



Mobile Web Watch 2013: The New Persuaders

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How communication service providers can ride the convergence wave to fulfill consumers' need for control over their communication and entertainment needs

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Communications Service Providers (CSPs) are operating on a new frontier—one in which a voracious subscriber appetite for data is rapidly replacing voice traffic, and connectivity is becoming commoditized despite innovation. It is a frontier in which über-connected consumers are expressing a desire for immediacy and for greater control of their digital communication and entertainment options. It is one in which many CSPs need to change their mobile strategy and align operations against a new plan. Certainly in this new space, CSPs face many challenges. But Accenture's Mobile Web Watch 2013 shows there are also exciting opportunities as CSPs redefine their role in the communications value chain.

As pressure on their core voice business mounts and with billions of dollars being poured into improving network infrastructure, Communications Service Providers are faced with four fundamental questions:

- Are customers willing to pay more for better connectivity?
- Will migration to Internet calls make traditional voice calls defunct and accelerate the transition to new business models for CSPs?
- Who will own the customer in the future?
- What is the demand for new services such as mobile payments, personal cloud, location-based advertising and augmented reality?

An extensive Accenture survey of 30,900 mobile consumers in 26 countries helps answer those questions (see sidebar "About the Survey"), including some interesting parallels among consumers in mature and emerging markets.

To remain relevant, Communications Service Providers must build on their strengths. For some that may be network optimization. For many it will be strengthening their customer focus by leveraging customer ownership and distribution muscle to become an integrated digital services provider across platforms and mobile devices. This new breed of persuasive CSPs will convince their customers that they can give them more freedom while serving as the hub to meet their communication and entertainment needs.

This Mobile Web Watch report distills the preferences of consumers into insights for CSPs as they steer through the tectonic shifts taking place in the competitive landscape in mobility.

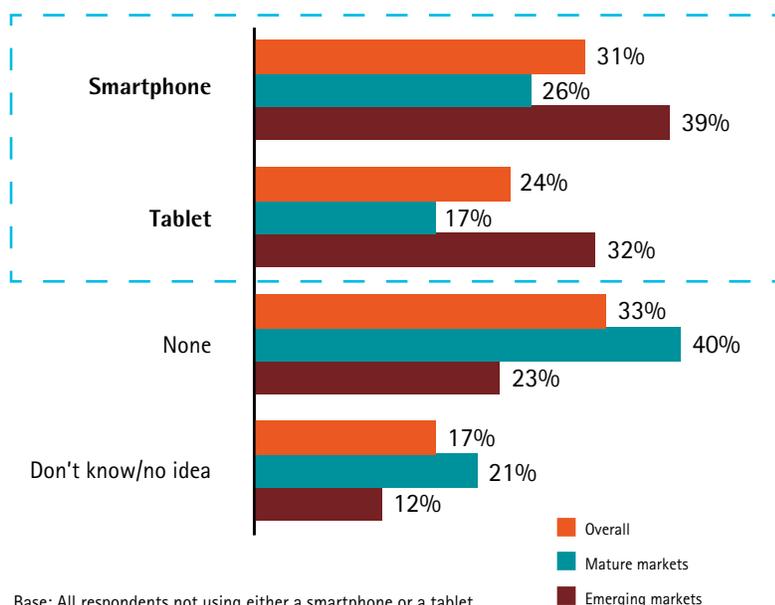
The New Frontier

There is a rapid migration occurring in the communications industry. Growth of voice revenues has plateaued as CSPs face steadily declining demand for their traditional voice services.¹ Voice revenues are declining in several mature markets, particularly in Western Europe. In fact,

growth in voice revenues is seen only in emerging markets.

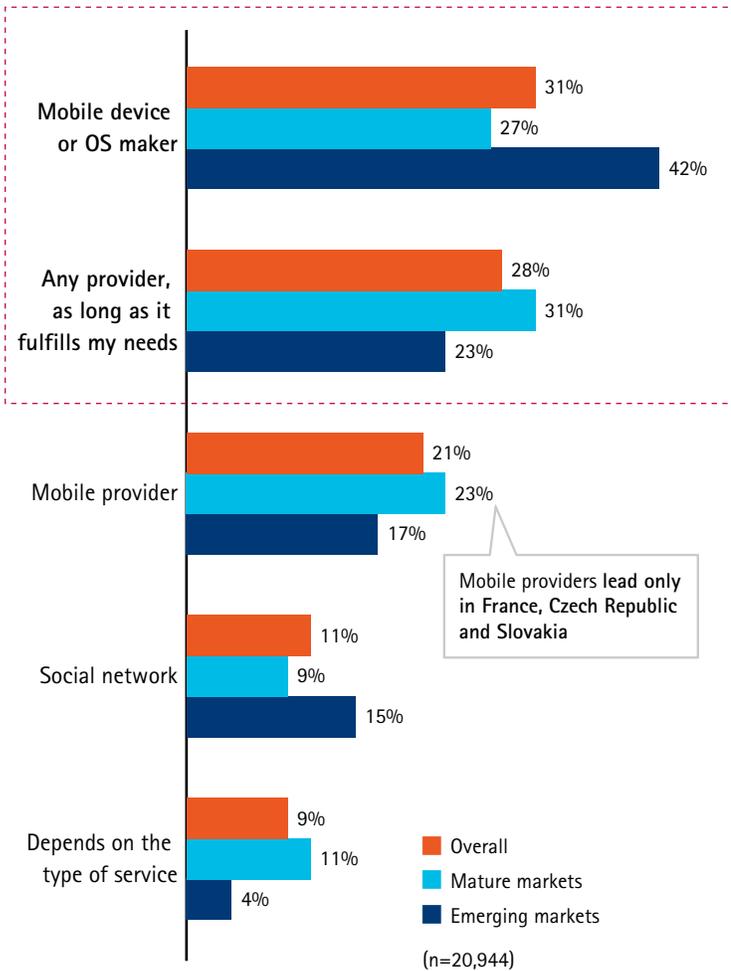
At the same time, demand for data services is exploding, thanks to the growing popularity of smartphones and the larger footprint of mobile Internet services. This year's survey shows smartphone ownership growing rapidly, with almost a third of respondents who don't currently own a smartphone indicating they intend to buy one in the next 12 months (Figure 1). Intent to buy a smartphone is even higher in emerging markets where 39 percent of consumers who don't currently own a

Figure 1: Intent to buy a mobile device in the next 12 months



Base: All respondents not using either a smartphone or a tablet (n=9,956, 4,217 in Emerging and 5,739 in Mature countries)

Figure 2: Preferred provider of all communication needs



smartphone expect to purchase one in the next year. Use of tablets should also grow rapidly with one-fourth of respondents who don't own one intending to buy a tablet in the next 12 months.

While CSPs work to maintain voice revenues, the rapid rise in data volumes is forcing them to invest heavily in Fourth Generation (4G) wireless networks to better manage changing traffic patterns and ensure quality of service. An increasing number of CSPs are investing in next-generation LTE technology in a continued attempt to slow the commoditization of connectivity.

Adding further complexity for CSPs in this new frontier is consumer desire for greater freedom in how they fulfill their

communication needs. Über-connected consumers want a wide range of services and don't necessarily care where they come from—especially in emerging markets.

A majority of mobile Internet users prefer device makers over their mobile provider as their unified provider of communication needs (Figure 2). Mobile providers actually rank third in preference. This bias is exceptionally strong in emerging markets, where more than 40 percent of mobile Internet users prefer mobile device or OS makers to fulfill all their communication needs, compared to only 17 percent who prefer the mobile provider. The preference for device makers is especially evident with some device brands. For example, 40 percent of Apple owners prefer all communications needs to be met by Apple, compared to

an overall average of 31 percent. In some markets, particularly Brazil and Turkey, mobile Internet users actually prefer their social network over their mobile provider to provide their communications needs.

Perhaps most notable is that nearly a third of mobile Internet users express no preference for what type of provider meets their needs as long as they are met. Twenty-eight percent indicate they don't care what type of provider it is as long as it fulfills their unified communications needs. This is especially true in mature markets more so than emerging markets.

This leaves Communications Service Providers in a nebulous place. With smartphones in hand and device makers and over-the-top players providing them with a myriad of apps, consumers no longer feel compelled to buy from the mobile provider or remain loyal to the mobile provider's brand. At the same time they assume the network that enables their communications and entertainment access will always be there and keep pace with their need for speed. CSPs are caught in the crosshairs of having to make significant infrastructure investments while battling for the wallet of the elusive consumer.

Opportunities for Persuasion on the New Frontier

Despite these challenges, our research shows there are exciting opportunities in front of CSPs. Mobile Internet users indicate that network speed, digital services and mobile payment capabilities are all areas where CSPs can persuade them to invest.

Network Speed

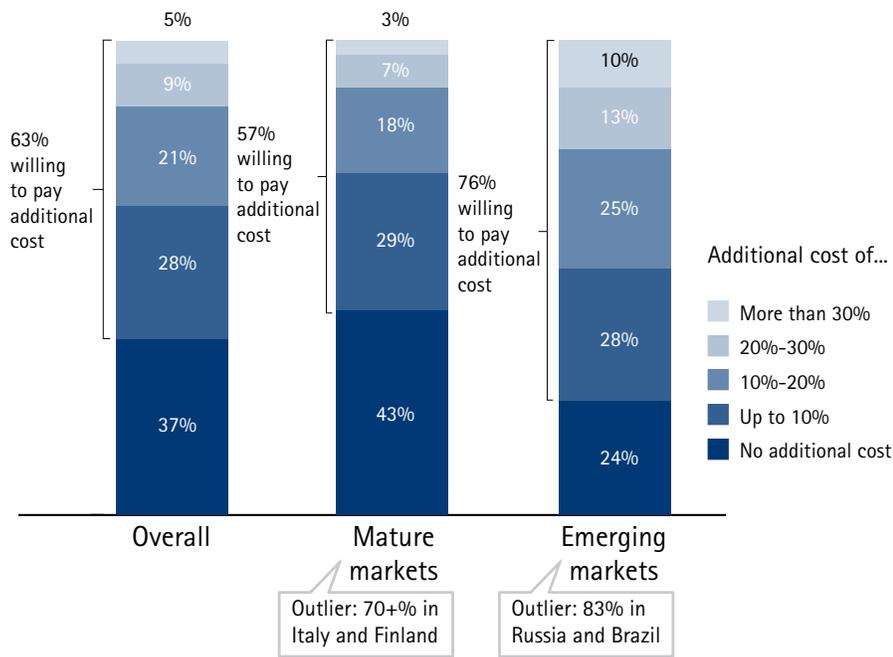
First and foremost, speed matters and mobile Internet users are willing to pay more for faster Internet connections. The speed of mobile Internet connection is important to 97 percent of users of mobile Internet, and the importance of speed does not depend on the consumer's preferred means of connection (3G, 4G or Wi-Fi).



Did You Know?

- Social media dominate the online communication of younger generations (ages 14-39): 40 percent use them at least daily, more than instant messaging (35 percent) and e-mail (30 percent).
- One-third of tablet owners use social networks several times a day.
- Forty-six percent of mobile search users prefer results based on their current location, rather than their online profile (preferred by 10 percent).
- Typing keywords in a text box is still the most preferred method for mobile Internet search. It is preferred by 63 percent of respondents.
- Forty-four percent of mobile Internet users access smartphone banking at least weekly; 9 percent do so daily.
- One in three people in emerging markets does not own a tablet but intends to buy one within the next year.
- Banks are most trusted with protecting personal information (57 percent trust them), while social networks are the least trusted (4 percent trust them).
- A key barrier to adoption of cloud is customers' perceived lack of need (46 percent), not security concerns (20 percent).

Figure 3: Acceptable additional cost for 4G mobile Internet



Base: All respondents using 3G broadband Internet or lower (n=15,690)

Overall, 63 percent of the consumers using 3G broadband or lower for their mobile Internet connection are willing to pay more for faster connectivity (Figure 3). While 28 percent will pay up to 10 percent more, 35 percent will pay an increase of more than 10 percent. In emerging markets, three in four mobile Internet users are willing to pay more for faster mobile Internet connections.

The predisposition to pay more for faster connections is lower in mature markets, but still more than half of mobile Internet users (58 percent) indicate a willingness to pay.

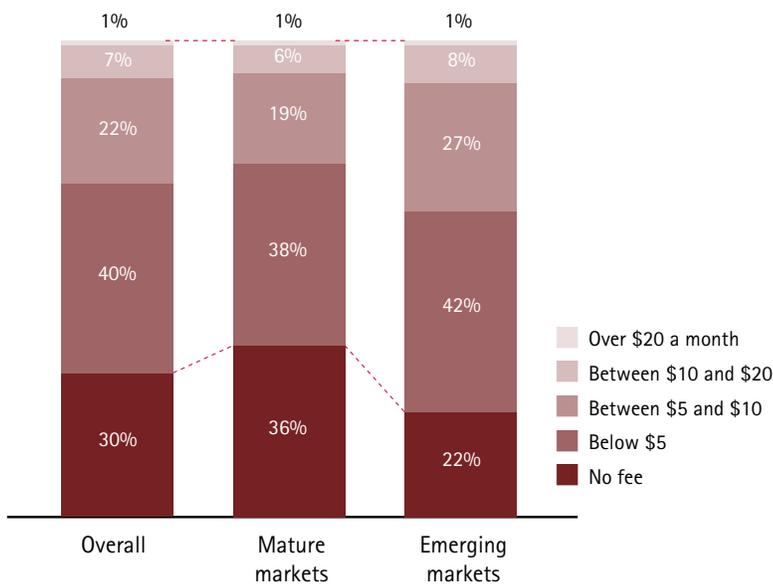
Digital Offerings

Consumers want a wide array of digital offerings, and if the offer intrigues them, they will grab it from a mobile provider, device maker or other provider. CSPs have the opportunity to expand aggressively to provide a larger breadth of digital offerings that meet specific consumer needs. Areas that show promise from our survey include cloud services and location-based offers.

Cloud services may be used by up to 70 percent of mobile Internet users in the near future. While 30 percent report already using cloud services, 21 percent plan to use a cloud service in the next 12 months, and an additional 18 percent are interested. This is significantly more consumer interest than in 2012, when 18 percent of mobile Internet users reported using cloud services and 21 percent were planning to use them or interested. Emerging markets specifically show huge potential for growth in use of cloud services, with 81 percent of consumers either using them or interested in doing so.

The research also shows that consumers are willing to pay for cloud-based storage, online backup, sharing and collaboration services. In emerging markets, more than three-quarters of respondents interested in cloud services are willing to pay for them (Figure 4); 36 percent are willing to pay at least five dollars per month. Consumers in mature markets are slightly less enthusiastic. Twenty-six percent are willing to pay more than five dollars, but 36 percent want cloud services for free.

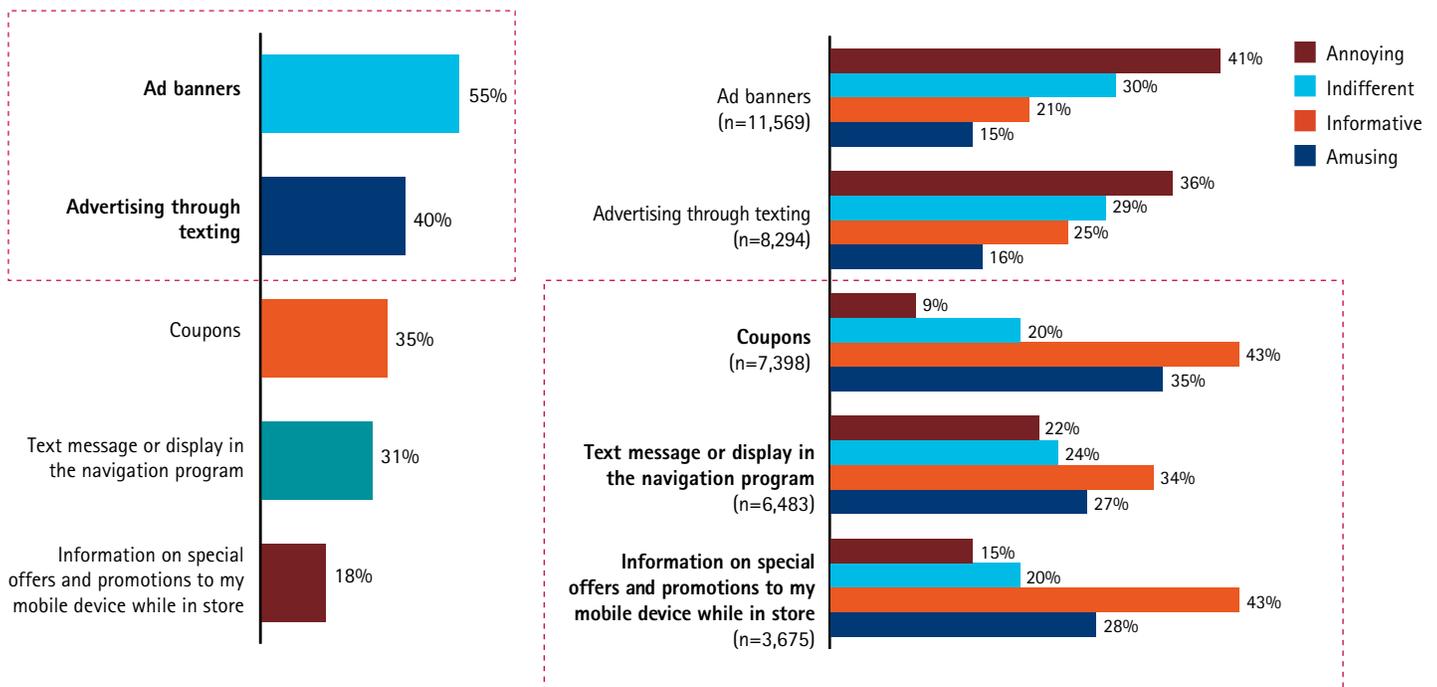
Figure 4: Willingness to pay for cloud/data storage services



Base: All respondents interested in cloud/data storage services (n=7,668)

Figure 5:
Distribution of mobile advertisement types...

...and their perceptions by customers



Base: All respondents using a smartphone/tablet to access to Internet (n=20,944); for individual types of advertisement (n=see charts)

The good news for CSPs is that when it comes to cloud services, customers' preferred providers are their mobile service providers. Almost one-half of people using or interested in cloud services would want their mobile provider to offer such a service, even more so in emerging markets. Device makers ranked second (but significantly lower), while specialized cloud providers ranked far behind. Big technology brands ranked just slightly behind device makers at third.

Again brand loyalty creates stickiness: Among Apple owners a greater percentage prefer the device maker to provide their personal cloud services, rather than their mobile service provider (47 percent prefer the device maker versus 44 percent prefer the carrier).

The high interest among consumers in cloud services indicates that it is both important to meeting consumer needs and a source of customer stickiness. CSPs will need a portfolio of offerings to achieve customer ownership. This could be one.

Location-based services are also becoming quite important to both consumers and advertisers. Among consumers who have access to the Internet via a smartphone or tablet, 72 percent are willing to disclose their location on their mobile device. Nearly half would do so when searching for information on nearby shops or similar facilities. Thirty-five percent would disclose their location for discounts or coupons from retailers in their local area.

As advertisers increasingly reach out to consumers on their mobile devices, 55 percent of mobile Internet users have encountered ad banners while accessing the Internet on their smartphone or tablet and 40 percent have received advertising through texting (Figure 5). Yet, these same consumers find banner and text advertising annoying. Seventy-one percent of those who have encountered ad banners are annoyed or indifferent about them; 65 percent of text advertising recipients are annoyed by it or indifferent. However, consumers hold a different view of location-based advertising. More than 70 percent of mobile Internet users who have

received information on special offers and promotions on their mobile device while in a store find it informative or amusing.

Location-based advertising that is relevant and timely, and preferably accompanied by coupons or discounts, is well received. The most effective mobile advertising targets consumers not only by customer profile but also by location. For example, U.S.-based Starbucks Coffee Company has aggressively utilized mobile advertising and social networking in the past few years as a way to promote new products and services and drive in-store revenue. In a recent campaign the company ran ads inside mobile sites for its new Verismo products.² As consumers clicked on the ads, they could read more information on the product while being shown the Starbucks closest to their current location, where they could see the product in person. Earlier in

2. "Starbucks leans on mobile advertising to drive online, in-store revenue for Verismo," Mobile Commerce Daily, October 31, 2012, <http://www.mobilecommercedaily.com/starbucks-leans-on-mobile-advertising-to-drive-online-in-store-revenue>.

Customers' New Ideas

Which additional functions or services would you like to have on your future mobile phone?

"I would like it if, when you get your morning call, the phone would check your physical condition, and then advise you on what kind of clothes to wear, based on the day's weather report and your schedule. (Just like you see in the movies)"

– South Korea

"Technology that would let you take your own photo, then show you in the clothes that you come across in shopping malls."

– South Korea

"Infrared temperature gauge as a thermometer... also another for blood pressure... and one for BMI... other than insulin and telecare meter integrated in an application with camera and voice."

– Spain

"Holographic video call service"

– China

"I don't really miss anything, but some cool functions, like an in-built projector would be nice. A really good built-in camera too (I miss that today)."

– China

"...a function where I can watch my home through mobile cameras when I'm outside..."

– Argentina

"Face recognition authentication service"

– South Korea



2012 in a campaign done in conjunction with Foursquare, the beverage giant raised awareness of AIDS. In-store signage promoted the initiative, and when consumers checked in to any Starbucks location using Foursquare, Starbucks contributed \$1 to the Global Fund to Fight AIDS.³ While raising up to \$250,000 for a good cause, the campaign also helped Starbucks to quantify the connection between mobile marketing and in-store traffic.

Indeed, Starbucks and other mobile advertising leaders have effectively used multiple mobile capabilities to promote products, including augmented reality. Starbucks' mobile app, Cup Magic, lets customers create animated cups, while Guinness' Blippar app lets consumers decorate their pint of beer with holiday decorations.⁴ While augmented reality is generating a lot of media and analyst interest, mobile users still need to be convinced of its usefulness, at least as a means of initiating location-based search (Figure 6). When asked, "If all options were equally available to you, what would be your preferred way to search the Internet on your mobile device?" just 10 percent of consumers say using the device's camera (augmented reality) would be the most preferred way.

Mobile Payments

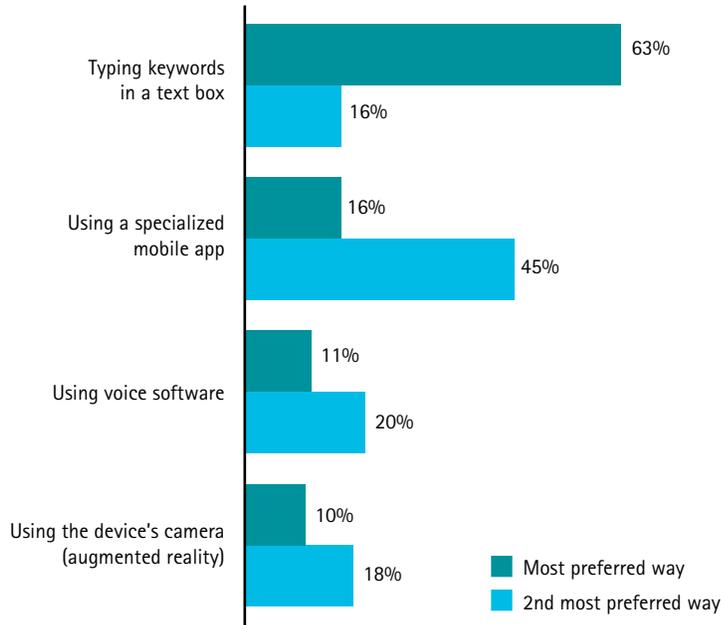
Our research shows that mobile payment capabilities are highly attractive to consumers, presenting CSPs with significant opportunity to lure the elusive highly connected customer and create new revenue streams. Already 20 percent of smartphone users use mobile payments. That number could more than double in the near future, as 31 percent plan to use mobile payments in the next 12 months (Figure 7).

Emerging markets lead in current and planned use of mobile payments, indicating that many consumers in these countries are likely to transition from cash to mobile payments, leapfrogging the use of payment

3. "Starbucks continues mobile reign with multichannel mobile marketing effort," Mobile Commerce Daily, June 19, 2012, <http://www.mobilemarketer.com/cms/news/content/13120.html>.

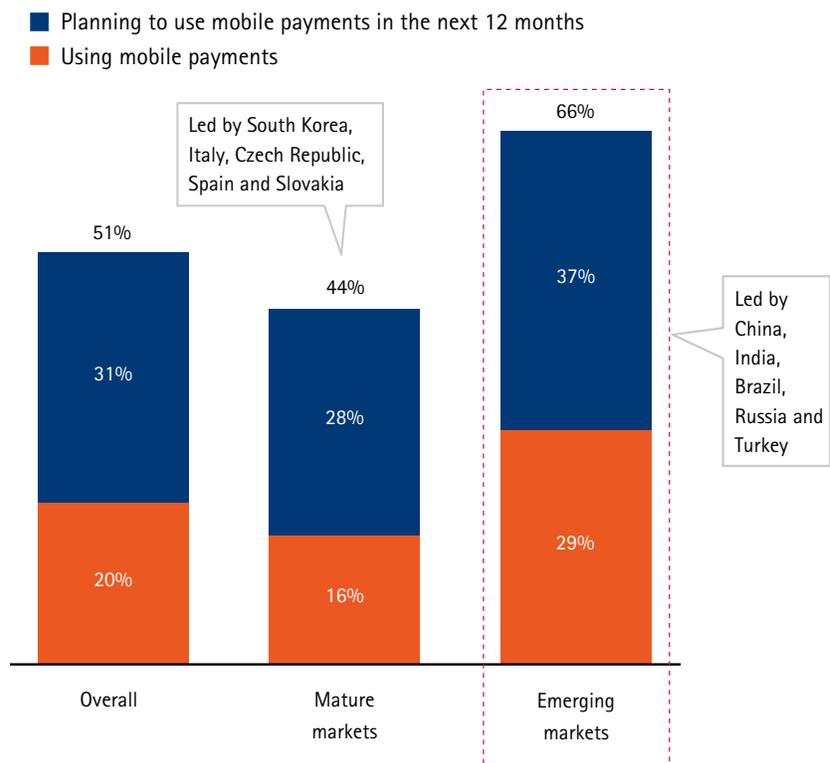
4. "Guinness Lets You Decorate Your Pint of Beer With Augmented Reality App," Mashable, December 16, 2011, <http://mashable.com/2011/12/16/guinness-augmented-reality/>.

Figure 6: Preferred methods of mobile Internet search



Base: All respondents using a smartphone/tablet to access the Internet (n=20,944)

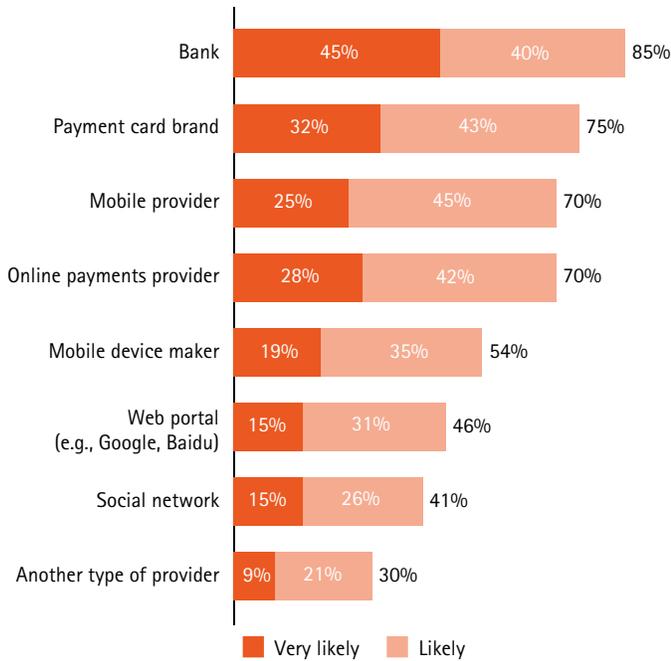
Figure 7: Mobile payments usage among smartphone users



Base: All respondents using a smartphone/tablet to access the Internet (n=20,944)

Figure 8: Preferred providers of mobile payment services

Mature markets



Emerging markets

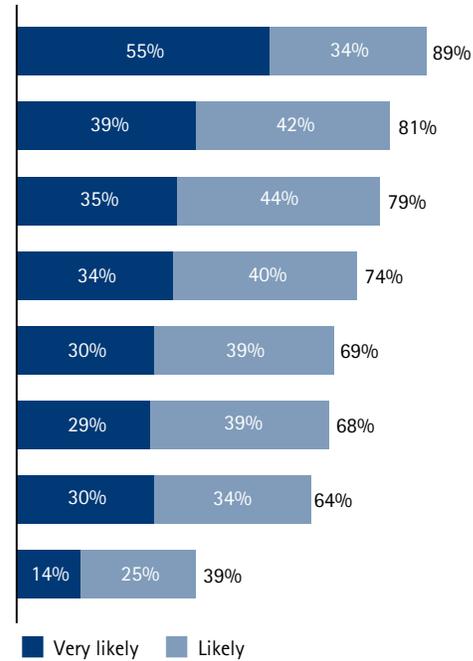
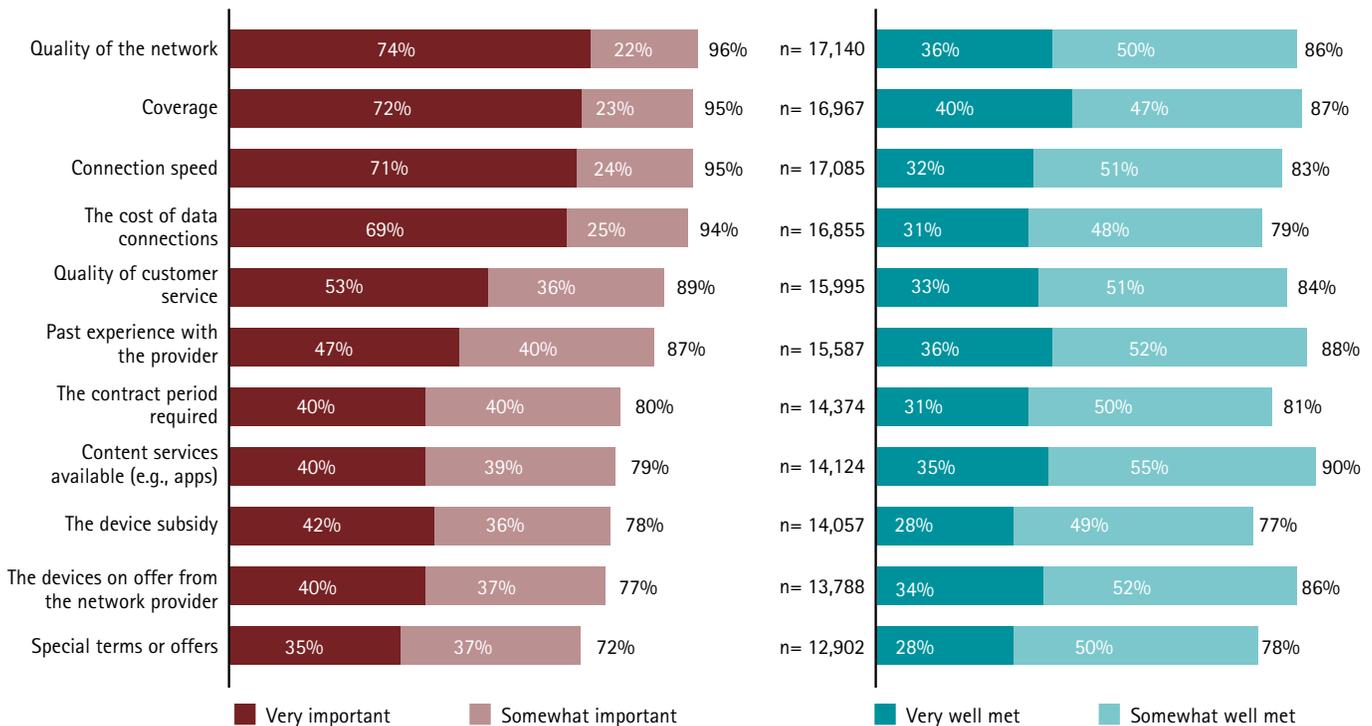


Figure 9: Importance of criteria for choosing mobile Internet provider...

...Satisfaction with current provider in meeting these criteria



Base: All respondents able to choose their provider (n=17,873); All who consider the criterion important (n=see chart)

cards altogether. China and India show the most aggressive adoption. For instance, in China, 81 percent of consumers using a smartphone to access the Internet either use mobile payments now or plan to use them in the next 12 months. In India more than three-fourths do so. These adoption rates are far greater than those in most mature markets where half of the countries surveyed reported less than 40 percent of smartphone users using or planning to use mobile payments.

Globally, our survey shows that mobile payments are more used by people in urban areas, by those with higher education and by heavy users of social media. The most common goods paid for with mobile payments include tickets for events such as concerts, cinema and theatre (55 percent of mobile payment users have purchased these) and tickets for transportation such as air and rail (47 percent have purchased these). However, at least one-third of mobile payment users have also purchased goods such as clothing, groceries and other consumer goods. For example, in part because of a highly effective mobile campaign, Starbucks now processes more than 2.1 million mobile payment transactions each week.⁵

Respondents most preferred banks as their mobile payment service provider: Overall 89 percent said they would be likely or very likely to subscribe to a bank's mobile payment service. A slightly lesser percent would subscribe to a payment card brand's service and overall, 77 percent indicated they were likely to subscribe to a mobile carrier's service. In emerging markets, consumers are generally more open to services of nonfinancial providers, including mobile operators, device manufacturers, web portals and social networks (Figure 8).

Mobile payments are important enough to mobile Internet users that many say they would be willing to switch their mobile provider, bank, device manufacturer or merchant in order to be able to use them. If mobile payments were as widely accepted

as card payments are today, more than half (56 percent) of mobile Internet users would switch to a CSP that offered mobile payments if their current CSP did not do so. This is particularly true in emerging markets, where two-thirds of respondents would switch.

For CSPs, building a strong mobile payment capability does not necessarily require technology investment such as near-field communication (NFC)-enabled smartphones. There are various ways to execute, from mobile technology-enabled to premium SMS, and consumers have demonstrated they embrace text message payments. For some time now, Prague, Czech Republic, has been offering electronic ticketing via SMS to simplify the process of buying tickets for its public transport system. The American Red Cross teams with numerous U.S. mobile service providers to routinely accept disaster relief donations via text message.

As Communications Service Providers attempt to monetize the phenomenal growth of mobile payments, there are numerous avenues to consider. Mobile, and in particular mobile payments, bridge the telco industry to other industries from banking and financial services to consumer goods and the public sector. As these industries converge, mobile phone usage broadens dramatically, becoming the means to do previously inconceivable things—from making payments to watching videos to operating an intelligent home. As a disruptive force, convergence is a threat to the unprepared, but a tremendous growth opportunity for companies that can out-innovate and out-execute their ever-expanding list of competitors under dramatically new marketplace rules.

The "Must Haves"

While the possibilities to innovate are endless, the "table stakes" are no less important to maintain. Consumers indicated there are certain requirements to doing business with them and barriers that must be overcome.

From a "must have" perspective, network quality topped the list: Ninety-six percent of mobile Internet users said it is somewhat or very important in their choice of a mobile provider (Figure 9). This is followed closely by coverage, connection speed and

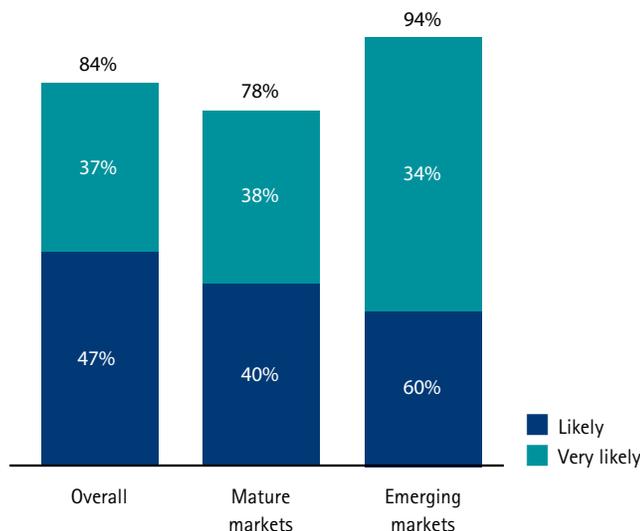
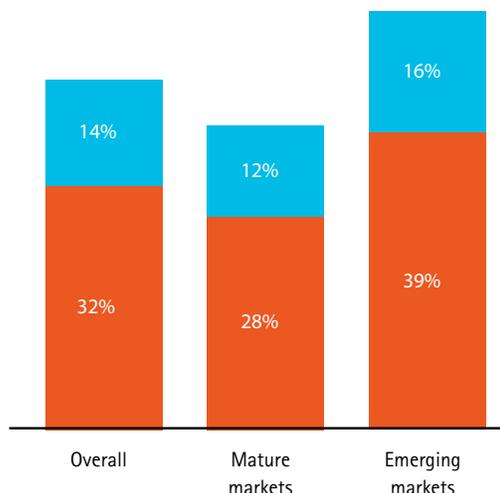
While the possibilities to innovate are endless, the "table stakes" are no less important to maintain. Consumers indicated there are certain requirements to doing business with them and barriers that must be overcome.

5. "Over 7M users for Starbucks payment app," Mobile World Live, January 29, 2013, <http://www.mobileworldlive.com/over-7m-users-for-starbucks-payment-app>.

Figure 10: Usage of Internet calls on smartphones

Likelihood of using Internet calls more frequently...
 "...if the speed and quality of my mobile data connection were improved"

■ Planning to use Internet calls in the next 12 months
 ■ Using Internet calls



Base: All smartphone users (n=19,701)

Base: All respondents with a smartphone supporting Internet calls (n=17,209)

The mobile customer is forever changed. Empowered by smartphones and tablets, savvy consumers have come to expect immediacy at their fingertips. They want everything, everywhere, now.

the cost of data connections. Customer service is an important selection criterion to almost 90 percent of consumers as well. Criteria lower on the list include special terms or offers, the devices offered and device subsidy. While the top requirements are clear, CSPs' performance in these top areas is less than stellar. Fewer than 40 percent of those rating a criterion as important were satisfied that it was very well met by their CSPs.

Security also remains a top concern. Seventy percent of mobile device users had some security concerns, especially about confidentiality of their information. Top concerns about mobile Internet include the users' access information being stolen and misused (feared by 41 percent) and personal information being stolen and used publicly (a concern of 35 percent). Security is a greater concern in mature markets than in emerging markets. Mobile users in emerging markets trust all kinds of providers (mobile providers, device manufacturers, web portals and social networks) more with protecting

their personal information than they do in mature markets. With a more rapid adoption occurring for smartphones and all kinds of apps, consumers in emerging markets appear less inhibited about both usage and security.

An important additional note on security is that survey respondents cited security concerns as the top barrier to use of mobile payments. Nearly half of those not currently using mobile payments said it is because of concern that their payment will not be secure.

Another reality our survey identified is that Internet calls would replace circuit-switched voice calls sooner than expected. Overall 32 percent of smartphone users are placing Internet calls on their mobile phones, and 14 percent plan to do so in the next 12 months (Figure 10). Adoption of Internet calls is stronger in emerging markets than in mature markets, as 55 percent of smartphone users in emerging markets already use or plan to use Internet calls in the next 12 months. Furthermore,



There are numerous opportunities for CSPs to generate incremental revenue in this highly dynamic industry. Communications Service Providers can focus on leveraging their network assets and continuing their investment in capability upgrades.

if the speed and quality of mobile Internet connections were better, nearly all smartphone users—particularly in emerging markets—indicated they would make Internet calls. This is consistent with the behaviors of subscribers who connect using 4G today. Forty-one percent of those who connect with 4G make Internet calls, substantially more than those who connect via other means.

As the trend toward Internet calling progresses, leading CSPs will be proactive in determining how to execute effectively against it. By assuring quality of service as they manage new traffic patterns and by reconsidering the structure of data plans, CSPs can be well positioned to capitalize on opportunities afforded by the shift.

Finding the Best Path

There are numerous opportunities for CSPs to generate incremental revenue in this highly dynamic industry. Communications Service Providers can focus on leveraging their network assets and continuing their investment in capability upgrades. A focus on network assets implies continued investment to build and own the network where other players ride, all while running cost-efficient and lean wholesale operations in pursuit of operational excellence.

CSPs can also keep fighting the battle for customer ownership. A focus on customer ownership requires superior customer service and the building of partnerships with other providers to offer more to the customer, such as a bank or payment card company for mobile payments. It also requires a keen knowledge of customer segments and a targeted ability to reach those customers with the services and apps most relevant to them.

Some CSPs are better at focusing on customer segments; others are better as leaders in the use of best-of-breed technology. Both scenarios require new capabilities to capitalize on the new frontier.⁶

The New Persuaders

The mobile customer is forever changed. Empowered by smartphones and tablets, savvy consumers have come to expect immediacy at their fingertips. They want everything, everywhere, now. The device and the network are simply the means by which they manage and control the communication and entertainment aspects of their lives. They want a breadth of digital offerings at their fingertips and are open to receiving those offerings from the best provider—whoever that may be.

Customer ownership and distribution power give CSPs a position of strength from which to build to meet consumers' ongoing communication and entertainment needs. They have an opportunity to improve their return on investment by monetizing better connectivity. They must also expand horizontally to provide a seamless digital customer experience. This will require deep insight into subscriber behavior, new forms of collaboration within the industry, new capabilities within the organization, and an ability to constantly innovate to keep pace with today's demanding consumers.

With the right capabilities, innovative Communications Service Providers can blaze a trail on the new frontier. They can persuade mobile Internet users to relinquish some control, instead trusting them as the providers to fulfill the bulk of users' communication and entertainment needs.

6. For more information on the capabilities required to capitalize on the new frontier see *Riding the Perfect Storm: Opportunities for European Communications Providers to turn the Tide in a Data Centric World*

About the Survey

The objective of the Mobile Web Watch Survey is to measure and understand mobile Internet usage and uncover emerging trends. Between November 2012 and January 2013, 30,900 individuals in 26 countries participated in an online survey conducted in local languages and targeting Internet users. The survey population is representative of Internet users in terms of age, gender and income (Figure 11).

Figure 11: Survey demographics by gender, age and income

Gender	
Men	51%
Women	49%

Age	
14 - 19 years	11%
20 - 29 years	22%
30 - 39 years	22%
40 - 49 years	19%
50 - 59 years	15%
> 60 years	11%

Income	
Low (bottom 25% in every country)	24%
Medium	51%
High (top 25% in every country)	24%
Don't know	1%

Counts weighted

Figure 12: Survey demographics by country

# Interviews by Mature Markets	
Austria	700
*Czech Republic	1,000
Finland	1,000
France	1,500
Germany	1,500
*Hungary	1,000
Ireland	700
Italy	1,500
*Japan	1,500
*South Korea	1,500
*Netherlands	1,000
*Slovakia	1,000
Spain	1,500
*Sweden	1,000
Switzerland	500
UK	1,500
*US	1,500
TOTAL	19,900

# Interviews by Emerging Markets	
Argentina	500
Brazil	1,500
*Chile	500
*China	2,000
*India	1,500
Mexico	1,500
Russia	1,500
South Africa	1,000
*Turkey	1,000
TOTAL	11,000

* New countries included in survey, 2013
Counts weighted

For more information

To find out more about the Mobile Web Watch 2013 research and findings, please visit www.accenture.com/MobileWebWatch2013 or contact:

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