


Will they pay for it?

To answer the billion-dollar question for this industry, you need to dig deep into consumers' behavior, their conceptions, wants and needs. We asked young people around the world, and here is what we found.

 **MYSPACE, FACEBOOK,** Google, iTunes, Joost, eBay... there is tremendous creativity on the internet, while the telecommunications industry suffers from slowness in both innovation and consumer take-up. The mobile phone is becoming an increasingly advanced tool for communication and media, entertainment, administration, and so on. Still, our industry is worried about the rather slow uptake of new services beyond pure communication. In the blink of an eye, it seems that hundreds of millions of users turn and rush toward popular internet brands.

We have the handsets, we have the network, we have the applications and content, so why the slow growth compared to the internet? Maybe we are looking too much at the internet, trying to copy what is happening there and not fully understanding how people see the internet offerings and what they are willing to pay for and why.

Let's face it

— the internet sets the stage

In this article we will argue that in the "Web 2.0 age" the most important factor for take-up and use of services will be the proposed business model — given, of course, that the service is working and offers a good user experience. Our conclusions are based on consumer research conducted in the UK, Hong Kong, and Sweden during late 2007.

Consumers are heavily influenced by

their experience of the internet when they consider and evaluate uses of the mobile phone beyond voice calls and text messages. They are used to the internet's "free" business models, its vast supply of digital products and services, the many alternatives they have in each category, and the generally better quality of products and services. Therefore, consumers are reluctant to use or pay for the same things in the mobile phone — and realize they can, in most cases, postpone consumption until they have access to a computer with an internet connection.

In building efficient business models, it's important to understand the points where consumers enter into the market, and understand what they bring to their trials and usage of new products and services. If neglected, the consumers' entry points can act as barriers for take-up. If understood, those points can be utilized in outlining business models. As obvious as these entry points may seem, it's apparent that the commercial players in the market have neglected to consider them.

- Many digital products and services have not been adjusted properly to the mobile phone (websites).
- Products and services have not been marketed as unique and customized applications for the mobile phone, but rather as the original brands they are (MSN Messenger).
- Products and services have not met consumers' expectations in terms of, for example, quality (mobile TV). In

effect, the market has moved in halting steps, creating skepticism among consumers. In general, they are unwilling to take a step back from already established behavior to inferior products and services.

- The things that are free on the internet cost money to use on the mobile phone, which just seems unfair to users.

In marketing products and services for the mobile phone, the unique selling point should be the availability of usage, not what is suddenly available.

Sorting out the concepts

Content is understood here as the digital material that people consume, such as music, games, and TV programs. Content is usually the focal point of habitats, something that consumers gather around and socialize about. Usage of content appears to be a relatively individual process. People are on their own and need to have a focused interaction between themselves and the content at hand. It is usually consumed because of a specific interest; for example, people interested in music will download songs, use their phones as MP3 players, or listen to the radio on their phones. Of course, the level of interest varies. People who are very into something are also prone to consume that content in any shape or through any media.

Interest can also be superficial, such as general interest in a TV program. In those cases consumers don't prioritize

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consumption of the content. When bored, people often consume content on their computer at home, but also on their mobile phone (when commuting, for instance). Content consumption for the sake of killing time appears to be of a simple nature. On the computer, people will watch clips on YouTube, listen to the radio, and perform searches. On the mobile phone, they will play simple games (Snake, Worms, Tetris), listen to the radio, or look at photos. More complex content usage is driven by interest (as stated above) and thus subject to more actively planned time.

An extension of yourself

Applications are the tools with which people access and use content, and access other people and habitats in the digital arena; for instance, the PC itself or MSN Messenger. Applications transport or transfer content and habitats to consumers, and the other way around. Applications serve as bridges, without which consumers would have trouble interacting with the world.

Because applications serve such an important function, they become interesting and important in themselves, although still basically bridges to more sought-after things. When consumers discover the importance of applications, they often start to regard them as extensions of themselves. The mobile phone is a good example; originally a tool for calling other people, it is now perceived as a part of its owner. People personalize their phones with ringtones and wallpapers, and toy with the personal message and presence functions on MSN Messenger.

The mobile phone is basically an application, initially used for accessing other people in the social world through voice calls and text messages but now becoming more and more a multi-application that gathers other applications such as voice calls, instant messaging, e-mail, search engines, and TV within one device.

Habitats are locations in the digital arena where content and applications, as well as other people, are gathered and

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reside; for example, the internet itself or communities on the internet. Consumers' desires to be a part of habitats often drive their use of applications. Most often, people enter a habitat in order to interact with other people. Social movements (of groups) are what drive people to partake in habitats, and it is usually because of peer influence (or pressure) that people find out about and begin consuming habitats. On the computer, people are often involved with content and habitats at the same time.

Habitats don't always create the same individual involvement that content consumption does; therefore, consumers can be present but not always active in habitats while consuming content. They switch between the two on their computers and would do so on their mobile phones too if they felt it was practical. When people have time to fill and a computer with internet access, they usually reside (or "hang out") in various habitats. This social activity is perceived as a natural way of spending time.

Residing in habitats hasn't yet become common through the mobile phone, as

consumers find accessing habitats to be impractical through the mobile phone.

Content usage has important implications for habitat usage. Often, habitats form around the interest in a certain type of content, as in the cases of music and MySpace. Likewise, content is often a subject for social activity within the habitats, such as playing Scrabble on Facebook.

The internet as a habitat

The internet can be seen as a "macro" habitat, where the computers linked up are the nodes of the habitat — in other words, the people who come together. Then, within the internet habitat, people have access to various content (when sharing files).

Although primarily an application in character, the mobile phone can also be analyzed as a personal or private habitat, a place where the individual can reside and gather various content for consumption, using the mobile phone as a kind of home. For example, people use their mobile phones a great deal for organizing (calendar, reminders, deleting texts). In that context, the mobile phone serves as a "micro" habitat from where people's lives emerge.

Above, the internet was analyzed as a macro habitat consisting of millions of computers and the people behind these computers. Now, the internet can be analyzed as an application as well, because consumers get access to so many things through it. In reality, the internet accommodates a number of applications within its habitat, applications that people use to gain this access to other goods, services, and content. But the internet itself is still a habitat, which is evident in the typical consumer phrase, "I'm going out on the internet" — an equivalent to saying, "I'm going out to a club tonight." Consumers do go out on the internet to find applications, which gives them further access to content and habitats within the habitat of internet.

As stated above, applications are crucial to consumers. Without them, con-

sumers will not have access to the world. The need for access implies that consumers are willing to pay for getting, ensuring, and controlling access. This willingness is based on several drivers; in particular, interest, urgency, convenience, and peer pressure.

In the first place, access to other people, various types of content and different habitats makes it possible for consumers to carry out their lives in the real world, as well as in the digital arena.

Second, the need for access is often urgent, which ramps up consumers' willingness to pay. Likewise, when they are out of application alternatives, they are willing to choose one that costs money if only to make sure their ability to access the world isn't compromised.

Third, because access is such a crucial part of people's lives, it's a capability that should be ever present for consumers. For that reason, many consumers are willing to pay for convenience. Access shouldn't be too much of a hassle.

Fourth, peer pressure is a key to why consumers are willing to pay for access. It strengthens an individual's consciousness about being left out.

Paying for habitats

Consumers spend plenty of time residing in various digital habitats, particularly communities such as Facebook or MySpace or in forums on, for example, Yahoo or Hong Kong Discuss. Their willingness to spend hours in habitats can be perceived as an interest-driven willingness to also pay for residing in the habitats. But that is most likely a misinterpretation of their behaviour.

Habitats are usually frequented when people have nothing else to do, or frequented parallel to more focused tasks. Moreover, social activity is by nature and tradition free. The digital arena almost always offers a multitude of alternatives for social activity in habitats, which means that consumers have a choice to switch to one that does not cost money. This implies that although the willingness to socialize with other people is a strong driver for usage of



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habitats, it doesn't automatically convey a willingness to pay.

Are there any instances in which consumers are willing to pay for being in habitats? According to our study, the answer is yes and no. If the individual has a great interest in a specific habitat, a habitat that is somehow central to the individual's life, that person is likely to express a willingness to pay for keeping a place in the habitat. In that case, the individual might also be driven by convenience to pay for easy or constant access to the habitat. Likewise, the urgency to take part in something that's going on in a particular habitat can also be a minor driver for willingness to pay for a presence in the habitat. Generally, though, habitats belong to a category of digital products and services that consumers are not willing to pay for other than indirectly.

Paying for content

Practically all consumers have an interest in some kind of content, and whenever that interest is great enough, it becomes a distinct want that will drive willingness to pay for getting that particular content. The interest driver is predominant in the content category and is also a sort-of basis for other drivers, such as no-alternative, urgency, and convenience. In general, there's a will-

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ingness to pay for any kind of content that works well on a mobile phone.

The no-alternative driver comes into play for content subcategories such as news, information, and TV/film, as these are content types that consumers often want to consume on specific occasions and might only be available on the mobile phone. Urgency is mainly a driver for subcategories like news and information, as these types of content can be urgent by nature. And convenience is a logical consequence of interest for those consumers who cannot be active in searching for content.

For a few categories, novelty is currently driving willingness to pay in the mobile phone arena. Not novelty in the sense of new content, but in the sense of the content category being new to the mobile phone and therefore cool and exiting to experience in a new device. This is true primarily for the subcategory TV/film.

Finally, status is a driver in the subcategory content for personalization.

Summarizing the opinions from our consumer groups, we found three basic requirements for a business model built on charging. It must be:

• Fair

A payment model should be fair. Consumers understand fair as a transaction in which both parties benefit. Fairness is also linked to consumers' understanding of a company's need to charge a certain price in order to be able to deliver a quality product or service. If consumers see this need, they are more willing to pay. Music downloading is an example where many consumers feel they want to pay because they want to reward the artist for his or her work.

• Transparent

A payment model should also be transparent. It should not have a hidden agenda or hidden costs. Consum-



ers want to understand the value they're buying, and they want to understand all aspects of the price they're paying. They also want to understand (to some extent) why a company charges at a particular price level.

• **Consumer-controlled**

A payment model should most of all put the consumer in control. Consumers want to manage their own willingness to pay for a product or service. They do not want to be controlled by the commercial part, having to follow unexpected twist and turns of the transaction. In the best of worlds, consumers would also like to have an opportunity to choose payment model in a transaction; they would like to have a choice. Most importantly, they want to feel control over their costs. No unpleasant surprises. That is why flat rate is so popular and consumers are willing to pay a premium for control.

Consumers perceive the mobile phone as an application and, more specifically, as a communication tool. Accordingly, they use the mobile phone primarily to access other people in the social world. Products and services that fall into the category of communication applications are perceived as fitting and natural for the mobile phone. Other types of applications, content, and habitats require consumers to become used to using them in the mobile phone before they accept them.


Don't complicate it

Take-up is one thing; willingness to pay is another. Before consumers are ready to pay, drivers such as interest, no alternative, urgency, convenience, peer pressure, novelty, and status have to override the expectation that products and services in the digital arena are usually free, or at least included in a subscription or network access fee.

Advertising can be used as either an alternative or an additional business model. Whenever advertising is applied to products or services for the mobile phone, it must be handled with care, con-

sidering that the mobile phone is located in a consumer's private sphere, where advertising is usually perceived as invasive. The three basic advertising principles — agreement, optional, and relevant — become extremely critical when using the mobile phone as an advertising channel.

In conclusion, it appears as if the requirements consumers put on the commercial part are very logical, relevant, and straightforward. Unfortunately, though, the industry hasn't yet managed to meet the demands on the

consumers' own terms. Instead, in many cases the industry has made life complicated for them. When things become complicated, consumers turn away. However, this study shows that there is great potential for Web 2.0 products and services to move into the mobile phone. We've seen examples of that happening already. But it is only the right "consumer friendly" business models that acknowledge consumers' established consumption patterns that can really accelerate this take-up. 

The target group was recruited according to the following criteria:

- Age 17–30 years
- Has a mobile phone, 3G access and a personal computer in the home
- Heavy user of MSN Messenger on the mobile phone
- Has tried new applications for the mobile phone, for example Skype
- Advanced internet user
- Relatively early adopter regarding new technology

Scope of fieldwork:

- 12 focus groups, 8 respondents/group, 2 hours/group. The focus groups took place in Hong Kong, London, and Stockholm.
- 8 in-depth interviews, 1.5 hours/interview
- 10 Delphi interviews

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