providers to enter into the P2T market. Today, Verizon Wireless offers its Push-to-Talk service, Sprint has its PCS ReadyLink service, and Alltel now offers Touch2Talk. Most recently, a few European providers have also announced intentions to launch these services overseas. Most of these P2T solutions are based on Voice Over IP (VoIP) technology. Although cellular carriers are now able to offer P2T, VoIP-based services have some disadvantages over Nextel’s services. Most notably, and although hotly debated, the primary disadvantage of VoIP-based services is the latency, or delay in connecting and completing the push-to-talk session.

This study does not illustrate unanimous support for P2T. About 8% of the panelists say they use it today, and of those respondents not currently using the service, half express interest in using P2T in the future. The research shows that current P2T subscribers primarily use the service for work purposes, and that personal communication is secondary. In contrast, respondents who are interested in using the service think they would use it more for personal reasons than for business reasons.

Wireless service providers new to offering P2T may want to go after a different user base than the one that Nextel currently controls, as current user satisfaction is extremely high and it will probably be difficult to lure Nextel's customers away. The one factor current users express less satisfaction with is price, and this represents an area where other providers can compete.

Wireless carriers must keep in mind that respondents' willingness-to-pay for the service is not high – on average, people who are interested in using the service would pay \$6.58 per month to get it. While the potential P2T revenue per user might be low due to this type of price point, the sheer volume of users that are attracted by it may make up for the lower individual revenue.

Although P2T can enable group communication, Current subscribers primarily use their P2T service for communicating with one person only. While more planned users anticipate group communication than current users, one-to-one communication will still represent the majority of their usage as well.

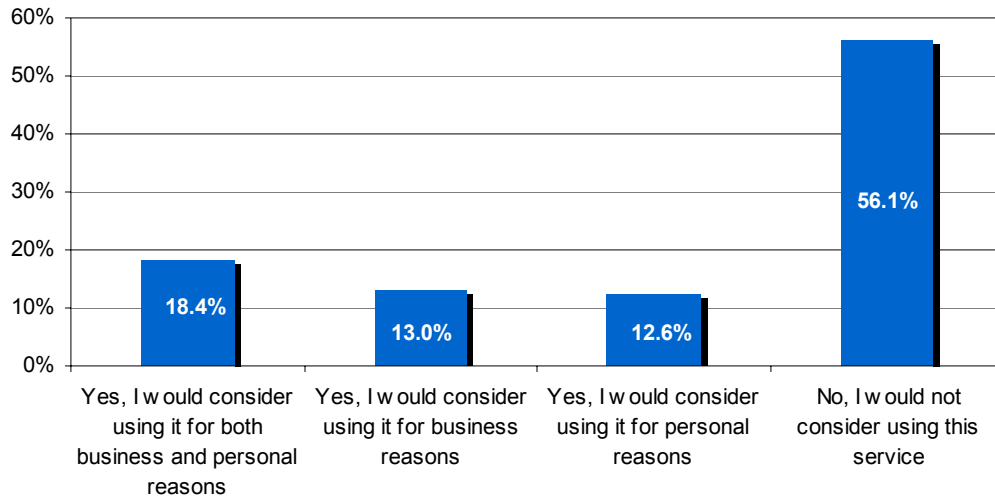
Usage patterns of current walkie-talkie users may be indicative of potential P2T usage. Current walkie-talkie owners use these devices primarily for personal reasons, in consumer venues such as amusement parks, the beach, and around their home. Cellular phones will likely not replace walkie-talkie usage altogether.

About the Panel

In-Stat/MDR's Technology Adoption Panel (TAP) is a dynamic online group of thousands of technology users and decision-makers interested in contributing opinions and insights about technology usage and issues in the workplace. The panel is recruited from many different sources and is comprised of a diverse group, representing a wide range of company sizes, industries, and expertise.

Data for this report was collected via a brief Internet survey. Participants — members of In-Stat/MDR's Technology Adoption Panel — were e-mailed an invitation to participate in a Web-based survey conducted from September 29th – October 3rd, 2003. Responses from 371 people are included in this research. If you are interested in joining the Technology Adoption Panel and/or learning more about it, please go to <http://www.instat.com/panels>.

Would you consider using a “Push to Talk” service, where you push a button on your cellular phone, like a walkie-talkie, and use the device to talk to one person, or a pre-determined group of people all at the same time?



Source: In-Stat/MDR's Wireless Panel, 1/04

n=239 who do not use P2T